



Comprehensive Annual Financial Report  
Year Ended December 31, 2013  
**City of Wadena, Minnesota**

Prepared by Office of City Administration  
Lloyd Lanz, Finance Officer

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Introductory Section

Letter of Transmittal.....	1
GFOA Certificate of Achievement.....	4
Official Directory .....	5
Organizational Chart .....	6

Financial Section

Independent Auditor’s Report .....	7
Management’s Discussion and Analysis .....	10
Basic Financial Statements	
Government-Wide Financial Statements	
Statement of Net Position.....	18
Statement of Activities .....	19
Fund Financial Statements	
Balance Sheet - Governmental Funds .....	20
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position .....	21
Statement of Revenues, Expenditures, and Changes in Fund Balances Governmental Funds .....	22
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities.....	23
Statement of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual General Fund .....	24
Proprietary Funds	
Statement of Net Position.....	25
Statement of Revenues, Expenses and Changes in Net Position.....	26
Statement of Cash Flows .....	27
Agency Funds	
Statement of Fiduciary Net Position.....	28
Notes to Financial Statements .....	29

Required Supplementary Information

Schedule of Funding Progress .....	48
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Combining and Individual Fund Schedules

Combining Financial Statements Nonmajor Governmental Funds	
Combining Balance Sheet - Nonmajor Governmental Funds.....	49
Combining Schedules of Revenues, Expenditures, and Changes in Fund Balances - Nonmajor Governmental Funds .....	50
Combining Balance Sheet - Nonmajor Special Revenue Funds .....	51
Combining Statement of Revenues, Expenses, and Changes in Fund Net Position - Nonmajor Special Revenue Funds .....	52

Supplementary Statements and Schedules	
General Fund	
Comparative Balance Sheets .....	53
Schedule of Revenues – Budget and Actual.....	54
Schedule of Expenditures – Budget and Actual .....	55
Proprietary Funds	
Comparative Statements of Net Position.....	57
Comparative Statements Revenues, Expenses, and Changes in Net Position .....	58
Comparative Statements of Cash Flows.....	59
Agency Funds	
Combining Schedule of Changes in Assets and Liabilities.....	61
Other Reports	
Schedule of Expenditures of Federal Awards .....	62
Notes to Schedule of Expenditures of Federal Awards .....	63
Independent Auditor’s Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i> .....	64
Report on <i>Minnesota Legal Compliance</i> .....	66
Independent Auditor’s Report on Compliance for Each Major Federal Program; Report on Internal Control over Compliance Required by OMB Circular A-133 .....	67
Schedule of Findings and Questioned Costs .....	69
Summary Schedule of Prior Audit Findings .....	74
Statistical Section	
Components of Net Position .....	75
Changes in Net Position.....	76
Fund Balances of Governmental Funds .....	79
General Government Tax Revenues by Source .....	82
Tax Capacity and Estimated Actual Value of Taxable Property (1).....	83
Property Tax Rates – Direct and Overlapping Governments (1).....	84
Principal Property Taxpayers.....	85
Property Tax Levies and Collections (1) .....	86
Ratios of Outstanding Debt by Type .....	87
Ratios of General Bonded Debt Outstanding.....	88
Computation of Direct and Overlapping Debt.....	89
Legal Debt Margin Information.....	90
Pledged Revenue Coverage .....	91
Demographic and Economic Statistics .....	93
Principal Employers (1).....	94
Full-Time Equivalent City Government Employees by Function .....	95
Operating Indicators by Function .....	96
Capital Assets Statistics by Function.....	97



## Introductory Section

June 10, 2014

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, 2013, 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 4<sup>th</sup> 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 \$12,365,439 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, 2012. 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 21 years.

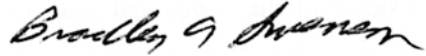
In order to be awarded a Certificate of Achievement, a government unit must publish an easily readable and efficiently organized comprehensive annual financial report whose contents conform to program standards. The CAFR must satisfy both generally accepted accounting principles and applicable legal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

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

## Acknowledgements

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

Respectfully submitted,



Bradley A. Swenson  
City Administrator



Lloyd J. Lanz  
Finance Officer





Government Finance Officers Association

Certificate of  
Achievement  
for Excellence  
in Financial  
Reporting

Presented to

**City of Wadena**  
**Minnesota**

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended

**December 31, 2012**

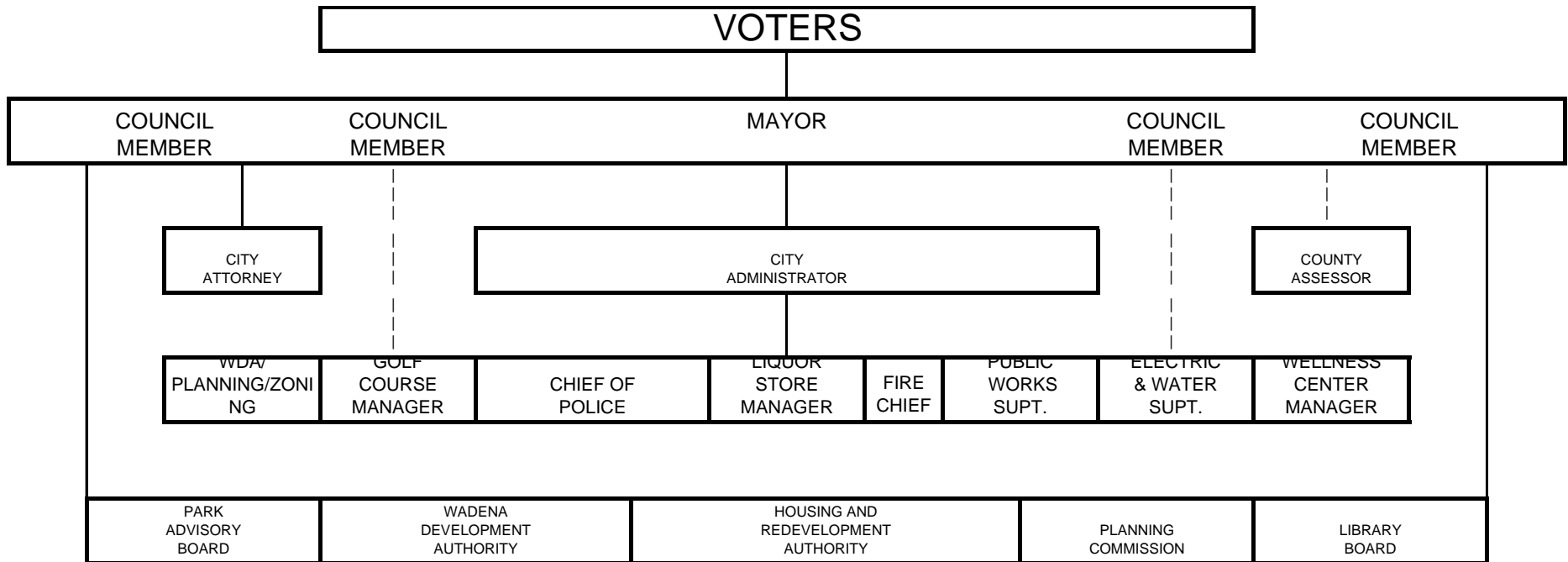
Executive Director/CEO

**Elected Officials**

<b>Name</b>	<b>Position</b>	<b>Term Expires</b>
Wayne Wolden	Mayor	12/31/14
Toby Pierce	Council Member	12/31/14
Jeanette Baymler	Council Member	12/31/14
Gillette Kempf	Council Member	12/31/16
Brian Hillesland	Council Member	12/31/16

**Appointed Officials**

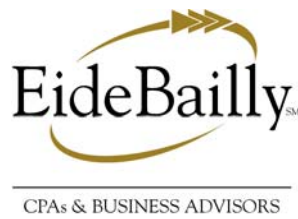
Bradley Swenson	City Administrator
Jeff Pederson	City Attorney
Naomi Plautz	Police Chief
Dean Uselman	Fire Chief
Dean Uselman	Planning and Zoning/WDA Director
Daniel Kovar	Public Works Superintendent
David Evans	Electric & Water Superintendent
Tim Booth	Liquor Store Manager
Kevin Ross	Golf Course Manager





## 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



## **Independent Auditor's Report**

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

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Wadena, Minnesota (the City), as of and for the year ended December 31, 2013, 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, 2013, 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 9, 2014 on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

A handwritten signature in cursive script that reads "Eide Bailly LLP". The signature is written in black ink and is positioned above the typed text.

Fargo, North Dakota  
June 9, 2014

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, 2013. 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 \$35,309,548 (net assets), compared to \$32,732,041 for 2012, an increase of 7.9%.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$1,887,305, or 70.1% of the total general fund expenditures.
- The City's total long term bonded debt decreased from \$7,472,845 in 2012 to \$6,339,411 in 2013.

### **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 \$37,216,508 at the close of the most recent fiscal year.

**Statement of Net Position**

	Governmental Activities		Business-Type Activities		Total	
	2013	2012	2013	2012	2013	2012
<b>Assets</b>						
Cash and investments	\$ 5,501,474	\$ 3,422,797	\$ 3,664,974	\$ 4,200,255	\$ 9,166,448	\$ 7,623,052
Other assets	2,466,505	3,146,208	1,936,408	1,017,299	4,402,913	4,163,507
Capital assets	10,584,949	8,906,989	21,131,250	20,640,870	31,716,199	29,547,859
Total assets	\$ 18,552,928	\$ 15,475,994	\$ 26,732,632	\$ 25,858,424	\$ 45,285,560	\$ 41,334,418
<b>Liabilities and Net Position</b>						
<b>Liabilities</b>						
Other liabilities	\$ 692,639	\$ 196,618	\$ 776,263	\$ 700,074	\$ 1,468,902	\$ 896,692
Long-term outstanding	2,179,481	3,242,168	4,420,669	4,463,517	6,600,150	7,705,685
Total liabilities	2,872,120	3,438,786	5,196,932	5,163,591	8,069,052	8,602,377
<b>Net position</b>						
Net investment						
in capital assets	8,559,949	6,179,466	16,769,240	16,227,542	25,329,189	22,407,008
Restricted	3,132,049	1,312,273	-	-	3,132,049	1,312,273
Unrestricted	3,988,810	4,545,469	4,766,460	4,467,291	8,755,270	9,012,760
Total net position	15,680,808	12,037,208	21,535,700	20,694,833	37,216,508	32,732,041
Total liabilities and net position	\$ 18,552,928	\$ 15,475,994	\$ 26,732,632	\$ 25,858,424	\$ 45,285,560	\$ 41,334,418

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	
	2013	2012	2013	2012	2013	2012
<b>Revenues</b>						
Program revenues						
Charges for services	\$ 624,352	\$ 610,361	\$ 8,762,975	\$ 8,738,985	\$ 9,387,327	\$ 9,349,346
Operating grants and contributions	177,007	175,959	-	-	177,007	175,959
Capital grants and contributions	3,352,135	234,222	-	-	3,352,135	234,222
General revenues						
Property taxes	908,925	807,527	-	-	908,925	807,527
Unrestricted state aid	2,377,619	2,682,438	-	-	2,377,619	2,682,438
Unrestricted investment earnings	(40,996)	56,049	(26,730)	87,011	(67,726)	143,060
Miscellaneous	87,523	131,030	224,860	48,432	312,383	179,462
Gain on disposal of capital assets	-	-	-	-	-	-
<b>Total revenues</b>	<b>7,486,565</b>	<b>4,697,586</b>	<b>8,961,105</b>	<b>8,874,428</b>	<b>16,447,670</b>	<b>13,572,014</b>
<b>Expenses</b>						
General government	602,499	834,901	-	-	602,499	834,901
Public safety	955,348	659,777	-	-	955,348	659,777
Public works	654,610	365,526	-	-	654,610	365,526
Culture and recreation	229,374	277,531	-	-	229,374	277,531
Economic development	1,144,374	459,799	-	-	1,144,374	459,799
Airport	359,270	631,415	-	-	359,270	631,415
Interest on debt	83,514	165,883	-	-	83,514	165,883
Municipal liquor	-	-	1,711,625	1,643,842	1,711,625	1,643,842
Sewer utility	-	-	587,591	562,294	587,591	562,294
Water utility	-	-	449,126	462,403	449,126	462,403
Electric utility	-	-	4,777,042	4,520,279	4,777,042	4,520,279
Golf course	-	-	408,830	407,704	408,830	407,704
<b>Total expenses</b>	<b>4,028,989</b>	<b>3,394,832</b>	<b>7,934,214</b>	<b>7,596,522</b>	<b>11,963,203</b>	<b>10,991,354</b>
Excess before transfers	3,457,576	1,302,754	1,026,891	1,277,906	4,484,467	2,580,660
Transfers	186,024	(294,112)	(186,024)	294,112	-	-
Change in net position	3,643,600	1,008,642	840,867	1,572,018	4,484,467	2,580,660
Beginning net position	12,037,208	11,028,566	20,694,833	19,122,815	32,732,041	30,151,381
Ending net position	<u>\$ 15,680,808</u>	<u>\$ 12,037,208</u>	<u>\$ 21,535,700</u>	<u>\$ 20,694,833</u>	<u>\$ 37,216,508</u>	<u>\$ 32,732,041</u>

**Governmental Activities**

Governmental activities increased the City's net position by \$3,457,576 before transfers from the business-type activities and bond proceeds. Key elements of the increase are as follows:

- State of Minnesota Grant for the Development of a new City owned Wellness Center.
- Donations for a City owned Wellness Center.

**Business-type Activities**

Business-type activities increased the City's net position by \$1,026,891 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.
- Unbudgeted reimbursement for cost of equipment usage, from FEMA, for tornado repairs.
- Liquor sales were 3% more than budgeted, \$55,905.

**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)
	12/31/13	12/31/12		
Governmental Funds:				
General	\$ 2,124,581	\$ 2,969,260	\$ (844,679)	-28.4%
Debt service	496,465	1,202,418	(705,953)	-58.7%
MIF revolving loan fund #2	58,677	223,703	(165,026)	-73.8%
Capital projects	2,497,632	114,250	2,383,382	2086.1%
Proprietary Funds:				
Municipal Liquor	303,239	475,175	(171,936)	-36.2%
Sewer Utility	5,563,810	5,259,772	304,038	5.8%
Water Utility	2,205,924	2,151,435	54,489	2.5%
Electric Utility	12,500,103	11,859,686	640,417	5.4%
Golf Course	962,624	948,765	13,859	1.5%

**General Fund Budgetary Highlights**

- Actual revenues for 2013 were \$2,467,543, compared to budgeted revenues of \$2,156,507. Largest overage was for intergovernmental revenues of \$2,761,483, for FEMA funds reimbursed for prior years expenditures. Miscellaneous revenues were \$113,966, compared to budgeted revenues of \$73,750. Other causes include an increase in cable television franchise fees in the amount of \$19,261; an increase in snow removal revenues and reimbursements in the amount of \$25,004; storm help overcharges reimbursed by local fire departments in the amount of \$9,338; and an increase in fire run fees in the amount of \$14,188.
- Actual expenditures for 2013 were 2,692,937, compared to budgeted expenditures of \$2,575,209. The largest overages were as follows: Firefighter wages in the amount of \$16,530; snow and ice removal expenses in the amount of \$41,000; and transfers to the new City owned wellness center in the amount of \$415,997.

**Capital Assets**

The City's investment in capital assets for its governmental and business-type activities as of December 31, 2013, amounts to \$29,809,239 (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	
	2013	2012	2013	2012	2013	2012
Capital assets (net of accumulated depreciation where applicable)						
Land	\$ 2,068,215	\$ 2,068,215	\$ 631,619	\$ 631,619	\$ 2,699,834	\$ 2,699,834
Construction in progress	1,906,960	40,017	1,542,994	5,806,292	3,449,954	5,846,309
Buildings	2,214,376	2,203,433	7,748,575	4,943,459	9,962,951	7,146,892
Improvements other than buildings	1,640,497	1,703,886	-	-	1,640,497	1,703,886
Machinery and equipment	1,271,906	1,404,577	2,684,601	964,670	3,956,507	2,369,247
General plant and system	-	-	8,523,461	8,294,830	8,523,461	8,294,830
Infrastructure	1,482,995	1,486,864	-	-	1,482,995	1,486,864
Total capital assets	\$ 10,584,949	\$ 8,906,992	\$ 21,131,250	\$ 20,640,870	\$ 31,716,199	\$ 29,547,862

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

- Expenditures recorded as construction in progress for the new City owned Wellness Center in the amount of \$1,906,960.
- Purchase of a sludge truck for the Wastewater Treatment Plant in the amount of \$245,626.
- Purchase of a Police Interceptor, in the amount of \$30,941.
- Purchase of a pickup for the water department in the amount of \$28,196.
- Purchase of a sand pro and a mower for the golf course in the amounts of \$10,100 & 9,619, respectively.
- Purchase of a new cooler and shelving for the liquor store in the amounts of \$8,881 & \$7,556, respectively.
- Increase in additions to the Wastewater Treatment Plan in the amount of \$242,323.

### Long-term Debt

At the end of the current fiscal year, the City had \$6,600,150 in long-term debt.

### Outstanding Debt

	Governmental Activities		Business-Type Activities		Total	
	2013	2012	2013	2012	2013	2012
General obligation bonds	\$ 2,025,000	\$ 3,102,523	\$ 4,314,411	\$ 4,370,322	\$ 6,339,411	\$ 7,472,845
OPEB obligation	48,758	25,585	-	-	48,758	25,585
Compensated absences	105,723	114,060	106,258	93,195	211,981	207,255
Total long-term debt	<u>\$ 2,179,481</u>	<u>\$ 3,242,168</u>	<u>\$ 4,420,669</u>	<u>\$ 4,463,517</u>	<u>\$ 6,600,150</u>	<u>\$ 7,705,685</u>

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 3 lots available for the sale. The City is in the process of developing a business park next to the current industrial park. This park will have 14 lots available for future development. The lots should be available for sale in 2015, but without infrastructure. The City is looking for funding to complete the business park infrastructure.
- The completion of the four lanes on US Highway 10, currently scheduled for 2027, could spur significant growth along the four lanes, and generate more traffic running through the City. The City continues to seek ways to speed this project to completion. The City hopes to obtain Federal or State funding to accomplish this project. MNDOT has recently completed a transportation study in Wadena and is planning a rebuild of 6/10ths of a mile, of the through town portion, of Highway 10 in the summer of 2018.

- The City is planning an infrastructure project for the southeast section of town. This project is planned for the summers of 2015 and 2016. The current estimate for the project is \$9,400,000.00, 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. In 2014 the City will be replacing the existing blacktop surfaces in the non-runway and taxiway portions of the airport.
- Electric & Water rates are set to stay ahead of inflation for the next few years. The City will be having a rate study conducted in 2014 to review our rate structure.
- The City has completed 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 be staying above water and continuing to thrive in the present economy. Lost some businesses in the last year, but there seems to be new interest and hope for the future/ There is a general increase in growth and construction in the areas of housing, retail and manufacturing, and all but one of the top 10 employers added employees in the past year, with the one remaining at the same number as the previous year.
- 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 has been mostly replaced and the City will finish the rest in 2014. Much progress has been made with projects to continue until completed. Most of the affected residential and commercial properties have been 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 \$12,365,439.00 wellness center, to include an indoor pool, therapeutic pool, gymnasium, fitness area, meeting rooms, racquet ball courts, and offices. Construction started in October 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, 2013

	Primary Government		
	Governmental Activities	Business-type Activities	Total
<b>Assets</b>			
Cash and cash equivalents	\$ 938,347	\$ 513,727	\$ 1,452,074
Investments	4,553,127	3,151,247	7,704,374
Receivables			
Accounts (net of allowance)	12,009	1,078,171	1,090,180
Interest	7,492	4,060	11,552
Property taxes (net of allowance)	144	-	144
Loans	1,114,535	-	1,114,535
Special assessments	533,225	-	533,225
Due from other governmental units	790,617	273,292	1,063,909
Prepaid items	8,483	56,010	64,493
Inventories	-	524,875	524,875
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	1,906,960	1,542,994	3,449,954
Buildings	2,214,376	7,748,575	9,962,951
Improvements other than buildings	1,640,497	-	1,640,497
Machinery and equipment	1,271,906	2,684,601	3,956,507
Infrastructure	1,482,995	8,523,461	10,006,456
Total assets	<u>\$ 18,552,928</u>	<u>\$ 26,732,632</u>	<u>\$ 45,285,560</u>
<b>Liabilities and Net Position</b>			
<b>Liabilities</b>			
Accounts payable	\$ 617,114	\$ 545,736	\$ 1,162,850
Other accrued liabilities	55,348	51,940	107,288
Consumer deposits	-	148,675	148,675
Accrued interest payable	20,177	29,912	50,089
Noncurrent liabilities			
Due within one year	675,407	184,599	860,006
Due in more than one year	1,504,074	4,236,070	5,740,144
Total liabilities	<u>2,872,120</u>	<u>5,196,932</u>	<u>8,069,052</u>
<b>Net Position</b>			
Net investment in capital assets	8,559,949	16,769,240	25,329,189
Restricted for:			
Debt service	496,465	-	496,465
Commercial loans	62,056	-	62,056
Residential loans	59,259	-	59,259
Tax increment district	6,637	-	6,637
Capital projects	2,497,632	-	2,497,632
Merickel park	10,000	-	10,000
Unrestricted	3,988,810	4,766,460	8,755,270
Total net position	<u>15,680,808</u>	<u>21,535,700</u>	<u>37,216,508</u>
Total liabilities and net position	<u>\$ 18,552,928</u>	<u>\$ 26,732,632</u>	<u>\$ 45,285,560</u>



City of Wadena, Minnesota  
Statement of Activities  
Year Ended December 31, 2013

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		
					Governmental Activities	Business-Type Activities	Total
Primary government							
Governmental activities							
General government	\$ 602,499	\$ 246,113	\$ 84,015	\$ 25,963	\$ (246,408)	\$ -	\$ (246,408)
Public safety	955,348	35,863	57,379	-	(862,106)	-	(862,106)
Public works	654,610	231,453	-	3,308,757	2,885,600	-	2,885,600
Culture and recreation	229,374	34,269	8,075	-	(187,030)	-	(187,030)
Economic development	1,144,374	28,875	6,349	17,415	(1,091,735)	-	(1,091,735)
Airport	359,270	47,779	21,189	-	(290,302)	-	(290,302)
Interest on long-term debt	83,514	-	-	-	(83,514)	-	(83,514)
Total governmental activities	<u>4,028,989</u>	<u>624,352</u>	<u>177,007</u>	<u>3,352,135</u>	<u>124,505</u>	<u>-</u>	<u>124,505</u>
Business-type activities							
Municipal liquor	1,711,625	1,866,905	-	-	-	155,280	155,280
Sewer utility	587,591	667,279	-	-	-	79,688	79,688
Water utility	449,126	502,822	-	-	-	53,696	53,696
Electric utility	4,777,042	5,380,512	-	-	-	603,470	603,470
Golf course	408,830	345,457	-	-	-	(63,373)	(63,373)
Total business-type activities	<u>7,934,214</u>	<u>8,762,975</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>828,761</u>	<u>828,761</u>
Total primary government	<u>\$ 11,963,203</u>	<u>\$ 9,387,327</u>	<u>\$ 177,007</u>	<u>\$ 3,352,135</u>	124,505	828,761	953,266
General revenues							
Property taxes					799,957	-	799,957
Franchise fees					108,968	-	108,968
Unrestricted state aid					2,377,619	-	2,377,619
Unrestricted investment earnings (loss)					(40,996)	(26,730)	(67,726)
Miscellaneous					87,523	224,860	312,383
Transfers					186,024	(186,024)	-
Total general revenue and transfers					<u>3,519,095</u>	<u>12,106</u>	<u>3,531,201</u>
Change in net position					3,643,600	840,867	4,484,467
Net position - beginning					12,037,208	20,694,833	32,732,041
Net position - ending					<u>\$ 15,680,808</u>	<u>\$ 21,535,700</u>	<u>\$ 37,216,508</u>

City of Wadena, Minnesota  
Balance Sheet - Governmental Funds  
December 31, 2013

	General	Debt Service	MIF Revolving Loan Fund #2	Capital Projects	Other Governmental Funds	Total Governmental Funds
<b>Assets</b>						
Cash and cash equivalents	\$ -	\$ -	\$ 38,647	\$ 639,581	\$ 260,119	\$ 938,347
Investments	1,292,013	770,964	20,000	2,270,000	200,150	4,553,127
Permanently restricted investments	-	-	-	-	10,000	10,000
Receivables						
Accounts	12,009	-	-	-	-	12,009
Interest	2,620	1,159	30	3,413	270	7,492
Property taxes	13,202	15,945	-	-	-	29,147
Allowance for delinquent taxes	(13,058)	(15,945)	-	-	-	(29,003)
Loans	-	-	529,804	-	584,731	1,114,535
Special assessments	18,907	514,318	-	-	-	533,225
Prepaid items	8,483	-	-	-	-	8,483
Due from other funds	281,418	587	-	-	-	282,005
Due from other governmental units	631,492	5,173	-	153,952	-	790,617
<b>Total assets</b>	<b>\$ 2,247,086</b>	<b>\$ 1,292,201</b>	<b>\$ 588,481</b>	<b>\$ 3,066,946</b>	<b>\$ 1,055,270</b>	<b>\$ 8,249,984</b>
<b>Liabilities and Fund Balance</b>						
<b>Liabilities</b>						
Accounts payable	\$ 47,664	\$ -	\$ -	\$ 569,314	\$ 136	\$ 617,114
Other liabilities	55,348	-	-	-	-	55,348
Due to other funds	587	281,418	-	-	-	282,005
Unearned revenue	18,906	514,318	529,804	-	584,735	1,647,763
<b>Total liabilities</b>	<b>122,505</b>	<b>795,736</b>	<b>529,804</b>	<b>569,314</b>	<b>584,871</b>	<b>2,602,230</b>
<b>Fund Balances</b>						
<b>Nonspendable</b>						
Prepaid items	8,483	-	-	-	-	8,483
<b>Restricted</b>						
Debt service	-	496,465	-	-	-	496,465
Commercial loans	-	-	-	-	62,056	62,056
Residential loans	-	-	-	-	59,259	59,259
Tax increment district	-	-	-	-	6,637	6,637
Capital projects	-	-	-	2,497,632	-	2,497,632
Merickel park	-	-	-	-	10,000	10,000
<b>Committed</b>						
Economic development	-	-	58,677	-	312,297	370,974
<b>Assigned</b>						
Equipment	228,793	-	-	-	-	228,793
Library	-	-	-	-	20,150	20,150
Unassigned	1,887,305	-	-	-	-	1,887,305
<b>Total fund balances</b>	<b>2,124,581</b>	<b>496,465</b>	<b>58,677</b>	<b>2,497,632</b>	<b>470,399</b>	<b>5,647,754</b>
<b>Total liabilities and fund balances</b>	<b>\$ 2,247,086</b>	<b>\$ 1,292,201</b>	<b>\$ 588,481</b>	<b>\$ 3,066,946</b>	<b>\$ 1,055,270</b>	<b>\$ 8,249,984</b>

City of Wadena, Minnesota  
 Reconciliation of the Governmental Funds  
 Balance Sheet to the Statement of Net Position  
 December 31, 2013

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Total Fund Balances - Governmental Funds		\$ 5,647,754
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.		10,584,949
Other assets are not available to pay for current-period expenditures and, therefore, are either not recognized as a receivable or are unearned in the funds.		1,647,763
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds. In the current period these amounts are		
General obligation bonds	\$ (2,025,000)	
OPEB obligations	(48,758)	
Compensated absences	(105,723)	
Accrued interest	(20,177)	
	(2,199,658)	(2,199,658)
Net Position of Governmental Activities		\$ 15,680,808

City of Wadena, Minnesota  
Statement of Revenues, Expenditures, and Changes in Fund Balances  
Governmental Funds  
Year Ended December 31, 2013

	General	Debt Service	MIF Revolving Loan Fund #2	Capital Projects	Other Governmental Funds	Total Governmental Funds
<b>Revenues</b>						
Property taxes	\$ 462,999	\$ 428,981	\$ -	\$ -	\$ 16,349	\$ 908,329
Special assessments	23,156	122,774	-	-	-	145,930
Licenses and permits	27,190	-	-	-	-	27,190
Intergovernmental	1,610,740	9,011	-	493,113	491,027	2,603,891
Charges for service	204,608	-	-	-	-	204,608
Fines and forfeitures	24,884	-	-	-	-	24,884
Investment earnings	-	-	278	-	987	1,265
Rents	24,222	-	-	-	-	24,222
Contributions	11,763	-	-	-	-	11,763
Reimbursements	34,659	-	-	-	-	34,659
Loan repayments	-	-	84,696	-	114,965	199,661
Donations	-	-	-	3,073,523	-	3,073,523
Miscellaneous	43,322	-	-	-	59,100	102,422
Total revenues	<u>2,467,543</u>	<u>560,766</u>	<u>84,974</u>	<u>3,566,636</u>	<u>682,428</u>	<u>7,362,347</u>
<b>Expenditures</b>						
<b>Current</b>						
General government	748,809	-	-	-	-	748,809
Public safety	872,867	-	-	-	-	872,867
Public works	549,705	-	-	-	-	549,705
Culture and recreation	302,248	-	-	-	32,653	334,901
Economic development	-	-	250,000	-	56,887	306,887
Airport	96,725	-	-	-	-	96,725
Miscellaneous	84,999	-	-	-	480,135	565,134
<b>Debt service</b>						
Principal	-	1,085,000	-	-	-	1,085,000
Interest, fees and abatements	965	98,787	-	18,777	-	118,529
<b>Capital outlay</b>						
General government	19,191	-	-	-	-	19,191
Public works	7,321	-	-	2,037,210	-	2,044,531
Culture and recreation	10,107	-	-	-	-	10,107
Economic development	-	-	-	-	71,161	71,161
Total expenditures	<u>2,692,937</u>	<u>1,183,787</u>	<u>250,000</u>	<u>2,055,987</u>	<u>640,836</u>	<u>6,823,547</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(225,394)	(623,021)	(165,026)	1,510,649	41,592	538,800
<b>Other Financing Sources (Uses)</b>						
Transfers in	414,721	-	-	872,733	17,653	1,305,107
Transfers out	(1,036,151)	(82,932)	-	-	-	(1,119,083)
Sale of capital assets	2,145	-	-	-	-	2,145
Total other financing sources (uses)	<u>(619,285)</u>	<u>(82,932)</u>	<u>-</u>	<u>872,733</u>	<u>17,653</u>	<u>188,169</u>
Net Change in Fund Balances	(844,679)	(705,953)	(165,026)	2,383,382	59,245	726,969
Fund Balances, Beginning of Year	<u>2,969,260</u>	<u>1,202,418</u>	<u>223,703</u>	<u>114,250</u>	<u>411,154</u>	<u>4,920,785</u>
Fund Balances, End of Year	<u>\$ 2,124,581</u>	<u>\$ 496,465</u>	<u>\$ 58,677</u>	<u>\$ 2,497,632</u>	<u>\$ 470,399</u>	<u>\$ 5,647,754</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, 2013

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Net Change in Fund Balances - Total Governmental Funds		\$ 726,969
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		2,031,888
Depreciation expense		(349,924)
The net effect of the disposal of capital assets is to decrease net position		(4,009)
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	\$ 1,647,763	
Prior period balance	(1,483,489)	
Current year effect		164,274
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	(105,723)	
Prior period balance	114,060	
Current year effect		8,337
Interest payable is reported in the government wide statement of net position but is not recorded in the governmental funds.		
Current period balance	(20,177)	
Prior period balance	31,892	
Current year effect		11,715
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	(48,758)	
Prior period balance	25,585	
Current year effect		(23,173)
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 issuance costs		(7,477)
Bond principal retirement		1,085,000
Change in Net Position of Governmental Activities		<u>\$ 3,643,600</u>

City of Wadena, Minnesota  
Statement of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual  
General Fund  
Year Ended December 31, 2013

	<u>Original and Final Budget</u>	<u>Actual Amounts</u>	<u>Variance With Final Budget</u>
<b>Revenues</b>			
Property taxes	\$ 460,702	\$ 462,999	\$ 2,297
Special assessments	18,932	23,156	4,224
Licenses and permits	26,490	27,190	700
Intergovernmental	1,405,333	1,610,740	205,407
Charges for services	148,800	204,608	55,808
Fines and forfeitures	22,500	24,884	2,384
Miscellaneous	73,750	113,966	40,216
Total revenues	<u>2,156,507</u>	<u>2,467,543</u>	<u>311,036</u>
<b>Expenditures</b>			
Current			
General government	452,275	748,809	(296,534)
Public safety	869,873	872,867	(2,994)
Public works	573,630	549,705	23,925
Culture and recreation	333,213	302,248	30,965
Airport	207,709	96,725	110,984
Miscellaneous	81,409	84,999	(3,590)
Debt service	3,000	965	2,035
Capital outlay			
General government	24,600	19,191	5,409
Public safety	4,500	-	4,500
Public works	8,500	7,321	1,179
Culture and recreation	16,500	10,107	6,393
Total expenditures	<u>2,575,209</u>	<u>2,692,937</u>	<u>(117,728)</u>
Deficiency of Revenues			
Under Expenditures	(418,702)	(225,394)	193,308
<b>Other Financing Sources (Uses)</b>			
Transfers in	417,910	414,721	(3,189)
Transfers out	-	(1,036,151)	(1,036,151)
Sale of capital assets	5,000	2,145	(2,855)
Total other financing sources (uses)	<u>422,910</u>	<u>(619,285)</u>	<u>(1,042,195)</u>
Net Change in Fund Balances	<u>\$ 4,208</u>	(844,679)	<u>\$ (848,887)</u>
Fund Balances, Beginning of Year		<u>2,969,260</u>	
Fund Balances, End of Year		<u>\$ 2,124,581</u>	

City of Wadena, Minnesota  
Statement of Net Position  
Proprietary Funds  
December 31, 2013

	Municipal Liquor	Sewer Utility	Water Utility	Electric Utility	Golf Course	Total
<b>Assets</b>						
<b>Current Assets</b>						
Cash and cash equivalents	\$ 25,809	\$ 26,293	\$ 178,957	\$ 282,668	\$ -	\$ 513,727
Investments	67,039	150,000	-	2,934,208	-	3,151,247
Accounts receivable - net	19,178	37,468	21,253	1,000,272	-	1,078,171
Interest receivable	101	226	-	3,733	-	4,060
Due from other governments	-	273,292	-	-	-	273,292
Prepaid expenses	6,485	16,033	6,261	20,038	7,193	56,010
Inventories	177,511	-	16,948	312,033	18,383	524,875
<b>Total current assets</b>	<b>296,123</b>	<b>503,312</b>	<b>223,419</b>	<b>4,552,952</b>	<b>25,576</b>	<b>5,601,382</b>
<b>Noncurrent Assets</b>						
<b>Capital assets</b>						
Land	-	4,600	2,850	44,993	579,176	631,619
Construction in progress	-	-	-	1,542,994	-	1,542,994
Buildings	188,862	7,025,081	2,540,841	787,169	423,598	10,965,551
Equipment	82,096	2,153,880	809,690	1,088,797	620,214	4,754,677
General plant and system	-	2,117,933	2,154,524	10,704,957	-	14,977,414
Less accumulated depreciation	(187,562)	(3,257,714)	(2,126,336)	(5,508,957)	(660,436)	(11,741,005)
<b>Total capital assets</b>	<b>83,396</b>	<b>8,043,780</b>	<b>3,381,569</b>	<b>8,659,953</b>	<b>962,552</b>	<b>21,131,250</b>
<b>Total assets</b>	<b>\$ 379,519</b>	<b>\$ 8,547,092</b>	<b>\$ 3,604,988</b>	<b>\$ 13,212,905</b>	<b>\$ 988,128</b>	<b>\$ 26,732,632</b>
<b>Liabilities and Net Position</b>						
<b>Current Liabilities</b>						
Accounts payable	\$ 60,679	\$ 8,419	\$ 557	\$ 475,238	\$ 843	\$ 545,736
Accrued interest	-	16,398	13,514	-	-	29,912
Other accrued liabilities	7,994	6,854	4,296	28,973	3,823	51,940
Consumer deposits	-	-	-	148,675	-	148,675
Current portion of long-term debt	3,499	3,312	141,920	26,282	9,586	184,599
<b>Total current liabilities</b>	<b>72,172</b>	<b>34,983</b>	<b>160,287</b>	<b>679,168</b>	<b>14,252</b>	<b>960,862</b>
<b>Noncurrent Liabilities</b>						
Accrued compensated absences	4,108	3,888	5,777	33,634	11,252	58,659
Bonds payable (net of current portion)	-	2,944,411	1,233,000	-	-	4,177,411
<b>Total noncurrent liabilities</b>	<b>4,108</b>	<b>2,948,299</b>	<b>1,238,777</b>	<b>33,634</b>	<b>11,252</b>	<b>4,236,070</b>
<b>Total liabilities</b>	<b>76,280</b>	<b>2,983,282</b>	<b>1,399,064</b>	<b>712,802</b>	<b>25,504</b>	<b>5,196,932</b>
<b>Net Position</b>						
Net investment in capital assets	79,897	5,096,057	2,006,649	8,633,671	952,966	16,769,240
Unrestricted	223,342	467,753	199,275	3,866,432	9,658	4,766,460
<b>Total net position</b>	<b>303,239</b>	<b>5,563,810</b>	<b>2,205,924</b>	<b>12,500,103</b>	<b>962,624</b>	<b>21,535,700</b>
<b>Total liabilities and net position</b>	<b>\$ 379,519</b>	<b>\$ 8,547,092</b>	<b>\$ 3,604,988</b>	<b>\$ 13,212,905</b>	<b>\$ 988,128</b>	<b>\$ 26,732,632</b>

City of Wadena, Minnesota  
Statement of Revenues, Expenses and Changes in Net Position  
Proprietary Funds  
Year Ended December 31, 2013

	Municipal Liquor	Sewer Utility	Water Utility	Electric Utility	Golf Course	Total
Operating Revenues						
Sales	\$ 1,866,905	\$ -	\$ -	\$ -	\$ 115,243	\$ 1,982,148
Cost of sales	(1,433,404)	-	-	-	(71,507)	(1,504,911)
Gross profit	<u>433,501</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>43,736</u>	<u>477,237</u>
Charges for services	-	664,914	501,532	5,290,825	212,317	6,669,588
Miscellaneous	-	2,365	1,290	89,687	17,897	111,239
Total operating revenues	<u>433,501</u>	<u>667,279</u>	<u>502,822</u>	<u>5,380,512</u>	<u>273,950</u>	<u>7,258,064</u>
Operating Expenses						
Administration	144,961	36,922	74,842	300,071	170,142	726,938
Purchased power	-	-	-	3,595,956	-	3,595,956
Operating and maintenance	109,383	333,931	165,988	304,416	121,677	1,035,395
Equipment maintenance	12,821	43,443	3,393	31,638	15,425	106,720
Customer account expense	-	-	31,913	218,921	-	250,834
Depreciation	11,056	129,914	134,171	326,040	30,079	631,260
Total operating expenses	<u>278,221</u>	<u>544,210</u>	<u>410,307</u>	<u>4,777,042</u>	<u>337,323</u>	<u>6,347,103</u>
Operating Income (Loss)	155,280	123,069	92,515	603,470	(63,373)	910,961
Other Income (Expense)						
Investment earnings (loss)	16	(510)	793	(27,029)	-	(26,730)
Interest expense	-	(43,381)	(38,819)	-	-	(82,200)
Intergovernmental	-	224,860	-	-	-	224,860
Total other income (expense)	<u>16</u>	<u>180,969</u>	<u>(38,026)</u>	<u>(27,029)</u>	<u>-</u>	<u>115,930</u>
Net Income (Loss) Before Transfers	155,296	304,038	54,489	576,441	(63,373)	1,026,891
Transfers In	-	-	-	600,002	77,232	677,234
Transfers Out	<u>(327,232)</u>	<u>-</u>	<u>-</u>	<u>(536,026)</u>	<u>-</u>	<u>(863,258)</u>
Change in Net Position	(171,936)	304,038	54,489	640,417	13,859	840,867
Total Net Position, Beginning of Year	<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 Net Position, End of Year	<u>\$ 303,239</u>	<u>\$ 5,563,810</u>	<u>\$ 2,205,924</u>	<u>\$ 12,500,103</u>	<u>\$ 962,624</u>	<u>\$ 21,535,700</u>



City of Wadena, Minnesota  
Statement of Cash Flows  
Proprietary Funds  
Year Ended December 31, 2013

	Municipal Liquor	Sewer Utility	Water Utility	Electric Utility	Golf Course	Total
<b>Operating Activities</b>						
Receipts from customers and users	\$ 1,878,845	\$ 662,716	\$ 502,393	\$ 5,297,491	\$ 346,033	\$ 8,687,478
Payments to suppliers	(1,560,560)	(384,774)	(204,212)	(4,106,980)	(200,657)	(6,457,183)
Payments to employee costs	(143,196)	(41,525)	(75,019)	(284,825)	(169,312)	(713,877)
Net Cash From (Used For) Operating Activities	<u>175,089</u>	<u>236,417</u>	<u>223,162</u>	<u>905,686</u>	<u>(23,936)</u>	<u>1,516,418</u>
<b>Noncapital Financing Activities</b>						
Net proceeds on due from other funds	-	-	33,577	(579,196)	(33,577)	(579,196)
Transfer from other funds	-	-	-	600,002	77,232	677,234
Transfer to other funds	(327,232)	-	-	(536,026)	-	(863,258)
Net Cash From (Used For) Noncapital Financing Activities	<u>(327,232)</u>	<u>-</u>	<u>33,577</u>	<u>(515,220)</u>	<u>43,655</u>	<u>(765,220)</u>
<b>Capital and Related Financing Activities</b>						
Property and equipment additions	(16,435)	(487,949)	(56,755)	(540,782)	(19,719)	(1,121,640)
Proceeds from long-term debt	-	263,089	-	-	-	263,089
Payments on long-term debt	-	-	-	-	-	-
Principal	-	(186,000)	(133,000)	-	-	(319,000)
Interest	-	(43,381)	(38,819)	-	-	(82,200)
Net Cash Used For Capital and Related Financing Activities	<u>(16,435)</u>	<u>(454,241)</u>	<u>(228,574)</u>	<u>(540,782)</u>	<u>(19,719)</u>	<u>(1,259,751)</u>
<b>Investing Activities</b>						
Sale (purchase) of investments	125,617	50,643	50,161	460,013	-	686,434
Interest and dividends from investments	16	(509)	793	(27,029)	-	(26,729)
Net Cash From Investing Activities	<u>125,633</u>	<u>50,134</u>	<u>50,954</u>	<u>432,984</u>	<u>-</u>	<u>659,705</u>
Change in Cash and Cash Equivalents	(42,945)	(167,690)	79,119	282,668	-	151,152
Cash and Cash Equivalents, Beginning of Year	68,754	193,983	99,838	-	-	362,575
Cash and Cash Equivalents, End of Year	<u>\$ 25,809</u>	<u>\$ 26,293</u>	<u>\$ 178,957</u>	<u>\$ 282,668</u>	<u>\$ -</u>	<u>\$ 513,727</u>
<b>Reconciliation of Operating Income (Loss) to Net Cash From (Used For) Operating Activities</b>						
Operating income (loss)	\$ 155,280	\$ 123,069	\$ 92,515	\$ 603,470	\$ (63,373)	\$ 910,961
Adjustments to reconcile operating income (loss) to net cash from (used for) operating activities						
Depreciation	11,056	129,914	134,171	326,040	30,079	631,260
Changes in assets and liabilities						
Accounts receivable	11,940	(4,563)	(429)	(83,021)	576	(75,497)
Prepaid items	(1,282)	(3,329)	2,014	4,935	11,440	13,778
Inventories	(23,867)	-	2,762	(29,617)	(2,612)	(53,334)
Accounts payable	18,944	(7,184)	(6,688)	44,347	418	49,837
Other current liabilities	1,253	3,113	(1,006)	24,286	(1,294)	26,352
Accrued compensated absences	1,765	(4,603)	(177)	15,246	830	13,061
Net Cash From (Used For) Operating Activities	<u>\$ 175,089</u>	<u>\$ 236,417</u>	<u>\$ 223,162</u>	<u>\$ 905,686</u>	<u>\$ (23,936)</u>	<u>\$ 1,516,418</u>

City of Wadena, Minnesota  
Statement of Fiduciary Net Position  
Agency Funds  
December 31, 2013

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Assets	
Cash and cash equivalents	<u><u>\$ 626,183</u></u>
Liabilities	
Due to other governmental units	<u><u>\$ 626,183</u></u>

## **Note 1 - Significant Accounting Policies**

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

The following is a summary of the significant accounting policies:

### **Reporting Entity**

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

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

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

### **Government-Wide and Fund Financial Statements**

The goal of government-wide financial statements is to present a broad overview of government's finances. The basic statements that form the government-wide financial statements are the statement of net position and the statement of activities. These two statements report information on all of the non-fiduciary activities of the government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which are normally financed through taxes and intergovernmental revenues, are reported separately from business-type activities, which are normally financed through user fees and charges for goods or services.

The statement of activities reports gross direct expenses by function reduced by program revenues. This results in a measurement of net revenue or expense for each of the government's activities. Direct expenses are those that are clearly identifiable with a specific function. Program revenues are directly associated with the function or business-type activity and include 1) charges for services and 2) operating or capital grants and contributions that are restricted to a particular function. Tax and other items not properly included among program revenues are reported instead as general revenues.

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

## **Measurement Focus, Basis of Accounting and Financial Statement Presentation**

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

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

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

The City reports the following major governmental funds:

### **General Fund**

The general fund is the general operating fund of the City. All financial resources of the general government that are not required to be reported in another fund are accounted for in the general fund.

### **Debt Service**

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

### **Capital Projects**

The capital projects fund accounts for the resources accumulated and payments made for capital projects 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.

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

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

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenue of the City's enterprise funds and internal service funds are charges to customers for sales and services. Operating expenses for enterprise funds and internal service funds include the cost of sales and services, administrative expenses and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

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

## **Other Significant Accounting Policies**

### **Budgets and Budgetary Accounting**

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

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

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

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

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

### **Cash and Investments**

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

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

### **Receivables and Credit Policy**

Receivables are carried at invoice amounts less an estimate made for uncollectible accounts. Management determines the allowance for uncollectible accounts by using historical experience and review of individual customer accounts. The allowance for uncollectible accounts receivable is \$6,551 in the electric utility fund.

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

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

### **Inventories**

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

### **Prepaid Items**

Payments made to vendors for services that will benefit periods beyond December 31, 2013, 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.

### **Donations**

During the year ended December 31, 2013, the City received a substantial amount of donations that are reported in the Capital Projects fund. These donations will be used for construction of the Wadena Regional Wellness Center.

Property, plant, and equipment of the primary government are depreciated using the straight line method over the following estimated useful lives:

Buildings	50 years
Improvements other than buildings	40 years
Machinery and equipment	5-15 years
General plant and system	25-50 years
Infrastructure	25 years

### **Compensated Absences**

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

The City compensates employees for all unused vacation pay upon termination of employment for union and nonunion employees. Effective January 1, 1996, employees receive 80 hours of vacation each year for the first year through the fifth year of employment. During the sixth through tenth year of employment employees receive 120 hours. After ten years of service employees receive an additional eight hours per year up to a maximum of 160 hours. After twenty years of service employees receive an additional eight hours per year, up to a total of 180 hours.

### **Long-Term Liabilities**

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method. Bond issuance costs are expensed in the period incurred. Bonds payable are reported net of the applicable bond premium or discount.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.



## **Fund Balance**

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

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

City Council establishes fund balance commitments by passage of a resolution. This is typically done through adoption and amendment of the budget. 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 - Expenditures in Excess of Appropriations**

For the year ended December 31, 2013, expenditures exceeded appropriations in the General Fund by \$117,728. These over expenditures were funded from available fund balance.

**Note 3 - Deposits and Investments**

Deposits consisted of the following at December 31, 2013:

	Cash	Certificates of Deposit	Investments	Total
Primary government	\$ 1,456,809	\$ 3,537,139	\$ 4,172,500	\$ 9,166,448
Agency funds	626,183	-	-	626,183
	<u>\$ 2,082,992</u>	<u>\$ 3,537,139</u>	<u>\$ 4,172,500</u>	<u>\$ 9,792,631</u>

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, 2013:

Deposit or Investment Type	Fair Value	Maturities (in Years)			
		Not Applicable	< 1	1 - 5	> 5 - 10
Cash	\$ 1,456,809	\$ 1,456,809	\$ -	\$ -	\$ -
U.S. Government Securities	1,202,648	582,782	-	-	619,866
Mutual Funds	941,916	941,916	-	-	-
Money Market Funds	975,129	-	100,000	244,878	630,251
External Investment Pool - 4M Fund	1,052,807	1,052,807	-	-	-
Certificates of Deposit	<u>3,537,139</u>	<u>-</u>	<u>633,676</u>	<u>2,903,463</u>	<u>-</u>
Total deposits and investments	<u>\$ 9,166,448</u>	<u>\$ 4,034,314</u>	<u>\$ 733,676</u>	<u>\$ 3,148,341</u>	<u>\$ 1,250,117</u>

**Concentration of Credit Risk**

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

### **Custodial Credit Risk – Deposits**

Custodial credit risk is the risk that in the event of a bank failure, the City's deposits may not be returned to the City. State statutes require that insurance, surety bonds or collateral protect all city deposits. The market value of collateral pledged must equal 110% of the deposits not covered by insurance or bonds (140% in the case of mortgage notes pledged). At December 31, 2013, 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 \$768,461 at December 31, 2013.

### **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, 2013, 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, 2013, loans receivable consisted of loans from individuals and organizations and had a total balance of \$1,114,535. The loans have maturity dates between 2014 and 2020 and interest rates ranging from 0% to 7.5%.

### Note 6 - Capital Assets

Governmental fund capital asset activity for the year ended December 31, 2013 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities				
Capital assets, not being depreciated				
Land	\$ 2,068,215	\$ -	\$ -	\$ 2,068,215
Construction in Progress	40,017	1,906,960	40,017	1,906,960
Total capital assets, not being depreciated	<u>2,108,232</u>	<u>1,906,960</u>	<u>40,017</u>	<u>3,975,175</u>
Capital assets, being depreciated				
Buildings	3,247,419	76,359	56,680	3,267,098
Improvements other than buildings	2,601,967	-	-	2,601,967
Machinery and equipment	3,046,928	59,854	57,179	3,049,603
Infrastructure	1,615,569	28,732	-	1,644,303
Total capital assets, being depreciated	<u>10,511,883</u>	<u>164,945</u>	<u>113,859</u>	<u>10,562,971</u>
Less accumulated depreciation for				
Buildings	1,043,986	65,416	56,680	1,052,722
Improvements other than buildings	898,081	63,389	-	961,470
Machinery and equipment	1,642,351	188,516	53,170	1,777,697
Infrastructure	128,705	32,603	-	161,308
Total accumulated depreciation	<u>3,713,123</u>	<u>349,924</u>	<u>109,850</u>	<u>3,953,197</u>
Total capital assets, being depreciated, net	<u>6,798,760</u>	<u>(184,979)</u>	<u>4,009</u>	<u>6,609,774</u>
Governmental activities capital assets, net	<u>\$ 8,906,992</u>	<u>\$ 1,721,981</u>	<u>\$ 44,026</u>	<u>\$ 10,584,949</u>

Construction in progress balance as of December 31, 2013 relates to the new Wellness Center that is being built.

Business-type fund capital asset activity for the year ended December 31, 2013 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	5,806,292	27,787	4,291,085	1,542,994
Total capital assets, not being depreciated	<u>6,437,911</u>	<u>27,787</u>	<u>4,291,085</u>	<u>2,174,613</u>
Capital assets, being depreciated				
Buildings	8,006,465	2,959,622	536	10,965,551
Machinery and equipment	2,923,696	1,833,079	2,098	4,754,677
General plant and system	14,385,177	592,237	-	14,977,414
Total capital assets, being depreciated	<u>25,315,338</u>	<u>5,384,938</u>	<u>2,634</u>	<u>30,697,642</u>
Less accumulated depreciation for				
Buildings	3,063,006	154,507	537	3,216,976
Machinery and equipment	1,959,026	113,147	2,097	2,070,076
General plant and system	6,090,347	363,606	-	6,453,953
Total accumulated depreciation	<u>11,112,379</u>	<u>631,260</u>	<u>2,634</u>	<u>11,741,005</u>
Total capital assets, being depreciated, net	<u>14,202,959</u>	<u>4,753,678</u>	<u>-</u>	<u>18,956,637</u>
Business-type activities capital assets, net	<u>\$ 20,640,870</u>	<u>\$ 4,781,465</u>	<u>\$ 4,291,085</u>	<u>\$ 21,131,250</u>

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

Governmental activities	
General government	\$ 14,717
Public safety	78,472
Public works	51,448
Culture and recreation	41,947
Infrastructure	32,603
Airport	130,737
Total depreciation expense - governmental activities	<u>\$ 349,924</u>
Business-type activities	
Municipal liquor	\$ 11,056
Sewer utility	129,914
Water utility	134,171
Electric utility	326,040
Golf course	30,079
Total depreciation expense - business-type activities	<u>\$ 631,260</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, 2013:

	<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	\$ 3,110,000	\$ -	\$ 1,085,000	\$ 2,025,000	\$ 630,000
Less: Deferred amounts on refunding	(7,477)	-	(7,477)	-	-
OPEB Obligation	25,585	23,173	-	48,758	-
Compensated absences	114,060	71,254	79,591	105,723	45,407
	<u>3,242,168</u>	<u>94,427</u>	<u>1,157,114</u>	<u>2,179,481</u>	<u>675,407</u>
Governmental activity Long-term debt	\$ 3,242,168	\$ 94,427	\$ 1,157,114	\$ 2,179,481	\$ 675,407
Business-type activities					
General obligation bonds	\$ 4,370,322	\$ 263,089	\$ 319,000	\$ 4,314,411	\$ 137,000
Compensated absences	93,195	99,286	86,223	106,258	47,599
	<u>4,463,517</u>	<u>362,375</u>	<u>405,223</u>	<u>4,420,669</u>	<u>184,599</u>
Business-type activity Long-term debt	\$ 4,463,517	\$ 362,375	\$ 405,223	\$ 4,420,669	\$ 184,599

**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				
2004 Crossover Refunding Bonds	3.5 - 3.9	2015	\$ 2,885,000	\$ 540,000
2009 Taxable Improvement Bonds	2.2 - 5	2020	800,000	620,000
2012A Refunding Bonds	1.0	2016	1,045,000	865,000
				<u>\$ 2,025,000</u>
Business-type activities				
General Obligation Bonds				
2002 Water Revenue Note	2.6	2022	\$ 2,615,975	\$ 1,370,000
2012 Sewer Revenue Note	1.5	2031	3,130,411	2,944,411
				<u>\$ 4,314,411</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, 2013, are as follows:

Years Ending December 31,	Governmental Activities		Business-type Activities	
	Principal	Interest	Principal	Interest
2014	\$ 630,000	\$ 137,775	\$ 137,000	\$ 284,950
2015	645,000	14,540	329,000	92,402
2016	375,000	110,118	336,000	85,729
2017	90,000	110,623	343,000	78,902
2018	90,000	13,563	350,000	71,923
2019-2023	195,000	14,513	1,684,000	248,561
2024-2028	-	-	1,117,000	124,825
2029-2031	-	-	18,411	2,057
Total	<u>\$ 2,025,000</u>	<u>\$ 401,132</u>	<u>\$ 4,314,411</u>	<u>\$ 989,349</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, 2013, is \$2,487,716.

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

### Compensated Absences

Compensated absences for governmental funds are recorded as a liability in the governmental activities in the government-wide statement. For the proprietary funds, compensated absences are recorded as a liability. This liability matures only upon qualified retirements or terminations.

**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 prior to December 31, 2012 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	\$ 10,822
Amortization of UAAL over 30 years	11,460
Interest on OPEB Obligation	891
 Total year-end ARC	 23,173
Contributions made	-
 Increase in OPEB Obligation	 23,173
Net OPEB Obligation, Beginning of Year	25,585
 Net OPEB Obligation, End of Year	 \$ 48,758

The City’s annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for fiscal years 2013 and 2012 was as follows:

Fiscal Year Ended	Annual OPEB Cost	Annual OPEB Cost Contributed	OPEB Obligation
12/31/13	\$ 23,173	0%	\$ 48,758
12/31/12	25,585	0%	25,585



### **Funded Status and Funding Progress**

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

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

### **Methods and Assumptions**

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

In the December 31, 2013 valuation, the projected unit credit cost method was used. The assumptions included a 1.0 percent investment rate of return (net of administrative expenses), which is a blended rate of the expected long-term investment returns on the employer's own investments calculated based on the funded level of the plan at the valuation date, and an annual healthcare cost trend rate of 7 percent. The 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, 2013, are as follows:

	Receivable	Payable
General Fund	\$ 281,418	\$ 587
Debt service fund	587	281,418
	\$ 282,005	\$ 282,005

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

	Transfer out				Total
	General Fund	Debt Service	Municipal Liquor	Electric Utility	
Transfer in					
General	\$ -	\$ -	\$ 100,000	\$ 314,721	\$ 414,721
Capital Projects	418,496	82,932	150,000	221,305	872,733
Nonmajor Governmental	17,653	-	-	-	17,653
Electric	600,002	-	-	-	600,002
Nonmajor Proprietary	-	-	77,232	-	77,232
Total	\$ 1,036,151	\$ 82,932	\$ 327,232	\$ 536,026	\$ 1,982,341

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, 2013.

## **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 General Employees Retirement Fund (GERF), 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.

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

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

Two methods are used to compute benefits for PERA's Coordinated and Basic Plan members. The retiring member receives the higher of 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 GERF members hired prior to July 1, 1989 whose annuity is calculated using Method 1, a full annuity is available when age plus years of service equal 90. Normal retirement age is 55 for PEPFF and 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 GERS, 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. GERS Basic Plan members and Coordinated Plan members were required to contribute 9.1% and 6.25%, respectively, of their annual covered salary in 2013. PEPFF members were required to contribute 9.6% of their annual covered salary in 2013. The City is required to contribute the following percentages of annual covered payroll: 11.78% for Basic Plan GERS 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, 2013, 2012 and 2011 were \$107,769, \$106,717, and \$102,801, respectively. The City's contributions to the Public Employees Police and Fire Fund for the years ending December 31, 2013, 2012 and 2011 were \$53,771, \$54,135, and \$59,238, 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, 2013, 2012 and 2011 were \$26,810, \$18,813, and \$18,347, respectively.

### **Note 12 - Commitments**

The City has an active construction project for building the Wadena Regional Wellness Center as of December 31, 2013. At year-end, the City's commitment on this project amounted to \$8,146,234.

### **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 Not Effective Statements**

The Governmental Accounting Standards Board (GASB) has issued several statements not yet implemented by the City.

GASB Statement No. 67, Financial Reporting for Pension Plans. The objective of Statement 67 is to improve financial reporting by state and local governmental pension plans. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for pension with regard to providing decision-useful information, supporting assessments of accountability and inter-period equity, and creating additional transparency. This Statement replaces the requirements of GASB No. 25, Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans, and No. 50, Pension Disclosures, as they relate to pension plans that are administered through trust or equivalent arrangements (hereafter jointly referred to as trusts) that meet certain criteria. The requirements of Statements 25 and 50 remain applicable to pension plans that are not administered through trusts covered by the scope of this Statement and to defined contribution plans that provide postemployment benefits other than pension. GASB 67 is effective for periods beginning after June 15, 2013.

GASB Statement No. 68, Accounting and Financial Reporting for Pensions, establishes accounting and financial reporting requirements related to pension for governments whose employees are provided with pension through pension plans that are covered by the scope of this Statement, as well as for nonemployer governments that have a legal obligation to contribute to those plans. This Statement establishes a definition of a pension plan that reflects the primary activities associated with the pension arrangement – determine pensions, accumulating and managing assets dedicated for pensions, and paying benefits to plan members as they come due. GASB 68 is effective for periods beginning after June 15, 2014.

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



Required Supplementary Information  
December 31, 2013

## City of Wadena, Minnesota

City of Wadena, Minnesota  
 Schedule of Funding Progress  
 December 31, 2013

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

**Note to the Schedule of Funding Progress**

The standard requires a schedule of funding progress for the three most recent valuations and accompanying notes to describe factors that significantly affect the trends in the amounts reported. The City implemented the standard as of December 31, 2009 and there have been no assumption changes made. When calculated, the amounts prior to 2012 were determined to be immaterial; however, when calculated in 2012 this amount was considered material and was recorded as a liability.



Combining and Individual Fund Schedules  
December 31, 2013

# City of Wadena, Minnesota



City of Wadena, Minnesota  
Combining Balance Sheet -  
Nonmajor Governmental Funds  
December 31, 2013

	Special Revenue Funds	Tax Increment	Permanent Fund	Total Nonmajor Governmental Funds
<b>Assets</b>				
Cash and cash equivalents	\$ 253,482	\$ 6,637	\$ -	\$ 260,119
Investments	200,150	-	-	200,150
Permanently restricted investments	-	-	10,000	10,000
Receivables				
Interest	270	-	-	270
Loans	584,731	-	-	584,731
Total assets	<u>\$ 1,038,633</u>	<u>\$ 6,637</u>	<u>\$ 10,000</u>	<u>\$ 1,055,270</u>
<b>Liabilities and Fund Balance</b>				
Accounts payable	\$ 136	\$ -	\$ -	\$ 136
Unearned revenue	584,735	-	-	584,735
Total liabilities	<u>584,871</u>	<u>-</u>	<u>-</u>	<u>584,871</u>
<b>Fund balances</b>				
Restricted				
Commercial loans	62,056	-	-	62,056
Residential loans	59,259	-	-	59,259
Tax increment district	-	6,637	-	6,637
Merickel park	-	-	10,000	10,000
Committed				
Economic development	312,297	-	-	312,297
Assigned				
Library	20,150	-	-	20,150
Total fund balances	<u>453,762</u>	<u>6,637</u>	<u>10,000</u>	<u>470,399</u>
Total liabilities and fund balances	<u>\$ 1,038,633</u>	<u>\$ 6,637</u>	<u>\$ 10,000</u>	<u>\$ 1,055,270</u>

City of Wadena, Minnesota  
Combining Schedules of Revenues, Expenditures, and Changes in Fund Balances -  
Nonmajor Governmental Funds  
Year Ended December 31, 2013

	Special Revenue Funds	Tax Increment	Permanent Fund	Total Nonmajor Governmental Funds
Revenues				
Property taxes	\$ -	\$ 16,349	\$ -	\$ 16,349
Intergovernmental	491,027	-	-	491,027
Investment earnings	987	-	-	987
Loan repayments	114,965	-	-	114,965
Miscellaneous	59,100	-	-	59,100
Total revenues	<u>666,079</u>	<u>16,349</u>	<u>-</u>	<u>682,428</u>
Expenditures				
Current				
Culture and recreation	32,653	-	-	32,653
Economic development	45,448	11,439	-	56,887
Other	480,135	-	-	480,135
Capital outlay				
Economic development	71,161	-	-	71,161
Total expenditures	<u>629,397</u>	<u>11,439</u>	<u>-</u>	<u>640,836</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	36,682	4,910	-	41,592
Other Financing Sources				
Transfers in	17,653	-	-	17,653
Total other financing sources	<u>17,653</u>	<u>-</u>	<u>-</u>	<u>17,653</u>
Net Change in Fund Balances	54,335	4,910	-	59,245
Fund Balances, Beginning of Year	<u>399,427</u>	<u>1,727</u>	<u>10,000</u>	<u>411,154</u>
Fund Balances, End of Year	<u>\$ 453,762</u>	<u>\$ 6,637</u>	<u>\$ 10,000</u>	<u>\$ 470,399</u>

City of Wadena, Minnesota  
Combining Balance Sheet -  
Nonmajor Special Revenue Funds  
December 31, 2013

	WDA Revolving Loan I Fund	WDA Revolving Loan II Fund	MIF Revolving Loan Fund	SCDG Commercial Loan Fund	SCDG Residential Loan Fund	Library Endowment Fund	Innovative MIF Revolving Loan Fund	Kern MIF Loan	DTED Small Cities Grant	Total Nonmajor Special Revenue Funds
<b>Assets</b>										
Cash and cash equivalents	\$ 114,826	\$ 3,160	\$ 39,867	\$ 62,059	\$ 2,855	\$ -	\$ 24,192	\$ 6,523	\$ -	\$ 253,482
Investments	140,000	30,000	10,000	-	-	20,150	-	-	-	200,150
Receivables										
Interest	210	45	15	-	-	-	-	-	-	270
Loans	98,930	-	10,660	80,679	42,568	-	162,934	188,960	-	584,731
Total assets	<u>\$ 353,966</u>	<u>\$ 33,205</u>	<u>\$ 60,542</u>	<u>\$ 142,738</u>	<u>\$ 45,423</u>	<u>\$ 20,150</u>	<u>\$ 187,126</u>	<u>\$ 195,483</u>	<u>\$ -</u>	<u>\$ 1,038,633</u>
<b>Liabilities and Fund Balances</b>										
Unearned revenue	\$ 98,930	\$ -	\$ 10,660	\$ 80,682	\$ 42,569	\$ -	\$ 162,934	\$ 188,960	\$ -	\$ 584,735
Total liabilities	<u>99,066</u>	<u>-</u>	<u>10,660</u>	<u>80,682</u>	<u>42,569</u>	<u>-</u>	<u>162,934</u>	<u>188,960</u>	<u>-</u>	<u>584,871</u>
<b>Fund balances</b>										
Restricted										
Commercial loans	-	-	-	62,056	-	-	-	-	-	62,056
Residential loans	-	-	49,882	-	2,854	-	-	6,523	-	59,259
Committed										
Economic development	254,900	33,205	-	-	-	-	24,192	-	-	312,297
Assigned for library	-	-	-	-	-	20,150	-	-	-	20,150
Total fund balances	<u>254,900</u>	<u>33,205</u>	<u>49,882</u>	<u>62,056</u>	<u>2,854</u>	<u>20,150</u>	<u>24,192</u>	<u>6,523</u>	<u>-</u>	<u>453,762</u>
Total liabilities and fund balances	<u>\$ 353,966</u>	<u>\$ 33,205</u>	<u>\$ 60,542</u>	<u>\$ 142,738</u>	<u>\$ 45,423</u>	<u>\$ 20,150</u>	<u>\$ 187,126</u>	<u>\$ 195,483</u>	<u>\$ -</u>	<u>\$ 1,038,633</u>

City of Wadena, Minnesota  
Combining Statement of Revenues, Expenses, and Changes in Fund Net Position -  
Nonmajor Special Revenue Funds  
Year Ended December 31, 2013

	WDA Revolving Loan I Fund	WDA Revolving Loan II Fund	MIF Revolving Loan Fund	SCDG Commercial Loan Fund	SCDG Residential Loan Fund	Library Endowment Fund	Innovative MIF Revolving Loan Fund	Kern MIF Loan	DTED Small Cities Grant	Total Nonmajor Special Revenue Funds
<b>Revenues</b>										
Intergovernmental revenue	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 195,000	\$ 296,027	\$ 491,027
Investment earnings	-	-	201	361	38	248	136	3	-	987
Loan repayments	37,997	-	4,716	20,849	13,152	-	31,731	6,520	-	114,965
Other	59,100	-	-	-	-	-	-	-	-	59,100
<b>Total revenues</b>	<u>97,097</u>	<u>-</u>	<u>4,917</u>	<u>21,210</u>	<u>13,190</u>	<u>248</u>	<u>31,867</u>	<u>201,523</u>	<u>296,027</u>	<u>666,079</u>
<b>Expenditures</b>										
Current										
Culture and recreation	-	-	-	14,239	18,414	-	-	-	-	32,653
Economic development	45,448	-	-	-	-	-	-	-	-	45,448
Other	-	319	-	-	-	-	25,385	195,000	259,431	480,135
Capital outlay										
Economic development	35,215	-	-	-	-	-	-	-	35,946	71,161
<b>Total expenditures</b>	<u>80,663</u>	<u>319</u>	<u>-</u>	<u>14,239</u>	<u>18,414</u>	<u>-</u>	<u>25,385</u>	<u>195,000</u>	<u>295,377</u>	<u>629,397</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	16,434	(319)	4,917	6,971	(5,224)	248	6,482	6,523	650	36,682
<b>Other Financing Sources</b>										
Transfers in	17,653	-	-	-	-	-	-	-	-	17,653
<b>Total other financing sources (uses)</b>	<u>17,653</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>17,653</u>
<b>Net Change in Fund Balances</b>	34,087	(319)	4,917	6,971	(5,224)	248	6,482	6,523	650	54,335
<b>Fund Balance (Deficit), Beginning of Year</b>	<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>-</u>	<u>(650)</u>	<u>399,427</u>
<b>Fund Balances, End of Year</b>	<u>\$ 254,900</u>	<u>\$ 33,205</u>	<u>\$ 49,882</u>	<u>\$ 62,056</u>	<u>\$ 2,854</u>	<u>\$ 20,150</u>	<u>\$ 24,192</u>	<u>\$ 6,523</u>	<u>\$ -</u>	<u>\$ 453,762</u>

City of Wadena, Minnesota  
Comparative Balance Sheets  
General Fund  
December 31, 2013 and 2012

	2013	2012
<b>Assets</b>		
Cash and cash equivalents	\$ -	\$ 782,154
Investments	1,292,013	662,124
Receivables		
Accounts	12,009	62,819
Interest	2,620	1,811
Property taxes	13,202	13,439
Allowance for delinquent taxes	(13,058)	(13,295)
Special assessments	18,907	37,178
Prepaid items	8,483	1,436
Due from other funds	281,418	590,093
Due from other governmental units	631,492	963,801
	\$ 2,247,086	\$ 3,101,560
<b>Liabilities and Fund Balances</b>		
<b>Liabilities</b>		
Accounts payable	\$ 47,664	\$ 46,669
Other liabilities	55,348	48,453
Due to other funds	587	-
Unearned revenue	18,906	37,178
Total liabilities	122,505	132,300
<b>Fund Balances</b>		
Nonspendable	8,483	1,436
Assigned for equipment	228,793	528,749
Unassigned	1,887,305	2,439,075
Total fund balance	2,124,581	2,969,260
	\$ 2,247,086	\$ 3,101,560
Total liabilities and fund balance		

City of Wadena, Minnesota  
Schedule of Revenues – Budget and Actual  
General Fund  
Year Ended December 31, 2013  
(With Comparative Totals for 2012)

	Original and Final Budget	2013 Actual Amounts	Variance With Final Budget	2012 Actual Amounts
<b>Revenues</b>				
Property taxes				
Ad valorem	\$ 338,702	\$ 322,538	\$ (16,164)	\$ 342,497
Hotel/motel	32,000	31,493	(507)	34,897
Franchise	90,000	108,968	18,968	82,186
	<u>460,702</u>	<u>462,999</u>	<u>2,297</u>	<u>459,580</u>
Special assessments	<u>18,932</u>	<u>23,156</u>	<u>4,224</u>	<u>71,883</u>
Licenses and permits				
Business	18,540	17,439	(1,101)	14,268
Nonbusiness	7,950	9,751	1,801	12,030
	<u>26,490</u>	<u>27,190</u>	<u>700</u>	<u>26,298</u>
Intergovernmental revenue				
Federal	90,000	302,840	212,840	1,302,558
State				
Local government aid	1,191,075	1,191,075	-	1,191,164
Tax credits	-	155	155	94
Police aid	53,000	51,272	(1,728)	51,241
Fire aid	19,000	26,810	7,810	18,813
PERA rate increase aid	6,069	6,069	-	6,069
Airport maintenance	21,189	21,189	-	14,173
Other aid	25,000	11,330	(13,670)	177,371
	<u>1,405,333</u>	<u>1,610,740</u>	<u>205,407</u>	<u>2,761,483</u>
Charges for services				
General government	2,200	2,419	219	2,765
Police department	11,600	12,311	711	26,563
Fire department	52,000	67,691	15,691	50,793
Highway and streets	12,000	41,529	29,529	14,929
Parks and recreation	30,000	33,624	3,624	31,060
Airport	41,000	47,034	6,034	45,666
	<u>148,800</u>	<u>204,608</u>	<u>55,808</u>	<u>171,776</u>
Fines and forfeitures	<u>22,500</u>	<u>24,884</u>	<u>2,384</u>	<u>25,315</u>
Miscellaneous				
Investment earnings	10,000	-	(10,000)	14,582
Rents	18,000	24,222	6,222	26,658
Contributions	4,750	11,763	7,013	7,856
Reimbursements	14,000	34,659	20,659	31,676
Other	27,000	43,322	16,322	98,822
	<u>73,750</u>	<u>113,966</u>	<u>40,216</u>	<u>179,594</u>
<b>Total revenues</b>	<u>\$ 2,156,507</u>	<u>\$ 2,467,543</u>	<u>\$ 311,036</u>	<u>\$ 3,695,929</u>

City of Wadena, Minnesota  
Schedule of Expenditures – Budget and Actual  
General Fund  
Year Ended December 31, 2013  
(With Comparative Totals for 2012)

	2013			2012
	Original and Final Budget	Actual Amounts	Variance With Final Budget	Actual Amounts
General government				
Legislative	\$ 182,384	\$ 156,719	\$ 25,665	\$ 262,557
Mayor and council	30,263	34,299	(4,036)	30,746
City administrator	47,314	48,403	(1,089)	46,571
Elections	300	-	300	6,099
Accounting	104,535	105,300	(765)	106,032
Planning and zoning	61,930	61,199	731	46,771
City hall maintenance	25,549	26,746	(1,197)	21,635
Tornado Recovery	-	316,143	(316,143)	80,869
Capital outlay	24,600	19,191	5,409	5,488
	<u>476,875</u>	<u>768,000</u>	<u>(291,125)</u>	<u>606,768</u>
Public safety				
Police department				
Current	732,344	718,452	13,892	728,089
Capital outlay	31,000	30,991	9	-
Fire department				
Current	106,529	123,424	(16,895)	123,476
Capital outlay	4,500	-	4,500	54,759
	<u>874,373</u>	<u>872,867</u>	<u>1,506</u>	<u>906,324</u>
Public works				
Roadway maintenance	361,873	337,965	23,908	305,805
Snow and ice removal	97,878	138,847	(40,969)	69,478
Street signs and markings	15,125	11,056	4,069	8,170
Parking lots	7,371	3,787	3,584	21,561
Storm sewers	29,263	10,463	18,800	17,420
Street cleaning	32,900	25,509	7,391	26,419
Waste collection	11,407	9,385	2,022	10,713
Shade tree program	12,516	11,288	1,228	16,636
Weed control	5,297	1,405	3,892	2,958
Capital outlay	8,500	7,321	1,179	22,274
	<u>582,130</u>	<u>557,026</u>	<u>25,104</u>	<u>501,434</u>
Culture and recreation				
Skating rink	4,268	9,253	(4,985)	7,192
Playgrounds	23,876	11,990	11,886	18,326
Pool	7,496	9,120	(1,624)	5,590
Campground	20,982	18,746	2,236	20,165
Parks	184,935	160,763	24,172	158,556
Libraries	91,656	92,376	(720)	96,098
Capital outlay	16,500	10,107	6,393	45,039
	<u>349,713</u>	<u>312,355</u>	<u>37,358</u>	<u>350,966</u>

City of Wadena, Minnesota  
Schedule of Expenditures – Budget and Actual  
General Fund  
Year Ended December 31, 2013  
(With Comparative Totals for 2012)

	Original and Final Budget	2013 Actual Amounts	Variance With Final Budget	2012 Actual Amounts
Airport				
Current	207,709	96,725	110,984	299,495
Debt service				
Interest, fees, and abatements	3,000	965	2,035	5,740
	<u>210,709</u>	<u>97,690</u>	<u>113,019</u>	<u>469,444</u>
Miscellaneous				
Unallocated expenditures	6,000	12,641	(6,641)	28,538
Wadena Development Authority	75,409	71,583	3,826	67,401
Health insurance	-	775	(775)	-
	<u>81,409</u>	<u>84,999</u>	<u>(3,590)</u>	<u>95,939</u>
Total expenditures	<u>\$ 2,575,209</u>	<u>\$ 2,692,937</u>	<u>\$ (117,728)</u>	<u>\$ 2,930,875</u>



City of Wadena, Minnesota  
 Comparative Statements of Net Position  
 Proprietary Funds  
 December 31, 2013 and 2012

	Municipal Liquor		Sewer Utility		Water Utility		Electric Utility		Golf Course		Total	
	2013	2012	2013	2012	2013	2012	2013	2012	2013	2012	2013	2012
<b>Assets</b>												
<b>Current Assets</b>												
Cash and cash equivalents	\$ 25,809	\$ 68,754	\$ 26,293	\$ 193,983	\$ 178,957	\$ 99,838	\$ 282,668	\$ -	\$ -	\$ -	\$ 513,727	\$ 362,575
Investments	67,039	192,656	150,000	200,643	-	50,161	2,934,208	3,394,220	-	-	3,151,247	3,837,680
Accounts receivable - net	19,178	30,699	37,468	32,590	21,253	20,689	1,000,272	911,830	-	576	1,078,171	996,384
Interest receivable	101	520	226	541	-	135	3,733	9,154	-	-	4,060	10,350
Due from other funds	-	-	-	-	-	33,577	-	-	-	-	-	33,577
Due from other governments	-	-	273,292	48,432	-	-	-	-	-	-	273,292	48,432
Prepaid items	6,485	5,203	16,033	12,704	6,261	8,275	20,038	24,973	7,193	18,633	56,010	69,788
Inventories	177,511	153,644	-	-	16,948	19,710	312,033	282,416	18,383	15,771	524,875	471,541
Total current assets	<u>296,123</u>	<u>451,476</u>	<u>503,312</u>	<u>488,893</u>	<u>223,419</u>	<u>232,385</u>	<u>4,552,952</u>	<u>4,622,593</u>	<u>25,576</u>	<u>34,980</u>	<u>5,601,382</u>	<u>5,830,327</u>
<b>Capital Assets</b>												
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	-	-	1,542,994	1,597,532	-	-	1,542,994	5,735,256
Buildings	188,862	189,399	7,025,081	4,161,034	2,540,841	2,540,841	787,169	762,629	423,598	423,598	10,965,551	8,077,501
Equipment	82,096	67,758	2,153,880	392,254	809,690	781,493	1,088,797	1,081,696	620,214	600,495	4,754,677	2,923,696
General plant and system	-	-	2,117,933	2,117,933	2,154,524	2,125,966	10,704,957	10,141,278	-	-	14,977,414	14,385,177
Less accumulated depreciation	(187,562)	(179,144)	(3,257,714)	(3,127,799)	(2,126,336)	(1,992,163)	(5,508,957)	(5,182,916)	(660,436)	(630,357)	(11,741,005)	(11,112,379)
Total capital assets	<u>83,396</u>	<u>78,013</u>	<u>8,043,780</u>	<u>7,685,746</u>	<u>3,381,569</u>	<u>3,458,987</u>	<u>8,659,953</u>	<u>8,445,212</u>	<u>962,552</u>	<u>972,912</u>	<u>21,131,250</u>	<u>20,640,870</u>
Total assets	<u>\$ 379,519</u>	<u>\$ 529,489</u>	<u>\$ 8,547,092</u>	<u>\$ 8,174,639</u>	<u>\$ 3,604,988</u>	<u>\$ 3,691,372</u>	<u>\$ 13,212,905</u>	<u>\$ 13,067,805</u>	<u>\$ 988,128</u>	<u>\$ 1,007,892</u>	<u>\$ 26,732,632</u>	<u>\$ 26,471,197</u>
<b>Liabilities and Net Position</b>												
<b>Current Liabilities</b>												
Accounts payable	\$ 60,679	\$ 41,735	\$ 8,419	\$ 15,603	\$ 557	\$ 7,245	\$ 475,238	\$ 430,891	\$ 843	\$ 425	\$ 545,736	\$ 495,899
Due to other funds	-	-	-	-	-	-	-	579,196	0	33,577	-	612,773
Accrued interest	-	-	16,398	13,392	13,514	14,826	-	-	-	-	29,912	28,218
Other accrued liabilities	7,994	6,741	6,854	6,747	4,296	3,990	28,973	23,573	3,823	5,117	51,940	46,168
Consumer deposits	-	-	-	-	-	-	148,675	129,789	-	-	148,675	129,789
Current maturities of long-term debt	3,499	2,693	3,312	-	141,920	130,000	26,282	20,614	9,586	9,233	184,599	162,540
Total current liabilities	<u>72,172</u>	<u>51,169</u>	<u>34,983</u>	<u>35,742</u>	<u>160,287</u>	<u>156,061</u>	<u>679,168</u>	<u>1,184,063</u>	<u>14,252</u>	<u>48,352</u>	<u>960,862</u>	<u>1,475,387</u>
<b>Long-Term Liabilities</b>												
Accrued compensated absences	4,108	3,145	3,888	11,803	5,777	10,876	33,634	24,056	11,252	10,775	58,659	60,655
Bonds payable (net of current portion)	-	-	2,944,411	2,867,322	1,233,000	1,373,000	-	-	-	-	4,177,411	4,240,322
Total long-term liabilities	<u>4,108</u>	<u>3,145</u>	<u>2,948,299</u>	<u>2,879,125</u>	<u>1,238,777</u>	<u>1,383,876</u>	<u>33,634</u>	<u>24,056</u>	<u>11,252</u>	<u>10,775</u>	<u>4,236,070</u>	<u>4,300,977</u>
Total liabilities	<u>76,280</u>	<u>54,314</u>	<u>2,983,282</u>	<u>2,914,867</u>	<u>1,399,064</u>	<u>1,539,937</u>	<u>712,802</u>	<u>1,208,119</u>	<u>25,504</u>	<u>59,127</u>	<u>5,196,932</u>	<u>5,776,364</u>
<b>Net Position</b>												
Net investment in capital assets	79,897	78,013	5,096,057	4,818,424	2,006,649	1,955,987	8,633,671	8,445,212	952,966	963,679	16,769,240	16,261,315
Unrestricted	223,342	397,162	467,753	441,348	199,275	195,448	3,866,432	3,414,474	9,658	(14,914)	4,766,460	4,433,518
Total net position	<u>303,239</u>	<u>475,175</u>	<u>5,563,810</u>	<u>5,259,772</u>	<u>2,205,924</u>	<u>2,151,435</u>	<u>12,500,103</u>	<u>11,859,686</u>	<u>962,624</u>	<u>948,765</u>	<u>21,535,700</u>	<u>20,694,833</u>
Total liabilities and net position	<u>\$ 379,519</u>	<u>\$ 529,489</u>	<u>\$ 8,547,092</u>	<u>\$ 8,174,639</u>	<u>\$ 3,604,988</u>	<u>\$ 3,691,372</u>	<u>\$ 13,212,905</u>	<u>\$ 13,067,805</u>	<u>\$ 988,128</u>	<u>\$ 1,007,892</u>	<u>\$ 26,732,632</u>	<u>\$ 26,471,197</u>

City of Wadena, Minnesota  
 Comparative Statements Revenues, Expenses, and Changes in Net Position  
 Proprietary Funds  
 Years Ended December 31, 2013 and 2012

	Municipal Liquor		Sewer Utility		Water Utility		Electric Utility		Golf Course		Total	
	2013	2012	2013	2012	2013	2012	2013	2012	2013	2012	2013	2012
<b>Operating Revenues</b>												
Sales	\$ 1,866,905	\$ 1,842,615	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 115,243	\$ 128,307	\$ 1,982,148	\$ 1,970,922
Cost of sales	(1,433,404)	(1,393,648)	-	-	-	-	-	-	(71,507)	(73,229)	(1,504,911)	(1,466,877)
Gross profit	433,501	448,967	-	-	-	-	-	-	43,736	55,078	477,237	504,045
Charges for services	-	-	664,914	609,088	501,532	537,998	5,290,825	5,238,324	212,317	223,382	6,669,588	6,608,792
Miscellaneous	-	-	2,365	7,226	1,290	1,978	89,687	137,838	17,897	12,229	111,239	159,271
Total operating revenues	433,501	448,967	667,279	616,314	502,822	539,976	5,380,512	5,376,162	273,950	290,689	7,258,064	7,272,108
<b>Operating Expenses</b>												
Administration	144,961	135,057	36,922	37,152	74,842	78,545	300,071	345,132	170,142	168,206	726,938	764,092
Purchased power	-	-	-	-	-	-	3,595,956	3,341,919	-	-	3,595,956	3,341,919
Operating and maintenance	109,383	103,832	333,931	320,859	165,988	172,927	304,416	309,135	121,677	125,246	1,035,395	1,031,999
Equipment maintenance	12,821	-	43,443	52,269	3,393	5,893	31,638	37,852	15,425	10,794	106,720	106,808
Customer account expense	-	-	-	-	31,913	34,572	218,921	183,995	-	-	250,834	218,567
Depreciation	11,056	11,305	129,914	131,935	134,171	128,147	326,040	302,246	30,079	30,229	631,260	603,862
Total operating expenses	278,221	250,194	544,210	542,215	410,307	420,084	4,777,042	4,520,279	337,323	334,475	6,347,103	6,067,247
Operating Income (Loss)	155,280	198,773	123,069	74,099	92,515	119,892	603,470	855,883	(63,373)	(43,786)	910,961	1,204,861
<b>Other Income (Expenses)</b>												
Investment earnings	16	6,903	(510)	6,934	793	5,200	(27,029)	66,846	-	1,128	(26,730)	87,011
Interest expense	-	-	(43,381)	(20,079)	(38,819)	(42,319)	-	-	-	-	(82,200)	(62,398)
Intergovernmental	-	-	224,860	48,432	-	-	-	-	-	-	224,860	48,432
Total other income (expenses)	16	6,903	180,969	35,287	(38,026)	(37,119)	(27,029)	66,846	-	1,128	115,930	73,045
Net Income (Loss) Before Transfers and Capital Contributions	155,296	205,676	304,038	109,386	54,489	82,773	576,441	922,729	(63,373)	(42,658)	1,026,891	1,277,906
Transfer in	-	-	-	-	-	-	600,002	-	77,232	-	677,234	-
Transfer out	(327,232)	(100,000)	-	-	-	-	(536,026)	(260,428)	-	-	(863,258)	(360,428)
Contribution of Capital Assets	-	-	-	-	-	-	-	654,540	-	-	-	654,540
Change in Net Position	(171,936)	105,676	304,038	109,386	54,489	82,773	640,417	1,316,841	13,859	(42,658)	840,867	1,572,018
Total Net Position, Beginning 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
Total Net Position, End of Year	\$ 303,239	\$ 475,175	\$ 5,563,810	\$ 5,259,772	\$ 2,205,924	\$ 2,151,435	\$ 12,500,103	\$ 11,859,686	\$ 962,624	\$ 948,765	\$ 21,535,700	\$ 20,694,833

City of Wadena, Minnesota  
Comparative Statements of Cash Flows  
Proprietary Funds  
Years Ended December 31, 2013 and 2012

	Municipal Liquor		Sewer Utility		Water Utility		Electric Utility		Golf Course		Total	
	2013	2012	2013	2012	2013	2012	2013	2012	2013	2012	2013	2012
<b>Operating Activities</b>												
Receipts from customers and users	\$ 1,878,845	\$ 1,840,162	\$ 662,716	\$ 584,203	\$ 502,393	\$ 536,866	\$ 5,297,491	\$ 5,271,046	\$ 346,033	\$ 363,918	\$ 8,687,478	\$ 8,596,195
Payments to suppliers	(1,560,560)	(1,494,346)	(384,774)	(543,731)	(204,212)	(211,938)	(4,106,980)	(3,785,602)	(200,657)	(205,459)	(6,457,183)	(6,241,076)
Payments to employee costs	(143,196)	(134,238)	(41,525)	(40,491)	(75,019)	(82,474)	(284,825)	(325,291)	(169,312)	(176,670)	(713,877)	(759,164)
Net Cash From (Used For) Operating Activities	175,089	211,578	236,417	(19)	223,162	242,454	905,686	1,160,153	(23,936)	(18,211)	1,516,418	1,595,955
<b>Non-Capital Financing Activities</b>												
Net proceeds (payments) on due from (due to) other funds	-	-	-	25,956	33,577	(33,577)	(579,196)	579,019	(33,577)	33,577	(579,196)	604,975
Transfer from other funds	-	-	-	-	-	-	600,002	-	77,232	-	677,234	-
Transfer to other funds	(327,232)	(100,000)	-	-	-	-	(536,026)	(260,428)	-	-	(863,258)	(360,428)
Net Cash From (Used For) Non-Capital Financing Activities	(327,232)	(100,000)	-	25,956	33,577	(33,577)	(515,220)	318,591	43,655	33,577	(765,220)	244,547
<b>Capital and Related Financing Activities</b>												
Property and equipment additions	(16,435)	-	(487,949)	(3,493,775)	(56,755)	(59,593)	(540,782)	(1,794,736)	(19,719)	(8,800)	(1,121,640)	(5,356,904)
Proceeds from long-term debt	-	-	263,089	2,938,321	-	-	-	-	-	-	263,089	2,938,321
Payments on long-term debt												
Principal	-	(307)	(186,000)	(65,552)	(133,000)	(124,981)	-	(17,386)	-	(7,694)	(319,000)	(215,920)
Interest	-	-	(43,381)	(20,079)	(38,819)	(42,319)	-	-	-	-	(82,200)	(62,398)
Net Cash Used For Capital and Related Financing Activities	(16,435)	(307)	(454,241)	(641,085)	(228,574)	(226,893)	(540,782)	(1,812,122)	(19,719)	(16,494)	(1,259,751)	(2,696,901)
<b>Investing Activities</b>												
Sale (purchase) of investments	125,617	(75,617)	50,643	572,306	50,161	(50,161)	460,013	102,001	-	-	686,434	548,529
Interest and dividends from investments	16	6,903	(509)	6,934	793	5,201	(27,029)	66,846	-	1,128	(26,729)	87,012
Net Cash From (Used For) Investing Activities	125,633	(68,714)	50,134	579,240	50,954	(44,960)	432,984	168,847	-	1,128	659,705	635,541
<b>Change in Cash and Cash Equivalents</b>	(42,945)	42,557	(167,690)	(35,908)	79,119	(62,976)	282,668	(164,531)	-	-	151,152	(220,858)
<b>Cash and Cash Equivalents, Beginning of Year</b>	68,754	26,197	193,983	229,891	99,838	162,814	-	164,531	-	-	362,575	583,433
<b>Cash and Cash Equivalents, End of Year</b>	\$ 25,809	\$ 68,754	\$ 26,293	\$ 193,983	\$ 178,957	\$ 99,838	\$ 282,668	\$ -	\$ -	\$ -	\$ 513,727	\$ 362,575

City of Wadena, Minnesota  
Comparative Statements of Cash Flows  
Proprietary Funds  
Years Ended December 31, 2013 and 2012

	Municipal Liquor		Sewer Utility		Water Utility		Electric Utility		Golf Course		Total	
	2013	2012	2013	2012	2013	2012	2013	2012	2013	2012	2013	2012
Reconciliation of Operating Income (Loss) to												
Net Cash From (Used For) Operating Activities												
Operating income (loss)	\$ 155,280	\$ 198,773	\$ 123,069	\$ 74,099	\$ 92,515	\$ 119,892	\$ 603,470	\$ 855,883	\$ (63,373)	\$ (43,786)	\$ 910,961	\$ 1,204,861
Adjustments to reconcile operating income (loss) to net cash from (used for) operating activities												
Depreciation	11,056	11,305	129,914	131,935	134,171	128,147	326,040	302,246	30,079	30,229	631,260	603,862
Changes in assets and liabilities												
Accounts receivable	11,940	(2,453)	(4,563)	(32,111)	(429)	(3,110)	(83,021)	(105,115)	576	-	(75,497)	(142,789)
Prepaid items	(1,282)	(407)	(3,329)	(2,214)	2,014	669	4,935	(2,115)	11,440	(541)	13,778	(4,608)
Inventories	(23,867)	4,019	-	-	2,762	1,447	(29,617)	20,916	(2,612)	4,440	(53,334)	30,822
Accounts payable	18,944	(1,284)	(7,184)	(182,462)	(6,688)	191	44,347	41,232	418	(769)	49,837	(143,092)
Other current liabilities	1,253	806	3,113	14,073	(1,006)	(853)	24,286	27,266	(1,294)	680	26,352	41,972
Accrued compensated absences	1,765	819	(4,603)	(3,339)	(177)	(3,929)	15,246	19,840	830	(8,464)	13,061	4,927
Net Cash From (Used For) Operating Activities	\$ 175,089	\$ 211,578	\$ 236,417	\$ (19)	\$ 223,162	\$ 242,454	\$ 905,686	\$ 1,160,153	\$ (23,936)	\$ (18,211)	\$ 1,516,418	\$ 1,595,955
Supplemental Schedule of Noncash Investing and Financing Activities												
Acquisition of capital assets through contributed capital from the City	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 654,540	\$ -	\$ -	\$ -	\$ 654,540

City of Wadena, Minnesota  
Combining Schedule of Changes in Assets and Liabilities  
Agency Funds  
Year Ended December 31, 2013

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	Balance 1/1/13	Additions	Deductions	Balance 12/31/13
Assets				
Cash and cash equivalents	\$ 650,384	\$ 133,260	\$ 157,461	\$ 626,183
Liabilities				
Due to other governmental units	\$ 650,384	\$ 133,260	\$ 157,461	\$ 626,183



Other Reports  
December 31, 2013

# City of Wadena, Minnesota

City of Wadena, Minnesota  
 Schedule of Expenditures of Federal Awards  
 Year Ended December 31, 2013

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Pass Through Entity Identifying Number	Federal CFDA Number	Expenditures
Department of Housing and Urban Development <i>Passed through the State of Minnesota</i> Community Development Block Grant	CDAP-10-0064-O	14.228	\$ 296,027
Environmental Protection Agency <i>Passed through the State of Minnesota</i> Clean Water Revolving Fund	MPFA-11-0016-R	* 66.458	487,795
Department of Homeland Security <i>Passed through the State of Minnesota</i> Disaster Recovery Grant	DR-1921	* 97.036	<u>219,568</u>
Total Federal Financial Assistance			<u><u>\$ -</u></u>

\* Denotes a major program

**Note A – Basis of Presentation**

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the City and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of *OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations*. The City received federal awards both directly from federal agencies and indirectly through pass-through entities. Federal financial assistance provided to a subrecipient is treated as an expenditure when it is paid to the subrecipient.

**Note B – Significant Accounting Policies**

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





**Independent Auditor’s Report on Internal Control over Financial Reporting and on Compliance  
and Other Matters Based on an Audit of Financial Statements Performed in Accordance with  
*Government Auditing Standards***

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

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of City of Wadena as of and for the year ended December 31, 2013, 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 9, 2014.

**Internal Control over Financial Reporting**

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

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

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 deficiency 2013-A described in the accompanying schedule of findings and questioned costs to be a material weakness.

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies 2013-B and 2013-C 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 from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

### **City's Response to Findings**

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

### **Purpose of this Report**

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

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

Fargo, North Dakota  
June 9, 2014



## **Report on *Minnesota Legal Compliance***

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

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Wadena, Minnesota, as of and for the year ended December 31, 2013, 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 9, 2014.

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

In connection with our audit, one item came to our attention that caused us to believe the City failed to comply with the provisions of the *Minnesota Legal Compliance Audit Guide for Political Subdivisions*. See finding 2013-D in the attached schedule of findings. Our audit was not directed primarily toward obtaining knowledge of such noncompliance. Accordingly, had we performed additional procedures, other matters may have come to our attention regarding the City's noncompliance with the above referenced provisions.

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

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

Fargo, North Dakota  
June 9, 2014



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

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

### **Report on Compliance for the Major Federal Programs**

We have audited City of Wadena's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on the City's major federal programs for the year ended December 31, 2013. 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 program occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for the major federal programs. However, our audit does not provide a legal determination of the City's compliance.

### **Opinion on the Major Federal Programs**

In our opinion, the City complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on its major Federal programs identified above for the year ended December 31, 2013.

## 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'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.

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

Fargo, North Dakota  
June 9, 2014

**Section I – Summary of Auditor’s Results**

**FINANCIAL STATEMENTS**

Type of auditor's report issued:	Unmodified
Internal control over financial reporting:	
Material weaknesses identified	Yes
Significant deficiencies identified not considered to be material weaknesses	Yes
Noncompliance material to financial statements noted?	No

**FEDERAL AWARDS**

Internal control over major program:	
Material weaknesses identified	No
Significant deficiencies identified not considered to be material weaknesses	None reported
Type of auditor's report issued on compliance for major programs:	Unmodified
Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of OMB Circular A-133?	No

**Identification of major programs:**

<u>Name of Federal Program</u>	<u>CFDA Number</u>
Disaster Recovery Grant	97.036
Clean Water Revolving Fund	66.458
Dollar threshold used to distinguish between Type A and Type B programs:	\$ 300,000
Auditee qualified as low-risk auditee?	No

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**Section II – Financial Statement Findings**

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**Material Weakness**

**2013-A Material 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, 2014.
5. **Plan to Monitor Completion of Corrective Action** – The City Council will monitor the accounting function.

## Significant Deficiency

### 2013-B 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

### 2013-C            **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, 2014.
5. **Plan to Monitor Completion of Corrective Action** – The City Council will monitor the review of federal expenditures.

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**Section III – Minnesota Legal Compliance Findings**

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**2013-D 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, 2013 for Wadena State Bank. The City's deposits were under collateralized at Wadena State Bank by approximately \$768,461 at December 31, 2013.

**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. Additional, 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, 2014.
5. **Plan to Monitor Completion of Corrective Action** – The City Council will monitor the completion of the corrective action plan.

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**Section IV – Federal Award Findings and Questioned Costs**

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None

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



## 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 Ten Fiscal Years  
 (Accrual Basis of Accounting)  
 Table 1

	Fiscal Year									
	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
<b>Governmental activities</b>										
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	\$ 8,559,949
Restricted	1,060,571	1,184,971	1,798,480	10,000	10,000	-	3,737,474	3,050,739	1,312,273	624,417
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	3,988,810
<b>Total governmental activities net position</b>	<b>\$ 5,644,309</b>	<b>\$ 6,113,745</b>	<b>\$ 6,773,072</b>	<b>\$ 7,436,824</b>	<b>\$ 8,120,003</b>	<b>\$ 8,690,620</b>	<b>\$ 9,698,910</b>	<b>\$ 11,028,566</b>	<b>\$ 12,037,208</b>	<b>\$ 13,173,176</b>
<b>Business-type activities</b>										
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	\$ 16,769,240
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	4,766,460
<b>Total business-type activities net position</b>	<b>\$ 15,177,399</b>	<b>\$ 15,387,167</b>	<b>\$ 16,436,278</b>	<b>\$ 17,160,827</b>	<b>\$ 17,714,986</b>	<b>\$ 18,329,142</b>	<b>\$ 18,862,571</b>	<b>\$ 19,122,815</b>	<b>\$ 20,694,833</b>	<b>\$ 21,535,700</b>
<b>Primary government</b>										
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	\$ 25,329,189
Restricted	1,060,571	1,184,971	1,798,480	10,000	10,000	-	3,737,474	3,050,739	1,312,273	624,417
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	8,755,270
<b>Total primary government net position</b>	<b>\$ 20,821,708</b>	<b>\$ 21,500,912</b>	<b>\$ 23,209,350</b>	<b>\$ 24,597,651</b>	<b>\$ 25,834,989</b>	<b>\$ 27,019,762</b>	<b>\$ 28,561,481</b>	<b>\$ 30,151,381</b>	<b>\$ 32,732,041</b>	<b>\$ 34,708,876</b>

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

	Fiscal Year									
	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
<b>Expenses</b>										
<b>Governmental activities:</b>										
General government	\$ 318,441	\$ 401,411	\$ 631,041	\$ 653,427	\$ 854,266	\$ 509,565	\$ 1,453,126	\$ 892,427	\$ 834,901	\$ 602,499
Public safety	684,544	718,515	762,525	806,060	818,199	931,703	878,169	918,679	659,777	955,348
Public works	580,038	591,429	1,289,662	685,074	748,166	1,677,511	807,007	556,661	365,526	654,610
Culture and recreation	350,244	324,898	378,361	387,420	420,348	392,406	289,133	336,439	277,531	229,374
Economic development	463,129	248,906	200,262	603,296	1,038,870	203,637	127,926	310,929	459,799	1,144,374
Airport	140,835	151,837	111,867	74,914	131,921	83,661	163,058	240,768	631,415	359,270
Interest in debt	267,900	299,356	250,159	196,860	168,907	213,743	172,566	150,943	165,883	83,514
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>	<u>4,028,989</u>
<b>Business-type activities:</b>										
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	1,711,625
Sewer utility	476,802	459,559	537,493	504,152	571,102	543,610	522,354	558,711	562,294	587,591
Water utility	456,110	458,904	454,359	486,544	477,957	475,245	457,029	455,041	462,403	449,126
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	4,777,042
Golf course	424,812	429,001	450,840	420,250	420,438	383,163	435,054	387,283	407,704	408,830
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>	<u>7,934,214</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>	<u>\$ 11,963,203</u>

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

	Fiscal Year									
	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
<b>Program Revenues</b>										
<b>Governmental activities</b>										
Charges for services										
General government	\$ 11,684	\$ 41,262	\$ 73,880	\$ 59,185	\$ 67,455	\$ 29,308	\$ 30,945	\$ 28,839	\$ 50,388	\$ 246,113
Public safety	72,198	70,030	18,963	10,601	12,965	121,338	81,245	86,508	79,547	35,863
Public works	33,628	60	152,381	117,691	32,354	21,619	16,140	11,211	391,025	231,453
Culture and recreation	48,678	45,493	26,406	51,716	28,259	67,859	40,968	32,865	32,145	34,269
Economic development	41,985	27,112	28,820	18,800	18,800	72,961	77,850	51,902	11,550	28,875
Airport	25,282	19,841	27,710	28,472	27,744	28,847	28,279	38,542	45,706	47,779
Operating grants and contributions	127,310	144,209	212,095	268,810	148,137	473,071	1,027,848	545,477	175,959	177,007
Capital grants and contributions	213,999	182,519	829,974	582,716	1,137,843	1,098,196	122,614	959,232	234,222	3,352,135
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>	<u>4,153,494</u>
<b>Business-type activities</b>										
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	8,762,975
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>	<u>8,762,975</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>	<u>\$ 12,916,469</u>
<b>Net Revenue (Expense)</b>										
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)	\$ 124,505
Business-type activities	<u>357,995</u>	<u>471,078</u>	<u>805,388</u>	<u>968,072</u>	<u>840,198</u>	<u>870,819</u>	<u>776,199</u>	<u>869,449</u>	<u>1,142,463</u>	<u>828,761</u>
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>	<u>\$ 953,266</u>



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

	Fiscal Year									
	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
<b>General Revenues and Other Changes in Net Position</b>										
<b>Governmental activities:</b>										
Property taxes	\$ 847,190	\$ 888,010	\$ 923,650	\$ 976,207	\$ 934,483	\$ 914,694	\$ 888,131	\$ 775,589	\$ 807,527	\$ 908,925
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	2,377,619
Unrestricted investment earnings	165,341	242,021	158,825	191,959	134,437	161,115	128,338	100,338	56,049	(40,996)
Miscellaneous	49,836	69,907	185,000	37,114	75,334	106,786	654,118	135,426	131,030	87,523
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)	186,024
<b>Total governmental activities</b>	<b>2,432,578</b>	<b>2,675,262</b>	<b>2,912,975</b>	<b>2,932,812</b>	<b>3,390,299</b>	<b>2,886,859</b>	<b>3,256,171</b>	<b>2,981,926</b>	<b>3,382,932</b>	<b>3,519,095</b>
<b>Business-type activities:</b>										
Unrestricted investment earnings	112,919	120,007	149,409	168,218	139,163	125,501	133,698	100,908	87,011	(26,730)
Miscellaneous	29,000	11,726	492,357	-	-	-	-	-	48,432	224,860
Transfers	(357,438)	(393,043)	(398,043)	(411,741)	(425,202)	(382,164)	(376,468)	(710,113)	294,112	(186,024)
<b>Total business-type activities</b>	<b>(215,519)</b>	<b>(261,310)</b>	<b>243,723</b>	<b>(243,523)</b>	<b>(286,039)</b>	<b>(256,663)</b>	<b>(242,770)</b>	<b>(609,205)</b>	<b>429,555</b>	<b>12,106</b>
<b>Total primary government</b>	<b>\$ 2,217,059</b>	<b>\$ 2,413,952</b>	<b>\$ 3,156,698</b>	<b>\$ 2,689,289</b>	<b>\$ 3,104,260</b>	<b>\$ 2,630,196</b>	<b>\$ 3,013,401</b>	<b>\$ 2,372,721</b>	<b>\$ 3,812,487</b>	<b>\$ 3,531,201</b>
<b>Change in Net Position</b>										
Governmental activities	\$ 202,211	\$ 469,436	\$ 659,327	\$ 663,752	\$ 683,179	\$ 787,832	\$ 791,075	\$ 1,329,656	\$ 1,008,642	\$ 3,643,600
Business-type activities	142,476	209,768	1,049,111	724,549	554,159	614,156	533,429	260,244	1,572,018	840,867
<b>Total primary government change in net position</b>	<b>\$ 344,687</b>	<b>\$ 679,204</b>	<b>\$ 1,708,438</b>	<b>\$ 1,388,301</b>	<b>\$ 1,237,338</b>	<b>\$ 1,401,988</b>	<b>\$ 1,324,504</b>	<b>\$ 1,589,900</b>	<b>\$ 2,580,660</b>	<b>\$ 4,484,467</b>

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

	Fiscal Year									
	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
General Fund										
Nonspendable								\$ -	\$ 1,436	\$ 8,483
Assigned								517,985	528,749	228,793
Unassigned								<u>1,324,700</u>	<u>2,439,075</u>	<u>1,887,305</u>
Total general fund								<u>\$ 1,842,685</u>	<u>\$ 2,969,260</u>	<u>\$ 2,124,581</u>
All Other Governmental Funds										
Restricted								\$ 1,566,234	\$ 1,312,273	\$ 3,132,049
Committed								296,265	495,750	370,974
Assigned								19,667	19,902	20,150
Unassigned								<u>(83,148)</u>	<u>123,600</u>	<u>-</u>
Total all other governmental funds								<u>\$ 1,799,018</u>	<u>\$ 1,951,525</u>	<u>\$ 3,523,173</u>
General Fund										
Reserved	\$ 40,798	\$ 45,986	\$ -	\$ 54,205	\$ -	\$ -	\$ -			
Unreserved	<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>\$ 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	\$ 2,722,098	\$ 2,720,718	\$ 1,800,705	\$ 11,874	\$ 11,388	\$ 11,701	\$ 10,000			
Unreserved, reported in:										
Debt service funds	1,243,300	1,238,345	1,489,350	1,748,141	1,774,954	1,694,260	1,677,709			
Special revenue funds	355,699	142,570	159,028	376,378	361,130	322,205	465,649			
Capital projects funds	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>215</u>	<u>133</u>			
Total all other governmental funds	<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									
	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
<b>Revenues</b>										
General property taxes	\$ 847,189	\$ 888,010	\$ 923,094	\$ 975,164	\$ 933,633	\$ 913,797	\$ 886,074	\$ 774,880	\$ 759,975	\$ 908,329
Special assessments	214,368	340,847	282,967	318,075	258,122	239,946	255,130	201,100	238,951	145,930
Licenses and permits	11,285	40,977	29,068	23,023	22,879	25,688	30,937	27,847	26,298	27,190
Intergovernmental	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	2,603,891
Charges for services	114,145	90,365	147,639	137,393	140,551	209,044	170,180	177,372	171,776	204,608
Fines and forfeitures	31,040	22,890	46,517	37,889	47,376	44,939	20,968	21,386	25,315	24,884
Investment earnings	66,856	143,173	161,047	193,001	135,521	147,726	107,796	90,338	54,254	1,265
Other revenues	208,185	222,709	376,000	427,181	280,768	249,829	832,567	277,399	665,146	3,446,250
<b>Total revenues</b>	<b>2,796,190</b>	<b>2,940,895</b>	<b>3,284,685</b>	<b>3,887,993</b>	<b>4,027,120</b>	<b>4,562,374</b>	<b>4,647,129</b>	<b>4,307,754</b>	<b>4,900,168</b>	<b>7,362,347</b>
<b>Expenditures</b>										
General government	268,183	269,554	427,541	439,765	480,600	439,452	1,405,973	831,433	601,280	748,809
Public safety	629,524	655,127	715,290	791,060	770,277	852,084	803,136	830,241	851,565	872,867
Public works	409,053	448,765	443,396	507,099	507,902	455,881	434,276	446,199	479,160	549,705
Culture and recreation	323,744	296,167	358,641	369,304	401,156	351,241	252,604	257,622	337,596	334,901
Economic development	385,281	281,847	275,935	672,281	1,218,326	547,576	124,456	285,973	47,293	306,887
Airport	40,891	47,706	41,515	40,568	97,576	57,289	42,751	124,461	299,495	96,725
Miscellaneous	116,415	179,202	25,544	87,803	21,450	113,692	76,672	86,472	146,246	565,134
Capital outlay	386,491	647,538	1,730,897	835,084	446,476	1,792,631	498,651	1,282,363	674,636	2,144,990
Debt service										
Principal	418,626	428,626	443,626	463,626	677,126	680,627	655,000	680,000	1,455,000	1,085,000
Interest, fees and abatements	253,749	307,256	254,386	252,996	205,111	169,276	166,300	155,378	189,354	118,529
<b>Total expenditures</b>	<b>3,231,957</b>	<b>3,561,788</b>	<b>4,716,771</b>	<b>4,459,586</b>	<b>4,826,000</b>	<b>5,459,749</b>	<b>4,459,819</b>	<b>4,980,142</b>	<b>5,081,625</b>	<b>6,823,547</b>

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

	<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>	<u>2013</u>
Excess (Deficiency) of Revenues over (Under) Expenditures	(435,767)	(620,893)	(1,432,086)	(571,593)	(798,880)	(897,375)	187,310	(672,388)	(181,457)	538,800
Other Financing Sources (Uses)										
Transfers from other funds	515,368	528,245	553,784	767,846	447,290	495,449	405,401	742,910	415,044	1,305,107
Transfers to other funds	(157,930)	(135,202)	(155,741)	(356,105)	(22,088)	(113,285)	(28,933)	(32,797)	(54,616)	(1,119,083)
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	23,755	2,235	1,994	6,670	322	-	-	-	55,111	2,145
Total other financing sources (uses)	<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>	<u>188,169</u>
Net Change in Fund Balances	<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>	<u>\$ 726,969</u>
Debt service as a percentage of noncapital expenditures	23.6%	25.3%	23.4%	19.8%	20.1%	23.2%	20.7%	22.6%	37.3%	25.7%

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
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
2013	767,868	31,493	108,968	908,329

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)	
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%
2012	2013	1,629,458	124,385,800	1.31%

(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	
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
2012	2013	18.64	22.13	40.77	90.14	22.79	153.70

(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	\$ 100,836	1	6.19%	\$ -		0.00%
Wal-Mart Stores, Inc.	Retail Store	66,324	2	4.07%	-		0.00%
Mason Brothers Co	Wholesale Grocers	50,362	3	3.09%	45,218	2	3.20%
Burlington Northern Railroad	Railroad	38,909	4	2.39%	16,852	3	1.19%
Russ Davis Wholesale Inc.	Wholesale Grocers	23,942	5	1.47%	18,252	4	1.29%
Merickel, James R & Jane M	Property Management	23,062	6	1.42%	15,100	9	1.07%
Merickel Lumber Mills	Lumber/Hardware	20,820	7	1.28%	-		
Leaf River Ag Service	Agriculture Cooperative	19,490	8	1.20%	-		
Wadena Medical Center	Medical Facilities	18,654	9	1.14%	11,782	10	0.84%
Wadena Housing Authority	Property Management	17,545	10	1.08%	-		
Total		<u>\$ 379,944</u>		<u>23.3%</u>	<u>\$ 107,204</u>		<u>7.6%</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	\$ 637,094	\$ 630,000	98.9	\$ 6,856	\$ 636,856	100.0
2003	2004	656,566	644,875	98.2	11,691	656,566	100.0
2004	2005	673,065	613,126	91.1	59,939	673,065	100.0
2005	2006	703,065	593,454	84.4	109,611	703,065	100.0
2006	2007	764,927	668,819	87.4	83,601	752,420	98.4
2007	2008	742,023	634,387	85.5	102,803	737,190	99.3
2008	2009	790,230	786,613 (2)	99.5	3,617	790,230	100.0
2009	2010	682,793	668,143 (2)	97.9	8,204	676,347	99.1
2010	2011	604,193	587,124	97.2	17,139	604,263	100.0
2011	2012	724,182	707,020	97.6	16,764	723,784	99.9

(1) Includes Market Value Homestead Credit

(2) Includes Disaster Credit

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

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			
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
2013	2,025,000	-	4,314,411	-	6,339,411	7.69%	1,551

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)
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
2013	6,339,411	496,465	5,842,946	358.58%	1,429

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, 2013  
 (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	\$ 6,121,317	100%	\$ 6,121,317
I.S.D. No. 2155 (2)	3,185,000	66%	2,102,100
Wadena HRA	<u>2,560,000</u>	100%	<u>2,560,000</u>
Total	<u>\$ 11,866,317</u>		<u>\$ 10,783,417</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									
	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Debt limit	\$ 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	\$ 2,487,716
Total net debt applicable to limit	-	-	-	-	-	-	-	-	-	-
Legal debt margin	<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>	<u>\$ 2,487,716</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>\$ 124,385,800</u>
Debt limit - 2% of estimated market value (2)	\$ 2,487,716
Debt applicable to limit:	
Total Bonded Debt	\$ 6,121,317
Less:	
G.O. Water revenue note of 2002	\$ 1,370,000
Refunding bonds of 2004	540,000
G.O. Taxable Improvement Bonds of 2009	620,000
G.O. Refunding Bonds of 2012	865,000
G.O. Sewer Revenue note of 2012	2,944,411
	<u>6,339,411</u>
Total net debt applicable to limit	<u>(218,093.65)</u>
Legal debt margin	<u>\$ 2,705,810</u>

(1) Source - Wadena County Auditor

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

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

Year	Utility Bonds							Coverage
	Utility Charges and Other	Less: Operating Expenses (1)	Net Available Revenue	Debt Service		Total		
				Principal	Interest			
2004 (3)	\$ 3,638,883	\$ 2,960,689	\$ 678,194	\$ 200,000	\$ 100,005	\$ 300,005	2.26	
2005 (3)	3,946,100	3,183,179	762,921	208,000	93,079	301,079	2.53	
2006 (3)	4,542,231	3,334,820	1,207,411	216,000	85,423	301,423	4.01	
2007 (3)	5,189,569	3,862,363	1,327,206	224,000	77,286	301,286	4.41	
2008 (3)	5,397,000	4,091,453	1,305,547	357,000	65,042	422,042	3.09	
2009 (4)	459,225	294,533	164,692	120,000	52,270	172,270	0.96	
2010 (4)	472,699	279,794	192,905	120,000	52,270	172,270	1.12	
2011 (4)	477,079	280,946	196,133	126,000	45,737	171,737	1.14	
2012 (5)	1,156,290	702,217	454,073	217,926	62,398	280,324	1.62	
2013 (5)	1,170,101	690,432	479,669	319,000	82,200	401,200	1.20	

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.
- (6) Not including \$375,000 payments from previous refunding transactions.

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

Special Assessment Bonds						
Year	Special Assessment Collections	Debt Service			Coverage	
		Principal	Interest	Total		
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	239,946	665,000	169,276	834,276	0.29	
2010	166,677	655,000	166,300	821,300	0.20	
2011	222,735	680,000	155,095	835,095	0.27	
2012	167,651	410,000	183,614	593,614	0.28	
2013	145,930	710,000	98,787	808,787	0.18	

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>
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%
2013	4,088	82,430,432	20,164	1,003	7.4%

(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	439	1	7.42%
Mason Brothers Company	218	2	3.68%
Wal-Mart	193	3	3.26%
Ind. School District 2155	189	4	3.19%
County of Wadena, MN	180	5	3.04%
Homecrest Outdoor Living	157	6	2.65%
Russ Davis Wholesale	150	7	2.54%
Fair Oaks Lodge	115	8	1.94%
MN State Community & Technical College	90	9	1.52%
Polman Trucking Company	84	10	1.42%
Total	<u>1,815</u>		<u>30.67%</u>

(1) Source - MN DEED/MN Pro. City is required to show the current year and nine years ago.  
The data from nine years ago is unavailable.

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

Function	Full-time Equivalent Employees as of December 31									
	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
General government	6.0	6.0	6.5	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	9.0
Civilians	1.0	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	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	5.5
Sanitation	1.0	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	7.0
Water	1.5	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	2.5
Electric	9.5	9.5	9.5	7.5	7.5	9.5	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	3.5
<b>Total</b>	<b>47.0</b>	<b>47.0</b>	<b>48.5</b>	<b>46.5</b>	<b>46.5</b>	<b>47.5</b>	<b>47.5</b>	<b>48.0</b>	<b>48.0</b>	<b>48.0</b>

(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 Ten Fiscal Years (1)  
 (Unaudited)  
 Table 18

Function	Fiscal Year									
	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Police										
Physical arrests	634	514	334	421	557	698	540	349	409	382
Parking violations	11	21	32	17	51	30	16	17	14	0
Traffic violations	96	108	51	102	252	195	245	141	149	165
Fire										
Number of calls answered	21	38	32	27	40	37	43	30	30	47
Highways and streets										
Street resurfacing (miles)	0.5	0.4	0.6	2.4	0.3	0.0	0.5	0.2	0.5	0.6
Tons of Asphalt used to Repair Potholes	70	85	90	46	58	74	135	215	190	74
Water										
New connections	0	0	4	7	3	3	2	3	8	7
Water main breaks	1	0	0	1	3	5	2	3	2	3
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	503,085
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	463,674

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

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

City of Wadena, Minnesota  
 Capital Assets Statistics by Function  
 Last Ten 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	1
Patrol units	2	2	2	2	2	2	2	2	2	2
Fire stations	2	2	2	2	2	2	2	2	2	2
Sanitation										
Collection trucks	1	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	42.5
Streetlights	705	705	705	705	705	705	690	690	690	690
Traffic signals	4	4	4	4	4	4	4	4	4	4
Culture and recreation										
Parks acreage	464	464	463	463	463	464	463	463	463	463
Parks	12	12	11	11	11	11	11	11	11	11
Swimming pools	1	1	1	1	1	1	1	1	1	1
Tennis courts	5	5	5	5	5	5	2	2	2	2
Community centers	1	1	1	1	1	1	1	0	0	0
Water										
Water mains (miles)	32.0	32.0	33.0	33.0	33.0	33.0	33.0	33.0	33.0	33.0
Fire hydrants	294	294	306	306	306	306	311	306	308	308
Maximum daily capacity (thousands of gallons)	1,900	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	30.0
Storm sewers (miles)	11.0	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	750,000
Electric										
Number of distribution stations	5	5	6	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	57.5

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

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