



Comprehensive Annual Financial Report
Year Ended December 31, 2017

City of Wadena, Minnesota

Prepared by Office of City Administration
Lloyd Lanz, Finance Officer

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Introductory Section
Year Ended December 31, 2017
City of Wadena, Minnesota

June 12, 2018

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, 2017, 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, its Services and Economic Factors

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

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

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

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

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

The City provides a full range of municipal services. These include public safety (police and fire), streets, economic development, culture-recreation, public improvements, planning and zoning, municipal airport and general administrative services. The City also operates a municipal liquor store, a golf course, a wellness center, 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.

Financial Planning and 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 completion of a grass crosswind runway, and a new deer fence around property at the City Airport. The relocation and remodel of the City Library to meet current needs. The building and relocation of the electric and water plant facility.

Reporting Achievement

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City for its comprehensive annual financial report (CAFR) for the year ended December 31, 2016. 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 had received this award for the last 20 years.

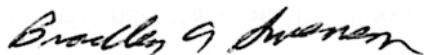
In order to be awarded a Certificate of Achievement, a government unit must publish an easily readable and efficiently organized comprehensive annual financial report whose contents conform to program standards. The CAFR must satisfy both generally accepted accounting principles and applicable legal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

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

Acknowledgements

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

Respectfully submitted,



Bradley A. Swenson



Lloyd J. Lanz



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, 2016

Christopher P. Morill

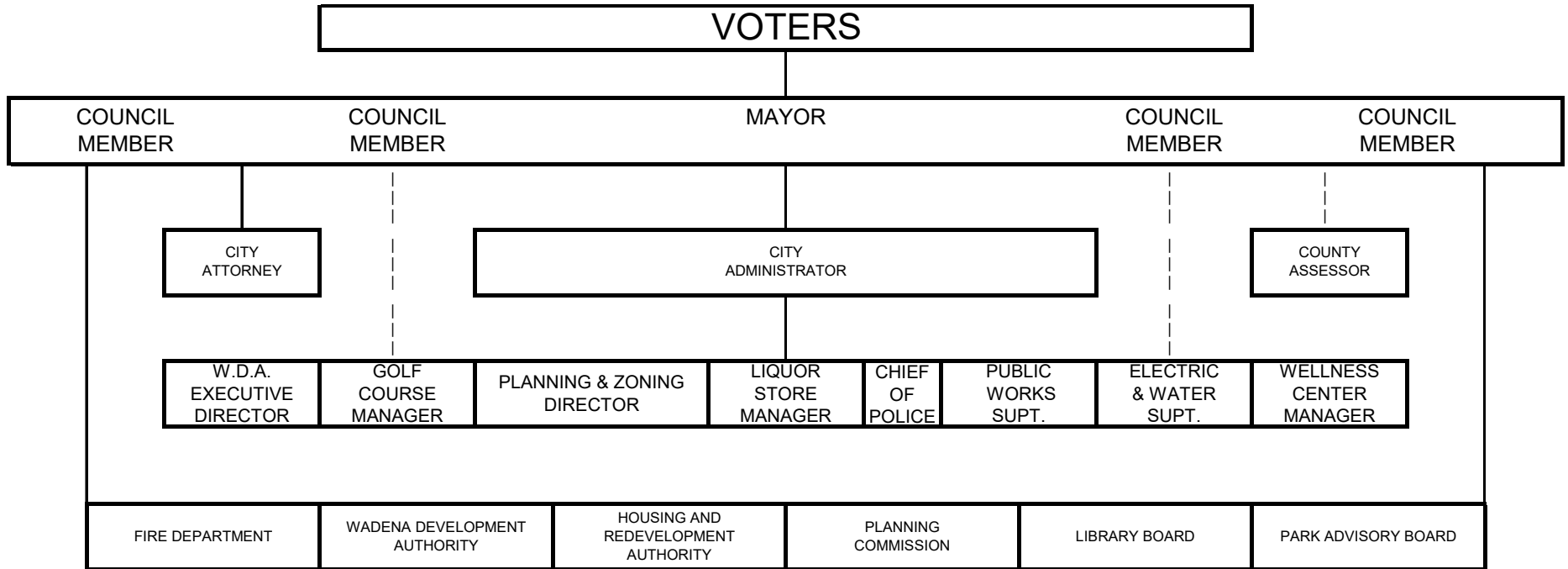
Executive Director/CEO

Elected Officials

Name	Position	Term Expires
George Deiss	Mayor	12/31/18
Deb Wiese	Council Member	12/31/18
Bruce Uselman	Council Member	12/31/18
Jessie Gibbs	Council Member	12/31/20
Wade Miller	Council Member	12/31/20

Appointed Officials

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





Financial Section
Year Ended December 31, 2017
City of Wadena, Minnesota

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



Independent Auditor's Report

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, 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, 2017, 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 did not audit the financial statements of the Housing and Redevelopment Authority, the discretely presented component unit. Those statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for the Housing and Redevelopment Authority, is based solely on the report of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the government activities, the business-type activities, the discretely presented component unit, each major fund, the aggregate remaining fund information, and the general fund budget to actual schedule of the City as of December 31, 2017, 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, schedule of funding progress, schedule of employer's share of net pension liability and schedule of employer's contributions be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods or preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

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

The combining and individual nonmajor fund financial statements, budgetary comparison schedules, and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements, budgetary comparison schedules, 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 11, 2018 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 solely 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 effectiveness of the City's 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 black ink that reads "Eide Bailly LLP". The signature is written in a cursive, flowing style.

Fargo, North Dakota
June 11, 2018

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, 2017. 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 1-3 of this report.

Financial Highlights

- The assets and deferred outflows of resources of the City exceeded its liabilities and deferred inflows of resources at the close of the most recent fiscal year by \$50,734,786 (net position), compared to \$48,562,738 for 2016, an increase of 4.51%.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$1,620,851 or 51.35% of the total general fund expenditures.
- The City's total long term bonded debt decreased from \$14,530,816 in 2016 to \$14,411,180 in 2017.

Overview of the Financial Statements

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

Government-Wide Financial Statements

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

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

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

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

Fund Financial Statements

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

Governmental Funds

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

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

The City maintains 14 individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund, debt service fund, and capital projects fund which are considered major funds. Data from the other 11 individual governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of combining statements elsewhere in this report.

The City adopts an annual appropriated budget for its general fund. A budgetary comparison statement has been provided for the general fund to demonstrate compliance with this budget.

Proprietary Funds

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

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

Notes to the Financial Statements

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

The combining statements referred to earlier in connection with non-major governmental funds are presented immediately following the notes.

Government-Wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the City, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$50,734,786 at the close of the most recent fiscal year.

Statement of Net Position

	Governmental Activities		Business-Type Activities		Total	
	2017	2016	2017	2016	2017	2016
Assets						
Cash and investments	\$ 5,418,343	\$ 3,339,072	\$ 4,251,742	\$ 3,933,828	\$ 9,670,085	\$ 7,272,900
Other assets	1,677,609	3,702,660	2,567,009	2,635,053	4,244,618	6,337,713
Capital assets	15,426,728	14,476,096	40,036,465	39,100,066	55,463,193	53,576,162
Total assets	<u>22,522,680</u>	<u>21,517,828</u>	<u>46,855,216</u>	<u>45,668,947</u>	<u>69,377,896</u>	<u>67,186,775</u>
Deferred Outflows of Resources						
Pension plans	1,039,399	2,027,830	252,306	565,102	1,291,705	2,592,932
Liabilities						
Other liabilities	70,287	223,087	1,211,290	1,022,510	1,281,577	1,245,597
Long-term outstanding	5,905,898	7,308,709	11,366,839	11,917,612	17,272,737	19,226,321
Total liabilities	<u>5,976,185</u>	<u>7,531,796</u>	<u>12,578,129</u>	<u>12,940,122</u>	<u>18,554,314</u>	<u>20,471,918</u>
Deferred Inflows of Resources						
Pension plans	1,204,896	541,098	175,607	203,953	1,380,503	745,051
Net position						
Net investment						
in capital assets	11,389,516	10,511,003	29,634,116	28,480,955	41,023,632	38,991,958
Restricted	2,439,737	1,960,273	-	-	2,439,737	1,960,273
Unrestricted	2,551,745	3,001,488	4,719,671	4,609,019	7,271,416	7,610,507
Total net position	<u>\$ 16,380,998</u>	<u>\$ 15,472,764</u>	<u>\$ 34,353,787</u>	<u>\$ 33,089,974</u>	<u>\$ 50,734,785</u>	<u>\$ 48,562,738</u>

The largest portion of the City's net assets (80%) 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	
	2017	2016	2017	2016	2017	2016
Revenues						
Program revenues						
Charges for services	\$ 583,675	\$ 1,615,856	\$ 8,958,779	\$ 8,404,505	\$ 9,542,454	\$ 10,020,361
Operating grants and contributions	242,023	197,921	-	-	242,023	197,921
Capital grants and contributions	92,849	214,113	-	-	92,849	214,113
General revenues						
Property taxes	861,790	966,354	-	-	861,790	966,354
Unrestricted state aid	2,054,979	1,829,737	-	-	2,054,979	1,829,737
Unrestricted investment earnings	52,583	43,599	39,436	39,608	92,019	83,207
Miscellaneous	591,834	2,196,903	-	-	591,834	2,196,903
Total revenues	4,479,733	7,064,483	8,998,215	8,444,113	13,477,948	15,508,596
Expenses						
General government	713,672	701,259	-	-	713,672	701,259
Public safety	1,091,180	718,339	-	-	1,091,180	718,339
Public works	943,666	1,553,220	-	-	943,666	1,553,220
Culture and recreation	368,173	414,666	-	-	368,173	414,666
Economic development	516,494	94,019	-	-	516,494	94,019
Airport	173,616	459,688	-	-	173,616	459,688
Interest on debt	5,675	46,626	-	-	5,675	46,626
Municipal liquor	-	-	297,050	249,230	297,050	249,230
Sewer utility	-	-	958,253	883,707	958,253	883,707
Water utility	-	-	535,381	591,410	535,381	591,410
Electric utility	-	-	4,955,596	4,968,421	4,955,596	4,968,421
Golf course	-	-	344,554	305,307	344,554	305,307
Wellness center	-	-	804,760	994,942	804,760	994,942
Total expenses	3,812,476	3,987,817	7,895,594	7,993,017	11,708,070	11,980,834
Excess before transfers	667,257	3,076,666	1,102,621	451,096	1,769,878	3,527,762
Other financing sources	240,977	166,937	161,192	826,742	402,169	993,679
Change in net position	908,234	3,243,603	1,263,813	1,277,838	2,172,047	4,521,441
Beginning net position,	15,472,764	12,229,161	33,089,974	31,812,136	48,562,738	44,041,297
Ending net position	<u>\$ 16,380,998</u>	<u>\$ 15,472,764</u>	<u>\$ 34,353,787</u>	<u>\$ 33,089,974</u>	<u>\$ 50,734,785</u>	<u>\$ 48,562,738</u>

Governmental Activities

Governmental activities increased the City's net position by \$667,257 before transfers from the business-type activities. Key element of the increase was:

- Project funds expensed in a prior year, but reimbursed in 2017.

Business-Type Activities

Business-type activities increased the City's net position by \$1,504,791 before transfers. Key element of this decrease was:

- The City has set utility rates at a level to be able to set aside reserves for future replacement of those utility assets and infrastructure and reviews these rates periodically so as to foresee any necessary changes.

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

	<u>12/31/17</u>	<u>12/31/16</u>	<u>(Decrease)</u>	<u>(Decrease)</u>
Governmental Funds:				
General	\$ 2,328,811	\$ 2,323,512	\$ 5,299	0.2%
Debt service	542,875	501,504	41,371	8.2%
Capital projects	1,605,264	1,166,980	438,284	37.6%
Proprietary Funds:				
Sewer utility	5,402,532	5,278,479	124,053	2.4%
Water utility	3,009,482	2,654,500	354,982	13.4%
Electric utility	13,560,688	12,688,246	872,442	6.9%
Municipal liquor	460,227	402,587	57,640	14.3%
Wellness center	11,059,339	11,204,737	(145,398)	-1.3%
Golf course	861,519	861,425	94	0.0%

General Fund Overview

The General fund had an increase in fund balance of \$5,299 to a total of \$2,328,811. The increase in fund balance was mainly due a decrease in spending in 2017 with less capital outlay expenditures.

Debt Service Fund Overview:

The Debt Service fund had an increase in fund balance of \$41,371 to a total of \$542,875. The increase in fund balance was mainly due a transfer from the Water and Sewer funds.

Capital Projects Fund Overview:

The Capital Projects fund had an increase in fund balance of \$438,284 to a total of \$1,605,264. The increase in fund balance was mainly due receiving bond proceeds in the current year, a portion of which were unspent at year-end and will be utilized during 2018.

General Fund Budgetary Highlights

- Actual revenues for 2017 were \$3,086,619, compared to budgeted revenues of \$2,952,423. Largest overage was for miscellaneous revenues of \$72,871, for additional reimbursements and donations, which were not budgeted for.
- Actual expenditures for 2017 were \$3,456,045, compared to budgeted expenditures of \$3,210,591. The largest over budgeted area was for airport activity. The capital outlay was over budgeted by \$98,677 for the Airport Runway project.

Capital Assets

The City's investment in capital assets for its governmental and business-type activities as of December 31, 2017, amounts to \$55,463,194 (net of accumulated depreciation). This investment in capital assets includes land, construction in process, buildings, improvements other than buildings, infrastructure, machinery and equipment, general plant and system, and furniture and fixtures. See Note 5 for more detailed information on capital asset activity.

Capital Assets (Net of Depreciation)

	Governmental Activities		Business-Type Activities		Total	
	2017	2016	2017	2016	2017	2016
Capital assets (net of accumulated depreciation where applicable)						
Land	\$ 2,127,215	\$ 2,127,215	\$ 888,238	\$ 888,238	\$ 3,015,453	\$ 3,015,453
Construction in progress	5,661,547	5,148,034	7,908,859	6,136,164	13,570,406	11,284,198
Buildings	2,179,537	2,067,994	17,911,731	18,034,674	20,091,268	20,102,668
Improvements other than buildings	2,615,831	2,136,009	-	-	2,615,831	2,136,009
Machinery and equipment	1,125,254	1,239,076	2,110,301	2,644,462	3,235,555	3,883,538
General plant and system	-	-	11,217,336	11,396,528	11,217,336	11,396,528
Infrastructure	1,717,344	1,757,768	-	-	1,717,344	1,757,768
Total capital assets	\$ 15,426,728	\$ 14,476,096	\$ 40,036,465	\$ 39,100,066	\$ 55,463,193	\$ 53,576,162

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

- Purchase of building for future library in the amount of \$175,000
- Purchase of perimeter fence at airport in the amount of \$538,501
- Purchase of police car in the amount of \$43,068
- Purchase of skid loader for the Public Works Department in the amount of \$32,329
- Purchase of used vehicle for the Fire Department in the amount of \$19,720

Long-term Debt

At the end of the current fiscal year, the City had \$14,781,920 in long-term debt.

Outstanding Debt

	Governmental Activities		Business-Type Activities		Total	
	2017	2016	2017	2016	2017	2016
General obligation bonds	\$ 4,037,212	\$ 3,965,093	\$ 10,373,968	\$ 10,565,723	\$ 14,411,180	\$ 14,530,816
OPEB obligation	203,006	149,055	-	-	203,006	149,055
Compensated absences	89,753	118,206	77,981	138,212	167,734	256,418
Total long-term debt	<u>\$ 4,329,971</u>	<u>\$ 4,232,354</u>	<u>\$ 10,451,949</u>	<u>\$ 10,703,935</u>	<u>\$ 14,781,920</u>	<u>\$ 14,936,289</u>

Additional information on the City's long-term debt can be found in Note 6 of this report.

The City has \$2,490,816 in net pension liability at December 31, 2017. See Note 11 for further information.

Economic Factors

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

The City's industrial park, and adjacent land platted for use as industrial park lots, has 3 lots available for the sale. The City is in the process of developing a business park next to the current industrial park. This park has 14 lots available for future development. The lots are available for sale, but without infrastructure. The City is working on funding to complete the business park infrastructure, and is currently working with the city engineer on final design and engineering for the street construction.

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 2019.

- The City has finished an infrastructure project for the southeast section of town. This project will be under construction and finished in the spring of 2017. The cost for the project was \$12,500,000, which was funded with G.O. Debt, grants, an increase in water and sewer rates, and special assessments.
- The City has completed an environmental assessment for our airport, looking at a grass crosswind runway. This would be funded with a 80% MNDOT grant and 20% local share. Project continues to be negotiated with State Aeronautics and the FAA. In 2009 the City extended our taxiway, making it run along the entire runway, which was funded at 90% FAA grant, 5% state, and 5% local share. In 2014 the City replaced the existing blacktop surfaces in the non-runway and taxiway portions of the airport and installed a new entrance gate. In 2016 and 2017 new PAPPI lights were installed and a new deer fence around the airport was installed.
- Electric & Water rates are set to stay ahead of inflation for the next few years. The City conducted a rate study in 2015 and rates were increased in 2016 and 2017.
- Trends affecting budgets include rising health insurance costs, increasing fuel costs, rising labor costs, increases in the employer share of Public Employee Retirement contributions and fluctuations in the cost of building, liability, and workers compensation insurances, which we seem to have limited control over.
- Local businesses seem to staying above water and continuing to thrive in the present economy. Lost some businesses in the last year, but there seems to be new interest and hope for the future. There is a general increase in growth and construction in the areas of housing, retail and manufacturing.
- The City entered into a 3-year partnership with a national firm to help us recruit additional retail and service businesses to Wadena.
- Recently completed projects include a 49 unit assisted living facility that will employ up to 28 persons; a 22,000 square foot expansion of a high tech manufacturing business with 12 new jobs expected; and a new professional office for a local dentist.

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, 2017

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	Housing and Redevelopment Authority
Assets				
Cash and cash equivalents	\$ 565,280	\$ 158,861	\$ 724,141	\$ 804,026
Receivables				
Accounts (net of allowance)	10,384	1,119,491	1,129,875	2,093
Interest	6,443	4,523	10,966	-
Loans	779,858	-	779,858	142,142
Special assessments	868,370	852,450	1,720,820	-
Due from other governmental units	6,144	-	6,144	-
Prepaid items	6,410	64,564	70,974	-
Inventories	-	525,981	525,981	-
Investments	4,816,051	4,092,881	8,908,932	735,348
Restricted assets				
Permanently restricted: investments	37,012	-	37,012	-
Capital assets, net of accumulated depreciation where applicable				
Land	2,127,215	888,238	3,015,453	-
Construction in progress	5,661,547	7,908,859	13,570,406	-
Buildings	2,179,537	17,911,731	20,091,268	-
Improvements other than buildings	2,615,831	-	2,615,831	-
Machinery and equipment	1,125,254	2,110,301	3,235,555	-
Infrastructure	1,717,344	11,217,336	12,934,680	-
Land and improvements	-	-	-	124,796
Land, buildings, fixtures, and equipment	-	-	-	2,046,579
Total assets	<u>22,522,680</u>	<u>46,855,216</u>	<u>69,377,896</u>	<u>3,854,984</u>
Deferred Outflows of Resources				
Pension plans	<u>1,039,399</u>	<u>252,306</u>	<u>1,291,705</u>	<u>-</u>
Liabilities				
Current				
Accounts payable	30,111	825,476	855,587	3,041
Other accrued liabilities	35,069	32,589	67,658	35,464
Consumer deposits	-	178,864	178,864	-
Unearned revenue	2,281	124,924	127,205	45,188
Accrued interest payable	2,826	49,437	52,263	16,969
Due to other governmental units	-	-	-	6,895
Noncurrent				
Due within one year	437,812	894,341	1,332,153	261,352
Due in more than one year	3,892,159	9,557,609	13,449,768	1,425,806
Due in more than one year - net pension liability	<u>1,575,927</u>	<u>914,889</u>	<u>2,490,816</u>	<u>-</u>
Total liabilities	<u>5,976,185</u>	<u>12,578,129</u>	<u>18,554,314</u>	<u>1,794,715</u>
Deferred Inflows of Resources				
Pension plans	<u>1,204,896</u>	<u>175,607</u>	<u>1,380,503</u>	<u>-</u>
Net Position				
Net investment in capital assets	11,389,516	29,634,116	41,023,632	484,216
Restricted for:				
Debt service	542,875	-	542,875	594,949
Commercial loans	104,318	-	104,318	-
Residential loans	142,758	-	142,758	-
Tax increment district	7,510	-	7,510	-
Capital projects	1,605,264	-	1,605,264	-
Merickel park	37,012	-	37,012	-
Housing assistance payments	-	-	-	15,700
Unrestricted	<u>2,551,745</u>	<u>4,719,671</u>	<u>7,271,416</u>	<u>965,404</u>
Total net position	<u>\$ 16,380,998</u>	<u>\$ 34,353,787</u>	<u>\$ 50,734,785</u>	<u>\$ 2,060,269</u>

City of Wadena, Minnesota
Statement of Activities
Year Ended December 31, 2017

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			Component Unit
					Governmental Activities	Business-Type Activities	Total	Housing and Redevelopment Authority
Primary government								
Governmental activities								
General government	\$ 713,672	\$ 165,818	\$ 126,446	\$ 81,675	\$ (339,733)	\$ -	\$ (339,733)	\$ -
Public safety	1,091,180	13,301	57,125	-	(1,020,754)	-	(1,020,754)	-
Public works	943,666	269,109	-	156	(674,401)	-	(674,401)	-
Culture and recreation	368,173	48,742	11,951	-	(307,480)	-	(307,480)	-
Economic development	516,494	10,743	13,405	11,018	(481,328)	-	(481,328)	-
Airport	173,616	75,962	33,096	-	(64,558)	-	(64,558)	-
Interest on long-term debt	5,675	-	-	-	(5,675)	-	(5,675)	-
Total governmental activities	3,812,476	583,675	242,023	92,849	(2,893,929)	-	(2,893,929)	-
Business-type activities								
Municipal liquor	297,050	521,185	-	-	-	224,135	224,135	-
Sewer utility	958,253	882,990	-	-	-	(75,263)	(75,263)	-
Water utility	535,381	713,469	-	-	-	178,088	178,088	-
Electric utility	4,955,596	6,081,512	-	-	-	1,125,916	1,125,916	-
Golf course	344,554	270,514	-	-	-	(74,040)	(74,040)	-
Wellness center	804,760	489,109	-	-	-	(315,651)	(315,651)	-
Total business-type activities	7,895,594	8,958,779	-	-	-	1,063,185	1,063,185	-
Total primary government	\$ 11,708,070	\$ 9,542,454	\$ 242,023	\$ 92,849	(2,893,929)	1,063,185	(1,830,744)	-
Component Unit								
Housing and Redevelopment Authority	\$ 1,365,477	\$ 535,753	\$ 626,703	\$ -	-	-	-	(157,604)
General revenues								
Property taxes					861,790	402,169	1,263,959	20,125
Unrestricted state aid					2,054,979	-	2,054,979	-
Unrestricted investment earnings (loss)					52,583	39,436	92,019	5,591
Miscellaneous					591,834	-	591,834	294,608
Transfers					240,977	(240,977)	-	-
Total general revenue and transfers					3,802,163	200,628	4,002,791	320,324
Change in net position					908,234	1,263,813	2,172,047	162,720
Net position - beginning					15,472,764	33,089,974	48,562,738	1,897,549
Net position - ending					\$ 16,380,998	\$ 34,353,787	\$ 50,734,785	\$ 2,060,269

City of Wadena, Minnesota
Balance Sheet - Governmental Funds
December 31, 2017

	General	Debt Service	Capital Projects	Other Governmental Funds	Total Governmental Funds
Assets					
Cash and cash equivalents	\$ -	\$ 62,928	\$ 469,814	\$ 241,730	\$ 774,472
Permanently restricted investments	-	-	-	37,012	37,012
Receivables					
Accounts	10,384	-	-	-	10,384
Interest	2,864	577	2,218	784	6,443
Property taxes	14,114	10,326	-	-	24,440
Allowance for delinquent taxes	(14,114)	(10,326)	-	-	(24,440)
Loans	-	-	-	779,858	779,858
Special assessments	117,381	750,989	-	-	868,370
Prepaid items	6,410	-	-	-	6,410
Investments	2,569,020	475,964	1,145,000	626,067	4,816,051
Due from other governmental units	2,738	3,406	-	-	6,144
	<u>2,738</u>	<u>3,406</u>	<u>-</u>	<u>-</u>	<u>6,144</u>
Total assets	<u>\$ 2,708,797</u>	<u>\$ 1,293,864</u>	<u>\$ 1,617,032</u>	<u>\$ 1,685,451</u>	<u>\$ 7,305,144</u>
Liabilities, Deferred Inflows of Resources, and Fund Balance					
Liabilities					
Accounts payable	\$ 18,343	\$ -	\$ 11,768	\$ -	\$ 30,111
Checks written in excess of cash balance	209,192	-	-	-	209,192
Other liabilities	35,069	-	-	-	35,069
Total liabilities	<u>262,604</u>	<u>-</u>	<u>11,768</u>	<u>-</u>	<u>274,372</u>
Deferred Inflows of Resources					
Unavailable revenue-special assessments	117,382	750,989	-	-	868,371
Unavailable revenue-loans receivable	-	-	-	779,858	779,858
Total deferred inflows of resources	<u>117,382</u>	<u>750,989</u>	<u>-</u>	<u>779,858</u>	<u>1,648,229</u>
Fund Balances					
Nonspendable					
Prepaid items	6,410	-	-	-	6,410
Restricted					
Debt service	-	542,875	-	-	542,875
Commercial loans	-	-	-	104,318	104,318
Residential loans	-	-	-	142,758	142,758
Tax increment district	-	-	-	7,510	7,510
Capital projects	-	-	1,605,264	-	1,605,264
Merickel park	-	-	-	37,012	37,012
Committed					
Economic development	-	-	-	577,895	577,895
Assigned					
Equipment	701,550	-	-	-	701,550
Library	-	-	-	36,100	36,100
Unassigned	1,620,851	-	-	-	1,620,851
Total fund balances	<u>2,328,811</u>	<u>542,875</u>	<u>1,605,264</u>	<u>905,593</u>	<u>5,382,543</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 2,708,797</u>	<u>\$ 1,293,864</u>	<u>\$ 1,617,032</u>	<u>\$ 1,685,451</u>	<u>\$ 7,305,144</u>

City of Wadena, Minnesota
 Reconciliation of the Governmental Funds
 Balance Sheet to the Statement of Net Position
 December 31, 2017

Total Fund Balances - Governmental Funds		\$ 5,382,543
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.		15,426,728
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.		1,648,229
Deferred outflows and inflows of resources related to pensions are applicable to future periods and, therefore, are not reported in the funds.		(167,778)
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	\$ (4,037,212)	
OPEB obligations	(203,006)	
Compensated absences	(89,753)	
Accrued interest	(2,826)	
Net pension liability	<u>(1,575,927)</u>	<u>(5,908,724)</u>
Net Position of Governmental Activities		<u><u>\$ 16,380,998</u></u>

City of Wadena, Minnesota
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
Year Ended December 31, 2017

	General	Debt Service	Capital Projects	Other Governmental Funds	Total Governmental Funds
Revenues					
Property taxes	\$ 498,522	\$ 342,684	\$ -	\$ 58,214	\$ 899,420
Special assessments	15,833	-	2,225	-	18,058
Licenses and permits	30,264	90,543	-	-	120,807
Intergovernmental	2,152,108	5,035	109,033	-	2,266,176
Charges for service	208,691	-	-	-	208,691
Fines and forfeitures	22,480	-	-	-	22,480
Investment earnings	20,016	4,284	11,947	7,337	43,584
Rents	32,020	-	-	-	32,020
Contributions	14,585	-	-	10,000	24,585
Reimbursements	31,992	-	-	-	31,992
Loan repayments	-	-	-	373,584	373,584
Donations	-	-	481,032	-	481,032
Miscellaneous	60,108	-	-	24,243	84,351
Total revenues	<u>3,086,619</u>	<u>442,546</u>	<u>604,237</u>	<u>473,378</u>	<u>4,606,780</u>
Expenditures					
Current					
General government	462,335	-	-	-	462,335
Public safety	998,203	-	-	-	998,203
Public works	601,439	-	-	-	601,439
Culture and recreation	319,250	-	-	29,676	348,926
Economic development	-	-	-	474,418	474,418
Bad debt	-	-	-	21,489	21,489
Airport	117,946	-	-	-	117,946
Miscellaneous	120,186	-	-	33,728	153,914
Debt service					
Principal	-	386,000	-	-	386,000
Interest and fees	-	52,177	3,972	-	56,149
Capital outlay					
General government	15,336	-	-	-	15,336
Public safety	78,270	-	-	-	78,270
Public works	40,918	-	836,272	-	877,190
Culture and recreation	839	-	-	-	839
Economic development	-	-	-	26,665	26,665
Airport	401,323	-	-	-	401,323
Total expenditures	<u>3,156,045</u>	<u>438,177</u>	<u>840,244</u>	<u>585,976</u>	<u>5,020,442</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(69,426)	4,369	(236,007)	(112,598)	(413,662)
Other Financing Sources (Uses)					
Transfers in	373,222	37,002	216,172	27,196	653,592
Transfers out	(307,497)	-	-	(55,871)	(363,368)
Issuance of debt	-	-	458,119	-	458,119
Sale of capital assets	9,000	-	-	-	9,000
Total other financing sources (uses)	<u>74,725</u>	<u>37,002</u>	<u>674,291</u>	<u>(28,675)</u>	<u>757,343</u>
Net Change in Fund Balances	5,299	41,371	438,284	(141,273)	343,681
Fund Balances, Beginning of Year	<u>2,323,512</u>	<u>501,504</u>	<u>1,166,980</u>	<u>1,046,866</u>	<u>5,038,862</u>
Fund Balances, End of Year	<u>\$ 2,328,811</u>	<u>\$ 542,875</u>	<u>\$ 1,605,264</u>	<u>\$ 905,593</u>	<u>\$ 5,382,543</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, 2017

Net Change in Fund Balances - Total Governmental Funds	\$	343,681
<p>Amounts reported for governmental activities in the statement of activities are different because:</p>		
<p>Capital outlays are reported as expenditures in governmental funds. However, in the statement of activities the cost of capital assets is allocated over their estimated useful lives as depreciation expense.</p>		
Capital Outlay		1,346,055
Depreciation expense		(395,423)
Contribution of capital assets		(49,247)
<p>Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.</p>		
		(135,167)
<p>In the statement of activities compensated absences are measured by the amounts earned during the year. In the governmental funds, however, expenditures for these items are measured by the amount of financial resources used.</p>		
		28,453
<p>In the statement of activities OPEB obligations are measured by the amounts earned during the year. In the governmental funds, however, expenditures for these items are measured by the amount of financial resources used.</p>		
		(53,951)
<p>In the statement of activities the cost of pension benefits earned net of employee contributions is reported as pension expense. In the governmental funds, however, the contributions are reported as expense.</p>		
		(104,835)
<p>The issuance of long-term debt provided current financial resources to governmental funds, while the repayment of principal of long-term debt consumes the current financial resources of governmental funds. Neither transactions, however, has any effect on net position. Also, governmental funds report the effect of premiums when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.</p>		
		<u>(71,332)</u>
Change in Net Position of Governmental Activities	\$	<u><u>908,234</u></u>

City of Wadena, Minnesota
Statement of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual
General Fund
Year Ended December 31, 2017

	<u>Original and Final Budget</u>	<u>Actual Amounts</u>	<u>Variance With Final Budget</u>
Revenues			
Property taxes	\$ 501,100	\$ 498,522	\$ (2,578)
Special assessments	2,205	15,833	13,628
Licenses and permits	28,195	30,264	2,069
Intergovernmental	2,123,423	2,152,108	28,685
Charges for services	178,850	208,691	29,841
Fines and forfeitures	32,800	22,480	(10,320)
Miscellaneous	85,850	158,721	72,871
Total revenues	<u>2,952,423</u>	<u>3,086,619</u>	<u>134,196</u>
Expenditures			
Current			
General government	453,102	462,335	(9,233)
Public safety	1,050,086	998,203	51,883
Public works	630,733	601,439	29,294
Culture and recreation	361,634	319,250	42,384
Airport	65,008	117,946	(52,938)
Miscellaneous	85,528	120,186	(34,658)
Debt service	1,000	-	1,000
Capital outlay			
General government	-	15,336	(15,336)
Public safety	19,000	78,270	(59,270)
Public works	43,500	40,918	2,582
Culture and recreation	1,000	839	161
Airport	500,000	401,323	98,677
Total expenditures	<u>3,210,591</u>	<u>3,156,045</u>	<u>54,546</u>
Deficiency of Revenues Under Expenditures	(258,168)	(69,426)	188,742
Other Financing Sources (Uses)			
Transfers in	373,522	373,222	(300)
Transfers out	(120,000)	(307,497)	(187,497)
Sale of capital assets	5,000	9,000	4,000
Total other financing sources (uses)	<u>258,522</u>	<u>74,725</u>	<u>(183,797)</u>
Net Change in Fund Balances	<u>\$ 354</u>	5,299	<u>\$ 4,945</u>
Fund Balances, Beginning of Year		<u>2,323,512</u>	
Fund Balances, End of Year		<u>\$ 2,328,811</u>	

City of Wadena, Minnesota
Statement of Net Position
Proprietary Funds
December 31, 2017

	Sewer Utility	Water Utility	Electric Utility	Municipal Liquor
Assets				
Current Assets				
Cash and cash equivalents	\$ -	\$ 18,102	\$ 63,686	\$ 22,874
Accounts receivable - net	44,722	93,429	977,759	1,254
Special assessment receivables	447,897	404,553	-	-
Interest receivable	589	-	3,500	434
Prepaid expenses	15,738	5,400	19,971	7,067
Inventories	-	24,237	289,903	186,663
Investments	510,000	551,000	2,699,842	332,039
Total current assets	<u>1,018,946</u>	<u>1,096,721</u>	<u>4,054,661</u>	<u>550,331</u>
Noncurrent Assets				
Capital assets				
Land	4,600	2,850	44,993	-
Construction in progress	4,065,683	2,962,613	880,563	-
Buildings	7,055,660	2,540,841	802,670	180,539
Equipment	2,332,106	807,935	1,004,010	94,508
General plant and system	2,204,183	2,378,001	14,217,079	-
Less accumulated depreciation	(4,564,215)	(2,698,312)	(6,223,752)	(209,014)
Total noncurrent assets	<u>11,098,017</u>	<u>5,993,928</u>	<u>10,725,563</u>	<u>66,033</u>
Total assets	<u>12,116,963</u>	<u>7,090,649</u>	<u>14,780,224</u>	<u>616,364</u>
Deferred Outflows of Resources				
Pension plans	<u>33,395</u>	<u>12,984</u>	<u>121,427</u>	<u>20,359</u>
Liabilities				
Current Liabilities				
Accounts payable	125,431	5,883	590,476	77,489
Accrued interest	29,058	20,379	-	-
Checks written in excess of cash balance	62,435	-	-	-
Other accrued liabilities	4,201	1,597	15,159	3,650
Consumer deposits	-	5,070	173,794	-
Unearned revenue	-	-	-	-
Current portion of long-term debt	463,063	405,363	14,755	2,959
Total current liabilities	<u>684,188</u>	<u>438,292</u>	<u>794,184</u>	<u>84,098</u>
Noncurrent Liabilities				
Accrued compensated absences	4,556	3,517	21,959	4,404
Bonds payable (net of current portion)	5,914,745	3,596,223	-	-
Net pension liability	121,094	47,082	440,306	73,824
Total noncurrent liabilities	<u>6,040,395</u>	<u>3,646,822</u>	<u>462,265</u>	<u>78,228</u>
Total liabilities	<u>6,724,583</u>	<u>4,085,114</u>	<u>1,256,449</u>	<u>162,326</u>
Deferred Inflows of Resources				
Pension plans	<u>23,243</u>	<u>9,037</u>	<u>84,514</u>	<u>14,170</u>
Net Position				
Net investment in capital assets	4,720,209	1,992,342	10,710,808	66,033
Unrestricted	682,323	1,017,140	2,849,880	394,194
Total net position	<u>\$ 5,402,532</u>	<u>\$ 3,009,482</u>	<u>\$ 13,560,688</u>	<u>\$ 460,227</u>

City of Wadena, Minnesota
Statement of Net Position
Proprietary Funds
December 31, 2017

	Wellness Center	Golf Course	Total
Assets			
Current Assets			
Cash and cash equivalents	\$ 116,634	\$ -	\$ 221,296
Accounts receivable - net	2,327	-	1,119,491
Special assessment receivables	-	-	852,450
Interest receivable	-	-	4,523
Prepaid expenses	9,625	6,763	64,564
Inventories	3,256	21,922	525,981
Investments	-	-	4,092,881
Total current assets	<u>131,842</u>	<u>28,685</u>	<u>6,881,186</u>
Noncurrent Assets			
Capital assets			
Land	256,619	579,176	888,238
Construction in progress	-	-	7,908,859
Buildings	11,376,913	423,598	22,380,221
Equipment	354,944	642,176	5,235,679
General plant and system	-	-	18,799,263
Less accumulated depreciation	<u>(770,768)</u>	<u>(709,733)</u>	<u>(15,175,794)</u>
Total capital assets	<u>11,217,708</u>	<u>935,217</u>	<u>40,036,466</u>
Total assets	<u>11,349,550</u>	<u>963,902</u>	<u>46,917,652</u>
Deferred Outflows of Resources			
Pension plan	<u>39,004</u>	<u>25,137</u>	<u>252,306</u>
Liabilities			
Current Liabilities			
Accounts payable	24,823	1,374	825,476
Accrued interest	-	-	49,437
Checks written in excess of cash balance	-	-	62,435
Other accrued liabilities	6,446	1,536	32,589
Consumer deposits	-	-	178,864
Unearned revenue	124,924	-	124,924
Current portion of long-term debt	1,785	6,416	894,341
Total current liabilities	<u>157,978</u>	<u>9,326</u>	<u>2,168,066</u>
Noncurrent Liabilities			
Accrued compensated absences	2,657	9,548	46,641
Bonds payable (net of current portion)	-	-	9,510,968
Net pension liability	141,433	91,150	914,889
Total noncurrent liabilities	<u>144,090</u>	<u>100,698</u>	<u>10,472,498</u>
Total liabilities	<u>302,068</u>	<u>110,024</u>	<u>12,640,564</u>
Deferred Inflows of Resources			
Pension plan	<u>27,147</u>	<u>17,496</u>	<u>175,607</u>
Net Position			
Net investment in capital assets	11,215,923	928,801	29,634,116
Unrestricted	<u>(156,584)</u>	<u>(67,282)</u>	<u>4,719,671</u>
Total net position	<u>\$ 11,059,339</u>	<u>\$ 861,519</u>	<u>\$ 34,353,787</u>

City of Wadena, Minnesota
Statement of Revenues, Expenses and Changes in Net Position
Proprietary Funds
Year Ended December 31, 2017

	Sewer Utility	Water Utility	Electric Utility	Municipal Liquor
Operating Revenues				
Sales	\$ -	\$ -	\$ -	\$ 2,001,587
Cost of sales	-	-	-	(1,480,402)
Gross profit	-	-	-	521,185
Charges for services	881,346	708,281	5,594,871	-
Miscellaneous	1,644	5,188	486,641	-
Total operating revenues	<u>882,990</u>	<u>713,469</u>	<u>6,081,512</u>	<u>521,185</u>
Operating Expenses				
Administration	34,333	67,248	371,591	167,940
Purchased power	-	-	3,582,577	-
Operating and maintenance	430,929	210,404	408,608	118,915
Equipment maintenance	34,850	4,720	19,514	-
Customer account expense	-	43,648	116,711	-
Depreciation	378,244	154,005	456,595	10,195
Total operating expenses	<u>878,356</u>	<u>480,025</u>	<u>4,955,596</u>	<u>297,050</u>
Operating Income (Loss)	4,634	233,444	1,125,916	224,135
Other Income (Expense)				
Investment earnings	6,011	5,032	24,648	2,736
Property taxes and special assessments	210,246	191,923	-	-
Interest expense	(79,897)	(55,356)	-	-
Total other income (expense)	<u>136,360</u>	<u>141,599</u>	<u>24,648</u>	<u>2,736</u>
Net Income (Loss) Before Other Financing Sources (Uses)	140,994	375,043	1,150,564	226,871
Other Financing Sources (Uses)				
Transfers in	-	-	-	-
Transfers out	(16,941)	(20,061)	(278,122)	(169,231)
Contribution of capital assets	-	-	-	-
Total other financing sources (uses)	<u>(16,941)</u>	<u>(20,061)</u>	<u>(278,122)</u>	<u>(169,231)</u>
Change in Net Position	124,053	354,982	872,442	57,640
Total Net Position, Beginning of year	<u>5,278,479</u>	<u>2,654,500</u>	<u>12,688,246</u>	<u>402,587</u>
Total Net Position, End of Year	<u>\$ 5,402,532</u>	<u>\$ 3,009,482</u>	<u>\$ 13,560,688</u>	<u>\$ 460,227</u>

City of Wadena, Minnesota
Statement of Revenues, Expenses and Changes in Net Position
Proprietary Funds
Year Ended December 31, 2017

	Wellness Center	Golf Course	Total
Operating Revenues			
Sales	\$ -	\$ 111,812	\$ 2,113,399
Cost of sales	-	(66,197)	(1,546,599)
Gross profit	-	45,615	566,800
Charges for services	448,098	204,944	7,837,540
Miscellaneous	41,011	19,955	554,439
Total operating revenues	489,109	270,514	8,958,779
Operating Expenses			
Administration	220,649	181,504	1,043,265
Purchased power	-	-	3,582,577
Operating and maintenance	287,430	124,968	1,581,254
Equipment maintenance	39,065	11,287	109,436
Customer account expense	-	-	160,359
Depreciation	257,616	26,795	1,283,450
Total operating expenses	804,760	344,554	7,760,341
Operating Income (Loss)	(315,651)	(74,040)	1,198,438
Other Income (Expense)			
Investment earnings	1,006	3	39,436
Property taxes and special assessments	-	-	402,169
Interest expense	-	-	(135,253)
Total other income (expense)	1,006	3	306,352
Net Income (Loss) Before Other Financing Sources (Uses)	(314,645)	(74,037)	1,504,790
Other Financing Sources (Uses)			
Transfers in	120,000	74,131	194,131
Transfers out	-	-	(484,355)
Contribution of capital assets	49,247	-	49,247
Total other financing sources (uses)	169,247	74,131	(240,977)
Change in Net Position	(145,398)	94	1,263,813
Total Net Position, Beginning of year	11,204,737	861,425	33,089,974
Total Net Position, End of Year	\$ 11,059,339	\$ 861,519	\$ 34,353,787

City of Wadena, Minnesota
Statement of Cash Flows
Proprietary Funds
Year Ended December 31, 2017

	Sewer Utility	Water Utility	Electric Utility	Municipal Liquor
Operating Activities				
Receipts from customers and users	\$ 883,015	\$ 650,419	\$ 6,060,559	\$ 2,001,240
Payments to suppliers	(347,395)	(266,368)	(3,927,317)	(1,575,225)
Payments to employee costs	(35,325)	(75,519)	(414,106)	(165,949)
Net Cash From (Used for) Operating Activities	<u>500,295</u>	<u>308,532</u>	<u>1,719,136</u>	<u>260,066</u>
Noncapital Financing Activities				
Net payments (proceeds) on due from other funds	-	-	69,992	-
Transfer from other funds	-	-	-	-
Transfer to other funds	(16,941)	(20,061)	(278,122)	(169,231)
Net Cash From (Used For) Noncapital Financing Activities	<u>(16,941)</u>	<u>(20,061)</u>	<u>(208,130)</u>	<u>(169,231)</u>
Capital and Related Financing Activities				
Property and equipment additions	(563,180)	(340,202)	(1,251,352)	-
Proceeds from long-term debt	346,383	312,862	-	-
Payments on long-term debt				
Principal	(454,000)	(397,000)	-	-
Interest	(79,896)	(55,357)	-	-
Receipt of tax and specials revenues	246,785	224,926	-	-
Net pension liability and related deferred inflows and outflows of resources	2,102	(814)	(16,347)	4,116
Net Cash From (Used for) Capital and Related Financing Activities	<u>(501,806)</u>	<u>(255,585)</u>	<u>(1,267,699)</u>	<u>4,116</u>
Investing Activities				
Sale of investments	(450,000)	(416,000)	(209,999)	(140,000)
Interest and dividends from investments	6,011	5,032	24,648	2,736
Net Cash From (Used for) Investing Activities	<u>(443,989)</u>	<u>(410,968)</u>	<u>(185,351)</u>	<u>(137,264)</u>
Change in Cash and Cash Equivalents	(462,441)	(378,082)	57,956	(42,313)
Cash and Cash Equivalents, Beginning of Year	<u>400,006</u>	<u>396,184</u>	<u>5,730</u>	<u>65,187</u>
Cash and Cash Equivalents, End of Year	<u>\$ (62,435)</u>	<u>\$ 18,102</u>	<u>\$ 63,686</u>	<u>\$ 22,874</u>

City of Wadena, Minnesota
Statement of Cash Flows
Proprietary Funds
Year Ended December 31, 2017

	Sewer Utility	Water Utility	Electric Utility	Municipal Liquor
Reconciliation of Operating Income (Loss) to Net Cash From (Used for) Operating Activities				
Operating income (loss)	\$ 4,634	\$ 233,444	\$ 1,125,916	\$ 224,135
Adjustments to reconcile operating income (loss) to net cash from (used for) operating activities				
Depreciation	378,244	154,005	456,595	10,195
Changes in assets and liabilities				
Accounts receivable	25	(63,050)	(20,953)	(347)
Prepaid items	878	195	(1,609)	1
Inventories	-	(2,622)	15,968	2,169
Accounts payable	116,210	(10,314)	162,712	21,557
Other current liabilities	1,296	5,145	23,022	365
Accrued compensated absences	(992)	(8,271)	(42,515)	1,991
Net Cash From (Used for) Operating Activities	<u>\$ 500,295</u>	<u>\$ 308,532</u>	<u>\$ 1,719,136</u>	<u>\$ 260,066</u>
Supplemental Schedule of Noncash Investing and Financing Activities				
Acquisition of capital assets through contributed capital from the City	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

City of Wadena, Minnesota
Statement of Cash Flows
Proprietary Funds
Year Ended December 31, 2017

	Wellness Center	Golf Course	Total
Operating Activities			
Receipts from customers and users	\$ 349,211	\$ 338,188	\$ 10,282,632
Payments to suppliers	(318,177)	(205,684)	(6,640,166)
Payments to employee costs	(222,462)	(190,135)	(1,103,496)
Net Cash From (Used for) Operating Activities	<u>(191,428)</u>	<u>(57,631)</u>	<u>2,538,970</u>
Noncapital Financing Activities			
Net payments (proceeds) on due from other funds	-	(22)	69,970
Transfer from other funds	120,000	74,131	194,131
Transfer to other funds	-	-	(484,355)
Net Cash From (Used For) Noncapital Financing Activities	<u>120,000</u>	<u>74,109</u>	<u>(220,254)</u>
Capital and Related Financing Activities			
Property and equipment additions	-	(15,870)	(2,170,604)
Proceeds from long-term debt	-	-	659,245
Payments on long-term debt			
Principal	-	-	(851,000)
Interest	-	-	(135,253)
Receipt of tax revenues	-	-	471,711
Net pension liability and related deferred inflows and outflows of resources	(2,784)	(611)	(14,338)
Net Cash From (Used for) Capital and Related Financing Activities	<u>(2,784)</u>	<u>(16,481)</u>	<u>(2,040,239)</u>
Investing Activities			
Sale of investments	-	-	(1,215,999)
Interest and dividends from investments	1,006	3	39,436
Net Cash From (Used for) Investing Activities	<u>1,006</u>	<u>3</u>	<u>(1,176,563)</u>
Change in Cash and Cash Equivalents	(73,206)	-	(898,086)
Cash and Cash Equivalents, Beginning of Year	<u>189,840</u>	<u>-</u>	<u>1,056,947</u>
Cash and Cash Equivalents, End of Year	<u>\$ 116,634</u>	<u>\$ -</u>	<u>\$ 158,861</u>

City of Wadena, Minnesota
Statement of Cash Flows
Proprietary Funds
Year Ended December 31, 2017

	<u>Wellness Center</u>	<u>Golf Course</u>	<u>Total</u>
Reconciliation of Operating Income (Loss) to Net Cash From (Used for) Operating Activities			
Operating income (loss)	\$ (315,651)	\$ (74,040)	\$ 1,198,438
Adjustments to reconcile operating income (loss) to net cash from (used for) operating activities			
Depreciation	257,616	26,795	1,283,450
Changes in assets and liabilities			
Accounts receivable	(220)	1,477	(83,068)
Prepaid items	(134)	(455)	(1,124)
Inventories	253	(3,043)	12,725
Accounts payable	8,369	211	298,745
Other current liabilities	(139,848)	55	(109,965)
Accrued compensated absences	(1,813)	(8,631)	(60,231)
	<u> </u>	<u> </u>	<u> </u>
Net Cash From (Used for) Operating Activities	<u>\$ (191,428)</u>	<u>\$ (57,631)</u>	<u>\$ 2,538,970</u>
Supplemental Schedule of Noncash Investing and Financing Activities			
Acquisition of capital assets through contributed capital from the City	<u>\$ 49,247</u>	<u>\$ -</u>	<u>\$ 49,247</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 Housing and Redevelopment Authority would fall under the heading of a discretely presented component unit. The Housing and Redevelopment Authority's fiscal year end presented in this report is June 30, 2017.

Government-Wide and Fund Financial Statements

The goal of government-wide financial statements is to present a broad overview of government's finances. The basic statements that form the government-wide financial statements are the statement of net position and the statement of activities. These two statements report information on all of the non-fiduciary activities of the government. For the most part, the effect of interfund activity has been removed from these statements.

Governmental activities, which are normally financed through taxes and intergovernmental revenues, are reported separately from business-type activities, which are normally financed through user fees and charges for goods or services.

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

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

Measurement Focus, Basis of Accounting and Financial Statement Presentation

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

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

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

The City reports the following major governmental funds:

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

The City reports the following major proprietary funds:

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

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

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

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

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

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

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

Other Significant Accounting Policies

Budgets and Budgetary Accounting

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

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

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

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

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

Cash and Investments

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

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

Receivables and Credit Policy

Receivables are carried at invoice amounts less an estimate made for uncollectible accounts. Management determines the allowance for uncollectible accounts by using historical experience and review of individual customer accounts. The allowance for uncollectible accounts receivable is \$10,218 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, 2017, 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 acquisition value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend lives are not capitalized.

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

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

Compensated Absences

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

The City compensates employees for all unused vacation pay, with a maximum accrual of 240 hours, upon termination of employment for union and nonunion employees. Effective January 1, 1996, employees receive 80 hours of vacation each year for the first year through the fifth year of employment. During the sixth through tenth year of employment employees receive 120 hours. After ten years of service employees receive an additional eight hours per year up to a maximum of 160 hours. After twenty years of service employees receive an additional eight hours per year, up to a total of 180 hours.

Long-Term Liabilities

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

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

Pensions

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

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

Deferred Inflows and Outflows of Resources

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

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

Fund Balance

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

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

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

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

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

Net Position

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

Estimates

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

Note 2 - Deposits and Investments

Statutes authorize the City to invest in obligations of the U.S. Treasury and U.S. Agencies, bankers' acceptances, certain repurchase agreements and commercial paper rated A-1 by Standard & Poor's Corporate or P-1 by Moody's Commercial Paper Record.

The following table presents the maturities of the City's deposit and investment balances at December 31, 2017:

Deposit or Investment Type	Fair Value	Maturities (in Years)			
		Not Applicable	< 1	1 - 5	> 5 - 10
Primary Government:					
Cash	\$ 740,797	\$ 740,797	\$ -	\$ -	\$ -
Certificates of Deposit	5,363,307	600,000	2,472,887	2,290,420	-
Investments					
U.S. Government					
Securities	1,036,860	103,049	99,963	635,324	198,524
Money Market Funds	2,419,414	-	999,912	693,129	726,373
External Investment					
Pool - 4M Fund	109,707	109,707	-	-	-
	<u>3,565,981</u>	<u>212,756</u>	<u>1,099,875</u>	<u>1,328,453</u>	<u>924,897</u>
Total deposits and investments	<u>\$ 9,670,085</u>	<u>\$ 1,553,553</u>	<u>\$ 3,572,762</u>	<u>\$ 3,618,873</u>	<u>\$ 924,897</u>

The following table presents the maturities of the component unit's deposit and investment balances at June 30, 2017:

Deposit or Investment Type	Fair Value	Not Applicable	Maturities (in Years)		
			< 1	1 - 5	> 5 - 10
Component Unit:					
Cash	\$ 804,026	\$ 804,026	\$ -	\$ -	\$ -
Certificates of Deposit	735,348	-	735,348	-	-
Total deposits and investments	<u>\$ 1,539,374</u>	<u>\$ 804,026</u>	<u>\$ 735,348</u>	<u>\$ -</u>	<u>\$ -</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

Minnesota statutes require 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 surety bonds. Authorized collateral includes treasury bills, notes, and bonds; issues of U.S. government agencies; general obligations rated "A" or better; revenue obligations rated "AA" or better; irrevocable standard letters of credit issued by the Federal Home Loan Bank; and certificates of deposit. Minnesota statutes require that securities pledged as collateral be held in safekeeping in a restricted account at the Federal Reserve Bank or in an account at a trust department of a commercial bank or other financial institution that is not owned or controlled by the financial institution furnishing the collateral.

At December 31, 2017, all deposits were not fully insured or collateralized.

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, 2017, 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 3 - 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 and Otter Tail 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 counties 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 4 - Loans Receivable

Primary Government

As of December 31, 2017, loans receivable consisted of loans from individuals and organizations and had a total balance of \$779,858. The loans have maturity dates between 2018 and 2025 and interest rates ranging from 0% to 7.5%.

Component Unit

As of June 30, 2017, loans receivable consisted of loans from organizations and had a total balance of \$142,142. The terms of the loans range from 60 months to 12 years and interest rates ranging from 3% to 6%.

Note 5 - Capital Assets

Governmental activities capital asset activity for the year ended December 31, 2017 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities				
Capital assets, not being depreciated				
Land	\$ 2,127,215	\$ -	\$ -	\$ 2,127,215
Construction in progress	5,148,034	513,513	-	5,661,547
Total capital assets, not being depreciated	<u>7,275,249</u>	<u>513,513</u>	<u>-</u>	<u>7,788,762</u>
Capital assets, being depreciated				
Buildings	3,360,676	175,000	-	3,535,676
Improvements other than buildings	3,226,932	562,425	-	3,789,357
Machinery and equipment	3,351,214	95,117	-	3,446,331
Infrastructure	2,021,197	-	-	2,021,197
Total capital assets, being depreciated	<u>11,960,019</u>	<u>832,542</u>	<u>-</u>	<u>12,792,561</u>
Less accumulated depreciation for				
Buildings	1,292,682	63,457	-	1,356,139
Improvements other than buildings	1,090,923	82,603	-	1,173,526
Machinery and equipment	2,112,138	208,939	-	2,321,077
Infrastructure	263,429	40,424	-	303,853
Total accumulated depreciation	<u>4,759,172</u>	<u>395,423</u>	<u>-</u>	<u>5,154,595</u>
Total capital assets, being depreciated, net	<u>7,200,847</u>	<u>437,119</u>	<u>-</u>	<u>7,637,966</u>
Governmental activities capital assets, net	<u>\$ 14,476,096</u>	<u>\$ 950,632</u>	<u>\$ -</u>	<u>\$ 15,426,728</u>

Construction in progress balance as of December 31, 2017 relates to a street reconstruction project and an airport runway project. These projects are anticipated to be completed during 2018. The remaining commitment on the street reconstruction project is \$150,000 as of December 31, 2017. The remaining commitment on the airport runway project is approximately \$30,000 as of December 31, 2017.

Business-type activities capital asset activity for the year ended December 31, 2017 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Business-type activities				
Capital assets, not being depreciated				
Land	\$ 888,238	\$ -	\$ -	\$ 888,238
Construction in progress	6,136,164	1,772,695	-	7,908,859
Total capital assets, not being depreciated	<u>7,024,402</u>	<u>1,772,695</u>	<u>-</u>	<u>8,797,097</u>
Capital assets, being depreciated				
Buildings	22,339,297	49,247	8,324	22,380,220
Machinery and equipment	5,256,389	33,625	54,335	5,235,679
General plant and system	18,527,315	364,281	92,333	18,799,263
Total capital assets, being depreciated	<u>46,123,001</u>	<u>447,153</u>	<u>154,992</u>	<u>46,415,162</u>
Less accumulated depreciation for				
Buildings	4,304,623	172,807	8,941	4,468,489
Machinery and equipment	2,611,927	567,169	53,718	3,125,378
General plant and system	7,130,787	543,473	92,333	7,581,927
Total accumulated depreciation	<u>14,047,337</u>	<u>1,283,449</u>	<u>154,992</u>	<u>15,175,794</u>
Total capital assets, being depreciated, net	<u>32,075,664</u>	<u>(836,296)</u>	<u>-</u>	<u>31,239,368</u>
Business-type activities capital assets, net	<u>\$ 39,100,066</u>	<u>\$ 936,399</u>	<u>\$ -</u>	<u>\$ 40,036,465</u>

Construction in progress balance as of December 31, 2017 relates to a street reconstruction project, new electric utility building, and a phosphorus sewer project. These projects are anticipated to be completed during 2018. The remaining commitment on the street reconstruction project is \$210,000 as of December 31, 2017. The remaining commitment on the electric utility building project is approximately \$1,300,000 as of December 31, 2017. The remaining commitment on the phosphorus sewer project is approximately \$250,000 as of December 31, 2017.

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

Governmental activities	
General government	\$ 13,375
Public safety	86,084
Public works	67,967
Culture and recreation	48,084
Infrastructure	40,424
Airport	139,489
Total depreciation expense - governmental activities	<u>\$ 395,423</u>
Business-type activities	
Municipal liquor	\$ 10,195
Sewer utility	378,244
Water utility	154,005
Electric utility	456,594
Golf course	26,795
Wellness center	257,616
Total depreciation expense - business-type activities	<u>\$ 1,283,449</u>

Component unit capital asset activity for the year ended June 30, 2017 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Component unit				
Capital assets, management and administration				
Land and improvements	\$ 94,436	\$ 33,635	\$ -	\$ 128,071
Furniture and equipment	5,681	-	(4,500)	1,181
Less accumulated depreciation	(6,973)	(1,983)	4,500	(4,456)
Total capital assets, management and administration	<u>93,144</u>	<u>31,652</u>	<u>-</u>	<u>124,796</u>
Capital assets, enterprise activities				
Land, buildings, fixtures, and equipment	8,846,878	66,072	(34,997)	8,877,953
Less accumulated depreciation	(6,714,361)	(152,010)	34,997	(6,831,374)
Total capital assets, enterprise activities	<u>2,132,517</u>	<u>(85,938)</u>	<u>-</u>	<u>2,046,579</u>
Component unit capital assets, net	<u>\$ 2,225,661</u>	<u>\$ (54,286)</u>	<u>\$ -</u>	<u>\$ 2,171,375</u>

Note 6 - Long-Term Debt

The following is a summary of changes in long-term debt of the primary government for the year ended December 31, 2017 and the component unit for the year ended June 30, 2017:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental activities					
General obligation bonds	\$ 3,965,093	\$ 458,119	\$ 386,000	\$ 4,037,212	388,000
OPEB Obligation	149,055	53,951	-	203,006	-
Compensated absences	118,206	83,482	111,935	89,753	49,812
	<u>\$ 4,232,354</u>	<u>\$ 595,552</u>	<u>\$ 497,935</u>	<u>\$ 4,329,971</u>	<u>437,812</u>
Business-type activities					
General obligation bonds	\$ 10,565,723	\$ 659,245	\$ 851,000	\$ 10,373,968	\$ 863,000
Compensated absences	138,212	138,101	198,332	77,981	31,341
	<u>\$ 10,703,935</u>	<u>\$ 797,346</u>	<u>\$ 1,049,332</u>	<u>\$ 10,451,949</u>	<u>\$ 894,341</u>
Component Unit					
HME Special Assessments	\$ -	\$ 27,829	\$ 671	\$ 27,158	\$ 1,352
Revenue bonds	1,905,000	-	245,000	1,660,000	260,000
	<u>\$ 1,905,000</u>	<u>\$ 27,829</u>	<u>\$ 245,671</u>	<u>\$ 1,687,158</u>	<u>\$ 261,352</u>

Bonds Payable

	<u>Interest Rate</u>	<u>Final Year of Maturity</u>	<u>Authorized and Issued</u>	<u>Outstanding</u>
Governmental activities				
General Obligation Bonds				
2009 Taxable Improvement Bonds	2.2 - 5	2020	\$ 800,000	\$ 285,000
PFA Storm Sewer Note	1.0	2030	4,418,242	<u>3,752,212</u>
				<u>\$ 4,037,212</u>
Business-type activities				
General Obligation Bonds				
2002 Water Revenue Note	2.6	2031	\$ 2,615,975	\$ 2,832,000
2012 Sewer Revenue Note	1.5	2022	3,130,411	801,000
PFA Sewer Improvement Note	1.0	2030	4,102,252	3,198,223
PFA Water Improvement Note	1.0	2030	3,718,290	<u>3,542,745</u>
				<u>\$ 10,373,968</u>
Component unit				
Revenue Bonds				
Multifamily Housing Revenue Bonds	3.2 - 6	2019	\$ 2,770,000	\$ 385,000
Fair Oaks Gross Revenue Refunding Bonds	4.8 - 6.25	2028	1,895,000	<u>1,275,000</u>
				<u>\$ 1,660,000</u>

General Obligation Bonds

The City issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities. General obligation bonds have been issued for the governmental activities.

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

The City issued three Minnesota Public Facilities Authority (PFA) bonds in August of 2015. The PFA Storm Sewer Note, the PFA Sewer Improvement Note, and the PFA Water Improvement Note issuances in 2017 were for \$458,120, \$346,383, and \$312,862, respectively. The agreements require annual principal and lease payments that began in 2016 and continue through maturity in 2030, at an interest rate of 1.00%. The projects are ongoing and additional draws will be made during 2018.

General Obligation Revenue Bonds

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

Revenue Bonds

The component unit issues bonds where the component unit pledges income derived from the various entities it operates to pay debt service.

The annual requirements to amortize all bonded debt outstanding as of December 31, 2017, are as follows:

Years Ending December 31,	Governmental Activities		Business-type Activities	
	Principal	Interest	Principal	Interest
2018	\$ 388,000	\$ 51,014	\$ 863,000	\$ 132,114
2019	396,000	47,743	876,000	125,502
2020	404,000	40,220	888,000	113,152
2021	308,000	32,180	900,000	100,601
2022	311,000	29,100	913,000	87,851
2023-2027	1,600,000	98,250	3,893,000	287,699
2028-2031	630,212	20,040	2,040,968	69,142
	<u>\$ 4,037,212</u>	<u>\$ 318,547</u>	<u>\$ 10,373,968</u>	<u>\$ 916,061</u>

Years Ending June 30,	Component Unit	
	Principal	Interest
2018	\$ 260,000	\$ 102,788
2019	280,000	87,000
2020	85,000	70,000
2021	90,000	64,688
2022	95,000	59,063
2023-2027	570,000	199,063
2028	280,000	26,562
	<u>\$ 1,660,000</u>	<u>\$ 609,164</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, 2017, is \$2,913,306.

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. The original debt service was paid in full in April 2015. The lease continues until 2034 with no cost except for possible future capital improvements, which would be shared equally with the school. In 2017, the District issued new bonds for updates to the auditorium. The City Council agreed to 29% of the debt service for the new issue.

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

OPEB Obligations

The City follows the guidance in 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 sub, 2b, to participate in the City’s health insurance plan after retirement. This plan covers active and retired employees. Benefit provisions are established through negotiations between the City and the union representing City employees and are renegotiated at the end of each contract period. The retiree health plan does not issue a publicly available financial report.

Funding Policy

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

Annual OPEB Cost and Net OPEB Obligation

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

Normal Cost	\$ 32,637
Amortization of UAAL over 30 years	20,780
Interest on OPEB Obligation	534
Total year-end ARC	53,951
Increase in OPEB Obligation	53,951
Net OPEB Obligation, Beginning of Year	149,055
Net OPEB Obligation, End of Year	\$ 203,006

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for fiscal years 2017, 2016, and 2015 was as follows:

Fiscal Year Ended	Annual OPEB Cost	Annual OPEB Cost Contributed	OPEB Obligation
12/31/17	\$ 53,951	0%	\$ 203,006
12/31/16	53,951	0%	149,055
12/31/15	23,173	0%	95,104

Funded Status and Funding Progress

As of December 31, 2016, the most recent valuation date, the plan was unfunded. The accrued liability for benefits was \$419,797 and the value of assets was \$0, resulting in an unfunded accrued liability (UAAL) of \$419,797. The covered payroll (annual payroll of active employees covered by the plan) was \$2,582,082, and the ratio of the UAAL to the covered payroll was 16.26 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, 2016 valuation, the projected unit credit cost method was used. The assumptions included a 3.0 percent investment rate of return (net of administrative expenses), which is a blended rate of the expected long-term investment returns on the employer's own investments calculated based on the funded level of the plan at the valuation date, and an annual healthcare cost trend rate of 7 percent. The assumptions also included a health care inflation factor of 1.519% based on age differences. The UAAL is being amortized as a level percentage of projected payroll on an open basis over 30 years.

Note 7 - Defined Contribution Pension Plan – Component Unit

Plan Description

The Housing Renewal and Local Agency Retirement Plan (the Plan) is a defined contribution retirement plan covering essentially all employees of the various participating employers. Since the participating employers are all governmental units, the Plan is not subject to the provisions of the Employee Retirement Income Security Act of 1974, except for the contribution limitations of Section 415.

The Plan and trust are qualified under Section 401 (a) of the Internal Revenue Code and their income is exempt from taxation under section 501 (a) of the Code.

The Plan is funded by employer contributions and in some cases, employee contributions. The rates of contributions are determined by the various joint agreements of the participating employers.

If the Plan is terminated or contributions under the Plan are discontinued, the participating employees are entitled to benefits accrued to the date of such termination or discontinuance to the extent funded and/or to the amounts credited to the employees' accounts.

Contributions Required and Contributions Made

Although covered employees have the option to contribute to the Plan, a mandatory contribution is not required. The Authority makes annual contributions to the Plan. The current contribution rate for the employer is 11%.

Total contributions made by the employer during the fiscal year ended June 30, 2017 amounted to \$29,095. These employer contributions represented 11% of the covered payroll.

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

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

	Transfer out						Total
	General Fund	Nonmajor Governmental	Municipal Liquor	Sewer Utility	Water Utility	Electric Utility	
Transfer in							
General	\$ -	\$ -	\$ 100,000	\$ -	\$ -	\$ 273,222	\$ 373,222
Debt Service	-	-	-	16,941	20,061	-	37,002
Capital Projects	160,301	55,871	-	-	-	-	216,172
Nonmajor Governmental	27,196	-	-	-	-	-	27,196
Wellness Center	120,000	-	-	-	-	-	120,000
Golf Course	-	-	69,231	-	-	4,900	74,131
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total	<u>\$ 307,497</u>	<u>\$ 55,871</u>	<u>\$ 169,231</u>	<u>\$ 16,941</u>	<u>\$ 20,061</u>	<u>\$ 278,122</u>	<u>\$ 847,723</u>

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, 2017.

Note 11 - Defined Benefit Pension Plans

A. Plan Descriptions

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

1. General Employees Retirement Fund (GERF)

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

2. Public Employees Police and Fire Plan (PEPFF)

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

B. Benefits Provided

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

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

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

1. GERF Benefits

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

2. PEPFF Benefits

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

C. Contributions

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

1. GERF Contributions

Minnesota Statutes, Chapter 353 sets the rates for employer and employee contributions. Basic Plan members and Coordinated Plan members were required to contribute 9.1% and 6.5%, respectively, of their annual covered salary in calendar year 2017. In calendar year 2017, the City was required to contribute 11.78% of pay for Basic Plan members and 7.5% for Coordinated Plan members. The City's contributions to the GERP for the year ended December 31, 2017, were \$142,446. The City's contributions were equal to the required contributions for each year as set by state statute.

2. PEPFF Contributions

Plan members were required to contribute 10.8% of their annual covered salary in calendar year 2017. The City was required to contribute 16.20% of pay for PEPFF members in calendar year 2017. The City's contributions to the PEPFF for the year ended December 31, 2017, were \$74,330. The City's contributions were equal to the required contributions as set by state statute.

D. Pension Costs

1. GERF Pension Costs

At December 31, 2017, the City reported a liability of \$1,883,262 for its proportionate share of the GERF's net pension liability. The City's net pension liability reflected a reduction due to the State of Minnesota's contribution of \$6 million to the fund in 2017. The State of Minnesota is considered a non-employer contributing entity and the state's contribution meets the definition of a special funding situation. The State of Minnesota's proportionate share of the net pension liability associated with the City totaled \$23,666. The net pension liability was measured as of June 30, 2017 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City's proportion of the net pension liability was based on the City's contributions received by PERA during the measurement period for employer payroll dates from July 1, 2016 through June 30, 2017 relative to the total employer contributions received from all of PERA's participating employers. At June 30, 2017, the City's proportionate share was .0295% which was a decrease of .0006% from its proportion measured as of June 30, 2016.

For the year ended December 31, 2017, the City recognized pension expense of \$65,068 for its proportionate share of GERF's pension expense. In addition, the City recognized an additional \$683 as pension expense (and grant revenue) for its proportionate share of the State of Minnesota's contribution of \$6 million to the General Employees Fund.

At December 31, 2017, the City reported its proportionate share of PEPFF's deferred outflows of resources and deferred inflows of resources, and its contributions subsequent to the measurement date, from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ 62,067	\$ 122,051
Changes in actuarial assumptions	319,021	188,797
Difference between projected and actual investment earnings	14,499	-
Change in proportion and differences between contributions made and City's proportionate share of contributions	52,473	50,632
City's contributions to GERF subsequent to the measurement date	71,303	-
Total	\$ 519,363	\$ 361,480

\$71,303 reported as deferred outflows of resources related to pensions resulting from City contributions to PEPFF subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2017. Other amounts reported as deferred outflows and inflows of resources related to PEPFF pensions will be recognized in pension expense as follows:

Years Ended June 30,	Pension Expense Amount
2018	\$ 88,278
2019	112,926
2020	(25,547)
2021	(89,077)
2022	-

2. PEPFF Pension Costs

At December 31, 2017, the City reported a liability of \$607,554 for its proportionate share of the PEPFF's net pension liability. The net pension liability was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City's proportion of the net pension liability was based on the City's contributions received by PERA during the measurement period for employer payroll paid dates from July 1, 2017 through December 31, 2017, relative to the total employer contributions received from all of PERA's participating employers. At June 30, 2017, the City's proportion was 0.0450%, which was an increase of 0.0010%.

For the year ended December 31, 2017, the City recognized pension expense of \$(84,789) for its proportionate share of PEPFF's pension expense.

At December 31, 2017, the City reported its proportionate share of PEPFF's deferred outflows of resources and deferred inflows of resources, and its contributions subsequent to the measurement date, from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ 13,985	\$ 123,005
Changes in actuarial assumptions	677,312	862,575
Difference between projected and actual investment earnings	10,834	-
Change in proportion and differences between contributions made and City's proportionate share of contributions	32,203	33,443
City's contributions to PEPFF subsequent to the measurement date	38,008	-
Total	\$ 772,342	\$ 1,019,023

\$38,008 reported as deferred outflows of resources related to pensions resulting from City contributions to PEPFF subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2017. Other amounts reported as deferred outflows and inflows of resources related to PEPFF pensions will be recognized in pension expense as follows:

Years Ended June 30,	Pension Expense Amount
2018	\$ 13,088
2019	40,112
2020	(281,331)
2021	(56,558)
2022	-

E. Actuarial Assumptions

The total pension liability in the June 30, 2017, actuarial valuation was determined using the following actuarial assumptions:

Assumptions	GERF & PEPFF
Inflation	2.50% per year
Active Member Payroll Growth	3.25% per year
Investment Rate of Return	7.50% per year

Salary increases were based on a service-related table. Mortality rates for active members, retirees, survivors and disabilitants were based on RP 2014 tables for the General Employees Plan and RP-2000 tables for the Police and Fire Plan for males or females, as appropriate, with slight adjustments. Cost of living benefit increases for retirees are assumed to be: one percent per year for all future years for the General Employees Plan, and Police and Fire Plan.

Actuarial assumptions used in the June 30, 2017 valuation were based on the results of actuarial experience studies. The most recent four-year experience study in the General Employees Plan was completed in 2015. The experience study for Police and Fire Plan was for the period July 1, 2004 through June 30, 2009. Experience studies have not been prepared for the Correctional Plan, but assumptions are reviewed annually.

The following changes in actuarial assumptions occurred in 2017:

GERF

- The Combined Service Annuity (CSA) loads were changed from 0.8 percent for active members and 60 percent for vested and non-vested deferred members. The revised CSA loads are now 0.0 percent for active member liability, 15.0 percent for vested deferred member liability and 3.0 percent for non-vested deferred member liability.
- The assumed post-retirement benefit increase rate was changed from 1.0 percent per year for all years to 1.0 percent per year through 2 044 and 2.5 percent per year thereafter.

PEPFF

- Assumed salary increases were changed as recommended in the June 30, 2016 experience study. The net effect is proposed rates that average 0.34 percent lower than the previous rates.
- Assumed rates of retirement were changed, resulting in fewer retirements.
- The Combined Service Annuity (CSA) load was 30 percent for vested and non-vested deferred members. The CSA has been changed to 33 percent for vested members and 2 percent for non-vested members.
- The base mortality table for healthy annuitants was changed from the RP-2000 fully generational table to the RP-2014 fully generational table (with a base year of 2006), with male rates adjusted by a factor of 0.96.

- The mortality improvement scale was changed from Scale AA to Scale MP-2016. The base mortality table for disabled annuitants was changed from the RP-2000 disabled mortality table to the mortality tables assumed for healthy retirees.
- Assumed termination rates were decreased to 3.0 percent for the first three years of service. Rates beyond the select period of three years were adjusted, resulting in more expected terminations overall.
- Assumed percentage of married female members was decreased from 65 percent to 60 percent.
- Assumed age difference was changed from separate assumptions for male members (wives assumed to be three years younger) and female members (husbands assumed to be four years older) to the assumption that males are two years older than females.
- The assumed percentage of female members electing Joint and Survivor annuities was increased.
- The assumed post-retirement benefit increase rate was changed from 1.00 percent for all years to 1.00 percent per year through 2064 and 2.50 percent thereafter.

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

Asset Class	Target Allocations	Long-Term Expected Real Rate of Return
Domestic Stocks	39.00%	5.10%
International Stocks	19.00%	5.30%
Bonds/Fixed Income	20.00%	0.75%
Alternative assets	20.00%	5.90%
Unallocated Cash	2.00%	0.00%

F. Discount Rate

The discount rate used to measure the total pension liability in 2017 and 2016 was 7.50%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and employers will be made at rates set in Minnesota Statutes. Based on these assumptions, the fiduciary net position of the General Employees Fund was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

In the Police and Fire Fund, the fiduciary net position was projected to be available to make all projected future benefit payments of current plan members through June 30, 2056 and June 30, 2058 respectively. Beginning in fiscal years ended June 30, 2057 for the Police and Fire Fund, when projected benefit payments exceed the funds' projected fiduciary net position, benefit payments were discounted at the municipal bond rate of 2.85% based on an index of 20-year general obligation bonds with an average AA credit rating at the measurement date. An equivalent single discount rate of 5.60% for the Police and Fire Fund and 5.31% for the Correctional Fund was determined that produced approximately the same present value of projected benefits when applied to all years of projected benefits as the present value of projected benefits using 7.50% applied to all years of projected benefits through the point of asset depletion and 2.85% after.

G. Pension Liability Sensitivity

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

	<u>1% Decrease in Discount Rate</u>	<u>Discount Rate</u>	<u>1% Increase in Discount Rate</u>
GERF discount rate	6.50%	7.50%	8.50%
City's proportionate share of the GERF net pension liability	\$ 2,921,077	\$ 1,883,262	\$ 1,033,619
PEPFF discount rate	6.50%	7.50%	8.50%
City's proportionate share of the PEPFF net pension liability	\$ 1,144,201	\$ 607,554	\$ 164,522

H. Pension Plan Fiduciary Net Position

Detailed information about each pension plan’s fiduciary net position is available in a separately-issued PERA financial report that includes financial statements and required supplementary information. That report may be obtained on the Internet at www.mnpera.org.

Note 12 - Risk Management

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

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

The City continues to carry commercial insurance for employee health, standard liability, property, and automotive insurance. Settlements have not exceeded coverage for each of the three fiscal years. There has been no substantial change in coverage from the prior year.

Note 13 - Issued But Non-Effective Accounting Pronouncements

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

The second statement issued but not yet implemented that will significantly affect the City is statement No. 85, *Omnibus 2017*. The objective of this Statement is to address practice issues that have been identified during implementation and application of certain GASB Statements. This Statement addresses a variety of topics including issues related to blending component units, goodwill, fair value measurement and application, and postemployment benefits (pensions and other postemployment benefits [OPEB]). The requirements of this Statement will enhance consistency in the application of accounting and financial reporting requirements. Consistent reporting will improve the usefulness of information for users of state and local government financial statements. This statement will be implemented at the City in the year ended December 31, 2018.

The third statement issued but not yet implemented that will significantly affect the City is statement No. 86, *Certain Debt Extinguishment Issues*. The primary objective of this statement is to improve consistency in accounting and financial reporting for in-substance defeasance of debt by providing guidance for transactions in which cash and other monetary assets acquired with only existing resources—resources other than the proceeds of refunding debt—are placed in an irrevocable trust for the sole purpose of extinguishing debt. This statement also improves accounting and financial reporting for prepaid insurance on debt that is extinguished and notes to financial statements for debt that is defeased in substance. This statement will be implemented at the City in the year ended December 31, 2018.

The fourth statement issued but not yet implemented that will significantly affect the City is statement No. 83, *Certain Asset Retirement Obligations*. This statement addresses accounting and financial reporting for certain asset retirement obligations (AROs). An ARO is a legally enforceable liability associated with the retirement of a tangible capital asset. A government that has legal obligations to perform future asset retirement activities related to its tangible capital assets should recognize a liability based on the guidance in this statement. This statement will enhance comparability of financial statements among governments by establishing uniform criteria for governments to recognize and measure certain AROs, including obligations that may not have been previously reported. This statement also will enhance the decision-usefulness of the information provided to financial statement users by requiring disclosures related to those AROs. This statement will be implemented at the City in the year ended December 31, 2019.

The fifth statement issued but not yet implemented that will significantly affect the City is statement No. 84, *Fiduciary Activities*. The objective of this Statement is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. The requirements of this Statement will enhance consistency and comparability by (1) establishing specific criteria for identifying activities that should be reported as fiduciary activities and (2) clarifying whether and how business-type activities should report their fiduciary activities. Greater consistency and comparability enhances the value provided by the information reported in financial statements for assessing government accountability and stewardship. This statement will be implemented at the City in the year ended December 31, 2019.

The final statement issued but not yet implemented that will significantly affect the City is statement No. 87, *Leases*. The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This Statement will increase the usefulness of governments' financial statements by requiring reporting of certain lease liabilities that currently are not reported. It will enhance comparability of financial statements among governments by requiring lessees and lessors to report leases under a single model. This Statement also will enhance the decision-usefulness of the information provided to financial statement users by requiring notes to financial statements related to the timing, significance, and purpose of a government's leasing arrangements. This statement will be implemented at the City in the year ended December 31, 2020.

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



Required Supplementary Information
December 31, 2017

City of Wadena, Minnesota

City of Wadena, Minnesota
 Schedule of Funding Progress
 December 31, 2017

Valuation Date	Value of Assets	Accrued Liability (AAL)	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
12/31/16	\$ -	\$ 419,797	\$ 419,797	0%	\$ 2,582,082	16.26%
12/31/13	-	206,116	206,116	0%	2,020,705	10.20%
12/31/12	-	212,214	212,214	0%	1,795,364	11.82%

Note to the Schedule of Funding Progress

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

Since the last actuarial valuation as of December 31, 2013, the following actuarial assumption has changed:

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

Since the last actuarial valuation as of December 31, 2013, no plan provisions have changed.

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

Pension Plan	Measurement Date	Employer's Proportion (Percentage) of the Net Pension Liability	Employer's Proportionate Share (Amount) of the Net Pension Liability (a)	Proportionate Share (Amount) of the Net Pension Liability Associated With City (b)	Total (c) (a+b)	Employer's Covered-Employee Payroll (d)**	Employer's Proportionate Share of the Net Pension Liability as a Percentage of its Covered-Employee Payroll (a/d)**	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
GERF	6/30/2017	0.0295%	\$ 1,883,262	N/A	\$ 1,883,262	\$ 1,816,311	103.7%	75.9%
GERF	6/30/2016	0.0301%	\$ 2,443,971	N/A	\$ 2,443,971	\$ 1,737,886	140.6%	68.9%
GERF	6/30/2015	0.0283%	\$ 1,466,653	N/A	\$ 1,466,653	\$ 1,570,439	93.4%	78.2%
PEPFF	6/30/2017	0.0450%	\$ 607,554	N/A	\$ 607,554	\$ 424,933	143.0%	85.4%
PEPFF	6/30/2016	0.0440%	\$ 1,846,060	N/A	\$ 1,846,060	\$ 405,362	455.4%	63.9%
PEPFF	6/30/2015	0.0440%	\$ 499,943	N/A	\$ 499,943	\$ 371,833	134.5%	86.6%

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

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

Pension Plan	Fiscal Year Ending	Statutorily Required Contribution (a)	Contributions in Relation to the Statutorily Required Contribution (b)	Contribution Deficiency (Excess) (a-b)	Covered-Employee Payroll (c)**	Contributions as a Percentage of Covered-Employee Payroll (b/c)**
GERF	12/31/2017	\$ 268,768	\$ 268,768	\$ -	\$ 1,919,773	14.0%
GERF	12/31/2016	\$ 257,842	\$ 257,842	\$ -	\$ 1,841,727	14.0%
GERF	12/31/2015	\$ 234,556	\$ 234,556	\$ -	\$ 1,808,846	13.0%
PEPFF	12/31/2017	\$ 126,506	\$ 126,506	\$ -	\$ 468,541	27.0%
PEPFF	12/31/2016	\$ 130,229	\$ 130,229	\$ -	\$ 446,242	29.2%
PEPFF	12/31/2015	\$ 106,594	\$ 106,594	\$ -	\$ 427,752	24.9%

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

Since the last actuarial valuation as of June 30, 2015, the following have changed:

GERF

- The assumed post-retirement benefit increase rate was changed from 1.0% per year through 2035 and 2.5% per year thereafter to 1.0% per year for all future years.
- The assumed investment return was changed from 7.9% to 7.5%. The single discount rate was changed from 7.9% to 7.5%.
- Other assumptions were changed pursuant to the experience study dated June 30, 2015. The assumed future salary increases, payroll growth, and inflation were decreased by 0.25% to 3.25% for payroll growth and 2.50% for inflation.

PEPFF

- The assumed post-retirement benefit increase rate was changed from 1.0% per year through 2037 and 2.5% thereafter to 1.0% per year for all future years.
- The assumed investment return was changed from 7.9% to 7.5%. The single discount rate changed from 7.9% to 5.6%.
- The assumed future salary increases, payroll growth, and inflation were decreased by 0.25% to 3.25% for payroll growth and 2.50% for inflation.

** Covered Payroll as restated to conform to GASB Statement No. 82



Combining and Individual Fund Schedules
December 31, 2017

City of Wadena, Minnesota

City of Wadena, Minnesota
Combining Balance Sheet
Nonmajor Governmental Funds
December 31, 2017

	Special Revenue Funds	Tax Increment	Permanent Funds	Total Nonmajor Governmental Funds
Assets				
Cash and cash equivalents	\$ 234,220	\$ 7,510	\$ -	\$ 241,730
Permanently restricted investments	-	-	37,012	37,012
Receivables				
Interest	784	-	-	784
Loans	779,858	-	-	779,858
Investments	626,067	-	-	626,067
Total assets	\$ 1,640,929	\$ 7,510	\$ 37,012	\$ 1,685,451
Deferred Inflows of Resources and Fund Balances				
Deferred Inflows of Resources				
Unavailable revenue-loans receivable	\$ 779,858	\$ -	\$ -	779,858
Fund Balances				
Restricted				
Commercial loans	104,318	-	-	104,318
Residential loans	142,758	-	-	142,758
Tax increment district	-	7,510	-	7,510
Merickel park	-	-	37,012	37,012
Committed				
Economic development	577,895	-	-	577,895
Assigned				
Library	36,100	-	-	36,100
Total fund balances	861,071	7,510	37,012	905,593
Total deferred inflows of resources and fund balances	\$ 1,640,929	\$ 7,510	\$ 37,012	\$ 1,685,451

City of Wadena, Minnesota
Combining Schedules of Revenues, Expenditures, and Changes in Fund Balances
Nonmajor Governmental Funds
Year Ended December 31, 2017

	Special Revenue Funds	Tax Increment	Permanent Funds	Total Nonmajor Governmental Funds
Revenues				
Property taxes	\$ -	\$ 58,214	\$ -	\$ 58,214
Investment earnings	7,337	-	-	7,337
Loan repayments	373,584	-	-	373,584
Contributions	10,000	-	-	10,000
Miscellaneous	24,243	-	-	24,243
Total revenues	<u>415,164</u>	<u>58,214</u>	<u>-</u>	<u>473,378</u>
Expenditures				
Current				
Culture and recreation	29,676	-	-	29,676
Economic development	412,047	62,371	-	474,418
Bad debt	21,489	-	-	21,489
Other	33,728	-	-	33,728
Capital outlay				
Economic development	26,665	-	-	26,665
Total expenditures	<u>523,605</u>	<u>62,371</u>	<u>-</u>	<u>585,976</u>
Deficiency of Revenues Under Expenditures	(108,441)	(4,157)	-	(112,598)
Other Financing Sources (Uses)				
Transfers in	27,196	-	-	27,196
Transfers out	(55,871)	-	-	(55,871)
Total other financing sources (uses)	<u>(28,675)</u>	<u>-</u>	<u>-</u>	<u>(28,675)</u>
Net Change in Fund Balances	(137,116)	(4,157)	-	(141,273)
Fund Balances, Beginning of Year	<u>998,187</u>	<u>11,667</u>	<u>37,012</u>	<u>1,046,866</u>
Fund Balances, End of Year	<u>\$ 861,071</u>	<u>\$ 7,510</u>	<u>\$ 37,012</u>	<u>\$ 905,593</u>

City of Wadena, Minnesota
Combining Balance Sheet
Nonmajor Special Revenue Funds
December 31, 2017

	MIF Revolving Loan Fund #2	WDA Revolving Loan I Fund	WDA Revolving Loan II Fund	MIF Revolving Loan Fund	SCDG Commercial Loan Fund	SCDG Residential Loan Fund	Library Endowment Fund	Innovative MIF Revolving Loan Fund	Kern MIF Loan	Total Nonmajor Special Revenue Funds
Assets										
Cash and cash equivalents	\$ 50,547	\$ 34,943	\$ 6,004	\$ 24,727	\$ 9,194	\$ 42,324	\$ 10,033	\$ 20,793	\$ 35,655	\$ 234,220
Receivables										
Interest	183	353	20	52	124	-	-	52	-	784
Loans	405,323	296,241	-	-	34,983	8,749	-	-	34,562	779,858
Investments	140,000	270,000	15,000	40,000	95,000	-	26,067	40,000	-	626,067
Total assets	<u>\$ 596,053</u>	<u>\$ 601,537</u>	<u>\$ 21,024</u>	<u>\$ 64,779</u>	<u>\$ 139,301</u>	<u>\$ 51,073</u>	<u>\$ 36,100</u>	<u>\$ 60,845</u>	<u>\$ 70,217</u>	<u>\$ 1,640,929</u>
Deferred Inflows of Resources and Fund Balances										
Deferred Inflows of Resources										
Unavailable revenue-loans receivable	\$ 405,323	\$ 296,241	\$ -	\$ -	\$ 34,983	\$ 8,749	\$ -	\$ -	\$ 34,562	\$ 779,858
Fund Balances										
Restricted										
Commercial loans	-	-	-	-	104,318	-	-	-	-	104,318
Residential loans	-	-	-	64,779	-	42,324	-	-	35,655	142,758
Committed										
Economic development	190,730	305,296	21,024	-	-	-	-	60,845	-	577,895
Assigned for library	-	-	-	-	-	-	36,100	-	-	36,100
Total fund balances	<u>190,730</u>	<u>305,296</u>	<u>21,024</u>	<u>64,779</u>	<u>104,318</u>	<u>42,324</u>	<u>36,100</u>	<u>60,845</u>	<u>35,655</u>	<u>861,071</u>
Total deferred inflows of resources and fund balances	<u>\$ 596,053</u>	<u>\$ 601,537</u>	<u>\$ 21,024</u>	<u>\$ 64,779</u>	<u>\$ 139,301</u>	<u>\$ 51,073</u>	<u>\$ 36,100</u>	<u>\$ 60,845</u>	<u>\$ 70,217</u>	<u>\$ 1,640,929</u>

City of Wadena, Minnesota
Combining Statement of Revenues, Expenses, and Changes in Fund Net Position
Nonmajor Special Revenue Funds
Year Ended December 31, 2017

	MIF Revolving Loan Fund #2	WDA Revolving Loan I Fund	WDA Revolving Loan II Fund	MIF Revolving Loan Fund	SCDG Commercial Loan Fund	SCDG Residential Loan Fund	Library Endowment Fund	Innovative MIF Revolving Loan Fund	Kern MIF Loan	Total Nonmajor Special Revenue Funds
Revenues										
Investment earnings	\$ 1,648	\$ 2,687	\$ 173	\$ 530	\$ 990	\$ 284	\$ 301	\$ 500	\$ 224	\$ 7,337
Loan repayments	147,614	160,628	-	-	14,302	8,993	-	-	42,047	373,584
Contributions	-	-	-	-	-	-	10,000	-	-	10,000
Other	-	24,243	-	-	-	-	-	-	-	24,243
Total revenues	<u>149,262</u>	<u>187,558</u>	<u>173</u>	<u>530</u>	<u>15,292</u>	<u>9,277</u>	<u>10,301</u>	<u>500</u>	<u>42,271</u>	<u>415,164</u>
Expenditures										
Current										
Culture and recreation	-	-	-	-	22,659	7,017	-	-	-	29,676
Economic development	250,001	162,046	-	-	-	-	-	-	-	412,047
Bad Debt	-	21,489	-	-	-	-	-	-	-	21,489
Other	-	-	-	91	-	-	-	-	33,637	33,728
Capital outlay										
Economic development	-	26,665	-	-	-	-	-	-	-	26,665
Total expenditures	<u>250,001</u>	<u>210,200</u>	<u>-</u>	<u>91</u>	<u>22,659</u>	<u>7,017</u>	<u>-</u>	<u>-</u>	<u>33,637</u>	<u>523,605</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(100,739)	(22,642)	173	439	(7,367)	2,260	10,301	500	8,634	(108,441)
Other Financing Sources (Uses)										
Transfers in	-	27,196	-	-	-	-	-	-	-	27,196
Transfers out	(55,871)	-	-	-	-	-	-	-	-	(55,871)
Total other financing sources (uses)	<u>(55,871)</u>	<u>27,196</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(28,675)</u>
Net Change in Fund Balances	(156,610)	4,554	173	439	(7,367)	2,260	10,301	500	8,634	(137,116)
Fund Balance, Beginning of Year	<u>347,340</u>	<u>300,742</u>	<u>20,851</u>	<u>64,340</u>	<u>111,685</u>	<u>40,064</u>	<u>25,799</u>	<u>60,345</u>	<u>27,021</u>	<u>998,187</u>
Fund Balances, End of Year	<u>\$ 190,730</u>	<u>\$ 305,296</u>	<u>\$ 21,024</u>	<u>\$ 64,779</u>	<u>\$ 104,318</u>	<u>\$ 42,324</u>	<u>\$ 36,100</u>	<u>\$ 60,845</u>	<u>\$ 35,655</u>	<u>\$ 861,071</u>

City of Wadena, Minnesota
Schedule of Revenues – Budget and Actual
General Fund
Year Ended December 31, 2017
(With Comparative Totals for 2016)

	2017		Variance With Final Budget	2016
	Original and Final Budget	Actual Amounts		Actual Amounts
Revenues				
Property taxes				
Ad valorem	\$ 353,100	\$ 347,939	\$ (5,161)	\$ 346,499
Hotel/motel	35,000	36,366	1,366	37,166
Franchise	113,000	114,217	1,217	115,390
	<u>501,100</u>	<u>498,522</u>	<u>(2,578)</u>	<u>499,055</u>
Special assessments	2,205	15,833	13,628	11,563
Licenses and permits				
Business	20,695	18,312	(2,383)	6,235
Nonbusiness	7,500	11,952	4,452	11,889
	<u>28,195</u>	<u>30,264</u>	<u>2,069</u>	<u>18,124</u>
Intergovernmental revenue				
Federal	450,000	69,068	(380,932)	323,469
State				
Local government aid	1,561,965	1,561,955	(10)	1,556,541
Tax credits	200	321	121	275
Police aid	56,000	67,178	11,178	60,638
Fire aid	28,000	29,073	1,073	28,677
PERA rate increase aid	6,069	6,069	-	6,069
Airport maintenance	21,189	33,096	11,907	26,774
Other aid	-	385,348	385,348	38,614
	<u>2,123,423</u>	<u>2,152,108</u>	<u>28,685</u>	<u>2,041,057</u>
Charges for services				
General government	2,150	2,342	192	1,859
Police department	14,700	12,127	(2,573)	32,875
Fire department	60,000	47,813	(12,187)	52,172
Highway and streets	20,000	23,692	3,692	19,086
Parks and recreation	36,000	46,755	10,755	33,625
Airport	46,000	75,962	29,962	41,735
	<u>178,850</u>	<u>208,691</u>	<u>29,841</u>	<u>181,352</u>
Fines and forfeitures	32,800	22,480	(10,320)	29,855
Miscellaneous				
Investment earnings	16,000	20,016	4,016	11,083
Rents	30,000	32,020	2,020	32,781
Contributions	3,700	14,585	10,885	6,739
Reimbursements	10,000	31,992	21,992	26,923
Other	26,150	60,108	33,958	29,800
	<u>85,850</u>	<u>158,721</u>	<u>72,871</u>	<u>107,326</u>
Total revenues	<u>\$ 2,952,423</u>	<u>\$ 3,086,619</u>	<u>\$ 134,196</u>	<u>\$ 2,888,332</u>

City of Wadena, Minnesota
Schedule of Expenditures – Budget and Actual
General Fund
Year Ended December 31, 2017
(With Comparative Totals for 2016)

	2017			2016
	Original and Final Budget	Actual Amounts	Variance With Final Budget	Actual Amounts
General government				
Legislative	\$ 149,268	\$ 165,590	\$ (16,322)	\$ 179,738
Mayor and council	34,027	35,817	(1,790)	36,255
City administrator	48,617	48,891	(274)	47,610
Elections	-	-	-	6,681
Accounting	112,045	100,841	11,204	108,208
Planning and zoning	78,955	82,027	(3,072)	73,811
City hall maintenance	30,190	29,169	1,021	28,335
Capital outlay	-	15,336	(15,336)	6,001
	<u>453,102</u>	<u>477,671</u>	<u>(24,569)</u>	<u>486,639</u>
Public safety				
Police department				
Current	857,596	863,824	(6,228)	860,744
Capital outlay	60,215	54,347	5,868	18,325
Fire department				
Current	132,275	134,379	(2,104)	116,969
Capital outlay	19,000	23,923	(4,923)	64,165
	<u>1,069,086</u>	<u>1,076,473</u>	<u>(7,387)</u>	<u>1,060,203</u>
Public works				
Roadway maintenance	390,912	369,459	21,453	349,009
Snow and ice removal	112,837	105,642	7,195	87,877
Street signs and markings	17,149	16,272	877	15,886
Parking lots	3,580	5,260	(1,680)	6,300
Storm sewers	45,743	27,847	17,896	21,199
Street cleaning	32,232	45,198	(12,966)	37,284
Waste collection	9,788	13,944	(4,156)	12,400
Shade tree program	12,836	13,395	(559)	12,724
Weed control	5,656	4,422	1,234	3,868
Capital outlay	43,500	40,918	2,582	-
	<u>674,233</u>	<u>642,357</u>	<u>31,876</u>	<u>546,547</u>
Culture and recreation				
Skating rink	13,628	10,318	3,310	10,275
Playgrounds	21,195	16,623	4,572	13,969
Pool	15,337	3,007	12,330	2,430
Campground	20,753	22,659	(1,906)	17,240
Parks	194,052	159,950	34,102	159,360
Libraries	96,669	106,693	(10,024)	93,863
Capital outlay	1,000	839	161	193,349
	<u>362,634</u>	<u>320,089</u>	<u>42,545</u>	<u>490,486</u>

City of Wadena, Minnesota
Schedule of Expenditures – Budget and Actual
General Fund
Year Ended December 31, 2017
(With Comparative Totals for 2016)

	2017		Variance With Final Budget	2016
	Original and Final Budget	Actual Amounts		Actual Amounts
Airport				
Current	65,008	117,946	(52,938)	59,973
Capital outlay	500,000	401,323	98,677	574,272
Debt service				
Interest, fees, and abatements	1,000	-	1,000	45
	<u>566,008</u>	<u>519,269</u>	<u>46,739</u>	<u>634,290</u>
Miscellaneous				
Unallocated expenditures	6,500	(4,935)	11,435	7,453
Wadena Development Authority	79,028	125,477	(46,449)	69,332
Health insurance	-	(356)	356	8,318
	<u>85,528</u>	<u>120,186</u>	<u>(34,658)</u>	<u>85,103</u>
Total expenditures	<u>\$ 3,210,591</u>	<u>\$ 3,156,045</u>	<u>\$ 54,546</u>	<u>\$ 3,303,268</u>



Statistical Section
Year Ended December 31, 2017
City of Wadena, Minnesota

Statistical Section

This part of the City of Wadena's comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the city's overall financial health.

Contents

Financial Trends

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

Revenue Capacity

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

Debt Capacity

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

Demographic and Economic Information

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

Operating Information

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

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

City of Wadena, Minnesota
Components of Net Position
Last Ten Fiscal Years
(Accrual Basis of Accounting)
Table 1

	Fiscal Year									
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Governmental activities										
Net investment in capital assets	\$ 3,478,112	\$ 3,997,653	\$ 4,282,176	\$ 5,813,413	\$ 6,179,466	\$ 8,559,949	\$ 19,295,214	\$ 9,472,543	\$ 10,511,003	\$ 11,389,516
Restricted	10,000	-	3,737,474	3,050,739	1,312,273	624,417	646,430	516,885	1,960,273	2,439,737
Unrestricted	4,631,891	4,692,967	1,679,260	2,164,414	4,545,469	3,988,810	2,404,126	2,239,733	3,001,488	2,551,745
Total governmental activities net position	\$ 8,120,003	\$ 8,690,620	\$ 9,698,910	\$ 11,028,566	\$ 12,037,208	\$ 13,173,176	\$ 22,345,770	\$ 12,229,161	\$ 15,472,764	\$ 16,380,998
Business-type activities										
Net investment in capital assets	\$ 13,463,221	\$ 13,181,756	\$ 13,034,843	\$ 13,583,361	\$ 16,227,542	\$ 16,769,240	\$ 17,211,445	\$ 29,456,401	\$ 28,480,955	\$ 29,634,116
Unrestricted	4,251,765	5,147,386	5,827,728	5,539,454	4,467,291	4,766,460	4,214,229	2,355,735	4,609,019	4,719,671
Total business-type activities net position	\$ 17,714,986	\$ 18,329,142	\$ 18,862,571	\$ 19,122,815	\$ 20,694,833	\$ 21,535,700	\$ 21,425,674	\$ 31,812,136	\$ 33,089,974	\$ 34,353,787
Primary government										
Net investment in capital assets	\$ 16,941,333	\$ 17,179,409	\$ 17,317,019	\$ 19,396,774	\$ 22,407,008	\$ 25,329,189	\$ 36,506,659	\$ 38,928,944	\$ 38,991,958	\$ 41,023,632
Restricted	10,000	-	3,737,474	3,050,739	1,312,273	624,417	646,430	516,885	1,960,273	2,439,737
Unrestricted	8,883,656	9,840,353	7,506,988	7,703,868	9,012,760	8,755,270	6,618,355	4,595,468	7,610,507	7,271,416
Total primary government net position	\$ 25,834,989	\$ 27,019,762	\$ 28,561,481	\$ 30,151,381	\$ 32,732,041	\$ 34,708,876	\$ 43,771,444	\$ 44,041,297	\$ 48,562,738	\$ 50,734,785

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

	Fiscal Year									
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Expenses										
Governmental activities:										
General government	\$ 854,266	\$ 509,565	\$ 1,453,126	\$ 892,427	\$ 834,901	\$ 602,499	\$ 559,984	\$ 705,085	\$ 701,259	\$ 713,672
Public safety	818,199	931,703	878,169	918,679	659,777	955,348	1,011,661	1,003,708	718,339	1,091,180
Public works	748,166	1,677,511	807,007	556,661	365,526	654,610	601,322	549,433	1,553,220	943,666
Culture and recreation	420,348	392,406	289,133	336,439	277,531	229,374	193,261	375,991	414,666	368,173
Economic development	1,038,870	203,637	127,926	310,929	459,799	1,144,374	483,343	229,254	94,019	516,494
Airport	131,921	83,661	163,058	240,768	631,415	359,270	561,211	232,618	459,688	173,616
Interest in debt	168,907	213,743	172,566	150,943	165,883	83,514	56,788	38,102	46,626	5,675
Total governmental activities expenses	<u>4,180,677</u>	<u>4,012,226</u>	<u>3,890,985</u>	<u>3,406,846</u>	<u>3,394,832</u>	<u>4,028,989</u>	<u>3,467,570</u>	<u>3,134,191</u>	<u>3,987,817</u>	<u>3,812,476</u>
Business-type activities:										
Municipal liquor	1,423,997	1,429,366	1,454,775	1,511,492	1,643,842	1,711,625	276,973	290,401	249,230	297,050
Sewer utility	571,102	543,610	522,354	558,711	562,294	587,591	869,002	904,024	883,707	958,253
Water utility	477,957	475,245	457,029	455,041	462,403	449,126	511,743	477,113	591,410	535,381
Electric utility	4,056,933	4,399,212	4,380,771	4,421,853	4,520,279	4,777,042	4,859,187	5,212,324	4,968,421	4,955,596
Golf course	420,438	383,163	435,054	387,283	407,704	408,830	347,294	356,441	305,307	344,554
Wellness Center	-	-	-	-	-	-	131,954	906,556	994,942	804,760
Total business-type activities expenses	<u>6,950,427</u>	<u>7,230,596</u>	<u>7,249,983</u>	<u>7,334,380</u>	<u>7,596,522</u>	<u>7,934,214</u>	<u>6,996,153</u>	<u>8,146,859</u>	<u>7,993,017</u>	<u>7,895,594</u>
Total primary government expenses	<u>\$ 11,131,104</u>	<u>\$ 11,242,822</u>	<u>\$ 11,140,968</u>	<u>\$ 10,741,226</u>	<u>\$ 10,991,354</u>	<u>\$ 11,963,203</u>	<u>\$ 10,463,723</u>	<u>\$ 11,281,050</u>	<u>\$ 11,980,834</u>	<u>\$ 11,708,070</u>

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

	Fiscal Year									
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Program Revenues										
Governmental activities										
Charges for services										
General government	\$ 67,455	\$ 29,308	\$ 30,945	\$ 28,839	\$ 50,388	\$ 246,113	\$ 177,962	\$ 162,950	\$ 163,911	\$ 165,818
Public safety	12,965	121,338	81,245	86,508	79,547	35,863	23,852	29,084	13,178	13,301
Public works	32,354	21,619	16,140	11,211	391,025	231,453	1,080,683	1,663,996	1,348,826	269,109
Culture and recreation	28,259	67,859	40,968	32,865	32,145	34,269	35,099	42,603	35,006	48,742
Economic development	18,800	72,961	77,850	51,902	11,550	28,875	28,603	17,545	13,200	10,743
Airport	27,744	28,847	28,279	38,542	45,706	47,779	41,447	48,054	41,735	75,962
Operating grants and contributions	148,137	473,071	1,027,848	545,477	175,959	177,007	190,960	135,884	197,921	242,023
Capital grants and contributions	1,137,843	1,098,196	122,614	959,232	234,222	3,352,135	891,641	670,685	214,113	92,849
Total governmental activities program revenues	<u>1,473,557</u>	<u>1,913,199</u>	<u>1,425,889</u>	<u>1,754,576</u>	<u>1,020,542</u>	<u>4,153,494</u>	<u>2,470,247</u>	<u>2,770,801</u>	<u>2,027,890</u>	<u>918,547</u>
Business-type activities										
Capital grants and contributions	-	-	-	32,900	-	-	-	-	-	-
Charges for services	7,790,625	8,101,415	8,026,182	8,170,929	8,738,985	8,762,975	7,543,197	7,938,193	8,404,505	8,958,779
Total business-type activities program revenues	<u>7,790,625</u>	<u>8,101,415</u>	<u>8,026,182</u>	<u>8,203,829</u>	<u>8,738,985</u>	<u>8,762,975</u>	<u>7,543,197</u>	<u>7,938,193</u>	<u>8,404,505</u>	<u>8,958,779</u>
Total primary government program revenues	<u>\$ 9,264,182</u>	<u>\$ 10,014,614</u>	<u>\$ 9,452,071</u>	<u>\$ 9,958,405</u>	<u>\$ 9,759,527</u>	<u>\$ 12,916,469</u>	<u>\$ 10,013,444</u>	<u>\$ 10,708,994</u>	<u>\$ 10,432,395</u>	<u>\$ 9,877,326</u>
Net Revenue (Expense)										
Governmental activities	\$ (2,707,120)	\$ (2,099,027)	\$ (2,465,096)	\$ (1,652,270)	\$ (2,374,290)	\$ 124,505	\$ (997,323)	\$ (363,390)	\$ (1,959,927)	\$ (2,893,929)
Business-type activities	840,198	870,819	776,199	869,449	1,142,463	828,761	547,044	(208,666)	411,488	1,063,185
Total primary government net expense	<u>\$ (1,866,922)</u>	<u>\$ (1,228,208)</u>	<u>\$ (1,688,897)</u>	<u>\$ (782,821)</u>	<u>\$ (1,231,827)</u>	<u>\$ 953,266</u>	<u>\$ (450,279)</u>	<u>\$ (572,056)</u>	<u>\$ (1,548,439)</u>	<u>\$ (1,830,744)</u>

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

	Fiscal Year									
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
General Revenues and Other Changes in Net Position										
Governmental activities:										
Property taxes	\$ 934,483	\$ 914,694	\$ 888,131	\$ 775,589	\$ 807,527	\$ 908,925	\$ 746,037	\$ 760,091	\$ 966,354	\$ 861,790
Unrestricted state aid	1,820,843	1,322,100	1,209,116	1,252,560	2,682,438	2,377,619	6,219,492	1,838,085	1,829,737	2,054,979
Unrestricted investment earnings	134,437	161,115	128,338	100,338	56,049	(40,996)	79,677	27,018	43,599	52,583
Miscellaneous	75,334	106,786	654,118	135,426	131,030	87,523	133,651	185,895	2,196,903	591,834
Gain on disposal of capital asset	-	-	-	7,900	-	-	-	-	-	-
Transfers	425,202	382,164	376,468	710,113	(294,112)	186,024	483,428	(11,589,774)	166,937	240,977
Total governmental activities	<u>3,390,299</u>	<u>2,886,859</u>	<u>3,256,171</u>	<u>2,981,926</u>	<u>3,382,932</u>	<u>3,519,095</u>	<u>7,662,285</u>	<u>(8,778,685)</u>	<u>5,203,530</u>	<u>3,802,163</u>
Business-type activities:										
Property taxes and special assessments	-	-	-	-	-	-	-	-	993,679	402,169
Unrestricted investment earnings	139,163	125,501	133,698	100,908	87,011	(26,730)	99,650	35,564	39,608	39,436
Donated asset	-	-	-	-	-	-	-	9,263	-	-
Miscellaneous	-	-	-	-	48,432	224,860	-	-	-	-
Transfers	(425,202)	(382,164)	(376,468)	(710,113)	294,112	(186,024)	(483,428)	11,589,774	(166,937)	(240,977)
Total business-type activities	<u>(286,039)</u>	<u>(256,663)</u>	<u>(242,770)</u>	<u>(609,205)</u>	<u>429,555</u>	<u>12,106</u>	<u>(383,778)</u>	<u>11,634,601</u>	<u>866,350</u>	<u>200,628</u>
Total primary government	<u>\$ 3,104,260</u>	<u>\$ 2,630,196</u>	<u>\$ 3,013,401</u>	<u>\$ 2,372,721</u>	<u>\$ 3,812,487</u>	<u>\$ 3,531,201</u>	<u>\$ 7,278,507</u>	<u>\$ 2,855,916</u>	<u>\$ 6,069,880</u>	<u>\$ 4,002,791</u>
Change in Net Position										
Governmental activities	\$ 683,179	\$ 787,832	\$ 791,075	\$ 1,329,656	\$ 1,008,642	\$ 3,643,600	\$ 6,664,962	\$ (9,142,075)	\$ 3,243,603	\$ 908,234
Business-type activities	554,159	614,156	533,429	260,244	1,572,018	840,867	163,266	11,425,935	1,277,838	1,263,813
Total primary government change in net position	<u>\$ 1,237,338</u>	<u>\$ 1,401,988</u>	<u>\$ 1,324,504</u>	<u>\$ 1,589,900</u>	<u>\$ 2,580,660</u>	<u>\$ 4,484,467</u>	<u>\$ 6,828,228</u>	<u>\$ 2,283,860</u>	<u>\$ 4,521,441</u>	<u>\$ 2,172,047</u>

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

	Fiscal Year									
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
General Fund										
Nonspendable				\$ -	\$ 1,436	\$ 8,483	\$ 2,308	\$ 1,145	\$ 5,881	\$ 6,410
Assigned				517,985	528,749	228,793	262,532	734,615	734,615	701,550
Unassigned				1,324,700	2,439,075	1,887,305	2,232,549	1,869,555	1,583,016	1,620,851
Total general fund				<u>\$ 1,842,685</u>	<u>\$ 2,969,260</u>	<u>\$ 2,124,581</u>	<u>\$ 2,497,389</u>	<u>\$ 2,605,315</u>	<u>\$ 2,323,512</u>	<u>\$ 2,328,811</u>
All Other Governmental Funds										
Restricted				\$ 1,566,234	\$ 1,312,273	\$ 3,132,049	\$ 646,430	\$ 516,885	\$ 1,960,273	\$ 2,439,737
Committed				296,265	495,750	370,974	408,263	627,674	729,278	577,895
Assigned				19,667	19,902	20,150	20,326	20,558	25,799	36,100
Unassigned				(83,148)	123,600	-	(1,906,107)	(2,020,607)	-	-
Total all other governmental funds				<u>\$ 1,799,018</u>	<u>\$ 1,951,525</u>	<u>\$ 3,523,173</u>	<u>\$ (831,088)</u>	<u>\$ (855,490)</u>	<u>\$ 2,715,350</u>	<u>\$ 3,053,732</u>
General Fund										
Reserved	\$ -	\$ -	\$ -							
Unreserved	<u>636,305</u>	<u>707,837</u>	<u>1,352,509</u>							
Total general fund	<u>\$ 636,305</u>	<u>\$ 707,837</u>	<u>\$ 1,352,509</u>							
All Other Governmental Funds										
Reserved	\$ 11,388	\$ 11,701	\$ 10,000							
Unreserved, reported in:										
Debt service funds	1,774,954	1,694,260	1,677,709							
Special revenue funds	361,130	322,205	465,649							
Capital projects funds	(28,366)	303,982	97,978							
Permanent funds	-	215	133							
Total all other governmental funds	<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									
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Revenues										
General property taxes	\$ 933,633	\$ 913,797	\$ 886,074	\$ 774,880	\$ 759,975	\$ 908,329	\$ 858,891	\$ 874,877	\$ 992,331	\$ 899,420
Special assessments	258,122	239,946	255,130	201,100	238,951	145,930	153,576	157,565	319,372	18,058
Licenses and permits	22,879	25,688	30,937	27,847	26,298	27,190	29,431	72,293	169,208	120,807
Intergovernmental	2,208,270	2,731,405	2,343,477	2,737,432	2,958,453	2,603,891	7,077,891	2,342,628	2,567,231	2,266,176
Charges for services	140,551	209,044	170,180	177,372	171,776	204,608	165,702	183,117	181,352	208,691
Fines and forfeitures	47,376	44,939	20,968	21,386	25,315	24,884	36,813	31,293	29,855	22,480
Investment earnings	135,521	147,726	107,796	90,338	54,254	1,265	80,526	27,197	42,568	43,584
Other revenues	280,768	249,829	832,567	277,399	665,146	3,446,250	1,306,657	1,259,587	3,191,615	1,027,564
Total revenues	4,027,120	4,562,374	4,647,129	4,307,754	4,900,168	7,362,347	9,709,487	4,948,557	7,493,532	4,606,780
Expenditures										
General government	480,600	439,452	1,405,973	831,433	601,280	748,809	525,873	498,253	480,638	462,335
Public safety	770,277	852,084	803,136	830,241	851,565	872,867	867,535	917,810	977,713	998,203
Public works	507,902	455,881	434,276	446,199	479,160	549,705	545,880	472,835	546,547	601,439
Culture and recreation	401,156	351,241	252,604	257,622	337,596	334,901	225,837	327,108	297,137	348,926
Economic development	1,218,326	547,576	124,456	285,973	47,293	306,887	251,807	119,623	167,898	474,418
Airport	97,576	57,289	42,751	124,461	299,495	96,725	396,691	62,945	59,973	117,946
Miscellaneous	21,450	113,692	76,672	86,472	146,246	565,134	139,192	161,483	207,119	175,403
Capital outlay	446,476	1,792,631	498,651	1,282,363	674,636	2,144,990	10,533,298	3,514,202	3,194,337	1,399,623
Debt service										
Principal	677,126	680,627	655,000	680,000	1,455,000	1,085,000	630,000	645,000	376,242	386,000
Interest, fees and abatements	205,111	169,276	166,300	155,378	189,354	118,529	65,005	46,381	53,354	56,149
Total expenditures	4,826,000	5,459,749	4,459,819	4,980,142	5,081,625	6,823,547	14,181,118	6,765,640	6,360,958	5,020,442

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

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Excess (Deficiency) of Revenues over (Under) Expenditures	(798,880)	(897,375)	187,310	(672,388)	(181,457)	538,800	(4,471,631)	(1,817,083)	1,132,574	(413,662)
Other Financing Sources (Uses)										
Transfers from other funds	447,290	495,449	405,401	742,910	415,044	1,305,107	547,488	421,961	411,203	653,592
Transfers to other funds	(22,088)	(113,285)	(28,933)	(32,797)	(54,616)	(1,119,083)	(64,060)	(128,655)	(244,266)	(363,368)
Bonds issued (net of discounts)	-	800,000	-	-	1,045,000	-	-	1,606,625	1,984,710	458,119
Sale of capital assets	322	-	-	-	55,111	2,145	6,750	676	4,816	9,000
Total other financing sources (uses)	<u>425,524</u>	<u>1,182,164</u>	<u>376,468</u>	<u>710,113</u>	<u>1,460,539</u>	<u>188,169</u>	<u>490,178</u>	<u>1,900,607</u>	<u>2,156,463</u>	<u>757,343</u>
Net Change in Fund Balances	<u>\$ (373,356)</u>	<u>\$ 284,789</u>	<u>\$ 563,778</u>	<u>\$ 37,725</u>	<u>\$ 1,279,082</u>	<u>\$ 726,969</u>	<u>\$ (3,981,453)</u>	<u>\$ 83,524</u>	<u>\$ 3,289,037</u>	<u>\$ 343,681</u>
Debt service as a percentage of noncapital expenditures	20.1%	23.2%	20.7%	22.6%	37.3%	25.7%	19.1%	21.3%	13.6%	12.2%

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
2008	\$ 853,795	\$ 30,236	\$ 91,133	\$ 975,164
2009	823,521	33,491	76,621	933,633
2010	783,491	29,758	100,548	913,797
2011	763,370	32,567	90,137	886,074
2012	652,688	32,751	89,441	774,880
2013	642,892	34,897	82,186	759,975
2014	767,868	31,493	108,968	908,329
2015	712,077	33,960	112,854	858,891
2016	723,065	37,007	114,805	874,877
2017	748,837	36,366	114,217	899,420

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

Levy Year	Collection Year	Real Property		Ratio of Tax Capacity to Total Estimated Market Value	Total Direct Rate
		Net Tax Capacity	Estimated Market Value (2)		
2007	2008	\$ 2,108,985	\$ 180,064,000	1.17%	70.90
2008	2009	2,091,276	177,275,200	1.18%	76.28
2009	2010	2,151,389	176,144,900	1.22%	69.02
2010	2011	2,032,639	166,324,700	1.22%	71.98
2011	2012	1,747,488	134,837,900	1.30%	91.95
2012	2013	1,629,458	124,385,800	1.31%	81.54
2013	2014	1,694,281	128,462,700	1.32%	79.71
2014	2015	1,728,961	132,020,100	1.31%	86.71
2015	2016	1,859,258	142,774,592	1.30%	111.80
2016	2017	1,930,870	145,665,276	1.33%	112.33

(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	
2008	2009	5.60	29.85	35.45	78.44	23.93	137.82
2009	2010	8.14	30.00	38.14	72.29	23.51	133.94
2010	2011	21.22	13.29	34.51	79.30	19.75	133.56
2011	2012	19.20	16.79	35.99	88.61	23.29	147.89
2012	2013	19.39	26.59	45.98	95.84	23.18	165.00
2013	2014	18.64	22.13	40.77	90.14	22.79	153.70
2014	2015	18.18	21.68	39.86	89.67	19.94	149.47
2015	2016	17.87	25.49	43.36	88.19	21.13	152.67
2016	2017	16.25	39.65	55.90	90.64	20.77	167.31
2017	2018	16.25	39.65	56.43	87.82	26.83	171.08

(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	2017			2008		
		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	\$ 103,860	1	5.38%	\$ 90,626	1	4.30%
Wal-Mart Stores, Inc.	Retail Store	68,022	2	3.52%	-		0.00%
Mason Brothers Co	Wholesale Grocers	57,896	3	3.00%	63,900	3	3.03%
Burlington Northern Railroad	Railroad	46,110	4	2.39%	-		0.00%
Wadena Medical Center	Medical Facilities	34,857	5	1.81%	20,420	5	0.97%
Merickel, James R & Jane M	Property Management	33,231	7	1.72%	18,850	6	0.89%
Russ Davis Wholesale Inc.	Wholesale Grocers	27,852	6	1.44%	29,474	4	1.40%
Leaf River Ag Service	Agriculture Cooperative	27,720	8	1.44%	-		0.00%
Minnesota Energy Resources	Lumber/Hardware	23,591	9	1.22%	-		0.00%
Merickel Lumber Mills	Natural Gas Utility	22,019	10	1.14%	-		0.00%
Total		<u>\$ 445,158</u>		<u>23.05%</u>	<u>\$ 223,270</u>		<u>10.59%</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
2007	2008	\$ 764,927	\$ 668,819	87.4	\$ 83,639	\$ 752,458	98.4
2008	2009	742,023	634,387	85.5	103,045	737,432	99.4
2009	2010	790,230	786,613 (2)	99.5	3,617	790,230	100.0
2010	2011	682,793	668,143 (2)	97.9	9,368	677,511	99.2
2011	2012	604,193	587,124	97.2	17,069	604,193	100.0
2012	2013	724,182	707,020	97.6	17,162	724,182	100.0
2013	2014	666,182	652,590	98.0	16,764	669,354	100.5
2014	2015	666,182	649,207	97.5	-	649,207	97.5
2015	2016	776,883	751,862	96.8	-	751,862	96.8
2016	2017	1,063,808	1,020,069	95.9	-	1,020,069	95.9

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

(2) Includes Disaster Credits

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

Year	Governmental Activities		Activities	Total Primary Government	Percentage of Personal Income (1)	Per Capita (1)
	Special Assessment Bonds	Other	General Obligation Bonds			
2008	\$ 4,720,000	\$ 15,628	\$ 2,002,000	\$ 6,737,628	10.26%	1,586
2009	4,855,000	-	1,882,000	6,737,000	10.26%	1,586
2010	4,200,000	-	1,759,000	5,959,000	9.43%	1,458
2011	3,520,000	-	1,633,000	5,153,000	6.52%	1,261
2012	3,110,000	-	4,370,322	7,480,322	9.24%	1,830
2013	2,025,000	-	4,314,411	6,339,411	7.69%	1,551
2014	1,395,000	-	4,598,010	5,993,010	7.27%	1,466
2015	2,356,625	-	7,281,669	9,638,294	12.01%	2,358
2016	3,965,093	-	10,565,723	14,530,816	17.48%	3,555
2017	4,037,212	-	10,373,968	14,411,180	16.35%	3,525

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)
2008	\$ 4,720,000	\$ 1,774,954	\$ 2,945,046	139.64%	\$ 693
2009	4,855,000	1,694,260	3,160,740	151.14%	744
2010	4,200,000	1,677,709	2,522,291	117.24%	617
2011	5,153,000	1,312,098	3,840,902	188.96%	940
2012	7,480,322	1,202,418	6,277,904	359.25%	1,536
2013	6,339,411	496,465	5,842,946	358.58%	1,429
2014	5,993,010	494,085	5,498,925	324.56%	1,345
2015	9,638,294	286,416	9,351,878	540.90%	2,288
2016	9,638,294	286,416	9,351,878	502.99%	2,288
2017	14,411,180	542,875	13,868,305	718.24%	3,392

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, 2017
 (Unaudited)
 Table 12

<u>Jurisdiction</u>	<u>Total Bonded Debt Outstanding</u>	<u>Percentage Applicable to City (1)</u>	<u>Total Direct Debt</u>	<u>Total Overlapping Debt</u>	<u>Total Direct and Overlapping Debt</u>
City of Wadena	\$ 4,037,213	100%	\$ 4,037,213	\$ -	\$ 4,037,213
Wadena HRA	1,660,000	100%	1,660,000	-	1,660,000
I.S.D. No. 2155 (2)	<u>10,700,000</u>	61%	<u>-</u>	<u>6,527,000</u>	<u>6,527,000</u>
Total	<u>\$ 16,397,213</u>		<u>\$ 5,697,213</u>	<u>\$ 6,527,000</u>	<u>\$ 12,224,213</u>

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

(2) Source - Wadena County Auditor.

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

	Fiscal Year									
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Debt limit	\$ 3,601,280	\$ 3,545,504	\$ 3,551,904	\$ 3,326,494	\$ 2,696,758	\$ 2,487,716	\$ 2,569,254	\$ 2,640,402	\$ 2,855,492	\$ 2,913,306
Total net debt applicable to limit	-	-	-	-	-	-	-	-	-	-
Legal debt margin	<u>\$ 3,601,280</u>	<u>\$ 3,545,504</u>	<u>\$ 3,551,904</u>	<u>\$ 3,326,494</u>	<u>\$ 2,696,758</u>	<u>\$ 2,487,716</u>	<u>\$ 2,569,254</u>	<u>\$ 2,640,402</u>	<u>\$ 2,855,492</u>	<u>\$ 2,913,306</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 2015

Estimated market value (1)	<u>\$ 145,665,276</u>
Debt limit - 2% of estimated market value (2)	2,913,306
Debt applicable to limit:	
Total Bonded Debt	\$ 4,037,213
Less:	
G.O. Sewer Revenue Note of 2012	\$ 801,000
G.O. Taxable Improvement Bonds of 2009	285,000
G.O. Water revenue note of 2002	2,832,000
PFA Revenue Note of 2015 - DW	3,198,223
PFA Revenue Note of 2015 - CW	3,542,745
PFA Revenue Note of 2015 - CW03	3,752,213
	<u>14,411,181</u>
Total net debt applicable to limit	<u>(10,373,968)</u>
Legal debt margin	<u>\$ 13,287,274</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			
2008 (1)	\$ 5,397,000	\$ 4,091,543	\$ 1,305,457	\$ 357,000	\$ 65,042	\$ 422,042	3.09	
2009 (1)	459,225	294,533	164,692	120,000	52,270	172,270	0.96	
2010 (1)	472,699	279,794	192,905	120,000	52,270	172,270	1.12	
2011 (1)	477,079	280,946	196,133	126,000	45,737	171,737	1.14	
2012 (2)	1,156,290	702,217	454,073	217,926	62,398	280,324	1.62	
2013 (2)	1,170,101	690,432	479,669	319,000	82,200	401,200	1.20	
2014 (2)	1,276,795	790,304	486,491	326,000	85,790	411,790	1.18	
2015 (3)	1,539,116	783,241	755,875	315,010	82,002	397,012	1.90	
2016 (3)	1,539,116	823,996	715,120	324,542	116,834	441,376	1.62	
2017 (3)	1,596,459	826,132	770,327	851,000	135,253	986,253	0.78	

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

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

(2) Includes only Water revenues and expenses.

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

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

Year	Special Assessment Bonds					Coverage
	Special Assessment Collections	Debt Service			Total	
		Principal	Interest	Total		
2008	\$ 258,122	\$ 645,000	\$ 199,460	\$ 844,460	0.31	
2009	239,946	665,000	169,276	834,276	0.29	
2010	255,130	655,000	166,300	821,300	0.31	
2011	166,677	680,000	155,095	835,095	0.20	
2012	222,735	410,000	183,614	593,614	0.38	
2013	167,651	710,000	98,787	808,787	0.21	
2014	153,576	630,000	55,169	685,169	0.22	
2015	157,565	645,000	36,774	681,774	0.23	
2016	319,372	376,242	48,749	424,991	0.75	
2017	18,058	386,000	52,177	438,177	0.04	

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>
2008	4,248	\$ 65,640,096	\$ 15,452	1,048	13.5%
2009	4,248	65,640,096	15,452	1,006	13.5%
2010	4,088	63,167,776	15,452	1,000	10.8%
2011	4,088	79,078,272	19,344	933	10.5%
2012	4,088	80,991,456	19,812	982	10.2%
2013	4,088	82,430,432	20,164	1,003	6.6%
2014	4,088	82,430,432	20,164	1,001	6.6%
2015	4,088	80,284,232	19,639	936	6.6%
2016	4,088	83,104,952	20,329	947	7.4%
2017	4,088	88,129,104	21,558	997	8.0%

(1) Source - Minnesota State Demographer/Community Facts

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

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

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

City of Wadena, Minnesota
Principal Employers
Current Year and Nine Years Ago
(Unaudited)
Table 16

Employer	2017		
	Employees	Rank	Percentage of Total County Employment
Tri-County Hospital	428	1	7.23%
Mason Brothers Company	285	2	4.82%
Ind. School District 2155	204	3	3.45%
County of Wadena, MN	181	4	3.06%
Wal-Mart	170	5	2.87%
Russ Davis Wholesale	120	6	2.03%
Homecrest Outdoor Living	119	7	2.01%
Fair Oaks Lodge	110	8	1.86%
Polman Trucking Company	95	9	1.61%
MN State Community & Technical College	54	10	0.91%
Total	1,766		29.85%

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

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

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Function										
General government	6.5	6.5	6.5	6.5	6.5	6.5	6.5	6.5	6.5	6.5
Public safety										
Police										
Officers	8.5	8.5	8.5	8.5	9.0	9.0	9.0	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	5.5	5.5	5.5	5.5	5.5	6.5	6.5	6.5
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	10.0	10.0	10.0	10.0
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	7.5	7.5	9.5	9.5	9.5	9.5	9.5	10.5	10.5	10.5
Liquor Store	3.5	3.5	3.5	3.5	3.5	3.5	3.5	3.5	3.5	3.5
Total	46.5	46.5	47.5	47.5	48.0	48.0	51.0	53.0	53.0	53.0

*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
 (Unaudited)
 Table 18

Function	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Police										
Physical arrests	421	557	698	349	409	382	151	165	170	137
Parking violations	17	51	30	17	14	0	64	15	10	54
Traffic violations	102	252	195	141	149	165	239	343	138	150
Fire										
Number of calls answered	27	40	37	30	30	47	56	56	40	65
Highways and streets										
Street resurfacing (miles)	2.4	0.3	0.0	0.2	0.5	0.6	0.6	0.8	0.9	0.8
Tons of Asphalt used to Repair Potholes	46	58	74	215	190	74	40	60	61	75
Water										
New connections	7	3	3	3	8	7	4	4	5	4
Water main breaks	1	3	5	3	2	3	3	4	3	3
Average daily consumption (in gallons) (thousands of gallons)	452,106	413,886	406,962	372,777	438,895	503,085	572,375	514,515	413,899	424,890
Wastewater										
Average daily sewage treatment (in gallons)	432,000	432,000	462,000	608,083	460,323	463,674	828,219	510,493	466,145	547,000

Source - various City departments.

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

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

Function	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Public safety										
Police:										
Stations	1	1	1	1	1	1	1	1	1	1
Patrol units	2	2	2	2	3	3	3	3	3	3
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)	41.3	41.3	42.5	42.5	42.5	42.5	42.5	42.5	42.5	42.5
Streetlights	705	705	705	690	690	690	690	690	690	690
Traffic signals	4	4	4	4	4	4	4	4	4	4
Culture and recreation										
Parks acreage	463	463	463	463	463	463	463	463	463	463
Parks	11	11	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	2	2	2	2	3	3	3
Water										
Water mains (miles)	33.0	33.0	33.0	33.0	33.2	33.0	33.0	33.0	33.0	33.1
Fire hydrants	306	306	306	308	314	308	308	310	320	320
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)	26.0	26.0	26.0	30.0	30.0	30.0	30.0	30.0	30.0	30.0
Storm sewers (miles)	11.0	11.0	11.0	11.0	11.0	11.0	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	6	6	6	6	6	6	6	6	6	4
Miles of service lines	56.0	56.0	56.5	56.5	58.0	58.0	58.0	58.7	58.7	58.8

Source - various City departments.

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



Other Reports
December 31, 2017

City of Wadena, Minnesota



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

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

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Wadena as of and for the year ended December 31, 2017, 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 11, 2018. Our report includes a reference to other auditors who audited the financial statements of the Housing and Redevelopment Authority, a discretely presented component unit, as described in our report on the City's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors.

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies 2017-A, 2017-B, and 2017-C described in the accompanying schedule of findings and questioned costs to be material weaknesses.

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

Compliance and Other Matters

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

City's Response to Findings

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

Purpose of this Report

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

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

Fargo, North Dakota
June 11, 2018



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

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

Report on Compliance for the Major Federal Program

We have audited City of Wadena's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on the City's major federal program for the year ended December 31, 2017. The City's major federal program is 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 federal statutes, regulations, and the terms and conditions of its federal awards 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 program based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on the Major Federal Program

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 program identified above for the year ended December 31, 2017.

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 the major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for the major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

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

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

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

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 11, 2018



Report on *Minnesota Legal Compliance*

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

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Wadena, Minnesota, as of and for the year ended December 31, 2017, 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 11, 2018.

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

In connection with our audit, nothing came to our attention that caused us to believe that the City failed to comply with the provisions of the *Minnesota Legal Compliance Audit Guide for Cities*, except as described in the schedule of findings and questioned costs as item 2017-D. However, our audit was not directed primarily toward obtaining knowledge of such noncompliance. Accordingly, had we performed additional procedures, other matters may have come to our attention regarding the City's noncompliance with the above referenced provisions.

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

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 11, 2018

City of Wadena, Minnesota

Schedule of Expenditures of Federal Awards and Notes to Schedule of Expenditures of Federal Awards
Year Ended December 31, 2017

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Pass Through Entity Identifying Number	Federal CFDA Number	Expenditures
Department of Defense <i>Passed through the State of Minnesota</i> National Guard Operations	P0116X01SRM	12.401	\$ 3,103
Department of Transportation <i>Passed through the State of Minnesota</i> Airport Improvements	8001-26	20.106	344,883
Federal Railroad Administration <i>Passed through the State of Minnesota</i> Rail Line Relocation and Improvement	FR-LRI-0066-14-01-00	20.320	109,033
Environmental Protection Agency <i>Passed through the State of Minnesota</i> Clean Water Revolving Fund	MPFA-11-0118-R-FY16	66.458	\$ 376,599
Clean Water Revolving Fund with Principal Forgiveness	MPFA/MPFG-15-0051-R-FY16	66.458	<u>498,083</u>
Total Capitalization Grants for Clean Water State Revolving Funds Cluster			\$ 874,682
Drinking Water Revolving Fund	MPFA-15-0009-R-FY16	66.468	<u>340,154</u>
Total Capitalization Grants for Drinking Water State Revolving Funds Cluster			<u>340,154</u>
Total Environmental Protection Agency			<u>1,214,836</u>
Total Federal Financial Assistance			<u>\$ 1,671,855</u>

Notes to Schedule of Expenditures of Federal Awards

Note A – Basis of Presentation

The accompanying schedule of expenditures of federal awards (the schedule) includes the federal award activity of the City under programs of the federal government for the year ended December 31, 2017. The information is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the schedule presents only a selected portion of the operations of the City, it is not intended to and does not present the financial position, changes in net position/fund balance, or cash flows of the City.

Note B – Summary of Significant Accounting Policies

Expenditures in the schedule are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. No federal financial assistance has been provided to a subrecipient.

Note C – Indirect Cost Rate

The City does not draw for indirect administrative expenses and has not elected to use the 10% de minimus cost rate.

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	None reported
Noncompliance material to financial statements noted?	No

FEDERAL AWARDS

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

Identification of major programs:

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

Section II – Financial Statement Findings

**2017-A Material Journal Entries
 Material Weakness**

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

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

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

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

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

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

**2017-B Preparation of Financial Statements
 Material Weakness**

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

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

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

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

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

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

**2017-C Preparation of the Schedule of Expenditures of Federal Awards
Material Weakness**

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

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

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

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

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

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

Section III – Federal Award Findings and Questioned Costs

No findings reported in the current year

Section IV – Minnesota Legal Compliance Findings

2017-D Pledged Collateral

Criteria: A good system of internal control contemplates an adequate system for monitoring the requirements of pledged collateral.

Condition: Minnesota statutes require 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, 2017 for Mid Central Federal Savings Bank. The City's deposits were under collateralized at Mid Central Federal Savings Bank by approximately \$9,000 at December 31, 2017.

Cause: The City does not have an internal control system designed to properly monitor the requirements of pledged collateral.

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

Recommendation: The City needs to periodically review its pledged collateral to ensure compliance.

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