

CITY OF PAYNESVILLE, MINNESOTA
BASIC FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION
YEAR ENDED DECEMBER 31, 2014

**CITY OF PAYNESVILLE, MINNESOTA
TABLE OF CONTENTS
YEAR ENDED DECEMBER 31, 2014**

INTRODUCTORY SECTION

PRINCIPAL CITY OFFICIALS	1
---------------------------------	----------

FINANCIAL SECTION

INDEPENDENT AUDITORS' REPORT	2
-------------------------------------	----------

REQUIRED SUPPLEMENTARY INFORMATION

MANAGEMENT'S DISCUSSION AND ANALYSIS	4
---	----------

BASIC FINANCIAL STATEMENTS

GOVERNMENT-WIDE FINANCIAL STATEMENTS

STATEMENT OF NET POSITION	14
----------------------------------	-----------

STATEMENT OF ACTIVITIES	15
--------------------------------	-----------

FUND FINANCIAL STATEMENTS

BALANCE SHEET – GOVERNMENTAL FUNDS	16
---	-----------

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT OF NET POSITION – GOVERNMENTAL ACTIVITIES	18
--	-----------

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES – GOVERNMENTAL FUNDS	19
---	-----------

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES – GOVERNMENTAL ACTIVITIES	21
---	-----------

STATEMENT OF NET POSITION – PROPRIETARY FUNDS	22
--	-----------

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION – PROPRIETARY FUNDS	23
--	-----------

STATEMENT OF CASH FLOWS – PROPRIETARY FUNDS	24
--	-----------

STATEMENT OF FIDUCIARY NET POSITION – AGENCY FUNDS	26
---	-----------

NOTES TO FINANCIAL STATEMENTS	27
--------------------------------------	-----------

**CITY OF PAYNESVILLE, MINNESOTA
TABLE OF CONTENTS (CONTINUED)
YEAR ENDED DECEMBER 31, 2014**

FINANCIAL SECTION (CONTINUED)

REQUIRED SUPPLEMENTARY INFORMATION OTHER THAN MD&A

BUDGETARY COMPARISON SCHEDULE – GENERAL FUND	56
BUDGETARY COMPARISON SCHEDULE – ECONOMIC DEVELOPMENT AUTHORITY FUND	59
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION	60
SCHEDULES OF FUNDING PROGRESS	61

OTHER SUPPLEMENTARY INFORMATION

COMBINING BALANCE SHEET – NONMAJOR GOVERNMENTAL FUNDS	62
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES – NONMAJOR GOVERNMENTAL FUNDS	63
COMBINING BALANCE SHEET – DEBT SERVICE FUND	64
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES – DEBT SERVICE FUND	65
COMBINING BALANCE SHEET – CAPITAL PROJECT FUND	66
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES – CAPITAL PROJECT FUND	69

INTRODUCTORY SECTION

**CITY OF PAYNESVILLE, MINNESOTA
PRINCIPAL CITY OFFICIALS
DECEMBER 31, 2014**

<u>Elected Officials</u>	<u>Position</u>	<u>Term Expires</u>
Jeffrey Thompson	Mayor	December 31, 2014
Donavan Mayer	Council Member	December 31, 2016
Kay McDaniel	Council Member	December 31, 2016
Jean Soine	Council Member	December 31, 2014
Gene Beavers	Council Member	December 31, 2014

<u>Administration</u>	<u>Position</u>	<u>Term Expires</u>
Renee Eckerly	City Administrator	Appointed

This Page Has Been Intentionally Left Blank.

FINANCIAL SECTION



CliftonLarsonAllen

CliftonLarsonAllen LLP
CLAconnect.com

INDEPENDENT AUDITORS' REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Paynesville, as of and for the year ended December 31, 2014, 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 financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' 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 governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Paynesville as of December 31, 2014, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.



An independent member of Nexia International

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, and schedules of funding progress on pages 5-13, 56-59, and 61 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 of 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.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Paynesville's basic financial statements. The combining and individual nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual nonmajor fund financial statements are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic 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 are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated April 8, 2015, on our consideration of the City of Paynesville's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the result of that testing, and not to provide an opinion on 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 of Paynesville's internal control over financial reporting and compliance.



CliftonLarsonAllen LLP

Alexandria, Minnesota
April 8, 2015

This Page Has Been Intentionally Left Blank.

REQUIRED SUPPLEMENTARY INFORMATION

**CITY OF PAYNESVILLE, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2014**

This section of the City of Paynesville's (the City) annual financial report presents our discussion and analysis of the City's financial performance during the fiscal year that ended on December 31, 2014. The Management's Discussion and Analysis (MD&A) is an element of Required Supplementary Information specified in the Governmental Accounting Standard Board's (GASB) Statement No. 34 – *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*. Certain comparative information between the current year, 2014, and the prior year, 2013, is required to be presented in the MD&A.

FINANCIAL HIGHLIGHTS

Key financial highlights for 2014 include the following:

- The assets of the City's general fund exceeded its liabilities and deferred inflows at the close of the most recent fiscal year by \$1,581,074.
- The City's total change in net position was \$935,226.
- As of the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$4,418,839, an increase of \$425,640 from the previous year due to the receipts on EDA loans outstanding and issuance of bonds.

OVERVIEW OF THE FINANCIAL STATEMENTS

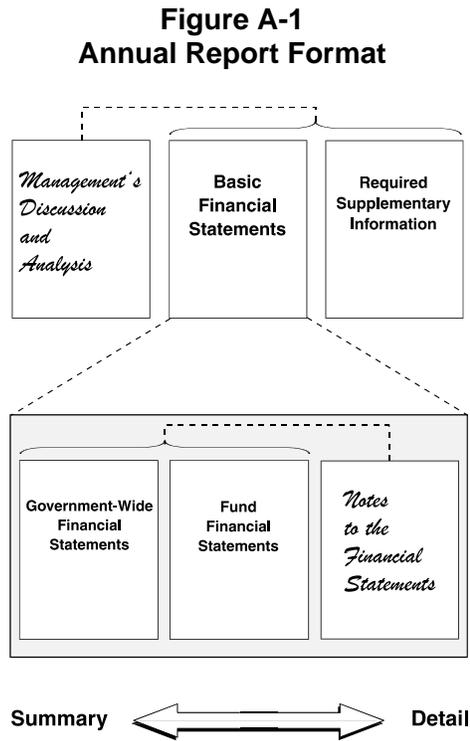
The financial section of the annual report consists of four parts – Independent Auditors' Report, required supplementary information which includes the management's discussion and analysis (this section), the basic financial statements, and supplementary information. The basic financial statements include two kinds of statements that present different views of the City:

- The first two statements are City-wide financial statements which provide both short-term and long-term information about the City's overall financial status.
- The remaining statements are fund financial statements which focus on individual parts of the City, reporting the City's operations in more detail than the City-wide statements.
 - The governmental funds statements tell how basic services such as general government, public safety, and public works were financed in the short-term as well as what remains for future spending.
 - Fiduciary fund statements provide information about the financial relationships in which the City acts solely as a trustee or agent for the benefit of others to whom the resources belong.
 - The financial statements also include notes that explain some of the information in the statements and provide more detailed data.

**CITY OF PAYNESVILLE, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2014**

OVERVIEW OF THE FINANCIAL STATEMENTS (CONTINUED)

Figure A-1 shows how the various parts of this annual report are arranged and related to one another.



**CITY OF PAYNESVILLE, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2014**

OVERVIEW OF THE FINANCIAL STATEMENTS (CONTINUED)

Figure A-2 summarizes the major features of the City's financial statements, including the portion of the City's activities they cover and the types of information they contain. The remainder of this overview section of management's discussion and analysis highlights the structure and contents of each of the statements.

Figure A-2. Major Features of the City's Government-Wide and Fund Financial Statements				
Type of Statements	Government-Wide	Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire City's government (except fiduciary funds).	The activities of the City that are not proprietary or fiduciary.	The activities of the City that operate similar to private businesses: water, sewer and liquor.	Instances in which the County is the trustee or agent for someone else's resources.
Required Financial Statements	Statement of net position.	Balance sheet.	Statement of net position.	Statement of fiduciary net position.
	Statement of activities.	Statement of revenues, expenditures and changes in fund balances.	Statement of revenues, expenses and changes in net position, and statement of cash flows.	Statement of changes in fiduciary net position.
Accounting Basis and Measurement Focus	Accrual accounting and economic resources focus.	Modified accrual accounting and current financial resources focus.	Accrual accounting and economic resources focus.	Accrual accounting and economic resources focus.
Type of Asset and Deferred Outflow of Resources/ Liability and Deferred Inflow of Resources Information	All assets, deferred outflows of resources, liabilities, and deferred inflows of resources both financial and capital, short-term and long-term.	Only assets and deferred outflows of resources expected to be used up and liabilities and deferred inflows of resources that come due during the year or soon thereafter, no capital assets included.	All assets, deferred outflows of resources, liabilities, and deferred inflows of resources, both financial and capital, and short-term and long-term.	All assets, deferred outflows of resources, liabilities, and deferred inflows of resources, both short-term and long-term. Agency funds do not current contain capital assets, although they can.
Type of Inflow/Outflow Information	All revenues and expenses during year, regardless of when cash is received or paid.	Revenues for which cash is received during or soon after the end of the year, expenditures when goods or services have been received and payment is due during the year or soon thereafter.	All revenues and expenses during the year, regardless of when cash is received or paid.	All revenues and expenses during the year, regardless of when cash is received or paid.

City-Wide Statements

The City-wide statements report information about the City as a whole using accounting methods similar to those used by private-sector companies. The statement of net position includes all of the City's assets and liabilities. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

**CITY OF PAYNESVILLE, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2014**

OVERVIEW OF THE FINANCIAL STATEMENTS (CONTINUED)

City-Wide Statements (Continued)

The two City-wide statements report the City's net position and how they have changed. Net position – the difference between the City's assets and liabilities – is one way to measure the City's financial health or position.

In the City-wide financial statements the City's activities are shown in two categories:

- Governmental activities – The City's basic services are included here. Property taxes, special assessments and state aids finance most of these activities.
- Business-type activities – The City's enterprise fund operations (water, sewer, and municipal liquor) are included here. Charges for services and sales finance most of these activities.
- To assess the overall health of the City, you need to consider additional non-financial factors such as changes in the City's property tax base and the condition of City buildings, infrastructure and other facilities.

Fund Financial Statements

The fund financial statements provide more detailed information about the City's funds – focusing on its most significant or "major" funds – not the City as a whole. Funds are accounting devices the City uses to keep track of specific sources of funding and spending on particular programs:

- Some funds are required by state law and by bond covenants.
- The City establishes other funds to control and manage money for particular purposes (e.g., repaying its long-term debts) or to show that it is properly using certain revenues (e.g., federal grants).

The City has three kinds of funds:

- Governmental Funds – The City's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for future operations. Consequently, the governmental funds statements provide a detailed short-term view that helps to determine whether there are more or less financial resources that can be spent in the near future to finance the City's programs. Because this information does not encompass the additional long-term focus of the city-wide statements, we provide additional information after the governmental funds statements that explain the relationship (or differences) between them.
- Proprietary Funds – The City reports three 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 water, sewer, and municipal liquor operations. Proprietary fund financial statements provide the same type of information as the government-wide financial statements, only in more detail.
- Fiduciary Funds – The City is the fiscal agent, or fiduciary, for assets that belong to the State of Minnesota Deputy Registrar. The City is responsible for ensuring that the assets reported in these funds are used only for their intended purposes and by those to whom the assets belong. All of the City's fiduciary activities are reported in a separate statement of fiduciary net position. We exclude these activities from the City-wide financial statements because the City cannot use these assets to finance its operations.

**CITY OF PAYNESVILLE, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2014**

FINANCIAL ANALYSIS OF THE CITY AS A WHOLE

Net Position

The City's overall net position was \$31,587,771 on December 31, 2014.

The City's Net Position

	Governmental Activities		Business-Type Activities		Total	
	2014	2013	2014	2013	2014	2013
Current and Other Assets	\$ 6,280,158	\$ 5,923,234	\$ 5,447,386	\$ 5,623,004	\$ 11,727,544	\$ 11,546,238
Capital Assets	12,942,095	13,880,145	16,379,971	11,642,181	29,322,066	25,522,326
Total Assets	<u>19,222,253</u>	<u>19,803,379</u>	<u>21,827,357</u>	<u>17,265,185</u>	<u>41,049,610</u>	<u>37,068,564</u>
Long-Term Liabilities	2,522,654	2,210,987	5,572,142	2,861,263	8,094,796	5,072,250
Other Liabilities	735,055	702,030	631,988	641,739	1,367,043	1,343,769
Total Liabilities	<u>3,257,709</u>	<u>2,913,017</u>	<u>6,204,130</u>	<u>3,503,002</u>	<u>9,461,839</u>	<u>6,416,019</u>
Net Position						
Net Investment in Capital Assets	9,893,737	11,202,073	10,484,829	8,630,045	20,378,566	19,832,118
Restricted	2,379,026	2,449,467	-	-	2,379,026	2,449,467
Unrestricted	3,691,781	3,238,822	5,138,398	5,132,138	8,830,179	8,370,960
Total Net Position	<u>\$ 15,964,544</u>	<u>\$ 16,890,362</u>	<u>\$ 15,623,227</u>	<u>\$ 13,762,183</u>	<u>\$ 31,587,771</u>	<u>\$ 30,652,545</u>

**CITY OF PAYNESVILLE, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2014**

FINANCIAL ANALYSIS OF THE CITY AS A WHOLE (CONTINUED)

Changes in Net Position

The City-wide total revenues were \$5,410,869 for the year ended December 31, 2014. The City-wide cost of all activities this year was \$4,475,643. Total revenues surpassed expenses, increasing net position \$935,226 over last year.

The City's Change in Net Position

	Governmental Activities		Business-Type Activities		Total	
	2014	2013	2014	2013	2014	2013
Revenue:						
Program Revenues:						
Charges for Services	\$ 497,953	\$ 735,158	\$ 2,625,150	\$ 2,494,549	\$ 3,123,103	\$ 3,229,707
Operating Grants and Contributions	137,893	902,292	9,116	450	147,009	902,742
Capital Grants and Contributions	508,231	152,557	-	1,945,627	508,231	2,098,184
General Revenues:						
Property Taxes	566,914	555,279	-	-	566,914	555,279
Franchise Fees	32,677	31,947	-	-	32,677	31,947
Tax Increments	38,246	38,665	-	-	38,246	38,665
Intergovernmental	718,826	682,324	-	-	718,826	682,324
Other Revenue	83,488	338,649	36,556	65,271	120,044	403,920
Investment Earnings (Losses)	67,485	(16,607)	88,334	12,772	155,819	(3,835)
Total Revenues	<u>2,651,713</u>	<u>3,420,264</u>	<u>2,759,156</u>	<u>4,518,669</u>	<u>5,410,869</u>	<u>7,938,933</u>
Expenses:						
General Government	421,187	349,708	-	-	421,187	349,708
Public Safety	695,919	636,417	-	-	695,919	636,417
Public Works	578,894	671,939	-	-	578,894	671,939
Culture and Recreation	219,540	239,987	-	-	219,540	239,987
Economic Development	88,745	824,875	-	-	88,745	824,875
Interest on Long-Term Debt	110,809	198,239	-	-	110,809	198,239
Airport	165,522	190,737	-	-	165,522	190,737
Water	-	-	330,972	264,244	330,972	264,244
Sewer	-	-	630,269	557,399	630,269	557,399
Municipal Liquor	-	-	1,233,786	1,136,689	1,233,786	1,136,689
Total Expenses	<u>2,280,616</u>	<u>3,111,902</u>	<u>2,195,027</u>	<u>1,958,332</u>	<u>4,475,643</u>	<u>5,070,234</u>
Change in Net Position before Transfers	371,097	308,362	564,129	2,560,337	935,226	2,868,699
Transfers	(1,296,915)	355,290	1,296,915	(355,290)	-	-
Change in Net Position	<u>(925,818)</u>	<u>663,652</u>	<u>1,861,044</u>	<u>2,205,047</u>	<u>935,226</u>	<u>2,868,699</u>
Net Position, Beginning of Year	16,890,362	16,262,410	13,762,183	11,557,136	30,652,545	27,819,546
Prior Period Adjustment	-	(35,700)	-	-	-	(35,700)
Net Position, Beginning of Year, as Restated	<u>16,890,362</u>	<u>16,226,710</u>	<u>13,762,183</u>	<u>11,557,136</u>	<u>30,652,545</u>	<u>27,783,846</u>
Net Position, End of Year	<u>\$ 15,964,544</u>	<u>\$ 16,890,362</u>	<u>\$ 15,623,227</u>	<u>\$ 13,762,183</u>	<u>\$ 31,587,771</u>	<u>\$ 30,652,545</u>

**CITY OF PAYNESVILLE, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2014**

FINANCIAL ANALYSIS OF THE CITY AS A WHOLE (CONTINUED)

Changes in Net Position (Continued)

	Cost of Services Analysis			Net Revenue from (Cost of)		Percentage Change
	Total Cost of Services		Percentage Change	Services		
	2014	2013		2014	2013	
GOVERNMENTAL ACTIVITIES						
General Government	\$ 421,187	\$ 349,708	20.4 %	\$ (330,008)	\$ (260,248)	(26.8)%
Public Safety	695,919	636,417	9.3	(238,986)	(328,252)	27.2
Public Works	578,894	671,939	(13.8)	(329,795)	(357,846)	7.8
Culture and Recreation	219,540	239,987	(8.5)	(127,109)	(173,930)	26.9
Economic and Community Development	88,745	824,875	(89.2)	6,611	16,424	(59.7)
Airport	165,522	190,737	(13.2)	(6,443)	(19,804)	67.5
Interest	110,809	198,239	(44.1)	(110,809)	(198,239)	44.1
Total	<u>\$ 2,280,616</u>	<u>\$ 3,111,902</u>	(26.7)	<u>\$ (1,136,539)</u>	<u>\$ (1,321,895)</u>	14.0
BUSINESS-TYPE ACTIVITIES						
Water	\$ 330,972	\$ 264,244	25.3 %	\$ 202,592	\$ 244,252	(17.1)%
Sewer	630,269	557,399	13.1	188,504	2,173,541	(91.3)
Municipal Liquor	1,233,786	1,136,689	8.5	48,143	64,501	(25.4)
Total	<u>\$ 2,195,027</u>	<u>\$ 1,958,332</u>	12.1	<u>\$ 439,239</u>	<u>\$ 2,482,294</u>	(82.3)

FINANCIAL ANALYSIS OF THE CITY AT THE FUND LEVEL

The financial performance of the City as a whole is reflected in its governmental funds as well. As the City completed the year, its governmental funds reported a combined fund balance of \$4,418,839.

The General Fund's fund balance decreased \$39,432 from the prior year. This is primarily due to transfers out to fund capital projects.

The Economic Development Revolving Loan Fund's fund balance increased \$162,650 as a result of the receipt of loan payments and not issuing any new loans.

The Economic Development Authority Fund's fund balance increased \$69,554 from the prior year. This is due to grant dollars and reimbursements received exceeding current year expenditures.

The Debt Service Fund's fund balance increased \$9,049 from operations as a result of the property tax revenues exceeding current year bond obligations.

The Capital Project Fund's fund balance increased \$229,725 as a result of transfers in occurring from other funds to help fund the current year projects.

The Water Enterprise Fund's net position increased \$288,805 from the prior year. This increase is due primarily to capital contributions on the Highway 23 project from governmental activities.

The Sewer Enterprise Fund's net position increased \$1,558,802 primarily due to capital contributions on the Highway 23 project from governmental activities.

**CITY OF PAYNESVILLE, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2014**

FINANCIAL ANALYSIS OF THE CITY AT THE FUND LEVEL (CONTINUED)

The Municipal Liquor Enterprise Fund's net position increased \$13,437. This increase is a result of increases in the City's gross profits and inventory levels for the store.

Revenues for the City's governmental funds were \$2,537,877, while total expenditures were \$3,534,914.

Governmental Funds				
2014				
	Revenue	Expenditures	Other Financing Sources (Uses)	Fund Balance Increase (Decrease)
General Fund	\$ 1,683,115	\$ 1,545,421	\$ (177,126)	\$ (39,432)
Economic Development Revolving Loan	211,693	49,043	-	162,650
Economic Development Authority	40,163	28,056	57,447	69,554
Capital Project Fund	173,185	1,300,665	1,357,205	229,725
Debt Service Fund	375,845	562,046	195,250	9,049
Nonmajor Governmental Funds	53,876	49,683	(10,099)	(5,906)
Totals	\$ 2,537,877	\$ 3,534,914	\$ 1,422,677	\$ 425,640
2013				
	Revenue	Expenditures	Other Financing Sources (Uses)	Fund Balance Increase (Decrease)
General Fund	\$ 1,583,373	\$ 1,395,447	\$ (153,239)	\$ 34,687
Economic Development Revolving Loan	315,731	765,477	-	(449,746)
Economic Development Authority	19,049	61,241	333,383	291,191
Capital Project Fund	523,314	618,071	279,425	184,668
Debt Service Fund	460,660	574,854	(500,997)	(615,191)
Nonmajor Governmental Funds	47,062	48,959	3,200	1,303
Totals	\$ 2,949,189	\$ 3,464,049	\$ (38,228)	\$ (553,088)

**CITY OF PAYNESVILLE, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2014**

GENERAL FUND

The General Fund includes the primary operations of the City in providing services to its residents. Fund balance in the General Fund decreased by \$39,432 in 2014. The decrease is due primarily to transfers to other funds.

General Fund Budgetary Highlights

- Actual revenues were \$67,152 more than budget due primarily to the City receiving more charges for services for the Airport and additional grants for police and fire.
- Actual expenditures were \$84,911 more than budget due to additional staffing costs in the Police Department, building official and an unbudgeted city-wide housing study.

CAPITAL ASSETS

By the end of 2014, the City had invested approximately \$45,000,000 in a broad range of capital assets, including: buildings, improvements, equipment, and infrastructure. More detailed information about capital assets can be found in the Note 3.A.3 to the financial statements. Total depreciation expense for the year was \$688,759 (including the enterprise funds).

The City's Capital Assets (Net of Depreciation)

	Governmental Activities		Business-Type Activities		Total	
	2014	2013	2014	2013	2014	2013
Land	\$ 969,977	\$ 969,977	\$ 848,462	\$ 848,462	\$ 1,818,439	\$ 1,818,439
Construction in Progress	1,592,738	2,675,520	3,329,114	6,005,722	4,921,852	8,681,242
Buildings and Improvements	1,314,696	1,351,451	6,075,901	294,211	7,390,597	1,645,662
Underground Mains	-	-	5,221,707	3,511,450	5,221,707	3,511,450
Wastewater Treatment Facility	-	-	732,489	796,896	732,489	796,896
Infrastructure - Streets	7,264,973	7,376,420	-	-	7,264,973	7,376,420
Infrastructure - Trails	958,996	803,782	-	-	958,996	803,782
Vehicles	237,566	279,131	-	-	237,566	279,131
Furniture and Equipment	57,288	55,664	8,631	10,336	65,919	66,000
Machinery and Equipment	545,861	368,200	163,667	175,104	709,528	543,304
Total Capital Assets	<u>\$ 12,942,095</u>	<u>\$ 13,880,145</u>	<u>\$ 16,379,971</u>	<u>\$ 11,642,181</u>	<u>\$ 29,322,066</u>	<u>\$ 25,522,326</u>

**CITY OF PAYNESVILLE, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2014**

LONG-TERM LIABILITIES

At year-end, the City had \$8,985,142 in long-term liabilities outstanding. See Note 3 C for additional details on long-term liabilities.

- The City's governmental activities total long-term debt increased \$360,000, due to issuance of G.O. Bonds for the 2014 street project.
- The City's business-type activities total long-term debt increased \$2,883,008 due to issuance of the PFA G.O. Revenue Notes.

The City's Outstanding Debt

	Governmental Activities		Business-Type Activities		Total	
	2014	2013	2014	2013	2014	2013
G.O. Bonds	\$ 3,090,000	\$ 2,730,000	\$ -	\$ -	\$ 3,090,000	\$ 2,730,000
PFA G.O. Revenue Notes	-	-	5,895,142	3,012,134	5,895,142	3,012,134
Total Outstanding Debt	<u>\$ 3,090,000</u>	<u>\$ 2,730,000</u>	<u>\$ 5,895,142</u>	<u>\$ 3,012,134</u>	<u>\$ 8,985,142</u>	<u>\$ 5,742,134</u>

FACTORS BEARING ON THE CITY'S FUTURE

The Highway 23 bypass project, which opened on July 20, 2012, continues to give the City new challenges and opportunities. The City has continued to develop Opportunity Park and sold an additional 6,115 square feet and has a letter of intent for an additional 97,744 square feet. The City is close to completion on construction to improve the Wastewater Treatment Facility. The City has begun construction to improve the Water Treatment Facility for a cost of \$3.6 million. The City is also working to developing a plan for the 2016 street project.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, investors and creditors with a general overview of the City's finances and to demonstrate the City's accountability for the funds it receives. Contact City of Paynesville, City Administrator, 221 Washburne Avenue, Paynesville, Minnesota 56362 if you have questions about this report or would like to request additional financial information.

BASIC FINANCIAL STATEMENTS

GOVERNMENT-WIDE FINANCIAL STATEMENTS

CITY OF PAYNESVILLE, MINNESOTA
STATEMENT OF NET POSITION
DECEMBER 31, 2014

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
ASSETS			
Cash and Investments (Including Cash Equivalents)	\$ 4,395,819	\$ 4,753,103	\$ 9,148,922
Property Taxes Receivable	27,731	-	27,731
TIF Receivable - Delinquent	5,792	-	5,792
Accounts Receivable	30,899	206,104	237,003
Interest Receivable	30,622	-	30,622
Due from Other Governments	90,520	249,436	339,956
Special Assessments Receivable			
Delinquent	8,555	1,198	9,753
Deferred	882,564	18,774	901,338
Inventory	-	164,723	164,723
Prepaid Items	42,098	24,048	66,146
Loans Receivable, Net of Allowance	795,558	-	795,558
Internal Balance	(30,000)	30,000	-
Non-Depreciable Capital Assets			
Land	969,977	848,462	1,818,439
Construction in Progress	1,592,738	3,329,114	4,921,852
Depreciable Capital Assets (Net of Accumulated Depreciation)			
Buildings and Improvements	1,314,696	6,075,901	7,390,597
Furniture and Equipment	57,288	8,631	65,919
Machinery, Furniture and Equipment	545,861	163,667	709,528
Infrastructure - Streets	7,264,973	-	7,264,973
Infrastructure - Trails	958,996	-	958,996
Vehicles	237,566	-	237,566
Wastewater Treatment Facility	-	732,489	732,489
Underground Mains	-	5,221,707	5,221,707
Total Assets	19,222,253	21,827,357	41,049,610
LIABILITIES			
Accounts Payable	47,452	105,177	152,629
Contracts Payable	61,477	148,076	209,553
Salaries and Benefits Payable	17,148	5,867	23,015
Unearned Revenue	15,042	-	15,042
Interest Payable	6,343	19,611	25,954
OPEB Liability - Due in More Than One Year	6,903	6,401	13,304
Bond Principal Payable:			
Due Within One Year	545,000	323,000	868,000
Due in More Than One Year	2,503,358	5,572,142	8,075,500
Compensated Absences Payable			
Due Within One Year	35,690	23,856	59,546
Due in More Than One Year	19,296	-	19,296
Total Liabilities	3,257,709	6,204,130	9,461,839
NET POSITION			
Net Investment in Capital Assets	9,893,737	10,484,829	20,378,566
Restricted for			
Debt Service	1,090,103	-	1,090,103
Capital Projects	295,830	-	295,830
Economic Development Authority	984,667	-	984,667
Tax Increment Districts	2,960	-	2,960
Police Forfeitures	5,466	-	5,466
Unrestricted	3,691,781	5,138,398	8,830,179
Total Net Position	\$ 15,964,544	\$ 15,623,227	\$ 31,587,771

See accompanying Notes to Financial Statements

**CITY OF PAYNESVILLE, MINNESOTA
STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2014**

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
		Fees, Charges, Fines, and Other	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
PRIMARY GOVERNMENT							
GOVERNMENTAL ACTIVITIES							
General Government	\$ 421,187	\$ 91,179	\$ -	\$ -	\$ (330,008)	\$ -	\$ (330,008)
Public Safety	695,919	221,925	72,558	162,450	(238,986)	-	(238,986)
Public Works	578,894	5,373	-	243,726	(329,795)	-	(329,795)
Culture and Recreation	219,540	10,369	15,519	66,543	(127,109)	-	(127,109)
Economic Development	88,745	45,540	49,816	-	6,611	-	6,611
Airport	165,522	123,567	-	35,512	(6,443)	-	(6,443)
Interest on Long-Term Debt	110,809	-	-	-	(110,809)	-	(110,809)
Total Governmental Activities	2,280,616	497,953	137,893	508,231	(1,136,539)	-	(1,136,539)
BUSINESS-TYPE ACTIVITIES							
Water	330,972	524,448	9,116	-	-	202,592	202,592
Sewer	630,269	818,773	-	-	-	188,504	188,504
Municipal Liquor	1,233,786	1,281,929	-	-	-	48,143	48,143
Total Business-Type Activities	2,195,027	2,625,150	9,116	-	-	439,239	439,239
Total Primary Government	\$ 4,475,643	\$ 3,123,103	\$ 147,009	\$ 508,231	(1,136,539)	439,239	(697,300)
GENERAL REVENUES							
Property Taxes					566,914	-	566,914
Franchise Fees					32,677	-	32,677
Tax Increments					38,246	-	38,246
Grants and Contributions not Restricted for a Particular Purpose					718,826	-	718,826
Investment Earnings (Losses)					67,485	88,334	155,819
Miscellaneous					50,750	36,556	87,306
Gain on Sale of Capital Assets					32,738	-	32,738
TRANSFERS					(1,296,915)	1,296,915	-
Total General Revenues and Transfers					210,721	1,421,805	1,632,526
CHANGE IN NET POSITION							
					(925,818)	1,861,044	935,226
Net Position - Beginning of Year					16,890,362	13,762,183	30,652,545
NET POSITION - END OF YEAR							
					\$ 15,964,544	\$ 15,623,227	\$ 31,587,771

See accompanying Notes to Financial Statements

FUND FINANCIAL STATEMENTS

**CITY OF PAYNESVILLE, MINNESOTA
BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2014**

	General Fund 100	Economic Development Revolving Loan 210	Paynesville Economic Development Authority 220
ASSETS			
Cash and Investments	\$ 1,342,178	\$ 251,317	\$ 139,943
Taxes Receivable - Delinquent	27,731	-	-
TIF Receivable - Delinquent	-	-	-
Special Assessments Receivable:			
Delinquent	-	-	-
Noncurrent	-	-	-
Accounts Receivable	28,788	-	-
Interest Receivable	30,622	-	-
Prepaid Items	42,098	-	-
Loans Receivable, Net of Allowance	-	795,558	-
Due from Other Funds	89,865	-	-
Advances to Other Funds	97,350	-	1,940
Due from Other Governments	13,304	-	-
	<u>\$ 1,671,936</u>	<u>\$ 1,046,875</u>	<u>\$ 141,883</u>
LIABILITIES			
Accounts Payable	\$ 31,093	\$ 510	\$ 53
Contracts Payable	-	-	16,161
Due to Other Funds	-	89,865	-
Advances from Other Funds	-	-	97,350
Salaries and Benefits Payable	16,996	-	152
Unearned Revenue	15,042	-	-
	<u>63,131</u>	<u>90,375</u>	<u>113,716</u>
DEFERRED INFLOWS OF RESOURCES			
Unavailable Taxes	27,731	-	-
Unavailable Special Assessments	-	-	-
Unavailable TIF Revenues	-	-	-
Unavailable Loans Receivable	-	795,558	-
	<u>27,731</u>	<u>795,558</u>	<u>-</u>
FUND BALANCES			
Nonspendable for Prepaid Items	42,098	-	-
Nonspendable for Advances to Other Funds	97,350	-	1,940
Restricted for Economic Development Authority	-	160,942	26,227
Restricted for Debt Service	-	-	-
Restricted for Capital Projects	-	-	-
Restricted for Tax Increment Finance Districts	-	-	-
Restricted for Police Operations	-	-	-
Committed for Capital Projects	-	-	-
Committed for Storm Shelter	25,000	-	-
Unassigned	1,416,626	-	-
	<u>1,581,074</u>	<u>160,942</u>	<u>28,167</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balance	<u>\$ 1,671,936</u>	<u>\$ 1,046,875</u>	<u>\$ 141,883</u>

See accompanying Notes to Financial Statements

Debt Service Fund	Capital Project Fund	Total Nonmajor Governmental Funds	Total Governmental Funds
\$ 557,650	\$ 2,094,365	\$ 10,366	\$ 4,395,819
-	-	-	27,731
-	-	5,792	5,792
8,555	-	-	8,555
527,111	355,453	-	882,564
-	2,111	-	30,899
-	-	-	30,622
-	-	-	42,098
-	-	-	795,558
-	-	-	89,865
-	-	-	99,290
3,130	74,086	-	90,520
<u>\$ 1,096,446</u>	<u>\$ 2,526,015</u>	<u>\$ 16,158</u>	<u>\$ 6,499,313</u>
\$ -	\$ 15,796	\$ -	\$ 47,452
-	45,316	-	61,477
-	-	-	89,865
-	30,000	1,940	129,290
-	-	-	17,148
-	-	-	15,042
-	91,112	1,940	360,274
-	-	-	27,731
535,666	355,453	-	891,119
-	-	5,792	5,792
-	-	-	795,558
535,666	355,453	5,792	1,720,200
-	-	-	42,098
-	-	-	99,290
-	-	-	187,169
560,780	-	-	560,780
-	264,885	-	264,885
-	-	3,940	3,940
-	-	5,466	5,466
-	1,814,565	-	1,814,565
-	-	-	25,000
-	-	(980)	1,415,646
560,780	2,079,450	8,426	4,418,839
<u>\$ 1,096,446</u>	<u>\$ 2,526,015</u>	<u>\$ 16,158</u>	<u>\$ 6,499,313</u>

This Page Has Been Intentionally Left Blank.

**CITY OF PAYNESVILLE, MINNESOTA
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE
STATEMENT OF NET POSITION – GOVERNMENTAL ACTIVITIES
DECEMBER 31, 2014**

FUND BALANCES - TOTAL GOVERNMENTAL FUNDS \$ 4,418,839

Amounts reported for governmental activities in the statement of net position are different because:

Capital assets used in governmental activities are not current financial resources and, therefore, are not reported as assets in governmental funds.

Cost of Capital Assets	\$ 19,297,310	
Less Accumulated Depreciation	<u>(6,355,215)</u>	
		12,942,095

Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds. 1,720,200

Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported as liabilities in the funds. Long-term liabilities at year-end consist of:

Bond Principal Payable	(3,090,000)	
Discount on Bonds	41,642	
Other Postemployment Benefits	(6,903)	
Compensated Absences Payable	(54,986)	
Accrued Interest Payable	<u>(6,343)</u>	
		<u>(3,116,590)</u>

NET POSITION OF GOVERNMENTAL ACTIVITIES **\$ 15,964,544**

CITY OF PAYNESVILLE, MINNESOTA
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED DECEMBER 31, 2014

	General Fund 100	Economic Development Revolving Loan 210	Paynesville Economic Development Authority 220
REVENUES			
Property Taxes	\$ 354,649	\$ -	\$ -
Tax Increments	-	-	-
Franchise Taxes	32,677	-	-
Special Assessments	2,021	-	-
Licenses and Permits	195,923	-	-
Intergovernmental	832,809	-	11,422
Charges for Services	222,052	-	-
Fines and Forfeitures	11,976	-	-
Miscellaneous			
Investment Income (Losses)	(2,378)	3,990	3,107
Contributions and Donations	3,000	-	-
Other Interest Income	-	38,334	-
Loan Receipts	-	91,269	-
Reimbursements	8,340	78,100	25,000
Other	22,046	-	634
Total Revenues	<u>1,683,115</u>	<u>211,693</u>	<u>40,163</u>
EXPENDITURES			
CURRENT			
General Government	379,327	-	-
Public Safety	625,518	-	-
Public Works	208,210	-	-
Culture and Recreation	184,430	-	-
Economic Development	-	49,043	28,056
Airport	126,973	-	-
DEBT SERVICE			
Principal	-	-	-
Interest and Other Charges	-	-	-
CAPITAL OUTLAY			
General Government	3,843	-	-
Public Safety	13,196	-	-
Public Works	2,003	-	-
Culture and Recreation	1,921	-	-
Airport	-	-	-
Total Expenditures	<u>1,545,421</u>	<u>49,043</u>	<u>28,056</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	137,694	162,650	12,107
OTHER FINANCING SOURCES (USES)			
Proceeds from Sale of Capital Assets	1,689	-	32,738
Bond Proceeds	-	-	-
Transfers In	55,766	-	27,376
Transfers Out	(234,581)	-	(2,667)
Total Other Financing Sources (Uses)	<u>(177,126)</u>	<u>-</u>	<u>57,447</u>
NET CHANGE IN FUND BALANCES	(39,432)	162,650	69,554
Fund Balances (Deficit) - Beginning of Year	<u>1,620,506</u>	<u>(1,708)</u>	<u>(41,387)</u>
FUND BALANCES (DEFICIT) - END OF YEAR	<u>\$ 1,581,074</u>	<u>\$ 160,942</u>	<u>\$ 28,167</u>

See accompanying Notes to Financial Statements

Debt Service Fund	Capital Project Fund	Total Nonmajor Governmental Funds	Total Governmental Funds
\$ 204,550	\$ -	\$ -	\$ 559,199
-	-	51,445	51,445
-	-	-	32,677
156,074	-	-	158,095
-	-	-	195,923
-	37,962	-	882,193
-	-	-	222,052
-	-	2,116	14,092
15,221	47,230	315	67,485
-	270	-	3,270
-	-	-	38,334
-	-	-	91,269
-	79,023	-	190,463
-	8,700	-	31,380
<u>375,845</u>	<u>173,185</u>	<u>53,876</u>	<u>2,537,877</u>
-	7,101	-	386,428
-	5,283	-	630,801
-	5,267	-	213,477
-	-	-	184,430
-	-	49,683	126,782
-	1,272	-	128,245
480,000	-	-	480,000
82,046	35,509	-	117,555
-	26,486	-	30,329
-	14,162	-	27,358
-	1,128,922	-	1,130,925
-	50,015	-	51,936
-	26,648	-	26,648
<u>562,046</u>	<u>1,300,665</u>	<u>49,683</u>	<u>3,534,914</u>
(186,201)	(1,127,480)	4,193	(997,037)
-	-	-	34,427
-	840,000	-	840,000
195,250	517,205	-	795,597
-	-	(10,099)	(247,347)
<u>195,250</u>	<u>1,357,205</u>	<u>(10,099)</u>	<u>1,422,677</u>
9,049	229,725	(5,906)	425,640
<u>551,731</u>	<u>1,849,725</u>	<u>14,332</u>	<u>3,993,199</u>
<u>\$ 560,780</u>	<u>\$ 2,079,450</u>	<u>\$ 8,426</u>	<u>\$ 4,418,839</u>

**CITY OF PAYNESVILLE, MINNESOTA
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES – GOVERNMENTAL ACTIVITIES
YEAR ENDED DECEMBER 31, 2014**

NET CHANGE IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS \$ 425,640

Amounts reported for governmental activities in the statement of activities are different because:

Capital outlays are reported in governmental funds as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense.

Capital Contributions to Proprietary Funds	\$ (1,845,165)	
Capital Outlays	1,352,874	
Depreciation Expense	<u>(445,759)</u>	(938,050)

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. (44,552)

Interest on long-term debt in the statement of activities differs from the amount reported in the governmental funds because interest is recognized as an expenditure in the funds when it is due and thus requires use of current financial resources. In the statement of activities, however, interest expense is recognized as the interest accrues, regardless of when it is due. 17,032

Other postemployment benefits are not reported in governmental funds. (2,586)

Repayment of long-term debt is reported as an expenditure or other financing use in governmental funds, but the repayment reduces long-term liabilities on the statement of net position. In the current period, this amount consists of:

Proceeds on Bonds	(840,000)	
Bond Principal Retirement	480,000	
Bond Discount Amortization	(10,286)	
Compensated Absences Increase	<u>(13,016)</u>	<u>(383,302)</u>

CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES \$ (925,818)

CITY OF PAYNESVILLE, MINNESOTA
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
DECEMBER 31, 2014

	Water (110,111,113, 523, 524)	Sewer (115,116,117, 118,380,570,575)	Municipal Liquor (105,106)	Total
ASSETS				
CURRENT ASSETS				
Cash and Investments (Including Cash Equivalents)	\$ 1,955,382	\$ 2,400,507	\$ 397,214	\$ 4,753,103
Special Assessments Receivable:				
Delinquent	606	592	-	1,198
Deferred	9,387	9,387	-	18,774
Accounts Receivable	76,531	129,573	-	206,104
Due from Other Governments	-	249,436	-	249,436
Advances to Other Funds	-	30,000	-	30,000
Inventories	-	-	164,723	164,723
Prepaid Items	5,833	14,653	3,562	24,048
Total Current Assets	<u>2,047,739</u>	<u>2,834,148</u>	<u>565,499</u>	<u>5,447,386</u>
NONCURRENT ASSETS				
Capital Assets:				
Land	100,546	747,916	-	848,462
Construction in Progress	3,329,114	-	-	3,329,114
Buildings and Improvements	461,240	6,205,861	-	6,667,101
Furniture and Equipment	-	-	46,022	46,022
Machinery and Equipment	534,324	336,492	-	870,816
Wastewater Treatment Facility	-	7,095,342	-	7,095,342
Underground Mains	2,889,682	3,978,584	-	6,868,266
Total Capital Assets	<u>7,314,906</u>	<u>18,364,195</u>	<u>46,022</u>	<u>25,725,123</u>
Less Accumulated Depreciation	<u>(1,665,499)</u>	<u>(7,642,262)</u>	<u>(37,391)</u>	<u>(9,345,152)</u>
Total Noncurrent Assets	<u>5,649,407</u>	<u>10,721,933</u>	<u>8,631</u>	<u>16,379,971</u>
Total Assets	<u>7,697,146</u>	<u>13,556,081</u>	<u>574,130</u>	<u>21,827,357</u>
LIABILITIES				
CURRENT LIABILITIES				
Accounts Payable	68,034	14,276	22,867	105,177
Contracts Payable	148,076	-	-	148,076
Salaries and Wages Payable	1,892	896	3,079	5,867
Interest Payable	9,063	10,548	-	19,611
Compensated Absences Payable	6,147	10,971	6,738	23,856
General Obligation Bonds Payable	169,000	154,000	-	323,000
Total Current Liabilities	<u>402,212</u>	<u>190,691</u>	<u>32,684</u>	<u>625,587</u>
NONCURRENT LIABILITIES				
OPEB Liabilities	1,931	3,964	506	6,401
General Obligation Bonds Payable	2,759,281	2,812,861	-	5,572,142
Total Noncurrent Liabilities	<u>2,761,212</u>	<u>2,816,825</u>	<u>506</u>	<u>5,578,543</u>
Total Liabilities	<u>3,163,424</u>	<u>3,007,516</u>	<u>33,190</u>	<u>6,204,130</u>
NET POSITION				
Net Investment in Capital Assets	2,961,098	7,755,072	8,631	10,724,801
Unrestricted	1,572,624	2,793,493	532,309	4,898,426
Total Net Position	<u>\$ 4,533,722</u>	<u>\$ 10,548,565</u>	<u>\$ 540,940</u>	<u>\$ 15,623,227</u>

See accompanying Notes to Financial Statements

This Page Has Been Intentionally Left Blank.

CITY OF PAYNESVILLE, MINNESOTA
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
PROPRIETARY FUNDS
YEAR ENDED DECEMBER 31, 2014

	Water (110,111,113, 523, 524)	Sewer (115,116,117, 118,380,570,575)	Municipal Liquor (105,106)	Total
SALES AND COST OF SALES				
Sales	\$ -	\$ -	\$ 1,281,957	\$ 1,281,957
Cost of Sales	-	-	1,001,791	1,001,791
Gross Profit	-	-	280,166	280,166
OPERATING REVENUES				
Charges For Services	521,338	725,463	-	1,246,801
Permits, Hookup Fees and Penalties	4,132	800	-	4,932
Total Operating Revenues	525,470	726,263	-	1,251,733
OPERATING EXPENSES				
Wages and Salaries	67,221	115,476	128,500	311,197
Materials and Supplies	20,312	7,927	5,234	33,473
Repairs and Maintenance	35,730	47,115	7,224	90,069
Professional Services	22,327	13,645	6,622	42,594
Insurance	10,991	23,689	5,607	40,287
Utilities	55,774	199,070	13,522	268,366
Rent	-	-	21,475	21,475
Depreciation	79,437	161,858	1,705	243,000
Miscellaneous	25,999	8,755	42,106	76,860
Total Operating Expenses	317,791	577,535	231,995	1,127,321
OPERATING INCOME	207,679	148,728	48,171	404,578
NONOPERATING REVENUES (EXPENSES)				
Investment Income	35,014	45,337	7,983	88,334
Special Assessments	-	260	-	260
Intergovernmental	8,466	-	-	8,466
Other Income	20,065	108,058	283	128,406
Loss on Disposal of Assets	-	(7,930)	-	(7,930)
Interest Expense	(13,181)	(44,804)	-	(57,985)
Total Nonoperating Revenues (Expenses)	50,364	100,921	8,266	159,551
NET INCOME (LOSS) BEFORE TRANSFERS AND CONTRIBUTIONS	258,043	249,649	56,437	564,129
Capital Contributions from Other Funds	338,762	1,506,403	-	1,845,165
Transfers Out	(308,000)	(197,250)	(43,000)	(548,250)
CHANGE IN NET POSITION	288,805	1,558,802	13,437	1,861,044
Net Position - Beginning of Year	4,244,917	8,989,763	527,503	13,762,183
NET POSITION - END OF YEAR	<u>\$ 4,533,722</u>	<u>\$ 10,548,565</u>	<u>\$ 540,940</u>	<u>\$ 15,623,227</u>

See accompanying Notes to Financial Statements

**CITY OF PAYNESVILLE, MINNESOTA
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
YEAR ENDED DECEMBER 31, 2014**

	Water (110,111,113, 523)	Sewer (115,116,117, 118,380,570,575)	Municipal Liquor (105,106)	Total
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipts from Customers and Users	\$ 540,319	\$ 742,296	\$ 1,281,957	\$ 2,564,572
Payments to Suppliers	(226,840)	(548,235)	(1,101,899)	(1,876,974)
Payments to Employees	(64,552)	(112,969)	(126,399)	(303,920)
Net Cash Provided by Operating Activities	248,927	81,092	53,659	383,678
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Intergovernmental	8,466	-	-	8,466
Miscellaneous Revenue	20,065	108,058	283	128,406
Transfer to Other Funds	(308,000)	(197,250)	(43,000)	(548,250)
Net Cash Provided (Used) by Noncapital Financing Activities	(279,469)	(89,192)	(42,717)	(411,378)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Proceeds from Issuance of Debt	2,770,233	263,646	-	3,033,879
Principal Payments on Debt	(100,135)	(50,736)	-	(150,871)
Interest Paid on Debt	(4,118)	(34,256)	-	(38,374)
Special Assessments	1,944	2,195	-	4,139
Acquisition of Capital Assets	(2,792,986)	(261,210)	-	(3,054,196)
Proceeds on Sale of Capital Assets	-	1,845	-	1,845
Net Cash Provided (Used) by Capital and Related Financing Activities	(125,062)	(78,516)	-	(203,578)
CASH FLOWS FROM INVESTING ACTIVITIES				
Investment Income Received	35,014	45,337	7,983	88,334
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS				
	(120,590)	(41,279)	18,925	(142,944)
Cash and Cash Equivalents - Beginning of Year	2,075,972	2,441,786	378,289	4,896,047
CASH AND CASH EQUIVALENTS - END OF YEAR	\$ 1,955,382	\$ 2,400,507	\$ 397,214	\$ 4,753,103

See accompanying Notes to Financial Statements

**CITY OF PAYNESVILLE, MINNESOTA
STATEMENT OF CASH FLOWS (CONTINUED)
PROPRIETARY FUNDS
YEAR ENDED DECEMBER 31, 2014**

	Water (110,111,113)	Sewer (115,116,117, 118,380)	Municipal Liquor (105,106)	Total
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY OPERATING ACTIVITIES				
Operating Income	\$ 207,679	\$ 148,728	\$ 48,171	\$ 404,578
Adjustments to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities:				
Depreciation Expense	79,437	161,858	1,705	243,000
(Increase) Decrease in Assets:				
Accounts Receivable	14,445	15,685	-	30,130
Due from Other Governments	404	348	-	752
Prepaid Items	74	(3,256)	267	(2,915)
Inventory	-	-	828	828
Increase (Decrease) in Liabilities:				
Accounts Payable	(55,781)	(244,778)	587	(299,972)
Salaries Payable	580	(1,469)	412	(477)
OPEB Liability	281	577	74	932
Compensated Absences Payable	1,808	3,399	1,615	6,822
Total Adjustments	41,248	(67,636)	5,488	(20,900)
Net Cash Provided by Operating Activities	\$ 248,927	\$ 81,092	\$ 53,659	\$ 383,678
NONCASH CAPITAL AND RELATED FINANCING ACTIVITIES				
Contribution of Capital Assets from Governmental Funds	<u>\$ 338,762</u>	<u>\$ 1,506,403</u>	<u>\$ -</u>	<u>\$ 1,845,165</u>

See accompanying Notes to Financial Statements.

**CITY OF PAYNESVILLE, MINNESOTA
STATEMENT OF FIDUCIARY NET POSITION
AGENCY FUNDS
DECEMBER 31, 2014**

ASSETS

Cash and Investments	<u>\$ 70,352</u>
----------------------	------------------

LIABILITIES

Due to Other Governments - Deputy Registrar	<u>\$ 70,352</u>
---	------------------

See accompanying Notes to Financial Statements.

**CITY OF PAYNESVILLE, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2014**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Paynesville (the City) was formed and operates pursuant to applicable Minnesota laws. The governing body consists of a four-member council and a mayor elected by voters of the City.

The City's financial statements are prepared in accordance with generally accepted accounting principles (GAAP). The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (statements and interpretations). The more significant accounting policies established in GAAP and used by the City are discussed below.

A. Financial Reporting Entity

The financial reporting entity consists of the City (primary government) and the component unit (legally separate organization) for which the Primary Government is financially accountable. There is financial accountability if the Primary Government appoints a voting majority of an organization's governing body and has the ability to impose its will on that governing body; or there is the potential for the organization to provide specific financial benefits or to impose specific financial burdens on the Primary Government. In conformity with generally accepted accounting principles, the financial statements of the City's component unit are included in the financial reporting entity as a blended component unit.

Blended Component Unit

The financial statements of the Economic Development Authority (EDA) of Paynesville have been included in the financial reporting entity as a blended component unit since the EDA is a legally separate entity and the members of the board are appointed by the City Council. The members of the EDA board act as an advisory board to the Council which is the governing board of the EDA.

B. Basic Financial Statements

1. Government-Wide Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information about the Primary Government and its component unit. These statements include the financial activities of the overall City government. Eliminations have been made to minimize the double-counting of internal activities. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges to external parties for support. Likewise, the Primary Government is reported separately from certain legally separate component units for which the Primary Government is financially accountable.

**CITY OF PAYNESVILLE, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2014**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. Basic Financial Statements (Continued)

1. Government-Wide Statements (Continued)

In the government-wide statement of net position, both the governmental and business-type activities columns: (a) are presented on a consolidated basis by column; and (b) are reported on a full accrual, economic resource basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations. The City's net position is reported in three parts: (1) net investment in capital assets; (2) restricted net position; and (3) unrestricted net position. The City first utilizes restricted resources to finance qualifying activities.

The statement of activities demonstrates the degree to which the direct expenses of each function of the City's governmental activities and different business-type activity are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or activity. Program revenues include: (1) fees, fines, and charges paid by the recipients of goods, services, or privileges provided by a given function or activity; and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or activity. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

2. Fund Financial Statements

The fund financial statements provide information about the City's funds, including its fiduciary fund. Separate statements for each fund category – governmental, proprietary, and fiduciary are presented. The emphasis of governmental and proprietary fund financial statements is on major individual governmental and enterprise funds, with each displayed as separate columns in the fund financial statements. All remaining governmental and enterprise funds are aggregated and reported as nonmajor funds.

Proprietary fund operating revenues, such as charges for services, result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. Nonoperating revenues, such as subsidies and investment earnings, result from nonexchange transactions or incidental activities.

The City reports the following major governmental funds:

General Fund – The general fund is the general operating fund of the City. It accounts for all the financial resources of the general government, except those required to be accounted for in another fund.

Economic Development Revolving Loan Fund – The economic development revolving loan special revenue fund is used to account for the revolving loan activities. The original funding source for this fund was a grant. Ongoing revenues include loan repayments from local businesses.

**CITY OF PAYNESVILLE, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2014**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. Basic Financial Statements (Continued)

2. Fund Financial Statements (Continued)

Paynesville Economic Development Authority Fund – The economic development authority special revenue fund is used to account for the financial activity of the City's Economic Development Authority. The primary funding source for this blended component unit is grant revenues.

Debt Service Fund – The debt service fund is used to account for the accumulation of resources and payment of general obligation bond principal, interest and related costs of governmental funds.

Capital Project Fund – The capital project fund is used to account for financial resources to be used for the acquisition or construction of major capital facilities.

The City reports the following major proprietary funds:

Water Fund – The water fund accounts for the activities of the City's water wells' operations.

Sewer Fund – The sewer fund accounts for the activities of the City's sewer system.

Municipal Liquor Fund – The Municipal Liquor fund accounts for the activities of the City's municipal liquor store.

Additionally, the City reports an agency fund. Agency funds are custodial in nature and do not present results of operations or have a measurement focus. This fund accounts for assets that the City holds for the State of Minnesota in an agency capacity.

C. Measurement Focus and Basis of Accounting

The government-wide, proprietary fund and fiduciary 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 related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

**CITY OF PAYNESVILLE, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2014**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Measurement Focus and Basis of Accounting (Continued)

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. The City considers all revenues to be available if they are collected within 60 days after the end of the current period. Property taxes, franchise taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues in the current fiscal period. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received by the government.

Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, and compensated absences, which are recognized as expenditures to the extent that they have matured. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

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

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 are charges to customers for sales of goods and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

D. Use of Estimates

Management uses estimates and assumptions in preparing financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. Actual results may differ from these estimates.

**CITY OF PAYNESVILLE, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2014**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

E. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, and Net Position or Equity

1. Cash and Investments (Including Cash Equivalents)

Cash balances are invested to the extent available in various securities as authorized by *Minnesota Statutes*. Investment earnings are allocated to the respective funds on the basis of applicable cash balance participation by each fund. Investments are stated at fair value. Fair market value adjustments are all reported in the General Fund.

For the purposes of the statement of cash flows of the proprietary funds, cash equivalents are considered to be short-term, highly liquid investments that are readily convertible to known amounts of cash and have original maturities of three months.

The City considers all cash and investments under the classifications current assets and restricted assets to be cash and cash equivalents, except those held with fiscal agents. Cash and cash equivalents consist of checking and saving certificate accounts, cash on hand, and money market savings accounts.

2. Short-Term Interfund Receivables/Payables

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

3. Property Taxes

The City levies its general property tax for the subsequent year during the month of December and certifies its levy to Stearns County which acts as the collection agency for property taxes within the County. Taxes are recognized as receivables on January 1 of the current year when they are levied against individual properties by the County. They become a lien against the property against which they are levied on the levy date.

Current year property tax revenues represent the tax levy certified to the County Auditor in December of 2013 which was collected during the year ended December 31, 2014. Any adjustments or abatements to either the current, or any prior year, levy are adjusted through the current year general property tax revenues. Property taxes not collected by the County and remitted to the City within 60 days of year end are classified as delinquent and not considered measurable and available and are fully offset by deferred inflows of resources in the governmental fund financial statements. Delinquent taxes receivable represent the past six years of uncollected tax years. No allowance for uncollectible taxes has been provided because such amounts are not expected to be material.

**CITY OF PAYNESVILLE, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2014**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

E. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, and Net Position or Equity (Continued)

4. Accounts Receivable

No substantial losses are anticipated from present receivable balances. Therefore, no allowance for uncollectible accounts is deemed necessary. Write-offs are done on a case-by-case basis.

5. Special Assessments

Special assessments are levied against the benefited properties for the assessable costs of improvement projects in accordance with *Minnesota Statutes*. Assessments are collectible over a term of years at an interest rate established by the City Council upon adoption of each assessment roll. Any annual installments remaining unpaid as of November 30th of each year are certified to the County for collection with property taxes during the following year. Special assessments receivable represents the past six years of uncollected special assessments. Property owners are allowed to prepay future installments without interest or prepayment penalties. In the governmental fund financial statements, special assessment levies are recorded as a receivable and as deferred inflows of resources at the time of the levy. Deferred inflows of resources are recognized as current revenue as the annual assessment installments become measurable and available. Interest on special assessments is also recognized when it becomes measurable and available.

6. Loans Receivable

Loans receivable represents the unpaid principal portions of loans made to local businesses through its revolving loan fund in the fund financial statements. Principal and interest received by the City on these loans are recognized in the period in which they are collected; accordingly, the unpaid principal portions are also reflected in deferred inflows of resources in the fund financial statements.

The City has provided an allowance for uncollectable loans receivable based the specific identification method. An allowance is estimated for these loans based on the historical experience of the City and knowledge about the loan payment schedules. At December 31, 2014, the allowance for uncollectable loans receivable was \$20,000.

7. Inventory

Inventory is valued at cost using the first in, first out (FIFO) method. The only fund to carry inventory is the municipal liquor fund.

8. Prepaid Items

Payments made to vendors for services that will benefit future periods are recorded as prepaid items. That portion of the relevant funds' balances equal to the prepaid items is classified as nonspendable.

**CITY OF PAYNESVILLE, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2014**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

E. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, and Net Position or Equity (Continued)

9. 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 columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Costs of Infrastructure assets from 1980 to 2003, totaling \$24,829,566, have been estimated. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed.

Capital assets of the Primary Government are depreciated using the straight-line method over the following estimated useful lives:

Assets	Years
Buildings	30-40
Building Improvements	7-30
Furniture and Equipment	5
Vehicles	5
Machinery and Equipment	5-20
Fire Trucks	15
Utility Distribution System	40
Infrastructure	20-50
Ponds	20

10. Compensated Absences

All employees, except the City Administrator, earn paid-time off (PTO) under the City's personnel policy. Under this policy, employees can accrue up to 325 hours of PTO and be paid out up to 175 hours upon resignation. The City Administrator earns sick and vacation time and can receive compensation of one-eighth of her unused sick leave up to a maximum of 100 hours and all of her unused vacation balance. Vacation and PTO accruals are based on years of service with the City.

**CITY OF PAYNESVILLE, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2014**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

E. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, and Net Position or Equity (Continued)

11. Long-Term Obligations

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

In the fund financial statements, governmental fund types recognize bond premiums and discounts 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.

12. Deferred Outflows of Resources

The City would report decreases in net position or fund balance, that relate to future periods as deferred outflows of resources in a separate section of its government-wide and proprietary funds statement of net position or governmental fund balance sheet. No deferred outflows of resources are reported in these financial statements in the current year.

13. Deferred Inflows of Resources

The City's governmental fund financial statements report a separate section for deferred inflows of resources. This separate financial statement element reflects an increase in net position of fund balance that applies to a future period. The City will not recognize the related revenue until a future event occurs. The City has one type of item which occurs relating to revenue recognition: The deferred inflow of resources occurs because governmental fund revenues are not recognized until available (collected not later than 60 days after the end of the City's year) under the modified accrual basis of accounting. The city does not have deferred inflows of resources to report in its proprietary fund financial statements in the current year.

**CITY OF PAYNESVILLE, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2014**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

E. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, and Net Position or Equity (Continued)

14. Fund Balance/Net Position

In the fund financial statements, governmental funds report nonspendable, restricted, committed, assigned, and unassigned fund balances. Nonspendable portions of fund balance relate to prepaids, inventories, and long term receivables. Restricted funds are constrained from outside parties (statute, grantors, bond agreements, etc.). Committed fund balances are established and modified by a resolution approved by the City Council. The City Council passed a resolution authorizing the City Council to assign fund balances and their intended uses. Unassigned fund balance is the residual classification for the City's general fund and includes all spendable amounts not contained in other classifications.

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, it is the City's policy to use restricted first, then unrestricted fund balance. When an expenditure is incurred for purposes for which committed, assigned, and unassigned amounts are available, it is the City's policy to use committed first, then assigned, and finally unassigned amounts.

The city's financial goal in the fund balance policy is to maintain unassigned fund balance in the General Fund of 55 percent to 60 percent of the total operating expenditures of the previous year.

Net position represents the differences between assets and deferred outflows of resources less liabilities and deferred inflows of resources in the government-wide and proprietary financial statements. Net position – 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 capital assets. Net position is reported as restricted in the financial statements when there are limitations on their use through external restrictions imposed by creditors, grantors, or laws or regulations of other governments.

F. Revenues, Expenditures, and Expenses

1. Revenues

In the fund financial statements, property taxes are recognized to the extent they are collected and received in the current period or within 60 days after year-end. Portions paid by the State in the form of market value credit aid, and other state tax credits are included in intergovernmental revenues. Delinquent property taxes receivable which have not been recognized as revenue are equally offset in the financial statements by deferred inflows of resources. Licenses and permits, charges for services, fines, forfeits, and miscellaneous revenues are recorded as revenues measurable and available. Special assessments principal and interest earnings are recorded as revenues in the same manner as property taxes.

**CITY OF PAYNESVILLE, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2014**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

F. Revenues, Expenditures, and Expenses (Continued)

1. Revenues (Continued)

Property Tax Collection Calendar

The City levies its property taxes for the subsequent year during the month of December. In Minnesota, the lien date and assessment date is January 2. The property tax is recorded as revenue when it becomes available. Stearns County is the collecting agency for the levy and then remits the collections to the City. All taxes not collected as of December 31 are shown as delinquent taxes receivable.

The County Auditor prepares the tax list for all taxable property in the City, applying the applicable tax capacity rate to the tax capacity value of individual properties, to arrive at the actual tax for each property. The County Auditor also collects all special assessments, except for certain payments paid directly to the City.

The County Auditor provides a list of taxes and special assessments to be collected on each parcel of property to the County Treasurer in January of each year.

Property owners are required to pay one-half of their real estate taxes by May 15 and the balances by October 15.

Within 30 days after the May settlement, the County Treasurer is required to pay 70 percent of the estimated collections of taxes and special assessments to the City Treasurer. The County Treasurer must pay the balance to the City Treasurer within 60 days after the settlement, provided that after 45 days interest begins to accrue.

Within ten business days after November 15, the County Treasurer shall pay to each taxing district, except any school district, 100 percent of the estimated collections arising from taxes levied by and belonging to each taxing district from May 20 to November 20.

2. Expenditures and Expenses

Expenditure recognition for governmental fund types includes only amounts represented by current liabilities. Since noncurrent liabilities do not affect net current fund balance, they are not recognized as governmental fund expenditures or liabilities. They are reported as liabilities on the statement of net position.

Proprietary funds recognize expenses, including compensated absences, when they are incurred.

**CITY OF PAYNESVILLE, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2014**

NOTE 2 STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

The following funds had deficit fund balances as of December 31, 2014:

	<u>Total</u>
Nonmajor Governmental Funds	
Tax Increment Financing District No. 1-13 Fund	\$ (430)
Tax Increment Financing District No. 1-14 Fund	(391)
Tax Increment Financing District No. 1-15 Fund	(159)

Expenditures exceeded budgeted amounts in the following funds:

	<u>Expenditures</u>	<u>Budget</u>	<u>Excess</u>
General Fund	\$ 1,545,421	\$ 1,460,510	\$ 84,911
Economic Development Authority Fund	28,056	27,376	680

The above overages in the General Fund were financed by existing fund balance. The overage in the Economic Development Authority Fund was financed by the prior year sale of a plot in Opportunity Park.

NOTE 3 DETAILED NOTES ON ALL FUNDS

A. Assets

1. Deposits and Investments

As of December 31, 2014, the City's deposit and investment balances were as follows:

	<u>Bank Balance</u>	<u>Book Balance</u>
Deposits		
Checking Accounts	\$ 2,405,934	\$ 2,106,137
Certificates of Deposit	422,070	422,070
Cash on Hand	2,200	2,200
Total Deposits		<u>\$ 2,530,407</u>
 Total Deposits and Investments		
Governmental Funds		\$ 4,395,819
Proprietary Funds		4,753,103
Agency Fund		70,352
Total		<u>\$ 9,219,274</u>
		<u>Amount</u>
Deposits		\$ 2,530,407
Investments		6,688,867
Total		<u>\$ 9,219,274</u>

**CITY OF PAYNESVILLE, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2014**

NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)

A. Assets (Continued)

1. Deposits and Investments (Continued)

Investment	Credit Risk		Concentration	Interest Rate Risk		Carrying Fair Value
	Rating	Agency	Risk % of Portfolio	Maturity Date	Interest Rate	
Smith Barney						
Transferable Certificate of Deposit						
Midfirst Bank	N/R	N/A	N/A	1/6/2015	3.00%	\$ 96,000
BMW Bank of North America	N/R	N/A	N/A	1/14/2015	1.70%	150,051
Paragon Commercial Bank	N/R	N/A	N/A	1/15/2015	3.00%	96,060
Southwest Bank of St. Louis	N/R	N/A	N/A	2/9/2015	4.00%	96,317
Cit Bank- UT	N/R	N/A	N/A	5/18/2015	1.85%	150,807
Stockman Bank of Montana	N/R	N/A	N/A	10/26/2015	5.15%	99,506
Goldman Sachs Bank USA	N/R	N/A	N/A	8/24/2016	1.85%	152,124
GE Capital Financial Inc	N/R	N/A	N/A	8/26/2016	1.85%	55,765
GE Capital Financial Inc	N/R	N/A	N/A	1/9/2017	3.45%	100,156
World Financial Network Bank	N/R	N/A	N/A	1/9/2017	1.85%	101,550
Oriental B&T CD Hato	N/R	N/A	N/A	4/19/2017	0.90%	149,622
State Bank of India	N/R	N/A	N/A	7/25/2017	1.55%	247,565
Sallie Mae Bank-UT	N/R	N/A	N/A	9/19/2017	1.60%	150,953
Doral Bank	N/R	N/A	N/A	9/27/2017	1.25%	247,078
Ally Bank UT	N/R	N/A	N/A	12/11/2017	1.55%	242,824
Comenity Bank Jumbo	N/R	N/A	N/A	12/19/2017	1.40%	100,578
GE Capital Bank	N/R	N/A	N/A	12/21/2017	1.05%	94,253
Bank Baroda New York	N/R	N/A	N/A	3/8/2018	1.30%	242,560
Discover BK Greenwood	N/R	N/A	N/A	4/17/2018	1.15%	148,244
Mercantile CD Coral Gables	N/R	N/A	N/A	6/28/2018	1.55%	147,467
Compass BK Birmingham	N/R	N/A	N/A	11/6/2018	1.90%	99,835
Sallie Mae Salt Lake	N/R	N/A	N/A	11/6/2018	2.10%	96,264
Amex Centurion Salt Lake City	N/R	N/A	N/A	12/11/2018	2.00%	147,693
Amex Centurion Salt Lake City	N/R	N/A	N/A	12/18/2018	1.95%	94,446
Barclays Bank Wilmington	N/R	N/A	N/A	7/16/2019	2.05%	148,428
American Express Salt Lake City	N/R	N/A	N/A	7/17/2019	1.95%	242,418
Capital One Bank Glen Allen	N/R	N/A	N/A	9/10/2019	1.90%	148,056
Capital One Bank Glen Allen	N/R	N/A	N/A	11/12/2012	2.10%	95,052
GE Capital Retail Bank	N/R	N/A	N/A	12/16/2019	1.60%	144,375
Wells Fargo Bank	N/R	N/A	N/A	12/16/2019	1.60%	149,328
HSBC Bank USA	N/R	N/A	N/A	12/18/2019	1.30%	99,048
First Business Madison	N/R	N/A	N/A	12/30/2019	2.00%	196,716
Stockman Bank Miles City	N/R	N/A	N/A	2/27/2020	1.75%	145,419
National Bank Superior	N/R	N/A	N/A	3/27/2020	1.70%	236,621
Enerbank USA	N/R	N/A	N/A	8/28/2020	2.25%	242,021
Synchrony Draper	N/R	N/A	N/A	11/23/2020	2.20%	94,799
Firstbank CD Santurce	N/R	N/A	N/A	12/14/2020	2.70%	150,900
Firstbank CD Santurce	N/R	N/A	N/A	2/1/2021	2.75%	96,394
Wells Fargo Bank	N/R	N/A	N/A	4/16/2021	1.30%	95,629
Goldman Sachs Bank USA	N/R	N/A	N/A	5/21/2021	2.65%	95,396

**CITY OF PAYNESVILLE, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2014**

NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)

A. Assets (Continued)

1. Deposits and Investments (Continued)

Investment	Credit Risk		Concentration	Interest Rate Risk		Carrying Fair Value
	Rating	Agency	Risk % of Portfolio	Maturity Date	Interest Rate	
Transferable Certificate of Deposit (Continued)						
Goldman Sachs Bank USA	N/R	N/A	N/A	6/4/2021	2.70%	\$ 95,844
Goldman Sachs Bank USA	N/R	N/A	N/A	11/24/2021	2.60%	148,874
Bonds						
Federal Home Loan Bank Step	AAA	Moodys	N/A	11/23/2021	1.50%	98,036
Federal Home Loan Bank Step	AAA	Moodys	N/A	9/28/2022	1.50%	121,944
Federal Home Loan Bank Step	AAA	Moodys	N/A	1/3/2023	1.50%	290,163
Federal Home Loan Bank Step	AAA	Moodys	N/A	5/16/2023	1.50%	245,688
Total Investments						<u>\$ 6,688,867</u>

Credit Risk

Minnesota Statutes restrict the types of investments in which the City may invest. The City's investment policy identifies six different acceptable investment types and the minimum requirements of each one.

Minnesota Statutes §§118A.04 and 118A.05 generally authorize the following types of investments as available to the City;

- a. Securities which are direct obligations or are guaranteed or insured issues of the United States, its agencies, its instrumentalities, or organizations created by an act of Congress, except mortgage-backed securities defined as "high risk" by *Minnesota Statutes* §118A.04, subd. 6;
- b. Mutual funds through shares of registered investment companies provided the mutual fund received certain ratings depending on the investments;

**CITY OF PAYNESVILLE, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2014**

NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)

A. Assets (Continued)

1. Deposits and Investments (Continued)

Credit Risk (Continued)

- c. General obligations of the state of Minnesota and its municipalities and in certain state agency and local obligations of Minnesota and other states provided such obligations have certain specified bond ratings by a national bond rating service.
- d. Bankers' Acceptances of United States Banks;
- e. Commercial paper issued by United States corporations or their Canadian subsidiaries that is rated in the highest quality category by two nationally recognized rating agencies and matures in 270 days or less;
- f. With certain restrictions, in repurchase agreements, securities lending agreements, joint powers investment trusts, and guaranteed investment contracts.

Concentration of Credit Risk

Concentration of credit risk is the risk of loss attributed to the magnitude of the City's investment in a single issuer. The City's investment policy doesn't specify any limits relating to concentration of investments. The City holds 11.3 percent of their investments issued by the Federal Home Loan Bank Step. See the table above for specific concentrations of credit risk.

Custodial Credit Risk - Deposits

In the case of deposits, custodial credit risk is the risk that in the event of a bank failure, the City's deposits may not be returned to it. The City's investment policy addresses collateralization and states that at no time will deposits exceed FDIC coverage limits unless such excesses are protected by pledged securities.

Minnesota Statutes require that all deposits be protected by insurance, surety bond, or collateral. The market value of collateral pledge must equal 110 percent of the deposits not covered by insurance or corporate surety bonds.

Authorized collateral includes: U.S. government treasury bills, notes, or bonds; issues of a U.S. government agency; general obligations of a state or local government rated "A" or better; revenue obligations of a state or local government rated "AA" or better; irrevocable standby letters of credit issue by a Federal Home Loan Bank; and time deposits insured by a federal agency. *Minnesota Statutes* require securities pledged as collateral be held in safekeeping in a restricted account at the Federal Reserve Bank or at an account at a trust department of a commercial bank or other financial institution not owned or controlled by the depository.

As of December 31, 2014, all City deposits were covered by insurance or collateral.

**CITY OF PAYNESVILLE, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2014**

NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)

A. Assets (Continued)

2. Loans Receivable

The City uses revolving loans for economic development purposes. The City's management has estimated a \$20,000 allowance for doubtful accounts as of December 31, 2014 based on the specific identification method. The City had the following loans receivable as of December 31, 2014:

Interest Rate	Principal Balance 12/31/14
3.5%	\$ 40,325
4.8%	8,387
3.5%	5,862
3.5%	46,684
3.5%	171,906
3.5%	40,473
3.5%	10,776
3.5%	271,572
3.5%	16,511
3.5%	203,062
Less: Allowance	(20,000)
Total	\$ 795,558

**CITY OF PAYNESVILLE, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2014**

NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)

A. Assets (Continued)

3. Capital Assets

Capital asset activity for the City for the year ended December 31, 2014, is as follows:

	Beginning Balance	Additions	Disposals	Transfers	Ending Balance
GOVERNMENTAL ACTIVITIES					
Capital Assets Not Being Depreciated					
Land	\$ 969,977	\$ -	\$ -	\$ -	\$ 969,977
Construction in Progress	2,675,520	1,119,055	356,672	(1,845,165)	1,592,738
Total Capital Assets Not Being Depreciated	3,645,497	1,119,055	356,672	(1,845,165)	2,562,715
Capital Assets Being Depreciated					
Buildings and Improvements	1,945,936	12,384	-	-	1,958,320
Infrastructure - Streets	11,543,927	178,126	-	-	11,722,053
Infrastructure - Trails	932,408	178,546	-	-	1,110,954
Furniture and Equipment	197,346	8,265	14,290	-	191,321
Machinery and Equipment	693,434	213,170	-	-	906,604
Vehicles	845,343	-	-	-	845,343
Total Capital Assets Being Depreciated	16,158,394	590,491	14,290	-	16,734,595
Less: Accumulated Depreciation for					
Buildings and Improvements	594,485	49,139	-	-	643,624
Infrastructure - Streets	4,167,507	289,573	-	-	4,457,080
Infrastructure - Trails	128,626	23,332	-	-	151,958
Furniture and Equipment	141,682	6,641	14,290	-	134,033
Machinery and Equipment	325,234	35,509	-	-	360,743
Vehicles	566,212	41,565	-	-	607,777
Total Accumulated Depreciation	5,923,746	445,759	14,290	-	6,355,215
Total Capital Assets Being Depreciated, Net	10,234,648	144,732	-	-	10,379,380
Governmental Activities Capital Assets, Net	<u>\$ 13,880,145</u>	<u>\$ 1,263,787</u>	<u>\$ 356,672</u>	<u>\$ (1,845,165)</u>	<u>\$ 12,942,095</u>

**CITY OF PAYNESVILLE, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2014**

NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)

A. Assets (Continued)

3. Capital Assets (Continued)

The following is a summary of the proprietary fund capital assets at December 31, 2014:

	Beginning Balance	Additions	Disposals	Transfers	Ending Balance
BUSINESS-TYPE ACTIVITIES					
Capital Assets Not Being Depreciated					
Land	\$ 848,462	\$ -	\$ -	\$ -	\$ 848,462
Construction in Progress	6,005,722	3,129,128	5,805,736	-	3,329,114
Total Capital Assets Not Being Depreciated	6,854,184	3,129,128	5,805,736	-	4,177,576
Capital Assets Being Depreciated					
Buildings and Improvements	885,335	5,805,736	23,970	-	6,667,101
Furniture and Equipment	46,022	-	-	-	46,022
Machinery and Equipment	1,020,695	16,272	166,151	-	870,816
Wastewater Treatment Facility	7,095,342	-	-	-	7,095,342
Underground Mains	5,023,101	-	-	1,845,165	6,868,266
Total Capital Assets Being Depreciated	14,070,495	5,822,008	190,121	1,845,165	21,547,547
Less: Accumulated Depreciation for					
Buildings and Improvements	591,124	23,391	23,315	-	591,200
Furniture and Equipment	35,686	1,705	-	-	37,391
Machinery, Furniture and Equipment	845,591	18,589	157,031	-	707,149
Wastewater Treatment Facility	6,298,446	64,407	-	-	6,362,853
Underground Mains	1,511,651	134,908	-	-	1,646,559
Total Accumulated Depreciation	9,282,498	243,000	180,346	-	9,345,152
Total Capital Assets Being Depreciated, Net	4,787,997	5,579,008	9,775	1,845,165	12,202,395
Business-Type Activities Capital Assets, Net	<u>\$ 11,642,181</u>	<u>\$ 8,708,136</u>	<u>\$ 5,815,511</u>	<u>\$ 1,845,165</u>	<u>\$ 16,379,971</u>

**CITY OF PAYNESVILLE, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2014**

NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)

A. Assets (Continued)

3. Capital Assets (Continued)

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

Governmental Activities:

General Government	\$ 24,722
Public Safety	34,292
Public Works	315,239
Culture and Recreation	34,229
Airport	<u>37,277</u>
Total Depreciation Expense - Governmental Activities	<u><u>\$ 445,759</u></u>

Business-Type Activities:

Water	\$ 79,437
Sewer	161,858
Liquor	<u>1,705</u>
Total Depreciation Expense - Business-Type Activities	<u><u>\$ 243,000</u></u>

B. Interfund Receivables, Payables, and Transfers

1. Due to/from Other Funds

The amounts due to and due from other funds as of December 31, 2014 are as follows:

Receivable Fund	Payable Fund	Amount	Purpose
General Fund	EDA Fund	<u><u>\$ 89,865</u></u>	Loan to TIF Fund in Prior Years

2. Advances to/from Other Funds

The amounts of advances between funds as of December 31, 2014 are as follows:

	Advances From			
	General	EDA Fund	Sewer	Total
Advances To				
EDA Fund	\$ 97,350	\$ -	\$ -	\$ 97,350
Capital Projects	-	-	30,000	30,000
Nonmajor Governmental	-	<u>1,940</u>	-	<u>1,940</u>
Total	<u><u>\$ 97,350</u></u>	<u><u>\$ 1,940</u></u>	<u><u>\$ 30,000</u></u>	<u><u>\$ 129,290</u></u>

The balances above are to cover TIF expenditures until increments begin, to loan the EDA Fund money until the City sells lots in the Opportunity Park Development, and for the Highway 23 bypass reimbursement that is not expected until 2015.

**CITY OF PAYNESVILLE, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2014**

NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)

B. Interfund Receivables, Payables, and Transfers (Continued)

3. Interfund Transfers

The composition of interfund transfers as of December 31, 2014 was as follows:

		Transfers Out						
		General	EDA Fund	Nonmajor Governmental	Water	Sewer	Municipal Liquor	Total
Transfers In:								
	General	\$ -	\$ 2,667	\$ 10,099	\$ -	\$ -	\$ 43,000	\$ 55,766
	Debt Service	-	-	-	108,000	87,250	-	195,250
	Capital Projects	207,205	-	-	200,000	110,000	-	517,205
	EDA Fund	27,376	-	-	-	-	-	27,376
	Total	\$ 234,581	\$ 2,667	\$ 10,099	\$ 308,000	\$ 197,250	\$ 43,000	\$ 795,597

These transfers were for allocating funds for debt service payments, administration, and capital projects as determined by the City Council.

**CITY OF PAYNESVILLE, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2014**

NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)

C. Liabilities

1. Long-Term Debt

The City's Bond Rating for the year ended December 31, 2014 was Moody's Investor AA-.

General Obligation Bonds

The City issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities including infrastructure. General obligation bonds have been issued for both general government and proprietary activities. Bonds issued to provide funds for proprietary activities are reported in proprietary funds if they are expected to be repaid from proprietary revenues.

PFA General Obligation Sewer Revenue Note

In 2013, the City entered into a bond purchase and project loan agreement with Minnesota Public Facilities Authority (PFA). This note was issued for the purpose of constructing a new main lift station and rehabilitation of an aerated pond system, spray irrigation lift station and spray irrigation equipment. The total amount of funds to be received by the City is \$3,069,736. As the City expends funds on this project, they are reimbursed. The reimbursed funds are set up in the form of long-term debt.

PFA General Obligation Water Revenue Note

In 2013, the City entered into a bond purchase and project loan agreement with Minnesota Public Facilities Authority (PFA). This note was issued for the purpose of rehabilitating of the existing water treatment plant. The total amount of funds to be received by the City is \$3,615,135. As the City expends funds on this project, they are reimbursed. The reimbursed funds are set up in the form of long-term debt.

**CITY OF PAYNESVILLE, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2014**

NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)

C. Liabilities (Continued)

2. Components of Long-Term Debt

	Issue Date	Interest Rates	Original Issue	Final Maturity	Principal Outstanding	Due Within One Year
GOVERNMENTAL ACTIVITIES						
General Obligation Bonds, Including Refunding Bonds						
Series 2008A	5/21/08	2.3%-3.7%	\$ 1,370,000	12/1/18	\$ 605,000	\$ 140,000
Series 2010A G.O. Improvement	5/1/10	2.0%-3.5%	1,235,000	12/1/20	650,000	100,000
Series 2010B G.O. Improvement	5/1/10	2.0%-3.5%	685,000	12/1/20	430,000	65,000
Series 2010C G.O. Improvement Crossover Refund	11/1/10	2.0%-2.3%	520,000	12/1/17	225,000	75,000
Series 2012A G.O. Improvement Crossover Refund	6/1/12	1.0%-1.8%	420,000	12/1/18	340,000	85,000
Series 2014A G.O. Improvement	6/18/14	0.65%-2.50%	840,000	12/1/24	840,000	80,000
Total Governmental Activities Long-Term Debt					3,090,000	545,000
Less: Unamortized Discount					(41,642)	-
Total Governmental Activities Long-Term Debt, Net					<u>\$ 3,048,358</u>	<u>\$ 545,000</u>
BUSINESS-TYPE ACTIVITIES						
2013 PFA G.O. Sewer Revenue Note	2/12/13	1.0%	3,069,736	8/20/32	\$ 2,966,861	\$ 154,000
2013 PFA G.O. Water Revenue Note	11/14/13	1.0%	3,615,135	8/20/33	2,928,281	169,000
Total Business-Type Activities Long-Term Debt					5,895,142	323,000
Total Long-Term Debt					<u>\$ 8,943,500</u>	<u>\$ 868,000</u>

3. Changes in Long-Term Liabilities

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
GOVERNMENTAL ACTIVITIES					
Bonds Payable					
G.O. Improvement Bonds	\$ 2,730,000	\$ 840,000	\$ 480,000	\$ 3,090,000	\$ 545,000
Other Postemployment Benefits	4,317	2,586	-	6,903	-
Compensated Absences	41,970	84,377	71,361	54,986	35,690
Total Governmental Activities	2,776,287	926,963	551,361	3,151,889	580,690
BUSINESS-TYPE ACTIVITIES					
PFA G.O. Revenue Notes	3,012,134	3,033,879	150,871	5,895,142	323,000
Other Postemployment Benefits	5,469	932	-	6,401	-
Compensated Absences	17,034	49,720	42,898	23,856	23,856
Total Business-Type Activities	3,034,637	3,084,531	193,769	5,925,399	346,856
Total Long-Term Liabilities	<u>\$ 5,810,924</u>	<u>\$ 4,011,494</u>	<u>\$ 745,130</u>	<u>\$ 9,077,288</u>	<u>\$ 927,546</u>

**CITY OF PAYNESVILLE, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2014**

NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)

C. Liabilities (Continued)

4. Minimum Debt Payments

Debt requirements to maturity are as follows:

Year Ending December	G.O. Bonds		PFA G.O. Revenue Notes	
	Principal	Interest	Principal	Interest
2015	\$ 545,000	\$ 76,960	\$ 323,000	\$ 65,340
2016	565,000	65,368	326,000	62,110
2017	570,000	52,280	329,000	58,850
2018	510,000	37,565	333,000	55,560
2019	270,000	23,395	336,000	52,230
2020-2024	630,000	36,975	1,731,000	210,070
2025-2029	-	-	1,818,000	121,790
2030-2033	-	-	1,338,000	30,760
Total	<u>\$ 3,090,000</u>	<u>\$ 292,543</u>	6,534,000	<u>\$ 656,710</u>
			(638,858)	
			<u>\$ 5,895,142</u>	

less: amount expected to be drawn down in future

Total

D. Operating Lease

The City leases a postage meter and copier under noncancelable operating leases. Total cost for these leases were \$7,515 for the year ended December 31, 2014. The future minimum lease payments for the leases are as follows:

Year Ended December 31,	Amount
2015	\$ 7,014
2016	6,163
2017	6,163
2018	6,163
2019	4,109

E. Risk Management

The City is exposed to various risks of loss related to: torts, theft of, damage to, or destruction of assets; errors or omissions; injuries to employees; or natural disasters. The City (primary government) has entered into a joint powers agreement with the League of Minnesota Cities Insurance Trust (LMCIT). The LMCIT is a public entity risk pool currently operating as common risk management and insurance program for Minnesota cities. The City also carries commercial insurance for certain other risks of loss, including employee health insurance.

**CITY OF PAYNESVILLE, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2014**

NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)

E. Risk Management (Continued)

The agreement for formation of the LMCIT provides that the pool will be self-sustaining through member assessments and will reinsure through commercial companies for claims in excess of reserved amounts for each insured event. The pool can make additional assessments to make the pool self-sustaining. The City has determined that it is not possible to estimate the amount of such additional assessments; however, they are not expected to be material to the financial statements. There were no significant reductions in insurance coverage from the previous year or settlements in excess of insurance coverage for any of the past three fiscal years.

NOTE 4 PENSION PLANS

A. Plan Description

All full-time and certain part-time employees of the City are covered by a defined benefit plan administered by the Public Employees' Retirement Association of Minnesota (PERA). PERA administers the General Employees Retirement Fund (GERF) and the Public Employees Police and Fire Fund (PEPFF) which are cost-sharing, multiple-employer retirement plans. These plans are established and administered in accordance with *Minnesota Statutes*, Chapters 353 and 356. GERF members belong to either the Coordinated Plan or the Basic Plan. Coordinated Plan members are covered by Social Security and Basic Plan members are not. All new members must participate in the Coordinated Plan. All police officers, fire-fighters and peace officers who qualify for membership by statute are covered by the PEPFF.

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

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

**CITY OF PAYNESVILLE, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2014**

NOTE 4 PENSION PLANS (CONTINUED)

A. Plan Description (Continued)

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

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

B. Funding Policy

Minnesota Statutes Chapter 353 sets the rates for employer and employee contributions. These statutes are established and amended by the state legislature. The City makes annual contributions to the pension plans equal to the amount required by state statutes. GERS Basic Plan members and Coordinated Plan members were required to contribute 9.1 percent and 6.25 percent, respectively, of their annual covered salary in 2014. PEPFF members were required to contribute 10.2 percent of their annual covered salary in 2014. The City of Paynesville is required to contribute the following percentages of annual covered payroll: 11.78 percent for Basic Plan GERS members, 7.25 percent for Coordinated Plan GERS members and 15.30 percent for PEPFF members. The City's contributions to the Public Employees Retirement Fund for the years ending December 31, 2014, 2013, and 2012 were \$34,238, \$28,837, and \$34,195, respectively. The City's contributions to the Public Employees Police & Fire Fund for the years ending December 31, 2014, 2013, and 2012 were \$39,005, \$30,291, and \$25,969, respectively. The City's contributions were equal to the contractually required contributions for each year as set by state statute.

NOTE 5 OTHER POSTEMPLOYMENT BENEFITS

The City makes available to eligible retirees and their spouses a single-employer defined benefit healthcare plan. The plan offers medical coverage. The City contributes towards retired employee's health care benefits, contributing one year for every ten years of service. However, the City does not provide healthcare coverage for retired employees for any employees hired after August, 2007. Rather, it allows employees who separate from City employment due to retirement or disability, access to the coverage; however, that coverage is paid for at the former employees' expense.

**CITY OF PAYNESVILLE, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2014**

NOTE 5 OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)

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), an amount actuarially determined in accordance with the parameters of GASB Statement 45. 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 actuarial liabilities (or funding excess) over a period not to exceed thirty years. The following table shows the components of the City's annual OPEB cost of the year, the amount actually contributed to the plan, and changes in City's net OPEB obligation to the plan.

	Governmental Funds	Enterprise Funds	Total
Annual Required Contribution	\$ 2,702	\$ 974	\$ 3,676
Interest on Net OPEB Obligation	324	116	440
Adjustment to Annual Required Contribution	(440)	(158)	(598)
Annual OPEB Cost (Expense)	2,586	932	3,518
Contributions Made	-	-	-
Increase in Net OPEB Obligation	2,586	932	3,518
Net OPEB Obligation (Asset) - Beginning of Year	4,317	5,469	9,786
Net OPEB Obligation (Asset) - End of Year	<u>\$ 6,903</u>	<u>\$ 6,401</u>	<u>\$ 13,304</u>

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for the fiscal year ending December 31, 2014 and the two preceding years were as follows:

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
December 31, 2012	3,637	-	6,206
December 31, 2013	3,580	-	9,786
December 31, 2014	3,518	-	13,304

**CITY OF PAYNESVILLE, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2014**

NOTE 5 OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)

Funded Status and Funding Progress

As of January 1, 2012, the most recent actuarial valuation date, the City had no assets deposited to fund the plan. Therefore, the actuarial value of the assets is zero.

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll (b-a)/(c)
1/1/2012	\$ -	\$ 28,459	\$ 28,459	0.0%	\$ 554,634	5.1%

Actuarial Methods and Assumptions

Actuarial 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 healthcare cost trends. 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. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and 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 actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the January 1, 2012 actuarial valuation, the projected unit credit actuarial cost method was used. The actuarial assumptions included a 4.5 percent investment rate of return (net of administrative expenses), which is a 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. The healthcare trend rate was 8 percent, reduced by decrements to an ultimate rate of 5 percent after six years. The unfunded actuarial accrued liability is being amortized as a level percentage of projected payrolls on a closed basis. The remaining amortization period at January 1, 2012 does not exceed 30 years.

NOTE 6 JOINTLY GOVERNED ORGANIZATION

The Paynesville Area Health Care System (the "System") operates under authority granted to it by *Minnesota Statutes*. The System operates under a joint powers type arrangement. The System is jointly governed by the following members: the Townships of Paynesville, Roseville, Union Grove and Zion and the Cities of Paynesville, Regal and St. Martin. Beginning in 2014 the System is being leased by CentraCare Health System and operating as CentraCare – Paynesville.

**CITY OF PAYNESVILLE, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2014**

NOTE 7 RELATED ORGANIZATION

Paynesville Fire Department Relief Association

This Association is organized as a non-profit corporation by its members to provide pension and other benefits to such members in accordance with *Minnesota Statutes*. The Board of Trustees is elected by the membership of the organization and not by the City Council. All funding is conducted in accordance with *Minnesota Statutes*, whereby state aids flow to the Association, tax levies are requested by the Association and are only reviewed by the City and the Association pays benefits directly to its members. The Association may certify tax levies to Stearns County directly if the City does not carry out this function. Because the Association is fiscally independent of the City, the financial statements of the Association have not been included within the City's reporting entity.

NOTE 8 RELATED-ORGANIZATION PENSION

Paynesville Fire Relief Association (Relief Association)

Plan Description

All members of the Paynesville Fire Department are covered by a defined contribution plan administered by the Paynesville Firemen's Relief Association (Relief Association). The plan is a single employer retirement plan and is established and administered in accordance with *Minnesota Statutes*, Chapter 69.

The Relief Association provides retirement benefits as well as disability benefits to members, and benefits to survivors upon death of eligible members. Benefits are established in accordance with state statute, and vest after twenty years of credited service. Retirement benefits are based on a member's years of service. Benefit provisions can be amended by the Relief Association within the parameters provided by state statutes.

The Relief Association issues a publicly available financial report that includes financial statements and required supplementary information for the plan. That report may be obtained by contacting the City's Fire Hall.

Funding Policy

Minnesota Statutes Chapter 69.77 sets the minimum contributions that may be required from the City on an annual basis. These minimum contributions are determined based on the amount required to meet the normal cost plus amortizing any prior years' service cost over a ten year period. The City's required contribution for December 31, 2013, the most recent information available, was \$5,000. The Paynesville Fire Department Relief Association also receives funding from the State of Minnesota as a 2 percent fire premium tax. The City receives the contributions and is required by statute to pass this through as payment to the Fire Relief Association. Investment earnings also add to the resources available for benefits.

**CITY OF PAYNESVILLE, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2014**

NOTE 8 RELATED-ORGANIZATION PENSION (CONTINUED)

**Paynesville Fire Relief Association (Relief Association) (Continued)
Funding Policy (Continued)**

Annual Pension Cost and Net Pension Obligation

The City's annual pension cost and net pension obligation to PERS for the current year were as follows:

Annual Required Contribution	\$	-
Interest on Net Pension Obligation		-
Adjustment to Annual Required Contribution		6,143
Annual Pension Cost		6,143
Less Contribution Made		(6,143)
Increase (Decrease) in Net Pension Obligation		-
Net Pension Obligation - Beginning of Year		-
Net Pension Obligation - End of Year	\$	-

The annual required contribution for the current year was determined as part of December 31, 2013, actuarial valuation using the entry age actuarial cost method. The actuarial assumptions included (a) 5 percent investment rate of return and (b) age and service retirement was assumed to occur at age 50. Pension benefit obligations on an actuarial basis are not calculated for individual volunteer fire relief associations since state statutes permit alternate calculation of required reserves based on overall actuarial assumptions.

	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
December 31, 2013	\$ 8,110	100%	\$ -

Contributions Required and Made

The City makes contributions to the Relief Association annually in an amount equal to the fire aid received from the State of Minnesota as required by state statutes. The City is required to make additional contributions to the Association in the following year if the following years anticipated administrative expenses plus the anticipated increase in the required reserves plus amortization of the original unfunded accrued liability exceeds the anticipated revenues. The City was required to make a contribution of \$6,143 during 2014, \$8,110 during 2013 and \$5,000 during 2012.

Funding Progress

As of December 31, 2013 (the most recent available information), the plan was overfunded by \$24,854. Additional information on the funding progress is included in the required supplementary information section of this report.

**CITY OF PAYNESVILLE, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2014**

NOTE 8 RELATED-ORGANIZATION PENSION (CONTINUED)

Paynesville Fire Relief Association (Relief Association) (Continued)

Related-Party Investments

As of December 31, 2013, and for the year then ended, the Relief Association held no securities issued by the City or other related-parties.

NOTE 9 SUMMARY OF SIGNIFICANT CONTINGENCIES AND OTHER ITEMS

A. Construction Commitments

At year-end, the City had the following outstanding construction commitments:

Project Name	Total Contract	Spent to Date	Commitment
Water Treatment Facility	\$ 3,128,700	\$ 2,813,448	\$ 315,252
2014 Street Project	674,045	578,463	95,582
Opportunity Park Plat	337,472	307,065	30,407
Total			<u>\$ 441,241</u>

B. Contingencies

The City, in connection with the normal conduct of its affairs, is involved in one pending claim against the City. The claim has been taken over by the League of Minnesota Cities, the City's insurance company. The League has indicated that the City has coverage for the claims alleged and therefore, such claims will not materially affect the financial statements of the City.

This Page Has Been Intentionally Left Blank.

REQUIRED SUPPLEMENTARY INFORMATION OTHER THAN MD&A

**CITY OF PAYNESVILLE, MINNESOTA
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
YEAR ENDED DECEMBER 31, 2014**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
REVENUES				
PROPERTY TAXES	\$ 361,212	\$ 361,212	\$ 354,649	\$ (6,563)
FRANCHISE TAXES	30,650	30,650	32,677	2,027
SPECIAL ASSESSMENTS	-	-	2,021	2,021
LICENSES AND PERMITS	184,825	184,825	195,923	11,098
INTERGOVERNMENTAL REVENUE				
Local Government Aid	716,095	716,095	716,095	-
PERA Aid	2,731	2,731	2,731	-
Fire Aid	27,600	27,600	42,498	14,898
Police Aid	26,000	26,000	29,195	3,195
Other Grants and Aids	16,295	16,295	42,290	25,995
Total Intergovernmental Revenue	<u>788,721</u>	<u>788,721</u>	<u>832,809</u>	<u>44,088</u>
CHARGES FOR SERVICES				
General Government	5,310	5,310	4,262	(1,048)
Public Safety	83,325	83,325	88,626	5,301
Public Works	5,400	5,400	5,373	(27)
Culture and Recreation	11,000	11,000	15,399	4,399
Airport	97,520	97,520	108,392	10,872
Total Charges for Services	<u>202,555</u>	<u>202,555</u>	<u>222,052</u>	<u>19,497</u>
FINES AND FORFEITURES	14,000	14,000	11,976	(2,024)
MISCELLANEOUS REVENUES				
Investment Income	15,000	15,000	(2,378)	(17,378)
Contributions and Donations	3,000	3,000	3,000	-
Reimbursements	1,500	1,500	8,340	6,840
Other	14,500	14,500	22,046	7,546
Total Miscellaneous Revenues	<u>34,000</u>	<u>34,000</u>	<u>31,008</u>	<u>(2,992)</u>
Total Revenues	<u>1,615,963</u>	<u>1,615,963</u>	<u>1,683,115</u>	<u>67,152</u>

The Notes to the Required Supplementary Information are an Integral Part of this Schedule.

**CITY OF PAYNESVILLE, MINNESOTA
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND (CONTINUED)
YEAR ENDED DECEMBER 31, 2014**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
EXPENDITURES				
CURRENT				
GENERAL GOVERNMENT				
Mayor and Council	\$ 37,319	\$ 37,319	\$ 31,524	\$ 5,795
Administrative and Finance	139,850	139,850	135,894	3,956
Other General Government	161,257	161,257	211,909	(50,652)
Capital Outlay	3,379	3,379	3,843	(464)
Total General Government	<u>341,805</u>	<u>341,805</u>	<u>383,170</u>	<u>(41,365)</u>
PUBLIC SAFETY				
Police				
Current	395,217	395,217	429,872	(34,655)
Capital Outlay	2,000	2,000	1,248	752
Fire				
Current	124,748	124,748	122,170	2,578
Capital Outlay	2,000	2,000	1,056	944
Other				
Current	56,229	56,229	73,476	(17,247)
Capital Outlay	3,650	3,650	10,892	(7,242)
Total Public Safety	<u>583,844</u>	<u>583,844</u>	<u>638,714</u>	<u>(54,870)</u>
PUBLIC WORKS				
Streets and Highways				
Street Maintenance and Storm Sewers	109,792	109,792	93,404	16,388
Snow and Ice Removal	66,636	66,636	67,947	(1,311)
Street Lighting	46,850	46,850	46,859	(9)
Street - Other Capital Outlay	2,500	2,500	2,003	497
Total Public Works	<u>225,778</u>	<u>225,778</u>	<u>210,213</u>	<u>15,565</u>
CULTURE AND RECREATION				
Libraries				
Current	10,019	10,019	7,045	2,974
Culture and Recreation				
Current	179,126	179,126	177,385	1,741
Capital Outlay	4,200	4,200	1,921	2,279
Total Culture and Recreation	<u>193,345</u>	<u>193,345</u>	<u>186,351</u>	<u>6,994</u>
AIRPORT				
Current	115,038	115,038	126,973	(11,935)
Capital Outlay	700	700	-	700
Total Airport	<u>115,738</u>	<u>115,738</u>	<u>126,973</u>	<u>(11,235)</u>
Total Expenditures	<u>1,460,510</u>	<u>1,460,510</u>	<u>1,545,421</u>	<u>(84,911)</u>

The Notes to the Required Supplementary Information are an Integral Part of this Schedule.

**CITY OF PAYNESVILLE, MINNESOTA
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND (CONTINUED)
YEAR ENDED DECEMBER 31, 2014**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	\$ 155,453	\$ 155,453	\$ 137,694	\$ (17,759)
OTHER FINANCING SOURCES (USES)				
Proceeds from Sale of Capital Assets	1,000	1,000	1,689	689
Transfers In	43,000	43,000	55,766	12,766
Transfers Out	(199,453)	(199,453)	(234,581)	(35,128)
Total Other Financing Sources (Uses)	(155,453)	(155,453)	(177,126)	(21,673)
NET CHANGE IN FUND BALANCE	<u>\$ -</u>	<u>\$ -</u>	(39,432)	<u>\$ (39,432)</u>
Fund Balances - Beginning of Year			<u>1,620,506</u>	
FUND BALANCES - END OF YEAR			<u>\$ 1,581,074</u>	

The Notes to the Required Supplementary Information are an Integral Part of this Schedule.

**CITY OF PAYNESVILLE, MINNESOTA
BUDGETARY COMPARISON SCHEDULE
ECONOMIC DEVELOPMENT AUTHORITY FUND
YEAR ENDED DECEMBER 31, 2014**

	<u>Budgeted</u>	<u>Amounts</u>	Actual	Variance with
	<u>Original</u>	<u>Final</u>	Amounts	<u>Final Budget</u>
REVENUES				
INTERGOVERNMENTAL REVENUES				
Other Grants and Aids	\$ -	\$ -	\$ 11,422	\$ 11,422
MISCELLANEOUS REVENUES				
Investment Income	-	-	3,107	3,107
Reimbursements	-	-	25,000	25,000
Other	-	-	634	634
Total Miscellaneous Revenues	<u>-</u>	<u>-</u>	<u>28,741</u>	<u>28,741</u>
Total Revenues	-	-	40,163	40,163
EXPENDITURES				
ECONOMIC DEVELOPMENT				
Current	22,376	22,376	28,056	(5,680)
Capital Outlay	<u>5,000</u>	<u>5,000</u>	<u>-</u>	<u>5,000</u>
Total Expenditures	<u>27,376</u>	<u>27,376</u>	<u>28,056</u>	<u>(680)</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(27,376)	(27,376)	12,107	39,483
OTHER FINANCING SOURCES (USES)				
Proceeds from Sale of Capital Assets	-	-	32,738	32,738
Transfers In	27,376	27,376	27,376	-
Transfers Out	<u>-</u>	<u>-</u>	<u>(2,667)</u>	<u>(2,667)</u>
Total Other Financing Sources (Uses)	<u>27,376</u>	<u>27,376</u>	<u>57,447</u>	<u>30,071</u>
NET CHANGE IN FUND BALANCES	<u>\$ -</u>	<u>\$ -</u>	69,554	<u>\$ 69,554</u>
Fund Balances - Beginning of Year			<u>(41,387)</u>	
FUND BALANCES - END OF YEAR			<u>\$ 28,167</u>	

The Notes to the Required Supplementary Information are an Integral Part of this Schedule.

**CITY OF PAYNESVILLE, MINNESOTA
 NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
 YEAR ENDED DECEMBER 31, 2014**

I. BUDGETARY INFORMATION

The City follows these procedures in establishing the budgetary data reflected in the financial statements:

- a. Prior to September 15 of each year, the City Administrator submits to the City Council a proposed operating budget for the fiscal year commencing the following January 1. The operating budget includes proposed expenditures and the means of financing them. The City adopts the proposed budget as amended and adjusted by the Council and certifies the proposed property tax levy to the County Auditor according to Minnesota Statutes.
- b. Public hearings on the City's budget are conducted at the Council's Chambers at City Hall.
- c. On or before December 28, the final budget is legally enacted by Council resolution and the final property tax levy is certified to the County Auditor.
- d. Management is authorized to transfer budgeted amounts between departments within any fund; however, any revisions that alter the total expenditures of any fund must be approved by the City Council. Reported budget amounts are as originally adopted or amended by the City Council.
- e. The City has legally adopted budgets for the general fund and certain special revenue funds. The City also adopts budgets for the debt service fund, capital project fund, and enterprise funds. Expenditures may not legally exceed budgeted appropriations at the total fund level. Monitoring of budgets is maintained at the expenditure category level (i.e., personal services, supplies, miscellaneous services and charges, and capital outlay) within each program. All amounts over budget have been approved by the City Council through the disbursement process. The City is not legally required to adopt an annual budget for the capital projects. Project-length financial plans are adopted for the capital projects funds.
- f. Budgets for the general, certain special revenue funds, and the debt service fund are adopted on a basis consistent with generally accepted accounting principles (GAAP). Budgeted amounts are as originally adopted, or as amended by the City Council. All annual appropriations lapse at fiscal year-end.

II. EXCESS OF EXPENDITURES OVER APPROPRIATIONS

Expenditures exceeded budgeted amounts in the following funds:

	<u>Expenditures</u>	<u>Budget</u>	<u>Excess</u>
General Fund	\$ 1,545,421	\$ 1,460,510	\$ 84,911
Economic Development Authority	28,056	27,376	680

The above overage in the General Fund was financed by existing fund balance. The overage in the Economic Development Authority Fund was financed by the prior year proceeds of sale of a plot in Opportunity Park.

**CITY OF PAYNESVILLE, MINNESOTA
SCHEDULES OF FUNDING PROGRESS
YEAR ENDED DECEMBER 31, 2014**

Paynesville Firefighters Relief Association

Fiscal Year Ending	Value of Assets (a)	Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Benefit per Year of Service
12/31/2013	\$ 704,034	\$ 679,180	\$ (24,854)	103.66 %	\$ 2,000
12/31/2012	649,727	694,614	44,887	93.54	2,000
12/31/2011	562,316	642,331	80,015	87.54	2,000

Note: The most recent information available.

Other Postemployment Benefits

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll (b-a)/(c)
1/1/2012	\$ -	\$ 28,459	\$ 28,459	0.0%	\$ 554,634	5.1%
1/1/2009	-	45,768	45,768	0.0%	673,408	6.8%

OTHER SUPPLEMENTARY INFORMATION

**CITY OF PAYNESVILLE, MINNESOTA
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
DECEMBER 31, 2014**

	Police Drug/DWI Forfeiture 205	Tax Increment Development District No. 1 255	Tax Increment Financing District No. 1-10 270	Tax Increment Financing District No. 1-11 272	Tax Increment Financing District No. 1-12 273	Tax Increment Financing District No. 1-13 274	Tax Increment Financing District No. 1-14 275	Tax Increment Financing District No. 1-15 276	Total Nonmajor Funds
ASSETS									
Cash and Investments	\$ 5,466	\$ 3,672	\$ -	\$ 191	\$ 517	\$ 70	\$ 109	\$ 341	\$ 10,366
TIF Receivable - Delinquent	-	-	5,792	-	-	-	-	-	5,792
Total Assets	<u>\$ 5,466</u>	<u>\$ 3,672</u>	<u>\$ 5,792</u>	<u>\$ 191</u>	<u>\$ 517</u>	<u>\$ 70</u>	<u>\$ 109</u>	<u>\$ 341</u>	<u>\$ 16,158</u>
LIABILITIES									
Advances from Other Funds	\$ -	\$ -	\$ -	\$ -	\$ 440	\$ 500	\$ 500	\$ 500	\$ 1,940
DEFERRED INFLOWS OF RESOURCES									
Unavailable TIF Revenues	-	-	5,792	-	-	-	-	-	5,792
FUND BALANCES (DEFICITS)									
Restricted	5,466	3,672	-	191	77	-	-	-	9,406
Unassigned	-	-	-	-	-	(430)	(391)	(159)	(980)
Total Fund Balances	<u>5,466</u>	<u>3,672</u>	<u>-</u>	<u>191</u>	<u>77</u>	<u>(430)</u>	<u>(391)</u>	<u>(159)</u>	<u>8,426</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balance	<u>\$ 5,466</u>	<u>\$ 3,672</u>	<u>\$ 5,792</u>	<u>\$ 191</u>	<u>\$ 517</u>	<u>\$ 70</u>	<u>\$ 109</u>	<u>\$ 341</u>	<u>\$ 16,158</u>

**CITY OF PAYNESVILLE, MINNESOTA
 COMBINING STATEMENT OF REVENUES, EXPENDITURES,
 AND CHANGES IN FUND BALANCES
 NONMAJOR GOVERNMENTAL FUNDS
 YEAR ENDED DECEMBER 31, 2014**

	Police Drug/DWI Forfeiture 205	Tax Increment Development District No. 1 255	Tax Increment Financing District No. 1-10 270	Tax Increment Financing District No. 1-11 272	Tax Increment Financing District No. 1-12 273	Tax Increment Financing District No. 1-13 274	Tax Increment Financing District No. 1-14 275	Tax Increment Financing District No. 1-15 276	Total Nonmajor Funds
REVENUES									
Tax Increments	\$ -	\$ 26,042	\$ 5,772	\$ 7,206	\$ 12,425	\$ -	\$ -	\$ -	\$ 51,445
Fines and Forfeitures	2,116	-	-	-	-	-	-	-	2,116
Miscellaneous									
Investment Income (Losses)	71	61	162	12	1	2	5	1	315
Total Revenues	<u>2,187</u>	<u>26,103</u>	<u>5,934</u>	<u>7,218</u>	<u>12,426</u>	<u>2</u>	<u>5</u>	<u>1</u>	<u>53,876</u>
EXPENDITURES									
CURRENT									
Public Safety	-	-	-	-	-	-	-	-	-
Economic Development	-	25,198	5,194	6,971	11,910	-	250	160	49,683
Total Expenditures	<u>-</u>	<u>25,198</u>	<u>5,194</u>	<u>6,971</u>	<u>11,910</u>	<u>-</u>	<u>250</u>	<u>160</u>	<u>49,683</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	2,187	905	740	247	516	2	(245)	(159)	4,193
OTHER FINANCING SOURCES (USES)									
Transfers Out	-	-	(10,099)	-	-	-	-	-	(10,099)
NET CHANGE IN FUND BALANCES	2,187	905	(9,359)	247	516	2	(245)	(159)	(5,906)
Fund Balances (Deficit) - Beginning of Year	3,279	2,767	9,359	(56)	(439)	(432)	(146)	-	14,332
FUND BALANCES (DEFICIT) - END OF YEAR	<u>\$ 5,466</u>	<u>\$ 3,672</u>	<u>\$ -</u>	<u>\$ 191</u>	<u>\$ 77</u>	<u>\$ (430)</u>	<u>\$ (391)</u>	<u>\$ (159)</u>	<u>\$ 8,426</u>

**CITY OF PAYNESVILLE, MINNESOTA
COMBINING BALANCE SHEET
DEBT SERVICE FUND
DECEMBER 31, 2014**

	2006 Improvements Debt 520	2008 Improvements Debt 535	2010 G.O. Improvement Bonds, Series A 545	2010 G.O. Improvement Bonds, Series B 555	2010 G.O. Improvement Bonds, Series C 585	2014 Improvements Debt 522	Total Debt Service Fund
ASSETS							
Cash and Investments	\$ 97,501	\$ 158,577	\$ 74,679	\$ 30,649	\$ 131,218	\$ 65,026	\$ 557,650
Special Assessments Receivable:							
Delinquent	3,602	215	3,876	-	862	-	8,555
Noncurrent	165,913	57,572	157,009	-	1,700	144,917	527,111
Due From Other Governments	135	-	2,313	-	682	-	3,130
Total Assets	\$ 267,151	\$ 216,364	\$ 237,877	\$ 30,649	\$ 134,462	\$ 209,943	\$ 1,096,446
DEFERRED INFLOWS OF RESOURCES							
Unavailable Special Assessments	\$ 169,515	\$ 57,787	\$ 160,885	\$ -	\$ 2,562	\$ 144,917	\$ 535,666
FUND BALANCES							
Restricted for Debt Service	97,636	158,577	76,992	30,649	131,900	65,026	560,780
Total Liabilities, Deferred Inflows of Resources, and Fund Balance	\$ 267,151	\$ 216,364	\$ 237,877	\$ 30,649	\$ 134,462	\$ 209,943	\$ 1,096,446

This Page Has Been Intentionally Left Blank.

**CITY OF PAYNESVILLE, MINNESOTA
 COMBINING STATEMENT OF REVENUES, EXPENDITURES,
 AND CHANGES IN FUND BALANCE
 DEBT SERVICE FUND
 DECEMBER 31, 2014**

	2006 Improvements Debt 520	2008 Improvements Debt 535	2010 G.O. Improvement Bonds, Series A 545	2010 G.O. Improvement Bonds, Series B 555	2010 G.O. Crossover Refunding Series C 585	2014 Improvements Debt 522	Total Debt Service Fund
REVENUES							
Property Taxes	\$ 27,250	\$ 83,000	\$ 52,000	\$ 34,500	\$ 7,800	\$ -	\$ 204,550
Special Assessments	21,582	23,043	30,037	-	25,774	55,638	156,074
Miscellaneous							
Investment Income	2,651	4,356	2,373	1,201	3,695	945	15,221
Total Revenues	<u>51,483</u>	<u>110,399</u>	<u>84,410</u>	<u>35,701</u>	<u>37,269</u>	<u>56,583</u>	<u>375,845</u>
EXPENDITURES							
DEBT SERVICE							
Principal	80,000	135,000	100,000	65,000	100,000	-	480,000
Interest and Other Charges	6,225	25,898	21,723	14,348	7,295	6,557	82,046
Total Expenditures	<u>86,225</u>	<u>160,898</u>	<u>121,723</u>	<u>79,348</u>	<u>107,295</u>	<u>6,557</u>	<u>562,046</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(34,742)	(50,499)	(37,313)	(43,647)	(70,026)	50,026	(186,201)
OTHER FINANCING SOURCES (USES)							
Transfers In	<u>22,500</u>	<u>46,500</u>	<u>27,250</u>	<u>50,000</u>	<u>34,000</u>	<u>15,000</u>	<u>195,250</u>
NET CHANGE IN FUND BALANCES	(12,242)	(3,999)	(10,063)	6,353	(36,026)	65,026	9,049
Fund Balances - Beginning of Year	<u>109,878</u>	<u>162,576</u>	<u>87,055</u>	<u>24,296</u>	<u>167,926</u>	-	<u>551,731</u>
FUND BALANCES - END OF YEAR	<u>\$ 97,636</u>	<u>\$ 158,577</u>	<u>\$ 76,992</u>	<u>\$ 30,649</u>	<u>\$ 131,900</u>	<u>\$ 65,026</u>	<u>\$ 560,780</u>

**CITY OF PAYNESVILLE, MINNESOTA
COMBINING BALANCE SHEET
CAPITAL PROJECT FUND
DECEMBER 31, 2014**

	Street and Sidewalk Improvements 120	General Improvements 121	Police Improvements 122	Park Improvements 123	Emergency Services Improvements 124
ASSETS					
Cash and Investments	\$ 602,774	\$ 129,200	\$ 68,648	\$ 121,329	\$ 41,296
Special Assessments Receivable:					
Noncurrent	-	-	-	-	-
Accounts Receivable	-	-	-	-	-
Due from Other Funds	-	-	-	-	-
Due from Other Governments	-	-	-	-	-
Total Assets	<u>\$ 602,774</u>	<u>\$ 129,200</u>	<u>\$ 68,648</u>	<u>\$ 121,329</u>	<u>\$ 41,296</u>
LIABILITIES					
Accounts Payable	\$ -	\$ 1,459	\$ -	\$ -	\$ 1,219
Contracts Payable	-	-	-	-	-
Due to Other Funds	-	-	-	-	-
Advances from Other Funds	-	-	-	-	-
Total Liabilities	-	1,459	-	-	1,219
DEFERRED INFLOWS OF RESOURCES					
Unavailable Special Assessments	-	-	-	-	-
FUND BALANCES (DEFICIT)					
Restricted for Capital Projects	-	-	-	-	-
Committed for Capital Projects	602,774	127,741	68,648	121,329	40,077
Unassigned	-	-	-	-	-
Total Fund Balances	<u>602,774</u>	<u>127,741</u>	<u>68,648</u>	<u>121,329</u>	<u>40,077</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$ 602,774</u>	<u>\$ 129,200</u>	<u>\$ 68,648</u>	<u>\$ 121,329</u>	<u>\$ 41,296</u>

Airport Capital Improvements 125	Fire Department Capital Improvements 126, 225	Lake Koronis Recreation Trail 127	Park Dedication 129	Airport Hangar 455	2015 Improvements 518	2014 Improvements 521	2008 Improvements 530
\$ 96,876	\$ 632,112	\$ 42,597	\$ 21,997	\$ 35,208	\$ 1,519	\$ 69,958	\$ 122,630
-	-	-	-	-	-	-	-
-	2,111	-	-	-	-	-	-
54,400	-	-	-	-	-	-	-
-	-	53,529	-	20,557	-	-	-
<u>\$ 151,276</u>	<u>\$ 634,223</u>	<u>\$ 96,126</u>	<u>\$ 21,997</u>	<u>\$ 55,765</u>	<u>\$ 1,519</u>	<u>\$ 69,958</u>	<u>\$ 122,630</u>
\$ -	\$ 7,395	\$ -	\$ -	\$ 1,895	\$ 3,318	\$ 510	\$ -
-	-	-	-	-	-	45,316	-
-	-	-	-	54,400	-	-	-
-	-	-	-	-	-	-	-
-	7,395	-	-	56,295	3,318	45,826	-
-	-	-	-	-	-	-	-
-	-	96,126	21,997	-	-	24,132	122,630
151,276	626,828	-	-	-	-	-	-
-	-	-	-	(530)	(1,799)	-	-
<u>151,276</u>	<u>626,828</u>	<u>96,126</u>	<u>21,997</u>	<u>(530)</u>	<u>(1,799)</u>	<u>24,132</u>	<u>122,630</u>
<u>\$ 151,276</u>	<u>\$ 634,223</u>	<u>\$ 96,126</u>	<u>\$ 21,997</u>	<u>\$ 55,765</u>	<u>\$ 1,519</u>	<u>\$ 69,958</u>	<u>\$ 122,630</u>

This Page Has Been Intentionally Left Blank.

**CITY OF PAYNESVILLE, MINNESOTA
COMBINING BALANCE SHEET (CONTINUED)
CAPITAL PROJECT FUND
DECEMBER 31, 2014**

	Heatherwood Plat Three 525	Highway 23 Construction 550	Intrafund Activity	Total Capital Project Fund
ASSETS				
Cash and Investments	\$ 96,956	\$ 11,265	\$ -	\$ 2,094,365
Special Assessments Receivable:				
Noncurrent	355,453	-	-	355,453
Accounts Receivable	-	-	-	2,111
Due from Other Funds	-	-	(54,400)	-
Due from Other Governments	-	-	-	74,086
	\$ 452,409	\$ 11,265	\$ (54,400)	\$ 2,526,015
LIABILITIES				
Accounts Payable	\$ -	\$ -	\$ -	\$ 15,796
Contracts Payable	-	-	-	45,316
Due to Other Funds	-	-	(54,400)	-
Advances from Other Funds	-	30,000	-	30,000
	-	30,000	(54,400)	91,112
DEFERRED INFLOWS OF RESOURCES				
Unavailable Special Assessments	355,453	-	-	355,453
FUND BALANCES (DEFICIT)				
Restricted for Capital Projects	-	-	-	264,885
Committed for Capital Projects	96,956	-	(21,064)	1,814,565
Unassigned	-	(18,735)	21,064	-
	96,956	(18,735)	-	2,079,450
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$ 452,409	\$ 11,265	\$ (54,400)	\$ 2,526,015

**CITY OF PAYNESVILLE, MINNESOTA
COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
CAPITAL PROJECT FUND
YEAR ENDED DECEMBER 31, 2014**

	Street and Sidewalk Improvements 120	General Improvements 121	Police Improvements 122	Park Improvements 123	Emergency Services Improvements 124
REVENUES					
Intergovernmental	\$ -	\$ -	\$ 2,450	\$ -	\$ -
Miscellaneous					
Investment Income (Losses)	11,236	2,839	1,318	2,554	809
Contributions and Donations	-	-	-	120	-
Reimbursements	-	-	-	10,369	-
Other	-	8,700	-	-	-
Total Revenues	<u>11,236</u>	<u>11,539</u>	<u>3,768</u>	<u>13,043</u>	<u>809</u>
EXPENDITURES					
CURRENT					
General Government	-	7,101	-	-	-
Public Safety	-	-	-	-	-
Public Works	-	-	-	-	-
Airport	-	-	-	-	-
DEBT SERVICE					
Bond Issuance Costs	-	-	-	-	-
CAPITAL OUTLAY					
General Government	-	26,486	-	-	-
Public Safety	-	-	10,832	-	1,219
Public Works	5,664	-	-	-	-
Culture and Recreation	-	-	-	45,542	-
Airport	-	-	-	-	-
Total Expenditures	<u>5,664</u>	<u>33,587</u>	<u>10,832</u>	<u>45,542</u>	<u>1,219</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	5,572	(22,048)	(7,064)	(32,499)	(410)
OTHER FINANCING SOURCES (USES)					
Bond Proceeds	-	-	-	-	-
Transfers In	101,717	4,000	22,459	18,000	1,000
Total Other Financing Sources (Uses)	<u>101,717</u>	<u>4,000</u>	<u>22,459</u>	<u>18,000</u>	<u>1,000</u>
NET CHANGE IN FUND BALANCES	107,289	(18,048)	15,395	(14,499)	590
Fund Balances (Deficit) - Beginning of Year	<u>495,485</u>	<u>145,789</u>	<u>53,253</u>	<u>135,828</u>	<u>39,487</u>
FUND BALANCES (DEFICIT) - END OF YEAR	<u>\$ 602,774</u>	<u>\$ 127,741</u>	<u>\$ 68,648</u>	<u>\$ 121,329</u>	<u>\$ 40,077</u>

Airport Capital Improvements 125	Fire Department Capital Improvements 126,225	Lake Koronis Recreation Trail 127	Park Dedication 129	Airport Hangar 455	2015 Improvements 518	2014 Improvements 521	2008 Improvements 530
\$ -	\$ -	\$ -	\$ -	\$ 35,512	\$ -	\$ -	\$ -
1,528	13,317	1,045	434	2,167	(1)	5,423	2,423
-	150	-	-	-	-	-	-
-	2,111	66,543	-	-	-	-	-
-	-	-	-	-	-	-	-
<u>1,528</u>	<u>15,578</u>	<u>67,588</u>	<u>434</u>	<u>37,679</u>	<u>(1)</u>	<u>5,423</u>	<u>2,423</u>
-	-	-	-	-	-	-	-
-	5,283	-	-	-	-	-	-
-	-	-	-	-	-	5,267	-
-	-	-	-	1,272	-	-	-
-	-	-	-	-	-	35,509	-
-	-	-	-	-	-	-	-
-	2,111	-	-	-	-	-	-
-	-	-	-	-	12,217	1,111,041	-
-	-	4,473	-	-	-	-	-
-	-	-	-	26,648	-	-	-
-	<u>7,394</u>	<u>4,473</u>	-	<u>27,920</u>	<u>12,217</u>	<u>1,151,817</u>	-
1,528	8,184	63,115	434	9,759	(12,218)	(1,146,394)	2,423
-	-	-	-	-	-	840,000	-
<u>9,000</u>	<u>40,000</u>	<u>11,029</u>	-	-	<u>10,000</u>	<u>300,000</u>	-
<u>9,000</u>	<u>40,000</u>	<u>11,029</u>	-	-	<u>10,000</u>	<u>1,140,000</u>	-
10,528	48,184	74,144	434	9,759	(2,218)	(6,394)	2,423
<u>140,748</u>	<u>578,644</u>	<u>21,982</u>	<u>21,563</u>	<u>(10,289)</u>	<u>419</u>	<u>30,526</u>	<u>120,207</u>
<u>\$ 151,276</u>	<u>\$ 626,828</u>	<u>\$ 96,126</u>	<u>\$ 21,997</u>	<u>\$ (530)</u>	<u>\$ (1,799)</u>	<u>\$ 24,132</u>	<u>\$ 122,630</u>

**CITY OF PAYNESVILLE, MINNESOTA
COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES (CONTINUED)
CAPITAL PROJECT FUND
YEAR ENDED DECEMBER 31, 2014**

	Heatherwood Plat Three 525	Highway 23 Construction 550	Total Capital Project Fund
REVENUES			
Intergovernmental	\$ -	\$ -	\$ 37,962
Miscellaneous			
Investment Income (Losses)	1,917	221	47,230
Contributions and Donations	-	-	270
Reimbursements	-	-	79,023
Other	-	-	8,700
Total Revenues	<u>1,917</u>	<u>221</u>	<u>173,185</u>
EXPENDITURES			
CURRENT			
General Government	-	-	7,101
Public Safety	-	-	5,283
Public Works	-	-	5,267
Airport	-	-	1,272
DEBT SERVICE			
Bond Issuance Costs	-	-	35,509
CAPITAL OUTLAY			
General Government	-	-	26,486
Public Safety	-	-	14,162
Public Works	-	-	1,128,922
Culture and Recreation	-	-	50,015
Airport	-	-	26,648
Total Expenditures	<u>-</u>	<u>-</u>	<u>1,300,665</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	1,917	221	(1,127,480)
OTHER FINANCING SOURCES (USES)			
Bond Proceeds	-	-	840,000
Transfers In	-	-	517,205
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>1,357,205</u>
NET CHANGE IN FUND BALANCES	1,917	221	229,725
Fund Balances (Deficit) - Beginning of Year	<u>95,039</u>	<u>(18,956)</u>	<u>1,849,725</u>
FUND BALANCES (DEFICIT) - END OF YEAR	<u>\$ 96,956</u>	<u>\$ (18,735)</u>	<u>\$ 2,079,450</u>