

CITY OF STEWARTVILLE, MINNESOTA
FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2014

CITY OF STEWARTVILLE, MINNESOTA

COMPREHENSIVE ANNUAL FINANCIAL REPORT

FOR THE FISCAL YEAR ENDED DECEMBER 31, 2014

ACCOUNTING DEPARTMENT

BARBARA K. NEUBAUER, Finance Director

Members of the Government Finance Officer's Association
of the United States and Canada

CITY OF STEWARTVILLE, MINNESOTA

TABLE OF CONTENTS

	<u>PAGE</u>
INTRODUCTORY SECTION	
Letter of Transmittal	i
Certificate of Achievement	v
List of Elected and Appointed Officials	vi
Organizational Chart	vii
FINANCIAL SECTION	
Independent Auditor's Report	1
Management's Discussion and Analysis	3
Basic Financial Statements	
Government-wide Financial Statements	
Statement of Net Position	13
Statement of Activities	14
Fund Financial Statements	
Balance Sheet - Governmental Funds	16
Reconciliation of Net Position in the Government-wide Financial Statements and Fund Balances in the Fund Basis Financial Statements	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 of Governmental Funds to the Statement of Activities	21
Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual - General Fund	22
Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual - Revolving Loan Fund	28
Statement of Net Position - Proprietary Funds	29
Statement of Revenues, Expenses, and Changes in Fund Net Position - Proprietary Funds	30
Statement of Cash Flows - Proprietary Funds	31
Statement of Net Position - Fiduciary Funds	33
Statement of Changes in Fiduciary Net Position	34
Notes to Financial Statements	35
Combining and Individual Fund Statements and Schedules	
Combining Balance Sheet - Nonmajor Governmental Funds	63
Combining Statement of Revenues, Expenditures and Changes in Fund Balances - Nonmajor Governmental Funds	65
Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual - Transit Fund	67
Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual - Library Fund	68
Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual - Volunteer Fire and First Responders Fund	69
Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual - Civic Center Fund	70
Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual - Economic Development Fund	71
Statement of Changes in Assets and Liabilities - Stewartville Youth Area Association Agency Fund	72
Statement of Changes in Assets and Liabilities - Fire Department Auxiliary Fund	73
Statement of Fiduciary Net Position - Fire Department Auxiliary and Stewartville Youth Area Association Agency Fund	74

CITY OF STEWARTVILLE, MINNESOTA

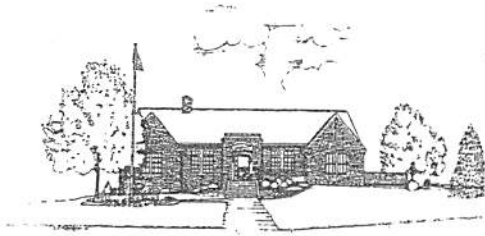
TABLE OF CONTENTS (CONTINUED)

	<u>PAGE</u>
FINANCIAL SECTION (CONTINUED)	
Supplementary Information	
Enterprise Funds:	
Water Fund:	
Schedule of Fund Net Position	75
Schedule of Revenues, Expenses and Changes in Fund Net Position - Budget and Actual	76
Sewer Fund:	
Schedule of Fund Net Position	77
Schedule of Revenues, Expenses and Changes in Fund Net Position - Budget and Actual	78
Storm Water Fund:	
Schedule of Fund Net Position	79
Schedule of Revenues, Expenses and Changes in Fund Net Position - Budget and Actual	80
STATISTICAL SECTION	
Changes in Net Position	81
Net Position by Component	83
Fund Balances, Governmental Funds	84
Changes in Fund Balances, Governmental Funds	85
Tax Capacity and Estimated Actual Value of Taxable Property	86
Property Tax Rates and Tax Levies - Direct and Overlapping Property Tax Rates	87
Principal Property Taxpayers	88
Schedule of Property Tax Levies and Collections	89
Water and Sanitary Sewer Charges by Customer	90
Ratios of Outstanding Debt by Type	91
Ratios of General Bonded Debt Outstanding	92
Computation of Direct and Indirect General Obligation Bonded Debt and Legal Debt Margin	93
Legal Debt Margin Information	94
Pledged Revenue Coverage	95
Demographic and Economic Statistics	96
Principal Employers	97
Full-Time Equivalent Employees by Function	98
Operating Indicators by Function/Program	99
Capital Assets Statistics by Function/Program	100
Auditor's Report on Compliance	101

(This Page Left Blank Intentionally)

CITY OF STEWARTVILLE, MINNESOTA
INTRODUCTORY SECTION
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2014

(This Page Left Blank Intentionally)



City of Stewartville

105 East 1st Street • P.O. Box 275
Stewartville, MN 55976
(507) 533-4745 • Fax (507) 533-4746

April 20, 2015

To the Honorable Mayor, Members of the City Council, and the Citizens of the City of Stewartville, Minnesota:

Minnesota statutes require all cities to issue an annual report on its financial position and activity prepared in accordance with generally accepted accounting principles (GAAP), and audited in accordance with generally accepted auditing standards by a firm of licensed certified public accountants or the Office of the State Auditor. Pursuant to that requirement, we hereby issue the comprehensive annual financial report of the City of Stewartville, Minnesota for the fiscal year ended December 31, 2014.

This report consists of management's representations concerning the finances of the City of Stewartville, Minnesota. Consequently, management assumes full responsibility for the completeness and reliability of all the information presented in this report. To provide a reasonable basis for making these representations, management of the City of Stewartville, Minnesota has established a comprehensive internal control framework that is designed both to protect the City's assets from loss, theft, or misuse and to compile sufficient reliable information for the preparation of the City of Stewartville's financial statements in conformity with GAAP. Because the cost of internal controls should not outweigh their benefits, the City of Stewartville, Minnesota's comprehensive framework of internal controls has been designed to provide reasonable rather than absolute assurance that the financial statements will be free from material misstatement. As management, we assert that, to the best of our knowledge and belief, this financial report is complete and reliable in all material respects.

The City of Stewartville, Minnesota's financial statements have been audited by Smith, Schafer and Associates, Ltd., a firm of licensed certified public accountants. The goal of the independent audit was to provide reasonable assurance that the financial statements of the City of Stewartville, Minnesota for the fiscal year ended December 31, 2014, are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. The independent auditor concluded, based upon the audit, that there was a reasonable basis for rendering an unmodified opinion that the City of Stewartville, Minnesota's financial statements for the fiscal year ended December 31, 2014, are fairly presented in conformity with GAAP. The independent auditor's report is presented as the first component of the financial section of this report.

A "Single Audit" designed to meet the special needs of federal grantor agencies was not performed for year end December 31, 2014 as the City did not participate in any programs that required this additional independent audit.

GAAP requires that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement the MD&A and should be read in conjunction with it. The City of Stewartville's MD&A can be found immediately following the report of the independent auditors.

CITY OF STEWARTVILLE, MINNESOTA

PROFILE OF THE GOVERNMENT

The City of Stewartville, Minnesota, incorporated on August 5, 1858, is located in the southeastern part of the State of Minnesota, and is still considered to be one of the top growth areas in the state, and one of the top growth areas in the country. The City currently has a land area of nearly 3.09 square miles and serves a population of 6,189. The City is empowered to levy a property tax on both real and personal properties located within its boundaries. It also is empowered by State statute to extend its corporate limits by annexation, which is done periodically when deemed appropriate by the governing council through an orderly annexation agreement that the City has with the township.

The City of Stewartville, Minnesota is a statutory city governed under Minnesota Statutes. Policy-making and legislative authority are vested in a governing council consisting of the mayor and four council members. The governing council is responsible, among other things, for passing ordinances, adopting the budget, appointing committees, and hiring. The City's administrator is responsible for carrying out the policies and ordinances of the governing council and for overseeing the day-to-day operations of the City. The council is elected on a non-partisan basis. Council members and mayor all serve four-year staggered terms, with two or three of these positions elected every two years. The mayor and council members are elected at large.

The City of Stewartville, Minnesota provides a full range of services including police protection, volunteer fire and first responders; construction and maintenance of streets and infrastructure; recreational facilities, library; water, sewer, and storm water management services.

The annual budget serves as the foundation for the City's financial planning and control. All departments and agencies of the City submit requests for appropriation to the city administrator and finance director in July of each year. The city administrator and finance director use these requests as the starting point for developing a proposed budget. The Finance Committee reviews the proposed budget and then makes recommendations to the council during a work session that covers each department budget. Staff then provides this proposed budget to the council for review prior to November 15th. The Council continues to take an active role in formulating budget initiatives, while taking into account citizen input and abiding by the limits the Council sets as budget parameters. The council is required to hold public hearings on the proposed budget and to adopt a final budget no later than December 31, the close of the City of Stewartville, Minnesota's fiscal year. The appropriated budget is prepared by fund, function (e.g., public safety), and department (e.g., police). Department heads may make transfers of appropriations within a department. Transfers of appropriations between funds, however, require the approval of the city council. Budget-to-actual comparisons are provided in this report for each individual governmental fund for which an appropriated annual budget has been adopted. For the general fund and revolving loan fund, this comparison is presented on page 22-28 as part of the basic financial statements for the governmental funds. For governmental funds, other than the general fund and revolving loan fund, with appropriated annual budgets, this comparison is presented in the governmental fund subsection of this report, which starts on page 67.

FACTORS AFFECTING FINANCIAL CONDITION

The information presented in the financial statements is perhaps best understood when it is considered from the broader perspective of the specific environment within which the City operates and while these factors should be positive over time, the local government aid cuts made by the State of Minnesota have provided additional challenges in continuing to provide services to citizens.

Local economy. Stewartville is located 95 miles southeast of Minneapolis and St. Paul and 8 miles south of Rochester, Minnesota. Rochester is home to the Mayo Clinic and IBM Rochester.

CITY OF STEWARTVILLE, MINNESOTA

Local economy (continued)

The City of Stewartville, Minnesota has enjoyed a modest but steady growth in residential and economic development. With the forecast predicted in growth of the greater Rochester area, it is expected that this trend will reach into Stewartville for the foreseeable future. Its proximity to Interstate Highway # I-90, U.S. Highway # 63 and MN State Highway # 30, along with easy access to the Rochester International Airport, should continue to serve as marketing assets for new and expanded economic growth.

Recent indicators of the City of Stewartville, Minnesota's economic vitality include:

- **Jobs.** According to the State of Minnesota Department of Employment and Economic Development the Stewartville area has seen a slight increase in jobs December 2013 through December 2014.
- **Unemployment.** The unemployment rate in the Stewartville area was 2.9% percent by the end of December 2014, a slight decrease from one year ago. It remains below the state and U.S. averages of 3.7 and 5.6 percent respectively.
- **Home Sales.** Home sales for 2014 reached \$15.00 million.
- **Building Activity.** For 2014, commercial and residential building permits for new and renovation construction continue to grow, totaled over \$5.787 million.

Long-term financial planning. The Stewartville council is directing City staff on numerous projects that will affect the growth of the City. A partial list includes:

- **Capital Improvement Projects** – In 2005 and updated in 2009 and 2011, and reviewed annually City Council approved a Capital Improvement Plan for renovation and reconstruction of our streets and infrastructure (water and sewer mains) to be implemented over a number of years. Funding from the general fund and enterprise funds, along with special assessments to benefiting property owners, will be used to finance the Capital Improvement projects.
- **Wastewater Facility Expansion** – In 2007, a feasibility study on the current needs and future needs was completed and presented to the City Council. Prior and current Councils have been budgeting annually and setting aside funds for future expansion needs that are comprised of three phases. The first phase of the renovation/expansion was completed in 2010 with the expansion of the grit and screening area and the second phase designs and specifications for the reconstruction of the influent pump and control system began in 2011 and was completed in 2013. The third phase will begin planning in 2015 with construction in 2016.
- **Water Well** – In 1995 a new water tower was constructed in the NW corner of the City to accommodate the growth in that area and also to serve a future well. As growth continues in this area the need to provide a new well becomes more likely.
- **Comprehensive Plan** – The City adopted an updated Comprehensive Plan in 2010. The City plans to review and update this Plan every 10 years, to coincide with National Census years.

CITY OF STEWARTVILLE, MINNESOTA

REPORTING ACHIEVEMENT

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Stewartville, Minnesota for its Comprehensive Annual Financial Report for the fiscal year ended December 31, 2013. This was the seventh consecutive year that the City has achieved this prestigious award.

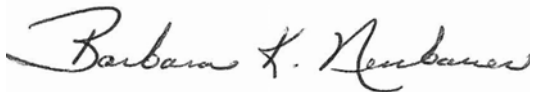
In order to be awarded a Certificate of Achievement, a governmental unit must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe that our current report continues to meet the Certificate of Achievement Program's requirements, and we are submitting it to GFOA to determine its eligibility for another certificate.

ACKNOWLEDGMENTS

The preparation of this report could not be accomplished without the professional, efficient services of many dedicated people. We first express our appreciation to all City Hall staff and City departments and committees who assisted and contributed in preparing the report. We also thank the staff of Smith, Schafer and Associates, Ltd. for their assistance and review of the document. And finally, we acknowledge the Mayor and the members of the City Council for their interest and support in planning and conducting the financial operations of the City in a responsible and progressive manner.

Respectfully submitted,



Barbara K. Neubauer
Director of Finance



William H. Schimmel, Jr.
City Administrator



Government Finance Officers Association

Certificate of
Achievement
for Excellence
in Financial
Reporting

Presented to

**City of Stewartville
Minnesota**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

December 31, 2013

Executive Director/CEO

CITY OF STEWARTVILLE, MINNESOTA

MAYOR - COUNCIL

	<u>Initial Term Commenced</u>	<u>Current Term Expires December 31</u>
Mayor, Jimmie-John King	2009	2016
Deputy Mayor, Gary Stensrud	2009	2016
Councilmember, Wendy Timm	2013	2016
Councilmember, Roger Hanson	2007	2014
Councilmember, Jerry Burgr	2013	2014

CITY ADMINISTRATOR

William H. Schimmel, Jr.

FINANCE DIRECTOR

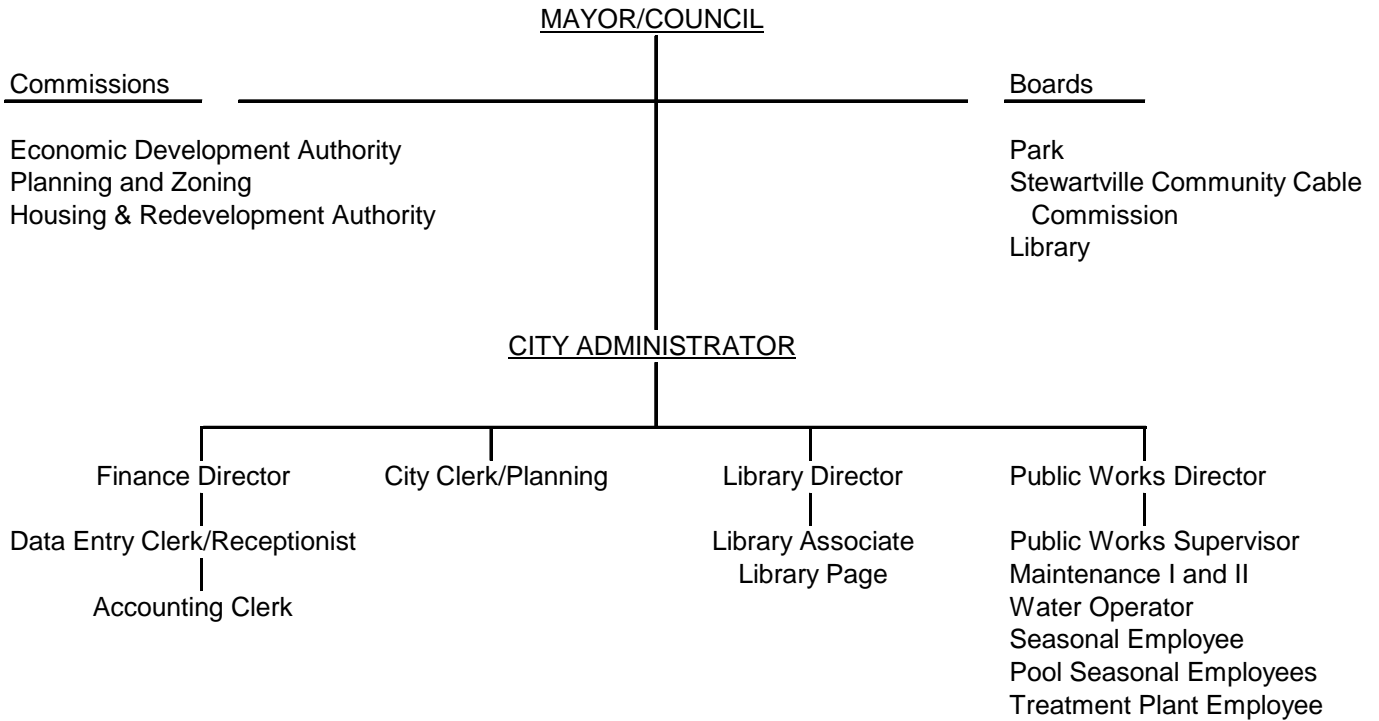
Barbara K. Neubauer

OTHER CITY OFFICIALS

Director of Public Works, Mark Stevens
Fire Chief, Vance Swisher
Director Library Services, Patricia Johnson
City Attorney, Joseph Guzinski
City Engineer, SEH Yaggy

CITY OF STEWARTVILLE, MINNESOTA

ORGANIZATIONAL CHART



(This Page Left Blank Intentionally)

CITY OF STEWARTVILLE, MINNESOTA
FINANCIAL SECTION
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2014

(This Page Left Blank Intentionally)

INDEPENDENT AUDITOR'S REPORT

Honorable Mayor and Members
of the City Council
City of Stewartville, 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 Stewartville, Minnesota, as of and for the year ended December 31, 2014, and the related notes to the financial statements, which collectively comprise the City of Stewartville, Minnesota'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.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Stewartville, Minnesota, as of December 31, 2014, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparison for the General Fund and the Revolving Loan Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion on pages 3 through 12 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.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Stewartville, Minnesota's financial statements as a whole. The introductory section, combining and individual nonmajor fund financial statements and schedules, supplementary information and statistical section listed in the table of contents 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 and schedules, and the supplementary information are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole. The introductory section and statistical section has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

Report on Summarized Comparative Information

The financial statements include partial prior year comparative information. Such information does not include all of the information required to constitute a presentation in accordance with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the City's financial statement for the year ended December 31, 2013, from which such partial information was derived.

We have previously audited the City's 2013 financial statements and our report, dated April 25, 2014, expressed unmodified opinions on the respective financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2013, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Smith, Schafu and Associates, Ltd.

CITY OF STEWARTVILLE, MINNESOTA MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the City of Stewartville, Minnesota, we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City of Stewartville, Minnesota for the fiscal year ended December 31, 2014.

FINANCIAL HIGHLIGHTS

- The assets of the City exceeded its liabilities at the close of the most recent fiscal year by \$40,000,258 (net position) when including all governmental and business type activities. Of this amount \$6,893,529 (unrestricted net position) may be used to meet the City's ongoing obligations to citizens and creditors in accordance with the City's fund designations and fiscal policies.
- The City's total net position increased by \$749,560 during 2014.
- As of the close of the current fiscal year, the City of Stewartville, Minnesota's governmental funds, which include general, special revenue, debt service and capital projects funds, reported combined ending fund balances of \$6,578,790. Approximately 54 percent of this total amount, or \$3,560,920, has external restrictions.
- At the end of the current fiscal year, unassigned fund balance for the general fund was \$406,365 or 19 percent of total 2015 budgeted general fund expenditures.
- The City decreased its existing debt principal by \$627,000 during the current fiscal year leaving a total outstanding of \$8,958,000.
- The City was again recognized in 2014 by the Government Finance Officers Association of the United States and Canada (GFOA) for obtaining a Certificate of Achievement for Excellence in Financial Reporting.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis are intended to serve as an introduction to the City of Stewartville, Minnesota's basic financial statements. The City's basic financial statements comprise three components:

1. Government-wide financial statements, providing information for the City as a whole.
2. Fund financial statements, providing detailed information for the City's significant funds
3. Notes to the financial statements, providing additional information that is essential to understanding the government-wide and fund statements.

This report also contains other supplementary information in addition to the basic financial statements themselves. Additional explanation of these sections of the financial statements follows.

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

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

**CITY OF STEWARTVILLE, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS**

The *statement of activities* presents information showing how the City's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of the related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g. uncollected taxes and earned, but not used, compensated absences).

Both of the government-wide financial statements distinguish functions of the City of Stewartville, Minnesota that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities of the City of Stewartville, Minnesota include general government, public safety and transportation, public works, library, recreation, economic development, and senior health care facilities. The business-type activities of the City include the water utility, sewer utility and storm water utility. The government-wide financial statements can be found on pages 13-15 of this report.

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

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

The City's fund balance is classified by the following types:

Non-spendable – representing that portion of fund balance that is not in a spendable form. Included in this category are advances to other funds, prepaid items and inventory.

Restricted – reports resources that have external constraints placed upon their use.

Committed – reports those resources committed for a specific purpose by Council action. The constraints cannot be changed or removed without Council action.

Assigned – represents the portion of fund balance the City intends to use for a specific purpose. The Council has authorized the City Administrator and City Finance Director to assign fund balance.

Unassigned – represents the amount available for any purpose. However, only the General Fund may report a positive fund balance. Fund balance in other governmental funds will fall into one or more of the categories listed above, unless a fund has a negative fund balance.

Detailed information regarding the fund balance classifications are found in Note 8 in the Notes to Financial Statements.

CITY OF STEWARTVILLE, MINNESOTA MANAGEMENT'S DISCUSSION AND ANALYSIS

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

The City of Stewartville, Minnesota maintains fourteen individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund, the city capital projects fund, the special assessment bonds fund, the revolving loan fund, and the general obligation bonds fund all of which are considered to be major funds. Data from the other nine governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of *combining statements* elsewhere in this report.

The City of Stewartville, Minnesota adopts an annual appropriated budget for its general fund and most special revenue, debt service and capital projects funds. Budgetary comparison statements have been provided for the general fund (pages 22-27), the revolving loans special revenue fund (page 28), and the other special revenue funds (pages 67-71) to demonstrate compliance with the budget.

The basic governmental fund financial statements can be found on pages 16-28 of this report.

Proprietary funds. The City of Stewartville, Minnesota maintains one type of proprietary funds — enterprise 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 storm water utilities.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the water, sewer, and storm water utilities, all of which are considered to be major funds of the City.

The City of Stewartville, Minnesota adopts an annual appropriated budget for its enterprise funds. Budgetary comparison statements have been provided for the water fund (page 76), the sewer fund (page 78), and the storm water fund (page 80) to demonstrate compliance with the budget.

The basic proprietary fund financial statements can be found on pages 29-32 of this report.

Fiduciary funds. Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statements because those funds are not available to support the City of Stewartville's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

The basic fiduciary fund financial statements can be found on pages 33-34 of this report.

**CITY OF STEWARTVILLE, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS**

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 35-61 of this report.

Other information. The combining statements referred to earlier in connection with nonmajor governmental funds can be found on pages 63-66 of this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net position may serve over time as a useful indicator of a government's financial position.

In the case of the City of Stewartville, Minnesota, assets exceeded liabilities by \$40,000,258 at the close of the most recent fiscal year.

By far the largest portion of the City's net position (76%) reflects its investment in capital assets (e.g. land, buildings, infrastructure, vehicles, and equipment), less any related debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are *not* available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

City of Stewartville, Minnesota's Net Position

	Governmental Activities		Business-Type Activities		Total	
	2014	2013	2014	2013	2014	2013
Current and other assets	\$ 7,524,688	\$ 7,578,333	\$ 4,113,687	\$ 3,242,961	\$ 11,638,375	\$ 10,821,294
Capital assets	27,070,748	27,421,867	10,722,466	11,043,199	37,793,214	38,465,066
Total assets	34,595,436	35,000,200	14,836,153	14,286,160	49,431,589	49,286,360
Long-term liabilities						
outstanding	9,008,823	9,639,188			9,008,823	9,639,188
Other liabilities	305,172	289,915	117,336	106,559	422,508	396,474
Total liabilities	9,313,995	9,929,103	117,336	106,559	9,431,331	10,035,662
Net position:						
Net investment in capital assets	19,760,404	19,501,902	10,722,466	11,043,199	30,482,870	30,545,101
Restricted	2,623,859	2,898,703			2,623,859	2,898,703
Unrestricted	2,897,178	2,670,492	3,996,351	3,136,402	6,893,529	5,806,894
Total net position	\$ 25,281,441	\$ 25,071,097	\$ 14,718,817	\$ 14,179,601	\$ 40,000,258	\$ 39,250,698

A portion of the City's net position (7%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of *unrestricted net position* (\$6,893,529) may be used to meet the government's ongoing obligations to citizens and creditors.

At the end of the current fiscal year, the City of Stewartville, Minnesota is able to report positive balances in all three categories of net position, both for the government as a whole, as well as for its separate governmental and business-type activities.

**CITY OF STEWARTVILLE, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS**

Governmental activities. Governmental activities increased the City's net position \$210,344, accounting for 28 percent of the total growth in the net position of the City. The most significant change in governmental net position is due to the effect of accounting for net position under full accrual accounting, current year infrastructure capital outlay, which was funded during the year, will be expensed over its useful life.

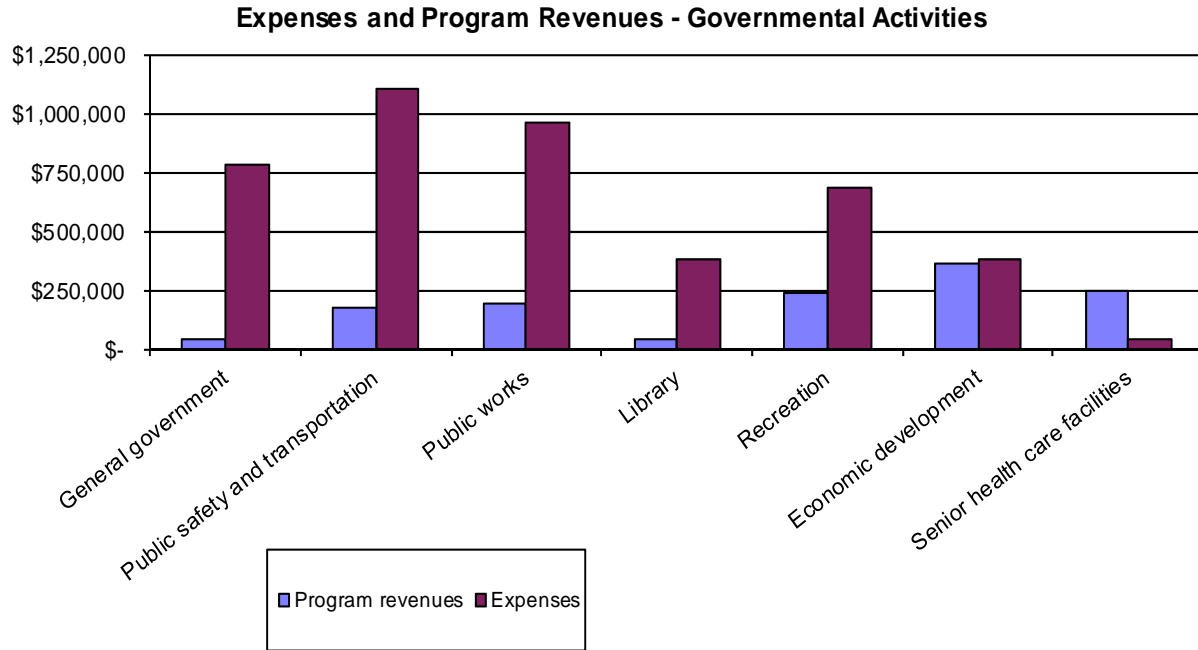
A condensed version of the Statement of Activities follows:

City of Stewartville, Minnesota's Change in Net Position

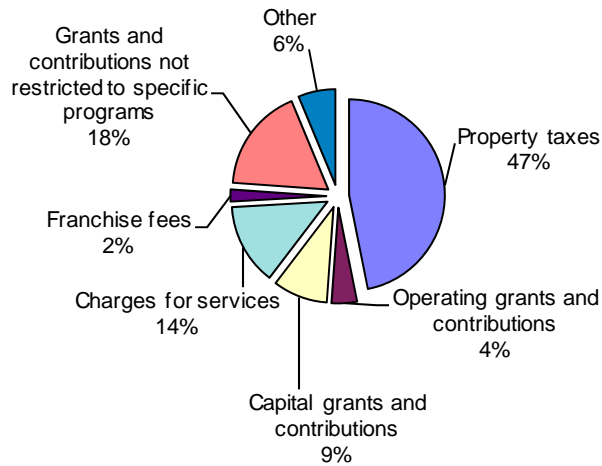
	Governmental Activities		Business-Type Activities		Total	
	2014	2013	2014	2013	2014	2013
Revenue:						
Program revenues:						
Charges for services	\$ 669,030	\$ 774,988	\$ 1,695,790	\$ 1,635,316	\$ 2,364,820	\$ 2,410,304
Operating grants and contributions	208,397	538,104			208,397	538,104
Capital grants and contributions	448,875	840,527		33,436	448,875	873,963
General revenues:						
Property taxes	2,283,564	2,077,026			2,283,564	2,077,026
TIF taxes		29,093				29,093
Franchise fees	99,579	96,487			99,579	96,487
Grants and contributions not restricted to specific programs	857,117	601,312			857,117	601,312
Other	292,034	65,051	80,017	67,869	372,051	132,920
Total revenues	<u>4,858,596</u>	<u>5,022,588</u>	<u>1,775,807</u>	<u>1,736,621</u>	<u>6,634,403</u>	<u>6,759,209</u>
Expenses:						
General government	788,349	702,204			788,349	702,204
Public safety and transportation	1,109,460	1,122,583			1,109,460	1,122,583
Public works	963,273	730,794			963,273	730,794
Library	386,431	335,836			386,431	335,836
Recreation	685,234	662,526			685,234	662,526
Economic development	383,691	173,013			383,691	173,013
Senior health care facilities	46,688	46,689			46,688	46,689
Interest on long-term debt	299,126	288,809			299,126	288,809
Water			591,894	525,033	591,894	525,033
Sewer			597,800	577,862	597,800	577,862
Storm water			32,897	48,903	32,897	48,903
Total expenses	<u>4,662,252</u>	<u>4,062,454</u>	<u>1,222,591</u>	<u>1,151,798</u>	<u>5,884,843</u>	<u>5,214,252</u>
Increase in net position before transfers	196,344	960,134	553,216	584,823	749,560	1,544,957
Transfers	14,000	(1,315)	(14,000)	1,315		
Increase in net position	210,344	958,819	539,216	586,138	749,560	1,544,957
Net position, beginning of year	<u>25,071,097</u>	<u>24,112,278</u>	<u>14,179,601</u>	<u>13,593,463</u>	<u>39,250,698</u>	<u>37,705,741</u>
Net position, end of year	<u>\$ 25,281,441</u>	<u>\$ 25,071,097</u>	<u>\$ 14,718,817</u>	<u>\$ 14,179,601</u>	<u>\$ 40,000,258</u>	<u>\$ 39,250,698</u>

**CITY OF STEWARTVILLE, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS**

Below are specific graphs that provide comparisons of the governmental activities direct program revenues with their expenses. Any shortfalls in direct revenues are primarily supported by property tax levy or general state aid.



Revenues by Source - Governmental Activities

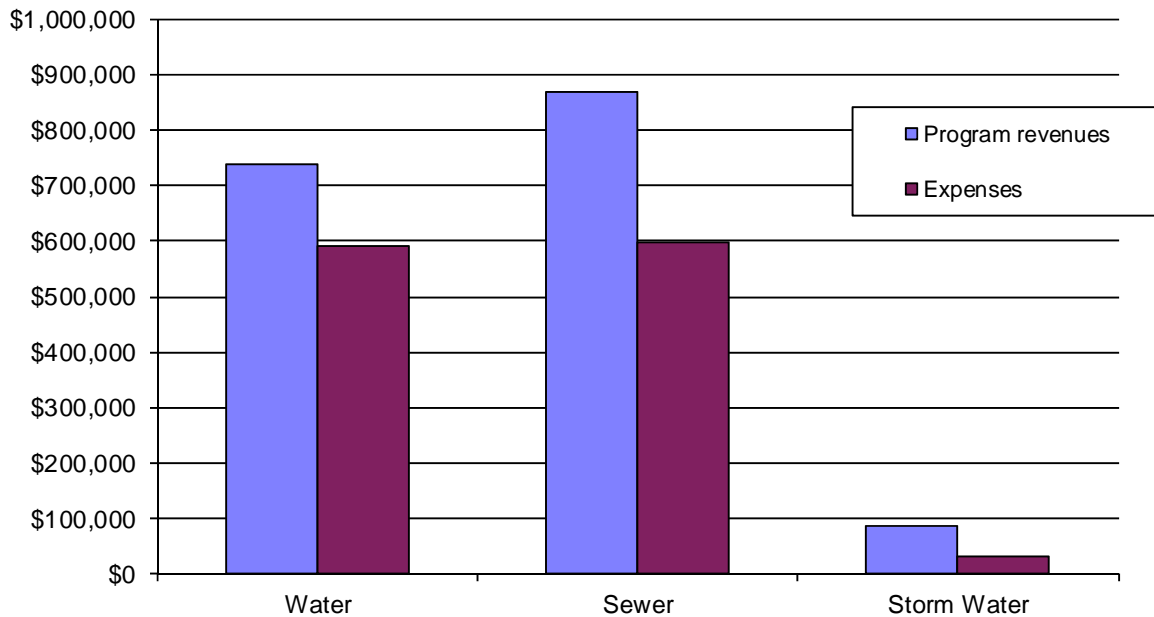


**CITY OF STEWARTVILLE, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS**

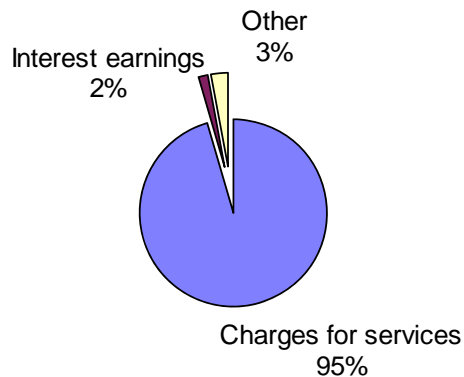
Business-type activities. Business-type activities increased the City's net position by \$539,216 accounting for 72 percent of the total growth in the City's net position.

The following graphs relate the various business-type activities' program revenues with their expenses. Since all of these activities require significant physical assets to operate, any excess revenues are held for planned capital expenses to keep pace with growing demand for services.

Expenses and Program Revenues - Business-Type Activities



Revenues by Source - Business-Type Activities



**CITY OF STEWARTVILLE, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS**

FUND BASIS FINANCIAL ANALYSIS

Financial Analysis of the Government's Funds

As noted earlier, the City of Stewartville, Minnesota uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements as well as compliance with GFOA standards.

Governmental funds. The focus of the City of Stewartville, Minnesota's *governmental funds* is to provide information on near-term inflows, outflows, and balances of *spendable* resources. Such information is useful in assessing the City's financing requirements. In particular, *unassigned fund balance* may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$6,578,790. Approximately 45 percent of this total amount, or \$2,934,882, constitutes *committed, assigned, and unassigned fund balance*, which is available for spending at the government's discretion. The remainder of this fund balance is *restricted or nonspendable* to indicate that it is not available for new spending because it has already been restricted by contributors (\$403,955), grantors (\$280,494), creditors (\$2,873,884), regulations (\$2,587) or advances to other funds (\$82,988).

The general fund is the chief operating fund of the City. At the end of the current fiscal year, unassigned fund balance of the general fund was \$406,365. As a measure of the general fund's liquidity, it may be useful to compare unassigned fund balance to total fund expenditures, which represents 19 percent of total general fund expenditures.

The general fund's total fund balance increased by \$18,039 during the current fiscal year. This year's increase was due to increases in revenues, i.e. recreation fees and decrease in anticipated expenses, i.e. park expenses.

The city capital project's total fund balance decreased by \$268,294 during the current fiscal year. This year's decrease was primarily due to using reserves to fund capital projects.

The special assessment bond's total fund balance decreased by \$104,258 during the current fiscal year. This year's decrease was primarily due to using reserves to fund capital projects.

The revolving loan total fund balance decreased by \$117,258 during the current fiscal year. This year's decrease was primarily due to issuance of two new loans.

Proprietary funds. The City of Stewartville's proprietary funds statements found on pages 28-32 provide the same type of information found in the government-wide financial statements, but in more detail.

The unrestricted assets in the respective proprietary funds are Water - \$1,817,997, Sewer - \$2,023,389, Storm Water - \$154,965.

Water utility rates increased for fiscal year 2014 at \$3.55 per 1,000 gallons. Sewer utility rates also increased for fiscal year 2014 at \$4.69 per 1,000 gallons.

**CITY OF STEWARTVILLE, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS**

Due to the findings from the 2007-08 Wastewater Feasibility Study that identified a three phase improvement and expansion project, the Council awarded \$775,000 in improvement contracts for the first phase in 2009. This phase includes the expansion of the grit/screening room and replacement and updating of that equipment and was completed in 2010. Engineering design began in 2011 for the second phase of the Wastewater Treatment Plant. This phase consists of renovating and updating the influent pump and control system for a projected cost estimate of \$850,000 with construction started in 2012 and was completed in 2013. The final phase will begin in 2015 with planning and developing the scope of the improvements with implementation and construction scheduled for 2016.

General Fund Budgetary Highlights

The City amends its budget to recognize additional unplanned obligations during the year to somewhat offset this with additional revenue.

Differences between the original budget and the final budget for the general fund can be briefly summarized as follows:

- Increase in wages and salaries due to change in buy-out of vacation/sick leave accumulated hours to implement new PTO policy.

At the close of the year, general fund total expenditures were \$82,681 below final budget while actual revenues exceeded the final budget by \$61,654. Much of the lower expenses are due to the City's practice of budgeting a constant amount each year to accumulate funds for future capital projects.

OTHER INFORMATION INCLUDED IN THE FINANCIAL STATEMENTS

Capital Asset and Debt Administration

Capital assets. The City of Stewartville, Minnesota's investment in capital assets for its governmental and business-type activities for the fiscal year ended December 31, 2014, amounts to \$37,793,214 (net of accumulated depreciation). This investment in capital assets includes land, buildings and systems, improvements, machinery and equipment, park facilities, roads, highways, and bridges. The total decrease in the City's reported investment in capital assets for the current fiscal year was \$671,852. Most of this decrease was the result of depreciation.

**City of Stewartville, Minnesota's Capital Assets
(net of depreciation)**

	Governmental Activities		Business-Type Activities		Total	
	2014	2013	2014	2013	2014	2013
Land	\$ 1,144,053	\$ 1,144,053	\$ 92,963	\$ 92,963	\$ 1,237,016	\$ 1,237,016
Buildings and improvements	6,516,106	6,854,832	10,423,763	10,734,566	16,939,869	17,589,398
Improvements other than Buildings	2,445,157	2,408,816			2,445,157	2,408,816
Machinery and equipment	766,933	897,723	172,996	215,670	939,929	1,113,393
Infrastructure	16,171,515	15,292,573			16,171,515	15,292,573
Construction in progress	26,984	823,870	32,744		59,728	823,870
Total	\$ 27,070,748	\$ 27,421,867	\$ 10,722,466	\$ 11,043,199	\$ 37,793,214	\$ 38,465,066

Additional information on the City of Stewartville, Minnesota's capital assets can be found in Note 5 on pages 47-48 of this report.

**CITY OF STEWARTVILLE, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS**

Long-term debt. At the end of the current fiscal year, the City of Stewartville, Minnesota had \$8,958,000 in bond obligations outstanding.

City of Stewartville, Minnesota's Outstanding Debt

	Governmental Activities		Business-Type Activities		Total	
	2014	2013	2014	2013	2014	2013
General obligation bonds	\$ 3,045,000	\$ 3,190,000	\$	\$	\$ 3,045,000	\$ 3,190,000
Revenue bonds	1,980,000	2,145,000			1,980,000	2,145,000
Special assessment bonds	3,933,000	4,250,000			3,933,000	4,250,000
Total	\$ 8,958,000	\$ 9,585,000	\$	\$	\$ 8,958,000	\$ 9,585,000

The City's total bonds and note payable decreased by \$627,000 during the current fiscal year. A more detailed breakdown of these obligations can be found in Note 6, beginning on page 49.

The City maintains an Aa3 bond rating on its general obligation bonds from both Moody's Investors Service and Standard and Poors.

Economic Factors and Next Year's Budgets and Rates

- Stewartville continues to experience new construction growth, not only in residential, but also in commercial construction. In 2014 a new Tax Increment District was established to help finance a new 15,000 square foot office and R&D facility for an existing furniture manufacturer. In 2014 the City's total market valuation increased by 0.5%. With the restructure of the Economic Development Authority, the City is investigating Downtown Revitalization and Redevelopment and pursuing additional marketing for economic growth in the Industrial Park areas.
- The City continues their Capital Improvement Plan of street and utilities reconstruction projects with repayment coming from special assessments and is planning to complete a 2014 Capital Improvement Project.

All of these factors were considered in preparing the City of Stewartville, Minnesota's budget for the 2015 fiscal year. To deal with both cycles in the economy and to plan for future capital expansion, the City routinely puts aside resources.

Requests for Information

This financial report is designed to provide a general overview of the City's finances for all those with an interest in the City's finances. Questions concerning any of the information provided in this report or requests for additional information should be addressed to the City Administrator, 105 East 1st Street, Stewartville, MN 55976.

CITY OF STEWARTVILLE, MINNESOTA
BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2014

(This Page is Left Blank Intentionally)

CITY OF STEWARTVILLE, MINNESOTA
STATEMENT OF NET POSITION
December 31, 2014
With Comparative Totals for December 31, 2013

	Governmental Activities	Business-Type Activities	Totals	
			2014	2013
Assets				
Cash and investments	\$ 4,919,009	\$ 3,840,608	\$ 8,759,617	\$ 7,502,035
Investment with fiscal agent	1,647,656		1,647,656	1,665,035
Receivables	945,304	273,079	1,218,383	1,521,955
Due from other governmental units	12,719		12,719	16,688
Prepaid expenses				115,581
Capital assets:				
Nondepreciable	1,171,037	125,707	1,296,744	2,060,886
Depreciable, net	25,899,711	10,596,759	36,496,470	36,404,180
Total Assets	34,595,436	14,836,153	49,431,589	49,286,360
Liabilities				
Accounts payable	66,354	24,210	90,564	69,179
Accrued liabilities	9,589	20,120	29,709	27,672
Due to other governmental units				2,809
Accrued interest payable	58,620		58,620	85,723
Accrued compensated absences	170,609	51,785	222,394	185,678
Customer deposits/prepaid revenue		21,221	21,221	25,413
Noncurrent liabilities:				
Due within one year	731,000		731,000	627,000
Due in more than one year	8,277,823		8,277,823	9,012,188
Total Liabilities	9,313,995	117,336	9,431,331	10,035,662
Net Position				
Net investment in capital assets	19,760,404	10,722,466	30,482,870	30,545,101
Restricted for:				
Contributors	403,955		403,955	296,486
Grantors	534,239		534,239	657,964
Creditors	1,683,078		1,683,078	1,904,861
Regulations	2,587		2,587	39,392
Unrestricted	2,897,178	3,996,351	6,893,529	5,806,894
Total Net Position	\$ 25,281,441	\$ 14,718,817	\$ 40,000,258	\$ 39,250,698

See Notes to Financial Statements

**CITY OF STEWARTVILLE, MINNESOTA
STATEMENT OF ACTIVITIES**

For the Year Ended December 31, 2014

With Comparative Totals for the Fiscal Year Ended December 31, 2013

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>		
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>
Governmental activities:				
General government	\$ 788,349	\$ 41,121	\$	\$
Public safety and transportation	1,109,460	113,226	63,371	3,135
Public works	963,273	49,570	51,301	92,777
Library	386,431	3,198	43,725	1,254
Recreation	685,234	209,959		35,000
Economic development	383,691		50,000	316,709
Senior health care facilities	46,688	251,956		
Interest on long-term debt	299,126			
Total governmental activities	<u>4,662,252</u>	<u>669,030</u>	<u>208,397</u>	<u>448,875</u>
Business-Type activities:				
Water	591,894	738,125		
Sewer	597,800	869,075		
Storm water	32,897	88,590		
Total business-type activities	<u>1,222,591</u>	<u>1,695,790</u>		
Total	<u>\$ 5,884,843</u>	<u>\$ 2,364,820</u>	<u>\$ 208,397</u>	<u>\$ 448,875</u>

General revenues:

- General property taxes
- Tax increments
- Franchise fees based on gross receipts
- Grants and contributions not restricted to specific programs
- Interest earnings
- Gain on sale of property
- Miscellaneous
- Transfers
- Total general revenues and transfers

Change in net position

Net position - beginning

Net position - ending

See Notes to Financial Statements

Net (Expense) Revenue
and Changes in Net Position

Governmental Activities	Business-Type Activities	Totals	
		2014	2013
\$ (747,228)	\$	\$ (747,228)	\$ (654,130)
(929,728)		(929,728)	(857,446)
(769,625)		(769,625)	157,908
(338,254)		(338,254)	(287,899)
(440,275)		(440,275)	(432,454)
(16,982)		(16,982)	226,775
205,268		205,268	227,220
(299,126)		(299,126)	(288,809)
<u>(3,335,950)</u>		<u>(3,335,950)</u>	<u>(1,908,835)</u>
	146,231	146,231	193,088
	271,275	271,275	303,565
	55,693	55,693	20,301
	<u>473,199</u>	<u>473,199</u>	<u>516,954</u>
<u>(3,335,950)</u>	<u>473,199</u>	<u>(2,862,751)</u>	<u>(1,391,881)</u>
2,283,564		2,283,564	2,077,026
			29,093
99,579		99,579	96,487
857,117		857,117	601,312
42,049	28,299	70,348	70,640
249,175		249,175	1,309
810	51,718	52,528	60,971
14,000	(14,000)		
<u>3,546,294</u>	<u>66,017</u>	<u>3,612,311</u>	<u>2,936,838</u>
210,344	539,216	749,560	1,544,957
<u>25,071,097</u>	<u>14,179,601</u>	<u>39,250,698</u>	<u>37,705,741</u>
<u>\$ 25,281,441</u>	<u>\$ 14,718,817</u>	<u>\$ 40,000,258</u>	<u>\$ 39,250,698</u>

CITY OF STEWARTVILLE, MINNESOTA
BALANCE SHEET
GOVERNMENTAL FUNDS
December 31, 2014
With Comparative Totals for December 31, 2013

	General Fund	City Capital Projects Fund	Special Assessment Bonds Fund
Assets			
Cash and investments	\$ 948,974	\$ 1,379,250	\$ 825,942
Investment with fiscal agent			491,289
Interest receivable	6,912	6,905	1,299
Accounts receivable	35,522		7,122
Taxes receivable delinquent	56,146		2,058
Special assessments receivable:			
Delinquent	622		1,988
Deferred	635	88,275	452,804
Due from other funds			
Advance to other funds	82,988		
Due from other governmental units	8,781		1,071
Prepaid items			
Notes receivable			
TOTAL ASSETS	\$ 1,140,580	\$ 1,474,430	\$ 1,783,573
Liabilities, Deferred Inflows of Resources, and Fund Balance			
Liabilities			
Accounts payable	\$ 27,011	\$ 25,558	\$
Accrued liabilities	7,465		
Due to other funds			
Due to other governmental units			
Advance from other funds		82,988	
Total Liabilities	<u>34,476</u>	<u>108,546</u>	
Deferred Inflows of Resources			
Unavailable revenue:			
Property taxes	56,146		2,058
Special assessments	1,257	88,275	454,792
Notes receivable			
Total Deferred Inflows of Resources	<u>57,403</u>	<u>88,275</u>	<u>456,850</u>
Fund Balance			
Nonspendable:			
Prepaid items			
Advances to other funds	82,988		
Restricted:			
Contributors			
Grantors	11,462		
Creditors			1,326,723
Regulations			
Committed	547,886	526,369	
Assigned		751,240	
Unassigned	406,365		
Total Fund Balance	<u>1,048,701</u>	<u>1,277,609</u>	<u>1,326,723</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCE	\$ 1,140,580	\$ 1,474,430	\$ 1,783,573

See Notes to Financial Statements

Revolving Loan Fund	General Obligation Bonds Fund	Other Governmental Funds	Total Governmental Funds	
			2014	2013
\$ 267,270	\$ 23,243	\$ 1,474,330	\$ 4,919,009	\$ 4,602,011
	1,156,367		1,647,656	1,665,035
1,762		6,127	23,005	22,440
		9,700	52,344	54,958
	6,049	7,633	71,886	80,545
			2,610	8,284
			541,714	752,579
				3,759
			82,988	96,859
	1,556	1,311	12,719	16,688
				115,581
253,745			253,745	260,212
<u>\$ 522,777</u>	<u>\$ 1,187,215</u>	<u>\$ 1,499,101</u>	<u>\$ 7,607,676</u>	<u>\$ 7,678,951</u>
\$	\$	\$ 13,785	\$ 66,354	\$ 58,675
		2,124	9,589	7,206
				3,759
				2,809
			82,988	96,859
		15,909	158,931	169,308
	6,049	7,633	71,886	80,545
			544,324	760,863
253,745			253,745	260,212
<u>253,745</u>	<u>6,049</u>	<u>7,633</u>	<u>869,955</u>	<u>1,101,620</u>
				115,581
			82,988	96,859
		403,955	403,955	296,486
269,032			280,494	397,752
	1,181,166	365,995	2,873,884	2,978,530
		2,587	2,587	32,069
		24,177	1,098,432	1,003,042
		678,845	1,430,085	1,215,634
			406,365	272,070
<u>269,032</u>	<u>1,181,166</u>	<u>1,475,559</u>	<u>6,578,790</u>	<u>6,408,023</u>
<u>\$ 522,777</u>	<u>\$ 1,187,215</u>	<u>\$ 1,499,101</u>	<u>\$ 7,607,676</u>	<u>\$ 7,678,951</u>

(This Page is Left Blank Intentionally)

CITY OF STEWARTVILLE, MINNESOTA
RECONCILIATION OF NET POSITION IN THE
GOVERNMENT-WIDE FINANCIAL STATEMENTS AND FUND BALANCES
IN THE FUND BASIS FINANCIAL STATEMENTS
December 31, 2014

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

Total governmental fund balances (pages 16 and 17)	\$	6,578,790
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.		
Governmental funds - capital assets	\$	42,965,076
Less: Accumulated depreciation		15,894,328
		27,070,748
Some receivables are not available soon enough to pay for current period expenditures and therefore are unavailable in the funds.		
Delinquent property taxes	\$	71,886
Deferred and delinquent special assessments		544,324
Notes receivable		253,745
		869,955
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.		
Bonds and notes payable	\$	(9,008,823)
Compensated absences		(170,609)
Accrued interest		(58,620)
		(9,238,052)
Net position of governmental activities (page 13)	\$	25,281,441

**CITY OF STEWARTVILLE, MINNESOTA
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS**

For the Year Ended December 31, 2014

With Comparative Totals for the Fiscal Year Ended December 31, 2013

	General Fund	City Capital Projects Fund	Special Assessment Bonds Fund
Revenues			
Property taxes	\$ 918,083	\$ 506,243	\$ 90,742
Tax increments			
Special assessments	2,902	151,912	154,502
Licenses and permits	120,610		
Intergovernmental revenues	844,185	118,779	
Charges for services	194,554		
Interest income	3,283	10,287	7,443
Proceeds from sale of property		249,175	
Miscellaneous revenues	29,120	35,000	46,090
Total Revenues	<u>2,112,737</u>	<u>1,071,396</u>	<u>298,777</u>
Expenditures			
Current:			
General government	522,686		
Public safety and transportation	604,015		
Public works	546,597		
Library services			
Recreation	443,313	25,355	
Economic development			
Capital outlay		769,834	
Bond principal retirement			317,000
Interest and fiscal charges			86,035
Issuance costs			
Total Expenditures	<u>2,116,611</u>	<u>795,189</u>	<u>403,035</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(3,874)</u>	<u>276,207</u>	<u>(104,258)</u>
Other Financing Sources (Uses)			
Issuance of debt			
Premium on issuance of debt			
Transfers in	21,913		
Transfers out		(7,913)	
Total other financing sources (uses)	<u>21,913</u>	<u>(7,913)</u>	
Net change in fund balances	18,039	268,294	(104,258)
FUND BALANCE, beginning	<u>1,030,662</u>	<u>1,009,315</u>	<u>1,430,981</u>
FUND BALANCE, ending	<u>\$ 1,048,701</u>	<u>\$ 1,277,609</u>	<u>\$ 1,326,723</u>

See Notes to Financial Statements

Revolving Loan Fund	General Obligation Bonds Fund	Other Governmental Funds	Total Governmental Funds	
			2014	2013
\$	\$ 294,333	\$ 482,822	\$ 2,292,223	\$ 2,138,715
				29,093
			309,316	253,711
			120,610	118,836
		413,569	1,376,533	1,438,440
		121,936	316,490	345,877
5,623	5,311	9,477	41,424	48,408
			249,175	1,309
25,174		282,385	417,769	506,363
<u>30,797</u>	<u>299,644</u>	<u>1,310,189</u>	<u>5,123,540</u>	<u>4,880,752</u>
			522,686	447,793
		222,387	826,402	879,903
			546,597	419,484
		311,492	311,492	290,037
		52,574	521,242	485,219
148,055		364,489	512,544	227,197
			769,834	3,079,677
	145,000	165,000	627,000	554,216
	151,323	91,618	328,976	265,746
				50,306
<u>148,055</u>	<u>296,323</u>	<u>1,207,560</u>	<u>4,966,773</u>	<u>6,699,578</u>
(117,258)	3,321	102,629	156,767	(1,818,826)
				2,050,000
				29,836
		1,600	23,513	531,255
		(1,600)	(9,513)	(532,570)
			14,000	2,078,521
(117,258)	3,321	102,629	170,767	259,695
386,290	1,177,845	1,372,930	6,408,023	6,148,328
<u>\$ 269,032</u>	<u>\$ 1,181,166</u>	<u>\$ 1,475,559</u>	<u>\$ 6,578,790</u>	<u>\$ 6,408,023</u>

(This Page is Left Blank Intentionally)

CITY OF STEWARTVILLE, MINNESOTA
RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCES OF
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
For the Year Ended December 31, 2014

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

Net change in fund balances - total governmental funds (pages 19 and 20)	\$	170,767
<p>Governmental funds reported capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.</p>		
Capital outlay - city capital projects	\$	769,834
Capital outlay - other governmental funds		168,519
Depreciation expense		(1,201,885)
Loss on disposal of capital assets		(87,587)
		(351,119)
<p>Some revenues which will not be collected for several months after fiscal year ends are not considered "available" and are reported as deferred inflows of resources. Unavailable revenues decreased by this amount this year.</p>		
		(231,665)
<p>Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.</p>		
Compensated absences, December 31, 2014	\$	(170,609)
Compensated absences, December 31, 2013		135,502
		(35,107)
<p>Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.</p>		
Principal retirement on long-term debt	\$	627,000
Amortization of bond premium		3,365
Change in accrued interest		27,103
		657,468
Change in net position of governmental activities (pages 14 and 15)	\$	210,344

**CITY OF STEWARTVILLE, MINNESOTA
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL**

For the Year Ended December 31, 2014

With Comparative Totals for the Fiscal Year Ended December 31, 2013

	2014		Actual Amounts	Variance with Final Budget Positive (Negative)	2013 Actual Amounts
	Budgeted Amounts				
	Original	Final			
Property Tax Levy					
Property tax collected	\$ 896,831	\$ 896,831	\$ 918,083	\$ 21,252	\$ 989,789
Special Assessments			2,902	2,902	
Licenses and Permits					
Franchise fees	85,000	85,000	99,579	14,579	96,487
Business licenses	14,500	14,500	13,175	(1,325)	13,185
Non-Business licenses	7,000	7,000	7,856	856	9,164
Total Licenses and Permits	106,500	106,500	120,610	14,110	118,836
Intergovernmental Revenues					
Market value credit			38	38	45
Local government aid	785,141	785,141	785,141		599,307
State fire aid	54,546	54,546	54,546		53,251
Other state aids	1,960	1,960	4,460	2,500	1,960
Total Intergovernmental Revenues	841,647	841,647	844,185	2,538	654,563
Interest Income	4,200	4,200	3,283	(917)	6,569
Charges for Services					
Recreation fees	180,000	179,575	187,207	7,632	197,744
Park fees	3,000	3,000	7,347	4,347	10,888
Total Charges for Services	183,000	182,575	194,554	11,979	208,632
Miscellaneous Revenues					
Road maintenance	3,480	3,480	3,480		3,480
Fines and penalties	10,500	10,500	12,812	2,312	13,728
Donations			4,750	4,750	14,620
Penalties and interest	5,000	5,000	7,278	2,278	11,997
Other	350	350	800	450	2,250
Total Miscellaneous Revenues	19,330	19,330	29,120	9,790	46,075
TOTAL REVENUES	\$ 2,051,508	\$ 2,051,083	\$ 2,112,737	\$ 61,654	\$ 2,024,464

See Notes to Financial Statements

**CITY OF STEWARTVILLE, MINNESOTA
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL**

For the Year Ended December 31, 2014

With Comparative Totals for the Fiscal Year Ended December 31, 2013

	2014		Actual Amounts	Variance with Final Budget Positive (Negative)	2013 Actual Amounts
	Budgeted Amounts				
	Original	Final			
EXPENDITURES					
Current:					
General Government					
Salaries and wages	\$ 261,284	\$ 287,000	\$ 285,017	\$ 1,983	\$ 241,781
Election judges	8,000	8,000	4,092	3,908	2,854
Payroll overhead	35,653	35,653	36,597	(944)	33,927
Employee health insurance	36,509	36,509	34,943	1,566	29,274
Workers' compensation	1,866	1,866	1,516	350	757
Operating supplies	10,000	10,000	10,947	(947)	10,075
Professional services	43,000	43,000	38,351	4,649	41,359
Contractual services	16,000	16,000	25,832	(9,832)	12,545
Telephone	5,000	5,000	4,518	482	5,090
Postage	3,000	3,000	3,504	(504)	3,084
Travel and conferences	6,000	6,000	5,314	686	4,379
Printing and publication	3,500	3,500	6,167	(2,667)	3,453
Insurance	42,000	42,000	39,922	2,078	28,303
Utilities	8,000	8,000	8,912	(912)	6,709
Repairs and maintenance	1,500	1,500	1,793	(293)	1,125
Equipment rental	300	300		300	100
Dues and memberships	11,000	11,000	8,887	2,113	7,823
SHIP grant	1,000	1,000	303	697	484
City celebrations	3,000	3,000	1,571	1,429	10,671
Miscellaneous	4,500	4,500	4,500		4,000
Total General Government	<u>\$ 501,112</u>	<u>\$ 526,828</u>	<u>\$ 522,686</u>	<u>\$ 4,142</u>	<u>\$ 447,793</u>

**CITY OF STEWARTVILLE, MINNESOTA
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL**

For the Year Ended December 31, 2014

With Comparative Totals for the Fiscal Year Ended December 31, 2013

	2014		Actual Amounts	Variance with Final Budget Positive (Negative)	2013 Actual Amounts
	Budgeted Amounts				
	Original	Final			
EXPENDITURES					
Current:					
Public Safety					
Law Enforcement					
Operation supplies	\$ 1,000	\$ 1,000	\$ 877	\$ 123	\$ 737
Contractual services	476,192	476,192	476,192		462,322
Total Law Enforcement	<u>477,192</u>	<u>477,192</u>	<u>477,069</u>	123	<u>463,059</u>
Fire Protection					
Fire relief association contribution	54,546	54,546	54,546		53,251
Capital outlay	2,500	2,500		2,500	42,912
Miscellaneous	750	750		750	
Total Fire Protection	<u>57,796</u>	<u>57,796</u>	<u>54,546</u>	3,250	<u>96,163</u>
Traffic Engineering					
Utilities	2,000	2,000	2,261	(261)	1,806
Operating supplies	200	200		200	
Total Traffic Engineering	<u>2,200</u>	<u>2,200</u>	<u>2,261</u>	(61)	<u>1,806</u>
Street Lighting					
Utilities	68,000	68,000	65,700	2,300	59,827
Solid Waste Disposal					
Salaries and wages	2,382	2,382	289	2,093	1,000
Payroll taxes and retirement contribution	355	355	46	309	140
Employee health insurance	760	760	760		675
Workers' compensation	150	150	30	120	39
Operating supplies	2,024	2,024	3,130	(1,106)	562
Total Solid Waste Disposal	<u>5,671</u>	<u>5,671</u>	<u>4,255</u>	1,416	<u>2,416</u>
Animal Control					
Contractual services	700	700	184	516	126
Miscellaneous	1,000	1,000		1,000	75
Total Animal Control	<u>1,700</u>	<u>1,700</u>	<u>184</u>	1,516	<u>201</u>
Total Public Safety	<u>\$ 612,559</u>	<u>\$ 612,559</u>	<u>\$ 604,015</u>	\$ 8,544	<u>\$ 623,472</u>

See Notes to Financial Statements

**CITY OF STEWARTVILLE, MINNESOTA
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL**

For the Year Ended December 31, 2014

With Comparative Totals for the Fiscal Year Ended December 31, 2013

	2014				2013 Actual Amounts
	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)	
	Original	Final			
EXPENDITURES					
Current:					
Public Works					
Streets and Highways					
Salaries and wages	\$ 138,476	\$ 217,000	\$ 217,450	\$ (450)	\$ 190,667
Payroll taxes and retirement contribution	18,711	18,711	29,043	(10,332)	27,401
Employee health insurance	27,009	27,009	27,890	(881)	24,956
Telephone	3,500	3,500	3,206	294	3,021
Utilities	8,000	8,000	9,406	(1,406)	8,186
Operating supplies	25,500	25,500	27,871	(2,371)	28,117
Clothing	1,211	1,211	1,206	5	1,180
Fuels and lubricants	22,000	22,000	22,209	(209)	25,129
Small tools	750	750	813	(63)	903
Dues and memberships	500	500	302	198	16
Travel and conferences	300	300	76	224	264
Workers' compensation	10,486	10,486	12,442	(1,956)	7,727
Repairs and maintenance	50,750	50,750	39,391	11,359	62,158
Street maintenance	100,000	150,240	143,754	6,486	19,884
Contractual services	18,000	18,000	11,538	6,462	19,875
Total Public Works	\$ 425,193	\$ 553,957	\$ 546,597	\$ 7,360	\$ 419,484

See Notes to Financial Statements

**CITY OF STEWARTVILLE, MINNESOTA
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL**

For the Year Ended December 31, 2014

With Comparative Totals for the Fiscal Year Ended December 31, 2013

	2014		Actual Amounts	Variance with Final Budget Positive (Negative)	2013 Actual Amounts
	Budgeted Amounts				
	Original	Final			
EXPENDITURES					
Current:					
Recreation					
Swimming Pool					
Salaries and wages	\$ 139,680	\$ 139,680	\$ 119,551	\$ 20,129	\$ 118,933
Operating supplies	25,000	25,000	20,297	4,703	23,759
Telephone	4,250	4,250	4,250		4,120
Utilities	25,000	25,000	25,508	(508)	28,623
Repairs and maintenance	8,000	8,000	2,133	5,867	3,857
Capital outlay	4,000	4,000	3,922	78	1,873
Miscellaneous	650	650	755	(105)	460
Total Swimming Pool	206,580	206,580	176,416	30,164	181,625
Adult Softball					
General program expense	7,500	7,500	6,044	1,456	6,683
Parks					
Salaries	168,434	148,558	136,827	11,731	123,337
Payroll taxes and retirement contribution	21,552	21,552	16,600	4,952	16,531
Employee health insurance	24,933	24,933	24,538	395	23,634
Workers' compensation	5,509	5,509	3,528	1,981	3,082
Operating supplies	15,000	15,000	13,111	1,889	10,354
Fuels and lubricants	10,000	10,000	9,945	55	11,047
Contractual services	2,200	2,200	7,628	(5,428)	5,501
Telephone	3,000	3,000	2,945	55	3,128
Travel and conferences	200	200	355	(155)	155
Clothing	1,116	1,116	1,175	(59)	1,177
Utilities	20,000	20,000	24,201	(4,201)	20,485
Repairs and maintenance	18,000	18,000	3,584	14,416	10,237
Equipment rentals	1,400	1,400	655	745	602
Small tools	600	600	73	527	
Capital outlay	1,000	1,000		1,000	274
Miscellaneous	14,800	18,800	15,688	3,112	9,329
Total Parks	307,744	291,868	260,853	31,015	238,873
Total Recreation	\$ 521,824	\$ 505,948	\$ 443,313	\$ 62,635	\$ 427,181

See Notes to Financial Statements

CITY OF STEWARTVILLE, MINNESOTA
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
For the Year Ended December 31, 2014
With Comparative Totals for the Fiscal Year Ended December 31, 2013

	2014			Variance with Final Budget Positive (Negative)	2013 Actual Amounts
	Budgeted Amounts		Actual Amounts		
	Original	Final			
TOTAL EXPENDITURES	\$ 2,060,688	\$ 2,199,292	\$ 2,116,611	\$ 82,681	\$ 1,917,930
Excess (deficiency) of revenues over (under) expenditures	(9,180)	(148,209)	(3,874)	144,335	106,534
OTHER FINANCING SOURCES (USES)					
Transfers in	14,000	14,000	21,913	7,913	14,000
Transfers out					(21,084)
Total Other Financing Sources (Uses)	14,000	14,000	21,913	7,913	(7,084)
NET CHANGE IN FUND BALANCE	4,820	(134,209)	18,039	152,248	99,450
FUND BALANCE, beginning	1,030,662	1,030,662	1,030,662		931,212
FUND BALANCE, ending	\$ 1,035,482	\$ 896,453	\$ 1,048,701	\$ 152,248	\$ 1,030,662

See Notes to Financial Statements

(This Page is Left Blank Intentionally)

CITY OF STEWARTVILLE, MINNESOTA
REVOLVING LOAN FUND
Statement of Revenues, Expenditures
and Changes in Fund Balance - Budget and Actual

For the Year Ended December 31, 2014

With Comparative Totals for the Fiscal Year Ended December 31, 2013

	2014		Actual Amount	Variance With Budget Positive (Negative)	2013 Actual Amount
	Budgeted Amounts				
	Original	Final			
REVENUES					
Interest income	\$ 7,000	\$ 7,000	\$ 5,623	\$ (1,377)	\$ 5,841
Principal payments	21,524	21,524	25,174	3,650	23,079
Total Revenues	28,524	28,524	30,797	2,273	28,920
EXPENDITURES					
Economic Development					
Professional services	300	300	110	190	495
Loan advances	27,524	148,000	147,945	55	35,429
Total Expenditures	27,824	148,300	148,055	245	35,924
Net Change in Fund Balance	700	(119,776)	(117,258)	2,518	(7,004)
Fund Balance, beginning	386,290	386,290	386,290		393,294
Fund Balance, ending	\$ 386,990	\$ 266,514	\$ 269,032	\$ 2,518	\$ 386,290

See Notes to Financial Statements

CITY OF STEWARTVILLE, MINNESOTA
PROPRIETARY FUNDS
STATEMENT OF NET POSITION
December 31, 2014
With Comparative Totals for December 31, 2013

	Business-Type Activities - Enterprise Funds				
	Water Fund	Sewer Fund	Storm Water Fund	TOTALS	
				2014	2013
ASSETS					
Current Assets					
Cash and cash equivalents	\$ 1,794,463	\$ 1,896,399	\$ 149,746	\$ 3,840,608	\$ 2,900,024
Interest receivable	10,630	27,282	129	38,041	36,339
Accounts receivable	49,323	55,162	5,608	110,093	182,661
Accrued utility revenue	52,917	64,935	7,093	124,945	123,937
Total Current Assets	1,907,333	2,043,778	162,576	4,113,687	3,242,961
Capital Assets					
Property and equipment	9,438,738	11,114,635	247,047	20,800,420	20,691,490
Less: Accumulated depreciation	4,053,649	6,003,992	20,313	10,077,954	9,648,291
Capital Assets, Net	5,385,089	5,110,643	226,734	10,722,466	11,043,199
Total Assets	7,292,422	7,154,421	389,310	14,836,153	14,286,160
LIABILITIES					
Current Liabilities					
Accounts payable	13,792	9,561	857	24,210	10,504
Accrued liabilities	54,323	10,828	6,754	71,905	70,642
Customer deposits	21,221			21,221	25,413
Total Liabilities	89,336	20,389	7,611	117,336	106,559
NET POSITION					
Investment in capital assets	5,385,089	5,110,643	226,734	10,722,466	11,043,199
Unrestricted	1,817,997	2,023,389	154,965	3,996,351	3,136,402
Total Net Position	\$ 7,203,086	\$ 7,134,032	\$ 381,699	\$ 14,718,817	\$ 14,179,601

See Notes to Financial Statements

CITY OF STEWARTVILLE, MINNESOTA
PROPRIETARY FUNDS
STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN FUND NET POSITION

For the Year Ended December 31, 2014
With Comparative Totals for the Fiscal Year Ended December 31, 2013

	Business-Type Activities - Enterprise Funds				
	Water Fund	Sewer Fund	Storm Water Fund	TOTALS	
				2014	2013
Revenues	\$ 738,125	\$ 869,075	\$ 88,590	\$ 1,695,790	\$ 1,635,316
Operating Expenses					
Salaries and wages	129,300	42,884	6,724	178,908	158,322
Payroll taxes and retirement contribution	18,008	6,378	650	25,036	22,221
Contractual services	3,142	182,952		186,094	178,901
Employee health insurance	16,906	12,074	6,051	35,031	27,946
Workers' compensation	2,651	370		3,021	4,133
Operating supplies	28,459	1,526		29,985	29,320
Fuels and lubricants	7,903			7,903	9,243
Clothing	873	212	235	1,320	1,300
Professional services	16,082	6,798		22,880	5,200
Postage	3,738	3,738		7,476	6,995
Insurance	23,280	26,457		49,737	43,453
Utilities	45,764	59,288		105,052	101,386
Repairs and maintenance	28,861	23,887	11,002	63,750	97,864
Depreciation	223,352	222,042	8,235	453,629	447,876
City clean-up	13,913			13,913	
Licenses and permits	2,209	6,000		8,209	6,223
Miscellaneous	17,517	2,000		19,517	11,415
Total Operating Expenses	581,958	596,606	32,897	1,211,461	1,151,798
Operating Income	156,167	272,469	55,693	484,329	483,518
Nonoperating Revenues (Expenses)					
Loss on disposal of capital assets	(9,936)	(1,194)		(11,130)	
Interest income	13,355	13,989	955	28,299	21,537
Penalties and other income	51,718			51,718	46,332
Total Nonoperating Revenues (Expenses)	55,137	12,795	955	68,887	67,869
Income Before Transfers and Capital Contributions	211,304	285,264	56,648	553,216	551,387
Capital contributions					33,436
Transfers in					15,315
Transfers out	(7,000)	(7,000)		(14,000)	(14,000)
Change in net position	204,304	278,264	56,648	539,216	586,138
Net Position, Beginning	6,998,782	6,855,768	325,051	14,179,601	13,593,463
Net Position, Ending	\$ 7,203,086	\$ 7,134,032	\$ 381,699	\$ 14,718,817	\$ 14,179,601

See Notes to Financial Statements

CITY OF STEWARTVILLE, MINNESOTA
PROPRIETARY FUNDS
STATEMENT OF CASH FLOWS
For the Year Ended December 31, 2014
With Comparative Totals for the Fiscal Year Ended December 31, 2013

	Business-Type Activities - Enterprise Funds				
	Water Fund	Sewer Fund	Storm Water Fund	TOTALS	
				2014	2013
Cash Flows From Operating Activities					
Cash received from customers	\$ 799,619	\$ 925,996	\$ 89,261	\$ 1,814,876	\$ 1,617,011
Cash payments to suppliers	(214,429)	(334,515)	(15,011)	(563,955)	(631,724)
Cash payments to employees	(129,300)	(42,884)	(6,724)	(178,908)	(158,322)
Net Cash Provided By Operating Activities	455,890	548,597	67,526	1,072,013	826,965
Cash Flows From Noncapital Financing Activities					
Transfers in					15,315
Transfers out	(7,000)	(7,000)		(14,000)	(14,000)
Net Cash Provided By (Used In) Noncapital Financing Activities	(7,000)	(7,000)		(14,000)	1,315
Cash Flows From Capital and Related Financing Activities					
Capital contributions					33,436
Purchase of property and equipment	(84,081)	(59,945)		(144,026)	(615,564)
Net Cash (Used In) Capital and Related Financing Activities	(84,081)	(59,945)		(144,026)	(582,128)
Cash Flows From Investing Activities					
Interest received	12,669	13,065	863	26,597	22,389
Increase in Cash and Cash Equivalents	377,478	494,717	68,389	940,584	268,541
Cash and Cash Equivalents, Beginning	1,416,985	1,401,682	81,357	2,900,024	2,631,483
Cash and Cash Equivalents, Ending	\$ 1,794,463	\$ 1,896,399	\$ 149,746	\$ 3,840,608	\$ 2,900,024

See Notes to Financial Statements

**RECONCILIATION OF OPERATING INCOME
TO NET CASH PROVIDED BY OPERATING ACTIVITIES**

	Business-Type Activities - Enterprise Funds				
	Water Fund	Sewer Fund	Storm Water Fund	TOTALS	
				2014	2013
Operating Income	\$ 156,167	\$ 272,469	\$ 55,693	\$ 484,329	\$ 483,518
Adjustments to reconcile operating income to net cash provided by operating activities:					
Depreciation and amortization	223,352	222,042	8,235	453,629	447,876
Other income	51,718			51,718	46,332
(Increase) Decrease In:					
Accounts receivable	13,968	56,921	671	71,560	(65,937)
Increase (Decrease) In:					
Accounts payable	9,457	3,608	641	13,706	(91,989)
Accrued liabilities	5,420	(6,443)	2,286	1,263	5,865
Customer deposits	(4,192)			(4,192)	1,300
Net Cash Provided By Operating Activities	<u>\$ 455,890</u>	<u>\$ 548,597</u>	<u>\$ 67,526</u>	<u>\$ 1,072,013</u>	<u>\$ 826,965</u>

CITY OF STEWARTVILLE, MINNESOTA
FIDUCIARY FUNDS
STATEMENT OF FIDUCIARY NET POSITION
December 31, 2014

	Fire Pension Investment Trust	Total Agency Funds	Total
ASSETS			
Cash	\$ 15,000	\$ 31,238	\$ 46,238
Investments, at fair value:			
U.S. Government Securities	154,495		154,495
Interest receivable		32	32
Total Assets	169,495	31,270	200,765
LIABILITIES			
Accounts payable	15,000	562	15,562
Assets held on behalf of agency fund		30,708	30,708
Total Liabilities	15,000	31,270	46,270
NET POSITION			
Held in trust for pension benefits and other purposes	\$ 154,495	\$	\$ 154,495

**CITY OF STEWARTVILLE, MINNESOTA
 FIDUCIARY FUNDS
 STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
 For the Year Ended December 31, 2014**

	Fire Pension Investment Trust
<hr/>	
ADDITIONS	
Contributions	\$ 69,546
Net increase in fair value of investments	<u>2,942</u>
Total Additions	<u>72,488</u>
DEDUCTIONS	
Disbursements to fire relief	<u>69,546</u>
Total Deductions	<u>69,546</u>
Change in Net Position	2,942
Net Position, beginning of year	<u>151,553</u>
Net Position, end of year	<u><u>\$ 154,495</u></u>

See Notes to Financial Statements

(This Page Left Blank Intentionally)

CITY OF STEWARTVILLE, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2014

CITY OF STEWARTVILLE, MINNESOTA

NOTES TO FINANCIAL STATEMENTS

1. Summary of Significant Accounting Policies

The City of Stewartville, Minnesota was first incorporated on August 5, 1858. The City operates under the “optional Plan A” form of government as defined by Minnesota State Statutes which prescribes a Mayor-Council form of government. Four Council members and the Mayor are each elected to four year terms.

The accounting policies of the City of Stewartville, Minnesota, conform to generally accepted accounting principles applicable to governmental units. The following is a summary of the more significant accounting policies:

Reporting Entity

In accordance with Statement No. 14 of the Governmental Accounting Standards Board, The Financial Reporting Entity, the City's financial statements include the primary government and the component units of the City of Stewartville, defined as follows:

Primary Government - Includes all funds relevant to the operations of the City. The financial statements presented herein do not include agencies which have been formed under applicable state laws or separate and distinct units of government apart from the City.

Component Units - Component units are legally separate organizations for which the elected officials of the City are financially accountable or for which the nature or significance of their relationship with the City of Stewartville would cause the general purpose financial statements to be misleading or incomplete if excluded. Based on this criteria, there are no component units of the City.

Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the City. For the most part, the effect of interfund activity has been removed from these statements. *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 for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

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

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

1. Summary of Significant Accounting Policies (Continued)

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the proprietary fund financial statements. 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.

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. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, sales taxes, licenses and permits, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the City.

Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the year in which the resources are measurable and become available.

Non-exchange transactions, in which the City receives value without directly giving equal value in return, include property taxes, grants, and donations. On an accrual basis, revenue from property taxes is recognized in the year for which the tax is levied. Revenue from grants and donations is recognized in the year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year in which the resources are required to be used or the year when use is first permitted; matching requirements, in which the City must provide local resources to be used for a specific purpose; and expenditure requirements, in which the resources are provided to the City on a reimbursement basis. On a modified accrual basis, revenue from non-exchange transactions must also be available before it is recognized.

Unearned revenue is recorded when assets are recognized before revenue recognition criteria have been satisfied. Grants received before eligibility requirements other than time requirements are met and recorded as unearned revenue. Grants received before time requirements are met are recorded as a deferred inflow of resources.

The City reports the following major governmental funds:

The *general fund* is the government's primary operating fund. It accounts for all financial resources of the City, except those required to be accounted for in another fund.

The *city capital projects fund* accounts for the financial resources to be used for city street, sewer and water, other than construction financed by the City or developers.

The *special assessment bonds fund* accounts for the accumulation of resources for payment of special assessment bonds and interest.

CITY OF STEWARTVILLE, MINNESOTA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

1. Summary of Significant Accounting Policies (Continued)

Measurement Focus, Basis of Accounting, and Financial Statement Presentation (Continued)

The *revolving loan fund* accounts for the disbursement and collection of funds under the City's revolving loan program.

The *general obligation bonds fund* accounts for the accumulation of resources for payment of general obligation bonds and interest.

The City reports the following major proprietary funds:

The *water fund* accounts for the operation of the City owned water utility system.

The *sewer fund* accounts for the operation of the City owned sewer utility system.

The *storm water fund* accounts for the operations of the City owned storm water system.

The City reports the following fiduciary funds:

The *fire pension investment trust fund* is an investment trust type of fiduciary fund as it is an external portion of the City's investment pool.

The *Stewartville Youth Area Association agency fund* is an agency fund and accounts for disbursements and collections of funds for youth activities.

The *Fire Department Auxiliary fund* is an agency fund that accounts for disbursements and collections of funds for the Stewartville Fire Department Auxiliary.

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

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

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

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

CITY OF STEWARTVILLE, MINNESOTA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

1. Summary of Significant Accounting Policies (Continued)

Budgets and Budgetary Accounting

Formal budgetary accounting is employed as a management control for the general fund and all special revenue funds. Annual operating budgets are adopted each fiscal year by council action and may be amended by formal council action. Budgets are adopted on a basis consistent with generally accepted accounting principles. All budget appropriations lapse at the end of the fiscal year.

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

1. The City Administrator, Finance Director and Finance Committee submit a proposed operating budget to the City Council prior to the end of each year for the fiscal year commencing the following January 1. The operating budget includes proposed expenditures and means of financing them.
2. Public hearings are conducted to obtain taxpayer comments.
3. Prior to December 28, the budget is legally enacted through the passage of a budget resolution.
4. Changes to the budget at the departmental level must be by formal action of the City Council. Generally, budget amendments result in utilization of contingency appropriations and do not alter the total expenditure budget of the City. Monitoring of budgets is maintained by the Finance Director and reviewed by the City Administrator. However, expenditures in excess of the departmental budget require council approval.
5. All budgeted appropriations lapse at the end of the fiscal year. The legal level of budgetary control (i.e. the level at which expenditures may not legally exceed appropriations) is at the departmental level.

All budgets amounts presented in the accompanying supplementary information reflect the original budget and the final budget (which have been adjusted for legally authorized revisions of the annual budgets during the year).

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

Cash and Investments

Except where otherwise required, the City maintains all deposits in bank accounts in the name of the City. These deposits are invested on a short-term basis with interest income allocated to each fund based upon their relative account balance. The balances shown in each fund represents an equity interest in the commingled pool of cash and temporary cash investments, which is under the management of the City. Investments consist primarily of nonparticipating certificates of deposit recorded at cost, which approximates market.

The City has designated cash and cash equivalents as demand deposits and all investments with an original maturity of three months or less.

Property Taxes

Property tax levies are set by the City Council in December of each year and are certified to Olmsted County for collection in the following year. In Minnesota, counties act as collection agents for all property taxes. Taxes which remain unpaid at December 31 are classified as delinquent taxes receivable. Delinquent taxes receivable are fully offset by deferred inflows of resources in the governmental fund types because they are not known to be available to finance current expenditures.

CITY OF STEWARTVILLE, MINNESOTA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

1. Summary of Significant Accounting Policies (Continued)

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

Property Taxes (Continued)

The County spreads all levies over taxable property. Such taxes become a lien on January 1, following, and are recorded as receivables by the City at that date. Revenues from property taxes are accrued and recognized in the year collectable, net of delinquencies.

Real property taxes may be paid by taxpayers in two equal installments on May 15 and October 15. Personal property taxes may be paid on February 28 and June 30. The County provides tax settlements to cities and other taxing districts normally during the months of July and December.

Special Assessments

Assessments are levied at various times by City resolution for property owner improvements made by the City. Assessment collections are deferred over periods ranging from one to fifteen years with interest charges of 3.15% to 6.5%. Assessment revenue is recognized as the annual installments become collectible. Annual installments not collected as of each December 31 are classified as delinquent assessments receivable. Delinquent assessments receivable are fully offset by deferred inflows of resources in the Governmental Fund Types because they are not known to be available to finance current expenditures.

Tax Increment Districts

Tax increment revenues received are recorded in the Debt Service Fund to the extent required to service bond principal and interest payments due plus 5 percent of such payments. Any remaining property tax revenues are recognized in the Capital Projects Funds for the tax increment district.

Interfund Balances

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of the interfund loans) or "advances to/from other funds" (i.e., the non-current portion of the interfund loans). All other outstanding balances between funds are reported as "due to/from other funds." Any residual balances outstanding between the governmental and business-type activities are reported in the government-wide financial statements as "internal balances."

Advances between funds, as reported in the fund financial statements, are offset by a fund balance nonspendable account in applicable governmental funds to indicate that they are not available for appropriation and are not expendable available resources.

Prepaid Expenses

The City uses the consumption method to record certain payments to vendors that reflect costs applicable to future accounting periods and are recorded as prepaid expenses in both government-wide and fund financial statements.

Prepaid expenses in governmental funds are equally offset by a fund balance reserve which indicates that they do not constitute available spendable resources even though they are a component of net current assets.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

1. Summary of Significant Accounting Policies (Continued)

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

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 \$3,000. Such assets are recorded at historical cost if purchased or constructed. 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 assets or materially extend asset lives are not capitalized. Improvements are capitalized and depreciated over the remaining useful lives of the related fixed assets, as applicable.

Public domain ("infrastructure") capital assets consisting of roads, bridges, curbs and gutters, streets and sidewalks, drainage systems and lighting systems are capitalized along with other capital assets. Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest is capitalized on enterprise fund assets acquired with tax-exempt debt. The amount of interest to be capitalized is calculated by offsetting interest expense incurred from the date of borrowing until completion of the project with interest earned on invested proceeds over the same period.

For the government-wide financial statements, capital assets are capitalized when acquired, and depreciation is provided using the straight-line method applied over the following estimated useful lives of the assets.

	<u>Useful Life in Years</u>
Buildings	20 - 40
Improvements other than buildings	20 - 40
Furniture and fixtures	5 - 10
Machinery and equipment	5 - 10

Compensated Absences

Personal time off (PTO) is accrued when earned in the government-wide financial statements and the proprietary fund types. In the Governmental Funds of the fund financial statements, PTO is recorded as expenditures and accrued as a current liability only if they have matured, for example, as a result of employee's resignations and retirements.

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 statements of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of applicable bond premium or discount.

In the fund financial statements, governmental fund types recognize bond premiums and discounts during the current period. The face amount of the 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 for the actual debt proceeds received are reported as debt service expenditures.

CITY OF STEWARTVILLE, MINNESOTA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

1. Summary of Significant Accounting Policies (Continued)

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

Net Position / Fund Balance

In the government-wide and proprietary financial statements, net position is classified in the following categories:

Net Investment in Capital Assets – This amount consists of capital assets net of accumulated depreciation and reduced by outstanding debt attributed to the acquisition, construction, or improvement of the assets.

Restricted Net Position – This amount is restricted by external creditors, grantors, contributors, laws or regulations of other governments.

Unrestricted Net Position – This amount is all net position that does not meet the definition of “net investment in capital assets” or “restricted net position”

The City classifies governmental fund balances as follows:

Non-spendable – includes fund balance amounts that cannot be spent either because it is not in spendable form or because of legal or contractual restraints.

Restricted – this amount is restricted by external creditors, grantors, contributors, laws or regulations of other governments.

Committed – includes amounts that can be used only for the specific purposes imposed by formal action of the City Council by Resolution which is the City’s highest level of decision-making authority. Those committed amounts cannot be used for any other purpose unless the Council rescinds or changes the specified use by taking the same type of action (Resolution) it employed to previously commit those amounts.

Assigned – includes fund balance amounts that are intended to be used by the government for specific purposes but do not meet the criteria to be classified as committed. The City Council has by Resolution authorized the City Administrator and Finance Director to assign fund balance. The City Council may also assign fund balance as it does when appropriating fund balance to cover a gap between estimated revenue and appropriations in the subsequent year’s appropriated budget. Unlike commitments, assignments generally only exist temporarily. In other words, an additional action does not normally have to be taken for the removal of an assignment. Conversely, as discussed above, an additional action is essential to either remove or revise a commitment.

Unassigned – includes positive fund balances within the General Fund which have not been classified within the above mentioned categories and negative fund balances in other governmental funds.

The City uses restricted/committed amounts to be spent first when both restricted and unrestricted fund balance is available unless there are legal documents/contracts that prohibit doing this, such as a grant agreement requiring dollar for dollar spending. Additionally, the City would first use committed, then assigned, and lastly unassigned amounts when expenditures are made.

The City has adopted a minimum fund balance policy for the general fund requiring a minimum between 40% and 50% of the following year’s general fund budget.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

1. Summary of Significant Accounting Policies (Continued)

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

Comparative Data

Comparative data for the prior year has been presented in certain of the accompanying financial statements in order to provide an understanding of changes in the City's financial position and operations. However, complete comparative data has not been presented since their inclusion would not provide meaningful comparisons. Certain amounts in the December 31, 2013 totals column have been reclassified to conform to the current year presentation.

Concentration of Credit Risk

Financial instruments which expose the City to a concentration of credit risk consist primarily of cash, investments and accounts and loans receivable. Credit risk associated with cash and investments are discussed in Note 2. The City's accounts and loans receivable are concentrated geographically, as for the most part, amounts are due from individuals residing in and businesses located in the City of Stewartville, Minnesota.

2. Cash and Investments

Summary of Cash and Investments

The City sponsors an external investment pool in which monies of the primary government and of legally separate entities that choose to participate are commingled and invested for the benefit of all participants. The internal portion of this fund is allocated to the City's funds participating and the external portion is accounted for in the fiduciary funds of the City's reporting entity. The equity position of each City fund is reported at fair value in the assets of those funds with the equity position of the external participants reflected at fair value in the fiduciary funds. The pool is not registered with the SEC as an investment company and is not subject to regulatory oversight. Investments are valued at fair market on the last business day of the year and earnings are allocated to all pool participants monthly based on participant balances as a percentage of the total balance. Fair values are obtained from brokers or available published services. Participants with negative cash balances are charged interest. The pool includes no involuntary participants. The City does not issue a separate report for the pool.

CITY OF STEWARTVILLE, MINNESOTA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

2. Cash and Investments (Continued)

For the fiscal year ended December 31, 2014, the City's cash and investments consisted of the following items, all of which are held in an internal investment pool:

Deposits	\$ 2,762,989
Certificates of deposit	5,316,226
U.S. government securities	154,495
Municipal bonds	584,682
Money market funds	141,958
Total	<u>8,960,350</u>
Less: Fiduciary fund cash and investments	<u>200,733</u>
Total Cash and Investments	<u><u>\$ 8,759,617</u></u>

The following condensed statements of net position and changes in net position for the year ended December 31, 2014, are presented for the pool as a whole:

Statement of Net Position

Assets:	
Investments in securities, at fair value	\$ 6,197,361
Cash and cash equivalents	<u>2,762,989</u>
Total assets	<u><u>8,960,350</u></u>
Net position held in trust for:	
External participants	\$ 200,733
Internal participants	<u>8,759,617</u>
Total net position held in trust	<u><u>8,960,350</u></u>

Statement of Changes in Net Position

Total additions	\$ 7,360,484
Total deductions	<u>(6,105,375)</u>
Net increase	1,255,109
Net position held in trust:	
Beginning of period	<u>7,705,241</u>
End of period	<u><u>\$ 8,960,350</u></u>

CITY OF STEWARTVILLE, MINNESOTA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

2. Cash and Investments (Continued)

Investments Authorized by Minnesota Statutes

The City is authorized by Minnesota Statutes to invest idle funds as follows:

- a) Direct obligations or obligations guaranteed by the United States or its agencies.
- b) Shares of investment companies registered under the Federal Investment Company Act of 1940 and whose only investments are in securities described in (a) above.
- c) General obligations of the State of Minnesota or its municipalities.
- d) Bankers acceptances of United States banks eligible for purchase by the Federal Reserve System.
- e) Commercial paper issued by United States corporations or their Canadian subsidiaries, of the highest quality, and maturing in 270 days or less.
- f) Repurchase agreements with banks that are members of the Federal Reserve System with capitalization exceeding \$10,000,000, a reporting dealer in to the Federal Reserve Bank of New York, or certain Minnesota securities broker-dealers.
- g) Money market funds with institutions that have portfolios consisting exclusively of United States Treasury obligations and Federal Agency issues.
- h) Guaranteed investment contract (gic's) issued or guaranteed by United States commercial banks or domestic branches of foreign banks or United States insurance company and with a credit quality in one of the top two highest categories.

Collateralization of Cash Deposits

The City's deposits are entirely covered by federal depository insurance or by collateral held by the City's custodial banks in the City's name.

Minnesota Statutes require that all City deposits be insured, secured by surety bonds or be collateralized. The market value of collateral pledged by the custodial bank must equal 110% of the deposits not covered by insurance or surety bonds.

Authorized collateral includes certain state or local government obligations and legal investments. The Statutes also require that securities pledged as collateral be held in safekeeping by the Treasurer, or in a financial institution other than the institution furnishing the collateral.

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The City's investment policy does not limit investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. However, the City's investment procedures provide guidelines for maximum maturities.

Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized rating organization. Investment ratings by investment type are included in the preceding summary of investments. The investment policy of the City limits their investment options to those authorized by Minnesota Statute as described above.

CITY OF STEWARTVILLE, MINNESOTA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

2. Cash and Investments (Continued)

The following is a summary of the City of Stewartville, Minnesota's cash and investment portfolio including weighted average maturities and investment ratings by type of investment at December 31, 2014.

Investment Type	Amount	Weighted Average Maturity (in years)	Investment Rating as of Year End	
			S&P	MOODY
US Government and Agency Securities:				
US Treasury Strips	\$ 154,495	6.0	N/A	N/A
Certificates of deposit	5,316,226	1.0	N/A	N/A
Municipal bond	584,682	1.0	A to AA+	AA2 to AAA
League of Minnesota Cities 4M Fund	141,958	N/A	N/A	AA
Total Investments	6,197,361			
Cash and Deposits	2,762,989			
Total	\$ 8,960,350			

The investment policy of the City contains no limitation on the amount that can be invested in any one issuer. Investments in any one issuer that represent 5% or more of the total investments are as follows:

Issuer	Investment Type	Reported Amount
Municipal Bonds	Bonds	\$ 584,682
Various Commercial Banks	Certificates of Deposit	5,316,226

The League of MN Cities 4M Fund investment pool operates in accordance with appropriate state laws and regulations. The reported value of the pool is the same as the fair value of the pool share. The League of MN Cities 4M Fund is an external investment pool not registered with the Security Exchange Commission (SEC) that follows the same regulatory rules of the SEC under rule 2a7. Financial statements of the 4M fund can be obtained by contacting Voyager Asset Management at 100 South Fifth Street Suite 2300, Minneapolis, MN 55402-1240.

Investment with Fiscal Agent

Fiscal agent deposits of \$1,647,656 consist of deposits with trustees related to the payment of bonds by the City. These funds are invested in accordance with bond covenants and are pledged for payment of principal and interest. The pledging financial institutions trust department or agent holds the invested funds in the City's name.

CITY OF STEWARTVILLE, MINNESOTA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

3. Due From Other Governmental Units

Amounts due from other governmental units for the fiscal year ended December 31, 2014 are as follows:

Fund	Federal Government	State of Minnesota	Olmsted County	Total
General	\$ 139	\$ 400	\$ 8,242	\$ 8,781
Special Revenue			1,311	1,311
Debt Service			2,627	2,627
	<u>\$ 139</u>	<u>\$ 400</u>	<u>\$ 12,180</u>	<u>\$ 12,719</u>

4. Notes Receivable

Following is a summary of the notes receivable outstanding at December 31, 2014 and 2013:

	Original Note	Interest Rate	Final Payment	Receivable Balance	
				2014	2013
Special Revenue Fund					
Notes Receivable-2008	\$ 202,350	2.00%	2018	\$ 62,171	\$ 178,194
Notes Receivable-2010	23,000	3.25%	2015	8,254	11,604
Notes Receivable-2012	53,886	3.00%	2017	26,975	37,203
Notes Receivable-2013	5,725	2.00%	2015	1,748	4,037
Notes Receivable-2013	4,704	2.00%	2018	3,337	4,174
Notes Receivable-2013	25,000	1.00%	2018	25,000	25,000
Notes Receivable-2014	70,000	1.00%	2021	70,000	
Notes Receivable-2014	59,250	3.00%	2024	56,260	
Total Special Revenue Fund				<u>253,745</u>	<u>260,212</u>
Total Notes Receivable				<u>\$ 253,745</u>	<u>\$ 260,212</u>

CITY OF STEWARTVILLE, MINNESOTA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

5. Capital Assets

Capital asset activity for the fiscal year ended December 31, 2014 was as follows:

Governmental Activities	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets, not being depreciated:				
Land	\$ 1,144,053	\$	\$	\$ 1,144,053
Construction in progress	823,870	446,225	1,243,111	26,984
Total capital assets, not being depreciated	1,967,923	446,225	1,243,111	1,171,037
Capital assets, being depreciated:				
Buildings	10,750,126		94,741	10,655,385
Improvements other than buildings	3,995,961	240,713	81,013	4,155,661
Infrastructure	21,849,636	1,431,975		23,281,611
Machinery and equipment	3,713,698	62,551	74,867	3,701,382
Total capital assets, being depreciated	40,309,421	1,735,239	250,621	41,794,039
Less accumulated depreciation for:				
Buildings	3,895,294	274,175	30,190	4,139,279
Improvements other than buildings	1,587,145	182,789	59,430	1,710,504
Infrastructure	6,557,063	553,033		7,110,096
Machinery and equipment	2,815,975	191,888	73,414	2,934,449
Total accumulated depreciation	14,855,477	1,201,885	163,034	15,894,328
Total capital assets, being depreciated, net	25,453,944	533,354	87,587	25,899,711
Governmental activities capital assets, net	\$ 27,421,867	\$ 979,579	\$ 1,330,698	\$ 27,070,748

CITY OF STEWARTVILLE, MINNESOTA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

5. Capital Assets (Continued)

Business-Type Activities	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets, not being depreciated:				
Land	\$ 92,963	\$	\$	\$ 92,963
Construction in progress		32,744		32,744
Total capital assets, not being depreciated	92,963	32,744		125,707
Capital assets, being depreciated:				
Buildings and improvements	17,807,281	96,910	3,097	17,901,094
Machinery and equipment	2,791,246	14,372	31,999	2,773,619
Total capital assets, being depreciated	20,598,527	111,282	35,096	20,674,713
Less accumulated depreciation for:				
Buildings and improvements	7,072,715	407,714	3,098	7,477,331
Machinery and equipment	2,575,576	45,915	20,868	2,600,623
Total accumulated depreciation	9,648,291	453,629	23,966	10,077,954
Total capital assets, being depreciated, net	10,950,236	(342,347)	11,130	10,596,759
Business-type activities capital assets, net	\$ 11,043,199	\$ (309,603)	\$ 11,130	\$ 10,722,466

Depreciation expense was charged to functions/programs as follows:

Governmental Activities:

General government	\$ 178,018
Public safety and transportation	282,760
Public works	482,724
Library	40,583
Recreation	171,112
Senior health care facilities	46,688

Total depreciation expense - governmental activities \$1,201,885

Business-Type Activities:

Water	\$ 223,352
Sewer	222,042
Storm Sewer	8,235

Total depreciation expense - business-type activities \$ 453,629

6. Long-Term Debt

Types of Long-Term Debt

The long-term debt obligations outstanding and related maturities and interest rates are summarized in the schedule of bonds payable and compensated absences.

General Obligation Bonds:

General Obligation Bonds are serviced by Debt Service Funds. They are backed by the full faith and credit of the City.

General Obligation Revenue Bonds:

The Assisted Living and Nursing Home Revenue Bonds are serviced by Debt Service Funds. The bonds are payable from the revenues generated by lease revenues and are backed by the full faith and credit of the City.

Special Assessment Bonds:

These bonds are payable from property taxes and special assessments to be levied and collected for local improvements, and are backed by the full faith and credit of the City.

Advance Refunding

On November 19, 2012, the City issued \$1,790,000 General Obligation Bonds, Series 2012A refunding bonds with interest rates of 0.6% - 2.0%. The bonds were issued to advance refund General Obligation Bonds, Series 2008A and General Obligation Bonds, Series 2007A with interest rates of 3.55% - 4.35%. The net proceeds of the refunding bonds were deposited into an irrevocable trust to provide for future debt service payments on the refunded bonds. This advance refunding was undertaken to reduce total debt service payments by \$125,880 over the next 10 years.

CITY OF STEWARTVILLE, MINNESOTA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

6. Long-Term Debt (Continued)

Terms and Interest Rates

A summary of interest rates, maturities and December 31, 2014 balances is as follows:

	Range of Interest Rates	Final Maturity	Balance December 31, 2014
General Obligation Bonds:			
Swimming Pool Bonds 2007A	3.65 - 4.50%	2026	\$ 1,305,000
2013A Fire Station	2.00 - 3.75%	2033	1,740,000
General Obligation Revenue Bonds:			
Nursing Home Bonds 1997A	5.30 - 6.10%	2017	210,000
Refunded Assisted Living Bonds 2005	2.80 - 4.25%	2027	1,770,000
Special Assessment Bonds:			
2006 Improvement Bond	3.65 - 4.15%	2017	190,000
2007B Improvement Bond	3.85 - 4.125%	2018	230,000
2008A Improvement Bond	3.10 - 4.35%	2023	545,000
2009A Improvement Bond	3.50 - 4.25%	2020	110,000
2010A Improvement Bond	0.75 - 2.80%	2021	770,000
2011A Improvement Bond	2.25 - 3.25%	2022	98,000
2012A Refunding	0.60 - 2.00%	2026	1,760,000
2013B Improvement Bond	2.25 - 3.25%	2023	230,000
Compensated absences			<u>222,394</u>
Sub-total			9,180,394
Plus:			
Unamortized bond premium - Improvement Bond of 2012A			22,479
Unamortized bond premium - 2013A General Obligation Fire Station			<u>28,344</u>
Total			<u><u>\$ 9,231,217</u></u>

For governmental activities, compensated absences have generally been liquidated by the general, library, and civic center funds.

CITY OF STEWARTVILLE, MINNESOTA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

6. Long-Term Debt (Continued)

Current Year Activity

The following is a summary of the changes in long-term debt obligations for the fiscal year ended December 31, 2014:

	Beginning Balance	Additions	Reductions	Ending Balance	Amounts Due Within One Year
GOVERNMENTAL ACTIVITIES					
Bonds and Note Payable:					
General Obligation Bonds:					
2007A Swimming Pool Bonds	\$ 1,390,000	\$	\$ 85,000	\$ 1,305,000	\$ 85,000
2013A Fire Station Bond	1,800,000		60,000	1,740,000	80,000
Special Assessment Bonds:					
2006 Improvement Bond	245,000		55,000	190,000	60,000
2007B Improvement Bonds	280,000		50,000	230,000	55,000
2008A Improvement Bonds	595,000		50,000	545,000	55,000
2009A Improvement Bonds	126,000		16,000	110,000	17,000
2010A Improvement Bonds	870,000		100,000	770,000	105,000
2011A Improvement Bonds	109,000		11,000	98,000	11,000
2012A Refunding Bonds	1,775,000		15,000	1,760,000	70,000
2013B Improvement Bonds	250,000		20,000	230,000	23,000
G.O. Revenue Bonds:					
Nursing Home Bonds 1997A	270,000		60,000	210,000	65,000
Assisted Living Bonds 2005	1,875,000		105,000	1,770,000	105,000
Plus: Unamortized Bond Premium	54,188		3,365	50,823	
Total Bonds and Note Payable	9,639,188		630,365	9,008,823	731,000
Other Liabilities:					
Compensated Absences	135,502	111,267	76,160	170,609	76,160
Governmental Activities Long-term Liabilities	9,774,690	111,267	706,525	9,179,432	807,160
BUSINESS-TYPE ACTIVITIES					
Other Liabilities:					
Compensated Absences	50,176	27,481	25,872	51,785	25,872
Business-type Activities Long-term Liabilities	50,176	27,481	25,872	51,785	25,872
Total	\$ 9,824,866	\$ 138,748	\$ 732,397	\$ 9,231,217	\$ 833,032

CITY OF STEWARTVILLE, MINNESOTA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

6. Long-Term Debt (Continued)

Maturities

The annual requirements to amortize all long-term debt outstanding for the fiscal year ended December 31, 2014, over the life of the debt, are summarized below:

Years	General Obligation Special Assessment Bonds		General Obligation Bonds		General Obligation Revenue Bonds	
	Principal	Interest	Principal	Interest	Principal	Interest
<u>Governmental Activities</u>						
2015	\$ 396,000	\$ 92,197	\$ 165,000	\$ 104,490	\$ 170,000	\$ 83,731
2016	416,000	81,850	170,000	99,575	180,000	75,412
2017	559,000	70,625	175,000	94,375	190,000	66,591
2018	496,000	57,695	175,000	88,975	120,000	59,702
2019	416,000	47,044	180,000	83,575	125,000	54,903
2020-2024	1,390,000	104,693	1,000,000	323,315	700,000	194,537
2025-2029	260,000	7,800	745,000	142,846	495,000	42,501
2030-2033			435,000	40,648		
Totals	<u>\$ 3,933,000</u>	<u>\$ 461,904</u>	<u>\$ 3,045,000</u>	<u>\$ 977,799</u>	<u>\$ 1,980,000</u>	<u>\$ 577,377</u>

Industrial Revenue Bonds

The City has issued an Industrial Development Revenue Bond. This bond does not constitute an indebtedness of the City and is not a charge against the City's general credit or taxing powers. The bond is payable solely from revenues of the respective company to which these bond proceeds were remitted. The original amount of the current issue totaled \$3,500,000, and the balance outstanding at December 31, 2014 totaled \$355,000.

Refunded Assisted Living Bonds of 2005

The City has pledged future lease revenues, to repay \$1,770,000 in Assisted Living Bonds issued in 2005. Proceeds from the bonds provided financing for the construction of the Assisted Living Facility. The bonds are payable solely from lease revenues and are payable through 2027. Annual principal and interest payments on the bonds are expected to require 100 percent of net revenues. The total principal and interest remaining to be paid on the bonds is \$2,327,551. Principal and interest paid for the current year and total lease revenues were \$181,578 and \$180,993, respectively. Lease revenues deficits are paid from cash reserves provided from previous year revenues excesses.

The minimum lease payments to be received under the lease during the fiscal years ending December 31 are as follows:

Year	Amount
2015	\$ 177,903
2016	178,702
2017	179,303
2018	179,702
2019	179,903
Thereafter	1,432,038

CITY OF STEWARTVILLE, MINNESOTA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

6. Long-Term Debt (Continued)

Nursing Home Bonds of 1997A

The City has pledged future lease revenues, to repay \$210,000 in Nursing Home Bonds issued in 1997. Proceeds from the bonds provided financing for the construction of the Nursing Home Facility. The bonds are payable solely from lease revenues and are payable through 2017. Annual principal and interest payments on the bonds are expected to require 100 percent of net revenues. The total principal and interest remaining to be paid on the bonds is \$229,826. Principal and interest paid for the current year and total lease revenues were \$75,040 and \$71,916, respectively. Lease revenues deficits are paid from cash reserves provided from previous year revenues excesses.

The minimum lease payments to be received under the lease during the years ending December 31 are as follows:

<u>Year</u>	<u>Amount</u>
2015	\$ 75,828
2016	76,710
2017	77,288

Tax Increment Financing Districts

The City is the administering authority for the following tax increment financing district:

Housing Development District #1 - A housing development district authorized under Minnesota Statutes, Section 469.174 through 469.178. Established in 1993 and decertified December 31, 2014.

CITY OF STEWARTVILLE, MINNESOTA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

7. Individual Fund Disclosures

Transfers during the fiscal year ended December 31, 2014 were as follows:

	Transfers In	Transfers Out
	<u> </u>	<u> </u>
Major Governmental Funds:		
General	\$ 21,913	\$
City Projects		7,913
Nonmajor Governmental Funds:		
Special Revenue - Economic Development		1,600
Capital Projects - TIF Projects	1,600	
Total Governmental Funds	<u>23,513</u>	<u>9,513</u>
Enterprise Funds		
Water		7,000
Sewer		7,000
Total Enterprise Funds		<u>14,000</u>
Total All Funds	<u>\$ 23,513</u>	<u>\$ 23,513</u>

Transfers are used to move payment in lieu tax from Enterprise Funds to the General Fund and to pass through Capital Improvement funds to the General Fund for equipment purchases.

CITY OF STEWARTVILLE, MINNESOTA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

7. Individual Fund Disclosures (Continued)

Advances at December 31, 2014 were as follows:

	Advances to Other Funds	Advances from Other Funds
General Fund	\$ 82,988	
Capital Projects:		
City Capital Projects Fund		\$ 82,988

The purposes of the advances to / advances from other funds are as follows:

- \$82,988 advance from the general fund to the city capital projects fund. Amount was used to fund the Bear Cave Park Softball Complex Lighting Project. The City expects that this obligation will be repaid over the next six years.

Excess of expenditures over appropriations at the individual fund level during 2014 are as follows:

Special Revenue Fund		
Transit Fund	\$	29,547
Library Fund		3,545

All excess expenditures were the result of planned processes.

CITY OF STEWARTVILLE, MINNESOTA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

8. Fund Equity

The City has restricted portions of fund balance in the fund financial statements and fund equity in the government-wide financial statements. The restricted fund balance / equity represents the portion not available for expenditure or legally segregated for specific future use. A summary of the restricted portion of the fund balance / equity at December 31, 2014 is as follows:

Specific Purpose	Restriction Imposed By			
	Contributors	Grantors	Creditors	Regulations
Restricted Fund Balance				
General Fund:				
Bear cave ballfields	\$	\$ 11,462	\$	\$
Rochester Sales Tax Fund:				
Economic development	320,919			
Library Fund:				
Library Brin trust	83,036			
Revolving Loan Fund:				
Revolving loans		269,032		
Debt Service Funds:				
Debt service requirements			2,873,884	
TIF Capital Project Fund:				
Tax increment financing plan				2,587
Total Restricted Fund Balance	<u>\$ 403,955</u>	<u>\$ 280,494</u>	<u>\$ 2,873,884</u>	<u>\$ 2,587</u>
Restricted Net Position				
Library Brin trust	\$ 83,036	\$	\$	\$
Bear cave ballfields		11,462		
Revolving loans		522,777		
Economic development	320,919			
Debt service requirements			1,683,078	
Tax increment financing plan				2,587
Total Restricted Net Position	<u>\$ 403,955</u>	<u>\$ 534,239</u>	<u>\$ 1,683,078</u>	<u>\$ 2,587</u>

CITY OF STEWARTVILLE, MINNESOTA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

8. Fund Equity (Continued)

The City has committed portions of fund equity in the governmental funds. A summary of the committed portion of fund equity at December 31, 2014 is as follows:

	General Fund	Library Fund	Civic Center Fund	City Capital Projects Fund
Emerald ash project	\$ 20,000	\$	\$	\$
Codification	9,686			
Tree maintenance	5,331			
SHIP projects	7,605			
Parking lot projects	39,902			
Seal coat / street maintenance	138,084			
Compensated absences	170,609			
Emergency management	4,050			
Swimming pool capital	132,791			
Bear cave ballfield	19,828			
Library building maintenance		14,673		
Civic center equipment			9,504	
Other city buildings				64,045
Cable TV				20,195
Long term technology				1,373
Trails				20,296
Tennis court maintenance				15,943
Park board				13,929
MSA				53,334
Public works equipment				271,091
Sidewalks				66,163
	<u>\$ 547,886</u>	<u>\$ 14,673</u>	<u>\$ 9,504</u>	<u>\$ 526,369</u>

CITY OF STEWARTVILLE, MINNESOTA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

8. Fund Equity (Continued)

The City has assigned portions of fund equity in the governmental funds. A summary of the assigned portion of fund equity at December 31, 2014 is as follows:

	Library Fund	Civic Center Fund	Volunteer Fire and First Responders Fund	Retail Revolving Loan Fund	Economic Development Fund	City Capital Projects Fund
Library	\$ 57,982	\$	\$	\$	\$	\$
Economic development				50,878	209,888	
Civic center		7,451				
Public safety			352,646			
Capital improvements						751,240
	<u>\$ 57,982</u>	<u>\$ 7,451</u>	<u>\$ 352,646</u>	<u>\$ 50,878</u>	<u>\$ 209,888</u>	<u>\$ 751,240</u>

9. Commitments and Contingencies

Federally Assisted Programs

The City participates in federal and state agency assisted grant programs. These programs are subject to program compliance audits by the grantors or their representatives. The City does not anticipate any audit adjustments or disallowed program expenditures that would be material in relation to the financial statements taken as a whole.

Construction and Equipment Purchase Commitments

The City has active construction projects and equipment purchase commitments as of December 31, 2014. At year end the City's commitments with contractors and vendors is as follows:

2014 CIP Project	<u>\$ 17,637</u>
------------------	------------------

Schumann Industrial Park

The City has entered into a development agreement with a landowner related to land in the City's industrial park. Under terms of the agreement the landowner conveyed a right to the title to certain developed lots (Phase 1) to the City in exchange for a promise to pay \$1.20 per square foot when the City conveys title to a third party. Additionally, the City has agreed to complete the development of Phase 2 of the industrial park by constructing sanitary sewer and water improvements and assess these improvements to the landowner. Under the agreement, the City has the option to purchase any lots in Phase 2 for the sum of \$1.20 per square foot plus all assessments, or for \$1.00 per square foot if used by the City for streets or retention ponds. As part of this agreement, the landowner gave the City a 30 day right to first refusal to purchase any lot in Phase 2 for which the landowner had received a purchase offer.

10. Defined Benefit Pension Plans – Statewide

Plan Description

All full-time and certain part-time employees of the City of Stewartville, Minnesota are covered by defined benefit plans administered by the Public Employees Retirement Association of Minnesota (PERA). PERA administers the General Employees Retirement Fund (GERF) which is a cost-sharing, multiple-employer retirement plan. This plan is 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. PERA provides retirement benefits as well as disability benefits to members, and benefits to survivors upon death of eligible members. Benefits are established by state statute, and vest after three years of credited service. The defined retirement benefits are based on a member's highest average salary for any five successive years of allowable service, age, and years of credit at termination of service.

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

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

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

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

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. GERF Basic Plan members and Coordinated Plan members are required to contribute 9.10% and 6.25%, respectively, of their annual covered salary in 2014. The City of Stewartville is required to contribute the following percentages of annual covered payroll: 11.78% for Basic Plan GERF members and 7.25% for Coordinated GERF Plan members. The City's contribution to the General Employees Retirement Fund for the years ending December 31, 2014, 2013 and 2012 were \$63,800, \$60,997, and \$58,359, respectively. The City's contributions were equal to the contractually required contributions for each year as set by state statute.

CITY OF STEWARTVILLE, MINNESOTA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

11. Defined Benefit Pension Plan - Volunteer Fire Relief Association

Plan Description

The Stewartville Volunteer Firefighters Relief Association administers a single-employer defined benefit pension plan available to volunteer firefighters. The plan provides retirement, disability, and death benefits to plan members and beneficiaries. The Stewartville Volunteer Firefighters Relief Association has an annual audit which may be obtained at 105 East 1st Street, Stewartville, MN 55976.

The funding policy provides for annual contributions of \$1,800 per part-time firefighter, depending on years of service within the organization.

Related Party Investments

During 2014 and as of December 31, 2014 the Association held no securities issued by the City or other related parties.

Funding Status and Progress

At December 31, 2013 (latest information available), the Association funding status is as follows:

Total plan assets, at market	\$ 1,404,643
Total accrued liability	<u>945,076</u>
Net Position in Excess of Accrued Liability	\$ <u>459,567</u>

Contributions Required and Contributions Made

Financial requirements of the Association are determined on a computation based on member years of service. The City's minimum obligation is the financial requirement for the year less Association investment earnings and State aids. This funding strategy should provide sufficient resources to pay Association benefits on a timely basis.

Total contributions made by the City to the Association in 2014 amounted to \$69,456 (\$54,546 pass-through of State Aids and \$15,000 in City funds). The contributed amount was determined as described above and was based on the Association's requirements as of December 31, 2014.

The payments received from the State of Minnesota on behalf of the Association have been recognized as revenue and the contribution to the Association has been recognized as an expenditure in the accompanying financial statements.

The computation of the pension contribution requirements for 2014 was based on the same assumptions, benefit provision, lump sum funding method, and other significant factors used to determine pension contributions requirements in previous years.

Ten-Year Historical Trend Information

Ten-year historical trend information related to the pension plan is unavailable.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

12. Risk Management

The City is exposed to various risks of loss related to torts: theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The City carries insurance for employee health, liability, property, and automotive insurance through the League of Minnesota Cities Insurance Trust (LMCIT).

Settled claims resulting from these risks have not exceeded the insurance coverage in any of the past three years. There was no reduction in insurance coverage during 2014.

The City participates in a group workers' compensation plan of the LMCIT, which is a public entity risk pool currently operating as a common risk management and insurance program for member Minnesota Cities. All cities participating in the plan are jointly and severally liable for all claims and expenses of the plan. The LMCIT workers' compensation plan is self-sustaining based on the premiums charged, so that total contributions plus compounded earnings on those charged, so that total contributions plus compounded earnings on those contributions will be sufficient to satisfy claims liabilities and other expenses of the plan. The LMCIT plan participates in the Workers' Compensation Reinsurance Association with coverage of \$1,000,000 per claim for plan year 2014. The amount of any liability in excess of plan assets may be assessed to participating Cities in a method and amount determined by the LMCIT.

13. Postemployment Benefits

The City does not provide any benefits to employees after retirement. As required by state statute, retirees are allowed to participate in the City's group health plan at their own expense. Premiums under the City's group health plan are determined on an age-basis and therefore no implicit rate subsidy exists.

14. Accounting Standards Issued But Not Yet Adopted

Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions* will be effective for the City beginning with its year ending December 31, 2015. This Statement requires the reporting of unfunded pension liabilities in the government-wide and proprietary financial statements. Management has not determined the impact adoption of this new standard will have on the City's financial position.

CITY OF STEWARTVILLE, MINNESOTA
COMBINING AND INDIVIDUAL FUND STATEMENTS AND SCHEDULES
DECEMBER 31, 2014

(This Page Left Blank Intentionally)

CITY OF STEWARTVILLE, MINNESOTA

NONMAJOR FUNDS

DECEMBER 31, 2014

Special Revenue Funds

Special revenue funds are used to account for the proceeds of specific revenue sources requiring separate accounting because of legal, regulatory or grant provisions or administrative action.

Debt Service Funds

Debt service funds are used to account for the accumulation of resources for, and the payment of, bond principal, interest and related fiscal changes.

Capital Projects Funds

Capital project funds are used to account for the acquisition and construction of major capital facilities other than those financed by the enterprise fund.

CITY OF STEWARTVILLE, MINNESOTA
NONMAJOR GOVERNMENTAL FUNDS
Combining Balance Sheet
December 31, 2014

	Special Revenue Funds				
	Transit Fund	Library Fund	Retail Revolving Loan Fund	Civic Center Fund	Volunteer Fire and First Responders Fund
ASSETS					
Cash and investments	\$ 90	\$ 159,306	\$ 50,842	\$ 18,015	\$ 346,965
Interest receivable		4,228	36	26	902
Accounts receivable				200	9,500
Taxes receivable - delinquent		7,633			
Due from other governmental units		1,211			
TOTAL ASSETS	\$ 90	\$ 172,378	\$ 50,878	\$ 18,241	\$ 357,367
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCE					
Liabilities					
Accounts payable	\$ 90	\$ 7,100		\$ 1,116	\$ 4,721
Accrued liabilities		1,954		170	
Total Liabilities	90	9,054		1,286	4,721
Deferred Inflows of Resources					
Unavailable revenue:					
Property taxes		7,633			
Total Deferred Inflows of Resources		7,633			
Fund Balance					
Restricted:					
Contributors		83,036			
Creditors					
Regulations					
Committed		14,673		9,504	
Assigned		57,982	50,878	7,451	352,646
Total Fund Balance		155,691	50,878	16,955	352,646
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE	\$ 90	\$ 172,378	\$ 50,878	\$ 18,241	\$ 357,367

Special Revenue Funds			Debt Service Funds	Capital Projects Funds	Total Nonmajor Governmental Funds
Rochester Sales Tax Fund	Economic Development Fund	Total	Notes and Leases Fund	TIF Projects	
\$ 321,325	\$ 209,455	\$ 1,105,998	\$ 365,745	\$ 2,587	\$ 1,474,330
352	333	5,877	250		6,127
		9,700			9,700
		7,633			7,633
	100	1,311			1,311
<u>\$ 321,677</u>	<u>\$ 209,888</u>	<u>\$ 1,130,519</u>	<u>\$ 365,995</u>	<u>\$ 2,587</u>	<u>\$ 1,499,101</u>
\$ 758	\$	\$ 13,785	\$	\$	\$ 13,785
		2,124			2,124
<u>758</u>		<u>15,909</u>			<u>15,909</u>
		7,633			7,633
		<u>7,633</u>			<u>7,633</u>
320,919		403,955	365,995		403,955
				2,587	365,995
		24,177			2,587
	209,888	678,845			24,177
<u>320,919</u>	<u>209,888</u>	<u>1,106,977</u>	<u>365,995</u>	<u>2,587</u>	<u>678,845</u>
					<u>1,475,559</u>
<u>\$ 321,677</u>	<u>\$ 209,888</u>	<u>\$ 1,130,519</u>	<u>\$ 365,995</u>	<u>\$ 2,587</u>	<u>\$ 1,499,101</u>

**CITY OF STEWARTVILLE, MINNESOTA
NONMAJOR GOVERNMENTAL FUNDS
Combining Statement of Revenues, Expenditures
and Changes in Fund Balance
For the Year Ended December 31, 2014**

	Special Revenue Funds				
	Transit Fund	Library Fund	Retail Revolving Loan Fund	Civic Center Fund	Volunteer Fire and First Responders Fund
REVENUES					
Property tax levy					
Property tax collected	\$	\$ 260,309	\$	\$ 50,000	\$ 112,862
Intergovernmental revenues	3,135	43,725			
Charges for services		3,198		10,855	107,883
Interest income	75	779	425	113	2,592
Miscellaneous revenues		1,254			29,175
TOTAL REVENUES	3,210	309,265	425	60,968	252,512
EXPENDITURES					
Public safety and transportation	31,547				190,840
Library services		311,492			
Recreation				52,574	
Economic development					
Debt service:					
Principal retirement					
Interest and fiscal charges					
TOTAL EXPENDITURES	31,547	311,492		52,574	190,840
Excess (deficiency) of revenues over (under) expenditures	(28,337)	(2,227)	425	8,394	61,672
OTHER FINANCING SOURCES (USES)					
Transfers in					
Transfers out					
Total Other Financing Sources (Uses)					
Net Change in Fund Balances	(28,337)	(2,227)	425	8,394	61,672
FUND BALANCE, beginning	28,337	157,918	50,453	8,561	290,974
FUND BALANCE, ending	\$	\$ 155,691	\$ 50,878	\$ 16,955	\$ 352,646

Special Revenue Funds			Debt Service Funds	Capital Projects Funds	Total Nonmajor Governmental Funds
Rochester Sales Tax Fund	Economic Development Fund	Total	Notes and Leases Fund	TIF Projects	
\$ 366,709	\$ 59,651	\$ 482,822	\$	\$	\$ 482,822
		413,569			413,569
		121,936			121,936
2,533	1,849	8,366	953	158	9,477
		30,429	251,956		282,385
369,242	61,500	1,057,122	252,909	158	1,310,189
		222,387			222,387
		311,492			311,492
		52,574			52,574
261,773	71,476	333,249		31,240	364,489
			165,000		165,000
			91,618		91,618
261,773	71,476	919,702	256,618	31,240	1,207,560
107,469	(9,976)	137,420	(3,709)	(31,082)	102,629
				1,600	1,600
	(1,600)	(1,600)			(1,600)
	(1,600)	(1,600)		1,600	
107,469	(11,576)	135,820	(3,709)	(29,482)	102,629
213,450	221,464	971,157	369,704	32,069	1,372,930
\$ 320,919	\$ 209,888	\$ 1,106,977	\$ 365,995	\$ 2,587	\$ 1,475,559

**CITY OF STEWARTVILLE, MINNESOTA
TRANSIT FUND**

**Schedule of Revenues, Expenditures
and Changes in Fund Balance - Budget and Actual**

For the Year Ended December 31, 2014

With Comparative Totals for the Fiscal Year Ended December 31, 2013

	2014					2013 Actual Amount		
	Budgeted Amounts		Actual Amount	Variance With Budget Positive (Negative)				
	Original	Final						
REVENUES								
Intergovernmental revenues	\$		\$	3,135	\$	3,135	\$	49,097
Charges for services								16,071
Interest income				75		75		314
Total Revenues				3,210		3,210		65,482
EXPENDITURES								
Public Safety and Transportation								
Fuels and lubricants								6,150
Professional services								500
Contractual services								54,467
Printing and publishing								160
Insurance								1,876
Repairs and maintenance								1,755
Miscellaneous		2,000	2,000	31,547		(29,547)		379
Total Expenditures		2,000	2,000	31,547		(29,547)		65,287
Net Change in Fund Balance		(2,000)	(2,000)	(28,337)		(26,337)		195
Fund Balance, beginning		28,337	28,337	28,337				28,142
Fund Balance, ending	\$	26,337	\$	26,337	\$	(26,337)	\$	28,337

CITY OF STEWARTVILLE, MINNESOTA
LIBRARY FUND
Schedule of Revenues, Expenditures
and Changes in Fund Balance - Budget and Actual

For the Year Ended December 31, 2014

With Comparative Totals for the Fiscal Year Ended December 31, 2013

	2014				2013 Actual Amount
	Budgeted Amounts		Actual Amount	Variance With Budget Positive (Negative)	
	Original	Final			
REVENUES					
Property tax levy	\$ 259,627	\$ 259,627	\$ 260,309	\$ 682	\$ 241,826
Intergovernmental	42,870	42,870	43,725	855	42,870
Charges for services	3,350	3,350	3,198	(152)	3,856
Interest income	1,000	1,000	779	(221)	740
Miscellaneous	1,200	1,200	1,254	54	1,211
Total Revenues	308,047	308,047	309,265	1,218	290,503
EXPENDITURES					
Library Services					
Salaries and wages	162,332	162,332	170,138	(7,806)	162,285
Payroll taxes and retirement contribution	50,093	50,093	50,046	47	45,843
Workers' compensation	1,266	1,266	848	418	535
Periodicals and magazines	2,000	2,000	1,510	490	1,321
Audiovisual supplies	13,000	13,000	14,895	(1,895)	13,109
Telephone	1,500	1,500	1,569	(69)	1,581
Postage	500	500	300	200	431
Utilities	10,000	10,000	10,000		9,271
Operating supplies	5,309	5,309	5,630	(321)	4,968
Travel and conferences	500	500	72	428	120
Insurance	8,750	8,750	8,466	284	8,690
Repairs and maintenance	3,000	3,000	1,631	1,369	744
Contractual services	16,218	16,218	14,796	1,422	15,510
Auditing and legal	800	800	575	225	500
Capital outlay and books	32,154	32,154	30,486	1,668	24,982
Miscellaneous	525	525	530	(5)	147
Total Expenditures	307,947	307,947	311,492	(3,545)	290,037
Net Change in Fund Balance	100	100	(2,227)	(2,327)	466
Fund Balance, beginning	157,918	157,918	157,918		157,452
Fund Balance, ending	\$ 158,018	\$ 158,018	\$ 155,691	\$ (2,327)	\$ 157,918

CITY OF STEWARTVILLE, MINNESOTA
VOLUNTEER FIRE AND FIRST RESPONDERS FUND
Schedule of Revenues, Expenditures
and Changes in Fund Balance - Budget and Actual

For the Year Ended December 31, 2014

With Comparative Totals for the Fiscal Year Ended December 31, 2013

	2014				
	Budgeted Amounts		Actual Amount	Variance With Budget Positive (Negative)	2013 Actual Amount
	Original	Final			
REVENUES					
Property tax levy	\$ 112,862	\$ 112,862	\$ 112,862	\$	\$ 112,862
Contracts with other governmental entities	105,438	105,438	107,883	2,445	105,378
Interest income	5,000	5,000	2,592	(2,408)	1,774
Donations	31,200	21,200	24,075	2,875	46,690
Miscellaneous	7,000	7,000	5,100	(1,900)	9,650
Total Revenues	261,500	251,500	252,512	1,012	276,354
EXPENDITURES					
Public Safety					
Salaries and benefits	56,650	56,650	59,390	(2,740)	57,476
Communications	5,200	5,200	2,116	3,084	1,809
Supplies	20,000	20,000	22,470	(2,470)	19,840
Clothing	11,000	11,000	14,046	(3,046)	3,152
Truck repair and maintenance	18,000	18,000	14,106	3,894	21,463
Fuels and lubricants	6,665	6,665	3,375	3,290	3,602
Capital outlay	90,000	80,000	24,895	55,105	38,100
Travel and conferences	14,200	14,200	3,131	11,069	3,747
Professional services	1,100	1,100	1,063	37	1,671
Fire relief contribution	15,000	15,000	15,000		15,000
Utilities	10,685	10,685	17,491	(6,806)	12,730
Insurance	13,000	13,000	13,757	(757)	12,554
Total Expenditures	261,500	251,500	190,840	60,660	191,144
Net Change in Fund Balance			61,672	61,672	85,210
Fund Balance, beginning	290,974	290,974	290,974		205,764
Fund Balance, ending	\$ 290,974	\$ 290,974	\$ 352,646	\$ 61,672	\$ 290,974

CITY OF STEWARTVILLE, MINNESOTA
CIVIC CENTER FUND
Schedule of Revenues, Expenditures
and Changes in Fund Balance - Budget and Actual
For the Year Ended December 31, 2014
With Comparative Totals for the Fiscal Year Ended December 31, 2013

	2014					2013 Actual Amount
	Budgeted Amounts		Actual Amount	Variance With Budget Positive (Negative)		
	Original	Final				
REVENUES						
Property tax levy	\$ 50,000	\$ 50,000	\$ 50,000	\$		\$ 50,000
Charges for services	14,000	14,000	10,855	(3,145)		11,940
Interest income			113	113		32
Total Revenues	64,000	64,000	60,968	(3,032)		61,972
EXPENDITURES						
Recreation						
Salaries and wages	15,370	15,370	14,906	464		13,802
Payroll taxes and retirement contribution	2,290	2,290	2,185	105		1,999
Employee health insurance	1,248	1,248	2,724	(1,476)		3,494
Workers' compensation	776	776	531	245		396
Insurance	3,000	3,000	3,068	(68)		3,607
Communications	720	720	30	690		654
Operating supplies	4,500	4,500	2,899	1,601		3,060
Clothing	119	119	117	2		119
Utilities	15,000	15,000	16,736	(1,736)		14,896
Printing and publishing	1,500	1,500	387	1,113		1,182
Repairs and maintenance	5,000	5,000	1,874	3,126		4,347
Contractual services	6,500	6,500	4,645	1,855		5,010
Capital outlay	5,871	5,505		5,505		3,000
Miscellaneous	2,106	2,472	2,472			2,472
Total Expenditures	64,000	64,000	52,574	11,426		58,038
Net Change in Fund Balance			8,394	8,394		3,934
Fund Balance, beginning	8,561	8,561	8,561			4,627
Fund Balance, ending	\$ 8,561	\$ 8,561	\$ 16,955	\$ 8,394		\$ 8,561

CITY OF STEWARTVILLE, MINNESOTA
ECONOMIC DEVELOPMENT FUND
Schedule of Revenues, Expenditures
and Changes in Fund Balance - Budget and Actual
For the Year Ended December 31, 2014
With Comparative Totals for the Fiscal Year Ended December 31, 2013

	2014				
	Budgeted Amounts		Actual Amount	Variance With Budget Positive (Negative)	2013 Actual Amount
	Original	Final			
REVENUES					
Property tax levy	\$ 59,175	\$ 59,175	\$ 59,651	\$ 476	\$ 59,737
Interest income	2,000	2,000	1,849	(151)	1,771
Total Revenues	61,175	61,175	61,500	325	61,508
EXPENDITURES					
Economic Development					
Dues and memberships	3,500	3,500	3,400	100	3,300
Professional services	36,515	47,076	33,656	13,420	35,967
Grants			7,730	(7,730)	
Tax abatement	19,175	19,175	13,557	5,618	21,494
Miscellaneous	11,450	11,450	13,133	(1,683)	1,269
Total Expenditures	70,640	81,201	71,476	9,725	62,030
Excess of Revenues Over Expenditures	(9,465)	(20,026)	(9,976)	10,050	(522)
OTHER FINANCING USES					
Transfers out			(1,600)	(1,600)	
Net Change in Fund Balance	(9,465)	(20,026)	(11,576)	8,450	(522)
Fund Balance, beginning	221,464	221,464	221,464		221,986
Fund Balance, ending	\$ 211,999	\$ 201,438	\$ 209,888	\$ 8,450	\$ 221,464

CITY OF STEWARTVILLE, MINNESOTA
STEWARTVILLE YOUTH AREA ASSOCIATION AGENCY FUND
Statement of Changes in Assets and Liabilities
For the Year Ended December 31, 2014

	Balance December 31, 2013	Additions	Deductions	Balance December 31, 2014
ASSETS				
Cash and cash equivalents	\$ 50,950	\$ 35,518	\$ 56,398	\$ 30,070
Receivables	507		476	31
Total Assets	\$ 51,457	\$ 35,518	\$ 56,874	\$ 30,101
LIABILITIES				
Accounts payable	1,521		1,035	486
Assets held on behalf of agency fund	49,936	36,077	56,398	29,615
Total Liabilities	\$ 51,457	\$ 36,077	\$ 57,433	\$ 30,101

**CITY OF STEWARTVILLE, MINNESOTA
 FIRE DEPARTMENT AUXILIARY FUND
 Statement of Changes in Assets and Liabilities
 For the Year Ended December 31, 2014**

	Balance December 31, 2013	Additions	Deductions	Balance December 31, 2014
ASSETS				
Cash and cash equivalents	\$ 703	\$ 1,006	\$ 541	\$ 1,168
Receivables	600	1	600	1
Total Assets	\$ 1,303	\$ 1,007	\$ 1,141	\$ 1,169
LIABILITIES				
Accounts payable	80		4	76
Assets held on behalf of agency fund	1,223	411	541	1,093
Total Liabilities	\$ 1,303	\$ 411	\$ 545	\$ 1,169

CITY OF STEWARTVILLE, MINNESOTA
FIDUCIARY FUNDS
STATEMENT OF FIDUCIARY NET POSITION
December 31, 2014

	Fire Department Auxiliary	Stewartville Youth Area Association Agency Fund	Total Agency Fund
ASSETS			
Cash	\$ 1,168	\$ 30,070	\$ 31,238
Interest receivable	1	31	32
Total Assets	1,169	30,101	31,270
LIABILITIES			
Accounts payable	76	486	562
Assets held on behalf of agency fund	1,093	29,615	30,708
Total Liabilities	1,169	30,101	31,270
NET POSITION			
Held in trust for pension benefits and other purposes	\$	\$	\$

(This Page Left Blank Intentionally)

CITY OF STEWARTVILLE, MINNESOTA

SUPPLEMENTARY INFORMATION

DECEMBER 31, 2014

CITY OF STEWARTVILLE, MINNESOTA
WATER FUND
SCHEDULE OF FUND NET POSITION
December 31, 2014 and 2013

	2014	2013
ASSETS		
Current Assets		
Cash and investments	\$ 1,794,463	\$ 1,416,985
Interest receivable	10,630	9,944
Accounts receivable	49,323	64,236
Accrued utility revenue	52,917	51,972
	1,907,333	1,543,137
Capital Assets		
Property and equipment	9,438,738	9,381,217
Less: Accumulated depreciation	4,053,649	3,846,921
	5,385,089	5,534,296
Capital Assets, Net	5,385,089	5,534,296
Total Assets	7,292,422	7,077,433
LIABILITIES		
Current Liabilities		
Accounts payable	13,792	4,335
Accrued liabilities	54,323	48,903
Customer deposits	21,221	25,413
	89,336	78,651
Total Liabilities	89,336	78,651
NET POSITION		
Investment in capital assets	5,385,089	5,534,296
Unrestricted	1,817,997	1,464,486
	7,203,086	6,998,782
Total Net Position	\$ 7,203,086	\$ 6,998,782

CITY OF STEWARTVILLE, MINNESOTA
WATER FUND
SCHEDULE OF REVENUES, EXPENSES AND
CHANGES IN FUND NET POSITION - BUDGET AND ACTUAL

For the Year Ended December 31, 2014

With Comparative Totals for the Fiscal Year Ended December 31, 2013

	2014				2013
	Budget		Actual	Variance From Budget Positive (Negative)	
	Original	Final			
Revenues					
Consumer sales	\$ 587,000	\$ 587,000	\$ 604,967	\$ 17,967	\$ 569,376
Connection charges	5,000	5,000	6,550	1,550	6,925
Water meters	3,500	3,500	5,904	2,404	4,878
Capital improvement project fees	107,000	107,000	108,485	1,485	108,356
Water availability charge			4,762	4,762	19,608
Recycling fee	7,000	7,000	7,457	457	8,978
Total Revenues	709,500	709,500	738,125	28,625	718,121
Operating Expenses					
Salaries and wages	129,881	129,881	129,300	581	112,732
Payroll taxes and retirement contribution	19,352	19,352	18,008	1,344	15,840
Employee health insurance	13,402	13,402	16,906	(3,504)	12,808
Workers' compensation	5,065	5,065	2,651	2,414	2,848
Operating supplies	25,000	25,000	28,459	(3,459)	20,714
Fuels and lubricants	8,000	8,000	7,903	97	9,243
Clothing	879	879	873	6	852
Professional services	28,250	19,000	16,082	2,918	2,500
Contractual services	5,000	5,000	3,142	1,858	4,131
Postage	4,200	4,200	3,738	462	3,827
Insurance	23,000	23,000	23,280	(280)	19,312
Utilities	40,000	40,000	45,764	(5,764)	35,129
Repairs and maintenance	55,000	64,250	28,861	35,389	51,032
Depreciation	200,000	230,000	223,352	6,648	229,289
City clean-up	22,000	22,000	13,913	8,087	
Licenses and permits	1,500	1,500	2,209	(709)	200
Miscellaneous	20,300	20,300	17,517	2,783	4,576
Total Operating Expenses	600,829	630,829	581,958	48,871	525,033
Operating Income	108,671	78,671	156,167	77,496	193,088
Nonoperating Revenues (Expenses)					
Loss on disposal of capital assets			(9,936)	(9,936)	
Interest income	12,000	12,000	13,355	1,355	10,281
Penalties and other income	48,000	48,000	51,718	3,718	46,332
Total Nonoperating Revenues (Expenses)	60,000	60,000	55,137	(4,863)	56,613
Net Income Before Transfers	168,671	138,671	211,304	72,633	249,701
Transfers in					15,315
Transfers out	(38,170)	(31,135)	(7,000)	24,135	(7,000)
Change in Net Position	130,501	107,536	204,304	96,768	258,016
Net Position, Beginning	6,998,782	6,998,782	6,998,782		6,740,766
Net Position, Ending	\$ 7,129,283	\$ 7,106,318	\$ 7,203,086	\$ 96,768	\$ 6,998,782

CITY OF STEWARTVILLE, MINNESOTA
SEWER FUND
SCHEDULE OF FUND NET POSITION
December 31, 2014 and 2013

	2014	2013
ASSETS		
Current Assets		
Cash and investments	\$ 1,896,399	\$ 1,401,682
Interest receivable	27,282	26,358
Accounts receivable	55,162	112,052
Accrued utility revenue	64,935	64,966
	2,043,778	1,605,058
Capital Assets		
Property and equipment	11,114,635	11,063,226
Less: Accumulated depreciation	6,003,992	5,789,292
	5,110,643	5,273,934
Total Assets	7,154,421	6,878,992
LIABILITIES		
Current Liabilities		
Accounts payable	9,561	5,953
Accrued liabilities	10,828	17,271
	20,389	23,224
NET POSITION		
Investment in capital assets	5,110,643	5,273,934
Unrestricted	2,023,389	1,581,834
	7,134,032	6,855,768
Total Net Position	\$ 7,134,032	\$ 6,855,768

CITY OF STEWARTVILLE, MINNESOTA
SEWER FUND
SCHEDULE OF REVENUES, EXPENSES AND
CHANGES IN FUND NET POSITION - BUDGET AND ACTUAL
For the Year Ended December 31, 2014
With Comparative Totals for the Fiscal Year Ended December 31, 2013

	2014					2013
	Budget		Actual	Variance From Budget Positive (Negative)		
	Original	Final				
Revenues						
Consumer sales	\$ 725,000	\$ 725,000	\$ 749,103	\$ 24,103	\$ 710,644	
Capital improvement project fees	107,000	107,000	108,485	1,485	108,356	
Sewer availability charge	2,000	2,000	4,762	2,762	21,366	
Connection charges	4,500	4,500	6,725	2,225	7,625	
Total Revenues	838,500	838,500	869,075	30,575	847,991	
Operating Expenses						
Contractual services	182,952	182,952	182,952		174,770	
Salaries and wages	53,965	53,965	42,884	11,081	39,803	
Payroll taxes and retirement contribution	8,041	8,041	6,378	1,663	5,506	
Employee health insurance	8,333	8,333	12,074	(3,741)	9,032	
Workers' compensation	1,430	1,430	370	1,060	1,449	
Operating supplies	5,000	5,000	1,526	3,474	8,206	
Clothing	878	878	212	666	211	
Professional services	8,250	8,250	6,798	1,452	2,700	
Postage	4,200	4,200	3,738	462	3,168	
Repairs and maintenance	45,000	66,250	23,887	42,363	24,332	
Insurance	26,000	26,000	26,457	(457)	24,141	
Utilities	72,000	72,000	59,288	12,712	66,257	
Depreciation	175,000	215,000	222,042	(7,042)	210,352	
Licenses and permits	12,000	12,000	6,000	6,000	6,023	
Miscellaneous	1,800	1,800	2,000	(200)	1,912	
Total Operating Expenses	604,849	666,099	596,606	69,493	577,862	
Operating Income	233,651	172,401	272,469	100,068	270,129	
Nonoperating Revenues (Expenses)						
Loss on disposal of capital assets			(1,194)	(1,194)		
Interest income	13,000	13,000	13,989	989	10,698	
Other income	450	450		(450)		
Total Nonoperating Revenues (Expenses)	13,450	13,450	12,795	(655)	10,698	
Income Before Transfers and Capital Contributions	247,101	185,851	285,264	99,413	280,827	
Capital contributions					33,436	
Transfers out	(52,102)	(30,852)	(7,000)	23,852	(7,000)	
Change in Net Position	194,999	154,999	278,264	123,265	307,263	
Net Position, beginning	6,855,768	6,855,768	6,855,768		6,548,505	
Net Position, ending	\$ 7,050,767	\$ 7,010,767	\$ 7,134,032	\$ 123,265	\$ 6,855,768	

CITY OF STEWARTVILLE, MINNESOTA
STORM WATER FUND
SCHEDULE OF FUND NET POSITION
December 31, 2014 and 2013

	2014	2013
ASSETS		
Current Assets		
Cash and investments	\$ 149,746	\$ 81,357
Interest receivable	129	37
Accounts receivable	5,608	6,373
Accrued utility revenue	7,093	6,999
	162,576	94,766
Capital Assets		
Property and equipment	247,047	247,047
Less: Accumulated depreciation	20,313	12,078
	226,734	234,969
Total Assets	389,310	329,735
LIABILITIES		
Current Liabilities		
Accounts payable	857	216
Accrued liabilities	6,754	4,468
	7,611	4,684
Total Liabilities	7,611	4,684
NET POSITION		
Investment in capital assets	226,734	234,969
Unrestricted	154,965	90,082
	\$ 381,699	\$ 325,051

CITY OF STEWARTVILLE, MINNESOTA
STORM WATER FUND
SCHEDULE OF REVENUES, EXPENSES AND
CHANGES IN FUND NET POSITION - BUDGET AND ACTUAL
For the Year Ended December 31, 2014
With Comparative Totals for the Fiscal Year Ended December 31, 2013

	2014					2013
	Budget		Actual	Variance From Budget Positive (Negative)		
	Original	Final				
Revenues						
Storm water fees	\$ 67,000	\$ 67,000	\$ 85,270	\$ 18,270	\$ 69,204	
Storm water availability charge			3,320	3,320		
Total Revenues	<u>67,000</u>	<u>67,000</u>	<u>88,590</u>	<u>21,590</u>	<u>69,204</u>	
Operating Expenses						
Salaries and wages	29,664	29,664	6,724	22,940	5,787	
Payroll taxes and retirement contribution	4,420	4,420	650	3,770	875	
Employee health insurance	5,833	5,833	6,051	(218)	6,106	
Workers' compensation	786	786		786	(164)	
Operating supplies	468	468		468	400	
Clothing	238	238	235	3	237	
Repairs and maintenance	24,191	24,191	11,002	13,189	22,500	
Depreciation			8,235	(8,235)	8,235	
Miscellaneous	2,000	2,000		2,000	4,927	
Total Operating Expenses	<u>67,600</u>	<u>67,600</u>	<u>32,897</u>	<u>34,703</u>	<u>48,903</u>	
 Operating Income	 (600)	 (600)	 55,693	 56,293	 20,301	
Nonoperating Revenues (Expenses)						
Interest income	600	600	955	355	558	
 Change in Net Position			 56,648	 56,648	 20,859	
Net Position, beginning	<u>325,051</u>	<u>325,051</u>	<u>325,051</u>		<u>304,192</u>	
Net Position, ending	<u>\$ 325,051</u>	<u>\$ 325,051</u>	<u>\$ 381,699</u>	<u>\$ 56,648</u>	<u>\$ 325,051</u>	

(This Page Left Blank Intentionally)

CITY OF STEWARTVILLE, MINNESOTA

STATISTICAL SECTION

DECEMBER 31, 2014

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

<u>Content</u>	<u>Page</u>
Financial Trends These schedules contain trend information to help the reader understand how the City's financial performance and well-being have changed over time.	81
Revenue Capacity These schedules contain information to help the reader assess the City's most significant local revenue source, the property tax.	85
Debt Capacity These schedules present information to help the reader assess the affordability of the City's current levels of outstanding debt and the City's ability to issue additional debt in the future.	91
Demographic and Economic Information These schedules offer demographic and economic indicators to help the reader understand the environment within which the City's financial activities take place.	96
Operating Information These schedules contain service and infrastructure data to help the reader understand how the information in the City's financial report relates to the services the City provides and the activities it performs.	99

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

CITY OF STEWARTVILLE, MINNESOTA
CHANGES IN NET POSITION
LAST TEN FISCAL YEARS
(Accrual Basis of Accounting)

	Fiscal Year									
	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
Expenses										
Governmental activities:										
General government	\$ 788,349	\$ 702,204	\$ 568,862	\$ 554,701	\$ 557,050	\$ 517,688	\$ 527,528	\$ 527,269	\$ 437,075	\$ 485,412
Public safety and transportation	1,109,460	1,122,583	1,124,601	1,090,299	1,026,672	1,041,935	999,882	926,632	865,856	757,504
Public works	963,273	730,794	836,142	787,229	722,920	587,471	1,128,413	831,995	825,084	700,714
Library	386,431	335,836	327,539	324,451	311,447	333,961	307,836	319,630	263,682	252,996
Recreation	685,234	662,526	683,035	637,115	573,186	616,306	558,922	455,697	510,157	319,787
Economic development	383,691	173,013	344,990	362,082	129,256	134,475	317,413	58,231	24,438	88,618
Senior health care facilities	46,688	46,689	118,893	46,689	46,689	46,689	46,689	46,688	46,689	46,689
Interest on long-term debt	299,126	288,809	258,184	262,911	276,637	291,312	384,626	263,714	268,142	259,206
Total governmental activities expenses	<u>4,662,252</u>	<u>4,062,454</u>	<u>4,262,246</u>	<u>4,065,477</u>	<u>3,643,857</u>	<u>3,569,837</u>	<u>4,271,309</u>	<u>3,429,856</u>	<u>3,241,123</u>	<u>2,910,926</u>
Business-Type activities:										
Water utility	591,894	525,033	478,979	478,071	490,357	434,037	473,583	530,615	469,045	401,301
Sewer utility	597,800	577,862	527,415	524,781	496,098	611,770	620,097	582,895	606,378	600,677
Storm water utility	32,897	48,903	43,601	20,298	38,952	58,208	50,314	47,386	51,672	30,940
Total business-type activities expenses	<u>1,222,591</u>	<u>1,151,798</u>	<u>1,049,995</u>	<u>1,023,150</u>	<u>1,025,407</u>	<u>1,104,015</u>	<u>1,143,994</u>	<u>1,160,896</u>	<u>1,127,095</u>	<u>1,032,918</u>
Total primary government expenses	<u>\$ 5,884,843</u>	<u>\$ 5,214,252</u>	<u>\$ 5,312,241</u>	<u>\$ 5,088,627</u>	<u>\$ 4,669,264</u>	<u>\$ 4,673,852</u>	<u>\$ 5,415,303</u>	<u>\$ 4,590,752</u>	<u>\$ 4,368,218</u>	<u>\$ 3,943,844</u>
Program Revenues										
Governmental activities:										
Charges for services:										
General government	\$ 41,121	\$ 48,074	\$ 31,714	\$ 38,774	\$ 47,642	\$ 36,727	\$ 40,439	\$ 39,349	\$ 39,958	\$ 33,206
Public safety and transportation	113,226	131,649	128,417	118,356	112,325	117,007	123,486	105,731	79,877	82,887
Public works	49,570	54,349	3,480	1,523	2,031	5,868	31,265	3,186	1,464	1,464
Library	3,198	3,856	3,835	3,676	3,907	4,397	4,058	3,471	3,573	3,858
Recreation	209,959	230,072	221,948	190,800	184,955	152,707	125,199	108,691	99,757	50,765
Economic development		33,079	5,306	10,485	34,120	10,560	10,560	16,420	15,170	14,200
Senior health care facilities	251,956	273,909	242,989	258,653	253,300	211,292	256,577	288,022	181,296	225,751
Operating grants and contributions	208,397	538,104	197,460	268,813	186,453	175,648	390,222	204,712	578,779	170,681
Capital grants and contributions	448,875	840,527	216,614	540,704	258,520	89,355	708,833	579,906	295,779	142,646
Total governmental activities program revenues	<u>1,326,302</u>	<u>2,153,619</u>	<u>1,051,763</u>	<u>1,431,784</u>	<u>1,083,253</u>	<u>803,561</u>	<u>1,690,639</u>	<u>1,349,488</u>	<u>1,295,653</u>	<u>725,458</u>
Business-type activities:										
Charges for services:										
Water utility	738,125	718,121	710,043	694,965	701,378	574,122	584,622	615,480	516,899	491,823
Sewer utility	869,075	847,991	834,931	825,790	768,611	588,744	602,312	613,619	548,497	529,379
Storm water utility	88,590	69,204	66,690	68,675	67,387	67,430	66,176	52,514	52,268	51,711
Operating grants and contributions										
Capital grants and contributions		33,436	255,924			193,281	38,205	33,719	158,057	354,430
Total business-type activities program revenues	<u>1,695,790</u>	<u>1,668,752</u>	<u>1,867,588</u>	<u>1,589,430</u>	<u>1,537,376</u>	<u>1,423,577</u>	<u>1,291,315</u>	<u>1,315,332</u>	<u>1,275,721</u>	<u>1,427,343</u>
Total primary government program revenues	<u>\$ 3,022,092</u>	<u>\$ 3,822,371</u>	<u>\$ 2,919,351</u>	<u>\$ 3,021,214</u>	<u>\$ 2,620,629</u>	<u>\$ 2,227,138</u>	<u>\$ 2,981,954</u>	<u>\$ 2,664,820</u>	<u>\$ 2,571,374</u>	<u>\$ 2,152,801</u>

Note: The City adopted GASB Statement No. 65 in 2013. Amounts in this schedule prior to 2013 have not been restated for GASB Statement No. 65.

CITY OF STEWARTVILLE, MINNESOTA
CHANGES IN NET POSITION
LAST TEN FISCAL YEARS
(Accrual Basis of Accounting)

	Fiscal Year									
	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
Net (Expense) Revenue										
Governmental Activities	\$ (3,335,950)	\$ (1,908,835)	\$ (3,210,483)	\$ (2,633,693)	\$ (2,560,604)	\$ (2,766,276)	\$ (2,480,670)	\$ (2,080,368)	\$ (1,945,470)	\$ (2,185,468)
Business-type activities	473,199	516,954	817,593	566,280	511,969	319,562	147,321	154,436	148,626	394,425
Total primary government net revenue	<u>\$ (2,862,751)</u>	<u>\$ (1,391,881)</u>	<u>\$ (2,392,890)</u>	<u>\$ (2,067,413)</u>	<u>\$ (2,048,635)</u>	<u>\$ (2,446,714)</u>	<u>\$ (2,333,349)</u>	<u>\$ (1,925,932)</u>	<u>\$ (1,796,844)</u>	<u>\$ (1,791,043)</u>
General Revenues and Other Changes In Net Position										
Governmental activities:										
Taxes										
General property taxes	\$ 2,283,564	\$ 2,077,026	\$ 1,973,245	\$ 1,848,422	\$ 1,817,972	\$ 1,678,921	\$ 1,659,583	\$ 1,317,967	\$ 1,331,018	\$ 1,214,266
Tax increments		29,093	85,902	169,412	166,892	179,169	193,691	171,190	224,853	227,015
Franchise fees	99,579	96,487	91,144	92,339	90,332	84,587	85,243	80,879	76,061	74,456
Unrestricted grants and contributions	857,117	601,312	603,084	649,091	655,036	825,508	749,052	1,375,283	739,156	620,412
Interest earnings	42,049	49,103	46,861	60,224	71,935	136,776	155,461	277,133	166,994	120,542
Gain on disposition of property	249,175	1,309	512,588						312,673	66,187
Miscellaneous	810	14,639	129,714	66,996	72,729	54,834	232,330	300,547	79,421	340,721
Transfers	14,000	(1,315)				251,731	9,381	(211,777)	131,668	401,625
Total governmental activities	<u>3,546,294</u>	<u>2,867,654</u>	<u>3,442,538</u>	<u>2,886,484</u>	<u>2,874,896</u>	<u>3,211,526</u>	<u>3,084,741</u>	<u>3,311,222</u>	<u>3,061,844</u>	<u>3,065,224</u>
Business-type activities:										
Interest earnings	28,299	21,537	30,429	33,286	53,251	82,239	124,159	148,653	128,231	90,313
Miscellaneous	51,718	46,332	44,900	46,396	41,360	35,620	41,868	37,933	34,358	34,409
Transfers	(14,000)	1,315				(251,731)	(9,381)	211,777	(131,668)	(401,625)
Total business-type activities	<u>66,017</u>	<u>69,184</u>	<u>75,329</u>	<u>79,682</u>	<u>94,611</u>	<u>(133,872)</u>	<u>156,646</u>	<u>398,363</u>	<u>30,921</u>	<u>(276,903)</u>
Total primary government	<u>\$ 3,612,311</u>	<u>\$ 2,936,838</u>	<u>\$ 3,517,867</u>	<u>\$ 2,966,166</u>	<u>\$ 2,969,507</u>	<u>\$ 3,077,654</u>	<u>\$ 3,241,387</u>	<u>\$ 3,709,585</u>	<u>\$ 3,092,765</u>	<u>\$ 2,788,321</u>
Change in Net Position										
Governmental activities	\$ 210,344	\$ 958,819	\$ 232,055	\$ 252,791	\$ 314,292	\$ 445,250	\$ 604,071	\$ 1,230,854	\$ 1,116,374	\$ 879,756
Business-type activities	539,216	586,138	892,922	645,962	606,580	185,690	303,967	552,799	179,547	117,522
Total primary government	<u>\$ 749,560</u>	<u>\$ 1,544,957</u>	<u>\$ 1,124,977</u>	<u>\$ 898,753</u>	<u>\$ 920,872</u>	<u>\$ 630,940</u>	<u>\$ 908,038</u>	<u>\$ 1,783,653</u>	<u>\$ 1,295,921</u>	<u>\$ 997,278</u>

Note: The City adopted GASB Statement No. 65 in 2013. Amounts in this schedule prior to 2013 have not been restated for GASB Statement No. 65.

CITY OF STEWARTVILLE, MINNESOTA
NET POSITION BY COMPONENT
LAST TEN FISCAL YEARS
(Accrual Basis of Accounting)

	Fiscal Year									
	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
Governmental activities										
Net investment in capital assets	\$ 19,760,404	\$ 19,501,902	\$ 18,911,416	\$ 18,053,670	\$ 17,572,919	\$ 17,851,458	\$ 17,499,935	\$ 16,259,342	\$ 16,129,258	\$ 15,220,010
Restricted	2,623,859	2,898,703	2,589,192	3,030,129	2,033,123	1,917,089	1,793,511	1,714,259	1,287,448	1,040,360
Unrestricted	2,897,178	2,670,492	2,744,295	2,929,049	4,154,015	3,677,218	3,707,069	4,422,843	3,748,884	3,788,846
Total governmental activities net position	<u>\$ 25,281,441</u>	<u>\$ 25,071,097</u>	<u>\$ 24,244,903</u>	<u>\$ 24,012,848</u>	<u>\$ 23,760,057</u>	<u>\$ 23,445,765</u>	<u>\$ 23,000,515</u>	<u>\$ 22,396,444</u>	<u>\$ 21,165,590</u>	<u>\$ 20,049,216</u>
Business-type activities										
Net investment in capital assets	\$ 10,722,466	\$ 11,043,199	\$ 10,875,511	\$ 9,529,397	\$ 9,339,161	\$ 8,071,641	\$ 7,649,699	\$ 7,437,416	\$ 6,922,136	\$ 7,179,208
Restricted					11,296	695,190	683,894	687,998	659,610	1,298,069
Unrestricted	3,996,351	3,136,402	2,717,952	3,171,144	2,704,122	2,681,168	2,928,716	2,832,928	2,823,797	1,748,719
Total business-type activities net position	<u>\$ 14,718,817</u>	<u>\$ 14,179,601</u>	<u>\$ 13,593,463</u>	<u>\$ 12,700,541</u>	<u>\$ 12,054,579</u>	<u>\$ 11,447,999</u>	<u>\$ 11,262,309</u>	<u>\$ 10,958,342</u>	<u>\$ 10,405,543</u>	<u>\$ 10,225,996</u>
Primary government										
Net investment in capital assets	\$ 30,482,870	\$ 30,545,101	\$ 29,786,927	\$ 27,583,067	\$ 26,912,080	\$ 25,923,099	\$ 23,723,941	\$ 23,696,758	\$ 23,051,394	\$ 22,399,218
Restricted	2,623,859	2,898,703	2,589,192	3,030,129	2,044,419	2,612,279	2,402,257	2,402,257	1,947,058	2,338,429
Unrestricted	6,893,529	5,806,894	5,462,247	6,100,193	6,858,137	6,358,386	7,228,588	7,255,771	6,572,681	5,537,565
Total primary government net position	<u>\$ 40,000,258</u>	<u>\$ 39,250,698</u>	<u>\$ 37,838,366</u>	<u>\$ 36,713,389</u>	<u>\$ 35,814,636</u>	<u>\$ 34,893,764</u>	<u>\$ 34,262,824</u>	<u>\$ 33,354,786</u>	<u>\$ 31,571,133</u>	<u>\$ 30,275,212</u>

Note: The City adopted GASB Statement No. 65 in 2013. Amounts in this schedule prior to 2013 have not been restated for GASB Statement No. 65.

CITY OF STEWARTVILLE, MINNESOTA
FUND BALANCES, GOVERNMENTAL FUNDS
LAST TEN FISCAL YEARS
(Modified Accrual Basis of Accounting)

	Fiscal Year									
	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
General fund										
Reserved	\$	\$	\$	\$	\$ 2,839	\$ 2,935	\$	\$ 2,245	\$ 3,627	\$ 4,991
Unreserved					821,492	701,965	670,590	860,410	707,810	919,416
Nonspendable	82,988	212,440	111,487	127,176						
Restricted	11,462	\$ 11,462	\$ 11,462							
Committed	547,886	534,690	476,132	390,110						
Assigned										
Unassigned	406,365	272,070	332,131	414,115						
Total general fund	<u>1,048,701</u>	<u>1,030,662</u>	<u>931,212</u>	<u>931,401</u>	<u>824,331</u>	<u>704,900</u>	<u>670,590</u>	<u>862,655</u>	<u>711,437</u>	<u>924,407</u>
All other governmental funds										
Reserved					2,034,791	1,918,725	1,795,341	1,716,054	1,287,448	1,040,360
Unreserved, designated					2,072,590	1,789,017	1,676,780	2,470,841	2,024,119	1,908,959
Unreserved, reported in:										
Special revenue funds					223,878	222,399	207,045	214,255	190,012	195,479
Capital projects funds							40,431	40,431	40,431	
Debt service funds					49,401	(15,165)	(67,813)	(113,994)		
Nonspendable			895	1,630						
Restricted	3,549,458	3,693,375	3,441,261	2,218,532						
Committed	550,546	468,352	475,866	944,963						
Assigned	1,430,085	1,215,634	1,299,094	1,008,953						
Unassigned				(8,911)						
Total all other governmental funds	<u>5,530,089</u>	<u>5,377,361</u>	<u>5,217,116</u>	<u>4,165,167</u>	<u>4,380,660</u>	<u>3,914,976</u>	<u>3,651,784</u>	<u>4,327,587</u>	<u>3,542,010</u>	<u>3,144,798</u>
Total governmental funds	<u>\$ 6,578,790</u>	<u>\$ 6,408,023</u>	<u>\$ 6,148,328</u>	<u>\$ 5,096,568</u>	<u>\$ 5,204,991</u>	<u>\$ 4,619,876</u>	<u>\$ 4,322,374</u>	<u>\$ 5,190,242</u>	<u>\$ 4,253,447</u>	<u>\$ 4,069,205</u>

Note: The City implemented GASB Statement No. 54 in 2011, therefore, classifications of fund balance have changed

CITY OF STEWARTVILLE, MINNESOTA
CHANGES IN FUND BALANCES, GOVERNMENTAL FUNDS
LAST FISCAL TEN YEARS
(Modified Accrual Basis of Accounting)

	Fiscal Year									
	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
Revenues										
General property taxes	\$ 2,292,223	\$ 2,138,715	\$ 1,968,849	\$ 1,862,514	\$ 1,822,537	\$ 1,650,145	\$ 1,628,117	\$ 1,287,062	\$ 1,308,960	\$ 1,222,937
Tax increments		29,093	85,902	169,412	166,892	179,169	193,691	171,190	224,853	227,015
Special assessments	309,316	253,711	208,796	213,710	292,559	240,722	269,784	380,091	199,069	149,179
Licenses and permits	120,610	118,836	111,546	112,576	117,784	106,412	107,823	105,632	95,366	93,166
Intergovernmental revenues	1,376,533	1,438,440	826,445	1,269,933	825,321	994,891	1,135,399	1,570,327	1,314,921	791,093
Charges for services	316,490	345,877	343,275	305,457	295,937	270,361	239,345	219,491	200,259	150,028
Interest earnings	41,424	48,408	91,301	103,146	116,362	136,776	155,461	277,133	166,994	120,542
Proceeds from sale of property	249,175	1,309	896,352						384,062	97,500
Miscellaneous revenues	417,769	506,363	377,671	403,222	401,809	339,588	815,775	672,477	366,774	622,708
Total Revenues	5,123,540	4,880,752	4,910,137	4,439,970	4,039,201	3,918,064	4,545,395	4,683,403	4,261,258	3,474,168
EXPENDITURES										
General government	522,686	447,793	447,599	423,353	383,950	370,598	389,030	356,672	290,703	342,601
Public safety and transportation	826,402	879,903	883,461	864,717	769,323	932,981	794,912	750,078	723,848	624,546
Public works	546,597	419,484	381,439	313,808	371,931	264,307	350,516	252,051	359,324	251,948
Library	311,492	290,037	272,826	283,992	257,780	255,472	244,406	234,649	215,240	221,425
Recreation	521,242	485,219	514,213	506,130	453,718	443,100	447,128	375,753	435,040	249,684
Economic development	512,544	227,197	459,885	526,714	358,947	134,475	317,413	58,231	24,438	88,618
Unallocated										4,226
Capital outlay	769,834	3,079,677	1,832,184	883,385	1,112,056	889,064	3,079,354	2,946,890	2,183,730	1,142,103
Bond principal retirement	627,000	554,216	502,297	593,377	500,742	449,646	370,249	676,642	277,228	838,022
Interest and fiscal charges	328,976	265,746	324,343	263,040	274,267	288,425	270,061	268,352	250,063	250,918
Issuance costs		50,306	56,355	7,877	36,372	15,225	31,075	15,513	14,070	
Total Expenditures	4,966,773	6,699,578	5,674,602	4,666,393	4,519,086	4,043,293	6,294,144	5,934,831	4,773,684	4,014,091
Excess (deficiency) of revenues over (under) expenditures	156,767	(1,818,826)	(764,465)	(226,423)	(479,885)	(125,229)	(1,748,749)	(1,251,428)	(512,426)	(539,923)
OTHER FINANCING SOURCES (USES)										
Issuance of debt		2,050,000	1,790,000	118,000	1,065,000	171,000	871,500	2,400,000	565,000	
Premium on issuance of debt		29,836	26,225							
Transfers in	23,513	531,255	552,208	102,800	151,077	1,089,400	500,007	1,881,196	562,803	660,262
Transfers out	(9,513)	(532,570)	(552,208)	(102,800)	(151,077)	(837,669)	(490,626)	(2,092,973)	(431,135)	(258,637)
Total other financing sources (uses)	14,000	2,078,521	1,816,225	118,000	1,065,000	422,731	880,881	2,188,223	696,668	401,625
Net change in fund balances	\$ 170,767	\$ 259,695	\$ 1,051,760	\$ (108,423)	\$ 585,115	\$ 297,502	\$ (867,868)	\$ 936,795	\$ 184,242	\$ (138,298)
Debt service as a percentage of noncapital expenditures	23.73%	20.79%	20.79%	24.19%	24.60%	23.88%	20.88%	31.63%	20.36%	37.92%

**CITY OF STEWARTVILLE, MINNESOTA
TAX CAPACITY AND ESTIMATED ACTUAL VALUE OF TAXABLE PROPERTY
LAST TEN FISCAL YEARS**

Payable Year	Real Property		Personal Property		Total Tax Capacity	City Tax Rate	Total Estimated Market Value	% of Tax Capacity to Total Estimated Market Value
	Tax Capacity	Estimated Market Value	Tax Capacity	Estimated Market Value				
2005	\$ 2,810,037	\$ 259,499,500	\$ 54,444	\$ 2,722,200	\$ 2,864,481	43.967%	\$ 262,221,700	1.09
2006	3,001,696	276,468,700	57,988	2,899,400	3,059,684	44.053	279,368,100	1.10
2007	3,259,029	300,782,700	63,382	3,169,100	3,322,411	44.702	303,951,800	1.09
2008	3,468,216	316,014,500	82,666	4,133,300	3,550,882	46.013	320,147,800	1.11
2009	3,540,080	322,306,500	89,652	4,482,600	3,629,732	45.816	326,789,100	1.11
2010	3,566,983	323,193,200	90,643	4,549,600	3,657,626	49.268	327,742,800	1.12
2011	3,630,562	329,185,900	101,071	5,071,100	3,731,633	49.825	334,257,000	1.12
2012	3,287,742	293,814,600	106,889	5,362,000	3,394,631	54.196	299,176,600 (1)	1.13
2013	3,363,723	297,831,850	115,015	5,768,300	3,478,738	56.425	303,600,150	1.15
2014	3,388,427	298,809,500	127,052	6,380,800	3,515,479	55.691	305,190,300	1.15

NOTE - Valuations are determined as of January 1 of year preceding tax collection year.

The County determines a property's tax capacity by multiplying a property's estimated market value times the property's class rate which is determined by its use. The total City tax levy divided by the total City tax capacity determines a percentage, the City tax rate, that is applied to each parcel's tax capacity to determine the tax amount.

(1) The 2011 Legislature repealed the homestead residential Market Value Credit and replaced it with the Homestead Market Value Exclusion. The new Homestead Exclusion lowers the tax base by reducing the Estimated Market Value of homes with assessed values up to \$413,800. This change was effective for taxes payable in 2012.

**CITY OF STEWARTVILLE, MINNESOTA
PROPERTY TAX RATES AND TAX LEVIES
DIRECT AND OVERLAPPING PROPERTY TAX RATES
LAST TEN FISCAL YEARS
(Percent of Tax Capacity)**

Fiscal Year	City of Stewartville Direct Rate		Overlapping Rates			
	Operating	Debt Service	Independent School District 534	Olmsted County	Total Direct and Overlapping Tax Rates*	
2005	40.695 %	3.272 %	26.639 %	52.021 %	122.627 %	
2006	42.090 %	1.963 %	23.641 %	51.123 %	118.817 %	
2007	43.126 %	1.546 %	26.332 %	52.265 %	123.269 %	
2008	45.021 %	0.992 %	25.009 %	52.694 %	123.716 %	
2009	45.818 %	0.000 %	(1)	24.361 %	52.748 %	122.927 %
2010	49.268 %	0.000 %	(1)	24.361 %	52.748 %	126.377 %
2011	49.825 %	0.000 %	(1)	27.757 %	53.985 %	131.567 %
2012	54.196 %	0.000 %	(1)	27.574 %	57.238 %	139.008 %
2013	56.425 %	0.000 %	(1)	26.429 %	58.217 %	141.071 %
2014	55.365 %	0.000 %	(1)	25.595 %	58.319 %	139.279 %

Source: Olmsted County Assessor and Northland Securities

Note: The City's direct property tax rate is determined by dividing the amount of tax levied by the Common Council by the City's total tax capacity.

*Overlapping rates are those of local and county governments that apply to property owners within the City of Stewartville. Not all overlapping rates apply to all City of Stewartville property owners.

(1) Property taxes levied in connection with the 2007A G.O. Swimming Pool Bonds are based on market value and were subject to a bond referendum. These property taxes are not included in the tax capacity rate.

**CITY OF STEWARTVILLE, MINNESOTA
PRINCIPAL PROPERTY TAXPAYERS
CURRENT YEAR AND NINE YEARS AGO**

Taxpayers (1)	2014			2005		
	Taxable Tax Capacity	Rank	Percentage of Total City Tax Capacity Value	Taxable Tax Capacity	Rank	Percentage of Total City Tax Capacity Value
Rochester Medical	\$ 127,014	1	3.61 %	\$ 38,518	2	1.34 %
American Land Lease	81,038	2	2.31 %			
All American Co-op	79,056	3	2.25 %	28,870	3	1.01 %
Alliant - Interstate Power	70,259	4	2.00 %	48,590	1	1.70 %
MREIC (FedEx)	66,628	5	1.90 %			
Minnesota Energy Resources	54,522	6	1.55 %			
Geotek, Inc.	41,656	7	1.18 %			
Individual	40,490	8	1.15 %			
Halcon	40,124	9	1.14 %	22,378	5	0.78 %
Fareway	28,540	10	0.81 %			
Cottages of Stewartville				27,879	4	0.97 %
Adventures Land				22,250	6	0.78 %
GCP Stewartville				22,247	7	0.78 %
Individual				16,760	8	0.59 %
Downtowner II				16,286	9	0.57 %
Utilicorp United				15,338	10	0.54 %
TOTAL	\$ 629,327		17.90 %	\$ 259,116		9.05 %

(1) Source: Olmsted County Assessor and Northland Securities

**CITY OF STEWARTVILLE, MINNESOTA
SCHEDULE OF PROPERTY TAX LEVIES AND COLLECTIONS
LAST TEN FISCAL YEARS**

Fiscal Year Ended December 31	Taxes Levied for the Fiscal Year	Net Tax Levy for the Fiscal Year (1)	Collected within the Fiscal Year of the Levy		Collections in Subsequent Years	Total Collections to Date	
			Amount	Percentage of Net Levy		Amount	Percentage of Net Levy
2005	\$ 1,187,442	\$ 1,059,807	\$ 1,047,957	98.88%	\$ 11,850	\$ 1,059,807	100.00%
2006	1,278,351	1,143,319	1,130,498	98.88%	12,821	1,143,319	100.00%
2007	1,421,969	1,291,438	1,258,919	97.48%	32,519	1,291,438	100.00%
2008	1,742,790	1,612,372	1,581,464	98.08%	30,908	1,612,372	100.00%
2009	1,786,821	1,652,794	1,601,935	96.92%	50,859	1,652,794	100.00%
2010	1,835,046	1,790,226	1,743,435	97.39%	46,372	1,789,807	99.98%
2011	1,958,071	1,863,071	1,792,829	96.23%	70,227	1,863,056	100.00%
2012	1,953,071	1,953,071	1,923,333	98.48%	26,027	1,949,360	99.81%
2013	2,098,813	2,098,813	2,048,033	97.58%	43,729	2,091,762	99.66%
2014	2,098,813	2,098,813	2,048,033	97.58%		2,048,033	97.58%

(1) Tax Levy adjusted for market value credit.

**CITY OF STEWARTVILLE, MINNESOTA
WATER AND SANITARY SEWER USAGE BY CUSTOMER
LAST TEN FISCAL YEARS**

Water (in millions of gallons)

<u>Type of Customer</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>
Residential	139.26	135.52	128.57	137.33	126.91	122.14	124.90	135.25	135.62	130.49
Commercial	5.96	5.77	5.32	5.84	5.46	3.90	4.87	5.52	5.53	5.12
Industrial	1.03	1.00	0.96	1.17	1.36	1.30	0.80	0.86	0.92	0.94
Other	1.92	1.87	1.64	1.75	2.73	2.60	1.95	2.17	2.23	1.87
Total gallons	<u>148.17</u>	<u>144.16</u>	<u>136.49</u>	<u>146.09</u>	<u>136.46</u>	<u>129.94</u>	<u>132.52</u>	<u>143.80</u>	<u>144.30</u>	<u>138.42</u>
Total direct rate per 1,000 gallons	<u>\$ 3.55</u>	<u>\$ 3.45</u>	<u>\$ 3.45</u>	<u>\$ 3.45</u>	<u>\$ 3.25</u>	<u>\$ 2.88</u>	<u>\$ 2.88</u>	<u>\$ 2.88</u>	<u>\$ 2.88</u>	<u>\$ 2.82</u>

Sanitary Sewer

(in millions of gallons)

<u>Type of Customer</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>
Residential	139.26	135.52	128.57	137.33	126.91	122.14	124.90	135.25	135.62	130.49
Commercial	5.96	5.77	5.32	5.84	5.46	3.90	4.87	5.52	5.53	5.12
Industrial	1.03	1.00	0.96	1.17	1.36	1.30	0.80	0.86	0.92	0.94
Other	1.92	1.87	1.64	1.75	2.73	2.60	1.95	2.17	2.23	1.87
Total gallons	<u>148.17</u>	<u>144.16</u>	<u>136.49</u>	<u>146.09</u>	<u>136.46</u>	<u>129.94</u>	<u>132.52</u>	<u>143.80</u>	<u>144.30</u>	<u>138.42</u>
Total direct rate per 1,000 gallons	<u>\$ 4.69</u>	<u>\$ 4.49</u>	<u>\$ 4.49</u>	<u>\$ 4.49</u>	<u>\$ 3.89</u>	<u>\$ 3.44</u>	<u>\$ 3.34</u>	<u>\$ 3.34</u>	<u>\$ 3.19</u>	<u>\$ 3.09</u>

Source: State of Minnesota Department of Natural Resources Water Use Reports and City records

**CITY OF STEWARTVILLE, MINNESOTA
RATIOS OF OUTSTANDING DEBT BY TYPE
LAST TEN FISCAL YEARS**

Fiscal Year	Governmental Activities						Business-Type Activities				
	Notes Payable & Capital Lease	General Obligation Bonds	Tax Increment Bonds	Special Assessment Bonds	General Obligation Revenue Bonds	Total Governmental Activities Debt	General Obligation Revenue Bonds	Total Business Activities Debt	Total Primary Government Debt	Percentage of Personal Income	Per Capita
2005	\$ 163,789	\$	\$ 419,107	\$ 746,000	\$ 3,150,000	\$ 4,478,896	\$ 730,000	\$ 730,000	\$ 5,208,896	2.49%	910
2006	137,667		320,000	1,169,000	3,140,000	4,766,667	625,000	625,000	5,391,667	2.56%	936
2007	110,026	1,825,000		1,555,000	3,000,000	6,490,026	510,000	510,000	7,000,026	3.17%	1,210
2008	182,278	1,760,000		2,179,000	2,870,000	6,991,278	235,000	235,000	7,226,278	3.06%	1,237
2009	131,632	1,690,000		2,151,000	2,740,000	6,712,632	210,000	210,000	6,922,632	2.83%	1,162
2010	78,890	1,620,000		2,978,000	2,600,000	7,276,890	185,000	185,000	7,461,890	3.12%	1,261
2011	41,513	1,545,000		2,760,000	2,455,000	6,801,513			6,801,513	2.63%	1,123
2012	19,216	1,470,000		4,321,225	2,305,000	8,115,441			8,115,441	3.04%	1,329
2013		3,219,836		4,274,352	2,145,000	9,639,188			9,639,188	3.46%	1,575
2014		3,073,344		3,955,479	1,980,000	9,008,823			9,008,823	3.22%	1,456

NA - Not available

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

Note: The City adopted GASB Statement No. 65 in 2013. Amounts in this schedule prior to 2013 have been restated for GASB Statement No. 65.

See page 97 for personal income and population data.

**CITY OF STEWARTVILLE, MINNESOTA
RATIOS OF GENERAL BONDED DEBT OUTSTANDING
LAST TEN FISCAL YEARS**

**Governmental Activities
General Bonded Debt Outstanding**

Fiscal Year	General Obligation Bonds	Tax Increment Bonds	Special Assessment Bonds	General Obligation Revenue Bonds	Total	Less: Available In Debt Service	Net General Bonded Debt Outstanding	Percentage of Actual Taxable Value of Property	Debt Per Capita
2005	\$ -	\$ 419,107	\$ 746,000	\$ 3,150,000	\$ 4,315,107	\$ 614,837	\$ 3,700,270	1.41	\$ 647
2006	-	320,000	1,169,000	3,140,000	4,629,000	844,281	3,784,719	1.35	657
2007	1,825,000	-	1,555,000	3,000,000	6,380,000	1,254,476	5,125,524	1.69	886
2008	1,760,000	-	2,179,000	2,870,000	6,809,000	1,357,884	5,451,116	1.70	933
2009	1,690,000	-	2,151,000	2,740,000	6,581,000	1,450,045	5,130,955	1.57	862
2010	1,620,000	-	2,978,000	2,600,000	7,198,000	1,549,247	5,648,753	1.72	955
2011	1,545,000	-	2,760,000	2,455,000	6,760,000	1,457,515	5,302,485	1.59	876
2012	1,470,000	-	4,321,225	2,305,000	8,096,225	2,937,433 (1)	5,158,792	1.72	848
2013	3,219,836	-	4,274,352	2,145,000	9,639,188	2,978,530 (1)	6,660,658	2.19	1,094
2014	3,073,344	-	3,955,479	1,980,000	9,008,823	2,873,884 (1)	6,134,939	2.01	991

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

See page 96 for personal income and population data

See page 86 for estimated market value information

- (1) Includes investment with fiscal agent restricted for the payment of refunded general bonded debt and all other funds externally restricted for general bonded debt service.

Note: The City adopted GASB Statement No. 65 in 2013. Amounts in this schedule prior to 2013 have been restated for GASB Statement No. 65.

Source: City of Stewartville Finance Department

**CITY OF STEWARTVILLE, MINNESOTA
COMPUTATION OF DIRECT AND INDIRECT GENERAL OBLIGATION BONDED DEBT
AND LEGAL DEBT MARGIN**

December 31, 2014

<u>Governmental Unit</u>	<u>Debt Outstanding</u>	<u>Estimated Percentage Applicable (1)</u>	<u>Estimated Share of Overlapping Debt</u>
Debt repaid with property taxes			
Independent School District #534	\$ 7,565,000	35.64%	\$ 2,696,166
Other debt			
Olmsted County	109,270,000	2.40%	2,622,480
Independent School District #534	679,300	35.64%	<u>242,103</u>
Subtotal, overlapping debt			5,560,749
City direct debt	9,008,823		<u>9,008,823</u>
Total direct and overlapping debt			<u><u>\$ 14,569,572</u></u>

Sources: Tax capacity data to estimate applicable percentages provided by Olmsted County Property Records
Debt outstanding data provided by each governmental unit.

Note: Overlapping governments are those that coincide, at least in part, with the geographic boundaries of the City. This schedule estimates the portion of the outstanding debt of those overlapping governments that is borne by the residents and businesses of the City of Stewartville. This process recognizes that, when considering the City's ability to issue and repay long-term debt, the entire debt burden borne by the residents and businesses should be taken into account. However, this does not imply that every taxpayer is a resident, and therefore responsible for repaying the debt, of each overlapping government.

(1) For debt repaid with property taxes, the percentage of overlapping debt applicable is estimated using tax capacity values. Applicable percentages were estimated by determining the portion of another governmental unit's tax capacity value that is within the City's boundaries and dividing it by each unit's total tax capacity value.

**CITY OF STEWARTVILLE, MINNESOTA
LEGAL DEBT MARGIN INFORMATION
LAST TEN FISCAL YEARS**

Legal Debt Margin Calculation for the Fiscal Year 2013

Market Value	\$ 305,190,300
Debt Limit (3% of market value)	\$ 9,155,715
Debt applicable to limit:	1,740,000
Legal debt margin	\$ 7,415,715

	Fiscal Year									
	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
Debt limit	\$9,155,715	\$9,108,005	\$8,975,298	\$9,727,710	\$9,832,284	\$9,787,437	\$9,604,941	\$6,079,036	\$ 5,587,362	\$ 5,244,434
Total net debt applicable to limit	1,740,000	1,800,000							2,151,000	2,179,000
Legal debt margin	\$7,415,715	\$7,308,005	\$8,975,298	\$9,727,710	\$9,832,284	\$9,787,437	\$9,604,941	\$6,079,036	\$ 3,436,362	\$ 3,065,434
Total net debt applicable to the limit as a percentage of debt limit	19.00%	19.76%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	38.50%	41.55%

The legal debt limit for municipalities in Minnesota is 3% of the market value of taxable property. This limit applies only to the City's general obligation tax levy bonds and excludes improvement, revenue, and tax increment bonds.

The G.O. Swimming Pool Bonds, Series 2007A are payable primarily from ad valorem taxes on all taxable property within the City and without limitation of amount. This debt is not subject to statutory debt limit since revenue sources will also be applied for the payment of principal and/or interest.

**CITY OF STEWARTVILLE, MINNESOTA
PLEGDED REVENUE COVERAGE
LAST TEN FISCAL YEARS**

Water Utility Bonds							Sewer Utility Bonds					
Fiscal Year	Utility Service Charges & Taxes	Less: Operating Expenses	Net Available Revenue	Debt Service			Utility Service Charges & Taxes	Less: Operating Expenses	Net Available Revenue	Debt Service		
				Principal	Interest	Coverage				Principal	Interest	Coverage
2005	\$ 491,823	\$ 235,817	\$ 256,006	\$ 32,250	\$ 15,535	5.36	\$ 529,379	\$ 334,513	\$ 194,866	\$ 67,750	\$ 23,079	2.15
2006	516,899	306,889	210,010	30,000	12,987	4.89	548,497	340,577	207,920	75,000	17,570	2.25
2007	615,480	364,707	250,773	37,250	8,894	5.43	613,619	314,958	298,661	77,750	16,244	3.18
2008	584,622	301,318	283,304	83,400 (1)	7,621	3.11	602,312	346,319	255,993	191,600 (1)	13,964	1.25
2009	590,094	262,125	327,969	10,000	4,075	23.30	588,744	363,665	225,079	15,000	6,113	10.66
2010	701,378	303,700	397,678	10,000	3,700	29.03	768,611	331,512	437,099	15,000	5,550	21.27
2011	694,965	280,816	414,149	74,000	403	5.57	825,790	345,315	480,475	111,000	605	4.31
2012	710,043	278,178	431,865				834,931	343,841	491,090			
2013	718,043	295,744	422,299				847,991	367,510	480,481			
2014	738,125	358,606	379,519				869,075	374,564	494,511			

Nursing Home Bonds							Assisted Living Bonds					
Fiscal Year	Lease & Interest Income	Less: Operating Expenses	Net Available Revenue	Debt Service			Lease & Interest Income	Less: Operating Expenses	Net Available Revenue	Debt Service		
				Principal	Interest	Coverage				Principal	Interest	Coverage
2005	91,480		91,480	40,000	40,245	1.14	144,663		144,663	60,000	129,768	0.76
2006	77,708		77,708	40,000	38,035	1.00	114,610		114,610		129,270	0.89
2007	86,553		86,553	40,000	35,775	1.14	223,712		223,712	100,000	96,953	1.14
2008	83,929		83,929	45,000	33,730	1.07	185,257		185,257	85,000	94,153	1.03
2009	82,863		82,863	45,000	31,098	1.09	132,805		132,805	85,000 (2)	91,773	0.75
2010	80,668		80,668	50,000	27,870	1.04	175,831		175,831	90,000 (2)	89,137	0.98
2011	80,122		80,122	50,000	24,870	1.07	180,852		180,852	95,000 (2)	86,348	1.00
2012	81,173		81,173	55,000	22,120	1.05	163,390		163,390	95,000 (2)	83,213	0.92
2013	78,701		78,701	60,000	18,670	1.00	196,139		196,139	100,000	80,076	1.09
2014	71,916		71,916	60,000	15,040	0.96	180,993		180,993	105,000	76,578	1.00

Special Assessment Bonds						
Fiscal Year	Assessment & Interest Income	Less: Operating Expenses	Net Available Revenue	Debt Service		
				Principal	Interest	Coverage
2005	97,703		97,703	565,000	47,395	0.16 (1)
2006	176,928		176,928	112,000	28,446	1.26
2007	366,429		366,429	114,000	47,034	2.28
2008	266,944		266,944	146,000	62,426	1.28 (1)
2009	278,742		278,742	199,000	88,614	0.97 (1)
2010	329,941		329,941	238,000	84,571	1.02 (1)
2011	259,493		259,493	336,000	83,895	0.62 (1)
2012	269,042		269,042	255,000	81,711	0.80 (1)
2013	237,917		237,917	295,000	83,479	0.63 (1)
2014	161,945		161,945	317,000	86,035	0.40 (1)

N/A - not available

(1) Additional principal was paid from cash reserves.

(2) Principal was paid from cash reserves

Note: Details regarding the City's outstanding debt can be found in the notes to the financial statements. Operating expenses do not include interest, or depreciation expense.

**CITY OF STEWARTVILLE, MINNESOTA
DEMOGRAPHIC AND ECONOMIC STATISTICS
LAST TEN FISCAL YEARS**

YEAR	POPULATION (1)	PERSONAL INCOME (thousands of dollars)	PER CAPITA PERSONAL INCOME (2)	PUBLIC SCHOOL ENROLLMENT (3)	UNEMPLOYMENT RATE (4)
2005	5,722	\$ 209,059	\$ 36,536	1,733	3.4
2006	5,759	210,617	36,577	1,783	3.4
2007	5,784	221,163	38,237	1,756	4.0
2008	5,842	235,842	40,370	1,787	4.2
2009	5,955	244,667	41,086	1,731	5.8
2010	5,916	239,344	40,457	1,875	5.3
2011	6,056	259,021	42,771	1,901	4.5
2012	6,084	267,094	43,901	1,935	4.5
2013	6,086	278,459	45,754	1,922	3.8
2014	6,189	279,935	45,231	1,984	2.9

NA - Not available

- Sources: (1) State Demographers Office
(2) Bureau of Economic Analysis
(3) Independent School District #534
(4) Bureau of Labor Statistics

**CITY OF STEWARTVILLE, MINNESOTA
PRINCIPAL EMPLOYERS
CURRENT YEAR AND NINE YEARS AGO**

Employer	2014			2005		
	Employees (1)	Rank	Percentage of Total City Employment	Employees	Rank	Percentage of Total City Employment
Rochester Medical	250	1	19.5%	150	3	13.9%
Independent School District 534	212	2	16.5%	196	1	18.1%
Halcon	150	3	11.7%	150	2	13.9%
Stewartville Care Center	139	4	10.9%	120	4	11.1%
Fareway Foods	78	5	6.1%			
Geotek	50	6	3.9%	42	6	3.9%
Kwik Trip	35	7	2.7%			
Strikers Bowl	32	8	2.5%			
All American Cooperative	30	9	2.3%	30	7	2.8%
Grisim School Bus	25	10	2.0%			
City of Stewartville				21	9	1.9%
Boyum Foods				52	5	4.8%
Snyders Drug				21	8	1.9%
City Pizza				20	10	1.8%

(1) Northland Securities Disclosure Report (2012 Minnesota Manufacturers Register)

**CITY OF STEWARTVILLE, MINNESOTA
FULL-TIME EQUIVALENT EMPLOYEES BY FUNCTION
LAST TEN FISCAL YEARS**

Function	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
Mayor and Council	5	5	5	5	5	5	5	5	5	5
City Administrator	1	1	1	1	1	1	1	1	1	1
Deputy Clerk	1	1	1	1	1	1	1	1	1	1
Finance/Human Resources and Information Systems	3	2	2	2	2	2	2	2	2	2
City Attorney (1)										
General Government	<u>10</u>	<u>9</u>	<u>9</u>	<u>9</u>	<u>9</u>	<u>9</u>	<u>9</u>	<u>9</u>	<u>9</u>	<u>9</u>
Police (1)										
Fire (2)										
Building Safety (1)										
Public Safety	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Engineering/Traffic (1)										
Street and Alley	4	3	3	3	3	3	3	3	3	3
Public Works	<u>4</u>	<u>3</u>	<u>3</u>	<u>3</u>	<u>3</u>	<u>3</u>	<u>3</u>	<u>3</u>	<u>3</u>	<u>3</u>
Library	5	5	5	5	4	4	4	4	4	3
Total Culture	<u>5</u>	<u>5</u>	<u>5</u>	<u>5</u>	<u>4</u>	<u>4</u>	<u>4</u>	<u>4</u>	<u>4</u>	<u>3</u>
Parks and Recreation	3	3	3	3	3	3	3	3	3	3
Parks and Recreation	<u>3</u>	<u>3</u>	<u>3</u>	<u>3</u>	<u>3</u>	<u>3</u>	<u>3</u>	<u>3</u>	<u>3</u>	<u>3</u>
Total Governmental Activities	<u>22</u>	<u>20</u>	<u>20</u>	<u>20</u>	<u>19</u>	<u>19</u>	<u>19</u>	<u>19</u>	<u>19</u>	<u>18</u>
Water Utility	2	2	2	2	2	2	2	2	2	2
Sewer Utility (1)										
Total Business Activities	<u>2</u>	<u>2</u>	<u>2</u>	<u>2</u>	<u>2</u>	<u>2</u>	<u>2</u>	<u>2</u>	<u>2</u>	<u>2</u>
Totals for Organization	<u>24</u>	<u>22</u>	<u>22</u>	<u>22</u>	<u>21</u>	<u>21</u>	<u>21</u>	<u>21</u>	<u>21</u>	<u>20</u>

(1) Services are performed by outside contractors
(2) Services are performed by a volunteer fire department

Source: City's Adopted Budgets

**CITY OF STEWARTVILLE, MINNESOTA
OPERATING INDICATORS BY FUNCTION/PROGRAM
LAST TEN FISCAL YEARS**

Function/Program	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
Police										
Part I crimes	93	70	69	96	89	78	92	120	120	84
Part II crimes	222	173	168	235	197	236	250	264	223	173
Arrests	NA	NA	NA	223	129	178	233	220	206	140
Fire and EMS										
Total emergency responses	6,225	5,520	4,319	3,839	3,576	2,601	2,632	2,355	2,176	2,173
EMS responses	287	232	272	281	267	259	283	251	215	(1)
Fire responses	98	118	124	89	99	93	100	46	85	(1)
Public Works										
Streets resurfaced (miles)	0.19	0.58	1.03	0.25	1.6	0.25	1.06	1.42	2	0
Residential snow plowing (miles)	29	29	26	26	26	26	26	26	26	26
Transit										
Passengers (millions)	-	12,298	11,757	12,120	11,008	11,090	11,260	11,245	11,903	11,974
Route miles (thousands)	-	14,159	14,944	16,240	15,727	16,848	18,920	19,446	19,212	21,537
Library										
Annual circulation	78,494	83,047	86,760	86,751	88,177	91,854	93,655	92,058	96,442	90,658
Park & Recreation										
Park rentals	60	57	61	49	44	52	51	45	47	48
Civic center event-days	128	119	125	135	138	161	144	134	146	141
Water Utility										
Number of customers	2,097	2,080	2,057	2,044	2,024	1,994	1,982	1,960	1,923	1,862
Average daily consumption	405,896	394,957	371,442	404,375	373,858	355,998	363,065	394,000	395,000	379,000
Sanitary Sewer Utility										
Gallons of wastewater treated annually (millions of gallons)	195.8	140.2	146.2	198.4	229.1	211.7	234.4	246.9	211.7	192.8

(1) Breakdown of fire calls versus EMS responses is not available.

Sources: Various City Department's

**CITY OF STEWARTVILLE, MINNESOTA
CAPITAL ASSETS STATISTICS BY FUNCTION/PROGRAM
LAST TEN FISCAL YEARS**

Function/Program	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
Police										
Stations	None - Police protection is provided through a contract with Olmsted County									
Fire										
Stations	1	1	1	1	1	1	1	1	1	1
Public Works										
Streets (miles)	29	29	29	28	28	28	28	28	28	28
Intersections w/traffic signals	3	3	3	2	2	2	2	2	2	2
Storm sewer (miles)	15	15	14	13	13	13	13	13	13	12
Transit										
Transit buses	0	1	1	1	1	1	1	1	1	1
Library										
Holdings (thousands)	30,599	30,793	30,546	30,433	31,535	30,587	35,519	36,184	39,045	36,822
Park & Recreation										
Acres of parkland	239	239	239	239	239	239	239	239	239	239
Number of parks	5	5	5	5	5	5	5	5	5	5
Water Utility										
Miles of watermain	31	31	31	30	30	30	30	30	30	30
Number of fire hydrants	344	344	332	327	327	327	327	327	324	324
Sanitary Sewer Utility										
Miles of sanitary sewer	28	28	28	28	28	28	28	28	28	28
Treatment capacity (thousands of gallons)	817	817	817	817	817	817	817	817	817	817
Area of City (square miles)	3.09	3.09	3.06	3.06	3.06	3.06	3.06	3.06	3.06	3.06

Sources: Various City Department's annual financial report statistics and budget workload measurements

(This Page is Left Blank Intentionally)

AUDITOR'S REPORT ON COMPLIANCE

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

We have audited the financial statements of the City of Stewartville, Minnesota as of and for the year ended December 31, 2014 and have issued our report thereon dated April 20, 2015.

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

The *Minnesota Legal Compliance Audit Guide for Local Government* covers seven main categories of compliance to be tested: contracting and bidding, deposits and investments, conflicts of interest, public indebtedness, claims and disbursements, tax increment financing and miscellaneous provisions. Our study included all of the listed categories.

The results of our tests indicate that for the items tested, the City of Stewartville, Minnesota complied with the material terms and conditions of applicable legal provisions.

This report is intended solely for the information and use of the City Council, management, and the Office of the State Auditor of Minnesota and is not intended to be, and should not be, used by anyone other than those specified parties.

Smith, Schaffer and Associates, Ltd.

Rochester, Minnesota
April 20, 2015