

CITY OF STACY
STACY, MINNESOTA

ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED DECEMBER 31, 2014

CITY OF STACY, MINNESOTA
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SECTION I

INTRODUCTORY SECTION

CITY OF STACY
STACY, MINNESOTA
GENERAL INFORMATION

ELECTED AND APPOINTED OFFICIALS

2014

MAYOR	Mark Utecht
COUNCIL MEMBER	Cindy Bruss
COUNCIL MEMBER	Michael Carlson
COUNCIL MEMBER	Charles Lucia
COUNCIL MEMBER	Jim Ness
CITY CLERK	Sharon Payne
CITY ATTORNEY	Peter Grundhoefer - January-September Ted Alliegro October-December

2015

MAYOR	Mark Utecht
COUNCIL MEMBER	Cindy Bruss
COUNCIL MEMBER	Samantha Denney
COUNCIL MEMBER	Jim Ness
COUNCIL MEMBER	Tony Olivolo
CITY CLERK	Sharon Payne
CITY ATTORNEY	Ted Alliegro

SECTION II
FINANCIAL SECTION

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INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, business-type activities, each major fund and the aggregate remaining fund information, of City of Stacy, Minnesota, as of and for the year ended December 31, 2014, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

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

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

Opinions

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

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 5 through 13 and 41 through 43 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 Stacy, Minnesota's basic financial statements. The introductory section, combining and individual nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual nonmajor fund financial statements are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements are fairly stated in all material respects in relation to the basic financial statements as a whole.

The introductory 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.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated May 12, 2015 on our consideration of City of Stacy, Minnesota's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering City of Stacy, Minnesota's internal control over financial reporting and compliance.

Dennis E Oberloh, Ltd.
Dennis E. Oberloh, Ltd.

May 12, 2015

CITY OF STACY, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2014

FINANCIAL HIGHLIGHTS

As Management of the City of Stacy (hereinafter referred to as "the City") we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended December 31, 2014.

- The assets of the City exceeded its liabilities at the close of the most recent fiscal year by \$6,038,348 (net position). Of this amount \$2,613,933 (unrestricted net position) may be used to meet the City's ongoing obligations to citizens and creditors.
- The City's total net position increased by \$300,634 compared to an increase of \$338,207 in the previous year. The governmental activities net position decreased during 2014 by \$80,949 and the business-type activities net position increased during 2014 by \$381,583.
- As of the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$742,494, a decrease of \$166,143 in comparison with the previous year. Approximately 74.9 percent of this total amount, \$556,385, is available for spending at the City's discretion, but \$70,438 has been assigned for specific purposes.
- At the end of the current fiscal year, the fund balance of the general fund was \$598,679, of which \$498,755 is unassigned and \$99,924 is nonspendable for interfund loans. The unassigned fund balance is 79.7% of total general fund expenditures.

USING THIS ANNUAL REPORT

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

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 (on page 14) provides information on all the City's assets and deferred outflows of resources, and liabilities and deferred inflows of resources, with the difference between them presented as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The Statement of Activities (on page 15) provides information showing how the City's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

CITY OF STACY, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2014

USING THIS ANNUAL REPORT (Cont.)

Government-wide Financial Statements (Cont.)

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

Fund Financial Statements

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

Governmental Funds: Governmental funds are used to account for essentially the same function 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 nonspendable and spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact by the government's near-term financing decisions. Both the governmental fund balance sheet (on page 16) and the governmental fund statement of revenues, expenditures and changes in fund balances (on page 18) provide a reconciliation (on pages 17 and 19) to facilitate this comparison between governmental funds and governmental activities.

The City 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; which is considered a major fund. Data from the other nonmajor governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor funds is provided in the form of combining statements elsewhere in this report.

The City adopts annual appropriated budgets for its General Fund. Budgetary comparison schedules have been provided for these funds to demonstrate compliance with the budgets.

Proprietary Funds: The City maintains one type of proprietary fund. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses enterprise funds to account for its municipal liquor, water, sewer and storm sewer.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statement provides separate information for the Municipal Liquor, Water, and Sewer; all of which are considered to be major funds of the City. The Storm Sewer fund is shown in a separate column as a nonmajor fund. The basic proprietary fund financial statements can be found on pages 20 through 23 of this report.

CITY OF STACY, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2014

USING THIS ANNUAL REPORT (Cont.)

Required Supplementary Information

This Management's Discussion and Analysis and the General Fund Budgetary Comparison Schedule (on pages 41 - 43) represent financial information required by GASB to be presented. Such information provides users of this report with additional data that supplements the government-wide statements, fund financial statements, and notes, referred to as the basic financial statements.

Other Supplementary Information

This part of the annual report (starting on page 44) includes optional financial information such as combining nonmajor governmental fund statements and component unit financial statements (which are added together and shown in the fund financial statements in a single column). This other supplemental financial information is provided to address certain specific needs of various users of the City's annual report.

THE CITY AS A WHOLE

Looking at the net position and net expenses of the governmental and business-type activities separately, different stories emerge. Our analysis below focuses on the net assets and changes in net assets of the City's governmental and business-type activities.

Net Position

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>
Current Assets	\$ 849,236	\$ 1,030,741	\$ 2,395,965	\$ 2,202,042	\$ 3,245,201	\$ 3,232,783
Capital Assets	<u>2,105,383</u>	<u>2,152,307</u>	<u>7,514,837</u>	<u>7,663,197</u>	<u>9,620,220</u>	<u>9,815,504</u>
Total Assets	<u>2,954,619</u>	<u>3,183,048</u>	<u>9,910,802</u>	<u>9,865,239</u>	<u>12,865,421</u>	<u>13,048,287</u>
Current Liabilities	191,444	184,433	706,006	719,026	897,450	903,459
Long-term Liabilities	<u>1,658,623</u>	<u>1,813,114</u>	<u>4,271,000</u>	<u>4,594,000</u>	<u>5,929,623</u>	<u>6,407,114</u>
Total Liabilities	<u>1,850,067</u>	<u>1,997,547</u>	<u>4,977,006</u>	<u>5,313,026</u>	<u>6,827,073</u>	<u>7,310,573</u>
Net Investment in						
Capital Assets	317,269	205,307	2,921,037	2,748,198	3,238,306	2,953,505
Restricted	186,109	178,466	-	-	186,109	178,466
Unrestricted	<u>601,174</u>	<u>801,728</u>	<u>2,012,759</u>	<u>1,804,015</u>	<u>2,613,933</u>	<u>2,605,743</u>
Total Net Position	<u>\$ 1,104,552</u>	<u>\$ 1,185,501</u>	<u>\$ 4,933,796</u>	<u>\$ 4,552,213</u>	<u>\$ 6,038,348</u>	<u>\$ 5,737,714</u>

A large portion of the City's net position (53.6 percent) reflects its net investment in capital assets (e.g., land, buildings and improvements, systems and infrastructure, machinery 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.

An additional portion of the City's net position (3.1 percent) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position (43.3 percent) may be used to meet the City's ongoing obligations to citizens and creditors. At the end of the current fiscal year, the City is able to report positive balances in all categories of net position for both governmental and business-type activities.

CITY OF STACY, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2014

THE CITY AS A WHOLE (Cont.)

Changes in Net Assets

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>
<u>Revenues</u>						
Program Revenues:						
Fees, Fines, and						
Charges for						
Services	\$ 49,812	\$ 64,420	\$ 536,197	\$ 590,320	\$ 586,009	\$ 654,740
Contributions	22,471	23,813	-	-	22,471	23,813
Sales	-	-	2,796,166	2,751,348	2,796,166	2,751,348
General Revenues:						
Taxes and						
Assessments	380,496	338,740	179,929	186,764	560,425	525,504
Intergovernmental						
Revenue	282,714	236,826	-	-	282,714	236,826
Interest Income	2,577	2,062	8,257	9,008	10,834	11,070
Miscellaneous						
Income	<u>48,023</u>	<u>75,193</u>	<u>33,100</u>	<u>41,072</u>	<u>81,123</u>	<u>116,265</u>
Total Revenues	<u>786,093</u>	<u>741,054</u>	<u>3,553,649</u>	<u>3,578,512</u>	<u>4,339,742</u>	<u>4,319,566</u>
<u>Expenses</u>						
General Government	193,480	183,099	-	-	193,480	183,099
Public Safety	164,252	160,354	-	-	164,252	160,354
Public Works	332,876	318,470	-	-	332,876	318,470
Culture and Recreation	54,771	55,357	-	-	54,771	55,357
Economic Development	15,239	24,238	-	-	15,239	24,238
Miscellaneous	116,424	94,447	-	-	116,424	94,447
Municipal Liquor Store	-	-	2,618,791	2,616,188	2,618,791	2,616,188
Water	-	-	178,459	200,206	178,459	200,206
Sewer	-	-	351,388	318,547	351,388	318,547
Storm Sewer	-	-	13,428	10,453	13,428	10,453
Total Expenses	<u>877,042</u>	<u>835,965</u>	<u>3,162,066</u>	<u>3,145,394</u>	<u>4,039,108</u>	<u>3,981,359</u>
Transfers	<u>10,000</u>	<u>10,000</u>	<u>(10,000)</u>	<u>(10,000)</u>	-	-
Change in Net Position	(80,949)	(84,911)	381,583	423,118	300,634	338,207
Net Position Beginning	<u>1,185,501</u>	<u>1,270,412</u>	<u>4,552,213</u>	<u>4,129,095</u>	<u>5,737,714</u>	<u>5,399,507</u>
Net Position Ending	<u>\$ 1,104,552</u>	<u>\$ 1,185,501</u>	<u>\$ 4,933,796</u>	<u>\$ 4,552,213</u>	<u>\$ 6,038,348</u>	<u>\$ 5,737,714</u>

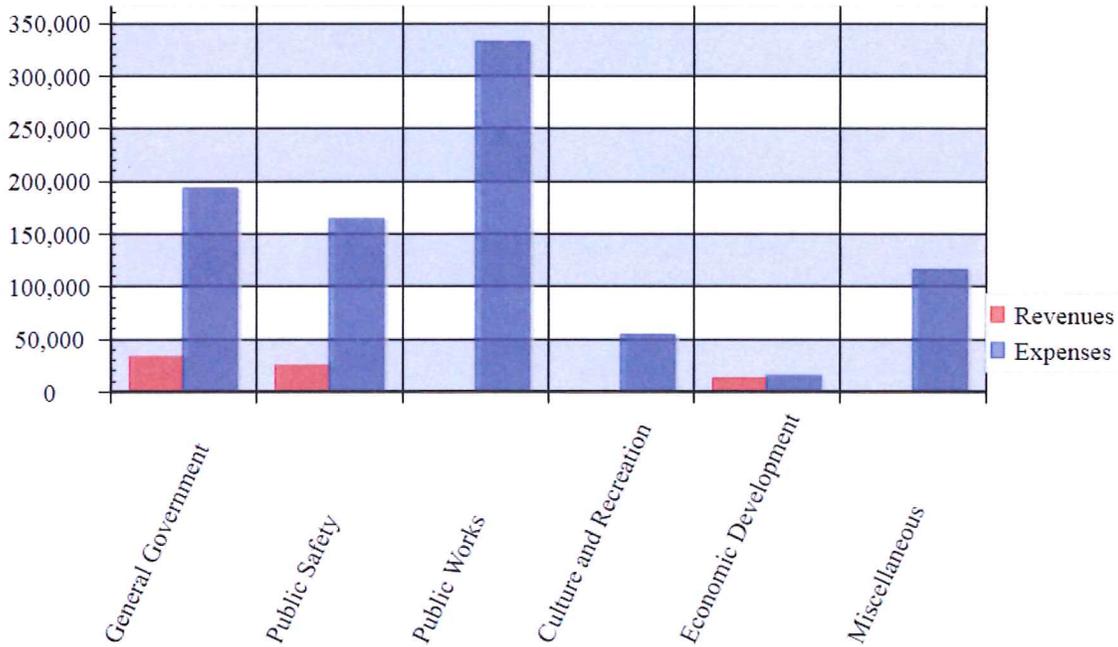
CITY OF STACY, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2014

THE CITY AS A WHOLE (Cont.)

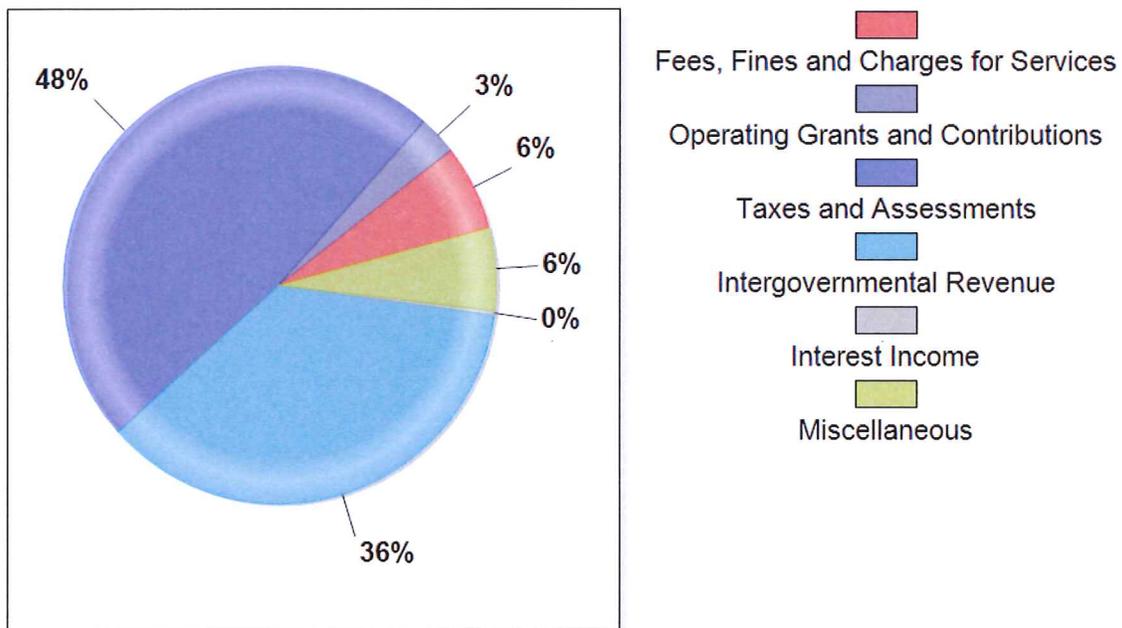
Governmental Activities

The following graphs depict various governmental activities and show the revenue and expenses directly related to those activities.

**Expenses and Program Revenues -
Governmental Activities**



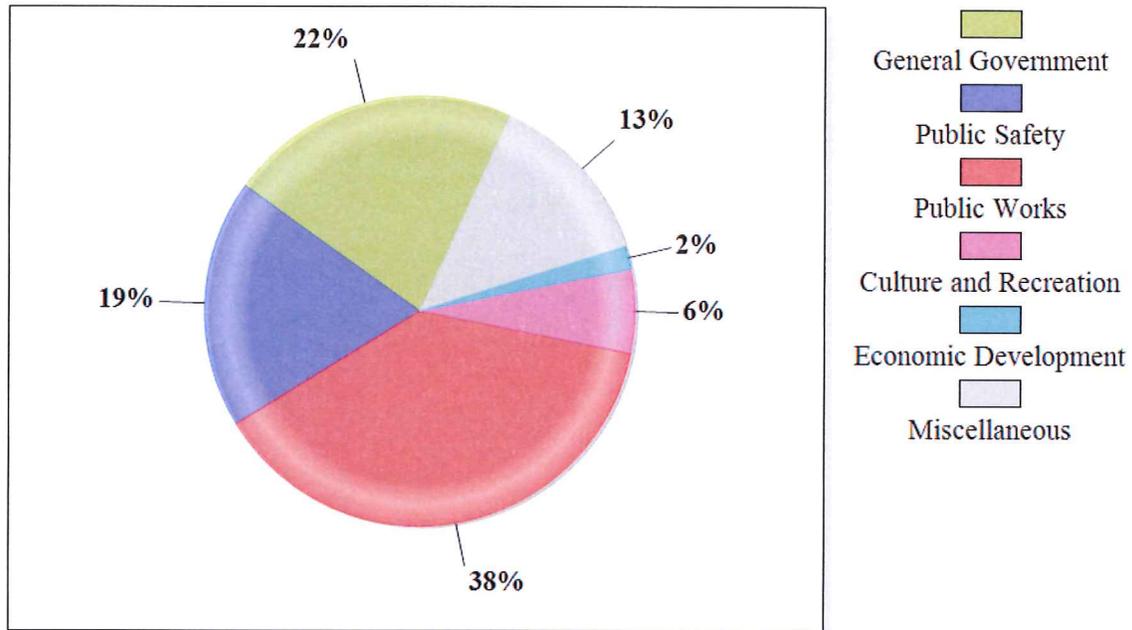
Sources of Funds in Governmental Activities



CITY OF STACY, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2014

THE CITY AS A WHOLE (Cont.)
Governmental Activities (Cont.)

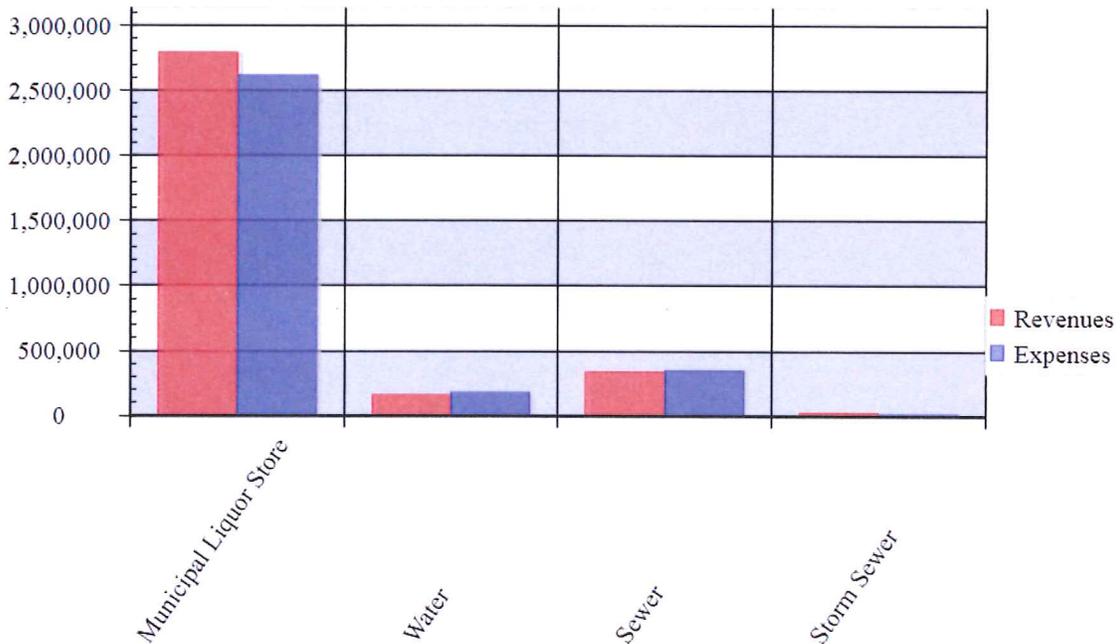
Uses of Funds in Governmental Activities



Business-Type Activities

The following graphs depict various business-type activities and show the revenue and expenses directly related to those activities.

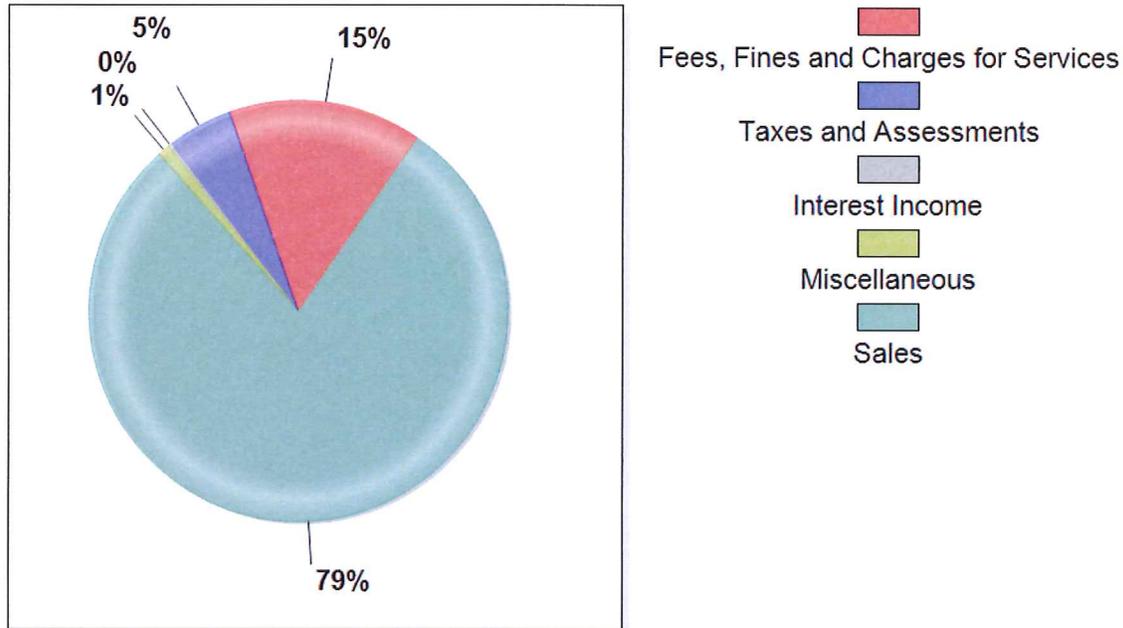
**Expenses and Program Revenues -
Business-Type Activities**



CITY OF STACY, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2014

THE CITY AS A WHOLE (Cont.)
Business-Type Activities (Cont.)

Sources of Funds in Business-Type Activities



A FINANCIAL ANALYSIS OF THE CITY'S FUNDS

As noted earlier, the City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds - The focus of the City's governmental funds is to provide information on near-term inflows, outflows and balances of spendable resources. Such information is useful in assessing the City's financing requirements. In particular, unreserved 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 \$742,494, a decrease of \$166,143 in comparison with the prior year. Approximately 74.9% of this total amount, \$556,385, constitutes unrestricted fund balance, which is available for spending at the City's discretion, although \$70,438 has been assigned for specific purposes. The remainder of the fund balance is restricted to indicate that it is not available for new spending because it has already been restricted to pay debt service and capital improvements in the amount of \$186,109.

Proprietary Funds - The City's proprietary funds provide the same type of information found in the business-type activities in the government-wide statements, but in more detail. Unrestricted net position of the enterprise funds at the end of the year amounted to \$2,012,759. Other factors concerning the finances of these funds have already been addressed in the discussion of the City's business-type activities.

GENERAL FUND BUDGETARY HIGHLIGHTS

The City's General Fund budget was not amended during the year. The budget called for a break even year in 2014. Revenues exceeded expectations by \$27,857 and expenditures came in over budget by \$140,805 in 2014.

CITY OF STACY, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2014

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

The City's investment in capital assets for its governmental and business-type activities as of December 31, 2014, amounts to \$9,620,420 (net of accumulated depreciation). This investment in capital assets includes land, structures, improvements, machinery and equipment, park facilities, roads, highways and bridges. The total decrease in the City's investment in capital assets for the current fiscal year was 2.0 percent (an 2.2 percent decrease for governmental activities and a 1.9 percent decrease for business-type activities). The decrease was due to depreciation exceeding capital outlay.

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Totals</u>	
	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>
Land and Improvements	\$ 721,977	\$ 721,977	\$ -	\$ -	\$ 721,977	\$ 721,977
Construction in Progress	8,226	8,226	-	-	8,226	8,226
Building, Plant and Equipment	777,327	777,327	9,594,544	9,528,300	10,371,871	10,305,627
Infrastructure and Improvements	<u>2,895,414</u>	<u>2,775,777</u>	<u>-</u>	<u>-</u>	<u>2,895,414</u>	<u>2,775,777</u>
Subtotal	4,402,944	4,283,307	9,594,544	9,528,300	13,997,488	13,811,607
Less: Accumulated Depreciation	<u>2,297,561</u>	<u>2,131,000</u>	<u>2,079,507</u>	<u>1,865,103</u>	<u>4,377,068</u>	<u>3,996,103</u>
Total	<u>\$ 2,105,383</u>	<u>\$ 2,152,307</u>	<u>\$ 7,515,037</u>	<u>\$ 7,663,197</u>	<u>\$ 9,620,420</u>	<u>\$ 9,815,504</u>

Debt

At the end of the current fiscal year, the City had total Long-term debt outstanding of \$6,382,114.

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Totals</u>	
	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>
G.O. Improvement Bonds	\$1,365,000	\$1,430,000	\$ 720,000	\$ 745,000	\$2,085,000	\$2,175,000
G.O. Revenue Bonds	-	-	-	15,000	-	15,000
Revenue Bonds	-	-	1,470,000	1,545,000	1,470,000	1,545,000
Revenue Notes	-	-	2,404,000	2,610,000	2,404,000	2,610,000
Other Long-Term Debt	68,114	112,000	-	-	68,114	112,000
Tax Incremental Bonds	<u>355,000</u>	<u>405,000</u>	<u>-</u>	<u>-</u>	<u>355,000</u>	<u>405,000</u>
Total	<u>\$1,788,114</u>	<u>\$1,947,000</u>	<u>\$4,594,000</u>	<u>\$4,915,000</u>	<u>\$6,382,114</u>	<u>\$6,862,000</u>

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

The City will continue to monitor the budget and ensure spending is held to a means sustainable through current Local Government Aid (LGA) and property tax amounts.

The City is exploring water treatment options for radium removal from the water. Capital expenditures for radium removal are anticipated to begin during 2015 and continue through 2016. The City will also need to explore options to bring the City Hall into compliance with ADA. The City is anticipating the City Hall improvements to begin in 2015.

CITY OF STACY, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2014

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide citizens and other interested individuals with a general overview of the City's finances and to show the accountability for the monies it receives through property taxes, user fees, and local government aid. If you have any questions about this report or need additional financial information, contact the City Clerk's Office at City of Stacy, 30955 Forest Blvd, Stacy, MN 55079, phone 651-462-4486, email: cityclerk@stacymn.org.

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

	Primary Government		Total
	Governmental Activities	Business-Type Activities	
ASSETS			
Pooled Cash and Equivalents	\$ 718,670	\$ 1,236,651	\$ 1,955,321
Non Pooled Cash and Equivalents	11,714	629,282	640,996
Receivables:			
Accounts Receivable	36,599	106,057	142,656
Property Taxes Receivable	64,421	34,829	99,250
Prepaid Expense	16,702	34,586	51,288
Internal Balances	1,130	(1,130)	-
Inventory	-	341,501	341,501
Capital assets not being depreciated:			
Land and Improvements	721,977	-	721,977
Construction in Progress	8,226	-	8,226
Other capital assets:			
Building, Plant and Equipment	777,327	9,594,544	10,371,871
Infrastructure and Improvements	2,895,414	-	2,895,414
Accumulated Depreciation	(2,297,561)	(2,079,507)	(4,377,068)
Bond Discount, Net	-	13,989	13,989
TOTAL ASSETS	<u>2,954,619</u>	<u>9,910,802</u>	<u>12,865,421</u>
LIABILITIES			
Accounts Payable	25,971	142,518	168,489
Accrued Liabilities	13,006	74,315	87,321
Accrued Interest	16,963	43,221	60,184
Accrued Wages Payable	6,013	2,180	8,193
Due to Other Governmental Units	-	120,772	120,772
Noncurrent liabilities:			
Due within one year	129,491	323,000	452,491
Due in more than one year	<u>1,658,623</u>	<u>4,271,000</u>	<u>5,929,623</u>
TOTAL LIABILITIES	<u>1,850,067</u>	<u>4,977,006</u>	<u>6,827,073</u>
NET POSITION			
Net Investment in Capital Assets	317,269	2,921,037	3,238,306
Restricted	186,109	-	186,109
Unrestricted	<u>601,174</u>	<u>2,012,759</u>	<u>2,613,933</u>
TOTAL NET POSITION	<u>\$ 1,104,552</u>	<u>\$ 4,933,796</u>	<u>\$ 6,038,348</u>

CITY OF STACY, MINNESOTA
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2014

Functions/Programs Primary Government	Program Revenues			Net Sources (Uses) and Changes in Net Position			
	Expenses	Fees, Fines and Charges for Services	Operating Grants and Contributions	Sales	Governmental Activities	Business-Type Activities	Total
Governmental Activities:							
General Government	\$ 193,480	\$ 33,358	\$ -	\$ -	\$ (160,122)	\$ -	\$ (160,122)
Public Safety	164,252	2,719	22,471	-	(139,062)	-	(139,062)
Public Works	332,876	-	-	-	(332,876)	-	(332,876)
Culture and Recreation	54,771	-	-	-	(54,771)	-	(54,771)
Economic Development	15,239	13,735	-	-	(1,504)	-	(1,504)
Miscellaneous	116,424	-	-	-	(116,424)	-	(116,424)
Total Governmental Activities	877,042	49,812	22,471	-	(804,759)	-	(804,759)
Business-Type Activities:							
Municipal Liquor Store	2,618,791	-	-	2,796,166	-	177,375	177,375
Water	178,459	161,883	-	-	-	(16,576)	(16,576)
Sewer	351,388	344,123	-	-	-	(7,265)	(7,265)
Storm Sewer	13,428	30,191	-	-	-	16,763	16,763
Total Business-Type Activities:	3,162,066	536,197	-	2,796,166	-	170,297	170,297
Total Primary Government	4,039,108	586,009	22,471	2,796,166	(804,759)	170,297	(634,462)
General Revenues:							
Taxes and Assessments					380,496	179,929	560,425
Intergovernmental Revenue					282,714	-	282,714
Interest Income					2,577	8,257	10,834
Miscellaneous					48,023	33,100	81,123
Transfers					10,000	(10,000)	-
Total General Revenues					723,810	211,286	935,096
Changes in Net Position					(80,949)	381,583	300,634
Net Position - January 1					1,185,501	4,552,213	5,737,714
Net Position - December 31					1,104,552	4,933,796	6,038,348

The Notes to the Financial Statements are an integral part of this statement.

CITY OF STACY, MINNESOTA
BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2014

	<u>General Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Total</u>
ASSETS			
Pooled Cash and Equivalents	\$ 491,875	\$ 226,795	\$ 718,670
Non Pooled Cash and Equivalents	45	11,669	11,714
Accounts Receivable	36,599	-	36,599
Property Taxes Receivable	24,061	40,360	64,421
Prepaid Expense	-	16,702	16,702
Due from Other Funds	99,924	-	99,924
Total Assets	<u>\$ 652,504</u>	<u>\$ 295,526</u>	<u>\$ 948,030</u>
LIABILITIES			
Accounts Payable	\$ 11,898	\$ 14,073	\$ 25,971
Accrued Liabilities	13,006	-	13,006
Accrued Wages Payable	6,013	-	6,013
Due to Other Funds	-	98,794	98,794
Total Liabilities	<u>30,917</u>	<u>112,867</u>	<u>143,784</u>
DEFERRED INFLOWS OF RESOURCES			
Unavailable Revenue	<u>22,908</u>	<u>38,844</u>	<u>61,752</u>
Total Deferred Inflows of Resources	<u>22,908</u>	<u>38,844</u>	<u>61,752</u>
FUND BALANCES			
Nonspendable	99,924	-	99,924
Restricted	-	186,109	186,109
Assigned	-	70,438	70,438
Unassigned (Deficit)	<u>498,755</u>	<u>(112,732)</u>	<u>386,023</u>
Total Fund Balances	<u>598,679</u>	<u>143,815</u>	<u>742,494</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	<u>\$ 652,504</u>	<u>\$ 295,526</u>	<u>\$ 948,030</u>

CITY OF STACY, MINNESOTA
RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCE
TO NET POSITION OF GOVERNMENTAL ACTIVITIES
DECEMBER 31, 2014

Total Governmental Fund Balances	\$ 742,494
<i>Amounts reported for governmental activities in the statement of net position are different because:</i>	
Capital Assets used in governmental activities are not financial resources and therefore are not reported in the funds.	2,105,383
Part of taxes and special assessments receivable are not available to pay for current period expenditures and therefore are deferred in the funds.	61,752
Long-term liabilities, including bonds payable and compensated absences, are not due and payable in the current period and therefore are not reported in the funds.	<u>(1,805,077)</u>
Net Position of Governmental Activities	\$ <u><u>1,104,552</u></u>

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

	General Fund	Nonmajor Governmental Funds	Total
REVENUES			
Taxes	\$ 133,597	\$ 284,999	\$ 418,596
Licenses and Permits	26,639	-	26,639
Intergovernmental Revenue	305,185	-	305,185
Charges for Services	21,604	-	21,604
Fines and Forfeits	1,569	-	1,569
Interest Income	1,888	689	2,577
Miscellaneous	<u>12,123</u>	<u>35,900</u>	<u>48,023</u>
Total Revenues	<u>502,605</u>	<u>321,588</u>	<u>824,193</u>
EXPENDITURES			
Current Operations:			
General Government	190,835	-	190,835
Public Safety	164,252	-	164,252
Public Works	110,218	-	110,218
Culture and Recreation	29,614	4,703	34,317
Economic Development	-	15,239	15,239
Miscellaneous	19,996	96,428	116,424
Debt Service:			
Principal Payments	-	158,886	158,886
Interest Payments	-	89,414	89,414
Miscellaneous	-	1,113	1,113
Capital Outlay	<u>110,638</u>	<u>9,000</u>	<u>119,638</u>
Total Expenditures	<u>625,553</u>	<u>374,783</u>	<u>1,000,336</u>
EXCESS EXPENDITURES OVER REVENUES	(122,948)	(53,195)	(176,143)
OTHER FINANCING SOURCES (USES)			
Transfer In	<u>10,000</u>	<u>-</u>	<u>10,000</u>
EXCESS EXPENDITURES AND OTHER USES OVER REVENUES AND OTHER SOURCES	(112,948)	(53,195)	(166,143)
FUND BALANCES - January 1	<u>711,627</u>	<u>197,010</u>	<u>908,637</u>
FUND BALANCES - December 31	<u>\$ 598,679</u>	<u>\$ 143,815</u>	<u>\$ 742,494</u>

CITY OF STACY, MINNESOTA
RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCE
TO THE STATEMENT OF ACTIVITIES
DECEMBER 31, 2014

Net Change in Fund Balances - Total Governmental Funds \$ (166,143)

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

Governmental funds report 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.

Capital Outlay	119,637
Depreciation Expense	(166,561)

Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds. (38,100)

Interest on long-term liabilities is expensed as paid in the funds, but accrued in the period due in the Statement of Net Position. 11,332

The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of premiums and discounts when debt is first issued, whereas these amounts are delayed and amortized in the Statement of Activities.

Principal Repayments	<u>158,886</u>
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Change in Net Position of Governmental Activities \$ (80,949)

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

		Municipal Liquor Store	Water Fund	Sewer Fund	Nonmajor Storm Sewer Fund	Total
ASSETS						
CURRENT ASSETS						
Pooled Cash and Equivalents	\$	-	\$ 832,808	\$ 330,047	\$ 73,797	\$ 1,236,652
Non Pooled Cash and Equivalents		582,414	45,957	910	-	629,281
Accounts Receivable		15,013	22,786	63,425	4,833	106,057
Property Taxes Receivable		-	9,102	25,727	-	34,829
Prepaid Expense		25,226	9,360	-	-	34,586
Inventory		<u>341,501</u>	-	-	-	<u>341,501</u>
Total Current Assets		<u>964,154</u>	<u>920,013</u>	<u>420,109</u>	<u>78,630</u>	<u>2,382,906</u>
NONCURRENT ASSETS						
Capital Assets:						
Building, Plant and Equipment		2,430,314	1,449,590	5,197,198	517,442	9,594,544
Less: Accumulated Depreciation		<u>746,135</u>	<u>314,354</u>	<u>940,006</u>	<u>79,012</u>	<u>2,079,507</u>
Net Capital Assets		1,684,179	1,135,236	4,257,192	438,430	7,515,037
Bond Discount, Net		<u>11,411</u>	-	<u>2,578</u>	-	<u>13,989</u>
Total Noncurrent Assets		<u>1,695,590</u>	<u>1,135,236</u>	<u>4,259,770</u>	<u>438,430</u>	<u>7,529,026</u>
TOTAL ASSETS		<u>\$2,659,744</u>	<u>\$2,055,249</u>	<u>\$4,679,879</u>	<u>\$ 517,060</u>	<u>\$ 9,911,932</u>
LIABILITIES AND NET POSITION						
CURRENT LIABILITIES						
Accounts Payable	\$	121,301	\$ 5,292	\$ 15,925	\$ -	\$ 142,518
Accrued Liabilities		44,901	27,253	2,161	-	74,315
Accrued Interest		29,032	4,938	9,251	-	43,221
Accrued Wages Payable		-	2,180	-	-	2,180
Due to Other Funds		1,130	-	-	-	1,130
Due to Other Governmental Units		-	-	120,772	-	120,772
Current Amount of Long-Term Debt		<u>80,000</u>	<u>35,000</u>	<u>208,000</u>	-	<u>323,000</u>
Total Current Liabilities		<u>276,364</u>	<u>74,663</u>	<u>356,109</u>	<u>-</u>	<u>707,136</u>
LONG-TERM LIABILITIES						
Bonds and Notes Payable		<u>1,390,000</u>	<u>685,000</u>	<u>2,196,000</u>	-	<u>4,271,000</u>
TOTAL LIABILITIES		<u>1,666,364</u>	<u>759,663</u>	<u>2,552,109</u>	<u>-</u>	<u>4,978,136</u>
NET POSITION						
Net Investment in Capital Assets		214,179	415,236	1,853,192	438,430	2,921,037
Unrestricted		<u>779,201</u>	<u>880,350</u>	<u>274,578</u>	<u>78,630</u>	<u>2,012,759</u>
Total Net Position		<u>993,380</u>	<u>1,295,586</u>	<u>2,127,770</u>	<u>517,060</u>	<u>4,933,796</u>
TOTAL LIABILITIES AND NET POSITION		<u>\$2,659,744</u>	<u>\$2,055,249</u>	<u>\$4,679,879</u>	<u>\$ 517,060</u>	<u>\$ 9,911,932</u>

The Notes to the Financial Statements are an integral part of this statement.

CITY OF STACY, MINNESOTA
STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2014

	Municipal Liquor Store	Water Fund	Sewer Fund	<u>Nonmajor</u> Storm Sewer Fund	<u>Total</u>
OPERATING REVENUES					
Sales	\$2,796,166	\$ -	\$ -	\$ -	\$ 2,796,166
Charges for Services	-	<u>161,883</u>	<u>344,123</u>	<u>30,191</u>	<u>536,197</u>
Total Operating Revenues	2,796,166	161,883	344,123	30,191	3,332,363
COST OF SALES	<u>1,804,081</u>	-	-	-	<u>1,804,081</u>
GROSS PROFIT	<u>992,085</u>	<u>161,883</u>	<u>344,123</u>	<u>30,191</u>	<u>1,528,282</u>
OPERATING EXPENSES					
Personnel Services and Benefits	398,571	48,628	124,734	-	571,933
Advertising	14,612	-	-	-	14,612
Depreciation	68,580	24,969	113,129	7,961	214,639
Bank Fees	43,611	-	-	-	43,611
Insurance	41,235	7,595	6,544	-	55,374
Rent	7,497	-	-	-	7,497
Professional Services	20,191	15,457	18,632	1,645	55,925
Repairs and Maintenance	25,698	317	247	3,764	30,026
Supplies and Chemicals	24,211	37,246	38,643	-	100,100
Telephone	6,560	2,181	2,181	-	10,922
Training and Travel	579	199	199	-	977
Utilities	53,417	7,580	1,420	-	62,417
Miscellaneous	5,506	3,009	16,570	-	25,085
Entertainment	<u>31,511</u>	-	-	-	<u>31,511</u>
Total Operating Expenses	<u>741,779</u>	<u>147,181</u>	<u>322,299</u>	<u>13,370</u>	<u>1,224,629</u>
NET OPERATING INCOME	<u>250,306</u>	<u>14,702</u>	<u>21,824</u>	<u>16,821</u>	<u>303,653</u>
NON OPERATING INCOME AND EXPENSE:					
Interest Income	2,674	3,780	1,495	308	8,257
Taxes and Special Assessments	-	51,236	128,693	-	179,929
Miscellaneous Income	29,447	3,653	-	-	33,100
Interest Expense	(72,781)	(31,278)	(29,089)	(58)	(133,206)
Bad Debt Expense	<u>(150)</u>	-	-	-	<u>(150)</u>
Net Non Operating Income and Expense	<u>(40,810)</u>	<u>27,391</u>	<u>101,099</u>	<u>250</u>	<u>87,930</u>
NET INCOME BEFORE TRANSFERS	209,496	42,093	122,923	17,071	391,583
Transfer Out	<u>(10,000)</u>	-	-	-	<u>(10,000)</u>
CHANGE IN NET POSITION	199,496	42,093	122,923	17,071	381,583
NET POSITION - January 1	<u>793,884</u>	<u>1,253,493</u>	<u>2,004,847</u>	<u>499,989</u>	<u>4,552,213</u>
NET POSITION - December 31	<u>\$ 993,380</u>	<u>\$1,295,586</u>	<u>\$2,127,770</u>	<u>\$ 517,060</u>	<u>\$ 4,933,796</u>

The Notes to the Financial Statements are an integral part of this statement.

CITY OF STACY, MINNESOTA
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2014

	<u>Municipal</u>	<u>Water Fund</u>	<u>Sewer Fund</u>	<u>Nonmajor Storm Sewer Fund</u>	<u>Total</u>
CASH FLOWS FROM					
OPERATING ACTIVITIES:					
Receipts from Customers	\$ 2,805,626	\$ 182,838	\$ 343,779	\$ 31,361	\$ 3,363,604
Payments to Vendors	(2,237,059)	(67,106)	(70,020)	(5,409)	(2,379,594)
Payments to Employees	(398,571)	(49,760)	(124,734)	-	(573,065)
Other Receipts and Payments	<u>29,297</u>	<u>3,653</u>	<u>-</u>	<u>-</u>	<u>32,950</u>
Net Cash Provided By					
Operating Activities	<u>199,293</u>	<u>69,625</u>	<u>149,025</u>	<u>25,952</u>	<u>443,895</u>
CASH FLOWS FROM					
NONCAPITAL FINANCING					
ACTIVITIES:					
Transfer to Other Funds	<u>(10,000)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(10,000)</u>
Net Cash Used By Noncapital					
Financing Activities	<u>(10,000)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(10,000)</u>
CASH FLOWS FROM CAPITAL					
AND RELATED FINANCING					
ACTIVITIES:					
Purchase of Capital Assets	(20,636)	-	(45,608)	-	(66,244)
Property Taxes Collected	-	58,895	132,130	-	191,025
Principal Paid on Capital Debt	(75,000)	(25,000)	(206,000)	(15,000)	(321,000)
Interest Paid on Capital Debt	(71,859)	(13,024)	(29,431)	(349)	(114,663)
Due to Other Governments	<u>-</u>	<u>-</u>	<u>(13,441)</u>	<u>-</u>	<u>(13,441)</u>
Net Cash Provided (Used) By					
Capital and Related					
Financing Activities	<u>(167,495)</u>	<u>20,871</u>	<u>(162,350)</u>	<u>(15,349)</u>	<u>(324,323)</u>
CASH FLOWS FROM INVESTING					
ACTIVITIES:					
Interest Received	<u>2,674</u>	<u>3,780</u>	<u>1,495</u>	<u>308</u>	<u>8,257</u>
Net Cash Provided By					
Investing Activities	<u>2,674</u>	<u>3,780</u>	<u>1,495</u>	<u>308</u>	<u>8,257</u>
NET INCREASE (DECREASE) IN					
CASH					
	24,472	94,276	(11,830)	10,911	117,829
CASH AND CASH					
EQUIVALENTS - January 1					
	<u>557,942</u>	<u>784,489</u>	<u>342,787</u>	<u>62,886</u>	<u>1,748,104</u>
CASH AND CASH					
EQUIVALENTS - December 31					
	<u>\$ 582,414</u>	<u>\$ 878,765</u>	<u>\$ 330,957</u>	<u>\$ 73,797</u>	<u>\$ 1,865,933</u>

The Notes to the Financial Statements are an integral part of this statement.

CITY OF STACY, MINNESOTA
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2014

	Municipal Liquor Store	Water Fund	Sewer Fund	Nonmajor Storm Sewer Fund	Total
Reconciliation of Operating Income to Net Cash Provided By Operating Activities					
Operating Income	\$ 250,306	\$ 14,702	\$ 21,824	\$ 16,821	\$ 303,653
Adjustments to Reconcile Operating Income to Net Cash Provided By Operating Activities					
Depreciation	68,580	24,969	113,129	7,961	214,639
Changes in Assets and Liabilities					
Accounts Receivable	9,460	20,955	(344)	1,170	31,241
Inventory	30,477	-	-	-	30,477
Prepaid Items	(7,375)	-	-	-	(7,375)
Accounts Payable	(14,697)	3,655	15,221	-	4,179
Accrued Liabilities	931	2,823	(805)	-	2,949
Accrued Wages Payable	-	(1,132)	-	-	(1,132)
Due to Other Funds	(167,686)	-	-	-	(167,686)
Other Revenues and Expenses	<u>29,297</u>	<u>3,653</u>	<u>-</u>	<u>-</u>	<u>32,950</u>
Net Cash Provided By Operating Activities	<u>\$ 199,293</u>	<u>\$ 69,625</u>	<u>\$ 149,025</u>	<u>\$ 25,952</u>	<u>\$ 443,895</u>

The Notes to the Financial Statements are an integral part of this statement.

CITY OF STACY, MINNESOTA
NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Stacy (the City) was established under the laws of the State of Minnesota. The City is governed by an elected Mayor and four-member Council. The Council appoints personnel responsible for the proper administration of all affairs relating to the City. The City provides the following: general government, public safety, public works, public health and welfare, culture, recreation, waterworks, and sanitary sewer services.

The financial statements of the City of Stacy, Minnesota are prepared in accordance with U.S. generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (statements and interpretations). The more significant of these accounting policies are described below.

A. Reporting Entity

The City has considered all potential units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the City are such that exclusion would cause the City's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board (GASB) has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the primary government to impose its will on that organization or (2) the potential for the organization to provide specific benefits to, or impose specific financial burdens on the primary government. Based on this criteria, the City of Stacy has no component units.

B. 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 the non fiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these financial 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) sales. 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.

CITY OF STACY, MINNESOTA
NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont.)

C. Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide statements are prepared using the economic resources measurement focus and the accrual basis of accounting. Accordingly, all assets and liabilities (whether current or noncurrent) are included on the Statement of Net Position. The Statement of Revenues, Expenses and Changes in Fund Net Position presents increases (revenues) and decreases (expenses) in total net position. Under the accrual basis of accounting, revenues are recognized in the period in which they are earned while expenses are recognized in the period in which the liability is incurred, regardless of the timing of related cash flows. This is the same approach used in the preparation of the proprietary fund financial statements but differs from the manner in which governmental fund financial statements are prepared. Therefore, governmental fund financial statements include reconciliations with brief explanations to identify the relationship between the government-wide statements and the statements for governmental funds. The primary effect of internal activity has been eliminated from the government-wide financial statements.

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, special assessments, franchise taxes, licenses, charges for services, 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. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received by the 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, entitlement and donations. On an accrual basis, revenue from property taxes is recognized in the year for which the tax is levied. Revenue from grants, entitlements and donations is recognized in the year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year 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 specified 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 can be recognized.

CITY OF STACY, MINNESOTA
NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont.)

C. Measurement Focus, Basis of Accounting and Financial Statement Presentation (Cont.)

Deferred revenue arises when assets are recognized before revenue recognition criteria have been satisfied. Grants and entitlements received before eligibility requirements are met are also recorded as deferred revenue. On the modified accrual basis, receivables that will not be collected within the available period have also been reported as deferred revenue in the fund financial statements.

The City reports the following major governmental funds:

- General Fund - This fund is the City's primary operating fund. It is used to account for all financial resources not required to be accounted for in another fund.

The City reports the following major proprietary funds:

- Municipal Liquor Fund - To account for the costs associated with the City's municipal liquor store and insures that sales are sufficient to pay for these costs.
- Water Fund - To account for the costs associated with the City's water system and insures that sales are sufficient to pay for these costs.
- Sewer Fund - To account for the costs associated with the City's sewer system and insures that sales are sufficient to pay for these costs.

As a general rule the effect of interfund activity has been eliminated from government-wide financial statements. Exceptions to this general rule are charges between the City's water and sewer functions 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 and 2) sales. 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. The City also recognizes as operating revenue the portion of tap fees intended to recover the cost of connecting new customers to the system. 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.

D. Use of Estimates

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

CITY OF STACY, MINNESOTA
NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont.)

E. Encumbrances

Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of moneys are recorded in order to reserve that portion of the applicable appropriation, is not employed by the City.

F. Deposits and Investments

The City's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition.

Cash balances from all funds are pooled and invested, to the extent available, in certificates of deposit and other authorized investments. Earnings from such investments are allocated on the basis of applicable participation by each of the funds.

The City provides temporary advances to funds that have insufficient cash balances by means of an advance from another fund shown as interfund receivables in the advancing fund, and an interfund payable in the fund with the deficit, until adequate resources are received. These interfund balances are eliminated on the government-wide financial statements.

G. Property Taxes

The Council annually adopts a tax levy and certifies it to the County in December of each year for collection in the following year. The County is responsible for billing and collecting all property taxes for the City. These taxes attach an enforceable lien on taxable property within the City on January 1 and are payable by the property owners in two installments. The taxes are collected by the County Treasurer and tax settlements are made to the City during January, June and November each year.

Delinquent taxes receivable include the past six years' uncollected taxes. Delinquent taxes have been offset by an unavailable revenue liability for delinquent taxes not received within 60 days after year end in the fund financial statements.

H. Accounts Receivable

Accounts receivable include amounts billed for services provided before year end. Unbilled utility enterprise fund receivables are also included for services provided in 2014. Since the City is generally able to certify delinquent amounts to the County for collection as special assessments, no allowance for uncollectible accounts has been provided on current receivables.

I. Inventories

Inventories of the Municipal Liquor Store are based on an annual physical inventory count and priced at the lower of cost (first-in; first-out basis) or market. The cost of governmental fund type inventories are recorded as expenditures when purchased.

J. Interfund Receivables and Payables

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 interfund loans) or "advances to/from other funds" (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds." Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

CITY OF STACY, MINNESOTA
NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont.)

K. Prepaid Items

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

L. 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. The City reports infrastructure assets on a network and subsystem basis. Accordingly, the amounts spent for the construction or acquisition of infrastructure assets are capitalized and reported in the government-wide financial statements.

As the City constructs or acquires assets each period, including infrastructure assets, they are capitalized and reported at historical cost. The reported value excludes normal maintenance and repairs which are essentially amounts spent in relation to capital assets that do not increase the capacity or efficiency of the item or extend its useful life beyond the original estimate. In the case of donations the City values these capital assets at the estimated fair value of the item at the date of its donation. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed. The City has elected not to retroactively capitalize the infrastructure of its governmental activities acquired prior to January 1, 2004 as allowed by GASB Statement No. 34.

For financial statement purposes only, capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of three years.

Property, plant and equipment are depreciated using the straight line method over the following estimated useful lives: 7 to 20 years for improvements other than building; 7 to 40 years for buildings and improvements; and 3 to 20 years for machinery and equipment.

M. Compensated Absences

It is the government's policy to permit employees to accumulate earned but unused vacation and sick pay benefits. There is no liability for unpaid accumulated sick leave since the government does not have a policy to pay any amounts when employees separate from service with the government. All vacation pay is accrued when incurred. The total amount of compensated absences accrued at December 31, 2014 was \$15,792.

N. Long-term Obligations

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

CITY OF STACY, MINNESOTA
NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont.)

O. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time.

P. Fund Balance

In the fund financial statements, governmental funds report fund balance in classifications that disclose constraints for which amounts in those funds can be spent. These classifications are as follows:

Nonspendable - Consists of amounts that are not in spendable form, such as prepaid items.

Restricted - Consists of amounts related to externally imposed constraints established by creditors, grantors or contributors; or constraints imposed by state statutory provisions.

Committed - Consists of internally imposed constraints. These constraints are established by Resolution of the City Council.

Assigned - Consists of internally imposed constraints. These constraints reflect the specific purpose for which it is the City's intended use. These constraints are established by the City Council and/or management.

Unassigned - The residual classification for the general fund and also reflects negative residual amounts in other funds

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

When committed, assigned or unassigned resources are available for use, it is the City's policy to use resources in the following order; 1) committed 2) assigned and 3) unassigned.

Q. Net Position

Net position represent the difference between assets and deferred outflows of resources and liabilities and deferred inflows of resources. Net position is displayed in three components:

- (a) Net investment in capital assets – Consists of capital assets, net of accumulated depreciation reduced by any outstanding debt attributable to acquire capital assets.
- (b) Restricted net position – Consists of net position restricted when there are limitations imposed on their use through external restrictions imposed by creditors, grantors, laws or regulations of other governments.
- (c) Unrestricted net position – All other net position that does not meet the definition of “restricted” or “net investment in capital assets”.

CITY OF STACY, MINNESOTA
NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont.)

R. Comparative Data/Reclassifications

Certain amounts presented in the prior year have been reclassified in order to be consistent with the current year's presentation.

2. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. Budgetary Information

Annual budgets are adopted on a basis consistent with accounting generally accepted in the United States of America for the General fund. All annual appropriations lapse at fiscal year end. The City does not use encumbrance accounting.

In July of each year, all departments of the City submit requests for appropriations to the City Clerk so that a budget may be prepared. Before September 15, the proposed budget is presented to the Council for review. The Council holds public hearings and a final budget is prepared and adopted in early December.

The appropriated budget is prepared by fund, function and department. The City's department heads may make transfers of appropriations within a department. Transfers of appropriations between departments require the approval of the City Council. The legal level of budgetary control is the fund level. Budgeted amounts are as originally adopted, or as amended by the Council. No budget amendments were made during the year.

B. Expenditures Over Appropriations

The following sub-functions of the general fund had expenditures in excess of appropriations for the year ended December 31, 2014.

<u>Function Area</u>	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
Public Safety	\$ 149,121	\$ 164,252	\$ (15,131)
Public Works	\$ 92,553	\$ 220,856	\$ (128,303)
Miscellaneous	\$ 13,800	\$ 19,996	\$ (6,196)

C. Deficit Fund Equity

The following funds had fund equity deficits at December 31, 2014:

Tax Abatement Woodsman 2004	(29,146)
2013A GO Refunding Bond	(9,400)
Doyle Building Improvements	(650)

The above deficits will be eliminated through transfers from other funds, and future tax and assessment collections.

3. DEPOSITS AND INVESTMENTS

A. Cash and Cash Investments

Custodial Credit Risk - Custodial Credit Risk for deposits and investments is the risk that in the event of a bank failure the City's deposits and investments may not be returned or the City will not be able to recover collateral securities in the possession of an outside party. In accordance with Minnesota statutes, the City maintains deposits at the depository banks, which are authorized by the City Council and are members of the Federal Reserve System.

CITY OF STACY, MINNESOTA
NOTES TO FINANCIAL STATEMENTS

3. DEPOSITS AND INVESTMENTS (Cont.)

A. Cash and Cash Investments (Cont.)

Minnesota Statutes require that all City deposits be 110% secured by collateral valued at market or par, whichever is lower, less the amount of the Federal Deposit Insurance Corporation insurance (140% in the case of mortgage notes pledged).

Authorized collateral includes the legal investments described by state statutes, as well as certain first mortgage notes, and certain other state and local government obligations. Minnesota statutes require that securities pledged as collateral be held in safekeeping by the City or in a financial institution other than that furnishing the collateral.

At year end, the City's carrying amount of deposits was \$2,589,692 and the bank balance was \$2,589,891 including certificates of deposits of \$71,775. Of the bank balance, \$260,698 was covered by federal depository insurance. Of the remaining balance, \$2,329,193 was collateralized with securities held by the pledging financial institution's trust department in the City's name.

B. Investments

The City maintains no investment accounts.

C. Cash on Hand

Cash in the possession of the City, consisting of petty cash and change funds, totals \$6,625.

D. Cash and Investments Summary

A reconciliation of cash and investments as shown on the Statement of Net Position follows:

Total Deposits	\$	2,589,692
Total Cash on Hand		<u>6,625</u>
	\$	<u><u>2,596,317</u></u>
Statement of Net Position		
Pooled Cash and Equivalents	\$	1,955,321
Non Pooled Cash and Equivalents		<u>640,996</u>
	\$	<u><u>2,596,317</u></u>

4. DUE TO AND FROM OTHER FUNDS

Due to and from other funds at December 31, 2014, follows:

	<u>Due from Other Funds</u>	<u>Due to Other Funds</u>
General Fund	\$ 99,924	\$ -
Municipal Liquor Fund	-	1,130
Nonmajor Governmental Funds	-	<u>98,794</u>
	<u>\$ 99,924</u>	<u>\$ 99,924</u>

Interfund receivables and payables are for cash flow purposes and are expected to be liquidated by cash transfers from available future cash balances.

CITY OF STACY, MINNESOTA
NOTES TO FINANCIAL STATEMENTS

5. UNAVAILABLE/UNEARNED REVENUE

The City reports unavailable and unearned revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received, but not yet earned. At the end of the current fiscal year, the various components of unavailable revenue and unearned revenue reported in the governmental funds were as follows:

	<u>Unavailable</u>	<u>Unearned</u>
General Fund		
Delinquent taxes receivable	\$ 22,908	\$ -
Nonmajor Governmental Funds		
Delinquent taxes receivable	<u>38,844</u>	<u>-</u>
Total	<u>\$ 61,752</u>	<u>\$ -</u>

6. TRANSFERS

Transfers to and from other funds at December 31, 2014, follows:

	<u>Transfers to Other Funds</u>	<u>Transfers from Other Funds</u>
General Fund	\$ -	\$ 10,000
Municipal Liquor Store Fund	<u>10,000</u>	<u>-</u>
	<u>\$ 10,000</u>	<u>\$ 10,000</u>

- The Municipal Liquor Store Fund transferred \$10,000 to the General Fund for operating purposes.

CITY OF STACY, MINNESOTA
NOTES TO FINANCIAL STATEMENTS

7. CHANGES IN CAPITAL ASSETS

Governmental Activities - Capital asset activity for the year ended December 31, 2014 was as follows:

	<u>Balance</u> <u>January 1</u>	<u>Additions</u>	<u>Transfers/</u> <u>Retirements</u>	<u>Balance</u> <u>December 31</u>
Not Being Depreciated:				
Land	\$ 420,139	\$ -	\$ -	\$ 420,139
Construction in Progress	<u>8,226</u>	<u>-</u>	<u>-</u>	<u>8,226</u>
Subtotal	<u>428,365</u>	<u>-</u>	<u>-</u>	<u>428,365</u>
Other Capital Assets:				
Land Improvements	301,838	-	-	301,838
Building, Plant, Equipment Infrastructure and Improvements	<u>777,327</u> <u>2,775,776</u>	<u>-</u> <u>119,638</u>	<u>-</u> <u>-</u>	<u>777,327</u> <u>2,895,414</u>
Subtotal	<u>3,854,942</u>	<u>119,638</u>	<u>-</u>	<u>3,974,579</u>
Less: Accumulated Depreciation				
Land Improvements	105,363	10,663	-	116,026
Buildings, Plant, Equipment Infrastructure and Improvements	<u>274,037</u> <u>1,751,600</u>	<u>25,752</u> <u>130,146</u>	<u>-</u> <u>-</u>	<u>299,789</u> <u>1,881,746</u>
Subtotal	<u>2,131,000</u>	<u>166,561</u>	<u>-</u>	<u>2,297,561</u>
Net Other Capital Assets	<u>1,723,942</u>	<u>(46,923)</u>	<u>-</u>	<u>1,677,018</u>
Net Capital Assets	<u>\$ 2,152,307</u>	<u>\$ (46,923)</u>	<u>\$ -</u>	<u>\$ 2,105,383</u>

Business-Type Activities - The following is a summary of business-type activities capital assets at December 31, 2014.

	<u>Balance</u> <u>January 1</u>	<u>Additions</u>	<u>Transfers/</u> <u>Retirements</u>	<u>Balance</u> <u>December 31</u>
Other Capital Assets:				
Plant and Equipment	\$ 9,528,300	\$ 66,244	\$ -	\$ 9,594,544
Subtotal	<u>9,528,300</u>	<u>66,244</u>	<u>-</u>	<u>9,594,544</u>
Less: Accumulated Depreciation				
Plant and Equipment	<u>1,865,102</u>	<u>214,405</u>	<u>-</u>	<u>2,079,507</u>
Subtotal	<u>1,865,102</u>	<u>214,405</u>	<u>-</u>	<u>2,079,507</u>
Net Capital Assets	<u>\$ 7,663,198</u>	<u>\$ (148,161)</u>	<u>\$ -</u>	<u>\$ 7,515,037</u>

CITY OF STACY, MINNESOTA
NOTES TO FINANCIAL STATEMENTS

7. CHANGES IN CAPITAL ASSETS (Cont.)

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

Governmental Activities:		
General Government	\$	900
Public Works		147,842
Culture and Recreation		<u>17,819</u>
Total Depreciation Expense - Governmental Activities	\$	<u><u>166,561</u></u>
Business-Type Activities:		
Municipal Liquor Store	\$	68,580
Water		24,969
Sewer		112,895
Storm Sewer		<u>7,961</u>
Total Depreciation Expense - Business-Type Activities	\$	<u><u>214,405</u></u>

8. FUND BALANCE

A. Classifications

	General Fund	Non Major Governmental Funds	Total
Nonspendable:			
Interfund Loan	\$ <u>99,924</u>	\$ -	\$ <u>99,924</u>
Total Nonspendable	<u>99,924</u>	<u>-</u>	<u>99,924</u>
Restricted for:			
Special Revenue Park	-	3,151	3,151
Tax Increment funds	-	84,765	84,765
Debt Service	<u>-</u>	<u>98,193</u>	<u>98,193</u>
Total Restricted	<u>-</u>	<u>186,109</u>	<u>186,109</u>
Assigned to:			
Economic Development	-	28,895	28,895
Park Projects	-	13,816	13,816
Hockey Arena	<u>-</u>	<u>27,727</u>	<u>27,727</u>
Total Assigned	<u>-</u>	<u>70,438</u>	<u>70,438</u>
Unassigned (Deficit)	<u>498,755</u>	<u>(112,732)</u>	<u>386,023</u>
Total	<u>\$ 598,679</u>	<u>\$ 143,815</u>	<u>\$ 742,494</u>

B. Minimum Unassigned Fund Balance Policy

The City Council has formally adopted a policy regarding the minimum unassigned fund balance for the General Fund. The most significant revenue source of the General Fund is property taxes. This revenue source is received in two installments during the year - June and December. As such, it is the City's goal to begin each fiscal year with sufficient working capital to fund operations between each semi-annual receipt of property taxes.

The policy establishes a year-end targeted unassigned fund balance amount for cash-flow timing needs in the range of 35-50% of the subsequent year's budgeted expenditures. At December 31, 2014, the unassigned fund balance of the General Fund was 91.6% of the subsequent year's budgeted expenditures

CITY OF STACY, MINNESOTA
NOTES TO FINANCIAL STATEMENTS

9. CHANGES IN LONG-TERM DEBT

The following is a summary of long-term debt transactions of the City for the year ended December 31, 2014.

	<u>Balance</u> <u>January 1</u>	<u>Debt</u> <u>Issued</u>	<u>Debt</u> <u>Retired</u>	<u>Balance</u> <u>December 31</u>	<u>Current</u> <u>Amount</u>
G.O. Improvement Bonds	\$ 2,175,000	\$ -	\$ 90,000	\$ 2,085,000	\$ 95,000
G.O. Revenue Notes	2,610,000	-	206,000	2,404,000	208,000
G.O. Revenue Bonds	15,000	-	15,000	-	-
Refund Bonds					
Tax Abatement Portion	405,000	-	50,000	355,000	50,000
EDA Public Project Lease	1,200,000	-	45,000	1,155,000	45,000
Revenue Bonds	345,000	-	30,000	315,000	35,000
Property Financing	<u>112,000</u>	<u>-</u>	<u>43,886</u>	<u>68,114</u>	<u>20,397</u>
Totals	<u>\$ 6,862,000</u>	<u>\$ -</u>	<u>\$ 479,886</u>	<u>\$ 6,382,114</u>	<u>\$ 453,397</u>

General Obligation Improvement Bonds of \$720,000, General Obligation Revenue Notes of \$2,404,000, Revenue Bonds of \$315,000 and Public Project Lease Revenue Bonds of \$1,155,000 are reflected as long-term debt in the related enterprise fund.

Bonds outstanding at December 31, 2014 are comprised of the following issues:

Governmental Activities

\$1,430,000 General Obligation Improvements Bonds of 2013A, due in annual installments of \$60,000 to \$85,000 through February 1, 2033, plus interest at 0.4-2.35%, due in semi-annual installments. \$ 1,365,000

\$440,000 General Obligation Tax Abatement Revenue Bonds of 2006, due in annual installments of \$25,000 to \$35,000 through February 1, 2011, plus interest at 3.5 - 4.375%, due in semi-annual installments. 235,000

\$220,000 General Obligation Tax Abatement Bonds of 2008, due in annual installments of \$20,000 to \$25,000 through February 1, 2019, plus interest at 3.75 - 4.5%, due in semi-annual installments. 120,000

\$65,000 General Obligation Equipment Bond, due in annual installments at \$12,000 to \$14,000 through February 1, 2014, plus interest at 3.75%, due in semi-annual installments. 40,000

\$65,000 Building Lease Purchase, due in semi-annual installments of \$7,260, including interest at 4.0%. 28,114

Total Governmental Activities 1,788,114

CITY OF STACY, MINNESOTA
NOTES TO FINANCIAL STATEMENTS

9. CHANGES IN LONG-TERM DEBT (Cont.)

Business-Type Activities

\$745,000 General Obligation Improvement Bonds of 2013A, due in annual installments of \$25,000 to \$45,000 through February 1, 2033, plus interest at 0.4-2.35%, due in semi-annual installments.	720,000
\$4,498,000 General Obligation Wastewater Revenue Notes, Series 2006A, due in annual installments of \$100,317 to \$243,000 through January 20, 2027, plus interest at 1%, due in semi-annual installments.	2,404,000
\$515,000 Liquor Store Revenue Bonds, Series 2006A, due in annual installments of \$25,000 to \$45,000 through February 1, 2022, plus interest at 4.1 - 4.75%, due in semi-annual installments.	315,000
\$1,460,000 Public Project Lease Revenue Bonds, due in annual installments of \$35,000 to \$100,000 through February 1, 2031, plus interest at 4.25 - 4.9%, due in semi-annual installments.	<u>1,155,000</u>
Total Business-Type Activities	<u>4,594,000</u>
Total Long-Term Debt	<u>\$ 6,382,114</u>

The annual requirements to maturity for long-term liabilities are as follows:

	G.O. Improvement Bonds <u>Governmental Activities</u>			G.O. Improvement Bonds <u>Business-Type Activities</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2015	\$ 110,000	\$ 36,898	\$ 146,898	\$ 35,000	\$ 11,797	\$ 46,797
2016	115,000	34,404	149,404	35,000	11,623	46,623
2017	115,000	31,713	146,713	35,000	11,412	46,412
2018	125,000	28,827	153,827	35,000	11,168	46,168
2019	125,000	25,662	150,662	35,000	10,870	45,870
2020-2024	420,000	96,396	516,396	175,000	47,875	222,875
2025-2029	370,000	62,213	432,213	200,000	31,783	231,783
2030-2034	<u>340,000</u>	<u>19,550</u>	<u>359,550</u>	<u>170,000</u>	<u>10,015</u>	<u>180,015</u>
Total	<u>\$1,720,000</u>	<u>\$ 335,663</u>	<u>\$2,055,663</u>	<u>\$ 720,000</u>	<u>\$ 146,543</u>	<u>\$ 866,543</u>

CITY OF STACY, MINNESOTA
NOTES TO FINANCIAL STATEMENTS

9. CHANGES IN LONG-TERM DEBT (Cont.)

	G.O. Revenue Note			Revenue Bonds		
	Business-Type Activities			Business-Type Activities		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2015	\$ 208,000	\$ 24,040	\$ 232,040	\$ 80,000	\$ 67,934	\$ 147,934
2016	210,000	21,960	231,960	80,000	64,446	144,446
2017	212,000	19,860	231,860	85,000	60,746	145,746
2018	214,000	17,740	231,740	90,000	56,715	146,715
2019	216,000	15,600	231,600	95,000	52,425	147,425
2020-2024	1,114,000	45,140	1,159,140	445,000	194,303	639,303
2025-2029	230,000	2,300	232,300	400,000	99,226	499,226
2030-2034	-	-	-	195,000	9,678	204,678
Total	<u>\$2,404,000</u>	<u>\$ 146,640</u>	<u>\$2,550,640</u>	<u>\$1,470,000</u>	<u>\$ 605,473</u>	<u>\$2,075,473</u>

	Other Long-Term Debt		
	Governmental Activities		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2015	\$ 20,397	\$ 2,675	\$ 23,072
2016	21,932	1,821	23,753
2017	8,785	923	9,708
2018	8,000	552	8,552
2019	9,000	191	9,191
2020-2024	-	-	-
2025-2029	-	-	-
2030-2034	-	-	-
Total	<u>\$ 68,114</u>	<u>\$ 6,162</u>	<u>\$ 74,276</u>

Interest expense was charged to functions/programs of the City as follows:

Governmental Activities:	
General Government	\$ 1,745
Public Works	74,816
Culture and Recreation	2,635
Total Interest Expense - Governmental Activities	<u>\$ 79,196</u>
Business-Type Activities:	
Water Fund	\$ 31,278
Sewer Fund	29,089
Storm Sewer Fund	58
Municipal Liquor Store	72,781
Total Interest Expense - Business-Type Activities	<u>\$ 133,206</u>

CITY OF STACY, MINNESOTA
NOTES TO FINANCIAL STATEMENTS

10. DEFINED BENEFIT PENSION PLANS – STATEWIDE

A. Plan Description

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

GERF members belong to either the Coordinated Plan or the Basic Plan. Coordinated Plan members are covered by Social Security and Basic Plan members are not. All new members must participate in the Coordinated Plan. All police officers, fire-fighters and peace officers who qualify for membership by statute are covered by the PEPFF. Members who are employed in a county correctional institution as a correctional guard or officer, a joint jailer/dispatcher, or as a supervisor of correctional guards or officers or of joint jailers/dispatchers and are directly responsible for the direct security, custody, and control of the county correctional institution and its inmates are covered by the PECF.

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

B. Benefits Provided

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

Two methods are used to compute benefits for PERA's Coordinated and Basic Plan members. The retiring member receives the higher of a step-rate benefit accrual formula (Method 1) or a level accrual formula (Method 2). Under Method 1, the annuity accrual rate for a Basic Plan member is 2.2 percent of average salary for each of the first 10 years of service and 2.7 percent for each remaining year. The annuity accrual rates 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 PEPFF members, the annuity accrual rate is 3.0 percent for each year of service. The annuity accrual rate is 1.9 percent for each year of service for PECF members. Those 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.

CITY OF STACY, MINNESOTA
NOTES TO FINANCIAL STATEMENTS

B. Benefits Provided (Cont.)

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.

C. Funding Policy

Minnesota Statutes Chapter 353 sets the rates for employer and employee contributions. These statutes are established and amended by the state legislature. The City makes annual contributions to the pension plans equal to the amount required by the state statutes. GERP Basic Plan members and Coordinated Plan members were required to contribute 9.10% and 6.25%, respectively, of their annual covered salary in 2014. In 2014, the City of Stacy, Minnesota was required to contribute the following percentages of annual covered payroll: 11.78% for Basic Plan members and 7.25% for Coordinated Plan members. Contribution rates will increase on January 1, 2015 in the Coordinated Plan (6.50% for members and 7.50% for employers).

The City's contributions to the Public Employees Retirement Fund for the years ending December 31, 2014, 2013 and 2012 were \$30,880, \$28,914 and \$30,899, respectively. The City's contributions were equal to the contractually required contributions for each year as set by state statute.

11. RELATED PARTY TRANSACTIONS

There were no material related party transactions during the year 2014.

12. OTHER POST EMPLOYMENT BENEFITS

Any contingent liability for other post employment benefits is considered immaterial and not recognized in the financial statements.

13. COMMITMENTS AND CONTINGENCIES

A. Risk Management

The city is exposed to various risk of loss related to torts, thefts of, damage to or destruction of assets, business interruption, errors and omissions, employee injuries and illness, and natural disasters for which the City carries insurance. The City obtains insurance through participation in the League of Minnesota Cities Insurance Trust (LMCIT) which is a risk sharing pool with approximately 800 other governmental units. The City pays an annual premium to LMCIT for its workers compensation and property and casualty insurance. The LMCIT is self sustaining through member premiums and will reinsure for claims above a prescribed dollar amount for each insurance event. Settled claims have not exceeded the City's coverage in any of the past three fiscal years.

Liabilities are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. Liabilities, if any, include an amount for claims that have been incurred but not reported (IBNRs). The City's management is not aware of any incurred but not reported claims.

CITY OF STACY, MINNESOTA
NOTES TO FINANCIAL STATEMENTS

13. COMMITMENTS AND CONTINGENCIES (Cont.)

B. Claims and Judgments

Amounts received or receivable from grant agencies are subject to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time although the City expects such amounts, if any, to be immaterial.

The City's tax increment districts are subject to review by the State of Minnesota Office of the State Auditor (OSA). Any disallowed claims or misuse of tax increments could become a liability of the applicable funds. Management has indicated that they are not aware of any instances of noncompliance which would have a material effect on the financial statements.

14. TAX INCREMENT FINANCING DISTRICT

The City of Stacy is the administrating authority for the following tax increment financing district:

	TIF 1-1 Minnesota Statute	TIF 1-2 Minnesota Statute
Authorizing Law	469.174	469.174
Type of District	Redevelopment	Economic Development
Year Established	2005	2007
Duration of District		
Tax Capacity		
Original	2,339	456
Current	17,389	43,102
Captured - retained	15,050	42,646

15. SUBSEQUENT EVENTS

Management evaluated all activity of City of Stacy through May 12, 2015 (the issue date of the financial statements) and concluded that no subsequent events have occurred that would require recognition in the financial statements or disclosure in the notes to the financial statements.

REQUIRED SUPPLEMENTAL INFORMATION

CITY OF STACY, MINNESOTA
 SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
 FUND BALANCES - BUDGET AND ACTUAL (BUDGETARY BASIS)
 GENERAL FUND
 FOR THE YEAR ENDED DECEMBER 31, 2014
 With Comparative Amounts for the year ended December 30, 2013

	<u>2014</u>			Variance	<u>2013</u>
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	with Final	<u>Actual</u>
	<u>Budget</u>	<u>Budget</u>	<u>Budget</u>	<u>Budget</u>	<u>Budget</u>
REVENUES:					
TAXES:					
General Property Taxes	\$ <u>110,970</u>	\$ <u>110,970</u>	\$ <u>133,597</u>	\$ <u>22,627</u>	\$ <u>133,146</u>
LICENSES AND PERMITS:					
Licenses and Permits	<u>10,500</u>	<u>10,500</u>	<u>26,639</u>	<u>16,139</u>	<u>38,472</u>
INTERGOVERNMENTAL					
REVENUE:					
Local Government Aid	281,740	281,740	281,740	-	235,912
Market Value Credit	-	-	200	200	141
PERA Rate Increase Aid	388	388	774	386	773
State Fire Aid	-	-	<u>22,471</u>	<u>22,471</u>	<u>23,813</u>
Total Intergovernmental Revenue	<u>282,128</u>	<u>282,128</u>	<u>305,185</u>	<u>23,057</u>	<u>260,639</u>
CHARGES FOR SERVICES:					
General Government	1,800	1,800	6,719	4,919	5,566
Public Safety	-	-	1,150	1,150	-
Other Charges for Services	<u>3,000</u>	<u>3,000</u>	<u>13,735</u>	<u>10,735</u>	<u>19,588</u>
Total Charges for Services	<u>4,800</u>	<u>4,800</u>	<u>21,604</u>	<u>16,804</u>	<u>25,154</u>
FINES AND FORFEITS	<u>500</u>	<u>500</u>	<u>1,569</u>	<u>1,069</u>	<u>794</u>
INTEREST INCOME	<u>1,250</u>	<u>1,250</u>	<u>1,888</u>	<u>638</u>	<u>1,745</u>
MISCELLANEOUS:					
Refunds and Reimbursements	60,000	60,000	-	(60,000)	-
Sale of Property	-	-	-	-	1,320
Miscellaneous Income	<u>4,600</u>	<u>4,600</u>	<u>12,123</u>	<u>7,523</u>	<u>17,947</u>
Total Miscellaneous	<u>64,600</u>	<u>64,600</u>	<u>12,123</u>	<u>(52,477)</u>	<u>19,267</u>
TOTAL REVENUES	<u>474,748</u>	<u>474,748</u>	<u>502,605</u>	<u>27,857</u>	<u>479,217</u>
OTHER FINANCING SOURCES					
Transfer In	<u>10,000</u>	<u>10,000</u>	<u>10,000</u>	<u>-</u>	<u>10,000</u>
TOTAL REVENUES AND OTHER FINANCING SOURCES	<u>484,748</u>	<u>484,748</u>	<u>512,605</u>	<u>27,857</u>	<u>489,217</u>

CITY OF STACY, MINNESOTA
 SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
 FUND BLANCES - BUDGET AND ACTUAL (BUDGETARY BASIS)
 GENERAL FUND
 FOR THE YEAR ENDED DECEMBER 31, 2014
 With Comparative Amounts for the year ended December 30, 2013

	<u>2014</u>			Variance	<u>2013</u>
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	with Final	<u>Actual</u>
	<u>Budget</u>	<u>Budget</u>		<u>Budget</u>	
EXPENDITURES:					
GENERAL GOVERNMENT:					
Mayor and Council:					
Personnel Services	\$ 6,051	\$ 6,051	\$ 5,486	\$ 565	\$ 5,464
Other Current Expenditures	4,100	4,100	3,678	422	2,319
Election:					
Current Expenditures	3,400	3,400	1,750	1,650	70
Administrative and Finance:					
Personnel Services	51,701	51,701	56,894	(5,193)	49,637
Other Current Expenditures	12,620	12,620	10,804	1,816	15,683
Other General Government:					
Personnel Services	28,385	28,385	51,481	(23,096)	41,030
Other Current Expenditures	53,130	53,130	39,543	13,587	32,700
Planning and Zoning:					
Personnel Services	1,130	1,130	1,061	69	918
Other Current Expenditures	11,740	11,740	2,993	8,747	1,297
Independent Auditing					
Current Expenditures	3,200	3,200	3,200	-	3,000
Legal					
Current Expenditures	<u>20,300</u>	<u>20,300</u>	<u>13,945</u>	<u>6,355</u>	<u>27,472</u>
Total General Government	<u>195,757</u>	<u>195,757</u>	<u>190,835</u>	<u>4,922</u>	<u>179,590</u>
PUBLIC SAFETY:					
Police Protection:					
Services and Charges	54,371	54,371	51,969	2,402	51,969
Building Inspection:					
Current Expenditures	8,250	8,250	28,549	(20,299)	40,991
Fire Protection:					
Services and Charges	<u>86,500</u>	<u>86,500</u>	<u>83,734</u>	<u>2,766</u>	<u>67,394</u>
Total Public Safety	<u>149,121</u>	<u>149,121</u>	<u>164,252</u>	<u>(15,131)</u>	<u>160,354</u>

CITY OF STACY, MINNESOTA
 SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
 FUND BLANCES - BUDGET AND ACTUAL (BUDGETARY BASIS)
 GENERAL FUND
 FOR THE YEAR ENDED DECEMBER 31, 2014
 With Comparative Amounts for the year ended December 30, 2013

	<u>2014</u>			Variance	<u>2013</u>
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	with Final	<u>Actual</u>
	<u>Budget</u>	<u>Budget</u>		<u>Budget</u>	
EXPENDITURES:					
PUBLIC WORKS:					
Highways and Streets:					
Personnel Services	\$ 5,263	\$ 5,263	\$ 8,294	\$ (3,031)	\$ 10,125
Other Current Expenditures	48,650	48,650	63,816	(15,166)	8,564
Capital Outlay	-	-	110,638	(110,638)	11,809
Ice and Snow Removal:					
Personnel Services	14,641	14,641	11,822	2,819	4,426
Other Current Expenditures	11,999	11,999	13,470	(1,471)	10,900
Street Lighting:					
Current Expenditures	<u>12,000</u>	<u>12,000</u>	<u>12,816</u>	<u>(816)</u>	<u>12,378</u>
Total Public Works	<u>92,553</u>	<u>92,553</u>	<u>220,856</u>	<u>(128,303)</u>	<u>58,202</u>
CULTURE AND RECREATION:					
Other Services and Charges:					
Current Expenditures	33,517	33,517	29,614	3,903	31,396
Capital Outlay	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>10,553</u>
Total Culture and Recreation	<u>33,517</u>	<u>33,517</u>	<u>29,614</u>	<u>3,903</u>	<u>41,949</u>
MISCELLANEOUS:					
Insurance	13,300	13,300	18,426	(5,126)	17,502
Other Current Expenditures	<u>500</u>	<u>500</u>	<u>1,570</u>	<u>(1,070)</u>	<u>(1,872)</u>
Total Miscellaneous	<u>13,800</u>	<u>13,800</u>	<u>19,996</u>	<u>(6,196)</u>	<u>15,630</u>
TOTAL EXPENDITURES	<u>484,748</u>	<u>484,748</u>	<u>625,553</u>	<u>(140,805)</u>	<u>455,725</u>
EXCESS REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES	-	-	(112,948)	(112,948)	33,492
FUND BALANCES - January 1	<u>711,627</u>	<u>711,627</u>	<u>711,627</u>	-	<u>678,135</u>
FUND BALANCES - December 31	<u>\$ 711,627</u>	<u>\$ 711,627</u>	<u>\$ 598,679</u>	<u>\$ (112,948)</u>	<u>\$ 711,627</u>

SECTION III

SUPPLEMENTAL SECTION

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

	Special Revenue Funds	Debt Service Funds	Capital Project Funds	Total
ASSETS				
Pooled Cash and Equivalents	\$ 146,663	\$ 80,132	\$ -	\$ 226,795
Non Pooled Cash and Equivalents	11,669	-	-	11,669
Property Taxes Receivable	9,395	30,965	-	40,360
Prepaid Expense	-	16,702	-	16,702
 TOTAL ASSETS	 \$ 167,727	 \$ 127,799	 \$ -	 \$ 295,526
LIABILITIES				
Accounts Payable	\$ -	\$ -	\$ 14,073	\$ 14,073
Due to Other Funds	-	39,331	59,463	98,794
Total Liabilities	-	39,331	73,536	112,867
DEFERRED INFLOWS OF RESOURCES				
Unavailable Revenue	9,373	29,471	-	38,844
Total Deferred Inflows of Resources	9,373	29,471	-	38,844
FUND BALANCES				
Restricted	87,916	98,193	-	186,109
Assigned	70,438	-	-	70,438
Unassigned (Deficit)	-	(39,196)	(73,536)	(112,732)
Total Fund Balances (Deficit)	158,354	58,997	(73,536)	143,815
 TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	 \$ 167,727	 \$ 127,799	 \$ -	 \$ 295,526

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

	Special Revenue Funds	Debt Service Funds	Capital Project Funds	Total
REVENUES				
Taxes	\$ 117,979	\$ 167,020	\$ -	\$ 284,999
Interest Income	114	575	-	689
Miscellaneous	<u>3,000</u>	<u>32,900</u>	<u>-</u>	<u>35,900</u>
Total Revenues	<u>121,093</u>	<u>200,495</u>	<u>-</u>	<u>321,588</u>
EXPENDITURES				
Culture and Recreation	4,703	-	-	4,703
Economic Development	15,239	-	-	15,239
Miscellaneous	51,069	-	45,359	96,428
Principal Payments	-	158,886	-	158,886
Interest Payments	-	89,414	-	89,414
Miscellaneous	-	1,113	-	1,113
Capital Outlay	<u>9,000</u>	<u>-</u>	<u>-</u>	<u>9,000</u>
Total Expenditures	<u>80,011</u>	<u>249,413</u>	<u>45,359</u>	<u>374,783</u>
EXCESS REVENUES OVER (UNDER)				
EXPENDITURES	41,082	(48,918)	(45,359)	(53,195)
FUND BALANCES (DEFICIT) - January 1	<u>117,272</u>	<u>107,915</u>	<u>(28,177)</u>	<u>197,010</u>
FUND BALANCES (DEFICIT) - December 31	<u>\$ 158,354</u>	<u>\$ 58,997</u>	<u>\$ (73,536)</u>	<u>\$ 143,815</u>

CITY OF STACY, MINNESOTA
 COMBINING BALANCE SHEET
 NONMAJOR SPECIAL REVENUE FUNDS
 DECEMBER 31, 2014

	Special Rev Park	Economic Development Authority	Hockey Arena Project	Lions Club Park Fund	Tax Increment 1-1	Tax Increment 1-2	Total
ASSETS							
Pooled Cash and Equivalents	\$ 3,151	\$ 28,873	\$ 16,058	\$ 13,816	\$ 6,752	\$ 78,013	\$ 146,663
Non Pooled Cash and Equivalents	-	-	11,669	-	-	-	11,669
Property Taxes Receivable	-	465	-	-	-	8,930	9,395
	<u>\$ 3,151</u>	<u>\$ 29,338</u>	<u>\$ 27,727</u>	<u>\$ 13,816</u>	<u>\$ 6,752</u>	<u>\$ 86,943</u>	<u>\$ 167,727</u>
TOTAL ASSETS							
	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
LIABILITIES							
DEFERRED INFLOWS OF RESOURCES							
Unavailable Revenue	-	443	-	-	-	8,930	9,373
Total Deferred Inflows of Resources	-	443	-	-	-	8,930	9,373
FUND BALANCES							
Restricted	3,151	-	-	-	6,752	78,013	87,916
Assigned	-	28,895	27,727	13,816	-	-	70,438
Total Fund Balances	<u>3,151</u>	<u>28,895</u>	<u>27,727</u>	<u>13,816</u>	<u>6,752</u>	<u>78,013</u>	<u>158,354</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	<u>\$ 3,151</u>	<u>\$ 29,338</u>	<u>\$ 27,727</u>	<u>\$ 13,816</u>	<u>\$ 6,752</u>	<u>\$ 86,943</u>	<u>\$ 167,727</u>

CITY OF STACY, MINNESOTA
 COMBINING STATEMENT OF REVENUES, EXPENDITURES
 AND CHANGES IN FUND BALANCES
 NONMAJOR SPECIAL REVENUE FUNDS
 FOR THE YEAR ENDED DECEMBER 31, 2014

REVENUES	Special Rev Park	Economic Development Authority	Hockey Arena Project	Lions Club Park Fund	Tax Increment 1-1	Tax Increment 1-2	Total
Taxes	\$ -	\$ 1,911	\$ -	\$ -	\$ 16,055	\$ 100,013	\$ 117,979
Interest Income	15	20	5	72	1	1	114
Miscellaneous	-	-	-	3,000	-	-	3,000
Total Revenues	<u>15</u>	<u>1,931</u>	<u>5</u>	<u>3,072</u>	<u>16,056</u>	<u>100,014</u>	<u>121,093</u>
EXPENDITURES							
Culture and Recreation	-	-	-	4,703	-	-	4,703
Economic Development	-	-	-	-	15,239	-	15,239
Miscellaneous	-	3,195	5,865	-	12	41,997	51,069
Capital Outlay	-	-	-	9,000	-	-	9,000
Total Expenditures	<u>-</u>	<u>3,195</u>	<u>5,865</u>	<u>13,703</u>	<u>15,251</u>	<u>41,997</u>	<u>80,011</u>
EXCESS REVENUES OVER (UNDER) EXPENDITURES	15	(1,264)	(5,860)	(10,631)	805	58,017	41,082
FUND BALANCES - January 1	<u>3,136</u>	<u>30,159</u>	<u>33,587</u>	<u>24,447</u>	<u>5,947</u>	<u>19,996</u>	<u>117,272</u>
FUND BALANCES - December 31	<u>\$ 3,151</u>	<u>\$ 28,895</u>	<u>\$ 27,727</u>	<u>\$ 13,816</u>	<u>\$ 6,752</u>	<u>\$ 78,013</u>	<u>\$ 158,354</u>

CITY OF STACY, MINNESOTA
 COMBINING BALANCE SHEET
 NONMAJOR DEBT SERVICE FUNDS
 DECEMBER 31, 2014

	Tax							Total
	Abatement Woodsman 2004	Doyle Building Improvements	2013A GO Refunding Bonds	2008 Lease Purchase	Road Improvement Project	Stacy Ponds Business Park		
ASSETS								
Pooled Cash and Equivalents	\$ -	\$ -	\$ -	\$ 2,984	\$ 61,112	\$ 16,034	\$	\$ 80,130
Property Taxes Receivable	2,595	-	-	2,136	6,182	20,052		30,965
Prepaid Expense	-	-	-	-	-	16,702		16,702
TOTAL ASSETS	<u>\$ 2,596</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 5,121</u>	<u>\$ 67,294</u>	<u>\$ 52,788</u>	<u>\$</u>	<u>\$ 127,799</u>
LIABILITIES								
Due to Other Funds	\$ 29,271	\$ 650	\$ 9,410	\$ -	\$ -	\$ -	\$	\$ 39,331
Total Liabilities	<u>29,271</u>	<u>650</u>	<u>9,410</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>\$</u>	<u>39,331</u>
DEFERRED INFLOWS OF RESOURCES:								
Unavailable Revenue	2,471	-	(10)	2,032	5,886	19,092		29,471
Total Deferred Inflows of Resources	<u>2,471</u>	<u>-</u>	<u>(10)</u>	<u>2,032</u>	<u>5,886</u>	<u>19,092</u>	<u></u>	<u>29,471</u>
FUND BALANCES								
Restricted	-	-	-	3,089	61,408	33,696		98,193
Unassigned (Deficit)	(29,146)	(650)	(9,400)	-	-	-		(39,196)
Total Fund Balances (Deficit)	<u>(29,146)</u>	<u>(650)</u>	<u>(9,400)</u>	<u>3,089</u>	<u>61,408</u>	<u>33,696</u>	<u></u>	<u>58,997</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	<u>\$ 2,596</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 5,121</u>	<u>\$ 67,294</u>	<u>\$ 52,788</u>	<u>\$</u>	<u>\$ 127,799</u>

CITY OF STACY, MINNESOTA
 COMBINING STATEMENT OF REVENUES, EXPENDITURES
 AND CHANGES IN FUND BALANCES
 NONMAJOR DEBT SERVICE FUNDS
 FOR THE YEAR ENDED DECEMBER 31, 2014

	Tax	Abatement Woodsman 2004	Doyle Building Improvements	2013A GO Refunding Bonds	2008 Lease Purchase	Road Improvement Project	Stacy Ponds Business Park	Total
REVENUES								
Taxes		\$ 44,351	\$ -	\$ -	\$ 9,472	\$ 27,035	\$ 86,162	\$ 167,020
Interest Income		(1)	-	-	-	209	367	575
Miscellaneous		-	32,900	-	-	-	-	32,900
Total Revenues		<u>44,350</u>	<u>32,900</u>	<u>-</u>	<u>9,472</u>	<u>27,244</u>	<u>86,529</u>	<u>200,495</u>
EXPENDITURES								
Principal Payments		30,000	36,886	-	7,000	20,000	65,000	158,886
Interest Payments		10,524	2,635	-	1,869	5,713	68,673	89,414
Miscellaneous		900	-	-	-	-	213	1,113
Total Expenditures		<u>41,424</u>	<u>39,521</u>	<u>-</u>	<u>8,869</u>	<u>25,713</u>	<u>133,886</u>	<u>249,413</u>
EXCESS REVENUES OVER (UNDER)		2,926	(6,621)	-	603	1,531	(47,357)	(48,918)
EXPENDITURES								
FUND BALANCES (DEFICIT) - January 1		<u>(32,072)</u>	<u>5,971</u>	<u>(9,400)</u>	<u>2,486</u>	<u>59,877</u>	<u>81,053</u>	<u>107,915</u>
FUND BALANCES (DEFICIT) - December 31		<u><u>(29,146)</u></u>	<u><u>(650)</u></u>	<u><u>(9,400)</u></u>	<u><u>3,089</u></u>	<u><u>61,408</u></u>	<u><u>33,696</u></u>	<u><u>58,997</u></u>

CITY OF STACY, MINNESOTA
COMBINING BALANCE SHEET
NONMAJOR CAPITAL PROJECT FUNDS
DECEMBER 31, 2014

	Radium Abate/Water Plant	Total
ASSETS	\$ -	\$ -
LIABILITIES		
Accounts Payable	\$ 14,073	\$ 14,073
Due to Other Funds	<u>59,463</u>	<u>59,463</u>
Total Liabilities	<u>73,536</u>	<u>73,536</u>
FUND BALANCES		
Unassigned (Deficit)	<u>(73,536)</u>	<u>(73,536)</u>
Total Fund Balances	<u>(73,536)</u>	<u>(73,536)</u>
TOTAL LIABILITIES AND FUND BALANCE	\$ -	\$ -

CITY OF STACY, MINNESOTA
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
NONMAJOR CAPITAL PROJECT FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2014

	Radium Abate/Water Plant	Total
REVENUES	\$ <u>-</u>	\$ <u>-</u>
EXPENDITURES		
Miscellaneous	<u>45,359</u>	<u>45,359</u>
Total Expenditures	<u>45,359</u>	<u>45,359</u>
EXCESS EXPENDITURES OVER REVENUES	(45,359)	(45,359)
FUND BALANCE - January 1	<u>(28,177)</u>	<u>(28,177)</u>
FUND BALANCE - December 31	<u><u>(73,536)</u></u>	<u><u>(73,536)</u></u>

CITY OF STACY, MINNESOTA
SUMMARY FINANCIAL REPORT

REVENUES AND EXPENDITURES FOR GENERAL OPERATIONS
GOVERNMENTAL FUNDS
DECEMBER 31, 2014

The purpose of this report is to provide a summary of financial information concerning the City of Stacy to interested citizens. The complete financial statements may be examined at the City Hall, 30955 Forest Blvd Stacy, MN Questions about this report should be directed to Sharon Payne, City Clerk, at 651-462-4486

	<u>Total</u> 2014	<u>Total</u> 2013	Percent Increase (Decrease)
REVENUES:			
Taxes and Assessments	\$ 418,596	\$ 363,333	15.21 %
Licenses and Permits	26,639	38,472	(30.76)%
Intergovernmental	305,185	260,639	17.09 %
Charges for Services	21,604	25,154	(14.11)%
Fines	1,569	794	97.61 %
Investment Earnings	2,577	2,063	24.92 %
Miscellaneous	48,023	75,193	(36.13)%
Transfer In	10,000	10,000	- %
Issuance of Debt	-	<u>1,495,000</u>	<u>(100.00)%</u>
Total Revenues	<u>\$ 834,193</u>	<u>\$ 2,270,648</u>	<u>(63.26)%</u>
Per Capita	<u>603</u>	<u>1,642</u>	
EXPENDITURES:			
Current			
General Government	\$ 190,835	\$ 179,590	6.26 %
Public Safety	164,252	160,354	2.43 %
Public Works	110,218	49,120	124.39 %
Culture and Recreation	34,317	38,960	(11.92)%
Economic Development	15,239	24,238	(37.13)%
Miscellaneous	116,424	94,447	23.27 %
Debt Service:			
Principal Payments	158,886	1,322,000	(87.98)%
Interest Payments	89,414	82,398	8.51 %
Other Charges	1,113	49,378	(97.75)%
Capital Outlay	<u>119,638</u>	<u>22,449</u>	<u>432.93 %</u>
Total Expenditures	<u>\$ 1,000,336</u>	<u>\$ 2,092,432</u>	<u>(52.19)%</u>
Per Capita	<u>723</u>	<u>1,513</u>	
Long-term Indebtedness	<u>\$ 1,788,114</u>	<u>\$ 1,947,000</u>	<u>(8.16)%</u>
Per Capita	<u>1,293</u>	<u>1,408</u>	
General Fund Unassigned Fund Balance - December 31	<u>\$ 498,756</u>	<u>\$ 711,627</u>	<u>(29.91)%</u>
Per Capita	<u>361</u>	<u>515</u>	

SECTION IV

ADDITIONAL INFORMATION

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INDEPENDENT AUDITOR'S REPORT ON INTERNAL
CONTROL OVER FINANCIAL REPORTING AND ON
COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT
OF FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, business-type activities, each major fund and the aggregate remaining fund information of City of Stacy, Minnesota, as of and for the year ended December 31, 2014, and the related notes to the financial statements, which collectively comprise City of Stacy, Minnesota's basic financial statements, and have issued our report thereon dated May 12, 2015.

Internal Control Over Financial Reporting

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

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

Our consideration of the internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and responses that we consider to be significant deficiencies. Items 2014-001 and 2014-002.

Compliance and Other Matters

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

City of Stacy, Minnesota's Response to Findings

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

Purpose of this Report

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


Dennis E. Oberloh, Ltd.

May 12, 2015

CITY OF STACY
SCHEDULE OF FINDINGS AND RESPONSES
YEAR ENDED DECEMBER 31, 2014

INTERNAL CONTROL FINDINGS

Audit Finding 2014-001

Criteria: The City does not have the internal resources to identify all journal entries required to maintain a general ledger and to prepare the full-disclosure financial statements in conformity with generally accepted accounting principles.

Condition: The City's personnel prepare periodic financial information for internal use that meets the needs of management and the City Council. However, the City does not have internal resources to identify all journal entries required to maintain a general ledger and prepare full-disclosure financial statements required by generally accepted accounting principles for external reporting. The City is aware of this significant deficiency, and obtains our assistance in the preparation of the City's annual financial statements.

Cause: The City does not have the internal expertise needed to handle all aspects of the external financial reporting.

Effect: The City's management is aware of the deficiency and addresses it by reviewing and approving the adjusting journal entries and completed statements prior to distribution to the end users.

Recommendations: For entities of the City's size, it generally is not practical to obtain the internal expertise needed to handle all aspects of the external financial reporting.

Managements Response: Management agrees with the recommendation that it is not cost effective for the City to prepare the financial statements and maintain a working knowledge of the required disclosures.

Audit Finding 2014-002

Criteria: Internal control that supports the City's ability to initiate, record, process and report financial data consistent with the assertions of management in the financial statements requires adequate segregation of accounting duties.

Condition: The City does not have adequate segregation of accounting duties.

Cause: There are a limited number of office employees.

Effect: The lack of adequate segregation of accounting duties could adversely affect the City's ability to initiate, record, process and report financial data consistent with the assertions of management in the financial statements.

Recommendations: For entities of the City's size, it generally is not practical to obtain the internal control that supports the adequate segregation of duties.

Managements Response: Management agrees with the recommendation that it is not cost effective for the City to maintain proper segregation of duties.

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AUDITOR'S REPORT ON LEGAL COMPLIANCE

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

We have audited, in accordance with auditing standards generally accepted in the United States of America, and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States the basic financial statements of governmental activities, business-type activities, each major fund and the aggregate remaining fund information of City of Stacy, Minnesota, as of and for the year ended December 31, 2014, and the related notes to the financial statements, and have issued our report thereon dated May 12, 2015.

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

In connection with our audit, nothing came to our attention that caused us to believe that City of Stacy, Minnesota failed to comply with the provisions of the *Minnesota Legal Compliance Audit Guide for Political Subdivisions*. However, our audit was not directed primarily toward obtaining knowledge of such noncompliance. Accordingly, had we performed additional procedures, other matters may have come to our attention regarding the City of Stacy, Minnesota's noncompliance with the above reference provisions.

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


Dennis E. Oberloh, Ltd.

May 12, 2015