

Annual Financial Report

City of Janesville

Janesville, Minnesota

For the Year Ended

December 31, 2014

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CITY OF JANESVILLE, MINNESOTA
 ANNUAL FINANCIAL REPORT
 TABLE OF CONTENTS
 FOR THE YEAR ENDED DECEMBER 31, 2014

	Page No.
INTRODUCTORY SECTION	
Elected and Appointed Officials	7
FINANCIAL SECTION	
Independent Auditor's Report	11
Management's Discussion and Analysis	15
Basic Financial Statements	
Government-wide Financial Statements	
Statement of Net Position	29
Statement of Activities	30
Fund Financial Statements	
Governmental Funds	
Balance Sheet	35
Reconciliation of the Balance Sheet to the Statement of Net Position	36
Statement of Revenues, Expenditures, and Changes in Fund Balances	37
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances to the Statement of Activities	38
General Fund	
Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual	39
Proprietary Funds	
Statements of Net Position	40
Statements of Revenues, Expenses and Changes in Net Position	44
Statements of Cash Flows	46
Fiduciary Funds	
Statement of Fiduciary Net Position	50
Notes to the Financial Statements	51
Combining and Individual Fund Financial Statements and Schedules	
Nonmajor Governmental Funds	
Combining Balance Sheet	78
Combining Statement of Revenues, Expenditures and Changes in Fund Balances	79
Nonmajor Special Revenue Funds	
Combining Balance Sheet	80
Combining Statement of Revenues, Expenditures and Changes in Fund Balances	82
Individual Fund Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual	
Fire Fund	85
Nonmajor Capital Projects Funds	
Combining Balance Sheet	86
Combining Statement of Revenues, Expenditures and Changes in Fund Balances	88
General Fund	
Comparative Balance Sheets	91
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual	93
Debt Service Funds	
Combining Balance Sheet	98
Combining Schedule of Revenues, Expenditures and Changes in Fund Balances	100
Agency Funds	
Combining Statement of Changes in Assets and Liabilities	102
Summary Financial Report	
Revenues and Expenditures for General Operations - Governmental Funds	103

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CITY OF JANESVILLE, MINNESOTA
ANNUAL FINANCIAL REPORT
TABLE OF CONTENTS - CONTINUED
FOR THE YEAR ENDED DECEMBER 31, 2014

	<u>Page No.</u>
FINANCIAL EXHIBITS	
Two Year Summary of Operations and Statistics (Unaudited)	
Waterworks Fund	106
Light and Power Fund	107
OTHER REQUIRED REPORTS	
Independent Auditor's Report on Minnesota Legal Compliance	111

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INTRODUCTORY SECTION

CITY OF JANESVILLE
JANESVILLE, MINNESOTA

FOR THE YEAR ENDED
DECEMBER 31, 2014

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CITY OF JANESVILLE, MINNESOTA
ELECTED AND APPOINTED OFFICIALS
FOR THE YEAR ENDED DECEMBER 31, 2014

ELECTED

Name	Title	Term Expires
Mayor	Mike Santo	12/31/16
Council	Clifford Blaisdell	12/31/18
Council	John Sprengeler	12/31/16
Council	Kari Grisim	12/31/18
Council	Jeff Bartelt	12/31/16

Public Utilities Commission

Chairman	Frank Morrill	12/31/17
Commissioner	Mike Morton	12/31/16
Commissioner	John Gardener	12/31/15
Council Representative	Kari Grisim	No expiration

Nursing Home Board of Directors

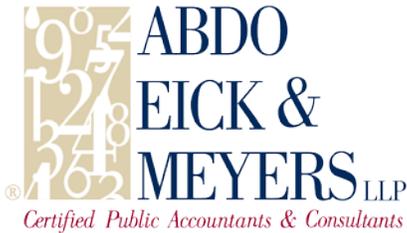
Chairperson	Benedette Sack	12/31/17
Secretary	Larry Milow	12/31/15
Member	Bob Westpahl	12/31/16
Member	Rosemary Schroeder	12/31/19
Council Representative	Mike Santo	No expiration
Administrator/Clerk/Treasurer	Clinton Rogers	
Deputy Clerk/Treasurer	Andrea Preston	
Nursing Home Administrator	Pete Madel, III	

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FINANCIAL SECTION
CITY OF JANESVILLE
JANESVILLE, MINNESOTA

FOR THE YEAR ENDED
DECEMBER 31, 2014

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INDEPENDENT AUDITOR'S REPORT

Honorable Mayor and City Council
City of Janesville, Minnesota

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Janesville, Minnesota, (the City) 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 an opinion on these financial statements based on our audit. The prior year comparative information has been derived from the City's 2013 financial statements and, in our report dated June 19, 2014, we expressed unmodified opinions on the respective proprietary fund financial statements. We did not audit the financial statements of the Janesville Nursing Home as of December 31, 2014, which represents percent and 50 percent, respectively, of the assets and revenues of the proprietary fund types. We also did not audit the financial statements of the Janesville Housing and Redevelopment Authority as of December 31, 2014, which is presented as a component unit of the City. Both financial statements were audited by other auditors whose reports thereon have been furnished to us and our opinion, insofar as it relates to the amounts included for the Janesville Nursing Home and Janesville Housing and Redevelopment Authority, is based solely upon the reports of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the City'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 City'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.

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Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City as of December 31, 2014, and the respective changes in financial position and, where applicable, cash flows thereof and the budgetary comparison schedule for the General fund 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 starting on page 15 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's basic financial statements. The introductory section, combining and individual fund financial statements and schedules, and financial exhibits are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual fund financial statements and schedules 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 individual fund financial statements and schedules are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The introductory section and financial exhibit sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on them.

Abdo, Eick & Meyers, LLP

ABDO, EICK & MEYERS, LLP

Mankato, Minnesota

June 2, 2015

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Management's Discussion and Analysis

As management of the City of Janesville, Minnesota, (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.

Financial Highlights

- The assets of the City exceeded its liabilities at the close of the most recent fiscal year by \$14,105,157 (net position). Of this amount, \$2,297,808 (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 \$224,145 compared to a decrease of \$444,668 in the previous year. The majority of this increase for governmental activities in the current year can be attributed to an increase in capital grants and operating grants and contributions. In addition, there was a significant increase in other revenues which is from the earnest money received for a future land sale. For the business-type activities, there was an increase in charges for services along with a decrease in Light and Power expenses.
- As of the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$2,863,689, an increase of \$272,601 in comparison with the prior year. This increase is mainly attributable to the issuance of debt and receipt of proceeds. Of this total amount, a fund balance of \$810,346 is available for spending at the City's discretion.

Overview of the Financial Statements

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

The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data. The statements are followed by a section of combining and individual fund financial statements and schedules that further explains and supports the information in the financial statements. Figure 1 reflects how the required parts of this annual report are arranged and relate to one another. In addition to these required elements, we have included a section with combining and individual fund financial statements and schedules that provide details about nonmajor governmental funds, which are added together and presented in single columns in the basic financial statements.

Figure 1
Required Components of the
City's Annual Financial Report

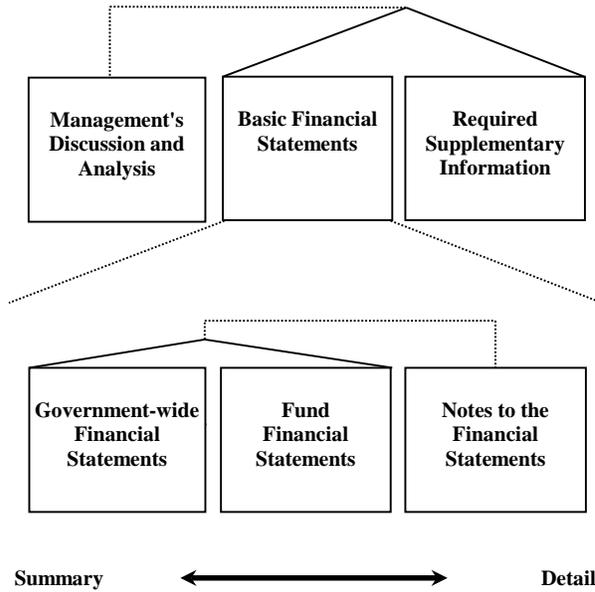


Figure 2 summarizes the major features of the City’s financial statements, including the portion of the City government they cover and the types of information they contain. The remainder of this overview section of management’s discussion and analysis explains the structure and contents of each of the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

Figure 2
Major Features of the Government-wide and Fund Financial Statements

	Fund Financial Statements		
	Government-wide Statements	Governmental Funds	Proprietary Funds
Scope	Entire City government (except fiduciary funds) and the City’s component units	The activities of the City that are not proprietary or fiduciary, such as police, fire and parks	Activities the City operates similar to private businesses, such as the water and sewer system
Required financial statements	<ul style="list-style-type: none"> • Statement of Net Position • Statement of Activities 	<ul style="list-style-type: none"> • Balance Sheet • Statement of Revenues, Expenditures, and Changes in Fund Balances 	<ul style="list-style-type: none"> • Statement of Net Position • Statement of Revenues, Expenses and Changes in Net Position • Statement of Cash Flows
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, and short-term and long-term	Only assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets included	All assets and liabilities, both financial and capital, and short-term and long-term
Type of deferred outflows/inflows of resources information	All deferred outflows/inflows of resources, regardless of when cash is received or paid.	Only deferred outflows of resources expected to be used up and deferred inflows of resources that come due during the year or soon thereafter; no capital assets included	All deferred outflows/inflows of resources, regardless of when cash is received or paid
Type of inflow/out flow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and payment is due during the year or soon thereafter	All revenues and expenses during the year, regardless of when cash is received or paid

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

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

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

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental 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, streets and highway, housing and economic development, culture and recreation, and miscellaneous. The business-type activities of the City include light and power, waterworks, sewage collection, a golf course and a nursing home.

The government-wide financial statements include not only the City itself (known as the *primary government*), but also a legally separate Housing and Redevelopment Authority (HRA) for which the City is financially accountable. Financial information for this *component unit* is reported separately from the financial information presented for the primary government itself.

The government-wide financial statements can be found starting on page 29 of this report.

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

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

The City maintains 21 individual governmental funds, 9 of which are Debt Service funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures and changes in fund balances for the General fund, Debt Service funds, and 2014 Street and Utility Improvements fund, each of which are considered to be major funds. Data from the other 12 governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of *combining statements or schedules* elsewhere in this report.

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

The basic governmental fund financial statements can be found starting on page 35 of this report.

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 light and power, waterworks, sewage collection, golf course and nursing home operations.

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

The basic proprietary fund financial statements can be found starting on page 40 of this report.

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

The basic fiduciary fund financial statements can be found starting on page 50 of this report.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found starting on page 51 of this report.

Other information. The combining statements referred to earlier in connection with nonmajor governmental funds are presented following the notes to financial statements. Combining and individual fund statements and schedules can be found starting on page 78 of this report.

Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the City, assets exceeded liabilities by \$14,105,157 at the close of the most recent fiscal year.

By far, the largest portion of the City's net position (66.9 percent) reflects its investment in capital assets (e.g., land, buildings, machinery and equipment), less any related debt used to acquire those assets that are still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

City of Janesville's Summary of Net Position

	Governmental Activities			Business-type Activities		
	2014	2013	Increase (Decrease)	2014	2013	Increase (Decrease)
Current and other assets	\$ 4,615,304	\$ 4,472,447	\$ 142,857	\$ 1,445,375	\$ 1,096,533	\$ 348,842
Capital assets	6,263,641	6,019,802	243,839	9,331,576	9,613,366	(281,790)
Total assets	10,878,945	10,492,249	386,696	10,776,951	10,709,899	67,052
Long-term liabilities outstanding	6,162,010	5,278,602	883,408	819,073	734,558	84,515
Other liabilities	123,718	823,002	(699,284)	445,938	484,974	(39,036)
Total liabilities	6,285,728	6,101,604	184,124	1,265,011	1,219,532	45,479
Net investment in capital assets	994,325	713,091	281,234	8,441,102	8,753,717	(312,615)
Restricted	2,331,846	2,620,287	(288,441)	40,076	59,430	(19,354)
Unrestricted	1,267,046	1,057,267	209,779	1,030,762	677,220	353,542
Total net position	\$ 4,593,217	\$ 4,390,645	\$ 202,572	\$ 9,511,940	\$ 9,490,367	\$ 21,573

An additional portion of the City's net position (16.8 percent) represents resources that are subject to external restrictions on how they may be used. The remaining balance of *unrestricted net position* (16.3 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 three categories of net position, both for the City as a whole, as well as for its governmental and business-type activities.

The City's net position increased by \$224,145 during the current fiscal year. The governmental activities accounted for \$202,572 of the increase, while the business-type activities accounted for \$21,573 of the increase.

Governmental activities. Governmental activities increased the City's net position by \$202,572. Other key elements of this increase are as follows:

- Increase in capital grants of \$118,369
- Increase in operating grants and contributions of \$95,961.
- Increase in other revenues of \$106,484 which is primarily from the \$125,000 earnest money received for a future land sale.

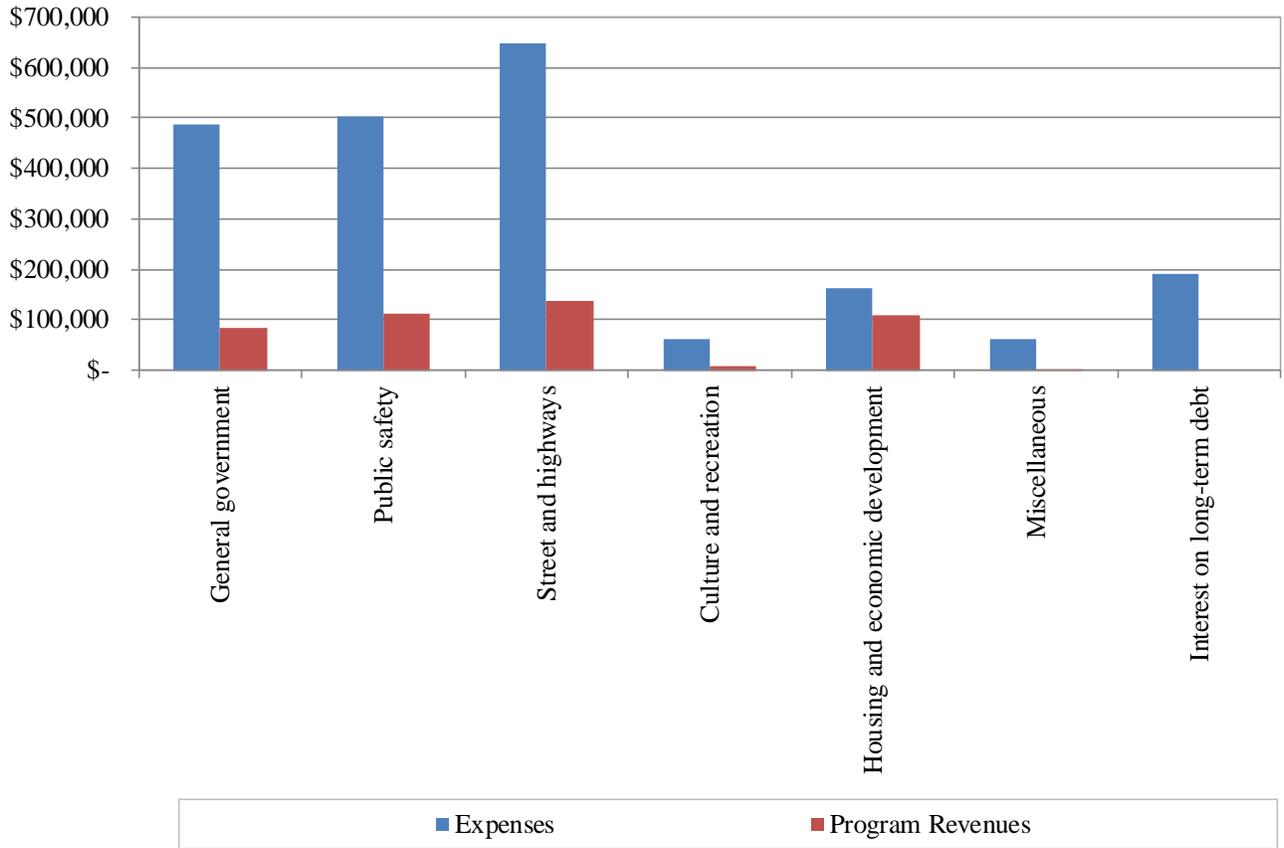
City of Janesville's Changes in Net Position

	Governmental Activities			Business-type Activities		
	2014	2013	Increase (Decrease)	2014	2013	Increase (Decrease)
Revenues						
Program revenues						
Charges for services	\$ 162,012	\$ 166,295	\$ (4,283)	\$ 4,522,356	\$ 4,239,620	\$ 282,736
Operating grants and contributions	145,686	49,725	95,961	50	125	(75)
Capital grants and contributions	140,750	22,381	118,369	-	33	(33)
General revenues						
Property taxes/ tax increments	722,444	701,361	21,083	25,000	25,000	-
Other taxes	118,573	110,170	8,403	-	-	-
Grants and contributions not restricted to specific programs	792,058	738,109	53,949	-	-	-
Unrestricted investment earnings	2,662	1,820	842	2,581	2,077	504
Other	151,197	44,713	106,484	-	-	-
Total revenues	<u>2,235,382</u>	<u>1,834,574</u>	<u>400,808</u>	<u>4,549,987</u>	<u>4,266,855</u>	<u>283,132</u>
Expenses						
General government	488,504	491,538	(3,034)	-	-	-
Public safety	502,576	474,961	27,615	-	-	-
Streets and highways	648,104	644,992	3,112	-	-	-
Culture and recreation	60,829	56,154	4,675	-	-	-
Housing and economic development	161,539	39,634	121,905	-	-	-
Miscellaneous	60,081	11,849	48,232	-	-	-
Interest on long-term debt	191,177	189,980	1,197	-	-	-
Waterworks	-	-	-	258,822	229,432	29,390
Light and power	-	-	-	1,307,069	1,501,469	(194,400)
Sewage collection	-	-	-	307,039	298,821	8,218
Golf course	-	-	-	299,888	314,889	(15,001)
Nursing home	-	-	-	2,275,596	2,292,378	(16,782)
Total expenses	<u>2,112,810</u>	<u>1,909,108</u>	<u>203,702</u>	<u>4,448,414</u>	<u>4,636,989</u>	<u>(188,575)</u>
Increase (decrease) in net position before transfers	122,572	(74,534)	197,106	101,573	(370,134)	471,707
Transfers	80,000	80,000	-	(80,000)	(80,000)	-
Change in net position	202,572	5,466	197,106	21,573	(450,134)	471,707
Net position - January 1	<u>4,390,645</u>	<u>4,385,179</u>	<u>5,466</u>	<u>9,490,367</u>	<u>9,940,501</u>	<u>(450,134)</u>
Net position - December 31	<u>\$ 4,593,217</u>	<u>\$ 4,390,645</u>	<u>\$ 202,572</u>	<u>\$ 9,511,940</u>	<u>\$ 9,490,367</u>	<u>\$ 21,573</u>

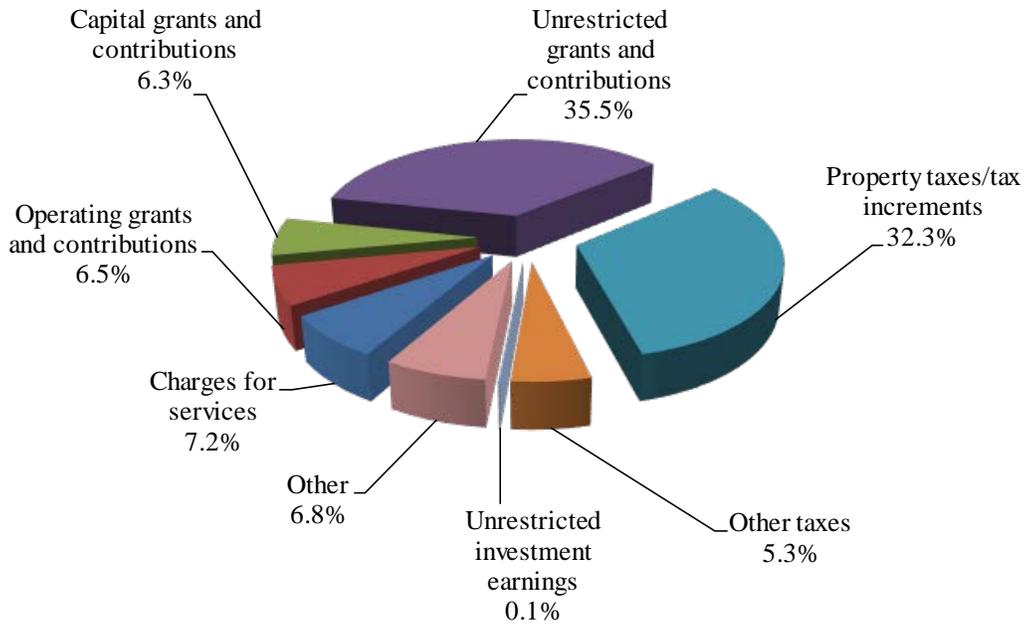
Property tax levies increased by \$13,683 (2.0 percent) during the year.

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

Expenses and Program Revenues - Governmental Activities



Revenues by Source - Governmental Activities



Business-type activities. Business-type activities increased the City’s net position by \$21,573. The key elements of this increase are described below.

Revenues at the Janesville Nursing Home (the Home) are generally determined by two factors – occupancy and acuity of residents. Occupancy is simply a matter of how many of the Home’s available beds are occupied. Acuity is measured by an assessment process that assigns residents to one of 48 categories called Resource Utilization Groups (RUG). The higher the RUG, the higher the rate charged. RUG assessments are assigned a weight factor ranging from .45 to 3.00, with an “average” approximately 1.00. The actual overall average of any nursing facility is called a “RUG Score”. The amount of Medicare-eligible residents is also a factor in determining revenues as Medicare generally pays higher rates than other payers

The Home’s occupancy rate increased from 72.3 percent in 2013 to 78.6 percent in 2014. The Home’s RUG Score decreased from 0.906 in 2013 to 0.875 for 2014. These factors resulted in a \$129,854 increase in the Home’s net resident service revenues from \$2,094,764 in 2013 to \$2,224,618 in 2014.

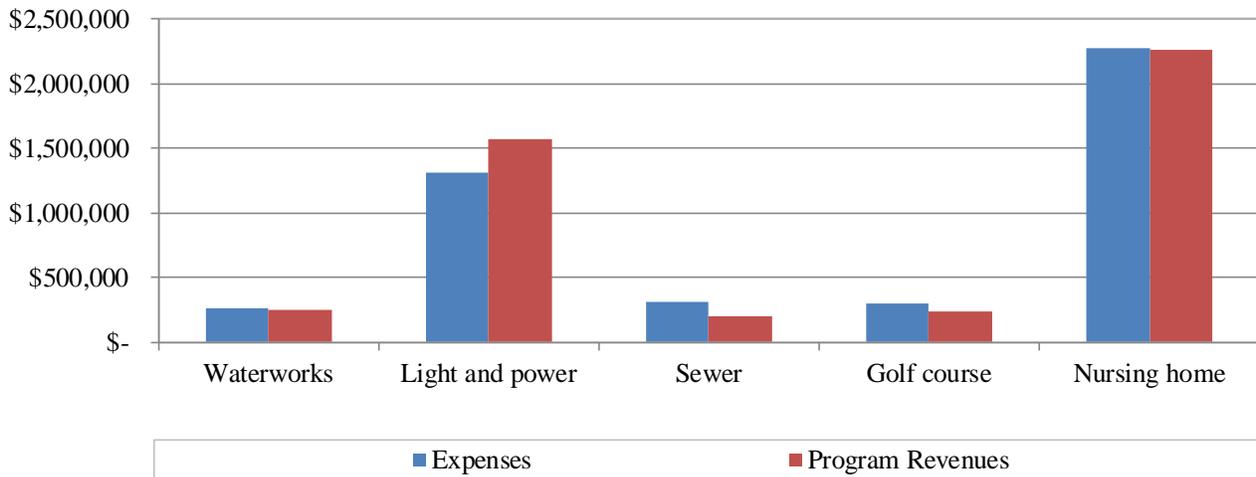
The Home’s expenses increased \$95,133 or 4.4 percent from 2013 to 2014. The primary components of the Home’s expenses are noted below:

- Approximately 59 percent of the Home’s expenses are employee wages and related taxes and benefits. Employee hours decreased from approximately 77,900 hours in 2013 to 78,500 in 2014. As a result, wages increased from approximately \$1,082,000 in 2013 to \$1,148,000 in 2014.
- Most other costs also increased from 2013 to 2014 mostly as a result of the small increase in occupancy it experienced in 2014.

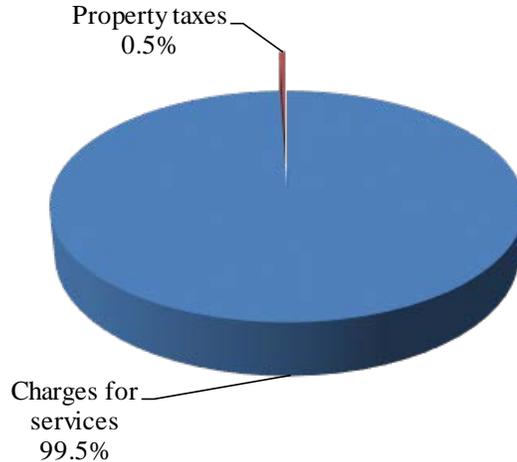
The Golf Course fund balance decreased by \$38,293 due to charges for services not covering operating expenses.

The Sewer fund balance decreased by \$133,446 during 2014.

Expenses and Program Revenues - Business-type Activities



Revenues by Source - Business-type Activities



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, *unassigned fund balance* may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$2,863,689, an increase of \$272,601 in comparison with the prior year. This increase is mainly attributable to the issuance of debt. Of the total amount, a fund balance of \$810,346, constitutes *unassigned fund balance*, which is available for spending at the City's discretion. Most of the remainder of fund balance is restricted to indicate that it is not available for new spending because it nonspendable (\$6,141), restricted (\$1,646,654), committed (\$14,055), or assigned (\$386,493) for the purposes described in the fund balance section of each balance sheet.

The General fund is the chief operating fund of the City. At the end of the current year, the fund balance of the General fund was \$839,166. As a measure of the General fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. Unassigned fund balance represents 58.4 percent of fund expenditures, while total fund balance represents 58.7 percent of that same amount.

The fund balance of the City's General fund increased by \$234,896 during the current fiscal year due the receipt of debt proceeds in the amount of \$235,915.

The Debt Service fund has a total fund balance of \$1,223,784. The net decrease in fund balance during the current year in the Debt Service fund was \$113,483 due to the scheduled retirement of debt.

The 2014 Street and Utility Improvements fund has a total fund balance of \$150,352. This was a new fund in 2014, so the fund balance is due to unspent bond proceeds as of year-end. The project is scheduled to be completed in 2015.

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

Unrestricted net position of the enterprise funds at the end of the year amounted to \$1,030,762. The total increase in net position for the funds was \$21,573. 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. Revenues were more than expectations by \$65,587 and the expenditure were over budget by \$211,606, accounting for the some of the \$234,896 increase in the fund balance of the General fund for 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 \$15,595,217 (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 0.2 percent (a 4.1 percent increase for governmental activities and a 2.9 percent decrease for business-type activities).

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

- Lawnmower purchase of \$48,858.
- ARMER radios that were purchased through Waseca County for \$39,444.
- Payloader for \$110,753 which is being purchased through a capital lease.
- Construction costs for the 2014 Street and Utility Improvements project for a total of \$574,421.

Additional information on the City's capital assets can be found in Note 3C starting on page 62 of this report.

City of Janesville's Capital Assets (net of depreciation)

	Governmental Activities			Business-type Activities		
	2014	2013	Increase (Decrease)	2014	2013	Increase (Decrease)
Land	\$ 99,799	\$ 99,799	\$ -	\$ 752,341	\$ 752,341	\$ -
Land improvements	-	-	-	19,283	22,678	(3,395)
Buildings	367,656	385,555	(17,899)	806,639	801,380	5,259
Machinery and equipment	311,223	154,037	157,186	446,099	533,599	(87,500)
Motor vehicles	188,990	181,240	7,750	1,640	9,531	(7,891)
Infrastructure/PUC plant	4,811,961	5,180,286	(368,325)	7,142,305	7,493,837	(351,532)
Construction in progress	484,012	18,885	465,127	163,269	-	163,269
Total	\$ 6,263,641	\$ 6,019,802	\$ 243,839	\$ 9,331,576	\$ 9,613,366	\$ (281,790)

Long-term debt. At the end of the current fiscal year, the City had total bonded debt outstanding of \$6,685,000. Of this amount, \$5,799,376 is special assessment debt and \$885,624 is revenue debt. While all of the City's bonds have revenue streams, they are all backed by the full faith and credit of the City.

City of Janesville's Outstanding Debt

	Governmental Activities			Business-type Activities		
	2014	2013	Increase (Decrease)	2014	2013	Increase (Decrease)
General obligation special assessment bonds	\$ 5,799,376	\$ 5,870,100	\$ (70,724)	\$ -	\$ -	\$ -
General obligation revenue bonds	-	-	-	885,624	848,900	36,724
Capital leases	108,673	-	108,673	3,532	10,259	(6,727)
Notes	170,000	-	170,000	-	-	-
Other long-term debt	34,116	-	34,116	-	-	-
Total	\$ 6,112,165	\$ 5,870,100	\$ 242,065	\$ 889,156	\$ 859,159	\$ 29,997

The City's total debt increased by \$272,062 (4.0 percent) during the current fiscal year. The key factors in this increase are the issuance of debt for \$1,064,742 and the retirement of debt in the amount of \$792,680.

Minnesota statutes limit the amount of net general obligation debt a City may issue to 3 percent of the market value of taxable property within the City. Net debt is debt payable solely from ad valorem taxes. The current debt limitation for the City is \$3,235,338. The City does not have any debt subject to this limitation.

Additional information on the City's long-term debt can be found in Note 3E starting on page 66 of this report.

Economic Factors and Next Year's Budgets and Rates

- The unemployment rate for Waseca County is currently 4.2 percent, which is a decrease from a rate of 4.9 percent a year ago. This is slightly higher than the State's average unemployment rate of 3.6 percent and lower than the national average rate of 5.4 percent.
- Property valuations within the City remain strong and growing.
- Inflationary trends in the region compare favorably to national indices.

All of these factors were considered in preparing the City's budget for the 2015 fiscal year.

Property taxes will increase 4.3 percent from 2014 to 2015. The City's share of property taxes is low when compared to similar sized cities throughout the State.

Requests for Information

This financial report is designed to provide a general overview of the City's finances for all those with an interest in the City's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the City Administrator/Clerk/Treasurer, City of Janesville, 101 North Mott Street, P.O. Box O, Janesville, MN 56048.

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GOVERNMENT-WIDE FINANCIAL STATEMENTS

CITY OF JANESVILLE
JANESVILLE, MINNESOTA

FOR THE YEAR ENDED
DECEMBER 31, 2014

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

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	Housing and Redevelopment Authority
ASSETS				
Cash and temporary investments	\$ 2,039,209	\$ 422,201	\$ 2,461,410	\$ 228,434
Restricted assets	573,970	372,455	946,425	-
Receivables				
Delinquent taxes	82,129	-	82,129	-
Accounts	15,162	414,024	429,186	249
Notes, net of allowance	143,903	125,560	269,463	-
Special assessments	1,619,812	8,628	1,628,440	-
Intergovernmental	32,923	-	32,923	-
Inventories	-	78,658	78,658	-
Prepaid items	6,141	23,849	29,990	4,399
Land held for resale	102,055	-	102,055	-
Capital assets				
Nondepreciable	583,811	915,610	1,499,421	30,813
Depreciable	5,679,830	8,415,966	14,095,796	732,021
TOTAL ASSETS	10,878,945	10,776,951	21,655,896	995,916
LIABILITIES				
Accounts payable	33,557	176,343	209,900	1,204
Due to other governments	501	12,657	13,158	4,389
Accrued interest payable	74,044	11,513	85,557	-
Accrued salaries payable	15,616	11,892	27,508	5,100
Customer deposits payable	-	18,863	18,863	7,049
Accrued liabilities - other	-	97,320	97,320	-
Unearned revenue	-	22,415	22,415	16
Noncurrent liabilities				
Due within one year	580,666	94,935	675,601	4,281
Due in more than one year	5,581,344	819,073	6,400,417	7,344
TOTAL LIABILITIES	6,285,728	1,265,011	7,550,739	29,383
NET POSITION				
Net investment in capital assets	994,325	8,441,102	9,435,427	762,834
Restricted for				
Debt service	2,101,874	40,076	2,141,950	-
Loan programs	225,963	-	225,963	-
Police department operations	4,009	-	4,009	-
Unrestricted	1,267,046	1,030,762	2,297,808	203,699
TOTAL NET POSITION	\$ 4,593,217	\$ 9,511,940	\$ 14,105,157	\$ 966,533

The notes to the financial statements are an integral part of this statement.

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

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary government				
Governmental activities				
General government	\$ 488,504	\$ 84,555	\$ -	\$ -
Public safety	502,576	69,821	40,991	-
Streets and highways	648,104	-	-	136,750
Culture and recreation	60,829	3,600	-	4,000
Housing and economic development	161,539	2,861	104,695	-
Miscellaneous	60,081	1,175	-	-
Interest on long-term debt	191,177	-	-	-
Total governmental activities	<u>2,112,810</u>	<u>162,012</u>	<u>145,686</u>	<u>140,750</u>
Business-type activities				
Waterworks	258,822	245,799	-	-
Light and power	1,307,069	1,578,758	-	-
Sewage collection	307,039	198,537	-	-
Golf course	299,888	236,595	-	-
Nursing home	2,275,596	2,262,667	50	-
Total business-type activities	<u>4,448,414</u>	<u>4,522,356</u>	<u>50</u>	<u>-</u>
Total primary government	<u>\$ 6,561,224</u>	<u>\$ 4,684,368</u>	<u>\$ 145,736</u>	<u>\$ 140,750</u>
Component unit				
Housing and redevelopment authority	<u>\$ 277,294</u>	<u>\$ 124,218</u>	<u>\$ 103,185</u>	<u>\$ -</u>

General revenues

Property taxes, levied for general purposes
Property taxes, levied for debt service
Tax increment
Franchise taxes
Grants and contributions not restricted to specific programs
Unrestricted investment earnings
Other revenues
Gain on sale of assets

Transfers

Total general revenues and transfers

Change in net position

Net position, January 1

Net position, December 31

The notes to the financial statements are an integral part of this statement.

Net (Expense) Revenue and
Changes in Net Position

Primary Government			Component Unit
Governmental Activities	Business-type Activities	Total	Housing and Redevelopment Authority
\$ (403,949)		\$ (403,949)	
(391,764)		(391,764)	
(511,354)		(511,354)	
(53,229)		(53,229)	
(53,983)		(53,983)	
(58,906)		(58,906)	
(191,177)		(191,177)	
(1,664,362)		(1,664,362)	
-	\$ (13,023)	(13,023)	
-	271,689	271,689	
-	(108,502)	(108,502)	
-	(63,293)	(63,293)	
-	(12,879)	(12,879)	
-	73,992	73,992	
(1,664,362)	73,992	(1,590,370)	
			\$ (49,891)
221,631	-	221,631	-
455,084	25,000	480,084	-
45,729	-	45,729	-
118,573	-	118,573	-
792,058	-	792,058	-
2,662	2,581	5,243	781
26,197	-	26,197	-
125,000	-	125,000	-
80,000	(80,000)	-	-
1,866,934	(52,419)	1,814,515	781
202,572	21,573	224,145	(49,110)
4,390,645	9,490,367	13,881,012	1,015,643
\$ 4,593,217	\$ 9,511,940	\$ 14,105,157	\$ 966,533

The notes to the financial statements are an integral part of this statement.

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FUND FINANCIAL STATEMENTS

CITY OF JANESVILLE
JANESVILLE, MINNESOTA

FOR THE YEAR ENDED
DECEMBER 31, 2014

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

	General	Debt Service	2014 Street and Utility Improvements	Other Governmental Funds	Total Governmental Funds
ASSETS					
Cash and temporary investments	\$ 740,130	\$ 641,247	\$ 154,252	\$ 503,580	\$ 2,039,209
Restricted assets	-	573,970	-	-	573,970
Receivables					
Delinquent taxes	41,303	40,826	-	-	82,129
Accounts	15,162	-	-	-	15,162
Notes, net of allowance	-	-	-	143,903	143,903
Special assessments	18,504	1,601,308	-	-	1,619,812
Intergovernmental	16,459	8,567	-	7,897	32,923
Prepaid items	4,800	-	-	1,341	6,141
Land held for resale	102,055	-	-	-	102,055
TOTAL ASSETS	\$ 938,413	\$ 2,865,918	\$ 154,252	\$ 656,721	\$ 4,615,304
LIABILITIES					
Accounts payable	\$ 23,323	\$ -	\$ 3,900	\$ 6,334	\$ 33,557
Due to other governments	501	-	-	-	501
Accrued salaries payable	15,616	-	-	-	15,616
TOTAL LIABILITIES	39,440	-	3,900	6,334	49,674
DEFERRED INFLOWS OF RESOURCES					
Unavailable revenue - property taxes	41,303	40,826	-	-	82,129
Unavailable revenue - special assessments	18,504	1,601,308	-	-	1,619,812
TOTAL DEFERRED INFLOWS OF RESOURCES	59,807	1,642,134	-	-	1,701,941
FUND BALANCES					
Nonspendable for					
Prepaid items	4,800	-	-	1,341	6,141
Restricted for					
Debt service	-	1,223,784	-	-	1,223,784
Loan programs	-	-	-	225,963	225,963
Police department operations	-	-	-	4,009	4,009
Fire department building addition	-	-	-	42,546	42,546
Capital projects	-	-	150,352	-	150,352
Committed					
Fire department operations	-	-	-	14,055	14,055
Assigned for					
Fire department operations	-	-	-	165,592	165,592
Capital projects	-	-	-	220,901	220,901
Unassigned	834,366	-	-	(24,020)	810,346
TOTAL FUND BALANCES	839,166	1,223,784	150,352	650,387	2,863,689
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	\$ 938,413	\$ 2,865,918	\$ 154,252	\$ 656,721	\$ 4,615,304

The notes to the financial statements are an integral part of this statement.

CITY OF JANESVILLE, MINNESOTA
RECONCILIATION OF THE BALANCE SHEET
TO THE STATEMENT OF NET POSITION
GOVERNMENTAL FUNDS
DECEMBER 31, 2014

	<u>Primary Government</u>
Amounts reported for governmental activities in the statement of net position are different because	
Total fund balances - governmental funds	\$ 2,863,689
Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in the funds.	6,263,641
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported as liabilities in the funds.	
Compensated absences payable	(9,796)
Bonds payable	(5,799,376)
Capital lease payable	(142,789)
Notes payable	(170,000)
Bond premiums, net of accumulated amortization	(40,049)
Long-term assets are not available to pay current-period expenditures and, therefore, are deferred in the funds.	
Delinquent property taxes receivable	82,129
Special assessments receivable	1,619,812
Governmental funds do not report a liability for accrued interest until due and payable.	<u>(74,044)</u>
Total net position - governmental activities	<u><u>\$ 4,593,217</u></u>

The notes to the financial statements are an integral part of this statement.

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

	General	Debt Service	2014 Street and Utility Improvements	Other Governmental Funds	Total Governmental Funds
REVENUES					
Taxes	\$ 340,204	\$ 500,885	\$ -	\$ -	\$ 841,089
Special assessments	-	195,795	-	-	195,795
Licenses and permits	29,780	-	-	-	29,780
Intergovernmental	834,552	-	-	109,699	944,251
Charges for services	87,255	-	-	30,165	117,420
Fines and forfeits	4,590	-	-	-	4,590
Investment earnings	160	2,174	149	179	2,662
Miscellaneous	33,003	-	-	10,301	43,304
TOTAL REVENUES	1,329,544	698,854	149	150,344	2,178,891
EXPENDITURES					
Current					
General government	453,411	-	-	-	453,411
Public safety	374,418	-	-	56,981	431,399
Streets and highways	240,200	12,478	-	-	252,678
Culture and recreation	45,821	-	-	-	45,821
Housing and economic development	56,532	-	-	104,695	161,227
Miscellaneous	59,425	-	-	-	59,425
Capital outlay					
General government	20,059	-	-	-	20,059
Public safety	19,243	-	-	86,586	105,829
Streets and highways	155,884	-	405,287	68,695	629,866
Culture and recreation	275	-	-	19,400	19,675
Debt service					
Principal	3,975	634,400	-	2,978	641,353
Interest and other	320	165,459	495	-	166,274
Bond issuance costs	-	-	13,254	-	13,254
TOTAL EXPENDITURES	1,429,563	812,337	419,036	339,335	3,000,271
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(100,019)	(113,483)	(418,887)	(188,991)	(821,380)
OTHER FINANCING SOURCES (USES)					
Transfers in	80,000	-	-	126,000	206,000
Sale of assets	125,000	-	-	-	125,000
Debt issued	235,915	-	563,676	83,827	883,418
Premium on bonds issued	-	-	5,563	-	5,563
Transfers out	(106,000)	-	-	(20,000)	(126,000)
TOTAL OTHER FINANCING SOURCES (USES)	334,915	-	569,239	189,827	1,093,981
NET CHANGE IN FUND BALANCES	234,896	(113,483)	150,352	836	272,601
FUND BALANCES, JANUARY 1	604,270	1,337,267	-	526,574	2,468,111
PRIOR PERIOD ADJUSTMENTS	-	-	-	122,977	122,977
FUND BALANCES, JANUARY 1 AS RESTATED	604,270	1,337,267	-	649,551	2,591,088
FUND BALANCES, DECEMBER 31	\$ 839,166	\$ 1,223,784	\$ 150,352	\$ 650,387	\$ 2,863,689

The notes to the financial statements are an integral part of this statement.

CITY OF JANESVILLE, MINNESOTA
RECONCILIATION OF THE STATEMENT OF
REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
TO THE STATEMENT OF ACTIVITIES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2013

	<u>Primary Government</u>
Amounts reported for governmental activities in the statement of activities are different because	
Net change in fund balances - governmental funds	\$ 272,601
Governmental funds report capital outlay as expenditures. However, in the statement of activities the cost of those assets is allocated over the estimated useful lives and reported as depreciation expense.	
Capital outlay	722,743
Depreciation expense	(478,904)
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, discounts and similar items when debt is first issued, whereas these amounts are delayed and amortized in the statement of activities.	
Principal repayments	641,353
Debt issued	(883,418)
Net premium/discount on bonds issued, net of amortization expense	(13,438)
Interest on long-term debt in the statement of activities differs from the amount reported in the governmental fund because interest is recognized as an expenditure in the funds when it is due, and thus requires the use of current financial resources. In the statement of activities, however, interest expense is recognized as the interest accrues, regardless of when it is due.	(3,774)
Delinquent property taxes receivable will be collected this year, but are not available soon enough to pay for the current period's expenditures, and therefore are unavailable in the funds.	
Property taxes	(72)
Certain revenues are recognized as soon as it is earned. Under the modified accrual basis of accounting certain revenues cannot be recognized until they are available to liquidate liabilities of the current period.	
Special assessments	(68,437)
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.	
Compensated absences	<u>13,918</u>
Change in net position - governmental activities	<u><u>\$ 202,572</u></u>

The notes to the financial statements are an integral part of this statement.

CITY OF JANESVILLE, MINNESOTA
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2014

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
REVENUES				
Taxes	\$ 320,532	\$ 320,532	\$ 340,204	\$ 19,672
Licenses and permits	22,250	22,250	29,780	7,530
Intergovernmental	808,075	808,075	834,552	26,477
Charges for services	89,600	89,600	87,255	(2,345)
Fines and forfeits	7,500	7,500	4,590	(2,910)
Investment earnings	500	500	160	(340)
Miscellaneous	15,500	15,500	33,003	17,503
TOTAL REVENUES	1,263,957	1,263,957	1,329,544	65,587
EXPENDITURES				
Current				
General government	442,227	442,227	453,411	(11,184)
Public safety	363,442	363,442	374,418	(10,976)
Streets and highways	234,152	234,152	240,200	(6,048)
Culture and recreation	43,116	43,116	45,821	(2,705)
Housing and economic development	72,564	72,564	56,532	16,032
Miscellaneous	11,126	11,126	59,425	(48,299)
Capital outlay				
General government	18,000	18,000	20,059	(2,059)
Public safety	6,830	6,830	19,243	(12,413)
Streets and highways	26,000	26,000	155,884	(129,884)
Culture and recreation	500	500	275	225
Debt service				
Principal	-	-	3,975	(3,975)
Interest and other	-	-	320	(320)
TOTAL EXPENDITURES	1,217,957	1,217,957	1,429,563	(211,606)
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	46,000	46,000	(100,019)	(146,019)
OTHER FINANCING SOURCES (USES)				
Transfers in	80,000	80,000	80,000	-
Sale of assets	-	-	125,000	125,000
Debt issued	-	-	235,915	235,915
Transfers out	(126,000)	(126,000)	(106,000)	20,000
TOTAL OTHER FINANCING SOURCES (USES)	(46,000)	(46,000)	334,915	380,915
NET CHANGE IN FUND BALANCES	-	-	234,896	234,896
FUND BALANCES, JANUARY 1	604,270	604,270	604,270	-
FUND BALANCES, DECEMBER 31	\$ 604,270	\$ 604,270	\$ 839,166	\$ 234,896

The notes to the financial statements are an integral part of this statement.

CITY OF JANESVILLE, MINNESOTA
 STATEMENTS OF NET POSITION
 PROPRIETARY FUNDS - CONTINUED ON THE FOLLOWING PAGES
 DECEMBER 31, 2014 AND 2013

	Business-type Activities - Enterprise Funds			
	601		602	
	Waterworks		Sewage Collection	
	2014	2013	2014	2013
ASSETS				
CURRENT ASSETS				
Cash and temporary investments	\$ 663,358	\$ 593,828	\$ 132,837	\$ 91,346
Receivables				
Interest	-	-	-	-
Accounts	29,437	30,819	24,149	21,883
Inventories	8,370	9,208	-	-
Notes receivable - current portion	-	-	-	-
Special assessment - current portion	-	-	498	-
Prepaid items	393	159	-	-
TOTAL CURRENT ASSETS	701,558	634,014	157,484	113,229
NONCURRENT ASSETS				
Restricted assets				
By board for capital improvements	-	-	-	-
Under trust agreement	-	-	-	-
Under resident council agreement	-	-	-	-
Total restricted assets	-	-	-	-
Special assessments	6,636	6,636	1,494	-
Notes receivable	-	-	-	-
Capital assets				
Land	7,500	7,500	10,341	10,341
Land improvements	-	-	-	-
Buildings and structures	-	-	421,998	421,998
Infrastructure and improvements	4,343,096	4,343,096	7,197,552	7,197,552
Equipment	22,757	22,757	65,731	65,731
Vehicles	-	-	14,361	14,361
Construction in progress	82,383	-	49,886	-
Less accumulated depreciation	(1,722,994)	(1,607,957)	(3,614,341)	(3,425,647)
Total capital assets, net of accumulated depreciation	2,732,742	2,765,396	4,145,528	4,284,336
TOTAL NONCURRENT ASSETS	2,739,378	2,772,032	4,147,022	4,284,336
TOTAL ASSETS	\$ 3,440,936	\$ 3,406,046	\$ 4,304,506	\$ 4,397,565

The notes to the financial statements are an integral part of this statement.

Business-type Activities - Enterprise Funds

604		608		613		Totals	
Light and Power		Nursing Home		Golf Course			
2014	2013	2014	2013	2014	2013	2014	2013
\$ 569,203	\$ 209,360	\$ 1,021,294	\$ 921,426	\$ (1,964,491)	\$ (1,886,299)	\$ 422,201	\$ (70,339)
-	-	-	41	-	-	-	41
176,326	170,436	184,112	259,640	-	23	414,024	482,801
63,483	86,172	-	-	6,805	9,125	78,658	104,505
-	-	15,560	15,560	-	-	15,560	15,560
-	-	-	-	-	-	498	-
933	13,902	21,812	19,561	711	612	23,849	34,234
<u>809,945</u>	<u>479,870</u>	<u>1,242,778</u>	<u>1,216,228</u>	<u>(1,956,975)</u>	<u>(1,876,539)</u>	<u>954,790</u>	<u>566,802</u>
-	-	358,977	509,791	-	-	358,977	509,791
-	-	12,430	12,364	-	-	12,430	12,364
-	-	1,048	940	-	-	1,048	940
-	-	<u>372,455</u>	<u>523,095</u>	-	-	<u>372,455</u>	<u>523,095</u>
-	-	-	-	-	-	8,130	6,636
-	-	110,000	-	-	-	110,000	-
8,001	8,001	11,024	11,024	715,475	715,475	752,341	752,341
-	-	55,184	55,184	-	-	55,184	55,184
303,473	303,473	886,252	844,877	238,867	238,867	1,850,590	1,809,215
1,976,211	1,976,211	-	-	10,269	10,269	13,527,128	13,527,128
2,142,816	2,142,816	754,344	728,890	201,998	201,998	3,187,646	3,162,192
225,573	225,573	-	-	-	-	239,934	239,934
31,000	-	-	-	-	-	163,269	-
<u>(3,494,798)</u>	<u>(3,355,705)</u>	<u>(1,295,535)</u>	<u>(1,241,709)</u>	<u>(316,848)</u>	<u>(301,610)</u>	<u>(10,444,516)</u>	<u>(9,932,628)</u>
<u>1,192,276</u>	<u>1,300,369</u>	<u>411,269</u>	<u>398,266</u>	<u>849,761</u>	<u>864,999</u>	<u>9,331,576</u>	<u>9,613,366</u>
<u>1,192,276</u>	<u>1,300,369</u>	<u>893,724</u>	<u>921,361</u>	<u>849,761</u>	<u>864,999</u>	<u>9,822,161</u>	<u>10,143,097</u>
<u>\$ 2,002,221</u>	<u>\$ 1,780,239</u>	<u>\$ 2,136,502</u>	<u>\$ 2,137,589</u>	<u>\$ (1,107,214)</u>	<u>\$ (1,011,540)</u>	<u>\$ 10,776,951</u>	<u>\$ 10,709,899</u>

The notes to the financial statements are an integral part of this statement.

CITY OF JANESVILLE, MINNESOTA
STATEMENTS OF NET POSITION
PROPRIETARY FUNDS - CONTINUED
DECEMBER 31, 2014 AND 2013

	Business-type Activities - Enterprise Funds			
	601		602	
	Waterworks		Sewage Collection	
	2014	2013	2014	2013
LIABILITIES				
CURRENT LIABILITIES				
Accounts payable	\$ 17,377	\$ 1,508	\$ 325	\$ 1,174
Due to other governments	2,439	2,444	-	-
Accrued interest payable	7,522	6,367	3,991	3,037
Accrued salaries payable	1,970	544	1,604	3,187
Compensated absences payable - current portion	368	176	699	505
Accrued liabilities - other	-	-	-	-
Customer deposits payable	-	-	-	-
Unearned revenue	-	-	-	-
Bonds payable - current portion	67,031	64,000	18,437	16,600
Capital lease payable - current portion	-	-	-	-
TOTAL CURRENT LIABILITIES	96,707	75,039	25,056	24,503
NONCURRENT LIABILITIES				
Residents' trust	-	-	-	-
Residents' council trust	-	-	-	-
Compensated absences payable - net of current portion	337	127	753	10,817
Capital lease payable - net of current portion	-	-	-	-
Bonds payable - net of current portion	532,423	486,653	269,051	219,153
TOTAL NONCURRENT LIABILITIES	532,760	486,780	269,804	229,970
TOTAL LIABILITIES	629,467	561,819	294,860	254,473
NET POSITION				
Net investment in capital assets	2,133,288	2,215,759	3,858,040	4,048,583
Restricted for debt service	-	-	-	-
Unrestricted	678,181	628,468	151,606	94,509
TOTAL NET POSITION	\$ 2,811,469	\$ 2,844,227	\$ 4,009,646	\$ 4,143,092

The notes to the financial statements are an integral part of this statement.

Business-type Activities - Enterprise Funds

604		608		613		Totals	
Light and Power		Nursing Home		Golf Course			
2014	2013	2014	2013	2014	2013	2014	2013
\$ 58,114	\$ 77,982	\$ 99,556	\$ 87,938	\$ 971	\$ 1,907	\$ 176,343	\$ 170,509
8,519	7,592	-	-	1,699	1,423	12,657	11,459
-	-	-	-	-	205	11,513	9,609
6,022	4,900	-	-	2,296	4,202	11,892	12,833
4,868	2,043	-	-	-	-	5,935	2,724
-	-	97,320	92,648	-	-	97,320	92,648
18,863	20,840	-	-	-	-	18,863	20,840
-	-	-	-	22,415	13,025	22,415	13,025
-	-	-	-	-	64,000	85,468	144,600
-	-	3,532	6,727	-	-	3,532	6,727
<u>96,386</u>	<u>113,357</u>	<u>200,408</u>	<u>187,313</u>	<u>27,381</u>	<u>84,762</u>	<u>445,938</u>	<u>484,974</u>
-	-	12,430	12,364	-	-	12,430	12,364
-	-	1,048	940	-	-	1,048	940
3,031	972	-	-	-	-	4,121	11,916
-	-	-	3,532	-	-	-	3,532
-	-	-	-	-	-	801,474	705,806
<u>3,031</u>	<u>972</u>	<u>13,478</u>	<u>16,836</u>	<u>-</u>	<u>-</u>	<u>819,073</u>	<u>734,558</u>
<u>99,417</u>	<u>114,329</u>	<u>213,886</u>	<u>204,149</u>	<u>27,381</u>	<u>84,762</u>	<u>1,265,011</u>	<u>1,219,532</u>
1,192,276	1,300,369	407,737	388,007	849,761	800,999	8,441,102	8,753,717
40,076	59,430	-	-	-	-	40,076	59,430
<u>670,452</u>	<u>306,111</u>	<u>1,514,879</u>	<u>1,545,433</u>	<u>(1,984,356)</u>	<u>(1,897,301)</u>	<u>1,030,762</u>	<u>677,220</u>
<u>\$ 1,902,804</u>	<u>\$ 1,665,910</u>	<u>\$ 1,922,616</u>	<u>\$ 1,933,440</u>	<u>\$ (1,134,595)</u>	<u>\$ (1,096,302)</u>	<u>\$ 9,511,940</u>	<u>\$ 9,490,367</u>

The notes to the financial statements are an integral part of this statement.

CITY OF JANESVILLE, MINNESOTA
STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
PROPRIETARY FUNDS - CONTINUED ON THE FOLLOWING PAGES
FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013

	Business-type Activities - Enterprise Funds			
	601		602	
	Waterworks		Sewage Collection	
	2014	2013	2014	2013
OPERATING REVENUES				
Charges for services	\$ 244,849	\$ 225,822	\$ 196,545	\$ 175,544
Net resident revenue	-	-	-	-
Other revenue	-	-	-	-
TOTAL OPERATING REVENUES	244,849	225,822	196,545	175,544
OPERATING EXPENSES				
Golf course	-	-	-	-
Clubhouse	-	-	-	-
Sewer administration	-	-	108,546	98,257
Production	-	-	-	-
Purchased power	-	-	-	-
Distribution	109,384	82,804	-	-
Administration and operations	14,955	15,031	-	-
Nursing	-	-	-	-
Ancillary services	-	-	-	-
Other care related	-	-	-	-
Dietary	-	-	-	-
Laundry	-	-	-	-
Housekeeping	-	-	-	-
Plant operations and maintenance	-	-	-	-
Property and related	-	-	-	-
General and administrative	-	-	-	-
Depreciation	115,037	115,037	188,694	188,621
Interest	-	-	-	-
Employee benefits	-	-	-	-
TOTAL OPERATING EXPENSES	239,376	212,872	297,240	286,878
OPERATING INCOME (LOSS)	5,473	12,950	(100,695)	(111,334)
NONOPERATING REVENUES (EXPENSES)				
Property taxes	-	-	-	-
Special assessments	-	33	1,992	-
Other income	950	136	-	100
Investment earnings	265	130	56	42
Noncapital grants and contributions	-	-	-	-
Equity transfer	-	-	-	-
Contributions and donations	-	-	-	-
Interest and other expense	(16,791)	(16,560)	(8,191)	(11,943)
Bond issuance costs	(2,655)	-	(1,608)	-
TOTAL NONOPERATING REVENUES (EXPENSES)	(18,231)	(16,261)	(7,751)	(11,801)
INCOME (LOSS) BEFORE TRANSFERS	(12,758)	(3,311)	(108,446)	(123,135)
TRANSFERS OUT	(20,000)	(20,000)	(25,000)	(25,000)
CHANGE IN NET POSITION	(32,758)	(23,311)	(133,446)	(148,135)
NET POSITION, JANUARY 1	2,844,227	2,867,538	4,143,092	4,291,227
NET POSITION, DECEMBER 31	\$ 2,811,469	\$ 2,844,227	\$ 4,009,646	\$ 4,143,092

The notes to the financial statements are an integral part of this statement.

Business-type Activities - Enterprise Funds

604		608		613		Totals	
Light and Power		Nursing Home		Golf Course			
2014	2013	2014	2013	2014	2013	2014	2013
\$ 1,532,099	\$ 1,429,939	\$ -	\$ -	\$ 227,508	\$ 230,437	\$ 2,201,001	\$ 2,061,742
-	-	2,224,618	2,094,764	-	-	2,224,618	2,094,764
-	-	38,049	31,240	-	-	38,049	31,240
<u>1,532,099</u>	<u>1,429,939</u>	<u>2,262,667</u>	<u>2,126,004</u>	<u>227,508</u>	<u>230,437</u>	<u>4,463,668</u>	<u>4,187,746</u>
-	-	-	-	115,294	117,811	115,294	117,811
-	-	-	-	167,097	176,081	167,097	176,081
-	-	-	-	-	-	108,546	98,257
106,955	208,307	-	-	-	-	106,955	208,307
797,255	876,692	-	-	-	-	797,255	876,692
119,906	147,635	-	-	-	-	229,290	230,439
143,860	120,632	-	-	-	-	158,815	135,663
-	-	860,903	826,782	-	-	860,903	826,782
-	-	160,403	134,834	-	-	160,403	134,834
-	-	105,946	100,371	-	-	105,946	100,371
-	-	247,994	240,001	-	-	247,994	240,001
-	-	54,804	51,033	-	-	54,804	51,033
-	-	70,997	65,920	-	-	70,997	65,920
-	-	153,476	121,581	-	-	153,476	121,581
-	-	113,773	137,231	-	-	113,773	137,231
-	-	260,269	246,999	-	-	260,269	246,999
139,093	148,203	53,826	53,041	15,238	16,436	511,888	521,338
-	-	473	899	-	-	473	899
-	-	192,444	201,483	-	-	192,444	201,483
<u>1,307,069</u>	<u>1,501,469</u>	<u>2,275,308</u>	<u>2,180,175</u>	<u>297,629</u>	<u>310,328</u>	<u>4,416,622</u>	<u>4,491,722</u>
<u>225,030</u>	<u>(71,530)</u>	<u>(12,641)</u>	<u>(54,171)</u>	<u>(70,121)</u>	<u>(79,891)</u>	<u>47,046</u>	<u>(303,976)</u>
-	-	-	-	25,000	25,000	25,000	25,000
-	-	-	-	-	-	1,992	33
46,659	39,243	-	-	9,087	12,415	56,696	51,894
205	71	2,055	1,834	-	-	2,581	2,077
-	-	50	125	-	-	50	125
-	-	-	(112,058)	-	-	-	(112,058)
-	-	(288)	(145)	-	-	(288)	(145)
-	-	-	-	(2,259)	(4,581)	(27,241)	(33,084)
-	-	-	-	-	-	(4,263)	-
<u>46,864</u>	<u>39,314</u>	<u>1,817</u>	<u>(110,244)</u>	<u>31,828</u>	<u>32,834</u>	<u>54,527</u>	<u>(66,158)</u>
271,894	(32,216)	(10,824)	(164,415)	(38,293)	(47,057)	101,573	(370,134)
(35,000)	(35,000)	-	-	-	-	(80,000)	(80,000)
236,894	(67,216)	(10,824)	(164,415)	(38,293)	(47,057)	21,573	(450,134)
<u>1,665,910</u>	<u>1,733,126</u>	<u>1,933,440</u>	<u>2,097,855</u>	<u>(1,096,302)</u>	<u>(1,049,245)</u>	<u>9,490,367</u>	<u>9,940,501</u>
<u>\$ 1,902,804</u>	<u>\$ 1,665,910</u>	<u>\$ 1,922,616</u>	<u>\$ 1,933,440</u>	<u>\$ (1,134,595)</u>	<u>\$ (1,096,302)</u>	<u>\$ 9,511,940</u>	<u>\$ 9,490,367</u>

The notes to the financial statements are an integral part of this statement.

CITY OF JANESVILLE, MINNESOTA
STATEMENTS OF CASH FLOWS
PROPRIETARY FUNDS - CONTINUED ON THE FOLLOWING PAGES
FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013

	Business-type Activities - Enterprise Funds			
	601		602	
	Waterworks		Sewage Collection	
	2014	2013	2014	2013
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipts from customers	\$ 246,231	\$ 223,897	\$ 194,279	\$ 177,175
Payments to suppliers and vendors	(46,281)	(60,242)	(49,597)	(29,997)
Payments to and on behalf of employees	(59,762)	(38,628)	(71,251)	(66,289)
Cash paid to suppliers and employees - nursing home	-	-	-	-
Other receipts	950	136	-	100
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	141,138	125,163	73,431	80,989
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Contributions and donations	-	-	-	-
Noncapital grants and contributions	-	-	-	-
Transfers to other funds	(20,000)	(20,000)	(25,000)	(25,000)
NET CASH PROVIDED (USED) BY NONCAPITAL FINANCING ACTIVITIES	(20,000)	(20,000)	(25,000)	(25,000)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Acquisition of capital assets	(82,383)	-	(49,886)	(2,422)
Bond proceeds, net of premiums/discounts and issuance costs	112,914	-	68,410	-
Issuance costs paid from proceeds	(2,655)	-	(1,608)	-
Property taxes received	-	-	-	-
Special assessments received	-	440	-	-
Principal paid on capital lease payable	-	-	-	(73,180)
Principal paid on revenue bonds payable	(64,000)	(74,000)	(16,600)	(21,600)
Interest paid on long-term debt	(15,749)	(17,203)	(7,312)	(12,902)
NET CASH PROVIDED (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES	(51,873)	(90,763)	(6,996)	(110,104)
CASH FLOWS FROM INVESTING ACTIVITIES				
Interest received on investments	265	130	56	42
Cash (paid) received for note receivable	-	-	-	-
NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES	265	130	56	42
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	69,530	14,530	41,491	(54,073)
CASH AND CASH EQUIVALENTS, JANUARY 1	593,828	579,298	91,346	145,419
CASH AND CASH EQUIVALENTS, DECEMBER 31	\$ 663,358	\$ 593,828	\$ 132,837	\$ 91,346
CASH AND CASH EQUIVALENTS SUMMARY				
Cash and temporary investments	\$ 663,358	\$ 593,828	\$ 132,837	\$ 91,346
Restricted assets	-	-	-	-
TOTAL CASH AND CASH EQUIVALENTS	\$ 663,358	\$ 593,828	\$ 132,837	\$ 91,346

The notes to the financial statements are an integral part of this statement.

Business-type Activities - Enterprise Funds

604		608		613			
Light and Power		Nursing Home		Golf Course		Totals	
2014	2013	2014	2013	2014	2013	2014	2013
\$ 1,524,232	\$ 1,441,233	\$ 2,341,382	\$ 2,037,084	\$ 236,921	\$ 219,557	\$ 4,543,045	\$ 4,098,946
(999,186)	(1,132,384)	-	-	(123,019)	(126,996)	(1,218,083)	(1,349,619)
(146,067)	(230,759)	-	-	(159,717)	(161,287)	(436,797)	(496,963)
-	-	(2,210,113)	(2,126,287)	-	-	(2,210,113)	(2,126,287)
46,659	39,243	-	-	9,087	12,415	56,696	51,894
<u>425,638</u>	<u>117,333</u>	<u>131,269</u>	<u>(89,203)</u>	<u>(36,728)</u>	<u>(56,311)</u>	<u>734,748</u>	<u>177,971</u>
-	-	(288)	(145)	-	-	(288)	(145)
-	-	50	125	-	-	50	125
(35,000)	(35,000)	-	-	-	-	(80,000)	(80,000)
<u>(35,000)</u>	<u>(35,000)</u>	<u>(238)</u>	<u>(20)</u>	<u>-</u>	<u>-</u>	<u>(80,238)</u>	<u>(80,020)</u>
(31,000)	(16,031)	(66,829)	(46,774)	-	-	(230,098)	(65,227)
-	-	-	-	-	-	181,324	-
-	-	-	-	-	-	(4,263)	-
-	-	-	-	25,000	25,000	25,000	25,000
-	-	-	-	-	-	-	440
-	-	(6,727)	(6,303)	-	-	(6,727)	(79,483)
-	-	-	-	(64,000)	(60,000)	(144,600)	(155,600)
-	-	(473)	(899)	(2,464)	(4,774)	(25,998)	(35,778)
<u>(31,000)</u>	<u>(16,031)</u>	<u>(74,029)</u>	<u>(53,976)</u>	<u>(41,464)</u>	<u>(39,774)</u>	<u>(205,362)</u>	<u>(310,648)</u>
205	71	2,226	6,710	-	-	2,752	6,953
-	-	(110,000)	6,623	-	-	(110,000)	6,623
<u>205</u>	<u>71</u>	<u>(107,774)</u>	<u>13,333</u>	<u>-</u>	<u>-</u>	<u>(107,248)</u>	<u>13,576</u>
359,843	66,373	(50,772)	(129,866)	(78,192)	(96,085)	341,900	(199,121)
<u>209,360</u>	<u>142,987</u>	<u>1,444,521</u>	<u>1,574,387</u>	<u>(1,886,299)</u>	<u>(1,790,214)</u>	<u>452,756</u>	<u>651,877</u>
<u>\$ 569,203</u>	<u>\$ 209,360</u>	<u>\$ 1,393,749</u>	<u>\$ 1,444,521</u>	<u>\$ (1,964,491)</u>	<u>\$ (1,886,299)</u>	<u>\$ 794,656</u>	<u>\$ 452,756</u>
\$ 569,203	\$ 209,360	\$ 1,021,294	\$ 921,426	\$ (1,964,491)	\$ (1,886,299)	\$ 422,201	\$ (70,339)
-	-	372,455	523,095	-	-	372,455	523,095
<u>\$ 569,203</u>	<u>\$ 209,360</u>	<u>\$ 1,393,749</u>	<u>\$ 1,444,521</u>	<u>\$ (1,964,491)</u>	<u>\$ (1,886,299)</u>	<u>\$ 794,656</u>	<u>\$ 452,756</u>

The notes to the financial statements are an integral part of this statement.

CITY OF JANESVILLE, MINNESOTA
STATEMENTS OF CASH FLOWS
PROPRIETARY FUNDS - CONTINUED
FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013

	Business-type Activities - Enterprise Funds			
	601		602	
	Waterworks		Sewage Collection	
	2014	2013	2014	2013
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES				
Operating income (loss)	\$ 5,473	\$ 12,950	\$ (100,695)	\$ (111,334)
Adjustments to reconcile operating income to net cash provided (used) by operating activities				
Other income related to operations	950	136	-	100
Depreciation	115,037	115,037	188,694	188,621
(Increase) decrease in assets				
Interest receivable	-	-	-	-
Accounts receivable	1,382	(1,925)	(2,266)	1,631
Inventories	838	-	-	-
Prepaid items	(234)	17	-	-
Increase (decrease) in liabilities				
Accounts payable	15,869	127	(849)	212
Due to other governments	(5)	227	-	-
Accrued salaries payable	1,426	(998)	(1,583)	376
Compensated absences payable	402	(408)	(9,870)	1,383
Customer deposits payable	-	-	-	-
Unearned revenue	-	-	-	-
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>\$ 141,138</u>	<u>\$ 125,163</u>	<u>\$ 73,431</u>	<u>\$ 80,989</u>
SCHEDULE OF NONCASH INVESTING, CAPITAL AND FINANCING ACTIVITIES				
Special assessments levied	-	-	1,992	-
Amortization of bond (premium) discount	(113)	(113)	(75)	(75)

The notes to the financial statements are an integral part of this statement.

Business-type Activities - Enterprise Funds

604		608		613		Totals	
Light and Power		Nursing Home		Golf Course			
2014	2013	2014	2013	2014	2013	2014	2013
\$ 225,030	\$ (71,530)	\$ (12,641)	\$ (54,171)	\$ (70,121)	\$ (79,891)	\$ 47,046	\$ (303,976)
46,659	39,243	-	-	9,087	12,415	56,696	51,894
139,093	148,203	53,826	53,041	15,238	16,436	511,888	521,338
-	-	41	3,069	-	-	41	3,069
(5,890)	8,125	78,715	(91,090)	23	-	71,964	(83,259)
22,689	-	-	-	2,320	4,131	25,847	4,131
12,969	(12,474)	(2,251)	2,534	(99)	(90)	10,385	(10,013)
(19,868)	11,780	8,907	(1,837)	(936)	1,161	3,123	11,443
927	(2,878)	-	-	276	252	1,198	(2,399)
1,122	(2,187)	4,672	31,491	(1,906)	155	3,731	28,837
4,884	(4,118)	-	(32,240)	-	-	(4,584)	(35,383)
(1,977)	3,169	-	-	-	-	(1,977)	3,169
-	-	-	-	9,390	(10,880)	9,390	(10,880)
<u>\$ 425,638</u>	<u>\$ 117,333</u>	<u>\$ 131,269</u>	<u>\$ (89,203)</u>	<u>\$ (36,728)</u>	<u>\$ (56,311)</u>	<u>\$ 734,748</u>	<u>\$ 177,971</u>

-	-	-	-	-	-	1,992	-
-	-	-	-	-	-	(188)	(188)

The notes to the financial statements are an integral part of this statement.

CITY OF JANESVILLE, MINNESOTA
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
DECEMBER 31, 2014

ASSETS

Cash and temporary investments

\$ 6,376

LIABILITIES

Accounts payable

\$ 6,376

The notes to the financial statements are an integral part of this statement.

CITY OF JANESVILLE, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2014

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting entity

The City of Janesville, (the City) operates under “Optional Plan A” as defined in the Minnesota statutes. An elected Mayor and a four-member Council govern the City. The Council exercises legislative authority and determines all matters of policy. The Council appoints personnel responsible for the proper administration of all affairs relating to the City. 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.

The Janesville Public Utilities Commission (the Commission) was established and statutory authority is provided in accordance with chapter 412.321 of the Minnesota statutes. The Commission has three Council approved members who serve overlapping three year terms. The statutes provide the City Council all the discretionary authority necessary to operate the utilities except as its powers has been delegated to the Commission. Accordingly, the Waterworks and Light and Power funds are reported as enterprise funds of the primary government.

The Janesville Nursing Home Board has five Council approved board members, one of which is a Council member. Per the agreement, the Nursing Home is owned by the City of Janesville, in which legal responsibility rests with the City Council. Accordingly, the Janesville Nursing Home, which has a December 31 year end, is reported as an enterprise fund of the primary government.

Discretely Presented Component Unit. The Housing and Redevelopment Authority of Janesville, Minnesota (HRA) was created pursuant to Chapter 487 of the Minnesota session laws of 1947. The only activity of the HRA is the management of a federally funded housing project on behalf of the U.S. Department of Housing and Urban Development. The governing body consists of a five member Board of Commissioners appointed by the Mayor to serve five year terms. The City can impose its will on the HRA. The board has separate corporate powers, which would distinguish the HRA as being legally separate from the City. It is this criterion that results in the HRA being reported as a discretely presented component unit. The discretely presented component unit is reported in a separate column in the government-wide financial statements to emphasize that it is legally separate from the City. The discretely presented component unit has a June 30 year end.

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 of the nonfiduciary activities of the primary government and its component units. *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. Likewise, the *primary government* is reported separately from certain legally separate *component units* for which the primary government is financially accountable.

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

Separate financial statements are provided for governmental funds and proprietary funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

CITY OF JANESVILLE, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2014

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

C. Measurement focus, basis of accounting, and financial statement presentation

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the proprietary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

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

Property taxes, franchise taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues 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 when 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.

Unearned 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 unavailable revenue.

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

CITY OF JANESVILLE, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2014

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

The City reports the following major governmental funds:

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

The *Debt Service fund* accounts for the accumulation of resources and payment of general obligation bond principal and interest from governmental resources and special assessment bond principal and interest from special assessment levies when the City is obligated in some manner for the payment.

The *2014 Street and Utility Improvements* fund accounts for the construction activity associated with the 2014 street and utility project.

The City reports the following major proprietary funds:

The *Waterworks fund* accounts for costs associated with the City's water system and ensures that user charges are sufficient to pay for those costs.

The *Sewage Collection fund* accounts for the costs associated with the City's sewer system and ensures that user charges are sufficient to pay for those costs.

The *Light and Power fund* accounts for the costs associated with the City's electrical system and ensures that user charges are sufficient to pay for those costs.

The *Nursing Home fund* accounts for the costs associated with the City's nursing home operation and ensure that user charges are sufficient to pay for those costs.

Additionally, the City reports the following fund types:

Fiduciary funds account for assets held by the government in a trustee capacity or as an agent on behalf of others. The *agency fund* is custodial in nature and does not present results of operations or have a measurement focus. Agency funds are accounted for using the accrual basis of accounting. This fund is used to account for assets that the government holds for the Veteran's Memorial Fund in an agency capacity.

As a general rule the effect of interfund activity has been eliminated from government-wide financial statements. Exceptions to this general rule are payments-in-lieu of taxes and other charges between the City's waterworks, sewage collection and light and power 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.

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.

CITY OF JANESVILLE, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2014

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

D. Assets, liabilities, deferred inflows of resources, and net position/fund balance

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. The proprietary funds' portion in the government-wide cash and temporary investments pool is considered to be cash and cash equivalents for purposes of the Statements of Cash Flows.

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 may invest idle funds as authorized by Minnesota statutes, as follows:

1. Direct obligations or obligations guaranteed by the United States or its agencies.
2. Shares of investment companies registered under the Federal Investment Company Act of 1940 and received the highest credit rating, rated in one of the two highest rating categories by a statistical rating agency, and have a final maturity of thirteen months or less.
3. General obligations of a state or local government with taxing powers rated "A" or better; revenue obligations rated "AA" or better.
4. General obligations of the Minnesota Housing Finance Agency rated "A" or better.
5. Obligation of a school district with an original maturity not exceeding 13 months and (i) rated in the highest category by a national bond rating service or (ii) enrolled in the credit enhancement program pursuant to statute section 126C.55.
6. Bankers' acceptances of United States banks eligible for purchase by the Federal Reserve System.
7. Commercial paper issued by United States banks corporations or their Canadian subsidiaries, of highest quality category by at least two nationally recognized rating agencies, and maturing in 270 days or less.
8. Repurchase or reverse repurchase agreements and securities lending agreements with financial institutions qualified as a "depository" by the government entity, with banks that are members of the Federal Reserve System with capitalization exceeding \$10,000,000, a primary reporting dealer in U.S. government securities to the Federal Reserve Bank of New York, or certain Minnesota securities broker-dealers.
9. Guaranteed investment contracts (GIC's) issued or guaranteed by a United States commercial bank, a domestic branch of a foreign bank, a United States insurance company, or its Canadian subsidiary, whose similar debt obligations were rated in one of the top two rating categories by a nationally recognized rating agency.

Investment policy

The funds only of the City shall be deposited or invested in accordance with Minnesota statutes, chapter 118A and any other applicable law or written administrative procedures. The investment portfolio shall remain sufficiently liquid to meet projected disbursement requirements. This is accomplished by structuring the portfolio so that securities mature concurrent with cash needs to meet anticipated demands.

CITY OF JANESVILLE, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2014

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Property taxes

The City Council annually adopts a tax levy and certifies it to the County in December for collection the following year. The County is responsible for 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 a deferred inflow of resources for taxes not received within 60 days after year end in the governmental fund financial statements.

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. All enterprise fund trade receivables, except for the Nursing Home, are considered collectible because the City annually certifies delinquent accounts to the County for collection. The Nursing Home grants credit without collateral to its residents, most of who are local individuals and are insured under third-party payor agreements. The Nursing Home provides an allowance for uncollectible accounts based on the allowance method using management's judgment. Residents are not required to provide collateral for services rendered. Accounts past due are individually analyzed for collectability and are written off based on management's judgment. At December 31, 2014, the allowance for uncollectible accounts was \$35,000

Special assessments

Special assessments represent the financing for public improvements paid for by benefiting property owners. These assessments are recorded as receivables upon certification to the County. Special assessments are recognized as revenue when they are annually certified to the County or received in cash or within 60 days after year end. All governmental special assessments receivable are offset by a deferred inflow of resources in the fund financial statements.

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."

Inventories and prepaid items

The Utilities fuel stock is priced using the average cost method and the stores and materials inventories are priced at the lower of cost or market at the latest invoice price which approximates the first-in, first-out method of accounting for inventories. All replacement purchases are expensed. Any other inventory items are expensed when purchased. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased.

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.

CITY OF JANESVILLE, MINNESOTA
 NOTES TO THE FINANCIAL STATEMENTS
 DECEMBER 31, 2014

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Restricted assets

Assets whose use is limited

Assets for the Nursing Home whose use is limited include assets set aside by the Board of Directors for future capital improvements, over which the Board retains control and may at its discretion subsequently use for other purposes; assets held in accordance with the admissions agreement; and assets under the control of the resident council.

Assets are restricted in escrow in Debt Service funds for future payments related to the refunding of bond issues.

Capital assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the City as assets with an estimated useful life in excess of one year. 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.

In the case of initial capitalization of general infrastructure assets (i.e., those reported by governmental activities) the City chose to include items dating back to June 30, 1980. The City was able to estimate the historical cost for the initial reporting of these assets through backtrending (i.e., estimating the current replacement cost of the infrastructure to be capitalized and using an appropriate price-level index to deflate the cost to the acquisition year or estimated acquisition year). As the City constructs or acquires capital 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.

For financial statement purposes only, a capitalization threshold is established for each capital asset category as follows:

Land and land improvements	\$ 5,000
Other improvements	5,000
Buildings	5,000
Building improvements	5,000
Machinery and equipment	1,000
Vehicles	5,000
Infrastructure	25,000
Other assets	1,000

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

<u>Assets</u>	<u>Years</u>
Land improvements	4 - 25
Other improvements	15 - 20
Buildings and improvements	7 - 40
System improvements/infrastructure	15 - 30
Machinery and equipment	5 - 15
Vehicles	5 - 30
Other assets	3 - 15

CITY OF JANESVILLE, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2014

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

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 in the government-wide, proprietary, and fiduciary fund financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements. The General fund is typically used to liquidate governmental compensated absences payable.

Deferred inflows of resources

In addition to liabilities, the statement of financial position and fund financial statements sometimes reports a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The government has only one type of item, which arises only under a modified accrual basis of accounting that qualifies as needing to be reported in this category. Accordingly, the item, unavailable revenue, is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from two sources: property taxes and special assessments. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

Long-term obligations

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

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

Fund balance

In the fund financial statements, fund balance is divided into five classifications based primarily on the extent to which the City is bound to observe constraints imposed upon the use of resources reported in the governmental funds. These classifications are defined as follows:

Nonspendable - Amounts that cannot be spent because they are not in spendable form, such as prepaid items.

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

Committed - Amounts constrained for specific purposes that are internally imposed by formal action (resolution) of the City Council (the Council), which is the City's highest level of decision-making authority. Committed amounts cannot be used for any other purpose unless the Council modifies or rescinds the commitment by resolution.

Assigned - Amounts constrained for specific purposes that are internally imposed. In governmental funds other than the General fund, assigned fund balance represents all remaining amounts that are not classified as nonspendable and are neither restricted nor committed. In the General fund, assigned amounts represent intended uses established by the Council itself or by an official to which the governing body delegates the authority. The Council has adopted a fund balance policy which delegates the authority to assign amounts for specific purposes to the City Administrator.

Unassigned - The residual classification for the General fund and also negative residual amounts in other funds.

CITY OF JANESVILLE, MINNESOTA
 NOTES TO THE FINANCIAL STATEMENTS
 DECEMBER 31, 2014

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

The City considers restricted amounts to be spent first when both restricted and unrestricted fund balance is available. Additionally, the City would first use committed, then assigned, and lastly unassigned amounts of unrestricted fund balance when expenditures are made.

The City has formally adopted a fund balance policy for the General fund. The City's policy is to maintain a minimum unrestricted fund balance of 35 percent of budgeted operating expenditures for cash-flow timing needs.

Net position

Net position represents the difference between assets and liabilities. 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 balances 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 balances that do not meet the definition of "restricted" or "net investment in capital assets".

Comparative data/reclassifications

Comparative total data for the prior year have been presented only for individual enterprise funds in the fund financial statements in order to provide an understanding of the changes in the financial position and operations of these funds. Also, certain amounts presented in the prior year have been reclassified in order to be consistent with the current year's presentation.

Note 2: STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. Budgetary information

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

In August of each year, all departments of the City submit requests for appropriations to the Administrator/Clerk/Treasurer so that a budget may be prepared. Before September 30, 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 Administrator/Clerk/Treasurer. 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. Excess of expenditures over appropriations

For the year ended December 31, 2014, expenditures exceeded appropriations in the following funds:

<u>Fund</u>	<u>Budget</u>	<u>Actual</u>	<u>Excess of Expenditures Over Appropriations</u>
General	\$ 1,217,957	\$ 1,429,563	\$ 211,606
Fire	75,500	104,033	28,533

The above funds' actual expenditures in excess of budget were offset by revenues in excess of budget and available fund balance.

CITY OF JANESVILLE, MINNESOTA
 NOTES TO THE FINANCIAL STATEMENTS
 DECEMBER 31, 2014

Note 2: STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY – CONTINUED

C. Deficit fund equity

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

Fund	Amount
Capital Project	
Highway 14 Turnback	\$ 24,020
Enterprise	
Golf Course	1,134,595

The above fund deficits will be funded through future transfers, user charges, and future bond proceeds.

Note 3: DETAILED NOTES ON ALL FUNDS

A. Deposits and investments

Deposits

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 and as authorized by the Council, the City maintains deposits at those depository banks, all of which are members of the Federal Reserve System.

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

Authorized collateral in lieu of a corporate surety bond includes:

- United States government Treasury bills, Treasury notes, Treasury bonds;
- Issues of United States government agencies and instrumentalities as quoted by a recognized industry quotation service available to the government entity;
- General obligation securities of any state or local government with taxing powers which is rated “A” or better by a national bond rating service, or revenue obligation securities of any state or local government with taxing powers which is rated “AA” or better by a national bond rating service;
- General obligation securities of a local government with taxing powers may be pledged as collateral against funds deposited by that same local government entity;
- Irrevocable standby letters of credit issued by Federal Home Loan Banks to a municipality accompanied by written evidence that the bank’s public debt is rated “AA” or better by Moody’s Investors Service, Inc., or Standard & Poor’s Corporation; and
- Time deposits that are fully insured by any federal agency.

CITY OF JANESVILLE, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2014

Note 3: DETAILED NOTES ON ALL FUNDS - CONTINUED

Minnesota statutes require that all collateral shall be placed in safekeeping in a restricted account at a Federal Reserve Bank, or in an account at a trust department of a commercial bank or other financial institution that is not owned or controlled by the financial institution furnishing the collateral. The selection should be approved by the City.

At year end, the City's carrying amount of deposits was \$2,838,116 and the bank balance was \$2,912,338. The bank balance was covered by federal depository insurance, surety bonds and collateral held by the pledging financial institution's trust department in the City's name.

The carrying amount of deposits from the Housing and Redevelopment Authority, a discretely presented component unit, was \$228,434, and the bank balance was \$231,175. The bank balance was covered by federal depository insurance held by the entity's agent in the Housing and Redevelopment Authority's name.

Investments

Types of Investments	Credit Quality/ Ratings (1)	Segmented Time Distribution (2)	Fair Value and Carrying Amount
Escrowed investments			
State and local government securities	N/A	1 to 3 years	<u>\$ 573,970</u>

(1) Ratings are provided by various credit rating agencies where applicable to indicate associated credit risk.

(2) Interest rate risk is disclosed using the segmented time distribution method.

N/A Indicates not applicable or available.

At year end, the City's cash held with fiscal agent was \$573,970, which is held in an escrow account for G.O. Improvement Refunding Bonds of 2012A.

The investments of the City are subject to the following risks:

- *Credit Risk.* Is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. Ratings are provided by various credit rating agencies and where applicable, indicate associated credit risk. Minnesota statutes and the City's investment policy limit the City's investments.
- *Custodial Credit Risk.* The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, a government will not be able to recover the value of investment or collateral securities that are in the possession of an outside party. The City's investment policy does not address custodial credit risk but typically limits its exposure by purchasing insured or registered investments.
- *Concentration of Credit Risk.* Is the risk of loss attributed to the magnitude of a government's investment in a single issuer. The City places no limit on the amount that may be invested in any one issuer.
- *Interest Rate Risk.* Is the risk that changes in interest rates will adversely affect the fair value of an investment. In accordance with its investment policy, the City manages its exposure to declines in fair values by limiting the maturity of its investment portfolio to less than five years.

CITY OF JANESVILLE, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2014

Note 3: DETAILED NOTES ON ALL FUNDS - CONTINUED

Cash on hand

Cash in the possession of the City, consisting of petty cash and change funds, totals \$2,125.

Cash and temporary investments summary

A reconciliation of cash and temporary investments as shown on the Statement of Net Position for the City, including the component unit, follows:

	Primary Government	Component Unit - HRA	Fiduciary Funds	Total
Deposits	\$ 2,831,740	\$ 228,434	\$ 6,376	\$ 3,066,550
Investments	573,970	-	-	573,970
Cash on hand	2,125	-	-	2,125
Total	\$ 3,407,835	\$ 228,434	\$ 6,376	\$ 3,642,645
Cash and temporary investments	\$ 2,461,410	\$ 228,434	\$ 6,376	\$ 2,696,220
Restricted assets	946,425	-	-	946,425
Total	\$ 3,407,835	\$ 228,434	\$ 6,376	\$ 3,642,645

B. Notes receivable

Notes receivable consists of economic development loans to local businesses, which are secured by property and equipment. These loans will be paid back with monthly payments through 2026-2030 at 2-5 percent per annum. The balance as of December 31, 2014 was \$143,903.

The City has also issued notes to renovate and remodel residential and business properties through the Small Cities Development Program. An allowance for the full amount of \$190,176 was set up. These notes are unearned for 10 years, at which time the note is forgiven if the original property owner is still residing at the improved property.

During 2014 the Nursing Home loaned the City \$110,000 to assist the city in its purchase of some property. As of December 31, 2014 there are no terms for repayment of this amount, no interest is being charged and no payments have been scheduled.

CITY OF JANESVILLE, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2014

Note 3: DETAILED NOTES ON ALL FUNDS - CONTINUED

C. Capital assets

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

Primary government

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities				
Capital assets not being depreciated				
Land	\$ 99,799	\$ -	\$ -	\$ 99,799
Construction in progress	18,885	484,012	(18,885)	484,012
Total capital assets not being depreciated	<u>118,684</u>	<u>484,012</u>	<u>(18,885)</u>	<u>583,811</u>
Capital assets being depreciated				
Buildings and structures	751,959	-	-	751,959
Infrastructure and improvements	8,873,478	24,956	-	8,898,434
Machinery and equipment	855,705	199,055	-	1,054,760
Motor vehicles	808,677	33,605	-	842,282
Total capital assets being depreciated	<u>11,289,819</u>	<u>257,616</u>	<u>-</u>	<u>11,547,435</u>
Less accumulated depreciation for				
Buildings and structures	(366,404)	(17,899)	-	(384,303)
Infrastructure and improvements	(3,693,192)	(393,281)	-	(4,086,473)
Machinery and equipment	(701,668)	(41,869)	-	(743,537)
Motor vehicles	(627,437)	(25,855)	-	(653,292)
Total accumulated depreciation	<u>(5,388,701)</u>	<u>(478,904)</u>	<u>-</u>	<u>(5,867,605)</u>
Total capital assets being depreciated, net	<u>5,901,118</u>	<u>(221,288)</u>	<u>-</u>	<u>5,679,830</u>
Governmental activities capital assets, net	<u>\$ 6,019,802</u>	<u>\$ 262,724</u>	<u>\$ (18,885)</u>	<u>\$ 6,263,641</u>

CITY OF JANESVILLE, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2014

Note 3: DETAILED NOTES ON ALL FUNDS - CONTINUED

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Business-type activities				
Capital assets not being depreciated				
Land	\$ 752,341	\$ -	\$ -	\$ 752,341
Construction in progress	-	163,269	-	163,269
	<u>752,341</u>	<u>163,269</u>	<u>-</u>	<u>915,610</u>
Total capital assets not being depreciated	<u>752,341</u>	<u>163,269</u>	<u>-</u>	<u>915,610</u>
Capital assets being depreciated				
Land improvements	55,184	-	-	55,184
Buildings and structures	1,809,215	41,375	-	1,850,590
Infrastructure and improvements	13,527,128	-	-	13,527,128
Machinery and equipment	3,162,192	25,454	-	3,187,646
Motor vehicles	239,934	-	-	239,934
	<u>18,793,653</u>	<u>66,829</u>	<u>-</u>	<u>18,860,482</u>
Total capital assets being depreciated	<u>18,793,653</u>	<u>66,829</u>	<u>-</u>	<u>18,860,482</u>
Less accumulated depreciation for				
Land improvements	(32,507)	(3,394)	-	(35,901)
Buildings and structures	(1,007,771)	(36,180)	-	(1,043,951)
Infrastructure and improvements	(6,033,292)	(351,531)	-	(6,384,823)
Machinery and equipment	(2,628,656)	(112,891)	-	(2,741,547)
Motor vehicles	(230,402)	(7,892)	-	(238,294)
	<u>(9,932,628)</u>	<u>(511,888)</u>	<u>-</u>	<u>(10,444,516)</u>
Total accumulated depreciation	<u>(9,932,628)</u>	<u>(511,888)</u>	<u>-</u>	<u>(10,444,516)</u>
Total capital assets being depreciated, net	<u>8,861,025</u>	<u>(445,059)</u>	<u>-</u>	<u>8,415,966</u>
Business-type activities capital assets, net	<u>\$ 9,613,366</u>	<u>\$ (281,790)</u>	<u>\$ -</u>	<u>\$ 9,331,576</u>

CITY OF JANESVILLE, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2014

Note 3: DETAILED NOTES ON ALL FUNDS - CONTINUED

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

Governmental activities

General government	\$ 14,020
Public safety	56,423
Streets and highways	394,096
Culture and recreation	13,709
Miscellaneous	<u>656</u>
 Total depreciation expense - governmental activities	 <u><u>\$ 478,904</u></u>

Business-type activities

Waterworks	\$ 115,037
Sewage collection	188,694
Light and power	139,093
Golf course	15,238
Nursing home	<u>53,826</u>
 Total depreciation expense - business-type activities	 <u><u>\$ 511,888</u></u>

Discretely presented component unit

Capital assets activity for the HRA for the year ended December 31, 2014 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets not being depreciated				
Land	\$ 30,813	\$ -	\$ -	\$ 30,813
Capital assets being depreciated				
Buildings	2,231,154	43,504	-	2,274,658
Machinery and equipment	<u>131,228</u>	<u>4,498</u>	<u>-</u>	<u>135,726</u>
Total capital assets being depreciated	<u>2,362,382</u>	<u>48,002</u>	<u>-</u>	<u>2,410,384</u>
Less accumulated depreciation for				
Buildings	(1,435,700)	(82,459)	-	(1,518,159)
Machinery and equipment	<u>(155,284)</u>	<u>(4,920)</u>	<u>-</u>	<u>(160,204)</u>
Total accumulated depreciation	<u>(1,590,984)</u>	<u>(87,379)</u>	<u>-</u>	<u>(1,678,363)</u>
Total capital assets being depreciated, net	<u>771,398</u>	<u>(39,377)</u>	<u>-</u>	<u>732,021</u>
HRA capital assets, net	<u><u>\$ 802,211</u></u>	<u><u>\$ (39,377)</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 762,834</u></u>

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

Business-type activities

Housing and economic development	<u><u>\$ 87,379</u></u>
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CITY OF JANESVILLE, MINNESOTA
 NOTES TO THE FINANCIAL STATEMENTS
 DECEMBER 31, 2014

Note 3: DETAILED NOTES ON ALL FUNDS - CONTINUED

Construction commitments

The City had active construction projects as of December 31, 2014. The projects include improvements to existing streets and utilities. At year end, the City's commitments with contractors are as follows:

Project	Spent-to Date	Remaining Commitment
2014 Street and Utility Improvements	\$ 420,449	\$ 120,692

Interfund transfers

Transfer out	Transfers in		
	General	Nonmajor Governmental Funds	Total
General fund	\$ -	\$ 106,000	\$ 106,000
Nonmajor governmental funds	-	20,000	20,000
Waterworks fund	20,000	-	20,000
Sewage Collection fund	25,000	-	25,000
Light and Power fund	35,000	-	35,000
Total	<u>\$ 80,000</u>	<u>\$ 126,000</u>	<u>\$ 206,000</u>

The following transfers were made during 2014:

- From the General fund to the Fire fund (\$70,000) for a budgeted transfer.
- From the General fund to the Police Department Capital Reserve fund (\$13,000), Street/Park Capital Reserve fund (\$13,000), Playground Equipment Reserve fund (\$5,000), and Revolving Loan fund (\$5,000), for budgeted reserve transfers.
- From the Fire fund to the Fire Capital Reserve for a budgeted transfer (\$20,000).
- From the Waterworks (\$20,000), Sewage Collection (\$25,000) and Light and Power (\$35,000) funds to the General fund for payment in lieu of taxes.

D. Leases

Operating leases

In 2012, the City entered into a noncancelable operating lease. Under the lease, the City is the lessee of computer technology and a copier for a period of three years. Total cost for the lease was \$7,848 in the year ended December 31, 2014.

In 2012, the City also entered into a noncancelable operating lease in which the City is the lessee of a copier for a period of five years. The cost for the lease was \$4,190 in the year ended December 31, 2014.

CITY OF JANESVILLE, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2014

Note 3: DETAILED NOTES ON ALL FUNDS - CONTINUED

E. Long-term debt

G.O. special assessment (improvement) bonds

The following bonds were issued to finance various improvements and will be repaid primarily from special assessments levied on the properties benefiting from the improvements. Some issues, however, are partly financed by ad valorem tax levies. All special assessment debt is backed by the full faith and credit of the City. Each year the combined assessment and tax levy equals 105 percent of the amount required for debt service. The excess of 5 percent is to cover any delinquencies in tax or assessment payments.

Description	Authorized and Issued	Interest Rate	Issue Date	Maturity Date	Balance at Year End
G.O. Improvement Bonds of 2007A	\$ 1,105,000	4.00 - 4.55 %	09/01/07	02/01/23	\$ 690,000
G.O. Refunding Bonds of 2009A	1,175,000	1.20 - 3.45	03/18/09	02/01/19	655,000
G.O. Improvement Bonds of 2009C	1,640,000	1.00 - 4.00	08/01/09	02/01/23	1,170,000
G.O. Improvement Bonds of 2010A	1,073,000	1.30 - 4.35	07/07/10	02/01/31	965,700
G.O. Refunding Bonds of 2010B	540,000	2.00 - 3.00	11/03/10	02/01/21	410,000
G.O. Refunding Bonds of 2012A	1,575,000	0.55 - 2.00	11/01/12	02/01/23	1,345,000
G.O. Improvement Bonds of 2014A	563,676	1.00 - 4.00	07/01/14	12/15/34	<u>563,676</u>
Total G.O. Special Assessment Bonds					<u>\$ 5,799,376</u>

The annual debt service requirements to maturity for general obligation special assessment bonds are as follows:

Year Ending December 31,	G.O. Special Assessment Bonds		
	Governmental Activities		
	Principal	Interest	Total
2015	\$ 544,532	\$ 176,364	\$ 720,896
2016	1,112,098	156,702	1,268,800
2017	577,098	118,226	695,324
2018	605,798	102,944	708,742
2019	510,798	87,780	598,578
2020 - 2024	1,650,024	264,698	1,914,722
2025 - 2029	473,306	119,986	593,292
2030 - 2034	<u>325,722</u>	<u>27,864</u>	<u>353,586</u>
Total	<u>\$ 5,799,376</u>	<u>\$ 1,054,564</u>	<u>\$ 6,853,940</u>

CITY OF JANESVILLE, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2014

Note 3: DETAILED NOTES ON ALL FUNDS - CONTINUED

General obligation revenue bonds

The following bonds were issued to finance capital improvements in the enterprise funds. They will be repaid from future revenues pledged from enterprise funds and are backed by the taxing power of the City.

Description	Authorized and Issued	Interest Rate	Issue Date	Maturity Date	Balance at Year End
G.O. Refunding Bonds of 2009A	\$ 375,000	1.20 - 3.20 %	03/18/09	02/01/18	\$ 175,000
G.O. Improvement Bonds of 2010A	377,000	1.30 - 4.35	07/07/10	02/01/31	339,300
G.O. Refunding Bonds of 2010B	275,000	2.00 - 3.00	11/03/10	02/01/21	190,000
G.O. Improvement Bonds of 2014A	181,324	1.00 - 4.00	07/01/14	12/15/34	<u>181,324</u>
Total G.O. Revenue Bonds					<u>\$ 885,624</u>

The annual debt service requirements to maturity for general obligation revenue bonds are as follows:

Year Ending December 31,	G.O. Revenue Bonds Business-type Activities		
	Principal	Interest	Total
2015	\$ 85,468	\$ 29,215	\$ 114,683
2016	97,902	24,713	122,615
2017	97,902	22,268	120,170
2018	104,202	19,550	123,752
2019	59,202	17,249	76,451
2020 - 2024	169,976	67,374	237,350
2025 - 2029	161,694	40,586	202,280
2030 - 2034	<u>109,278</u>	<u>9,162</u>	<u>118,440</u>
Total	<u>\$ 885,624</u>	<u>\$ 230,117</u>	<u>\$ 1,115,741</u>

Annual revenues from charges for services, principal and interest payments, and percentage of revenue required to cover principal and interest payments are as follows:

	Golf Course	Waterworks	Sewage Collection
Revenues	\$ 227,508	\$ 244,849	\$ 196,545
Principal and interest	66,464	79,749	23,912
Percentage of revenues	29%	33%	12%

CITY OF JANESVILLE, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2014

Note 3: DETAILED NOTES ON ALL FUNDS - CONTINUED

Capital leases payable

The Nursing Home capital lease of 2012 for computer software leases was issued to finance capital improvements in the enterprise funds and the payloader lease of 2014 was issued to purchase equipment. They will be retired from net revenues of the enterprise funds and tax levies.

Description	Authorized and Issued	Interest Rate	Issue Date	Maturity Date	Balance at Year End
Nursing Home Capital Lease of 2012 - Computer software	\$ 26,400	Variable	06/01/12	06/01/15	\$ 3,532
Payloader Capital Lease	110,753	3.50 %	11/17/14	12/17/19	108,673
 Total Capital Leases					<u>\$ 112,205</u>

The annual debt service requirements to maturity for capital leases payable are as follows:

Year Ending December 31,	Capital Leases Business-type Activities			Capital Leases Governmental Activities		
	Principal	Interest	Total	Principal	Interest	Total
2015	\$ 3,532	\$ 68	\$ 3,600	\$ 10,768	\$ 3,632	\$ 14,400
2016	-	-	-	11,151	3,249	14,400
2017	-	-	-	11,547	2,852	14,399
2018	-	-	-	11,958	2,442	14,400
2019	-	-	-	63,249	1,865	65,114
 Total	<u>\$ 3,532</u>	<u>\$ 68</u>	<u>\$ 3,600</u>	<u>\$ 108,673</u>	<u>\$ 14,040</u>	<u>\$ 122,713</u>

Assets	Governmental Activities
Machinery and equipment	\$ 110,753
Less accumulated depreciation	(923)
 Total	<u>\$ 109,830</u>

Notes payable

The following were issued to finance capital improvements in the governmental funds:

Description	Authorized and Issued	Interest Rate	Issue Date	Maturity Date	Balance at Year End
Nursing Home Loan	\$ 110,000	- %	04/22/14		\$ 110,000
Fire Department Loan	60,000	4.21	12/15/14	07/15/19	60,000
 Total Notes Payable					<u>\$ 170,000</u>

CITY OF JANESVILLE, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2014

Note 3: DETAILED NOTES ON ALL FUNDS - CONTINUED

The annual debt service requirements to maturity for notes payable are as follows:

<u>Year Ending December 31,</u>	Notes Payable		
	Governmental Activities		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2015	\$ 11,845	\$ 1,488	\$ 13,333
2016	11,305	2,028	13,333
2017	11,781	1,552	13,333
2018	12,277	1,056	13,333
2019	12,792	538	13,330
Total	<u><u>\$ 60,000</u></u>	<u><u>\$ 6,662</u></u>	<u><u>\$ 66,662</u></u>

In 2014, the Nursing Home loaned the City \$110,000 to assist the City in its purchase of some property. As of December 31, 2014 there were no terms for repayment of this amount. No interest is being charged, and no payments have been scheduled.

Other long-term debt

The following were issued to finance equipment in the governmental funds:

<u>Description</u>	<u>Authorized and Issued</u>	<u>Interest Rate</u>	<u>Issue Date</u>	<u>Maturity Date</u>	<u>Balance at Year End</u>
Armer radios - police	\$ 15,162	- %	01/16/14	01/15/21	\$ 13,267
Armer radio - fire	23,827	-	08/26/14	01/15/21	20,849
Total Other Long-term Debt					<u><u>\$ 34,116</u></u>

The annual debt service requirements to maturity for other long-term debt are as follows:

<u>Year Ending December 31,</u>	Other Long-term Debt		
	Business-type Activities		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2015	\$ 4,874	\$ -	\$ 4,874
2016	4,874	-	4,874
2017	4,874	-	4,874
2018	4,874	-	4,874
2019	4,874	-	4,874
2020 - 2021	9,746	-	9,746
Total	<u><u>\$ 34,116</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 34,116</u></u>

CITY OF JANESVILLE, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2014

Note 3: DETAILED NOTES ON ALL FUNDS - CONTINUED

Changes in long-term liabilities

Long-term liability activity for the year ended December 31, 2014, was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Governmental activities					
Bonds payable					
General obligation special assessment bonds	\$ 5,870,100	\$ 563,676	\$ (634,400)	\$ 5,799,376	\$ 544,532
Capital leases payable	-	110,753	(2,080)	108,673	10,768
Loans payable	-	170,000	-	170,000	11,845
Other long-term debt	-	38,989	(4,873)	34,116	4,874
Compensated absences payable	23,714	21,309	(35,228)	9,795	8,647
Discounts	(11,790)	-	11,790	-	-
Premiums	38,401	5,563	(3,914)	40,050	-
Governmental activity long-term liabilities	<u>\$ 5,920,425</u>	<u>\$ 910,290</u>	<u>\$ (668,705)</u>	<u>\$ 6,162,010</u>	<u>\$ 580,666</u>
Business-type activities					
Bonds payable					
General obligation revenue bonds	\$ 848,900	\$ 181,324	\$ (144,600)	\$ 885,624	\$ 85,468
Capital leases payable	10,259	-	(6,727)	3,532	3,532
Compensated absences payable	14,640	10,415	(14,999)	10,056	5,935
Premiums	1,506	-	(188)	1,318	-
Residents' trust payable	13,304	174	-	13,478	-
Business-type activity long-term liabilities	<u>\$ 888,609</u>	<u>\$ 191,913</u>	<u>\$ (166,514)</u>	<u>\$ 914,008</u>	<u>\$ 94,935</u>

Component unit debt

Changes in long-term liabilities

Long-term liability activity for the year ended December 31, 2014, was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Component unit activities					
Compensated absences payable	<u>\$ 8,315</u>	<u>\$ 3,310</u>	<u>\$ -</u>	<u>\$ 11,625</u>	<u>4,281</u>

CITY OF JANESVILLE, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2014

Note 4: DEFINED BENEFIT PENSION PLAN - STATEWIDE

A. Plan description

All full-time and certain part-time employees of the City of Janesville are covered by defined benefit plans administered by the Public Employees Retirement Association of Minnesota (PERA). PERA administers the General Employees Retirement Fund (GERF) and the Public Employees Police and Fire Fund (PEPFF), which are cost-sharing, multiple-employer retirement plans. These plans are established and administered in accordance with Minnesota statutes, chapters 353 and 356.

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

PERA provides retirement benefits as well as disability benefits to members, and benefits to survivors upon death of eligible members. Benefits are established by Minnesota 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 step rate benefit accrual formula (Method 1) or a level accrual formula (Method 2). Under Method 1, the annuity accrual rate for a Basic Plan member is 2.2 percent of average salary for each of the first 10 years of service and 2.7 percent for each remaining year. The annuity accrual rate for a Coordinated Plan member is 1.2 percent of average salary for each of the first 10 years and 1.7 percent for each remaining year. Under Method 2, the annuity accrual rate is 2.7 percent of average salary for Basic Plan members and 1.7 percent for Coordinated Plan members for each year of service. For PEPFF members, the annuity accrual rate is 3.0 percent for each year of service. For all PEPFF members and GERF members hired prior to July 1, 1989 whose annuity is calculated using Method 1, a full annuity is available when age plus years of service equal 90. Normal retirement age is 55 for PEPFF members and 65 for Basic and Coordinated members hired prior to July 1, 1989. Normal retirement age is the age for unreduced Social Security benefits capped at 66 for Coordinated members hired on or after July 1, 1989. A reduced retirement annuity is also available to eligible members seeking early retirement.

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

The benefit provisions stated in the previous paragraphs of this section are current provisions and apply to active plan participants.

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

CITY OF JANESVILLE, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2014

Note 4: DEFINED BENEFIT PENSION PLAN - STATEWIDE - CONTINUED

B. Funding policy

Minnesota statutes, chapter 353 sets the rates for employer and employee contributions. These statutes are established and amended by the State legislature. The City makes annual contributions to the pension plans equal to the amount required by Minnesota statutes. GERP Basic Plan members and Coordinated Plan members were required to contribute 9.10 percent and 6.25 percent, respectively, of their annual covered salary in 2014. PEPFF members were required to contribute 10.20 percent of their annual covered salary in 2014. In 2014, the City was required to contribute the following percentages of annual covered payroll: 11.78 percent for Basic Plan members, 7.25 percent for Coordinated Plan members, and 15.30 percent for PEPFF members. The City's contributions to the Public Employees Retirement Fund for the years ending December 31, 2014, 2013 and 2012 were \$121,177, \$125,121, and \$121,171, respectively. The City's contributions to the PEPFF for the years ending December 31, 2014, 2013 and 2012 were \$20,693, \$18,612, and \$26,745, respectively. The City's contributions were equal to the contractually required contributions for each year as set by Minnesota statute. Contribution rates will increase on January 1, 2015 in the Coordinated Plan (6.50 percent for members and 7.50 percent for employers) and the Police and Fire Fund (10.80 percent for members and 16.20 percent for employers).

Note 5: DEFINED BENEFIT PENSION PLAN - FIRE RELIEF ASSOCIATION

A. Plan description

All members of the Janesville Fire Department (the Department) are covered by a defined benefit plan (the Plan) administered by the Janesville Firefighters' Relief Association (the Association). The Plan is a single employer retirement plan and is established and administered in accordance with Minnesota statute, chapter 69.

The Association maintains a separate Special fund to accumulate assets to fund the retirement benefits earned by the Department's membership. Funding for the Association is derived from an insurance premium tax in accordance with the Volunteer Firefighter's Relief Association Financing Guidelines Act of 1971 (chapter 261 as amended by chapter 509 of Minnesota statutes 1980). Funds are also derived from investment income.

The Association issues a publicly available financial report. The report may be obtained by writing to Janesville Firefighters' Relief Association, 101 North Mott Street, Janesville, MN 56048.

CITY OF JANESVILLE, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2014

Note 5: DEFINED BENEFIT PENSION PLAN - FIRE RELIEF ASSOCIATION - CONTINUED

B. Funding policy

The financial requirements of the Special fund are determined in accordance with section 69.772 of the Minnesota statutes, which requires the payment of pension benefits in a lump sum or optionally in annual installments. The benefits are payable after age 50, 10 years of service, and 10 years of Association membership or upon death. The City's annual pension cost for the current year and related information for the plan is as follows:

Annual pension cost	\$ 50,297
Contributions made	
City (required)	27,173
State aid	23,124
Actuarial valuation date	12/31/14
Actuarial cost method	Entry age normal
Amortization method	Level dollar closed
Remaining amortization period	
Normal cost	20 years
Prior service cost	10 years
Asset valuation method	Market
Actuarial assumptions	
Investment rate of return	5%
Projected salary increases	N/A
Inflation rate	N/A
Cost of living adjustments	None

Three Year Trend Information

Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
12/31/14	\$ 50,297	100.0 %	\$ 50,297
12/31/13	50,203	56.4	28,295
12/31/12	37,977	62.4	23,713

Required Supplementary Information

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability	Assets in Excess of (Unfunded) Accrued Liability	Funded Rate	Pension Benefit Per Year of Service
12/31/14	\$ - *	\$ - *	-	-	\$ 1,600
12/31/13	399,310	423,712	(24,402)	94.2	1,600
12/31/12	299,146	361,560	(62,414)	82.7	1,500

* Data not available at time of audit

CITY OF JANESVILLE, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2014

Note 6: OTHER INFORMATION

A. Risk management

The City is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters 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.

B. Contingent liabilities

Management contract

The Home entered into a management contract in 2010 for a five-year term. The agreement requires an annual management fee, paid in monthly installments, of up to 5 percent of total gross revenues, and provides that the annual amount to be paid by the Home be currently no less than \$106,101 and to not exceed \$134,395, with these maximum and minimum amounts adjusted annually for inflation. Management fee expense was \$106,100 and \$95,682 for 2014 and 2013, respectively.

C. Legal debt margin

The City's statutory debt limit is 3 percent of estimated taxable market value of real and personal property located in the City. The taxable market value was \$107,844,600 at December 31, 2014, for a limit of \$3,235,338. The City currently has no general obligation debt outstanding subject to this limit. Debt financed partially or entirely by special assessments or by operations of enterprise funds is excluded from this computation by statute.

D. Tax increment districts

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 fund. Management has indicated that they are not aware of any instances of noncompliance which would have a material effect on the financial statements.

E. Concentrations

The City receives a significant amount of its annual General fund revenues from the State of Minnesota from the Local Government Aid (LGA) program. The amount received in 2014 was \$775,075 for LGA. This accounted for 58 percent of General fund revenues.

F. Commitments

CapX initiative

CMMPA entered into a Transmissions Project Memorandum of Understanding dated August 24, 2006, along with five other energy companies to construct power transmission lines in Minnesota, the largest portion of which consists of 220 miles of new power transmission lines between Brookings, South Dakota, and the Twin Cities. The CapX Initiative is one of several transmission projects arising from the CapX 2020 Initiative, the purpose of which is to enhance the reliability of electrical power transmission for customers in Minnesota and the surrounding region.

The City is one of ten agency participants in the CapX Initiative. The City's participant election share is \$184,184.

CITY OF JANESVILLE, MINNESOTA
 NOTES TO THE FINANCIAL STATEMENTS
 DECEMBER 31, 2014

Note 6: OTHER INFORMATION - CONTINUED

G. Third party reimbursement agreements

Medicaid

The Home participates in the Medicaid program which is administered by the Minnesota Department of Human Services (DHS). Medicaid and private paying residents are classified into one of 48 Resource Utilization Groups (RUG) for purposes of establishing payment rates.

Medicaid payment rates primarily consist of operating rates, a property related rate, and certain pass-through costs. Generally, operating rate increases occur if funding is appropriated by the Minnesota legislature.

By Minnesota statute, a nursing facility may not charge private paying residents in multiple occupancy rooms per diem rates in excess of the approved Medicaid rates for similar services.

Medicare

The Home participates in the Medicare program. This federal program is administered by the federal Centers for Medicare and Medicaid Services (CMS). The Home is paid under the Medicare Prospective Payment System (PPS) for residents who are Medicare Part A. eligible and meet the coverage guidelines for skilled nursing facilities (SNF's). The PPS is a per diem price-based system. Annual cost reports are required to be submitted to the designated Medicare Administrative Contractor, however they do not contain a cost settlement.

Nursing facilities certified for participation in the Medicare and Medicaid programs are subject to annual licensure renewal. If it is determined that a nursing facility is not in substantial compliance with the requirements of participation, CMS may impose sanctions and penalties during the period of noncompliance. Such an action could have a negative impact on the revenues of the Home.

During the years ended December 31, 2014 and 2013, the occupancy percentages and the percentages of residents covered under the Medicaid and Medicare programs were as follows:

	2014	2013
Medicaid	55.6 %	54.6 %
Medicare	7.2	7.6
Total Occupancy	78.6	72.3

CITY OF JANESVILLE, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2014

Note 7: PRIOR PERIOD ADJUSTMENT

In accordance with GASB Statement No. 54, "Fund Balance Reporting and Governmental Fund Type Definitions," unavailable revenue for loans was written off in order to properly offset the loan balances with restricted fund balance.

Changes related to the prior period adjustment are reflected in the financial statements and schedules and related note disclosures. The prior period adjustment had no effect on the government-wide financial statements.

As a result of the prior period adjustment to beginning balances, the following schedule reconciles the previously reported December 31, 2013 balances to the December 31, 2014 financial statements.

	December 31, 2014		
Fund	Fund Balance December 31, 2013 as Previously Reported	Prior Period Adjustment (1)	Fund Balance January 1, 2014 as Restated
Revolving loan	\$ 90,085	\$ 122,977	\$ 213,062

(1) To eliminate unavailable revenue for loans in accordance with GASB Statement No. 54.

**COMBINING AND INDIVIDUAL FUND
FINANCIAL STATEMENTS AND SCHEDULES**

CITY OF JANESVILLE
JANESVILLE, MINNESOTA

FOR THE YEAR ENDED
DECEMBER 31, 2014

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

	Nonmajor Special Revenue	Nonmajor Capital Projects	Total Nonmajor Governmental Funds
ASSETS			
Cash and temporary investments	\$ 306,638	\$ 196,942	\$ 503,580
Receivables			
Notes, net of allowance	143,903	-	143,903
Intergovernmental	7,897	-	7,897
Prepaid items	1,341	-	1,341
 TOTAL ASSETS	 \$ 459,779	 \$ 196,942	 \$ 656,721
LIABILITIES			
Accounts payable	\$ 6,273	\$ 61	\$ 6,334
FUND BALANCES			
Nonspendable for			
Prepaid items	1,341	-	1,341
Restricted for			
Loan programs	225,963	-	225,963
Police department operations	4,009	-	4,009
Fire department building addition	42,546	-	42,546
Committed for			
Fire department operations	14,055	-	14,055
Assigned for			
Fire department operations	165,592	-	165,592
Capital projects	-	220,901	220,901
Unassigned	-	(24,020)	(24,020)
 TOTAL FUND BALANCES	 453,506	 196,881	 650,387
 TOTAL LIABILITIES AND FUND BALANCES	 \$ 459,779	 \$ 196,942	 \$ 656,721

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

	Nonmajor Special Revenue	Nonmajor Capital Projects	Total Nonmajor Governmental Funds
REVENUES			
Intergovernmental	\$ 109,695	\$ 4	\$ 109,699
Charges for services	30,165	-	30,165
Investment earnings	103	76	179
Miscellaneous	6,301	4,000	10,301
TOTAL REVENUES	146,264	4,080	150,344
EXPENDITURES			
Current			
Public safety	56,981	-	56,981
Housing and economic development	104,695	-	104,695
Capital outlay			
Public safety	50,874	35,712	86,586
Streets and highways	-	68,695	68,695
Culture and recreation	-	19,400	19,400
Debt service			
Principal	2,978	-	2,978
TOTAL EXPENDITURES	215,528	123,807	339,335
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(69,264)	(119,727)	(188,991)
OTHER FINANCING SOURCES (USES)			
Transfers in	75,000	51,000	126,000
Debt issued	83,827	-	83,827
Transfers out	(20,000)	-	(20,000)
TOTAL OTHER FINANCING SOURCES (USES)	138,827	51,000	189,827
NET CHANGE IN FUND BALANCES	69,563	(68,727)	836
FUND BALANCES, JANUARY 1	260,966	265,608	526,574
PRIOR PERIOD ADJUSTMENTS	122,977	-	122,977
FUND BALANCES, JANUARY 1 AS RESTATED	383,943	265,608	649,551
FUND BALANCES, DECEMBER 31	\$ 453,506	\$ 196,881	\$ 650,387

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

	202 Revolving Loan	203 SCDP Grant Fund	214 Fire
ASSETS			
Cash and temporary investments	\$ 79,556	\$ 5	\$ 209,013
Receivables			
Notes, net of allowance	143,903	-	-
Intergovernmental	2,500	5,397	-
Prepaid items	-	-	1,341
TOTAL ASSETS	\$ 225,959	\$ 5,402	\$ 210,354
LIABILITIES			
Accounts payable	\$ -	\$ 5,398	\$ 875
FUND BALANCES			
Nonspendable	-	-	1,341
Restricted for			
Loan programs	225,959	4	-
Police department operations	-	-	-
Fire department building addition	-	-	42,546
Committed for			
Fire department operations	-	-	-
Assigned for			
Fire department operations	-	-	165,592
TOTAL FUND BALANCES	225,959	4	209,479
TOTAL LIABILITIES AND FUND BALANCES	\$ 225,959	\$ 5,402	\$ 210,354

215 Police Forfeiture	425 Rural Fire	Totals
\$ 4,009	\$ 14,055	\$ 306,638
-	-	143,903
-	-	7,897
-	-	1,341
<u>\$ 4,009</u>	<u>\$ 14,055</u>	<u>\$ 459,779</u>
\$ -	\$ -	\$ 6,273
-	-	1,341
-	-	225,963
4,009	-	4,009
-	-	42,546
-	14,055	14,055
-	-	165,592
<u>4,009</u>	<u>14,055</u>	<u>453,506</u>
<u>\$ 4,009</u>	<u>\$ 14,055</u>	<u>\$ 459,779</u>

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

	202 Revolving Loan	203 SCDP Grant Fund	214 Fire
REVENUES			
Charges for services			
Public safety	\$ -	\$ -	\$ 24,915
Intergovernmental			
Federal grants	-	104,695	-
County aids	5,000	-	-
Investment earnings	36	4	57
Miscellaneous			
Loan payments	2,861	-	-
Other	-	-	3,380
	<u>7,897</u>	<u>104,699</u>	<u>28,352</u>
TOTAL REVENUES			
EXPENDITURES			
Current			
Public safety			
Fire			
Personal services	-	-	25,547
Supplies	-	-	6,139
Other services and charges	-	-	25,295
Housing and economic development			
Other services and charges	-	104,695	-
Debt service			
Principal	-	-	2,978
Capital outlay			
Public safety	-	-	44,074
	<u>-</u>	<u>104,695</u>	<u>104,033</u>
TOTAL EXPENDITURES			
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>7,897</u>	<u>4</u>	<u>(75,681)</u>
OTHER FINANCING SOURCES (USES)			
Transfers in	5,000	-	70,000
Debt issued	-	-	83,827
Transfers out	-	-	(20,000)
	<u>5,000</u>	<u>-</u>	<u>133,827</u>
TOTAL OTHER FINANCING SOURCES (USES)			
NET CHANGE IN FUND BALANCES	<u>12,897</u>	<u>4</u>	<u>58,146</u>
FUND BALANCES , JANUARY 1	90,085	-	151,333
PRIOR PERIOD ADJUSTMENT	<u>122,977</u>	<u>-</u>	<u>-</u>
FUND BALANCE, JANUARY 1 AS RESTATED	<u>213,062</u>	<u>-</u>	<u>151,333</u>
FUND BALANCES, DECEMBER 31	<u>\$ 225,959</u>	<u>\$ 4</u>	<u>\$ 209,479</u>

215 Police Forfeiture	425 Rural Fire	Totals
\$ -	\$ 5,250	\$ 30,165
-	-	104,695
-	-	5,000
2	4	103
-	-	2,861
60	-	3,440
62	5,254	146,264
-	-	25,547
-	-	6,139
-	-	25,295
-	-	104,695
-	-	2,978
6,800	-	50,874
6,800	-	215,528
(6,738)	5,254	(69,264)
-	-	75,000
-	-	83,827
-	-	(20,000)
-	-	138,827
(6,738)	5,254	69,563
10,747	8,801	260,966
-	-	122,977
10,747	8,801	383,943
\$ 4,009	\$ 14,055	\$ 453,506

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CITY OF JANESVILLE, MINNESOTA
 FIRE FUND
 SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
 BUDGET AND ACTUAL
 FOR THE YEAR ENDED DECEMBER 31, 2014
 With Comparative Actual Amounts for Year Ended December 31, 2013

	2014			Variance with Final Budget	2013
	Budgeted Amounts		Actual		Actual
	Original	Final			
REVENUES					
Charges for services					
Public safety	\$ 25,500	\$ 25,500	\$ 24,915	\$ (585)	\$ 23,899
Investment earnings	-	-	57	57	22
Miscellaneous					
Other	-	-	3,380	3,380	4,461
TOTAL REVENUES	25,500	25,500	28,352	2,852	28,382
EXPENDITURES					
Current					
Public safety					
Fire					
Personal services	29,150	29,150	25,547	3,603	21,203
Supplies	10,200	10,200	6,139	4,061	6,540
Other services and charges	30,650	30,650	25,295	5,355	27,461
Debt service					
Principal	-	-	2,978	(2,978)	-
Capital outlay					
Public safety	5,500	5,500	44,074	(38,574)	2,804
TOTAL EXPENDITURES	75,500	75,500	104,033	(28,533)	58,008
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(50,000)	(50,000)	(75,681)	(25,681)	(29,626)
OTHER FINANCING SOURCES (USES)					
Debt issued	-	-	83,827	83,827	-
Transfers in	70,000	70,000	70,000	-	76,900
Transfers out	(20,000)	(20,000)	(20,000)	-	(17,000)
TOTAL OTHER FINANCING SOURCES (USES)	50,000	50,000	133,827	83,827	59,900
NET CHANGE IN FUND BALANCES	-	-	58,146	58,146	30,274
FUND BALANCES, JANUARY 1	151,333	151,333	151,333	-	121,059
FUND BALANCES, DECEMBER 31	\$ 151,333	\$ 151,333	\$ 209,479	\$ 58,146	\$ 151,333

CITY OF JANESVILLE, MINNESOTA
NONMAJOR CAPITAL PROJECTS FUNDS
COMBINING BALANCE SHEET
DECEMBER 31, 2014

	410	420	430
	Police Capital Reserve	Fire Capital Reserve	Street/Park Capital Reserve
	<u> </u>	<u> </u>	<u> </u>
ASSETS			
Cash and temporary investments	\$ 14,235	\$ 131,955	\$ 70,176
	<u> </u>	<u> </u>	<u> </u>
LIABILITIES			
Accounts payable	\$ -	\$ -	\$ -
	<u> </u>	<u> </u>	<u> </u>
FUND BALANCES			
Assigned for			
Capital projects	14,235	131,955	70,176
Unassigned	-	-	-
	<u> </u>	<u> </u>	<u> </u>
TOTAL FUND BALANCES	<u>14,235</u>	<u>131,955</u>	<u>70,176</u>
	<u> </u>	<u> </u>	<u> </u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 14,235</u>	<u>\$ 131,955</u>	<u>\$ 70,176</u>
	<u> </u>	<u> </u>	<u> </u>

440	496	
Playground Equipment Reserve	Highway 14 Turnback	Totals
<u>\$ 4,596</u>	<u>\$ (24,020)</u>	<u>\$ 196,942</u>
<u>\$ 61</u>	<u>\$ -</u>	<u>\$ 61</u>
4,535	-	220,901
<u>-</u>	<u>(24,020)</u>	<u>(24,020)</u>
<u>4,535</u>	<u>(24,020)</u>	<u>196,881</u>
<u>\$ 4,596</u>	<u>\$ (24,020)</u>	<u>\$ 196,942</u>

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

	410 Police Capital Reserve	420 Fire Capital Reserve	430 Street/Park Capital Reserve
REVENUES			
Intergovernmental			
State aid	\$ -	\$ -	\$ -
Investment earnings	7	42	26
Miscellaneous			
Contributions and donations	-	-	-
TOTAL REVENUES	<u>7</u>	<u>42</u>	<u>26</u>
EXPENDITURES			
Capital outlay			
Public safety	35,712	-	-
Streets and highways	-	-	44,675
Culture and recreation	-	-	-
TOTAL EXPENDITURES	<u>35,712</u>	<u>-</u>	<u>44,675</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(35,705)	42	(44,649)
OTHER FINANCING SOURCES			
Transfers in	<u>13,000</u>	<u>20,000</u>	<u>13,000</u>
NET CHANGE IN FUND BALANCES	(22,705)	20,042	(31,649)
FUND BALANCES, JANUARY 1	<u>36,940</u>	<u>111,913</u>	<u>101,825</u>
FUND BALANCES, DECEMBER 31	<u>\$ 14,235</u>	<u>\$ 131,955</u>	<u>\$ 70,176</u>

440	496	
Playground Equipment Reserve	Highway 14 Turnback	Totals
<u> </u>	<u> </u>	<u> </u>
\$ 4	\$ -	\$ 4
1	-	76
<u> 4,000</u>	<u> -</u>	<u> 4,000</u>
<u> 4,005</u>	<u> -</u>	<u> 4,080</u>
-	-	35,712
-	24,020	68,695
<u> 19,400</u>	<u> -</u>	<u> 19,400</u>
<u> 19,400</u>	<u> 24,020</u>	<u> 123,807</u>
(15,395)	(24,020)	(119,727)
<u> 5,000</u>	<u> -</u>	<u> 51,000</u>
(10,395)	(24,020)	(68,727)
<u> 14,930</u>	<u> -</u>	<u> 265,608</u>
<u><u> \$ 4,535</u></u>	<u><u> \$ (24,020)</u></u>	<u><u> \$ 196,881</u></u>

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CITY OF JANESVILLE, MINNESOTA
GENERAL FUND
COMPARATIVE BALANCE SHEETS
DECEMBER 31, 2014 AND 2013

	2014	2013
ASSETS		
Cash and temporary investments	\$ 740,130	\$ 680,275
Receivables		
Delinquent taxes	41,303	50,969
Accounts	15,162	15,191
Special assessments	18,504	-
Intergovernmental	16,459	11,896
Prepaid items	4,800	4,569
Land held for resale	102,055	-
	\$ 938,413	\$ 762,900
LIABILITIES		
Accounts payable	\$ 23,323	\$ 81,354
Due to other governments	501	47
Accrued salaries payable	15,616	26,260
	39,440	107,661
DEFERRED INFLOWS OF RESOURCES		
Unavailable revenue - property taxes	41,303	50,969
Unavailable revenue - special assessments	18,504	-
	59,807	50,969
FUND BALANCES		
Nonspendable	4,800	4,569
Unassigned	834,366	599,701
	839,166	604,270
	\$ 938,413	\$ 762,900

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CITY OF JANESVILLE, MINNESOTA
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
CONTINUED ON THE FOLLOWING PAGES
BUDGET AND ACTUAL
FOR THE YEAR ENDED DECEMBER 31, 2014
With Comparative Actual Amounts for Year Ended December 31, 2013

	2014			Variance with Final Budget	2013
	Budgeted Amounts		Actual		Actual
	Original	Final	Amounts		Amounts
REVENUES					
Taxes					
Property taxes	\$ 200,532	\$ 200,532	\$ 221,631	\$ 21,099	\$ 196,673
Franchise fees	120,000	120,000	118,573	(1,427)	110,170
Total taxes	320,532	320,532	340,204	19,672	306,843
Licenses and permits	22,250	22,250	29,780	7,530	33,692
Intergovernmental					
Federal					
FEMA	-	-	9,392	9,392	-
State					
Local government aid	775,075	775,075	775,075	-	724,872
Property tax credits and aids	-	-	127	127	116
Fire aid	18,000	18,000	23,124	5,124	21,909
Police aid	15,000	15,000	16,182	1,182	14,477
Other state aids	-	-	10,652	10,652	7,835
Total state	808,075	808,075	825,160	17,085	769,209
Total intergovernmental	808,075	808,075	834,552	26,477	769,209
Charges for services					
General government	80,000	80,000	80,000	-	80,000
Public safety	4,500	4,500	2,480	(2,020)	4,944
Park and recreation	3,600	3,600	3,600	-	3,600
Other	1,500	1,500	1,175	(325)	225
Total charges for services	89,600	89,600	87,255	(2,345)	88,769
Fines and forfeits	7,500	7,500	4,590	(2,910)	4,684
Investment earnings	500	500	160	(340)	197
Miscellaneous					
Other	15,000	15,000	31,803	16,803	45,591
Contributions and donations	500	500	1,200	700	286
Total miscellaneous	15,500	15,500	33,003	17,503	45,877
TOTAL REVENUES	1,263,957	1,263,957	1,329,544	65,587	1,249,271

CITY OF JANESVILLE, MINNESOTA
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL - CONTINUED
FOR THE YEAR ENDED DECEMBER 31, 2014
With Comparative Actual Amounts for Year Ended December 31, 2013

	2014			Variance with Final Budget	2013
	Budgeted Amounts		Actual Amounts		Actual Amounts
	Original	Final			
EXPENDITURES					
Current					
General government					
Mayor and Council					
Personal services	\$ 13,606	\$ 13,606	\$ 12,633	\$ 973	\$ 13,682
Other services and charges	130	130	173	(43)	130
Total Mayor and Council	<u>13,736</u>	<u>13,736</u>	<u>12,806</u>	<u>930</u>	<u>13,812</u>
Administration/clerk					
Personal services	104,781	104,781	98,166	6,615	98,021
Other services and charges	1,300	1,300	1,777	(477)	1,370
Total administration/clerk	<u>106,081</u>	<u>106,081</u>	<u>99,943</u>	<u>6,138</u>	<u>99,391</u>
Elections					
Personal services	3,000	3,000	2,285	715	61
Accounting					
Personal services	162,910	162,910	162,715	195	157,004
Other services and charges	1,500	1,500	1,604	(104)	1,060
Total accounting	<u>164,410</u>	<u>164,410</u>	<u>164,319</u>	<u>91</u>	<u>158,064</u>
Professional services					
Other services and charges	47,000	47,000	52,594	(5,594)	72,036
Municipal building					
Supplies	6,000	6,000	5,841	159	5,863
Other services and charges	102,000	102,000	115,623	(13,623)	118,812
Total municipal building	<u>108,000</u>	<u>108,000</u>	<u>121,464</u>	<u>(13,464)</u>	<u>124,675</u>
Total general government	<u>442,227</u>	<u>442,227</u>	<u>453,411</u>	<u>(11,184)</u>	<u>468,039</u>

CITY OF JANESVILLE, MINNESOTA
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL - CONTINUED
FOR THE YEAR ENDED DECEMBER 31, 2014
With Comparative Actual Amounts for Year Ended December 31, 2013

	2014			Variance with Final Budget	2013
	Budgeted Amounts		Actual Amounts		Actual Amounts
	Original	Final			
EXPENDITURES - CONTINUED					
Current - Continued					
Public safety					
Police					
Personal services	\$ 232,952	\$ 232,952	\$ 253,478	\$ (20,526)	\$ 236,667
Supplies	15,350	15,350	15,198	152	16,631
Other services and charges	60,940	60,940	42,510	18,430	31,384
Total police	<u>309,242</u>	<u>309,242</u>	<u>311,186</u>	<u>(1,944)</u>	<u>284,682</u>
Fire					
Personal services	42,200	42,200	50,298	(8,098)	50,203
Building inspection					
Other services and charges	10,000	10,000	10,507	(507)	17,160
Animal control					
Other services and charges	2,000	2,000	2,427	(427)	2,532
Total public safety	<u>363,442</u>	<u>363,442</u>	<u>374,418</u>	<u>(10,976)</u>	<u>354,577</u>
Streets and highways					
Personal services	131,452	131,452	132,326	(874)	120,687
Supplies	44,000	44,000	43,613	387	49,596
Other services and charges	58,700	58,700	64,261	(5,561)	63,829
Total streets and highways	<u>234,152</u>	<u>234,152</u>	<u>240,200</u>	<u>(6,048)</u>	<u>234,112</u>
Culture and recreation					
Parks					
Personal services	23,406	23,406	26,532	(3,126)	23,769
Supplies	4,900	4,900	4,528	372	4,629
Other services and charges	8,610	8,610	8,886	(276)	10,273
Total parks	<u>36,916</u>	<u>36,916</u>	<u>39,946</u>	<u>(3,030)</u>	<u>38,671</u>
Library					
Supplies	200	200	168	32	111
Other services and charges	6,000	6,000	5,707	293	6,269
Total library	<u>6,200</u>	<u>6,200</u>	<u>5,875</u>	<u>325</u>	<u>6,380</u>
Total culture and recreation	<u>43,116</u>	<u>43,116</u>	<u>45,821</u>	<u>(2,705)</u>	<u>45,051</u>

CITY OF JANESVILLE, MINNESOTA
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL - CONTINUED
FOR THE YEAR ENDED DECEMBER 31, 2014
With Comparative Actual Amounts for Year Ended December 31, 2013

	2014			Variance with Final Budget	2013
	Budgeted Amounts		Actual Amounts		Actual Amounts
	Original	Final			
EXPENDITURES - CONTINUED					
Current - Continued					
Economic development					
Personal services	\$ 52,814	\$ 52,814	\$ 55,983	\$ (3,169)	\$ 11,912
Supplies	500	500	48	452	-
Other services and charges	19,250	19,250	501	18,749	16,650
Total economic development	<u>72,564</u>	<u>72,564</u>	<u>56,532</u>	<u>16,032</u>	<u>28,562</u>
Miscellaneous					
Cemetery					
Personal services	473	473	907	(434)	905
Other services and charges	6,500	6,500	6,500	-	6,544
Total cemetery	<u>6,973</u>	<u>6,973</u>	<u>7,407</u>	<u>(434)</u>	<u>7,449</u>
Unallocated					
Personal services	2,153	2,153	1,873	280	1,743
Other services and charges	2,000	2,000	50,145	(48,145)	2,001
Total unallocated	<u>4,153</u>	<u>4,153</u>	<u>52,018</u>	<u>(47,865)</u>	<u>3,744</u>
Total miscellaneous	<u>11,126</u>	<u>11,126</u>	<u>59,425</u>	<u>(48,299)</u>	<u>11,193</u>
Total current	<u>1,166,627</u>	<u>1,166,627</u>	<u>1,229,807</u>	<u>(63,180)</u>	<u>1,141,534</u>
Capital outlay					
General government	18,000	18,000	20,059	(2,059)	14,090
Public safety	6,830	6,830	19,243	(12,413)	1,934
Streets and highways	26,000	26,000	155,884	(129,884)	10,459
Culture and recreation	500	500	275	225	-
Total capital outlay	<u>51,330</u>	<u>51,330</u>	<u>195,461</u>	<u>(144,131)</u>	<u>26,483</u>
Debt service					
Principal	-	-	3,975	(3,975)	8,773
Interest and other	-	-	320	(320)	-
Total debt service	<u>-</u>	<u>-</u>	<u>4,295</u>	<u>(4,295)</u>	<u>8,773</u>
TOTAL EXPENDITURES	<u>1,217,957</u>	<u>1,217,957</u>	<u>1,429,563</u>	<u>(211,606)</u>	<u>1,176,790</u>

CITY OF JANESVILLE, MINNESOTA
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL - CONTINUED
FOR THE YEAR ENDED DECEMBER 31, 2014
With Comparative Actual Amounts for Year Ended December 31, 2013

	2014			2013	
	Budgeted Amounts		Actual Amounts	Variance with Final Budget	Actual Amounts
	Original	Final			
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	\$ 46,000	\$ 46,000	\$ (100,019)	\$ (146,019)	\$ 72,481
OTHER FINANCING SOURCES (USES)					
Transfers in	80,000	80,000	80,000	-	80,000
Sale of assets	-	-	125,000	125,000	-
Debt issued	-	-	235,915	235,915	-
Transfers out	(126,000)	(126,000)	(106,000)	20,000	(108,922)
TOTAL OTHER FINANCING SOURCES (USES)	(46,000)	(46,000)	334,915	380,915	(28,922)
NET CHANGE IN FUND BALANCES	-	-	234,896	234,896	43,559
FUND BALANCES, JANUARY 1	604,270	604,270	604,270	-	560,711
FUND BALANCES, DECEMBER 31	<u>\$ 604,270</u>	<u>\$ 604,270</u>	<u>\$ 839,166</u>	<u>\$ 234,896</u>	<u>\$ 604,270</u>

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

	301	392	372	393
	Judicial District # 11	2007 G.O. Improvement Bonds	TIF District 1-1	2009A G.O. Refunding Bonds
ASSETS				
Cash and temporary investments	\$ (15,538)	\$ 20,142	\$ 10	\$ 271,570
Restricted assets	-	573,970	-	-
Receivables				
Delinquent taxes	-	-	40,826	-
Special assessments	-	282,842	-	59,212
Intergovernmental	-	161	-	3,172
	<u>\$ (15,538)</u>	<u>\$ 877,115</u>	<u>\$ 40,836</u>	<u>\$ 333,954</u>
DEFERRED INFLOWS OF RESOURCES				
Unavailable revenue - property taxes	\$ -	\$ -	\$ 40,826	\$ -
Unavailable revenue - special assessments	-	282,842	-	59,212
	<u>-</u>	<u>282,842</u>	<u>40,826</u>	<u>59,212</u>
TOTAL DEFERRED INFLOWS OF RESOURCES	-	282,842	40,826	59,212
FUND BALANCES				
Restricted for				
Debt service	(15,538)	594,273	10	274,742
	<u>(15,538)</u>	<u>594,273</u>	<u>10</u>	<u>274,742</u>
TOTAL DEFERRED INFLOWS OR RESOURCES AND FUND BALANCES	<u>\$ (15,538)</u>	<u>\$ 877,115</u>	<u>\$ 40,836</u>	<u>\$ 333,954</u>

395 2009C G.O. Improvement Bonds	396 2010A G.O. Bonds	397 2010B G.O. Refunding Bonds	398 2012A G.O. Refunding Bonds	399 2014A G.O. Improvement Bonds	Totals
\$ 295,053	\$ 165,222	\$ (62,508)	\$ (32,704)	\$ -	\$ 641,247
-	-	-	-	-	573,970
-	-	-	-	-	40,826
914,787	119,637	-	110,699	114,131	1,601,308
-	5,083	-	151	-	8,567
<u>\$ 1,209,840</u>	<u>\$ 289,942</u>	<u>\$ (62,508)</u>	<u>\$ 78,146</u>	<u>\$ 114,131</u>	<u>\$ 2,865,918</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 40,826
914,787	119,637	-	110,699	114,131	1,601,308
914,787	119,637	-	110,699	114,131	1,642,134
<u>295,053</u>	<u>170,305</u>	<u>(62,508)</u>	<u>(32,553)</u>	<u>-</u>	<u>1,223,784</u>
<u>\$ 1,209,840</u>	<u>\$ 289,942</u>	<u>\$ (62,508)</u>	<u>\$ 78,146</u>	<u>\$ 114,131</u>	<u>\$ 2,865,918</u>

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

	301	392	372	393
	Judicial District # 11	2007 G.O. Improvement Bonds	TIF District 1-1	2009A G.O. Refunding Bonds
REVENUES				
Taxes				
Property taxes	\$ 3,000	\$ 100,000	\$ -	\$ 72,000
Tax increment	-	-	36,135	-
Special assessments	-	16,056	-	17,621
Investment earnings	-	1,959	10	72
TOTAL REVENUES	<u>3,000</u>	<u>118,015</u>	<u>36,145</u>	<u>89,693</u>
EXPENDITURES				
Current				
Streets and highways	12,478	-	-	-
Debt service				
Principal	-	60,000	-	135,000
Interest and other	-	31,890	-	21,334
TOTAL EXPENDITURES	<u>12,478</u>	<u>91,890</u>	<u>-</u>	<u>156,334</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>(9,478)</u>	<u>26,125</u>	<u>36,145</u>	<u>(66,641)</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	-	-
Transfers out	-	-	(36,135)	-
TOTAL OTHER FINANCING SOURCES (USES)	<u>-</u>	<u>-</u>	<u>(36,135)</u>	<u>-</u>
NET CHANGE IN FUND BALANCES	(9,478)	26,125	10	(66,641)
FUND BALANCES, JANUARY 1	<u>(6,060)</u>	<u>568,148</u>	<u>-</u>	<u>341,383</u>
FUND BALANCES, DECEMBER 31	<u>\$ (15,538)</u>	<u>\$ 594,273</u>	<u>\$ 10</u>	<u>\$ 274,742</u>

395 2009C G.O. Improvement Bonds	396 2010A G.O. Bonds	397 2010B G.O. Refunding Bonds	398 2012A G.O. Refunding Bonds	399 2014A G.O. Improvement Bonds	Totals
\$ -	\$ 58,500	\$ 37,000	\$ 194,250	\$ -	\$ 464,750
-	-	-	-	-	36,135
62,631	29,415	-	70,072	-	195,795
78	32	6	17	-	2,174
<u>62,709</u>	<u>87,947</u>	<u>37,006</u>	<u>264,339</u>	<u>-</u>	<u>698,854</u>
-	-	-	-	-	12,478
110,000	44,400	55,000	230,000	-	634,400
41,325	36,332	11,405	23,173	-	165,459
<u>151,325</u>	<u>80,732</u>	<u>66,405</u>	<u>253,173</u>	<u>-</u>	<u>812,337</u>
<u>(88,616)</u>	<u>7,215</u>	<u>(29,399)</u>	<u>11,166</u>	<u>-</u>	<u>(113,483)</u>
36,135	-	-	-	-	36,135
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(36,135)</u>
<u>36,135</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
(52,481)	7,215	(29,399)	11,166	-	(113,483)
<u>347,534</u>	<u>163,090</u>	<u>(33,109)</u>	<u>(43,719)</u>	<u>-</u>	<u>1,337,267</u>
<u>\$ 295,053</u>	<u>\$ 170,305</u>	<u>\$ (62,508)</u>	<u>\$ (32,553)</u>	<u>\$ -</u>	<u>\$ 1,223,784</u>

CITY OF JANESVILLE, MINNESOTA
 COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
 AGENCY FUNDS
 FOR THE YEAR ENDED DECEMBER 31, 2014

	<u>Balance</u> <u>January 1,</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>December 31,</u>
<u>VETERAN'S MEMORIAL FUND (801)</u>				
ASSETS				
Cash and temporary investments	<u>\$ 5,785</u>	<u>\$ 828</u>	<u>\$ 237</u>	<u>\$ 6,376</u>
LIABILITIES				
Accounts payable	<u>\$ 5,785</u>	<u>\$ 828</u>	<u>\$ 237</u>	<u>\$ 6,376</u>

CITY OF JANESVILLE, MINNESOTA
SUMMARY FINANCIAL REPORT
REVENUES AND EXPENDITURES FOR GENERAL OPERATIONS
GOVERNMENTAL FUNDS
FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013

	Total		Percent Increase (Decrease)
	2014	2013	
REVENUES			
Taxes	\$ 841,089	\$ 810,252	3.81 %
Special assessments	195,795	297,158	(34.11)
Licenses and permits	29,780	33,692	(11.61)
Intergovernmental	944,251	807,662	16.91
Charges for services	117,420	120,108	(2.24)
Fines and forfeits	4,590	4,684	(2.01)
Investment earnings	2,662	1,820	46.26
Miscellaneous	43,304	63,126	(31.40)
TOTAL REVENUES	\$ 2,178,891	\$ 2,138,502	1.89 %
Per Capita	\$ 960.29	\$ 940.00	2.16 %
EXPENDITURES			
Current			
General government	\$ 453,411	\$ 468,039	(3.13) %
Public safety	431,399	409,638	5.31
Streets and highways	252,678	234,112	7.93
Culture and recreation	45,821	45,051	1.71
Housing and economic development	161,227	84,634	90.50
Miscellaneous	59,425	11,193	430.91
Capital outlay			
General government	20,059	14,090	42.36
Public safety	105,829	7,177	1,374.56
Streets and highways	629,866	10,459	5,922.24
Culture and recreation	19,675	28,656	(31.34)
Debt service			
Principal	641,353	1,588,173	(59.62)
Interest and other charges	166,274	207,653	(19.93)
Bond issuance costs	13,254	-	N/A
TOTAL EXPENDITURES	\$ 3,000,271	\$ 3,108,875	(3.49) %
Per Capita	\$ 1,322.29	\$ 1,366.54	(3.24) %
Total Long-term Indebtedness	\$ 6,078,049	\$ 5,870,100	3.54 %
Per Capita	2,678.73	2,580.26	3.82
General Fund Balance - December 31	\$ 839,166	\$ 604,270	38.87 %
Per Capita	369.84	265.61	39.24

The purpose of this report is to provide a summary of financial information concerning the City of Janesville, Minnesota to interested citizens. The complete financial statements may be examined at City of Janesville, 101 North Mott Street, P.O. Box 0, Janesville, MN 56048. Questions about this report should be directed to Clinton Rogers at (507) 234-5110.

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FINANCIAL EXHIBITS

CITY OF JANESVILLE
JANESVILLE, MINNESOTA

FOR THE YEAR ENDED
DECEMBER 31, 2014

CITY OF JANESVILLE, MINNESOTA
MUNICIPAL UTILITIES
WATERWORKS FUND
TWO YEAR SUMMARY OF OPERATIONS AND STATISTICS (UNAUDITED)
FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013

	<u>2014</u>	<u>2013</u>
OPERATING REVENUES		
Charges for services	<u>\$ 244,849</u>	<u>\$ 225,822</u>
OPERATING EXPENSES		
Distribution	109,384	82,804
Other operating expenses	<u>14,955</u>	<u>15,031</u>
TOTAL OPERATING EXPENSES	<u>124,339</u>	<u>97,835</u>
OPERATING INCOME (LOSS)	<u>\$ 120,510</u>	<u>\$ 127,987</u>
PERCENT OF REVENUES		
Distribution	44.7 %	36.7 %
Other operating expenses	6.1	6.7
Excess operating revenue over operating expenses	49.2	56.7
GALLONS PUMPED	51,875,023	56,155,510
GALLONS SOLD	<u>(49,154,065)</u>	<u>(47,379,842)</u>
LINE LOSS	<u>\$ 2,720,958</u>	<u>\$ 8,775,668</u>
PERCENT OF LINE LOSS	5.2 %	15.6 %
REVENUE PER GALLON SOLD	<u>\$ 0.00498</u>	<u>\$ 0.00477</u>
COST PER GALLON PUMPED	<u>\$ 0.00240</u>	<u>\$ 0.00174</u>
PERCENT OF CHANGE		
Operating revenues	8.4 %	2.3 %
Distribution expenses	32.1	32.3
Other operating expenses	(0.5)	(5.5)
Gallons sold	(7.6)	1.6
Gallons pumped	3.7	(10.7)

CITY OF JANESVILLE, MINNESOTA
MUNICIPAL UTILITIES
LIGHT AND POWER FUND
TWO YEAR SUMMARY OF OPERATIONS AND STATISTICS (UNAUDITED)
FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013

	<u>2014</u>	<u>2013</u>
OPERATING REVENUES		
Charges for services	\$ 1,532,099	\$ 1,429,939
OPERATING EXPENSES		
Production	106,955	208,307
Purchased power	<u>797,255</u>	<u>876,692</u>
Total cost of power	904,210	1,084,999
Distribution	258,999	295,838
Other operating expenses	<u>143,860</u>	<u>120,632</u>
TOTAL OPERATING EXPENSES	<u>1,307,069</u>	<u>1,501,469</u>
OPERATING INCOME (LOSS)	<u>\$ 225,030</u>	<u>\$ (71,530)</u>
PERCENT OF REVENUES		
Cost of power	59.0 %	75.9 %
Distribution expense	16.9	20.7
Other operating expenses	9.4	8.4
Excess operating revenues over operating expenses	14.7	(5.0)
KWH purchased	12,192,602	12,424,027
KWH generated	51,138	12,750
KWH sold	<u>(11,528,168)</u>	<u>(11,128,708)</u>
LINE LOSS	<u>\$ 715,572</u>	<u>\$ 1,308,069</u>
PERCENT OF LINE INCOME (LOSS)	5.84 %	10.52 %
REVENUE PER KWH SOLD	<u>\$ 0.1329</u>	<u>\$ 0.1285</u>
COST PER KWH PURCHASED	<u>\$ 0.06539</u>	<u>\$ 0.07056</u>
COST PER KWH PRODUCED	<u>\$ 2.0915</u>	<u>\$ 16.3378</u>
PERCENT OF CHANGE		
Operating revenues	7.1 %	(0.1) %
Production expense	(48.7)	33.9
Purchased power expense	(9.1)	21.8
Distribution expense	(12.5)	(2.2)
Other operating expense	19.3	7.4
KWH sold	3.6	(6.0)
KWH purchased	(1.9)	(1.0)
KWH generated	301.1	(11.6)

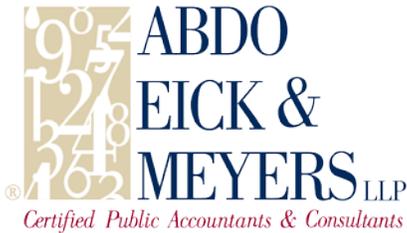
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OTHER REQUIRED REPORTS

CITY OF JANESVILLE
JANESVILLE, MINNESOTA

FOR THE YEAR ENDED
DECEMBER 31, 2014

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INDEPENDENT AUDITOR'S REPORT ON
MINNESOTA LEGAL COMPLIANCE

Honorable Mayor and City Council
City of Janesville, Minnesota

We have audited, in accordance with auditing standards generally accepted in the United States of America, the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund and the aggregate remaining fund information of the City of Janesville, Minnesota (the City) 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 June 2, 2015.

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

In connection with our audit, nothing came to our attention that caused us to believe that the City failed to comply with the provisions of the *Minnesota Legal Compliance Audit Guide for 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's noncompliance with the above referenced provisions.

This report is intended solely for the information and use those charged with governance and management of the City and the State Auditor and is not intended to be and should not be used by anyone other than these specified parties.

Abdo, Eick & Meyers, LLP

ABDO, EICK & MEYERS, LLP
Mankato, Minnesota
June 2, 2015