

CITY OF WACONIA, MINNESOTA

ANNUAL FINANCIAL REPORT

December 31, 2012



-This page is intentionally left blank -

CITY OF WACONIA, MINNESOTA
TABLE OF CONTENTS

	Reference	Page No.
INTRODUCTORY SECTION		
Elected Officials and Administration		3
Organizational Chart		4
FINANCIAL SECTION		
Independent Auditor's Report		7
Management's Discussion and Analysis		11
Basic Financial Statements:		
Government-Wide Financial Statements:		
Statement of Net Position	Statement 1	23
Statement of Activities	Statement 2	24
Fund Financial Statements:		
Balance Sheet - Governmental Funds	Statement 3	26
Statement of Revenues, Expenditures and Changes in Fund Balance - Governmental Funds	Statement 4	27
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds	Statement 5	28
Statement of Net Position - Proprietary Funds	Statement 6	29
Statement of Revenues, Expenses, and Changes in Fund Net Assets - Proprietary Funds	Statement 7	30
Statement of Cash Flows - Proprietary Funds	Statement 8	31
Statement of Assets and Liabilities - Fiduciary Funds	Statement 9	32
Notes to Financial Statements		33
Required Supplementary Information:		
Budgetary Comparison Schedule - General Fund	Statement 10	69
Budgetary Comparison Schedule - Safari Island Special Revenue Fund	Statement 11	71
Budgetary Comparison Schedule - Note to RSI		72
Combining Fund Statements:		
Combining Balance Sheet - Nonmajor Governmental Funds	Statement 12	77
Combining Statement of Revenues, Expenditures and Changes in Fund Balance - Nonmajor Governmental Funds	Statement 13	81

-This page is intentionally left blank -

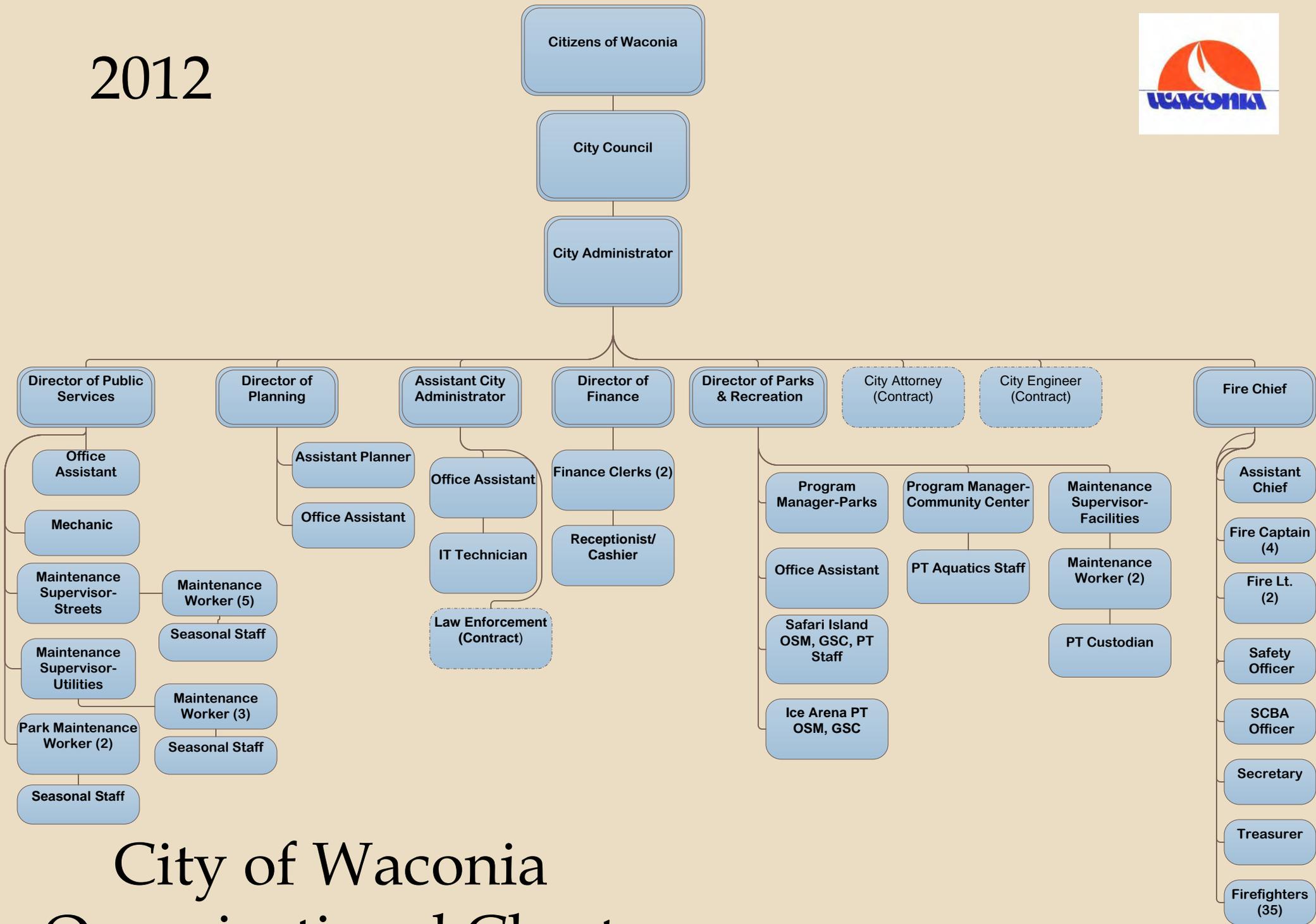
INTRODUCTORY SECTION

-This page is intentionally left blank -

CITY OF WACONIA, MINNESOTA
ELECTED OFFICIALS AND ADMINISTRATION
December 31, 2012

<u>Elected Officials</u>	<u>Position</u>	<u>Term Expires</u>
James Nash	Mayor	December 31, 2012
James Sanborn	Councilmember, Ward I	December 31, 2014
Marc Carrier	Councilmember, Ward I	December 31, 2012
Larry Millender	Councilmember, Ward II	December 31, 2012
Kent Bloudek	Councilmember, Ward II	December 31, 2014
 <u>Appointed</u>		
Susan Arntz		City Administrator
Nicole Lueck		Finance Director
Mike Melchert		City Attorney
Bolton & Menk, Inc.		City Engineer

2012



City of Waconia Organizational Chart

FINANCIAL SECTION

-This page is intentionally left blank -



INDEPENDENT AUDITOR'S REPORT

To the Honorable Mayor and
Members of the City Council
City of Waconia, Minnesota

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City of Waconia, Minnesota, as of and for the year ended December 31, 2012, and the related notes to the financial statements, which collectively comprise the City of Waconia, Minnesota's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City of Waconia, Minnesota, as of December 31, 2012, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited the City of Waconia, Minnesota's 2011 financial statements, and we expressed an unmodified audit opinion on the respective financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information in our report dated May 30, 2012. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2011 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and the budgetary comparison information, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

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

The combining fund statements are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial

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

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated June 17, 2013, on our consideration of the City of Waconia, Minnesota's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Waconia, Minnesota's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "HLB Tautges Redpath, Ltd". The signature is written in a cursive, slightly slanted style.

HLB TAUTGES REDPATH, LTD.

June 17, 2013

- This page intentionally left blank -

Management's Discussion and Analysis

As management of the City of Waconia, we offer readers of the City of Waconia's financial statements this narrative overview and analysis of the financial activities of the City of Waconia for the fiscal year ended December 31, 2012. We encourage readers to consider the information presented here.

Financial Highlights

- The assets of the City of Waconia exceeded its liabilities at the close of the most recent fiscal year by \$88,238,118 (*net position*). Of this amount, \$9,173,211 (*unrestricted net position*) may be used to meet the government's ongoing obligation to citizens and creditors.
- The government's total net position decreased by \$1,210,567 for 2012 primarily due a reduced amount of unrestricted cash and investments on hand along with the retirement of capital assets under the City's current financial policy threshold of \$10,000.
- As of the close of the current fiscal year, the City of Waconia's governmental funds reported combined ending fund balances of \$10,378,331 a decrease of \$11,402,003 in comparison with the prior year increase of \$11,454,578. A major source of the decrease in 2012 was a cross over refunding debt issuance completed in 2011. Funds were being held in escrow to pay off the old debt service on February 1, 2012.
- At the end of the current fiscal year, the unassigned fund balance for the general fund was \$1,265,607 or 35% percent of total general fund expenditures. The City realized an increase in fund balance from the 2011 levels of 2%. The increase is due to higher than anticipated building permit fee revenues (\$184,711) and a decrease in the amount of uncollectable taxes (\$83,565). The City has budgeted and set the general operating tax levy for 2013 to continue to slowly build fund balance back to 40% of the total general fund expenditures.
- The City of Waconia's total long-term debt decreased from \$53,780,485 to \$39,652,145 by the end of 2012. The City cross over refunded a bond issue in 2011 which settled on February 1, 2012. Total debt principal payments made in 2012 were \$14,370,617 due to this refunding. Larger debt principal payments continue into 2013.

Overview of the Financial Statements

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

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

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

The statement of activities presents information showing how the government'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 the 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 of Waconia that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges for services (*business-type activities*). The governmental activities of the City of Waconia include general government, public safety, public works, culture and recreation and economic development. The business-type activities of the City of Waconia include water, sewer, storm water, streetlights, and the ice arena.

Fund financial statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City of Waconia, 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 of Waconia can be divided into two categories: governmental funds and proprietary funds.

Governmental funds. Governmental funds are used to account for essentially the same function reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of 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 of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The City of Waconia maintains 13 individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures and changes in fund balances for the General Fund, the Safari Island fund, the Permanent Improvement Revolving Capital Project fund, and the Permanent Improvement Revolving Debt fund. All of which are considered to be major funds. Data from the other 9 governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of combining statements elsewhere in this report. The basic governmental fund financial statements can be found on pages 26 through 27 of this report.

The City of Waconia 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. Budgetary information can be found on pages 69 through 72 of this report.

Proprietary funds. The City of Waconia maintains one type of proprietary fund. Enterprise funds are used to report the same function presented as business-type activities in the government-wide financial statements. The City of Waconia uses enterprise funds to account for its water, sewer, storm water, streetlights, and the ice arena.

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

The basic proprietary fund financial statements can be found on pages 29 through 31 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 on pages 33 through 67 of this report.

Other information. The combining statements referred to earlier in this report, in connection with nonmajor funds, are presented immediately following the notes to the financial statements. Combining and individual fund statements and schedules can be found on pages 77 through 83 of this report for the non-major governmental.

Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the City of Waconia, assets exceeded liabilities by \$88,238,118 at the close of the most recent fiscal year.

By far the largest portion of the City of Waconia's net assets (76 percent) reflects its investments in capital assets (e.g., land, buildings, machinery, and equipment); less any related debt used to acquire those assets that is still outstanding. The City of Waconia uses these capital assets to provide services to citizens; consequently, these assets are *not* available for future spending. Although the City of Waconia'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.

A portion of the City of Waconia's net position (13.6 percent) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position of \$9,173,211 or 10.4% may be used to meet the government's ongoing obligation to citizens and creditors.

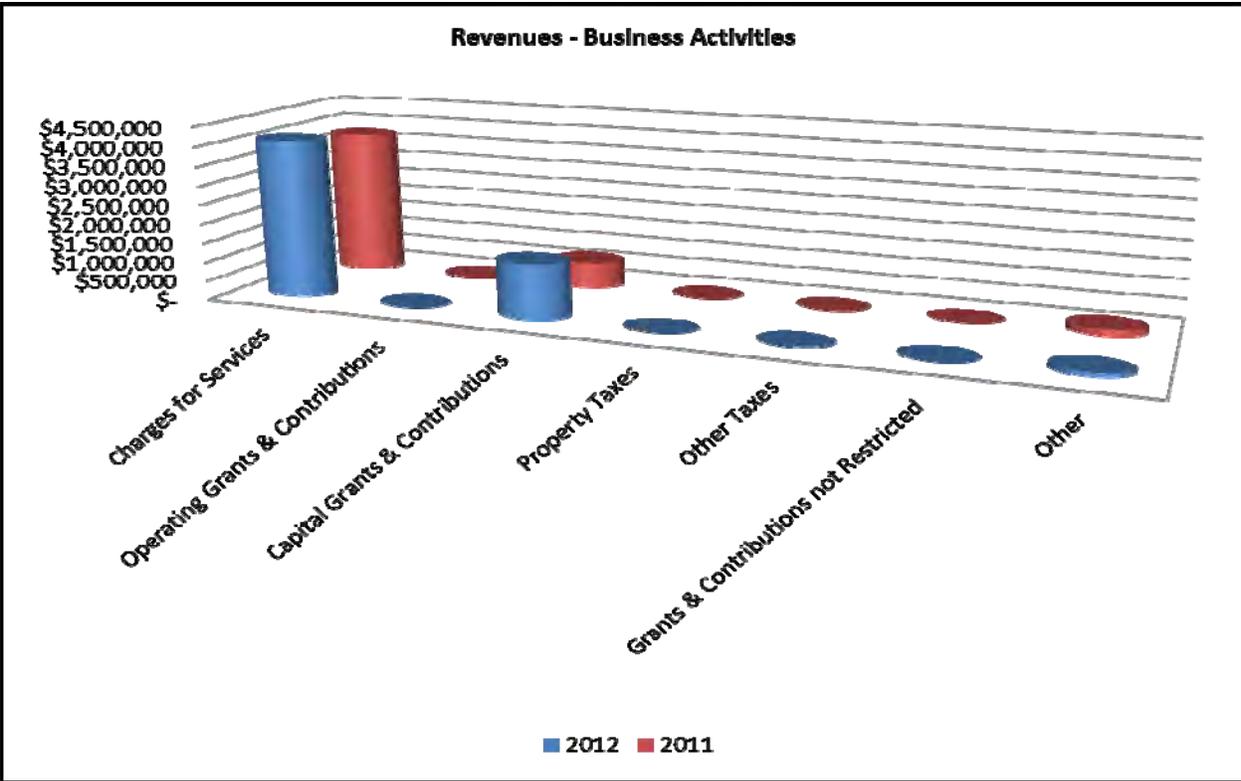
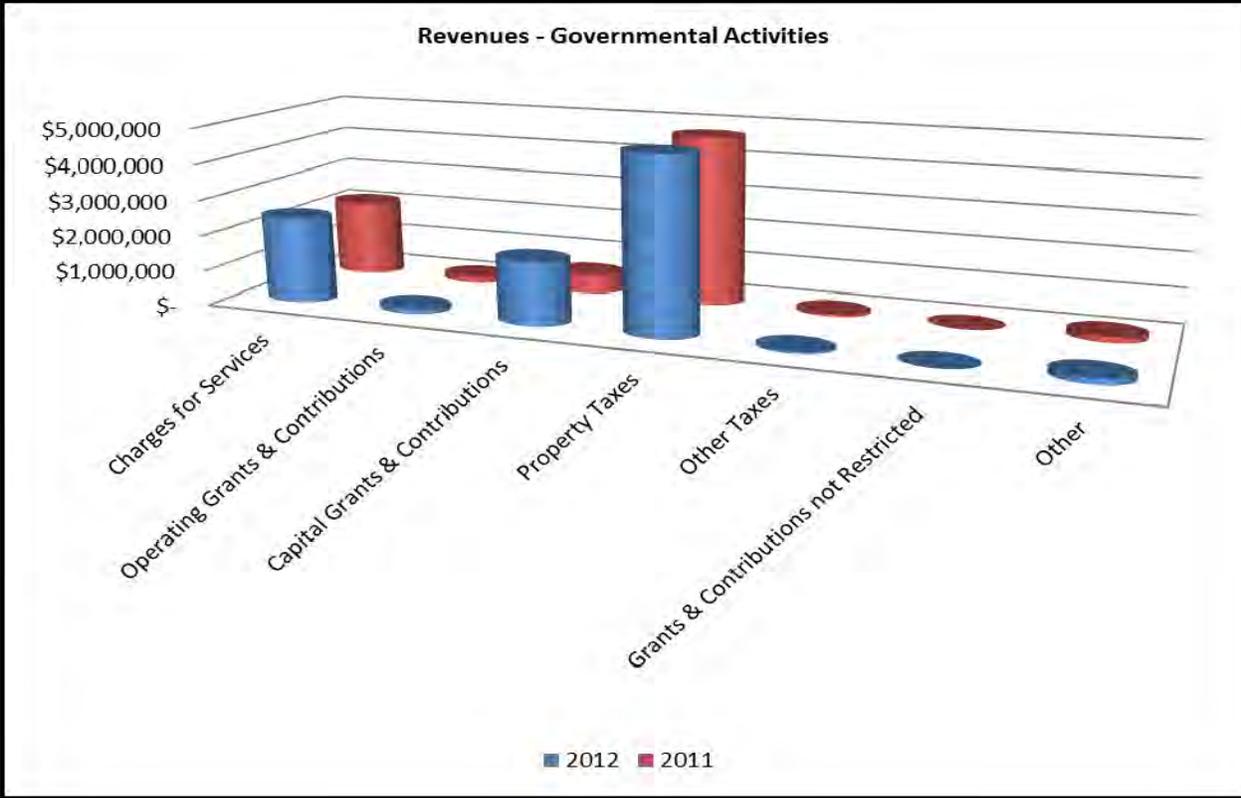
At the end of the current fiscal year, the City of Waconia is able to report positive balances in all three categories of net position, both for the government as a whole, as well as for its separate governmental and business-type activities.

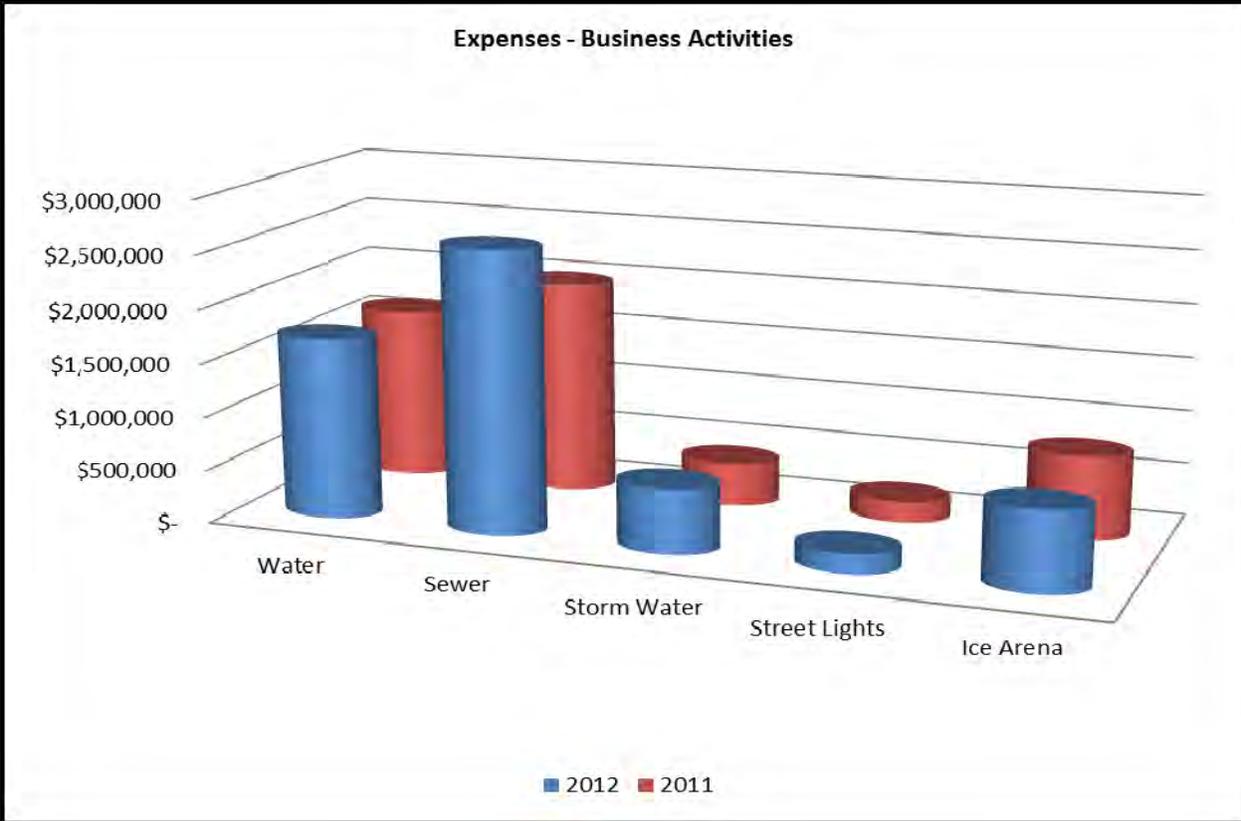
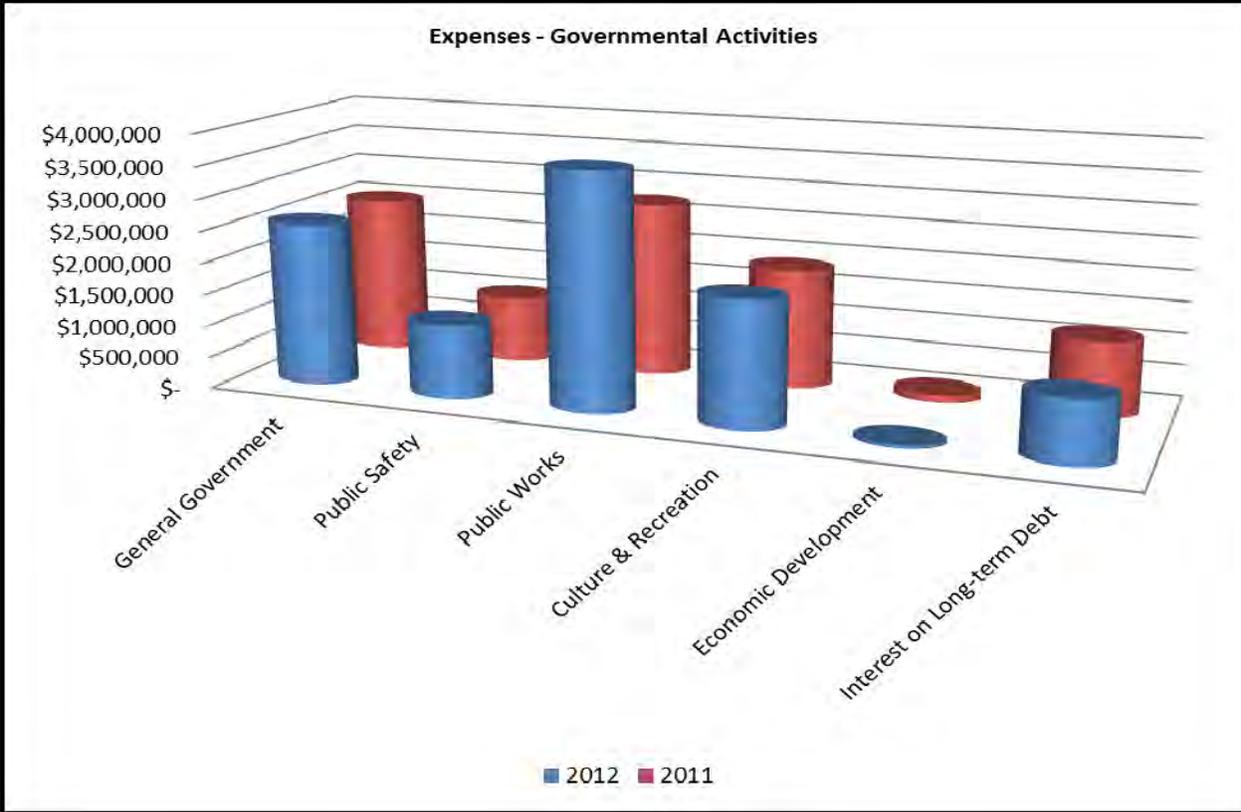
Net Assets	Governmental Activities		Business-Type Activities		Totals	
	2012	2011	2012	2011	2012	2011
Current & Other Assets	\$ 17,420,141	\$ 29,631,676	\$ 5,713,796	\$ 6,003,907	\$ 23,133,937	\$ 35,635,583
Capital Assets	\$ 67,862,350	\$ 70,537,532	\$ 38,593,555	\$ 39,149,687	\$ 106,455,905	\$ 109,687,219
Total Assets	\$ 85,282,491	\$ 100,169,208	\$ 44,307,351	\$ 45,153,594	\$ 129,589,842	\$ 145,322,802
Long-Term Liabilities	\$ 19,969,573	\$ 22,325,643	\$ 16,268,094	\$ 17,124,149	\$ 36,237,667	\$ 39,449,792
Other Liabilities	\$ 3,836,275	\$ 15,087,848	\$ 1,277,782	\$ 1,336,477	\$ 5,114,057	\$ 16,424,325
Total Liabilities	\$ 23,805,848	\$ 37,413,491	\$ 17,545,876	\$ 18,460,626	\$ 41,351,724	\$ 55,874,117
Investment in Capital Assets						
Net of Related Debt	\$ 45,602,831	\$ 45,586,192	\$ 21,503,856	\$ 21,219,555	\$ 67,106,687	\$ 66,805,747
Net Position Restricted	\$ 11,958,220	\$ 12,567,593	\$ -	\$ -	\$ 11,958,220	\$ 12,567,593
Net Position Unrestricted	\$ 3,915,592	\$ 4,601,932	\$ 5,257,619	\$ 5,473,413	\$ 9,173,211	\$ 10,075,345
Total Net Position	\$ 61,476,643	\$ 62,755,717	\$ 26,761,475	\$ 26,692,968	\$ 88,238,118	\$ 89,448,685

Business-type activities. Business-type activities increased the City of Waconia's net position by \$68,507. Key elements of the increase are as follows:

- Capital grants and contributions increased \$727,961 and charges for service increased \$319,497 from 2011 due to an increase in new home and commercial development within the City.
- Business type expenses increased overall \$857,762 from 2011 due to an increase in repair needs in the sewer and storm water utilities. Construction and upgrade work was completed on City assets to bring them to current operating standards and ensure proper working order.

Net Position Changes	Governmental Activities		Business-Type Activities		Totals	
	2012	2011	2012	2011	2012	2011
Revenues						
Program Revenues						
Charges for Services	\$ 2,418,510	\$ 2,167,457	\$ 4,082,086	\$ 3,762,589	\$ 6,500,596	\$ 5,930,046
Operating Grants & Contributions	\$ 145,989	\$ 156,823	\$ -	\$ -	\$ 145,989	\$ 156,823
Capital Grants & Contributions	\$ 1,776,558	\$ 555,758	\$ 1,427,961	\$ 700,000	\$ 3,204,519	\$ 1,255,758
General Revenues						
Property Taxes	\$ 4,867,392	\$ 4,745,665	\$ -	\$ -	\$ 4,867,392	\$ 4,745,665
Other Taxes	\$ 53,369	\$ 72,685	\$ -	\$ -	\$ 53,369	\$ 72,685
Grants & Contributions not Restricted	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Other	\$ 166,658	\$ 167,437	\$ 111,439	\$ 164,748	\$ 278,097	\$ 332,185
Total Revenues	\$ 9,428,476	\$ 7,865,825	\$ 5,621,486	\$ 4,627,337	\$ 15,049,962	\$ 12,493,162
Expenses						
General Government	\$ 2,563,632	\$ 2,518,006	\$ -	\$ -	\$ 2,563,632	\$ 2,518,006
Public Safety	\$ 1,163,868	\$ 1,045,384	\$ -	\$ -	\$ 1,163,868	\$ 1,045,384
Public Works	\$ 3,686,528	\$ 2,759,445	\$ -	\$ -	\$ 3,686,528	\$ 2,759,445
Culture & Recreation	\$ 1,964,229	\$ 1,886,283	\$ -	\$ -	\$ 1,964,229	\$ 1,886,283
Economic Development	\$ 47,448	\$ 117,444	\$ -	\$ -	\$ 47,448	\$ 117,444
Interest on Long-term Debt	\$ 976,845	\$ 1,180,619	\$ -	\$ -	\$ 976,845	\$ 1,180,619
Water	\$ -	\$ -	\$ 1,692,319	\$ 1,615,966	\$ 1,692,319	\$ 1,615,966
Sewer	\$ -	\$ -	\$ 2,629,443	\$ 1,999,538	\$ 2,629,443	\$ 1,999,538
Storm Water	\$ -	\$ -	\$ 603,080	\$ 405,616	\$ 603,080	\$ 405,616
Street Lights	\$ -	\$ -	\$ 186,328	\$ 196,833	\$ 186,328	\$ 196,833
Ice Arena	\$ -	\$ -	\$ 746,809	\$ 782,264	\$ 746,809	\$ 782,264
Total Expenses	\$ 10,402,550	\$ 9,507,181	\$ 5,857,979	\$ 5,000,217	\$ 16,260,529	\$ 14,507,398
Increase (Decrease) in Net Position before Transfers	\$ (974,074)	\$ (1,641,356)	\$ (236,493)	\$ (372,880)	\$ (1,210,567)	\$ (2,014,236)
Transfers	\$ (305,000)	\$ (295,000)	\$ 305,000	\$ 295,000	\$ -	\$ -
Increase (Decrease) in Net Position	\$ (1,279,074)	\$ (1,936,356)	\$ 68,507	\$ (77,880)	\$ (1,210,567)	\$ (2,014,236)
Restatement/Prior Period	\$ -	\$ 1,104,004	\$ -	\$ -	\$ -	\$ 1,104,004
Net Position January 1	\$ 62,755,717	\$ 64,692,073	\$ 26,692,968	\$ 26,770,848	\$ 89,448,685	\$ 91,462,921
Net Position December 31	\$ 61,476,643	\$ 62,755,717	\$ 26,761,475	\$ 26,692,968	\$ 88,238,118	\$ 89,448,685





Financial Analysis of the Government's Funds

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

Governmental funds. The focus of the City of Waconia'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 of Waconia's financing requirements. In particular, unrestricted fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the City of Waconia's governmental funds reported combined ending fund balances of \$10,378,331. Approximately \$1,265,607 of this total amount or 12% constitutes an unassigned fund balance, which is available for spending at the government's discretion. The remainder of fund balance is assigned, restricted, or committed to other governmental activities including debt service payments, economic development loans, and capital projects.

As a measure of the general fund's liquidity, it may be useful to compare unassigned fund balance and total fund balance to total fund expenditures. Unassigned fund balance represents 35% of total general fund expenditures.

The general fund balance increased by \$125,147 during the current fiscal year. The increase is due to higher than anticipated building permit fee revenues (\$184,711) and a decrease in the amount of uncollectable taxes (\$83,565).

All debt service funds have a total fund balance of \$4,799,324. These funds are restricted for the payment of debt services. The net decrease in fund balance during the current year in the debt service funds was \$10,932,097. This decrease is due to the cross over refunded debt issued in 2011 of the bonds originally issued in 2007 for improvements in the southeast area of the City.

Proprietary funds. The City of Waconia'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 water fund at the end of the year amounted to \$2,115,245, the sewer fund \$2,545,817, storm water fund \$533,386, street lights \$207,339 and ice arena fund (\$144,168), for a total of \$5,257,619. Other factors concerning the finances of these five funds have already been addressed in the discussion of the City of Waconia's business-type activities.

General Fund Budgetary Highlights

The actual general fund expenditures of \$3,648,512 were \$89,512 over the general fund budget of \$3,559,000. The primary reason for being over budget in the general fund is the increase in development within the City of Waconia; this leading to more than anticipated building inspection contracted service needs. The overall transfers-out total \$1,058,550 to special revenue funds, debt service funds, and the ice arena fund impacted the total out-going of resources.

Revenues were \$228,558 over budget due primarily to an increase in building permit revenue and property tax collections.

Capital Assets and Debt Administration

Capital assets. The City of Waconia's investment in capital assets for its governmental and business type activities as of December 31, 2012, amount to \$106,455,905 (net of accumulated depreciation). This investment in capital assets includes land, permanent easements, buildings, improvements, machinery, furniture, equipment, park facilities, roads and highways. The total decrease in the City of Waconia's overall value of capital assets for the current fiscal year was 2.95%.

Major capital asset information for the current fiscal year follows:

Capital Assets	Governmental Activities		Business-type Activities		Total	
	2012	2011	2012	2011	2012	2011
Land	\$ 4,996,187	\$ 4,996,187	\$ 206,045	\$ 206,045	\$ 5,202,232	\$ 5,202,232
Permanent Easements	\$ 219,959	\$ 219,959	\$ -	\$ -	\$ 219,959	\$ 219,959
Buildings	\$ 47,336,003	\$ 47,337,794	\$ 16,311,726	\$ 16,311,725	\$ 63,647,729	\$ 63,649,519
Improvements	\$ 5,476,696	\$ 5,574,416	\$ 208,090	\$ 203,063	\$ 5,684,786	\$ 5,777,479
Machinery & Equipment	\$ 1,480,262	\$ 1,728,859	\$ 717,445	\$ 770,835	\$ 2,197,707	\$ 2,499,694
Vehicles	\$ 3,231,720	\$ 3,266,170	\$ 602,754	\$ 643,054	\$ 3,834,474	\$ 3,909,224
Infrastructure	\$ 41,214,474	\$ 40,757,052	\$ 33,576,326	\$ 32,516,803	\$ 74,790,800	\$ 73,273,855
Construction in Progress	\$ 911,413	\$ 679,469	\$ 1,240,830	\$ 1,698,873	\$ 2,152,243	\$ 2,378,342
Accumulated Depreciation	\$ (37,004,364)	\$ (34,022,374)	\$ (14,269,661)	\$ (13,200,711)	\$ (51,274,025)	\$ (47,223,085)
Total Capital Assets	\$ 67,862,350	\$ 70,537,532	\$ 38,593,555	\$ 39,149,686	\$ 106,455,905	\$ 109,687,218

Additional information on the City of Waconia's capital assets can be found in Note 5 of this report.

Long-Term Debt. At the end of the current fiscal year, the City of Waconia had total debt outstanding of \$39,652,145. Of this amount \$11,895,000 is special assessment debt for which the government is liable in the event of default by the property owner subject to the assessment. The remainder of the City's long-term debt represents bonds secured by specified revenue sources (i.e., water and sewer bonds, tax levy, or capital leases) of \$27,757,145. During the current fiscal year, the City's total long-term debt decreased by \$14,128,340. The decrease is due to a cross over refunding of the debt issuance for the 2007A General Obligation debt for improvements to the southeast area of the City. The refunded general obligation debt was paid off on February 1, 2012.

Long-Term Debt	Governmental Activities		Business Activities		Total	
	2012	2011	2012	2011	2012	2011
Bonded Debt						
General Obligation Debt	\$ 3,070,000	\$ 3,081,394	\$ -	\$ -	\$ 3,070,000	\$ 3,081,394
Special Assessment Debt with Governmental Commitment	\$ 11,895,000	\$ 24,765,000	\$ -	\$ -	\$ 11,895,000	\$ 24,765,000
Revenue Bonds	\$ -	\$ -	\$ 12,045,000	\$ 12,655,000	\$ 12,045,000	\$ 12,655,000
Total Bonded Debt	\$ 14,965,000	\$ 27,846,394	\$ 12,045,000	\$ 12,655,000	\$ 27,010,000	\$ 40,501,394
Other Debt	\$ 869,356	\$ 947,297	\$ 89,168	\$ 85,970	\$ 958,524	\$ 1,033,267
Capital Leases & Lease Revenue Bonds	\$ 6,638,922	\$ 6,970,692	\$ 5,044,699	\$ 5,275,132	\$ 11,683,621	\$ 12,245,824
Total Other Debt	\$ 7,508,278	\$ 7,917,989	\$ 5,133,867	\$ 5,361,102	\$ 12,642,145	\$ 13,279,091
Total Long-Term Debt	\$ 22,473,278	\$ 35,764,383	\$ 17,178,867	\$ 18,016,102	\$ 39,652,145	\$ 53,780,485

- The City of Waconia will be paying approximately \$3,186,786 in principal payments in 2013.
- The City of Waconia received an enhanced bond rating in 2008 and continues to maintain the AA rating from Standard & Poor's on its general obligation debt.

State statutes limit the amount of general obligation debt a governmental entity may issue up to 3 percent of its total assessed valuation. The current debt limitation for the City of Waconia is \$30,245,853. The City of Waconia's current outstanding general obligation debt of \$3,070,000 is well below the maximum allowed.

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

2013 Budget and Rate Information

The following factors were considered in preparing the City of Waconia's budget for the 2013 fiscal year.

- The City's 2013 Taxable Market Value decreased to \$869,644,100 down 9.65% from the previous year's market values and the Net Total Tax Capacity decreased to \$9,059,505, down 8%.
- The City of Waconia prepared its 2013 general fund budget of \$4,975,255 for an 8.8% increase in projected general fund expenditures including inter-fund transfers out.
- The City tax rate increased from 44.218% to 49.433% for a 11.79% increase for 2013 and the average valued home realized a city tax bill increase if their valuation remained the same.

Requests for Information

This financial report is designed to provide a general overview of the City of Waconia's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or request for additional financial information should be addressed to the Office of the Finance Director, 201 South Vine Street, Waconia, MN, 55387.

-This page is intentionally left blank -

BASIC FINANCIAL STATEMENTS

-This page is intentionally left blank -

CITY OF WACONIA, MINNESOTA
STATEMENT OF NET POSITION
December 31, 2012

Statement 1

	Primary Government			
	Governmental Activities	Business-Type Activities	Totals	
			2012	2011
Assets:				
Cash and investments	\$9,048,329	\$5,273,974	\$14,322,303	\$15,395,961
Property taxes receivable	151,649	-	151,649	155,480
Special assessments receivable:				
Delinquent	941,392	-	941,392	610,910
Deferred	4,736,831	-	4,736,831	5,550,633
Accounts receivable - net	555,840	403,794	959,634	522,426
Accrued interest	198,938	-	198,938	179,256
Prepaid Expense	13,197	1,473	14,670	22,048
Due from other governmental units	337,351	-	337,351	158,709
Internal balances	100,000	(100,000)	-	-
Notes receivable	889,302	-	889,302	595,642
Restricted cash in escrow	447,312	-	447,312	12,148,571
Deferred charges	-	134,555	134,555	295,947
Capital assets (net of accumulated depreciation):				
Land	4,996,187	206,045	5,202,232	5,202,232
Permanent Easements	219,959	-	219,959	219,959
Construction in progress	911,413	1,240,830	2,152,243	2,378,342
Infrastructure	23,446,484	23,160,308	46,606,792	47,412,442
Buildings	34,321,157	13,410,861	47,732,018	49,374,278
Improvements	2,212,305	98,755	2,311,060	2,595,796
Vehicles	1,443,931	137,340	1,581,271	1,718,879
Machinery and equipment	310,914	339,416	650,330	785,291
Total assets	<u>85,282,491</u>	<u>44,307,351</u>	<u>129,589,842</u>	<u>145,322,802</u>
Liabilities:				
Accounts payable	452,962	82,754	535,716	513,239
Contracts payable	100,421	22,324	122,745	92,048
Due to other governments	7,988	876	8,864	13,153
Salaries and benefits payable	119,916	25,923	145,839	104,728
Deposits payable	318,844	3,250	322,094	661,859
Accrued interest payable	273,518	210,090	483,608	666,829
Bonds payable:		-		
Due within one year	2,073,657	871,019	2,944,676	13,815,483
Due in more than one year	13,546,940	16,218,680	29,765,620	32,710,296
Capital lease payable:		-		
Due within one year	335,768	-	335,768	331,770
Due in more than one year	6,303,154	-	6,303,154	6,638,922
Compensated absences payable:		-		
Due within one year	153,201	61,546	214,747	225,216
Due in more than one year	60,558	27,622	88,180	58,796
Other post employment benefits:		-		
Due in more than one year	58,920	21,792	80,712	41,778
Total liabilities	<u>23,805,848</u>	<u>17,545,876</u>	<u>41,351,723</u>	<u>55,874,117</u>
Net position:				
Net investment in capital assets	45,602,831	21,503,856	67,106,687	66,805,747
Restricted for:				
Debt service	10,260,654	-	10,260,654	10,891,063
Economic development loans	1,217,310	-	1,217,310	1,216,873
Park dedication	201,792	-	201,792	191,093
Other purposes	278,464	-	278,464	268,564
Unrestricted	3,915,592	5,257,619	9,173,211	10,075,345
Net position	<u>\$61,476,643</u>	<u>\$26,761,475</u>	<u>\$88,238,118</u>	<u>\$89,448,685</u>

The accompanying notes are an integral part of these financial statements.

CITY OF WACONIA, MINNESOTA
STATEMENT OF ACTIVITIES
For The Year Ended December 31, 2012

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Charges For Services</u>
Primary government:		
Governmental activities:		
General government	\$2,563,632	\$752,557
Public safety	1,163,868	734,353
Public works	3,686,528	17,307
Parks and recreation	1,964,229	929,419
Economic development	47,448	(15,126)
Interest on long-term debt	976,845	-
Total governmental activities	<u>10,402,550</u>	<u>2,418,510</u>
Business-type activities:		
Water	1,692,319	1,437,708
Sewer	2,629,443	1,659,623
Storm water	603,080	457,215
Street lighting	186,328	214,502
Ice arena	746,809	313,038
Total business-type activities	<u>5,857,979</u>	<u>4,082,086</u>
Total primary government	<u>\$16,260,529</u>	<u>\$6,500,596</u>

The accompanying notes are an integral part of these financial statements.

Program Revenues		Net (Expense) Revenue and Changes in Net Assets Primary Government			
Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Totals	
				2012	2011
\$5,448	\$ -	(\$1,805,627)	\$ -	(\$1,805,627)	(\$1,719,674)
112,875	-	(\$316,640)	-	(\$316,640)	(478,713)
27,623	1,769,958	(\$1,871,640)	-	(\$1,871,640)	(2,172,195)
43	6,600	(\$1,028,167)	-	(\$1,028,167)	(962,298)
-	-	(\$62,574)	-	(\$62,574)	(113,644)
-	-	(\$976,845)	-	(\$976,845)	(1,180,619)
<u>145,989</u>	<u>1,776,558</u>	<u>(6,061,493)</u>	<u>0</u>	<u>(6,061,493)</u>	<u>(6,627,143)</u>
-	596,665	\$ -	\$342,054	342,054	(21,192)
-	603,990	-	(365,830)	(365,830)	(112,670)
-	227,306	-	81,441	81,441	55,487
-	-	-	28,174	28,174	10,491
-	-	-	(433,771)	(433,771)	(469,744)
<u>0</u>	<u>1,427,961</u>	<u>0</u>	<u>(347,932)</u>	<u>(347,932)</u>	<u>(537,628)</u>
<u>\$145,989</u>	<u>\$3,204,519</u>	<u>(6,061,493)</u>	<u>(347,932)</u>	<u>(6,409,425)</u>	<u>(7,164,771)</u>
General revenues:					
Property taxes		4,867,392	-	4,867,392	4,745,665
Tax Increment		19,620	-	19,620	43,280
Lodging taxes		33,749	-	33,749	29,405
Grants and contributions not restricted to specific programs		-	-	-	-
Unrestricted investment earnings		166,658	111,439	278,097	332,185
Transfers		(305,000)	305,000	-	-
Total general revenues and transfers		<u>4,782,419</u>	<u>416,439</u>	<u>5,198,858</u>	<u>5,150,535</u>
Change in net position		<u>(1,279,074)</u>	<u>68,507</u>	<u>(1,210,567)</u>	<u>(2,014,236)</u>
Net position - January 1, as previously reported		62,755,717	26,692,968	89,448,685	90,358,917
Prior period adjustment		-	-	-	1,104,004
Net position - January 1, as restated		<u>62,755,717</u>	<u>26,692,968</u>	<u>89,448,685</u>	<u>91,462,921</u>
Net position - December 31		<u>\$61,476,643</u>	<u>\$26,761,475</u>	<u>\$88,238,118</u>	<u>\$89,448,685</u>

The accompanying notes are an integral part of these financial statements.

	General Fund (101)	Safari Island Special Revenue Fund (231)	Permanent Improvement Revolving Capital Project Fund (103)	Permanent Improvement Revolving Debt Service Fund (303)	Other Gov't Funds	Total Governmental Funds	
						2012	2011
Assets							
Cash and investments	\$1,981,197	\$126,854	\$1,040,114	\$4,267,322	\$1,632,842	\$9,048,329	\$9,799,452
Property taxes receivable	93,450	-	-	54,655	3,544	151,649	155,480
Special assessments receivable:							
Delinquent	136	-	-	941,256	-	941,392	610,910
Deferred	-	71	-	4,736,760	-	4,736,831	5,550,633
Accounts receivable - net	158,935	679	379,447	12,130	4,649	555,840	161,962
Interest receivable	198,938	-	-	-	-	198,938	179,256
Prepaid Expense	12,409	788	-	-	-	13,197	20,575
Due from other governmental units	72,789	-	255,828	8,062	672	337,351	158,709
Interfund loan receivable	100,000	-	-	-	-	100,000	100,000
Notes receivable - net	36,863	-	-	-	852,439	889,302	595,642
Restricted cash in escrow	-	-	10,417	436,895	-	447,312	12,148,571
Total assets	\$2,654,717	\$128,392	\$1,685,806	\$10,457,080	\$2,494,146	\$17,420,141	\$29,481,190
Liabilities and Fund Balance							
Liabilities:							
Accounts payable	\$298,636	\$67,657	\$75,424	\$ -	\$11,245	\$452,962	\$356,410
Contracts payable	-	-	100,421	-	-	100,421	61,536
Due to other governmental units	3,967	4,021	-	-	-	7,988	12,321
Salaries payable	96,211	23,705	-	-	-	119,916	84,653
Deposits payable	11,132	-	307,712	-	-	318,844	657,109
Deferred revenue	93,587	71	-	5,732,671	215,350	6,041,679	6,528,827
Interfund loan payable	-	-	-	-	-	-	-
Total liabilities	503,533	95,454	483,557	5,732,671	226,595	7,041,810	7,700,856
Fund balance:							
Nonspendable	12,409	788	-	-	-	13,197	20,575
Restricted	-	-	-	4,724,409	1,560,675	6,285,084	17,196,144
Committed	873,168	32,150	-	-	-	905,318	889,026
Assigned	-	-	1,202,249	-	706,876	1,909,125	2,540,980
Unassigned	1,265,607	-	-	-	-	1,265,607	1,133,609
Total fund balance (deficit)	2,151,184	32,938	1,202,249	4,724,409	2,267,551	10,378,331	21,780,334
Total liabilities and fund balance	\$2,654,717	\$128,392	\$1,685,806	\$10,457,080	\$2,494,146	\$17,420,142	\$29,481,190
Fund balance reported above						\$10,378,331	\$21,780,334
Amounts reported for governmental activities in the statement of net assets are different because:							
Capital assets used in governmental activities are not financial resources, and therefore, are not reported in the funds.						67,862,350	70,537,532
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds. Long-term liabilities at year end consist of:							
Bond principal payable and unamortized bond premium						(15,620,597)	(28,595,648)
Capital lease payable						(6,638,922)	(6,970,692)
Compensated absences payable						(213,759)	(198,043)
Other post employment benefit obligation						(58,920)	(30,201)
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds:							
Delinquent property taxes						151,649	155,480
Delinquent special assessments						941,392	610,910
Deferred special assessments						4,736,831	5,550,633
Deferred grants						211,806	211,806
Deferred charges						-	150,486
Governmental funds do not report a liability for accrued interest due and payable.						(273,518)	(446,880)
Net position of governmental activities						\$61,476,643	\$62,755,717

The accompanying notes are an integral part of these financial statements.

CITY OF WACONIA, MINNESOTA
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
For The Year Ended December 31, 2012

Statement 4

	General Fund (101)	Safari Island Special Revenue Fund (231)	Permanent Improvement Revolving Capital Project Fund (103)	Permanent Improvement Revolving Debt Service Fund (303)	Other Gov't'l Funds	Total Governmental Funds	
						2012	2011
Revenues:							
Property taxes	\$2,906,795	\$ -	\$ -	\$1,812,604	\$151,824	\$4,871,223	\$4,816,809
Tax Increment	-	-	-	-	19,620	19,620	43,280
Lodging taxes	-	-	-	-	33,749	33,749	29,405
Special assessments	-	-	-	674,933	-	674,933	1,267,620
Licenses and permits	640,048	-	-	-	-	640,048	359,829
Intergovernmental	131,946	-	1,550,442	-	-	1,682,388	270,575
Charges for services	825,528	909,310	-	-	14,155	1,748,993	1,779,391
Fines and forfeits	29,439	-	-	-	30	29,469	28,237
Investment income	72,717	-	40,270	1,081	52,590	166,658	167,438
Contributions and donations	14,000	43	-	-	-	14,043	28,177
Park land dedication	-	-	-	-	6,600	6,600	-
Developer reimbursements	-	-	-	27,903	-	27,903	89,645
Total revenues	4,620,473	909,353	1,590,712	2,516,521	278,568	9,915,627	8,880,406
Expenditures:							
Current:							
General government	\$1,398,453	\$ -	\$29	\$ -	\$28,850	\$1,427,332	1,400,275
Public safety	1,040,638	-	-	-	-	1,040,638	930,036
Public works	776,790	-	21,766	-	6,557	805,113	807,926
Parks and recreation	431,964	1,046,221	2,042	-	7,321	1,487,548	1,432,244
Economic development	667	-	-	-	46,781	47,448	117,444
Capital outlay:							
General government	-	-	32,141	-	8,337	40,478	80,194
Public safety	-	-	2,000	-	12,825	14,825	720,915
Public works	-	-	1,360,024	-	111,133	1,471,157	264,567
Parks and recreation	-	-	368,581	-	-	368,581	87,820
Debt service:							
Principal	-	10,868	-	13,090,000	255,902	13,356,770	2,931,506
Interest and Fees	-	329	-	863,558	88,852	952,739	1,102,155
Total expenditures	3,648,512	1,057,418	1,786,584	13,953,558	566,558	21,012,630	9,875,083
Revenues over (under) expenditures	971,961	(148,065)	(195,872)	(11,437,037)	(287,990)	(11,097,003)	(994,677)
Other financing sources (uses):							
Bonds Issued	-	-	-	-	-	-	11,995,000
Bond Premium	-	-	-	-	-	-	749,254
Transfers in	211,736	165,000	-	615,000	669,033	1,660,769	2,091,233
Transfers out	(1,058,550)	-	(615,000)	-	(292,219)	(1,965,769)	(2,386,233)
Total other financing sources (uses)	(846,814)	165,000	(615,000)	615,000	376,814	(305,000)	12,449,254
Net change in fund balance	125,147	16,935	(810,872)	(10,822,037)	88,824	(11,402,003)	11,454,579
Fund balance - January 1	2,026,037	16,003	2,013,121	15,546,446	2,178,727	21,780,334	10,325,755
Fund balance - December 31	\$2,151,184	\$32,938	\$1,202,249	\$4,724,409	\$2,267,551	\$10,378,331	\$21,780,334

The accompanying notes are an integral part of these financial statements.

CITY OF WACONIA, MINNESOTA
RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES OF
GOVERNMENTAL FUNDS
For The Year Ended December 31, 2012

Statement 5

	<u>2012</u>	<u>2011</u>
Amounts reported for governmental activities in the statement of activities are different because:		
Net changes in fund balance - total governmental funds (Statement 4)	(\$11,402,003)	\$11,454,579
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense:		
Depreciation	(3,451,637)	(3,496,913)
Capital outlay	1,895,041	1,153,496
Loss on disposal	(69,994)	(86)
Contributions of completed projects to other governmental entities are reported as an expense in the statement of activities.	(1,048,592)	(124,921)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds:		
Change in delinquent taxes	(3,831)	(71,144)
Change in deferred and delinquent special assessments	(483,320)	(943,436)
Principal payments on long-term debt and bond issuance costs are recognized as expenditures in the governmental funds but have no effect on the net assets in the statement of activities:		
Principal payments	13,356,770	2,931,506
Bond issuance costs and amortization thereof	(150,486)	150,486
Proceeds from long-term debt are recognized as another financing source in the governmental funds but have no effect on net assets in the statement of activities:		
Bond proceeds	-	(11,995,000)
Bond premium and amortization thereof	93,657	(749,254)
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. Expenses reported in the statement of activities include the effects of the changes in these expense accruals as follows:		
Change in compensated absences payable	(15,716)	(5,855)
Change in other post employment benefits payable	(28,719)	(10,862)
Change in accrued interest payable	173,362	(81,493)
Change in deferred interest expense	(143,606)	(147,459)
Change in net position of governmental activities (Statement 2)	<u>(\$1,279,074)</u>	<u>(\$1,936,356)</u>

The accompanying notes are an integral part of these financial statements.

	Business-Type Activities Enterprise Funds					Totals	
	Water (601)	Sewer (602)	Storm Water (655)	Street Light Utility (668)	Ice Arena (678)	2012	2011
	Assets:						
Current assets:							
Cash and cash equivalents	\$2,088,762	\$2,477,576	\$516,520	\$190,512	\$604	\$5,273,974	\$5,596,509
Due from other governments	-	-	-	-	-	-	-
Prepaid Expenses	-	-	-	-	1,473	1,473	1,473
Accounts receivable	137,075	177,910	67,762	21,047	-	\$403,794	360,464
Total current assets	<u>2,225,837</u>	<u>2,655,486</u>	<u>584,282</u>	<u>211,559</u>	<u>2,077</u>	<u>5,679,241</u>	<u>5,958,446</u>
Noncurrent assets:							
Deferred charges	98,277	36,278	-	-	-	134,555	145,461
Capital assets:							
Land	74,045	55,000	77,000	-	-	206,045	206,045
Infrastructure	13,768,639	11,354,381	8,453,306	-	-	33,576,326	32,516,804
Buildings	9,880,592	303,447	-	-	6,127,687	16,311,726	16,311,725
Improvements	15,408	-	-	192,682	-	208,090	203,063
Equipment	265,431	432,466	15,256	4,292	-	717,445	770,834
Vehicles	157,191	382,501	61,707	1,357	-	602,756	643,055
Construction in progress	288,172	394,663	557,993	-	-	1,240,828	1,698,872
Total capital assets	<u>24,449,478</u>	<u>12,922,458</u>	<u>9,165,262</u>	<u>198,331</u>	<u>6,127,687</u>	<u>52,863,216</u>	<u>52,350,398</u>
Less: Allowance for depreciation	<u>(6,546,185)</u>	<u>(3,751,417)</u>	<u>(3,090,396)</u>	<u>(104,465)</u>	<u>(777,198)</u>	<u>(14,269,661)</u>	<u>(13,200,711)</u>
Net capital assets	17,903,293	9,171,041	6,074,866	93,866	5,350,489	38,593,555	39,149,687
Total noncurrent assets	<u>18,001,570</u>	<u>9,207,319</u>	<u>6,074,866</u>	<u>93,866</u>	<u>5,350,489</u>	<u>38,728,110</u>	<u>39,295,148</u>
Total assets	<u>20,227,407</u>	<u>11,862,805</u>	<u>6,659,148</u>	<u>305,425</u>	<u>5,352,566</u>	<u>44,407,351</u>	<u>45,253,594</u>
Liabilities:							
Current liabilities:							
Accounts payable	33,266	23,717	21,448	492	3,831	82,754	156,829
Contracts payable	3,051	14,667	4,606	-	-	22,324	30,512
Salaries and benefits payable	6,779	6,107	4,613	628	7,796	25,923	20,075
Accrued interest payable	128,518	69,367	-	-	12,205	210,090	219,949
Due to other governments	722	-	-	-	154	876	832
Deposits payable	3,250	-	-	-	-	3,250	4,750
Compensated absences payable - current	18,687	18,364	10,320	1,783	12,392	61,546	63,097
Bonds payable - current	375,000	255,000	-	-	241,019	871,019	840,433
Total current liabilities	<u>569,273</u>	<u>387,222</u>	<u>40,987</u>	<u>2,903</u>	<u>277,397</u>	<u>1,277,782</u>	<u>1,336,477</u>
Noncurrent liabilities:							
Compensated absences payable	8,387	8,241	4,632	800	5,562	27,622	22,873
Other post employment benefits	6,209	5,484	5,277	517	4,305	21,792	11,577
Interfund loan payable	-	-	-	-	100,000	100,000	100,000
Bonds payable	7,230,000	4,185,000	-	-	4,803,680	16,218,680	17,089,699
Total noncurrent liabilities	<u>7,244,596</u>	<u>4,198,725</u>	<u>9,909</u>	<u>1,317</u>	<u>4,913,547</u>	<u>16,368,094</u>	<u>17,224,149</u>
Total liabilities	<u>7,813,869</u>	<u>4,585,947</u>	<u>50,896</u>	<u>4,220</u>	<u>5,190,944</u>	<u>17,645,876</u>	<u>18,560,626</u>
Net position:							
Net investment in capital assets	10,298,293	4,731,041	6,074,866	93,866	305,790	21,503,856	21,219,555
Unrestricted	2,115,245	2,545,817	533,386	207,339	(144,168)	5,257,619	5,473,413
Net position	<u>\$12,413,538</u>	<u>\$7,276,858</u>	<u>\$6,608,252</u>	<u>\$301,205</u>	<u>\$161,622</u>	<u>\$26,761,475</u>	<u>\$26,692,968</u>

The accompanying notes are an integral part of these financial statements.

CITY OF WACONIA, MINNESOTA
STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
For The Year Ended December 31, 2012

Statement 7

	Business-Type Activities Enterprise Funds					Totals	
	Water (601)	Sewer (602)	Storm Water (655)	Street Light Utility (668)	Ice Arena (678)	2012	2011
	Operating revenues:						
Charges for services	\$1,329,086	\$1,625,603	\$404,397	\$214,008	\$261,415	\$3,834,509	\$3,600,776
Operating expenses:							
Wages and salaries	156,673	147,139	113,117	16,673	160,533	594,135	559,571
Employee benefits	55,526	50,354	39,082	5,082	47,912	197,956	183,485
Materials and supplies	165,610	35,705	25,230	3,138	13,614	243,297	163,028
Repairs and maintenance	38,643	27,035	7,684	556	24,700	98,618	156,040
Professional services	134,478	1,239,837	183,712	6,267	16,165	1,580,459	1,278,942
Insurance	23,887	13,280	10,330	5,421	10,145	63,063	64,070
Utilities	101,028	34,329	1,808	137,038	74,501	348,704	365,738
Depreciation	670,690	375,731	200,269	10,287	152,871	1,409,848	1,390,780
Equipment	7,655	9,091	9,014	1,432	2,128	29,320	24,108
Miscellaneous	10,718	9,319	4,090	434	12,131	36,692	34,782
Total operating expenses	1,364,908	1,941,820	594,336	186,328	514,700	4,602,092	4,220,544
Operating income (loss)	(35,822)	(316,217)	(189,939)	27,680	(253,285)	(767,583)	(619,768)
Nonoperating revenues (expenses):							
Investment income	35,997	54,257	17,020	4,165	-	111,439	164,748
Connection charges	596,665	603,990	227,306	-	-	1,427,961	700,000
Other income	108,622	34,020	52,818	494	51,623	247,577	161,813
Gain/(Loss) on disposal of asset	(1,856)	(503,362)	(8,744)	-	-	(513,962)	-
Interest expense	(325,555)	(184,261)	-	-	(232,109)	(741,925)	(779,673)
Total nonoperating revenues (expenses)	413,873	4,644	288,400	4,659	(180,486)	531,090	246,888
Income (loss) before transfers	378,051	(311,573)	98,461	32,339	(433,771)	(236,493)	(372,880)
Transfers:							
Transfers in	-	-	-	-	505,000	505,000	495,000
Transfers out	(75,000)	(75,000)	(50,000)	-	-	(200,000)	(200,000)
Total transfers	(75,000)	(75,000)	(50,000)	-	505,000	305,000	295,000
Change in net position	303,051	(386,573)	48,461	32,339	71,229	68,507	(77,880)
Net position - January 1	12,110,487	7,663,431	6,559,791	268,866	90,393	26,692,968	26,770,848
Net position - December 31	\$12,413,538	\$7,276,858	\$6,608,252	\$301,205	\$161,622	\$26,761,475	\$26,692,968

The accompanying notes are an integral part of these financial statements.

CITY OF WACONIA, MINNESOTA
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
For The Year Ended December 31, 2012

Statement 8

	Business-Type Activities Enterprise Funds					Totals	
	Water (601)	Sewer (602)	Storm Water (655)	Street Light Utility (668)	Ice Arena (678)	2012	2011
Cash flows from operating activities:							
Receipts from customers and users	\$1,325,677	\$1,617,635	\$372,656	\$213,112	\$262,098	\$3,791,178	\$3,581,097
Payment to suppliers	(492,809)	(1,410,055)	(233,398)	(179,243)	(168,357)	(\$2,483,862)	(2,020,134)
Payment to employees	(207,463)	(192,121)	(149,513)	(20,976)	(202,757)	(772,830)	(730,678)
Miscellaneous revenue	108,622	34,020	52,818	494	51,623	247,577	161,813
Net cash flows from operating activities	<u>734,027</u>	<u>49,479</u>	<u>42,563</u>	<u>13,387</u>	<u>(57,393)</u>	<u>782,063</u>	<u>992,098</u>
Cash flows from noncapital financing activities:							
Increase (decrease) in due to other funds	-	-	-	-	-	-	(49,543)
Transfer from other funds	-	-	-	-	505,000	505,000	495,000
Transfer to other funds	(75,000)	(75,000)	(50,000)	-	-	(200,000)	(200,000)
Net cash flows from noncapital financing activities	<u>(75,000)</u>	<u>(75,000)</u>	<u>(50,000)</u>	<u>-</u>	<u>505,000</u>	<u>305,000</u>	<u>245,457</u>
Cash flows from capital and related financing activities:							
Principal paid on debt	(365,000)	(245,000)	-	-	(230,433)	(840,433)	(810,312)
Interest paid on debt	(324,203)	(184,008)	-	-	(232,667)	(740,878)	(778,287)
Receipts from customers for construction	596,665	603,990	227,306	-	-	1,427,961	700,000
Bond proceeds	-	-	-	-	-	-	-
Acquisition of capital assets	(291,129)	(473,917)	(592,614)	(10,027)	-	(1,367,687)	(582,845)
Net cash flows from capital and related financing activities	<u>(383,667)</u>	<u>(298,935)</u>	<u>(365,308)</u>	<u>(10,027)</u>	<u>(463,100)</u>	<u>(1,521,037)</u>	<u>(1,471,444)</u>
Cash flows from investing activities:							
Investment income	35,997	54,257	17,020	4,165	-	111,439	164,748
Net increase (decrease) in cash and cash equivalents	311,357	(270,199)	(355,725)	7,525	(15,493)	(322,535)	(69,141)
Cash and cash equivalents - January 1	1,777,405	2,747,775	872,245	182,987	16,097	5,596,509	5,665,650
Cash and cash equivalents - December 31	<u>\$2,088,762</u>	<u>\$2,477,576</u>	<u>\$516,520</u>	<u>\$190,512</u>	<u>\$604</u>	<u>\$5,273,974</u>	<u>\$5,596,509</u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:							
Operating income (loss)	(\$35,822)	(\$316,217)	(\$189,939)	\$27,680	(\$253,285)	(\$767,583)	(\$619,768)
Adjustments to reconcile operating income (loss) to net cash flows from operating activities:							
Miscellaneous revenue	108,622	34,020	52,818	494	51,623	247,577	161,813
Depreciation	670,690	375,731	200,269	10,287	152,871	1,409,848	1,390,780
Changes in assets and liabilities:							
Decrease (increase) in accounts receivables	(3,409)	(7,968)	(31,741)	(896)	683	(43,331)	(19,678)
Increase (decrease) in accounts payables	(11,907)	(37,335)	13,387	(24,967)	(14,753)	(75,575)	60,733
Increase (decrease) contracts payable	853	(4,124)	(4,917)	-	-	(8,188)	5,785
Increase (decrease) in due to other governments	264	-	-	-	(220)	44	56
Increase (decrease) salaries payable	1,333	2,482	(302)	628	1,707	5,848	3,225
Increase (decrease) in compensated absences & OPEB	3,403	2,890	2,988	151	3,981	13,413	9,152
Total adjustments	<u>769,849</u>	<u>365,696</u>	<u>232,502</u>	<u>(14,303)</u>	<u>195,892</u>	<u>1,549,636</u>	<u>1,611,866</u>
Net cash provided by operating activities	<u>\$734,027</u>	<u>\$49,479</u>	<u>\$42,563</u>	<u>\$13,377</u>	<u>(\$57,393)</u>	<u>\$782,053</u>	<u>\$992,098</u>
Noncash investing, capital and financing activities:							
None							

The accompanying notes are an integral part of these financial statements.

CITY OF WACONIA, MINNESOTA
STATEMENT OF ASSETS AND LIABILITIES
FIDUCIARY FUNDS
December 31, 2012

Statement 9

	<u>2012</u>	<u>2011</u>
Assets:		
Cash and investments	<u>\$1,057</u>	<u>\$1,057</u>
Total assets	<u><u>\$1,057</u></u>	<u><u>\$1,057</u></u>
Liabilities:		
Accounts payable	<u>\$1,057</u>	<u>\$1,057</u>
Total liabilities	<u><u>\$1,057</u></u>	<u><u>\$1,057</u></u>

The accompanying notes are an integral part of these financial statements.

Note 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Waconia, Minnesota (the City) is a statutory City governed by an elected mayor and four council members. The financial statements of the City have been prepared in conformity with accounting principles generally accepted in the United States of America as applied to governmental units by the Governmental Accounting Standards Board (GASB). The following is a summary of the significant accounting policies.

A. FINANCIAL REPORTING ENTITY

As required by accounting principles generally accepted in the United States of America, the financial statements of the reporting entity include those of the City and its component units. Generally, component units are legally separate organizations for which the officials of the primary government are financially accountable.

COMPONENT UNITS

The City of Waconia, Minnesota has two component units, the Economic Development Authority (EDA) and the Waconia Housing and Redevelopment Authority (HRA). Both the EDA and HRA are considered component units because the governing boards are substantively the same as that of the City and because the City is in a relationship of financial burden with each of the entities.

The financial position and results of operations of the EDA and HRA component units are presented using the blended method. Blended component units, although legally separate entities, are, in substance, part of the City's operations and as such are reported as Special Revenue Funds, Debt Service Funds, Capital Project Funds and Enterprise Funds. The component units include Governmental Funds using the modified accrual basis of accounting. Separate financial statements are not prepared for the EDA or HRA.

RELATED ORGANIZATION

The Waconia Fire Relief Association (the Association) is organized as a nonprofit organization, legally separate from the City, by its members to provide pension and other benefits to such members in accordance with Minnesota Statutes. The Association's Board of Trustees is appointed by the membership of the Association and not by the City Council. All funding is conducted in accordance with Minnesota Statutes, whereby state aid flows to the Association, tax levies are determined by the Association and are only reviewed by the City and the Association pays benefits directly to its members. The Association may certify tax levies to Carver County directly if the City does not carry out this function. Because the Association is fiscally independent of the City, the financial statements of the Association have not been included within the City's reporting entity.

B. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

The government-wide financial statements (i.e., the statement of net position and the statement of changes in net position) report information on all of the nonfiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or business-type activity is offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or business-type activity. *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 business-type activity and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or business type activity. Taxes and other items not included among program revenues are reported instead as *general revenues*.

Separate financial statements are provided for governmental funds, 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.

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. The City's only fiduciary funds are agency funds. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

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 all revenues, except reimbursement grants, to be available if they are collected within 60 days of the end of the current fiscal period. Reimbursement grants are considered available if they are collected within one year 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, special assessments, intergovernmental revenues, charges for services and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received by the City.

CITY OF WACONIA, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
December 31, 2012

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 *Safari Island special revenue fund* accounts for the Safari Island operations. All revenues of the fund are committed for this purpose.

The *Permanent Improvement Revolving debt service fund* accounts for the debt service payments and financing activities of the City's PIR fund.

The *Permanent Improvement Revolving capital projects fund* accounts for the capital improvement activities of the City.

The City reports the following major proprietary funds:

The *Water Utility enterprise fund* accounts for the operations of the City's water utility.

The *Sewer Utility enterprise fund* accounts for the operations of the City's sewer utility.

The *Storm Water Utility enterprise fund* accounts for the operations of the City's storm water utility.

The *Street Light Utility enterprise fund* accounts for the operations of the City's street light utility.

The *Ice Arena enterprise fund* accounts for the operations of the City's ice arena.

Additionally, the City reports the following fund type:

The *Crime Prevention agency fund* is used to account for assets held by the City as an agent for individuals, private organizations, and other governments. The fund is custodial in nature and does not involve measurement of results of operation.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are transactions that would be treated as revenues, expenditures or expenses if they involved external organizations, such as buying goods and services or payments in lieu of taxes, are similarly treated when they involve other funds of the City. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

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

Proprietary funds distinguish *operating* revenues and expenses from *non-operating* 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 enterprise funds are charges for service. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and

depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

When both assigned and unassigned resources are available for an allowable use, it is the City's policy to use assigned resources first, then unassigned resources as they are needed.

D. BUDGETARY INFORMATION

Budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America. Annual appropriated budgets are adopted for the General, Special Revenue, Debt Service, Permanent Improvement Revolving and Enterprise Funds.

Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of monies are recorded in order to reserve that portion of the appropriation, is not employed by the City because it is at present not considered necessary to assure effective budgetary control or to facilitate effective cash management.

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

1. Prior to or in December of each year, the City Council adopts an annual budget. The amounts shown in the financial statements as "budget" represent the original budgeted amount and all revisions made during the year.
2. Budgetary control for Capital Project Funds is accomplished through the use of project controls.
3. Appropriations are authorized by the City Council at the fund level, which are the legal levels of budgetary control. Administrative controls are maintained through the establishment of more detailed line item budgets.
4. Any changes in the total budget of each fund must be approved by a majority vote of the City Council.

During 2012, the General fund had actual expenditures of \$3,648,512. This amount was over budgeted expenditures by \$89,512. Safari Island Special Revenue Fund had actual expenditures of \$1,057,418. This amount was under budgeted expenditures by \$53,610.

E. CASH AND INVESTMENTS

Cash and investment balances from all funds are pooled and invested to the extent available in authorized investments. Investment income is allocated to individual funds on the basis of the fund's equity in the cash and investment pool.

The City provides temporary advances to funds that have insufficient cash balances by means of an advance from another fund shown as due from other funds in the advancing fund, and due to other funds in the fund with the deficit, until adequate resources are received.

Investments are stated at fair value, based upon quoted market prices as of the balance sheet date.

For purposes of the statement of cash flows, the Proprietary Funds consider all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents. All of the cash and investments allocated to the Proprietary Fund types have original maturities of 90 days or less. Therefore the entire balance in such fund types is considered cash equivalents.

F. PROPERTY TAX REVENUE RECOGNITION

The City Council annually adopts a tax levy and certifies it to the County in December of each year for collection in the following year. The County is responsible for billing and collecting all property taxes for itself, the City, the local School District and other taxing authorities. Such taxes become a lien on January 1 and are recorded as receivables by the City at that date. Real property taxes are payable (by property owners) on May 15 and October 15 of each calendar year. Personal property taxes are payable by taxpayers on February 28 and June 30 of each year. These taxes are collected by the County and remitted to the City on or before July 15 and December 15 of the same year. Delinquent collections for November and December are received the following January. The City has no ability to enforce payment of property taxes by property owners. The County possesses this authority.

GOVERNMENT-WIDE FINANCIAL STATEMENTS

The City recognizes property tax revenue in the period for which the taxes were levied. Uncollectible property taxes are not material and have not been reported.

GOVERNMENTAL FUND FINANCIAL STATEMENTS

The City recognizes property tax revenue when it becomes both measurable and available to finance expenditures of the current period. In practice, current and delinquent taxes received by the City in July, December and January are recognized as revenue for the current year. Taxes collected by the County by December 31 (remitted to the City the following January) and taxes not received at year end are classified as property taxes receivable. The portion of delinquent taxes not collected by the City in January is fully offset by deferred revenue because they are not available to finance current expenditures.

G. SPECIAL ASSESSMENT REVENUE RECOGNITION

Special assessments are levied against benefited properties for the cost or a portion of the cost of special assessment improvement projects in accordance with State Statutes. These assessments are collectible by the City over a term of years usually consistent with the term of the related bond issue. Collection of annual installments (including interest) is handled by the County Auditor in the same manner as property taxes. Property owners are allowed to (and often do) prepay future installments without interest or prepayment penalties.

The City financed a project in 2009 and has handled the special assessment process in house for solely this project. Payments of principle and interest are due on a quarterly basis. If balances remain uncollected from throughout the year; the balances are then certified to property taxes through the County Auditor at the end of the year.

Once a special assessment roll is adopted, the amount attributed to each parcel is a lien upon that property until full payment is made or the amount is determined to be excessive by the City Council or court action. If special assessments are allowed to go delinquent, the property is subject to tax forfeit sale. Proceeds of sales from tax forfeit properties are remitted to the City in payment of delinquent special assessments. Pursuant to State Statutes, a property shall be subject to a tax forfeit sale after three years unless it is homesteaded, agricultural or seasonal recreational land in which event the property is subject to such sale after five years.

GOVERNMENT-WIDE FINANCIAL STATEMENTS

The City recognizes special assessment revenue in the period that the assessment roll was adopted by the City Council. Uncollectible special assessments are not material and have not been reported.

GOVERNMENTAL FUND FINANCIAL STATEMENTS

Revenue from special assessments is recognized by the City when it becomes measurable and available to finance expenditures of the current fiscal period. In practice, current and delinquent special assessments received by the City are recognized as revenue for the current year. Special assessments that are collected by the County by December 31 (remitted to the City the following January) are also recognized as revenue for the current year. All remaining delinquent, deferred and special deferred assessments receivable in governmental funds are completely offset by deferred revenues.

H. INVENTORIES

The original cost of materials and supplies has been recorded as expenditures at the time of purchase. The City does not maintain material amounts of inventories of goods and supplies.

I. PREPAID ITEMS

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements. Prepaid items are reported using the consumption method and recorded as expenditures/expenses at the time of consumption.

J. CAPITAL ASSETS

Capital assets which include; property, plant, equipment, infrastructure (e.g., roads, bridges, and sidewalks) and intangible assets (e.g., easements and computer software), 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 initial, individual cost of more than \$10,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

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 the year ended December 31, 2012, no interest was capitalized in connection with construction in progress.

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

Assets	
Permanent Easements	No Depreciation
Land	No Depreciation
Intangible Assets	No Depreciation
Buildings	40 years
Improvements	5 - 20 years
Furniture, Equipment, Software	5 - 10 years
Vehicles	5 - 20 years
Infrastructure	20 - 40 years

K. RECEIVABLES AND PAYABLES

Long-term interfund loans, if any, are classified as “interfund loan receivable/payable.” Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as “internal balances.”

Uncollectible property taxes and special assessments are not material and have not been reported. Notes receivable have been reported net of estimated uncollectible accounts which at December 31, 2012 was \$4,329. Because utility bills are considered liens on property, no estimated uncollectible amounts are established. Uncollectible amounts are not material for other receivables.

L. COMPENSATED ABSENCES

Employees accrue paid time off (PTO) based on years of service with the City. The maximum number of PTO hours that an employee may accrue is 432. Upon termination, employees are compensated for the full amount of unused PTO leave, provided they leave in good standing as specified in the personnel policy. Employees, who were eligible for an extended sick leave bank in 2009, were allowed to establish such a leave bank. No additional hours may be accrued to this bank and upon termination; a qualified employee will be compensated for 35% of their extended sick leave bank up to 336 hours. Accumulated PTO is accrued when incurred in proprietary

funds. 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. In accordance with the provisions of the Statement of Government Accounting Standards No. 16, *Accounting for Compensated Absences*, no liability is recorded for nonvesting accumulating rights to receive sick pay benefits.

M. 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 assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

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

N. FUND BALANCE CLASSIFICATIONS

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

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

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

Committed - consists of amounts that are constrained for specific purposes that are internally imposed by formal action (resolution) of the City Council. The committed amounts cannot be used for any other purpose unless the City Council removes or changes the specified use by resolution.

Assigned – consists of amounts intended to be used by the City for specific purposes but do not meet the criteria to be classified as restricted or committed:

- In governmental funds other than the General Fund, assigned fund balances represent the remaining amount that is not restricted or committed.
- In the General Fund, assigned amounts represent intended uses established by the governing body itself or by an official to which the governing body delegates the authority. Currently, no individual has been delegated this authority because no fund balance is assigned in the General Fund.

Unassigned – is the residual classification for the General Fund and also reflects negative residual amounts in other funds.

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

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

O. INTERFUND TRANSACTIONS

Interfund services provided and used are accounted for as revenues or expenditures. Transactions that constitute reimbursements to a fund for expenditures initially made from it that are properly applicable to another fund, are recorded as expenditures in the reimbursing fund and as reductions of expenditures in the fund that is reimbursed.

P. RESTRICTED ASSETS

Certain proceeds from the 2007 EDA Refunding Revenue Bonds have resources set aside for their repayment. These funds are classified as restricted assets in the financial statements. The funds are maintained in the City’s bank account and their use is limited by the debt agreement.

Q. NET ASSETS

Net assets represent the difference between assets and liabilities in the government-wide financial statements. Net investments in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balance of any long-term debt used to build or acquire the capital assets. Net assets are reported as restricted in the government-wide financial statements when there are limitations on their use through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

R. USE OF ESTIMATES

The preparation of financial statements in accordance with accounting principles generally accepted in the United States of America (GAAP) requires management to make estimates that affect amounts reported in the financial statements during the reporting period. Actual results could differ from such estimates.

S. RECLASSIFICATIONS

Certain amounts in the prior year have been reclassified to conform with the current year presentation.

T. COMPARATIVE TOTALS

The basic financial statements and schedules and combining fund financial statements include certain prior-year summarized comparative information in total but not at the level of detail required for a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the City's financial statements for the year ended December 31, 2011, from which the summarized information was derived.

Note 2 DEPOSITS AND INVESTMENTS

A. DEPOSITS

In accordance with Minnesota Statutes, the City maintains deposits at those depository banks authorized by the City Council, all of which are members of the Federal Reserve System.

Custodial Credit Risk - Custodial credit risk is the risk that in the event of a bank failure, the City's deposits may not be returned to it. The City has a deposit and investment policy which addresses custodial credit risk for deposits, stating the primary objectives, in priority order, of the investment activities shall be safety, liquidity and return. Minnesota Statutes require that insurance, surety bonds or collateral protect all City deposits. The market value of collateral pledged must equal 110% of deposits not covered by insurance or bonds. As of December 31, 2012, the bank balance of the City's deposits was covered by federal depository insurance or covered by collateral pledged and held in the City's name.

Minnesota Statutes require that securities pledged as collateral be held in safekeeping by the City Treasurer or in a financial institution other than that furnishing the collateral. Authorized collateral includes the following:

- a) United States government treasury bills, treasury notes and treasury bonds;
- b) Issues of United States government agencies and instrumentalities as quoted by a recognized industry quotation service available to the government entity;
- c) 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;
- d) General obligation securities of a local government with taxing powers may be pledged as collateral against funds deposited by that same local government entity;
- e) 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
- f) Time deposits that are fully insured by any Federal agency.

At December 31, 2012 the carrying amount of the City's deposits with financial institutions was \$3,692,068.

B. INVESTMENTS

Minnesota Statutes authorize the City to invest in the following:

- a) Direct obligations or obligations guaranteed by the United States or its agencies, its instrumentalities or organizations created by an act of congress, excluding mortgage-backed securities defined as high risk.
- b) Shares of investment companies registered under the Federal Investment Company Act of 1940 and whose only investments are in securities described in (a) above, general obligation tax-exempt securities, or repurchase or reverse repurchase agreements.
- c) State and local securities as follows:
 - 1) any security which is a general obligation of any state or local government with taxing powers which is rated "A" or better by a national bond rating service;
 - 2) any security which is a revenue obligation of any state or local government with taxing powers which is rated "AA" or better by a national bond rating service; and
 - 3) a general obligation of the Minnesota housing finance agency which is a moral obligation of the State of Minnesota and is rated "A" or better by a national bond rating agency.
- d) Bankers acceptance of United States banks.
- e) Commercial paper issued by United States corporations or their Canadian subsidiaries, of the highest quality, and maturing in 270 days or less.
- f) Repurchase or reverse repurchase agreements 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; certain Minnesota securities broker-dealers; or, a bank qualified as a depositor.
- g) General obligation temporary bonds of the same governmental entity issued under section 429.091, subdivision 7; 469.178, subdivision 5; or 475.61, subdivision 6.

CITY OF WACONIA, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
December 31, 2012

As of December 31, 2012 the City had the following investments and maturities:

Investment Type	Rating	Fair Value	Investment Maturities (in Years)		
			Less Than 1	1-5	6-10
Money Market	NR	\$607,935	\$607,935		
Brokered CD's	NR	7,030,201	3,361,451	3,512,079	156,671
Federal Home Loan Mtg Corp	Aaa	335,489			335,489
Federal Home Loan Bank	Aaa	604,302			604,302
Municipal Bonds	Aa1	740,689		740,689	
Municipal Bonds	Aa2	348,992		348,992	
Municipal Bonds	Aa3	962,886		962,886	
Total		<u>\$10,630,494</u>	<u>\$3,969,387</u>	<u>\$5,564,645</u>	<u>\$1,096,462</u>
			Total investments		\$10,630,494
			Deposits		3,692,067
			Restricted cash in escrow		447,312
			Petty cash		800
			Total cash and investments		<u>\$14,770,672</u>

Following is a reconciliation of the City's cash and investment balances as of December 31, 2012:

Cash and investments (statement 1)	\$14,322,303
Restricted cash in escrow (statement 1)	447,312
Fiduciary cash and investments (statement 9)	1,057
	<u>\$14,770,672</u>

C. INVESTMENT RISKS

The City is authorized to invest in government securities, certificates of deposit, prime commercial paper, any security which is a general obligation of the State of Minnesota or any of its municipalities, state-wide investment pools which invest in authorized instruments according to Minnesota Statutes 118A and money market mutual funds which invest in authorized investments according to Minnesota Statutes 118A. Specific risk information for the City is as follows:

Interest rate risk – This is the risk that market value of securities in a portfolio would decrease due to changes in market interest rates. The City's investment policy states the City will attempt to diversify its investments according to type and maturity. The portfolio, as much as possible, will contain both short-term and long-term investments. The City will attempt to match its investments with anticipated cash flow requirements.

Extended maturities may be utilized to take advantage of higher yields and to match investment maturities with debt obligation; however, no more than 20% of the total investments should extend beyond five years. Unless prior City Council approval is received, no investment with a maturity exceeding 10 years will be purchased. The City will attempt to diversify its investment

CITY OF WACONIA, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
December 31, 2012

portfolio according to broker-dealer or financial institutions. No more than 50% of the entire investments portfolio shall be held with one broker.

Credit risk – This is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. Minnesota Statutes 118A.04 and 118A.05 limits investments in the top two ratings issued by nationally recognized statistical rating organizations. The City’s investment policy does not specifically address credit risk.

Custodial credit risk – investments – For an investment, this is the risk that in the event of the failure of the counterparty, the City will not be able to recover the value of its investment or collateral securities that are in the possession of an outside party. The City’s investment policy addresses this risk and states that when a broker-dealer holds investments purchased by the City in safekeeping, the broker must provide asset protection of \$500,000 through the Securities Investor Protector Corporation (SIPC) and at least another \$49.5 million of supplemental insurance protections. As of December 31, 2012, all investments of the City were insured, registered and held by the City or its agent in the City’s name.

Concentration of credit risk – This is the risk of loss attributed to the magnitude of an investment in a single issuer. The City’s investment policy has addressed concentration of credit risk as to diversification so the impact of potential losses from any one type of security or from any one individual issuer will be minimized. The City’s investment policy states the City will attempt to diversify their investments according to type and maturity. As of December 31, 2012, the City was not exposed to concentration of credit risk because individual investments were not equal to or exceeding 5% of the City’s total investment portfolio.

CITY OF WACONIA, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
December 31, 2012

Note 3 RECEIVABLES

Significant receivables balances not expected to be collected within one year of December 31, 2012 are as follows:

	Primary Government			Total
	Major Funds			
	General	Permanent Improvement Revolving DSF	Nonmajor Funds	
Special assessments receivable	\$ -	\$5,464,017	\$ -	\$5,464,017
Property taxes receivable	45,672	26,712	1,732	74,116
Notes receivable	28,768	-	779,883	808,650
Interfund loan receivable	100,000	-	-	100,000
Other receivables	-	-	-	-
Total	\$174,440	\$5,490,729	\$781,615	\$6,446,783

Further details regarding the uncertainty of collection of special assessments receivable can be found at Note 9D.

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

	Unavailable	Unearned
Delinquent property taxes receivable (General Fund)	\$93,450	\$ -
Delinquent property taxes receivable (PIR Debt Service Fund)	54,655	-
Delinquent property taxes receivable (Nonmajor Funds)	3,544	-
Special assessments not yet due (PIR Debt Service Fund)	3,580,035	-
Special assessments not yet due (Safari Island Fund)	71	-
Delinquent special assessments receivable (General Fund)	136	-
Delinquent special assessments receivable (PIR Debt Service Fund)	941,256	-
Developer agreements receivable not yet due (PIR Debt Service Fund)	1,156,725	-
Developer note receivable not yet due (Nonmajor Funds)	211,806	-
Total deferred/unearned revenue	\$6,041,678	\$ -

CITY OF WACONIA, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
December 31, 2012

Note 4 INTERFUND LOANS RECEIVABLE/PAYABLE AND TRANSFERS

The City Council has approved one interfund loan. The loan was completed in 2006 and was from the Special Revenue fund committed for Economic Development to the Ice Arena fund for start-up expenditures. The City Council approved the close of the Special Revenue fund committed for Economic Development in 2011 in accordance with GASB Statement No. 54. Because of the close of this fund, the loan receivable is now recognized in the general fund.

Amounts reported as interfund receivable/payable at December 31, 2012 are as follows:

Major Funds:	<u>Interfund Loan Receivable</u>	<u>Interfund Loan Payable</u>
General Fund	100,000	-
Ice Arena	-	100,000
Total	<u>\$100,000</u>	<u>\$100,000</u>

Interfund transfers:

	<u>General</u>	<u>Safari Island</u>	<u>Permanent Improvement Revolving DSF</u>	<u>Ice Arena</u>	<u>Nonmajor</u>	<u>Total</u>
Transfers out:						
General Fund		\$165,000		\$505,000	\$388,550	\$1,058,550
PIR Capital			615,000			\$615,000
Nonmajor Funds	11,736				280,483	\$292,219
Water Fund	75,000					\$75,000
Sewer Fund	75,000					\$75,000
Stormwater Fund	50,000					\$50,000
Totals	<u>\$211,736</u>	<u>\$165,000</u>	<u>\$615,000</u>	<u>\$505,000</u>	<u>\$669,033</u>	<u>\$2,165,769</u>

Interfund transfers allow the City to allocate financial resources to the funds that receive benefit from services provided by another fund or to establish or close out funds. All of the City's interfund transfers fall under that category. All of the 2012 transfers are considered routine and consistent with previous practices.

CITY OF WACONIA, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
December 31, 2012

Note 5 CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2012 was as follows:

Primary Government	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Governmental activities:				
Capital assets, not being depreciated:				
Land and land improvements	\$4,996,187	\$ -	\$ -	\$4,996,187
Permanent easements	219,959	-	-	\$219,959
Construction in progress	679,469	846,449	(614,505)	\$911,413
Total capital assets, not being depreciated	<u>5,895,615</u>	<u>846,449</u>	<u>(614,505)</u>	<u>6,127,559</u>
Capital assets, being depreciated:				
Buildings	47,337,794	-	(1,791)	47,336,003
Machinery and equipment	1,728,859	69,861	(318,458)	1,480,262
Improvements	5,574,416	15,388	(113,108)	5,476,696
Infrastructure	40,757,052	475,160	(17,738)	41,214,474
Vehicles	3,266,170	70,864	(105,314)	3,231,720
Total capital assets, not being depreciated	<u>98,664,291</u>	<u>631,273</u>	<u>(556,409)</u>	<u>98,739,155</u>
Less accumulated depreciation for:				
Buildings	11,791,205	1,223,771	(130)	13,014,846
Machinery and equipment	1,315,807	109,931	(256,390)	1,169,348
Improvements	3,082,309	291,406	(109,324)	3,264,391
Infrastructure	16,110,735	1,662,347	(5,092)	17,767,990
Vehicles	1,722,318	164,183	(98,712)	1,787,789
Total accumulated depreciation	<u>34,022,374</u>	<u>3,451,638</u>	<u>(469,648)</u>	<u>37,004,364</u>
Total capital assets being depreciated - net	<u>64,641,917</u>	<u>(2,820,365)</u>	<u>(86,761)</u>	<u>61,734,791</u>
Governmental activities capital assets - net	<u>\$70,537,532</u>	<u>(\$1,973,915)</u>	<u>(\$701,266)</u>	<u>\$67,862,350</u>

CITY OF WACONIA, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
December 31, 2012

Business Type	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Business-type activities:				
Capital assets, not being depreciated:				
Land and land improvements	\$206,045	\$ -	\$ -	\$206,045
Construction in progress	1,698,873	1,367,686	(1,825,729)	1,240,830
Total capital assets, being depreciated	<u>1,904,918</u>	<u>1,367,686</u>	<u>(1,825,729)</u>	<u>1,446,875</u>
Capital assets, being depreciated:				
Buildings	16,311,726	-	-	16,311,726
Machinery and equipment	770,835	20,304	(73,694)	717,445
Improvements	203,063	10,027	(5,000)	208,090
Infrastructure	32,566,803	1,795,399	(785,876)	33,576,326
Vehicles	643,054	-	(40,300)	602,754
Total capital assets, being depreciated	<u>50,495,481</u>	<u>1,825,730</u>	<u>(904,870)</u>	<u>51,416,341</u>
Less accumulated depreciation for:				
Buildings	2,484,036	416,828	-	2,900,864
Machinery and equipment	398,595	49,154	(69,719)	378,030
Improvements	99,374	11,149	(1,188)	109,335
Infrastructure	9,791,992	897,047	(273,022)	10,416,017
Vehicles	468,028	35,672	(38,285)	465,415
Total accumulated depreciation	<u>13,242,025</u>	<u>1,409,850</u>	<u>(382,214)</u>	<u>14,269,661</u>
Total capital assets being depreciated - net	<u>37,253,456</u>	<u>415,880</u>	<u>(522,656)</u>	<u>37,146,680</u>
Business-type activities capital assets - net	<u>\$39,158,374</u>	<u>\$1,783,566</u>	<u>(\$2,348,385)</u>	<u>\$38,593,555</u>

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

Governmental activities:	
General government	\$1,110,107
Public safety	120,329
Public works, including depreciation of general infrastructure assets	1,822,154
Parks and recreation	399,047
Total depreciation expense - governmental activities	<u>\$3,451,637</u>
Business-type activities:	
Water	\$670,690
Sewer	375,730
Storm sewer	200,269
Street lighting	10,287
Ice arena	152,871
Total depreciation expense - business-type activities	<u>\$1,409,847</u>

CITY OF WACONIA, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
December 31, 2012

Note 6 LONG-TERM DEBTS

The City issues long-term debt to provide for the acquisition and construction of major capital facilities and improvement projects. The City's long-term debt is segregated between the amounts to be repaid from governmental activities and amounts to be repaid from business-type activities.

As of December 31, 2012, the long-term bonded debt of the financial reporting entity consisted of the following:

	Interest Rates	Issue Date	Maturity Date	Original Issue	Payable 12/31/12
Primary Government					
<u>Governmental Activities:</u>					
G.O. Improvement Bonds:					
Improvement Bonds of 2010A	2% - 3.75%	10/13/2010	2/1/2028	3,390,000	3,070,000
Improvement Bonds of 2011A	3.00%	9/13/2011	2/1/2018	11,265,000	11,165,000
Improvement Bonds for Equipment 2011A	3.00%	9/13/2011	2/1/2020	730,000	730,000
Total G.O. Improvement Bonds				<u>15,385,000</u>	<u>14,965,000</u>
Leases/Public Project Revenue Bonds:					
2007 EDA Refunding Revenue Bonds	4.35% - 4.50%	10/1/2007	10/1/2022	1,838,283	1,338,922
Capital leases:					
EDA Public Project Bonds of 2007C	3.88% - 4.00%	3/20/2007	2/1/2029	6,120,000	5,300,000
Total capital leases				<u>6,120,000</u>	<u>5,300,000</u>
Bond Premium					
Compensated absences					
Total governmental activities					
				<u>\$23,343,283</u>	<u>\$22,473,278</u>
<u>Business-Type Activities:</u>					
G.O. Revenue Bonds:					
Water Revenue Bonds of 2006A	4.00% - 4.25%	6/7/2006	2/1/2026	3,275,000	2,595,000
Sewer Revenue Bonds of 2006C	4.00% - 4.10%	9/26/2006	2/1/2026	5,105,000	4,100,000
Water Revenue Bonds of 2007B	3.88% - 4.25%	3/1/2007	2/1/2027	6,115,000	5,010,000
Sewer Revenue Refunding Bonds of 2009	2.5% - 3.75%	3/24/2009	6/1/2017	470,000	340,000
Total G.O. Revenue Bonds				<u>14,965,000</u>	<u>12,045,000</u>
Leases/Public Project Revenue Bonds:					
2007 HRA Public Project Revenue Bonds	2.45% - 4.40%	12/11/2007	12/11/2027	6,100,000	5,044,699
Compensated absences					
Total business-type activities					
				<u>N/A</u>	<u>89,168</u>
				<u>\$21,065,000</u>	<u>\$17,178,867</u>

For the governmental activities, compensated absences are generally liquidated by the General Fund.

CITY OF WACONIA, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
December 31, 2012

Annual debt service requirements to maturity for long-term debt are as follows:

Year Ending December 31	G.O. Improvement Bonds		Capital Leases/Public Project Revenue Bonds		G.O. Revenue Bonds		Leases/Public Project Revenue Bonds		Total	
	Governmental Activities		Governmental Activities		Business-Type Activities		Business-Type Activities		Primary Government	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2013	1,980,000	413,094	335,768	262,069	630,000	475,584	241,019	222,081	3,186,787	1,372,827
2014	2,035,000	354,469	350,856	248,068	665,000	450,554	252,091	211,008	3,302,947	1,264,099
2015	2,100,000	293,656	366,179	233,446	690,000	424,229	263,672	199,427	3,419,851	1,150,758
2016	2,170,000	230,444	381,746	218,192	720,000	396,842	275,785	187,314	3,547,531	1,032,792
2017	2,235,000	165,231	392,568	202,391	755,000	368,130	288,455	174,645	3,671,023	910,397
2018	2,195,000	99,669	413,658	185,935	790,000	337,884	301,706	161,393	3,700,364	784,880
2019	275,000	63,519	430,028	168,715	820,000	305,946	315,566	147,533	1,840,594	685,712
2020	280,000	55,991	446,691	150,815	805,000	273,165	330,064	133,036	1,861,755	613,007
2021	190,000	49,525	463,660	132,183	845,000	239,551	345,227	117,873	1,843,887	539,132
2022	195,000	44,109	457,768	112,759	885,000	204,055	361,086	102,013	1,898,854	462,936
2023	200,000	38,306	330,000	97,145	925,000	166,754	377,675	85,425	1,832,675	387,630
2024	210,000	32,156	345,000	83,814	975,000	127,244	395,025	68,075	1,925,025	311,289
2025	215,000	25,781	355,000	69,900	1,020,000	85,400	413,171	49,927	2,003,171	231,008
2026	220,000	18,981	370,000	55,400	1,070,000	41,565	432,153	30,946	2,092,153	146,892
2027	230,000	11,669	385,000	40,300	450,000	9,562	452,003	11,093	1,517,003	72,624
2028	235,000	3,966	400,000	24,600	-	-	-	-	635,000	28,566
2029	-	-	415,000	8,300	-	-	-	-	415,000	8,300
Total	<u>\$14,965,000</u>	<u>\$1,900,566</u>	<u>\$6,638,922</u>	<u>\$2,294,032</u>	<u>\$12,045,000</u>	<u>\$3,906,463</u>	<u>\$5,044,698</u>	<u>\$1,901,789</u>	<u>\$38,693,620</u>	<u>\$10,002,850</u>

CHANGE IN LONG-TERM LIABILITIES

Long-term liability activity for the year ended December 31, 2012, was as follows:

	Balance 12/31/11	Additions	Reductions	Balance 12/31/12	Due Within One Year
<u>Governmental Activities:</u>					
G.O. Improvement bonds	\$27,846,394	\$ -	\$12,881,394	\$14,965,000	\$1,980,000
Leases/Public Project Revenue bonds	1,444,824	-	105,902	1,338,922	110,768
Capital leases	5,525,868	-	225,868	5,300,000	225,000
Bond Premium	749,254	-	93,657	655,597	93,657
Compensated absences	198,043	178,322	162,606	213,759	153,201
Total governmental activities	<u>\$35,764,383</u>	<u>\$178,322</u>	<u>\$13,469,427</u>	<u>\$22,473,278</u>	<u>\$2,562,626</u>
<u>Business Type Activities:</u>					
G.O. Revenue bonds	\$12,655,000	\$ -	\$610,000	\$12,045,000	\$630,000
Leases/Public Project Revenue bonds	5,275,131	-	230,433	5,044,699	241,019
Compensated absences	85,970	63,955	60,757	89,168	61,546
Total business type activities	<u>\$18,016,101</u>	<u>\$63,955</u>	<u>\$901,190</u>	<u>\$17,178,867</u>	<u>\$932,565</u>

ADVANCED REFUNDING

On September 13, 2011, the City issued \$11,995,000 in General Obligation Bonds Series 2011A with an average interest rate of 3.00% for refunding of General Obligation Improvement Bonds Series 2007A and 2006B in addition to new funds for the purchase of an aerial ladder fire truck.

The City advance refunded \$10,615,000 of outstanding 2007A Series Bonds with an average interest rate of 4.00%. The net proceeds were used to purchase U.S. government securities in the amount of

CITY OF WACONIA, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
December 31, 2012

\$11,156,212. Those securities were deposited in an irrevocable trust with an escrow agent to provide for the interest on the refunding bonds through the crossover date and called principal on the refunded bonds on February 1, 2012. The City advance refunded the 2007A General Obligation Improvement Bonds to reduce its total debt service payments over the next 7 years by \$877,734 and to obtain an economic gain (difference between the present value of the debt service payments on the old and new debt) of \$841,661.

The City was responsible for the debt service of the refunded bonds through the crossover date (February 1, 2012) and the debt service of the refunding bonds after the crossover date. The debt service of the refunding bonds through the crossover date is payable from the escrow account. Assets held in escrow were liquidated and the bonds were paid in full on February 1, 2012.

LEASES/PUBLIC PROJECT REVENUE BONDS

During 2000, the Waconia EDA entered into a lease agreement with Independent School District No. 110 for a portion of a building to be used for Community Center operations. As authorized by the Community Center Lease Agreement, the Waconia EDA also entered into an agreement to sublease the Community Center to the City. Community Center Public Project Revenue Bonds of \$3,250,000 were issued by the Waconia EDA during 2000 to fund a portion of the Community Center construction.

During 2007, the Waconia EDA refunded the bonds in an amount of \$1,838,283, which amends the lease payments made by the City under a sublease agreement. The lease payments approximate debt service on the bonds.

During 2007, the Waconia HRA entered into a lease agreement to sublease the ice arena to the City. Public Project Revenue Bonds of 2007 were issued by the Waconia HRA in the amount of \$6,100,000 during 2007 to fund a portion of the ice arena construction. The lease payments approximate debt service on the bonds.

CAPITAL LEASES PAYABLE

EDA PUBLIC PROJECT BONDS OF 2007C (PUBLIC SERVICES FACILITY)

During 2007, the Waconia EDA issued \$6,120,000 Public Project Revenue Bonds of 2007C. The proceeds were used by the City for construction of a public services facility, which the City is leasing from the Waconia EDA with an option to purchase. Lease payments made by the City approximate the debt service on the bonds. The cost of the assets acquired through the lease was \$5,580,750 and accumulated depreciation on these assets at December 31, 2012 is \$677,797.

CITY OF WACONIA, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
December 31, 2012

REVENUE PLEDGED

Future revenue pledged for the payment of long-term debt is as follows:

Bond Issue	Use of Proceeds	Revenue Pledged			Remaining Principal and Interest	Current Year	
		Type	Percent of Total Debt Service	Term of Pledge		Principal and Interest Paid	Pledged Revenue Received
Improvement Bonds of 2011A	Infrastructure improvements	Special assessments	72%	2011-2018	\$12,193,026	\$397,023	\$39,348
Water Revenue Bonds of 2006A	Infrastructure improvements	Water usage charges	100%	2007-2025	\$3,430,221	\$239,438	\$1,329,086
Sewer Revenue Bonds of 2006C	Infrastructure improvements	Sewer usage charges	100%	2007-2025	\$5,398,417	\$369,795	\$1,625,603
Water Revenue Bonds of 2007B	Infrastructure improvements	Water usage charges	100%	2007-2026	\$6,741,525	\$443,866	\$1,329,086
Sewer Revenue Bonds of 2009A	Infrastructure improvements	Sewer usage charges	100%	2010-2019	\$381,300	\$56,313	\$1,625,603
2007 HRA Public Project Revenue	Ice Arena	Arena usage charges WHA commitment *	100%	2008-2027	\$6,946,487	\$463,099	\$261,415

*The 2007 HRA Public Project Revenue Bonds issued for the purpose of constructing an ice arena have a commitment from the Waconia Hockey Association for a total annual capital contribution of \$50,000.

Note 7 PENSION PLANS

A. PUBLIC EMPLOYEES RETIREMENT ASSOCIATION DEFINED BENEFIT PLANS

PLAN DESCRIPTION –

All full-time and certain part-time employees of the City are covered by defined benefit plans administered by the Public Employees Retirement Association of Minnesota (PERA). PERA administers the General Employee Retirement Fund (GERF) and the Public Employee 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, firefighters and peace officers who qualify for membership by statute are covered by the PEPFF.

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

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

PERA issues a publicly available financial report that includes financial statements and required supplementary information for GERF and PEPFF. That report may be obtained on the internet at www.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.

FUNDING POLICY

Minnesota Statutes Chapter 353 sets the rates for employer and employee contributions. These statutes are established and amended by the state legislature. The City makes annual contributions to the pension plans equal to the amount required by state statutes. GERF Basic Plan members and Coordinated Plan members were required to contribute 9.1% and 6.25%, respectively, of their annual covered salary in 2012. PEPFF members were required to contribute 9.6% of their annual covered salary in 2012. The City is required to contribute the following percentages of annual covered payroll: 11.78% for Basic Plan GERF members, 7.25% for Coordinated Plan GERF members, and 14.4% for PEPFF members. The City's contributions to the General Employees Retirement Fund for the years ending December 31, 2012, 2011, and 2010 were \$150,904, \$142,587, and \$140,012 respectively. The City's contributions were equal to the contractually required contributions for each year as set by state statute.

B. RETIREMENT – WACONIA FIRE RELIEF ASSOCIATION

PLAN DESCRIPTION

All members of the Waconia Fire Department are covered by a defined benefit plan administered by the Waconia Fire Relief Association. The plan is a single employer retirement plan and is established and administered in accordance with Minnesota Statute, Chapter 69. The Association is comprised of volunteers and therefore there is no covered payroll.

The Relief Association provides retirement benefits as well as disability benefits to members, and benefits to survivors upon death of eligible members. Benefits are established in accordance with State Statute, and vest after ten years of credited service. The defined retirement benefits are based on a member’s years of service. Benefit provisions can be amended by the Relief Association within the parameters provided by State Statutes.

The Relief Association issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to Waconia Fire Relief Association, 26 Maple Street South, Waconia, Minnesota, 55387.

FUNDING POLICY

Minnesota Statutes Chapter 69.772 sets the minimum contribution requirement for the City of Waconia and State Aid on an annual basis. These statutes are established and amended by the state legislature. The Association is comprised of volunteers; therefore, members have no contribution requirements. During 2012, the City recognized as revenue and as an expenditure on-behalf payments of \$58,903 made by the State of Minnesota for the Fire Relief Association. The City’s annual pension cost and related information for the three most recent years available (2009-2011) is as follows:

Annual pension cost - total	\$68,982
Contributions made	
City	\$15,862
State aid - pass-through	\$53,120
Actuarial valuation date	12/31/11
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
Statutory assumptions:	
Investment rate of return	5%
Administrations expense increase	3.5%
State aid contribution	100%
Amortization of pension benefit surplus	10%

CITY OF WACONIA, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
December 31, 2012

THREE-YEAR TREND INFORMATION

<u>Year Ended</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
12/31/2009	52,919	100%	-
12/31/2010	69,389	100%	-
12/31/2011	68,982	100%	-

REQUIRED SUPPLEMENTARY INFORMATION

<u>Valuation Date</u>	<u>Statutory Value of Assets</u>	<u>Statutory Accrued Liability (AAL)</u>	<u>(Unfunded)/ Assets in Excess of SAL (USAL)</u>	<u>Funded Ratio</u>
12/31/2009	849,143	984,203	(135,060)	86%
12/31/2010	987,131	988,230	(1,099)	100%
12/31/2011	802,285	857,358	(55,073)	94%

Note 8 OTHER POST-EMPLOYMENT BENEFITS

In 2009, the City prospectively implemented the requirement of a new accounting pronouncement, GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other than Pensions*.

A. PLAN DESCRIPTION

In addition to providing the pension benefits described in Note 7, the City provides post-employment health care benefits (as defined in paragraph B) for retired employees through a single-employer defined benefit plan. The City of Waconia, Minnesota OPEB plan is administered by the City. The authority to provide these benefits is established in Minnesota Statutes Sections 471.61 Subd. 2a, and 299A.465. The benefits, benefit levels, employee contributions and employer contributions are governed by the City and can be amended by the City through its personnel manual and collective bargaining agreements with employee groups. The Plan is not accounted for as a trust fund, as an irrevocable trust has not been established to account for the plan. The Plan does not issue a separate report.

B. BENEFITS PROVIDED

Retirees

The City is required by State Statute to allow retirees to continue participation in the City's group health insurance plan if the individual terminates service with the City through service retirement or disability retirement. Employees who satisfy the rule of 90 or attain age 55 and have completed 3 years of service at termination can immediately commence medical benefits. Retirees may obtain dependent coverage while the participating retiree is under age 65. Covered spouses may

CITY OF WACONIA, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
December 31, 2012

continue coverage after the retiree's death. The surviving spouse of an active employee may continue coverage in the group health insurance plan after the employee's death.

All health care coverage is provided through the City's group health insurance plans. The retiree is required to pay 100% of their premium cost for the City-sponsored group health insurance plan in which they participate. The premium is a blended rate determined on the entire active and retiree population. Since the projected claims costs for retirees exceed the blended premium paid by retirees, the retirees are receiving an implicit rate subsidy (benefit). The coverage levels are the same as those afforded to active employees. Upon a retiree reaching age 65 years of age, Medicare becomes the primary insurer and the City's plan becomes secondary.

C. PARTICIPANTS

As of the most recent valuation dated January 1, 2012 participants consisted of:

Retirees and beneficiaries currently purchasing health insurance through the City	-
Active employees	<u>39</u>
Total	<u><u>39</u></u>
Participating employers	<u>1</u>

D. FUNDING POLICY

The additional cost of using a blended rate for actives and retirees is currently funded on a pay-as-you-go basis. The City Council may change the funding policy at any time.

E. ANNUAL OPEB COSTS AND NET OPEB OBLIGATION

The City's annual other post-employment benefit (OPEB) cost is calculated based on the annual required contribution (ARC) of the employer, an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed 30 years. The net OPEB obligation as of December 31, 2012, was calculated as follows:

Annual required contribution (ARC)	\$39,680
Interest on net OPEB obligation	1,671
Adjustment to ARC	<u>(2,417)</u>
Annual OPEB cost	38,934
Contributions made during the year	<u>-</u>
Increase in net OPEB obligation	38,934
Net OPEB obligation - beginning of year	<u>41,778</u>
Net OPEB obligation - end of year	<u><u>\$80,712</u></u>

CITY OF WACONIA, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
December 31, 2012

The net OPEB obligation is allocated as follows:

Governmental Activities:	\$58,920
Business Type Activities:	<u>\$21,792</u>
	<u>\$80,712</u>

For governmental activities, the net OPEB obligation is generally liquidated by the General Fund. The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2010, 2011, and 2012 are listed below:

<u>Fiscal Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Employer Contributions</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
December 31, 2010	\$25,790	\$13,643	52.9%	\$27,881
December 31, 2011	\$26,276	\$12,379	47.1%	\$41,778
December 31, 2012	\$38,934	\$ -	0.0%	\$80,712

F. FUNDED STATUS AND FUNDING PROGRESS

The City currently has no assets that have been irrevocably deposited in a trust for future health benefits; therefore, the actuarial value of assets is zero. The funded status of the plan was as follows:

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets (a)</u>	<u>Actuarial Accrued Liability (AAL)* (b)</u>	<u>Unfunded Actuarial Accrued Liability (UAAL) (b-a)</u>	<u>Funded Ratio (a/b)</u>	<u>Estimated Covered Payroll (c)</u>	<u>UAAL as a Percentage of Covered Payroll ((b-a) / c)</u>
January 1, 2012	<u>\$ -</u>	<u>\$223,894</u>	<u>\$223,894</u>	<u>0.0%</u>	<u>\$2,373,366</u>	<u>9.4%</u>

*Using the entry age normal actuarial pay cost method.

G. ACTUARIAL METHODS AND ASSUMPTIONS

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the health care cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions (ARC) of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to financial statements, presents multi-year trend information that shows whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include

techniques that are designed to reduce the effect of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the January 1, 2012 actuarial valuation, the Projected Unit Credit cost method was used. The actuarial assumptions included a 4.0% investment rate of return (net of administrative expenses) and an initial annual health care cost trend rate of 10% reduced by .5% each year to arrive at an ultimate health care cost trend rate of 5.0%. The actuarial value of assets was \$0. The plan's unfunded actuarial accrued liability is being amortized as a level dollar amount over 30 years on an open basis which is restarted with each valuation. The remaining amortization period at December 31, 2012, was 29 years.

Note 9 CONTINGENCIES

A. LITIGATION

Existing and pending lawsuits, claims and other actions in which the City is a defendant are either covered by insurance; of an immaterial amount; or, in the judgment of the City's management, remotely recoverable by plaintiffs.

B. FEDERAL AND STATE FUNDS

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

C. 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.

D. COLLECTION OF SPECIAL ASSESSMENTS RECEIVABLE

The City of Waconia and Plowshares Development, Inc. entered into a master development agreement on July 13, 2007 for development and infrastructure improvements otherwise known as the Interlaken Development. The City issued 429 Special Assessment Bonds in order to finance the improvements. Special assessments were certified to the tax rolls with the first scheduled assessment principal and interest payments due in 2008.

In late 2008, the City was notified that Plowshares Development failed to make the second half special assessment payment due in 2008. As expected, the City did not receive scheduled special assessment payments from Plowshares Development in 2009 and 2010. The City received a

CITY OF WACONIA, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
December 31, 2012

payment in 2011 totaling \$89,645 which represented a portion of the judgement and court claim against Plowshares Development and Lakeland Construction.

In 2012, a developer purchased all of the single family home lots and paid all delinquent taxes and assessments left unpaid by Plowshares Development. There are four unsold parcels remaining in the Interlaken Development previously owned by Plowshares Development that were moved to tax forfeiture status as of December 31, 2012.

Also in 2012, a developer purchased two of the five parcels involved in the “Parcel C” agreement and paid all outstanding assessments. They are in the process of annexing the parcels into City limits. The three remaining property owners involved in the “Parcel C” agreement settled on deferred assessments to their parcels which were certified to the County in 2012 and will be paid at the time the property is sold or developed.

The City has budgeted for interfund transfers from the PIR capital project fund to the PIR debt service fund to ensure that cash is available for the bond payments. Total special assessments outstanding due from Plowshares Development at December 31, 2012 are approximately \$3,026,751, including \$940,543 of delinquent assessments.

Note 10 COMMITMENTS

As of December 31, 2012, the City was committed to the contracts listed below:

	<u>Contract Authorization</u>	<u>Expended as of 12/31/12</u>	<u>Remaining Commitment</u>
Oertel Architechts			
Fire Station Stabalization	\$10,475	\$2,000	\$8,475
Minger Construction			
Sugarbush	581,516	501,426	80,090
Brook Peterson Park Trail	159,768	152,083	7,685
Widmer Construction			
2012-2013 Pond Excavation	86,066	43,907	42,158
	<u>\$837,825</u>	<u>\$699,416</u>	<u>\$138,408</u>

In addition to the above commitments, the City entered into a \$611,260 contract in April 2013 for the 2013 Infrastructure Improvement Project.

Note 11 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.

Workers compensation coverage is provided through a pooled self-insurance program through the League of Minnesota Cities Insurance Trust (LMCIT). The City pays an annual premium to LMCIT. The City is subject to supplemental assessments if deemed necessary by the LMCIT. The LMCIT reinsures through Workers Compensation Reinsurance Association (WCRA) as required by law. For workers compensation, the City is subject to a deductible of \$500 per occurrence. The City’s workers compensation coverage is

CITY OF WACONIA, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
December 31, 2012

retrospectively rated. With this type of coverage, final premiums are determined after loss experience is known. The amount of premium adjustment, if any, is considered immaterial and not recorded until received or paid.

Property and casualty insurance coverage is provided through a pooled self-insurance program through the LMCIT. The City pays an annual premium to the LMCIT. The City is subject to supplemental assessments if deemed necessary by the LMCIT. The LMCIT reinsures through commercial companies for claims in excess various amounts. For property and casualty coverage, the City has a \$500 deductible per occurrence with no annual maximum.

The City carries commercial insurance for all other risks of loss, including life, employee health and accident insurance.

There were no significant reductions in insurance from the previous year or settlements in excess of insurance coverage for any of the past three fiscal years.

Note 12 CONDUIT DEBT

The City issued debt on behalf of the following entities to provide financial assistance for projects that are deemed to be in the public interest. The City is not obligated in any matter, as the bonds do not constitute a general obligation or indebtedness of the City, and are payable solely from revenues pledged from the entities below. At December 31, 2012, the aggregate principal amount of the conduit debt obligation outstanding amounted to:

<u>Entity</u>	<u>Principal Balance</u>
St. Joseph Catholic School	\$1,019,432
Trinity Lutheran School	3,594,091
Good Samaritan	640,000
Millitronics	800,000
Auburn Meadows	8,500,000
Ridgeview Medical Center	<u>2,200,164</u>
Total	<u>\$16,753,687</u>

CITY OF WACONIA, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
December 31, 2012

Note 13 OPERATING LEASE

During 2012, the City leased exercise equipment for the Safari Island Community Center. The lease is payable in monthly installments of \$1,580 and matures in September 2016. Total rental expense was \$4,739 for 2012. Future minimum payments on the lease are as follows:

<u>Year</u>	<u>Payments</u>
2013	\$18,955
2014	18,955
2015	18,955
2016	<u>14,216</u>
Total	<u>\$71,081</u>

Note 14 LEASE REVENUE

A. CELL TOWER LEASE REVENUE

The City receives revenue from agreements for the lease of space above its water towers and on City property to communication companies. The space is used for antennas and other equipment necessary to provide radio communications. For accounting purposes, the leases are considered operating leases. Lease revenue for the year ended December 31, 2012 totaled \$146,471. Terms of each lease are as follows:

<u>Lessee</u>	<u>Terms</u>	<u>Current Term</u>
AT&T	\$17,405 per year with 4.5% term increases	1/1/2008-12/31/2012
T-Mobile	\$14,570 per year with 4.5% annual increases	1/1/2008-12/31/2012
Verizon	\$23,618 per year with 5% annual increases	1/1/2012-12/31/2016
Sprint/Nextel	\$23,619 per year with 5% annual increases	1/1/2006-12/31/2015
Sprint/Nextel	\$15,225 per year with 5% annual increases	1/1/2004-12/31/2013
Sprint/Spectrum	\$22,500 per year with 4% annual increases	8/25/2010-12/31/2015
TTM	\$3,600 per year with 4% annual increases	9/1/2012-9/1/2013

B. OLD PUBLIC WORKS FACILITY

The City receives revenue for the lease of the old public works facility at 1250 Highway 284 which at year end had a cost of \$267,233 and a net book value of \$92,696. For accounting purposes, the lease is considered an operating lease. The lease agreement requires monthly base rent payments of \$3,210 through June 2016. Upon expiration of the initial term, the term of the lease automatically renews for successive terms of one year each until either the City or lessee gives written notice of termination. For each renewal term, the base rent amount shall be an amount equal to the base rent paid during the preceding year plus four percent (4%).

The lease agreement requires additional rent equal to the tenant's share of operating costs. For 2012, the monthly base rent was \$3,210 and the monthly additional rent was \$765 for January through September and \$790 per month for October through December.

C. RIDGEVIEW MEDICAL CENTER

The City receives revenue for the lease of the hospital known as Ridgeview Medical Center, which at year end had a cost of \$34,968,602 and a net book value of \$24,438,080. For accounting purposes, the lease is considered an operating lease. The initial lease term is for the period January 1, 2000 to December 31, 2029. Provided the lessee is then in material compliance with all terms and conditions of the lease agreement, the lessee may renew the agreement for one additional term of January 1, 2030 to December 31, 2059.

The lease agreement requires the lessee to pay “base rent” and “additional rent.” The base rent is an amount equal to the debt service on debt obligations that were outstanding at the inception of the lease. These debt obligations have been extinguished.

As payment for the non-bond financed assets, the lessee will pay additional rent (“additional rent”) to the City. The additional rent for years 1 through 10 of the initial term shall equal the hospital system’s 7 year rolling average of income from operations (beginning with the average for fiscal years 1993 through 1999), with a minimum annual payment of \$325,000 and a maximum annual payment of \$425,000 per year.

During the years 11-20, 21-30 (and 31-40, 41-50 and 51-60, if lessee renews the agreement pursuant to Section 2.2 of the agreement) of the term, additional rent shall be determined by the same formula as above, except the minimum annual payment for each applicable ten-year period shall be equal to the average of the annual payments made by lessee to the City during the previous ten years of annual payments. The maximum annual payment during each of such ten (10) year terms for each such period shall be \$100,000 more than the minimum.

Lease revenue for the year ended December 31, 2012 totaled \$325,000.

D. SAFARI ISLAND COMMUNITY CENTER

The City receives revenue from a shared use agreement with ISD No. 110. The term of the agreement is March 2000 through February 2030. The lease agreement requires payment of \$105,000 per year payable in twelve equal monthly payments for the first twenty years of the agreement. However, for each year of the first 20 years of the agreement, the annual amount payable shall be the payment amount for the preceding year increased by one percent (1%). For years 21 through 30, the annual payment shall be the payment amount for the preceding year without further increase.

Note 15 TAX INCREMENT DISTRICTS

The City of Waconia has three tax increment districts.

A. TAX INCREMENT FINANCING DISTRICT NO. 1 (WORKFORCE HOUSING)

Tax increment derived from the Workforce Housing TIF District is being used to make payments towards an outstanding tax increment pay-as-you-go revenue note. The note is not a general obligation of the City and is payable solely from available tax increments. Accordingly, the note is not reflected in the financial statements of the City. A summary of the note is as follows:

Tax Increment Revenue Note (MWF Properties, LLC Project) – issued in 2009 in the principal sum of \$300,000 with an interest rate of 6.50% per annum. Principal and interest payments shall be paid commencing September 1, 2010 and each March 1 and September 1 of each year thereafter to and including March 1, 2020. Payments are payable solely from tax increments, which shall mean 90% of the tax increments derived from the tax increment property and received by the City. The City shall have no obligation to pay unpaid balance of principal or accrued interest that may remain after the final payment on March 1, 2020. At December 31, 2012 the principal amount outstanding on the note was \$258,758.

B. TAX INCREMENT FINANCING DISTRICT NO. 2 (AUBURN MEADOWS)

Tax increment derived from the Auburn Meadows TIF District is being used to make payments towards an outstanding tax increment pay-as-you-go revenue note. The note is not a general obligation of the City and is payable solely from available tax increments. Accordingly, the note is not reflected in the financial statements of the City. A summary of the note is as follows:

Tax Increment Revenue Note (Auburn Meadows Project) – issued in 2011 in the principal sum of \$1,175,840 with an interest rate of 6.00% per annum. Principal and interest payments shall be paid commencing August 1, 2014 and each February 1 and August 1 of each year thereafter to and including February 1, 2029. Payments are payable solely from tax increments, which shall mean 90% of the tax increments derived from the tax increment property and received by the City. The City shall have no obligation to pay unpaid balance of principal or accrued interest that may remain after the final payment on February 1, 2029. At December 31, 2012 the principal amount outstanding on the note was \$1,175,840.

The district was created for development of a senior housing facility, day care center, and an adult day care facility. Construction of the senior housing facility and day care center portions of the project were completed in 2012. There has not been a date identified by the developer for the construction of the adult day care facility.

C. TAX INCREMENT FINANCING DISTRICT NO. 3 (CHERRY STREET)

Tax increment derived from the Cherry street TIF District is being used to make payments towards an outstanding tax increment pay-as-you-go revenue note. The note is not a general obligation of the City and is payable with tax abatement and available tax increments. Accordingly, the note is not reflected in the financial statements of the City. A summary of the note is as follows:

Tax Increment Revenue Note (Cherry Street Project) – issued in 2011 in the principal sum of \$397,000 with an interest rate of 6.00% per annum.

Tax Abatement Repayment:

Hotel Abatement: Principal and interest payments shall be paid commencing August 1, 2012 and each February 1 and August 1 of each year thereafter to and including February 1, 2032. Payments are payable solely from real estate taxes which shall mean 100% of the City portion of the property tax bill collected in the previous six month period excluding fiscal disparities. The City shall have no obligation to pay unpaid balance of principal or accrued interest that may remain after the final payment on February 1, 2032. Abatement payments shall terminate when the Developer has received the full note amount.

Restaurant Abatement: Principal and interest payments shall be paid commencing August 1, 2022 and each February 1 and August 1 of each year thereafter to and including February 1, 2033. Payments are payable solely from real estate taxes which shall mean 100% of the City portion of the property tax bill collected in the previous six month period excluding fiscal disparities. The City shall have no obligation to pay unpaid balance of principal or accrued interest that may remain after the final payment on February 1, 2033. Abatement payments shall terminate when the Developer has received the full note amount.

TIF Repayment: Principal and interest payments shall be paid commencing August 1, 2013 and each February 1 and August 1 of each year thereafter to and including February 1, 2022. Payments are payable solely from tax increments, which shall mean 90% of the tax increments derived from the tax increment property and received by the City. The City shall have no obligation to pay unpaid balance of principal or accrued interest that may remain after the final payment on February 1, 2022. At December 31, 2012 the principal amount outstanding on the note was \$396,579.

The district was created for development of a restaurant facility (Ground Round), an expansion to the existing AmericInn Hotel, and an office condominium facility. Construction of the restaurant facility (Ground Round) was completed in 2012. There has not been a date identified by the developer for the construction of the other projects identified in the TIF plan.

CITY OF WACONIA, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
December 31, 2012

Note 16 FUND BALANCE

A. REPORTING AND DEFINITIONS

At December 31, 2012, a summary of the governmental fund balance classifications is as follows:

	General Fund	Safari Island	PIR Capital	PIR Debt Service	Other Governmental Activity	Total
Nonspendable - prepaid items	\$ 12,409	\$ 788	\$ -	\$ -	\$ -	\$ 13,197
Restricted for debt service				4,724,409	74,914	4,799,323
Restricted for public education					44,004	44,004
Restricted for economic development loans					1,217,310	1,217,310
Restricted for park improvements					201,793	201,793
Restricted for tourism					3,549	3,549
Restricted for tax increment purposes					19,106	19,106
Committed for economic development	873,168					873,168
Committed for Safari Island Community Center		32,150				32,150
Assigned for capital improvements			1,202,248		706,876	1,909,124
Unassigned	1,265,607					1,265,607
Total	\$ 2,151,184	\$ 32,938	\$ 1,202,248	\$ 4,724,409	\$ 2,267,552	\$ 10,378,331

B. MINIMUM GENERAL FUND UNASSIGNED FUND BALANCE POLICY

A healthy unassigned fund balance is needed to provide cash flow to pay expenditures when due. The City receives a majority of its tax collections and state aids twice a year. A healthy unassigned fund balance allows for cash flow while the City waits to receive its aids and taxes. The unassigned fund balance is also a security against unforeseen changes or needs, i.e. natural disasters, loss of state aids, etc.

The general fund unassigned fund balance should be approximately 50% of actual expenses of the general fund, less annual transfers. The unassigned fund balance of the general fund should never fall below 40% of operating expenditures. Should the unassigned fund balance fall below the 50% threshold, the City will strive toward regaining the minimum threshold during the next budget process and forecast the timing of the unassigned fund balance improvement within the long-term financial plan.

Note 17 RECENTLY ISSUED ACCOUNTING STANDARDS

The Governmental Accounting Standards Boards (GASB) recently approved the following statements which were not implemented for these financial statements, but may affect the City in future years:

- **Statement No. 61** *The Financial Reporting Entity Omnibus – An Amendment of GASB No. 14 and No. 34.* The provisions of this Statement are effective for financial statements for periods beginning after June 15, 2012.
- **Statement No. 65** *Items Previously Reported as Assets and Liabilities.* The provisions of this Statement are effective for financial statements for periods beginning after December 15, 2012.
- **Statement No. 66** *Technical Corrections – 2012.* The provisions of this Statement are effective for financial statements for periods beginning after December 15, 2012.
- **Statement No. 67** *Financial Reporting for Pension Plans – an amendment of GASB Statement No. 25.* The provisions of this Statement are effective for financial statements for periods beginning after June 15, 2013.

CITY OF WACONIA, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
December 31, 2012

- **Statement No. 68** *Financial Reporting for Pensions – an amendment of GASB Statement No. 27.* The provisions of this Statement are effective for financial statements for periods beginning after June 15, 2014.
- **Statement No. 69** *Government Combinations and Disposal of Government Operations.* The provisions of this Statement are effective for financial statements for periods beginning after December 15, 2013.
- **Statement No. 70** *Financial Reporting for Nonexchange Financial Guarantees.* The provisions of this Statement are effective for financial statements for periods beginning after June 15, 2013.

The effect these standards may have on future financial statements is not determinable at this time.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF WACONIA, MINNESOTA
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE - GENERAL FUND (101)
For The Year Ended December 31, 2012
With Comparative Actual Amounts For The Year Ended December 31, 2011

	Budgeted Amounts		2012 Actual Amounts	Variance with Final Budget - Positive (Negative)	2011 Actual Amounts
	Original	Final			
Revenues:					
Property taxes	\$2,865,314	\$2,845,314	\$2,906,795	\$61,481	\$2,789,051
Licenses and permits	330,070	455,070	640,048	184,978	359,828
Intergovernmental:					
Market value credit aid	-	-	607	607	718
Fire aid	45,140	45,140	58,903	13,763	54,120
Other grants and aids	72,343	79,043	72,436	(6,607)	73,807
Charges for services:					
General government	640,108	631,108	680,379	49,271	717,282
Public safety	84,000	84,000	112,984	28,984	107,205
Public works	6,000	6,000	12,056	6,056	8,107
Parks and recreation	29,300	14,540	20,109	5,569	26,438
Fines and forfeits	29,000	29,000	29,439	439	28,030
Investment income	195,000	195,000	72,717	(122,283)	9,835
Contributions and donations	7,700	7,700	14,000	6,300	28,075
Total revenues	4,303,975	4,391,915	4,620,473	228,558	4,202,496
Expenditures:					
General government:					
Mayor and council	20,900	20,900	20,900	-	20,322
Administrative and finance	715,076	707,106	734,707	(27,601)	711,558
Other general government	693,652	687,172	643,513	43,659	639,696
Total general government	1,429,628	1,415,178	1,399,120	16,058	1,371,576
Public safety:					
Police	563,334	563,334	551,731	11,603	562,969
Fire	268,108	268,108	304,613	(36,505)	289,003
Other public safety	85,792	123,292	184,294	(61,002)	78,064
Total public safety	917,234	954,734	1,040,638	(85,904)	930,036
Public works:					
Streets and highways:					
Street maintenance and storm sewers	680,394	676,394	693,261	(16,867)	661,649
Snow and ice removal	64,000	75,500	83,529	(8,029)	60,631
Total public works	744,394	751,894	776,790	(24,896)	722,280
Parks and recreation	445,944	437,194	431,964	5,230	397,043
Total expenditures	3,537,200	3,559,000	3,648,512	(89,512)	3,420,935

CITY OF WACONIA, MINNESOTA
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE - GENERAL FUND (101)
For The Year Ended December 31, 2012
With Comparative Actual Amounts For The Year Ended December 31, 2011

	Budgeted Amounts		2012 Actual Amounts	Variance with Final Budget - Positive (Negative)	2011 Actual Amounts
	Original	Final			
	Revenues over (under) expenditures	<u>\$766,775</u>			
Other financing sources (uses):					
Transfers in	211,000	211,000	211,736	736	1,110,433
Transfers out	<u>(1,037,000)</u>	<u>(1,058,550)</u>	<u>(1,058,550)</u>	-	<u>(825,800)</u>
Total other financing sources (uses)	<u>(826,000)</u>	<u>(847,550)</u>	<u>(846,814)</u>	<u>736</u>	<u>284,633</u>
Net change in fund balance	<u>(\$59,225)</u>	<u>(\$14,635)</u>	125,147	<u>\$139,782</u>	1,066,194
Fund balance - January 1			<u>2,026,037</u>		<u>959,843</u>
Fund balance - December 31			<u>\$2,151,184</u>		<u>\$2,026,037</u>

CITY OF WACONIA, MINNESOTA

REQUIRED SUPPLEMENTARY INFORMATION

Statement 11

BUDGETARY COMPARISON SCHEDULE - SAFARI ISLAND SPECIAL REVENUE FUND (231)

For The Year Ended December 31, 2012

With Comparative Actual Amounts For The Year Ended December 31, 2011

	Budgeted Amounts		2012 Actual Amounts	Variance with Final Budget - Positive (Negative)	2011 Actual Amounts
	Original	Final			
Revenues:					
Special Assessments	\$0	\$0	\$0	\$ -	\$374
Charges for services	945,990	945,990	909,310	(36,680)	897,220
Investment income	0	0	0	-	25
Contributions and donations	50	50	43	(7)	102
Total revenues	<u>946,040</u>	<u>946,040</u>	<u>909,353</u>	<u>(36,687)</u>	<u>897,721</u>
Expenditures:					
Current:					
Parks and recreation	1,099,831	1,099,831	1,046,221	\$53,610	1,042,525
Debt service:					
Principal	10,868	10,868	10,868	-	15,255
Interest	329	329	329	-	1,540
Total expenditures	<u>1,111,028</u>	<u>1,111,028</u>	<u>1,057,418</u>	<u>53,610</u>	<u>1,059,321</u>
Revenues over (under) expenditures	<u>(164,988)</u>	<u>(164,988)</u>	<u>(148,065)</u>	<u>(90,297)</u>	<u>(161,600)</u>
Other financing sources:					
Transfers in	<u>165,000</u>	<u>165,000</u>	<u>165,000</u>	<u>-</u>	<u>165,800</u>
Total other financing sources	<u>165,000</u>	<u>165,000</u>	<u>165,000</u>	<u>-</u>	<u>165,800</u>
Net change in fund balance	<u>\$12</u>	<u>\$12</u>	16,935	<u>(\$90,297)</u>	4,200
Fund balance - January 1			<u>16,003</u>		<u>11,803</u>
Fund balance - December 31			<u>\$32,938</u>		<u>\$16,003</u>

CITY OF WACONIA, MINNESOTA
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE - NOTE TO RSI
December 31, 2012

Note A BUDGETARY INFORMATION

The City of Waconia's budget is legally adopted on a basis consistent with accounting principles generally accepted in the United States of America. The legal level of budgetary control is at the fund level.

COMBINING FUND STATEMENTS

-This page is intentionally left blank -

NONMAJOR GOVERNMENTAL FUNDS

-This page is intentionally left blank -

CITY OF WACONIA, MINNESOTA
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
December 31, 2012
With Comparative Totals For December 31, 2011

	Public Education (107)	Revolving Loan (202)	BCC Revolving Loan (204)	Lodging Tax (701)	Total Nonmajor Special Revenue Funds
Assets					
Cash and investments	\$39,854	\$576,250	\$ -	\$5,557	\$621,661
Taxes receivable	-	-	-	-	-
Accounts receivable	4,149	500	-	-	4,649
Prepaid Expense	-	-	-	-	-
Due from other governments	-	-	-	-	-
Interfund loan receivable	-	-	-	-	-
Notes receivable - net	-	640,633	-	-	640,633
Total assets	\$44,003	\$1,217,383	\$0	\$5,557	\$1,266,943
Liabilities and Fund Balance					
Liabilities:					
Accounts payable	\$ -	\$74	\$ -	\$2,009	\$2,083
Deposits payable	-	-	-	-	-
Due to other governments	-	-	-	-	-
Deferred revenue	-	-	-	-	-
Total liabilities	0	74	0	2,009	2,083
Fund balance:					
Nonspendable	\$ -	\$ -	\$ -	\$ -	\$ -
Restricted	44,003	1,217,310	-	3,549	1,264,862
Committed	-	-	-	-	-
Assigned	-	-	-	-	-
Unassigned	-	-	-	-	-
Total fund balance	44,003	1,217,310	0	3,549	1,264,862
Total liabilities and fund balance	\$44,003	\$1,217,384	\$0	\$5,558	\$1,266,945

CITY OF WACONIA, MINNESOTA
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
December 31, 2012
With Comparative Totals For December 31, 2011

	EDA - CC Revenue Bonds of 2004/2007 (344)	Refundings Bonds of 2002 (346)	Total Nonmajor Debt Service Funds
Assets			
Cash and investments	\$52,490	\$22,188	\$74,678
Taxes receivable	-	2,177	2,177
Accounts receivable	-	-	-
Prepaid Expense	-	-	-
Due from other governments	-	237	237
Interfund loan receivable	-	-	-
Notes receivable - net	-	-	-
	<hr/>	<hr/>	<hr/>
Total assets	\$52,490	\$24,602	\$77,092
Liabilities and Fund Balance			
Liabilities:			
Accounts payable	\$ -	\$ -	\$ -
Deposits payable	-	-	-
Due to other governments	-	-	-
Deferred revenue	-	2,177	2,177
Total liabilities	<hr/> 0	<hr/> 2,177	<hr/> 2,177
Fund balance:			
Nonspendable	\$ -	\$ -	\$ -
Restricted	52,490	22,425	74,915
Committed	-	-	-
Assigned	-	-	-
Unassigned	-	-	-
Total fund balance	<hr/> 52,490	<hr/> 22,425	<hr/> 74,915
Total liabilities and fund balance	<hr/> \$52,490	<hr/> \$24,602	<hr/> \$77,092

Capital Equipment (105)	Park Dedication (210)	TIF #1 Workforce Housing (410)	Total Nonmajor Capital Project Funds	Totals	
				2012	2011
\$707,763	\$201,792	\$26,947	\$936,503	\$1,632,842	\$1,812,680
1,367	-	-	1,367	3,544	3,344
-	-	-	-	4,649	4,518
-	-	-	-	-	1,170
435	-	-	435	672	238
-	-	-	-	-	-
-	-	211,806	211,806	852,439	595,642
\$709,565	\$201,792	\$238,753	\$1,150,111	\$2,494,146	\$2,417,592
\$1,321	\$ -	\$7,841	\$9,162	\$11,245	\$23,716
-	-	-	-	-	-
-	-	-	-	-	-
1,367	-	211,806	213,173	215,350	215,149
2,689	0	219,647	222,335	226,595	238,865
\$ -	\$ -	\$ -	\$ -	\$ -	1,170
-	201,792	19,106	220,898	1,560,675	\$1,649,698
-	-	-	-	-	-
706,876	-	-	706,876	706,876	527,859
-	-	-	-	-	-
706,876	201,792	19,106	927,774	2,267,551	2,178,727
\$709,565	\$201,792	\$238,753	\$1,150,109	\$2,494,146	\$2,417,592

-This page is intentionally left blank -

CITY OF WACONIA, MINNESOTA
COMBINING STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCE
NONMAJOR GOVERNMENTAL FUNDS
For The Year Ended December 31, 2012
With Comparative Totals For The Year Ended December 31, 2011

Statement 13
Page 1 of 2

	Public Education (107)	Revolving Loan (202)	BCC Revolving Loan (204)	Lodging Tax (701)	Total Nonmajor Special Revenue Funds
Revenues:					
Property taxes	\$ -	\$ -	\$ -	\$ -	\$ -
Tax Increment	-	-	-	-	-
Lodging Taxes	-	-	-	33,749	33,749
Intergovernmental	-	-	-	-	-
Charges for services	24,060	(15,156)	-	-	8,904
Fines and forfeits	-	30	-	-	30
Investment income	840	29,260	3,535	164	33,799
Rents	-	-	-	-	-
Park land dedication	-	-	-	-	-
Total revenues	<u>24,900</u>	<u>14,134</u>	<u>3,535</u>	<u>33,913</u>	<u>76,482</u>
Expenditures:					
Current:					
General government	\$10,845	\$ -	\$ -	\$ -	\$10,845
Public works	-	-	-	-	-
Public safety	-	-	-	-	-
Parks and recreation	-	-	-	-	-
Economic development	-	17,232	-	29,549	46,781
Capital outlay:					
General government	-	-	-	-	-
Public works	-	-	-	-	-
Public safety	-	-	-	-	-
Parks and recreation	-	-	-	-	-
Debt service:					
Principal	-	-	-	-	-
Interest and Bond Issuance Costs	-	-	-	-	-
Total expenditures	<u>10,845</u>	<u>17,232</u>	<u>0</u>	<u>29,549</u>	<u>57,626</u>
Revenues over (under) expenditures	<u>14,055</u>	<u>(3,098)</u>	<u>3,535</u>	<u>4,364</u>	<u>18,856</u>
Other financing sources (uses):					
Bond Proceeds	\$ -	\$ -	\$ -	\$ -	\$ -
Bond Premium	-	-	-	-	-
Transfers in	-	280,483	-	-	280,483
Transfers out	(10,000)	-	(280,483)	(1,736)	(292,219)
Total other financing sources (uses)	<u>(10,000)</u>	<u>280,483</u>	<u>(280,483)</u>	<u>(1,736)</u>	<u>(11,736)</u>
Net change in fund balance	4,055	277,385	(276,948)	2,628	7,120
Fund balance - January 1	<u>39,948</u>	<u>939,925</u>	<u>276,948</u>	<u>921</u>	<u>1,257,742</u>
Fund balance - December 31	<u><u>\$44,003</u></u>	<u><u>\$1,217,310</u></u>	<u><u>\$0</u></u>	<u><u>\$3,549</u></u>	<u><u>\$1,264,862</u></u>

CITY OF WACONIA, MINNESOTA
COMBINING STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCE
NONMAJOR GOVERNMENTAL FUNDS
For The Year Ended December 31, 2012
With Comparative Totals For The Year Ended December 31, 2011

	EDA - CC Revenue Bonds of 2004/2007 (344)	Refunding Bonds of 2002 (346)	Total Nonmajor Debt Service Funds
Revenues:			
Property taxes	\$ -	\$52,996	\$52,996
Tax Increment	-	-	-
Lodging taxes	-	-	-
Intergovernmental	-	-	-
Charges for services	-	-	-
Fines and forfeits	-	-	-
Investment income	-	2,353	2,353
Rents	-	-	-
Park land dedication	-	-	-
Total revenues	<u>0</u>	<u>55,349</u>	<u>55,349</u>
Expenditures:			
Current:			
General government	\$ -	\$ -	\$ -
Public Works	-	-	-
Public safety			
Parks and recreation			
Economic development	-	-	-
Capital outlay:			
General government			
Public works	-	-	-
Public safety	-	-	-
Parks and recreation			
Debt service:			
Principal	105,902	150,000	255,902
Interest and other	62,851	6,656	69,507
Total expenditures	<u>168,753</u>	<u>156,656</u>	<u>325,409</u>
Revenues over (under) expenditures	<u>(168,753)</u>	<u>(101,307)</u>	<u>(270,060)</u>
Other financing sources (uses):			
Bond Proceeds	\$ -	\$ -	\$ -
Bond Premium	-	-	-
Transfers in	160,000	-	160,000
Transfers out	-	-	-
Total other financing sources (uses)	<u>160,000</u>	<u>0</u>	<u>160,000</u>
Net change in fund balance	(8,753)	(101,307)	(110,060)
Fund balance - January 1	<u>61,243</u>	<u>123,732</u>	<u>184,975</u>
Fund balance - December 31	<u>\$52,490</u>	<u>\$22,425</u>	<u>\$74,915</u>

Capital Equipment (105)	Park Dedication (210)	TIF #1 Workforce Housing (410)	Total Nonmajor Capital Project Funds	Totals	
				2012	2011
\$98,828	\$ -	\$ -	\$98,828	\$151,824	\$107,217
-	-	19,620	19,620	19,620	43,280
-	-	-	-	33,749	29,405
-	-	-	-	-	-
5,251	-	-	5,251	14,155	22,586
-	-	-	-	30	207
11,906	4,099	433	16,438	52,590	70,718
-	-	-	-	-	-
-	6,600	-	6,600	6,600	-
<u>115,985</u>	<u>10,699</u>	<u>20,053</u>	<u>146,737</u>	<u>278,568</u>	<u>273,413</u>
\$ -	\$ -	\$18,005	\$18,005	\$28,850	49,395
6,557	-	-	6,557	6,557	-
-	-	-	-	-	-
7,321	-	-	7,321	7,321	-
-	-	-	-	46,781	116,140
-	-	-	-	-	-
8,337	-	-	8,337	8,337	-
111,133	-	-	111,133	111,133	33,862
12,825	-	-	12,825	12,825	720,915
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	255,902	251,251
19,345	-	-	19,345	88,852	89,063
<u>165,518</u>	<u>0</u>	<u>18,005</u>	<u>183,523</u>	<u>566,558</u>	<u>1,260,626</u>
<u>(49,533)</u>	<u>10,699</u>	<u>2,048</u>	<u>(36,786)</u>	<u>(287,990)</u>	<u>(987,213)</u>
\$ -	\$ -	\$ -	\$ -	-	730,000
-	-	-	-	-	39,409
228,550	-	-	228,550	669,033	165,000
-	-	-	-	(292,219)	(910,433)
<u>228,550</u>	<u>0</u>	<u>0</u>	<u>228,550</u>	<u>376,814</u>	<u>23,976</u>
179,017	10,699	2,048	191,764	88,824	(963,235)
<u>527,859</u>	<u>191,093</u>	<u>17,058</u>	<u>736,010</u>	<u>2,178,727</u>	<u>3,141,962</u>
<u>\$706,876</u>	<u>\$201,792</u>	<u>\$19,106</u>	<u>\$927,774</u>	<u>\$2,267,551</u>	<u>\$2,178,727</u>

-This page is intentionally left blank -