



Comprehensive Annual Financial Report

For the Year Ended December 31, 2013

City of Waconia, Minnesota

**COMPREHENSIVE ANNUAL FINANCIAL REPORT
OF THE
CITY OF WACONIA, MINNESOTA**

**FOR THE YEAR ENDED
DECEMBER 31, 2013**

Prepared By:

Finance Department

**Nicole Lueck,
Finance Director**

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CITY OF WACONIA, MINNESOTA
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I. INTRODUCTORY SECTION

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City of Waconia

June 2, 2014

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

The Comprehensive Annual Financial report of the City of Waconia, Minnesota (the City) for the fiscal year ended December 31, 2013 is hereby submitted. This report was prepared by the Waconia Finance Department and responsibility for both the accuracy of the presented data and the completeness and fairness of the presentation, including all disclosures, supporting schedules and statistical tables rests with the City. We believe the data, as presented, is accurate in all material respects; that it is presented in a manner designed to fairly set forth the financial position and results of operations of the City as measured by the financial activity of its various funds; and that all disclosures necessary to enable the reader to gain the maximum understanding of the City's financial affairs have been included.

The organization, form, and contents of this report were prepared in accordance with the standards prescribed by the Governmental Accounting Standards Board, the Government Finance Officers Association of the United States and Canada (GFOA), the American Institute of Certified Public Accountants, Minnesota's Office of the State Auditor and City policies.

This transmittal letter is designed to complement the Management's Discussion and Analysis (MD&A) and should be read in conjunction with it. The MD&A can be found immediately following the report of the independent auditors.

Reporting Entity and Its Services

This report includes all funds, account groups, and departments of the City (the primary government) and its component units. The City provides a full range of services to its residents and businesses including general government, public safety (police and fire protection), public works (engineering, streets, and equipment maintenance), parks and recreational activities, planning and economic development. In addition to the general municipal services, the City provides utility services including water, sanitary sewer service, storm water, and streetlighting along with oversight (through licensing) of the refuse and recycling services. In accordance with the reporting entity definition of the Governmental Accounting Standards Board, the City has included the Waconia Economic Development Authority (EDA) and the Waconia Housing and Redevelopment Authority (HRA) in these financial statements as blended component units. Both the EDA and HRA are considered component units because the governing boards are substantively the same as that of the City Council and because the City is in a relationship of financial burden with each of the entities. The Waconia Fire Relief Association has been excluded from this report because it is governed by a board elected by its members and it is not fiscally dependent upon the City.

City Hall 201 South Vine Street Waconia, MN 55387 952-442-2184	Public Services 310 10 th Street East Waconia, MN 55387 952-442-2615	Fire Station 26 Maple Street South Waconia, MN 55387 952-442-2316	Safari Island Community Center 1600 Community Drive Waconia, MN 55387 952-442-0695	Ice Arena 1250 Oak Avenue Waconia, MN 55387 952-442-RINK (7465)
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www.waconia.org

The school district that serves the residents of the City, like all school districts in Minnesota is governed independently by its own elected board members. It levies its own taxes and prepares its own financial reports. Accordingly, it is excluded from this report.

Relevant Financial Policies

The City has a policy regarding General Fund reserve balances. The City has a designated fund balance in the General Fund equivalent to 40% of the ensuing year's budgeted tax levy to provide working capital between semi-annual property tax settlements.

The primary financial goal of the City's investment policy is to invest funds in a manner which will provide the highest investment return with the maximum security of principal. Cash temporarily idle during the year is invested in certificates of deposits, obligations of the U.S. Treasury, and government agencies. The City only invests in instruments authorized under Minnesota Statute 118A. Cash balances from all City funds are pooled into an investment fund and investment income is distributed on a pro-rata basis at the end of the year, based on average monthly cash balances. At December 31, 2013, the maturities of the investments range from 1 day to 9 years, with an average maturity of 2.79 years. The City's portfolio has no more than 20% of the total investments exceeding 5 years and maturities may not exceed 10 years without prior City Council approval. The average yield to maturity on the portfolio at December 31, 2013 was 2.17%. It is the City's practice to hold all instruments to maturity.

Economic Condition and Outlook

The City of Waconia, Minnesota is located west of the Twin Cities metropolitan area in Carver County, Minnesota. The City encompasses an area of 4.45 square miles. State Highways 5, 7, and 284 along with Carver County Road 10 provide access for commuters coming into the City from the Twin Cities Metropolitan Area as well as for residents traveling to work outside the City.

The City's population estimate as of April 1, 2013 was 11,563. Waconia's residential permits were greater in 2013 than 2012. The total number of building permits for 2013 was 1,124; which increased 5% from 2012 activity. In 2013, there were 103 single family residential home permits as compared to 86 in 2012. The total valuation of all building permit activity in 2013 was \$47,110,365; this compares to the total 2012 building permit valuation of \$34,399,256.

The City has approximately 75 acres of commercial and industrial land with utilities available. The City anticipates building activity will remain strong into 2014. The City has budgeted for 80 new home starts and has had both commercial and industrial site plan review for new business projects anticipated to start in 2014. In addition, Ridgeview Medical Center and Good Samaritan Center have planned expansion projects to start in 2014 totaling an estimated additional \$22,000,000 in valuation.

In 2013, the City issued \$10,000,000 of General Obligation Water and Sewer Refunding bonds to capture interest savings from bonds originally issued in 2006 and 2007. As part of that process, the City underwent a financial review by Standard & Poor's (the City's bond rating agency). This review reaffirmed the City's rating of AA.

Standard & Poor's cited the City's strong reserves and financial management, along with a stable local economy, access to the Minneapolis-St. Paul metropolitan area, strong incomes, and market value per capita as reasons for this reaffirmation.

Accounting Systems and Budgetary Control

The City's accounting records are maintained on the accrual, or modified accrual basis, as appropriate. Budgetary control is maintained through the City's accounting and reporting system whereby monthly detail reports of budget versus actual are provided to all departments with summaries being provided to the City Council. Approval listings and documentation are provided for the City Council at each semi-monthly meeting for all checks and payments issued by the City.

In the City's accounting system, careful consideration is given to the adequacy of internal controls. These controls are designed to provide reasonable, but not necessarily absolute, assurance regarding: (1) safeguarding of assets against loss from unauthorized use or disposition and (2) the reliability of financial records for preparing financial statements and maintaining accountability for assets. The concept of reasonable assurance recognizes that: (1) the cost of control should not exceed the benefits likely to be derived and (2) the evaluation of costs and benefits requires estimates and judgments by management. All internal control evaluation occurs within the above framework. We believe the City's internal controls adequately safeguard assets and provide reasonable assurance of proper recording for financial transactions.

Capital financings for major municipal improvements are provided through (1) improvement bonds, (2) general obligation bonds, or (3) revenue bonds. Internal financing of improvement projects is usually minimal and only for short periods of time.

Long Term Financial Planning

In 2005, the City created a 30 year financial model to assist in long term planning in the general fund. As a growing community, the use of this tool has assisted the City in planning for future capital improvements, operational changes, and management of general obligation debt. The model ties budget, levy, and tax rate information together to provide a complete financial picture.

In addition, the City has a 10 year capital improvement plan in place for infrastructure and equipment, as well as a pavement management plan for streets, sidewalks, and trails. The City's Capital Improvement Plan (CIP) committee meets regularly to discuss current and future projects, funding sources, and capital fund cash flows.

The City also undertakes an annual rate study of its Water, Sanitary Sewer, Storm Water, and Street Light rates. As part of this process the City projects fund balances and capital improvements to each of the systems for the next ten years, and identifies required changes to user and connection rates for each fund for that same time period.

Certificate of Achievement

The Government Finance Officers Association of the United States and Canada (GFOA) awards a Certificate of Achievement for Excellence in Financial Reporting for governmental entities that submit their comprehensive annual financial report (CAFR) for review. The Certificate of Achievement is a prestigious national award recognizing conformance with the highest standards for preparation of state and local government financial reports. In order to be awarded a Certificate of Achievement, a governmental unit must publish an easily readable and efficiently organized CAFR, whose contents conform to program standards. The CAFR must satisfy both generally accepted accounting principles and applicable legal requirements. A Certificate of Achievement is valid for only one year.

The City has prepared the CAFR for the fiscal year ending December 31, 2013 for submission to the GFOA for consideration in the Certificate of Achievement for Excellence in Financial Reporting Award program. If awarded, the City will be notified in January 2015.

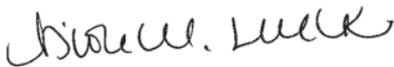
Independent Audit

State law provides that the City may arrange for examination of its books, records, accounts and affairs, or any part thereof, by the State Auditor, or by Certified Public Accountants. It has been a long-standing policy of the City to provide for a complete annual audit of City records by Certified Public Accountants. The auditor's opinion has been included in this report.

Acknowledgements

We wish to express our appreciation to the members of the City Council for their support in improving the financial condition of the City. We also want to thank the Finance Department staff and department directors for their assistance in compiling the information necessary for this report. Finally, we wish to acknowledge HLB Tautges Redpath, Ltd. for their assistance in preparing this report.

Respectfully Submitted,

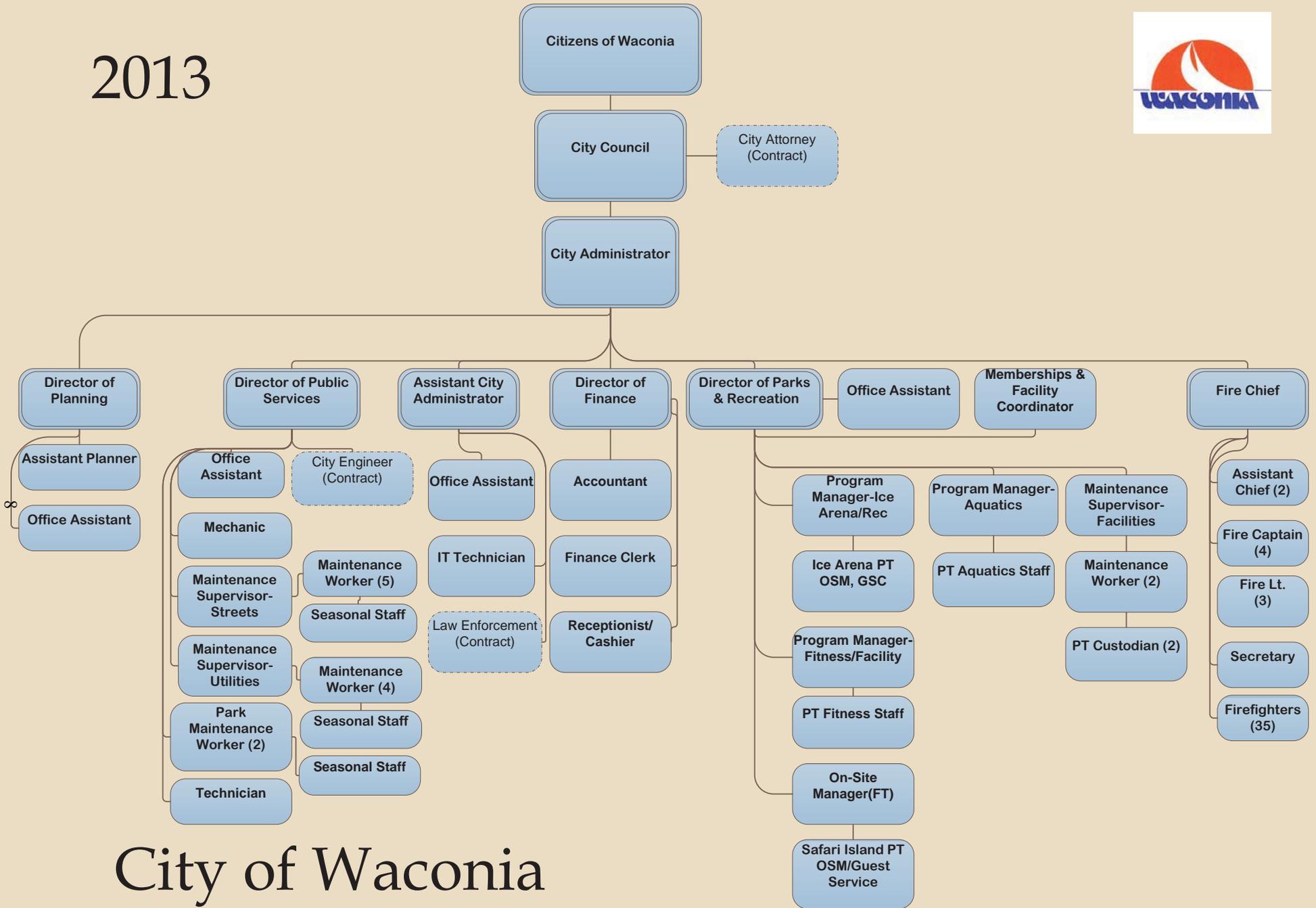
A handwritten signature in black ink that reads "Nicole Lueck". The signature is written in a cursive, flowing style.

Nicole Lueck, Finance Director

CITY OF WACONIA, MINNESOTA
ELECTED OFFICIALS AND ADMINISTRATION
December 31, 2013

<u>Elected Officials</u>	<u>Position</u>	<u>Term Expires</u>
James Nash	Mayor	December 31, 2014
Lynn Ayers	Councilmember, Ward I	December 31, 2014
Marc Carrier	Councilmember, Ward I	December 31, 2016
Charles Erickson	Councilmember, Ward II	December 31, 2016
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

2013



City of Waconia Organizational Chart

II. FINANCIAL SECTION

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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, 2013, 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, 2013, 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.

Emphasis of Matter

As described in Note 19 to the financial statements, in 2013 the City of Waconia, Minnesota adopted new accounting guidance, GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*. Our opinion is not modified with respect to this matter.

Report on Summarized Comparative Information

We have previously audited the City of Waconia, Minnesota's 2012 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 June 17, 2013. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2012 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, the budgetary comparison information and the schedule of funding progress, 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, combining and individual nonmajor fund financial statements and schedules, and statistical section, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated May 30, 2014, 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.



HLB TAUTGES REDPATH, LTD.

May 30, 2014

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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, 2013. 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 \$86,069,692 (*net position*). Of this amount, \$8,387,064 (*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 \$2,168,426 for 2013 primarily due to depreciation expense exceeding capital asset additions along with a reduction in special assessments receivable due to properties designated in tax forfeiture.
- As of the close of the current fiscal year, the City of Waconia's governmental funds reported combined ending fund balances of \$9,117,529 a decrease of \$1,260,802 in comparison with the prior year decrease of \$11,402,003. A major source of the decrease in 2013 is due to increased capital and operating expenditure activities for street and infrastructure improvement projects.
- At the end of the current fiscal year, the unassigned fund balance for the General Fund was \$1,646,903 or 44% percent of total General Fund expenditures. The City realized an increase in the General Fund fund balance from the 2012 levels of 11%. The increase is due to higher than anticipated building permit fee revenues and general property tax collections.
- The City of Waconia's total long-term debt increased from \$39,652,145 to \$46,573,035 by the end of 2013. The City advance crossover refunded two water revenue bonds and one sewer revenue to capture interest savings. This bond sale resulted in additional bond proceeds that will be held in escrow until the advance and crossover dates for each bond issue.

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, parks and recreation and economic development. The business-type activities of the City of Waconia include water, sewer, storm water, street lighting, 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 14 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 10 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 Statements 3 through 5 of this report.

The City of Waconia adopts an annual appropriated budget for its General Fund and all other individual governmental funds. Budgetary comparison statements have been provided for the General Fund and Safari Island Fund to demonstrate compliance with the budgets. Budgetary information for these major governmental funds can be found on Statements 9 and 10 of this

report. Budgetary comparison information for non-major governmental funds including the Public Education Fund, Revolving Loan Fund, and Lodging Tax Fund can be found on Statements 13 through 15 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, street lighting, 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 Statements 6 through 8 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 immediately following Statement 8 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 Statements 11 and 12 of this report.

Government-Wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the City of Waconia, assets exceeded liabilities by \$86,069,692 at the close of the most recent fiscal year.

By far the largest portion of the City of Waconia's net assets (79 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 (11.5 percent) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position of \$8,387,064 or 9.7% 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.

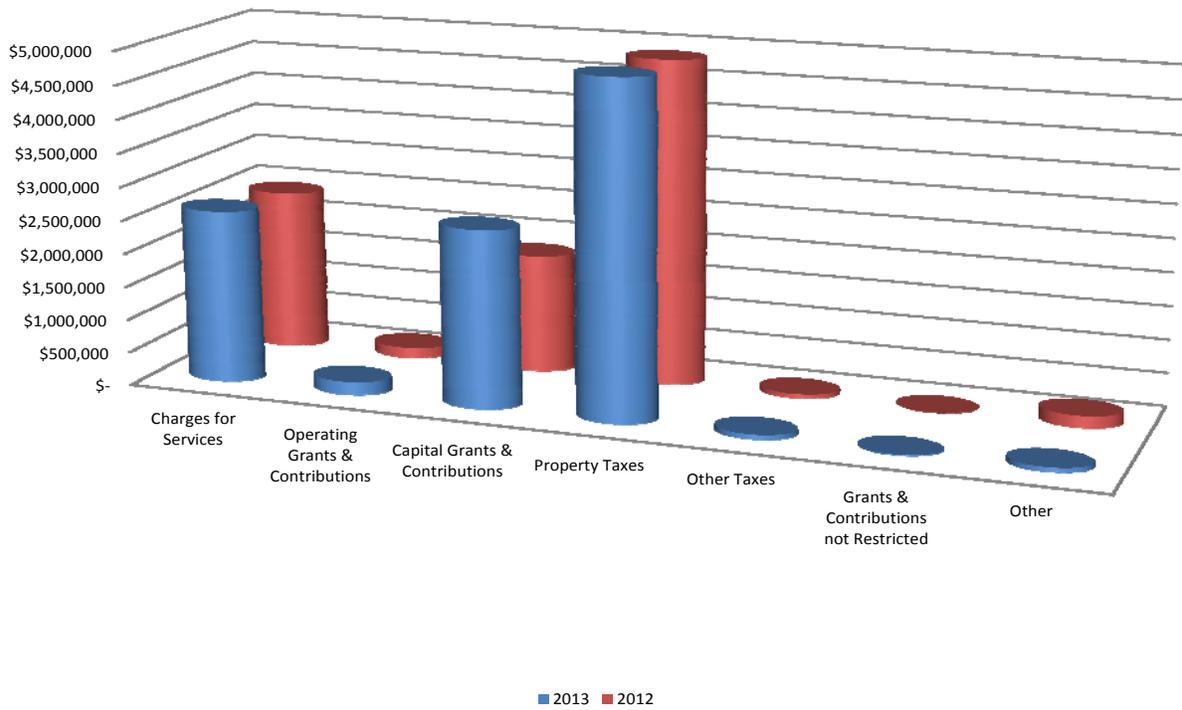
Net Assets	Governmental Activities		Business-Type Activities		Totals	
	2013	2012	2013	2012	2013	2012
Current & Other Assets	\$ 14,637,245	\$ 17,420,141	\$ 15,745,614	\$ 5,713,796	\$ 30,382,859	\$ 23,133,937
Capital Assets	\$ 65,931,835	\$ 67,862,350	\$ 37,872,457	\$ 38,593,555	\$ 103,804,292	\$ 106,455,905
Total Assets	\$ 80,569,080	\$ 85,282,491	\$ 53,618,071	\$ 44,307,351	\$ 134,187,151	\$ 129,589,842
Long-Term Liabilities	\$ 17,486,819	\$ 19,969,573	\$ 23,225,101	\$ 16,268,094	\$ 40,711,920	\$ 36,237,666
Other Liabilities	\$ 3,569,458	\$ 3,836,275	\$ 3,836,081	\$ 1,277,782	\$ 7,405,539	\$ 5,114,057
Total Liabilities	\$ 21,056,277	\$ 23,805,848	\$ 27,061,182	\$ 17,545,876	\$ 48,117,459	\$ 41,351,723
Investment in Capital Assets						
Net of Related Debt	\$ 46,081,741	\$ 45,602,831	\$ 21,701,041	\$ 21,503,856	\$ 67,782,782	\$ 67,106,687
Net Position Restricted	\$ 9,899,846	\$ 11,958,220	\$ -	\$ -	\$ 9,899,846	\$ 11,958,220
Net Position Unrestricted	\$ 3,531,216	\$ 3,915,592	\$ 4,855,848	\$ 5,257,619	\$ 8,387,064	\$ 9,173,211
Total Net Position	\$ 59,512,803	\$ 61,476,643	\$ 26,556,889	\$ 26,761,475	\$ 86,069,692	\$ 88,238,118

Governmental activities. Net position of the City's governmental activities decreased \$1,963,840 during 2013. The primary reasons for the decrease were abatements of special assessments on tax forfeited properties and the depreciation of governmental type capital assets.

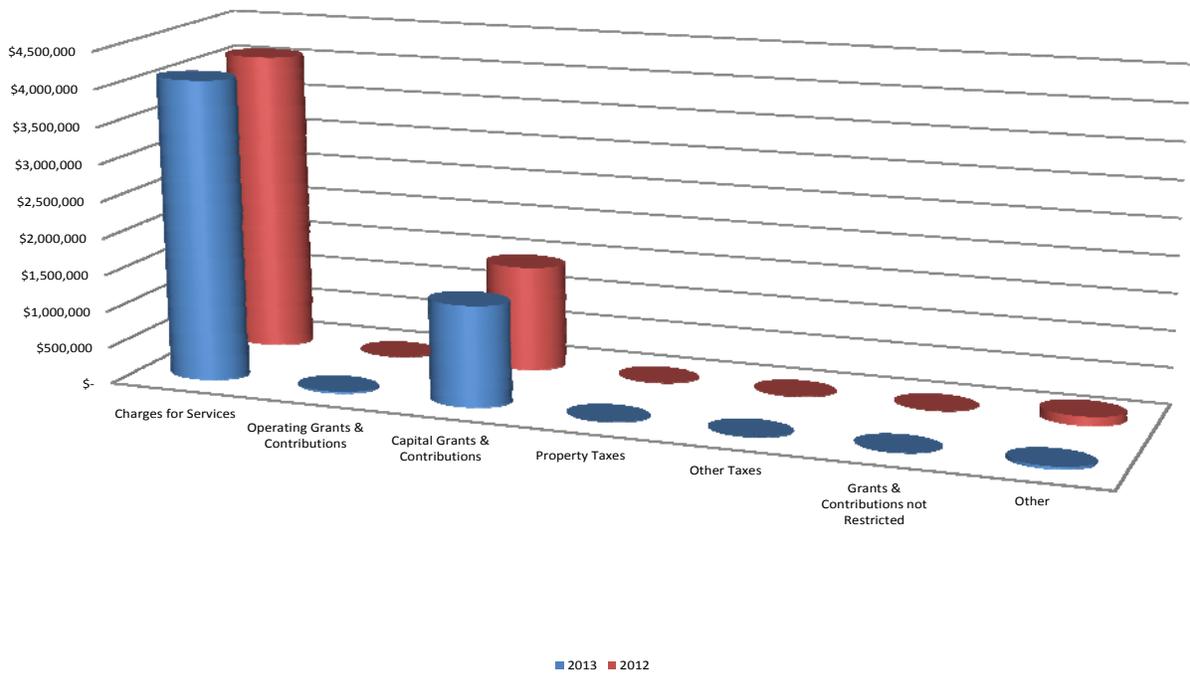
Business-type activities. Business-type activities decreased the City's net position by \$204,586. The reason for this decrease is reduced investment income along with increases in operating expenses and debt related interest and fiscal charges.

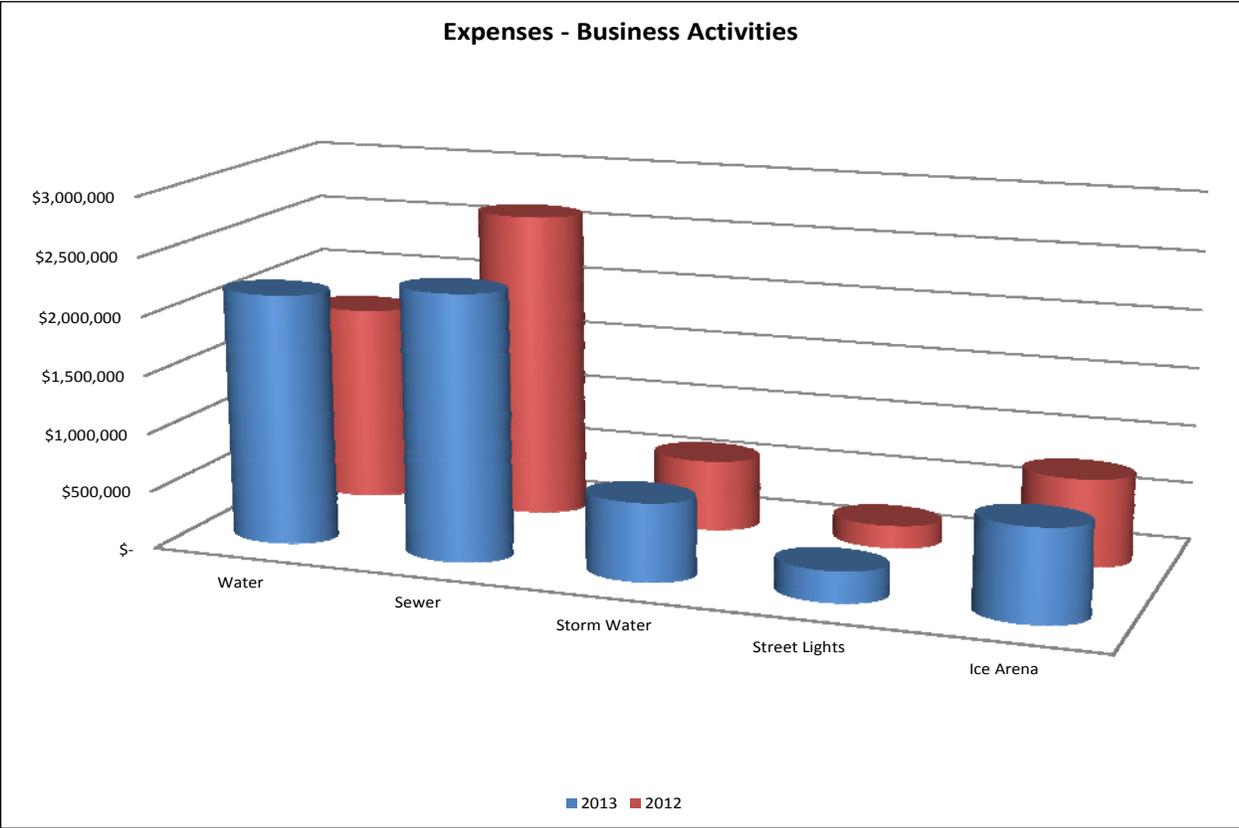
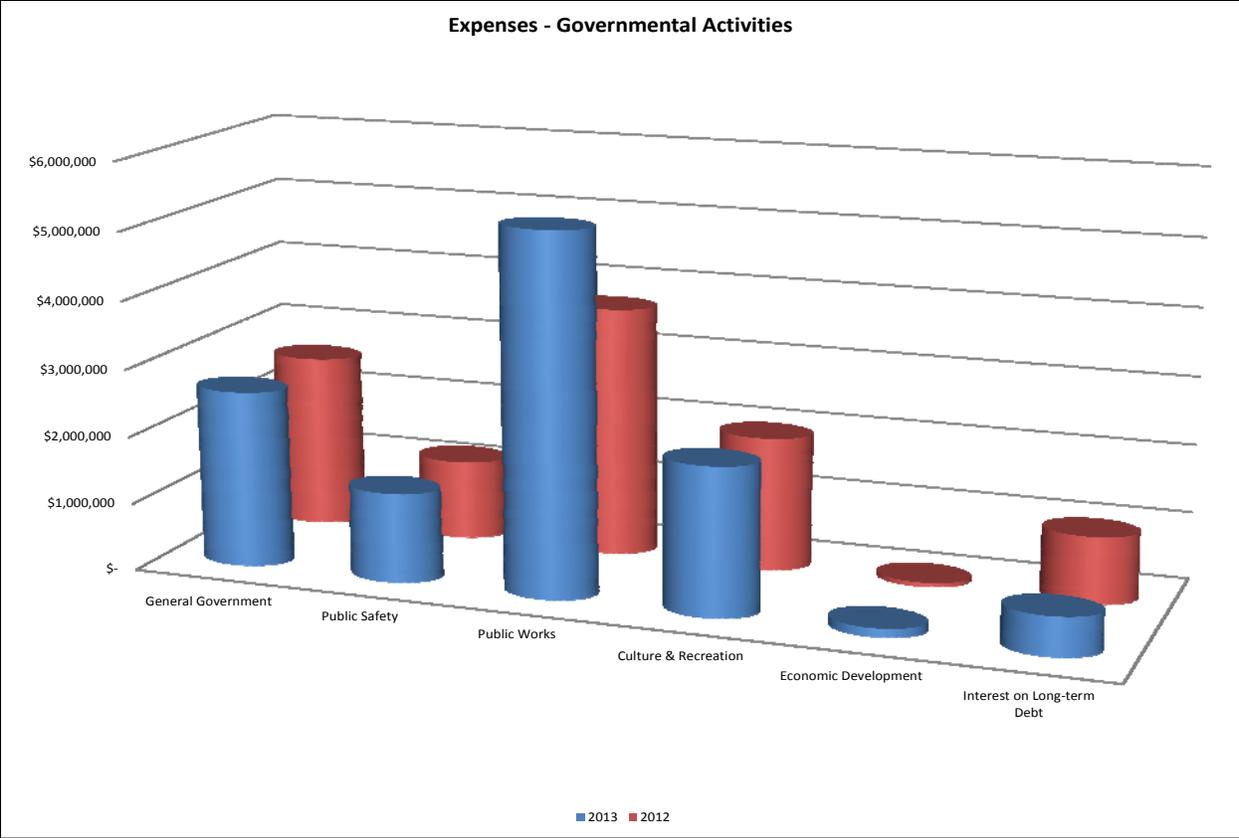
Net Position Changes	Governmental Activities		Business-Type Activities		Totals	
	2013	2012	2013	2012	2013	2012
Revenues						
Program Revenues						
Charges for Services	\$ 2,583,137	\$ 2,418,510	\$ 4,076,463	\$ 4,082,086	\$ 6,659,600	\$ 6,500,596
Operating Grants & Contributions	\$ 188,108	\$ 145,989	\$ 12,313	\$ -	\$ 200,421	\$ 145,989
Capital Grants & Contributions	\$ 2,646,128	\$ 1,776,558	\$ 1,360,860	\$ 1,427,961	\$ 4,006,988	\$ 3,204,519
General Revenues						
Property Taxes	\$ 4,966,181	\$ 4,867,392	\$ -	\$ -	\$ 4,966,181	\$ 4,867,392
Other Taxes	\$ 61,598	\$ 53,369	\$ -	\$ -	\$ 61,598	\$ 53,369
Grants & Contributions not Restricted	\$ 3,343	\$ -	\$ -	\$ -	\$ 3,343	\$ -
Other	\$ 56,250	\$ 166,658	\$ 23,849	\$ 111,439	\$ 80,099	\$ 278,097
Total Revenues	\$ 10,504,745	\$ 9,428,476	\$ 5,473,485	\$ 5,621,486	\$ 15,978,230	\$ 15,049,962
Expenses						
General Government	\$ 2,597,154	\$ 2,563,632	\$ -	\$ -	\$ 2,597,154	\$ 2,563,632
Public Safety	\$ 1,308,613	\$ 1,163,868	\$ -	\$ -	\$ 1,308,613	\$ 1,163,868
Public Works	\$ 5,280,532	\$ 3,686,528	\$ -	\$ -	\$ 5,280,532	\$ 3,686,528
Culture & Recreation	\$ 2,167,378	\$ 1,964,229	\$ -	\$ -	\$ 2,167,378	\$ 1,964,229
Economic Development	\$ 116,069	\$ 47,448	\$ -	\$ -	\$ 116,069	\$ 47,448
Interest on Long-term Debt	\$ 559,939	\$ 976,845	\$ -	\$ -	\$ 559,939	\$ 976,845
Water	\$ -	\$ -	\$ 2,144,091	\$ 1,692,319	\$ 2,144,091	\$ 1,692,319
Sewer	\$ -	\$ -	\$ 2,269,938	\$ 2,629,443	\$ 2,269,938	\$ 2,629,443
Storm Water	\$ -	\$ -	\$ 661,647	\$ 603,080	\$ 661,647	\$ 603,080
Street Lights	\$ -	\$ -	\$ 258,033	\$ 186,328	\$ 258,033	\$ 186,328
Ice Arena	\$ -	\$ -	\$ 783,262	\$ 746,809	\$ 783,262	\$ 746,809
Total Expenses	\$ 12,029,685	\$ 10,402,550	\$ 6,116,971	\$ 5,857,979	\$ 18,146,656	\$ 16,260,529
Increase (Decrease) in Net Position before Transfers	\$ (1,524,940)	\$ (974,074)	\$ (643,486)	\$ (236,493)	\$ (2,168,426)	\$ (1,210,567)
Transfers	\$ (438,900)	\$ (305,000)	\$ 438,900	\$ 305,000	\$ -	\$ -
Increase (Decrease) in Net Position	\$ (1,963,840)	\$ (1,279,074)	\$ (204,586)	\$ 68,507	\$ (2,168,426)	\$ (1,210,567)
Restatement/Prior Period	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Net Position January 1	\$ 61,476,643	\$ 62,755,717	\$ 26,761,475	\$ 26,692,968	\$ 88,238,118	\$ 89,448,685
Net Position December 31	\$ 59,512,803	\$ 61,476,643	\$ 26,556,889	\$ 26,761,475	\$ 86,069,692	\$ 88,238,118

Revenues - Governmental Activities



Revenues - Business Activities





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 \$9,117,529. Approximately \$1,645,058 of this total amount or 18% 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.

All debt service funds have a total fund balance of \$3,918,204. These funds are restricted for the payment of debt service. The net decrease in fund balance during the current year in the debt service funds was \$881,120. This decrease is due to interfund transfers out of the Public Improvement Revolving Debt Service Fund to repay the General Fund for monies previously borrowed and a reduction of deferred special assessment revenue due to properties in the process of tax forfeiture.

General Fund Analysis

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 44% of total General Fund expenditures. The General Fund increased fund balance by \$238,257 during the current fiscal year. The increase is due to higher than anticipated building permit revenues and general property tax collections.

Safari Island Fund Analysis

The Safari Island Fund decreased fund balance by \$1,438 during the current fiscal year. The decrease is due to lower than anticipated revenues for memberships, programs, and registration fees. This fund continues to be supported by the General Fund with interfund transfers for operations. However, the operations have stabilized after a review of the facility's staffing and operations that was completed in 2012 and implemented in 2013.

Permanent Improvement Revolving Capital Project Fund

The Permanent Improvement Revolving Capital Project Fund decreased fund balance by \$643,260 during the current fiscal year. The decrease is due to capital projects and improvements completed in the City which include street reconstruction, intersection improvements, trail additions, and playground structure installations.

Permanent Improvement Debt Service Fund Analysis

The Permanent Improvement Debt Service Fund decreased fund balance by \$872,673 during the current fiscal year. The decrease is due to lower than anticipated special assessment and interest revenue along with an interfund transfer out to repay the General Fund for monies previously borrowed.

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. The total unrestricted net position of all of the propriety funds totals \$4,855,848. Total unrestricted net position decreased 8% from 2012 mainly due to increased construction and maintenance on the City's aging infrastructure.

Water Utility Fund Analysis

Unrestricted net position of the Water Utility Fund at the end of the year amounted to \$2,033,998. This is a decrease of \$81,247 from 2012. The decrease is due to increased cost of issuance and fiscal charges in conjunction with the advance crossover refunding of bonds in 2013.

Sewer Utility Fund Analysis

Unrestricted net position of the Sewer Utility Fund at the end of the year amounted to \$2,474,386. This is a decrease of \$71,431 from 2012. The decrease is due to increased cost of issuance and fiscal charges in conjunction with the advance crossover refunding of bonds in 2013.

Storm Water Utility Fund Analysis

Unrestricted net position of the Storm Water Utility Fund at the end of the year amounted to \$226,399. This is a decrease of \$306,987 from 2012. The decrease is due to increased contract maintenance and engineering expense related to the City's storm water infrastructure. The City did extensive work in 2013 to clean storm water ponds and review drainage needs throughout the community to plan for future capital projects.

Street Light Utility Fund Analysis

Unrestricted net position of the Street Light Utility Fund at the end of the year amounted to \$188,811. This is a decrease of \$18,528 from 2012. The decrease is due to increased contract maintenance for additional lighting requirements in the community.

Ice Arena Fund Analysis

Unrestricted net position of the Ice Arena Fund at the end of the year had a negative balance totaling -\$67,746. This is an increase of \$76,422 from 2012. The increase was due to a reduction in the interfund loan payable. The loan was eliminated in 2013 by recording an additional \$100,000 transfer from the General Fund. This was done because of the Ice Arena Fund's reliance on annual interfund transfers for operations from the General Fund.

General Fund Budgetary Highlights

There were 17 budget amendments to the General Fund in 2013. Major budget amendments were made to building inspection revenue and contracted services for building inspections. In 2013, the City processed 1,124 building permits with a total valuation of \$47,110,365; this compared to 2012 where only 1,068 permits were issued with a total valuation of \$34,399,256. Other minor amendments were completed for a reduction in street maintenance aid due to a reallocation by the State of Minnesota and increased fire department part time wages.

The actual General Fund expenditures of \$3,780,640 were \$2,278 over the General Fund budget of \$3,778,362. The primary reason for this variance was increased expenditures for building inspections due to increased building activity. Revenues were \$153,837 over budget due primarily to building permit revenue and property tax collections.

The overall transfers-out total \$1,457,000 to special revenue funds, capital equipment funds, and the Ice Arena Fund impacted the total outflow of resources.

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, 2013, amount to \$103,804,292 (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 2.49%. The reduction is mainly due to depreciation expense exceeding capital asset additions.

Major capital asset information for the current fiscal year follows:

Capital Assets	Governmental Activities		Business-Type Activities		Total	
	2013	2012	2013	2012	2013	2012
Land	\$ 4,996,187	\$ 4,996,187	\$ 206,045	\$ 206,045	\$ 5,202,232	\$ 5,202,232
Permanent Easements	\$ 293,800	\$ 219,959	\$ -	\$ -	\$ 293,800	\$ 219,959
Buildings	\$ 47,336,003	\$ 47,336,003	\$ 16,311,725	\$ 16,311,725	\$ 63,647,728	\$ 63,647,729
Improvements	\$ 5,817,428	\$ 5,476,696	\$ 208,090	\$ 208,090	\$ 6,025,518	\$ 5,684,786
Machinery & Equipment	\$ 1,271,793	\$ 1,480,262	\$ 400,636	\$ 717,445	\$ 1,672,429	\$ 2,197,707
Vehicles	\$ 3,268,074	\$ 3,231,720	\$ 637,565	\$ 602,754	\$ 3,905,639	\$ 3,834,474
Infrastructure	\$ 42,233,205	\$ 41,214,474	\$ 34,665,417	\$ 33,576,326	\$ 76,898,622	\$ 74,790,800
Construction in Progress	\$ 767,306	\$ 911,413	\$ 687,971	\$ 1,240,830	\$ 1,455,277	\$ 2,152,243
Accumulated Depreciation	\$ (40,051,961)	\$ (37,004,364)	\$ (15,244,992)	\$ (14,269,661)	\$ (55,296,953)	\$ (51,274,025)
Total Capital Assets	\$ 65,931,835	\$ 67,862,350	\$ 37,872,457	\$ 38,593,555	\$ 103,804,292	\$ 106,455,905

Additional information on the City of Waconia's capital assets can be found in Note 6 of this report.

Long-Term Debt. At the end of the current fiscal year, the City of Waconia had total debt outstanding of \$46,573,035. Of this amount \$9,430,000 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 \$36,811,330. During the current fiscal year, the City's total long-term debt increased by \$6,920,890. The increase is due to the 2013A issuance which was an advanced crossover refunding of two water revenue bonds and one sewer

revenue bond that were issued in 2006 and 2007 for infrastructure replacements and improvements. The refunded general obligation debt will be paid off in increments in 2014 through 2016.

Long-Term Debt	Governmental Activities		Business Activities		Total	
	2013	2012	2013	2012	2013	2012
Bonded Debt						
General Obligation Debt	\$ 3,555,000	\$ 3,800,000	\$ -	\$ -	\$ 3,555,000	\$ 3,800,000
Special Assessment Debt with Governmental Commitment	\$ 9,991,940	\$ 11,820,597	\$ -	\$ -	\$ 9,991,940	\$ 11,820,597
Public Project Revenue Bonds	\$ 6,303,154	\$ 6,638,922	\$ 4,756,416	\$ 5,044,699	\$ 11,059,570	\$ 11,683,621
G.O. Revenue Bonds	\$ -	\$ -	\$ 21,634,820	\$ 12,045,000	\$ 21,634,820	\$ 12,045,000
Total Bonded Debt	\$ 19,850,094	\$ 22,259,519	\$ 26,391,236	\$ 17,089,699	\$ 46,241,330	\$ 39,349,218
Compensated Absences	\$ 206,578	\$ 213,759	\$ 125,127	\$ 89,168	\$ 331,705	\$ 302,927
Total Long-Term Debt	\$ 20,056,672	\$ 22,473,278	\$ 26,516,363	\$ 17,178,867	\$ 46,573,035	\$ 39,652,145

- The City of Waconia will be paying approximately \$5,667,286 in principal payments in 2014.
- 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 \$27,895,623. The City of Waconia’s current outstanding general obligation debt of \$3,555,000 is well below the maximum allowed.

Additional information on the City of Waconia’s long-term debt can be found in Note 7 of this report.

2014 Budget and Rate Information

The following factors were considered in preparing the City of Waconia’s budget for the 2014 fiscal year.

- The City’s 2014 Taxable Market Value increased to \$933,351,800 up 6.83% from the previous year’s market values and the Net Total Tax Capacity increased to \$9,600,946, up 6%.
- The City of Waconia prepared its 2014 General Fund budget of \$5,425,258 for a 9.0% increase in projected General Fund expenditures including interfund transfers out to other funds.
- The City tax rate decreased from 49.433% to 49.423% for a 0.02% decrease for 2014 and the average valued home realized a city tax bill decrease 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 requests for additional financial information should be addressed to Waconia City Hall, Attn: Finance Director, 201 South Vine Street, Waconia, MN, 55387.

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BASIC FINANCIAL STATEMENTS

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CITY OF WACONIA, MINNESOTA
STATEMENT OF NET POSITION
December 31, 2013
With Comparative Totals For December 31, 2012

Statement 1

	Primary Government			
	Governmental Activities	Business-Type Activities	Totals	
			2013	2012
Assets:				
Cash and investments	\$7,704,043	\$5,310,479	\$13,014,522	\$14,322,303
Restricted cash in escrow	442,344	10,054,491	10,496,835	447,312
Accrued interest receivable	74,789	-	74,789	198,938
Due from other governmental units	614,482	8,118	622,600	337,351
Accounts receivable - net	111,393	371,853	483,246	959,634
Internal balances	800	(800)	-	-
Prepaid items	31,484	1,473	32,957	149,225
Property taxes receivable	102,903	-	102,903	151,649
Special assessments receivable:				
Delinquent	772,990	-	772,990	941,392
Deferred	3,763,816	-	3,763,816	4,736,831
Notes receivable	868,201	-	868,201	889,302
Land held for resale	150,000	-	150,000	-
Capital assets (net of accumulated depreciation):				
Nondepreciable	6,057,293	894,016	6,951,309	7,354,475
Depreciable	59,874,542	36,978,441	96,852,983	99,101,430
Total assets	<u>80,569,080</u>	<u>53,618,071</u>	<u>134,187,151</u>	<u>129,589,842</u>
Liabilities:				
Accounts payable	431,758	136,874	568,632	535,717
Due to other governmental units	10,108	895	11,003	8,864
Salaries and benefits payable	102,830	34,231	137,061	145,839
Contracts payable	79,130	32,666	111,796	122,745
Deposits payable	44,375	-	44,375	322,094
Accrued interest payable	245,641	308,432	554,073	483,608
Other post employment benefits:				
Due in more than one year	85,763	31,721	117,484	80,712
Long-term liabilities				
Due within one year	2,655,616	3,322,983	5,978,599	3,495,191
Due in more than one year	17,401,056	23,193,380	40,594,436	36,156,954
Total liabilities	<u>21,056,277</u>	<u>27,061,182</u>	<u>48,117,459</u>	<u>41,351,724</u>
Net position:				
Net investment in capital assets	46,081,741	21,701,041	67,782,782	67,106,687
Restricted for:				
Debt service	8,224,592	-	8,224,592	10,260,654
Economic development loans	1,228,283	-	1,228,283	1,217,310
Park improvements	202,547	-	202,547	201,792
Tax increment purposes	232,630	-	232,630	230,912
Other purposes	11,794	-	11,794	47,552
Unrestricted	3,531,216	4,855,848	8,387,064	9,173,211
Total net position	<u>\$59,512,803</u>	<u>\$26,556,889</u>	<u>\$86,069,692</u>	<u>\$88,238,118</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, 2013

With Comparative Totals 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	\$2,597,154	\$746,691
Public safety	1,308,613	883,430
Public works	5,280,532	18,379
Parks and recreation	2,167,378	934,637
Economic development	116,069	-
Interest on long-term debt	559,939	-
Total governmental activities	<u>12,029,685</u>	<u>2,583,137</u>
Business-type activities:		
Water	2,144,091	1,395,628
Sewer	2,269,938	1,677,045
Storm water	661,647	439,685
Street lighting	258,033	228,010
Ice arena	783,262	336,095
Total business-type activities	<u>6,116,971</u>	<u>4,076,463</u>
Total primary government	<u>\$18,146,656</u>	<u>\$6,659,600</u>

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

Program Revenues		Net (Expense) Revenue and Changes in Net Position Primary Government			
Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Totals	
				2013	2012
\$ -	\$ -	(\$1,850,463)	\$ -	(\$1,850,463)	(\$1,805,627)
136,950	-	(288,233)	-	(288,233)	(316,640)
30,609	2,646,128	(2,585,416)	-	(2,585,416)	(1,871,640)
20,549	-	(1,212,192)	-	(1,212,192)	(1,009,505)
-	-	(116,069)	-	(116,069)	(62,574)
-	-	(559,939)	-	(559,939)	(976,845)
<u>188,108</u>	<u>2,646,128</u>	<u>(6,612,312)</u>	<u>0</u>	<u>(6,612,312)</u>	<u>(6,042,831)</u>
-	537,600	-	(210,863)	(210,863)	342,054
7,113	557,200	-	(28,580)	(28,580)	(365,830)
5,200	266,060	-	49,298	49,298	81,441
-	-	-	(30,023)	(30,023)	28,174
-	-	-	(447,167)	(447,167)	(433,771)
<u>12,313</u>	<u>1,360,860</u>	<u>0</u>	<u>(667,335)</u>	<u>(667,335)</u>	<u>(347,932)</u>
<u>\$200,421</u>	<u>\$4,006,988</u>	<u>(6,612,312)</u>	<u>(667,335)</u>	<u>(7,279,647)</u>	<u>(6,390,763)</u>
General revenues:					
Property taxes		4,966,181	-	4,966,181	4,867,392
Tax increment collections		19,649	-	19,649	19,620
Lodging taxes		41,949	-	41,949	33,749
Grants and contributions not restricted to specific programs		3,343	-	3,343	-
Unrestricted investment earnings		47,571	23,849	71,420	259,435
Gain on sale of capital assets		8,679	-	8,679	-
Transfers		(438,900)	438,900	-	-
Total general revenues and transfers		<u>4,648,472</u>	<u>462,749</u>	<u>5,111,221</u>	<u>5,180,196</u>
Change in net position		(1,963,840)	(204,586)	(2,168,426)	(1,210,567)
Net position - January 1		<u>61,476,643</u>	<u>26,761,475</u>	<u>88,238,118</u>	<u>89,448,685</u>
Net position - December 31		<u>\$59,512,803</u>	<u>\$26,556,889</u>	<u>\$86,069,692</u>	<u>\$88,238,118</u>

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

CITY OF WACONIA, MINNESOTA

BALANCE SHEET

Statement 3

GOVERNMENTAL FUNDS

December 31, 2013

With Comparative Totals For December 31, 2012

	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'tl Funds	Total Governmental Funds	
						2013	2012
Assets							
Cash and investments	\$2,370,464	\$145,855	\$133,471	\$3,389,637	\$1,664,616	\$7,704,043	\$9,048,329
Restricted cash in escrow	-	-	5,228	437,116	-	442,344	447,312
Accrued interest receivable	74,789	-	-	-	-	74,789	198,938
Due from other governmental units	68,505	4,510	514,820	24,983	1,664	614,482	337,351
Accounts receivable - net	96,005	8,513	432	-	6,443	111,393	555,840
Due from other funds	9,800	-	-	-	-	9,800	100,000
Prepaid items	28,844	813	-	-	1,827	31,484	13,197
Property taxes receivable	62,673	-	-	38,125	2,105	102,903	151,649
Special assessments receivable:							
Delinquent	-	-	-	772,990	-	772,990	941,392
Deferred	98	73	-	3,763,645	-	3,763,816	4,736,831
Notes receivable - net	34,832	-	-	-	833,369	868,201	889,302
Land held for resale	-	-	150,000	-	-	150,000	-
Total assets	\$2,746,010	\$159,764	\$803,951	\$8,426,496	\$2,510,024	\$14,646,245	\$17,420,141
Liabilities, Deferred Inflows of Resources, and Fund Balance							
Liabilities:							
Accounts payable	\$203,054	\$94,865	\$132,589	\$ -	\$1,250	\$431,758	\$452,962
Due to other governmental units	6,639	3,469	-	-	-	10,108	7,988
Salaries and benefits payable	72,973	29,857	-	-	-	102,830	119,916
Contracts payable	-	-	79,130	-	-	79,130	100,421
Due to other funds	-	-	-	-	9,000	9,000	-
Deposits payable	11,132	-	33,243	-	-	44,375	318,845
Total liabilities	293,798	128,191	244,962	0	10,250	677,201	1,000,132
Deferred inflows of resources:							
Unavailable revenue	62,771	73	-	4,574,760	213,911	4,851,515	6,041,678
Fund balance:							
Nonspendable	28,844	813	150,000	-	1,827	181,484	13,197
Restricted	1,057	-	-	3,851,736	1,506,128	5,358,921	6,285,084
Committed	712,637	30,687	-	-	-	743,324	905,318
Assigned	-	-	408,989	-	779,753	1,188,742	1,909,125
Unassigned	1,646,903	-	-	-	(1,845)	1,645,058	1,265,607
Total fund balance (deficit)	2,389,441	31,500	558,989	3,851,736	2,285,863	9,117,529	10,378,331
Total liabilities, deferred inflows of resources, and fund balance	\$2,746,010	\$159,764	\$803,951	\$8,426,496	\$2,510,024	\$14,646,245	\$17,420,141
Fund balance reported above						\$9,117,529	\$10,378,331
Amounts reported for governmental activities in the statement of net position are different because:							
Capital assets used in governmental activities are not current financial resources and therefore are not reported in the funds.						65,931,835	67,862,350
Long-term liabilities 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:							
Bonds payable, including unamortized premium						(19,850,094)	(22,259,519)
Accrued interest payable						(245,641)	(273,518)
Compensated absences payable						(206,578)	(213,759)
Other post employment benefit obligation						(85,763)	(58,920)
Other long-term assets are not available to pay for current-period expenditures and therefore are reported as unavailable revenue in the funds:							
Delinquent property taxes						102,903	151,649
Delinquent special assessments						772,990	941,392
Deferred special assessments						3,763,816	4,736,831
Notes receivable						211,806	211,806
Net position of governmental activities						\$59,512,803	\$61,476,643

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, 2013
With Comparative Totals 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 Funds	Total Governmental Funds	
						2013	2012
Revenues:							
Property taxes	\$3,010,107	\$ -	\$ -	\$1,895,347	\$109,473	\$5,014,927	\$4,871,223
Tax increment collections	-	-	-	-	19,649	19,649	\$19,620
Lodging taxes	-	-	-	-	41,949	41,949	33,749
Special assessments	-	-	-	368,991	-	368,991	674,933
Licenses and permits	807,266	-	-	-	-	807,266	640,048
Intergovernmental	155,248	9,600	2,334,311	-	-	2,499,159	1,682,388
Charges for services	794,354	932,208	-	-	19,572	1,746,134	1,767,685
Fines and forfeits	29,737	-	-	-	-	29,737	29,439
Investment income	13,604	-	3,995	10,852	19,120	47,571	147,996
Contributions and donations	23,798	2,652	153	-	-	26,603	14,043
Park land dedication	-	-	-	-	-	-	6,600
Developer reimbursements	-	-	-	-	-	-	27,903
Total revenues	4,834,114	944,460	2,338,459	2,275,190	209,763	10,601,986	9,915,627
Expenditures:							
Current:							
General government	1,479,712	-	-	-	62,290	1,542,002	1,409,327
Public safety	1,079,734	-	101,616	-	-	1,181,350	1,040,638
Public works	830,149	-	666,878	-	680	1,497,707	805,113
Parks and recreation	330,514	1,248,898	90,725	-	23,394	1,693,531	1,487,548
Economic development	60,531	-	-	-	55,538	116,069	65,453
Capital outlay:							
General government	-	-	-	-	30,951	30,951	40,478
Public safety	-	-	-	-	49,603	49,603	14,825
Public works	-	-	1,950,418	-	155,900	2,106,318	1,471,157
Parks and recreation	-	-	172,082	-	31,934	204,016	368,581
Debt service:							
Principal	-	-	-	2,120,000	195,768	2,315,768	13,356,770
Interest and fiscal charges	-	-	-	602,863	78,610	681,473	952,740
Total expenditures	3,780,640	1,248,898	2,981,719	2,722,863	684,668	11,418,788	21,012,630
Revenues over (under) expenditures	1,053,474	(304,438)	(643,260)	(447,673)	(474,905)	(816,802)	(11,097,003)
Other financing sources (uses):							
Transfers in	641,783	303,000	-	-	495,000	1,439,783	1,660,769
Transfers out	(1,457,000)	-	-	(425,000)	(1,783)	(1,883,783)	(1,965,769)
Total other financing sources (uses)	(815,217)	303,000	0	(425,000)	493,217	(444,000)	(305,000)
Net change in fund balance	238,257	(1,438)	(643,260)	(872,673)	18,312	(1,260,802)	(11,402,003)
Fund balance - January 1	2,151,184	32,938	1,202,249	4,724,409	2,267,551	10,378,331	21,780,334
Fund balance - December 31	\$2,389,441	\$31,500	\$558,989	\$3,851,736	\$2,285,863	\$9,117,529	\$10,378,331

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**

Statement 5

For The Year Ended December 31, 2013

With Comparative Totals For The Year Ended December 31, 2012

	<u>2013</u>	<u>2012</u>
Amounts reported for governmental activities in the statement of activities are different because:		
Net changes in fund balance - total governmental funds (Statement 4)	(\$1,260,802)	(\$11,402,003)
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	(3,528,725)	(3,451,637)
Capital outlay	2,390,888	1,895,041
Capital outlay not capitalized	(974,457)	(1,199,078)
Various other transactions involving capital assets increase (decrease) net position on the statement of activities, but are not reported in governmental funds because they do not provide (or use) current financial resources:		
Property received through the tax forfeiture process	168,000	-
Gain (loss) on disposal of capital assets	8,679	(69,994)
Value of assets received from business-type activities	5,100	-
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	(48,746)	(3,831)
Change in deferred and delinquent special assessments	(1,141,417)	(483,320)
Principal payments on long-term debt are recognized as expenditures in the governmental funds but have no effect on net position in the statement of activities:	2,315,768	13,356,770
Governmental funds report the effects of bond premiums and discounts when the debt is first issued, whereas these amounts are deferred and amortized over the life of the debt in the statement of activities.		
Amortization of bond premiums	93,657	93,657
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	7,181	(15,716)
Change in other post employment benefits payable	(26,843)	(28,719)
Change in accrued interest payable	27,877	173,362
Change in deferred interest expense	-	(143,606)
Change in net position of governmental activities (Statement 2)	<u>(\$1,963,840)</u>	<u>(\$1,279,074)</u>

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

CITY OF WACONIA, MINNESOTA

STATEMENT OF NET POSITION

PROPRIETARY FUNDS

December 31, 2013

With Comparative Totals For December 31, 2012

Statement 6

	Business-Type Activities Enterprise Funds					Totals	
	Water (601)	Sewer (602)	Storm Water (655)	Street Light Utility (668)	Ice Arena (678)	2013	2012
	Assets:						
Current assets:							
Cash and cash equivalents	\$2,299,578	\$2,534,924	\$285,656	\$189,985	\$336	\$5,310,479	\$5,273,974
Restricted cash in escrow	6,513,141	3,541,350	-	-	-	10,054,491	-
Due from other governmental units	603	7,515	-	-	-	8,118	-
Accounts receivable - net	131,649	181,706	37,112	21,386	-	371,853	403,794
Prepaid items	-	-	-	-	1,473	1,473	136,028
Total current assets	8,944,971	6,265,495	322,768	211,371	1,809	15,746,414	5,813,796
Noncurrent assets:							
Capital assets:							
Land	74,045	55,000	77,000	-	-	206,045	206,045
Infrastructure	13,875,992	11,745,592	9,043,833	-	-	34,665,417	33,576,326
Buildings	9,880,592	303,447	-	-	6,127,686	16,311,725	16,311,726
Improvements	15,408	-	-	192,682	-	208,090	208,090
Equipment	86,089	303,583	10,964	-	-	400,636	717,445
Vehicles	168,507	393,816	73,885	1,357	-	637,565	602,756
Construction in progress	149,178	52,435	486,358	-	-	687,971	1,240,828
Total capital assets	24,249,811	12,853,873	9,692,040	194,039	6,127,686	53,117,449	52,863,216
Less: Allowance for depreciation	(6,923,742)	(3,965,276)	(3,315,230)	(110,675)	(930,069)	(15,244,992)	(14,269,661)
Net capital assets	17,326,069	8,888,597	6,376,810	83,364	5,197,617	37,872,457	38,593,555
Total assets	26,271,040	15,154,092	6,699,578	294,735	5,199,426	53,618,871	44,407,351
Liabilities:							
Current liabilities:							
Accounts payable	34,523	34,183	34,576	17,629	15,963	136,874	82,754
Due to other governmental units	732	-	-	-	163	895	876
Salaries and benefits payable	8,995	8,500	6,104	643	9,989	34,231	25,923
Contracts payable	6,585	853	25,228	-	-	32,666	22,324
Due to other funds	-	-	-	-	800	800	100,000
Accrued interest payable	194,738	104,744	-	-	8,950	308,432	210,090
Deposits payable	-	-	-	-	-	-	3,250
Compensated absences payable - current	14,108	13,830	8,914	1,384	10,732	48,968	61,546
Bonds payable - current	2,728,101	272,654	-	-	273,260	3,274,015	871,019
Total current liabilities	2,987,782	434,764	74,822	19,656	319,857	3,836,881	1,377,782
Noncurrent liabilities:							
Compensated absences payable	21,941	21,510	13,865	2,151	16,692	76,159	27,622
Other post employment benefits	9,037	7,983	7,682	753	6,266	31,721	21,792
Bonds payable	11,122,213	7,511,852	-	-	4,483,156	23,117,221	16,218,680
Total noncurrent liabilities	11,153,191	7,541,345	21,547	2,904	4,506,114	23,225,101	16,268,094
Total liabilities	14,140,973	7,976,109	96,369	22,560	4,825,971	27,061,982	17,645,876
Net position:							
Net investment in capital assets	10,096,069	4,703,597	6,376,810	83,364	441,201	21,701,041	21,503,856
Unrestricted	2,033,998	2,474,386	226,399	188,811	(67,746)	4,855,848	5,257,619
Total net position	\$12,130,067	\$7,177,983	\$6,603,209	\$272,175	\$373,455	\$26,556,889	\$26,761,475

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, 2013
With Comparative Totals 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)	2013	2012
	Operating revenues:						
Charges for services	\$1,302,626	\$1,674,242	\$438,125	\$226,429	\$285,945	\$3,927,367	\$3,834,509
Operating expenses:							
Wages and salaries	201,852	190,917	133,931	17,677	216,481	760,858	594,135
Employee benefits	69,392	61,646	44,443	5,112	59,776	240,369	197,956
Materials and supplies	212,829	35,586	24,768	1,114	5,372	279,669	243,297
Repairs and maintenance	36,743	33,618	10,903	3,245	29,305	113,814	98,618
Professional services	130,377	1,112,930	190,679	67,326	15,604	1,516,916	1,580,459
Insurance	21,480	29,710	13,782	6,702	10,218	81,892	63,063
Utilities	108,887	40,897	2,166	146,039	94,599	392,588	348,704
Depreciation	674,801	388,684	231,575	10,288	152,871	1,458,219	1,409,848
Equipment	6,234	6,302	7,327	-	11,798	31,661	29,320
Miscellaneous	26,027	14,716	1,858	315	15,676	58,592	36,692
Total operating expenses	1,488,622	1,915,006	661,432	257,818	611,700	4,934,578	4,602,092
Operating income (loss)	(185,996)	(240,764)	(223,307)	(31,389)	(325,755)	(1,007,211)	(767,583)
Nonoperating revenues (expenses):							
Investment income	9,092	11,405	2,359	993	-	23,849	111,439
Intergovernmental	-	7,113	5,200	-	-	12,313	-
Other income	93,002	2,803	1,560	1,581	50,150	149,096	247,577
Interest and fiscal charges	(574,482)	(302,034)	-	-	(171,562)	(1,048,078)	(741,925)
Gain (loss) on disposal of assets	(80,987)	(52,898)	(215)	(215)	-	(134,315)	(513,962)
Total nonoperating revenues (expenses)	(553,375)	(333,611)	8,904	2,359	(121,412)	(997,135)	(896,871)
Income (loss) before contributions and transfers	(739,371)	(574,375)	(214,403)	(29,030)	(447,167)	(2,004,346)	(1,664,454)
Transfers in	-	-	-	-	659,000	659,000	505,000
Transfers out	(81,700)	(81,700)	(56,700)	-	-	(220,100)	(200,000)
Capital contributions:							
Connection charges	537,600	557,200	266,060	-	-	1,360,860	1,427,961
Total contributions and transfers	455,900	475,500	209,360	0	659,000	1,799,760	1,732,961
Change in net position	(283,471)	(98,875)	(5,043)	(29,030)	211,833	(204,586)	68,507
Net position - January 1	12,413,538	7,276,858	6,608,252	301,205	161,622	26,761,475	26,692,968
Net position - December 31	\$12,130,067	\$7,177,983	\$6,603,209	\$272,175	\$373,455	\$26,556,889	\$26,761,475

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, 2013

With Comparative Totals 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)	2013	2012
Cash flows from operating activities:							
Receipts from customers and users	\$1,307,449	\$1,662,931	\$468,775	\$226,090	\$285,945	\$3,951,190	\$3,791,178
Payment to suppliers	(541,026)	(1,277,107)	(217,733)	(207,605)	(170,430)	(2,413,901)	(2,483,862)
Payment to employees	(257,225)	(238,936)	(166,651)	(21,586)	(262,633)	(947,031)	(772,830)
Miscellaneous revenue	93,002	9,916	6,760	1,581	50,150	161,409	247,577
Net cash flows from operating activities	602,200	156,804	91,151	(1,520)	(96,968)	751,667	782,063
Cash flows from noncapital financing activities:							
Increase in due to other funds	-	-	-	-	800	800	-
Transfer from other funds	-	-	-	-	559,000	559,000	505,000
Transfer to other funds	(81,700)	(81,700)	(56,700)	-	-	(220,100)	(200,000)
Net cash flows from noncapital financing activities	(81,700)	(81,700)	(56,700)	0	559,800	339,700	305,000
Cash flows from capital and related financing activities:							
Principal paid on debt	(375,000)	(255,000)	-	-	(288,283)	(918,283)	(840,433)
Interest and fiscal charges paid on debt	(409,985)	(230,379)	-	-	(174,817)	(815,181)	(740,878)
Connection charges	537,600	557,200	266,060	-	-	1,360,860	1,427,961
Bond proceeds, including bond premium	6,620,314	3,599,506	-	-	-	10,219,820	-
Acquisition of capital assets	(178,564)	(159,138)	(533,734)	-	-	(871,436)	(1,367,687)
Net cash flows from capital and related financing activities	6,194,365	3,512,189	(267,674)	0	(463,100)	8,975,780	(1,521,037)
Cash flows from investing activities:							
Investment income	9,092	11,405	2,359	993	-	23,849	111,439
Net increase (decrease) in cash and cash equivalents	6,723,957	3,598,698	(230,864)	(527)	(268)	10,090,996	(322,535)
Cash and cash equivalents - January 1	2,088,762	2,477,576	516,520	190,512	604	5,273,974	5,596,509
Cash and cash equivalents - December 31	\$8,812,719	\$6,076,274	\$285,656	\$189,985	\$336	\$15,364,970	\$5,273,974
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:							
Operating income (loss)	(\$185,996)	(\$240,764)	(\$223,307)	(\$31,389)	(\$325,755)	(\$1,007,211)	(\$767,583)
Adjustments to reconcile operating income (loss) to net cash flows from operating activities:							
Miscellaneous revenue	93,002	9,916	6,760	1,581	50,150	161,409	247,577
Depreciation	674,801	388,684	231,575	10,288	152,871	1,458,219	1,409,848
Changes in assets and liabilities:							
Decrease (increase) in accounts receivables	5,426	(3,796)	30,650	(339)	-	31,941	(43,321)
Decrease (increase) in due from other governments	(603)	(7,515)	-	-	-	(8,118)	-
Increase (decrease) in accounts payables	(1,993)	10,466	13,128	17,136	12,133	50,870	(75,575)
Increase (decrease) in due to other governments	10	-	-	-	9	19	44
Increase (decrease) salaries and benefits payable	2,216	2,393	1,491	15	2,193	8,308	5,848
Increase (decrease) contracts payable	3,534	(13,814)	20,622	-	-	10,342	(8,188)
Increase (decrease) in compensated absences and other post employment benefits	11,803	11,234	10,232	1,188	11,431	45,888	13,413
Total adjustments	788,196	397,568	314,458	29,869	228,787	1,758,878	1,549,646
Net cash provided by operating activities	\$602,200	\$156,804	\$91,151	(\$1,520)	(\$96,968)	\$751,667	\$782,063
Noncash investing, capital and financing activities:							
During 2013, a \$100,000 noncash transfer from the General Fund to the Ice Arena was recorded which reduced the due to other fund liability of the Ice Arena.							

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

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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 and proprietary funds. 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.

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.

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, which consist primarily of user fees, are committed for this purpose.

The *Permanent Improvement Revolving debt service fund* accounts for debt service payments associated with projects constructed in the PIR capital projects fund.

The *Permanent Improvement Revolving capital projects fund* provides for the tracking and reporting of capital improvement projects for infrastructure and facilities.

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.

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.

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.

CITY OF WACONIA, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
 December 31, 2013

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 2013, expenditures of the following funds exceeded the fund’s final budget:

	<u>Actual</u>	<u>Final Budget</u>	<u>Overage</u>
General fund	\$3,780,640	\$3,778,362	\$2,278
Public education	62,290	9,710	52,580
Lodging tax	33,033	28,100	4,933

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 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

CITY OF WACONIA, MINNESOTA
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December 31, 2013

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 inflows of resources 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 inflows of resources.

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, 2013, no interest was capitalized in connection with construction in progress.

CITY OF WACONIA, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
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Property, plant and equipment is 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, 2013 was \$20,604. 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 position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount.

In the fund financial statements, governmental fund types recognize bond premiums and discounts during the current period. The face amount of 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.

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 and the 2013A G.O. Refunding Bonds have resources set aside for their repayment of debt. These funds are classified as restricted assets in the financial statements. The funds are maintained with an escrow agent and their use is limited by the debt agreement.

Q. NET POSITION

Net position represents the difference between assets and liabilities in the government-wide financial statements. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balance of any long-term debt used to build or acquire the capital assets. Net position is 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, 2012, from which the summarized information was derived.

U. DEFERRED INFLOWS OF RESOURCES

In addition to liabilities, the statement of financial position reports a separate section for *deferred inflows of resources*. This separate financial statement element represents an acquisition of net position that applies to a future period and therefore will *not* be recognized as an inflow of resources (revenue) until that time. The City has one type of item, which arises only under a modified accrual basis of accounting, that qualifies for reporting in this category. Accordingly, the item, unavailable revenue, is reported only in the governmental fund balance sheet. The governmental funds report unavailable revenues from the following sources: property taxes, special assessments, developer agreement receivables and notes receivable.

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, 2013, 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.

CITY OF WACONIA, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
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At December 31, 2013 the carrying amount of the City's deposits with financial institutions was \$3,242,311.

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
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As of December 31, 2013 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	\$42,164	\$42,164	\$ -	\$ -
Brokered CD's	NR	7,001,237	2,014,860	4,323,161	663,216
Federal Home Loan Mtg Corp	Aaa	568,806	-	-	568,806
Federal Home Loan Bank	Aaa	162,177	-	162,177	-
Municipal Bonds	Aa1	312,198	-	312,198	-
Municipal Bonds	Aa2	582,181	-	582,181	-
Municipal Bonds	Aa3	702,548	338,649	363,899	-
Municipal Bonds	A3	400,000	400,000	-	-
Total		<u>\$9,771,311</u>	<u>\$2,795,673</u>	<u>\$5,743,616</u>	<u>\$1,232,022</u>
			Total investments		\$9,771,311
			Deposits		3,242,311
			Restricted cash in escrow		10,496,835
			Petty cash		900
			Total cash and investments		<u>\$23,511,357</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 portfolio according to broker-dealer or financial institutions. No more than 50% of the entire investments portfolio shall be held with one broker.

CITY OF WACONIA, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
December 31, 2013

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, 2013, 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, 2013, 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.

Note 3 RECEIVABLES

Significant receivables balances not expected to be collected within one year of December 31, 2013 are as follows:

	Primary Government			
	Major Funds			Total
	General	Permanent Improvement Revolving DSF	Nonmajor Funds	
Special assessments receivable	\$ -	\$4,297,972	\$ -	\$4,297,972
Property taxes receivable	34,337	20,888	1,154	56,379
Notes receivable	-	-	731,169	731,169
Other receivables	32,000	-	-	32,000
Total	\$66,337	\$4,318,860	\$732,323	\$5,117,520

Further details regarding the uncertainty of collection of special assessments receivable can be found at Note 10D.

CITY OF WACONIA, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
December 31, 2013

Note 4 UNAVAILABLE REVENUES

Governmental funds report deferred inflows of resources in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. At the end of the current fiscal year, the various components of unavailable revenue reported in the governmental funds were as follows:

	Property Taxes	Special Assessments	Developer Agreement Receivable	Notes Receivable	Total
Major Fund:					
General Fund	\$62,673	\$98	\$ -	\$ -	\$62,771
Safari Island Fund	-	73	-	-	73
PIR Debt Service Fund	38,125	3,432,631	1,104,004	-	4,574,760
Nonmajor funds	2,105	-	-	211,806	213,911
 Total unavailable revenue	 <u>\$102,903</u>	 <u>\$3,432,802</u>	 <u>\$1,104,004</u>	 <u>\$211,806</u>	 <u>\$4,851,515</u>

Note 5 DUE TO/FROM OTHER FUNDS AND TRANSFERS

Amounts reported as due to/from other funds at December 31, 2013 are as follows:

	Due From Other Funds	Due To Other Funds
Major Funds:		
General Fund	\$9,800	\$ -
Ice Arena	-	800
Nonmajor Funds:		
Public Education	-	7,000
TIF #2 Auburn Homes	-	1,000
TIF #3 Cherry Street	-	1,000
 Total	 <u>\$9,800</u>	 <u>\$9,800</u>

Due to/from other funds represent temporary balances due to reclassifications of funds with internally reported negative balances. These balances are expected to be eliminated in 2014 with a combination of franchise fee and tax increment collections, as well as user charges from the Ice Arena.

CITY OF WACONIA, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
December 31, 2013

Interfund transfers:

	Transfers In				Total
	General	Safari Island	Ice Arena	Nonmajor	
Transfers out:					
General Fund	\$ -	\$303,000	\$659,000	\$495,000	\$1,457,000
PIR Debt Service	425,000	-	-	-	425,000
Nonmajor Funds	1,783	-	-	-	1,783
Water Fund	80,000	-	-	-	80,000
Sewer Fund	80,000	-	-	-	80,000
Stormwater Fund	55,000	-	-	-	55,000
 Totals	 <u>\$641,783</u>	 <u>\$303,000</u>	 <u>\$659,000</u>	 <u>\$495,000</u>	 <u>\$2,098,783</u>

Transfers to the General Fund from the Water, Sewer, Stormwater and Nonmajor funds allowed the City to allocate financial resources to funds that received benefit from services provided by another fund. Transfers made from the General Fund to the Safari Island and Ice Arena funds were done to supplement user charges of those funds. The transfer made from the PIR Debt Service fund to the General Fund was made to repay the General Fund for support provided in previous years.

In addition to the transfers noted above, the Water, Sewer and Stormwater funds each transferred \$1,700 of capital assets to governmental activities during 2013.

CITY OF WACONIA, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
December 31, 2013

Note 6 CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2013 was as follows:

	<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	73,841	-	293,800
Construction in progress	911,413	1,477,997	1,622,104	767,306
Total capital assets, not being depreciated	<u>6,127,559</u>	<u>1,551,838</u>	<u>1,622,104</u>	<u>6,057,293</u>
Capital assets, being depreciated:				
Buildings	47,336,003	-	-	47,336,003
Machinery and equipment	1,480,262	267,000	475,469	1,271,793
Improvements	5,476,696	359,240	18,508	5,817,428
Infrastructure	41,214,474	1,018,731	-	42,233,205
Vehicles	3,231,720	71,292	34,938	3,268,074
Total capital assets, not being depreciated	<u>98,739,155</u>	<u>1,716,263</u>	<u>528,915</u>	<u>99,926,503</u>
Less accumulated depreciation for:				
Buildings	13,014,846	1,223,771	-	14,238,617
Machinery and equipment	1,169,348	80,865	438,100	812,113
Improvements	3,264,391	333,078	9,838	3,587,631
Infrastructure	17,767,990	1,713,283	-	19,481,273
Vehicles	1,787,789	177,728	33,190	1,932,327
Total accumulated depreciation	<u>37,004,364</u>	<u>3,528,725</u>	<u>481,128</u>	<u>40,051,961</u>
Total capital assets being depreciated - net	<u>61,734,791</u>	<u>(1,812,462)</u>	<u>47,787</u>	<u>59,874,542</u>
Governmental activities capital assets - net	<u>\$67,862,350</u>	<u>(\$260,624)</u>	<u>\$1,669,891</u>	<u>\$65,931,835</u>

CITY OF WACONIA, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
December 31, 2013

	Beginning Balance	Increases	Decreases	Ending Balance
Business-type activities:				
Capital assets, not being depreciated:				
Land and land improvements	\$206,045	\$ -	\$ -	\$206,045
Construction in progress	1,240,828	879,857	1,432,714	687,971
Total capital assets, being depreciated	<u>1,446,873</u>	<u>879,857</u>	<u>1,432,714</u>	<u>894,016</u>
Capital assets, being depreciated:				
Buildings	16,311,725	-	-	16,311,725
Machinery and equipment	717,445	-	316,809	400,636
Improvements	208,090	-	-	208,090
Infrastructure	33,576,326	1,343,399	254,308	34,665,417
Vehicles	602,756	89,315	54,506	637,565
Total capital assets, being depreciated	<u>51,416,342</u>	<u>1,432,714</u>	<u>625,623</u>	<u>52,223,433</u>
Less accumulated depreciation for:				
Buildings	2,900,865	416,829	-	3,317,694
Machinery and equipment	378,033	27,181	176,798	228,416
Improvements	109,334	11,150	-	120,484
Infrastructure	10,416,017	950,419	254,308	11,112,128
Vehicles	465,412	52,640	51,782	466,270
Total accumulated depreciation	<u>14,269,661</u>	<u>1,458,219</u>	<u>482,888</u>	<u>15,244,992</u>
Total capital assets being depreciated - net	<u>37,146,681</u>	<u>(25,505)</u>	<u>142,735</u>	<u>36,978,441</u>
Business-type activities capital assets - net	<u>\$38,593,554</u>	<u>\$854,352</u>	<u>\$1,575,449</u>	<u>\$37,872,457</u>

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

Governmental activities:	
General government	\$1,064,618
Public safety	127,263
Public works, including depreciation of general infrastructure assets	1,880,404
Parks and recreation	456,440
Total depreciation expense - governmental activities	<u>\$3,528,725</u>
Business-type activities:	
Water	\$674,801
Sewer	388,684
Storm sewer	231,575
Street lighting	10,288
Ice arena	152,871
Total depreciation expense - business-type activities	<u>\$1,458,219</u>

CITY OF WACONIA, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
December 31, 2013

Note 7 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, 2013, the long-term bonded debt of the financial reporting entity consisted of the following:

	<u>Interest Rates</u>	<u>Issue Date</u>	<u>Maturity Date</u>	<u>Original Issue</u>	<u>Payable 12/31/13</u>
<u>Governmental Activities:</u>					
General Obligation Bonds:					
Capital Improvement Plan Bonds of 2010A	2% - 3.75%	10/13/2010	2/1/2028	\$3,390,000	\$2,910,000
Bonds of 2011A - equipment portion	3.00%	9/13/2011	2/1/2020	730,000	645,000
Total general obligation bonds				<u>4,120,000</u>	<u>3,555,000</u>
General Obligation Improvement Bonds:					
Bonds of 2011A - improvement portion	3.00%	9/13/2011	2/1/2018	11,265,000	9,430,000
Public Project Revenue Bonds:					
2007 EDA Public Project Revenue Bonds	4.35% - 4.50%	10/1/2007	10/1/2022	1,838,283	1,228,154
EDA Public Project Revenue Bonds of 2007C	3.88% - 4.00%	3/20/2007	2/1/2029	6,120,000	5,075,000
				<u>7,958,283</u>	<u>6,303,154</u>
Unamortized bond premium				749,254	561,940
Compensated absences				N/A	206,578
Total governmental activities				<u>\$24,092,537</u>	<u>\$20,056,672</u>
<u>Business-Type Activities:</u>					
General Obligation Revenue Bonds:					
Water Revenue Bonds of 2006A	4.00% - 4.25%	6/7/2006	2/1/2014	\$3,275,000	\$2,460,000
Sewer Revenue Bonds of 2006C	4.00% - 4.10%	9/26/2006	2/1/2015	5,105,000	3,890,000
Water Revenue Bonds of 2007B	3.88% - 4.25%	3/1/2007	2/1/2016	6,115,000	4,770,000
Sewer Revenue Refunding Bonds of 2009A	2.50% - 3.75%	3/24/2009	6/1/2017	470,000	295,000
Water and Sewer Refunding Bonds of 2013A	2.00% - 2.25%	6/12/2013	2/1/2027	9,950,000	9,950,000
Total G.O. Revenue Bonds				<u>24,915,000</u>	<u>21,365,000</u>
Public Project Revenue Bonds:					
2007 HRA Public Project Revenue Bonds	3.50%	12/11/2007	12/11/2027	6,100,000	4,756,416
Unamortized bond premium				269,820	269,820
Compensated absences				N/A	125,127
Total business-type activities				<u>\$31,284,820</u>	<u>\$26,516,363</u>

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

CITY OF WACONIA, MINNESOTA
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December 31, 2013

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

Year Ending December 31	General Obligation Bonds		G.O. Improvement Bonds		Public Project Revenue Bonds	
	Governmental Activities		Governmental Activities		Governmental Activities	
	Principal	Interest	Principal	Interest	Principal	Interest
2014	\$250,000	\$98,344	\$1,785,000	\$256,125	\$350,856	\$248,069
2015	255,000	91,981	1,845,000	201,675	366,177	233,446
2016	260,000	85,094	1,910,000	145,350	381,746	218,191
2017	265,000	78,081	1,970,000	87,150	392,568	202,391
2018	275,000	70,869	1,920,000	28,800	413,659	185,935
2019	275,000	63,519	-	-	430,029	168,715
2020	280,000	55,991	-	-	446,691	150,815
2021	190,000	49,525	-	-	463,660	132,183
2022	195,000	44,109	-	-	457,768	112,759
2023	200,000	38,306	-	-	330,000	97,145
2024	210,000	32,156	-	-	345,000	83,814
2025	215,000	25,781	-	-	355,000	69,900
2026	220,000	18,981	-	-	370,000	55,400
2027	230,000	11,669	-	-	385,000	40,300
2028	235,000	3,966	-	-	400,000	24,600
2029	-	-	-	-	415,000	8,300
Total	\$3,555,000	\$768,372	\$9,430,000	\$719,100	\$6,303,154	\$2,031,963

It is not practicable to determine the specific year for payment of long-term accrued compensated absences.

The City has issued General Improvement Bonds to provide funds for various construction projects. In case of a default by property owners, the City can place a lien on the property in order to recover the default.

CITY OF WACONIA, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
December 31, 2013

BUSINESS TYPE ACTIVITIES

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

Year Ending December 31	G.O. Revenue Bonds		Public Project Revenue Bonds	
	Business-Type Activities		Business-Type Activities	
	Principal	Interest	Principal	Interest
2014	\$2,980,000	\$632,869	\$273,260	\$162,038
2015	4,150,000	462,757	277,246	152,491
2016	4,740,000	288,368	287,106	142,630
2017	845,000	187,025	297,318	132,419
2018	865,000	169,199	307,893	121,844
2019	885,000	150,850	318,843	110,893
2020	855,000	133,012	330,184	99,553
2021	880,000	115,662	341,927	87,810
2022	895,000	97,912	354,089	75,648
2023	920,000	79,762	366,682	63,054
2024	950,000	61,062	379,724	50,012
2025	975,000	41,812	393,230	36,507
2026	1,000,000	20,812	407,216	22,521
2027	425,000	4,781	421,698	8,037
Total	<u>\$21,365,000</u>	<u>\$2,445,883</u>	<u>\$4,756,416</u>	<u>\$1,265,457</u>

It is not practicable to determine the specific year for payment of long-term accrued compensated absences.

CHANGE IN LONG-TERM LIABILITIES

Long-term liability activity for the year ended December 31, 2013, was as follows:

	Balance 12/31/12	Additions	Reductions	Balance 12/31/13	Due Within One Year
<u>Governmental Activities:</u>					
General Obligation bonds	\$3,800,000	\$ -	\$245,000	\$3,555,000	\$250,000
G.O. Improvement bonds	11,165,000	-	1,735,000	9,430,000	1,785,000
Public Project Revenue bonds	6,638,922	-	335,768	6,303,154	350,856
Unamortized bond premium	655,597	-	93,657	561,940	93,657
Compensated absences	213,759	194,548	201,729	206,578	176,103
Total governmental activities	<u>\$22,473,278</u>	<u>\$194,548</u>	<u>\$2,611,154</u>	<u>\$20,056,672</u>	<u>\$2,655,616</u>
<u>Business-Type Activities:</u>					
G.O. Revenue bonds	\$12,045,000	\$9,950,000	\$630,000	\$21,365,000	\$2,980,000
Public Project Revenue bonds	5,044,699	-	288,283	4,756,416	273,260
Unamortized bond premium	-	269,820	-	269,820	20,755
Compensated absences	89,168	64,659	28,700	125,127	48,968
Total business type activities	<u>\$17,178,867</u>	<u>\$10,284,479</u>	<u>\$946,983</u>	<u>\$26,516,363</u>	<u>\$3,322,983</u>

CITY OF WACONIA, MINNESOTA
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CROSSOVER REFUNDINGS

On June 12, 2013, the City issued \$9,950,000 of General Obligation Refunding Bonds, Series 2013A with an average interest rate of 2.06%. \$2,320,000 of the proceeds will be used to advance refund \$2,315,000 of outstanding 2006A Series Bonds with an average interest rate of 4.12%, \$3,500,000 of the proceeds will be used to advance refund \$3,440,000 of outstanding 2006C Series Bonds with an average interest rate of 4.05% and \$4,130,000 of the proceeds will be used to advance refund \$3,975,000 of outstanding 2007B Series Bonds with an average interest rate of 4.11%. The net proceeds were used to purchase U.S. government securities in the amount of \$10,054,489. 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 the crossover date. The crossover dates of the 2006A, 2006C and 2007B Series Bonds are February 1 of 2014, 2015 and 2016, respectively.

The City advance refunded the 2006A General Obligation Water Revenue Bonds, the 2006C General Obligation Sewer Revenue Bonds and the 2007B General Obligation Water Revenue Bonds to reduce its total debt service payments during the years 2014 through 2027 by \$1,137,455 and to obtain an economic gain (difference between the present value of the debt service payments on the old and new debt) of \$1,000,943.

The City is responsible for the debt service of the refunded bonds through the crossover dates and the debt service of the refunding bonds after the crossover date. The debt service of the refunding bonds before the crossover date is payable from the escrow account. Assets held with the escrow agent total \$10,054,491 at December 31, 2013.

The financial statements present each bond issue and the escrow account assets pursuant to GASB No. 7. The effect on the financial statements is to report greater debt than, in substance, the City will be responsible for paying.

The refunding portion of the 2013A bonds are crossover refunding bonds whereby the City and the escrow agent are responsible for debt service payments as follows:

Year Ending December 31,	Refunded Bonds Total	Refunding Bonds Total	Debt Service Commitment	
			Escrow Account	City
2014	\$3,328,786	\$230,133	\$2,521,658	\$1,037,261
2015	4,189,295	370,862	3,560,156	1,000,001
2016	4,337,431	634,762	4,017,350	954,843
2017	-	977,412	-	977,412
2018	-	976,362	-	976,362
2019	-	984,912	-	984,912
2020	-	988,012	-	988,012
2021	-	995,662	-	995,662
2022	-	992,912	-	992,912
2023	-	999,762	-	999,762
2024	-	1,011,062	-	1,011,062
2025	-	1,016,812	-	1,016,812
2026	-	1,020,812	-	1,020,812
2027	-	429,788	-	429,788
	<u>\$11,855,512</u>	<u>\$11,629,265</u>	<u>\$10,099,164</u>	<u>\$13,385,613</u>

CITY OF WACONIA, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
December 31, 2013

REVENUE PLEDGED

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

Bond Issue	Use of Proceeds	Revenue Pledged			Current Year		
		Type	Percent of Total Debt Service	Term of Pledge	Remaining Principal and Interest	Principal and Interest Paid	Pledged Revenue Received
Improvement Bonds of 2011A	Infrastructure improvements	Special assessments	72%	2011-2018	\$10,149,100	\$2,043,925	\$368,991
2007 EDA Public Project Revenue Bonds	Community Center	Transfers	100%	2007-2022	\$1,490,649	\$168,753	\$160,000
Water Revenue Bonds of 2006A	Infrastructure improvements	Water usage charges	100%	2007-2025	\$2,510,719	\$239,138	\$1,302,626
Sewer Revenue Bonds of 2006C	Infrastructure improvements	Sewer usage charges	100%	2007-2025	\$4,117,293	\$371,595	\$1,674,242
Water Revenue Bonds of 2007B	Infrastructure improvements	Water usage charges	100%	2007-2026	\$5,227,500	\$439,663	\$1,302,626
Sewer Revenue Bonds of 2009A	Infrastructure improvements	Sewer usage charges	100%	2010-2019	\$326,113	\$55,188	\$1,674,242
2007 HRA Public Project Revenue Bonds	Ice Arena	Arena usage charges WHA commitment *	100%	2008-2027	\$6,021,873	\$463,100	\$285,945

*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 8 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 2013. PEPFF members were required to contribute 9.6% of their annual covered salary in 2013. 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, 2013, 2012, and 2011 were \$153,889, \$150,904, and \$142,587, 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.

CITY OF WACONIA, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
December 31, 2013

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 2013, the City recognized as revenue and as an expenditure on-behalf payments of \$78,926 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 (2010-2012) is as follows:

Annual pension cost - total	\$64,107
Contributions made:	
City	\$10,000
State aid - pass-through	\$54,107
Actuarial valuation date	12/31/12
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%

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>
12/31/2010	\$69,389	100%	\$ -
12/31/2011	68,982	100%	-
12/31/2012	64,107	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>
12/31/2010	\$987,131	\$988,230	(\$1,099)	100%
12/31/2011	802,285	857,358	(55,073)	94%
12/31/2012	822,561	783,900	(38,661)	105%

Note 9 OTHER POST-EMPLOYMENT BENEFITS

A. PLAN DESCRIPTION

In addition to providing the pension benefits described in Note 8, 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's 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 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.

CITY OF WACONIA, MINNESOTA
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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><u>1</u></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, 2013, was calculated as follows:

Annual required contribution (ARC)	\$41,745
Interest on net OPEB obligation	3,229
Adjustment to ARC	<u>(4,668)</u>
Annual OPEB cost	40,306
Contributions made during the year	<u>(3,534)</u>
Increase in net OPEB obligation	36,772
Net OPEB obligation - beginning of year	<u>80,712</u>
Net OPEB obligation - end of year	<u><u>\$117,484</u></u>

CITY OF WACONIA, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
December 31, 2013

The net OPEB obligation is allocated as follows:

Governmental activities	\$85,763
Business-type activities	31,721
	<u>\$117,484</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 the previous three years was as follows:

Fiscal Year Ended	Annual OPEB Cost	Employer Contributions	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
December 31, 2011	\$26,276	\$12,379	47.1%	\$41,778
December 31, 2012	38,934	-	0.0%	80,712
December 31, 2013	40,306	3,534	8.8%	117,484

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:

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

*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% and an inflation rate of 3.0%. 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, 2013, was 28 years.

Note 10 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 entered into two master developer agreements in 2007 for infrastructure improvements in developments known as Interlaken and Legacy Village. The City issued 429 special assessment bonds in order to finance the improvements. Beginning in 2008, special assessments were not collected in full due to the economic downturn. To ensure cash has been available for bond payments, the City has transferred in additional funds to the PIR Debt Service fund from the General fund and PIR Capital fund. Total assessments receivable on parcels in which the City is

CITY OF WACONIA, MINNESOTA
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 December 31, 2013

not currently receiving payment amounted to \$2,450,299 at December 31, 2013, including \$742,952 of delinquent special assessments.

Note 11 COMMITMENTS

As of December 31, 2013, the City was committed to the contracts listed below:

	<u>Contract Authorization</u>	<u>Expended as of 12/31/13</u>	<u>Remaining Commitment</u>
TH 284/10th Street Improvements	\$1,751,211	\$1,478,849	\$272,362
Second Street Retaining Wall	73,853	68,493	5,360
Ravenwood Ravine Stabilization	70,190	64,139	6,051

In addition to the above commitments, the City entered into a \$292,685 contract in January 2014 for the 2014 Pond Cleaning Project and a \$2,058,054 contract in April 2014 for the 2014 Infrastructure Improvement Project.

Note 12 RISK MANAGEMENT

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

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 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.

CITY OF WACONIA, MINNESOTA
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Note 13 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, 2013, the aggregate principal amount of the conduit debt obligation outstanding amounted to:

<u>Entity</u>	<u>Principal Balance</u>
Trinity Lutheran School	\$3,389,658
Good Samaritan	330,000
Millitronics	610,000
Auburn Meadows	8,500,000
Ridgeview Medical Center	<u>1,168,706</u>
Total	<u><u>\$13,998,364</u></u>

Note 14 OPERATING LEASE

The City leases 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 \$18,955 for 2013. Future minimum payments on the lease are as follows:

<u>Year</u>	<u>Payments</u>
2014	\$18,955
2015	18,955
2016	<u>14,216</u>
Total	<u><u>\$52,126</u></u>

Note 15 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, 2013 totaled \$152,506. Terms of each lease are as follows:

Lessee	Terms	Current Term
AT&T	\$18,188 per year with 4.5% term increases	1/1/2013-12/31/2017
T-Mobile	\$18,157 per year with 4.5% annual increases	1/1/2013-12/31/2017
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	\$4,380 per year with 4% annual increases	9/1/2013-9/1/2016

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 \$83,427. 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 2013, the monthly base rent was \$3,210 and the monthly additional rent was \$790 for January through September and \$840 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 \$23,532,966. 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, 2013 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 16 TAX INCREMENT DISTRICTS

The City has three tax increment districts, each of which has an outstanding pay-as-you-go revenue note. The notes are not general obligations of the City and are payable solely from available tax increments. Accordingly, the notes are not reflected in the financial statements of the City. Details of the pay-as-you-go revenue notes are as follows:

Tax Increment Revenue Note (Workforce Housing) – 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, 2013 the principal amount outstanding on the note was \$257,893.

Tax Increment Revenue Note (Auburn Meadows) – 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, 2013 the principal amount outstanding on the note was \$1,175,840.

Tax Increment Revenue Note (Cherry Street) – 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, 2013 the principal amount outstanding on the note was \$396,579.

CITY OF WACONIA, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
December 31, 2013

Note 17 FUND BALANCE

A. CLASSIFICATIONS

At December 31, 2013, a summary of the governmental fund balance classifications is as follows:

	General Fund	Safari Island	PIR Capital	PIR Debt Service	Other Governmental Funds	Total
Nonspendable:						
Prepaid items	\$28,844	\$813	\$ -	\$ -	\$1,827	\$31,484
Land held for resale	-	-	150,000	-	-	150,000
Total nonspendable	<u>28,844</u>	<u>813</u>	<u>150,000</u>	<u>-</u>	<u>1,827</u>	<u>181,484</u>
Restricted for:						
Debt service	-	-	-	3,851,736	43,737	3,895,473
Economic development loans	-	-	-	-	1,228,283	1,228,283
Park improvements	-	-	-	-	202,547	202,547
Tax increment purposes	-	-	-	-	20,824	20,824
Other purposes	1,057	-	-	-	10,737	11,794
Total restricted	<u>1,057</u>	<u>-</u>	<u>-</u>	<u>3,851,736</u>	<u>1,506,128</u>	<u>5,358,921</u>
Committed for:						
Economic development	712,637	-	-	-	-	712,637
Safari Island Community Center	-	30,687	-	-	-	30,687
Total committed	<u>712,637</u>	<u>30,687</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>743,324</u>
Assigned for:						
Capital improvements	-	-	408,989	-	757,022	1,166,011
Debt service reserve	-	-	-	-	22,731	22,731
Total assigned	<u>-</u>	<u>-</u>	<u>408,989</u>	<u>-</u>	<u>779,753</u>	<u>1,188,742</u>
Unassigned	<u>1,646,903</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(1,845)</u>	<u>1,645,058</u>
Total fund balance	<u>\$2,389,441</u>	<u>\$31,500</u>	<u>\$558,989</u>	<u>\$3,851,736</u>	<u>\$2,285,863</u>	<u>\$9,117,529</u>

B. MINIMUM GENERAL FUND UNASSIGNED FUND BALANCE POLICY

The most significant revenue source of the General Fund is property taxes. This revenue source is received in two installments during the year – June and December. As such, a healthy unassigned fund balance at year-end is necessary to provide cash flow to pay expenditures during the first half of the ensuing year. The unassigned fund balance is also a security against unforeseen changes or needs, i.e. natural disasters, loss of state aids, etc.

At year end, the general fund unassigned fund balance is targeted to be approximately 50% of actual expenses of the general fund, less annual transfers. The unassigned fund balance of the general fund ideally 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.

C. DEFICIT FUND BALANCES

The TIF #2 Auburn Homes and TIF #3 Cherry Street Capital project funds each had a deficit fund balance of \$663 at December 31, 2013. The deficit will be eliminated through future tax increment collections.

Note 18 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. 67** *Financial Reporting for Pension Plans – an amendment of GASB Statement No. 25.* The provisions of this Statement are effective for periods beginning after June 15, 2013.
- **Statement No. 68** *Financial Reporting for Pensions – an amendment of GASB Statement No. 27.* The provisions of this Statement are effective 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 periods beginning after December 15, 2013.
- **Statement No. 70** *Financial Reporting for Nonexchange Financial Guarantees.* The provisions of this Statement are effective for periods beginning after June 15, 2013.
- **Statement No. 71** *Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68.* The provisions of this Statement are effective for periods beginning after June 15, 2014.

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

Note 19 CHANGE IN ACCOUNTING PRINCIPLE

For the year ended December 31, 2013, the City implemented GASB Statements No. 61 and 65. GASB Statement No. 61, *The Financial Reporting Entity: Omnibus – An Amendment of GASB No. 14 and No. 34* modifies certain requirements for inclusion of component units in the financial reporting entity and also amends the criteria for reporting component units as if they were part of the primary government (i.e. blending). GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities* resulted in accounts previously presented as liabilities being reclassified as deferred inflows of resources.

Note 20 SUBSEQUENT EVENT

On May 19, 2014 the City sold \$2,265,000 of General Obligation Bonds, Series 2014A, bearing an interest rate of 2.00%. The closing date of the bond sale is scheduled to be June 12, 2014.

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REQUIRED SUPPLEMENTARY INFORMATION

CITY OF WACONIA, MINNESOTA
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE - GENERAL FUND (101)
For The Year Ended December 31, 2013
With Comparative Actual Amounts For The Year Ended December 31, 2012

	Budgeted Amounts		2013 Actual Amounts	Variance with Final Budget - Positive (Negative)	2012 Actual Amounts
	Original	Final			
Revenues:					
Property taxes	\$2,931,714	\$2,931,714	\$3,010,107	\$78,393	\$2,906,795
Licenses and permits	410,620	699,620	807,266	107,646	640,048
Intergovernmental:					
Market value credit aid	-	-	-	-	607
Fire aid	54,000	54,000	78,926	24,926	58,903
Other grants and aids	80,743	65,693	76,322	10,629	72,436
Charges for services:					
General government	638,750	638,750	674,682	35,932	680,379
Public safety	89,000	93,000	98,864	5,864	112,984
Public works	8,000	8,000	18,379	10,379	12,056
Parks and recreation	500	500	2,429	1,929	20,109
Fines and forfeits	29,000	29,000	29,737	737	29,439
Investment income	155,000	155,000	13,604	(141,396)	72,717
Contributions and donations	5,000	5,000	23,798	18,798	14,000
Total revenues	4,402,327	4,680,277	4,834,114	153,837	4,620,473
Expenditures:					
General government:					
Administration	408,064	417,862	430,820	(12,958)	422,771
Finance	345,563	350,963	350,135	828	332,836
Technology	228,990	228,990	228,032	958	191,263
Planning	259,916	259,916	218,211	41,705	246,414
Central facilities	265,486	265,486	252,514	12,972	205,169
Total general government	1,508,019	1,523,217	1,479,712	43,505	1,398,453
Public safety:					
Police	568,786	568,786	543,208	25,578	551,731
Fire	289,841	296,300	322,721	(26,421)	317,073
Building inspections	105,000	187,500	213,805	(26,305)	171,834
Total public safety	963,627	1,052,586	1,079,734	(27,148)	1,040,638
Public works - streets	828,787	828,787	830,149	(1,362)	776,790
Parks and recreation	316,822	316,822	330,514	(13,692)	431,964
Economic development	56,950	56,950	60,531	(3,581)	667
Total expenditures	3,674,205	3,778,362	3,780,640	(2,278)	3,648,512

CITY OF WACONIA, MINNESOTA
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE - GENERAL FUND (101)
For The Year Ended December 31, 2013
With Comparative Actual Amounts For The Year Ended December 31, 2012

	Budgeted Amounts		2013 Actual Amounts	Variance with Final Budget - Positive (Negative)	2012 Actual Amounts
	Original	Final			
	Revenues over (under) expenditures	<u>\$728,122</u>			
Other financing sources (uses):					
Transfers in	641,000	641,000	641,783	783	211,736
Transfers out	<u>(1,357,000)</u>	<u>(1,357,000)</u>	<u>(1,457,000)</u>	<u>(100,000)</u>	<u>(1,058,550)</u>
Total other financing sources (uses)	<u>(716,000)</u>	<u>(716,000)</u>	<u>(815,217)</u>	<u>(99,217)</u>	<u>(846,814)</u>
Net change in fund balance	<u>\$12,122</u>	<u>\$185,915</u>	238,257	<u>\$52,342</u>	125,147
Fund balance - January 1			<u>2,151,184</u>		<u>2,026,037</u>
Fund balance - December 31			<u>\$2,389,441</u>		<u>\$2,151,184</u>

CITY OF WACONIA, MINNESOTA

REQUIRED SUPPLEMENTARY INFORMATION

Statement 10

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

For The Year Ended December 31, 2013

With Comparative Actual Amounts For The Year Ended December 31, 2012

	Budgeted Amounts		2013 Actual Amounts	Variance with Final Budget - Positive (Negative)	2012 Actual Amounts
	Original	Final			
Revenues:					
Charges for services	\$973,323	\$974,073	\$932,208	(\$41,865)	\$909,310
Intergovernmental	-	-	9,600	9,600	-
Contributions and donations	100	2,600	2,652	52	43
Total revenues	<u>973,423</u>	<u>976,673</u>	<u>944,460</u>	<u>(32,213)</u>	<u>909,353</u>
Expenditures:					
Current:					
Parks and recreation	1,276,423	1,279,673	1,248,898	30,775	1,046,221
Debt service:					
Principal	-	-	-	-	10,868
Interest	-	-	-	-	329
Total expenditures	<u>1,276,423</u>	<u>1,279,673</u>	<u>1,248,898</u>	<u>30,775</u>	<u>1,057,418</u>
Revenues over (under) expenditures	(303,000)	(303,000)	(304,438)	(1,438)	(148,065)
Other financing sources:					
Transfers in	<u>303,000</u>	<u>303,000</u>	<u>303,000</u>	<u>-</u>	<u>165,000</u>
Net change in fund balance	<u>\$0</u>	<u>\$0</u>	(1,438)	<u>(\$1,438)</u>	16,935
Fund balance - January 1			<u>32,938</u>		<u>16,003</u>
Fund balance - December 31			<u>\$31,500</u>		<u>\$32,938</u>

CITY OF WACONIA, MINNESOTA
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE - NOTE TO RSI
December 31, 2013

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.

CITY OF WACONIA, MINNESOTA
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF FUNDING PROGRESS
OTHER POSTEMPLOYMENT BENEFITS PLAN
For The Year Ended December 31, 2013

	(1)	(2)	(3)	(4)	(5)	(6)
Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)*	Funded Ratio (1) / (2)	Unfunded Actuarial Accrued Liability (UAAL) (2) - (1)	Active Members Covered Payroll	UAAL As A Percentage of Covered Payroll (4) / (5)
January 1, 2009	\$ -	\$171,863	0.00%	\$171,863	\$2,620,456	6.6%
January 1, 2012	-	223,894	0.00%	223,894	\$2,373,366	9.4%

*Using the entry age normal actuarial pay cost method.

Note: the first OPEB actuarial valuation was conducted as of January 1, 2009. There is no data available prior to the first valuation.

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

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NONMAJOR FUND DESCRIPTIONS

NONMAJOR SPECIAL REVENUE FUNDS – are used to account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects.

Public Education Fund – accounts for activities related to providing information to the public through the City’s cable channel and website.

Revolving Loan Fund – accounts for the revolving loan fund program which assists downtown business owners with low interest rate loans for business development, expansion and retention.

Lodging Tax Fund – accounts for the collection of lodging tax dollars which can only be used for tourism related purposes.

NONMAJOR DEBT SERVICE FUNDS – are used to account for and report financial resources that are restricted, committed or assigned to expenditure for principal and interest.

EDA CC Revenue Bonds of 2004/2007 Fund – accounts for debt service relating to the Safari Island Community Center.

Refunding Bonds of 2002 Fund – accounts for the debt service payments of the 2002 bonds.

NONMAJOR CAPITAL PROJECT FUNDS – are used to account for and report financial resources that are restricted, committed or assigned to expenditure for capital outlays including the acquisition or construction of capital facilities and other capital assets.

Capital Equipment Fund – the fund was established to provide for large capital equipment and vehicle purchases.

Park Dedication Fund – accounts for resources accumulated from park dedication fees, which are used to develop park and recreational facilities within the community.

TIF # 1 Workforce Housing Fund – the TIF district was created to promote affordable housing opportunities.

TIF # 2 Auburn Homes Fund – the TIF district was created to promote economic development.

TIF # 3 Cherry Street Fund – the TIF district was created to promote economic development.

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CITY OF WACONIA, MINNESOTA
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
December 31, 2013
With Comparative Totals For December 31, 2012

	Public Education (107)	Revolving Loan (202)	Lodging Tax (701)	Total Nonmajor Special Revenue Funds
Assets				
Cash and investments	\$38	\$606,720	\$10,737	\$617,495
Due from other governments	-	-	-	-
Accounts receivable	6,443	-	-	6,443
Prepaid items	1,827	-	-	1,827
Property taxes receivable	-	-	-	-
Notes receivable - net	-	621,563	-	621,563
Total assets	\$8,308	\$1,228,283	\$10,737	\$1,247,328
Liabilities, Deferred Inflows of Resources, and Fund Balance				
Liabilities:				
Accounts payable	\$ -	\$ -	\$ -	\$ -
Due to other funds	7,000	-	-	7,000
Total liabilities	7,000	0	0	7,000
Deferred inflows of resources:				
Unavailable revenue	-	-	-	-
Fund balance:				
Nonspendable	1,827	-	-	1,827
Restricted	-	1,228,283	10,737	1,239,020
Assigned	-	-	-	-
Unassigned	(519)	-	-	(519)
Total fund balance	1,308	1,228,283	10,737	1,240,328
Total liabilities, deferred inflows of resources, and fund balance	\$8,308	\$1,228,283	\$10,737	\$1,247,328

CITY OF WACONIA, MINNESOTA
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
December 31, 2013
With Comparative Totals For December 31, 2012

	EDA - CC Revenue Bonds of 2004/2007 (344)	Refundings Bonds of 2002 (346)	Total Nonmajor Debt Service Funds	Capital Equipment (105)
Assets				
Cash and investments	\$43,737	\$22,477	\$66,214	\$756,862
Due from other governments	-	254	254	1,410
Accounts receivable	-	-	-	-
Prepaid items	-	-	-	-
Property taxes receivable	-	894	894	1,211
Notes receivable - net	-	-	-	-
Total assets	<u>\$43,737</u>	<u>\$23,625</u>	<u>\$67,362</u>	<u>\$759,483</u>
Liabilities, Deferred Inflows of Resources, and Fund Balance				
Liabilities:				
Accounts payable	\$ -	\$ -	\$ -	\$1,250
Due to other funds	-	-	-	-
Total liabilities	<u>0</u>	<u>0</u>	<u>0</u>	<u>1,250</u>
Deferred inflows of resources:				
Unavailable revenue	-	894	894	1,211
Fund balance:				
Nonspendable	-	-	-	-
Restricted	43,737	-	43,737	-
Assigned	-	22,731	22,731	757,022
Unassigned	-	-	-	-
Total fund balance	<u>43,737</u>	<u>22,731</u>	<u>66,468</u>	<u>757,022</u>
Total liabilities, deferred inflows of resources, and fund balance	<u>\$43,737</u>	<u>\$23,625</u>	<u>\$67,362</u>	<u>\$759,483</u>

Park Dedication (210)	TIF #1 Workforce Housing (410)	TIF #2 Auburn Homes (411)	TIF #3 Cherry Street (412)	Total Nonmajor Capital Project Funds	Totals	
					2013	2012
\$202,547	\$20,824	\$337	\$337	\$980,907	\$1,664,616	\$1,632,842
-	-	-	-	1,410	1,664	672
-	-	-	-	-	6,443	4,649
-	-	-	-	-	1,827	-
-	-	-	-	1,211	2,105	3,544
-	211,806	-	-	211,806	833,369	852,439
<u>\$202,547</u>	<u>\$232,630</u>	<u>\$337</u>	<u>\$337</u>	<u>\$1,195,334</u>	<u>\$2,510,024</u>	<u>\$2,494,146</u>
\$ -	\$ -	\$ -	\$ -	\$1,250	\$1,250	\$11,245
-	-	1,000	1,000	2,000	9,000	-
<u>0</u>	<u>0</u>	<u>1,000</u>	<u>1,000</u>	<u>3,250</u>	<u>10,250</u>	<u>11,245</u>
-	211,806	-	-	213,017	213,911	215,350
-	-	-	-	-	1,827	-
202,547	20,824	-	-	223,371	1,506,128	1,560,675
-	-	-	-	757,022	779,753	706,876
-	-	(663)	(663)	(1,326)	(1,845)	-
<u>202,547</u>	<u>20,824</u>	<u>(663)</u>	<u>(663)</u>	<u>979,067</u>	<u>2,285,863</u>	<u>2,267,551</u>
<u>\$202,547</u>	<u>\$232,630</u>	<u>\$337</u>	<u>\$337</u>	<u>\$1,195,334</u>	<u>\$2,510,024</u>	<u>\$2,494,146</u>

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CITY OF WACONIA, MINNESOTA
COMBINING STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCE
NONMAJOR GOVERNMENTAL FUNDS
For The Year Ended December 31, 2013
With Comparative Totals For The Year Ended December 31, 2012

	Public Education (107)	Revolving Loan (202)	Lodging Tax (701)	Total Nonmajor Special Revenue Funds
Revenues:				
Property taxes	\$ -	\$ -	\$ -	\$ -
Tax increment collections	-	-	-	-
Lodging taxes	-	-	41,949	41,949
Charges for services	18,442	-	-	18,442
Investment income	1,153	14,124	55	15,332
Park land dedication fees	-	-	-	-
Total revenues	<u>19,595</u>	<u>14,124</u>	<u>42,004</u>	<u>75,723</u>
Expenditures:				
Current:				
General government	62,290	-	-	62,290
Public works	-	-	-	-
Parks and recreation	-	-	-	-
Economic development	-	3,151	33,033	36,184
Capital outlay:				
General government	-	-	-	-
Public safety	-	-	-	-
Public works	-	-	-	-
Parks and recreation	-	-	-	-
Debt service:				
Principal	-	-	-	-
Interest and fiscal charges	-	-	-	-
Total expenditures	<u>62,290</u>	<u>3,151</u>	<u>33,033</u>	<u>98,474</u>
Revenues over (under) expenditures	<u>(42,695)</u>	<u>10,973</u>	<u>8,971</u>	<u>(22,751)</u>
Other financing sources (uses):				
Transfers in	-	-	-	-
Transfers out	-	-	(1,783)	(1,783)
Total other financing sources (uses)	<u>0</u>	<u>0</u>	<u>(1,783)</u>	<u>(1,783)</u>
Net change in fund balance	(42,695)	10,973	7,188	(24,534)
Fund balance - January 1	<u>44,003</u>	<u>1,217,310</u>	<u>3,549</u>	<u>1,264,862</u>
Fund balance - December 31	<u>\$1,308</u>	<u>\$1,228,283</u>	<u>\$10,737</u>	<u>\$1,240,328</u>

CITY OF WACONIA, MINNESOTA
COMBINING STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCE
NONMAJOR GOVERNMENTAL FUNDS
For The Year Ended December 31, 2013
With Comparative Totals For The Year Ended December 31, 2012

	EDA - CC Revenue Bonds of 2004/2007 (344)	Refundings Bonds of 2002 (346)	Total Nonmajor Debt Service Funds	Capital Equipment (105)
Revenues:				
Property taxes	\$ -	\$202	\$202	\$109,271
Tax increment collections	-	-	-	-
Lodging taxes	-	-	-	-
Charges for services	-	-	-	1,130
Investment income	-	104	104	2,652
Park land dedication fees	-	-	-	-
Total revenues	<u>0</u>	<u>306</u>	<u>306</u>	<u>113,053</u>
Expenditures:				
Current:				
General government	-	-	-	-
Public works	-	-	-	680
Parks and recreation	-	-	-	23,214
Economic development	-	-	-	-
Capital outlay:				
General government	-	-	-	30,951
Public safety	-	-	-	49,603
Public works	-	-	-	155,900
Parks and recreation	-	-	-	31,934
Debt service:				
Principal	110,768	-	110,768	85,000
Interest and fiscal charges	57,985	-	57,985	20,625
Total expenditures	<u>168,753</u>	<u>0</u>	<u>168,753</u>	<u>397,907</u>
Revenues over (under) expenditures	<u>(168,753)</u>	<u>306</u>	<u>(168,447)</u>	<u>(284,854)</u>
Other financing sources (uses):				
Transfers in	160,000	-	160,000	335,000
Transfers out	-	-	-	-
Total other financing sources (uses)	<u>160,000</u>	<u>0</u>	<u>160,000</u>	<u>335,000</u>
Net change in fund balance	(8,753)	306	(8,447)	50,146
Fund balance - January 1	<u>52,490</u>	<u>22,425</u>	<u>74,915</u>	<u>706,876</u>
Fund balance - December 31	<u>\$43,737</u>	<u>\$22,731</u>	<u>\$66,468</u>	<u>\$757,022</u>

Park Dedication (210)	TIF #1 Workforce Housing (410)	TIF #2 Auburn Homes (411)	TIF #3 Cherry Street (412)	Total Nonmajor Capital Project Funds	Totals	
					2013	2012
\$ -	\$ -	\$ -	\$ -	\$109,271	\$109,473	\$151,824
-	19,649	-	-	19,649	19,649	19,620
-	-	-	-	-	41,949	33,749
-	-	-	-	1,130	19,572	32,847
935	97	-	-	3,684	19,120	33,928
-	-	-	-	-	-	6,600
<u>935</u>	<u>19,746</u>	<u>0</u>	<u>0</u>	<u>133,734</u>	<u>209,763</u>	<u>278,568</u>
-	-	-	-	-	62,290	10,845
-	-	-	-	680	680	6,557
180	-	-	-	23,394	23,394	7,321
-	18,028	663	663	19,354	55,538	64,786
-	-	-	-	30,951	30,951	8,337
-	-	-	-	49,603	49,603	12,825
-	-	-	-	155,900	155,900	111,133
-	-	-	-	31,934	31,934	-
-	-	-	-	85,000	195,768	255,902
-	-	-	-	20,625	78,610	88,852
<u>180</u>	<u>18,028</u>	<u>663</u>	<u>663</u>	<u>417,441</u>	<u>684,668</u>	<u>566,558</u>
<u>755</u>	<u>1,718</u>	<u>(663)</u>	<u>(663)</u>	<u>(283,707)</u>	<u>(474,905)</u>	<u>(287,990)</u>
-	-	-	-	335,000	495,000	669,033
-	-	-	-	-	(1,783)	(292,219)
<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>335,000</u>	<u>493,217</u>	<u>376,814</u>
755	1,718	(663)	(663)	51,293	18,312	88,824
<u>201,792</u>	<u>19,106</u>	<u>-</u>	<u>-</u>	<u>927,774</u>	<u>2,267,551</u>	<u>2,178,727</u>
<u>\$202,547</u>	<u>\$20,824</u>	<u>(\$663)</u>	<u>(\$663)</u>	<u>\$979,067</u>	<u>\$2,285,863</u>	<u>\$2,267,551</u>

CITY OF WACONIA, MINNESOTA

SPECIAL REVENUE FUND - PUBLIC EDUCATION FUND (107)

Statement 13

SCHEDULE OF REVENUES, EXPENDITURES AND

CHANGES IN FUND BALANCES - BUDGET AND ACTUAL

For The Year Ended December 31, 2013

With Comparative Actual Amounts For The Year Ended December 31, 2012

	Budgeted Amounts		2013 Actual Amounts	Variance with Final Budget - Positive (Negative)	2012 Actual Amounts
	Original	Final			
Revenues:					
Franchise fees	\$18,000	\$18,000	\$15,942	(\$2,058)	\$17,060
Refunds and reimbursements	-	-	2,500	2,500	7,000
Investment income	500	500	1,153	653	840
Total revenues	<u>18,500</u>	<u>18,500</u>	<u>19,595</u>	<u>1,095</u>	<u>24,900</u>
Expenditures:					
Current:					
Fees and licenses	7,410	7,410	3,897	3,513	3,845
Equipment	1,300	1,300	58,393	(57,093)	-
Contractual services	1,000	1,000	-	1,000	7,000
Total expenditures	<u>9,710</u>	<u>9,710</u>	<u>62,290</u>	<u>(52,580)</u>	<u>10,845</u>
Revenues over (under) expenditures	8,790	8,790	(42,695)	(51,485)	14,055
Other financing sources (uses):					
Transfers out	-	-	-	-	(10,000)
Net change in fund balance	<u>\$8,790</u>	<u>\$8,790</u>	(42,695)	<u>(\$51,485)</u>	4,055
Fund balance - January 1			<u>44,003</u>		<u>39,948</u>
Fund balance - December 31			<u>\$1,308</u>		<u>\$44,003</u>

CITY OF WACONIA, MINNESOTA

SPECIAL REVENUE FUND - REVOLVING LOAN FUND (202)

Statement 14

SCHEDULE OF REVENUES, EXPENDITURES AND

CHANGES IN FUND BALANCES - BUDGET AND ACTUAL

For The Year Ended December 31, 2013

With Comparative Actual Amounts For The Year Ended December 31, 2012

	Budgeted Amounts		2013 Actual Amounts	Variance with Final Budget - Positive (Negative)	2012 Actual Amounts
	Original	Final			
Revenues:					
Charges for services	\$500	\$500	\$ -	(\$500)	\$3,536
Investment income	37,000	37,000	14,124	(22,876)	10,598
Total revenues	<u>37,500</u>	<u>37,500</u>	<u>14,124</u>	<u>(23,376)</u>	<u>14,134</u>
Expenditures:					
Current:					
Contractual services	12,700	12,700	3,151	9,549	17,232
Revenues over (under) expenditures	24,800	24,800	10,973	(13,827)	(3,098)
Other financing sources:					
Transfers in	-	-	-	-	280,483
Net change in fund balance	<u>\$24,800</u>	<u>\$24,800</u>	10,973	<u>(\$13,827)</u>	277,385
Fund balance - January 1			<u>1,217,310</u>		<u>939,925</u>
Fund balance - December 31			<u>\$1,228,283</u>		<u>\$1,217,310</u>

CITY OF WACONIA, MINNESOTA

SPECIAL REVENUE FUND - LODGING TAX FUND (701)

Statement 15

SCHEDULE OF REVENUES, EXPENDITURES AND

CHANGES IN FUND BALANCES - BUDGET AND ACTUAL

For The Year Ended December 31, 2013

With Comparative Actual Amounts For The Year Ended December 31, 2012

	Budgeted Amounts		2013 Actual Amounts	Variance with Final Budget - Positive (Negative)	2012 Actual Amounts
	Original	Final			
Revenues:					
Lodging taxes	\$29,000	\$29,000	\$41,949	\$12,949	\$33,749
Investment income	100	100	55	(45)	164
Total revenues	<u>29,100</u>	<u>29,100</u>	<u>42,004</u>	<u>12,904</u>	<u>33,913</u>
Expenditures:					
Current:					
Contractual services	<u>28,100</u>	<u>28,100</u>	<u>33,033</u>	<u>(4,933)</u>	<u>29,549</u>
Revenues over expenditures	1,000	1,000	8,971	7,971	4,364
Other financing sources (uses):					
Transfers out	<u>(1,000)</u>	<u>(1,000)</u>	<u>(1,783)</u>	<u>(783)</u>	<u>(1,736)</u>
Net change in fund balance	<u>\$0</u>	<u>\$0</u>	7,188	<u>\$7,188</u>	2,628
Fund balance - January 1			<u>3,549</u>		<u>921</u>
Fund balance - December 31			<u>\$10,737</u>		<u>\$3,549</u>

III. STATISTICAL SECTION (UNAUDITED)

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III. STATISTICAL SECTION (UNAUDITED)

This part of the City of Waconia, Minnesota’s Comprehensive Annual Financial Report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the City of Waconia, Minnesota’s overall financial health.

Contents	Pages
Financial Trends These tables contain trend information to help the reader understand how the City’s financial performance and well-being have changed over time.	98-107
Revenue Capacity These tables contain information to help the reader assess the City’s most significant local revenue source, the property tax.	108-113
Debt Capacity These tables present information to help the reader assess the affordability of the City’s current levels of outstanding debt and the City’s ability to issue additional debt in the future.	114-121
Demographic and Economic These tables offer demographic and economic indicators to help the reader understand the environment within which the City’s financial activities take place.	122-123
Operating Information These tables contain service and infrastructure data to help the reader understand how the information in the City’s financial report relates to the services the City provides and the activities it performs.	124-129

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

CITY OF WACONIA, MINNESOTA

NET POSITION BY COMPONENT

Last Ten Fiscal Years

(Accrual Basis of Accounting)

	2004	2005	2006	2007
Governmental activities:				
Net investment in capital assets	\$44,934,124	\$47,590,559	\$53,420,142	\$48,262,753
Restricted:				
Debt service	889,794	776,093	842,461	7,716,482
Capital projects	-	319,471	390,837	-
Economic development loans	1,076,475	1,061,657	1,103,072	1,151,456
Park improvements	339,488	454,327	367,171	189,055
Tax increment purposes	-	-	-	-
Other purposes	548,923	326,076	282,063	-
Unrestricted	5,772,090	4,388,596	2,635,770	8,747,819
Total governmental activities net position	<u>\$53,560,894</u>	<u>\$54,916,779</u>	<u>\$59,041,516</u>	<u>\$66,067,565</u>
Business-type activities:				
Net investment in capital assets	\$20,411,006	\$20,610,323	\$14,533,294	\$15,615,621
Unrestricted	5,970,757	6,522,320	11,700,702	10,782,340
Total business-type activities net position	<u>\$26,381,763</u>	<u>\$27,132,643</u>	<u>\$26,233,996</u>	<u>\$26,397,961</u>
Primary government:				
Net investment in capital assets	\$65,345,130	\$68,200,882	\$67,953,436	\$63,878,374
Restricted:				
Debt service	889,794	776,093	842,461	7,716,482
Capital projects	-	319,471	390,837	-
Economic development loans	1,076,475	1,061,657	1,103,072	1,151,456
Park improvements	339,488	454,327	367,171	189,055
Tax increment purposes	-	-	-	-
Other purposes	548,923	326,076	282,063	-
Unrestricted	11,742,847	10,910,916	14,336,472	19,530,159
Total primary government net position	<u>\$79,942,657</u>	<u>\$82,049,422</u>	<u>\$85,275,512</u>	<u>\$92,465,526</u>

Table 1

2008	2009	2010	2011	2012	2013
\$48,358,528	\$50,319,268	\$47,399,823	\$45,586,192	\$45,602,831	\$46,081,741
9,488,937	9,277,345	9,309,240	10,891,063	10,260,654	8,224,592
-	-	-	-	-	-
1,173,167	1,207,650	1,254,101	1,216,873	1,217,310	1,228,283
170,269	179,813	185,128	191,093	201,792	202,547
214,700	222,237	224,084	228,864	230,912	232,630
-	-	-	39,700	47,552	11,794
7,004,893	6,378,935	5,215,693	4,601,932	3,915,592	3,531,216
<u>\$66,410,494</u>	<u>\$67,585,248</u>	<u>\$63,588,069</u>	<u>\$62,755,717</u>	<u>\$61,476,643</u>	<u>\$59,512,803</u>
\$19,009,507	\$20,538,236	\$21,217,178	\$21,219,555	\$21,503,856	\$21,701,041
7,635,898	6,247,511	5,553,670	5,473,413	5,257,619	4,855,848
<u>\$26,645,405</u>	<u>\$26,785,747</u>	<u>\$26,770,848</u>	<u>\$26,692,968</u>	<u>\$26,761,475</u>	<u>\$26,556,889</u>
\$67,368,035	\$70,857,504	\$68,617,001	\$66,805,747	\$67,106,687	\$67,782,782
9,488,937	9,277,345	9,309,240	10,891,063	10,260,654	8,224,592
-	-	-	-	-	-
1,173,167	1,207,650	1,254,101	1,216,873	1,217,310	1,228,283
170,269	179,813	185,128	191,093	201,792	202,547
214,700	222,237	224,084	228,864	230,912	232,630
-	-	-	39,700	47,552	11,794
14,640,791	12,626,446	10,769,363	10,075,345	9,173,211	8,387,064
<u>\$93,055,899</u>	<u>\$94,370,995</u>	<u>\$90,358,917</u>	<u>\$89,448,685</u>	<u>\$88,238,118</u>	<u>\$86,069,692</u>

CITY OF WACONIA, MINNESOTA

CHANGES IN NET POSITION

Last Ten Fiscal Years

(Accrual Basis of Accounting)

	2004	2005	2006	2007
Expenses				
Governmental activities:				
General government	\$1,876,828	\$1,939,006	\$2,030,194	\$2,302,116
Public safety	1,169,342	1,294,017	1,312,958	1,685,660
Public works	1,744,853	1,789,383	2,054,216	2,970,108
Parks and recreation	1,464,097	1,607,079	1,509,675	1,831,902
Economic development	7,397	179,127	33,942	38,730
Interest on long-term debt	235,018	370,824	381,690	1,381,726
Total governmental activities expenses	<u>6,497,535</u>	<u>7,179,436</u>	<u>7,322,675</u>	<u>10,210,242</u>
Business-type activities:				
Water	951,823	957,529	987,037	1,290,442
Sewer	1,214,448	1,272,722	1,398,109	1,922,730
Storm water	317,112	358,789	347,475	401,472
Street lighting	119,970	134,364	154,610	163,572
Ice arena	-	-	543	145,026
Total business-type activities expenses	<u>2,603,353</u>	<u>2,723,404</u>	<u>2,887,774</u>	<u>3,923,242</u>
Total primary government expenses	<u><u>\$9,100,888</u></u>	<u><u>\$9,902,840</u></u>	<u><u>\$10,210,449</u></u>	<u><u>\$14,133,484</u></u>
Program revenues				
Governmental activities:				
Charges for services	\$2,296,332	\$2,534,858	\$2,559,126	\$2,907,923
Operating grants and contributions	215,068	100,121	109,692	132,968
Capital grants and contributions	206,420	28,227	3,237,135	8,837,041
Total governmental activities program revenues	<u>2,717,820</u>	<u>2,663,206</u>	<u>5,905,953</u>	<u>11,877,932</u>
Business-type activities:				
Charges for services:				
Water	1,453,827	1,466,354	1,406,937	1,827,254
Sewer	1,324,182	1,307,986	1,684,768	2,100,204
Storm water	384,551	377,414	387,321	539,122
Street lighting	141,168	151,888	147,357	167,560
Ice arena	-	-	-	500
Operating grants and contributions	-	-	-	-
Capital grants and contributions	1,932,093	453	9,295	2,855
Total business-type activities program revenues	<u>5,235,821</u>	<u>3,304,095</u>	<u>3,635,678</u>	<u>4,637,495</u>
Total primary government program revenues	<u><u>\$7,953,641</u></u>	<u><u>\$5,967,301</u></u>	<u><u>\$9,541,631</u></u>	<u><u>\$16,515,427</u></u>

2008	2009	2010	2011	2012	2013
\$2,622,348	\$2,642,937	\$2,416,283	\$2,518,006	\$2,563,632	\$2,597,154
1,518,939	1,226,626	980,908	1,045,384	1,163,868	1,308,613
2,601,463	3,933,761	4,900,425	2,759,445	3,686,528	5,280,532
2,060,564	1,945,878	1,870,995	1,886,283	1,964,229	2,167,378
21,544	18,974	34,124	117,444	47,448	116,069
1,251,510	1,177,849	1,172,728	1,180,619	976,845	559,939
<u>10,076,368</u>	<u>10,946,025</u>	<u>11,375,463</u>	<u>9,507,181</u>	<u>10,402,550</u>	<u>12,029,685</u>
1,391,682	1,549,474	1,481,617	1,615,966	1,692,319	2,144,091
1,723,586	1,716,354	1,782,315	1,999,538	2,629,443	2,269,938
289,622	469,839	465,297	405,616	603,080	661,647
170,080	157,064	170,609	196,833	186,328	258,033
751,673	811,745	807,898	782,264	746,809	783,262
<u>4,326,643</u>	<u>4,704,476</u>	<u>4,707,736</u>	<u>5,000,217</u>	<u>5,857,979</u>	<u>6,116,971</u>
<u>\$14,403,011</u>	<u>\$15,650,501</u>	<u>\$16,083,199</u>	<u>\$14,507,398</u>	<u>\$16,260,529</u>	<u>\$18,146,656</u>
\$2,353,147	\$2,105,633	\$2,075,077	\$2,167,457	\$2,437,172	\$2,583,137
364,228	152,842	526,479	156,823	145,989	188,108
<u>3,184,638</u>	<u>5,508,414</u>	<u>264,021</u>	<u>555,758</u>	<u>1,776,558</u>	<u>2,646,128</u>
<u>5,902,013</u>	<u>7,766,889</u>	<u>2,865,577</u>	<u>2,880,038</u>	<u>4,359,719</u>	<u>5,417,373</u>
1,145,956	1,175,888	1,136,893	1,271,709	1,437,708	1,395,628
1,358,474	1,343,775	1,480,570	1,593,493	1,659,623	1,677,045
375,207	430,167	395,797	377,543	457,215	439,685
163,912	170,832	193,652	207,324	214,502	228,010
298,330	645,137	454,022	312,520	313,038	336,095
-	-	-	-	-	12,313
710,876	785,783	575,425	700,000	1,427,961	1,360,860
<u>4,052,755</u>	<u>4,551,582</u>	<u>4,236,359</u>	<u>4,462,589</u>	<u>5,510,047</u>	<u>5,449,636</u>
<u>\$9,954,768</u>	<u>\$12,318,471</u>	<u>\$7,101,936</u>	<u>\$7,342,627</u>	<u>\$9,869,766</u>	<u>\$10,867,009</u>

CITY OF WACONIA, MINNESOTA

CHANGES IN NET POSITION

Last Ten Fiscal Years

(Accrual Basis of Accounting)

	2004	2005	2006	2007
Net (expense) revenue:				
Governmental activities	(\$3,779,715)	(\$4,516,230)	(\$1,416,722)	\$1,667,690
Business-type activities	2,632,468	580,691	747,904	714,253
Total primary government net (expense) revenue	<u>(1,147,247)</u>	<u>(3,935,539)</u>	<u>(668,818)</u>	<u>2,381,943</u>
General revenues and other changes in net position				
Governmental activities:				
Property taxes	2,521,335	2,912,437	2,942,274	3,425,771
Tax increment	172,395	133,519	151,703	-
Lodging taxes	-	-	-	8,456
Grants and contributions not restricted to specific programs	262,068	246,070	152,019	142,185
Unrestricted investment earnings	168,390	175,978	262,646	956,178
Gain on sale of capital assets	611	1,020	-	13,360
Transfers	-	-	1,982,536	1,204,156
Total governmental activities	<u>3,124,799</u>	<u>3,469,024</u>	<u>5,491,178</u>	<u>5,750,106</u>
Business-type activities:				
Unrestricted investment earnings	153,693	170,189	385,157	703,264
Transfers	-	-	(1,982,536)	(1,204,156)
Total business-type activities	<u>153,693</u>	<u>170,189</u>	<u>(1,597,379)</u>	<u>(500,892)</u>
Total primary government	<u>\$3,278,492</u>	<u>\$3,639,213</u>	<u>\$3,893,799</u>	<u>\$5,249,214</u>
Change in net position:				
Governmental activities	(\$654,916)	(\$1,047,206)	\$4,074,456	\$7,417,796
Business-type activities	2,786,161	750,880	(849,475)	213,361
Total primary government	<u>\$2,131,245</u>	<u>(\$296,326)</u>	<u>\$3,224,981</u>	<u>\$7,631,157</u>

2008	2009	2010	2011	2012	2013
(\$4,174,355)	(\$3,179,136)	(\$8,509,886)	(\$6,627,143)	(\$6,042,831)	(\$6,612,312)
(273,888)	(152,894)	(471,377)	(537,628)	(347,932)	(667,335)
<u>(4,448,243)</u>	<u>(3,332,030)</u>	<u>(8,981,263)</u>	<u>(7,164,771)</u>	<u>(6,390,763)</u>	<u>(7,279,647)</u>
3,877,963	4,078,043	4,320,851	4,745,665	4,867,392	4,966,181
-	-	56,866	43,280	19,620	19,649
27,007	23,573	28,434	29,405	33,749	41,949
72,224	17,497	-	-	-	3,343
646,691	340,574	376,556	167,437	147,996	47,571
4,850	-	-	-	-	8,679
<u>(111,451)</u>	<u>(162,910)</u>	<u>(270,000)</u>	<u>(295,000)</u>	<u>(305,000)</u>	<u>(438,900)</u>
<u>4,517,284</u>	<u>4,296,777</u>	<u>4,512,707</u>	<u>4,690,787</u>	<u>4,763,757</u>	<u>4,648,472</u>
409,881	256,242	186,478	164,748	111,439	23,849
<u>111,451</u>	<u>162,910</u>	<u>270,000</u>	<u>295,000</u>	<u>305,000</u>	<u>438,900</u>
<u>521,332</u>	<u>419,152</u>	<u>456,478</u>	<u>459,748</u>	<u>416,439</u>	<u>462,749</u>
<u>\$5,038,616</u>	<u>\$4,715,929</u>	<u>\$4,969,185</u>	<u>\$5,150,535</u>	<u>\$5,180,196</u>	<u>\$5,111,221</u>
\$342,929	\$1,117,641	(\$3,997,179)	(\$1,936,356)	(\$1,279,074)	(\$1,963,840)
<u>247,444</u>	<u>266,258</u>	<u>(14,899)</u>	<u>(77,880)</u>	<u>68,507</u>	<u>(204,586)</u>
<u>\$590,373</u>	<u>\$1,383,899</u>	<u>(\$4,012,078)</u>	<u>(\$2,014,236)</u>	<u>(\$1,210,567)</u>	<u>(\$2,168,426)</u>

CITY OF WACONIA, MINNESOTA
FUND BALANCES - GOVERNMENTAL FUNDS
 Last Ten Fiscal Years
 (Modified Accrual Basis of Accounting)

	2004	2005	2006	2007
General Fund:				
Nonspendable	\$ -	\$ -	\$ -	\$ -
Restricted	-	-	-	-
Committed	-	-	-	-
Unassigned	-	-	-	-
Reserved	9,588	9,588	9,588	-
Unreserved:				
Undesignated	2,517,182	2,028,754	2,330,614	2,468,717
Total general fund	<u><u>\$2,526,770</u></u>	<u><u>\$2,038,342</u></u>	<u><u>\$2,340,202</u></u>	<u><u>\$2,468,717</u></u>
All other governmental funds:				
Nonspendable	\$ -	\$ -	\$ -	\$ -
Restricted	-	-	-	-
Committed	-	-	-	-
Assigned	-	-	-	-
Unassigned	-	-	-	-
Reserved	1,612,915	1,797,888	1,906,413	2,343,653
Unreserved:				
Designated:				
Special revenue funds	-	-	-	35,178
Debt service funds	-	-	-	1,637,230
Capital project funds	840,119	1,294,762	208,587	6,422,192
Undesignated:				
Special revenue funds	6,700,649	2,506,550	2,371,382	2,099,749
Debt service funds	(40,032)	(513)	-	-
Capital project funds	(293,925)	(260,933)	(1,061,644)	-
Total all other governmental funds	<u><u>\$8,819,726</u></u>	<u><u>\$5,337,754</u></u>	<u><u>\$3,424,738</u></u>	<u><u>\$12,538,002</u></u>

The City implemented GASB Statement No. 54 for the fiscal year ended December 31, 2011.
 Information for years prior to 2011 is presented in accordance with fund balance classifications in effect at that time.

Table 3

2008	2009	2010	2011	2012	2013
\$ -	\$ -	\$ -	\$18,593	\$12,409	\$28,844
-	-	-	-	-	1,057
-	-	-	873,835	873,168	712,637
-	-	-	1,133,609	1,265,607	1,646,903
-	-	6,373	-	-	-
2,393,793	961,865	953,470	-	-	-
<u>\$2,393,793</u>	<u>\$961,865</u>	<u>\$959,843</u>	<u>\$2,026,037</u>	<u>\$2,151,184</u>	<u>\$2,389,441</u>
\$ -	\$ -	\$ -	\$1,982	\$788	\$152,640
-	-	-	17,196,144	6,285,084	5,357,864
-	-	-	15,191	32,150	30,687
-	-	-	2,540,980	1,909,125	1,188,742
-	-	-	-	-	(1,845)
4,201,297	3,847,403	4,207,720	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
1,791,672	2,189,320	2,266,491	-	-	-
-	-	-	-	-	-
3,508,093	3,972,815	2,891,701	-	-	-
<u>\$9,501,062</u>	<u>\$10,009,538</u>	<u>\$9,365,912</u>	<u>\$19,754,297</u>	<u>\$8,227,147</u>	<u>\$6,728,088</u>

CITY OF WACONIA, MINNESOTA
CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
 Last Ten Fiscal Years

Revenues:	2004	2005	2006	2007
General property taxes	\$2,543,570	\$2,913,243	\$2,937,970	\$3,386,626
Tax increment	172,395	133,519	151,703	-
Lodging taxes	-	-	-	8,456
Licenses and permits	809,641	727,199	887,845	1,197,252
Intergovernmental	391,091	400,139	971,405	682,825
Special assessments	694,901	283,883	153,041	225,963
Charges for services	2,096,772	1,573,498	1,402,152	1,587,966
Fines and forfeits	110,699	19,585	17,806	19,124
Investment income	168,390	175,978	262,646	956,178
Contributions and donations	-	-	34,706	29,410
Park land dedication	97,390	160,628	106,807	102,501
Developer reimbursements	-	-	2,567,705	2,133,921
Total revenues	7,084,849	6,387,672	9,493,786	10,330,222
Expenditures:				
Current:				
General government	1,032,269	909,326	1,167,977	1,316,877
Public safety	1,112,178	1,189,599	1,357,545	1,592,974
Public works	827,728	797,163	862,465	1,011,533
Parks and recreation	1,319,971	1,350,553	1,430,864	1,576,314
Economic development	6,361	179,127	33,942	38,730
Capital outlay:				
General government	579,248	28,652	25,063	224,704
Public safety	-	825,561	41,296	49,062
Public works	-	837,106	8,124,756	17,166,373
Parks and recreation	-	210,609	35,568	721,030
Debt service:				
Principal	593,344	705,299	730,298	718,404
Interest and fiscal charges	235,816	365,503	353,184	1,010,958
Total expenditures	5,706,915	7,398,498	14,162,958	25,426,959
Revenues over (under) expenditures	1,377,934	(1,010,826)	(4,669,172)	(15,096,737)
Other financing sources (uses):				
Bonds issued	2,689,032	-	1,035,000	17,000,000
Redemption of refunding bonds	(2,667,912)	-	-	(1,838,283)
Capital lease proceeds	-	-	-	7,958,283
Transfers in	2,343,635	2,073,287	3,428,427	1,967,156
Transfers out	(2,466,635)	(5,033,881)	(1,445,891)	(763,000)
Bond premium	-	-	-	-
Bond discount	-	-	(9,801)	-
Sale of capital assets	611	1,020	-	13,360
Total other financing sources (uses)	(101,269)	(2,959,574)	3,007,735	24,337,516
Net change in fund balance	\$1,276,665	(\$3,970,400)	(\$1,661,437)	\$9,240,779
Debt service as a percentage of noncapital expenditures	16.2%	19.5%	18.3%	23.8%
Debt service as percentage of total expenditures	14.5%	14.5%	7.7%	6.8%

Table 4

2008	2009	2010	2011	2012	2013
\$3,832,821	\$3,949,672	\$4,339,528	\$4,816,809	\$4,871,223	\$5,014,927
-	-	56,866	43,280	19,620	19,649
27,007	23,573	28,434	29,405	33,749	41,949
686,102	444,070	374,383	359,829	640,048	807,266
1,379,232	2,625,874	186,940	270,575	1,682,388	2,499,159
1,749,987	620,220	748,079	1,267,620	674,933	368,991
1,634,677	1,571,956	1,674,463	1,779,391	1,767,655	1,746,134
19,093	26,325	26,231	28,237	29,469	29,737
646,691	340,574	376,556	167,438	147,996	47,571
26,220	22,856	339,539	28,177	14,043	26,603
4,425	3,402	-	-	6,600	-
8,850	59,880	-	89,645	27,903	-
<u>10,015,105</u>	<u>9,688,402</u>	<u>8,151,019</u>	<u>8,880,406</u>	<u>9,915,627</u>	<u>10,601,986</u>
1,765,354	1,590,742	1,368,074	1,400,275	1,427,332	1,542,002
1,348,215	1,140,838	888,857	930,036	1,040,638	1,181,350
1,078,427	760,670	716,917	807,926	805,113	1,497,707
1,689,011	1,503,876	1,460,379	1,432,244	1,487,548	1,693,531
21,544	18,974	34,124	117,444	47,448	116,069
29,906	22,285	159,250	80,194	40,478	30,951
56,026	-	14,512	720,915	14,825	49,603
3,833,016	1,993,877	305,413	264,567	1,471,157	2,106,318
520,792	164,274	12,558	87,820	368,581	204,016
432,979	2,045,556	2,115,888	2,931,506	13,356,770	2,315,768
<u>1,255,057</u>	<u>1,207,852</u>	<u>1,175,181</u>	<u>1,102,155</u>	<u>952,739</u>	<u>681,473</u>
<u>12,030,327</u>	<u>10,448,944</u>	<u>8,251,153</u>	<u>9,875,082</u>	<u>21,012,629</u>	<u>11,418,788</u>
<u>(2,015,222)</u>	<u>(760,542)</u>	<u>(100,134)</u>	<u>(994,676)</u>	<u>(11,097,002)</u>	<u>(816,802)</u>
-	-	3,390,000	11,995,000	-	-
-	-	(3,665,514)	-	-	-
57,704	-	-	-	-	-
858,257	1,645,070	2,094,922	2,091,233	1,660,769	1,439,783
(983,257)	(1,807,980)	(2,364,922)	(2,386,233)	(1,965,769)	(1,883,783)
-	-	-	749,254	-	-
-	-	-	-	-	-
8,450	-	-	-	-	-
<u>(58,846)</u>	<u>(162,910)</u>	<u>(545,514)</u>	<u>12,449,254</u>	<u>(305,000)</u>	<u>(444,000)</u>
<u>(\$2,074,068)</u>	<u>(\$923,452)</u>	<u>(\$645,648)</u>	<u>\$11,454,578</u>	<u>(\$11,402,002)</u>	<u>(\$1,260,802)</u>
22.2%	39.3%	42.4%	46.2%	70.4%	30.0%
14.0%	31.1%	39.9%	40.8%	68.1%	26.2%

CITY OF WACONIA, MINNESOTA

TAX CAPACITY VALUE AND ESTIMATED MARKET VALUE OF TAXABLE PROPERTY

Last Ten Fiscal Years

<u>Fiscal Year Ended December 31,</u>	<u>Residential Property</u>	<u>Commercial/ Industrial Property</u>	<u>Personal Property</u>	<u>All Other</u>	<u>Total Tax Capacity</u>
2004	\$6,594,085	\$ -	\$78,190	\$ -	\$6,672,275
2005	7,793,148	-	80,122	-	7,873,270
2006	7,215,187	1,795,342	90,196	73,838	9,174,563
2007	8,213,526	2,029,190	98,274	244,370	10,585,360
2008	9,226,469	2,598,160	96,316	53,518	11,974,463
2009	9,185,150	3,163,158	114,838	54,316	12,517,462
2010	9,168,118	3,567,911	115,818	62,518	12,914,365
2011	8,628,580	3,210,220	132,198	64,038	12,035,036
2012	8,013,229	2,929,758	133,636	70,953	11,147,576
2013	7,246,636	2,816,327	144,560	37,688	10,245,211

Source: Carver County Taxpayer Services

Note: Except for personal property, tax capacity values by classification are not available for the years of 2004 and 2005.

Table 5

<u>Less Captured Tax Increment Tax Capacity</u>	<u>Net Fiscal Disparities Distribution</u>	<u>Adjusted Tax Capacity Value</u>	<u>City Direct Tax Rate</u>	<u>Estimated Market Value</u>	<u>Tax Capacity as a Percent of EMV</u>
(\$131,871)	\$257,713	\$6,798,117	39.444	\$599,681,400	1.13%
(127,603)	258,242	8,003,909	38.327	706,248,600	1.13%
(149,071)	272,930	9,298,422	32.574	821,101,100	1.13%
-	290,280	10,875,640	32.775	946,827,000	1.15%
(3,261)	317,559	12,288,761	32.593	1,051,269,600	1.17%
(6,573)	199,575	12,710,464	33.258	1,076,236,800	1.18%
(50,144)	87,147	12,951,368	36.042	1,093,934,600	1.18%
(37,753)	(24,624)	11,972,659	41.890	1,028,180,900	1.16%
(18,586)	75,739	11,204,729	44.218	953,540,600	1.18%
(18,614)	115,298	10,341,895	49.433	929,854,100	1.11%

CITY OF WACONIA
DIRECT AND OVERLAPPING PROPERTY TAX CAPACITY RATES
 Last Ten Fiscal Years

Table 6

Fiscal Year	City Direct Rate	Overlapping Rates			Total
		School District #110	Carver County	Other	
Tax capacity rates (per \$100 of adjusted tax capacity value)					
2004	39.444	23.690	48.443	3.904	115.481
2005	38.327	21.374	44.107	3.830	107.638
2006	32.574	28.694	40.836	3.639	105.743
2007	32.775	31.615	37.802	3.869	106.061
2008	32.593	29.098	37.563	3.950	103.204
2009	33.258	26.646	38.033	3.944	101.881
2010	36.042	27.071	39.509	3.942	106.564
2011	41.890	31.313	41.752	4.175	119.130
2012	44.218	34.516	43.562	4.511	126.807
2013	49.433	38.664	46.115	4.541	138.753

Source: Carver County Taxpayer Services

CITY OF WACONIA, MINNESOTA
PRINCIPAL PROPERTY TAXPAYERS
 Current Year and Nine Years Ago

Table 7

Taxpayer	2013			2004		
	Net Tax Capacity	Rank	Percentage of Total Net Tax Capacity	Net Tax Capacity	Rank	Percentage of Total Net Tax Capacity
Jerry's Enterprises	\$252,286	1	2.46%	\$48,079	5	0.72%
Target Corporation	214,692	2	2.10%	-	-	-
Ridgeview Real Estate LLC	151,972	3	1.48%	-	-	-
Elkay Wood Products Company	114,726	4	1.12%	101,210	1	1.52%
Lakeview Clinic Building Corp.	112,114	5	1.09%	37,420	7	0.56%
Pine Park Properties LLC	83,802	6	0.82%	-	-	-
Xcel Energy	80,878	7	0.79%	59,198	2	0.89%
MMC Property LLC	72,620	8	0.71%	-	-	-
Health Care Reit Inc.	69,829	9	0.68%	-	-	-
Centerpoint Energy Minnegasco	66,686	10	0.65%	-	-	-
3-Star Properties LLP	-	-	-	54,250	3	0.81%
Lift Management Services	-	-	-	48,628	4	0.73%
CPS Holding LLC	-	-	-	38,048	6	0.57%
Valley Development	-	-	-	36,480	8	0.55%
Waconia Motor Company LLC	-	-	-	35,972	9	0.54%
Total	<u>\$1,219,605</u>		<u>11.90%</u>	<u>\$459,285</u>		<u>6.88%</u>
Total All Property	<u>\$10,245,211</u>			<u>\$6,672,275</u>		

Source: Carver County Taxpayer Services

Note: Information on the 10th largest taxpayer of 2004 was not available.

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CITY OF WACONIA, MINNESOTA
PROPERTY TAX LEVIES AND COLLECTIONS
 Last Ten Fiscal Years

Table 8

Fiscal Year Ended December 31,	Taxes Levied For The Fiscal Year	Collected Within The Fiscal Year of the Levy		Collections in Subsequent Years	Total Collections to Date	
		Amount	Percentage of Levy		Amount	Percentage of Levy
2004	\$2,709,219	\$2,516,320	92.9%	\$23,567	\$2,539,887	93.7%
2005	3,076,327	2,881,502	93.7%	21,800	2,903,302	94.4%
2006	3,080,043	2,903,705	94.3%	28,329	2,932,034	95.2%
2007	3,562,474	3,351,866	94.1%	58,049	3,409,915	95.7%
2008	4,007,474	3,769,065	94.1%	65,197	3,834,262	95.7%
2009	4,218,987	3,685,413	87.4%	64,567	3,749,980	88.9%
2010	4,629,319	4,267,455	92.2%	84,990	4,352,445	94.0%
2011	4,937,619	4,647,595	94.1%	24,345	4,671,940	94.6%
2012	4,922,461	4,846,949	98.5%	20,656	4,867,605	98.9%
2013	5,045,444	4,986,516	98.8%	-	4,986,516	98.8%

Source: City Finance Department

CITY OF WACONIA, MINNESOTA
RATIOS OF OUTSTANDING DEBT BY TYPE
 Last Ten Fiscal Years

Fiscal Year	Governmental Activities			
	General Obligation Bonds	G.O. Improvement Bonds	G.O. Tax Increment Bonds	Public Project Revenue Bonds
2004	\$ -	\$1,270,000	\$540,000	\$6,527,919
2005	-	1,100,000	365,000	6,167,619
2006	-	1,965,000	185,000	5,787,322
2007	-	18,795,000	-	11,543,918
2008	-	18,555,000	-	11,355,431
2009	-	16,910,000	-	10,967,879
2010	3,098,935	15,210,000	-	7,271,075
2011	3,811,394	24,784,254	-	6,959,824
2012	3,800,000	11,820,597	-	6,638,922
2013	3,555,000	9,991,940	-	6,303,154

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

⁽¹⁾ The Total Tax Capacity values can be found at Table 5

⁽²⁾ Population data can be found at Table 14.

Table 9

Business-Type Activities		Total Debt	Percentage of Total Tax Capacity ⁽¹⁾	Per Capita ⁽²⁾
G.O. Revenue Bonds	Public Project Revenue Bonds			
\$2,185,000	\$ -	\$10,522,919	157.71%	1,312
1,915,000	-	9,547,619	121.27%	1,107
10,015,000	-	17,952,322	195.67%	2,082
15,685,000	6,100,000	52,123,918	492.42%	5,454
14,885,000	5,907,462	50,702,893	423.43%	5,227
14,090,000	5,706,078	47,673,957	380.86%	4,787
13,245,000	5,495,443	44,320,453	343.19%	4,143
12,655,000	5,275,132	53,485,604	444.42%	4,937
12,045,000	5,044,699	39,349,218	352.98%	3,506
21,634,820	4,756,416	46,241,330	451.35%	3,999

CITY OF WACONIA, MINNESOTA
RATIOS OF GENERAL BONDED DEBT OUTSTANDING
 Last Ten Fiscal Years

Table 10

Fiscal Year	Debt Being Paid Solely From Property Taxes			Less: Debt Service Fund Balance	Net General Bonded Debt	Percentage of Total Tax Capacity ⁽¹⁾	Per Capita ⁽²⁾
	General Obligation Bonds	Public Project Revenue Bonds	Total				
2004	\$ -	\$3,880,000	\$3,880,000	\$ -	\$3,880,000	58.15%	\$484
2005	-	3,790,000	3,790,000	-	3,790,000	48.14%	440
2006	-	3,695,000	3,695,000	-	3,695,000	40.27%	429
2007	-	9,720,000	9,720,000	521,611	9,198,389	86.90%	962
2008	-	9,620,000	9,620,000	1,100,663	8,519,337	71.15%	878
2009	-	9,325,000	9,325,000	1,067,383	8,257,617	65.97%	829
2010	3,098,935	5,725,000	8,823,935	1,275,888	7,548,047	58.45%	706
2011	3,811,394	5,515,000	9,326,394	1,711,177	7,615,217	63.28%	703
2012	3,800,000	5,300,000	9,100,000	2,024,228	7,075,772	63.47%	631
2013	3,555,000	5,075,000	8,630,000	1,791,134	6,838,866	66.75%	591

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

⁽¹⁾The Total Tax Capacity values can be found at Table 5

⁽²⁾Population data can be found at Table 14.

CITY OF WACONIA, MINNESOTA
DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT
 December 31, 2013

Table 11

Governmental Unit	Debt Outstanding	Estimated Percentage Applicable*	Estimated Share of Overlapping Debt
Direct debt:			
City of Waconia ⁽¹⁾	<u>\$19,850,094</u>	100.00%	<u>\$19,850,094</u>
Overlapping debt:			
Carver County	23,315,000	10.39%	2,423,501
Independent School District No. 110	50,725,000	52.54%	26,653,147
Metropolitan Council	<u>189,450,000</u>	0.35%	<u>660,802</u>
Subtotal - overlapping debt	<u>263,490,000</u>		<u>29,737,449</u>
Total direct and overlapping debt	<u><u>\$283,340,094</u></u>		<u><u>\$49,587,543</u></u>

⁽¹⁾Excludes debt related to the City's business-type activities.

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

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

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CITY OF WACONIA, MINNESOTA
LEGAL DEBT MARGIN INFORMATION
 Last Ten Fiscal Years

Table 12

Legal Debt Margin Calculation for Fiscal Year 2013

Estimated market value of taxable property	\$929,854,100
Debt limit percentage*	3%
Statutory debt limit	<u>27,895,623</u>
Net debt applicable to limit:	
Total bonded debt	46,241,330
Less:	
G.O. improvement bonds	(9,991,940)
G.O. revenue bonds	(21,634,820)
Public project revenue bonds not paid from property taxes	(5,984,570)
Less:	
Restricted cash in escrow	<u>(437,116)</u>
Total net debt applicable to limit	<u>8,192,884</u>
Legal debt margin	<u><u>\$19,702,739</u></u>

Legal Debt Margin Calculation for Fiscal Years 2004 Through 2013

Fiscal Year	Statutory Debt Limit	Net Debt Applicable to Limit	Legal Debt Margin	Ratio of Net Debt to Debt Limit
2004	\$11,993,628	\$4,420,000	\$7,573,628	36.85%
2005	14,124,972	4,155,000	9,969,972	29.42%
2006	16,422,022	3,880,000	12,542,022	23.63%
2007	18,936,540	9,283,831	9,652,709	49.03%
2008	31,538,088	9,173,908	22,364,180	29.09%
2009	32,287,104	8,885,547	23,401,557	27.52%
2010	32,818,038	8,387,563	24,430,475	25.56%
2011	30,845,427	8,889,721	21,955,706	28.82%
2012	28,606,218	8,663,105	19,943,113	30.28%
2013	27,895,623	8,192,884	19,702,739	29.37%

*During 2008, State Statutes increased the legal debt limit from 2% to 3% of the City's taxable market value.

CITY OF WACONIA, MINNESOTA
PLEDGED REVENUE COVERAGE
 Last Ten Fiscal Years

Fiscal Year	G.O. Improvement Bonds			
	Special Assessment Collections	Debt Service		Coverage
		Principal	Interest	
2004	\$654,634	\$170,000	\$51,098	2.961
2005	259,117	170,000	46,297	1.198
2006	131,874	170,000	58,974	0.576
2007	198,572	170,000	453,401	0.319
2008	1,749,897	240,000	747,206	1.773
2009	620,220	1,645,000	711,742	0.263
2010	748,079	1,700,000	645,410	0.319
2011	1,267,221	2,440,000	580,936	0.419
2012	674,933	1,835,000	555,647	0.282
2013	368,991	1,735,000	308,925	0.181

Note: Details regarding the City's outstanding debt can be found in the notes to the financial statements. Net available revenue for the general obligation revenue bonds is equal to the revenues of the water and sewer funds, less operating expenses (excluding depreciation) of those funds.

Table 13

G.O. Revenue Bonds					
Water and Sewer Revenue	Less Operating Expenses	Net Available Revenue	Debt Service		Coverage
			Principal	Interest	
\$2,272,707	\$1,494,747	\$777,960	\$260,000	\$100,061	2.161
2,978,936	1,548,814	1,430,122	270,000	85,312	4.025
3,453,547	1,574,175	1,879,372	280,000	191,276	3.988
4,598,531	2,008,320	2,590,211	445,000	570,561	2.551
3,387,572	1,748,485	1,639,087	800,000	627,134	1.149
3,414,304	1,773,003	1,641,301	815,000	606,742	1.154
3,233,339	1,777,013	1,456,326	845,000	552,021	1.042
3,615,760	2,034,760	1,581,000	590,000	535,499	1.405
4,388,240	2,260,307	2,127,933	610,000	508,211	1.903
4,202,196	2,340,143	1,862,053	630,000	475,583	1.684

CITY OF WACONIA, MINNESOTA
DEMOGRAPHIC AND ECONOMIC STATISTICS
 Last Ten Fiscal Years

Table 14

Fiscal Year	Waconia Population ⁽¹⁾	Carver County Unemployment Rate ⁽²⁾	Carver County Personal Income (Thousands) ⁽³⁾	Carver County Per Capita Personal Income ⁽³⁾
2004	8,018	3.9%	\$3,562,502	\$44,270
2005	8,622	3.4%	3,878,765	46,587
2006	8,622	3.3%	4,165,709	48,632
2007	9,557	4.0%	4,583,400	52,520
2008	9,701	4.9%	4,884,465	54,998
2009	9,960	7.5%	4,633,525	51,346
2010	10,697	6.9%	4,968,454	54,384
2011	10,833	5.7%	5,357,246	57,830
2012	11,222	4.9%	5,666,282	60,468
2013	11,563	4.7%	(a)	(a)

Sources:

⁽¹⁾Federal Census Data and State Demographer's Estimate

⁽²⁾State of Minnesota, Department of Employment and Economic Development

⁽³⁾U.S. Department of Commerce, Bureau of Economic Analysis

(a) Information not available

Note: Information pertaining to the City's unemployment rate, personal income and per capita personal income is not available, information for Carver County was included instead.

CITY OF WACONIA, MINNESOTA

PRINCIPAL EMPLOYERS

Table 15

Current Year and Seven Years Ago⁽¹⁾

Employer	2013			2006		
	Employees	Rank	Percentage of Total City Employment ⁽²⁾	Employees	Rank	Percentage of Total City Employment ⁽²⁾
Ridgeview Medical Center	1,540	1	42.4%	1,311	1	39.6%
Medallion Cabinetry, Inc.	733	2	20.2%	620	2	18.7%
I.S.D. No. 110 (Waconia)	377	3	10.4%	379	3	11.4%
Good Samaritan Society Waconia	240	4	6.6%	202	4	6.1%
Target	177	5	4.9%	-	-	0.0%
UFC (Waconia Farm Supply)	128	6	3.5%	118	8	3.6%
Lakeview Clinic Ltd.	127	7	3.5%	165	6	5.0%
Mackenthun's Supermarket	110	8	3.0%	150	7	4.5%
City of Waconia	102	9	2.8%	196	5	5.9%
Milltronics Manufacturing Co	94	10	2.6%	110	9	3.3%
Waconia Manufacturing	-		0.0%	61	10	1.8%
Total	3,628			3,312		

Source: written and telephone survey

⁽¹⁾Principal employer information prior to 2006 is not available

⁽²⁾The statistic for total City employment is not available, therefore the percentage represents the percentage of the top ten listed.

CITY OF WACONIA, MINNESOTA

FULL-TIME EQUIVALENT CITY GOVERNMENT EMPLOYEES BY FUNCTION/PROGRAM

Last Ten Fiscal Years

<u>Function/Program</u>	<u>Full-Time Equivalent Employees as of December 31,</u>		
	<u>2004</u>	<u>2005</u>	<u>2006</u>
General government	8	8	8
Public safety	3	2	2
Public works	15	14	15
Parks & recreation	25	25	27
Economic development	3	3	3
Total	<u>54</u>	<u>52</u>	<u>55</u>

Source: City Finance Department

Table 16

Full-Time Equivalent Employees as of December 31,						
<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>
8	8	9	8	8	8	8
2	3	3	2	2	3	3
15	15	15	12	13	14	15
29	30	29	28	27	27	27
<u>3</u>	<u>3</u>	<u>3</u>	<u>3</u>	<u>3</u>	<u>3</u>	<u>3</u>
<u>57</u>	<u>59</u>	<u>59</u>	<u>53</u>	<u>53</u>	<u>55</u>	<u>56</u>

CITY OF WACONIA, MINNESOTA
OPERATING INDICATORS BY FUNCTION/PROGRAM
 Last Ten Fiscal Years

Function/Program	Fiscal Year		
	2004	2005	2006
Building:			
Total permits issued	1,312	1,176	1,037
Total estimated value	\$50,158,353	\$37,984,870	\$83,034,130
Election:			
Registered voters	4,934	4,934	5,440
Fire:			
Average number of employees	35	35	33
General government:			
Area of city - square miles	3.46	3.46	3.73
Average number of permanent full-time employees (excluding fire department)	31	30	33
Police:			
Average number of employees	1.5	1.5	5.8
Number of major crimes	169	216	233
Water:			
Number of customers	2,977	3,146	3,280
Daily average consumption - gallons	824,433	913,475	935,348
Plant capacity - gallons	2,016,000	2,016,000	2,016,000

Source: Various City Departments

Table 17

Fiscal Year						
2007	2008	2009	2010	2011	2012	2013
725	1,854	1,059	726	595	1,068	1,124
\$53,210,813	\$44,246,646	\$22,398,899	\$16,288,731	\$20,895,214	\$34,399,256	\$47,110,365
5,440	5,842	5,842	5,962	5,962	6,316	6,316
34	37	38	35	34	36	32
4.31	4.41	4.43	4.43	4.45	4.45	4.45
34	35	36	34	35	37	37
5.5	6.0	6.0	4.7	4.7	4.7	5.0
222	257	178	162	204	133	134
3,425	3,534	3,583	3,631	3,661	3,761	3,854
1,034,359	1,025,957	1,066,668	919,245	948,988	1,007,602	981,116
2,016,000	4,100,000	4,100,000	4,100,000	4,100,000	4,100,000	4,100,000

CITY OF WACONIA, MINNESOTA
CAPITAL ASSET STATISTICS BY FUNCTION/PROGRAM
 Last Ten Fiscal Years

Function/Program	Fiscal Year		
	2004	2005	2006
Fire:			
Number of stations	1	1	1
Parks and recreation:			
Acres of parks	79.8	79.8	82.5
Acres of open space	46.9	46.9	46.9
Number of shelter buildings	2	2	2
Number of playgrounds	10	10	11
Number of basketball courts	1	1	2
Number of tennis courts	2	2	3
Police:			
Number of stations	1	1	1
Public works:			
Miles of streets	37.4	39.6	42.5
Miles of sidewalks	9.4	9.4	11.5
Miles of trails	11.2	11.2	11.7
Sewer:			
Miles of storm sewers	21.8	23.1	29.4
Miles of gravity sanitary sewers	42.3	43.4	48.8
Miles of forcemain sanitary sewers	5.3	5.3	5.3
Number of lift stations	14	14	14
Water:			
Miles of watermains	47.7	49.5	55.9
Number of wells	4	4	4

Table 18

								Fiscal Year	
2007	2008	2009	2010	2011	2012	2013	2013	2013	
1	1	1	1	1	1	1	1	1	
139.5	139.5	152.3	152.3	152.3	152.3	152.3	152.7	152.7	
46.9	72.9	72.9	72.9	72.9	72.9	72.9	78.3	78.3	
3	3	4	4	4	4	4	6	6	
12	12	13	13	13	13	13	14	14	
2	2	2	2	2	2	2	2	2	
3	3	3	3	3	3	3	3	3	
1	1	1	1	1	1	1	1	1	
46.3	46.9	47.2	47.2	47.2	47.2	47.3	48.2	48.2	
13.5	14.0	14.0	14.0	14.0	14.1	14.2	14.4	14.4	
12.8	13.0	13.0	13.0	13.0	13.0	13.0	13.1	13.1	
33.5	35.0	41.8	42.2	42.3	42.3	43.8	43.8	43.8	
50.4	51.9	51.9	52.2	52.2	52.2	52.4	52.4	52.4	
5.7	5.3	5.3	5.3	5.3	5.3	5.3	5.3	5.3	
12	11	11	11	11	11	11	11	11	
57.7	60.0	60.0	60.3	60.3	60.3	60.6	60.6	60.6	
5	6	6	6	6	6	6	6	6	

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