



Comprehensive Annual Financial Report

For the Year Ended December 31, 2014

City of Waconia, Minnesota

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

**FOR THE YEAR ENDED
DECEMBER 31, 2014**

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 8, 2015

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, 2014 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, 2014, the maturities of the investments range from 1 day to 9 years, with an average maturity of 4 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, 2014 was 1.69%. 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 4.52 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 December 31, 2014 was 11,827. Waconia's residential permit activity decreased in 2014 from 2013 activity. The total number of building permits for 2014 was 937; which decreased 20% from 2013 activity. In 2014, there were 83 single family residential home permits as compared to 103 in 2013. The total valuation of all building permit activity in 2014 was \$38,308,553; this compares to the total 2013 building permit valuation of \$47,110,365. The City anticipates building activity will remain strong into 2015. The City has budgeted for 70 new home starts and has had both commercial and industrial site plan review for new business projects anticipated to start in 2015.

The City has approximately 90 acres of commercial and industrial land with utilities available. In 2014, the City experienced an increase in the number of commercial permits issued. The City had numerous commercial and industrial projects near completion throughout the year; this including a Caribou/Bruegger's Bagels location, a new storage unit facility building, a new 39,000 square foot industrial manufacturing facility for Nordic Components, the remodel and expansion of the Good Samaritan Nursing Home, a 40,000 square foot expansion of Ridgeview Medical Center, and many other tenant and remodel projects. So far in 2015, the City has approved two site plans for two new restaurant facilities in downtown Waconia along with review of plans for a new elementary school facility.

In 2014, the City issued \$2,265,000 of General Obligation bonds for work completed with the 2014 infrastructure projects. Work was completed to rehabilitate some downtown streets and utility infrastructure along with numerous park, trail, and storm water improvements. 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 budgetary flexibility and performance, and weak debt and contingent liability position.

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 detailed reports of budget versus actual are provided to all departments with summaries being provided to the City Council on a quarterly basis. 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) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Waconia for its comprehensive annual financial report (CAFR) for the fiscal year ended December 31, 2013. 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 comprehensive annual financial report, 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 a period of one year only. The City of Waconia received the Certificate of Achievement for the first time in 2013 and plans to continue preparing the annual CAFR for consideration of the award. We believe our current report continues to conform to the Certificate of Achievement program requirements and we are submitting it to GFOA to determine its eligibility for another certificate.

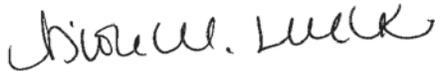
Independent Audit

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 Redpath and Company for their assistance in preparing this report.

Respectfully Submitted,

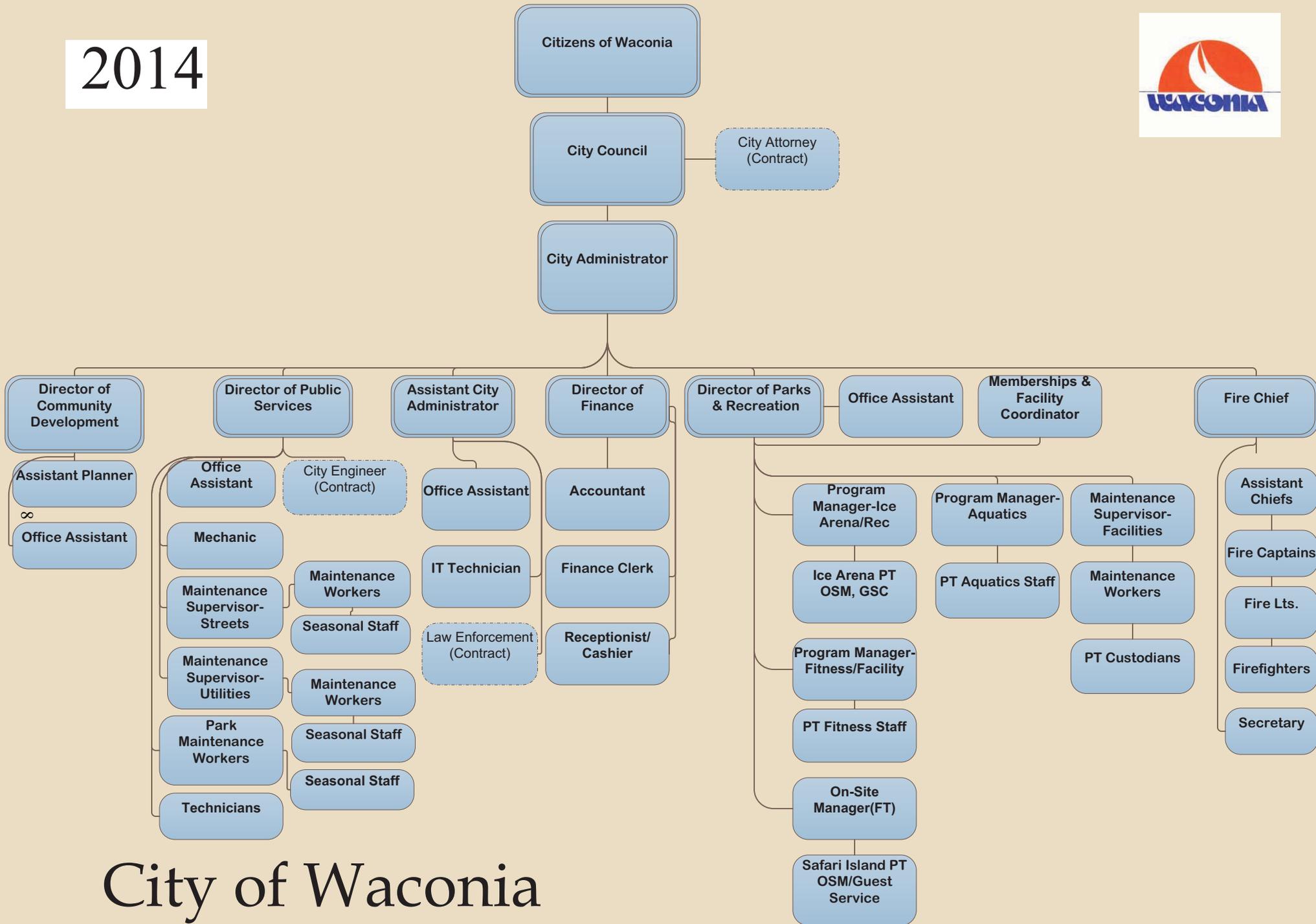
A handwritten signature in black ink, appearing to read "Nicole Lueck". The signature is written in a cursive, flowing style.

Nicole Lueck, Finance Director

CITY OF WACONIA, MINNESOTA
ELECTED OFFICIALS AND ADMINISTRATION
December 31, 2014

<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

2014



City of Waconia Organizational Chart



Government Finance Officers Association

**Certificate of
Achievement
for Excellence
in Financial
Reporting**

Presented to

**City of Waconia
Minnesota**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

December 31, 2013

Executive Director/CEO

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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, 2014, 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, 2014, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited the City of Waconia, Minnesota's 2013 financial statements, and we expressed an unmodified audit opinion on the respective financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information in our report dated May 30, 2014. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2013 is consistent, in all material respects, with the audited financial statements from which it has been derived.

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 June 8, 2015, 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.



REDPATH AND COMPANY, LTD.

St. Paul, Minnesota

June 8, 2015

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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, 2014. 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 \$85,193,276 (*net position*). Of this amount, \$8,474,776 (*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 \$876,416 for 2014.
- As of the close of the current fiscal year, the City of Waconia's governmental funds reported combined ending fund balances of \$8,207,288 a decrease of \$910,241 in comparison with the prior year decrease of \$1,260,802.
- At the end of the current fiscal year, the unassigned fund balance for the General Fund was \$1,747,771 or 43% percent of total General Fund expenditures. The City realized an increase in the unassigned General Fund fund balance from the 2013 level of \$1,646,903. The increase is due to a combination of higher than anticipated general property tax collections and reduced building maintenance and repair costs at the City's facilities.
- The City of Waconia's total long-term debt decreased from \$46,573,035 to \$43,124,134 by the end of 2014. The City issued general obligation bonds for the work completed with the 2014 infrastructure projects.

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 17 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 13 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 special revenue funds. Annual budgets approved for the City's capital project and debt funds are used as a guide by the City Council for those major items already approved by resolution. 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 special revenue 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 get 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. Combined 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 \$85,193,276 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 (10.9 percent) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position of \$8,474,776 or 9.9% 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.

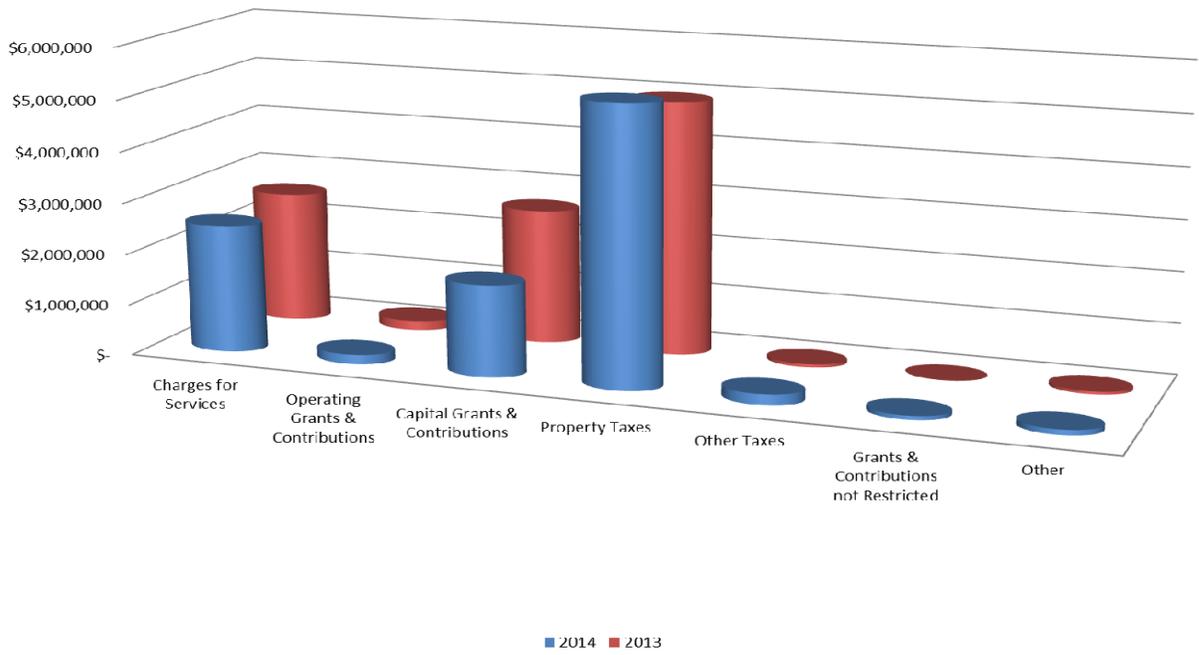
Net Assets	Governmental Activities		Business-Type Activities		Totals	
	2014	2013	2014	2013	2014	2013
Current & Other Assets	\$ 13,905,815	\$ 14,637,245	\$ 13,741,930	\$ 15,745,614	\$ 27,647,745	\$ 30,382,859
Capital Assets	\$ 65,010,889	\$ 65,931,835	\$ 37,579,804	\$ 37,872,457	\$ 102,590,693	\$ 103,804,292
Total Assets	\$ 78,916,704	\$ 80,569,080	\$ 51,321,734	\$ 53,618,071	\$ 130,238,438	\$ 134,187,151
Long-Term Liabilities	\$ 16,358,130	\$ 17,486,819	\$ 19,654,471	\$ 23,225,101	\$ 36,012,601	\$ 40,711,920
Other Liabilities	\$ 3,961,262	\$ 3,569,458	\$ 5,071,299	\$ 3,836,081	\$ 9,032,561	\$ 7,405,539
Total Liabilities	\$ 20,319,392	\$ 21,056,277	\$ 24,725,770	\$ 27,061,182	\$ 45,045,162	\$ 48,117,459
Net Investment in Capital Assets	\$ 46,224,926	\$ 46,081,741	\$ 21,199,492	\$ 21,701,041	\$ 67,424,418	\$ 67,782,782
Net Position Restricted	\$ 9,294,082	\$ 9,899,846	\$ -	\$ -	\$ 9,294,082	\$ 9,899,846
Net Position Unrestricted	\$ 3,078,304	\$ 3,531,216	\$ 5,396,472	\$ 4,855,848	\$ 8,474,776	\$ 8,387,064
Total Net Position	\$ 58,597,312	\$ 59,512,803	\$ 26,595,964	\$ 26,556,889	\$ 85,193,276	\$ 86,069,692

Governmental activities. Net position of the City’s governmental activities decreased \$915,491 during 2014. The primary reasons for the decrease were reduced capital contributions for capital projects related to infrastructure projects and the depreciation of governmental type capital assets. In addition, \$284,650 of cash and capital assets were transferred to business-type activities.

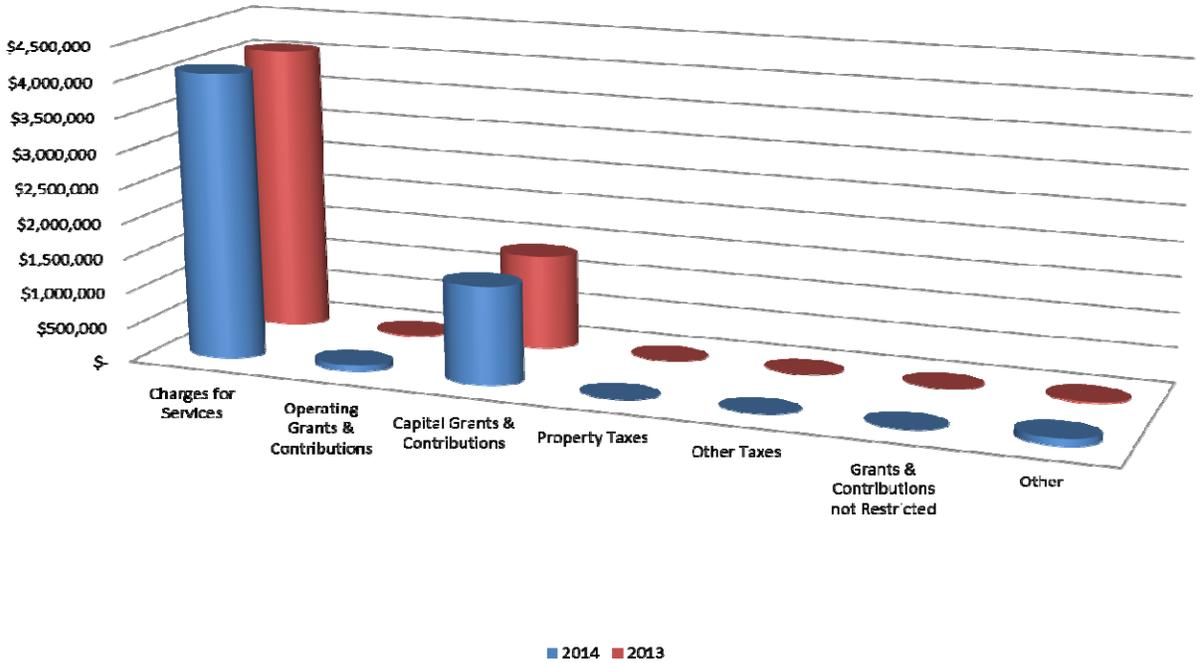
Business-type activities. Business-type activities increased the City’s net position by \$39,075, compared to a decrease in net position of \$204,586 during the previous year. Because user fees are not intended to cover depreciation expense, operating losses of the enterprise funds totaled \$1,238,726 during 2014. These losses were offset by increased operating and capital grants and contributions, decreased interest expense, and transfers of cash and capital assets from governmental activities.

Net Position Changes	Governmental Activities		Business-Type Activities		Totals	
	2014	2013	2014	2013	2014	2013
Revenues						
Program Revenues						
Charges for Services	\$ 2,497,197	\$ 2,583,137	\$ 4,078,937	\$ 4,076,463	\$ 6,576,134	\$ 6,659,600
Operating Grants & Contributions	\$ 182,910	\$ 188,108	\$ 83,610	\$ 12,313	\$ 266,520	\$ 200,421
Capital Grants & Contributions	\$ 1,783,440	\$ 2,646,128	\$ 1,394,858	\$ 1,360,860	\$ 3,178,298	\$ 4,006,988
General Revenues						
Property Taxes	\$ 5,389,061	\$ 4,966,181	\$ -	\$ -	\$ 5,389,061	\$ 4,966,181
Other Taxes	\$ 205,500	\$ 61,598	\$ -	\$ -	\$ 205,500	\$ 61,598
Grants & Contributions not Restricted	\$ 79,864	\$ 3,343	\$ -	\$ -	\$ 79,864	\$ 3,343
Other	\$ 105,597	\$ 56,250	\$ 96,733	\$ 23,849	\$ 202,330	\$ 80,099
Total Revenues	\$ 10,243,569	\$ 10,504,745	\$ 5,654,138	\$ 5,473,485	\$ 15,897,707	\$ 15,978,230
Expenses						
General Government	\$ 2,764,182	\$ 2,597,154	\$ -	\$ -	\$ 2,764,182	\$ 2,597,154
Public Safety	\$ 1,326,991	\$ 1,308,613	\$ -	\$ -	\$ 1,326,991	\$ 1,308,613
Public Works	\$ 3,760,921	\$ 5,280,532	\$ -	\$ -	\$ 3,760,921	\$ 5,280,532
Culture & Recreation	\$ 2,260,923	\$ 2,167,378	\$ -	\$ -	\$ 2,260,923	\$ 2,167,378
Economic Development	\$ 224,046	\$ 116,069	\$ -	\$ -	\$ 224,046	\$ 116,069
Interest on Long-term Debt	\$ 537,347	\$ 559,939	\$ -	\$ -	\$ 537,347	\$ 559,939
Water	\$ -	\$ -	\$ 1,766,523	\$ 2,144,091	\$ 1,766,523	\$ 2,144,091
Sewer	\$ -	\$ -	\$ 2,255,953	\$ 2,269,938	\$ 2,255,953	\$ 2,269,938
Storm Water	\$ -	\$ -	\$ 888,627	\$ 661,647	\$ 888,627	\$ 661,647
Street Lights	\$ -	\$ -	\$ 210,961	\$ 258,033	\$ 210,961	\$ 258,033
Ice Arena	\$ -	\$ -	\$ 777,649	\$ 783,262	\$ 777,649	\$ 783,262
Total Expenses	\$ 10,874,410	\$ 12,029,685	\$ 5,899,713	\$ 6,116,971	\$ 16,774,123	\$ 18,146,656
Increase (Decrease) in Net Position before Transfers	\$ (630,841)	\$ (1,524,940)	\$ (245,575)	\$ (643,486)	\$ (876,416)	\$ (2,168,426)
Transfers	\$ (284,650)	\$ (438,900)	\$ 284,650	\$ 438,900	\$ -	\$ -
Increase (Decrease) in Net Position	\$ (915,491)	\$ (1,963,840)	\$ 39,075	\$ (204,586)	\$ (876,416)	\$ (2,168,426)
Restatement/Prior Period	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Net Position January 1	\$ 59,512,803	\$ 61,476,643	\$ 26,556,889	\$ 26,761,475	\$ 86,069,692	\$ 88,238,118
Net Position December 31	\$ 58,597,312	\$ 59,512,803	\$ 26,595,964	\$ 26,556,889	\$ 85,193,276	\$ 86,069,692

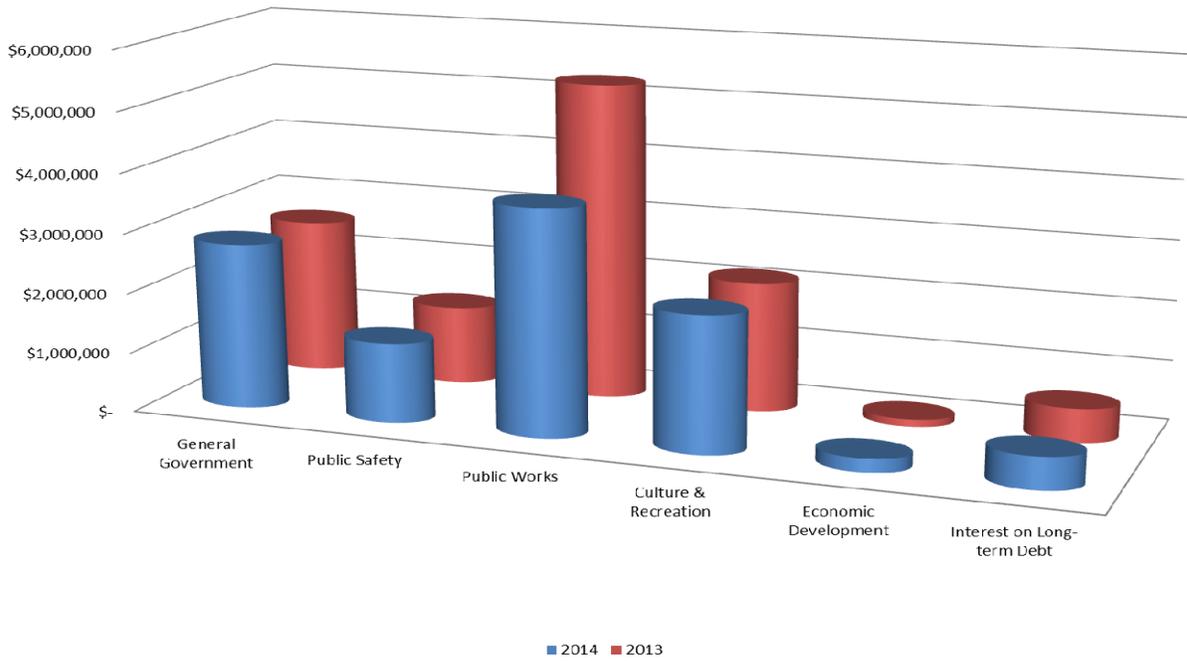
Revenues - Governmental Activities



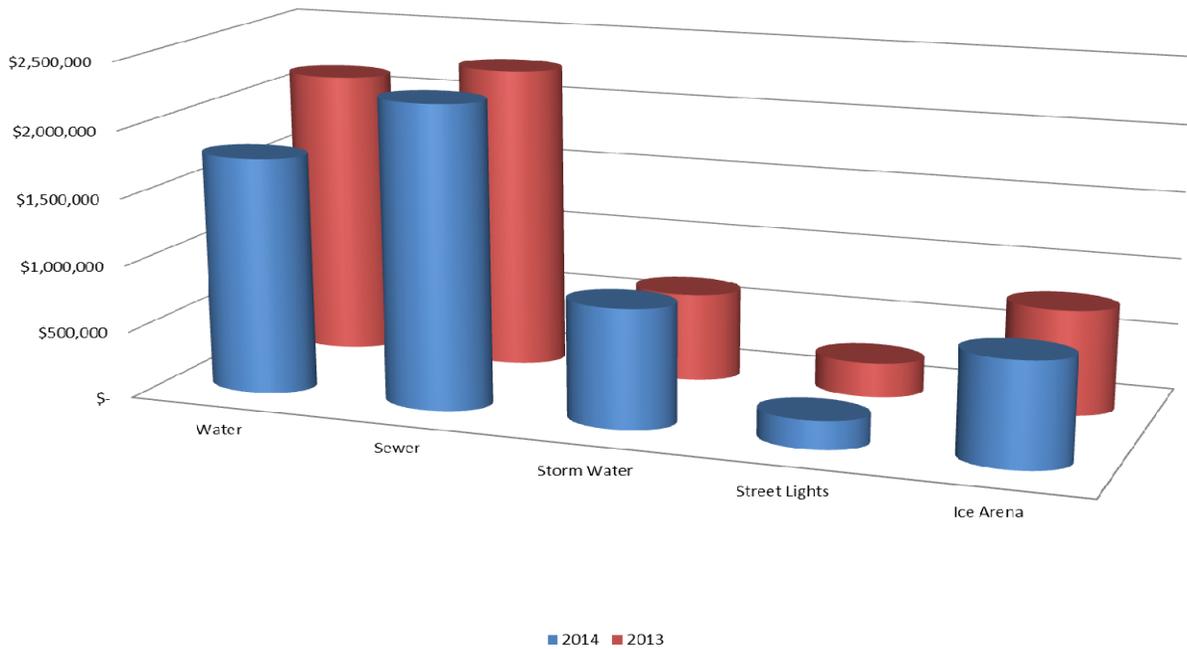
Revenues - Business Activities



Expenses - Governmental Activities



Expenses - 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 \$8,207,288. Approximately \$1,715,596 of this total amount or 21% 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 \$3,376,546. 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 \$541,658. This decrease is due to interfund transfers out of the Public Improvement Revolving Debt Service Fund to repay the General Fund and Public Improvement Revolving Capital Project Fund for monies previously borrowed.

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 43% of total General Fund expenditures. The General Fund increased fund balance by \$65,418 during the current fiscal year. The increase is due to higher than anticipated general property tax collections.

Safari Island Fund Analysis

The Safari Island Fund decreased fund balance by \$46,792 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. The City was able to reduce the amount of General Fund support in 2014 and plans to continue reviewing operations to maximize revenues generated at the facility.

Permanent Improvement Revolving Capital Project Fund Analysis

The Permanent Improvement Revolving Capital Project Fund decreased fund balance by \$301,031 during the current fiscal year. The decrease is due to project costs paid in advance for the planning and development of intersection improvements, street widening, and trails to be completed in 2015 along the Trunk Highway 5 Corridor.

Permanent Improvement Debt Service Fund Analysis

The Permanent Improvement Debt Service Fund decreased fund balance by \$600,368 during the current fiscal year. The decrease is due to an interfund transfer out to repay the Public Improvement Revolving Capital Project Fund and 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 \$5,396,472. Total unrestricted net position increased 11% from 2013.

Water Utility Fund Analysis

Unrestricted net position of the Water Utility Fund at the end of the year amounted to \$2,506,061. This is an increase of \$472,063 from 2013. The increase is due to savings in interest costs due to the 2013 refunding of water revenue bonds and significant connection charges.

Sewer Utility Fund Analysis

Unrestricted net position of the Sewer Utility Fund at the end of the year amounted to \$2,488,244. This is an increase of \$13,858 from 2013. Capital projects related to sanitary sewer lining were put on hold until 2015 because of inflow and infiltration concerns that required additional time for staff research.

Storm Water Utility Fund Analysis

Unrestricted net position of the Storm Water Utility Fund at the end of the year amounted to \$251,826. This is an increase of \$25,427 from 2013. The increase is due to an increase in user rates for storm water management in 2014. The City monitors the user rates each year in the budget cycle and with review of fund cash flows. The Storm Water Utility Fund has funded numerous required maintenance and improvement projects in the last several years. These projects have assisted the community in storm water management that is innovative and environmentally friendly.

Street Light Utility Fund Analysis

Unrestricted net position of the Street Light Utility Fund at the end of the year amounted to \$214,248. This is an increase of \$25,437 from 2013. The increase is due to an increase in user rates due to anticipated capital improvement projects related to lighting that will occur in the next several years.

Ice Arena Fund Analysis

Unrestricted net position of the Ice Arena Fund at the end of the year had a negative balance totaling -\$63,907. This is an increase of \$3,839 from 2013. The increase is due to a combination of decreased interest expense and equipment failure that occurred in 2014. The City was able to renegotiate the interest rate on the Ice Arena bonds in February 2014 to capture interest savings. The fund would have realized a larger increase in net position had the facility not faced some major mechanical issues that required immediate repair. The repairs were finalized in 2014 with no additional interfund transfer required from the General Fund.

General Fund Budgetary Highlights

There were 11 budget amendments to the General Fund in 2014. Major budget amendments were made to reallocate funds budgeted in contingency to wage expenditures to facilitate the City's employee benefit program related to paid time off pay out. Other minor amendments were made to recognize unanticipated grant revenue received for election equipment along with unforeseen expenditures related to development of the City's downtown master plan.

The actual General Fund expenditures of \$4,043,141 were \$15,249 under the General Fund budget of \$4,058,390. The primary reason for this variance was lower than anticipated maintenance and repair needs to the City's facilities and equipment. Revenues were \$52,030 over budget due primarily to strong property tax collections.

The overall transfers-out total \$1,389,000 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, 2014, amount to \$102,590,693 (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 1.17%. 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	
	2014	2013	2014	2013	2014	2013
Land	\$ 4,996,187	\$ 4,996,187	\$ 206,045	\$ 206,045	\$ 5,202,232	\$ 5,202,232
Permanent Easements	\$ 293,800	\$ 293,800	\$ -	\$ -	\$ 293,800	\$ 293,800
Buildings	\$ 47,336,003	\$ 47,336,003	\$ 16,311,725	\$ 16,311,725	\$ 63,647,728	\$ 63,647,728
Improvements	\$ 5,817,428	\$ 5,817,428	\$ 208,090	\$ 208,090	\$ 6,025,518	\$ 6,025,518
Machinery & Equipment	\$ 1,391,659	\$ 1,271,793	\$ 415,636	\$ 400,636	\$ 1,807,295	\$ 1,672,429
Vehicles	\$ 3,401,003	\$ 3,268,074	\$ 611,001	\$ 637,565	\$ 4,012,004	\$ 3,905,639
Infrastructure	\$ 42,422,447	\$ 42,233,205	\$ 34,965,474	\$ 34,665,417	\$ 77,387,921	\$ 76,898,622
Construction in Progress	\$ 2,758,416	\$ 767,306	\$ 1,502,351	\$ 687,971	\$ 4,260,767	\$ 1,455,277
Accumulated Depreciation	\$ (43,405,054)	\$ (40,051,961)	\$ (16,640,518)	\$ (15,244,992)	\$ (60,045,572)	\$ (55,296,953)
Total Capital Assets	\$ 65,011,889	\$ 65,931,835	\$ 37,579,804	\$ 37,872,457	\$ 102,591,693	\$ 103,804,292

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 \$43,124,134. Of this amount \$9,531,734 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 \$33,264,541 and compensated absences of \$327,859. During the current fiscal year, the City's total long-term debt decreased by

\$3,448,901. The City issued \$2,265,000 of general obligation bonds to finance work completed with the 2014 infrastructure projects and made principal payments of \$5,642,184, including a \$2,315,000 payment using proceeds from the 2013A refunding bonds. An additional \$7,555,610 of cash is held in escrow to advance refund two additional bonds, one in 2015 and one in 2016.

Long-Term Debt	Governmental Activities		Business Activities		Total	
	2014	2013	2014	2013	2014	2013
Bonded Debt						
General Obligation Debt	\$ 3,305,000	\$ 3,555,000	\$ -	\$ -	\$ 3,305,000	\$ 3,555,000
Special Assessment Debt with Governmental Commitment	\$ 9,531,734	\$ 9,991,940	\$ -	\$ -	\$ 9,531,734	\$ 9,991,940
Public Project Revenue Bonds	\$ 5,949,229	\$ 6,303,154	\$ 4,483,157	\$ 4,756,416	\$ 10,432,386	\$ 11,059,570
G.O. Revenue Bonds	\$ -	\$ -	\$ 19,527,155	\$ 21,634,820	\$ 19,527,155	\$ 21,634,820
Total Bonded Debt	\$ 18,785,963	\$ 19,850,094	\$ 24,010,312	\$ 26,391,236	\$ 42,796,275	\$ 46,241,330
Compensated Absences	\$ 209,401	\$ 206,578	\$ 118,458	\$ 125,127	\$ 327,859	\$ 331,705
Total Long-Term Debt	\$ 18,995,364	\$ 20,056,672	\$ 24,128,770	\$ 26,516,363	\$ 43,124,134	\$ 46,573,035

- The City of Waconia will be paying approximately \$6,896,407 in principal payments in 2015.
- 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 \$29,743,458. The City of Waconia's current outstanding general obligation debt of \$8,145,000 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.

2015 Budget and Rate Information

The following factors were considered in preparing the City of Waconia's budget for the 2015 fiscal year.

- The City's 2015 Taxable Market Value increased to \$1,072,984,100 up 13.01% from the previous year's market values and the Net Total Tax Capacity increased to \$11,036,411, up 15%.
- The City of Waconia prepared its 2015 General Fund budget of \$5,691,373 for a 4.91% increase in projected General Fund expenditures including interfund transfers out to other funds.
- The City tax rate decreased from 49.423% to 48.780% for a 1.30% decrease for 2015 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.

BASIC FINANCIAL STATEMENTS

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CITY OF WACONIA, MINNESOTA

STATEMENT OF NET POSITION

Statement 1

December 31, 2014

With Comparative Totals For December 31, 2013

	Primary Government			
	Governmental Activities	Business-Type Activities	Totals	
			2014	2013
Assets:				
Cash and investments	\$7,410,535	\$5,306,236	\$12,716,771	\$13,014,522
Restricted cash in escrow	441,569	7,555,610	7,997,179	10,496,835
Accrued interest receivable	37,244	-	37,244	74,789
Due from other governmental units	566,497	49,008	615,505	622,600
Accounts receivable - net	157,079	323,884	480,963	483,246
Internal balances	(500,000)	500,000	-	-
Prepaid items	13,143	7,192	20,335	32,957
Property taxes receivable	62,856	-	62,856	102,903
Special assessments receivable:				
Delinquent	958,702	-	958,702	772,990
Deferred	3,485,500	-	3,485,500	3,763,816
Notes receivable	964,690	-	964,690	868,201
Land held for resale	308,000	-	308,000	150,000
Capital assets (net of accumulated depreciation):				
Nondepreciable	8,048,403	1,708,396	9,756,799	6,951,309
Depreciable	56,962,486	35,871,408	92,833,894	96,852,983
Total assets	<u>78,916,704</u>	<u>51,321,734</u>	<u>130,238,438</u>	<u>134,187,151</u>
Liabilities:				
Accounts payable	697,303	220,133	917,436	568,632
Due to other governmental units	7,955	928	8,883	11,003
Salaries and benefits payable	134,838	37,819	172,657	137,061
Contracts payable	50,288	25,977	76,265	111,796
Deposits payable	61,777	-	61,777	44,375
Accrued interest payable	231,487	240,239	471,726	554,073
Unearned revenue	27,083	30,000	57,083	-
Other post employment benefits:				
Due in more than one year	113,297	41,904	155,201	117,484
Long-term liabilities:				
Due within one year	2,750,531	4,516,203	7,266,734	5,978,599
Due in more than one year	16,244,833	19,612,567	35,857,400	40,594,436
Total liabilities	<u>20,319,392</u>	<u>24,725,770</u>	<u>45,045,162</u>	<u>48,117,459</u>
Net position:				
Net investment in capital assets	46,224,926	21,199,492	67,424,418	67,782,782
Restricted for:				
Debt service	7,612,827	-	7,612,827	8,224,592
Economic development loans	1,308,745	-	1,308,745	1,228,283
Park improvements	104,981	-	104,981	202,547
Tax increment purposes	246,852	-	246,852	232,630
Other purposes	20,677	-	20,677	11,794
Unrestricted	3,078,304	5,396,472	8,474,776	8,387,064
Total net position	<u>\$58,597,312</u>	<u>\$26,595,964</u>	<u>\$85,193,276</u>	<u>\$86,069,692</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, 2014

With Comparative Totals For The Year Ended December 31, 2013

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>
		<u>Charges For Services</u>
Primary government:		
Governmental activities:		
General government	\$2,764,182	\$728,711
Public safety	1,326,991	748,031
Public works	3,760,921	13,121
Parks and recreation	2,260,923	953,300
Economic development	224,046	54,034
Interest on long-term debt	537,347	-
Total governmental activities	<u>10,874,410</u>	<u>2,497,197</u>
Business-type activities:		
Water	1,766,523	1,327,980
Sewer	2,255,953	1,693,322
Storm water	888,627	479,786
Street lighting	210,961	234,973
Ice arena	777,649	342,876
Total business-type activities	<u>5,899,713</u>	<u>4,078,937</u>
Total primary government	<u>\$16,774,123</u>	<u>\$6,576,134</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	
				2014	2013
\$7,032	\$ -	(\$2,028,439)	\$ -	(\$2,028,439)	(\$1,850,463)
135,219	-	(443,741)	-	(443,741)	(288,233)
38,093	1,783,440	(1,926,267)	-	(1,926,267)	(2,585,416)
2,566	-	(1,305,057)	-	(1,305,057)	(1,212,192)
-	-	(170,012)	-	(170,012)	(116,069)
-	-	(537,347)	-	(537,347)	(559,939)
<u>182,910</u>	<u>1,783,440</u>	<u>(6,410,863)</u>	<u>0</u>	<u>(6,410,863)</u>	<u>(6,612,312)</u>
5,000	508,683	-	75,140	75,140	(210,863)
40,241	549,665	-	27,275	27,275	(28,580)
38,369	336,510	-	(33,962)	(33,962)	49,298
-	-	-	24,012	24,012	(30,023)
-	-	-	(434,773)	(434,773)	(447,167)
<u>83,610</u>	<u>1,394,858</u>	<u>0</u>	<u>(342,308)</u>	<u>(342,308)</u>	<u>(667,335)</u>
<u>\$266,520</u>	<u>\$3,178,298</u>	<u>(6,410,863)</u>	<u>(342,308)</u>	<u>(6,753,171)</u>	<u>(7,279,647)</u>
General revenues:					
Property taxes		5,389,061	-	5,389,061	4,966,181
Tax increment collections		162,335	-	162,335	19,649
Lodging taxes		43,165	-	43,165	41,949
Grants and contributions not restricted to specific programs		79,864	-	79,864	3,343
Unrestricted investment earnings		105,069	86,527	191,596	71,420
Gain on sale of capital assets		528	10,206	10,734	8,679
Transfers		(284,650)	284,650	-	-
Total general revenues and transfers		<u>5,495,372</u>	<u>381,383</u>	<u>5,876,755</u>	<u>5,111,221</u>
Change in net position		(915,491)	39,075	(876,416)	(2,168,426)
Net position - January 1		<u>59,512,803</u>	<u>26,556,889</u>	<u>86,069,692</u>	<u>88,238,118</u>
Net position - December 31		<u>\$58,597,312</u>	<u>\$26,595,964</u>	<u>\$85,193,276</u>	<u>\$86,069,692</u>

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

CITY OF WACONIA, MINNESOTA

BALANCE SHEET

Statement 3

GOVERNMENTAL FUNDS

December 31, 2014

With Comparative Totals For December 31, 2013

	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	
						2014	2013
Assets							
Cash and investments	\$2,370,010	\$100,511	\$34,094	\$2,779,722	\$2,126,198	\$7,410,535	\$7,704,043
Restricted cash in escrow	-	-	5,233	436,336	-	441,569	442,344
Accrued interest receivable	37,244	-	-	-	-	37,244	74,789
Due from other governmental units	54,591	192	475,737	35,310	667	566,497	614,482
Accounts receivable - net	127,131	15,188	7,900	-	6,860	157,079	111,393
Due from other funds	175,000	-	-	-	-	175,000	7,800
Prepaid items	13,143	-	-	-	-	13,143	31,484
Property taxes receivable	38,501	-	-	23,566	789	62,856	102,903
Special assessments receivable:							
Delinquent	-	-	-	958,702	-	958,702	772,990
Deferred	-	-	-	3,195,645	289,855	3,485,500	3,763,816
Interfund loan receivable	14,300	-	-	-	-	14,300	2,000
Notes receivable - net	32,820	-	-	-	931,870	964,690	868,201
Land held for resale	-	-	308,000	-	-	308,000	150,000
Total assets	\$2,862,740	\$115,891	\$830,964	\$7,429,281	\$3,356,239	\$14,595,115	\$14,646,245
Liabilities, Deferred Inflows of Resources, and Fund Balance							
Liabilities:							
Accounts payable	\$224,856	\$94,280	\$298,742	\$ -	\$79,425	\$697,303	\$431,758
Due to other governmental units	2,552	5,403	-	-	-	7,955	10,108
Salaries and benefits payable	103,412	31,426	-	-	-	134,838	102,830
Contracts payable	-	-	48,619	-	1,669	50,288	79,130
Due to other funds	-	-	175,000	-	-	175,000	7,000
Deposits payable	11,132	-	50,645	-	-	61,777	44,375
Interfund loan payable	-	-	-	-	514,300	514,300	2,000
Unearned revenue	27,083	-	-	-	-	27,083	-
Total liabilities	369,035	131,109	573,006	0	595,394	1,668,544	677,201
Deferred inflows of resources:							
Unavailable revenue	38,846	74	-	4,177,913	502,450	4,719,283	4,851,515
Fund balance:							
Nonspendable	13,143	-	-	-	-	13,143	31,484
Restricted	1,057	-	-	3,251,368	1,593,570	4,845,995	5,358,921
Committed	692,888	-	-	-	-	692,888	743,324
Assigned	-	-	257,958	-	681,708	939,666	1,338,742
Unassigned	1,747,771	(15,292)	-	-	(16,883)	1,715,596	1,645,058
Total fund balance (deficit)	2,454,859	(15,292)	257,958	3,251,368	2,258,395	8,207,288	9,117,529
Total liabilities, deferred inflows of resources, and fund balance	\$2,862,740	\$115,891	\$830,964	\$7,429,281	\$3,356,239	\$14,595,115	\$14,646,245
Fund balance reported above						\$8,207,288	\$9,117,529
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.						65,010,889	65,931,835
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						(18,785,963)	(19,850,094)
Accrued interest payable						(231,487)	(245,641)
Compensated absences payable						(209,401)	(206,578)
Other post employment benefit obligation						(113,297)	(85,763)
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						62,856	102,903
Deferred and delinquent special assessments						4,444,621	4,536,806
Notes receivable						211,806	211,806
Net position of governmental activities						\$58,597,312	\$59,512,803

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, 2014
With Comparative Totals For The Year Ended December 31, 2013

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	
						2014	2013
Revenues:							
Property taxes	\$3,333,076	\$ -	\$ -	\$1,985,041	\$110,991	\$5,429,108	\$5,014,927
Tax increment collections	-	-	-	-	162,335	162,335	19,649
Lodging taxes	-	-	-	-	43,165	43,165	41,949
Special assessments	-	-	-	696,730	65,643	762,373	368,991
Intergovernmental	237,797	-	1,011,386	-	-	1,249,183	2,499,159
Investment income	32,637	-	6,178	18,154	48,100	105,069	47,571
Charges for services	765,384	947,903	-	-	74,073	1,787,360	1,746,134
Licenses and permits	666,867	-	-	-	-	666,867	807,266
Fines and forfeits	42,970	-	-	-	-	42,970	29,737
Contributions and donations	1,972	255	12,500	-	10,250	24,977	26,603
Total revenues	5,080,703	948,158	1,030,064	2,699,925	514,557	10,273,407	10,601,986
Expenditures:							
Current:							
General government	1,602,925	-	40,869	-	35,229	1,679,023	1,542,002
Public safety	1,186,238	-	8,977	-	-	1,195,215	1,181,350
Public works	860,360	-	329,713	-	9,041	1,199,114	1,497,707
Parks and recreation	373,869	1,287,950	120,096	-	-	1,781,915	1,693,531
Economic development	19,749	-	-	-	204,297	224,046	116,069
Capital outlay:							
General government	-	-	-	-	30,939	30,939	30,951
Public safety	-	-	-	-	67,045	67,045	49,603
Public works	-	-	2,591,440	-	288,409	2,879,849	2,106,318
Parks and recreation	-	-	-	-	210,070	210,070	204,016
Debt service:							
Principal	-	-	-	2,180,000	208,925	2,388,925	2,315,768
Interest and fiscal charges	-	-	-	543,034	102,124	645,158	681,473
Total expenditures	4,043,141	1,287,950	3,091,095	2,723,034	1,156,079	12,301,299	11,418,788
Revenues over (under) expenditures	1,037,562	(339,792)	(2,061,031)	(23,109)	(641,522)	(2,027,892)	(816,802)
Other financing sources (uses):							
Bonds issued	-	-	-	-	1,390,000	1,390,000	-
Bond premium	-	-	-	-	28,451	28,451	-
Transfers in	416,856	293,000	1,760,000	22,741	580,200	3,072,797	1,439,783
Transfers out	(1,389,000)	-	-	(600,000)	(1,384,597)	(3,373,597)	(1,883,783)
Total other financing sources (uses)	(972,144)	293,000	1,760,000	(577,259)	614,054	1,117,651	(444,000)
Net change in fund balance	65,418	(46,792)	(301,031)	(600,368)	(27,468)	(910,241)	(1,260,802)
Fund balance - January 1	2,389,441	31,500	558,989	3,851,736	2,285,863	9,117,529	10,378,331
Fund balance - December 31	\$2,454,859	(\$15,292)	\$257,958	\$3,251,368	\$2,258,395	\$8,207,288	\$9,117,529

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, 2014

With Comparative Totals For The Year Ended December 31, 2013

	<u>2014</u>	<u>2013</u>
Amounts reported for governmental activities in the statement of activities are different because:		
Net changes in fund balance - total governmental funds (Statement 4)	(\$910,241)	(\$1,260,802)
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	(3,565,852)	(3,528,725)
Capital outlay	3,187,903	2,390,888
Capital outlay not capitalized	(661,541)	(974,457)
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
Developer contributed infrastructure	101,866	-
Gain (loss) on disposal of capital assets	22,528	8,679
Value of assets transferred to business-type activities	(5,850)	-
Value of assets transferred 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	(40,047)	(48,746)
Change in deferred and delinquent special assessments	(92,185)	(1,141,417)
The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds.		
Bonds issued, including bond premium	(1,418,451)	-
Repayment of principal	2,388,925	2,315,768
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	(2,823)	7,181
Change in other post employment benefits payable	(27,534)	(26,843)
Change in accrued interest payable	14,154	27,877
Change in net position of governmental activities (Statement 2)	<u>(\$915,491)</u>	<u>(\$1,963,840)</u>

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

CITY OF WACONIA, MINNESOTA

STATEMENT OF NET POSITION

PROPRIETARY FUNDS

December 31, 2014

With Comparative Totals For December 31, 2013

Statement 6

	Business-Type Activities Enterprise Funds					Totals	
	Water (601)	Sewer (602)	Storm Water (655)	Street Light Utility (668)	Ice Arena (678)	2014	2013
	<hr/>						
Assets:							
Current assets:							
Cash and cash equivalents	\$2,673,797	\$2,110,270	\$260,702	\$222,577	\$38,890	\$5,306,236	\$5,310,479
Restricted cash in escrow	4,084,347	3,471,263	-	-	-	7,555,610	10,054,491
Due from other governmental units	393	14,107	34,469	4	35	49,008	8,118
Accounts receivable - net	101,678	160,272	39,663	21,338	933	323,884	371,853
Prepaid items	3,596	3,596	-	-	-	7,192	1,473
Interfund loan receivable	-	500,000	-	-	-	500,000	-
Total current assets	<u>6,863,811</u>	<u>6,259,508</u>	<u>334,834</u>	<u>243,919</u>	<u>39,858</u>	<u>13,741,930</u>	<u>15,746,414</u>
Noncurrent assets:							
Capital assets:							
Land	74,045	55,000	77,000	-	-	206,045	206,045
Buildings	9,880,592	303,447	-	-	6,127,686	16,311,725	16,311,725
Equipment	86,089	311,083	18,464	-	-	415,636	400,636
Improvements	15,408	-	-	192,682	-	208,090	208,090
Infrastructure	13,930,955	11,804,467	9,230,052	-	-	34,965,474	34,665,417
Vehicles	168,996	392,627	49,378	-	-	611,001	637,565
Construction in progress	354,940	490,744	655,192	1,475	-	1,502,351	687,971
Total capital assets	<u>24,511,025</u>	<u>13,357,368</u>	<u>10,030,086</u>	<u>194,157</u>	<u>6,127,686</u>	<u>54,220,322</u>	<u>53,117,449</u>
Less: Allowance for depreciation	<u>(7,576,551)</u>	<u>(4,332,461)</u>	<u>(3,528,893)</u>	<u>(119,673)</u>	<u>(1,082,940)</u>	<u>(16,640,518)</u>	<u>(15,244,992)</u>
Net capital assets	<u>16,934,474</u>	<u>9,024,907</u>	<u>6,501,193</u>	<u>74,484</u>	<u>5,044,746</u>	<u>37,579,804</u>	<u>37,872,457</u>
Total assets	<u>23,798,285</u>	<u>15,284,415</u>	<u>6,836,027</u>	<u>318,403</u>	<u>5,084,604</u>	<u>51,321,734</u>	<u>53,618,871</u>
Liabilities:							
Current liabilities:							
Accounts payable	35,647	118,385	21,902	24,233	19,966	220,133	136,874
Due to other governmental units	682	-	-	-	246	928	895
Salaries and benefits payable	9,025	8,808	8,537	690	10,759	37,819	34,231
Contracts payable	7,280	9,261	9,436	-	-	25,977	32,666
Due to other funds	-	-	-	-	-	-	800
Accrued interest payable	133,843	95,192	2,768	-	8,436	240,239	308,432
Unearned revenue	-	-	-	-	30,000	30,000	-
Compensated absences payable - current	16,441	16,295	16,936	2,103	14,618	66,393	48,968
Bonds payable - current	448,668	3,723,380	516	-	277,246	4,449,810	3,274,015
Total current liabilities	<u>651,586</u>	<u>3,971,321</u>	<u>60,095</u>	<u>27,026</u>	<u>361,271</u>	<u>5,071,299</u>	<u>3,836,881</u>
Noncurrent liabilities:							
Compensated absences payable	12,893	12,778	13,281	1,650	11,463	52,065	76,159
Other post employment benefits	11,939	10,545	10,148	995	8,277	41,904	31,721
Bonds payable	10,954,215	4,145,732	254,644	-	4,205,911	19,560,502	23,117,221
Total noncurrent liabilities	<u>10,979,047</u>	<u>4,169,055</u>	<u>278,073</u>	<u>2,645</u>	<u>4,225,651</u>	<u>19,654,471</u>	<u>23,225,101</u>
Total liabilities	<u>11,630,633</u>	<u>8,140,376</u>	<u>338,168</u>	<u>29,671</u>	<u>4,586,922</u>	<u>24,725,770</u>	<u>27,061,982</u>
Net position:							
Net investment in capital assets	9,661,591	4,655,795	6,246,033	74,484	561,589	21,199,492	21,701,041
Unrestricted	2,506,061	2,488,244	251,826	214,248	(63,907)	5,396,472	4,855,848
Total net position	<u>\$12,167,652</u>	<u>\$7,144,039</u>	<u>\$6,497,859</u>	<u>\$288,732</u>	<u>\$497,682</u>	<u>\$26,595,964</u>	<u>\$26,556,889</u>

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

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

Statement 7

For The Year Ended December 31, 2014
 With Comparative Totals For The Year Ended December 31, 2013

	Business-Type Activities Enterprise Funds					Totals	
	Water (601)	Sewer (602)	Storm Water (655)	Street Light Utility (668)	Ice Arena (678)	2014	2013
	Operating revenues:						
Charges for services	\$1,238,954	\$1,684,124	\$479,598	\$232,311	\$292,876	\$3,927,863	\$3,927,367
Operating expenses:							
Wages and salaries	201,985	191,432	174,149	17,972	202,685	788,223	760,858
Employee benefits	73,598	67,385	55,663	5,446	63,053	265,145	240,369
Materials and supplies	182,000	50,073	28,675	2,447	8,367	271,562	279,669
Repairs and maintenance	17,541	47,245	1,355	6,712	48,477	121,330	113,814
Professional services	117,987	1,160,591	359,645	20,929	14,085	1,673,237	1,516,916
Insurance	18,721	32,915	11,889	5,944	8,916	78,385	81,892
Utilities	112,048	45,655	1,839	140,862	101,291	401,695	392,588
Depreciation	679,199	393,575	234,745	10,288	152,871	1,470,678	1,458,219
Equipment	5,078	9,175	6,226	-	4,394	24,873	31,661
Miscellaneous	34,033	22,310	5,041	361	9,716	71,461	58,592
Total operating expenses	1,442,190	2,020,356	879,227	210,961	613,855	5,166,589	4,934,578
Operating income (loss)	(203,236)	(336,232)	(399,629)	21,350	(320,979)	(1,238,726)	(1,007,211)
Nonoperating revenues (expenses):							
Investment income	40,421	39,857	3,637	2,612	-	86,527	23,849
Intergovernmental	5,000	40,241	38,369	-	-	83,610	12,313
Other income	89,026	9,198	188	2,662	50,000	151,074	149,096
Interest and fiscal charges	(324,333)	(235,597)	(9,400)	-	(163,794)	(733,124)	(1,048,078)
Gain (loss) on disposal of assets	(4,476)	(4,476)	(3,100)	258	-	(11,794)	(134,315)
Total nonoperating revenues (expenses)	(194,362)	(150,777)	29,694	5,532	(113,794)	(423,707)	(997,135)
Income (loss) before contributions and transfers	(397,598)	(487,009)	(369,935)	26,882	(434,773)	(1,662,433)	(2,004,346)
Transfers in	650	-	-	-	559,000	559,650	659,000
Transfers out	(80,000)	(96,600)	(71,925)	(10,325)	-	(258,850)	(220,100)
Capital contributions:							
Connection charges	453,720	490,790	253,776	-	-	1,198,286	1,360,860
Contributions of capital assets	60,813	58,875	82,734	-	-	202,422	-
Total contributions and transfers	435,183	453,065	264,585	(10,325)	559,000	1,701,508	1,799,760
Change in net position	37,585	(33,944)	(105,350)	16,557	124,227	39,075	(204,586)
Net position - January 1	12,130,067	7,177,983	6,603,209	272,175	373,455	26,556,889	26,761,475
Net position - December 31	\$12,167,652	\$7,144,039	\$6,497,859	\$288,732	\$497,682	\$26,595,964	\$26,556,889
Amounts reported above					Gain (loss) on disposal of capital assets	Capital Contributions	Transfers - Net
Amounts reported for business-type activities in the statement of activities are different because:					(\$11,794)	\$1,400,708	\$300,800
Transfer in of capital assets from governmental activities					-	(5,850)	5,850
Transfer out of capital assets to governmental activities					22,000	-	(22,000)
Amounts reported on the statement of activities					\$10,206	\$1,394,858	\$284,650

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, 2014

With Comparative Totals For The Year Ended December 31, 2013

Statement 8

	Business-Type Activities Enterprise Funds					Totals	
	Water (601)	Sewer (602)	Storm Water (655)	Street Light Utility (668)	Ice Arena (678)	2014	2013
Cash flows from operating activities:							
Receipts from customers and users	\$1,269,135	\$1,698,966	\$442,578	\$232,355	\$321,908	\$3,964,942	\$3,951,190
Payment to suppliers	(489,235)	(1,278,950)	(443,136)	(170,651)	(189,687)	(2,571,659)	(2,413,901)
Payment to employees	(279,366)	(262,214)	(217,475)	(22,911)	(264,300)	(1,046,266)	(947,031)
Miscellaneous revenue	94,026	49,439	38,557	2,662	50,000	234,684	161,409
Net cash flows from operating activities	594,560	207,241	(179,476)	41,455	(82,079)	581,701	751,667
Cash flows from noncapital financing activities:							
(Increase) decrease in interfund loan receivable	-	(500,000)	-	-	-	(500,000)	-
Increase (decrease) in due to other funds	-	-	-	-	(800)	(800)	800
Transfer from other funds	-	-	-	-	559,000	559,000	559,000
Transfer to other funds	(80,000)	(96,600)	(71,600)	(10,000)	-	(258,200)	(220,100)
Net cash flows from noncapital financing activities	(80,000)	(596,600)	(71,600)	(10,000)	558,200	(200,000)	339,700
Cash flows from capital and related financing activities:							
Principal paid on debt	(2,715,000)	(265,000)	-	-	(273,259)	(3,253,259)	(918,283)
Interest and fiscal charges paid on debt	(398,330)	(252,802)	(6,632)	-	(164,308)	(822,072)	(815,181)
Connection charges	453,720	490,790	253,776	-	-	1,198,286	1,360,860
Bond proceeds, including bond premium	280,670	357,260	255,160	-	-	893,090	10,219,820
Acquisition of capital assets	(230,616)	(475,487)	(279,819)	(1,475)	-	(987,397)	(871,436)
Net cash flows from capital and related financing activities	(2,609,556)	(145,239)	222,485	(1,475)	(437,567)	(2,971,352)	8,975,780
Cash flows from investing activities:							
Investment income	40,421	39,857	3,637	2,612	-	86,527	23,849
Net increase (decrease) in cash and cash equivalents	(2,054,575)	(494,741)	(24,954)	32,592	38,554	(2,503,124)	10,090,996
Cash and cash equivalents - January 1	8,812,719	6,076,274	285,656	189,985	336	15,364,970	5,273,974
Cash and cash equivalents - December 31	\$6,758,144	\$5,581,533	\$260,702	\$222,577	\$38,890	\$12,861,846	\$15,364,970
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:							
Operating income (loss)	(\$203,236)	(\$336,232)	(\$399,629)	\$21,350	(\$320,979)	(\$1,238,726)	(\$1,007,211)
Adjustments to reconcile operating income (loss) to net cash flows from operating activities:							
Miscellaneous revenue	94,026	49,439	38,557	2,662	50,000	234,684	161,409
Depreciation	679,199	393,575	234,745	10,288	152,871	1,470,678	1,458,219
Changes in assets and liabilities:							
Decrease (increase) in receivables	30,181	14,842	(37,020)	44	(968)	7,079	23,823
Decrease (increase) in prepaid items	(3,596)	(3,596)	-	-	1,473	(5,719)	-
Increase (decrease) in payables	1,074	84,202	(12,674)	6,604	4,086	83,292	50,889
Increase (decrease) in salaries and benefits payable	30	308	2,433	47	770	3,588	8,308
Increase (decrease) in contracts payable	695	8,408	(15,792)	-	-	(6,689)	10,342
Increase (decrease) in compensated absences and other post employment benefits	(3,813)	(3,705)	9,904	460	668	3,514	45,888
Increase (decrease) in unearned revenue	-	-	-	-	30,000	30,000	-
Total adjustments	797,796	543,473	220,153	20,105	238,900	1,820,427	1,758,878
Net cash provided by operating activities	\$594,560	\$207,241	(\$179,476)	\$41,455	(\$82,079)	\$581,701	\$751,667
Noncash investing, capital and financing activities:							
During 2014, capital assets in the amount of \$325 were transferred from the Storm Water fund to the Water fund.							
During 2014, capital assets in the amount of \$325 were transferred from the Street Light Utility fund to the Water fund.							
During 2014, capital assets in the amount of \$60,813, \$58,875 and \$82,734 were contributed to the Water, Sewer and Storm Water funds, respectively.							
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, the City is in a relationship of financial burden with each of the entities, and because management of the City has operational responsibilities for the EDA and HRA.

The EDA and HRA component units are presented using the blended method, meaning the financial position and results of operations are reported together with the City's governmental funds, using the modified accrual basis of accounting. Blended component units, although legally separate entities, are, in substance, part of the City's operations. 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 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
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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. Formal budgetary integration is not employed for Debt Service Funds because effective budgetary control is alternatively achieved through general obligation bond indenture provisions. 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 2014, expenditures of the following funds exceeded the fund’s final budget:

	<u>Actual</u>	<u>Final Budget</u>	<u>Overage</u>
Safari Island	\$1,287,950	\$1,285,617	\$2,333
Lodging tax	37,848	36,100	1,748

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. 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. RECEIVABLES

The estimated portion of uncollectible property taxes, special assessments and notes receivable is not material and has not been reported. Because utility bills are considered liens on property, no estimated uncollectible amounts are established. Uncollectible amounts are not material for other receivables.

G. PROPERTY TAX REVENUE RECOGNITION

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

GOVERNMENT-WIDE FINANCIAL STATEMENTS

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

GOVERNMENTAL FUND FINANCIAL STATEMENTS

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

H. 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 principal 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.

I. 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.

J. 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.

K. 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, 2014, no interest was capitalized in connection with construction in progress.

CITY OF WACONIA, MINNESOTA
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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

L. RESTRICTED ASSETS

Certain proceeds from the 2007 EDA Refunding Revenue Bonds and the 2013A G.O. Refunding Bonds have resources set aside for the 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.

M. 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.

N. LONG-TERM OBLIGATIONS

In the government-wide financial statements and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position. Bond 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.

O. 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 internally imposed constraints for the specific purpose of the City's intended use. Pursuant to the City's Financial Policy and Guidelines document, the City Council possesses the authority to assign fund balance, and does so by adopting City Resolutions.

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.

P. 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 its use through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

Q. 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.

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. Long-term interfund loans 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.”

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, 2013, 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, 2014, the bank balance of the City's deposits was covered by federal depository insurance or covered by collateral pledged and held in the City's name.

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

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

At December 31, 2014 the carrying amount of the City's deposits with financial institutions was \$3,845,214.

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.

CITY OF WACONIA, MINNESOTA
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- 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.

As of December 31, 2014 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	\$1,132,474	\$1,132,474	\$ -	\$ -
Brokered CD's	NR	5,914,186	1,700,153	3,537,756	676,277
Federal Home Loan Bank Notes	Aaa	593,310	-	-	593,310
Municipal Bonds	Aa1	304,575	304,575	-	-
Municipal Bonds	Aa2	570,573	411,472	159,101	-
Municipal Bonds	A1	355,439	355,439	-	-
Total		<u>\$8,870,557</u>	<u>\$3,904,113</u>	<u>\$3,696,857</u>	<u>\$1,269,587</u>
			Total investments		\$8,870,557
			Deposits		3,845,214
			Restricted cash in escrow		7,997,179
			Petty cash		1,000
			Total cash and investments		<u>\$20,713,950</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.

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, 2014, 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, 2014, the City was not exposed to concentration of credit risk because individual investments were not equal to or exceeding 5% of the City’s total investment portfolio.

CITY OF WACONIA, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
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Note 3 RECEIVABLES

Significant receivables balances not expected to be collected within one year of December 31, 2014 are as follows:

	Primary Government			Total
	Major Funds		Nonmajor Funds	
	General	Permanent Improvement Revolving DSF		
Special assessments receivable	\$ -	\$3,738,057	\$264,337	\$4,002,394
Property taxes receivable	18,843	11,534	386	30,763
Notes receivable	-	-	827,523	827,523
Other receivables	30,000	-	-	30,000
Total	<u>\$48,843</u>	<u>\$3,749,591</u>	<u>\$1,092,246</u>	<u>\$4,890,680</u>

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

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	Notes Receivable	Delinquent Accounts Receivable	Total
Major Fund:					
General Fund	\$38,501	\$ -	\$ -	\$345	\$38,846
Safari Island Fund	-	-	-	74	74
PIR Debt Service Fund	23,566	4,154,347	-	-	4,177,913
Nonmajor funds	789	289,855	211,806	-	502,450
Total unavailable revenue	<u>\$62,856</u>	<u>\$4,444,202</u>	<u>\$211,806</u>	<u>\$419</u>	<u>\$4,719,283</u>

CITY OF WACONIA, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
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Note 5 DUE TO/FROM OTHER FUNDS, INTERFUND LOANS AND TRANSFERS

Amounts reported as due to/from other funds at December 31, 2014 are as follows:

	<u>Due From Other Funds</u>	<u>Due To Other Funds</u>
Major Funds:		
General Fund	\$175,000	\$ -
PIR Capital Project Fund	<u>-</u>	<u>175,000</u>
Total	<u><u>\$175,000</u></u>	<u><u>\$175,000</u></u>

Due to/from other funds represent temporary balances due to reclassifications of funds with internally reported negative balances. The balance will be eliminated in 2015 upon the collection of amounts due from other governments relating to intergovernmental revenue.

Amounts reported as interfund loan receivable/payable at December 31, 2014 are as follows:

	<u>Interfund Loan Receivable</u>	<u>Interfund Loan Payable</u>
Major Funds:		
General Fund	\$14,300	\$ -
Sewer Fund	500,000	-
Nonmajor Funds:		
TIF #2 Auburn Homes	-	1,000
TIF #3 Cherry Street	-	1,000
TIF #4 Pine Business Park	-	12,300
Clearwater Shores HIA	<u>-</u>	<u>500,000</u>
Total	<u><u>\$514,300</u></u>	<u><u>\$514,300</u></u>

Amounts owed by the TIF districts will be repaid to the General Fund as sufficient tax increment revenue is received. The \$500,000 interfund loan from the Sewer Fund will be repaid as assessments are collected from the property owners in the Clearwater Shores Association. No such assessments are due to be collected in 2015.

CITY OF WACONIA, MINNESOTA
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Interfund transfers made during 2014 are summarized as follows:

	<u>Transfers In</u>	<u>Transfers Out</u>
Major Funds:		
General Fund	\$416,856	\$1,389,000
Safari Island	293,000	-
PIR Capital	1,760,000	-
PIR Debt Service	22,741	600,000
Water Utility	650	80,000
Sewer Utility	-	96,600
Storm Water Utility	-	71,925
Street Light Utility	-	10,325
Ice Arena	559,000	-
Nonmajor Funds	<u>580,200</u>	<u>1,384,597</u>
Total	<u><u>\$3,632,447</u></u>	<u><u>\$3,632,447</u></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. Transfers made from the PIR Debt Service fund to the General Fund and the PIR Capital Project Fund were made to repay those funds for support provided in previous years. In addition, \$1,360,000 was transferred from the G.O. Bonds of 2014 nonmajor debt service fund to the PIR Capital fund to finance project costs.

CITY OF WACONIA, MINNESOTA
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Note 6 CAPITAL ASSETS

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

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Governmental activities:				
Capital assets, not being depreciated:				
Land and land improvements	\$4,996,187	\$ -	\$ -	\$4,996,187
Permanent easements	293,800	-	-	293,800
Construction in progress	767,306	2,526,362	535,252	2,758,416
Total capital assets, not being depreciated	<u>6,057,293</u>	<u>2,526,362</u>	<u>535,252</u>	<u>8,048,403</u>
Capital assets, being depreciated:				
Buildings	47,336,003	-	-	47,336,003
Machinery and equipment	1,271,793	265,071	145,205	1,391,659
Improvements	5,817,428	-	-	5,817,428
Infrastructure	42,233,205	189,242	-	42,422,447
Vehicles	3,268,074	226,805	93,876	3,401,003
Total capital assets, not being depreciated	<u>99,926,503</u>	<u>681,118</u>	<u>239,081</u>	<u>100,368,540</u>
Less accumulated depreciation for:				
Buildings	14,238,617	1,223,770	-	15,462,387
Machinery and equipment	812,113	96,124	129,172	779,065
Improvements	3,587,631	333,080	-	3,920,711
Infrastructure	19,481,273	1,720,201	-	21,201,474
Vehicles	1,932,327	192,677	82,587	2,042,417
Total accumulated depreciation	<u>40,051,961</u>	<u>3,565,852</u>	<u>211,759</u>	<u>43,406,054</u>
Total capital assets being depreciated - net	<u>59,874,542</u>	<u>(2,884,734)</u>	<u>27,322</u>	<u>56,962,486</u>
Governmental activities capital assets - net	<u>\$65,931,835</u>	<u>(\$358,372)</u>	<u>\$562,574</u>	<u>\$65,010,889</u>

CITY OF WACONIA, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
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	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	687,971	987,398	173,018	1,502,351
Total capital assets, being depreciated	<u>894,016</u>	<u>987,398</u>	<u>173,018</u>	<u>1,708,396</u>
Capital assets, being depreciated:				
Buildings	16,311,725	-	-	16,311,725
Machinery and equipment	400,636	15,000	-	415,636
Improvements	208,090	-	-	208,090
Infrastructure	34,665,417	300,057	-	34,965,474
Vehicles	637,565	61,032	87,596	611,001
Total capital assets, being depreciated	<u>52,223,433</u>	<u>376,089</u>	<u>87,596</u>	<u>52,511,926</u>
Less accumulated depreciation for:				
Buildings	3,317,694	416,829	-	3,734,523
Machinery and equipment	228,416	28,606	-	257,022
Improvements	120,484	11,149	-	131,633
Infrastructure	11,112,128	957,920	-	12,070,048
Vehicles	466,270	56,174	75,152	447,292
Total accumulated depreciation	<u>15,244,992</u>	<u>1,470,678</u>	<u>75,152</u>	<u>16,640,518</u>
Total capital assets being depreciated - net	<u>36,978,441</u>	<u>(1,094,589)</u>	<u>12,444</u>	<u>35,871,408</u>
Business-type activities capital assets - net	<u>\$37,872,457</u>	<u>(\$107,191)</u>	<u>\$185,462</u>	<u>\$37,579,804</u>

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

Governmental activities:	
General government	\$1,056,632
Public safety	131,776
Public works, including depreciation of general infrastructure assets	1,906,509
Parks and recreation	470,935
Total depreciation expense - governmental activities	<u>\$3,565,852</u>
Business-type activities:	
Water	\$679,199
Sewer	393,575
Storm sewer	234,745
Street lighting	10,288
Ice arena	152,871
Total depreciation expense - business-type activities	<u>\$1,470,678</u>

CITY OF WACONIA, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
December 31, 2014

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, 2014, the long-term bonded debt of the financial reporting entity consisted of the following:

	Interest Rates	Issue Date	Maturity Date	Original Issue	Payable 12/31/14
Governmental Activities:					
General Obligation Bonds:					
Capital Improvement Plan Bonds of 2010A	2% - 3.75%	10/13/2010	2/1/2028	\$3,390,000	\$2,750,000
Bonds of 2011A - equipment portion	3.00%	9/13/2011	2/1/2020	730,000	555,000
Total general obligation bonds				<u>4,120,000</u>	<u>3,305,000</u>
General Obligation Improvement Bonds:					
Bonds of 2011A - improvement portion	3.00%	9/13/2011	2/1/2018	11,265,000	7,645,000
Bonds of 2014A - improvement portion	2.00%	6/12/2014	2/1/2025	1,390,000	1,390,000
				<u>12,655,000</u>	<u>9,035,000</u>
Public Project Revenue Bonds:					
2007 EDA Public Project Revenue Bonds	4.35% - 4.50%	10/1/2007	10/1/2022	1,838,283	1,109,229
EDA Public Project Revenue Bonds of 2007C	3.88% - 4.00%	3/20/2007	2/1/2029	6,120,000	4,840,000
Total public project revenue bonds				<u>7,958,283</u>	<u>5,949,229</u>
Unamortized bond premium				777,705	496,734
Compensated absences				N/A	209,401
Total governmental activities				<u>\$25,510,988</u>	<u>\$18,995,364</u>
Business-Type Activities:					
General Obligation Revenue Bonds:					
Sewer Revenue Bonds of 2006C	4.00% - 4.10%	9/26/2006	2/1/2015	\$5,105,000	\$3,670,000
Water Revenue Bonds of 2007B	3.88% - 4.25%	3/1/2007	2/1/2016	6,115,000	4,515,000
Sewer Revenue Refunding Bonds of 2009A	2.50% - 3.75%	3/24/2009	6/1/2017	470,000	250,000
Water and Sewer Refunding Bonds of 2013A	2.00% - 2.25%	6/12/2013	2/1/2027	9,950,000	9,950,000
Water, Sewer & Storm Revenue Bonds of 2014A	2.00%	6/12/2014	2/1/2025	875,000	875,000
Total G.O. Revenue Bonds				<u>22,515,000</u>	<u>19,260,000</u>
Public Project Revenue Bonds:					
2007 HRA Public Project Revenue Bonds	3.50%	12/11/2007	12/11/2027	6,100,000	4,483,157
Unamortized bond premium				287,910	267,155
Compensated absences				N/A	118,458
Total business-type activities				<u>\$28,902,910</u>	<u>\$24,128,770</u>

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

CITY OF WACONIA, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
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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
2015	\$255,000	\$91,981	\$1,845,000	\$233,259	\$369,162	\$225,349
2016	260,000	85,094	2,035,000	171,900	383,899	210,924
2017	265,000	78,081	2,100,000	111,150	393,816	196,028
2018	275,000	70,869	2,050,000	50,200	413,921	180,557
2019	275,000	63,519	135,000	18,750	429,222	164,407
2020	280,000	55,991	140,000	16,000	444,724	147,667
2021	190,000	49,525	140,000	13,200	460,436	130,292
2022	195,000	44,109	145,000	10,350	454,049	112,216
2023	200,000	38,306	145,000	7,450	330,000	97,145
2024	210,000	32,156	150,000	4,500	345,000	83,814
2025	215,000	25,781	150,000	1,500	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	\$3,305,000	\$670,028	\$9,035,000	\$638,259	\$5,949,229	\$1,746,899

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
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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
2015	\$4,150,000	\$482,639	\$277,246	\$152,491
2016	4,820,000	305,068	287,106	142,630
2017	930,000	202,075	297,318	132,419
2018	950,000	182,549	307,893	121,844
2019	970,000	162,500	318,843	110,893
2020	940,000	142,962	330,184	99,553
2021	970,000	123,862	341,927	87,810
2022	985,000	104,312	354,089	75,648
2023	1,010,000	84,362	366,682	63,054
2024	1,040,000	63,862	379,724	50,012
2025	1,070,000	42,762	393,230	36,507
2026	1,000,000	20,812	407,216	22,521
2027	425,000	4,781	421,699	8,038
Total	<u>\$19,260,000</u>	<u>\$1,922,546</u>	<u>\$4,483,157</u>	<u>\$1,103,420</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, 2014, was as follows:

	Balance 12/31/13	Additions	Reductions	Balance 12/31/14	Due Within One Year
<u>Governmental Activities:</u>					
General Obligation bonds	\$3,555,000	\$ -	\$250,000	\$3,305,000	\$255,000
G.O. Improvement bonds	9,430,000	1,390,000	1,785,000	9,035,000	1,845,000
Public Project Revenue bonds	6,303,154	-	353,925	5,949,229	369,162
Unamortized bond premium	561,940	28,451	93,657	496,734	96,502
Compensated absences	206,578	193,090	190,267	209,401	184,867
Total governmental activities	<u>\$20,056,672</u>	<u>\$1,611,541</u>	<u>\$2,672,849</u>	<u>\$18,995,364</u>	<u>\$2,750,531</u>
<u>Business-Type Activities:</u>					
G.O. Revenue bonds	\$21,365,000	\$875,000	\$2,980,000	\$19,260,000	\$4,150,000
Public Project Revenue bonds	4,756,416	-	273,259	4,483,157	277,246
Unamortized bond premium	269,820	18,090	20,755	267,155	22,564
Compensated absences	125,127	103,052	109,721	118,458	66,393
Total business type activities	<u>\$26,516,363</u>	<u>\$996,142</u>	<u>\$3,383,735</u>	<u>\$24,128,770</u>	<u>\$4,516,203</u>

CITY OF WACONIA, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
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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 \$7,555,610 at December 31, 2014.

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
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>\$8,526,726</u>	<u>\$11,399,132</u>	<u>\$7,577,506</u>	<u>\$12,348,352</u>

CITY OF WACONIA, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
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NONEXCHANGE FINANCIAL GUARANTEE OF DEBT

During 2002, the Carver County HRA (a legally separate entity from the City) and the City entered into a joint powers agreement for the purposes of the acquisition and construction of a mixed use facility. The facility contains City Hall, senior rental housing, a library, and office space for other governmental uses. To finance the cost of the rental housing component, the Carver County HRA issued Housing Development Revenue Bonds that are expected to be paid from the revenues of the housing component. The bonds are secured by the full faith and credit and taxing powers of the County.

Pursuant to Minnesota Statutes, Section 469.034, Subd. 2, the City has also pledged its full faith and credit and taxing powers to reimburse the County for debt service payments required to be paid by the County from its own funds. The guarantee is subject to an aggregate limitation of \$3,000,000 of principal, plus interest. As of December 31, 2014, the City has not been required to make any such reimbursements to the County.

In addition, the City has pledged \$35,000 of its annual tax levy to the payment of debt service on the Housing Development Revenue bonds. The pledge exists until the bonds are retired, which is scheduled to occur on February 1, 2034, or until the City provides the County a 180 day advance notice that it will no longer be making the contribution.

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	\$8,107,975	\$2,041,125	\$696,730
2007 EDA Public Project Revenue Bonds	Community Center	Transfers	100%	2007-2022	\$1,281,832	\$164,491	\$160,000
Water Revenue Bonds of 2006A	Infrastructure improvements	Water usage charges	100%	2007-2025	\$2,641,700	\$195,719	\$1,238,954
Sewer Revenue Bonds of 2006C	Infrastructure improvements	Sewer usage charges	100%	2007-2025	\$3,744,298	\$372,995	\$1,684,124
Water Revenue Bonds of 2013A (2006A refunded portion)	Infrastructure improvements	Water usage charges	100%	2007-2026	\$4,782,428	\$445,072	\$1,238,954
Sewer Revenue Bonds of 2009A	Infrastructure improvements	Sewer usage charges	100%	2010-2019	\$272,163	\$53,950	\$1,684,124
2007 HRA Public Project Revenue Bonds	Ice Arena	Arena usage charges WHA commitment *	100%	2008-2027	\$5,586,577	\$435,298	\$342,876
Bonds of 2014A - Improvement Portion	Infrastructure improvements	Special assessments	25%	2015-2024	\$1,565,284	\$ -	\$ -
Bonds of 2014A - Revenue Portion	Infrastructure improvements	Water, Sewer, Storm Water charges	100%	2015-2024	\$984,532	\$ -	\$ -

*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 five years of credited service. The defined retirement benefits are based on a member's highest average salary for any five successive years of allowable service, age, and years of credit at termination of service.

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 2014. PEPFF members were required to contribute 10.2% of their annual covered salary in 2014. The City was 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 15.3% for PEPFF members. The City's contributions to the Public Employees Retirement Fund for the years ending December 31, 2014, 2013, and 2012 were \$172,398, \$153,889, and \$150,904, respectively. The City's contributions were equal to the contractually required contributions for each year as set by state statute. Contribution rates will increase on January 1, 2015 in the Coordinated Plan (6.5% for members and 7.5% for employers) and in the Police and Fire Fund (10.8% for members and 16.2% for employers).

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
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December 31, 2014

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 2014, the City recognized as revenue and as an expenditure on-behalf payments of \$76,904 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 (2011-2013) is as follows:

Annual pension cost - total	\$85,926
Contributions made:	
City	\$10,000
State aid - pass-through	\$75,926
Actuarial valuation date	12/31/13
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>
12/31/2011	\$68,982	100%	\$ -
12/31/2012	64,107	100%	-
12/31/2013	85,926	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>
12/31/2011	\$802,285	\$857,358	(\$55,073)	94%
12/31/2012	822,561	783,900	38,661	105%
12/31/2013	1,012,239	867,045	145,194	117%

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.

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.

CITY OF WACONIA, MINNESOTA
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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, 2014, was calculated as follows:

Annual required contribution (ARC)	\$43,682
Interest on net OPEB obligation	4,699
Adjustment to ARC	<u>(6,794)</u>
Annual OPEB cost	41,587
Contributions made during the year	<u>(3,870)</u>
Increase in net OPEB obligation	37,717
Net OPEB obligation - beginning of year	<u>117,484</u>
Net OPEB obligation - end of year	<u><u>\$155,201</u></u>

CITY OF WACONIA, MINNESOTA
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December 31, 2014

The net OPEB obligation is allocated as follows:

Governmental activities	\$113,297
Business-type activities	41,904
	<u>\$155,201</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, 2012	\$38,934	\$ -	0.0%	\$80,712
December 31, 2013	40,306	3,534	8.8%	117,484
December 31, 2014	41,587	3,870	9.3%	155,201

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, 2014, was 27 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 not currently receiving payment amounted to \$2,277,126 at December 31, 2014, including \$958,702 of delinquent special assessments.

CITY OF WACONIA, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
 December 31, 2014

Note 11 COMMITMENTS

As of December 31, 2014, the City was committed to the contracts listed below:

	<u>Contract Authorization</u>	<u>Expended as of 12/31/14</u>	<u>Remaining Commitment</u>
TH 284/10th Street Improvements	\$1,762,203	\$1,660,019	\$102,184
2014 Infrastructure Improvement Project	1,988,054	1,803,703	184,351

In addition to the above commitments, the City entered into a \$3,219,617 contract in March 2015 for the 2015 Infrastructure Improvement Project and a \$10,061,563 contract in May 2015 for the TH5 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
NOTES TO FINANCIAL STATEMENTS
December 31, 2014

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, 2014, the aggregate principal amount of the conduit debt obligation outstanding amounted to:

<u>Entity</u>	<u>Principal Balance</u>
Trinity Lutheran School	\$3,176,153
Millitronics	415,000
Auburn Meadows	8,380,000
Ridgeview Medical Center	<u>92,039</u>
Total	<u><u>\$12,063,192</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 2014. Future minimum payments on the lease are as follows:

<u>Year</u>	<u>Payments</u>
2015	18,955
2016	<u>14,216</u>
Total	<u><u>\$33,171</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, 2014 totaled \$132,787. 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/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 \$74,157. 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 2014, the monthly base rent was \$3,210 and the monthly additional rent was \$840 for January through September and \$1,160 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 \$22,627,852. 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.

CITY OF WACONIA, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
December 31, 2014

As payment for the non-bond financed assets, the lessee will pay 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, 2014 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 four 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, 2014 the principal amount outstanding on the note was \$255,763.

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, 2014 the principal amount outstanding on the note was \$1,168,030.

CITY OF WACONIA, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
December 31, 2014

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, 2014 the principal amount outstanding on the note was \$396,579.

Tax Increment Revenue Note (Pine Business Park) – issued in 2014 in the principal sum of \$149,999 with an interest rate of 5.00% per annum. Principal and interest payments shall be paid commencing August 1, 2016 and each February 1 and August 1 of each year thereafter to and including February 1, 2025. 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, 2025. At December 31, 2014 the principal amount outstanding on the note was \$149,999.

CITY OF WACONIA, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
December 31, 2014

Note 17 FUND BALANCE

A. CLASSIFICATIONS

At December 31, 2014, 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	\$13,143	\$ -	\$ -	\$ -	\$ -	\$13,143
Restricted for:						
Debt service	-	-	-	3,251,368	125,178	3,376,546
Economic development loans	-	-	-	-	1,308,745	1,308,745
Park improvements	-	-	-	-	104,981	104,981
Tax increment purposes	-	-	-	-	35,046	35,046
Other purposes	1,057	-	-	-	19,620	20,677
Total restricted	1,057	-	-	3,251,368	1,593,570	4,845,995
Committed for:						
Economic development	692,888	-	-	-	-	692,888
Assigned for:						
Capital improvements	-	-	257,958	-	681,708	939,666
Unassigned	1,747,771	(15,292)	-	-	(16,883)	1,715,596
Total fund balance	\$2,454,859	(\$15,292)	\$257,958	\$3,251,368	\$2,258,395	\$8,207,288

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, it is the City’s goal to begin each fiscal year with sufficient working capital to fund operations between each semi-annual receipt of property taxes. The 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 40% of actual expenses of the general fund, less annual transfers.

C. DEFICIT FUND BALANCES

Four funds were in deficit at December 31, 2014. Those funds, as well as the anticipated funding source to eliminate the deficits, are as follows:

Fund	Deficit	Funding Source
Safari Island Special Revenue Fund	\$15,292	User charges and transfers
TIF #3 Cherry Street Capital Project Fund	678	Tax increment
TIF #4 Pine Business Park Capital Project Fund	9,210	Tax increment
Clearwater Shores HIA Capital Project Fund	6,995	Special assessments

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:

Statement No. 68 *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement 27.* The provisions of this Statement are effective for financial statements for periods beginning after June 15, 2014. Statement No. 68 requires governments providing defined benefit pensions to recognize their long-term obligation for pension benefits as a liability for the first time.

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 should be applied simultaneously with the provisions of Statement 68.

Statement No. 72 *Fair Value Measurement and Application.* The provisions of this Statement are effective for financial statements for periods beginning after June 15, 2015.

The effect these standards may have on future financial statements is not determinable at this time, but it is expected that Statements No. 68 and No. 71 will have a material impact.

Note 19 SUBSEQUENT EVENT

On May 19, 2015, the City Council adopted resolutions providing for the sale of \$9,650,000 General Obligation Bonds, Series 2015A and \$1,190,000 General Obligation Temporary Street Reconstruction Plan Bonds, Series 2015B to finance the 2015 Infrastructure Improvement Project and a portion of the Highway 5 Project.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF WACONIA, MINNESOTA
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE - GENERAL FUND (101)
For The Year Ended December 31, 2014
With Comparative Actual Amounts For The Year Ended December 31, 2013

Statement 9
Page 1 of 2

	Budgeted Amounts		2014 Actual Amounts	Variance with Final Budget - Positive (Negative)	2013 Actual Amounts
	Original	Final			
Revenues:					
Property taxes	\$3,245,179	\$3,245,179	\$3,333,076	\$87,897	\$3,010,107
Licenses and permits	682,070	682,070	666,867	(15,203)	807,266
Intergovernmental:					
Fire aid	75,000	75,000	76,904	1,904	78,926
Other grants and aids	148,564	155,596	160,893	5,297	76,322
Charges for services:					
General government	630,128	630,128	657,425	27,297	674,682
Public safety	92,800	92,800	89,441	(3,359)	98,864
Public works	13,400	13,400	13,121	(279)	18,379
Parks and recreation	500	500	5,397	4,897	2,429
Fines and forfeits	29,000	29,000	42,970	13,970	29,737
Investment income	100,000	100,000	32,637	(67,363)	13,604
Contributions and donations	5,000	5,000	1,972	(3,028)	23,798
Total revenues	5,021,641	5,028,673	5,080,703	52,030	4,834,114
Expenditures:					
General government:					
Administration	487,376	494,408	475,688	18,720	430,820
Finance	376,068	370,568	386,056	(15,488)	350,135
Technology	239,582	239,582	239,270	312	228,032
Planning	249,082	249,082	236,041	13,041	218,211
Central facilities	286,515	286,515	265,870	20,645	252,514
Total general government	1,638,623	1,640,155	1,602,925	37,230	1,479,712
Public safety:					
Police	652,603	652,603	653,714	(1,111)	543,208
Fire	358,709	358,709	333,701	25,008	322,721
Building inspections	186,375	186,375	198,823	(12,448)	213,805
Total public safety	1,197,687	1,197,687	1,186,238	11,449	1,079,734
Public works - streets	841,210	841,210	860,360	(19,150)	830,149
Parks and recreation	358,738	358,738	373,869	(15,131)	330,514
Economic development	11,900	20,600	19,749	851	60,531
Total expenditures	4,048,158	4,058,390	4,043,141	15,249	3,780,640

CITY OF WACONIA, MINNESOTA
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE - GENERAL FUND (101)
For The Year Ended December 31, 2014
With Comparative Actual Amounts For The Year Ended December 31, 2013

	Budgeted Amounts		2014 Actual Amounts	Variance with Final Budget - Positive (Negative)	2013 Actual Amounts
	Original	Final			
Revenues over (under) expenditures	\$973,483	\$970,283	\$1,037,562	\$67,279	\$1,053,474
Other financing sources (uses):					
Transfers in	416,900	416,900	416,856	(44)	641,783
Transfers out	(1,389,000)	(1,389,000)	(1,389,000)	-	(1,457,000)
Total other financing sources (uses)	(972,100)	(972,100)	(972,144)	(44)	(815,217)
Net change in fund balance	\$1,383	(\$1,817)	65,418	\$67,235	238,257
Fund balance - January 1			2,389,441		2,151,184
Fund balance - December 31			\$2,454,859		\$2,389,441

CITY OF WACONIA, MINNESOTA

REQUIRED SUPPLEMENTARY INFORMATION

Statement 10

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

For The Year Ended December 31, 2014

With Comparative Actual Amounts For The Year Ended December 31, 2013

	Budgeted Amounts		2014 Actual Amounts	Variance with Final Budget - Positive (Negative)	2013 Actual Amounts
	Original	Final			
Revenues:					
Charges for services	\$990,646	\$990,646	\$947,903	(\$42,743)	\$932,208
Intergovernmental	-	-	-	-	9,600
Contributions and donations	50	50	255	205	2,652
Total revenues	<u>990,696</u>	<u>990,696</u>	<u>948,158</u>	<u>(42,538)</u>	<u>944,460</u>
Expenditures:					
Current:					
Personnel services	888,321	893,196	889,097	4,099	810,147
Materials and supplies	376,711	376,711	383,727	(7,016)	413,886
Contractual services	15,710	15,710	15,126	584	24,865
Total expenditures	<u>1,280,742</u>	<u>1,285,617</u>	<u>1,287,950</u>	<u>(2,333)</u>	<u>1,248,898</u>
Revenues over (under) expenditures	(290,046)	(294,921)	(339,792)	(44,871)	(304,438)
Other financing sources:					
Transfers in	<u>293,000</u>	<u>293,000</u>	<u>293,000</u>	<u>-</u>	<u>303,000</u>
Net change in fund balance	<u>\$2,954</u>	<u>(\$1,921)</u>	<u>(46,792)</u>	<u>(\$44,871)</u>	<u>(1,438)</u>
Fund balance - January 1			<u>31,500</u>		<u>32,938</u>
Fund balance - December 31			<u>(\$15,292)</u>		<u>\$31,500</u>

CITY OF WACONIA, MINNESOTA
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE - NOTE TO RSI
December 31, 2014

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, 2014

	(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%

*The UAAL is amortized as a level dollar amount over a 30-year open period.

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**

NONMAJOR GOVERNMENTAL FUNDS

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 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 for principal and interest.

General Obligation Bonds of 2014 Fund – accounts for debt service of the improvement portion of the 2014A bonds.

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 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.

TIF # 4 Pine Business Park Fund – the TIF district was created to promote economic development.

Clearwater Shores HIA Fund – accounts for the construction of a failing retaining wall along with other improvements to buildings affected by the wall in the housing improvement area, as well as collection of special assessments which will be used to finance the construction.

CITY OF WACONIA, MINNESOTA
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
 December 31, 2014
 With Comparative Totals For December 31, 2013

	Public Education (107)	Revolving Loan (202)	Lodging Tax (701)	Total Nonmajor Special Revenue Funds
Assets				
Cash and investments	\$1,315	\$588,681	\$15,088	\$605,084
Due from other governmental units	-	-	-	-
Accounts receivable - net	3,860	-	-	3,860
Prepaid items	-	-	-	-
Property taxes receivable	-	-	-	-
Special assessments receivable:				
Deferred	-	-	-	-
Notes receivable - net	-	720,064	-	720,064
Total assets	\$5,175	\$1,308,745	\$15,088	\$1,329,008
Liabilities, Deferred Inflows of Resources, and Fund Balance				
Liabilities:				
Accounts payable	\$ -	\$ -	\$643	\$643
Contracts payable	-	-	-	-
Due to other funds	-	-	-	-
Interfund loan payable	-	-	-	-
Total liabilities	0	0	643	643
Deferred inflows of resources:				
Unavailable revenue	-	-	-	-
Fund balance:				
Nonspendable	-	-	-	-
Restricted	5,175	1,308,745	14,445	1,328,365
Assigned	-	-	-	-
Unassigned	-	-	-	-
Total fund balance	5,175	1,308,745	14,445	1,328,365
Total liabilities, deferred inflows of resources, and fund balance	\$5,175	\$1,308,745	\$15,088	\$1,329,008

CITY OF WACONIA, MINNESOTA
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
December 31, 2014
With Comparative Totals For December 31, 2013

	General Obligation Bonds of 2014 (304)	EDA - CC Revenue Bonds of 2004/2007 (344)	Total Nonmajor Debt Service Funds	Capital Equipment (105)	Park Dedication (210)
Assets					
Cash and investments	\$87,057	\$38,121	\$125,178	\$755,559	\$109,322
Due from other governmental units	-	-	-	667	-
Accounts receivable - net	-	-	-	-	-
Prepaid items	-	-	-	-	-
Property taxes receivable	-	-	-	789	-
Special assessments receivable:					
Deferred	289,855	-	289,855	-	-
Notes receivable - net	-	-	-	-	-
Total assets	\$376,912	\$38,121	\$415,033	\$757,015	\$109,322
Liabilities, Deferred Inflows of Resources, and Fund Balance					
Liabilities:					
Accounts payable	\$ -	\$ -	\$ -	\$74,518	\$2,672
Contracts payable	-	-	-	-	1,669
Due to other funds	-	-	-	-	-
Interfund loan payable	-	-	-	-	-
Total liabilities	0	0	0	74,518	4,341
Deferred inflows of resources:					
Unavailable revenue	289,855	-	289,855	789	-
Fund balance:					
Nonspendable	-	-	-	-	-
Restricted	87,057	38,121	125,178	-	104,981
Assigned	-	-	-	681,708	-
Unassigned	-	-	-	-	-
Total fund balance	87,057	38,121	125,178	681,708	104,981
Total liabilities, deferred inflows of resources, and fund balance	\$376,912	\$38,121	\$415,033	\$757,015	\$109,322

TIF #1 Workforce Housing (410)	TIF #2 Auburn Homes (411)	TIF #3 Cherry Street (412)	TIF #4 Pine Business Park (413)	Clearwater Shores HIA (420)	Total Nonmajor Capital Project Funds	Totals	
						2014	2013
						\$22,608	\$13,438
-	-	-	-	-	667	667	1,664
-	-	-	3,000	-	3,000	6,860	6,443
-	-	-	-	-	-	-	1,827
-	-	-	-	-	789	789	2,105
-	-	-	-	-	-	289,855	-
211,806	-	-	-	-	211,806	931,870	833,369
<u>\$234,414</u>	<u>\$13,438</u>	<u>\$322</u>	<u>\$3,090</u>	<u>\$494,597</u>	<u>\$1,612,198</u>	<u>\$3,356,239</u>	<u>\$2,510,024</u>
\$ -	\$ -	\$ -	\$ -	\$1,592	\$78,782	\$79,425	\$1,250
-	-	-	-	-	1,669	1,669	-
-	-	-	-	-	-	-	7,000
-	1,000	1,000	12,300	500,000	514,300	514,300	2,000
0	1,000	1,000	12,300	501,592	594,751	595,394	10,250
211,806	-	-	-	-	212,595	502,450	213,911
-	-	-	-	-	-	-	1,827
22,608	12,438	-	-	-	140,027	1,593,570	1,506,128
-	-	-	-	-	681,708	681,708	779,753
-	-	(678)	(9,210)	(6,995)	(16,883)	(16,883)	(1,845)
22,608	12,438	(678)	(9,210)	(6,995)	804,852	2,258,395	2,285,863
<u>\$234,414</u>	<u>\$13,438</u>	<u>\$322</u>	<u>\$3,090</u>	<u>\$494,597</u>	<u>\$1,612,198</u>	<u>\$3,356,239</u>	<u>\$2,510,024</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, 2014
With Comparative Totals For The Year Ended December 31, 2013

Statement 12
Page 1 of 2

	Public Education (107)	Revolving Loan (202)	Lodging Tax (701)	Total Nonmajor Special Revenue Funds	General Obligation Bonds of 2014 (304)
Revenues:					
Property taxes	\$ -	\$ -	\$ -	\$ -	\$ -
Tax increment collections	-	-	-	-	-
Lodging taxes	-	-	43,165	43,165	-
Special assessments	-	-	-	-	65,643
Investment income	17	35,875	247	36,139	396
Charges for services	15,538	51,034	-	66,572	-
Contributions and donations	-	-	-	-	-
Total revenues	<u>15,555</u>	<u>86,909</u>	<u>43,412</u>	<u>145,876</u>	<u>66,039</u>
Expenditures:					
Current:					
General government	11,688	-	-	11,688	-
Public works	-	-	-	-	-
Parks and recreation	-	-	-	-	-
Economic development	-	6,447	37,848	44,295	-
Capital outlay:					
General government	-	-	-	-	-
Public safety	-	-	-	-	-
Public works	-	-	-	-	-
Parks and recreation	-	-	-	-	-
Debt service:					
Principal	-	-	-	-	-
Interest and fiscal charges	-	-	-	-	37,433
Total expenditures	<u>11,688</u>	<u>6,447</u>	<u>37,848</u>	<u>55,983</u>	<u>37,433</u>
Revenues over (under) expenditures	<u>3,867</u>	<u>80,462</u>	<u>5,564</u>	<u>89,893</u>	<u>28,606</u>
Other financing sources (uses):					
Bonds issued	-	-	-	-	1,390,000
Bond premium	-	-	-	-	28,451
Transfers in	-	-	-	-	-
Transfers out	-	-	(1,856)	(1,856)	(1,360,000)
Total other financing sources (uses)	<u>0</u>	<u>0</u>	<u>(1,856)</u>	<u>(1,856)</u>	<u>58,451</u>
Net change in fund balance	3,867	80,462	3,708	88,037	87,057
Fund balance - January 1	<u>1,308</u>	<u>1,228,283</u>	<u>10,737</u>	<u>1,240,328</u>	<u>-</u>
Fund balance - December 31	<u>\$5,175</u>	<u>\$1,308,745</u>	<u>\$14,445</u>	<u>\$1,328,365</u>	<u>\$87,057</u>

CITY OF WACONIA, MINNESOTA
COMBINING STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCE
NONMAJOR GOVERNMENTAL FUNDS
For The Year Ended December 31, 2014
With Comparative Totals For The Year Ended December 31, 2013

	EDA - CC Revenue Bonds of 2004/2007 (344)	Refundings Bonds of 2002 (346)	Total Nonmajor Debt Service Funds	Capital Equipment (105)	Park Dedication (210)
Revenues:					
Property taxes	\$ -	\$ -	\$ -	\$110,991	\$ -
Tax increment collections	-	-	-	-	-
Lodging taxes	-	-	-	-	-
Special assessments	-	-	65,643	-	-
Investment income	-	10	406	6,979	2,203
Charges for services	-	-	-	4,501	-
Contributions and donations	-	-	-	10,250	-
Total revenues	<u>0</u>	<u>10</u>	<u>66,049</u>	<u>132,721</u>	<u>2,203</u>
Expenditures:					
Current:					
General government	-	-	-	23,541	-
Public works	-	-	-	-	-
Parks and recreation	-	-	-	-	-
Economic development	-	-	-	-	-
Capital outlay:					
General government	-	-	-	30,939	-
Public safety	-	-	-	67,045	-
Public works	-	-	-	288,409	-
Parks and recreation	-	-	-	110,301	99,769
Debt service:					
Principal	118,925	-	118,925	90,000	-
Interest and fiscal charges	46,691	-	84,124	18,000	-
Total expenditures	<u>165,616</u>	<u>0</u>	<u>203,049</u>	<u>628,235</u>	<u>99,769</u>
Revenues over (under) expenditures	<u>(165,616)</u>	<u>10</u>	<u>(137,000)</u>	<u>(495,514)</u>	<u>(97,566)</u>
Other financing sources (uses):					
Bonds issued	-	-	1,390,000	-	-
Bond premium	-	-	28,451	-	-
Transfers in	160,000	-	160,000	420,200	-
Transfers out	-	(22,741)	(1,382,741)	-	-
Total other financing sources (uses)	<u>160,000</u>	<u>(22,741)</u>	<u>195,710</u>	<u>420,200</u>	<u>0</u>
Net change in fund balance	(5,616)	(22,731)	58,710	(75,314)	(97,566)
Fund balance - January 1	<u>43,737</u>	<u>22,731</u>	<u>66,468</u>	<u>757,022</u>	<u>202,547</u>
Fund balance - December 31	<u>\$38,121</u>	<u>\$0</u>	<u>\$125,178</u>	<u>\$681,708</u>	<u>\$104,981</u>

TIF #1 Workforce Housing (410)	TIF #2 Auburn Homes (411)	TIF #3 Cherry Street (412)	TIF #4 Pine Business Park (413)	Clearwater Shores HIA (420)	Total Nonmajor Capital Project Funds	Totals	
						2014	2013
\$ -	\$ -	\$ -	\$ -	\$ -	\$110,991	\$110,991	\$109,473
20,417	136,496	5,422	-	-	162,335	162,335	19,649
-	-	-	-	-	-	43,165	41,949
-	-	-	-	-	-	65,643	-
262	52	2	11	2,046	11,555	48,100	19,120
-	-	-	3,000	-	7,501	74,073	19,572
-	-	-	-	-	10,250	10,250	-
<u>20,679</u>	<u>136,548</u>	<u>5,424</u>	<u>3,011</u>	<u>2,046</u>	<u>302,632</u>	<u>514,557</u>	<u>209,763</u>
-	-	-	-	-	23,541	35,229	62,290
-	-	-	-	9,041	9,041	9,041	680
-	-	-	-	-	-	-	23,394
18,895	123,447	5,439	12,221	-	160,002	204,297	55,538
-	-	-	-	-	30,939	30,939	30,951
-	-	-	-	-	67,045	67,045	49,603
-	-	-	-	-	288,409	288,409	155,900
-	-	-	-	-	210,070	210,070	31,934
-	-	-	-	-	90,000	208,925	195,768
-	-	-	-	-	18,000	102,124	78,610
<u>18,895</u>	<u>123,447</u>	<u>5,439</u>	<u>12,221</u>	<u>9,041</u>	<u>897,047</u>	<u>1,156,079</u>	<u>684,668</u>
<u>1,784</u>	<u>13,101</u>	<u>(15)</u>	<u>(9,210)</u>	<u>(6,995)</u>	<u>(594,415)</u>	<u>(641,522)</u>	<u>(474,905)</u>
-	-	-	-	-	-	1,390,000	-
-	-	-	-	-	-	28,451	-
-	-	-	-	-	420,200	580,200	495,000
-	-	-	-	-	-	(1,384,597)	(1,783)
<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>420,200</u>	<u>614,054</u>	<u>493,217</u>
1,784	13,101	(15)	(9,210)	(6,995)	(174,215)	(27,468)	18,312
20,824	(663)	(663)	-	-	979,067	2,285,863	2,267,551
<u>\$22,608</u>	<u>\$12,438</u>	<u>(\$678)</u>	<u>(\$9,210)</u>	<u>(\$6,995)</u>	<u>\$804,852</u>	<u>\$2,258,395</u>	<u>\$2,285,863</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, 2014

With Comparative Actual Amounts For The Year Ended December 31, 2013

	Budgeted Amounts		2014 Actual Amounts	Variance with Final Budget - Positive (Negative)	2013 Actual Amounts
	Original	Final			
Revenues:					
Investment income	\$800	\$800	\$17	(\$783)	\$1,153
Franchise fees	16,200	16,200	15,538	(662)	15,942
Refunds and reimbursements	-	-	-	-	2,500
Total revenues	<u>17,000</u>	<u>17,000</u>	<u>15,555</u>	<u>(1,445)</u>	<u>19,595</u>
Expenditures:					
Current:					
Fees and licenses	4,037	4,037	1,887	2,150	3,897
Equipment	71,300	51,300	363	50,937	58,393
Contractual services	1,000	21,000	9,438	11,562	-
Total expenditures	<u>76,337</u>	<u>76,337</u>	<u>11,688</u>	<u>64,649</u>	<u>62,290</u>
Revenues over (under) expenditures	<u>(\$59,337)</u>	<u>(\$59,337)</u>	3,867	<u>\$63,204</u>	(42,695)
Fund balance - January 1			<u>1,308</u>		<u>44,003</u>
Fund balance - December 31			<u>\$5,175</u>		<u>\$1,308</u>

CITY OF WACONIA, MINNESOTA
SPECIAL REVENUE FUND - REVOLVING LOAN FUND (202)
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
For The Year Ended December 31, 2014
With Comparative Actual Amounts For The Year Ended December 31, 2013

Statement 14

	Budgeted Amounts		2014 Actual Amounts	Variance with Final Budget - Positive (Negative)	2013 Actual Amounts
	Original	Final			
Revenues:					
Investment income	\$37,000	\$37,000	\$35,875	(\$1,125)	\$14,124
Charges for services	500	500	51,034	50,534	-
Refunds and reimbursements	-	-	-	-	-
Total revenues	<u>37,500</u>	<u>37,500</u>	<u>86,909</u>	<u>49,409</u>	<u>14,124</u>
Expenditures:					
Current:					
Contractual services	<u>12,700</u>	<u>12,700</u>	<u>6,447</u>	<u>6,253</u>	<u>3,151</u>
Revenues over (under) expenditures	<u>\$24,800</u>	<u>\$24,800</u>	<u>80,462</u>	<u>\$55,662</u>	<u>10,973</u>
Fund balance - January 1			<u>1,228,283</u>		<u>1,217,310</u>
Fund balance - December 31			<u>\$1,308,745</u>		<u>\$1,228,283</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, 2014

With Comparative Actual Amounts For The Year Ended December 31, 2013

	Budgeted Amounts		2014 Actual Amounts	Variance with Final Budget - Positive (Negative)	2013 Actual Amounts
	Original	Final			
Revenues:					
Lodging taxes	\$38,000	\$38,000	\$43,165	\$5,165	\$41,949
Investment income	100	100	247	147	55
Total revenues	<u>38,100</u>	<u>38,100</u>	<u>43,412</u>	<u>5,312</u>	<u>42,004</u>
Expenditures:					
Current:					
Contractual services	<u>36,100</u>	<u>36,100</u>	<u>37,848</u>	<u>(1,748)</u>	<u>33,033</u>
Revenues over expenditures	2,000	2,000	5,564	3,564	8,971
Other financing sources (uses):					
Transfers out	<u>(1,900)</u>	<u>(1,900)</u>	<u>(1,856)</u>	<u>44</u>	<u>(1,783)</u>
Net change in fund balance	<u>\$100</u>	<u>\$100</u>	3,708	<u>\$3,608</u>	7,188
Fund balance - January 1			<u>10,737</u>		<u>3,549</u>
Fund balance - December 31			<u>\$14,445</u>		<u>\$10,737</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.	100-109
Revenue Capacity These tables contain information to help the reader assess the City’s most significant local revenue source, the property tax.	110-114
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.	116-123
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.	124-125
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.	126-131

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)

	2005	2006	2007	2008
Governmental activities:				
Net investment in capital assets	\$47,590,559	\$53,420,142	\$48,262,753	\$48,358,528
Restricted:				
Debt service	776,093	842,461	7,716,482	9,488,937
Capital projects	319,471	390,837	-	-
Economic development loans	1,061,657	1,103,072	1,151,456	1,173,167
Park improvements	454,327	367,171	189,055	170,269
Tax increment purposes	-	-	-	214,700
Other purposes	326,076	282,063	-	-
Unrestricted	4,388,596	2,635,770	8,747,819	7,004,893
Total governmental activities net position	<u>\$54,916,779</u>	<u>\$59,041,516</u>	<u>\$66,067,565</u>	<u>\$66,410,494</u>
Business-type activities:				
Net investment in capital assets	\$20,610,323	\$14,533,294	\$15,615,621	\$19,009,507
Unrestricted	6,522,320	11,700,702	10,782,340	7,635,898
Total business-type activities net position	<u>\$27,132,643</u>	<u>\$26,233,996</u>	<u>\$26,397,961</u>	<u>\$26,645,405</u>
Primary government:				
Net investment in capital assets	\$68,200,882	\$67,953,436	\$63,878,374	\$67,368,035
Restricted:				
Debt service	776,093	842,461	7,716,482	9,488,937
Capital projects	319,471	390,837	-	-
Economic development loans	1,061,657	1,103,072	1,151,456	1,173,167
Park improvements	454,327	367,171	189,055	170,269
Tax increment purposes	-	-	-	214,700
Other purposes	326,076	282,063	-	-
Unrestricted	10,910,916	14,336,472	19,530,159	14,640,791
Total primary government net position	<u>\$82,049,422</u>	<u>\$85,275,512</u>	<u>\$92,465,526</u>	<u>\$93,055,899</u>

Table 1

2009	2010	2011	2012	2013	2014
\$50,319,268	\$47,399,823	\$45,586,192	\$45,602,831	\$46,081,741	\$46,224,926
9,277,345	9,309,240	10,891,063	10,260,654	8,224,592	7,612,827
-	-	-	-	-	-
1,207,650	1,254,101	1,216,873	1,217,310	1,228,283	1,308,745
179,813	185,128	191,093	201,792	202,547	104,981
222,237	224,084	228,864	230,912	232,630	246,852
-	-	39,700	47,552	11,794	20,677
6,378,935	5,215,693	4,601,932	3,915,592	3,531,216	3,078,304
<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>	<u>\$58,597,312</u>
\$20,538,236	\$21,217,178	\$21,219,555	\$21,503,856	\$21,701,041	\$21,199,492
6,247,511	5,553,670	5,473,413	5,257,619	4,855,848	5,396,472
<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>	<u>\$26,595,964</u>
\$70,857,504	\$68,617,001	\$66,805,747	\$67,106,687	\$67,782,782	\$67,424,418
9,277,345	9,309,240	10,891,063	10,260,654	8,224,592	7,612,827
-	-	-	-	-	-
1,207,650	1,254,101	1,216,873	1,217,310	1,228,283	1,308,745
179,813	185,128	191,093	201,792	202,547	104,981
222,237	224,084	228,864	230,912	232,630	246,852
-	-	39,700	47,552	11,794	20,677
12,626,446	10,769,363	10,075,345	9,173,211	8,387,064	8,474,776
<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>	<u>\$85,193,276</u>

CITY OF WACONIA, MINNESOTA

CHANGES IN NET POSITION

Last Ten Fiscal Years

(Accrual Basis of Accounting)

	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>
Expenses				
Governmental activities:				
General government	\$1,939,006	\$2,030,194	\$2,302,116	\$2,622,348
Public safety	1,294,017	1,312,958	1,685,660	1,518,939
Public works	1,789,383	2,054,216	2,970,108	2,601,463
Parks and recreation	1,607,079	1,509,675	1,831,902	2,060,564
Economic development	179,127	33,942	38,730	21,544
Interest on long-term debt	370,824	381,690	1,381,726	1,251,510
Total governmental activities expenses	<u>7,179,436</u>	<u>7,322,675</u>	<u>10,210,242</u>	<u>10,076,368</u>
Business-type activities:				
Water	957,529	987,037	1,290,442	1,391,682
Sewer	1,272,722	1,398,109	1,922,730	1,723,586
Storm water	358,789	347,475	401,472	289,622
Street lighting	134,364	154,610	163,572	170,080
Ice arena	-	543	145,026	751,673
Total business-type activities expenses	<u>2,723,404</u>	<u>2,887,774</u>	<u>3,923,242</u>	<u>4,326,643</u>
Total primary government expenses	<u><u>\$9,902,840</u></u>	<u><u>\$10,210,449</u></u>	<u><u>\$14,133,484</u></u>	<u><u>\$14,403,011</u></u>
Program revenues				
Governmental activities:				
Charges for services	\$2,534,858	\$2,559,126	\$2,907,923	\$2,353,147
Operating grants and contributions	100,121	109,692	132,968	364,228
Capital grants and contributions	28,227	3,237,135	8,837,041	3,184,638
Total governmental activities program revenues	<u>2,663,206</u>	<u>5,905,953</u>	<u>11,877,932</u>	<u>5,902,013</u>
Business-type activities:				
Charges for services:				
Water	1,466,354	1,406,937	1,827,254	1,145,956
Sewer	1,307,986	1,684,768	2,100,204	1,358,474
Storm water	377,414	387,321	539,122	375,207
Street lighting	151,888	147,357	167,560	163,912
Ice arena	-	-	500	298,330
Operating grants and contributions	-	-	-	-
Capital grants and contributions	453	9,295	2,855	710,876
Total business-type activities program revenues	<u>3,304,095</u>	<u>3,635,678</u>	<u>4,637,495</u>	<u>4,052,755</u>
Total primary government program revenues	<u><u>\$5,967,301</u></u>	<u><u>\$9,541,631</u></u>	<u><u>\$16,515,427</u></u>	<u><u>\$9,954,768</u></u>

2009	2010	2011	2012	2013	2014
\$2,642,937	\$2,416,283	\$2,518,006	\$2,563,632	\$2,597,154	\$2,764,182
1,226,626	980,908	1,045,384	1,163,868	1,308,613	1,326,991
3,933,761	4,900,425	2,759,445	3,686,528	5,280,532	3,760,921
1,945,878	1,870,995	1,886,283	1,964,229	2,167,378	2,260,923
18,974	34,124	117,444	47,448	116,069	224,046
1,177,849	1,172,728	1,180,619	976,845	559,939	537,347
<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>	<u>10,874,410</u>
1,549,474	1,481,617	1,615,966	1,692,319	2,144,091	1,766,523
1,716,354	1,782,315	1,999,538	2,629,443	2,269,938	2,255,953
469,839	465,297	405,616	603,080	661,647	888,627
157,064	170,609	196,833	186,328	258,033	210,961
811,745	807,898	782,264	746,809	783,262	777,649
<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>5,899,713</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>	<u>\$16,774,123</u>
\$2,105,633	\$2,075,077	\$2,167,457	\$2,437,172	\$2,583,137	\$2,497,197
152,842	526,479	156,823	145,989	188,108	182,910
<u>5,508,414</u>	<u>264,021</u>	<u>555,758</u>	<u>1,776,558</u>	<u>2,646,128</u>	<u>1,783,440</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>	<u>4,463,547</u>
1,175,888	1,136,893	1,271,709	1,437,708	1,395,628	1,327,980
1,343,775	1,480,570	1,593,493	1,659,623	1,677,045	1,693,322
430,167	395,797	377,543	457,215	439,685	479,786
170,832	193,652	207,324	214,502	228,010	234,973
645,137	454,022	312,520	313,038	336,095	342,876
-	-	-	-	12,313	83,610
785,783	575,425	700,000	1,427,961	1,360,860	1,394,858
<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>5,557,405</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>	<u>\$10,020,952</u>

CITY OF WACONIA, MINNESOTA

CHANGES IN NET POSITION

Last Ten Fiscal Years

(Accrual Basis of Accounting)

	2005	2006	2007	2008
Net (expense) revenue				
Governmental activities	(\$4,516,230)	(\$1,416,722)	\$1,667,690	(\$4,174,355)
Business-type activities	580,691	747,904	714,253	(273,888)
Total primary government net (expense) revenue	<u>(3,935,539)</u>	<u>(668,818)</u>	<u>2,381,943</u>	<u>(4,448,243)</u>
General revenues and other changes in net position				
Governmental activities:				
Property taxes	2,912,437	2,942,274	3,425,771	3,877,963
Tax increment	133,519	151,703	-	-
Lodging taxes	-	-	8,456	27,007
Grants and contributions not restricted to specific programs	246,070	152,019	142,185	72,224
Unrestricted investment earnings	175,978	262,646	956,178	646,691
Gain on sale of capital assets	1,020	-	13,360	4,850
Transfers	-	1,982,536	1,204,156	(111,451)
Total governmental activities	<u>3,469,024</u>	<u>5,491,178</u>	<u>5,750,106</u>	<u>4,517,284</u>
Business-type activities:				
Unrestricted investment earnings	170,189	385,157	703,264	409,881
Gain on sale of capital assets	-	-	-	-
Transfers	-	(1,982,536)	(1,204,156)	111,451
Total business-type activities	<u>170,189</u>	<u>(1,597,379)</u>	<u>(500,892)</u>	<u>521,332</u>
Total primary government	<u>\$3,639,213</u>	<u>\$3,893,799</u>	<u>\$5,249,214</u>	<u>\$5,038,616</u>
Change in net position				
Governmental activities	(\$1,047,206)	\$4,074,456	\$7,417,796	\$342,929
Business-type activities	750,880	(849,475)	213,361	247,444
Total primary government	<u>(\$296,326)</u>	<u>\$3,224,981</u>	<u>\$7,631,157</u>	<u>\$590,373</u>

2009	2010	2011	2012	2013	2014
(\$3,179,136)	(\$8,509,886)	(\$6,627,143)	(\$6,042,831)	(\$6,612,312)	(\$6,410,863)
(152,894)	(471,377)	(537,628)	(347,932)	(667,335)	(342,308)
<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>	<u>(6,753,171)</u>
4,078,043	4,320,851	4,745,665	4,867,392	4,966,181	5,389,061
-	56,866	43,280	19,620	19,649	162,335
23,573	28,434	29,405	33,749	41,949	43,165
17,497	-	-	-	3,343	79,864
340,574	376,556	167,437	147,996	47,571	105,069
-	-	-	-	8,679	528
<u>(162,910)</u>	<u>(270,000)</u>	<u>(295,000)</u>	<u>(305,000)</u>	<u>(438,900)</u>	<u>(284,650)</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>	<u>5,495,372</u>
256,242	186,478	164,748	111,439	23,849	86,527
-	-	-	-	-	10,206
<u>162,910</u>	<u>270,000</u>	<u>295,000</u>	<u>305,000</u>	<u>438,900</u>	<u>284,650</u>
<u>419,152</u>	<u>456,478</u>	<u>459,748</u>	<u>416,439</u>	<u>462,749</u>	<u>381,383</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>	<u>\$5,876,755</u>
\$1,117,641	(\$3,997,179)	(\$1,936,356)	(\$1,279,074)	(\$1,963,840)	(\$915,491)
266,258	(14,899)	(77,880)	68,507	(204,586)	39,075
<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>	<u>(\$876,416)</u>

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

	2005	2006	2007	2008
General Fund:				
Nonspendable	\$ -	\$ -	\$ -	\$ -
Restricted	-	-	-	-
Committed	-	-	-	-
Unassigned	-	-	-	-
Reserved	9,588	9,588	-	-
Unreserved:				
Undesignated	2,028,754	2,330,614	2,468,717	2,393,793
Total general fund	<u>\$2,038,342</u>	<u>\$2,340,202</u>	<u>\$2,468,717</u>	<u>\$2,393,793</u>
All other governmental funds:				
Nonspendable	\$ -	\$ -	\$ -	\$ -
Restricted	-	-	-	-
Committed	-	-	-	-
Assigned	-	-	-	-
Unassigned	-	-	-	-
Reserved	1,797,888	1,906,413	2,343,653	4,201,297
Unreserved:				
Designated:				
Special revenue funds	-	-	35,178	-
Debt service funds	-	-	1,637,230	-
Capital project funds	1,294,762	208,587	6,422,192	-
Undesignated:				
Special revenue funds	2,506,550	2,371,382	2,099,749	1,791,672
Debt service funds	(513)	-	-	-
Capital project funds	(260,933)	(1,061,644)	-	3,508,093
Total all other governmental funds	<u>\$5,337,754</u>	<u>\$3,424,738</u>	<u>\$12,538,002</u>	<u>\$9,501,062</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

2009	2010	2011	2012	2013	2014
\$ -	\$ -	\$18,593	\$12,409	\$28,844	\$13,143
-	-	-	-	1,057	1,057
-	-	873,835	873,168	712,637	692,888
-	-	1,133,609	1,265,607	1,646,903	1,747,771
-	6,373	-	-	-	-
961,865	953,470	-	-	-	-
<u>\$961,865</u>	<u>\$959,843</u>	<u>\$2,026,037</u>	<u>\$2,151,184</u>	<u>\$2,389,441</u>	<u>\$2,454,859</u>
\$ -	\$ -	\$1,982	\$788	\$152,640	\$ -
-	-	17,196,144	6,285,084	5,357,864	4,844,938
-	-	15,191	32,150	30,687	-
-	-	2,540,980	1,909,125	1,188,742	939,666
-	-	-	-	(1,845)	(32,175)
3,847,403	4,207,720	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
2,189,320	2,266,491	-	-	-	-
-	-	-	-	-	-
3,972,815	2,891,701	-	-	-	-
<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>	<u>\$5,752,429</u>

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

Revenues:	2005	2006	2007	2008
General property taxes	\$2,913,243	\$2,937,970	\$3,386,626	\$3,832,821
Tax increment	133,519	151,703	-	-
Lodging taxes	-	-	8,456	27,007
Licenses and permits	727,199	887,845	1,197,252	686,102
Intergovernmental	400,139	971,405	682,825	1,379,232
Special assessments	283,883	153,041	225,963	1,749,987
Charges for services	1,573,498	1,402,152	1,587,966	1,634,677
Fines and forfeits	19,585	17,806	19,124	19,093
Investment income	175,978	262,646	956,178	646,691
Contributions and donations	-	34,706	29,410	26,220
Park land dedication	160,628	106,807	102,501	4,425
Developer reimbursements	-	2,567,705	2,133,921	8,850
Total revenues	6,387,672	9,493,786	10,330,222	10,015,105
Expenditures:				
Current:				
General government	909,326	1,167,977	1,316,877	1,765,354
Public safety	1,189,599	1,357,545	1,592,974	1,348,215
Public works	797,163	862,465	1,011,533	1,078,427
Parks and recreation	1,350,553	1,430,864	1,576,314	1,689,011
Economic development	179,127	33,942	38,730	21,544
Capital outlay:				
General government	28,652	25,063	224,704	29,906
Public safety	825,561	41,296	49,062	56,026
Public works	837,106	8,124,756	17,166,373	3,833,016
Parks and recreation	210,609	35,568	721,030	520,792
Debt service:				
Principal	705,299	730,298	718,404	432,979
Interest and fiscal charges	365,503	353,184	1,010,958	1,255,057
Total expenditures	7,398,498	14,162,958	25,426,959	12,030,327
Revenues over (under) expenditures	(1,010,826)	(4,669,172)	(15,096,737)	(2,015,222)
Other financing sources (uses):				
Bonds issued	-	1,035,000	17,000,000	-
Redemption of refunding bonds	-	-	(1,838,283)	-
Capital lease proceeds	-	-	7,958,283	57,704
Transfers in	2,073,287	3,428,427	1,967,156	858,257
Transfers out	(5,033,881)	(1,445,891)	(763,000)	(983,257)
Bond premium	-	-	-	-
Bond discount	-	(9,801)	-	-
Sale of capital assets	1,020	-	13,360	8,450
Total other financing sources (uses)	(2,959,574)	3,007,735	24,337,516	(58,846)
Net change in fund balance	(\$3,970,400)	(\$1,661,437)	\$9,240,779	(\$2,074,068)
Debt service as a percentage of noncapital expenditures	19.5%	18.3%	23.8%	22.2%
Debt service as percentage of total expenditures	14.5%	7.7%	6.8%	14.0%

Table 4

2009	2010	2011	2012	2013	2014
\$3,949,672	\$4,339,528	\$4,816,809	\$4,871,223	\$5,014,927	\$5,429,108
-	56,866	43,280	19,620	19,649	162,335
23,573	28,434	29,405	33,749	41,949	43,165
444,070	374,383	359,829	640,048	807,266	666,867
2,625,874	186,940	270,575	1,682,388	2,499,159	1,249,183
620,220	748,079	1,267,620	674,933	368,991	762,373
1,571,956	1,674,463	1,779,391	1,767,655	1,746,134	1,787,360
26,325	26,231	28,237	29,469	29,737	42,970
340,574	376,556	167,438	147,996	47,571	105,069
22,856	339,539	28,177	14,043	26,603	24,977
3,402	-	-	6,600	-	-
59,880	-	89,645	27,903	-	-
9,688,402	8,151,019	8,880,406	9,915,627	10,601,986	10,273,407
1,590,742	1,368,074	1,400,275	1,427,332	1,542,002	1,679,023
1,140,838	888,857	930,036	1,040,638	1,181,350	1,195,215
760,670	716,917	807,926	805,113	1,497,707	1,199,114
1,503,876	1,460,379	1,432,244	1,487,548	1,693,531	1,781,915
18,974	34,124	117,444	47,448	116,069	224,046
22,285	159,250	80,194	40,478	30,951	30,939
-	14,512	720,915	14,825	49,603	67,045
1,993,877	305,413	264,567	1,471,157	2,106,318	2,879,849
164,274	12,558	87,820	368,581	204,016	210,070
2,045,556	2,115,888	2,931,506	13,356,770	2,315,768	2,388,925
1,207,852	1,175,181	1,102,155	952,739	681,473	645,158
10,448,944	8,251,153	9,875,082	21,012,629	11,418,788	12,301,299
(760,542)	(100,134)	(994,676)	(11,097,002)	(816,802)	(2,027,892)
-	3,390,000	11,995,000	-	-	1,390,000
-	(3,665,514)	-	-	-	-
-	-	-	-	-	-
1,645,070	2,094,922	2,091,233	1,660,769	1,439,783	3,072,797
(1,807,980)	(2,364,922)	(2,386,233)	(1,965,769)	(1,883,783)	(3,373,597)
-	-	749,254	-	-	28,451
-	-	-	-	-	-
-	-	-	-	-	-
(162,910)	(545,514)	12,449,254	(305,000)	(444,000)	1,117,651
(\$923,452)	(\$645,648)	\$11,454,578	(\$11,402,002)	(\$1,260,802)	(\$910,241)
39.3%	42.4%	46.2%	70.4%	30.0%	31.0%
31.1%	39.9%	40.8%	68.1%	26.2%	24.7%

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>
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
2014	7,871,978	2,816,223	147,578	69,996	10,905,775

Source: Carver County Taxpayer Services

Note: Except for personal property, tax capacity values by classification are not available for the year 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 Taxable Market Value</u>	<u>Tax Capacity as a Percent of EMV</u>
(\$127,603)	\$258,242	\$8,003,909	\$38	\$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	869,644,100	1.19%
(139,265)	142,731	10,909,241	49.423	815,424,566	1.34%

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)					
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
2014	49.423	36.444	45.211	0.000	131.078

Source: Carver County Taxpayer Services

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

Table 7

Taxpayer	2014			2005		
	Net Tax Capacity	Rank	Percentage of Total Net Tax Capacity	Net Tax Capacity	Rank	Percentage of Total Net Tax Capacity
Jerry's Enterprises	\$245,394	1	2.25%	\$109,134	1	1.39%
Target Corporation	214,936	2	1.97%	-	-	-
Ridgeview Real Estate LLC	157,424	3	1.44%	-	-	-
Lakeview Clinic Building Corp.	113,044	4	1.04%	85,062	3	1.08%
Elkay Wood Products Company	109,966	5	1.01%	95,631	2	1.21%
Auburn Meadows LLC	94,090	6	0.86%	-	-	-
Health Care Reit Inc.	87,500	7	0.80%	-	-	-
Pine Park Properties LLC	84,264	8	0.77%	-	-	-
Xcel Energy	80,600	9	0.74%	61,122	4	0.78%
MMC Property LLC	70,938	10	0.65%	-	-	-
3-Star Properties LLP	-	-	-	54,048	5	0.69%
Lift Management Services	-	-	-	46,852	6	0.60%
Waconia Farm Supply	-	-	-	44,230	7	0.56%
CPS Holding LLC	-	-	-	39,744	8	0.50%
Waconia Motor Company LLC	-	-	-	39,252	9	0.50%
Muller Properties of Waconia	-	-	-	38,743	10	0.49%
Total	\$1,258,156		11.54%	\$613,818		7.80%
Total All Property	\$10,905,775			\$7,873,270		

Source: Carver County Taxpayer Services

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
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%	67,359	3,836,424	95.7%
2009	4,218,987	3,685,413	87.4%	68,900	3,754,313	89.0%
2010	4,629,319	4,267,455	92.2%	92,422	4,359,877	94.2%
2011	4,937,619	4,647,595	94.1%	32,090	4,679,685	94.8%
2012	4,922,461	4,846,949	98.5%	26,336	4,873,285	99.0%
2013	5,045,444	4,986,516	98.8%	34,994	5,021,510	99.5%
2014	5,391,821	5,355,206	99.3%	-	5,355,206	99.3%

Source: City Finance Department

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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
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
2014	3,305,000	9,531,734	-	5,949,229

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

<u>Business-Type Activities</u>		<u>Total Debt</u>	<u>Percentage of Total Tax Capacity⁽¹⁾</u>	<u>Per Capita⁽²⁾</u>	<u>Total Tax Capacity</u>	<u>Population</u>
<u>G.O. Revenue</u>	<u>Public Project Revenue</u>					
<u>Bonds</u>	<u>Bonds</u>					
\$1,915,000	\$ -	\$9,547,619	121.27%	1,107	\$7,873,270	8,622
10,015,000	-	17,952,322	195.67%	2,082	9,174,563	8,622
15,685,000	6,100,000	52,123,918	492.42%	5,454	10,585,360	9,557
14,885,000	5,907,462	50,702,893	423.43%	5,227	11,974,463	9,701
14,090,000	5,706,078	47,673,957	380.86%	4,787	12,517,462	9,960
13,245,000	5,495,443	44,320,453	343.19%	4,143	12,914,365	10,697
12,655,000	5,275,132	53,485,604	444.42%	4,937	12,035,036	10,833
12,045,000	5,044,699	39,349,218	352.98%	3,506	11,147,576	11,222
21,634,820	4,756,416	46,241,330	451.35%	3,999	10,245,211	11,563
19,527,155	4,483,157	42,796,275	392.42%	3,619	10,905,775	11,827

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				
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	1,766,070	6,863,930	67.00%	594
2014	3,305,000	4,840,000	8,145,000	1,619,815	6,525,185	59.83%	552

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, 2014

Table 11

Governmental Unit	Debt Outstanding	Estimated Percentage Applicable*	Estimated Share of Overlapping Debt
Direct debt:			
City of Waconia ⁽¹⁾	<u>\$18,785,963</u>	100.00%	<u>\$18,785,963</u>
Overlapping debt:			
Carver County	18,065,000	10.39%	1,877,333
Independent School District No. 110	46,785,000	52.86%	24,729,241
Metropolitan Council	<u>196,680,000</u>	0.36%	<u>715,522</u>
Subtotal - overlapping debt	<u>261,530,000</u>		<u>27,322,096</u>
Total direct and overlapping debt	<u><u>\$280,315,963</u></u>		<u><u>\$46,108,059</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.

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

Table 12

Legal Debt Margin Calculation for Fiscal Year 2014

Estimated market value of property	\$991,448,600
Debt limit percentage*	3%
Statutory debt limit	<u>29,743,458</u>
Net debt applicable to limit:	
Total bonded debt	42,796,275
Less:	
G.O. improvement bonds	(9,531,734)
G.O. revenue bonds	(19,527,155)
Public project revenue bonds not paid from property taxes	(5,592,386)
Less:	
Restricted cash in escrow	<u>(436,336)</u>
Total net debt applicable to limit	<u>7,708,664</u>
Legal debt margin	<u><u>\$22,034,794</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
2005	\$14,124,972	\$3,790,000	\$10,334,972	26.83%
2006	16,422,022	3,695,000	12,727,022	22.50%
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	30,245,853	8,663,105	21,582,748	28.64%
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 estimated market value.

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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	
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
2014	762,373	1,785,000	256,125	0.374

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	
\$2,978,936	\$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
4,091,331	2,389,772	1,701,559	665,000	402,736	1.594

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⁾
2005	8,622	3.4%	\$3,829,211	\$45,992
2006	8,622	3.3%	4,120,120	48,100
2007	9,557	4.0%	4,569,444	52,360
2008	9,701	4.9%	4,831,653	54,403
2009	9,960	7.0%	4,641,842	51,438
2010	10,697	6.8%	4,939,629	54,079
2011	10,833	5.6%	5,439,073	58,589
2012	11,222	4.8%	5,826,217	62,068
2013	11,563	4.3%	5,930,653	62,061
2014	11,827	3.6%	(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 Eight Years Ago⁽¹⁾

Employer	2014			2006		
	Employees	Rank	Percentage of Total City Employment ⁽²⁾	Employees	Rank	Percentage of Total City Employment ⁽²⁾
Ridgeview Medical Center	1,500	1	42.2%	1,311	1	39.6%
Elkay Wood Products Company	620	2	17.4%	620	2	18.7%
I.S.D. No. 110 (Waconia)	377	3	10.6%	379	3	11.4%
Good Samaritan Society Waconia	250	4	7.0%	202	4	6.1%
Mackenthun's Supermarket	197	5	5.5%	150	7	4.5%
Target	150	6	4.2%	-	-	0.0%
City of Waconia	140	7	3.9%	196	5	5.9%
Lakeview Clinic Ltd.	120	8	3.4%	165	6	5.0%
UFC (Waconia Farm Supply)	100	9	2.8%	118	8	3.6%
Milltronics Manufacturing Co	100	10	2.8%	110	9	3.3%
Waconia Manufacturing	-	-	0.0%	61	10	1.8%
Total	3,554			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>2005</u>	<u>2006</u>	<u>2007</u>
General government	8	8	8
Public safety	2	2	2
Public works	14	15	15
Parks & recreation	25	27	29
Economic development	3	3	3
Total	<u>52</u>	<u>55</u>	<u>57</u>

Source: City Finance Department

Table 16

Full-Time Equivalent Employees as of December 31,						
2008	2009	2010	2011	2012	2013	2014
8	9	8	8	8	8	8
3	3	2	2	3	3	3
15	15	12	13	14	15	16
30	29	28	27	27	27	31
3	3	3	3	3	3	3
<u>59</u>	<u>59</u>	<u>53</u>	<u>53</u>	<u>55</u>	<u>56</u>	<u>61</u>

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

Function/Program	Fiscal Year		
	2005	2006	2007
Building:			
Total permits issued	1,176	1,037	725
Total estimated value	\$37,984,870	\$83,034,130	\$53,210,813
Election:			
Registered voters	4,934	5,440	5,440
Fire:			
Average number of employees	35	33	34
General government:			
Area of city - square miles	3.46	3.73	4.31
Average number of permanent full-time employees (excluding fire department)	30	33	34
Police:			
Average number of employees	1.5	5.8	5.5
Number of major crimes	216	233	222
Water:			
Number of customers	3,146	3,280	3,425
Daily average consumption - gallons	913,475	935,348	1,034,359
Plant capacity - gallons	2,016,000	2,016,000	2,016,000

Source: Various City Departments

Table 17

Fiscal Year						
2008	2009	2010	2011	2012	2013	2014
1,854	1,059	726	595	1,068	1,124	937
\$44,246,646	\$22,398,899	\$16,288,731	\$20,895,214	\$34,399,256	\$47,110,365	\$38,308,553
5,842	5,842	5,962	5,962	6,316	6,316	7,210
37	38	35	34	36	32	32
4.41	4.43	4.43	4.45	4.45	4.45	4.52
35	36	34	35	37	37	38
6.0	6.0	4.7	4.7	4.7	5.0	6.3
257	178	162	204	133	134	103
3,534	3,583	3,631	3,661	3,761	3,854	3,939
1,025,957	1,066,668	919,245	948,988	1,007,602	981,116	956,006
4,100,000	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		
	2005	2006	2007
Fire:			
Number of stations	1	1	1
Parks and recreation:			
Acres of parks	79.8	82.5	139.5
Acres of open space	46.9	46.9	46.9
Number of shelter buildings	2	2	3
Number of playgrounds	10	11	12
Number of basketball courts	1	2	2
Number of tennis courts	2	3	3
Police:			
Number of stations	1	1	1
Public works:			
Miles of streets	39.6	42.5	46.3
Miles of sidewalks	9.4	11.5	13.5
Miles of trails	11.2	11.7	12.8
Sewer:			
Miles of storm sewers	23.1	29.4	33.5
Miles of gravity sanitary sewers	43.4	48.8	50.4
Miles of forcemain sanitary sewers	5.3	5.3	5.7
Number of lift stations	14	14	12
Water:			
Miles of watermains	49.5	55.9	57.7
Number of wells	4	4	5

Table 18

								Fiscal Year	
2008	2009	2010	2011	2012	2013	2014	2015	2016	
1	1	1	1	1	1	1	1	1	
139.5	152.3	152.3	152.3	152.3	152.3	152.7	152.7	152.7	
72.9	72.9	72.9	72.9	72.9	72.9	78.3	86.5	86.5	
3	4	4	4	4	4	6	6	6	
12	13	13	13	13	13	14	16	16	
2	2	2	2	2	2	2	3	3	
3	3	3	3	3	3	3	5	5	
1	1	1	1	1	1	1	1	1	
46.9	47.2	47.2	47.2	47.2	47.3	48.2	48.2	48.2	
14.0	14.0	14.0	14.0	14.1	14.2	14.4	14.9	14.9	
13.0	13.0	13.0	13.0	13.0	13.0	13.1	13.1	13.1	
35.0	41.8	42.2	42.3	42.3	43.8	43.8	47.0	47.0	
51.9	51.9	52.2	52.2	52.2	52.4	52.4	55.4	55.4	
5.3	5.3	5.3	5.3	5.3	5.3	5.3	5.3	5.3	
11	11	11	11	11	11	11	11	11	
60.0	60.0	60.3	60.3	60.3	60.6	60.6	66.8	66.8	
6	6	6	6	6	6	6	6	6	

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