



Comprehensive Annual Financial Report

For the Year Ended December 31, 2015

City of Waconia, Minnesota

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COMPREHENSIVE ANNUAL FINANCIAL REPORT
OF THE
CITY OF WACONIA, MINNESOTA

FOR THE YEAR ENDED
DECEMBER 31, 2015

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 17, 2016

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, 2015 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 school district that serves the residents of the City, like all school

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

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, 2015, the maturities of the investments range from 1 day to 7 years, with an average maturity of 3.5 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, 2015 was 1.58%. 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 4.63 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, 2015 was 12,095. Waconia's residential permit activity increased in 2015 from 2014 activity. The total number of building permits for 2015 was 1,037; which increased 10% from 2014 activity. In 2015, there were 96 single family residential home permits as compared to 83 in 2014. The total valuation of all building permit activity in 2015 was \$70,473,280; this compares to the total 2014 building permit valuation of \$38,308,553. The City anticipates building activity will remain strong into 2016. The City has budgeted for 70 new home starts and has had both commercial and institutional site plan review for new business projects anticipated to start in 2016.

The City has approximately 90 acres of commercial and industrial land with utilities available. In 2015, the City experienced a decrease in the number of commercial permits issued. The City's commercial project activity throughout the year included: remodel permits for a fitness facility along with a restaurant and two other multi-tenant spaces in downtown Waconia. In addition, two new small office buildings were added along the highway corridor; this including new dental and clinical office space. The City issued 26 institutional permits in 2015 with a total construction valuation of \$18,056,938. These permits included expansion and remodel projects for Ridgeview Medical Center and two nursing and assisted living centers. The school district had permits issued in 2015 for the construction of a new elementary school that will serve families in the eastern portion of Waconia and its surrounding cities. So far in 2016, the City has approved a site plan for a dental office and retail space addition. The City continues to work with the school district on expansion plans for the City's current middle and high school facilities.

In 2015, the City issued \$9,160,000 of General Obligation bonds for work completed with the 2015 infrastructure projects and Highway 5 project. Work was completed to rehabilitate some downtown streets and utility infrastructure along with numerous park, trail, and storm water improvements. The Highway 5 corridor was expanded and improved to include additional driving lanes, medians, trail, and

intersection lighting. In addition, the City issued \$1,175,000 in General Obligation temporary bonds for the Highway 5 project. The temporary bonds were issued to assist in payment to the contractor for portions of the project that will not be paid until after the project is complete. Repayment of the bonds will be from state and county funding sources already identified. Lastly, the City issued \$4,320,000 General Obligation bonds for the refinance of debt related to the construction of the City's public works facility. The original bonds were issued in 2007 when the construction occurred.

As part of issuing bonds in 2015, the City underwent a financial review by Standard & Poor's (the City's bond rating agency). This review resulted in a rating increase for the City from AA to AA+. The City's strong reserves and financial management, along with strong local economy, strong budgetary flexibility and performance, and weak debt and contingent liability position were the reasons for the increase.

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, 2014. 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.

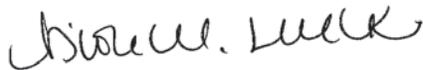
Independent Audit

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,



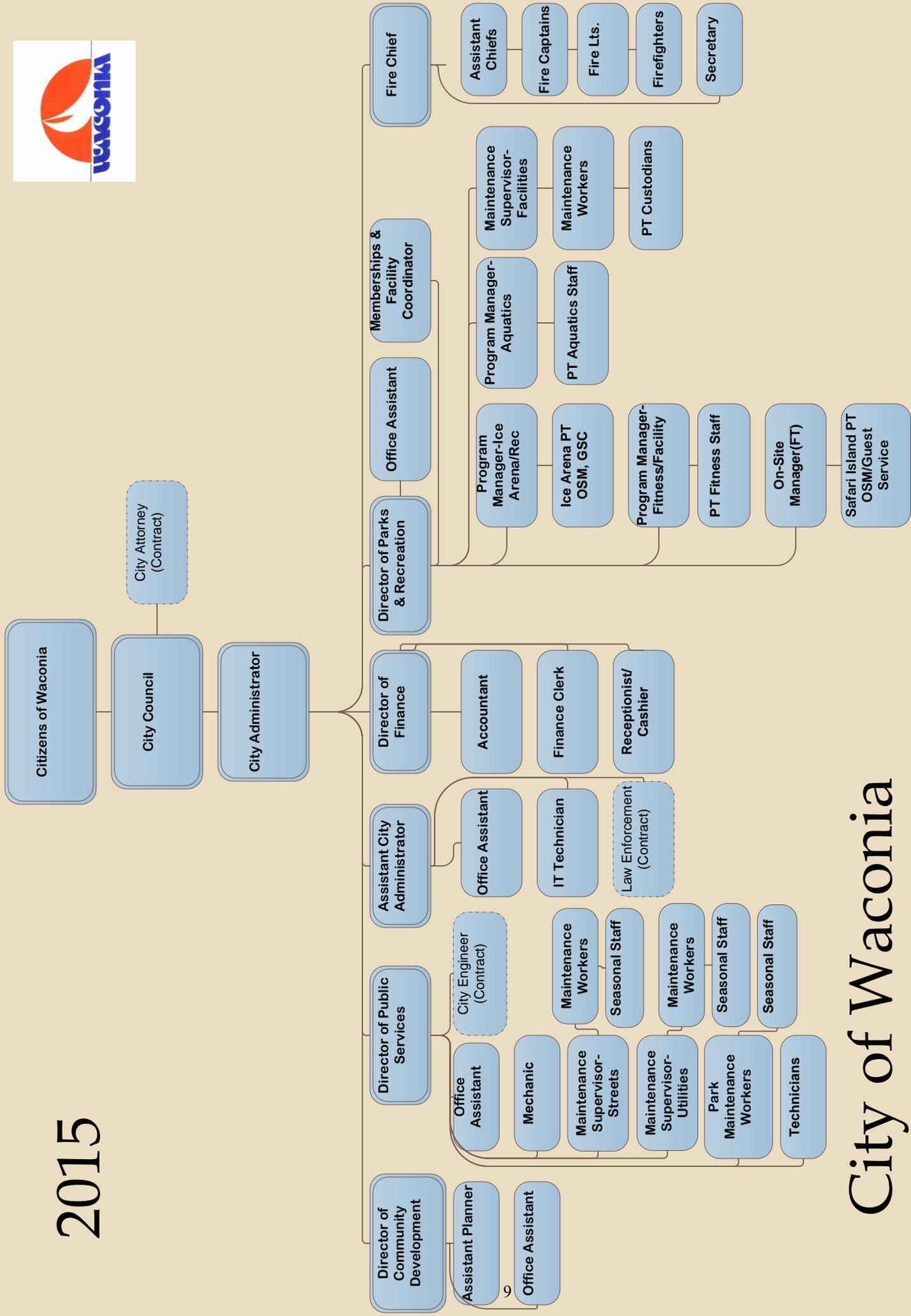
Nicole Lueck, Finance Director

CITY OF WACONIA, MINNESOTA
ELECTED OFFICIALS AND ADMINISTRATION
December 31, 2015

<u>Elected Officials</u>	<u>Position</u>	<u>Term Expires</u>
James Sanborn	Mayor	December 31, 2016
Marc Carrier	Councilmember, Ward I	December 31, 2016
Lynn Ayers	Councilmember, Ward I	December 31, 2018
Charles Erickson	Councilmember, Ward II	December 31, 2016
Kent Bloudek	Councilmember, Ward II	December 31, 2018
 <u>Appointed</u>		
Susan Arntz		City Administrator
Nicole Lueck		Finance Director
Mike Melchert		City Attorney
Bolton & Menk, Inc.		City Engineer

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2015



City of Waconia Organizational Chart

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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, 2014

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, 2015, 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, 2015, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As described in Note 19 to the financial statements, the City of Waconia, Minnesota adopted new accounting guidance, GASB Statement No. 68, *Accounting and Financial Reporting for Pensions – an Amendment of GASB Statement No. 27* for the year ended December 31, 2015. Our opinion is not modified with respect to this matter.

Report on Summarized Comparative Information

We have previously audited the City of Waconia, Minnesota's 2014 financial statements, and we expressed an unmodified audit opinion on the respective financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information in our report dated June 8, 2015. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2014 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, the schedule of funding progress, and the schedules of pension liabilities and contributions, 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 17, 2016 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 17, 2016

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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, 2015. 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 \$93,856,901 (*net position*). Of this amount, \$8,757,299 (*unrestricted net position*) may be used to meet the government's ongoing obligation to citizens and creditors.
- As of the close of the current fiscal year, the City of Waconia's governmental funds reported combined ending fund balances of \$11,569,779 an increase of \$3,362,491 in comparison with the prior year decrease of \$910,241.
- At the end of the current fiscal year, the unassigned fund balance for the General Fund was \$2,015,575 or 48% percent of total General Fund expenditures. The City realized an increase in the unassigned General Fund fund balance from the 2014 level of \$1,747,771. The increase is due to a combination of higher than anticipated general property tax collections and building permit activity.
- The City of Waconia's total long-term debt increased from \$43,124,134 to \$46,854,230 by the end of 2015. The City issued general obligation bonds for the work completed with the 2015 infrastructure projects and Highway 5 Corridor expansion.
- Net position of the government-wide financial statements was negatively impacted in the current year by \$1,653,303 due to the required implementation of a new accounting standard. This is more fully described on page 22.

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 18 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 14 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 18 through 20 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 16 and 17 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 \$93,856,901 at the close of the most recent fiscal year.

By far the largest portion of the City of Waconia's net position (79 percent) reflects its investments in capital assets (e.g., land, buildings, machinery, and equipment); less any related debt used to acquire those assets that is still outstanding. The City of Waconia uses these capital assets to provide services to citizens; consequently, these assets are *not* available for future spending. Although the City of Waconia's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

A portion of the City of Waconia's net position (11.3 percent) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted

net position of \$8,757,299 or 9.3% 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 Position	Governmental Activities		Business-Type Activities		Totals	
	2015	2014	2015	2014	2015	2014
Current & Other Assets	\$ 18,026,325	\$ 13,905,815	\$ 11,162,723	\$ 13,741,930	\$ 29,189,048	\$ 27,647,745
Capital Assets	\$ 70,965,811	\$ 65,010,889	\$ 45,876,702	\$ 37,579,804	\$ 116,842,513	\$ 102,590,693
Total Assets	\$ 88,992,136	\$ 78,916,704	\$ 57,039,425	\$ 51,321,734	\$ 146,031,561	\$ 130,238,438
Deferred Outflows of Resources	\$ 505,684	\$ -	\$ 73,660	\$ -	\$ 579,344	\$ -
Long-Term Liabilities	\$ 22,242,707	\$ 16,358,130	\$ 18,585,348	\$ 19,654,471	\$ 40,828,055	\$ 36,012,601
Other Liabilities	\$ 5,229,582	\$ 3,961,262	\$ 6,523,557	\$ 5,071,299	\$ 11,753,139	\$ 9,032,561
Total Liabilities	\$ 27,472,289	\$ 20,319,392	\$ 25,108,905	\$ 24,725,770	\$ 52,581,194	\$ 45,045,162
Deferred Inflows of Resources	\$ 135,499	\$ -	\$ 37,311	\$ -	\$ 172,810	\$ -
Net Investment in Capital Assets	\$ 47,570,414	\$ 46,224,926	\$ 26,906,510	\$ 21,199,492	\$ 74,476,924	\$ 67,424,418
Net Position Restricted	\$ 10,520,328	\$ 9,294,082	\$ 102,350	\$ -	\$ 10,622,678	\$ 9,294,082
Net Position Unrestricted	\$ 3,799,290	\$ 3,078,304	\$ 4,958,009	\$ 5,396,472	\$ 8,757,299	\$ 8,474,776
Total Net Position	\$ 61,890,032	\$ 58,597,312	\$ 31,966,869	\$ 26,595,964	\$ 93,856,901	\$ 85,193,276

The City adopted new accounting guidance, GASB Statement No. 68, *Accounting and Financial Reporting for Pensions – an Amendment of GASB Statement No. 27* for the year ended December 31, 2015. Essentially, the standard required the unfunded portion of defined benefit pension plans to be reported by all participating employers. Recording the net pension liability and the pension related to deferred outflows and inflows of resources does not change the City's future funding requirements or obligations under the plans, which are determined by state statutes. Additionally, the standard requires the net pension asset of the Waconia Fire Relief Association to be recorded in the government-wide financial statements for the first time.

Net position was negatively impacted by \$1,653,303 at December 31, 2015 due to the implementation of this standard. Pension-related amounts included in the above schedule related to the standard are as follows:

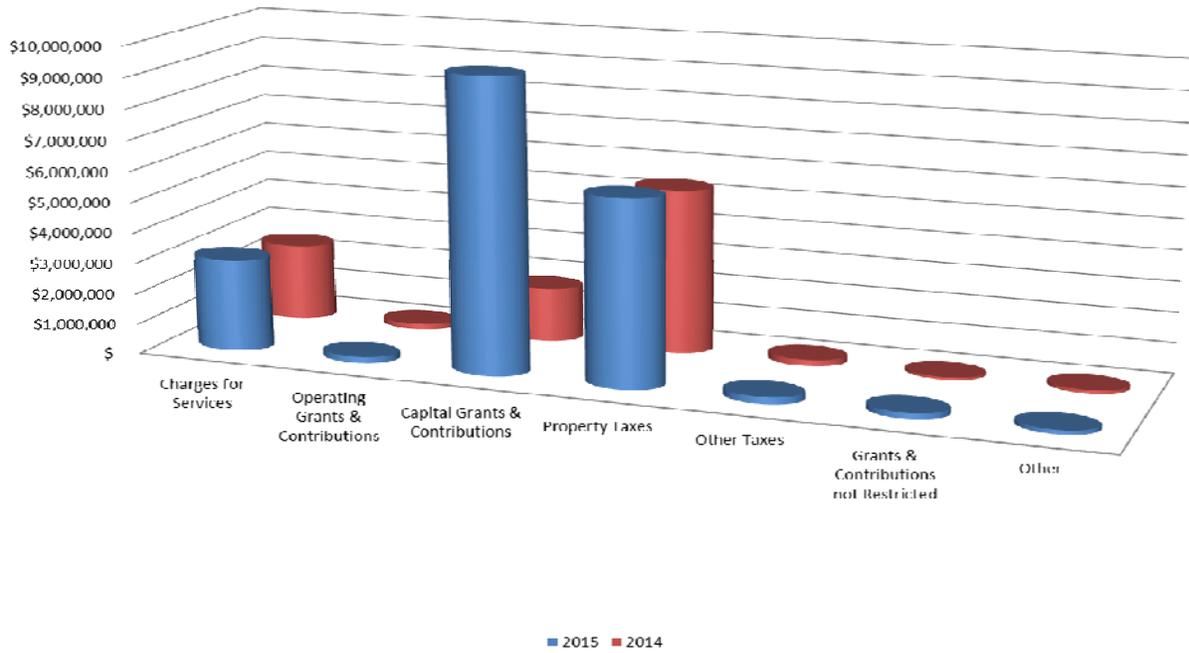
Net Pension Asset	\$ 291,466
Deferred Outflow of Resources	\$ 352,874
Net Pension Liability	\$ (2,124,833)
Deferred Inflow of Resources	\$ (172,810)
Total:	\$ (1,653,303)

Governmental activities. Net position of the City's governmental activities increased \$2,365,496 during 2015. The primary reasons for the escalation were increased property tax collections and building permit revenues along with capital contributions and grants to major infrastructure improvements.

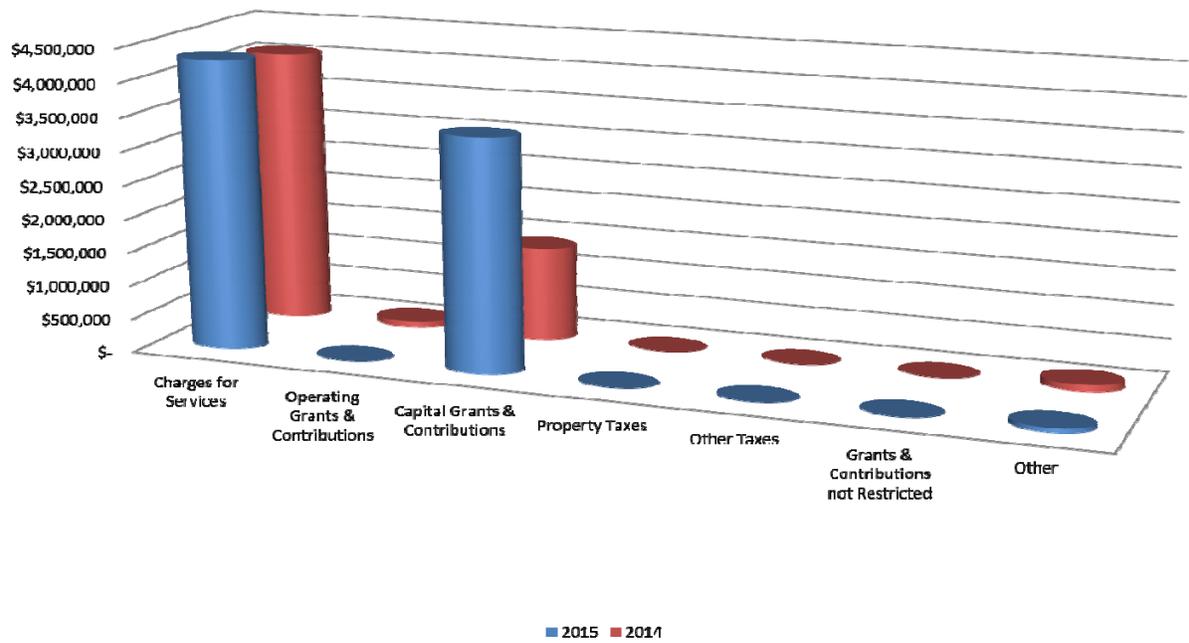
Business-type activities. Business-type activities increased the City's net position by \$1,304,743, compared to the previous year's increase in net position of \$39,075. Because user fees are not intended to cover depreciation expense, operating losses of the enterprise funds totaled \$2,156,180 during 2015. These losses were offset by increased operating and capital grants and contributions, decreased interest expense, and additional connection charge revenues.

Net Position Changes	Governmental Activities		Business-Type Activities		Totals	
	2015	2014	2015	2014	2015	2014
Revenues						
Program Revenues						
Charges for Services	\$ 3,012,714	\$ 2,497,197	\$ 4,301,772	\$ 4,078,937	\$ 7,314,486	\$ 6,576,134
Operating Grants & Contributions	\$ 194,478	\$ 182,910	\$ -	\$ 83,610	\$ 194,478	\$ 266,520
Capital Grants & Contributions	\$ 9,517,760	\$ 1,783,440	\$ 3,443,339	\$ 1,394,858	\$ 12,961,099	\$ 3,178,298
General Revenues						
Property Taxes	\$ 6,043,541	\$ 5,389,061	\$ -	\$ -	\$ 6,043,541	\$ 5,389,061
Other Taxes	\$ 221,490	\$ 205,500	\$ -	\$ -	\$ 221,490	\$ 205,500
Grants & Contributions not Restricted	\$ 185,594	\$ 79,864	\$ -	\$ -	\$ 185,594	\$ 79,864
Other	\$ 128,014	\$ 105,597	\$ 60,555	\$ 96,733	\$ 188,569	\$ 202,330
Total Revenues	\$ 19,303,591	\$ 10,243,569	\$ 7,805,666	\$ 5,654,138	\$ 27,109,257	\$ 15,897,707
Expenses						
General Government	\$ 2,767,624	\$ 2,764,182	\$ -	\$ -	\$ 2,767,624	\$ 2,764,182
Public Safety	\$ 1,502,182	\$ 1,326,991	\$ -	\$ -	\$ 1,502,182	\$ 1,326,991
Public Works	\$ 9,195,800	\$ 3,760,921	\$ -	\$ -	\$ 9,195,800	\$ 3,760,921
Culture & Recreation	\$ 2,115,755	\$ 2,260,923	\$ -	\$ -	\$ 2,115,755	\$ 2,260,923
Economic Development	\$ 245,199	\$ 224,046	\$ -	\$ -	\$ 245,199	\$ 224,046
Interest on Long-term Debt	\$ 656,535	\$ 537,347	\$ -	\$ -	\$ 656,535	\$ 537,347
Water	\$ -	\$ -	\$ 2,373,460	\$ 1,766,523	\$ 2,373,460	\$ 1,766,523
Sewer	\$ -	\$ -	\$ 2,558,513	\$ 2,255,953	\$ 2,558,513	\$ 2,255,953
Storm Water	\$ -	\$ -	\$ 1,003,865	\$ 888,627	\$ 1,003,865	\$ 888,627
Street Lights	\$ -	\$ -	\$ 200,617	\$ 210,961	\$ 200,617	\$ 210,961
Ice Arena	\$ -	\$ -	\$ 819,468	\$ 777,649	\$ 819,468	\$ 777,649
Total Expenses	\$ 16,483,095	\$ 10,874,410	\$ 6,955,923	\$ 5,899,713	\$ 23,439,018	\$ 16,774,123
Increase (Decrease) in Net Position before Transfers	\$ 2,820,496	\$ (630,841)	\$ 849,743	\$ (245,575)	\$ 3,670,239	\$ (876,416)
Transfers	\$ (455,000)	\$ (284,650)	\$ 455,000	\$ 284,650	\$ -	\$ -
Increase (Decrease) in Net Position	\$ 2,365,496	\$ (915,491)	\$ 1,304,743	\$ 39,075	\$ 3,670,239	\$ (876,416)
Restatement/Prior Period	\$ 927,224	\$ -	\$ 4,066,162	\$ -	\$ 4,993,386	\$ -
Net Position January 1	\$ 59,524,536	\$ 59,512,803	\$ 30,662,126	\$ 26,556,889	\$ 90,186,662	\$ 86,069,692
Net Position December 31	\$ 61,890,032	\$ 58,597,312	\$ 31,966,869	\$ 26,595,964	\$ 93,856,901	\$ 85,193,276

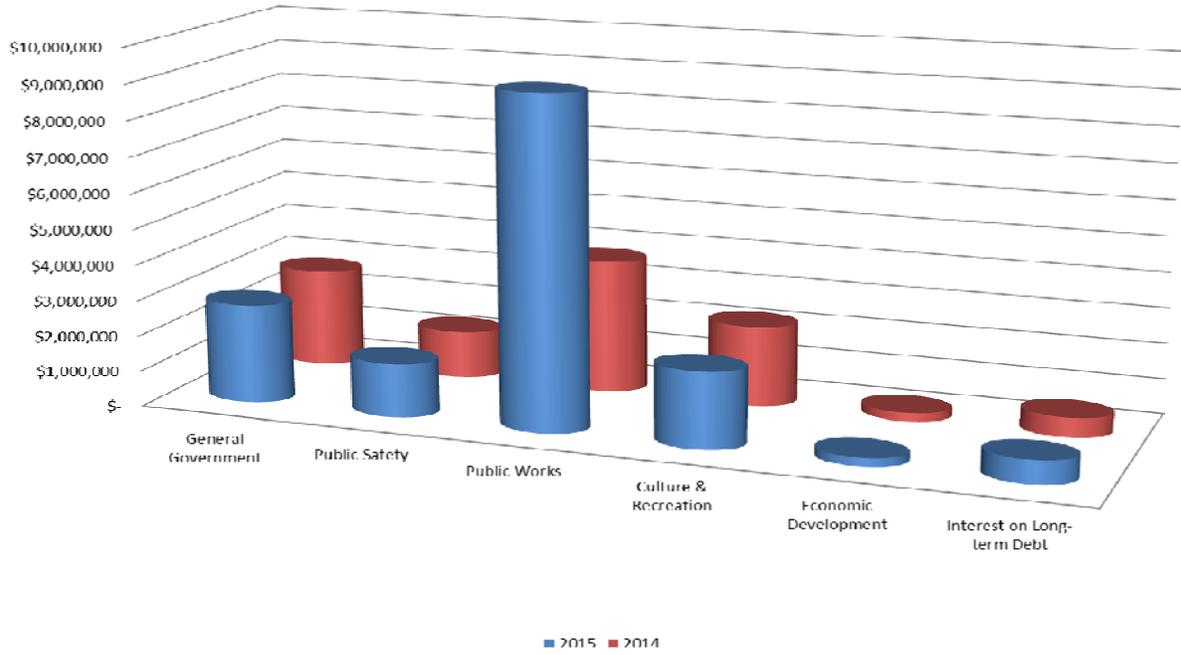
Revenues - Governmental Activities



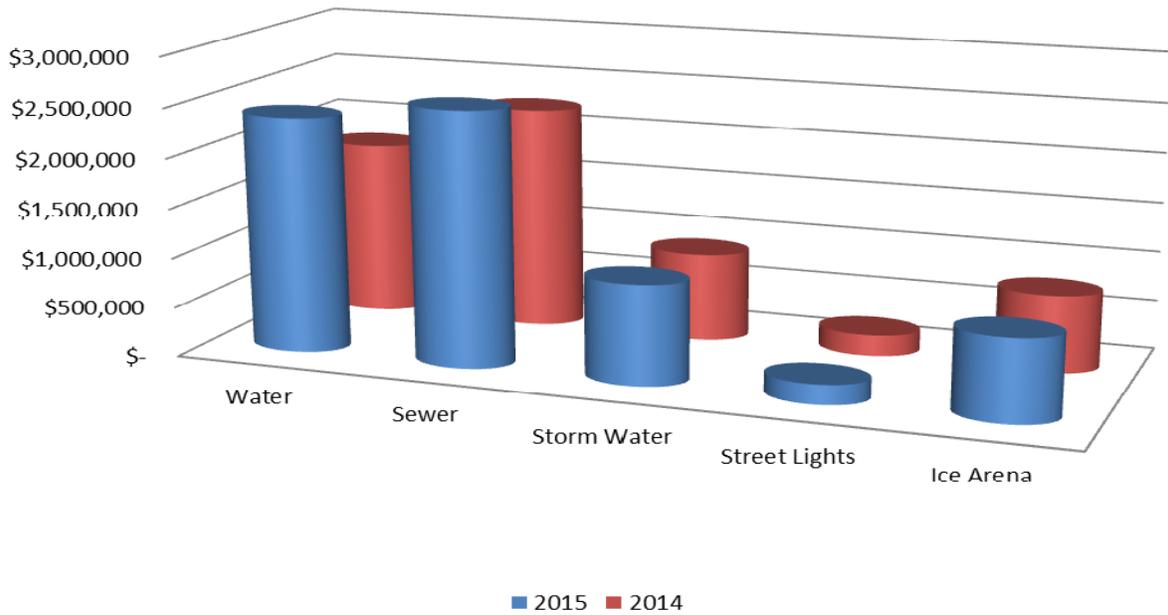
Revenues - Business Activities



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 \$11,569,779. Approximately \$1,562,387 of this total amount or 14% constitutes of 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 \$3,334,850. 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 \$41,696. 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 48% of total General Fund expenditures. The General Fund increased fund balance by \$363,855 during the current fiscal year. The increase is due to higher than anticipated general property tax collections and building permit revenue.

Safari Island Fund Analysis

The Safari Island Fund decreased fund balance by \$28,259 during the current fiscal year. The decrease is due to lower than anticipated revenues for memberships, rentals, programs, and registration fees. This fund continues to be supported by the General Fund with interfund transfers for operations. The City is working with a new management company in 2016 to continue to build revenues at the facility and reduce the General Fund transfer.

Permanent Improvement Revolving Capital Project Fund Analysis

The Permanent Improvement Revolving Capital Project Fund increased fund balance by \$3,178,920 during the current fiscal year. The increase is due to unfinished project costs at the end of 2015 on the Highway 5 corridor expansion project. The project had substantial work to be completed at the close of the year. Work is planned to be completed on the project in the summer of 2016.

Permanent Improvement Debt Service Fund Analysis

The Permanent Improvement Debt Service Fund decreased fund balance by \$949,762 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 in addition to payment to a refunded bond escrow for the 2015C bond.

Proprietary funds. The City of Waconia's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail. The total unrestricted net position of all of the propriety funds totals \$4,958,009. Total unrestricted net position decreased 8% from 2014.

Water Utility Fund Analysis

Unrestricted net position of the Water Utility Fund at the end of the year amounted to \$2,104,910. This is a decrease of \$236,076 from 2014 after accounting for the prior period adjustment relating to the net pension liability. The decrease is due to using unrestricted resources on hand at the end of 2014 to acquire capital assets in 2015 (the fund's net investment in capital assets increased \$376,533 during 2015).

Sewer Utility Fund Analysis

Unrestricted net position of the Sewer Utility Fund at the end of the year amounted to \$2,461,709. This is an increase of \$129,350 from 2014 after accounting for the prior period adjustment relating to the next pension liability. The primary reason for the increase was because connection charges exceeded the fund's operating loss plus interest expense. Connection charge revenue increased \$459,246 from 2014.

Storm Water Utility Fund Analysis

Unrestricted net position of the Storm Water Utility Fund at the end of the year amounted to \$191,255. This is a decrease of \$60,571 from 2014. The decrease is due to increased maintenance and construction costs to storm water infrastructure. 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 \$252,173. This is an increase of \$37,925 from 2014. 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 -\$52,038. This is an increase of \$11,869 from 2014. The Ice Arena's loss before transfers was \$39,191 greater than 2014. However, the fund receives a transfer to subsidize operations, and that transfer increased \$58,000 from the prior year.

General Fund Budgetary Highlights

There were 9 budget amendments to the General Fund in 2015. Major budget amendments were made to for an increase in interfund transfers in from the water and sewer utility funds to the general fund to assist in the payment of credit card fees. Also, an amendment was posted to increase building permit revenue and building inspection contract service fees due to the unanticipated building activity that occurred in 2015.

The actual General Fund expenditures of \$4,251,122 were \$51,849 over the General Fund budget of \$4,199,273. The primary reason for this variance was increased costs for building inspections due to the increase in building permit activity.

The overall transfers-out total \$1,533,000 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, 2015, amount to \$116,842,513 (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 increase in the City of Waconia's overall value of capital assets for the current fiscal year was 6.98%. The increase is due to a prior period adjustment that accounted for infrastructure assets donated to the City by developers in 2004-2009.

Major capital asset information for the current fiscal year follows:

Capital Assets	Governmental Activities		Business-Type Activities		Total	
	2015	2014	2015	2014	2015	2014
Land	\$ 5,272,487	\$ 4,996,187	\$ 206,045	\$ 206,045	\$ 5,478,532	\$ 5,202,232
Permanent Easements	\$ 1,339,424	\$ 293,800	\$ -	\$ -	\$ 1,339,424	\$ 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	\$ 1,615,515	\$ 1,391,659	\$ 770,465	\$ 415,636	\$ 2,385,980	\$ 1,807,295
Vehicles	\$ 3,310,244	\$ 3,401,003	\$ 719,601	\$ 611,001	\$ 4,029,845	\$ 4,012,004
Infrastructure	\$ 49,114,636	\$ 46,066,797	\$ 42,081,092	\$ 40,696,820	\$ 91,195,728	\$ 86,763,617
Construction in Progress	\$ 5,893,521	\$ 2,758,416	\$ 5,014,132	\$ 1,502,351	\$ 10,907,653	\$ 4,260,767
Accumulated Depreciation	\$ (48,733,447)	\$ (44,954,912)	\$ (19,434,448)	\$ (17,841,704)	\$ (68,167,895)	\$ (62,796,616)
Total Capital Assets	\$ 70,965,811	\$ 67,106,381	\$ 45,876,702	\$ 42,109,964	\$ 116,842,513	\$ 109,216,345

Additional information on the City of Waconia's capital assets can be found in Note 6 of this report. Beginning balances have been restated due to the prior period adjustment. Details of the prior period adjustment can be found in Note 19 of this report.

Long-Term Debt. At the end of the current fiscal year, the City of Waconia had total debt outstanding of \$46,854,230. Of this amount \$13,865,330 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 \$32,630,259 and compensated absences of \$358,641. During the current fiscal year, the City's total long-term debt increased by

\$3,730,096. The City issued \$9,160,000 of general obligation bonds and \$1,175,000 of temporary general obligation bonds to finance work completed with the 2015 infrastructure projects and Highway 5 corridor expansion project. Total principal payments of \$6,896,407; this total includes a \$3,670,000 payment using proceeds from the 2013A refunding bonds. An additional \$4,011,132 of cash is held in escrow to advance refund one additional bond in 2016.

Long-Term Debt	Governmental Activities		Business Activities		Total	
	2015	2014	2015	2014	2015	2014
Bonded Debt						
General Obligation Debt	\$ 8,545,000	\$ 3,305,000	\$ -	\$ -	\$ 8,545,000	\$ 3,305,000
Special Assessment Debt with Governmental Commitment	\$ 13,865,330	\$ 9,531,734	\$ -	\$ -	\$ 13,865,330	\$ 9,531,734
Public Project Revenue Bonds	\$ 985,067	\$ 5,949,229	\$ 4,205,911	\$ 4,483,157	\$ 5,190,978	\$ 10,432,386
G.O. Revenue Bonds	\$ -	\$ -	\$ 18,894,281	\$ 19,527,155	\$ 18,894,281	\$ 19,527,155
Total Bonded Debt	\$ 23,395,397	\$ 18,785,963	\$ 23,100,192	\$ 24,010,312	\$ 46,495,589	\$ 42,796,275
Compensated Absences	\$ 218,733	\$ 209,401	\$ 139,908	\$ 118,458	\$ 358,641	\$ 327,859
Total Long-Term Debt	\$ 23,614,130	\$ 18,995,364	\$ 23,240,100	\$ 24,128,770	\$ 46,854,230	\$ 43,124,134

- The City of Waconia will be paying approximately \$8,121,005 in principal payments in 2016.
- The City of Waconia received an enhanced bond rating in 2015. The City's bond rating was increased from a AA rating to a 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 \$33,753,246. The City of Waconia's current outstanding general obligation debt of \$8,545,000 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.

2016 Budget and Rate Information

The following factors were considered in preparing the City of Waconia's budget for the 2016 fiscal year.

- The City's 2016 Taxable Market Value increased to \$1,160,365,600 up 7.53% from the previous year's market values and the Net Total Tax Capacity increased to \$11,906,267, up 8%.
- The City of Waconia prepared its 2016 General Fund budget of \$5,883,045 for a 2.8% increase in projected General Fund expenditures including interfund transfers out to other funds.
- The City tax rate increased from 48.780% to 49.267% for a 1.00% increase for 2016 and the average valued home realized a minimal city tax bill increase if their valuation remained the same.

Requests for Information

This financial report is designed to provide a general overview of the City of Waconia's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or 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
December 31, 2015

Statement 1

	Primary Government		Total
	Governmental Activities	Business-Type Activities	
Assets:			
Cash and investments	\$11,803,924	\$5,232,731	\$17,036,655
Restricted cash in escrow	-	4,011,133	4,011,133
Accrued interest receivable	31,221	-	31,221
Due from other governmental units	423,136	135,824	558,960
Accounts receivable - net	274,356	395,864	670,220
Internal balances	(500,000)	500,000	-
Prepaid items	155,686	53,493	209,179
Property taxes receivable	68,851	-	68,851
Special assessments receivable	3,962,907	-	3,962,907
Notes receivable - net	764,778	833,678	1,598,456
Land held for resale	750,000	-	750,000
Net pension asset	291,466	-	291,466
Capital assets - nondepreciable	12,505,432	5,220,177	17,725,609
Capital assets - net of accumulated depreciation	58,460,379	40,656,525	99,116,904
Total assets	88,992,136	57,039,425	146,031,561
Deferred outflows of resources:			
Deferred pension outflows	279,214	73,660	352,874
Debt refunding	226,470	-	226,470
Total deferred outflows of resources	505,684	73,660	579,344
Liabilities:			
Accounts payable	740,721	585,219	1,325,940
Due to other governmental units	12,124	1,030	13,154
Salaries and benefits payable	25,334	6,955	32,289
Contracts payable	718,156	477,499	1,195,655
Deposits payable	397,579	-	397,579
Accrued interest payable	215,290	217,067	432,357
Unearned revenue	27,083	-	27,083
Other post employment benefits:			
Due in more than one year	115,436	62,638	178,074
Net pension liability:			
Due in more than one year	1,606,436	518,397	2,124,833
Long-term liabilities:			
Due within one year	3,093,295	5,235,787	8,329,082
Due in more than one year	20,520,835	18,004,313	38,525,148
Total liabilities	27,472,289	25,108,905	52,581,194
Deferred inflows of resources related to pensions	135,499	37,311	172,810
Net position:			
Net investment in capital assets	47,570,414	26,906,510	74,476,924
Restricted for:			
Debt service	6,297,467	-	6,297,467
Economic development loans	1,327,357	-	1,327,357
Capital improvements	2,606,062	102,350	2,708,412
Tax increment purposes	262,227	-	262,227
Other purposes	27,215	-	27,215
Unrestricted	3,799,290	4,958,009	8,757,299
Total net position	\$61,890,032	\$31,966,869	\$93,856,901

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

CITY OF WACONIA, MINNESOTA
STATEMENT OF ACTIVITIES
For The Year Ended December 31, 2015

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>
		<u>Charges For Services</u>
Primary government:		
Governmental activities:		
General government	\$2,767,624	\$775,055
Public safety	1,502,182	1,056,187
Public works	9,195,800	279,157
Parks and recreation	2,115,755	901,565
Economic development	245,199	750
Interest on long-term debt	656,535	-
Total governmental activities	<u>16,483,095</u>	<u>3,012,714</u>
Business-type activities:		
Water	2,373,460	1,392,858
Sewer	2,558,513	1,767,688
Storm water	1,003,865	543,891
Street lighting	200,617	251,831
Ice arena	819,468	345,504
Total business-type activities	<u>6,955,923</u>	<u>4,301,772</u>
Total primary government	<u>\$23,439,018</u>	<u>\$7,314,486</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	Total
\$2,788	\$ -	(\$1,989,781)	\$ -	(\$1,989,781)
155,536	-	(290,459)	-	(290,459)
23,654	9,517,760	624,771	-	624,771
12,500	-	(1,201,690)	-	(1,201,690)
-	-	(244,449)	-	(244,449)
-	-	(656,535)	-	(656,535)
<u>194,478</u>	<u>9,517,760</u>	<u>(3,758,143)</u>	<u>0</u>	<u>(3,758,143)</u>
-	1,178,909	-	198,307	198,307
-	1,211,591	-	420,766	420,766
-	1,052,839	-	592,865	592,865
-	-	-	51,214	51,214
-	-	-	(473,964)	(473,964)
<u>0</u>	<u>3,443,339</u>	<u>0</u>	<u>789,188</u>	<u>789,188</u>
<u>\$194,478</u>	<u>\$12,961,099</u>	<u>(3,758,143)</u>	<u>789,188</u>	<u>(2,968,955)</u>
General revenues:				
Property taxes		6,043,541	-	6,043,541
Tax increment collections		179,949	-	179,949
Lodging taxes		41,541	-	41,541
Grants and contributions not restricted to specific programs		185,594	-	185,594
Unrestricted investment earnings		102,172	51,360	153,532
Gain on disposal of capital assets		25,842	9,195	35,037
Transfers		(455,000)	455,000	-
Total general revenues and transfers		<u>6,123,639</u>	<u>515,555</u>	<u>6,639,194</u>
Change in net position		<u>2,365,496</u>	<u>1,304,743</u>	<u>3,670,239</u>
Net position - January 1, as previously reported		58,597,312	26,595,964	85,193,276
Prior period adjustment		927,224	4,066,162	4,993,386
Net position - January 1, as restated		<u>59,524,536</u>	<u>30,662,126</u>	<u>90,186,662</u>
Net position - December 31		<u>\$61,890,032</u>	<u>\$31,966,869</u>	<u>\$93,856,901</u>

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

CITY OF WACONIA, MINNESOTA

BALANCE SHEET

GOVERNMENTAL FUNDS

December 31, 2015

With Comparative Totals For December 31, 2014

Statement 3

	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'l Funds	Total Governmental Funds	
						2015	2014
Assets							
Cash and investments	\$2,884,908	\$19,149	\$3,384,309	\$2,283,475	\$3,232,083	\$11,803,924	\$7,410,535
Restricted cash in escrow	-	-	-	-	-	-	441,569
Accrued interest receivable	31,221	-	-	-	-	31,221	37,244
Due from other governmental units	52,980	353	350,739	16,929	2,135	423,136	566,497
Accounts receivable - net	255,191	681	13,562	1,200	3,722	274,356	157,079
Due from other funds	-	-	-	-	-	-	175,000
Prepaid items	128,194	20,475	-	-	7,017	155,686	13,143
Property taxes receivable	42,675	-	-	23,994	2,182	68,851	62,856
Special assessments receivable:							
Delinquent	-	-	-	224,390	3,514	227,904	958,702
Deferred	-	-	-	2,505,505	1,229,498	3,735,003	3,485,500
Interfund loan receivable	12,000	-	-	-	-	12,000	14,300
Notes receivable - net	18,806	-	-	-	745,972	764,778	964,690
Land held for resale	-	-	750,000	-	-	750,000	308,000
Total assets	\$3,425,975	\$40,658	\$4,498,610	\$5,055,493	\$5,226,123	\$18,246,859	\$14,595,115
Liabilities, Deferred Inflows of Resources, and Fund Balance							
Liabilities:							
Accounts payable	\$499,821	\$72,780	\$154,268	\$ -	\$13,852	\$740,721	\$697,303
Due to other governmental units	7,814	4,310	-	-	-	12,124	7,955
Salaries and benefits payable	18,571	6,763	-	-	-	25,334	134,838
Contracts payable	-	-	521,017	-	197,139	718,156	50,288
Due to other funds	-	-	-	-	-	-	175,000
Deposits payable	11,132	-	386,447	-	-	397,579	61,777
Interfund loan payable	-	-	-	-	512,000	512,000	514,300
Unearned revenue	27,083	-	-	-	-	27,083	27,083
Total liabilities	564,421	83,853	1,061,732	0	722,991	2,432,997	1,668,544
Deferred inflows of resources:							
Unavailable revenue	42,840	356	-	2,753,887	1,447,000	4,244,083	4,719,283
Fund balance:							
Nonspendable	128,194	20,475	-	-	7,017	155,686	13,143
Restricted	1,057	-	2,606,062	2,301,606	2,430,163	7,338,888	4,845,995
Committed	673,888	-	-	-	-	673,888	692,888
Assigned	-	-	830,816	-	1,008,114	1,838,930	939,666
Unassigned	2,015,575	(64,026)	-	-	(389,162)	1,562,387	1,715,596
Total fund balance (deficit)	2,818,714	(43,551)	3,436,878	2,301,606	3,056,132	11,569,779	8,207,288
Total liabilities, deferred inflows of resources, and fund balance	\$3,425,975	\$40,658	\$4,498,610	\$5,055,493	\$5,226,123	\$18,246,859	\$14,595,115
Fund balance reported above						\$11,569,779	
Amounts reported for governmental activities in the statement of net position are different because:							
Certain assets and deferred outflows of resources used in governmental activities are not current financial resources and, therefore, are not reported in the funds.							
Capital assets						70,965,811	
Net pension asset						291,466	
Deferred outflows of resources related to pensions						279,214	
Deferred outflows of resources resulting from the refunding of debt						226,470	
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						(23,395,397)	
Accrued interest payable						(215,290)	
Compensated absences payable						(218,733)	
Other post employment benefit obligation						(115,436)	
Net pension liability						(1,606,436)	
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						68,851	
Deferred and delinquent special assessments						3,963,426	
Notes receivable						211,806	
Deferred inflows of resources related to pensions are associated with long-term liabilities that are not due and payable in the current period and, therefore, are not reported in the funds.							
						(135,499)	
Net position of governmental activities						\$61,890,032	

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, 2015
With Comparative Totals For The Year Ended December 31, 2014

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	
						2015	2014
Revenues:							
Property taxes	\$3,775,927	\$ -	\$ -	\$2,011,550	\$250,069	\$6,037,546	\$5,429,108
Tax increment collections	-	-	-	-	179,949	179,949	162,335
Lodging taxes	-	-	-	-	41,541	41,541	43,165
Special assessments	-	-	-	790,941	242,714	1,033,655	762,373
Intergovernmental	180,796	-	6,358,059	-	-	6,538,855	1,249,183
Investment income	29,181	-	21,295	6,312	45,384	102,172	105,069
Charges for services	813,318	901,149	264,558	-	22,207	2,001,232	1,787,360
Licenses and permits	961,940	-	-	-	-	961,940	666,867
Fines and forfeits	49,542	-	-	-	-	49,542	42,970
Contributions and donations	4,160	-	12,500	-	99,668	116,328	24,977
Total revenues	5,814,864	901,149	6,656,412	2,808,803	881,532	17,062,760	10,273,407
Expenditures:							
Current:							
General government	1,657,351	-	-	-	21,720	1,679,071	1,679,023
Public safety	1,333,954	-	-	-	-	1,333,954	1,195,215
Public works	872,837	-	227,453	-	384,783	1,485,073	1,199,114
Parks and recreation	367,980	1,222,408	-	-	-	1,590,388	1,781,915
Economic development	19,000	-	-	-	226,199	245,199	224,046
Capital outlay:							
General government	-	-	-	-	-	-	30,939
Public safety	-	-	-	-	93,595	93,595	67,045
Public works	-	-	9,691,425	-	21,331	9,712,756	2,879,849
Parks and recreation	-	-	648,930	-	166,535	815,465	210,070
Debt service:							
Principal	-	-	-	2,255,000	214,162	2,469,162	2,388,925
Interest and fiscal charges	-	-	-	564,013	205,221	769,234	645,158
Payment to refunded bond escrow	-	-	-	436,317	-	436,317	-
Total expenditures	4,251,122	1,222,408	10,567,808	3,255,330	1,333,546	20,630,214	12,301,299
Revenues over (under) expenditures	1,563,742	(321,259)	(3,911,396)	(446,527)	(452,014)	(3,567,454)	(2,027,892)
Other financing sources (uses):							
Bonds issued	-	-	-	4,320,000	6,975,000	11,295,000	1,390,000
Bond premium	-	-	-	164,918	310,180	475,098	28,451
Payment to refunded bond escrow	-	-	-	(4,385,153)	-	(4,385,153)	-
Transfers in	333,113	293,000	7,193,316	-	657,000	8,476,429	3,072,797
Transfers out	(1,533,000)	-	(103,000)	(603,000)	(6,692,429)	(8,931,429)	(3,373,597)
Total other financing sources (uses)	(1,199,887)	293,000	7,090,316	(503,235)	1,249,751	6,929,945	1,117,651
Net change in fund balance	363,855	(28,259)	3,178,920	(949,762)	797,737	3,362,491	(910,241)
Fund balance - January 1	2,454,859	(15,292)	257,958	3,251,368	2,258,395	8,207,288	9,117,529
Fund balance - December 31	\$2,818,714	(\$43,551)	\$3,436,878	\$2,301,606	\$3,056,132	\$11,569,779	\$8,207,288

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

CITY OF WACONIA, MINNESOTA
RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES OF
GOVERNMENTAL FUNDS
For The Year Ended December 31, 2015

Statement 5

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

Net changes in fund balance - total governmental funds (Statement 4)	\$3,362,491
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	(3,906,524)
Capital outlay	10,621,816
Capital outlay not capitalized	(5,488,945)
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:	
Developer contributed infrastructure	2,607,241
Gain (loss) on disposal of capital assets	25,842
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	5,995
Change in deferred and delinquent special assessments	(481,195)
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	(11,770,098)
Repayment of principal	7,290,632
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	96,502
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	(9,332)
Change in other post employment benefits payable	(2,139)
Change in accrued interest payable	16,197
Governmental funds report pension contributions as expenditures, however pension expense is reported in the statement of activities. This is the amount by which pension expense exceeded pension contributions:	
Pension contributions	229,229
Pension expense	(232,216)
Change in net position of governmental activities (Statement 2)	<u><u>\$2,365,496</u></u>

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

	Business-Type Activities Enterprise Funds					Total
	Water (601)	Sewer (602)	Storm Water (655)	Street Light Utility (668)	Ice Arena (678)	
Assets:						
Current assets:						
Cash and cash equivalents	\$2,649,610	\$2,111,033	\$202,049	\$264,897	\$5,142	\$5,232,731
Restricted cash in escrow	4,011,133	-	-	-	-	4,011,133
Due from other governmental units	495	261	135,013	-	55	135,824
Accounts receivable - net	144,018	182,425	45,706	23,479	236	395,864
Prepaid items	13,386	16,565	8,180	3,310	12,052	53,493
Trunk fees receivable - current portion	146,400	77,470	192,969	-	-	416,839
Total current assets	6,965,042	2,387,754	583,917	291,686	17,485	10,245,884
Noncurrent assets:						
Interfund loan receivable	-	500,000	-	-	-	500,000
Trunk fees receivable - noncurrent portion	146,400	77,470	192,969	-	-	416,839
Capital assets:						
Land	74,045	55,000	77,000	-	-	206,045
Buildings	9,880,592	303,447	-	-	6,127,686	16,311,725
Equipment	123,787	500,421	50,770	15,915	79,572	770,465
Improvements	15,408	-	-	192,682	-	208,090
Infrastructure	16,202,343	13,963,729	11,915,020	-	-	42,081,092
Vehicles	223,866	446,357	49,378	-	-	719,601
Construction in progress	1,270,810	1,122,160	2,621,162	-	-	5,014,132
Total capital assets	27,790,851	16,391,114	14,713,330	208,597	6,207,258	65,311,150
Less: Allowance for depreciation	(8,665,145)	(5,125,142)	(4,271,427)	(133,143)	(1,239,591)	(19,434,448)
Net capital assets	19,125,706	11,265,972	10,441,903	75,454	4,967,667	45,876,702
Total assets	26,237,148	14,231,196	11,218,789	367,140	4,985,152	57,039,425
Deferred outflows of resources related to pensions	26,206	24,747	20,494	2,213	-	73,660
Liabilities:						
Current liabilities:						
Accounts payable	443,463	55,448	49,748	19,788	16,772	585,219
Due to other governmental units	797	-	-	-	233	1,030
Salaries and benefits payable	1,368	2,289	1,466	-	1,832	6,955
Contracts payable	67,812	84,623	325,064	-	-	477,499
Accrued interest payable	137,921	44,727	26,505	-	7,914	217,067
Compensated absences payable - current	19,527	19,298	17,225	2,236	29,862	88,148
Bonds payable - current	4,463,679	362,979	33,875	-	287,106	5,147,639
Total current liabilities	5,134,567	569,364	453,883	22,024	343,719	6,523,557
Noncurrent liabilities:						
Compensated absences payable	17,341	17,138	15,296	1,985	-	51,760
Other post employment benefits	16,806	15,693	16,205	1,024	12,910	62,638
Net pension liability	184,429	174,161	144,235	15,572	-	518,397
Bonds payable	7,280,645	4,688,745	2,064,358	-	3,918,805	17,952,553
Total noncurrent liabilities	7,499,221	4,895,737	2,240,094	18,581	3,931,715	18,585,348
Total liabilities	12,633,788	5,465,101	2,693,977	40,605	4,275,434	25,108,905
Deferred inflows of resources related to pensions	13,274	12,535	10,381	1,121	-	37,311
Net position:						
Net investment in capital assets	11,511,382	6,214,248	8,343,670	75,454	761,756	26,906,510
Restricted for capital improvements	-	102,350	-	-	-	102,350
Unrestricted	2,104,910	2,461,709	191,255	252,173	(52,038)	4,958,009
Total net position	\$13,616,292	\$8,778,307	\$8,534,925	\$327,627	\$709,718	\$31,966,869

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

CITY OF WACONIA, MINNESOTA
STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
For The Year Ended December 31, 2015

Statement 7

	Business-Type Activities Enterprise Funds					Total
	Water (601)	Sewer (602)	Storm Water (655)	Street Light Utility (668)	Ice Arena (678)	
Operating revenues:						
Charges for services	\$1,309,154	\$1,765,786	\$538,346	\$241,831	\$295,504	\$4,150,621
Operating expenses:						
Wages and salaries	227,667	216,154	186,350	18,088	227,452	875,711
Employee benefits	93,839	87,620	71,172	5,883	71,684	330,198
Materials and supplies	627,236	19,497	35,395	13,680	6,628	702,436
Repairs and maintenance	60,748	60,646	8,930	4,541	41,215	176,080
Professional services	113,948	1,502,178	317,316	1,501	19,466	1,954,409
Insurance	11,126	16,750	7,205	3,527	5,352	43,960
Utilities	102,803	37,106	1,396	138,646	87,436	367,387
Depreciation	754,994	467,610	315,604	13,470	156,651	1,708,329
Equipment	38,576	14,739	382	-	31,439	85,136
Miscellaneous	22,833	15,150	3,715	1,281	20,176	63,155
Total operating expenses	2,053,770	2,437,450	947,465	200,617	667,499	6,306,801
Operating income (loss)	(744,616)	(671,664)	(409,119)	41,214	(371,995)	(2,156,180)
Nonoperating revenues (expenses):						
Investment income	25,553	20,964	3,224	1,619	-	51,360
Other income	83,704	1,902	5,545	10,000	50,000	151,151
Interest and fiscal charges	(319,690)	(121,063)	(56,400)	-	(151,969)	(649,122)
Gain on disposal of capital assets	4,597	4,598	-	-	-	9,195
Total nonoperating revenues (expenses)	(205,836)	(93,599)	(47,631)	11,619	(101,969)	(437,416)
Income (loss) before contributions and transfers	(950,452)	(765,263)	(456,750)	52,833	(473,964)	(2,593,596)
Transfers in	-	-	-	-	686,000	686,000
Transfers out	(88,000)	(88,000)	(55,000)	-	-	(231,000)
Capital contributions:						
Connection charges	906,889	950,036	657,776	-	-	2,514,701
Contributions of capital assets	272,020	261,555	260,063	-	-	793,638
Capital grants	-	-	135,000	-	-	135,000
Total contributions and transfers	1,090,909	1,123,591	997,839	0	686,000	3,898,339
Change in net position	140,457	358,328	541,089	52,833	212,036	1,304,743
Net position - January 1, as previously reported	12,167,652	7,144,039	6,497,859	288,732	497,682	26,595,964
Prior period adjustment	1,308,183	1,275,940	1,495,977	(13,938)	-	4,066,162
Net position - January 1, as restated	13,475,835	8,419,979	7,993,836	274,794	497,682	30,662,126
Net position - December 31	\$13,616,292	\$8,778,307	\$8,534,925	\$327,627	\$709,718	\$31,966,869

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, 2015

Statement 8

	Business-Type Activities Enterprise Funds					Total
	Water (601)	Sewer (602)	Storm Water (655)	Street Light Utility (668)	Ice Arena (678)	
Cash flows from operating activities:						
Receipts from customers and users	\$1,266,712	\$1,757,479	\$431,759	\$239,694	\$266,181	\$3,961,825
Payment to suppliers	(518,597)	(1,666,610)	(39,045)	(170,931)	(226,971)	(2,622,154)
Payment to employees	(310,340)	(291,718)	(251,210)	(23,622)	(299,649)	(1,176,539)
Miscellaneous revenue	83,704	1,902	5,545	10,000	50,000	151,151
Net cash flows from operating activities	521,479	(198,947)	147,049	55,141	(210,439)	314,283
Cash flows from noncapital financing activities:						
Transfer from other funds	-	-	-	-	686,000	686,000
Transfer to other funds	(88,000)	(88,000)	(55,000)	-	-	(231,000)
Net cash flows from noncapital financing activities	(88,000)	(88,000)	(55,000)	0	686,000	455,000
Cash flows from capital and related financing activities:						
Principal paid on debt	(435,000)	(3,715,000)	-	-	(277,246)	(4,427,246)
Interest and fiscal charges paid on debt	(329,280)	(179,908)	(33,179)	-	(152,491)	(694,858)
Connection charges	614,089	795,096	271,838	-	-	1,681,023
Capital grants	-	-	135,000	-	-	135,000
Bond proceeds, including bond premium	790,109	905,992	1,843,589	-	-	3,539,690
Acquisition of capital assets	(1,196,351)	(1,010,697)	(2,371,174)	(14,440)	(79,572)	(4,672,234)
Net cash flows from capital and related financing activities	(556,433)	(3,204,517)	(153,926)	(14,440)	(509,309)	(4,438,625)
Cash flows from investing activities:						
Investment income	25,553	20,964	3,224	1,619	-	51,360
Net increase (decrease) in cash and cash equivalents	(97,401)	(3,470,500)	(58,653)	42,320	(33,748)	(3,617,982)
Cash and cash equivalents - January 1	6,758,144	5,581,533	260,702	222,577	38,890	12,861,846
Cash and cash equivalents - December 31	\$6,660,743	\$2,111,033	\$202,049	\$264,897	\$5,142	\$9,243,864
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:						
Operating income (loss)	(\$744,616)	(\$671,664)	(\$409,119)	\$41,214	(\$371,995)	(\$2,156,180)
Adjustments to reconcile operating income (loss) to net cash flows from operating activities:						
Miscellaneous revenue	83,704	1,902	5,545	10,000	50,000	151,151
Depreciation	754,994	467,610	315,604	13,470	156,651	1,708,329
Changes in assets, liabilities, deferred outflows and inflows:						
Decrease (increase) in receivables	(42,442)	(8,307)	(106,587)	(2,137)	677	(158,796)
Decrease (increase) in prepaid items	(9,790)	(12,969)	(8,180)	(3,310)	(12,052)	(46,301)
Decrease (increase) in deferred outflows of resources	(18,812)	(17,765)	(14,711)	(1,589)	-	(52,877)
Increase (decrease) in payables	407,931	(62,937)	27,846	(4,445)	(3,207)	365,188
Increase (decrease) in salaries and benefits payable	(7,657)	(6,519)	(7,071)	(690)	(8,927)	(30,864)
Increase (decrease) in contracts payable	60,532	75,362	315,628	-	-	451,522
Increase (decrease) in compensated absences	7,534	7,363	2,304	468	3,781	21,450
Increase (decrease) in other post employment benefits	4,867	5,148	6,057	29	4,633	20,734
Increase (decrease) in net pension liability	11,960	11,294	9,352	1,010	-	33,616
Increase (decrease) in unearned revenue	-	-	-	-	(30,000)	(30,000)
Increase (decrease) in deferred inflows of resources	13,274	12,535	10,381	1,121	-	37,311
Total adjustments	1,266,095	472,717	556,168	13,927	161,556	2,470,463
Net cash provided by operating activities	\$521,479	(\$198,947)	\$147,049	\$55,141	(\$210,439)	\$314,283

Noncash investing, capital and financing activities:

During 2015, capital assets in the amount of \$272,020, \$261,555 and \$260,063 were contributed to the Water, Sewer and Storm Water funds, respectively.

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.

CITY OF WACONIA, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
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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
NOTES TO FINANCIAL STATEMENTS
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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 2015, expenditures of the following funds exceeded the fund’s final budget:

	Actual	Final Budget	Overage
General fund	\$4,251,122	\$4,199,273	\$51,849
Revolving loan	16,950	12,700	4,250
Lodging tax	44,087	41,900	2,187

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, 2015, 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 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 plus deferred outflows of resources and liabilities plus deferred inflows of resources 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. 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, 2014, from which the summarized information was derived.

T. DEFERRED OUTFLOWS/INFLOWS OF RESOURCES

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to a future period and so will *not* be recognized as an outflow of resources (expense/expenditure) until then. The City has two items that qualify for reporting in the category. The first is the pension related deferred outflows of resources reported in the government-wide Statement of Net Position and the proprietary funds Statement of Net Position. The second type of deferred outflow represents the unamortized gain from a bond refunding transaction.

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 pension related deferred inflows of resources reported in the government-wide Statement of Net Position and the proprietary funds Statement of Net Position. The City also has a 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, 2015, \$663,986 of the City's deposits were not covered by federal depository insurance or 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, 2015 the carrying amount of the City's deposits with financial institutions was \$7,802,204.

B. INVESTMENTS

Minnesota Statutes authorize the City to invest in the following:

- a) Direct obligations or obligations guaranteed by the United States or its agencies, its instrumentalities or organizations created by an act of congress, excluding mortgage-backed securities defined as high risk.
- b) Shares of investment companies registered under the Federal Investment Company Act of 1940 and whose only investments are in securities described in (a) above, general obligation tax-exempt securities, or repurchase or reverse repurchase agreements.
- c) State and local securities as follows:
 - 1) any security which is a general obligation of any state or local government with taxing powers which is rated "A" or better by a national bond rating service;
 - 2) any security which is a revenue obligation of any state or local government with taxing powers which is rated "AA" or better by a national bond rating service; and
 - 3) a general obligation of the Minnesota housing finance agency which is a moral obligation of the State of Minnesota and is rated "A" or better by a national bond rating agency.
- d) Bankers acceptance of United States banks.
- e) Commercial paper issued by United States corporations or their Canadian subsidiaries, of the highest quality, and maturing in 270 days or less.
- f) Repurchase or reverse repurchase agreements with banks that are members of the Federal Reserve System with capitalization exceeding \$10,000,000; a primary reporting dealer in U.S. government securities to the Federal Reserve Bank of New York; certain Minnesota securities broker-dealers; or, a bank qualified as a depositor.
- g) General obligation temporary bonds of the same governmental entity issued under section 429.091, subdivision 7; 469.178, subdivision 5; or 475.61, subdivision 6.

CITY OF WACONIA, MINNESOTA
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As of December 31, 2015 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	\$49,970	\$49,970	\$ -	\$ -
Brokered CD's	NR	9,032,866	2,018,228	6,474,109	540,529
Municipal Bonds	Aa2	150,615	150,615	-	-
Total		<u>\$9,233,451</u>	<u>\$2,218,813</u>	<u>\$6,474,109</u>	<u>\$540,529</u>
			Total investments	\$9,233,451	
			Deposits	7,802,204	
			Restricted cash in escrow	4,011,133	
			Petty cash	1,000	
			Total cash and investments	<u>\$21,047,788</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.

CITY OF WACONIA, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
December 31, 2015

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, 2015, 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, 2015, the City was not exposed to concentration of credit risk because individual investments were not equal to or exceeding 5% of the City’s total investment portfolio.

Note 3 RECEIVABLES

Significant receivables balances not expected to be collected within one year of December 31, 2015 are as follows:

	Governmental Activities			
	Major Funds			Total
	General	Permanent Improvement Revolving DSF	Nonmajor Funds	
Special assessments receivable	\$ -	\$2,504,239	\$919,080	\$3,423,319
Property taxes receivable	20,812	11,702	1,064	33,578
Notes receivable	-	-	667,000	667,000
Other receivables	14,000	-	-	14,000
Total	\$34,812	\$2,515,941	\$1,587,144	\$4,137,897

Further details regarding the uncertainty of collection of special assessments receivable can be found at Note 11D. In addition, receivable balances of business-type activities not expected to be collected within one year are shown on the statement of net position – proprietary funds.

CITY OF WACONIA, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
December 31, 2015

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:

	<u>Property Taxes</u>	<u>Special Assessments</u>	<u>Notes Receivable</u>	<u>Delinquent Accounts Receivable</u>	<u>Total</u>
Major Fund:					
General Fund	\$42,675	\$ -	\$ -	\$165	\$42,840
Safari Island Fund	-	-	-	354	354
PIR Debt Service Fund	23,994	2,729,895	-	-	2,753,889
Nonmajor funds	<u>2,182</u>	<u>1,233,012</u>	<u>211,806</u>	<u>-</u>	<u>1,447,000</u>
Total unavailable revenue	<u>\$68,851</u>	<u>\$3,962,907</u>	<u>\$211,806</u>	<u>\$519</u>	<u>\$4,244,083</u>

Note 5 DUE TO/FROM OTHER FUNDS, INTERFUND LOANS AND TRANSFERS

Amounts reported as interfund loan receivable/payable at December 31, 2015 are as follows:

	<u>Interfund Loan Receivable</u>	<u>Interfund Loan Payable</u>
Major Funds:		
General Fund	\$12,000	\$ -
Sewer Fund	500,000	-
Nonmajor Funds:		
TIF #2 Auburn Homes	-	1,000
TIF #3 Cherry Street	-	1,000
TIF #4 Pine Business Park	-	10,000
Clearwater Shores HIA	<u>-</u>	<u>500,000</u>
Total	<u>\$512,000</u>	<u>\$512,000</u>

Amounts owed by the TIF districts will be repaid to the General Fund as sufficient tax increment revenue is received. Assessments owed from property owners in the Clearwater Shores Association are scheduled to be collected beginning in 2016 and will be used to 1) pay construction costs and 2) repay the \$500,000 interfund loan. No interfund loan repayments are expected to occur during 2016.

CITY OF WACONIA, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
December 31, 2015

Interfund transfers made during 2015 are summarized as follows:

	<u>Transfers In</u>	<u>Transfers Out</u>
Major Funds:		
General Fund	\$333,113	\$1,533,000
Safari Island	293,000	-
PIR Capital	7,193,316	103,000
PIR Debt Service	-	603,000
Water Utility	-	88,000
Sewer Utility	-	88,000
Storm Water Utility	-	55,000
Ice Arena	686,000	-
Nonmajor Funds	<u>657,000</u>	<u>6,692,429</u>
 Total	 <u><u>\$9,162,429</u></u>	 <u><u>\$9,162,429</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. A transfer was also made from the PIR Capital Project Fund to the Ice Arena Fund to provide for equipment purchases. 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, \$6,690,316 was transferred from the 2015A and 2015B nonmajor debt service funds to the PIR Capital fund to finance project costs.

CITY OF WACONIA, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
December 31, 2015

Note 6 CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2015 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	\$276,300	\$ -	\$5,272,487
Permanent easements	293,800	1,045,624	-	1,339,424
Construction in progress	2,758,416	5,170,471	2,035,366	5,893,521
Total capital assets, not being depreciated	<u>8,048,403</u>	<u>6,492,395</u>	<u>2,035,366</u>	<u>12,505,432</u>
Capital assets, being depreciated:				
Buildings	47,336,003	-	-	47,336,003
Machinery and equipment	1,391,659	272,844	48,988	1,615,515
Improvements	5,817,428	-	-	5,817,428
Infrastructure	46,066,797	3,047,839	-	49,114,636
Vehicles	3,401,003	-	90,759	3,310,244
Total capital assets, not being depreciated	<u>104,012,890</u>	<u>3,320,683</u>	<u>139,747</u>	<u>107,193,826</u>
Less accumulated depreciation for:				
Buildings	15,462,387	1,223,770	-	16,686,157
Machinery and equipment	779,065	133,597	37,230	875,432
Improvements	3,920,711	325,284	-	4,245,995
Infrastructure	22,750,332	2,054,809	-	24,805,141
Vehicles	2,042,417	169,064	90,759	2,120,722
Total accumulated depreciation	<u>44,954,912</u>	<u>3,906,524</u>	<u>127,989</u>	<u>48,733,447</u>
Total capital assets being depreciated - net	<u>59,057,978</u>	<u>(585,841)</u>	<u>11,758</u>	<u>58,460,379</u>
Governmental activities capital assets - net	<u>\$67,106,381</u>	<u>\$5,906,554</u>	<u>\$2,047,124</u>	<u>\$70,965,811</u>

*As restated. See Note 19 for details of a prior period adjustment to capital assets.

CITY OF WACONIA, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
December 31, 2015

	Beginning Balance*	Increases	Decreases	Ending Balance
Business-type activities:				
Capital assets, not being depreciated:				
Land and land improvements	\$206,045	\$ -	\$ -	\$206,045
Construction in progress	1,502,351	4,700,233	1,188,452	5,014,132
Total capital assets, being depreciated	<u>1,708,396</u>	<u>4,700,233</u>	<u>1,188,452</u>	<u>5,220,177</u>
Capital assets, being depreciated:				
Buildings	16,311,725	-	-	16,311,725
Machinery and equipment	415,636	380,271	25,442	770,465
Improvements	208,090	-	-	208,090
Infrastructure	40,696,820	1,384,272	-	42,081,092
Vehicles	611,001	217,548	108,948	719,601
Total capital assets, being depreciated	<u>58,243,272</u>	<u>1,982,091</u>	<u>134,390</u>	<u>60,090,973</u>
Less accumulated depreciation for:				
Buildings	3,734,523	416,828	-	4,151,351
Machinery and equipment	257,022	72,031	12,086	316,967
Improvements	131,633	11,149	-	142,782
Infrastructure	13,271,234	1,133,428	-	14,404,662
Vehicles	447,292	74,893	103,499	418,686
Total accumulated depreciation	<u>17,841,704</u>	<u>1,708,329</u>	<u>115,585</u>	<u>19,434,448</u>
Total capital assets being depreciated - net	<u>40,401,568</u>	<u>273,762</u>	<u>18,805</u>	<u>40,656,525</u>
Business-type activities capital assets - net	<u>\$42,109,964</u>	<u>\$4,973,995</u>	<u>\$1,207,257</u>	<u>\$45,876,702</u>

*As restated. See Note 19 for details of a prior period adjustment to capital assets.

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

Governmental activities:	
General government	\$1,056,632
Public safety	138,150
Public works, including depreciation of general infrastructure assets	2,211,698
Parks and recreation	500,044
Total depreciation expense - governmental activities	<u>\$3,906,524</u>
Business-type activities:	
Water	\$754,994
Sewer	467,610
Storm sewer	315,604
Street lighting	13,470
Ice arena	156,651
Total depreciation expense - business-type activities	<u>\$1,708,329</u>

CITY OF WACONIA, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
December 31, 2015

Note 7 LONG-TERM DEBT

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, 2015, the long-term bonded debt of the financial reporting entity consisted of the following:

	Interest Rates	Issue Date	Maturity Date	Original Issue	Payable 12/31/15
<u>Governmental Activities:</u>					
General Obligation Bonds:					
Capital Improvement Plan Bonds of 2010A	2% - 3.75%	10/13/2010	2/1/2028	\$3,390,000	\$2,585,000
Bonds of 2011A - equipment portion	3.00%	9/13/2011	2/1/2020	730,000	465,000
Street Reconstruction Plan Bonds of 2015B	1.25%	7/9/2015	7/1/2018	1,175,000	1,175,000
Capital Improvement Plan Bonds of 2015C	2.00-3.00%	12/15/2015	2/1/2028	4,320,000	4,320,000
Total general obligation bonds				<u>9,615,000</u>	<u>8,545,000</u>
General Obligation Improvement Bonds:					
Bonds of 2011A - improvement portion	3.00%	9/13/2011	2/1/2018	11,265,000	5,800,000
Bonds of 2014A - improvement portion	2.00%	6/12/2014	2/1/2025	1,390,000	1,390,000
Bonds of 2015A - improvement portion	2.00-4.00%	7/9/2015	2/1/2026	5,800,000	5,800,000
				<u>18,455,000</u>	<u>12,990,000</u>
Public Project Revenue Bonds:					
2007 EDA Public Project Revenue Bonds	4.35% - 4.50%	10/1/2007	10/1/2022	1,838,283	985,067
Unamortized bond premium				1,252,803	875,330
Compensated absences				N/A	218,733
Total governmental activities				<u>\$31,161,086</u>	<u>\$23,614,130</u>
<u>Business-Type Activities:</u>					
General Obligation Revenue Bonds:					
Water Revenue Bonds of 2007B	3.88% - 4.25%	3/1/2007	2/1/2016	\$6,115,000	\$4,250,000
Sewer Revenue Refunding Bonds of 2009A	2.50% - 3.75%	3/24/2009	6/1/2017	470,000	205,000
Water and Sewer Refunding Bonds of 2013A	2.00% - 2.25%	6/12/2013	2/1/2027	9,950,000	9,780,000
Water, Sewer & Storm Revenue Bonds of 2014A	2.00%	6/12/2014	2/1/2025	875,000	875,000
Water, Sewer & Storm Revenue Bonds of 2015A	2.00-4.00%	7/9/2015	2/1/2026	3,360,000	3,360,000
Total G.O. Revenue Bonds				<u>20,770,000</u>	<u>18,470,000</u>
Public Project Revenue Bonds:					
2007 HRA Public Project Revenue Bonds	3.50%	12/11/2007	12/11/2027	6,100,000	4,205,911
Unamortized bond premium				467,600	424,281
Compensated absences				N/A	139,908
Total business-type activities				<u>\$27,337,600</u>	<u>\$23,240,100</u>

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

CITY OF WACONIA, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
December 31, 2015

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
2016	\$595,000	\$163,766	\$2,035,000	\$352,660	\$128,899	\$34,740
2017	555,000	190,919	2,620,000	276,300	133,816	29,822
2018	1,750,000	177,807	2,575,000	204,900	138,921	24,717
2019	580,000	149,719	675,000	162,800	144,222	19,417
2020	595,000	135,991	690,000	146,400	149,724	13,914
2021	505,000	123,225	700,000	126,950	155,436	8,202
2022	520,000	111,409	720,000	107,075	134,049	2,314
2023	530,000	97,406	740,000	83,650	-	-
2024	555,000	81,131	775,000	56,300	-	-
2025	565,000	64,331	795,000	31,125	-	-
2026	580,000	46,881	665,000	9,975	-	-
2027	600,000	28,619	-	-	-	-
2028	615,000	9,666	-	-	-	-
Total	<u>\$8,545,000</u>	<u>\$1,380,870</u>	<u>\$12,990,000</u>	<u>\$1,558,135</u>	<u>\$985,067</u>	<u>\$133,126</u>

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

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

CITY OF WACONIA, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
December 31, 2015

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
2016	\$4,820,000	\$409,905	\$287,106	\$142,630
2017	1,225,000	297,925	297,318	132,419
2018	1,255,000	272,399	307,893	121,844
2019	1,280,000	246,200	318,843	110,893
2020	1,255,000	218,838	330,184	99,553
2021	1,300,000	190,062	341,927	87,810
2022	1,320,000	160,537	354,089	75,648
2023	1,360,000	128,562	366,682	63,054
2024	1,400,000	93,862	379,724	50,012
2025	1,445,000	59,937	393,230	36,507
2026	1,385,000	26,588	407,216	22,521
2027	425,000	4,781	421,699	8,038
Total	<u>\$18,470,000</u>	<u>\$2,109,596</u>	<u>\$4,205,911</u>	<u>\$950,929</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, 2015, was as follows:

	Balance 12/31/14	Additions	Reductions	Balance 12/31/15	Due Within One Year
<u>Governmental Activities:</u>					
General Obligation bonds	\$3,305,000	\$5,495,000	\$255,000	\$8,545,000	\$595,000
G.O. Improvement bonds	9,035,000	5,800,000	1,845,000	12,990,000	2,035,000
Public Project Revenue bonds	5,949,229	-	4,964,162	985,067	128,899
Unamortized bond premium	496,734	475,098	96,502	875,330	141,263
Compensated absences	209,401	196,735	187,403	218,733	193,133
Total governmental activities	<u>\$18,995,364</u>	<u>\$11,966,833</u>	<u>\$7,348,067</u>	<u>\$23,614,130</u>	<u>\$3,093,295</u>
<u>Business-Type Activities:</u>					
G.O. Revenue bonds	\$19,260,000	\$3,360,000	\$4,150,000	\$18,470,000	\$4,820,000
Public Project Revenue bonds	4,483,157	-	277,246	4,205,911	287,106
Unamortized bond premium	267,155	179,690	22,564	424,281	40,533
Compensated absences	118,458	105,336	83,886	139,908	88,148
Total business type activities	<u>\$24,128,770</u>	<u>\$3,645,026</u>	<u>\$4,533,696</u>	<u>\$23,240,100</u>	<u>\$5,235,787</u>

CITY OF WACONIA, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
December 31, 2015

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 were 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 were 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 \$4,011,133 at December 31, 2015.

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:

<u>Year Ending December 31,</u>	<u>Refunded Bonds Total</u>	<u>Refunding Bonds Total</u>	<u>Debt Service Commitment</u>	
			<u>Escrow Account</u>	<u>City</u>
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>\$4,337,431</u>	<u>\$11,028,270</u>	<u>\$4,017,350</u>	<u>\$11,348,351</u>

CITY OF WACONIA, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
December 31, 2015

ADVANCE REFUNDING

On December 15, 2015, the City issued \$4,320,000 of General Obligation Capital Improvement Plan Bonds, Series 2015C with an average interest rate of 2.75% to advance refund \$4,595,000 of EDA Public Project Revenue Bonds, Series 2007C, with an average interest rate of 3.97%. The net proceeds of \$4,385,153 plus \$436,317 of cash on hand were used to purchase U.S. Government Securities. Those securities were deposited in an irrevocable trust with an escrow agent to provide for payment of the principal and interest.

The City advance refunded the EDA Public Project Revenue Bonds of 2007C to reduce its total debt service payments over the last twenty two years of the bonds by \$472,234 and to obtain an economic gain (difference between the present value of the debt service payments on the old and new debt) of \$414,786. The amount of bonds defeased at December 31, 2015 was \$4,595,000.

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, 2015, 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.

CITY OF WACONIA, MINNESOTA
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December 31, 2015

REVENUE PLEDGED

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

Bond Issue	Use of Proceeds	Revenue Pledged			Remaining Principal and Interest	Current Year	
		Type	Percent of Total Debt Service	Term of Pledge		Principal and Interest Paid	Pledged Revenue Received
2007 HRA Public Project Revenue Bonds	Ice Arena	Arena usage charges WHA commitment *	100%	2008-2027	\$5,156,840	\$429,737	\$345,504
2007 EDA Public Project Revenue Bonds	Community Center	Transfers	100%	2007-2022	\$1,118,193	\$163,638	\$157,000
Sewer Revenue Bonds of 2009A	Infrastructure improvements	Sewer usage charges	100%	2010-2019	\$219,563	\$52,600	\$1,765,786
Improvement Bonds of 2011A	Infrastructure improvements	Special assessments	72%	2011-2018	\$6,061,300	\$2,046,675	\$790,941
Water Revenue Bonds of 2013A	Infrastructure improvements	Water usage charges	100%	2007-2026	\$7,113,587	\$299,950	\$1,309,154
Sewer Revenue Bonds of 2013A	Infrastructure improvements	Sewer usage charges	100%	2007-2025	\$3,914,676	\$300,912	\$1,765,786
Bonds of 2014A - Improvement Portion	Infrastructure improvements	Special assessments	25%	2015-2024	\$1,533,700	\$31,584	\$53,185
Bonds of 2014A - Revenue Portion	Infrastructure improvements	Water, Sewer, Storm Water charges	100%	2015-2024	\$964,650	\$19,882	\$3,613,286
Bonds of 2015A - Improvement Portion	Infrastructure improvements	Special assessments	6%	2016-2025	\$6,953,135	\$ -	\$189,529
Bonds of 2015A - Revenue Portion	Infrastructure improvements	Water, Sewer, Storm Water charges	100%	2016-2025	\$4,029,689	\$ -	\$ -
Street Reconstruction Plan Bonds of 2015B	Infrastructure improvements	State of Minnesota TH 5 project funding	100%	2015-2018	\$1,218,736	\$ -	\$5,964,252

*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 DEFINED BENEFIT PENSION PLAN - CITY

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

For purposes of measuring the net pension liability, deferred outflows/inflows of resources, and pension expense, information about the fiduciary net position of the Public Employees Retirement Association (PERA) and additions to/deductions from PERA's fiduciary net position have been determined on the same basis as they are reported by PERA except that PERA's fiscal year end is June 30. For this purpose, plan contributions are recognized as of employer payroll paid dates and benefit payments and refunds are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

B. PLAN DESCRIPTION

The City participates in the General Employees Retirement Fund (GERF), a cost-sharing multiple-employer defined benefit pension plan administered by PERA. PERA's defined benefit pension plans are established and administered in accordance with Minnesota Statutes, Chapters 353 and 356. PERA's defined benefit pension plans are tax qualified plans under Section 401(a) of the Internal Revenue Code.

All full-time and certain part-time employees of the City are covered by the GERF. 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. The Basic Plan was closed to new members in 1967. The City no longer has any employees who are members of the Basic Plan. All new members must participate in the Coordinated Plan.

C. BENEFITS PROVIDED

PERA provides retirement, disability, and death benefits. Benefit provisions are established by state statute and can only be modified by the state legislature.

Benefit increases are provided to benefit recipients each January. Increases are related to the funding ratio of the plan. Members in plans that are at least 90 percent funded for two consecutive years are given 2.5% increases. Members in plans that have not exceeded 90% funding, or have fallen below 80%, are given 1% increases.

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

GERF benefits are based on a member's highest average salary for any five successive years of allowable service, age, and years of credit at termination of service. Two methods are used to compute benefits for PERA's members. The retiring member receives the higher of a step-rate benefit accrual formula (Method 1) or a level accrual formula (Method 2). Under Method 1, the annuity accrual rate for a member is 1.2% of average salary for each of the first ten years and 1.7% of average salary for each remaining year. Under Method 2, the annuity accrual rate is 1.7% of average salary for each year of service. For members hired prior to July 1, 1989, a full annuity is available when age plus years of service equal 90 and normal retirement age is 65. For members hired on or after July 1, 1989, normal retirement age is the age for unreduced Social Security benefits capped at 66.

D. CONTRIBUTIONS

Minnesota Statutes Chapter 353 sets the rates for employer and employee contributions. Contribution rates can only be modified by the state legislature. Coordinated Plan members were required to contribute 6.50% of their annual covered salary in calendar year 2015. The City was required to contribute 7.50% for Coordinated Plan members in calendar year 2015. The City's contributions to the GERF for the year ended December 31, 2015 were \$193,486. The City's contributions were equal to the required contributions as set by state statute.

CITY OF WACONIA, MINNESOTA
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December 31, 2015

E. PENSION COSTS

At December 31, 2015, the City reported a liability of \$2,124,833 for its proportionate share of the GERF's net pension liability. The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City's proportion of the net pension liability was based on the City's contributions received by PERA during the measurement period for employer payroll paid dates from July 1, 2014 through June 30, 2015, relative to the total employer contributions received from all of PERA's participating employers. At June 30, 2015, the City's proportion was .0410% which was a decrease of .0013% from its proportion measured as of June 30, 2014.

For the year ended December 31, 2015, the City recognized pension expense of \$267,474 for its proportionate share of the GERF's pension expense.

At December 31, 2015, the City reported its proportionate share of the GERF's deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual economic experience	\$ -	\$107,128
Difference between projected and actual investment earnings	201,148	-
Changes in proportion	-	45,801
Contributions paid to PERA subsequent to the measurement date	100,770	-
Total	<u>\$301,918</u>	<u>\$152,929</u>

\$100,770 reported as deferred outflows of resources resulting from City contributions subsequent to the measurement date will be recognized during 2016 as a reduction to the net pension liability. Other amounts reported as deferred outflows and inflows of resources will be recognized as pension expense as follows:

<u>Year Ended December 31,</u>	<u>Pension Expense Amount</u>
2016	(\$689)
2017	(689)
2018	(690)
2019	50,287

F. ACTUARIAL ASSUMPTIONS

The total pension liability in the June 30, 2015 actuarial valuation was determined using the following actuarial assumptions:

Inflation	2.75% per year
Active Member Payroll Growth	3.50% per year
Investment Rate of Return	7.90%

Salary increases were based on a service-related table. Mortality rates for active members, retirees, survivors and disabilitants were based on RP-2000 tables for males or females, as appropriate, with slight adjustments. Cost of living benefit increases for retirees are assumed to be 1% effective every January 1st until 2034, and 2.5% thereafter.

Actuarial assumptions used in the June 30, 2015 valuation were based on the results of actuarial experience studies. The experience study in the GERP was for the period July 1, 2004 through June 30, 2008, with an update of economic assumptions in 2014.

There are no changes in actuarial assumption in 2015.

The long-term expected rate of return on pension plan investments is 7.9%. The State Board of Investment, which manages the investments of PERA, prepares an analysis of the reasonableness of the long-term expected rate of return on a regular basis using a building-block method in which best-estimate ranges of expected future rates of return are developed for each major asset class. These ranges are combined to produce an expected long-term rate of return by weighting the expected future rates of return by the target asset allocation percentages. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Domestic Stocks	45%	5.50%
International Stocks	15%	6.00%
Bonds	18%	1.45%
Alternative Assets	20%	6.40%
Cash	2%	0.50%

G. DISCOUNT RATE

The discount rate used to measure the total pension liability was 7.9%. The projection of cash flows used to determine the discount rate assumed that employee and employer contributions will be made at the rate specified in statute. Based on that assumption, each of the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

H. PENSION LIABILITY SENSITIVITY

The following presents the City’s proportionate share of the net pension liability, calculated using the discount rate disclosed in the preceding paragraph, as well as what the City’s proportionate share of the net pension liability would be if it were calculated using a discount rate 1 percentage point lower or 1 percentage point higher than the current discount rate:

	<u>1% Decrease in Discount Rate (6.9%)</u>	<u>Discount Rate (7.9%)</u>	<u>1% Increase in Discount Rate (8.9%)</u>
City's proportionate share of the GERF net pension liability	\$3,340,992	\$2,124,833	\$1,120,472

I. PENSION PLAN FIDUCIARY NET POSITION

Detailed information about the GERF’s fiduciary net position is available in a separately-issued PERA financial report that includes financial statements and required supplementary information. That report may be obtained at www.mnpera.org.

Note 9 DEFINED BENEFIT PENSION PLAN – FIRE RELIEF

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

For purposes of measuring the net pension asset or liability, deferred outflows/inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Public Employees Retirement Association (PERA) and additions to and deductions from the plan’s fiduciary net position have been determined on the same basis as they are reported by PERA except that PERA’s fiscal year is June 30. For this purpose, plan contributions are recognized when due according to state statute and benefit payments and refunds are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

B. PLAN DESCRIPTION

The Waconia Fire Relief Association participates in the Statewide Volunteer Firefighter Retirement Plan (SVF), an agent multiple-employer lump-sum defined benefit pension plan administered by PERA. The SVF plan covers volunteer firefighters of municipal fire departments or independent nonprofit firefighting corporations that have elected to join the plan. As of December 31, 2015 (measurement date), the plan covered thirty active firefighters and three vested terminated fire fighters whose pension benefits are deferred. The plan is established and administered in accordance with Minnesota Statutes, Chapter 353G.

C. BENEFITS PROVIDED

The SVF provides retirement, death, and supplemental benefits to covered firefighters and survivors. Benefits are paid based on the number of years of service multiplied by a benefit level approved by the City. Members are eligible for a lump-sum retirement benefit at 50 years of age with five years of service. Plan provisions include a pro-rated vesting schedule that increases from 5 years at 40% through 20 years at 100%.

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D. CONTRIBUTIONS

The SVF is funded by fire state aid, investment earnings and, if necessary, employer contributions as specified in Minnesota Statutes, and voluntary City contributions. The State of Minnesota contributed \$82,948 in fire state aid to the plan for the year ended December 31, 2015. The City recognized \$47,145 as pension expense (and grant revenue) for its proportionate share of the State of Minnesota's on-behalf contributions to the SVF. Required employer contributions are calculated annually based on statutory provisions. The City's statutorily-required contribution to the SVF plan for the year ended December 31, 2015 was \$0. The City's contributions were equal to the required contributions as set by state statute, if applicable. In addition, the City made voluntary contributions of \$17,148 to the plan.

E. PENSION COSTS

At December 31, 2015, the City reported a net pension asset of \$291,466 for the SVF plan. The net pension asset was measured as of December 31, 2015. The total pension liability used to calculate the net pension asset in accordance with GASB 68 was determined by PERA applying an actuarial formula to specific census data certified by the fire department. The following table presents the changes in net pension asset during the year.

	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (Asset) (a-b)
Beginning balance December 31, 2014	\$789,750	\$1,059,340	(\$269,590)
Changes for the year:			
Service cost	47,458	-	47,458
TPL interest	50,232	-	50,232
Actual experience (gains)/losses	(24,851)	-	(24,851)
Projected investment earnings	-	63,560	(63,560)
Contributions - employer	-	17,148	(17,148)
Contributions - State of MN	-	82,948	(82,948)
Asset (gain)/loss	-	(63,695)	63,695
Benefit payouts	-	-	-
PERA administrative fee	-	(5,246)	5,246
Net changes	<u>72,839</u>	<u>94,715</u>	<u>(21,876)</u>
Balance end of year December 31, 2015	<u>\$862,589</u>	<u>\$1,154,055</u>	<u>(\$291,466)</u>

For the year ended December 31, 2015, the City recognized pension expense of \$47,145.

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At December 31, 2015, the City reported deferred inflows of resources related to pension from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between projected and actual investment earnings	\$50,956	\$ -
Difference between actuarial assumptions and actuarial experience	-	19,881
Total	<u>\$50,956</u>	<u>\$19,881</u>

Amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ended December 31,</u>	<u>Pension Expense Amount</u>
2016	\$7,769
2017	7,769
2018	7,769
2019	7,768

F. ACTUARIAL ASSUMPTIONS

The total pension liability at December 31, 2015, was determined using the entry age normal actuarial cost method and the following actuarial assumptions:

- Retirement eligibility at the later of age 50 or 20 years of service
- Investment rate of return of 6.0%
- Inflation rate of 3.0%

There were no changes in actuarial assumptions in 2015.

G. DISCOUNT RATE

The discount rate used to measure the total pension liability was 6.0%. The projection of cash flows used to determine the discount rate assumed that contributions to the SVF plan will be made as specified in statute. Based on that assumption and considering the funding ratio of the plan, the fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

H. PENSION LIABILITY SENSITIVITY

The following presents the City’s net pension asset for the SVF plan, calculated using the discount rate disclosed in the preceding paragraph, as well as what the City’s net pension asset would be if it were calculated using a discount rate 1% lower or 1% higher than the current discount rate:

	1% Decrease in Discount Rate (5.0%)	Discount Rate (6.0%)	1% Increase in Discount Rate (7.0%)
Net pension asset	\$257,116	\$291,466	\$323,840

I. PLAN INVESTMENTS

1. Investment Policy

The Minnesota State Board of Investment (SBI) is established by Article XI of the Minnesota Constitution to invest all state funds. Its membership as specified in the Constitution is comprised of the Governor (who is designated as chair of the Board), State Auditor, Secretary of State and State Attorney General.

All investments undertaken by the SBI are governed by the prudent person rule and other standards codified in *Minnesota Statutes*, Chapter 11A and Chapter 356A.

Within the requirements defined by state law, the SBI, with assistance of the SBI staff and the Investment Advisory Council, establishes investment policy for all funds under its control. These investments policies are tailored to the particular needs of each fund and specify investment objectives, risk tolerance, asset allocation, investment management structure and specific performance standards. Studies guide the on-going management of the funds and are updated periodically.

2. Asset Allocation

To match the long-term nature of the pension obligations, the SBI maintains a strategic asset allocation for the Statewide Volunteer Firefighter Retirement Plan (VOLP) that includes allocations to domestic equity, international equity, bonds and cash equivalents. The long-term target asset allocation and long-term expected real rate of return is the following:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Domestic Stocks	35%	5.50%
International Stocks	15%	6.00%
Bonds	45%	1.45%
Cash	5%	0.50%

The 6% long-term expected rate of return on pension plan investments was determined using a building-block method. Best estimates for expected future real rates of return (expected returns, net of inflation) were developed for each asset class using both long-term historical returns and long-term capital market expectations. The asset class estimates and the target allocations were then combined to produce a geometric, long-term expected real rate of return for the portfolio. Inflation expectations were applied to derive the nominal rate of return for the portfolio.

3. Description of significant investment policy changes during the year

The SBI made no significant changes to their investment policy during Fiscal Year 2015 for the Statewide Volunteer Firefighter Retirement Plan.

J. PENSION PLAN FIDUCIARY NET POSITION

Detailed information about the SVF plan’s fiduciary net position as of June 30, 2015, is available in a separately-issued PERA financial report that includes financial statements and required supplementary information. That report may be obtained at www.mnpera.org; by writing to PERA at 60 Empire Drive #200, St. Paul, Minnesota, 55103-2088; or by calling (651) 296-7460 or 1-800-652-9026.

K. PENSION EXPENSE

Total pension expense recognized by the City for the fiscal year ended December 31, 2015 is as follows:

GERF	\$267,474
Fire	47,145
Total	\$314,619

Note 10 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.

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

C. PARTICIPANTS

As of the most recent valuation dated January 1, 2015 participants consisted of:

Retirees and beneficiaries currently purchasing health insurance through the City	-
Active employees	<u>40</u>
Total	<u><u>40</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, 2015, was calculated as follows:

Annual required contribution (ARC)	\$25,640
Interest on net OPEB obligation	6,208
Adjustment to ARC	<u>(8,975)</u>
Annual OPEB cost	22,873
Contributions made during the year	<u>-</u>
Increase in net OPEB obligation	22,873
Net OPEB obligation - beginning of year	<u>155,201</u>
Net OPEB obligation - end of year	<u><u>\$178,074</u></u>

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The net OPEB obligation is allocated as follows:

Governmental activities	\$115,436
Business-type activities	<u>62,638</u>
	<u>\$178,074</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, 2013	\$40,306	\$3,534	8.8%	\$117,484
December 31, 2014	41,587	3,870	9.3%	155,201
December 31, 2015	22,873	-	0.0%	178,074

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, 2015	\$ -	\$150,589	\$150,589	0.0%	\$2,983,590	5.0%

*Using the projected unit credit actuarial 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, 2015 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 7.2% reduced by .3% each year to arrive at an ultimate health care cost trend rate of 5.0% and an inflation rate of 2.75%. 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, 2015 was 30 years.

Note 11 COMMITMENTS AND 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 \$605,600 at December 31, 2015, including \$220,693 of delinquent special assessments.

Management of the City believes it is likely the assessed parcels will be obtained through the tax forfeiture process. During 2015, the corresponding assessments receivable balance was reduced to \$605,600, which is the estimated market value of the land.

E. COMMITTED CONTRACTS

At December 31, 2015, the City had commitments of \$2,733,738 for uncompleted construction contracts. In addition, the City has entered into construction contracts during 2016 totaling \$3,852,332.

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.

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, 2015, the aggregate principal amount of the conduit debt obligation outstanding amounted to:

<u>Entity</u>	<u>Principal Balance</u>
Trinity Lutheran School	\$2,953,173
Millitronics	210,000
Auburn Meadows	<u>8,255,000</u>
Total	<u><u>\$11,418,173</u></u>

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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 2015. Future minimum lease payments of \$14,216 are due in 2016.

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, 2015 totaled \$136,614. Terms of each lease are as follows:

<u>Lessee</u>	<u>Terms</u>	<u>Current Term</u>
AT&T	\$18,188 per year with 4.5% term increases	1/1/2013-12/31/2017
T-Mobile	\$19,855 per year with 4.5% annual increases	1/1/2013-12/31/2017
Verizon	\$27,342 per year with 5% annual increases	1/1/2012-12/31/2016
Sprint/Nextel	\$36,641 per year with 5% annual increases	1/1/2016-12/31/2020
Sprint/Spectrum	\$27,375 per year with 4% annual increases	1/1/2016-12/31/2021

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 \$64,887. 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 2015, the monthly base rent was \$3,210 and the monthly additional rent was \$1,160 for January through September and \$1,025 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 \$21,722,738. 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.

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

As payment for the non-bond financed assets, the lessee will pay additional rent 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, 2015 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 requires 1% annual increase for the first 20 years of the agreement. For years 21 through 30, the annual payment shall be the payment amount for the preceding year without further increase. Lease revenue for the year ended December 31, 2015 was \$120,097.

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, 2015 the principal amount outstanding on the note was \$254,283.

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, 2015 the principal amount outstanding on the note was \$1,100,596.

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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, 2015 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, 2015 the principal amount outstanding on the note was \$149,999.

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Note 17 FUND BALANCE

A. CLASSIFICATIONS

At December 31, 2015, 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	\$128,194	\$20,475	\$ -	\$ -	\$7,017	\$155,686
Restricted for:						
Debt service	-	-	-	2,301,606	1,026,227	3,327,833
Capital improvements	-	-	2,606,062	-	-	2,606,062
Economic development loans	-	-	-	-	1,327,357	1,327,357
Park improvements	-	-	-	-	7,387	7,387
Tax increment purposes	-	-	-	-	50,421	50,421
Other purposes	1,057	-	-	-	18,771	19,828
Total restricted	1,057	-	2,606,062	2,301,606	2,430,163	7,338,888
Committed for:						
Economic development	673,888	-	-	-	-	673,888
Assigned for:						
Capital improvements	-	-	830,816	-	1,008,114	1,838,930
Unassigned	2,015,575	(64,026)	-	-	(389,162)	1,562,387
Total fund balance	\$2,818,714	(\$43,551)	\$3,436,878	\$2,301,606	\$3,056,132	\$11,569,779

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, 2015. 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	\$43,551	User charges and transfers
TIF #3 Cherry Street Capital Project Fund	350	Tax increment
TIF #4 Pine Business Park Capital Project Fund	9,865	Tax increment
Clearwater Shores HIA Capital Project Fund	378,947	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. 72 *Fair Value Measurement and Application.* The provisions of this Statement are effective for financial statements for periods beginning after June 15, 2015.

Statement No. 73 *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68.* The provisions in Statement 73 are effective for fiscal years beginning after June 15, 2015 – except those provisions that address employers and governmental nonemployer contributing entities for pensions that are not within the scope of Statement 68, which are effective for fiscal years beginning after June 15, 2016.

Statement No. 74 *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans.* The provisions in Statement 74 are effective for fiscal years beginning after June 15, 2016.

Statement No. 75 *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions.* The provisions in Statement 75 are effective for fiscal years beginning after June 15, 2017.

Statement No. 76 *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments.* The provisions in Statement 76 are effective for reporting periods beginning after June 15, 2015.

Statement No. 77 *Tax Abatement Disclosures.* The provisions of this Statement are effective for reporting periods beginning after December 31, 2015.

Statement No. 78 *Pensions Provided through Certain Multiple-Employer Defined Benefit Pension Plans.* The provisions of this Statement are effective for reporting periods beginning after December 15, 2015.

Statement No. 79 *Certain External Investment Pools and Pool Participants.* The provisions of this Statement are effective for reporting periods beginning after June 15, 2015, except for certain provisions on portfolio quality, custodial credit risk, and shadow pricing which are effective for reporting periods beginning after December 15, 2015.

Statement No. 80 *Blending Requirements for Certain Component Units.* The provisions of this Statement are effective for reporting periods beginning after June 15, 2016.

Statement No. 81 *Irrevocable Split-Interest Agreements.* The provisions of this Statement are effective for reporting periods beginning after December 15, 2016.

The effect these standards may have on future financial statements is not determinable at this time, but it is expected that Statement No. 75 will have a material impact.

CITY OF WACONIA, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
December 31, 2015

Note 19 PRIOR PERIOD ADJUSTMENTS

For the year ended December 31, 2015, the City implemented GASB Statement No. 68, *Accounting and Financial Reporting for Pensions – an Amendment of GASB Statement No. 27*. GASB 68 addresses accounting and financial reporting for pension plans that are provided to employees of state and local governments. The standard requires the City to record its share of the net pension asset or liability of defined benefit plans, as well as any corresponding deferred inflows and outflows of resources. See Notes 8 and 9 for further information.

The standard required retroactive implementation which resulted in a restatement of net position as of December 31, 2014. Certain amounts necessary to fully restate 2014 financial information are not determinable, therefore, prior year comparative amounts have not been restated.

In addition, the City staff identified infrastructure assets which had been constructed by private developers and contributed to the City prior to 2015. Net position has been restated to reflect these additional capital assets, net of accumulated depreciation. Details of the prior period adjustments are as follows:

	Governmental Activities	Water Fund	Sewer Fund	Storm Water Fund	Street Light Utility Fund	Total Business-Type Activities
Net position - January 1, 2015, as previously reported	\$58,597,312	\$12,167,652	\$7,144,039	\$6,497,859	\$288,732	\$26,595,964
Prior period adjustment:						
Net pension asset	269,590	-	-	-	-	-
Deferred outflows of resources - pension related	64,403	7,394	6,982	5,783	624	20,783
Net pension liability	(1,502,261)	(172,469)	(162,867)	(134,883)	(14,562)	(484,781)
Capital assets - infrastructure	2,095,492	1,473,258	1,431,825	1,625,077	-	4,530,160
Total prior period adjustment	927,224	1,308,183	1,275,940	1,495,977	(13,938)	4,066,162
Net position - January 1, 2015, as restated	\$59,524,536	\$13,475,835	\$8,419,979	\$7,993,836	\$274,794	\$30,662,126

Note 20 SUBSEQUENT EVENTS

Change in Operations - With the retirement of the City’s recreation director, the City entered into a five year contract with Rink Management Services Cooperation for the operations and management of the City’s recreation activities; this including the Safari Island Community Center and the Waconia Ice Arena. The management agreement started on April 5, 2016. This change is intended to accomplish three objectives as identified by the City Council; improve employee culture, improve the guest experience, and improve the fiscal health of both facilities. Rink Management Services, a leading operator of municipally owned recreational facilities in the United States, is located outside of Richmond Virginia. The Company started in 1999 with a focus on ice arenas and has grown to include management of other recreational facilities. With more than 1,600 employees across the country, they bring a deep level of management talent and experience to the City.

With the transition to new management at these facilities, the City terminated all recreation employees effective April 4, 2016 and Rink Management hired all of the City’s employees effective April 5, 2016 at their current rate of pay. Rink Management will handle all future recruitment, hiring, and training of on-site employees. Along with employee management, Rink Management will provide maintenance to the buildings and equipment and insurance coverage. Rink Management and City staff will be working together to reconcile each month’s financial activity and will create annual capital and operating budgets for each facility.

CITY OF WACONIA, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
December 31, 2015

Debt - \$4,785,000 of General Obligation Bonds, Series 2016A, were issued to finance the 2016 Infrastructure Improvement Project and equipment purchases. The bonds were dated May 24, 2016 and contain an average interest rate of 1.50%.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF WACONIA, MINNESOTA
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE - GENERAL FUND (101)
For The Year Ended December 31, 2015
With Comparative Actual Amounts For The Year Ended December 31, 2014

	Budgeted Amounts		2015 Actual Amounts	Variance with Final Budget - Positive (Negative)	2014 Actual Amounts
	Original	Final			
Revenues:					
Property taxes	\$3,726,037	\$3,726,037	\$3,775,927	\$49,890	\$3,333,076
Licenses and permits	627,770	677,770	961,940	284,170	666,867
Intergovernmental:					
Fire aid	-	-	5,630	5,630	76,904
Other grants and aids	171,930	171,930	175,166	3,236	160,893
Charges for services:					
General government	629,683	629,683	706,900	77,217	657,425
Public safety	90,395	90,395	91,403	1,008	89,441
Public works	13,900	13,900	14,599	699	13,121
Parks and recreation	500	500	416	(84)	5,397
Fines and forfeits	40,000	40,000	49,542	9,542	42,970
Investment income	80,000	80,000	29,181	(50,819)	32,637
Contributions and donations	-	-	4,160	4,160	1,972
Total revenues	5,380,215	5,430,215	5,814,864	384,649	5,080,703
Expenditures:					
General government:					
Administration	496,976	496,976	488,336	8,640	475,688
Finance	397,159	413,059	428,665	(15,606)	386,056
Technology	247,779	247,779	233,241	14,538	239,270
Planning	265,458	265,458	254,861	10,597	236,041
Central facilities	292,211	292,311	252,248	40,063	265,870
Total general government	1,699,583	1,715,583	1,657,351	58,232	1,602,925
Public safety:					
Police	681,268	681,268	684,111	(2,843)	653,714
Fire	318,410	318,410	264,518	53,892	333,701
Building inspections	169,725	184,725	385,325	(200,600)	198,823
Total public safety	1,169,403	1,184,403	1,333,954	(149,551)	1,186,238
Public works - streets	897,554	897,554	872,837	24,717	860,360
Parks and recreation	391,833	391,833	367,980	23,853	373,869
Economic development	6,900	9,900	19,000	(9,100)	19,749
Total expenditures	4,165,273	4,199,273	4,251,122	(51,849)	4,043,141

CITY OF WACONIA, MINNESOTA
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE - GENERAL FUND (101)
For The Year Ended December 31, 2015
With Comparative Actual Amounts For The Year Ended December 31, 2014

	Budgeted Amounts		2015 Actual Amounts	Variance with Final Budget - Positive (Negative)	2014 Actual Amounts
	Original	Final			
Revenues over (under) expenditures	<u>\$1,214,942</u>	<u>\$1,230,942</u>	<u>\$1,563,742</u>	<u>\$332,800</u>	<u>\$1,037,562</u>
Other financing sources (uses):					
Transfers in	317,200	333,200	333,113	(87)	416,856
Transfers out	<u>(1,533,000)</u>	<u>(1,533,000)</u>	<u>(1,533,000)</u>	<u>-</u>	<u>(1,389,000)</u>
Total other financing sources (uses)	<u>(1,215,800)</u>	<u>(1,199,800)</u>	<u>(1,199,887)</u>	<u>(87)</u>	<u>(972,144)</u>
Net change in fund balance	<u>(\$858)</u>	<u>\$31,142</u>	363,855	<u>\$332,713</u>	65,418
Fund balance - January 1			<u>2,454,859</u>		<u>2,389,441</u>
Fund balance - December 31			<u>\$2,818,714</u>		<u>\$2,454,859</u>

CITY OF WACONIA, MINNESOTA

REQUIRED SUPPLEMENTARY INFORMATION

Statement 10

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

For The Year Ended December 31, 2015

With Comparative Actual Amounts For The Year Ended December 31, 2014

	Budgeted Amounts		2015 Actual Amounts	Variance with Final Budget - Positive (Negative)	2014 Actual Amounts
	Original	Final			
Revenues:					
Charges for services	\$1,041,442	\$1,041,442	\$901,149	(\$140,293)	\$947,903
Contributions and donations	50	50	-	(50)	255
Total revenues	<u>1,041,492</u>	<u>1,041,492</u>	<u>901,149</u>	<u>(140,343)</u>	<u>948,158</u>
Expenditures:					
Current:					
Personnel services	934,761	934,761	855,421	79,340	889,097
Materials and supplies	379,556	379,556	346,445	33,111	383,727
Contractual services	16,810	16,810	20,542	(3,732)	15,126
Total expenditures	<u>1,331,127</u>	<u>1,331,127</u>	<u>1,222,408</u>	<u>108,719</u>	<u>1,287,950</u>
Revenues over (under) expenditures	(289,635)	(289,635)	(321,259)	(31,624)	(339,792)
Other financing sources:					
Transfers in	<u>293,000</u>	<u>293,000</u>	<u>293,000</u>	<u>-</u>	<u>293,000</u>
Net change in fund balance	<u>\$3,365</u>	<u>\$3,365</u>	(28,259)	<u>(\$31,624)</u>	(46,792)
Fund balance - January 1			<u>(15,292)</u>		<u>31,500</u>
Fund balance - December 31			<u>(\$43,551)</u>		<u>(\$15,292)</u>

CITY OF WACONIA, MINNESOTA
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF FUNDING PROGRESS
OTHER POSTEMPLOYMENT BENEFITS PLAN
For The Year Ended December 31, 2015

Statement 11

	(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%
January 1, 2015	-	150,589	0.00%	150,589	\$2,983,590	5.0%

CITY OF WACONIA, MINNESOTA
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF PROPORTIONATE SHARE OF NET PENSION LIABILITY -
GENERAL EMPLOYEES RETIREMENT FUND
For The Year Ended December 31, 2015

Statement 12

<u>Measurement Date</u>	<u>Fiscal Year Ending</u>	<u>Proportion (Percentage) of the Net Pension Liability</u>	<u>Proportionate Share (Amount) of the Net Pension Liability (a)</u>	<u>Covered-Employee Payroll (b)</u>	<u>Proportionate Share of the Net Pension Liability as a Percentage of its Covered-Employee Payroll (a/b)</u>	<u>Plan Fiduciary Net Position as a Percentage of the Total Pension Liability</u>
June 30, 2015	December 31, 2015	0.0410%	\$2,124,833	\$2,411,192	88.1%	78.2%

The schedule is provided prospectively beginning with the City's fiscal year ended December 31, 2015 and is intended to show a ten year trend. Additional years will be reported as they become available.

CITY OF WACONIA, MINNESOTA
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF PENSION CONTRIBUTIONS - GENERAL EMPLOYEES RETIREMENT FUND
For The Year Ended December 31, 2015

Statement 13

Fiscal Year Ending	Statutorily Required Contribution (a)	Contributions in Relation to the Statutorily Required Contribution (b)	Contribution Deficiency (Excess) (a-b)	Covered- Employee Payroll (c)	Contributions as a Percentage of Covered-Employee Payroll (b/c)
December 31, 2015	\$193,486	\$193,486	\$0	\$2,579,813	7.5%

The schedule is provided prospectively beginning with the City's fiscal year ended December 31, 2015 and is intended to show a ten year trend. Additional years will be reported as they become available.

CITY OF WACONIA, MINNESOTA
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CHANGES IN THE NET PENSION LIABILITY AND RELATED RATIOS -
WACONIA FIRE RELIEF ASSOCIATION
For The Year Ended December 31, 2015

Statement 14

Fiscal year ending and measurement date	<u>December 31, 2015</u>
Total pension liability:	
Service cost	\$47,458
Interest on pension liability	50,232
Changes of benefit terms	-
Differences between expected and actual experience	(24,851)
Changes of assumptions	-
Benefit payments, including refunds of employee contributions	-
Net change in total pension liability	<u>72,839</u>
Total pension liability - beginning	<u>789,750</u>
Total pension liability - ending (a)	<u><u>\$862,589</u></u>
 Plan fiduciary net position:	
Contributions - employer	\$17,148
Contributions - State of Minnesota	82,948
Net investment income (loss)	(135)
Benefit payments, including refunds of employee contributions	-
Administrative expenses	(5,246)
Net change in plan fiduciary net position	<u>94,715</u>
 Plan fiduciary net position - beginning	<u>1,059,340</u>
Plan fiduciary net position - ending (b)	<u><u>\$1,154,055</u></u>
 Net pension liability (asset) - ending (a) - (b)	<u><u>(\$291,466)</u></u>
 Plan fiduciary net position as a percentage of the total pension liability	133.8%
 Covered-employee payroll*	Not available
 Net pension liability as a percentage of covered employee payroll*	Not available

*The Waconia Fire Relief Association is comprised on volunteers, therefore there are no payroll expenditures.

GASB 68 was implemented in 2015. Therefore, information prior to 2015 is not available.

CITY OF WACONIA, MINNESOTA
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF PENSION CONTRIBUTIONS - WACONIA FIRE RELIEF ASSOCIATION
For The Year Ended December 31, 2015

Statement 15

Fiscal Year Ending	Statutorily Required Contribution (a)	Contributions in Relation to the Statutorily Required Contribution (b)	Contribution Deficiency (Excess) (a-b)	Covered- Employee Payroll (c)	Contributions as a Percentage of Covered-Employee Payroll (b/c)
December 31, 2015	\$ -	\$ -	\$ -	*	*

*The Waconia Fire Relief Association is comprised on volunteers, therefore there are no payroll expenditures. (i.e., there are no covered payroll amounts or percentage calculations).

GASB 68 was implemented in 2015. Information prior to 2015 is not available.

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CITY OF WACONIA, MINNESOTA
REQUIRED SUPPLEMENTARY INFORMATION
NOTES TO RSI
December 31, 2015

Note A LEGAL COMPLIANCE – BUDGETS

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.

Note B PENSION INFORMATION

PERA – General Employees Retirement Fund

There are no factors that affect trends in the amounts reported, such as change of benefit terms or assumptions. With only one year reported in the RSI, there is no additional information to include in the notes. Details can be obtained from the financial reports of PERA.

Single Employer – Fire Relief Association

There are no factors that affect trends in the amounts reported, such as change of benefit terms or assumptions. With only one year reported in the RSI, there is no additional information to include in the notes. Details can be obtained from the financial reports of the Fire Relief Association.

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

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NONMAJOR GOVERNMENTAL FUNDS

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NONMAJOR FUND DESCRIPTIONS

NONMAJOR SPECIAL REVENUE FUNDS – are used to account for and report the proceeds of specific revenue sources that are restricted or committed 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 Bond Funds (2014, 2015A, 2015B) – the bonds were issued to fund infrastructure improvements. The funds account for the collection of revenues used to make semi-annual debt service payments.

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

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.

	Public Education (107)	Revolving Loan (202)	Lodging Tax (701)	Total Nonmajor Special Revenue Funds
Assets				
Cash and investments	\$6,298	\$793,191	\$18,092	\$817,581
Due from other governmental units	-	-	-	-
Accounts receivable - net	3,722	-	-	3,722
Prepaid items	-	-	-	-
Property taxes receivable	-	-	-	-
Special assessments receivable:				
Delinquent	-	-	-	-
Deferred	-	-	-	-
Notes receivable - net	-	534,166	-	534,166
Total assets	\$10,020	\$1,327,357	\$18,092	\$1,355,469
Liabilities, Deferred Inflows of Resources, and Fund Balance				
Liabilities:				
Accounts payable	\$1,141	\$ -	\$8,200	\$9,341
Contracts payable	-	-	-	-
Interfund loan payable	-	-	-	-
Total liabilities	1,141	0	8,200	9,341
Deferred inflows of resources:				
Unavailable revenue	-	-	-	-
Fund balance:				
Nonspendable	-	-	-	-
Restricted	8,879	1,327,357	9,892	1,346,128
Assigned	-	-	-	-
Unassigned	-	-	-	-
Total fund balance	8,879	1,327,357	9,892	1,346,128
Total liabilities, deferred inflows of resources, and fund balance	\$10,020	\$1,327,357	\$18,092	\$1,355,469

CITY OF WACONIA, MINNESOTA
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
December 31, 2015
With Comparative Totals For December 31, 2014

	General Obligation Bonds of 2015B (302)	General Obligation Bonds of 2014 (304)	General Obligation Bonds of 2015A (305)	EDA - CC Revenue Bonds of 2004/2007 (344)	Total Nonmajor Debt Service Funds	Capital Equipment (105)	Park Dedication (210)
Assets							
Cash and investments	\$901	\$246,311	\$746,012	\$31,483	\$1,024,707	\$1,007,499	\$15,855
Due from other governmental units	-	1,520	-	-	1,520	615	-
Accounts receivable - net	-	-	-	-	-	-	-
Prepaid items	7,017	-	-	-	7,017	-	-
Property taxes receivable	-	1,025	-	-	1,025	1,157	-
Special assessments receivable:							
Delinquent	-	3,514	-	-	3,514	-	-
Deferred	-	242,450	184,048	-	426,498	-	-
Notes receivable - net	-	-	-	-	-	-	-
Total assets	\$7,918	\$494,820	\$930,060	\$31,483	\$1,464,281	\$1,009,271	\$15,855
Liabilities, Deferred Inflows of Resources, and Fund Balance							
Liabilities:							
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$138
Contracts payable	-	-	-	-	-	-	8,330
Interfund loan payable	-	-	-	-	-	-	-
Total liabilities	0	0	0	0	0	0	8,468
Deferred inflows of resources:							
Unavailable revenue	-	246,989	184,048	-	431,037	1,157	-
Fund balance:							
Nonspendable	7,017	-	-	-	7,017	-	-
Restricted	901	247,831	746,012	31,483	1,026,227	-	7,387
Assigned	-	-	-	-	-	1,008,114	-
Unassigned	-	-	-	-	-	-	-
Total fund balance	7,918	247,831	746,012	31,483	1,033,244	1,008,114	7,387
Total liabilities, deferred inflows of resources, and fund balance	\$7,918	\$494,820	\$930,060	\$31,483	\$1,464,281	\$1,009,271	\$15,855

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	
						2015	2014
\$24,377	\$27,044	\$650	\$135	\$314,235	\$1,389,795	\$3,232,083	\$2,126,198
-	-	-	-	-	615	2,135	667
-	-	-	-	-	-	3,722	6,860
-	-	-	-	-	-	7,017	-
-	-	-	-	-	1,157	2,182	789
-	-	-	-	-	-	3,514	-
-	-	-	-	803,000	803,000	1,229,498	289,855
211,806	-	-	-	-	211,806	745,972	931,870
<u>\$236,183</u>	<u>\$27,044</u>	<u>\$650</u>	<u>\$135</u>	<u>\$1,117,235</u>	<u>\$2,406,373</u>	<u>\$5,226,123</u>	<u>\$3,356,239</u>
\$ -	\$ -	\$ -	\$ -	\$4,373	\$4,511	\$13,852	\$79,425
-	-	-	-	188,809	197,139	197,139	1,669
-	1,000	1,000	10,000	500,000	512,000	512,000	514,300
<u>0</u>	<u>1,000</u>	<u>1,000</u>	<u>10,000</u>	<u>693,182</u>	<u>713,650</u>	<u>722,991</u>	<u>595,394</u>
211,806	-	-	-	803,000	1,015,963	1,447,000	502,450
-	-	-	-	-	-	7,017	-
24,377	26,044	-	-	-	57,808	2,430,163	1,593,570
-	-	-	-	-	1,008,114	1,008,114	681,708
-	-	(350)	(9,865)	(378,947)	(389,162)	(389,162)	(16,883)
<u>24,377</u>	<u>26,044</u>	<u>(350)</u>	<u>(9,865)</u>	<u>(378,947)</u>	<u>676,760</u>	<u>3,056,132</u>	<u>2,258,395</u>
<u>\$236,183</u>	<u>\$27,044</u>	<u>\$650</u>	<u>\$135</u>	<u>\$1,117,235</u>	<u>\$2,406,373</u>	<u>\$5,226,123</u>	<u>\$3,356,239</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, 2015
 With Comparative Totals For The Year Ended December 31, 2014

	Public Education (107)	Revolving Loan (202)	Lodging Tax (701)	Total Nonmajor Special Revenue Funds	General Obligation Bonds of 2015B (302)
Revenues:					
Property taxes	\$ -	\$ -	\$ -	\$ -	\$ -
Tax increment collections	-	-	-	-	-
Lodging taxes	-	-	41,541	41,541	-
Special assessments	-	-	-	-	-
Investment income	25	34,812	106	34,943	-
Charges for services	15,057	750	-	15,807	-
Contributions and donations	-	-	-	-	-
Total revenues	<u>15,082</u>	<u>35,562</u>	<u>41,647</u>	<u>92,291</u>	<u>0</u>
Expenditures:					
Current:					
General government	11,378	-	-	11,378	-
Public works	-	-	-	-	-
Economic development	-	16,950	44,087	61,037	-
Capital outlay:					
General government	-	-	-	-	-
Public safety	-	-	-	-	-
Public works	-	-	-	-	-
Parks and recreation	-	-	-	-	-
Debt service:					
Principal	-	-	-	-	-
Interest and fiscal charges	-	-	-	-	26,766
Total expenditures	<u>11,378</u>	<u>16,950</u>	<u>44,087</u>	<u>72,415</u>	<u>26,766</u>
Revenues over (under) expenditures	<u>3,704</u>	<u>18,612</u>	<u>(2,440)</u>	<u>19,876</u>	<u>(26,766)</u>
Other financing sources (uses):					
Bonds issued	-	-	-	-	1,175,000
Bond premium	-	-	-	-	-
Transfers in	-	-	-	-	-
Transfers out	-	-	(2,113)	(2,113)	(1,140,316)
Total other financing sources (uses)	<u>0</u>	<u>0</u>	<u>(2,113)</u>	<u>(2,113)</u>	<u>34,684</u>
Net change in fund balance	3,704	18,612	(4,553)	17,763	7,918
Fund balance - January 1	<u>5,175</u>	<u>1,308,745</u>	<u>14,445</u>	<u>1,328,365</u>	<u>0</u>
Fund balance - December 31	<u>\$8,879</u>	<u>\$1,327,357</u>	<u>\$9,892</u>	<u>\$1,346,128</u>	<u>\$7,918</u>

CITY OF WACONIA, MINNESOTA
COMBINING STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCE
NONMAJOR GOVERNMENTAL FUNDS
For The Year Ended December 31, 2015
With Comparative Totals For The Year Ended December 31, 2014

	General Obligation Bonds of 2014 (304)	General Obligation Bonds of 2015A (305)	EDA - CC Revenue Bonds of 2004/2007 (344)	Total Nonmajor Debt Service Funds	Capital Equipment (105)	Park Dedication (210)
Revenues:						
Property taxes	\$139,923	\$ -	\$ -	\$139,923	\$110,146	\$ -
Tax increment collections	-	-	-	-	-	-
Lodging taxes	-	-	-	-	-	-
Special assessments	53,185	189,529	-	242,714	-	-
Investment income	30	2,367	-	2,397	4,415	460
Charges for services	-	-	-	-	6,400	-
Contributions and donations	-	85,251	-	85,251	14,417	-
Total revenues	<u>193,138</u>	<u>277,147</u>	<u>0</u>	<u>470,285</u>	<u>135,378</u>	<u>460</u>
Expenditures:						
Current:						
General government	-	-	-	-	10,342	-
Public works	-	-	-	-	9,923	-
Economic development	-	-	-	-	-	-
Capital outlay:						
General government	-	-	-	-	-	-
Public safety	-	-	-	-	93,595	-
Public works	-	-	-	-	21,331	-
Parks and recreation	-	-	-	-	68,481	98,054
Debt service:						
Principal	-	-	124,162	124,162	90,000	-
Interest and fiscal charges	32,364	91,315	39,476	189,921	15,300	-
Total expenditures	<u>32,364</u>	<u>91,315</u>	<u>163,638</u>	<u>314,083</u>	<u>308,972</u>	<u>98,054</u>
Revenues over (under) expenditures	<u>160,774</u>	<u>185,832</u>	<u>(163,638)</u>	<u>156,202</u>	<u>(173,594)</u>	<u>(97,594)</u>
Other financing sources (uses):						
Bonds issued	-	5,800,000	-	6,975,000	-	-
Bond premium	-	310,180	-	310,180	-	-
Transfers in	-	-	157,000	157,000	500,000	-
Transfers out	-	(5,550,000)	-	(6,690,316)	-	-
Total other financing sources (uses)	<u>0</u>	<u>560,180</u>	<u>157,000</u>	<u>751,864</u>	<u>500,000</u>	<u>0</u>
Net change in fund balance	160,774	746,012	(6,638)	908,066	326,406	(97,594)
Fund balance - January 1	<u>87,057</u>	<u>0</u>	<u>38,121</u>	<u>125,178</u>	<u>681,708</u>	<u>104,981</u>
Fund balance - December 31	<u>\$247,831</u>	<u>\$746,012</u>	<u>\$31,483</u>	<u>\$1,033,244</u>	<u>\$1,008,114</u>	<u>\$7,387</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	
						2015	2014
\$ -	\$ -	\$ -	\$ -	\$ -	\$110,146	\$250,069	\$110,991
20,417	151,687	7,845	-	-	179,949	179,949	162,335
-	-	-	-	-	-	41,541	43,165
-	-	-	-	-	-	242,714	65,643
145	111	2	3	2,908	8,044	45,384	48,100
-	-	-	-	-	6,400	22,207	74,073
-	-	-	-	-	14,417	99,668	10,250
<u>20,562</u>	<u>151,798</u>	<u>7,847</u>	<u>3</u>	<u>2,908</u>	<u>318,956</u>	<u>881,532</u>	<u>514,557</u>
-	-	-	-	-	10,342	21,720	35,229
-	-	-	-	374,860	384,783	384,783	9,041
18,793	138,192	7,519	658	-	165,162	226,199	204,297
-	-	-	-	-	-	-	30,939
-	-	-	-	-	93,595	93,595	67,045
-	-	-	-	-	21,331	21,331	288,409
-	-	-	-	-	166,535	166,535	210,070
-	-	-	-	-	90,000	214,162	208,925
-	-	-	-	-	15,300	205,221	102,124
<u>18,793</u>	<u>138,192</u>	<u>7,519</u>	<u>658</u>	<u>374,860</u>	<u>947,048</u>	<u>1,333,546</u>	<u>1,156,079</u>
<u>1,769</u>	<u>13,606</u>	<u>328</u>	<u>(655)</u>	<u>(371,952)</u>	<u>(628,092)</u>	<u>(452,014)</u>	<u>(641,522)</u>
-	-	-	-	-	-	6,975,000	1,390,000
-	-	-	-	-	-	310,180	28,451
-	-	-	-	-	500,000	657,000	580,200
-	-	-	-	-	-	(6,692,429)	(1,384,597)
<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>500,000</u>	<u>1,249,751</u>	<u>614,054</u>
1,769	13,606	328	(655)	(371,952)	(128,092)	797,737	(27,468)
22,608	12,438	(678)	(9,210)	(6,995)	804,852	2,258,395	2,285,863
<u>\$24,377</u>	<u>\$26,044</u>	<u>(\$350)</u>	<u>(\$9,865)</u>	<u>(\$378,947)</u>	<u>\$676,760</u>	<u>\$3,056,132</u>	<u>\$2,258,395</u>

CITY OF WACONIA, MINNESOTA
SPECIAL REVENUE FUND - PUBLIC EDUCATION FUND (107)
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
For The Year Ended December 31, 2015
With Comparative Actual Amounts For The Year Ended December 31, 2014

Statement 18

	Budgeted Amounts		2015 Actual Amounts	Variance with Final Budget - Positive (Negative)	2014 Actual Amounts
	Original	Final			
Revenues:					
Investment income	\$800	\$800	\$25	(\$775)	\$17
Franchise fees	15,500	15,500	15,057	(443)	15,538
Total revenues	<u>16,300</u>	<u>16,300</u>	<u>15,082</u>	<u>(1,218)</u>	<u>15,555</u>
Expenditures:					
Current:					
Fees and licenses	10,699	10,699	9,499	1,200	1,887
Equipment	1,300	1,300	738	562	363
Contractual services	1,000	1,000	1,141	(141)	9,438
Total expenditures	<u>12,999</u>	<u>12,999</u>	<u>11,378</u>	<u>1,621</u>	<u>11,688</u>
Revenues over (under) expenditures	<u>\$3,301</u>	<u>\$3,301</u>	3,704	<u>\$403</u>	3,867
Fund balance - January 1			<u>5,175</u>		<u>1,308</u>
Fund balance - December 31			<u>\$8,879</u>		<u>\$5,175</u>

CITY OF WACONIA, MINNESOTA

SPECIAL REVENUE FUND - REVOLVING LOAN FUND (202)

Statement 19

SCHEDULE OF REVENUES, EXPENDITURES AND

CHANGES IN FUND BALANCES - BUDGET AND ACTUAL

For The Year Ended December 31, 2015

With Comparative Actual Amounts For The Year Ended December 31, 2014

	Budgeted Amounts		2015 Actual Amounts	Variance with Final Budget - Positive (Negative)	2014 Actual Amounts
	Original	Final			
Revenues:					
Investment income	\$36,000	\$36,000	\$34,812	(\$1,188)	\$35,875
Charges for services	1,100	1,100	750	(350)	51,034
Total revenues	<u>37,100</u>	<u>37,100</u>	<u>35,562</u>	<u>(1,538)</u>	<u>86,909</u>
Expenditures:					
Current:					
Contractual services	<u>12,700</u>	<u>12,700</u>	<u>16,950</u>	<u>(4,250)</u>	<u>6,447</u>
Revenues over (under) expenditures	<u>\$24,400</u>	<u>\$24,400</u>	18,612	<u>(\$5,788)</u>	80,462
Fund balance - January 1			<u>1,308,745</u>		<u>1,228,283</u>
Fund balance - December 31			<u>\$1,327,357</u>		<u>\$1,308,745</u>

CITY OF WACONIA, MINNESOTA

SPECIAL REVENUE FUND - LODGING TAX FUND (701)

Statement 20

SCHEDULE OF REVENUES, EXPENDITURES AND

CHANGES IN FUND BALANCES - BUDGET AND ACTUAL

For The Year Ended December 31, 2015

With Comparative Actual Amounts For The Year Ended December 31, 2014

	Budgeted Amounts		2015 Actual Amounts	Variance with Final Budget - Positive (Negative)	2014 Actual Amounts
	Original	Final			
Revenues:					
Lodging taxes	\$44,000	\$44,000	\$41,541	(\$2,459)	\$43,165
Investment income	100	100	106	6	247
Total revenues	<u>44,100</u>	<u>44,100</u>	<u>41,647</u>	<u>(2,453)</u>	<u>43,412</u>
Expenditures:					
Current:					
Contractual services	<u>41,900</u>	<u>41,900</u>	<u>44,087</u>	<u>(2,187)</u>	<u>37,848</u>
Revenues over expenditures	2,200	2,200	(2,440)	(4,640)	5,564
Other financing sources (uses):					
Transfers out	<u>(2,200)</u>	<u>(2,200)</u>	<u>(2,113)</u>	<u>87</u>	<u>(1,856)</u>
Net change in fund balance	<u>\$0</u>	<u>\$0</u>	<u>(4,553)</u>	<u>(\$4,553)</u>	<u>3,708</u>
Fund balance - January 1			<u>14,445</u>		<u>10,737</u>
Fund balance - December 31			<u>\$9,892</u>		<u>\$14,445</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.	116-125
Revenue Capacity These tables contain information to help the reader assess the City's most significant local revenue source, the property tax.	126-131
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.	132-139
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.	140-141
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.	142-147

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)

	2006	2007	2008	2009
Governmental activities:				
Net investment in capital assets	\$53,420,142	\$48,262,753	\$48,358,528	\$50,319,268
Restricted:				
Debt service	842,461	7,716,482	9,488,937	9,277,345
Economic development loans	1,103,072	1,151,456	1,173,167	1,207,650
Park improvements	367,171	189,055	170,269	179,813
Capital improvements	390,837	-	-	-
Tax increment purposes	-	-	214,700	222,237
Other purposes	282,063	-	-	-
Unrestricted	2,635,770	8,747,819	7,004,893	6,378,935
Total governmental activities net position	<u>\$59,041,516</u>	<u>\$66,067,565</u>	<u>\$66,410,494</u>	<u>\$67,585,248</u>
Business-type activities:				
Net investment in capital assets	\$14,533,294	\$15,615,621	\$19,009,507	\$20,538,236
Capital improvements	-	-	-	-
Unrestricted	11,700,702	10,782,340	7,635,898	6,247,511
Total business-type activities net position	<u>\$26,233,996</u>	<u>\$26,397,961</u>	<u>\$26,645,405</u>	<u>\$26,785,747</u>
Primary government:				
Net investment in capital assets	\$67,953,436	\$63,878,374	\$67,368,035	\$70,857,504
Restricted:				
Debt service	842,461	7,716,482	9,488,937	9,277,345
Economic development loans	1,103,072	1,151,456	1,173,167	1,207,650
Park improvements	367,171	189,055	170,269	179,813
Capital improvements	390,837	-	-	-
Tax increment purposes	-	-	214,700	222,237
Other purposes	282,063	-	-	-
Unrestricted	14,336,472	19,530,159	14,640,791	12,626,446
Total primary government net position	<u>\$85,275,512</u>	<u>\$92,465,526</u>	<u>\$93,055,899</u>	<u>\$94,370,995</u>

Note: GASB 68 was implemented in 2015. Net position was restated for 2014 to reflect the reporting of net pension liability and pension related deferred outflows of resources. Net position for years prior to

Table 1

2010	2011	2012	2013	2014	2015
\$47,399,823	\$45,586,192	\$45,602,831	\$46,081,741	\$46,224,926	\$47,570,414
9,309,240	10,891,063	10,260,654	8,224,592	7,612,827	6,297,467
1,254,101	1,216,873	1,217,310	1,228,283	1,308,745	1,327,357
185,128	191,093	201,792	202,547	104,981	7,387
-	-	-	-	-	2,606,062
224,084	228,864	230,912	232,630	246,852	262,227
-	39,700	47,552	11,794	20,677	19,828
5,215,693	4,601,932	3,915,592	3,531,216	3,078,304	3,799,290
<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>	<u>\$61,890,032</u>
\$21,217,178	\$21,219,555	\$21,503,856	\$21,701,041	\$21,199,492	\$26,906,510
-	-	-	-	-	102,350
5,553,670	5,473,413	5,257,619	4,855,848	5,396,472	4,958,009
<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>	<u>\$31,966,869</u>
\$68,617,001	\$66,805,747	\$67,106,687	\$67,782,782	\$67,424,418	\$74,476,924
9,309,240	10,891,063	10,260,654	8,224,592	7,612,827	6,297,467
1,254,101	1,216,873	1,217,310	1,228,283	1,308,745	1,327,357
185,128	191,093	201,792	202,547	104,981	7,387
-	-	-	-	-	2,708,412
224,084	228,864	230,912	232,630	246,852	262,227
-	39,700	47,552	11,794	20,677	19,828
10,769,363	10,075,345	9,173,211	8,387,064	8,474,776	8,757,299
<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>	<u>\$93,856,901</u>

CITY OF WACONIA, MINNESOTA

CHANGES IN NET POSITION

Last Ten Fiscal Years

(Accrual Basis of Accounting)

	2006	2007	2008	2009
Expenses				
Governmental activities:				
General government	\$2,030,194	\$2,302,116	\$2,622,348	\$2,642,937
Public safety	1,312,958	1,685,660	1,518,939	1,226,626
Public works	2,054,216	2,970,108	2,601,463	3,933,761
Parks and recreation	1,509,675	1,831,902	2,060,564	1,945,878
Economic development	33,942	38,730	21,544	18,974
Interest on long-term debt	381,690	1,381,726	1,251,510	1,177,849
Total governmental activities expenses	<u>7,322,675</u>	<u>10,210,242</u>	<u>10,076,368</u>	<u>10,946,025</u>
Business-type activities:				
Water	987,037	1,290,442	1,391,682	1,549,474
Sewer	1,398,109	1,922,730	1,723,586	1,716,354
Storm water	347,475	401,472	289,622	469,839
Street lighting	154,610	163,572	170,080	157,064
Ice arena	543	145,026	751,673	811,745
Total business-type activities expenses	<u>2,887,774</u>	<u>3,923,242</u>	<u>4,326,643</u>	<u>4,704,476</u>
Total primary government expenses	<u>\$10,210,449</u>	<u>\$14,133,484</u>	<u>\$14,403,011</u>	<u>\$15,650,501</u>
Program revenues				
Governmental activities:				
Charges for services:				
General Government	\$603,378	\$519,603	\$655,354	\$643,260
Public Safety	1,043,933	1,278,888	757,598	516,162
Public Works	7,472	77,408	61,820	64,418
Parks and Recreation	893,834	927,631	877,925	881,793
Economic Development	10,509	112,849	450	-
Operating grants and contributions	109,692	132,968	364,228	152,842
Capital grants and contributions	3,237,135	8,837,041	3,184,638	5,508,414
Total governmental activities program revenues	<u>5,905,953</u>	<u>11,886,388</u>	<u>5,902,013</u>	<u>7,766,889</u>
Business-type activities:				
Charges for services:				
Water	1,406,937	1,827,254	1,145,956	1,175,888
Sewer	1,684,768	2,100,204	1,358,474	1,343,775
Storm water	387,321	539,122	375,207	430,167
Street lighting	147,357	167,560	163,912	170,832
Ice arena	-	500	298,330	645,137
Operating grants and contributions	-	-	-	-
Capital grants and contributions	9,295	2,855	710,876	785,783
Total business-type activities program revenues	<u>3,635,678</u>	<u>4,637,495</u>	<u>4,052,755</u>	<u>4,551,582</u>
Total primary government program revenues	<u>\$9,541,631</u>	<u>\$16,523,883</u>	<u>\$9,954,768</u>	<u>\$12,318,471</u>

Table 2
Page 1 of 2

2010	2011	2012	2013	2014	2015
\$2,416,283	\$2,518,006	\$2,563,632	\$2,597,154	\$2,764,182	\$2,767,624
980,908	1,045,384	1,163,868	1,308,613	1,326,991	1,502,182
4,900,425	2,759,445	3,686,528	5,280,532	3,760,921	9,195,800
1,870,995	1,886,283	1,964,229	2,167,378	2,260,923	2,115,755
34,124	117,444	47,448	116,069	224,046	245,199
1,172,728	1,180,619	976,845	559,939	537,347	656,535
<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>	<u>16,483,095</u>
1,481,617	1,615,966	1,692,319	2,144,091	1,766,523	2,373,460
1,782,315	1,999,538	2,629,443	2,269,938	2,255,953	2,558,513
465,297	405,616	603,080	661,647	888,627	1,003,865
170,609	196,833	186,328	258,033	210,961	200,617
807,898	782,264	746,809	783,262	777,649	819,468
<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>6,955,923</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>	<u>\$23,439,018</u>
\$696,008	\$783,602	\$737,431	\$746,691	\$728,711	\$775,055
472,619	447,739	734,353	883,430	748,031	1,056,187
5,170	8,658	17,307	18,379	13,121	279,157
901,280	923,658	929,419	934,637	953,300	901,565
-	3,800	(15,126)	-	54,034	750
526,479	156,823	145,989	188,108	182,910	194,478
264,021	555,758	1,776,558	2,646,128	1,783,440	9,517,760
<u>2,865,577</u>	<u>2,880,038</u>	<u>4,325,931</u>	<u>5,417,373</u>	<u>4,463,547</u>	<u>12,724,952</u>
1,136,893	1,271,709	1,437,708	1,395,628	1,327,980	1,392,858
1,480,570	1,593,493	1,659,623	1,677,045	1,693,322	1,767,688
395,797	377,543	457,215	439,685	479,786	543,891
193,652	207,324	214,502	228,010	234,973	251,831
454,022	312,520	313,038	336,095	342,876	345,504
-	-	-	12,313	83,610	-
575,425	700,000	1,427,961	1,360,860	1,394,858	3,443,339
<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>7,745,111</u>
<u>\$7,101,936</u>	<u>\$7,342,627</u>	<u>\$9,835,978</u>	<u>\$10,867,009</u>	<u>\$10,020,952</u>	<u>\$20,470,063</u>

CITY OF WACONIA, MINNESOTA

CHANGES IN NET POSITION

Last Ten Fiscal Years

(Accrual Basis of Accounting)

	2006	2007	2008	2009
Net (expense) revenue				
Governmental activities	(\$1,416,722)	\$1,676,146	(\$4,174,355)	(\$3,179,136)
Business-type activities	747,904	714,253	(273,888)	(152,894)
Total primary government net (expense) revenue	<u>(668,818)</u>	<u>2,390,399</u>	<u>(4,448,243)</u>	<u>(3,332,030)</u>
General revenues and other changes in net position				
Governmental activities:				
Property taxes	2,942,274	3,425,771	3,877,963	4,078,043
Tax increment	151,703	-	-	-
Lodging taxes	-	8,456	27,007	23,573
Grants and contributions not restricted to specific programs	152,019	142,185	72,224	17,497
Unrestricted investment earnings	262,646	956,178	646,691	340,574
Gain on sale of capital assets	-	13,360	4,850	-
Transfers	1,982,536	1,204,156	(111,451)	(162,910)
Total governmental activities	<u>5,491,178</u>	<u>5,750,106</u>	<u>4,517,284</u>	<u>4,296,777</u>
Business-type activities:				
Unrestricted investment earnings	385,157	703,264	409,881	256,242
Gain on sale of capital assets	-	-	-	-
Transfers	(1,982,536)	(1,204,156)	111,451	162,910
Total business-type activities	<u>(1,597,379)</u>	<u>(500,892)</u>	<u>521,332</u>	<u>419,152</u>
Total primary government	<u>\$3,893,799</u>	<u>\$5,249,214</u>	<u>\$5,038,616</u>	<u>\$4,715,929</u>
Change in net position				
Governmental activities	\$4,074,456	\$7,426,252	\$342,929	\$1,117,641
Business-type activities	(849,475)	213,361	247,444	266,258
Total primary government	<u>\$3,224,981</u>	<u>\$7,639,613</u>	<u>\$590,373</u>	<u>\$1,383,899</u>

Note: GASB 68 was implemented in 2015. Pension expense for years prior to 2015 were not restated.

2010	2011	2012	2013	2014	2015
(\$8,509,886)	(\$6,627,143)	(\$6,076,619)	(\$6,612,312)	(\$6,410,863)	(\$3,758,143)
(471,377)	(537,628)	(347,932)	(667,335)	(342,308)	789,188
<u>(8,981,263)</u>	<u>(7,164,771)</u>	<u>(6,424,551)</u>	<u>(7,279,647)</u>	<u>(6,753,171)</u>	<u>(2,968,955)</u>
4,320,851	4,745,665	4,867,392	4,966,181	5,389,061	6,043,541
56,866	43,280	19,620	19,649	162,335	179,949
28,434	29,405	33,749	41,949	43,165	41,541
-	-	-	3,343	79,864	185,594
376,556	167,437	147,996	47,571	105,069	102,172
-	-	-	8,679	528	25,842
<u>(270,000)</u>	<u>(295,000)</u>	<u>(305,000)</u>	<u>(438,900)</u>	<u>(284,650)</u>	<u>(455,000)</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>	<u>6,123,639</u>
186,478	164,748	111,439	23,849	86,527	51,360
-	-	-	-	10,206	9,195
<u>270,000</u>	<u>295,000</u>	<u>305,000</u>	<u>438,900</u>	<u>284,650</u>	<u>455,000</u>
<u>456,478</u>	<u>459,748</u>	<u>416,439</u>	<u>462,749</u>	<u>381,383</u>	<u>515,555</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>	<u>\$6,639,194</u>
(\$3,997,179)	(\$1,936,356)	(\$1,312,862)	(\$1,963,840)	(\$915,491)	\$2,365,496
(14,899)	(77,880)	68,507	(204,586)	39,075	1,304,743
<u>(\$4,012,078)</u>	<u>(\$2,014,236)</u>	<u>(\$1,244,355)</u>	<u>(\$2,168,426)</u>	<u>(\$876,416)</u>	<u>\$3,670,239</u>

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

	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>
General Fund:				
Nonspendable	\$ -	\$ -	\$ -	\$ -
Restricted	-	-	-	-
Committed	-	-	-	-
Unassigned	-	-	-	-
Reserved	9,588	-	-	-
Unreserved:				
Undesignated	2,330,614	2,468,717	2,393,793	961,865
Total general fund	<u>\$2,340,202</u>	<u>\$2,468,717</u>	<u>\$2,393,793</u>	<u>\$961,865</u>
All other governmental funds:				
Nonspendable	\$ -	\$ -	\$ -	\$ -
Restricted	-	-	-	-
Committed	-	-	-	-
Assigned	-	-	-	-
Unassigned	-	-	-	-
Reserved	1,906,413	2,343,653	4,201,297	3,847,403
Unreserved:				
Designated:				
Special revenue funds	-	35,178	-	-
Debt service funds	-	1,637,230	-	-
Capital project funds	208,587	6,422,192	-	-
Undesignated:				
Special revenue funds	2,371,382	2,099,749	1,791,672	2,189,320
Debt service funds	-	-	-	-
Capital project funds	(1,061,644)	-	3,508,093	3,972,815
Total all other governmental funds	<u>\$3,424,738</u>	<u>\$12,538,002</u>	<u>\$9,501,062</u>	<u>\$10,009,538</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

2010	2011	2012	2013	2014	2015
\$ -	\$18,593	\$12,409	\$28,844	\$13,143	\$128,194
-	-	-	1,057	1,057	1,057
-	873,835	873,168	712,637	692,888	673,888
-	1,133,609	1,265,607	1,646,903	1,747,771	2,015,575
6,373	-	-	-	-	-
953,470	-	-	-	-	-
<u>\$959,843</u>	<u>\$2,026,037</u>	<u>\$2,151,184</u>	<u>\$2,389,441</u>	<u>\$2,454,859</u>	<u>\$2,818,714</u>
\$ -	\$1,982	\$788	\$152,640	\$ -	\$27,492
-	17,196,144	6,285,084	5,357,864	4,844,938	7,337,831
-	15,191	32,150	30,687	-	-
-	2,540,980	1,909,125	1,188,742	939,666	1,838,930
-	-	-	(1,845)	(32,175)	(453,188)
4,207,720	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
2,266,491	-	-	-	-	-
-	-	-	-	-	-
2,891,701	-	-	-	-	-
<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>	<u>\$8,751,065</u>

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

Revenues:	2006	2007	2008	2009
General property taxes	\$2,937,970	\$3,386,626	\$3,832,821	\$3,949,672
Tax increment	151,703	-	-	-
Lodging taxes	-	8,456	27,007	23,573
Licenses and permits	887,845	1,197,252	686,102	444,070
Intergovernmental	971,405	682,825	1,379,232	2,625,874
Special assessments	153,041	225,963	1,749,987	620,220
Charges for services	1,508,959	1,690,467	1,639,102	1,575,358
Fines and forfeits	17,806	19,124	19,093	26,325
Investment income	262,646	956,178	646,691	340,574
Contributions and donations	34,706	29,410	26,220	22,856
Developer reimbursements	2,567,705	2,133,921	8,850	59,880
Total revenues	9,493,786	10,330,222	10,015,105	9,688,402
Expenditures:				
Current:				
General government	1,167,977	1,316,877	1,765,354	1,590,742
Public safety	1,357,545	1,592,974	1,348,215	1,140,838
Public works	862,465	1,011,533	1,078,427	760,670
Parks and recreation	1,430,864	1,576,314	1,689,011	1,503,876
Economic development	33,942	38,730	21,544	18,974
Capital outlay:				
General government	25,063	224,704	29,906	22,285
Public safety	41,296	49,062	56,026	-
Public works	8,124,756	17,166,373	3,833,016	1,993,877
Parks and recreation	35,568	721,030	520,792	164,274
Debt service:				
Principal	730,298	718,404	432,979	2,045,556
Interest and fiscal charges	353,184	1,010,958	1,255,057	1,207,852
Payment to refunded bond escrow	-	-	-	-
Total expenditures	14,162,958	25,426,959	12,030,327	10,448,944
Revenues over (under) expenditures	(4,669,172)	(15,096,737)	(2,015,222)	(760,542)
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	3,428,427	1,967,156	858,257	1,645,070
Transfers out	(1,445,891)	(763,000)	(983,257)	(1,807,980)
Bond premium	-	-	-	-
Bond discount	(9,801)	-	-	-
Sale of capital assets	-	13,360	8,450	-
Payment to refunded bond escrow	-	-	-	-
Total other financing sources (uses)	3,007,735	24,337,516	(58,846)	(162,910)
Net change in fund balance	(\$1,661,437)	\$9,240,779	(\$2,074,068)	(\$923,452)
Debt service as a percentage of noncapital expenditures	18.3%	23.8%	22.2%	39.3%
Debt service as percentage of total expenditures	7.7%	6.8%	14.0%	31.1%

Table 4

2010	2011	2012	2013	2014	2015
\$4,339,528	\$4,816,809	\$4,871,223	\$5,014,927	\$5,429,108	\$6,037,546
56,866	43,280	19,620	19,649	162,335	179,949
28,434	29,405	33,749	41,949	43,165	41,541
374,383	359,829	640,048	807,266	666,867	961,940
186,940	270,575	1,682,388	2,499,159	1,249,183	6,538,855
748,079	1,267,620	674,933	368,991	762,373	1,033,655
1,674,463	1,779,391	1,774,255	1,746,134	1,787,360	2,001,232
26,231	28,237	29,469	29,737	42,970	49,542
376,556	167,438	147,996	47,571	105,069	102,172
339,539	28,177	14,043	26,603	24,977	116,328
-	89,645	27,903	-	-	-
8,151,019	8,880,406	9,915,627	10,601,986	10,273,407	17,062,760
1,368,074	1,400,275	1,427,332	1,542,002	1,679,023	1,679,071
888,857	930,036	1,040,638	1,181,350	1,195,215	1,333,954
716,917	807,926	805,113	1,497,707	1,199,114	1,485,073
1,460,379	1,432,244	1,487,548	1,693,531	1,781,915	1,590,388
34,124	117,444	47,448	116,069	224,046	245,199
159,250	80,194	40,478	30,951	30,939	-
14,512	720,915	14,825	49,603	67,045	93,595
305,413	264,567	1,471,157	2,106,318	2,879,849	9,712,756
12,558	87,820	368,581	204,016	210,070	815,465
2,115,888	2,931,506	13,356,770	2,315,768	2,388,925	2,469,162
1,175,181	1,102,155	952,739	681,473	645,158	769,234
-	-	-	-	-	436,317
8,251,153	9,875,082	21,012,629	11,418,788	12,301,299	20,630,214
(100,134)	(994,676)	(11,097,002)	(816,802)	(2,027,892)	(3,567,454)
3,390,000	11,995,000	-	-	1,390,000	11,295,000
(3,665,514)	-	-	-	-	-
-	-	-	-	-	-
2,094,922	2,091,233	1,660,769	1,439,783	3,072,797	8,476,429
(2,364,922)	(2,386,233)	(1,965,769)	(1,883,783)	(3,373,597)	(8,931,429)
-	749,254	-	-	28,451	475,098
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	(4,385,153)
(545,514)	12,449,254	(305,000)	(444,000)	1,117,651	6,929,945
(\$645,648)	\$11,454,578	(\$11,402,002)	(\$1,260,802)	(\$910,241)	\$3,362,491
42.4%	46.2%	70.4%	30.0%	31.0%	20.9%
39.9%	40.8%	68.1%	26.2%	24.7%	17.8%

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>
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
2015	9,266,615	2,772,739	161,422	97,827	12,298,603

Source: Carver County Taxpayer Services

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>
(\$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	933,351,800	1.17%
(145,744)	183,047	12,335,906	48.780	1,072,984,100	1.15%

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)					
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	3.472	134.550
2015	48.780	35.376	40.488	3.125	127.769

Source: Carver County Taxpayer Services

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

Table 7

Taxpayer	2015			2006		
	Net Tax Capacity	Rank	Percentage of Total Net Tax Capacity	Net Tax Capacity	Rank	Percentage of Total Net Tax Capacity
Jerry's Enterprises	\$259,836	1	2.11%	\$144,228	2	1.57%
Target Corporation	223,018	2	1.81%	-	-	-
Ridgeview Real Estate LLC	140,374	3	1.14%	-	-	-
Lakeview Clinic Building Corp.	122,186	4	0.99%	96,920	3	1.06%
Elkay Wood Products Company	111,636	5	0.91%	172,406	1	1.88%
Auburn Meadows LLC	99,520	6	0.81%	-	-	-
Health Care Reit Inc.	88,243	7	0.72%	-	-	-
Pine Park Properties LLC	85,648	8	0.70%	-	-	-
Xcel Energy	83,156	9	0.68%	66,816	4	0.73%
Centerpoint Energy Minnegasco	82,286	10	0.67%	-	-	-
3-Star Properties LLP	-	-	-	60,020	5	0.65%
Waconia Farm Supply	-	-	-	56,898	6	0.62%
CPS Holding LLC	-	-	-	45,460	7	0.50%
Muller Properties of Waconia	-	-	-	42,255	8	0.46%
Waconia Motor Company LLC	-	-	-	40,238	9	0.44%
Waconia Square LLC	-	-	-	39,018	10	0.43%
Total	\$1,295,903		10.54%	\$764,259		8.33%
Total All Property	\$12,298,603			\$9,174,563		

Source: Carver County Taxpayer Services

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

Table 8

Fiscal Year Ended December 31,	Taxes Levied For The Fiscal Year	Collected Within The Fiscal Year of the Levy		Collections in Subsequent Years	Total Collections to Date	
		Amount	Percentage of Levy		Amount	Percentage of Levy
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%	58,720	3,410,586	95.7%
2008	4,007,474	3,769,065	94.1%	69,720	3,838,785	95.8%
2009	4,218,987	3,685,413	87.4%	69,522	3,754,935	89.0%
2010	4,629,319	4,267,455	92.2%	95,218	4,362,673	94.2%
2011	4,937,619	4,647,595	94.1%	42,389	4,689,984	95.0%
2012	4,922,461	4,846,949	98.5%	28,439	4,875,388	99.0%
2013	5,045,444	4,986,516	98.8%	36,995	5,023,511	99.6%
2014	5,391,821	5,355,206	99.3%	16,713	5,371,919	99.6%
2015	6,025,768	5,979,376	99.2%	-	5,979,376	99.2%

Source: City Finance Department

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

Fiscal Year	Governmental Activities			
	General Obligation Bonds	G.O. Improvement Bonds	G.O. Tax Increment Bonds	Public Project Revenue Bonds
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
2015	8,709,918	13,700,412	-	985,067

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

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

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

Table 9

Business-Type Activities		Total Debt	Percentage of Total Tax Capacity ⁽¹⁾	Per Capita ⁽²⁾	Total Tax Capacity	Population
G.O. Revenue Bonds	Public Project Revenue Bonds					
\$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
18,894,281	4,205,911	46,495,589	378.06%	3,844	12,298,603	12,095

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 ⁽²⁾	Per Capita ⁽³⁾
	General Obligation Bonds	EDA Public Project Revenue Bonds ⁽¹⁾	Total				
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
2015	8,709,918	-	8,709,918	1,295,909	7,414,009	60.28%	613

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

⁽¹⁾ A City property tax levy provided funding for lease payments to the EDA, which equalled the EDA's debt service payments on the public project revenue bonds.

⁽²⁾ The Total Tax Capacity values can be found at Table 5

⁽³⁾ Population data can be found at Table 14.

CITY OF WACONIA, MINNESOTA
DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT
 December 31, 2015

Table 11

Governmental Unit	Debt Outstanding	Estimated Percentage Applicable*	Estimated Share of Overlapping Debt
Direct debt:			
City of Waconia ⁽¹⁾	<u>\$23,395,397</u>	100.00%	<u>\$23,395,397</u>
Overlapping debt:			
Carver County	24,650,000	10.11%	2,492,263
Independent School District No. 110	114,875,000	53.47%	61,421,250
Metropolitan Council	<u>155,020,000</u>	0.38%	<u>582,255</u>
Subtotal - overlapping debt	<u>294,545,000</u>		<u>64,495,768</u>
Total direct and overlapping debt	<u><u>\$317,940,397</u></u>		<u><u>\$87,891,165</u></u>

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

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

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

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Legal Debt Margin Calculation for Fiscal Year 2015

Estimated market value of property	\$1,125,108,200
Debt limit percentage*	<u>3%</u>
Statutory debt limit	<u>33,753,246</u>
Net debt applicable to limit:	
Total bonded debt	46,495,589
Less:	
G.O. improvement bonds	(13,700,412)
G.O. revenue bonds	(18,894,281)
Public project revenue bonds not paid from property taxes	(5,190,978)
Total net debt applicable to limit	<u>8,709,918</u>
Legal debt margin	<u><u>\$25,043,328</u></u>

Legal Debt Margin Calculation for Fiscal Years 2006 Through 2014

Fiscal Year	Statutory Debt Limit	Net Debt Applicable to Limit	Legal Debt Margin	Ratio of Net Debt to Debt Limit
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%
2014	29,743,458	7,708,664	22,034,794	25.92%

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

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

Fiscal Year	G.O. Improvement Bonds				Coverage
	Special Assessment Collections	Debt Service			
		Principal	Interest		
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	
2015	1,033,655	1,845,000	201,675	0.505	

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	
\$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
5,063,988	3,268,616	1,795,372	710,000	509,188	1.473

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⁾
2006	8,622	3.3%	\$4,152,161	\$48,474
2007	9,557	4.0%	4,494,474	51,501
2008	9,701	4.9%	4,707,305	53,003
2009	9,960	7.2%	4,449,868	49,310
2010	10,697	6.8%	4,672,590	51,136
2011	10,833	5.5%	5,081,245	54,748
2012	11,222	4.8%	5,427,814	57,810
2013	11,563	4.3%	5,537,845	57,901
2014	11,827	3.6%	5,838,766	59,984
2015	12,095	3.2%	(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
 Current Year and Nine Years Ago

Table 15

Employer	2015			2006		
	Employees	Rank	Percentage of Total City Employment ⁽¹⁾	Employees	Rank	Percentage of Total City Employment ⁽¹⁾
Ridgeview Medical Center	1,500	1	36.5%	1,311	1	38.3%
I.S.D. No. 110 (Waconia)	765	2	18.6%	379	3	11.1%
Elkay Wood Products Company	642	3	15.6%	733	2	21.4%
Good Samaritan Society Waconia	250	4	6.1%	202	4	5.9%
Mackenthun's Supermarket	200	5	4.9%	150	7	4.4%
Physicians Service Network	200	6	4.9%	-	-	0.0%
City of Waconia	159	7	3.9%	196	5	5.7%
Target	150	8	3.7%	-	-	0.0%
Lakeview Clinic	120	9	2.9%	165	6	4.8%
UFC (Waconia Farm Supply)	120	10	2.9%	118	8	3.4%
Milltronics Manufacturing Co	-	-	0.0%	110	9	3.2%
Waconia Manufacturing	-	-	0.0%	61	19	1.8%
Total	4,106			3,425		

Source: written and telephone survey

⁽¹⁾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>2006</u>	<u>2007</u>	<u>2008</u>
General government	8	8	8
Public safety	2	2	3
Public works	15	15	15
Parks & recreation	27	29	30
Economic development	3	3	3
Total	<u>55</u>	<u>57</u>	<u>59</u>

Source: City Finance Department

Table 16

Full-Time Equivalent Employees as of December 31,						
<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>
9	8	8	8	8	8	8
3	2	2	3	3	3	3
15	12	13	14	15	16	21
29	28	27	27	27	31	25
<u>3</u>	<u>3</u>	<u>3</u>	<u>3</u>	<u>3</u>	<u>3</u>	<u>3</u>
<u>59</u>	<u>53</u>	<u>53</u>	<u>55</u>	<u>56</u>	<u>61</u>	<u>60</u>

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

Function/Program	Fiscal Year		
	2006	2007	2008
Building:			
Total permits issued	1,037	725	1,854
Total estimated value	\$83,034,130	\$53,210,813	\$44,246,646
Election:			
Registered voters	5,440	5,440	5,842
Fire:			
Average number of employees	33	34	37
General government:			
Area of city - square miles	3.73	4.31	4.41
Average number of permanent full-time employees (excluding fire department)	33	34	35
Police:			
Average number of employees	5.8	5.5	6.0
Number of major crimes	233	222	257
Water:			
Number of customers	3,280	3,425	3,534
Daily average consumption - gallons	935,348	1,034,359	1,025,957
Plant capacity - gallons	2,016,000	2,016,000	4,100,000

Source: Various City Departments

Table 17

Fiscal Year						
2009	2010	2011	2012	2013	2014	2015
1,059	726	595	1,068	1,124	937	1,037
\$22,398,899	\$16,288,731	\$20,895,214	\$34,399,256	\$47,110,365	\$38,308,553	\$70,473,280
5,842	5,962	5,962	6,316	6,316	7,210	7,210
38	35	34	36	32	32	32
4.43	4.43	4.45	4.45	4.45	4.52	4.63
36	34	35	37	37	38	39
6.0	4.7	4.7	4.7	5.0	6.3	6.3
178	162	204	133	134	103	128
3,583	3,631	3,661	3,761	3,854	3,939	4,040
1,066,668	919,245	948,988	1,007,602	981,116	956,006	953,162
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		
	2006	2007	2008
Fire:			
Number of stations	1	1	1
Parks and recreation:			
Acres of parks	82.5	139.5	139.5
Acres of open space	46.9	46.9	72.9
Number of shelter buildings	2	3	3
Number of playgrounds	11	12	12
Number of basketball courts	2	2	2
Number of tennis courts	3	3	3
Police:			
Number of stations	1	1	1
Public works:			
Miles of streets	42.5	46.3	46.9
Miles of sidewalks	11.5	13.5	14.0
Miles of trails	11.7	12.8	13.0
Sewer:			
Miles of storm sewers	29.4	33.5	35.0
Miles of gravity sanitary sewers	48.8	50.4	51.9
Miles of forcemain sanitary sewers	5.3	5.7	5.3
Number of lift stations	14	12	11
Water:			
Miles of watermains	55.9	57.7	60.0
Number of wells	4	5	6

Table 18

								Fiscal Year	
2009	2010	2011	2012	2013	2014	2015			
1	1	1	1	1	1	1	1	1	
152.3	152.3	152.3	152.3	152.7	152.7	168.0			
72.9	72.9	72.9	72.9	78.3	86.5	98.5			
4	4	4	4	6	6	7			
13	13	13	13	14	16	16			
2	2	2	2	2	3	3			
3	3	3	3	3	5	5			
1	1	1	1	1	1	1			
47.2	47.2	47.2	47.3	48.2	48.2	48.7			
14.0	14.0	14.1	14.2	14.4	14.9	15.3			
13.0	13.0	13.0	13.0	13.1	13.1	15.1			
41.8	42.2	42.3	43.8	43.8	47.0	52.4			
51.9	52.2	52.2	52.4	52.4	55.4	53.6			
5.3	5.3	5.3	5.3	5.3	5.3	3.7			
11	11	11	11	11	11	11			
60.0	60.3	60.3	60.6	60.6	66.8	71.1			
6	6	6	6	6	6	6			

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