

PRELIMINARY OFFICIAL STATEMENT DATED DECEMBER 7, 2017

In the opinion of Dorsey & Whitney LLP, Minneapolis, Minnesota, Bond Counsel, based on present federal and Minnesota laws, regulations, rulings and decisions, and assuming compliance with certain requirements of the Internal Revenue Code of 1986, as amended, (the "Code"), and certain covenants, interest to be paid on the Bonds is excluded from gross income for federal income tax purposes and from taxable net income of individuals, estates, and trusts for Minnesota income tax purposes, and is not an item of tax preference for federal or Minnesota alternative minimum tax purposes. Such interest is included in taxable income for purposes of the Minnesota franchise tax on corporations and financial institutions and in adjusted current earnings of corporations for federal alternative minimum tax purposes. See "TAX EXEMPTION" and "RELATED TAX CONSIDERATIONS".

The City will designate the Bonds as "qualified tax-exempt obligations" for purposes of Section 265(b)(3) of the Code relating to the ability of financial institutions to deduct from income for federal income tax purposes a portion of the interest expense that is allocable to carrying and acquiring tax-exempt obligations. Sections 265(a)(2) and 291 of the Code impose additional limitations on the deductibility of such interest expense.

New Issue

Rating Application Made: S&P Global Ratings

CITY OF WAYZATA, MINNESOTA (Hennepin County)

\$2,905,000* GENERAL OBLIGATION WATER REVENUE REFUNDING BONDS, SERIES 2017A

PROPOSAL OPENING: December 19, 2017, 10:00 A.M., C.T. **CONSIDERATION:** December 19, 2017, 7:00 P.M., C.T.

PURPOSE/AUTHORITY/SECURITY: The \$2,905,000* General Obligation Water Revenue Refunding Bonds, Series 2017A (the "Bonds") are authorized pursuant to Minnesota Statutes, Chapters 444 and 475, and Section 475.67, by the City of Wayzata, Minnesota (the "City"), for the purpose of effecting an advance crossover refunding of certain outstanding general obligations of the City as more fully described herein. The Bonds will be general obligations of the City for which its full faith, credit and taxing powers are pledged. Delivery is subject to receipt of an approving legal opinion of Dorsey & Whitney LLP, Minneapolis, Minnesota.

DATE OF BONDS: December 28, 2017

MATURITY: December 1 as follows:

<u>Year</u>	<u>Amount*</u>	<u>Year</u>	<u>Amount*</u>	<u>Year</u>	<u>Amount*</u>
2019	\$200,000	2024	\$220,000	2029	\$240,000
2020	200,000	2025	220,000	2030	255,000
2021	205,000	2026	225,000	2031	260,000
2022	205,000	2027	230,000		
2023	210,000	2028	235,000		

MATURITY ADJUSTMENTS: * The City reserves the right to increase or decrease the principal amount of the Bonds on the day of sale, in increments of \$5,000 each. Increases or decreases may be made in any maturity. If any principal amounts are adjusted, the purchase price proposed will be adjusted to maintain the same gross spread per \$1,000.

TERM BONDS: See "Term Bond Option" herein.

INTEREST: December 1, 2018 and semiannually thereafter.

OPTIONAL REDEMPTION: Bonds maturing December 1, 2027 and thereafter are subject to call for prior redemption on December 1, 2026 and any date thereafter, at a price of par plus accrued interest.

MINIMUM PROPOSAL: \$2,870,140.

GOOD FAITH DEPOSIT: A good faith deposit in the amount of \$58,100 shall be made by the winning bidder by wire transfer of funds.

PAYING AGENT: Bond Trust Services Corporation, Roseville, Minnesota.

ESCROW AGENT: Zions Bank, a division of ZB, National Association, Chicago, Illinois.

BOOK-ENTRY-ONLY: See "Book-Entry-Only System" herein (unless otherwise specified by the purchaser).

This Preliminary Official Statement and the information contained herein is deemed by the Issuer to be final as of the date hereof for purposes of SEC Rule 15c2-12(b)(1), however, the pricing and underwriting information is subject to revision, completion or amendment. Under no circumstances shall this Preliminary Official Statement constitute an offer to sell or the solicitation of an offer to buy these securities, nor shall there be any sale of these securities in any jurisdiction in which such offer, solicitation or sale would be unlawful prior to registration or qualification under the securities laws of any such jurisdiction.



REPRESENTATIONS

No dealer, broker, salesperson or other person has been authorized by the City to give any information or to make any representation other than those contained in this Preliminary Official Statement and, if given or made, such other information or representations must not be relied upon as having been authorized by the City. ***This Preliminary Official Statement does not constitute an offer to sell or a solicitation of an offer to buy any of the Bonds in any jurisdiction to any person to whom it is unlawful to make such an offer or solicitation in such jurisdiction.***

This Preliminary Official Statement is not to be construed as a contract with the Syndicate Manager or Syndicate Members. Statements contained herein which involve estimates or matters of opinion are intended solely as such and are not to be construed as representations of fact. Ehlers & Associates, Inc. prepared this Preliminary Official Statement and any addenda thereto relying on information of the City and other sources for which there is reasonable basis for believing the information is accurate and complete. Bond Counsel has not participated in the preparation of this Preliminary Official Statement and is not expressing any opinion as to the completeness or accuracy of the information contained therein. Compensation of Ehlers & Associates, Inc., payable entirely by the City, is contingent upon the sale of the issue.

COMPLIANCE WITH S.E.C. RULE 15c2-12

Certain municipal obligations (issued in an aggregate amount over \$1,000,000) are subject to Rule 15c2-12 promulgated by the Securities and Exchange Commission pursuant to the Securities Exchange Act of 1934, as amended (the "Rule").

Preliminary Official Statement: This Preliminary Official Statement was prepared for the City for dissemination to potential investors. Its primary purpose is to disclose information regarding the Bonds to prospective underwriters in the interest of receiving competitive proposals in accordance with the sale notice contained herein. Unless an addendum is posted prior to the sale, this Preliminary Official Statement shall be deemed nearly final for purposes of the Rule subject to completion, revision and amendment in a Final Official Statement as defined below.

Review Period: This Preliminary Official Statement has been distributed to prospective bidders for review. Comments or requests for the correction of omissions or inaccuracies must be submitted to Ehlers & Associates, Inc. at least two business days prior to the sale. Requests for additional information or corrections in the Preliminary Official Statement received on or before this date will not be considered a qualification of a proposal received from an underwriter. If there are any changes, corrections or additions to the Preliminary Official Statement, interested bidders will be informed by an addendum prior to the sale.

Final Official Statement: Copies of the Final Official Statement will be delivered to the underwriter (Syndicate Manager) within seven business days following the proposal acceptance.

Continuing Disclosure: Subject to certain exemptions, issues in an aggregate amount over \$1,000,000 may be required to comply with provisions of the Rule which require that underwriters obtain from the issuers of municipal securities (or other obligated party) an agreement for the benefit of the owners of the securities to provide continuing disclosure with respect to those securities. This Preliminary Official Statement describes the conditions under which the Bonds are exempt or required to comply with the Rule.

CLOSING CERTIFICATES

Upon delivery of the Bonds, the underwriter (Syndicate Manager) will be furnished with the following items: (1) a certificate of the appropriate officials to the effect that at the time of the sale of the Bonds and all times subsequent thereto up to and including the time of the delivery of the Bonds, this Preliminary Official Statement did not and does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading; (2) a receipt signed by the appropriate officer evidencing payment for the Bonds; (3) a certificate evidencing the due execution of the Bonds, including statements that (a) no litigation of any nature is pending, or to the knowledge of signers, threatened, restraining or enjoining the issuance and delivery of the Bonds, (b) neither the corporate existence or boundaries of the City nor the title of the signers to their respective offices is being contested, and (c) no authority or proceedings for the issuance of the Bonds have been repealed, revoked or rescinded; and (4) a certificate setting forth facts and expectations of the City which indicates that the City does not expect to use the proceeds of the Bonds in a manner that would cause them to be arbitrage bonds within the meaning of Section 148 of the Internal Revenue Code of 1986, as amended, or within the meaning of applicable Treasury Regulations.

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CITY COUNCIL

		<u>Term Expires</u>
Ken Wilcox	Mayor	January 2021
Dan Koch	Council Member	January 2021
Johanna McCarthy	Council Member	January 2019
Alex Plechash	Council Member	January 2021
Steven Tyacke	Council Member	January 2019

ADMINISTRATION

Jeffrey Dahl, City Manager
Kathy Ovshak, Senior Accountant

PROFESSIONAL SERVICES

Dorsey & Whitney LLP, Bond Counsel, Minneapolis, Minnesota

Ehlers & Associates, Inc., Municipal Advisors, Roseville, Minnesota
(*Other offices located in Waukesha, Wisconsin, Chicago, Illinois and Denver, Colorado*)

INTRODUCTORY STATEMENT

This Preliminary Official Statement contains certain information regarding the City of Wayzata, Minnesota (the "City") and the issuance of its \$2,905,000* General Obligation Water Revenue Refunding Bonds, Series 2017A (the "Bonds") or the "Obligations". Any descriptions or summaries of the Bonds, statutes, or documents included herein are not intended to be complete and are qualified in their entirety by reference to such statutes and documents and the form of the Bonds to be included in the resolution awarding the sale of the Bonds (the "Award Resolution") to be adopted by the City Council on December 19, 2017.

Inquiries may be directed to Ehlers & Associates, Inc. ("Ehlers" or the "Municipal Advisor"), Roseville, Minnesota, (651) 697-8500, the City's Municipal Advisor. A copy of this Preliminary Official Statement may be downloaded from Ehlers' web site at www.ehlers-inc.com by connecting to the Bond Sales link and following the directions at the top of the site.

THE BONDS

GENERAL

The Bonds will be issued in fully registered form as to both principal and interest in denominations of \$5,000 each or any integral multiple thereof, and will be dated, as originally issued, as of December 28, 2017. The Bonds will mature on December 1 in the years and amounts set forth on the cover of this Preliminary Official Statement. Interest will be payable on June 1 and December 1 of each year, commencing December 1, 2018, to the registered owners of the Bonds appearing of record in the bond register as of the close of business on the 15th day (whether or not a business day) of the immediately preceding month. Interest will be computed upon the basis of a 360-day year of twelve 30-day months and will be rounded pursuant to rules of the Municipal Securities Rulemaking Board ("MSRB"). **The rate for any maturity may not be more than 1.00% less than the rate for any preceding maturity. (For example, if a rate of 4.50% is proposed for the 2019 maturity, then the lowest rate that may be proposed for any later maturity is 3.50%.)** All Bonds of the same maturity must bear interest from the date of issue until paid at a single, uniform rate. Each rate must be expressed in an integral multiple of 5/100 or 1/8 of 1%.

Unless otherwise specified by the purchaser, the Bonds will be registered in the name of Cede & Co., as nominee for The Depository Trust Company, New York, New York ("DTC"). (See "Book-Entry-Only System" herein.) As long as the Bonds are held under the book-entry system, beneficial ownership interests in the Bonds may be acquired in book-entry form only, and all payments of principal of, premium, if any, and interest on the Bonds shall be made through the facilities of DTC and its participants. If the book-entry system is terminated, principal of, premium, if any, and interest on the Bonds shall be payable as provided in the Award Resolution.

The City has selected Bond Trust Services Corporation, Roseville, Minnesota ("BTSC"), to act as paying agent (the "Paying Agent") and Zions Bank, a division of ZB, National Association, Chicago, Illinois as escrow agent (the "Escrow Agent"). BTSC and Ehlers are affiliate companies. The City will pay the charges for Paying Agent and Escrow Agent services. The City reserves the right to remove the Paying Agent and/or Escrow Agent and to appoint a successor.

*Preliminary, subject to change.

OPTIONAL REDEMPTION

At the option of the City, the Bonds maturing on or after December 1, 2027 shall be subject to optional redemption prior to maturity on December 1, 2026 and on any date thereafter, at a price of par plus accrued interest.

Redemption may be in whole or in part of the Bonds subject to prepayment. If redemption is in part, the selection of the amounts and maturities of the Bonds to be redeemed shall be at the discretion of the City. If only part of the Bonds having a common maturity date are called for redemption, then the City or Paying Agent, if any, will notify DTC of the particular amount of such maturity to be redeemed. DTC will determine by lot the amount of each participant's interest in such maturity to be redeemed and each participant will then select by lot the beneficial ownership interest in such maturity to be redeemed.

Notice of redemption shall be sent by mail not more than 60 days and not less than 30 days prior to the date fixed for redemption to the registered owner of each Bond to be redeemed at the address shown on the registration books.

AUTHORITY; PURPOSE

The Bonds are authorized pursuant to Minnesota Statutes, Chapter 444 and 475, and Section 475.67, by the City for the purpose of effecting an advance crossover refunding of the City’s \$3,870,000 General Obligation Water Revenue Bonds, Series 2009A (“Series 2009A Bonds”), dated May 19, 2009, as follows:

Issue Being Refunded	Date of Refunded Issue	Call Date	Call Price	Maturities Being Refunded	Interest Rates	Principal to be Refunded	CUSIP Base <u>946796</u>
Series 2009A Bonds	5/19/09	12/01/18	Par	2019	3.375%	\$170,000	RR2
				2021 (term)	3.375%	355,000	RT8
				2023 (term)	3.750%	380,000	RV3
				2025 (term)	4.000%	415,000	RX9
				2027 (term)	4.000%	450,000	RZ4
				2029 (term)	4.250%	490,000	SB6
				2031 (term)	4.375%	<u>540,000</u>	SD2
Total Series 2009A Bonds Being Refunded						<u>\$2,800,000</u>	

The Bonds are being sold in advance of the call date of the Series 2009A Bonds and will be invested in accordance with the Internal Revenue Code of 1986, as amended. Acceptance of a proposal is dependent upon a satisfactory escrow account being established in an amount sufficient to pay interest on the Bonds through December 1, 2018 and to pay the callable principal on the December 1, 2018 call date. The City will establish an escrow account with direct obligations of the U.S. Government. Actuarial services necessary to insure adequacy of the escrow account to provide timely payment of the Series 2009A Bonds to be refunded on the call date will be performed by a certified public accountant.

The City will continue to pay debt service on the Series 2009A Bonds until the call date. Interest on the Bonds due December 1, 2018 will be paid from the escrow account established with proceeds of the Bonds.

ESTIMATED SOURCES AND USES

Sources		
Par Amount of Bonds	<u>\$2,905,000</u>	
Total Sources		\$2,905,000
Uses		
Deposit to Crossover Escrow Fund	\$2,818,381	
Contingency	2,759	
Estimated Discount	34,860	
Finance Related Expenses	<u>49,000</u>	
Total Uses		\$2,905,000

SECURITY

The Bonds are general obligations of the City for which its full faith, credit and taxing powers are pledged without limitation as to rate or amount. Principal and interest on the Bonds will be paid entirely from net revenues of the water system which is owned and operated by the City. Should the revenues pledged for payment of the Bonds be insufficient to pay the principal and interest as the same shall become due, the City is required to pay maturing principal and interest from moneys on hand in any other fund of the City not pledged for another purpose and/or to levy a tax for this purpose upon all the taxable property in the City, without limitation as to rate or amount.

RATING

General obligation debt of the City, with the exception of any outstanding credit enhanced issues, is currently rated "AAA" by S&P Global Ratings ("S&P").

The City has requested a rating on this issue from S&P, and bidders will be notified as to the assigned rating prior to the sale. Such rating reflects only the views of such organization and explanations of the significance of such rating may be obtained from S&P. Generally, a rating agency bases its rating on the information and materials furnished to it and on investigations, studies and assumptions of its own. There is no assurance that such rating will continue for any given period of time or that it will not be revised downward or withdrawn entirely by such rating agency, if in the judgment of such rating agency circumstances so warrant. Any such downward revision or withdrawal of such rating may have an adverse effect on the market price of the Bonds.

Such rating is not to be construed as a recommendation of the rating agency to buy, sell or hold the Bonds, and the rating assigned by the rating agency should be evaluated independently. Except as may be required by the Disclosure Undertaking described under the heading "CONTINUING DISCLOSURE" neither the City nor the underwriter undertake responsibility to bring to the attention of the owner of the Bonds any proposed changes in or withdrawal of such rating or to oppose any such revision or withdrawal.

CONTINUING DISCLOSURE

In order to assist the Underwriters in complying with SEC Rule 15c2-12 promulgated by the Securities and Exchange Commission, pursuant to the Securities Exchange Act of 1934 (hereinafter the "Rule"), the City shall covenant to take certain actions pursuant to a Resolution adopted by the City Council by entering into a Continuing Disclosure Undertaking (the "Disclosure Undertaking") for the benefit of holders, including beneficial holders. The Disclosure Undertaking requires the City to provide electronically or in the manner otherwise prescribed certain financial information annually and to provide notices of the occurrence of certain events enumerated in the Rule. The details and terms of the Disclosure Undertaking for this issue are set forth in Appendix D to be executed and delivered by the City at the time of delivery of the Bonds. Such Disclosure Undertaking will be in substantially the form attached hereto.

In the previous five years, the City believes it has not failed to comply in all material respects with its prior undertakings under the Rule. However, in the interest of full disclosure the City notes the following: Prior continuing disclosure undertakings entered into by the City included language stating that an Annual Report including the City's audited financial statements and operating data would be filed "as soon as available." Although the City did not always comply with this requirement, the Annual Reports were timely filed within the required twelve (12) month timeframe as provided for in each undertaking. The City has reviewed its continuing disclosure responsibilities to help ensure compliance in the future.

A failure by the City to comply with any Disclosure Undertaking will not constitute an event of default on this issue or any issue outstanding. However, such a failure may adversely affect the transferability and liquidity of the Bonds and their market price.

The City will file its continuing disclosure information using the Electronic Municipal Market Access ("EMMA") system or any system that may be prescribed in the future. Investors will be able to access continuing disclosure information filed with the MSRB at www.emma.msrb.org. Ehlers is currently engaged as disclosure dissemination agent for the City.

LEGAL OPINION

An opinion in substantially the form attached hereto as Appendix B will be furnished by Dorsey & Whitney LLP, Minneapolis, Minnesota, bond counsel to the City.

TAX EXEMPTION AND RELATED TAX CONSIDERATIONS

The following discussion is not intended to be an exhaustive discussion of collateral tax consequences arising from ownership or disposition of the Bonds or receipt of interest on the Bonds. Prospective purchasers should consult their tax advisors with respect to collateral tax consequences, including, without limitation, the determination of gain or loss on the sale of a Bond, the calculation of alternative minimum tax liability, the inclusion of Social Security or other retirement payments in taxable income, the disallowance of deductions for certain expenses attributable to the Bonds, and applicable state and local tax rules in states other than Minnesota. The form of the approving opinion of Dorsey & Whitney LLP, Bond Counsel, is attached as Appendix B hereto.

Tax Exemption

It is the opinion of Dorsey & Whitney LLP, Minneapolis, Minnesota, Bond Counsel, based on present federal and Minnesota laws, regulations, rulings and decisions, and on certifications to be furnished at closing, and assuming compliance by the City with certain covenants (the "Tax Covenants"), that interest to be paid on the Bonds is excluded from gross income for federal income tax purposes and from taxable net income of individuals, estates, and trusts for Minnesota income tax purposes. Such interest is, however, included in taxable income for purposes of the Minnesota franchise tax on corporations and financial institutions.

Certain provisions of the Internal Revenue Code of 1986, as amended (the "Code"), however, impose continuing requirements that must be met after the issuance of the Bonds in order that interest on the Bonds be and remain excludable from federal gross income and from Minnesota taxable net income of individuals, estates, and trusts. These requirements include, but are not limited to, provisions regarding the use of Bond proceeds and the facilities financed or refinanced with such proceeds; restrictions on the investment of Bond proceeds and other amounts; and provisions requiring that certain investment earnings be rebated periodically to the federal government. Noncompliance with such requirements of the Code may cause interest on the Bonds to be includable in federal gross income or in Minnesota taxable net income retroactively to their date of issue. Compliance with the Tax Covenants will satisfy the current requirements of the Code with respect to exclusion of interest on the Bonds from federal gross income and from Minnesota taxable net income of individuals, estates, and trusts. No provision has been made for redemption of or for an increase in the interest rate on the Bonds in the event that interest on the same becomes includable in federal gross income or in Minnesota taxable net income.

Qualified Tax-Exempt Obligations

The City will designate the Bonds as "qualified tax-exempt obligations" for purposes of Section 265(b)(3) of the Code relating to the ability of financial institutions to deduct from income for federal income tax purposes a portion of the interest expense that is allocable to carrying and acquiring tax-exempt obligations. Sections 265(a)(2) and 291 of the Code impose additional limitations on the deductibility of such interest expense.

Original Issue Discount

Certain maturities of the Bonds may be issued at a discount from the principal amount payable on such Bonds at maturity (collectively, the "Discount Bonds"). The difference between the price at which a substantial amount of the Discount Bonds of a given maturity is first sold to the public (the "Issue Price") and the principal amount payable at maturity constitutes "original issue discount" under the Code. The amount of original issue discount that accrues to a holder of a Discount Bond under section 1288 of the Code is excluded from federal gross income and from Minnesota taxable net income of individuals, estates, and trusts to the same extent that stated interest on such Discount Bond would be so excluded. The amount of the original issue discount that accrues with respect to a Discount Bond under section 1288 is added to the owner's federal and Minnesota tax basis in determining gain or loss upon disposition of such Discount Bond (whether by sale, exchange, redemption or payment at maturity). Original issue discount is taxable under the Minnesota franchise tax on corporations and financial institutions.

Interest in the form of original issue discount accrues under section 1288 pursuant to a constant yield method that reflects semiannual compounding on dates that are determined by reference to the maturity date of the Discount Bond. The amount of original issue discount that accrues for any particular semiannual accrual period generally is equal to the excess of (1) the product of (a) one-half of the yield on such Bonds (adjusted as necessary for an initial short period) and (b) the adjusted issue price of such Bonds, over (2) the amount of stated interest actually payable. For purposes of the preceding sentence, the adjusted issue price is determined by adding to the Issue Price for such Bonds the original issue discount that is treated as having accrued during all prior semiannual accrual periods. If a Discount Bond is sold or otherwise disposed of between semiannual compounding dates, then the original issue discount that would have accrued for that semiannual accrual period for federal income tax purposes is allocated ratably to the days in such accrual period.

If a Discount Bond is purchased for a cost that exceeds the sum of the Issue Price plus accrued interest and accrued original issue discount, the amount of original issue discount that is deemed to accrue thereafter to the purchaser is reduced by an amount that reflects amortization of such excess over the remaining term of such Bond. If such excess is greater than the amount of remaining original issue discount, the basis reduction rules in the Code for amortizable Bond premium might result in taxable gain upon sale, redemption or maturity of the Bonds, even if the Bonds are sold, redeemed or retired for an amount equal to or less than their cost.

Except for the Minnesota rules described above, no opinion is expressed as to state and local income tax treatment of original issue discount. It is possible under certain state and local income tax laws that original issue discount on a Discount Bond may be taxable in the year of accrual, and may be deemed to accrue differently than under federal law.

Holders of Discount Bonds should consult their tax advisors with respect to the computation and accrual of original issue discount and with respect to the other federal, state and local tax consequences associated with the purchase, ownership, redemption, sale or other disposition of Discount Bonds.

Bond Premium

Certain maturities of the Bonds may be issued at a premium to the principal amount payable at maturity. Except in the case of dealers, which are subject to special rules, Bondholders who acquire Bonds at a premium, even Bonds that were not initially offered at a premium, must, from time to time, reduce their federal and Minnesota tax bases for the Bonds for purposes of determining gain or loss on the sale or payment of such Bonds. Premium generally is amortized for federal and Minnesota income and franchise tax purposes on the basis of a Bondholder's constant yield to maturity or to certain call dates with semiannual compounding. Accordingly, Bondholders who acquire Bonds at a premium might recognize taxable gain upon sale of the Bonds, even if such Bonds are sold for an amount equal to or less than their original cost. Amortized premium is not deductible for federal or Minnesota income tax purposes. Bondholders who acquire Bonds at a premium should consult their tax advisors concerning the calculation of Bond premium and the timing and rate of premium amortization, as well as the state and local tax consequences of owning and selling Bonds acquired at a premium.

Related Tax Considerations

Interest on the Bonds is not an item of tax preference for federal or Minnesota alternative minimum tax purposes, but is included in adjusted current earnings of corporations for purposes of the federal alternative minimum tax. Section 86 of the Code and corresponding provisions of Minnesota law require recipients of certain Social Security and railroad retirement benefits to take interest on the Bonds into account in determining the taxability of such benefits. Passive investment income, including interest on the Bonds, may be subject to taxation under section 1375 of the Code, and corresponding provisions of Minnesota law, for an S corporation that has accumulated earnings and profits at the close of the taxable year, if more than 25 percent of its gross receipts is passive investment income. Section

265 of the Code denies a deduction for interest on indebtedness incurred or continued to purchase or carry the Bonds, and Minnesota law similarly denies a deduction for such interest in the case of individuals, estates, and trusts. Indebtedness may be allocated to the Bonds for this purpose even though not directly traceable to the purchase of the Bonds. Federal and Minnesota laws also restrict the deductibility of other expenses allocable to the Bonds. [Because of the basis reduction rules in the Code for amortizable Bond premium, Bondholders who acquire Bonds at a premium might recognize taxable gain upon sale of the Bonds even if the Bonds are sold for an amount equal to or less than their original cost.] In the case of an insurance company subject to the tax imposed by section 831 of the Code, the amount which otherwise would be taken into account as losses incurred under section 832(b)(5) of the Code must be reduced by an amount equal to 15 percent of the interest on the Bonds that is received or accrued during the taxable year. Interest on the Bonds may be included in the income of a foreign corporation for purposes of the branch profits tax imposed by section 884 of the Code, and is included in net investment income of foreign insurance companies under section 842(b) of the Code.

Proposed Changes in Federal and State Law

From time to time, there are Presidential proposals, proposals of various federal committees and legislative proposals in Congress and in the state that, if enacted, could alter or amend the federal and state tax matters referred to herein or adversely affect the marketability or market value of the Bonds or otherwise prevent holders of the Bonds from realizing the full benefit of the tax exemption of interest on the Bonds. For example, in the recent past, legislation has been proposed that effectively would have imposed a partial tax on otherwise tax exempt interest for certain higher income taxpayers. In addition, regulatory and administrative actions may from time to time be announced that could adversely affect the market value, marketability or tax status of the Bonds.

No prediction is made concerning future events. The opinions expressed by Bond Counsel in connection with the issuance of the Bonds are based upon existing law only. Purchasers of the Bonds should consult their own tax advisors regarding any pending or proposed legislation, regulatory action, or litigation.

THE FOREGOING IS NOT INTENDED TO BE AN EXHAUSTIVE DISCUSSION OF COLLATERAL TAX CONSEQUENCES ARISING FROM OWNERSHIP OR DISPOSITION OF THE BONDS OR RECEIPT OF INTEREST ON THE BONDS. PROSPECTIVE PURCHASERS ARE ADVISED TO CONSULT THEIR OWN TAX ADVISORS AS TO THE TAX CONSEQUENCES OF, OR TAX CONSIDERATIONS FOR, PURCHASING OR HOLDING THE BONDS.

MUNICIPAL ADVISOR

Ehlers has served as municipal advisor to the City in connection with the issuance of the Bonds. The Municipal Advisor cannot participate in the underwriting of the Bonds. The financial information included in this Preliminary Official Statement has been compiled by the Municipal Advisor. Such information does not purport to be a review, audit or certified forecast of future events and may not conform with accounting principles applicable to compilations of financial information. Ehlers is not a firm of certified public accountants. Ehlers is registered with the Securities and Exchange Commission and the MSRB as a Municipal Advisor.

MUNICIPAL ADVISOR AFFILIATED COMPANIES

Bond Trust Services Corporation ("BTSC") and Ehlers Investment Partners, LLC ("EIP") are affiliate companies of Ehlers. BTSC is chartered by the State of Minnesota and authorized in Minnesota, Wisconsin, and Illinois to transact the business of a limited purpose trust company. BTSC provides paying agent services to debt issuers. EIP is a Registered Investment Advisor with the Securities and Exchange Commission. EIP assists issuers with the investment of bond proceeds or investing other issuer funds. This includes escrow bidding agent services. Issuers, such as the City, have retained or may retain BTSC and/or EIP to provide these services. If hired, BTSC and/or EIP would be retained by the City under an agreement separate from Ehlers.

INDEPENDENT AUDITORS

The basic financial statements of the City for the fiscal year ended December 31, 2016 have been audited by Malloy, Montague, Karnowski, Radosevich, & Co., P.A. ("MMKR"), Minneapolis, Minnesota, independent auditors (the "Auditor"). The report of the Auditor, together with the basic financial statements, component units financial statements, and notes to the financial statements are attached hereto as "APPENDIX A – FINANCIAL STATEMENTS". The Auditor has not been engaged to perform and has not performed, since the date of its report included herein, any procedures on the financial statements addressed in that report. The Auditor also has not performed any procedures relating to this Preliminary Official Statement.

RISK FACTORS

Following is a description of possible risks to holders of the Bonds without weighting as to probability. This description of risks is not intended to be all-inclusive, and there may be other risks not now perceived or listed here.

Taxes: The Bonds are general obligations of the City, the ultimate payment of which rests in the City's ability to levy and collect sufficient taxes to pay debt service should other revenue (water revenues) be insufficient. In the event of delayed billing, collection or distribution of property taxes, sufficient funds may not be available to the City in time to pay debt service when due.

State Actions: Many elements of local government finance, including the issuance of debt and the levy of property taxes, are controlled by state government. Future actions of the state may affect the overall financial condition of the City, the taxable value of property within the City, and the ability of the City to levy and collect property taxes.

Future Changes in Law: Various State and federal laws, regulations and constitutional provisions apply to the City and to the Bonds. The City can give no assurance that there will not be a change in or interpretation of any such applicable laws, regulations and provisions which would have a material effect on the City or the taxing authority of the City.

Ratings; Interest Rates: In the future, the City's credit rating may be reduced or withdrawn, or interest rates for this type of obligation may rise generally, either possibility resulting in a reduction in the value of the Bonds for resale prior to maturity.

Tax Exemption: If the federal government or the State of Minnesota taxes all or a portion of the interest on municipal obligations, directly or indirectly, or if there is a change in federal or state tax policy, the value of the Bonds may fall for purposes of resale. Noncompliance following the issuance of the Bonds with certain requirements of the Code and covenants of the bond resolution may result in the inclusion of interest on the Bonds in gross income of the recipient for United States income tax purposes or in taxable net income of individuals, estates or trusts for State of Minnesota income tax purposes. No provision has been made for redemption of the Bonds, or for an increase in the interest rate on the Bonds, in the event that interest on the Bonds becomes subject to United States or State of Minnesota income taxation, retroactive to the date of issuance.

Continuing Disclosure: A failure by the City to comply with the Disclosure Undertaking for continuing disclosure (see "CONTINUING DISCLOSURE") will not constitute an event of default on the Bonds. Any such failure must be reported in accordance with the Rule and must be considered by any broker, dealer, or municipal securities dealer before recommending the purchase or sale of the Bonds in the secondary market. Such a failure may adversely affect the transferability and liquidity of the Bonds and their market price.

State Economy; State Aids: State of Minnesota cash flow problems could affect local governments and possibly increase property taxes.

Book-Entry-Only System: The timely credit of payments for principal and interest on the Bonds to the accounts of the Beneficial Owners of the Bonds may be delayed due to the customary practices, standing instructions or for other unknown reasons by DTC participants or indirect participants. Since the notice of redemption or other notices to holders of these obligations will be delivered by the City to DTC only, there may be a delay or failure by DTC, DTC participants or indirect participants to notify the Beneficial Owners of the Bonds.

Economy: A combination of economic, climatic, political or civil disruptions or terrorist actions outside of the control of the City, including loss of major taxpayers or major employers, could affect the local economy and result in reduced tax collections and/or increased demands upon local government. Real or perceived threats to the financial stability of the City may have an adverse effect on the value of the Bonds in the secondary market.

Secondary Market for the Bonds: No assurance can be given that a secondary market will develop for the purchase and sale of the Bonds or, if a secondary market exists, that such Bonds can be sold for any particular price. The underwriters are not obligated to engage in secondary market trading or to repurchase any of the Bonds at the request of the owners thereof. Prices of the Bonds as traded in the secondary market are subject to adjustment upward and downward in response to changes in the credit markets and other prevailing circumstances. No guarantee exists as to the future market value of the Bonds. Such market value could be substantially different from the original purchase price.

Bankruptcy: The rights and remedies of the holders may be limited by and are subject to the provisions of federal bankruptcy laws, to other laws, or equitable principles that may affect the enforcement of creditors' rights, to the exercise of judicial discretion in appropriate cases and to limitations on legal remedies against local governments. The opinion of Bond Counsel to be delivered with respect to the Bonds will be similarly qualified.

VALUATIONS

OVERVIEW

All non-exempt property is subject to taxation by local taxing districts. Exempt real property includes Indian lands, public property, and educational, religious and charitable institutions. Most personal property is exempt from taxation (except investor-owned utility mains, generating plants, etc.).

The valuation of property in Minnesota consists of three elements. (1) The estimated market value is set by city or county assessors. Not less than 20% of all real properties are to be appraised by local assessors each year. (2) The taxable market value is the estimated market value adjusted by all legislative exclusions. (3) The tax capacity (taxable) value of property is determined by class rates set by the State Legislature. The tax capacity rate varies according to the classification of the property. Tax capacity represents a percent of taxable market value.

The property tax rate for a local taxing jurisdiction is determined by dividing the total tax capacity or market value of property within the jurisdiction into the dollars to be raised from the levy. State law determines whether a levy is spread on tax capacity or market value. Major classifications and the percentages by which tax capacity is determined are:

Type of Property	2014/15	2015/16	2016/17
Residential homestead ¹	First \$500,000 - 1.00% Over \$500,000 - 1.25%	First \$500,000 - 1.00% Over \$500,000 - 1.25%	First \$500,000 - 1.00% Over \$500,000 - 1.25%
Agricultural homestead ¹	First \$500,000 HGA - 1.00% Over \$500,000 HGA - 1.25% First \$1,900,000 - 0.50% ² Over \$1,900,000 - 1.00% ²	First \$500,000 HGA - 1.00% Over \$500,000 HGA - 1.25% First \$2,140,000 - 0.50% ² Over \$2,140,000 - 1.00% ²	First \$500,000 HGA - 1.00% Over \$500,000 HGA - 1.25% First \$2,050,000 - 0.50% ² Over \$2,050,000 - 1.00% ²
Agricultural non-homestead	Land - 1.00% ²	Land - 1.00% ²	Land - 1.00% ²
Seasonal recreational residential	First \$500,000 - 1.00% ³ Over \$500,000 - 1.25% ³	First \$500,000 - 1.00% ³ Over \$500,000 - 1.25% ³	First \$500,000 - 1.00% ³ Over \$500,000 - 1.25% ³
Residential non-homestead:	1 unit - 1st \$500,000 - 1.00% Over \$500,000 - 1.25% 2-3 units - 1.25% 4 or more - 1.25% Small City ⁴ - 1.25% Affordable Rental: First \$100,000 - .75% Over \$100,000 - .25%	1 unit - 1st \$500,000 - 1.00% Over \$500,000 - 1.25% 2-3 units - 1.25% 4 or more - 1.25% Small City ⁴ - 1.25% Affordable Rental: First \$106,000 - .75% Over \$106,000 - .25%	1 unit - 1st \$500,000 - 1.00% Over \$500,000 - 1.25% 2-3 units - 1.25% 4 or more - 1.25% Small City ⁴ - 1.25% Affordable Rental: First \$115,000 - .75% Over \$115,000 - .25%
Industrial/Commercial/Utility ⁵	First \$150,000 - 1.50% Over \$150,000 - 2.00%	First \$150,000 - 1.50% Over \$150,000 - 2.00%	First \$150,000 - 1.50% Over \$150,000 - 2.00%

¹ A residential property qualifies as "homestead" if it is occupied by the owner or a relative of the owner on the assessment date.

² Applies to land and buildings. Exempt from referendum market value tax.

³ Exempt from referendum market value tax.

⁴ Cities of 5,000 population or less and located entirely outside the seven-county metropolitan area and the adjacent nine-county area and whose boundaries are 15 miles or more from the boundaries of a Minnesota city with a population of over 5,000.

⁵ The estimated market value of utility property is determined by the Minnesota Department of Revenue.

CURRENT PROPERTY VALUATIONS

2016/17 Economic Market Value \$1,955,995,403¹

	2016/17 Assessor's Estimated Market Value	2016/17 Net Tax Capacity
Real Estate	\$1,799,348,000	\$23,391,880
Personal Property	7,552,700	147,304
Total Valuation	<u>\$1,806,900,700</u>	<u>\$23,539,184</u>
Less: Captured Tax Increment Tax Capacity ²		(2,505,395)
Fiscal Disparities Contribution ³		<u>(2,356,572)</u>
Taxable Net Tax Capacity		\$18,677,217
Plus: Fiscal Disparities Distribution ³		<u>150,298</u>
Adjusted Taxable Net Tax Capacity		<u>\$18,827,515</u>

¹ According to the Minnesota Department of Revenue, the Assessor's Estimated Market Value (the "AEMV") for the City of Wayzata is about 93.25% of the selling prices with the AEMV. Dividing the AEMV of real estate by the sales ratio and adding the AEMV of personal property and utility, railroads and minerals, if any, results in an Economic Market Value ("EMV") for the City of \$1,955,995,403.

² The captured tax increment value shown above represents the captured net tax capacity of tax increment financing districts in the City of Wayzata.

³ Each community in the seven-county metropolitan area contributes 40% of the growth in its commercial-industrial property tax base since 1972 to an area pool which is then distributed among the municipalities on the basis of population, special needs, etc. Each governmental unit makes a contribution and receives a distribution--sometimes gaining and sometimes contributing net tax capacity for tax purposes.

2016/17 NET TAX CAPACITY BY CLASSIFICATION

	2016/17 Net Tax Capacity	Percent of Total Net Tax Capacity
Residential homestead	\$12,302,065	52.26%
Commercial/industrial	6,526,356	27.73%
Public utility	95,094	0.40%
Railroad operating property	178,392	0.76%
Non-homestead residential	1,858,369	7.89%
Commercial & residential seasonal/rec.	2,405,444	10.22%
Other	26,160	0.11%
Personal property	147,304	0.63%
Total	<u><u>\$23,539,184</u></u>	<u><u>100.00%</u></u>

TREND OF VALUATIONS

Levy Year	Assessor's Estimated Market Value	Assessor's Taxable Market Value	Net Tax Capacity¹	Taxable Net Tax Capacity²	Percent +/- in Estimated Market Value
2012/13	\$1,369,041,400	\$1,359,708,270	\$ 17,951,975	\$15,405,697	- 5.97%
2013/14	1,372,734,300	1,363,155,093	18,098,220	15,551,537	+ 0.27%
2014/15	1,508,789,400	1,500,919,932	19,736,734	16,227,494	+ 9.91%
2015/16	1,657,236,200	1,650,041,030	21,636,655	17,425,874	+ 9.84%
2016/17	1,806,900,700	1,880,471,850	23,539,184	18,827,515	+ 9.03%

¹ Net Tax Capacity is before fiscal disparities adjustments and includes tax increment values.

² Taxable Net Tax Capacity is after fiscal disparities adjustments and does not include tax increment values.

LARGER TAXPAYING PARCELS¹

Taxpayer	Type of Property	2016/17 Net Tax Capacity	Percent of City's Total Net Tax Capacity
Wayzata Bay Senior Housing, Inc.	Apartment	\$ 801,007	3.40%
Marquee Place, LLC	Commercial	470,790	2.00%
FW MN-Colonial Square, LLC	Commercial	437,290	1.86%
Boatworks II, LLC	Commercial	370,965	1.58%
Wayzata Bay West Senior Housing	Apartment	370,863	1.58%
Cohen Financial	Commercial	243,370	1.03%
Bloomer Properties, LLC	Commercial	243,290	1.03%
Park Nicollet Clinic	Commercial	231,850	0.99%
445 Lake Street Limited Partnership	Commercial	225,970	0.96%
TCF M/C PCC-IC-Z	Commercial	206,850	0.88%
Total		<u><u>\$ 3,602,245</u></u>	<u><u>15.30%</u></u>

City's Total 2016/17 Net Tax Capacity \$23,539,184

Source: Current Property Valuations, Net Tax Capacity by Classification, Trend of Valuations and Larger Taxpayers have been furnished by Hennepin County.

¹ Hennepin County has provided only the ten largest taxpaying parcels which appear on the tax rolls of the County, and therefore the information stated above may not be reflective of the entire valuation of all parcels and may not include all classifications of property.

DEBT

DIRECT DEBT¹

General Obligation Debt (see schedules following)

Total g.o. debt being paid from liquor revenues	\$ 2,860,000
Total g.o. debt being paid from water revenues (includes the Bonds)*	3,065,000
Total g.o. debt being paid from special assessments	3,775,000
Total g.o. debt being paid from tax increment revenues	7,725,000
Total g.o. debt being paid from taxes	<u>1,290,000</u>
Total General Obligation Debt*	<u><u>\$18,715,000</u></u>

*Preliminary, subject to change.

¹ Outstanding debt is as of the dated date of the Bonds.

CITY OF WAYZATA, MINNESOTA
Schedule of Bonded Indebtedness
General Obligation Debt Being Paid From Liquor Store Revenues
(As of 12/28/17)

Liquor Store Revenue
Series 2011A

Dated Amount	3/01/11 \$3,375,000	Maturity	12/01
Fiscal Year Ending	Principal	Interest	
2017	0	0	
2018	110,000	117,680	
2019	115,000	113,280	
2020	120,000	108,680	
2021	125,000	103,880	
2022	130,000	98,880	
2023	135,000	93,680	
2024	140,000	88,280	
2025	145,000	82,680	
2026	155,000	76,880	
2027	160,000	70,680	
2028	165,000	64,280	
2029	170,000	57,680	
2030	180,000	50,880	
2031	185,000	43,680	
2032	195,000	35,910	
2033	200,000	27,720	
2034	210,000	18,920	
2035	220,000	9,680	
	2,860,000	1,263,350	

Total Principal	Total Interest	Total P & I	Principal Outstanding	% Paid	Fiscal Year Ending
0	0	0	2,860,000	0.00%	2017
110,000	117,680	227,680	2,750,000	3.85%	2018
115,000	113,280	228,280	2,635,000	7.87%	2019
120,000	108,680	228,680	2,515,000	12.06%	2020
125,000	103,880	228,880	2,390,000	16.43%	2021
130,000	98,880	228,880	2,260,000	20.98%	2022
135,000	93,680	228,680	2,125,000	25.70%	2023
140,000	88,280	228,280	1,985,000	30.59%	2024
145,000	82,680	227,680	1,840,000	35.66%	2025
155,000	76,880	231,880	1,685,000	41.08%	2026
160,000	70,680	230,680	1,525,000	46.68%	2027
165,000	64,280	229,280	1,360,000	52.45%	2028
170,000	57,680	227,680	1,190,000	58.39%	2029
180,000	50,880	230,880	1,010,000	64.69%	2030
185,000	43,680	228,680	825,000	71.15%	2031
195,000	35,910	230,910	630,000	77.97%	2032
200,000	27,720	227,720	430,000	84.97%	2033
210,000	18,920	228,920	220,000	92.31%	2034
220,000	9,680	229,680	0	100.00%	2035
2,860,000	1,263,350	4,123,350			

CITY OF WAYZATA, MINNESOTA
Schedule of Bonded Indebtedness
General Obligation Debt Being Paid From Water Utility Revenues
(As of 12/28/17)

Fiscal Year Ending	Water Revenue Series 2009A		Refunding 1) Series 2017A		Total P & I	Total Interest	Total Principal	Principal Outstanding	% Paid	Fiscal Year Ending
	Dated Amount	Maturity	Principal	Interest						
2017	5/19/09 \$3,870,000	12/01	0	0	0	0	0	3,065,000	0.00%	2017
2018			160,000	116,419	331,600	171,600	160,000	2,905,000	5.22%	2018
2019					259,655	59,655	200,000	2,705,000	11.75%	2019
2020					257,155	57,155	200,000	2,505,000	18.27%	2020
2021					259,455	54,455	205,000	2,300,000	24.96%	2021
2022					256,380	51,380	205,000	2,095,000	31.65%	2022
2023					257,998	47,998	210,000	1,885,000	38.50%	2023
2024					264,218	44,218	220,000	1,665,000	45.68%	2024
2025					259,928	39,928	220,000	1,445,000	52.85%	2025
2026					260,418	35,418	225,000	1,220,000	60.20%	2026
2027					260,580	30,580	230,000	990,000	67.70%	2027
2028					260,290	25,290	235,000	755,000	75.37%	2028
2029					259,650	19,650	240,000	515,000	83.20%	2029
2030					268,650	13,650	255,000	260,000	91.52%	2030
2031					267,020	7,020	260,000	0	100.00%	2031
			160,000	116,419	3,722,995	657,995	3,065,000			

*Preliminary, subject to change.

1) This issue refunded the 2019 through 2031 maturities of the City's \$3,870,000 General Obligation Water Revenue Bonds, Series 2009A, dated May 19, 2009. The City is responsible for paying the debt service on the refunded maturities through December 1, 2018 (the "Call Date"). The escrow account is responsible for the payment of debt service on the refunding bonds through the Call Date; thereafter, the City will be responsible for the payment of debt service. The refunded maturities have not been included in the calculation of debt ratios.

CITY OF WAYZATA, MINNESOTA
Schedule of Bonded Indebtedness
General Obligation Debt Being Paid From Special Assessments
(As of 12/28/17)

Fiscal Year Ending	Improvement Series 2010A			Improv. (Holdridge) Series 2012B			Improv. (Circle A) Series 2012C			Total P & I	Principal Outstanding	% Paid	Fiscal Year Ending
	Dated Amount	Maturity	9/01/10	9/05/12	12/01	9/05/12	12/01	9/05/12	12/01				
2017			0	0	0	0	0	0	0	0	3,775,000	0.00%	2017
2018			140,000	70,000	31,975	35,000	11,050	110,825	355,825	3,530,000	6.49%	2018	
2019			145,000	70,000	30,575	35,000	10,350	104,525	354,525	3,280,000	13.11%	2019	
2020			150,000	70,000	29,175	40,000	9,650	98,075	358,075	3,020,000	20.00%	2020	
2021			150,000	70,000	27,775	40,000	8,850	91,375	351,375	2,760,000	26.89%	2021	
2022			155,000	75,000	26,200	40,000	7,650	84,100	354,100	2,490,000	34.04%	2022	
2023			160,000	75,000	24,513	40,000	6,450	76,563	351,563	2,215,000	41.32%	2023	
2024			165,000	80,000	22,450	45,000	5,250	68,500	348,500	1,935,000	48.74%	2024	
2025			170,000	80,000	20,388	45,000	4,050	60,288	355,288	1,640,000	56.56%	2025	
2026			175,000	80,000	18,188	45,000	2,700	51,638	351,638	1,340,000	64.50%	2026	
2027			180,000	85,000	15,988	45,000	1,350	42,663	352,663	1,030,000	72.72%	2027	
2028			185,000	85,000	13,650	90,000	11,100	33,215	303,215	760,000	79.87%	2028	
2029			190,000	90,000	11,100	90,000	8,400	24,560	304,560	480,000	87.28%	2029	
2030			200,000	95,000	5,700	95,000	5,700	15,400	100,700	190,000	94.97%	2030	
2031				95,000	2,850	95,000	2,850	2,850	97,850	95,000	97.48%	2031	
2032										0	100.00%	2032	
			2,165,000	1,205,000	288,925	405,000	67,350	870,275	4,645,275	3,775,000			

CITY OF WAYZATA, MINNESOTA
Schedule of Bonded Indebtedness
General Obligation Debt Being Paid From Tax Increment Revenues
(As of 12/28/17)

TIF
Series 2016A

Dated Amount	12/29/16 \$7,725,000	Maturity	2/01
Fiscal Year Ending	Principal	Interest	
2018	0	234,348	
2019	0	234,348	
2020	265,000	231,698	
2021	270,000	226,348	
2022	275,000	220,898	
2023	280,000	215,348	
2024	290,000	208,923	
2025	295,000	201,610	
2026	300,000	193,798	
2027	310,000	185,410	
2028	320,000	176,348	
2029	330,000	167,340	
2030	335,000	158,694	
2031	345,000	149,511	
2032	355,000	139,709	
2033	365,000	129,175	
2034	375,000	118,075	
2035	385,000	105,713	
2036	400,000	91,975	
2037	415,000	77,713	
2038	430,000	62,925	
2039	445,000	46,500	
2040	460,000	28,400	
2041	480,000	9,600	
	7,725,000	3,614,401	

Total Principal	Total Interest	Total P & I	Principal Outstanding	% Paid	Fiscal Year Ending
0	234,348	234,348	7,725,000	0.00%	2018
0	234,348	234,348	7,725,000	0.00%	2019
265,000	231,698	496,698	7,460,000	3.43%	2020
270,000	226,348	496,348	7,190,000	6.93%	2021
275,000	220,898	495,898	6,915,000	10.49%	2022
280,000	215,348	495,348	6,635,000	14.11%	2023
290,000	208,923	498,923	6,345,000	17.86%	2024
295,000	201,610	496,610	6,050,000	21.68%	2025
300,000	193,798	493,798	5,750,000	25.57%	2026
310,000	185,410	495,410	5,440,000	29.58%	2027
320,000	176,348	496,348	5,120,000	33.72%	2028
330,000	167,340	497,340	4,790,000	37.99%	2029
335,000	158,694	493,694	4,455,000	42.33%	2030
345,000	149,511	494,511	4,110,000	46.80%	2031
355,000	139,709	494,709	3,755,000	51.39%	2032
365,000	129,175	494,175	3,390,000	56.12%	2033
375,000	118,075	493,075	3,015,000	60.97%	2034
385,000	105,713	490,713	2,630,000	65.95%	2035
400,000	91,975	491,975	2,230,000	71.13%	2036
415,000	77,713	492,713	1,815,000	76.50%	2037
430,000	62,925	492,925	1,385,000	82.07%	2038
445,000	46,500	491,500	940,000	87.83%	2039
460,000	28,400	488,400	480,000	93.79%	2040
480,000	9,600	489,600	0	100.00%	2041
7,725,000	3,614,401	11,339,401			

CITY OF WAYZATA, MINNESOTA
Schedule of Bonded Indebtedness
General Obligation Debt Being Paid From Taxes
(As of 12/28/17)

		Street Reconstruction Series 2009B		Refunding 1) Series 2012A							
Dated Amount	Maturity	5/19/09 \$370,000	9/05/12 \$1,885,000								
Fiscal Year Ending		Principal	Interest	Principal	Interest	Total Principal	Total Interest	Total P & I	Principal Outstanding	% Paid	Fiscal Year Ending
2017		0	0	0	0	0	0	0	1,290,000	0.00%	2017
2018		25,000	5,908	170,000	33,600	195,000	39,508	234,508	1,095,000	15.12%	2018
2019		25,000	5,158	175,000	28,500	200,000	33,658	233,658	895,000	30.62%	2019
2020		30,000	4,358	185,000	23,250	215,000	27,608	242,608	680,000	47.29%	2020
2021		30,000	3,338	195,000	17,700	225,000	21,038	246,038	455,000	64.73%	2021
2022		30,000	2,273	195,000	11,850	225,000	14,123	239,123	230,000	82.17%	2022
2023		30,000	1,163	200,000	6,000	230,000	7,163	237,163	0	100.00%	2023
		170,000	22,195	1,120,000	120,900	1,290,000	143,095	1,433,095			

1) This issue refunded the 2012 through 2023 maturities of the City's \$3,135,000 General Obligation Bonds, Series 2004A, dated April 1, 2004.

DEBT LIMIT

The statutory limit on debt of Minnesota municipalities other than school districts or cities of the first class (Minnesota Statutes, Section 475.53, subd. 1) is 3% of the Assessor's Estimated Market Value of all taxable property within its boundaries. "Net debt" (Minnesota Statutes, Section 475.51, subd. 4) is the amount remaining after deducting from gross debt: (1) obligations payable wholly or partly from special assessments levied against benefitted property; (2) warrants or orders having no definite or fixed maturity; (3) obligations issued to finance any public revenue producing convenience (includes the Bonds); (4) obligations issued to create or maintain a permanent improvement revolving fund; (5) funds held as sinking funds for payment of principal and interest on debt other than those deductible under 1-4 above; and (6) other obligations which are not to be included in computing the net debt of a municipality under the provisions of the law authorizing their issuance.

2016/17 Assessor's Estimated Market Value	\$ 1,806,900,700
Multiply by 3%	<u>0.03</u>
Statutory Debt Limit	\$ 54,207,021
Less:Long-Term Debt Outstanding Being Paid Solely from Taxes	(1,290,000)
Unused Debt Limit	<u><u>\$ 52,917,021</u></u>

OVERLAPPING DEBT¹

Taxing District	2016/17 Taxable Net Tax Capacity	% In City	Total G.O. Debt²	City's Proportionate Share
Hennepin County	\$ 1,718,948,808	1.0953%	\$ 998,110,000 ³	\$ 10,932,299
I.S.D. No. 278 (Orono)	38,557,909	0.2798%	71,425,000	199,847
I.S.D. No. 284 (Wayzata)	137,065,123	13.6575%	153,265,000	20,932,167
Metropolitan Council	3,102,634,267	0.6068%	186,185,000 ⁴	1,129,771
Three Rivers Park District	996,253,340	1.8898%	62,125,000	1,174,038
City's Share of Total Overlapping Debt				<u>\$ 34,368,122</u>

¹ Overlapping debt is as of the dated date of the Bonds. Only those taxing jurisdictions with general obligation debt outstanding are included in this section. Does *not* include non-general obligation debt, self-supporting general obligation revenue debt, short-term general obligation debt, or general obligation tax/aid anticipation certificates of indebtedness.

² Outstanding debt is based on information in official statements obtained on EMMA and the Municipal Advisor's records.

³ Hennepin County also has General Obligation Solid Waste Revenue Bonds outstanding which are payable entirely from the County's solid waste enterprise fund; General Obligation Bonds (Century Plaza Debt) which are expected to be paid from building rental fees from County departments and non-County tenants; and General Obligation Ice Arena Revenue Bonds which are expected to be paid from building rental payments from Augsburg College. These issues have not been included in the overlapping debt or debt ratios.

⁴ The above debt includes all outstanding general obligation debt supported by taxes of the Metropolitan Council. The Council also has general obligation sewer revenue, wastewater revenue, and radio revenue bonds and lease obligations outstanding all of which are supported entirely by revenues and have not been included in the Overlapping Debt or Debt Ratios sections.

DEBT RATIOS

	G.O. Debt	Debt/Economic Market Value (\$1,955,995,403)	Debt/ Current Population Estimate (4,166)
Direct G.O. Debt Being Paid From:			
Liquor Revenues	\$ 2,860,000		
Water Revenues*	3,065,000		
Special Assessments	3,775,000		
Tax Increment Revenues	7,725,000		
Taxes	<u>1,290,000</u>		
Total General Obligation Debt (includes the Bonds)*	\$ 18,715,000		
Less: G.O. Debt Paid Entirely from Revenues ¹	(13,650,000)		
Tax Supported General Obligation Debt*	\$ 5,065,000	0.26%	\$1,215.79
 City's Share of Total Overlapping Debt	 <u>34,368,122</u>	 <u>1.76%</u>	 <u>\$8,249.67</u>
 Total*	 <u><u>\$ 39,433,122</u></u>	 <u><u>2.02%</u></u>	 <u><u>\$9,465.46</u></u>

*Preliminary, subject to change.

DEBT PAYMENT HISTORY

The City has no record of default in the payment of principal and interest on its debt.

FUTURE FINANCING

The City has no current plans for additional financing in the next 12 months.

¹ Debt service on the City's general obligation revenue debt is being paid entirely from revenues and therefore is considered self-supporting debt.

TAX RATES, LEVIES AND COLLECTIONS

TAX LEVIES AND COLLECTIONS

Tax Year	Net Tax Levy ¹	Total Collected Following Year	Collected to Date ²	% Collected
2012/13	\$ 4,212,181	\$ 4,187,290	\$ 4,212,684	100.00%
2013/14	4,293,015	4,286,443	4,297,068	100.00%
2014/15	4,382,577	4,367,212	4,380,971	99.96%
2015/16	4,510,987	4,497,011	4,497,011	99.69%
2016/17	4,612,470	In process of collection		

Property taxes are collected in two installments in Minnesota--the first by May 15 and the second by October 15.³ Mobile home taxes are collectible in full by August 31. Minnesota Statutes require that levies (taxes and special assessments) for debt service be at least 105% of the actual debt service requirements to allow for delinquencies.

¹ This reflects the Final Levy Certification of the City after all adjustments have been made.

² Collections are through January 1, 2017.

³ Second half tax payments on agricultural property are due on November 15th of each year.

TAX CAPACITY RATES¹

	2012/13	2013/14	2014/15	2015/16	2016/17
Hennepin County	49.461%	49.959%	46.398%	45.356%	44.087%
City of Wayzata	26.020%	26.311%	25.705%	24.673%	23.352%
I.S.D. No. 284 (Wayzata)	25.236%	24.571%	26.252%	26.106%	26.290%
I.S.D. No. 278 (Orono)	22.325%	22.613%	22.601%	23.166%	23.352%
Metro Mosquito	0.556%	0.563%	0.507%	0.483%	0.475%
Metro Council	0.997%	1.069%	0.976%	0.925%	0.883%
Metro Transit	1.689%	1.703%	1.523%	1.491%	1.463%
Three Rivers Park District	4.054%	4.169%	3.789%	3.601%	3.365%
Park Museum	0.754%	0.766%	0.702%	0.712%	0.711%
HCRRA	1.561%	1.777%	1.817%	1.879%	1.925%
Hennepin HRA	0.478%	0.514%	0.471%	0.439%	0.497%

Referendum Market Value Rates:

City of Wayzata	0.01556%	0.01541%	0.01615%	0.01455%	0.01338%
I.S.D. No. 284 (Wayzata)	0.20569%	0.21689%	0.22328%	0.21152%	0.23024%
I.S.D. No. 278 (Orono)	0.14757%	0.18875%	0.19876%	0.20934%	0.19527%

Source: Tax Levies and Collections and Tax Capacity Rates have been furnished by Hennepin County.

LEVY LIMITS

The State Legislature has periodically imposed limitations on the ability of municipalities to levy property taxes. For taxes levied in 2013, payable in 2014, only, the Legislature imposed a one year levy limit on all counties with a population greater than 5,000, and all cities with a population greater than 2,500. While these limitations have expired, the potential exists for future legislation to limit the ability of local governments to levy property taxes. All previous limitations have not limited the ability to levy for the payment of debt service on bonded indebtedness. For more detailed information about Minnesota levy limits, contact the Minnesota Department of Revenue or Ehlers & Associates.

¹ After reduction for state aids. Does not include the statewide general property tax against commercial/industrial, non-homestead resorts and seasonal recreational residential property.

THE ISSUER

CITY GOVERNMENT

The City of Wayzata was organized as a municipality in 1883. The City operates under a home rule charter form of government consisting of a five-member City Council of which the Mayor is a voting member. The City Manager and Finance Manager are responsible for administrative details and financial records.

EMPLOYEES; PENSIONS; UNIONS

The City currently has 50 full-time, 85 part-time, and 15 seasonal employees. All full-time and certain part-time employees of the City are covered by defined benefit pension plans administered by the Public Employee Retirement Association of Minnesota (PERA). PERA administers the General Employees Retirement Fund (GERF) and the Public Employees Police and Fire Fund (PEPFF) which are cost-sharing multiple-employer retirement plans. PERA members belong to either the Coordinated Plan or the Basic Plan. Coordinated members are covered by Social Security. See the Notes to Financial Statements in Appendix A for a detailed description of the Plans.

Recognized and Certified Bargaining Units

Bargaining Unit	Expiration Date of Current Contract
AFSCME	December 31, 2019
LELS	December 31, 2019

POST EMPLOYMENT BENEFITS

The City has obligations for some post-employment benefits (some mandated by State Statute and others that cover a portion of the cost of health insurance during retirement) for the majority of its employees. Accounting for these obligations is dictated by Governmental Accounting Standards Board Statement No. 45 (GASB 45). The City has completed an actuarial study of its obligations. The study shows an actuarial accrued liability of \$460,130 with a discount rate of 4.5% as of January 1, 2014. The City is currently funding these obligations on a pay-as-you-go basis.

LITIGATION

There is no litigation threatened or pending questioning the organization or boundaries of the City or the right of any of its officers to their respective offices or in any manner questioning their rights and power to execute and deliver the Bonds or otherwise questioning the validity of the Bonds.

MUNICIPAL BANKRUPTCY

Municipalities are prohibited from filing for bankruptcy under Chapter 11 (reorganization) or Chapter 7 (liquidation) of the U.S. Bankruptcy Code (11 U.S.C. §§ 101-1532) (the "Bankruptcy Code"). Instead, the Bankruptcy Code permits municipalities to file a petition under Chapter 9 of the Bankruptcy Code, but only if certain requirements are met. These requirements include that the municipality must be "specifically authorized" under State law to file for relief under Chapter 9. For these purposes, "State law" may include, without limitation, statutes of general applicability enacted by the State legislature, special legislation applicable to a particular municipality, and/or executive orders issued by an appropriate officer of the State's executive branch.

As of the date hereof, Minnesota Statutes, 471.831, authorizes municipalities to file for bankruptcy relief under Chapter 9 of the Bankruptcy Code. A municipality is defined in United States Code, title 11, section 101, as amended through December 31, 1996, but limited to a county, statutory or home rule charter city, or town; or a housing and redevelopment authority, economic development authority, or rural development financing authority established under Chapter 469, a home rule charter or special law.

FUNDS ON HAND (As of November 1, 2017)

Fund	Total Cash and Investments
General	\$ 1,921,660
Special Revenue	443,106
Debt Service	265,739
Capital Projects	20,061,984
Enterprise Funds	5,452,866
HRA	551,597
Agency	86,802
Total Funds on Hand	<u><u>\$28,783,754</u></u>

ENTERPRISE FUNDS

Revenues available for debt service on the City's enterprise funds have been as follows as of December 31 each year:

	2014	2015	2016
Water			
Total Operating Revenues	\$ 666,615	\$ 680,803	\$ 700,700
Less: Operating Expenses	<u>(671,215)</u>	<u>(697,742)</u>	<u>(717,299)</u>
Operating Income	\$ (4,600)	\$ (16,939)	\$ (16,599)
Plus: Depreciation	<u>153,565</u>	<u>155,005</u>	<u>186,761</u>
Revenues Available for Debt Service	<u><u>\$ 148,965</u></u>	<u><u>\$ 138,066</u></u>	<u><u>\$ 170,162</u></u>
Sewer			
Total Operating Revenues	\$ 915,824	\$ 909,799	\$ 897,443
Less: Operating Expenses	<u>(888,690)</u>	<u>(1,041,186)</u>	<u>(964,112)</u>
Operating Income	\$ 27,134	\$ (131,387)	\$ (66,669)
Plus: Depreciation	<u>91,757</u>	<u>96,958</u>	<u>114,988</u>
Revenues Available for Debt Service	<u><u>\$ 118,891</u></u>	<u><u>\$ (34,429)</u></u>	<u><u>\$ 48,319</u></u>
Licensing			
Total Operating Revenues	\$ 447,885	\$ 494,537	\$ 552,514
Less: Operating Expenses	<u>(275,010)</u>	<u>(335,021)</u>	<u>(366,121)</u>
Operating Income	\$ 172,875	\$ 159,516	\$ 186,393
Plus: Depreciation	<u>0</u>	<u>0</u>	<u>0</u>
Revenues Available for Debt Service	<u><u>\$ 172,875</u></u>	<u><u>\$ 159,516</u></u>	<u><u>\$ 186,393</u></u>
Municipal Liquor Store			
Total Operating Revenues	\$ 2,797,745	\$ 2,689,362	\$ 2,854,158
Less: Operating Expenses	<u>(2,222,430)</u>	<u>(2,223,107)</u>	<u>(2,383,344)</u>
Operating Income	\$ 575,315	\$ 466,255	\$ 470,814
Plus: Depreciation	<u>145,486</u>	<u>144,503</u>	<u>132,727</u>
Revenues Available for Debt Service	<u><u>\$ 720,801</u></u>	<u><u>\$ 610,758</u></u>	<u><u>\$ 603,541</u></u>
Solid Waste			
Total Operating Revenues	\$ 313,876	\$ 319,208	\$ 321,208
Less: Operating Expenses	<u>(327,848)</u>	<u>(341,994)</u>	<u>(357,902)</u>
Operating Income	\$ (13,972)	\$ (22,786)	\$ (36,694)
Plus: Depreciation	<u>0</u>	<u>0</u>	<u>0</u>
Revenues Available for Debt Service	<u><u>\$ (13,972)</u></u>	<u><u>\$ (22,786)</u></u>	<u><u>\$ (36,694)</u></u>

ENTERPRISE FUNDS - *continued*

	2015	2016
Storm Water¹		
Total Operating Revenues	\$ 272,355	\$ 273,816
Less: Operating Expenses	<u>(171,579)</u>	<u>(171,774)</u>
Operating Income	\$ 100,776	\$ 102,042
Plus: Depreciation	<u>96,923</u>	<u>100,595</u>
Revenues Available for Debt Service	<u><u>\$ 197,699</u></u>	<u><u>\$ 202,637</u></u>

¹ Storm Water added as a proprietary fund in 2015.

SUMMARY GENERAL FUND INFORMATION

Following are summaries of the revenues and expenditures and fund balances for the City's General Fund. These summaries are not purported to be the complete audited financial statements of the City, and potential purchasers should read the included financial statements in their entirety for more complete information concerning the City. Copies of the complete statements are available upon request. Appendix A includes the City's 2016 audited financial statements.

COMBINED STATEMENT	FISCAL YEAR ENDING DECEMBER 31				
	2013 Audited	2014 Audited	2015 Audited	2016 Audited	2017 Adopted Budget ¹
Revenues					
Property taxes	\$ 3,947,402	\$ 4,025,293	\$ 3,858,556	\$ 4,128,510	\$ 4,155,216
Franchise fees	80,732	79,619	81,215	83,443	82,000
Licenses and permits	708,478	793,420	657,955	769,641	438,375
Intergovernmental	294,665	224,836	193,931	200,025	359,600
Charges for services	830,093	832,032	827,582	862,230	701,713
Fines and forfeitures	71,154	78,985	89,360	77,268	75,500
Investment earnings	579	40,734	26,875	16,638	25,000
Other miscellaneous revenues	37,432	15,317	10,266	46,191	40,500
Total Revenues	\$ 5,970,535	\$ 6,090,236	\$ 5,745,740	\$ 6,183,946	\$ 5,877,904
Expenditures					
Current:					
General government	\$ 1,240,945	\$ 1,047,201	\$ 1,211,694	\$ 1,110,852	\$ 1,195,851
Public safety	1,961,127	2,047,168	2,131,961	2,195,863	2,345,522
Public works	649,247	660,028	707,177	782,691	747,274
Culture and recreation	381,580	365,736	396,102	469,516	597,783
Miscellaneous	225,138	177,391	170,215	150,633	232,000
Capital outlay	4,979	1,686	2,252	2,249	759,474
Total Expenditures	\$ 4,463,016	\$ 4,299,210	\$ 4,619,401	\$ 4,711,804	\$ 5,877,904
Excess of revenues over (under) expenditures	\$ 1,507,519	\$ 1,791,026	\$ 1,126,339	\$ 1,472,142	\$ 0
Other Financing Sources (Uses)					
Operating transfers in	\$ 125,000	\$ 125,000	\$ 125,000	\$ 150,000	\$ 170,000
Sale of capital assets	1,750	0	30,406	18,953	0
Insurance recovery	0	0	26,772	9,466	0
Operating transfers out	(1,568,991)	(1,756,626)	(1,278,005)	(1,344,774)	(759,474)
Total Other Financing Sources (Uses)	\$ (1,442,241)	\$ (1,631,626)	\$ (1,095,827)	\$ (1,166,355)	\$ (589,474)
Net Changes in Fund Balances	\$ 65,278	\$ 159,400	\$ 30,512	\$ 305,787	\$ (589,474)
General Fund Balance January 1	2,274,206	2,339,484	2,498,884	2,529,396	
Prior Period Adjustment	0	0	0	0	
Residual Equity Transfer in (out)	0	0	0	0	
General Fund Balance December 31	\$ 2,339,484	\$ 2,498,884	\$ 2,529,396	\$ 2,835,183	
DETAILS OF DECEMBER 31 FUND BALANCE					
Nonspendable	\$ 0	\$ 3,157	\$ 0	\$ 0	
Assigned	262,777	271,137	267,926	275,784	
Unassigned	2,076,707	2,224,590	2,261,470	2,559,399	
Total	\$ 2,339,484	\$ 2,498,884	\$ 2,529,396	\$ 2,835,183	

¹ The 2017 budget was adopted on December 6, 2016.

GENERAL INFORMATION

LOCATION

The City of Wayzata, with a 2010 U.S. Census population of 3,688 and a current population estimate of 4,166, and comprising an area of 3.2 square miles, is located approximately 12 miles west of the Minneapolis-St. Paul metropolitan area.

LARGER EMPLOYERS¹

Larger employers in the City of Wayzata include the following:

Firm	Type of Business/Product	Estimated No. of Employees
I.S.D. No. 284 (Wayzata)	Elementary and secondary education	2,373
Cargill	Food products and manufacturers	1,700
TCF Financial Corp	Bank holding company	1,000
Wayzata Auto Center Collision Repair	Retail	300
Wayzata Country Club	Golf course and country club	225
Coldwell /Burnet Realty, Inc	Real estate agents	200
Lexus of Wayzata	Automotive dealers	180
Woodhill Country Club	Golf course and country club	150
City of Wayzata	Municipal government and services	150
BMW of Minnetonka	Automotive dealers	150
Re/Max Results	Real estate agents	129

Source: *ReferenceUSA, written and telephone survey (November 2017), and the Minnesota Department of Employment and Economic Development.*

¹ This does not purport to be a comprehensive list and is based on available data obtained through a survey of individual employers, as well as the sources identified above. Some employers do not respond to inquiries for employment data.

BUILDING PERMITS

	2013	2014	2015	2016	2017 ¹
<u>New Single Family Homes</u>					
No. of building permits	92	103	105	100	81
Valuation	\$27,792,001	\$41,669,349	\$24,242,571	\$18,846,335	\$10,581,490
<u>New Multiple Family Buildings</u>					
No. of building permits	4	15	70	15	6
Valuation	\$194,180	\$15,032,106	\$4,293,017	\$1,434,146	\$366,164
<u>New Commercial/Industrial</u>					
No. of building permits	83	78	83	56	54
Valuation	\$58,508,813	\$14,613,240	\$21,842,966	\$39,779,010	\$4,571,909
<u>All Building Permits</u> <i>(including additions and remodelings)</i>					
No. of building permits	179	196	258	171	141
Valuation	\$86,491,994	\$71,314,694	\$50,378,554	\$60,059,491	\$15,519,563

Source: The City.

¹ As of October 31, 2017.

U.S. CENSUS DATA

Population Trend: City of Wayzata, Minnesota

2000 U.S. Census population	4,113
2010 U.S. Census population	3,688
2015 State Demographer's Estimate	4,166
Percent of Change 2000 - 2010	+ -10.33%

Income and Age Statistics

	City of Wayzata	Hennepin County	State of Minnesota	United States
2015 per capita income	\$62,084	\$38,724	\$32,157	\$28,930
2015 median household income	\$67,835	\$65,834	\$61,492	\$53,889
2015 median family income	\$99,943	\$87,230	\$77,055	\$66,011
2015 median gross rent	\$935	\$951	\$848	\$928
2015 median value owner occupied units	\$519,400	\$229,200	\$186,200	\$178,600
2015 median age	53.1 yrs.	36.1 yrs.	37.7 yrs.	37.6 yrs.

	State of Minnesota	United States
City % of 2015 per capita income	193.07%	214.60%
City % of 2015 median family income	129.70%	151.40%

Housing Statistics

	<u>City of Wayzata</u>		
	2000	2015	Percent of Change
All Housing Units	2,047	2,247	9.77%

Source: 2000 and 2010 Census of Population and Housing, and 2015 American Community Survey (Based on a five-year estimate), U.S. Census Bureau (www.factfinder2.census.gov).

EMPLOYMENT/UNEMPLOYMENT DATA

Rates are not compiled for individual communities within counties.

Year	<u>Average Employment</u>		<u>Average Unemployment</u>	
	Hennepin County	Hennepin County	Hennepin County	State of Minnesota
2013	639,295	4.6%	4.6%	4.9%
2014	649,194	3.8%	3.8%	4.2%
2015	657,229	3.3%	3.3%	3.7%
2016	656,426	3.1%	3.1%	3.8%
2017, October	682,302	2.4%	2.4%	2.4%

Source: Minnesota Department of Employment and Economic Development.

FINANCIAL STATEMENTS

Potential purchasers should read the included financial statements in their entirety for more complete information concerning the City's financial position. Such financial statements have been audited by the Auditor, to the extent and for the periods indicated thereon. The City has not requested the Auditor to perform any additional examination, assessments or evaluation with respect to such financial statements since the date thereof, nor has the City requested that the Auditor consent to the use of such financial statements in this Official Statement. Although the inclusion of the financial statements in this Official Statement is not intended to demonstrate the fiscal condition of the City since the date of the financial statements, in connection with the issuance of the Bonds, the City represents that there have been no material adverse change in the financial position or results of operations of the City, nor has the City incurred any material liabilities, which would make such financial statements misleading.

Copies of the complete audited financial statements for the past three years and the current budget are available upon request from Ehlers.

CITY OF WAYZATA
WAYZATA, MINNESOTA
ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED
DECEMBER 31, 2016



PRINCIPALS

Thomas A. Karnowski, CPA
Paul A. Radosevich, CPA
William J. Lauer, CPA
James H. Eichten, CPA
Aaron J. Nielsen, CPA
Victoria L. Holinka, CPA/CMA

INDEPENDENT AUDITOR'S REPORT

To the City Council and Management
City of Wayzata, Minnesota

REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Wayzata, Minnesota (the City) as of and for the year ended December 31, 2016, and the related notes to the basic financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

MANAGEMENT'S RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

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

AUDITOR'S RESPONSIBILITY

Our responsibility is to express 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 from material misstatement.

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

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

(continued)

OPINIONS

In our opinion, the financial statements referred to on the previous page present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City as of December 31, 2016, and the respective changes in financial position and, where applicable, cash flows thereof, and the budgetary comparison for the General Fund for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

OTHER MATTERS

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and the required supplementary information (RSI), 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 RSI in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The introductory section, combining and individual fund financial statements and schedules, and supplementary information, as listed in the table of contents, are presented for purposes of additional analysis and are not required parts of the basic financial statements.

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

The introductory section and supplementary information 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.

(continued)

PRIOR YEAR COMPARATIVE INFORMATION

We have previously audited the City's 2015 financial statements, and we expressed unmodified audit opinions on the respective financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information in our report dated April 27, 2016. In our opinion, the partial comparative information presented herein as of and for the year ended December 31, 2015 is consistent, in all material respects, with the audited financial statements from which it has been derived.

OTHER REPORTING REQUIRED BY *GOVERNMENT AUDITING STANDARDS*

In accordance with *Government Auditing Standards*, we have also issued our report dated May 4, 2017 on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, 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's internal control over financial reporting and compliance.

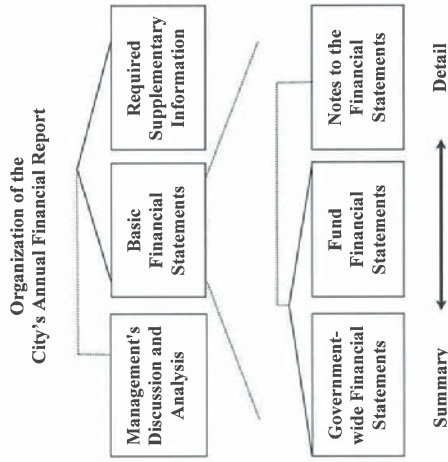
Malloy, Montague, Karnowski, Radosevich & Co., P. A.

Minneapolis, Minnesota
May 4, 2017

Overview of the Financial Statements

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

The following chart shows how the required parts of this annual report are arranged and relate to one another. In addition to these required elements, we have included a section with combining and individual fund financial statements and schedules that provide details about nonmajor governmental funds, which are added together and presented in single columns in the basic financial statements.



Management's Discussion and Analysis

As management of the City of Wayzata, Minnesota, (the City), we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended December 31, 2016.

Financial Highlights - Primary Government

- The assets and deferred outflows of the City exceeded its liabilities and deferred inflows at the close of the most recent fiscal year by \$59,648,176 (net position). Of this amount, \$9,055,638 (unrestricted net position) may be used to meet the City's ongoing obligations to citizens and creditors.
- The City's total net position increased by \$2,189,534. This was primarily a result of the combining factors: combined capital contributions of approximately \$1,427,912 for the governmental and business-type activities, roughly \$364,416 more in revenues than expected for nonbusiness licenses and permits, and approximately \$545,825 in income for the enterprise funds prior to any capital contributions or transfers.
- As of the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$17,969,786, an increase of \$6,822,740 in comparison with the prior year. Approximately 14.2 percent of this total amount, \$2,559,399, is available for spending at the City's discretion (unassigned fund balance).
- At the end of the current fiscal year, unassigned fund balance for the General fund was \$2,559,399 or 42.3 percent of total General fund 2016 expenditures and transfers out.
- The City's total noncurrent liabilities increased \$11,479,787 or 68.2 percent during the current fiscal year. This was primarily a result of increases due to GASB Statement No. 68 pension allocations and the issuance of new debt.

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

Major features of the Government-wide and Fund Financial Statements

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

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

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

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

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenue (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities of the City include general government, public safety, public works, culture and recreation, and interest on long-term debt. The business-type activities of the City include water, sewer, licensing, liquor, solid waste, and stormwater.

The government-wide financial statements include not only the City itself (known as the primary government), but also a legally separate Housing and Redevelopment Authority (HRA) for which the City is financially accountable. The HRA has been reported as a discretely presented component unit and does not prepare separate financial statements.

The government-wide financial statements start on page 29 of this report.

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

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

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact by the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The City maintains 17 individual governmental funds, three of which are Debt Service funds. The HRA maintains 3 individual governmental funds. Information is presented separately in the City's governmental fund balance sheet and governmental fund statement of revenues, expenditures and changes in fund balances for the General, Debt Service, and Internally Financed Capital Project funds, all of which are considered to be major funds. Data from the City's other governmental funds are combined into a single, aggregated presentation. Individual fund data for each of the City's nonmajor governmental funds as well as the HRA's individual governmental funds is provided in the form of *combining statements or schedules* elsewhere in this report.

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

The basic governmental fund financial statements start on page 34 of this report.

Proprietary funds. The City maintains one type of proprietary fund. *Enterprise funds* are used to report the same functions presented as *business-type activities* in the government-wide financial statements. The City uses enterprise funds to account for its water, sewer, licensing, liquor, solid waste, and stormwater operations.

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

The basic proprietary fund financial statements start on page 40 of this report.

Fiduciary fund. The fiduciary fund is used to account for resources held for the benefit of parties outside the City. The fiduciary fund is *not* reflected in the government-wide financial statements because the resources of this fund are not available to support the City's own programs.

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

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

Other information. In addition to the basic financial statements and accompanying notes, this report also presents *required supplementary information* concerning the City's progress in funding its obligation to provide pension and OPEB benefits to its employees. Required supplementary information can be found starting on page 84 of this report.

The combining statements referred to earlier in connection with nonmajor governmental funds and the discretely presented component unit are presented following the notes to the financial statements. Combining and individual fund statements and schedules start on page 88 of this report.

Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the City, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$59,648,176 at the close of the most recent fiscal year.

By far, the largest portion of the City's net position (76.7 percent) reflects its investment 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 uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

City of Wayzata's Summary of Net Position

	Governmental Activities			Business-type Activities		
	2016	2015	Increase (Decrease)	2016	2015	Increase (Decrease)
Assets						
Current and other assets	\$ 21,453,321	\$ 14,183,030	\$ 7,270,291	\$ 7,111,880	\$ 8,016,451	\$ (904,571)
Capital assets, net of depreciation	36,462,734	33,214,462	3,248,272	21,088,093	19,897,456	1,190,637
Total assets	57,916,055	47,397,492	10,518,563	28,199,973	27,913,907	286,066
Deferred Outflows of Resources						
Deferred pension resources	3,456,417	437,407	3,019,010	777,800	164,994	612,806
Liabilities						
Noncurrent liabilities outstanding	18,091,034	6,984,931	11,106,103	10,213,610	9,839,926	373,684
Other liabilities	1,174,184	591,111	583,073	319,495	220,969	98,526
Total liabilities	19,265,218	7,576,042	11,689,176	10,533,105	10,060,895	472,210
Deferred Inflows of Resources						
Deferred pension resources	657,197	577,883	79,314	246,549	240,338	6,211
Net position						
Net investment in capital assets	32,550,256	28,962,215	3,588,041	13,229,599	11,674,924	1,554,675
Restricted	3,085,974	3,888,882	(802,908)	1,726,709	1,819,081	(92,372)
Unrestricted	5,813,827	6,829,877	(1,016,050)	3,241,811	4,283,663	(1,041,852)
Total net position	\$ 41,450,057	\$ 39,680,974	\$ 1,769,083	\$ 18,198,119	\$ 17,777,668	\$ 420,451

An additional portion of the City's net position, \$4,812,683, represents resources that are subject to external restrictions on how they may be used. The remaining balance of *unrestricted net position* \$9,055,638 may be used to meet the City's ongoing obligations to citizens and creditors.

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

Governmental activities. Governmental activities increased the City's net position by \$1,769,083, thereby accounting 80.8 percent of the total growth in net position of the City. Significant changes from the prior year are noted below:

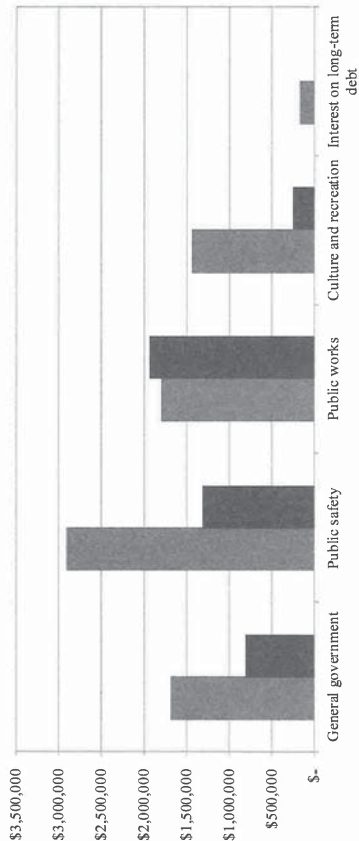
City of Wayzata's Changes in Net Position

	Governmental Activities			Business-type Activities		
	2016	2015	Increase (Decrease)	2016	2015	Increase (Decrease)
Revenues						
Program revenues						
Charges for services	\$ 2,232,852	\$ 2,217,381	\$ 15,471	\$ 8,684,556	\$ 8,308,606	\$ 375,950
Operating grants and contributions	370,400	243,888	126,512	60,513	11,846	48,667
Capital grants and contributions	1,719,367	1,442,402	276,965	402,476	444,643	(42,167)
General revenues						
Taxes						
Property taxes	4,584,544	4,309,095	275,449	-	-	-
Franchise fees	149,268	146,602	2,666	-	-	-
Grants and contributions not restricted to specific programs	55,992	20,553	35,439	-	-	-
Unrestricted investment earnings	78,763	102,944	(24,181)	46,175	63,581	(17,406)
Gain on sale of capital assets	18,953	17,699	1,254	-	-	-
Total revenues	9,210,139	8,500,564	709,575	9,193,720	8,828,676	365,044
Expenses						
General government	1,684,626	1,707,279	(22,653)	-	-	-
Public safety	2,899,134	2,339,712	559,422	-	-	-
Public works	1,793,518	2,294,511	(500,993)	-	-	-
Culture and recreation	1,426,073	884,040	542,033	-	-	-
Interest on long-term debt	165,555	120,935	44,620	-	-	-
Water	-	-	-	877,646	861,579	16,067
Sewer	-	-	-	976,953	1,053,816	(76,863)
Licensing	-	-	-	-	-	-
Liquor	-	-	-	366,121	335,021	31,100
Solid waste	-	-	-	5,495,023	5,247,190	247,833
Stormwater	-	-	-	357,902	341,994	15,908
Total expenses	7,968,906	7,346,477	622,429	8,245,419	8,011,179	234,240
Changes in net position before transfers	1,241,233	1,154,087	87,146	948,301	817,497	130,804
Transfers - capital assets	-	(129,427)	129,427	-	129,427	(129,427)
Transfers - internal activities	527,850	422,700	105,150	(527,850)	(422,700)	(105,150)
Change in net position	1,769,083	1,447,360	321,723	420,451	524,224	(103,773)
Net position, January 1	39,680,974	38,233,614	1,447,360	17,777,668	17,253,444	524,224
Net position, December 31	\$ 41,450,057	\$ 39,680,974	\$ 1,769,083	\$ 18,198,119	\$ 17,777,668	\$ 420,451

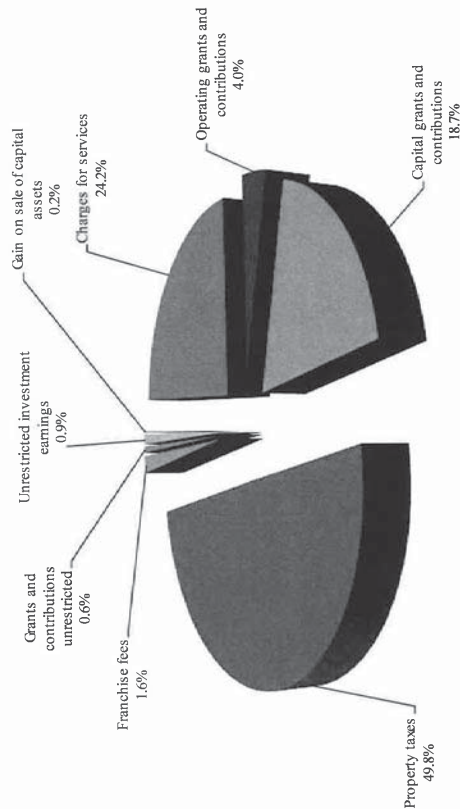
The most significant changes in revenues for the current year are due to a nearly \$277,000 increase in capital grants and contributions as well as an increase in property tax revenue of approximately \$275,500. The increase in public safety expenses related to the increase in the pension liability allocated from PERA. The decrease in public works related to a decrease in uncapped costs related to projects. The increase in culture and recreation is a result of costs related to the lake effect study.

The following graph depicts various governmental activities and shows the revenue and expenses directly related to those activities.

Expenses and Program Revenues - Governmental Activities

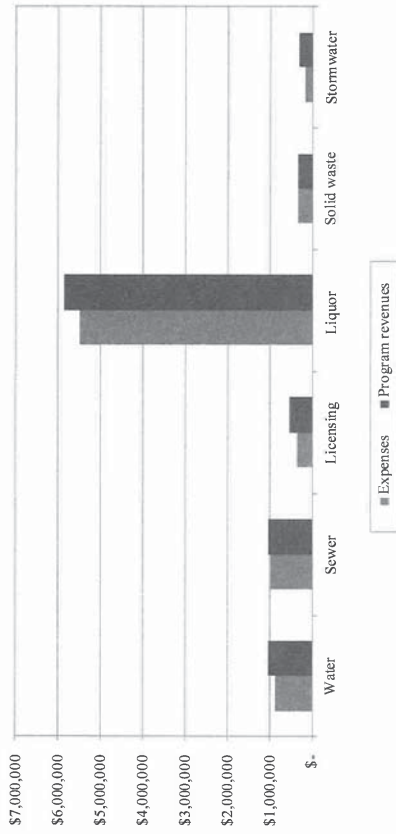


Revenues by Source - Governmental Activities

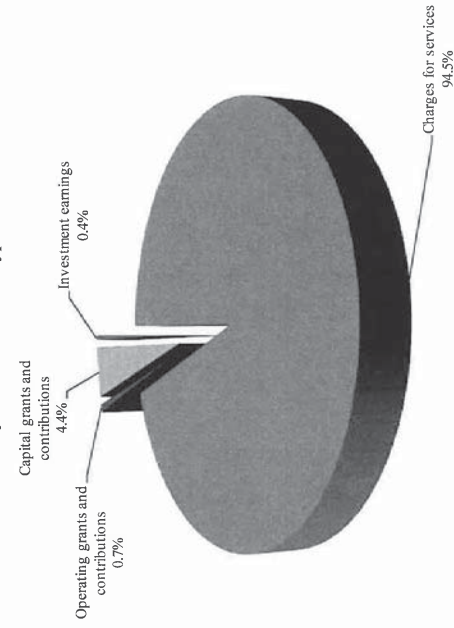


Business-type activities. Business-type activities increased the City's net position by \$420,451, thereby accounting 19.2 percent of the total growth in net position of the City. This increase was the result of charges for services, WAC/SAC connection charges, and capital contributions in excess of expenses and transfers out.

Expenses and Program Revenues - Business-type Activities



Revenues by Source - Business-type Activities



HRA Component Unit

At the end of the fiscal year, the HRA reported net position of \$2,808,399. This is a decrease of \$391,987 from the previous year, which is primarily a result the contributions to the City's downtown ramp project.

Financial Analysis of the City's Funds

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

Governmental funds: The focus of the City's *governmental funds* is to provide information on near-term inflows, outflows and balances of *spendable* resources. Such information is useful in assessing the City's financing requirements. In particular, *unassigned fund balance* may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the City's governmental funds had combined ending fund balances of \$17,969,786, an increase of \$6,822,740 in comparison with the prior year. Approximately 14.2 percent of this total amount, constitutes *unassigned fund balance*, which is available for spending at the City's discretion. The remainder of fund balance (\$15,410,387) is not available for new spending because it is either 1) restricted (\$8,576,098), 2) committed (\$240,981), or 3) assigned (\$6,593,308). For further classification, refer to Note 3F on page 70 of this report.

Activity in the City's major funds is discussed below.

Major Funds	Fund Balance December 31,		Increase (Decrease)
	2016	2015	
General	\$ 2,835,183	\$ 2,529,396	\$ 305,787
The General fund is the chief operating fund of the City. As a measure of the General funds liquidity, it may be useful to compare fund balance to total fund expenditures and transfers out. Fund balance represents 46.8 percent of total 2016 expenditures and transfers out. Of the fund balance, \$2,559,399 is unassigned and will be used for cash flow for general operations and will be used to support operations until funds are received in June from the first tax settlement.			
Debt Service	\$ 555,341	\$ 398,223	\$ 157,118
The increase in fund balance is primarily due to the collection of taxes and special assessments to cover future debt service requirements.			
Internally Financed Capital Project	\$ 7,956,204	732,192	7,224,012
The increase in fund balance is primarily a result of new bonds issued for 2016.			

Proprietary funds: The City's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail. Unrestricted net position of the enterprise funds at the end of the year amounted to \$3,241,811. Other factors concerning the finances of these funds have already been addressed in the discussion of the City's business-type activities.

General fund Budgetary Highlights

The City's General fund budget was not amended during the year. The budget called for no change in fund balance. Both revenues and expenditures provided positive budget variances. Some of the significant variances provided by revenues and expenditures are briefly summarized as follows:

- Revenues were more than anticipated by \$644,942. The largest positive variances were within licenses and permits and charges for services of \$364,416 and \$164,146, respectively. The variance in licenses and permits was mostly due to more building, heating, and plumbing permits than anticipated, which corresponded to the increase in charges for services related to plan check and project inspection fees.
- Current expenditures were \$297,675 less than budgeted. Significant variances within current expenditures were miscellaneous and public safety expenditures. The miscellaneous function and public safety were under budget by \$91,367 and \$85,608, respectively.
- In consideration of the positive variances in revenues and expenditures, an additional \$629,000 over budget was transferred to capital project funds to finance future projects.

Capital Asset and Debt Administration

Capital assets: The City's investment in capital assets for its governmental and business-type activities, as of December 31, 2016, amounts to \$57,550,827 (net of accumulated depreciation). This investment in capital assets includes land, construction in progress, land improvements, buildings, infrastructure, and machinery and equipment. The total increase in the City's investment in capital assets for the current fiscal year was 8.4 percent. Major capital asset activity includes:

- The governmental construction in progress increased \$2,756,320 prior to completed projects. This increase is primarily related to the Downtown Parking Ramp project, which is still outstanding at December 31, 2016.
- Additions in governmental activities included \$1,347,324 for buildings, and \$571,208 and \$398,313 for infrastructure and machinery and equipment, respectively.
- Additions in business-type activities construction in progress of \$1,154,162 were primarily for the 2016 Stormwater Improvements project.
- Disposals included fully and partially depreciated machinery and equipment that was either replaced or no longer in use.

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

	Governmental Activities		Increase (Decrease)	Business-type Activities		Increase (Decrease)
	2016	2015		2016	2015	
Land	\$ 7,563,994	\$ 7,563,994	\$ -	\$ 973,048	\$ 973,048	\$ -
Construction in progress	4,659,827	2,594,818	2,065,009	2,354,471	1,374,934	979,537
Land improvements	68,367	72,708	(4,341)	-	-	-
Buildings	13,250,340	12,233,148	1,017,192	7,843,634	8,034,208	(190,574)
Infrastructure	8,590,243	8,427,858	162,385	9,370,794	8,887,395	483,399
Machinery and equipment	2,329,963	2,321,936	8,027	546,146	627,871	(81,725)
Total	\$ 36,462,734	\$ 33,214,462	\$ 3,248,272	\$ 21,088,093	\$ 19,897,456	\$ 1,190,637

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

Long-term debt. At the end of the current fiscal year, the City had total bonded debt outstanding of \$19,300,000. This amount consists of G.O. bonds, G.O. improvement bonds, G.O. tax increment bonds, and G.O. revenue bonds. While many of these bonds have their own revenue streams, they are all backed by the full faith and credit of the City.

City of Wayzata's Outstanding Long-term Liabilities

	Governmental Activities		Business-type Activities		Increase (Decrease)
	2016	2015	2016	2015	
G.O. bonds	\$ 1,480,000	\$ 1,665,000	\$ (185,000)	\$ -	\$ (100,000)
G.O. improvement bonds	2,300,000	2,430,000	(130,000)	1,810,000	(100,000)
G.O. tax increment bonds	7,725,000	-	7,725,000	-	-
G.O. revenue bonds	-	-	6,085,000	6,345,000	(260,000)
Unamortized bond premium	347,182	157,247	189,935	63,494	67,532
Other postemployment benefits payable	171,836	155,318	16,518	83,820	72,969
Pension liability	5,745,952	2,265,204	3,480,748	2,171,771	1,443,554
Compensated absences	321,064	312,162	8,902	99,525	100,871
Total	\$ 18,091,034	\$ 6,984,931	\$ 11,106,103	\$ 10,213,610	\$ 9,839,926

The City's total long-term liabilities increased \$11,479,787 (68.2 percent) during the current fiscal year. This was primarily a result of the issuance of the 2016A G.O. tax increment bond in the current year.

In accordance with Minnesota statutes, the City may not incur or be subject to net debt in excess of three percent of the estimated market value of taxable property within the City. Net debt is payable solely from ad valorem taxes and, therefore, excludes debt financed partially or entirely by special assessments, enterprise fund revenues, or tax increments. The City's estimated market value of taxable property in 2016 was \$1,650,041,030. The City's legal debt limit was \$49,501,231 and \$1,480,000 of the City's debt is applicable to the limit. Additional information on the City's long-term debt can be found in Note 3E starting on page 65 of this report.

Economic Factors and Next Year's Budgets and Rates

- Preliminary market values for the 2017 tax year continue to be strong and improving over the prior year. Residential valuations have increased approximately 10 percent over 2016. The overall market value increased 8 percent due to the combination of new development and the increase in residential values.
- The Bay Center project will continue into the next year which will have a positive effect on development related revenue. The east block has moved forward with the development of 29 condominium units, an 80-90 room boutique hotel, and approximately 25,000 square feet of retail space. Estimated market value at completion in 2018 is about \$42 million.
- The City will evaluate and continue to enhance the planning for capital related items. This includes a more extensive review of anticipated projects and a complete matching of resources to costs.
- The City Council adopted the Lake Effect Framework in 2014. The intent of this project is to showcase Lake Minnetonka, a significant resource for the City. The City Council will continue to review and incorporate elements of this framework as they become feasible.

All of these factors were considered in preparing the City's budget for the 2017 fiscal year.

Requests for Information

This financial report is designed to provide a general overview of the City's finances for all those with an interest in the City's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Senior Accountant, City of Wayzata, 600 Rice Street East, Wayzata, Minnesota 55391.

CITY OF WAYZATA, MINNESOTA
STATEMENT OF NET POSITION
DECEMBER 31, 2016

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	Housing and Redevelopment Authority
ASSETS				
Cash and temporary investments	\$ 18,937,141	\$ 5,421,730	\$ 24,358,871	\$ 1,420,318
Receivables				
Accrued interest	52,559	-	52,559	7,508
Taxes	34,904	-	34,904	64,872
Accounts	39,414	173,918	213,332	-
Notes	-	-	-	19,250
Special assessments	2,304,644	1,136,456	3,441,100	-
Internal balances	80,500	(80,500)	-	-
Due from other governments	4,159	21,075	25,234	-
Inventories	-	439,201	439,201	-
Capital assets				
Land and construction in progress	12,223,821	3,327,519	15,551,340	2,092,900
Depreciable assets, net of accumulated depreciation	24,238,913	17,760,574	41,999,487	-
TOTAL ASSETS	57,916,055	28,199,973	86,116,028	3,604,848
DEFERRED OUTFLOWS OF RESOURCES				
Deferred pension resources	3,456,417	777,800	4,234,217	-
LIABILITIES				
Accounts and contracts payable	1,126,393	158,014	1,284,407	791,512
Due to other governments	20,261	87,052	107,313	4,234
Accrued salaries payable	3,159	27,393	30,552	-
Accrued interest payable	11,045	23,923	34,968	-
Deposits payable	13,326	23,113	36,439	703
Noncurrent liabilities				
Due within one year	506,587	425,126	931,713	-
Due in more than one year	17,584,447	9,788,484	27,372,931	-
TOTAL LIABILITIES	19,265,218	10,533,105	29,798,323	796,449
DEFERRED INFLOWS OF RESOURCES				
Deferred pension resources	657,197	246,549	903,746	-
NET POSITION				
Net investment in capital assets	32,550,256	13,229,599	45,779,855	2,092,900
Restricted for				
Debt service	2,844,296	1,726,709	4,571,005	-
Economic development	-	-	-	775,774
Parks and trails	137,176	-	137,176	-
Public safety police expenses	104,502	-	104,502	-
Unrestricted	5,813,827	3,241,811	9,055,638	(60,275)
TOTAL NET POSITION	\$ 41,450,057	\$ 18,198,119	\$ 59,648,176	\$ 2,808,399

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

CITY OF WAYZATA, MINNESOTA
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2016

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary government				
Governmental activities				
General government	\$ 1,684,626	\$ 793,584	\$ 19,700	\$ -
Public safety	2,899,134	956,971	350,700	-
Public works	1,793,518	220,987	-	1,715,618
Culture and recreation	1,426,073	261,310	-	3,749
Interest on long-term debt	165,555	-	-	-
Total governmental activities	<u>7,968,906</u>	<u>2,232,852</u>	<u>370,400</u>	<u>1,719,367</u>
Business-type activities				
Water	877,646	780,563	-	258,635
Sewer	976,953	897,443	-	143,749
Licensing	366,121	552,514	-	-
Liquor	5,495,023	5,859,012	-	-
Solid waste	357,902	321,208	24,013	-
Stormwater	171,774	273,816	36,500	92
Total business-type activities	<u>8,245,419</u>	<u>8,684,556</u>	<u>60,513</u>	<u>402,476</u>
Total primary government	<u>\$ 16,214,325</u>	<u>\$ 10,917,408</u>	<u>\$ 430,913</u>	<u>\$ 2,121,843</u>
Component unit				
Housing and Redevelopment Authority	<u>\$ 2,510,962</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

General revenues

Taxes

Property taxes, levied for general purposes

Property taxes, levied for debt service

Tax increment

Franchise fees

Grants and contributions not restricted to specific programs

Unrestricted investment earnings

Gain on sale of capital assets

Transfers

Total general revenues and transfers

Change in net position

Net position, January 1

Net position, December 31

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

Net (Expenses) Revenues and Changes in Net Position

Primary Government			Component Unit
Governmental Activities	Business-type Activities	Total	Housing and Redevelopment Authority
\$ (871,342)	\$ -	\$ (871,342)	\$ -
(1,591,463)	-	(1,591,463)	-
143,087	-	143,087	-
(1,161,014)	-	(1,161,014)	-
(165,555)	-	(165,555)	-
<u>(3,646,287)</u>	<u>-</u>	<u>(3,646,287)</u>	<u>-</u>
-	161,552	161,552	-
-	64,239	64,239	-
-	186,393	186,393	-
-	363,989	363,989	-
-	(12,681)	(12,681)	-
-	138,634	138,634	-
<u>-</u>	<u>902,126</u>	<u>902,126</u>	<u>-</u>
<u>(3,646,287)</u>	<u>902,126</u>	<u>(2,744,161)</u>	<u>-</u>
<u>-</u>	<u>-</u>	<u>-</u>	<u>(2,510,962)</u>
4,336,994	-	4,336,994	-
247,550	-	247,550	-
-	-	-	2,108,233
149,268	-	149,268	-
55,992	-	55,992	-
78,763	46,175	124,938	10,742
18,953	-	18,953	-
527,850	(527,850)	-	-
<u>5,415,370</u>	<u>(481,675)</u>	<u>4,933,695</u>	<u>2,118,975</u>
1,769,083	420,451	2,189,534	(391,987)
<u>39,680,974</u>	<u>17,777,668</u>	<u>57,458,642</u>	<u>3,200,386</u>
<u>\$ 41,450,057</u>	<u>\$ 18,198,119</u>	<u>\$ 59,648,176</u>	<u>\$ 2,808,399</u>

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

CITY OF WAYZATA, MINNESOTA
BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2016

	101 General	300's Debt Service	401 Internally Financed Capital Project	Other Governmental Funds	Total Governmental Funds
ASSETS					
Cash and temporary investments	\$ 2,792,940	\$ 555,341	\$ 8,917,397	\$ 6,671,463	\$ 18,937,141
Receivables					
Accrued interest	52,559	-	-	-	52,559
Taxes	34,904	-	-	-	34,904
Accounts	22,715	-	-	16,699	39,414
Special assessments	703	2,300,000	3,941	-	2,304,644
Due from other funds	-	-	-	14,500	14,500
Due from other governments	4,059	-	-	100	4,159
Advances to other funds	-	-	-	66,000	66,000
TOTAL ASSETS	\$ 2,907,880	\$ 2,855,341	\$ 8,921,338	\$ 6,768,762	\$ 21,453,321
LIABILITIES					
Accounts and contracts payable	\$ 23,062	\$ -	\$ 961,193	\$ 142,138	\$ 1,126,393
Due to other governments	20,203	-	-	58	20,261
Accrued salaries payable	3,159	-	-	-	3,159
Deposits payable	9,818	-	-	3,508	13,326
TOTAL LIABILITIES	56,242	-	961,193	145,704	1,163,139
DEFERRED INFLOWS OF RESOURCES					
Unavailable revenue - delinquent taxes	16,455	-	-	-	16,455
Unavailable revenue - special assessments	-	2,300,000	3,941	-	2,303,941
TOTAL DEFERRED INFLOWS OF RESOURCES	16,455	2,300,000	3,941	-	2,320,396
FUND BALANCES					
Restricted	-	555,341	7,779,079	241,678	8,576,098
Committed	-	-	-	240,981	240,981
Assigned	275,784	-	177,125	6,140,399	6,593,308
Unassigned	2,559,399	-	-	-	2,559,399
TOTAL FUND BALANCES	2,835,183	555,341	7,956,204	6,623,058	17,969,786
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	\$ 2,907,880	\$ 2,855,341	\$ 8,921,338	\$ 6,768,762	\$ 21,453,321

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

CITY OF WAYZATA, MINNESOTA
RECONCILIATION OF THE BALANCE SHEET
TO THE STATEMENT OF NET POSITION
GOVERNMENTAL FUNDS
DECEMBER 31, 2016

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

Total fund balances - governmental funds	\$ 17,969,786
Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds.	
Cost of capital assets	45,588,482
Less: accumulated depreciation	(9,125,748)
Noncurrent liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported as liabilities in the funds.	
Noncurrent liabilities at year-end consist of	
Compensated absences payable	(321,064)
Other postemployment benefits payable	(171,836)
Pension liability	(5,745,952)
Bond principal payable	(11,505,000)
Plus: unamortized bond premium	(347,182)
Some receivables are not available soon enough to pay for the current period's expenditures, and therefore are reported as unavailable revenue in the funds.	
Delinquent taxes receivable	16,455
Special assessments receivable	2,303,941
Governmental funds do not report long-term amounts related to pensions.	
Deferred outflow of resources	3,456,417
Deferred inflow of resources	(657,197)
Governmental funds do not report a liability for accrued interest until due and payable.	(11,045)
Total net position - governmental activities	\$ 41,450,057

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

CITY OF WAYZATA, MINNESOTA
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2016

	101 General	300's Debt Service	401 Internally Financed Capital Project	Other Governmental Funds	Total Governmental Funds
REVENUES					
Taxes					
Property taxes	\$ 4,128,510	\$ 247,550	\$ -	\$ 210,000	\$ 4,586,060
Franchise fees	83,443	-	-	65,825	149,268
Licenses and permits	769,641	-	-	178,744	948,385
Intergovernmental	200,025	-	527,225	16,915	744,165
Charges for services	862,230	-	-	338,741	1,200,971
Fines and forfeitures	77,268	-	-	91,325	168,593
Special assessments	-	251,017	1,571	2,478	255,066
Investment earnings	16,638	2,647	5,690	53,788	78,763
Miscellaneous					
Contributions and donations	-	-	-	82,435	82,435
Refunds and reimbursements	-	-	-	25,993	25,993
Other	46,191	-	-	5,699	51,890
TOTAL REVENUES	6,183,946	501,214	534,486	1,071,943	8,291,589
EXPENDITURES					
Current					
General government	1,110,852	-	-	185,263	1,296,115
Public safety	2,195,863	-	-	6,670	2,202,533
Public works	782,691	-	-	-	782,691
Culture and recreation	469,516	-	-	491,938	961,454
Miscellaneous	150,633	-	-	-	150,633
Capital outlay					
General government	-	-	-	101,406	101,406
Public safety	2,249	-	-	73,289	75,538
Public works	-	-	2,338,553	1,119,155	3,457,708
Culture and recreation	-	-	-	431,923	431,923
Debt service					
Principal	-	315,000	-	-	315,000
Interest and other	-	127,408	62,313	100	189,821
TOTAL EXPENDITURES	4,711,804	442,408	2,400,866	2,409,744	9,964,822
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	1,472,142	58,806	(1,866,380)	(1,337,801)	(1,673,233)
OTHER FINANCING SOURCES (USES)					
Transfers in	150,000	-	1,249,000	1,015,624	2,414,624
Sale of capital assets	18,953	-	-	-	18,953
Bonds issued	-	98,312	7,626,688	-	7,725,000
Premium received on debt issued	-	-	214,704	-	214,704
Insurance recovery	9,466	-	-	-	9,466
Transfers out	(1,344,774)	-	-	(542,000)	(1,886,774)
TOTAL OTHER FINANCING SOURCES (USES)	(1,166,355)	98,312	9,090,392	473,624	8,495,973
NET CHANGE IN FUND BALANCES	305,787	157,118	7,224,012	(864,177)	6,822,740
FUND BALANCES, JANUARY 1	2,529,396	398,223	732,192	7,487,235	11,147,046
FUND BALANCES, DECEMBER 31	\$ 2,835,183	\$ 555,341	\$ 7,956,204	\$ 6,623,058	\$ 17,969,786

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

CITY OF WAYZATA, MINNESOTA
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2016

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

Total net change in fund balances - governmental funds	\$ 6,822,740
<p>Capital outlays are reported in governmental funds as expenditures. However, in the statement of activities, the cost of those assets is allocated over the estimated useful lives as depreciation expense.</p>	
Capital outlays	3,356,418
Depreciation expense	(1,133,582)
<p>Revenues in the statement of activities that do not provide current financial resources are not reported as revenue in the funds.</p>	
Capital contributions	1,025,436
<p>The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of premiums, discounts and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. The amounts below are the effects of these differences in the treatment of long-term debt and related items.</p>	
Principal repayments	315,000
Debt issued or incurred	(7,725,000)
Plus: premium received on debt issued	(214,704)
Amortization of bond premium	24,769
<p>Interest on long-term debt in the statement of activities differs from the amount reported in the governmental funds because interest is recognized as an expenditure in the funds when it is due, and thus requires the use of current financial resources. In the statement of activities, however, interest expense is recognized as the interest accrues, regardless of when it is due.</p>	
	(503)
<p>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 the governmental funds.</p>	
Compensated absences	(8,902)
Other postemployment benefits	(16,518)
<p>Long-term pension activity is not reported in governmental funds</p>	
Pension revenue from state contributions	9,180
Pension expense	(550,232)
<p>Certain revenues are recognized as soon as they are earned. Under the modified accrual basis of accounting, certain revenues cannot be recognized until they are available to liquidate liabilities of the current period.</p>	
Property taxes	(1,516)
Special assessments	(133,503)
	(135,019)
Change in net position - governmental activities	\$ 1,769,083

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

CITY OF WAYZATA, MINNESOTA
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2016

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
REVENUES				
Taxes				
Property taxes	\$ 4,056,795	\$ 4,056,795	\$ 4,128,510	\$ 71,715
Franchise fees	82,000	82,000	83,443	1,443
Licenses and permits	405,225	405,225	769,641	364,416
Intergovernmental	183,400	183,400	200,025	16,625
Charges for services	698,084	698,084	862,230	164,146
Fines and forfeitures	73,500	73,500	77,268	3,768
Investment earnings	35,000	35,000	16,638	(18,362)
Miscellaneous	5,000	5,000	46,191	41,191
	<u>5,539,004</u>	<u>5,539,004</u>	<u>6,183,946</u>	<u>644,942</u>
TOTAL REVENUES				
EXPENDITURES				
Current				
General government	1,122,336	1,122,336	1,110,852	11,484
Public safety	2,281,471	2,281,471	2,195,863	85,608
Public works	817,501	817,501	782,691	34,810
Culture and recreation	543,922	543,922	469,516	74,406
Miscellaneous	242,000	242,000	150,633	91,367
Capital outlay				
General government	1,000	1,000	-	1,000
Public safety	5,000	5,000	2,249	2,751
	<u>5,013,230</u>	<u>5,013,230</u>	<u>4,711,804</u>	<u>301,426</u>
TOTAL EXPENDITURES				
EXCESS OF REVENUES OVER EXPENDITURES	<u>525,774</u>	<u>525,774</u>	<u>1,472,142</u>	<u>946,368</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	190,000	190,000	150,000	(40,000)
Sale of capital assets	-	-	18,953	18,953
Insurance recovery	-	-	9,466	9,466
Transfers out	(715,774)	(715,774)	(1,344,774)	(629,000)
	<u>(525,774)</u>	<u>(525,774)</u>	<u>(1,166,355)</u>	<u>(640,581)</u>
TOTAL OTHER FINANCING SOURCES (USES)				
NET CHANGE IN FUND BALANCES	-	-	305,787	305,787
FUND BALANCES, JANUARY 1	<u>2,529,396</u>	<u>2,529,396</u>	<u>2,529,396</u>	<u>-</u>
FUND BALANCES, DECEMBER 31	<u>\$ 2,529,396</u>	<u>\$ 2,529,396</u>	<u>\$ 2,835,183</u>	<u>\$ 305,787</u>

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

CITY OF WAYZATA, MINNESOTA
STATEMENT OF NET POSITION - CONTINUED ON THE FOLLOWING PAGES
PROPRIETARY FUNDS
DECEMBER 31, 2016

	Business-type Activities - Enterprise Funds			
	610 Water	620 Sewer	630 Licensing	640 Liquor
ASSETS				
CURRENT ASSETS				
Cash and temporary investments	\$ 2,498,868	\$ 701,153	\$ 225,420	\$ 1,192,368
Receivables				
Accounts	44,584	74,440	-	-
Special assessments	41,021	56,325	-	-
Due from other governments	12,271	8,804	-	-
Inventories	15,539	-	-	423,662
TOTAL CURRENT ASSETS	2,612,283	840,722	225,420	1,616,030
NONCURRENT ASSETS				
Special assessments	546,153	492,756	-	-
Capital assets				
Land	3,975	8,495	-	679,550
Buildings	6,077,906	30,830	-	3,439,095
Infrastructure	3,194,099	3,844,832	-	73,210
Machinery and equipment	163,884	373,071	-	797,088
Construction in progress	1,822,615	-	-	-
Less: accumulated depreciation	(1,762,522)	(924,402)	-	(779,213)
Total capital assets (net of accumulated depreciation)	9,499,957	3,332,826	-	4,209,730
TOTAL NONCURRENT ASSETS	10,046,110	3,825,582	-	4,209,730
TOTAL ASSETS	12,658,393	4,666,304	225,420	5,825,760
DEFERRED OUTFLOWS OF RESOURCES				
Deferred pension resources	87,413	87,407	108,118	476,901

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

CITY OF WAYZATA, MINNESOTA
STATEMENT OF NET POSITION - CONTINUED
PROPRIETARY FUNDS
DECEMBER 31, 2016

	Business-type Activities - Enterprise Funds			
	610 Water	620 Sewer	630 Licensing	640 Liquor
LIABILITIES				
CURRENT LIABILITIES				
Accounts and contracts payable	\$ 105,172	\$ 7,133	\$ 313	\$ 33,849
Due to other governments	3,545	-	12,097	54,204
Accrued salaries payable	-	-	387	27,006
Accrued interest payable	12,862	979	-	10,082
Deposits payable	5,418	-	-	17,695
Due to other funds	-	-	-	14,500
Compensated absences payable, current portion	17,428	17,428	9,310	15,960
Bonds payable, current portion	220,000	35,000	-	110,000
TOTAL CURRENT LIABILITIES	364,425	60,540	22,107	283,296
NONCURRENT LIABILITIES				
Advances from other funds	-	-	-	66,000
Other postemployment benefits payable	16,001	15,997	13,745	35,830
Pension liability	244,073	244,056	301,886	1,331,605
Compensated absences payable	16,145	16,145	4,330	2,779
Unamortized bond premium	19,443	9,339	-	34,712
Bonds payable	4,165,000	405,000	-	2,860,000
TOTAL NONCURRENT LIABILITIES	4,460,662	690,537	319,961	4,330,926
TOTAL LIABILITIES	4,825,087	751,077	342,068	4,614,222
DEFERRED INFLOWS OF RESOURCES				
Deferred pension resources	27,708	27,706	34,272	151,170
NET POSITION				
Net investment in capital assets	5,095,514	2,883,487	-	1,205,018
Restricted for debt service	1,259,097	467,612	-	-
Unrestricted	1,538,400	623,829	(42,802)	332,251
TOTAL NET POSITION	\$ 7,893,011	\$ 3,974,928	\$ (42,802)	\$ 1,537,269

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

CITY OF WAYZATA, MINNESOTA
STATEMENT OF NET POSITION - CONTINUED
PROPRIETARY FUNDS
DECEMBER 31, 2016

	Business-type Activities - Enterprise Funds		
	650	670	
	Solid Waste	Stormwater	Total
ASSETS			
CURRENT ASSETS			
Cash and temporary investments	\$ 230,000	\$ 573,921	\$ 5,421,730
Receivables			
Accounts	29,658	25,236	173,918
Special assessments	-	201	97,547
Due from other governments	-	-	21,075
Inventories	-	-	439,201
	<u>259,658</u>	<u>599,358</u>	<u>6,153,471</u>
TOTAL CURRENT ASSETS			
NONCURRENT ASSETS			
Special assessments	-	-	1,038,909
Capital assets			
Land	-	281,028	973,048
Buildings	-	-	9,547,831
Infrastructure	-	4,728,939	11,841,080
Machinery and equipment	-	-	1,334,043
Construction in progress	-	531,856	2,354,471
Less: accumulated depreciation	-	(1,496,243)	(4,962,380)
	<u>-</u>	<u>4,045,580</u>	<u>21,088,093</u>
Total capital assets (net of accumulated depreciation)			
	<u>-</u>	<u>4,045,580</u>	<u>22,127,002</u>
TOTAL NONCURRENT ASSETS			
	<u>259,658</u>	<u>4,644,938</u>	<u>28,280,473</u>
TOTAL ASSETS			
DEFERRED OUTFLOWS OF RESOURCES			
Deferred pension resources	8,099	9,862	777,800

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

CITY OF WAYZATA, MINNESOTA
STATEMENT OF NET POSITION - CONTINUED
PROPRIETARY FUNDS
DECEMBER 31, 2016

	Business-type Activities - Enterprise Funds		
	650 Solid Waste	670 Stormwater	Total
LIABILITIES			
CURRENT LIABILITIES			
Accounts and contracts payable	\$ 3,821	\$ 7,726	\$ 158,014
Due to other governments	17,206	-	87,052
Accrued salaries payable	-	-	27,393
Accrued interest payable	-	-	23,923
Deposits payable	-	-	23,113
Due to other funds	-	-	14,500
Compensated absences payable, current portion	-	-	60,126
Bonds payable, current portion	-	-	365,000
TOTAL CURRENT LIABILITIES	21,027	7,726	759,121
NONCURRENT LIABILITIES			
Advances from other funds	-	-	66,000
Other postemployment benefits payable	703	1,544	83,820
Pension liability	22,614	27,537	2,171,771
Compensated absences payable	-	-	39,399
Unamortized bond premium	-	-	63,494
Bonds payable	-	-	7,430,000
TOTAL NONCURRENT LIABILITIES	23,317	29,081	9,854,484
TOTAL LIABILITIES	44,344	36,807	10,613,605
DEFERRED INFLOWS OF RESOURCES			
Deferred pension resources	2,567	3,126	246,549
NET POSITION			
Net investment in capital assets	-	4,045,580	13,229,599
Restricted for debt service	-	-	1,726,709
Unrestricted	220,846	569,287	3,241,811
TOTAL NET POSITION	\$ 220,846	\$ 4,614,867	\$ 18,198,119

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

CITY OF WAYZATA, MINNESOTA
STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN NET POSITION - CONTINUED ON THE FOLLOWING PAGE
PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2016

	Business-type Activities - Enterprise Funds			
	610 Water	620 Sewer	630 Licensing	640 Liquor
OPERATING REVENUES				
Sales	\$ -	\$ -	\$ -	\$ 5,841,519
Cost of Sales	-	-	-	(2,987,361)
GROSS PROFIT	-	-	-	2,854,158
Charges for services	700,700	897,443	552,514	-
TOTAL OPERATING REVENUES	700,700	897,443	552,514	2,854,158
OPERATING EXPENSES				
Personnel services	271,030	271,028	354,669	1,601,175
Supplies	67,411	19,224	3,386	114,810
Professional services	76,636	44,254	2,196	137,892
Utilities	68,891	469,460	-	74,431
Other services and charges	19,139	18,146	4,228	210,009
Repairs and maintenance	27,431	27,012	1,642	112,300
Depreciation	186,761	114,988	-	132,727
TOTAL OPERATING EXPENSES	717,299	964,112	366,121	2,383,344
OPERATING INCOME (LOSS)	(16,599)	(66,669)	186,393	470,814
NONOPERATING REVENUES (EXPENSES)				
Investment earnings	28,837	5,543	880	5,476
Intergovernmental	-	-	-	-
Other income	79,863	-	-	17,493
Interest expense and other	(160,347)	(12,841)	-	(124,318)
TOTAL NONOPERATING REVENUES (EXPENSES)	(51,647)	(7,298)	880	(101,349)
INCOME (LOSS) BEFORE CONTRIBUTIONS AND TRANSFERS	(68,246)	(73,967)	187,273	369,465
TRANSFERS IN	-	-	-	-
CAPITAL CONTRIBUTIONS	258,635	143,749	-	-
TRANSFERS OUT	(357,900)	(69,100)	(55,000)	(32,850)
CHANGE IN NET POSITION	(167,511)	682	132,273	336,615
NET POSITION, JANUARY 1	8,060,522	3,974,246	(175,075)	1,200,654
NET POSITION, DECEMBER 31	\$ 7,893,011	\$ 3,974,928	\$ (42,802)	\$ 1,537,269

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

CITY OF WAYZATA, MINNESOTA
STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN NET POSITION - CONTINUED
PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2016

	Business-type Activities - Enterprise Funds		
	650	670	Total
	Solid Waste	Stormwater	
OPERATING REVENUES			
Sales	\$ -	\$ -	\$ 5,841,519
Cost of Sales	-	-	(2,987,361)
GROSS PROFIT	-	-	2,854,158
Charges for services	321,208	273,816	2,745,681
TOTAL OPERATING REVENUES	321,208	273,816	5,599,839
OPERATING EXPENSES			
Personnel services	25,747	32,161	2,555,810
Supplies	-	-	204,831
Professional services	263,786	37,264	562,028
Utilities	49,303	-	662,085
Other services and charges	19,066	1,754	272,342
Repairs and maintenance	-	-	168,385
Depreciation	-	100,595	535,071
TOTAL OPERATING EXPENSES	357,902	171,774	4,960,552
OPERATING INCOME (LOSS)	(36,694)	102,042	639,287
NONOPERATING REVENUES (EXPENSES)			
Investment earnings	1,622	3,817	46,175
Intergovernmental	24,013	36,500	60,513
Other income	-	-	97,356
Interest expense and other	-	-	(297,506)
TOTAL NONOPERATING REVENUES (EXPENSES)	25,635	40,317	(93,462)
INCOME (LOSS) BEFORE CONTRIBUTIONS AND TRANSFERS	(11,059)	142,359	545,825
TRANSFERS IN	-	50,000	50,000
CAPITAL CONTRIBUTIONS	-	92	402,476
TRANSFERS OUT	-	(63,000)	(577,850)
CHANGE IN NET POSITION	(11,059)	129,451	420,451
NET POSITION, JANUARY 1	231,905	4,485,416	17,777,668
NET POSITION, DECEMBER 31	<u>\$ 220,846</u>	<u>\$ 4,614,867</u>	<u>\$ 18,198,119</u>

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

CITY OF WAYZATA, MINNESOTA
STATEMENT OF CASH FLOWS - CONTINUED ON THE FOLLOWING PAGES
PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2016

	Business-type Activities - Enterprise Funds			
	610 Water	620 Sewer	630 Licensing	640 Liquor
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipts from customers and users	\$ 709,161	\$ 908,499	\$ 552,514	\$ 5,841,519
Other operating receipts	79,863	-	-	17,493
Receipts from (payments to) customer deposits	(599)	-	3,176	1,908
Payments to suppliers	(277,431)	(623,520)	(9,869)	(3,707,311)
Payments to employees	(258,842)	(258,840)	(321,582)	(1,517,885)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>252,152</u>	<u>26,139</u>	<u>224,239</u>	<u>635,724</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Transfers from other funds	-	-	-	-
Transfers to other funds	(357,900)	(69,100)	(55,000)	(32,850)
NET CASH PROVIDED (USED) BY NONCAPITAL FINANCING ACTIVITIES	<u>(357,900)</u>	<u>(69,100)</u>	<u>(55,000)</u>	<u>(32,850)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Acquisition of capital assets	(1,342,987)	(172,051)	-	-
Special assessments	135,467	73,495	-	-
Connection fees	225,568	66,822	-	-
Contribution for capital assets	-	48,611	-	-
Receipt from (payment on) interfund loan	-	-	-	(14,500)
Interest paid on long-term debt	(162,136)	(13,812)	-	(126,413)
Principal paid on long-term debt	(220,000)	(35,000)	-	(105,000)
NET CASH PROVIDED (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES	<u>(1,364,088)</u>	<u>(31,935)</u>	<u>-</u>	<u>(245,913)</u>
CASH FLOWS FROM INVESTING ACTIVITIES				
Investment earnings	28,837	5,543	880	5,476
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(1,440,999)	(69,353)	170,119	362,437
CASH AND CASH EQUIVALENTS, JANUARY 1	<u>3,939,867</u>	<u>770,506</u>	<u>55,301</u>	<u>829,931</u>
CASH AND CASH EQUIVALENTS, DECEMBER 31	<u>\$ 2,498,868</u>	<u>\$ 701,153</u>	<u>\$ 225,420</u>	<u>\$ 1,192,368</u>

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

CITY OF WAYZATA, MINNESOTA
STATEMENT OF CASH FLOWS - CONTINUED
PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2016

	Business-type Activities - Enterprise Funds			
	610 Water	620 Sewer	630 Licensing	640 Liquor
RECONCILIATION OF OPERATING INCOME (LOSS) TO				
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES				
Operating income (loss)	\$ (16,599)	\$ (66,669)	\$ 186,393	\$ 470,814
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities				
Other income related to operations	79,863	-	-	17,493
Depreciation	186,761	114,988	-	132,727
(Increase) decrease in assets				
Accounts receivable, net	244	5,703	-	-
Special assessments receivable	7,357	5,540	-	-
Due from other governments	860	(187)	-	-
Inventories	(6,304)	-	-	(89,620)
(Increase) decrease in deferred outflows of resources				
Deferred pension resources	(68,399)	(68,394)	(86,421)	(375,187)
Increase (decrease) in liabilities				
Accounts and contracts payable	(11,548)	(45,343)	313	16,359
Due to other governments	(71)	(81)	1,270	2,753
Accrued salaries payable	-	-	387	14,692
Deposits payable	(599)	-	3,176	1,908
Compensated absences payable	1,374	1,374	2,259	(6,353)
Other postemployment benefits payable	1,486	1,486	2,138	5,434
Pension liability	77,716	77,711	112,057	441,695
Increase (decrease) in deferred inflows of resources				
Deferred pension resources	11	11	2,667	3,009
	<u>11</u>	<u>11</u>	<u>2,667</u>	<u>3,009</u>
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>\$ 252,152</u>	<u>\$ 26,139</u>	<u>\$ 224,239</u>	<u>\$ 635,724</u>
SCHEDULE OF NONCASH CAPITAL AND RELATED FINANCING ACTIVITIES				
Capital assets purchased on account	<u>\$ 98,549</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Amortization of bond premium	<u>\$ 1,293</u>	<u>\$ 912</u>	<u>\$ -</u>	<u>\$ 1,833</u>

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

CITY OF WAYZATA, MINNESOTA
STATEMENT OF CASH FLOWS - CONTINUED
PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2016

	Business-type Activities - Enterprise Funds		
	650 Solid Waste	670 Stormwater	Total
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers and users	\$ 320,638	\$ 273,640	\$ 8,605,971
Other operating receipts	24,013	36,500	157,869
Receipts from (payments to) customer deposits	-	-	4,485
Payments to suppliers	(322,303)	(31,292)	(4,971,726)
Payments to employees	(23,431)	(29,024)	(2,409,604)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>(1,083)</u>	<u>249,824</u>	<u>1,386,995</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Transfers from other funds	-	50,000	50,000
Transfers to other funds	-	(63,000)	(577,850)
NET CASH PROVIDED (USED) BY NONCAPITAL FINANCING ACTIVITIES	<u>-</u>	<u>(13,000)</u>	<u>(527,850)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Acquisition of capital assets	-	(112,121)	(1,627,159)
Special assessments	-	(201)	208,761
Connection fees	-	-	292,390
Contribution for capital assets	-	92	48,703
Receipt from (payment on) interfund loan	-	-	(14,500)
Interest paid on long-term debt	-	-	(302,361)
Principal paid on long-term debt	-	-	(360,000)
NET CASH PROVIDED (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES	<u>-</u>	<u>(112,230)</u>	<u>(1,754,166)</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Investment earnings	<u>1,622</u>	<u>3,817</u>	<u>46,175</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	539	128,411	(848,846)
CASH AND CASH EQUIVALENTS, JANUARY 1	<u>229,461</u>	<u>445,510</u>	<u>6,270,576</u>
CASH AND CASH EQUIVALENTS, DECEMBER 31	<u>\$ 230,000</u>	<u>\$ 573,921</u>	<u>\$ 5,421,730</u>

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

CITY OF WAYZATA, MINNESOTA
STATEMENT OF CASH FLOWS - CONTINUED
PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2016

	Business-type Activities - Enterprise Funds		
	650 Solid Waste	670 Stormwater	Total
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES			
Operating income (loss)	\$ (36,694)	\$ 102,042	\$ 639,287
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities			
Other income related to operations	24,013	36,500	157,869
Depreciation	-	100,595	535,071
(Increase) decrease in assets			
Accounts receivable, net	(570)	(176)	5,201
Special assessments receivable	-	-	12,897
Due from other governments	-	-	673
Inventories	-	-	(95,924)
(Increase) decrease in deferred outflows of resources			
Deferred pension resources	(6,481)	(7,924)	(612,806)
Increase (decrease) in liabilities			
Accounts and contracts payable	3,821	7,726	(28,672)
Due to other governments	6,031	-	9,902
Accrued salaries payable	-	-	15,079
Deposits payable	-	-	4,485
Compensated absences payable	-	-	(1,346)
Other postemployment benefits payable	132	175	10,851
Pension liability	8,455	10,583	728,217
Increase (decrease) in deferred inflows of resources			
Deferred pension resources	210	303	6,211
 NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	 <u>\$ (1,083)</u>	 <u>\$ 249,824</u>	 <u>\$ 1,386,995</u>
 SCHEDULE OF NONCASH CAPITAL AND RELATED FINANCING ACTIVITIES			
Capital assets purchased on account	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 98,549</u>
Amortization of bond premium	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4,038</u>

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

CITY OF WAYZATA, MINNESOTA
 STATEMENT OF FIDUCIARY NET POSITION
 FIDUCIARY FUND
 DECEMBER 31, 2016

	802
	<u>Agency</u>
ASSETS	
Cash and temporary investments	\$ 79,622
Accounts receivable	<u>1,260</u>
TOTAL ASSETS	<u>\$ 80,882</u>
LIABILITIES	
Deposits payable	<u>\$ 80,882</u>

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

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting entity

The City of Wayzata, Minnesota (the City) operates under the "Optional Plan A" form of government as defined in the State of Minnesota statutes. Under this plan, the government of the City is directed by a City Council composed of an elected Mayor and four elected City Council members. The City Council exercises legislative authority and determines all matters of policy. The City Council appoints personnel responsible for the proper administration of all affairs relating to the City.

As required by accounting principles generally accepted in the United States of America, these financial statements include all funds, departments, agencies, boards, and commissions of the City (the primary government) and any component units. The City has considered all potential units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the City are such that exclusion would cause the City's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board (GASB) has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the primary government to impose its will on that organization or (2) the potential for the organization to provide specific benefits to, or impose specific financial burdens on the primary government. The City has one component unit.

Discretely presented component unit

The Wayzata Housing and Redevelopment Authority (HRA) assists the City Council in addressing the City's housing and redevelopment goals and objectives in accordance with the Comprehensive Plan. It is a legally separate entity, of which the governing body consists of a five member board of commissioners approved, but not selected, by the City Council. With the exception of the City Council approving board members and the HRA's budget, the HRA has complete control over its own duties. However, all HRA administrative and financial functions are performed by City staff, and the HRA is fiscally dependent upon the City. It is these criteria that result in the HRA being reported as a discretely presented component unit. The HRA does not prepare separate financial statements. Information on the HRA's governmental funds is presented as supplementary schedules elsewhere in this report.

B. Government-wide and fund financial statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the primary government and its component units. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support. Likewise, the *primary government* is reported separately from certain legally separate *component units* for which the primary government is financially accountable.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. Amounts reported as program revenues include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contribution, 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.

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

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

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

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

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

Property taxes, franchise taxes, licenses and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received by the City.

Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the year in which the resources are measurable and become available.

Non-exchange transactions, in which the City receives value without directly giving equal value in return, include property taxes, grants, entitlement and donations. On an accrual basis, revenue from property taxes is recognized in the year for which the tax is levied. Revenue from grants, entitlements and donations is recognized in the year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the year when use is first permitted, matching requirements, in which the City must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the City on a reimbursement basis. On a modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized.

Unearned revenue arises when assets are recognized before revenue recognition criteria have been satisfied. Grants and entitlements received before eligibility requirements are met are also recorded as unearned revenue.

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

Proprietary funds distinguish operating revenues and expenses from *nonoperating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the City enterprise funds are charges to customers for sales and services. 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 nonoperating revenues and expenses.

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 City, except those required to be accounted for in another fund.

The *Debt Service fund* accounts for the resources accumulated and payments made for principal and interest on long-term general obligation debt of governmental funds.

The *Internally Financed Capital Project fund* accounts for accumulated and payments made for internally financed capital project activity.

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

The City reports the following major proprietary funds:

The *Water fund* accounts for the activities of the City's water distribution operations.

The *Sewer fund* accounts for the collection and pumping of sanitary sewage through a system of sewer lines and lift stations. Sewage is treated by the Metropolitan Council of Environmental Services.

The *Licensing fund* accounts for the City's licensing service center.

The *Liquor fund* accounts for the City's on and off-sale liquor operations.

The *Solid Waste fund* accounts for the City's solid waste collection programs.

The *Stormwater fund* accounts for the activities of the City's stormwater system.

Additionally, the City reports the following fund types:

Fiduciary fund accounts for assets held by the City in a trustee capacity or as an agent on behalf of others.

The *agency fund* is custodial in nature and does not present results of operations or have a measurement focus. Agency funds are accounted for using the accrual basis of accounting. This fund is used to account for assets that the City holds for others in an agency capacity.

As a general rule, the effect of interfund activity has been eliminated from government-wide financial statements.

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

Deposits and investments

The City's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition. The proprietary funds' portion in the government-wide cash and temporary investments pool is considered to be cash and cash equivalents for purposes of the statement of cash flows.

Cash balances from all funds are pooled and invested, to the extent available, in certificates of deposit and other authorized investments. Earnings from such investments are allocated on the basis of applicable participation by each of the funds.

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

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

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

The Minnesota Municipal Money Market (4M) fund is regulated by Minnesota statutes and the Board of Directors of the League of Minnesota Cities and operates in accordance with appropriate state laws and regulations. The reported value of the pool is the same as the fair value of the pool shares. The 4M fund is an external investment pool not registered with the Securities and Exchange Commission (SEC); however, it follows the regulatory rules of the SEC. Financial statements of the 4M fund can be obtained by contacting RBC Global Asset Management at 100 South Fifth Street, Suite 2300, Minneapolis, MN 55402-1240.

The City categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. The City's recurring fair value measurements are listed in detail on page 60 and are valued using quoted market prices (Level 1 inputs).

The City fair value measurements as of December 31, 2016 are included in note 3. A.

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Property taxes

The City Council annually adopts a tax levy in December and certifies it to the County for collection in the following year. The County is responsible for collecting all property taxes for the City. These taxes attach an enforceable lien on taxable property within the City on January 1 and are payable by the property owners in two installments. The taxes are collected by the County Auditor and tax settlements are made to the City during January, June, and November each year. Delinquent taxes receivable include the past six years' uncollected taxes. Delinquent taxes have been offset by a deferred inflow of resources for taxes not received within 60 days after year end in the governmental fund financial statements.

Accounts receivable

Accounts receivable include amounts billed for services provided before year end. Unbilled utility enterprise fund receivables are also included for services provided in 2016. The City annually certifies delinquent utility accounts to the County for collection in the following year. Therefore, there has been no allowance for doubtful accounts established for the delinquent water and sewer accounts.

Special assessments

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

Interfund receivables and payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds." Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

Inventories

All inventories are valued at the lower of first-in, first-out (FIFO) cost or replacement market. Proprietary fund inventories consist of water meters, licenses, and liquor. Inventories of governmental funds are recorded as expenditures at the time the inventory items are used (consumption method).

Capital assets

Capital assets, which include property, plant, equipment and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items) are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the City as assets with an estimated useful life of more than one year and an initial individual cost of more than \$5,000.

The City reports infrastructure assets on a network and subsystem basis. Accordingly, the amounts spent for the construction or acquisition of infrastructure assets are capitalized and reported in the government-wide financial statements regardless of their amount.

In the case of initial capitalization of general infrastructure assets (i.e., those reported by governmental activities) the City elected to report only those infrastructure assets added since January 1, 2004. As the City constructs or acquires capital assets each period, including infrastructure assets, they are capitalized and reported at historical cost. The reported value excludes normal maintenance and repairs which are essentially amounts spent in relation to capital assets that do not increase the capacity or efficiency of the item or extend its useful life beyond the original estimate. In the case of donations the City values these capital assets at the estimated acquisition value of the item at the date of its donation.

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Interest costs incurred on the construction of capital assets for business-type activities are included as part of the capitalized value of the assets constructed. No amount of interest was capitalized in 2016.

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

Assets	Useful Lives in Years
Land improvements	5 to 30
Buildings	20 to 50
Infrastructure	5 to 50
Machinery and equipment	2 to 20

Deferred outflows of resources

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The City has only one item that qualifies for reporting in this category. Accordingly, the item, deferred pension resources, is reported only in the statements of net position. This item results from actuarial calculations and current year pension contributions made subsequent to the measurement date.

Pensions

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.

Compensated absences

The City policy permits certain employees to accumulate a limited amount of earned, but unused vacation and sick leave. The accrued compensated absences will be paid upon termination or when used. Compensated absences are recognized when they mature in the governmental fund financial statements, and accrued when earned in government-wide and proprietary fund financial statements. The General fund is typically used to liquidate governmental compensated absences payable.

Other postemployment benefits (OPEB) payable

Under Minnesota statute 471.61, subdivision 2b, public employers must allow retirees and their dependents to continue coverage indefinitely in an employer-sponsored health care plan, under the following conditions: 1) Retirees must be receiving (or eligible to receive) an annuity from a Minnesota public pension plan; 2) Coverage must continue in group plan until age 65, and retirees must pay no more than the group premium, and 3) Retirees may obtain dependent coverage immediately before retirement. All premiums are funded on a pay-as-you-go basis. The liability was actuarially determined, in accordance with GASB Statement 45, at January 1, 2016.

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

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. The recognition of bond premiums and discounts are amortized over the life of the bonds using the straight-line method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as an expense in the period incurred.

In the fund financial statements, governmental fund types recognized bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as debt service expenditures.

Deferred inflows of resources

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

The City has an additional item which qualifies for reporting in this category. The item, deferred pension resources, is reported only in the statements of net position and results from actuarial calculations.

Net position

Net position represents the difference between assets and deferred outflows of resources and liabilities and deferred inflows of resources. Net position is displayed in three components:

- a. Net investment in capital assets - Consists of capital assets, net of accumulated depreciation reduced by any outstanding debt attributable to acquire capital assets.
- b. Restricted net position - Consist of net position restricted when there are limitations imposed on their use through external restrictions imposed by creditors, grantors, laws or regulations of other governments.
- c. Unrestricted net position - All other net position that do not meet the definition of "restricted" or "net investment in capital assets".

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

Fund balance

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

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

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

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

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

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

Unassigned - The residual classification for the General fund and also negative residual amounts in other funds. The City considers restricted amounts to be spent first when both restricted and unrestricted fund balance is available. Additionally, the City would first use committed, then assigned, and lastly unassigned amounts of unrestricted fund balance when expenditures are made.

The City has formally adopted a fund balance policy for the General fund. The City's policy is to maintain an unassigned fund balance of 40 percent of the next year's budgeted expenditures.

Note 2: STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. Budgetary information

An annual budget is adopted on a basis consistent with accounting principles generally accepted in the United States of America for the General fund. All annual appropriations lapse at fiscal year end. The City does not use encumbrance accounting.

Prior to January 1st of each year, a budget for the General fund is adopted by the City Council after holding a public meeting to hear taxpayer comments.

The legal level of budgetary control is at the fund level. This means that management may alter the budget within and between departments, but cannot exceed the greater of the total budgeted expenditures or the total actual revenue for the year without City Council approval. Budgeted expenditures may not exceed estimated revenues. During the year the City Council may increase the budget to the extent an accumulated surplus exists from previous years. No budget amendments were made during 2016.

B. Deficit fund equity

The Licensing fund had a deficit net position at December 31, 2016 of \$42,802. This deficit will be eliminated through future charges for services. The HRA's Bay Center Tax Increment capital projects fund had a deficit of \$66,716. This deficit will be eliminated with future tax increments.

Note 3: DETAILED NOTES ON ALL FUNDS

A. Deposits and investments

Deposits

Custodial credit risk for deposits and investments is the risk that in the event of a bank failure, the City's deposits and investments may not be returned or the City will not be able to recover collateral securities in the possession of an outside party. In accordance with Minnesota statutes and as authorized by the City Council, the City maintains deposits at those depository banks, all of which are members of the Federal Reserve System.

Minnesota statutes require that all City deposits be protected by insurance, surety bond or collateral. The market value of collateral pledged must equal 110 percent of the deposits not covered by insurance, bonds, or irrevocable standby letters of credit from Federal Home Loan Banks.

Authorized collateral in lieu of a corporate surety bond includes:

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

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

Deposit and investments for the primary government and component unit are pooled and as a result they are not separately identified. At year end, the City's carrying amount of deposits was \$11,245,643 and the bank balance was \$12,230,655. The bank balance was covered by federal depository insurance and by collateral held in the City's name.

Note 3: DETAILED NOTES ON ALL FUNDS - CONTINUED

Investments

As of December 31, 2016, the City had the following investments:

Types of Investments	Credit Quality/ Rating (1)	Segmented Time Distribution (2)	Amount	Fair Value
				Measurement Using Level 1
Pooled investments at amortized cost				
4M Fund	N/A	less than 6 months	\$ 1,504	\$ -
4M Plus Fund	N/A	less than 6 months	3,270	-
Broker Money Market	AAA	less than 6 months	137,553	-
Total pooled			142,327	-
Non Pooled investments at fair value				
U.S. Government Securities	AA	1 - 5 years	311,683	311,683
U.S. Government Securities	AA	more than 5 years	487,315	487,315
Brokered Certificates of Deposit	N/A	less than 1 year	2,937,197	2,937,197
Brokered Certificates of Deposit	N/A	1 - 5 years	4,345,067	4,345,067
Municipal Securities	A-1	1 - 5 years	6,133,671	6,133,671
Municipal Securities	A-1	more than 5 years	245,410	245,410
Total non pooled			14,460,343	14,460,343
Total investments			\$ 14,602,670	\$ 14,460,343

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

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

N/A Indicates not applicable or available.

Note 3: DETAILED NOTES ON ALL FUNDS - CONTINUED

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

- **Credit Risk.** Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. Ratings are provided by various credit rating agencies and where applicable, indicate associated credit risk. Minnesota statutes limit the City's investments. The City's investment policies do not further address credit risk.
- **Custodial Credit Risk.** The custodial credit risk for investments is the risk that, in the event of the failure of a counterparty to a transaction, a government will not be able to recover the value of investment or collateral securities that are in the possession of an outside party. The City does not have a formal investment policy addressing this risk, but typically limits its exposure by purchasing insured or registered investments, or by the control of who holds the securities.
- **Concentration of Credit Risk.** The concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer, excluding U.S. guaranteed investments (such as treasuries), investment pools, and mutual funds. The City's investment policies do not limit the concentration of investments. As of December 31, 2016, the City had 6.1 percent invested in Milan MI Areas schools, 6.7 percent invested in New York, NY City Transit Authority bonds, and 5.4 percent invested in Sacramento, CA municipal securities.
- **Interest Rate Risk.** The interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The City's investment policy limits the duration of investments to no more than ten years.

A reconciliation of cash and temporary investments as shown on the financial statements for the City follows:

Carrying amount of deposits	\$ 11,245,643
Investments	14,602,670
Cash on hand	10,498
Total	\$ 25,858,811
Cash and temporary investments	\$ 24,358,871
Statement of net position	1,420,318
Primary government	79,622
Component unit - HRA	-
Statement of fiduciary net position	-
Total	\$ 25,858,811

B. Note receivables

Discretely presented component units

The Housing and Redevelopment Authority has several loans receivable from local businesses. As of December 31, 2016, the total outstanding balance of these loans is \$19,250. The terms and interest rates vary and all are secured by the assets of the business.

Note 3: DETAILED NOTES ON ALL FUNDS - CONTINUED

C. Capital assets

Primary government

Capital asset activity for the year ended December 31, 2016 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities				
Capital assets not being depreciated				
Land	\$ 7,563,994	\$ -	\$ -	\$ 7,563,994
Construction in progress	2,594,818	2,756,320	(691,311)	4,659,827
Total capital assets not being depreciated	10,158,812	2,756,320	(691,311)	12,223,821
Capital assets being depreciated				
Land improvements	86,816	-	-	86,816
Buildings	16,178,322	1,347,324	-	17,525,646
Infrastructure	10,145,629	571,208	-	10,716,837
Machinery and equipment	4,699,412	398,313	(62,363)	5,035,362
Total capital assets being depreciated	31,110,179	2,316,845	(62,363)	33,364,661
Less accumulated depreciation for				
Land improvements	(14,108)	(4,341)	-	(18,449)
Buildings	(3,945,174)	(330,132)	-	(4,275,306)
Infrastructure	(1,717,771)	(408,823)	-	(2,126,594)
Machinery and equipment	(2,377,476)	(390,286)	62,363	(2,705,399)
Total accumulated depreciation	(8,054,529)	(1,133,582)	62,363	(9,125,748)
Total capital assets being depreciated, net	23,055,650	1,183,263	-	24,238,913
Governmental activities capital assets, net	\$ 33,214,462	\$ 3,939,583	\$ (691,311)	\$ 36,462,734

The City's Peavey bridge was contributed by the State of Minnesota. Per the Agreement with the State, if the City were to sell the bridge, the proceeds would be restricted to the State to settle any remaining bonds outstanding that were issued in relation to the project.

Depreciation expense was charged to functions/programs of the governmental activities of the City as follows:

General government	\$ 196,068
Public safety	221,001
Public works	637,065
Culture and recreation	79,448
Total depreciation expense - governmental activities	\$ 1,133,582

CITY OF WAYZATA, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2016

Note 3: DETAILED NOTES ON ALL FUNDS - CONTINUED

	Beginning Balance	Increases	Decreases	Ending Balance
Business-type activities				
Capital assets not being depreciated	\$ 973,048	\$ -	\$ -	\$ 973,048
Land	1,374,934	1,154,162	(174,625)	2,354,471
Construction in progress				
Total capital assets not being depreciated	2,347,982	1,154,162	(174,625)	3,327,519
Capital assets being depreciated				
Buildings	9,547,831	-	-	9,547,831
Infrastructure	11,094,909	746,171	-	11,841,080
Machinery and equipment	1,334,043	-	-	1,334,043
Total capital assets being depreciated	21,976,783	746,171	-	22,722,954
Less accumulated depreciation for				
Buildings	(1,513,623)	(190,574)	-	(1,704,197)
Infrastructure	(2,207,514)	(262,772)	-	(2,470,286)
Machinery and equipment	(706,172)	(81,725)	-	(787,897)
Total accumulated depreciation	(4,427,309)	(535,071)	-	(4,962,380)
Total capital assets being depreciated, net	17,549,474	211,100	-	17,760,574
Business-type activities capital assets, net	\$ 19,897,456	\$ 1,365,262	\$ (174,625)	\$ 21,088,093
Depreciation expense was charged to functions/programs of the business-type activities of the City as follows:				
Water			\$	\$ 186,761
Sewer				114,988
Liquor				132,727
Stormwater				100,595
Total depreciation expense - business-type activities				\$ 535,071

CITY OF WAYZATA, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2016

Note 3: DETAILED NOTES ON ALL FUNDS - CONTINUED

The City has active construction projects as of December 31, 2016. At year end, the City's commitments with the contractors are as follows:

Project	Spent to date	Remaining Commitment
Bushway Road Project	\$ 1,949,432	\$ 203,512
2015 Street & Stormwater Improvements	1,531,558	45,139
Downtown Parking Ramp	1,429,995	7,110,405
Water Treatment Plant #2	996,227	46,566
Bushway Landscaping	-	424,600

Discretely presented component unit - HRA

Capital asset activity for the year ended December 31, 2016 was as follows:

Component unit activities	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets not being depreciated	\$ 2,092,900	\$ -	\$ -	\$ 2,092,900
Land				

D. Interfund receivables, payables and transfers

The composition of internal balances as of December 31, 2016 is as follows:

Receivable Fund	Payable Fund	Purpose	Amount
Due from/to other funds			
Governmental	Business-type		
Nonmajor	Liquor enterprise	Finance capital purchase	\$ 14,500
Advance to/from other funds			
Governmental	Business-type		
Nonmajor	Liquor enterprise	Finance capital purchase	66,000
Total internal balances government-wide statements			\$ 80,500

In 2011, various funds loaned an accumulated balance of \$600,000 to the Liquor enterprise fund for the Municipal liquor store project. The interfund loans will be paid back over 10 years and have an interest rate of 3 percent. Several of the funds were paid off in advance.

Note 3: DETAILED NOTES ON ALL FUNDS - CONTINUED

Annual debt service requirements to maturity for the G.O. bonds are as follows:

Year Ending December 31,	Governmental Activities	
	Principal	Interest
2017	\$ 190,000	\$ 45,208
2018	195,000	39,508
2019	200,000	33,658
2020	215,000	27,608
2021	225,000	21,037
2022-2026	455,000	21,285
Total	\$ 1,480,000	\$ 188,304

G.O. revenue bonds

The following bonds were issued to finance capital improvements in the enterprise funds. Along with G.O. special assessment bonds, they will be repaid from future net operating revenues pledged from enterprise funds and are backed by the taxing power of the City. Annual net operating revenues, principal and interest payments, and percentage of revenue required to cover the principal and interest payments are as follows:

Description	Authorized and Issued	Interest Rate	Issue Date	Maturity Date	Balance at Year End
G.O. Water Revenue Bonds, Series 2009A	\$ 3,870,000	2.00 - 4.37 %	05/19/09	12/01/31	\$ 3,115,000
G.O. Liquor and Restaurant Bonds, Series 2011A	3,375,000	2.00 - 4.40	03/01/11	12/01/35	2,970,000
Total G.O. revenue bonds					\$ 6,085,000

Annual debt service requirements to maturity for G.O. revenue bonds are as follows:

Year Ending December 31,	Business-type Activities	
	Principal	Interest
2017	\$ 265,000	\$ 242,049
2018	270,000	234,099
2019	285,000	224,299
2020	295,000	213,961
2021	305,000	203,255
2022-2026	1,720,000	832,413
2027-2031	2,120,000	455,206
2032-2036	825,000	92,230
Total	\$ 6,085,000	\$ 2,497,512

Note 3: DETAILED NOTES ON ALL FUNDS - CONTINUED

Interfund transfers

The composition of interfund transfers for the year ended December 31, 2016 is as follows:

Fund	Transfer in				Total
	General	Internally Financed Capital Project	Nonmajor Governmental	Stormwater Enterprise	
Transfer out					
General	\$ -	\$ 499,000	\$ 845,774	\$ -	\$ 1,344,774
Nonmajor governmental	30,000	450,000	12,000	50,000	542,000
Water enterprise	25,000	300,000	32,900	-	357,900
Sewer enterprise	25,000	-	44,100	-	69,100
Licensing enterprise	30,000	-	25,000	-	55,000
Liquor enterprise	30,000	-	2,850	-	32,850
Stormwater enterprise	10,000	-	53,000	-	63,000
Total transfers	\$ 150,000	\$ 1,249,000	\$ 1,015,624	\$ 50,000	\$ 2,464,624

The City annually budgets transfers for specific purposes. Annual transfers include transfers made to cover costs of operation, and transfers made as part of capital improvement plans.

E. Long-term debt

Primary government

General obligation (G.O.) bonds

The City issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities and projects. G.O. bonds have been issued for both governmental and business-type activities. These bonds are reported in the proprietary funds if they are expected to be repaid from proprietary fund revenues. In addition, bonds have been issued to refund G.O. bonds.

Description	Authorized and Issued	Interest Rate	Issue Date	Maturity Date	Balance at Year End
G.O. Street Reconstruction Bonds, Series 2009B	\$ 370,000	3.00 - 3.87 %	05/19/09	12/01/23	\$ 195,000
G.O. Refunding Bonds, Series 2012A	1,885,000	2.00 - 3.00	09/05/12	12/01/23	1,285,000
Total G.O. bonds					\$ 1,480,000

CITY OF WAYZATA, MINNESOTA
 NOTES TO THE FINANCIAL STATEMENTS
 DECEMBER 31, 2016

Note 3: DETAILED NOTES ON ALL FUNDS - CONTINUED

General obligation tax increment bonds

The following bonds were issued to provide funding to a project within a tax increment financing district and will be repaid with tax increment financing and future tax levies.

Description	Authorized and Issued	Interest Rate	Issue Date	Maturity Date	Balance at Year End
G.O. Tax Increment Refunding Bonds, Series 2016A	\$ 7,725,000	1.10 - 4.0 %	12/29/16	02/01/41	\$ 7,725,000

The annual service requirements to maturity for general obligation tax increment bonds are as follows:

Year Ending December 31,	Governmental Activities			Total
	Principal	Interest	Total	
2017	\$ -	\$ 138,005	\$ 138,005	\$ 138,005
2018	-	234,348	234,348	234,348
2019	-	234,438	234,438	234,438
2020	265,000	231,698	496,698	496,698
2021	270,000	226,348	496,348	496,348
2022-2026	1,440,000	1,040,575	2,480,575	2,480,575
2027-2031	1,640,000	837,303	2,477,303	2,477,303
2032-2036	1,880,000	584,646	2,464,646	2,464,646
2037-2041	2,230,000	225,138	2,455,138	2,455,138
Total	\$ 7,725,000	\$ 3,752,499	\$ 11,477,499	\$ 11,477,499

The City has pledged tax increment revenues generated by Tax Increment District number 5 to the debt service requirements related to the general obligation tax increment bond noted above through maturity of the bond. There was no pledged revenue or debt service requirements for the year ended December 31, 2016. It is anticipated tax increment revenues will be sufficient to provide not less than 105 percent of principal and interest on the bonds as required by Minnesota State law.

G.O. improvement (special assessment) bonds

The following bonds were issued to finance various improvements and will be repaid from special assessments levied on the properties benefiting from the improvements and future net revenues pledged from the Water and Sewer funds. G.O. improvement bonds have been issued for both governmental and business-type activities. All special assessment debt is backed by the full faith and credit of the City.

Description	Authorized and Issued	Interest Rate	Issue Date	Maturity Date	Balance at Year End
G.O. Improvement Bonds, Series 2010A	\$ 2,695,000	3.00 - 3.50 %	09/01/10	12/01/30	\$ 2,300,000
G.O. Improvement Bonds, Series 2012B	1,520,000	2.00 - 3.00	09/05/12	12/01/32	1,270,000
G.O. Improvement Bonds, Series 2012C	545,000	2.00 - 3.00	09/05/12	12/01/27	440,000
Total G.O. improvement bonds					\$ 4,010,000

CITY OF WAYZATA, MINNESOTA
 NOTES TO THE FINANCIAL STATEMENTS
 DECEMBER 31, 2016

Note 3: DETAILED NOTES ON ALL FUNDS - CONTINUED

Annual debt service requirements to maturity for G.O. improvement bonds are as follows:

Year Ending December 31,	Governmental Activities			Business-type Activities		
	Principal	Interest	Total	Principal	Interest	Total
2017	\$ 135,000	\$ 71,850	\$ 206,850	\$ 100,000	\$ 45,025	\$ 145,025
2018	140,000	67,800	207,800	105,000	43,025	148,025
2019	145,000	63,600	208,600	105,000	40,925	145,925
2020	150,000	59,250	209,250	110,000	38,825	148,825
2021	150,000	54,750	204,750	110,000	36,625	146,625
2022-2026	825,000	203,250	1,028,250	595,000	137,838	732,838
2027-2031	755,000	65,350	820,350	490,000	56,188	546,188
2032	-	-	-	95,000	2,850	97,850
Total	\$ 2,300,000	\$ 585,850	\$ 2,885,850	\$ 1,710,000	\$ 401,301	\$ 2,111,301

Note 3: DETAILED NOTES ON ALL FUNDS - CONTINUED

Changes in long-term liabilities

Long-term liability activity for the year ended December 31, 2016 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance	Due Within One Year
Governmental activities					
Bonds payable					
G.O. bonds	\$ 1,665,000	\$ -	\$ (185,000)	\$ 1,480,000	\$ 190,000
G.O. improvement bonds	2,430,000	-	(130,000)	2,300,000	135,000
G.O. tax increment bonds	-	7,725,000	-	7,725,000	-
Unamortized premium on bonds	157,247	214,704	(24,769)	347,182	-
Total bonds payable	4,252,247	7,939,704	(339,769)	11,852,182	325,000
Other postemployment benefits payable	155,318	27,842	(11,324)	171,836	-
Pension liability	1,106,245	648,165	(101,895)	1,652,515	-
GERF	1,158,959	3,102,845	(168,367)	4,093,437	-
PEPPF					
Total pension liability	2,265,204	3,751,010	(270,262)	5,745,952	-
Compensated absences payable	312,162	268,185	(259,283)	321,064	181,587
Governmental activity long-term liabilities	\$ 6,984,931	\$ 11,986,741	\$ (880,638)	\$ 18,091,034	\$ 506,587
Business-type activities					
Bonds payable					
G.O. revenue bonds	\$ 6,345,000	\$ -	\$ (260,000)	\$ 6,085,000	\$ 265,000
G.O. improvement bonds	1,810,000	-	(100,000)	1,710,000	100,000
Unamortized premium on bonds	67,532	-	(4,038)	63,494	-
Total bonds payable	8,222,532	-	(364,038)	7,858,494	365,000
Other postemployment benefits payable	72,969	13,080	(2,229)	83,820	-
Pension liability	1,443,554	845,799	(117,582)	2,171,771	-
GERF	100,871	83,113	(84,459)	99,525	60,126
Compensated absences payable					
Business-type activity long-term liabilities	\$ 9,839,926	\$ 941,992	\$ (568,308)	\$ 10,213,610	\$ 425,126

Note 3: DETAILED NOTES ON ALL FUNDS - CONTINUED

F. Components of fund balance

At December 31, 2016, portions of the City's fund balances are not available for appropriation due to not being in spendable form (Nonspendable), legal restrictions (Restricted), City Council action (Committed), policy and/or intent (Assigned). The following is a summary of the components of fund balance:

Purpose	General	Debt Service	Internally Financed Capital Project	Other Governmental Funds	Total
Restricted for					
Debt service	\$ -	\$ 555,341	\$ -	\$ -	\$ 555,341
Downtown parking ramp	-	-	7,779,079	-	7,779,079
Parks and trails	-	-	-	137,176	137,176
Public safety	-	-	-	-	-
Police expenditures	-	-	-	104,502	104,502
Total restricted	\$ -	\$ 555,341	\$ 7,779,079	\$ 241,678	\$ 8,576,098
Committed to					
Cemetery	\$ -	\$ -	\$ -	\$ 47,576	\$ 47,576
Cable TV	-	-	-	52,078	52,078
Comprehensive Plan	-	-	-	141,327	141,327
Total committed	\$ -	\$ -	\$ -	\$ 240,981	\$ 240,981
Assigned to					
Insurance	\$ 275,784	\$ -	\$ -	\$ -	\$ 275,784
Lakefront improvement	-	-	-	335,425	335,425
Capital equipment	-	-	-	1,651,233	1,651,233
Parks and trails	-	-	-	941,141	941,141
Street improvement	-	-	-	1,499,085	1,499,085
Community room/library improvements	-	-	-	309,994	309,994
Cell tower improvements	-	-	-	408,611	408,611
Other capital projects	-	-	177,125	994,910	1,172,035
Total assigned	\$ 275,784	\$ -	\$ 177,125	\$ 6,140,399	\$ 6,593,308

Note 4: DEFINED BENEFIT PENSION PLANS - STATEWIDE

A. Plan description

The City participates in the following cost-sharing multiple-employer defined benefit pension plans administered by the Public Employees Retirement Association of Minnesota (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.

General Employees Retirement Fund (GERF)

All full-time and certain part-time employees of the City are covered by the General Employees Retirement Fund (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. All new members must participate in the Coordinated Plan.

Public Employees Police and Fire Fund (PEPPF)

The PEPPF, originally established for police officers and firefighters not covered by a local relief association, now covers all police officers and firefighters hired since 1980. Effective July 1, 1999, the PEPPF also covers police officers and firefighters belonging to a local relief association that elected to merge with and transfer assets and administration to PERA.

B. Benefits provided

PERA provides retirement, disability and death benefits. Benefit provisions are established by Minnesota 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 percent increases. Members in plans that have not exceeded 90 percent funded, or have fallen below 80 percent, are given 1 percent increases.

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

GERF benefits

Benefits are based on a member's highest average salary for any five successive years of allowable service, age, and years of credit at termination of service. Two methods are used to compute benefits for PERA's Coordinated and Basic Plan members. The retiring member receives the higher of a step-rate benefit accrual formula (Method 1) or a level accrual formula (Method 2). Under Method 1, the annuity accrual rate for a Basic Plan member is 2.2 percent of average salary for each of the first ten years of service and 2.7 percent for each remaining year. The annuity accrual rate for a Coordinated Plan member is 1.2 percent of average salary for each of the first ten years and 1.7 percent for each remaining year. Under Method 2, the annuity accrual rate is 2.7 percent of average salary for Basic Plan members and 1.7 percent for Coordinated Plan members for each year of service. For 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.

PEPPF benefits

Benefits for the PEPPF members first hired after June 30, 2010, but before July 1, 2014, vest on a prorated basis from 50 percent after five years up to 100 percent after ten years of credited service. Benefits for PEPPF members first hired after June 30, 2014, vest on a prorated basis from 50 percent after ten years up to 100 percent after twenty years of credited service. The annuity accrual rate is 3 percent of average salary for each year of service.

For PEPPF members who were first hired prior to July 1, 1989, a full annuity is available when age plus years of service equal at least 90.

Note 4: DEFINED BENEFIT PENSION PLANS - STATEWIDE - CONTINUED

C. Contributions

Minnesota statutes, chapter 353 sets the rates for employer and employee contributions. Contribution rates can only be modified by the state legislature.

GERF contributions

Basic Plan members and Coordinated Plan members were required to contribute 9.10 percent and 6.50 percent, respectively, of their annual covered salary in calendar year 2016. The City was required to contribute 11.78 percent of pay for Basic Plan members and 7.50 percent for Coordinated Plan members in calendar year 2016. The City's contributions to the GERF for the years ending December 31, 2016, 2015 and 2014 were \$226,098, \$221,233, and \$198,357, respectively. The City's contributions were equal to the contractually required contributions for each year as set by Minnesota statute.

PEPPF contributions

Plan members were required to contribute 10.80 percent of their annual covered salary in calendar year 2016. The City was required to contribute 16.20 percent of pay for PEPPF members in calendar year 2016. The City's contributions to the PEPPF for the years ending December 31, 2016, 2015 and 2014 were \$164,719, \$153,685, and \$141,677, respectively. The City's contributions were equal to the contractually required contributions for each year as set by Minnesota statute.

D. Pension costs

GERF pension costs

At December 31, 2016, the City reported a liability of \$3,824,286 for its proportionate share of the GERF's net pension liability. The City's net pension liability reflected a reduction due to the State of Minnesota's contribution of \$6 million to the fund in 2016. The State of Minnesota is considered a non-employer contributing entity and the State's contribution meets the definition of a special funding situation. The State of Minnesota's proportionate share of the net pension liability associated with the City totaled \$49,931. The net pension liability was measured as of June 30, 2016, 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, 2015 through June 30, 2016 relative to the total employer contributions received from all of PERA's participating employers. At June 30, 2016, the City's proportionate share was 0.0471 percent which was a decrease of 0.0021 percent from its proportion measured as of June 30, 2015.

For the year ended December 31, 2016, the City recognized pension expense of \$205,916 for its proportionate share of GERF's pension expense.

CITY OF WAYZATA, MINNESOTA
 NOTES TO THE FINANCIAL STATEMENTS
 DECEMBER 31, 2016

Note 4: DEFINED BENEFIT PENSION PLANS - STATEWIDE - CONTINUED

At December 31, 2016, the City reported its proportionate share of GERF's deferred outflows of resources and deferred inflows of resources, and its contributions subsequent to the measurement date, from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 11,558	\$ 300,997
Changes in actuarial assumptions	823,267	-
Net difference between projected and actual earnings on plan investments	417,743	-
Changes in proportion	-	133,154
Contributions to GERF subsequent to the measurement date	117,068	-
Total	\$ 1,369,636	\$ 434,151

Deferred outflows of resources totaling \$117,068 related to pensions resulting from the City's contributions to GERF subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2017. Other amounts reported as deferred outflows and inflows of resources related to GERF pensions will be recognized in pension expense as follows:

2017	\$ 214,943
2018	123,723
2019	341,619
2020	138,132

PEPFF pension costs

At December 31, 2016, the City reported a liability of \$4,093,437 for its proportionate share of the PEPFF's net pension liability. The net pension liability was measured as of June 30, 2016, 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, 2015 through June 30, 2016 relative to the total employer contributions received from all of PERA's participating employers. At June 30, 2016, the City's proportionate share was 0.102 percent which was the same as its proportion measured as of June 30, 2015.

For the year ended December 31, 2016, the City recognized pension expense of \$465,933 for its proportionate share of PEPFF's pension expense. The City also recognized \$9,180 for the year ended December 31, 2016 as grant revenue for its proportionate share of the State of Minnesota's on-behalf contributions to the PEPFF. Legislation passed in 2013 required the State of Minnesota to begin contributing \$9 million to the PEPFF each year, starting in fiscal year 2014.

CITY OF WAYZATA, MINNESOTA
 NOTES TO THE FINANCIAL STATEMENTS
 DECEMBER 31, 2016

Note 4: DEFINED BENEFIT PENSION PLANS - STATEWIDE - CONTINUED

At December 31, 2016, the City reported its proportionate share of PEPFF's deferred outflows of resources and deferred inflows of resources, and its contributions subsequent to the measurement date, from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 916	\$ 469,595
Changes in actuarial assumptions	2,418,019	-
Net difference between projected and actual earnings on plan investments	352,894	-
Changes in proportion	8,942	-
Contributions to PEPFF subsequent to the measurement date	83,810	-
Total	\$ 2,864,581	\$ 469,595

Deferred outflows of resources totaling \$83,810 related to pensions resulting from the City's contributions to PEPFF subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2017. Other amounts reported as deferred outflows and inflows of resources related to PEPFF pensions will be recognized in pension expense as follows:

2017	\$ 439,633
2018	439,633
2019	575,530
2020	469,669
2021	386,711

E. Actuarial assumptions

The total pension liability in the June 30, 2016 actuarial valuation was determined using the following actuarial assumptions:

Inflation	2.50% per year
Active member payroll growth	3.25% per year
Investment rate of return	7.50%

Salary increases were based on a service-related table. Mortality rates for active members, retirees, survivors and disabilities were based on RP-2014 tables for the GERF and RP-2000 tables for the PEPFF for males or females, as appropriate, with slight adjustments. Cost of living benefit increases for retirees are assumed to be: 1 percent per year for all future years for the GERF and PEPFF.

Note 4: DEFINED BENEFIT PENSION PLANS - STATEWIDE - CONTINUED

Actuarial assumptions used in the June 30, 2016 valuation were based on the results of actuarial experience studies. The most recent four-year experience study in the GERP was completed in 2015. The experience study for PEPFF was for the period July 1, 2004, through June 30, 2009.

The following changes in actuarial assumptions occurred in 2016:

GERP

- The assumed post-retirement benefit increase rate was changed from 1.0 percent per year through 2035 and 2.5 percent per year thereafter to 1.0 percent per year for all future years.
- The assumed investment return was changed from 7.9 percent to 7.5 percent. The single discount rate was changed from 7.9 percent to 7.5 percent.
- Other assumptions were changed pursuant to the experience study dated June 30, 2015. The assumed future salary increases, payroll growth and inflation were decreased by 0.25 percent to 3.25 percent for payroll growth and 2.50 percent for inflation.

PEPFF

- The assumed post-retirement benefit increase rate was changed from 1.0 percent per year through 2037 and 2.5 percent per year thereafter to 1.0 percent per year for all future years.
- The assumed investment return was changed from 7.9 percent to 7.5 percent. The single discount rate was changed from 7.9 percent to 5.6 percent.
- The assumed future salary increases, payroll growth and inflation were decreased by 0.25 percent to 3.25 percent for payroll growth and 2.50 percent for inflation.

The State Board of Investment, which manages the investments of PERA, prepares an analysis of the reasonableness on a regular basis of the long-term expected rate of return 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 geometric 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	45.00 %	5.50 %
International stocks	15.00	6.00
Bonds	18.00	1.45
Alternative assets	20.00	6.40
Cash	2.00	0.50
Total	100.00 %	

Note 4: DEFINED BENEFIT PENSION PLANS - STATEWIDE - CONTINUED

F. Discount rate

The discount rate used to measure the total pension liability was 7.5 percent, a reduction from 7.90 percent used in 2015. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and employers will be made at rates set in Minnesota statutes. Based on these assumptions, the fiduciary net position of the GERP was projected to be available to make all projected future benefit payments of current plan 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.

In the PEPFF, the fiduciary net position was projected to be available to make all projected future benefit payments of current plan members through June 30, 2056. Beginning in fiscal year ended June 30, 2057 for the PEPFF, when projected benefit payments exceed the funds' projected fiduciary net position, benefit payments were discounted at the municipal bond rate of 2.85 percent based on an index of 20-year general obligation bonds with an average AA credit rating at the measurement date. An equivalent single discount rate of 5.60 percent for the PEPFF was determined that produced approximately the same present value of projected benefits when applied to all years of projected benefits as the present value of projected benefits using 7.50 percent applied to all years of projected benefits through the point of asset depletion and 2.85 percent after.

G. Pension liability sensitivity

The following presents the City's proportionate share of the net pension liability for all plans it participates in, 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:

	City Proportionate Share of NPL	
	1 Percent Decrease (6.50%)	1 Percent Increase (8.50%)
GERF	\$ 5,431,620	\$ 3,824,286
		\$ 2,500,281
	City Proportionate Share of NPL	
	1 Percent Decrease (4.60%)	1 Percent Increase (6.60%)
PEPFF	\$ 5,730,269	\$ 4,093,437
		\$ 2,756,022

H. Pension plan fiduciary net position

Detailed information about each defined benefit pension plan'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 on the Internet at www.mnpera.org.

Note 5: DEFINED CONTRIBUTION PENSION PLAN - FIRE DEPARTMENT RELIEF ASSOCIATION

A. Plan description

The City contributes to the Wayzata Fire Department Relief Association (the Association), a single-employer defined contribution lump sum service pension plan. Volunteer firefighters of the City are members of the Association and its pension plan. Partial vesting of retirement benefits occurs at year 10 and continues based on years of service up to 20 years of service, at which time participants are 100 percent vested for retirement benefit purposes. On termination of service, a vested participant receives a single, lump sum distribution.

The City passes through state aids allocated to the plan in accordance with Minnesota statutes. The City's payroll for members of the Association for the year ended December 31, 2016 was \$86,943 compared to a total City payroll of \$4,416,458. The Association issues a publicly available financial report which may be obtained at Wayzata City Hall.

B. Pension benefits

Minnesota statutes, chapters 424 and 424A authorize pension benefits for volunteer fire relief associations. A firefighter who completes at least 20 years as an active member of the Fire Department and Association, after age 50, is entitled to a full service pension upon retirement.

C. Funding and allocation policy

Total contributions to the Association pension fund for 2016 amounted to \$116,111 of which \$70,436 (61 percent) was paid by the state to the City for the Association and \$45,675 (39 percent) was paid directly by the City. The City's contribution and state aid are apportioned to the accounts of active members in equal shares.

Note 6: POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS

A. Plan description

The City's defined benefit healthcare plan ("the Retiree Health Plan") provides healthcare insurance for eligible retirees and their spouses. The Retiree Health Plan is affiliated with the healthcare plan administered through LOGIS, an agent multiple-employer postemployment healthcare plan. LOGIS is a consortium of Minnesota local government units controlled by its members. LOGIS' Board of Directors is composed of one representative from each agency. LOGIS issues a publicly available financial report that includes financial statements and required supplementary information for the health plan. That report may be obtained by writing to LOGIS, 5750 Duluth Street, Golden Valley, MN 55422, or by calling (763) 543-2600.

B. Funding policy

The contribution requirements of plan members and the City are established and may be amended by LOGIS' Board of Directors. The required contributions are based on projected pay-as-you-go financing requirements. For fiscal year 2016, the City contributed \$13,553 to the plan. As of December 31, 2016, there were two former employees on leave with disability receiving health benefits from the plan. Retirees receiving benefits contribute 100 percent of their premium costs.

Note 6: POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS - CONTINUED

C. Annual other postemployment benefit cost

The City's annual other postemployment benefit (OPEB) cost (expense) is calculated based on the *annual required contribution of the employer* (ARC) of the City, 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 to amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The following table shows the components of the City's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the City's net OPEB obligation:

Annual required contribution	\$ 39,561
Interest on net OPEB obligation	10,273
Adjustment to annual required contribution	(8,912)
Annual OPEB cost (expense)	40,922
Contributions made	(13,553)
Increase in net OPEB obligation	27,369
Net OPEB obligation - January 1, 2016	228,287
Net OPEB obligation - December 31, 2016	\$ 255,656

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for fiscal year 2016, 2015 and 2014 follows:

Year Ending	Three Year Trend Information		
	Annual OPEB Cost	Annual OPEB Contributed	Net OPEB Obligation
12/31/16	\$ 40,922	33.1 %	\$ 255,656
12/31/15	49,542	45.4	228,287
12/31/14	48,021	33.8	201,246

D. Funded status and funding progress

As of January 1, 2016, the most recent actuarial valuation date, the actuarial accrued liability for benefits was \$380,123, all of which was unfunded. The covered payroll (annual payroll of active employees covered by the plan) was \$2,988,000 and the ratio of the unfunded actuarial accrued liability to the covered payroll was 12.7 percent.

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 healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions 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 for the Postemployment Benefit Plan, presented as required supplementary information following the notes to the financial statements, presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Note 6: POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS - CONTINUED

E. Actuarial methods and assumptions

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 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 effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In January 1, 2016 actuarial valuation, the projected unit credit actuarial cost method was used. The actuarial assumptions include a 4.5 percent discount rate and a 2.75 percent inflation rate. The initial healthcare trend rate was 9.0 percent, reduced by decrements to an ultimate rate of 5.0 percent after 12 years. The unfunded actuarial accrued liability (UAAL) is being amortized as a level percentage of projected payroll on an open basis. The remaining amortization period at December 31, 2016, was 30 years.

Note 7: OPERATING LEASES

A. Antenna and ground space lease

The City leases space on its water tower and the ground surface located under the water tower to five companies that use the space for their antennas and equipment. The leases are five-year leases with three additional five-year renewal periods and are cancelable by either party by giving 60 days written notice. For 2016 the rent is \$844 per month, per antenna, and \$442 per month for the ground space, which is adjusted each January 1 by the greatest of five percent or the percentage increase of the Consumer Price Index (CPI). Antenna and ground space rent received in 2016 totaled \$326,784.

B. Library lease

The City leases space to Hennepin County on a five-year lease that terminates on April 30, 2018. The lease is cancelable by either party by giving 180 days written notice. The cost of the building being leased is \$4,253,125 and the accumulated depreciation is \$1,190,875 as of December 31, 2016. The base rent of \$56,830 is adjusted each December 1 by the percentage increase in the CPI. A portion of the base rent (25 percent) reimburses the City for building and grounds operating costs. The library pays for its own utility services. Library rent of \$59,249 was received in 2016.

C. Depot Dock Lease

The city leases a dock and related equipment to Marine Dock & Lift on a three year lease that terminates on October 15, 2017 and includes an option to purchase the equipment for \$51,300, which may be exercised with written notice on or before October 1, 2017. Yearly lease payments amount to \$16,230.

Note 8: TAX ABATEMENTS

A. Primary Governments

Boulevard Apartments

The City entered into a tax abatement agreement on December 7, 2010, with a developer in which the developer incurs costs for property improvements. In return, the City will reimburse the developer for some costs as the city collects future taxes paid by said developer for the increased property value and tax capacity related to the economic development. The agreement has a maximum return to the developer of \$1,040 over the life of the agreement (15 years). The agreement was negotiated under state law (Minnesota Statute 469.1813). The taxes abated during the fiscal year are noted in the chart below.

Village Apartments

The City entered into a tax abatement agreement on June 20, 2006 with a developer in which the developer incurs costs for property improvements. In return, the City will reimburse the developer for some costs as the city collects future taxes paid by said developer for the increased property value and tax capacity related to the economic development. The agreement has a maximum return to the developer of \$14,400 over the life of the agreement (15 years), and \$736 per year. The agreement was negotiated under state law (Minnesota Statute 469.1813). The taxes abated during the fiscal year are noted in the chart below.

	Amount of taxes abated the fiscal year
Boulevard Apartments	\$ 736
Village Apartments	1,003

B. Component Unit

The Wayzata Housing and Redevelopment Authority entered into a tax increment financing agreement with a developer in which the developer incurs costs for property improvements. In return, the City will reimburse the developer for some costs as the city collects future tax increment for the increased property value and tax capacity related to the economic development. The agreement has a maximum return to the developer of \$22,910,879 over the life of the agreement (maximum 25 years). The agreement was negotiated under state law (Minnesota Statute 469.175). The calculation of taxes abated during the fiscal year is noted in the chart below.

	Original Tax Capacity Rate	Captured Tax Capacity	Amount of Taxes Abated During the Fiscal Year
Tax Increment Development District 5	20.308%	\$ 1,631,147	\$ 331,253

Note 9: OTHER INFORMATION

A. Risk management

The City is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters for which the City carries insurance. The City obtains insurance through participation in the League of Minnesota Cities Insurance Trust (LMCIT), which is a risk sharing pool with approximately 800 other governmental units. The City pays an annual premium to LMCIT for its workers compensation and property and casualty insurance. The LMCIT is self-sustaining through member premiums and will reinsure for claims above a prescribed dollar amount for each insurance event. Settled claims have not exceeded the City's coverage in any of the past three fiscal years.

Liabilities are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. An excess coverage insurance policy covers individual claims in excess of \$1,000,000. Liabilities, if any, include an amount for claims that have been incurred but not reported (IBNRs). The City's management is not aware of any incurred but not reported claims.

The City also carries commercial insurance for certain other risks of loss, including liquor liability. Settled claims resulting from these risks have not exceeded insurance coverage in any of the past three fiscal years. There were no significant reductions in the City's coverage in 2016.

B. Legal claims

The City has the usual and customary type of miscellaneous legal claims pending at year-end. Although the outcome of these lawsuits is not presently determinable, the City's management believes that the City will incur any material monetary loss resulting from these claims. No loss has been recorded on the City's financial statements relating to these claims.

C. Legal debt margin

In accordance with Minnesota statutes, the City may not incur or be subject to net debt in excess of three percent of the estimated market value of taxable property within the City. Net debt is payable solely from ad valorem taxes and, therefore, excludes debt financed partially or entirely by special assessments, enterprise fund revenues, or tax increments. The City's estimated market value of taxable property in 2016 was \$1,650,041,030. The City's legal debt limit was \$49,501,231 and \$1,480,000 of the City's debt is applicable to the limit.

D. Tax increment financing districts

The City's tax increment districts are subject to review by the State of Minnesota Office of the State Auditor (OSA). Any disallowed claims or misuse of tax increments could become a liability of the applicable fund. Management has indicated that they are not aware of any instances of noncompliance which would have a material effect on the financial statements.

E. Jointly governed organizations

The Lake Minnetonka Conservation District (LMCD) is a jointly governed organization, established by the state, which is made up of a representative appointed by the City Councils of each of the 14 Cities surrounding Lake Minnetonka. The purpose of the LMCD is to uniformly regulate docks, promote public access, and protect the environmental quality of the lake. The City contributed \$35,954 in 2016.

Note 9: OTHER INFORMATION - CONTINUED

F. Conduit debt

The City entered into a Cooperative Agreement with the City of Minnetonka to issue a Housing Revenue Note for \$6,250,000. Conduit debt obligations are certain limited-obligation revenue bonds or similar debt instruments issued for the express purpose of providing capital financing for a specific third party. The City of Minnetonka has issued revenue bonds to provide financial assistance to private-sector entities for projects deemed to be in the public interest. Although these bonds bear the name of the City of Minnetonka, the City of Minnetonka, the City of Wayzata, the State, nor any political subdivision thereof is obligated in any manner for repayment of the bonds. Accordingly, the bonds are not reported as liabilities in the accompanying financial statements.

In addition, the City entered into a Cooperative Agreement with Hammer Residences to issue a Housing Revenue Note for \$5,500,000. The outstanding balance at December 31, 2016 is \$4,186,488. The City of Wayzata, the State, nor any political subdivision thereof is obligated in any manner for repayment of the bonds. Accordingly, the bonds are not reported as liabilities in the accompanying financial statements.

Note 10: TRANSACTIONS BETWEEN THE PRIMARY GOVERNMENT AND ITS COMPONENT UNIT

The City conducts routine transactions with its component unit for services provided. The City provides administrative and financial services for the HRA activities; the HRA contributed \$40,000 to the City during 2016 for these administrative services and operating costs. In addition, the HRA contributed \$527,225 to the Internally Financed Capital Project fund for project costs.

CITY OF WAYZATA, MINNESOTA
 REQUIRED SUPPLEMENTARY INFORMATION - CONTINUED
 FOR THE YEAR ENDED DECEMBER 31, 2016

Schedule of employer's share of PERA net pension liability - General Employees Retirement Fund

Fiscal Year Ending	City's Proportion of the Net Pension Liability	City's Share of the Net Pension Liability	State's Proportionate Share of the Net Pension Liability	City's Covered Payroll	City's Total Covered Payroll	City's Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll (a/c)	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
06/30/16	0.0471 %	\$ 3,824,286	\$ 49,931	\$ 2,907,012	\$ 3,874,217	131.6 %	68.9 %
06/30/15	0.0492	2,549,799	-	2,891,715	2,549,799	88.2	78.2

Schedule of employer's PERA contributions - General Employees Retirement Fund

Year Ending	Statutorily Required Contribution (a)	Contributions in Relation to the Statutorily Required Contribution (b)		City's Covered Payroll (c)	Contributions as a Percentage of Covered Payroll (b/c)
		Statutorily Required Contribution (b)	Contribution Deficiency (Excess) (a-b)		
12/31/16	\$ 226,098	\$ 226,098	\$ -	\$ 3,014,638	7.5 %
12/31/15	221,233	221,233	-	2,949,773	7.5

CITY OF WAYZATA, MINNESOTA
 REQUIRED SUPPLEMENTARY INFORMATION - CONTINUED
 FOR THE YEAR ENDED DECEMBER 31, 2016

Schedule of employer's share of PERA net pension liability - Public Employees Police and Fire Fund

Fiscal Year Ending	City's Proportion of the Net Pension Liability	City's Share of the Net Pension Liability	City's Covered Payroll	City's Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll (a/c)	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
06/30/16	0.1020 %	\$ 4,093,437	\$ 982,604	416.6 %	63.9 %
06/30/15	0.1020	1,158,959	936,063	123.8	86.6

Schedule of employer's PERA contributions - Public Employees Police and Fire Fund

Year Ending	Statutorily Required Contribution (a)	Contributions in Relation to the Statutorily Required Contribution (b)		City's Covered Payroll (c)	Contributions as a Percentage of Covered Payroll (b/c)
		Statutorily Required Contribution (b)	Contribution Deficiency (Excess) (a-b)		
12/31/16	\$ 164,719	\$ 164,719	\$ -	\$ 1,016,781	16.2 %
12/31/15	153,685	153,685	-	948,673	16.2

Schedule of funding progress for the postemployment benefit plan

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability	Unfunded Actuarial Accrued Liability (UAAAL)	Funded Ratio	City's Covered Payroll	UAAAL as a Percentage of Covered Payroll
01/01/16	\$ -	\$ 380,123	\$ 380,123	- %	\$ 2,988,000	12.7 %
01/01/15	-	494,331	494,331	-	2,761,742	17.9
01/01/14	-	460,130	460,130	-	2,661,920	17.3

CITY OF WAYZATA, MINNESOTA
NONMAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET
DECEMBER 31, 2016

	Special Revenue	Capital Projects	Total Nonmajor Governmental Funds
ASSETS			
Cash and temporary investments	\$ 328,928	\$ 6,342,535	\$ 6,671,463
Receivables			
Accounts	16,699	-	16,699
Due from other funds	-	14,500	14,500
Due from other governments	-	100	100
Advances to other funds	-	66,000	66,000
TOTAL ASSETS	\$ 345,627	\$ 6,423,135	\$ 6,768,762
LIABILITIES			
Accounts and contracts payable	\$ 144	\$ 141,994	\$ 142,138
Due to other governments	-	58	58
Deposits payable	-	3,508	3,508
TOTAL LIABILITIES	144	145,560	145,704
FUND BALANCES			
Restricted	104,502	137,176	241,678
Committed	240,981	-	240,981
Assigned	-	6,140,399	6,140,399
TOTAL FUND BALANCES	345,483	6,277,575	6,623,058
TOTAL LIABILITIES AND FUND BALANCES	\$ 345,627	\$ 6,423,135	\$ 6,768,762

CITY OF WAYZATA, MINNESOTA
NONMAJOR GOVERNMENTAL FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
FOR THE YEAR ENDED DECEMBER 31, 2016

	Special Revenue	Capital Projects	Total Nonmajor Governmental Funds
REVENUES			
Taxes	\$ -	\$ 210,000	\$ 210,000
Property taxes	65,825	-	65,825
Franchise fees	-	178,744	178,744
Licenses and permits	-	16,915	16,915
Intergovernmental	-	338,741	338,741
Charges for service	91,325	-	91,325
Fines and forfeitures	-	2,478	2,478
Special assessments	1,862	51,926	53,788
Investment earnings	-	-	-
Miscellaneous	19,700	62,735	82,435
Contributions and donations	-	25,993	25,993
Refunds and reimbursements	-	5,699	5,699
Other	-	-	-
TOTAL REVENUES	178,712	893,231	1,071,943
EXPENDITURES			
Current			
General government	64,786	120,477	185,263
Public safety	6,670	-	6,670
Culture and recreation	-	491,938	491,938
Capital outlay	-	-	-
General government	-	101,406	101,406
Public safety	-	73,289	73,289
Public works	-	1,119,155	1,119,155
Culture and recreation	-	431,923	431,923
Debt service	-	-	-
Interest and other	-	100	100
TOTAL EXPENDITURES	71,456	2,338,288	2,409,744
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	107,256	(1,445,057)	(1,337,801)
OTHER FINANCING SOURCES (USES)			
Transfers in	-	1,015,624	1,015,624
Transfers out	(12,000)	(530,000)	(542,000)
TOTAL OTHER FINANCING SOURCES (USES)	(12,000)	485,624	473,624
NET CHANGE IN FUND BALANCES	95,256	(959,433)	(864,177)
FUND BALANCES, JANUARY 1	250,227	7,237,008	7,487,235
FUND BALANCES, DECEMBER 31	\$ 345,483	\$ 6,277,575	\$ 6,623,058

CITY OF WAYZATA, MINNESOTA
NONMAJOR SPECIAL REVENUE FUNDS
COMBINING BALANCE SHEET
DECEMBER 31, 2016

	232	235	236/240 Police Forfeiture	239 Comprehensive Plan	Total
ASSETS					
Cash and temporary investments	\$ 47,623	\$ 35,476	\$ 104,502	\$ 141,327	\$ 328,928
Accounts receivable	-	16,699	-	-	16,699
TOTAL ASSETS	\$ 47,623	\$ 52,175	\$ 104,502	\$ 141,327	\$ 345,627
LIABILITIES					
Accounts and contracts payable	\$ 47	\$ 97	\$ -	\$ -	\$ 144
FUND BALANCES					
Restricted	-	-	104,502	-	104,502
Committed	47,576	52,078	-	141,327	240,981
TOTAL FUND BALANCES	47,576	52,078	104,502	141,327	345,483
TOTAL LIABILITIES AND FUND BALANCES	\$ 47,623	\$ 52,175	\$ 104,502	\$ 141,327	\$ 345,627

CITY OF WAYZATA, MINNESOTA
NONMAJOR SPECIAL REVENUE FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
FOR THE YEAR ENDED DECEMBER 31, 2016

	232	235	236/240 Police Forfeiture	239 Comprehensive Plan	Total
REVENUES					
Taxes	\$ -	\$ 65,825	\$ -	\$ -	\$ 65,825
Franchise fees	-	-	91,325	-	91,325
Fines and forfeitures	-	-	291	864	1,862
Investment earnings	337	370	-	-	707
Miscellaneous	-	-	-	-	-
Contributions and donations	-	-	-	19,700	19,700
TOTAL REVENUES	337	66,195	91,616	20,564	178,712
EXPENDITURES					
Current					
General government	284	64,502	-	-	64,786
Public safety	-	-	6,670	-	6,670
TOTAL EXPENDITURES	284	64,502	6,670	-	71,456
EXCESS OF REVENUES OVER EXPENDITURES	53	1,693	84,946	20,564	107,256
OTHER FINANCING USES					
Transfers out	-	(12,000)	-	-	(12,000)
NET CHANGE IN FUND BALANCES	53	(10,307)	84,946	20,564	95,256
FUND BALANCES, JANUARY 1	47,523	62,385	19,556	120,763	250,227
FUND BALANCES, DECEMBER 31	\$ 47,576	\$ 52,078	\$ 104,502	\$ 141,327	\$ 345,483

CITY OF WAYZATA, MINNESOTA
NONMAJOR CAPITAL PROJECTS FUNDS
COMBINING BALANCE SHEET
DECEMBER 31, 2016

	233	237	404	407	408	430	409	437	Total
	Lakefront Improvement	Fire Department Pull Tabs	Parks and Trails Capital Project	Cell Tower	General Improvement Capital Project	Street Improvement Capital Project	Equipment Revolving	Community Room/Library Improvement	
ASSETS									
Cash and temporary investments	\$ 360,543	\$ 105,684	\$ 1,078,317	\$ 421,114	\$ 1,000,306	\$ 1,520,698	\$ 1,545,549	\$ 310,324	\$ 6,342,535
Due from other funds	-	-	-	-	-	14,500	-	-	14,500
Due from other governments	100	-	-	-	-	-	-	-	100
Advances to other funds	-	-	-	-	-	66,000	-	-	66,000
TOTAL ASSETS	\$ 360,643	\$ 105,684	\$ 1,078,317	\$ 421,114	\$ 1,000,306	\$ 1,601,198	\$ 1,545,549	\$ 310,324	\$ 6,423,135
LIABILITIES									
Accounts and contracts payable	\$ 21,710	\$ -	\$ -	\$ 12,503	\$ 5,338	\$ 102,113	\$ -	\$ 330	\$ 141,994
Deposits payable	3,508	-	-	-	-	-	-	-	3,508
Due to other governments	-	-	-	-	58	-	-	-	58
TOTAL LIABILITIES	25,218	-	-	12,503	5,396	102,113	-	330	145,560
FUND BALANCES									
Restricted	-	-	137,176	-	-	-	-	-	137,176
Assigned	335,425	105,684	941,141	408,611	994,910	1,499,085	1,545,549	309,994	6,140,399
TOTAL FUND BALANCES	335,425	105,684	1,078,317	408,611	994,910	1,499,085	1,545,549	309,994	6,277,575
TOTAL LIABILITIES AND FUND BALANCES	\$ 360,643	\$ 105,684	\$ 1,078,317	\$ 421,114	\$ 1,000,306	\$ 1,601,198	\$ 1,545,549	\$ 310,324	\$ 6,423,135

CITY OF WAYZATA, MINNESOTA
 NONMAJOR CAPITAL PROJECTS FUNDS
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES
 FOR THE YEAR ENDED DECEMBER 31, 2016

	233	237	404	407	408	430	409	437	Total
	Lakefront Improvement	Fire Department Pull Tabs	Parks and Trails Capital Project	Cell Tower	General Improvement Capital Project	Street Improvement Capital Project	Equipment Revolving	Community Room/Library Improvement	
REVENUES									
Property taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 210,000	-	-	\$ 210,000
Licenses and permits	178,744	-	-	-	-	-	-	-	178,744
Intergovernmental	-	-	-	-	16,915	-	-	-	16,915
Charges for services	-	-	15,325	50,000	13,399	207,588	-	52,429	338,741
Special assessments	-	-	-	-	2,478	-	-	-	2,478
Investment earnings	4,867	451	7,300	3,537	10,840	12,896	8,776	3,259	51,926
Miscellaneous	-	-	-	-	-	-	-	-	-
Contributions and donations	1,485	60,500	750	-	-	-	-	-	62,735
Refunds and reimbursements	-	-	1,514	-	-	24,479	-	-	25,993
Other	5,699	-	-	-	-	-	-	-	5,699
TOTAL REVENUES	190,795	60,951	24,889	53,537	26,717	471,878	8,776	55,688	893,231
EXPENDITURES									
Current									
General government	-	-	-	120,477	-	-	-	-	120,477
Culture and recreation	459,548	-	4,774	-	-	-	-	27,616	491,938
Capital outlay	-	-	-	-	-	-	101,406	-	101,406
General government	-	9,243	-	-	8,908	-	-	-	73,289
Public safety	-	-	-	-	323,485	770,574	25,096	-	1,119,155
Public works	-	-	-	-	29,074	-	247,700	-	431,923
Culture and recreation	52,772	-	102,377	-	-	-	-	-	-
Debt service	-	-	-	-	-	100	-	-	100
Interest and fiscal charges	-	-	-	-	-	-	-	-	-
TOTAL EXPENDITURES	512,320	9,243	107,151	120,477	361,467	770,674	429,340	27,616	2,338,288
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(321,525)	51,708	(82,262)	(66,940)	(334,750)	(298,796)	(420,564)	28,072	(1,445,057)
OTHER FINANCING SOURCES (USES)									
Transfers in	-	-	137,500	-	170,000	149,524	558,600	-	1,015,624
Transfers out	(80,000)	-	-	-	(300,000)	-	-	(150,000)	(530,000)
TOTAL OTHER FINANCING SOURCES (USES)	(80,000)	-	137,500	-	(130,000)	149,524	558,600	(150,000)	485,624
NET CHANGE IN FUND BALANCES	(401,525)	51,708	55,238	(66,940)	(464,750)	(149,272)	138,036	(121,928)	(959,433)
FUND BALANCES, JANUARY 1	736,950	53,976	1,023,079	475,551	1,459,660	1,648,357	1,407,513	431,922	7,237,008
FUND BALANCES, DECEMBER 31	\$ 335,425	\$ 105,684	\$ 1,078,317	\$ 408,611	\$ 994,910	\$ 1,499,085	\$ 1,545,549	\$ 309,994	\$ 6,277,575

CITY OF WAYZATA, MINNESOTA
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL - CONTINUED
FOR THE YEAR ENDED DECEMBER 31, 2016
(With comparative actual amounts for the year ended December 31, 2015)

	2016		Actual Amounts	Variance with Final Budget	2015	
	Budgeted Amounts Original	Final			Actual Amounts	Actual Amounts
EXPENDITURES						
Current						
General government						
Mayor and Council	\$ 25,836	\$ 25,836	\$ 25,836	\$ -	\$ -	\$ 25,836
Personnel services	200	200	212	(12)		672
Supplies	20,200	20,200	24,334	(4,134)		20,438
Other services and charges						
Total	46,236	46,236	50,382	(4,146)		46,946
Administration and finance						
Personnel services	431,762	431,762	354,842	76,920		465,757
Supplies	11,000	11,000	16,135	(5,135)		12,402
Other services and charges	237,500	237,500	328,048	(90,548)		320,706
Total	680,262	680,262	699,025	(18,763)		798,865
Assessing						
Supplies	500	500	339	161		-
Other services and charges	53,000	53,000	60,713	(7,713)		56,442
Total	53,500	53,500	61,052	(7,552)		56,442
Planning and zoning						
Personnel services	110,538	110,538	113,683	(3,145)		113,547
Supplies	-	-	111	(111)		90
Other services and charges	12,500	12,500	10,164	2,336		35,025
Total	123,038	123,038	123,958	(920)		148,662
General government buildings						
Supplies	4,000	4,000	5,564	(1,564)		3,004
Other services and charges	215,300	215,300	170,871	44,429		157,775
Total	219,300	219,300	176,435	42,865		160,779
Total general government	1,122,336	1,122,336	1,110,852	11,484		1,211,694
Public safety						
Police protection						
Personnel services	1,482,289	1,482,289	1,463,825	18,464		1,368,718
Supplies	48,350	48,350	37,162	11,188		36,655
Other services and charges	116,550	116,550	114,661	1,889		140,183
Total	1,647,189	1,647,189	1,615,648	31,541		1,545,556

CITY OF WAYZATA, MINNESOTA
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL - CONTINUED ON THE FOLLOWING PAGES
FOR THE YEAR ENDED DECEMBER 31, 2016
(With comparative actual amounts for the year ended December 31, 2015)

	2016		Actual Amounts	Variance with Final Budget	2015	
	Budgeted Amounts Original	Final			Actual Amounts	Actual Amounts
REVENUES						
Taxes						
Property taxes	\$ 4,056,795	\$ 4,128,510	\$ 4,128,510	\$ 71,715	\$ 3,858,556	
Franchise fees	82,000	82,000	83,443	1,443	81,215	
Total	4,138,795	4,138,795	4,211,953	73,158	3,939,771	
Licenses and permits						
Business	152,650	152,650	191,434	38,784	188,239	
Nonbusiness	252,575	252,575	578,207	325,632	469,716	
Total	405,225	405,225	769,641	364,416	657,955	
Intergovernmental						
State	183,400	183,400	200,025	16,625	193,931	
Charges for services						
General government	285,734	285,734	446,435	160,701	378,943	
Public safety	395,650	395,650	400,983	5,333	434,041	
Culture and recreation	16,700	16,700	14,812	(1,888)	14,598	
Total	698,084	698,084	862,230	164,146	827,582	
Fines and forfeitures	73,500	73,500	77,268	3,768	89,360	
Investment earnings	35,000	35,000	16,638	(18,362)	26,875	
Miscellaneous						
Other	5,000	5,000	46,191	41,191	10,266	
TOTAL REVENUES	5,539,004	5,539,004	6,183,946	644,942	5,745,740	

CITY OF WAYZATA, MINNESOTA

GENERAL FUND

SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL - CONTINUED
FOR THE YEAR ENDED DECEMBER 31, 2016

(With comparative actual amounts for the year ended December 31, 2015)

	2016		2015	
	Budgeted Amounts Original	Actual Amounts	Budgeted Amounts Final	Actual Amounts
EXPENDITURES - CONTINUED				
Current - continued				
Public safety - continued				
Fire protection				
Personnel services	\$ 110,880	\$ 93,594	\$ 17,286	\$ 91,527
Supplies	40,750	37,653	3,097	40,579
Other services and charges	192,675	167,896	24,779	168,503
Total	344,305	299,143	45,162	300,609
Building inspections				
Personnel services	234,127	234,731	(604)	226,721
Supplies	800	564	236	743
Other services and charges	17,700	11,832	5,868	22,269
Total	252,627	247,127	5,500	249,733
Emergency management				
Other services and charges	5,350	527	4,823	5,186
Health inspections				
Other services and charges	32,000	33,418	(1,418)	30,877
Total public safety	2,281,471	2,195,863	85,608	2,131,961
Public works				
Streets				
Personnel services	428,025	421,253	6,772	387,537
Supplies	93,500	72,930	20,370	71,937
Other services and charges	27,800	26,433	1,367	14,546
Total	549,125	520,616	28,509	474,020
Street lighting				
Supplies	10,000	13,947	(3,947)	14,617
Other services and charges	62,750	60,325	2,425	55,469
Total	72,750	74,272	(1,522)	70,086
Engineering				
Personnel services	187,376	183,275	4,101	158,700
Supplies	2,000	686	1,314	1,221
Other services and charges	6,250	3,842	2,408	3,150
Total	195,626	187,803	7,823	163,071
Total public works	817,501	782,691	34,810	707,177

CITY OF WAYZATA, MINNESOTA

GENERAL FUND

SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL - CONTINUED
FOR THE YEAR ENDED DECEMBER 31, 2016

(With comparative actual amounts for the year ended December 31, 2015)

	2016		2015	
	Budgeted Amounts Original	Actual Amounts	Budgeted Amounts Final	Actual Amounts
EXPENDITURES - CONTINUED				
Current - continued				
Culture and recreation				
Parks, recreation, and forestry				
Personnel services	\$ 421,622	\$ 377,172	\$ 44,450	\$ 318,371
Supplies	53,400	41,012	12,388	42,239
Other services and charges	68,900	51,332	17,568	35,492
Total culture and recreation	543,922	469,516	74,406	396,102
Miscellaneous				
Unallocated	242,000	150,633	91,367	170,215
Other services and charges				
Total current expenditures	5,007,230	4,709,555	297,675	4,617,149
Capital outlay				
General government	1,000	1,000	-	1,049
Public safety	5,000	5,000	2,751	1,203
Total capital outlay	6,000	6,000	3,751	2,252
TOTAL EXPENDITURES	5,013,230	4,711,804	301,426	4,619,401
EXCESS OF REVENUES OVER EXPENDITURE	525,774	1,472,142	946,368	1,126,339
OTHER FINANCING SOURCES (USES)				
Transfers in	190,000	150,000	(40,000)	125,000
Sale of capital assets	-	18,953	18,953	30,406
Insurance recovery	-	9,466	9,466	26,772
Transfers out	(715,774)	(1,344,774)	(629,000)	(1,278,005)
TOTAL OTHER FINANCING SOURCES (USES)	(525,774)	(1,166,355)	(640,581)	(1,095,827)
NET CHANGE IN FUND BALANCES	-	305,787	305,787	30,512
FUND BALANCES, JANUARY 1	2,529,396	2,529,396	-	2,498,884
FUND BALANCES, DECEMBER 31	\$ 2,529,396	\$ 2,835,183	\$ 305,787	\$ 2,529,396

CITY OF WAYZATA, MINNESOTA
DEBT SERVICE FUND
COMBINING BALANCE SHEET
DECEMBER 31, 2016

	310	311 2009	315	317	Total
	Superior/Lake Realignment	Street Improvements	Big Woods	Parking Ramp Tax Increment	
ASSETS					
Cash and temporary investments	\$ 246,260	\$ 18,888	\$ 191,881	\$ 98,312	\$ 555,341
Special assessments receivable	2,300,000	-	-	-	2,300,000
TOTAL ASSETS	\$ 2,546,260	\$ 18,888	\$ 191,881	\$ 98,312	\$ 2,855,341
DEFERRED INFLOWS OF RESOURCES					
Unavailable revenue - special assessments	\$ 2,300,000	\$ -	\$ -	\$ -	\$ 2,300,000
FUND BALANCES					
Restricted	246,260	18,888	191,881	98,312	555,341
TOTAL DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	\$ 2,546,260	\$ 18,888	\$ 191,881	\$ 98,312	\$ 2,855,341

CITY OF WAYZATA, MINNESOTA
DEBT SERVICE FUND
COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
FOR THE YEAR ENDED DECEMBER 31, 2016

	310	311 2009	315	317	Total
	Superior/Lake Realignment	Street Improvements	Big Woods	Parking Ramp Tax Increment	
REVENUES					
Taxes					
Property taxes	\$ -	\$ 34,030	\$ 213,520	\$ -	\$ 247,550
Special assessments	251,017	-	-	-	251,017
Investment earnings	1,351	105	1,191	-	2,647
TOTAL REVENUES	252,368	34,135	214,711	-	501,214
EXPENDITURES					
Debt service					
Principal	130,000	25,000	160,000	-	315,000
Interest and other	76,200	7,408	43,800	-	127,408
TOTAL EXPENDITURES	206,200	32,408	203,800	-	442,408
EXCESS OF REVENUES OVER EXPENDITURES	46,168	1,727	10,911	-	58,806
OTHER FINANCING SOURCES					
Bonds issued	-	-	-	98,312	98,312
NET CHANGE IN FUND BALANCES	46,168	1,727	10,911	98,312	157,118
FUND BALANCES, JANUARY 1	200,092	17,161	180,970	-	398,223
FUND BALANCES, DECEMBER 31	\$ 246,260	\$ 18,888	\$ 191,881	\$ 98,312	\$ 555,341

CITY OF WAYZATA, MINNESOTA
HOUSING AND REDEVELOPMENT AUTHORITY
(DISCRETELY PRESENTED COMPONENT UNIT)
COMBINING BALANCE SHEET
DECEMBER 31, 2016

	Debt Service	Capital Projects	Special
	314	316	Revenue
	Widsten	Bay Center	440
	Tax Increment	Tax Increment	Housing
			Total
ASSETS			
Cash and temporary investments	\$ 712,663	\$ 678,811	\$ 28,844
Receivables	-	-	7,508
Accrued interest	9,402	55,470	64,872
Taxes	-	-	19,250
Notes	-	-	-
TOTAL ASSETS	\$ 722,065	\$ 734,281	\$ 55,602
			\$ 1,511,948
LIABILITIES			
Accounts payable	\$ -	\$ 791,512	\$ -
Due to other governments	1,190	3,044	4,234
Deposits payable	-	-	703
TOTAL LIABILITIES	1,190	794,556	703
			796,449
DEFERRED INFLOWS OF RESOURCES			
Unavailable revenue - taxes	-	6,441	-
			6,441
FUND BALANCES			
Restricted for economic development	720,875	-	54,899
Unassigned	-	(66,716)	-
TOTAL FUND BALANCES	720,875	(66,716)	54,899
			709,058
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	\$ 722,065	\$ 734,281	\$ 55,602
			\$ 1,511,948
Total fund balances reported above			\$ 709,058
Amounts reported for the Housing and Redevelopment Authority in the statement of net position are different because			
Capital assets used in the Housing and Redevelopment Authority are not financial resources and therefore are not reported as assets in the funds.			
Cost of capital assets			2,092,900
Some receivables are not available soon enough to pay for the current period's expenditures, and therefore are reported as unavailable revenue in the funds.			
Delinquent taxes receivable			6,441
Total net position - Housing and Redevelopment Authority			\$ 2,808,399

CITY OF WAYZATA, MINNESOTA
HOUSING AND REDEVELOPMENT AUTHORITY
(DISCRETELY PRESENTED COMPONENT UNIT)
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED DECEMBER 31, 2016

	Debt Service	Capital Projects	Special
	314	316	Revenue
	Widsten	Bay Center	440
	Tax Increment	Tax Increment	Housing
			Total
REVENUES			
Tax increment	\$ 416,980	\$ 1,684,812	\$ -
Investment earnings	6,087	1,650	3,005
TOTAL REVENUES	423,067	1,686,462	3,005
			2,112,534
EXPENDITURES			
Current			
Housing and economic development	513,366	1,704,805	283,000
Debt service	2,505	5,286	-
Interest and other	-	-	7,791
TOTAL EXPENDITURES	515,871	1,710,091	283,000
			2,510,962
NET CHANGE IN FUND BALANCES	(92,804)	(23,629)	(281,995)
FUND BALANCES, JANUARY 1	813,679	(43,087)	336,894
			1,107,486
FUND BALANCES, DECEMBER 31	\$ 720,875	\$ (66,716)	\$ 54,899
			\$ 709,058
Amounts reported for governmental activities in the statement of activities are different because			
Total net change in fund balances - governmental funds			(398,428)
Certain revenues are recognized as soon as they are earned. Under the modified accrual basis of accounting, certain revenues cannot be recognized until they are available to liquidate liabilities of the current period.			
Property taxes			6,441
Change in net position - Housing and Redevelopment Authority			\$ (391,987)

CITY OF WAYZATA, MINNESOTA
 AGENCY FUND
 STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
 FOR THE YEAR ENDED DECEMBER 31, 2016

	12/31/2015	Additions	Deletions	12/31/2016
Escrow ASSETS				
Cash and temporary investments	\$ 53,021	\$ 123,757	\$ (97,156)	\$ 79,622
Accounts receivable	27,252	1,260	(27,252)	1,260
TOTAL ASSETS	\$ 80,273	\$ 125,017	\$ (124,408)	\$ 80,882
LIABILITIES				
Accounts payable	\$ 2,975	\$ -	\$ (2,975)	\$ -
Deposits payable	77,298	96,505	(92,921)	80,882
TOTAL LIABILITIES	\$ 80,273	\$ 96,505	\$ (95,896)	\$ 80,882

CITY OF WAYZATA, MINNESOTA
 SUMMARY FINANCIAL REPORT
 REVENUES AND EXPENDITURES FOR GENERAL OPERATIONS
 GOVERNMENTAL FUNDS
 FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015

	Total		Percent Increase (Decrease)
	2016	2015	
REVENUES			
Taxes	\$ 4,735,328	\$ 4,463,123	6.1 %
Licenses and permits	948,385	830,567	14.2
Intergovernmental	744,165	245,034	203.7
Charges for services	1,200,971	1,297,454	(7.4)
Fines and forfeitures	168,593	100,415	67.9
Special assessments	255,066	262,031	(2.7)
Investment earnings	78,763	102,944	(23.5)
Miscellaneous	160,318	1,313,288	(87.8)
TOTAL REVENUES	\$ 8,291,589	\$ 8,614,856	(3.8) %
Per Capita	\$ 1,817	\$ 1,925	(5.6) %
EXPENDITURES			
Current			
General government	\$ 1,296,115	\$ 1,305,035	(0.7) %
Public safety	2,202,533	2,132,929	3.3
Public works	782,691	707,177	10.7
Culture and recreation	961,454	694,163	38.5
Miscellaneous	150,633	170,215	(11.5)
Capital outlay			
General government	101,406	113,476	(10.6)
Public safety	75,538	471,087	(84.0)
Public works	3,457,708	3,208,271	7.8
Culture and recreation	431,923	355,172	21.6
Debt service			
Principal	315,000	310,000	1.6
Interest and other	189,821	139,827	35.8
TOTAL EXPENDITURES	\$ 9,964,822	\$ 9,607,352	3.7 %
Per Capita	\$ 2,183	\$ 2,146	1.7 %
Total Long-term Indebtedness	\$ 11,505,000	\$ 4,095,000	181.0 %
Per Capita	\$ 2,521	\$ 915	175.5
General Fund Balance - December 31	\$ 2,835,183	\$ 2,529,396	12.1 %
Per Capita	\$ 621	\$ 565	9.9

The purpose of this report is to provide a summary of financial information concerning the City of Wayzata to interested citizens. The complete financial statements may be examined at City Hall, 600 Rice Street East, Wayzata, MN 55391. Questions about this report should be directed to Kathy Ovstak, Senior Accountant at (952) 404-5300.

FORM OF LEGAL OPINION

(See following page)

City of Wayzata
Wayzata, Minnesota

[Purchaser]

Re: \$2,905,000 General Obligation Water Revenue Refunding Bonds, Series 2017A
City of Wayzata, Minnesota

Ladies and Gentlemen:

As Bond Counsel in connection with the authorization, issuance and sale by the City of Wayzata, Minnesota (the "City"), of its \$2,905,000 General Obligation Water Revenue Refunding Bonds, Series 2017A dated, as originally issued, as of December 28, 2017 (the "Bonds"), we have examined certified copies of certain proceedings taken, and certain affidavits and certificates furnished, by the City in the authorization, sale and issuance of the Bonds, including the form of the Bonds. As to questions of fact material to our opinion we have assumed the authenticity of and relied upon the proceedings, affidavits and certificates furnished to us without undertaking to verify the same by independent investigation. From our examination of such proceedings, affidavits and certificates, and based upon laws, regulations, rulings and decisions in effect on the date hereof, it is our opinion that:

1. The Bonds are valid and binding general obligations of the City, enforceable in accordance with their terms.

2. The principal of and interest on the Bonds are payable from certain escrow earnings and from net revenues of the City's water utility system, which have been pledged and appropriated for this purpose, but if necessary for payment of the Bonds, ad valorem taxes are required by law to be levied on all taxable property within the City, which taxes are not subject to any limitation as to rate or amount.

3. Interest on the Bonds (a) is not includable in gross income for federal income tax purposes or in taxable net income of individuals, estates or trusts for Minnesota income tax purposes; (b) is includable in taxable income of corporations and financial institutions for purposes of the Minnesota franchise tax; (c) is not an item of tax preference includable in alternative minimum taxable income for purposes of the federal alternative minimum tax applicable to all taxpayers or the Minnesota alternative minimum tax applicable to individuals, estates and trusts; and (d) is includable in adjusted current earnings of corporations in determining alternative minimum taxable income for purposes of the federal alternative minimum tax.

4. The City has designated the Bonds as "qualified tax-exempt obligations" within the meaning of Section 265(b)(3) of the Internal Revenue Code of 1986, as amended (the "Code"), and, financial institutions described in Section 265(b)(5) of the Code may treat the Bonds for purposes of Sections 265(b)(2) and 291(e)(1)(B) of the Code as if they were acquired on August 7, 1986.

The opinions expressed in paragraphs 1 and 2 are subject as to enforceability to the effect of any state or federal laws relating to bankruptcy, insolvency, reorganization, moratorium or creditors' rights and the exercise of judicial discretion, whether at law or in equity.

The opinions set forth in paragraphs 3 and 4 are subject to the condition that the City comply with all the requirements of the Code that must be satisfied subsequent to the issuance of the Bonds in order that interest thereon be, or continue to be, excluded from gross income for federal income tax purposes and that the Bonds be and continue to be qualified tax-exempt obligations. The City has covenanted in the resolution authorizing the issuance of the Bonds to comply with these continuing requirements. Failure of the City to comply with these requirements may result in the inclusion of interest on the Bonds in federal gross income and in Minnesota taxable net income, retroactive to the date of issuance of the Bonds. Except as stated in this opinion, we express no opinion regarding federal, state or other tax consequences to owners of the Bonds.

We have not been asked, and have not undertaken, to review the accuracy, completeness or sufficiency of any offering materials relating to the Bonds, and accordingly, we express no opinion with respect thereto.

Dated: December 28, 2017.

Very truly yours,

APPENDIX C

BOOK-ENTRY-ONLY SYSTEM

1. The Depository Trust Company ("DTC"), New York, New York, will act as securities depository for the securities (the "Securities"). The Securities will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Security certificate will be issued for [each issue of] the Securities, [each] in the aggregate principal amount of such issue, and will be deposited with DTC. [If, however, the aggregate principal amount of [any] issue exceeds \$500 million, one certificate will be issued with respect to each \$500 million of principal amount, and an additional certificate will be issued with respect to any remaining principal amount of such issue.]
2. DTC, the world's largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has a Standard & Poor's rating of AA+. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.
3. Purchases of Securities under the DTC system must be made by or through Direct Participants, which will receive a credit for the Securities on DTC's records. The ownership interest of each actual purchaser of each Security ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Securities are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Securities, except in the event that use of the book-entry system for the Securities is discontinued.
4. To facilitate subsequent transfers, all Securities deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Securities with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Securities; DTC's records reflect only the identity of the Direct Participants to whose accounts such Securities are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

5. Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. [Beneficial Owners of Securities may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Securities, such as redemptions, tenders, defaults, and proposed amendments to the Security documents. For example, Beneficial Owners of Securities may wish to ascertain that the nominee holding the Securities for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of notices be provided directly to them.]
6. Redemption notices shall be sent to DTC. If less than all of the Securities within an issue are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.
7. Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to Securities unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to City as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts Securities are credited on the record date (identified in a listing attached to the Omnibus Proxy).
8. Redemption proceeds, distributions, and dividend payments on the Securities will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the City or Agent, on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, Agent, or the City, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, distributions, and dividend payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the City or Agent, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.
9. A Beneficial Owner shall give notice to elect to have its Securities purchased or tendered, through its Participant, to [Tender/Remarketing] Agent, and shall effect delivery of such Securities by causing the Direct Participant to transfer the Participant's interest in the Securities, on DTC's records, to [Tender/Remarketing] Agent. The requirement for physical delivery of Securities in connection with an optional tender or a mandatory purchase will be deemed satisfied when the ownership rights in the Securities are transferred by Direct Participants on DTC's records and followed by a book-entry credit of tendered Securities to [Tender/Remarketing] Agent's DTC account.
10. DTC may discontinue providing its services as depository with respect to the Securities at any time by giving reasonable notice to the City or Agent. Under such circumstances, in the event that a successor depository is not obtained, Security certificates are required to be printed and delivered.
11. The City may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor securities depository). In that event, Security certificates will be printed and delivered to DTC.
12. The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that the City believes to be reliable, but the City takes no responsibility for the accuracy thereof.

**FORM OF CONTINUING DISCLOSURE COVENANTS
(EXCERPTS FROM SALE RESOLUTION)**

(See following page)

CONTINUING DISCLOSURE

Continuing Disclosure. (a) Purpose and Beneficiaries. To provide for the public availability of certain information relating to the Bonds and the security therefor and to permit the Purchaser and other participating underwriters in the primary offering of the Bonds to comply with amendments to Rule 15c2-12 promulgated by the SEC under the Securities Exchange Act of 1934 (17 C.F.R. § 240.15c2-12), relating to continuing disclosure (as in effect and interpreted from time to time, the Rule), which will enhance the marketability of the Bonds, the City hereby makes the following covenants and agreements for the benefit of the Owners (as hereinafter defined) from time to time of the Outstanding Bonds. The City is the only obligated person in respect of the Bonds within the meaning of the Rule for purposes of identifying the entities in respect of which continuing disclosure must be made. If the City fails to comply with any provisions of this section, any person aggrieved thereby, including the Owners of any Outstanding Bonds, may take whatever action at law or in equity may appear necessary or appropriate to enforce performance and observance of any agreement or covenant contained in this section, including an action for a writ of mandamus or specific performance. Direct, indirect, consequential and punitive damages shall not be recoverable for any default hereunder to the extent permitted by law. Notwithstanding anything to the contrary contained herein, in no event shall a default under this section constitute a default under the Bonds or under any other provision of this resolution. As used in this section, Owner or Bondowner means, in respect of a Bond, the registered owner or owners thereof appearing in the bond register maintained by the Registrar or any Beneficial Owner (as hereinafter defined) thereof, if such Beneficial Owner provides to the Registrar evidence of such beneficial ownership in form and substance reasonably satisfactory to the Registrar. As used herein, Beneficial Owner means, in respect of a Bond, any person or entity which (i) has the power, directly or indirectly, to vote or consent with respect to, or to dispose of ownership of, such Bond (including persons or entities holding Bonds through nominees, depositories or other intermediaries), or (ii) is treated as the owner of the Bond for federal income tax purposes.

(b) Information To Be Disclosed. The City will provide, in the manner set forth in subsection (c) hereof, either directly or indirectly through an agent designated by the City, the following information at the following times:

- (1) on or before twelve months after the end of each fiscal year of the City, commencing with the fiscal year ending December 31, 2017, the following financial information and operating data in respect of the City (the Disclosure Information):
 - (A) the audited financial statements of the City for such fiscal year, prepared in accordance with the governmental accounting standards promulgated by the Governmental Accounting Standards Board or as otherwise provided under Minnesota law, as in effect from time to time, or, if and to the extent such financial statements have not been prepared in accordance with such generally accepted accounting principles for reasons beyond the reasonable control of the City, noting the discrepancies therefrom and the effect thereof, and certified as to accuracy and completeness in all material respects by the fiscal officer of the City; and
 - (B) to the extent not included in the financial statements referred to in paragraph (A) hereof, the information for such fiscal year or for the period most recently available of the type contained in the Official Statement under headings: “VALUATIONS—Current Property Valuations,” “DEBT—Direct Debt,” and “TAX RATES, LEVIES AND COLLECTIONS—Tax Levies and Collections” and “GENERAL INFORMATION—US Census Data-Population Trend” and “-Employment / Unemployment Data,” which information may be unaudited.

Notwithstanding the foregoing paragraph, if the audited financial statements are not available by the date specified, the City shall provide on or before such date unaudited financial statements in the format required for the audited financial statements as part of the Disclosure Information and, within 10 days after the receipt thereof, the City shall provide the audited financial statements. Any or all of the Disclosure Information may be incorporated by reference, if it is updated as required hereby, from other documents, including official statements, which have been filed with the SEC or have been made available to the public on the Internet Web site of the Municipal Securities Rulemaking Board (MSRB). If the document incorporated by reference is a final official statement, it must be available from the MSRB. The City shall clearly identify in the Disclosure Information each document so incorporated by reference. If any part of the Disclosure Information can no longer be generated because the operations of the City have materially changed or been discontinued, such Disclosure Information need no longer be provided if the City includes in the Disclosure Information a statement to such effect; provided, however, if such operations have been replaced by other City operations in respect of which data is not included in the Disclosure Information and the City determines that certain specified data regarding such replacement operations would be a Material Fact (as defined in paragraph (2) hereof), then, from and after such determination, the Disclosure Information shall include such additional specified data regarding the replacement operations. If the Disclosure Information is changed or this section is amended as permitted by this paragraph (b)(1) or subsection (d), then the City shall include in the next Disclosure Information to be delivered hereunder, to the extent necessary, an explanation of the reasons for the amendment and the effect of any change in the type of financial information or operating data provided.

- (2) In a timely manner not in excess of ten business days after the occurrence of the event, notice of the occurrence of any of the following events (each a Material Fact):
 - (A) Principal and interest payment delinquencies;
 - (B) Non-payment related defaults, if material;
 - (C) Unscheduled draws on debt service reserves reflecting financial difficulties;
 - (D) Unscheduled draws on credit enhancements reflecting financial difficulties;
 - (E) Substitution of credit or liquidity providers, or their failure to perform;
 - (F) Adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the security, or other material events affecting the tax status of the security;
 - (G) Modifications to rights of security holders, if material;
 - (H) Bond calls, if material, and tender offers;
 - (I) Defeasances;
 - (J) Release, substitution, or sale of property securing repayment of the securities, if material;
 - (K) Rating changes;
 - (L) Bankruptcy, insolvency, receivership or similar event of the obligated person;
 - (M) The consummation of a merger, consolidation, or acquisition involving an obligated person or the sale of all or substantially all of the assets of the obligated person, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; and
 - (N) Appointment of a successor or additional trustee or the change of name of a trustee, if material.

As used herein, for those events that must be reported if material, an event is “material” if it is an event as to which a substantial likelihood exists that a reasonably prudent investor would attach importance thereto in deciding to buy, hold or sell a Bond or, if not disclosed, would significantly alter the total information

otherwise available to an investor from the Official Statement, information disclosed hereunder or information generally available to the public. Notwithstanding the foregoing sentence, an event is also “material” if it is an event that would be deemed material for purposes of the purchase, holding or sale of a Bond within the meaning of applicable federal securities laws, as interpreted at the time of discovery of the occurrence of the event.

For the purposes of the event identified in (L) hereinabove, the event is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent or similar officer for an obligated person in a proceeding under the U.S. Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the obligated person, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the obligated person.

- (3) In a timely manner, notice of the occurrence of any of the following events or conditions:
 - (A) the failure of the City to provide the Disclosure Information required under paragraph (b)(1) at the time specified thereunder;
 - (B) the amendment or supplementing of this section pursuant to subsection (d), together with a copy of such amendment or supplement and any explanation provided by the City under subsection (d)(2);
 - (C) the termination of the obligations of the City under this section pursuant to subsection (d);
 - (D) any change in the accounting principles pursuant to which the financial statements constituting a portion of the Disclosure Information are prepared; and
 - (E) any change in the fiscal year of the City.

(c) Manner of Disclosure.

- (1) The City agrees to make available to the MSRB, in an electronic format as prescribed by the MSRB from time to time, the information described in subsection (b).
- (2) All documents provided to the MSRB pursuant to this subsection (c) shall be accompanied by identifying information as prescribed by the MSRB from time to time.

(d) Term; Amendments; Interpretation.

- (1) The covenants of the City in this section shall remain in effect so long as any Bonds are Outstanding. Notwithstanding the preceding sentence, however, the obligations of the City under this section shall terminate and be without further effect as of any date on which the City delivers to the Registrar an opinion of Bond Counsel to the effect that, because of legislative action or final judicial or administrative actions or proceedings, the failure of the City to comply with the requirements of this section will not cause participating underwriters in the primary offering of the Bonds to be in violation of the Rule or other applicable requirements of the Securities Exchange Act of 1934, as amended, or any statutes or laws successory thereto or amendatory thereof.
- (2) This section (and the form and requirements of the Disclosure Information) may be amended or supplemented by the City from time to time, without notice to (except as provided in

paragraph (c)(3) hereof) or the consent of the Owners of any Bonds, by a resolution of this Council filed in the office of the recording officer of the City accompanied by an opinion of Bond Counsel, who may rely on certificates of the City and others and the opinion may be subject to customary qualifications, to the effect that: (i) such amendment or supplement (a) is made in connection with a change in circumstances that arises from a change in law or regulation or a change in the identity, nature or status of the City or the type of operations conducted by the City, or (b) is required by, or better complies with, the provisions of paragraph (b)(5) of the Rule; (ii) this section as so amended or supplemented would have complied with the requirements of paragraph (b)(5) of the Rule at the time of the primary offering of the Bonds, giving effect to any change in circumstances applicable under clause (i)(a) and assuming that the Rule as in effect and interpreted at the time of the amendment or supplement was in effect at the time of the primary offering; and (iii) such amendment or supplement does not materially impair the interests of the Bondowners under the Rule.

If the Disclosure Information is so amended, the City agrees to provide, contemporaneously with the effectiveness of such amendment, an explanation of the reasons for the amendment and the effect, if any, of the change in the type of financial information or operating data being provided hereunder.

(3) This section is entered into to comply with the continuing disclosure provisions of the Rule and should be construed so as to satisfy the requirements of paragraph (b)(5) of the Rule.

APPENDIX E

TERMS OF PROPOSAL

\$2,905,000* GENERAL OBLIGATION WATER REVENUE REFUNDING BONDS, SERIES 2017A CITY OF WAYZATA, MINNESOTA

Proposals for the purchase of \$2,905,000* General Obligation Water Revenue Refunding Bonds, Series 2017A (the "Bonds") of the City of Wayzata, Minnesota (the "City") will be received at the offices of Ehlers & Associates, Inc. ("Ehlers"), 3060 Centre Pointe Drive, Roseville, Minnesota 55113-1105, Municipal Advisors to the City, until 10:00 A.M., Central Time, and **ELECTRONIC PROPOSALS** will be received via **PARITY**, in the manner described below, until 10:00 A.M. Central Time, on December 19, 2017, at which time they will be opened, read and tabulated. The proposals will be presented to the City Council for consideration for award by resolution at a meeting to be held at 7:00 P.M., Central Time, on the same date. The proposal offering to purchase the Bonds upon the terms specified herein and most favorable to the City will be accepted unless all proposals are rejected.

PURPOSE

The Bonds are authorized pursuant to Minnesota Statutes, Chapters 444 and 475, and Section 475.67, by the City, for the purpose of effecting an advance crossover refunding of certain outstanding general obligations of the City as more fully described herein. The Bonds will be general obligations of the City for which its full faith, credit and taxing powers are pledged.

DATES AND MATURITIES

The Bonds will be dated December 28, 2017, will be issued as fully registered Bonds in the denomination of \$5,000 each, or any integral multiple thereof, and will mature on December 1 as follows:

<u>Year</u>	<u>Amount*</u>	<u>Year</u>	<u>Amount*</u>	<u>Year</u>	<u>Amount*</u>
2019	\$200,000	2024	\$220,000	2029	\$240,000
2020	200,000	2025	220,000	2030	255,000
2021	205,000	2026	225,000	2031	260,000
2022	205,000	2027	230,000		
2023	210,000	2028	235,000		

ADJUSTMENT OPTION

* The City reserves the right to increase or decrease the principal amount of the Bonds on the day of sale, in increments of \$5,000 each. Increases or decreases may be made in any maturity. If any principal amounts are adjusted, the purchase price proposed will be adjusted to maintain the same gross spread per \$1,000.

TERM BOND OPTION

Proposals for the Bonds may contain a maturity schedule providing for any combination of serial bonds and term bonds, subject to mandatory redemption, so long as the amount of principal maturing or subject to mandatory redemption in each year conforms to the maturity schedule set forth above. All dates are inclusive.

INTEREST PAYMENT DATES AND RATES

Interest will be payable on June 1 and December 1 of each year, commencing December 1, 2018, to the registered owners of the Bonds appearing of record in the bond register as of the close of business on the 15th day (whether or not a business day) of the immediately preceding month. Interest will be computed upon the basis of a 360-day year of twelve 30-day months and will be rounded pursuant to rules of the Municipal Securities Rulemaking Board. **The rate for any maturity may not be more than 1.00% less than the rate for any preceding maturity. (For example, if a rate of 4.50% is proposed for the 2019 maturity, then the lowest rate that may be proposed for any later maturity is 3.50%).** All Bonds of the same maturity must bear interest from date of issue until paid at a single, uniform rate. Each rate must be expressed in an integral multiple of 5/100 or 1/8 of 1%.

BOOK-ENTRY-ONLY FORMAT

Unless otherwise specified by the purchaser, the Bonds will be designated in the name of Cede & Co., as nominee for The Depository Trust Company, New York, New York ("DTC"). DTC will act as securities depository for the Bonds, and will be responsible for maintaining a book-entry system for recording the interests of its participants and the transfers of interests between its participants. The participants will be responsible for maintaining records regarding the beneficial interests of the individual purchasers of the Bonds. So long as Cede & Co. is the registered owner of the Bonds, all payments of principal and interest will be made to the depository which, in turn, will be obligated to remit such payments to its participants for subsequent disbursement to the beneficial owners of the Bonds.

PAYING AGENT/ESCROW AGENT

The City has selected Bond Trust Services Corporation, Roseville, Minnesota ("BTSC"), to act as paying agent (the "Paying Agent") and Zions Bank, a division of ZB, National Association, Chicago, Illinois as escrow agent (the "Escrow Agent"). BTSC and Ehlers are affiliate companies. The City will pay the charges for Paying Agent and Escrow Agent services. The City reserves the right to remove the Paying Agent and/or Escrow Agent and to appoint a successor.

OPTIONAL REDEMPTION

At the option of the City, the Bonds maturing on or after December 1, 2027 shall be subject to optional redemption prior to maturity on December 1, 2026 and on any date thereafter, at a price of par plus accrued interest.

Redemption may be in whole or in part of the Bonds subject to prepayment. If redemption is in part, the selection of the amounts and maturities of the Bonds to be redeemed shall be at the discretion of the City. If only part of the Bonds having a common maturity date are called for redemption, then the City or Paying Agent, if any, will notify DTC of the particular amount of such maturity to be redeemed. DTC will determine by lot the amount of each participant's interest in such maturity to be redeemed and each participant will then select by lot the beneficial ownership interest in such maturity to be redeemed.

Notice of redemption shall be sent by mail not more than 60 days and not less than 30 days prior to the date fixed for redemption to the registered owner of each Bond to be redeemed at the address shown on the registration books.

DELIVERY

On or about December 28, 2017, the Bonds will be delivered without cost to the winning bidder at DTC. On the day of closing, the City will furnish to the winning bidder the opinion of bond counsel hereinafter described, an arbitrage certification, and certificates verifying that no litigation in any manner questioning the validity of the Bonds is then pending or, to the best knowledge of officers of the City, threatened. Payment for the Bonds must be received by the City at its designated depository on the date of closing in immediately available funds.

LEGAL OPINION

An opinion in substantially the form attached hereto as Appendix B will be furnished by Dorsey & Whitney LLP, Minneapolis, Minnesota, bond counsel to the City.

SUBMISSION OF PROPOSALS

Proposals must not be for less than \$2,870,140 plus accrued interest on the principal sum of \$2,905,000 from date of original issue of the Bonds to date of delivery. Prior to the time established above for the opening of proposals, interested parties may submit a proposal as follows:

- 1) Electronically to bondsale@ehlers-inc.com; or
- 2) Facsimile submission to Ehlers, Facsimile Number (651) 697-8555; or
- 3) Electronically via **PARITY** in accordance with this Terms of Proposal until 10:00 A.M. Central Time, but no proposal will be received after the time for receiving proposals specified above. To the extent any instructions or directions set forth in **PARITY** conflict with this Terms of Proposal, the terms of this Terms of Proposal shall control. For further information about **PARITY**, potential bidders may contact Ehlers or i-Deal LLC at 1359 Broadway, 2nd Floor, New York, New York 10018, Telephone (212) 849-5021.

Proposals must be submitted to Ehlers via one of the methods described above and must be received prior to the time established above for the opening of proposals. Each proposal must be unconditional except as to legality. Neither the City nor Ehlers shall be responsible for any failure to receive a facsimile submission.

A good faith deposit ("Deposit") in the amount of \$58,100 shall be made by the winning bidder by wire transfer of funds to **KleinBank, 1550 Audubon Road, Chaska, Minnesota, ABA No. 091915654 for credit: Ehlers & Associates Good Faith Account No. 3208138**. Such Deposit shall be received by Ehlers no later than two hours after the proposal opening time. The City reserves the right to award the Bonds to a winning bidder whose wire transfer is initiated but not received by such time provided that such winning bidder's federal wire reference number has been received by such time. In the event the Deposit is not received as provided above, the City may award the Bonds to the bidder submitting the next best proposal provided such bidder agrees to such award. The Deposit will be retained by the City as liquidated damages if the proposal is accepted and the Purchaser fails to comply therewith.

The City and the winning bidder who chooses to so wire the Deposit hereby agree irrevocably that Ehlers shall be the escrow holder of the Deposit wired to such account subject only to these conditions and duties: 1) All income earned thereon shall be retained by the escrow holder as payment for its expenses; 2) If the proposal is not accepted, Ehlers shall, at its expense, promptly return the Deposit amount to the winning bidder; 3) If the proposal is accepted, the Deposit shall be returned to the winning bidder at the closing; 4) Ehlers shall bear all costs of maintaining the escrow account and returning the funds to the winning bidder; 5) Ehlers shall not be an insurer of the Deposit amount and shall have no liability hereunder except if it willfully fails to perform or recklessly disregards, its duties specified herein; and 6) FDIC insurance on deposits within the escrow account shall be limited to \$250,000 per bidder.

No proposal can be withdrawn after the time set for receiving proposals unless the meeting of the City scheduled for award of the Bonds is adjourned, recessed, or continued to another date without award of the Bonds having been made.

AWARD

The Bonds will be awarded to the bidder offering the lowest interest rate to be determined on a True Interest Cost (TIC) basis. The City's computation of the interest rate of each proposal, in accordance with customary practice, will be controlling. In the event of a tie, the sale of the Bonds will be awarded by lot. The City reserves the right to reject any and all proposals and to waive any informality in any proposal.

BOND INSURANCE

If the Bonds are qualified for any bond insurance policy, the purchase of such policy shall be at the sole option and expense of the winning bidder. Any cost for such insurance policy is to be paid by the winning bidder, except that, if the City requested and received a rating on the Bonds from a rating agency, the City will pay that rating fee. Any rating agency fees not requested by the City are the responsibility of the winning bidder.

Failure of the municipal bond insurer to issue the policy after the Bonds are awarded to the winning bidder shall not constitute cause for failure or refusal by the winning bidder to accept delivery of the Bonds.

CUSIP NUMBERS

The City will assume no obligation for the assignment or printing of CUSIP numbers on the Bonds or for the correctness of any numbers printed thereon, but will permit such numbers to be printed at the expense of the winning bidder, if the winning bidder waives any delay in delivery occasioned thereby.

QUALIFIED TAX-EXEMPT OBLIGATIONS

The City will designate the Bonds as qualified tax-exempt obligations for purposes of Section 265(b)(3) of the Internal Revenue Code of 1986, as amended.

CONTINUING DISCLOSURE

In order to assist the Underwriters in complying with the provisions of Rule 15c2-12 promulgated by the Securities and Exchange Commission under the Securities Exchange Act of 1934 the City will enter into an undertaking for the benefit of the holders of the Bonds. A description of the details and terms of the undertaking is set forth in Appendix D of the Preliminary Official Statement.

NEW ISSUE PRICING

The winning bidder will be required to provide, in a timely manner, certain information necessary to compute the yield on the Bonds pursuant to the provisions of the Internal Revenue Code of 1986, as amended, and to provide a certificate which will be provided by Bond Counsel upon request.

(a) The winning bidder shall assist the City in establishing the issue price of the Bonds and shall execute and deliver to the City at closing an "issue price" or similar certificate setting forth the reasonably expected initial offering price to the public or the sales price or prices of the Bonds, together with the supporting pricing wires or equivalent communications, with such modifications as may be appropriate or necessary, in the reasonable judgment of the winning bidder, the City and Bond Counsel. All actions to be taken by the City under this Terms of Proposal to establish the issue price of the Bonds may be taken on behalf of the City by the City's municipal advisor identified herein and any notice or report to be provided to the City may be provided to the City's municipal advisor.

(b) The City intends that the provisions of Treasury Regulation Section 1.148-1(f)(3)(i) (defining "competitive sale" for purposes of establishing the issue price of the Bonds) will apply to the initial sale of the Bonds (the "competitive sale requirements") because:

- (1) The City shall disseminate this Terms of Proposal to potential underwriters in a manner that is reasonably designed to reach potential investors;
- (2) all bidders shall have an equal opportunity to bid;
- (3) the City may receive proposals from at least three underwriters of municipal bonds who have established industry reputations for underwriting new issuances of municipal bonds; and
- (4) the City anticipates awarding the sale of the Bonds to the bidder who submits a firm offer to purchase the Bonds at the highest price (or lowest interest cost), as set forth in this Terms of Proposal.

Any proposal submitted pursuant to this Terms of Proposal shall be considered a firm offer for the purchase of the Bonds, as specified in this proposal.

(c) In the event that the competitive sale requirements are not satisfied, the City shall so advise the winning bidder. The City may determine to treat (i) the first price at which 10% of a maturity of the Bonds (the "10% test") is sold to the public as the issue price of that maturity and/or (ii) the initial offering price to the public as of the sale date of any maturity of the Bonds as the issue price of that maturity (the "hold-the-offering-price rule"), in each case applied on a maturity-by-maturity basis (and if different interest rates apply within a maturity, to each separate CUSIP number within that maturity). The winning bidder shall advise the City if any maturity of the Bonds satisfies the 10% test as of the date and time of the award of the Bonds. The City shall promptly advise the winning bidder, at or before the time of the award of the Bonds, which maturities (and if different interest rates apply within a maturity, which separate CUSIP number within that maturity) of the Bonds shall be subject to the 10% test or shall be subject to the hold-the-offering-price rule. proposals will not be subject to cancellation in the event that the City determines to apply the hold-the-offering-price rule to any maturity of the Bonds. Bidders should prepare their proposals on the assumption that some or all of the maturities of the Bonds will be subject to the hold-the-offering-price rule in order to establish the issue price of the Bonds.

(d) By submitting a proposal, the winning bidder shall (i) confirm that the underwriters have offered or will offer the Bonds to the public on or before the date of award at the offering price or prices (the "initial offering price"), or at the corresponding yield or yields, set forth in the proposal submitted by the winning bidder and (ii) agree, on behalf of the underwriters participating in the purchase of the Bonds, that the underwriters will neither offer nor sell unsold Bonds of any maturity to which the hold-the-offering-price rule shall apply to any person at a price that is higher than the initial offering price to the public during the period starting on the sale date and ending on the earlier of the following:

- (1) the close of the fifth (5th) business day after the sale date; or
- (2) the date on which the underwriters have sold at least 10% of that maturity of the Bonds to the public at a price that is no higher than the initial offering price to the public.

The winning bidder shall promptly advise the City when the underwriters have sold 10% of that maturity of the Bonds to the public at a price that is no higher than the initial offering price to the public, if that occurs prior to the close of the fifth (5th) business day after the sale date.

(f) The City acknowledges that, in making the representation set forth above, the winning bidder will rely on (i) the agreement of each underwriter to comply with the hold-the-price rule, as set forth in an agreement among underwriters and the related pricing wires, (ii) in the event a selling group has been created in connection with the

initial sale of the Bonds to the public, the agreement of each dealer who is a member of the selling group to comply with the hold-the-offering-price rule, as set forth in a selling group agreement and the related pricing wires, and (iii) in the event that an underwriter is a party to a retail distribution agreement that was employed in connection with the initial sale of the Bonds to the public, the agreement of each broker-dealer that is a party to such agreement to comply with the hold-the-offering price rule, as set forth in the retail distribution agreement and the related pricing wires. The City further acknowledges that each underwriter shall be solely liable for its failure to comply with its agreement regarding the hold-the-offering-price rule and that no underwriter shall be liable for the failure of any other underwriter, or of any dealer who is a member of a selling group, or of any broker-dealer that is a party to a retail distribution agreement to comply with its corresponding agreement regarding the hold-the-offering-price rule as applicable to the Bonds.

(g) By submitting a proposal, each bidder confirms that (i) any agreement among underwriters, any selling group agreement and each retail distribution agreement (to which the bidder is a party) relating to the initial sale of the Bonds to the public, together with the related pricing wires, contains or will contain language obligating each underwriter, each dealer who is a member of the selling group, and each broker-dealer that is a party to such retail distribution agreement, as applicable, to comply with the hold-the-offering-price rule, if applicable, in each case if and for so long as directed by the winning bidder and as set forth in the related pricing wires, and (ii) any agreement among underwriters relating to the initial sale of the Bonds to the public, together with the related pricing wires, contains or will contain language obligating each underwriter that is a party to a retail distribution agreement to be employed in connection with the initial sale of the Bonds to the public to require each broker-dealer that is a party to such retail distribution agreement to comply with the hold-the-offering-price rule, if applicable, in each case if and for so long as directed by the winning bidder or such underwriter and as set forth in the related pricing wires.

(h) Sales of any Bonds to any person that is a related party to an underwriter shall not constitute sales to the public for purposes of this Terms of Proposal. Further, for purposes of this Terms of Proposal:

- (i) "public" means any person other than an underwriter or a related party,
- (ii) "underwriter" means (A) any person that agrees pursuant to a written contract with the City (or with the lead underwriter to form an underwriting syndicate) to participate in the initial sale of the Bonds to the public and (B) any person that agrees pursuant to a written contract directly or indirectly with a person described in clause (A) to participate in the initial sale of the Bonds to the public (including a member of a selling group or a party to a retail distribution agreement participating in the initial sale of the Bonds to the public),
- (iii) a purchaser of any of the Bonds is a "related party" to an underwriter if the underwriter and the purchaser are subject, directly or indirectly, to (i) at least 50% common ownership of the voting power or the total value of their stock, if both entities are corporations (including direct ownership by one corporation of another), (ii) more than 50% common ownership of their capital interests or profits interests, if both entities are partnerships (including direct ownership by one partnership of another), or (iii) more than 50% common ownership of the value of the outstanding stock of the corporation or the capital interests or profit interests of the partnership, as applicable, if one entity is a corporation and the other entity is a partnership (including direct ownership of the applicable stock or interests by one entity of the other), and
- (iv) "sale date" means the date that the Bonds are awarded by the City to the winning bidder.

PRELIMINARY OFFICIAL STATEMENT

Bidders may obtain a copy of the Preliminary Official Statement relating to the Bonds prior to the proposal opening by request from Ehlers at www.ehlers-inc.com by connecting to the Bond Sales link. The Syndicate Manager will be provided with an electronic copy of the Final Official Statement within seven business days of the proposal acceptance. Up to 10 printed copies of the Final Official Statement will be provided upon request. Additional copies of the Final Official Statement will be available at a cost of \$10.00 per copy.

Information for bidders and proposal forms may be obtained from Ehlers at 3060 Centre Pointe Drive, Roseville, Minnesota 55113-1105, Telephone (651) 697-8500.

By Order of the City Council

City of Wayzata, Minnesota

PROPOSAL FORM

The City Council
City of Wayzata, Minnesota

December 19, 2017

RE: \$2,905,000* General Obligation Water Revenue Refunding Bonds, Series 2017A
DATED: December 28, 2017

For all or none of the above Bonds, in accordance with the Terms of Proposal and terms of the Global Book-Entry System (unless otherwise specified by the Purchaser) as stated in this Official Statement, we will pay you \$_____ (not less than \$2,870,140) plus accrued interest to date of delivery for fully registered Bonds bearing interest rates and maturing in the stated years as follows:

_____	% due	2019	_____	% due	2024	_____	% due	2029
_____	% due	2020	_____	% due	2025	_____	% due	2030
_____	% due	2021	_____	% due	2026	_____	% due	2031
_____	% due	2022	_____	% due	2027			
_____	% due	2023	_____	% due	2028			

* The City reserves the right to increase or decrease the principal amount of the Bonds on the day of sale, in increments of \$5,000 each. Increases or decreases may be made in any maturity. If any principal amounts are adjusted, the purchase price proposed will be adjusted to maintain the same gross spread per \$1,000.

The rate for any maturity may not be more than 1.00% less than the rate for any preceding maturity. (For example, if a rate of 4.50% is proposed for the 2019 maturity, then the lowest rate that may be proposed for any later maturity is 3.50%.) All Bonds of the same maturity must bear interest from date of issue until paid at a single, uniform rate. Each rate must be expressed in an integral multiple of 5/100 or 1/8 of 1%.

We enclose our Deposit in the amount of \$58,100, to be held by you pending delivery and payment. Alternatively, if we are the winning bidder, we will wire our Deposit to **KleinBank, 1550 Audubon Road, Chaska, Minnesota, ABA No. 091915654 for credit: Ehlers & Associates Good Faith Account No. 3208138**. Such Deposit shall be received by Ehlers & Associates no later than two hours after the proposal opening time. The City reserves the right to award the Bonds to a winning bidder whose wire transfer is initiated but not received by such time provided that such winning bidder's federal wire reference number has been received. In the event the Deposit is not received as provided above, the City may award the Bonds to the bidder submitting the next best proposal provided such bidder agrees to such award. If our proposal is not accepted, said deposit shall be promptly returned to us. If the Deposit is wired to such escrow account, we agree to the conditions and duties of Ehlers & Associates, Inc., as escrow holder of the Deposit, pursuant to the Terms of Proposal. This proposal is for prompt acceptance and is conditional upon delivery of said Bonds to The Depository Trust Company, New York, New York, in accordance with the Terms of Proposal. Delivery is anticipated to be on or about December 28, 2017.

This proposal is subject to the City's agreement to enter into a written undertaking to provide continuing disclosure under Rule 15c2-12 promulgated by the Securities and Exchange Commission under the Securities Exchange Act of 1934 as described in the Preliminary Official Statement for this Issue.

We have received and reviewed the Official Statement and have submitted our requests for additional information or corrections to the Final Official Statement. As Syndicate Manager, we agree to provide the City with the reoffering price of the Bonds within 24 hours of the proposal acceptance.

This proposal is a firm offer for the purchase of the Bonds identified in the Terms of Proposal, on the terms set forth in this proposal form and the Terms of Proposal, and is not subject to any conditions, except as permitted by the Terms of Proposal.

By submitting this proposal, we confirm that we are an Underwriter and have an established industry reputation for underwriting new issuances of municipal bonds. YES: NO: .

Account Manager: _____ By: _____

Account Members:

Award will be on a true interest cost basis. According to our computations (the correct computation being controlling in the award), the total dollar interest cost (including any discount or less any premium) computed from December 28, 2017 of the above proposal is \$_____ and the true interest cost (TIC) is _____%.

The foregoing offer is hereby accepted by and on behalf of the City Council of the City of Wayzata, Minnesota, on December 19, 2017.

By: _____ By: _____
Title: _____ Title: _____