

PRELIMINARY OFFICIAL STATEMENT DATED NOVEMBER 5, 2020

In the opinion of Taft Stettinius & Hollister LLP, Bond Counsel, based on present federal and Minnesota laws, regulations, rulings and decisions, at the time of the issuance of the Bonds, the interest on the Bonds is excluded from gross income for federal income tax purposes and is excluded, to the same extent, from both gross income and taxable net income for State of Minnesota income tax purposes (other than Minnesota franchise taxes measured by income and imposed on corporations and financial institutions). Interest on the Bonds is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals or for purposes of the Minnesota alternative minimum tax applicable to individuals, estates or trusts. No opinion will be expressed by Bond Counsel regarding other state or federal tax consequences. See "TAX EXEMPTION" herein.

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, relating to the ability of financial institutions to deduct from income for federal income tax purposes, interest expense that is allocable to carrying and acquiring tax-exempt obligations.

New Issue

Rating Application Made: S&P Global Ratings

CITY OF WACONIA, MINNESOTA (Carver County)

\$5,295,000* GENERAL OBLIGATION WATER AND SEWER REVENUE REFUNDING BONDS, SERIES 2020B

PROPOSAL OPENING: November 16, 2020, 11:30 A.M., C.T. **CONSIDERATION:** November 16, 2020, 6:00 P.M., C.T.

PURPOSE/AUTHORITY/SECURITY: The \$5,295,000* General Obligation Water and Sewer Revenue Refunding Bonds, Series 2020B (the "Bonds") are being issued pursuant to Minnesota Statutes, Chapters 444 and 475, and Section 475.67, by the City of Waconia, Minnesota (the "City") for the purpose of effecting a current refunding of certain outstanding general obligations of the City for an interest cost savings 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 Taft Stettinius & Hollister LLP, Minneapolis, Minnesota.

DATE OF BONDS: December 10, 2020

MATURITY: February 1 as follows:

| <u>Year</u> | <u>Amount*</u> | <u>Year</u> | <u>Amount*</u> | <u>Year</u> | <u>Amount*</u> |
|-------------|----------------|-------------|----------------|-------------|----------------|
| 2022 | \$950,000 | 2024 | \$980,000 | 2026 | \$995,000 |
| 2023 | 965,000 | 2025 | 990,000 | 2027 | 415,000 |

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: August 1, 2021 and semiannually thereafter.

OPTIONAL REDEMPTION: The Bonds are being offered without the option of prior optional redemption.

MINIMUM PROPOSAL: \$5,231,460.

GOOD FAITH DEPOSIT: A good faith deposit in the amount of \$105,900 shall be made by the winning bidder by wire transfer of funds.

PAYING AGENT: Bond Trust Services Corporation

BOND COUNSEL: Taft Stettinius & Hollister LLP

MUNICIPAL ADVISOR: Ehlers and Associates, Inc.

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

This Preliminary Official Statement and the information contained herein are subject to completion and amendment. These securities may not be sold nor may offers to buy be accepted prior to the time the Official Statement is delivered in final form. 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. This Preliminary Official Statement is in a form deemed final as of its date for purposes of SEC Rule 15c2-12(b) (1), but is subject to revision, amendment and completion in a Final Official Statement.

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 and 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 and Associates, Inc., payable entirely by the City, is contingent upon the delivery of the Bonds.

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 and 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 City is 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 OF WACONIA CITY COUNCIL

| | | <u>Term Expires</u> |
|------------------|----------------|---------------------|
| Kent Bloudek | Mayor | January 2021 |
| Marc Carrier | Council Member | January 2021 |
| Charles Erickson | Council Member | January 2021 |
| Peter Leo | Council Member | January 2023 |
| Nicole Waldron | Council Member | January 2023 |

ADMINISTRATION

Susan Arntz, City Administrator/City Clerk

Nicole Meyer, Finance Director

PROFESSIONAL SERVICES

Taft Stettinius & Hollister LLP, Bond Counsel, Minneapolis, Minnesota

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

INTRODUCTORY STATEMENT

This Preliminary Official Statement contains certain information regarding the City of Waconia, Minnesota (the "City") and the issuance of its \$5,295,000* General Obligation Water and Sewer Revenue Refunding Bonds, Series 2020B (the "Bonds"). 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 authorizing the issuance and sale of the Bonds ("Award Resolution") to be adopted by the City Council on November 16, 2020.

Inquiries may be directed to Ehlers and 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 10, 2020. The Bonds will mature on February 1 in the years and amounts set forth on the cover of this Preliminary Official Statement. Interest will be payable on February 1 and August 1 of each year, commencing August 1, 2021, 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 2022 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, to act as paying agent (the "Paying Agent"). Bond Trust Services Corporation and Ehlers are affiliate companies. The City will pay the charges for Paying Agent services. The City reserves the right to remove the Paying Agent and to appoint a successor.

OPTIONAL REDEMPTION

The Bonds are being offered without the option of prior optional redemption.

*Preliminary, subject to change.

AUTHORITY; PURPOSE

The Bonds are being issued pursuant to Minnesota Statutes, Chapters 444 and 475, and Section 475.67, by the City for the purpose of effecting a current refunding of the City's \$9,950,000 General Obligation Refunding Bonds, Series 2013A (the "Series 2013A Bonds"), for an interest cost savings, as follows:

| Issue Being Refunded | Date of Refunded Issue | Call Date | Call Price | Maturities Being Refunded | Interest Rates | Principal to be Refunded | CUSIP Base 930013 |
|---|------------------------------|--------------|---------------|---------------------------------|-------------------|--------------------------------|-------------------------|
| Series 2013A Bonds | 6/12/13 | 2/1/21 | Par | 2022 | 2.00% | \$895,000 | XA0 |
| | | | | 2023 | 2.00% | 920,000 | XB8 |
| | | | | 2024 | 2.00% | 950,000 | XC6 |
| | | | | 2025 | 2.00% | 975,000 | XD4 |
| | | | | 2026 | 2.25% | 1,000,000 | XE2 |
| | | | | 2027 | 2.25% | <u>425,000</u> | XF9 |
| Total Series 2013A Bonds Being Refunded | | | | | | \$5,165,000 | |

Proceeds of the Bonds will be used to call and prepay the maturities described above and to pay all or most of the costs of issuance. The City will pay the principal and interest payment due on February 1, 2021 from the Debt Service Account for the Series 2013B Bonds.

ESTIMATED SOURCES AND USES*

Sources

| | | |
|----------------------|--------------------|--------------------|
| Par Amount of Bonds | <u>\$5,295,000</u> | |
| Total Sources | | \$5,295,000 |

Uses

| | | |
|---------------------------------------|--------------|--------------------|
| Total Underwriter's Discount (1.200%) | \$63,540 | |
| Costs of Issuance | 63,000 | |
| Deposit to Current Refunding Fund | 5,165,000 | |
| Rounding Amount | <u>3,460</u> | |
| Total Uses | | \$5,295,000 |

*Preliminary, subject to change.

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 and sewer systems ("utility revenues") which are 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 "AA+" by S&P Global Ratings ("S&P").

The City has requested a rating on the Bonds 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 brokers, dealers, and municipal securities dealers, in connection with their participation in the offering of the Bonds, to comply with Rule 15c2-12 promulgated by the Securities and Exchange Commission, pursuant to the Securities and Exchange Act of 1934, as amended (the "Rule"), the City shall agree to provide certain information to the Municipal Securities Rulemaking Board ("MSRB ") through its Electronic Municipal Market Access ("EMMA ") system, or any system that may be prescribed in the future. The Rule was last amended, effective February 27, 2019, to include an expanded list of material events.

On the date of issue and delivery, the City shall execute and deliver a Continuing Disclosure Certificate, under which the City will covenant for the benefit of holders including beneficial holders, to provide electronically, or in a manner otherwise prescribed, certain financial information annually and to provide notices of the occurrence of certain events enumerated in the Rule (the "Disclosure Undertaking"). The details and terms of the Disclosure Undertaking for the City are set forth in Appendix D. Such Disclosure Undertaking will be in substantially the form attached hereto.

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

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. Except to the extent that the preceding is deemed to be material, the City believes it has not failed to comply in the previous five years in all material respects with its prior undertakings under the Rule. The City has reviewed its continuing disclosure responsibilities along with any changes to the Rule, to ensure compliance. Ehlers is currently engaged as dissemination agent for the City.

LEGAL OPINION

An opinion as to the validity of the Bonds and the exemption from taxation of the interest thereon will be furnished by Taft Stettinius & Hollister LLP, Minneapolis, Minnesota, Bond Counsel to the City, and will be available at the time of delivery of the Bonds. The legal opinion will state that the Bonds are valid and binding general obligations of the City; provided that the rights of the owners of the Bonds and the enforceability of the Bonds may be limited by bankruptcy, insolvency, reorganization, moratorium, and other similar laws affecting creditors' rights and by equitable principles (which may be applied in either a legal or equitable proceeding). See "FORM OF LEGAL OPINION" found in Appendix B.

TAX EXEMPTION

On the date of issuance of the Bonds, Taft Stettinius & Hollister LLP, Bond Counsel, will render an opinion, that, based on present federal and Minnesota laws, regulations, rulings and decisions, at the time of the issuance of the Bonds, the interest on the Bonds is excluded from gross income for federal income tax purposes and is excluded, to the same extent, from both gross income and taxable net income for State of Minnesota income tax purposes (other than Minnesota franchise taxes measured by income and imposed on corporations and financial institutions). Interest on the Bonds is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals or for purposes of the Minnesota alternative minimum tax applicable to individuals, estates or trusts. The opinions are subject to the condition that the City complies with all applicable federal tax requirements. Failure to comply with certain of such requirements may cause interest on the Bonds to be included in gross income and taxable net income, retroactive to their date of issuance. No opinion will be expressed by Bond Counsel regarding other state or federal tax consequences.

Other Federal and State Tax Considerations

Other Tax Considerations

Though excluded from gross income, interest on the Bonds is subject to federal income taxation for certain types of taxpayers and certain income taxes, including without implied limitation, taxation to the extent it is included as part of (a) the adjusted current earnings of a corporation for purposes of the alternative minimum tax, (b) effectively connected earnings and profits of a foreign corporation for purposes of the branch profits tax on dividend equivalent amounts, (c) excess net passive income of an S Corporation which has Subchapter C earnings and profits, or (d) minimum effectively connected net investment income of a foreign insurance company. Interest on the Bonds is also taken into account in other ways for federal income tax purposes, including without implied limitation, (a) reducing loss reserve deductions of property and casualty insurance companies, (b) reducing interest expense deductions of financial institutions, and (c) causing certain taxpayers to include in gross income a portion of social security benefits and railroad retirement benefits. Ownership of the Bonds may result in other collateral federal income tax consequences to certain taxpayers. Bond Counsel expresses no opinion as to any of such consequences, and prospective purchasers who may be subject to such collateral consequences should consult their tax advisers.

Original Issue Discount

Some of the Bonds ("the OID Bonds") may be sold at initial public offering prices which are less than the principal amounts payable at maturity. For each maturity of OID Bonds, original issue discount is the excess of the stated redemption price at maturity of such Bonds over the initial offering price to the public, excluding underwriters and other intermediaries, at which price a substantial amount of such Bonds are sold. The appropriate portion of such original issue discount allocable to the original and each subsequent holder will be treated as interest and excluded from gross income for federal income tax purposes and will increase a holders' tax basis in such Bonds for purposes of determining gain or loss upon sale, exchange, redemption, or payment at maturity. Owners of such Bonds should consult their own tax advisors with respect to the computation and determination of the portion of original issue discount which will be treated as interest and added to a holder's tax basis during the period such Bonds are held.

Original Issue Premium

Some of the Bonds may be sold at initial public offering prices which are greater than the principal amounts payable at maturity. 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 federal, state and local tax consequences of owning and selling Bonds acquired at a premium.

Proposed Changes in Federal and State Tax Law

From time to time, there are Presidential proposals, proposals of various federal committees, and legislative proposals in the Congress and in the states 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. Further, such proposals may impact the marketability or market value of the Bonds simply by being proposed. No prediction is made whether such provisions will be enacted as proposed or concerning other future legislation affecting the tax treatment of interest on the Bonds. In addition, regulatory actions are from time to time announced or proposed and litigation is threatened or commenced which, if implemented or concluded in a particular manner, could adversely affect the market value, marketability or tax status of the Bonds. It cannot be predicted whether any such regulatory action will be implemented, how any particular litigation or judicial action will be resolved, or whether the Bonds would be impacted thereby.

The above is not a comprehensive list of all federal tax consequences that may arise from the receipt of interest on the Bonds. The receipt of interest on the Bonds may otherwise affect the federal or State of Minnesota income tax liability of the recipient based on the particular taxes to which the recipient is subject and the particular tax status of other items or deductions. Bond Counsel expresses no opinion regarding any such consequences. All prospective purchasers of the Bonds are advised to consult their own tax advisors as to the tax consequences of, or tax considerations for, purchasing or holding the Bonds.

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, interest expense that is allocable to carrying and acquiring tax-exempt obligations.

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. Ehlers makes no representation, warranty or guarantee regarding the accuracy or completeness of the information in this Preliminary Official Statement, and its assistance in preparing this Preliminary Official Statement should not be construed as a representation that it has independently verified such information.

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, Colorado, 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, 2019 have been audited by Redpath and Company, Ltd., St. Paul, 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 (utility 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 Award 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 federal 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.

Cybersecurity: The City is dependent on electronic information technology systems to deliver services. These systems may contain sensitive information or support critical operational functions which may have value for unauthorized purposes. As a result, the electronic systems and networks may be targets of cyberattack. There can be no assurance that the City will not experience an information technology breach or attack with financial consequences that could have a material adverse impact.

Impact of the Spread of COVID-19: In late 2019, a novel strain of coronavirus (COVID-19) emerged in Wuhan, Hubei Province, China. COVID-19 has spread throughout the world, including to the United States, resulting in the World Health Organization proclaiming COVID-19 to be a pandemic and President Trump declaring a national emergency. In response to the spread of COVID-19, the United States government, state governments, local governments and private industries have taken measures to limit social interactions in an effort to limit the spread of COVID-19. The effects of the spread of COVID-19 and the government and private responses to the spread continue to rapidly evolve. COVID-19 has caused significant disruptions to the global, national and State economy. The extent to which the coronavirus impacts the City and its financial condition will depend on future developments, which are highly uncertain and cannot be predicted by the City, including the duration of the outbreak and measures taken to address the outbreak.

On March 13, 2020, Minnesota Governor Tim Walz signed Emergency Executive Order 20-01 and declared a peacetime emergency. In subsequent executive orders, the Governor has extended the peacetime emergency by 30 days. On June 5, 2020, the Governor signed Emergency Executive Order 20-74 which outlines guidelines for continuing to safely reopen Minnesota's economy and ensuring safe non-work activities during the COVID-19 peacetime emergency. This order is effective as of June 10, 2020, and outlines the guidelines for continuing to lift the restrictions that were identified in prior executive orders signed by the Governor.

The foregoing is intended only as a summary of certain risk factors attendant to an investment in the Bonds. In order for potential investors to identify risk factors and make an informed investment decision, potential investors should be thoroughly familiar with this entire Preliminary Official Statement and the Appendices hereto.

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 | 2017/18 | 2018/19 | 2019/20 |
|--|--|--|--|
| 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 \$1,940,000 - 0.50% ² Over \$1,940,000 - 1.00% ² | 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 \$1,880,000 - 0.50% ² Over \$1,880,000 - 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 \$121,000 - .75% Over \$121,000 - .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 \$139,000 - .75% Over \$139,000 - .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 \$150,000 - .75% Over \$150,000 - .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

2019/20 Economic Market Value

\$1,691,839,769¹

| | 2019/20 Assessor's Estimated Market Value | 2019/20 Net Tax Capacity |
|--|--|---|
| Real Estate | \$1,566,117,100 | \$17,343,814 |
| Personal Property | 12,308,700 | 243,834 |
| Total Valuation | <u>\$1,578,425,800</u> | \$17,587,648 |
| Less: Captured Tax Increment Tax Capacity ² | | (195,276) |
| Fiscal Disparities Contribution ³ | | (1,415,997) |
| Taxable Net Tax Capacity | | \$15,976,375 |
| Plus: Fiscal Disparities Distribution ³ | | 2,034,134 |
| Adjusted Taxable Net Tax Capacity | | <u>\$18,010,509</u> |

¹ According to the Minnesota Department of Revenue, the Assessor's Estimated Market Value (the "AEMV") for the City is about 93.41% of the actual selling prices of property most recently sold in the City. The sales ratio was calculated by comparing 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 \$1,691,839,769.

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

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, and fiscal capacity indicated market value as determined by the Minnesota Department of Revenue. Each governmental unit makes a contribution and receives a distribution--sometimes gaining and sometimes contributing net tax capacity for tax purposes.

2019/20 NET TAX CAPACITY BY CLASSIFICATION

| | 2019/20 Net Tax Capacity | Percent of Total Net Tax Capacity |
|--|-------------------------------------|--|
| Residential homestead | \$11,390,584 | 64.76% |
| Agricultural | 32,863 | 0.19% |
| Commercial/industrial | 3,817,410 | 21.71% |
| Public utility | 68,207 | 0.39% |
| Other commercial & industrial | 4,032 | 0.02% |
| Non-homestead residential | 2,001,813 | 11.38% |
| Commercial & residential seasonal/rec. | 27,296 | 0.16% |
| Other | 1,609 | 0.01% |
| Personal property | 243,834 | 1.39% |
| Total | <u>\$17,587,648</u> | <u>100.00%</u> |

TREND OF VALUATIONS

| Levy Year | Assessor's Estimated Market Value | Assessor's Taxable Market Value | Net Tax Capacity¹ | Adjusted Taxable Net Tax Capacity² | Percent +/- in Estimated Market Value |
|----------------------|--|--|---|--|--|
| 2015/16 | \$1,211,097,600 | \$1,160,365,600 | \$13,238,918 | \$13,221,714 | + 7.64% |
| 2016/17 | 1,246,148,900 | 1,192,437,500 | 13,721,264 | 13,779,989 | + 2.89% |
| 2017/18 | 1,340,460,900 | 1,288,397,100 | 14,741,704 | 14,888,812 | + 7.57% |
| 2018/19 | 1,416,194,700 | 1,367,548,500 | 15,674,928 | 15,985,923 | + 5.65% |
| 2019/20 | 1,578,425,800 | 1,536,864,900 | 17,587,648 | 18,010,509 | +11.46% |

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

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

LARGER TAXPAYERS

| Taxpayer | Type of Property | 2019/20 Net Tax Capacity | Percent of City's Total Net Tax Capacity |
|--------------------------------|-------------------------|---|---|
| Ridgeview Real Estate LLC | Commercial | \$ 326,320 | 1.86% |
| JE Waconia 2018 LLC | Commercial | 217,786 | 1.24% |
| Elkay Wood Products Company | Commercial | 172,120 | 0.98% |
| Target Corporation | Commercial | 160,786 | 0.91% |
| Centerpoint Energy Minnegasco | Utility | 141,250 | 0.80% |
| Lakeview Clinic Building Corp. | Commercial | 140,292 | 0.80% |
| Xcel Energy | Utility | 139,696 | 0.79% |
| Auburn Meadows LLC | Rental/Residential | 107,348 | 0.61% |
| Health Care Reit, Inc. | Rental/Residential | 104,155 | 0.59% |
| Ilex Group, Inc. | Commercial | 86,988 | 0.49% |
| Total | | <u>\$ 1,596,741</u> | <u>9.08%</u> |

City's Total 2019/20 Net Tax Capacity \$17,587,648

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

DEBT

DIRECT DEBT¹

General Obligation Debt (see schedules following)

| | |
|--|-----------------------------|
| Total g.o. debt being paid from special assessments and taxes | \$ 13,345,000 |
| Total g.o. debt being paid from special assessments and utility revenues | 1,320,000 |
| Total g.o. debt being paid from tax abatement revenues | 2,340,000 |
| Total g.o. debt being paid from taxes | 7,940,000 |
| Total g.o. debt being paid from utility revenues (includes the Bonds)* | <u>11,270,000</u> |
| Total General Obligation Debt* | <u><u>\$ 36,215,000</u></u> |

Lease Purchase Obligations (see schedule following)²

| | |
|--------------------------------------|---------------------------|
| Total lease purchase obligations | \$ 979,634 |
| Total EDA lease purchase obligations | <u>2,982,001</u> |
| Total Annual Appropriation Debt | <u><u>\$3,961,635</u></u> |

*Preliminary, subject to change.

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

² Non-general obligation debt has not been included in the debt ratios.

City of Waconia, Minnesota
Schedule of Bonded Indebtedness
General Obligation Debt Secured by Special Assessments and Taxes
(As of 12/10/2020)

| | | Improvement Bonds 1) Series 2014A | | Improvement Bonds 2) Series 2015A | | Improvement Bonds 3) Series 2016A | | Improvement Bonds 4) Series 2017A | | Improvement Bonds 5) Series 2018A | |
|-------------------------|--------|--------------------------------------|-------------|--------------------------------------|-------------|--------------------------------------|-------------|--------------------------------------|-------------|--------------------------------------|-----------|
| Dated | Amount | 06/12/2014 | \$1,390,000 | 07/09/2015 | \$1,765,000 | 05/24/2016 | \$4,075,000 | 08/15/2017 | \$6,935,000 | 09/12/2018 | \$965,000 |
| Maturity | | 02/01 | | 02/01 | | 02/01 | | 02/01 | | 02/01 | |
| Calendar Year Ending | | Principal | Interest | Principal | Interest | Principal | Interest | Principal | Interest | Principal | Interest |
| 2021 | | 140,000 | 13,200 | 170,000 | 34,600 | 395,000 | 54,850 | 650,000 | 159,800 | 85,000 | 30,800 |
| 2022 | | 145,000 | 10,350 | 175,000 | 29,425 | 405,000 | 46,850 | 670,000 | 140,000 | 90,000 | 27,300 |
| 2023 | | 145,000 | 7,450 | 180,000 | 23,200 | 410,000 | 38,700 | 690,000 | 119,600 | 90,000 | 23,700 |
| 2024 | | 150,000 | 4,500 | 190,000 | 15,800 | 420,000 | 30,400 | 710,000 | 98,600 | 95,000 | 20,000 |
| 2025 | | 150,000 | 1,500 | 195,000 | 9,075 | 430,000 | 21,900 | 735,000 | 76,925 | 100,000 | 16,100 |
| 2026 | | | | 205,000 | 3,075 | 435,000 | 13,250 | 755,000 | 54,575 | 105,000 | 12,000 |
| 2027 | | | | | | 445,000 | 4,450 | 775,000 | 31,625 | 105,000 | 8,325 |
| 2028 | | | | | | | | 800,000 | 10,000 | 110,000 | 5,100 |
| 2029 | | | | | | | | | | 115,000 | 1,725 |
| 2030 | | | | | | | | | | | |
| 2031 | | | | | | | | | | | |
| | | 730,000 | 37,000 | 1,115,000 | 115,175 | 2,940,000 | 210,400 | 5,785,000 | 691,125 | 895,000 | 145,050 |

- 1) This represents the \$1,390,000 Improvement portion of the \$2,265,000 General Obligation Bonds, Series 2014A.
- 2) This represents the \$1,765,000 Improvement portion of the \$9,160,000 General Obligation Bonds, Series 2015A.
- 3) This represents the \$4,075,000 Improvement portion of the \$4,785,000 General Obligation Bonds, Series 2016A.
- 4) This represents the \$6,935,000 Improvement portion of the \$7,470,000 General Obligation Bonds, Series 2017A.
- 5) This represents the \$965,000 Improvement portion of the \$1,465,000 General Obligation Bonds, Series 2018A.
- 6) This represents the \$1,880,000 Street Improvement portion of the \$4,755,000 General Obligation Bonds, Series 2020A.

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City of Waconia, Minnesota

Street Improvement Bonds 6)
Series 2020A

City of Waconia, Minnesota
Schedule of Bonded Indebtedness
General Obligation Debt Secured by Special Assessments and Utility Revenues
(As of 12/10/2020)

Utility Revenue Bonds 1)
Series 2019A

| Dated Amount | 08/22/2019 \$1,320,000 | | |
|-------------------------|---------------------------|----------|----------------------------|
| Maturity | 02/01 | | |
| Calendar Year Ending | Principal | Interest | |
| 2021 | 85,000 | 60,625 | |
| 2022 | 115,000 | 55,625 | |
| 2023 | 115,000 | 49,875 | |
| 2024 | 120,000 | 44,000 | |
| 2025 | 130,000 | 37,750 | |
| 2026 | 135,000 | 31,125 | |
| 2027 | 145,000 | 24,125 | |
| 2028 | 150,000 | 16,750 | |
| 2029 | 160,000 | 9,800 | |
| 2030 | 165,000 | 3,300 | |
| | 1,320,000 | 332,975 | |
| | | | 1,652,975 |
| Calendar Year Ending | Principal Outstanding | % Paid | Calendar Year Ending |
| 2021 | 1,235,000 | 6.44% | 2021 |
| 2022 | 1,120,000 | 15.15% | 2022 |
| 2023 | 1,005,000 | 23.86% | 2023 |
| 2024 | 885,000 | 32.95% | 2024 |
| 2025 | 755,000 | 42.80% | 2025 |
| 2026 | 620,000 | 53.03% | 2026 |
| 2027 | 475,000 | 64.02% | 2027 |
| 2028 | 325,000 | 75.38% | 2028 |
| 2029 | 165,000 | 87.50% | 2029 |
| 2030 | 0 | 100.00% | 2030 |

1) This represents the \$1,320,000 Water & Storm Sewer portion of the \$4,515,000 General Obligation Bonds, Series 2019A.

City of Waconia, Minnesota
Schedule of Bonded Indebtedness
General Obligation Debt Secured by Tax Abatement Revenues
(As of 12/10/2020)

| Tax Abatement Bonds 1) Series 2015A | | | | Tax Abatement Bonds 2) Series 2019A | | | | Tax Abatement Bonds 3) Series 2020A | | | | | | | |
|--|--|---------------------------|----------|--|----------|---------------------------|----------|--|----------------|-------------|-----------------------|---------|----------------------|--|--|
| Dated Amount | | 07/09/2015 \$1,615,000 | | 08/22/2019 \$230,000 | | 09/03/2020 \$1,090,000 | | | | | | | | | |
| Maturity | | 02/01 | | 02/01 | | 02/01 | | | | | | | | | |
| Calendar Year Ending | | Principal | Interest | Principal | Interest | Principal | Interest | Total Principal | Total Interest | Total P & I | Principal Outstanding | % Paid | Calendar Year Ending | | |
| 2021 | | 155,000 | 31,675 | 15,000 | 10,575 | 0 | 16,673 | 170,000 | 58,923 | 228,923 | 2,170,000 | 7.26% | 2021 | | |
| 2022 | | 160,000 | 26,950 | 20,000 | 9,700 | 95,000 | 17,350 | 275,000 | 54,000 | 329,000 | 1,895,000 | 19.02% | 2022 | | |
| 2023 | | 165,000 | 21,250 | 20,000 | 8,700 | 100,000 | 15,400 | 285,000 | 45,350 | 330,350 | 1,610,000 | 31.20% | 2023 | | |
| 2024 | | 175,000 | 14,450 | 20,000 | 7,700 | 105,000 | 13,350 | 300,000 | 35,500 | 335,500 | 1,310,000 | 44.02% | 2024 | | |
| 2025 | | 180,000 | 8,250 | 25,000 | 6,575 | 105,000 | 11,250 | 310,000 | 26,075 | 336,075 | 1,000,000 | 57.26% | 2025 | | |
| 2026 | | 185,000 | 2,775 | 25,000 | 5,325 | 110,000 | 9,100 | 320,000 | 17,200 | 337,200 | 680,000 | 70.94% | 2026 | | |
| 2027 | | | | 25,000 | 4,075 | 110,000 | 6,900 | 135,000 | 10,975 | 145,975 | 545,000 | 76.71% | 2027 | | |
| 2028 | | | | 25,000 | 2,825 | 115,000 | 4,650 | 140,000 | 7,475 | 147,475 | 405,000 | 82.69% | 2028 | | |
| 2029 | | | | 25,000 | 1,700 | 115,000 | 2,925 | 140,000 | 4,625 | 144,625 | 265,000 | 88.68% | 2029 | | |
| 2030 | | | | 30,000 | 600 | 115,000 | 1,775 | 145,000 | 2,375 | 147,375 | 120,000 | 94.87% | 2030 | | |
| 2031 | | | | | | 120,000 | 600 | 120,000 | 600 | 120,600 | 0 | 100.00% | 2031 | | |
| | | 1,020,000 | 105,350 | 230,000 | 57,775 | 1,090,000 | 99,973 | 2,340,000 | 263,098 | 2,603,098 | | | | | |

- 1) This represents the \$1,615,000 Tax Abatement portion of the \$9,160,000 General Obligation Bonds, Series 2015A.
- 2) This represents the \$230,000 Tax Abatement portion of the \$4,515,000 General Obligation Bonds, Series 2019A.
- 3) This represents the \$1,090,000 Tax Abatement portion of the \$4,755,000 General Obligation Bonds, Series 2020A.

City of Waconia, Minnesota
Schedule of Bonded Indebtedness
General Obligation Debt Secured by Taxes
(As of 12/10/2020)

| Dated Amount | Sanitary Sewer Bonds 1) Series 2014A | | Street Reconstruction Bonds 2) Series 2015A | | Sanitary Sewer Bonds 3) Series 2015A | | Capital Improvement Plan Bonds Series 2015C | | Equipment Certificates 4) Series 2016A | |
|-------------------------|---|----------|---|----------|--|----------|---|----------|---|----------|
| | 06/12/2014 \$350,000 | 02/01 | 07/09/2015 \$2,420,000 | 02/01 | 07/09/2015 \$860,000 | 02/01 | 12/15/2015 \$4,320,000 | 02/01 | 05/24/2016 \$710,000 | 02/01 |
| Maturity | | | | | | | | | | |
| Calendar Year Ending | Principal | Interest | Principal | Interest | Principal | Interest | Principal | Interest | Principal | Interest |
| 2021 | 35,000 | 3,250 | 235,000 | 47,475 | 85,000 | 16,875 | 315,000 | 73,700 | 75,000 | 8,950 |
| 2022 | 35,000 | 2,550 | 240,000 | 40,350 | 85,000 | 14,325 | 325,000 | 67,300 | 80,000 | 7,400 |
| 2023 | 35,000 | 1,850 | 250,000 | 31,750 | 90,000 | 11,250 | 330,000 | 59,100 | 80,000 | 5,800 |
| 2024 | 35,000 | 1,150 | 260,000 | 21,550 | 90,000 | 7,650 | 345,000 | 48,975 | 80,000 | 4,200 |
| 2025 | 40,000 | 400 | 270,000 | 12,300 | 95,000 | 4,425 | 350,000 | 38,550 | 85,000 | 2,550 |
| 2026 | | | 275,000 | 4,125 | 100,000 | 1,500 | 360,000 | 27,900 | 85,000 | 850 |
| 2027 | | | | | | | 370,000 | 16,950 | | |
| 2028 | | | | | | | 380,000 | 5,700 | | |
| 2029 | | | | | | | | | | |
| 2030 | | | | | | | | | | |
| 2031 | | | | | | | | | | |
| | 180,000 | 9,200 | 1,530,000 | 157,550 | 545,000 | 56,025 | 2,775,000 | 338,175 | 485,000 | 29,750 |

1) This represents the \$350,000 Sanitary Sewer portion of the \$2,265,000 General Obligation Bonds, Series 2014A. This portion is not subject to the debt limit.

2) This represents the \$2,420,000 Street Reconstruction portion of the \$9,160,000 General Obligation Bonds, Series 2015A.

3) This represents the \$860,000 Sanitary Sewer portion of the \$9,160,000 General Obligation Bonds, Series 2015A. This portion is not subject to the debt limit.

4) This represents the \$710,000 Equipment Certificates portion of the \$4,785,000 General Obligation Bonds, Series 2016A.

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City of Waconia, Minnesota
Schedule of Bonded Indebtedness continued
General Obligation Debt Secured by Taxes
(As of 12/10/2020)

| Dated Amount | Equipment Certificates 5) Series 2017A | | Equipment Certificates & Refunding Bonds 6) Series 2019A | | Sanitary Sewer Bonds 7) Series 2020A | | Calendar Year Ending |
|-------------------------|---|----------|--|----------|--|-----------|----------------------------|
| | 08/15/2017 \$535,000 | 02/01 | 08/22/2019 \$1,665,000 | 02/01 | 09/03/2020 \$325,000 | 02/01 | |
| Maturity | 02/01 | | 02/01 | | 02/01 | | |
| Calendar Year Ending | Principal | Interest | Principal | Interest | Principal | Interest | |
| 2021 | 55,000 | 12,225 | 140,000 | 79,450 | 0 | 4,966 | 2021 |
| 2022 | 60,000 | 10,500 | 180,000 | 71,450 | 30,000 | 5,150 | 2022 |
| 2023 | 60,000 | 8,700 | 190,000 | 62,200 | 30,000 | 4,550 | 2023 |
| 2024 | 60,000 | 6,900 | 205,000 | 52,325 | 30,000 | 3,950 | 2024 |
| 2025 | 65,000 | 5,025 | 215,000 | 41,825 | 30,000 | 3,350 | 2025 |
| 2026 | 65,000 | 3,075 | 220,000 | 30,950 | 30,000 | 2,750 | 2026 |
| 2027 | 70,000 | 1,050 | 235,000 | 19,575 | 35,000 | 2,100 | 2027 |
| 2028 | | | 250,000 | 7,450 | 35,000 | 1,400 | 2028 |
| 2029 | | | 30,000 | 600 | 35,000 | 875 | 2029 |
| 2030 | | | | | 35,000 | 525 | 2030 |
| 2031 | | | | | 35,000 | 175 | 2031 |
| | 435,000 | 47,475 | 1,665,000 | 365,825 | 325,000 | 29,791 | |
| | | | | | 7,940,000 | 1,033,791 | |
| | | | | | 8,973,791 | | |

5) This represents the \$535,000 Equipment Certificates portion of the \$7,470,000 General Obligation Bonds, Series 2017A.

6) This represents the \$1,665,000 Equipment Certificates and Series 2010A Refunding portions of the \$4,515,000 General Obligation Bonds, Series 2019A.

7) This represents the \$345,000 Sanitary Sewer portion of the \$4,755,000 General Obligation Bonds, Series 2020A.
This portion is not subject to the debt limit.

City of Waconia, Minnesota
Schedule of Bonded Indebtedness
General Obligation Debt Secured by Utility Revenues
(As of 12/10/2020)

| Dated Amount | Maturity | Refunding Bonds Series 2013A | | Utility Revenue Bonds 1) Series 2014A | | Utility Revenue Bonds 2) Series 2015A | | Utility Revenue Bonds 3) Series 2018A | | Utility Revenue Bonds 4) Series 2019A | |
|---------------------------|----------|---------------------------------|----------|--|----------|--|----------|--|----------|--|----------|
| | | Principal | Interest | Principal | Interest | Principal | Interest | Principal | Interest | Principal | Interest |
| 06/12/2013 \$9,950,000 | 02/01 | 880,000 | 62,231 | 55,000 | 4,950 | 245,000 | 49,325 | 40,000 | 16,200 | 80,000 | 59,850 |
| | | | | 55,000 | 3,850 | 250,000 | 41,900 | 50,000 | 14,400 | 110,000 | 55,100 |
| | | | | 55,000 | 2,750 | 260,000 | 32,950 | 50,000 | 12,400 | 115,000 | 49,475 |
| | | | | 55,000 | 1,650 | 270,000 | 22,350 | 50,000 | 10,400 | 125,000 | 43,475 |
| | | | | 55,000 | 550 | 280,000 | 12,750 | 50,000 | 8,400 | 130,000 | 37,100 |
| | | | | | | 285,000 | 4,275 | 50,000 | 6,400 | 135,000 | 30,475 |
| | | | | | | | | 60,000 | 4,500 | 140,000 | 23,600 |
| | | | | | | | | 60,000 | 2,700 | 150,000 | 16,350 |
| | | | | | | | | 60,000 | 900 | 155,000 | 9,500 |
| | | | | | | | | | | 160,000 | 3,200 |
| | | 880,000 | 62,231 | 275,000 | 13,750 | 1,590,000 | 163,550 | 470,000 | 76,300 | 1,300,000 | 328,125 |

- 1) This represents the \$525,000 Water & Storm Sewer portion of the \$2,265,000 General Obligation Bonds, Series 2014A.
- 2) This represents the \$2,500,000 Water & Storm Sewer portion of the \$9,160,000 General Obligation Bonds, Series 2015A.
- 3) This represents the \$500,000 Water and Sanitary Sewer portions of the \$1,465,000 General Obligation Bonds, Series 2018A.
- 4) This represents the \$1,300,000 Sewer portion of the \$4,515,000 General Obligation Bonds, Series 2019A.

--Continued on next page

City of Waconia, Minnesota
Schedule of Bonded Indebtedness continued
General Obligation Debt Secured by Utility Revenues
(As of 12/10/2020)

| | | Utility Revenue Bonds 5) Series 2020A | | Water and Sewer Revenue Refunding Bonds 6) Series 2020B | | | | | | |
|-------------------------|-----------|--|-----------|---|-----------------|----------------|-------------|--------------------------|---------|----------------------------|
| Dated Amount | | 09/03/2020 \$1,460,000 | | 12/10/2020 \$5,295,000* | | | | | | |
| Maturity | | 02/01 | | 02/01 | | | | | | |
| Calendar Year Ending | Principal | Interest | Principal | Estimated Interest | Total Principal | Total Interest | Total P & I | Principal Outstanding | % Paid | Calendar Year Ending |
| 2021 | 0 | 22,322 | 0 | 14,431 | 1,300,000 | 229,310 | 1,529,310 | 9,970,000 | 11.54% | 2021 |
| 2022 | 125,000 | 23,250 | 950,000 | 21,065 | 1,540,000 | 159,565 | 1,699,565 | 8,430,000 | 25.20% | 2022 |
| 2023 | 135,000 | 20,650 | 965,000 | 17,951 | 1,580,000 | 136,176 | 1,716,176 | 6,850,000 | 39.22% | 2023 |
| 2024 | 140,000 | 17,900 | 980,000 | 14,548 | 1,620,000 | 110,323 | 1,730,323 | 5,230,000 | 53.59% | 2024 |
| 2025 | 140,000 | 15,100 | 990,000 | 10,605 | 1,645,000 | 84,505 | 1,729,505 | 3,585,000 | 68.19% | 2025 |
| 2026 | 145,000 | 12,250 | 995,000 | 5,641 | 1,610,000 | 59,041 | 1,669,041 | 1,975,000 | 82.48% | 2026 |
| 2027 | 150,000 | 9,300 | 415,000 | 1,453 | 765,000 | 38,853 | 803,853 | 1,210,000 | 89.26% | 2027 |
| 2028 | 155,000 | 6,250 | | | 365,000 | 25,300 | 390,300 | 845,000 | 92.50% | 2028 |
| 2029 | 155,000 | 3,925 | | | 370,000 | 14,325 | 384,325 | 475,000 | 95.79% | 2029 |
| 2030 | 155,000 | 2,375 | | | 315,000 | 5,575 | 320,575 | 160,000 | 98.58% | 2030 |
| 2031 | 160,000 | 800 | | | 160,000 | 800 | 160,800 | 0 | 100.00% | 2031 |
| | 1,460,000 | 134,122 | 5,295,000 | 85,694 | 11,270,000 | 863,772 | 12,133,772 | | | |

* Preliminary, subject to change.

- 5) This represents the \$1,285,000 Utility Revenue portion of the \$4,755,000 General Obligation Bonds, Series 2020A.
- 6) This issue will refund the 2022 through 2027 maturities of the City's \$9,950,000 General Obligation Refunding Bonds, Series 2013A, dated June 12, 2013.

City of Waconia, Minnesota

Schedule of Bonded Indebtedness

Non-General Obligation Debt Secured by Annual Appropriation

(As of 12/10/2020)

| Sweeper Truck 1) 2015 Lease | | Baseball Stadium 2016 Lease | | | | | | | | |
|--------------------------------|----------------------|--------------------------------|-----------|----------|-----------------|----------------|-------------|--------------------------|---------|----------------------------|
| Dated | 11/02/2015 | 10/20/2016 | | | | | | | | |
| Amount | \$228,212 | \$1,220,000 | | | | | | | | |
| Maturity | 01/06 | 02/01 | | | | | | | | |
| | Final Maturity 11/02 | | | | | | | | | |
| Calendar Year Ending | Principal | Interest | Principal | Interest | Total Principal | Total Interest | Total P & I | Principal Outstanding | % Paid | Calendar Year Ending |
| 2021 | 94,634 | 5,080 | 119,000 | 17,253 | 213,634 | 22,333 | 235,967 | 766,000 | 21.81% | 2021 |
| 2022 | | | 121,000 | 14,745 | 121,000 | 14,745 | 135,745 | 645,000 | 34.16% | 2022 |
| 2023 | | | 124,000 | 12,185 | 124,000 | 12,185 | 136,185 | 521,000 | 46.82% | 2023 |
| 2024 | | | 126,000 | 9,572 | 126,000 | 9,572 | 135,572 | 395,000 | 59.68% | 2024 |
| 2025 | | | 129,000 | 6,907 | 129,000 | 6,907 | 135,907 | 266,000 | 72.85% | 2025 |
| 2026 | | | 132,000 | 4,180 | 132,000 | 4,180 | 136,180 | 134,000 | 86.32% | 2026 |
| 2027 | | | 134,000 | 1,400 | 134,000 | 1,400 | 135,400 | 0 | 100.00% | 2027 |
| | | | | | 979,634 | 71,323 | 1,050,956 | | | |

1) This issue is not subject to the debt limit.

Waconia Economic Development Authority, Minnesota
Schedule of Bonded Indebtedness
Non-General Obligation Debt Secured by Annual Appropriation
(As of 12/10/2020)

| | Lease Refunding 2014 Lease | | Ice Arena 2014 Lease | | | | | | | |
|-------------------------|-------------------------------|-------------|-------------------------|-------------|-----------------|----------------|-------------|--------------------------|---------|----------------------------|
| Dated Amount | 02/01/2014 | \$1,209,204 | 02/11/2014 | \$4,706,907 | | | | | | |
| Maturity | Monthly | | Monthly | | | | | | | |
| Calendar Year Ending | Principal | Interest | Principal | Interest | Total Principal | Total Interest | Total P & I | Principal Outstanding | % Paid | Calendar Year Ending |
| 2020 | 0 | 0 | 27,958 | 7,853 | 27,958 | 7,853 | 35,811 | 2,954,042 | .94% | 2020 |
| 2021 | 155,436 | 8,202 | 341,927 | 87,809 | 497,363 | 96,012 | 593,375 | 2,456,679 | 17.62% | 2021 |
| 2022 | 134,040 | 2,325 | 354,089 | 75,648 | 488,128 | 77,973 | 566,101 | 1,968,551 | 33.99% | 2022 |
| 2023 | | | 366,682 | 63,054 | 366,682 | 63,054 | 429,737 | 1,601,868 | 46.28% | 2023 |
| 2024 | | | 379,724 | 50,012 | 379,724 | 50,012 | 429,737 | 1,222,144 | 59.02% | 2024 |
| 2025 | | | 393,230 | 36,507 | 393,230 | 36,507 | 429,737 | 828,914 | 72.20% | 2025 |
| 2026 | | | 407,216 | 22,521 | 407,216 | 22,521 | 429,736 | 421,699 | 85.86% | 2026 |
| 2027 | | | 421,699 | 8,037 | 421,699 | 8,037 | 429,736 | 0 | 100.00% | 2027 |
| | 289,476 | 10,527 | 2,692,525 | 351,442 | 2,982,001 | 361,969 | 3,343,970 | | | |

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 the amount of current revenues which are applicable within the current fiscal year to the payment of any debt and the aggregate principal of the following: (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 payable wholly from the income of revenue producing conveniences (includes the Bonds); (4) obligations issued to create or maintain a permanent improvement revolving fund; (5) obligations issued to finance any public revenue producing convenience; (6) funds held as sinking funds for payment of principal and interest on debt other than those deductible under Minnesota Statutes, Section 475.51, subd. 4; (7) obligations issued to pay judgments against the City; and (8) 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.

| | |
|--|-----------------------------|
| 2019/20 Assessor's Estimated Market Value | \$1,578,425,800 |
| Multiply by 3% | <u>0.03</u> |
| Statutory Debt Limit | \$ 47,352,774 |
| Less: Long-Term Debt Outstanding Being Paid Solely from Taxes ¹ | (6,890,000) |
| Less: Long-Term Debt Outstanding Being Paid Solely from Annual Appropriations (applies to issues in excess of \$1,000,000 originally issued after 6/1/97 which do not have revenues pledged) | <u>(3,867,001)</u> |
| Unused Debt Limit | <u><u>\$ 36,595,773</u></u> |

¹ Does not include a portion of the City's \$2,265,000 General Obligation Bonds, Series 2014A (\$180,000 Sanitary Sewer portion principal outstanding), a portion of the City's \$9,160,000 General Obligation Bonds, Series 2015A (\$545,000 Sanitary Sewer portion principal outstanding), and a portion of the Bonds of this offering (estimated \$325,000 principal outstanding), as they are not subject to the debt limit per Minnesota Statutes, Section 115.46.

OVERLAPPING DEBT¹

| Taxing District | 2019/20 Adjusted Taxable Net Tax Capacity | % In City | Total G.O. Debt² | City's Proportionate Share |
|---|--|----------------------|--|---|
| Carver County | \$ 167,390,403 | 10.7596% | \$ 21,256,000 | \$ 2,287,061 |
| I.S.D. No. 110 (Waconia Public Schools) | 32,111,503 | 56.0874% | 121,755,000 ³ | 68,289,214 |
| Metropolitan Council | 4,576,187,142 | 0.3936% | 230,225,000 ⁴ | 906,166 |
| City's Share of Total Overlapping Debt | | | | <u>\$71,482,440</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 Currently, the State of Minnesota is paying approximately 3.2% of the principal and interest on the Waconia Public School District's general obligation bonds. Assuming this percentage continues for the life of the bonds, the State's proportionate share of principal is \$3,896,160. Based upon the long term facilities maintenance revenue formula and current statistics, the District anticipates a portion of this debt will be paid by the State of Minnesota.

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 (\$1,691,839,769) | Debt/ Current Population Estimate (13,277) |
|--|------------------|---|---|
| Direct G.O. Debt Secured By: | | | |
| Special Assessments & Taxes | \$ 13,345,000 | | |
| Special Assessments & Utility Revenues | 1,320,000 | | |
| Tax Abatement Revenues | 2,340,000 | | |
| Taxes | 7,940,000 | | |
| Utility Revenues* | 11,270,000 | | |
| Total General Obligation Debt (includes the Bonds)* | \$ 36,215,000 | | |
| Less: G.O. Debt Paid Entirely from Revenues ¹ | (11,270,000) | | |
| Tax Supported General Obligation Debt* | \$ 24,945,000 | 1.47% | \$1,878.81 |
| City's Share of Total Overlapping Debt ² | \$ 71,482,440 | 4.23% | \$5,383.93 |
| Total* | \$ 96,427,440 | 5.70% | \$7,262.74 |

*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 plans to issue an estimated \$5,000,000 to \$6,000,000 for street and utility improvements 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.

² After deducting the City's proportionate share of the agricultural land valuation applicable to the overlapping school districts of \$2,185,255, the City's net overlapping debt is \$69,297,185, which results in a net overlapping debt/market value ratio of 4.10% and net overlapping debt/current population estimate ratio of \$5,219.34.

TAX RATES, LEVIES AND COLLECTIONS

TAX LEVIES AND COLLECTIONS

| Tax Year | Net Tax Levy¹ | Total Collected Following Year | Collected to Date² | % Collected |
|-----------------|---------------------------------|---------------------------------------|--------------------------------------|--------------------|
| 2015/16 | \$ 6,500,217 | \$ 6,448,527 | \$ 6,495,783 | 99.93% |
| 2016/17 | 7,159,795 | 7,138,648 | 7,152,208 | 99.89% |
| 2017/18 | 7,825,184 | 7,796,739 | 7,813,171 | 99.85% |
| 2018/19 | 8,395,952 | 8,370,448 | 8,370,448 | 99.70% |
| 2019/20 | 8,530,964 | 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.

The spread of COVID-19 and responses taken by the United States government, state governments, local governments and private industries have caused significant disruptions to the national and State economy. See "RISK FACTORS - Impact of the Spread of COVID-19" herein. Certain states have announced extended deadlines for payment of property taxes, although as of this date Minnesota has not taken such measures. The City cannot predict whether and how much payment of property taxes will be impacted. Any delays or reduction in the receipt of property taxes may materially adversely impact the City's finances and payment of debt obligations, including the Bonds.

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

² Collections are through December 31, 2019.

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

TAX CAPACITY RATES¹

| | 2015/16 | 2016/17 | 2017/18 | 2018/19 | 2019/20 |
|---|---------|---------|---------|---------|---------|
| Carver County | 38.880% | 38.851% | 37.436% | 36.488% | 35.179% |
| City of Waconia | 49.267% | 52.805% | 52.836% | 52.500% | 46.713% |
| I.S.D. No. 110 (Waconia Public Schools) | 33.233% | 31.235% | 33.493% | 33.800% | 32.269% |
| Metropolitan Council | 0.914% | 0.877% | 0.827% | 0.650% | 0.590% |
| Metro Mosquito | 0.478% | 0.473% | 0.446% | 0.423% | 0.395% |
| Carver County WMO | 0.912% | 0.919% | 0.967% | 0.927% | 0.893% |
| Carver County CDA | 1.701% | 1.731% | 1.640% | 1.626% | 1.598% |
| Carver County Rail Authority | 0.110% | 0.105% | 0.114% | 0.104% | 0.101% |

Referendum Market Value Rates:

| | | | | | |
|---|----------|----------|----------|----------|----------|
| I.S.D. No. 110 (Waconia Public Schools) | 0.12539% | 0.12564% | 0.11856% | 0.20595% | 0.18851% |
|---|----------|----------|----------|----------|----------|

Source: Tax Levies and Collections and Tax Capacity Rates have been furnished by Carver 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 and 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 was organized as a municipality in 1921. The City operates under a statutory form of government consisting of a five-member City Council of which the Mayor is a voting member. The City Administrator and Finance Director are responsible for administrative details and financial records.

EMPLOYEES; PENSIONS; UNIONS

The City currently has 34 full-time and three part-time 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

The City does not have any recognized and certified bargaining units.

POST EMPLOYMENT BENEFITS

The City has obligations for some post-employment benefits for its employees. Accounting for these obligations is dictated by Governmental Accounting Standards Board Statement No. 75 (GASB 75). The City's most recent Comprehensive Annual Financial Report (CAFR) shows a total OPEB liability of \$172,893 as of December 31, 2019. The City has been funding these obligations on a pay-as-you-go basis.

Source: The City's most recent CAFR.

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 September 30, 2020)

| Fund | Total Cash and Investments |
|----------------------------|---------------------------------------|
| General | \$ 3,428,461 |
| Special Revenue | 1,954,845 |
| Debt Service | 3,307,504 |
| Capital Projects | 2,138,414 |
| Enterprise Funds | 5,185,524 |
| Total Funds on Hand | <u>\$16,014,748</u> |

ENTERPRISE FUNDS

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

| | 2017 | 2018 | 2019 |
|-------------------------------------|----------------------------|--------------------------|----------------------------|
| Water¹ | | | |
| Total Operating Revenues | \$ 1,497,016 | \$ 1,485,469 | \$ 1,399,485 |
| Less: Operating Expenses | <u>(2,166,474)</u> | <u>(1,773,076)</u> | <u>(1,837,993)</u> |
| Operating Income | \$ (669,458) | \$ (287,607) | \$ (438,508) |
| Plus: Depreciation | <u>843,481</u> | <u>877,317</u> | <u>880,901</u> |
| Revenues Available for Debt Service | <u><u>\$ 174,023</u></u> | <u><u>\$ 589,710</u></u> | <u><u>\$ 442,393</u></u> |
| Sewer² | | | |
| Total Operating Revenues | \$ 1,884,971 | \$ 1,928,434 | \$ 1,976,688 |
| Less: Operating Expenses | <u>(2,558,689)</u> | <u>(2,386,510)</u> | <u>(2,742,224)</u> |
| Operating Income | \$ (673,718) | \$ (458,076) | \$ (765,536) |
| Plus: Depreciation | <u>504,624</u> | <u>540,756</u> | <u>555,258</u> |
| Revenues Available for Debt Service | <u><u>\$ (169,094)</u></u> | <u><u>\$ 82,680</u></u> | <u><u>\$ (210,278)</u></u> |

¹ The increase in the 2017 water expenses was due to a one-time water meter replacement project. The fluctuations in the 2018 and 2019 water revenues and expenses were due to large maintenance costs, various park improvements shared with the County, and revenues in reimbursements and expenses recognized as contract services for these years.

² The increase in the 2017 sanitary sewer expenses was due to a major lift station repair and various manhole repairs throughout the City. The increase in the 2019 sanitary sewer expenses was due to various park improvements shared with the County and revenues in reimbursements and expenses recognized as contract services for this year. It also includes the installation of new treatment improvements at or near most of the lift stations in the City that will now be an ongoing operating expense starting in 2019.

ENTERPRISE FUNDS CONTINUED

| | 2017 | 2018 | 2019 |
|-------------------------------------|--------------------------|---------------------------|--------------------------|
| Storm Water¹ | | | |
| Total Operating Revenues | \$ 656,927 | \$ 754,286 | \$ 876,748 |
| Less: Operating Expenses | <u>(959,370)</u> | <u>(1,341,890)</u> | <u>(1,249,249)</u> |
| Operating Income | \$ (302,443) | \$ (587,604) | \$ (372,501) |
| Plus: Depreciation | <u>437,546</u> | <u>513,228</u> | <u>543,003</u> |
| Revenues Available for Debt Service | <u><u>\$ 135,103</u></u> | <u><u>\$ (74,376)</u></u> | <u><u>\$ 170,502</u></u> |
| Street Light Utility | | | |
| Total Operating Revenues | \$ 251,732 | \$ 252,786 | \$ 254,218 |
| Less: Operating Expenses | <u>(223,464)</u> | <u>(237,420)</u> | <u>(259,716)</u> |
| Operating Income | \$ 28,268 | \$ 15,366 | \$ (5,498) |
| Plus: Depreciation | <u>13,470</u> | <u>13,470</u> | <u>13,470</u> |
| Revenues Available for Debt Service | <u><u>\$ 41,738</u></u> | <u><u>\$ 28,836</u></u> | <u><u>\$ 7,972</u></u> |

¹ The increase in the 2018 and 2019 storm water expenses was due to one-time maintenance and pond cleaning projects throughout the City. The City implemented a 15% increase in user fees and its storm water reuse revenues for new commercial and residential activity along the south-side of Highway 5 also contributed to the increase in revenue for these years.

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 purposed 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 2019 audited financial statements.

| COMBINED STATEMENT | FISCAL YEAR ENDING DECEMBER 31 | | | | |
|---|--------------------------------|--------------------|--------------------|--------------------|------------------------------|
| | 2016 Audited | 2017 Audited | 2018 Audited | 2019 Audited | 2020 Revised Budget 1) |
| Revenues | | | | | |
| Property taxes | \$3,785,716 | \$3,944,609 | \$4,577,657 | \$5,576,793 | \$5,847,637 |
| Licenses and permits | 1,219,498 | 748,269 | 754,444 | 694,288 | 641,855 |
| Intergovernmental | 176,948 | 107,883 | 243,470 | 276,380 | 244,700 |
| Charges for services | 876,243 | 915,841 | 890,567 | 870,594 | 849,697 |
| Fine and forfeits | 39,759 | 40,317 | 41,502 | 42,508 | 40,000 |
| Interest on investments | 51,246 | 27,081 | 27,078 | 135,711 | 35,000 |
| Contributions and donations | 6,054 | 20,066 | 6,700 | 6,096 | 3,000 |
| Total Revenues | \$6,155,464 | \$5,804,066 | \$6,541,418 | \$7,602,370 | \$7,661,889 |
| Expenditures | | | | | |
| Current: | | | | | |
| General government | \$1,739,525 | \$1,513,116 | \$1,602,001 | \$1,643,417 | \$1,719,702 |
| Public safety | 1,416,230 | 1,211,271 | 1,332,149 | 1,371,512 | 1,509,932 |
| Public works | 970,471 | 1,451,885 | 1,754,302 | 1,832,273 | 1,922,104 |
| Parks and recreation | 454,883 | 14,409 | 17,391 | 17,591 | 25,800 |
| Community Development | 6,189 | 446,909 | 628,633 | 534,011 | 508,757 |
| Capital outlay | 0 | 11,231 | 0 | 0 | 0 |
| Debt service | 0 | 0 | 0 | 0 | 0 |
| Total Expenditures | \$4,587,298 | \$4,648,821 | \$5,334,476 | \$5,398,804 | \$5,686,295 |
| Excess of revenues over (under) expenditures | \$1,568,166 | \$1,155,245 | \$1,206,942 | \$2,203,566 | \$1,975,594 |
| Other Financing Sources (Uses) | | | | | |
| Transfers in | \$333,358 | \$228,390 | \$228,365 | \$228,556 | \$228,350 |
| Transfers (out) | (1,539,286) | (1,617,378) | (1,350,095) | (2,133,000) | (2,230,299) |
| Total Other Financing Sources (Uses) | (1,205,928) | (1,388,988) | (1,121,730) | (1,904,444) | (2,001,949) |
| Net changes in Fund Balances | \$362,238 | (\$233,743) | \$85,212 | \$299,122 | (\$26,355) |
| General Fund Balance January 1 | \$2,818,714 | \$3,180,952 | \$2,947,209 | \$3,032,421 | |
| Prior Period Adjustment | 0 | 0 | 0 | 0 | |
| Residual Equity Transfer in (out) | 0 | 0 | 0 | 0 | |
| General Fund Balance December 31 | \$3,180,952 | \$2,947,209 | \$3,032,421 | \$3,331,543 | |
| DETAILS OF DECEMBER 31 FUND BALANCE | | | | | |
| Nonspendable | \$73,210 | \$78,810 | \$90,530 | \$102,085 | |
| Restricted | \$1,057 | \$1,057 | \$1,057 | \$1,057 | |
| Committed | 667,699 | 664,699 | 664,619 | 664,462 | |
| Unassigned | 2,438,986 | 2,202,643 | 2,276,215 | 2,563,939 | |
| Total | \$3,180,952 | \$2,947,209 | \$3,032,421 | \$3,331,543 | |

1 The 2020 budget was adopted on December 16, 2019 and revised on July 6, 2020.

GENERAL INFORMATION

LOCATION

The City, with a 2010 U.S. Census population of 10,697 and a current population estimate of 13,277, and comprising an area of 5.16 square miles, is located approximately 35 miles southwest of the Minneapolis-St. Paul metropolitan area.

LARGER EMPLOYERS¹

Larger employers in the City include the following:

| Firm | Type of Business/Product | Estimated No. of Employees |
|---|---|-----------------------------------|
| Ridgeview Medical Center | Hospital | 1,623 |
| Strom Aviation, Inc. | Aircraft dealers | 1,001 |
| I.S.D. No. 110 (Waconia Public Schools) | Elementary and secondary education | 979 ² |
| CabinetWorks Group | Wood cabinets and door manufacturing | 500 ³ |
| Mackenthun's Supermarket | Retail grocery store | 200 |
| Target | Retail | 150 |
| Good Samaritan Society Waconia and Westview Acres | Assisted living facility and nursing home | 130 |
| Lakeview Clinic | Medical care services | 120 |
| Waconia Manufacturing | Special industry machinery | 100 |
| Laketown Electric Corp. | Electrical contractors | 100 |

Source: *ReferenceUSA, written and telephone survey (October 2020), 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. Estimates provided are accurate as of the date noted and may not reflect changes in the number of employees resulting from the current COVID-19 pandemic. (See "Risk Factors - Impact of the Spread of COVID-19").

² Reflects total number of employees for the entire district, including those outside City limits.

³ Formerly listed as Elkay Wood Products. ACPI acquired Elkay in November of 2018. ACPI has merged with MASCO Cabinetry to form CabinetWorks Group. Total number of employees is as of May 2019.

BUILDING PERMITS

| | 2016 | 2017 | 2018 | 2019 | 2020 ¹ |
|--|--------------|--------------|--------------|--------------|-------------------|
| <u>New Single Family Homes</u> | | | | | |
| No. of building permits | 105 | 68 | 50 | 22 | 11 |
| Valuation | \$34,427,618 | \$20,138,383 | \$17,160,221 | \$8,057,725 | \$4,186,884 |
| <u>New Multiple Family Buildings</u> | | | | | |
| No. of building permits | 9 | 3 | 2 | 1 | 12 |
| Valuation | \$1,707,540 | \$600,000 | \$3,000,000 | \$7,400,000 | \$3,445,700 |
| <u>New Commercial/Industrial</u> | | | | | |
| No. of building permits | 2 | 10 | 2 | 4 | 1 |
| Valuation | \$1,828,768 | \$10,511,649 | \$4,053,895 | \$11,819,877 | \$700,000 |
| <u>All Building Permits</u> | | | | | |
| <i>(including additions and remodelings)</i> | | | | | |
| No. of building permits | 1,073 | 1,133 | 1,044 | 1,051 | 841 |
| Valuation | \$95,802,009 | \$43,720,644 | \$48,376,735 | \$50,115,715 | \$17,945,242 |

Source: The City.

¹ As of September 30, 2020.

U.S. CENSUS DATA

Population Trend: The City

| | |
|------------------------------------|----------|
| 2000 U.S. Census population | 6,814 |
| 2010 U.S. Census population | 10,697 |
| 2019 Metropolitan Council Estimate | 13,277 |
| Percent of Change 2000 - 2010 | + 56.99% |

Income and Age Statistics

| | The City | Carver County | State of Minnesota | United States |
|--|-----------------|----------------------|---------------------------|----------------------|
| 2018 per capita income | \$39,724 | \$45,637 | \$36,245 | \$32,621 |
| 2018 median household income | \$94,797 | \$97,895 | \$68,411 | \$60,293 |
| 2018 median family income | \$107,971 | \$116,902 | \$86,204 | \$73,965 |
| 2018 median gross rent | \$962 | \$1,082 | \$944 | \$1,023 |
| 2018 median value owner occupied units | \$288,600 | \$301,900 | \$211,800 | \$204,900 |
| 2018 median age | 36.8 yrs. | 37.5 yrs. | 37.9 yrs. | 37.9 yrs. |

| | State of Minnesota | United States |
|-------------------------------------|---------------------------|----------------------|
| City % of 2018 per capita income | 109.60% | 121.77% |
| City % of 2018 median family income | 125.25% | 145.98% |

Housing Statistics

| | <u>The City</u> | | |
|-------------------|------------------------|-------------|--------------------------|
| | 2010 | 2019 | Percent of Change |
| All Housing Units | 3,909 | 4,789 | 22.51% |

Source: 2000 and 2010 Census of Population and Housing, and 2018 American Community Survey (Based on a five-year estimate), U.S. Census Bureau (<https://data.census.gov/cedsci>) and 2019 Population Estimates, Metropolitan Council (<https://metro council.org/>).

EMPLOYMENT/UNEMPLOYMENT DATA

Rates are not compiled for individual communities within counties.

| Year | <u>Average Employment</u> | <u>Average Unemployment</u> | |
|-----------------|----------------------------------|------------------------------------|---------------------------|
| | Carver County | Carver County | State of Minnesota |
| 2016 | 54,623 | 3.3% | 3.9% |
| 2017 | 55,771 | 2.9% | 3.4% |
| 2018 | 56,437 | 2.5% | 2.9% |
| 2019 | 56,909 | 2.8% | 3.2% |
| 2020, September | 54,627 | 4.5% | 5.4% |

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 or engaged the Auditor to perform, and the Auditor has not performed, any additional examination, assessments, procedures or evaluation with respect to such financial statements since the date thereof or with respect to this Preliminary Official Statement, nor has the City requested that the Auditor consent to the use of such financial statements in this Preliminary Official Statement. Although the inclusion of the financial statements in this Preliminary 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.

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

**FOR THE YEAR ENDED
DECEMBER 31, 2019**

**Prepared By:
Finance Department
Nicole Meyer,
Finance Director**

CITY OF WACONIA, MINNESOTA
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I. INTRODUCTORY SECTION



City of Waconia

May 13, 2020

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

The Comprehensive Annual Financial Report of the City of Waconia, Minnesota (the City) for the fiscal year ended December 31, 2019 is hereby submitted. This report was prepared by the City's Finance Department. Responsibility for the accuracy of the presented data and the completeness and fairness of the presentation, including all disclosures, supporting schedules and statistical tables rests with the City. We believe the data, as presented, is accurate in all material respects; that it is presented in a manner designed to fairly set forth the financial position and results of operations of the City as measured by the financial activity of its various funds; and that all disclosures necessary to enable the reader to gain the maximum understanding of the City's financial affairs have been included.

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

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

Reporting Entity and Its Services

This report includes all funds, account groups, and departments of the City (the primary government) and its component units. The City provides a full range of services to its residents and businesses including administrative services, public safety (police and fire protection), public services (engineering, streets, and equipment maintenance), culture and recreation, and community development. In addition to the general municipal services, the City provides utility services including water, sanitary sewer service, storm water, and street lighting along with oversight (through licensing) of the refuse and recycling services. In accordance with the reporting entity definition of the Governmental Accounting Standards Board, the City has included the Waconia Economic Development Authority (EDA) and the Waconia Housing and Redevelopment Authority (HRA) in these financial statements as blended component units. Both the EDA and HRA are considered component units because the governing boards are substantively the same as that of the City Council and because the City is in a relationship of financial burden with each of the entities. The school district that serves the residents of the City, like all school districts in

| City Hall | Public Services | Fire Station | Senior Island Community Center | Ice Arena |
|--|---|--|---|---|
| 201 South Vine Street Waconia, MN 55387 952-442-2184 | 310 10th Street East Waconia, MN 55387 952-442-2615 | 26 Maple Street South Waconia, MN 55387 952-442-2316 | 1600 Community Drive Waconia, MN 55387 952-442-0695 | 1250 Oak Avenue Waconia, MN 55387 952-442-RUSK (7465) |
| WWW.WACONIA.ORG | | | | |

Minnesota, is governed independently by its own elected board members. It levies its own taxes and prepares its own financial reports. Accordingly, it is excluded from this report.

Relevant Financial Policies

The City has a policy regarding its General Fund Reserve Balances. The designated fund balance in the General Fund is equivalent to 40% of the ensuing year's budgeted tax levy. This provides working capital between the City's semi-annual property tax settlements from Carver County.

The primary financial goal of the City's Investment Policy is to invest funds in a manner which will provide the highest investment return with the maximum security of principal. Cash temporarily idle during the year is invested in certificates of deposits, obligations of the U.S. Treasury, and government agencies. The City only invests in instruments authorized under Minnesota Statute 118A. Cash balances from all City funds are pooled into an investment fund and investment income is distributed on a pro-rata basis at the end of the year, based on average monthly cash balances. At December 31, 2019, the maturities of the investments ranged from 16 days to 6.5 years, with an average maturity of 2.13 years. The average yield to maturity on the portfolio at December 31, 2019 was 2.27%. The City's portfolio has no more than 20% of the total investments exceeding 5 years and maturities may not exceed 10 years without prior City Council approval. It is the City's practice to hold all instruments to maturity.

Economic Condition and Outlook

The City of Waconia, Minnesota, is located west of the Twin Cities metropolitan area in Carver County, Minnesota. The City encompasses an area of 5.16 square miles. State Highways 5, 7, and 284 along with Carver County Road 10 provide access for commuters coming into the City from the Twin Cities metropolitan area as well as for residents traveling to work outside the City.

The City's population estimate as of December 31, 2019 was 12,797. Waconia's total number of permits increased slightly in 2019 from 2018. The total number of building permits for 2019 was 1,051; which increased 1% from 2018 activity. Total construction valuation of the City's permits increased in 2019 from 2018. The total valuation of all building permit activity in 2019 was \$50,100,000; this compares to the total 2018 building permit valuation of \$48,376,735. Single family residential permit activity decreased in 2019 from 2018. In 2019, there were 21 single family residential home permits completed as compared to 50 in 2018. The City did see an increase in multi-family units (51 units) in 2019 with the addition of a new apartment building in the Legacy Village development.

The City has approximately 78.5 acres of commercial and industrial land with utilities available. In 2019, the City experienced a decrease in the total number of commercial permits issued and a slight increase in the total construction value of permits issued. In 2018, the City issued 113 commercial permits with an approximate valuation of \$11,700,000; this compared to 2019 when the City issued 102 commercial permits with an approximate valuation of \$15,500,000. The City's commercial project activity throughout 2019 included the addition of several new commercial buildings; this including Twin Cities Orthopedics, Koch Bus Garage, SouthPoint Financial Credit Union, and Carver County Self Storage Facility. Commercial remodeling improvements were completed at Mackenthun's Fine Foods. The City issued 14 industrial permits in 2019 with an estimated construction valuation of \$889,000. These permits included the remodeling of the Manus Products facility and reroofing of the Midwest Expanded Metal property.

In 2019, the City worked with many developers on annexation of property for residential development in all corners of the community. As a result, the City anticipates that residential building activity will increase in 2020. The City has completed the annexation of property on the northeast side of the

community known as the Shores of Lake Waconia for residential development. The annexation and development of this property will result in the addition of 87 single family homes. In addition, the residential development of the Woodland Creek Development was approved in 2019 which will result in 59 new single family homes. Recently, the City Council approved a preliminary plat for the Interlaken 8th Addition which will result in 72 new single family homes. The City budgeted to complete 60 single family homes in 2020; which provides a slightly conservative outlook for development.

In 2019, the City issued \$4,515,000 of General Obligation bonds for work completed with the 2019 Infrastructure Improvement Project, the Lake Waconia Regional Park Project, and refunding of the 2010A General Obligation bonds. The 2019 Infrastructure Improvement Project was completed to rehabilitate downtown streets and utility infrastructure along with sidewalk and trail updates to improve connectivity to the City's downtown area. The Lake Waconia Regional Park Project was completed in partnership with the Carver County Parks Department to extend water the sewer utilities through the regional park. The extension of utility service will allow the City to continue development on the northeast corner of the community. Lastly, refunding of the 2010A General Obligation bond resulted in approximately \$131,000 in interest cost savings over the City's 9 remaining years of debt payments.

As part of issuing bonds in 2019, the City underwent a financial review by Standard & Poor's (the City's bond rating agency). This review resulted in the City maintaining its bond rating of AA+. The City's strong reserves and financial management, along with strong local economy, strong budgetary flexibility and performance, and weak debt and contingent liability position were the reasons given for maintaining the rating.

Accounting Systems and Budgetary Control

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

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

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

Long Term Financial Planning

In 2005, the City created a 30-year financial model to assist in long term planning in the General Fund. As a growing community, the use of this tool has assisted the City in planning for future capital improvements, operational changes, and management of general obligation debt. The model ties budget,

CITY OF WACONIA, MINNESOTA
ELECTED OFFICIALS AND ADMINISTRATION
December 31, 2019

| Elected Officials | Position | Term Expires |
|---------------------|------------------------|-------------------|
| Kent Bloudek | Mayor | December 31, 2020 |
| Marc Carrier | Councilmember, Ward I | December 31, 2020 |
| Nicole Waldron | Councilmember, Ward I | December 31, 2022 |
| Charles Erickson | Councilmember, Ward II | December 31, 2020 |
| Peter Leo | Councilmember, Ward II | November 3, 2020 |
| Appointed | | |
| Susan Armitz | City Administrator | |
| Nicole Meyer | Finance Director | |
| Mike Melchert | City Attorney | |
| Bolton & Menk, Inc. | City Engineer | |

levy, and tax rate information together to provide a complete financial picture and is reviewed and updated annually.

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

The City also undertakes an annual rate study of its water, sanitary sewer, storm water, and street light rates. As part of this process the City projects fund balances and capital improvements to each of the systems for the next ten years and identifies required changes to user and connection rates for each fund for that same time period.

Certificate of Achievement

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Waconia for its Comprehensive Annual Financial Report (CAFR) for the fiscal year ended December 31, 2018. The Certificate of Achievement is a prestigious national award recognizing conformance with the highest standards for preparation of state and local government financial reports. This is the sixth consecutive year that the City has achieved this award. To be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. The City is submitting the 2019 report to GFOA for consideration of the Certificate of Achievement for Excellence in Financial Reporting. We believe our current report continues to conform to the high standards of the certificate program.

Independent Audit

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

Acknowledgements

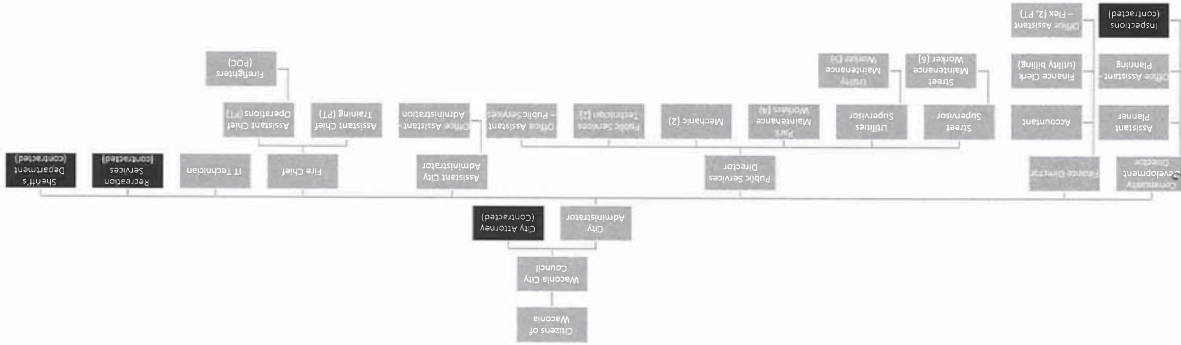
We wish to express our appreciation to the members of the City Council for their support in continually improving the financial condition of the City. We also want to thank the Finance Department staff and department directors for their assistance in compiling the information necessary for this report.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

Respectfully Submitted,



Nicole Meyer, Finance Director

City of Waconia Organizational Chart



2019

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Government Finance Officers Association

Certificate of
Achievement
for Excellence
in Financial
Reporting

Presented to

City of Waconia
Minnesota

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

December 31, 2018

Christopher P. Merrill

Executive Director/CEO

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II. FINANCIAL SECTION

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INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City of Waconia, Minnesota, as of and for the year ended December 31, 2019, and the related notes to the financial statements, which collectively comprise the City of Waconia, Minnesota's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free 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 entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City of Waconia, Minnesota, as of December 31, 2019, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited the City of Waconia, Minnesota's 2018 financial statements, and we expressed an unmodified audit opinion on the respective financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information in our report dated April 29, 2019. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2018 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Other Matters

Required Supplementary Information

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

Other Information

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

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

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated May 13, 2020 on our consideration of the City of Waconia, Minnesota's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely 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 the effectiveness of the City of Waconia, Minnesota's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Waconia, Minnesota's internal control over financial reporting and compliance.

Redpath and Company, Ltd.

REDPATH AND COMPANY, LTD.
St. Paul, Minnesota

May 13, 2020

Management's Discussion and Analysis

As management of the City of Waconia, we offer readers of the City of Waconia's financial statements this narrative overview and analysis of the financial activities of the City of Waconia for the fiscal year ended December 31, 2019. We encourage readers to consider the information presented here.

Financial Highlights

- The assets of the City of Waconia exceeded its liabilities at the close of the most recent fiscal year by \$109,087,136 (*net position*). Of this amount, \$9,865,114 (*unrestricted net position*) may be used to meet the government's ongoing obligation to citizens and creditors.
- As of the close of the fiscal year, the City of Waconia's governmental funds reported combined ending fund balances of \$11,750,975 a decrease of \$389,296 in comparison with the prior year decrease of \$4,468,639.
- Unassigned fund balance for the General Fund was \$2,563,939 or 47% of total General Fund expenditures as of the end of the fiscal year. The City realized an increase of \$287,724 in the unassigned General Fund fund balance from the 2018 level. As of December 31, 2018, the City's unassigned fund balance was at 43% of total General Fund expenditures.
- The City of Waconia's capital assets decreased from \$130,702,624 to \$129,937,728 net of accumulated depreciation. The City's construction in progress increased \$1,056,436 from 2018.
- The City of Waconia's total long-term debt decreased from \$42,527,903 to \$41,859,919 by the end of 2019. The City issued \$4,515,500 in general obligation bonds for the work completed with the 2019 Infrastructure Improvement Project and the Lake Waconia Regional Park Utility Project.

Overview of the Financial Statements

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

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

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

The statement of activities presents information showing how the government's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in the statement for some items that will only

result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions of the City of Waconia that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges for services (*business-type activities*). The governmental activities of the City of Waconia include administrative services, community development, culture and recreation, public safety, and public services. The business-type activities of the City of Waconia include water, sewer, storm water, and street lighting.

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

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

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

The City of Waconia maintains 25 individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures and changes in fund balances for the General Fund, the Permanent Improvement Revolving Capital Project Fund, Safari Island, the Permanent Improvement Revolving Debt Fund, all of which are considered to be major funds. Data from the other 21 governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of combining statements elsewhere in this report. The basic governmental fund financial statements can be found on Statements 3 through 5 of this report.

The City of Waconia adopts an annual appropriated budget for its General Fund and all special revenue funds. Annual budgets approved for the City's capital project and debt funds are used as a guide by the City Council for those major items already approved by resolution. Budgetary comparison statements have been provided for the General Fund and Safari Island to

demonstrate compliance with the budgets. Budgetary information for the General Fund can be found on Statement 9 and Safari Island on Statement 10 of this report. Budgetary comparison information for non-major special revenue funds including the Public Education Fund, Revolving Loan Fund, Ice Arena Fund, and Lodging Tax Fund can be found on Statements 20 through 23 of this report.

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

The basic proprietary fund financial statements can be found on Statements 6 through 8 of this report.

Notes to the financial statements. The notes provide additional information that is essential to get a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found immediately following Statement 8 of this report.

Other information. The combining statements referred to earlier in this report, in connection with nonmajor funds, are presented immediately following the notes to the financial statements. Combined and individual fund statements and schedules can be found on Statements 18 and 19 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. For the City of Waconia, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$109,087,136 at the close of the most recent fiscal year.

By far the largest portion of the City of Waconia's net position (81 percent) reflects its investments in capital assets (e.g., land, buildings, machinery, and equipment), less any related debt used to acquire those assets that is still outstanding. The City of Waconia uses these capital assets to provide services to citizens; consequently, these assets are *not* available for future spending. Although the City of Waconia's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

A portion of the City of Waconia's net position (9.8%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position of \$9,865,114 or 9% may be used to meet the government's ongoing obligation to citizens and creditors.

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

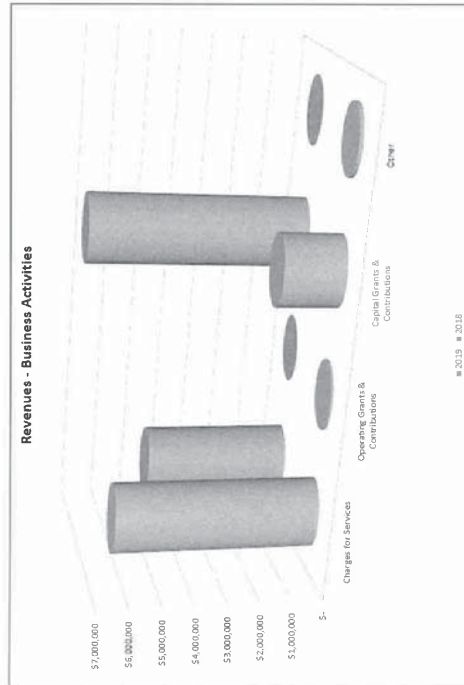
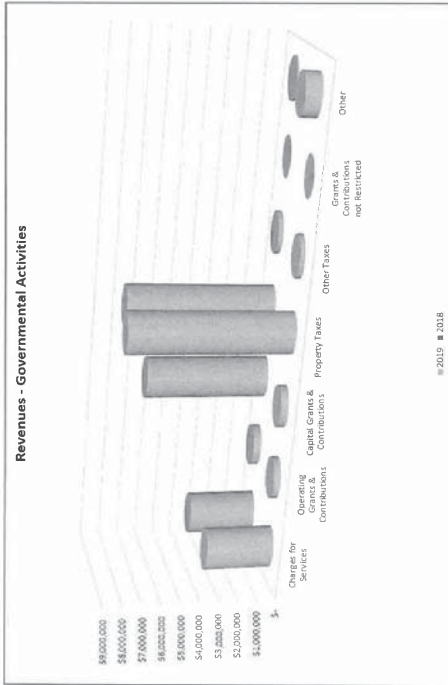
| Net Position | Governmental Activities | | Business-Type Activities | | Totals | |
|----------------------------------|-------------------------|----------------|--------------------------|---------------|----------------|----------------|
| | 2019 | 2018 | 2019 | 2018 | 2019 | 2018 |
| Current & Other Assets | \$ 17,654,927 | \$ 18,383,766 | \$ 7,554,849 | \$ 6,354,092 | \$ 25,219,776 | \$ 24,737,848 |
| Capital Assets | \$ 80,668,888 | \$ 82,773,880 | \$ 48,289,040 | \$ 47,828,744 | \$ 128,957,928 | \$ 130,702,624 |
| Total Assets | \$ 98,323,815 | \$ 101,157,646 | \$ 55,843,889 | \$ 54,282,826 | \$ 155,157,504 | \$ 155,440,472 |
| Deferred Outflows of Resources | \$ 392,433 | \$ 468,140 | \$ 149,124 | \$ 225,097 | \$ 541,557 | \$ 693,237 |
| Long-Term Liabilities | \$ 25,978,278 | \$ 28,612,139 | \$ 13,212,500 | \$ 11,405,716 | \$ 39,190,868 | \$ 40,018,855 |
| Other Liabilities | \$ 4,612,260 | \$ 4,343,380 | \$ 2,138,495 | \$ 1,885,479 | \$ 6,750,845 | \$ 6,228,859 |
| Total Liabilities | \$ 30,590,538 | \$ 32,955,519 | \$ 15,351,175 | \$ 13,292,195 | \$ 45,941,713 | \$ 46,247,714 |
| Deferred Inflows of Resources | \$ 505,541 | \$ 635,679 | \$ 164,871 | \$ 243,915 | \$ 670,212 | \$ 880,594 |
| Net Investment in Capital Assets | \$ 53,036,567 | \$ 55,052,450 | \$ 35,467,383 | \$ 35,974,877 | \$ 88,503,950 | \$ 91,027,327 |
| Net Position Restricted | \$ 10,719,072 | \$ 10,570,457 | \$ - | \$ - | \$ 10,719,072 | \$ 10,570,457 |
| Net Position Unrestricted | \$ 3,855,330 | \$ 2,410,871 | \$ 5,999,784 | \$ 4,995,936 | \$ 9,855,114 | \$ 7,407,807 |
| Total Net Position | \$ 67,619,969 | \$ 68,033,988 | \$ 41,467,167 | \$ 40,971,813 | \$ 109,087,136 | \$ 109,005,401 |

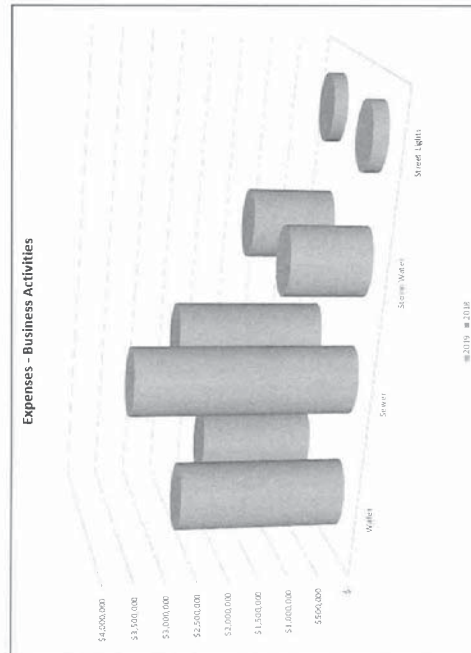
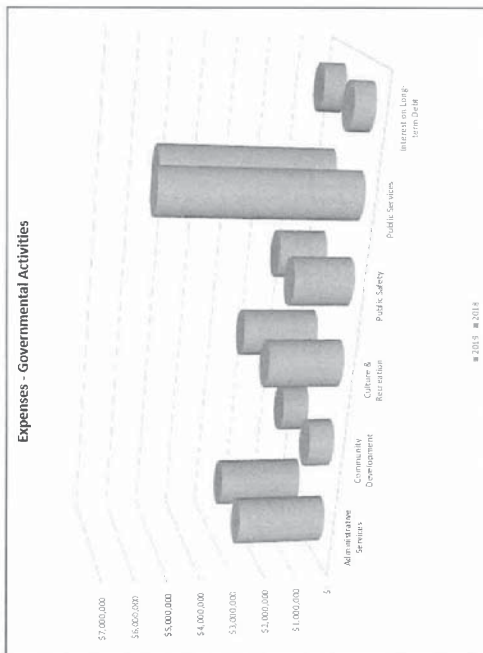
Governmental activities. Net position of the City's governmental activities decreased \$413,619 during 2019 compared to the previous year's increase of \$5,139,542. The previous year's increase was substantial due to developer contributed streets, sidewalks, trails, and park assets being recorded in the amount of \$6,105,047. Aside from the difference in developer contributed assets from 2018 to 2019, the main revenue increases in 2019 were related to property tax revenue as well as the gain on the sale of property.

Business-type activities. Business-type activities increased the City's net position by \$495,354, compared to the previous year's increase in net position of \$5,574,391. The previous year's increase was substantial due to developer contributed streets, sidewalks, trails, and park assets being recorded in the amount of \$5,907,452. Aside from the difference in developer contributed assets from 2018 to 2019, the main revenue increase in 2019 can be attributed to the increase in charges for services. This increase in revenue helped to offset the increase in expenses from 2018 to 2019.

Because user fees are not intended to cover depreciation expense, operating losses of the enterprise funds totaled \$1,582,043 during 2019. These losses were offset with intergovernmental revenue, investment income, and connection charge revenues.

| Net Position Changes | Governmental Activities | | Business-Type Activities | | Totals | |
|--|-------------------------|----------------------|--------------------------|----------------------|-----------------------|-----------------------|
| | 2019 | 2018 | 2019 | 2018 | 2019 | 2018 |
| Revenues | | | | | | |
| Program Revenues | | | | | | |
| Charges for Services | \$ 3,540,385 | \$ 3,565,251 | \$ 6,341,761 | \$ 4,623,649 | \$ 9,882,146 | \$ 8,188,900 |
| Operating Grants & Contributions | \$ 376,788 | \$ 438,027 | \$ 70,534 | \$ 9,985 | \$ 447,322 | \$ 447,412 |
| Capital Grants & Contributions | \$ 421,979 | \$ 6,466,765 | \$ 1,932,328 | \$ 6,986,412 | \$ 2,354,307 | \$ 13,453,177 |
| General Revenues | | | | | | |
| Property Taxes | \$ 8,404,302 | \$ 7,780,601 | \$ - | \$ - | \$ 8,404,302 | \$ 7,780,601 |
| Other Taxes | \$ 261,432 | \$ 246,313 | \$ - | \$ - | \$ 261,432 | \$ 246,313 |
| Grants & Contributions not Restricted | \$ 14,030 | \$ 11,957 | \$ - | \$ - | \$ 14,030 | \$ 11,957 |
| Other | \$ 864,021 | \$ 128,214 | \$ 132,480 | \$ 24,445 | \$ 996,501 | \$ 152,259 |
| Total Revenues | \$ 13,882,937 | \$ 18,637,128 | \$ 8,477,163 | \$ 11,643,491 | \$ 22,360,100 | \$ 30,280,619 |
| Expenses | | | | | | |
| Administrative Services | \$ 2,714,323 | \$ 2,630,273 | \$ - | \$ - | \$ 2,714,323 | \$ 2,630,273 |
| Community Development | \$ 769,991 | \$ 845,242 | \$ - | \$ - | \$ 769,991 | \$ 845,242 |
| Culture & Recreation | \$ 2,318,632 | \$ 2,378,745 | \$ - | \$ - | \$ 2,318,632 | \$ 2,378,745 |
| Public Safety | \$ 1,837,582 | \$ 1,521,879 | \$ - | \$ - | \$ 1,837,582 | \$ 1,521,879 |
| Public Services | \$ 6,064,581 | \$ 5,495,664 | \$ - | \$ - | \$ 6,064,581 | \$ 5,495,664 |
| Interest on Long-Term Debt | \$ 673,660 | \$ 709,590 | \$ - | \$ - | \$ 673,660 | \$ 709,590 |
| Water | \$ - | \$ - | \$ 2,717,426 | \$ 1,897,526 | \$ 2,717,426 | \$ 1,897,526 |
| Sewer | \$ - | \$ - | \$ 3,594,233 | \$ 2,468,774 | \$ 3,594,233 | \$ 2,468,774 |
| Storm Water | \$ - | \$ - | \$ 1,328,221 | \$ 1,381,573 | \$ 1,328,221 | \$ 1,381,573 |
| Street Lights | \$ - | \$ - | \$ 259,716 | \$ 237,420 | \$ 259,716 | \$ 237,420 |
| Total Expenses | \$ 14,378,769 | \$ 15,581,393 | \$ 7,899,596 | \$ 5,985,993 | \$ 22,278,365 | \$ 19,566,685 |
| Increase (Decrease) in Net Position before Transfers | \$ (495,832) | \$ 5,055,735 | \$ 577,567 | \$ 5,658,198 | \$ 81,735 | \$ 10,713,933 |
| Transfers | \$ 82,213 | \$ 83,807 | \$ (82,213) | \$ (83,807) | \$ - | \$ - |
| Increase (Decrease) in Net Position | \$ (413,619) | \$ 5,139,542 | \$ 495,354 | \$ 5,574,391 | \$ 81,735 | \$ 10,713,933 |
| Net Position, January 1 | \$ 68,033,583 | \$ 62,894,046 | \$ 40,971,813 | \$ 35,397,422 | \$ 109,005,401 | \$ 98,291,468 |
| Net Position, December 31 | \$ 67,619,963 | \$ 68,033,583 | \$ 41,467,167 | \$ 40,971,813 | \$ 109,087,136 | \$ 109,005,401 |





Financial Analysis of the Government's Funds

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

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

As of the end of the current fiscal year, the City of Waconia's governmental funds reported combined ending fund balances of \$11,750,975. Of this total amount, \$2,071,629 (approximately 18%) constitutes unassigned fund balance, which is available for spending at the government's discretion. The remainder of fund balance is assigned, restricted, or committed to other governmental activities including debt service payments, economic development loans, and capital projects.

All debt service funds have a total fund balance of \$4,961,002. These funds are restricted for the payment of debt service. The net increase in fund balance during the current year in the debt service funds was \$268,754. The City did issue debt in 2019 known as the General Obligation Bonds of 2019A that were designated to fund the 2019 Infrastructure Improvement Project, Lake Waconia Regional Park Project, and road grader equipment purchase. In this debt issuance the City was also able to refund the 2010A General Obligation Capital Improvement Plan Bonds. The refunding will result in savings in interest expense and allow the City to reduce their special debt levy for this obligation.

General Fund Analysis

As a measure of the General Fund's liquidity, it may be useful to compare unassigned fund balance and total fund balance to total fund expenditures. Unassigned fund balance represents 47% of total General Fund expenditures. The General Fund increased fund balance by \$299,122 during the current fiscal year. The increase can be attributed to unanticipated building permit revenue and timely payment of property taxes.

Permanent Improvement Revolving Capital Project Fund Analysis

The Permanent Improvement Revolving Capital Project Fund decreased fund balance by \$1,275,991 during the current fiscal year. The fund's restricted fund balance decreased due to expenditure of bond proceeds for the 2017-2018 infrastructure projects that went unspent in the previous years.

Safari Island Fund Analysis

The Safari Island Fund increased fund balance by \$200,002 during the current fiscal year. Safari Island has been able to grow membership and program revenues over the past couple of years so that annual revenues are nearly able to cover annual operating expenses. In addition, the City has continued to make the budgeted interfund transfer to Safari Island which has allowed the

fund balance to increase. The City will continue to analyze the need for the interfund transfer with the annual budgeting process.

Permanent Improvement Debt Service Fund Analysis

The Permanent Improvement Debt Service Fund increased fund balance by \$37,814 during the current fiscal year. The City refunded the 2010A General Obligation Capital Improvement Plan Bonds in 2019 with proceeds from the 2019A General Obligation Bonds. As a result, the City will see interest cost savings over the remaining 9 years of the bond term. Property taxes and special assessment revenue were sufficient to provide funding for other regularly scheduled debt service payments.

Proprietary funds: The City of Waconia's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail. The total unrestricted net position of all the proprietary funds totals \$5,999,784. Total unrestricted net position increased 17% from 2018.

Water Utility Fund Analysis

Net position of the Water Utility Fund increased \$202,178 during 2019 compared to a \$1,430,589 increase in 2018. Contributions of capital assets were \$1,525,990 less in 2019, although this was partially offset by special assessment revenue in the amount of \$257,883. Operating expenditures including depreciation exceeded operating revenues in 2019 by \$438,508. User charges are not intended to fully cover depreciation expense, which was \$880,901 for 2019.

Sewer Utility Fund Analysis

Net position of the Sewer Utility Fund decreased \$155,840 during 2019 compared to a \$1,601,507 increase in 2018. Contributions of capital assets were \$1,696,725 less in 2019. Operating expenditures including depreciation exceeded operating revenues in 2019 by \$765,536. User charges are not intended to fully cover depreciation expense, which was \$555,258 for 2019. Also, the City incurred increased costs to maintain its lift stations during 2019.

Storm Water Utility Fund Analysis

Net position of the Storm Water Utility Fund increased \$444,640 during 2019 compared to a \$2,525,004 increase in 2018. Contributions of capital assets were \$2,295,648 less in 2019, although this was partially offset by special assessment revenue in the amount of \$132,148. Operating expenditures including depreciation exceeded operating revenues in 2019 by \$372,501. User charges are not intended to fully cover depreciation expense, which was \$543,003 for 2019.

Street Light Utility Fund Analysis

Net position of the Street Light Utility Fund increased \$4,376 during 2019 compared to a \$17,291 increase in 2018. Repairs and maintenance expenses were \$11,548 higher in 2019 than in 2018 due to lighting upgrades throughout the community.

General Fund Budgetary Highlights

There were 8 budget amendments to the General Fund in 2019. The major budget amendments were made within the parks, planning, and technology budgets. The parks department had funds available in the operating budget for the purchase of a toddler play structure. Because the cost of the unit was deemed capital, an amendment was approved to move the funds from the parks operating budget to the PIR Capital Project fund. The planning department was awarded a grant in 2017 for work completed in relation to the City's comprehensive plan update. Most of the expense related to the comp plan was recognized in 2017 and 2018; however, grant funds are not awarded until the final submission of the comp plan is approved which was expected in 2019. An amendment was completed within the planning budget to recognize the anticipated grant revenue. The technology budget amendment was related to an expense that was budgeted for in 2018 but the actual expense was incurred in 2019.

The actual General Fund expenditures of \$5,398,804 were \$126,141 over the General Fund budget of \$5,272,663. The primary departments resulting in this variance include building inspections, planning, and streets. Building inspection expense was higher than anticipated mostly related to commercial and multi-family development. Although building inspection contracted services expense was higher than anticipated there were offsetting permit fee revenue. Planning contracted services expense continued to grow from 2018 into 2019 as continued revisions to the comprehensive plan were required for review by the Met Council. Lastly, the streets budget had higher than projected expenses in the supplies, fuels, and engineering budgeted line items. Most of the unexpected supply expense was associated with street maintenance material such as asphalt and gravel which is used for routine street repairs. The increased budget related to fuel was due to increased snow events in 2019. Finally, engineering expense exceeded the budget as additional planning and project monitoring was required for projects occurring throughout the year.

The overall transfers-out total \$2,133,000 to special revenue, debt service, and capital equipment funds impacted the total outflow of resources.

Capital Assets and Debt Administration

Capital assets. The City of Waconia's investment in capital assets for its governmental and business type activities as of December 31, 2019, amount to \$129,937,728 (net of accumulated depreciation). This investment in capital assets includes land, permanent easements, buildings, improvements, machinery, furniture, equipment, park facilities, roads, and highways. The total decrease in the City of Waconia's overall value of capital assets for the current fiscal year was less than 1%. The reason for the decrease is the increase in accumulated depreciation was higher than asset additions for 2019.

Major capital asset information for the current fiscal year follows:

| Capital Assets | Governmental Activities | | Business Type Activities | | Total | |
|--------------------------|-------------------------|-----------------|--------------------------|-----------------|-----------------|-----------------|
| | 2019 | 2018 | 2019 | 2018 | 2019 | 2018 |
| Land | \$ 5,605,211 | \$ 5,605,211 | | | \$ 5,611,256 | \$ 5,611,256 |
| Permanent Easements | \$ 1,359,253 | \$ 1,359,253 | \$ 206,045 | \$ 206,045 | \$ 1,359,253 | \$ 1,359,253 |
| Buildings | \$ 55,343,556 | \$ 55,775,439 | \$ 10,184,039 | \$ 10,184,039 | \$ 65,527,595 | \$ 65,959,478 |
| Infrastructure | \$ 24,224,029 | \$ 72,722,947 | \$ 58,186,531 | \$ 55,828,243 | \$ 82,410,560 | \$ 128,551,190 |
| Machinery & Equipment | \$ 3,082,265 | \$ 2,659,824 | \$ 1,110,025 | \$ 960,357 | \$ 4,192,291 | \$ 3,620,181 |
| Vehicles | \$ 4,517,756 | \$ 4,038,763 | \$ 652,278 | \$ 652,278 | \$ 5,170,034 | \$ 4,691,041 |
| Construction in Progress | \$ 5,385,539 | \$ 5,775,952 | \$ 3,750,568 | \$ 2,944,639 | \$ 9,136,107 | \$ 8,720,591 |
| Accumulated Depreciation | \$ (68,982,531) | \$ (53,413,579) | \$ (24,850,771) | \$ (22,877,057) | \$ (93,833,302) | \$ (76,290,636) |
| Total Capital Assets | \$ 30,668,688 | \$ 82,773,880 | \$ 49,269,440 | \$ 47,928,744 | \$ 79,938,128 | \$ 130,702,624 |

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

Long-Term Debt. At the end of the current fiscal year, the City of Waconia had total debt outstanding of \$41,859,919. Of this amount \$15,273,139 is special assessment debt for which the government is liable in the event of default by the property owner subject to the assessment. The remainder of the City's long-term debt represents bonds secured by specified revenue sources (i.e., water and sewer bonds, tax levy, or capital leases) of \$26,586,780 and compensated absences of \$275,163. During the current fiscal year, the City's total long-term debt decreased by \$667,984. Total principal payments made were \$6,033,254.

The City issued \$1,895,000 of general obligation bonds and \$2,620,000 of general obligation revenue bonds to finance work completed with the 2019 Infrastructure Improvement Project and the Lake Waconia Regional Park Utility Project along with a road grader that will be used for street maintenance.

| Long-Term Debt | Governmental Activities | | Business Activities | | Total | |
|-----------------------------------|-------------------------|---------------|---------------------|---------------|---------------|---------------|
| | 2019 | 2018 | 2019 | 2018 | 2019 | 2018 |
| Bonded Debt | | | | | | |
| General Obligation Debt | \$ 8,075,000 | \$ 8,800,000 | \$ - | \$ - | \$ 8,075,000 | \$ 8,800,000 |
| Special Assessment Debt | | | | | | |
| Debt with Governmental Commitment | \$ 15,273,139 | \$ 15,473,556 | \$ - | \$ - | \$ 15,273,139 | \$ 15,473,556 |
| Public Project Revenue Bonds | \$ 4,434,960 | \$ 5,012,025 | \$ - | \$ - | \$ 4,434,960 | \$ 5,012,025 |
| G.O. Revenue Bonds | \$ - | \$ - | \$ 13,801,657 | \$ 11,953,867 | \$ 13,801,657 | \$ 11,953,867 |
| Total Bonded Debt | \$ 27,783,099 | \$ 30,285,581 | \$ 13,801,657 | \$ 11,953,867 | \$ 41,584,756 | \$ 42,239,448 |
| Compensated Absences | \$ 173,303 | \$ 162,068 | \$ 101,860 | \$ 126,387 | \$ 275,163 | \$ 288,455 |
| Total Long-Term Debt | \$ 27,956,402 | \$ 30,447,649 | \$ 13,903,517 | \$ 12,080,254 | \$ 41,859,919 | \$ 42,527,903 |

- The City of Waconia will be paying approximately \$4,380,908 in principal payments in 2020.
- The City of Waconia received an enhanced bond rating in 2015. The City's bond rating was increased from AA rating to AA+ rating from Standard & Poor's on its general obligation debt. The City's bond rating was reaffirmed in July 2019 with the issuance of general obligation bonds.

State statutes limit the amount of general obligation debt a governmental entity may issue up to 3 percent of its total assessed valuation. The current debt limitation for the City of Waconia is \$42,485,841. The City of Waconia's current outstanding general obligation debt of \$8,075,000 is well below the maximum allowed.

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

2020 Budget and Rate Information

The following factors were considered in preparing the City of Waconia's budget for the 2020 fiscal year.

- The City's 2020 Taxable Market Value increased to \$1,539,016,500 up 11.14% from the previous year's market values and the Net Total Tax Capacity increased to \$16,011,856, up 13%.
- The City of Waconia prepared its 2020 General Fund budget of \$7,914,864 for a 6.9% increase in projected General Fund expenditures including interfund transfers out to other funds.
- The City's tax rate decreased from 52.5% to 46.6% for a 5.89% decrease. The average valued home realized a decrease in their tax bill if their valuation remained the same.

Requests for Information

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

BASIC FINANCIAL STATEMENTS

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CITY OF WACONIA, MINNESOTA
STATEMENT OF NET POSITION
December 31, 2019
With Comparative Totals For December 31, 2018

Statement 1

| | Primary Government | | | |
|---|----------------------------|-----------------------------|---------------|---------------|
| | Governmental Activities | Business-Type Activities | Total | |
| | | | 2019 | 2018 |
| Assets: | | | | |
| Cash and investments | \$11,828,067 | \$4,583,654 | \$16,411,721 | \$16,752,358 |
| Accrued interest receivable | 39,058 | - | 39,058 | 42,197 |
| Due from other governmental units | 111,306 | 1,629,448 | 1,740,754 | 470,848 |
| Accounts receivable - net | 170,996 | 381,182 | 552,178 | 712,730 |
| Internal balances | (500,716) | 500,716 | - | - |
| Prepaid items | 108,756 | 31,254 | 140,010 | 123,790 |
| Property taxes receivable | 54,951 | - | 54,951 | 48,599 |
| Special assessments receivable | 3,533,442 | 371,790 | 3,905,232 | 3,839,366 |
| Deposits receivable | 175,000 | - | 175,000 | 175,000 |
| Notes receivable - net | 830,545 | 66,805 | 897,350 | 1,259,194 |
| Land held for resale | 730,000 | - | 730,000 | 760,000 |
| Net pension asset | 573,522 | - | 573,522 | 553,766 |
| Capital assets - nondepreciable | 12,391,103 | 3,996,643 | 16,387,746 | 15,331,310 |
| Capital assets - net of accumulated depreciation | 68,277,585 | 45,272,397 | 113,549,982 | 115,371,314 |
| Total assets | 98,323,615 | 56,833,889 | 155,157,504 | 155,440,472 |
| Deferred outflows of resources related to: | | | | |
| Pensions | 241,455 | 149,124 | 390,579 | 523,386 |
| Debt refunding | 150,978 | - | 150,978 | 169,851 |
| Total deferred outflows of resources | 392,433 | 149,124 | 541,557 | 693,237 |
| Liabilities: | | | | |
| Accounts payable | 471,637 | 455,091 | 926,728 | 877,674 |
| Due to other governmental units | 120,393 | 690 | 121,083 | 148,796 |
| Salaries and benefits payable | 65,716 | 19,613 | 85,329 | 72,838 |
| Contracts payable | 36,312 | 128,038 | 164,350 | 46,304 |
| Deposits payable | 339,842 | - | 339,842 | 313,796 |
| Accrued interest payable | 281,746 | 148,293 | 430,039 | 401,567 |
| Unearned revenue | 27,403 | - | 27,403 | 27,084 |
| Other post employment benefits: | | | | |
| Due in more than one year | 101,668 | 71,225 | 172,893 | 156,380 |
| Net pension liability: | | | | |
| Due in more than one year | 1,189,419 | 624,708 | 1,814,127 | 1,675,372 |
| Long-term liabilities: | | | | |
| Due within one year | 3,269,211 | 1,386,860 | 4,656,071 | 4,340,800 |
| Due in more than one year | 24,687,191 | 12,516,657 | 37,203,848 | 38,187,103 |
| Total liabilities | 30,590,538 | 15,351,175 | 45,941,713 | 46,247,714 |
| Deferred inflows of resources related to pensions | 505,541 | 164,671 | 670,212 | 880,594 |
| Net position: | | | | |
| Net investment in capital assets | 53,036,567 | 35,467,383 | 88,503,950 | 91,027,327 |
| Restricted for: | | | | |
| Debt service | 8,204,324 | - | 8,204,324 | 8,163,724 |
| Economic development loans | 1,423,475 | - | 1,423,475 | 1,394,070 |
| Fire Relief Association pension plan | 461,066 | - | 461,066 | 592,716 |
| Tax increment purposes | 330,530 | - | 330,530 | 311,292 |
| Other purposes | 298,677 | - | 298,677 | 108,465 |
| Unrestricted | 3,865,330 | 5,999,784 | 9,865,114 | 7,407,807 |
| Total net position | \$67,619,969 | \$41,467,167 | \$109,087,136 | \$109,005,401 |

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

CITY OF WACONIA, MINNESOTA
STATEMENT OF ACTIVITIES
For The Year Ended December 31, 2019
With Comparative Totals For The Year Ended December 31, 2018

| <u>Functions/Programs</u> | <u>Program Revenues</u> | |
|--------------------------------|-------------------------|---------------------------------|
| | <u>Expenses</u> | <u>Charges For Services</u> |
| Primary government: | | |
| Governmental activities: | | |
| Administrative services | \$2,714,323 | \$744,018 |
| Community development | 769,991 | 659,297 |
| Culture and recreation | 2,318,632 | 1,851,410 |
| Public safety | 1,837,582 | 190,453 |
| Public services | 6,064,581 | 95,207 |
| Interest on long-term debt | 673,660 | - |
| Total governmental activities | <u>14,378,769</u> | <u>3,540,385</u> |
| Business-type activities: | | |
| Water | 2,717,426 | 2,305,044 |
| Sewer | 3,594,233 | 2,831,076 |
| Storm water | 1,328,221 | 951,423 |
| Street lighting | 259,716 | 254,218 |
| Total business-type activities | <u>7,899,596</u> | <u>6,341,761</u> |
| Total primary government | <u>\$22,278,365</u> | <u>\$9,882,146</u> |

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

| Program Revenues | | Net (Expense) Revenue and Changes in Net Position | | | |
|---|--|--|-----------------------------|---------------|---------------|
| Operating Grants and Contributions | Capital Grants and Contributions | Primary Government | | | |
| | | Governmental Activities | Business-Type Activities | Totals | |
| | | | | 2019 | 2018 |
| \$20,131 | \$ - | (\$1,950,174) | \$ - | (\$1,950,174) | (\$1,881,851) |
| - | - | (110,694) | - | (110,694) | (121,208) |
| 115 | 40,000 | (427,107) | - | (427,107) | (441,566) |
| 189,099 | - | (1,458,030) | - | (1,458,030) | (1,101,827) |
| 167,443 | 381,979 | (5,419,952) | - | (5,419,952) | 1,144,692 |
| - | - | (673,660) | - | (673,660) | (709,590) |
| 376,788 | 421,979 | (10,039,617) | 0 | (10,039,617) | (3,111,350) |
| - | 774,343 | - | 361,961 | 361,961 | 1,690,351 |
| 70,594 | 620,033 | - | (72,530) | (72,530) | 1,721,719 |
| - | 537,952 | - | 161,154 | 161,154 | 2,206,717 |
| - | - | - | (5,498) | (5,498) | 15,366 |
| 70,594 | 1,932,328 | 0 | 445,087 | 445,087 | 5,634,153 |
| \$447,382 | \$2,354,307 | (10,039,617) | 445,087 | (9,594,530) | 2,522,803 |
| General revenues: | | | | | |
| Property taxes | | 8,404,302 | - | 8,404,302 | 7,780,601 |
| Tax increment collections | | 210,542 | - | 210,542 | 198,918 |
| Lodging taxes | | 50,890 | - | 50,890 | 47,395 |
| Grants and contributions not restricted to specific programs | | 14,030 | - | 14,030 | 11,957 |
| Unrestricted investment earnings | | 301,413 | 132,480 | 433,893 | 108,758 |
| Gain on sale of property | | 520,000 | - | 520,000 | - |
| Gain on sale of capital assets | | 42,608 | - | 42,608 | 43,501 |
| Transfers | | 82,213 | (82,213) | - | - |
| Total general revenues and transfers | | 9,625,998 | 50,267 | 9,676,265 | 8,191,130 |
| Change in net position | | (413,619) | 495,354 | 81,735 | 10,713,933 |
| Net position - January 1 | | 68,033,588 | 40,971,813 | 109,005,401 | 98,291,468 |
| Net position - December 31 | | \$67,619,969 | \$41,467,167 | \$109,087,136 | \$109,005,401 |

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

CITY OF WACONIA, MINNESOTA
BALANCE SHEET
GOVERNMENTAL FUNDS
December 31, 2019
With Comparative Totals For December 31, 2018

| | General Fund (101) | Permanent Improvement Revolving Capital Fund (103) |
|---|--------------------|---|
| Assets | | |
| Cash and investments | \$3,473,677 | \$196,112 |
| Accrued interest receivable | 39,058 | - |
| Due from other governmental units | 88,837 | 1,558 |
| Accounts receivable - net | 144,293 | 12,051 |
| Prepaid items | 102,085 | - |
| Property taxes receivable | 34,118 | - |
| Special assessments receivable: | | |
| Delinquent | - | - |
| Deferred | 1,000 | - |
| Interfund loan receivable | 10,000 | - |
| Deposits receivable | - | - |
| Notes receivable - net | 8,001 | - |
| Land held for resale | - | 730,000 |
| Total assets | \$3,901,069 | \$939,721 |
| Liabilities, Deferred Inflows of Resources, and Fund Balance | | |
| Liabilities: | | |
| Accounts payable | \$358,317 | \$66,779 |
| Due to other governmental units | 89 | 30,537 |
| Salaries and benefits payable | 65,716 | - |
| Contracts payable | - | 36,312 |
| Deposits payable | 82,883 | 256,959 |
| Interfund loan payable | - | - |
| Unearned revenue | 27,403 | - |
| Total liabilities | 534,408 | 390,587 |
| Deferred inflows of resources: | | |
| Unavailable revenue | 35,118 | - |
| Fund balance: | | |
| Nonspendable | 102,085 | - |
| Restricted | 1,057 | 131,816 |
| Committed | 664,462 | - |
| Assigned | - | 417,318 |
| Unassigned | 2,563,939 | - |
| Total fund balance | 3,331,543 | 549,134 |
| Total liabilities, deferred inflows of resources, and fund balance | \$3,901,069 | \$939,721 |

Fund balance reported above

Amounts reported for governmental activities in the statement of net position are different because:
Certain assets and deferred outflows of resources used in governmental activities are not current financial
resources and, therefore, are not reported in the funds.

Capital assets
Net pension asset
Deferred outflows of resources

Long-term liabilities, including deferred inflows of resources, are not due and payable in the current
period and, therefore, are not reported in the funds (see Note 1U).

Other long-term assets are not available to pay for current-period expenditures and, therefore, are
reported as unavailable revenue in the funds (see Note 1U).

Net position of governmental activities

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

| Safari Island (231) | Permanent Improvement Revolving Debt Service Fund (303) | Other Governmental Funds | Total Governmental Funds | |
|---------------------|--|--------------------------------|--------------------------|---------------------|
| | | | 2019 | 2018 |
| \$445,870 | \$600,907 | \$7,111,501 | \$11,828,067 | \$12,030,749 |
| - | - | - | 39,058 | 42,197 |
| - | 3,518 | 17,393 | 111,306 | 125,840 |
| 11,295 | - | 3,357 | 170,996 | 288,090 |
| 2,856 | - | 3,815 | 108,756 | 95,538 |
| - | 10,061 | 10,772 | 54,951 | 48,599 |
| - | 2,567 | - | 2,567 | 2,894 |
| 424 | 2,039,166 | 1,490,285 | 3,530,875 | 3,836,472 |
| - | - | - | 10,000 | 10,000 |
| 75,000 | - | 100,000 | 175,000 | 175,000 |
| - | - | 822,544 | 830,545 | 1,070,024 |
| - | - | - | 730,000 | 760,000 |
| <u>\$535,445</u> | <u>\$2,656,219</u> | <u>\$9,559,667</u> | <u>\$17,592,121</u> | <u>\$18,485,403</u> |
| \$11,157 | \$ - | \$35,384 | \$471,637 | \$541,363 |
| 89,767 | - | - | 120,393 | 89,051 |
| - | - | - | 65,716 | 58,727 |
| - | - | - | 36,312 | 11,604 |
| - | - | - | 339,842 | 313,796 |
| - | - | 510,716 | 510,716 | 655,403 |
| - | - | - | 27,403 | 27,084 |
| <u>100,924</u> | <u>0</u> | <u>546,100</u> | <u>1,572,019</u> | <u>1,697,028</u> |
| <u>424</u> | <u>2,051,794</u> | <u>2,181,791</u> | <u>4,269,127</u> | <u>4,648,104</u> |
| 2,856 | - | 3,815 | 108,756 | 95,538 |
| - | 604,425 | 6,064,580 | 6,801,878 | 8,688,569 |
| 431,241 | - | 361,764 | 1,457,467 | 1,189,201 |
| - | - | 893,927 | 1,311,245 | 1,108,126 |
| - | - | (492,310) | 2,071,629 | 1,058,837 |
| <u>434,097</u> | <u>604,425</u> | <u>6,831,776</u> | <u>11,750,975</u> | <u>12,140,271</u> |
| <u>\$535,445</u> | <u>\$2,656,219</u> | <u>\$9,559,667</u> | <u>\$17,592,121</u> | <u>\$18,485,403</u> |
| | | | \$11,750,975 | \$12,140,271 |
| | | | 80,668,688 | 82,773,880 |
| | | | 573,522 | 553,766 |
| | | | 392,433 | 468,140 |
| | | | (30,034,776) | (32,550,573) |
| | | | <u>4,269,127</u> | <u>4,648,104</u> |
| | | | <u>\$67,619,969</u> | <u>\$68,033,588</u> |

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

CITY OF WACONIA, MINNESOTA
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
For The Year Ended December 31, 2019
With Comparative Totals For The Year Ended December 31, 2018

| | General Fund (101) | Permanent Improvement Revolving Capital Fund (103) |
|--|--------------------|---|
| Revenues: | | |
| Property taxes | \$5,576,793 | \$ - |
| Tax increment collections | - | - |
| Lodging taxes | - | - |
| Special assessments | - | - |
| Intergovernmental | 276,380 | - |
| Investment income | 135,711 | 29,202 |
| Charges for services | 870,594 | 20,417 |
| Licenses and permits | 694,288 | - |
| Fines and forfeits | 42,508 | - |
| Contributions and donations | 6,096 | 138,546 |
| Total revenues | <u>7,602,370</u> | <u>188,165</u> |
| Expenditures: | | |
| Current: | | |
| Administrative services | 1,643,417 | - |
| Community development | 534,011 | - |
| Culture and recreation | 17,591 | - |
| Public safety | 1,371,512 | - |
| Public services | 1,832,273 | 611,661 |
| Capital outlay: | | |
| Administrative services | - | 168,157 |
| Culture and recreation | - | 176,611 |
| Public safety | - | - |
| Public services | - | 1,971,352 |
| Debt service: | | |
| Principal | - | - |
| Interest and fiscal charges | - | 7,525 |
| Total expenditures | <u>5,398,804</u> | <u>2,935,306</u> |
| Revenues over (under) expenditures | <u>2,203,566</u> | <u>(2,747,141)</u> |
| Other financing sources (uses): | | |
| Issuance of debt | - | 230,000 |
| Refunding bonds issued | - | - |
| Bond premium | - | 43,903 |
| Sale of property | - | 520,000 |
| Sale of capital assets | - | - |
| Transfers in | 228,556 | 1,013,000 |
| Transfers out | (2,133,000) | (335,753) |
| Total other financing sources (uses) | <u>(1,904,444)</u> | <u>1,471,150</u> |
| Net change in fund balance | 299,122 | (1,275,991) |
| Fund balance - January 1 | <u>3,032,421</u> | <u>1,825,125</u> |
| Fund balance - December 31 | <u>\$3,331,543</u> | <u>\$549,134</u> |

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

Statement 4

| Safari Island (231) | Permanent Improvement Revolving Debt Service Fund (303) | Other Governmental Funds | Total Governmental Funds | |
|---------------------|--|--------------------------------|--------------------------|--------------|
| | | | 2019 | 2018 |
| \$ - | \$652,786 | \$2,168,371 | \$8,397,950 | \$7,767,482 |
| - | - | 210,542 | 210,542 | 198,918 |
| - | - | 50,890 | 50,890 | 47,395 |
| - | 8,606 | 355,115 | 363,721 | 307,554 |
| - | - | - | 276,380 | 317,102 |
| - | 8,952 | 127,548 | 301,413 | 84,713 |
| 1,429,499 | - | 483,079 | 2,803,589 | 2,769,305 |
| - | - | - | 694,288 | 754,444 |
| - | - | - | 42,508 | 41,502 |
| 115 | - | 128,775 | 273,532 | 185,253 |
| 1,429,614 | 670,344 | 3,524,320 | 13,414,813 | 12,473,668 |
| - | - | 9,123 | 1,652,540 | 1,607,461 |
| - | - | 249,616 | 783,627 | 867,610 |
| 1,454,612 | - | 499,563 | 1,971,766 | 2,040,710 |
| - | - | - | 1,371,512 | 1,332,149 |
| - | - | 19,863 | 2,463,797 | 2,006,663 |
| - | - | - | 168,157 | - |
| - | - | - | 176,611 | 31,800 |
| - | - | 152,884 | 152,884 | 818,177 |
| - | - | 534,363 | 2,505,715 | 3,101,067 |
| - | 2,180,000 | 2,367,065 | 4,547,065 | 5,321,814 |
| - | 179,247 | 688,495 | 875,267 | 924,288 |
| 1,454,612 | 2,359,247 | 4,520,972 | 16,668,941 | 18,051,739 |
| (24,998) | (1,688,903) | (996,652) | (3,254,128) | (5,578,071) |
| - | - | 215,000 | 445,000 | 965,000 |
| - | 1,450,000 | - | 1,450,000 | - |
| - | 276,717 | 41,499 | 362,119 | 60,625 |
| - | - | - | 520,000 | - |
| - | - | 5,500 | 5,500 | - |
| 225,000 | - | 1,107,416 | 2,573,972 | 2,803,482 |
| - | - | (23,006) | (2,491,759) | (2,719,675) |
| 225,000 | 1,726,717 | 1,346,409 | 2,864,832 | 1,109,432 |
| 200,002 | 37,814 | 349,757 | (389,296) | (4,468,639) |
| 234,095 | 566,611 | 6,482,019 | 12,140,271 | 16,608,910 |
| \$434,097 | \$604,425 | \$6,831,776 | \$11,750,975 | \$12,140,271 |

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

CITY OF WACONIA, MINNESOTA
RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES OF
GOVERNMENTAL FUNDS
For The Year Ended December 31, 2019
With Comparative Amounts For The Year Ended December 31, 2018

Statement 5

| | 2019 | 2018 |
|---|--------------------|--------------------|
| Amounts reported for governmental activities in the statement of activities are different because: | | |
| Net changes in fund balance - total governmental funds (Statement 4) | (\$389,296) | (\$4,468,639) |
| Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense: | | |
| Depreciation | (5,331,933) | (5,191,411) |
| Capital outlay | 3,003,367 | 3,951,044 |
| Various other transactions involving capital assets increase (decrease) net position on the statement of activities, but are not reported in governmental funds because they do not provide (or use) current financial resources: | | |
| Contributed infrastructure | 186,266 | 6,105,047 |
| Gain (loss) on disposal of capital assets | 37,108 | 43,501 |
| Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds: | | |
| Change in delinquent taxes | 6,352 | 13,119 |
| Change in deferred and delinquent special assessments | (306,554) | (33,770) |
| Change in long-term notes receivable | (78,775) | (66,276) |
| The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. | | |
| Bonds issued, including bond premium | (2,257,119) | (1,025,625) |
| Repayment of principal | 4,547,065 | 5,321,814 |
| Governmental funds report the effects of bond premiums and discounts when the debt is first issued, whereas these amounts are deferred and amortized over the life of the debt in the statement of activities. | | |
| Amortization of bond premiums | 212,536 | 204,362 |
| Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds. Expenses reported in the statement of activities include the effects of the changes in these expense accruals as follows: | | |
| Change in compensated absences payable | (11,235) | 19,674 |
| Change in other post employment benefits payable | (10,752) | 13,581 |
| Change in accrued interest payable | 7,944 | 29,209 |
| Change in deferred outflows related to debt refunding | (18,873) | (18,873) |
| Governmental funds report pension contributions as expenditures, however pension expense is reported in the statement of activities. This is the amount by which pension expense differed from pension contributions: | | |
| Pension contributions | 144,157 | |
| Pension expense | (153,877) | 242,785 |
| Change in net position of governmental activities (Statement 2) | <u>(\$413,619)</u> | <u>\$5,139,542</u> |

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

CITY OF WACONIA, MINNESOTA
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
December 31, 2019
With Comparative Totals For December 31, 2018

Statement 6

| | Business-Type Activities - Enterprise Funds | | | | Total | |
|---|---|--------------|-------------------|----------------------------|--------------|--------------|
| | Water (601) | Sewer (602) | Storm Water (655) | Street Light Utility (668) | 2019 | 2018 |
| | | | | | | |
| Assets: | | | | | | |
| Current assets: | | | | | | |
| Cash and cash equivalents | \$1,547,273 | \$1,416,857 | \$1,268,651 | \$350,873 | \$4,583,654 | \$4,721,609 |
| Due from other governmental units | 812,974 | 812,974 | 3,500 | - | 1,629,448 | 345,008 |
| Accounts receivable - net | 100,530 | 182,930 | 74,797 | 22,925 | 381,182 | 424,640 |
| Prepaid items | 10,484 | 12,434 | 5,909 | 2,427 | 31,254 | 28,252 |
| Special assessments receivable - current portion | 26,554 | - | 11,403 | - | 37,957 | - |
| Interfund loan receivable - current portion | - | 39,183 | - | - | 39,183 | 46,074 |
| Trunk fees receivable - current portion | 38,400 | 20,320 | 8,085 | - | 66,805 | 100,345 |
| Total current assets | 2,536,215 | 2,484,698 | 1,372,345 | 376,225 | 6,769,483 | 5,665,928 |
| Noncurrent assets: | | | | | | |
| Special assessments receivable - noncurrent portion | 220,330 | - | 113,503 | - | 333,833 | - |
| Interfund loan receivable - noncurrent portion | - | 461,533 | - | - | 461,533 | 599,329 |
| Trunk fees receivable - noncurrent portion | - | - | - | - | - | 88,825 |
| Capital assets: | | | | | | |
| Land | 74,045 | 55,000 | 77,000 | - | 206,045 | 206,045 |
| Buildings | 9,880,592 | 303,447 | - | - | 10,184,039 | 10,184,039 |
| Machinery and equipment | 210,401 | 573,468 | 310,242 | 15,915 | 1,110,026 | 990,357 |
| Infrastructure | 20,503,148 | 17,703,541 | 19,787,160 | 192,682 | 58,186,531 | 55,828,243 |
| Vehicles | 222,969 | 405,166 | 24,143 | - | 652,278 | 652,278 |
| Construction in progress | 1,373,278 | 803,822 | 1,613,498 | - | 3,790,598 | 2,944,839 |
| Total capital assets | 32,264,433 | 19,844,444 | 21,812,043 | 208,597 | 74,129,517 | 70,805,801 |
| Less: Allowance for depreciation | (11,919,027) | (6,673,199) | (6,081,227) | (187,024) | (24,860,477) | (22,877,057) |
| Net capital assets | 20,345,406 | 13,171,245 | 15,730,816 | 21,573 | 49,269,040 | 47,928,744 |
| Total assets | 23,101,951 | 16,117,476 | 17,216,664 | 397,798 | 56,833,889 | 54,282,826 |
| Deferred outflows of resources related to pensions | 52,760 | 49,876 | 42,290 | 4,198 | 149,124 | 225,097 |
| Liabilities: | | | | | | |
| Current liabilities: | | | | | | |
| Accounts payable | 94,502 | 303,270 | 25,958 | 31,361 | 455,091 | 336,311 |
| Due to other governmental units | 690 | - | - | - | 690 | 59,745 |
| Salaries and benefits payable | 5,830 | 7,182 | 6,601 | - | 19,613 | 14,111 |
| Contracts payable | 55,286 | 52,550 | 20,202 | - | 128,038 | 34,700 |
| Accrued interest payable | 66,044 | 55,969 | 26,280 | - | 148,293 | 111,877 |
| Compensated absences payable - current | 38,026 | 37,984 | 23,240 | 2,610 | 101,860 | 98,735 |
| Bonds payable - current | 656,500 | 440,000 | 188,500 | - | 1,285,000 | 1,230,000 |
| Total current liabilities | 916,878 | 896,955 | 290,781 | 33,971 | 2,138,585 | 1,885,479 |
| Noncurrent liabilities: | | | | | | |
| Compensated absences payable | - | - | - | - | - | 27,652 |
| Other post employment benefits | 23,974 | 22,356 | 23,406 | 1,489 | 71,225 | 65,464 |
| Net pension liability | 221,842 | 209,419 | 175,699 | 17,748 | 624,708 | 589,733 |
| Bonds payable | 6,026,262 | 4,652,992 | 1,837,403 | - | 12,516,657 | 10,723,867 |
| Total noncurrent liabilities | 6,272,078 | 4,884,767 | 2,036,508 | 19,237 | 13,212,590 | 11,406,716 |
| Total liabilities | 7,188,956 | 5,781,722 | 2,327,289 | 53,208 | 15,351,175 | 13,292,195 |
| Deferred inflows of resources related to pensions | 58,477 | 55,202 | 46,314 | 4,678 | 164,671 | 243,915 |
| Net position: | | | | | | |
| Net investment in capital assets | 13,662,644 | 8,078,253 | 13,704,913 | 21,573 | 35,467,383 | 35,974,877 |
| Unrestricted | 2,244,634 | 2,252,175 | 1,180,438 | 322,537 | 5,999,784 | 4,996,936 |
| Total net position | \$15,907,278 | \$10,330,428 | \$14,885,351 | \$344,110 | \$41,467,167 | \$40,971,813 |

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

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

For The Year Ended December 31, 2019

With Comparative Totals For The Year Ended December 31, 2018

Statement 7

| | Business-Type Activities - Enterprise Funds | | | | | |
|---|---|--------------|----------------------|-------------------------------|--------------|--------------|
| | Water (601) | Sewer (602) | Storm Water (655) | Street Light Utility (668) | Total | |
| | | | | | 2019 | 2018 |
| Operating revenues: | | | | | | |
| Charges for services | \$1,399,485 | \$1,976,688 | \$876,748 | \$254,218 | \$4,507,139 | \$4,420,975 |
| Operating expenses: | | | | | | |
| Wages and salaries | 304,985 | 292,662 | 270,206 | 23,542 | 891,395 | 775,363 |
| Employee benefits | 119,869 | 113,563 | 96,859 | 7,513 | 337,804 | 277,736 |
| Materials and supplies | 145,923 | 14,291 | 42,524 | 1,645 | 204,383 | 207,668 |
| Repairs and maintenance | 56,218 | 138,216 | 13,494 | 19,482 | 227,410 | 151,974 |
| Professional services | 148,552 | 1,497,762 | 184,065 | 17,937 | 1,848,316 | 1,807,747 |
| Insurance | 21,466 | 26,669 | 11,969 | 5,497 | 65,601 | 58,113 |
| Utilities | 108,093 | 44,848 | 12,197 | 169,384 | 334,522 | 343,208 |
| Depreciation | 880,901 | 555,258 | 543,003 | 13,470 | 1,992,632 | 1,944,771 |
| Equipment | 12,664 | 13,450 | 8,833 | - | 34,947 | 11,098 |
| Miscellaneous | 39,322 | 45,505 | 66,099 | 1,246 | 152,172 | 115,173 |
| Total operating expenses | 1,837,993 | 2,742,224 | 1,249,249 | 259,716 | 6,089,182 | 5,692,851 |
| Operating loss | (438,508) | (765,536) | (372,501) | (5,498) | (1,582,043) | (1,271,876) |
| Nonoperating revenues (expenses): | | | | | | |
| Investment income | 50,578 | 41,676 | 30,352 | 9,874 | 132,480 | 24,045 |
| Intergovernmental revenue | 71,012 | 141,606 | - | - | 212,618 | 9,385 |
| Revenue related to cost-share agreements | 741,962 | 741,962 | 57,111 | - | 1,541,035 | - |
| Expenses related to cost-share agreements | (741,962) | (741,962) | (11,066) | - | (1,494,990) | (46,045) |
| Other income | 92,585 | 41,414 | 17,564 | - | 151,563 | 202,674 |
| Interest and fiscal charges | (137,471) | (110,047) | (50,356) | - | (297,874) | (245,721) |
| Loss on disposal of capital assets | - | - | (17,550) | - | (17,550) | (676) |
| Total nonoperating revenues (expenses) | 76,704 | 114,649 | 26,055 | 9,874 | 227,282 | (56,338) |
| Income (loss) before contributions and transfers | (361,804) | (650,887) | (346,446) | 4,376 | (1,354,761) | (1,328,214) |
| Transfers in | - | - | 347,263 | - | 347,263 | 462,804 |
| Transfers out | (210,361) | (124,986) | (94,129) | - | (429,476) | (546,611) |
| Capital contributions: | | | | | | |
| Special assessments | 257,883 | - | 132,148 | - | 390,031 | - |
| Connection charges | 406,560 | 511,158 | 235,490 | - | 1,153,208 | 987,440 |
| Contributions of capital assets | 109,900 | 108,875 | 170,314 | - | 389,089 | 5,907,452 |
| Intergovernmental revenue | - | - | - | - | - | 91,520 |
| Total contributions and transfers | 563,982 | 495,047 | 791,086 | 0 | 1,850,115 | 6,902,605 |
| Change in net position | 202,178 | (155,840) | 444,640 | 4,376 | 495,354 | 5,574,391 |
| Net position - January 1 | 15,705,100 | 10,486,268 | 14,440,711 | 339,734 | 40,971,813 | 35,397,422 |
| Net position - December 31 | \$15,907,278 | \$10,330,428 | \$14,885,351 | \$344,110 | \$41,467,167 | \$40,971,813 |

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

CITY OF WACONIA, MINNESOTA

STATEMENT OF CASH FLOWS

PROPRIETARY FUNDS

For The Year Ended December 31, 2019

With Comparative Totals For The Year Ended December 31, 2018

Statement 8

| Business-Type Activities - Enterprise Funds | | | | | | |
|--|-------------|-------------|-------------------|----------------------------|---------------|---------------|
| | Water (601) | Sewer (602) | Storm Water (655) | Street Light Utility (668) | Total | |
| | | | | | 2019 | 2018 |
| Cash flows from operating activities: | | | | | | |
| Receipts from customers and users | \$1,334,144 | \$1,895,720 | \$952,135 | \$253,879 | \$4,435,878 | \$4,406,843 |
| Payment to suppliers | (460,832) | (1,660,783) | (372,827) | (222,848) | (2,717,290) | (3,010,213) |
| Payment to employees | (423,099) | (403,266) | (354,544) | (29,850) | (1,210,759) | (1,033,037) |
| Miscellaneous revenue | 163,597 | 183,020 | 17,564 | - | 364,181 | 212,059 |
| Net cash flows from operating activities | 613,810 | 14,691 | 242,328 | 1,181 | 872,010 | 575,652 |
| Cash flows from noncapital financing activities: | | | | | | |
| Transfer to other funds | (88,000) | (88,000) | (50,000) | - | (226,000) | (226,000) |
| Repayment of interfund loan receivable | - | 144,687 | - | - | 144,687 | 54,458 |
| Collections related to cost-share agreements | - | - | 57,111 | - | 57,111 | - |
| Disbursements related to cost-share agreements | (741,962) | (741,962) | (11,066) | - | (1,494,990) | (46,045) |
| Net cash flows from noncapital financing activities | (829,962) | (685,275) | (3,955) | 0 | (1,519,192) | (217,587) |
| Cash flows from capital and related financing activities: | | | | | | |
| Principal paid on debt | (630,000) | (415,000) | (185,000) | - | (1,230,000) | (1,200,000) |
| Interest and fiscal charges paid on debt | (146,094) | (104,887) | (54,130) | - | (305,111) | (290,674) |
| Transfer from other funds | - | - | 347,263 | - | 347,263 | 462,804 |
| Transfer to other funds | (122,361) | (36,986) | (44,129) | - | (203,476) | (320,611) |
| Special assessment collections | 10,999 | - | 7,242 | - | 18,241 | - |
| Connection charges | 478,560 | 549,258 | 247,755 | - | 1,275,573 | 1,367,915 |
| Bond proceeds, including premium | 1,036,621 | 1,549,153 | 535,670 | - | 3,121,444 | 531,184 |
| Acquisition of capital assets | (848,370) | (1,102,035) | (1,010,986) | - | (2,961,391) | (1,165,842) |
| Intergovernmental revenue | - | - | 314,204 | - | 314,204 | 400,000 |
| Net cash flows from capital and related financing activities | (220,645) | 439,503 | 157,889 | 0 | 376,747 | (215,224) |
| Cash flows from investing activities: | | | | | | |
| Investment income | 50,578 | 41,676 | 30,352 | 9,874 | 132,480 | 24,045 |
| Net increase (decrease) in cash and cash equivalents | (386,219) | (189,405) | 426,614 | 11,055 | (137,955) | 166,886 |
| Cash and cash equivalents - January 1 | 1,933,492 | 1,606,262 | 842,037 | 339,818 | 4,721,609 | 4,554,723 |
| Cash and cash equivalents - December 31 | \$1,547,273 | \$1,416,857 | \$1,268,651 | \$350,873 | \$4,583,654 | \$4,721,609 |
| Reconciliation of operating income (loss) to net cash provided (used) by operating activities: | | | | | | |
| Operating income (loss) | (\$438,508) | (\$765,536) | (\$372,501) | (\$5,498) | (\$1,582,043) | (\$1,271,876) |
| Adjustments to reconcile operating income (loss) to net cash flows from operating activities: | | | | | | |
| Miscellaneous revenue | 163,597 | 183,020 | 17,564 | - | 364,181 | 212,059 |
| Depreciation | 880,901 | 555,258 | 543,003 | 13,470 | 1,992,632 | 1,944,771 |
| Changes in assets, liabilities, deferred outflows and inflows: | | | | | | |
| Decrease (increase) in receivables | (65,341) | (80,968) | 75,387 | (339) | (71,261) | (14,132) |
| Decrease (increase) in prepaid items | (1,381) | (858) | (591) | (172) | (3,002) | 2,828 |
| Decrease (increase) in deferred outflows of resources | 26,781 | 25,354 | 21,717 | 2,121 | 75,973 | 120,884 |
| Increase (decrease) in payables | 24,810 | 73,882 | (31,482) | (7,485) | 59,725 | (341,224) |
| Increase (decrease) in salaries and benefits payable | 909 | 2,548 | 2,045 | - | 5,502 | 1,979 |
| Increase (decrease) in contracts payable | 47,977 | 46,934 | (1,573) | - | 93,338 | 23,164 |
| Increase (decrease) in compensated absences | (12,064) | (11,800) | (864) | 201 | (24,527) | 5,549 |
| Increase (decrease) in other post employment benefits | 1,850 | 1,697 | 2,073 | 141 | 5,761 | - |
| Increase (decrease) in net pension liability | 12,420 | 11,725 | 9,837 | 993 | 34,975 | (95,648) |
| Increase (decrease) in deferred inflows of resources | (28,141) | (26,565) | (22,287) | (2,251) | (79,244) | (12,702) |
| Total adjustments | 1,052,318 | 780,227 | 614,829 | 6,679 | 2,454,053 | 1,847,528 |
| Net cash flows from operating activities | \$613,810 | \$14,691 | \$242,328 | \$1,181 | \$872,010 | \$575,652 |

Noncash investing, capital and financing activities:

During 2019, capital assets in the amount of \$109,900, \$108,875 and \$170,314 were contributed to the Water, Sewer and Storm Water Funds, respectively.

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

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Note 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. FINANCIAL REPORTING ENTITY

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

COMPONENT UNITS

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

The EDA and HRA component units are presented using the blended method, meaning the financial position and results of operations are reported together with the City's governmental funds, using the modified accrual basis of accounting. Blended component units, although legally separate entities, are, in substance, part of the City's operations. Separate financial statements are not prepared for the EDA or HRA.

RELATED ORGANIZATION

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

B. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

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

The statement of activities demonstrates the degree to which the direct expenses of a given function or business-type activity is offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or business-type activity. *Program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or business-type activity and 2) grants and contributions that are

restricted to meeting the operational or capital requirements of a particular function or business type activity. Taxes and other items not included among program revenues are reported instead as *general revenues*.

Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

C. MEASUREMENT FOCUS, BASIS OF ACCOUNTING AND FINANCIAL STATEMENT PRESENTATION

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

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

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

The City reports the following major governmental funds:

The *General fund* is the City's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

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

The *Safari Island special revenue fund* accounts for the Safari Island Community Center operations. All revenues of the fund, which consist primarily of user fees, are committed for this purpose.

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

The City reports the following major proprietary funds:

- The *Water Utility enterprise fund* accounts for the operations of the City's water utility.
- The *Sewer Utility enterprise fund* accounts for the operations of the City's sewer water utility.
- The *Storm Water Utility enterprise fund* accounts for the operations of the City's storm water utility.
- The *Street Light Utility enterprise fund* accounts for the operations of the City's street light utility.

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

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

Proprietary funds distinguish *operating* revenues and expenses from *non-operating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the enterprise funds are charges for service. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

D. BUDGETARY INFORMATION

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

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

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

1. Prior to or in December of each year, the City Council adopts an annual budget. The amounts shown in the financial statements as "budget" represent the original budgeted amount and all revisions made during the year.
2. Formal budgetary integration is not employed for Debt Service Funds because effective budgetary control is alternatively achieved through general obligation bond indenture provisions. Budgetary control for Capital Project Funds is accomplished through the use of project controls.

3. Appropriations are authorized by the City Council at the fund level, which are the legal levels of budgetary control. Administrative controls are maintained through the establishment of more detailed line item budgets.
4. Any changes in the total budget of each fund must be approved by a majority vote of the City Council.

During 2019, expenditures of the following funds exceeded the fund's final budget:

| | Final | | Overage |
|---------------------|-------------|-------------|-----------|
| | Actual | Budget | |
| General Fund | \$5,398,804 | \$5,272,663 | \$126,141 |
| Safari Island | 1,454,612 | 1,447,053 | 7,559 |
| Revolving Loan Fund | 17,760 | 4,700 | 13,060 |

E. CASH AND INVESTMENTS

Cash and investment balances from all funds are pooled and invested to the extent available in authorized investments. Investment income is allocated to individual funds on the basis of the fund's equity in the cash and investment pool. Investments are stated at fair value as of the balance sheet date.

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

F. RECEIVABLES

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

G. PROPERTY TAX REVENUE RECOGNITION

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

GOVERNMENT-WIDE FINANCIAL STATEMENTS

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

GOVERNMENTAL FUND FINANCIAL STATEMENTS

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

H. SPECIAL ASSESSMENT REVENUE RECOGNITION

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

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

GOVERNMENT-WIDE FINANCIAL STATEMENTS

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

GOVERNMENTAL FUND FINANCIAL STATEMENTS

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

I. INVENTORIES

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

J. PREPAID ITEMS

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

K. CAPITAL ASSETS

Capital assets, which include property, plant, equipment, infrastructure (e.g., roads, bridges, and sidewalks) and intangible assets (e.g., permanent easements), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the City as assets with an initial, individual cost of more than \$10,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at acquisition value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Property, plant and equipment is depreciated using the straight-line method over the following estimated useful lives:

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

L. COMPENSATED ABSENCES

Employees accrue paid time off (PTO) based on years of service with the City. The maximum number of PTO hours that an employee may accrue is 432. Upon termination, employees are compensated for the full amount of unused PTO leave, provided they leave in good standing as specified in the personnel policy. Employees who were eligible for an extended sick leave bank in 2009 were allowed to establish such a leave bank. No additional hours may be accrued to this bank and upon termination, a qualified employee will be compensated for 35% of their extended sick leave bank up to 336 hours. Accumulated PTO is accrued when incurred in proprietary funds. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements. In accordance with the provisions of the Statement of Government Accounting Standards No. 16, *Accounting for Compensated Absences*, no liability is recorded for nonvesting accumulating rights to receive sick pay benefits.

M. LONG-TERM OBLIGATIONS

In the government-wide financial statements and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount.

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

N. FUND BALANCE CLASSIFICATIONS

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

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

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

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

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

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

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

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

O. NET POSITION

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

P. INTERFUND TRANSACTIONS

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

The City provides temporary advances to funds that have insufficient cash balances by means of an advance from another fund shown as due from other funds in the advancing fund, and due to other funds in the fund with the deficit, until adequate resources are received. Long-term interfund loans are classified as "interfund loan receivable/payable." Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

Q. USE OF ESTIMATES

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

R. COMPARATIVE TOTALS

The basic financial statements and schedules and combining fund financial statements include certain prior year summarized comparative information in total but not at the level of detail required for a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the City's financial statements for the year ended December 31, 2018, from which the summarized information was derived.

S. DEFERRED OUTFLOWS/INFLOWS OF RESOURCES

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

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

T. DEFINED BENEFIT PENSION PLANS

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.

U. RECONCILIATION OF GOVERNMENT-WIDE FUND FINANCIAL STATEMENTS

The governmental fund balance sheet includes a reconciliation between *fund balance - total governmental funds* and *net position - governmental activities* as reported in the government-wide statement of net position. One element of that reconciliation explains that "long-term liabilities, including deferred inflows of resources, are not due and payable in the current period and, therefore, are not reported in the funds." The details of this (\$50,034,776) difference are as follows:

| | |
|---|----------------|
| Bonds payable | (\$26,539,960) |
| Unamortized bond premium | (1,243,139) |
| Accrued interest payable | (281,746) |
| Compensated absences payable | (173,303) |
| Other post employment benefits payable | (101,668) |
| Net pension liability | (1,189,419) |
| Deferred inflows of resources related to pensions | (503,541) |
| Net adjustment to decrease fund balance - total governmental funds to arrive at net position - governmental activities | (\$30,034,776) |
| Another element of that reconciliation states that "other long-term assets are not available to pay for current-period expenditures and, therefore, are reported as unavailable revenue in the funds." The details of this \$4,269,127 difference are as follows: | |
| Delinquent property taxes receivable | \$54,951 |
| Deferred and delinquent special assessments receivable | 3,533,442 |
| Notes receivable | 680,734 |
| Net adjustment to increase fund balance - total governmental funds to arrive at net position - governmental activities | \$4,269,127 |

V. RECLASSIFICATIONS

Certain amounts presented in the prior year data have been reclassified in order to be consistent with the current year's presentation.

Note 2 DEPOSITS AND INVESTMENTS

A. DEPOSITS

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

Custodial Credit Risk - Custodial credit risk is the risk that in the event of a bank failure, the City's deposits may not be returned to it. The City has a deposit and investment policy which addresses custodial credit risk for deposits, stating the primary objectives, in priority order, of the investment activities shall be safety, liquidity and return. Minnesota Statutes require that insurance, surety bonds or collateral protect all City deposits. The market value of collateral pledged must equal 110% of deposits not covered by insurance or bonds. As of December 31, 2019, the bank balance of the City's deposits was covered by federal depository insurance or by collateral pledged and held in the City's name.

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

- United States government treasury bills, treasury notes and 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.

At December 31, 2019 the carrying amount of the City's deposits with financial institutions was \$7,044,283.

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B. INVESTMENTS

Minnesota Statutes authorize the City to invest in the following:

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

As of December 31, 2019 the City had the following investments and maturities:

| Investment Type | Rating | Fair Value | Investment Maturities (in Years) | | | |
|-----------------|-----------|----------------------------|----------------------------------|-------------|-----------|--|
| | | | Less Than 1 | 1-5 | 6-10 | |
| Money Market | Not rated | \$5,251 | \$5,251 | \$ - | \$ - | |
| Brokered CD's | Not rated | 9,361,987 | 3,351,588 | 5,273,227 | 737,172 | |
| Total | | \$9,367,238 | \$3,356,839 | \$5,273,227 | \$737,172 | |
| | | Total investments | \$9,367,238 | | | |
| | | Deposits | 7,044,283 | | | |
| | | Petty cash | 200 | | | |
| | | Total cash and investments | \$16,411,721 | | | |

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. The hierarchy has three levels. Level 1 investments are valued using inputs that are based on quoted

CITY OF WACONIA, MINNESOTA
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prices in active markets for identical assets. Level 2 investments are valued using inputs that are based on quoted prices for similar assets or inputs that are observable, either directly or indirectly. Level 3 investments are valued using inputs that are unobservable.

The City has the following recurring fair value measurements as of December 31, 2019:

| Investment Type | 12/31/2019 | Fair Value Measurement Using | | |
|------------------------------|-------------|------------------------------|-------------|---------|
| | | Level 1 | Level 2 | Level 3 |
| Investments at fair value: | | | | |
| Brokered CD's | \$9,361,987 | \$ - | \$9,361,987 | \$ - |
| | 9,361,987 | \$0 | \$9,361,987 | \$0 |
| Investments not categorized: | | | | |
| Money Market | 5,251 | | | |
| Total investments | \$9,367,238 | | | |

C. INVESTMENT RISKS

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

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

Extended maturities may be utilized to take advantage of higher yields and to match investment maturities with debt obligation; however, no more than 20% of the total investments should extend beyond five years. Unless prior City Council approval is received, no investment with a maturity exceeding 10 years will be purchased. The City will attempt to diversify its investment portfolio according to broker-dealer or financial institutions. No more than 50% of the entire investment portfolio shall be held with one broker-dealer or financial institution.

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

Custodial credit risk – investments – For an investment, this is the risk that in the event of the failure of the counterparty, the City will not be able to recover the value of its investment or collateral securities that are in the possession of an outside party. The City's investment policy addresses this risk and states that when a broker-dealer holds investments purchased by the City in safekeeping, the broker must provide asset protection of \$500,000 through the Securities Investor Protection Corporation (SIPC) and at least another \$49.5 million of supplemental insurance protections. As of December 31, 2019, all investments of the City were insured, registered and held by the City or its agent in the City's name.

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Concentration of credit risk. This is the risk of loss attributed to the magnitude of an investment in a single issuer. The City's investment policy has addressed concentration of credit risk as to diversification so the impact of potential losses from any one type of security or from any one individual issuer will be minimized. The City's investment policy states the City will attempt to diversify their investments according to type and maturity. As of December 31, 2019, the City was not exposed to concentration of credit risk because individual investments were not equal to or exceeding 5% of the City's total investment portfolio.

Note 3 RECEIVABLES

Significant receivables balances not expected to be collected within one year of December 31, 2019 are as follows:

| | Governmental Activities | | | | |
|--------------------------------|-------------------------|---------------|-------------------------------------|----------------|-------------|
| | Major Funds | | Permanent Improvement Revolving DSF | Nonmajor Funds | Total |
| | General | Safari Island | | | |
| Special assessments receivable | \$ - | \$ - | \$2,035,716 | \$1,318,770 | \$3,354,486 |
| Property taxes receivable | 21,514 | - | 6,344 | 6,793 | 34,651 |
| Notes receivable | - | - | - | 752,355 | 752,355 |
| Deposits receivable | - | 75,000 | - | 100,000 | 175,000 |
| Other receivables | 6,501 | - | - | - | 6,501 |
| Total | \$28,015 | \$75,000 | \$2,042,060 | \$2,177,918 | \$4,322,993 |

In addition, receivable balances of business-type activities not expected to be collected within one year are shown on the statement of net position - proprietary funds, as noncurrent assets.

Note 4 UNAVAILABLE REVENUES

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

| | Property Taxes | Special Assessments | Notes Receivable | Delinquent Accounts Receivable | Total |
|---------------------------|----------------|---------------------|------------------|--------------------------------|-------------|
| | | | | | |
| Major Fund: | | | | | |
| General Fund | \$34,118 | \$1,000 | \$ - | \$ - | \$35,118 |
| PIR Debt Service Fund | 10,061 | 2,041,733 | - | - | 2,051,794 |
| Safari Island | - | 424 | - | - | 424 |
| Nonmajor funds | 10,772 | 1,490,285 | 680,734 | - | 2,181,791 |
| Total unavailable revenue | \$54,951 | \$3,533,442 | \$680,734 | \$ - | \$4,269,127 |

CITY OF WACONIA, MINNESOTA
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Note 5 INTERFUND LOANS AND TRANSFERS

Amounts reported as interfund loan receivable/payable at December 31, 2019 are as follows:

| | Interfund Loan Receivable | Interfund Loan Payable |
|---------------------------|---------------------------|------------------------|
| Major Funds: | | |
| General Fund | \$10,000 | \$ - |
| Sewer Fund | 500,716 | - |
| Nonmajor Funds: | | |
| TIF #4 Pine Business Park | - | 10,000 |
| Clearwater Shores HIA | - | 500,716 |
| Total | \$510,716 | \$510,716 |

Assessment collections from property owners in the Clearwater Shores Association will be used to repay the interfund loan from the Sewer Fund. \$39,183 of assessments are due to be collected during 2020. Amounts owed by the Pine Business Park TIF district will be repaid to the General Fund as sufficient tax increment revenue is received. Repayment is expected to occur during 2020.

Interfund transfers made during 2019 are summarized as follows:

| | Transfers In | Transfers Out |
|---------------------|--------------|---------------|
| Major Funds: | | |
| General Fund | \$228,556 | \$2,133,000 |
| PIR Capital | 1,013,000 | 335,753 |
| Safari Island | 225,000 | - |
| Water Utility | - | 210,361 |
| Sewer Utility | - | 124,986 |
| Storm Water Utility | 347,263 | 94,129 |
| Nonmajor Funds | 1,107,416 | 23,006 |
| Total | \$2,921,235 | \$2,921,235 |

A description of these transfers is as follows:

- \$226,000 from the Water, Sewer, and Stormwater funds to the General Fund to cover administrative, planning and technology costs.
- \$380,000 from the General Fund to the Safari Island and Ice Arena funds to supplement user charges.
- \$1,013,000 from the General Fund to the PIR Capital fund to finance project costs.
- \$20,450 from the G.O. Bonds of 2015B fund to the G.O. Bonds of 2015A fund to close the fund.
- Various other routine transfers were also made for debt service and capital purposes in accordance with the City's budget.

CITY OF WACONIA, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
December 31, 2019

Note 6 CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2019 was as follows:

| | Beginning Balance | Increases | Decreases | Ending Balance |
|--|----------------------|-------------|-------------|-------------------|
| Governmental activities: | | | | |
| Capital assets, not being depreciated: | | | | |
| Land and land improvements | \$5,605,211 | \$ - | \$ - | \$5,605,211 |
| Permanent easements | 1,399,253 | - | - | 1,399,253 |
| Construction in progress | 5,175,962 | 3,099,818 | 2,889,141 | 5,386,639 |
| Total capital assets, not being depreciated | 12,180,426 | 3,099,818 | 2,889,141 | 12,391,103 |
| Capital assets, being depreciated: | | | | |
| Buildings | 55,175,499 | 168,157 | - | 55,343,656 |
| Machinery and equipment | 2,569,824 | 733,009 | 220,538 | 3,082,295 |
| Improvements and infrastructure | 72,722,947 | 1,516,982 | 15,500 | 74,224,429 |
| Vehicles | 4,038,763 | 655,822 | 82,789 | 4,611,796 |
| Total capital assets, not being depreciated | 134,507,033 | 3,073,970 | 318,827 | 137,262,176 |
| Less accumulated depreciation for: | | | | |
| Buildings | 22,100,597 | 1,423,366 | - | 23,523,963 |
| Machinery and equipment | 1,405,119 | 287,261 | 166,772 | 1,525,608 |
| Improvements and infrastructure | 38,000,240 | 3,339,894 | 15,500 | 41,324,634 |
| Vehicles | 2,407,623 | 281,412 | 78,649 | 2,610,386 |
| Total accumulated depreciation | 63,913,579 | 5,331,933 | 260,921 | 68,984,591 |
| Total capital assets being depreciated - net | 70,593,454 | (2,257,963) | 57,906 | 68,277,585 |
| Governmental activities capital assets - net | \$82,773,880 | \$841,855 | \$2,947,047 | \$80,668,688 |

CITY OF WACONIA, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
December 31, 2019

Capital asset activity for the year ended December 31, 2019 was as follows:

| | Beginning Balance | Increases | Decreases | Ending Balance |
|--|----------------------|-------------|-------------|-------------------|
| Business-type activities: | | | | |
| Capital assets, not being depreciated: | | | | |
| Land and land improvements | \$206,045 | \$ - | \$ - | \$206,045 |
| Construction in progress | 2,944,839 | 2,961,392 | 2,115,633 | 3,790,598 |
| Total capital assets, being depreciated | 3,205,753 | 2,961,392 | 2,115,633 | 3,996,643 |
| Capital assets, being depreciated: | | | | |
| Buildings | 10,184,039 | - | - | 10,184,039 |
| Machinery and equipment | 990,357 | 119,669 | - | 1,110,026 |
| Infrastructure | 55,828,243 | 2,385,050 | 26,762 | 58,186,531 |
| Vehicles | 652,278 | - | - | 652,278 |
| Total capital assets, being depreciated | 61,615,604 | 2,504,719 | 26,762 | 70,132,874 |
| Less accumulated depreciation for: | | | | |
| Buildings | 3,707,414 | 263,958 | - | 3,971,372 |
| Machinery and equipment | 540,024 | 102,012 | - | 642,036 |
| Infrastructure | 18,134,351 | 1,590,249 | 9,212 | 19,715,388 |
| Vehicles | 495,268 | 36,413 | - | 531,681 |
| Total accumulated depreciation | 21,020,460 | 1,992,632 | 9,212 | 24,860,477 |
| Total capital assets being depreciated - net | 44,777,860 | \$12,087 | 17,550 | 45,272,397 |
| Business-type activities capital assets - net | \$47,928,744 | \$3,473,479 | \$2,133,183 | \$49,269,040 |
| Depreciation expense was charged to functions/programs of the primary government as follows: | | | | |
| Governmental activities: | | | | |
| Administrative services | | | | \$1,103,123 |
| Culture and recreation | | | | 346,866 |
| Public safety | | | | 244,369 |
| Public services, including depreciation of general infrastructure assets | | | | 3,637,575 |
| Total depreciation expense - governmental activities | | | | \$5,331,933 |
| Business-type activities: | | | | |
| Water | | | | \$880,901 |
| Sewer | | | | 555,258 |
| Storm sewer | | | | 543,003 |
| Street lighting | | | | 13,470 |
| Total depreciation expense - business-type activities | | | | \$1,992,632 |

CITY OF WACONIA, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
December 31, 2019

Note 7 LONG-TERM DEBT

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

As of December 31, 2019, the long-term bonded debt of the financial reporting entity consisted of the following:

| Governmental Activities: | Interest Rates | Issue Date | Maturity Date | Original Issue | Payable 12/31/19 |
|--|----------------|------------|---------------|---------------------|---------------------|
| General Obligation Bonds: | | | | | |
| Bonds of 2010A - improvement portion | 2.00% - 3.75% | 10/13/2010 | 2/1/2020 | \$3,390,000 | \$185,000 |
| Bonds of 2011A - equipment portion | 3.00% | 9/13/2011 | 2/1/2020 | 740,000 | 95,000 |
| Street Reconstruction Plan Bonds of 2015A | 2.00 - 4.00% | 7/9/2015 | 2/1/2026 | 2,420,000 | 1,760,000 |
| Capital Improvement Plan Bonds of 2015C | 2.00 - 3.00% | 12/15/2015 | 2/1/2028 | 4,320,000 | 3,090,000 |
| Bonds of 2016A - equipment portion | 2.00% | 5/24/2016 | 2/1/2027 | 710,000 | 560,000 |
| Bonds of 2017A - equipment portion | 2.50 - 3.00% | 8/15/2017 | 2/1/2027 | 535,000 | 490,000 |
| Bonds of 2019A | 4.00 - 5.00% | 8/22/2019 | 2/1/2030 | 1,895,000 | 1,895,000 |
| Total general obligation bonds | | | | 14,000,000 | 8,075,000 |
| General Obligation Improvement Bonds: | | | | | |
| Bonds of 2014A - improvement portion | 2.00% | 6/12/2014 | 2/1/2025 | 1,390,000 | 870,000 |
| Bonds of 2016A - improvement portion | 2.00 - 4.00% | 7/9/2016 | 2/1/2026 | 3,150,000 | 2,450,000 |
| Bonds of 2016A - improvement portion | 2.00% | 8/24/2016 | 2/1/2027 | 6,075,000 | 6,455,000 |
| Bonds of 2017A - improvement portion | 2.50 - 3.00% | 8/15/2017 | 2/1/2028 | 6,935,000 | 6,415,000 |
| Bonds of 2018A - improvement portion | 3.00 - 4.00% | 9/12/2018 | 2/1/2029 | 965,000 | 965,000 |
| Total G.O. improvement bonds | | | | 16,745,000 | 14,030,000 |
| Public Project Revenue Bonds: | | | | | |
| 2007 EDA Public Project Revenue Bonds | 4.35% - 4.50% | 10/1/2007 | 10/1/2022 | 1,838,283 | 439,209 |
| 2007 IIRA Public Project Revenue Bonds | 3.50% | 12/11/2007 | 12/11/2027 | 6,100,000 | 2,994,751 |
| Total public project revenue bonds | | | | 7,938,283 | 3,433,960 |
| Lease with Option to Purchase Agreement of 2016 | 2.09% | 10/20/2016 | 2/1/2027 | 1,220,000 | 1,001,000 |
| Unamortized bond premium | | | | 1,000,000 | 1,000,000 |
| Compensated absences | | | | N/A | 173,303 |
| Total governmental activities | | | | \$41,492,274 | \$27,956,402 |
| Business-Type Activities: | | | | | |
| General Obligation Revenue Bonds: | | | | | |
| Water and Sewer Refunding Bonds of 2013A | 2.00% - 2.25% | 6/12/2013 | 2/1/2027 | 9,950,000 | 6,900,000 |
| Water, Sewer & Storm Revenue Bonds of 2014A | 2.00% | 6/12/2014 | 2/1/2025 | 875,000 | 540,000 |
| Water, Sewer & Storm Revenue Bonds of 2015A | 2.00 - 4.00% | 7/9/2015 | 2/1/2026 | 3,360,000 | 2,450,000 |
| Water and Sewer Revenue Bonds of 2018A | 3.00 - 4.00% | 9/12/2018 | 2/1/2029 | 500,000 | 500,000 |
| Water, Sewer, and Storm Revenue Bonds of 2019A | 4.00 - 5.00% | 8/22/2019 | 2/1/2030 | 2,620,000 | 2,620,000 |
| Total G.O. revenue bonds | | | | 17,305,000 | 13,010,000 |
| Unamortized bond premium | | | | 1,000,228 | 791,657 |
| Compensated absences | | | | N/A | 101,860 |
| Total business-type activities | | | | \$18,305,228 | \$13,903,517 |

The Public Project Revenue Bonds and the Lease with Option to Purchase Agreement are direct borrowings.

CITY OF WACONIA, MINNESOTA
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CURRENT REFUNDING

On August 22, 2019, the City issued \$4,515,000 of General Obligation Bonds, Series 2019A. On September 9, 2019, the City used \$1,700,503 of the proceeds to advance refund the 2021 through 2028 maturities of the G.O. Capital Improvement Bonds of 2010A (\$1,695,000 of principal and \$5,503 of interest). The City refunded the 2021 through 2028 maturities of the 2010A bonds to reduce its total debt service payments over the last eight years of the bond by \$138,360 and to obtain an economic gain (difference between the present value of the debt service payments on the old and new debt) of \$130,767.

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

| Year Ending December 31 | General Obligation Bonds | | G.O. Improvement Bonds | |
|----------------------------|--------------------------|--------------------|------------------------|--------------------|
| | Principal | Interest | Principal | Interest |
| 2020 | \$955,000 | \$251,051 | \$1,545,000 | \$367,500 |
| 2021 | 835,000 | 232,375 | 1,595,000 | 324,925 |
| 2022 | 905,000 | 206,700 | 1,645,000 | 280,875 |
| 2023 | 930,000 | 176,250 | 1,680,000 | 233,900 |
| 2024 | 970,000 | 141,650 | 1,740,000 | 183,750 |
| 2025 | 1,010,000 | 106,825 | 1,790,000 | 133,750 |
| 2026 | 1,030,000 | 72,225 | 1,685,000 | 85,675 |
| 2027 | 700,000 | 41,650 | 1,325,000 | 44,400 |
| 2028 | 655,000 | 15,975 | 910,000 | 15,100 |
| 2029 | 55,000 | 2,300 | 115,000 | 1,725 |
| 2030 | 30,000 | 600 | - | - |
| Total | \$8,075,000 | \$1,247,601 | \$14,030,000 | \$1,671,600 |

| Year Ending December 31 | Public Project Revenue Bonds | | Lease Purchase Agreement | |
|----------------------------|------------------------------|------------------|--------------------------|-----------------|
| | Principal | Interest | Principal | Interest |
| 2020 | \$479,908 | \$113,467 | \$116,000 | \$19,708 |
| 2021 | 497,363 | 96,012 | 119,000 | 17,253 |
| 2022 | 488,138 | 77,962 | 121,000 | 14,745 |
| 2023 | 366,682 | 63,054 | 124,000 | 12,184 |
| 2024 | 379,724 | 50,012 | 126,000 | 9,572 |
| 2025 | 393,230 | 36,507 | 129,000 | 6,908 |
| 2026 | 407,216 | 22,521 | 132,000 | 4,180 |
| 2027 | 421,699 | 8,038 | 134,000 | 1,401 |
| Total | \$3,433,960 | \$467,573 | \$1,001,000 | \$85,951 |

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

CITY OF WACONIA, MINNESOTA
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BUSINESS TYPE ACTIVITIES

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

| Year Ending December 31 | G.O. Revenue Bonds | |
|----------------------------|---------------------------------------|--------------------|
| | Business-Type Activities Principal | Interest |
| 2020 | \$1,285,000 | \$353,770 |
| 2021 | 1,505,000 | 326,738 |
| 2022 | 1,595,000 | 285,662 |
| 2023 | 1,640,000 | 240,312 |
| 2024 | 1,695,000 | 191,757 |
| 2025 | 1,755,000 | 143,187 |
| 2026 | 1,705,000 | 94,587 |
| 2027 | 770,000 | 57,006 |
| 2028 | 360,000 | 35,800 |
| 2029 | 375,000 | 20,200 |
| 2030 | 325,000 | 6,500 |
| Total | \$13,010,000 | \$1,755,499 |

Compensated absences are liquidated by the General Fund and Enterprise Funds. It is not practicable to determine the specific year for payment of long-term accrued compensated absences.

CHANGE IN LONG-TERM LIABILITIES

Long-term liability activity for the year ended December 31, 2019, was as follows:

| | Balance 12/31/18 | Additions | Reductions | Balance 12/31/19 | Due Within One Year |
|----------------------------------|---------------------|--------------------|--------------------|---------------------|------------------------|
| Governmental Activities: | | | | | |
| General obligation bonds | \$8,800,000 | \$1,895,000 | \$2,620,000 | \$8,075,000 | \$955,000 |
| G.O. improvement bonds | 15,380,000 | - | 1,350,000 | 14,030,000 | 1,545,000 |
| Public project revenue bonds | 3,897,025 | - | 463,065 | 3,433,960 | 479,908 |
| Capital lease payable | 1,115,000 | - | 114,000 | 1,001,000 | 116,000 |
| Unamortized bond premium | 1,093,556 | 362,119 | 212,536 | 1,243,139 | - |
| Compensated absences | 162,068 | 213,067 | 201,832 | 173,303 | 173,303 |
| Total governmental activities | \$30,447,649 | \$2,470,186 | \$4,961,433 | \$27,956,402 | \$3,269,211 |
| Business-Type Activities: | | | | | |
| G.O. revenue bonds | \$11,620,000 | \$2,620,000 | \$1,230,000 | \$13,010,000 | \$1,285,000 |
| Unamortized bond premium | 333,867 | 501,443 | 43,653 | 791,657 | - |
| Compensated absences | 126,387 | 118,328 | 142,855 | 101,860 | 101,860 |
| Total business type activities | \$12,080,254 | \$3,239,771 | \$1,416,508 | \$13,903,517 | \$1,386,860 |

CITY OF WACONIA, MINNESOTA
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December 31, 2019

PUBLIC PROJECT REVENUE BONDS

The City has two outstanding public project revenue bonds. Certain terms are summarized as follows:

2007 EDA bonds – the City and the Waconia Economic Development Authority entered into collateral assignment and security agreements with Security Bank Waconia (the lender) related to the Community Center lease with option to purchase agreement. The lender has a security interest in all furniture, fixtures, equipment, accounts and general intangibles located upon the leased premises. If an Event of Default occurs, as defined in the bond resolution, the collateral assignment shall, at the lender's option and upon written notice, transfer to the lender all of the lessee's right, title and interest as lessee under the terms of the Master Lease.

2007 HRA bonds – the Housing and Redevelopment Authority of the City of Waconia issued bonds to construct and equip an ice arena. The bonds do not constitute a charge, lien or encumbrance upon any property of the HRA, other than the revenues derived from the project. However, if an Event of Default occurs, as defined in the bond resolution, all outstanding principal and interest shall become immediately due and payable.

\$1,220,000 LEASE WITH OPTION TO PURCHASE AGREEMENT OF 2016

To finance the costs of a new grandstand facility at the Lion's baseball park, the City entered into a lease-purchase agreement dated October 20, 2016 with a bank. The bank provided financing to the City in the amount of \$1,220,000 at a rate of 2.09% per annum. As part of the lease-purchase agreement, the City will lease the grandstand from the bank during the term of the financing and will have the option to purchase the grandstand for a nominal fee at the end of the lease-purchase agreement (February 1, 2027).

The lease qualifies as a capital lease. As of December 31, 2019, the cost of assets acquired under the capital lease was \$1,450,994 and accumulated depreciation was \$108,825. The expense resulting from amortization of the assets is included with depreciation expense.

The lease is not a general obligation of the City, and the full faith, credit and taxing powers of the City are not pledged. Rather, lease payments are payable from amounts annually appropriated by the City. The bank has a security interest in the grandstand until all lease payment requirements have been satisfied. If an Event of Default occurs, and with 30 days written notice, the bank may repossess the property and terminate the ground lease.

NONEXCHANGE FINANCIAL GUARANTEE OF DEBT

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

Pursuant to Minnesota Statutes, Section 469.034, Subd. 2, the City has also pledged its full faith and credit and taxing powers to reimburse the County for debt service payments required to be paid by the County from its own funds. The guarantee is subject to an aggregate limitation of \$3,000,000 of principal, plus interest. As of December 31, 2019, the City has not been required to make any such reimbursements to the County.

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

REVENUE PLEDGED

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

| Bond Issue | List of Proceeds | Revenue Pledged | | Terms of Debt Service Pledge | Remaining Principal and Interest to be Paid | Current Year | |
|--|---|-------------------------------|---------------------------------------|------------------------------|---|--------------|------------------------------|
| | | Type | Percent of Net Available Debt Service | | | Principal | Interest and Income Received |
| 2007 IDEA Public Project Revenue Bonds | Community Center | Transfers | 100% | 2007-2022 | \$43,637 | \$43,639 | \$160,000 |
| 2007 HRA Public Project Revenue Bonds | Ice Arena | Transfers and WFA commitment* | 100% | 2008-2027 | \$1,157,894 | \$425,756 | \$430,000 |
| 2010 CIP Bonds of 2010A | Construction of city hall and library | Ad valorem taxes | 100% | 2010-2027 | \$187,428 | \$2,210,875 | \$246,265 |
| Bonds of 2011A - Equipment | Fire truck purchase | Ad valorem taxes | 100% | 2011-2019 | \$96,425 | \$99,275 | \$164,001 |
| Bonds of 2014A - Improvement | Infrastructure improvements | Special assessments | 25% | 2015-2024 | \$97,000 | \$15,720 | \$90,144 |
| Bonds of 2015A - Street Resurfacing and Improvement | Infrastructure improvements | Ad valorem taxes | 75% | 2016-2025 | \$1,731,473 | \$684,250 | \$19,487 |
| CIP Bonds of 2015C | Construction of public works facility | Ad valorem taxes | 100% | 2015-2027 | \$3,504,175 | \$391,200 | \$465,184 |
| Bonds of 2016A | Infrastructure improvements, equipment | Special assessments | 34% | 2017-2026 | \$4,198,250 | \$337,250 | \$99,418 |
| Lease Purchase Agreement of 2016 | Grandstand at Lion Park | Ad valorem taxes | 66% | 2026 | \$1,982,951 | \$136,112 | \$240,853 |
| Bonds of 2017A | Infrastructure improvements, fire truck | Ad valorem taxes | 30% | 2016-2024 | \$7,836,475 | \$776,625 | \$9,862 |
| Bonds of 2018A - Improvement | Infrastructure improvements | Special assessments | 29% | 2016-2027 | \$1,141,930 | \$ - | \$ - |
| Bonds of 2019A | Infrastructure improvements, equipment | Ad valorem taxes | 71% | 2026-2029 | \$2,407,023 | \$ - | \$ - |
| Water Revenue Bonds of 2013A, 2014A, 2015A, 2016A, 2017A, 2018A, 2019A | Water usage charges | Water usage charges | 100% | Varies through 2029 | \$7,141,744 | \$759,269 | \$1,959,465 |
| Special Revenue Bonds of 2013A, 2014A, 2015A, 2016A, 2017A, 2018A, 2019A | Water usage charges | Special assessments** | 100% | Varies through 2029 | \$5,442,720 | \$500,076 | \$1,976,688 |
| Storm Water Revenue Bonds of 2014A, 2015A, 2016A | Storm water charges | Storm water charges | 100% | Varies through 2029 | \$2,178,035 | \$213,005 | \$925,248 |

*The 2007 HRA Public Project Revenue Bonds issued for the purpose of constructing an ice arena have a commitment from the Waconia Hockey Association for a total annual capital contribution of \$50,000 through the year 2024.

**Special assessments pledged for the Water and Storm Water Revenue Bonds pertain only to the Bonds of 2019A. Special assessments are pledged to cover 25% of the debt service payments for this bond issue.

NOTE 8 DEFINED BENEFIT PENSION PLANS - CITY

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 (with the exception of employees covered by PEPF) and certain part-time employees of the City are covered by the General Employees Retirement Fund (GERF). GERF members belong to the Coordinated Plan. Coordinated Plan members are covered by Social Security.

Public Employees Police and Fire Fund (PEPFF)

The PEPFF, 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 PEPFF 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 state statute and can only be modified by the state legislature. 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. Members hired prior to July 1, 1989, receive the higher of method 1 or method 2 formulas. Only method 2 is used for members hired after June 30, 1989. Under Method 1, the accrual rate for a Coordinated Plan member is 1.2% of average salary for each of the first ten years and 1.7% for each additional year. Under Method 2, the accrual rate 1.7% for Coordinated Plan members for all years of service. The accrual for Minneapolis Employees Retirement Fund (MERF) is 2% for each of the first 10 years of service and 2.5% for each additional year. 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.

Annuities, disability benefits, and survivor benefits are increased effective every January 1. Beginning January 1, 2019, the postretirement increase will be equal to 50% of the cost-of-living adjustment (COLA) announced by the SSA, with a minimum increase of at least 1% and a maximum of 1.5%. Recipients that have been receiving the annuity or benefit for at least a full year as of the June 30 before the effective date of the increase will receive the full increase. For recipients receiving the annuity or benefit for at least one month but less than a full year as of the June 30 before the effective date of the increase will receive a reduced prorated increase. For members retiring on January 1, 2024 or later, the increase will be delayed until normal retirement age (age 65 if hired prior to July 1, 1989, or

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or age 66 for individuals hired on or after July 1, 1989). Members retiring under Rule of 90 are exempt from the delay to normal retirement.

PEPFF Benefits

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

Annuities, disability benefits, and survivor benefits are increased effective every January 1. Beginning January 1, 2019, the postretirement increase will be fixed at 1 percent. Recipients that have been receiving the annuity or benefit for at least 36 months as of the June 30 before the effective date of the increase will receive the full increase. For recipients receiving the annuity or benefit for at least 25 months but less than 36 months as of the June 30 before the effective date of the increase will receive a reduced prorated increase.

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

Coordinated Plan members were required to contribute 6.50% of their annual covered salary in fiscal year 2019. The City was required to contribute 7.50% for Coordinated Plan members. The City's contributions to the GERF for the year ended December 31, 2019 were \$181,539. The City's contributions were equal to the required contributions as set by state statute.

PEPFF Contributions

Police and Fire member contribution rates increased from 10.80% of pay to 11.30% and employer rates increased from 16.20% to 16.95% on January 1, 2019. The City's contributions to the PEPFF for the year ended December 31, 2019 were \$15,701. The City's contributions were equal to the required contributions as set by state statute.

D. PENSION COSTS

GERF Pension Costs

At December 31, 2019, the City reported a liability of \$1,774,737 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 \$16 million to the fund in 2019. 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 \$55,164. The net pension liability was measured as of June 30, 2019 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, 2018, through June 30, 2019, relative to the total employer contributions received from all of PERA's participating

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employees. At June 30, 2019 the City's proportion was .0321% which was an increase of .0019% from its proportion measured as of June 30, 2018.

| | |
|--|--------------------|
| City's proportionate share of the net pension liability | \$1,774,737 |
| State of Minnesota's proportionate share of the net pension liability associated with the City | 55,164 |
| Total | <u>\$1,829,901</u> |

For the year ended December 31, 2019, the City recognized pension expense of \$104,394 for its proportionate share of the GERF's pension expense. In addition, the City recognized an additional \$4,131 as pension expense (and grant revenue) for its proportionate share of the State of Minnesota's contribution of \$16 million to the General Employees Fund.

At December 31, 2019, the City reported its proportionate share of the GERF's deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|---|-----------------------------------|----------------------------------|
| Differences between expected and actual economic experience | \$50,061 | \$211 |
| Changes in actuarial assumptions | 640 | 142,162 |
| Difference between projected and actual investment earnings | - | 178,043 |
| Changes in proportion | 170,123 | 207,715 |
| Contributions paid to PERA subsequent to the measurement date | 91,790 | - |
| Total | <u>\$312,614</u> | <u>\$528,131</u> |

\$91,790 reported as deferred outflows of resources related to pensions resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2020. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

| Year Ended December 31, | Pension Expense |
|----------------------------|--------------------|
| 2020 | (\$192,632) |
| 2021 | (111,461) |
| 2022 | (6,074) |
| 2023 | 2,860 |
| 2024 | - |
| Thereafter | - |

PEPFF Pension Costs

At December 31, 2019, the City reported a liability of \$39,390 for its proportionate share of the PEPFF's net pension liability. The net pension liability was measured as of June 30, 2019 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

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July 1, 2018, through June 30, 2019, relative to the total employer contributions received from all of PERA's participating employers. At June 30, 2019, the City's proportion was .0037% which was an increase of .0037% from its proportion measured as of June 30, 2018. The City also recognized \$499 for the year ended December 31, 2019, as revenue and an offsetting reduction of net pension liability 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, until the plan is 90% funded or until the State Patrol Plan (administered by the Minnesota State Retirement System) is 90% funded, whichever occurs later. In addition, the state paid \$4.5 million on October 1, 2018 and October 1, 2019 in direct state aid. Thereafter, by October 1 of each year, the state will pay \$9 million until full funding is reached or July 1, 2048, whichever is earlier.

For the year ended December 31, 2019, the City recognized pension expense of \$7,250 for its proportionate share of the PEPFF's pension expense.

At December 31, 2019, the City reported its proportionate share of the PEPFF's deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|------------------------------------|-----------------------------------|----------------------------------|
| Changes in proportion | \$39,062 | \$ - |
| Contributions paid to PERA | | |
| subsequent to the measurement date | 9,278 | - |
| Total | \$48,340 | \$ - |

\$9,278 reported as deferred outflows of resources related to pensions resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2020. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

| Year Ended December 31, | Pension Expense |
|----------------------------|--------------------|
| 2020 | \$7,812 |
| 2021 | 7,812 |
| 2022 | 7,812 |
| 2023 | 7,812 |
| 2024 | 7,814 |
| Thereafter | - |

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E. ACTUARIAL ASSUMPTIONS

The total pension liability in the June 30, 2019, actuarial valuation was determined using the following actuarial assumptions:

| | |
|---------------------------|----------------|
| Inflation | 2.50% per year |
| Salary 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 disability for all plans were based on RP 2014 tables for males or females, as appropriate, with slight adjustments to fit PERA's experience. Cost of living benefit increases after retirement for retirees are assumed to be 1.25% per year for the General Employees Plan, 1.0% per year for the Police and Fire Plan.

Actuarial assumptions used in the June 30, 2019 valuation were based on the results of actuarial experience studies. The most recent four-year experience study in the General Employees Plan was completed in 2019. The most recent four-year experience study for Police and Fire Plan was completed in 2016.

The following changes in actuarial assumptions and plan provisions occurred in 2019:

General Employees Fund

Changes in Actuarial Assumptions:

- The mortality projection scale was changed from MP-2017 to MP-2018.

Changes in Plan Provisions:

- The employer supplemental contribution was changed prospectively, decreasing from \$31.0 million to \$21.0 million per year. The State's special funding contribution was changed prospectively, requiring \$16.0 million due per year through 2031.

Police and Fire Fund

Changes in Actuarial Assumptions:

- The mortality projection scale was changed from MP-2017 to MP-2018

Changes in the Plan Provisions:

- There have been no changes since the prior valuation

The long-term expected rate of return on pension plan investments is 7.5%. 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 Equity | 35.5% | 5.10% |
| International Equity | 17.5% | 5.90% |
| Fixed Income | 20% | 0.75% |
| Private Markets | 25% | 5.90% |
| Cash Equivalents | 2% | 0.00% |
| Total | 100% | |

F. DISCOUNT RATE

The discount rate used to measure the total pension liability in 2019 was 7.50%. 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 General Employees Fund and the Police and Fire Fund 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.

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 that is 1% lower or 1% higher than the current discount rate:

| | 1% Decrease in Discount Rate (6.5%) | Discount Rate (7.5%) | 1% Increase in Discount Rate (8.5%) |
|--|--|----------------------|--|
| City's proportionate share of the GERF net pension liability | \$2,917,572 | \$1,774,737 | \$831,099 |
| City's proportionate share of the PEPFF net pension liability | \$86,100 | \$39,390 | \$1 |

H. PENSION PLAN FIDUCIARY NET POSITION

Detailed information about each 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 at www.mnpera.org.

I. PENSION EXPENSE

Total pension expense recognized by the City for the year ended December 31, 2019 is as follows:

| | |
|----------------------|-----------|
| GERF | \$104,394 |
| PEPFF | 7,250 |
| Fire Relief (note 9) | 235,247 |
| Total | \$346,891 |

Note 9 DEFINED BENEFIT PENSION PLAN - FIRE RELIEF

A. PLAN DESCRIPTION

The Waconia Fire Relief Association participates in the Statewide Volunteer Firefighter Retirement Plan (SVF), an agent multiple-employer lump-sum defined benefit pension plan administered by PERA. The SVF plan covers volunteer firefighters of municipal fire departments or independent nonprofit firefighting corporations that have elected to join the plan. As of December 31, 2019 (measurement date), the plan covered 25 active firefighters and 9 vested terminated fire fighters whose pension benefits are deferred. The plan is established and administered in accordance with Minnesota Statutes, Chapter 353G.

B. BENEFITS PROVIDED

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

C. CONTRIBUTIONS

The SVF is funded by fire state aid, investment earnings and, if necessary, employer contributions as specified in Minnesota Statutes, and voluntary City contributions. The State of Minnesota contributed \$93,597 in fire state aid to the plan for the year ended December 31, 2019. The City recognized this amount as grant revenue and pension expense in its government-wide financial statements. Required employer contributions are calculated annually based on statutory provisions. The City's statutorily-required contribution to the SVF plan for the year ended December 31, 2019 was \$0. The City's contributions were equal to the required contributions as set by state statute, if applicable. In addition, the City made voluntary contributions of \$10,000 to the plan.

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D. PENSION COSTS

At December 31, 2019, the City reported a net pension asset of \$573,522 for the SVF plan. The net pension asset was measured as of December 31, 2019. The total pension liability used to calculate the net pension asset in accordance with GASB 68 was determined by PERA applying an actuarial formula to specific census data certified by the fire department. The following table presents the changes in net pension asset during the year.

| | Total Pension Liability (a) | Plan Fiduciary Net Position (b) | Net Pension Liability (Asset) (a-b) |
|---------------------------------------|-----------------------------|---------------------------------|-------------------------------------|
| Balance end of year December 31, 2018 | \$753,411 | \$1,307,177 | (\$553,766) |
| Changes for the year: | | | |
| Service cost | 54,582 | - | 54,582 |
| Interest on total pension liability | 48,480 | - | 48,480 |
| Actual experience (gains)/losses | (19,823) | - | (19,823) |
| Projected investment earnings | - | 78,431 | (78,431) |
| Changes in benefit level | 244,117 | - | 244,117 |
| Contributions - employer | - | 10,000 | (10,000) |
| Contributions - State of MN | - | 93,597 | (93,597) |
| Asset (gain)/loss | - | 166,167 | (166,167) |
| Benefit payouts | - | - | - |
| PERA administrative fee | - | (1,083) | 1,083 |
| Net changes | 327,356 | 347,112 | (19,756) |
| Balance end of year December 31, 2019 | \$1,080,767 | \$1,654,289 | (\$573,522) |

During the measurement period, the benefit level per year of service increased from \$3,500 to \$4,800.

For the year ended December 31, 2019, the City recognized pension expense of \$235,247.

At December 31, 2019, the City reported deferred outflows and inflows of resources related to pension from the following sources:

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|---|--------------------------------|-------------------------------|
| Difference between actuarial assumptions and actuarial experience | | |
| Difference between projected and actual investment earnings | \$29,625 | \$54,870 |
| Total | \$29,625 | \$87,211 |
| | | \$142,081 |

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

| Year Ended December 31, | Pension Expense |
|-------------------------|-----------------|
| 2020 | (\$42,352) |
| 2021 | (32,901) |
| 2022 | (5) |
| 2023 | (37,198) |
| 2024 | - |
| Thereafter | - |

E. ACTUARIAL ASSUMPTIONS

The total pension liability at December 31, 2019 was determined using the entry age normal actuarial cost method and the following actuarial assumptions:

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

There were no changes in actuarial assumptions in 2019.

F. DISCOUNT RATE

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

G. PENSION LIABILITY SENSITIVITY

The following presents the City's net pension asset for the SVF plan, calculated using the assumed discount rate as well as what the City's net pension asset would be if it were calculated using a discount rate that is 1% lower or 1% higher than the current discount rate:

| | 1% Decrease in Discount Rate (5.0%) | Discount Rate (6.0%) | 1% Increase in Discount Rate (7.0%) |
|-------------------|-------------------------------------|----------------------|-------------------------------------|
| Net pension asset | \$529,591 | \$573,522 | \$615,767 |

H. PLAN INVESTMENTS

1. Investment Policy

The Minnesota State Board of Investment (SBI) is established by Article XI of the Minnesota Constitution to invest all state funds. Its membership as specified in the Constitution is comprised of

the Governor (who is designated as chair of the Board), State Auditor, Secretary of State and State Attorney General.

All investments undertaken by the SBI are governed by the prudent person rule and other standards codified in *Minnesota Statutes*, Chapter 11A and Chapter 353G.

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

2. Asset Allocation

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

| Asset Class | Target Allocation | Long-Term Expected Real Rate of Return |
|----------------------|-------------------|--|
| Domestic Stocks | 35% | 5.10% |
| International Stocks | 15% | 5.90% |
| Bonds | 45% | 0.75% |
| Cash | 5% | 0.00% |
| Total | 100% | |

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

3. Description of Significant Investment Policy Changes During the Year

The SBI made no significant changes to their investment policy during Fiscal Year 2019 for the Statewide Volunteer Firefighter Retirement Plan.

I. PENSION PLAN FIDUCIARY NET POSITION

Detailed information about the SVF plan's fiduciary net position as of December 31, 2019 is available in a separately-issued PERA financial report that includes financial statements and required supplementary information. That report may be obtained at www.mnpera.org.

Note 10 POST-EMPLOYMENT BENEFITS OTHERS THAN PENSIONS (OPEB)

A. PLAN DESCRIPTION

In addition to providing the pension benefits described in Note 8 and 9, the City provides post-employment health care benefits, as defined in paragraph B, through its group health insurance plan (the plan). The plan is a single-employer defined benefit OPEB plan administered by the City. The authority to provide these benefits is established in Minnesota Statutes Sections 471.61 and 299A.465. The benefits, benefit levels, employee contributions and employer contributions are governed by the City and can be amended by the City through its personnel manual and collective bargaining agreements with employee groups. No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75.

B. BENEFITS PROVIDED

At retirement, employees of the City receiving a retirement or disability benefit, or eligible to receive a benefit, from a Minnesota public pension plan may continue to participate in the City's group insurance plan. Vesting requirements of three years if hired before July 1, 2010 or five years if hired on or after July 1, 2010 generally apply.

The City provides health coverage for any firefighters disabled or killed in the line of duty in accordance with Minnesota Statute 299A.465. The amount of coverage provided is equivalent to the average benefit provided by the City to dependents of its employees who are covered by the plan. During 2018, there were no firefighters receiving benefits under this provision.

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

C. PARTICIPANTS

As of the December 31, 2017 actuarial valuation, participants of the plan consisted of:

| | |
|--|----|
| Active employees receiving benefits | 27 |
| Inactive employees currently receiving or entitled to receive benefits | - |
| Total | 27 |

D. TOTAL OPEB LIABILITY AND CHANGES IN TOTAL OPEB LIABILITY

The City has elected to use the GASB 75 "lookback" method where assets and liabilities are measured as of the prior fiscal year-end but applied to the current fiscal year. The valuation, measurement and reporting dates are:

| Valuation date (census) | December 31, 2017 |
|---|-------------------|
| Measurement date (assets and liabilities) | December 31, 2018 |
| Reporting date (fiscal year-end) | December 31, 2019 |

The City's total OPEB liability was \$172,893 as of the measurement date and was determined by an actuarial valuation as of the valuation date. Changes in the total OPEB liability since the previous measurement date were:

| | |
|--|-----------|
| Balance - beginning of year | \$156,380 |
| Changes for the year: | |
| Service cost | 16,743 |
| Interest | 5,730 |
| Changes of benefit terms | - |
| Differences between expected and actual experience | - |
| Changes in assumptions | (5,960) |
| Benefit payments | - |
| Net changes | 16,513 |
| Balance - end of year | \$172,893 |

The OPEB liability is liquidated by the General Fund and enterprise funds.

There are no scheduled or estimated benefit payments due in 2020 and therefore, the entire OPEB liability is classified as noncurrent on the statement of net position.

E. ACTUARIAL ASSUMPTIONS AND OTHER INPUTS

All costs and liabilities under the plan were determined in accordance with the Alternative Measurement Method prescribed by GASB Statement No. 75 for employers with under 100 plan participants. The total OPEB liability in the December 31, 2017 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

| | |
|--|--|
| Inflation | 2.75% |
| Salary increases | 2.75% |
| Discount rate | 3.71% as of December 31, 2018; 3.31% as of December 31, 2017 |
| Investment rate of return | 3.71% as of December 31, 2018; 3.31% as of December 31, 2017 |
| Retirees' share of benefit-related costs | 100% |
| Healthcare cost of trend rates | 6.30% for 2019; 5.80% for 2020; |
| | 5.20% for 2021-2054; transitioning |
| | to an ultimate rate of 4.40% for 2074 |

Since the plan is funded on a pay-as-you-go basis, both the discount rate and the investment rate of return were based on the Fidelity 20-year Municipal GO AA Index as of the measurement date.

Mortality rates were based on the RP-2014 mortality tables with projected mortality improvements based on scale MP-2017, and other adjustments.

20% of the employees currently electing coverage are assumed to elect coverage in the same plan and coverage level at retirement, continue coverage to age 65 and then waive coverage. Employees currently waiving coverage are assumed to waive coverage at retirement. Retirement age is assumed to be the latest of age 62, plan eligibility or current age.

For future retirees, it is assumed that public safety employees will not become disabled in the line of duty. For retirees, actual disability status was used. 100% of current and future retirees under age 65 are assumed to become Medicare eligible at the later of age 65 or retirement. Actual Medicare status was used for retired members.

F. SENSITIVITY OF THE TOTAL OPEB LIABILITY TO CHANGES IN THE DISCOUNT RATE

The following presents the total OPEB liability of the City, as well as what the City's total OPEB liability would be if it were calculated using a discount rate that is 1% lower (2.71%) or 1% higher (4.71%) than the current discount rate:

| | 1% Decrease (2.71%) | Discount Rate (3.71%) | 1% Increase (4.71%) |
|----------------------|------------------------|--------------------------|------------------------|
| Total OPEB liability | \$189,358 | \$172,893 | \$157,618 |

G. SENSITIVITY OF THE TOTAL OPEB LIABILITY TO CHANGES IN THE HEALTHCARE COST TREND RATES

The following presents the total OPEB liability of the City, as well as what the City's total OPEB liability would be if it were calculated using healthcare cost trend rates that are 1% lower (5.3% decreasing to 3.4%) or 1% higher (7.3% decreasing to 5.4%) than the current healthcare cost trend rates:

| | 1% Decrease (5.3% decreasing to 3.4%) | Healthcare Cost Trend Rates (6.3% decreasing to 4.4%) | 1% Increase (7.3% decreasing to 5.4%) |
|----------------------|--|---|--|
| Total OPEB liability | \$149,684 | \$172,893 | \$200,714 |

H. OPEB EXPENSE AND DEFERRED OUTFLOWS AND INFLOWS OF RESOURCES RELATED TO OPEB

For the year ended December 31, 2019, the City recognized \$16,513 of OPEB expense.

In accordance with the Alternative Measurement Method, gains and losses due to experience and assumption changes are recognized immediately. In addition, there were no contributions between the measurement date and the reporting date because there were no retirees or inactive employees who received benefits during this time. Therefore, there are no deferred outflows or inflows of resources related to OPEB as of December 31, 2019.

Note 11 COMMITMENTS AND CONTINGENCIES

A. LITIGATION

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

B. FEDERAL AND STATE FUNDS

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

C. TAX INCREMENT DISTRICTS

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

D. COMMITTED CONTRACTS

At December 31, 2019, the City had commitments of approximately \$593,000 for uncompleted construction contracts.

Note 12 RISK MANAGEMENT

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

Workers compensation coverage is provided through a pooled self-insurance program through the League of Minnesota Cities Insurance Trust (LMCIT). The City pays an annual premium to LMCIT. The City is subject to supplemental assessments if deemed necessary by the LMCIT. The LMCIT reinsures through Workers Compensation Reinsurance Association (WCRA) as required by law. For workers compensation, the City is subject to a deductible of \$500 per occurrence. The City's workers compensation coverage is retrospectively rated. With this type of coverage, final premiums are determined after loss experience is known. The amount of premium adjustment, if any, is considered immaterial and not recorded until received or paid.

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

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

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

Note 13 CONDUIT DEBT

The City issued debt on behalf of the following entities to provide financial assistance for projects that are deemed to be in the public interest. The City is not obligated in any matter, as the bonds do not constitute a general obligation or indebtedness of the City, and are payable solely from revenues pledged from the entities below. At December 31, 2019, the aggregate principal amount of the conduit debt obligation outstanding amounted to:

| Entity | Principal Balance |
|-------------------------|----------------------|
| Trinity Lutheran School | \$1,857,509 |
| Auburn Meadows | 7,440,739 |
| Total | \$9,298,248 |

Note 14 OPERATING LEASES

The City leases exercise equipment at the Safari Island Community Center and a street sweeper. For accounting purposes, the leases are considered operating leases. The exercise equipment lease is payable in monthly installments through August 2020 and the street sweeper lease is payable in annual installments through 2021. Total lease expense under these agreements was \$53,272 for 2019. Future minimum lease payments are as follows:

| Year | Payments |
|-------|----------|
| 2020 | \$54,407 |
| 2021 | 31,355 |
| Total | \$85,762 |

Note 15 LEASE REVENUE

A. CELL TOWER LEASE REVENUE

The City receives revenue from agreements for the lease of space above its water towers and on City property to communication companies. The space is used for antennas and other equipment necessary to provide radio communications. For accounting purposes, the leases are considered operating leases. Lease revenue for the year ended December 31, 2019 totaled \$156,413. Terms of each lease are as follows:

| Lessee | Terms | Current Term |
|-----------------|--|---------------------|
| AT&T | per year with 4.5% term increases | 1/1/2018-12/31/2022 |
| T-Mobile | \$22,741 per year with 4.5% annual increases | 1/1/2018-12/31/2022 |
| Verizon | \$30,144 per year with 5% annual increases | 1/1/2017-12/31/2021 |
| Sprint/Nextel | \$40,396 per year with 4% annual increases | 1/1/2017-12/31/2021 |
| Sprint/Spectrum | \$28,470 per year with 4% annual increases | 1/1/2016-12/31/2020 |

B. OLD PUBLIC WORKS FACILITY

The City receives revenue for the lease of the old public works facility at 1250 Highway 284 which at year end had a cost of \$267,233 and a net book value of \$27,809. For accounting purposes, the lease is considered an operating lease. The lease agreement requires monthly base rent payments of \$3,472 and automatically renews each June for a one year term until either the City or lessee provides written notice of termination. For each renewal term, the base rent amount shall be an amount equal to the base rent paid during the preceding year plus four percent (4%).

The lease agreement requires additional rent equal to the tenant's share of operating costs. Lease revenue for the year ended December 31, 2019 totaled \$60,647.

C. RIDGEVIEW MEDICAL CENTER

The City receives revenue for the lease of a hospital known as Ridgeview Medical Center, which at year end had a cost of \$34,968,602 and a net book value of \$18,102,281. For accounting purposes, the lease is considered an operating lease. The initial lease term is for the period January 1, 2000 to December 31, 2029. Provided the lessee is then in material compliance with all terms and conditions of the lease agreement, the lessee may renew the agreement for one additional term of January 1, 2030 to December 31, 2059.

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

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

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

Lease revenue for the year ended December 31, 2019 totaled \$325,000.

D. SAFARI ISLAND COMMUNITY CENTER

The City receives revenue from a shared use agreement with ISD No. 110. The term of the agreement is March 2000 through February 2030. The lease requires a 1% annual increase for the first 20 years of the agreement. For years 21 through 30, the annual payment shall be the payment amount for the preceding year without further increase. Lease revenue for the year ended December 31, 2019 was \$124,974.

Note 16 TAX ABATEMENTS – PAY-AS-YOU-GO TAX INCREMENT DISTRICTS

The City provides tax abatements pursuant to Minnesota Statutes 469.174 to 469.1794 (Tax Increment Financing) through a pay-as-you-go note program. Tax increment financing (TIF) can be used to encourage private development, redevelopment, renovation and renewal, growth in low to moderate income housing, and economic development within the City. TIF captures the increase in tax capacity and property taxes from development or redevelopment to provide funding for the related project.

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

Tax Increment Revenue Note (Workforce Housing) – issued in 2009 in the principal sum of \$300,000 with an interest rate of 6.50% per annum. Principal and interest payments shall be paid commencing September 1, 2010 and each March 1 and September 1 thereafter to and including March 1, 2020. Payments are payable solely from tax increments, which shall mean 90% of the tax increments derived from the tax increment property and received by the City. The payment reimburses the developer for street, utilities, right-of-way, land acquisition, and other public improvements. The City shall have no obligation to pay unpaid balance of principal or accrued interest that may remain after the final payment on March 1, 2020. Current year abatement (TIF note payments) amounted to \$21,155. At December 31, 2019 the principal amount outstanding on the note was \$239,357.

Tax Increment Revenue Note (Auburn Meadows) – issued in 2011 in the principal sum of \$1,175,840 with an interest rate of 6.00% per annum. Principal and interest payments shall be paid commencing August 1, 2014 and each February 1 and August 1 thereafter to and including February 1, 2029. Payments are payable solely from tax increments, which shall mean 90% of the tax increments derived from the tax increment property and received by the City. The payment reimburses the developer for street, utilities, right-of-way, land acquisition, and other public improvements. The City shall have no obligation to pay unpaid balance of principal or accrued interest that may remain after the final payment on February 1, 2029. Current year abatement (TIF note payments) amounted to \$128,835. At December 31, 2019 the principal amount outstanding on the note was \$809,895.

Tax Increment Revenue Note (Cherry Street) – issued in 2011 in the principal sum of \$397,000 with an interest rate of 6.00% per annum. At December 31, 2019 the principal amount outstanding on the note was \$396,576.

Tax Abatement Reimbursement

Hotel Abatement: Principal and interest payments shall be paid commencing August 1, 2012 and each February 1 and August 1 thereafter to and including February 1, 2032. Payments are payable solely from real estate taxes which shall mean 100% of the City portion of the property tax bill collected in the previous six-month period excluding fiscal disparities. The payment reimburses the developer for street, utilities, right-of-way, land acquisition, and other public improvements. The City shall have no obligation to pay unpaid balance of principal or accrued interest that may remain after the final payment on February 1, 2032. Abatement payments shall terminate when the Developer has received the full note amount. Current year abatement payments amounted to \$13,610.

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

CITY OF WACONIA, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
December 31, 2019

TIF Repayment: Principal and interest payments shall be paid commencing August 1, 2013 and each February 1 and August 1 thereafter to and including February 1, 2022. Payments are payable solely from tax increments, which shall mean 90% of the tax increments derived from the tax increment property and received by the City. The payment reimburses the developer for street, utilities, right-of-way, land acquisition, and other public improvements. The City shall have no obligation to pay unpaid balance of principal or accrued interest that may remain after the final payment on February 1, 2022. Current year TIF payments amounted to \$12,283.

Tax Increment Revenue Note (Pine Business Park) – issued in 2014 in the principal sum of \$149,999 with an interest rate of 5.00% per annum. Principal and interest payments shall be paid commencing August 1, 2016 and each February 1 and August 1 thereafter to and including February 1, 2025. Payments are payable solely from tax increments, which shall mean 90% of the tax increments derived from the tax increment property and received by the City. The payment reimburses the developer for street, utilities, right-of-way, land acquisition, and other public improvements. The City shall have no obligation to pay unpaid balance of principal or accrued interest that may remain after the final payment on February 1, 2025. Current year abatement (TIF note payments) amounted to \$27,215. At December 31, 2019 the principal amount outstanding on the note was \$79,211.

Note 17 FUND BALANCE

A. CLASSIFICATIONS

At December 31, 2019, a summary of the governmental fund balance classifications is as follows:

| | General Fund | PIR Capital | Safari Island | PIR Debt Service | Other Governmental Funds | Total |
|-----------------------------|--------------|-------------|---------------|------------------|--------------------------|--------------|
| Nonspendable: | | | | | | |
| Prepaid items | \$102,085 | \$ - | \$2,856 | \$ - | \$3,815 | \$108,756 |
| Restricted for: | | | | | | |
| Debt service | - | - | - | 604,425 | 4,356,577 | 4,961,002 |
| Economic development loans | - | - | - | - | 1,423,475 | 1,423,475 |
| Park improvements | - | - | - | - | 125,539 | 125,539 |
| Tax increment purposes | - | - | - | - | 118,724 | 118,724 |
| Adaptive playground project | - | 131,816 | - | - | - | 131,816 |
| Other purposes | 1,057 | - | - | - | 40,265 | 41,322 |
| Total restricted | 1,057 | 131,816 | - | 604,425 | 6,064,580 | 6,801,878 |
| Committed for: | | | | | | |
| Economic development | 664,462 | - | - | - | - | 664,462 |
| Safari Island operations | - | - | 431,241 | - | - | 431,241 |
| Ice Arena operations | - | - | - | - | 361,764 | 361,764 |
| Total committed | 664,462 | 0 | 431,241 | 0 | 361,764 | 1,457,467 |
| Assigned for: | | | | | | |
| Capital improvements | - | 419,318 | - | - | 893,927 | 1,312,455 |
| Unassigned | 2,563,939 | - | - | - | (492,310) | 2,071,629 |
| Total fund balance | \$3,331,543 | \$549,134 | \$434,097 | \$604,425 | \$6,831,776 | \$11,750,975 |

CITY OF WACONIA, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
December 31, 2019

B. MINIMUM GENERAL FUND UNASSIGNED FUND BALANCE POLICY

The most significant revenue source of the General Fund is property taxes. This revenue source is received in two installments during the year – June and December. As such, it is the City's goal to begin each fiscal year with sufficient working capital to fund operations between each semi-annual receipt of property taxes. The unassigned fund balance is also a security against unforeseen changes or needs, i.e. natural disasters, loss of state aids, etc. At year end, the general fund unassigned fund balance is targeted to be approximately 40% of actual expenses of the general fund, less annual transfers.

C. DEFICIT FUND BALANCES

The following funds were in deficit at December 31, 2019. Those funds, as well as the anticipated funding source to eliminate the deficits, are as follows:

| Fund | Deficit | Funding Source |
|--|-----------|---------------------|
| Clearwater Shores HIA Capital Project Fund | \$492,079 | Special assessments |
| TIF #4 Pine Business Park Capital Project Fund | 231 | Tax increment |

Note 18 RECENTLY ISSUED ACCOUNTING STANDARDS

The Governmental Accounting Standards Board (GASB) recently approved the following statements which were not implemented for these financial statements:

Statement No. 87 Leases: The provisions of this Statement are effective for reporting periods beginning after June 15, 2021.

Statement No. 91 Conduit Debt Obligations: The provisions of this Statement are effective for reporting periods beginning after December 15, 2021.

Statement No. 92 Omnibus 2020: The provisions of this Statement are effective for reporting periods beginning after June 15, 2021.

Statement No. 93 Replacement of Interbank Offered Rates: The provisions of this Statement contain multiple effective dates, the first being for reporting periods beginning after June 15, 2020.

Statement No. 94 Public-Private and Public-Public Partnerships and Availability Payment Arrangements: The provisions of this Statement are effective for reporting periods beginning after June 15, 2022.

The effect these standards may have on future financial statements is not determinable at this time, but it is expected that Statement No. 87 may have a material impact.

Note 19 SUBSEQUENT EVENTS AND UNCERTAINTIES

The COVID-19 pandemic continues to cause rapidly changing disruptions worldwide. Due to the pandemic, the City's Safari Island Community Center and Ice Arena closed in mid-March, 2020 and remain closed as of May 13, 2020. Management has evaluated these conditions and believes that it is not possible to reasonably estimate the financial impact, if any, of COVID-19 on the City's financial statements at December 31, 2019.

| | Budgeted Amounts | | 2019 Actual Amounts | Variance with Final Budget - Positive (Negative) | 2018 Actual Amounts |
|--------------------------------------|------------------|------------------|------------------------|---|------------------------|
| | Original | Final | | | |
| Revenues: | | | | | |
| Property taxes | \$5,555,787 | \$5,555,787 | \$5,576,793 | \$21,006 | \$4,577,657 |
| Intergovernmental | 221,543 | 237,543 | 276,380 | 38,837 | 243,470 |
| Investment income | 35,000 | 35,000 | 135,711 | 100,711 | 27,078 |
| Charges for services: | | | | | |
| Administrative services | 655,875 | 655,875 | 666,574 | 10,699 | 657,755 |
| Community development | 15,500 | 15,500 | 15,639 | 139 | 14,430 |
| Culture and recreation | 9,120 | 9,120 | 7,264 | (1,856) | 7,564 |
| Public safety | 111,000 | 111,000 | 147,945 | 36,945 | 150,147 |
| Public services | 20,100 | 20,100 | 33,172 | 13,072 | 60,671 |
| Licenses and permits | 516,235 | 516,235 | 694,288 | 178,053 | 754,444 |
| Fines and forfeits | 40,000 | 40,000 | 42,508 | 2,508 | 41,502 |
| Contributions and donations | 4,000 | 4,000 | 6,096 | 2,096 | 6,700 |
| Total revenues | 7,184,160 | 7,200,160 | 7,602,370 | 402,210 | 6,541,418 |
| Expenditures: | | | | | |
| Current: | | | | | |
| Administrative services: | | | | | |
| Administration | 599,595 | 599,595 | 590,013 | 9,582 | 586,580 |
| Central facilities | 276,187 | 276,187 | 293,258 | (17,071) | 272,717 |
| Finance | 519,950 | 519,950 | 516,183 | 3,767 | 487,644 |
| Technology | 232,086 | 244,386 | 243,963 | 423 | 255,060 |
| Total administrative services | 1,627,818 | 1,640,118 | 1,643,417 | (3,299) | 1,602,001 |
| Community development: | | | | | |
| Building inspections | 129,600 | 129,600 | 200,221 | (70,621) | 295,434 |
| Economic development | 750 | 750 | 157 | 593 | 80 |
| Planning | 311,089 | 311,089 | 333,633 | (22,544) | 333,119 |
| Total community development | 441,439 | 441,439 | 534,011 | (92,572) | 628,633 |
| Culture and recreation: | | | | | |
| Recreation | 24,318 | 24,318 | 17,591 | 6,727 | 17,391 |
| Public safety: | | | | | |
| Community safety | 1,695 | 1,695 | 2,176 | (481) | 96 |
| Fire | 508,470 | 509,574 | 460,513 | 49,061 | 437,626 |
| Law enforcement | 903,076 | 903,076 | 908,823 | (5,747) | 894,427 |
| Total public safety | 1,413,241 | 1,414,345 | 1,371,512 | 42,833 | 1,332,149 |
| Public services: | | | | | |
| Parks | 539,459 | 526,459 | 537,436 | (10,977) | 514,085 |
| Streets | 1,225,984 | 1,225,984 | 1,294,837 | (68,853) | 1,240,217 |
| Total public services | 1,765,443 | 1,752,443 | 1,832,273 | (79,830) | 1,754,302 |
| Total expenditures | 5,272,259 | 5,272,663 | 5,398,804 | (126,141) | 5,334,476 |

See accompanying notes to the required supplementary information.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF WACONIA, MINNESOTA
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE - GENERAL FUND (101)
For The Year Ended December 31, 2019
With Comparative Actual Amounts For The Year Ended December 31, 2018

Statement 9
Page 2 of 2

| | Budgeted Amounts | 2019 Actual | Variance with |
|--------------------------------------|------------------|-------------|----------------|
| | Original | Final | Final Budget - |
| | | | Positive |
| | | | (Negative) |
| | | | Amounts |
| Revenues over (under) expenditures | \$1,911,901 | \$1,927,497 | \$276,069 |
| Other financing sources (uses): | | | |
| Transfers in | 228,350 | 228,556 | 206 |
| Transfers out | (2,129,050) | (2,133,000) | - |
| Total other financing sources (uses) | (1,900,700) | (1,904,444) | 206 |
| Net change in fund balance | \$11,201 | \$22,847 | \$276,275 |
| Fund balance - January 1 | | 3,032,421 | 2,947,209 |
| Fund balance - December 31 | | \$3,331,543 | \$3,032,421 |

See accompanying notes to the required supplementary information.

CITY OF WACONIA, MINNESOTA
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE - SAFARI ISLAND (231)
For The Year Ended December 31, 2019
With Comparative Actual Amounts For The Year Ended December 31, 2018

Statement 10

| | Budgeted Amounts | 2019 Actual | Variance with |
|------------------------------------|------------------|-------------|----------------|
| | Original | Final | Final Budget - |
| | | | Positive |
| | | | (Negative) |
| | | | Amounts |
| Revenues: | | | |
| Charges for services | \$1,236,707 | \$1,236,707 | \$192,792 |
| Contributions and donations | - | - | 115 |
| Total revenues | 1,236,707 | 1,236,707 | 192,907 |
| Expenditures: | | | |
| Current: | | | |
| Personnel services | 891,048 | 898,871 | (7,823) |
| Materials and supplies | 505,467 | 453,425 | 52,042 |
| Contractual services | 50,538 | 102,316 | (51,778) |
| Total expenditures | 1,447,053 | 1,454,612 | (7,559) |
| Revenues over (under) expenditures | (210,346) | (210,346) | 185,348 |
| Other financing sources: | | | |
| Transfers in | 225,000 | 225,000 | - |
| Net change in fund balance | \$14,654 | \$14,654 | \$185,348 |
| Fund balance - January 1 | | 234,095 | 48,253 |
| Fund balance - December 31 | | \$434,097 | \$234,095 |

See accompanying notes to the required supplementary information.

CITY OF WACONIA, MINNESOTA
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CHANGES IN THE TOTAL OPEB LIABILITY AND RELATED RATIOS
For The Last Ten Years

Statement 11

| | 2019 | 2018 |
|--|------------------|------------------|
| Total OPEB liability: | | |
| Service cost | \$16,743 | \$14,600 |
| Interest | 5,730 | 5,471 |
| Changes of benefit terms | - | - |
| Differences between expected and actual experience | - | - |
| Changes in assumptions | (5,960) | 7,315 |
| Benefit payments | - | - |
| Net change in total OPEB liability | 16,513 | 27,386 |
| Total OPEB liability - beginning | 156,380 | 128,994 |
| Total OPEB liability - ending | <u>\$172,893</u> | <u>\$156,380</u> |
| Covered-employee payroll | \$2,240,325 | \$2,055,652 |
| Total OPEB liability as a percentage of covered-employee payroll | 7.7% | 7.6% |

The schedule is provided prospectively beginning with the City's fiscal year ended December 31, 2018 and is intended to show a ten year trend. Additional years will be added as they become available.

See accompanying notes to the required supplementary information.

CITY OF WACONIA, MINNESOTA
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF PROPORTIONATE SHARE OF NET PENSION LIABILITY -
GENERAL EMPLOYEES RETIREMENT FUND
For The Last Ten Years

Statement 12

| Measurement Date | Fiscal Year Ending | City's Proportionate Share (Percentage) of the Net Pension Liability | City's Proportionate Share (Amount) of the Net Pension Liability | State's Proportionate Share (Amount) of the Net Pension Liability | City's Proportionate Share of the Net Pension Liability Associated with City (a+b) | Covered Payroll (c) | City's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll (a+b)/c | Plan Fiduciary Net Position as a Percentage of the Total Pension Liability |
|------------------|--------------------|--|--|---|--|---------------------|--|--|
| June 30 | December 31 | | | | City (d) | | | |
| 2015 | 2015 | 0.0410% | \$2,124,833 | \$ - | \$2,124,833 | \$2,411,192 | 88.1% | 78.2% |
| 2016 | 2016 | 0.0383% | 3,109,770 | 40,615 | 3,150,385 | 2,377,838 | 132.5% | 68.5% |
| 2017 | 2017 | 0.0305% | 1,947,100 | 24,448 | 1,971,548 | 1,965,035 | 100.3% | 75.9% |
| 2018 | 2018 | 0.0302% | 1,675,372 | 54,972 | 1,730,344 | 2,105,053 | 82.2% | 79.5% |
| 2019 | 2019 | 0.0321% | 1,774,737 | 55,164 | 1,829,901 | 2,271,260 | 80.6% | 80.2% |

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

See accompanying notes to the required supplementary information.

Statement 13

CITY OF WACONIA, MINNESOTA
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF PENSION CONTRIBUTIONS - GENERAL EMPLOYEES RETIREMENT FUND
For The Last Ten Years

| Fiscal Year Ending December 31 | Statutorily Required Contribution (a) | Contributions in Relation to the Statutorily Required Contribution (b) | Contribution Deficiency (Excess) (a-b) | Covered Payroll (c) | Contributions as a Percentage of Covered Payroll (b/c) |
|--------------------------------------|--|---|---|---------------------------|---|
| 2015 | \$193,486 | \$193,486 | \$ - | \$2,579,813 | 7.50% |
| 2016 | 152,325 | 152,325 | - | 2,031,006 | 7.50% |
| 2017 | 147,854 | 147,854 | - | 1,971,387 | 7.50% |
| 2018 | 157,879 | 157,879 | - | 2,105,053 | 7.50% |
| 2019 | 181,539 | 181,539 | - | 2,420,520 | 7.50% |

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

See accompanying notes to the required supplementary information.

Statement 14

CITY OF WACONIA, MINNESOTA
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF PROPORTIONATE SHARE OF NET PENSION LIABILITY -
PUBLIC EMPLOYEES POLICE AND FIRE FUND
For The Last Ten Years

| Measurement Date June 30, | Fiscal Year Ending December 31, | Proportion (Percentage) of the Net Pension Liability | Proportionate Share (Amount) of the Net Pension Liability (a) | Covered Payroll (b) | Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll (a/b) | Plan Fiduciary Net Position as a Percentage of the Total Pension Liability |
|---------------------------------|---------------------------------------|---|---|------------------------|--|--|
| 2015 | 2015 | 0.0000% | \$ - | \$ - | n/a | 89.3% |
| 2016 | 2016 | 0.0000% | - | - | n/a | 63.9% |
| 2017 | 2017 | 0.0000% | - | - | n/a | 85.4% |
| 2018 | 2018 | 0.0000% | - | - | n/a | 88.8% |
| 2019 | 2019 | 0.0037% | 39,390 | 37,895 | 103.9% | 89.3% |

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

See accompanying notes to the required supplementary information.

CITY OF WACONIA, MINNESOTA
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF PENSION CONTRIBUTIONS - PUBLIC EMPLOYEES POLICE AND FIRE FUND
 For The Last Ten Years

Statement 15

| Fiscal Year Ending December 31 | Statutory Required Contribution (a) | Contributions in Relation to the Statutorily Required Contribution (b) | Contribution Deficiency (Excess) (a-b) | Covered Payroll (c) | Contributions as a Percentage of Covered Payroll (b/c) |
|--------------------------------|-------------------------------------|--|--|---------------------|--|
| 2015 | \$ - | \$ - | \$ - | \$ - | n/a |
| 2016 | - | - | - | - | n/a |
| 2017 | - | - | - | - | n/a |
| 2018 | - | - | - | - | n/a |
| 2019 | 15,701 | 15,701 | - | 92,631 | 16.95% |

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

See accompanying notes to the required supplementary information.

CITY OF WACONIA, MINNESOTA
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CHANGES IN THE NET PENSION LIABILITY AND RELATED RATIOS -
WACONIA FIRE RELIEF ASSOCIATION
 For The Last Ten Years

Statement 16

| Fiscal year ending and measurement date | December 31, 2019 | December 31, 2018 | December 31, 2017 | December 31, 2016 | December 31, 2015 |
|--|-------------------|-------------------|-------------------|-------------------|-------------------|
| Total pension liability | | | | | |
| Service cost | \$54,582 | \$42,277 | \$44,205 | \$45,026 | \$47,458 |
| Interest on total pension liability | 48,480 | 45,013 | 51,883 | 54,457 | 50,232 |
| Changes of benefit terms | 244,117 | - | - | - | - |
| Difference between expected and actual experience | (19,833) | 49,375 | (79,866) | (35,333) | (24,851) |
| Changes of assumptions | - | - | - | - | - |
| Benefit payments | (182,347) | (182,347) | (145,958) | - | - |
| Net change in total pension liability | 327,336 | (45,882) | (27,739) | 64,150 | 72,839 |
| Total pension liability - beginning | \$1,089,707 | \$753,311 | \$795,039 | \$825,339 | \$897,250 |
| Total pension liability - ending (a) | | | | | |
| Plan fiduciary net position: | | | | | |
| Contributions - employer | \$10,000 | \$10,000 | \$10,000 | \$10,000 | \$17,148 |
| Contributions - State of Minnesota | 93,597 | 89,020 | 85,075 | 85,177 | 82,948 |
| Net investment income (loss) | 244,598 | (50,089) | 164,362 | 81,184 | (135) |
| Benefit payments | (182,347) | (182,347) | (145,958) | - | - |
| Administrative expenses | (1,083) | (1,098) | (1,126) | (1,078) | (5,246) |
| Net change in plan fiduciary net position | 34,112 | (13,514) | 11,253 | 17,523 | 94,713 |
| Plan fiduciary net position - beginning | 1,307,177 | 1,441,691 | 1,329,338 | 1,144,655 | 1,059,840 |
| Plan fiduciary net position - ending (b) | \$1,652,289 | \$1,307,177 | \$1,441,691 | \$1,339,338 | \$1,154,055 |
| Net pension liability (asset) - ending (a) - (b) | | | | | |
| | (\$573,322) | (\$533,766) | (\$662,598) | (\$402,599) | (\$291,460) |
| Plan fiduciary net position as a percentage of the total pension liability | 153.1% | 173.5% | 180.4% | 143.4% | 133.8% |
| Covered payroll* | Not available | Not available | Not available | Not available | Not available |
| Net pension liability as a percentage of covered payroll* | Not available | Not available | Not available | Not available | Not available |

*The Waconia Fire Relief Association is comprised of volunteers, therefore there are no payroll expenditures. GASB 68 was implemented in 2015. Therefore, information prior to 2015 is not available.

See accompanying notes to the required supplementary information.

CITY OF WACONIA, MINNESOTA
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF PENSION CONTRIBUTIONS - WACONIA FIRE RELIEF ASSOCIATION
For The Last Ten Years

Statement 17

| Fiscal Year Ending December 31 | Statutorily Required Contribution (a) | Contributions in Relation to the Statutorily Required Contribution (b) | Contribution Deficiency (Excess) (a-b) | Covered Payroll (c) | Contributions as a Percentage of Covered-Employee Payroll (b/c) |
|--------------------------------------|--|---|---|---------------------------|--|
| 2015 | \$ - | \$17,148 | (\$17,148) | * | * |
| 2016 | - | 10,000 | (10,000) | * | * |
| 2017 | - | 10,000 | (10,000) | * | * |
| 2018 | - | 10,000 | (10,000) | * | * |
| 2019 | - | 10,000 | (10,000) | * | * |

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

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

Note A LEGAL COMPLIANCE – BUDGETS

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

Note B OPEB INFORMATION

No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75 to pay related benefits. There are no factors that significantly affect trends in the amounts reported, such as changes of benefit terms or assumptions.

Note C PENSION INFORMATION

PERA – General Employees Retirement Fund

2019 Changes in Actuarial Assumptions:

- The mortality projection scale was changed from MP-2017 to MP-2018.

Changes in the Plan Provisions

- The employer supplemental contribution was changed prospectively, decreasing from \$31.0 million to \$21.0 million per year. The State's special funding contribution was changed prospectively, requiring \$16.0 million due per year through 2031.

2018 Changes in Actuarial Assumptions:

- The mortality projection scale was changed from MP-2015 to MP-2017.
- The assumed benefit increase was changed from 1.00% per year through 2044 and 2.50% per year thereafter to 1.25% per year.

2017 Changes in Actuarial Assumptions:

- The Combined Service Annuity (CSA) loads were changed from 0.8% for active members and 60% for vested and non-vested deferred members. The revised CSA loads are now 0.0% for active member liability, 15.0% for vested deferred member liability and 3.0% for non-vested deferred member liability.
- The assumed post-retirement benefit increase rate was changed from 1.0% per year for all years to 1.0% per year through 2044 and 2.5% per year thereafter.

2016 Changes in Actuarial Assumptions:

- The assumed post-retirement benefit increase rate was changed from 1.0% per year through 2035 and 2.5% per year thereafter to 1.0% per year for all future years.
- The assumed investment return was changed from 7.9% to 7.5%. The single discount rate was changed from 7.9% to 7.5%.

- 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% to 3.25% for payroll growth and 2.50% for inflation.

PERA – Public Employees Police and Fire Fund

2019 Changes in Actuarial Assumptions:

- The mortality projection scale was changed from MP-2017 to MP-2018.

Changes in the Plan Provisions

- There have been no changes since the prior valuation.

Single Employer – Fire Relief Association

During the measurement period, the benefit level per year of service increased from \$3,500 to \$4,800. Details can be obtained from the financial reports of the Fire Relief Association.

COMBINING AND INDIVIDUAL NONMAJOR FUND FINANCIAL
STATEMENTS AND SCHEDULES

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NONMAJOR GOVERNMENTAL FUNDS

NONMAJOR FUND DESCRIPTIONS

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

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

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

Ice Arena Fund – accounts for the ice arena operations. All revenues of the fund, which consist primarily of user fees, are committed for this purpose.

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

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

Lease Purchase Agreement of 2016 Fund – accounts for debt service related to financing the costs of a new grandstand at Lions Park.

General Obligation Bond Funds (2014A, 2015A, 2015B, 2016A, 2017A, 2018A, 2019A) – the bonds were issued to fund infrastructure improvements. The funds account for the collection of revenues used to make semi-annual debt service payments.

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

HRA Revenue Bonds of 2007 Fund – accounts for debt service relating to the Ice Arena.

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CITY OF WACONIA, MINNESOTA
 COMING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 December 31, 2019
 With Comparative Totals For December 31, 2018

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

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

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

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

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

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

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

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

| Assets | Public Education (107) | Revolving Loan (202) | Ice Arena (678) | Lodging Tax (701) |
|--|---------------------------|-------------------------|-----------------|-------------------|
| Cash and investments | \$17,221 | \$1,281,665 | \$285,146 | \$20,112 |
| Due from other governmental units | - | - | - | - |
| Accounts receivable - net | 3,194 | - | 163 | - |
| Prepaid items | - | - | 3,815 | - |
| Property taxes receivable | - | - | - | - |
| Special assessments receivable: | - | - | - | - |
| Deferred | - | - | - | - |
| Deposits receivable | - | - | 100,000 | - |
| Notes receivable - net | - | 141,810 | - | - |
| Total assets | \$20,415 | \$1,423,475 | \$387,124 | \$20,112 |
| Liabilities, Deferred Inflows of Resources, and Fund Balance | | | | |
| Liabilities: | | | | |
| Accounts payable | \$ - | \$ - | \$21,545 | \$262 |
| Interfund loan payable | - | - | - | - |
| Total liabilities | 0 | 0 | 21,545 | 262 |
| Deferred inflows of resources: | | | | |
| Unavailable revenues | - | - | - | - |
| Fund balance: | | | | |
| Nonspendable | - | - | 3,815 | - |
| Restricted | - | 1,423,475 | - | 19,850 |
| Committed | 20,415 | - | 561,764 | - |
| Assigned | - | - | - | - |
| Unassigned | - | - | - | - |
| Total fund balance | 20,415 | 1,423,475 | 565,579 | 19,850 |
| Total liabilities, deferred inflows of resources, and fund balance | \$20,415 | \$1,423,475 | \$387,124 | \$20,112 |

CITY OF WACONIA, MINNESOTA
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
December 31, 2019
With Comparative Totals For December 31, 2018

Statement 18
Page 1 of 2

| Total Nonmajor Special Revenue Funds | Lease Purchase Agreement of 2016 | | General Obligation Bonds of 2014A (304) | | General Obligation Bonds of 2015A (305) | | General Obligation Bonds of 2016A (306) | | General Obligation Bonds of 2017A (307) | | General Obligation Bonds of 2018A (308) | |
|---|-------------------------------------|-----------|--|-------------|--|-----------|--|--|--|--|--|--|
| | (301) | | | | | | | | | | | |
| \$1,602,144 | \$198,773 | \$658,663 | \$500,777 | \$624,966 | \$2,427,241 | \$117,597 | | | | | | |
| 3,357 | 416 | 3,094 | 1,021 | 1,124 | 3,023 | 422 | | | | | | |
| 3,815 | - | - | - | - | - | - | | | | | | |
| - | 504 | 4,277 | 910 | 1,425 | 2,593 | 302 | | | | | | |
| - | - | 104,124 | 103,884 | 614,400 | - | 171,927 | | | | | | |
| 100,000 | - | - | - | - | - | - | | | | | | |
| 141,810 | 468,928 | - | - | - | - | - | | | | | | |
| \$1,851,126 | \$668,621 | \$770,158 | \$406,592 | \$1,241,915 | \$2,433,457 | \$590,248 | | | | | | |
| \$21,807 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | | | | | | |
| 21,807 | 0 | 0 | 0 | 0 | 0 | 0 | | | | | | |
| - | 469,432 | 108,401 | 104,794 | 615,825 | 2,593 | 172,229 | | | | | | |
| 3,815 | - | - | - | - | - | - | | | | | | |
| 1,465,740 | 199,189 | 661,757 | 301,798 | 626,090 | 2,430,864 | 118,019 | | | | | | |
| 361,764 | - | - | - | - | - | - | | | | | | |
| - | - | - | - | - | - | - | | | | | | |
| 1,825,319 | 199,189 | 661,757 | 301,798 | 626,090 | 2,430,864 | 118,019 | | | | | | |
| \$1,851,126 | \$668,621 | \$770,158 | \$406,592 | \$1,241,915 | \$2,433,457 | \$590,248 | | | | | | |

| Assets | General Obligation Bonds of 2019A (309) | | EDA - CC Revenue Bonds of 2007 (344) | | HRA Revenue Bonds of 2007 (378) | | Total Nonmajor Debt Service Funds | | Capital Equipment (105) | |
|---|---|----------|---|-------------|------------------------------------|--|--------------------------------------|--|----------------------------|--|
| | | | | | | | | | | |
| Cash and investments | \$6,876 | \$10,931 | \$1,053 | \$4,346,877 | \$900,879 | | | | | |
| Due from other governmental units | - | - | - | 9,700 | 483 | | | | | |
| Accounts receivable - net | - | - | - | - | - | | | | | |
| Prepaid items | - | - | - | - | - | | | | | |
| Property taxes receivable | - | - | - | 10,011 | 761 | | | | | |
| Special assessments receivable: | - | - | - | - | - | | | | | |
| Deferred | - | - | - | 994,335 | - | | | | | |
| Deposits receivable | - | - | - | - | - | | | | | |
| Notes receivable - net | - | - | - | 468,928 | - | | | | | |
| Total assets | \$6,876 | \$10,931 | \$1,053 | \$5,829,851 | \$902,123 | | | | | |
| Liabilities, Deferred Inflows of Resources, and Fund Balance | | | | | | | | | | |
| Liabilities: | | | | | | | | | | |
| Accounts payable | \$ - | \$ - | \$ - | \$ - | \$ - | | | | | |
| Unearned income payable | - | - | - | - | - | | | | | |
| Total liabilities | 0 | 0 | 0 | 0 | 0 | | | | | |
| Deferred inflows of resources: | | | | | | | | | | |
| Unavailable revenue | - | - | - | 1,473,274 | 761 | | | | | |
| Fund balance: | | | | | | | | | | |
| Nonspendable | - | - | - | - | - | | | | | |
| Restricted | 6,876 | 10,931 | 1,053 | 4,356,577 | - | | | | | |
| Committed | - | - | - | - | - | | | | | |
| Assigned | - | - | - | - | - | | | | | |
| Unassigned | - | - | - | - | - | | | | | |
| Total fund balance | 6,876 | 10,931 | 1,053 | 4,356,577 | 893,927 | | | | | |
| Total liabilities, deferred inflows of resources, and fund balance | \$6,876 | \$10,931 | \$1,053 | \$5,829,851 | \$902,123 | | | | | |

| Park Dedication (210) | TIF #1 Workforce Housing (\$410) | TIF #2 Auburn Homes (\$411) | TIF #3 Cherry Street (\$412) | TIF #4 Pine Business Park (\$413) | Clearwater Shores HIA (\$420) | Total Nonmajor Capital Project Funds | Total |
|--------------------------|-------------------------------------|--------------------------------|---------------------------------|---|----------------------------------|--|-------------|
| | 2019 | 2018 | | | | | |
| \$125,539 | \$32,261 | \$84,707 | \$7,898 | \$9,769 | \$1,427 | \$1,162,480 | \$6,720,135 |
| - | - | - | - | - | 7,210 | 17,393 | 13,690 |
| - | - | - | - | - | - | 3,375 | 1,419 |
| - | - | - | - | - | - | 3,815 | 3,289 |
| - | - | - | - | - | - | 761 | 7,334 |
| - | - | - | - | - | 495,950 | 1,490,285 | 1,145,126 |
| - | - | - | - | - | - | 100,000 | 100,000 |
| - | 211,806 | - | - | - | - | 822,544 | 1,061,601 |
| \$125,539 | \$344,067 | \$84,707 | \$7,898 | \$9,769 | \$504,587 | \$1,878,690 | \$9,100,796 |
| \$ - | \$ - | \$ - | \$6,142 | \$ - | \$ - | \$15,577 | \$34,384 |
| 0 | 0 | 0 | 6,142 | 10,000 | 500,716 | 516,166 | 61,497 |
| - | 211,806 | - | - | - | 495,950 | 708,517 | 1,911,969 |
| - | - | - | - | - | - | - | 3,289 |
| 125,539 | 32,261 | 84,707 | 1,756 | - | - | 244,263 | 6,064,580 |
| - | - | - | - | - | - | 361,764 | 5,726,601 |
| - | - | - | - | - | - | 893,927 | 292,206 |
| 125,539 | 32,261 | 84,707 | 1,756 | (231) | (492,079) | (492,310) | 1,104,126 |
| - | - | - | - | (231) | (492,079) | 6,831,176 | (2,892) |
| \$125,539 | \$344,067 | \$84,707 | \$7,898 | \$9,769 | \$504,587 | \$1,878,690 | \$9,100,796 |

CITY OF WACONIA, MINNESOTA
COMBINING STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCE
NONMAJOR GOVERNMENTAL FUNDS
For The Year Ended December 31, 2019
With Comparative Totals for The Year Ended December 31, 2018

| | Public Education (107) | Revolving Loan (202) | Ice Arena (678) | Lodging Tax (701) | Total Nonmajor Special Revenue Funds |
|--------------------------------------|---------------------------|-------------------------|-----------------|-------------------|--|
| Revenues: | | | | | |
| Property taxes | \$ - | \$ - | \$ - | \$ - | \$ - |
| Tax increment collections | - | - | - | - | - |
| Lodging taxes | - | - | - | 50,890 | 50,890 |
| Special assessments | - | - | - | - | - |
| Interest on bonds | 448 | 313,566 | - | 515 | 314,019 |
| Interest from municipalities | - | 112,234 | - | - | 112,234 |
| Charges for services | 13,205 | 375 | 414,647 | - | 428,227 |
| Contributions and donations | - | - | - | - | - |
| Total revenues | 13,653 | 47,165 | 414,647 | 51,405 | 526,870 |
| Expenditures: | | | | | |
| Current: | | | | | |
| Administrative services | 9,123 | - | - | - | 9,123 |
| Community development | - | 17,760 | - | 39,982 | 57,722 |
| Culture and recreation | - | - | 499,563 | - | 499,563 |
| Public services | - | - | - | - | - |
| Capital outlay | - | - | - | - | - |
| Culture and recreation | - | - | - | - | - |
| Public safety | - | - | - | - | - |
| Public services | - | - | - | - | - |
| Debt service: | - | - | - | - | - |
| Principal | - | - | - | - | - |
| Interest and fiscal charges | - | - | - | - | - |
| Total expenditures | 9,123 | 17,760 | 499,563 | 39,982 | 566,008 |
| Revenues over (under) expenditures | 4,530 | 29,405 | (84,916) | 11,443 | (39,238) |
| Other financing sources (uses): | | | | | |
| Insurance of debt | - | - | - | - | - |
| Bond premium | - | - | - | - | - |
| Sale of capital assets | - | - | 155,000 | - | 155,000 |
| Transfers in | - | - | - | - | - |
| Transfers out | - | - | - | - | - |
| Total other financing sources (uses) | 0 | 0 | 155,000 | (2,556) | 152,444 |
| Net change in fund balance | 4,530 | 29,405 | 70,084 | 8,887 | 112,906 |
| Fund balance - January 1 | 15,885 | 1,394,070 | 295,495 | 10,983 | 1,716,413 |
| Fund balance - December 31 | \$20,415 | \$1,423,475 | \$365,579 | \$19,850 | \$1,829,319 |

CITY OF WACONIA, MINNESOTA
COMBINING STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCE
FOR THE YEAR ENDED DECEMBER 31, 2019
With Comparative Totals For The Year Ended December 31, 2018

| | General Obligation Bonds of 2019A (309) | EDA - CC Revenue Bonds of 2007 (344) | HRA Revenue Bonds of 2007 (378) | Total Nonmajor Debt Service Funds | Capital Equipment (105) | Park Dedication (210) |
|--|---|---|------------------------------------|--------------------------------------|----------------------------|--------------------------|
| Revenue: | | | | | | |
| Property taxes | \$ - | \$ - | \$ - | \$2,064,370 | \$104,001 | \$ - |
| Tax increment collections | - | - | - | - | - | - |
| Lodging taxes | - | - | - | - | - | - |
| Special assessments | - | - | - | 187,188 | - | - |
| Investment income | 6,876 | - | - | 63,092 | 21,992 | 3,361 |
| Interest from receivables | - | - | - | - | - | - |
| Charge for services | - | - | - | - | - | - |
| Contributions and donations | - | - | 40,000 | 118,775 | 10,000 | 41,618 |
| Total revenue | 6,876 | - | 40,000 | 2,433,425 | 135,993 | 44,979 |
| Expenditures: | | | | | | |
| Current: | | | | | | |
| Administrative services | - | - | - | - | - | - |
| Community development | - | - | - | - | - | - |
| Culture and recreation | - | - | - | - | - | - |
| Public services | - | - | - | - | 19,863 | - |
| Capital outlay | - | - | - | - | - | - |
| Culture and recreation | - | - | - | - | - | - |
| Public safety | - | - | - | - | 152,884 | - |
| Public services | - | - | - | - | 534,363 | - |
| Debt service: | | | | | | |
| Principal | - | 14,222 | 318,843 | 2,272,065 | 95,000 | - |
| Interest and fiscal charges | - | 14,416 | 10,894 | 662,386 | 10,081 | - |
| Total expenditures | 0 | 16,638 | 429,737 | 2,934,451 | 871,941 | 0 |
| Revenue over (under) expenditures | 6,876 | (16,638) | (389,737) | (491,026) | (676,198) | 44,979 |
| Other financing sources (uses): | | | | | | |
| Issuance of debt: | | | | | | |
| Bond premium | - | - | - | - | 215,000 | - |
| State capital assets | - | - | - | - | 5,500 | - |
| Transfer out | - | - | - | - | 20,000 | - |
| Total other financing sources (uses) | 0 | 16,000 | 380,000 | 731,966 | 461,999 | 0 |
| Net change in fund balance | 6,876 | (1,638) | (9,737) | 230,940 | (214,199) | 44,979 |
| Fund balance - January 1 | - | 14,569 | 10,790 | 4,126,637 | 1,108,126 | 80,560 |
| Fund balance - December 31 | \$6,876 | \$10,931 | \$1,053 | \$4,356,577 | \$893,927 | \$125,539 |

Statement 19
Page 1 of 2

| Lease Purchase Agreement of 2015 (301) | General Obligation Bonds of 2015B (302) | General Obligation Bonds of 2014A (304) | General Obligation Bonds of 2015A (305) | General Obligation Bonds of 2016A (306) | General Obligation Bonds of 2017A (307) | General Obligation Bonds of 2018A (308) |
|---|--|--|--|--|--|--|
| \$89,802 | \$ - | \$122,123 | \$662,077 | \$240,063 | \$851,166 | \$99,139 |
| - | - | - | - | - | - | - |
| - | - | - | - | - | - | - |
| - | - | 30,144 | 19,487 | 99,418 | - | 38,139 |
| 2,732 | - | 3,737 | 6,218 | 7,969 | 31,072 | 2,448 |
| - | - | - | - | - | - | - |
| - | - | - | - | - | - | - |
| 78,775 | - | - | - | - | - | - |
| 171,309 | 0 | 138,024 | 687,782 | 347,470 | 882,238 | 139,726 |
| - | - | - | - | - | - | - |
| - | - | - | - | - | - | - |
| - | - | - | - | - | - | - |
| - | - | - | - | - | - | - |
| - | - | - | - | - | - | - |
| - | - | - | - | - | - | - |
| - | - | - | - | - | - | - |
| 114,000 | - | 135,000 | 540,000 | 455,000 | 565,000 | - |
| 25,727 | - | 20,167 | 148,353 | 88,922 | 217,369 | 31,538 |
| 139,727 | 0 | 155,167 | 688,353 | 543,922 | 782,369 | 31,538 |
| 31,582 | 0 | 2,857 | (571) | (196,452) | 99,869 | 108,188 |
| - | - | - | - | - | - | - |
| - | - | - | - | - | - | - |
| - | - | - | - | - | - | - |
| - | - | - | - | - | - | - |
| - | (20,450) | - | - | - | - | - |
| - | (20,450) | - | 20,450 | 191,966 | - | - |
| - | - | - | - | - | - | - |
| - | - | - | - | - | - | - |
| - | (20,450) | 0 | 20,450 | 191,966 | 0 | 0 |
| 31,582 | (20,450) | 2,857 | 19,879 | (4,486) | 99,869 | 108,188 |
| 167,607 | 20,450 | 298,941 | 641,878 | 630,576 | 2,330,995 | 9,831 |
| \$199,189 | \$0 | \$301,798 | \$661,757 | \$626,090 | \$2,430,864 | \$118,019 |

| TIF #1 Workforce Housing (410) | TIF #2 Auburn Homes (411) | TIF #3 Cherry Street (412) | TIF #4 Pine Bluffs Park (413) | Clearwater Shores HIA (420) | Total Nonmajor Capital Project Funds | 2019 | 2018 |
|--|---------------------------|----------------------------|-------------------------------|-----------------------------|--------------------------------------|-------------|-------------|
| \$ - | \$ - | \$ - | \$ - | \$ - | \$1,04,001 | \$2,168,371 | \$1,279,729 |
| 21,505 | 143,150 | 13,648 | 30,219 | - | 210,542 | 210,542 | 198,918 |
| - | - | - | - | - | - | 50,890 | 47,395 |
| 871 | 2,107 | 47 | 226 | 167,927 | 167,927 | 355,115 | 196,087 |
| - | - | - | - | 1,333 | 29,937 | 127,548 | 39,808 |
| - | - | - | - | - | - | 13,234 | 17,472 |
| - | - | - | - | - | 41,618 | 469,845 | 416,508 |
| - | - | - | - | - | 564,025 | 3,524,320 | 2,371,020 |
| 24,376 | 145,257 | 13,695 | 30,465 | 167,260 | - | - | - |
| - | - | - | - | - | - | 9,123 | 5,460 |
| 21,734 | 129,494 | 12,862 | 27,804 | - | 191,894 | 249,616 | 238,977 |
| - | - | - | - | - | 19,863 | 499,553 | 539,403 |
| - | - | - | - | - | - | 13,863 | - |
| - | - | - | - | - | - | - | 31,800 |
| - | - | - | - | - | 152,884 | 818,177 | - |
| - | - | - | - | - | 534,363 | 353,862 | - |
| - | - | - | - | - | 95,000 | 2,307,665 | 2,921,814 |
| - | - | - | - | - | 16,109 | 688,695 | 717,765 |
| 21,734 | 129,494 | 12,862 | 27,804 | 16,028 | 1,020,113 | 4,520,972 | 5,621,257 |
| 2,642 | 15,763 | 833 | 2,661 | 153,232 | (456,088) | (996,652) | (3,256,237) |
| - | - | - | - | - | 215,000 | 215,000 | 965,000 |
| - | - | - | - | - | 41,499 | 41,499 | 60,625 |
| - | - | - | - | - | 5,500 | 5,500 | - |
| - | - | - | - | - | 200,000 | 1,107,016 | 1,054,616 |
| - | - | - | - | - | - | (23,060) | (991,706) |
| 0 | 0 | 0 | 0 | 0 | 461,999 | 1,346,009 | 1,086,535 |
| 2,642 | 15,763 | 833 | 2,661 | 153,232 | 5,911 | 349,757 | (2,167,702) |
| 29,619 | 68,944 | 923 | (2,892) | (645,311) | 639,969 | 6,482,019 | 9,295,032 |
| \$32,261 | \$84,707 | \$1,756 | (\$231) | (\$492,079) | \$645,880 | \$6,831,776 | \$7,127,330 |
| Reconciliation of beginning fund balance to prior year ending fund balance: | | | | | | | |
| Prior year ending fund balance reported above | | | | | | | |
| Plus prior year ending fund balance for Clearwater Shores HIA (420) reported as major in prior year, non major in current year | | | | | | | |
| Current year beginning fund balance | | | | | | | |
| | | | | | | \$7,127,330 | |
| | | | | | | (645,311) | |
| | | | | | | \$6,482,019 | |

CITY OF WACONIA, MINNESOTA
SPECIAL REVENUE FUND - PUBLIC EDUCATION FUND (107)
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
For The Year Ended December 31, 2019
With Comparative Actual Amounts For The Year Ended December 31, 2018

Statement 20

| | Budgeted Amounts | | 2019 Actual Amounts | Variance with Final Budget - Positive (Negative) | 2018 Actual Amounts |
|------------------------------------|------------------|---------|---------------------|--|---------------------|
| | Original | Final | | | |
| Revenues: | | | | | |
| Investment income | \$100 | \$100 | \$448 | \$348 | \$48 |
| Franchise fees | 15,000 | 15,000 | 13,205 | (1,795) | 14,483 |
| Total revenues | 15,100 | 15,100 | 13,653 | (1,447) | 14,531 |
| Expenditures: | | | | | |
| Current: | | | | | |
| Fees and licenses | 4,969 | 13,569 | 8,583 | 4,986 | 4,795 |
| Equipment | 1,300 | 1,300 | 60 | 1,240 | - |
| Contractual services | 1,000 | 1,000 | 480 | 520 | 665 |
| Total expenditures | 7,269 | 15,869 | 9,123 | 6,746 | 5,460 |
| Revenues over (under) expenditures | \$7,831 | (\$769) | 4,530 | \$5,299 | 9,071 |
| Fund balance - January 1 | | | 15,885 | | 6,814 |
| Fund balance - December 31 | | | \$20,415 | | \$15,885 |

CITY OF WACONIA, MINNESOTA
SPECIAL REVENUE FUND - REVOLVING LOAN FUND (202)
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
For The Year Ended December 31, 2019
With Comparative Actual Amounts For The Year Ended December 31, 2018

Statement 21

| | Budgeted Amounts | | 2019 Actual Amounts | Variance with Final Budget - Positive (Negative) | 2018 Actual Amounts |
|----------------------------|------------------|----------|------------------------|---|------------------------|
| | Original | Final | | | |
| Revenues: | | | | | |
| Investment income | \$7,000 | \$7,000 | \$33,456 | \$26,556 | \$6,138 |
| Interest from receivables | 14,699 | 14,699 | 13,234 | (1,465) | 17,472 |
| Charges for services | 1,600 | 1,600 | 375 | (1,225) | 1,053 |
| Total revenues | 23,299 | 23,299 | 47,165 | 23,866 | 24,663 |
| Expenditures: | | | | | |
| Current: | | | | | |
| Contractual services | 4,700 | 4,700 | 17,760 | (13,060) | 1,404 |
| Revenues over expenditures | \$18,599 | \$18,599 | 29,405 | \$10,806 | 23,259 |
| Fund balance - January 1 | | | 1,394,070 | | 1,370,811 |
| Fund balance - December 31 | | | \$1,423,475 | | \$1,394,070 |

CITY OF WACONIA, MINNESOTA
SPECIAL REVENUE FUND - ICE ARENA (678)
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
For The Year Ended December 31, 2019
With Comparative Actual Amounts For The Year Ended December 31, 2018

Statement 22

| | Budgeted Amounts | | 2019 Actual Amounts | Variance with Final Budget - Positive (Negative) | 2018 Actual Amounts |
|------------------------------------|------------------|-----------|------------------------|---|------------------------|
| | Original | Final | | | |
| Revenues: | | | | | |
| Charges for services | \$387,455 | \$387,455 | \$414,647 | \$27,192 | \$400,972 |
| Expenditures: | | | | | |
| Current: | | | | | |
| Personnel services | 235,440 | 235,440 | 231,020 | 4,420 | 224,867 |
| Materials and supplies | 230,235 | 230,235 | 211,980 | 18,255 | 182,538 |
| Contractual services | 47,145 | 47,145 | 56,563 | (9,418) | 131,998 |
| Total expenditures | 512,820 | 512,820 | 499,563 | 13,257 | 539,403 |
| Revenues over (under) expenditures | (125,365) | (125,365) | (84,916) | 40,449 | (138,431) |
| Other financing sources: | | | | | |
| Transfers in | 155,000 | 155,000 | 155,000 | - | 164,050 |
| Net change in fund balance | \$29,635 | \$29,635 | 70,084 | \$40,449 | 25,619 |
| Fund balance - January 1 | | | 295,495 | | 269,876 |
| Fund balance - December 31 | | | \$365,579 | | \$295,495 |

CITY OF WACONIA, MINNESOTA
SPECIAL REVENUE FUND - LODGING TAX FUND (701)
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
For The Year Ended December 31, 2019
With Comparative Actual Amounts For The Year Ended December 31, 2018

Statement 23

| | Budgeted Amounts | | 2019 Actual | | Variance with | | 2018 Actual | |
|------------------------------------|------------------|----------|-------------|---------|----------------|----------|-------------|---------|
| | Original | Final | Amounts | Final | Final Budget - | Positive | Amounts | Amounts |
| | | | | | (Negative) | | | |
| Revenues: | | | | | | | | |
| Lodging taxes | \$47,000 | \$47,000 | \$50,890 | \$3,890 | | | \$47,395 | |
| Investment income | 200 | 200 | 515 | 315 | | | 146 | |
| Total revenues | 47,200 | 47,200 | 51,405 | 4,205 | | | 47,541 | |
| Expenditures: | | | | | | | | |
| Current: | | | | | | | | |
| Contractual services | 44,850 | 44,850 | 39,962 | 4,888 | | | 56,137 | |
| Revenues over (under) expenditures | 2,350 | 2,350 | 11,443 | 9,093 | | | (8,596) | |
| Other financing sources (uses): | | | | | | | | |
| Transfers out | (2,350) | (2,350) | (2,556) | (206) | | | (2,365) | |
| Net change in fund balance | \$0 | \$0 | 8,887 | \$8,887 | | | (10,961) | |
| Fund balance - January 1 | | | 10,963 | | | | 21,924 | |
| Fund balance - December 31 | | | \$19,850 | | | | \$10,963 | |

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III. STATISTICAL SECTION (UNAUDITED)

CITY OF WACONIA, MINNESOTA
NET POSITION BY COMPONENT
 Last Ten Fiscal Years
 (Accrual Basis of Accounting)

| | 2010 | 2011 | 2012 | 2013 |
|---|--------------|--------------|--------------|--------------|
| Governmental activities: | | | | |
| Net investment in capital assets | \$47,399,823 | \$45,586,192 | \$45,602,831 | \$46,081,741 |
| Restricted: | | | | |
| Debt service | 9,309,240 | 10,891,063 | 10,260,654 | 8,224,592 |
| Economic development loans | 1,254,101 | 1,216,873 | 1,217,310 | 1,228,283 |
| Fire Relief Association pension plan | - | - | - | - |
| Park improvements | 185,128 | 191,093 | 201,792 | 202,547 |
| Tax increment purposes | 224,084 | 228,864 | 230,912 | 232,630 |
| Other purposes | - | 39,700 | 47,552 | 11,794 |
| Unrestricted | 5,215,693 | 4,601,932 | 3,915,592 | 3,531,216 |
| Total governmental activities net position | \$63,588,069 | \$62,755,717 | \$61,476,643 | \$59,512,803 |
| Business-type activities: | | | | |
| Net investment in capital assets | \$21,217,178 | \$21,219,555 | \$21,503,856 | \$21,701,041 |
| Unrestricted | 5,553,670 | 5,473,413 | 5,257,619 | 4,855,848 |
| Total business-type activities net position | \$26,770,848 | \$26,692,968 | \$26,761,475 | \$26,556,889 |
| Primary government: | | | | |
| Net investment in capital assets | \$68,617,001 | \$66,805,747 | \$67,106,687 | \$67,782,782 |
| Restricted: | | | | |
| Debt service | 9,309,240 | 10,891,063 | 10,260,654 | 8,224,592 |
| Economic development loans | 1,254,101 | 1,216,873 | 1,217,310 | 1,228,283 |
| Fire Relief Association pension plan | - | - | - | - |
| Park improvements | 185,128 | 191,093 | 201,792 | 202,547 |
| Tax increment purposes | 224,084 | 228,864 | 230,912 | 232,630 |
| Other purposes | - | 39,700 | 47,552 | 11,794 |
| Unrestricted | 10,769,363 | 10,075,345 | 9,173,211 | 8,387,064 |
| Total primary government net position | \$90,338,917 | \$89,448,685 | \$88,238,118 | \$86,069,692 |

GA5B 68 was implemented in 2015. Net position was restated for 2014 to reflect the reporting of net pension liability and pension related deferred outflows of resources. Net position for years prior to 2014 was not restated.

III. STATISTICAL SECTION (UNAUDITED)

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

| | Table Number |
|---|----------------|
| Financial Trends These tables contain trend information to help the reader understand how the City's financial performance and well-being have changed over time. | Tables 1 - 4 |
| Revenue Capacity These tables contain information to help the reader assess the City's most significant local revenue source, the property tax. | Tables 5 - 8 |
| Debt Capacity These tables present information to help the reader assess the affordability of the City's current levels of outstanding debt and the City's ability to issue additional debt in the future. | Tables 9 - 13 |
| Demographic and Economic These tables offer demographic and economic indicators to help the reader understand the environment within which the City's financial activities take place. | Tables 14 - 15 |
| Operating Information These tables contain service and infrastructure data to help the reader understand how the information in the City's financial report relates to the services the City provides and the activities it performs. | Tables 16 - 18 |

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

CITY OF WACONIA, MINNESOTA
CHANGES IN NET POSITION
 Last Ten Fiscal Years
 (Accrual Basis of Accounting)

Table 1

| 2014 | 2015 | 2016 | 2017 | 2018 | 2019 |
|--------------|--------------|--------------|--------------|---------------|---------------|
| \$46,224,926 | \$50,176,476 | \$49,265,320 | \$48,001,795 | \$55,052,450 | \$53,036,567 |
| 7,612,827 | 6,297,467 | 7,883,160 | 10,177,291 | 8,163,724 | 8,204,324 |
| 1,308,745 | 1,327,357 | 1,348,885 | 1,370,811 | 1,394,070 | 1,423,475 |
| 308,434 | 322,541 | 388,087 | 498,197 | 592,716 | 461,066 |
| 104,981 | 7,387 | 7,690 | 111,687 | 80,560 | 125,539 |
| 246,852 | 262,227 | 278,314 | 295,600 | 311,292 | 330,530 |
| 20,677 | 19,828 | 37,324 | 29,795 | 27,905 | 173,138 |
| 2,769,870 | 3,476,749 | 2,542,541 | 2,408,870 | 2,410,871 | 3,865,530 |
| \$58,597,312 | \$61,890,032 | \$61,751,321 | \$62,894,046 | \$68,033,588 | \$67,619,969 |
| \$21,199,492 | \$26,906,510 | \$28,375,198 | \$30,137,682 | \$35,974,877 | \$35,467,383 |
| 5,396,472 | 5,060,359 | 5,756,842 | 5,259,740 | 4,996,936 | 5,999,784 |
| \$26,595,964 | \$31,966,869 | \$34,132,040 | \$35,397,422 | \$40,971,813 | \$41,467,167 |
| \$67,424,418 | \$77,082,986 | \$77,640,518 | \$78,139,477 | \$91,027,327 | \$88,503,950 |
| 7,612,827 | 6,297,467 | 7,883,160 | 10,177,291 | 8,163,724 | 8,204,324 |
| 1,308,745 | 1,327,357 | 1,348,885 | 1,370,811 | 1,394,070 | 1,423,475 |
| 308,434 | 322,541 | 388,087 | 498,197 | 592,716 | 461,066 |
| 104,981 | 7,387 | 7,690 | 111,687 | 80,560 | 125,539 |
| 246,852 | 262,227 | 278,314 | 295,600 | 311,292 | 330,530 |
| 20,677 | 19,828 | 37,324 | 29,795 | 27,905 | 173,138 |
| 8,166,342 | 8,537,108 | 8,299,383 | 7,668,610 | 7,407,807 | 9,865,114 |
| \$85,193,276 | \$93,856,901 | \$95,883,361 | \$98,291,468 | \$109,005,401 | \$109,087,136 |

| Expenses | 2010 | 2011 | 2012 | 2013 |
|---|--------------|--------------|--------------|--------------|
| Governmental activities: | | | | |
| Administrative services | \$2,100,951 | \$2,241,095 | \$2,293,534 | \$2,400,107 |
| Community development | 416,084 | 470,239 | 489,238 | 526,729 |
| Culture and recreation | 3,493,621 | 1,375,662 | 1,379,551 | 1,437,716 |
| Public safety | 906,859 | 969,495 | 992,179 | 1,035,970 |
| Public services | 3,285,220 | 3,270,071 | 4,271,203 | 6,069,224 |
| Interest on long-term debt | 1,172,728 | 1,180,619 | 976,845 | 559,939 |
| Total governmental activities expenses | 11,375,463 | 9,507,181 | 10,402,550 | 12,029,685 |
| Business-type activities: | | | | |
| Water | 1,481,617 | 1,615,966 | 1,692,319 | 2,144,091 |
| Sewer | 1,782,315 | 1,999,538 | 2,629,443 | 2,269,938 |
| Storm water | 465,297 | 405,616 | 603,080 | 661,647 |
| Street lighting | 170,609 | 196,833 | 186,328 | 258,033 |
| Ice arena | 807,898 | 782,264 | 746,809 | 783,262 |
| Total business-type activities expenses | 4,707,736 | 5,000,217 | 5,857,979 | 6,116,971 |
| Total primary government expenses | \$16,083,199 | \$14,507,398 | \$16,260,529 | \$18,146,656 |
| Program revenues | | | | |
| Governmental activities: | | | | |
| Charges for services: | | | | |
| Administrative services | \$677,581 | \$773,719 | \$744,823 | \$733,697 |
| Community development | 344,739 | 326,184 | 584,507 | 767,824 |
| Culture and recreation | 894,280 | 913,536 | 922,282 | 932,207 |
| Public safety | 141,256 | 135,235 | 142,424 | 128,601 |
| Public services | 17,221 | 18,783 | 24,474 | 20,808 |
| Operating grants and contributions | 526,479 | 156,823 | 145,989 | 188,108 |
| Capital grants and contributions | 264,021 | 555,758 | 1,776,558 | 2,646,128 |
| Total governmental activities program revenues | 2,865,577 | 2,880,038 | 4,341,057 | 5,417,373 |
| Business-type activities: | | | | |
| Charges for services: | | | | |
| Water | 1,136,893 | 1,271,709 | 1,437,708 | 1,395,628 |
| Sewer | 1,480,570 | 1,593,493 | 1,659,623 | 1,677,045 |
| Storm water | 395,797 | 377,543 | 457,215 | 439,685 |
| Street lighting | 193,652 | 207,324 | 214,502 | 228,010 |
| Ice arena | 454,022 | 312,520 | 313,038 | 336,095 |
| Operating grants and contributions | - | - | - | 12,313 |
| Capital grants and contributions | 575,425 | 700,000 | 1,427,961 | 1,360,860 |
| Total business-type activities program revenues | 4,236,359 | 4,462,589 | 5,510,047 | 5,449,636 |
| Total primary government program revenues | \$7,101,936 | \$7,342,627 | \$9,851,104 | \$10,867,009 |

CITY OF WACONIA, MINNESOTA
CHANGES IN NET POSITION
 Last Ten Fiscal Years
 (Accrual Basis of Accounting)

Table 2
Page 1 of 2

| 2014 | 2015 | 2016 | 2017 | 2018 | 2019 |
|--------------|--------------|--------------|--------------|--------------|--------------|
| \$2,504,317 | \$2,500,012 | \$2,694,304 | \$2,605,589 | \$2,630,273 | \$2,714,323 |
| 665,203 | 894,046 | 877,853 | 693,916 | 845,242 | 769,991 |
| 1,509,829 | 1,426,043 | 2,153,859 | 2,101,686 | 2,378,745 | 2,318,632 |
| 1,789,868 | 1,116,772 | 1,219,233 | 1,358,340 | 1,521,879 | 1,837,582 |
| 3,867,846 | 9,889,687 | 8,811,426 | 5,097,166 | 5,495,664 | 6,064,581 |
| 537,347 | 656,535 | 788,098 | 803,890 | 709,590 | 673,660 |
| 10,874,410 | 16,483,095 | 16,544,773 | 12,660,587 | 13,581,393 | 14,378,769 |
| 1,766,523 | 2,373,460 | 2,407,444 | 2,293,405 | 1,897,526 | 2,717,426 |
| 2,255,953 | 2,558,513 | 2,560,288 | 2,649,261 | 2,468,774 | 3,594,233 |
| 888,627 | 1,003,865 | 947,565 | 1,003,319 | 1,381,573 | 1,328,221 |
| 210,961 | 200,617 | 205,240 | 223,464 | 237,420 | 259,716 |
| 777,649 | 819,468 | - | - | - | - |
| 5,899,713 | 6,955,923 | 6,120,537 | 6,169,449 | 5,985,293 | 7,899,596 |
| \$16,774,123 | \$23,439,018 | \$22,665,310 | \$18,830,036 | \$19,566,686 | \$22,278,365 |
| \$713,136 | \$758,415 | \$807,406 | \$756,770 | \$735,603 | \$744,018 |
| 685,223 | 926,235 | 1,184,949 | 708,699 | 724,034 | 659,297 |
| 947,903 | 901,147 | 1,348,595 | 1,567,638 | 1,853,294 | 1,851,410 |
| 132,417 | 147,343 | 143,008 | 193,787 | 191,649 | 190,453 |
| 18,518 | 279,574 | 125,298 | 173,284 | 60,671 | 95,207 |
| 182,910 | 194,478 | 404,157 | 203,145 | 438,027 | 376,788 |
| 1,783,440 | 9,517,760 | 5,981,386 | 3,390,306 | 6,466,765 | 421,979 |
| 4,463,547 | 12,724,952 | 9,994,799 | 6,993,629 | 10,470,043 | 4,339,152 |
| 1,327,980 | 1,392,858 | 1,541,745 | 1,598,715 | 1,558,602 | 2,305,044 |
| 1,693,322 | 1,767,688 | 1,845,278 | 1,910,095 | 1,953,073 | 2,831,076 |
| 479,786 | 543,891 | 597,917 | 782,627 | 859,188 | 951,423 |
| 234,973 | 251,831 | 246,122 | 251,732 | 252,786 | 254,218 |
| 342,876 | 345,504 | - | - | - | - |
| 83,610 | - | 63,351 | - | 9,385 | 70,594 |
| 1,394,858 | 3,443,339 | 2,834,588 | 2,166,309 | 6,986,412 | 1,932,328 |
| 5,557,405 | 7,745,111 | 7,129,001 | 6,709,478 | 11,619,446 | 8,344,683 |
| \$10,020,952 | \$20,470,063 | \$17,123,800 | \$13,703,107 | \$22,089,489 | \$12,683,835 |

| | 2010 | 2011 | 2012 | 2013 |
|--|---------------|---------------|---------------|---------------|
| Net (expense) revenue | | | | |
| Governmental activities | (\$8,509,886) | (\$6,627,143) | (\$6,061,493) | (\$6,612,312) |
| Business-type activities | (471,377) | (537,628) | (347,932) | (667,335) |
| Total primary government net (expense) revenue | (8,981,263) | (7,164,771) | (6,409,425) | (7,279,647) |
| General revenues and other changes in net position | | | | |
| Governmental activities: | | | | |
| Property taxes | 4,320,851 | 4,745,665 | 4,867,392 | 4,966,181 |
| Tax increment | 56,866 | 43,280 | 19,620 | 19,649 |
| Lodging taxes | 28,434 | 29,405 | 33,749 | 41,949 |
| Grants and contributions not restricted to specific programs | - | - | - | 3,343 |
| Unrestricted investment earnings | 376,556 | 167,437 | 166,658 | 47,571 |
| Gain on sale of capital assets | - | - | - | 8,679 |
| Transfers | (270,000) | (295,000) | (305,000) | (438,900) |
| Total governmental activities | 4,512,707 | 4,690,787 | 4,782,419 | 4,648,472 |
| Business-type activities: | | | | |
| Unrestricted investment earnings | 186,478 | 164,748 | 111,439 | 23,849 |
| Gain on sale of capital assets | - | - | - | - |
| Transfers | 270,000 | 295,000 | 305,000 | 438,900 |
| Total business-type activities | 456,478 | 459,748 | 416,439 | 462,749 |
| Total primary government | \$4,969,185 | \$5,150,535 | \$5,198,858 | \$5,111,221 |
| Change in net position | | | | |
| Governmental activities | (\$3,997,179) | (\$1,936,356) | (\$1,279,074) | (\$1,963,840) |
| Business-type activities | (14,899) | (77,880) | 68,507 | (204,586) |
| Total primary government | (\$4,012,078) | (\$2,014,236) | (\$1,210,567) | (\$2,168,426) |

GASB 68 was implemented in 2015. Pension expense for years prior to 2015 were not restated.
 Effective January 1, 2016, Ice Arena operations were accounted for as governmental activities rather than business-type activities.

Table 2
Page 2 of 2

| 2014 | 2015 | 2016 | 2017 | 2018 | 2018 |
|-------------|-------------|---------------|-------------|--------------|-------------|
| 5,389,061 | 6,043,541 | 6,489,987 | 7,125,562 | 7,780,601 | 8,404,302 |
| 162,335 | 179,949 | 205,391 | 220,075 | 198,918 | 210,542 |
| 43,165 | 41,541 | 47,143 | 47,858 | 47,395 | 50,890 |
| 79,864 | 185,594 | 100,768 | 10,585 | 11,957 | 14,030 |
| 105,069 | 102,172 | 164,660 | 61,962 | 84,713 | 301,413 |
| 528 | 25,842 | 65,913 | 50,000 | 43,501 | 562,608 |
| (284,650) | (455,000) | (1,776,000) | (706,359) | 83,807 | 82,213 |
| 5,495,372 | 6,123,639 | 5,297,862 | 6,809,683 | 8,250,892 | 9,625,998 |
| 86,527 | 51,360 | 83,644 | 18,994 | 24,045 | 132,480 |
| 10,206 | 9,195 | 6,781 | - | - | - |
| 284,650 | 455,000 | 1,776,000 | 706,359 | (83,807) | (82,213) |
| 381,383 | 515,555 | 1,866,425 | 725,353 | (59,762) | 50,267 |
| \$5,876,755 | \$6,639,194 | \$7,164,287 | \$7,535,036 | \$8,191,130 | \$9,676,265 |
| (\$915,491) | \$2,365,496 | (\$1,252,112) | \$1,142,725 | \$5,139,542 | (\$413,619) |
| 39,075 | 1,304,743 | 2,874,889 | 1,265,382 | 5,574,391 | 495,354 |
| (\$876,416) | \$3,670,239 | \$1,622,777 | \$2,408,107 | \$10,713,933 | \$81,735 |

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

| | 2010 | 2011 | 2012 | 2013 |
|------------------------------------|-------------|--------------|-------------|-------------|
| General Fund: | | | | |
| Nonspendable | \$ - | \$18,593 | \$12,409 | \$28,844 |
| Restricted | - | - | - | 1,057 |
| Committed | - | 873,835 | 873,168 | 712,637 |
| Unassigned | - | 1,133,609 | 1,265,607 | 1,646,903 |
| Reserved | 6,373 | - | - | - |
| Unreserved: | | | | |
| Undesignated | 953,470 | - | - | - |
| Total general fund | \$959,843 | \$2,026,037 | \$2,151,184 | \$2,389,441 |
| All other governmental funds: | | | | |
| Nonspendable | \$ - | \$1,982 | \$788 | \$152,640 |
| Restricted | - | 17,196,144 | 6,285,084 | 5,357,864 |
| Committed | - | 15,191 | 32,150 | 30,687 |
| Assigned | - | 2,540,980 | 1,909,125 | 1,188,742 |
| Unassigned | - | - | - | (1,845) |
| Reserved | 4,207,720 | - | - | - |
| Unreserved: | | | | |
| Undesignated: | | | | |
| Special revenue funds | 2,266,491 | - | - | - |
| Debt service funds | - | - | - | - |
| Capital project funds | 2,891,701 | - | - | - |
| Total all other governmental funds | \$9,365,912 | \$19,754,297 | \$8,227,147 | \$6,728,088 |

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

Table 3

| | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 |
|--|-------------|-------------|-------------|--------------|-------------|-------------|
| | \$13,143 | \$128,194 | \$73,210 | \$78,810 | \$90,530 | \$102,085 |
| | 1,057 | 1,057 | 1,057 | 1,057 | 1,057 | 1,057 |
| | 692,888 | 673,888 | 667,699 | 664,619 | 664,619 | 664,462 |
| | 1,747,771 | 2,015,575 | 2,438,986 | 2,202,643 | 2,276,215 | 2,563,939 |
| | - | - | - | - | - | - |
| | - | - | - | - | - | - |
| | \$2,454,859 | \$2,818,714 | \$3,180,952 | \$2,947,209 | \$3,032,421 | \$3,331,543 |
| | - | - | - | - | - | - |
| | \$ - | \$27,492 | \$12,551 | \$667,610 | \$5,008 | \$6,671 |
| | 4,844,938 | 7,337,831 | 5,531,525 | 12,468,006 | 8,687,512 | 6,800,821 |
| | - | - | 136,455 | 312,718 | 524,582 | 793,005 |
| | 939,666 | 1,838,930 | 1,397,183 | 1,375,779 | 1,108,126 | 1,311,245 |
| | (32,175) | (453,188) | (866,210) | (1,162,412) | (1,217,378) | (492,310) |
| | - | - | - | - | - | - |
| | - | - | - | - | - | - |
| | - | - | - | - | - | - |
| | \$5,752,429 | \$8,751,065 | \$6,211,504 | \$13,661,701 | \$9,107,850 | \$8,419,432 |

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

| | 2010 | 2011 | 2012 | 2013 |
|---|-------------|--------------|----------------|---------------|
| Revenues: | | | | |
| General property taxes | \$4,339,528 | \$4,816,809 | \$4,871,223 | \$5,014,927 |
| Tax increment | 56,866 | 43,280 | 19,620 | 19,649 |
| Lodging taxes | 28,434 | 29,405 | 33,749 | 41,949 |
| Special assessments | 748,079 | 1,267,620 | 674,933 | 368,991 |
| Intergovernmental | 186,940 | 270,575 | 1,682,388 | 2,499,159 |
| Investment income | 376,556 | 167,438 | 147,996 | 47,571 |
| Charges for services | 1,674,463 | 1,779,391 | 1,774,255 | 1,746,134 |
| Licenses and permits | 374,383 | 359,829 | 640,048 | 807,266 |
| Fines and forfeits | 26,231 | 28,237 | 29,469 | 29,737 |
| Contributions and donations | 339,539 | 28,177 | 14,043 | 26,603 |
| Developer reimbursements | - | 89,645 | 27,903 | - |
| Total revenues | 8,151,019 | 8,880,406 | 9,915,627 | 10,601,986 |
| Expenditures: | | | | |
| Current: | | | | |
| Administrative services | 1,058,728 | 1,125,068 | 1,162,914 | 1,323,787 |
| Community development | 410,100 | 468,537 | 483,702 | 548,085 |
| Culture and recreation | 1,190,520 | 1,184,403 | 1,184,317 | 1,272,292 |
| Public safety | 822,225 | 854,147 | 868,806 | 967,546 |
| Public services | 986,778 | 1,055,771 | 1,108,341 | 1,918,949 |
| Capital outlay: | | | | |
| Administrative services | 159,250 | 80,194 | 40,478 | 30,951 |
| Culture and recreation | - | - | 15,388 | - |
| Public safety | 14,512 | 720,915 | 14,825 | 49,603 |
| Public services | 317,971 | 352,387 | 1,824,350 | 2,310,334 |
| Debt service: | | | | |
| Principal | 2,115,888 | 2,931,506 | 13,356,770 | 2,315,768 |
| Interest and fiscal charges | 1,175,181 | 1,102,155 | 952,739 | 681,473 |
| Payment to refunded bond escrow | - | - | - | - |
| Total expenditures | 8,251,155 | 9,875,083 | 21,012,630 | 11,418,788 |
| Revenues over (under) expenditures | (100,134) | (994,677) | (11,097,003) | (816,802) |
| Other financing sources (uses): | | | | |
| Issuance of debt | 3,390,000 | 11,995,000 | - | - |
| Bond premium | - | 749,254 | - | - |
| Redemption of refunding bonds | (3,665,514) | - | - | - |
| Transfers in | 2,094,922 | 2,091,233 | 1,660,769 | 1,439,783 |
| Transfers out | (2,364,922) | (2,386,233) | (1,965,769) | (1,883,783) |
| Sale of property and capital assets | - | - | - | - |
| Payment to refunded bond escrow | - | - | - | - |
| Total other financing sources (uses) | (545,514) | 12,449,254 | (305,000) | (444,000) |
| Net change in fund balance | (\$645,648) | \$11,454,579 | (\$11,402,003) | (\$1,260,802) |
| Debt service as a percentage of noncapital expenditures | 42.4% | 46.2% | 70.4% | 30.0% |
| Debt service as percentage of total expenditures | 39.9% | 40.8% | 68.1% | 26.2% |

CITY OF WACONIA, MINNESOTA
TAX CAPACITY VALUE AND ESTIMATED MARKET VALUE OF TAXABLE PROPERTY
 Last Ten Fiscal Years

Table 4

| Fiscal Year Ended December 31, | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 |
|--------------------------------------|--------------|------------|------------|------------|------------|------------|------------|------------|------------|------------|
| | \$9,168,118 | 8,628,580 | 8,013,229 | 7,246,636 | 7,871,978 | 1,517,485 | 1,749,023 | 1,517,485 | 1,607,461 | 1,652,540 |
| | \$3,567,911 | 3,210,220 | 2,929,758 | 2,816,327 | 2,816,223 | 2,772,739 | 2,772,739 | 2,772,739 | 2,772,739 | 2,772,739 |
| | \$115,818 | 132,198 | 133,636 | 144,560 | 147,578 | 161,422 | 161,422 | 161,422 | 161,422 | 161,422 |
| | \$62,518 | 64,038 | 70,953 | 37,688 | 69,996 | 97,827 | 97,827 | 97,827 | 97,827 | 97,827 |
| | \$12,914,365 | 12,035,036 | 11,147,576 | 10,245,211 | 10,905,775 | 12,298,603 | 12,298,603 | 12,298,603 | 12,298,603 | 12,298,603 |
| | \$115,818 | 132,198 | 133,636 | 144,560 | 147,578 | 161,422 | 161,422 | 161,422 | 161,422 | 161,422 |
| | \$62,518 | 64,038 | 70,953 | 37,688 | 69,996 | 97,827 | 97,827 | 97,827 | 97,827 | 97,827 |
| | \$12,914,365 | 12,035,036 | 11,147,576 | 10,245,211 | 10,905,775 | 12,298,603 | 12,298,603 | 12,298,603 | 12,298,603 | 12,298,603 |
| | \$115,818 | 132,198 | 133,636 | 144,560 | 147,578 | 161,422 | 161,422 | 161,422 | 161,422 | 161,422 |
| | \$62,518 | 64,038 | 70,953 | 37,688 | 69,996 | 97,827 | 97,827 | 97,827 | 97,827 | 97,827 |
| | \$12,914,365 | 12,035,036 | 11,147,576 | 10,245,211 | 10,905,775 | 12,298,603 | 12,298,603 | 12,298,603 | 12,298,603 | 12,298,603 |

Source: Carver County Taxpayer Services

Table 5

| Less Captured Tax Increment Tax Capacity | Net Fiscal Disparities Distribution | Adjusted Tax Capacity Value | City Direct Tax Rate | Estimated Taxable Market Value | Tax Capacity as a Percent of EMV |
|--|---|-----------------------------------|----------------------------|---|--|
| (\$50,144) | \$87,147 | \$12,951,368 | 36.042 | \$1,093,934,600 | 1.18% |
| (37,753) | (24,624) | 11,972,659 | 41.890 | 1,028,180,900 | 1.16% |
| (18,586) | 75,739 | 11,204,729 | 44.218 | 953,540,600 | 1.18% |
| (18,614) | 115,298 | 10,341,895 | 49.433 | 869,644,100 | 1.19% |
| (139,265) | 142,731 | 10,909,241 | 49.423 | 933,351,800 | 1.17% |
| (145,744) | 183,047 | 12,335,906 | 48.780 | 1,072,984,100 | 1.15% |
| (167,486) | 150,282 | 13,221,714 | 49.267 | 1,160,365,600 | 1.14% |
| (177,696) | 236,421 | 13,779,989 | 52.805 | 1,192,437,500 | 1.16% |
| (160,822) | 307,930 | 14,888,812 | 52.836 | 1,288,397,100 | 1.16% |
| (170,640) | 481,635 | 15,985,923 | 52.500 | 1,367,548,500 | 1.17% |

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

Table 6

| Fiscal Year | City Direct Rate | | | Overlapping Rates | | | Total |
|---|------------------|-----------------|---------------|-------------------------|------------------|-------|---------|
| | Operating | Debt Service | City Total | School District #110 | Carver County | Other | |
| Tax capacity rates (per \$100 of adjusted tax capacity value) | | | | | | | |
| 2010 | 23.406 | 12.636 | 36.042 | 27.071 | 39.509 | 3.942 | 106.564 |
| 2011 | 24.032 | 17.858 | 41.890 | 31.313 | 41.752 | 4.175 | 119.130 |
| 2012 | 26.343 | 17.875 | 44.218 | 34.516 | 43.562 | 4.511 | 126.807 |
| 2013 | 29.614 | 19.819 | 49.433 | 38.664 | 46.115 | 4.541 | 138.753 |
| 2014 | 30.227 | 19.196 | 49.423 | 36.444 | 45.211 | 3.472 | 134.550 |
| 2015 | 30.448 | 18.332 | 48.780 | 35.376 | 40.488 | 3.125 | 127.769 |
| 2016 | 28.618 | 20.649 | 49.267 | 33.358 | 38.880 | 3.203 | 124.708 |
| 2017 | 29.086 | 23.719 | 52.805 | 31.361 | 38.851 | 3.186 | 126.203 |
| 2018 | 31.074 | 21.762 | 52.836 | 33.612 | 37.436 | 3.994 | 127.878 |
| 2019 | 34.827 | 17.673 | 52.500 | 33.800 | 36.488 | 3.730 | 126.518 |

Source: Carver County Taxpayer Services

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

Table 7

| Taxpayer | 2019 | | | 2010 | | |
|-----------------------------------|------------------|------|--------------------------------------|------------------|------|--------------------------------------|
| | Net Tax Capacity | Rank | Percentage of Total Net Tax Capacity | Net Tax Capacity | Rank | Percentage of Total Net Tax Capacity |
| Ridgeview Real Estate LLC | \$323,050 | 1 | 2.06% | \$170,886 | 4 | 1.32% |
| JE Waconia 2018 LLC | 202,376 | 2 | 1.29% | 313,704 | 1 | 2.43% |
| Elkay Wood Products Company | 165,214 | 3 | 1.05% | 170,950 | 3 | 1.32% |
| Target Corporation | 160,786 | 4 | 1.03% | 225,436 | 2 | 1.75% |
| Centerpoint Energy Minnegasco | 147,444 | 5 | 0.94% | - | - | - |
| Lakeview Clinic Building Corp. | 130,344 | 6 | 0.83% | 126,988 | 5 | 0.98% |
| Xcel Energy | 104,138 | 7 | 0.66% | - | - | 0.00% |
| Health Care Reit Inc. | 96,440 | 8 | 0.62% | - | - | - |
| Auburn Meadows LLC | 94,962 | 9 | 0.61% | - | - | - |
| ILEX Group Inc. | 82,246 | 10 | 0.52% | - | - | - |
| Lakeland Construction Finance LLC | - | - | - | 95,666 | 6 | 0.74% |
| MMC Property LLC | - | - | - | 83,820 | 7 | 0.65% |
| Avalon Interlaken LLC | - | - | - | 77,594 | 8 | 0.60% |
| Highland Bank | - | - | - | 65,715 | 9 | 0.51% |
| Plowshares Development Inc. | - | - | - | 19,337 | 10 | 0.15% |
| Total | \$1,507,000 | | 9.61% | \$1,350,096 | | 10.45% |
| Total All Property | \$15,674,928 | | | \$12,914,365 | | |

Source: Carver County Taxpayer Services

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

Table 8

| Fiscal Year Ended December 31, | Taxes Levied For The Fiscal Year | Collected Within The Fiscal Year of the Levy | | Collections in Subsequent Years | Total Collections to Date | |
|--------------------------------|----------------------------------|--|--------------------|---------------------------------|---------------------------|--------------------|
| | | Amount | Percentage of Levy | | Amount | Percentage of Levy |
| 2010 | \$4,629,319 | \$4,267,455 | 92.2% | \$96,823 | \$4,364,278 | 94.3% |
| 2011 | 4,937,619 | 4,647,595 | 94.1% | 43,562 | 4,691,157 | 95.0% |
| 2012 | 4,922,461 | 4,846,949 | 98.5% | 30,496 | 4,877,445 | 99.1% |
| 2013 | 5,045,444 | 4,986,516 | 98.8% | 33,890 | 5,020,406 | 99.5% |
| 2014 | 5,391,821 | 5,355,206 | 99.3% | 16,905 | 5,372,111 | 99.6% |
| 2015 | 6,025,768 | 5,979,376 | 99.2% | 23,644 | 6,003,020 | 99.6% |
| 2016 | 6,507,534 | 6,448,527 | 99.1% | 2,101 | 6,450,628 | 99.1% |
| 2017 | 7,225,677 | 7,138,648 | 98.8% | (49,176) | 7,089,472 | 98.1% |
| 2018 | 7,866,135 | 7,814,156 | 99.3% | 5,866 | 7,820,022 | 99.4% |
| 2019 | 8,398,680 | 8,389,081 | 99.9% | - | 8,389,081 | 99.9% |

Source: City Finance Department

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

| Fiscal Year | General Obligation Bonds | Governmental Activities | | Lease Purchase Agreement |
|-------------|--------------------------|-------------------------|------------------------------|--------------------------|
| | | Improvement Bonds | Public Project Revenue Bonds | |
| 2010 | \$3,098,935 | \$15,210,000 | \$7,271,075 | \$ - |
| 2011 | 3,811,394 | 24,784,254 | 6,959,824 | - |
| 2012 | 3,800,000 | 11,820,597 | 6,638,922 | - |
| 2013 | 3,555,000 | 9,991,940 | 6,303,154 | - |
| 2014 | 3,305,000 | 9,531,734 | 5,949,229 | - |
| 2015 | 11,129,918 | 11,280,412 | 985,067 | - |
| 2016 | 11,231,175 | 13,374,982 | 4,774,973 | 1,220,000 |
| 2017 | 10,982,432 | 18,239,861 | 4,343,839 | 1,220,000 |
| 2018 | 8,926,860 | 16,346,696 | 3,897,025 | 1,115,000 |
| 2019 | 8,551,293 | 14,796,846 | 3,433,960 | 1,001,000 |

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

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

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

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

Table 10

| Fiscal Year | Debt Being Paid Solely From Property Taxes | | | | | Less: Debt Service Fund Balance | Net General Bonded Debt | Percentage of Total Tax Capacity ⁽²⁾ | Per Capita ⁽¹⁾ |
|-------------|--|-------------|-------------|--------------------------|--------------------------------------|---------------------------------|-------------------------|---|---------------------------|
| | EDA Public | | Total | General Obligation Bonds | Project Revenue Bonds ⁽¹⁾ | | | | |
| | | | | | | | | | |
| 2010 | \$3,098,935 | \$5,725,000 | \$8,823,935 | | | \$1,275,888 | \$7,548,047 | 58.45% | \$706 |
| 2011 | 3,811,394 | 5,515,000 | 9,326,394 | | | 1,711,177 | 7,615,217 | 63.28% | 703 |
| 2012 | 3,800,000 | 5,300,000 | 9,100,000 | | | 2,024,228 | 7,075,772 | 63.47% | 631 |
| 2013 | 3,555,000 | 5,075,000 | 8,630,000 | | | 1,766,070 | 6,863,930 | 67.00% | 594 |
| 2014 | 3,305,000 | 4,840,000 | 8,145,000 | | | 1,619,815 | 6,525,185 | 59.83% | 552 |
| 2015 | 11,129,918 | - | 11,129,918 | | | 1,295,909 | 9,834,009 | 79.96% | 813 |
| 2016 | 11,231,175 | - | 11,231,175 | | | 2,528,808 | 8,702,367 | 65.73% | 703 |
| 2017 | 10,982,432 | - | 10,982,432 | | | 2,602,662 | 8,379,770 | 61.07% | 667 |
| 2018 | 8,926,860 | - | 8,926,860 | | | 1,093,774 | 7,833,086 | 53.14% | 615 |
| 2019 | 8,551,293 | - | 8,551,293 | | | 1,150,371 | 7,400,922 | 47.22% | 578 |

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

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

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

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

Table 9

| Business-Type Activities | | Total Debt | Percentage of Total Tax Capacity ⁽¹⁾ | Per Capita ⁽²⁾ | Total Tax Capacity | | Population |
|--------------------------|------------------------------|--------------|---|---------------------------|--------------------|--------|------------|
| G.O. Revenue Bonds | Public Project Revenue Bonds | | | | | | |
| \$13,245,000 | \$5,495,443 | \$44,320,453 | 343.19% | \$4,143 | \$12,914,365 | 10,697 | |
| 12,655,000 | 5,275,132 | 53,485,604 | 444.42% | 4,937 | 12,035,036 | 10,833 | |
| 12,045,000 | 5,044,699 | 39,349,218 | 352.98% | 3,506 | 11,147,576 | 11,222 | |
| 21,634,820 | 4,756,416 | 46,241,330 | 451.35% | 3,999 | 10,245,211 | 11,563 | |
| 19,527,155 | 4,483,157 | 42,796,275 | 392.42% | 3,619 | 10,905,775 | 11,827 | |
| 18,894,281 | 4,205,911 | 46,495,589 | 378.06% | 3,844 | 12,298,603 | 12,095 | |
| 14,033,748 | - | 44,634,878 | 337.15% | 3,607 | 13,238,918 | 12,374 | |
| 12,663,215 | - | 47,449,347 | 345.81% | 3,775 | 13,721,264 | 12,571 | |
| 11,953,867 | - | 42,239,448 | 286.53% | 3,314 | 14,741,704 | 12,745 | |
| 13,801,657 | - | 41,584,756 | 265.29% | 3,250 | 15,674,928 | 12,797 | |

CITY OF WACONIA, MINNESOTA
DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT
December 31, 2019

Table 11

| Governmental Unit | Debt Outstanding | Estimated Percentage Applicable* | Estimated Share of Overlapping Debt |
|-------------------------------------|---------------------|--|--|
| Direct debt: | | | |
| City of Waconia ⁽¹⁾ | \$27,783,099 | 100.00% | \$27,783,099 |
| Overlapping debt: | | | |
| Carver County | 41,772,000 | 10.39% | 4,340,111 |
| Independent School District No. 110 | 119,550,000 | 54.53% | 65,192,528 |
| Metropolitan Council | 263,285,000 | 0.37% | 986,002 |
| Subtotal - overlapping debt | 424,607,000 | | 70,518,641 |
| Total direct and overlapping debt | \$452,390,099 | | \$98,301,740 |

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

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

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

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

Table 12

| Legal Debt Margin Calculation for Fiscal Year 2019 | | | | |
|---|--|--|--|-----------------|
| Estimated market value of property | | | | \$1,416,194,700 |
| Debt limit percentage | | | | 3% |
| Statutory debt limit | | | | 42,485,841 |
| Net debt applicable to limit: | | | | |
| Total bonded debt | | | | 40,583,756 |
| Less: | | | | |
| G.O. improvement bonds | | | | (14,796,846) |
| G.O. revenue bonds | | | | (13,801,657) |
| Public project revenue bonds not paid from property taxes | | | | (3,433,960) |
| Total net debt applicable to limit | | | | 8,551,293 |
| Legal debt margin | | | | \$33,934,548 |

| Legal Debt Margin Calculation for Fiscal Years 2010 Through 2018 | | | | |
|--|----------------------|------------------------------|-------------------|---------------------------------|
| Fiscal Year | Statutory Debt Limit | Net Debt Applicable to Limit | Legal Debt Margin | Ratio of Net Debt to Debt Limit |
| 2010 | \$32,818,038 | \$15,658,638 | \$17,159,400 | 47.71% |
| 2011 | 30,845,427 | 15,849,545 | 14,995,882 | 51.38% |
| 2012 | 30,245,853 | 15,302,027 | 14,943,826 | 50.39% |
| 2013 | 27,895,623 | 14,496,038 | 13,399,585 | 51.97% |
| 2014 | 29,743,458 | 13,657,893 | 16,085,565 | 45.92% |
| 2015 | 33,753,246 | 11,129,918 | 22,623,328 | 32.97% |
| 2016 | 36,332,928 | 11,231,175 | 25,101,753 | 30.91% |
| 2017 | 37,384,467 | 10,982,432 | 26,402,035 | 29.38% |
| 2018 | 40,213,827 | 8,926,860 | 31,286,967 | 22.20% |

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

| Fiscal Year | Special Assessment Collections | G.O. Improvement Bonds | | | Coverage |
|-------------|--------------------------------|------------------------|--------------|-----------|----------|
| | | Principal | Debt Service | Interest | |
| 2010 | \$748,079 | \$1,700,000 | | \$645,410 | 32% |
| 2011 | 1,267,221 | 2,440,000 | | 580,936 | 42% |
| 2012 | 674,933 | 1,835,000 | | 555,647 | 28% |
| 2013 | 368,991 | 1,735,000 | | 308,925 | 18% |
| 2014 | 762,373 | 1,785,000 | | 256,125 | 37% |
| 2015 | 1,033,655 | 1,845,000 | | 201,675 | 51% |
| 2016 | 996,190 | 2,035,000 | | 352,660 | 42% |
| 2017 | 3,077,412 | 2,405,000 | | 320,861 | 113% |
| 2018 | 307,554 | 2,725,000 | | 414,215 | 10% |
| 2019 | 363,721 | 1,350,000 | | 400,480 | 21% |

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

For years 2009 - 2014, net available revenue for the general obligation revenue bonds is equal to the revenues of the water and sewer funds, less operating expenses (excluding depreciation) of those funds. Beginning in 2015, net available revenue also includes amounts of the storm water fund to correspond with debt service obligations of that fund.

Table 13

| Water, Sewer & Storm Water Revenue | Less Operating Expenses | G.O. Revenue Bonds | | | |
|--|-------------------------------|-----------------------------|--------------|-----------|----------|
| | | Net Available Revenue | Debt Service | | Coverage |
| | | | Principal | Interest | |
| \$3,233,339 | \$1,777,013 | \$1,456,326 | \$845,000 | \$552,021 | 104% |
| 3,615,760 | 2,034,760 | 1,581,000 | 590,000 | 535,499 | 140% |
| 4,388,240 | 2,260,307 | 2,127,933 | 610,000 | 508,211 | 190% |
| 4,202,196 | 2,340,143 | 1,862,053 | 630,000 | 475,583 | 168% |
| 4,091,331 | 2,389,772 | 1,701,559 | 665,000 | 402,736 | 159% |
| 6,403,879 | 3,900,477 | 2,503,402 | 710,000 | 542,367 | 200% |
| 6,628,488 | 3,967,929 | 2,660,559 | 570,000 | 414,502 | 270% |
| 6,379,958 | 3,898,882 | 2,481,076 | 1,330,000 | 303,931 | 152% |
| 5,482,578 | 3,557,959 | 1,924,619 | 1,200,000 | 269,562 | 131% |
| 6,282,947 | 3,850,304 | 2,432,643 | 1,230,000 | 261,390 | 163% |

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

Table 14

| Fiscal Year | Waconia Population ⁽¹⁾ | Carver County Unemployment Rate ⁽²⁾ | Carver County Personal Income (Thousands) ⁽³⁾ | Carver County Per Capita Personal Income ⁽³⁾ |
|----------------|--------------------------------------|--|---|--|
| 2010 | 10,697 | 6.8% | \$4,704,331 | \$51,468 |
| 2011 | 10,833 | 5.5% | 5,126,799 | 55,239 |
| 2012 | 11,222 | 4.8% | 5,520,198 | 58,811 |
| 2013 | 11,563 | 4.3% | 5,635,711 | 58,944 |
| 2014 | 11,827 | 3.6% | 6,074,716 | 62,392 |
| 2015 | 12,095 | 3.2% | 6,402,984 | 64,916 |
| 2016 | 12,374 | 3.3% | 6,630,989 | 66,059 |
| 2017 | 12,571 | 2.9% | 7,012,049 | 68,645 |
| 2018 | 12,745 | 2.5% | 7,388,388 | 71,350 |
| 2019 | 12,797 | 2.8% | (a) | (a) |

Sources:

⁽¹⁾Federal Census Data and State Demographer's Estimate⁽²⁾State of Minnesota, Department of Employment and Economic Development⁽³⁾U.S. Department of Commerce, Bureau of Economic Analysis

(a) Information not yet available

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

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

Table 15

| Employer | 2019 | | | 2010 | | |
|----------------------------------|--------------|------|--|--------------|------|--|
| | Employees | Rank | Percentage of Total City Employment ⁽¹⁾ | Employees | Rank | Percentage of Total City Employment ⁽¹⁾ |
| Ridgeview Medical Center | 1,623 | 1 | 32.2% | 1,254 | 1 | 38.2% |
| Strom Aviation | 1,001 | 2 | 19.9% | - | - | - |
| I.S.D. No. 110 (Waconia Schools) | 969 | 3 | 19.2% | 405 | 3 | 12.3% |
| ACPI Products | 500 | 4 | 9.9% | 575 | 2 | 17.5% |
| Mackenthun's Fine Foods | 200 | 5 | 4.0% | 208 | 5 | 6.3% |
| Physicians Service Network | 200 | 6 | 4.0% | - | - | - |
| Good Samaritan Society Waconia | 158 | 7 | 3.1% | 210 | 4 | 6.4% |
| Target | 150 | 8 | 3.0% | - | - | - |
| Lakeview Clinic | 120 | 9 | 2.4% | 165 | 7 | 5.0% |
| UFC Farm Supply | 120 | 10 | 2.4% | 86 | 9 | 2.6% |
| City of Waconia | - | - | - | 196 | 6 | 6.0% |
| Milltronics Manufacturing Co | - | - | - | 110 | 8 | 3.4% |
| Waconia Manufacturing | - | - | - | 73 | 10 | 2.2% |
| Total | 5,041 | | | 3,282 | | |

Source: Reference USA, written and telephone survey, and the MN Department of Employment and Economic Development

⁽¹⁾The statistic for total City employment is not available, therefore the percentage represents the percentage of the top ten listed.

CITY OF WACONIA, MINNESOTA
FULL-TIME EQUIVALENT CITY GOVERNMENT EMPLOYEES BY FUNCTION/PROGRAM
 Last Ten Fiscal Years

| Function/Program | Full-Time Equivalent Employees as of December 31, | | |
|-------------------------|---|-----------|-----------|
| | 2010 | 2011 | 2012 |
| Administrative services | 8 | 8 | 8 |
| Community development | 3 | 3 | 3 |
| Culture and recreation | 22 | 23 | 24 |
| Public safety | 2 | 2 | 3 |
| Public services | 18 | 17 | 17 |
| Total | 53 | 53 | 55 |

Source: City Finance Department

Table 16

| Full-Time Equivalent Employees as of December 31, | | | | | | |
|---|------|------|------|------|------|------|
| 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 |
| 8 | 8 | 8 | 8 | 8 | 8 | 8 |
| 3 | 3 | 3 | 3 | 3 | 3 | 3 |
| 25 | 27 | 25 | - | - | - | - |
| 3 | 3 | 3 | 5 | 6 | 5 | 6 |
| 17 | 20 | 22 | 22 | 22 | 24 | 25 |
| 56 | 61 | 61 | 38 | 39 | 40 | 42 |

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

| Function/Program | Fiscal Year | | 2012 |
|---|--------------|--------------|--------------|
| | 2010 | 2011 | |
| Building: | | | |
| Total permits issued | 726 | 595 | 1,068 |
| Total estimated value | \$16,288,731 | \$20,895,214 | \$34,399,256 |
| Election: | | | |
| Registered voters | 5,962 | 5,962 | 6,316 |
| Fire: | | | |
| Average number of employees | 35 | 34 | 36 |
| General government: | | | |
| Area of city - square miles | 4.43 | 4.45 | 4.45 |
| Average number of permanent full-time employees (excluding fire department) | 34 | 35 | 37 |
| Police: | | | |
| Average number of employees | 4.7 | 4.7 | 4.7 |
| Number of major crimes | 162 | 204 | 133 |
| Water: | | | |
| Number of customers | 3,631 | 3,661 | 3,761 |
| Daily average consumption - gallons | 919,245 | 948,988 | 1,007,602 |
| Plant capacity - gallons | 4,100,000 | 4,100,000 | 4,100,000 |

Source: Various City Departments

Table 17

| | Fiscal Year | | | | | | |
|--------------|--------------|--------------|--------------|--------------|--------------|--------------|-----------|
| | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 |
| | 1,124 | 937 | 1,037 | 1,073 | 1,133 | 1,044 | 1,051 |
| \$47,110,365 | \$38,308,553 | \$70,473,280 | \$95,802,009 | \$43,720,644 | \$48,376,735 | \$50,100,000 | |
| | 6,316 | 7,210 | 7,210 | 7,469 | 7,469 | 7,686 | 7,900 |
| | 32 | 32 | 32 | 30 | 30 | 30 | 30 |
| | 4.45 | 4.52 | 4.63 | 4.70 | 4.76 | 4.76 | 5.16 |
| | 37 | 38 | 39 | 29 | 31 | 32 | 34 |
| | 5.0 | 6.3 | 6.3 | 6.3 | 7.3 | 7.3 | 6.5 |
| | 134 | 103 | 128 | 186 | 264 | 257 | 247 |
| | | | | | | | |
| | 3,854 | 3,939 | 4,040 | 4,190 | 4,424 | 4,295 | 4,317 |
| 981,116 | 956,006 | 953,162 | 975,947 | 969,201 | 975,202 | 919,586 | 919,586 |
| 4,100,000 | 4,100,000 | 4,100,000 | 4,100,000 | 4,100,000 | 4,100,000 | 4,100,000 | 4,100,000 |

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

| Function/Program | Fiscal Year | | |
|------------------------------------|-------------|-------|-------|
| | 2010 | 2011 | 2012 |
| Fire: | | | |
| Number of stations | 1 | 1 | 1 |
| Parks and recreation: | | | |
| Acres of parks | 152.3 | 152.3 | 152.3 |
| Acres of open space | 72.9 | 72.9 | 72.9 |
| Number of shelter buildings | 4 | 4 | 4 |
| Number of playgrounds | 13 | 13 | 13 |
| Number of basketball courts | 2 | 2 | 2 |
| Number of tennis courts | 3 | 3 | 3 |
| Police: | | | |
| Number of stations | 1 | 1 | 1 |
| Public works: | | | |
| Miles of streets | 47.2 | 47.2 | 47.3 |
| Miles of sidewalks | 14.0 | 14.1 | 14.2 |
| Miles of trails | 13.0 | 13.0 | 13.0 |
| Storm Sewer: | | | |
| Miles of storm sewers | 42.2 | 42.3 | 43.8 |
| Storm sewer pump stations | - | - | - |
| Miles of reuse watermain | - | - | - |
| Sanitary Sewer: | | | |
| Miles of gravity sanitary sewers | 52.2 | 52.2 | 52.4 |
| Miles of forcemain sanitary sewers | 5.3 | 5.3 | 5.3 |
| Number of lift stations | 11 | 11 | 11 |
| Water: | | | |
| Miles of watermain | 60.3 | 60.3 | 60.6 |
| Number of wells | 6 | 6 | 6 |

Table 18

| | | Fiscal Year | | | | | | | |
|-------|-------|-------------|-------|-------|-------|-------|-------|-------|--|
| | | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | |
| 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | |
| 152.7 | 152.7 | 152.7 | 168.0 | 199.4 | 212.0 | 212.0 | 212.0 | 212.0 | |
| 78.3 | 86.5 | 98.5 | 67.1 | 7 | 10 | 10 | 10 | 11 | |
| 6 | 6 | 16 | 16 | 3 | 4 | 4 | 4 | 4 | |
| 14 | 3 | 3 | 5 | 5 | 5 | 5 | 5 | 5 | |
| 2 | 5 | 5 | 5 | 5 | 5 | 5 | 5 | 5 | |
| 3 | 5 | 5 | 5 | 5 | 5 | 5 | 5 | 5 | |
| 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | |
| 48.2 | 48.2 | 48.7 | 54.1 | 56.0 | 56.0 | 56.0 | 56.0 | 56.0 | |
| 14.4 | 14.9 | 15.3 | 18.2 | 21.0 | 21.0 | 21.0 | 21.0 | 21.0 | |
| 13.1 | 13.1 | 15.1 | 18.0 | 20.0 | 20.0 | 21.4 | 21.4 | 21.4 | |
| 43.8 | 47.0 | 52.4 | 52.6 | 63.0 | 63.0 | 65.0 | 65.0 | 65.0 | |
| - | - | - | - | - | - | 3.0 | 3.0 | 3.0 | |
| - | - | - | - | - | - | 1.4 | 1.4 | 1.6 | |
| 52.4 | 55.4 | 53.6 | 54.1 | 56.0 | 56.0 | 56.4 | 56.4 | 57.7 | |
| 5.3 | 5.3 | 3.7 | 3.7 | 4.6 | 4.6 | 4.6 | 4.6 | 4.9 | |
| 11 | 11 | 11 | 11 | 11 | 11 | 11 | 11 | 11 | |
| 60.6 | 66.8 | 71.1 | 71.2 | 76.0 | 76.0 | 76.2 | 76.2 | 77.9 | |
| 6 | 6 | 6 | 6 | 6 | 6 | 6 | 6 | 6 | |

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FORM OF LEGAL OPINION

(See following pages)

PROPOSED FORM OF LEGAL OPINION

§ _____
GENERAL OBLIGATION WATER AND SEWER REVENUE
REFUNDING BONDS, SERIES 2020B
CITY OF WACONIA
CARVER COUNTY
MINNESOTA

We have acted as bond counsel in connection with the issuance by the City of Waconia, Carver County, Minnesota (the "Issuer"), of its \$ _____ General Obligation Water and Sewer Revenue Refunding Bonds, Series 2020B, bearing a date of original issue of December 10, 2020 (the "Bonds"). We have examined the law and such certified proceedings and other documents as we deem necessary to render this opinion.

We have not been engaged or undertaken to review the accuracy, completeness or sufficiency of the Official Statement or other offering material relating to the Bonds, and we express no opinion relating thereto.

As to questions of fact material to our opinion, we have relied upon the certified proceedings and other certifications of public officials furnished to us without undertaking to verify the same by independent investigation.

Based upon such examinations, and assuming the authenticity of all documents submitted to us as originals, the conformity to original documents of all documents submitted to us as certified or photostatic copies and the authenticity of the originals of such documents, and the accuracy of the statements of fact contained in such documents, and based upon present Minnesota and federal laws (which excludes any pending legislation which may have a retroactive effect on or before the date hereof), regulations, rulings and decisions, it is our opinion that:

(1) The proceedings show lawful authority for the issuance of the Bonds according to their terms under the Constitution and laws of the State of Minnesota now in force.

(2) The Bonds are valid and binding general obligations of the Issuer and all of the taxable property within the Issuer's jurisdiction is subject to the levy of an ad valorem tax to pay the same without limitation as to rate or amount; provided that the enforceability (but not the validity) of the Bonds and the pledge of taxes for the payment of the principal and interest thereon is subject to the exercise of judicial discretion in accordance with general principles of equity, to the constitutional powers of the United States of America and to bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights heretofore or hereafter enacted.

(3) At the time of the issuance and delivery of the Bonds to the original purchaser, the interest on the Bonds is excluded from gross income for United States income tax purposes and is excluded, to the same extent, from both gross income and taxable net income for State of Minnesota income tax purposes (other than Minnesota franchise taxes measured by income and imposed on corporations and financial institutions), and is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals or the Minnesota alternative minimum tax applicable to individuals, estates or trusts. The opinions set forth in the preceding sentence are subject to the condition that the Issuer comply with all requirements of the Internal Revenue Code of 1986, as amended, 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 from both gross income and taxable net income for State of Minnesota income tax purposes. Failure to comply with certain of such requirements may cause the inclusion of interest on the Bonds in gross income and taxable net income retroactive to the date of issuance of the Bonds.

We express no opinion regarding other state or federal tax consequences caused by the receipt or accrual of interest on the Bonds or arising with respect to ownership of the Bonds.

TAFT STETTINIUS & HOLLISTER LLP

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 CERTIFICATE

(See following pages)

PROPOSED FORM OF CONTINUING DISCLOSURE UNDERTAKING

This Continuing Disclosure Undertaking (the "Disclosure Undertaking") is executed and delivered by the City of Waconia, Minnesota (the "Issuer"), in connection with the issuance of its \$ _____ General Obligation Water and Sewer Revenue Refunding Bonds, Series 2020B (the "Bonds"). The Bonds are being issued pursuant to a Resolution adopted on November 16, 2020 (the "Resolution"). Pursuant to the Resolution and this Disclosure Undertaking, the Issuer covenants and agrees as follows:

SECTION 1. Purpose of the Disclosure Undertaking. This Disclosure Undertaking is being executed and delivered by the Issuer for the benefit of the Owners and in order to assist the Participating Underwriters in complying with SEC Rule 15c2-12(b)(5).

SECTION 2. Definitions. In addition to the definitions set forth in the Resolution, which apply to any capitalized term used in this Disclosure Undertaking unless otherwise defined in this Section, the following capitalized terms shall have the following meanings:

"Annual Report" shall mean any annual financial information provided by the Issuer pursuant to, and as described in, Sections 3 and 4 of this Disclosure Undertaking.

"Audited Financial Statements" shall mean the financial statements of the Issuer audited annually by an independent certified public accounting firm, prepared pursuant to generally accepted accounting principles promulgated by the Financial Accounting Standards Board, modified by governmental accounting standards promulgated by the Government Accounting Standards Board.

"Dissemination Agent" shall mean such party from time to time designated in writing by the Issuer to act as information dissemination agent and which has filed with the Issuer a written acceptance of such designation.

"Financial Obligation" shall mean a (i) debt obligation; (ii) derivative instrument entered into in connection with, or pledged as security or a source of payment for, an existing or planned debt obligation; or (iii) guarantee of (i) or (ii). This term shall not include municipal securities as to which a final official statement has been provided to the MSRB consistent with the Rule.

"Fiscal Year" shall be the fiscal year of the Issuer.

"Governing Body" shall, with respect to the Bonds, have the meaning given that term in Minnesota Statutes, Section 475.51, Subdivision 9.

"MSRB" shall mean the Municipal Securities Rulemaking Board.

"Occurrence(s)" shall mean any of the events listed in Section 5 of this Disclosure Undertaking.

"Official Statement" shall be the Official Statement dated _____, 2020, prepared in connection with the Bonds.

"Owners" shall mean the registered holders and, if not the same, the beneficial owners of any Bonds.

"Participating Underwriter" shall mean any of the original underwriters of the Bonds required to comply with the Rule in connection with offering of the Bonds.

"Resolution" shall mean the resolution or resolutions adopted by the Governing Body of the Issuer providing for, and authorizing the issuance of, the Bonds.

"Rule" shall mean Rule 15c2-12(b)(5) adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as the same may be amended from time to time or interpreted by the Securities and Exchange Commission.

SECTION 3. Provision of Annual Reports.

A. Beginning in connection with the Fiscal Year ending on December 31, 2020, the Issuer shall, or shall cause the Dissemination Agent to provide to the MSRB by filing at www.emma.msrb.org, together with such identifying information as prescribed by the MSRB, an Annual Report which is consistent with the requirements of Section 4 of this Disclosure Undertaking by not later than December 31, 2021, and by December 31 of each year thereafter.

B. If the Issuer is unable to provide to the MSRB an Annual Report by the date required in subsection A, the Issuer shall send a notice of such delay and estimated date of delivery to the MSRB.

SECTION 4. Content and Format of Annual Reports. The Issuer's Annual Report shall contain or incorporate by reference the financial information and operating data pertaining to the Issuer listed below as of the end of the preceding Fiscal Year. The Annual Report may be submitted to the MSRB as a single document or as separate documents comprising a package, and may cross-reference other information as provided in this Disclosure Undertaking.

The following financial information and operating data shall be supplied:

A. An update of the operating and financial data of the type of information contained in the Official Statement under the captions: Current Property Valuations; Direct Debt; Tax Levies and Collections; US Census Data/Population Trend; and Employment/Unemployment Data.

B. Audited Financial Statements of the Issuer. The Audited Financial Statements of the Issuer may be submitted to the MSRB separately from the balance of the Annual Report. In the event Audited Financial Statements of the Issuer are not available on or before the date for filing the Annual Report with the MSRB as set forth in Section 3.A. above, unaudited financial statements shall be provided as part of the Annual Report. The accounting principles pursuant to which the financial statements will be prepared will be pursuant to generally accepted accounting principles promulgated by the Financial Accounting Standards Board, as such principles are modified by the governmental accounting standards promulgated by the Government Accounting Standards Board, as in effect from time to time. If Audited Financial Statements are not provided because they are not available on or before the date for filing the Annual Report, the Issuer shall promptly provide them to the MSRB when available.

SECTION 5. Reporting of Significant Events. This Section 5 shall govern the giving of notices of the occurrence of any of the following events with respect to the Bonds:

- (1) Principal and interest payment delinquencies;
- (2) Non-payment related defaults, if material;
- (3) Unscheduled draws on debt service reserves reflecting financial difficulties;
- (4) Unscheduled draws on credit enhancements reflecting financial difficulties;
- (5) Substitution of credit or liquidity providers, or their failure to perform;
- (6) 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 Bonds, or other material events affecting the tax status of the Bonds;
- (7) Modifications to rights of security holders, if material;
- (8) Bond calls, if material, and tender offers;
- (9) Defeasances;
- (10) Release, substitution, or sale of property securing repayment of the Bonds, if material;
- (11) Rating changes;
- (12) Bankruptcy, insolvency, receivership or similar event of the Issuer;
- (13) 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;
- (14) Appointment of a successor or additional trustee or the change of name of a trustee, if material;
- (15) Incurrence of a Financial Obligation of the obligated person, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a Financial Obligation of the obligated person, any of which affect security holders, if material; and,
- (16) Default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a Financial Obligation of the obligated person, any of which reflect financial difficulties.

Whenever an event listed above has occurred, the Issuer shall promptly, which may not be in excess of the ten (10) business days after the Occurrence, file a notice of such Occurrence with the MSRB, by filing at www.emma.msrb.org, together with such identifying information as prescribed by the MSRB.

The Issuer agrees to provide or cause to be provided, in a timely manner, to the MSRB notice of a failure by the Issuer to provide the Annual Reports described in Section 4.

SECTION 6. Termination of Reporting Obligation. The Issuer's obligations under this Disclosure Undertaking shall terminate upon the legal defeasance, prior redemption or payment in full of all of the Bonds.

SECTION 7. Dissemination Agent. The Issuer may, from time to time, appoint or engage a Dissemination Agent to assist it in carrying out its obligations under this Disclosure Undertaking, and may discharge any such Agent, with or without appointing a successor Dissemination Agent.

SECTION 8. Amendment; Waiver. Notwithstanding any other provision of this Disclosure Undertaking, the Issuer may amend this Disclosure Undertaking, and any provision of this Disclosure Undertaking may be waived, if (a) a change in law or change in the ordinary business or operation of the Issuer has occurred, (b) such amendment or waiver would not, in and of itself, cause the undertakings herein to violate the Rule if such amendment or waiver had been effective on the date hereof but taking into account any subsequent change in or official interpretation of the Rule, and (c) such amendment or waiver is supported by an opinion of counsel expert in federal securities laws to the effect that such amendment or waiver would not materially impair the interests of Owners.

SECTION 9. Additional Information. Nothing in this Disclosure Undertaking shall be deemed to prevent the Issuer from disseminating any other information, using the means of dissemination set forth in this Disclosure Undertaking or any other means of communication, or including any other information in any Annual Report or notice of an Occurrence, in addition to that which is required by this Disclosure Undertaking. If the Issuer chooses to include any information in any Annual Report or notice of an Occurrence in addition to that which is specifically required by this Disclosure Undertaking, the Issuer shall have no obligation under this Disclosure Undertaking to update such information or include it in any future Annual Report or notice of an Occurrence.

SECTION 10. Default. In the event of a failure of the Issuer to provide information required by this Disclosure Undertaking, any Owner may take such actions as may be necessary and appropriate, including seeking mandamus or specific performance by court order, to cause the Issuer to comply with its obligations to provide information under this Disclosure Undertaking. A default under this Disclosure Undertaking shall not be deemed an Event of Default under the Resolution, and the sole remedy under this Disclosure Undertaking in the event of any failure of the Issuer to comply with this Disclosure Undertaking shall be an action to compel performance.

SECTION 11. Beneficiaries. This Disclosure Undertaking shall inure solely to the benefit of the Issuer, the Participating Underwriters and Owners from time to time of the Bonds, and shall create no rights in any other person or entity.

SECTION 12. Reserved Rights. The Issuer reserves the right to discontinue providing any information required under the Rule if a final determination should be made by a court of competent jurisdiction that the Rule is invalid or otherwise unlawful or, subject to the provisions of Section 8 hereof, to modify the undertaking under this Disclosure Undertaking if the Issuer determines that such modification is required by the Rule or by a court of competent jurisdiction.

Dated: _____, 2020.

CITY OF WACONIA, MINNESOTA

By _____
Its Mayor

By _____
Its City Administrator

TERMS OF PROPOSAL

\$5,295,000* GENERAL OBLIGATION WATER AND SEWER REVENUE REFUNDING BONDS, SERIES 2020B CITY OF WACONIA, MINNESOTA

Proposals for the purchase of \$5,295,000* General Obligation Water and Sewer Revenue Refunding Bonds, Series 2020B (the "Bonds") of the City of Waconia, Minnesota (the "City") will be received at the offices of Ehlers and Associates, Inc. ("Ehlers"), 3060 Centre Pointe Drive, Roseville, Minnesota 55113-1105, municipal advisors to the City, until 11:30 A.M., Central Time, and **ELECTRONIC PROPOSALS** will be received via **PARITY**, in the manner described below, until 11:30 A.M. Central Time, on November 16, 2020, 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 6:00 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 being issued pursuant to Minnesota Statutes, Chapters 444 and 475, and Section 475.67, by the City, for the purpose of effecting a current refunding of certain outstanding general obligations of the City for an interest cost savings. 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 10, 2020, will be issued as fully registered Bonds in the denomination of \$5,000 each, or any integral multiple thereof, and will mature on February 1 as follows:

| <u>Year</u> | <u>Amount*</u> | <u>Year</u> | <u>Amount*</u> | <u>Year</u> | <u>Amount*</u> |
|-------------|----------------|-------------|----------------|-------------|----------------|
| 2022 | \$950,000 | 2024 | \$980,000 | 2026 | \$995,000 |
| 2023 | 965,000 | 2025 | 990,000 | 2027 | 415,000 |

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 February 1 and August 1 of each year, commencing August 1, 2021, 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 2022 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

The City has selected Bond Trust Services Corporation, Roseville, Minnesota, to act as paying agent (the "Paying Agent"). Bond Trust Services Corporation and Ehlers are affiliate companies. The City will pay the charges for Paying Agent services. The City reserves the right to remove the Paying Agent and to appoint a successor.

OPTIONAL REDEMPTION

The Bonds are being offered without the option of prior optional redemption.

DELIVERY

On or about December 10, 2020, 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 as to the validity of the Bonds and the exemption from taxation of the interest thereon will be furnished by Taft Stettinius & Hollister LLP, Minneapolis, Minnesota, Bond Counsel to the City, and will be available at the time of delivery of the Bonds. The legal opinion will state that the Bonds are valid and binding general obligations of the City; provided that the rights of the owners of the Bonds and the enforceability of the Bonds may be limited by bankruptcy, insolvency, reorganization, moratorium, and other similar laws affecting creditors' rights and by equitable principles (which may be applied in either a legal or equitable proceeding). See "FORM OF LEGAL OPINION" found in Appendix B.

SUBMISSION OF PROPOSALS

Proposals must not be for less than \$5,231,460 plus accrued interest on the principal sum of \$5,295,000 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) Electronically via **PARITY** in accordance with this Terms of Proposal until 11:30 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 \$105,900 shall be made by the winning bidder by wire transfer of funds. Such Deposit shall be received by Ehlers no later than two hours after the proposal opening time. Wire transfer instructions will be provided to the winning bidder by Ehlers after the tabulation of proposals. 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 satisfactory to Bond Counsel 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. 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) If all of the requirements of a "competitive sale" are not satisfied, the City shall advise the winning bidder of such fact prior to the time of award of the sale of the Bonds to the winning bidder. In such event, any proposal submitted will not be subject to cancellation or withdrawal and the City agrees to use the rule selected by the winning bidder on its proposal form to determine the issue price for the Bonds. On its proposal form, each bidder must select one of the following two rules for determining the issue price of the Bonds: (1) 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 or (2) the initial offering price to the public as of the sale date as the issue price of each maturity of the Bonds (the "hold-the-offering-price rule").

(d) If all of the requirements of a "competitive sale" are not satisfied and the winning bidder selects the hold-the-offering-price rule, 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 will advise the City promptly after the close of the fifth (5th) business day after the sale whether it has 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.

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 requirements for establishing issue price of the Bonds, including, but not limited to, its agreement to comply with the hold-the-price rule, if applicable to the Bonds, 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 requirements for establishing issue price of the Bonds, including, but not limited to, its agreement to comply with the hold-the-offering-price rule, if applicable to the Bonds, as set forth in a selling group agreement and the related pricing wires, and

(iii) in the event that an underwriter or dealer who is a member of the selling group is a party to a third-party 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 party to such agreement to comply with the requirements for establishing issue price of the Bonds, including, but not limited to, its agreement to comply with the hold-the-offering-price rule, if applicable to the Bonds, as set forth in the third-party 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 requirements for establishing issue price rule of the Bonds, including, but not limited to, its agreement to comply with the hold-the-offering-price rule, if applicable to the Bonds, 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 third-party distribution agreement to comply with its corresponding agreement to comply with the requirements for establishing issue price of the Bonds, including, but not limited to, its agreement to comply with the hold-the-offering-price rule as applicable to the Bonds.

(e) If all of the requirements of a "competitive sale" are not satisfied and the winning bidder selects the 10% test, the winning bidder agrees to promptly report to the City, Bond Counsel and Ehlers the prices at which the Bonds have been sold to the public. That reporting obligation shall continue, whether or not the closing date has occurred, until either (i) all Bonds of that maturity have been sold or (ii) the 10% test has been satisfied as to each maturity of the Bonds, provided that, the winning bidder's reporting obligation after the Closing Date may be at reasonable periodic intervals or otherwise upon request of the City or bond counsel.

(f) By submitting a proposal, each bidder confirms that:

(i) any agreement among underwriters, any selling group agreement and each third-party 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 party to such third-party distribution agreement, as applicable, to:

(A) report the prices at which it sells to the public the unsold Bonds of each maturity allocated to it, whether or not the Closing Date has occurred until either all securities of that maturity allocated to it have been sold or it is notified by the winning bidder that either the 10% test has been satisfied as to the Bonds of that maturity, provided that, the reporting obligation after the Closing Date may be at reasonable periodic intervals or otherwise upon request of the City or bond counsel.

(B) 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 or selling group agreement 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 a third-party 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 third-party distribution agreement to:

(A) to promptly notify the winning bidder of any sales of Bonds that, to its knowledge, are made to a purchaser who is a related party to an underwriter participating in the initial sale of the Bonds to the public (each such term being used as defined below), and

(B) to acknowledge that, unless otherwise advised by the underwriter, dealer or broker-dealer, the winning bidder shall assume that each order submitted by the underwriter, dealer or broker-dealer is a sale to the public.

(g) Sales of any Bonds to any person that is a related party to an underwriter participating in the initial sale of the Bonds to the public (each term being used as defined below) 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 third-party 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 (A) more than 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), (B) 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 (C) 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 Waconia, Minnesota

PROPOSAL FORM

The City Council
City of Waconia, Minnesota

November 16, 2020

RE: **\$5,295,000* General Obligation Water and Sewer Revenue Refunding Bonds, Series 2020B (the "Bonds")**
DATED: **December 10, 2020**

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 \$5,231,460) plus accrued interest to date of delivery for fully registered Bonds bearing interest rates and maturing in the stated years as follows:

| | | | | | |
|-------------|------|-------------|------|-------------|------|
| _____ % due | 2022 | _____ % due | 2024 | _____ % due | 2026 |
| _____ % due | 2023 | _____ % due | 2025 | _____ % due | 2027 |

* 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 2022 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%.

A good faith deposit ("Deposit") in the amount of \$105,900 shall be made by the winning bidder by wire transfer of funds. Such Deposit shall be received by Ehlers no later than two hours after the proposal opening time. Wire transfer instructions will be provided to the winning bidder by Ehlers after the tabulation of proposals. 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. We agree to the conditions and duties of Ehlers and 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 10, 2020.

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 the Bonds.

We have received and reviewed the Official Statement, and any addenda thereto, 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: ____.

If the competitive sale requirements are not met, we elect to use either the: ____ 10% test, or the ____ hold-the-offering-price rule to determine the issue price of the Bonds.

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 10, 2020 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 Waconia, Minnesota, on November 16, 2020.

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