

## PRELIMINARY OFFICIAL STATEMENT DATED NOVEMBER 4, 2021

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)

### **\$7,835,000\* GENERAL OBLIGATION BONDS, SERIES 2021A**

**PROPOSAL OPENING:** November 15, 2021, 10:00 A.M., C.T.

**CONSIDERATION:** November 15, 2021, 6:00 P.M., C.T.

**PURPOSE/AUTHORITY/SECURITY:** The \$7,835,000\* General Obligation Bonds, Series 2021A (the "Bonds") are being issued by the City of Waconia, Minnesota (the "City") pursuant to Minnesota Statutes, Sections 115.46, 412.301, 469.1814, 475.58, subd. 3b and Chapters 444, 469, 475, for the purpose of financing the construction of the City's 2021 Infrastructure Projects and the acquisition of various capital equipment for the City. The Bonds are 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 2, 2021

**MATURITY:** February 1 as follows:

<u>Year</u>	<u>Amount*</u>	<u>Year</u>	<u>Amount*</u>	<u>Year</u>	<u>Amount*</u>
2023	\$760,000	2027	\$785,000	2031	\$820,000
2024	775,000	2028	795,000	2032	740,000
2025	780,000	2029	795,000		
2026	780,000	2030	805,000		

**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, 2022 and semiannually thereafter.

**OPTIONAL REDEMPTION:** Bonds maturing on February 1, 2030 and thereafter are subject to call for prior optional redemption on February 1, 2029 and any date thereafter, at a price of par plus accrued interest.

**MINIMUM PROPOSAL:** \$7,740,980.

**GOOD FAITH DEPOSIT:** A good faith deposit in the amount of \$156,700 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).

## 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 2023
Peter Leo	Council Member	January 2023
Carl Pierson	Council Member	January 2025
Randall Sorensen	Council Member	January 2025
Nicole Waldron	Council Member	January 2023

## **ADMINISTRATION**

Shane Fineran, City Administrator  
Nicole Meyer, Finance Director  
Jacqueline Schulze, City Clerk

## **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 \$7,835,000\* General Obligation Bonds, Series 2021A (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 15, 2021.

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](http://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 2, 2021. 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, 2022, 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 2023 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.

\*Preliminary, subject to change.

## **OPTIONAL REDEMPTION**

At the option of the City, the Bonds maturing on or after February 1, 2030 shall be subject to optional redemption prior to maturity on February 1, 2029 or any date thereafter, at a price of par plus accrued interest.

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

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

## **AUTHORITY; PURPOSE**

The Bonds are being issued pursuant to Minnesota Statutes, Sections 115.46, 412.301, 469.1814, 475.58, subd. 3b and Chapters 444, 469, 475, by the City for the purpose of financing the construction of the City's 2021 Infrastructure Projects and the acquisition of various capital equipment for the City (further breakout of portions on following pages).

All equipment has an expected useful life at least as long as the term of the Equipment Certificates Portion of the Bonds. The par amount of the Equipment Certificates Portion of the Bonds does not exceed 0.25% of the estimated market value of the City. The estimated market value of the City for taxes collectible in 2021 is \$1,633,320,600. Therefore, the maximum par amount of the Equipment Certificates Portion of the Bonds cannot exceed \$4,083,302.

For the Tax Abatement Portion of the Bonds, per Minnesota Statutes, Chapter 469, in any year, the total amount of property taxes abated by a political subdivision under this section may not exceed (i) ten percent of the net tax capacity of the political subdivision for the taxes payable year to which the abatement applies, or (ii) \$200,000, whichever is greater. The City held the required public hearing on the Tax Abatement Portion of the Bonds and the public purpose it serves on October 4, 2021.

The Street Reconstruction Portion requires a public hearing and a 30-day reverse referendum period to allow for the issuance of bonds and to approve the street reconstruction plan. The public hearing was held on October 4, 2021. The reverse referendum period ends on November 3, 2021.

## ESTIMATED SOURCES AND USES\*

Sources	Equipment Certificates Portion	Street Reconstruction Portion	Sanitary Sewer Portion	Utility Revenue Portion	Tax Abatement Portion	Total Bond Issue
Par Amount of Bonds	\$730,000	\$1,980,000	\$1,490,000	\$2,885,000	\$750,000	\$7,835,000
CCWMO Funds	-	-	-	225,000	-	225,000
MSA Funds	-	2,000,000	-	-	-	2,000,000
State Funding - Cooperative Funds	-	550,000	-	-	-	550,000
State Funding - LRIP Grant	-	1,250,000	-	-	-	1,250,000
Developer Cost Contribution - Fields Development	-	250,000	-	-	-	250,000
<b>Total Sources</b>	<b>\$730,000</b>	<b>\$6,030,000</b>	<b>\$1,490,000</b>	<b>\$3,110,000</b>	<b>\$750,000</b>	<b>\$12,110,000</b>

### Uses

Total Underwriter's Discount (1.200%)	\$8,760	\$23,760	\$17,880	\$34,620	\$9,000	\$94,020
Costs of Issuance	8,292	22,491	16,925	32,772	8,519	89,000
Deposit to Project Construction Fund	711,736	5,984,533	1,452,586	3,041,570	735,975	11,926,400
Rounding Amount	1,212	(784)	2,609	1,038	(3,494)	581
<b>Total Uses</b>	<b>\$730,000</b>	<b>\$6,030,000</b>	<b>\$1,490,000</b>	<b>\$3,110,000</b>	<b>\$750,000</b>	<b>\$12,110,001</b>

### Breakdown of Principal Payments\*:

Payment Date	Equipment Certificates Portion	Street Reconstruction Portion	Sanitary Sewer Portion	Utility Revenue Portion	Tax Abatement Portion	Total Bond Issue
2/01/2023	\$80,000	\$190,000	\$145,000	\$275,000	\$70,000	\$760,000
2/01/2024	80,000	195,000	145,000	280,000	75,000	775,000
2/01/2025	80,000	195,000	145,000	285,000	75,000	780,000
2/01/2026	80,000	195,000	145,000	285,000	75,000	780,000
2/01/2027	80,000	195,000	150,000	285,000	75,000	785,000
2/01/2028	80,000	200,000	150,000	290,000	75,000	795,000
2/01/2029	80,000	200,000	150,000	290,000	75,000	795,000
2/01/2030	85,000	200,000	150,000	295,000	75,000	805,000
2/01/2031	85,000	205,000	155,000	300,000	75,000	820,000
2/01/2032	-	205,000	155,000	300,000	80,000	740,000
<b>Total</b>	<b>\$730,000</b>	<b>\$1,980,000</b>	<b>\$1,490,000</b>	<b>\$2,885,000</b>	<b>\$750,000</b>	<b>\$7,835,000</b>

\*Preliminary, subject to change.

## **SECURITY**

The Bonds will be general obligations of the City for which the City will pledge its full faith, credit and taxing powers.

The City anticipates that debt service on the Equipment Certificates, Street Reconstruction and Sanitary Sewer Portions of the Bonds will be paid from ad valorem taxes. Ad valorem property taxes will be levied in an amount sufficient to provide not less than 105% of principal and interest on the Equipment Certificates, Street Reconstruction and Sanitary Sewer Portions of the Bonds as required by Minnesota law.

The City anticipates that the debt service on the Utility Revenue Portion of the Bonds will be paid entirely from net revenues of the water and storm sewer systems ("utility revenues") which are owned and operated by the City.

The City anticipates that the debt service on the Tax Abatement Portion of the Bonds will be paid from a combination of abating the City's portion of taxes from specific parcels up to an amount of the aggregate sum of abatements equal to the principal amount and from ad valorem property taxes for the interest amount for the Tax Abatement Portion of the Bonds. Receipt of tax abatement revenues will be sufficient to provide not less than 105% of principal and interest on the Tax Abatement Portion of the Bonds as required by Minnesota law.

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 additional taxes 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, 2020 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 (tax abatement revenues and 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 the declaration of 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 extended the peacetime emergency by 30 days. On May 14, 2021, the Governor signed Executive Order 21-23 to end the statewide mask requirement and align with new Centers for Disease Control and Prevention (CDC) guidance on face coverings. The Minnesota Legislature ended the peacetime emergency declaration on July 1, 2021.

The Coronavirus Aid, Relief, and Economic Security Act (the "CARES Act") provides for federal payments from the Coronavirus Relief Fund to the State for the discrete purpose of covering expenses directly incurred as a result of COVID-19 between March 1 and December 30, 2020. On March 11, 2021, President Biden signed the American Rescue Plan Act of 2021, which provides local governments an additional \$130.2 billion through the Coronavirus Local Fiscal Recovery Fund. These funds can be used to mitigate increased expenditures, lost revenue and economic hardship related to the COVID-19 pandemic.

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	2018/19	2019/20	2020/21
Residential homestead <sup>1</sup>	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 <sup>1</sup>	First \$500,000 HGA - 1.00% Over \$500,000 HGA - 1.25% First \$1,940,000 - 0.50% <sup>2</sup> Over \$1,940,000 - 1.00% <sup>2</sup>	First \$500,000 HGA - 1.00% Over \$500,000 HGA - 1.25% First \$1,880,000 - 0.50% <sup>2</sup> Over \$1,880,000 - 1.00% <sup>2</sup>	First \$500,000 HGA - 1.00% Over \$500,000 HGA - 1.25% First \$1,900,000 - 0.50% <sup>2</sup> Over \$1,900,000 - 1.00% <sup>2</sup>
Agricultural non-homestead	Land - 1.00% <sup>2</sup>	Land - 1.00% <sup>2</sup>	Land - 1.00% <sup>2</sup>
Seasonal recreational residential	First \$500,000 - 1.00% <sup>3</sup> Over \$500,000 - 1.25% <sup>3</sup>	First \$500,000 - 1.00% <sup>3</sup> Over \$500,000 - 1.25% <sup>3</sup>	First \$500,000 - 1.00% <sup>3</sup> Over \$500,000 - 1.25% <sup>3</sup>
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 <sup>4</sup> - 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 <sup>4</sup> - 1.25% Affordable Rental: First \$150,000 - .75% Over \$150,000 - .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 <sup>4</sup> - 1.25% Affordable Rental: First \$162,000 - .75% Over \$162,000 - .25%
Industrial/Commercial/Utility <sup>5</sup>	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%

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

<sup>2</sup> Applies to land and buildings. Exempt from referendum market value tax.

<sup>3</sup> Exempt from referendum market value tax.

<sup>4</sup> 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.

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

## CURRENT PROPERTY VALUATIONS

2020/21 Economic Market Value

\$1,734,091,351<sup>1</sup>

	<b>2020/21 Assessor's Estimated Market Value</b>	<b>2020/21 Net Tax Capacity</b>
Real Estate	\$1,620,224,800	\$18,063,255
Personal Property	13,095,800	259,576
Total Valuation	<u>\$1,633,320,600</u>	\$18,322,831
Less: Captured Tax Increment Tax Capacity <sup>2</sup>		(176,681)
Fiscal Disparities Contribution <sup>3</sup>		(1,622,773)
Taxable Net Tax Capacity		\$16,523,377
Plus: Fiscal Disparities Distribution <sup>3</sup>		2,108,197
Adjusted Taxable Net Tax Capacity		<u>\$18,631,574</u>

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<sup>1</sup> According to the Minnesota Department of Revenue, the Assessor's Estimated Market Value (the "AEMV") for the City is about 94.22% 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 \$1,734,091,351.

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

<sup>3</sup> 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.

## 2020/21 NET TAX CAPACITY BY CLASSIFICATION

	<b>2020/21 Net Tax Capacity</b>	<b>Percent of Total Net Tax Capacity</b>
Residential homestead	\$11,766,584	64.22%
Agricultural	7,610	0.04%
Commercial/industrial	4,043,211	22.07%
Public utility	66,534	0.36%
Other commercial & industrial	14,320	0.08%
Non-homestead residential	2,139,172	11.67%
Commercial & residential seasonal/rec.	25,824	0.14%
Personal property	259,576	1.42%
Total	<u>\$18,322,831</u>	<u>100.00%</u>

## TREND OF VALUATIONS

<b>Levy Year</b>	<b>Assessor's Estimated Market Value</b>	<b>Assessor's Taxable Market Value</b>	<b>Net Tax Capacity<sup>1</sup></b>	<b>Adjusted Taxable Net Tax Capacity<sup>2</sup></b>	<b>Percent +/- in Estimated Market Value</b>
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%
2020/21	1,633,320,600	1,591,776,300	18,322,831	18,631,574	3.48%

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<sup>1</sup> Net Tax Capacity is before fiscal disparities adjustments and includes tax increment values.

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



## LARGER TAXPAYERS

<b>Taxpayer</b>	<b>Type of Property</b>	<b>2020/21 Net Tax Capacity</b>	<b>Percent of City's Total Net Tax Capacity</b>
Ridgeview Real Estate LLC	Commercial	\$322,931	1.76%
JE Waconia 2018 LLC	Commercial	213,966	1.17%
ACPI Wood Products LLC	Commercial	176,952	0.97%
Target Corporation	Commercial	157,838	0.86%
Centerpoint Energy Minnegasco	Utility	148,554	0.81%
Xcel Energy	Utility	144,762	0.79%
Lakeview Clinic Bldg Corp.	Commercial	139,006	0.76%
Auburn Meadows LLC	Rental/Residential	117,757	0.64%
Health Care Reit Inc.	Rental/Residential	104,155	0.57%
TCO Real Estate-Fund 2 LLC	Commercial	98,942	0.54%
Total		<u>\$1,624,863</u>	<u>8.87%</u>

City's Total 2020/21 Net Tax Capacity      \$18,322,831

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

## DEBT

### DIRECT DEBT<sup>1</sup>

#### General Obligation Debt (see schedules following)

Total G.O. debt secured by special assessments and taxes	\$11,905,000
Total G.O. debt secured by special assessments and utility revenues	1,235,000
Total G.O. debt secured by tax abatement revenues (includes the Tax Abatement Portion of the Bonds)*	2,920,000
Total G.O. debt secured by taxes (includes the Equipment Certificates, Street Reconstruction and Sanitary Sewer Portions of the Bonds)*	11,200,000
Total G.O. debt secured by utility revenues (includes the Utility Revenue Portion of the Bonds)*	<u>12,075,000</u>
Total General Obligation Debt*	<u><u>\$39,335,000</u></u>

#### Lease Purchase Obligations (see schedule following)

Total lease purchase obligations	\$766,000
Total EDA lease purchase obligations	<u>2,485,642</u>
Total lease purchase obligations paid by annual appropriations <sup>2</sup>	<u><u>\$3,251,642</u></u>

\*Preliminary, subject to change.

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<sup>1</sup> Outstanding debt is as of the dated date of the Bonds.

<sup>2</sup> 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 12/02/2021)**

		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
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											
		590,000	23,800	945,000	80,575	2,545,000	155,550	5,135,000	531,325	810,000	114,250

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.

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**City of Waconia, Minnesota**  
**Schedule of Bonded Indebtedness continued**  
**General Obligation Debt Secured by Special Assessments and Taxes**  
**(As of 12/02/2021)**

**Street Improvement Bonds 6)**  
**Series 2020A**

Dated	09/03/2020											
Amount	\$1,880,000											
Maturity	02/01											
Calendar Year Ending	Principal	Interest	Total Principal	Total Interest	Total P & I	Principal Outstanding	% Paid	Calendar Year Ending				
2022	160,000	29,950	1,645,000	283,875	1,928,875	10,260,000	13.82%	2022				
2023	175,000	26,600	1,690,000	239,250	1,929,250	8,570,000	28.01%	2023				
2024	180,000	23,050	1,745,000	192,350	1,937,350	6,825,000	42.67%	2024				
2025	185,000	19,400	1,795,000	144,900	1,939,900	5,030,000	57.75%	2025				
2026	190,000	15,650	1,690,000	98,550	1,788,550	3,340,000	71.94%	2026				
2027	190,000	11,850	1,515,000	56,250	1,571,250	1,825,000	84.67%	2027				
2028	195,000	8,000	1,105,000	23,100	1,128,100	720,000	93.95%	2028				
2029	200,000	5,050	315,000	6,775	321,775	405,000	96.60%	2029				
2030	200,000	3,050	200,000	3,050	203,050	205,000	98.28%	2030				
2031	205,000	1,025	205,000	1,025	206,025	0	100.00%	2031				
	1,880,000	143,625	11,905,000	1,049,125	12,954,125							

6) This represents the \$1,880,000 Street Improvement Bonds portion of the \$4,755,000 General Obligation Bonds, Series 2020A.

## City of Waconia, Minnesota

## Schedule of Bonded Indebtedness

## General Obligation Debt Secured by Special Assessments and Utility Revenues

(As of 12/02/2021)

Utility Revenue Bonds 1) Series 2019A								
Dated Amount	08/22/2019 \$1,320,000							
Maturity	02/01							
Calendar Year Ending	Principal	Interest	Total Principal	Total Interest	Total P & I	Principal Outstanding	% Paid	Calendar Year Ending
2022	115,000	55,625	115,000	55,625	170,625	1,120,000	9.31%	2022
2023	115,000	49,875	115,000	49,875	164,875	1,005,000	18.62%	2023
2024	120,000	44,000	120,000	44,000	164,000	885,000	28.34%	2024
2025	130,000	37,750	130,000	37,750	167,750	755,000	38.87%	2025
2026	135,000	31,125	135,000	31,125	166,125	620,000	49.80%	2026
2027	145,000	24,125	145,000	24,125	169,125	475,000	61.54%	2027
2028	150,000	16,750	150,000	16,750	166,750	325,000	73.68%	2028
2029	160,000	9,800	160,000	9,800	169,800	165,000	86.64%	2029
2030	165,000	3,300	165,000	3,300	168,300	0	100.00%	2030
	1,235,000	272,350	1,235,000	272,350	1,507,350			

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 12/02/2021)

Dated Amount	Tax Abatement Bonds 1) Series 2015A		Tax Abatement Bonds 2) Series 2019A		Tax Abatement Bonds 3) Series 2020A		Tax Abatement Bonds 4) Series 2021A		Calendar Year Ending
	07/09/2015 \$1,615,000	02/01	08/22/2019 \$230,000	02/01	09/03/2020 \$1,090,000	02/01	12/02/2021 \$750,000*	02/01	
Maturity									
Calendar Year Ending	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Estimated Interest	
2022	160,000	26,950	20,000	9,700	95,000	17,350	0	4,214	275,000
2023	165,000	21,250	20,000	8,700	100,000	15,400	70,000	6,208	355,000
2024	175,000	14,450	20,000	7,700	105,000	13,350	75,000	5,899	375,000
2025	180,000	8,250	25,000	6,575	105,000	11,250	75,000	5,524	385,000
2026	185,000	2,775	25,000	5,325	110,000	9,100	75,000	5,074	395,000
2027			25,000	4,075	110,000	6,900	75,000	4,549	210,000
2028			25,000	2,825	115,000	4,650	75,000	3,949	215,000
2029			25,000	1,700	115,000	2,925	75,000	3,255	215,000
2030			30,000	600	115,000	1,775	75,000	2,449	220,000
2031					120,000	600	75,000	1,549	195,000
2032							80,000	540	80,000
	865,000	73,675	215,000	47,200	1,090,000	83,300	750,000	43,208	2,920,000
									247,383
									3,167,383

\* Preliminary, subject to change.

- 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 Bonds portion of the \$4,755,000 General Obligation Bonds, Series 2020A.
- 4) This represents the \$1,365,000 Tax Abatement portion of the \$7,835,000 General Obligation Bonds, Series 2021A.

City of Waconia, Minnesota  
Schedule of Bonded Indebtedness  
General Obligation Debt Secured by Taxes  
(As of 12/02/2021)

Dated Amount Maturity	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 \$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				
Calendar Year Ending	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
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										
2032										
	145,000	5,950	1,295,000	110,075	460,000	39,150	2,460,000	264,475	410,000	20,800

- 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 12/02/2021)

Dated Amount	Equipment Certificates 5) Series 2017A		Equipment Certificates & Refunding Bonds 6) Series 2019A		Sanitary Sewer Bonds 7) Series 2020A		Equipment Certs & Street Recon. Bonds 8) Series 2021A		Sanitary Sewer Bonds 9) Series 2021A		Principal Outstanding	% Paid	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	12/02/2021 \$2,710,000**	02/01	12/02/2021 \$1,490,000**	02/01			
Calendar Year Ending	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Estimated Interest	Principal	Estimated Interest	Total Principal	Total Interest	Total P & I
2022	60,000	10,500	180,000	71,450	30,000	5,150	0	14,957	0	8,383	1,035,000	242,366	1,277,366
2023	60,000	8,700	190,000	62,200	30,000	4,550	270,000	21,990	145,000	12,338	1,480,000	219,528	1,699,528
2024	60,000	6,900	205,000	52,325	30,000	3,950	275,000	20,831	145,000	11,721	1,525,000	179,253	1,704,253
2025	65,000	5,025	215,000	41,825	30,000	3,350	275,000	19,456	145,000	10,996	1,570,000	138,878	1,708,878
2026	65,000	3,075	220,000	30,950	30,000	2,750	275,000	17,806	145,000	10,126	1,555,000	99,083	1,654,083
2027	70,000	1,050	235,000	19,575	35,000	2,100	275,000	15,881	150,000	9,093	1,435,000	64,649	1,199,649
2028			250,000	7,450	35,000	1,400	280,000	13,660	150,000	7,893	1,095,000	36,103	1,131,103
2029			30,000	600	35,000	875	280,000	11,070	150,000	6,505	495,000	19,050	514,050
2030					35,000	525	285,000	8,031	150,000	4,893	470,000	13,449	483,449
2031					35,000	175	290,000	4,580	155,000	3,061	480,000	7,816	487,816
2032							205,000	1,384	155,000	1,046	360,000	2,430	362,430
	380,000	35,250	1,525,000	286,375	325,000	24,825	2,710,000	149,647	1,490,000	86,055	11,200,000	1,022,602	12,222,602

\* Preliminary, subject to change.

- 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 \$325,000 Sanitary Sewer portion of the \$4,755,000 General Obligation Bonds, Series 2020A. This portion is not subject to the debt limit.
- 8) This represents the \$2,095,000 Equipment Certificates & Street Reconstruction Portions of the \$7,835,000 General Obligation Bonds, Series 2021A.
- 9) This represents the \$1,490,000 Sanitary Sewer Portion of the \$7,835,000 General Obligation Bonds, Series 2021A. 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 12/02/2021)**

Dated Amount	Utility Revenue Bonds 1) Series 2014A		Utility Revenue Bonds 2) Series 2015A		Utility Revenue Bonds 3) Series 2018A		Utility Revenue Bonds 4) Series 2019A		Utility Revenue Bonds 5) Series 2020A	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
06/12/2014	\$525,000		07/09/2015	\$2,500,000	09/12/2018	\$500,000	08/22/2019	\$1,300,000	09/03/2020	\$1,460,000
02/01			02/01		02/01		02/01		02/01	
Calendar Year Ending										
2022	55,000	3,850	250,000	41,900	50,000	14,400	110,000	55,100	125,000	23,250
2023	55,000	2,750	260,000	32,950	50,000	12,400	115,000	49,475	135,000	20,650
2024	55,000	1,650	270,000	22,350	50,000	10,400	125,000	43,475	140,000	17,900
2025	55,000	550	280,000	12,750	50,000	8,400	130,000	37,100	140,000	15,100
2026			285,000	4,275	50,000	6,400	135,000	30,475	145,000	12,250
2027					60,000	4,500	140,000	23,600	150,000	9,300
2028					60,000	2,700	150,000	16,350	155,000	6,250
2029					60,000	900	155,000	9,500	155,000	3,925
2030							160,000	3,200	155,000	2,375
2031									160,000	800
2032										
	220,000	8,800	1,345,000	114,225	430,000	60,100	1,220,000	268,275	1,460,000	111,800

- 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.
- 5) This represents the \$1,460,000 Utility Revenue portion of the \$4,755,000 General Obligation Bonds, Series 2020A.

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**City of Waconia, Minnesota**  
**Schedule of Bonded Indebtedness continued**  
**General Obligation Debt Secured by Utility Revenues**  
**(As of 12/02/2021)**

Water and Sewer Revenue Refunding Bonds Series 2020B				Utility Revenue Bonds 6) Series 2021A							
Dated Amount	12/10/2020 \$4,515,000	12/02/2021 \$2,885,000*									
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	
2022	705,000	208,125	0	16,249	1,295,000	362,874	1,657,874	10,780,000	10.72%	2022	
2023	780,000	171,000	275,000	23,925	1,670,000	313,150	1,983,150	9,110,000	24.55%	2023	
2024	830,000	130,750	280,000	22,745	1,750,000	249,270	1,999,270	7,360,000	39.05%	2024	
2025	880,000	88,000	285,000	21,331	1,820,000	183,231	2,003,231	5,540,000	54.12%	2025	
2026	930,000	42,750	285,000	19,621	1,830,000	115,771	1,945,771	3,710,000	69.28%	2026	
2027	390,000	9,750	285,000	17,626	1,025,000	64,776	1,089,776	2,685,000	77.76%	2027	
2028			290,000	15,325	655,000	40,625	695,625	2,030,000	83.19%	2028	
2029			290,000	12,643	660,000	26,968	686,968	1,370,000	88.65%	2029	
2030			295,000	9,496	610,000	15,071	625,071	760,000	93.71%	2030	
2031			300,000	5,925	460,000	6,725	466,725	300,000	97.52%	2031	
2032			300,000	2,025	300,000	2,025	302,025	0	100.00%	2032	
	4,515,000	650,375	2,885,000	166,911	12,075,000	1,380,486	13,455,486				

\* Preliminary, subject to change.

6) This represents the \$2,885,000 Utility Revenue Portion of the \$7,835,000 General Obligation Bonds, Series 2021A

City of Waconia, Minnesota  
Schedule of Bonded Indebtedness  
Non-General Obligation Debt Secured by Annual Appropriation  
(As of 12/02/2021)

Baseball Stadium  
2016 Lease

Dated Amount	10/20/2016 \$1,220,000	
Maturity	02/01	
Calendar Year Ending	Principal	Interest
2022	121,000	14,745
2023	124,000	12,185
2024	126,000	9,572
2025	129,000	6,907
2026	132,000	4,180
2027	134,000	1,400
	766,000	48,990

Total Principal	Total Interest	Total P & I	Principal Outstanding	% Paid	Calendar Year Ending
121,000	14,745	135,745	645,000	15.80%	2022
124,000	12,185	136,185	521,000	31.98%	2023
126,000	9,572	135,572	395,000	48.43%	2024
129,000	6,907	135,907	266,000	65.27%	2025
132,000	4,180	136,180	134,000	82.51%	2026
134,000	1,400	135,400	0	100.00%	2027
766,000	48,990	814,990			

**Waconia Economic Development Authority, Minnesota**  
**Schedule of Bonded Indebtedness**  
**Non-General Obligation Debt Secured by Annual Appropriation**  
**(As of 12/02/2021)**

Lease Revenue Refunding Series 2014				Ice Arena Series 2014						
Dated Amount	02/01/2014 \$1,209,214	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
2021	0	0	28,953	6,859	28,953	6,859	35,811	2,456,689	1.16%	2021
2022	134,050	2,315	354,089	75,648	488,138	77,963	566,101	1,968,551	20.80%	2022
2023			366,682	63,054	366,682	63,054	429,737	1,601,868	35.56%	2023
2024			379,724	50,012	379,724	50,012	429,737	1,222,144	50.83%	2024
2025			393,230	36,507	393,230	36,507	429,737	828,914	66.65%	2025
2026			407,216	22,521	407,216	22,521	429,736	421,699	83.03%	2026
2027			421,699	8,037	421,699	8,037	429,736	0	100.00%	2027
	134,050	2,315	2,351,592	262,639	2,485,642	264,953	2,750,595			

# 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 issued for improvements 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 Utility Revenue Portion of 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 to repay energy conservation investment loans under Minnesota Statutes, Section 216C.37; (8) obligations issued to pay judgments against the City; and 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 (includes the Tax Abatement Portion of the Bonds).

2020/21 Assessor's Estimated Market Value	\$1,633,320,600
Multiply by 3%	<u>0.03</u>
Statutory Debt Limit	\$48,999,618
Less: Long-Term Debt Outstanding Being Paid Solely from Taxes <sup>1</sup> (includes the Equipment Certificates and Street Reconstruction Portions of the Bonds)*	(8,780,000)
Less: Long-Term Debt Outstanding Being Paid Solely from Annual Appropriations	(766,000)
Less: Long-Term Debt Outstanding Being Paid Solely from Annual Appropriations (EDA)	<u>(2,485,642)</u>
Unused Debt Limit*	<u><u>\$36,967,976</u></u>

\*Preliminary, subject to change.

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<sup>1</sup> Does not include a portion of the City's \$2,265,000 General Obligation Bonds, Series 2014A (\$145,000 Sanitary Sewer portion principal outstanding), a portion of the City's \$9,160,000 General Obligation Bonds, Series 2015A (\$460,000 Sanitary Sewer portion principal outstanding), a portion of the City's \$4,755,000 General Obligation Bonds, Series 2020A (\$325,000 Sanitary Sewer portion principal outstanding) and the Tax Abatement Portion of the Bonds of this offering (estimated \$1,490,000 principal outstanding), as they are not subject to the debt limit per Minnesota Statutes, Section 115.46.

## OVERLAPPING DEBT<sup>1</sup>

<b>Taxing District</b>	<b>2020/21 Adjusted Taxable Net Tax Capacity</b>	<b>% In City</b>	<b>Total G.O. Debt<sup>2</sup></b>	<b>City's Proportionate Share</b>
Carver County	\$174,372,048	10.6850%	\$17,897,000	\$1,912,294
I.S.D. 110 (Waconia Public Schools)	33,606,975	55.4396%	109,570,000 <sup>3</sup>	60,745,170
Metropolitan Council	4,884,505,255	0.3814%	193,320,000 <sup>4</sup>	737,322
City's Share of Total Overlapping Debt				<u>\$63,394,787</u>

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<sup>1</sup> 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.

<sup>2</sup> Outstanding debt is based on information in Official Statements obtained on EMMA and the Municipal Advisor's records.

<sup>3</sup> Currently, the State of Minnesota is paying approximately 3.00% of the principal and interest on the Waconia School District's general obligation bonds. Assuming this percentage continues for the life of the bonds, the State's proportionate share of principal is \$3,287,100. 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.

<sup>4</sup> 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

	<b>G.O. Debt</b>	<b>Debt/Economic Market Value (\$1,734,091,351)</b>	<b>Debt/ Current Population Estimate (13,033)</b>
Direct G.O. Debt Secured By:			
Special Assessments & Taxes	\$11,905,000		
Special Assessments & Utility Revenues	1,235,000		
Tax Abatement Revenues*	2,920,000		
Taxes*	11,200,000		
Utility Revenues*	12,075,000		
Total General Obligation Debt (includes the Bonds)*	\$39,335,000		
Less: G.O. Debt Paid Entirely from Revenues <sup>1</sup>	(12,075,000)		
Tax Supported General Obligation Debt*	\$27,260,000	1.57%	\$2,091.61
City's Share of Total Overlapping Debt <sup>2</sup>	\$63,394,787	3.66%	\$4,864.17
Total*	\$90,654,787	5.23%	\$6,955.79

\*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 \$8,000,000 to \$10,000,000 in general obligation bonds for a new fire hall and approximately \$4,000,000 in general obligation bonds for a street utility improvement project in the next 12 months.

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

<sup>2</sup> After deducting the City's proportionate share of the agricultural land valuation applicable to the overlapping school districts of \$1,822,355, the City's net overlapping debt is \$61,572,432, which results in a net overlapping debt/market value ratio of 3.55% and net overlapping debt/current population estimate ratio of \$4,724.35.

## TAX RATES, LEVIES AND COLLECTIONS

### TAX LEVIES AND COLLECTIONS

<b>Tax Year</b>	<b>Net Tax Levy<sup>1</sup></b>	<b>Total Collected Following Year</b>	<b>Collected to Date<sup>2</sup></b>	<b>% Collected</b>
2016/17	\$7,159,795	\$7,138,648	\$7,152,208	99.89%
2017/18	7,825,184	7,796,739	7,815,090	99.87%
2018/19	8,395,952	8,370,448	8,382,687	99.84%
2019/20	8,516,343	8,495,260	8,495,260	99.75%
2020/21	8,608,629	In process of collection		

Property taxes are collected in two installments in Minnesota--the first by May 15 and the second by October 15.<sup>3</sup> 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.

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

<sup>2</sup> Collections are through December 31, 2020.

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



## TAX CAPACITY RATES<sup>1</sup>

	2016/17	2017/18	2018/19	2019/20	2020/21
Carver County	38.851%	37.436%	36.488%	35.179%	34.634%
City of Waconia	52.805%	52.836%	52.500%	46.713%	46.140%
I.S.D. No. 110 (Waconia Public Schools)	31.235%	33.493%	33.800%	32.269%	32.367%
Metropolitan Council	0.877%	0.827%	0.650%	0.590%	0.628%
Metro Mosquito	0.473%	0.446%	0.472%	0.395%	0.382%
Carver County WMO	0.919%	0.967%	0.927%	0.893%	0.875%
Carver County CDA	1.731%	1.640%	1.626%	1.598%	1.664%
Carver County Rail Authority	0.105%	0.114%	0.104%	0.101%	0.099%

### *Referendum Market Value Rates:*

I.S.D. No. 110 (Waconia Public Schools)	0.12564%	0.11886%	0.20595%	0.18851%	0.24357%
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**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.

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<sup>1</sup> 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, Finance Director and City Clerk are responsible for administrative details and financial records.

### **EMPLOYEES; PENSIONS; UNIONS**

The City currently has 34 full-time, 32 part-time, and two seasonal employees. All full-time and certain part-time employees of the City are covered by defined benefit pension plans administered by the Public Employee Retirement Association of Minnesota (PERA). PERA administers the General Employees Retirement Fund (GERF) and the Public Employees Police and Fire Fund (PEPFF) which are cost-sharing multiple-employer retirement plans. PERA members belong to either the Coordinated Plan or the Basic Plan. Coordinated members are covered by Social Security. See the Notes to Financial Statements in Appendix A for a detailed description of the Plans.

#### **Recognized and Certified Bargaining Units**

The City has no Recognized and Certified Bargaining Units.

### **POST EMPLOYMENT BENEFITS**

The City has not done an actuarial study at this time. As stated in the most recent Comprehensive Annual Financial Report (Audit), "Prior to the year ending December 31, 2020, the City recorded an OPEB liability related to the implicit rate subsidy. During 2020, it was determined that premiums charged to retired and inactive employees had previously been segregated and age-adjusted, meaning an OPEB liability should not have been reported" (See "APPENDIX A – FINANCIAL STATEMENTS").

**Source:** The City's most recent Audit.

### **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 August 31, 2021)

<b>Fund</b>	<b>Total Cash and Investments</b>
General	\$4,801,996
Special Revenue	2,593,857
Debt Service	4,016,727
Capital Projects	853,570
Enterprise Funds	4,134,074
<b>Total Funds on Hand</b>	<b><u>\$16,400,225</u></b>

## ENTERPRISE FUNDS

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

	2018	2019	2020
<b>Water<sup>1</sup></b>			
Total Operating Revenues	\$1,485,469	\$1,399,485	\$1,617,664
Less: Operating Expenses	<u>(1,773,076)</u>	<u>(1,837,993)</u>	<u>(2,048,713)</u>
Operating Income	(\$287,607)	(\$438,508)	(\$431,049)
Plus: Depreciation	<u>877,317</u>	<u>880,901</u>	<u>884,716</u>
Revenues Available for Debt Service	<u><u>\$589,710</u></u>	<u><u>\$442,393</u></u>	<u><u>\$453,667</u></u>
<b>Sewer<sup>2</sup></b>			
Total Operating Revenues	\$1,928,434	\$1,976,688	\$2,071,056
Less: Operating Expenses	<u>(2,386,510)</u>	<u>(2,742,224)</u>	<u>(2,681,804)</u>
Operating Income	(\$458,076)	(\$765,536)	(\$610,748)
Plus: Depreciation	<u>540,756</u>	<u>555,258</u>	<u>563,930</u>
Revenues Available for Debt Service	<u><u>\$82,680</u></u>	<u><u>(\$210,278)</u></u>	<u><u>(\$46,818)</u></u>
<b>Storm Water</b>			
Total Operating Revenues	\$754,286	\$876,748	\$1,013,478
Less: Operating Expenses	<u>(1,341,890)</u>	<u>(1,249,249)</u>	<u>(1,302,270)</u>
Operating Income	(\$587,604)	(\$372,501)	(\$288,792)
Plus: Depreciation	<u>513,228</u>	<u>543,003</u>	<u>603,766</u>
Revenues Available for Debt Service	<u><u>(\$74,376)</u></u>	<u><u>\$170,502</u></u>	<u><u>\$314,974</u></u>
<b>Street Light</b>			
Total Operating Revenues	\$252,786	\$254,218	\$258,238
Less: Operating Expenses	<u>(237,420)</u>	<u>(259,716)</u>	<u>(245,149)</u>
Operating Income	\$15,366	(\$5,498)	\$13,089
Plus: Depreciation	<u>13,470</u>	<u>13,470</u>	<u>8,631</u>
Revenues Available for Debt Service	<u><u>\$28,836</u></u>	<u><u>\$7,972</u></u>	<u><u>\$21,720</u></u>

<sup>1</sup> 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.

<sup>2</sup> In 2020, the City engaged an engineer to perform a study and work plan for a major lift station repair that is to be completed in 2021. In addition, the City continued to work with the County to finalize the park improvements that started in 2019.

## SUMMARY GENERAL FUND INFORMATION

Following are summaries of the revenues and expenditures and fund balances for the City's General Fund. These summaries are not purported to be the complete audited financial statements of the City, and potential purchasers should read the included financial statements in their entirety for more complete information concerning the City. Copies of the complete statements are available upon request. Appendix A includes the 2020 audited financial statements.

FISCAL YEAR ENDING DECEMBER 31					
COMBINED STATEMENT	2018 Audited	2019 Audited	2020 Audited	2021 Adopted Budget <sup>1</sup>	2022 Preliminary Budget <sup>2</sup>
Revenues					
Property taxes	\$4,577,657	\$5,576,793	\$5,865,737	\$5,759,339	\$5,964,190
Licenses and permits	754,444	694,288	548,910	572,955	1,002,435
Intergovernmental	243,470	276,380	267,997	235,232	239,232
Charges for services	890,567	870,594	933,360	829,981	793,385
Fine and forfeits	41,502	42,508	28,998	40,000	40,000
Investment income	27,078	135,711	98,564	35,000	45,000
Contributions and donations	6,700	6,096	10,061	3,000	3,000
<b>Total Revenues</b>	<b>\$6,541,418</b>	<b>\$7,602,370</b>	<b>\$7,753,627</b>	<b>\$7,475,507</b>	<b>\$8,087,242</b>
Expenditures					
Current:					
General government	\$1,602,001	\$1,643,417	\$1,729,027	\$1,743,309	\$2,044,734
Public safety	1,332,149	1,371,512	1,483,229	1,511,142	1,538,081
Public works	1,754,302	1,832,273	1,690,324	2,012,010	2,314,564
Culture and recreation	17,391	17,591	17,791	25,650	26,650
Community Development	628,633	534,011	464,047	512,387	729,303
Capital outlay	0	0	0	0	0
Debt service	0	0	0	0	0
<b>Total Expenditures</b>	<b>\$5,334,476</b>	<b>\$5,398,804</b>	<b>\$5,384,418</b>	<b>\$5,804,498</b>	<b>\$6,653,332</b>
<b>Excess of revenues over (under) expenditures</b>	<b>\$1,206,942</b>	<b>\$2,203,566</b>	<b>\$2,369,209</b>	<b>\$1,671,009</b>	<b>\$1,433,910</b>
<b>Other Financing Sources (Uses)</b>					
Transfers in	\$228,365	\$228,556	\$540,463	\$227,400	\$241,400
Transfers (out)	(1,350,095)	(2,133,000)	(2,230,299)	(2,046,792)	(2,137,772)
<b>Total Other Financing Sources (Uses)</b>	<b>(1,121,730)</b>	<b>(1,904,444)</b>	<b>(1,689,836)</b>	<b>(1,819,392)</b>	<b>(1,896,372)</b>
<b>Net changes in Fund Balances</b>	<b>\$85,212</b>	<b>\$299,122</b>	<b>\$679,373</b>	<b>(\$148,383)</b>	<b>(\$462,462)</b>
General Fund Balance January 1	\$2,947,209	\$3,032,421	\$3,331,543		
Prior Period Adjustment	0	0	0		
Residual Equity Transfer in (out)	0	0	0		
General Fund Balance December 31	\$3,032,421	\$3,331,543	\$4,010,916		
<b>DETAILS OF DECEMBER 31 FUND BALANCE</b>					
Nonspendable	\$90,530	\$102,085	\$121,117		
Restricted	\$1,057	\$1,057	\$1,057		
Committed	664,619	664,462	664,462		
Unassigned	2,276,215	2,563,939	3,224,280		
<b>Total</b>	<b>\$3,032,421</b>	<b>\$3,331,543</b>	<b>\$4,010,916</b>		

<sup>1</sup> The 2021 budget was adopted on December 21, 2020.

<sup>2</sup> The 2022 preliminary budget is expected to be adopted at the December 20, 2021 meeting.

## GENERAL INFORMATION

### LOCATION

The City, with a 2010 U.S. Census population of 10,697 and a current population estimate of 13,033, and comprising an area of 5.16 square miles, is located approximately 35 miles southwest of the Minneapolis-St. Paul metropolitan area.

### LARGER EMPLOYERS<sup>1</sup>

Larger employers in the City include the following:

<b>Firm</b>	<b>Type of Business/Product</b>	<b>Estimated No. of Employees</b>
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	908 <sup>2</sup>
CabinetWorks Group	Wood cabinets and door manufacturing	500
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
Laketown Electric Corp.	Electrical contractors	111
Waconia Manufacturing	Special industry machinery	73 <sup>3</sup>

**Source:** *Data Axle Reference Solutions, written and telephone survey (October 2021), and the Minnesota Department of Employment and Economic Development.*

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<sup>1</sup> 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").

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

<sup>3</sup> Total number of employees for Waconia location only.

## BUILDING PERMITS

	2017	2018	2019	2020	2021 <sup>1</sup>
<u>New Single Family Homes</u>					
No. of building permits	68	50	22	28	38
Valuation	\$20,138,383	\$17,160,221	\$8,057,725	\$11,158,607	\$12,295,063
<u>New Multiple Family Buildings</u>					
No. of building permits	3	2	1	16	6
Valuation	\$600,000	\$3,000,000	\$7,400,000	\$4,570,170	\$1,832,753
<u>New Commercial/Industrial</u>					
No. of building permits	10	2	4	1	3
Valuation	\$10,511,649	\$4,053,895	\$11,819,877	\$700,000	\$3,800,000
<u>All Building Permits</u> <i>(including additions and remodelings)</i>					
No. of building permits	1,133	1,044	1,051	1,082	1,059
Valuation	\$43,720,644	\$48,376,735	\$50,115,715	\$28,048,789	\$47,884,102

**Source:** The City.

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<sup>1</sup> As of September 30, 2021.

## U.S. CENSUS DATA

### Population Trend: The City

2000 U.S. Census population	6,814
2010 U.S. Census population	10,697
2020 U.S. Census population	13,033
Percent of Change 2000 - 2010	56.99%

### Income and Age Statistics

	<b>The City</b>	<b>Carver County</b>	<b>State of Minnesota</b>	<b>United States</b>
2019 per capita income	\$41,838	\$47,221	\$37,625	\$34,103
2019 median household income	\$99,602	\$101,496	\$71,306	\$62,843
2019 median family income	\$111,212	\$120,013	\$89,842	\$77,263
2019 median gross rent	\$962	\$1,146	\$977	\$1,062
2019 median value owner occupied units	\$303,700	\$313,200	\$223,900	\$217,500
2019 median age	37.5 yrs.	37.9 yrs.	38.0 yrs.	38.1 yrs.

	<b>State of Minnesota</b>	<b>United States</b>
City % of 2019 per capita income	111.20%	122.68%
City % of 2019 median family income	123.79%	143.94%

### Housing Statistics

	<b><u>The City</u></b>		
	<b>2010</b>	<b>2020</b>	<b>Percent of Change</b>
All Housing Units	3,909	4,659	19.19%

**Source:** 2000 and 2010 Census of Population and Housing, and 2019 American Community Survey (Based on a five-year estimate), U.S. Census Bureau (<https://data.census.gov/cedsci>) and 2020 U.S. Census Population, Metropolitan Council (<https://metro council.org/>).

## EMPLOYMENT/UNEMPLOYMENT DATA

Rates are not compiled for individual communities within counties.

<b>Year</b>	<b><u>Average Employment</u></b>	<b><u>Average Unemployment</u></b>	
	<b>Carver County</b>	<b>Carver County</b>	<b>State of Minnesota</b>
2017	55,771	2.9%	3.4%
2018	56,437	2.5%	3.0%
2019	56,909	2.8%	3.2%
2020	54,981	4.9%	6.2%
2021, September	56,252	2.3%	2.8%

**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, 2020

Prepared By:  
Finance Department  
Nicole Meyer,  
Finance Director

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**CITY OF WACONIA, MINNESOTA**  
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## I. INTRODUCTORY SECTION

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## City of Waconia

May 7, 2021

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, 2020 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	Safari Hunt Community Center	Ice Arena
201 South Vine Street Waconia, MN 55387 952-442-5184	316 10 <sup>th</sup> Street East Waconia, MN 55387 952-442-5185	26 Maple Street South Waconia, MN 55387 952-442-5216	1600 Community Drive Waconia, MN 55387 952-442-5095	1250 Oak Avenue Waconia, MN 55387 952-442-61NK (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. As of December 31, 2020, the maturities of the investments ranged from 15 days to 5.5 years, with an average maturity of 2.13 years. The average yield to maturity on the portfolio on December 31, 2020 was 1.49%. 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 5.20 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, 2020 was 13,038. Waconia's total number of permits increased slightly in 2020 from 2019. The total number of building permits for 2020 was 1,082, which increased 2% from 2019 activity. Total construction valuation of the City's permits decreased in 2020 from 2019. The total valuation of all building permit activity in 2020 was \$28,000,000; this compares to the total 2019 building permit valuation of \$50,100,000. A total of 43 new home units (27 single family and 16 townhomes) were built in 2020. By comparison, a total of 72 new home units (21 single family and 51 apartment units) were constructed in 2019.

The City has approximately 78.58 acres of commercial and industrial land with utilities available. In 2020, the City experienced a significant decrease in the total number of commercial permits issued and total construction value of permits issued. In 2020, the City issued 60 commercial permits with an approximate valuation of \$2,700,000; 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 in 2020 included business remodel projects at Waconia 1 Collision, Target, and Anytime Fitness. The City issued 17 industrial permits in 2020 with an estimated construction valuation of \$1,200,000. These permits include building additions at both 1 Micro and Carver County Self Storage.

The City approved two annexation agreements in 2020 for residential development. In addition, the final plats were approved for the Interlaken 8<sup>th</sup> and Woodland Creek Additions. Preliminary plats were approved for Orchard Park and The Fields developments. The City is continuing to see residential growth and development in 2021 with the annexation of three additional residential development parcels. The City budgeted for the completion of 55 single family homes in 2021, which provides a conservative outlook for development.

In 2020, the City issued \$4,755,000 of General Obligation bonds for work completed with the 2020 infrastructure and Brook Peterson Park improvement projects. The 2020 infrastructure improvements included: rehabilitation of downtown streets and utility infrastructure along with sidewalk updates, street and trail overlay on Oak Avenue, watermain improvements on Oak Avenue and Waconia Parkway, trail improvements along Community Drive, Sugarbush Park stormwater basin addition, and Somerwood Drive storm water crossing improvements. The Brook Peterson Park facility improvement included a new restroom structure, picnic shelter, and trail improvements to a premier community park in the City.

The City also issued \$4,515,000 of General Obligation Water and Sewer Revenue Refunding Bonds. Refunding of these bonds allotted the City interest cost savings in the water and sanitary sewer utility funds over the remaining six years of payments on the bonds.

As part of issuing bonds in 2020, 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, 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 for the fiscal year ended December 31, 2019. 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 seventh 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 2020 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,



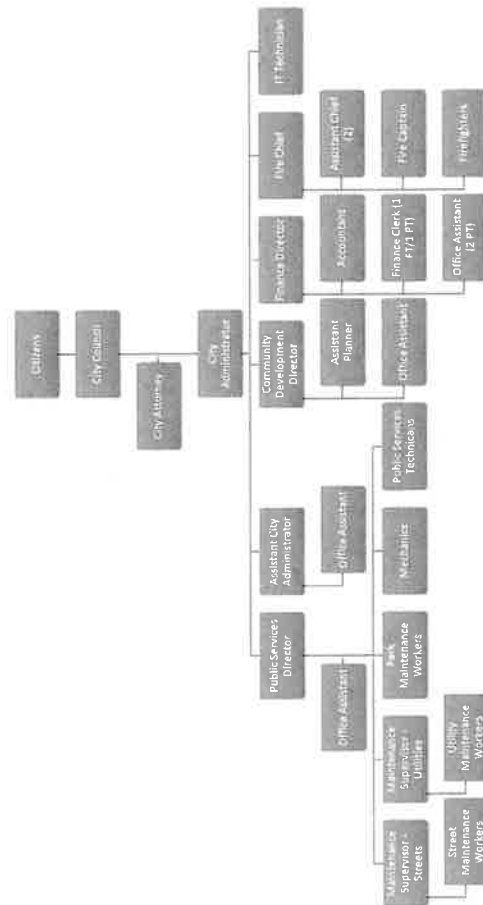
Nicole Meyer, Finance Director

**CITY OF WACONIA, MINNESOTA**  
**ELECTED OFFICIALS AND ADMINISTRATION**  
 December 31, 2020

Elected Officials	Position	Term Expires
Kent Blondak	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	December 31, 2022
Appointed		
Jacqueline Schulze	Interim City Administrator	
Nicole Meyer	Finance Director	
Mike Melchert	City Attorney	
Bolton & Menk, Inc.	City Engineer	

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## 2020 Organization Chart – City of Waconia







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, 2019

*Christopher P. Morrell*  
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, 2020, 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, 2020, 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 2019 financial statements, and we expressed an unmodified audit opinion on the respective financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information in our report dated May 13, 2020. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2019 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 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 7, 2021 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.

*Radpath and Company, Ltd.*

REDPATH AND COMPANY, LTD.  
St. Paul, Minnesota

May 7, 2021

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## Management's Discussion and Analysis

As management of the City of Waconia, we offer readers of the City of Waconia's financial statements this narrative overview and analysis of the financial activities of the City of Waconia for the fiscal year ended December 31, 2020. 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 \$109,086,109 (*net position*). Of this amount, \$10,082,733 (*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 \$13,222,530 an increase of \$1,471,555 in comparison with the prior year decrease of \$389,296.
- Unassigned fund balance for the General Fund was \$3,224,280 or 60% of total General Fund expenditures as of the end of the fiscal year. The City realized an increase of \$660,341 in the unassigned General Fund fund balance from the 2019 level. As of December 31, 2019, the City's unassigned fund balance was at 47% of total General Fund expenditures.
- The City of Waconia's capital assets decreased from \$129,937,728 to \$129,900,882 net of accumulated depreciation. The City's construction in progress decreased \$2,680,785 from 2019.
- The City of Waconia's total long-term debt increased from \$41,859,919 to \$47,496,510 by the end of 2020. The City issued \$4,755,000 in general obligation bonds for work completed with the 2020 infrastructure and Brook Peterson Park improvement projects. The City also issued \$4,515,000 in General Obligation Water and Sewer Revenue Refunding Bonds. The refunding of these bonds allotted the City interest cost savings in the water and sanitary sewer utility funds.

### 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 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 26 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 22 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 19 through 22 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 17 and 18 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 \$109,086,109 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 (10%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position of \$10,082,733 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.

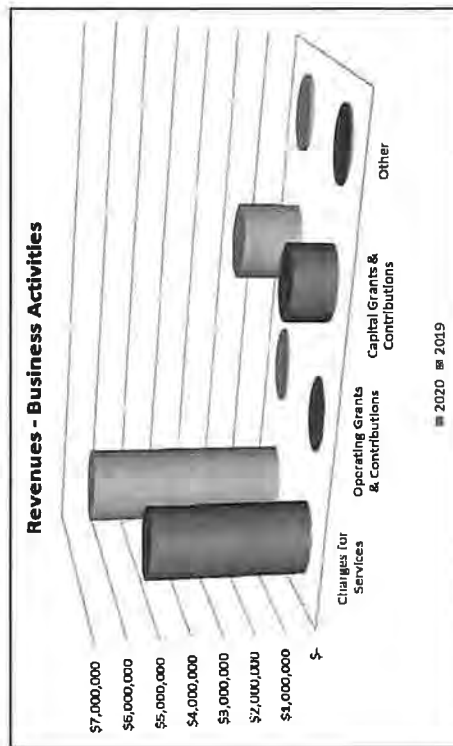
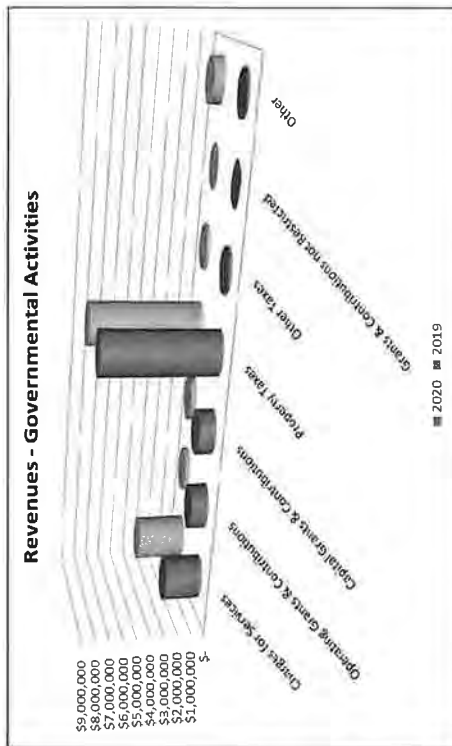
Net Position	Governmental Activities		Business-Type Activities		Totals	
	2020	2019	2020	2019	2020	2019
Current & Other Assets	\$ 19,651,035	\$ 17,654,027	\$ 11,159,509	\$ 7,554,849	\$ 30,811,144	\$ 25,218,776
Capital Assets	\$ 79,115,851	\$ 80,688,658	\$ 50,745,031	\$ 49,289,040	\$ 129,860,882	\$ 129,937,729
<b>Total Assets</b>	<b>\$ 98,767,486</b>	<b>\$ 98,322,615</b>	<b>\$ 61,944,540</b>	<b>\$ 56,833,889</b>	<b>\$ 160,712,026</b>	<b>\$ 155,157,504</b>
Deferred Outflows of Resources	\$ 496,422	\$ 392,433	\$ 120,369	\$ 149,124	\$ 622,791	\$ 541,557
Long-Term Liabilities	\$ 29,084,280	\$ 25,978,278	\$ 13,029,157	\$ 13,212,590	\$ 36,712,437	\$ 39,190,868
Other Liabilities	\$ 4,945,624	\$ 4,612,200	\$ 7,238,800	\$ 2,138,585	\$ 12,224,424	\$ 6,750,845
<b>Total Liabilities</b>	<b>\$ 31,059,904</b>	<b>\$ 30,590,598</b>	<b>\$ 20,866,957</b>	<b>\$ 15,351,175</b>	<b>\$ 51,896,861</b>	<b>\$ 45,941,713</b>
Deferred Inflows of Resources	\$ 280,691	\$ 505,541	\$ 31,156	\$ 164,671	\$ 311,847	\$ 670,212
<b>Net Investment in Capital Assets</b>	<b>\$ 51,580,705</b>	<b>\$ 53,036,567</b>	<b>\$ 36,406,342</b>	<b>\$ 36,443,538</b>	<b>\$ 87,986,046</b>	<b>\$ 89,480,105</b>
<b>Net Position Restricted</b>	<b>\$ 11,007,326</b>	<b>\$ 10,718,072</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 11,007,326</b>	<b>\$ 10,718,072</b>
<b>Net Position Unrestricted</b>	<b>\$ 5,316,279</b>	<b>\$ 3,865,330</b>	<b>\$ 4,768,454</b>	<b>\$ 5,023,629</b>	<b>\$ 10,082,733</b>	<b>\$ 8,865,959</b>
<b>Total Net Position</b>	<b>\$ 67,913,313</b>	<b>\$ 67,619,969</b>	<b>\$ 41,172,796</b>	<b>\$ 41,467,167</b>	<b>\$ 109,086,109</b>	<b>\$ 109,067,139</b>

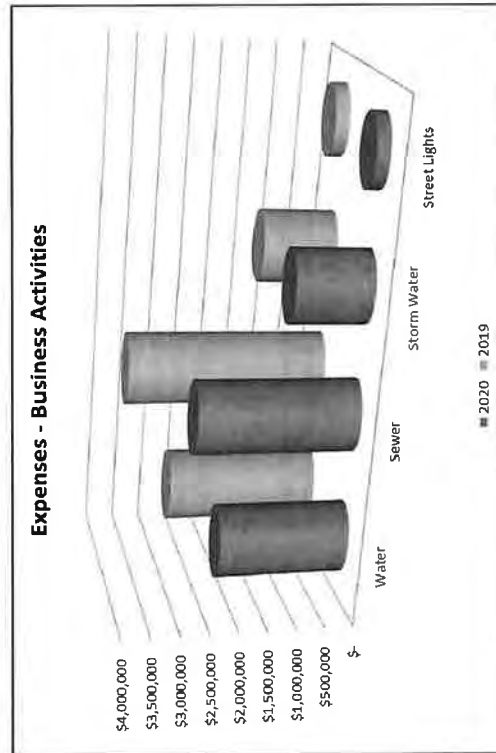
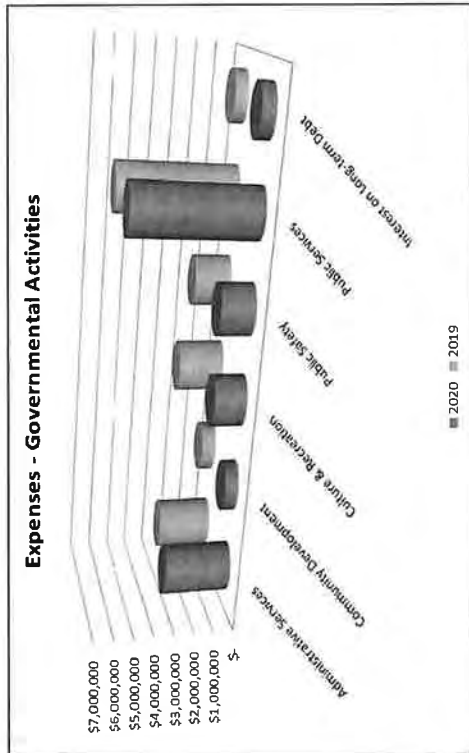
**Governmental activities.** Net position of the City's governmental activities increased \$293,344 during 2020 compared to the previous year's decrease of \$413,619. In 2020, the City saw increased operating and capital grants and contributions. The City received aid from the federal Coronavirus Relief Fund to assist in covering the costs incurred due to the COVID-19 pandemic. The City used these funds for employee personal protective employee supplies, economic development loans to small businesses, touch free facility improvements, and public safety staffing. In addition, the City received a capital grant from the Minnesota Department of Revenue for facility and trail improvements at Brook Peterson park.

**Business-type activities.** Business-type activities decreased the City's net position by \$294,371, compared to the previous year's increase in net position of \$495,354. The change in net position is attributable to a decrease of \$509,431 in capital grants and contributions and an increase of \$238,227 in net transfers to governmental activities. Also, as shown below, there were significant decreases to charges for services revenue and water and sewer expenses. These decreases were due to one-time, offsetting revenues and expenses of approximately \$1.5 million related to cost-share agreements which were reported in 2019.

Because user fees are not intended to cover depreciation expense, operating losses of the enterprise funds totaled \$1,317,500 during 2020. These losses were offset with intergovernmental revenue, investment income, and connection charge revenues.

Net Position Changes	Governmental Activities		Business-Type Activities		Totals	
	2020	2019	2020	2019	2020	2019
<b>Revenues</b>						
Program Revenues						
Charges for Services	\$ 2,725,091	\$ 3,540,385	\$ 5,173,664	\$ 6,341,761	\$ 7,898,755	\$ 9,882,146
Operating Grants & Contributions	\$ 1,277,043	\$ 376,788	\$ 10,000	\$ 70,584	\$ 1,287,043	\$ 447,362
Capital Grants & Contributions	\$ 1,212,765	\$ 421,979	\$ 1,422,967	\$ 1,932,328	\$ 2,635,652	\$ 2,354,307
<b>General Revenues</b>						
Property Taxes	\$ 8,508,645	\$ 8,404,302	\$ -	\$ -	\$ 8,508,645	\$ 8,404,302
Other Taxes	\$ 221,435	\$ 261,432	\$ -	\$ -	\$ 221,435	\$ 261,432
Grants & Contributions not Restricted	\$ -	\$ 14,030	\$ -	\$ -	\$ -	\$ 14,030
Other	\$ 197,058	\$ 864,021	\$ 83,367	\$ 132,480	\$ 280,415	\$ 996,501
<b>Total Revenues</b>	<b>\$ 14,142,027</b>	<b>\$ 13,982,937</b>	<b>\$ 6,689,918</b>	<b>\$ 8,417,163</b>	<b>\$ 20,831,945</b>	<b>\$ 22,399,100</b>
<b>Expenses</b>						
Administrative Services	\$ 3,337,010	\$ 2,714,323	\$ -	\$ -	\$ 3,337,010	\$ 2,630,273
Community Development	\$ 873,370	\$ 769,991	\$ -	\$ -	\$ 873,370	\$ 845,242
Culture & Recreation	\$ 1,595,737	\$ 2,315,632	\$ -	\$ -	\$ 1,595,737	\$ 2,378,745
Public Safety	\$ 1,694,638	\$ 1,827,582	\$ -	\$ -	\$ 1,694,638	\$ 1,921,879
Public Services	\$ 5,173,716	\$ 6,094,581	\$ -	\$ -	\$ 5,173,716	\$ 6,405,664
Interest on Long-term Debt	\$ 701,652	\$ 673,660	\$ -	\$ -	\$ 701,652	\$ 709,560
Water	\$ -	\$ -	\$ 2,269,315	\$ 2,717,426	\$ 2,269,315	\$ 1,997,555
Sewer	\$ -	\$ -	\$ 2,799,448	\$ 3,994,233	\$ 2,799,448	\$ 2,468,776
Storm Water	\$ -	\$ -	\$ 1,349,937	\$ 1,826,221	\$ 1,349,937	\$ 1,381,973
Street Lights	\$ -	\$ -	\$ 255,449	\$ 359,416	\$ 255,449	\$ 259,743
<b>Total Expenses</b>	<b>\$ 14,166,120</b>	<b>\$ 14,378,769</b>	<b>\$ 6,693,849</b>	<b>\$ 7,899,586</b>	<b>\$ 20,859,972</b>	<b>\$ 19,558,065</b>
<b>Net Position Changes</b>	<b>\$ (24,093)</b>	<b>\$ (395,832)</b>	<b>\$ (26,069)</b>	<b>\$ (577,567)</b>	<b>\$ (50,162)</b>	<b>\$ (973,397)</b>
<b>Net Position January 1</b>	<b>\$ 5,719,569</b>	<b>\$ 6,015,401</b>	<b>\$ 320,440</b>	<b>\$ (82,213)</b>	<b>\$ 6,039,999</b>	<b>\$ 5,933,188</b>
<b>Net Position December 31</b>	<b>\$ 5,695,476</b>	<b>\$ 5,619,569</b>	<b>\$ 294,371</b>	<b>\$ (413,619)</b>	<b>\$ 5,989,847</b>	<b>\$ 5,525,579</b>





### 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 \$13,222,530. Of this total amount, \$2,769,200 (approximately 21%) 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 \$5,103,945. 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 \$142,943. The City did issue debt in 2020 known as the General Obligation Bonds of 2020A that were designated to fund the 2020 infrastructure and Brook Peterson Park improvement projects.

### 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 60% of total General Fund expenditures. The General Fund increased fund balance by \$679,373 during the current fiscal year. The increase can be attributed to timely payments of property taxes and interfund transfers of Coronavirus relief aid for public safety and public services expenditures.

### Permanent Improvement Revolving Capital Project Fund Analysis

The Permanent Improvement Revolving Capital Project Fund increased fund balance by \$993,442 during the current fiscal year. The fund's restricted fund balance increased due to donations paid to the City for an inclusive playground project scheduled for completion by the City in 2022 based on the current capital improvement plan. The fund's assigned fund balance increased due to unspent fund transfers for the 2020 infrastructure and Brook Peterson Park improvement projects. These projects are scheduled for completion in 2021.

### Safari Island Fund Analysis

The Safari Island Fund decreased fund balance by \$79,721 during the current fiscal year. Safari Island experienced several facility closures throughout 2020 due to the COVID-19 pandemic. With these closures was a reduction in membership and program registration revenues. The City is continuing to work with management at Safari Island to generate safe and timely program and membership options as the facility is allowed to be open and operate.



#### ***Permanent Improvement Debt Service Fund Analysis***

The Permanent Improvement Debt Service Fund decreased fund balance by \$12,135 during the current fiscal year. The decrease is due to expenditures for principal and interest exceeding revenues for property taxes and special assessments. This fund carried the debt for the General Obligation 2011A bonds that were paid in full by the City in 2018. These bonds had delinquent and deferred special assessments that were not paid with the final payment obligation. The City will continue to evaluate allocation of the delinquent and deferred assessments as they are paid.

***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 propriety funds totals \$4,766,454. Total unrestricted net position decreased 5% from 2019.

#### ***Water Utility Fund Analysis***

Net position of the Water Utility Fund decreased \$346,642 during 2020 compared to a \$202,178 increase in 2019. Operating expenditures including depreciation exceeded operating revenues in 2020 by \$431,049. User charges are not intended to fully cover depreciation expense, which was \$884,716 for 2020. Connection charge revenue was lower than anticipated in the water utility fund due to slowed new construction activity in 2020.

#### ***Sewer Utility Fund Analysis***

Net position of the Sewer Utility Fund decreased \$160,269 during 2020 compared to a \$155,840 decrease in 2019. Operating expenditures including depreciation exceeded operating revenues in 2020 by \$610,748. User charges are not intended to fully cover depreciation expense, which was \$563,930 for 2020. The City also started treatments to the major lift station facilities in the community in 2020 for odor control. Connection charge revenue was lower than anticipated in the sewer utility fund due to slowed new construction activity in 2020.

#### ***Storm Water Utility Fund Analysis***

Net position of the Storm Water Utility Fund increased \$179,109 during 2020 compared to a \$444,640 increase in 2019. Operating expenditures including depreciation exceeded operating revenues in 2020 by \$288,792. User charges are not intended to fully cover depreciation expense, which was \$603,766 for 2020. Connection charge revenue was lower than anticipated in the sewer utility fund due to slowed new construction activity in 2020.

#### ***Street Light Utility Fund Analysis***

Net position of the Street Light Utility Fund increased \$33,431 during 2020 compared to a \$4,376 increase in 2019. Operating revenues exceeded operating expenditures including depreciation in 2020 by \$13,089. The City received a donation for holiday lighting upgrades that covered an expenditure that would have otherwise been paid with user fees.

#### ***General Fund Budgetary Highlights***

There was one budget amendment to the General Fund in 2020. The budget amendment was in the administration department for an annual fee imposed by Carver County for maintenance of

election equipment. The City was notified of the fee after approval of the 2020 General Fund budget. Because it is an annual fee, the City completed the budget amendment showing the additional \$1,730 expense.

The actual General Fund expenditures of \$5,384,418 were \$302,627 under the General Fund budget of \$5,687,045. The primary departments resulting in this variance include building inspections, fire, parks, and streets. In review of these departments, the following variances were noted:

- **Building Inspections** – The City processed more permits in 2020 than in 2019 by number, but the valuation of the permits was less than in 2019. Because building permit fees are based on valuation, revenues and expenditures were lower than anticipated for 2020. The City pays a third party for inspection services as permits are processed and completed. The pass thru expenditure to the third party is based on the actual permit fee.
- **Fire** – Due to the COVID-19 pandemic, the City did not send firefighters to in-person training events and conferences that were budgeted. The City also started a duty officer program; this providing an organized response to fire calls instead of all call events. The program reduced the City's expenditures for staffing. In addition, the department is implementing an in-house inspection program, which reduced the cost of inspection services for a third-party inspector.
- **Parks** – Due to the COVID-19 pandemic, the City did not hire seasonal staffing to assist with parks maintenance. In addition, the City was reimbursed with Coronavirus relief funds for full time staff that missed work due to COVID-19. Lastly, the City also did not complete all the park amenities planned due to closure of the City parks and facilities throughout the year.
- **Streets** – Due to the COVID-19 pandemic, the City did not hire seasonal staffing to assist with streets maintenance. In addition, the City was reimbursed with Coronavirus relief funds for full time staff that missed work due to COVID-19. Lastly, staff reduced the amount of maintenance sealcoating in 2020 due to a larger overlay project that was part of the 2020 infrastructure improvement projects.

The overall transfers-out total \$2,230,299 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, 2020, amount to \$129,900,882 (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 2020.

**Major capital asset information for the current fiscal year follows:**

Capital Assets	Governmental Activities		Business-Type Activities		Total	
	2020	2019	2020	2019	2020	2019
Land	\$ 5,605,211	\$ 5,605,211	\$ -	\$ -	\$ 5,611,256	\$ 5,611,256
Permanent Easements	\$ 1,847,151	\$ 1,399,253	\$ -	\$ -	\$ 1,847,151	\$ 1,399,253
Buildings	\$ 55,343,656	\$ 55,343,656	\$ -	\$ -	\$ 55,327,695	\$ 55,327,695
Infrastructure	\$ 76,584,070	\$ 74,224,429	\$ 10,184,039	\$ 10,184,039	\$ 141,381,809	\$ 132,410,960
Machinery & Equipment	\$ 3,379,669	\$ 3,062,205	\$ 1,364,669	\$ 1,110,026	\$ 4,744,938	\$ 4,192,321
Vehicles	\$ 4,529,507	\$ 4,011,706	\$ 681,777	\$ 652,278	\$ 5,221,284	\$ 4,664,074
Construction in Progress	\$ 2,885,191	\$ 3,385,639	\$ 3,601,261	\$ 3,750,568	\$ 6,486,452	\$ 7,137,237
Accumulated Depreciation	\$ (74,078,040)	\$ (68,944,591)	\$ (127,050,790)	\$ (124,860,477)	\$ (101,126,703)	\$ (93,845,060)
<b>Total Capital Assets</b>	<b>\$ 79,115,661</b>	<b>\$ 80,665,688</b>	<b>\$ 50,765,031</b>	<b>\$ 49,209,040</b>	<b>\$ 129,900,692</b>	<b>\$ 129,937,728</b>

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 \$47,496,510. Of this amount \$15,609,198 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 \$31,592,741 and compensated absences of \$294,571. During the current fiscal year, the City's total long-term debt increased by \$5,636,591. Total principal payments made were \$4,380,907.

The City issued \$4,755,000 in general obligation bonds for work completed with the 2020 infrastructure and Brook Peterson Park improvement projects. The 2020 infrastructure improvements included: rehabilitation of downtown streets and utility infrastructure along with sidewalk updates, street and trail overlay on Oak Avenue, watermain improvements on Oak Avenue and Waconia Parkway, trail improvements along Community Drive, Sugarbush Park stormwater basin addition, and Somerwood Drive storm water crossing improvements. The Brook Peterson Park facility improvement included a new restroom structure, picnic shelter, and trail improvements to a premier community park in the City.

The City also issued \$4,515,000 in General Obligation Water and Sewer Revenue Refunding Bonds. The refunding of these bonds allotted the City interest cost savings in the water and sanitary sewer utility funds over the remaining six years of payments on the bonds.

Long-Term Debt	Governmental Activities		Business Activities		Total	
	2020	2019	2020	2019	2020	2019
Bonded Debt						
General Obligation Debt	\$ -	\$ 8,075,000	\$ -	\$ -	\$ -	\$ 8,075,000
Special Assessment Debt	\$ 8,210,000	\$ -	\$ -	\$ -	\$ 8,210,000	\$ -
Debt with Governmental Commitment	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Public Project Revenue Bonds	\$ 15,609,198	\$ 15,273,139	\$ -	\$ -	\$ 15,609,198	\$ 15,273,139
G.O. Revenue Bonds	\$ 3,639,052	\$ 4,434,960	\$ -	\$ -	\$ 3,639,052	\$ 4,434,960
<b>Total Bonded Debt</b>	<b>\$ 27,659,250</b>	<b>\$ 27,783,059</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 27,659,250</b>	<b>\$ 27,783,059</b>
Compensated Absences	\$ 180,571	\$ 173,303	\$ -	\$ -	\$ 180,571	\$ 173,303
<b>Total Long-Term Debt</b>	<b>\$ 27,839,821</b>	<b>\$ 27,956,402</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 27,839,821</b>	<b>\$ 27,956,402</b>

- The City of Waconia will be paying approximately \$9,716,363 in principal payments in 2021. The large amount of principal payments due in 2021 is because of the 2020 General Obligation Water and Sewer Refunding Bonds. These bonds were refunded in advance of the final principal payment which was due and paid on February 1, 2021

- 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 August 2020 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 \$47,352,774. The City of Waconia's current outstanding general obligation debt of \$8,210,000 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.

## 2021 Budget and Rate Information

The following factors were considered in preparing the City of Waconia's budget for the 2021 fiscal year.

- The City's 2021 Taxable Market Value increased to \$1,592,434,100 up 3.49% from the previous year's market values and the Net Total Tax Capacity increased to \$16,520,518, up 3.41%
- The City of Waconia prepared its 2021 General Fund budget of \$7,851,290 for a 0.82% decrease in projected General Fund expenditures including interfund transfers out to other funds.
- The City's tax rate decreased from 46.713% to 46.148% for a 0.57% 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**  
For The Year Ended December 31, 2020  
With Comparative Totals For December 31, 2019

**Statement 1**

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
<b>Assets:</b>			
Cash and investments	\$13,219,958	\$4,755,137	\$17,975,095
Restricted cash and cash equivalents	-	5,165,000	5,165,000
Accrued interest receivable	29,699	29,699	59,398
Due from other governmental units	406,704	13,500	420,204
Accounts receivable - net	140,530	395,601	536,131
Internal balances	(456,767)	456,767	-
Prepaid items	128,869	36,305	165,174
Property taxes receivable	62,801	-	62,801
Special assessments receivable	3,419,485	337,199	3,756,684
Deposits receivable	175,000	-	175,000
Notes receivable - net	972,776	-	972,776
Land held for resale	730,000	-	730,000
Net pension asset	822,580	-	822,580
Capital assets - nondepreciable	10,347,553	3,807,306	14,154,859
Capital assets - net of accumulated depreciation	68,768,298	46,977,725	115,746,023
<b>Total assets</b>	<b>98,767,486</b>	<b>61,944,540</b>	<b>160,712,026</b>
<b>Deferred outflows of resources related to:</b>			
Pensions	364,317	126,369	490,686
Debt refunding	132,105	-	132,105
<b>Total deferred outflows of resources</b>	<b>496,422</b>	<b>126,369</b>	<b>622,791</b>
<b>Liabilities:</b>			
Accounts payable	697,665	226,289	923,954
Due to other governmental units	75,559	795	76,354
Salaries and benefits payable	111,189	31,018	142,207
Contracts payable	47,837	30,825	78,662
Deposits payable	552,531	-	552,531
Accrued interest payable	273,959	165,823	439,782
Unearned revenue	-	-	-
Other post employment benefits:			
Due in more than one year	-	-	-
<b>Net pension liability:</b>			
Due in more than one year	1,472,393	754,468	2,226,861
<b>Long-term liabilities:</b>			
Due within one year	3,226,884	6,784,050	10,010,934
Due in more than one year	24,611,887	12,873,689	37,485,576
<b>Total liabilities</b>	<b>31,069,904</b>	<b>20,866,957</b>	<b>51,936,861</b>
<b>Deferred inflows of resources related to pensions</b>	<b>280,691</b>	<b>31,156</b>	<b>311,847</b>
<b>Net position:</b>			
Net investment in capital assets	51,589,706	36,406,342	87,996,048
Restricted for:			
Debt service	8,242,354	-	8,242,354
Economic development loans	1,452,703	-	1,452,703
Fire Relief Association pension plan	618,998	-	618,998
Tax increment purposes	349,026	-	349,026
Other purposes	344,247	-	344,247
Unrestricted	5,316,279	4,766,454	10,082,733
<b>Total net position</b>	<b>\$67,913,131</b>	<b>\$41,172,796</b>	<b>\$109,085,927</b>

The accompanying notes are an integral part of these financial statements

**CITY OF WACONIA, MINNESOTA**  
**STATEMENT OF ACTIVITIES**  
For The Year Ended December 31, 2020  
With Comparative Totals For The Year Ended December 31, 2019

	Expenses	Charges For Services
<b>Functions/Programs</b>		
<b>Primary government:</b>		
Governmental activities:		
Administrative services	\$3,337,010	798,849
Community development	673,370	521,118
Culture and recreation	1,598,737	966,489
Public safety	1,684,638	165,220
Public services	6,173,716	273,415
Interest on long-term debt	701,652	-
<b>Total governmental activities</b>	<b>14,169,123</b>	<b>2,725,091</b>
<b>Business-type activities:</b>		
Water	2,269,315	1,730,094
Sewer	2,799,448	2,098,264
Storm water	1,349,937	1,073,822
Street lighting	245,149	271,484
<b>Total business-type activities</b>	<b>6,663,849</b>	<b>5,173,664</b>
<b>Total primary government</b>	<b>\$20,832,972</b>	<b>\$7,898,755</b>

The accompanying notes are an integral part of these financial statements

**CITY OF WACONIA, MINNESOTA**  
**BALANCE SHEET**  
**GOVERNMENTAL FUNDS**  
December 31, 2020  
With Comparative Totals For December 31, 2019

	General Fund (101)	Permanent Improvement Revolving Capital Fund (103)
<b>Assets:</b>		
Cash and investments	\$4,602,543	\$910,545
Accrued interest receivable	29,699	-
Due from other governmental units	17,878	290,895
Accounts receivable - net	102,919	33,400
Prepaid items	121,117	-
Property taxes receivable	39,954	-
Special assessments receivable:		
Delinquent	-	-
Deferred	-	-
Interfund loan receivable	10,000	-
Deposits receivable	-	-
Notes receivable - net	7,489	-
Land held for resale	-	730,000
<b>Total assets</b>	<b>\$4,931,599</b>	<b>\$1,964,840</b>
<b>Liabilities: Deferred Inflows of Resources, and Fund Balance:</b>		
<b>Liabilities:</b>		
Accounts payable	\$458,442	\$144,154
Due to other governmental units	8,840	-
Salaries and benefits payable	111,189	-
Contracts payable	-	47,837
Deposits payable	322,258	230,273
Interfund loan payable	-	-
Unearned revenue	-	-
<b>Total liabilities</b>	<b>880,729</b>	<b>422,264</b>
<b>Deferred inflows of resources:</b>		
Unavailable revenue	39,954	-
<b>Fund balance:</b>		
Nonspendable	121,117	-
Restricted	1,057	183,294
Committed	664,462	-
Assigned	-	1,359,282
Unassigned	3,224,280	-
<b>Total fund balance</b>	<b>4,010,916</b>	<b>1,542,576</b>
<b>Total liabilities, deferred inflows of resources, and fund balance</b>	<b>\$4,931,599</b>	<b>\$1,964,840</b>

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

Net position of governmental activities

The accompanying notes are an integral part of these financial statements

**Statement 2**

	Net (Expense) Revenue and Changes in Net Position		
	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government
	Governmental Activities	Business-Type Activities	Totals
2020			
2019			
<b>Operating Grants and Contributions</b>			
254,384	\$95,047	-\$	(\$1,950,174)
351,460	199,208	199,208	(110,694)
83	(422,165)	(422,165)	(427,107)
484,181	(1,035,237)	(1,035,237)	(1,458,030)
186,935	907,708	(4,805,658)	(5,419,952)
-	(701,652)	(701,652)	(673,660)
<b>1,277,043</b>	<b>1,212,755</b>	<b>0</b>	<b>(8,954,234)</b>
10,000	349,492	(179,729)	361,961
-	642,785	(58,399)	(72,530)
-	430,620	154,505	161,154
-	26,335	26,335	(5,498)
<b>10,000</b>	<b>1,432,897</b>	<b>(57,288)</b>	<b>445,087</b>
<b>\$1,287,043</b>	<b>\$2,635,652</b>	<b>(57,288)</b>	<b>(9,594,530)</b>
<b>General revenues:</b>			
Property taxes	8,508,645	-	8,404,302
Tax increment collections	196,140	-	210,542
Lodging taxes	25,295	-	50,890
Grants and contributions not restricted to specific programs	-	-	14,030
Unrestricted investment earnings	197,058	83,357	433,893
Gain on sale of property	-	-	520,000
Gain on sale of capital assets	320,440	(320,440)	42,608
Transfers	9,247,578	(237,083)	9,010,495
<b>Total general revenues and transfers</b>	<b>293,344</b>	<b>(294,371)</b>	<b>81,735</b>
<b>Change in net position</b>	<b>67,619,969</b>	<b>41,467,167</b>	<b>109,087,136</b>
<b>Net position - January 1</b>	<b>\$67,913,313</b>	<b>\$41,172,796</b>	<b>\$109,086,109</b>
<b>Net position - December 31</b>	<b>\$135,533,282</b>	<b>\$82,639,963</b>	<b>\$218,173,245</b>

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, 2020

With Comparative Totals For The Year Ended December 31, 2019

**Statement 3**

	Permanent Improvement Revolving Debt Service Fund (303)	Other Governmental Funds	Total Governmental Funds
			20202019
<b>Safari Island (231)</b>			
\$342,578	\$591,959	\$6,772,333	\$11,828,067
63,111	3,331	31,489	39,038
534	-	3,677	111,306
3,273	-	4,479	170,996
-	10,489	12,358	108,756
-	2,228	-	54,951
-	1,787,986	1,629,671	2,567
-	-	-	3,530,875
75,000	-	100,000	10,000
-	-	965,287	175,000
-	-	-	830,545
-	-	-	730,000
<b>\$484,496</b>	<b>\$2,395,593</b>	<b>\$9,519,294</b>	<b>\$17,592,121</b>
\$63,401	\$3,000	\$48,668	\$697,665
66,719	-	-	75,559
-	-	-	111,189
-	-	-	65,716
-	-	-	47,837
-	-	-	36,312
-	-	-	339,842
-	-	466,767	510,716
-	-	-	27,403
130,120	3,000	515,435	1,572,019
-	-	-	-
-	1,800,303	2,381,487	4,121,744
3,273	-	4,479	128,869
-	592,290	6,361,474	7,038,115
351,103	-	278,113	1,293,678
-	-	633,386	1,992,668
-	-	(455,080)	2,769,200
354,376	592,290	6,722,372	13,222,530
<b>\$484,496</b>	<b>\$2,395,593</b>	<b>\$9,519,294</b>	<b>\$17,592,121</b>
-	-	-	\$19,295,822
-	-	-	\$13,222,530
-	-	-	80,454,853
-	-	-	(29,865,814)
-	-	-	4,121,744
-	-	-	\$87,913,313

The accompanying notes are an integral part of these financial statements

	General Fund (101)	Permanent Improvement Revolving Capital Fund (103)
<b>Revenues:</b>		
Property taxes	\$5,865,737	\$ -
Tax increment collections	-	-
Lodging taxes	-	-
Special assessments	267,997	160,000
Intergovernmental	933,360	356,329
Investment income	548,910	-
Charges for services	28,998	-
Licenses and permits	10,061	51,477
Fines and forfeits	-	-
Contributions and donations	7,753,627	567,806
<b>Total revenues</b>		
<b>Expenditures:</b>		
Current:		
Administrative services	1,729,027	-
Community development	464,047	-
Culture and recreation	17,791	-
Public safety	1,483,229	722,429
Capital outlay:	1,690,324	-
Administrative services	-	-
Culture and recreation	-	-
Public safety	-	-
Public services	-	2,796,689
Debt service:	-	-
Principal	-	-
Interest and fiscal charges	-	61,398
<b>Total expenditures</b>	5,384,418	3,580,516
<b>Revenues over (under) expenditures</b>	2,369,209	(3,012,710)
<b>Other financing sources (uses):</b>		
Issuance of debt	-	2,970,000
Refunding bonds issued	-	-
Bond premium	-	156,152
Sale of property	-	-
Sale of capital assets	540,463	880,000
Transfers in	(2,230,299)	-
Transfers out	(1,689,836)	4,006,152
<b>Total other financing sources (uses)</b>	679,373	993,442
<b>Net change in fund balance</b>	3,331,543	549,134
<b>Fund balance - January 1</b>	\$4,010,916	\$1,542,576
<b>Fund balance - December 31</b>		

The accompanying notes are an integral part of these financial statements

**CITY OF WACONIA, MINNESOTA**  
**RECONCILIATION OF THE STATEMENTS OF REVENUES,**  
**EXPENDITURES AND CHANGES IN FUND BALANCES OF**  
**GOVERNMENTAL FUNDS**

For The Year Ended December 31, 2020  
 With Comparative Amounts For The Year Ended December 31, 2019

**Statement 4**

	Permanent Improvement Revolving Debt Service Fund (303)	Other Governmental Funds	Total Governmental Funds
	2020	2019	
Safari Island (231)	\$ -	\$1,996,914	\$8,397,950
	-	196,140	210,542
	-	25,295	50,890
	-	325,343	363,721
	-	1,416,763	276,380
	-	197,058	301,413
	-	2,275,634	2,803,589
	-	548,910	694,288
	-	28,998	42,508
	-	152,896	273,532
	-	3,967,833	13,414,813
83	-	91,275	273,532
731,124	647,443		
	-	2,329,740	1,652,540
	-	684,459	783,627
971,803	-	1,451,342	1,971,766
	-	1,483,229	1,371,512
	-	2,491,790	2,463,797
	-	79,037	
	-	84,338	168,157
29,042	-	41,040	176,611
	-	19,497	152,884
	-	419,045	2,505,715
	-	3,095,908	4,547,065
	500,000	845,659	875,267
1,000,845	159,578	15,742,736	16,668,941
	659,578		
(269,721)	(12,135)	(2,074,903)	(3,254,128)
	-	2,970,000	445,000
	-	-	1,450,000
	-	156,152	362,119
	-	-	520,000
	-	2,340	5,500
190,000	1,352,265	2,962,728	2,573,972
	-	(314,463)	(2,491,759)
190,000	0	1,040,142	2,864,832
(79,721)	(12,135)	(109,404)	(389,296)
434,097	604,425	6,831,776	12,140,271
\$354,376	\$592,290	\$6,722,372	\$11,750,975

The accompanying notes are an integral part of these financial statements

**Statement 5**

	2020	2019
Amounts reported for governmental activities in the statement of activities are different because:		
Net changes in fund balance - total governmental funds (Statement 4)	\$1,471,555	(\$389,296)
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of these assets is allocated over their estimated useful lives and reported as depreciation expense:		
Depreciation	(\$328,933)	(\$331,933)
Capital outlay	3,360,069	3,003,367
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	644,845	186,266
Transfer of capital assets to Enterprise Funds	(97,526)	-
Gain (loss) on disposal of capital assets	(131,832)	37,108
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	7,849	6,352
Change in deferred and delinquent special assessments	(113,956)	(306,554)
Change in long-term notes receivable	(41,270)	(78,775)
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	(3126,152)	(2,257,119)
Repayment of principal	3,095,908	4,547,065
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	155,093	212,536
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds. Expenses reported in the statement of activities include the effects of the changes in these expense accruals as follows:		
Change in compensated absences payable	(7,218)	(11,235)
Change in other post employment benefits payable	101,668	(10,752)
Change in accrued interest payable	7,787	7,944
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	152,695	
Pension expense	161,101	
	313,796	(9,720)
Change in net position of governmental activities (Statement 2)	\$293,344	(\$813,619)

The accompanying notes are an integral part of these financial statements

	Business-Type Activities - Enterprise Funds			
	Water (601)	Sewer (602)	Storm Water Utility (608)	Total
<b>Assets:</b>				
Current assets:				
Cash and cash equivalents	\$2,045,041	\$1,113,149	\$388,177	\$4,546,367
Reflected cash and cash equivalents	3,400,000	1,725,000	-	5,125,000
Due from other governmental units	10,000	3,500	-	13,500
Accounts receivable - net	102,780	87,941	23,259	213,980
Prepaid items	11,898	6,973	2,782	31,653
Special assessments receivable - current portion	31,802	11,380	-	43,182
Interfund loan receivable - current portion	-	40,268	-	40,268
Trade receivable	-	-	-	-
Total current assets	5,641,521	3,074,690	414,218	9,130,429
Noncurrent assets:				
Special assessments receivable - noncurrent portion	194,051	99,966	-	294,017
Interfund loan receivable - noncurrent portion	-	416,499	-	416,499
Capital assets:				
Land	74,045	55,000	-	129,045
Buildings	9,880,592	303,447	-	10,184,039
Machinery and equipment	210,401	601,606	15,915	817,922
Infrastructure	21,574,072	18,378,893	192,682	40,045,647
Vehicles	224,969	484,665	24,413	734,047
Construction in progress	1,857,785	1,280,321	40,155	3,178,261
Total capital assets	33,827,864	21,053,842	208,257	55,090,963
Less: Allowance for depreciation	(12,803,745)	(7,237,125)	(193,655)	(20,234,525)
Net capital assets	21,024,119	13,816,717	1,414,602	36,255,438
Total assets	26,853,693	17,307,902	427,160	44,589,755
Deferred outflows of resources related to pensions	45,014	40,940	3,367	89,321
<b>Liabilities:</b>				
Current liabilities:				
Accounts payable	85,683	97,894	28,793	212,370
Due to other governmental units	795	-	-	795
Salaries and benefits payable	12,620	11,000	-	23,620
Contract payable	19,074	6,291	-	25,365
Accrued interest payable	78,181	26,174	-	104,355
Compensated absence payable - current	42,092	27,160	3,262	72,514
Bonds payable - current	4,178,280	2,865,000	-	7,043,280
Total current liabilities	4,411,423	2,883,978	32,055	7,327,456
Noncurrent liabilities:				
Other post employment benefits	256,812	244,425	20,101	521,338
Net pension liability	6,697,281	4,440,186	-	11,137,467
Bonds payable	6,914,083	4,084,611	20,101	11,018,795
Total noncurrent liabilities	13,868,176	8,768,822	40,202	22,677,200
Total liabilities	18,279,599	11,652,800	72,257	29,904,656
Deferred inflows of resources related to pensions	10,605	10,694	830	22,129
<b>Net position:</b>				
Net investment in capital assets	13,622,690	8,836,527	12,942	22,472,159
Unrestricted	1,937,946	1,333,632	364,599	3,636,177
Total net position	\$15,560,636	\$10,170,159	\$13,706,541	\$41,437,336

The accompanying notes are an integral part of these financial statements

	Business-Type Activities - Enterprise Funds			
	Water (601)	Sewer (602)	Storm Water Utility (608)	Total
<b>Operating revenues:</b>				
Charges for services	\$1,617,664	\$2,071,056	\$1,013,478	\$4,698,216
Operating expenses:				
Wages and salaries	311,319	299,676	282,326	893,321
Employee benefits	105,538	101,729	115,794	323,061
Materials and supplies	173,552	8,723	34,485	216,760
Repairs and maintenance	118,018	162,300	33,398	313,716
Professional services	279,516	1,433,584	130,926	1,844,026
Insurance	21,684	27,490	13,892	63,066
Utilities	118,044	36,079	12,688	166,811
Depreciation	884,716	563,930	603,766	2,052,412
Equipment	9,513	9,134	14,614	33,261
Miscellaneous	26,813	39,159	60,381	126,353
Total operating expenses	2,048,713	2,681,804	1,302,270	6,032,787
Operating income (loss)	(431,049)	(610,748)	(288,792)	(1,330,589)
Nonoperating revenues (expenses):				
Investment income	31,938	23,116	21,207	76,261
Intergovernmental revenue	10,000	-	-	10,000
Revenue related to cost-share agreements	-	-	-	-
Expenses related to cost-share agreements	-	-	-	-
Other income	114,480	27,208	60,344	202,032
Interest and fiscal charges	(220,602)	(117,644)	(41,667)	(379,913)
Loss on disposal of capital assets	-	-	-	-
Total nonoperating revenue (expenses)	(66,224)	(67,320)	33,884	(99,660)
Income (loss) before contributions and transfers	(497,283)	(678,068)	(254,908)	(1,330,259)
Transfers in	(198,851)	(124,960)	(94,129)	(417,940)
Capital contributions:				
Special assessments	5,200	-	-	5,200
Connection charges	273,600	291,450	115,666	680,716
Contributions of capital assets	70,692	351,335	299,980	722,007
Intergovernmental revenue	150,641	517,799	434,017	1,092,457
Total contributions and transfers	(346,642)	(160,209)	179,109	(327,742)
Change in net position	15,907,278	10,330,428	14,885,251	41,122,957
Net position - January 1	-	-	-	-
Net position - December 31	\$15,560,636	\$10,170,159	\$15,064,460	\$41,437,336
<b>Amounts reported above</b>				
Amounts reported for business-type activities in the statement of activities are different because:				
Transfer in of capital assets from governmental activities				
Amounts reported on the statement of activities				
Capital Contributions				
Transfers - Net				
\$1,520,423				
(97,526)				
\$1,422,897				
(830,440)				

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, 2020  
With Comparative Totals For The Year Ended December 31, 2019

Statement 8

	Business-Type Activities - Enterprise Funds				
	Water (601)	Sewer (602)	Storm Water (655)	Street Light Utility (668)	Total
<b>Cash flows from operating activities</b>					
Receipts from operating activities	\$1,605,414	\$2,072,365	\$1,000,334	\$257,964	\$4,935,078
Payment to suppliers	(793,480)	(1,971,153)	(327,398)	(209,405)	(2,717,290)
Payment to employees	(438,353)	(415,937)	(389,221)	(31,537)	(1,275,048)
Miscellaneous revenue	122,430	27,208	60,344	13,246	223,228
Net cash flows from operating activities	496,011	(287,517)	344,059	30,208	\$87,761
<b>Cash flows from noncapital financing activities</b>					
Interest on debt	(88,000)	(88,000)	(50,000)	-	(226,000)
Repayment of principal loan receivable	812,974	812,974	-	-	1,625,948
Collection related to cost-share agreements	-	-	-	-	57,111
Disbursements related to cost-share agreements	-	-	-	-	(1,494,590)
Net cash flows from noncapital financing activities	724,974	724,974	(50,000)	0	1,443,897
<b>Cash flows from capital and related financing activities</b>					
Principal paid on debt	(656,500)	(440,000)	(188,500)	-	(1,285,000)
Interest and fixed charges paid on debt	(244,365)	(151,598)	(60,215)	-	(456,178)
Transfer to other funds	(110,851)	(36,586)	(44,129)	-	(191,566)
Special assessment collections	26,231	-	13,500	-	39,731
Connection charges	312,000	311,770	123,751	-	747,521
Bond proceeds, including premium	4,845,069	2,091,647	184,110	-	7,120,826
Acquisition of capital assets	(1,486,739)	(858,063)	(510,224)	-	(2,855,026)
Intergovernmental revenue	-	-	112,500	-	112,500
Net cash flows from capital and related financing activities	2,684,845	916,770	(375,147)	0	3,226,468
<b>Cash flows from investing activities</b>					
Investment income	31,938	23,116	21,207	7,096	83,357
Net increase (decrease) in cash and cash equivalents	3,097,768	1,421,292	(59,881)	37,304	5,336,483
Cash and cash equivalents - January 1	1,547,273	1,416,857	1,208,631	350,873	4,523,634
Cash and cash equivalents - December 31	\$5,485,041	\$2,838,149	\$1,208,750	\$388,177	\$9,920,137
<b>Reconciliation of operating income (loss) to net cash provided (used) by operating activities:</b>					
Operating income (loss)	(503,109)	(561,074)	(528,792)	\$13,009	(\$1,582,043)
Adjustments to reconcile operating income (loss) to net cash flows from operating activities					
Miscellaneous revenue	122,430	27,208	60,344	13,246	223,228
Depreciation	884,716	563,530	603,766	8,631	2,061,043
Change in assets, liabilities, deferred outflows and inflows:					
Decrease (increase) in receivables	(12,500)	1,309	(13,144)	(324)	(24,419)
Decrease (increase) in payables	(1,414)	(2,218)	(1,054)	(355)	(4,041)
Decrease (increase) in deferred outflows of resources	9,746	8,936	3,242	831	22,755
Increase (decrease) in payables	(8,714)	(205,376)	(12,039)	(2,568)	(228,697)
Increase (decrease) in salaries and benefits payable	1,568	5,438	4,399	-	11,405
Increase (decrease) in contract payable	(36,212)	(47,090)	(13,911)	-	(97,213)
Increase (decrease) in compensated absences	4,066	3,552	3,920	652	12,190
Increase (decrease) in other post employment benefits	(23,974)	(22,356)	(23,406)	(1,489)	(71,225)
Increase (decrease) in net pension liability	34,970	35,006	57,431	2,353	129,760
Increase (decrease) in deferred inflows of resources	(47,872)	(45,104)	(36,687)	(3,848)	(133,511)
Total adjustments	927,060	323,231	632,851	17,119	1,900,261
Net cash flows from operating activities	\$496,011	(\$287,517)	\$344,059	\$30,208	\$87,761

Noncash investing, capital and financing activities:  
During 2020, capital assets in the amount of \$70,692, \$531,335 and \$299,980 were contributed to the Water, Sewer and Storm Water Funds, respectively.  
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.

**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. 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.

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 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.

**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.

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.

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, except that a budget was not adopted for the Coronavirus Relief Special Revenue Fund.

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. All expenditures in excess of budget appropriations are approved by the City Council through the disbursement approval process.
4. Any changes in the total budget of each fund must be approved by a majority vote of the City Council.

During 2020, expenditures of the following funds exceeded the fund's final budget:

	Actual	Final Budget	Overage
Revolving Loan Fund	\$5,569	\$4,700	\$869

#### 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.

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. RESTRICTED CASH AND CASH EQUIVALENTS

Restricted cash and cash equivalents will be used to refund the General Obligation Water and Sewer Refunding Bonds, Series 2013A, on February 1, 2021.

#### G. 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.

#### H. PROPERTY TAX REVENUE RECOGNITION

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

#### GOVERNMENT-WIDE FINANCIAL STATEMENTS

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

#### GOVERNMENTAL FUND FINANCIAL STATEMENTS

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

# **I. 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.

# **J. 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.

# **K. 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.

# **L. CAPITAL ASSETS**

Capital assets, which include land, buildings, machinery, 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.

Capital assets are depreciated using the straight-line method over the following estimated useful lives:

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

# **M. COMPENSATED ABSENCES**

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

# **N. LONG-TERM OBLIGATIONS**

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

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

**O. FUND BALANCE CLASSIFICATIONS**

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

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

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

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

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

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

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

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

**P. NET POSITION**

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

**Q. INTERFUND TRANSACTIONS**

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

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

**R. USE OF ESTIMATES**

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

**S. COMPARATIVE TOTALS**

The basic financial statements and schedules and combining fund financial statements include certain prior year summarized comparative information in total but not at the level of detail required for a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the City's financial statements for the year ended December 31, 2019, from which the summarized information was derived.

**T. DEFERRED OUTFLOWS/INFLOWS OF RESOURCES**

In addition to assets, the statement of financial position reports 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 an unamortized loss 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.

**U. DEFINED BENEFIT PENSION PLANS**

For purposes of measuring the net pension liability, deferred outflows and inflows of resources, and pension expense, information about the fiduciary net position of the Public Employees Retirement Association (PERA) and additions to and 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.

**V. 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 "certain assets and deferred outflows of resources used in governmental activities are not current financial resources and, therefore, are not reported in the funds." The details of this \$80,434,853 difference are as follows:

Capital assets - net of accumulated depreciation	\$79,115,851
Net pension asset	822,580
Deferred outflows of resources related to pensions	364,317
Deferred outflows of resources related to debt refunding	132,105
Net adjustment to increase fund balance - total governmental funds to arrive at net position - governmental activities	<u>\$80,434,853</u>

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 (\$29,865,814) difference are as follows:

Bonds payable	(\$26,414,052)
Unamortized bond premium	(1,244,198)
Accrued interest payable	(273,959)
Compensated absences payable	(180,521)
Net pension liability	(1,472,393)
Deferred inflows of resources related to pensions	(280,691)
Net adjustment to decrease fund balance - total governmental funds to arrive at net position - governmental activities	<u>(\$29,865,814)</u>

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 \$4,121,744 difference are as follows:

Delinquent property taxes receivable	\$62,801
Deferred and delinquent special assessments receivable	3,419,485
Notes receivable	639,458
Net adjustment to increase fund balance - total governmental funds to arrive at net position - governmental activities	<u>\$4,121,744</u>

**Note 2 DEPOSITS AND INVESTMENTS**

**A. DEPOSITS**

In accordance with Minnesota Statutes, the City maintains its deposits at depository banks authorized by the City Council. All such banks are members of the Federal Reserve System.

Minnesota Statutes require that all City deposits be protected by insurance, surety bonds or collateral. The market value of collateral pledged must equal 110% of deposits not covered by insurance or bonds. Securities pledged as collateral are required to be held in safekeeping by the City or in a financial institution other than that furnishing the collateral. Minnesota Statute 118A.03 identifies allowable forms of collateral.

**Custodial Credit Risk - Deposits** - 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 deposit and investment activities shall be safety, liquidity and return.

At December 31, 2020, the bank balance of the City's deposits with financial institutions was \$14,220,116 and the carrying amount was \$14,109,664. All deposits were covered by federal depository insurance or by collateral pledged and held in the City's name.

**B. INVESTMENTS**

Subject to rating, yield, maturity and issuer requirements as prescribed by statute, Minnesota Statutes 118A.04 and 118A.05 authorize the City to invest in United States securities, state and local securities, commercial paper, time deposits, high-risk mortgage-backed securities, temporary general obligation bonds, repurchase agreements, Minnesota joint powers investment trusts and guaranteed investment contracts.

As of December 31, 2020 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	\$61,106	\$ -	\$ -	\$ -	
Brokered CD's	Not rated	8,969,125	2,709,757	6,037,012	222,356	
Total		<u>\$9,030,231</u>	<u>\$2,770,863</u>	<u>\$6,037,012</u>	<u>\$222,356</u>	
Total investments		\$9,030,231				
Deposits		14,109,664				
Petty cash		200				
Total cash and investments		<u>\$23,140,095</u>				

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 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.

**CITY OF WACONIA, MINNESOTA**  
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The City has the following recurring fair value measurements as of December 31, 2020:

Investment Type	Fair Value Measurement Using		
	Level 1	Level 2	Level 3
Investments at fair value:			
Brokered CD's	\$8,969,125	\$8,969,125	\$ -
Investments not categorized:			
Money Market	61,106		
Total investments	<u>\$9,030,231</u>		

**C. INVESTMENT RISKS**

**Interest rate risk** – the risk that market value of securities in a portfolio will 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** – 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, 2020, all investments of the City were insured, registered and held by the City or its agent in the City's name.

**Concentration of credit risk** – 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 its investments according to type and maturity. As of December 31, 2020, the City was not exposed to concentration of credit risk because individual investments were not equal to or exceeding 3% of the City's total investment portfolio.

**CITY OF WACONIA, MINNESOTA**  
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**Note 3 RECEIVABLES**

Significant receivables balances not expected to be collected within one year of December 31, 2020 are as follows:

	Governmental Activities			
	Major Funds		Nonmajor Funds	
	General	Safari Island	Permanent Improvement Revolving DSF	Total
Special assessments receivable	\$ -	\$ -	\$1,440,216	\$2,865,990
Property taxes receivable	27,183	-	7,136	42,727
Notes receivable	-	-	-	829,318
Deposits receivable	-	75,000	-	175,000
Other receivables	6,739	-	-	6,739
Total	\$33,922	\$75,000	\$1,447,352	\$3,919,774

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:

Major Fund:	Special Assessments			Notes Receivable	Total
	Property Taxes	Special Assessments	Notes Receivable		
General Fund	\$39,954	\$ -	\$ -	-	\$39,954
PIR Debt Service Fund	10,489	1,799,814	-	-	1,800,303
Nonmajor funds	12,358	1,629,671	639,458	-	2,281,487
Total unavailable revenue	<u>\$62,801</u>	<u>\$3,419,485</u>	<u>\$639,458</u>		<u>\$4,121,744</u>

CITY OF WACONIA, MINNESOTA  
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**Note 5 INTERFUND LOANS AND TRANSFERS**

Amounts reported as interfund loan receivable/payable at December 31, 2020 are as follows:

	Interfund Loan Receivable	Interfund Loan Payable
Major Funds:		
General Fund	\$10,000	\$ -
Sewer Fund	456,767	-
Nonmajor Funds:		
TIF #4 Pine Business Park	-	10,000
Clearwater Shores HIA	-	456,767
Total	\$466,767	\$466,767

Assessment collections from property owners in the Clearwater Shores Association will be used to repay the interfund loan from the Sewer Fund. \$40,268 of assessments are due to be collected during 2021. 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 2021.

Interfund transfers made during 2020 are summarized as follows:

	Transfers In	Transfers Out
Major Funds:		
General Fund	\$540,463	\$2,230,299
PIR Capital	880,000	-
Safari Island	190,000	-
Water Utility	-	198,851
Sewer Utility	-	124,986
Storm Water Utility	94,129	-
Nonmajor Funds	1,352,265	314,463
Total	\$2,962,728	\$2,962,728

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.
- \$340,000 from the General Fund to the Safari Island and Ice Arena funds to supplement user charges.
- \$880,000 from the General Fund to the PIR Capital fund to finance project costs.
- \$313,311 from the Coronavirus Relief Fund to the General Fund to cover COVID-19 related costs.
- Various other routine transfers were also made for debt service and capital purposes in accordance with the City's budget.

CITY OF WACONIA, MINNESOTA  
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**Note 6 CAPITAL ASSETS**

Capital asset activity for the year ended December 31, 2020 was as follows:

	Beginning Balance	Increases	Decreases	Transfers	Ending Balance
Governmental activities:					
Capital assets, not being depreciated:					
Land and land improvements	\$5,605,211	\$ -	\$ -	\$ -	\$5,605,211
Prepaid expenses	1,399,233	447,898	-	-	1,847,131
Construction in progress	5,386,639	3,418,608	5,910,056	-	2,895,191
Total capital assets, not being depreciated	12,391,103	3,866,506	5,910,056	0	10,347,553
Capital assets, being depreciated:					
Buildings	55,343,656	-	-	-	55,343,656
Machinery and equipment	3,082,295	464,395	166,721	-	3,379,969
Improvements and infrastructure	74,224,429	5,339,641	-	-	79,564,070
Vehicles	4,611,796	154,516	-	(226,805)	4,539,507
Total capital assets, being depreciated	137,262,176	5,978,552	166,721	(226,805)	142,847,202
Less accumulated depreciation for:					
Buildings	23,523,963	1,423,366	-	-	24,947,329
Machinery and equipment	1,523,608	332,073	105,341	-	1,960,922
Improvements and infrastructure	41,545,682	3,295,533	-	-	44,841,215
Vehicles	2,610,386	281,129	-	(129,279)	2,762,236
Total accumulated depreciation	68,984,591	5,328,933	105,341	(129,279)	74,078,904
Total capital assets being depreciated - net	68,277,585	649,619	61,380	(97,526)	68,768,298
Governmental activities capital assets - net	\$80,668,688	\$4,516,125	\$5,971,436	\$(97,526)	\$79,115,851
Business-type activities:					
Capital assets, not being depreciated:					
Land and land improvements	\$206,045	\$ -	\$ -	\$ -	\$206,045
Construction in progress	3,790,598	2,855,027	3,044,364	-	3,601,261
Total capital assets, being depreciated	3,996,643	2,855,027	3,044,364	0	3,807,306
Capital assets, being depreciated:					
Buildings	10,184,039	-	-	-	10,184,039
Machinery and equipment	1,118,000	28,138	-	-	1,146,138
Improvements and infrastructure	58,186,531	3,611,208	-	226,805	61,797,969
Vehicles	652,728	29,499	-	-	681,777
Total capital assets, being depreciated	70,132,874	3,668,845	-	226,805	74,028,524
Less accumulated depreciation for:					
Buildings	3,971,372	263,958	-	-	4,235,330
Machinery and equipment	642,036	94,623	-	129,279	865,938
Improvements and infrastructure	19,715,988	1,670,810	-	-	21,386,798
Vehicles	531,681	31,652	-	-	563,333
Total accumulated depreciation	24,861,077	2,061,043	0	129,279	27,050,399
Total capital assets being depreciated - net	45,272,397	1,607,802	0	97,526	46,977,725
Business-type activities capital assets - net	\$45,272,397	\$1,607,802	\$0	\$97,526	\$46,977,725



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

Governmental activities:	
Administrative services	\$1,119,990
Culture and recreation	174,398
Public safety	236,275
Public services, including depreciation of general infrastructure assets	3,798,270
Total depreciation expense - governmental activities	<u>\$5,328,933</u>
Business-type activities:	
Water	\$884,716
Sewer	563,930
Storm sewer	603,766
Street lighting	8,631
Total depreciation expense - business-type activities	<u>\$2,061,043</u>

CITY OF WACONIA, MINNESOTA  
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**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, 2020, 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 12/31/20
<b>General Obligation Bonds:</b>					
Street Reconstruction Plan Bonds of 2015A	2.00 - 4.00%	7/9/2015	2/1/2026	\$2,420,000	\$1,530,000
Capital Improvement Plan Bonds of 2015C	2.00 - 3.00%	12/15/2015	2/1/2028	4,320,000	2,775,000
Bonds of 2016A - equipment portion	2.00%	5/24/2016	2/1/2027	710,000	485,000
Bonds of 2017A - equipment portion	2.50 - 3.00%	8/15/2017	2/1/2027	535,000	435,000
Bonds of 2018A - equipment portion	4.00 - 5.00%	8/15/2018	2/1/2028	1,000,000	1,000,000
Bonds of 2020A - ice abatement portion	1.00 - 2.00%	9/7/2020	2/1/2031	1,000,000	1,000,000
Total general obligation bonds				<u>10,970,000</u>	<u>8,310,000</u>
<b>General Obligation Improvement Bonds:</b>					
Bonds of 2014A - improvement portion	2.00%	6/1/2014	2/1/2025	1,390,000	750,000
Bonds of 2015A - improvement portion	2.00 - 4.00%	7/9/2015	2/1/2026	3,380,000	2,135,000
Bonds of 2016A - improvement portion	2.00 - 3.00%	5/24/2016	2/1/2027	2,000,000	1,250,000
Bonds of 2017A - improvement portion	2.50 - 3.00%	8/15/2017	2/1/2027	4,915,000	5,785,000
Bonds of 2018A - improvement portion	2.00 - 4.00%	9/1/2018	2/1/2029	965,000	895,000
Bonds of 2020A - improvement portion	1.00 - 2.00%	9/7/2020	2/1/2031	1,880,000	1,880,000
Total G O improvement bonds				<u>16,745,000</u>	<u>14,365,000</u>
<b>Public Project Revenue Bonds:</b>					
2007 HRA Public Project Revenue Bonds	4.35% - 4.50%	10/1/2007	10/1/2023	1,838,333	390,485
2007 HRA Public Project Revenue Bonds	3.90%	12/1/2007	12/1/2027	5,100,000	2,664,567
Total public project revenue bonds				<u>7,938,333</u>	<u>2,944,052</u>
Lease with Option to Purchase Agreement of 2016	2.00%	10/20/2016	2/1/2027	1,220,000	885,000
Unamortized bond premium				1,735,133	1,344,198
Compensated absences				79A	180,521
Total governmental activities				<u>\$38,818,425</u>	<u>\$37,835,171</u>
<b>Business-Type Activities:</b>					
<b>General Obligation Revenue Bonds:</b>					
Water and Sewer Refunding Bonds of 2013A	2.00% - 2.25%	6/1/2013	2/1/2027	\$9,950,000	\$6,645,000
Water, Sewer & Storm Revenue Bonds of 2014A	2.00%	6/1/2014	2/1/2025	875,000	455,000
Water, Sewer & Storm Revenue Bonds of 2015A	2.00 - 4.00%	7/9/2015	2/1/2026	3,360,000	2,135,000
Water and Sewer Refunding Bonds of 2016A	2.00 - 4.00%	7/9/2016	2/1/2026	2,000,000	1,250,000
Water, Sewer and Storm Revenue Bonds of 2019A	4.00 - 5.00%	8/22/2019	2/1/2030	2,620,000	2,620,000
Water, Sewer and Storm Revenue Bonds of 2020A	1.00 - 2.00%	9/7/2020	2/1/2031	1,785,000	1,785,000
Water and Sewer Refunding Bonds of 2020B	5.00%	12/10/2020	2/1/2027	4,515,000	4,515,000
Total G O revenue bonds				<u>23,605,000</u>	<u>18,025,000</u>
Unamortized bond premium				1,821,034	1,318,689
Compensated absences				79A	180,521
Total business-type activities				<u>\$25,426,034</u>	<u>\$19,657,190</u>

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

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**CURRENT REFUNDING**

On December 10, 2020, the City issued \$4,515,000 of General Obligation Water and Sewer Revenue Refunding Bonds, Series 2020B. On February 1, 2021, the City used \$5,165,000 of the bond proceeds, which included a bond premium of \$726,954, to advance refund the 2022 through 2027 maturities of the General Obligation Water and Sewer Refunding Bonds, Series 2013A. The City refunded the 2022 through 2027 maturities of the 2013A bonds to reduce its total debt service payments over the last seven years of the bond by \$215,091 and to obtain an economic gain (difference between the present value of the debt service payments on the old and new debt) of \$211,801.

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

Year Ending December 31	General Obligation Bonds		G.O. Improvement Bonds	
	Governmental Activities Principal	Interest	Governmental Activities Principal	Interest
2021	\$835,000	\$249,048	\$1,595,000	\$353,671
2022	1,000,000	224,050	1,805,000	310,825
2023	1,030,000	191,650	1,855,000	260,500
2024	1,075,000	155,000	1,920,000	206,800
2025	1,115,000	118,075	1,975,000	153,150
2026	1,140,000	81,325	1,875,000	101,325
2027	810,000	48,550	1,515,000	56,250
2028	770,000	20,625	1,105,000	23,100
2029	170,000	5,225	315,000	6,775
2030	145,000	2,375	200,000	3,050
2031	120,000	600	205,000	1,025
Total	\$8,210,000	\$1,096,523	\$14,365,000	\$1,476,471

Year Ending December 31	Public Project Revenue Bonds		Lease Purchase Agreement	
	Governmental Activities Principal	Interest	Governmental Activities Principal	Interest
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	\$2,954,052	\$354,106	\$885,000	\$66,243

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	Business-Type Activities		G.O. Revenue Bonds	
	Principal	Interest	Principal	Interest
2021	\$6,670,000	\$498,883		
2022	1,560,000	424,275		
2023	1,665,000	356,750		
2024	1,745,000	283,275		
2025	1,830,000	207,825		
2026	1,810,000	131,526		
2027	920,000	73,375		
2028	550,000	43,450		
2029	565,000	25,000		
2030	515,000	9,400		
2031	195,000	975		
Total	\$18,025,000	\$2,054,734		

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, 2020, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
<b>Governmental Activities:</b>					
General obligation bonds	\$8,075,000	\$1,090,000	\$955,000	\$8,210,000	\$835,000
G.O. improvement bonds	14,030,000	1,880,000	1,545,000	14,365,000	1,595,000
Public project revenue bonds	3,433,960	-	479,908	2,954,052	497,363
Capital lease payable	1,001,000	-	116,000	885,000	119,000
Unamortized bond premium	1,243,139	156,152	155,093	1,244,198	-
Compensated absences	173,303	198,460	191,242	180,521	180,521
Total governmental activities	\$27,956,402	\$3,324,612	\$3,442,243	\$27,838,771	\$3,226,864
<b>Business-Type Activities:</b>					
G.O. revenue bonds	\$13,010,000	\$6,300,000	\$1,285,000	\$18,025,000	\$6,670,000
Unamortized bond premium	791,657	820,826	93,794	1,518,689	-
Compensated absences	101,860	119,811	107,621	114,050	114,050
Total business type activities	\$13,903,517	\$7,240,637	\$1,486,415	\$19,657,739	\$6,784,050

**CITY OF WACONIA, MINNESOTA**  
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**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, 2020, the cost of assets acquired under the capital lease was \$1,450,994 and accumulated depreciation was \$145,099. 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, 2020, the City has not been required to make any such reimbursements to the County.

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

**CITY OF WACONIA, MINNESOTA**  
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**REVENUE PLEDGED**

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

Bond Issue	Use of Proceeds	Type	Percent of Total Debt Service	Term of Payment	Remaining Principal and Interest	Planned Revenue Available
2007 EDA Public Project Revenue Bonds	Community Center	Transfer	100%	2007-2021	\$30,001	\$103,018
2007 HRA Public Project Revenue Bonds	Ice Arena	Transfer and WFA contribution*	100%	2008-2027	\$1,668,157	\$429,776
Bonds of 2014A - Improvement Bonds	Infrastructure improvements	Special assessments Ad valorem taxes	25%	2015-2025	\$197,000	\$156,483
Bonds of 2015A - Street Reconstruction and Improvement Bonds	Infrastructure improvements	Special assessments Ad valorem taxes	10%	2016-2021	\$4,643,075	\$61,542
2016 Bonds of 2014C	Construction of public works facility	Ad valorem taxes	100%	2015-2027	\$3,133,175	\$395,840
Bonds of 2016A	Infrastructure improvements	Special assessments Ad valorem taxes	34%	2017-2026	\$3,665,150	\$54,039
Lease Purchase Agreement of 2016	Grandstand at Lion's Park	Ad valorem taxes	35%	2016-2025	\$951,249	\$135,209
Bonds of 2017A	Infrastructure improvements, for park	Special assessments Ad valorem taxes	29%	2016-2027	\$6,916,600	\$84,064
Bonds of 2018A - Improvement Bonds	Infrastructure improvements	Special assessments Ad valorem taxes	21%	2019-2028	\$1,940,050	\$149,160
Bonds of 2019A	Infrastructure system events equipment	Ad valorem taxes	100%	2020-2029	\$2,716,600	\$8,423
Bonds of 2020A	Infrastructure improvements	Special assessments Ad valorem taxes	14%	2021-2030	\$7,342,344	\$
Water Revenue Bonds of 2014A, 2015A, 2020A, 2020B	Infrastructure improvements	Water usage charges Special assessments**	100%	Years through 2030	\$6,948,286	\$812,477
Water Revenue Bonds of 2014A, 2015A, 2020A, 2020B	Infrastructure improvements	Water usage charges	100%	Years through 2030	\$4,815,538	\$375,234
Storm Water Revenue Bonds of 2014A, 2014A, 2016A, 2020A	Infrastructure improvements	Storm water charges Special assessments**	100%	Years through 2030	\$3,118,227	\$23,008

\*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.

1. General Employees Retirement Fund (GERF)

All full-time (with the exception of employees covered by PEPFF) 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.

2. 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 local relief associations 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.

1. 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 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 Coordinated members is 1.2% of average salary for each of the first ten years of service and 1.7% of average salary for each additional year. Under Method 2, the accrual rate for Coordinated Plan members is 1.7% of average salary for all years of service. For members hired prior to July 1, 1989 a full annuity is available when age plus years of service equal 90 and normal retirement age is 65. For members hired on or after July 1, 1989, normal retirement age is the age for unreduced Social Security benefits capped at 66.

Benefit increases are provided to benefit recipients each January. Beginning in 2019, the postretirement increase is 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 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.

2. 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.

Benefit increases are provided to benefit recipients each January. Beginning in 2019, the postretirement increase will be fixed at 1%. 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.

1. GERF Contributions

Coordinated Plan members were required to contribute 6.5% of their annual covered salary in fiscal year 2020 and the City was required to contribute 7.5% for Coordinated Plan members. The City's contributions to the GERF for the year ended December 31, 2020 were \$189,873. The City's contributions were equal to the required contributions as set by state statute.

2. PEPFF Contributions

Police and Fire member's contribution rates increased from 11.3% of pay to 11.8% and employer rates increased from 16.95% to 17.70% on January 1, 2020. The City's contributions to the PEPFF for the year ended December 31, 2020 were \$21,285. The City's contributions were equal to the required contributions as set by state statute.

**D. PENSION COSTS**

1. GERF Pension Costs

At December 31, 2020, the City reported a liability of \$2,092,414 for its proportionate share of 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. 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 \$64,565. The net pension liability was measured as of June 30, 2020, 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, 2019 through June 30, 2020, relative to the total employer contributions received from all of

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PERA's participating employers. The City's proportionate share was 0.0349% at the end of the measurement period and 0.0321% for the beginning of the period

City's proportionate share of the net pension liability	\$2,092,414
State of Minnesota's proportionate share of the net pension liability associated with the City	64,565
Total	<u>\$2,156,979</u>

For the year ended December 31, 2020, the City recognized pension expense of \$27,974 for its proportionate share of the GERS' pension expense. In addition, the City recognized an additional \$5,619 as pension expense (and grant revenue) for its proportionate share of the State of Minnesota's contribution of \$16 million to the GERS.

At December 31, 2020, the City reported its proportionate share of the GERS' 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	\$19,108	\$7,917
Changes in actuarial assumptions	-	78,491
Difference between projected and actual investment earnings	24,683	-
Changes in proportion	211,550	-
Contributions paid to PERA	-	-
subsequent to the measurement date	95,126	-
Total	<u>\$350,467</u>	<u>\$86,408</u>

The \$95,126 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, 2021. 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
2021	(\$30,981)
2022	71,046
2023	78,314
2024	50,554
2025	-
Thereafter	-

2. PEPFF Pension Costs

At December 31, 2020, the City reported a liability of \$134,447 for its proportionate share of the PEPFF's net pension liability. The net pension liability was measured as of June 30, 2020 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 proportionate share of the net pension liability was based on

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the City's contributions received by PERA during the measurement period for employer payroll paid dates from July 1, 2019 through June 30, 2020, relative to the total employer contributions received from all of PERA's participating employers. The City's proportionate share was 0.0102% at the end of the measurement period and 0.0037% for the beginning of the period

The State of Minnesota also contributed \$13.5 million to PEPFF during the plan fiscal year ended June 30, 2020. The contribution consisted of \$4.5 million in direct state aid that does meet the definition of a special funding situation and \$9.0 million in fire state aid that does not meet the definition of a special funding situation. The \$4.5 million direct state aid was paid on October 1, 2019. Thereafter, by October 1 of each year, the state will pay \$9 million to the Police and Fire Fund until full funding is reached or July 1, 2048, whichever is earlier. The \$9 million in fire state aid will continue until the fund is 90 percent funded, or until the State Patrol Plan (administered by the Minnesota State Retirement System) is 90 percent funded, whichever occurs later.

As a result, the State of Minnesota is included as a non-employer contributing entity in the PEPFF Schedule of Employer Allocations and Schedule of Pension Amounts by Employer. Current Reporting Period Only (pension allocation schedules) for the \$4.5 million in direct state aid. PEPFF employers need to recognize their proportionate share of the State of Minnesota's pension expense (and grant revenue) under GASB 68 special funding situation accounting and financial reporting requirements. For the year ended December 31, 2020, the City recognized pension expense of \$47,238 for its proportionate share of the Police and Fire Plan's pension expense. In addition, the City recognized an additional \$971 as pension expense (and grant revenue) for its proportionate share of the State of Minnesota's contribution of \$4.5 million to the PEPFF.

The State of Minnesota is not included as a non-employer contributing entity in the Police and Fire Pension Plan pension allocation schedules for the \$9 million in fire state aid. The City also recognized \$918 for the year ended December 31, 2020 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 Police and Fire Fund

At December 31, 2020, 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
Differences between expected and actual economic experience	\$19,108	\$7,917
Changes in actuarial assumptions	-	78,491
Difference between projected and actual investment earnings	24,683	-
Changes in proportion	211,550	-
Contributions paid to PERA	-	-
subsequent to the measurement date	95,126	-
Total	<u>\$350,467</u>	<u>\$86,408</u>

The \$10,643 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, 2021. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as outflows:

Year Ended December 31,	Pension Expense
2021	(\$30,981)
2022	71,046
2023	78,314
2024	50,554
2025	-
Thereafter	-

The net pension liability will be liquidated by the general, water, sewer, storm water and street light utility funds.

#### E. ACTUARIAL ASSUMPTIONS

The total pension liability in the June 30, 2020 actuarial valuation was determined using an individual entry-age normal actuarial cost method and the following actuarial assumptions:

Inflation	2.50% per year
Active Member Payroll Growth	3.25% per year
Investment Rate of Return	7.50%

Salary increases were based on a service-related table. Mortality rates for active members, retirees, survivors, and disabled persons 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 GERS and 1.0% per year for PEPFF.

Actuarial assumptions used in the June 30, 2020 valuation were based on the results of actuarial experience studies. The most recent four-year experience study for GERS was completed in 2019. The assumption changes were adopted by the Board and become effective with the July 1, 2020 actuarial valuation. The most recent four-year experience study for PEPFF was completed in 2020.

The following changes in actuarial assumptions and plan provisions occurred in 2020:

#### General Employees Fund

##### Changes in Actuarial Assumptions:

- The price inflation assumption was decreased from 2.50% to 2.25%.
- The payroll growth assumption was decreased from 3.25% to 3.00%.
- As recommended in the June 30, 2019 experience study, assumed salary increase rates were decreased 0.25% and assumed rates of retirement were changed resulting in more unreduced (normal) retirements and slightly fewer Rule of 90 and early retirements. Assumed rates of termination and disability were also changed.
- The base mortality tables were changed from RP-2014 tables to Pub-2010 tables, with adjustments.
- The mortality improvement scale was changed from Scale MP-2018 to Scale MP-2019.

- The assumed spouse age difference was changed from two years older for females to one year older.
- The assumed number of married male new retirees electing the 100% Joint & Survivor option changed from 35% to 45%. The assumed number of married female new retirees electing the 100% Joint & Survivor option changed from 15% to 30%. The corresponding number of married new retirees electing the Life annuity option was adjusted accordingly.

#### Changes in Plan Provisions:

- Augmentation for current privatized members was reduced to 2.0% for the period July 1, 2020 through December 31, 2023 and 0.0% after. Augmentation was eliminated for privatizations occurring after June 30, 2020.

#### Police and Fire Fund

##### Changes in Actuarial Assumptions:

- The mortality projection scale was changed from MP-2018 to MP-2019.

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

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Domestic stocks	35.5%	5.10%
International stocks	17.5%	5.30%
Bonds (fixed income)	20%	0.75%
Alternative assets (private markets)	25%	5.90%
Cash	2%	0.00%
Total	100%	

#### F. DISCOUNT RATE

The discount rate used to measure the total pension liability in 2020 was 7.5%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and employers will be made at the rate set in Minnesota statutes. Based on that assumption, the fiduciary net position of the GERS and the PEPFF 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 1 percentage point lower or 1 percentage point higher than the current discount rate:

	1% Decrease in Discount Rate (6.5%)	Discount Rate (7.5%)	1% Increase in Discount Rate (8.5%)
Proportionate share of the GERF net pension liability	\$3,353,415	\$2,092,414	\$1,052,191
Proportionate share of the PEPFF net pension liability	\$267,972	\$134,447	\$23,978

**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](http://www.mnpera.org).

**I. PENSION EXPENSE**

Pension expense recognized by the City for the year ended December 31, 2020 is as follows:

GERF	\$33,593
PEPFF	48,209
Fire Relief (note 9)	(50,527)
Total	\$31,275

**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, 2020 (measurement date), the plan covered 27 active firefighters and 10 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 \$97,675 in fire state aid to the plan for the year ended December 31, 2020. 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, 2020 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.

**D. PENSION COSTS**

At December 31, 2020, the City reported a net pension asset of \$822,580 for the SVF plan. The net pension asset was measured as of December 31, 2020. 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, 2019	\$1,080,767	\$1,654,289	(\$573,522)
Changes for the year:			
Service cost	55,411	-	55,411
Interest on total pension liability	68,171	-	68,171
Actual experience (gains)/losses	(15,501)	-	(15,501)
Projected investment earnings	-	99,257	(99,257)
Changes in benefit level	-	-	-
Contributions - employer	-	10,000	(10,000)
Contributions - State of MN	-	97,675	(97,675)
Asset (gain)/loss	-	151,346	(151,346)
Benefit payouts	-	-	-
PERA administrative fee	-	(1,139)	1,139
Net changes	108,081	357,139	(249,058)
Balance end of year December 31, 2020	\$1,188,848	\$2,011,428	(\$822,580)

The benefit level per year of service was \$4,800 for the years ended December 31, 2020 and 2019. During 2020, the City recognized a reduction to pension expense in the amount of \$50,257.

At December 31, 2020, the City reported deferred outflows and inflows of resources related to the SVF plan from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between actuarial assumptions and actuarial experience	\$19,750	\$40,268
Difference between projected and actual investment earnings	-	183,064
Total	\$19,750	\$223,332

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
2021	(66,270)
2022	(33,374)
2023	(70,567)
2024	(33,371)
2025	-
Thereafter	-

#### E. ACTUARIAL ASSUMPTIONS

The total pension liability at December 31, 2020 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 December 31, 2020.

#### 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	\$778,896	\$822,580	\$864,556

#### 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%	5.30%
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 its investment policy during fiscal year 2020 for the SVF.

I. PENSION PLAN FIDUCIARY NET POSITION

Detailed information about the SVF plan's fiduciary net position as of December 31, 2020 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](http://www.mnpera.org).

Note 10 POST-EMPLOYMENT BENEFITS OTHER 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.

All health care coverage is provided through the City's group health insurance plans. A retiree is required to pay 100% of their premium cost for the City-sponsored group health insurance plan in which they participate. Premiums charged to retired and inactive employees are segregated and age-adjusted. Therefore, management has determined there is no implicit rate subsidy. Upon a retiree reaching age 65, Medicare becomes the primary insurer and the City's plan becomes secondary.

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 2020, there were no firefighters receiving benefits under this provision. Based on historical averages, management has estimated that the future amount of benefits to be paid under this provision will be immaterial to the financial statements.

C. TOTAL OPEB LIABILITY AND CHANGES IN TOTAL OPEB LIABILITY

As described in paragraph B, an implicit rate subsidy does not exist and other future benefit obligations, if any, are not estimated to be material to the financial statements. Therefore, no OPEB liability is reported as of December 31, 2020.

Prior to the year ending December 31, 2020, the City recorded an OPEB liability related to the implicit rate subsidy. During 2020, it was determined that premiums charged to retired and inactive employees had previously been segregated and age-adjusted, meaning an OPEB liability should not have been reported. The OPEB liability previously reported was not material to any given opinion unit or the financial statements as a whole. Therefore, it was not necessary to restate 2019 amounts.

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, 2020, the City had commitments of approximately \$811,000 for uncompleted construction contracts. Additionally, during March 2021 a contract was awarded in the amount of \$925,068 for 2021 Improvement Projects.

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 of 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, 2020, the aggregate principal amount of the conduit debt obligation outstanding amounted to:

Entity	Principal Balance
Trinity Lutheran School	\$1,580,702
Auburn Meadows	7,187,767
Total	<u>\$8,768,469</u>

**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 July 2024 and the street sweeper lease is payable in annual installments through 2021. Total lease expense under these agreements was \$55,690 for 2020. Future minimum lease payments are as follows:

Year	Payments
2021	\$59,075
2022	27,720
2023	27,720
2024	16,170
Total	<u>\$130,685</u>

**Note 15 LEASE REVENUE**

**A. CELL TOWER LEASE REVENUE**

The City receives revenue from agreements for the lease of space above its water towers and on City property to communication companies. The space is used for antennas and other equipment necessary to provide wireless communications. For accounting purposes, the leases are considered operating leases. Lease revenue for the year ended December 31, 2020 totaled \$162,583. Terms of each lease are as follows:

Lessee	Terms	Current Term
AT&T	\$19,007 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 - 12/31/2025

**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 \$18,539. 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, 2020 totaled \$64,647.

**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 \$17,197,167. 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, 2020 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, 2020 was \$125,909.

**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 is the administering authority for three tax increment districts. A fourth district, TIF #1 Workforce Housing, was decertified during 2020. Details of the City's tax increment financing districts are as follows:

	TIF #2 Auburn Meadows	TIF #3 Cherry Street	TIF #4 Pine Business Park		
	M.S. 469	M.S. 469	M.S. 469	M.S.	469
Authorizing law	2012	2012	2012	2014	
Year established	2037	2022	2025		
Final year of district					
Tax capacity:					
Original	\$13,876	\$4,188	\$4,352		
Current	\$157,866	\$22,404	\$44,766		
Captured	\$128,654	\$11,976	\$26,570		

Each tax increment district 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 (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 \$135,830. At December 31, 2020 the principal amount outstanding on the note was \$721,350.

**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, 2020 the principal amount outstanding on the note was \$396,579.

**Tax Abatement Repayment:**

**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 \$20,050.

**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.

**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 \$12,643.

**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 \$28,052. At December 31, 2020 the principal amount outstanding on the note was \$54,468.

CITY OF WACONIA, MINNESOTA  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2020

**Note 17 FUND BALANCE**

**A. CLASSIFICATIONS**

At December 31, 2020, a summary of the governmental fund balance classifications is as follows:

	General Fund	PIR Capital	Salut. Fund	PIR Debt Service	Other Governmental Funds	Total
Nonspendable:						
Prepaid items	\$121,117	\$ -	\$3,273	\$ -	\$4,479	\$128,869
Restricted for:						
Debt service	-	-	-	592,290	4,511,655	5,103,945
Economic development loans	-	-	-	-	1,452,703	1,452,703
Park improvements	-	-	-	-	127,538	127,538
Tax increment purposes	-	-	-	-	137,220	137,220
Adaptive playground project	-	183,294	-	-	-	183,294
Other purposes	1,057	-	-	-	31,568	33,115
Total restricted	1,057	183,294	-	592,290	6,203,174	7,078,115
Committed for:						
Economic development	664,462	-	-	-	-	664,462
Salut. Island operations	-	-	351,103	-	-	351,103
Ice Arena operations	-	-	-	-	278,113	278,113
Total committed	664,462	-	351,103	-	278,113	1,293,678
Assigned for:						
Capital improvements	-	1,359,282	-	-	653,986	1,992,668
Unassigned	3,224,280	-	-	-	(455,080)	2,769,200
Total fund balance	\$4,010,916	\$1,542,576	\$354,376	\$592,290	\$6,722,172	\$13,222,530

**B. MINIMUM GENERAL FUND UNASSIGNED FUND BALANCE POLICY**

The most significant revenue source of the General Fund is property taxes. This revenue source is primarily 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 the ensuing year's operating budget, excluding transfers. At December 31, 2020, actual unassigned fund balance was 56% of 2021 budgeted expenditures, excluding transfers.

**C. DEFICIT FUND BALANCES**

At December 31, 2020, the Clearwater Shores HIA capital project fund had a deficit fund balance of \$455,080. The deficit will be eliminated with special assessment collections.

CITY OF WACONIA, MINNESOTA  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2020

**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.
- Statement No. 96 Subscription – Based Information Technology 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.

	Budgeted Amounts		2020 Actual	2019 Actual	
	Original	Final	Amounts	Final Budget -	Variance with
				Positive	(Negative)
				Amounts	Amounts
<b>Revenues:</b>					
Property taxes	\$5,847,637	\$5,847,637	\$5,865,737	\$18,100	\$5,576,793
Intergovernmental	244,700	244,700	267,997	23,297	276,380
Investment income	35,000	35,000	98,564	63,564	135,711
<b>Charges for services:</b>					
Administrative services	669,777	669,777	727,134	57,357	666,574
Community development	13,500	13,500	17,780	4,280	15,639
Culture and recreation	9,120	9,120	6,687	(2,433)	7,264
Public safety	136,000	136,000	136,222	222	147,945
Public services	21,300	21,300	45,537	24,237	33,172
Licenses and permits	641,855	641,855	548,910	(92,945)	694,288
Fines and forfeits	40,000	40,000	28,998	(11,002)	42,508
Contributions and donations	3,000	3,000	10,061	7,061	6,096
<b>Total revenues</b>	<b>7,661,889</b>	<b>7,661,889</b>	<b>7,753,627</b>	<b>91,738</b>	<b>7,602,370</b>
<b>Expenditures:</b>					
<b>Current:</b>					
Administrative services:					
Administration	607,663	609,393	639,818	(30,425)	590,013
Central facilities	290,438	290,438	308,617	(18,179)	293,258
Finance	555,427	555,427	518,301	37,126	516,183
Technology	264,444	264,444	262,291	2,153	243,963
<b>Total administrative services</b>	<b>1,717,972</b>	<b>1,719,702</b>	<b>1,729,027</b>	<b>(9,325)</b>	<b>1,643,417</b>
Community development:					
Building inspections	173,475	173,475	132,100	41,375	200,221
Economic development	750	750	-	750	157
Planning	335,282	335,282	331,947	3,335	333,633
<b>Total community development</b>	<b>509,507</b>	<b>509,507</b>	<b>464,047</b>	<b>45,460</b>	<b>534,011</b>
Culture and recreation:					
Recreation	25,800	25,800	17,791	8,009	17,591
Public safety:					
Community safety	1,695	1,695	615	1,080	2,176
Fire	568,250	568,250	540,967	27,283	460,513
Law enforcement	939,987	939,987	941,647	(1,660)	908,823
<b>Total public safety</b>	<b>1,509,932</b>	<b>1,509,932</b>	<b>1,483,229</b>	<b>26,703</b>	<b>1,371,512</b>
Public services:					
Parks	591,717	591,717	538,653	53,064	537,436
Streets	1,330,387	1,330,387	1,151,671	178,716	1,294,837
<b>Total public services</b>	<b>1,922,104</b>	<b>1,922,104</b>	<b>1,690,324</b>	<b>231,780</b>	<b>1,832,273</b>
<b>Total expenditures</b>	<b>5,685,315</b>	<b>5,687,045</b>	<b>5,384,418</b>	<b>302,627</b>	<b>5,398,804</b>

See accompanying notes to the required supplementary information.

## REQUIRED SUPPLEMENTARY INFORMATION

**WACONIA, CITY OF**  
**REQUIRED SUPPLEMENTARY INFORMATION**  
**BUDGETARY COMPARISON SCHEDULE - GENERAL FUND (101)**  
**For The Year Ended December 31, 2020**  
**With Comparative Actual Amounts For The Year Ended December 31, 2018**

Statement 9  
Page 2 of 2

	Budgeted Amounts		2020 Actual	Variance with
	Original	Final	Amounts	Final Budget -
				Positive
				(Negative)
Revenues over (under) expenditures	\$1,976,574	\$1,974,844	\$2,369,209	\$394,365
Other financing sources (uses):				
Transfers in	228,350	228,350	540,463	312,113
Transfers out	(2,230,299)	(2,230,299)	(2,230,299)	-
Total other financing sources (uses)	(2,001,949)	(2,001,949)	(1,689,836)	312,113
Net change in fund balance	(\$25,375)	(\$27,105)	679,373	\$706,478
Fund balance - January 1			3,331,543	
Fund balance - December 31			\$4,010,916	\$3,331,543

See accompanying notes to the required supplementary information.  
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**CITY OF WACONIA, MINNESOTA**  
**REQUIRED SUPPLEMENTARY INFORMATION**  
**BUDGETARY COMPARISON SCHEDULE - SAFARI ISLAND (231)**  
**For The Year Ended December 31, 2020**  
**With Comparative Actual Amounts For The Year Ended December 31, 2019**

Statement 10

	Budgeted Amounts		2020 Actual	Variance with
	Original	Final	Amounts	Final Budget -
				Positive
				(Negative)
Revenues:				
Charges for services	\$1,474,123	\$1,474,123	\$731,041	(\$743,082)
Contributions and donations	-	-	83	83
Total revenues	1,474,123	1,474,123	731,124	(742,999)
Expenditures:				
Current:				
Personnel services	963,000	963,000	566,763	396,237
Materials and supplies	514,117	514,117	344,962	169,155
Contractual services	50,540	50,540	60,078	(9,538)
Capital outlay	29,567	29,567	29,042	525
Total expenditures	1,557,224	1,557,224	1,000,845	556,379
Revenues over (under) expenditures	(83,101)	(83,101)	(269,721)	(186,620)
Other financing sources:				
Transfers in	190,000	190,000	190,000	-
Net change in fund balance	\$106,899	\$106,899	(79,721)	(\$186,620)
Fund balance - January 1			434,097	
Fund balance - December 31			\$354,376	234,095

See accompanying notes to the required supplementary information.  
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**CITY OF WACONIA, MINNESOTA**  
**REQUIRED SUPPLEMENTARY INFORMATION**  
**SCHEDULE OF PENSION CONTRIBUTIONS - GENERAL EMPLOYEES RETIREMENT FUND**  
For The Last Ten Years

Statement 12

Fiscal Year Ending December 31	Statutorily Required Contribution	Contributions in Relation to the Statutorily Required	Contribution Deficiency (Excess)	Covered Payroll	Contributions as a Percentage of Covered Payroll (b/c)
(a)	(b)	(c)	(d)	(e)	(f)
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%
2020	189,873	189,873	-	2,531,640	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.

**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 11

Measurement Date June 30	Fiscal Year Ending December 31	City's Proportionate Share of the Net Pension Liability	City's Proportionate Share of the Net Pension Liability (a)	State's Proportionate Share of the Net Pension Liability Associated with City (b)	Total (a+b)	Covered Payroll (c)	City's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll (c)/(a+b/c)	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
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	75.5%	68.9%
2017	2017	0.0385%	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%
2020	2020	0.0349%	2,092,414	64,565	2,156,979	2,487,163	86.7%	79.1%

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.  
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See accompanying notes to the required supplementary information.  
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**Statement 13**

**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	Fiscal Year Ending December 31	Proportion 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
June 30, 2015	2015	0.0000%	\$ -	\$ -	n/a	89.3%
2016	2016	0.0000%	-	-	n/a	63.9%
2017	2017	0.0000%	-	-	n/a	82.4%
2018	2018	0.0000%	-	-	n/a	88.8%
2019	2019	0.0037%	39,390	37,895	103.9%	89.3%
2020	2020	0.0102%	134,447	114,863	117.0%	87.2%

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



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

Statement 14

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	\$ -	\$ -	\$ -	\$ -	n/a
2016	-	-	-	-	n/a
2017	-	-	-	-	n/a
2018	-	-	-	-	n/a
2019	15,701	15,701	-	92,631	16.95%
2020	21,285	21,285	-	120,254	17.70%

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  
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**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

Fiscal year ending and measurement date	December 31, 2020	December 31, 2019
Total pension liability:		
Service cost	\$55,411	\$54,582
Interest on total pension liability	68,171	48,480
Changes of benefit terms	-	244,117
Differences between expected and actual experience	(15,501)	(19,823)
Changes of assumptions	-	-
Benefit payments	-	-
Net change in total pension liability	108,081	327,356
Total pension liability - beginning	1,080,767	753,411
Total pension liability - ending (a)	\$1,188,848	\$1,080,767
Plan fiduciary net position:		
Contributions - employer	\$10,000	\$10,000
Contributions - State of Minnesota	97,675	93,597
Net investment income (loss)	250,603	244,598
Benefit payments	-	-
Administrative expenses	(1,139)	(1,083)
Net change in plan fiduciary net position	357,139	347,112
Plan fiduciary net position - beginning	1,654,289	1,307,177
Plan fiduciary net position - ending (b)	\$2,011,428	\$1,654,289
Net pension liability (asset) - ending (a) - (b)	(\$822,580)	(\$573,522)
Plan fiduciary net position as a percentage of the total pension liability	169.2%	153.1%
Covered payroll*	Not available	Not available
Net pension liability as a percentage of covered payroll*	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  
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**CITY OF WACONIA, MINNESOTA**  
**REQUIRED SUPPLEMENTARY INFORMATION**  
**SCHEDULE OF PENSION CONTRIBUTIONS - WACONIA FIRE RELIEF ASSOCIATION**  
For The Last Ten Years

Statement 16

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)	*	*
2020	-	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)

Statement 15

December 31, 2018	December 31, 2017	December 31, 2016	December 31, 2015
\$42,277	\$44,295	\$45,026	\$47,458
45,013	53,883	54,457	50,232
-	-	-	-
49,375	(79,866)	(35,333)	(24,851)
(182,347)	(145,958)	-	-
(45,682)	(127,646)	64,150	72,839
799,093	926,739	862,589	789,750
\$753,411	\$795,093	\$926,739	\$862,589
\$10,000	\$10,000	\$10,000	\$17,148
89,020	85,075	85,177	82,948
(50,089)	164,362	81,184	(135)
(182,347)	(145,958)	-	-
(1,098)	(1,126)	(1,078)	(5,246)
(134,514)	112,353	175,283	94,715
1,441,691	1,329,338	1,154,055	1,059,340
\$1,307,177	\$1,441,691	\$1,329,338	\$1,154,055
(\$553,766)	(\$642,598)	(\$402,599)	(\$291,466)
173 5%	180 4%	143 4%	133 8%
Not available	Not available	Not available	Not available
Not available	Not available	Not available	Not available

See accompanying notes to the required supplementary information

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See accompanying notes to the required supplementary information.

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**Note A LEGAL COMPLIANCE – BUDGETS**

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

**Note B PENSION INFORMATION**

**PERA – General Employees Retirement Fund**

**2020 Changes in Actuarial Assumptions:**

- The price inflation assumption was decreased from 2.50% to 2.25%.
  - The payroll growth assumption was decreased from 3.25% to 3.00%.
  - As recommended in the June 30, 2019 experience study, assumed salary increase rates were decreased 0.25% and assumed rates of retirement were changed resulting in more unreduced (normal) retirements and slightly fewer Rule of 90 and early retirements. Assumed rates of termination and disability were also changed.
  - The base mortality tables were changed from RP-2014 tables to Pub-2010 tables, with adjustments.
  - The mortality improvement scale was changed from Scale MP-2018 to Scale MP-2019.
  - The assumed spouse age difference was changed from two years older for females to one year older.
  - The assumed number of married male new retirees electing the 100% Joint & Survivor option changed from 35% to 45%. The assumed number of married female new retirees electing the 100% Joint & Survivor option changed from 15% to 30%. The corresponding number of married new retirees electing the Life annuity option was adjusted accordingly.
- 2020 Changes in Plan Provisions:
- Augmentation for current privatized members was reduced to 2.0% for the period July 1, 2020 through December 31, 2023 and 0.0% after. Augmentation was eliminated for privatizations occurring after June 30, 2020.

**2019 Changes in Actuarial Assumptions:**

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

**2019 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.

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**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**

**2020 Changes in Actuarial Assumptions:**

- The mortality projection scale was changed from MP-2018 to MP-2019.

**2019 Changes in Actuarial Assumptions:**

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

**2018 Changes in Actuarial Assumptions:**

- The mortality projection scale was changed from MP-2016 to MP-2017.

**2017 Changes in Actuarial Assumptions:**

- The single discount rate was changed from 5.6% to 7.5%.
- Assumed salary increases were changed as recommended in the June 30, 2016 experience study. The net effect is proposed rates that average 0.34% lower than the previous rates.
- Assumed rates of retirement were changed, resulting in fewer retirements.
- The Combined Service Annuity (CSA) load was 30% for vested and non-vested deferred members. The CSA was changed to 33% for vested members and 2% for non-vested members.
- The base mortality table for healthy annuitants was changed from the RP-2000 fully generational table to the RP-2014 fully generational table (with a base year of 2006), with male rates adjusted by a factor of 0.96. The mortality improvement scale was changed from the RP-2000 disabled mortality table to the mortality tables assumed for healthy retirees.
- Assumed termination rates were decreased to 3% for the first three years of service. Rates beyond the select period of three years were adjusted, resulting in more expected terminations overall.
- Assumed percentage of married female members was decreased from 65% to 60%.
- Assumed age difference was changed from separate assumptions for male members (wives assumed to be three years younger) and female members (husbands assumed to be four years older) to the assumption that males are two years older than females.
- The assumed percentage of female members electing Joint and Survivor annuities was increased.
- The assumed post-retirement benefit increase rate was changed from 1.00% for all years to 1.00% per year through 2064 and 2.50% thereafter.

**2016 Changes in Actuarial Assumptions:**

- The assumed post-retirement benefit increase rate was changed from 1.0% per year through 2037 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 changed from 7.9% to 7.5%.
- 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.

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COMBINING AND INDIVIDUAL NONMAJOR FUND FINANCIAL  
STATEMENTS AND SCHEDULES

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NONMAJOR GOVERNMENTAL FUNDS

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### NONMAJOR FUND DESCRIPTIONS

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

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

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

Coronavirus Relief Fund – accounts for funds distributed to the City to assist with the financial strain caused by COVID-19.

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, 2016A, 2017A, 2018A, 2019A, 2020A) – 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  
COMBINING BALANCE SHEET  
NONMAJOR GOVERNMENTAL FUNDS  
December 31, 2020  
With Comparative Totals For December 31, 2019

**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 Meadows 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.

	Public Education (107)	Revolving Loan (202)	Lease Arena (078)	Lodging Tax (701)	Total Nonmajor Special Revenue Funds
<b>Assets:</b>					
Cash and investments	\$19,984	\$1,126,874	\$225,428	\$9,650	\$1,381,936
Due from other governmental units	-	-	-	-	-
Accounts receivable - net	2,579	-	1,098	-	3,677
Prepaid items	-	-	4,479	-	4,479
Property taxes receivable	-	-	-	-	-
Special assessments receivable:	-	-	-	-	-
Deferred	-	-	-	-	-
Deposits receivable	-	-	(100,000)	-	100,000
Notes receivable - net	-	325,829	-	-	325,829
<b>Total assets</b>	<b>\$22,563</b>	<b>\$1,452,703</b>	<b>\$331,005</b>	<b>\$9,650</b>	<b>\$1,815,921</b>
<b>Liabilities, Deferred Inflows of Resources, and Fund Balance:</b>					
<b>Liabilities:</b>					
Accounts payable	\$-	\$-	\$48,413	\$355	\$48,668
Interfund loan payable	-	-	-	-	-
<b>Total liabilities</b>	<b>0</b>	<b>0</b>	<b>48,413</b>	<b>255</b>	<b>48,668</b>
<b>Deferred inflows of resources:</b>					
Unavailable revenue	-	-	-	-	-
<b>Fund balance:</b>					
Nonseparable	-	-	4,479	-	4,479
Revolving loan	22,563	1,452,703	-	9,395	1,484,661
Committed	-	-	278,113	-	278,113
Assigned	-	-	-	-	-
Unassigned	-	-	282,392	-	-
<b>Total fund balance</b>	<b>22,563</b>	<b>1,452,703</b>	<b>282,392</b>	<b>9,395</b>	<b>1,767,253</b>
<b>Total liabilities, deferred inflows of resources, and fund balance</b>	<b>\$22,563</b>	<b>\$1,452,703</b>	<b>\$331,005</b>	<b>\$9,650</b>	<b>\$1,815,921</b>

Lease Purchase Agreement of 2016 (201)	G.O. Bonds of 2014A (204)	G.O. Bonds of 2015A (205)	G.O. Bonds of 2016A (206)	G.O. Bonds of 2017A (207)	G.O. Bonds of 2018A (208)	G.O. Bonds of 2019A (209)	G.O. Bonds of 2020A (210)
\$176,545	\$297,276	\$655,793	\$102,586	\$2,431,302	\$163,499	\$51,515	\$68,567
20,471	624	3,482	1,278	4,437	509	164	-
-	-	-	-	-	-	-	-
575	1,014	4,373	1,612	3,458	399	78	-
-	-	88,167	533,883	-	126,515	-	347,035
427,652	-	-	-	-	-	-	-
\$625,243	\$376,215	\$751,815	\$1,164,359	\$2,439,197	\$290,922	\$51,757	\$415,602
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
0	0	0	0	0	0	0	0
428,227	78,318	92,540	535,495	3,458	126,914	78	347,035
-	-	-	-	-	-	-	-
197,016	297,897	659,215	628,864	2,435,739	164,008	\$1,679	68,567
-	-	-	-	-	-	-	-
197,016	297,897	659,215	628,864	2,435,739	164,008	\$1,679	68,567
\$625,243	\$376,215	\$751,815	\$1,164,359	\$2,439,197	\$290,922	\$51,757	\$415,602

Assets	ETDA - CC Revenue Bonds of 2007 (344)	HRA Revenue Bonds of 2007 (378)	Total Nonmajor Debt Service Funds	Capital Equipment (105)	Park Dedication (210)
Cash and investments	\$7,293	\$1,317	\$4,480,693	\$632,859	\$127,938
Due from other governmental units	-	-	30,962	527	-
Accounts receivable - net	-	-	-	-	-
Prepaid items	-	-	11,509	849	-
Property taxes receivable	-	-	-	-	-
Special assessments receivable	-	-	-	-	-
Deposits receivable	-	-	1,172,904	-	-
Notes receivable - net	-	-	427,652	-	-
Total assets	\$7,293	\$1,317	\$6,123,720	\$634,235	\$127,938
Liabilities, Deferred Inflows of Resources, and Fund Balance:					
Liabilities					
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ -
Unearned revenue	0	0	0	0	0
Total liabilities	0	0	0	0	0
Deferred inflows of resources:					
Unavailable revenue	-	-	1,612,065	849	-
Fund balance:					
Nonspendable	-	-	-	-	-
Restricted	7,293	1,317	4,511,655	-	127,938
Committed	-	-	-	633,386	-
Assigned	-	-	-	-	-
Unassigned	-	-	-	-	-
Total fund balance	7,293	1,317	4,511,655	633,386	127,938
Total liabilities, deferred inflows of resources, and fund balance	\$7,293	\$1,317	\$6,123,720	\$634,235	\$127,938



	TIF # 1 Workforce Housing (410)	TIF # 2 Auburn Meadow (411)	TIF # 3 Cherry Street (412)	TIF # 4 Pine Business Park (413)	Clearwater Shore HIA (420)	Total Nonmajor Capital Project Funds	2019 Total
	\$31,303	\$100,808	\$2,569	\$12,540	\$1,687	\$909,704	\$6,772,833
	-	-	-	-	-	527	\$7,111,501
	-	-	-	-	-	-	17,393
	-	-	-	-	-	3,077	3,397
	-	-	-	-	-	4,479	3,815
	-	-	-	-	-	849	16,772
	-	-	-	-	-	-	1,490,285
	-	-	-	-	-	456,767	100,000
	211,806	-	-	-	-	211,806	822,544
	\$243,109	\$100,808	\$2,569	\$12,540	\$458,454	\$1,579,653	\$9,519,294
	-	-	-	-	-	-	\$9,559,667
	-	-	-	-	-	-	\$15,716
	-	-	-	-	-	-	\$46,100
	-	-	-	-	-	-	2,181,791
	31,303	100,808	2,569	12,540	-	265,158	4,729
	-	-	-	-	-	-	6,064,580
	-	-	-	-	-	-	361,764
	-	-	-	-	-	633,386	893,927
	31,303	100,808	2,569	2,540	(455,080)	(455,080)	(492,310)
	-	-	-	-	-	443,464	6,722,472
	\$243,109	\$100,808	\$2,569	\$12,540	\$458,454	\$1,579,653	\$9,519,294
	-	-	-	-	-	-	\$9,559,667

CITY OF WACONIA, MINNESOTA  
COMBINING STATEMENT OF REVENUES  
EXPENDITURES AND CHANGES IN FUND BALANCE  
NONMAJOR GOVERNMENTAL FUNDS  
For the Year Ended December 31, 2020  
With Comparative Totals For the Year Ended December 31, 2019

	Public Education (107)	Revolving Loan (202)	Coronavirus Relief (219)	Ice Arena (078)	Lodging Tax (701)	Total Nonmajor Special Revenue Funds
Revenues:						
Property taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Tax increment collections	-	-	-	-	-	-
Lodging taxes	-	-	-	-	25,295	25,295
Special assessments	-	-	-	-	-	-
Intergovernmental	346	20,052	988,766	-	241	988,766
Investment income	-	14,355	-	-	-	20,639
Interest from investments	11,398	390	-	-	-	14,355
Charges for services	-	-	-	228,761	-	240,549
Contributions and donations	-	-	-	-	-	-
Total revenues	11,744	34,797	988,766	228,761	25,536	1,289,004
Expenditures:						
Current:						
Administrative services	9,596	-	591,117	-	-	600,713
Community development	-	5,649	-	-	34,839	40,488
Police and recreation	-	-	-	461,748	-	461,748
Public services	-	-	-	-	-	-
Capital outlay:						
Administrative services	-	-	84,138	-	-	84,138
Culture and recreation	-	-	-	-	-	-
Public safety	-	-	-	-	-	-
Public services	-	-	-	-	-	-
Debt services:						
Principal	-	-	-	-	-	-
Interest and fiscal charges	-	-	-	-	-	-
Total expenditures	9,596	5,649	675,455	461,748	34,839	1,187,207
Revenues over (under) expenditures	2,148	29,228	313,311	(232,987)	(9,303)	102,397
Other financing sources (uses)						
Insurance of debt	-	-	-	-	-	-
Bond premium	-	-	-	-	-	-
State of capital assets	-	-	-	150,000	-	150,000
Transfers in	-	-	(313,311)	-	(1,152)	(314,463)
Transfers out	-	-	(313,311)	-	(1,152)	(644,463)
Total other financing sources (uses)	0	0	0	(82,987)	(10,455)	(93,442)
Net change in fund balance	2,148	29,228	0	(315,974)	(19,758)	(107,047)
Fund balances - January 1	20,415	1,423,475	0	365,579	19,850	1,829,319
Fund balance - December 31	\$22,563	\$1,452,703	\$0	\$282,592	\$9,392	\$1,767,253



TIF # 1 Workforce Housing (419)	TIF # 2 Ashen Meadows (411)	TIF # 3 Cherry Street (412)	TIF # 4 Pine Business Park (413)	Clearwater Shores HSA (423)	Total Major Funds	2020	2019
\$ -	\$ 150,923	\$ 14,048	\$ 31,109	\$ -	\$1,996,914	\$2,168,371	
-	-	-	-	-	196,140	210,542	
-	-	-	-	-	25,295	50,880	
-	-	-	-	52,921	320,865	355,115	
-	-	-	-	-	988,766	-	
599	1,696	\$5	211	260	17,485	127,548	
-	-	-	-	-	93,674	13,234	
-	-	-	-	-	14,355	-	
-	-	-	-	-	240,549	469,845	
-	-	-	-	-	91,275	128,775	
599	152,619	14,133	31,380	53,181	367,432	3,524,320	
-	-	-	-	-	3,967,833	-	
1,557	136,518	13,320	28,609	-	600,713	9,123	
-	-	-	-	-	220,412	249,616	
-	-	-	-	-	461,746	495,363	
-	-	-	-	-	79,037	15,863	
-	-	-	-	-	84,336	-	
-	-	-	-	-	11,998	-	
-	-	-	-	-	19,497	152,884	
-	-	-	-	-	419,045	534,363	
-	-	-	-	-	95,000	2,367,065	
-	-	-	-	16,182	17,607	624,483	
1,557	136,518	13,320	28,609	16,182	822,188	4,520,972	
(958)	16,101	813	2,771	36,999	(454,756)	(996,632)	
-	-	-	-	-	-	215,000	
-	-	-	-	-	-	41,699	
-	-	-	-	-	2,340	5,600	
-	-	-	-	-	1,352,465	1,077,416	
-	-	-	-	-	250,000	(23,006)	
-	-	-	-	-	(314,463)	(23,006)	
0	0	0	0	0	252,340	1,040,142	
(958)	16,101	813	2,771	36,999	(203,416)	(109,404)	
32,261	84,707	1,756	(231)	(492,079)	645,880	349,757	
\$31,303	\$100,808	\$2,659	\$2,540	(\$455,880)	\$6,722,172	\$6,831,776	

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, 2020  
With Comparative Actual Amounts For The Year Ended December 31, 2019

Statement 19

	Budgeted Amounts	2020 Actual	Variance with
	Original	Final	Final Budget -
			Positive
			(Negative)
			Amounts
Revenues:			
Investment income	\$100	\$346	\$246
Franchise fees	15,000	11,398	(3,602)
Total revenues	15,100	11,744	(3,356)
Expenditures:			
Current:			
Fees and licenses	13,569	9,072	4,497
Equipment	1,300	524	776
Contractual services	1,000	-	1,000
Total expenditures	15,869	9,596	6,273
Revenues over (under) expenditures	(\$769)	2,148	\$2,917
Fund balance - January 1		20,415	15,885
Fund balance - December 31		\$22,563	\$20,415

**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, 2020**  
**With Comparative Actual Amounts For The Year Ended December 31, 2019**

**Statement 20**

	Budgeted Amounts		2020 Actual Amounts	Variance with Final Budget - Positive (Negative)	2019 Actual Amounts
	Original	Final			
<b>Revenues:</b>					
Investment income	\$10,000	\$10,000	\$20,052	\$10,052	\$33,556
Interest from receivables	8,427	8,427	14,355	5,928	13,234
Charges for services	1,600	1,600	390	(1,210)	375
Total revenues	20,027	20,027	34,797	14,770	47,165
<b>Expenditures:</b>					
Current:					
Contractual services	4,700	4,700	5,569	(869)	17,760
Revenues over expenditures	\$15,327	\$15,327	29,228	\$13,901	29,405
Fund balance - January 1			1,423,475		1,394,070
Fund balance - December 31			\$1,452,703		\$1,423,475

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**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, 2020**  
**With Comparative Actual Amounts For The Year Ended December 31, 2019**

**Statement 21**

	Budgeted Amounts		2020 Actual Amounts	Variance with Final Budget - Positive (Negative)	2019 Actual Amounts
	Original	Final			
<b>Revenues:</b>					
Charges for services	\$394,450	\$394,450	\$228,761	(\$165,689)	\$414,647
<b>Expenditures:</b>					
Current:					
Personnel services	238,940	238,940	209,521	29,419	231,020
Materials and supplies	243,170	243,170	206,980	36,190	211,980
Contractual services	50,925	50,925	45,247	5,678	56,563
Total expenditures	533,035	533,035	461,748	71,287	499,563
Revenues over (under) expenditures	(138,585)	(138,585)	(232,987)	(94,402)	(84,916)
Other financing sources:					
Transfers in	150,000	150,000	150,000	-	155,000
Net change in fund balance	\$11,415	\$11,415	(82,987)	(\$94,402)	70,084
Fund balance - January 1			365,579		295,495
Fund balance - December 31			\$282,592		\$365,579

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**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, 2020**  
**With Comparative Actual Amounts For The Year Ended December 31, 2019**

**Statement 22**

	Budgeted Amounts		2020 Actual	Variance with	2019 Actual
	Original	Final	Amounts	Final Budget - Positive (Negative)	Amounts
<b>Revenues:</b>					
Lodging taxes	\$47,000	\$47,000	\$25,295	(\$21,705)	\$50,890
Investment income	200	200	241	41	515
Total revenues	47,200	47,200	25,536	(21,664)	51,405
<b>Expenditures:</b>					
Current:					
Contractual services	44,850	44,850	34,839	10,011	39,962
Revenues over (under) expenditures	2,350	2,350	(9,303)	(11,653)	11,443
Other financing sources (uses):					
Transfers out	(2,350)	(2,350)	(1,152)	1,198	(2,556)
Net change in fund balance	\$0	\$0	(10,455)	(\$10,455)	8,887
Fund balance - January 1			19,850		10,963
Fund balance - December 31			\$9,395		\$19,850

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III. STATISTICAL SECTION (UNAUDITED)

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

	2011	2012	2013	2014
<b>Governmental activities:</b>				
Net investment in capital assets	\$45,586,192	\$45,602,831	\$46,081,741	\$46,224,926
Restricted:				
Debt service	10,891,063	10,260,654	8,224,592	7,612,827
Economic development loans	1,216,873	1,217,310	1,228,283	1,308,745
Fire Relief Association pension plan	-	-	-	308,434
Park improvements	191,093	201,792	202,547	104,981
Tax increment purposes	228,864	230,912	232,630	246,852
Other purposes	39,700	47,552	11,794	20,677
Unrestricted	4,601,932	3,915,592	3,531,216	2,769,870
Total governmental activities net position	\$62,755,717	\$61,476,643	\$59,512,803	\$58,597,312
<b>Business-type activities:</b>				
Net investment in capital assets	\$21,215,555	\$21,503,856	\$21,701,041	\$21,199,492
Unrestricted	5,473,413	5,257,619	4,855,848	5,396,472
Total business-type activities net position	\$26,692,968	\$26,761,475	\$26,556,889	\$26,595,964
<b>Primary government:</b>				
Net investment in capital assets	\$66,805,747	\$67,106,687	\$67,782,782	\$67,424,418
Restricted:				
Debt service	10,891,063	10,260,654	8,224,592	7,612,827
Economic development loans	1,216,873	1,217,310	1,228,283	1,308,745
Fire Relief Association pension plan	-	-	-	308,434
Park improvements	191,093	201,792	202,547	104,981
Tax increment purposes	228,864	230,912	232,630	246,852
Other purposes	39,700	47,552	11,794	20,677
Unrestricted	10,075,345	9,173,211	8,387,064	8,166,342
Total primary government net position	\$89,448,685	\$88,238,118	\$86,069,692	\$85,193,276

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

	Contents	Table Number
<b>Financial Trends</b> 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
<b>Revenue Capacity</b> These tables contain information to help the reader assess the City's most significant local revenue source, the property tax.		Tables 5 - 8
<b>Debt Capacity</b> 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
<b>Demographic and Economic</b> 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
<b>Operating Information</b> 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**

2015	2016	2017	2018	2019	2020
\$50,176,476	\$49,265,320	\$48,001,795	\$55,052,450	\$53,036,567	\$51,589,706
6,297,467	7,883,160	10,177,291	8,163,724	8,204,324	8,242,354
1,327,357	1,348,885	1,370,811	1,394,070	1,423,475	1,452,703
322,541	388,087	498,197	592,716	461,066	618,998
7,387	7,690	111,687	80,560	125,539	127,938
262,227	278,314	295,600	311,292	330,530	349,026
19,828	37,324	29,795	27,905	173,138	216,309
3,476,749	2,542,541	2,408,870	2,410,871	3,865,330	5,316,279
\$61,890,032	\$61,751,321	\$62,894,046	\$68,033,588	\$67,619,969	\$67,913,313
\$26,906,510	\$28,375,198	\$30,137,682	\$35,974,877	\$36,443,538	\$36,406,342
5,060,359	5,756,842	5,259,740	4,996,936	5,023,629	4,766,454
\$31,966,869	\$34,132,040	\$35,397,422	\$40,971,813	\$41,467,167	\$41,172,796
\$77,082,986	\$77,640,518	\$78,139,477	\$91,027,327	\$89,480,105	\$87,996,048
6,297,467	7,883,160	10,177,291	8,163,724	8,204,324	8,242,354
1,327,357	1,348,885	1,370,811	1,394,070	1,423,475	1,452,703
322,541	388,087	498,197	592,716	461,066	618,998
7,387	7,690	111,687	80,560	125,539	127,938
262,227	278,314	295,600	311,292	330,530	349,026
19,828	37,324	29,795	27,905	173,138	216,309
8,537,108	8,299,383	7,668,610	7,407,807	8,888,959	10,082,733
\$93,856,901	\$95,883,361	\$98,291,468	\$109,005,401	\$109,087,136	\$109,086,109

Expenses	2011	2012	2013	2014
<b>Governmental activities:</b>				
Administrative services	\$2,241,095	\$2,293,534	\$2,400,107	\$2,504,317
Community development	470,239	489,238	526,729	665,203
Culture and recreation	1,375,662	1,379,551	1,437,716	1,509,829
Public safety	969,495	992,179	1,035,970	1,789,868
Public services	3,270,071	4,271,203	6,069,224	3,867,846
Interest on long-term debt	1,180,619	976,845	559,939	537,347
Total governmental activities expenses	9,507,181	10,402,550	12,029,685	10,874,410
<b>Business-type activities:</b>				
Water	1,615,966	1,692,319	2,144,091	1,766,523
Sewer	1,999,538	2,629,443	2,269,938	2,255,953
Storm water	405,616	603,080	661,647	888,627
Street lighting	196,833	186,328	258,033	210,961
Ice arena	782,264	746,809	783,262	777,649
Total business-type activities expenses	5,000,217	5,857,979	6,116,971	5,899,713
Total primary government expenses	\$14,507,398	\$16,260,529	\$18,146,656	\$16,774,123
<b>Program revenues</b>				
<b>Governmental activities:</b>				
Charges for services:				
Administrative services	\$773,719	\$744,823	\$733,697	\$713,136
Community development	326,184	384,507	767,824	685,223
Culture and recreation	913,536	922,282	932,207	947,903
Public safety	135,235	142,424	128,601	132,417
Public services	18,783	24,474	20,808	18,518
Operating grants and contributions	156,823	145,989	188,108	182,910
Capital grants and contributions	555,758	1,776,558	2,646,128	1,783,440
Total governmental activities program revenues	2,880,038	4,341,057	5,417,373	4,463,547
<b>Business-type activities:</b>				
Charges for services:				
Water	1,271,709	1,437,708	1,395,628	1,327,980
Sewer	1,593,493	1,659,623	1,677,045	1,693,322
Storm water	377,543	457,215	439,685	479,786
Street lighting	207,324	214,502	228,010	234,973
Ice arena	312,520	313,038	336,095	342,876
Operating grants and contributions	-	-	12,313	83,610
Capital grants and contributions	700,000	1,427,961	1,360,860	1,394,858
Total business-type activities program revenues	4,462,589	5,510,047	5,449,636	5,557,405
Total primary government program revenues	\$7,342,627	\$9,851,104	\$10,867,009	\$10,020,952



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

**Table 2**  
**Page 1 of 2**

2015	2016	2017	2018	2019	2020
\$2,500,012	\$2,694,304	\$2,605,589	\$2,630,273	\$2,714,323	\$3,337,010
894,046	877,853	693,916	845,242	769,991	673,370
1,426,043	2,153,859	2,101,686	2,378,745	2,318,632	1,598,737
1,116,772	1,219,233	1,358,340	1,521,879	1,837,582	1,684,638
9,889,687	8,811,426	5,097,166	5,495,664	6,064,581	6,173,716
656,535	788,098	803,890	709,590	673,660	701,652
16,483,095	16,544,773	12,660,587	13,581,393	14,378,769	14,169,123
2,373,460	2,407,444	2,293,405	1,897,526	2,717,426	2,269,315
2,558,513	2,560,288	2,649,261	2,468,774	3,594,233	2,799,448
1,003,865	947,565	1,003,319	1,381,573	1,328,221	1,349,937
200,617	203,240	223,464	237,420	259,716	245,149
819,468	-	-	-	-	-
6,955,923	6,120,537	6,169,449	5,983,293	7,895,596	6,663,849
\$23,439,018	\$22,665,310	\$18,830,036	\$19,566,686	\$22,278,365	\$20,832,972
\$758,415	\$807,406	\$756,770	\$735,603	\$744,018	\$798,849
926,235	1,184,949	708,699	724,034	659,297	521,118
901,147	1,348,595	1,567,638	1,853,294	1,851,410	966,489
147,343	143,008	193,787	191,649	190,453	165,220
279,574	125,296	173,284	60,671	95,207	273,415
194,478	404,157	203,145	438,027	376,788	1,277,043
9,517,760	5,981,386	3,390,306	6,466,765	421,979	1,212,755
12,724,952	9,994,799	6,993,629	10,470,043	4,339,152	5,214,889
1,392,858	1,541,745	1,598,715	1,558,602	2,305,044	1,730,094
1,767,688	1,845,278	1,910,095	1,953,073	2,831,076	2,098,264
543,891	597,917	782,627	859,188	951,423	1,073,822
251,831	246,122	251,732	252,786	254,218	271,484
345,504	-	-	-	-	-
-	63,351	-	9,385	70,594	10,000
3,443,339	2,834,588	2,166,309	6,986,412	1,932,328	1,422,897
7,745,111	7,129,001	6,709,478	11,619,446	8,344,683	6,606,561
\$20,470,063	\$17,123,800	\$13,703,107	\$22,089,489	\$12,683,835	\$11,821,450

	2011	2012	2013	2014
<b>Net (expense) revenue</b>				
Governmental activities	(\$6,627,143)	(\$6,061,493)	(\$6,612,312)	(\$6,410,863)
Business-type activities	(537,628)	(347,932)	(667,335)	(345,308)
Total primary government net (expense) revenue	(7,164,771)	(6,409,425)	(7,279,647)	(6,756,171)
<b>General revenues and other changes in net position</b>				
Governmental activities:				
Property taxes	4,745,665	4,867,392	4,966,181	5,389,061
Tax increment	43,280	19,620	19,649	162,335
Lodging taxes	29,405	33,749	41,949	43,165
Grants and contributions not restricted to specific programs	-	-	3,343	79,864
Unrestricted investment earnings	167,437	166,658	47,571	105,069
Gain on sale of capital assets	-	-	8,679	528
Transfers	(295,000)	(305,000)	(438,900)	(284,650)
Total governmental activities	4,690,787	4,782,419	4,648,472	5,495,372
Business-type activities:				
Unrestricted investment earnings	164,748	111,439	23,849	86,527
Gain on sale of capital assets	-	-	-	10,206
Transfers	295,000	305,000	438,900	284,650
Total business-type activities	459,748	416,439	462,749	381,383
Total primary government	\$5,150,535	\$5,198,858	\$5,111,221	\$5,876,755
<b>Change in net position</b>				
Governmental activities	(\$1,936,356)	(\$1,279,074)	(\$1,963,840)	(\$915,491)
Business-type activities	(77,880)	68,507	(204,586)	39,075
Total primary government	(\$2,014,236)	(\$1,210,567)	(\$2,168,426)	(\$876,416)

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

	2015	2016	2017	2018	2019	2020		2011	2012	2013	2014
	(3,758,143)	(86,549,974)	(85,666,958)	(3,111,350)	(10,039,617)	(88,954,234)	General Fund:	\$18,593	\$12,409	\$28,844	\$13,143
	789,188	1,008,464	540,029	5,634,153	445,087	(57,286)	Nonspendable	-	-	1,057	1,057
	(2,968,955)	(5,541,510)	(5,126,929)	2,522,803	(9,594,530)	(9,011,522)	Restricted	873,835	873,168	712,637	692,888
							Committed	1,133,609	1,265,607	1,646,903	1,747,771
							Unassigned	\$2,026,037	\$2,151,184	\$2,389,441	\$2,454,859
							Total general fund				
	6,043,541	6,489,987	7,125,562	7,780,601	8,404,302	8,508,645	All other governmental funds:				
	179,949	205,391	220,075	198,918	210,542	196,140	Nonspendable	\$1,982	\$788	\$152,640	\$-
	41,541	47,143	47,858	47,395	50,890	25,295	Restricted	17,196,144	6,285,084	5,357,864	4,844,938
	185,594	100,768	10,585	11,957	14,030	-	Committed	15,191	32,150	30,687	-
	102,172	164,660	61,962	84,713	301,413	197,058	Assigned	2,540,980	1,909,125	1,188,742	939,666
	25,842	65,913	50,000	43,501	562,608	-	Unassigned	-	-	(1,845)	(32,175)
	(455,000)	(1,776,000)	(706,359)	83,807	82,213	320,440	Total all other governmental funds	\$19,754,297	\$8,227,147	\$6,728,088	\$5,752,429
	6,123,639	5,297,862	6,809,683	8,250,892	9,625,998	9,247,578					
	51,360	83,644	18,594	24,045	132,480	83,357					
	9,195	6,781		-	-	-					
	455,000	1,776,000	706,359	(83,807)	(82,213)	(320,440)					
	515,555	1,866,425	725,353	(59,762)	50,267	(237,083)					
	\$6,639,194	\$7,164,287	\$7,535,036	\$8,191,130	\$9,676,265	\$9,010,495					
	\$2,365,496	(\$1,252,112)	\$1,142,725	\$5,139,542	(\$413,619)	\$293,344					
	1,304,743	2,874,889	1,265,382	5,574,391	495,354	(294,371)					
	\$3,670,239	\$1,622,777	\$2,408,107	\$10,713,993	\$81,735	(\$1,027)					

Table 3

	2015	2016	2017	2018	2019	2020
	\$128,194	\$73,210	\$78,810	\$90,530	\$102,085	\$121,117
	1,057	1,057	1,057	1,057	1,057	1,057
	673,888	667,699	664,699	664,619	664,462	664,462
	2,015,575	2,438,986	2,202,643	2,276,215	2,563,939	3,224,280
	\$2,818,714	\$3,180,952	\$2,947,209	\$3,032,421	\$3,331,543	\$4,010,916
	\$27,492	\$12,551	\$667,610	\$5,008	\$6,671	\$7,752
	7,337,831	5,531,525	12,468,006	8,687,512	6,800,821	7,037,058
	-	136,455	312,718	524,582	793,005	629,216
	1,838,930	1,397,183	1,375,779	1,108,126	1,311,245	1,992,668
	(453,188)	(866,210)	(1,162,412)	(1,217,378)	(492,310)	(455,080)
	\$8,751,065	\$6,211,504	\$13,661,701	\$9,107,850	\$8,419,432	\$9,211,614

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

	2011	2012	2013	2014
<b>Revenues:</b>				
General property taxes	\$4,816,809	\$4,871,223	\$5,014,927	\$5,429,108
Tax increment	43,280	19,620	19,649	162,335
Lodging taxes	29,405	33,749	41,949	43,165
Special assessments	1,267,620	674,933	368,991	762,373
Intergovernmental	270,575	1,682,388	2,499,159	1,249,183
Investment income	167,438	147,596	47,571	105,069
Charges for services	1,779,391	1,774,255	1,746,134	1,787,360
Licenses and permits	359,829	640,048	807,266	666,867
Fines and forfeits	28,237	29,469	29,737	42,970
Contributions and donations	28,177	14,043	26,603	24,977
Developer reimbursements	89,645	27,903	-	-
Total revenues	8,880,406	9,915,627	10,601,986	10,273,407
<b>Expenditures:</b>				
<b>Current:</b>				
Administrative services	1,125,068	1,162,914	1,323,787	1,442,979
Community development	468,537	483,702	548,085	634,912
Culture and recreation	1,184,403	1,184,317	1,272,252	1,318,275
Public safety	854,147	868,806	967,546	996,393
Public services	1,055,771	1,108,341	1,918,949	1,662,754
Capital outlay:				
Administrative services	80,194	40,478	30,951	30,939
Culture and recreation	-	15,388	-	-
Public safety	720,915	14,825	49,603	67,045
Public services	352,387	1,824,350	2,310,334	3,089,919
Debt service:				
Principal	2,931,506	13,346,770	2,315,768	2,388,925
Interest and fiscal charges	1,102,155	952,739	681,473	645,158
Payment to refunded bond escrow	-	-	-	-
Total expenditures	9,875,083	21,012,630	11,418,788	12,301,299
Revenues over (under) expenditures	(994,677)	(11,097,003)	(816,802)	(2,027,892)
<b>Other financing sources (uses):</b>				
Issuance of debt	11,995,000	-	-	1,390,000
Bond premium	749,254	-	-	28,451
Transfers in	2,091,233	1,660,769	1,439,783	3,072,797
Transfers out	(2,386,233)	(1,965,769)	(1,883,783)	(3,373,597)
Sale of property and capital assets	-	-	-	-
Payment to refunded bond escrow	-	-	-	-
Total other financing sources (uses)	12,449,254	(305,000)	(444,000)	1,117,651
Net change in fund balance	\$11,454,579	(\$11,402,003)	(\$1,260,802)	(\$910,241)
Debt service as a percentage of noncapital expenditures	46.2%	70.4%	30.0%	31.0%
Debt service as percentage of total expenditures	40.8%	68.1%	26.2%	24.7%

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

Table 4

	2015	2016	2017	2018	2019	2020
	\$6,037,546	\$6,500,999	\$7,148,422	\$7,767,482	\$8,397,950	\$8,500,796
	179,949	203,391	220,075	198,918	210,542	196,140
	41,541	47,143	47,858	47,395	50,890	25,295
	1,033,655	996,190	3,077,412	307,554	363,721	323,343
	6,538,855	1,512,450	615,947	317,102	276,380	1,416,763
	102,172	164,660	61,962	84,713	301,413	197,058
	2,001,232	2,349,999	2,611,592	2,769,305	2,803,589	2,275,634
	961,940	1,219,498	748,269	754,444	694,288	548,910
	49,542	39,759	40,317	41,502	42,508	28,998
	116,228	223,556	207,630	185,233	273,532	152,896
	17,062,760	13,261,145	14,779,484	12,473,668	13,414,813	13,667,853
	1,424,213	1,749,023	1,517,485	1,607,461	1,652,540	2,329,740
	885,383	240,463	693,916	867,610	783,627	684,459
	1,222,408	1,850,538	1,777,836	2,040,710	1,971,766	1,451,342
	948,630	1,416,230	1,211,271	1,332,149	1,371,512	1,483,229
	1,853,050	3,602,754	1,712,770	2,006,663	2,463,797	2,491,790
		481,910	84,693	-	168,157	84,338
			26,527	31,800	176,611	41,040
	93,595	227,762	28,511	818,177	152,884	19,497
	10,528,222	6,383,945	3,238,431	3,101,067	2,505,715	3,215,734
	2,469,162	3,046,005	3,606,134	5,321,814	4,547,065	3,095,908
	769,234	849,577	909,705	924,288	875,267	845,659
	436,317	-	-	-	-	-
	20,630,214	19,848,207	14,807,279	18,031,739	16,668,941	15,742,736
	(3,567,454)	(6,587,062)	(27,795)	(5,578,071)	(3,254,128)	(2,074,903)
	11,295,000	6,005,000	7,470,000	965,000	1,895,000	2,970,000
	475,098	182,090	480,608	60,625	362,119	156,152
	8,476,429	8,285,437	8,945,029	2,803,482	2,573,972	2,962,728
	(8,931,429)	(10,061,437)	(9,651,384)	(2,719,675)	(2,491,759)	(2,544,762)
					525,500	2,340
	(4,385,153)	-	-	-	-	-
	6,929,945	4,411,090	7,244,249	1,109,432	2,864,832	3,546,458
	\$3,362,491	(\$2,175,972)	\$7,216,454	(\$4,468,639)	(\$389,296)	\$1,471,555
	20.9%	26.0%	38.9%	44.3%	39.7%	31.8%
	17.8%	19.6%	30.5%	34.6%	32.5%	25.0%

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
(\$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%
(195,276)	618,137	18,010,509	46.713	1,536,864,900	1.17%

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**CITY OF WACONIA, MINNESOTA**  
**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)							
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
2020	32.233	14.480	46.713	32.269	35.179	3.577	117.738

Source: Carver County Taxpayer Services

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

Table 7

Taxpayer	2020			2011		
	Net Tax Capacity	Rank	Percentage of Total Net Tax Capacity	Net Tax Capacity	Rank	Percentage of Total Net Tax Capacity
Ridgeview Real Estate LLC	\$326,320	1	1.86%	\$155,970	3	1.30%
JE Waconia 2018 LLC	217,786	2	1.24%	293,492	1	2.44%
Elkay Wood Products Company	172,120	3	0.98%	154,498	4	1.28%
Tuget Corporation	160,786	4	0.91%	211,970	2	1.76%
Centerpoint Energy Minnegasco	141,250	5	0.80%	-	-	-
Lakeview Clinic Building Corp.	140,292	6	0.80%	115,106	5	0.96%
Xcel Energy	139,696	7	0.79%	71,470	9	0.59%
Auburn Meadows LLC	107,348	8	0.61%	-	-	-
Health Care Reit Inc.	104,155	8	0.59%	-	-	-
ILEX Group Inc.	86,988	10	0.49%	-	-	-
MMC Property LLC	-	-	-	77,694	6	0.65%
Lighthouse at Waconia LLC	-	-	-	72,976	7	0.61%
Assured Funding Trust II	-	-	-	72,925	8	0.61%
Waconia Farm Supply	-	-	-	64,874	10	0.54%
Total	\$1,596,741		9.08%	\$1,290,975		10.73%
Total All Property	\$17,587,648			\$12,035,036		

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
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%	(43,873)	7,094,775	98.2%
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%
2020	8,530,964	8,495,260	99.6%	-	8,495,260	99.6%

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
		G.O. Improvement Bonds	Public Project Revenue Bonds		
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	
2020	8,637,395	15,181,803	2,954,052	885,000	

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

<sup>(1)</sup> The Total Tax Capacity values can be found at Table 5

<sup>(2)</sup> Population data can be found at Table 14.

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

Table 10

Debt Being Paid Solely From Property Taxes										
Fiscal Year	EDA Public						Less: Debt Service Fund Balance	Net General Bonded Debt	Percentage of Total Tax Capacity <sup>(2)</sup>	Per Capita <sup>(3)</sup>
	General Obligation Bonds	Project Revenue Bonds <sup>(1)</sup>	Total							
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	
2020	8,637,395	-	8,637,395	1,203,752	7,433,643			42.27%	570	

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

- <sup>(1)</sup> A City property tax levy provided funding for lease payments to the EDA, which equaled the EDA's debt service payments on the public project revenue bonds.  
<sup>(2)</sup> The Total Tax Capacity values can be found at Table 5  
<sup>(3)</sup> Population data can be found at Table 14

Table 9

Business-Type Activities				Total Tax Capacity			Percentage of Total Tax Capacity <sup>(1)</sup>	Total Debt	Per Capita <sup>(2)</sup>	Population
G.O. Revenue Bonds	Public Project Revenue Bonds									
\$12,655,000	\$5,275,132			\$12,035,036			444.42%	\$53,485,604	\$4,937	10,833
12,045,000	5,044,699			11,147,576			352.98%	39,349,218	3,506	11,222
21,634,820	4,756,416			10,245,211			451.35%	46,241,330	3,999	11,563
19,527,155	4,483,157			10,905,775			392.42%	42,796,275	3,619	11,827
18,894,281	4,205,911			12,298,603			378.06%	46,495,589	3,844	12,095
14,033,748	-			13,238,918			337.15%	44,634,878	3,607	12,374
12,663,215	-			13,721,264			345.81%	47,449,347	3,775	12,571
11,953,867	-			14,741,704			286.53%	42,239,448	3,314	12,745
13,801,657	-			15,674,928			265.29%	41,584,756	3,250	12,797
19,543,689	-			17,587,648			268.38%	47,201,939	3,620	13,038



**CITY OF WACONIA, MINNESOTA**  
**DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT**  
12/31/2020

**Table 11**

Governmental Unit	Debt Outstanding	Estimated Percentage Applicable*	Estimated Share of Overlapping Debt
Direct debt:			
City of Waconia <sup>(1)</sup>	\$27,658,250	100.00%	\$27,658,250
Overlapping debt:			
Carver County	21,256,000	10.76%	2,287,146
Independent School District No. 110	121,755,000	56.09%	68,292,380
Metropolitan Council	230,225,000	0.39%	897,878
Subtotal - overlapping debt	373,236,000		71,477,404
Total direct and overlapping debt	\$400,894,250		\$99,135,654

<sup>(1)</sup>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.

Table 12

Legal Debt Margin Calculation for Fiscal Year 2020	
Estimated market value of property	\$1,578,425,800
Debt limit percentage	3%
Statutory debt limit	47,352,774
Net debt applicable to limit:	
Total bonded debt	46,316,939
Less:	
G.O. improvement bonds	(15,181,803)
G.O. revenue bonds	(19,543,689)
Public project revenue bonds not paid from property taxes	(2,954,052)
Total net debt applicable to limit	8,637,395
Legal debt margin	\$38,715,379

Legal Debt Margin Calculation for Fiscal Years 2011 Through 2019				
Fiscal Year	Statutory Debt Limit	Net Debt Applicable to Limit	Legal Debt Margin	Ratio of Net Debt to Debt Limit
2011	\$30,845,427	\$15,849,545	\$14,995,882	51.38%
2012	30,245,853	15,302,027	14,943,826	50.59%
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%
2019	42,485,841	8,551,293	33,934,548	20.13%

Fiscal Year	Special Assessment Collections	G.O. Improvement Bonds			Coverage
		Principal	Debt Service	Interest	
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	763,373	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%
2020	325,343	1,545,000		367,500	17%

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	
\$3,615,760	\$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	261,350	163%
5,786,857	3,980,375	1,806,482	1,285,000	353,770	110%

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

Table 14

Fiscal Year	Waconia Population <sup>(1)</sup>	Carver County Unemployment Rate <sup>(2)</sup>	Carver County Personal Income (Thousands) <sup>(3)</sup>	Carver County Per Capita Personal Income <sup>(3)</sup>
2011	10,833	5.5%	\$5,034,748	\$54,229
2012	11,222	4.8%	5,433,676	57,852
2013	11,563	4.3%	5,548,893	58,000
2014	11,827	3.6%	5,924,329	60,827
2015	12,095	3.2%	6,249,370	63,291
2016	12,374	3.3%	6,577,482	65,560
2017	12,571	2.9%	6,911,379	67,680
2018	12,745	2.5%	7,388,388	71,350
2019	12,797	2.8%	7,655,911	72,852
2020	13,038	3.9%	(a)	(a)

Sources: <sup>(1)</sup>Federal Census Data and State Demographer's Estimate  
<sup>(2)</sup>State of Minnesota, Department of Employment and Economic Development  
<sup>(3)</sup>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.

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

**Table 15**

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

Employer	2020			2011			Percentage of Total City Employment <sup>(1)</sup>
	Employees	Rank	Percentage of Total City Employment <sup>(1)</sup>	Employees	Rank	Percentage of Total City Employment <sup>(1)</sup>	
Ridgeview Medical Center	1,623	1	33.1%	1,500	1	40.2%	
Strom Aviation	1,001	2	20.4%	-	-	-	
I.S.D. No. 110 (Waconia Schools)	979	3	20.0%	668	2	17.9%	
CabinetWorks Group	500	4	10.2%	500	3	13.4%	
Mackenthun's Fine Foods	200	5	4.1%	220	5	5.9%	
Target	150	6	3.1%	160	6	-	
Good Samaritan Society Waconia	130	7	2.7%	230	4	6.2%	
Lakeview Clinic	120	8	2.4%	-	-	-	
Waconia Manufacturing	100	9	2.0%	-	-	-	
Laketown Electric Corp.	100	10	2.0%	-	-	-	
City of Waconia	-	-	-	157	7	4.2%	
Ace Resource Center, Inc.	-	-	-	100	8	2.7%	
Custom HBC Corp.	-	-	-	100	9	2.7%	
Milltronics Manufacturing Co	-	-	-	100	10	2.7%	
<b>Total</b>	<b>4,903</b>			<b>3,735</b>			

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

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

Function/Program	Full-Time Equivalent Employees as of December 31,		
	2011	2012	2013
Administrative services	8	8	8
Community development	3	3	3
Culture and recreation	23	24	25
Public safety	2	3	3
Public services	17	17	17
<b>Total</b>	<b>53</b>	<b>55</b>	<b>56</b>

Source: City Finance Department

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

Table 16

Function/Program	Full-Time Equivalent Employees as of December 31,										Fiscal Year		
	2014	2015	2016	2017	2018	2019	2020	2011	2012	2013	2011	2012	2013
<b>Building:</b>													
Total permits issued	8	8	8	8	8	8	9	595	1,068	1,124			
Total estimated value	3	3	3	3	3	3	3	\$20,895,214	\$34,399,256	\$47,110,365			
	27	25	-	-	-	-	-						
<b>Election:</b>													
Registered voters	3	3	5	6	5	6	4	5,962	6,316	6,316			
	20	22	22	22	24	25	23						
<b>Fire:</b>													
Average number of employees	61	61	38	39	40	42	39	34	36	32			
<b>General government:</b>													
Area of city - square miles								4.45	4.45	4.45			
Average number of permanent full-time employees (excluding fire department)								35	37	37			
<b>Police:</b>													
Average number of employees								4.7	4.7	5.0			
Number of major crimes								204	133	134			
<b>Water:</b>													
Number of customers								3,661	3,761	3,854			
Daily average consumption - gallons								948,988	1,007,602	981,116			
Plant capacity - gallons								4,100,000	4,100,000	4,100,000			
Source: Various City Departments													

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

Table 17

	Fiscal Year					Function/Program	Fiscal Year		
	2014	2015	2016	2017	2018		2011	2012	2013
937		1,037	1,073	1,133	1,044	1,051			
\$38,308,553	\$70,473,280	\$95,802,009	\$43,720,644	\$48,376,735	\$50,100,000	\$28,000,000			
7,210	7,210	7,469	7,469	7,686	7,900	8,659			
32	32	30	30	30	30	30			
4,52	4,63	4,70	4,76	4,76	5,16	5,20			
38	39	29	31	32	34	34			
6,3	6,3	6,3	7,3	7,3	6,5	7,0			
103	128	186	264	257	247	298			
3,939	4,040	4,190	4,424	4,295	4,317	4,340			
956,006	953,162	975,947	969,201	975,202	919,586	800,000			
4,100,000	4,100,000	4,100,000	4,100,000	4,100,000	4,100,000	4,100,000			

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	Fiscal Year			Function/Program	Fiscal Year		
	2011	2012	2013		2012	2013	2013
Fire:							
Number of stations	1	1	1				
Parks and recreation:							
Acres of parks/open space	152.3	152.3	152.7				
Number of shelter buildings	4	4	6				
Number of playgrounds	13	13	14				
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	47.3	48.2				
Miles of sidewalks	14.1	14.2	14.4				
Miles of trails	13.0	13.0	13.1				
Storm Sewer:							
Miles of storm sewers	42.3	43.8	43.8				
Storm sewer pump stations	-	-	-				
Miles of reuse water mains	-	-	-				
Sanitary Sewer:							
Miles of gravity sanitary sewers	52.2	52.4	52.4				
Miles of forcemain sanitary sewers	5.3	5.3	5.3				
Number of lift stations	11	11	11				
Water:							
Miles of water mains	60.3	60.6	60.6				
Number of wells	6	6	6				

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Table 18

	Fiscal Year									
	2014	2015	2016	2017	2018	2019	2020			
1	1	1	1	1	1	1	1	1	1	1
152.7	168.0	199.4	212.0	212.0	212.0	212.0	209.0	209.0	209.0	209.0
6	7	7	10	10	10	11	11	11	11	11
16	16	16	16	16	16	16	16	16	16	16
3	3	3	4	4	4	4	4	4	4	4
5	5	5	5	5	5	5	5	5	5	5
1	1	1	1	1	1	1	1	1	1	1
48.2	48.7	54.1	56.0	56.0	56.0	56.0	57.3	57.3	57.3	57.3
14.9	15.3	18.2	21.0	21.0	21.0	21.0	21.7	21.7	21.7	21.7
13.1	15.1	18.0	20.0	21.4	21.4	21.4	23.4	23.4	23.4	23.4
47.0	52.4	52.6	63.0	63.0	65.0	65.0	60.3	60.3	60.3	60.3
•	•	•	•	•	3.0	3.0	4.0	4.0	4.0	4.0
•	•	•	•	•	1.4	1.4	1.6	1.6	1.6	1.6
55.4	53.6	54.1	56.0	56.0	56.4	57.7	60.3	60.3	60.3	60.3
5.3	3.7	3.7	4.6	4.6	4.6	4.9	5.2	5.2	5.2	5.2
11	11	11	11	11	11	11	11	11	11	11
66.8	71.1	71.2	76.0	76.0	76.2	77.9	80.4	80.4	80.4	80.4
6	6	6	6	6	6	6	6	6	6	6

**FORM OF LEGAL OPINION**

(See following pages)



PROPOSED FORM OF LEGAL OPINION

\$ \_\_\_\_\_  
GENERAL OBLIGATION BONDS, SERIES 2021A  
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 Bonds, Series 2021A, bearing a date of original issue of December 2, 2021 (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](http://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 Bonds, Series 2021A (the "Bonds"). The Bonds are being issued pursuant to a Resolution adopted on November 15, 2021 (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 \_\_\_\_\_, 2021, 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, 2021, the Issuer shall, or shall cause the Dissemination Agent to provide to the MSRB by filing at [www.emma.msrb.org](http://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, 2022, 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](http://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: \_\_\_\_\_, 2021.

CITY OF WACONIA, MINNESOTA

By \_\_\_\_\_  
Its Mayor

By \_\_\_\_\_  
Its City Administrator

## TERMS OF PROPOSAL

### **\$7,835,000\* GENERAL OBLIGATION BONDS, SERIES 2021A CITY OF WACONIA, MINNESOTA**

Proposals for the purchase of \$7,835,000\* General Obligation Bonds, Series 2021A (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 10:00 A.M., Central Time, and **ELECTRONIC PROPOSALS** will be received via **PARITY**, in the manner described below, until 10:00 A.M. Central Time, on November 15, 2021, 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, Sections 115.46, 412.301, 469.1814, 475.58, subd. 3b and Chapters 444, 469, 475, by the City for the purpose of financing the construction of the City's 2021 Infrastructure Projects and the acquisition of various capital equipment for the City. 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 2, 2021, 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>
2023	\$760,000	2027	\$785,000	2031	\$820,000
2024	775,000	2028	795,000	2032	740,000
2025	780,000	2029	795,000		
2026	780,000	2030	805,000		

### 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, 2022, 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 2023 maturity, then the lowest rate that may be proposed for any later maturity is 3.50%.)** 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

At the option of the City, the Bonds maturing on or after February 1, 2030 shall be subject to optional redemption prior to maturity on February 1, 2029 or any date thereafter, at a price of par plus accrued interest.

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

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

## DELIVERY

On or about December 2, 2021, 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 \$7,740,980 plus accrued interest on the principal sum of \$7,835,000 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](mailto:bondsale@ehlers-inc.com); or
- 2) Electronically via **PARITY** in accordance with this Terms of Proposal until 10:00 A.M. Central Time, but no proposal will be received after the time for receiving proposals specified above. To the extent any instructions or directions set forth in **PARITY** conflict with this Terms of Proposal, the terms of this Terms of Proposal shall control. For further information about **PARITY**, potential bidders may contact Ehlers or i-Deal LLC at 1359 Broadway, 2<sup>nd</sup> 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 \$156,700 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 (5<sup>th</sup>) 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 (5<sup>th</sup>) 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](http://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 (the "City")

November 15, 2021

RE: \$7,835,000\* General Obligation Bonds, Series 2021A (the "Bonds")  
DATED: December 2, 2021

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 \$7,740,980) plus accrued interest to date of delivery for fully registered Bonds bearing interest rates and maturing in the stated years as follows:

_____ % due 2023	_____ % due 2027	_____ % due 2031
_____ % due 2024	_____ % due 2028	_____ % due 2032
_____ % due 2025	_____ % due 2029	
_____ % due 2026	_____ % due 2030	

\* 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 2023 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 \$156,700 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 2, 2021.

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 2, 2021 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 15, 2021.

By: \_\_\_\_\_ By: \_\_\_\_\_  
Title: \_\_\_\_\_ Title: \_\_\_\_\_