

PRELIMINARY OFFICIAL STATEMENT DATED APRIL 25, 2024

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; however, interest on the Bonds is taken into account in determining "annual adjusted financial statement income" for the purpose of computing the federal alternative minimum tax imposed on certain corporations for tax years beginning after December 31, 2022. 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)

\$6,470,000* GENERAL OBLIGATION BONDS, SERIES 2024A

PROPOSAL OPENING: May 6, 2024, 10:30 A.M., C.T.

CONSIDERATION: May 6, 2024, 6:00 P.M., C.T.

PURPOSE/AUTHORITY/SECURITY: The \$6,470,000* General Obligation Bonds, Series 2024A (the "Bonds") are being issued pursuant to Minnesota Statutes, Section 115.46 and Chapters 429, 444 and 475, as amended, by the City of Waconia, Minnesota (the "City"), for the purpose of financing the City's 2024 Infrastructure Project. The Bonds will be general obligations of the City for which its full faith and 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: May 23, 2024

MATURITY: February 1 as follows:

<u>Year</u>	<u>Amount*</u>	<u>Year</u>	<u>Amount*</u>	<u>Year</u>	<u>Amount*</u>
2026	\$565,000	2030	\$630,000	2034	\$710,000
2027	585,000	2031	660,000	2035	735,000
2028	600,000	2032	675,000		
2029	615,000	2033	695,000		

***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: February 1, 2025 and semiannually thereafter.

OPTIONAL REDEMPTION: Bonds maturing on February 1, 2033 and thereafter are subject to call for prior optional redemption on February 1, 2032 or any date thereafter, at a price of par plus accrued interest to the date of optional redemption.

MINIMUM PROPOSAL: \$6,392,360.

GOOD FAITH DEPOSIT: A good faith deposit in the amount of \$129,400 shall be made by the winning bidder by wire transfer of funds.

PAYING AGENT: Bond Trust Services Corporation.

BOND COUNSEL: Taft Stettinius & Hollister LLP.

MUNICIPAL ADVISOR: Ehlers and Associates, Inc.

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

This Preliminary Official Statement and the information contained herein are subject to completion and amendment. These securities may not be sold nor may offers to buy be accepted prior to the time the Official Statement is delivered in final form. Under no circumstances shall this Preliminary Official Statement constitute an offer to sell or the solicitation of an offer to buy these securities nor shall there be any sale of these securities in any jurisdiction in which such offer, solicitation or sale would be unlawful prior to registration or qualification under the securities laws of any such jurisdiction. This Preliminary Official Statement is in a form deemed final as of its date for purposes of SEC Rule 15c2-12(b)(1), but is subject to revision, amendment and completion in a Final Official Statement.

REPRESENTATIONS

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

This Preliminary Official Statement is not to be construed as a contract with the Underwriter (Syndicate Manager). 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>
Nicole Waldron	Mayor	January 2025
Nick Gleason	Council Member	January 2027
Jeff Grengs	Council Member	January 2027
Randall Sorensen	Council Member	January 2025
Steve Yetzer	Council Member	January 2025

ADMINISTRATION

Shane Fineran, City Administrator

Nicole Meyer, Finance Director

Jacqueline Schulze, City Clerk

PROFESSIONAL SERVICES

Melchert, Hubert, Sjodin PLLP, City Attorney, Waconia, Minnesota

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

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

INTRODUCTORY STATEMENT

This Preliminary Official Statement contains certain information regarding the City of Waconia, Minnesota (the "City") and the issuance of its \$6,470,000* General Obligation Bonds, Series 2024A (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 May 6, 2024.

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

THE BONDS

GENERAL

The Bonds will be issued in fully registered form as to both principal and interest in denominations of \$5,000 each or any integral multiple thereof, and will be dated, as originally issued, as of May 23, 2024. 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 February 1, 2025, 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 2026 maturity, then the lowest rate that may be proposed for any later maturity is 3.50%.)** All Bonds of the same maturity must bear interest from the date of issue until paid at a single, uniform rate. Each rate must be expressed in an integral multiple of 5/100 or 1/8 of 1%.

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

The City has selected Bond Trust Services Corporation, Roseville, Minnesota ("BTSC"), to act as paying agent (the "Paying Agent"). BTSC 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, 2033 shall be subject to optional redemption prior to maturity on February 1, 2032 or any date thereafter, at a price of par plus accrued interest to the date of optional redemption.

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, Section 115.46 and Chapters 429, 444 and 475, as amended, by the City, for the purpose of financing the City's 2024 Infrastructure Project including the construction of a new Well for water sourcing (further breakout of portions listed below).

ESTIMATED SOURCES AND USES*

Sources	Improvement Portion	Utility Revenue Portion	Sanitary Sewer Portion	Total Bond Issue
Par Amount of Bonds	\$3,495,000	\$2,690,000	\$285,000	\$6,470,000
ARPA Funds	<u>-</u>	<u>196,500</u>	<u>196,500</u>	<u>393,000</u>
Total Sources	\$3,495,000	\$2,886,500	\$481,500	\$6,863,000
 Uses				
Total Underwriter's Discount (1.200%)	\$41,940	\$32,280	\$3,420	\$77,640
Costs of Issuance	55,099	42,408	4,493	102,000
Capitalized Interest	72,729	-	-	72,729
Deposit to Construction Fund	3,323,721	2,808,979	474,180	6,606,880
Rounding Amount	<u>1,511</u>	<u>2,833</u>	<u>(593)</u>	<u>3,751</u>
Total Uses	\$3,495,000	\$2,886,500	\$481,500	\$6,863,000

*Preliminary, subject to change.

Breakdown of Principal Payments*:

Payment Date	Improvement Portion	Utility Revenue Portion	Sanitary Sewer Portion	Total Bond Issue
2/01/2026	\$305,000	\$235,000	\$25,000	\$565,000
2/01/2027	315,000	245,000	25,000	585,000
2/01/2028	325,000	250,000	25,000	600,000
2/01/2029	335,000	255,000	25,000	615,000
2/01/2030	340,000	260,000	30,000	630,000
2/01/2031	355,000	275,000	30,000	660,000
2/01/2032	365,000	280,000	30,000	675,000
2/01/2033	375,000	290,000	30,000	695,000
2/01/2034	385,000	295,000	30,000	710,000
2/01/2035	<u>395,000</u>	<u>305,000</u>	<u>35,000</u>	<u>735,000</u>
Total	\$3,495,000	\$2,690,000	\$285,000	\$6,470,000

*Preliminary, subject to change.

SECURITY

The Bonds will be general obligations of the City for which its full faith and credit and taxing powers are pledged without limitation as to rate or amount.

The City anticipates that the debt service on the Improvement Portion of the Bonds will be paid from a combination of special assessments levied against properties benefitted by improvements financed by the Improvement Portion of the Bonds and from ad valorem property taxes. In accordance with Minnesota Statutes, receipt of special assessments and ad valorem property taxes will be sufficient to provide not less than 105% of principal and interest on the Improvement Portion of the Bonds.

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. In accordance with Minnesota Statutes, receipt of utility revenues will be sufficient to provide not less than 105% of principal and interest on the Utility Revenue Portion of the Bonds.

The City anticipates that the debt service on the Sanitary Sewer Portion of the Bonds will be paid from ad valorem property taxes. In accordance with Minnesota Statutes, receipt of ad valorem property taxes will be sufficient to provide not less than 105% of principal and interest on the Sanitary Sewer Portion of the Bonds. In the event funds on hand for payment of principal and interest on the Sanitary Sewer Portion of the Bonds are at any time insufficient, the City is required to levy additional taxes upon all taxable properties within its boundaries without limit as to rate or amount to make up any deficiency.

Although the ad valorem property taxes are pledged to the payment of the debt service on the Sanitary Sewer Portion of the Bonds, each year, the City intends to cancel the property taxes for the Sanitary Sewer Portion of the Bonds to the extent the City has sufficient sanitary sewer revenues on hand to meet its debt service obligations on the Sanitary Sewer Portion of the Bonds as they come due.

Should the special assessments, utility revenues and/or ad valorem property taxes 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 an underlying rating on the Bonds from S&P, and bidders will be notified as to the assigned rating prior to the sale. Such rating, if any, 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.

The City failed to timely file notice of the incurrence of a financial obligation in May of 2022. 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 ("Bond Counsel"), 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.

By expressing its opinion, Bond Counsel is expressing its professional judgment and does not become an insurer or guarantor of the result indicated by that expression of professional judgment or of the transaction or the future performance of the parties to the transaction. Ownership of the Bonds may result in other state and local tax consequences to certain taxpayers. Bond Counsel expresses no opinion regarding any such collateral consequences arising with respect to the Bonds. Prospective purchasers of the Bonds should consult their own tax advisors regarding the applicability of any such state and local taxes.

STATEMENT REGARDING BOND COUNSEL PARTICIPATION

Bond Counsel has neither been engaged nor undertaken to prepare or independently verify the accuracy of any portion of the Official Statement, including the financial or operational information of the Issuer and risks associated with the purchase of the Bonds, except for statements under "TAX EXEMPTION" herein that summarize certain provisions of the Internal Revenue Code of 1986, as amended, the Bonds and any opinion rendered by Bond Counsel. Bond Counsel has prepared the form of legal opinion attached hereto as "APPENDIX B – FORM OF LEGAL OPINION."

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; however, interest on the Bonds is taken into account in determining "annual adjusted financial statement income" for the purpose of computing the federal alternative minimum tax imposed on certain corporations for tax years beginning after December 31, 2022. 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 Bonds shall be designated 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

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, 2022 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

The 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 will be 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 (special assessments 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.

Levy Limits: The State Legislature has periodically imposed limitations on the ability of municipalities to levy property taxes. 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.

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.

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	2021/22	2022/23	2023/24
Residential homestead ¹	First \$500,000 - 1.00% Over \$500,000 - 1.25%	First \$500,000 - 1.00% Over \$500,000 - 1.25%	First \$500,000 - 1.00% Over \$500,000 - 1.25%
Agricultural homestead ¹	First \$500,000 HGA - 1.00% Over \$500,000 HGA - 1.25% First \$1,900,000 - 0.50% ² Over \$1,900,000 - 1.00% ²	First \$500,000 HGA - 1.00% Over \$500,000 HGA - 1.25% First \$1,890,000 - 0.50% ² Over \$1,890,000 - 1.00% ²	First \$500,000 HGA - 1.00% Over \$500,000 HGA - 1.25% First \$2,150,000 - 0.50% ² Over \$2,150,000 - 1.00% ²
Agricultural non-homestead	Land - 1.00% ²	Land - 1.00% ²	Land - 1.00% ²
Seasonal recreational residential	First \$500,000 - 1.00% ³ Over \$500,000 - 1.25% ³	First \$500,000 - 1.00% ³ Over \$500,000 - 1.25% ³	First \$500,000 - 1.00% ³ Over \$500,000 - 1.25% ³
Residential non-homestead:	1 unit - 1st \$500,000 - 1.00% Over \$500,000 - 1.25% 2-3 units - 1.25% 4 or more - 1.25% Small City ⁴ - 1.25% Affordable Rental: First \$174,000 - .75% Over \$174,000 - .25%	1 unit - 1st \$500,000 - 1.00% Over \$500,000 - 1.25% 2-3 units - 1.25% 4 or more - 1.25% Small City ⁴ - 1.25% Affordable Rental: First \$100,000 - .75% Over \$100,000 - .25%	1 unit - 1st \$500,000 - 1.00% Over \$500,000 - 1.25% 2-3 units - 1.25% 4 or more - 1.25% Small City ⁴ - 1.25% Affordable Rental: First \$100,000 - .75% Over \$100,000 - .25%
Industrial/Commercial/Utility ⁵	First \$150,000 - 1.50% Over \$150,000 - 2.00%	First \$150,000 - 1.50% Over \$150,000 - 2.00%	First \$150,000 - 1.50% Over \$150,000 - 2.00%

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

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

³ Exempt from referendum market value tax.

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

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

CURRENT PROPERTY VALUATIONS

2022/23 Economic Market Value¹	<u><u>\$2,313,999,572²</u></u>
2023/24 Assessor's Estimated Market Value	
Real Estate	\$2,308,236,200
Personal Property	11,717,800
Total Valuation	<u><u>\$2,319,954,000</u></u>
2023/24 Net Tax Capacity	
Real Estate	\$25,814,184
Personal Property	234,356
Net Tax Capacity	\$26,048,540
Less:	
Captured Tax Increment Tax Capacity ³	(190,419)
Fiscal Disparities Contribution ⁴	(1,905,276)
Taxable Net Tax Capacity	\$23,952,845
Plus: Fiscal Disparities Distribution ⁴	2,225,095
Adjusted Taxable Net Tax Capacity	<u><u>\$26,177,940</u></u>

¹ Most recent value available from the Minnesota Department of Revenue.

² According to the Minnesota Department of Revenue, the 2022/23 Assessor's Estimated Market Value (the "AEMV") for the City was about 93.95% of the actual selling prices of property 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 a 2022/23 Economic Market Value ("EMV") for the City of \$2,313,999,572.

³ The captured tax increment value shown above represents the captured net tax capacity of tax increment financing districts in the City.

⁴ Each community in the seven-county metropolitan area contributes 40% of the growth in its commercial-industrial property tax base to an area pool which is then distributed among the municipalities on the basis of population, special needs, etc. Each governmental unit makes a contribution and receives a distribution--sometimes gaining and sometimes contributing net tax capacity for tax purposes.

2023/24 NET TAX CAPACITY BY CLASSIFICATION

	2023/24 Net Tax Capacity	Percent of Total Net Tax Capacity
Residential homestead	\$16,593,009	63.70%
Agricultural	8,694	0.03%
Commercial/industrial	5,196,464	19.95%
Public utility	63,119	0.24%
Non-homestead residential	3,912,799	15.02%
Commercial & residential seasonal/rec.	40,099	0.15%
Personal property	<u>234,356</u>	<u>0.90%</u>
 Total	 <u><u>\$26,048,540</u></u>	 <u><u>100.00%</u></u>

TREND OF VALUATIONS

Levy Year	Assessor's Estimated Market Value	Assessor's Taxable Market Value	Net Tax Capacity¹	Adjusted Taxable Net Tax Capacity²	Percent Increase/Decrease in Estimated Market Value
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%
2021/22	1,718,211,500	1,670,262,400	19,157,926	19,553,887	5.20%
2022/23	2,172,934,300	2,130,609,500	24,264,958	24,500,451	26.46%
2023/24	2,319,954,000	2,269,764,200	26,048,540	26,177,940	6.77%

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

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

LARGEST TAXPAYERS

Taxpayer	Type of Property	2023/24 Net Tax Capacity	Percent of City's Total Net Tax Capacity
Ridgeview Medical Center	Commercial	\$491,562	1.89%
ACPI Wood Products LLC	Commercial	262,426	1.01%
JE Waconia 2018 LLC	Commercial	254,490	0.98%
Centerpoint Energy Minnegasco	Utility	231,208	0.89%
Target	Commercial	183,168	0.70%
Lakeview Clinic Bldg. Corp.	Commercial	179,616	0.69%
Auburn Meadows LLC	Apartments	158,824	0.61%
8185 LLP	Commercial	140,736	0.54%
TCO Real Estate-Fund 2 LLC	Commercial	136,166	0.52%
Health Care Reit Inc.	Apartments	<u>135,950</u>	<u>0.52%</u>
Total		\$2,174,146	8.35%

City's Total 2023/24 Net Tax Capacity \$26,048,540

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

DEBT

DIRECT DEBT¹

General Obligation Debt (see schedules following)

Total G.O. debt secured by special assessments and taxes (includes the Improvement Portion of the Bonds)*	\$14,075,000
Total G.O. debt secured by special assessments and utility revenues	885,000
Total G.O. debt secured by tax abatement revenues	2,925,000
Total G.O. debt secured by taxes (includes the Sanitary Sewer Portion of the Bonds)*	21,985,000
Total G.O. debt secured by utility revenues (includes the Utility Revenue Portion of the Bonds)*	<u>11,750,000</u>
Total General Obligation Debt*	<u><u>\$51,620,000</u></u>

*Preliminary, subject to change.

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

Lease Purchase Obligations (see schedules following)

Total lease purchase obligations	\$395,000
Total Economic Development Authority (EDA) lease purchase obligations	<u>1,445,535</u>
Total lease purchase obligations paid by annual appropriations ¹	<u><u>\$1,840,535</u></u>

Lease Obligations

Issue Date	Original Amount	Purpose	Final Maturity	Principal Outstanding
5/27/2022	\$297,796	Sweeper Lease	5/27/2028	<u><u>\$191,890</u></u>

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 for the issuance of approximately \$5,500,000 in general obligation debt annually for its projects.

¹ Non-general obligation debt has not been included in the debt ratios.

DEBT LIMIT

The statutory limit on net 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" (is defined under Minnesota Statutes, Section 475.51, subd. 4) to mean 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 (includes the Improvement Portion of the Bonds); (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 (9) all 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 Sanitary Sewer Portion of the Bonds).

2023/24 Assessor's Estimated Market Value	\$2,319,954,000
Multiply by 3%	<u>0.03</u>
Statutory Debt Limit	\$69,598,620
Less: Long-Term Debt Outstanding Being Paid Solely from Taxes ¹	(19,780,000)
Less: Long-Term Debt Outstanding Being Paid Solely from Annual Appropriations	(395,000)
Less: Long-Term Debt Outstanding Being Paid Solely from Annual Appropriations (EDA)	<u>(1,445,261)</u>
Unused Debt Limit	<u><u>\$47,978,359</u></u>

¹ Does not include a portion of the City's \$2,265,000 General Obligation Bonds, Series 2014A (\$40,000 Sanitary Sewer portion principal outstanding), a portion of the City's \$9,160,000 General Obligation Bonds, Series 2015A (\$195,000 Sanitary Sewer portion principal outstanding), a portion of the City's \$4,755,000 General Obligation Bonds, Series 2020A (\$235,000 Sanitary Sewer portion principal outstanding), a portion of the City's \$7,215,000 General Obligation Bonds, Series 2021A (\$1,130,000 Sanitary Sewer portion principal outstanding), a portion of the City's \$17,630,000 General Obligation Bonds, Series 2022A (\$195,000 Sanitary Sewer portion principal outstanding), a portion of the City's \$3,925,000 General Obligation Bonds, Series 2023A (\$125,000 Sanitary Sewer portion principal outstanding) and the Sanitary Sewer Portion of the Bonds of this offering (estimated \$285,000 Sanitary Sewer Portion principal outstanding), as they are not subject to the debt limit per Minnesota Statutes, Section 115.46.

City of Waconia, Minnesota
 Schedule of Bonded Indebtedness
 General Obligation Debt Secured by Special Assessments and Taxes
 (As of 05/23/2024)

	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	06/12/2014		07/09/2015		05/24/2016		08/15/2017		09/12/2018	
Amount	\$1,390,000		\$1,765,000		\$4,075,000		\$6,935,000		\$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
2024	0	1,500	0	6,000	0	13,100	0	43,975	0	9,050
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										
2032										
2033										
2034										
2035										
	150,000	3,000	400,000	18,150	1,310,000	52,700	3,065,000	217,100	535,000	52,300

- 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.

--Continued on next page

City of Waconia, Minnesota
Schedule of Bonded Indebtedness continued
General Obligation Debt Secured by Special Assessments and Taxes
(As of 05/23/2024)

Dated Amount	Street Improvement Bonds 6) Series 2020A		Improvement Bonds 7) Series 2022A		Improvement Bonds 8) Series 2023A		Improvement Bonds 9) Series 2024A							
	09/03/2020 \$1,880,000		10/06/2022 \$1,710,000		06/01/2023 \$2,155,000		05/23/2024 \$3,495,000*							
Maturity	02/01		02/01		02/01		02/01							
Calendar Year Ending	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Estimated Interest	Total Principal	Total Interest	Total P & I	Principal Outstanding	% Paid	Calendar Year Ending
2024	0	10,625	0	40,000	0	48,975	0	0	0	173,225	173,225	14,075,000	.00%	2024
2025	185,000	19,400	145,000	76,375	175,000	93,575	0	125,517	2,115,000	440,367	2,555,367	11,960,000	15.03%	2025
2026	190,000	15,650	150,000	69,000	180,000	84,700	305,000	100,771	2,325,000	353,021	2,678,021	9,635,000	31.55%	2026
2027	190,000	11,850	160,000	61,250	190,000	75,450	315,000	91,243	2,180,000	284,193	2,464,193	7,455,000	47.03%	2027
2028	195,000	8,000	170,000	53,000	200,000	65,700	325,000	81,805	1,800,000	223,605	2,023,605	5,655,000	59.82%	2028
2029	200,000	5,050	175,000	44,375	210,000	55,450	335,000	72,068	1,035,000	178,668	1,213,668	4,620,000	67.18%	2029
2030	200,000	3,050	185,000	35,375	220,000	44,700	340,000	61,943	945,000	145,068	1,090,068	3,675,000	73.89%	2030
2031	205,000	1,025	195,000	25,875	230,000	34,600	355,000	51,518	985,000	113,018	1,098,018	2,690,000	80.89%	2031
2032			205,000	15,875	240,000	25,200	365,000	40,718	810,000	81,793	891,793	1,880,000	86.64%	2032
2033			215,000	5,375	250,000	15,400	375,000	29,618	840,000	50,393	890,393	1,040,000	92.61%	2033
2034					260,000	5,200	385,000	18,218	645,000	23,418	668,418	395,000	97.19%	2034
2035							395,000	6,221	395,000	6,221	401,221	0	100.00%	2035
	1,365,000	74,650	1,600,000	426,500	2,155,000	548,950	3,495,000	679,637	14,075,000	2,072,987	16,147,987			

* Preliminary, subject to change.

- 6) This represents the \$1,880,000 Street Improvement portion of the \$4,755,000 General Obligation Bonds, Series 2020A.
- 7) This represents the \$1,710,000 Improvement portion of the \$17,630,000 General Obligation Bonds, Series 2022A.
- 8) This represents the \$2,155,000 Improvement portion of the \$3,925,000 General Obligation Bonds, Series 2023A.
- 9) This represents the \$3,495,000 Improvement portion of the \$6,470,000 General Obligation Bonds, Series 2024A.

City of Waconia, Minnesota
Schedule of Bonded Indebtedness
General Obligation Debt Secured by Special Assessments and Utility Revenues
(As of 05/23/2024)

Utility Revenue Bonds 1)								
Series 2019A								
Dated	08/22/2019							
Amount	\$1,320,000							
Maturity	02/01							
Calendar Year Ending	Principal	Interest	Total Principal	Total Interest	Total P & I	Principal Outstanding	% Paid	Calendar Year Ending
2024	0	20,500	0	20,500	20,500	885,000	.00%	2024
2025	130,000	37,750	130,000	37,750	167,750	755,000	14.69%	2025
2026	135,000	31,125	135,000	31,125	166,125	620,000	29.94%	2026
2027	145,000	24,125	145,000	24,125	169,125	475,000	46.33%	2027
2028	150,000	16,750	150,000	16,750	166,750	325,000	63.28%	2028
2029	160,000	9,800	160,000	9,800	169,800	165,000	81.36%	2029
2030	165,000	3,300	165,000	3,300	168,300	0	100.00%	2030
	885,000	143,350	885,000	143,350	1,028,350			

1) This represents the \$1,320,000 Water & Storm Sewer portions 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 05/23/2024)

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		Tax Abatement Bonds 5) Series 2022A		Total Principal	Total Interest	Total P & I	Principal Outstanding	% Paid	Calendar Year Ending
	07/09/2015 \$1,615,000		08/22/2019 \$230,000		09/03/2020 \$1,090,000		12/02/2021 \$695,000		10/06/2022 \$1,045,000							
Maturity	02/01		02/01		02/01		02/01		02/01							
Calendar Year Ending	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest						
2024	0	5,475	0	3,600	0	6,150	0	7,400	0	24,300	0	46,925	46,925	2,925,000	.00%	2024
2025	180,000	8,250	25,000	6,575	105,000	11,250	65,000	13,825	0	48,600	375,000	88,500	463,500	2,550,000	12.82%	2025
2026	185,000	2,775	25,000	5,325	110,000	9,100	65,000	11,875	0	48,600	385,000	77,675	462,675	2,165,000	25.98%	2026
2027			25,000	4,075	110,000	6,900	70,000	9,850	0	48,600	205,000	69,425	274,425	1,960,000	32.99%	2027
2028			25,000	2,825	115,000	4,650	70,000	7,750	0	48,600	210,000	63,825	273,825	1,750,000	40.17%	2028
2029			25,000	1,700	115,000	2,925	70,000	5,650	85,000	46,475	295,000	56,750	351,750	1,455,000	50.26%	2029
2030			30,000	600	115,000	1,775	75,000	3,850	90,000	42,100	310,000	48,325	358,325	1,145,000	60.85%	2030
2031					120,000	600	75,000	2,350	95,000	37,475	290,000	40,425	330,425	855,000	70.77%	2031
2032							80,000	800	95,000	32,725	175,000	33,525	208,525	680,000	76.75%	2032
2033									100,000	27,850	100,000	27,850	127,850	580,000	80.17%	2033
2034									105,000	22,725	105,000	22,725	127,725	475,000	83.76%	2034
2035									110,000	17,350	110,000	17,350	127,350	365,000	87.52%	2035
2036									120,000	12,200	120,000	12,200	132,200	245,000	91.62%	2036
2037									120,000	7,400	120,000	7,400	127,400	125,000	95.73%	2037
2038									125,000	2,500	125,000	2,500	127,500	0	100.00%	2038
	365,000	16,500	155,000	24,700	790,000	43,350	570,000	63,350	1,045,000	467,500	2,925,000	615,400	3,540,400			

- 1) This represents the \$1,615,000 Tax Abatement portion of the \$9,160,000 General Obligation Bonds, Series 2015A.
- 2) This represents the \$230,000 Tax Abatement portion of the \$4,515,000 General Obligation Bonds, Series 2019A.
- 3) This represents the \$1,090,000 Tax Abatement portion of the \$4,755,000 General Obligation Bonds, Series 2020A.
- 4) This represents the \$695,000 Tax Abatement portion of the \$7,215,000 General Obligation Bonds, Series 2021A.
- 5) This represents the \$1,045,000 Tax Abatement portion of the \$17,630,000 General Obligation Bonds, Series 2022A.

City of Waconia, Minnesota
 Schedule of Bonded Indebtedness
 General Obligation Debt Secured by Taxes
 (As of 05/23/2024)

Dated Amount	Sanitary Sewer Bonds 1) Series 2014A		Street Reconstruction Bonds 2) Series 2015A		Sanitary Sewer Bonds 3) Series 2015A		Capital Improvement Plan Bonds Series 2015C		Equipment Certificates 4) Series 2016A	
	06/12/2014 \$350,000		07/09/2015 \$2,420,000		07/09/2015 \$860,000		12/15/2015 \$4,320,000		05/24/2016 \$710,000	
Maturity	02/01		02/01		02/01		02/01		02/01	
Calendar Year Ending	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2024	0	400	0	8,175	0	2,925	0	21,900	0	1,700
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										
2033										
2034										
2035										
2036										
2037										
2038										
2039										
2040										
2041										
	40,000	800	545,000	24,600	195,000	8,850	1,460,000	111,000	170,000	5,100

- 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 05/23/2024)

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	
	08/15/2017 \$535,000		08/22/2019 \$1,665,000		09/03/2020 \$325,000		12/02/2021 \$2,495,000		12/02/2021 \$1,370,000	
Maturity	02/01		02/01		02/01		02/01		02/01	
Calendar Year Ending	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2024	0	3,000	0	23,600	0	1,825	0	26,750	0	14,675
2025	65,000	5,025	215,000	41,825	30,000	3,350	240,000	49,900	125,000	27,475
2026	65,000	3,075	220,000	30,950	30,000	2,750	245,000	42,625	130,000	23,650
2027	70,000	1,050	235,000	19,575	35,000	2,100	255,000	35,125	135,000	19,675
2028			250,000	7,450	35,000	1,400	260,000	27,400	140,000	15,550
2029			30,000	600	35,000	875	270,000	19,450	145,000	11,275
2030					35,000	525	280,000	12,600	150,000	7,600
2031					35,000	175	285,000	6,950	150,000	4,600
2032							205,000	2,050	155,000	1,550
2033										
2034										
2035										
2036										
2037										
2038										
2039										
2040										
2041										
	200,000	12,150	950,000	124,000	235,000	13,000	2,040,000	222,850	1,130,000	126,050

- 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 \$2,495,000 Equipment Certificates & Street Reconstruction portions of the \$7,215,000 General Obligation Bonds, Series 2021A.
- 9) This represents the \$1,370,000 Sanitary Sewer portion of the \$7,215,000 General Obligation Bonds, Series 2021A. This portion is not subject to the debt limit.

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City of Waconia, Minnesota
Schedule of Bonded Indebtedness continued
General Obligation Debt Secured by Taxes
(As of 05/23/2024)

	Capital Improvement Plan Bonds 10) Series 2022A		Sanitary Sewer Bonds 11) Series 2022A		Equipment Certificates 12) Series 2023A		Sanitary Sewer Bonds 13) Series 2023A		Sanitary Sewer Bonds 14) Series 2024A								
Dated Amount	10/06/2022 \$13,770,000		10/06/2022 \$210,000		06/01/2023 \$645,000		06/01/2023 \$125,000		05/23/2024 \$285,000*								
Maturity	02/01		02/01		02/01		02/01		02/01								
Calendar Year Ending	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Estimated Interest	Total Principal	Total Interest	Total P & I	Principal Outstanding	% Paid	Calendar Year Ending	
2024	0	303,175	0	4,875	0	14,900	0	2,825	0	0	0	430,725	430,725	21,985,000	.00%	2024	
2025	0	606,350	20,000	9,250	60,000	28,300	10,000	5,400	0	10,242	1,605,000	845,342	2,450,342	20,380,000	7.30%	2025	
2026	0	606,350	20,000	8,250	60,000	25,300	10,000	4,900	25,000	8,221	1,625,000	790,446	2,415,446	18,755,000	14.69%	2026	
2027	0	606,350	20,000	7,250	65,000	22,175	10,000	4,400	25,000	7,453	1,220,000	742,103	1,962,103	17,535,000	20.24%	2027	
2028	0	606,350	20,000	6,250	70,000	18,800	10,000	3,900	25,000	6,715	1,190,000	699,515	1,889,515	16,345,000	25.65%	2028	
2029	375,000	596,975	20,000	5,250	70,000	15,300	10,000	3,400	25,000	5,978	980,000	659,103	1,639,103	15,365,000	30.11%	2029	
2030	525,000	574,475	20,000	4,250	75,000	11,675	15,000	2,775	30,000	5,153	1,130,000	619,053	1,749,053	14,235,000	35.25%	2030	
2031	545,000	547,725	25,000	3,125	80,000	8,200	15,000	2,100	30,000	4,253	1,165,000	577,128	1,742,128	13,070,000	40.55%	2031	
2032	735,000	515,725	25,000	1,875	80,000	5,000	15,000	1,500	30,000	3,353	1,245,000	531,053	1,776,053	11,825,000	46.21%	2032	
2033	1,070,000	470,600	25,000	625	85,000	1,700	15,000	900	30,000	2,453	1,225,000	476,278	1,701,278	10,600,000	51.79%	2033	
2034	1,125,000	415,725					15,000	300	30,000	1,553	1,170,000	417,578	1,587,578	9,430,000	57.11%	2034	
2035	1,180,000	358,100							35,000	551	1,215,000	358,651	1,573,651	8,215,000	62.63%	2035	
2036	1,240,000	303,800									1,240,000	303,800	1,543,800	6,975,000	68.27%	2036	
2037	1,285,000	253,300									1,285,000	253,300	1,538,300	5,690,000	74.12%	2037	
2038	1,340,000	200,800									1,340,000	200,800	1,540,800	4,350,000	80.21%	2038	
2039	1,395,000	146,100									1,395,000	146,100	1,541,100	2,955,000	86.56%	2039	
2040	1,450,000	89,200									1,450,000	89,200	1,539,200	1,505,000	93.15%	2040	
2041	1,505,000	30,100									1,505,000	30,100	1,535,100	0	100.00%	2041	
	13,770,000	7,231,200	195,000	51,000	645,000	151,350	125,000	32,400	285,000	55,922	21,985,000	8,170,272	30,155,272				

* Preliminary, subject to change.

- 10) This represents the \$13,770,000 Capital Improvement Plan portion of the \$17,630,000 General Obligation Bonds, Series 2022A.
- 11) This represents the \$210,000 Sanitary Sewer portion of the \$17,630,000 General Obligation Bonds, Series 2022A. This portion is not subject to the debt limit.
- 12) This represents the \$645,000 Equipment Certificates portion of the \$3,925,000 General Obligation Bonds, Series 2023A.
- 13) This represents the \$125,000 Sanitary Sewer portion of the \$3,925,000 General Obligation Bonds, Series 2023A. This portion is not subject to the debt limit.
- 14) This represents the \$285,000 Sanitary Sewer Portion of the \$6,470,000 General Obligation Bonds, Series 2024A. 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 05/23/2024)

	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	
	Dated	Amount	Dated	Amount	Dated	Amount	Dated	Amount	Dated	Amount
	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
Maturity	02/01		02/01		02/01		02/01		02/01	
Calendar Year Ending	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2024	0	550	0	8,475	0	4,700	0	20,175	0	8,250
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										
2033										
2034										
2035										
	55,000	1,100	565,000	25,500	280,000	27,600	870,000	140,400	1,060,000	58,250

- 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 & 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 05/23/2024)

Dated Amount	Water and Sewer Revenue Refunding Bonds Series 2020B		Utility Revenue Bonds 6) Series 2021A		Utility Revenue Bonds 7) Series 2022A		Utility Revenue Bonds 8) Series 2023A		Utility Revenue Bonds 9) Series 2024A		Total Principal	Total Interest	Total P & I	Principal Outstanding	% Paid	Calendar Year Ending
	12/10/2020	\$4,515,000	12/02/2021	\$2,655,000	10/06/2022	\$895,000	06/01/2023	\$1,000,000	05/23/2024	\$2,690,000*						
Maturity	02/01		02/01		02/01		02/01		02/01							
Calendar Year Ending	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Estimated Interest			Principal Outstanding	% Paid	Calendar Year Ending	
2024	0	55,000	0	28,525	0	20,875	0	22,750	0	0	0	169,300	11,750,000	.00%	2024	
2025	880,000	88,000	245,000	53,375	75,000	39,875	80,000	43,500	0	96,609	1,935,000	395,259	9,815,000	16.47%	2025	
2026	930,000	42,750	255,000	45,875	80,000	36,000	85,000	39,375	235,000	77,559	2,200,000	294,959	7,615,000	35.19%	2026	
2027	390,000	9,750	265,000	38,075	85,000	31,875	90,000	35,000	245,000	70,183	1,425,000	222,283	6,190,000	47.32%	2027	
2028			270,000	30,050	90,000	27,500	90,000	30,500	250,000	62,883	1,065,000	176,233	5,125,000	56.38%	2028	
2029			280,000	21,800	95,000	22,875	100,000	25,750	255,000	55,433	1,100,000	140,183	4,025,000	65.74%	2029	
2030			285,000	14,750	95,000	18,125	105,000	20,625	260,000	47,708	1,060,000	106,783	2,965,000	74.77%	2030	
2031			295,000	8,950	100,000	13,250	105,000	15,900	275,000	39,683	935,000	78,583	2,030,000	82.72%	2031	
2032			300,000	3,000	105,000	8,125	110,000	11,600	280,000	31,358	795,000	54,083	1,235,000	89.49%	2032	
2033					110,000	2,750	115,000	7,100	290,000	22,808	515,000	32,658	720,000	93.87%	2033	
2034							120,000	2,400	295,000	14,033	415,000	16,433	305,000	97.40%	2034	
2035									305,000	4,804	305,000	4,804	0	100.00%	2035	
	2,200,000	195,500	2,195,000	244,400	835,000	221,250	1,000,000	254,500	2,690,000	523,057	11,750,000	1,691,557	13,441,557			

* Preliminary, subject to change.

- 6) This represents the \$2,655,000 Utility Revenue portion of the \$7,215,000 General Obligation Bonds, Series 2021A.
- 7) This represents the \$895,000 Utility Revenue portion of the \$17,630,000 General Obligation Bonds, Series 2022A.
- 8) This represents the \$1,000,000 Utility Revenue portion of the \$3,925,000 General Obligation Bonds, Series 2023A.
- 9) This represents the \$2,690,000 Utility Revenue portion of the \$6,470,000 General Obligation Bonds, Series 2024A.

City of Waconia, Minnesota
 Schedule of Bonded Indebtedness
 Non-General Obligation Debt Secured by Annual Appropriation
 (As of 05/23/2024)

		Baseball Stadium 2016 Lease						
Dated Amount	10/20/2016 \$1,220,000							
Maturity	02/01							
Calendar Year Ending	Principal	Interest	Total Principal	Total Interest	Total P & I	Principal Outstanding	% Paid	Calendar Year Ending
2024	0	4,128	0	4,128	4,128	395,000	.00%	2024
2025	129,000	6,907	129,000	6,907	135,907	266,000	32.66%	2025
2026	132,000	4,180	132,000	4,180	136,180	134,000	66.08%	2026
2027	134,000	1,400	134,000	1,400	135,400	0	100.00%	2027
	395,000	16,616	395,000	16,616	411,616			

Waconia Economic Development Authority, Minnesota
Schedule of Bonded Indebtedness
Non-General Obligation Debt Secured by Annual Appropriation
(As of 05/23/2024)

		Ice Arena Series 2014						
Dated Amount	02/11/2014							
	\$4,706,907							
Maturity	Monthly							
Calendar Year Ending	Principal	Interest	Total Principal	Total Interest	Total P & I	Principal Outstanding	% Paid	Calendar Year Ending
2024	223,057	27,805	223,057	27,805	250,862	1,222,479	15.43%	2024
2025	393,217	36,832	393,217	36,832	430,049	829,262	42.63%	2025
2026	407,324	22,725	407,324	22,725	430,049	421,937	70.81%	2026
2027	421,937	8,111	421,937	8,111	430,048	0	100.00%	2027
	1,445,535	95,473	1,445,535	95,473	1,541,008			

OVERLAPPING DEBT¹

Taxing District	2023/24 Adjusted Taxable Net Tax Capacity	% In City	Total G.O. Debt²	City's Proportionate Share
Carver County	\$233,454,753	11.2133%	\$13,539,000	\$1,518,169
I.S.D. No. 110 (Waconia Public Schools)	46,213,771	56.6453%	98,010,000 ³	55,518,059
Metropolitan Council	6,313,906,529	0.4146%	191,435,000 ⁴	<u>793,690</u>
City's Share of Total Overlapping Debt				<u><u>\$57,829,917</u></u>

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

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

³ Minnesota School Districts may qualify for aid from the State of Minnesota through the Debt Service Equalization Formula, School Building Bond Agricultural Credit and Long Term Facilities Maintenance Revenue programs. While some of the districts listed may receive these aids, Ehlers has not attempted to estimate the portion of debt service payments that would be financed by state aids for the purposes of the Bonds.

⁴ The above debt includes all outstanding general obligation debt supported by taxes of the Metropolitan Council. The Council also has general obligation wastewater revenue, grant anticipation notes and certificates of participation outstanding all of which are supported entirely by revenues and have not been included in the overlapping debt or debt ratios sections.

DEBT RATIOS

	G.O. Debt	Debt/Economic Market Value \$2,313,999,572	Debt/ Per Capita 13,593 ¹
Direct G.O. Debt Secured By:			
Special Assessments & Taxes*	\$14,075,000		
Special Assessments & Utility Revenues	885,000		
Tax Abatement Revenues	2,925,000		
Taxes*	21,985,000		
Utility Revenues*	11,750,000		
Total General Obligation Debt*	<u>\$51,620,000</u>		
Less: G.O. Debt Paid Entirely from Revenues ²	<u>(11,750,000)</u>		
Tax Supported General Obligation Debt*	<u>\$39,870,000</u>	1.72%	\$2,933.13
 City's Share of Total Overlapping Debt	 <u>\$57,829,917</u>	 <u>2.50%</u>	 <u>\$4,254.39</u>
 Total*	 <u><u>\$97,699,917</u></u>	 <u><u>4.22%</u></u>	 <u><u>\$7,187.52</u></u>

*Preliminary, subject to change.

¹ Estimated 2022 population.

² Debt service on the City's general obligation revenue debt is being paid entirely from revenues and therefore is considered self-supporting debt.

TAX LEVIES, COLLECTIONS AND RATES

TAX LEVIES AND COLLECTIONS

Tax Year	Net Tax Levy ¹	Total Collected Following Year	Collected to Date	% Collected
2019/20	\$8,516,343	\$8,495,260	\$8,515,949	99.995%
2020/21	8,606,383	8,585,146	8,603,396	99.965%
2021/22	9,014,211	8,994,396	9,009,121	99.944%
2022/23	10,219,805	10,201,240	10,201,240	99.818%
2023/24	11,644,557	In process of collection		

Property taxes are collected in two installments in Minnesota--the first by May 15 and the second by October 15.² 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.

TAX CAPACITY RATES³

	2019/20	2020/21	2021/22	2022/23	2023/24
Carver County	35.179%	34.634%	34.170%	29.267%	30.106%
City of Waconia	46.713%	46.140%	45.158%	41.301%	44.778%
I.S.D. No. 110 (Waconia Public Schools)	32.269%	32.367%	31.258%	24.140%	23.734%
Metropolitan Council	0.590%	0.628%	0.637%	0.544%	0.649%
Metro Mosquito	0.395%	0.382%	0.365%	0.313%	0.331%
Carver County WMO	0.893%	0.875%	0.859%	0.732%	0.746%
Carver County CDA	1.598%	1.664%	1.635%	1.396%	1.449%
Carver County Rail Authority	0.101%	0.099%	0.110%	0.088%	0.091%

Referendum Market Value Rates:

I.S.D. No. 110 (Waconia Public Schools)	0.18851%	0.24357%	0.23807%	0.20385%	0.19281%
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Source: Tax Levies and Collections and Tax Capacity Rates have been furnished by Carver County.

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

² Second half tax payments on agricultural property are due on November 15th of each year.

³ 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 40 full-time and 33 part-time employees. All full-time and certain part-time employees of the City are covered by defined benefit pension plans administered by the Public Employee Retirement Association of Minnesota (PERA). PERA administers the General Employees Retirement Fund (GERF) and the Public Employees Police and Fire Fund (PEPFF) which are cost-sharing multiple-employer retirement plans. PERA members belong to either the Coordinated Plan or the Basic Plan. Coordinated members are covered by Social Security. See the Notes to Financial Statements in Appendix A for a detailed description of the Plans.

Recognized and Certified Bargaining Units

The City has no Recognized and Certified Bargaining Units.

POST EMPLOYMENT BENEFITS

The City has not done an actuarial study at this time.

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, Section 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 February 29, 2024)

Fund	Total Cash and Investments
General	\$6,479,098
Special Revenue	1,228,334
Debt Service	2,772,366
Capital Projects	6,388,939
Enterprise Funds	<u>6,242,898</u>
Total Funds on Hand	<u><u>\$23,111,636</u></u>

ENTERPRISE FUNDS

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

	2020 Audited	2021 Audited	2022 Audited
Water			
Total Operating Revenues	\$1,617,664	\$1,887,096	\$2,024,442
Less: Operating Expenses	<u>(2,048,713)</u>	<u>(1,908,119)</u>	<u>(2,243,998)</u>
Operating Income	(\$431,049)	(\$21,023)	(\$219,556)
Plus: Depreciation	<u>884,716</u>	<u>909,341</u>	<u>900,938</u>
Revenues Available for Debt Service	<u><u>\$453,667</u></u>	<u><u>\$888,318</u></u>	<u><u>\$681,382</u></u>
Sewer¹			
Total Operating Revenues	\$2,071,056	\$2,284,961	\$2,429,477
Less: Operating Expenses	<u>(2,681,804)</u>	<u>(2,954,653)</u>	<u>(2,518,854)</u>
Operating Income	(\$610,748)	(\$669,692)	(\$89,377)
Plus: Depreciation	<u>563,930</u>	<u>547,098</u>	<u>583,795</u>
Revenues Available for Debt Service	<u><u>(\$46,818)</u></u>	<u><u>(\$122,594)</u></u>	<u><u>\$494,418</u></u>
Storm Water			
Total Operating Revenues	\$1,013,478	\$1,245,564	\$1,530,017
Less: Operating Expenses	<u>(1,302,270)</u>	<u>(1,320,752)</u>	<u>(1,715,743)</u>
Operating Income	(\$288,792)	(\$75,188)	(\$185,726)
Plus: Depreciation	<u>603,766</u>	<u>615,481</u>	<u>672,059</u>
Revenues Available for Debt Service	<u><u>\$314,974</u></u>	<u><u>\$540,293</u></u>	<u><u>\$486,333</u></u>
Street Light²			
Total Operating Revenues	\$258,238	\$264,874	\$275,564
Less: Operating Expenses	<u>(245,149)</u>	<u>(247,259)</u>	<u>(294,377)</u>
Operating Income	\$13,089	\$17,615	(\$18,813)
Plus: Depreciation	<u>8,631</u>	<u>7,928</u>	<u>502</u>
Revenues Available for Debt Service	<u><u>\$21,720</u></u>	<u><u>\$25,543</u></u>	<u><u>(\$18,311)</u></u>

¹ In 2020, the City engaged an engineer to perform a study and work plan for a major lift station repair. The work was completed in 2021. In 2022, the City evaluated user rates in the budgeting process and increased user base and tiered rates to ensure all operating costs were paid with user fees.

² In 2022, a larger maintenance project at the public services facility. Cash was used in the street light utility fund to assist in completing this project.

SUMMARY GENERAL FUND INFORMATION

The 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 2022 audited financial statements.

COMBINED STATEMENT	FISCAL YEAR ENDING DECEMBER 31				
	2020 Audited	2021 Audited	2022 Audited	2023 Unaudited ¹	2024 Adopted Budget ²
Revenues					
Property taxes	\$5,865,737	\$5,901,086	\$5,984,955	\$6,479,939	\$7,775,080
Licenses and permits	548,910	1,175,255	1,700,990	1,146,918	748,630
Intergovernmental	267,997	247,759	431,104	978,661	407,056
Charges for services	933,360	957,198	940,890	998,348	937,578
Fine and forfeits	28,998	37,632	42,747	53,504	47,000
Investment income	98,564	(27,581)	(220,849)	213,400	60,000
Contributions and donations	10,061	12,371	4,040	14,514	3,000
Total Revenues	<u>\$7,753,627</u>	<u>\$8,303,720</u>	<u>\$8,883,877</u>	<u>\$9,885,284</u>	<u>\$9,978,344</u>
Expenditures					
Current:					
General government	\$1,729,027	\$1,718,851	\$2,061,259	\$2,255,752	\$2,617,685
Public safety	1,483,229	1,416,903	1,549,542	1,813,389	2,054,158
Public works	1,690,324	1,930,196	2,335,824	2,666,038	3,197,824
Culture and recreation	17,791	15,378	19,225	68,220	81,633
Community Development	464,047	651,268	1,207,883 ³	786,388	749,681
Total Expenditures	<u>\$5,384,418</u>	<u>\$5,732,596</u>	<u>\$7,173,733</u>	<u>\$7,589,787</u>	<u>\$8,700,981</u>
Excess of revenues over (under) expenditures	\$2,369,209	\$2,571,124	\$1,710,144	\$2,295,497	\$1,277,363
Other Financing Sources (Uses)					
Transfers in	\$540,463	\$228,084	\$242,202	\$271,944	\$317,200
Transfers (out)	(2,230,299)	(2,046,792)	(2,158,117)	(2,027,825)	(2,049,275)
Total Other Financing Sources (Uses)	<u>(1,689,836)</u>	<u>(1,818,708)</u>	<u>(1,915,915)</u>	<u>(1,755,881)</u>	<u>(1,732,075)</u>
Net changes in Fund Balances	\$679,373	\$752,416	(\$205,771)	\$539,616	(\$454,712)
General Fund Balance January 1	\$3,331,543	\$4,010,916	\$4,763,332	\$4,557,561	
Prior Period Adjustment	0	0	0	0	
Residual Equity Transfer in (out)	0	0	0	0	
General Fund Balance December 31	\$4,010,916	\$4,763,332	\$4,557,561	\$5,097,177	
DETAILS OF DECEMBER 31 FUND BALANCE					
Nonspendable	\$121,117	\$111,255	\$100,404	\$105,332	
Restricted	\$1,057	\$1,057	\$1,057	\$582,986	
Committed	664,462	664,462	644,987	629,987	
Unassigned	3,224,280	3,986,558	3,811,113	3,778,872	
Total	<u>\$4,010,916</u>	<u>\$4,763,332</u>	<u>\$4,557,561</u>	<u>\$5,097,177</u>	

Note: The City budgeted to use fund balance in Fiscal Years 2023 and 2024. The City ended 2022 with 67% fund balance due to building permit revenues outperforming what was budgeted. By policy, the City is required to hold 40% fund balance. The City Council decided to use fund balance for operations in Fiscal Years 2023 and 2024 instead of transferring funds to a capital project fund or increasing the City's general operating tax levy. In addition, the City received a one time aid of \$581,881 for public safety expenditures from the State of Minnesota. These funds were recognized in the General Fund in 2023 and will be held in restricted fund balance until they are spent on qualifying expenditures.

¹ Unaudited data is as of April 8, 2024.

² The 2024 budget was adopted on December 18, 2023.

³ The large increase from 2021 to 2022 in community development expense is a result of a few different items. The City added one full time position to the planning department to assist with permit issuance and review. Additionally, the City had additional building inspections due to the increased amount of permits processed in 2022, and the City was the recipient of an economic development grant in 2022. The City received revenue from an outside agency and passed through a local business, that repurposed an unused building in the City's downtown district.

GENERAL INFORMATION

LOCATION

The City, with a 2020 U.S. Census population of 13,033 and a 2022 population estimate of 13,593, and comprising an area of 5.80 square miles, is located approximately 35 miles southwest of Minneapolis, Minnesota.

LARGER EMPLOYERS¹

Larger employers in the City include the following:

Firm	Type of Business/Product	Estimated No. of Employees
Ridgeview Medical Center	Hospital	1,774
Strom Aviation, Inc.	Aircraft dealers	1,001
I.S.D. No. 110 (Waconia Public Schools)	Elementary and secondary education	816 ²
CabinetWorks Group	Wood cabinets and door manufacturing	600 ³
Mackenthun's Supermarket	Retail grocery store	200
Good Samaritan Society Waconia/Westview Acres	Assisted living facility and nursing home	170
Target	Retail	150
Lakeview Clinic	Medical care services	120
Laketown Electric Corp.	Electrical contractors	111
Auburn Meadows Assisted Living	Residential care homes	100

Source: Data Axle Reference Solutions, written and telephone survey, and the Minnesota Department of Employment and Economic Development.

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

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

³ Employee count is from March 2023. Unable to contact the employer through email and phone.

BUILDING PERMITS (as of March 31, 2024)

	2020	2021	2022	2023	2024
<u>New Single Family Homes</u>					
No. of building permits	28	138	144	70	27
Valuation	\$11,158,607	\$47,942,166	\$49,333,292	\$26,207,272	\$10,288,667
<u>New Multiple Family Buildings</u>					
No. of building permits	16	9	38	16	0
Valuation	\$4,570,170	\$14,645,640	\$10,953,846	\$4,666,480	\$0
<u>New Commercial/Industrial</u>					
No. of building permits	1	3	11	7	0
Valuation	\$700,000	\$38,000,000	\$43,415,480	\$17,719,000	\$0
<u>All Building Permits</u> <i>(including additions and remodelings)</i>					
No. of building permits	1,082	1,475	1,727	1,413	125
Valuation	\$28,048,789	\$77,389,368	\$127,146,858	\$81,593,778	\$12,082,011

Source: The City.

U.S. CENSUS DATA

Population Trend: The City

2010 U.S. Census population	10,697
2020 U.S. Census population	13,033
Percent of Change 2010 - 2020	21.84%

2022 Metropolitan Council Population Estimate 13,593

Income and Age Statistics

	The City	Carver County	State of Minnesota	United States
2022 per capita income	\$48,432	\$55,216	\$44,947	\$41,261
2022 median household income	\$101,619	\$116,308	\$74,313	\$75,149
2022 median family income	\$131,375	\$141,884	\$107,072	\$92,646
2022 median gross rent	\$1,174	\$1,384	\$1,178	\$1,268
2022 median value owner occupied units	\$387,600	\$400,500	\$286,800	\$281,900
2022 median age	36.9 yrs.	38.5 yrs.	38.5 yrs.	38.5 yrs.

	State of Minnesota	United States
City % of 2022 per capita income	107.75%	117.38%
City % of 2022 median family income	122.70%	141.80%

Housing Statistics

	<u>The City</u>		Percent of Change
	2020	2022	
All Housing Units	4,659	4,906	5.30%

Source: 2010 and 2020 Census of Population and Housing, and 2022 American Community Survey (Based on a five-year estimate), U.S. Census Bureau (<https://data.census.gov>), and 2022 Population Estimates, Metropolitan Council (<https://metro council.org/>).

EMPLOYMENT/UNEMPLOYMENT DATA

Rates are not compiled for individual communities within counties.

Year	<u>Average Employment</u>		<u>Average Unemployment</u>	
	Carver County	Carver County	Carver County	State of Minnesota
2020	56,643		5.2%	6.3%
2021	56,552		3.0%	3.7%
2022	57,885		2.1%	2.7%
2023	58,305		2.4%	2.8%
2024, March				3.2%

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.



ANNUAL COMPREHENSIVE FINANCIAL REPORT

FOR THE YEAR ENDED
DECEMBER 31, 2022

CITY OF WACONIA, MN



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ANNUAL COMPREHENSIVE FINANCIAL REPORT
OF THE
CITY OF WACONIA, MINNESOTA

FOR THE YEAR ENDED
DECEMBER 31, 2022

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 12, 2023

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

The Annual Comprehensive Financial Report of the City of Waconia, Minnesota (the City) for the fiscal year ended December 31, 2022 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 Minnesota, is governed independently by its own elected board

City Hall 201 South Vine Street Waconia, MN 55387 952-442-2184	Public Services 310 10 th Street East Waconia, MN 55387 952-442-2615	Fire Station 26 Maple Street South Waconia, MN 55387 952-442-2316	Safari Island Community Center 1600 Community Drive Waconia, MN 55387 952-442-0695	Ice Arena 1250 Oak Avenue Waconia, MN 55387 952-442-RINK (7465)
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www.waconia.org

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 unassigned 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, 2022, the maturities of the investments ranged from 5 days to 6.6 years, with an average maturity of 2.24 years. The average yield to maturity on the portfolio on December 31, 2022 was 1.84%. 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.

The City established a Municipal Subsidy Policy that includes a tax abatement program, pursuant to the provisions of Minnesota Statutes 469.1812 through 469.1815. The tax abatement program was established to provide assistance to private development projects that will eventually expand the City's tax base. Expected long-term benefits include; local job and career creation, enhanced diversity in the City's economic base, removal and redevelopment of blighted properties, and construction of affordable housing.

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 5.80 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, 2022 was 14,433. Waconia's total number of permits increased in 2022 from 2021. The total number of building permits for 2022 was 1,882; which increased 27% from 2021 activity. Total construction valuation of the City's permits also increased in 2022 from 2021. The total valuation of all building permit activity in 2022 was \$127,790,000; this compares to the total 2021 building permit valuation of \$77,390,000. A total of 388 new home units (144 single family, 38 townhomes, and 206 apartment units) were built in 2022. By comparison, a total of 206 new home units (138 single family, 8 townhomes, and 60 apartment units) were constructed in 2021.

The City experienced an increase in the total number of commercial permits issued and a significant increase in the total construction value of said permits in 2022. The City issued 60 commercial permits in 2021 with a total construction value of approximately \$6,240,000. In comparison, the City issued 94 commercial permits in 2022 with approximately \$54,120,000 in construction valuation. Some of the major commercial projects that occurred in the community 2022 include the addition of AutoZone, Tidal Wave Auto Spa, Kwik Trip (a second location), and major remodels at a Target store, dental office, and downtown restaurant facility. The City continued to see institutional growth as well in 2022 with a remodel at the premier Ridgeview Medical Center facility and building expansion of a major Carver County Park located along Lake Waconia.

The City expects to continue seeing residential growth and development in 2023. The City budgeted for the completion of 120 single family homes in 2023 based on available lot inventory and building trends provided by developers. Along with single family home growth, the City continues to review plans and permit applications for townhome and apartment building projects. This higher density residential development adds market rate, work force, and senior rental opportunities to the community.

In 2022, the City issued \$17,630,000 of General Obligation bonds for infrastructure improvements and construction of a fire station facility. Infrastructure improvements were made to streets, sidewalks, trails, water, sanitary sewer, and storm water structures. The 2022 infrastructure improvements included: portions of roadways in the City's downtown area along 3rd and Maple Street, Oak Avenue, and Dunsmore Drive. The fire station facility project is planned to be fully constructed in 2023 with major planning and site preparation for the project taking place over the last several years. The City's current fire station facility was constructed in 1983 and had an addition of office and training space constructed in 2005. The new facility will add health and safety amenities for fire personnel along with additional space for apparatus storage and training of employees. The City planned the new facility for continued growth and development. The facility has space to be improved in the future for more duty crews and potentially full-time staffing as the community's needs grow and expand.

As part of issuing bonds in 2022, 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 financial management, along with a strong local economy and contingent liability profile 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. The City's legal level of budgetary control (i.e., the level at which management cannot overspend the budget without the approval of the governing body) is at the fund level. City Council action is required for budgetary changes to personnel, contract services, and use of fund balance after formal approval of the annual budget.

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 Annual Comprehensive Financial Report for the fiscal year ended December 31, 2021. 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 ninth 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 annual comprehensive 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 2022 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

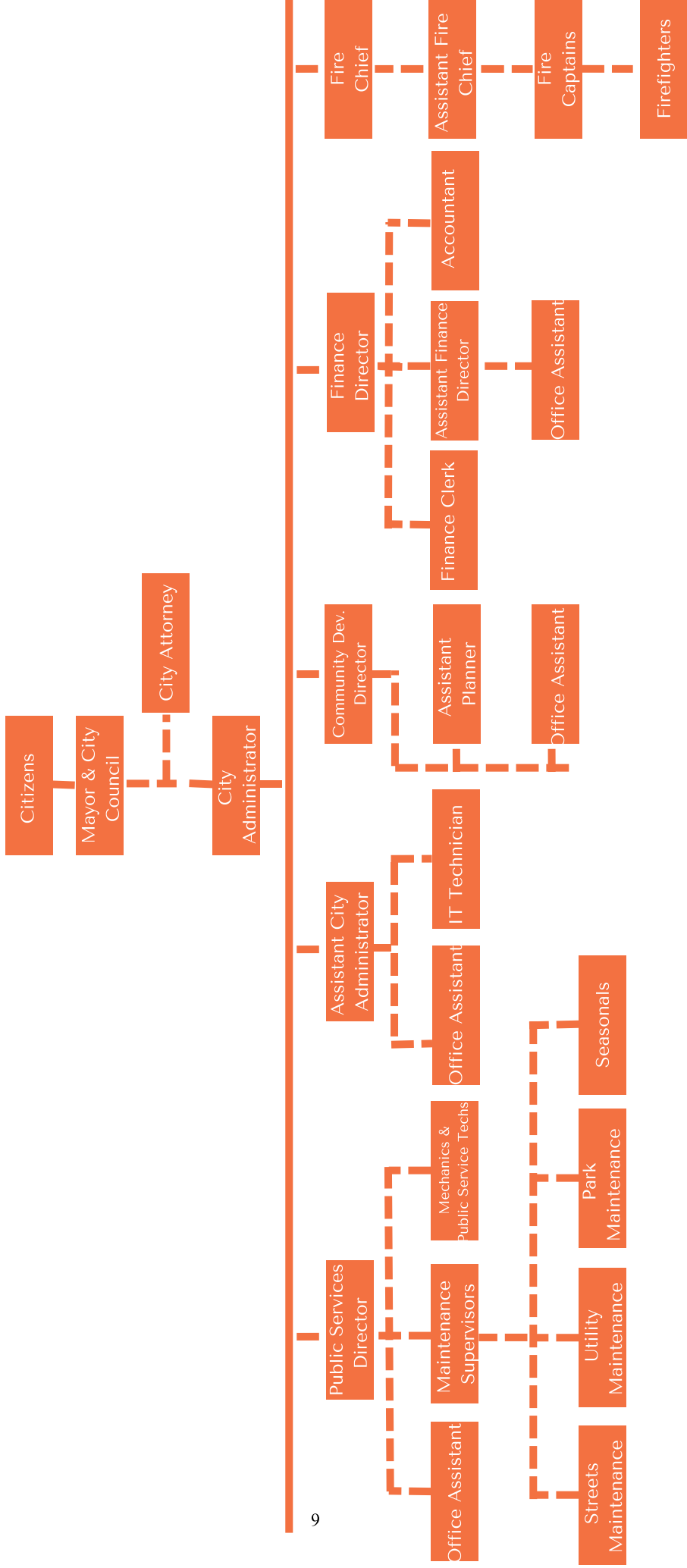
CITY OF WACONIA, MINNESOTA
ELECTED OFFICIALS AND ADMINISTRATION
December 31, 2022

<u>Elected Officials</u>	<u>Position</u>	<u>Term Expires</u>
Kent Bloudek	Mayor	December 31, 2022
Nicole Waldron	Councilmember, Ward I	December 31, 2022
Randall Sorensen	Councilmember, Ward I	December 31, 2024
Peter Leo	Councilmember, Ward II	December 31, 2022
Steve Yetzer	Councilmember, Ward II	December 31, 2024
 <u>Appointed</u>		
Shane Fineran		City Administrator
Nicole Meyer		Finance Director
Mike Melchert		City Attorney
Bolton & Menk, Inc.		City Engineer

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WACONIA

2022 ORGANIZATION CHART



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Government Finance Officers Association

Certificate of
Achievement
for Excellence
in Financial
Reporting

Presented to

**City of Waconia
Minnesota**

For its Annual Comprehensive
Financial Report
For the Fiscal Year Ended

December 31, 2021

Christopher P. Morrill

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 Audit of the Financial Statements

Opinions

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, 2022, 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.

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, 2022, 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.

Basis for Opinions

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. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the City of Waconia, Minnesota and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Report on Summarized Comparative Information

We have previously audited the City of Waconia, Minnesota's 2021 financial statements, and we expressed unmodified audit opinions 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 12, 2022. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2021 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the City of Waconia, Minnesota's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Governmental Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City of Waconia, Minnesota's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the City of Waconia, Minnesota's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Change in Accounting Principle

As described in Note 17 to the financial statements, the City of Waconia, Minnesota adopted new accounting guidance for the year ended December 31, 2022, Governmental Accounting Standards Board Statement No. 87, *Leases*. Our opinions are not modified with respect to this matter.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, the budgetary comparison schedule, and the schedules of OPEB and pension information, as listed in the table of contents, be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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.

Supplementary 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 accompanying combining and individual nonmajor fund financial statements and schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The 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.

Other Information

Management is responsible for the other information included in the annual report. The other information comprises the introductory and statistical sections but does not include the basic financial statements and our auditor's report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated May 12, 2023 on our consideration of the City of Waconia, Minnesota's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City of Waconia, Minnesota's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Waconia, Minnesota's internal control over financial reporting and compliance.

Redpath and Company, Ltd.

REDPATH AND COMPANY, LTD.
St. Paul, Minnesota

May 12, 2023

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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, 2022. We encourage readers to consider the information presented here.

Financial Highlights

- The assets and deferred outflows of resources of the City of Waconia exceeded its liabilities and deferred inflows of resources at the close of the most recent fiscal year by \$116,458,487 (*net position*). Of this amount, \$11,921,271 (*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 \$27,048,489 an increase of \$12,229,216 in comparison with the prior year increase of \$1,596,743.
- Unassigned fund balance for the General Fund was \$3,811,113 or 53% of total General Fund expenditures as of the end of the fiscal year. The City realized a decrease of \$175,445 in the unassigned General Fund fund balance from the 2021 level. As of December 31, 2022, the City's unassigned fund balance was at 53% of total General Fund expenditures.
- The City of Waconia's capital assets increased from \$134,323,335 to \$138,135,196 net of accumulated depreciation. The City's construction in progress increased \$6,983,790 from 2021.
- The City of Waconia's total long-term debt increased from \$45,224,873 to \$59,008,832 by the end of 2022. The City issued \$16,525,000 in general obligation bonds for the 2022 Infrastructure Improvement Project and for the construction of the new fire station. The City also issued \$1,105,000 in General Obligation Water, Sewer, and Storm Revenue Bonds.

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 28 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 and the Permanent Improvement Revolving Capital Project Fund which are considered to be major funds. Data from the other 26 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 except the Coronavirus Relief Fund. 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. A budgetary comparison schedule has been provided for the General Fund to demonstrate compliance with its budget. Budgetary information for the General Fund can be found on Statement 9. Budgetary comparison information for non-major special revenue funds including the Public Education Fund, Revolving Loan Fund, Safari Island Fund, Ice Arena Fund, and Lodging Tax Fund can be found on Statements 18 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 in Statements 16 and 17 of this report.

Government-Wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. For the City of Waconia, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$116,458,487 at the close of the most recent fiscal year.

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

from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

A portion of the City of Waconia’s net position (9%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position of \$11,921,271 or 10% may be used to meet the government’s ongoing obligation to citizens and creditors.

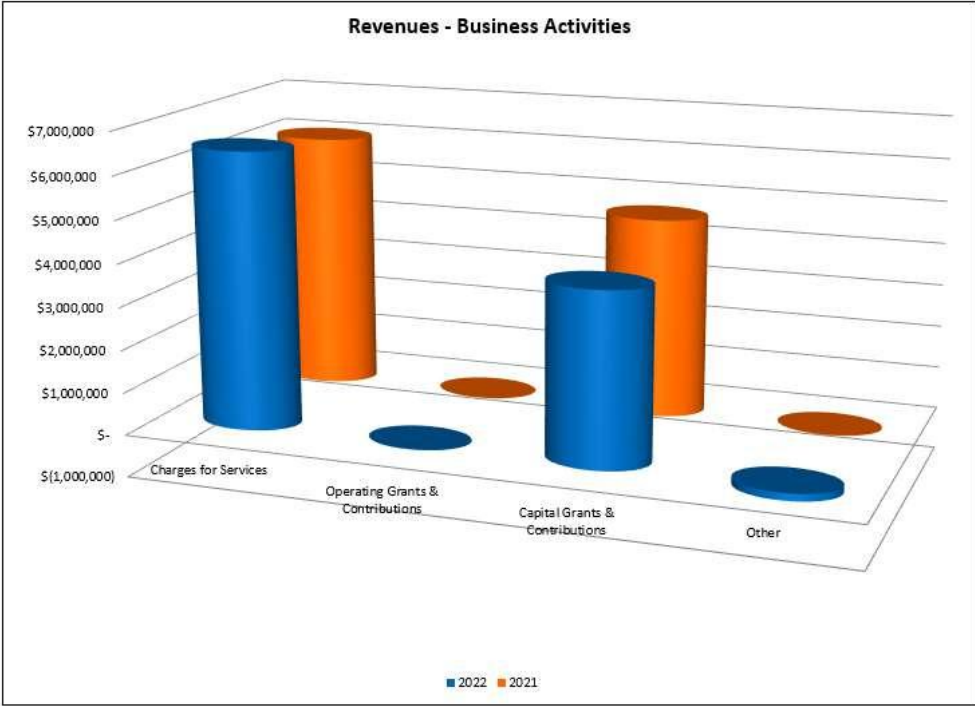
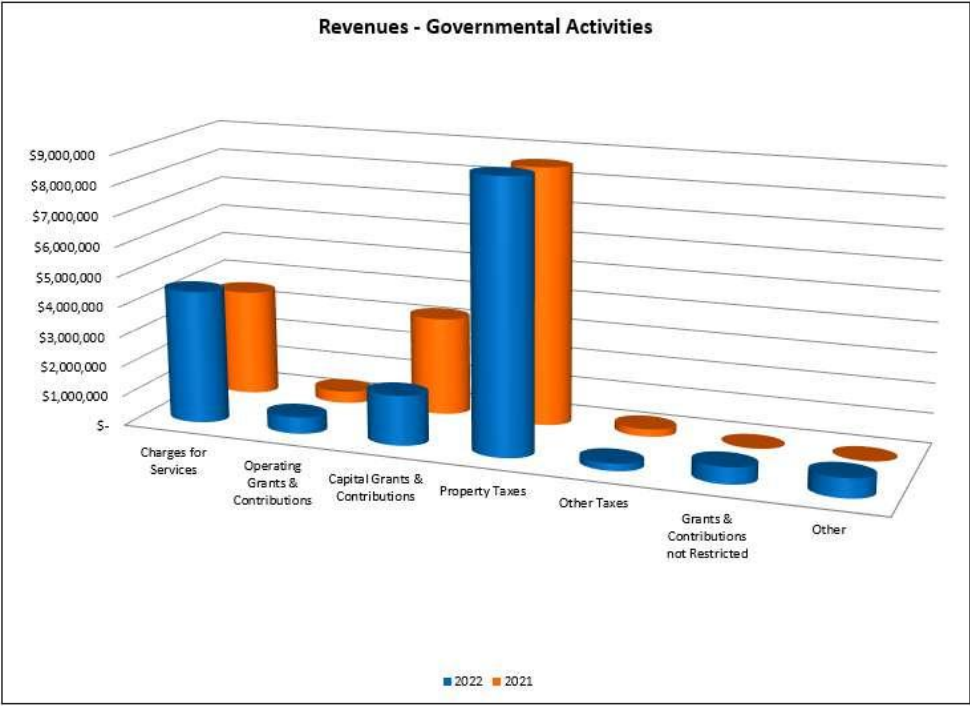
At the end of the current fiscal year, the City of Waconia can report positive balances in all three categories of net position, both for the government as a whole, as well as for its separate governmental and business-type activities.

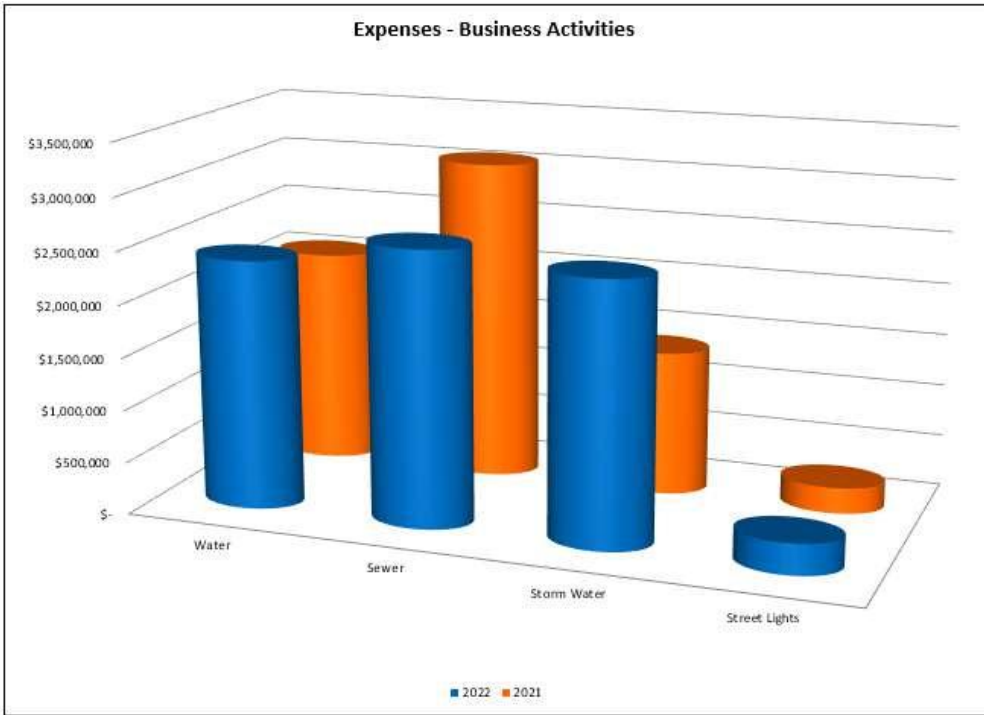
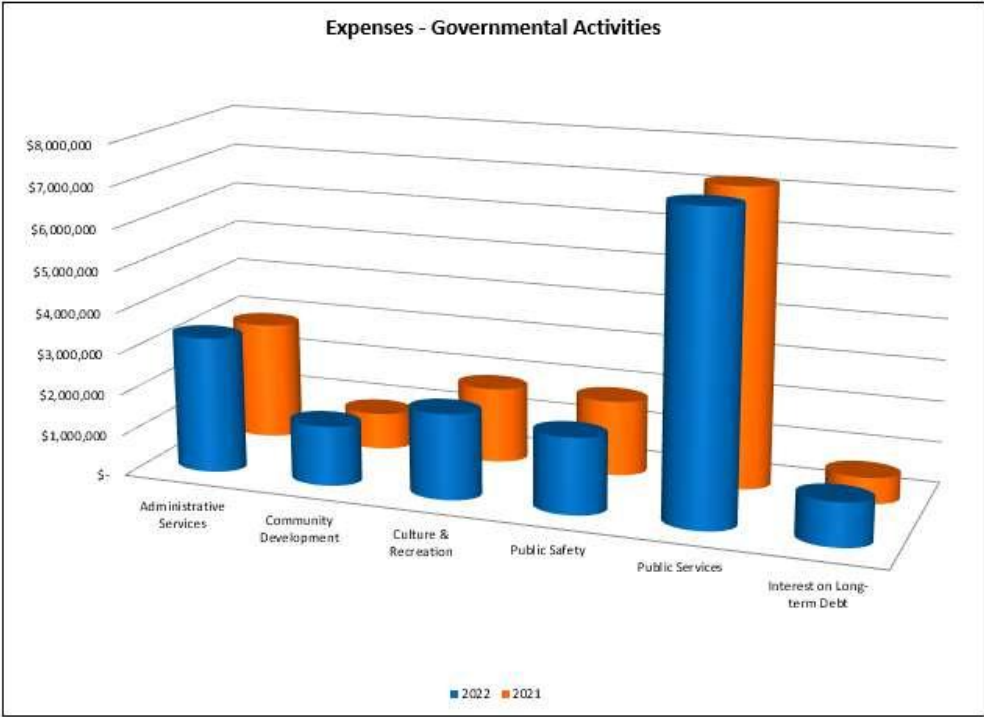
Net Position	Governmental Activities		Business-Type Activities		Totals	
	2022	2021	2022	2021	2022	2021
Current & Other Assets	\$ 42,799,333	\$ 30,934,853	\$ 9,657,685	\$ 8,602,442	\$ 52,457,018	\$ 39,537,295
Capital Assets	\$ 82,331,579	\$ 79,688,064	\$ 55,803,617	\$ 54,635,271	\$ 138,135,196	\$ 134,323,335
Total Assets	\$ 125,130,912	\$ 110,622,917	\$ 65,461,302	\$ 63,237,713	\$ 190,592,214	\$ 173,860,630
Deferred Outflows of Resources	\$ 1,218,962	\$ 1,012,017	\$ 398,238	\$ 431,171	\$ 1,617,200	\$ 1,443,188
Long-Term Liabilities	\$ 40,416,976	\$ 25,496,247	\$ 15,854,126	\$ 15,987,051	\$ 56,271,102	\$ 41,483,298
Other Liabilities	\$ 7,550,611	\$ 6,453,759	\$ 2,749,593	\$ 2,455,574	\$ 10,300,204	\$ 8,909,333
Total Liabilities	\$ 47,967,587	\$ 31,950,006	\$ 18,603,719	\$ 18,442,625	\$ 66,571,306	\$ 50,392,631
Deferred Inflows of Resources	\$ 9,162,265	\$ 10,518,265	\$ 17,356	\$ 515,690	\$ 9,179,621	\$ 11,033,955
Net Investment in Capital Assets	\$ 54,716,395	\$ 51,828,364	\$ 39,036,887	\$ 37,390,672	\$ 93,753,282	\$ 89,219,036
Net Position Restricted	\$ 10,783,934	\$ 10,893,269	\$ -	\$ -	\$ 10,783,934	\$ 10,893,269
Net Position Unrestricted	\$ 3,719,693	\$ 6,445,030	\$ 8,201,578	\$ 7,319,897	\$ 11,921,271	\$ 13,764,927
Total Net Position	\$ 69,220,022	\$ 69,166,663	\$ 47,238,465	\$ 44,710,569	\$ 116,458,487	\$ 113,877,232

Governmental activities. Net position of the City’s governmental activities increased \$53,359 during 2022 compared to the previous year’s increase of \$1,253,350. In 2022, the city saw increased charges for services, licenses and permits. The increase in licenses and permits was related to permit activity. The city saw an increase of 240 permits and an increase in total construction value of \$49,760,000 from 2021. The city also experienced an increase in charges for services related to both recreation facilities. Safari Island and the Waconia Ice Arena revenues have started to rebound since the pandemic. Daily fees, memberships, rentals, and programming all saw increases from the year prior. The city did receive both operating and capital grants throughout 2022; however, about 40% less than 2021. The city received grants and aid from the Minnesota Department of Revenue for the East Frontage Road and Waconia Parkway South Road improvements and the Minnesota Historical Society to rehab Veteran’s monuments throughout City Square Park.

Business-type activities. Business-type activities increased the City’s net position by \$2,527,896 compared to the previous year’s increase in net position of \$3,537,773. The most noteworthy increases are for connection charges and charges for services. The connection charges are related to building permit activity and resulted in an increase of \$1,944,580. The city added 388 new home units comprised of single-family homes, townhouses, and apartment units, as well as 5 new commercial construction permits. All four enterprise funds saw slight increases in charges for services resulting in an overall increase of approximately \$577,000.

Net Position Changes	Governmental Activities		Business-Type Activities		Totals	
	2022	2021	2022	2021	2022	2021
Revenues						
Program Revenues						
Charges for Services	\$ 4,430,474	\$ 3,561,373	\$ 6,484,426	\$ 6,064,227	\$ 10,914,900	\$ 9,625,600
Operating Grants & Contributions	\$ 554,402	\$ 393,753	\$ 12,500	\$ -	\$ 566,902	\$ 393,753
Capital Grants & Contributions	\$ 1,660,196	\$ 3,268,389	\$ 4,037,340	\$ 4,687,511	\$ 5,697,536	\$ 7,955,900
General Revenues					\$ -	\$ -
Property Taxes	\$ 8,970,824	\$ 8,604,614	\$ -	\$ -	\$ 8,970,824	\$ 8,604,614
Other Taxes	\$ 238,783	\$ 246,377	\$ -	\$ -	\$ 238,783	\$ 246,377
Grants & Contributions not Restricted	\$ 549,575	\$ 11,107	\$ -	\$ -	\$ 549,575	\$ 11,107
Other	\$ 635,402	\$ 3,065	\$ (168,693)	\$ (12,463)	\$ 466,709	\$ (9,398)
Total Revenues	\$ 17,039,656	\$ 16,088,678	\$ 10,365,573	\$ 10,739,275	\$ 27,405,229	\$ 26,827,953
Expenses						
Administrative Services	\$ 3,301,360	\$ 2,876,875	\$ -	\$ -	\$ 3,301,360	\$ 2,876,875
Community Development	\$ 1,450,853	\$ 887,554	\$ -	\$ -	\$ 1,450,853	\$ 887,554
Culture & Recreation	\$ 2,068,549	\$ 1,828,463	\$ -	\$ -	\$ 2,068,549	\$ 1,828,463
Public Safety	\$ 1,843,010	\$ 1,821,216	\$ -	\$ -	\$ 1,843,010	\$ 1,821,216
Public Services	\$ 7,335,197	\$ 7,207,936	\$ -	\$ -	\$ 7,335,197	\$ 7,207,936
Interest on Long-term Debt	\$ 1,044,294	\$ 631,250	\$ -	\$ -	\$ 1,044,294	\$ 631,250
Water	\$ -	\$ -	\$ 2,378,714	\$ 2,069,104	\$ 2,378,714	\$ 2,069,104
Sewer	\$ -	\$ -	\$ 2,617,733	\$ 3,080,213	\$ 2,617,733	\$ 3,080,213
Storm Water	\$ -	\$ -	\$ 2,489,887	\$ 1,386,960	\$ 2,489,887	\$ 1,386,960
Street Lights	\$ -	\$ -	\$ 294,377	\$ 247,259	\$ 294,377	\$ 247,259
Total Expenses	\$ 17,043,263	\$ 15,253,294	\$ 7,780,711	\$ 6,783,536	\$ 24,823,974	\$ 22,036,830
Increase (Decrease) in Net Position before Transfers	\$ (3,607)	\$ 835,384	\$ 2,584,862	\$ 3,955,739	\$ 2,581,255	\$ 4,791,123
Transfers	\$ 56,966	\$ 417,966	\$ (56,966)	\$ (417,966)	\$ -	\$ -
Increase (Decrease) in Net Position	\$ 53,359	\$ 1,253,350	\$ 2,527,896	\$ 3,537,773	\$ 2,581,255	\$ 4,791,123
Net Position January 1	\$ 69,166,663	\$ 67,913,313	\$ 44,710,569	\$ 41,172,796	\$ 113,877,232	\$ 109,086,109
Net Position December 31	\$ 69,220,022	\$ 69,166,663	\$ 47,238,465	\$ 44,710,569	\$ 116,458,487	\$ 113,877,232





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 \$27,048,489. Of this total amount, \$2,963,570 (approximately 11%) constitutes unassigned fund balance, which is available for spending at the government's discretion. The remainder of the 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 \$6,186,279. 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 \$665,834. The City issued bonds in 2022 known as the General Obligation Bonds of 2022A to fund the 2022 infrastructure improvement projects and the construction of a new fire station facility.

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 53% of total General Fund expenditures. The unassigned general fund balance decreased by \$175,445 during the current fiscal year. The decrease can be attributed to increased expenses as well as unrealized losses on investments. Most of the departments within the general fund experienced higher than anticipated repair and maintenance expenses due to unexpected equipment and building failures.

Permanent Improvement Revolving Capital Project Fund Analysis

The Permanent Improvement Revolving Capital Project Fund increased fund balance by \$12,213,750 during the current fiscal year. The restricted fund balance increased due to unspent bond proceeds for the construction of the fire station.

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 \$8,201,578. Total unrestricted net position increased 12% from 2021.

Water Utility Fund Analysis

Net position of the Water Utility Fund increased \$1,787,426 during 2022 compared to a \$1,491,488 increase in 2021. Operating expenditures including depreciation exceeded operating

revenues in 2022 by \$219,556. User charges are not intended to fully cover depreciation expense, which was \$900,938 for 2022.

Sewer Utility Fund Analysis

Net position of the Sewer Utility Fund increased \$412,666 during 2022 compared to a \$959,370 increase in 2021. Operating expenditures including depreciation exceeded operating revenues in 2022 by \$89,377. User charges are not intended to fully cover depreciation expense, which was \$583,795 for 2022.

Storm Water Utility Fund Analysis

Net position of the Storm Water Utility Fund increased \$351,413 during 2022 compared to a \$1,069,733 increase in 2021. Operating expenditures including depreciation exceeded operating revenues in 2022 by \$185,726. User charges are not intended to fully cover depreciation expense, which was \$672,059 for 2022.

For all three utility funds, connection charge revenue was higher than anticipated due to increased building construction activity in 2022.

Street Light Utility Fund Analysis

Net position of the Street Light Utility Fund decreased \$23,609 during 2022 compared to a \$17,182 increase in 2021. Operating expenditures including depreciation exceeded operating revenues in 2022 by \$18,813. Both streetlight electricity and contract service expenses came in higher than anticipated. Non-capital projects of light pole upgrades and fleet garage contracted maintenance contributed to the decrease in fund balance.

General Fund Budgetary Highlights

There were five budget amendments that affected the original general fund budget in 2022. Below are brief summaries of those amendments:

- A revenue amendment related to staff maintenance chargebacks for mowing and snow removal.
- Reallocation of administration fund expenditures to cover a staffing study.
- Reallocation of operating funds from central facilities to PIR capital project for new cubicle and chair project.
- The finance department budget was amended to align with a change between full-time and part-time staff.
- Debt for Safari Island's original building improvements were paid off on October 1, 2022. The fund had a small amount of fund balance from transfers over the year from the General Fund. Because of this, the interfund transfer out of the General Fund to the Safari Island Debt Fund was reduced as there were no additional anticipated expenditures.

The actual General Fund expenditures of \$7,173,733 were \$541,462 over the General Fund budget of \$6,632,271. The primary departments resulting in this variance include building inspections, central facilities, streets, and economic developments. In review of these departments, the following variances were noted:

- Building Inspections – The City processed more permits in 2022 than in 2021 by number, and valuation. Because building permit fees are based on valuation, revenues and expenditures were higher than anticipated for 2022. 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.
- Central Facilities – Many individual line items contributed to central facilities being over budget. There were several unanticipated emergency type repairs that needed to be done with the HVAC units at the City Hall facility. Liability insurance and electricity/natural gas expense also came in higher than projected for the year.
- Streets – The streets department experienced significant increases in fuel, contract hauling, and repairs and maintenance, which can primarily be attributed to the increased number of snow events experienced this past winter.
- Economic Development – No budget was set for expenses in this department, but the city acted as a sub-recipient grantee on behalf of two parties. There is an offsetting grant revenue for these agreements.

The overall transfers-out total \$2,158,117 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, 2022, amounted to \$138,135,196 (net of accumulated depreciation). This investment in capital assets includes land, permanent easements, buildings, improvements, machinery, furniture, equipment, park facilities, roads, and highways. The total increase in the City of Waconia’s overall value of capital assets for the current fiscal year was 2.8%. The reason for the increase was that the addition of capital assets and construction in progress exceeded depreciation expense.

Major capital asset information for the current fiscal year follows:

Capital Assets	Governmental Activities		Business-Type Activities		Total	
	2022	2021	2022	2021	2022	2021
Land	\$ 6,295,087	\$ 6,295,087	\$ 695,880	\$ 695,880	\$ 6,990,967	\$ 6,990,967
Permanent Easements	\$ 2,458,420	\$ 2,458,420	\$ -	\$ -	\$ 2,458,420	\$ 2,458,420
Buildings	\$ 56,013,739	\$ 55,988,646	\$ 10,184,039	\$ 10,184,039	\$ 66,197,778	\$ 66,172,685
Infrastructure	\$ 81,094,386	\$ 80,591,161	\$ 65,861,166	\$ 64,225,120	\$ 146,955,552	\$ 144,816,281
Machinery & Equipment	\$ 4,174,851	\$ 3,835,537	\$ 1,567,304	\$ 1,159,732	\$ 5,742,155	\$ 4,995,269
Vehicles	\$ 4,856,289	\$ 4,494,326	\$ 871,123	\$ 871,123	\$ 5,727,412	\$ 5,365,449
Construction in Progress	\$ 11,373,719	\$ 5,232,222	\$ 7,403,183	\$ 6,560,890	\$ 18,776,902	\$ 11,793,112
Accumulated Depreciation	\$ (83,934,912)	\$ (79,207,335)	\$ (30,779,078)	\$ (29,061,513)	\$ (114,713,990)	\$ (108,268,848)
Total Capital Assets	\$ 82,331,579	\$ 79,688,064	\$ 55,803,617	\$ 54,635,271	\$ 138,135,196	\$ 134,323,335

Additional information on the City of Waconia’s capital assets can be found in Note 7 of this report.

Long-Term Debt. At the end of the current fiscal year, the City of Waconia had total debt outstanding of \$59,008,832. Of this amount \$14,935,170 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 user charges or tax levy) of \$42,786,376, notes payable of \$900,821, and compensated absences of \$386,465. During the current fiscal year, the City’s total long-term debt increased by \$13,783,959. Total principal payments made were \$5,016,113.

The City issued \$16,525,000 in general obligation bonds for work completed with the 2022 Infrastructure Improvement Project and for construction of a new fire station. The 2022 Infrastructure improvements had several components to the project including: a road and trail overlay and retaining wall for Oak Avenue, street and sidewalk reconstruction for 3rd and Maple streets, and improvements on Dunsmore Drive. The actual fire station construction is not expected to start until the spring of 2023; however, expense started to be incurred in 2022 for planning, architecture, construction management and supply orders.

The City issued a \$297,796 note payable for a street sweeper and \$1,105,000 in General Obligation Water, Sewer, and Stormwater Bonds. These GO Bonds were also attributable to the water, sewer, storm water components of the 2022 Infrastructure Improvement Project.

Long-Term Debt	Governmental Activities		Business Activities		Total	
	2022	2021	2022	2021	2022	2021
Bonded Debt						
General Obligation Debt	\$24,380,000	\$10,565,000	\$ -	\$ -	\$24,380,000	\$10,565,000
Special Assessment Debt with Governmental Commitment	\$14,935,170	\$14,100,298	\$ -	\$ -	\$14,935,170	\$14,100,298
Public Project Revenue Bonds	\$1,968,551	\$2,456,689	\$ -	\$ -	\$1,968,551	\$2,456,689
G.O. Revenue Bonds	\$ -	\$ -	\$16,437,825	\$17,008,309	\$16,437,825	\$17,008,309
Total Bonded Debt	\$41,283,721	\$27,121,987	\$16,437,825	\$17,008,309	\$57,721,546	\$44,130,296
Notes Payable	\$645,000	\$766,000	\$255,821	\$ -	\$900,821	\$766,000
Compensated Absences	\$245,841	\$203,117	\$140,624	\$125,460	\$386,465	\$328,577
Total Long-Term Debt	\$42,174,562	\$28,091,104	\$16,834,270	\$17,133,769	\$59,008,832	\$45,224,873

- The City of Waconia will be paying approximately \$5,686,995 in principal payments in 2023.
- 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 September 2022 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 \$51,546,345. The City of Waconia's current outstanding general obligation debt of \$24,380,000 is well below the maximum allowed.

Additional information on the City of Waconia's long-term debt can be found in Note 8 of this report.

2023 Budget and Rate Information

The following factors were considered in preparing the City of Waconia's budget for the 2023 fiscal year.

- The City's 2023 Taxable Market Value increased to \$2,131,314,200 up 21.63% from the previous year's market value and the Net Total Tax Capacity increased to \$22,330,061, up 29.32%.
- The City of Waconia prepared its 2023 General Fund budget of \$9,638,053 for a 9.5% increase in projected General Fund expenditures including interfund transfers out to other funds.
- The City's tax rate decreased from 46.158% to 41.346% for a 4.81% decrease. The average valued home realized a slight 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

Statement 1

December 31, 2022

With Comparative Totals For December 31, 2021

	Primary Government			
	Governmental Activities	Business-Type Activities	Total	
			2022	2021
Assets:				
Cash and investments	\$28,277,292	\$8,169,005	\$36,446,297	\$23,403,034
Accrued interest receivable	149,566	-	149,566	26,372
Due from other governmental units	1,102,443	13,279	1,115,722	811,109
Accounts receivable - net	247,282	500,398	747,680	668,682
Internal balances	(375,116)	375,116	-	-
Prepaid items	110,388	38,977	149,365	157,383
Property taxes receivable	25,163	-	25,163	50,613
Special assessments receivable	2,435,749	247,281	2,683,030	3,069,718
Deposits receivable	175,000	-	175,000	175,000
Notes receivable - net	1,067,472	313,629	1,381,101	972,243
Leases receivable	9,021,481	-	9,021,481	9,257,095
Land held for resale	40,000	-	40,000	80,000
Net pension asset	522,613	-	522,613	866,046
Capital assets - nondepreciable	20,127,226	8,099,063	28,226,289	21,242,499
Capital assets - net of accumulated depreciation	62,204,353	47,704,554	109,908,907	113,080,836
Total assets	125,130,912	65,461,302	190,592,214	173,860,630
Deferred outflows of resources related to:				
Pensions	1,124,603	398,238	1,522,841	1,329,956
Debt refunding	94,359	-	94,359	113,232
Total deferred outflows of resources	1,218,962	398,238	1,617,200	1,443,188
Liabilities:				
Accounts payable	896,822	259,621	1,156,443	1,029,837
Due to other governmental units	64,101	-	64,101	152,506
Salaries and benefits payable	121,093	47,183	168,276	108,212
Contracts payable	209,003	73,084	282,087	361,157
Deposits payable	1,180,876	-	1,180,876	838,331
Accrued interest payable	424,224	225,892	650,116	451,918
Unearned revenue	802,137	-	802,137	664,657
Net pension liability:				
Due in more than one year	2,094,769	1,163,669	3,258,438	1,561,140
Long-term liabilities:				
Due within one year	3,852,355	2,143,813	5,996,168	5,302,715
Due in more than one year	38,322,207	14,690,457	53,012,664	39,922,158
Total liabilities	47,967,587	18,603,719	66,571,306	50,392,631
Deferred inflows of resources related to:				
Pensions	140,784	17,356	158,140	1,776,860
Leases	9,021,481	-	9,021,481	9,257,095
Total deferred inflows of resources	9,162,265	17,356	9,179,621	11,033,955
Net position:				
Net investment in capital assets	54,716,395	39,036,887	93,753,282	89,219,036
Restricted for:				
Debt service	8,083,320	-	8,083,320	8,014,670
Economic development loans	1,417,389	-	1,417,389	1,430,940
Fire Relief Association pension plan	685,940	-	685,940	617,028
Tax increment purposes	377,897	-	377,897	363,833
Other purposes	219,388	-	219,388	466,798
Unrestricted	3,719,693	8,201,578	11,921,271	13,764,927
Total net position	\$69,220,022	\$47,238,465	\$116,458,487	\$113,877,232

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

CITY OF WACONIA, MINNESOTA
STATEMENT OF ACTIVITIES
For The Year Ended December 31, 2022
With Comparative Totals For The Year Ended December 31, 2021

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u> Charges For Services
Primary government:		
Governmental activities:		
Administrative services	\$3,301,360	\$743,392
Community development	1,450,853	1,681,830
Culture and recreation	2,068,549	1,488,972
Public safety	1,843,010	222,056
Public services	7,335,197	294,224
Interest on long-term debt	1,044,294	-
Total governmental activities	<u>17,043,263</u>	<u>4,430,474</u>
Business-type activities:		
Water	2,378,714	2,171,445
Sewer	2,617,733	2,442,155
Storm water	2,489,887	1,590,449
Street lighting	294,377	280,377
Total business-type activities	<u>7,780,711</u>	<u>6,484,426</u>
Total primary government	<u>\$24,823,974</u>	<u>\$10,914,900</u>

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

Program Revenues		Net (Expense) Revenue and Changes in Net Position Primary Government			
Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Totals	
				2022	2021
\$16,979	\$ -	(\$2,540,989)	\$ -	(\$2,540,989)	(\$2,124,278)
-	-	230,977	-	230,977	289,915
-	115,534	(464,043)	-	(464,043)	(666,746)
179,651	-	(1,441,303)	-	(1,441,303)	(1,394,281)
357,772	1,544,662	(5,138,539)	-	(5,138,539)	(3,503,139)
-	-	(1,044,294)	-	(1,044,294)	(631,250)
<u>554,402</u>	<u>1,660,196</u>	<u>(10,398,191)</u>	<u>0</u>	<u>(10,398,191)</u>	<u>(8,029,779)</u>
-	2,089,800	-	1,882,531	1,882,531	1,695,159
-	1,264,601	-	1,089,023	1,089,023	1,086,778
12,500	682,939	-	(203,999)	(203,999)	1,167,836
-	-	-	(14,000)	(14,000)	18,429
<u>12,500</u>	<u>4,037,340</u>	<u>0</u>	<u>2,753,555</u>	<u>2,753,555</u>	<u>3,968,202</u>
<u>\$566,902</u>	<u>\$5,697,536</u>	<u>(10,398,191)</u>	<u>2,753,555</u>	<u>(7,644,636)</u>	<u>(4,061,577)</u>
General revenues:					
Property taxes		8,970,824	-	8,970,824	8,604,614
Tax increment collections		192,241	-	192,241	205,593
Lodging taxes		46,542	-	46,542	40,784
Grants and contributions not restricted to specific programs		549,575	-	549,575	11,107
Unrestricted investment earnings		(349,027)	(168,693)	(517,720)	(56,525)
Gain on sale of capital assets		984,429	-	984,429	47,127
Transfers		56,966	(56,966)	-	-
Total general revenues and transfers		<u>10,451,550</u>	<u>(225,659)</u>	<u>10,225,891</u>	<u>8,852,700</u>
Change in net position		53,359	2,527,896	2,581,255	4,791,123
Net position - January 1		<u>69,166,663</u>	<u>44,710,569</u>	<u>113,877,232</u>	<u>109,086,109</u>
Net position - December 31		<u>\$69,220,022</u>	<u>\$47,238,465</u>	<u>\$116,458,487</u>	<u>\$113,877,232</u>

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

CITY OF WACONIA, MINNESOTA

BALANCE SHEET

Statement 3

GOVERNMENTAL FUNDS

December 31, 2022

With Comparative Totals For December 31, 2021

	General Fund (101)	Permanent Improvement Revolving Capital Fund (103)	Other Governmental Funds	Total Governmental Funds	
				2022	2021
Assets:					
Cash and investments	\$5,416,815	\$13,973,349	\$8,887,128	\$28,277,292	\$16,189,324
Accrued interest receivable	60,336	-	89,230	149,566	26,372
Due from other governmental units	151,089	918,629	32,725	1,102,443	775,212
Accounts receivable - net	137,631	57,809	51,842	247,282	237,757
Prepaid items	100,404	230	9,754	110,388	118,810
Property taxes receivable	16,834	-	8,329	25,163	50,613
Special assessments receivable:					
Delinquent	730	-	563	1,293	-
Deferred	6,957	-	2,427,499	2,434,456	2,768,098
Interfund loan receivable	65,000	-	-	65,000	-
Deposits receivable	-	-	175,000	175,000	175,000
Notes receivable - net	3,855	-	1,063,617	1,067,472	807,025
Leases receivable	9,021,481	-	-	9,021,481	9,257,095
Land held for resale	-	40,000	-	40,000	80,000
Total assets	<u>\$14,981,132</u>	<u>\$14,990,017</u>	<u>\$12,745,687</u>	<u>\$42,716,836</u>	<u>\$30,485,306</u>
Liabilities, Deferred Inflows of Resources, and Fund Balance:					
Liabilities:					
Accounts payable	\$653,705	\$161,049	\$82,068	\$896,822	\$724,160
Due to other governmental units	23	-	64,078	64,101	152,506
Salaries and benefits payable	121,093	-	-	121,093	76,958
Contracts payable	-	209,003	-	209,003	124,867
Deposits payable	575,665	605,211	-	1,180,876	838,331
Interfund loan payable	-	-	440,116	440,116	416,499
Unearned revenue	27,083	-	775,054	802,137	664,657
Total liabilities	<u>1,377,569</u>	<u>975,263</u>	<u>1,361,316</u>	<u>3,714,148</u>	<u>2,997,978</u>
Deferred inflows of resources:					
Unavailable revenue	24,521	-	2,908,197	2,932,718	3,410,960
Related to leases	9,021,481	-	-	9,021,481	9,257,095
Total deferred inflows of resources	<u>9,046,002</u>	<u>-</u>	<u>2,908,197</u>	<u>11,954,199</u>	<u>12,668,055</u>
Fund balance:					
Nonspendable	100,404	230	9,754	110,388	118,810
Restricted	1,057	14,468,181	7,948,090	22,417,328	7,570,210
Committed	644,987	-	390,052	1,035,039	1,105,570
Assigned	-	-	522,164	522,164	2,453,063
Unassigned	3,811,113	(453,657)	(393,886)	2,963,570	3,571,620
Total fund balance	<u>4,557,561</u>	<u>14,014,754</u>	<u>8,476,174</u>	<u>27,048,489</u>	<u>14,819,273</u>
Total liabilities, deferred inflows of resources, and fund balance	<u>\$14,981,132</u>	<u>\$14,990,017</u>	<u>\$12,745,687</u>	<u>\$42,716,836</u>	<u>\$30,485,306</u>
Fund balance reported above				\$27,048,489	\$14,819,273
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.				84,073,154	81,566,127
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.				(44,834,339)	(30,629,697)
Other long-term assets are not available to pay for current-period expenditures and, therefore, are reported as unavailable revenue in the funds.				2,932,718	3,410,960
Net position of governmental activities				<u>\$69,220,022</u>	<u>\$69,166,663</u>

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

CITY OF WACONIA, MINNESOTA
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
For The Year Ended December 31, 2022
With Comparative Totals For The Year Ended December 31, 2021

Statement 4

	General Fund (101)	Permanent Improvement Revolving Capital Fund (103)	Other Governmental Funds	Total Governmental Funds	
				2022	2021
Revenues:					
Property taxes	\$5,984,955	\$ -	\$3,011,319	\$8,996,274	\$8,616,802
Tax increment collections	-	-	192,241	192,241	205,593
Lodging taxes	-	-	46,542	46,542	40,784
Special assessments	-	339,087	422,202	761,289	705,622
Intergovernmental	431,104	967,238	538,431	1,936,773	2,546,858
Investment income	(220,849)	(108,330)	(19,848)	(349,027)	(44,062)
Charges for services	940,890	242,376	1,503,471	2,686,737	2,348,486
Licenses and permits	1,700,990	-	-	1,700,990	1,175,255
Fines and forfeits	42,747	-	-	42,747	37,632
Contributions and donations	4,040	139,944	244,517	388,501	221,838
Total revenues	8,883,877	1,580,315	5,938,875	16,403,067	15,854,808
Expenditures:					
Current:					
Administrative services	2,061,259	-	44,334	2,105,593	1,742,818
Community development	1,207,883	-	208,118	1,416,001	896,430
Culture and recreation	19,225	-	1,868,050	1,887,275	1,647,191
Public safety	1,549,542	-	-	1,549,542	1,512,039
Public services	2,335,824	1,316,607	10,244	3,662,675	3,370,565
Capital outlay:					
Administrative services	-	13,725	19,751	33,476	48,658
Culture and recreation	-	-	-	-	81,081
Public safety	-	554,630	360,398	915,028	527,548
Public services	-	6,485,578	347,225	6,832,803	4,722,287
Debt service:					
Principal	-	-	3,414,138	3,414,138	3,046,363
Interest and fiscal charges	-	346,907	706,325	1,053,232	802,019
Total expenditures	7,173,733	8,717,447	6,978,583	22,869,763	18,396,999
Revenues over (under) expenditures	1,710,144	(7,137,132)	(1,039,708)	(6,466,696)	(2,542,191)
Other financing sources (uses):					
Bonds issued	-	16,525,000	-	16,525,000	3,190,000
Bond premium	-	1,126,882	-	1,126,882	256,808
Sale of capital assets	-	960,000	27,064	987,064	274,160
Transfers in	242,202	739,000	1,761,083	2,742,285	2,466,842
Transfers out	(2,158,117)	-	(527,202)	(2,685,319)	(2,048,876)
Total other financing sources (uses)	(1,915,915)	19,350,882	1,260,945	18,695,912	4,138,934
Net change in fund balance	(205,771)	12,213,750	221,237	12,229,216	1,596,743
Fund balance - January 1	4,763,332	1,801,004	8,254,937	14,819,273	13,222,530
Fund balance - December 31	\$4,557,561	\$14,014,754	\$8,476,174	\$27,048,489	\$14,819,273

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

CITY OF WACONIA, MINNESOTA

RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES OF
GOVERNMENTAL FUNDS

Statement 5

For The Year Ended December 31, 2022

With Comparative Amounts For The Year Ended December 31, 2021

	2022	2021
Amounts reported for governmental activities in the statement of activities are different because:		
Net changes in fund balance - total governmental funds (Statement 4)	\$12,229,216	\$1,596,743
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense:		
Depreciation	(5,135,157)	(5,371,462)
Capital outlay	7,781,307	5,379,574
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	-	791,134
Gain (loss) on disposal of capital assets	(2,635)	(227,033)
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	(25,450)	(12,188)
Change in deferred and delinquent special assessments	(326,415)	(657,321)
Change in long-term notes receivable	(126,377)	(41,275)
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	(17,651,882)	(3,446,808)
Repayment of principal	3,414,138	3,046,363
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	197,010	170,708
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	(42,724)	(22,596)
Change in accrued interest payable	(169,199)	18,934
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:	(69,600)	47,450
Change in net position of governmental activities (Statement 2)	<u>\$53,359</u>	<u>\$1,253,350</u>

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

CITY OF WACONIA, MINNESOTA

STATEMENT OF NET POSITION

PROPRIETARY FUNDS

December 31, 2022

With Comparative Totals For December 31, 2021

Statement 6

	Business-Type Activities - Enterprise Funds					
	Water (601)	Sewer (602)	Storm Water (655)	Street Light Utility (668)	Total	
					2022	2021
Assets:						
Current assets:						
Cash and cash equivalents	\$4,308,906	\$1,815,656	\$1,653,082	\$391,361	\$8,169,005	\$7,213,710
Due from other governmental units	-	-	9,879	3,400	13,279	35,897
Accounts receivable - net	120,963	215,927	135,515	27,993	500,398	430,925
Prepaid items	15,198	14,936	6,608	2,235	38,977	38,573
Special assessments receivable - current portion	24,033	-	11,102	-	35,135	41,675
Interfund loan receivable - current portion	-	42,530	-	-	42,530	41,383
Trunk fees receivable - current portion	90,563	56,094	-	-	146,657	44,264
Total current assets	4,559,663	2,145,143	1,816,186	424,989	8,945,981	7,846,427
Noncurrent assets:						
Special assessments receivable - noncurrent portion	140,017	-	72,129	-	212,146	259,945
Interfund loan receivable - noncurrent portion	-	332,586	-	-	332,586	375,116
Trunk fees receivable - noncurrent portion	90,876	76,096	-	-	166,972	120,954
Capital assets:						
Land	378,680	55,000	262,200	-	695,880	695,880
Buildings	9,880,592	303,447	-	-	10,184,039	10,184,039
Machinery and equipment	272,221	671,131	608,037	15,915	1,567,304	1,159,732
Infrastructure	22,916,829	19,499,411	23,252,244	192,682	65,861,166	64,225,120
Vehicles	220,088	408,732	242,303	-	871,123	871,123
Construction in progress	3,113,721	1,867,791	2,421,671	-	7,403,183	6,560,890
Total capital assets	36,782,131	22,805,512	26,786,455	208,597	86,582,695	83,696,784
Less: Allowance for depreciation	(14,577,737)	(7,903,656)	(8,093,600)	(204,085)	(30,779,078)	(29,061,513)
Net capital assets	22,204,394	14,901,856	18,692,855	4,512	55,803,617	54,635,271
Total assets	26,994,950	17,455,681	20,581,170	429,501	65,461,302	63,237,713
Deferred outflows of resources related to pensions	117,156	111,555	160,551	8,976	398,238	431,171
Liabilities:						
Current liabilities:						
Accounts payable	82,676	92,911	47,729	36,305	259,621	305,677
Salaries and benefits payable	14,968	14,346	16,756	1,113	47,183	31,254
Contracts payable	18,572	17,082	37,430	-	73,084	236,290
Accrued interest payable	103,751	76,286	45,855	-	225,892	196,893
Compensated absences payable - current	43,850	43,485	22,503	2,662	112,500	125,460
Bonds and notes payable - current	936,400	695,000	399,913	-	2,031,313	1,560,000
Total current liabilities	1,200,217	939,110	570,186	40,080	2,749,593	2,455,574
Noncurrent liabilities:						
Compensated absences payable	10,962	10,871	5,626	665	28,124	-
Net pension liability	342,335	325,970	469,137	26,227	1,163,669	538,742
Bonds and notes payable	6,713,936	4,744,228	3,204,169	-	14,662,333	15,448,309
Total noncurrent liabilities	7,067,233	5,081,069	3,678,932	26,892	15,854,126	15,987,051
Total liabilities	8,267,450	6,020,179	4,249,118	66,972	18,603,719	18,442,625
Deferred inflows of resources related to pensions	5,106	4,862	6,997	391	17,356	515,690
Net position:						
Net investment in capital assets	14,535,486	9,445,546	15,051,343	4,512	39,036,887	37,390,672
Unrestricted	4,304,064	2,096,649	1,434,263	366,602	8,201,578	7,319,897
Total net position	\$18,839,550	\$11,542,195	\$16,485,606	\$371,114	\$47,238,465	\$44,710,569

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

CITY OF WACONIA, MINNESOTA
STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
For The Year Ended December 31, 2022
With Comparative Totals For The Year Ended December 31, 2021

Statement 7

	Business-Type Activities - Enterprise Funds				Total	
	Water (601)	Sewer (602)	Storm Water (655)	Street Light Utility (668)	2022	2021
Operating revenues:						
Charges for services	\$2,024,442	\$2,429,477	\$1,530,017	\$275,564	\$6,259,500	\$5,682,495
Operating expenses:						
Wages and salaries	362,575	340,402	366,560	27,968	1,097,505	1,014,693
Employee benefits	124,459	116,700	125,447	7,355	373,961	344,768
Pension expense related to GASB 68	18,610	17,509	123,532	996	160,647	(35,994)
Materials and supplies	269,981	21,668	74,735	479	366,863	257,758
Repairs and maintenance	71,570	145,913	9,884	19,851	247,218	186,475
Professional services	215,086	1,164,406	283,031	23,603	1,686,126	1,366,904
Insurance	27,180	29,717	15,314	5,861	78,072	73,742
Utilities	162,788	40,502	16,153	207,515	426,958	370,841
Depreciation	900,938	583,795	672,059	502	2,157,294	2,079,848
Equipment	16,889	9,610	8,220	-	34,719	11,910
Miscellaneous	73,922	48,632	20,808	247	143,609	144,602
Total operating expenses	2,243,998	2,518,854	1,715,743	294,377	6,772,972	5,815,547
Operating income (loss)	(219,556)	(89,377)	(185,726)	(18,813)	(513,472)	(133,052)
Nonoperating revenues (expenses):						
Investment income	(76,754)	(35,757)	(46,573)	(9,609)	(168,693)	(12,463)
Intergovernmental revenue	-	-	12,500	-	12,500	-
Other income	147,003	12,678	60,432	4,813	224,926	381,732
Interest and fiscal charges	(134,716)	(98,879)	(78,030)	-	(311,625)	(350,880)
Loss on disposal of capital assets	-	(696,114)	-	-	(696,114)	(1,873)
Total nonoperating revenues (expenses)	(64,467)	(818,072)	(51,671)	(4,796)	(939,006)	16,516
Income (loss) before contributions and transfers	(284,023)	(907,449)	(237,397)	(23,609)	(1,452,478)	(116,536)
Transfers in	187,500	187,500	-	-	375,000	-
Transfers out	(205,851)	(131,986)	(94,129)	-	(431,966)	(417,966)
Capital contributions:						
Connection charges	2,089,800	1,264,601	682,939	-	4,037,340	2,092,760
Contributions of capital assets	-	-	-	-	-	1,979,515
Total contributions and transfers	2,071,449	1,320,115	588,810	0	3,980,374	3,654,309
Change in net position	1,787,426	412,666	351,413	(23,609)	2,527,896	3,537,773
Net position - January 1	17,052,124	11,129,529	16,134,193	394,723	44,710,569	41,172,796
Net position - December 31	\$18,839,550	\$11,542,195	\$16,485,606	\$371,114	\$47,238,465	\$44,710,569

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, 2022

With Comparative Totals For The Year Ended December 31, 2021

Statement 8

	Business-Type Activities - Enterprise Funds				Total	
	Water (601)	Sewer (602)	Storm Water (655)	Street Light Utility (668)	2022	2021
Cash flows from operating activities:						
Receipts from customers and users	\$2,012,860	\$2,408,148	\$1,523,751	\$267,886	\$6,212,645	\$5,624,774
Payment to suppliers	(896,747)	(1,610,902)	(432,235)	(253,347)	(3,193,231)	(2,745,678)
Payment to employees	(476,240)	(445,983)	(485,236)	(34,035)	(1,441,494)	(1,347,815)
Miscellaneous revenue	147,003	12,678	72,932	4,813	237,426	381,732
Net cash flows from operating activities	786,876	363,941	679,212	(14,683)	1,815,346	1,913,013
Cash flows from noncapital financing activities:						
Transfer to other funds	(95,000)	(95,000)	(50,000)	-	(240,000)	(226,000)
Repayment of interfund loan receivable	-	41,383	-	-	41,383	40,268
Net cash flows from noncapital financing activities:	(95,000)	(53,617)	(50,000)	0	(198,617)	(185,732)
Cash flows from capital and related financing activities:						
Principal paid on debt	(759,500)	(545,000)	(297,475)	-	(1,601,975)	(6,670,000)
Interest and fiscal charges paid on debt	(255,176)	(184,242)	(87,921)	-	(527,339)	(532,312)
Transfer to other funds	(110,851)	(36,986)	(44,129)	-	(191,966)	(191,966)
Special assessment collections	37,604	-	16,735	-	54,339	35,579
Connection charges	2,025,997	1,179,993	682,939	-	3,888,929	2,542,778
Bond proceeds, including premium	499,966	234,297	499,966	-	1,234,229	4,347,122
Acquisition of capital assets	(1,050,334)	(1,047,103)	(1,626,521)	-	(3,723,958)	(3,952,446)
Transfer from other funds	187,500	187,500	-	-	375,000	-
Net cash flows from capital and related financing activities	575,206	(211,541)	(856,406)	0	(492,741)	(4,421,245)
Cash flows from investing activities:						
Investment income	(76,754)	(35,757)	(46,573)	(9,609)	(168,693)	(12,463)
Net increase (decrease) in cash and cash equivalents	1,190,328	63,026	(273,767)	(24,292)	955,295	(2,706,427)
Cash and cash equivalents - January 1	3,118,578	1,752,630	1,926,849	415,653	7,213,710	9,920,137
Cash and cash equivalents - December 31	\$4,308,906	\$1,815,656	\$1,653,082	\$391,361	\$8,169,005	\$7,213,710
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:						
Operating income (loss)	(\$219,556)	(\$89,377)	(\$185,726)	(\$18,813)	(\$513,472)	(\$748,288)
Adjustments to reconcile operating income (loss) to net cash flows from operating activities:						
Miscellaneous revenue	147,003	12,678	72,932	4,813	237,426	381,732
Depreciation	900,938	583,795	672,059	502	2,157,294	2,079,848
Changes in assets, liabilities, deferred outflows and inflows:						
Decrease (increase) in receivables	(11,582)	(21,329)	(6,266)	(7,678)	(46,855)	(57,721)
Decrease (increase) in prepaid items	(1,807)	263	468	672	(404)	(2,268)
Decrease (increase) in deferred outflows of resources	28,029	25,080	(22,338)	2,162	32,933	(304,802)
Increase (decrease) in payables	2,546	(36,470)	(15,669)	3,537	(46,056)	78,593
Increase (decrease) in salaries and benefits payable	4,958	4,959	5,250	762	15,929	236
Increase (decrease) in contracts payable	(60,070)	(114,247)	11,111	-	(163,206)	205,465
Increase (decrease) in compensated absences	6,499	6,670	1,469	526	15,164	11,410
Increase (decrease) in net pension liability	157,835	149,274	306,192	11,626	624,927	(215,726)
Increase (decrease) in deferred inflows of resources	(167,917)	(157,355)	(160,270)	(12,792)	(498,334)	484,534
Total adjustments	1,006,432	453,318	864,938	4,130	2,328,818	2,661,301
Net cash flows from operating activities	\$786,876	\$363,941	\$679,212	(\$14,683)	\$1,815,346	\$1,913,013

Noncash investing, capital and financing activities:

During 2022, capital assets in the amount of \$297,796 were recorded under a lease purchase agreement in the storm water fund.

During 2021, capital assets in the amount of \$758,049, \$661,330 and \$560,136 were contributed to the Water, Sewer and Storm Water Funds, respectively.

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

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Note 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. FINANCIAL REPORTING ENTITY

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

COMPONENT UNITS

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

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

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 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.

CITY OF WACONIA, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
December 31, 2022

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 2022, expenditures of the following funds exceeded the fund’s final budget:

	Actual	Final Budget	Overage
General Fund	\$7,173,733	\$6,632,271	\$541,462
Public Education Fund	13,503	11,060	2,443
Ice Arena Fund	610,713	581,262	29,451

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. RECEIVABLES

The estimated portion of uncollectible property taxes, special assessments, notes and leases 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.

The City's leases receivable are measured at the present value of lease payments expected to be received during the lease term. A deferred inflow of resources is recorded in relation to the leases. The deferred inflow of resources is recorded at the commencement of the lease in an amount equal to the initial recording of the lease receivable and is recognized as revenue over the lease term.

G. PROPERTY TAX REVENUE RECOGNITION

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

GOVERNMENT-WIDE FINANCIAL STATEMENTS

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

GOVERNMENTAL FUND FINANCIAL STATEMENTS

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

H. SPECIAL ASSESSMENT REVENUE RECOGNITION

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

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

GOVERNMENT-WIDE FINANCIAL STATEMENTS

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

GOVERNMENTAL FUND FINANCIAL STATEMENTS

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

I. INVENTORIES

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

J. PREPAID ITEMS

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

K. CAPITAL ASSETS

Capital assets, which include 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

L. COMPENSATED ABSENCES

Employees accrue paid time off (PTO) based on years of service with the City. The maximum number of PTO hours that an employee may accrue is 480. Upon termination, employees are compensated for the full amount of unused PTO leave, provided they leave in good standing as specified in the personnel policy. Employees who were eligible for an extended sick leave bank in 2009 were allowed to establish such a leave bank. No additional hours may be accrued to this bank and upon termination; a qualified employee will be compensated for 35% of their extended sick leave bank up to 336 hours. Accumulated PTO is accrued when incurred in proprietary funds. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements. No liability is recorded for nonvesting accumulating rights to receive sick pay benefits.

M. LONG-TERM OBLIGATIONS

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

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

N. FUND BALANCE CLASSIFICATIONS

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

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

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

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

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

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

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

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

O. NET POSITION

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

P. INTERFUND TRANSACTIONS

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

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

Q. USE OF ESTIMATES

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

R. COMPARATIVE TOTALS

The basic financial statements and schedules and combining fund financial statements include certain prior year summarized comparative information in total but not at the level of detail required for a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the City's financial statements for the year ended December 31, 2021, from which the summarized information was derived.

S. RECLASSIFICATIONS

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

T. DEFERRED OUTFLOWS AND 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 assets 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 assets 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, and lease related deferred inflows of resources reported in the government-wide Statement of Net Position and the governmental funds Balance Sheet. 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 \$84,073,154 difference are as follows:

Capital assets - net of accumulated depreciation	\$82,331,579
Net pension asset	522,613
Deferred outflows of resources related to pensions	1,124,603
Deferred outflows of resources related to debt refunding	<u>94,359</u>
Net adjustment to increase fund balance - total governmental funds to arrive at net position - governmental activities	<u><u>\$84,073,154</u></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 (\$44,834,339) difference are as follows:

Bonds and notes payable	(\$39,668,551)
Unamortized bond premium	(2,260,170)
Accrued interest payable	(424,224)
Compensated absences payable	(245,841)
Net pension liability	(2,094,769)
Deferred inflows of resources related to pensions	<u>(140,784)</u>
Net adjustment to decrease fund balance - total governmental funds to arrive at net position - governmental activities	<u><u>(\$44,834,339)</u></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 \$2,932,718 difference are as follows:

Delinquent property taxes receivable	\$25,163
Deferred and delinquent special assessments receivable	2,435,749
Notes receivable	<u>471,806</u>
Net adjustment to increase fund balance - total governmental funds to arrive at net position - governmental activities	<u><u>\$2,932,718</u></u>

CITY OF WACONIA, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
December 31, 2022

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 fair 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, 2022, the bank balance of the City’s deposits with financial institutions was \$6,564,225 and the carrying amount was \$6,658,276. 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, temporary general obligation bonds, repurchase agreements, Minnesota joint powers investment trusts and guaranteed investment contracts.

As of December 31, 2022 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	\$1,422,881	\$1,422,881	\$ -	\$ -
Brokered certificates of deposit	Not rated	8,996,433	3,439,895	5,146,766	409,772
Municipal bonds	*	3,714,688	-	2,981,649	733,039
U.S. Treasuries	AAA	10,660,534	4,625,400	6,035,134	-
Federal Home Loan Mortgage Corp. notes	AAA	1,165,056	1,165,056	-	-
Federal National Mortgage Assn. notes	AAA	2,457,275	2,457,275	-	-
Federal Home Loan Bank notes	AAA	1,465,005	1,465,005	-	-
Total		<u>\$29,881,872</u>	<u>\$14,575,512</u>	<u>\$14,163,549</u>	<u>\$1,142,811</u>
* \$738,652 (AAA), \$223,346 (AA+), \$1,557,367 (AA), \$823,821 (AA-), \$178,819 (Aaa), \$192,683 (Aa1)			Total investments	\$29,881,872	
			Deposits	6,564,225	
			Petty cash	200	
			Total cash and investments	<u>\$36,446,297</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
NOTES TO FINANCIAL STATEMENTS
December 31, 2022

The City has the following recurring fair value measurements as of December 31, 2022:

Investment Type	12/31/2022	Fair Value Measurement Using		
		Level 1	Level 2	Level 3
Investments at fair value:				
Brokered certificates of deposit	\$8,996,433	\$ -	\$8,996,433	\$ -
Municipal bonds	3,714,688	-	3,714,688	-
U.S. Treasuries	10,660,534	10,660,534	-	-
Federal Home Loan Mortgage Corp. notes	1,165,056	-	1,165,056	-
Federal National Mortgage Assn. notes	2,457,275	-	2,457,275	-
Federal Home Loan Bank notes	1,465,005	-	1,465,005	-
		<u>\$10,660,534</u>	<u>\$17,798,457</u>	<u>\$ -</u>
Investments not categorized:				
Money market	1,422,881			
Total investments	<u>\$29,881,872</u>			

C. INVESTMENT RISKS

Interest rate risk – the risk that fair 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, 2022, 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, 2022, Federal National Mortgage Association notes represented 6.7% of the City’s total cash and investment portfolio.

CITY OF WACONIA, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
December 31, 2022

Note 3 RECEIVABLES

Significant receivable balances not expected to be collected within one year of December 31, 2022 are as follows:

	Governmental Activities		
	General Fund	Nonmajor Funds	Total
Property taxes receivable	\$12,595	\$6,233	\$18,828
Special assessments receivable	-	1,663,838	1,663,838
Deposits receivable	-	175,000	175,000
Notes receivable	-	991,383	991,383
Leases receivable	8,777,763	-	8,777,763
Total	8,790,358	2,836,454	11,626,812

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 LEASES RECEIVABLE

The City leases space on Tower 2 to AT&T for a cellular tower antenna site. The lease is non-cancelable through December 31, 2026, with two renewal periods of 5 years each at the lessee’s option. The City considers the likelihood of these options being exercised to be greater than 50%. The agreement calls for annual payments of \$19,862 with increases of 4.5% each term. The lease receivable is measured at the present value of the future minimum lease payments expected to be received during the lease term at a discount rate of 2.00%, which is based on the rate available to finance acquisitions over the same time periods. As of December 31, 2022, the City recorded a lease receivable and deferred inflow of resources in the amount of \$251,557 related to this agreement.

The City leases space on Tower 2 to Verizon for a cellular tower antenna site. The lease is non-cancelable through December 31, 2026, with no additional renewal options. The agreement calls for annual payments of \$38,473 with increases of 5% each year. The lease receivable is measured at the present value of the future minimum lease payments expected to be received during the lease term at a discount rate of 2%, which is based on the rate available to finance acquisitions over the same time periods. As of December 31, 2022, the City recorded a lease receivable and deferred inflow of resources in the amount of \$165,544 related to this agreement.

The City leases space on Tower 3 to T-Mobile for a cellular tower antenna site. The lease is non-cancelable through December 31, 2025, with two renewal periods of 5 years each at the lessor or lessee’s option. Given both parties have the option to exercise a lease extension, the renewal periods are not reported as part of the lease receivable. The agreement calls for annual payments of \$36,023 with increases of 4% each year. The lease receivable is measured at the present value of the future minimum lease payments expected to be received during the lease term at a discount rate of 2%, which is based on the rate available to finance acquisitions over the same time periods. As of December 31, 2022, the City recorded a lease receivable and deferred inflow of resources in the amount of \$112,363 related to this agreement.

CITY OF WACONIA, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
December 31, 2022

The City leases land to Ridgeview Medical Center. The lease is non-cancelable through December 31, 2029, with one renewal period of 30 years at the lessee’s option. The City considers the likelihood of the option being exercised to be greater than 50%. The agreement calls for minimum annual payments of \$325,000, subject to increases based on the hospital’s income from operations. Maximum annual payments are capped at \$425,000. The lease receivable is measured at the present value of the future minimum lease payments expected to be received during the lease term at a discount rate of 2.00%, which is based on the rate available to finance acquisitions over the same time periods. As of December 31, 2022, the City recorded a lease receivable and deferred inflow of resources in the amount of \$8,492,017 related to this agreement.

Total revenue recognized in relation to these leases is as follows:

	<u>Lease Revenue</u>
Amortization of lease-related deferred inflows:	
Antenna leases	\$82,126
RMC land lease	<u>153,488</u>
Revenue recognized from deferred inflow amortization	235,614
Interest revenue:	
Antenna leases	12,232
RMC land lease	171,512
Variable lease revenue	<u>-</u>
Total revenue recognized in relation to leased assets	<u><u>\$419,358</u></u>

Note 5 UNAVAILABLE REVENUES

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

	<u>Property Taxes</u>	<u>Special Assessments</u>	<u>Notes Receivable</u>	<u>Total</u>
Major Fund:				
General Fund	\$16,834	\$7,687	\$ -	\$24,521
Nonmajor funds	<u>8,329</u>	<u>2,428,062</u>	<u>471,806</u>	<u>2,908,197</u>
Total unavailable revenue	<u><u>\$25,163</u></u>	<u><u>\$2,435,749</u></u>	<u><u>\$471,806</u></u>	<u><u>\$2,932,718</u></u>

CITY OF WACONIA, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
December 31, 2022

Note 6 INTERFUND LOANS AND TRANSFERS

Amounts reported as interfund loan receivable/payable at December 31, 2022 are as follows:

	<u>Interfund Loan Receivable</u>	<u>Interfund Loan Payable</u>
Major Funds:		
General Fund	\$65,000	\$ -
Sewer Fund	375,116	-
Nonmajor Funds:		
TIF # 5 Olive Street	-	65,000
Clearwater Shores HIA	-	375,116
	<u> </u>	<u> </u>
Total	<u> \$440,116</u>	<u> \$440,116</u>

Beginning in 2024, tax increment collections will be used to repay the interfund loan from the General Fund. Assessment collections from property owners in the Clearwater Shores Association will be used to repay the interfund loan from the Sewer Fund. \$42,530 of assessments are due to be collected during 2023.

Interfund transfers made during 2022 are summarized as follows:

	<u>Transfers In</u>	<u>Transfers Out</u>
Major Funds:		
General Fund	\$242,202	\$2,158,117
PIR Capital	739,000	-
Water Utility	187,500	205,851
Sewer Utility	187,500	131,986
Storm Water Utility	-	94,129
Nonmajor Funds	<u>1,761,083</u>	<u>527,202</u>
	<u> </u>	<u> </u>
Total	<u> \$3,117,285</u>	<u> \$3,117,285</u>

A description of these transfers is as follows:

- \$240,000 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.
- \$589,000 from the General Fund to the PIR Capital fund to finance project costs.
- \$525,000 from the Coronavirus Relief fund to the PIR Capital, Water and Sewer funds to finance project costs.
- Various other routine transfers in the amount of \$494,168 were also made for debt service and capital purposes in accordance with the City's budget.
- \$929,117 from the General Fund to debt service funds to finance debt service requirements.

CITY OF WACONIA, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
December 31, 2022

Note 7 CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2022 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities:				
Capital assets, not being depreciated:				
Land and land improvements	\$6,295,087	\$ -	\$ -	\$6,295,087
Permanent easements	2,458,420	-	-	2,458,420
Construction in progress	5,232,222	7,823,807	1,682,310	11,373,719
Total capital assets, not being depreciated	<u>13,985,729</u>	<u>7,823,807</u>	<u>1,682,310</u>	<u>20,127,226</u>
Capital assets, being depreciated:				
Buildings	55,988,646	25,093	-	56,013,739
Machinery and equipment	3,835,537	423,444	84,130	4,174,851
Improvements and infrastructure	80,591,161	769,925	266,700	81,094,386
Vehicles	4,494,326	463,848	101,885	4,856,289
Total capital assets, not being depreciated	<u>144,909,670</u>	<u>1,682,310</u>	<u>452,715</u>	<u>146,139,265</u>
Less accumulated depreciation for:				
Buildings	26,386,819	1,440,118	-	27,826,937
Machinery and equipment	1,978,579	420,705	79,923	2,319,361
Improvements and infrastructure	47,892,483	3,019,257	230,866	50,680,874
Vehicles	2,949,454	255,077	96,791	3,107,740
Total accumulated depreciation	<u>79,207,335</u>	<u>5,135,157</u>	<u>407,580</u>	<u>83,934,912</u>
Total capital assets being depreciated - net	<u>65,702,335</u>	<u>(3,452,847)</u>	<u>45,135</u>	<u>62,204,353</u>
Governmental activities capital assets - net	<u>\$79,688,064</u>	<u>\$4,370,960</u>	<u>\$1,727,445</u>	<u>\$82,331,579</u>
Business-type activities:				
Capital assets, not being depreciated:				
Land and land improvements	\$695,880	\$ -	\$ -	\$695,880
Construction in progress	6,560,890	4,024,754	3,182,461	7,403,183
Total capital assets, being depreciated	<u>7,256,770</u>	<u>4,024,754</u>	<u>3,182,461</u>	<u>8,099,063</u>
Capital assets, being depreciated:				
Buildings	10,184,039	-	-	10,184,039
Machinery and equipment	1,159,732	480,809	73,237	1,567,304
Infrastructure	64,225,120	2,701,652	1,065,606	65,861,166
Vehicles	871,123	-	-	871,123
Total capital assets, being depreciated	<u>76,440,014</u>	<u>3,182,461</u>	<u>1,138,843</u>	<u>78,483,632</u>
Less accumulated depreciation for:				
Buildings	4,499,288	263,958	-	4,763,246
Machinery and equipment	748,163	124,036	69,575	802,624
Infrastructure	23,092,855	1,726,665	370,154	24,449,366
Vehicles	721,207	42,635	-	763,842
Total accumulated depreciation	<u>29,061,513</u>	<u>2,157,294</u>	<u>439,729</u>	<u>30,779,078</u>
Total capital assets being depreciated - net	<u>47,378,501</u>	<u>1,025,167</u>	<u>699,114</u>	<u>47,704,554</u>
Business-type activities capital assets - net	<u>\$54,635,271</u>	<u>\$5,049,921</u>	<u>\$3,881,575</u>	<u>\$55,803,617</u>

CITY OF WACONIA, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
December 31, 2022

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

Governmental activities:	
Administrative services	\$1,127,607
Culture and recreation	181,274
Public safety	231,237
Public services, including depreciation of general infrastructure assets	3,595,039
Total depreciation expense - governmental activities	<u>\$5,135,157</u>
Business-type activities:	
Water	\$900,938
Sewer	583,795
Storm sewer	672,059
Street lighting	502
Total depreciation expense - business-type activities	<u>\$2,157,294</u>

CITY OF WACONIA, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
December 31, 2022

Note 8 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, 2022, the long-term debt of the City consisted of the following:

	Interest Rates	Issue Date	Maturity Date	Original Issue	Payable 12/31/2022
Governmental Activities:					
General Obligation Bonds:					
Street Reconstruction Plan Bonds of 2015A	2.00 - 4.00%	7/9/2015	2/1/2026	\$2,420,000	\$1,055,000
Capital Improvement Plan Bonds of 2015C	2.00 - 3.00%	12/15/2015	2/1/2028	4,320,000	2,135,000
Bonds of 2016A - equipment portion	2.00%	5/24/2016	2/1/2027	710,000	330,000
Bonds of 2017A - equipment portion	2.50 - 3.00%	8/15/2017	2/1/2027	535,000	320,000
Bonds of 2019A	4.00 - 5.00%	8/22/2019	2/1/2030	1,895,000	1,540,000
Bonds of 2020A - tax abatement portion	1.00 - 2.00%	9/3/2020	2/1/2031	1,090,000	995,000
Bonds of 2021A	2.00 - 3.00%	12/2/2021	2/1/2032	3,190,000	3,190,000
Bonds of 2022A - CIP and tax abatement portion	4.00 - 5.00%	10/6/2022	2/1/2041	14,815,000	14,815,000
Total general obligation bonds				<u>28,975,000</u>	<u>24,380,000</u>
General Obligation Improvement Bonds:					
Bonds of 2014A - improvement portion	2.00%	6/12/2014	2/1/2025	1,390,000	445,000
Bonds of 2015A - improvement portion	2.00 - 4.00%	7/9/2015	2/1/2026	3,380,000	1,475,000
Bonds of 2016A - improvement portion	2.00%	5/24/2016	2/1/2027	4,075,000	2,140,000
Bonds of 2017A - improvement portion	2.50 - 3.00%	8/15/2017	2/1/2028	6,935,000	4,465,000
Bonds of 2018A - improvement portion	3.00 - 4.00%	9/12/2018	2/1/2029	965,000	720,000
Bonds of 2020A - improvement portion	1.00 - 2.00%	9/3/2020	2/1/2031	1,880,000	1,720,000
Bonds of 2022A - improvement portion	4.00 - 5.00%	10/6/2022	2/1/2041	1,710,000	1,710,000
Total G.O. improvement bonds				<u>20,335,000</u>	<u>12,675,000</u>
Public Project Revenue Bonds:					
2007 HRA Public Project Revenue Bonds	3.50%	12/11/2007	12/11/2027	6,100,000	1,968,551
Note payable - grandstand	2.09%	10/20/2016	2/1/2027	1,220,000	645,000
Unamortized bond premium				3,128,833	2,260,170
Compensated absences				N/A	245,841
Total governmental activities				<u>\$59,758,833</u>	<u>\$42,174,562</u>
Business-Type Activities:					
General Obligation Revenue Bonds:					
Water, Sewer & Storm Revenue Bonds of 2014A	2.00%	6/12/2014	2/1/2025	\$875,000	\$275,000
Water, Sewer & Storm Revenue Bonds of 2015A	2.00 - 4.00%	7/9/2015	2/1/2026	3,360,000	1,470,000
Water and Sewer Revenue Bonds of 2018A	3.00 - 4.00%	9/12/2018	2/1/2029	500,000	380,000
Water, Sewer, and Storm Revenue Bonds of 2019A	4.00 - 5.00%	8/22/2019	2/1/2030	2,620,000	2,230,000
Water, Sewer, and Storm Revenue Bonds of 2020A	1.00 - 2.00%	9/3/2020	2/1/2031	1,785,000	1,630,000
Water and Sewer Revenue Refunding Bonds of 2020B	5.00%	12/10/2020	2/1/2027	4,515,000	3,810,000
Water, Sewer, and Storm Revenue Bonds of 2021A	2.00 - 3.00%	12/2/2021	2/1/2032	4,025,000	4,025,000
Water, Sewer, and Storm Revenue Bonds of 2022A	4.00 - 5.00%	10/6/2022	2/1/2041	1,105,000	1,105,000
Total G.O. revenue bonds				<u>18,785,000</u>	<u>14,925,000</u>
Note payable - street sweeper	4.09%	5/27/2022	5/27/2028	297,796	255,821
Unamortized bond premium				2,272,404	1,512,825
Compensated absences				N/A	140,624
Total business-type activities				<u>\$21,355,200</u>	<u>\$16,834,270</u>

The Public Project Revenue Bonds and the notes payable are direct borrowings.

CITY OF WACONIA, MINNESOTA
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Annual debt service requirements to maturity for long-term debt are as follows:

Year Ending December 31	General Obligation Bonds		G.O. Improvement Bonds	
	Governmental Activities		Governmental Activities	
	Principal	Interest	Principal	Interest
2023	\$1,310,000	\$809,845	\$1,855,000	\$330,563
2024	1,375,000	882,750	2,030,000	289,550
2025	1,420,000	836,750	2,120,000	229,525
2026	1,450,000	790,775	2,025,000	170,325
2027	1,135,000	748,475	1,675,000	117,500
2028	1,100,000	710,725	1,275,000	76,100
2029	970,000	673,775	490,000	51,150
2030	1,115,000	635,400	385,000	38,425
2031	1,120,000	595,100	400,000	26,900
2032	1,115,000	551,300	205,000	15,875
2033	1,170,000	498,450	215,000	5,375
2034	1,230,000	438,450	-	-
2035	1,290,000	375,450	-	-
2036	1,360,000	316,000	-	-
2037	1,405,000	260,700	-	-
2038	1,465,000	203,300	-	-
2039	1,395,000	146,100	-	-
2040	1,450,000	89,200	-	-
2041	1,505,000	30,100	-	-
Total	<u>\$24,380,000</u>	<u>\$9,592,645</u>	<u>\$12,675,000</u>	<u>\$1,351,288</u>

Year Ending December 31	Public Project Revenue Bonds		Note Payable - Grandstand	
	Governmental Activities		Governmental Activities	
	Principal	Interest	Principal	Interest
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	<u>\$1,968,551</u>	<u>\$180,132</u>	<u>\$645,000</u>	<u>\$34,245</u>

CITY OF WACONIA, MINNESOTA
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BUSINESS-TYPE ACTIVITIES

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

Year Ending December 31	G.O. Revenue Bonds		Note Payable - Street Sweeper	
	Business-Type Activities		Business-Type Activities	
	Principal	Interest	Principal	Interest
2023	\$2,000,000	\$504,399	\$31,313	\$10,661
2024	2,185,000	428,525	32,618	9,356
2025	2,295,000	337,800	33,977	7,997
2026	2,295,000	245,301	35,393	6,581
2027	1,425,000	170,250	36,869	5,106
2028	1,070,000	122,800	85,651	3,570
2029	1,105,000	86,200	-	-
2030	1,065,000	54,125	-	-
2031	765,000	30,900	-	-
2032	585,000	14,550	-	-
2033	135,000	3,375	-	-
Total	<u>\$14,925,000</u>	<u>\$1,998,225</u>	<u>\$255,821</u>	<u>\$43,271</u>

CHANGE IN LONG-TERM LIABILITIES

Long-term liability activity for the year ended December 31, 2022, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
<u>Governmental Activities:</u>					
General obligation bonds	\$10,565,000	\$14,815,000	\$1,000,000	\$24,380,000	\$1,310,000
G.O. improvement bonds	12,770,000	1,710,000	1,805,000	12,675,000	1,855,000
Public project revenue bonds	2,456,689	-	488,138	1,968,551	366,682
Note payable - grandstand	766,000	-	121,000	645,000	124,000
Unamortized bond premium	1,330,298	1,126,882	197,010	2,260,170	-
Compensated absences*	203,117	42,724	-	245,841	196,673
Total governmental activities	<u>\$28,091,104</u>	<u>\$17,694,606</u>	<u>\$3,611,148</u>	<u>\$42,174,562</u>	<u>\$3,852,355</u>
<u>Business-Type Activities:</u>					
G.O. revenue bonds	\$15,380,000	\$1,105,000	\$1,560,000	\$14,925,000	\$2,000,000
Note payable - street sweeper	-	297,796	41,975	255,821	31,313
Unamortized bond premium	1,628,309	129,228	244,712	1,512,825	-
Compensated absences*	125,460	15,164	-	140,624	112,500
Total business-type activities	<u>\$17,133,769</u>	<u>\$1,547,188</u>	<u>\$1,846,687</u>	<u>\$16,834,270</u>	<u>\$2,143,813</u>

* The change in compensated absences is presented as a net change.

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PUBLIC PROJECT REVENUE BONDS

The City has one outstanding public project revenue bond. Certain terms are summarized as follows:

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.

NOTE PAYABLE - GRANDSTAND

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. The note requires annual principal and interest payments and matures February 1, 2027. For accounting purposes, the agreement qualifies as a financed purchase rather than a lease.

The note is not a general obligation of the City, and the full faith, credit and taxing powers of the City are not pledged. Rather, payments are payable from amounts annually appropriated by the City. The bank has a security interest in the grandstand until all 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 agreement.

NOTE PAYABLE – STREET SWEEPER

To finance the costs of a new street sweeper, the City entered into a lease-purchase agreement dated May 27, 2022 with a bank. The bank provided financing to the City in the amount of \$297,796 at a rate of 4.09% per annum. The note requires annual principal and interest payments and matures May 27, 2028. For accounting purposes, the agreement qualifies as a financed purchase rather than a lease.

NONEXCHANGE FINANCIAL GUARANTEE OF DEBT

During 2002, the Carver County CDA (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 CDA issued Governmental 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, 2022, the City has not been required to make any such reimbursements to the County. The pledge exists until the bonds are retired, which is scheduled to occur on February 1, 2034.

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	Revenue Pledged			Remaining Principal and Interest	Current Year	
		Type	Percent of Total Debt Service	Term of Pledge		Principal and Interest Paid	Pledged Revenue Received
2007 HRA Public Project Revenue Bonds	Ice Arena	Transfers and WHA commitment*	100%	2008-2027	\$2,148,683	\$429,737	\$495,534
Bonds of 2014A - Improvement Portion	Infrastructure improvements	Special assessments Ad valorem taxes	25% 75%	2015-2024	\$458,450	\$155,350	\$139,101
Bonds of 2015A - Street Reconst. and Improvement Portions	Infrastructure improvements	Special assessments Ad valorem taxes	10% 90%	2016-2025	\$2,697,600	\$671,725	\$486,347
CIP Bonds of 2015C	Construct public works facility	Ad valorem taxes	100%	2015-2027	\$2,332,175	\$392,300	\$400,644
Bonds of 2016A	Infrastructure improvements and equipment purchases	Special assessments Ad valorem taxes	34% 66%	2017-2026	\$2,592,100	\$539,250	\$343,843
Note payable - Grandstand	Grandstand at Lions Park	Ad valorem taxes Pledged contributions	36% 64%	2016-2035	\$679,245	\$135,745	\$216,665
Bonds of 2017A	Infrastructure improvements, purchase of fire truck	Special assessments Ad valorem taxes	29% 71%	2018-2027	\$5,201,075	\$880,500	\$852,765
Bonds of 2018A - Improvement Portion	Infrastructure improvements	Special assessments Ad valorem taxes	21% 79%	2019-2028	\$806,950	\$117,300	\$110,215
Bonds of 2019A	Infrastructure improvements and equipment purchases	Ad valorem taxes	100%	2020-2029	\$1,792,425	\$281,150	\$268,932
Bonds of 2020A	Infrastructure improvements	Special assessments Ad valorem taxes	14% 86%	2021 - 2030	\$2,894,625	\$302,300	\$233,567
Bonds of 2021A	Infrastructure improvements	Ad valorem taxes	100%	2022 - 2031	\$3,596,350	\$56,895	\$309,970
Bonds of 2022A	Infrastructure improvements, construct new fire station	Special assessments Ad valorem taxes	2% 98%	2023 - 2040	\$25,627,183	\$ -	\$141,226
Water Revenue Bonds of 14A, 15A, 18A, 19A, 20A, 20B, 21A, 22A	Infrastructure improvements	Water usage charges Special assessments**	100%	Varies through 2032	\$7,797,114	\$1,001,081	\$2,050,291
Sewer Revenue Bonds of 14A, 15A, 18A, 19A, 20A, 20B, 21A, 22A	Infrastructure improvements	Sewer usage charges	100%	Varies through 2032	\$5,577,204	\$723,090	\$2,429,477
Storm Water Revenue Bonds of 14A, 15A, 19A, 20A, 21A, 22A	Infrastructure improvements	Storm water charges Special assessments**	100%	Varies through 2032	\$3,548,908	\$331,406	\$1,543,333

*The 2007 HRA Public Project Revenue Bonds issued for the purpose of constructing an ice arena had a capital contribution commitment from the Waconia Hockey Association. The commitment was fulfilled in 2022.

**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 9 **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% for each of the first ten years of service and 1.7% for each additional year. Under Method 2, the accrual rate for Coordinated Plan members is 1.7% 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. 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. The postretirement increase is 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. GERS Contributions

Coordinated Plan members were required to contribute 6.5% of their annual covered salary in fiscal year 2022 and the City was required to contribute 7.5% for Coordinated Plan members. The City's contributions to the GERS for the year ended December 31, 2022 were \$224,319. The City's contributions were equal to the required contributions as set by state statute.

2. PEPFF Contributions

Police and Fire Plan members were required to contribute 11.80% of their annual covered salary in fiscal year 2022 and the City was required to contribute 17.70% for Police and Fire Plan Members. The City's contributions to the PEPFF for the year ended December 31, 2022 were \$20,080. The City's contributions were equal to the required contributions as set by state statute.

D. PENSION COSTS

1. GERS Pension Costs

At December 31, 2022, the City reported a liability of \$3,001,693 for its proportionate share of GERS'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 \$88,201.

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The net pension liability was measured as of June 30, 2022, 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, 2021 through June 30, 2022, relative to the total employer contributions received from all of PERA's participating employers. The City's proportionate share was 0.0379% at the end of the measurement period and 0.0354% for the beginning of the period.

City's proportionate share of the net pension liability	\$3,001,693
State of Minnesota's proportionate share of the net pension liability associated with the City	<u>88,201</u>
Total	<u><u>\$3,089,894</u></u>

For the year ended December 31, 2022, the City recognized pension expense of \$512,061 for its proportionate share of the GERS's pension expense. In addition, the City recognized an additional \$13,179 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, 2022, the City reported its proportionate share of the GERS's deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual economic experience	\$25,072	\$32,160
Changes in actuarial assumptions	679,337	12,611
Difference between projected and actual investment earnings	54,718	-
Changes in proportion	153,363	-
Contributions paid to PERA subsequent to the measurement date	114,766	-
Total	<u><u>\$1,027,256</u></u>	<u><u>\$44,771</u></u>

The \$114,766 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, 2023. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ending December 31,</u>	<u>Pension Expense</u>
2023	\$340,908
2024	314,676
2025	(59,323)
2026	271,458
2027	-
Thereafter	-

2. PEPFF Pension Costs

At December 31, 2022, the City reported a liability of \$256,745 for its proportionate share of the PEPFF's net pension liability. The net pension liability was measured as of June 30, 2022 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 the City's contributions received by PERA during the measurement period for employer payroll paid dates from July 1, 2021 through June 30, 2022, relative to the total employer contributions received from all of PERA's participating employers. The City's proportionate share was 0.0059% at the end of the measurement period and 0.0064% for the beginning of the period.

The State of Minnesota also contributed \$18 million to PEPFF during the plan fiscal year ended June 30, 2022. The contribution consisted of \$9 million in direct state aid that does meet the definition of a special funding situation and \$9 million in supplemental state aid that does not meet the definition of a special funding situation. The direct state aid was paid on October 1, 2021. Thereafter, by October 1 of each year, the state will pay \$9 million to the PEPFF until full funding is reached or July 1, 2048, whichever is earlier. The \$9 million in supplemental state aid will continue until the fund is 90% funded, or until the State Patrol Plan (administered by the Minnesota State Retirement System) is 90% funded, whichever occurs later.

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 \$9 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, 2022, the City recognized pension expense of \$30,907 for its proportionate share of the Police and Fire Plan's pension expense. The City recognized an additional \$2,155 as pension expense (and grant revenue) for its proportionate share of the State of Minnesota's contribution of \$9 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 supplemental state aid. The City recognized \$531 for the year ended December 31, 2022 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.

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At December 31, 2022, 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:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual economic experience	\$15,541	\$ -
Changes in actuarial assumptions	151,133	1,324
Difference between projected and actual investment earnings	3,189	-
Changes in proportion	71,608	31,298
Contributions paid to PERA subsequent to the measurement date	<u>10,040</u>	<u>-</u>
Total	<u><u>\$251,511</u></u>	<u><u>\$32,622</u></u>

The \$10,040 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, 2023. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as outflows:

<u>Year Ending December 31,</u>	<u>Pension Expense</u>
2023	\$65,303
2024	44,605
2025	33,193
2026	45,333
2027	20,415
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, 2022 actuarial valuation was determined using an individual entry-age normal actuarial cost method and the following actuarial assumptions:

Inflation	2.25% per year
Investment Rate of Return	6.50%

The long-term investment rate of return is based on a review of inflation and investment return assumptions from a number of national investment consulting firms. The review provided a range of investment return rates deemed to be reasonable by the actuary. An investment return of 6.50% was deemed to be within that range of reasonableness for financial reporting purposes.

Benefit increases after retirement are assumed to be 1.25% for the GERS. The PEPFF benefit increase is fixed at 1.00% per year and that increase was used in the valuation.

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Salary growth assumptions in the GERF range in annual increments from 10.25% after one year of service to 3.0% after 27 years of service. In the PEPFF, salary growth assumptions range from 11.75% after one year of service to 3.0% after 24 years of service.

Mortality rates for GERF were based on the Pub-2010 General Employee Mortality Table. Mortality rates for PEPFF were based on the Pub-2010 Public Safety Employee Mortality tables. The tables are adjusted slightly to fit PERA’s experience.

Actuarial assumptions for GERF are reviewed every four years. The most recent four-year experience study for GERF 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 and adopted by the Board and became effective with the July 1, 2021 actuarial valuation.

The following changes in actuarial assumptions and plan provisions occurred in 2022:

General Employees Fund

Changes in Actuarial Assumptions:

- The mortality improvement scale was changed from Scale MP-2020 to Scale MP-2021.

Police and Fire Fund

Changes in Actuarial Assumptions:

- The single discount rate was changed from 6.50% to 5.40%.
- The mortality improvement scale was changed from MP-2020 to MP-2021.

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

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Domestic equity	33.5%	5.10%
International equity	16.5%	5.30%
Fixed income	25%	0.75%
Private markets	25%	5.90%
Total	100%	

F. DISCOUNT RATE

The discount rate for the GERF used to measure the total pension liability in 2022 was 6.5%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and employers will be made at rates set in Minnesota Statutes. Based on these assumptions, the fiduciary net position of the GERF 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.

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In the PEPFF, the fiduciary net position was projected to be available to make all projected future benefit payments of current plan members through June 30, 2060. Beginning in fiscal year ended June 30, 2061, projected benefit payments exceed the funds' projected fiduciary net position. Benefit payments projected after were discounted at the municipal bond rate of 3.69% (based on the weekly rate closest to but not later than the measurement date of the Fidelity "20-Year Municipal GO AA Index"). The resulting equivalent single discount rate of 5.40% for the PEPFF was determined to give approximately the same present value of projected benefits when applied to all years of projected benefits as the present value of projected benefits using 6.5% applied to all years of projected benefits through the point of asset depletion and 3.69% thereafter.

G. PENSION LIABILITY SENSITIVITY

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

	<u>1% Decrease in Discount Rate</u>	<u>Discount Rate</u>	<u>1% Increase in Discount Rate</u>
Proportionate share of the GERF net pension liability	\$4,741,331	\$3,001,693	\$1,574,921
Proportionate share of the PEPFF net pension liability	\$388,550	\$256,745	\$150,188

H. PENSION PLAN FIDUCIARY NET POSITION

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

I. PENSION EXPENSE

Pension expense recognized by the City for the year ended December 31, 2022 is as follows:

GERF	\$512,061
PEPFF	30,907
Fire Relief (note 10)	<u>55,625</u>
Total	<u><u>\$598,593</u></u>

Note 10 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, 2022 (measurement date), the plan covered 32 active firefighters and 14 vested terminated firefighters 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 \$114,537 in fire state aid to the plan for the year ended December 31, 2022. 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, 2022 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.

CITY OF WACONIA, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
December 31, 2022

D. PENSION COSTS

At December 31, 2022, the City reported a net pension asset of \$522,613 for the SVF plan. The net pension asset was measured as of December 31, 2022. 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, 2021	\$1,412,598	\$2,278,644	(\$866,046)
Changes for the year:			
Service cost	75,218	-	75,218
Interest on total pension liability	89,269	-	89,269
Actual experience (gains)/losses	(38,087)	-	(38,087)
Projected investment earnings	-	136,719	(136,719)
Changes in benefit level	-	-	-
Contributions - employer	-	10,000	(10,000)
Contributions - State of MN	-	114,537	(114,537)
Asset gain/(loss)	-	(476,889)	476,889
Benefit payouts	-	-	-
Administrative fees	-	(1,400)	1,400
Net changes	<u>126,400</u>	<u>(217,033)</u>	<u>343,433</u>
Balance end of year December 31, 2022	<u><u>\$1,538,998</u></u>	<u><u>\$2,061,611</u></u>	<u><u>(\$522,613)</u></u>

The benefit level per year of service was \$5,700 for the year ended December 31, 2022. There were no benefit provision changes during the measurement period.

During 2022, the City recognized pension expense in the amount of \$55,625.

At December 31, 2022, 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	\$ -	\$80,747
Difference between projected and actual investment earnings	244,074	-
Total	<u><u>\$244,074</u></u>	<u><u>\$80,747</u></u>

CITY OF WACONIA, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
December 31, 2022

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

<u>Year Ending December 31,</u>	<u>Pension Expense</u>
2023	(\$10,733)
2024	26,463
2025	59,836
2026	87,761
2027	-
Thereafter	-

E. ACTUARIAL ASSUMPTIONS

The total pension liability at December 31, 2022 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 during 2022.

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 was calculated using a discount rate that is 1% lower or 1% higher than the current discount rate:

	<u>1% Decrease in Discount Rate</u>	<u>Discount Rate</u>	<u>1% Increase in Discount Rate</u>
Net pension asset	\$473,932	\$522,613	\$569,730

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 are as follows:

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 2022 for the SVF.

I. PENSION PLAN FIDUCIARY NET POSITION

Detailed information about the SVF plan's fiduciary net position as of December 31, 2022 is available in a separately-issued PERA financial report that includes financial statements and required supplementary information. That report may be obtained at www.mnpera.org.

Note 11 POST-EMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB)

A. PLAN DESCRIPTION

In addition to providing the pension benefits described in Note 9 and 10, 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 2022, 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. Therefore, no OPEB liability is reported.

Note 12 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, 2022, the City had commitments of approximately \$13,398,000 for uncompleted construction contracts.

Note 13 RISK MANAGEMENT

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

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

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

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

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

CITY OF WACONIA, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
December 31, 2022

Note 14 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 manner and has not made any commitments to pay the debt. 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, 2022, the aggregate principal amount of the conduit debt obligation outstanding amounted to:

<u>Entity</u>	<u>Principal Balance</u>
Trinity Lutheran School	\$989,235
Auburn Meadows	<u>6,658,903</u>
Total	<u>\$7,648,138</u>

Note 15 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 administrating authority for two tax increment districts (Auburn Meadows and Olive Street Redevelopment). The Cherry Street tax increment district was decertified in 2022 but continues to collect tax abatement revenue. Details of the City’s tax increment financing districts are as follows:

	<u>TIF #2 Auburn Meadows</u>	<u>TIF #5 Olive Street Redevelopment</u>
Authorizing law	M.S. 469	M.S. 469
Year established	2012	2022
Final year of district	2037	2049
Tax capacity:		
Original	\$13,876	\$32,002
Current	\$170,474	\$32,002
Captured	\$139,171	\$0

CITY OF WACONIA, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
December 31, 2022

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 \$143,758. At December 31, 2022 the principal amount outstanding on the note was \$511,159.

Tax Increment Revenue Note (Olive Street Redevelopment) – issued in 2022 in the principal sum of \$713,549 with an interest rate of 4.00% per annum. Principal and interest payments shall be paid commencing August 1, 2024 and each February 1 and August 1 thereafter to and including February 1, 2034. 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 primarily for demolition, engineering, and site preparation costs. 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, 2034. Current year abatement (TIF note payments) amounted to \$0. At December 31, 2022 the principal amount outstanding on the note was \$713,549.

Tax Increment / Tax Abatement 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, 2022 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 \$19,985.

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. Current year abatement payments amounted to \$1,183.

TIF Repayment:

Principal and interest payments were required commencing August 1, 2013 and each February 1 and August 1 thereafter to and including February 1, 2022. Payments were payable solely from tax increments, which meant 90% of the tax increments derived from the tax increment property and received by the City. The final payment due February 1, 2022 was made in December 2021. As such, the TIF district was decertified during 2022. No further tax increment revenue will be collected and no additional TIF payments are owed to the developer.

CITY OF WACONIA, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
December 31, 2022

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, or until the note is paid off, whichever occurs first. 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. During 2022, a final payment in the amount of \$27,827 was made to the developer which paid off the balance of the note. As such, the TIF district was decertified during 2022. No further tax increment revenue will be collected and no additional TIF payments are owed to the developer.

Note 16 FUND BALANCE

A. CLASSIFICATIONS

At December 31, 2022, a summary of the governmental fund balance classifications is as follows:

	General Fund	PIR Capital	Other Governmental Funds	Total
Nonspendable:				
Prepaid items	\$100,404	\$230	\$9,754	\$110,388
Restricted for:				
Debt service	-	-	6,186,279	6,186,279
Economic development loans	-	-	1,417,389	1,417,389
Park improvements	-	-	126,171	126,171
Tax increment purposes	-	-	166,091	166,091
Capital improvements	-	14,468,181	-	14,468,181
Other purposes	1,057	-	52,160	53,217
Total restricted	1,057	14,468,181	7,948,090	22,417,328
Committed for:				
Economic development	644,987	-	-	644,987
Safari Island operations	-	-	234,030	234,030
Ice Arena operations	-	-	156,022	156,022
Total committed	644,987	0	390,052	1,035,039
Assigned for:				
Capital improvements	-	-	522,164	522,164
Unassigned	3,811,113	(453,657)	(393,886)	2,963,570
Total fund balance	\$4,557,561	\$14,014,754	\$8,476,174	\$27,048,489

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, 2022, actual unassigned fund balance was 50% of 2023 budgeted expenditures, excluding transfers.

C. DEFICIT FUND BALANCES

At December 31, 2022, the Coronavirus Relief special revenue fund had a deficit fund balance of \$1,553. The deficit is due to temporary market fluctuations of investments and will be eliminated with future investment income.

At December 31, 2022, the TIF # 5 Olive Street Redevelopment capital project fund had a deficit fund balance of \$18,480. The deficit will be eliminated with tax increment collections.

At December 31, 2022, the Clearwater Shores HIA capital project fund had a deficit fund balance of \$373,853. The deficit will be eliminated with special assessment collections.

Note 17 ADOPTION OF NEW ACCOUNTING STANDARD

The City implemented GASB Statement No. 87 for the year ended December 31, 2022. As a result, lease receivables and related deferred inflows of resources are reported on the Balance Sheet – Governmental Funds and the Statement of Net Position. Implementation of the standard had no effect on fund balance or net position.

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. 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.

Statement No. 99 *Omnibus 2022*. The provisions of this Statement contain multiple effective dates, the first being for reporting periods beginning after June 15, 2022.

Statement No. 100 *Accounting Changes and Error Corrections – an amendment of GASB Statement No. 62*. The provisions of this Statement are effective for reporting periods beginning after June 15, 2023.

The effect these standards may have on future financial statements is not determinable at this time.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF WACONIA, MINNESOTA

REQUIRED SUPPLEMENTARY INFORMATION

BUDGETARY COMPARISON SCHEDULE - GENERAL FUND (101)

For The Year Ended December 31, 2022

With Comparative Actual Amounts For The Year Ended December 31, 2021

Statement 9

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	Budgeted Amounts		2022 Actual Amounts	Variance with Final Budget - Positive (Negative)	2021 Actual Amounts
	Original	Final			
Revenues:					
Property taxes	\$5,964,190	\$5,964,190	\$5,984,955	\$20,765	\$5,901,086
Intergovernmental	237,400	237,400	431,104	193,704	247,759
Investment income	50,000	50,000	(220,849)	(270,849)	(27,581)
Charges for services:					
Administrative services	610,368	610,368	689,900	79,532	695,523
Community development	13,000	13,000	18,008	5,008	20,145
Culture and recreation	9,800	9,800	9,779	(21)	9,779
Public safety	130,517	130,517	178,409	47,892	212,257
Public services	19,700	24,700	44,794	20,094	19,494
Licenses and permits	1,002,435	1,002,435	1,700,990	698,555	1,175,255
Fines and forfeits	40,000	40,000	42,747	2,747	37,632
Contributions and donations	3,000	3,000	4,040	1,040	12,371
Total revenues	8,080,410	8,085,410	8,883,877	798,467	8,303,720
Expenditures:					
Current:					
Administrative services:					
Administration	680,001	680,001	681,225	(1,224)	547,117
Central facilities	293,161	269,161	307,957	(38,796)	271,445
Finance	688,141	683,680	687,609	(3,929)	593,278
Technology	388,413	388,413	384,468	3,945	307,011
Total administrative services	2,049,716	2,021,255	2,061,259	(40,004)	1,718,851
Community development:					
Building inspections	273,900	273,900	589,679	(315,779)	311,792
Economic development	-	-	176,975	(176,975)	-
Planning	453,860	453,860	441,229	12,631	339,476
Total community development	727,760	727,760	1,207,883	(480,123)	651,268
Culture and recreation:					
Recreation	23,650	23,650	19,225	4,425	15,378
Public safety:					
Community safety	20,450	20,450	21,288	(838)	983
Fire	613,377	613,377	597,053	16,324	485,658
Law enforcement	922,676	922,676	931,201	(8,525)	930,262
Total public safety	1,556,503	1,556,503	1,549,542	6,961	1,416,903
Public services:					
Parks	807,382	807,382	779,118	28,264	658,342
Streets	1,495,721	1,495,721	1,556,706	(60,985)	1,271,854
Total public services	2,303,103	2,303,103	2,335,824	(32,721)	1,930,196
Total expenditures	6,660,732	6,632,271	7,173,733	(541,462)	5,732,596

See accompanying notes to the required supplementary information.

CITY OF WACONIA, MINNESOTA

REQUIRED SUPPLEMENTARY INFORMATION

BUDGETARY COMPARISON SCHEDULE - GENERAL FUND (101)

For The Year Ended December 31, 2022

With Comparative Actual Amounts For The Year Ended December 31, 2021

Statement 9

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	Budgeted Amounts		2022 Actual Amounts	Variance with Final Budget - Positive (Negative)	2021 Actual Amounts
	Original	Final			
Revenues over (under) expenditures	<u>\$1,419,678</u>	<u>\$1,453,139</u>	<u>\$1,710,144</u>	<u>\$257,005</u>	<u>\$2,571,124</u>
Other financing sources (uses):					
Transfers in	241,950	241,950	242,202	252	228,084
Transfers out	<u>(2,137,772)</u>	<u>(2,158,117)</u>	<u>(2,158,117)</u>	-	<u>(2,046,792)</u>
Total other financing sources (uses)	<u>(1,895,822)</u>	<u>(1,916,167)</u>	<u>(1,915,915)</u>	<u>252</u>	<u>(1,818,708)</u>
Net change in fund balance	<u>(\$476,144)</u>	<u>(\$463,028)</u>	<u>(205,771)</u>	<u>\$257,257</u>	752,416
Fund balance - January 1			<u>4,763,332</u>		<u>4,010,916</u>
Fund balance - December 31			<u>\$4,557,561</u>		<u>\$4,763,332</u>

See accompanying notes to the required supplementary information.

CITY OF WACONIA, MINNESOTA

REQUIRED SUPPLEMENTARY INFORMATION

Statement 10

SCHEDULE OF PROPORTIONATE SHARE OF NET PENSION LIABILITY -

GENERAL EMPLOYEES RETIREMENT FUND

For The Last Ten Years

Measurement Date	Fiscal Year Ending	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 ((a+b)/c)	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
June 30	December 31	Liability	Liability (a)	with City (b)	(a+b)	Payroll (c)	((a+b)/c)	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	132.5%	68.9%
2017	2017	0.0305%	1,947,100	24,448	1,971,548	1,965,035	100.3%	75.9%
2018	2018	0.0302%	1,675,372	54,972	1,730,344	2,105,053	82.2%	79.5%
2019	2019	0.0321%	1,774,737	55,164	1,829,901	2,271,260	80.6%	80.2%
2020	2020	0.0349%	2,092,414	64,565	2,156,979	2,487,163	86.7%	79.1%
2021	2021	0.0354%	1,511,739	46,189	1,557,928	2,547,599	61.2%	87.0%
2022	2022	0.0379%	3,001,693	88,201	3,089,894	2,842,006	108.7%	76.7%

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

See accompanying notes to the required supplementary information.

CITY OF WACONIA, MINNESOTA

REQUIRED SUPPLEMENTARY INFORMATION

Statement 11

SCHEDULE OF PENSION CONTRIBUTIONS - GENERAL EMPLOYEES RETIREMENT FUND

For The Last Ten Years

Fiscal Year Ending December 31	Statutorily Required Contribution (a)	Contributions in Relation to the Statutorily Required Contribution (b)	Contribution Deficiency (Excess) (a-b)	Covered Payroll (c)	Contributions as a Percentage of Covered Payroll (b/c)
2015	\$193,486	\$193,486	\$ -	\$2,579,813	7.50%
2016	152,325	152,325	-	2,031,006	7.50%
2017	147,854	147,854	-	1,971,387	7.50%
2018	157,879	157,879	-	2,105,053	7.50%
2019	181,539	181,539	-	2,420,520	7.50%
2020	189,873	189,873	-	2,531,640	7.50%
2021	199,540	199,540	-	2,660,542	7.50%
2022	224,319	224,319	-	2,990,959	7.50%

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

See accompanying notes to the required supplementary information.

CITY OF WACONIA, MINNESOTA

REQUIRED SUPPLEMENTARY INFORMATION

Statement 12

SCHEDULE OF PROPORTIONATE SHARE OF NET PENSION LIABILITY -
PUBLIC EMPLOYEES POLICE AND FIRE FUND

For The Last Ten Years

Measurement Date June 30,	Fiscal Year Ending December 31,	Proportion (Percentage) of the Net Pension Liability	Proportionate Share (Amount) of the Net Pension Liability (a)	Covered Payroll (b)	Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll (a/b)	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
2015	2015	0.0000%	\$ -	\$ -	n/a	89.3%
2016	2016	0.0000%	-	-	n/a	63.9%
2017	2017	0.0000%	-	-	n/a	85.4%
2018	2018	0.0000%	-	-	n/a	88.8%
2019	2019	0.0037%	39,390	37,895	103.9%	89.3%
2020	2020	0.0102%	134,447	114,863	117.0%	87.2%
2021	2021	0.0064%	49,401	75,334	65.6%	93.7%
2022	2022	0.0059%	256,745	71,117	361.0%	70.5%

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

See accompanying notes to the required supplementary information.

CITY OF WACONIA, MINNESOTA

REQUIRED SUPPLEMENTARY INFORMATION

Statement 13

SCHEDULE OF PENSION CONTRIBUTIONS - PUBLIC EMPLOYEES POLICE AND FIRE FUND

For The Last Ten Years

Fiscal Year Ending December 31	Statutorily Required Contribution (a)	Contributions in Relation to the Statutorily Required Contribution (b)	Contribution Deficiency (Excess) (a-b)	Covered Payroll (c)	Contributions as a Percentage of Covered Payroll (b/c)
2015	\$ -	\$ -	\$ -	\$ -	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%
2021	5,240	5,240	-	29,602	17.70%
2022	20,080	20,080	-	113,444	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.

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, 2022	December 31, 2021	December 31, 2020
Total pension liability:			
Service cost	\$75,218	\$70,474	\$55,411
Interest on total pension liability	89,269	74,037	68,171
Changes of benefit terms	-	196,833	-
Differences between expected and actual experience	(38,087)	(66,859)	(15,501)
Changes of assumptions	-	-	-
Benefit payouts	-	(50,735)	-
Net change in total pension liability	126,400	223,750	108,081
Total pension liability - beginning	1,412,598	1,188,848	1,080,767
Total pension liability - ending (a)	<u>\$1,538,998</u>	<u>\$1,412,598</u>	<u>\$1,188,848</u>
Plan fiduciary net position:			
Contributions - employer	\$10,000	\$24,000	\$10,000
Contributions - State of Minnesota	114,537	101,685	97,675
Net investment income (loss)	(340,170)	193,460	250,603
Benefit payouts	-	(50,735)	-
Administrative expenses	(1,400)	(1,194)	(1,139)
Net change in plan fiduciary net position	(217,033)	267,216	357,139
Plan fiduciary net position - beginning	2,278,644	2,011,428	1,654,289
Plan fiduciary net position - ending (b)	<u>\$2,061,611</u>	<u>\$2,278,644</u>	<u>\$2,011,428</u>
Net pension liability (asset) - ending (a) - (b)	<u>(\$522,613)</u>	<u>(\$866,046)</u>	<u>(\$822,580)</u>
Plan fiduciary net position as a percentage of the total pension liability	134.0%	161.3%	169.2%
Covered payroll*	Not available	Not available	Not available
Net pension liability as a percentage of covered payroll*	Not available	Not available	Not available

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

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

See accompanying notes to the required supplementary information.

December 31, 2019	December 31, 2018	December 31, 2017	December 31, 2016	December 31, 2015
\$54,582	\$42,277	\$44,295	\$45,026	\$47,458
48,480	45,013	53,883	54,457	50,232
244,117	-	-	-	-
(19,823)	49,375	(79,866)	(35,333)	(24,851)
-	-	-	-	-
-	(182,347)	(145,958)	-	-
327,356	(45,682)	(127,646)	64,150	72,839
753,411	799,093	926,739	862,589	789,750
<u>\$1,080,767</u>	<u>\$753,411</u>	<u>\$799,093</u>	<u>\$926,739</u>	<u>\$862,589</u>
\$10,000	\$10,000	\$10,000	\$10,000	\$17,148
93,597	89,020	85,075	85,177	82,948
244,598	(50,089)	164,362	81,184	(135)
-	(182,347)	(145,958)	-	-
(1,083)	(1,098)	(1,126)	(1,078)	(5,246)
347,112	(134,514)	112,353	175,283	94,715
1,307,177	1,441,691	1,329,338	1,154,055	1,059,340
<u>\$1,654,289</u>	<u>\$1,307,177</u>	<u>\$1,441,691</u>	<u>\$1,329,338</u>	<u>\$1,154,055</u>
<u>(\$573,522)</u>	<u>(\$553,766)</u>	<u>(\$642,598)</u>	<u>(\$402,599)</u>	<u>(\$291,466)</u>
153.1%	173.5%	180.4%	143.4%	133.8%
Not available	Not available	Not available	Not available	Not available
Not available	Not available	Not available	Not available	Not available

See accompanying notes to the required supplementary information.

CITY OF WACONIA, MINNESOTA

REQUIRED SUPPLEMENTARY INFORMATION

Statement 15

SCHEDULE OF PENSION CONTRIBUTIONS - WACONIA FIRE RELIEF ASSOCIATION

For The Last Ten Years

<u>Fiscal Year Ending December 31</u>	<u>Statutorily Required Contribution (a)</u>	<u>Contributions in Relation to the Statutorily Required Contribution (b)</u>	<u>Contribution Deficiency (Excess) (a-b)</u>	<u>Covered Payroll (c)</u>	<u>Contributions as a Percentage of Covered-Employee Payroll (b/c)</u>
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)	*	*
2021	-	24,000	(24,000)	*	*
2022	-	10,000	(10,000)	*	*

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

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

See accompanying notes to the required supplementary information.

CITY OF WACONIA, MINNESOTA
REQUIRED SUPPLEMENTARY INFORMATION
NOTES TO RSI
December 31, 2022

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

2022 Changes in Actuarial Assumptions:

- The mortality improvement scale was changed from Scale MP-2020 to Scale MP-2021.

2021 Changes in Actuarial Assumptions:

- The investment return and single discount rates were changed from 7.50% to 6.50% for financial reporting purposes.
- The mortality improvement scale was changed from Scale MP-2019 to Scale MP-2020.

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%.
- 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.
- 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 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.

CITY OF WACONIA, MINNESOTA
REQUIRED SUPPLEMENTARY INFORMATION
NOTES TO RSI
December 31, 2022

2017 Changes in Actuarial Assumptions:

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

2016 Changes in Actuarial Assumptions:

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

PERA – Public Employees Police and Fire Fund

2022 Changes in Actuarial Assumptions:

- The single discount rate changed from 6.50% to 5.4%.
- The mortality improvement scale was changed from Scale MP-2020 to Scale MP-2021.

2021 Changes in Actuarial Assumptions:

- The investment return and single discount rates were changed from 7.50% to 6.50% for financial reporting purposes.
- The inflation assumption was changed from 2.50% to 2.25%.
- The payroll growth assumption was changed from 3.25% to 3.00%.
- The base mortality tables for healthy annuitants, disabled annuitants and employees were changed from RP-2014 tables to Pub-2010 Public Safety Mortality tables. The mortality improvement scale was changed from MP-2019 to MN-2020.
- Assumed salary increase and retirement rates were modified as recommended in the July 14, 2020 experience study. The changes result in a decrease in gross salary increase rates, slightly more unreduced retirements and fewer assumed early retirements.
- Assumed rates of withdrawal were changed from select and ultimate rates to service-based rates. The changes result in more assumed terminations.
- Assumed rates of disability were increased for ages 25-44 and decreased for ages over 49. Overall, proposed rates result in more projected disabilities.
- Assumed percent married for active female members was changed from 60% to 70%.

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.

CITY OF WACONIA, MINNESOTA
REQUIRED SUPPLEMENTARY INFORMATION
NOTES TO RSI
December 31, 2022

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 Scale AA to Scale MP-2016. The base mortality table for disabled annuitants 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 5.6%.
- 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.

Safari Island 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.

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, 2021A, 2022A) – 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. During 2022, the bonds matured and the fund was closed.

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

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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.

TIF # 5 Olive Street Redevelopment Fund – the TIF district was created to promote economic redevelopment.

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.

CITY OF WACONIA, MINNESOTA
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 December 31, 2022
 With Comparative Totals For December 31, 2021

	Public Education (107)	Revolving Loan (202)	Coronavirus Relief (219)	Safari Island (231)
Assets:				
Cash and investments	\$12,675	\$822,937	\$770,927	\$210,795
Accrued interest receivable	-	-	2,574	-
Due from other governmental units	-	-	-	-
Accounts receivable - net	1,578	2,641	-	29,441
Prepaid items	-	-	-	3,051
Property taxes receivable	-	-	-	-
Special assessments receivable:				
Delinquent	-	-	-	-
Deferred	-	-	-	-
Deposits receivable	-	-	-	75,000
Notes receivable - net	-	591,811	-	-
Total assets	\$14,253	\$1,417,389	\$773,501	\$318,287
Liabilities, Deferred Inflows of Resources, and Fund Balance:				
Liabilities:				
Accounts payable	\$ -	\$ -	\$ -	\$17,128
Due to other governmental units	-	-	-	64,078
Interfund loan payable	-	-	-	-
Unearned revenue	-	-	775,054	-
Total liabilities	0	0	775,054	81,206
Deferred inflows of resources:				
Unavailable revenue	-	-	-	-
Fund balance:				
Nonspendable	-	-	-	3,051
Restricted	14,253	1,417,389	-	-
Committed	-	-	-	234,030
Assigned	-	-	-	-
Unassigned	-	-	(1,553)	-
Total fund balance	14,253	1,417,389	(1,553)	237,081
Total liabilities, deferred inflows of resources, and fund balance	\$14,253	\$1,417,389	\$773,501	\$318,287

Ice Arena (678)	Lodging Tax (701)	Total Nonmajor Special Revenue Funds	Lease Purchase Agreement of 2016 (301)	Permanent Improvement Revolving Debt Service Fund (303)	G.O. Bonds of 2014A (304)	G.O. Bonds of 2015A (305)
\$100,758	\$37,507	\$1,955,599	\$245,969	\$642,894	\$266,598	\$654,247
-	-	2,574	-	-	-	-
-	-	-	20,368	1,634	928	1,904
13,597	4,585	51,842	-	-	-	-
6,703	-	9,754	-	-	-	-
-	-	-	255	1,808	337	1,328
-	-	-	-	-	-	-
-	-	-	-	1,062,216	36,286	54,633
100,000	-	175,000	-	-	-	-
-	-	591,811	260,000	-	-	-
<u>\$221,058</u>	<u>\$42,092</u>	<u>\$2,786,580</u>	<u>\$526,592</u>	<u>\$1,708,552</u>	<u>\$304,149</u>	<u>\$712,112</u>
\$58,333	\$4,185	\$79,646	\$ -	\$ -	\$ -	\$ -
-	-	64,078	-	-	-	-
-	-	-	-	-	-	-
-	-	775,054	-	-	-	-
<u>58,333</u>	<u>4,185</u>	<u>918,778</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
-	-	-	260,255	1,064,024	36,623	55,961
6,703	-	9,754	-	-	-	-
-	37,907	1,469,549	266,337	644,528	267,526	656,151
156,022	-	390,052	-	-	-	-
-	-	-	-	-	-	-
-	-	(1,553)	-	-	-	-
<u>162,725</u>	<u>37,907</u>	<u>1,867,802</u>	<u>266,337</u>	<u>644,528</u>	<u>267,526</u>	<u>656,151</u>
<u>\$221,058</u>	<u>\$42,092</u>	<u>\$2,786,580</u>	<u>\$526,592</u>	<u>\$1,708,552</u>	<u>\$304,149</u>	<u>\$712,112</u>

CITY OF WACONIA, MINNESOTA
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
December 31, 2022
With Comparative Totals For December 31, 2021

	G.O. Bonds of 2016A (306)	G.O. Bonds of 2017A (307)	G.O. Bonds of 2018A (308)	G.O. Bonds of 2019A (309)
Assets:				
Cash and investments	\$619,506	\$2,331,496	\$173,413	\$120,044
Accrued interest receivable	-	-	-	-
Due from other governmental units	985	3,477	390	1,097
Accounts receivable - net	-	-	-	-
Prepaid items	-	-	-	-
Property taxes receivable	685	2,412	273	84
Special assessments receivable:				
Delinquent	21	-	542	-
Deferred	362,212	-	80,801	-
Deposits receivable	-	-	-	-
Notes receivable - net	-	-	-	-
Total assets	\$983,409	\$2,337,385	\$255,419	\$121,225
Liabilities, Deferred Inflows of Resources, and Fund Balance:				
Liabilities:				
Accounts payable	\$43	\$ -	\$ -	\$ -
Due to other governmental units	-	-	-	-
Interfund loan payable	-	-	-	-
Unearned revenue	-	-	-	-
Total liabilities	43	0	0	0
Deferred inflows of resources:				
Unavailable revenue	362,918	2,412	81,616	84
Fund balance:				
Nonspendable	-	-	-	-
Restricted	620,448	2,334,973	173,803	121,141
Committed	-	-	-	-
Assigned	-	-	-	-
Unassigned	-	-	-	-
Total fund balance	620,448	2,334,973	173,803	121,141
Total liabilities, deferred inflows of resources, and fund balance	\$983,409	\$2,337,385	\$255,419	\$121,225

G.O. Bonds of 2020A (310)	G.O. Bonds of 2021A (311)	G.O. Bonds of 2022A (312)	EDA - CC Revenue Bonds of 2007 (344)	HRA Revenue Bonds of 2007 (378)	Total Nonmajor Debt Service Funds	Capital Equipment (105)
\$441,885	\$332,818	\$160,694	\$ -	\$77,377	\$6,066,941	\$523,043
-	-	86,656	-	-	86,656	-
678	1,264	-	-	-	32,725	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
454	683	-	-	-	8,319	10
-	-	-	-	-	563	-
206,564	-	249,671	-	-	2,052,383	-
-	-	-	-	-	-	-
-	-	-	-	-	260,000	-
<u>\$649,581</u>	<u>\$334,765</u>	<u>\$497,021</u>	<u>\$0</u>	<u>\$77,377</u>	<u>\$8,507,587</u>	<u>\$523,053</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$43	\$879
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>43</u>	<u>879</u>
207,018	683	249,671	-	-	2,321,265	10
-	-	-	-	-	-	-
442,563	334,082	247,350	-	77,377	6,186,279	-
-	-	-	-	-	-	-
-	-	-	-	-	-	522,164
-	-	-	-	-	-	-
<u>442,563</u>	<u>334,082</u>	<u>247,350</u>	<u>0</u>	<u>77,377</u>	<u>6,186,279</u>	<u>522,164</u>
<u>\$649,581</u>	<u>\$334,765</u>	<u>\$497,021</u>	<u>\$0</u>	<u>\$77,377</u>	<u>\$8,507,587</u>	<u>\$523,053</u>

CITY OF WACONIA, MINNESOTA
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 December 31, 2022
 With Comparative Totals For December 31, 2021

	Park Dedication (210)	TIF # 1 Workforce Housing (410)	TIF # 2 Auburn Meadows (411)	TIF # 3 Cherry Street (412)
Assets:				
Cash and investments	\$126,171	\$29,862	\$128,106	\$2,065
Accrued interest receivable	-	-	-	-
Due from other governmental units	-	-	-	-
Accounts receivable - net	-	-	-	-
Prepaid items	-	-	-	-
Property taxes receivable	-	-	-	-
Special assessments receivable:				
Delinquent	-	-	-	-
Deferred	-	-	-	-
Deposits receivable	-	-	-	-
Notes receivable - net	-	211,806	-	-
Total assets	\$126,171	\$241,668	\$128,106	\$2,065
Liabilities, Deferred Inflows of Resources, and Fund Balance:				
Liabilities:				
Accounts payable	\$ -	\$ -	\$ -	\$ -
Due to other governmental units	-	-	-	-
Interfund loan payable	-	-	-	-
Unearned revenue	-	-	-	-
Total liabilities	0	0	0	0
Deferred inflows of resources:				
Unavailable revenue	-	211,806	-	-
Fund balance:				
Nonspendable	-	-	-	-
Restricted	126,171	29,862	128,106	2,065
Committed	-	-	-	-
Assigned	-	-	-	-
Unassigned	-	-	-	-
Total fund balance	126,171	29,862	128,106	2,065
Total liabilities, deferred inflows of resources, and fund balance	\$126,171	\$241,668	\$128,106	\$2,065

TIF # 4 Pine Business Park (413)	TIF # 5 Olive Street Redevelopment (414)	Clearwater Shores HIA (420)	Total Nonmajor Capital Project Funds	Total	
				2022	2021
\$6,058	\$48,020	\$1,263	\$864,588	\$8,887,128	\$8,395,819
-	-	-	-	89,230	-
-	-	-	-	32,725	78,734
-	-	-	-	51,842	5,980
-	-	-	-	9,754	7,555
-	-	-	10	8,329	9,868
-	-	-	-	563	-
-	-	375,116	375,116	2,427,499	1,363,455
-	-	-	-	175,000	175,000
-	-	-	211,806	1,063,617	801,748
<u>\$6,058</u>	<u>\$48,020</u>	<u>\$376,379</u>	<u>\$1,451,520</u>	<u>\$12,745,687</u>	<u>\$10,838,159</u>
\$ -	\$1,500	\$ -	\$2,379	\$82,068	\$89,730
-	-	-	-	64,078	119,077
-	65,000	375,116	440,116	440,116	416,499
-	-	-	-	775,054	637,574
<u>0</u>	<u>66,500</u>	<u>375,116</u>	<u>442,495</u>	<u>1,361,316</u>	<u>1,262,880</u>
-	-	375,116	586,932	2,908,197	1,964,885
-	-	-	-	9,754	7,555
6,058	-	-	292,262	7,948,090	6,633,388
-	-	-	-	390,052	441,108
-	-	-	522,164	522,164	943,281
-	(18,480)	(373,853)	(392,333)	(393,886)	(414,938)
<u>6,058</u>	<u>(18,480)</u>	<u>(373,853)</u>	<u>422,093</u>	<u>8,476,174</u>	<u>7,610,394</u>
<u>\$6,058</u>	<u>\$48,020</u>	<u>\$376,379</u>	<u>\$1,451,520</u>	<u>\$12,745,687</u>	<u>\$10,838,159</u>

CITY OF WACONIA, MINNESOTA
COMBINING STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCE
NONMAJOR GOVERNMENTAL FUNDS
For The Year Ended December 31, 2022
With Comparative Totals For The Year Ended December 31, 2021

	Public Education (107)	Revolving Loan (202)	Coronavirus Relief (219)	Safari Island (231)
Revenues:				
Property taxes	\$ -	\$ -	\$ -	\$ -
Tax increment collections	-	-	-	-
Lodging taxes	-	-	-	-
Special assessments	-	-	-	-
Intergovernmental	-	-	538,431	-
Investment income	(325)	(26,106)	(1,598)	-
Interest from receivables	-	15,964	-	-
Charges for services	7,054	360	-	1,048,956
Contributions and donations	-	-	-	-
Total revenues	<u>6,729</u>	<u>(9,782)</u>	<u>536,833</u>	<u>1,048,956</u>
Expenditures:				
Current:				
Administrative services	13,503	-	13,431	-
Community development	-	3,769	-	-
Culture and recreation	-	-	-	1,257,337
Public services	-	-	-	-
Capital outlay:				
Administrative services	-	-	-	-
Culture and recreation	-	-	-	-
Public safety	-	-	-	-
Public services	-	-	-	-
Debt service:				
Principal	-	-	-	-
Interest and fiscal charges	-	-	-	-
Total expenditures	<u>13,503</u>	<u>3,769</u>	<u>13,431</u>	<u>1,257,337</u>
Revenues over (under) expenditures	<u>(6,774)</u>	<u>(13,551)</u>	<u>523,402</u>	<u>(208,381)</u>
Other financing sources (uses):				
Bonds issued	-	-	-	-
Bond premium	-	-	-	-
Sale of capital assets	-	-	-	-
Transfers in	-	-	-	190,000
Transfers out	-	-	(525,000)	-
Total other financing sources (uses)	<u>0</u>	<u>0</u>	<u>(525,000)</u>	<u>190,000</u>
Net change in fund balance	(6,774)	(13,551)	(1,598)	(18,381)
Fund balance - January 1	<u>21,027</u>	<u>1,430,940</u>	<u>45</u>	<u>255,462</u>
Fund balance - December 31	<u>\$14,253</u>	<u>\$1,417,389</u>	<u>(\$1,553)</u>	<u>\$237,081</u>

Ice Arena (678)	Lodging Tax (701)	Total Nonmajor Special Revenue Funds	Lease Purchase Agreement of 2016 (301)	Permanent Improvement Revolving Debt Service Fund (303)	G.O. Bonds of 2014A (304)	G.O. Bonds of 2015A (305)
\$ -	\$ -	\$ -	\$90,288	\$400,644	\$118,520	\$466,845
-	-	-	-	-	-	-
-	46,542	46,542	-	\$ -	-	-
-	-	-	-	3,758	20,581	19,502
-	-	538,431	-	\$ -	-	-
-	(762)	(28,791)	(3,234)	(11,225)	(4,208)	(4,930)
-	-	15,964	-	-	-	-
430,237	-	1,486,607	-	-	-	-
-	-	-	126,377	-	-	-
<u>430,237</u>	<u>45,780</u>	<u>2,058,753</u>	<u>213,431</u>	<u>393,177</u>	<u>134,893</u>	<u>481,417</u>
-	-	26,934	-	-	-	-
-	29,927	33,696	-	-	-	-
610,713	-	1,868,050	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	121,000	325,000	145,000	575,000
-	-	-	14,745	68,192	10,886	97,261
<u>610,713</u>	<u>29,927</u>	<u>1,928,680</u>	<u>135,745</u>	<u>393,192</u>	<u>155,886</u>	<u>672,261</u>
<u>(180,476)</u>	<u>15,853</u>	<u>130,073</u>	<u>77,686</u>	<u>(15)</u>	<u>(20,993)</u>	<u>(190,844)</u>
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
150,000	-	340,000	-	-	-	189,550
-	(2,202)	(527,202)	-	-	-	-
<u>150,000</u>	<u>(2,202)</u>	<u>(187,202)</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>189,550</u>
(30,476)	13,651	(57,129)	77,686	(15)	(20,993)	(1,294)
<u>193,201</u>	<u>24,256</u>	<u>1,924,931</u>	<u>188,651</u>	<u>644,543</u>	<u>288,519</u>	<u>657,445</u>
<u>\$162,725</u>	<u>\$37,907</u>	<u>\$1,867,802</u>	<u>\$266,337</u>	<u>\$644,528</u>	<u>\$267,526</u>	<u>\$656,151</u>

CITY OF WACONIA, MINNESOTA
COMBINING STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCE
NONMAJOR GOVERNMENTAL FUNDS
For The Year Ended December 31, 2022
With Comparative Totals For The Year Ended December 31, 2021

	G.O. Bonds of 2016A (306)	G.O. Bonds of 2017A (307)	G.O. Bonds of 2018A (308)	G.O. Bonds of 2019A (309)
Revenues:				
Property taxes	\$241,598	\$852,765	\$95,567	\$268,932
Tax increment collections	-	-	-	-
Lodging taxes	-	-	-	-
Special assessments	102,245	-	14,648	-
Intergovernmental	-	-	-	-
Investment income	(6,130)	(43,102)	(2,485)	-
Interest from receivables	-	-	-	-
Charges for services	-	-	-	-
Contributions and donations	-	-	-	-
Total revenues	<u>337,713</u>	<u>809,663</u>	<u>107,730</u>	<u>268,932</u>
Expenditures:				
Current:				
Administrative services	-	-	-	-
Community development	-	-	-	-
Culture and recreation	-	-	-	-
Public services	-	-	-	-
Capital outlay:				
Administrative services	-	-	-	-
Culture and recreation	-	-	-	-
Public safety	-	-	-	-
Public services	-	-	-	-
Debt service:				
Principal	485,000	730,000	90,000	200,000
Interest and fiscal charges	55,143	153,893	27,876	82,623
Total expenditures	<u>540,143</u>	<u>883,893</u>	<u>117,876</u>	<u>282,623</u>
Revenues over (under) expenditures	<u>(202,430)</u>	<u>(74,230)</u>	<u>(10,146)</u>	<u>(13,691)</u>
Other financing sources (uses):				
Bonds issued	-	-	-	-
Bond premium	-	-	-	-
Sale of capital assets	-	-	-	-
Transfers in	191,966	-	-	29,200
Transfers out	-	-	-	-
Total other financing sources (uses)	<u>191,966</u>	<u>0</u>	<u>0</u>	<u>29,200</u>
Net change in fund balance	(10,464)	(74,230)	(10,146)	15,509
Fund balance - January 1	630,912	2,409,203	183,949	105,632
Fund balance - December 31	<u>\$620,448</u>	<u>\$2,334,973</u>	<u>\$173,803</u>	<u>\$121,141</u>

G.O. Bonds of 2020A (310)	G.O. Bonds of 2021A (311)	G.O. Bonds of 2022A (312)	EDA - CC Revenue Bonds of 2007 (344)	HRA Revenue Bonds of 2007 (378)	Total Nonmajor Debt Service Funds	Capital Equipment (105)
\$166,245	\$309,970	\$ -	\$ -	\$ -	\$3,011,374	(\$55)
-	-	-	-	-	-	-
-	-	-	-	-	-	-
67,322	-	141,226	-	-	369,282	-
-	-	-	-	-	-	-
13	287	106,124	-	-	31,110	(13,969)
-	-	-	-	-	-	-
-	-	-	-	-	-	900
-	-	-	-	115,534	241,911	2,606
<u>233,580</u>	<u>310,257</u>	<u>247,350</u>	<u>0</u>	<u>115,534</u>	<u>3,653,677</u>	<u>(10,518)</u>
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	10,244
-	-	-	-	-	-	19,751
-	-	-	-	-	-	-
-	-	-	-	-	-	360,398
-	-	-	-	-	-	347,225
-	-	-	-	-	-	-
255,000	-	-	134,049	354,089	3,414,138	-
48,774	57,432	-	2,315	75,648	694,788	-
<u>303,774</u>	<u>57,432</u>	<u>0</u>	<u>136,364</u>	<u>429,737</u>	<u>4,108,926</u>	<u>737,618</u>
<u>(70,194)</u>	<u>252,825</u>	<u>247,350</u>	<u>(136,364)</u>	<u>(314,203)</u>	<u>(455,249)</u>	<u>(748,136)</u>
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	27,064
116,400	81,257	-	132,710	380,000	1,121,083	300,000
-	-	-	-	-	-	-
<u>116,400</u>	<u>81,257</u>	<u>0</u>	<u>132,710</u>	<u>380,000</u>	<u>1,121,083</u>	<u>327,064</u>
46,206	334,082	247,350	(3,654)	65,797	665,834	(421,072)
396,357	-	-	3,654	11,580	5,520,445	943,236
<u>\$442,563</u>	<u>\$334,082</u>	<u>\$247,350</u>	<u>\$0</u>	<u>\$77,377</u>	<u>\$6,186,279</u>	<u>\$522,164</u>

CITY OF WACONIA, MINNESOTA
COMBINING STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCE
NONMAJOR GOVERNMENTAL FUNDS
For The Year Ended December 31, 2022
With Comparative Totals For The Year Ended December 31, 2021

	Park Dedication (210)	TIF # 1 Workforce Housing (410)	TIF # 2 Auburn Meadows (411)	TIF # 3 Cherry Street (412)
Revenues:				
Property taxes	\$ -	\$ -	\$ -	\$ -
Tax increment collections	-	-	159,731	-
Lodging taxes	-	-	-	-
Special assessments	-	-	-	-
Intergovernmental	-	-	-	-
Investment income	(3,065)	(731)	(2,846)	(77)
Interest from receivables	-	-	-	-
Charges for services	-	-	-	-
Contributions and donations	-	-	-	-
Total revenues	<u>(3,065)</u>	<u>(731)</u>	<u>156,885</u>	<u>(77)</u>
Expenditures:				
Current:				
Administrative services	-	-	-	-
Community development	-	323	144,465	1,086
Culture and recreation	-	-	-	-
Public services	-	-	-	-
Capital outlay:				
Administrative services	-	-	-	-
Culture and recreation	-	-	-	-
Public safety	-	-	-	-
Public services	-	-	-	-
Debt service:				
Principal	-	-	-	-
Interest and fiscal charges	-	-	-	-
Total expenditures	<u>0</u>	<u>323</u>	<u>144,465</u>	<u>1,086</u>
Revenues over (under) expenditures	<u>(3,065)</u>	<u>(1,054)</u>	<u>12,420</u>	<u>(1,163)</u>
Other financing sources (uses):				
Bonds issued	-	-	-	-
Bond premium	-	-	-	-
Sale of capital assets	-	-	-	-
Transfers in	-	-	-	-
Transfers out	-	-	-	-
Total other financing sources (uses)	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Net change in fund balance	(3,065)	(1,054)	12,420	(1,163)
Fund balance - January 1	<u>129,236</u>	<u>30,916</u>	<u>115,686</u>	<u>3,228</u>
Fund balance - December 31	<u>\$126,171</u>	<u>\$29,862</u>	<u>\$128,106</u>	<u>\$2,065</u>

TIF # 4 Pine Business Park (413)	TIF # 5 Olive Street Redevelopment (414)	Clearwater Shores HIA (420)	Total Nonmajor Capital Project Funds	Total	
				2022	2021
\$ -	\$ -	\$ -	(\$55)	\$3,011,319	\$2,315,291
32,510	-	-	192,241	192,241	205,593
-	-	-	-	46,542	40,784
-	-	52,920	52,920	422,202	319,355
-	-	-	-	538,431	38,337
(101)	(1,080)	(298)	(22,167)	(19,848)	(14,053)
-	-	-	-	15,964	12,568
-	-	-	900	1,487,507	1,104,883
-	-	-	2,606	244,517	101,275
<u>32,409</u>	<u>(1,080)</u>	<u>52,622</u>	<u>226,445</u>	<u>5,938,875</u>	<u>4,124,033</u>
-	17,400	-	17,400	44,334	23,967
28,548	-	-	174,422	208,118	245,162
-	-	-	-	1,868,050	1,620,243
-	-	-	10,244	10,244	24,885
-	-	-	-	-	-
-	-	-	19,751	19,751	-
-	-	-	-	-	-
-	-	-	360,398	360,398	27,548
-	-	-	347,225	347,225	660,766
-	-	-	-	-	-
-	-	-	-	3,414,138	2,731,363
-	-	11,537	11,537	706,325	679,649
<u>28,548</u>	<u>17,400</u>	<u>11,537</u>	<u>940,977</u>	<u>6,978,583</u>	<u>6,013,583</u>
<u>3,861</u>	<u>(18,480)</u>	<u>41,085</u>	<u>(714,532)</u>	<u>(1,039,708)</u>	<u>(1,889,550)</u>
-	-	-	-	-	670,000
-	-	-	-	-	55,830
-	-	-	27,064	27,064	10,692
-	-	-	300,000	1,761,083	1,688,758
-	-	-	-	(527,202)	(2,084)
<u>0</u>	<u>0</u>	<u>0</u>	<u>327,064</u>	<u>1,260,945</u>	<u>2,423,196</u>
3,861	(18,480)	41,085	(387,468)	221,237	533,646
2,197	-	(414,938)	809,561	8,254,937	7,076,748
<u>\$6,058</u>	<u>(\$18,480)</u>	<u>(\$373,853)</u>	<u>\$422,093</u>	<u>\$8,476,174</u>	<u>\$7,610,394</u>

Reconciliation of beginning fund balance to prior year ending fund balance:

Prior year ending fund balance reported above	\$7,610,394
Fund balance of fund 303 reported as major in prior year, nonmajor in current year	644,543
Current year beginning fund balance	<u>\$8,254,937</u>

CITY OF WACONIA, MINNESOTA

SPECIAL REVENUE FUND - PUBLIC EDUCATION FUND (107)

Statement 18

SCHEDULE OF REVENUES, EXPENDITURES AND

CHANGES IN FUND BALANCES - BUDGET AND ACTUAL

For The Year Ended December 31, 2022

With Comparative Actual Amounts For The Year Ended December 31, 2021

	Budgeted Amounts		2022 Actual Amounts	Variance with Final Budget - Positive (Negative)	2021 Actual Amounts
	Original	Final			
Revenues:					
Investment income	\$200	\$200	(\$325)	(\$525)	(\$61)
Franchise fees	9,300	9,300	7,054	(2,246)	9,040
Total revenues	<u>9,500</u>	<u>9,500</u>	<u>6,729</u>	<u>(2,771)</u>	<u>8,979</u>
Expenditures:					
Current:					
Fees and licenses	11,060	11,060	11,038	22	10,515
Equipment	-	-	2,105	(2,105)	-
Contractual services	-	-	360	(360)	-
Total expenditures	<u>11,060</u>	<u>11,060</u>	<u>13,503</u>	<u>(2,443)</u>	<u>10,515</u>
Revenues over (under) expenditures	<u>(\$1,560)</u>	<u>(\$1,560)</u>	(6,774)	<u>(\$5,214)</u>	(1,536)
Fund balance - January 1			<u>21,027</u>		<u>22,563</u>
Fund balance - December 31			<u>\$14,253</u>		<u>\$21,027</u>

CITY OF WACONIA, MINNESOTA

SPECIAL REVENUE FUND - REVOLVING LOAN FUND (202)

Statement 19

SCHEDULE OF REVENUES, EXPENDITURES AND

CHANGES IN FUND BALANCES - BUDGET AND ACTUAL

For The Year Ended December 31, 2022

With Comparative Actual Amounts For The Year Ended December 31, 2021

	Budgeted Amounts		2022 Actual Amounts	Variance with Final Budget - Positive (Negative)	2021 Actual Amounts
	Original	Final			
Revenues:					
Investment income	\$12,000	\$12,000	(\$26,106)	(\$38,106)	(\$3,704)
Interest from receivables	10,748	10,748	15,964	5,216	12,568
Charges for services	1,600	1,600	360	(1,240)	356
Total revenues	<u>24,348</u>	<u>24,348</u>	<u>(9,782)</u>	<u>(34,130)</u>	<u>9,220</u>
Expenditures:					
Current:					
Contractual services	<u>5,500</u>	<u>5,500</u>	<u>3,769</u>	<u>1,731</u>	<u>30,983</u>
Revenues over expenditures	<u>\$18,848</u>	<u>\$18,848</u>	<u>(13,551)</u>	<u>(\$32,399)</u>	<u>(21,763)</u>
Fund balance - January 1			<u>1,430,940</u>		<u>1,452,703</u>
Fund balance - December 31			<u>\$1,417,389</u>		<u>\$1,430,940</u>

CITY OF WACONIA, MINNESOTA

SPECIAL REVENUE FUND - SAFARI ISLAND (231)

Statement 20

SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL

For The Year Ended December 31, 2022

With Comparative Actual Amounts For The Year Ended December 31, 2021

	Budgeted Amounts		2022 Actual Amounts	Variance with Final Budget - Positive (Negative)	2021 Actual Amounts
	Original	Final			
Revenues:					
Charges for services	\$1,078,579	\$1,078,579	\$1,048,956	(\$29,623)	\$721,424
Total revenues	<u>1,078,579</u>	<u>1,078,579</u>	<u>1,048,956</u>	<u>(29,623)</u>	<u>721,424</u>
Expenditures:					
Current:					
Personnel services	698,250	698,250	735,842	(37,592)	529,786
Materials and supplies	470,149	470,149	389,322	80,827	411,417
Contractual services	99,540	99,540	132,173	(32,633)	69,135
Total expenditures	<u>1,267,939</u>	<u>1,267,939</u>	<u>1,257,337</u>	<u>10,602</u>	<u>1,010,338</u>
Revenues over (under) expenditures	(189,360)	(189,360)	(208,381)	(19,021)	(288,914)
Other financing sources:					
Transfers in	<u>190,000</u>	<u>190,000</u>	<u>190,000</u>	<u>-</u>	<u>190,000</u>
Net change in fund balance	<u>\$640</u>	<u>\$640</u>	(18,381)	<u>(\$19,021)</u>	(98,914)
Fund balance - January 1			<u>255,462</u>		<u>354,376</u>
Fund balance - December 31			<u>\$237,081</u>		<u>\$255,462</u>

See accompanying notes to the required supplementary information.

CITY OF WACONIA, MINNESOTA

SPECIAL REVENUE FUND - ICE ARENA (678)

Statement 21

SCHEDULE OF REVENUES, EXPENDITURES AND

CHANGES IN FUND BALANCES - BUDGET AND ACTUAL

For The Year Ended December 31, 2022

With Comparative Actual Amounts For The Year Ended December 31, 2021

	Budgeted Amounts		2022 Actual Amounts	Variance with Final Budget - Positive (Negative)	2021 Actual Amounts
	Original	Final			
Revenues:					
Charges for services	\$400,250	\$400,250	\$430,237	\$29,987	\$370,514
Expenditures:					
Current:					
Personnel services	247,230	247,230	203,867	43,363	217,522
Materials and supplies	239,207	278,707	344,809	(66,102)	297,789
Contractual services	55,325	55,325	62,037	(6,712)	94,594
Total expenditures	541,762	581,262	610,713	(29,451)	609,905
Revenues over (under) expenditures	(141,512)	(181,012)	(180,476)	536	(239,391)
Other financing sources:					
Transfers in	150,000	150,000	150,000	-	150,000
Net change in fund balance	\$8,488	(\$31,012)	(30,476)	\$536	(89,391)
Fund balance - January 1			193,201		282,592
Fund balance - December 31			\$162,725		\$193,201

CITY OF WACONIA, MINNESOTA

SPECIAL REVENUE FUND - LODGING TAX FUND (701)

Statement 22

SCHEDULE OF REVENUES, EXPENDITURES AND

CHANGES IN FUND BALANCES - BUDGET AND ACTUAL

For The Year Ended December 31, 2022

With Comparative Actual Amounts For The Year Ended December 31, 2021

	Budgeted Amounts		2022 Actual Amounts	Variance with Final Budget - Positive (Negative)	2021 Actual Amounts
	Original	Final			
Revenues:					
Lodging taxes	\$35,000	\$35,000	\$46,542	\$11,542	\$40,784
Investment income	200	200	(762)	(962)	(51)
Total revenues	<u>35,200</u>	<u>35,200</u>	<u>45,780</u>	<u>10,580</u>	<u>40,733</u>
Expenditures:					
Current:					
Contractual services	<u>33,250</u>	<u>33,250</u>	<u>29,927</u>	<u>3,323</u>	<u>23,788</u>
Revenues over (under) expenditures	1,950	1,950	15,853	13,903	16,945
Other financing sources (uses):					
Transfers out	<u>(1,950)</u>	<u>(1,950)</u>	<u>(2,202)</u>	<u>(252)</u>	<u>(2,084)</u>
Net change in fund balance	<u>\$0</u>	<u>\$0</u>	13,651	<u>\$13,651</u>	14,861
Fund balance - January 1			<u>24,256</u>		<u>9,395</u>
Fund balance - December 31			<u>\$37,907</u>		<u>\$24,256</u>

III. STATISTICAL SECTION (UNAUDITED)

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III. STATISTICAL SECTION (UNAUDITED)

This part of the City's Annual Comprehensive 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's overall financial health.

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

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

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

	2013	2014	2015	2016
Governmental activities:				
Net investment in capital assets	\$46,081,741	\$46,224,926	\$50,176,476	\$49,265,320
Restricted:				
Debt service	8,224,592	7,612,827	6,297,467	7,883,160
Economic development loans	1,228,283	1,308,745	1,327,357	1,348,885
Fire Relief Association pension plan	-	308,434	322,541	388,087
Park improvements	202,547	104,981	7,387	7,690
Tax increment purposes	232,630	246,852	262,227	278,314
Other purposes	11,794	20,677	19,828	37,324
Unrestricted	3,531,216	2,769,870	3,476,749	2,542,541
Total governmental activities net position	<u>\$59,512,803</u>	<u>\$58,597,312</u>	<u>\$61,890,032</u>	<u>\$61,751,321</u>
Business-type activities:				
Net investment in capital assets	\$21,701,041	\$21,199,492	\$26,906,510	\$28,375,198
Unrestricted	4,855,848	5,396,472	5,060,359	5,756,842
Total business-type activities net position	<u>\$26,556,889</u>	<u>\$26,595,964</u>	<u>\$31,966,869</u>	<u>\$34,132,040</u>
Primary government:				
Net investment in capital assets	\$67,782,782	\$67,424,418	\$77,082,986	\$77,640,518
Restricted:				
Debt service	8,224,592	7,612,827	6,297,467	7,883,160
Economic development loans	1,228,283	1,308,745	1,327,357	1,348,885
Fire Relief Association pension plan	-	308,434	322,541	388,087
Park improvements	202,547	104,981	7,387	7,690
Tax increment purposes	232,630	246,852	262,227	278,314
Other purposes	11,794	20,677	19,828	37,324
Unrestricted	8,387,064	8,166,342	8,537,108	8,299,383
Total primary government net position	<u>\$86,069,692</u>	<u>\$85,193,276</u>	<u>\$93,856,901</u>	<u>\$95,883,361</u>

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.

Table 1

2017	2018	2019	2020	2021	2022
\$48,001,795	\$55,052,450	\$53,036,567	\$51,589,706	\$51,828,364	\$54,716,395
10,177,291	8,163,724	8,204,324	8,242,354	8,014,670	8,083,320
1,370,811	1,394,070	1,423,475	1,452,703	1,430,940	1,417,389
498,197	592,716	461,066	618,998	617,028	685,940
111,687	80,560	125,539	127,938	129,236	126,171
295,600	311,292	330,530	349,026	363,833	377,897
29,795	27,905	173,138	216,309	337,562	93,217
2,408,870	2,410,871	3,865,330	5,316,279	6,445,030	3,719,693
<u>\$62,894,046</u>	<u>\$68,033,588</u>	<u>\$67,619,969</u>	<u>\$67,913,313</u>	<u>\$69,166,663</u>	<u>\$69,220,022</u>
\$30,137,682	\$35,974,877	\$36,443,538	\$36,406,342	\$37,390,672	\$39,036,887
5,259,740	4,996,936	5,023,629	4,766,454	7,319,897	8,201,578
<u>\$35,397,422</u>	<u>\$40,971,813</u>	<u>\$41,467,167</u>	<u>\$41,172,796</u>	<u>\$44,710,569</u>	<u>\$47,238,465</u>
\$78,139,477	\$91,027,327	\$89,480,105	\$87,996,048	\$89,219,036	\$93,753,282
10,177,291	8,163,724	8,204,324	8,242,354	8,014,670	8,083,320
1,370,811	1,394,070	1,423,475	1,452,703	1,430,940	1,417,389
498,197	592,716	461,066	618,998	617,028	685,940
111,687	80,560	125,539	127,938	129,236	126,171
295,600	311,292	330,530	349,026	363,833	377,897
29,795	27,905	173,138	216,309	337,562	93,217
7,668,610	7,407,807	8,888,959	10,082,733	13,764,927	11,921,271
<u>\$98,291,468</u>	<u>\$109,005,401</u>	<u>\$109,087,136</u>	<u>\$109,086,109</u>	<u>\$113,877,232</u>	<u>\$116,458,487</u>

CITY OF WACONIA, MINNESOTA

CHANGES IN NET POSITION

Last Ten Fiscal Years

(Accrual Basis of Accounting)

	2013	2014	2015	2016
Expenses				
Governmental activities:				
Administrative services	\$2,400,107	\$2,504,317	\$2,500,012	\$2,694,304
Community development	526,729	665,203	894,046	877,853
Culture and recreation	1,437,716	1,509,829	1,426,043	2,153,859
Public safety	1,035,970	1,789,868	1,116,772	1,219,233
Public services	6,069,224	3,867,846	9,889,687	8,811,426
Interest on long-term debt	559,939	537,347	656,535	788,098
Total governmental activities expenses	<u>12,029,685</u>	<u>10,874,410</u>	<u>16,483,095</u>	<u>16,544,773</u>
Business-type activities:				
Water	2,144,091	1,766,523	2,373,460	2,407,444
Sewer	2,269,938	2,255,953	2,558,513	2,560,288
Storm water	661,647	888,627	1,003,865	947,565
Street lighting	258,033	210,961	200,617	205,240
Ice arena	783,262	777,649	819,468	-
Total business-type activities expenses	<u>6,116,971</u>	<u>5,899,713</u>	<u>6,955,923</u>	<u>6,120,537</u>
Total primary government expenses	<u>\$18,146,656</u>	<u>\$16,774,123</u>	<u>\$23,439,018</u>	<u>\$22,665,310</u>
Program revenues				
Governmental activities:				
Charges for services:				
Administrative services	\$733,697	\$713,136	\$758,415	\$807,406
Community development	767,824	685,223	926,235	1,184,949
Culture and recreation	932,207	947,903	901,147	1,348,595
Public safety	128,601	132,417	147,343	143,008
Public services	20,808	18,518	279,574	125,298
Operating grants and contributions	188,108	182,910	194,478	404,157
Capital grants and contributions	2,646,128	1,783,440	9,517,760	5,981,386
Total governmental activities program revenues	<u>5,417,373</u>	<u>4,463,547</u>	<u>12,724,952</u>	<u>9,994,799</u>
Business-type activities:				
Charges for services:				
Water	1,395,628	1,327,980	1,392,858	1,541,745
Sewer	1,677,045	1,693,322	1,767,688	1,845,278
Storm water	439,685	479,786	543,891	597,917
Street lighting	228,010	234,973	251,831	246,122
Ice arena	336,095	342,876	345,504	-
Operating grants and contributions	12,313	83,610	-	63,351
Capital grants and contributions	1,360,860	1,394,858	3,443,339	2,834,588
Total business-type activities program revenues	<u>5,449,636</u>	<u>5,557,405</u>	<u>7,745,111</u>	<u>7,129,001</u>
Total primary government program revenues	<u>\$10,867,009</u>	<u>\$10,020,952</u>	<u>\$20,470,063</u>	<u>\$17,123,800</u>

Table 2
Page 1 of 2

2017	2018	2019	2020	2021	2022
\$2,605,589	\$2,630,273	\$2,714,323	\$3,337,010	\$2,876,875	\$3,301,360
693,916	845,242	769,991	673,370	887,554	1,450,853
2,101,686	2,378,745	2,318,632	1,598,737	1,828,463	2,068,549
1,358,340	1,521,879	1,837,582	1,684,638	1,821,216	1,843,010
5,097,166	5,495,664	6,064,581	6,173,716	7,207,936	7,335,197
803,890	709,590	673,660	701,652	631,250	1,044,294
<u>12,660,587</u>	<u>13,581,393</u>	<u>14,378,769</u>	<u>14,169,123</u>	<u>15,253,294</u>	<u>17,043,263</u>
2,293,405	1,897,526	2,717,426	2,269,315	2,069,104	2,378,714
2,649,261	2,468,774	3,594,233	2,799,448	3,080,213	2,617,733
1,003,319	1,381,573	1,328,221	1,349,937	1,386,960	2,489,887
223,464	237,420	259,716	245,149	247,259	294,377
-	-	-	-	-	-
<u>6,169,449</u>	<u>5,985,293</u>	<u>7,899,596</u>	<u>6,663,849</u>	<u>6,783,536</u>	<u>7,780,711</u>
<u>\$18,830,036</u>	<u>\$19,566,686</u>	<u>\$22,278,365</u>	<u>\$20,832,972</u>	<u>\$22,036,830</u>	<u>\$24,823,974</u>
\$756,770	\$735,603	\$744,018	\$798,849	\$735,418	\$743,392
708,699	724,034	659,297	521,118	1,177,469	1,681,830
1,567,638	1,853,294	1,851,410	966,489	1,101,717	1,488,972
193,787	191,649	190,453	165,220	249,889	222,056
173,284	60,671	95,207	273,415	296,880	294,224
203,145	438,027	376,788	1,277,043	393,753	554,402
3,390,306	6,466,765	421,979	1,212,755	3,268,389	1,660,196
<u>6,993,629</u>	<u>10,470,043</u>	<u>4,339,152</u>	<u>5,214,889</u>	<u>7,223,515</u>	<u>6,645,072</u>
1,598,715	1,558,602	2,305,044	1,730,094	1,964,931	2,171,445
1,910,095	1,953,073	2,831,076	2,098,264	2,312,577	2,442,155
782,627	859,188	951,423	1,073,822	1,521,031	1,590,449
251,732	252,786	254,218	271,484	265,688	280,377
-	-	-	-	-	-
-	9,385	70,594	10,000	-	12,500
2,166,309	6,986,412	1,932,328	1,422,897	4,687,511	4,037,340
<u>6,709,478</u>	<u>11,619,446</u>	<u>8,344,683</u>	<u>6,606,561</u>	<u>10,751,738</u>	<u>10,534,266</u>
<u>\$13,703,107</u>	<u>\$22,089,489</u>	<u>\$12,683,835</u>	<u>\$11,821,450</u>	<u>\$17,975,253</u>	<u>\$17,179,338</u>

CITY OF WACONIA, MINNESOTA

CHANGES IN NET POSITION

Last Ten Fiscal Years

(Accrual Basis of Accounting)

	2013	2014	2015	2016
Net (expense) revenue				
Governmental activities	(\$6,612,312)	(\$6,410,863)	(\$3,758,143)	(\$6,549,974)
Business-type activities	(667,335)	(342,308)	789,188	1,008,464
Total primary government net (expense) revenue	<u>(7,279,647)</u>	<u>(6,753,171)</u>	<u>(2,968,955)</u>	<u>(5,541,510)</u>
General revenues and other changes in net position				
Governmental activities:				
Property taxes	4,966,181	5,389,061	6,043,541	6,489,987
Tax increment	19,649	162,335	179,949	205,391
Lodging taxes	41,949	43,165	41,541	47,143
Grants and contributions not restricted to specific programs	3,343	79,864	185,594	100,768
Unrestricted investment earnings	47,571	105,069	102,172	164,660
Gain on sale of capital assets	8,679	528	25,842	65,913
Transfers	(438,900)	(284,650)	(455,000)	(1,776,000)
Total governmental activities	<u>4,648,472</u>	<u>5,495,372</u>	<u>6,123,639</u>	<u>5,297,862</u>
Business-type activities:				
Unrestricted investment earnings	23,849	86,527	51,360	83,644
Gain on sale of capital assets	-	10,206	9,195	6,781
Transfers	438,900	284,650	455,000	1,776,000
Total business-type activities	<u>462,749</u>	<u>381,383</u>	<u>515,555</u>	<u>1,866,425</u>
Total primary government	<u>\$5,111,221</u>	<u>\$5,876,755</u>	<u>\$6,639,194</u>	<u>\$7,164,287</u>
Change in net position				
Governmental activities	(\$1,963,840)	(\$915,491)	\$2,365,496	(\$1,252,112)
Business-type activities	(204,586)	39,075	1,304,743	2,874,889
Total primary government	<u>(\$2,168,426)</u>	<u>(\$876,416)</u>	<u>\$3,670,239</u>	<u>\$1,622,777</u>

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.

2017	2018	2019	2020	2021	2022
(\$5,666,958)	(\$3,111,350)	(\$10,039,617)	(\$8,954,234)	(\$8,029,779)	(\$10,398,191)
540,029	5,634,153	445,087	(57,288)	3,968,202	2,753,555
(5,126,929)	2,522,803	(9,594,530)	(9,011,522)	(4,061,577)	(7,644,636)
7,125,562	7,780,601	8,404,302	8,508,645	8,604,614	8,970,824
220,075	198,918	210,542	196,140	205,593	192,241
47,858	47,395	50,890	25,295	40,784	46,542
10,585	11,957	14,030	-	11,107	549,575
61,962	84,713	301,413	197,058	(44,062)	(349,027)
50,000	43,501	562,608	-	47,127	984,429
(706,359)	83,807	82,213	320,440	417,966	56,966
6,809,683	8,250,892	9,625,998	9,247,578	9,283,129	10,451,550
18,994	24,045	132,480	83,357	(12,463)	(168,693)
-	-	-	-	-	-
706,359	(83,807)	(82,213)	(320,440)	(417,966)	(56,966)
725,353	(59,762)	50,267	(237,083)	(430,429)	(225,659)
\$7,535,036	\$8,191,130	\$9,676,265	\$9,010,495	\$8,852,700	\$10,225,891
\$1,142,725	\$5,139,542	(\$413,619)	\$293,344	\$1,253,350	\$53,359
1,265,382	5,574,391	495,354	(294,371)	3,537,773	2,527,896
\$2,408,107	\$10,713,933	\$81,735	(\$1,027)	\$4,791,123	\$2,581,255

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

	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
General Fund:				
Nonspendable	\$28,844	\$13,143	\$128,194	\$73,210
Restricted	1,057	1,057	1,057	1,057
Committed	712,637	692,888	673,888	667,699
Unassigned	1,646,903	1,747,771	2,015,575	2,438,986
Total general fund	<u>\$2,389,441</u>	<u>\$2,454,859</u>	<u>\$2,818,714</u>	<u>\$3,180,952</u>
All other governmental funds:				
Nonspendable	\$152,640	\$ -	\$27,492	\$12,551
Restricted	5,357,864	4,844,938	7,337,831	5,531,525
Committed	30,687	-	-	136,455
Assigned	1,188,742	939,666	1,838,930	1,397,183
Unassigned	(1,845)	(32,175)	(453,188)	(866,210)
Total all other governmental funds	<u>\$6,728,088</u>	<u>\$5,752,429</u>	<u>\$8,751,065</u>	<u>\$6,211,504</u>

Table 3

2017	2018	2019	2020	2021	2022
\$78,810	\$90,530	\$102,085	\$121,117	\$111,255	\$100,404
1,057	1,057	1,057	1,057	1,057	1,057
664,699	664,619	664,462	664,462	664,462	644,987
2,202,643	2,276,215	2,563,939	3,224,280	3,986,558	3,811,113
<u>\$2,947,209</u>	<u>\$3,032,421</u>	<u>\$3,331,543</u>	<u>\$4,010,916</u>	<u>\$4,763,332</u>	<u>\$4,557,561</u>
\$667,610	\$5,008	\$6,671	\$7,752	\$7,555	\$9,984
12,468,006	8,687,512	6,800,821	7,037,058	7,569,153	22,416,271
312,718	524,582	793,005	629,216	441,108	390,052
1,375,779	1,108,126	1,311,245	1,992,668	2,453,063	522,164
(1,162,412)	(1,217,378)	(492,310)	(455,080)	(414,938)	(847,543)
<u>\$13,661,701</u>	<u>\$9,107,850</u>	<u>\$8,419,432</u>	<u>\$9,211,614</u>	<u>\$10,055,941</u>	<u>\$22,490,928</u>

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

Revenues:	2013	2014	2015	2016
General property taxes	\$5,014,927	\$5,429,108	\$6,037,546	\$6,500,499
Tax increment	19,649	162,335	179,949	205,391
Lodging taxes	41,949	43,165	41,541	47,143
Special assessments	368,991	762,373	1,033,655	996,190
Intergovernmental	2,499,159	1,249,183	6,538,855	1,512,450
Investment income	47,571	105,069	102,172	164,660
Charges for services	1,746,134	1,787,360	2,001,232	2,349,999
Licenses and permits	807,266	666,867	961,940	1,219,498
Fines and forfeits	29,737	42,970	49,542	39,759
Contributions and donations	26,603	24,977	116,328	225,556
Total revenues	<u>10,601,986</u>	<u>10,273,407</u>	<u>17,062,760</u>	<u>13,261,145</u>
Expenditures:				
Current:				
Administrative services	1,323,787	1,442,979	1,424,213	1,749,023
Community development	548,085	658,912	885,383	240,463
Culture and recreation	1,272,292	1,318,275	1,222,408	1,850,538
Public safety	967,546	996,393	948,630	1,416,230
Public services	1,918,949	1,662,754	1,853,050	3,602,754
Capital outlay:				
Administrative services	30,951	30,939	-	481,910
Culture and recreation	-	-	-	-
Public safety	49,603	67,045	93,595	227,762
Public services	2,310,334	3,089,919	10,528,222	6,383,945
Debt service:				
Principal	2,315,768	2,388,925	2,469,162	3,046,005
Interest and fiscal charges	681,473	645,158	769,234	849,577
Payment to refunded bond escrow	-	-	436,317	-
Total expenditures	<u>11,418,788</u>	<u>12,301,299</u>	<u>20,630,214</u>	<u>19,848,207</u>
Revenues over (under) expenditures	<u>(816,802)</u>	<u>(2,027,892)</u>	<u>(3,567,454)</u>	<u>(6,587,062)</u>
Other financing sources (uses):				
Issuance of debt	-	1,390,000	11,295,000	6,005,000
Bond premium	-	28,451	475,098	182,090
Transfers in	1,439,783	3,072,797	8,476,429	8,285,437
Transfers out	(1,883,783)	(3,373,597)	(8,931,429)	(10,061,437)
Sale of property and capital assets	-	-	-	-
Payment to refunded bond escrow	-	-	(4,385,153)	-
Total other financing sources (uses)	<u>(444,000)</u>	<u>1,117,651</u>	<u>6,929,945</u>	<u>4,411,090</u>
Net change in fund balance	<u>(\$1,260,802)</u>	<u>(\$910,241)</u>	<u>\$3,362,491</u>	<u>(\$2,175,972)</u>
Debt service as a percentage of noncapital expenditures	30.0%	31.0%	20.9%	26.0%
Debt service as percentage of total expenditures	26.2%	24.7%	17.8%	19.6%

Table 4

2017	2018	2019	2020	2021	2022
\$7,148,422	\$7,767,482	\$8,397,950	\$8,500,796	\$8,616,802	\$8,996,274
220,075	198,918	210,542	196,140	205,593	192,241
47,858	47,395	50,890	25,295	40,784	46,542
3,077,412	307,554	363,721	325,343	705,622	761,289
615,947	317,102	276,380	1,416,763	2,546,858	1,936,773
61,962	84,713	301,413	197,058	(44,062)	(349,027)
2,611,592	2,769,305	2,803,589	2,275,634	2,348,486	2,686,737
748,269	754,444	694,288	548,910	1,175,255	1,700,990
40,317	41,502	42,508	28,998	37,632	42,747
207,630	185,253	273,532	152,896	221,838	388,501
14,779,484	12,473,668	13,414,813	13,667,833	15,854,808	16,403,067
1,517,485	1,607,461	1,652,540	2,329,740	1,742,818	2,105,593
693,916	867,610	783,627	684,459	896,430	1,416,001
1,777,836	2,040,710	1,971,766	1,451,342	1,647,191	1,887,275
1,211,271	1,332,149	1,371,512	1,483,229	1,512,039	1,549,542
1,712,770	2,006,663	2,463,797	2,491,790	3,370,565	3,662,675
84,693	-	168,157	84,338	48,658	33,476
26,527	31,800	176,611	41,040	81,081	-
28,511	818,177	152,884	19,497	527,548	915,028
3,238,431	3,101,067	2,505,715	3,215,734	4,722,287	6,832,803
3,606,134	5,321,814	4,547,065	3,095,908	3,046,363	3,414,138
909,705	924,288	875,267	845,659	802,019	1,053,232
-	-	-	-	-	-
14,807,279	18,051,739	16,668,941	15,742,736	18,396,999	22,869,763
(27,795)	(5,578,071)	(3,254,128)	(2,074,903)	(2,542,191)	(6,466,696)
7,470,000	965,000	1,895,000	2,970,000	3,190,000	16,525,000
480,608	60,625	362,119	156,152	256,808	1,126,882
8,945,029	2,803,482	2,573,972	2,962,728	2,466,842	2,742,285
(9,651,388)	(2,719,675)	(2,491,759)	(2,544,762)	(2,048,876)	(2,685,319)
-	-	525,500	2,340	274,160	987,064
-	-	-	-	-	-
7,244,249	1,109,432	2,864,832	3,546,458	4,138,934	18,695,912
\$7,216,454	(\$4,468,639)	(\$389,296)	\$1,471,555	\$1,596,743	\$12,229,216
38.9%	44.3%	39.7%	31.8%	29.6%	29.6%
30.5%	34.6%	32.5%	25.0%	20.9%	19.5%

CITY OF WACONIA, MINNESOTA

TAX CAPACITY VALUE AND ESTIMATED MARKET VALUE OF TAXABLE PROPERTY

Last Ten Fiscal Years

<u>Fiscal Year Ended December 31,</u>	<u>Residential Property</u>	<u>Commercial/ Industrial Property</u>	<u>Personal Property</u>	<u>All Other</u>	<u>Total Tax Capacity</u>
2013	\$7,246,636	\$2,816,327	\$144,560	\$37,688	\$10,245,211
2014	7,871,978	2,816,223	147,578	69,996	10,905,775
2015	9,266,615	2,772,739	161,422	97,827	12,298,603
2016	10,096,725	2,873,824	167,114	101,255	13,238,918
2017	10,312,656	3,147,972	198,234	62,402	13,721,264
2018	11,184,617	3,221,657	235,320	100,110	14,741,704
2019	11,813,480	3,506,949	253,518	100,981	15,674,928
2020	13,392,397	3,817,410	243,834	134,007	17,587,648
2021	13,905,756	4,057,531	259,576	99,968	18,322,831
2022	14,709,050	4,146,634	194,728	107,514	19,157,926

Source: Carver County Taxpayer Services

Table 5

<u>Less Captured Tax Increment Tax Capacity</u>	<u>Net Fiscal Disparities Distribution</u>	<u>Adjusted Tax Capacity Value</u>	<u>City Direct Tax Rate</u>	<u>Estimated Taxable Market Value</u>	<u>Tax Capacity as a Percent of EMV</u>
(\$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%
(176,681)	485,424	18,631,574	46.140	1,591,776,300	1.17%
(177,980)	573,941	19,553,887	45.158	1,670,262,400	1.17%

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)							
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
2021	31.550	14.590	46.140	32.367	34.634	3.648	116.789
2022	30.042	15.116	45.158	31.258	34.170	3.606	114.192

Source: Carver County Taxpayer Services

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

Table 7

Taxpayer	2022			2013		
	Net Tax Capacity	Rank	Percentage of Total Net Tax Capacity	Net Tax Capacity	Rank	Percentage of Total Net Tax Capacity
Ridgeview Real Estate LLC	\$335,514	1	1.75%	\$151,972	3	1.48%
JE Waconia 2018 LLC	221,226	2	1.15%	252,286	1	2.46%
Centerpoint Energy Minnegasco	192,468	3	1.00%	66,686	10	0.65%
ACPI Wood Products LLC	180,708	4	0.94%	114,726	4	1.12%
Target	161,302	5	0.84%	214,692	2	2.10%
Lakeview Clinic Building Corp.	143,766	6	0.75%	112,114	5	1.09%
Auburn Meadows LLC	119,357	7	0.62%	-	-	-
Health Care Reit Inc.	110,659	8	0.58%	69,829	-	0.68%
TCO Real Estate-Fund 2 LLC	102,206	9	0.53%	-	-	-
8185 LLP	89,348	10	0.47%	-	-	-
Pine Park Propertis LLC	-	-	-	83,802	6	0.82%
Xcel Energy	-	-	-	80,878	7	0.79%
MMC Property LLC	-	-	-	72,620	8	0.71%
Total	<u>\$1,656,554</u>		<u>8.65%</u>	<u>\$1,219,605</u>		<u>11.90%</u>
Total All Property	<u>\$19,157,926</u>			<u>\$10,245,211</u>		

Source: Carver County Taxpayer Services

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

Table 8

Fiscal Year Ended December 31,	Taxes Levied For The Fiscal Year	Collected Within The Fiscal Year of the Levy		Collections in Subsequent Years	Total Collections to Date	
		Amount	Percentage of Levy		Amount	Percentage of Levy
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%	3,286	8,392,367	99.9%
2020	8,530,964	8,495,260	99.6%	7,511	8,502,771	99.7%
2021	8,608,629	8,606,945	100.0%	939	8,607,884	100.0%
2022	9,025,258	8,994,396	99.7%	-	8,994,396	99.7%

Source: City Finance Department

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

Fiscal Year	Governmental Activities				Business-Type Activities
	General Obligation Bonds	G.O. Improvement Bonds	Public Project Revenue Bonds	Note Payable	G.O. Revenue Bonds
2013	\$3,555,000	\$9,991,940	\$6,303,154	\$ -	\$21,634,820
2014	3,305,000	9,531,734	5,949,229	-	19,527,155
2015	11,129,918	11,280,412	985,067	-	18,894,281
2016	11,231,175	13,374,982	4,774,973	1,220,000	14,033,748
2017	10,982,432	18,239,861	4,343,839	1,220,000	12,663,215
2018	8,926,860	16,346,696	3,897,025	1,115,000	11,953,867
2019	8,551,293	14,796,846	3,433,960	1,001,000	13,801,657
2020	8,637,395	15,181,803	2,954,052	885,000	19,543,689
2021	11,200,306	13,464,992	2,456,689	766,000	17,008,309
2022	26,066,989	13,248,181	1,968,551	645,000	16,437,825

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

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

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

Table 9

<u>Business-Type Activities</u>						
<u>Public Project</u>	<u>Note</u>		<u>Percentage</u>	<u>Per</u>	<u>Total</u>	
<u>Revenue</u>	<u>Payable</u>	<u>Total Debt</u>	<u>of Total Tax</u>	<u>Capita⁽²⁾</u>	<u>Tax</u>	<u>Population</u>
<u>Bonds</u>			<u>Capacity⁽¹⁾</u>		<u>Capacity</u>	
\$4,756,416	\$ -	\$46,241,330	451.35%	3,999	\$10,245,211	11,563
4,483,157	-	42,796,275	392.42%	3,619	10,905,775	11,827
4,205,911	-	46,495,589	378.06%	3,844	12,298,603	12,095
-	-	44,634,878	337.15%	3,607	13,238,918	12,374
-	-	47,449,347	345.81%	3,775	13,721,264	12,571
-	-	42,239,448	286.53%	3,314	14,741,704	12,745
-	-	41,584,756	265.29%	3,250	15,674,928	12,797
-	-	47,201,939	268.38%	3,620	17,587,648	13,038
-	-	44,896,296	245.03%	3,244	18,322,831	13,841
-	255,821	58,622,367	306.00%	4,062	19,157,926	14,433

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

Table 10

Fiscal Year	Debt Being Paid Solely From Property Taxes			Less: Debt Service Fund Balance	Net General Bonded Debt	Percentage of Total Tax Capacity ⁽²⁾	Per Capita ⁽³⁾
	General Obligation Bonds	EDA Public Project Revenue Bonds ⁽¹⁾	Total				
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
2021	11,200,306	-	11,200,306	1,423,378	9,776,928	53.36%	706
2022	26,066,989	-	26,066,989	1,996,356	24,070,633	125.64%	1,668

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

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

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

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

CITY OF WACONIA, MINNESOTA
DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT
 December 31, 2022

Table 11

Governmental Unit	Debt Outstanding	Estimated Percentage Applicable*	Estimated Share of Overlapping Debt
Direct debt:			
City of Waconia ⁽¹⁾	\$41,928,721	100.00%	\$41,928,721
Overlapping debt:			
Carver County	17,548,000	10.69%	1,876,039
Independent School District No. 110	103,970,000	55.63%	57,837,367
Metropolitan Council	218,520,000	0.38%	822,072
Subtotal - overlapping debt	<u>340,038,000</u>		<u>60,535,478</u>
Total direct and overlapping debt	<u>\$381,966,721</u>		<u>\$102,464,199</u>

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

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

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

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Legal Debt Margin Calculation for Fiscal Year 2022

Estimated market value of property	\$1,718,211,500
Debt limit percentage	3%
Statutory debt limit	<u>51,546,345</u>
Net debt applicable to limit:	
Total bonded debt	57,721,546
Less:	
G.O. improvement bonds	(13,248,181)
G.O. revenue bonds	(16,437,825)
Public project revenue bonds not paid from property taxes	(1,968,551)
Total net debt applicable to limit	<u>26,066,989</u>
Legal debt margin	<u><u>\$25,479,356</u></u>

Legal Debt Margin Calculation for Fiscal Years 2013 Through 2021

Fiscal Year	Statutory Debt Limit	Net Debt Applicable to Limit	Legal Debt Margin	Ratio of Net Debt to Debt Limit
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%
2020	47,352,774	8,637,395	38,715,379	18.24%
2021	48,999,618	11,200,306	37,799,312	22.86%

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

Fiscal Year	G.O. Improvement Bonds				Coverage
	Special Assessment Collections	Debt Service			
		Principal	Interest		
2013	\$368,991	\$1,735,000	\$308,925	18%	
2014	762,373	1,785,000	256,125	37%	
2015	1,033,655	1,845,000	201,675	51%	
2016	996,190	2,035,000	352,660	42%	
2017	3,077,412	2,405,000	320,861	113%	
2018	307,554	2,725,000	414,215	10%	
2019	363,721	1,350,000	400,480	21%	
2020	325,343	1,545,000	367,500	17%	
2021	705,622	1,595,000	353,671	36%	
2022	761,289	1,805,000	310,825	36%	

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

G.O. Revenue Bonds					
Water, Sewer & Storm Water Revenue	Less Operating Expenses	Net Available Revenue	Debt Service		Coverage
			Principal	Interest	
\$4,202,196	\$2,340,143	\$1,862,053	\$630,000	\$475,583	168%
4,091,331	2,389,772	1,701,559	665,000	402,736	159%
6,403,879	3,900,477	2,503,402	710,000	542,367	200%
6,628,488	3,967,929	2,660,559	570,000	414,502	270%
6,379,958	3,898,882	2,481,076	1,330,000	303,931	152%
5,482,578	3,557,959	1,924,619	1,200,000	269,562	131%
6,282,947	3,850,304	2,432,643	1,230,000	261,390	163%
5,786,857	3,980,375	1,806,482	1,285,000	353,770	110%
8,495,319	4,111,604	4,383,715	1,505,000	498,883	219%
10,365,573	4,321,803	6,043,770	1,560,000	495,577	294%

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

Table 14

<u>Fiscal Year</u>	<u>Waconia Population⁽¹⁾</u>	<u>Carver County Unemployment Rate⁽²⁾</u>	<u>Carver County Personal Income (Thousands)⁽³⁾</u>	<u>Carver County Per Capita Personal Income⁽³⁾</u>
2013	11,563	4.3%	5,702,419	59,672
2014	11,827	3.6%	6,118,639	62,871
2015	12,095	3.2%	6,420,982	65,115
2016	12,374	3.3%	6,610,954	65,853
2017	12,571	2.9%	7,037,917	68,918
2018	12,745	2.5%	7,426,521	71,681
2019	12,797	2.8%	7,676,796	73,023
2020	13,038	4.9%	8,064,542	75,677
2021	13,841	2.9%	8,751,120	80,562
2022	14,433	2.2%	(a)	(a)

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

(a) Information not yet available

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

CITY OF WACONIA, MINNESOTA

PRINCIPAL EMPLOYERS

Current Year and Nine Years Ago

Table 15

Employer	2022			2013		
	Employees	Rank	Percentage of Total City Employment ⁽¹⁾	Employees	Rank	Percentage of Total City Employment ⁽¹⁾
Ridgeview Medical Center	1,642	1	33.6%	1,540	1	42.4%
Strom Aviation	1,001	2	20.5%	-	-	-
I.S.D. No. 110 (Waconia Schools)	900	3	18.4%	377	3	10.4%
CabinetWorks Group	500	4	10.2%	733	2	20.2%
Mackenthun's Supermarket	200	5	4.1%	110	8	3.0%
Good Samaritan Society Waconia	170	6	3.5%	240	4	6.6%
Target	150	7	3.1%	177	5	4.9%
Lakeview Clinic	120	8	2.5%	127	7	3.5%
Laketown Electric Corp.	111	9	2.3%	-	-	-
Waconia Manufacturing	100	10	2.0%	-	-	-
Waconia Farm Supply	-	-	-	128	6	3.5%
City of Waconia	-	-	-	102	9	2.8%
Milltronics Manufacturing Co	-	-	-	94	10	2.6%
Total	4,894			3,628		

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

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

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

Function/Program	Full-Time Equivalent Employees as of December 31,			
	2013	2014	2015	2016
Administrative services	8	8	8	8
Community development	3	3	3	3
Culture and recreation	25	27	25	-
Public safety	3	3	3	5
Public services	17	20	22	22
Total	56	61	61	38

Source: City Finance Department

Table 16

Full-Time Equivalent Employees as of December 31,					
2017	2018	2019	2020	2021	2022
8	8	8	9	9	9
3	3	3	3	3	4
-	-	-	-	-	-
6	5	6	4	5	6
22	24	25	23	26	28
39	40	42	39	43	47

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

Function/Program	Fiscal Year			
	2013	2014	2015	2016
Building:				
Total permits issued	1,124	937	1,037	1,073
Total estimated value	\$47,110,365	\$38,308,553	\$70,473,280	\$95,802,009
Election:				
Registered voters	6,316	7,210	7,210	7,469
Fire:				
Average number of employees	32	32	32	30
General government:				
Area of city - square miles	4.45	4.52	4.63	4.70
Average number of permanent full-time employees (excluding fire department)	37	38	39	29
Police:				
Average number of employees	5.0	6.3	6.3	6.3
Number of major crimes	134	103	128	186
Water:				
Number of customers	3,854	3,939	4,040	4,190
Daily average consumption - gallons	981,116	956,006	953,162	975,947
Plant capacity - gallons	4,100,000	4,100,000	4,100,000	4,100,000

Source: Various City Departments

Table 17

Fiscal Year					
2017	2018	2019	2020	2021	2022
1,133	1,044	1,051	1,082	1,475	1,882
\$43,720,644	\$48,376,735	\$50,100,000	\$28,000,000	\$77,390,000	\$127,790,000
7,469	7,686	7,900	8,659	8,659	8,851
30	30	30	30	31	34
4.76	4.76	5.16	5.20	5.80	5.80
31	32	34	34	35	39
7.3	7.3	6.5	7.0	7.0	7.0
264	257	247	298	346	303
4,424	4,295	4,317	4,340	4,438	4,594
969,201	975,202	919,586	800,000	1,100,000	1,224,430
4,100,000	4,100,000	4,100,000	4,100,000	4,100,000	4,100,000

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

Function/Program	Fiscal Year			
	2013	2014	2015	2016
Fire:				
Number of stations	1	1	1	1
Parks and recreation:				
Acres of parks/open space	152.7	152.7	168.0	199.4
Number of shelter buildings	6	6	7	7
Number of playgrounds	14	16	16	16
Number of basketball courts	2	3	3	3
Number of tennis courts	3	5	5	5
Police:				
Number of stations	1	1	1	1
Public works:				
Miles of streets	48.2	48.2	48.7	54.1
Miles of sidewalks	14.4	14.9	15.3	18.2
Miles of trails	13.1	13.1	15.1	18.0
Storm Sewer:				
Miles of storm sewers	43.8	47.0	52.4	52.6
Storm sewer pump stations	-	-	-	-
Miles of reuse water mains	-	-	-	-
Sanitary Sewer:				
Miles of gravity sanitary sewers	52.4	55.4	53.6	54.1
Miles of forcemain sanitary sewers	5.3	5.3	3.7	3.7
Number of lift stations	11	11	11	11
Water:				
Miles of water mains	60.6	66.8	71.1	71.2
Number of wells	6	6	6	6

Table 18

Fiscal Year						
2017	2018	2019	2020	2021	2022	
1	1	1	1	1	1	1
212.0	212.0	212.0	209.0	209.3	209.3	209.3
10	10	11	11	13	13	13
16	16	16	16	16	17	17
4	4	4	4	4	4	4
5	5	5	5	5	5	5
1	1	1	1	1	1	1
56.0	56.0	56.0	57.3	57.7	64.0	64.0
21.0	21.0	21.0	21.7	21.7	26.0	26.0
20.0	21.4	21.4	23.4	23.5	25.0	25.0
63.0	65.0	65.0	60.3	68.9	77.0	77.0
-	3.0	3.0	4.0	4.0	6.0	6.0
-	1.4	1.6	1.6	1.6	2.3	2.3
56.0	56.4	57.7	60.3	60.2	65.0	65.0
4.6	4.6	4.9	5.2	5.2	5.2	5.2
11	11	11	11	12	12	12
76.0	76.2	77.9	80.4	81.1	85.0	85.0
6	6	6	6	6	6	6

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FORM OF LEGAL OPINION

(See following pages)

PROPOSED FORM OF LEGAL OPINION

\$ _____
GENERAL OBLIGATION BONDS, SERIES 2024A
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 2024A, bearing a date of original issue of May 23, 2024 (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; however, interest on the Bonds is taken into account in determining "annual adjusted financial statement income" for the purpose of computing the federal alternative minimum tax imposed on certain corporations for tax years beginning after December 31, 2022. 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.

This opinion is given as of the date hereof, and we assume no obligation to update, revise, or supplement this opinion to reflect any facts or circumstances that may hereafter come to our attention or any changes in law that may hereafter occur and be retroactive.

TAFT STETTINIUS & HOLLISTER LLP

BOOK-ENTRY-ONLY SYSTEM

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

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

FORM OF CONTINUING DISCLOSURE UNDERTAKING

(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 2024A (the "Bonds"). The Bonds are being issued pursuant to a Resolution adopted on May 6, 2024 (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 _____, 2024, 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, 2023, the Issuer shall, or shall cause the Dissemination Agent to provide to the MSRB by filing at www.emma.msrb.org, together with such identifying information as prescribed by the MSRB, an Annual Report which is consistent with the requirements of Section 4 of this Disclosure Undertaking by not later than December 31, 2024, and by December 31 of each year thereafter.

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

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

The following financial information and operating data shall be supplied:

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

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

provided because they are not available on or before the date for filing the Annual Report, the Issuer shall promptly provide them to the MSRB when available.

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

- (1) Principal and interest payment delinquencies;
- (2) Non-payment related defaults, if material;
- (3) Unscheduled draws on debt service reserves reflecting financial difficulties;
- (4) Unscheduled draws on credit enhancements reflecting financial difficulties;
- (5) Substitution of credit or liquidity providers, or their failure to perform;
- (6) Adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB), or other material notices or determinations with respect to the tax status of the Bonds, or other material events affecting the tax status of the Bonds;
- (7) Modifications to rights of security holders, if material;
- (8) Bond calls, if material, and tender offers;
- (9) Defeasances;
- (10) Release, substitution, or sale of property securing repayment of the Bonds, if material;
- (11) Rating changes;
- (12) Bankruptcy, insolvency, receivership or similar event of the Issuer;
- (13) The consummation of a merger, consolidation, or acquisition involving an obligated person or the sale of all or substantially all of the assets of the obligated person, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material;
- (14) Appointment of a successor or additional trustee or the change of name of a trustee, if material;
- (15) Incurrence of a Financial Obligation of the obligated person, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a Financial Obligation of the obligated person, any of which affect security holders, if material; and,
- (16) Default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a Financial Obligation of the obligated person, any of which reflect financial difficulties.

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

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

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

SECTION 7. Dissemination Agent. The Issuer may, from time to time, appoint or engage a Dissemination Agent to assist it in carrying out its obligations under this Disclosure Undertaking, and may discharge any such Dissemination 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: May 23, 2024.

CITY OF WACONIA, MINNESOTA

By _____
Its Mayor

By _____
Its City Administrator

TERMS OF PROPOSAL

**\$6,470,000* GENERAL OBLIGATION BONDS, SERIES 2024A
CITY OF WACONIA, MINNESOTA**

Proposals for the purchase of \$6,470,000* General Obligation Bonds, Series 2024A (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 10:30 A.M., Central Time, and **ELECTRONIC PROPOSALS** will be received via bondsale@ehlers-inc.com or **PARITY**, in the manner described below, until 10:30 A.M. Central Time, on May 6, 2024, 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.

AUTHORITY; PURPOSE; SECURITY

The Bonds are being issued pursuant to Minnesota Statutes, Section 115.46 and Chapters 429, 444 and 475, as amended, by the City, for the purpose of financing the City's 2024 Infrastructure Project. The Bonds will be general obligations of the City for which its full faith and credit and taxing powers are pledged.

DATES AND MATURITIES

The Bonds will be dated May 23, 2024, 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>
2026	\$565,000	2030	\$630,000	2034	\$710,000
2027	585,000	2031	660,000	2035	735,000
2028	600,000	2032	675,000		
2029	615,000	2033	695,000		

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 February 1, 2025, 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 2026 maturity, then the lowest rate that may be proposed for any later maturity is 3.50%.)** All Bonds of the same maturity must bear interest from date of issue until paid at a single, uniform rate. Each rate must be expressed in an integral multiple of 5/100 or 1/8 of 1%.

BOOK-ENTRY-ONLY FORMAT

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

PAYING AGENT

The City has selected Bond Trust Services Corporation, Roseville, Minnesota ("BTSC"), to act as paying agent (the "Paying Agent"). BTSC 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, 2033 shall be subject to optional redemption prior to maturity on February 1, 2032 or any date thereafter, at a price of par plus accrued interest to the date of optional redemption.

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 May 23, 2024, 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 ("Bond Counsel"), 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.

By expressing its opinion, Bond Counsel is expressing its professional judgment and does not become an insurer or guarantor of the result indicated by that expression of professional judgment or of the transaction or the future performance of the parties to the transaction. Ownership of the Bonds may result in other state and local tax consequences to certain taxpayers. Bond Counsel expresses no opinion regarding any such collateral consequences arising with respect to the Bonds. Prospective purchasers of the Bonds should consult their own tax advisors regarding the applicability of any such state and local taxes.

STATEMENT REGARDING BOND COUNSEL PARTICIPATION

Bond Counsel has neither been engaged nor undertaken to prepare or independently verify the accuracy of any portion of the Official Statement, including the financial or operational information of the Issuer and risks associated with the purchase of the Bonds, except for statements under "TAX EXEMPTION" herein that summarize certain provisions of the Internal Revenue Code of 1986, as amended, the Bonds and any opinion rendered by Bond Counsel. Bond Counsel has prepared the form of legal opinion attached hereto as "APPENDIX B – FORM OF LEGAL OPINION."

SUBMISSION OF PROPOSALS

Proposals must not be for less than \$6,392,360 plus accrued interest on the principal sum of \$6,470,000 from date of original issue of the Bonds to date of delivery. Prior to the time established above for the opening of proposals, interested parties may submit a proposal as follows:

- 1) Electronically to bondsale@ehlers-inc.com; or
- 2) Electronically via **PARITY** in accordance with this Terms of Proposal until 10:30 A.M. Central Time, but no proposal will be received after the time for receiving proposals specified above. To the extent any instructions or directions set forth in **PARITY** conflict with this Terms of Proposal, the terms of this Terms of Proposal shall control. For further information about **PARITY**, potential bidders may contact IHS Markit (now part of S&P Global) at <https://ihsmarkit.com/products/municipal-issuance.html> or via telephone (844) 301-7334.

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 \$129,400 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 Underwriter (Syndicate Manager) in complying with the provisions of Rule 15c2-12 promulgated by the Securities and Exchange Commission under the Securities Exchange Act of 1934 the City will enter into an undertaking for the benefit of the holders of the Bonds. A description of the details and terms of the undertaking is set forth in Appendix D of the Preliminary Official Statement.

NEW ISSUE PRICING

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

(a) The winning bidder shall assist the City in establishing the issue price of the Bonds and shall execute and

deliver to the City at closing an "issue price" or similar certificate satisfactory to Bond Counsel setting forth the reasonably expected initial offering price to the public or the sales price or prices of the Bonds, together with the supporting pricing wires or equivalent communications. All actions to be taken by the City under this Terms of Proposal to establish the issue price of the Bonds may be taken on behalf of the City by the City's municipal advisor identified herein and any notice or report to be provided to the City may be provided to the City's municipal advisor.

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

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

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

(c) If all of the requirements of a "competitive sale" are not satisfied, the City shall advise the winning bidder of such fact prior to the time of award of the sale of the Bonds to the winning bidder. In such event, any proposal submitted will not be subject to cancellation or withdrawal and the City agrees to use the rule selected by the winning bidder on its proposal form to determine the issue price for the Bonds. On its proposal form, each bidder must select one of the following two rules for determining the issue price of the Bonds: (1) the first price at which 10% of a maturity of the Bonds (the "10% test") is sold to the public as the issue price of that maturity or (2) the initial offering price to the public as of the sale date as the issue price of each maturity of the Bonds (the "hold-the-offering-price rule").

(d) If all of the requirements of a "competitive sale" are not satisfied and the winning bidder selects the hold-the-offering-price rule, the winning bidder shall (i) confirm that the underwriters have offered or will offer the Bonds to the public on or before the date of award at the offering price or prices (the "initial offering price"), or at the corresponding yield or yields, set forth in the proposal submitted by the winning bidder and (ii) agree, on behalf of the underwriters participating in the purchase of the Bonds, that the underwriters will neither offer nor sell unsold Bonds of any maturity to which the hold-the-offering-price rule shall apply to any person at a price that is higher than the initial offering price to the public during the period starting on the sale date and ending on the earlier of the following:

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

The winning bidder will advise the City promptly after the close of the fifth (5th) business day after the sale whether it has sold 10% of that maturity of the Bonds to the public at a price that is no higher than the initial offering price to the public.

The City acknowledges that in making the representation set forth above, the winning bidder will rely on:

- (i) the agreement of each underwriter to comply with requirements for establishing issue price of the Bonds,

including, but not limited to, its agreement to comply with the hold-the-price rule, if applicable to the Bonds, as set forth in an agreement among underwriters and the related pricing wires,

(ii) in the event a selling group has been created in connection with the initial sale of the Bonds to the public, the agreement of each dealer who is a member of the selling group to comply with the requirements for establishing issue price of the Bonds, including, but not limited to, its agreement to comply with the hold-the-offering-price rule, if applicable to the Bonds, as set forth in a selling group agreement and the related pricing wires, and

(iii) in the event that an underwriter or dealer who is a member of the selling group is a party to a third-party distribution agreement that was employed in connection with the initial sale of the Bonds to the public, the agreement of each broker-dealer that is party to such agreement to comply with the requirements for establishing issue price of the Bonds, including, but not limited to, its agreement to comply with the hold-the-offering-price rule, if applicable to the Bonds, as set forth in the third-party distribution agreement and the related pricing wires. The City further acknowledges that each underwriter shall be solely liable for its failure to comply with its agreement regarding the requirements for establishing issue price rule of the Bonds, including, but not limited to, its agreement to comply with the hold-the-offering-price rule, if applicable to the Bonds, and that no underwriter shall be liable for the failure of any other underwriter, or of any dealer who is a member of a selling group, or of any broker-dealer that is a party to a third-party distribution agreement to comply with its corresponding agreement to comply with the requirements for establishing issue price of the Bonds, including, but not limited to, its agreement to comply with the hold-the-offering-price rule as applicable to the Bonds.

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

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

(i) any agreement among underwriters, any selling group agreement and each third-party distribution agreement (to which the bidder is a party) relating to the initial sale of the Bonds to the public, together with the related pricing wires, contains or will contain language obligating each underwriter, each dealer who is a member of the selling group, and each broker-dealer that is party to such third-party distribution agreement, as applicable, to:

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

(B) comply with the hold-the-offering-price rule, if applicable, in each case if and for so long as directed by the winning bidder and as set forth in the related pricing wires, and

(ii) any agreement among underwriters or selling group agreement relating to the initial sale of the Bonds to the public, together with the related pricing wires, contains or will contain language obligating each underwriter, each dealer who is a member of the selling group and each broker dealer that is a party to a third-party distribution agreement to be employed in connection with the initial sale of the Bonds to the public to require each broker-dealer that is a party to such third-party distribution agreement to:

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

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

(g) Sales of any Bonds to any person that is a related party to an underwriter participating in the initial sale of the Bonds to the public (each term being used as defined below) shall not constitute sales to the public for purposes of this Terms of Proposal. Further, for purposes of this Terms of Proposal:

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

PRELIMINARY OFFICIAL STATEMENT

Bidders may obtain a copy of the Preliminary Official Statement relating to the Bonds prior to the proposal opening by request from Ehlers at www.ehlers-inc.com by connecting to the Bond Sales link. The Underwriter (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")

May 6, 2024

RE: \$6,470,000* General Obligation Bonds, Series 2024A (the "Bonds")

DATED: May 23, 2024

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 \$6,392,360) plus accrued interest to date of delivery for fully registered Bonds bearing interest rates and maturing in the stated years as follows:

_____ % due	2026	_____ % due	2030	_____ % due	2034
_____ % due	2027	_____ % due	2031	_____ % due	2035
_____ % due	2028	_____ % due	2032		
_____ % due	2029	_____ % due	2033		

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 2026 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 \$129,400 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 May 23, 2024.

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 Underwriter (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 May 23, 2024 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 May 6, 2024.

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