



**City of Waseca, Minnesota**

**Comprehensive Annual  
Financial Report**

Year Ended December 31, 2005

Finance Department  
Julie A. Linnihan, Finance Director

Member of the Government Finance Officer's Association  
Of the United States and Canada



**CITY OF WASECA, MINNESOTA**  
**Comprehensive Annual Financial Report**  
Year Ended December 31, 2005

**TABLE OF CONTENTS**

<b>INTRODUCTORY SECTION</b>	<b>PAGE</b>
Table of Contents	i-ii
Letter of Transmittal	1-7
GFOA Certificate of Achievement	8
City Officials	9
Organization Chart	10
<b>FINANCIAL SECTION</b>	
Independent Auditor's Report	11-12
Management's Discussion and Analysis	13-24
<b>Basic Financial Statements</b>	
Government-wide Financial Statements	
Statement of Net Assets	25
Statement of Activities	26
Major Governmental Funds:	
Fund Financial Statements	
Governmental Funds:	
Balance Sheet	29
Statement of Revenues, Expenditures and Changes in Fund Balances	30
Reconciliation of the Statement of Revenues, Expenditures and Changes	
In Fund Balances of Governmental Funds to the Statement of Activities	31
Statement of Revenues, Expenditures and Changes in Fund Balances	
Budget and Actual – General Fund	32
Proprietary Funds:	
Statement of Net Assets	33
Statement of Revenues, Expenses and Changes in Net Assets	34
Statement of Cash Flows	35
<b>Notes to the Financial Statement</b>	37-65
<b>Combining Statements</b>	
Nonmajor Governmental Funds:	
Combining Balance Sheet	69-71
Combining Statement of Revenues, Expenditures and Changes in the Fund Balances	72-75

**Budgetary Comparisons – Governmental Funds**

## Schedule of Revenues, Expenditures and Changes in Fund Balances –

Budget and Actual – Municipal State Aid Construction Fund	79
---	----

## Schedule of Revenues, Expenditures and Changes in Fund Balances –

Budget and Actual – Capital Improvement Fund	80
--	----

**Internal Service Funds:**

Combining Statement of Net Assets	83
-----------------------------------	----

Combining Statement of Revenues, Expenses and Changes in Net Assets	84
---	----

Combining Statement of Cash Flows	85
-----------------------------------	----

**Capital Assets Used in the Operation of Governmental Funds**

Schedule by Function and Activity	87
-----------------------------------	----

Schedule of Changes by Function and Activity	88
--	----

**STATISTICAL SECTION**

Expenditures For Selected Function and Other Uses	89
---	----

Revenues and Other Financing Sources	90
--------------------------------------	----

Property Tax Levies and Collections	91
-------------------------------------	----

Assessed Value and Estimated Market Value of All Taxable Property	92
---	----

Property Tax Rates and Tax Levies -Direct and Overlapping Governments	93
---	----

Principal Taxpayers	94
---------------------	----

Special Assessment Collections	95
--------------------------------	----

Computation of Legal Debt Margin	96
----------------------------------	----

Ratio of Net General Obligation Bonded Debt to Assessed	
---	--

Value and Net Bonded Debt Per Capita	97
--------------------------------------	----

Ratio of Annual Debt Service Expenditures for General Bonded	
--	--

Debt to Total General Expenditures	98
------------------------------------	----

Computation of Direct and Overlapping Bonded Debt and Net Debt per Capita	99
---	----

Revenue Bond Coverage Water and Sewer Bonds	100
---	-----

Demographic Statistics	101
------------------------	-----

Property Value, Construction and Bank Deposits	102
--	-----

Miscellaneous Statistics	103
--------------------------	-----



# City of Waseca, Minnesota

508 South State Street • Waseca, Minnesota 56093-3097  
(507) 835-9700 • FAX (507) 835-8871 • [www.ci.waseca.mn.us](http://www.ci.waseca.mn.us)

June 7, 2006

## **To the City Council and Citizens of the City of Waseca**

The City of Waseca annually issues a report on the financial position and activities of the community, prepared in accordance with the Generally Accepted Accounting Principles (GAAP) in the United States of America and audited in accordance with generally accepted auditing standards in the United States of America by an independent certified public accounting firm pursuant to the state requirements. We hereby issue the comprehensive annual financial report of the City of Waseca for the fiscal year ended December 31, 2005.

This report consists of management's representations concerning the finances of the City of Waseca. The management assumes full responsibility for the completeness and reliability of the information presented in this report. To provide a reasonable basis for making these representations, the management has established a comprehensive internal framework that is designed both to protect the government's assets from loss, theft or misuse and to complete sufficient, reliable information for the preparation of the City's financial statements in conformity with GAAP. The cost of internal controls should not outweigh their benefits, therefore, the City of Waseca's comprehensive framework of internal controls has been designed to provide reasonable, rather than the absolute assurance, that the financial statements will be free from material misstatement. As management, we assert that to the best of knowledge and belief, this financial report is complete and reliable in all material respect.

The City of Waseca's financial statements have been audited by Larson, Allen, Weishair & Co., LLP. The goal of an independent audit is to provide reasonable assurance that the financial statements of the City for the fiscal year end are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. The independent auditor concluded, based upon the audit, that there was a reasonable basis for rendering an unqualified opinion that the City of Waseca's financial statements for the fiscal year ended December 31, 2005, are fairly presented in conformity with GAAP. The independent auditor's report is presented as the first component of the financial section of this report.

GAAP requires that management also provide a narrative introduction, overview and analysis to accompany the basic financial statements in the form of Management Discussion and Analysis (MD&A). This letter of transmittal is designed to compliment the MD&A and should be read in conjunction with it. The City of Waseca's MD&A can be found immediately following the report of the independent auditors.

### **Profile of the Government**

The City of Waseca is organized under a home rule charter in accordance with applicable Minnesota State Statutes. The charter prescribes a Council/Manager form of organization. The City provides a full range of services, including police and fire, construction and maintenance of highways, streets and infrastructure, economic development, parks, lakes and recreational activities. In addition, the City provides water, electric, sanitary sewer and airport enterprise services. The City also contributes to the regional library system, senior center operations, limited community transportation services and several other important community based events and projects.

The City of Waseca is located in the south central region of the state and covers approximately 6.8 square miles. The community is fortunate to be the home of several large manufacturing operations and varied commercial activity, yet is located in the midst of an aesthetically appealing lake and recreation area that is popular to tourists in a multi-state area.

The annual budget serves as the foundation for the City of Waseca's financial planning control. All departments of the City of Waseca submit budget requests for the appropriations for the following year to the City Manager in the summer of each year. These requests serve as a starting point for the development of a proposed budget. These requests are then presented to Council for review by the end of August. Under the requirements of the state law, Council is

required to hold hearings and obtain input on the proposed budget and then proceeds to adopt a final budget and property tax levy no later than December 31 of the close of the fiscal year. The budget of the City of Waseca is prepared by fund and function, (i.e., public safety and police department). Departments may request transfers of appropriations within line items in the department; however, special approval may be required of the City Council. The City did not amend the original 2005 budget.

### **Financial Condition**

2005 was an active and positive year for local, regional and state economies. The 2004 and 2005 legislative session actions did not impact the Local Government Aid revenue source, and the City was able to maintain its' planned operations as budgeted. The 2005 tax levy provided the City with the resources needed to fund on-going projects related to the expansion of retail, commercial and residential growth.

The City of Waseca has continued to experience a steady pattern of construction and growth. In 2005, the City was able to benefit from the planned expansion of several new housing subdivisions, the commercial expansion of several existing businesses (Brown Printing, Miller Enterprises), as well as the construction of a Wal-Mart Supercenter and Murphy Oil site.

Over the past two years, the City has benefited from a Small Cities Development Grant (SCDG) program, which provides matching funds for homeowners, rental property and commercial sites to improve and upgrade their buildings and facilities. A strong emphasis of this program is to re-create and maintain the original historic perspective of the buildings and the surrounding areas. Funds from Federal and State grant sources have been utilized to undertake this major downtown project. This grant program, initiated in 2002, was completed in 2005. The visible downtown enhancements have created interest and participation in related building and site improvements. The grant program has also sparked interest in further downtown improvements, which will include a major streetscaping project in mid-2006, funded by Tax Increment Financing (TIF) District #23 increment revenues.

The community has also recently passed a referendum to fund a water park. This facility, to be completed in 2007, will be located near the Northeast Park and will enhance the commercial and residential growth of the community. The City Council has worked with local businesses and citizen groups to develop plans for growth and expansion of the community, including several newly annexed areas at the edge of the city limits. In 2005, the City purchased acreage near the Junior High /Senior High campus area for planned housing units and continued commercial growth near the northwest quadrant of the community.

Staff and Council have worked to address the accompanying infrastructure needs of planned developments. During 2006, the City will continue to address the funding needs and coordination of construction for the projects related to residential and commercial development.

### **Cash Management Policy and Practice**

Idle cash during the year was invested in Certificates of Deposits. Investment income for 2005 was slightly higher than previous years due to the increases in overall interest rates. The amount of available funds for investments was maintained at the previous historical level, as there has been no significant increase or decrease in investment cash.

The slow, but steady increase in interest rates will enhance the interest earnings of the City. Available funds continue to be invested to the full extent possible, and the City anticipates increasing revenues based on the consistent investment practices of available City funds.

In 2005, the City again issued capital notes for planned equipment purchases. This practice will be reviewed for effectiveness as interest rates increase for debt issuance.

The City issued debt in 2005 for several new projects, including the development of the Northwest Commercial site (Wal-Mart Supercenter construction); Municipal State Aid debt for the extension of 11<sup>th</sup> Avenue NW as a "through-corridor" for the northwest quadrant. These projects and their accompanying debt will require Council and Staff to plan effectively for future debt service needs and priorities.



## **Risk Management**

The City has actively worked to limit both liability risk and insurance costs for many years. The City is a member of the League of Minnesota Cities Insurance Trust (LMCIT) for both workers compensation and property and liability issues.

The City has increased the deductible to \$50,000 for property and liability coverage, as a method of reducing up-front costs to governmental departments. An active and involved Safety Committee has been formed to meet and plan for training and site review to reduce workers compensation incidents and costs.

The City has placed a strong emphasis on the implementation and utilization of an active Safety Committees as a means to reduce the increasing costs of workers compensation coverage. This committee meets to plan for proactive training, discuss report of injury and study areas of risk and potential loss on a departmental level. The City hopes to find ways to reduce the incidence of injury among workers and adjust work place environments to better meet the mandates of safety criteria.

Funding for the insurance programs has historically been provided through departmental charges and has built an available fund position for both funds to provide flexibility in dealing with the unique or unplanned circumstances that can impact cities.

The Property and Liability fund will continue to utilize cash position to absorb premium charges and the General fund departments will not be charged. In 2005, the City was notified of a billing error related to the calculation of the annual workers compensation premium. This error resulted in the City repayment of unbilled premiums from 2001 – 2005. This significant increase in premium expense is reflected in the 2005 financial information. In 2005, the General fund paid for the departmental portion of workers compensation costs, as available cash position in the Internal Service fund has decreased.

## **Major Initiatives**

The City continues to place a high priority on planning for the community needs as growth and expansion issues impact the City operations. During 2005 and into 2006, a comprehensive utility rate study was undertaken to provide Council with the information needed to prepare for the existing and future utility operation, capital debt service and expansion requirements for customer expectations. These rates allow for a consistent application of revenue collection, as well as the basis for variance identification as the operation of costs (fuel, chemicals, purchased power) drive and alter planned expense estimates.

The availability of land, infrastructure and services continue to drive the community development focus of the City. As the northwest/northeast areas of the City experience growth in commercial/residential/recreational sectors, funding for project work is a priority of planning and budgeting.

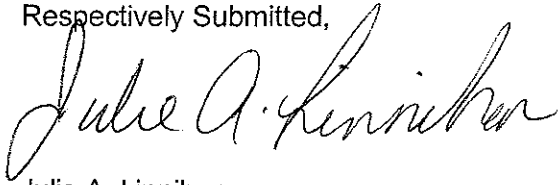
The City will also need to plan for the future completion of the Highway 14 Bypass construction, which will establish prime commercial sites in the southern portion of the community. As the state continues to determine funding years for this complex project, the City will need to be poised to respond to these events.

## **Awards and Acknowledgments**

The Government Finance Officers Association (GFOA) has awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Waseca for its Comprehensive Annual Financial Report (CAFR) for the fiscal year ended December 31, 2004. This is the twenty-first consecutive year that the City has received this prestigious award. In order to be awarded this Certificate of Achievement, the government published an easily readable and efficiently organized CAFR and has satisfied both GAAP and applicable legal requirements. The Certificate of Achievement is valid for a period of only one year and we believe that our current CAFR continues to meet the Certificate of Achievement program requirements. We are submitting this report to the GFOA to determine eligibility for another certificate.

Preparation of this report would not have been possible without the effective and dedicated services of our entire Finance Department staff, especially Lorene Worke, Nancy Bennett and Ranae Schult, and also Larson, Allen, Weishair & Co., LLP who have assisted and contributed to the preparation of this report. Credit is also given to the Mayor, ~~and~~ City Council, <sup>+ the City manager</sup> for their support in maintaining the highest standards of professionalism in the management of the City of Waseca's financial future.

Respectively Submitted,

A handwritten signature in cursive script, reading "Julie A. Linnihan". The signature is written in dark ink and is positioned above the printed name and title.

Julie A. Linnihan

Finance Director

# Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Waseca,  
Minnesota

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended  
December 31, 2004

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



*Carla E. Perry*

President

*Jeffrey R. Enen*

Executive Director

CITY OF WASECA, MINNESOTA  
OFFICIALS

December 31, 2005

CITY COUNCIL

Roy Srp	Mayor
Larry Johnson	Council-First Ward
Matt Johansen	Council-First Ward
Robin Terrell	Council-Second Ward
Allan Rose	Council-Second Ward
Mike Parry	Council-Third Ward
Fran Zwach	Council-Third Ward

Kris M. Busse, City Manager

Julie A. Linnihan, Finance Director

## ORGANIZATIONAL CHART - 2005

### City of Waseca

#### CITIZENS

#### City Council

#### City Manager

##### Administration

*Administrative Assistant*

- (1)
- (1) Records Secretary
- (1) Secretary

##### Community Development Director

- (1)
- (1) Community Development Intern
- (1) Administrative Assistant

##### Director of Engineering

*Maintenance Superintendent*  
*Street & Sewer Supervisor*

*Park Director*

*Building Official*

- (1)
- (1) Assistant City Engineer
- (1) GIS Coordinator
- (2) Engineering Technician
- (1)
- (1) Mechanic
- (8) Public Works Maintenance Worker
- (1)
- (3) Public Works Maintenance Worker
- (5) Seasonal Workers
- (1)

##### Finance Director

- (1)
- (2) Finance Assistant
- (1) Utility Project Coordinator
- (1) Billing Clerk
- (2) Utility Finance Clerk

##### Fire Chief (Part-time)

- (1)
- (3) Firefighter/Motor Operator
- (32) Part-time Firefighter

##### Chief of Police

*Captain*  
*Sergeant*

- (1)
- (1)
- (1)
- (1) Investigators
- (8) Patrol Officer
- (1) School Liaison Patrol Officer
- (2) Part-time Patrol Officer
- (2) Records Clerk
- (5) Crossing Guards

##### Director of Utilities

- (1)
- (1) Water Distribution Operator
- (4) Water/Wastewater Treatment Plant Operator
- (1) Utility Person
- (1) Line Foreperson
- (6) Lineworker
- (1) Part-time Meter Reader

# **FINANCIAL SECTION**





## INDEPENDENT AUDITORS' REPORT

Honorable Mayor and  
Members of the City Council  
City of Waseca, Minnesota

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Waseca, Minnesota as of and for the year ended December 31, 2005, which collectively comprise the City's basic financial statements as listed in the Table of Contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Waseca, Minnesota as of December 31, 2005, and the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparison for the General Fund for the year then ended in conformity with U.S. generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we have also issued a report dated June 7, 2006, on our consideration of the City of Waseca, Minnesota's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. This report is an integral part of an audit performed in accordance with *Governmental Auditing Standards* and should be considered in assessing the results of our audit.

The management's discussion and analysis on pages 13 through 24 is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was made for the purpose of forming opinions on the financial statements that collectively comprise the City of Waseca, Minnesota's basic financial statements. The introductory section, combining statements, budgetary comparison schedules for the municipal state aid maintenance and capital improvement funds, and assets used in the operation of the governmental funds and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining statements, budgetary comparison schedules for the municipal state aid maintenance and capital improvement funds, and capital assets used in the operation of the governmental funds have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory section and statistical section have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

*Larson, Allen, Weishair & Co., LLP*  
LARSON, ALLEN, WEISHAIR & CO., LLP

Austin, Minnesota  
June 7, 2006

## **Management's Discussion and Analysis**

As management of the City of Waseca, we offer readers of the City of Waseca's financial statements this narrative overview and analysis of the financial activities of the City of Waseca for the fiscal year ended December 31, 2005. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal, which can be found on pages 1-7 of this report.

### **Financial Highlights**

- > The assets of the City of Waseca exceeded its liabilities at the close of the most recent fiscal year by \$43,412,150 (net assets). Of this amount, \$12,498,960 (unrestricted net assets) may be used to meet the government's ongoing obligations to citizens and vendors in accordance with the City's fiscal policies.
- > Capital assets, less depreciation, total \$40,873,609, representing a broad base of city-wide infrastructure.
- > As of the close of the current fiscal year, the City of Waseca's governmental funds reported combined ending fund balances of \$9,408,492. Over 68% (percent) of this total amount, \$6,376,541 is available for use within the City's designations.
- > At the end of the current fiscal year, unreserved fund balance for the general fund was \$2,546,196 or 49% (percent) of total general fund expenditures.
- > The City of Waseca increased the existing debt principal by \$5,125,000 during the current fiscal year.

### **Overview of the Financial Statements**

The discussion and analysis are intended to serve as an introduction to the City of Waseca's basic financial statements. The City of Waseca's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other 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 Waseca's finances, in a manner similar to a private-sector business.

The Statement of Net Assets presents information on all of the City of Waseca's assets and liabilities, with the difference reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the City of Waseca is improving or deteriorating. The 2005 Statement provides for an increase in net assets, as the investment in capital assets in both governmental and business activities increased.

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

The government-wide financial statements include not only the City of Waseca (known as the *primary government*), but also a legally separate Economic Development Authority for which the City of Waseca is financially accountable. Financial information for this *component unit* is reported separately from the financial information presented for the primary government.

The government-wide financial statements distinguish functions of the City of Waseca 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 (business-type activities). The governmental activities of the City of Waseca include general government, public safety, highways and streets, economic development and culture and recreation. The business-type activities of the City of Waseca include the water, sewer, electric utilities and airport services.

The government wide financial statements can be found on pages 26-27 of this report.

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

**Governmental Funds.** Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financial 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 City's near-term financial decisions. The Governmental Funds Balance Sheet and Governmental Funds 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 Waseca maintains twenty-two individual governmental funds. Information is presented separately in the Governmental Funds Balance Sheet and in the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances for the General fund, Debt Service fund, Municipal State Aid Construction fund and Capital Improvement fund, all of which are considered to be major funds. Data from the other eighteen 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 City of Waseca adopts an annual appropriated budget for its General, certain Special Revenue and certain Capital project funds. A budgetary comparison statement has been provided for the General fund to demonstrate compliance with this budget.

The basic governmental funds financial statements can be found on pages 30-33 of this report.

**Proprietary Funds.** The City of Waseca maintains two different types of proprietary funds. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City of Waseca uses Enterprise funds to account for its water, sewer, electric and airport operations. Internal Service funds are accounting devices used to accumulate and allocate costs internally among the City of Waseca's various functions. The City of Waseca uses Internal Service funds to account for its workers' compensation, property and liability insurance funds and Central Garage. Because these funds predominantly serve to benefit governmental rather than business-type functions, they have been included within governmental activities in the government-wide financial statements.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary funds financial statements provide separate information for the enterprise funds, all of which are considered to be major funds of the City of Waseca. Conversely, the Internal Service funds are combined into a single, aggregated presentation in the Proprietary fund financial statements. Individual fund data for the Internal Service funds is provided in the form of combining statements elsewhere in this report.

The basic Proprietary fund financial statements can be found on pages 34-36 of this report.

**Notes to the Financial Statements.** The notes provided additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The Notes to the Financial Statements can be found on pages 37-65 of this report.

**Other Information.** The combining statements referred to earlier in connection with nonmajor governmental funds and Internal Service funds are presented herewith. Combining and individual fund statements and schedules can be found on pages 68-83 of this report.

### **Government-Wide Financial Analysis**

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the City of Waseca, assets exceeded liabilities by \$43,412,150 at the close of the most recent fiscal year. This is a slight increase over the 2004 amount, as capital assets were increased by purchase and construction.

By far the largest portion of the City of Waseca's net assets reflects its investment in capital assets (e.g. land, buildings, machinery, and equipment) less any related debt used to acquire those assets that is still outstanding. The City of Waseca uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City of Waseca'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.

During 2005, non-current liabilities increased to reflect debt issued for several significant commercial, residential and infrastructure enhancements. This is offset by the increased value of capital assets in both Governmental activities and Business type activities.

The City has committed significant time and funding toward the development of the necessary infrastructure for community growth. The financial statements reflect the trend of funding for not only operational functions of City operations, but also funding needed for growth projects. Waseca has the available land for growth of both commercial and residential sites, and the City Council has placed the goal of assisting and encouraging growth as a high priority in 2005 and beyond. As infrastructure programs are reviewed, the need to meet growth needs is a critical component of the planning process.

A condensed version of the State of Net Assets at December 31, 2005 follows:

CITY OF WASECA'S NET ASSETS					
	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>2005</u>
	<u>2005</u>	<u>2004</u>	<u>2005</u>	<u>2004</u>	<u>Total</u>
Current and other assets	\$12,113,933	\$ 9,032,717	\$ 6,394,298	\$ 5,516,930	\$18,508,231
Capital assets	<u>21,282,965</u>	<u>20,139,582</u>	<u>19,590,644</u>	<u>16,678,622</u>	<u>40,873,609</u>
Total assets	<u>33,396,898</u>	<u>29,172,299</u>	<u>25,984,942</u>	<u>22,195,552</u>	<u>59,381,840</u>
Long-term liabilities outstanding	7,312,151	4,054,383	6,983,913	5,458,610	14,296,064
Other liabilities	<u>654,970</u>	<u>457,949</u>	<u>1,018,656</u>	<u>681,362</u>	<u>1,673,626</u>
Total liabilities	<u>7,967,121</u>	<u>4,512,332</u>	<u>8,002,569</u>	<u>6,139,972</u>	<u>15,969,690</u>
Net assets:					
Invested in capital assets, net of related debt	16,335,872	16,168,503	14,577,318	13,180,218	30,913,190
Unrestricted	<u>9,093,905</u>	<u>8,491,464</u>	<u>3,405,055</u>	<u>2,875,362</u>	<u>12,498,960</u>
Total Net Assets	<u>\$25,429,777</u>	<u>\$24,659,967</u>	<u>\$17,982,373</u>	<u>\$16,055,580</u>	<u>\$43,412,150</u>

The City of Waseca's unrestricted net assets may be used to meet the City's ongoing obligations to citizens and vendors.

At the end of the current fiscal year, the City of Waseca is able to report positive balances in both categories of net assets as the City establishes the groundwork for community expansion. The net assets of the City, specifically in the business type activities, will continue to grow as the fundamental infrastructure of the City is increased and extended into existing rural areas.

## Governmental Activities

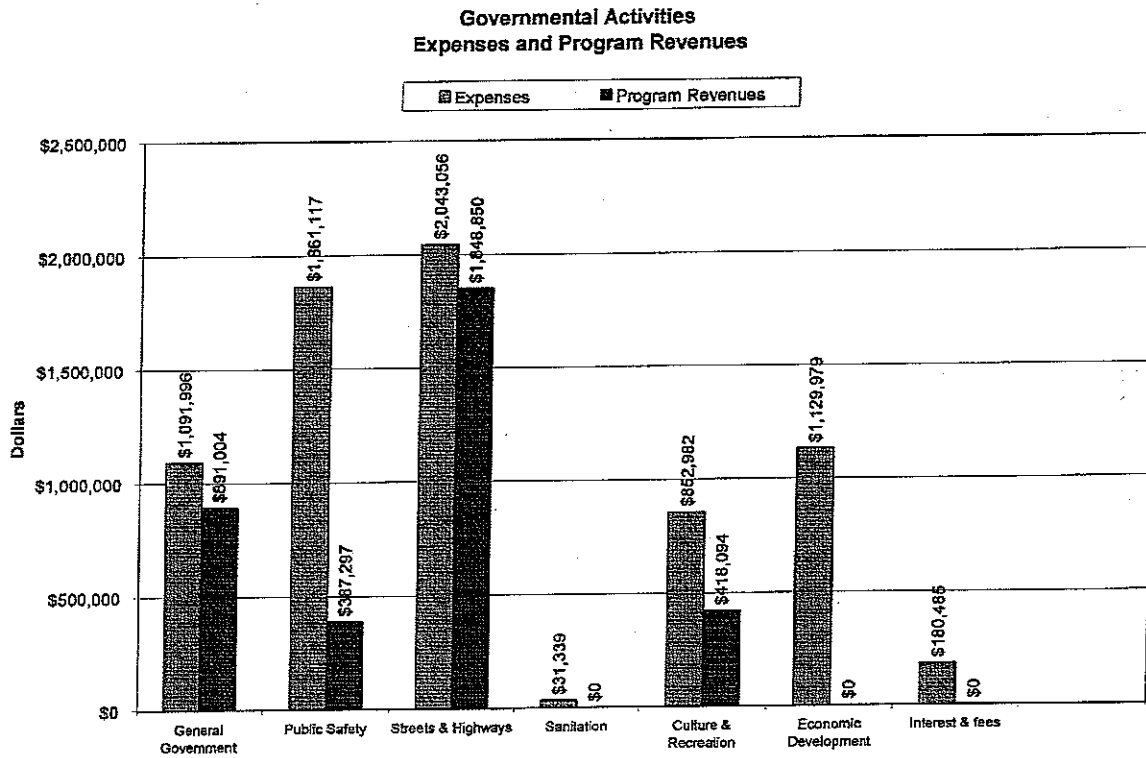
Governmental activities increased the City of Waseca's net assets by \$769,810. Key elements of this increase are as follows:

### CITY OF WASECA'S CHANGES IN NET ASSETS

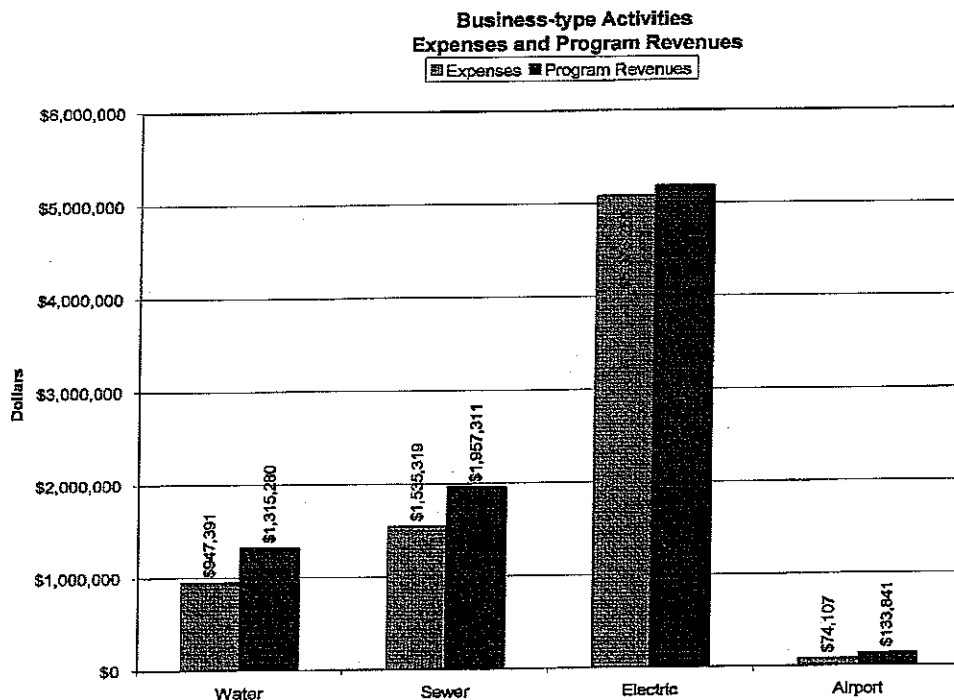
	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		2005
	<u>2005</u>	<u>2004</u>	<u>2005</u>	<u>2004</u>	<u>Total</u>
<b>Revenues:</b>					
<b>Program revenues</b>					
Charges for services	\$ 578,136	\$ 294,514	\$ 8,343,482	\$ 7,676,631	\$ 8,921,618
Operating grants and contributions	1,775,034	879,219	246,303	21,676	2,021,337
Capital grants and contributions	1,192,075	489,054	0	0	1,192,075
<b>General revenues</b>					
Taxes	2,298,671	2,004,634	0	0	2,298,671
Other	366,807	314,803	0	0	366,807
Grants and contributions not restricted to specific programs	2,119,870	1,964,255	0	0	2,119,870
Unrestricted investment earnings	226,697	112,351	143,443	66,260	370,140
Gain on disposal of assets	230,111	0	0	0	230,111
<b>Total revenues</b>	<u>\$ 8,787,401</u>	<u>\$ 6,058,830</u>	<u>\$ 8,733,228</u>	<u>\$ 7,764,567</u>	<u>\$17,520,629</u>
<b>Expenses:</b>					
General government	1,091,996	2,088,695	0	0	1,091,996
Public safety	1,861,117	1,786,698	0	0	1,861,117
Streets and highways	2,043,056	1,722,209	0	0	2,043,056
Economic Development	1,129,979	0	0	0	1,129,979
Other	211,824	162,815	0	0	211,824
Culture and recreation	852,982	707,194	0	0	852,982
Water	0	0	947,391	1,032,904	947,391
Sewer	0	0	1,535,319	1,333,329	1,535,319
Electric	0	0	5,076,255	4,757,230	5,076,255
Airport	0	0	74,107	93,399	74,107
<b>Total expenses</b>	<u>\$ 7,190,954</u>	<u>\$ 6,467,611</u>	<u>\$ 7,633,072</u>	<u>\$ 7,216,862</u>	<u>\$14,824,026</u>
<b>Excess (deficiency) before transfers</b>	<u>\$ 1,596,447</u>	<u>\$ (408,781)</u>	<u>\$ 1,100,156</u>	<u>\$ 547,705</u>	<u>\$ 2,696,603</u>
<b>Transfers</b>	<u>(826,637)</u>	<u>179,500</u>	<u>826,637</u>	<u>(179,500)</u>	<u>0</u>
<b>Change in net assets</b>	<u>\$ 769,810</u>	<u>\$ (229,281)</u>	<u>\$ 1,926,793</u>	<u>\$ 368,205</u>	<u>\$ 2,696,603</u>
<b>Net Assets – January 1, 2005</b>	<u>\$24,659,967</u>	<u>\$24,889,248</u>	<u>\$16,055,580</u>	<u>\$15,687,375</u>	<u>\$40,715,547</u>
<b>Net Assets – December 31, 2005</b>	<u>\$25,429,777</u>	<u>\$24,659,967</u>	<u>\$17,982,373</u>	<u>\$16,055,580</u>	<u>\$43,412,150</u>



Below are specific graphs, which provide comparisons of the governmental activities revenues and expenditures.



**Business-type Activities.** Business-type activities increased by \$1,926,793. Below are graphs showing the business-type activities revenue and expense comparisons.



## **Financial Analysis of the Government's Funds**

**Governmental Funds.** The focus of the City of Waseca'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 Waseca's financial requirements. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

At the end of the current fiscal year, the City of Waseca's governmental funds reported combined ending fund balances of \$9,408,492. The unreserved fund balance constitutes approximately \$6,376,541 of the total combined ending fund balance. The remainder of the fund balance is reserved, and is not available for new spending because it has already been committed to debt service payments in the amount of \$1,857,235, loans in the amount of \$3,000, land held for resale \$1,142,609, and advance to a component unit in the amount of \$29,107.

**Proprietary Funds.** The City of Waseca's Proprietary funds have unrestricted net assets as follows:

Water fund	\$1,701,390
Sanitary Sewer fund	\$1,289,156
Electric fund	\$ 330,233
Airport fund	\$ 159,967

## **Budgetary Highlights**

**General Fund.** The 2005 City budget allowed for the slight increase in property tax revenue and Local Government Aid (LGA) to undertake several important community projects, such as the 11<sup>th</sup> Avenue corridor construction and commercial site development. The City again utilized long term debt issuance for capital equipment notes to fund a significant amount of equipment purchases in 2005. This increased the General fund budget, but the debt repayment is recognized outside the General levy of the 2005 Property Tax detail.

The City continued to fund the Capital Improvement fund (CIP) with an \$800,000 allocation, but the funding was below the requested project costs, requiring a slight use of fund balance from the CIP. To meet the needs of the street plan and comply with a Pavement Condition Index (PCI) report, future budget years may require the City to more fully fund the CIP fund, and increase the property tax levy and accompanying transfer to the CIP to allow for the increased costs of infrastructure. This will allow the City to address the growth needs of the community. Continuing increases in budget projections for Public Safety will be a competing need for resources, as occurred during the 2005 fiscal year.

**Special Revenue Funds.** The Special Revenue funds reflect an increased level of activity as the City continued to benefit from the Small Cities Development Program grant. This grant provided matching funding for commercial, rental and residential upgrades to properties in the downtown corridor of the community. This project has positively impacted the appearance of the community by encouraging the rehabilitation of many historically significant buildings and structures. The Tax Increment Financing (TIF) funds, specifically TIF 23 (downtown) are providing new sources of revenue, allowing for further commercial and retail enhancements. In 2005, the City received the revenue grant funds from the Blandin Foundation to assist in the planned construction of the water park. The Delta-Waseca grant was reviewed in 2005 by the State of Minnesota. As a result of this review, the loan was required to be repaid, resulting in additional expenditures to recognize the one time re-payment.

**Capital Project Funds.** In 2005, Municipal State Aid funds from current and previous years were utilized for the 11<sup>th</sup> Avenue NW corridor extension. This project also constructed assets for storm sewer, water, sewer and electric infrastructure. The Capital Improvement fund expended the majority of the 2005 allocation to offset costs related to the lift station constructed near the 11<sup>th</sup> Avenue NW project. The Powell land purchase in 2005 provided an available land site for planned housing developments for the 2006 construction year. Several new capital funds were established to provide for the planned construction for the Water Park, downtown streetscaping project, as well as commercial development sites for the northwest quadrant.

## **Capital Asset and Debt Administration**

**Capital Assets.** The City of Waseca's investment in capital assets for its governmental and business type activities as of December 31, 2005, amounts to \$40,873,609 (net of accumulated depreciation). This investment in capital assets includes land, buildings, improvements, machinery and equipment, and infrastructure.

More detailed information on the City's capital assets is presented in the Notes to the Financial Statements at Note IV C.

Major capital asset events during the current fiscal year included the following:

- > Initiated site study related to the Waseca County/City Clear Lake bike trail joint project.
- > Oak Park playground replacement and first phase development of the Skate Park.
- > 11<sup>th</sup> Avenue corridor development and lift station construction.
- > Continuing development of the Northwest commercial site, providing lot and infrastructure for future development sites.

**Long Term Debt.** At the end of the fiscal year, the City of Waseca had total long-term debt of \$14,296,064. This debt has been issued to finance the special assessment construction of the City's street and pavement program. Debt has also been issued for revenue bonds, which are in place to finance water main and sewer line infrastructure construction and improvements. The City has also issued General Obligation Equipment Certificates to finance the acquisition of capital equipment. The City issued Crossover Refunding Bonds Series 2004 B to refund the Revenue Bonds Series 1995 on February 1<sup>st</sup>, 2007.

In 2005, the City also issued debt for the 11<sup>th</sup> Avenue NW corridor construction and tax increment debt for the planned streetscape project, as well as general obligation debt for the northwest commercial construction site.

The City of Waseca has received a bond rating of A2 from Moody's on its general obligation debt. State statutes limits the amount of general obligation debt a Minnesota city may issue to 2% (percent) of the total estimated market value. The current debt limitation for the City of Waseca is \$7,905,674 and \$2,310,000 of the City's outstanding debt is counted within the statutory limitation, as the balance of the City's debt is either wholly or partially financed by revenues other than a general tax levy.

More detailed information on the City's long-term debt is presented in the Notes to the Financial Statements at Note IV F.

**Economic Factors and Budget Information.** The City of Waseca is experiencing below average unemployment at a rate of approximately 4.5% (percent), which compares favorable with the states unemployment rate of approximately 5.5% (percent).

The City building permit values and numbers continue to indicate steady growth in both commercial and residential property improvements and construction. The City also is working with developers to provide unique residential housing options. The City will continue to work on several new housing subdivisions in 2006 in order to benefit from a growing property base. The expansion of several commercial entities has also increased the building permit revenue in 2005 over 2004.

The 2005 budget-year presented challenges as the City attempted to provide general governmental services, as well as providing the needed infrastructure required for community growth. The primary concern and focus of the 2005 fiscal year was high prioritization of cash flow management required to fund infrastructure and capital project planning. The Council and Staff will continue to prioritize the needs of the community, and yet, stay within the limitations of state aid and property tax revenues. The City has also reviewed the enterprise funds for rate review and analysis, as well as integration of utility projects with other City needs, specifically in the area of capital planning and debt structure.

The City has dedicated funds from Tax Increment Financing (TIF) and grants for the maintenance of the historic properties in downtown Waseca. The commitment to downtown preservation will create a unique and appealing atmosphere for future downtown revitalization and expansion. In 2006, the City will initiate the streetscape project, providing the downtown community with enhanced infrastructure and aesthetic visual elements.

The City of Waseca is continuing to pursue new joint ventures and inter-governmental cooperative actions that will provide the citizens of Waseca with a different and unique way to address governmental needs and meet the mandate of effective services at less cost. This may require re-allocation of funding from traditional community groups, or the development of new revenue sources and fees to cover costs of site-specific projects or programs.

### **Requests for Information**

This financial report is designed to provide a general overview of the City of Waseca'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 the Office of the Finance Director, City of Waseca, 508 South State Street, Waseca, MN, 56093.

# **BASIC FINANCIAL STATEMENTS**





**CITY OF WASECA, MINNESOTA**  
**STATEMENT OF NET ASSETS**  
**DECEMBER 31, 2005**

	Primary Government			Component Unit EDA
	Governmental Activities	Business-type Activities	Total	
<b>ASSETS</b>				
Cash and cash equivalents	\$ 837,869	\$ 111,857	\$ 949,726	\$ 72,805
Investments	8,210,000	2,890,000	11,100,000	-
Receivables:				
Taxes	73,432	-	73,432	1,462
Accounts	145,273	803,963	949,236	2,580
Utility	-	8,242	8,242	-
Mobile home tax	4,650	-	4,650	-
Computer program	2,556	-	2,556	-
Assessments	1,196,208	449,341	1,645,549	-
Interest	36,899	28,274	65,173	-
Loans	157,113	-	157,113	-
Advance to component unit	29,107	-	29,107	-
Internal balances	187,897	(187,897)	-	-
Inventory	-	145,937	145,937	-
Land held for resale	1,142,609	-	1,142,609	342,032
Restricted assets:				
Customer deposits	-	130,245	130,245	-
Investment with bond escrow agent	-	1,810,161	1,810,161	-
Capital assets				
Land	1,099,848	285,995	1,385,843	-
Infrastructure	26,488,791	-	26,488,791	-
Construction in progress	47,697	369,429	417,126	-
Buildings	1,595,017	3,437,798	5,032,815	-
Improvements other than buildings	3,267,129	25,003,831	28,270,960	-
Machinery and equipment	3,722,161	7,159,116	10,881,277	-
Accumulated depreciation	(14,937,678)	(16,665,525)	(31,603,203)	-
Service territory (net of amortization)	-	139,512	139,512	-
Other assets	90,320	64,663	154,983	-
Total assets	<u>33,396,898</u>	<u>25,984,942</u>	<u>59,381,840</u>	<u>418,879</u>
<b>LIABILITIES</b>				
Accounts payable	571,172	746,611	1,317,783	425
Customer deposits	-	130,245	130,245	-
Accrued interest	82,221	133,558	215,779	121
Advance from primary government	-	-	-	29,107
Non-current liabilities:				
Due within one year	995,000	2,130,000	3,125,000	55,113
Due in more than one year	6,317,151	4,853,913	11,171,064	-
Unearned revenue-utility	1,577	8,242	9,819	-
Total liabilities	<u>7,967,121</u>	<u>8,002,569</u>	<u>15,969,690</u>	<u>84,766</u>
<b>NET ASSETS</b>				
Invested in capital assets, net of related debt	16,335,872	14,577,318	30,913,190	-
Unrestricted	9,093,905	3,405,055	12,498,960	334,113
Total net assets	<u>\$ 25,429,777</u>	<u>\$ 17,982,373</u>	<u>\$ 43,412,150</u>	<u>\$ 334,113</u>

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

CITY OF WASECA, MINNESOTA  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED DECEMBER 31, 2005

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Assets			Component Unit
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		Total	
					Governmental Activities	Business-Type Activities		
Primary Government:								
Governmental Activities:								
General Government	\$ 1,091,996	\$ 453,457	\$ 410,231	\$ 27,316	\$ (200,992)	\$ -	\$ (200,992)	\$ -
Public Safety	1,861,117	102,154	285,143	-	(1,473,820)	-	(1,473,820)	-
Streets and Highways	2,043,056	6,918	1,077,260	764,672	(194,206)	-	(194,206)	-
Sanitation	31,339	-	-	-	(31,339)	-	(31,339)	-
Culture and Recreation	852,982	15,607	2,400	400,087	(434,888)	-	(434,888)	-
Economic Development	1,129,979	-	-	-	(1,129,979)	-	(1,129,979)	-
Interest and fees	180,485	-	-	-	(180,485)	-	(180,485)	-
Total Governmental Activities	7,190,954	578,136	1,775,034	1,192,075	(3,645,709)	-	(3,645,709)	-
Business-Type Activities:								
Water	947,391	1,315,280	-	-	-	367,889	367,889	-
Sewer	1,535,319	1,796,985	160,326	-	-	421,992	421,992	-
Electric	5,076,255	5,181,406	1,947	-	-	107,098	107,098	-
Airport	74,107	49,811	84,030	-	-	59,734	59,734	-
Total Business-Type Activities	7,633,072	8,343,482	246,303	-	-	956,713	956,713	-
Total Primary Government	\$ 14,824,026	\$ 8,921,618	\$ 2,021,337	\$ 1,192,075	\$ (3,645,709)	\$ 956,713	\$ (2,688,996)	\$ -
Total Component Unit	\$ 7,528	\$ 1,707	\$ 100,000	\$ -			\$	\$ 94,179
General Revenues:								
Taxes					\$ 2,298,671	\$ -	\$ 2,298,671	\$ 43,178
TIF Revenue					187,696	-	187,696	-
Franchise Taxes					179,111	-	179,111	-
Grants and Contributions not Restricted to Specific Programs					2,119,870	-	2,119,870	-
Unrestricted Investment Earnings					226,697	143,443	370,140	5,401
Gain on Disposal of Assets					230,111	-	230,111	10,053
Transfers					(826,637)	826,637	-	-
Total General Revenues and Transfers					4,415,519	970,080	5,385,599	58,632
Change in Net Assets					769,810	1,926,793	2,696,603	152,811
Net Assets - Beginning					24,659,967	16,055,580	40,715,547	181,302
Net Assets - Ending					\$ 25,429,777	\$ 17,982,373	\$ 43,412,150	\$ 334,113

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

# MAJOR FUNDS

## **Major Funds**

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### **Governmental**

#### **General Fund**

This fund accounts for the financial operations of the City that are not accounted for in any other fund. Principal sources of revenue are state aid and county-shared revenue and property taxes.

#### **Debt Service Fund**

This fund accounts for the payment of interest and principal on the special assessment bond issues.

#### **Municipal State Aid Construction Fund**

This accounts for the construction of capital assets financed by state aid.

#### **Capital Improvement Fund**

This fund accounts for the construction of streets, sewers, sidewalks and parks.

### **Proprietary**

The City's Enterprise Funds are used to account for self-supporting activities that render services to the general public on a user charge basis.

#### **Water Fund**

This fund accounts for the municipal water system.

#### **Sanitary Sewer Fund**

This fund accounts for the operation of the wastewater treatment plant and the sanitary sewer system.

#### **Electric Fund**

This fund accounts for the municipal electric utility operation. The City owns and operates the electric distribution system and buys all of its power requirements on a wholesale basis.

#### **Airport Fund**

This fund accounts for the municipal airport operations.

**CITY OF WASECA, MINNESOTA  
GOVERNMENTAL FUNDS  
BALANCE SHEET  
DECEMBER 31, 2005**

	General	Debt Service	Municipal State Aid Construction Fund	Capital Improvement Fund	Other Governmental Funds	Total Governmental Funds
<b>ASSETS</b>						
Cash and cash equivalents	\$ 46,225	\$ 25,526	\$ 98,397	\$ 34,311	\$ 454,891	\$ 659,350
Investments	2,800,000	1,500,000	400,000	600,000	2,425,000	7,725,000
Receivables						
Taxes	71,034	-	-	-	2,398	73,432
Accounts	68,080	39,945	-	4,256	32,992	145,273
Mobile home taxes	2,556	-	-	-	-	2,556
Computer program receivable	4,650	-	-	-	-	4,650
Assessments						
Receivables	-	1,019,724	-	-	-	1,019,724
Certified	-	169,472	-	-	-	169,472
Delinquent	-	5,435	-	-	-	5,435
Deferred	-	1,577	-	-	-	1,577
Interest	6,379	6,855	1,282	1,742	17,594	33,852
Loans	-	-	-	-	157,113	157,113
Land held for resale	-	-	-	182,142	960,467	1,142,609
Advance to component unit	-	-	-	-	29,107	29,107
Due from other funds	-	-	-	61,413	136,234	197,647
Total assets	<u>\$ 2,998,924</u>	<u>\$ 2,768,534</u>	<u>\$ 499,679</u>	<u>\$ 883,864</u>	<u>\$ 4,215,796</u>	<u>\$ 11,366,797</u>
<b>LIABILITIES AND FUND BALANCES</b>						
Liabilities:						
Accounts payable	\$ 198,754	\$ -	\$ -	\$ 146,414	\$ 163,781	\$ 508,949
Compensated absences	253,974	-	-	-	-	253,974
Due to other funds	-	-	-	-	85,441	85,441
Deferred revenue	-	1,026,736	-	-	83,205	1,109,941
Total liabilities	<u>452,728</u>	<u>1,026,736</u>	<u>-</u>	<u>146,414</u>	<u>332,427</u>	<u>1,958,305</u>
Fund balances:						
Reserved for:						
Loans	-	-	-	-	3,000	3,000
Advance to component unit	-	-	-	-	29,107	29,107
Land held for resale	-	-	-	182,142	960,467	1,142,609
Debt service	-	1,741,798	-	-	115,437	1,857,235
Unreserved, designated, reported in:						
General fund	2,546,196	-	-	-	-	2,546,196
Special revenue funds	-	-	-	-	655,164	655,164
Capital projects funds	-	-	499,679	555,308	2,142,396	3,197,383
Unreserved, undesignated, reported in:						
Capital projects funds	-	-	-	-	(108,665)	(108,665)
Special revenue funds	-	-	-	-	86,463	86,463
Total fund balances	<u>2,546,196</u>	<u>1,741,798</u>	<u>499,679</u>	<u>737,450</u>	<u>3,883,369</u>	<u>9,408,492</u>
Total liabilities and fund balances	<u>\$ 2,998,924</u>	<u>\$ 2,768,534</u>	<u>\$ 499,679</u>	<u>\$ 883,864</u>	<u>\$ 4,215,796</u>	

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

Capital assets (net of accumulated depreciation) used in governmental activities are not financial resources and, therefore, are not reported in the funds.	21,282,965
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds.	1,108,364
Internal service fund assets and liabilities are included in governmental activities in the statement of net assets.	680,034
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.	(7,050,078)
Net assets of governmental activities	<u>\$ 25,429,777</u>

**CITY OF WASECA, MINNESOTA**  
**GOVERNMENTAL FUNDS**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**FOR THE YEAR ENDED DECEMBER 31, 2005**

	General	Debt Service	Municipal State Aid Construction Fund	Capital Improvement Fund	Other Governmental Funds	Total Governmental Funds
<b>REVENUES</b>						
Taxes	\$ 2,363,676	\$ -	\$ -	\$ -	\$ 100,456	\$ 2,464,132
Licenses	42,797	-	-	-	-	42,797
Permits and fees	253,192	-	-	10,920	-	264,112
Intergovernmental	2,293,749	-	1,001,654	5,255	717,258	4,017,916
Charges for services	20,663	-	-	-	-	20,663
Fines	36,300	-	-	-	-	36,300
Assessments	-	313,129	-	-	-	313,129
Interest on assessments	-	40,427	-	-	-	40,427
Miscellaneous	167,703	48,609	45,710	164,682	502,692	929,396
Total revenues	<u>5,178,080</u>	<u>402,165</u>	<u>1,047,364</u>	<u>180,857</u>	<u>1,320,406</u>	<u>8,128,872</u>
<b>EXPENDITURES</b>						
Current:						
General government	1,181,744	-	-	-	-	1,181,744
Public safety	1,829,735	-	-	-	-	1,829,735
Streets and highways	1,207,404	-	-	-	-	1,207,404
Sanitation	31,339	-	-	-	-	31,339
Cultural and recreation	697,503	-	-	-	-	697,503
Materials and supplies	-	-	-	-	1,208	1,208
Separation contribution	-	-	-	-	1,600	1,600
Services and charges	-	-	21,897	-	1,028,596	1,050,493
Other services	228,528	-	-	-	-	228,528
Debt service:						
Bond principal	-	215,000	-	-	75,000	290,000
Interest and fiscal charges	-	119,008	-	-	35,011	154,019
Capital outlay	-	-	1,525,293	443,209	550,520	2,519,022
Total expenditures	<u>5,176,253</u>	<u>334,008</u>	<u>1,547,190</u>	<u>443,209</u>	<u>1,691,935</u>	<u>9,192,595</u>
Excess of revenues over (under) expenditures	<u>1,827</u>	<u>68,157</u>	<u>(499,826)</u>	<u>(262,352)</u>	<u>(371,529)</u>	<u>(1,063,723)</u>
<b>OTHER FINANCING SOURCES (USES)</b>						
Transfers in	439,000	-	-	800,000	94,506	1,333,506
Proceeds from equipment notes	417,775	-	-	-	7,225	425,000
Proceeds from bonds	-	-	801,780	-	2,138,220	2,940,000
Premium on bonds sold	1,700	-	-	-	-	1,700
Sale of land	-	-	-	-	597,735	597,735
Bond discounts	-	-	(8,855)	-	(11,734)	(20,589)
Transfers out	<u>(1,117,083)</u>	<u>-</u>	<u>-</u>	<u>(800,000)</u>	<u>-</u>	<u>(1,917,083)</u>
Total other financing sources (uses)	<u>(258,608)</u>	<u>-</u>	<u>792,925</u>	<u>-</u>	<u>2,825,952</u>	<u>3,360,269</u>
Net change in fund balances	<u>(256,781)</u>	<u>68,157</u>	<u>293,099</u>	<u>(262,352)</u>	<u>2,454,423</u>	<u>2,296,546</u>
Fund balances - beginning	2,802,977	1,673,641	206,580	999,802	1,428,946	7,111,946
Fund balances - ending	<u>\$ 2,546,196</u>	<u>\$ 1,741,798</u>	<u>\$ 499,679</u>	<u>\$ 737,450</u>	<u>\$ 3,883,369</u>	<u>\$ 9,408,492</u>

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

**CITY OF WASECA, MINNESOTA**  
**RECONCILIATION OF THE STATEMENT OF REVENUES,**  
**EXPENDITURES, AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS**  
**TO THE STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED DECEMBER 31, 2005**

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

Net change in fund balances-total governmental funds		\$	2,296,546
Governmental funds report capital outlays as expenditures while governmental activities report depreciation expense to allocate those expenditures over the life of the asset.			
Capital outlay	2,518,737		
Gain on disposal of assets	230,111		
Proceeds from sales of capital assets	(597,735)		
Depreciation expense	<u>(1,007,730)</u>		1,143,383
Revenues (special assessment and loan receivable deferred revenue) in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds.			
			431,471
The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the Statement of Activities. This is the amount repayments (\$290,000) and premiums (\$1,313) are less than proceeds (\$3,365,000), issuance costs (\$61,040) and discounts (\$18,495) in the current period.			
			(2,996,778)
Some expenses (changes in accrued interest) 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.			
			(16,882)
The net loss of the Internal Service funds is reported with governmental activities.			
			<u>(87,930)</u>
Change in net assets of governmental activities		\$	<u>769,810</u>

**CITY OF WASECA, MINNESOTA**  
**GENERAL FUND**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES-**  
**BUDGET AND ACTUAL**  
**FOR THE YEAR ENDED DECEMBER 31, 2005**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>Final Budget-Positive</u>
				<u>(Negative)</u>
<b>REVENUES</b>				
Taxes	\$ 2,339,129	\$ 2,339,129	\$ 2,363,676	\$ 24,547
Licenses	41,000	41,000	42,797	1,797
Permits and fees	144,500	144,500	253,192	108,692
Intergovernmental	2,278,886	2,278,886	2,293,749	14,863
Charges for services	6,000	6,000	20,663	14,663
Fines	36,200	36,200	36,300	100
Miscellaneous	143,300	143,300	167,703	24,403
Total revenues	<u>4,989,015</u>	<u>4,989,015</u>	<u>5,178,080</u>	<u>189,065</u>
<b>EXPENDITURES</b>				
Current:				
General government	1,110,327	1,110,327	1,181,744	(71,417)
Public safety	1,689,606	1,689,606	1,829,735	(140,129)
Streets and highways	1,224,597	1,224,597	1,207,404	17,193
Sanitation	41,985	41,985	31,339	10,646
Cultural and recreation	692,835	692,835	697,503	(4,668)
Other services	219,200	219,200	228,528	(9,328)
Total expenditures	<u>4,978,550</u>	<u>4,978,550</u>	<u>5,176,253</u>	<u>(197,703)</u>
Excess of revenues over (under) expenditures	<u>10,465</u>	<u>10,465</u>	<u>1,827</u>	<u>(8,638)</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	439,000	439,000	439,000	-
Proceeds from equipment notes	250,000	250,000	417,775	167,775
Premium on bonds sold	-	-	1,700	1,700
Transfers out	(957,000)	(957,000)	(1,117,083)	(160,083)
Total other financing sources (uses)	<u>(268,000)</u>	<u>(268,000)</u>	<u>(258,608)</u>	<u>9,392</u>
Net change in fund balances	<u>(257,535)</u>	<u>(257,535)</u>	<u>(256,781)</u>	<u>754</u>
Fund balances - beginning	<u>2,802,977</u>	<u>2,802,977</u>	<u>2,802,977</u>	
Fund balances - ending	<u>\$ 2,545,442</u>	<u>\$ 2,545,442</u>	<u>\$ 2,546,196</u>	



CITY OF WASECA, MINNESOTA  
 PROPRIETARY FUNDS  
 STATEMENT OF NET ASSETS  
 DECEMBER 31, 2005

	Business-type Activities-Enterprise Funds					Governmental Activities- Internal Service Funds
	Water Fund	Sanitary Sewer Fund	Electric Fund	Airport Fund	Totals	
<b>ASSETS</b>						
Current assets:						
Cash and cash equivalents	\$ 39,825	\$ 56,983	\$ -	\$ 15,049	\$ 111,857	\$ 178,519
Investments	1,400,000	1,350,000	65,000	75,000	2,890,000	485,000
Restricted cash and cash equivalents:						
Customer deposits	-	-	130,245	-	130,245	-
Accounts receivable	91,891	159,521	479,330	73,221	803,963	-
Utility receivable	4,945	3,297	-	-	8,242	-
Interest receivable	4,603	22,979	346	346	28,274	3,047
Assessments	218,293	231,048	-	-	449,341	-
Materials and supplies inventories	-	-	145,937	-	145,937	-
Total current assets	1,759,557	1,823,828	820,858	163,616	4,567,859	666,566
Noncurrent assets:						
Restricted assets:						
Investment with bond escrow agent	-	1,810,161	-	-	1,810,161	-
Total restricted assets	-	1,810,161	-	-	1,810,161	-
Capital assets:						
Land	10,585	12,700	88,130	174,580	285,995	-
Buildings	145,876	2,661,891	473,485	156,546	3,437,798	-
Improvements	8,107,389	8,946,039	7,418,462	531,941	25,003,831	-
Construction in progress	26,731	267,462	-	75,236	369,429	-
Machinery and equipment	499,336	5,430,174	1,215,311	14,295	7,159,116	-
Less accumulated depreciation	(4,160,055)	(6,769,572)	(5,360,898)	(375,000)	(16,665,525)	-
Total capital assets (net of accumulated depreciation)	4,629,862	10,548,694	3,834,490	577,598	19,590,644	-
Other assets:						
Service territory (net of amortization)	-	-	139,512	-	139,512	-
Deferred bond issuance costs	8,173	56,490	-	-	64,663	-
Total other assets	8,173	56,490	139,512	-	204,175	-
Total noncurrent assets	4,638,035	12,415,345	3,974,002	577,598	21,604,980	-
Total assets	\$ 6,397,592	\$ 14,239,173	\$ 4,794,860	\$ 741,214	\$ 26,172,839	\$ 666,566
<b>LIABILITIES</b>						
Current liabilities:						
Accounts payable	\$ 8,523	\$ 414,159	\$ 320,280	\$ 3,649	\$ 746,611	\$ 62,223
Due to other funds	-	-	112,206	-	112,206	-
Customer deposits payable	-	-	130,245	-	130,245	-
Revenue bonds payable	145,000	1,930,000	-	-	2,075,000	-
Unearned revenue-utility	4,945	3,297	-	-	8,242	-
Accrued interest payable	32,449	101,109	-	-	133,558	-
Total current liabilities	190,917	2,448,565	562,731	3,649	3,205,862	62,223
Noncurrent liabilities:						
Revenue bonds payable	1,604,261	3,208,889	-	-	4,813,150	-
Compensated absences	12,250	16,107	67,406	-	95,763	-
Total noncurrent liabilities	1,616,511	3,224,996	67,406	-	4,908,913	-
Total liabilities	1,807,428	5,673,561	630,137	3,649	8,114,775	62,223
<b>NET ASSETS</b>						
Invested in capital assets, net of related debt	2,888,774	7,276,456	3,834,490	577,598	14,577,318	-
Unrestricted	1,701,390	1,289,156	330,233	159,967	3,480,746	604,343
Total net assets	\$ 4,590,164	\$ 8,565,612	\$ 4,164,723	\$ 737,565	18,058,064	\$ 604,343
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds.					(75,691)	
Net assets of business-type activities					\$ 17,982,373	

CITY OF WASECA, MINNESOTA  
 PROPRIETARY FUNDS  
 STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS  
 FOR THE YEAR ENDED DECEMBER 31, 2005

	Business-type Activities-Enterprise Funds					Governmental Activities-Internal Service Funds
	Water Fund	Sanitary Sewer Fund	Electric Fund	Airport Fund	Totals	
<b>OPERATING REVENUES</b>						
Charges for services	\$ 1,307,187	\$ 1,796,985	\$ 5,171,946	\$ 49,811	\$ 8,325,929	\$ 339,808
Intergovernmental	-	-	-	-	-	40,560
Miscellaneous	8,093	-	9,460	-	17,553	-
Total operating revenues	<u>1,315,280</u>	<u>1,796,985</u>	<u>5,181,406</u>	<u>49,811</u>	<u>8,343,482</u>	<u>380,368</u>
<b>OPERATING EXPENSES</b>						
Power purchased	76,591	-	3,528,236	-	3,604,827	-
Personal services	224,139	357,455	703,901	-	1,285,495	99,543
Supplies	92,613	92,677	306,386	2,937	494,613	123,545
Services and charges	169,182	406,592	163,104	44,850	783,728	5,850
Depreciation	302,009	458,359	329,961	23,390	1,113,719	-
Insurance payment	-	-	-	-	-	81,448
Insurance premium	-	-	-	-	-	210,675
Total operating expenses	<u>864,534</u>	<u>1,315,083</u>	<u>5,031,588</u>	<u>71,177</u>	<u>7,282,382</u>	<u>521,061</u>
Operating income (loss)	<u>450,746</u>	<u>481,902</u>	<u>149,818</u>	<u>(21,366)</u>	<u>1,061,100</u>	<u>(140,693)</u>
<b>NONOPERATING REVENUES (EXPENSES)</b>						
Operating grant	-	-	-	10,809	10,809	-
Federal grant	-	-	-	73,221	73,221	-
Loss on disposal of capital assets	-	-	(5,911)	-	(5,911)	-
Interest income	51,403	82,252	5,764	4,024	143,443	17,302
Interest expense	(71,152)	(195,869)	(3,665)	-	(270,686)	-
Refunds and reimbursements	-	160,326	1,947	-	162,273	-
Agent fee	(873)	(350)	-	-	(1,223)	-
Amortization expense	(2,561)	(13,921)	(20,927)	-	(37,409)	-
Total nonoperating revenues (expenses)	<u>(23,183)</u>	<u>32,438</u>	<u>(22,792)</u>	<u>88,054</u>	<u>74,517</u>	<u>17,302</u>
Income (loss) before contributions and transfers	427,563	514,340	127,026	66,688	1,135,617	(123,391)
Capital contributions	155,467	87,593	-	-	243,060	-
Transfers in	50,000	884,000	125,000	-	1,059,000	-
Transfers out	(59,283)	(49,866)	(366,274)	-	(475,423)	-
Change in net assets	573,747	1,436,067	(114,248)	66,688	1,962,254	(123,391)
Total net assets-beginning	<u>4,016,417</u>	<u>7,129,545</u>	<u>4,278,971</u>	<u>670,877</u>	<u>16,095,810</u>	<u>727,734</u>
Total net assets-ending	<u>\$ 4,590,164</u>	<u>\$ 8,565,612</u>	<u>\$ 4,164,723</u>	<u>\$ 737,565</u>	<u>18,058,064</u>	<u>\$ 604,343</u>
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds.					(75,691)	
Net assets of business-type activities					<u>\$ 17,982,373</u>	

*Cumulative on B.S. & current year & on start of Rev.*

CITY OF WASECA, MINNESOTA  
 PROPRIETARY FUNDS  
 STATEMENT OF CASH FLOWS  
 FOR THE YEAR ENDED DECEMBER 31, 2005

	Business-Type Activities-Enterprise Funds					Governmental Activities- Internal Service Funds
	Water Fund	Sanitary Sewer Fund	Electric	Airport	Totals	
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>						
Cash received from (paid to) customers	\$ 1,138,591	\$ 1,656,769	\$ 5,178,976	\$ (23,410)	\$ 7,950,926	\$ -
Cash received from other funds and reimbursements	-	-	-	-	-	380,368
Cash payments to suppliers	(354,265)	(134,702)	(3,951,265)	(45,405)	(4,485,637)	-
Cash payments to employees	(223,846)	(355,225)	(687,667)	-	(1,266,738)	(99,543)
Cash payments for interfund services used	-	-	-	-	-	(401,166)
Net cash provided (used) by operating activities	<u>560,480</u>	<u>1,166,842</u>	<u>540,044</u>	<u>(68,815)</u>	<u>2,198,551</u>	<u>(120,341)</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>						
Due to other funds	-	-	112,206	-	112,206	-
Refunds and reimbursements	-	160,326	1,947	-	162,273	-
State aid-maintenance	-	-	-	10,809	10,809	-
Federal grant	-	-	-	73,221	73,221	-
Payments on notes	-	-	(52,317)	-	(52,317)	-
Transfers from other funds	50,000	884,000	125,000	-	1,059,000	-
Transfers to other funds	(59,283)	(49,866)	(366,274)	-	(475,423)	-
Net cash provided (used) by noncapital financing activities	<u>(9,283)</u>	<u>994,460</u>	<u>(179,438)</u>	<u>84,030</u>	<u>889,769</u>	<u>-</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>						
Proceeds from the sale of bonds	435,000	1,325,000	-	-	1,760,000	-
Investment with bond escrow agent	-	37,527	-	-	37,527	-
Principal paid on bonds	(145,000)	(125,000)	-	-	(270,000)	-
Acquisition and construction of capital assets	(525,208)	(2,651,356)	(536,792)	(75,236)	(3,788,592)	-
Bond discounts	(331)	(993)	-	-	(1,324)	-
Bond issuance costs	(8,709)	(25,506)	-	-	(34,215)	-
Agent fee	(873)	(350)	-	-	(1,223)	-
Interest expense	(63,351)	(181,434)	(3,665)	-	(248,450)	-
Net cash used by capital and related financing activities	<u>(308,472)</u>	<u>(1,622,112)</u>	<u>(540,457)</u>	<u>(75,236)</u>	<u>(2,546,277)</u>	<u>-</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>						
Purchase of investments	(400,000)	(725,000)	-	(75,000)	(1,200,000)	(200,000)
Proceeds from sale of investments	-	-	135,000	-	135,000	315,000
Interest on investments	49,208	84,608	5,520	3,678	143,014	15,088
Net cash provided (used) by investing activities	<u>(350,792)</u>	<u>(640,392)</u>	<u>140,520</u>	<u>(71,322)</u>	<u>(921,986)</u>	<u>130,088</u>
Net increase (decrease) in cash and cash equivalents	<u>(108,067)</u>	<u>(101,202)</u>	<u>(39,331)</u>	<u>(131,343)</u>	<u>(379,943)</u>	<u>9,747</u>
Cash and cash equivalents, January 1	147,892	158,185	39,331	146,392	491,800	168,772
Cash and cash equivalents, December 31	<u>\$ 39,825</u>	<u>\$ 56,983</u>	<u>\$ -</u>	<u>\$ 15,049</u>	<u>\$ 111,857</u>	<u>\$ 178,519</u>
<b>Reconciliation of operating income to net cash provided (used) by operating activities:</b>						
Operating income (loss)	\$ 450,746	\$ 481,902	\$ 149,818	\$ (21,366)	\$ 1,061,100	\$ (140,693)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities						
Depreciation	302,009	458,359	329,961	23,390	1,113,719	-
Change in assets and liabilities						
Increase in accounts receivable	(552)	(6,536)	(2,430)	(73,221)	(82,739)	-
Increase in receivable-special assessment	(159,908)	(121,005)	-	-	(280,913)	-
Increase in receivable-certified	(17,637)	(13,755)	-	-	(31,392)	-
Decrease in receivable-delinquent	1,184	930	-	-	2,114	-
Increase in unearned revenue - utility	224	150	-	-	374	-
Decrease in inventory	-	-	35,887	-	35,887	-
Increase (decrease) in accounts payable	(15,879)	364,567	10,574	2,382	361,644	20,352
Increase in compensated absences	293	2,230	16,234	-	18,757	-
Total adjustments	<u>109,734</u>	<u>684,940</u>	<u>390,226</u>	<u>(47,449)</u>	<u>1,137,451</u>	<u>20,352</u>
Net cash provided (used) by operating activities	<u>\$ 560,480</u>	<u>\$ 1,166,842</u>	<u>\$ 540,044</u>	<u>\$ (68,815)</u>	<u>\$ 2,198,551</u>	<u>\$ (120,341)</u>
<b>Noncash investing, capital, and financing activities:</b>						
Amortization of bond issuance costs	\$ 2,561	\$ 13,921	\$ -	\$ -	\$ 16,482	\$ -
Amortization of service territory	-	-	20,927	-	20,927	-
Capital contributions	155,467	87,593	-	-	243,060	-

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# **NOTES TO THE FINANCIAL SECTION**



**CITY OF WASECA**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2005**

**I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The financial statements of the City of Waseca have been prepared in accordance with Generally Accepted Accounting Principles (GAAP) in the United States. GAAP statements include all relevant Governmental Accounting Standards Board (GASB) pronouncements. The GASB is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The most significant of the City's policies are described below.

**A. Reporting Entity**

The City of Waseca, incorporated in 1868 and under Article XII, Section 4, of the Minnesota Constitution, is chartered as a Home Rule City. The Charter established a Mayor-Council form of government. The governing body consists of six elected council members and a mayor. The City Manager administers policies and coordinates the activities of the City. The heads of the various departments, formed to provide various services, are under the direct supervision of the City Manager.

The accompanying financial statements present the City and its component unit (The Economic Development Authority of the City of Waseca), an entity for which the government is considered financially accountable. The discretely presented component unit is reported in a separate column in the basic financial statements to emphasize that it is legally separate from the government. The discretely presented component unit has a December 31 year-end.

## **Individual Component Unit Disclosures**

**Discretely Presented Component Unit** – The Economic Development Authority of the City of Waseca is governed by five members, all appointed by the City Council and financial assistance is made by the City. The Economic Development Authority of the City of Waseca is comprised of two funds, one of which is a governmental activity and the other, which is a business-type activity. Complete financial statements are available upon request from The Economic Development Authority of the City of Waseca at 508 South State Street, Waseca, MN.

### **B. Basic Financial Statements**

Basic financial statements are presented at both the government-wide and fund financial level. Both levels of statements categorize primary activities as either governmental or business-type. Governmental activities, which are normally 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.

Government-wide financial statements report information about the reporting government as a whole. For the most part, the effect of interfund activity has been removed from these statements. These statements focus on the sustainability of the City as an entity and the change in aggregate financial position resulting from the activities of the year. These aggregated statements consist of the Statement of Net Assets and the Statement of Activities.

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.



Fund financial statements report information at the individual fund level. Each fund is considered to be a separate accounting entity. Funds are classified as governmental, proprietary, and fiduciary. Currently, the City has only governmental and proprietary type funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements. Non-major funds are consolidated in a single column in the financial section of the basic financial statements.

### **C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation**

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the 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. Internal service fund activity is eliminated to avoid "doubling up" of revenues and expenses.

Governmental fund financial statements are reported using the current financial resources management focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers revenues to be available if they are collected within 60 days of year-end. Expenditures are recorded when the related fund liability is incurred. 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, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the City.

The City reports the following major governmental funds:

*General Fund*

This 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.

*Debt Service Fund*

This is used to accumulate special assessment revenues collected for payment of special assessment principal and interest. These debt issues were sold to finance construction of various projects that were deemed to benefit only those residents in the immediate area of the projects and are paid for by those residents through assessments against their property.

*Municipal State Aid Construction Fund*

This accounts for the construction of capital assets, which are financed from State aid.

*Capital Improvement Fund*

This accounts for the construction of capital assets, which are financed from various sources other than special assessment debt.

The City reports the following major proprietary funds:

*Water Fund*

This accounts for the water service charges, which are used to finance the water system operating expenses.

*Sanitary Sewer Fund*

This accounts for the sanitary sewer service charges, which are used to finance the sanitary sewer system operating expenses.

*Electric Fund*

This accounts for the electric service charges, which are used to finance the electric system operating expenses.

*Airport Fund*

This accounts for the income and expenses of the municipal airport operations.

Additionally, the City reports the following fund type:

Internal Service funds account for services and/or commodities provided to other departments of the City on a cost reimbursement basis. The City has four Internal Service funds. The property and liability insurance fund provides for risk management activities for property and liability insurance. The workers compensation insurance fund provides for risk management activities for workers compensation insurance. The equipment replacement fund provides for purchases of capital equipment, and the use of this fund has been substantially reduced, as the City issues capital equipment notes, due to the reduced interest rates. The City also initiated a central garage fund, which accounts for all activity of the servicing of City vehicles and equipment.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for the business-type activities and enterprise funds, subject to this same limitation. The City has elected to follow subsequent private-sector guidance except those that conflict with or contradict GASB guidance.

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

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 and expenses of the City's enterprise funds and internal service funds are charges to customers for 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.

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

#### **D. Assets, Liabilities, and Net Assets or Equity**

##### **1. Deposits and Investments**

Cash balances from all funds are pooled and invested to the extent available in certificates of deposit as authorized by resolution of the City Council. Earnings from investments are allocated monthly to each fund based on month end balances of cash and investments.

Investments are stated at fair value as of the end of the year, except for non-negotiable certificates of deposit, which are stated at cost.

For purposes of the statement of cash flows, the enterprise and internal service funds consider cash on hand, demand deposits, and short-term investments with original maturities of three months or less when purchased to be cash and cash equivalents.

##### **2. Property Tax Receivables**

The City levies its property tax for the subsequent year in October. This levy is certified to the County of Waseca, as they are the collection agency for taxes within the County. Taxes are recognized as receivables in the current year when the City is notified by the County of the amounts. They become a lien against the property on the date of levy. Taxes are due and payable at the County on May 15 and October 15, and collections are remitted to the City in June and November. Adjustments are made to delinquent taxes based on the records of the County Auditor.

##### **3. Interfund Receivables and Payables**

During the course of operations, numerous transactions occur between individual funds for goods provided and services rendered. Short-term interfund loans are classified as "due to/from other funds". All short-term interfund receivables and payables at year-end are planned to be eliminated in the subsequent year. Any residual balances outstanding between governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances".

**4. Accounts Receivables – Utilities**

The utilities provide an allowance for bad debts using the allowance method, based on management's judgment. Services are sold on an unsecured basis. Payment is generally required within 15 days of the date of billing. Accounts past due are individually analyzed for collectibility. The amount of uncollectible accounts is not considered significant.

**5. Inventories**

Inventories are valued at cost using the first-in/first-out (FIFO) method. The cost of inventories is recorded as an expenditure/expense when consumed rather than when purchased.

**6. Restricted Assets**

**Customer Deposits –** The City of Waseca electric utility collects a deposit fee from residential rental and commercial customers upon application for utility service. This deposit is a safeguard against higher risk delinquent accounts, and is returned to the customer upon cancellation of service by the customer or maintenance of adequate credit history for a one-year period. These deposits are restricted to the extent of the customer deposits payable.

**Investments with Bond Escrow Agent –** This amount consists of United States Treasury Securities held by an escrow agent for the purpose of refunding the General Obligation Sewer Revenue Bonds, Series 1995A maturing in the years 2007 through 2016 (See Note IV F). These assets are sufficient to meet the debt service on the Refunding Bonds through the February 1, 2006 call date on the General Obligation Sewer Revenue Bonds, Series 1995A.

## **7. Capital Assets**

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g. roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Infrastructure assets acquired prior to the implementation of GASB 34 have been reported. Capital assets are defined by the City as assets with an initial cost of more than \$5,000 and an estimated useful life in excess of two years. Capital assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded as estimated fair market value as of the date of the donation.

The costs of normal maintenance and repairs that do not add to the value or capacity of the asset or materially extend assets lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed.

Depreciation on exhaustible assets is recorded as an allocated expense in the Statement of Activities with accumulated depreciation reflected in the Statement of Net Assets. Property, plant, and equipment are depreciated using the straight line method over the following estimated useful lives:

Buildings	20-50 Years
Improvements Other than Buildings	5-50 Years
Water Distribution System	30-70 Years
Sewer Collection System	30-70 Years
Electric Distribution System	20-50 Years
Machinery and Equipment	6-50 Years
Vehicles	4-20 Years
Infrastructure	30-70 Years

## **8. Compensated Absences**

It is the City's policy to permit employees to accumulate earned but unused vacation and sick pay benefits. All vacation and the portion of sick pay allowable as severance pay is accrued when incurred in the government-wide and proprietary fund financial statements. The current portion for these amounts is calculated based on historical trends.

**9. 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 statements of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest rate method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued and premiums received on debt issuances are reported as other financing sources. Discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

**10. Fund Equity**

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use of a specified purpose. Designations of fund balance represent tentative management plans that are subject to change.

**11. Use of Estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could vary from those estimates.

## II. RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

### Explanation of certain differences between the governmental fund balance sheet and the government-wide statement of net assets

The governmental fund balance sheet includes a reconciliation between fund balance – total governmental funds and net assets – governmental activities as reported in the government-wide statement of net assets. One element of that reconciliation explains, “long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.”

The details of this difference are as follows:

Bonds and capital equipment notes	\$ 7,058,177
Less: deferred issuance costs	(90,320)
Accrued interest payable	82,221
Total difference	<u>\$ (7,050,078)</u>

## III. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

### A. Budgetary Information

Annual budgets are adopted on a basis consistent with generally accepted accounting principles. Annual appropriated budgets are adopted for the general fund, certain special revenue funds, and certain capital project funds. Any modifications in the adopted budget can be made upon request of and approval by the City Council. All annual appropriations lapse at fiscal year-end. Defined project financial plans are adopted on a 5-year capital improvement plan.

On or before mid-July each year, all agencies of the City submit requests for appropriations to the City Manager so that a budget may be prepared. The budget is prepared for the general, certain special revenue and certain capital projects funds, by function and activity and includes information on the preceding two fiscal years, current year estimates of expenditures, budget and requested, recommended and adopted appropriations for the next fiscal year.

The proposed budget is presented to the City Council for review at their first meeting in September. The City Council holds public hearings and may add to, subtract from, or change appropriations, but may not change the form of the budget. Any changes in the budget must be within the revenues as estimated by the City Manager. The City Council must adopt the annual budget by December 28<sup>th</sup> of each year.



Expenditures may not legally exceed budgeted appropriations at the total level for each function or activity. Management cannot amend the adopted budget, but must request the City Council to transfer funds between functions or activities or adopt supplemental appropriations when the need arises. There were no supplemental appropriations in 2005.

## **B. Excess of Expenditures Over Appropriations**

The following funds had an excess of expenditures over appropriations in the following amounts:

	<u>Budget</u>	<u>Actual</u>
General Fund	\$ 4,978,550	\$ 5,176,253
<u>Special Revenue Funds</u>		
Small Cities Development Program	\$ 250,000	\$ 387,007
Waseca Housing Fund	12,000	12,999
Police Separation	1,000	1,600
Police Reserve	500	4,845
Fire Relief	66,000	70,588
<u>Capital Project Fund</u>		
Municipal State Aid Construction Fund	\$ 900,000	\$ 1,547,190
Annexation & Growth Fund	25,000	27,788

The General Fund experienced an excess of expenditures over appropriations due to the transfer of funds to the various utility funds for their portion of equipment purchases, specific to each fund's capital equipment plan. The 2005 General Fund budget did not include these amounts in the budgeted expenditures, as details for these purchases in the utility funds were pending, due to the completion of on-going rate studies.

The Small Cities Development Program had higher than anticipated residential and commercial participation in the multi-year grant program, resulting in unbudgeted expenditures.

The City Council authorized use of the Waseca Housing Fund to fund additional commercial and rental property upgrades, resulting in unbudgeted expenditures. In 2005, the Police Separation experienced the early separation of two reservists from the volunteer unit, requiring payment of the defined separation allowance.

The Police Reserves were utilized for many community events, allowing for unbudgeted costs of service.

The Fire Relief receives a state aid allotment for pension funding. This amount in 2005 was higher than budgeted, resulting in pension expenditures higher than budgeted.

The Municipal State Aid Construction funded the 11<sup>th</sup> Avenue NW corridor project which included the street, trails, drainage and infrastructure related to the road extension. This project was significantly higher than budgeted, resulting in unbudgeted expenditures.

The Annexation & Growth Fund utilized funding for an extensive sewer system capacity study for future expansion.

#### **C. Deficit Fund Equity**

The Water Park Construction Fund had a deficit fund balance of \$87,583 as of December 31, 2005, as a result of the payments to design engineers for the implementation of the construction project which will begin in 2006. The City will issue debt in 2006 as well as establishing a fee/revenue plan for the operation of the water park, which will provide coverage for the project costs and eliminate this deficit.

The Special Assessment fund had a deficit fund balance of \$21,082 as of December 31, 2005, as a result of expenditures related to the Pondview housing site development. The City will be preparing a final assessment role for the construction work related to the street and drainage project to be completed in mid 2006 and eliminate this deficit.

### **IV. DETAILED NOTES ON ALL FUNDS**

#### **A. Deposits and Investments**

*Deposits.* State statutes require that all deposits in financial institutions in excess of the \$100,000 insured by the Federal Depository Insurance Corporation (FDIC) be collateralized at 110% by U.S. Government obligations or its agencies and instrumentalities or direct obligations of any state or local government with taxing powers which is rated "A" or better by a national bond rating service. Collateral pledged by the various banks is held in safekeeping departments of banks other than the pledging bank or the Federal Reserve Bank and held in the name of the City. It is required that the City sign authorizations releasing collateral once it is pledged. As of December 31, 2005, \$766,563 of the City's deposits were exposed to custodial credit risk.

*Investments.* State statutes and city resolutions authorize the City's investments. The City is authorized by state statutes to invest in U.S. Government obligations and its agencies or instrumentalities, state, or local securities meeting certain rating guidelines, commercial paper, insured or collateralized certificates of deposit, and certain high-risk mortgage backed securities. The City is authorized by council resolution to invest in U.S. Government obligations and its agencies or instrumentalities, state or local securities meeting certain rating guidelines, commercial paper, and insured or collateralized certificates of deposit in various financial institutions. This policy is the same for all fund types reported herein. The City's investments as of December 31, 2005 consisted of:

	<u>Fair Value</u>
U.S. Treasury Securities (SLGS)	<u>\$ 1,810,161</u>

These investments are held by an escrow agent in accordance with escrow agreements established with the sale of the General Obligation Sewer Revenue Refunding Bonds of 2004B. The securities mature on February 1, 2006 at which time the proceeds will be used to pay in full the General Obligation Sewer Revenue Bonds of 1995A. The interest rate on the U.S. Treasury Securities (SLGS) is 1.74%.

The deposits and investments of the City are presented in the financial statements as follows:

Deposits	\$ 12,179,971
Investments	<u>1,810,161</u>
Total cash, cash equivalents, and investments	<u>\$ 13,990,132</u>
Cash and cash equivalents - governmental activities	\$ 837,869
Investments - governmental activities	8,210,000
Cash and cash equivalents - business-type activities	111,857
Investments - business-type activities	2,890,000
Customer deposits	130,245
Investment with bond escrow agent	<u>1,810,161</u>
	<u>\$ 13,990,132</u>

## B. Receivables

In the government-wide statements, receivables consist of all revenues earned at year-end and not yet received. Major receivable balances for the governmental activities include franchise fees and miscellaneous rental charges. Business-type activities report utility earnings as their major receivables.

Governmental funds report deferred revenue 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 year, the two components of deferred revenue reported in the governmental funds were for special assessments not yet due (debt service fund) and loans receivable not yet due (special revenue fund) for the amounts of \$1,026,736 and \$83,205, respectively.

## C. Capital Assets

Capital asset activity for governmental activities for the year ended December 31, 2005 was as follows:

	Beginning Balances	Increases	Decreases	Ending Balances
Land	\$ 1,390,997	\$ 60,305	\$ 351,454	\$ 1,099,848
Construction in progress	82,344	47,697	82,344	47,697
Depreciable capital assets:				
Buildings	1,595,017	-	-	1,595,017
Improvements other than buildings	3,201,549	66,580	1,000	3,267,129
Equipment	3,606,900	214,088	98,827	3,722,161
Infrastructure	24,272,853	2,215,938	-	26,488,791
Total depreciable	32,676,319	2,496,606	99,827	35,073,098
Accumulated depreciation:				
Buildings	1,105,330	43,618	-	1,148,948
Improvements other than buildings	1,467,734	97,153	1,000	1,563,887
Equipment	1,720,038	267,227	79,130	1,908,135
Infrastructure	9,716,976	599,732	-	10,316,708
Total accumulated depreciation	14,010,078	1,007,730	80,130	14,937,678
Governmental activities capital assets, net	\$ 20,139,582	\$ 1,596,878	\$ 453,495	\$ 21,282,965

Depreciation expense for governmental activities is charged to functions as follows:

General Government	\$ 56,986
Public Safety	107,601
Streets and Highways	721,002
Culture and Recreation	<u>122,141</u>
Total depreciation for governmental activities	<u>\$ 1,007,730</u>

Capital Asset activity for business-type activities for the year ended December 31, 2005 was as follows:

	Beginning Balances	Increases	Decreases	Ending Balances
Land	\$ 285,995	\$ -	\$ -	\$ 285,995
Construction in progress	<u>244,907</u>	<u>316,117</u>	<u>191,595</u>	<u>369,429</u>
Depreciable capital assets				
Buildings	3,433,073	4,725	-	3,437,798
Improvements other than buildings	21,335,931	3,718,913	51,013	25,003,831
Equipment	<u>7,024,743</u>	<u>183,491</u>	<u>49,118</u>	<u>7,159,116</u>
Total depreciable	<u>31,793,747</u>	<u>3,907,129</u>	<u>100,131</u>	<u>35,600,745</u>
Accumulated depreciation				
Buildings	1,099,239	57,432	-	1,156,671
Improvements Other than Buildings	11,501,057	772,133	45,103	12,228,087
Equipment	<u>3,045,731</u>	<u>284,154</u>	<u>49,118</u>	<u>3,280,767</u>
Total accumulated depreciation	<u>15,646,027</u>	<u>1,113,719</u>	<u>94,221</u>	<u>16,665,525</u>
Business-type activities capital assets, net	<u>\$ 16,678,622</u>	<u>\$ 3,109,527</u>	<u>\$ 197,505</u>	<u>\$ 19,590,644</u>

Depreciation expense for business-type activities is charged to functions as follows:

Water	\$ 302,009
Sewer	458,359
Electric	329,961
Airport	<u>23,390</u>
Total depreciation for business-type activities	<u>\$ 1,113,719</u>

#### D. Interfund Balances and Transfers

The composition of interfund balances as of December 31, 2005 is as follows:

##### Due to/from Other Funds

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Capital Improvement Fund	Electric Fund	\$ 61,413
Nonmajor Governmental Funds	Nonmajor Governmental Funds	85,441
Nonmajor Governmental Funds	Electric Fund	50,793
		<u>197,647</u>

The transfers to the Electric Fund will be funded through increased utility rates for 2006, as the City Council has recently approved rate tables that will provide a greater level of funding for the capital, debt service and operational costs of the utility. The Electric Fund expended significant dollars in 2005 to install needed infrastructure for planned commercial and residential growth. The Electric Fund will receive utility rate revenues from the properties that have benefited from the recently installed infrastructure, including the Wal-Mart Super Center and additional commercial business sites.

The Nonmajor Governmental Funds transfer is comprised of construction activity that requires City coverage of expenditures until the 2006 revenue flow provides for the costs, specifically relating the future water park construction and special assessments.

##### Advances to/from Primary Government and Component Unit

<u>Receivable Entity</u>	<u>Payable Entity</u>	<u>Amount</u>
Primary Government	Component Unit	
Nonmajor Governmental Fund	Economic Development Authority	
	Land Development Fund	<u>\$ 29,107</u>

##### Interfund Transfers

	<u>Transfers Out</u>					<u>Total</u>
	<u>General Fund</u>	<u>Capital Improvement</u>	<u>Water Fund</u>	<u>Sewer Fund</u>	<u>Electric Fund</u>	
Transfers In:						
Governmental Fund Type						
General Fund	\$ -	\$ -	\$ 47,000	\$ 47,000	\$ 345,000	\$ 439,000
Capital Improvement Fund	800,000	-	-	-	-	800,000
Nonmajor Governmental Funds	58,083	-	12,283	2,866	21,274	94,506
Water Fund	50,000	-	-	-	-	50,000
Sewer Fund	84,000	800,000	-	-	-	884,000
Electric Fund	125,000	-	-	-	-	125,000
	<u>\$ 1,117,083</u>	<u>\$ 800,000</u>	<u>\$ 59,283</u>	<u>\$ 49,866</u>	<u>\$ 366,274</u>	<u>\$ 2,392,506</u>

Through the course of the year, the City has to make occasional interfund transfers. These transfers are usually approved so that the fund receiving the money can continue to operate.

The General Fund transfer of \$800,000 to the Capital Improvement Fund provided funding for the 11<sup>th</sup> Avenue NW street project.

The Capital Improvement Fund transfer of \$800,000 to the Sanitary Sewer Fund provided funding for the NW Lift Station construction project.

#### **E. Other Assets**

Other assets within the Governmental and Enterprise funds for December 31, 2005 are as follows:

	General	Water	Sewer	Electric	Total
Deferred Bond Issuance Costs (Net of Amortization)	\$ 90,320	\$ 8,173	\$ 56,490	\$ -	\$ 154,983
Service Territory (Net of Amortization)	-	-	-	139,512	139,512
Total Other Assets	<u>\$ 90,320</u>	<u>\$ 8,173</u>	<u>\$ 56,490</u>	<u>\$ 139,512</u>	<u>\$ 294,495</u>

The Service Territory acquisition was initiated in 2002. This resulted from long-term negotiations with Xcel Energy, as the City acquired adjoining property in various fringe areas of the community that had not previously been served by the Waseca Utility. The agreement between the City and Xcel Energy establishes the criteria for future territory acquisition and exchange for residential and commercial properties, as the City boundaries continue to grow and change.

The City is obligated to remit payment to Xcel Energy by January 31 of each year for the years 2004 through 2012 equal to \$788 per building permit issued within properties acquired as part of the Service Territory. The charge of \$788 per building permit increases 3% (percent) per year beginning in 2003. The Service Territory is being amortized over the ten-year term of the agreement.

## **F. Long-Term Debt**

### **General Obligation Bonds**

These bonds are backed by the full faith and credit of the City. The City issues general obligation bonds to provide funds for the acquisition, improvement and construction of major capital facilities. They are payable from taxes levied upon all taxable property in the City and tax abatement revenues from certain parcels of property in the City. General obligation bonds currently outstanding are as follows:

General Obligation Series 2005D                      2005-2016                      3.70%                      \$ 1,035,000

Annual debt service requirements to maturity for general obligation bonds are as follows:

<u>Year</u>	<u>Governmental Activities</u>	
	<u>Principal</u>	<u>Interest</u>
2006	\$ -	\$ 28,074
2007	40,000	36,733
2008	100,000	34,283
2009	115,000	30,520
2010	115,000	26,495
2011 - 2015	585,000	66,993
2016	80,000	1,560
	<u>\$ 1,035,000</u>	<u>\$ 224,658</u>

### **General Obligation Tax Increment Financing Bonds**

These bonds are backed by the full faith and credit of the City. The City issues general obligation bonds to provide financing for tax increment financing districts. The principal and interest obligations are met by the increment in taxes which is calculated to be the difference between the current amounts levied for taxes less the amount which was levied prior to the time of redevelopment. General obligation tax increment financing bonds currently outstanding are as follows:

General Obligation Tax Increment Series 2005E                      4.26%                      \$ 1,100,000



Annual debt service requirements to maturity for general obligation tax increment financing bonds are as follows:

Year	Governmental Activities	
	Principal	Interest
2006	\$ -	\$ 34,119
2007	-	45,493
2008	25,000	44,993
2009	30,000	43,893
2010	30,000	42,693
2011 - 2015	215,000	190,760
2016 - 2020	290,000	140,263
2021 - 2025	415,000	67,056
2026	95,000	2,078
	<u>\$ 1,100,000</u>	<u>\$ 611,348</u>

### General Obligation State-Aid Street Bonds

These bonds are backed by the full faith and credit of the City. The City issues general obligation bonds to provide financing for the construction and improvement of various State-Aid streets within the City. They are payable from taxes levied upon all taxable property in the City and municipal state aid highway allotments. General obligation state-aid street bonds currently outstanding are as follows:

General Obligation State-Aid				
Street Series 2005B	2005-2015	3.66%	\$	805,000

Annual debt service requirements to maturity for general obligation state aid – street bonds are as follows:

Year	Governmental Activities	
	Principal	Interest
2006	\$ 85,000	\$ 35,877
2007	80,000	22,720
2008	80,000	20,420
2009	80,000	18,020
2010	80,000	15,540
2011 - 2015	400,000	36,700
	<u>\$ 805,000</u>	<u>\$ 149,277</u>

### Special Assessment Bonds

Special assessment bonds are issued for the construction of major capital improvements having a relatively long life. They are payable from special assessments levied and collected on local improvements to property and are backed by the full faith and credit of the City. Special assessment bonds currently outstanding are as follows:

Permanent Improvement Series 1994A	1994-2010	5.39%	\$ 240,000
Permanent Improvement Series 2000A	2000-2011	4.97%	465,000
Permanent Improvement Series 2001A	2001-2013	4.16%	750,000
Permanent Improvement Series 2004C	2004-2015	3.57%	<u>1,415,000</u>
			<u>\$ 2,870,000</u>

Annual debt service requirements to maturity for special assessment bonds are as follows:

Year	Governmental Activities	
	Principal	Interest
2006	\$ 385,000	\$ 108,290
2007	365,000	94,738
2008	360,000	80,689
2009	355,000	66,262
2010	360,000	51,710
2011 - 2015	<u>1,045,000</u>	<u>97,390</u>
	<u>\$ 2,870,000</u>	<u>\$ 499,079</u>

### Revenue Bonds

The City also issues bonds where the City pledges income derived from the acquired or constructed assets to pay debt service. These bonds are recorded in the fund according to the purpose for which they were issued. The Sanitary Sewer fund is currently carrying bonds payable for the construction of the ATAD facility. The Water fund is currently carrying bonds for the construction of the water main and water system infrastructure. The bonds from these funds are payable from the net revenues of their respective funds for which they were issued and not from an ad valorem tax, but are backed by the full faith and credit of the City.

The revenue bonds currently outstanding are as follows:

Revenue Bonds Series 1993A	1993-2008	4.86%	\$ 240,000
Revenue Bonds Series 1995A	1995-2016	5.29%	1,930,000
Revenue Bonds Series 2001B	2001-2017	4.46%	1,090,000
Revenue Refunding Bonds Series 2004B	2004-2006	3.59%	1,900,000
Revenue Bonds Series 2005A	2005-2016	4.17%	1,760,000
			<u>\$ 6,920,000</u>

Annual debt service requirements to maturity for the revenue bonds are as follows:

Year	Business-Type Activities	
	Principal	Interest
2006	\$ 2,075,000	\$ 256,905
2007	410,000	179,291
2008	415,000	165,636
2009	345,000	150,780
2010	355,000	139,265
2011 - 2015	1,980,000	486,716
2016 - 2020	825,000	162,209
2021 - 2025	420,000	67,581
2026	95,000	2,078
	<u>\$ 6,920,000</u>	<u>\$ 1,610,461</u>

### Capital Equipment Notes

The City of Waseca issued \$425,000 of capital equipment notes in 2005 for the purchase of capital equipment. The notes carry a net interest rate of 3.122% and will be repaid over the life of the issue with a debt service tax levy. The City also carries debt service obligations on the capital equipment notes issued in 2003 and 2004. These obligations carry net interest rates of 3.124% and 2.179%, respectively and were issued in the amounts of \$305,000 and \$620,000, respectively.

Annual debt service requirements to maturity for the capital equipment notes are as follows:

Year	Principal	Interest
2006	\$ 325,000	\$ 30,915
2007	335,000	22,934
2008	345,000	13,978
2009	270,000	5,495
	<u>\$ 1,275,000</u>	<u>\$ 73,322</u>

## Change in Long-Term Liabilities

Long-term liability activity for the year ended December 31, 2005 was as follows:

	Beginning Balances	Increases	Decreases	Ending Balances	Due Within One Year
<b>Governmental activities</b>					
Bonds payable					
General obligation bonds	\$ -	\$ 1,035,000	\$ -	\$ 1,035,000	\$ -
Less: bond discount	-	(2,070)	31	(2,039)	-
General obligation tax increment bonds	-	1,100,000	-	1,100,000	-
Less: bond discount	-	(9,664)	79	(9,585)	-
General obligation state-aid street bonds	-	805,000	-	805,000	85,000
Less: bond discount	-	(8,855)	590	(8,265)	-
Special assessment bonds	3,085,000	-	(215,000)	2,870,000	385,000
Plus: bond premium	1,528	-	(144)	1,384	-
Less: bond discount	(8,849)	-	837	(8,012)	-
Notes payable					
Capital equipment notes	925,000	425,000	(75,000)	1,275,000	325,000
Plus: bond premium	-	1,700	(243)	1,457	-
Less: bond discount	(2,320)	-	557	(1,763)	-
Compensated absences	214,316	256,181	(216,523)	253,974	200,000
Governmental activity - Long-term liabilities	<u>\$ 4,214,675</u>	<u>\$ 3,602,292</u>	<u>\$ (504,816)</u>	<u>\$ 7,312,151</u>	<u>\$ 995,000</u>
<b>Business-Type activities</b>					
Bonds payable					
Revenue bonds	\$ 5,430,000	\$ 1,760,000	\$ (270,000)	\$ 6,920,000	\$ 2,075,000
Deferred issuance discount	(45,656)	(1,324)	15,130	(31,850)	-
Notes payable	52,317	-	(52,317)	-	-
Compensated absences	77,006	77,712	(58,955)	95,763	55,000
Business-type activity - Long-term liabilities	<u>\$ 5,513,667</u>	<u>\$ 1,836,388</u>	<u>\$ (366,142)</u>	<u>\$ 6,983,913</u>	<u>\$ 2,130,000</u>

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

## **G. Designated Unreserved Fund Balance**

Fund balances of various funds at December 31, 2005 have been designated for the following purposes:

General Fund:

Unreserved and designated for:

Equipment Replacement and Future Operations      \$ 2,546,196

Municipal State Aid Maintenance Fund:

Unreserved and designated for:

Capital Projects      \$ 499,679

Capital Improvement Fund:

Unreserved and designated for:

Capital Projects      \$ 555,308

Nonmajor Funds:

Unreserved and designated for:

Subsequent Years Expenditures      \$ 2,797,560

## **V. OTHER INFORMATION**

### **A. Risk Management**

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The City accounts for its risk management activities in internal service funds. Revenue to these funds is derived from premium charges to user departments and other funds of the City. These charges are then available to pay claims, administrative costs, and insurance premiums.

There has been no significant reduction in insurance coverage from the previous year in any of the City's policies. In addition, there have been no settlements in excess of the City's insurance coverage in any of the prior three fiscal years.

The City is a member of the League of Minnesota Cities Insurance Trust (LMCIT) and has currently placed coverage with them for its general liability and personal property claims. Coverage is provided up to a maximum of \$1,000,000. This coverage has a deductible of \$50,000 per occurrence and a general aggregate annual deductible of \$100,000. Management believes that any incidence of liability is remote.

The City also participates in the LMCIT for its workers compensation insurance, which is administered by Berkley Administrators. This is a retrospectively rated policy with the premium being based primarily on the City's loss experience. The City has experienced very favorable rates for workers compensation by participating in the program and maintaining an excellent experience modification factor.

The City carries commercial insurance for employee health, life and disability. The City contributes approximately 90% of the premiums through the fund from which the employee is compensated. The City has no risk in excess of premiums paid.

#### **B. Related Organizations**

The City Council is also responsible for appointing the members of the Waseca Housing and Redevelopment Authority (WHRA), but the City's accountability for the WHRA does not extend beyond making board appointments. Complete financial statements are available upon request from the WHRA office at 308 2<sup>nd</sup> Avenue Northwest, Waseca, MN.

#### **C. Library Services/ Joint Venture**

The City of Waseca entered into an agreement with the County Commissioners of Waseca and LeSueur Counties on December 11, 1974 under authority provided for in the Minnesota Statutes to establish a regional library service and provide financial support from real estate tax funds. For the year 2005, the amount of support provided to the library system by the City was \$181,617.

The property and equipment owned by the City and used by the library system is reflected in the governmental activities capital assets. The agreement is perpetual or until rescinded by the actions of any one of the joint venture parties. In the event of termination, each party shall receive title to any and all assets, which it may have held at the time of the effective date of the agreement. All other assets, including books and library materials, shall be divided among the parties on the basis of each party's respective proportion of the financial support provided. The City's share of net assets is not determined annually. Library services are administered under a joint powers board, consisting of nine members (three from each governmental unit selected by the county boards and City Council), each member serving three-year terms. The Library Board determines policies, carries out the fiscal administration, and prepares an annual budget of the regional library system. In summary, this board is administering the library service as a single library system.

Upon review and approval of an annual library budget, each governmental unit contributes funding based on the increase or decrease from the previous year base budget. This budget is approved by the entire library board, and reviewed and approved by the individual governmental units.

The financial information for the Waseca LeSueur Regional Library as of and for the year ended December 31, 2005 is presented as follows:

Total Revenues	\$ 738,915
Total Expenditures	<u>653,733</u>
Change in Net Assets	85,182
Net Assets, January 1, 2005	<u>644,412</u>
Net Assets, December 31, 2005	<u>\$ 729,594</u>
Total Assets	<u>\$ 787,411</u>
Total Liabilities	<u>\$ 57,817</u>

Financial statements of the Waseca LeSueur Regional Library are available for review at 408 North State Street, Waseca, MN.

#### **D. Utility Power Purchase Commitment**

As a municipal electric utility the City of Waseca provides electricity to most residential, commercial, and industrial electric users in the City. The City does not generate electricity and therefore purchases its entire electrical requirements on a wholesale basis. To ensure a long-term supply of electricity, the City became a charter member of the Southern Minnesota Municipal Power Agency (SMMPA), a municipal corporation of the State of Minnesota formed under Statutes Chapter 453. SMMPA, a consortium of 18 cities with municipal electric utilities, was formed to provide total electrical power and energy requirements for each member as economically as possible.

In May 1981, SMMPA entered into a power sales agreement with all of its participating members to contract for the long-term purchase of electricity. The agreement set forth the terms and conditions to "all requirements" purchase commencing May 1, 1985, and extending to May 1, 1999 after which SMMPA is only required to provide the City's peak demand of that year. Since Council action on August 3, 1999, the City has entered into an amended power sales agreement in which the City will be purchasing power up to the cap at a "base rate". If the City's power needs exceed the peak demand amount, the City will pay an "incremental rate". This incremental rate will apply only to the portion of load that is in excess of base rate billing demand cap (in excess of 491 megawatts). The terms and conditions of the agreement other than "all requirements" will continue until March 1, 2030 and thereafter until terminated by SMMPA or the City.

#### **E. Contingent Liabilities**

In connection with the normal conduct of its affairs, the City is involved in various claims, litigations, and judgments. It is expected that the final settlement of these matters will not materially affect the financial statements of the City.

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

#### **F. Employee Retirement Systems**

Substantially all City employees are members of retirement plans. The following disclosures are made in accordance with requirements of the Governmental Accounting Standards Board:

Public Employees Retirement Association

##### **Cost Sharing Multiple Employer Defined Benefit Pension Plan**

##### **1. Plan Description**

All full-time and certain part-time employees of the City of Waseca are covered by defined benefit plans administered by the Public Employees Retirement Association of Minnesota (PERA). PERA administers the Public Employees Retirement Fund (PERF) and the Public Employees Police and Fire Fund (PEPFF), which are cost-sharing, multiple-employer retirement plans. These plans are established and administered in accordance with Minnesota Statutes, Chapters 353 and 356.



PERF members belong to either the Coordinated Plan or the Basic Plan. Coordinated Plan members are covered by Social Security and Basic Plan members are not. All new members must participate in the Coordinated Plan. All police officers, firefighters, and peace officers who qualify for membership by statute are covered by the PEPFF. The payroll for employees covered by PERF and PEPFF for the year ended December 31, 2005 was \$2,321,955 and \$880,334, respectively. The City's total payroll was \$3,202,289.

PERA provides retirement benefits as well as disability benefits to members, and benefits to survivors upon death of eligible members. Benefits are established by State Statute, and vest after three years of credited service. The defined retirement 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 PERF's Coordinated and Basic Plan members. The retiring member received the higher of a step-rate benefit accrual formula (Method 1) or a level accrual formula (Method 2). Under Method 1, the annuity accrual rate for a Basic Plan member is 2.2 percent of average salary for each of the first 10 years of service and 2.7 percent for each remaining year. The annuity accrual rate for a Coordinated Plan member is 1.2 percent of average salary for each of the first 10 years and 1.7 percent for each remaining year. Under Method 2, the annuity accrual rate is 2.7 percent of average salary for Basic Plan members and 1.7 percent for Coordinated Plan members for each year of service. For PEPFF members, the annuity accrual rate is 3.0 percent for each year of service. For all PEPFF members and PERF members hired prior to July 1, 1989 whose annuity is calculated using Method 1, a full annuity is available when age plus years of service equal 90. Normal retirement age is 55 for PEPFF members and 65 for Basic and Coordinated members hired prior to July 1, 1989. Normal retirement age is the age for unreduced Social Security benefits capped at 66 for Coordinated members hired on or after July 1, 1989. A reduced retirement annuity is also available to eligible members seeking early retirement.

There are different types of annuities available to members upon retirement. A single-life annuity is a lifetime annuity that ceases upon the death of the retiree – no survivor annuity is payable. There are also various types of joint and survivor annuity options available which will be payable over joint lives. Members may also leave their contributions in the fund upon termination of public service in order to qualify for a deferred annuity at retirement age. Refunds of contributions are available at any time to members who leave public service, but before retirement benefits begin.

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

PERA issued a publicly available financial report that includes financial statements and required supplementary information for PERF and PEPFF. That report may be obtained on the web at [mnpera.org](http://mnpera.org), by writing to PERA at 60 Empire Drive #200, St. Paul, Minnesota, 55103-2088, or by calling (651)296-7460 or 1-800-652-9026.

## **2. Funding Policy**

*Minnesota Statutes* Chapter 353 sets the rates for employer and employee contributions. These statutes are established and amended by the state legislature. The City makes annual contributions to the pension plans equal to the amount required by state statutes. PERF Basic Plan members and Coordinated Plan members are required to contribute 9.10% and 5.10%, respectively, of their annual covered salary. The City of Waseca is required to contribute the following percentages of annual covered payroll: 11.78% for Basic Plan PERF members, 5.53% for Coordinated Plan PERF members, and 9.30% for PEPFF members. The City's contributions to the Public Employees Retirement Fund for the years ending December 31, 2005, 2004, and 2003 were \$131,585, \$124,156, and \$120,363, respectively. The City's contributions to the Public Employees Police & Fire Fund for the years ending December 31, 2005, 2004, and 2003 were \$77,755, \$72,357, and \$67,803, respectively. The City's contributions were equal to the contractually required contributions for each year, as set by state statute.

### **3. Waseca Fire Relief Association**

#### **Plan Description**

Public Employee Retirement System (PERS) is a single-employer defined benefit pension plan administered by the Waseca Fire Relief Association. The Plan provides retirement, disability, and death benefits to plan members and beneficiaries. The Waseca Fire Relief Association files an annual state reporting form with the Office of the State Auditor. That report may be obtained by contacting the Waseca Fire Relief Association at 177 2<sup>nd</sup> Avenue Southeast, Waseca, Minnesota

#### **Funding Policy**

The funding policy provides for contributions from the State of Minnesota and the City in amounts sufficient to accumulate sufficient assets to pay benefits when due. The annual contribution is the sum of the normal cost, the state contribution payment, and the provision for administrative expenses. The City was not required to make any contributions for the years ended December 31, 2005, 2004, and 2003, however, the City did make voluntary contributions of \$5,000, \$14,991, and \$11,946, respectively.

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# **COMBINING STATEMENTS**



# **NONMAJOR FUNDS**

## **Nonmajor Governmental Funds**

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### **Special Revenue Funds**

Blandin Partnership Grant Fund-This fund accounts for grant proceeds and grant programs of the Blandin Community Partnership program.

EDPG-Clear Lake Press Fund-This fund accounts for the Small Cities Development Grant activity.

Delta-Waseca DTED Grant Fund-This fund accounts for the operations of the development grant provided by the State of Minnesota.

Revolving Loan Fund-Fund was established to account for repayment of grant and loan funds repaid by loan recipients.

Small Cities Development Grant Program-The City was awarded grant funding for the rehabilitation and development of the residential owned rental and commercial property.

TIF (Tax Increment Financing) Funds-This fund accounts for tax increment financing activities relative to various City projects.

Waseca Housing Fund-This fund was established for tax abatement proceeds to be specifically designated for housing development options.

Police Separation Fund-This fund accounts for the recognition of the long-term volunteer police reserve unit.

Police Reserve Fund- This fund accounts for Police Reserve activity for the City of Waseca.

Fire Relief Fund-This fund accounts for the administration of specific property taxes for the Fire Relief Association.

### **Debt Service**

Equipment Certificates-This fund accounts for the tax levy receipts and debt service payments for the capital equipment debt service.

Northwest Construction Site Fund-This fund accounts for the debt issued in 2005 to construct the commercial sites in the northwest area of the community.

Municipal State Aid Debt Service Fund-This fund was established to provide for the debt service payments related to the 11<sup>th</sup> Ave NW road construction.

Tax Increment Financing #23 Fund-This fund was established to account for the debt service related to the Downtown TIF 23 Street project.

### **Capital Projects**

Municipal State Aid Maintenance Fund-This fund accounts for the State aid for eligible maintenance projects.

Tax Increment Financing #23 Fund-This fund accounts for the construction related costs for the 2006 Downtown Streetscaping project.

Water Park Construction Fund-This fund accounts for the capital costs of the water park construction, scheduled to be opened in May 2007.

Special Assessment Fund-This fund account for the acquisition of capital facilities and the construction of major permanent capital improvements having a relatively long life.

Special Assessment Capital 2004-This fund accounts for the capital costs to develop the Pondview residential subdivision.

Northwest Commercial Development Fund-This fund accounts for the infrastructure projects related to the commercial development site in the northwest Waseca.

Annexation and Growth Fund-This fund accounts for the planned growth and potential annexation of the Waseca area.



CITY OF WASECA, MINNESOTA  
NONMAJOR GOVERNMENTAL FUNDS  
COMBINING BALANCE SHEET  
DECEMBER 31, 2005

Special Revenue

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	Blandin Partnership Grant	EDPG Clear Lake Press	Delta-Waseca DTED Grant	Revolving Loan Fund	Small Cities Dev Program	TIF Funds	Waseca Housing Fund	Police Separation	Police Reserve	Fire Relief	Total
<b>ASSETS</b>											
Cash and cash equivalents	\$ 1,136	\$ 99,341	\$ -	\$ -	\$ -	\$ 50,927	\$ 40,271	\$ 9,466	\$ 973	\$ -	\$ 225,970
Investments	400,000	100,000	-	-	-	-	-	-	-	-	500,000
Taxes receivable	-	-	-	-	-	-	-	-	-	-	-
Accounts receivable	-	-	-	-	9,630	3,250	-	-	-	-	12,880
Interest receivable	3,976	739	-	-	-	-	-	-	-	-	4,715
Loans receivable	-	83,205	70,908	-	-	-	3,000	-	-	-	157,113
Land held for resale	-	-	-	-	-	-	-	-	-	-	-
Advance to component unit	-	29,107	-	-	-	-	-	-	-	-	29,107
Due from other funds	-	16,750	-	-	-	-	-	-	-	-	16,750
Total assets	\$ 405,112	\$ 329,142	\$ 70,908	\$ 23,856	\$ 9,630	\$ 54,177	\$ 43,271	\$ 9,466	\$ 973	\$ -	\$ 946,535
<b>LIABILITIES</b>											
Accounts payable	\$ -	\$ -	\$ 70,908	\$ -	\$ -	\$ 1,836	\$ -	\$ 100	\$ -	\$ -	\$ 72,844
Deferred revenue	-	83,205	-	-	-	-	-	-	-	-	83,205
Due to other funds	-	-	-	-	9,630	7,122	-	-	-	-	16,752
Total liabilities	-	83,205	70,908	-	9,630	8,958	-	100	-	-	172,801
<b>FUND BALANCES</b>											
Reserved for loans	-	-	-	-	-	-	3,000	-	-	-	3,000
Reserved for advance to component unit	-	29,107	-	-	-	-	-	-	-	-	29,107
Reserved for land held for resale	-	-	-	-	-	-	-	-	-	-	-
Reserved for debt service	-	-	-	-	-	-	-	-	-	-	-
Unreserved, designated for subsequent years expenditures	405,112	216,830	-	23,856	-	-	-	9,366	-	-	655,164
Unreserved, undesignated	-	-	-	-	-	45,219	40,271	-	973	-	86,463
Total fund balances	405,112	245,937	-	23,856	-	45,219	43,271	9,366	973	-	773,734
Total liabilities and fund balances	\$ 405,112	\$ 329,142	\$ 70,908	\$ 23,856	\$ 9,630	\$ 54,177	\$ 43,271	\$ 9,466	\$ 973	\$ -	\$ 946,535

CITY OF WASECA, MINNESOTA  
NONMAJOR GOVERNMENTAL FUNDS  
COMBINING BALANCE SHEET (CONTINUED)  
DECEMBER 31, 2005

	Debt Service					
	Equipment Certificates			Northwest Construction Site Fund	Municipal State Aid Debt Service Fund	Tax Increment Financing #23 Fund
	2003	2004	2005			Total
<b>ASSETS</b>						
Cash and cash equivalents	\$ 34,606	\$ 5,743	\$ 403	\$ 28,154	\$ 4,467	\$ 113,442
Investments	-	-	-	-	-	-
Taxes receivable	1,992	406	-	-	-	2,398
Accounts receivable	-	-	-	-	-	-
Interest receivable	-	-	-	-	-	-
Loans receivable	-	-	-	-	-	-
Land held for resale	-	-	-	-	-	-
Advance to component unit	-	-	-	-	-	-
Due from other funds	-	-	-	-	-	-
Total assets	\$ 36,598	\$ 6,149	\$ 403	\$ 28,154	\$ 4,467	\$ 115,840
<b>LIABILITIES</b>						
Accounts payable	\$ -	\$ -	\$ 403	\$ -	\$ -	\$ 403
Deferred revenue	-	-	-	-	-	-
Due to other funds	-	-	-	-	-	-
Total liabilities	-	-	403	-	-	403
<b>FUND BALANCES</b>						
Reserved for loans	-	-	-	-	-	-
Reserved for advance to component unit	-	-	-	-	-	-
Reserved for land held for resale	-	-	-	-	-	-
Reserved for debt service	36,598	6,149	-	28,154	4,467	115,437
Unreserved, designated for subsequent years expenditures	-	-	-	-	-	-
Unreserved, undesignated	-	-	-	-	-	-
Total fund balances	\$ 36,598	\$ 6,149	-	\$ 28,154	\$ 4,467	\$ 115,437
Total liabilities and fund balances	\$ 36,598	\$ 6,149	\$ 403	\$ 28,154	\$ 4,467	\$ 115,840

CITY OF WASECA, MINNESOTA  
NONMAJOR GOVERNMENTAL FUNDS  
COMBINING BALANCE SHEET  
DECEMBER 31, 2005

	Capital Projects							Total Nonmajor Governmental Funds
	Municipal State Aid Maintenance Fund	Tax Incremental Financing #23 Fund	Water Park Construction Fund	Special Assessment Fund	Special Assessment Capital 2004	Northwest Commercial Development Fund	Annexation & Growth Fund	
<b>ASSETS</b>								
Cash and cash equivalents	\$ 31,208	\$ 32,010	\$ -	\$ -	\$ -	\$ 34,114	\$ 18,147	\$ 115,479
Investments	275,000	1,000,000	-	-	500,000	-	150,000	1,925,000
Taxes receivable	-	-	-	-	-	-	-	2,398
Accounts receivable	-	-	-	-	-	20,112	-	20,112
Interest receivable	1,384	7,293	-	-	3,441	-	761	12,879
Loans receivable	-	-	-	-	-	-	-	17,594
Land held for resale	-	-	-	-	-	960,467	-	157,113
Advance to component unit	-	-	-	-	-	-	-	960,467
Due from other funds	-	-	-	-	39,871	79,613	-	29,107
Total assets	\$ 307,592	\$ 1,039,303	\$ -	\$ -	\$ 543,312	\$ 1,094,306	\$ 168,908	\$ 4,215,796
<b>LIABILITIES</b>								
Accounts payable	\$ -	\$ 3,500	\$ 39,976	\$ -	\$ 42,154	\$ 3,500	\$ 1,404	\$ 163,781
Deferred revenue	-	-	-	-	-	-	-	83,205
Due to other funds	-	-	47,607	21,082	-	-	-	85,441
Total liabilities	-	3,500	87,583	21,082	42,154	3,500	1,404	332,427
<b>FUND BALANCES</b>								
Reserved for loans	-	-	-	-	-	-	-	3,000
Reserved for advance to component unit	-	-	-	-	-	-	-	29,107
Reserved for land held for resale	-	-	-	-	-	960,467	-	960,467
Reserved for debt service	-	-	-	-	-	-	-	115,437
Unreserved, designated for subsequent years expenditures	307,592	1,035,803	-	-	501,158	130,339	167,504	2,797,560
Unreserved, undesignated	-	-	(87,583)	(21,082)	-	-	-	(22,202)
Total fund balances	\$ 307,592	\$ 1,035,803	\$ (87,583)	\$ (21,082)	\$ 501,158	\$ 1,090,806	\$ 167,504	\$ 3,883,369
Total liabilities and fund balances	\$ 307,592	\$ 1,039,303	\$ -	\$ -	\$ 543,312	\$ 1,094,306	\$ 168,908	\$ 4,215,796

CITY OF WASECA, MINNESOTA  
NONMAJOR GOVERNMENTAL FUNDS  
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES (CONTINUED)  
FOR THE YEAR ENDED DECEMBER 31, 2005

	Debt Service									
	Equipment Certificates			Northwest Construction		Municipal State Aid Debt Service Fund		Tax Increment Financing #23 Fund		Total Actual
	2003 Actual	2004 Actual	2005 Actual	Site Fund	Actual	Actual	Actual	Actual		
REVENUES										
Taxes	\$ 83,445	\$ 17,011	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	100,456
Intergovernmental	-	-	-	-	-	-	-	-	-	-
Miscellaneous	-	-	652	-	288	-	1,247	-	366	2,553
Total revenues	<u>83,445</u>	<u>17,011</u>	<u>652</u>		<u>288</u>		<u>1,247</u>		<u>366</u>	<u>103,009</u>
EXPENDITURES										
Materials and supplies	-	-	-	-	-	-	-	-	-	-
Separation contribution	-	-	-	-	-	-	-	-	-	-
Services and charges	-	-	-	-	-	-	-	-	-	-
DEBT SERVICE										
Principal	75,000	-	-	-	-	-	-	-	-	75,000
Interest and fiscal charges	8,270	17,378	8,960	-	-	-	-	-	-	34,608
CAPITAL OUTLAY										
Machinery	-	-	-	-	-	-	-	-	-	-
Total expenditures	<u>83,270</u>	<u>17,378</u>	<u>8,960</u>							<u>109,608</u>
Excess of revenues over (under) expenditures	<u>175</u>	<u>(367)</u>	<u>(8,308)</u>		<u>288</u>		<u>1,247</u>		<u>366</u>	<u>(6,599)</u>
OTHER FINANCING SOURCES (USES)										
Transfer in	36,423	-	1,083	-	-	-	-	-	-	37,506
Proceeds from equipment notes	-	-	7,225	-	-	-	-	-	-	7,225
Proceeds from bonds	-	-	-	27,866	-	3,220	-	39,703	-	70,789
Sale of land	-	-	-	-	-	-	-	-	-	-
Bond discount	-	-	-	-	-	-	-	-	-	-
Total other financing sources (uses)	<u>36,423</u>	<u>-</u>	<u>8,308</u>		<u>27,866</u>		<u>3,220</u>		<u>39,703</u>	<u>115,520</u>
Net change in fund balances	36,598	(367)	-	28,154	28,154	4,467	4,467	40,069	40,069	108,921
Fund balances-beginning	-	6,516	-	-	-	-	-	-	-	6,516
Fund balances-ending	<u>\$ 36,598</u>	<u>\$ 6,149</u>	<u>\$ -</u>	<u>\$ 28,154</u>	<u>\$ 28,154</u>	<u>\$ 4,467</u>	<u>\$ 4,467</u>	<u>\$ 40,069</u>	<u>\$ 40,069</u>	<u>\$ 115,437</u>

CITY OF WASECA, MINNESOTA  
NONMAJOR GOVERNMENTAL FUNDS  
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES (CONTINUED)  
FOR THE YEAR ENDED DECEMBER 31, 2005

	Capital Projects											Total Nonmajor Governmental Funds	
	Municipal State Aid Maintenance Fund		Tax Incremental Financing #23 Fund		Water Park Construction Fund		Special Assessment Fund		Special Assessment Capital 2004		Northwest Commercial Development Fund		
	Budget	Actual	Actual	Budget	Actual	Budget	Actual	Budget	Actual	Budget	Actual		Total Actual
REVENUES													
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	
Intergovernmental	64,000	65,153	-	-	-	-	-	-	-	-	-	65,153	
Miscellaneous	1,000	9,811	7,384	-	-	3,000	1,810	1,137	11,332	-	-	34,270	
Total revenues	65,000	74,964	7,384	-	-	3,000	1,810	1,137	11,332	1,000	2,796	99,423	
EXPENDITURES													
Materials and supplies	-	-	-	-	-	-	-	-	-	-	-	-	
Separation contribution	-	-	-	-	-	-	-	-	-	-	-	-	
Services and charges	50,000	30,340	22,214	-	87,583	-	60	19,770	4,499	25,000	27,788	192,254	
DEBT SERVICE													
Principal	-	-	-	-	-	-	-	-	-	-	-	-	
Interest and fiscal charges	-	-	-	-	-	-	403	-	-	-	-	403	
CAPITAL OUTLAY													
Machinery	-	-	-	-	-	-	-	-	-	-	-	-	
Total expenditures	50,000	30,340	22,214	-	87,583	310,000	15,006	493,360	42,154	-	-	550,520	
						310,000	15,469	513,130	46,653	25,000	27,788	743,177	
Excess of revenues over (under) expenditures	15,000	44,624	(14,830)	-	(87,583)	(307,000)	(13,659)	(511,993)	(35,321)	(24,000)	(24,992)	(371,529)	
OTHER FINANCING SOURCES (USES)													
Transfers in	-	-	-	-	-	-	-	-	-	50,000	50,000	94,506	
Proceeds from equipment notes	-	-	-	-	-	-	-	-	-	-	-	7,225	
Proceeds from bonds	-	-	1,060,297	-	-	-	-	1,007,134	-	-	-	2,138,220	
Sale of land	-	-	-	-	-	-	-	597,735	-	-	-	597,735	
Bond discounts	-	-	(9,664)	-	-	-	-	(2,070)	-	-	-	(11,734)	
Total other financing sources (uses)	-	-	1,050,633	-	-	-	-	1,602,799	-	50,000	50,000	2,825,952	
Net change in fund balances	15,000	44,624	1,035,803	-	(87,583)	(307,000)	(13,659)	1,090,806	(35,321)	26,000	25,008	2,454,423	
Fund balances-beginning	262,968	262,968	-	-	-	(7,423)	(7,423)	-	536,479	142,496	142,496	1,428,946	
Fund balances-ending	\$ 277,968	\$ 307,592	\$ 1,035,803	\$ -	\$ (87,583)	\$ (314,423)	\$ (21,082)	\$ 1,090,806	\$ 501,158	\$ 168,496	\$ 167,504	\$ 3,883,369	

\$ 3,883,369

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# **GOVERNMENTAL FUNDS**

## **Budgetary Comparisons**

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**CITY OF WASECA, MINNESOTA**  
**MUNICIPAL STATE AID CONSTRUCTION FUND**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND**  
**BALANCES - BUDGET AND ACTUAL**  
**FOR THE YEAR ENDED DECEMBER 31, 2005**

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget- Positive (Negative)
<b>REVENUES</b>				
Intergovernmental	\$ 900,000	\$ 900,000	\$ 1,001,654	\$ 101,654
Miscellaneous	-	-	45,710	45,710
Total revenues	900,000	900,000	1,047,364	147,364
<b>EXPENDITURES</b>				
Current				
Other services	-	-	21,897	(21,897)
Capital outlay	900,000	900,000	1,525,293	(625,293)
Total expenditures	900,000	900,000	1,547,190	(647,190)
Deficiency of revenues over expenditures	-	-	(499,826)	(499,826)
<b>OTHER FINANCING SOURCES (USES)</b>				
Proceeds from bonds	-	-	801,780	801,780
Bond discount	-	-	(8,855)	(8,855)
Total other financing sources (uses)	-	-	792,925	792,925
Net change in fund balances	-	-	293,099	\$ 293,099
Fund balances - beginning	206,580	206,580	206,580	
Fund balances - ending	\$ 206,580	\$ 206,580	\$ 499,679	

**CITY OF WASECA, MINNESOTA  
CAPITAL IMPROVEMENT FUND  
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND  
BALANCES - BUDGET AND ACTUAL  
FOR THE YEAR ENDED DECEMBER 31, 2005**

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget- Positive (Negative)
<b>REVENUES</b>				
Permits and fees	\$ -	\$ -	\$ 10,920	\$ 10,920
Intergovernmental	-	-	5,255	5,255
Miscellaneous	<u>10,000</u>	<u>10,000</u>	<u>164,682</u>	<u>154,682</u>
Total revenues	<u>10,000</u>	<u>10,000</u>	<u>180,857</u>	<u>170,857</u>
<b>EXPENDITURES</b>				
Capital outlay	<u>470,000</u>	<u>470,000</u>	<u>443,209</u>	<u>26,791</u>
Total expenditures	<u>470,000</u>	<u>470,000</u>	<u>443,209</u>	<u>26,791</u>
Excess of revenues over (under) expenditures	<u>(460,000)</u>	<u>(460,000)</u>	<u>(262,352)</u>	<u>197,648</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers In	800,000	800,000	800,000	1,600,000
Transfers Out	<u>-</u>	<u>-</u>	<u>(800,000)</u>	<u>(800,000)</u>
Total other financing sources (uses)	<u>800,000</u>	<u>800,000</u>	<u>-</u>	<u>800,000</u>
Net change in fund balances	(1,260,000)	(1,260,000)	(262,352)	<u><u>\$ (602,352)</u></u>
Fund balances - beginning	<u>999,802</u>	<u>999,802</u>	<u>999,802</u>	
Fund balances - ending	<u><u>\$ (260,198)</u></u>	<u><u>\$ (260,198)</u></u>	<u><u>\$ 737,450</u></u>	

# **INTERNAL SERVICE FUNDS**

## **Internal Service Funds**

---

### **Central Garage Services**

Established to account for the operations of the City garage, maintaining and repairing the City fleet and equipment at the City shop.

### **Property and Liability Insurance Fund**

Established to account for interdepartmental revenues and expenses associated with property and liability insurance costs.

### **Workers Compensation Insurance Fund**

Established to account for interdepartmental revenues and expenses associated with workers compensation insurance costs.

### **Equipment Replacement Fund**

Established to account for the General fund contributions and associated expenses of purchases of capital equipment as detailed in the capital equipment matrix.

CITY OF WASECA, MINNESOTA  
INTERNAL SERVICE FUNDS  
COMBINING STATEMENT OF NET ASSETS  
DECEMBER 31, 2005

	Central Garage Services	Property & Liability Insurance Fund	Workers Compensation Insurance Fund	Equipment Replacement Fund	Total
<b>ASSETS</b>					
Current assets:					
Cash and cash equivalents	\$ 35,470	\$ 60,381	\$ 37,548	\$ 45,120	\$ 178,519
Investments	-	200,000	-	285,000	485,000
Interest receivable	-	1,153	-	1,894	3,047
Total assets	<u>35,470</u>	<u>261,534</u>	<u>37,548</u>	<u>332,014</u>	<u>666,566</u>
<b>LIABILITIES</b>					
Current liabilities:					
Accounts payable	<u>21,594</u>	<u>61</u>	<u>40,568</u>	<u>-</u>	<u>62,223</u>
Total liabilities	<u>21,594</u>	<u>61</u>	<u>40,568</u>	<u>-</u>	<u>62,223</u>
<b>NET ASSETS</b>					
Unrestricted	<u>13,876</u>	<u>261,473</u>	<u>(3,020)</u>	<u>332,014</u>	<u>604,343</u>
Total net assets	<u>\$ 13,876</u>	<u>\$ 261,473</u>	<u>\$ (3,020)</u>	<u>\$ 332,014</u>	<u>\$ 604,343</u>

CITY OF WASECA, MINNESOTA  
INTERNAL SERVICE FUNDS  
COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS  
FOR THE YEAR ENDED DECEMBER 31, 2005

	Central Garage Services	Property & Liability Insurance Fund	Workers Compensation Insurance Fund	Equipment Replacement Fund	Total
<b>OPERATING REVENUES</b>					
Charges to other funds	\$ 213,261	\$ -	\$ 126,547	\$ -	\$ 339,808
Insurance reimbursement	-	39,020	1,540	-	40,560
Total operating revenues	<u>213,261</u>	<u>39,020</u>	<u>128,087</u>	<u>-</u>	<u>380,368</u>
<b>OPERATING EXPENSES</b>					
Personal services	99,543	-	-	-	99,543
Supplies	123,545	-	-	-	123,545
Services and charges	5,850	-	-	-	5,850
Insurance payment	-	17,466	63,982	-	81,448
Insurance premiums	-	84,128	126,547	-	210,675
Total operating expenses	<u>228,938</u>	<u>101,594</u>	<u>190,529</u>	<u>-</u>	<u>521,061</u>
Operating loss	<u>(15,677)</u>	<u>(62,574)</u>	<u>(62,442)</u>	<u>-</u>	<u>(140,693)</u>
<b>NONOPERATING REVENUES</b>					
Investment earnings	-	9,264	1,631	6,407	17,302
Total nonoperating revenues	<u>-</u>	<u>9,264</u>	<u>1,631</u>	<u>6,407</u>	<u>17,302</u>
Change in net assets	(15,677)	(53,310)	(60,811)	6,407	(123,391)
Total net assets-beginning	<u>29,553</u>	<u>314,783</u>	<u>57,791</u>	<u>325,607</u>	<u>727,734</u>
Total net assets-ending	\$ <u>13,876</u>	\$ <u>261,473</u>	\$ <u>(3,020)</u>	\$ <u>332,014</u>	\$ <u>604,343</u>

CITY OF WASECA, MINNESOTA  
INTERNAL SERVICE FUNDS  
COMBINING STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED DECEMBER 31, 2005

	Central Garage Services	Property & Liability Insurance Fund	Workers Compensation Insurance Fund	Equipment Replacement Fund	Total
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>					
Cash received from other funds and reimbursements	\$ 213,261	\$ 39,020	\$ 128,087	\$ -	\$ 380,368
Cash payments to employees for services	(99,543)	-	-	-	(99,543)
Cash payments for interfund services used	(113,974)	(137,231)	(149,961)	-	(401,166)
Net cash used by operating activities	(256)	(98,211)	(21,874)	-	(120,341)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>					
Proceeds from sale of investments	-	300,000	-	15,000	315,000
Purchases of investments	-	(200,000)	-	-	(200,000)
Interest and dividends received	-	8,368	1,631	5,089	15,088
Net cash provided by investing activities	-	108,368	1,631	20,089	130,088
Net increase (decrease) in cash and cash equivalents	(256)	10,157	(20,243)	20,089	9,747
Cash and cash equivalents-January 1	35,726	50,224	57,791	25,031	168,772
Cash and cash equivalents-December 31	\$ 35,470	\$ 60,381	\$ 37,548	\$ 45,120	\$ 178,519
<b>Reconciliation of operating loss to net cash used by operating activities:</b>					
Operating loss	\$ (15,677)	\$ (62,574)	\$ (62,442)	\$ -	\$ (140,693)
Adjustments to reconcile operating loss to net cash used by operating activities:					
Increase (decrease) in accounts payable	15,421	(35,637)	40,568	-	20,352
Total adjustments	15,421	(35,637)	40,568	-	20,352
Net cash used by operating activities	\$ (256)	\$ (98,211)	\$ (21,874)	\$ -	\$ (120,341)

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# **CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENT FUNDS**



CITY OF WASECA, MINNESOTA  
CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS  
SCHEDULE BY FUNCTION AND ACTIVITY  
DECEMBER 31, 2005

	Total	Land	Buildings	Infrastructure	Improvements Other than Buildings	Construction in Progress	Equipment
<b>GENERAL GOVERNMENT</b>							
Legislative	\$ 14,077	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 14,077
Administration	6,913	-	-	-	-	-	6,913
Elections	10,468	-	-	-	-	-	10,468
Finance	11,341	-	-	-	-	-	11,341
Building and grounds	1,083,840	60,305	662,580	-	30,867	-	330,088
Community Development	262,565	183,848	78,717	-	-	-	-
<b>TOTAL GENERAL GOVERNMENT</b>	<b>1,389,204</b>	<b>244,153</b>	<b>741,297</b>	<b>-</b>	<b>30,867</b>	<b>-</b>	<b>372,887</b>
<b>PUBLIC SAFETY</b>							
Police	374,868	-	24,131	-	2,193	-	348,544
Community Service	147,426	133,935	-	-	13,491	-	-
Civil defense	102,306	-	-	-	-	-	102,306
Fire	1,086,530	38,000	112,176	-	-	-	936,354
<b>TOTAL PUBLIC SAFETY</b>	<b>1,711,130</b>	<b>171,935</b>	<b>136,307</b>	<b>-</b>	<b>15,684</b>	<b>-</b>	<b>1,387,204</b>
<b>HIGHWAYS</b>							
Engineering	76,773	-	-	-	-	-	76,773
Street garage	1,686,456	25,980	158,884	-	2,225	-	1,499,367
Construction in progress	47,697	-	-	-	-	47,697	-
Traffic signs and markings	22,410	-	-	-	22,410	-	-
Storm sewers	4,032,394	-	-	4,015,114	-	-	17,280
Highways	22,637,100	129,979	33,444	22,473,677	-	-	-
<b>TOTAL HIGHWAYS</b>	<b>28,502,830</b>	<b>155,959</b>	<b>192,328</b>	<b>26,488,791</b>	<b>24,635</b>	<b>47,697</b>	<b>1,593,420</b>
<b>RECREATION</b>							
Park	2,555,105	394,876	197,975	-	1,635,839	-	326,415
Lake restoration	1,093,307	130,250	-	-	922,822	-	40,235
Library	339,000	2,675	327,110	-	7,215	-	2,000
<b>TOTAL RECREATION</b>	<b>3,987,412</b>	<b>527,801</b>	<b>525,085</b>	<b>-</b>	<b>2,565,876</b>	<b>-</b>	<b>368,650</b>
<b>LOON LAKE PROJECT</b>	<b>630,067</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>630,067</b>	<b>-</b>	<b>-</b>
<b>TOTAL GOVERNMENTAL FUND CAPITAL ASSETS</b>	<b>\$ 36,220,643</b>	<b>\$ 1,099,848</b>	<b>\$ 1,595,017</b>	<b>\$ 26,488,791</b>	<b>\$ 3,267,129</b>	<b>\$ 47,697</b>	<b>\$ 3,722,161</b>

**CITY OF WASECA, MINNESOTA**  
**CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS**  
**SCHEDULE OF CHANGES BY FUNCTION AND ACTIVITY**  
**FOR THE FISCAL YEAR ENDED DECEMBER 31, 2005**

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
<b>GENERAL GOVERNMENT</b>				
Legislative	\$ 14,077	\$ 0	\$ 0	\$ 14,077
Administration	6,913	0	0	6,913
Elections	10,468	0	0	10,468
Finance	3,413	7,929	0	11,342
Buildings and grounds	1,021,812	74,464	(12,437)	1,083,839
Community development	262,565	0	0	262,565
<b>TOTAL GENERAL GOVERNMENT</b>	<u>1,319,248</u>	<u>82,393</u>	<u>(12,437)</u>	<u>1,389,204</u>
<b>PUBLIC SAFETY</b>				
Police	321,631	101,741	(48,504)	374,868
Civil defense	102,306	0	0	102,306
Community Service	147,426	0	0	147,426
Fire	1,076,631	9,899	0	1,086,530
<b>TOTAL PUBLIC SAFETY</b>	<u>1,647,994</u>	<u>111,640</u>	<u>(48,504)</u>	<u>1,711,130</u>
<b>HIGHWAYS</b>				
Engineering	76,773	0	0	76,773
Street garage	1,684,643	8,793	(6,980)	1,686,456
Construction in progress	82,344	47,697	(82,344)	47,697
Traffic signs and markings	22,410	0	0	22,410
Storm services	3,682,097	350,297	0	4,032,394
Highways	21,122,913	1,865,641	(351,455)	22,637,099
<b>TOTAL HIGHWAYS</b>	<u>26,671,180</u>	<u>2,272,428</u>	<u>(440,779)</u>	<u>28,502,829</u>
<b>RECREATION</b>				
Park	2,448,864	138,147	(31,905)	2,555,106
Lake restoration	1,093,307	0	0	1,093,307
Library	339,000	0	0	339,000
<b>TOTAL RECREATION</b>	<u>3,881,171</u>	<u>138,147</u>	<u>(31,905)</u>	<u>3,987,413</u>
<b>LOON LAKE PROJECT</b>	<u>630,067</u>	<u>0</u>	<u>0</u>	<u>630,067</u>
<b>TOTAL GOVERNMENTAL FUND CAPITAL ASSETS</b>	<u>\$ 34,149,660</u>	<u>\$ 2,604,608</u>	<u>\$ (533,625)</u>	<u>\$ 36,220,643</u>

# **STATISTICAL SECTION**



CITY OF WASECA, MINNESOTA  
EXPENDITURES FOR SELECTED FUNCTION AND OTHER FINANCING USES (1)  
LAST 10 FISCAL YEARS

Fiscal Year	General Government	Public Safety	Public Works	Sanitation	Parks/Rec Culture	Contracts Pay/Debt Service	Other Services	Transfers & Other Financing Uses	Total
1996	\$ 608,213	\$ 953,536	\$ 844,530	\$ 22,946	\$ 499,921	\$ 211,837	\$ 248,624	\$ 401,628	\$ 3,791,235
1997	697,900	1,630,028	862,802	24,772	508,799	214,866	263,999	460,580	4,663,746
1998	776,682	1,187,750	925,430	29,545	535,599	181,990	175,757	427,602	4,240,355
1999	827,806	1,340,908	942,794	28,058	532,632	169,705	247,552	492,647	4,582,102
2000	795,741	1,443,467	1,028,167	40,957	545,707	167,375	358,171	553,600	4,933,185
2001	819,749	1,577,687	1,169,173	34,768	586,316	110,143	509,414	803,600	5,610,850
2002	887,655	1,581,872	1,079,027	61,265	608,048	219,481	604,411	917,250	5,959,009
2003	947,402	1,563,462	996,047	17,102	630,972	214,386	957,367	726,946	6,053,684
2004	960,021	1,697,512	1,300,680	44,224	596,446	296,941	1,047,999	1,187,197	7,131,020
2005	1,081,743	1,901,921	1,207,406	31,339	697,504	455,016	984,088	1,217,083	7,576,100

(1) Includes General, Special Revenue, and Debt Service funds

TABLE 1

CITY OF WASECA, MINNESOTA  
REVENUES AND OTHER FINANCING SOURCES (1)  
LAST 10 FISCAL YEARS

Fiscal Year	Taxes	Licenses and Permits	Inter-Government Revenues/Grants	TIF Revenue	Charges for Services	Fines and Forfeitures	Special Assessment	Misc. Revenue	Other Financing Sources	Total
1996	\$ 1,436,992	\$ 156,937	\$ 1,865,285	\$ 0	\$ 17,130	\$ 28,599	\$ 88,621	\$ 408,225	\$ 88,388	\$ 4,090,177
1997	1,559,181	103,547	1,960,620	0	9,425	48,495	84,291	384,265	115,345	4,265,169
1998	1,662,756	118,974	2,029,060	0	8,766	40,573	86,233	412,270	137,066	4,495,698
1999	1,717,236	141,268	2,071,149	0	8,432	43,125	239,861	344,945	159,647	4,725,663
2000	1,852,334	176,227	2,110,528	61,809	6,918	46,836	250,938	336,548	161,600	5,003,738
2001	2,289,342	188,644	2,571,330	56,313	11,092	50,544	172,385	314,732	269,703	5,924,085
2002	2,529,985	151,026	2,521,885	49,382	7,554	39,010	104,205	261,408	278,623	5,943,078
2003	2,307,982	210,710	2,720,513	145,376	8,352	38,724	344,162	243,887	484,621	6,504,327
2004	2,133,882	176,100	2,739,111	171,905	10,182	35,025	365,166	248,255	1,147,572	7,027,198
2005	2,477,782	295,989	3,158,158	187,696	20,664	36,300	353,556	271,084	980,993	7,782,222

(1) Includes General, Special Revenue, and Debt Service funds

TABLE 2



CITY OF WASECA, MINNESOTA  
PROPERTY TAX LEVIES AND COLLECTIONS  
LAST 10 FISCAL YEARS

<u>Fiscal Year</u>	<u>Total Tax Levy</u>	<u>Total Tax* Collections</u>	<u>Total Collections As Percent of Current Levy</u>	<u>Currently Outstanding Delinquent Taxes</u>	<u>Outstanding Delinquent Taxes as Percent of Current Levy</u>
1996	\$ 1,149,438	\$ 1,112,479	96.78%	\$ 29,684	2.58%
1997	1,268,498	1,221,004	96.26%	31,504	2.48%
1998	1,347,303	1,347,880	100%	40,805	3.03%
1999	1,412,137	1,414,374	100%	44,401	3.14%
2000	1,488,393	1,490,694	100%	40,211	2.70%
2001	1,877,393	1,877,795	100%	53,109	2.83%
2002	2,103,225	2,151,069	102%	60,670	2.88%
2003	1,888,744	1,886,000	100%	28,795	1.52%
2004	1,980,963	1,983,904	100%	37,614	1.90%
2005	2,274,374	2,279,167	100%	44,648	1.96%

\* Total Tax Collections include mobile home tax

CITY OF WASECA, MINNESOTA  
 ASSESSED VALUE AND ESTIMATED MARKET VALUE OF ALL TAXABLE PROPERTY  
 LAST 10 FISCAL YEARS

Fiscal Year	Real Property		Personal Property		Total	
	Tax Capacity	Estimated Market Value	Tax Capacity	Estimated Market Value	Tax Capacity	Estimated (1) Market Value
1996	\$ 3,824,841	\$ 213,544,400	\$ 81,915	\$ 1,549,200	\$ 3,906,756	\$ 215,093,600
1997	3,764,872	229,129,800	74,573	1,881,800	3,839,445	231,011,600
1998	3,649,995	240,356,400	72,698	2,093,200	3,722,693	242,449,600
1999	3,678,307	252,906,400	73,105	2,166,000	3,751,412	255,072,400
2000	3,903,919	264,515,400	71,949	2,132,000	3,975,868	266,647,400
2001	3,256,592	287,020,700	56,805	1,633,400	3,313,397	288,654,100
2002	3,543,486	304,337,300	60,927	1,734,200	3,604,413	306,071,500
2003	3,896,110	333,700,700	59,777	3,002,300	3,955,887	336,703,000
2004	4,312,353	380,865,800	60,463	3,036,600	4,227,007	383,902,400
2005	4,455,159	392,242,200	60,472	3,041,500	4,515,631	395,283,700

**Per Capita Valuations**

Fiscal Year	Ratio of Total Assessed Tax Cap To Total Estimated Market Value	Tax Capacity	Estimated Market Value	Population (2)
1996	1.82%	\$ 463	25,503	8,434
1997	1.66%	439	26,432	8,740
1998	1.54%	422	27,501	8,816
1999	1.47%	398	27,058	9,427
2000	1.49%	422	28,285	9,427
2001	1.15%	341	29,724	9,711
2002	1.18%	371	31,518	9,711
2003	1.17%	407	34,672	9,711
2004	1.10%	435	39,533	9,711
2005	1.14%	465	40,705	9,711

(1) Assessed values and estimated market values obtained from County Assessors office.

(2) Population based on U.S. census of Minnesota state demographers office.

TABLE 4

CITY OF WASECA, MINNESOTA  
PROPERTY TAX RATES \* AND TAX LEVIES -  
DIRECT AND OVERLAPPING GOVERNMENTS  
LAST 10 FISCAL YEARS

Fiscal Year	City	Ind. School Dist. #829	Waseca County	Special Districts	HRA	EDA	Total
1997	\$ 32.470	\$ 64.623	\$ 45.065	\$ 0.185	\$ 0	\$ 0	142.343
1998	35.275	67.554	47.070	0.193	0	0	150.092
1999	38.255	62.719	49.642	0.193	0	0	150.809
2000	40.044	58.310	47.496	0.183	0	0	146.033
2001	48.828	55.768	47.455	0.175	0.559	0	152.785
2002	64.823	27.403	59.789	0.285	0.669	0	152.969
2003	55.188	26.396	57.469	0.267	0.620	0	139.940
2004	51.844	22.846	53.291	0.250	0.540	0	128.771
2005	53.806	20.740	55.302	0.240	0.540	0	130.628
2006	57.208	21.154	54.899	0.222	0.472	0.984	134.939

**\*Tax Levies**

Year Levied	Tax Levy City	Tax Levy School Dist.	Tax Levy County	Special Districts	HRA	T.I.F.	State	EDA	Total
1996	\$ 1,268,524	\$ 2,654,223	\$ 1,760,496	\$ 7,228	\$ 0	\$ 0	\$ 0	\$ 0	\$ 5,727,558
1997	1,347,809	2,724,717	1,797,762	7,371	0	0	0	0	5,877,659
1998	1,413,513	2,467,783	1,833,027	7,124	0	0	0	0	5,721,447
1999	1,488,839	2,323,375	1,765,467	6,802	0	49,802	0	0	5,634,285
2000	1,924,994	1,785,359	1,868,596	6,890	22,009	56,454	0	0	5,664,302
2001	1,875,282	792,748	1,729,723	8,245	19,354	95,514	0	0	4,520,866
2002	1,675,382	801,322	1,744,526	8,106	18,822	149,301	585,231	0	4,982,690
2003	1,718,823	1,293,595	1,766,787	8,293	17,904	173,800	649,759	37,300	5,666,261
2004	1,687,832	1,275,147	1,734,932	8,143	17,581	174,238	617,414	36,628	5,551,915
2005	2,503,076	1,493,632	2,402,030	9,729	20,552	190,179	660,482	43,127	7,322,807

\* Includes levies against all real property and eligible fixed machinery pursuant to MSA Chapter 275. Tax rate is the total of taxable property within the total taxing jurisdiction, divided by total net tax capacity.

CITY OF WASECA MINNESOTA  
 PRINCIPAL TAXPAYERS  
 December 31, 2005

<u>Principal Taxpayers</u>	<u>Type of Business</u>	<u>Tax Capacity</u>	<u>% of Total Tax Capacity</u>
Gruner & Jahr Printing & Publishing	Printing	\$ 141,516	27.135%
MHW Group LLC	Freezer warehouse	64,458	12.360%
FHS Waseca/Portage LP (WalMart & HyVee)	Shopping Center	60,550	11.610%
Waseca Properties LLC	Electronics	47,727	9.151%
Birds Eye Foods Inc	Food processing	46,518	8.920%
Excel Energy	Utility	44,358	8.505%
Roundbank	Banking	32,456	6.223%
Woodville Holdings LLC	Commercial citing	28,641	5.492%
First National Bank	Banking	28,148	5.397%
Preferred Assets Inc (Waseca Foods)	Food packaging	<u>27,153</u>	<u>5.206%</u>
		<u>\$ 521,525</u>	<u>100.00%</u>

TABLE 6

CITY OF WASECA, MINNESOTA  
SPECIAL ASSESSMENT COLLECTIONS  
LAST 10 FISCAL YEARS

Fiscal Year	Current Assessments		% of Current Collections to Assessments Due	Delinquent Assessments Collected	Total Collected	% of Total Collections to Current Assessments Due	Total Outstanding Delinquent Assessments
	Due	Collected					
1996	\$ 99,339	\$ 77,475	0.7799	\$ 11,146	\$ 88,621	0.8921	\$ 4,774
1997	78,017	81,161	1.0000	3,130	84,291	1.0800	3,668
1998	82,507	83,908	1.0169	2,325	86,233	1.0451	2,460
1999	86,233	238,421	2.7648	1,440	239,861	2.7815	1,942
2000	82,852	250,140	3.0191	798	250,938	3.0288	2,711
2001	86,005	171,413	1.9931	972	172,385	2.0044	5,224
2002	92,592	101,868	1.1002	2,337	104,205	1.1254	4,001
2003	74,278	342,613	4.6126	1,549	344,162	4.6334	2,543
2004	138,760	363,434	2.6192	1,732	365,166	2.6316	3,748
2005	135,463	310,173	2.2897	2,956	313,129	2.3115	5,435

TABLE 7

CITY OF WASECA, MINNESOTA  
COMPUTATION OF LEGAL DEBT MARGIN  
December 31, 2005

Market value of taxable property	\$ <u>395,283,700</u>	
*Debt limit-2 % of market value of taxable property		\$ 7,905,674
Amount of debt applicable to debt limit:		
Total bonded debt (including special assessment bonds)	\$ 14,005,000	
Less:		
Special assessment bonds	(2,870,000)	
General obligation-Tax Increment Bonds	(1,100,000)	
General obligation-State Aid Street	(805,000)	
General obligation revenue bonds	<u>(6,920,000)</u>	
Net debt		<u>2,310,000</u>
Legal debt margin		\$ <u>5,595,674</u>

\*For computation of legal debt margin pursuant to Minnesota Statutes.

CITY OF WASECA, MINNESOTA  
RATIO OF NET GENERAL OBLIGATION BONDED DEBT TO ASSESSED  
VALUE AND NET BONDED DEBT PER CAPITA  
LAST 10 FISCAL YEARS

Fiscal Year	Population	Assessed Value/Tax Capacity (2)	Gross Bonded Debt (1)	Less Amount in Debt Service Funds for Retirement of Bonds	Net Bonded Debt	Percentages of Net Bonded Debt to (2)		Net Bonded Debt per Capita
						Assess Values	Market Values	
1996	8,434	3,906,756	0	0	0	0.0000	0.0000	0
1997	8,740	3,839,445	0	0	0	0.0000	0.0000	0
1998	8,816	3,722,693	0	0	0	0.0000	0.0000	0
1999	9,427	3,751,412	0	0	0	0.0000	0.0000	0
2000	9,427	3,975,868	0	0	0	0.0000	0.0000	0
2001	9,711	3,313,397	0	0	0	0.0000	0.0000	0
2002	9,711	3,604,413	0	0	0	0.0000	0.0000	0
2003	9,711	3,955,887	0	0	0	0.0000	0.0000	0
2004	9,711	4,227,007	0	0	0	0.0000	0.0000	0
2005	9,711	4,515,631	0	0	0	0.0000	0.0000	0

- 1) All long-term general obligation debt backed by the full faith and credit of the City. Does not include special assessment bonds.
- 2) Assessed values/tax capacity and market value obtained from County Assessors office.

TABLE 9

CITY OF WASECA, MINNESOTA  
RATIO OF ANNUAL DEBT SERVICE EXPENDITURES FOR  
GENERAL BONDED DEBT TO TOTAL GENERAL EXPENDITURES  
LAST 10 FISCAL YEARS

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Debt Service</u>	<u>Total General (1) Expenditures</u>	<u>Ratio of Debt Service to Total General Expenditures (1)</u>
1996	0	0	0	\$ 3,791,235	.0000
1997	0	0	0	4,663,746	.0000
1998	0	0	0	4,240,355	.0000
1999	0	0	0	4,582,102	.0000
2000	0	0	0	4,933,185	.0000
2001	0	0	0	5,610,850	.0000
2002	0	0	0	5,959,009	.0000
2003	0	0	0	5,897,684	.0000
2004	0	0	0	5,943,822	.0000
2005	0	0	0	6,025,011	.0000

(1) Includes General, Special Revenue, and Debt Service funds

TABLE 10



CITY OF WASECA, MINNESOTA  
COMPUTATION OF DIRECT AND OVERLAPPING  
BONDED DEBT\* AND NET DEBT PER CAPITA  
LAST 10 FISCAL YEARS

Year	City of Waseca		School District No. 829		Waseca County		Total	Per Capita
	**Net Debt	Percentage and Amount Applicable to City	**Net Debt	Percentage and Amount Applicable to City	**Net Debt	Percentage and Amount Applicable to City		
1996	4,965,000	100 %	12,201,392	69 %	2,550,000	42 %	14,454,960	1,713.89
1997	4,645,000	100 %	11,848,787	69 %	2,050,000	42 %	13,681,663	1,565.41
1998	4,320,000	100 %	11,566,477	69 %	2,975,000	42 %	13,550,369	1,537.02
1999	3,985,000	100 %	10,850,250	69 %	7,205,000	42 %	14,497,773	1,537.90
2000	4,395,000	100 %	10,285,715	69 %	6,680,000	42 %	14,297,743	1,516.68
2001	6,345,000	100 %	9,744,640	69 %	6,265,000	42 %	15,700,102	1,616.73
2002	6,020,000	100 %	11,946,124	69 %	5,830,000	42 %	16,711,426	1,720.88
2003	5,670,000	100 %	11,317,815	69 %	5,380,000	42 %	15,738,892	1,620.73
2004	9,440,000	100 %	10,732,931	69 %	4,910,000	42 %	18,907,922	1,947.06
2005	14,005,000	100 %	13,977,302	69 %	7,300,000	42 %	26,715,338	2,751.04

\* Bonded debt reflects all debt issued by jurisdiction including: general obligation, revenue bonds and special assessment bonds.

\*\* Net debt represents total bonded debt less amount in debt service funds for retirement of bonds.

Table 11

CITY OF WASECA, MINNESOTA  
REVENUE BOND COVERAGE  
WATER AND SEWER BONDS  
LAST 10 FISCAL YEARS

Fiscal Year	Operating Revenue	Direct Operating Expenses (1)	Net revenue available for debt service	Debt Service Requirements			Coverage
				Principal	Interest	Total	
1996	\$ 1,525,477	\$ 943,912	\$ 581,565	\$ 100,000	\$ 148,415	\$ 248,415	2.34
1997	1,810,777	996,827	813,950	160,000	187,777	347,777	2.34
1998	1,856,905	972,062	884,843	205,000	179,639	384,639	2.30
1999	1,712,211	1,068,343	643,868	205,000	170,650	375,650	1.71
2000	1,743,017	1,016,900	726,117	195,000	161,227	356,227	2.04
2001	1,976,430	1,379,503	596,927	200,000	166,184	366,184	1.63
2002	2,446,219	1,560,415	885,804	225,000	196,746	421,746	2.10
2003	2,765,305	1,386,617	1,378,688	255,000	185,046	440,046	3.13
2004	2,689,360	1,440,209	1,249,151	270,000	244,785	514,785	2.43
2005	3,112,265	1,419,249	1,693,016	2,075,000	268,021	2,343,021	0.72

(1) Direct operating expenses include operating expenses less depreciation expenses.

CITY OF WASECA, MINNESOTA  
DEMOGRAPHIC STATISTICS  
1996 Through 2005

<u>Year</u>	<u>Population*</u>	<u>MN Dept of Jobs &amp; Training Rate**</u>	<u>Median Persons Per Household</u>	<u>Median Age</u>
1996	8,434	3.5	-	-
1997	8,740	2.7	-	-
1998	8,816	2.4	-	-
1999	9,427	2.5	-	-
2000	9,427	3.2	-	-
2001	9,711	4.4	-	-
2002	9,711	4.0	-	-
2003	9,711	4.6	-	-
2004	9,711	4.5	-	-
2005	9,711	4.5	-	-

\* Population based on U.S. census or Minnesota State Demographics Office (Dem. unit est)  
Based on 1990 U.S. Census and 2000 Census, respectively

\*\* Unemployment rate as of December 31 for Waseca County of which the City of Waseca  
contains 45 percent of the population.

CITY OF WASECA, MINNESOTA  
PROPERTY VALUE, CONSTRUCTION, AND BANK DEPOSITS  
LAST 10 FISCAL YEARS

Fiscal Year	Commercial (1) Construction		Residential (1) Construction		Bank (2) Deposits (in millions)	Industrial & (3) Commercial	Residential (3) Property Value	Non-Taxable(3)
	Number of Permits	Value	Number of Permits	Value				
1996	58	\$ 12,551,040	177	\$ 2,111,318	\$ 186.9	\$ 38,809,500	\$ 161,450,300	\$ 68,400,525
1997	37	2,830,300	258	3,902,020	222.7	41,169,800	174,141,700	68,400,525
1998	49	7,307,483	219	2,587,466	295.8	42,379,700	183,310,700	80,869,500
1999	40	5,276,111	232	3,427,102	308.8	35,293,200	191,242,900	80,869,500
2000	32	4,139,110	227	4,273,708	316.9	39,871,300	216,672,500	80,869,500
2001	62	9,144,008	453	3,019,265	255.0	49,279,400	220,676,100	80,869,500
2002	63	4,326,513	522	4,931,072	264.9	54,602,700	241,542,000	80,869,500
2003	61	9,865,760	487	7,305,522	268.7	61,961,300	253,743,800	80,869,500
2004	69	14,997,173	401	5,591,435	339.2	65,149,800	287,709,500	119,751,100
2005	86	28,491,414	325	5,171,686	350.3	66,717,200	297,160,600	122,663,200

(1) Based on information from City of Waseca Building Inspection Department (includes all categories of construction-new, remodel, incidental).

(2) Provided by local banking institutions.

(3) Provided by Waseca County Assessor.

CITY OF WASECA, MINNESOTA  
MISCELLANEOUS STATISTICS  
December 31, 2005

Date of incorporation					1868
Form of government					Council-Manager
Area (square miles)					6.8
Miles of streets					45
Fire protection					
	Number of stations				1
	Number of firemen & officers (exclusive to volunteers)				10
Police protection					
	Number of stations				1
	Number of police officers				13
Education		K-3	Intermediate	Jr High	High School
	Attendance centers	2	1	1	1
	Number of classrooms	33	21	27	43
	Number of teachers	48	66	21	58
	Number of students	681	410	345	786
Municipal water department					
	Number of consumers				3,178
	Average daily consumption (gallons)				1,052,485
	Miles of water mains				54
Municipal electric department					
	Number of customers				4176
	Average daily consumption (kWh)				170,109
	Annual consumption (kWh)				62,079,244
Sewers					
	Sanitary sewers (miles)				44
	Storm sewers (miles)				40
Building permits issued					411
Recreation and culture					
	Number of parks (200 acres)				15
	Number of libraries				1
	Number of volumes (approx)				125,000
Employees					
	Full-time				67

TABLE 15

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