

COMPREHENSIVE ANNUAL FINANCIAL REPORT

CITY OF WASECA, MINNESOTA

For the Fiscal Year Ended
December 31, 2008

Prepared by Teresa Walters, Finance Director

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CITY OF WASECA, MINNESOTA
Comprehensive Annual Financial Report
Year Ended December 31, 2008

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June 2, 2009

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, 2008.

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 LarsonAllen 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, 2008, 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 had very few amendments to the original 2008 budget.

Financial Condition

Local Government Aid: Fiscal year 2008 was an active year for local, regional and state economies. It was also a year of economic uncertainties. In late 2008, Governor Pawlenty announced his decision to balance the state's short-term \$426 million deficit. For the City of Waseca, the decision was to reduce the December 26, 2008 payment of Local Government Aid (LGA) by a total of \$229,693. For the longer term, the massive \$4.8 billion 2010-2011 state budget deficit will be addressed by the 2009 legislature. Cities will be facing additional LGA cuts when the Governor unveils his 2010-2011 budget in late May 2009. LGA represents 40% of the City's General fund budget. Since the news came at such a late date in the year, the \$229,693 was pulled from the fund balance and the City was able to maintain its planned operations as budgeted. The 2008 tax levy provided the City with the resources needed to fund on-going projects including equipment and infrastructure needs.

Although there are still many unknowns, staff has held numerous discussions on potential cuts to the budget. Staff will prepare, for Council consideration, recommended strategies that could be used to eliminate the General fund budget deficit for 2008 and 2009 and address areas currently not funded, including the annual unmet/deferred infrastructure and maintenance needs, while continuing to address the service demands of our city. We know that extremely difficult choices will need to be made in the near

future, and we are looking at revenue strategies; service delivery model changes; expenditure controls and shifts; and service reductions.

Levy Limits: The levy limitations enacted by the state are also challenging. For the next three years (2009-2011), the city may not increase its tax levy by more than 3.9 percent each year or by the rate of inflation, whichever is less. The statutory levy limits during these next three years are structured so that any unused levy limit authority will be carried forward for 2010 and beyond. However, legislative levy caps in the past had also included "rollover" language, but subsequent to enactment, the legislature rescinded the "rollover" and cities that had not levied to the cap the first year were disadvantaged the following year. Therefore, it is uncertain as to what effect the levy limits will have on the City of Waseca.

Wastewater Treatment Facility: The City of Waseca has a proven proactive environmental record to resolve wastewater system problems. In 1985 we constructed a new treatment facility to eliminate raw sewage pumping to the Minnesota River Basin; in 1995 we constructed a new municipal sludge treatment facility to comply with Federal rules; in the mid 1990's we started an aggressive City program to reduce clean water entering the sanitary sewer system (called Inflow and Infiltration) and in 2002 the City Council adopted an ordinance to inspect all private properties in Waseca to eliminate private property storm sewer connections to the sanitary sewers. Today, our City struggles with undersized trunk sewer mains that result in household basement flooding and occasional raw sewage entering Clear Lake, which requires Clear Lake public access closings. The Minnesota Pollution Control Agency (MPCA) has told us to resolve our wastewater system problems or sanitary sewer permits for City expansion may not be approved by the MPCA. Without such approval, our community could not grow, and this action would effectively halt economic growth. The City Council has determined that Waseca will continue to grow and be a vibrant community into the 21st century.

The City of Waseca, assisted by Bonestroo Engineering, has developed a Wastewater Facilities Plan that will improve the hydraulic capacity of the wastewater conveyance system and treatment plant, as well as implement phosphorous removal, expand capacity for additional growth within the community, enhance bio-solids treatment and storage, and make general repairs and replacements of the existing facility. The

engineer's estimated cost of improvements to the City's wastewater facilities is \$17,180,432.

The project will be bid in the spring of 2009, and once the contract has been accepted by the City Council the work can begin within 45 days. Included in the \$17,180,432 is the anticipated Total Maximum Daily Load (TMDL) Grant for phosphorus treatment in the amount of \$736,225 from the Minnesota Public Facilities Authority. Our project is ranked number one (#1) on the State Project Priority List for wastewater construction projects. The final grant award would be based on the actual bids received and authorized by the Council, but can not exceed the original request of \$736,225. We have submitted our application for a Public Financing Authority (PFA) bond for the remaining \$16,444,207 of the construction project. Because we are number one on the project priority list we feel confident we will receive a loan, which is to be repaid for 20 years at 3% interest. The projected annual debt service payment is \$1,105,309.

To meet the annual debt service payment, the City Council approved a staff recommendation to pay thirty percent (30%) of the debt service payment through a special tax levy and seventy (70%) of the debt service payment through an increase in wastewater fees. The result is a 9.54% increase in property taxes and a sixty (60%) percent increase in wastewater rates. We only serve 3,171 households, institutions and commercial properties, so these increases will have an enormous impact on Waseca residents, businesses, and institutions.

Request for aid: Cities are anticipating a federal economic recovery package that would accelerate infrastructure investments. We have written to our Senators to let them know the City of Waseca has a ready-to-go infrastructure project in the Wastewater system expansion project. Staff has also submitted State Aid Road Projects for consideration for the Federal Stimulus Package. We believe our projects meet the requirements for Stimulus funds; therefore we look forward to receiving a portion of these grants.

Cash Management Policy and Practice

Idle cash during the year was invested in Certificates of Deposits. The City experienced a decrease in overall interest rates throughout 2008. As Certificates of Deposit matured,

there were numerous occasions when interest rates were much higher in our "Elite" savings account; therefore CD investments have reduced during the year. Staff is watching the rates and is continuing the diligent practice of determining the length of investment vs. the interest rate available. The amount of available funds for investment was maintained at the previous historical level, as there has been no significant increase or decrease in investment cash.

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

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 continues to maintain a deductible of \$50,000 for property and liability coverage, as a method of reducing up-front costs to governmental departments. The City has placed a strong emphasis on the implementation and utilization of an active Safety Committee as a means to reduce the increasing costs of workers' compensation coverage. This committee meets to plan for proactive training, discuss reports 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 balance for the Property and Liability Insurance fund to provide flexibility in dealing with the unique or unplanned circumstances that can impact cities.

The Property and Liability Insurance fund continues to utilize available fund balance to

absorb premium charges; therefore General fund departments were not charged in 2008.

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. In 2008, a rate increase allowed for 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 will be a priority while planning and budgeting in 2009.

A community that helps grow value has a positive impact on the net worth of all its property owners. As an organization, the City has worked diligently to build a variety of services, facilities, infrastructure and secure a financial foundation for its residents and stakeholders. Maintaining high quality services plays a key role in favorable appreciation of the community's property values. The City's substantial investments in its infrastructure have aided not only in the improvement of quality of services but it has also spurred additional community investment.

Investment in homes and businesses represents the most important assets in America's personal portfolio; therefore the continued enhancement of that value is extremely important. The City of Waseca's market value has almost doubled to nearly \$420 million over the last ten years. The City needs to continue to progress forward by building and renewing its community. The community and organizational strength, both financial and operational, allows the City to create even greater opportunities. One such opportunity is the expansion and maintenance of infrastructure that will enable the City to strategically plan toward growth. The City Council has placed the goal of assisting and encouraging growth as a high priority in 2008 and beyond.

As mentioned above, the City is planning for a \$16.4 million wastewater treatment facility

improvements project scheduled to start in 2009. The City of Waseca, with the assistance of an engineering firm, has developed a Wastewater Treatment Facilities Plan that will improve the hydraulic capacity of the existing plant, as well as implement phosphorous removal, expand capacity for additional growth within the community, enhance bio-solids treatment and storage, and make general repairs and replacements to the existing facility.

The estimated capital cost for the improvements to the City's wastewater treatment facilities is as follows:

Hydraulic capacity	\$ 7,700,000
Phosphorous removal	500,000
Capacity for growth	3,000,000
Biosolids	3,700,000
Repair and replacement	<u>1,500,000</u>
Total	\$ <u>16,400,000</u>

The City plans to pay for the facility through a combination of fee and levy increases in 2009. The City has also applied for numerous grants and will hear more information on the receipt of these grants in 2009.

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. Construction began on segment C (Waseca County portion) in July 2008 and will begin on segment D (Steele County) in the summer of 2009. MN/DOT plans to finish the corridor to I-35 in 2011, 2012 at the latest. The construction funding consists of \$65 million from the Statewide Corridor fund being dedicated to this project. The remaining \$65 million will be paid from the MN/DOT District 7 Construction fund.

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, 2007. This is the twenty-fourth 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.

I wish to express my appreciation to the Finance Department staff, in particular Lorene Worke, Nancy Bennett, and Sharon Dodson for their diligent work in preparing this report. I appreciate the cooperation and support from other City departments both in preparation of this report and in budget management throughout the year. I would also like to thank our auditors, LarsonAllen LLP, for the very professional manner in which they handled their duty as the City's Auditors. Credit is also given to Crystal Prentice, City Manager, the Mayor, and members of the City Council 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 "Teresa Walters", is written over a horizontal line.

Teresa Walters, 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, 2007

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.



President

Executive Director

CITY OF WASECA, MINNESOTA
OFFICIALS

December 31, 2008

CITY COUNCIL

Roy Srp	Mayor
John Clemons	Council-First Ward
Matt Johansen	Council-First Ward
Robin Terrell	Council-Second Ward
Allan Rose	Council-Second Ward
Mike Parry	Council-Third Ward
Cindy Coy	Council-Third Ward

J. Crystal Prentice, City Manager

ORGANIZATIONAL CHART - 2008

City of Waseca

CITIZENS

City Council

City Manager

Administration

Administrative Assistant

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

Community Development Director

- (1)
- (1) Secretary

Director of Engineering

Maintenance Superintendent
Street & Sewer Supervisor

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

Park Director

Building Official

Water Park Manager

- (1)

Finance Director

- (1)
- (3) Finance Assistant
- (3) Utility Clerk

Fire Chief (Part-time)

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

Chief of Police

Captain
Sergeant

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

Director of Utilities

- (1)
- (1) Utility Project Coordinator
- (2) Water Distribution Operator
- (3) Water/Wastewater Treatment Plant Operator
- (1) Utility Person
- (1) Line Foreperson
- (4) Lineworker



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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, 2008, 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 of Waseca's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free 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, 2008, 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 accounting principles generally accepted in the United States of America.

As discussed in the notes to the financial statements, the City of Waseca, Minnesota adopted the provisions of Governmental Accounting Standards Board No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, as of and for the year ended December 31, 2008. This statement results in the City of Waseca, Minnesota reporting a liability for postemployment benefits other than pensions that the City of Waseca, Minnesota provides to its employees and retirees.

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

In accordance with *Government Auditing Standards*, we have also issued a report dated June 2, 2009, 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, 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 *Government Auditing Standards* and should be considered in conjunction with this report in considering the results of our audit.

The management's discussion and analysis, the Schedule of Funding Progress for Postemployment Benefit Plan and the Schedule of Funding Progress on pages 15 through 27 and pages 88 through 89 respectively, are not a required part of the basic financial statements but are 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 and individual fund statements and schedules, component unit, capital 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 and individual fund statements and schedules, component unit, 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.


LarsonAllen LLP

Austin, Minnesota
June 2, 2009

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, 2008. 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 1-9 of this report, and the City's financial statements following this section.

Financial Highlights

- The assets of the City of Waseca exceeded its liabilities at the close of the most recent fiscal year by \$49,578,610 (net assets). Of this amount, \$14,526,281 (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 \$45,598,817 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 \$7,799,001. Approximately 82 percent of this total amount, \$6,370,119 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 \$2,321,883 or 44 percent of total general fund expenditures.

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 2008 statement provides for an increase in net assets, as the investment in capital assets in the Governmental 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, streets and highways, sanitation and culture and recreation. The business-type activities of the City of Waseca include the water, sewer and electric utilities. The government wide financial statements can be found on pages 31-32 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 Fund's Balance Sheet and Governmental Fund's 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-eight 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, and Capital Improvement Capital Project Fund, all of which are considered to be major funds. Data from the other twenty-five 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 fund, certain Special Revenue funds 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 34-38 of this report.

Proprietary Funds. The City of Waseca maintains two different types of Proprietary funds, Enterprise and Internal Service 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. In 2008, the Airport fund was converted to a Special Revenue fund; however both funds are reported to show the transition. *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 insurance, property and liability insurance, central garage services, and equipment replacement needs. 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 fund's 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 39-41 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 43-85 of this report.

Other Information. In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information. Required supplementary information can be found on pages 88 – 89 of this report. The combining statements referred to earlier in connection with non-major governmental funds and Internal Service funds are presented herewith. Combining and individual fund statements and schedules can be found on pages 93-128 of this report.

Government-Wide Financial Analysis. An analysis of the City's financial position begins with a review of the Statement of Net Assets and the Statement of Activities. These two statements report the City's net assets and changes in net assets. It should be noted that the financial position can also be affected by non-financial factors, including economic conditions, population growth, and new regulations.

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 2008 and beyond. As infrastructure programs are reviewed, meeting growth needs is a critical component of the planning process.

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 \$49,578,610 at December 31, 2008. This is an increase over the 2007 amount, as capital assets were increased by capital purchases and construction.

A condensed version of the Statement of Net Assets at December 31, 2008 follows:

CITY OF WASECA'S NET ASSETS					
	Governmental Activities		Business-Type Activities		Total
	2008	2007	2008	2007	2008
Current and other assets	\$ 9,550,256	\$ 10,328,619	\$ 6,544,615	\$ 5,923,109	\$ 16,094,871
Capital assets	26,819,764	25,366,096	18,779,053	20,412,962	45,598,817
Total assets	<u>36,370,020</u>	<u>35,694,715</u>	<u>25,323,668</u>	<u>26,336,071</u>	<u>61,693,688</u>
Long-term liabilities					
outstanding	6,873,235	7,775,584	4,099,853	4,483,168	10,973,088
Other liabilities	389,604	513,570	752,386	906,843	1,141,990
Total liabilities	<u>7,262,839</u>	<u>8,289,154</u>	<u>4,852,239</u>	<u>5,390,011</u>	<u>12,115,078</u>
Net assets:					
Invested in capital assets,					
net of related debt	20,215,929	17,881,298	14,779,935	16,002,097	34,995,864
Unrestricted	8,891,252	9,524,263	5,691,494	4,943,963	14,582,746
Total Net Assets	<u>\$ 29,107,181</u>	<u>\$ 27,405,561</u>	<u>\$ 20,471,429</u>	<u>\$ 20,946,060</u>	<u>\$ 49,578,610</u>

By far, the largest portion of the City of Waseca's net assets of \$34,995,864 (approximately 71%), reflects its investment in capital assets (e.g. land, buildings, machinery, and equipment) less any related debt used to acquire those assets. 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. The remaining balance of the net assets is unrestricted \$14,582,746 (approximately 29%) and may be used to meet the government's ongoing obligations to citizens and creditors.

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.

A condensed version of the Statement of Changes in Net Assets at December 31, 2008 follows:

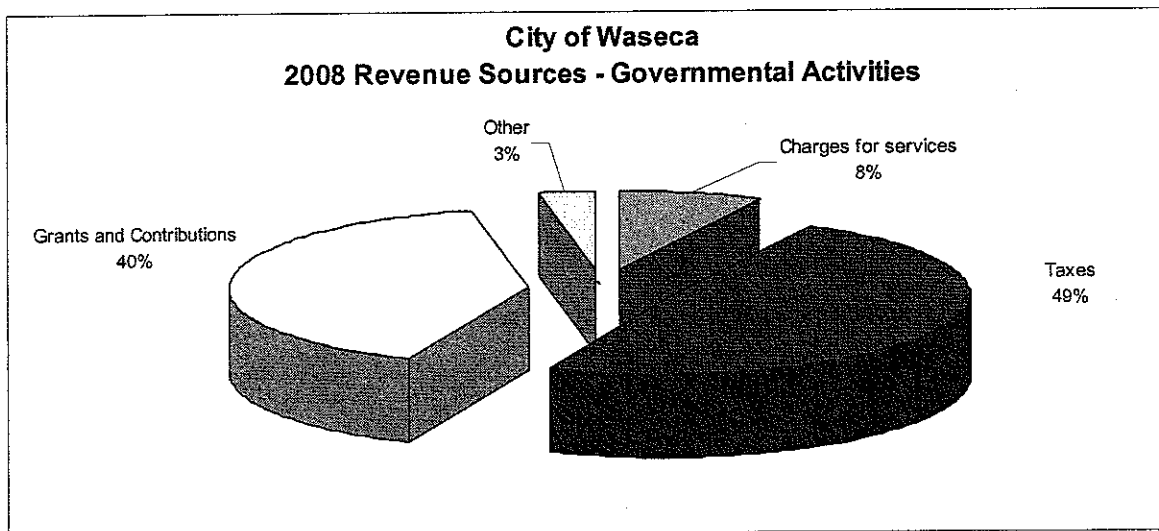
CITY OF WASECA'S CHANGES IN NET ASSETS

	Governmental Activities		Business-Type Activities		Total
	2008	2007	2008	2007	2008
Revenues:					
Program revenues					
Charges for services	\$ 581,928	\$ 522,308	\$ 9,629,270	\$ 9,884,766	\$ 10,214,595
Operating grants and contributions	518,481	768,514	-	335,933	518,481
Capital grants and contributions	273,571	187,414	-	81,132	273,571
General revenues					
Taxes	3,695,686	3,298,468	-	-	3,695,686
Grants and contributions not restricted to specific programs	2,256,322	2,848,079	-	-	2,256,322
Unrestricted investment earnings	231,281	310,848	168,498	202,739	399,779
Gain on disposal of assets	3,855	-	3,397	-	3,855
Total revenues	7,561,124	7,935,631	9,801,165	10,504,570	17,362,289
Expenses:					
General government	2,004,479	2,280,264	-	-	2,004,479
Public safety	2,212,658	2,088,838	-	-	2,212,658
Streets and highways	2,165,581	2,075,077	-	-	2,165,581
Sanitation	49,926	47,005	-	-	49,926
Culture and recreation	1,028,410	1,024,144	-	-	1,028,410
Other	287,660	319,465	-	-	287,660
Water	-	-	888,636	904,267	888,636
Sewer	-	-	1,503,280	1,760,499	1,503,280
Electric	-	-	5,994,670	6,176,515	5,994,670
Airport	-	-	-	122,108	-
Total expenses	7,748,714	7,834,793	8,386,586	8,963,389	16,135,300
Excess before transfers	(187,590)	100,838	1,414,579	1,541,181	1,226,989
Transfers	1,889,210	607,044	(1,889,210)	(607,044)	-
Change in net assets	1,701,620	707,882	(474,631)	934,137	1,226,989
Net Assets – Beginning	27,405,561	26,266,913	20,946,060	20,011,923	48,351,621
Prior Period Adjustment	-	430,766	-	-	-
Net Assets – Beginning as restated	27,405,561	26,697,679	20,946,060	20,011,923	48,351,621
Net Assets – Ending	\$ 29,107,181	\$ 27,405,561	\$ 20,471,429	\$ 20,946,060	\$ 49,578,610

Governmental Activities

Governmental activities increased the City of Waseca's net assets by \$1,701,620. The majority of this increase is due to a \$1,229,811 transfer of net capital assets from the Airport Enterprise fund to the Airport Special Revenue fund. This was completed as part of the conversion from one fund-type to another. Property tax revenues include \$81,331 of delinquent tax collections for governmental activities; the City has earned these revenues and there is a high likelihood of collection. Expenses include \$1,553,762 of depreciation expense for governmental activities under the full accrual basis of accounting.

Governmental revenues totaled \$7,561,124. As part of GASB Statement No. 34 reporting changes, Internal Service fund expenses (\$779,668) and Internal Service fund revenues of (\$506,041) were allocated to all the governmental and business-type activities. General revenues decreased by nearly \$374,507 in 2008 due a \$397,218 increase in taxes, a \$591,757 decrease in grants and contributions, a \$3,855 gain on disposal of assets, and a \$79,567 decrease in unrestricted investment earnings. Below is a graph showing the sources of revenues.

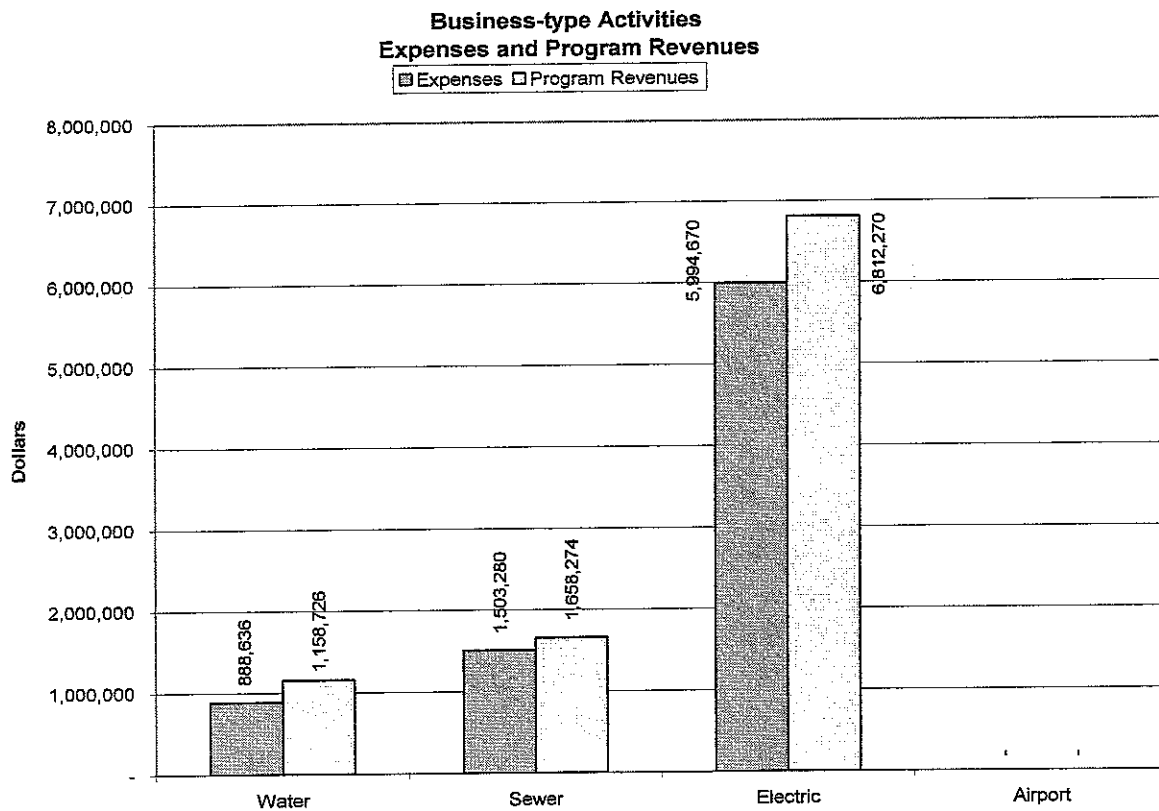


Business-type Activities: Business-type activities net assets decreased by \$474,631. The main reason for this decrease is a reduction in net assets in the Airport fund due to the conversion from an Enterprise to a Special Revenue fund.

Business type expenses decreased by \$576,803 or 6.4% from 2007 to 2008 due to reductions in personnel costs and supplies in the Water fund, reductions in services and

charges in the Sewer fund, reductions in purchased power as well as services and charges in the Electric utility. Business-type activities had a decrease of approximately \$703,405 in programs revenues due mostly to a \$255,496 reduction in charges for services and a \$335,933 reduction in operating grants and contributions.

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 \$7,799,001. The unreserved fund balance constitutes approximately \$6,370,119 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 loans in the amount of \$3,000, land held for resale in the amount of \$1,145,882,

and advances to other funds in the amount of \$280,000.

The following is a discussion of the major governmental funds that had large increases or decreases in net assets.

The General fund is the chief operating fund of the City. At the end of the current fiscal year, unreserved, designated fund balance in the General fund was \$2,321,883, while total fund balance reached \$2,481,883. As a measure of the General fund's liquidity it may be useful to compare both unreserved, designated fund balance and total fund balance to total General fund expenditures. Unreserved fund balance represents 42.4% of total General fund expenditures.

The fund balance of the City's General fund decreased by \$247,048 during the current fiscal year. The key factor of this decrease can be attributed to a \$229,693 reduction in Local Government Aid (LGA) from the State of Minnesota in late December. In an effort to balance the State's \$426 billion deficit, the governor decided to reduce LGA to cities. On December 19, 2008 we were notified by the State that we would see a \$229,693 reduction in our LGA for the second half payment. With less than two weeks remaining in the year, we could not cut our 2008 budget.

The fund balance of the City's Debt Service fund decreased by \$399,141 due to lower assessment revenue and a transfer to the special assessment capital project fund.

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

Water Fund	\$ 2,201,392
Sanitary Sewer Fund	\$ 2,112,415
Electric Fund	\$ 1,493,336
Airport Fund	\$ 0

The net assets of the Proprietary funds decreased by \$470,339 during the current fiscal year. Key factors in this reduction include:

- The Water fund had an increase in net assets of \$238,905 due to a decrease in supplies, personnel costs, and depreciation expense.
- The Sanitary Sewer fund had an increase in net assets of \$142,066 due to a reduction in services and charges.
- The Electric fund had an increase in net assets of \$409,098 due to a combination of decreases in power purchased, personnel services, supplies, and services and charges. The electric utilities unreserved fund balance is only 25.1% of operating expenditures;

therefore it is necessary to build up the fund balance in order to fund operations and pay for purchased power prior to the receipt of utility payments.

- The Airport fund had a decrease in net assets of \$1,260,408. The net assets were reduced during the conversion of the Airport fund from an Enterprise fund to a Special Revenue fund.

The net assets of the Internal Service funds decreased by \$139,294, due to the increase in transfers to the Equipment Replacement fund. This fund was established to fund equipment as needed over a ten year period. The goal is to eliminate financing equipment purchases.

General Fund Budgetary Highlights

The 2008 City budget allowed for the increase in property tax revenue to undertake several important community projects; The General fund transfer to the Capital Improvement fund provided funding for street maintenance, the Northeast Park and land improvement projects, Four-in-one tennis court project, sidewalk maintenance, the Gaitor Lake Diversion project, a joint project with Waseca County to improve the diversion of flow from Gaitor Lake and County Ditch 15-1 through several wetland areas.

A budget adjustment was approved to reduce the LGA by \$229,693 during the current fiscal year, due to a reduction in Local Government Aid (LGA) from the State of Minnesota in late December.

The City continued to fund the Capital Improvement fund with a \$625,000 allocation. Some of the projects were not completed in 2007 and were carried over into 2008; therefore, funding was lower than the requested project costs, resulting in a \$304,678 decrease in fund balance within the CIP fund. 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 reductions in Local Government Aid will create a competing need for resources, as the City prepares to cut the approved budget in 2009. FY 2010 will also experience an LGA reduction. The City is looking at ways to mitigate the impact of these reductions in revenue.

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, 2008, amounts to \$45,598,817 (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, page 57-58.

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

- > Street Improvements
- > Four-in-one tennis court project
- > Northeast Park enhancements
- > Gaiter Lake Diversion Project
- > Completion of the Airport arrival and departure building

Long-Term Debt. At the end of the fiscal year, the City of Waseca had total long-term debt of \$10,899,046. 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. In addition, debt has been issued for the construction of the Waseca Aquatic Park.

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 \$8,695,318 and \$4,810,000 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, page 61-66.

Economic Factors and Budget Information.

The year 2008 was a year of economic distress at the national and the regional levels as the

housing crisis expanded into the mortgage market (with reckless lending practices) resulting in a deep recession. The country experienced a rise in unemployment, a huge drop in the stock market, an increase in foreclosures, and reductions in interest rates. The economic slowdown extended into the City of Waseca as well, as troubles in the housing sector spread to other sectors of the local economy. Owner occupied housing sales and building permits for new homes were down drastically from the previous year. In addition, the number of commercial building permits also declined. In Waseca, an auto dealership closed and many of the city's top businesses reduced their staff by a total of approximately 150 people through layoffs.

As a result of the economic slowdown, the City of Waseca continued to work on debt reduction, the application from the Public Financing Authority (PFA) for our new \$16.4 million Wastewater project, and plans to market the community in 2008. Although the City of Waseca closed out the Small Cities Development Program (SCDP) grant for the downtown and areas to the southwest of the central core, a strong interest in continuing the renovation efforts downtown continues. The SCDP grant funded many commercial and rental rehabilitation sites in the grant-defined area in and around downtown. In 2008, these efforts were continued through the use of tax increment dollars of the Tax Increment District No. 23.

In 2008, The City of Waseca experienced an unemployment rate of approximately 7.2 percent, which is somewhat higher than the states unemployment rate of approximately 6.8 percent. This compares to an unemployment rate of approximately 5.4% in Waseca in 2007 compared to the states unemployment rate of 4.9%.

The City commenced work on a new tax increment district that was certified in 2008. As stated above, this new tax increment district, known as Tax Increment District No. 26, includes parcels on the southerly and easterly sides of downtown Waseca and the western corridor of Highway 14 near Loon Lake. Two new projects in this district will request new building permits in 2009. The projects include the renovation of a portion of the former Austin Mutual building into office space to be rented to Waseca's largest employer, Brown Printing and the expansion of a warehouse facility for the Wills Company.

The City started work on marketing the community in 2007. In 2008, the City provided \$50,000 to fund a portion of the marketing effort underway through a joint effort with the Economic Development Authority, the Waseca Tourism and Visitor's Bureau, and the Chamber of Commerce. A total of \$80,000 has been committed to market Waseca more effectively.

The 2008 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 2008 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 Sanitary Sewer and Electric funds had utility rate increases in 2008 to strategically move these funds towards meeting working capital goals and future operational needs. The City has reviewed integration of utility projects with other City needs, specifically in the area of capital planning and debt structure.

The City sustained steep increases in employee health insurance premium costs in 2007. To minimize the impact of rate increases on both the City and employees, a new option was added in 2008. The new option is a Health Reimbursement Account. This option, a consumer driven health plan, encourages participants to play an active role in their own health care. The City is part of a pool that helps keep costs lower than if they were to apply for insurance on their own.

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.

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BASIC FINANCIAL STATEMENTS

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CITY OF WASECA, MINNESOTA
STATEMENT OF NET ASSETS
December 31, 2008

	Primary Government			Component Unit
	Governmental Activities	Business - type Activities	Total	EDA
ASSETS				
Cash and cash equivalents	\$ 3,711,218	\$ 746,653	\$ 4,457,871	\$ 131,778
Investments	3,100,000	3,850,000	6,950,000	50,000
Receivables				
Taxes	100,439	-	100,439	1,471
Accounts	237,667	1,405,906	1,643,573	1,000
Utility	-	9,563	9,563	-
Mobile home taxes	4,004	-	4,004	-
Computer program receivable	2,009	-	2,009	-
Assessments	740,759	287,186	1,027,945	-
Interest	18,399	22,805	41,204	754
Loans	120,012	-	120,012	-
Internal balances	275,649	(275,649)	-	-
Inventory	-	16,233	16,233	-
Land held for resale	1,145,882	-	1,145,882	327,479
Restricted assets:				
Customer deposits	-	148,348	148,348	-
Capital assets				
Land	1,281,538	111,415	1,392,953	-
Infrastructure	29,186,744	-	29,186,744	-
Construction in progress	33,055	94,659	127,714	-
Buildings	3,177,282	3,296,434	6,473,716	-
Improvements other than buildings	7,127,554	27,272,520	34,400,074	-
Machinery and equipment	4,371,896	7,071,847	11,443,743	-
Accumulated depreciation	(18,358,305)	(19,067,822)	(37,426,127)	-
Service territory (net of amortization)	-	283,163	283,163	-
Other assets	94,218	50,407	144,625	-
Total assets	36,370,020	25,323,668	61,693,688	512,482
LIABILITIES				
Current liabilities				
Accounts payable	251,011	519,903	770,914	41,502
Customer deposits	-	148,348	148,348	-
Accrued wages	33,446	9,607	43,053	-
Accrued interest	103,571	64,965	168,536	-
Deferred Revenue	1,576	-	1,576	-
Noncurrent liabilities:				
Due within one year	1,112,932	399,635	1,512,567	-
Due in more than one year	5,760,303	3,700,218	9,460,521	-
Unearned revenue-utility	-	9,563	9,563	-
Total liabilities	7,262,839	4,852,239	12,115,078	41,502
NET ASSETS				
Invested in capital assets, net of related debt	20,272,394	14,779,935	35,052,329	-
Unrestricted	8,834,787	5,691,494	14,526,281	470,980
Total net assets	\$ 29,107,181	\$ 20,471,429	\$ 49,578,610	\$ 470,980

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, 2008

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	EDA
					Governmental Activities	Business-type Activities		
Governmental Activities:								
General government	\$ 2,004,479	\$ 239,736	\$ 110,212	\$ 18,943	\$ (1,635,588)	\$ -	\$ (1,635,588)	\$ -
Public safety	2,212,658	149,800	249,824	44,467	(1,768,567)	-	(1,768,567)	-
Streets and highways	2,165,581	5,665	73,176	210,161	(1,876,579)	-	(1,876,579)	-
Sanitation	49,926	-	-	-	(49,926)	-	(49,926)	-
Culture and recreation	1,028,410	186,727	85,269	-	(756,414)	-	(756,414)	-
Interest and fees	287,660	-	-	-	(287,660)	-	(287,660)	-
Total governmental activities	7,748,714	581,928	518,481	273,571	(6,374,734)	-	(6,374,734)	-
Business-type activities								
Water	888,636	1,158,726	-	-	-	270,090	270,090	-
Sewer	1,503,280	1,658,274	-	-	-	154,994	154,994	-
Electric	5,994,670	6,812,270	-	-	-	817,600	817,600	-
Total business-type activities	8,386,586	9,629,270	-	-	-	1,242,684	1,242,684	-
Total primary government	\$ 16,135,300	\$ 10,211,198	\$ 518,481	\$ 273,571	\$ (6,374,734)	\$ 1,242,684	\$ (5,132,050)	\$ -
Total component unit	\$ 31,885	\$ 1,161	\$ 29,107	\$ -				\$ (1,617)
General revenues:								
Property taxes					3,281,362	-	3,281,362	40,944
Franchise taxes					194,268	-	194,268	-
TIF revenue					220,056	-	220,056	-
Grants and contributions not restricted					2,256,322	-	2,256,322	4,024
Unrestricted investment earnings					231,281	168,498	399,779	6,348
Gain on Disposal of Assets					3,855	3,397	7,252	-
Transfers					1,889,210	(1,889,210)	-	-
Total General revenues and transfers					8,076,354	(1,717,315)	6,359,039	51,316
Change in net assets					1,701,620	(474,631)	1,226,989	49,699
Net assets - beginning					27,405,561	20,946,060	48,351,621	421,281
Net assets - ending					\$ 29,107,181	\$ 20,471,429	\$ 49,578,610	\$ 470,980

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

Major Funds

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.

Capital Improvement Fund

This fund accounts for the construction and/or maintenance of the City's infrastructure, including streets, park enhancements, sidewalks, public buildings and facilities, storm sewers, etc.

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. The accounting for the Airport fund was transferred to a Special Revenue fund in 2008.

CITY OF WASECA, MINNESOTA
GOVERNMENTAL FUNDS
BALANCE SHEET
December 31, 2008

	General	Debt Service	Capital Improvement Fund	Other Governmental Funds	Total Governmental Funds
ASSETS					
Cash and cash equivalents	\$ 1,449,892	\$ 222,866	\$ 97,688	\$ 1,613,935	\$ 3,384,381
Investments	850,000	1,200,000	500,000	550,000	3,100,000
Receivables					
Taxes	88,061	-	-	12,378	100,439
Accounts	130,838	770	22,218	76,252	230,078
Mobile home taxes	4,004	-	-	-	4,004
Computer program receivable	2,009	-	-	-	2,009
Assessments					
Current	-	681,833	-	50,491	732,324
Delinquent	-	6,858	-	-	6,858
Deferred	-	1,577	-	-	1,577
Interest	8,411	1,617	5,950	2,421	18,399
Land Held for Resale	-	-	185,415	960,467	1,145,882
Loans	-	-	-	120,012	120,012
Advance to other funds	160,000	100,000	-	20,000	280,000
Total assets	<u>\$ 2,693,215</u>	<u>\$ 2,215,521</u>	<u>\$ 811,271</u>	<u>\$ 3,405,956</u>	<u>\$ 9,125,963</u>
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable	\$ 104,427	\$ -	\$ 57,706	\$ 68,802	\$ 230,935
Accrued wages payable	31,876	-	-	774	32,650
Advance from other funds	-	-	-	120,000	120,000
Deferred revenue	75,029	690,268	-	178,080	943,377
Total liabilities	<u>211,332</u>	<u>690,268</u>	<u>57,706</u>	<u>367,656</u>	<u>1,326,962</u>
Fund balances:					
Reserved for:					
Loans	-	-	-	3,000	3,000
Advance to other funds	160,000	100,000	-	20,000	280,000
Land held for resale	-	-	185,415	960,467	1,145,882
Unreserved, designated, reported in:					
General fund	2,321,883	-	-	-	2,321,883
Unreserved, undesignated, reported in:					
Special revenue funds	-	-	-	661,021	661,021
Debt service funds	-	1,425,253	-	80,428	1,505,681
Capital projects funds	-	-	568,150	1,313,384	1,881,534
Total fund balances	<u>2,481,883</u>	<u>1,525,253</u>	<u>753,565</u>	<u>3,038,300</u>	<u>7,799,001</u>
Total liabilities and fund balances	<u>\$ 2,693,215</u>	<u>\$ 2,215,521</u>	<u>\$ 811,271</u>	<u>\$ 3,405,956</u>	<u>\$ 9,125,963</u>

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

**CITY OF WASECA, MINNESOTA
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET ASSETS
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES**

DECEMBER 31, 2008

FUND BALANCE - TOTAL GOVERNMENTAL FUNDS	\$	7,799,001
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Amounts reported for governmental activities in the Statement of Net Assets are different because:

Capital assets used in governmental funds are not current financial resources and, therefore are not reported as assets in governmental funds:

Cost of capital assets	45,178,069	
Less: Accumulated depreciation	<u>(18,358,305)</u>	26,819,764

Governmental funds do not report a liability for accrued interest until due and payable.	(103,571)
--	-----------

Internal service funds are used by management to charge the costs of various services provided to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the Statement of Net Assets.

Internal service fund net assets per statements	313,554	
Add allocation to business-type activities	<u>115,649</u>	429,203

Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds.	(6,839,400)
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Other post-employment benefits are not due and payable in the current period and, therefore, are not reported in the funds	(56,436)
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Issuance costs are reported as expenditures in the governmental funds at the time of issuance. In the Statement of Net Assets, these costs are amortized over the life of the debt issue. Bond premiums and discounts are reported as other financing sources in the governmental funds at the time of issuance. In the Statement of Net Assets, these costs are amortized over the life of the debt issue.	116,819
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Other long-term assets related to delinquent property taxes, special assessments, and loans are not available to pay for current period expenditures and, therefore, are deferred in the governmental funds.	941,801
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NET ASSETS OF GOVERNMENTAL ACTIVITIES

	\$	<u><u>29,107,181</u></u>
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The notes to the financial statements are an integral part of this statement.

CITY OF WASECA, MINNESOTA
GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
For the Year Ended December 31, 2008

	General	Debt Service	Capital Improvement Fund	Other Governmental Funds	Total Governmental Funds
REVENUES					
Taxes	\$ 2,843,065	\$ -	\$ -	\$ 552,707	\$ 3,395,772
Licenses	42,007	-	-	-	42,007
Permits and fees	102,834	-	-	-	102,834
Intergovernmental	2,638,276	-	27,006	391,586	3,056,868
Charges for services	45,477	-	-	-	45,477
Program income	-	-	-	232,231	232,231
Fines and forfeitures	35,453	-	-	13,296	48,749
Assessments	-	157,346	-	1,206	158,552
Interest on assessments	-	47,008	-	-	47,008
Contributions	23,419	-	700	85,569	109,688
Miscellaneous	155,634	61,248	42,377	98,388	357,647
Total revenues	<u>5,886,165</u>	<u>265,602</u>	<u>70,083</u>	<u>1,374,983</u>	<u>7,596,833</u>
EXPENDITURES					
Current:					
General government:	1,151,143	-	-	-	1,151,143
Public safety	1,995,933	-	-	-	1,995,933
Streets and highways	1,288,425	-	-	-	1,288,425
Sanitation	49,926	-	-	-	49,926
Cultural and recreation	714,532	-	-	-	714,532
Personal services	-	-	-	129,738	129,738
Materials and supplies	-	-	-	56,632	56,632
Separation and contribution	-	-	-	2,100	2,100
Services and charges	-	12,241	-	462,568	474,809
Other services	272,582	-	-	-	272,582
Debt service:					
Bond principal	-	360,000	-	580,000	940,000
Interest and fiscal charges	-	82,430	-	205,230	287,660
Capital outlay	-	-	1,013,436	226,622	1,240,058
Total expenditures	<u>5,472,541</u>	<u>442,430</u>	<u>1,013,436</u>	<u>1,662,890</u>	<u>8,603,538</u>
Excess (deficiency) of revenues over (under) expenditures	<u>413,624</u>	<u>(189,069)</u>	<u>(943,353)</u>	<u>(287,907)</u>	<u>(1,006,705)</u>
OTHER FINANCING SOURCES (USES)					
Sale of capital assets	3,855	-	-	-	3,855
Transfers in	454,117	-	638,675	563,724	1,656,516
Transfers out	(1,118,644)	(210,072)	-	(71,413)	(1,400,129)
Total other financing sources (uses)	<u>(660,672)</u>	<u>(210,072)</u>	<u>638,675</u>	<u>492,311</u>	<u>260,242</u>
Net change in fund balances	<u>(247,048)</u>	<u>(399,141)</u>	<u>(304,678)</u>	<u>204,404</u>	<u>(746,463)</u>
Fund balances - beginning	2,728,931	1,924,394	1,058,243	2,833,896	8,545,464
Fund balances - ending	<u>\$ 2,481,883</u>	<u>\$ 1,525,253</u>	<u>\$ 753,565</u>	<u>\$ 3,038,300</u>	<u>\$ 7,799,001</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**

YEAR ENDED DECEMBER 31, 2008

NET CHANGE IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS	\$	(746,463)
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Amounts reported for governmental activities in the Statement of Activities are different because:

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	1,488,641	
Depreciation expense	<u>(1,226,561)</u>	262,080

In the Statement of Activities, the loss on disposition of capital assets is reported. The loss is not a use of current resources and thus, is not reported in the funds.	(1,991)
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The net affect of various miscellaneous transactions involving capital assets (i.e. sales, trade-ins, and donations) is to decrease net assets.	1,193,579
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Revenues (special assessment and loan receivable deferred revenue) in the Statements of Activities that do not provide current financial resources are not reported as revenues in the funds.	(49,475)
---	----------

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. This is the amount of repayments in the current period.	940,000
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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 issuance costs (\$13,737) and discounts (\$3,112) are greater than premiums (\$510).	(16,339)
--	----------

Some expenses (changes in accrued interest, Other post-employment benefits, and compensated absences) 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.	(23,357)
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The net gain of the Internal Service funds reported with governmental activities	<u>143,586</u>
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CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES	\$	<u>1,701,620</u>
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The notes to the financial statements are an integral part of this statement.

CITY OF WASECA, MINNESOTA
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL
FOR THE YEAR ENDED DECEMBER 31, 2008

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
				Positive (Negative)
REVENUES				
Taxes	\$ 3,054,683	\$ 3,054,683	\$ 2,843,065	\$ (211,618)
Licenses	47,600	47,600	42,007	(5,593)
Permits and fees	156,100	156,100	102,834	(53,266)
Intergovernmental	2,615,413	2,385,720	2,638,276	252,556
Charges for services	46,500	46,500	45,477	(1,023)
Fines	20,100	20,100	35,453	15,353
Contributions	10,000	10,000	23,419	13,419
Miscellaneous	161,500	161,500	155,634	(5,866)
Total revenues	<u>6,111,896</u>	<u>5,882,203</u>	<u>5,886,165</u>	<u>3,962</u>
EXPENDITURES				
Current:				
General government	1,101,051	1,179,051	1,151,143	27,908
Public safety	1,971,259	1,971,259	1,995,933	(24,674)
Streets and highways	1,355,873	1,355,873	1,288,425	67,448
Sanitation	48,786	48,786	49,926	(1,140)
Cultural and recreation	705,804	705,804	714,532	(8,728)
Other services	287,826	287,826	272,582	15,244
Total expenditures	<u>5,470,599</u>	<u>5,548,599</u>	<u>5,472,541</u>	<u>76,058</u>
Excess of revenues over expenditures	<u>641,297</u>	<u>333,604</u>	<u>413,624</u>	<u>80,020</u>
OTHER FINANCING SOURCES (USES)				
Sale of capital assets	-	-	3,855	3,855
Transfers in	454,117	454,117	454,117	-
Transfers out	(1,169,414)	(1,114,712)	(1,118,644)	(3,932)
Total other financing sources (uses)	<u>(715,297)</u>	<u>(660,595)</u>	<u>(660,672)</u>	<u>(77)</u>
Net change in fund balances	<u>(74,000)</u>	<u>(326,991)</u>	<u>(247,048)</u>	<u>79,943</u>
Fund balances - beginning	2,728,931	2,728,931	2,728,931	-
Fund balances - ending	<u>\$ 2,654,931</u>	<u>\$ 2,401,940</u>	<u>\$ 2,481,883</u>	<u>\$ 79,943</u>

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

CITY OF WASECA, MINNESOTA
PROPRIETARY FUNDS
STATEMENT OF NET ASSETS
December 31, 2008

	Business-type Activities-Enterprise Funds					Governmental Activities- Internal Service Funds
	Water Fund	Sanitary Sewer Fund	Electric	Airport	Totals	
ASSETS						
Current assets:						
Cash and cash equivalents	\$ 232,082	\$ 153,498	\$ 361,073	\$ -	\$ 746,653	\$ 326,837
Investments	1,700,000	1,650,000	500,000	-	3,850,000	-
Restricted cash and cash equivalents:						
Customer Deposits	-	-	148,348	-	148,348	-
Accounts receivable	152,600	220,071	1,033,235	-	1,405,906	7,589
Utility receivable	5,738	3,825	-	-	9,563	-
Interest receivable	12,093	10,058	654	-	22,805	-
Assessments receivable	143,098	144,088	-	-	287,186	-
Inventories	-	-	16,233	-	16,233	-
Total current assets	<u>2,245,611</u>	<u>2,181,540</u>	<u>2,059,543</u>	<u>-</u>	<u>6,486,694</u>	<u>334,426</u>
Noncurrent assets:						
Capital assets:						
Land	10,585	12,700	88,130	-	111,415	-
Buildings	163,011	2,656,198	477,225	-	3,296,434	-
Improvements	8,899,825	10,075,823	8,296,872	-	27,272,520	-
Construction in progress	-	94,659	-	-	94,659	-
Machinery and equipment	526,587	5,354,155	1,191,105	-	7,071,847	-
Less accumulated depreciation	<u>(4,962,762)</u>	<u>(7,837,717)</u>	<u>(6,267,343)</u>	<u>-</u>	<u>(19,067,822)</u>	<u>-</u>
Total capital assets (net of accumulated depreciation)	4,637,246	10,355,818	3,785,989	-	18,779,053	-
Other assets:						
Service territory (net of amortization)	-	-	283,163	-	283,163	-
Deferred bond issuance costs	5,786	44,621	-	-	50,407	-
Total other assets	<u>5,786</u>	<u>44,621</u>	<u>283,163</u>	<u>-</u>	<u>333,570</u>	<u>-</u>
Total noncurrent assets	<u>4,643,032</u>	<u>10,400,439</u>	<u>4,069,152</u>	<u>-</u>	<u>19,112,623</u>	<u>-</u>
Total assets	<u>\$ 6,888,643</u>	<u>\$ 12,581,979</u>	<u>\$ 6,128,695</u>	<u>\$ -</u>	<u>\$ 25,599,317</u>	<u>\$ 334,426</u>
LIABILITIES						
Current liabilities:						
Accounts payable	\$ 6,330	\$ 41,871	\$ 471,702	\$ -	\$ 519,903	\$ 20,076
Accrued wages payable	1,893	2,672	5,042	-	9,607	796
Accrued interest payable	21,487	43,478	-	-	64,965	-
Customer deposits payable	-	-	148,348	-	148,348	-
Revenue bonds payable	120,000	225,000	-	-	345,000	-
Unearned revenue - utility	5,738	3,825	-	-	9,563	-
Total current liabilities	<u>155,448</u>	<u>316,846</u>	<u>625,092</u>	<u>-</u>	<u>1,097,386</u>	<u>20,872</u>
Noncurrent liabilities:						
Revenue bonds payable	1,095,365	2,558,753	-	-	3,654,118	-
Compensated absences payable	11,436	16,638	55,052	-	83,126	-
Other post-employment benefits payable	3,121	5,262	9,226	-	17,609	-
Advance from other funds	-	-	160,000	-	160,000	-
Total noncurrent liabilities	<u>1,109,922</u>	<u>2,580,653</u>	<u>224,278</u>	<u>-</u>	<u>3,914,853</u>	<u>-</u>
Total liabilities	<u>1,265,370</u>	<u>2,897,499</u>	<u>849,370</u>	<u>-</u>	<u>5,012,239</u>	<u>20,872</u>
NET ASSETS						
Invested in capital assets, net of related debt	3,421,881	7,572,065	3,785,989	-	14,779,935	-
Unrestricted	2,201,392	2,112,415	1,493,336	-	5,807,143	313,554
Total net assets	<u>\$ 5,623,273</u>	<u>\$ 9,684,480</u>	<u>\$ 5,279,325</u>	<u>\$ -</u>	<u>20,587,078</u>	<u>\$ 313,554</u>
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds.					(115,649)	
Net assets of business-type activities					\$ 20,471,429	

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

CITY OF WASECA, MINNESOTA
PROPRIETARY FUNDS
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2007

	Business-type Activities-Enterprise Funds					Governmental Activities-Internal Service Funds
	Water Fund	Sanitary Sewer Fund	Electric	Airport	Totals	
Operating revenues:						
Charges for services	\$ 1,151,331	\$ 1,653,754	\$ 6,745,966	\$ -	\$ 9,551,051	\$ 485,972
Insurance reimbursement	-	-	-	-	-	20,069
Miscellaneous	7,395	4,520	66,304	-	78,219	-
Total operating revenues	<u>1,158,726</u>	<u>1,658,274</u>	<u>6,812,270</u>	<u>-</u>	<u>9,629,270</u>	<u>506,041</u>
Operating expenses:						
Power purchased	107,918	-	4,577,673	-	4,685,591	-
Personnel services	232,669	399,814	633,867	-	1,266,350	118,584
Supplies	95,377	150,048	258,210	-	503,635	389,726
Services and charges	89,542	361,712	113,609	-	564,863	7,026
Depreciation	302,630	478,732	347,450	-	1,128,812	-
Insurance payment	-	-	-	-	-	13,188
Insurance premium	-	-	-	-	-	251,144
Total operating expenses	<u>828,136</u>	<u>1,390,306</u>	<u>5,930,809</u>	<u>-</u>	<u>8,149,251</u>	<u>779,668</u>
Operating income (loss)	<u>330,590</u>	<u>267,968</u>	<u>881,461</u>	<u>-</u>	<u>1,480,019</u>	<u>(273,627)</u>
Nonoperating revenues (expenses):						
Gain on disposal of capital assets	595	2,802	-	-	3,397	-
Interest income	71,777	68,359	28,362	-	168,498	9,910
Interest expense	(55,376)	(105,048)	(14,346)	-	(174,770)	-
Agent fee	(1,730)	(1,233)	-	-	(2,963)	-
Amortization expense	(2,826)	(5,083)	(47,401)	-	(55,310)	-
Total nonoperating revenues (expenses)	<u>12,440</u>	<u>(40,203)</u>	<u>(33,385)</u>	<u>-</u>	<u>(61,148)</u>	<u>9,910</u>
Income (loss) before transfers	<u>343,030</u>	<u>227,765</u>	<u>848,076</u>	<u>-</u>	<u>1,418,871</u>	<u>(263,717)</u>
Transfers in	-	-	-	-	-	403,011
Transfers out	(104,125)	(85,699)	(438,978)	(1,260,408)	(1,889,210)	-
Change in net assets	<u>238,905</u>	<u>142,066</u>	<u>409,098</u>	<u>(1,260,408)</u>	<u>(470,339)</u>	<u>139,294</u>
Total net assets-beginning	<u>5,384,368</u>	<u>9,542,414</u>	<u>4,870,227</u>	<u>1,260,408</u>		<u>174,260</u>
Total net assets-ending	<u>\$ 5,623,273</u>	<u>\$ 9,684,480</u>	<u>\$ 5,279,325</u>	<u>\$ -</u>		<u>\$ 313,554</u>
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds.					(4,292)	
Net assets of business-type activities					<u>\$ (474,631)</u>	

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

CITY OF WASECA, MINNESOTA
PROPRIETARY FUNDS
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2008

	Business-type Activities-Enterprise Funds					Governmental Activities-Internal Service Funds
	Water Fund	Sanitary Sewer Fund	Electric	Airport	Totals	
CASH FLOWS FROM OPERATING ACTIVITIES						
Cash received from customers	\$ 1,190,845	\$ 1,704,344	\$ 6,718,438	\$ 199,714	\$ 9,813,341	\$ -
Cash received from other funds and reimbursements	-	-	-	-	-	498,452
Cash payments to suppliers	(296,874)	(553,126)	(4,934,143)	(82,849)	(5,866,992)	-
Cash payments to employees	(234,997)	(394,344)	(636,385)	-	(1,265,726)	(120,904)
Cash payments for interfund services used	-	-	-	-	-	(650,091)
Net cash provided(used) by operating activities	658,974	756,874	1,147,910	116,865	2,680,623	(272,543)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES						
Due from other funds	119,476	-	-	-	119,476	-
Due to other funds	-	-	(33,207)	(86,269)	(119,476)	-
Transfers to other funds	(104,125)	(85,699)	(438,978)	(30,598)	(659,398)	403,011
Net cash provided (used) by noncapital financing activities	15,351	(85,699)	(472,185)	(116,865)	(659,398)	403,011
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES						
Principal paid on bonds	(200,000)	(215,000)	-	-	(415,000)	-
Proceeds from sale of capital assets	595	5,865	-	-	6,460	-
Acquisition of capital assets	(143,812)	(369,466)	(214,500)	-	(727,778)	-
Agent fee	(1,730)	(1,233)	-	-	(2,963)	-
Advance from other funds	-	-	(20,000)	-	(20,000)	-
Interest expense	(58,250)	(107,387)	(14,347)	-	(179,984)	-
Net cash provided (used) by capital and related financing activities	(403,197)	(687,221)	(248,847)	-	(1,339,265)	-
CASH FLOWS FROM INVESTING ACTIVITIES						
Purchase of investments	(200,000)	(100,000)	(100,000)	-	(400,000)	-
Proceeds from sale of investments	-	-	-	-	-	100,000
Interest on investments	78,932	83,383	33,395	-	195,710	9,961
Net cash provided (used) by investing activities	(121,068)	(16,617)	(66,605)	-	(204,290)	109,961
Net increase (decrease) in cash and cash equivalents	150,060	(32,663)	360,273	-	477,670	240,429
Cash and cash equivalents, January 1	82,022	186,161	800	-	268,983	86,408
Cash and cash equivalents, December 31	\$ 232,082	\$ 153,498	\$ 361,073	\$ -	\$ 746,653	\$ 326,837
Reconciliation of operating income to net cash provided (used) by operating activities:						
Operating income (loss)	\$ 330,590	\$ 267,968	\$ 881,461	\$ -	\$ 1,480,019	\$ (273,627)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities						
Depreciation	302,630	478,732	347,450	-	1,128,812	-
Change in assets and liabilities						
(Increase) decrease in accounts receivable	11,336	19,237	(93,832)	199,714	136,455	(7,589)
(Increase) decrease in utility receivable	(274)	(182)	-	-	(456)	-
Decrease in assessment receivable	20,783	26,833	-	-	47,616	-
Decrease in inventory	-	-	3,549	-	3,549	-
Increase (decrease) in accounts payable	(4,037)	(41,366)	11,800	(82,849)	(116,452)	10,993
Increase (decrease) in accrued wages payable	(5,191)	(9,459)	(13,158)	-	(27,808)	(2,320)
Increase (decrease) in compensated absences payable	(258)	9,667	1,414	-	10,823	-
Increase in OPEB payable	3,121	5,262	9,226	-	17,609	-
Increase in unearned revenue - utility	274	182	-	-	456	-
Total adjustments	328,384	488,906	266,449	116,865	1,200,604	1,084
Net cash provided (used) by operating activities	\$ 658,974	\$ 756,874	\$ 1,147,910	\$ 116,865	\$ 2,680,623	\$ (272,543)
Noncash investing, capital, and financing activities:						
Amortization of bond issuance costs	\$ 2,826	\$ 5,083	\$ -	\$ -	\$ 7,909	\$ -
Amortization of service territory	-	-	47,401	-	47,401	-
Transfer capital assets to the general fund	-	-	-	1,229,812	1,229,812	-

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

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CITY OF WASECA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2008

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 of America. 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 who are appointed by the Waseca City Council. The City is considered financially accountable for The Economic Development Authority because the City can impose its will and because financial assistance is made by the City. The Economic Development Authority of the City of Waseca is comprised of one fund, the General fund. Financial information for the

Economic Development Authority is provided in the City's comprehensive annual financial report.

B. Government-Wide and Fund Accounting

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. Exceptions to this general rule are charges between the City's Enterprise funds and various other functions of government. Eliminations of these charges would distort the direct costs and program revenues reported for the various functions concerned. 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, however, interfund services provided and used are not eliminated in the process of consolidation.

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 payments are 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.

Since the governmental fund statements are presented using a different measurement focus and basis of accounting than the government-wide statements'

governmental column, reconciliations are presented which briefly explain the adjustments necessary to reconcile both the ending net assets and the change in net assets.

Major governmental funds - 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. Most of the current day-to-day operations of the governmental units are financed from this 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.

Capital Improvement Fund

This accounts for the construction and/or maintenance of the City's infrastructure, including streets, park enhancements, sidewalks, public buildings and facilities, storm sewers, etc.

Major proprietary funds - 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. The accounting for the Airport fund was transferred to a special revenue fund in 2008.

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 Central Garage fund 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 not 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. Exceptions to this general rule are charges between the City's Enterprise funds and various other functions of government. Eliminations of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues 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 they are 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 consisted of non-negotiable certificates of deposit. 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 December. 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 or 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. Long-term interfund loans are classified as "advances to/from other funds". Any residual balances outstanding between governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances".

Interfund loan receivables, as reported in the fund financial statements, are offset by a fund balance reserve account in applicable governmental funds to indicate that they are not available for appropriation and are not expendable available financial resources.

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 collectability. 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. Land Held for Resale

Land held for resale is valued at cost which approximates fair value.

7. 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.

8. 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 at 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 asset 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. Depreciation of property, plant, and equipment is provided on the straight line basis over the following estimated useful lives:

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

9. Compensated Absences

It is the City's policy to permit employees to accumulate earned but unused vacation and sick pay benefits. All vacation pay 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.

10. Long-Term Obligations

Long-term obligations are recorded in the City's government-wide statement of net assets when they become a liability to the City. Long-term obligations are recognized as a liability of a governmental fund only when due or when resources have been accumulated in the debt service fund for payment early in the following year. Long-term obligations expected to be financed from proprietary funds are accounted for in those funds. 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 funds recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources, while 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.

11. 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 for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

12. Use of Estimates

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

13. New Accounting Pronouncements

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

Statement No. 51, *Accounting for Financial Reporting for Intangible Assets*. This statement, which the City will be required to adopt in 2010, establishes accounting and financial reporting requirements for intangible assets including easements, water rights, timber rights, patents, trademarks, and computer software.

II. RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

The following is an 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 the fund balance in the governmental funds and net assets in the governmental activities as reported in the government-wide statement of net assets. Some of the elements of the reconciliation include:

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	\$ (6,570,000)
Compensated absences payable	(269,400)
Total difference	\$ <u>(6,839,400)</u>
Bond issuance costs	\$ 94,218
Bond discounts	23,916
Bond Premiums	(1,315)
	\$ <u>116,819</u>
Accrued interest payable	\$ <u>(103,571)</u>

Other long-term assets related to delinquent property taxes, special assessments, and loans are not available to pay for current period expenditures and, therefore, are deferred in the governmental funds.

Def Rev - Special Assessments	\$	739,182
Def Rev - Delinquent taxes		85,607
Def Rev - Loans receivable		<u>117,012</u>
	\$	<u>941,801</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 and the following Special Revenue funds: Economic Development Public Grant (EDPG) Clear Lake Press, Tax Increment Financing (TIF) funds, Water Park fund, Waseca Housing fund, Police Separation fund, Police Reserve fund, Airport fund, Police Crime Victims fund, Police Forfeiture fund, and Fire Relief fund. A budget is also adopted for the following Capital Project funds: Municipal State Aid Maintenance, Capital Improvement fund, and Annexation and Growth. 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 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 28th 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. The Council approved the following supplemental increases to the budget in 2008: General fund: \$78,000, Capital Improvement fund: \$345,637.

B. Excess of Expenditures Over Appropriations

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

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
Special Revenue Funds			
TIF Funds	\$ 152,653	\$ 154,149	\$ 1,496
Airport Fund	71,100	93,031	21,931
Police Reserve Fund	1,500	6,209	4,709
Police Crime Victims Fund	35,672	38,862	3,190
Police Forfeiture Fund	1,000	2,766	1,766

As TIF revenue is received for the TIF funds, payments are made to the developer equal to the amount of the tax increment less a 10% administrative fee. These TIF districts are budgeted based on the previous year's taxes. Actual revenues and expenditures received and incurred for 2008 exceeded budgeted amounts.

The Airport fund actual expenditures were \$21,931 higher than budget due to capital improvements. In 2008, the City of Waseca received a grant to cover the improvements.

The Police Reserve fund was utilized for many community events, allowing for unbudgeted costs of service.

The Police Crime Victims fund is a new fund set up in 2008. The Police Crime Victims fund was established to provide for a separate allocation of forfeiture, DUI, and other revenue sources that must be expended in accordance with state Statute. Crime Victims expenses vary from year to year resulting in variances from the budget.

The Police Forfeitures fund was developed in 2007 to record revenue generated from legally forfeited property including property seized in DUI and drug related arrests under state and federal laws. Forfeiture expenses vary from year to year resulting in variances from the budget.

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 (from January – September) and \$250,000 (starting in October, 2008) 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. The City’s deposits, including certificates of deposit, were fully insured or collateralized as required by State Statutes at December 31, 2008. At year end, the carrying amount of the City’s deposits was \$11,556,219 and the bank balance was 11,892,055. Of the total bank balance, the FDIC covered \$593,600. The remainder was covered by collateral with a value of \$13,631,501.

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 held no investments at December 31, 2008.

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

Deposits	\$	<u>11,556,219</u>
Total cash, cash equivalents, and investments		<u>11,556,219</u>
Cash and cash equivalents - governmental activities	\$	3,711,218
Investments - governmental activities		3,100,000
Cash and cash equivalents - business-type activities		746,653
Investments - business-type activities		3,850,000
Customer deposits		<u>148,348</u>
	\$	<u>11,556,219</u>

Interest Rate Risk: The City's investment policy states that the City will minimize the risk that the market value of securities in the portfolio will fall due to changes in general interest rates by structuring the investment portfolio so that the securities mature to meet cash requirements for ongoing operations, thereby avoiding the need to sell securities on the open market prior to maturity and investing operating funds primarily in shorter-term securities, money market mutual funds, or similar investment pools.

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 three components of deferred revenue reported in the governmental funds were for delinquent taxes receivable not yet available (General, Special Revenue and Debt Service funds) special assessments not yet available (Debt Service funds) and loans receivable not yet due (Special Revenue funds) for the amounts of \$85,607, \$739,182 and \$117,012, respectively.

C. Capital Assets

Capital asset activity for governmental activities for the year ended December 31, 2008 was as follows:

	Beginning Balances	Airport Transfer	Increases	Decreases	Ending Balances
Capital assets not being depreciated					
Land	\$ 1,107,104	\$ 174,580	\$ -	\$ 146	\$ 1,281,538
Construction in progress	-	-	33,055	-	33,055
Total capital assets not being depreciated	1,107,104	174,580	33,055	146	1,314,593
Depreciable capital assets:					
Buildings	2,557,240	588,114	31,928	-	3,177,282
Improvements other than buildings	6,000,142	787,318	349,297	9,203	7,127,554
Equipment	4,245,256	7,000	435,806	316,166	4,371,896
Infrastructure	28,548,189	-	638,555	-	29,186,744
Total depreciable	41,350,827	1,382,432	1,455,586	325,369	43,863,476
Accumulated depreciation:					
Buildings	1,245,314	146,214	69,675	-	1,461,203
Improvements other than buildings	1,846,403	173,987	221,027	9,203	2,232,214
Equipment	2,364,160	7,000	249,605	278,089	2,342,676
Infrastructure	11,635,958	-	686,254	-	12,322,212
Total accumulated depreciation	17,091,835	327,201	1,226,561	287,292	18,358,305
Total capital assets being depreciated, net	24,258,992	1,055,231	229,025	38,077	25,505,171
Governmental activities capital assets, net	\$ 25,366,096	\$ 1,229,811	\$ 262,080	\$ 38,223	\$ 26,819,764

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

General Government	\$ 78,930
Public Safety	95,889
Streets and Highways	809,000
Culture and Recreation	242,742
Total depreciation for governmental activities	\$ 1,226,561

Capital asset activity for business-type activities for the year ended December 31, 2008 was as follows:

	Beginning Balances	Airport Transfer	Increases	Decreases	Ending Balances
Capital assets not being depreciated					
Land	\$ 285,995	\$ (174,580)	\$ -	\$ -	\$ 111,415
Construction in progress	-	-	94,659	-	94,659
Total capital assets not being depreciated	285,995	(174,580)	94,659	-	206,074
Depreciable capital assets:					
Buildings	3,869,190	(588,114)	15,358	-	3,296,434
Improvements other than buildings	27,634,946	(787,318)	453,365	28,473	27,272,520
Equipment	6,935,356	(7,000)	164,399	20,908	7,071,847
Total depreciable	38,439,492	(1,382,432)	633,122	49,381	37,640,801
Accumulated depreciation:					
Buildings	1,257,602	(146,214)	53,130	-	1,164,518
Improvements other than buildings	13,564,171	(173,987)	801,050	28,473	14,162,761
Equipment	3,490,752	(7,000)	274,632	17,841	3,740,543
Total accumulated depreciation	18,312,525	(327,201)	1,128,812	46,314	19,067,822
Total capital assets being depreciated, net	20,126,967	(1,055,231)	(495,690)	3,067	18,572,979
Business type activities capital assets, net	\$ 20,412,962	\$ (1,229,811)	\$ (401,031)	\$ 3,067	\$ 18,779,053

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

Water	\$ 302,630
Sewer	478,732
Electric	347,450
Total depreciation for business-type activities	\$ 1,128,812

D. Interfund Balances and Transfers

Interfund receivables and payables represent lending/borrowing arrangements to cover deficit cash balances at the end of the fiscal year until the 2009 revenue flow provides for costs. There were no interfund receivables and payables at year end.

Advances to/from Other Funds		
Receivable Fund	Payable Fund	Amount
General Fund	Electric Fund	\$ 160,000
Debt Service Fund	Non-major Governmental Fund	100,000
Non-major Governmental Fund	Non-major Governmental Fund	20,000
	Total	\$ 280,000

The General fund made an advance to the Electric fund to fund the purchase of service territory. This advance will be repaid over time from charges for services. The Debt Service fund made an advance to the Central TIF fund to finance the remaining project costs related to the downtown streetscaping project. This advance will be repaid over time through tax increments received in future years. In 2008 a TIF fund was accidentally decertified by the County; therefore no TIF payments were received in 2008. Since the City was not aware of this, the TIF payment was made. To cover this TIF payment, the Central TIF fund made an advance to Parkview Estates TIF fund. The fund will be re-certified in 2009. The TIF funds are consolidated for financial reporting purposes, but are also shown by individual funds.

The following is a schedule of interfund transfers for the year ended December 31, 2008:

	Transfers In			
	General Fund	CIP Fund	Non Major Governmental Funds	Total
Transfers Out				
General fund	\$ -	\$ 625,000	\$ 493,644	\$ 1,118,644
Debt Service fund	-	-	210,072	210,072
Non-Major Governmental funds	-	-	71,413	71,413
Water fund	50,509	13,675	39,941	104,125
Sewer fund	50,509	-	35,190	85,699
Electric fund	353,099	-	85,879	438,978
Airport fund	-	-	1,260,408	1,260,408
	<u>\$ 454,117</u>	<u>\$ 638,675</u>	<u>\$ 2,196,547</u>	<u>\$ 3,289,339</u>

Throughout 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 following is an explanation of some of the major transfers.

The Debt Service Special Assessment fund transferred \$164,072 to the Special Assessment Capital Project fund to fund special assessment projects.

The General fund transferred \$403,011 to the Equipment Replacement fund to provide funding for a police vehicle, street, and various other equipment.

The General fund transferred \$625,000 to the Capital Improvement fund to provide funding for street maintenance, the Northeast Park , Four-in-one tennis court project, sidewalk maintenance and the Gaiter Lake Diversion project.

In the year ended December 31, 2008, the City made one-time transfers of net assets in the amount of \$30,597 and capital assets in the amount of \$1,229,811 from the Airport Enterprise fund to the Airport Special Revenue fund. The operations of this Enterprise fund were converted to a Special Revenue fund beginning January 1, 2008.

E. Other Assets

Other assets within the Governmental and Enterprise funds for December 31, 2008 are as follows:

	<u>General</u>	<u>Water</u>	<u>Sewer</u>	<u>Electric</u>	<u>Total</u>
Deferred Bond Issuance Costs (Net of amortization)	\$ 94,218	\$ 5,786	\$ 44,621	\$ -	\$ 144,625
Service Territory (Net of amortization)	-	-	-	283,163	283,163
Total Other Assets	<u>\$ 94,218</u>	<u>\$ 5,786</u>	<u>\$ 44,621</u>	<u>\$ 283,163</u>	<u>\$ 427,788</u>

The City acquired service territory in 2002 in the original amount of \$139,512. 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 agreements between the City and Xcel Energy establish 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.

In 2006, the City acquired additional service territory in the amount of \$264,740. This additional service territory resulted from negotiations with Xcel Energy, as the City acquired property known as the Pondview of Waseca Subdivision and the Tower

Industrial Park Second Addition. This service territory is being amortized over a period of ten years.

F. Long-Term Debt

1. General Obligation Bonds

General Obligations Bonds are issued to provide financing for the acquisition, improvement, and construction of major capital facilities having a relatively long life. 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 and are backed by the full faith and credit of the City. One general obligation bond issue with an original issue amount of \$1,035,000 is currently outstanding as follows:

	<u>Original Amount</u>	<u>Maturities</u>	<u>Rate</u>	<u>Balance at December 31, 2008</u>
General Obligation Series 2005D	\$ 1,035,000	2005-2016	3.71%	\$ 895,000

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

<u>Year</u>	<u>Governmental Activities</u>	
	<u>Principal</u>	<u>Interest</u>
2009	\$ 115,000	\$ 30,520
2010	115,000	26,495
2011	120,000	22,382
2012	125,000	18,095
2013	130,000	13,470
2014 - 2016	<u>290,000</u>	<u>14,605</u>
	\$ <u>895,000</u>	\$ <u>125,567</u>

2. General Obligation Tax Increment Financing Bonds

General Obligation Tax Increment Financing Bonds are issued to provide financing for tax increment financing districts. They are payable from tax increments which are calculated to be the difference between the current amounts levied for taxes less the amount which was levied prior to the time of redevelopment and are backed by the full faith and credit of the City. One general obligation tax increment financing bond with an original issue amount of \$1,100,000 is currently outstanding as follows:

	<u>Original Amount</u>	<u>Maturities</u>	<u>Rate</u>	<u>Balance at December 31, 2008</u>
General Obligation Tax Increment Series 2005E	\$ 1,100,000	2005-2026	4.25%	\$ 1,075,000

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

<u>Year</u>	<u>Governmental Activities</u>	
	<u>Principal</u>	<u>Interest</u>
2009	\$ 30,000	\$ 43,892
2010	30,000	42,692
2011	35,000	41,393
2012	35,000	39,993
2013	45,000	38,393
2014-2018	260,000	162,063
2019-2023	370,000	100,162
2024-2026	270,000	18,156
	<u>\$ 1,075,000</u>	<u>\$ 486,744</u>

3. General Obligation State-Aid Street Bonds

General Obligation State-Aid Street Bonds are issued 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 and are backed by the full faith and credit of the City. One general obligation state-aid street bond with an original issue amount of \$805,000 is currently outstanding as follows:

	<u>Original Amount</u>	<u>Maturities</u>	<u>Rate</u>	<u>Balance at December 31, 2008</u>
General Obligation State Aid Street Bonds Series 2005B	\$ 805,000	2005-2015	3.65%	\$ 560,000

Annual debt service requirements to maturity for the general obligation state-aid street bond are as follows:

<u>Year</u>	<u>Governmental Activities</u>	
	<u>Principal</u>	<u>Interest</u>
2009	\$ 80,000	\$ 18,020
2010	80,000	15,540
2011	80,000	12,960
2012	80,000	10,260
2013	80,000	7,440
2014-2015	160,000	6,040
	<u>\$ 560,000</u>	<u>\$ 70,260</u>

4. General Obligation Aquatic Center Bonds

General Obligation Aquatic Center Bonds are issued for the construction of a new water park in the City. They are payable from taxes levied upon all taxable property in the City and are backed the full faith and credit of the City. One general obligation aquatic center bond with an original issue amount of \$2,040,000 is currently outstanding as follows:

	<u>Original Amount</u>	<u>Maturities</u>	<u>Rate</u>	<u>Balance at December 31, 2008</u>
General Obligation Aquatic Center Bonds Series 2006A	\$ 2,040,000	2006-2027	4.34%	\$ 2,010,000

Annual debt service requirements to maturity for the general obligation aquatic center bond are as follows:

<u>Year</u>	<u>Governmental Activities</u>	
	<u>Principal</u>	<u>Interest</u>
2009	\$ 75,000	\$ 82,985
2010	75,000	79,985
2011	80,000	76,885
2012	80,000	73,685
2013	85,000	70,385
2014-2018	475,000	297,117
2019-2023	575,000	187,410
2024-2027	565,000	51,150
	<u>\$ 2,010,000</u>	<u>\$ 919,602</u>

5. 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. Four special assessment bond issues with a total original issue amount of \$3,960,000 are currently outstanding as follows:

<u>Permanent Improvement Bonds</u>	<u>Original Amount</u>	<u>Maturities</u>	<u>Rates</u>	<u>Balance at December 31, 2008</u>
Series 1994A	\$ 860,000	1994-2010	5.39%	\$ 90,000
Series 2000A	750,000	2000-2011	4.97%	240,000
Series 2001A	935,000	2001-2013	4.68%	480,000
Series 2004C	<u>1,415,000</u>	2004-2015	5.08%	<u>950,000</u>
	<u>\$ 3,960,000</u>			<u>\$ 1,760,000</u>

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

Year	Governmental Activities	
	Principal	Interest
2009	\$ 355,000	\$ 66,262
2010	360,000	51,710
2011	315,000	37,835
2012	235,000	26,762
2013	235,000	17,453
2014-2015	260,000	15,340
	<u>\$ 1,760,000</u>	<u>\$ 215,362</u>

6. 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 and sanitary sewer infrastructure. These bonds had an original issue amount of \$3,225,000. The Water fund is currently carrying bonds for the construction of the water main and water system infrastructure. These had an original issue amount of \$1,705,000. 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:

	Original Amount	Maturities	Rates	Balance at December 31, 2008
Revenue Bonds Series 2001B	1,270,000	2001-2017	4.46%	870,000
Revenue Refunding Bonds Series 2004B	1,900,000	2004-2016	3.58%	1,570,000
Revenue Bonds Series 2005A	<u>1,760,000</u>	2005-2026	4.18%	<u>1,580,000</u>
	<u>\$ 4,930,000</u>			<u>\$ 4,020,000</u>

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

Year	Business-Type Activities	
	Principal	Interest
2009	\$ 345,000	\$ 150,780
2010	355,000	139,265
2011	370,000	126,694
2012	375,000	113,192
2013	395,000	98,521
2014-2018	1,525,000	260,191
2019-2023	380,000	101,719
2024-2026	275,000	18,266
	<u>\$ 4,020,000</u>	<u>\$ 1,008,628</u>

7. Capital Equipment Notes

Capital equipment notes are issued for the purchase of capital equipment. They are payable from taxes levied upon all taxable property in the City and are backed by the full faith and credit of the City. Two capital equipment notes with a total original issue amount of \$1,045,000 are currently outstanding as follows:

General Obligation Equipment	Original Amount	Maturities	Rates	Balance at December 31, 2008
Certificate Series 2004A	\$ 620,000	2004-2009	2.18%	\$ 160,000
Certificate Series 2005C	<u>425,000</u>	2005-2009	3.12%	<u>110,000</u>
	<u>\$ 1,045,000</u>			<u>\$ 270,000</u>

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

Year	Principal	Interest
2009	\$ <u>270,000</u>	\$ <u>5,495</u>

8. Change in Long-Term Liabilities

Long-term liability activity for the year ended December 31, 2008 was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>	<u>Due within One Year</u>
Governmental activities					
Bonds payable					
General obligation bonds	\$ 995,000	\$ -	\$ (100,000)	\$ 895,000	\$ 115,000
Less: bond discount	(1,663)	-	189	(1,474)	
GO Tax Increment bonds	1,100,000	-	(25,000)	1,075,000	30,000
Less: bond discount	(8,635)	-	475	(8,160)	
GO State Aid Street bonds	640,000	-	(80,000)	560,000	80,000
Less: bond discount	(6,493)	-	885	(5,608)	
GO Aquatic Center bonds	2,040,000	-	(30,000)	2,010,000	75,000
Less: bond discount	(3,247)	-	170	(3,077)	
Special Assessment bonds	2,120,000	-	(360,000)	1,760,000	355,000
Plus: bond premium	1,096	-	(145)	951	
Less: bond discount	(6,340)	-	835	(5,505)	
Notes payable					
Capital equipment	615,000	-	(345,000)	270,000	270,000
Plus: bond premium	729	-	(365)	364	
Less: bond discount	(649)	-	557	(92)	
Other post-employment benefits	-	56,436	-	56,436	
Compensated absences	290,786	251,047	(272,433)	269,400	187,932
Long term liabilities	<u>\$ 7,775,584</u>	<u>\$ 307,483</u>	<u>\$ (1,209,832)</u>	<u>\$ 6,873,235</u>	<u>\$ 1,112,932</u>
Business-type activities					
Bonds payable					
Revenue bonds	\$ 4,435,000	\$ -	\$ (415,000)	\$ 4,020,000	\$ 345,000
Less: bond discounts	(24,135)	-	3,253	(20,882)	
Other post-employment benefits	-	17,609	-	17,609	
Compensated absences	72,303	75,552	(64,729)	83,126	54,635
Long term liabilities	<u>\$ 4,483,168</u>	<u>\$ 93,161</u>	<u>\$ (476,476)</u>	<u>\$ 4,099,853</u>	<u>\$ 399,635</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, 2008 have been designated for the following purposes:

General Fund:

Unreserved and designated for:

Equipment Replacement and Future Operations \$ 2,321,883

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 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.

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 2nd 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 2008, the amount of support provided to the library system by the City was \$186,742.

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, 2008 is presented as follows:

Total Revenues	\$ 753,531
Total Expenditures	<u>854,748</u>
Change in Net Assets	(101,217)
Net Assets, January 1, 2008	<u>878,260</u>
Net Assets, December 31, 2008	\$ <u>777,043</u>
Total Assets	\$ <u>832,352</u>
Total Liabilities	\$ <u>55,309</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). The 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, 2008 was \$2,533,600 and \$1,017,089, respectively. The City's total covered payroll was \$3,550,689.

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 65 for PEPFF members and also 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 issues a publicly available financial report that includes financial statements and required supplementary information for PERF and PEPFF. That report may be obtained on the internet at www.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 6.00%, respectively, of their annual covered salary. PEPFF members are required to contribute 8.60% of their annual covered salary. That rate will increase to 9.40% in 2009. The City of Waseca is required to contribute the following percentages of annual covered payroll: 11.78% for Basic Plan PERF members, 6.50% for Coordinated Plan PERF members, and 12.90% for PEPFF members. Employer contribution rates for the Coordinated Plan and PEPFF will increase to 6.75% and 14.10%, respectively, effective January 1, 2009. The City's contributions to the Public Employees Retirement Fund for the years ending December 31, 2008, 2007, and 2006 were \$166,990, \$157,352, and \$149,101 respectively.

The City's contributions to the Public Employees Police and Fire Fund for the years ending December 31, 2008, 2007, and 2006 were \$131,204, \$108,468, and \$89,317 respectively. The City's contributions were equal to the contractually required contributions for each year, as set by state statute.

Defined Contribution Plan

Six council members of the City of Waseca are covered by the Public Employees Defined Contribution Plan (PEDCP), a multiple-employer deferred compensation plan administered by the Public Employees Retirement Association of Minnesota (PERA). The PEDCP is a tax qualified plan under Section 401(a) of the Internal Revenue Code and all contributions by or on behalf of employees are tax deferred until time of withdrawal.

Plan benefits depend solely on amounts contributed to the plan plus investment earnings, less administrative expenses. *Minnesota Statutes*, Chapter 353D.03, specifies the employee and employer contribution rates for those qualified personnel who elect to participate. These statutes are established and amended by the state legislature. An eligible elected official who decides to participate

contributes 5 percent of salary which is matched by the elected official's employer. Employer and employee contributions are combined and used to purchase shares in one or more of the seven accounts of the Minnesota Supplemental Investment Fund. For administering the plan, PERA receives 2 percent of employer contributions and twenty-five hundredths of one percent of the assets in each member's account annually.

Total contributions made by the City of Waseca during fiscal year 2008 were:

Contribution Amount		Percentage of Covered Payroll		Required Rate
Employee	Employer	Employee	Employer	
\$ 2,198	\$ 2,198	5.00%	5.00%	5.00%

Defined Benefit Plan - Waseca Fire Relief Association

Plan Description

All members of the Waseca Fire Department are covered by a defined benefit plan administered by the Waseca Volunteer Firefighters Relief Association. The Plan is a single employer retirement plan and is established and administered in accordance with *Minnesota Statute* Chapter 69 and 424.

The Relief Association provides retirement benefits as well as disability benefits to members, and benefits to survivors upon death of eligible members. Benefits are established in accordance with State Statute, and vest after ten years of credited service. The defined retirement benefits are based on a member's years of service. Benefit provisions can be amended by the Relief Association within the parameters provided by state statutes.

The Association issues a publicly available financial report that includes financial statements and required supplementary information for the plan. That report may be obtained by contacting the City's Fire Department.

Funding Policy

Minnesota Statutes specify minimum contributions that may be required from the City on an annual basis. These minimum contributions are determined based on the amount required to meet normal cost plus amortizing any prior year's service cost over a ten year period. The contribution required from the City for the year ended December 31, 2008 was \$-0-. However, the City

did contribute \$5,987 in 2008 to the Relief Association. The Relief Association also receives funding from the state two-percent fire premium tax. The City receives the contributions and is required by state statute to pass this through as payment to the Relief Association. Investment earnings also add to the resources available for benefits. The City received State Fire Aid in the amount of \$48,439 and remitted Fire Aid in the amount of \$48,439 in 2008.

The Required Supplementary Information providing a three-year history of Funding Progress is on page 89.

Annual Pension Cost and Net Pension Obligation

The City's annual pension cost and net pension obligation for the year ended December 31, 2008 were as follows:

Annual Required Contribution	\$	-
Interest on Net Pension Obligation		-
Adjustment to Annual Required Contribution		<u>54,426</u>
Annual Pension Cost		54,426
Contribution Made		<u>54,426</u>
Increase (Decrease) in Net Pension Obligation		-
Net Pension Obligation - Beginning of Year		<u>-</u>
Net Pension Obligation - End of Year	\$	<u><u>-</u></u>

The annual required contribution for the current year was determined as part of December 31, 2008 actuarial valuation using the entry age actuarial cost method. The significant actuarial assumptions included: (a) 5% investments rate of return; and (b) age and service retirement was assumed to occur at age 50. Net pension obligations on annual actuarial basis are not calculated for individual volunteer fire relief associations since State Statutes permit alternate calculation of required reserves based on overall actuarial assumptions.

The City's net pension obligation for the Relief Association for the years ended December 31, 2008, 2007, and 2006 are as follows:

Year Ended	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
12/31/06	\$ 67,147	107.4 %	-
12/31/07	57,032	104.4 %	-
12/31/08	54,426	100.0 %	-

G. Post-Employment Benefits

The City provides no post-employment benefits for health care, life insurance, or other employee assistance programs except for certain public safety employees. The City must bear a substantial portion of health insurance costs for public safety employees who are injured in the line of duty and permanently disabled. The City must pay health insurance premiums for these employees and their dependents, if required, until age 65. The City has two public safety employees presently entitled to these benefits. Expenditures for post employment benefits made in 2008 were \$25,757. Qualified former employees and their dependents may remain enrolled in benefit plans provided they pay the full premiums, based on the same rates charged for active employees. There are approximately five such participants covered on the City's plan at any given time. In 2008, the City contracted with Van Iwaarden Associates, an independent consultant to provide Governmental Accounting Standards Board (GASB) Statement number 45 actuarial calculations. GASB 45 requires cities to report other Post-employment benefits (OPEB). Prior to 2008, the City followed the "pay-as-you-go" accounting approach in which the cost of benefits is not recorded until after employees retire. GASB 45 states that the City must account for and report the annual cost of OPEB for current and future retirees as a liability on the financial statements.

Postemployment benefits (OPEB as well as pensions) are part of the exchange of salaries and benefits for employee services rendered. Of the total benefits offered by employers to attract and retain qualified employees, some benefits including salaries and active employee healthcare, are taken while the employees are in active service; whereas other benefits, including postemployment healthcare and other OPEB, are taken after the employee's services have ended. Both types of benefits constitute

compensation for employee services and are taken into account in the actuarial valuation.

The valuation has been conducted in accordance with GASB 45's alternative measurement method for employers with less than 100 plan members. Subject to the constraints of that method, we have followed generally accepted actuarial principals and practices to fulfill the applicable accounting requirements, each actuarial assumption should be management's "best estimate" solely with respect to that individual assumption. The following is a summary of the Actuarial Valuation of Post-Employment Benefits.

**City of Waseca - Actuarial Valuation of Post-Employment Benefits
Summary of Results
January 1, 2008**

A. Valuation Census Data		
1. Active Employees		61
2. Covered retirees, beneficiaries and disabled		5
3. Total		<u>66</u>
B. GASB 45 Results		
1. Benefit Obligations		
a. Present Value of City funded OPEB benefits	\$	1,462,142
b. Actuarial Accrued Liability (AAL)		930,002
c. Normal Cost (beginning of year)		48,258
d. Expected contributions during the year		29,925
2. Annual Required Contributions (ARC)		103,970
3. Annual OPEB Cost		103,970
C. Reconciliation of Net OPEB Obligation (NOO)		
1. Net OPEB Obligation as of January 1, 2008	\$	-
2. Annual OPEB cost		103,970
3. Contributions made (estimated)		<u>29,925</u>
4. Estimated net OPEB obligation as of December 31, 2008		<u>74,045</u>
D. Key Economic Assumptions		
1. Discount rate for liabilities		4.00%
2. Health care cost trend rate		10 to 5% in 10 years

Accounting Requirements

For OPEB plans sponsored by governmental entities, these GASB Statements require certain standards and disclosures of plan and fund information including financial reporting of plan assets, liabilities of plan, changes in net assets, funded

status and funding progress of the plan, and contributions of the plan in comparison to the annual required contributions of the employer (ARC).

Summary of Plan Provisions

An employee of the City of Waseca that is covered by an employment contract which provides for post-retirement benefits is eligible for participation. In order to be eligible for retirement benefits, the employee must have either 3 years of service, or be eligible under the rule of 90. The City does not pay premiums for retirees. Full premiums are paid for disabled participants until the age of 65. Plan calculations are based on the benefits provided under the terms of the substantive plan in effect at the time of each valuation and on the pattern of sharing of costs between the employer and plan members. The following total monthly premiums are effective January 1, 2008.

	<u>Plan 1</u>	<u>Plan 2</u>
Single	\$ 358.50	\$ 431.00
Married	1,115.00	1,341.50

Valuing Postretirement Health Benefits

Determining the value of future health care benefits is challenged by the fact that assumptions must be made about many future events that are especially hard to predict. Future increases in health care costs are affected by many factors including:

- Medical inflation
- Changes in utilization patterns
- Technological advances
- Cost shifting (i.e. increases in private plans' costs in non-managed programs due to uninsured claims, changes in Medicare payment structure, and increased emphasis on managed care programs.
- Cost leveraging (i.e., erosion of fixed deductibles and out-of-pocket maximums)
- Changes to government medical programs such as Medicare, when applicable. Under the Medicare Modernization Act of 2003 (MMA), a new prescription drug program called Medicare Part D was established. GASB

requirements state that the determination of the actuarial accrued liabilities, the annual required contribution, and the annual OPEB cost should be done without reduction for Medicare Part D payments.

OPEB obligations are also heavily influenced by demographic assumptions such as:

- Withdrawal rates (i.e., employees terminating before receiving benefits)
- Retirement rates (i.e. employees retiring at various ages and subsidy levels)
- Participation (i.e., retirees electing coverage, the percentage married, and elections to contribute for coverage of spouses)
- Mortality rates (i.e., how long employees and spouses will receive benefits)

This section presents the demographic information for active and retired participants included in the postretirement medical benefit valuation. The actuarial valuation was based on December 31, 2007 census data provided by the City of Waseca. The following Chart summarizes the personnel characteristics of the data used for the study.

<u>Health Coverage</u>			
	<u>Family</u>	<u>Single</u>	<u>Total</u>
1. Retire participants, Widow(er)s and Disabled			
1. Number under age 65	2	2	4.00
2. Number over age 65	<u>0</u>	<u>1</u>	<u>1.00</u>
3. Total	2	3	5.00
4. Average age			59.14
2. Active Participants			
1. Number	28	33	61.00
2. Average age			45.82
3. Average Service			12.52
3. Total Participants			
1. Number	30.00	36.00	66.00
2. Average age	48.05	45.82	46.83

Actuarial Methods and Assumptions

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality and the health care cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions (ARC) of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future.

The schedule of funding progress, presented as required supplementary information following the notes to financial statements, presents multi-year trend information that shows whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits. Actuarially determined amounts are subject to continual revision as results are compared to past expectations and new estimates are made about the future. The actuarial calculations reflect a long-term perspective, including techniques that are designed to reduce short-term volatility in actuarial liabilities and the actuarial value of assets.

The Actuarial Assumptions section below outlines the assumptions used in this valuation of postretirement benefit costs.

Discount rate = 4% per year

	<u>Plan 1</u>	<u>Plan 2</u>
Monthly retiree medical costs per person:	\$705.58	\$601.17

Health Trend Rates

<u>Year</u>	<u>Trend Rate</u>
2008	10.00%
2009	9.50%
2010	9.00%
2011	8.50%
2012	8.00%
2013	7.50%
2014	7.00%
2015	6.50%
2016	6.00%
2017	5.50%
2018	5.00%

Participation Rate (Actives): It is assumed that 55% of active participants continue overage until age 65. Participants are assumed to continue in their current coverage type (single or family)

Spouse Participation: It is assumed that spouses can continue until age 65.

Retirement age: Latest of age 60, plan eligibility or current age

Life Expectancy: Life expectancies are based on mortality tables at the National Center for Health Statistics website. The 2000 United States Life Tables for Males and Females was used.

Withdrawal: The probability that an employee will remain employed until the assumed retirement age was determined using non-group specific age-based turnover data provided in Table 1 in paragraph 35b of GASB 45.

Disability: None

Valuation Date: January 1, 2008

Actuarial Method: Projected Unit Credit with 30-year amortization of the unfunded liability.

Amortization of unfunded actuarial accrued liability: Amortized as a level dollar amount over 30 years.

Estimating Health Care Costs

In addition to estimating future increases in health care claims costs, it is necessary to develop a starting claims cost value on a per covered individual basis for self-insured plans and even some insured plans. For insured plans, the premiums represent a blended average cost of both active and retired individuals. Since older, pre-65 retirees generally incur higher claims than younger active employees, GASB requires employers to value retiree liability based on estimated retiree costs rather than premiums. Age adjusted claims are developed and used to value the retiree medical liability.

Schedule of Funding Progress and ARC

A. Schedule of funding progress

	January 1, 2008
1. Actuarial valuation date	\$ -
2. Plan assets at fair value	930,002
3. Actuarial accrued liability (AAL)	930,002
4. Unfunded AAL (UAAL)	0.00%
5. Funded ratio	3,699,000
6. Covered payroll	25.14%
7. UAAL as a percentage of covered payroll	

B. Annual Required Contribution (ARC)

1. Normal cost	48,258
2. Amortization of UAAL over 30 years	51,714
3. Interest to the end of the year	3,998
4. Total year-end ARC	103,970

C. Annual OPEB Cost

1. Annual required contribution as of December 31, 2008	103,970
2. Interest on net OPEB obligation (NOO)	-
3. Adjustment to ARC (amortization of NOO)	-
4. Annual OPEB cost (expense)	103,970

D. Reconciliation of this year's Net OPEB Obligation (NOO)

1. Net OPEB obligation as of January 1, 2008	-
2. Annual OPEB cost	103,970
3. Contributions made	29,925
4. Net OPEB obligation as of December 31, 2008	\$ 74,045

E. Reconciliation of next year's estimated Net OPEB Obligation (NOO)

1. Net OPEB obligation as of January 1, 2009	74,045
2. Annual OPEB cost	
a. Annual required contribution	103,970
b. Interest on net OPEB obligation	2,815
c. Adjustment to ARC (amortization of NOO)	(4,069)
Total	102,716
3. Contributions made (estimated)	48,683
4. Estimated net OPEB obligation as of December 31, 2009	\$ 128,078

VI. ECONOMIC DEVELOPMENT AUTHORITY OF THE CITY OF WASECA

Notes I through V to the basic financial statements apply to the City and generally to its component unit. The City's component unit is reported in a separate column, or discretely presented, in the financial statements to emphasize that it is legally separate from the City. The following notes provide disclosures that are specific to the component unit. Further detail regarding the component unit is provided under the Component Unit tab within the "Supplementary Information" section of the financial statements.

A. Reporting Entity

The Authority was established in 1997 and encompasses the Waseca Community. It is governed by five members who are appointed by the City Council. For financial reporting purposes only, the Authority is a discretely presented component unit of the reporting entity of the City of Waseca. The Authority was created to undertake activities necessary to retain, promote, and attract economically sound industry and commerce within the City.

The Authority reports the following funds:

1. *Governmental Fund Type*

General Fund - This is the Authority's primary operating fund. It accounts for all financial resources of the Authority and those not required to be accounted for in another fund.

2. *Proprietary Fund Type*

Land Development Fund - This fund accounts for activities, which are associated with the ownership of real property, which is leased or held for future sale. This fund was closed into the General Fund in 2008.

B. Assets, Liabilities, and Equity

1. Deposits and Investments

Cash balances from both funds are pooled with the City of Waseca's funds and invested to the extent available in certificates of deposits. Earnings from

investments are allocated monthly to each fund based on month end balances of cash and investments.

Investments consisted of non-negotiable certificates of deposit. 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. Also, investment in real property is valued at the lower of cost or market which approximates fair value.

For purposes of the statement of cash flows, the Land Development Fund considers 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 Authority 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 Authority 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 Authority in June and December. Adjustments are made to delinquent taxes based on the records of the County Auditor.

3. 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 for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

C. Deposits and Investments

State Statutes require that all deposits in financial institutions in excess of \$100,000 (from January – September) and \$250,000 (starting in October, 2008) insured by 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 bank is held in safekeeping departments of banks other than the pledging bank or at the Federal Reserve Bank and held in the name of the Authority. It is required that the Authority sign authorizations releasing collateral once it is pledged. The Authority's deposits were fully insured or collateralized as required by State Statutes at December 31, 2008.

The State Statutes and Authority resolutions authorize the Authority's investments. The Authority is authorized by state statute 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 Authority is authorized by resolution to invest in certificates of deposit. The Authority held no investments at December 31, 2008.

Interest Rate Risk: The Authority's investment policy is to minimize credit and market risks while maintaining a competitive yield on its portfolio. The Authority is authorized to purchase certificates of deposit in various financial institutions. This policy is the same for all fund types reported herein. Deposits and investments held by the Authority during the year and at December 31, 2008 are classified in the category of lowest credit risk as defined by the Governmental Accounting Standards Board.

D. Investment in Real Property

This amount represents the cost of land, capitalized interest and special assessments on lots being held for sale in the South Industrial Park, the EDA Plat No. 1 - Whispering Pines and the Huebert property. The balance at year-end consists of:

Land	\$ 184,410
Capitalized interest	46,987
Special assessments	<u>96,082</u>
Total	\$ <u>327,479</u>

E. Risk Management

The Authority is exposed to various levels of loss related to torts; theft of, damage, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Authority participates in the City of Waseca's risk management internal services fund.

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

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REQUIRED SUPPLEMENTARY INFORMATION

City of Waseca, Minnesota
Schedule of Funding Progress for Postemployment Benefit Plan
December 31, 2008

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	Unfunded AAL as a Percentage of Covered Payroll ((b-a)/c)
1/1/2008	\$ -	\$ 930,002	\$ 930,002	0.0%	\$ 3,699,000	25.1%

**CITY OF WASECA, MINNESOTA
WASECA VOLUNTEER FIRE RELIEF ASSOCIATION
SCHEDULE OF FUNDING PROGRESS**

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	(Unfunded)/ Assets in Excess of AAL (UAAL)	Funded Ratio
12/31/06	\$ 1,271,627	\$ 1,338,589	\$ (66,962)	95.0 %
12/31/07	1,413,956	1,445,697	(31,741)	97.8
12/31/08	1,098,133	1,541,112	(442,979)	71.3

The Waseca Volunteer Fire Relief Association is comprised of volunteers. Therefore, there are no payroll expenditures nor covered payroll calculations.

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NONMAJOR FUNDS

Nonmajor Governmental Funds

Special Revenue Funds

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

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

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

Airport-This fund accounts for the municipal airport operations.

Waseca Water Park-Established to account for Water Park operations.

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.

Police Explorers-Established to account for the Police Explorer fund activity.

Police Crime Victims-Established to provide for a separate allocation of the grant revenue received for crime victims.

Police Forfeiture Fund-Established to provide for separate allocation of forfeiture, DUI and other revenue sources that must be expended in accordance with State statute.

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

Debt Service

Aquatic Park Debt Service-This fund accounts for the debt issued for the construction of the Water Park.

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 11th 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 Construction Fund-This fund accounts for the construction of capital assets financed by state aid.

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

Water Park Construction Fund-This fund accounts for the construction costs of the water park.

Capital Improvement Fund-This fund accounts for the construction of streets, sewers, sidewalks and parks.

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.

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
NON MAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET
December 31, 2008

	Other Governmental Funds			
	2008			
	Special Revenue	Debt Service	Capital Projects	Total
ASSETS				
Cash and cash equivalents	\$ 601,961	\$ 80,627	\$ 931,347	\$ 1,613,935
Investments	200,000	-	350,000	550,000
Taxes receivable	2,778	9,600	-	12,378
Accounts receivable	39,822	-	36,430	76,252
Assessments receivable	-	-	50,491	50,491
Interest receivable	814	-	1,607	2,421
Loans receivable	120,012	-	-	120,012
Advance to other funds	20,000	-	-	20,000
Land held for resale	-	-	960,467	960,467
Total assets	\$ 985,387	\$ 90,227	\$ 2,330,342	\$ 3,405,956
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ 60,802	\$ 2,000	\$ 6,000	\$ 68,802
Accrued wages	774	-	-	774
Deferred revenue	119,790	7,799	50,491	178,080
Advance from other funds	120,000	-	-	120,000
Total liabilities	301,366	9,799	56,491	367,656
Fund balances:				
Reserved for:				
Loans	3,000	-	-	3,000
Land held for resale	-	-	960,467	960,467
Advance to other funds	20,000	-	-	20,000
Unreserved, undesignated, reported in:				
Special revenue funds	661,021	-	-	661,021
Debt service funds	-	80,428	-	80,428
Capital projects funds	-	-	1,313,384	1,313,384
Total fund balances	684,021	80,428	2,273,851	3,038,300
Total liabilities and fund balances	\$ 985,387	\$ 90,227	\$ 2,330,342	\$ 3,405,956

CITY OF WASECA, MINNESOTA
NONMAJOR GOVERNMENTAL FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
December 31, 2008

	Other Governmental Funds			
	2008			
	Special Revenue	Debt Service	Capital Projects	Total
REVENUES				
Property taxes	\$ 220,056	\$ 332,651	\$ -	\$ 552,707
Fines and forfeitures	13,296	-	-	13,296
Intergovernmental	218,945	128,384	44,257	391,586
Assessments	-	-	1,206	1,206
Program income	232,231	-	-	232,231
Contributions	1,000	-	84,569	85,569
Miscellaneous	52,277	13	46,098	98,388
Total revenues	<u>737,805</u>	<u>461,048</u>	<u>176,130</u>	<u>1,374,983</u>
EXPENDITURES				
Current:				
Personal services	129,738	-	-	129,738
Materials and supplies	55,622	-	1,010	56,632
Separation and contribution	2,100	-	-	2,100
Services and charges	401,214	-	61,354	462,568
Debt service:				
Bond principal	-	580,000	-	580,000
Interest and fiscal charges	-	205,230	-	205,230
Capital outlay				
Improvements	38,282	-	165,278	203,560
Machinery	-	-	23,062	23,062
Total expenditures	<u>626,956</u>	<u>785,230</u>	<u>250,704</u>	<u>1,662,890</u>
Excess (deficiency) of revenues over (under) expenditures	<u>110,849</u>	<u>(324,182)</u>	<u>(74,574)</u>	<u>(287,907)</u>
OTHER FINANCING SOURCES (USES)				
Transfers from other funds	42,515	322,137	199,072	563,724
Transfers to other funds	(70,993)	(420)	-	(71,413)
Total other financing sources (uses)	<u>(28,478)</u>	<u>321,717</u>	<u>199,072</u>	<u>492,311</u>
Net change in fund balances	82,371	(2,465)	124,498	204,404
Fund balances - beginning	601,650	82,893	2,149,353	2,833,896
Fund balances - ending	<u>\$ 684,021</u>	<u>\$ 80,428</u>	<u>\$ 2,273,851</u>	<u>\$ 3,038,300</u>

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CITY OF WASECA, MINNESOTA
NON MAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET - SPECIAL REVENUE FUNDS
December 31, 2008

	Special Revenue					
	EDPG Clear Lake Press	Revolving Loan Fund	TIF Funds	Airport	Waseca Water Park Fund	Waseca Housing Fund
ASSETS						
Cash and cash equivalents	\$ 140,790	\$ 48,953	\$ 122,052	75,858	\$ 85,758	\$ 89,122
Investments	100,000	-	100,000	-	-	-
Taxes receivable	-	-	2,778	-	-	-
Accounts receivable	-	-	1,694	27,311	917	-
Interest receivable	40	-	774	-	-	-
Loans receivable	117,012	-	-	-	-	3,000
Advance to other funds	-	-	20,000	-	-	-
Total assets	<u>\$ 357,842</u>	<u>\$ 48,953</u>	<u>\$ 247,298</u>	<u>103,169</u>	<u>\$ 86,675</u>	<u>\$ 92,122</u>
LIABILITIES AND FUND BALANCES						
Liabilities:						
Accounts payable	\$ -	\$ -	\$ 58,579	1,343	\$ 658	\$ -
Accrued wages	-	-	77	-	409	-
Deferred revenue	117,012	-	2,778	-	-	-
Advance from other funds	-	-	120,000	-	-	-
Total liabilities	<u>117,012</u>	<u>-</u>	<u>181,434</u>	<u>1,343</u>	<u>1,067</u>	<u>-</u>
Fund balances:						
Reserved for:						
Loans	-	-	-	-	-	3,000
Advance to other funds	-	-	20,000	-	-	-
Unreserved, undesignated	240,830	48,953	45,864	101,826	85,608	89,122
Total fund balances	<u>240,830</u>	<u>48,953</u>	<u>65,864</u>	<u>101,826</u>	<u>85,608</u>	<u>92,122</u>
Total liabilities and fund balances	<u>\$ 357,842</u>	<u>\$ 48,953</u>	<u>\$ 247,298</u>	<u>103,169</u>	<u>\$ 86,675</u>	<u>\$ 92,122</u>

Special Revenue						
Police Separation Fund	Police Reserves Fund	Police Explorers Fund	Police Crime Victims Fund	Police Forfeiture Fund	Fire Relief Fund	Total
\$ 11,378	\$ 2,100	\$ 665	\$ 4,272	\$ 21,013	\$ -	\$ 601,961
-	-	-	-	-	-	200,000
-	-	-	-	-	-	2,778
-	72	-	9,578	250	-	39,822
-	-	-	-	-	-	814
-	-	-	-	-	-	120,012
-	-	-	-	-	-	20,000
<u>\$ 11,378</u>	<u>\$ 2,172</u>	<u>\$ 665</u>	<u>\$ 13,850</u>	<u>\$ 21,263</u>	<u>\$ -</u>	<u>\$ 985,387</u>
\$ -	\$ 72	\$ -	\$ 150	\$ -	\$ -	\$ 60,802
-	-	-	288	-	-	774
-	-	-	-	-	-	119,790
-	-	-	-	-	-	120,000
<u>-</u>	<u>72</u>	<u>-</u>	<u>438</u>	<u>-</u>	<u>-</u>	<u>301,366</u>
-	-	-	-	-	-	3,000
-	-	-	-	-	-	20,000
11,378	2,100	665	13,412	21,263	-	661,021
<u>11,378</u>	<u>2,100</u>	<u>665</u>	<u>13,412</u>	<u>21,263</u>	<u>-</u>	<u>684,021</u>
<u>\$ 11,378</u>	<u>\$ 2,172</u>	<u>\$ 665</u>	<u>\$ 13,850</u>	<u>\$ 21,263</u>	<u>\$ -</u>	<u>\$ 985,387</u>

CITY OF WASECA, MINNESOTA
NONMAJOR GOVERNMENTAL FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - SPECIAL REVENUE FUNDS
For the Year Ended December 31, 2008

	Special Revenue					
	EDPG Clear Lake Press	Revolving Loan Fund	TIF Funds	Airport	Waseca Water Park Fund	Waseca Housing Fund
REVENUES						
Property taxes	\$ -	\$ -	\$ 220,056	\$ -	\$ -	\$ -
Fines and forfeitures	-	-	-	-	-	-
Intergovernmental	-	-	671	111,718	-	13,650
Program income	-	-	-	51,743	180,488	-
Contributions	-	-	-	-	-	-
Miscellaneous	26,077	1,837	9,005	800	4,051	3,202
Total revenues	<u>26,077</u>	<u>1,837</u>	<u>229,732</u>	<u>164,261</u>	<u>184,539</u>	<u>16,852</u>
EXPENDITURES						
Current:						
Personal services	-	-	538	-	119,333	-
Materials and supplies	-	-	-	1,325	54,297	-
Separation and contribution	-	-	-	-	-	-
Services and charges	16,802	-	153,611	62,303	76,102	-
Capital outlay						
Improvements	-	-	-	29,403	8,879	-
Total expenditures	<u>16,802</u>	<u>-</u>	<u>154,149</u>	<u>93,031</u>	<u>258,611</u>	<u>-</u>
Excess (deficiency) of revenues over (under) expenditures	<u>9,275</u>	<u>1,837</u>	<u>75,583</u>	<u>71,230</u>	<u>(74,072)</u>	<u>16,852</u>
OTHER FINANCING SOURCES (USES)						
Transfers from other funds	-	-	3,932	30,596	-	-
Transfers to other funds	-	-	(70,993)	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>(67,061)</u>	<u>30,596</u>	<u>-</u>	<u>-</u>
Net change in fund balances	9,275	1,837	8,522	101,826	(74,072)	16,852
Fund balances - beginning	231,555	47,116	57,342	-	159,680	75,270
Fund balances - ending	<u>\$ 240,830</u>	<u>\$ 48,953</u>	<u>\$ 65,864</u>	<u>\$ 101,826</u>	<u>\$ 85,608</u>	<u>\$ 92,122</u>

Special Revenue						
Police Separation Fund	Police Reserve Fund	Police Explorers Fund	Police Crime Victims Fund	Police Forfeiture Fund	Fire Relief Fund	Total
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	220,056
-	-	-	-	13,296	-	13,296
-	-	-	44,467	-	48,439	218,945
-	-	-	-	-	-	232,231
-	1,000	-	-	-	-	1,000
459	5,947	25	307	567	-	52,277
<u>459</u>	<u>6,947</u>	<u>25</u>	<u>44,774</u>	<u>13,863</u>	<u>48,439</u>	<u>737,805</u>
-	-	-	9,867	-	-	129,738
-	-	-	-	-	-	55,622
2,100	-	-	-	-	-	2,100
-	6,209	-	28,995	2,766	54,426	401,214
-	-	-	-	-	-	38,282
<u>2,100</u>	<u>6,209</u>	<u>-</u>	<u>38,862</u>	<u>2,766</u>	<u>54,426</u>	<u>626,956</u>
<u>(1,641)</u>	<u>738</u>	<u>25</u>	<u>5,912</u>	<u>11,097</u>	<u>(5,987)</u>	<u>110,849</u>
2,000	-	-	-	-	5,987	42,515
-	-	-	-	-	-	(70,993)
<u>2,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>5,987</u>	<u>(28,478)</u>
359	738	25	5,912	11,097	-	82,371
11,019	1,362	640	7,500	10,166	-	601,650
<u>\$ 11,378</u>	<u>\$ 2,100</u>	<u>\$ 665</u>	<u>\$ 13,412</u>	<u>\$ 21,263</u>	<u>\$ -</u>	<u>\$ 684,021</u>

CITY OF WASECA, MINNESOTA
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
EDPG Clear Lake Press Special Revenue Fund
For the Year Ended December 31, 2008

	EDPG Clear Lake Press		Variance With Final Budget
	Budget	Actual	
REVENUES			
Miscellaneous	\$ 17,000	\$ 26,077	\$ 9,077
Total revenues	<u>17,000</u>	<u>26,077</u>	<u>9,077</u>
EXPENDITURES			
Current:			
Services and charges	50,100	16,802	(33,298)
Total expenditures	<u>50,100</u>	<u>16,802</u>	<u>(33,298)</u>
Net change in fund balances	(33,100)	9,275	42,375
Fund balances - beginning	231,555	231,555	-
Fund balances - ending	<u>\$ 198,455</u>	<u>\$ 240,830</u>	<u>\$ 42,375</u>

CITY OF WASECA, MINNESOTA
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
TIF Special Revenue Funds
For the Year Ended December 31, 2008

	TIF Funds		Variance With Final Budget
	Budget	Actual	
REVENUES			
Property taxes	\$ 234,675	\$ 220,056	\$ (14,619)
Intergovernmental	-	671	671
Miscellaneous	-	9,005	9,005
Total revenues	<u>234,675</u>	<u>229,732</u>	<u>(4,943)</u>
EXPENDITURES			
Current:			
Personal services	19,412	538	(18,874)
Services and charges	<u>133,241</u>	<u>153,611</u>	<u>20,370</u>
Total expenditures	<u>152,653</u>	<u>154,149</u>	<u>1,496</u>
Excess (deficiency) of revenues over (under) expenditures	82,022	75,583	(6,439)
OTHER FINANCING SOURCES (USES)			
Transfers from other funds	-	3,932	3,932
Transfers to other funds	<u>(70,993)</u>	<u>(70,993)</u>	<u>-</u>
Total other financing sources (uses)	<u>(70,993)</u>	<u>(67,061)</u>	<u>3,932</u>
Net change in fund balances	11,029	8,522	(2,507)
Fund balances - beginning	<u>57,342</u>	<u>57,342</u>	<u>-</u>
Fund balances - ending	<u>\$ 68,371</u>	<u>\$ 65,864</u>	<u>\$ (2,507)</u>

CITY OF WASECA, MINNESOTA
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
Airport Special Revenue Fund
For the Year Ended December 31, 2008

	Airport Fund		Variance With Final Budget
REVENUES	Budget	Actual	
Intergovernmental	\$ 15,943	\$ 111,718	\$ 95,775
Program Income	49,983	51,743	1,760
Interest	1,000	-	(1,000)
Miscellaneous	-	800	800
Total revenues	<u>66,926</u>	<u>164,261</u>	<u>97,335</u>
EXPENDITURES			
Current:			
Materials and supplies	900	1,325	425
Services and charges	70,200	62,303	(7,897)
Capital outlay			
Improvements	-	29,403	29,403
Total expenditures	<u>71,100</u>	<u>93,031</u>	<u>21,931</u>
Excess (deficiency) of revenues over (under) expenditures	(4,174)	71,230	75,404
OTHER FINANCING SOURCES			
Transfers from other funds	-	30,596	30,596
Net change in fund balances	(4,174)	101,826	106,000
Fund balances - beginning	-	-	-
Fund balances - ending	<u>\$ (4,174)</u>	<u>\$ 101,826</u>	<u>\$ 106,000</u>

CITY OF WASECA, MINNESOTA
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
Waseca Water Park Special Revenue Fund
For the Year Ended December 31, 2008

	<u>Water Park Fund</u>		Variance With
	<u>Budget</u>	<u>Actual</u>	<u>Final Budget</u>
REVENUES			
Program income	\$ 220,000	\$ 180,488	\$ (39,512)
Miscellaneous	-	4,051	4,051
Total revenues	<u>220,000</u>	<u>184,539</u>	<u>(35,461)</u>
EXPENDITURES			
Current:			
Personal services	149,594	119,333	(30,261)
Materials and supplies	55,500	54,297	(1,203)
Services and charges	50,250	76,102	25,852
Capital outlay			
Improvements	4,000	8,879	4,879
Total expenditures	<u>259,344</u>	<u>258,611</u>	<u>(733)</u>
Net change in fund balances	(39,344)	(74,072)	(34,728)
Fund balances - beginning	159,680	159,680	-
Fund balances - ending	<u>\$ 120,336</u>	<u>\$ 85,608</u>	<u>\$ (34,728)</u>

CITY OF WASECA, MINNESOTA
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
Waseca Housing Special Revenue Fund
For the Year Ended December 31, 2008

	<u>Waseca Housing Fund</u>		Variance With Final Budget
REVENUES	<u>Budget</u>	<u>Actual</u>	
Intergovernmental	\$ 13,650	\$ 13,650	\$ -
Miscellaneous	50	3,202	3,152
Total revenues	<u>13,700</u>	<u>16,852</u>	<u>3,152</u>
EXPENDITURES			
Current:			
Services and charges	<u>13,700</u>	-	(13,700)
Total expenditures	<u>13,700</u>	-	(13,700)
Net change in fund balances	-	16,852	16,852
Fund balances - beginning	75,270	75,270	-
Fund balances - ending	<u>\$ 75,270</u>	<u>\$ 92,122</u>	<u>\$ 16,852</u>

CITY OF WASECA, MINNESOTA
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
Police Separation Special Revenue Fund
For the Year Ended December 31, 2008

	<u>Police Separation Fund</u>		Variance With Final Budget
	<u>Budget</u>	<u>Actual</u>	
REVENUES			
Miscellaneous	\$ 100	\$ 459	\$ 359
Total revenues	<u>100</u>	<u>459</u>	<u>359</u>
EXPENDITURES			
Current:			
Separation and contribution	2,100	2,100	-
Total expenditures	<u>2,100</u>	<u>2,100</u>	<u>-</u>
Excess (deficiency) of revenues over (under) expenditures	(2,000)	(1,641)	359
OTHER FINANCING SOURCES			
Transfers from other funds	<u>2,000</u>	<u>2,000</u>	<u>-</u>
Net change in fund balances	-	359	359
Fund balances - beginning	11,019	11,019	-
Fund balances - ending	<u>\$ 11,019</u>	<u>\$ 11,378</u>	<u>\$ 359</u>

CITY OF WASECA, MINNESOTA
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
Police Reserve Special Revenue Fund
For the Year Ended December 31, 2008

	<u>Police Reserve Fund</u>		Variance With Final Budget
REVENUES	Budget	Actual	
Contributions	\$ -	\$ 1,000	\$ 1,000
Miscellaneous	1,500	5,947	4,447
Total revenues	<u>1,500</u>	<u>6,947</u>	<u>5,447</u>
EXPENDITURES			
Current:			
Services and charges	<u>1,500</u>	<u>6,209</u>	<u>4,709</u>
Total expenditures	<u>1,500</u>	<u>6,209</u>	<u>4,709</u>
Net change in fund balances	-	738	738
Fund balances - beginning	1,362	1,362	-
Fund balances - ending	<u>\$ 1,362</u>	<u>\$ 2,100</u>	<u>\$ 738</u>

CITY OF WASECA, MINNESOTA
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
Police Crime Victims Special Revenue Fund
For the Year Ended December 31, 2008

	Police Crime Victims Fund		Variance With Final Budget
	Budget	Actual	
REVENUES			
Intergovernmental	\$ 43,172	\$ 44,467	\$ 1,295
Miscellaneous	-	307	307
Total revenues	<u>43,172</u>	<u>44,774</u>	<u>1,602</u>
EXPENDITURES			
Current:			
Personal services	-	9,867	9,867
Services and charges	<u>35,672</u>	<u>28,995</u>	<u>(6,677)</u>
Total expenditures	<u>35,672</u>	<u>38,862</u>	<u>3,190</u>
Net change in fund balances	7,500	5,912	(1,588)
Fund balances - beginning	7,500	7,500	-
Fund balances - ending	<u>\$ 15,000</u>	<u>\$ 13,412</u>	<u>\$ (1,588)</u>

CITY OF WASECA, MINNESOTA
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
Police Forfeiture Special Revenue Fund
For the Year Ended December 31, 2008

	<u>Police Forfeiture Fund</u>		Variance With
REVENUES	<u>Budget</u>	<u>Actual</u>	<u>Final Budget</u>
Fines and Forfeitures	\$ 1,000	\$ 13,296	\$ 12,296
Miscellaneous	-	567	567
Total revenues	<u>1,000</u>	<u>13,863</u>	<u>12,863</u>
EXPENDITURES			
Current:			
Services and charges	<u>1,000</u>	<u>2,766</u>	<u>1,766</u>
Total expenditures	<u>1,000</u>	<u>2,766</u>	<u>1,766</u>
Net change in fund balances	-	11,097	11,097
Fund balances - beginning	-	10,166	10,166
Fund balances - ending	<u>\$ -</u>	<u>\$ 21,263</u>	<u>\$ 21,263</u>

CITY OF WASECA, MINNESOTA
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
Fire Relief Special Revenue Fund
For the Year Ended December 31, 2008

	Fire Relief Fund		Variance With
	Budget	Actual	Final Budget
REVENUES			
Intergovernmental	\$ 67,000	\$ 48,439	\$ (18,561)
Total revenues	<u>67,000</u>	<u>48,439</u>	<u>(18,561)</u>
EXPENDITURES			
Current:			
Services and charges	<u>72,987</u>	<u>54,426</u>	<u>(18,561)</u>
Total expenditures	<u>72,987</u>	<u>54,426</u>	<u>(18,561)</u>
Excess (deficiency) of revenues over (under) expenditures	(5,987)	(5,987)	-
OTHER FINANCING SOURCES			
Transfers from other funds	<u>5,987</u>	<u>5,987</u>	<u>-</u>
Net change in fund balances	-	-	-
Fund balances - beginning	-	-	-
Fund balances - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

CITY OF WASECA, MINNESOTA
NON MAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET - TIF SPECIAL REVENUE FUNDS
December 31, 2008

TIF Special Revenue Funds						
	TIF Parkview Est. Fund	TIF Charter Oaks Fund	TIF Central Fund	TIF Waseca Village Fund	TIF Colony Ct III Fund	Total
ASSETS						
Cash and cash equivalents	\$ 21,940	\$ 14,237	\$ 69,773	\$ 2,314	\$ 13,788	\$ 122,052
Investments	-	-	100,000	-	-	100,000
Taxes receivable	-	-	2,778	-	-	2,778
Accounts receivable	-	-	1,694	-	-	1,694
Interest receivable	-	-	774	-	-	774
Advance to other funds	-	-	20,000	-	-	20,000
Total assets	<u>\$ 21,940</u>	<u>\$ 14,237</u>	<u>\$ 195,019</u>	<u>\$ 2,314</u>	<u>\$ 13,788</u>	<u>\$ 247,298</u>
LIABILITIES AND FUND BALANCES						
Liabilities:						
Accounts payable	\$ 500	\$ 8,081	\$ 34,055	\$ 2,201	\$ 13,742	\$ 58,579
Accrued wages	38	-	-	39	-	77
Deferred revenue	-	-	2,778	-	-	2,778
Advance from other funds	20,000	-	100,000	-	-	120,000
Total liabilities	<u>20,538</u>	<u>8,081</u>	<u>136,833</u>	<u>2,240</u>	<u>13,742</u>	<u>181,434</u>
Fund balances:						
Reserved for:						
Advance to other funds	-	-	20,000	-	-	20,000
Unreserved, undesignated	1,402	6,156	38,186	74	46	45,864
Total fund balances	<u>1,402</u>	<u>6,156</u>	<u>58,186</u>	<u>74</u>	<u>46</u>	<u>65,864</u>
Total liabilities and fund balances	<u>\$ 21,940</u>	<u>\$ 14,237</u>	<u>\$ 195,019</u>	<u>\$ 2,314</u>	<u>\$ 13,788</u>	<u>\$ 247,298</u>

CITY OF WASECA, MINNESOTA
NONMAJOR GOVERNMENTAL FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - TIF SPECIAL REVENUE FUNDS
For the Year Ended December 31, 2008

	TIF Special Revenue Funds					
	TIF Parkview Est. Fund	TIF Charter Oaks Fund	TIF Central Fund	TIF Waseca Village Fund	TIF Colony Ct III Fund	Total
REVENUES						
Property taxes	\$ -	\$ 16,846	\$ 168,692	\$ 4,203	\$ 30,315	\$ 220,056
Intergovernmental	-	-	671	-	-	671
Miscellaneous	342	249	8,397	-	17	9,005
Total revenues	342	17,095	177,760	4,203	30,332	229,732
EXPENDITURES						
Current:						
Personal services	38	-	461	39	-	538
Services and charges	9,684	15,883	96,112	4,526	27,406	153,611
Total expenditures	9,722	15,883	96,573	4,565	27,406	154,149
Excess (deficiency) of revenues over (under) expenditures	(9,380)	1,212	81,187	(362)	2,926	75,583
OTHER FINANCING SOURCES (USES)						
Transfers from other funds	-	-	-	3,932	-	3,932
Transfers to other funds	-	-	(70,993)	-	-	(70,993)
Total other financing sources (uses)	-	-	(70,993)	3,932	-	(67,061)
Net change in fund balances	(9,380)	1,212	10,194	3,570	2,926	8,522
Fund balances - beginning	10,782	4,944	47,992	(3,496)	(2,880)	57,342
Fund balances - ending	\$ 1,402	\$ 6,156	\$ 58,186	\$ 74	\$ 46	\$ 65,864

CITY OF WASECA, MINNESOTA
NON MAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET - DEBT SERVICE FUNDS
December 31, 2008

	Debt Service			
	Aquatic Park Fund	Equipment Certificates		
		2003	2004	2005
ASSETS				
Cash and cash equivalents	\$ 10,822	\$ -	\$ 14,592	\$ 5,445
Taxes receivable	3,390	-	2,949	3,261
Total assets	<u>\$ 14,212</u>	<u>\$ -</u>	<u>\$ 17,541</u>	<u>\$ 8,706</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ 400	\$ -	\$ -	\$ 400
Deferred revenue	2,742	-	2,409	2,648
Total liabilities	<u>3,142</u>	<u>-</u>	<u>2,409</u>	<u>3,048</u>
Fund balances:				
Unreserved, undesignated	11,070	-	15,132	5,658
Total fund balances	<u>11,070</u>	<u>-</u>	<u>15,132</u>	<u>5,658</u>
Total liabilities and fund balances	<u>\$ 14,212</u>	<u>\$ -</u>	<u>\$ 17,541</u>	<u>\$ 8,706</u>

Debt Service			
Northwest Construction Site	Municipal State Aid	Tax Increment District #23	Total
\$ 2,479	\$ 2,945	\$ 44,344	\$ 80,627
-	-	-	9,600
<u>\$ 2,479</u>	<u>\$ 2,945</u>	<u>\$ 44,344</u>	<u>\$ 90,227</u>
\$ 400	\$ 400	\$ 400	\$ 2,000
-	-	-	7,799
<u>400</u>	<u>400</u>	<u>400</u>	<u>9,799</u>
<u>2,079</u>	<u>2,545</u>	<u>43,944</u>	<u>80,428</u>
<u>2,079</u>	<u>2,545</u>	<u>43,944</u>	<u>80,428</u>
<u>\$ 2,479</u>	<u>\$ 2,945</u>	<u>\$ 44,344</u>	<u>\$ 90,227</u>

CITY OF WASECA, MINNESOTA
NONMAJOR GOVERNMENTAL FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES - DEBT SERVICE FUNDS
For the Year Ended December 31, 2008

	Debt Service			
	Aquatic Park Fund	Equipment Certificates		
		2003	2004	2005
REVENUES				
Property taxes	\$ 107,457	\$ 52,136	\$ 82,109	\$ 46,015
Intergovernmental	10,475	5,056	7,938	4,495
Miscellaneous	-	-	-	-
Total revenues	<u>117,932</u>	<u>57,192</u>	<u>90,047</u>	<u>50,510</u>
EXPENDITURES				
Debt service:				
Bond principal	30,000	80,000	155,000	110,000
Interest and fiscal charges	<u>86,316</u>	<u>1,360</u>	<u>5,898</u>	<u>8,353</u>
Total expenditures	<u>116,316</u>	<u>81,360</u>	<u>160,898</u>	<u>118,353</u>
Excess (deficiency) of revenues over (under) expenditures	<u>1,616</u>	<u>(24,168)</u>	<u>(70,851)</u>	<u>(67,843)</u>
OTHER FINANCING SOURCES (USES)				
Transfers from other funds	-	24,007	65,610	71,813
Transfers to other funds	-	(420)	-	-
Total other financing sources (uses)	<u>-</u>	<u>23,587</u>	<u>65,610</u>	<u>71,813</u>
Net change in fund balances	1,616	(581)	(5,241)	3,970
Fund balances - beginning	9,454	581	20,373	1,688
Fund balances - ending	<u>\$ 11,070</u>	<u>\$ -</u>	<u>\$ 15,132</u>	<u>\$ 5,658</u>

Debt Service

Northwest Construction Site	Municipal State Aid	Tax Increment District #23	Total
\$ 44,934	\$ -	\$ -	\$ 332,651
-	100,420	-	128,384
-	13	-	13
<u>44,934</u>	<u>100,433</u>	<u>-</u>	<u>461,048</u>
100,000	80,000	25,000	580,000
35,485	21,623	46,195	205,230
<u>135,485</u>	<u>101,623</u>	<u>71,195</u>	<u>785,230</u>
<u>(90,551)</u>	<u>(1,190)</u>	<u>(71,195)</u>	<u>(324,182)</u>
89,714	-	70,993	322,137
-	-	-	(420)
<u>89,714</u>	<u>-</u>	<u>70,993</u>	<u>321,717</u>
(837)	(1,190)	(202)	(2,465)
2,916	3,735	44,146	82,893
<u>\$ 2,079</u>	<u>\$ 2,545</u>	<u>\$ 43,944</u>	<u>\$ 80,428</u>

CITY OF WASECA, MINNESOTA
NON MAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET - CAPITAL PROJECT FUNDS
December 31, 2008

	Capital Projects		
	Municipal State Aid Construction	Municipal State Aid Maintenance	Water Park Construction Fund
ASSETS			
Cash and cash equivalents	\$ 264,718	\$ 311,376	\$ 48,139
Investments	250,000	-	-
Accounts receivable	-	-	36,430
Assessments receivable	-	-	-
Interest receivable	99	-	-
Land held for resale	-	-	-
Total assets	<u>\$ 514,817</u>	<u>\$ 311,376</u>	<u>\$ 84,569</u>
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	\$ -	\$ 6,000	\$ -
Deferred revenue	-	-	-
Total liabilities	<u>-</u>	<u>6,000</u>	<u>-</u>
Fund balances:			
Reserved for:			
Land held for resale	-	-	-
Unreserved, undesignated	514,817	305,376	84,569
Total fund balances	<u>514,817</u>	<u>305,376</u>	<u>84,569</u>
Total liabilities and fund balances	<u>\$ 514,817</u>	<u>\$ 311,376</u>	<u>\$ 84,569</u>

Capital Projects

Special Assessment Fund	Northwest Commercial Development	Annexation and Growth	Total
\$ -	\$ 148,347	\$ 158,767	\$ 931,347
-	-	100,000	350,000
-	-	-	36,430
50,491	-	-	50,491
-	-	1,508	1,607
-	960,467	-	960,467
<u>\$ 50,491</u>	<u>\$ 1,108,814</u>	<u>\$ 260,275</u>	<u>\$ 2,330,342</u>
\$ -	\$ -	\$ -	\$ 6,000
50,491	-	-	50,491
<u>50,491</u>	<u>-</u>	<u>-</u>	<u>56,491</u>
-	960,467	-	960,467
-	148,347	260,275	1,313,384
-	1,108,814	260,275	2,273,851
<u>\$ 50,491</u>	<u>\$ 1,108,814</u>	<u>\$ 260,275</u>	<u>\$ 2,330,342</u>

CITY OF WASECA, MINNESOTA
NONMAJOR GOVERNMENTAL FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES - CAPITAL PROJECT FUNDS
For the Year Ended December 31, 2008

	Capital Projects		
	Municipal State Aid Construction	Municipal State Aid Maintenance	Water Park Construction Fund
REVENUES			
Intergovernmental	\$ -	\$ 44,257	\$ -
Assessments	-	-	-
Contributions	-	-	84,569
Miscellaneous	19,354	12,735	-
Total revenues	<u>19,354</u>	<u>56,992</u>	<u>84,569</u>
EXPENDITURES			
Current:			
Materials and supplies	-	1,010	-
Services and charges	-	61,354	-
Capital outlay			
Improvements	-	-	-
Machinery	-	23,062	-
Total expenditures	<u>-</u>	<u>85,426</u>	<u>-</u>
Excess (deficiency) of revenues over (under) expenditures	<u>19,354</u>	<u>(28,434)</u>	<u>84,569</u>
OTHER FINANCING SOURCES			
Transfers from other funds	-	-	-
Total other financing sources	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	19,354	(28,434)	84,569
Fund balances - beginning	495,463	333,810	-
Fund balances - ending	<u>\$ 514,817</u>	<u>\$ 305,376</u>	<u>\$ 84,569</u>

Capital Projects			
Special Assessment Fund	Northwest Commercial Development	Annexation and Growth	Total
\$ -	\$ -	\$ -	\$ 44,257
1,206	-	-	1,206
-	-	-	84,569
-	5,761	8,248	46,098
1,206	5,761	8,248	176,130
-	-	-	1,010
-	-	-	61,354
165,278	-	-	165,278
-	-	-	23,062
165,278	-	-	250,704
(164,072)	5,761	8,248	(74,574)
164,072	-	35,000	199,072
164,072	-	35,000	199,072
-	5,761	43,248	124,498
-	1,103,053	217,027	2,149,353
\$ -	\$ 1,108,814	\$ 260,275	\$ 2,273,851

CITY OF WASECA, MINNESOTA
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
Municipal State Aid Maintenance Capital Project Fund
For the Year Ended December 31, 2008

	Municipal State Aid Maintenance		Variance With
	Budget	Actual	Final Budget
REVENUES			
Intergovernmental	\$ 66,000	\$ 44,257	\$ (21,743)
Miscellaneous	2,000	12,735	10,735
Total revenues	<u>68,000</u>	<u>56,992</u>	<u>(11,008)</u>
EXPENDITURES			
Current:			
Materials and supplies	-	1,010	1,010
Services and charges	105,350	61,354	(43,996)
Capital outlay			
Machinery	20,000	23,062	3,062
Total expenditures	<u>125,350</u>	<u>85,426</u>	<u>(39,924)</u>
Net change in fund balances	(57,350)	(28,434)	28,916
Fund balances - beginning	333,810	333,810	-
Fund balances - ending	<u>\$ 276,460</u>	<u>\$ 305,376</u>	<u>\$ 28,916</u>

CITY OF WASECA, MINNESOTA
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
Capital Improvement Capital Project Fund
For the Year Ended December 31, 2008

	Capital Improvement Fund			Variance With
	Original Budget	Final Budget	Actual	Final Budget
REVENUES				
Intergovernmental	\$ 125,000	\$ 125,000	\$ 27,006	\$ (97,994)
Contributions	-	-	700	700
Miscellaneous	15,000	15,000	42,377	27,377
Total revenues	<u>140,000</u>	<u>140,000</u>	<u>70,083</u>	<u>(69,917)</u>
EXPENDITURES				
Capital outlay				
Improvements	1,058,399	1,028,399	1,013,436	(14,963)
Total expenditures	<u>1,058,399</u>	<u>1,028,399</u>	<u>1,013,436</u>	<u>(14,963)</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(918,399)</u>	<u>(888,399)</u>	<u>(943,353)</u>	<u>(54,954)</u>
OTHER FINANCING SOURCES				
Transfers from other funds	625,000	625,000	638,675	13,675
Total other financing sources	<u>625,000</u>	<u>625,000</u>	<u>638,675</u>	<u>13,675</u>
Net change in fund balances	(293,399)	(263,399)	(304,678)	(41,279)
Fund balances - beginning	1,058,243	1,058,243	1,058,243	-
Fund balances - ending	<u>\$ 764,844</u>	<u>\$ 794,844</u>	<u>\$ 753,565</u>	<u>\$ (41,279)</u>

CITY OF WASECA, MINNESOTA
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
Annexation and Growth Capital Project Fund
For the Year Ended December 31, 2008

	Annexation and Growth		Variance With
	Budget	Actual	Final Budget
REVENUES			
Miscellaneous	\$ 2,000	\$ 8,248	\$ 6,248
Total revenues	<u>2,000</u>	<u>8,248</u>	<u>6,248</u>
EXPENDITURES			
Current:			
Services and charges	35,000	-	(35,000)
Total expenditures	<u>35,000</u>	<u>-</u>	<u>(35,000)</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(33,000)</u>	<u>8,248</u>	<u>41,248</u>
OTHER FINANCING SOURCES			
Transfers from other funds	35,000	35,000	-
Total other financing sources (uses)	<u>35,000</u>	<u>35,000</u>	<u>-</u>
Net change in fund balances	2,000	43,248	41,248
Fund balances - beginning	217,027	217,027	-
Fund balances - ending	<u>\$ 219,027</u>	<u>\$ 260,275</u>	<u>\$ 41,248</u>

INTERNAL SERVICE FUNDS

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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, 2008

	Central Garage Services	Property & Liability Insurance Fund	Workers Compensation Insurance Fund	Equipment Replacement Fund	Total
ASSETS					
Cash and cash equivalents	\$ 21,501	\$ 122,444	\$ 1,376	\$ 181,516	\$ 326,837
Accounts receivable	-	-	7,589	-	7,589
Total assets	<u>21,501</u>	<u>122,444</u>	<u>8,965</u>	<u>181,516</u>	<u>334,426</u>
LIABILITIES					
Accounts payable	20,076	-	-	-	20,076
Accrued wages	796	-	-	-	796
Total liabilities	<u>20,872</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>20,872</u>
NET ASSETS					
Unrestricted	629	122,444	8,965	181,516	313,554
Total net assets	<u>\$ 629</u>	<u>\$ 122,444</u>	<u>\$ 8,965</u>	<u>\$ 181,516</u>	<u>\$ 313,554</u>

CITY OF WASECA, MINNESOTA
INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2008

	<u>Central Garage Services</u>	<u>Property & Liability Insurance Fund</u>	<u>Workers Compensation Insurance Fund</u>	<u>Equipment Replacement Fund</u>	<u>Total</u>
Operating revenues:					
Charges to other funds	\$ 254,686	\$ 78,622	\$ 152,664	\$ -	\$ 485,972
Insurance reimbursement	-	12,416	7,653	-	20,069
Total operating revenues	<u>254,686</u>	<u>91,038</u>	<u>160,317</u>	<u>-</u>	<u>506,041</u>
Operating expenses:					
Personal services	118,584	-	-	-	118,584
Supplies	132,960	-	-	256,766	389,726
Services and charges	7,026	-	-	-	7,026
Insurance payment	-	13,188	-	-	13,188
Insurance premiums	-	98,480	152,664	-	251,144
Total operating expenses	<u>258,570</u>	<u>111,668</u>	<u>152,664</u>	<u>256,766</u>	<u>779,668</u>
Operating income (loss)	<u>(3,884)</u>	<u>(20,630)</u>	<u>7,653</u>	<u>(256,766)</u>	<u>(273,627)</u>
Nonoperating revenues:					
Investment earnings	-	4,796	-	5,114	9,910
Total nonoperating revenues	<u>-</u>	<u>4,796</u>	<u>-</u>	<u>5,114</u>	<u>9,910</u>
Income (loss) before transfers	<u>(3,884)</u>	<u>(15,834)</u>	<u>7,653</u>	<u>(251,652)</u>	<u>(263,717)</u>
Transfers from other funds	<u>-</u>	<u>-</u>	<u>-</u>	<u>403,011</u>	<u>403,011</u>
Change in net assets	<u>(3,884)</u>	<u>(15,834)</u>	<u>7,653</u>	<u>151,359</u>	<u>139,294</u>
Total net assets-beginning	<u>4,513</u>	<u>138,278</u>	<u>1,312</u>	<u>30,157</u>	<u>174,260</u>
Total net assets-ending	<u>\$ 629</u>	<u>\$ 122,444</u>	<u>\$ 8,965</u>	<u>\$ 181,516</u>	<u>\$ 313,554</u>

CITY OF WASECA, MINNESOTA
INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2008

	Central Garage Services	Property & Liability Insurance Fund	Workers Compensation Insurance Fund	Equipment Replacement Fund	Total
CASH FLOWS FROM OPERATING ACTIVITIES					
Cash received from other funds and reimbursements	\$ 254,686	\$ 91,038	\$ 152,728	\$ -	\$ 498,452
Cash payments to employees for services	(120,904)	-	-	-	(120,904)
Cash payments for interfund services used	(128,912)	(111,749)	(152,664)	(256,766)	(650,091)
Net cash provided (used) by operating activities	4,870	(20,711)	64	(256,766)	(272,543)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES					
Transfers from other funds	-	-	-	403,011	403,011
Net cash provided by investing activities	-	-	-	403,011	403,011
CASH FLOWS FROM INVESTING ACTIVITIES					
Proceeds from sale of investments	-	100,000	-	-	100,000
Interest on investments	-	4,847	-	5,114	9,961
Net cash provided by investing activities	-	104,847	-	5,114	109,961
Net increase in cash and cash equivalents	4,870	84,136	64	151,359	240,429
Cash and cash equivalents-January 1	16,631	38,308	1,312	30,157	86,408
Cash and cash equivalents-December 31	\$ 21,501	\$ 122,444	\$ 1,376	\$ 181,516	\$ 326,837
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:					
Operating income (loss)	\$ (3,884)	\$ (20,630)	\$ 7,653	\$ (256,766)	\$ (273,627)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:					
Increase (decrease) in accounts receivable	-	-	(7,589)	-	(7,589)
Increase (decrease) in accounts payable	11,074	(81)	-	-	10,993
Increase (decrease) in accrued wages	(2,320)	-	-	-	(2,320)
Total adjustments	8,754	(81)	(7,589)	-	1,084
Net cash provided (used) by operating activities	\$ 4,870	\$ (20,711)	\$ 64	\$ (256,766)	\$ (272,543)

COMPONENT UNIT

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ECONOMIC DEVELOPMENT AUTHORITY OF THE CITY OF WASECA
Statement of Net Assets
December 31, 2008

	<u>GOVERNMENTAL ACTIVITIES</u>	<u>BUSINESS-TYPE ACTIVITIES</u>	<u>TOTAL</u>
ASSETS			
Cash and cash equivalents	\$ 181,778	\$ -	\$ 181,778
Accounts receivable	1,000	-	1,000
Taxes receivable	1,471	-	1,471
Interest receivable	754	-	754
Land held for resale	<u>327,479</u>	<u>-</u>	<u>327,479</u>
TOTAL ASSETS	<u>512,482</u>	<u>-</u>	<u>512,482</u>
LIABILITIES			
Accounts payable	<u>41,502</u>	<u>-</u>	<u>41,502</u>
TOTAL LIABILITIES	<u>41,502</u>	<u>-</u>	<u>41,502</u>
NET ASSETS			
Unrestricted	<u>470,980</u>	<u>-</u>	<u>470,980</u>
TOTAL NET ASSETS	<u>\$ 470,980</u>	<u>\$ -</u>	<u>\$ 470,980</u>

ECONOMIC DEVELOPMENT AUTHORITY OF THE CITY OF WASECA
Statement of Activities
For the year ended December 31, 2008

	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
	Expenses	Charges for Services	Operating Grants and Contributions	Governmental Activities	Business-type Activities	Total
Governmental activities:						
General government	\$ 31,885	\$ 1,161	\$ -	\$ (30,724)	\$ -	\$ (30,724)
Business-type activities:						
Land development	-	-	29,107	-	29,107	29,107
Total	<u>\$ 31,885</u>	<u>\$ 1,161</u>	<u>\$ 29,107</u>	<u>\$ (30,724)</u>	<u>\$ 29,107</u>	<u>\$ (1,617)</u>
General revenues:						
Taxes				40,944	-	40,944
Grants and contributions not restricted to specific programs				4,024	-	4,024
Unrestricted investment earnings				6,348	-	6,348
Transfers				330,261	(330,261)	-
Total general revenues and transfers				<u>381,577</u>	<u>(330,261)</u>	<u>51,316</u>
Change in net assets				350,853	(301,154)	49,699
Net assets-beginning				<u>120,127</u>	<u>301,154</u>	<u>421,281</u>
Net assets-ending				<u>\$ 470,980</u>	<u>\$ -</u>	<u>\$ 470,980</u>

ECONOMIC DEVELOPMENT AUTHORITY OF THE CITY OF WASECA
Balance Sheet
General Fund
December 31, 2008

	<u>2008</u>
ASSETS	
Cash and cash equivalents	\$ 181,778
Accounts receivable	1,000
Interest receivable	754
Taxes receivable	1,471
Land held for resale	<u>327,479</u>
TOTAL ASSETS	\$ <u>512,482</u>
LIABILITIES	
Accounts payable	\$ 41,502
Deferred revenue	<u>1,204</u>
TOTAL LIABILITIES	<u>42,706</u>
FUND BALANCE	
Unreserved-designated	469,776
Amounts reported for governmental activities in the Statement of Net Assets are different because:	
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds	
	<u>1,204</u>
Net assets of governmental activities	\$ <u>470,980</u>

ECONOMIC DEVELOPMENT AUTHORITY OF THE CITY OF WASECA
Statement of Revenues, Expenditures and Changes in Fund Balance
General Fund
For the Year Ended December 31, 2008

	<u>2008</u>
REVENUES	
Taxes	\$ 40,944
Intergovernmental	4,024
Interest earnings	6,348
Miscellaneous	<u>1,000</u>
TOTAL REVENUES	<u>52,316</u>
EXPENDITURES	
Services and charges	<u>31,885</u>
EXCESS OF REVENUES OVER EXPENDITURES	20,431
OTHER FINANCING SOURCES	
Transfer in	<u>330,261</u>
NET CHANGE IN FUND BALANCE	350,692
FUND BALANCE - BEGINNING	<u>119,084</u>
FUND BALANCE - ENDING	<u>\$ 469,776</u>

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

Net change in fund balance - governmental fund	\$ 350,692
Revenue (delinquent taxes deferred revenue) in the Statement of Activities that does not provide current financial resources is not reported as revenue in the fund	<u>161</u>
Changes in net assets of governmental activities	<u>\$ 350,853</u>

ECONOMIC DEVELOPMENT AUTHORITY OF THE CITY OF WASECA
Statement of Net Assets
Land Development Fund
December 31, 2008

	<u>2008</u>
ASSETS	
Cash and cash equivalents	\$ -
Accounts receivable	-
Investment in real property	<u>-</u>
TOTAL ASSETS	<u>\$ -</u>
LIABILITIES	
Special assessments payable	\$ -
Advance from primary government	<u>-</u>
TOTAL LIABILITIES	<u>-</u>
NET ASSETS	
Unrestricted	<u>\$ -</u>

ECONOMIC DEVELOPMENT AUTHORITY OF THE CITY OF WASECA
Statement of Revenues, Expenses and Changes in Net Assets
Land Development Fund
For the Year Ended December 31, 2008

	<u>2008</u>
OPERATING REVENUES	
Miscellaneous	\$ -
OPERATING EXPENSES	
Other services and charges	<u>-</u>
OPERATING INCOME	<u>-</u>
NON-OPERATING REVENUES	
Interest income	<u>-</u>
TOTAL NON-OPERATING REVENUES	<u>-</u>
INCOME BEFORE CONTRIBUTIONS AND TRANSFERS	
Contribution from primary government	29,107
Transfers in	-
Transfers out	<u>(330,261)</u>
CHANGE IN NET ASSETS	(301,154)
NET ASSETS-BEGINNING	<u>301,154</u>
NET ASSETS-ENDING	<u><u>\$ -</u></u>

ECONOMIC DEVELOPMENT AUTHORITY OF THE CITY OF WASECA
Statement of Cash Flows
Land Development Fund
December 31, 2008

	<u>2008</u>
CASH FLOWS FROM OPERATING ACTIVITIES	
Cash payments to suppliers	\$ <u>(86,245)</u>
Net cash used by operating activities	<u>(86,245)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Transfer to other funds	(2,782)
Contribution from primary government	<u>29,107</u>
Net cash provided by noncapital financing activities	<u>26,325</u>
NET DECREASE IN CASH AND CASH EQUIVALENTS	(59,920)
CASH AND CASH EQUIVALENTS	
Beginning of year	<u>59,920</u>
End of year	\$ <u><u>-</u></u>
RECONCILIATION OF OPERATING INCOME TO NET CASH USED BY OPERATING ACTIVITIES	
Operating Income	\$ -
Change in assets and liabilities	
Decrease in special assessments payable	(57,138)
Decrease in advance from primary government	<u>(29,107)</u>
Total adjustments	<u>(86,245)</u>
Net cash used by operating activities	\$ <u><u>(86,245)</u></u>
Non Cash Transactions:	
Transfer investment in real property to the general fund	\$ <u><u>327,479</u></u>

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CITY OF WASECA, MINNESOTA
CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS
SCHEDULE BY FUNCTION AND ACTIVITY
December 31, 2008

	Land	Buildings	Infrastructure	Construction in Progress	Improvements Other than Buildings	Equipment	Total
GENERAL GOVERNMENT							
Legislature	\$ -	\$ -	\$ -	\$ 5,000	\$ -	\$ 12,523	\$ 17,523
Elections	-	-	-	-	-	10,468	10,468
Finance	-	-	-	-	-	7,929	7,929
Buildings and grounds	60,305	662,580	-	26,770	30,866	287,649	1,068,170
Community Development	183,848	78,717	-	-	-	-	262,565
TOTAL GENERAL GOVERNMENT	244,153	741,297	-	31,770	30,866	318,569	1,366,655
PUBLIC SAFETY							
Police	-	24,131	-	-	-	273,367	297,498
Community Service	133,935	-	-	-	13,491	-	147,426
Civil defense	-	-	-	-	-	102,306	102,306
Fire	38,000	108,725	-	-	65,925	1,462,051	1,674,701
TOTAL PUBLIC SAFETY	171,935	132,856	-	-	79,416	1,837,724	2,221,931
HIGHWAYS							
Engineering	-	-	-	-	-	133,827	133,827
Street garage	25,980	158,884	-	-	2,225	1,557,381	1,744,470
Traffic signs and markings	-	-	-	-	53,115	-	53,115
Storm sewer	-	-	4,283,126	-	-	17,279	4,300,405
Highways	128,861	33,444	24,903,618	-	-	-	25,065,923
TOTAL HIGHWAYS	154,841	192,328	29,186,744	-	55,340	1,708,487	31,297,740
RECREATION							
Park	403,104	200,499	-	1,285	1,999,647	464,579	3,069,114
Water Park	-	965,674	-	-	2,614,862	9,461	3,589,997
Lake restoration	130,250	-	-	-	922,823	24,076	1,077,149
Library	2,675	327,110	-	-	7,215	2,000	339,000
TOTAL RECREATION	536,029	1,493,283	-	1,285	5,544,547	500,116	8,075,260
AIRPORT	174,580	617,518	-	-	787,318	7,000	1,586,416
LOON LAKE PROJECT	-	-	-	-	630,067	-	630,067
TOTAL GOVERNMENTAL FUND CAPITAL ASSETS	\$ 1,281,538	\$ 3,177,282	\$ 29,186,744	\$ 33,055	\$ 7,127,554	\$ 4,371,896	\$ 45,178,069

CITY OF WASECA, MINNESOTA
CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS
SCHEDULE OF CHANGES BY FUNCTION AND ACTIVITY
December 31, 2008

	Beginning Balances	Adjustments	Additions	Deletions	Ending Balances
GENERAL GOVERNMENT					
Legislature	\$ 12,523	\$ -	\$ 5,000	\$ -	\$ 17,523
Elections	10,468	-	-	-	10,468
Finance	7,929	-	-	-	7,929
Buildings and grounds	1,090,940	-	26,770	(49,540)	1,068,170
Community Development	262,565	-	-	-	262,565
TOTAL GENERAL GOVERNMENT	1,384,425	-	31,770	(49,540)	1,366,655
PUBLIC SAFETY					
Police	380,015	(38,036)	40,482	(84,963)	297,498
Community Service	147,426	-	-	-	147,426
Civil defense	102,306	-	-	-	102,306
Fire	1,634,642	38,036	2,023	-	1,674,701
TOTAL PUBLIC SAFETY	2,264,389	-	42,505	(84,963)	2,221,931
HIGHWAYS					
Engineering	123,424	-	23,062	(12,659)	133,827
Street garage	1,685,103	-	206,266	(146,899)	1,744,470
Traffic signs and markings	53,115	-	-	-	53,115
Storm sewer	4,284,882	-	15,523	-	4,300,405
Highways	24,442,891	-	623,032	-	25,065,923
TOTAL HIGHWAYS	30,589,415	-	867,883	(159,558)	31,297,740
RECREATION					
Park	2,586,546	-	508,416	(25,848)	3,069,114
Water Park	3,589,997	-	-	-	3,589,997
Lake restoration	1,074,092	-	8,663	(5,606)	1,077,149
Library	339,000	-	-	-	339,000
TOTAL RECREATION	7,589,635	-	517,079	(31,454)	8,075,260
AIRPORT	-	1,557,012	29,404	-	1,586,416
LOON LAKE PROJECT	630,067	-	-	-	630,067
TOTAL GOVERNMENTAL FUND CAPITAL ASSETS	\$ 42,457,931	\$ 1,557,012	\$ 1,488,641	\$ (325,515)	\$ 45,178,069

Statistical Section

This part of the City of Waseca's comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and and required supplementary information says about the City's overall financial health.

<u>Contents</u>	<u>Page</u>
Financial Trends These schedules contain trend information to help the reader understand how the city's financial performance and well-being have changed over time.	142-145
Revenue Capacity These schedules contain information to help the reader assess the city's most significant local revenue source, the property tax.	146-149
Debt Capacity These schedules present information to help the reader assess the affordability of the city's current levels of outstanding debt and the city's ability to issue additional debt in the future.	150-154
Demographic and Economic Information These schedules offer demographic and economic indicators to help the reader understand the environment within which the city's financial activities take place.	155-156
Operating Information These schedules contain service and infrastructure data to help the reader understand how the information in the city's financial report relates to the services the city provides and the activities it performs.	157-159

Sources: Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial reports for the relevant year. The City implemented GASB Statement 34 in 2002; schedules presenting government-wide information include information beginning in that year.

City of Waseca
Net Assets by Component,
Last Seven Fiscal Years
(accrual basis of accounting)

Schedule 1

	Fiscal Year						
	2002	2003	2004	2005	2006	2007	2008
Governmental activities							
Invested in capital assets, net of related del	\$ 16,054,890	\$ 16,473,311	\$ 16,168,503	\$ 16,335,872	\$ 16,236,644	\$ 17,881,298	\$ 20,272,394
Unrestricted	8,076,450	8,415,937	8,491,464	9,093,905	10,030,269	9,524,263	8,834,787
Total governmental activities net assets	<u>\$ 24,131,340</u>	<u>\$ 24,889,248</u>	<u>\$ 24,659,967</u>	<u>\$ 25,429,777</u>	<u>\$ 26,266,913</u>	<u>\$ 27,405,561</u>	<u>\$ 29,107,181</u>
Business-type activities							
Invested in capital assets, net of related del	\$ 12,374,233	\$ 12,679,344	\$ 13,180,218	\$ 14,577,318	\$ 15,675,302	\$ 16,002,097	\$ 14,779,935
Restricted	199,285	299,285	49,285	-	-	-	-
Unrestricted	2,493,972	2,708,746	2,826,077	3,405,055	4,336,621	4,943,963	5,691,494
Total business-type activities net assets	<u>\$ 15,067,490</u>	<u>\$ 15,687,375</u>	<u>\$ 16,055,580</u>	<u>\$ 17,982,373</u>	<u>\$ 20,011,923</u>	<u>\$ 20,946,060</u>	<u>\$ 20,471,429</u>
Primary government							
Invested in capital assets, net of related del	\$ 28,429,123	\$ 29,152,655	\$ 29,348,721	\$ 30,913,190	\$ 31,911,946	\$ 33,883,395	\$ 35,052,329
Restricted	199,285	299,285	49,285	-	-	-	-
Unrestricted	10,570,422	11,124,683	11,317,541	12,498,960	14,366,890	14,468,226	14,526,281
Total primary government net assets	<u>\$ 39,198,830</u>	<u>\$ 40,576,623</u>	<u>\$ 40,715,547</u>	<u>\$ 43,412,150</u>	<u>\$ 46,278,836</u>	<u>\$ 48,351,621</u>	<u>\$ 49,578,610</u>

Note: The City began to report accrual information when it implemented GASB 34 in fiscal year 2002.

City of Waseca

Schedule 2

Changes in Net Assets, Last Seven Fiscal Years
(accrual basis of accounting)

	Fiscal Year						
	2002	2003	2004	2005	2006	2007	2008
Expenses							
Governmental activities:							
General government	\$ 1,577,527	\$ 1,917,946	\$ 2,088,695	\$ 1,091,996	\$ 1,159,811	\$ 2,280,264	\$ 2,004,479
Public safety	1,525,306	1,613,675	1,786,698	1,861,117	2,010,994	2,088,838	2,212,658
Streets and highways	1,484,878	1,648,285	1,722,209	2,043,056	1,421,344	2,075,077	2,165,581
Sanitation	61,265	17,102	44,224	31,339	44,022	47,005	49,926
Culture and recreation	662,247	660,919	707,194	852,982	1,221,345	1,024,144	1,028,410
Economic Development	-	-	-	1,129,979	539,282	-	-
Lake restoration	17,875	-	-	-	-	-	-
Interest and fees	110,217	93,947	118,591	180,485	312,347	319,465	287,660
Total governmental activities expenses	5,439,315	5,951,874	6,467,611	7,190,954	6,709,145	7,834,793	7,748,714
Business-type activities:							
Water	824,918	839,938	1,032,904	947,391	922,119	904,267	888,636
Sewer	1,269,407	1,381,928	1,333,329	1,535,319	1,688,033	1,760,499	1,503,280
Electric	4,672,077	4,744,456	4,757,230	5,076,255	5,552,176	6,176,515	5,994,670
Airport	88,812	112,016	93,399	74,107	94,060	122,108	-
Total business-type activities expenses	6,855,014	7,078,338	7,216,862	7,633,072	8,256,388	8,963,389	8,386,586
Total primary government expenses	\$ 12,294,329	\$ 13,030,212	\$ 13,684,473	\$ 14,824,026	\$ 14,965,533	\$ 16,798,182	\$ 16,135,300
Program Revenues							
Governmental activities:							
Charges for services:							
General government	\$ 69,267	\$ 84,647	\$ 203,360	\$ 453,457	\$ 215,934	\$ 135,046	\$ 239,736
Public safety	84,562	82,144	86,196	102,154	122,199	168,311	149,800
Streets and highways	124,255	386,666	149	6,918	12,631	2,090	5,665
Culture and recreation	-	-	4,809	15,607	9,070	216,861	186,727
Economic Development	-	-	-	-	577	-	-
Operating grants and contributions	297,180	718,908	879,219	1,775,034	1,313,662	768,514	518,481
Capital grants and contributions	411,399	912,720	489,054	1,192,075	359,661	187,414	273,571
Total governmental activities program revenues	986,663	2,185,085	1,662,787	3,545,245	2,033,734	1,478,236	1,373,980
Business-type activities:							
Charges for services:							
Water	1,007,549	1,096,762	1,075,260	1,315,280	1,146,093	1,248,324	1,159,321
Sewer	1,438,670	1,668,543	1,614,100	1,796,985	1,715,748	1,708,700	1,661,076
Electric	5,348,247	5,096,095	4,940,216	5,181,406	6,127,135	6,876,970	6,812,270
Airport	46,359	50,037	47,055	49,811	50,057	50,772	-
Operating grants and contributions	13,508	84,872	21,676	246,303	355,861	335,933	-
Capital grants and contributions	-	-	-	-	649,171	81,132	-
Total business-type activities program revenues	7,854,333	7,996,309	7,698,307	8,589,785	10,044,065	10,301,831	9,632,667
Total primary government program revenues	\$ 8,840,996	\$ 10,181,394	\$ 9,361,094	\$ 12,135,030	\$ 12,077,799	\$ 11,780,067	\$ 11,006,647
Net (Expense) Revenue							
Governmental activities	\$ (4,452,652)	\$ (3,766,789)	\$ (4,804,824)	\$ (3,645,709)	\$ (4,675,411)	\$ (6,356,557)	\$ (6,374,734)
Business-type activities	999,319	917,971	481,445	956,713	1,787,677	1,338,442	1,246,081
Total primary government net expense	\$ (3,453,333)	\$ (2,848,818)	\$ (4,323,379)	\$ (2,688,996)	\$ (2,887,734)	\$ (5,018,115)	\$ (5,128,653)
General Revenues and Other Changes in Net Assets							
Governmental activities:							
Taxes	\$ 2,157,437	\$ 1,902,653	\$ 2,004,634	\$ 2,298,671	\$ 2,482,823	\$ 2,894,168	\$ 3,281,362
TIF Revenue	49,382	145,375	171,905	187,696	238,302	230,464	220,056
Franchise taxes	122,548	152,829	142,898	179,111	153,262	173,836	194,268
Unrestricted grants and contributions	2,030,273	1,965,751	1,964,255	2,119,870	2,331,377	2,848,079	2,256,322
Unrestricted investment earnings	124,226	94,418	112,351	226,697	383,959	310,848	231,281
Gain on disposal of assets	-	-	-	230,111	-	-	3,855
Loss on sale of fixed assets	-	(71,329)	-	-	-	-	-
Transfers	419,000	335,000	179,500	(826,637)	(77,176)	607,044	1,889,210
Total governmental activities	4,902,866	4,524,697	4,575,543	4,415,519	5,512,547	7,064,439	8,076,354
Business-type activities:							
Unrestricted investment earnings	51,085	36,914	66,260	143,443	164,697	202,739	168,498
Transfers	(419,000)	(335,000)	(179,500)	826,637	77,176	(607,044)	(1,889,210)
Total business-type activities	(367,915)	(298,086)	(113,240)	970,080	241,873	(404,305)	(1,720,712)
Total primary government	\$ 4,534,951	\$ 4,226,611	\$ 4,462,303	\$ 5,385,599	\$ 5,754,420	\$ 6,660,134	\$ 6,355,642
Change in Net Assets	\$ 1,081,618	\$ 1,377,793	\$ 138,924	\$ 2,696,603	\$ 2,866,686	\$ 1,642,019	\$ 1,226,989
Net assets - beginning	38,117,212	39,198,830	40,576,623	40,715,547	43,412,150	46,709,602	48,351,621
Net assets - ending	\$ 39,198,830	\$ 40,576,623	\$ 40,715,547	\$ 43,412,150	\$ 46,278,836	\$ 48,351,621	\$ 49,578,610

Note: The City began to report accrual information when it implemented GASB 34 in fiscal year 2002.

City of Waseca
Fund Balances, Governmental Funds,
Last Ten Fiscal Years
(modified accrual basis of accounting)

Schedule 3

	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
General Fund										
Reserved	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 200,000	\$ 180,000	\$ 160,000
Unreserved	2,767,951	2,637,069	2,605,561	2,567,148	2,852,641	2,802,977	2,546,196	2,823,693	2,548,931	2,321,883
Total General fund	<u>\$2,767,951</u>	<u>\$2,637,069</u>	<u>\$2,605,561</u>	<u>\$2,567,148</u>	<u>\$2,852,641</u>	<u>\$2,802,977</u>	<u>\$2,546,196</u>	<u>\$3,023,693</u>	<u>\$2,728,931</u>	<u>\$ 2,481,883</u>
All Other Governmental Funds										
Reserved, reported in:										
Special Revenue funds	\$ 156,515	\$ 218,530	\$ 365,180	\$ 324,935	\$ 284,134	\$ 237,796	\$ 32,107	\$ 32,107	\$ 32,107	\$ 23,000
Capital Projects funds	-	-	-	-	-	-	1,142,609	1,142,609	1,145,882	1,145,882
Debt Service funds	1,119,908	1,298,511	1,537,617	1,490,122	1,667,715	1,680,157	1,857,235	1,558,908	150,000	100,000
Unreserved, reported in:										
Special Revenue funds	139,677	100,494	126,118	236,340	270,376	250,114	741,627	889,963	569,543	661,021
Capital Projects funds	907,680	1,058,589	1,763,874	2,195,672	1,773,469	2,140,902	3,088,718	2,331,803	2,061,714	1,881,534
Debt Service funds	-	-	-	-	-	-	-	(37,180)	1,857,287	1,505,681
Total all other Governmental funds	<u>\$2,323,780</u>	<u>\$2,676,124</u>	<u>\$3,792,789</u>	<u>\$4,247,069</u>	<u>\$3,995,694</u>	<u>\$4,308,969</u>	<u>\$6,862,296</u>	<u>\$5,918,210</u>	<u>\$5,816,533</u>	<u>\$ 5,317,118</u>
Total all funds	<u>\$5,091,731</u>	<u>\$5,313,193</u>	<u>\$6,398,350</u>	<u>\$6,814,217</u>	<u>\$6,848,335</u>	<u>\$7,111,946</u>	<u>\$9,408,492</u>	<u>\$8,941,903</u>	<u>\$8,545,464</u>	<u>\$ 7,799,001</u>

City of Waseca

Schedule 4

Changes in Fund Balances, Governmental Funds,
Last Ten Fiscal Years
(modified accrual basis of accounting)

	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
REVENUES										
Taxes	\$ 1,957,097	\$ 2,103,272	\$ 2,461,727	\$ 2,529,985	\$ 2,307,982	\$ 2,133,882	\$ 2,464,132	\$ 2,825,538	\$ 3,258,358	\$ 3,395,772
Licenses	141,268	176,227	188,644	34,727	37,215	41,111	42,797	42,568	53,470	42,007
Permits and fees	-	-	-	116,299	173,495	134,989	264,112	136,202	79,324	102,834
Intergovernmental	2,167,853	2,326,340	3,043,875	2,695,540	2,947,152	3,160,880	4,017,916	2,893,622	3,372,522	3,056,868
TIF revenue	46,606	61,809	56,313	-	-	-	-	-	-	-
Charges for services	8,432	6,918	11,092	7,554	8,352	10,182	20,663	40,357	62,238	45,477
Program income	-	-	-	-	-	-	-	-	210,116	232,231
Construction revenue	-	-	-	-	211,139	-	-	-	-	-
Fines	43,125	46,836	50,544	39,010	38,724	35,025	36,300	30,883	46,019	48,749
Assessments	-	-	-	104,205	344,162	365,166	313,129	55,204	235,363	158,552
Interest on assessments	-	-	-	34,702	28,782	44,710	40,427	66,467	58,803	47,008
Contributions	-	-	-	-	-	-	-	750,000	297,683	109,888
Miscellaneous	559,522	504,685	417,524	266,848	247,267	234,180	929,396	717,097	430,203	361,502
Total revenues	4,923,903	5,226,087	6,229,719	5,828,870	6,344,270	6,160,125	8,128,872	7,557,938	8,104,099	7,600,688
EXPENDITURES										
Current:										
General government	827,806	795,741	819,749	887,655	947,402	960,021	1,181,744	1,026,769	1,178,699	1,151,143
Public safety	1,340,908	1,443,467	1,577,687	1,581,872	1,563,462	1,697,512	1,829,735	1,799,213	2,478,926	1,995,933
Streets and highways	942,794	1,098,397	1,063,636	1,079,027	996,047	1,300,680	1,207,404	1,107,890	1,316,224	1,288,425
Sanitation	28,058	40,957	34,768	61,285	17,102	44,224	31,339	44,022	47,005	49,926
Cultural and recreation	532,632	545,707	566,316	608,048	630,972	596,446	697,503	651,729	690,852	714,532
Lake restoration	18,242	11,479	30,415	17,875	-	-	-	-	-	-
Personal services	-	-	-	50,716	69,927	89,023	-	573	133,806	129,738
Materials and supplies	-	-	-	20,760	10,618	2,882	1,208	11,640	99,368	56,632
Separation contribution	-	-	-	-	100	7,700	1,600	2,099	1,000	2,100
Services and charges	-	-	-	316,948	722,450	958,666	1,050,493	894,185	480,578	474,809
Other services	234,333	463,877	527,811	262,020	222,769	130,242	228,528	235,345	253,972	272,582
Debt service:										
Bond principal	130,000	135,000	60,000	125,000	125,000	215,000	290,000	795,000	820,000	940,000
Interest and fiscal charges	39,705	32,375	50,143	94,481	89,386	81,941	154,019	240,252	326,795	287,660
Capital outlay	985,633	1,345,625	1,575,140	568,709	1,457,470	2,050,976	2,519,022	3,475,118	1,281,475	1,240,058
Total expenditures	5,080,111	5,912,625	6,345,665	5,674,376	6,852,705	8,135,313	9,192,595	10,283,835	9,108,700	8,603,538
Excess of revenues over (under) expenditures	(156,208)	(686,538)	(115,946)	154,494	(508,435)	(1,975,188)	(1,063,723)	(2,725,897)	(1,004,601)	(1,002,850)
OTHER FINANCING SOURCES (USES)										
Transfers in	649,647	711,600	988,600	1,086,250	809,446	1,360,203	1,333,506	1,889,824	3,618,983	1,656,516
Proceeds from capital lease	-	-	101,103	92,373	-	-	-	-	-	-
Proceeds from equipment notes	-	-	-	-	305,000	620,000	425,000	-	-	-
Proceeds from bond issue	-	750,000	935,000	-	-	1,415,000	2,940,000	2,040,000	-	-
Premium on bonds sold	-	-	-	-	-	1,588	1,700	-	-	-
Sale of capital assets	-	-	-	-	-	-	-	-	1,118	-
Sale of land	-	-	-	-	155,053	34,692	597,735	-	-	-
Bond discount	-	-	-	-	-	(11,981)	(20,589)	(3,516)	-	-
Transfers out	(492,647)	(553,600)	(803,600)	(917,250)	(726,946)	(1,180,703)	(1,917,083)	(1,667,000)	(3,011,939)	(1,400,129)
Total other financing sources (uses)	157,000	908,000	1,201,103	261,373	542,553	2,238,799	3,360,269	2,259,308	608,162	256,387
Net change in fund balances	\$ 792	\$ 221,462	\$ 1,085,157	\$ 415,867	\$ 34,118	\$ 263,611	\$ 2,296,546	\$ (466,589)	\$ (396,439)	\$ (746,463)
Debt service as a percentage of noncapital expenditures	4.1%	3.7%	2.3%	4.3%	4.0%	4.9%	6.7%	15.2%	11.9%	12.2%

City of Waseca**Schedule 5**

Assessed and Actual Value of Taxable Property,
Last Ten Fiscal Years

Payable Year	Residential Property	Commercial Property	Industrial Property	Total Taxable Assessed Value	Less: Tax-Exempt Property	Total	Total Direct Tax Rate
1999	\$ 188,230,500	\$ 27,407,600	\$ 14,972,100	\$ 230,610,200	\$ 80,869,500	\$ 149,740,700	\$ 38.26
2000	203,626,500	27,717,900	14,927,200	246,271,600	80,869,500	165,402,100	40.04
2001	213,658,100	29,553,000	14,886,900	258,098,000	80,869,500	177,228,500	48.83
2002	233,817,800	33,253,500	16,025,800	283,097,100	80,869,500	202,227,600	64.82
2003	245,382,800	34,993,800	19,608,900	299,985,500	80,869,500	219,116,000	55.19
2004	268,964,200	41,701,400	20,259,900	330,925,500	119,943,800	210,981,700	51.84
2005	303,603,400	45,683,500	19,997,700	369,284,600	119,943,800	249,340,800	53.81
2006	314,479,800	46,497,600	20,803,000	381,780,400	119,943,800	261,836,600	57.21
2007	344,962,700	54,063,300	21,468,000	420,494,000	123,448,600	297,045,400	63.10
2008	357,679,000	54,801,100	22,285,800	434,765,900	128,705,700	306,060,200	63.58

Source: Waseca County, Minnesota Assessors' Office

Notes:

- (1) The tax capacity (assessed taxable value) of the property is calculated by applying a statutory formula to the estimated market value of the property.

City of Waseca

Direct and Overlapping Property Tax Rates
 Last Ten Fiscal Years
 (rate per \$1,000 of assessed value)

Schedule 6

	City Direct Rate		Overlapping Rates						Total Direct and Overlapping Tax Rate
Fiscal Year	Basic Rate	Ind School Distric #829	Waseca County	Special Districts	HRA	EDA	Total Overlapping		
1999	\$ 38.26	\$ 62.719	\$ 49.642	\$ 0.193	\$ -	\$ -	\$ 112.554	\$ 150.809	
2000	40.04	58.310	47.496	0.183	-	-	105.989	146.033	
2001	48.83	55.768	47.455	0.175	0.559	-	103.957	152.785	
2002	64.82	27.403	59.789	0.285	0.669	-	88.146	152.969	
2003	55.19	26.396	57.469	0.267	0.620	-	84.752	139.940	
2004	51.84	22.846	53.291	0.250	0.540	-	76.927	128.771	
2005	53.81	20.740	55.302	0.240	0.540	-	76.822	130.628	
2006	57.21	21.154	54.899	0.222	0.472	0.984	77.731	134.939	
2007	63.10	22.267	52.985	0.202	0.434	0.933	76.821	139.918	
2008	63.58	24.080	54.301	0.196	0.416	0.899	79.892	143.472	

Source: Waseca County, Minnesota Auditors' Office

Notes: Rates for debt service are based on each year's requirements.

City of Waseca
Principal Property Taxpayers,
Current Year and Nine Years Ago

Schedule 7

Taxpayer	2008			1999		
	Net Tax Capacity	Rank	Percentage of Total City Taxable Net Tax Capacity	Net Tax Capacity	Rank	Percentage of Total City Taxable Net Tax Capacity
Gruner & Jahr Printing & Publishing	\$ 177,864	1	3.54%	\$ 224,227	1	6.02%
WalMart	87,324	2	1.74%	-		
MHW Group LLC	64,706	3	1.29%	-		
Northern States Power	63,742	4	1.27%	-		
Waseca Properties LLC	49,081	5	0.98%	56,382	5	1.51%
Birds Eye Foods Inc	48,333	6	0.96%	-		
Woodville Holdings LLC	38,859	7	0.77%	62,627	4	1.68%
Gary & Kathy Worke Family LLC	36,639	8	0.73%	-		
FHS Waseca/Portage LP-HyVee	33,762	9	0.67%	-		
Clear Lake Press Inc	31,490	10	0.63%	-		
Dean Foods	-			96,522	2	2.59%
WalMart % HyVee	-			84,180	3	2.26%
First National Bank	-			45,556	6	1.22%
Southern MN Municipal Power	-			39,949	7	1.07%
Austin Mutual Insurance Co	-			37,144	8	1.00%
Roundbank	-			34,123	9	0.92%
Waseca Foods	-			31,579	10	0.85%
Total	<u>\$ 631,800</u>		<u>12.59%</u>	<u>\$ 712,289</u>		<u>19.12%</u>
Total tax capacity for 2008			<u>\$ 5,019,246</u>			

Source: Waseca County, Minnesota Assessor's Office

City of Waseca

Property Tax Levies and Collections
Last Ten Fiscal Years

Schedule 8

Fiscal Year	Taxes Levied for the Fiscal Year		Collected within the Fiscal Year of Levy		Collections in Subsequent Years	Total Collections to Date	
	Operating	Amount	Percentage of Levy	Amount		Percentage of Levy	
1999	\$	1,412,137	\$ 1,383,889	98.00%	\$ 28,248	\$ 1,412,137	100.00%
2000		1,488,393	1,463,945	98.36%	24,448	1,488,393	100.00%
2001		1,877,393	1,846,243	98.34%	31,150	1,877,393	100.00%
2002		2,103,225	2,077,461	98.78%	25,764	2,103,225	100.00%
2003		1,888,744	1,871,636	99.09%	17,108	1,888,744	100.00%
2004		1,980,963	1,961,061	99.00%	19,902	1,980,963	100.00%
2005		2,174,129	2,148,347	98.81%	23,773	2,172,120	99.91%
2006		2,350,192	2,322,512	98.82%	24,700	2,347,212	99.87%
2007		2,745,666	2,696,395	98.21%	35,714	2,732,109	99.51%
2008		2,865,683	2,813,204	98.17%	-	2,813,204	98.17%

Notes: Beginning with payable year 2002, Market Value Homestead Credit is included in the operating levy.

City of Waseca

Ratios of Outstanding Debt by Type
Last Ten Fiscal Years

Schedule 9

Fiscal Year	Governmental Activities				Business-Type Activities		(1)		
	Special Assessments Bonds	General Obligation Bonds	G.O. Equipment Certificates	Capital Leases	General Obligation Revenue Bonds	Total Primary Government	Percentage of Taxable Market Value	Percentage of Personal Income	Per Capita
1999	\$ 645,000	\$ -	\$ -	\$ 252,160	\$ 3,340,000	\$ 4,237,160	1.69%	0.97%	\$ 449.47
2000	1,260,000	-	-	172,369	3,135,000	4,567,369	1.71%	1.00%	484.50
2001	2,135,000	-	-	189,491	4,210,000	6,534,491	2.26%	1.40%	672.90
2002	2,010,000	-	-	175,950	4,010,000	6,195,950	2.02%	1.30%	638.03
2003	1,885,000	-	305,000	136,074	3,785,000	6,111,074	1.81%	1.25%	629.29
2004	3,085,000	-	925,000	-	5,430,000	9,440,000	2.46%	1.81%	972.09
2005	2,870,000	2,940,000	1,275,000	-	6,920,000	14,005,000	3.54%	2.57%	1,442.18
2006	2,485,000	4,895,000	950,000	-	4,845,000	13,175,000	3.41%	2.39%	1,356.71
2007	2,120,000	4,775,000	615,000	-	4,435,000	11,945,000	2.81%	N/A	1,215.40
2008	1,760,000	4,540,000	270,000	-	4,020,000	10,590,000	2.40%	N/A	1,077.64

Sources:

- (1) 1998-2005 Estimated Market Value amount used to figure percentage
2006-2008 Actual Market Value amount used to figure percentage

Notes: Details regarding the District's outstanding debt can be found in the notes to the financial statements.
See the *Demographic and Economic Statistics* schedule on Schedule 13 for personal income and population data.

City of Waseca**Schedule 10**

Direct and Overlapping Governmental Activities Debt

As of December 31, 2008

	<u>Debt Outstanding</u>	<u>Estimated Percentage Applicable</u>	<u>Estimated Share of Overlapping Debt</u>
Overlapping:			
Waseca County	\$ 4,065,000	29.07%	\$ 1,181,696
Ind School District #829	12,560,000	53.88%	<u>6,767,328</u>
Total Overlapping			<u>7,949,024</u>
City of Waseca Direct Debt	\$ 10,590,000		<u>10,590,000</u>
Total Direct and Overlapping Debt:			<u><u>\$ 18,539,024</u></u>

Sources: Waseca County Auditor's Office

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

City of Waseca
 Legal Debt Margin Information
 Last Ten Fiscal Years

	1999	2000	2001	2002	2003
Debt limit	\$ 5,013,906	\$ 533,294,800	\$ 5,773,082	\$ 6,121,430	\$ 6,121,430
Total net debt applicable to limit	-	-	-	-	-
Legal debt margin	<u>\$ 5,013,906</u>	<u>\$ 533,294,800</u>	<u>\$ 5,773,082</u>	<u>\$ 6,121,430</u>	<u>\$ 6,121,430</u>
Total net debt applicable to the limit as a percentage of debt limit	0.00%	0.00%	0.00%	0.00%	0.00%

Schedule 11

Legal Debt Margin Calculation for Fiscal Year 2008

Market value		\$	<u>434,765,900</u>
Debt limit (2% of Market Value)			8,695,318
Debt applicable to limit:			
Total bonded debt	\$	10,590,000	
Less: Special Assessment Bonds		(1,760,000)	
Less: Revenue Bonds		<u>(4,020,000)</u>	
Debt applicable to limit			<u>4,810,000</u>
Legal debt margin		\$	<u>3,885,318</u>

<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>
\$ 7,678,048	\$ 7,905,674	\$ 7,635,608	\$ 8,409,880	\$ 8,695,318
-	4,215,000	5,845,000	5,390,000	4,810,000
<u>\$ 7,678,048</u>	<u>\$ 3,690,674</u>	<u>\$ 1,790,608</u>	<u>\$ 3,019,880</u>	<u>\$ 3,885,318</u>
0.00%	53.32%	76.55%	64.09%	55.32%

City of Waseca
Pledged-Revenue Coverage,
Last Ten Fiscal Years
(dollars in thousands)

Schedule 12

Special Assessment Bonds

Fiscal Year	Revenue	Debt Service			Coverage
		Principal	Interest	Total	
1999	\$ 239,861	\$ 130,000	\$ 38,662	\$ 168,662	1.42
2000	250,938	135,000	31,305	166,305	1.51
2001	172,385	60,000	49,247	109,247	1.58
2002	104,205	125,000	93,005	218,005	0.48
2003	344,162	125,000	88,660	213,660	1.61
2004	365,166	215,000	81,150	296,150	1.23
2005	313,129	215,000	117,812	332,812	0.94
2006	55,204	385,000	108,290	493,290	0.11
2007	235,363	365,000	94,737	459,737	0.51
2008	157,346	360,000	80,689	440,689	0.36

Water Fund

Fiscal Year	Revenue	*Less: Operating Expense	Net Available Revenue	Debt Service			Coverage
		Principal	Interest	Total			
1999	\$ 762,992	\$ 485,297	\$ 277,695	\$ 95,000	\$ 38,868	\$ 133,868	2.07
2000	825,519	420,118	405,401	95,000	34,285	129,285	3.14
2001	878,291	669,958	208,333	80,000	30,237	110,237	1.89
2002	999,176	501,059	498,117	90,000	71,131	161,131	3.09
2003	1,089,363	505,764	583,599	110,000	73,283	183,283	3.18
2004	1,062,731	672,194	390,537	135,000	68,771	203,771	1.92
2005	1,307,187	562,525	744,662	145,000	63,350	208,350	3.57
2006	1,133,859	528,166	605,693	145,000	77,684	222,684	2.72
2007	1,236,850	522,545	714,305	195,000	66,565	261,565	2.73
2008	1,151,331	525,506	625,825	200,000	58,249	258,249	2.42

Sanitary Sewer Fund

Fiscal Year	Revenue	*Less: Operating Expense	Net Available Revenue	Debt Service			Coverage
		Principal	Interest	Total			
1999	\$ 903,719	\$ 581,396	\$ 322,323	\$ 110,000	\$ 134,917	\$ 244,917	1.32
2000	892,963	595,265	297,698	110,000	130,162	240,162	1.24
2001	1,056,641	709,545	347,096	115,000	125,195	240,195	1.45
2002	1,437,216	771,733	665,483	110,000	120,212	230,212	2.89
2003	1,668,171	880,853	787,318	115,000	115,205	230,205	3.42
2004	1,611,758	768,015	843,743	120,000	109,858	229,858	3.67
2005	1,796,985	856,724	940,261	125,000	181,435	306,435	3.07
2006	1,715,748	1,069,311	646,437	1,930,000	179,220	2,109,220	0.31
2007	1,708,700	1,158,671	550,029	215,000	112,726	327,726	1.68
2008	1,653,754	922,574	731,180	215,000	107,388	322,388	2.27

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

* Less depreciation

City of Waseca**Demographic and Economic Statistics
Last Ten Calendar Years****Schedule 13**

Fiscal Year	Population	(1) Personal Income (Thousands of dollars)	(1) Per Capita Personal Income	(2) School Enrollment	(3) Unemployment Rate
1999	9,427	\$ 436,902	\$ 22,432	2,418	2.5%
2000	9,427	456,957	23,396	2,400	3.2%
2001	9,711	466,300	23,918	2,388	4.4%
2002	9,711	477,798	24,451	2,359	4.0%
2003	9,711	487,734	25,103	2,285	4.6%
2004	9,711	520,809	27,024	2,285	4.5%
2005	9,711	544,252	28,115	2,222	4.5%
2006	9,711	551,430	28,399	2,024	4.4%
2007	9,828	585,330	30,051	2,096	5.4%
2008	9,827	Not available	Not available	2,075	7.2%

Sources:

(1) Office of the State Demographer, which uses U.S. Department of Commerce, Bureau of Economic Analysis, Washington, D.C. Represents personal income and per capita personal income for Waseca County.

(2) Waseca Public Schools

(3) Minnesota Department of Economic Security for Waseca County.

City of Waseca**Schedule 14****Principal Employers, Current Year and Nine Years Ago
Demographic and Economic Statistics**

Employer	2008			1999		
	Employees	Rank	* Percentage of Total County Employment	Employees	Rank	* Percentage of Total County Employment
Brown Printing	1,055	1	11.10%	1,300	1	14.02%
Waseca School District	432	2	4.54%	375	2	4.05%
Itron	405	3	4.26%	320	3	3.45%
Emerson Network Power	230	4	2.42%			
(Johnson Components in 1999)				247	5	2.66%
Federal Correctional Institute	218	5	2.29%	250	4	2.70%
ELM Homes Inc	206	6	2.17%	175	6	1.89%
Waseca Medical Center	200	7	2.10%	140	7	1.51%
Birds Eye Foods	159	8	1.67%	130	8	1.40%
Waseca County	145	9	1.53%	130	9	1.40%
Mediacom	125	10	1.31%	-		0.00%
Winegars	-		0.00%	115	10	1.24%
Total	<u>3,175</u>		<u>33.40%</u>	<u>3,182</u>		<u>34.33%</u>

*Represents employment for Waseca County-City information not available

Source: City Economic Development Division

City of Waseca

Full-time-Equivalent City of Waseca Employees by Type,
Last Ten Fiscal Years

Schedule 15**Full-time Equivalent Employees as of December 31,**

	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
General Government										
Administration	4	4	4	4	4	4	4	4	4	4
Finance	3	3	3	3	3	3	3	3	3	4
Community Development	1	1	1	1	2	2	2	2	2	1
Total General Government	8	8	8	8	9	9	9	9	9	9
Public Safety										
Police	14	15	15	15	15	15	15	15	16	17
Building Inspection	2	2	2	2	2	2	2	2	2	2
Fire	3	3	3	3	3	3	3	3	3	3
Total Public Safety	19	20	20	20	20	20	20	20	21	22
Public Works										
Engineering	3	4	4	4	4	5	5	5	5	4
Streets/Shop	10	10	11	11	11	11	11	11	11	11
Total Public Works	13	14	15	15	15	16	16	16	16	15
Culture & Recreation										
Parks	3	3	3	3	3	3	4	4	4	4
Water Park	-	-	-	-	-	-	-	-	1	1
Total Culture & Rec	3	3	3	3	3	3	4	4	5	5
Enterprise										
Water/WWTP	7	6	6	7	7	6	6	6	5	5
Electric	7	7	7	6	7	7	8	8	6	6
Utility Administration	-	-	-	-	-	-	-	-	2	2
Utility billing	3	4	4	4	4	4	4	4	3	2
Total Enterprise	17	17	17	17	18	17	18	18	16	15
Total	60	62	63	63	65	65	67	67	67	66

Source: City Finance Office

Function/Program	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
General Government										
Elections	-	1	-	1	-	1	-	1	-	1
Registered voters		5,159		4,955		5,368		5,176		5,493
Number of votes cast		3,863		3,730		4,215		3,446		4,301
Voter participation (registered)		74.9%		75.3%		78.5%		66.6%		78.3%
Public Safety										
<i>Police</i>										
Arrests	427	239	331	414	308	345	254	466	755	661
All citations & warnings	N/A	N/A	N/A	N/A	N/A	194	2,130	2,159	2,337	1,868
Calls for service	-	-	6,043	6,216	5,914	5,928	6,240	6,829	7,432	7,110
<i>Fire</i>										
Medical	66	67	150	387	364	394	431	408	422	414
Fire	74	77	76	78	59	78	131	108	73	72
Other Services	7	5	4	1	3	1	5	11	81	97
<i>Inspections</i>										
Building Permits	272	259	515	585	548	470	411	374	410	405
Value of Building Permits	\$ 8,703,213	\$ 8,412,818	\$ 12,163,273	\$ 9,257,585	\$ 17,171,282	\$ 20,588,608	\$ 33,663,100	\$ 14,973,880	\$ 5,841,601	\$ 8,810,988
Culture and Recreation										
<i>Library</i>										
Circulation (checked out)	125,000	125,000	125,000	125,000	125,000	125,000	125,000	125,000	125,000	125,000
<i>Parks</i>										
Park Reservations	169	167	162	158	134	114	91	109	98	103
Water Park-Attendance	-	-	-	-	-	-	-	-	30,000	30,000
<i>Electric</i>										
Outages	-	-	58	49	39	41	49	38	32	67

Source: Various City Departments

City of Waseca
Capital Asset Statistics by Function/Program
Last Ten Years

Schedule 17

Function/Program	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
Public Safety										
Police										
Stations	1	1	1	1	1	1	1	1	1	1
Patrol squads	4	5	6	6	6	8	11	12	11	11
Fire										
Stations	1	1	1	1	1	1	1	1	1	1
Fire Trucks	3	4	3	3	3	3	3	3	4	4
Public Works										
Vehicles	8	6	9	8	8	9	8	11	11	11
Streets (miles)	45	45	45	45	45	45	45	48	48	48
Culture & Recreation										
Library-Building	1	1	1	1	1	1	1	1	1	1
Water Park	-	-	-	-	-	-	-	-	1	1
Parks	14	15	15	15	15	15	15	15	15	15
Sanitary Sewer										
Collection System (miles)	49	42	44	44	44	44	44	44	44	44
Storm Sewer										
Storm sewer (miles)	40.5	40	40	40	40	40	40	40	40	40
Water										
Water main (miles)	52.5	52.5	52.5	53	53	53	54	56	56	56
Electric										
Annual consumption (KWH)	59,364,152	60,332,294	61,649,814	64,803,038	62,713,899	59,829,906	62,079,244	64,934,955	65,931,786	64,515,467

Source: Various City Departments

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