

CITY OF WASECA, MINNESOTA

Comprehensive Annual Financial Report

For the Fiscal Year Ended December 31, 2012



Member of the Government Finance Officer's Association of the United States

COMPREHENSIVE ANNUAL FINANCIAL REPORT

CITY OF WASECA, MINNESOTA

For the Fiscal Year Ended

December 31, 2012

Prepared by Nathan Reinhardt, Finance Director

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INTRODUCTORY SECTION

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Year Ended December 31, 2012

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April 15, 2013

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, 2012.

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 respects.

The City of Waseca's financial statements have been audited by Abdo, Eick & Meyers 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, 2012, 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 complement 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, and recreational activities. In addition, the City provides water, electric and sanitary sewer enterprise services. The City also contributes to the regional library system, senior center operations, senior 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, function and department. The City's budgets may be amended or modified at any time by the City Council. The legal level of budgetary control (i.e., the level at which expenditures may not legally exceed appropriations) is the department level. Departments may

request transfers of appropriations within line items in the department; however, special approval is required of the City Council.

Financial Condition

State Property Tax Aid: On July 20, 2011 the Minnesota Legislature passed a tax bill, which Governor Dayton signed into law. The tax bill did not contain levy limit extensions for local governments; however it did contain reductions in the 2011 Certified Local Government Aid (LGA) and Market Value Homestead Credits (MVHC). In 2011, the City budgeted to receive the Certified LGA in the amount of \$2,682,216; this amount was cut by \$408,565 to \$2,273,651. The State then froze that amount for the City's 2012 budget. This initially left the City with a \$408,565 hole to cover in the 2012 budget. If the City had chosen to pass on the LGA cut to the taxpayers of Waseca, they levy would have needed an 11.9% increase.

The 2012 budget also posed some additional challenges. To help balance the State's budget, the Legislature repealed the MVHC program. The MVHC was considered a property tax credit to the homeowner. Beginning with taxes payable in 2012, in place of the MVHC program, homeowners receive an exclusion of a portion of the market value of their home. For homes valued at less than \$76,000, the exclusion is equal to 40 percent of the home's market value. For homes valued between \$76,000 and \$413,800, the exclusion is \$30,400, minus 9 percent of the value over \$76,000. The new market value exclusion for homes resulted in a reduction in each city's tax base and an increase in the city's tax rate to obtain the same property tax levy. Although the homestead credit exclusion is computed in a mathematically similar manner to the repealed MVHC, the new system will shifted taxes among properties within each community, especially to commercial, industrial, apartment and other properties that will not benefit from the exclusion.

In the latest State Economic Forecast released on December 5, 2012, the State projected a \$1.095 billion budget shortfall for the upcoming 2014-2015 biennial budget. City LGA for 2013 and 2014 are paid from the State's 2014-2015 budget, however the City's 2013 LGA payment cannot be un-allotted if the state maintains its current budget surplus. The State's current 2012-2013 biennium budget balance of \$1.33 billion is automatically allocated under current law to be used to reduce the \$2.4 billion school aid shift outstanding. After the buyback, \$1.1 billion in school shifts will remain. Federal policy unknowns, such as raising the debt ceiling and state policy choices related to the implementation of the Affordable Care Act, have increased the likelihood of significant changes to the 2014-15 budget. The governor and legislature continue

to work on LGA reform initiatives and the topic along with recommendations will be discussed in 2013.

The Certified LGA budgeted to be received by the City in 2013 is \$2,273,651; this represents 33.2% of General fund revenues. In comparison, in 2009 State property tax aid represented 42% of General fund revenues. If the City levied an additional amount equivalent to the LGA budgeted in 2013, the property tax levy would have to increase 66.1%

Local Economy

Waseca is thriving and flourishing due to strong industry clusters, infrastructure, natural resources and labor pool accessibility. Twenty-seven percent of jobs in Waseca are in manufacturing and twenty-two percent are in educational services and health care. Key players can be found in these industries: printing and printing support, packaging of food, machinery and specialty industries in electronics and electrical components. The City of Waseca is also the home of the Waseca County government center and Federal Correctional Institute - Waseca. The City of Waseca's completion of a \$16 million wastewater treatment facility will improve the capacity for the City's residential and business growth.

US Highway 14 is a major highway running from coast to coast and an interregional corridor that connects New Ulm, Mankato, Owatonna, Rochester and Winona. Originally constructed as a two-lane highway, the expansion of Highway 14 to a four-lane corridor between Owatonna and Mankato will improve safety and commerce.

Relevant Financial Policies

The GASB issued Statement No. 54, "Fund Balance reporting and Governmental Fund Type Definitions." This Statement, which the City was required to adopt in 2011, established new categories for reporting fund balance and revises the definitions for governmental fund types. In 2011, the City approved a fund balance policy that coincides with this statement.

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. 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 in future planning and budgeting.

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.

In 2009, the City Council authorized \$16 million of wastewater system improvements intended to minimize sewage backups in basements and minimize discharges to Clear Lake. The City was awarded \$6 million in stimulus funds to be used toward the project. The project was completed and the loan was closed in May 2012.

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, 2011. This is the twenty-eighth 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.

The timely preparation of this report could not have been accomplished without the professional and dedicated hard work of the entire finance department staff. I appreciate the cooperation and support from other City departments both in preparation of this report and in budget management throughout the year. Credit is also given to 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,



Nathan J. Reinhardt, Finance Director, CPA, MBA

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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, 2011

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.



Christopher P. Moynell

President

Jeffrey R. Emer

Executive Director

CITY OF WASECA, MINNESOTA
OFFICIALS

December 31, 2012

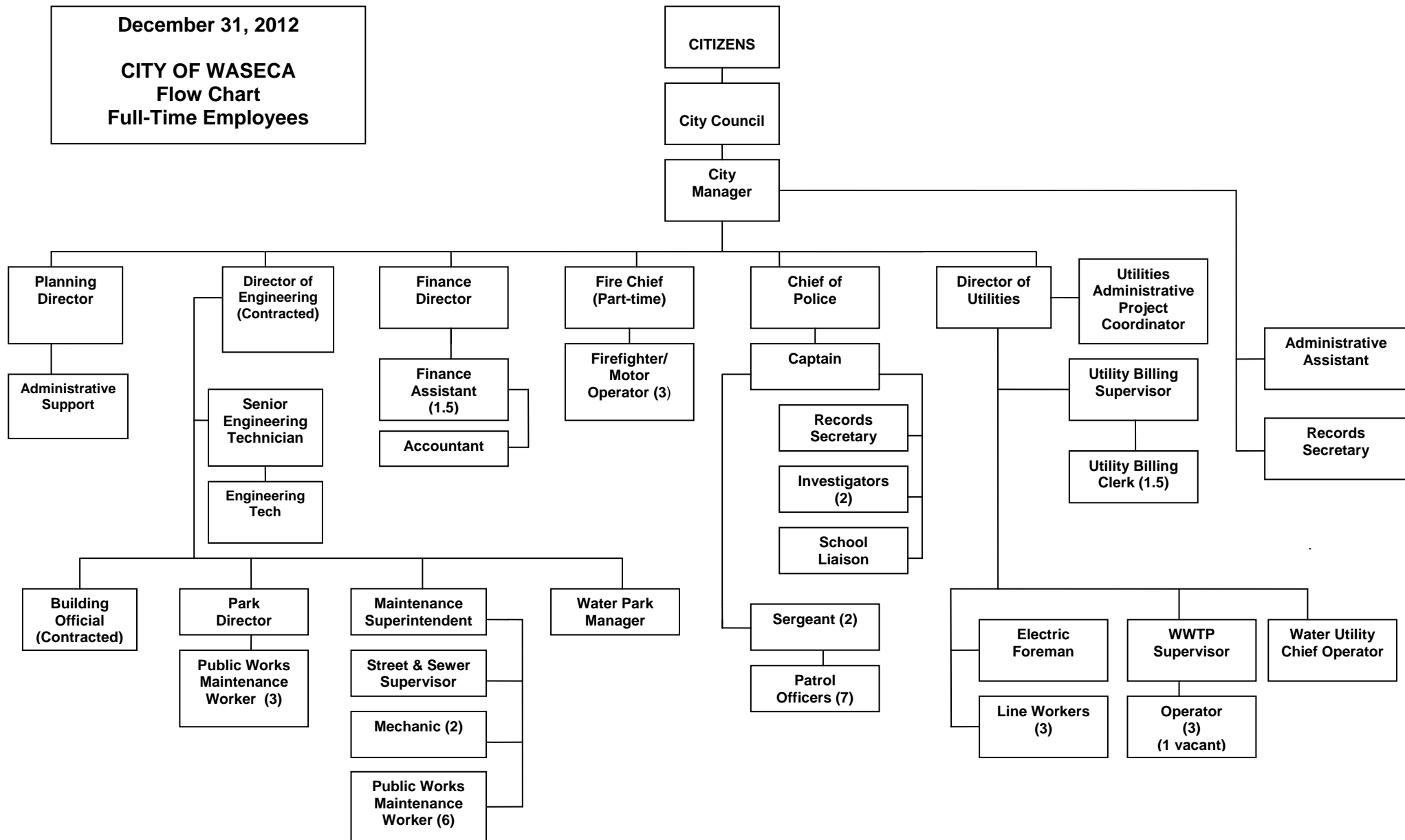
CITY COUNCIL

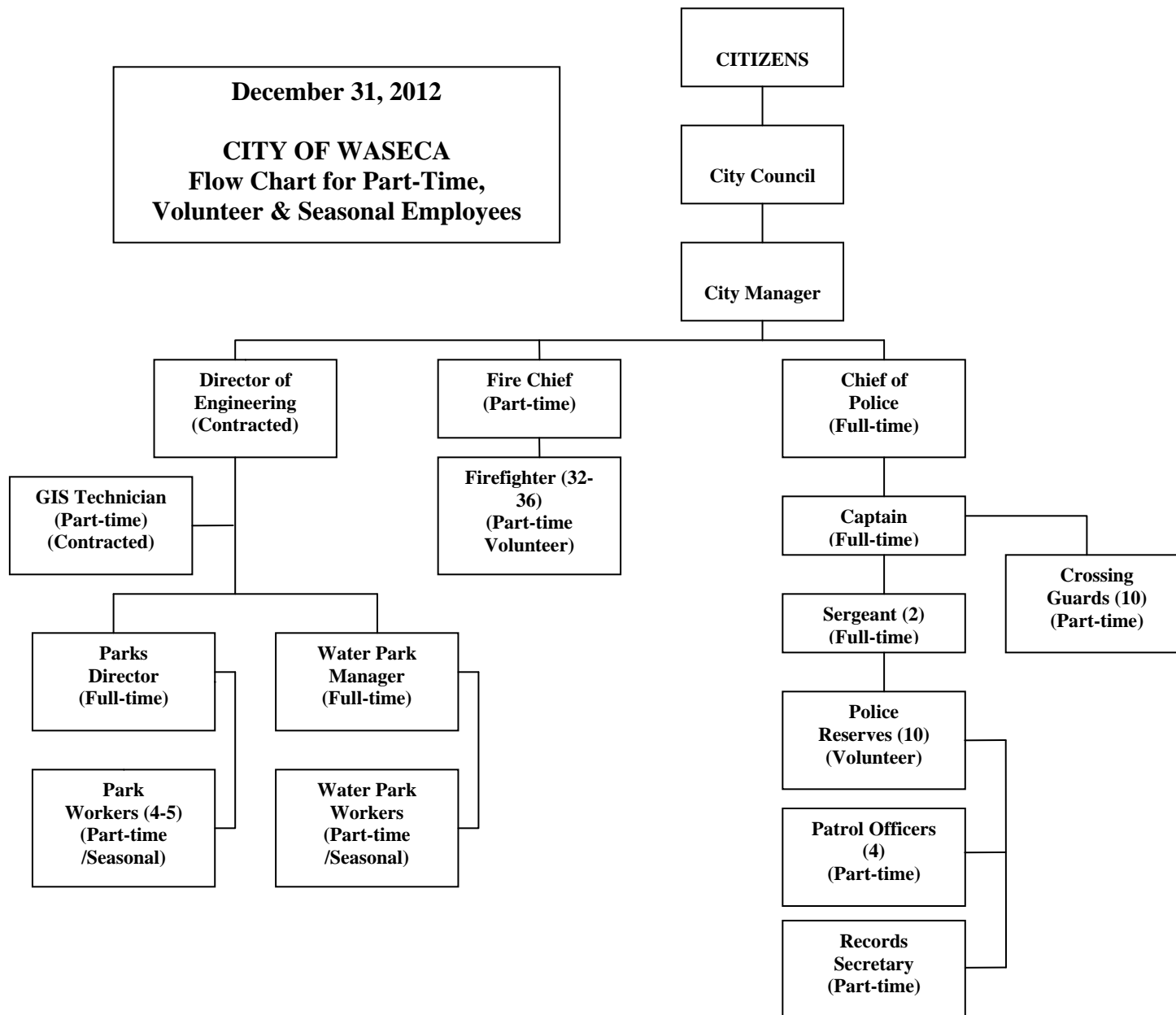
| | |
|-------------------|---------------------|
| Roy Srp | Mayor |
| John Clemons | Council-First Ward |
| Larry Johnson | Council-First Ward |
| Les Tloughan | Council-Second Ward |
| Allan Rose | Council-Second Ward |
| Mark Christiansen | Council-Third Ward |
| Cindy Coy | Council-Third Ward |

J. Crystal Prentice, City Manager

December 31, 2012

**CITY OF WASECA
Flow Chart
Full-Time Employees**





FINANCIAL SECTION



11 Civic Center Plaza
Suite 300
P.O. Box 3166
Mankato, MN 56002-3166

INDEPENDENT AUDITOR'S REPORT

Honorable Mayor and City Council
City of Waseca, Minnesota

Report on the Financial Statements

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 (the City), as of and for the year ended December 31, 2012, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the City's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall financial statement presentation.

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City as of December 31, 2012, and the respective changes in financial position and, where applicable, cash flows thereof and the budgetary comparison for the General fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.



Other Matters

Change in Accounting Standards

As described in the Note IV to the basic financial statements, the City adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position* and Statement No. 65, *Items Previously Reported as Assets and Liabilities*, for the year ended December 31, 2012. Adoption of the provisions of these statements results in significant change to the classifications of the components of the financial statements.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis starting on page 25 and the Schedule of Funding Progress on page 109 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information in Relation to the Financial Statements as a Whole

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The introductory section, combining and individual fund financial statements and schedules, and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual fund financial statements and schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements 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 do not express an opinion or provide any assurance on it.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated April 15, 2013, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is 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. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

ABDO, EICK & MEYERS, LLP
Certified Public Accountants

April 15, 2013
Mankato, Minnesota

City of Waseca, Minnesota
Management's Discussion and Analysis
December 31, 2012

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, 2012. 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 1-6 of this report, and the City's financial statements following this section.

Financial Highlights

The assets of the City of Waseca exceeded its liabilities and deferred inflows of resources at the close of the most recent fiscal year by \$65,248,178 (net position). Of this amount, \$14,796,358 (unrestricted net position) may be used to meet the government's ongoing obligations to citizens and vendors in accordance with the City's fiscal policies.

The City's total net position increased by \$2,300,697 during the current year. This increase is a result of the additions of equipment and infrastructure and a positive budget variance in expenditures for the City's General fund.

Capital assets less depreciation, were \$61,577,465 representing a broad base of city infrastructure.

As of the close of the current fiscal year, the City of Waseca's governmental funds reported combined ending fund balances of \$8,471,793. Approximately 61 percent of this total amount, \$5,209,992, is available for use within the City's discretion (committed, assigned or unassigned fund balance).

At the end of the current fiscal year, unrestricted fund balance for the General fund was \$3,341,936 or 63% 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 Position presents information on all of the City of Waseca's assets and liabilities, and deferred inflows of resources with the difference reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City of Waseca is improving or deteriorating. The 2012 statement provides for an increase in net position, mostly from the purchase of equipment and construction of infrastructure.

The Statement of Activities presents information showing how the City's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in 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, culture and recreation, and economic development. 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 23-24 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 thirty-seven 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 thirty-four 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 26-31 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, and electric. 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, and central garage services. 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 32-34 of this report.

Notes to the Financial Statements: The notes provide 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 35-68 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 71-72 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 76-108 of this report.

Government-Wide Financial Analysis: An analysis of the City's financial position begins with a review of the Statement of Net Position and the Statement of Activities. These two statements report the City's net position and changes in net position. 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 2012 and beyond. As infrastructure programs are reviewed, meeting growth needs is a critical component of the planning process.

As noted earlier, net position 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 \$65,248,178 at December 31, 2012. This is an increase of \$2,300,697 over the 2011 amount.

A condensed version of the Statement of Net Position at December 31, 2012 and 2011 follows:

CITY OF WASECA'S NET POSITION

| | Governmental Activities | | Business-Type Activities | | Total | |
|-----------------------------------|-------------------------|---------------|--------------------------|---------------|---------------|---------------|
| | 2012 | 2011 | 2012 | 2011 | 2012 | 2011 |
| Current and other assets | 10,124,366 | 9,861,891 | 9,978,473 | 9,906,772 | 20,102,839 | 19,768,663 |
| Capital Assets | 28,269,297 | 27,695,908 | 33,308,168 | 33,265,145 | 61,577,465 | 60,961,053 |
| Total assets | \$ 38,393,663 | \$ 37,557,799 | \$ 43,286,641 | \$ 43,171,917 | \$ 81,680,304 | \$ 80,729,716 |
| Long-term liabilities outstanding | 4,256,093 | 5,193,536 | 10,928,376 | 11,668,130 | 15,184,469 | 16,861,666 |
| Other liabilities | 281,178 | 300,940 | 966,479 | 1,156,945 | 1,247,657 | 1,457,885 |
| Total liabilities | 4,537,271 | 5,494,476 | 11,894,855 | 12,825,075 | 16,432,126 | 18,319,551 |
| Net investment in capital assets | 25,413,394 | 23,902,473 | 22,522,560 | 21,725,944 | 47,935,954 | 45,628,417 |
| Restricted | 2,515,866 | 3,074,107 | - | - | 2,515,866 | 3,074,107 |
| Unrestricted | 5,927,132 | 5,086,743 | 8,869,226 | 8,620,898 | 14,796,358 | 13,707,641 |
| Total Net Position | \$ 33,856,392 | \$ 32,063,323 | \$ 31,391,786 | \$ 30,346,842 | \$ 65,248,178 | \$ 62,410,165 |

By far, the largest portion of the City of Waseca's net position of \$47,935,954 (approximately 73.5%), 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. An additional portion of the City's net position of \$2,515,866 (approximately 3.9%), represent resources that are subject to external restrictions on how they may be used. The remaining balance of the net position is unrestricted \$14,796,358 (approximately 22.7%) 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 position as the City establishes the groundwork for community expansion. The net position 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 Position at December 31, 2012 and 2011 follows:

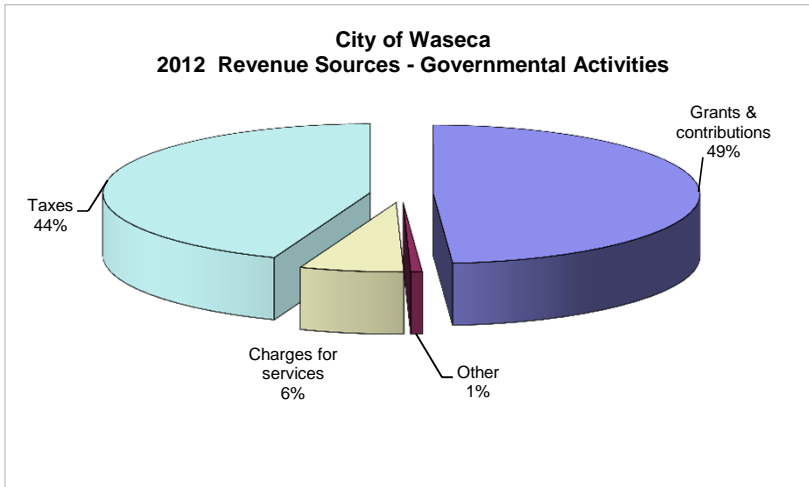
CITY OF WASECA'S CHANGES IN NET POSITION

| | Governmental Activities | | Business-Type Activities | | Total | |
|--|-------------------------|---------------|--------------------------|---------------|---------------|---------------|
| | 2012 | 2011 | 2012 | 2011 | 2012 | 2011 |
| Revenues: | | | | | | |
| Program revenues | | | | | | |
| Charges for services | \$ 560,554 | \$ 541,047 | \$ 10,189,288 | \$ 9,759,832 | \$ 10,749,842 | \$ 10,300,879 |
| Operating grants and contributions | 1,067,147 | 983,062 | - | - | 1,067,147 | 983,062 |
| Capital grants and contributions | 1,024,240 | 589,849 | 244,532 | 100,984 | 1,268,772 | 690,833 |
| General revenues | | | | | | |
| Taxes | 3,967,698 | 3,648,497 | - | - | 3,967,698 | 3,648,497 |
| Grants and contributions not restricted to specific programs | 2,273,651 | 2,359,621 | - | - | 2,273,651 | 2,359,621 |
| Unrestricted investment earnings | 61,192 | 72,874 | 41,921 | 56,393 | 103,113 | 129,267 |
| Gain on disposal of assets | 2,910 | 6,590 | - | 3,690 | 2,910 | 10,280 |
| Total revenues | 8,957,392 | 8,201,540 | 10,475,741 | 9,920,899 | 19,433,133 | 18,122,439 |
| Expenses: | | | | | | |
| General government | \$ 1,453,361 | \$ 1,557,455 | \$ - | \$ - | \$ 1,453,361 | \$ 1,557,455 |
| Public safety | 2,313,626 | 2,234,708 | - | - | 2,313,626 | 2,234,708 |
| Streets and highways | 2,266,354 | 2,221,251 | - | - | 2,266,354 | 2,221,251 |
| Sanitation | 48,998 | 51,755 | - | - | 48,998 | 51,755 |
| Culture and recreation | 993,011 | 1,198,836 | - | - | 993,011 | 1,198,836 |
| Economic development | 313,701 | 519,045 | - | - | 313,701 | 519,045 |
| Interest and fees | 154,439 | 198,114 | - | - | 154,439 | 198,114 |
| Water | - | - | 941,724 | 927,153 | 941,724 | 927,153 |
| Sewer | - | - | 2,083,325 | 1,766,602 | 2,083,325 | 1,766,602 |
| Electric | - | - | 6,563,897 | 6,247,453 | 6,563,897 | 6,247,453 |
| Total expenses | 7,543,490 | 7,981,164 | 9,588,946 | 8,941,208 | 17,132,436 | 16,922,372 |
| Change in net position before transfers | 1,413,902 | 220,376 | 886,795 | 979,691 | 2,300,697 | 1,200,067 |
| Transfers | 455,042 | 466,711 | (455,042) | (466,711) | - | - |
| Change in net position | 1,868,944 | 687,087 | 431,753 | 512,980 | 2,300,697 | 1,200,067 |
| Net Position - January 1 | 32,063,323 | 31,376,236 | 30,346,842 | 29,833,862 | 62,410,165 | 61,210,098 |
| Prior period adjustment | (75,875) | - | 613,191 | - | 537,316 | - |
| Net Position - January 1 (restated) | 31,987,448 | 31,376,236 | 30,960,033 | 29,833,862 | 62,947,481 | 61,210,098 |
| Net Position - December 31 | \$ 33,856,392 | \$ 32,063,323 | \$ 31,391,786 | \$ 30,346,842 | \$ 65,248,178 | \$ 62,410,165 |

Governmental Activities

Governmental activities increased the City of Waseca's net position by \$1,868,944. The increase is the combination of many surpluses and deficits but the primary reason was an increase in capital grants related to contributed infrastructure and special assessments. Expenses include \$1,498,098 of depreciation expense for governmental activities under the full accrual basis of accounting.

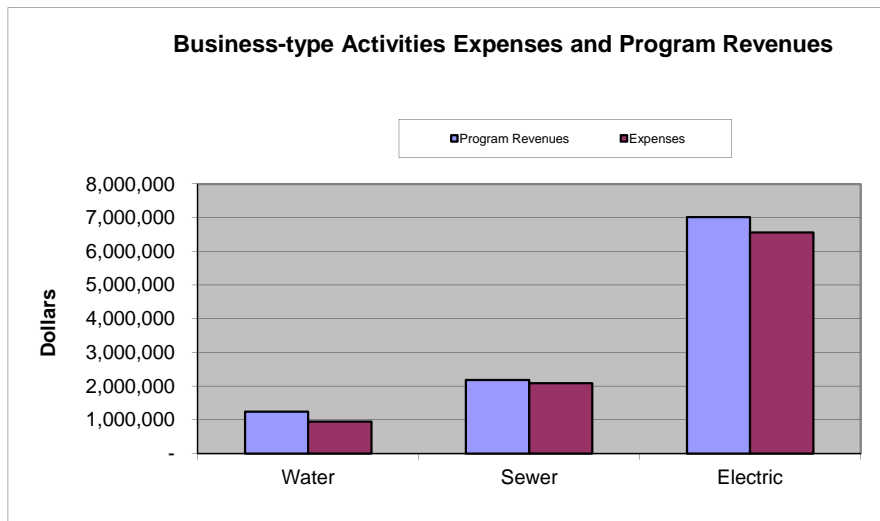
Governmental revenues totaled \$8,957,392. As part of GASB Statement No. 34 reporting, Internal Service fund revenues (\$525,062) and Internal Service fund expenses of (\$455,659) were allocated to all the governmental and business-type activities. Governmental revenues increased by \$755,852 in 2012 due to mainly a \$434,391 increase in capital grants and contributions. Below is a graph showing the sources of revenues.



Business-type Activities: Business-type activities net position increased by \$431,753. This increase is mainly a combination of operating income from the Water Fund (\$216,602), Sanitary Sewer Fund (\$259,435) and Electric Fund (\$487,819).

Business type expenses increased by \$647,738 or 7.1% from 2011 to 2012 due mainly to increases in the Sanitary Sewer Fund of \$316,723 and the Electric Fund of \$316,444. The increase in the Sanitary Sewer Fund expenses is mainly a result of increased depreciation expense from the Waste Water Treatment Plant being placed in service, and the increase in the Electric Fund is mainly a result of an increase in professional services. Business-type activities had an increase of \$554,842 in program revenues due mostly to a \$429,456 increase in charges for services.

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 \$8,471,793. The unreserved fund balance (committed, assigned or unassigned) consists of \$5,209,992 of the total combined ending fund balance. The remainder of the fund balance consists of nonspendable fund balances in the amount of \$960,467 and restricted fund balances in the amount of \$2,301,334.

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

The General fund is the chief operating fund of the City. At the end of the current fiscal year, unreserved (committed, assigned or unassigned) fund balance in the General fund was \$3,341,936, while total fund balance reached \$3,341,936. As a measure of the General fund's liquidity it may be useful to compare unreserved fund balance to next years budgeted total General fund expenditures. Unreserved fund balance represents 58.8% of total budgeted 2013 General fund expenditures of \$5,683,385.

The fund balance of the City's General fund increased by \$327,606 during the current fiscal year. The key factor of this increase can be attributed to a positive budget variance of \$236,378 in General fund expenditures.

The City continued to fund the Capital Improvement fund with a \$574,356 allocation. Some of the projects were not started in 2012 and were carried over into 2013; therefore, funding was higher than the requested project costs, resulting in a \$276,634 increase 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.

The fund balance of the City's Debt Service fund decreased by \$139,270 mainly due to previously collected assessment revenue used to pay principal on the related bonds.

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

| | |
|---------------------|--------------|
| Water fund | \$ 1,775,835 |
| Sanitary Sewer Fund | \$ 4,303,216 |
| Electric Fund | \$ 2,886,363 |

The net position of the Proprietary funds increased by \$431,753 during the current fiscal year. Key factors in this increase include:

The Water fund had an increase in net position of \$176,160 mainly as a result of operating income of \$216,602.

The Sanitary Sewer fund had an increase in net position of \$168,124 mainly due to operating income of \$259,435

The Electric fund had an increase in net position of \$74,346 due mainly to a decrease in purchased power.

The net position of the Internal Service funds increased by \$69,403, due mainly to larger than expected insurance refunds from the League of MN Cities for both property and worker's compensation insurance.

General Fund Budgetary Highlights

The difference between the original budgeted expenditures and transfers out and the final amended budgeted expenditures and transfers out was a decrease of \$41,400 during the fiscal year 2012. The difference between the original budgeted revenues and transfers in and the final amended budgeted revenues and transfers in was an increase of \$20,000. Significant budget changes during the current fiscal year included the following:

- * Increase of \$20,000 for building permit revenue and contracted building inspection services
- * Increase of \$4,400 for library repair and maintenance
- * Increase of \$17,000 for transfer to the CIP fund for City hall repairs

General fund final amended budgeted expenditures exceeded actual expenditures by \$295,511 during fiscal year 2012. The budgeted revenues exceeded the actual revenues by \$200,883. Significant variances during the current fiscal year included the following:

- * Intergovernmental revenues were \$80,987 over budget as a result of unbudgeted grants received in 2012, including \$36,000 for breathing apparatuses for the Fire Department.
- * Budgeted Engineering expenditures exceeded actual expenditures by \$89,674 as a result of a vacant technology coordinator position and less professional services that anticipated.
- * Budgeted Street Maintenance expenditures exceeded actual expenditures by \$38,843 as a result of more street employee time spent on capital improvement projects.
- * Budgeted Snow Removal expenditures exceeded actual expenditures by \$46,308 as a result of the mild winter season.

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, 2012, amounts to \$61,577,465 (net of accumulated depreciation). This investment in capital assets includes land, buildings, improvements, machinery and equipment, and infrastructure. The total increase in the City of Waseca's investment in capital assets was 1.0% (a 2.1% increase for governmental activities and a 0.1% increase for business-type activities).

More detailed information on the City's capital assets is presented in the Notes to the Financial Statements at Note IV, C, pages 48-49.

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

- * Completion of \$15,526,969 in wastewater system improvements including \$342,902 in 2012.
- * Airport hangar taxilane and apron construction of \$370,852
- * Street improvements totaling \$1,136,418
- * Rehabilitation of substation transformers totaling \$396,616
- * Purchase of John Deere 544 loader for \$130,413
- * Purchase of snow blower for \$135,524

Long-Term Debt: At the end of the fiscal year, the City of Waseca had total long-term debt of \$15,184,469. 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 debt for the construction of the Wastewater Treatment Plant expansion and conveyance system improvements. The City of Waseca's total debt decreased by \$1,677,197 (9.9% decrease) during the current fiscal year. The main factors of this decrease was the \$523,043 revenue note issuance for the Sanitary Sewer Fund improvement project offset by the \$975,000 in defeased crossover refunding bonds issued in 2011 but paid off in February 2012, and \$1,279,505 in principal payments.

The City of Waseca has received a bond rating of Aa3 from Moody's, it's fourth-highest rating, on its general obligation debt. In November 2011, Moody's re-affirmed that rating for the City's most recent debt issue.

State statutes limit the amount of general obligation debt a Minnesota city may issue to 3% of the total taxable market value. The current debt limitation for the City of Waseca is \$11,535,867 and \$2,130,000 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, pages 51-55.

Economic Factors and Budget Information

Significant economic factors affecting the City are as follows:

According to U.S. Bureau of Labor Statistics as of December 2012, the City's unemployment rate of 6.4% compares unfavorably to the state unemployment rate of 5.5%, but compares favorably to the national unemployment rate of 7.6%. Waseca's unemployment rate was 6.6% in 2011; and 7.6% in 2010.

City issued building permits increased significantly compared to the previous fiscal year. This increase reflects the positive turn that is occurring in the economy and housing within City limits.

The completion of the new Highway 14 construction, a major four lane highway will impact economic growth and tax base.

Property tax aid from the State of Minnesota has been reduced dramatically the past several years. The Minnesota Legislature will reconvene in 2013 and local government aid reform will certainly be a topic of discussion.

The adopted budget for the City of Waseca sets the 2013 property tax levy at \$3,436,866 which is a "zero" increase for the third consecutive year and a 1.5 percent decrease from the 2009 levy.

Requests for Information

This financial report is designed to provide a general overview of the City of Waseca's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Office of the Finance Director, City of Waseca, 508 South State Street, Waseca, MN, 56093.

BASIC FINANCIAL STATEMENTS

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CITY OF WASECA, MINNESOTA
STATEMENT OF NET POSITION
December 31, 2012

| | Primary Government | | | Component Unit |
|---|-------------------------|----------------------------|----------------------|--------------------------------|
| | Governmental Activities | Business - type Activities | Total | Economic Development Authority |
| ASSETS | | | | |
| Cash and cash equivalents | \$ 4,355,678 | \$ 7,711,016 | \$ 12,066,694 | \$ 443,518 |
| Investments | 2,721,643 | - | 2,721,643 | - |
| Receivables | | | | |
| Taxes | 107,346 | - | 107,346 | 2,207 |
| Accounts | 143,426 | 35,512 | 178,938 | - |
| Utility | - | 1,543,373 | 1,543,373 | - |
| Assessments | 722,759 | 103,091 | 825,850 | - |
| Interest | 4,569 | - | 4,569 | - |
| Loans (net of allowance) | 57,973 | - | 57,973 | - |
| Due from other governments | 764,738 | 5,360 | 770,098 | 745 |
| Internal balances | 96,188 | (96,188) | - | - |
| Inventory | - | 343,298 | 343,298 | - |
| Land Held for Resale | 960,467 | - | 960,467 | 177,267 |
| Investment in joint venture | 189,579 | - | 189,579 | - |
| Restricted assets: | | | | |
| Customer deposits | - | 191,012 | 191,012 | - |
| Capital Assets | | | | |
| Land | 1,412,695 | 127,215 | 1,539,910 | - |
| Infrastructure | 33,595,589 | - | 33,595,589 | - |
| Construction in progress | 982,712 | 903,906 | 1,886,618 | - |
| Buildings | 3,525,797 | 15,976,916 | 19,502,713 | - |
| Improvements other than buildings | 7,086,407 | 32,473,043 | 39,559,450 | - |
| Machinery and equipment | 5,092,644 | 7,003,523 | 12,096,167 | - |
| Accumulated depreciation | (23,426,547) | (23,176,435) | (46,602,982) | - |
| Service territory (net of amortization) | - | 141,999 | 141,999 | - |
| Total assets | <u>\$ 38,393,663</u> | <u>\$ 43,286,641</u> | <u>\$ 81,680,304</u> | <u>\$ 623,737</u> |
| LIABILITIES | | | | |
| Current liabilities | | | | |
| Accounts payable | \$ 152,241 | \$ 629,423 | \$ 781,664 | \$ 475 |
| Customer deposits | - | 191,012 | 191,012 | - |
| Accrued wages payable | 70,901 | 17,509 | 88,410 | - |
| Accrued interest | 58,036 | 116,912 | 174,948 | - |
| Unearned revenue - utility | - | 11,623 | 11,623 | - |
| Noncurrent liabilities: | | | | |
| Due within one year | 730,264 | 830,403 | 1,560,667 | 5,600 |
| Due in more than one year | 3,525,829 | 10,097,973 | 13,623,802 | 16,800 |
| Total liabilities | <u>\$ 4,537,271</u> | <u>\$ 11,894,855</u> | <u>\$ 16,432,126</u> | <u>\$ 22,875</u> |
| NET POSITION | | | | |
| Net investment in capital assets | 25,413,394 | 22,522,560 | 47,935,954 | - |
| Restricted | | | | |
| Restricted for Debt Service | 965,435 | - | 965,435 | - |
| Restricted for Clear Lake Press Fund | 234,835 | - | 234,835 | - |
| Restricted for Revolving Loans | 26,951 | - | 26,951 | 227,020 |
| Restricted for TIF Funds | 321,832 | - | 321,832 | - |
| Restricted for Historical Preservation | 908 | - | 908 | - |
| Restricted for Crime Victims | 19,921 | - | 19,921 | - |
| Restricted for Police Forfeitures | 67,553 | - | 67,553 | - |
| Restricted for Municipal State Aid | 878,431 | - | 878,431 | - |
| Unrestricted | 5,927,132 | 8,869,226 | 14,796,358 | 373,842 |
| Total net position | <u>\$ 33,856,392</u> | <u>\$ 31,391,786</u> | <u>\$ 65,248,178</u> | <u>\$ 600,862</u> |

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

CITY OF WASECA, MINNESOTA
STATEMENT OF ACTIVITIES
For the Year Ended December 31, 2012

| Functions/Programs | Program Revenues | | | | Net (Expense) Revenue and Changes in Net Position | | | Component Unit Economic Development Authority |
|--|------------------|----------------------|------------------------------------|----------------------------------|---|--------------------------|----------------|--|
| | Expenses | Charges for Services | Operating Grants and Contributions | Capital Grants and Contributions | Governmental Activities | Business-type Activities | Total | |
| Governmental Activities: | | | | | | | | |
| General Government | \$ 1,453,361 | \$ 115,631 | \$ 176,475 | \$ 362,453 | \$ (798,802) | | \$ (798,802) | |
| Public Safety | 2,313,626 | 193,285 | 304,761 | 60,361 | (1,755,219) | | (1,755,219) | |
| Streets and Highways | 2,266,354 | - | 424,710 | 601,426 | (1,240,218) | | (1,240,218) | |
| Sanitation | 48,998 | - | - | - | (48,998) | | (48,998) | |
| Culture and Recreation | 993,011 | 251,638 | 185 | - | (741,188) | | (741,188) | |
| Economic Development | 313,701 | - | 161,016 | - | (152,685) | | (152,685) | |
| Interest and fees | 154,439 | - | - | - | (154,439) | | (154,439) | |
| Total Governmental Activities | 7,543,490 | 560,554 | 1,067,147 | 1,024,240 | (4,891,549) | | (4,891,549) | |
| Business-type Activities | | | | | | | | |
| Water | 941,724 | 1,140,659 | - | 95,196 | - | \$ 294,131 | 294,131 | |
| Sewer | 2,083,325 | 2,041,173 | - | 139,336 | - | 97,184 | 97,184 | |
| Electric | 6,563,897 | 7,007,456 | - | 10,000 | - | 453,559 | 453,559 | |
| Total Business-type Activities | 9,588,946 | 10,189,288 | - | 244,532 | - | 844,874 | 844,874 | |
| Total Primary Government | \$ 17,132,436 | \$ 10,749,842 | \$ 1,067,147 | \$ 1,268,772 | \$ (4,891,549) | \$ 844,874 | \$ (4,046,675) | |
| Component Unit | | | | | | | | |
| Economic Development Authority | \$ 165,672 | \$ 1,000 | \$ - | \$ - | | | | \$ (164,672) |
| General Revenues: | | | | | | | | |
| Property Taxes | | | | | 3,496,084 | - | 3,496,084 | 80,603 |
| Tax Increment Financing revenue | | | | | 249,889 | - | 249,889 | - |
| Lodging Taxes | | | | | 19,561 | - | 19,561 | - |
| Franchise Taxes | | | | | 202,164 | - | 202,164 | - |
| Grants and Contributions not restricted | | | | | 2,273,651 | - | 2,273,651 | - |
| Unrestricted Investment Earnings | | | | | 61,192 | 41,921 | 103,113 | 1,542 |
| Gain on Disposal of Assets | | | | | 2,910 | - | 2,910 | - |
| Transfers | | | | | 455,042 | (455,042) | - | - |
| Total General Revenues and Transfers | | | | | \$ 6,760,493 | \$ (413,121) | \$ 6,347,372 | \$ 82,145 |
| Change in Net Position | | | | | 1,868,944 | 431,753 | 2,300,697 | (82,527) |
| Net Position - Beginning | | | | | 32,063,323 | 30,346,842 | 62,410,165 | 683,389 |
| Prior Period Adjustment - Change in accounting principle | | | | | (75,875) | (45,419) | (121,294) | - |
| Prior Period Adjustment - Unbilled receivables | | | | | - | 444,763 | 444,763 | - |
| Prior Period Adjustment - Electric Inventory | | | | | - | 213,847 | 213,847 | - |
| Net Position - Beginning, restated | | | | | 31,987,448 | 30,960,033 | 62,947,481 | 683,389 |
| Net Position - Ending | | | | | \$ 33,856,392 | \$ 31,391,786 | \$ 65,248,178 | \$ 600,862 |

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.

CITY OF WASECA, MINNESOTA
GOVERNMENTAL FUNDS
BALANCE SHEET
December 31, 2012

| | General | Special Assessment Debt | Capital Improvement Fund | Other Governmental Funds | Total Governmental Funds |
|---|---------------------|--|---|---|---|
| ASSETS | | | | | |
| Cash and cash equivalents | \$ 406,769 | \$ 709,536 | \$ 809,841 | \$ 2,162,919 | \$ 4,089,065 |
| Investments | 2,721,643 | - | - | - | 2,721,643 |
| Receivables | | | | | |
| Taxes | 101,934 | - | - | 5,412 | 107,346 |
| Accounts | 141,336 | - | - | 2,090 | 143,426 |
| Assessments | - | 212,231 | - | 510,528 | 722,759 |
| Interest | 4,569 | - | - | - | 4,569 |
| Loans | - | - | - | 1,282,158 | 1,282,158 |
| Due from other governments | 51,971 | 5,871 | - | 706,896 | 764,738 |
| Land Held for Resale | - | - | - | 960,467 | 960,467 |
| Due from other funds | 144,334 | - | - | - | 144,334 |
| Total assets | <u>\$ 3,572,556</u> | <u>\$ 927,638</u> | <u>\$ 809,841</u> | <u>\$ 5,630,470</u> | <u>\$ 10,940,505</u> |
| LIABILITIES | | | | | |
| Accounts payable | \$ 60,619 | \$ - | \$ 9,860 | \$ 72,702 | \$ 143,181 |
| Accrued wages payable | 68,067 | - | - | 867 | 68,934 |
| Due to other funds | - | - | - | 144,334 | 144,334 |
| Total liabilities | <u>128,686</u> | <u>-</u> | <u>9,860</u> | <u>217,903</u> | <u>356,449</u> |
| DEFERRED INFLOWS OF RESOURCES | | | | | |
| Unavailable revenue - taxes | 101,934 | - | - | 5,412 | 107,346 |
| Unavailable revenue - loans | - | - | - | 1,282,158 | 1,282,158 |
| Unavailable revenue - assessments | - | 212,231 | - | 510,528 | 722,759 |
| Total deferred inflows of resources | <u>101,934</u> | <u>212,231</u> | <u>-</u> | <u>1,798,098</u> | <u>2,112,263</u> |
| FUND BALANCES | | | | | |
| Nonspendable: | | | | | |
| Land held for resale | - | - | - | 960,467 | 960,467 |
| Restricted for: | | | | | |
| Debt Service | - | 715,407 | - | 90,469 | 805,876 |
| Clear Lake Press Fund | - | - | - | 179,862 | 179,862 |
| Revolving Loan | - | - | - | 26,951 | 26,951 |
| TIF Funds | - | - | - | 321,832 | 321,832 |
| Historical Preservation | - | - | - | 908 | 908 |
| Police Crime Victims | - | - | - | 19,921 | 19,921 |
| Police Forfeitures | - | - | - | 67,553 | 67,553 |
| Municipal State Aid | - | - | - | 878,431 | 878,431 |
| Committed to: | | | | | |
| Airport | - | - | - | 190,707 | 190,707 |
| Police Reserves | - | - | - | 955 | 955 |
| Police Explorers | - | - | - | 136 | 136 |
| Waseca Housing Fund | - | - | - | 84,151 | 84,151 |
| Assigned to: | | | | | |
| Capital Projects Funds | - | - | 799,981 | - | 799,981 |
| Northwest Commercial Development | - | - | - | 155,196 | 155,196 |
| Annexation and Growth | - | - | - | 249,387 | 249,387 |
| Equipment Replacement | - | - | - | 273,175 | 273,175 |
| University Park | 17,000 | - | - | - | 17,000 |
| Operations | - | - | - | 184,261 | 184,261 |
| Unassigned: | | | | | |
| Unassigned | 3,324,936 | - | - | (69,893) | 3,255,043 |
| Total fund balances | <u>3,341,936</u> | <u>715,407</u> | <u>799,981</u> | <u>3,614,469</u> | <u>8,471,793</u> |
| Total Liabilities, Deferred Inflows of Resources and Fund Balances | <u>\$ 3,572,556</u> | <u>\$ 927,638</u> | <u>\$ 809,841</u> | <u>\$ 5,630,470</u> | <u>\$ 10,940,505</u> |

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

**RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
DECEMBER 31, 2012**

FUND BALANCE - TOTAL GOVERNMENTAL FUNDS \$ 8,471,793

Amounts reported for governmental activities in the Statement of Net Position 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 | 51,695,844 | |
| Less: Accumulated depreciation | <u>(23,426,547)</u> | 28,269,297 |

| | | |
|---|--|---------|
| Investments in joint ventures are not financial resources and, therefore are not reported in the funds. | | 189,579 |
|---|--|---------|

| | | |
|--|--|----------|
| Governmental funds do not report a liability for accrued interest until due and payable. | | (58,036) |
|--|--|----------|

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 Position.

| | | |
|---|---------------|---------|
| Internal service fund net position per statements | 255,586 | |
| Add allocation to business-type activities | <u>96,188</u> | 351,774 |

| | | |
|--|--|-------------|
| Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds. | | (4,067,767) |
|--|--|-------------|

| | | |
|--|--|-----------|
| Other post-employment benefits are not due and payable in the current period and, therefore, are not reported in the funds | | (203,681) |
|--|--|-----------|

| | | |
|--|--|--------|
| Bond premiums and discounts are reported as other financing sources (uses) in the governmental funds at the time of issuance. In the Statement of Net Position, these are amortized over the life of the debt issue. | | 15,355 |
|--|--|--------|

| | | |
|--|--|---------|
| 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 unavailable in the governmental funds (net of uncollectible loans). | | 888,078 |
|--|--|---------|

| | | |
|--|--|------------------------------------|
| NET POSITION OF GOVERNMENTAL ACTIVITIES | | \$ <u><u>33,856,392</u></u> |
|--|--|------------------------------------|

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

CITY OF WASECA, MINNESOTA
GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
For the Year Ended December 31, 2012

| | General | Special Assessment Debt | Capital Improvement Fund | Other Governmental Funds | Total Governmental Funds |
|--|---------------------|--|---|---|---|
| REVENUES | | | | | |
| Taxes | \$ 3,517,040 | \$ - | \$ - | \$ 457,080 | \$ 3,974,120 |
| Licenses | 40,999 | - | - | - | 40,999 |
| Permits and fees | 135,744 | - | - | - | 135,744 |
| Intergovernmental | 2,560,093 | - | - | 1,168,522 | 3,728,615 |
| Charges for services | 30,886 | - | - | - | 30,886 |
| Program income | - | - | - | 245,099 | 245,099 |
| Fines and forfeitures | 46,001 | - | - | 19,824 | 65,825 |
| Assessments | - | 98,099 | - | 241,633 | 339,732 |
| Contributions | 8,089 | - | - | 14,150 | 22,239 |
| Miscellaneous | 153,726 | 25,257 | 4,699 | 61,977 | 245,659 |
| Total revenues | <u>6,492,578</u> | <u>123,356</u> | <u>4,699</u> | <u>2,208,285</u> | <u>8,828,918</u> |
| EXPENDITURES | | | | | |
| Current: | | | | | |
| General government | 1,124,434 | - | 17,521 | 8,354 | 1,150,309 |
| Public safety | 2,071,661 | - | - | 118,619 | 2,190,280 |
| Streets and highways | 1,236,065 | - | - | 426,883 | 1,662,948 |
| Sanitation | 48,998 | - | - | - | 48,998 |
| Cultural and recreation | 703,488 | - | - | 204,699 | 908,187 |
| Economic development | - | - | - | 280,558 | 280,558 |
| Airport | - | - | - | 61,446 | 61,446 |
| Other services | 161,652 | - | - | - | 161,652 |
| Debt service: | | | | | |
| Bond principal | - | 235,000 | - | 195,000 | 430,000 |
| Interest and fiscal charges | - | 27,626 | - | 137,821 | 165,447 |
| Capital outlay | | | | | |
| General government | - | - | 39,967 | 23,048 | 63,015 |
| Public safety | - | - | - | 129,639 | 129,639 |
| Streets and highways | - | - | 244,933 | 635,623 | 880,556 |
| Cultural and recreation | - | - | - | 16,858 | 16,858 |
| Airport | - | - | - | 392,621 | 392,621 |
| Total expenditures | <u>5,346,298</u> | <u>262,626</u> | <u>302,421</u> | <u>2,631,169</u> | <u>8,542,514</u> |
| Excess (deficiency) of revenues over (under) expenditures | <u>1,146,280</u> | <u>(139,270)</u> | <u>(297,722)</u> | <u>(422,884)</u> | <u>286,404</u> |
| OTHER FINANCING SOURCES (USES) | | | | | |
| Sale of capital assets | 5,250 | - | - | - | 5,250 |
| Transfers in | 632,918 | - | 574,356 | 809,906 | 2,017,180 |
| Payment of refunding bonds | - | - | - | (545,000) | (545,000) |
| Transfers out | (1,456,842) | - | - | (105,296) | (1,562,138) |
| Total other financing sources (uses) | <u>(818,674)</u> | <u>-</u> | <u>574,356</u> | <u>159,610</u> | <u>(84,708)</u> |
| Net change in fund balances | <u>327,606</u> | <u>(139,270)</u> | <u>276,634</u> | <u>(263,274)</u> | <u>201,696</u> |
| Fund balances - beginning | <u>3,014,330</u> | <u>854,677</u> | <u>523,347</u> | <u>3,877,743</u> | <u>8,270,097</u> |
| Fund balances - ending | <u>\$ 3,341,936</u> | <u>\$ 715,407</u> | <u>\$ 799,981</u> | <u>\$ 3,614,469</u> | <u>\$ 8,471,793</u> |

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

**RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCES OF
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2012**

NET CHANGE IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS \$ 201,696

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 | 1,946,015 | |
| Infrastructure contributed by Developer | 198,153 | |
| Book value of assets sold or traded | (72,682) | |
| Depreciation expense | <u>(1,498,098)</u> | 573,388 |

Revenues (property taxes, special assessment and loan receivable deferred inflows) in the Statements of Activities that do not provide current financial resources are not reported as revenues in the funds. (103,398)

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 position. This is the amount of repayments in the current period. Also, governmental funds report the effect premiums and discounts when debt is first issued, whereas these amounts are amortized in the Statement of Activities.

| | | |
|---|----------------|---------|
| Principal repayments | 975,000 | |
| Change in accrued interest | 13,953 | |
| Amortization of bond discount and premium | <u>(2,943)</u> | 986,010 |

Some expenses (changes in other post-employment benefits, compensated absences, and investment in joint venture) 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.

| | | |
|--|----------------|---------|
| Change in other post-employment benefits | (27,972) | |
| Change in investment in joint venture | 189,579 | |
| Change in compensated absences | <u>(6,641)</u> | 154,966 |

The net gain of the Internal Service funds reported within governmental activities 56,282

CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES \$ 1,868,944

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

CITY OF WASECA, MINNESOTA**GENERAL FUND****STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES****BUDGET AND ACTUAL**

FOR THE YEAR ENDED DECEMBER 31, 2012

| | Budgeted Amounts | | Actual | Variance with |
|------------------------------|-------------------------|------------------|------------------|----------------------|
| | Original | Final | Amounts | Final Budget |
| REVENUES | | | | |
| Taxes | \$ 3,459,551 | \$ 3,459,551 | \$ 3,517,040 | \$ 57,489 |
| Licenses | 41,600 | 41,600 | 40,999 | (601) |
| Permits and fees | 93,000 | 113,000 | 135,744 | 22,744 |
| Intergovernmental | 2,479,106 | 2,479,106 | 2,560,093 | 80,987 |
| Charges for services | 27,400 | 27,400 | 30,886 | 3,486 |
| Fines and forfeitures | 32,000 | 32,000 | 46,001 | 14,001 |
| Contributions | 4,000 | 4,000 | 8,089 | 4,089 |
| Miscellaneous | 135,038 | 135,038 | 153,726 | 18,688 |
| Total revenues | <u>6,271,695</u> | <u>6,291,695</u> | <u>6,492,578</u> | <u>200,883</u> |
| EXPENDITURES | | | | |
| Current: | | | | |
| General government | | | | |
| Legislative | 140,753 | 140,753 | 132,091 | 8,662 |
| Administration | 297,608 | 297,608 | 291,237 | 6,371 |
| Elections | 20,150 | 20,150 | 17,155 | 2,995 |
| Finance | 316,327 | 316,327 | 309,648 | 6,679 |
| Legal | 99,200 | 99,200 | 76,410 | 22,790 |
| Buildings and grounds | 115,652 | 115,652 | 107,848 | 7,804 |
| Community development | 202,604 | 202,604 | 190,045 | 12,559 |
| Total general government | <u>1,192,294</u> | <u>1,192,294</u> | <u>1,124,434</u> | <u>67,860</u> |
| Public safety | | | | |
| Police department | 1,547,322 | 1,547,322 | 1,528,585 | 18,737 |
| Community services | 35,905 | 35,905 | 26,395 | 9,510 |
| Fire department | 376,659 | 376,659 | 431,075 | (54,416) |
| Civil defense | 3,000 | 3,000 | 2,205 | 795 |
| Building inspections | 65,328 | 85,328 | 83,401 | 1,927 |
| Total public safety | <u>2,028,214</u> | <u>2,048,214</u> | <u>2,071,661</u> | <u>(23,447)</u> |
| Streets and highways | | | | |
| Engineering | 402,631 | 402,631 | 312,957 | 89,674 |
| Street maintenance | 684,636 | 684,636 | 645,793 | 38,843 |
| Snow removal | 174,681 | 174,681 | 128,373 | 46,308 |
| Surface water management | 51,823 | 51,823 | 37,057 | 14,766 |
| Street lighting | 89,367 | 89,367 | 84,706 | 4,661 |
| Traffic signs | 44,809 | 44,809 | 27,179 | 17,630 |
| Total streets and highways | <u>1,447,947</u> | <u>1,447,947</u> | <u>1,236,065</u> | <u>211,882</u> |
| Sanitation | | | | |
| Street Cleaning | 53,397 | 53,397 | 48,998 | 4,399 |
| Cultural and recreation | | | | |
| Recreation | 100,000 | 100,000 | 100,000 | - |
| Park maintenance | 441,372 | 441,372 | 421,717 | 19,655 |
| Library | 177,362 | 181,762 | 181,771 | (9) |
| Total culture and recreation | <u>718,734</u> | <u>723,134</u> | <u>703,488</u> | <u>19,646</u> |

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

CITY OF WASECA, MINNESOTA**GENERAL FUND****STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES****BUDGET AND ACTUAL (CONTINUED)**

FOR THE YEAR ENDED DECEMBER 31, 2012

| | Budgeted Amounts | | Actual | Variance with |
|---|-------------------------|---------------------|---------------------|----------------------|
| | Original | Final | Amounts | Final Budget |
| Other | | | | |
| Other services | 176,823 | 176,823 | 161,652 | 15,171 |
| Total expenditures | 5,617,409 | 5,641,809 | 5,346,298 | 295,511 |
| Excess of revenues over expenditures | 654,286 | 649,886 | 1,146,280 | 496,394 |
| OTHER FINANCING SOURCES (USES) | | | | |
| Sale of capital assets | - | - | 5,250 | 5,250 |
| Transfers in | 791,481 | 791,481 | 632,918 | (158,563) |
| Transfers out | (1,445,766) | (1,462,766) | (1,456,842) | 5,924 |
| Total other financing sources (uses) | (654,285) | (671,285) | (818,674) | (147,389) |
| Net change in fund balances | 1 | (21,399) | 327,606 | 349,005 |
| Fund balances - beginning | 3,014,330 | 3,014,330 | 3,014,330 | - |
| Fund balances - ending | <u>\$ 3,014,331</u> | <u>\$ 2,992,931</u> | <u>\$ 3,341,936</u> | <u>\$ 349,005</u> |

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

CITY OF WASECA, MINNESOTA
PROPRIETARY FUNDS
STATEMENT OF NET POSITION
December 31, 2012

| | Business-type Activities-Enterprise Funds | | | | Governmental Activities-Internal Service Funds |
|--|--|----------------------------|---------------------|----------------------|---|
| | Water Fund | Sanitary Sewer Fund | Electric | Totals | |
| ASSETS | | | | | |
| Current assets: | | | | | |
| Cash and cash equivalents | \$ 1,602,285 | \$ 4,164,482 | \$ 1,944,249 | \$ 7,711,016 | \$ 266,613 |
| Restricted cash and cash equivalents: | | | | | |
| Customer Deposits | - | - | 191,012 | 191,012 | - |
| Accounts receivable | 169,448 | 307,722 | 1,090,092 | 1,567,262 | - |
| Utility receivable | 6,974 | 4,649 | - | 11,623 | - |
| Assessments receivable | 51,487 | 51,604 | - | 103,091 | - |
| Due from other governments | 2,250 | 3,110 | - | 5,360 | - |
| Inventories | - | - | 343,298 | 343,298 | - |
| Total current assets | <u>1,832,444</u> | <u>4,531,567</u> | <u>3,568,651</u> | <u>9,932,662</u> | <u>266,613</u> |
| Noncurrent assets: | | | | | |
| Capital assets: | | | | | |
| Land | 10,585 | 28,500 | 88,130 | 127,215 | - |
| Buildings | 170,654 | 15,329,037 | 477,225 | 15,976,916 | - |
| Improvements | 9,986,807 | 13,162,532 | 9,323,704 | 32,473,043 | - |
| Construction in progress | 631,991 | 20,117 | 251,798 | 903,906 | - |
| Machinery and equipment | 509,326 | 5,274,407 | 1,219,790 | 7,003,523 | - |
| Less accumulated depreciation | <u>(6,101,495)</u> | <u>(9,757,287)</u> | <u>(7,317,653)</u> | <u>(23,176,435)</u> | <u>-</u> |
| Total capital assets (net of accumulated depreciation) | <u>5,207,868</u> | <u>24,057,306</u> | <u>4,042,994</u> | <u>33,308,168</u> | <u>-</u> |
| Other assets: | | | | | |
| Service territory (net of amortization) | - | - | 141,999 | 141,999 | - |
| Total noncurrent assets | <u>5,207,868</u> | <u>24,057,306</u> | <u>4,184,993</u> | <u>33,450,167</u> | <u>-</u> |
| Total assets | <u>\$ 7,040,312</u> | <u>\$ 28,588,873</u> | <u>\$ 7,753,644</u> | <u>\$ 43,382,829</u> | <u>\$ 266,613</u> |
| LIABILITIES | | | | | |
| Current liabilities: | | | | | |
| Accounts payable | \$ 11,800 | \$ 67,322 | \$ 550,301 | \$ 629,423 | \$ 9,060 |
| Accrued wages payable | 4,210 | 5,207 | 8,092 | 17,509 | 1,967 |
| Accrued interest payable | 5,013 | 111,899 | - | 116,912 | - |
| Customer deposits payable | - | - | 191,012 | 191,012 | - |
| Revenue notes payable | - | 389,000 | - | 389,000 | - |
| Revenue bonds payable | 150,000 | 255,000 | - | 405,000 | - |
| Compensated absences payable | 9,874 | 6,412 | 20,117 | 36,403 | - |
| Unearned revenue - utility | 6,974 | 4,649 | - | 11,623 | - |
| Total current liabilities | <u>187,871</u> | <u>839,489</u> | <u>769,522</u> | <u>1,796,882</u> | <u>11,027</u> |
| Noncurrent liabilities: | | | | | |
| Revenue notes payable | - | 7,815,000 | - | 7,815,000 | - |
| Revenue bonds payable | 577,979 | 1,598,629 | - | 2,176,608 | - |
| Compensated absences payable | 10,622 | 7,137 | 27,543 | 45,302 | - |
| Other post-employment benefits payable | 8,116 | 25,725 | 27,222 | 61,063 | - |
| Total noncurrent liabilities | <u>596,717</u> | <u>9,446,491</u> | <u>54,765</u> | <u>10,097,973</u> | <u>-</u> |
| Total liabilities | <u>784,588</u> | <u>10,285,980</u> | <u>824,287</u> | <u>11,894,855</u> | <u>11,027</u> |
| NET POSITION | | | | | |
| Net investment in capital assets | 4,479,889 | 13,999,677 | 4,042,994 | 22,522,560 | - |
| Unrestricted | 1,775,835 | 4,303,216 | 2,886,363 | 8,965,414 | 255,586 |
| Total net position | <u>\$ 6,255,724</u> | <u>\$ 18,302,893</u> | <u>\$ 6,929,357</u> | <u>\$ 31,487,974</u> | <u>\$ 255,586</u> |
| Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds. | | | | (96,188) | |
| Net position of business-type activities | | | | <u>\$ 31,391,786</u> | |

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 POSITION
FOR THE YEAR ENDED DECEMBER 31, 2012**

| | Business-type Activities-Enterprise Funds | | | | Governmental Activities- Internal Service Funds |
|--|--|--------------------------------|---------------------|-------------------|--|
| | Water Fund | Sanitary Sewer Fund | Electric | Totals | |
| Operating revenues: | | | | | |
| Charges for services | \$ 1,109,255 | \$ 2,033,736 | \$ 6,932,430 | \$ 10,075,421 | \$ 453,021 |
| Insurance reimbursement | - | - | - | - | 70,955 |
| Miscellaneous | 31,407 | 7,441 | 75,036 | 113,884 | - |
| Total operating revenues | <u>1,140,662</u> | <u>2,041,177</u> | <u>7,007,466</u> | <u>10,189,305</u> | <u>523,976</u> |
| Operating expenses: | | | | | |
| Power purchased | 98,703 | - | 5,149,808 | 5,248,511 | - |
| Personnel services | 265,929 | 379,064 | 509,799 | 1,154,792 | 109,159 |
| Supplies | 126,480 | 161,503 | 113,473 | 401,456 | 136,946 |
| Services and charges | 105,562 | 426,727 | 411,705 | 943,994 | 5,378 |
| Depreciation | 327,386 | 814,448 | 334,862 | 1,476,696 | - |
| Insurance payment | - | - | - | - | 4,865 |
| Insurance premium | - | - | - | - | 199,311 |
| Total operating expenses | <u>924,060</u> | <u>1,781,742</u> | <u>6,519,647</u> | <u>9,225,449</u> | <u>455,659</u> |
| Operating income | <u>216,602</u> | <u>259,435</u> | <u>487,819</u> | <u>963,856</u> | <u>68,317</u> |
| Nonoperating revenues (expenses): | | | | | |
| Loss on disposal of capital assets | (4,725) | (12,110) | - | (16,835) | - |
| Interest income | 8,856 | 21,763 | 11,283 | 41,902 | 1,086 |
| Interest expense | (13,981) | (292,600) | (2,692) | (309,273) | - |
| Agent fee | (414) | (633) | - | (1,047) | - |
| Amortization expense | (1,650) | (1,219) | (46,594) | (49,463) | - |
| Total nonoperating revenues (expenses) | <u>(11,914)</u> | <u>(284,799)</u> | <u>(38,003)</u> | <u>(334,716)</u> | <u>1,086</u> |
| Income before contributions and transfers | 204,688 | (25,364) | 449,816 | 629,140 | 69,403 |
| Capital contributions | 95,196 | 139,336 | 10,000 | 244,532 | - |
| Transfers | | | | | |
| Transfers in | - | 177,876 | - | 177,876 | - |
| Transfers out | (123,724) | (123,724) | (385,470) | (632,918) | - |
| Change in net position | <u>176,160</u> | <u>168,124</u> | <u>74,346</u> | <u>418,630</u> | <u>69,403</u> |
| Total net position-beginning | 6,047,778 | 18,073,637 | 6,334,736 | 30,456,151 | 186,183 |
| Prior period adjustment, change in accounting principle | (12,391) | (33,027) | - | (45,418) | - |
| Prior period adjustment, unbilled receivables | 44,177 | 94,159 | 306,428 | 444,764 | - |
| Prior period adjustment, electric inventory | - | - | 213,847 | 213,847 | - |
| Total net position-beginning, restated | <u>6,079,564</u> | <u>18,134,769</u> | <u>6,855,011</u> | <u>30,410,733</u> | <u>186,183</u> |
| Total net position-ending | <u>\$ 6,255,724</u> | <u>\$ 18,302,893</u> | <u>\$ 6,929,357</u> | | <u>\$ 255,586</u> |
| Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds. | | | | 13,123 | |
| Change in Net position of business-type activities | | | | <u>\$ 431,753</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, 2012

| | Business-type Activities-Enterprise Funds | | | | Governmental Activities-Internal Service Funds |
|--|--|----------------------------|---------------------|---------------------|---|
| | Water Fund | Sanitary Sewer Fund | Electric | Totals | |
| CASH FLOWS FROM OPERATING ACTIVITIES | | | | | |
| Cash received from customers | \$ 1,153,807 | \$ 2,051,714 | \$ 6,924,071 | \$ 10,129,592 | \$ - |
| Cash received from other funds and reimbursements | - | - | - | - | 523,976 |
| Cash payments to suppliers | (370,311) | (555,946) | (5,649,959) | (6,576,216) | - |
| Cash payments to employees | (263,596) | (374,840) | (500,434) | (1,138,870) | (108,591) |
| Cash payments for interfund services used | - | - | - | - | (347,269) |
| Net cash provided by operating activities | <u>519,900</u> | <u>1,120,928</u> | <u>773,678</u> | <u>2,414,506</u> | <u>68,116</u> |
| CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES | | | | | |
| Transfers from other funds | - | 177,876 | - | 177,876 | - |
| Transfers to other funds | (123,724) | (123,724) | (385,470) | (632,918) | - |
| Net cash provided (used) by noncapital financing activities | <u>(123,724)</u> | <u>54,152</u> | <u>(385,470)</u> | <u>(455,042)</u> | <u>-</u> |
| CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES | | | | | |
| Proceeds from notes issued | - | 634,914 | - | 634,914 | - |
| Principal paid on bonds | (660,000) | (240,000) | - | (900,000) | - |
| Principal paid on notes | - | (379,505) | - | (379,505) | - |
| Acquisition of capital assets | (306,918) | (619,839) | (656,118) | (1,582,875) | - |
| Agent fee | (414) | (633) | - | (1,047) | - |
| Repayment to other funds | - | - | (50,000) | (50,000) | - |
| Interest expense | (24,807) | (292,220) | (2,692) | (319,719) | - |
| Net cash used by capital and related financing activities | <u>(992,139)</u> | <u>(897,283)</u> | <u>(708,810)</u> | <u>(2,598,232)</u> | <u>-</u> |
| CASH FLOWS FROM INVESTING ACTIVITIES | | | | | |
| Interest on investments | 8,856 | 21,763 | 11,283 | 41,902 | 1,086 |
| Net increase (decrease) in cash and cash equivalents | (587,107) | 299,560 | (309,319) | (596,866) | 69,202 |
| Cash and cash equivalents, January 1 | <u>2,189,392</u> | <u>3,864,922</u> | <u>2,253,568</u> | <u>8,307,882</u> | <u>197,411</u> |
| Cash and cash equivalents, December 31 | <u>\$ 1,602,285</u> | <u>\$ 4,164,482</u> | <u>\$ 1,944,249</u> | <u>\$ 7,711,016</u> | <u>\$ 266,613</u> |
| Reconciliation of operating income to net cash provided (used) by operating activities: | | | | | |
| Operating income | \$ 216,602 | \$ 259,435 | \$ 487,819 | \$ 963,856 | \$ 68,317 |
| Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities | | | | | |
| Depreciation | 327,386 | 814,448 | 334,862 | 1,476,696 | - |
| Change in assets and liabilities | | | | | |
| (Increase) decrease in accounts receivable | (9,024) | (7,903) | (83,395) | (100,322) | - |
| Increase in utility receivable | (332) | (221) | - | (553) | - |
| Decrease in assessment receivable | 24,419 | 21,550 | - | 45,969 | - |
| Increase in due from other governments | (2,250) | (3,110) | - | (5,360) | - |
| Increase in inventory | - | - | (69,525) | (69,525) | - |
| Increase (decrease) in accounts payable | (39,566) | 32,284 | 94,552 | 87,270 | (769) |
| Increase in accrued wages payable | 674 | (479) | 1,888 | 2,083 | 568 |
| Increase (decrease) in compensated absences payable | 385 | 670 | 3,120 | 4,175 | - |
| Increase in OPEB payable | 1,274 | 4,033 | 4,357 | 9,664 | - |
| Increase in unearned revenue - utility | 332 | 221 | - | 553 | - |
| Total adjustments | <u>303,298</u> | <u>861,493</u> | <u>285,859</u> | <u>1,450,650</u> | <u>(201)</u> |
| Net cash provided by operating activities | <u>\$ 519,900</u> | <u>\$ 1,120,928</u> | <u>\$ 773,678</u> | <u>\$ 2,414,506</u> | <u>\$ 68,116</u> |
| Noncash investing, capital, and financing activities: | | | | | |
| Amortization of bond discount | \$ 1,650 | \$ 1,219 | \$ - | \$ 2,869 | \$ - |
| Amortization of service territory | - | - | 46,594 | 46,594 | - |
| Change in capital loans receivable | - | 111,871 | - | 111,871 | - |
| Change in capital items acquired on account | - | (290,854) | - | (290,854) | - |
| Loss on disposal of capital asset | (4,725) | (12,110) | - | (16,835) | - |
| Capital asset contributions | 95,196 | 139,336 | 10,000 | 244,532 | - |
| Prior period adjustment for inventory | - | - | 213,847 | 213,847 | - |
| Prior period adjustment for unbilled accounts receivable | 44,176 | 94,160 | 306,427 | 444,763 | - |

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

NOTES TO THE FINANCIAL STATEMENTS

CITY OF WASECA
NOTES TO FINANCIAL STATEMENTS
December 31, 2012

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. Description of government-wide financial statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the primary government and its component units. All fiduciary activities are reported only in the fund financial statements. Governmental activities, which normally are supported by taxes, intergovernmental revenues, and other nonexchange transactions, are reported separately from business-type activities, which rely to a significant extent on fees and charges to external customers for support. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

B. 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 City has considered all potential units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the City are such that exclusion would cause the City's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board (GASB) has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the primary government to impose its will on that organization or (2) the potential for the organization to provide specific benefits to, or impose specific financial burdens on the primary government.

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. The Economic Development Authority does not issue separate financial statements.

C. Basis of presentation - government-wide financial statements

While separate government-wide and fund financial statements are presented, they are interrelated. The governmental activities column incorporates data from governmental funds and internal service funds, while business-type activities incorporate data from the government's enterprise funds. Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements.

As discussed earlier, the government has a discretely presented component unit. While the Economic Development Authority is considered to be a major component unit, it is nevertheless shown in a separate column in the government-wide financial statements.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments in lieu of taxes where the amounts are reasonably equivalent in value to the interfund services provided and other charges between the government's water and transit functions and various other functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

D. Basis of presentation - fund financial statements

The fund financial statements provide information about the government's funds, including its fiduciary funds and blended component units. Separate statements for each fund category—governmental, proprietary, and fiduciary—are presented. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. All remaining governmental and enterprise funds are aggregated and reported as nonmajor funds. Major individual governmental and enterprise funds are reported as separate columns in the fund financial statements.

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.

Special Assessment Debt 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.

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 three 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 Central Garage fund accounts for all activity of the servicing of City vehicles and equipment.

During the course of operations the government has activity between funds for various purposes. Any residual balances outstanding at year end are reported as due from/to other funds and advances to/from other funds. While these balances are reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Balances between the funds included in governmental activities (i.e., the governmental and internal service funds) are eliminated so that only the net amount is included as internal balances in the governmental activities column. Similarly, balances between the funds included in business-type activities (i.e., the enterprise funds) are eliminated so that only the net amount is included as internal balances in the business-type activities column.

Further, certain activity occurs during the year involving transfers of resources between funds. In fund financial statements these amounts are reported at gross amounts as transfers in/out. While reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Transfers between the funds included in governmental activities are eliminated so that only the net amount is included as transfers in the governmental activities column. Similarly, balances between the funds included in business-type activities are eliminated so that only the net amount is included as transfers in the business-type activities column.

E. Measurement Focus and basis of accounting

The accounting and financial reporting treatment is determined by the applicable measurement focus and basis of accounting. Measurement focus indicates the type of resources being measured such as current financial resources or economic resources. The basis of accounting indicates the timing of transactions or events for recognition in the financial statements.

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. 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.

The 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 after year end. Expenditures are recorded when the related fund liability is incurred. However, debt service expenditures, as well as expenditures related to compensated absences, other postemployment benefits, 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. Entitlements are recorded as revenues when all eligibility requirements are met, including any time requirements, and the amount is received during the period or within the availability period for this revenue source (within 60 days of year end). Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other eligibility requirements have been met, and the amount is received during the period or within the availability period for this revenue source (within 60 days of year end). All other revenue items are considered to be measurable and available only when cash is received by the government.

The proprietary funds are reported using the economic resources measurement focus and the accrual basis of accounting.

Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received by the City.

Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the year in which the resources are measurable and become available.

Non-exchange transactions, in which the City receives value without directly giving equal value in return, include property taxes, grants, entitlement and donations. On an accrual basis, revenue from property taxes is recognized in the year for which the tax is levied. Revenue from grants, entitlements and donations is recognized in the year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the year when use is first permitted, matching requirements, in which the City must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the City on a reimbursement basis. On a modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized.

Unearned revenue arises when assets are recognized before revenue recognition criteria have been satisfied. Grants and entitlements received before eligibility requirements are met are also recorded as unearned revenue.

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Enterprise funds are used to account for those operations that are financed and operated in a manner similar to private business or where the Council has decided that the determination of revenues earned, costs incurred and/or net income is necessary for management accountability.

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.

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.

F. Assets, Liabilities, deferred inflows of resources and net position/fund balance

1. Cash and cash equivalents

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 for the City, as well as for its component units, are reported at fair value.

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 Taxes

The Council annually adopts a tax levy and certifies it to the County in December for collection the following year. The County is responsible for collecting all property taxes for the City. These taxes attach an enforceable lien on taxable property within the City on January 1 and are payable by the property owners in two installments in May and October. The taxes are collected by the County Treasurer and tax settlements are made to the City during January, June and November each year.

Delinquent taxes receivable include the past six years' uncollected taxes. Delinquent taxes have been offset by a deferred inflow of resources for delinquent taxes not received within 60 days after year-end in the fund financial statements

3. Special Assessments

Special assessments represent the financing for public improvements paid for by benefiting property owners. These assessments are recorded as receivables upon certification to the County. Special assessments are recognized as revenue when they are received in cash or within 60 days after year-end. All governmental special assessments receivable are offset by a deferred inflow of resources in the fund financial statements.

4. 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”.

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

5. 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.

6. Inventories and Prepaid Items

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.

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

7. Land held for resale

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

8. 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.

9. 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. Interest incurred during the construction phase of capital assets of business-type activities, if material, is included as part of the capitalized value of the assets 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 Position. 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 Distributions System | 20-50 years |
| Machinery and Equipment | 4-20 years |
| Infrastructure | 30-50 years |

10. 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. The General fund is typically used to liquidate governmental compensated absences payable.

11. Long-Term Obligations

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

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.

12. Deferred inflows of resources

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The government has only one type of item, which arises only under a modified accrual basis of accounting, that qualifies for reporting in this category. Accordingly, the item, unavailable revenue, is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from three sources: property taxes, special assessments and loans. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

13. Fund Equity

In the financial statements, fund balance is divided into five classifications based primarily on the extent to which the City is bound to observe constraints imposed upon the use of resources reported in the governmental funds. These classifications are defined as follows:

Nonspendable Fund Balance - Amounts that cannot be spent because they are either (a) not in a spendable form, or (b), legally or contractually required to be maintained intact.

Restricted Fund Balance - Amounts that are subject to externally enforceable legal restrictions from (a) externally imposed by creditors, grantors, contributors, or laws or regulations of other governments, or (b), imposed by law through constitutional provisions or enabling legislation.

Committed Fund Balance - Amounts whose use is constrained by limitation that the government imposes upon itself by formal action (resolution) of the City Council (the City's highest level of decision-making authority. Committed amounts cannot be used for any other purpose unless the Council modifies or rescinds the commitment by resolution.

Assigned Fund Balance - Intended use of resources as established by City Council itself, or established by the City Manager as delegated by the City Council.

Unassigned Fund Balance - The residual classification for the General fund and also negative residual amounts in other funds.

The City considers restricted amounts to be spent first when both restricted and unrestricted fund balance is available. Additionally, the City would first use committed, then assigned, and lastly unassigned amounts of unrestricted fund balance when expenditures are made.

14. Net Position

Net position represents the difference between assets and liabilities and deferred inflows of resources. Net position is displayed in three components:

- a. Net investment in capital assets - Consists of capital assets, net of accumulated depreciation reduced by any outstanding debt attributable to acquire capital assets.
- b. Restricted net position - Consist of net position restricted when there are limitations imposed on their use through external restrictions imposed by creditors, grantors, laws or regulations of other governments.
- c. Unrestricted net position - All other net position that do not meet the definition of "restricted" or "net investment in capital assets".

Net position flow assumption

Sometimes the government will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted – net position and unrestricted – net position in the government-wide and proprietary fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied.

It is the government's policy to consider restricted – net position to have been depleted before unrestricted – net position is applied.

15. 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.

G. Revenues and expenditures/expenses

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

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues 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.

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 position:

The governmental fund balance sheet includes a reconciliation between the fund balance in the governmental funds and net position in the governmental activities as reported in the government-wide statement of net position. 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 | \$ (3,810,000) |
| Compensated absences payable | (257,767) |
| Total difference | <u>\$ (4,067,767)</u> |
| | |
| Bond discounts | \$ 15,728 |
| Bond premiums | (373) |
| Total difference | <u>\$ 15,355</u> |

Deferred inflows of resources 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.

| | |
|---|--------------------|
| Unavailable Revenue - Special assessments | \$ 722,759 |
| Unavailable Revenue - Delinquent taxes | 107,346 |
| Unavailable Revenue - Loans receivable | 1,282,158 |
| Allowance for Uncollectible Loans | <u>(1,224,185)</u> |
| | <u>\$ 888,078</u> |

III. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. Budgetary Information

Annual budgets are adopted on a basis consistent with generally accepted accounting principles. Annual appropriated budgets are adopted for the General and the following Special Revenue funds: Economic Development Public Grant (EDPG) Clear Lake Press, Tax Increment Financing (TIF) funds, Airport fund, Waseca Water Park fund, Waseca Housing fund, Heritage Preservation fund. Police Reserve 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, Equipment Replacement 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 fund, function and department 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.

The City's budgets may be amended or modified at any time by the City Council. The legal level of budgetary control (i.e., the level at which expenditures may not legally exceed appropriations) is the department level. Management cannot amend the adopted budget, but must request the City Council to transfer funds between funds or departments or adopt supplemental appropriations when the need arises. Adjustments made to the 2012 budget were as follows:

| | |
|-----------------------|-------------------|
| General Fund | \$ 41,400 |
| Airport | 309,930 |
| Equipment Replacement | 321,342 |
| Capital Improvements | 72,000 |
| Water | 51,500 |
| Electric | 90,000 |
| Total | <u>\$ 886,172</u> |

B. Excess of Expenditures Over Appropriations

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

| | <u>Budget</u> | <u>Actual</u> | <u>Variance</u> |
|---------------------------------------|---------------|---------------|-----------------|
| Special Revenue Funds | | | |
| Airport Fund | \$ 440,702 | \$ 454,067 | \$ 13,365 |
| EDPG Clear Lake Press | 100 | 104,571 | 104,471 |
| Heritage Preservation | 16,320 | 18,638 | 2,318 |
| Waseca Housing Fund | 15,150 | 53,000 | 37,850 |
| Police Reserve Fund | 5,000 | 5,969 | 969 |
| Capital Project Funds | | | |
| Municipal State Aid Construction Fund | 200,000 | 320,531 | 120,531 |
| Annexation and Growth | - | 8,354 | 8,354 |

The Airport fund includes a City Council approved Airport Taxi Lane Construction, the City is required to provide a 10% match for the construction. 2012 Airport revenue was sufficient to cover the expenses.

The EDPG Clear Lake Press Fund was a pass through for an unbudgeted \$100,000 loan to a local business. 2012 revenue was sufficient to cover the expenses.

The Heritage Preservation Fund was established for the grant funding and expenditures related to the Heritage Preservation of Waseca, expenditures will be reimbursed from grant funding.

The Waseca Housing fund provided an unbudgeted \$50,000 payment to a local developer in accordance with a City Council approved agreement for construction of a living facility for seniors. Existing fund balance was sufficient to cover these expenses.

The Police Reserve Fund was established to provide for donations and operational costs for volunteer reserve activities. Expenditures were reimbursed through their activities.

The Municipal State Aid Construction Fund administers State funds made available for municipal state aid street and construction improvements. In 2012, the City completed state aid street projects that will be reimbursed by state aid revenue.

The Annexation & Growth Fund was established to provide funding for planned future growth of the community. Expenditures exceeded appropriations as a result of the need for professional services related to a 2011 development. Existing fund balance was sufficient to cover these expenses.

C. Deficit Fund Equity

The Special Assessments capital project fund had a deficit fund balance of \$38,818 as of December 31, 2012. The fund incurred costs associated with street improvements that will be reimbursed by future special assessment revenue. The Public Safety Building capital project fund had a deficit fund balance of \$18,931 as of December 31, 2012. The fund has incurred expenses related to the design of the public safety building which will be reimbursed from Federal loan proceeds.

The Tax Increment Financing District #224 Waseca Village and Tax Increment Financing District #227 Fox Meadows had deficit fund balances of \$4,644 and \$7,500, respectively, as of December 31, 2012. Tax Increment payments are expected to cover the expenses, however if these future revenues are not sufficient to cover expenses the government plans to transfer funds from the General fund to cover these costs.

IV. DETAILED NOTES ON ALL FUNDS

A. Cash deposits with financial institutions

Deposits. State Statutes require that all deposits in financial institutions in excess of the \$250,000 insured by the Federal Depository Insurance Corporation (FDIC) be collateralized at 110% by U.S. Government obligations or its agencies and instrumentalities or direct obligations of any state or local government with taxing powers which is rated "A" or better by a national bond rating service. Collateral pledged by the various banks is held in safekeeping departments of banks other than the pledging bank or the Federal Reserve Bank and held in the name of the City. It is required that the City sign authorizations releasing collateral once it is pledged. The City's deposits, including certificates of deposit, were fully insured or collateralized as required by State Statutes at December 31, 2012. At year end, the carrying amount of the City's deposits was \$13,404,083 and the bank balance was \$13,558,072. Of the total bank balance, the FDIC covered \$756,125. The remainder was covered by collateral with a value of \$17,373,591.

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.

As of December 31, 2012, the City had the following investments that are insured or registered, or securities held by the City or it's agent in the City's name:

| Investment Type | Fair Value | Investment Maturities (in years) | | |
|-------------------------|---------------------|----------------------------------|---------------------|-------------------|
| | | <1 | 1-5 | 6-10 |
| Certificates of deposit | \$ 2,204,109 | \$ 300,000 | \$ 1,904,107 | \$ - |
| Federal agency notes | 312,859 | 312,859 | - | - |
| Municipal bonds | 204,675 | - | - | 204,675 |
| Total Investments | <u>\$ 2,721,643</u> | <u>\$ 612,859</u> | <u>\$ 1,904,107</u> | <u>\$ 204,675</u> |

As of December 31, 2012, the City had the following summary of investments related to the credit risk, par values and fair values of securities:

| Investment Type | Credit Risk | Par | Fair Value | % of total |
|-------------------------|-------------|---------------------|---------------------|----------------|
| | | | | Portfolio |
| Certificates of deposit | N/A | \$ 2,200,000 | \$ 2,204,109 | 80.98% |
| Federal agency notes | AAA | 315,000 | 312,859 | 11.50% |
| Municipal bonds | AAA | 185,000 | 204,675 | 7.52% |
| Total Investments | | <u>\$ 2,700,000</u> | <u>\$ 2,721,643</u> | <u>100.00%</u> |

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

| | |
|--|----------------------|
| Investments | \$ 2,721,643 |
| Savings account | 8,869,188 |
| Checking account | 3,830,786 |
| Petty cash and change funds | 1,250 |
| Total cash, cash equivalents, and investments | <u>15,422,867</u> |
| Cash and cash equivalents - governmental activities | \$ 4,355,678 |
| Investments - governmental activities | 2,721,643 |
| Cash and cash equivalents - business-type activities | 7,711,016 |
| Customer deposits - business-type activities | 191,012 |
| Cash and cash equivalents - component unit | 443,518 |
| | <u>\$ 15,422,867</u> |

Interest Rate Risk: The City's investment policy states that the City will minimize the risk that the fair 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.

Credit Risk: Credit Risk is the risk of loss due to the failure of the security issuer or backer. According to the City's investment policy, credit risk is mitigated by limiting investments to the safest types of securities, pre-qualifying the financial institutions, broker/dealers, intermediaries, and advisors with which the City will do business, and diversifying the investment portfolio so that potential losses on individual securities will be minimized. At December 31, 2012, the City's investment in U.S. Government Agency securities were rated AAA by Moody's Investor Service.

Concentraion of credit risk: The concentration of credit risk is the risk of loss that may be caused by the City's investment in a single issuer. The City shall diversify its investments to avoid incurring unreasonable risks inherent in over-investing in specific instruments, individual financial institutions or maturities. Within these parameters, portfolio maturities shall be staggered to avoid undue concentration of assets in a specific maturity sector. In accordance with the City's investment policy, restrictions placed on the City's current investments are as follows:

| Investment Securities | Maximum Exposure | Exposure per Issuer | Additional Restrictions |
|--|------------------|---------------------|--|
| 1. Certificates of deposit and bank deposits. (checking and savings) | 100% | Unlimited | None |
| 2. Direct Obligations of U.S. | 100% | Unlimited | No more than 25% in zero coupon items |
| 3. Obligation issued or guaranteed by Agency of U.S. | 100% | Unlimited | None |
| 4. Share of Regulated Investment companies invested in 2 & 3 above | 100% | 100% | None |
| 5. Repurchase or Reverse Repurchase Agreements | 20% | 10% | 90 days maturity or less |
| 6. General Obligations of any State of the US which is a general obligation of any state or local government with taxing powers. | 50% | 5% | "A" or better by at least on major rating agency |

| | | | |
|--|-----|-----------|---|
| 7. Any security which is a revenue obligation of any state or local government with taxing powers. | 50% | 5% | "AA" or better by at least on major rating agency |
| 8. Local government investment pools | 50% | Unlimited | None |

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 unavailable 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 unavailable 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 \$107,346, \$722,759 and \$1,282,158. respectively.

Loans Receivable: Local businesses have loans with the City for various amounts. These loans will be paid back to the City at various monthly payment with interest at 3.0 percent per annum on all unpaid balances. The balance on these loans at December 31, 2012 is \$54,973. These loans are unsecured. The City also has a deferred loan of \$3,000 that will mature on June 1, 2033 or payable immediately upon the sale or transfer or property for Block 1, Lot 4, EDA Plat No. 1.

The City has also issued loans to renovate and remodel residential and business properties through the Small Cities Loan Grant Program. The balance of these loans at December 31, 2012 is \$1,224,185. These loans are deferred for 10 years, at which time the note is forgiven if the original property owner is still residing at the improved property. The amount of allowance for doubtful accounts for the forgivable portion is \$1,224,185.

C. Capital Assets

Capital asset activity for governmental activities for the year ended December 31, 2012 was as follows:

| | Beginning Balances | Increases | Decreases | Ending Balances |
|---|-----------------------|------------|-----------|--------------------|
| Capital assets not being depreciated | | | | |
| Land | \$ 1,412,695 | \$ - | \$ - | \$ 1,412,695 |
| Construction in progress | 239,786 | 751,772 | 8,846 | 982,712 |
| Total capital assets not being depreciated | 1,652,481 | 751,772 | 8,846 | 2,395,407 |
| Depreciable capital assets: | | | | |
| Buildings | 3,479,304 | 46,493 | - | 3,525,797 |
| Improvements other than buildings | 7,086,407 | - | - | 7,086,407 |
| Equipment | 4,845,333 | 555,875 | 308,564 | 5,092,644 |
| Infrastructure | 32,796,715 | 798,874 | - | 33,595,589 |
| Total depreciable capital assets | 48,207,759 | 1,401,242 | 308,564 | 49,300,437 |
| Accumulated depreciation | | | | |
| Buildings | 1,685,081 | 78,037 | - | 1,763,118 |
| Improvements other than buildings | 2,770,582 | 204,412 | - | 2,974,994 |
| Equipment | 2,757,820 | 291,165 | 235,883 | 2,813,102 |
| Infrastructure | 14,950,849 | 924,484 | - | 15,875,333 |
| Total accumulated depreciation | 22,164,332 | 1,498,098 | 235,883 | 23,426,547 |
| Total capital assets being depreciated, net | 26,043,427 | (96,856) | 72,681 | 25,873,890 |
| Governmental activities capital assets, net | \$ 27,695,908 | \$ 654,916 | \$ 81,527 | \$ 28,269,297 |

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

| | |
|--|---------------------|
| General Government | \$ 100,775 |
| Public Safety | 97,221 |
| Streets and Highways | 1,030,156 |
| Culture and Recreation | 269,946 |
| Total depreciation for governmental activities | <u>\$ 1,498,098</u> |

Capital asset activity for business-type activities for the year ended December 31, 2012 was as follows:

| | Beginning Balances | Increases | Decreases | Ending Balances |
|--|-----------------------|---------------|---------------|--------------------|
| Capital assets not being depreciated | | | | |
| Land | \$ 127,215 | \$ - | \$ - | \$ 127,215 |
| Construction in progress | 15,791,170 | 314,497 | 15,201,761 | 903,906 |
| Total capital assets not being depreciated | 15,918,385 | 314,497 | 15,201,761 | 1,031,121 |
| Depreciable capital assets: | | | | |
| Buildings | 3,345,607 | 12,631,309 | - | 15,976,916 |
| Improvements other than buildings | 28,809,596 | 3,663,447 | - | 32,473,043 |
| Equipment | 7,313,278 | 155,883 | 465,638 | 7,003,523 |
| Total depreciable capital assets | 39,468,481 | 16,450,639 | 465,638 | 55,453,482 |
| Accumulated depreciation | | | | |
| Buildings | 1,316,964 | 260,980 | - | 1,577,944 |
| Improvements other than buildings | 16,356,995 | 904,074 | - | 17,261,069 |
| Equipment | 4,447,762 | 311,642 | 421,982 | 4,337,422 |
| Total accumulated depreciation | 22,121,721 | 1,476,696 | 421,982 | 23,176,435 |
| Total capital assets being depreciated, net | 17,346,760 | 14,973,943 | 43,656 | 32,277,047 |
| Business-type activities capital assets, net | \$ 33,265,145 | \$ 15,288,440 | \$ 15,245,417 | \$ 33,308,168 |

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

| | |
|---|---------------------|
| Water | \$ 327,386 |
| Sewer | 814,448 |
| Electric | 334,862 |
| Total depreciation for business-type activities | <u>\$ 1,476,696</u> |

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 2013 revenue flow provides for costs.

The composition of interfund balances as of December 31, 2012 is as follows:

Due to/from other funds:

| <u>Receivable Fund</u> | <u>Payable Fund</u> | <u>Amount</u> |
|------------------------|-----------------------------|-------------------|
| General Fund | Nonmajor Governmental Funds | <u>\$ 144,334</u> |

The following is a schedule of interfund transfers for the year ended December 31, 2012:

| Transfers Out | Transfers In | | | | |
|------------------------------|--------------------|--------------|-------------------------------------|-----------------|--------------|
| | General Fund (1-2) | CIP Fund (3) | Non-Major Governmental Funds (4-10) | Sewer Fund (11) | Total |
| General Fund | \$ - | \$ 574,356 | \$ 704,610 | \$ 177,876 | \$ 1,456,842 |
| Non-major governmental funds | - | - | 105,296 | - | 105,296 |
| Water Fund | 123,724 | - | - | - | 123,724 |
| Sewer Fund | 123,724 | - | - | - | 123,724 |
| Electric Fund | 385,470 | - | - | - | 385,470 |
| Total | \$ 632,918 | \$ 574,356 | \$ 809,906 | \$ 177,876 | \$ 2,195,056 |

Transfers were used for the following:

- (1) Transfers from Utilities for administrative and overhead costs of the General Fund in the amount of \$123,724, \$123,724, and \$100,470 for Water, Sewer, and Electric respectively
- (2) Transfer from Electric Fund for franchise fee in the amount of \$285,000
- (3) Transfer from the General Fund to the CIP Fund to provide funding for street improvements
- (4) Transfer of \$515,530 to the Equipment Replacement Fund to provide funding for various equipment in accordance with the City's approved equipment replacement schedule
- (5) The City's required contribution for the Fire Relief Association of \$33,764
- (6) Transfer of \$50,000 from the General fund to the Water Park for operations
- (7) Transfer of \$105,316 from the General fund to provide funding for debt service payments related to NW Construction Site
- (8) Transfer of \$5,019 to close Equipment Certificate funds to the Equipment Replacement fund
- (9) Transfer of \$21,534 to close the NW Construction Debt Service fund to refunded bond fund
- (10) Transfer of \$78,743 for debt service payments on debt issued for downtown project developments
- (11) Transfer to the Sewer Fund to provide funding for the Public Facilities Authority loan (30% levy funded)

E. Other Assets

Other assets within the Governmental and Enterprise funds for December 31, 2012 are as follows:

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.

In 2009, the City acquired additional service territory in the amount of \$44,087. This additional service territory resulted from negotiations with Xcel Energy, as the City acquired property known as Woods Edge, Nature's Acres and Woodville Meadows. This service territory is being amortized over a period of ten years.

In 2011, the City acquired additional service territory in the amount of \$17,600. This additional service territory resulted from negotiations with Xcel Energy, as the City acquired property known as Fox Meadows and Prakridge. This service territory is being amortized over a period of ten years

As of December 31, 2012 the unamortized balance of these service territories in the Electric Fund was \$141,999.

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 \$430,000 is currently outstanding as follows:

| | Original Amount | Maturities | Rates | Balance at 12/31/2012 |
|--|--------------------|------------|-------|--------------------------|
| General Obligation Refunding Bonds Series 2011A | <u>\$ 430,000</u> | 2013-2016 | 1.06% | <u>\$ 430,000</u> |

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

| Year | Governmental Activities | |
|------|-------------------------|-----------------|
| | Principal | Interest |
| 2013 | \$ 135,000 | \$ 2,540 |
| 2014 | 140,000 | 1,783 |
| 2015 | 75,000 | 1,081 |
| 2016 | 80,000 | 400 |
| | <u>\$ 430,000</u> | <u>\$ 5,804</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:

| | Original Amount | Maturities | Rates | Balance at 12/31/2012 |
|--|---------------------|------------|-------|--------------------------|
| General Obligation Tax Increment Series 2005E | <u>\$ 1,100,000</u> | 2005-2026 | 4.25% | <u>\$ 945,000</u> |

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

| Year | Governmental Activities | |
|-----------|-------------------------|-------------------|
| | Principal | Interest |
| 2013 | \$ 45,000 | \$ 38,393 |
| 2014 | 50,000 | 36,493 |
| 2015 | 50,000 | 34,492 |
| 2016 | 50,000 | 32,492 |
| 2017 | 55,000 | 30,392 |
| 2018-2022 | 340,000 | 114,758 |
| 2023-2026 | 355,000 | 31,754 |
| | <u>\$ 945,000</u> | <u>\$ 318,774</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:

| | Original Amount | Maturities | Rates | Balance at 12/31/2012 |
|---|--------------------|------------|-------|--------------------------|
| General Obligation State Aid Street Bonds Series 2005B | <u>\$ 805,000</u> | 2005-2015 | 3.65% | <u>\$ 240,000</u> |

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

| Year | Governmental Activities | |
|------|-------------------------|------------------|
| | Principal | Interest |
| 2013 | \$ 80,000 | \$ 7,440 |
| 2014 | 80,000 | 4,520 |
| 2015 | 80,000 | 1,520 |
| | <u>\$ 240,000</u> | <u>\$ 13,480</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:

| | Original Amount | Maturities | Rates | Balance at 12/31/2012 |
|---|---------------------|------------|-------|--------------------------|
| General Obligation Aquatic Center Bonds Series 2006A | <u>\$ 2,040,000</u> | 2006-2027 | 4.34% | <u>\$ 1,700,000</u> |

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

| Year | Governmental Activities | |
|-----------|-------------------------|-------------------|
| | Principal | Interest |
| 2013 | 85,000 | 70,385 |
| 2014 | 85,000 | 66,985 |
| 2015 | 90,000 | 63,440 |
| 2016 | 95,000 | 59,648 |
| 2017 | 100,000 | 55,650 |
| 2018-2022 | 555,000 | 211,289 |
| 2023-2027 | 690,000 | 78,666 |
| | <u>\$ 1,700,000</u> | <u>\$ 606,063</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. Two special assessment bond issues with a total original issue amount of \$2,350,000 are currently outstanding as follows:

| Permanent Improvement Bonds | Original Amount | Maturities | Rates | Balance at 12/31/2012 |
|-----------------------------|---------------------|------------|-------|-----------------------|
| Series 2001A | \$ 935,000 | 2001-2013 | 4.68% | \$ 100,000 |
| Series 2004C | 1,415,000 | 2004-2015 | 5.08% | 395,000 |
| Total | <u>\$ 2,350,000</u> | | | <u>\$ 495,000</u> |

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

| Year | Governmental Activities | |
|------|-------------------------|------------------|
| | Principal | Interest |
| 2013 | \$ 235,000 | \$ 17,453 |
| 2014 | 130,000 | 10,140 |
| 2015 | 130,000 | 5,200 |
| | <u>\$ 495,000</u> | <u>\$ 32,793</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 \$435,000. The bonds from these funds are payable from the proceeds of the 2011 refunding bonds of \$545,000 and 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 12/31/2012 |
|--|---------------------|------------|-------|--------------------------|
| Revenue Refunding Bonds of 2004B | \$ 1,900,000 | 2004-2016 | 3.58% | \$ 835,000 |
| Revenue Bonds Series 2005A | 1,760,000 | 2005-2026 | 4.18% | 1,215,000 |
| General Obligation Refunding Bonds Series 2011A | 545,000 | 2013-2017 | 1.06% | 545,000 |
| Total | <u>\$ 4,205,000</u> | | | <u>\$ 2,595,000</u> |

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

| Year | Business-Type Activities | |
|-----------|--------------------------|-------------------|
| | Principal | Interest |
| 2013 | \$ 405,000 | \$ 80,749 |
| 2014 | 420,000 | 68,603 |
| 2015 | 435,000 | 55,578 |
| 2016 | 440,000 | 41,676 |
| 2017 | 170,000 | 32,666 |
| 2018-2022 | 370,000 | 117,393 |
| 2023-2026 | 355,000 | 31,997 |
| | <u>\$ 2,595,000</u> | <u>\$ 428,662</u> |

7. General Obligation Revenue Note

A General Obligation Revenue note was issued to the Minnesota Public Facilities Authority on July 10, 2009 to finance the cost of improvements to the wastewater treatment system. The note is payable from a special levy and service rate increases, and is backed by the full faith and credit of the City. Total funding received from this note was \$9,335,004. This note bears interest at the rate of 2.63%. The General Obligation Revenue Note currently outstanding is as follows:

| | Original Amount | Maturities | Rates | Balance at 12/31/2012 |
|--|---------------------|------------|-------|--------------------------|
| General Obligation Wastewater Revenue Note Series 2009A | <u>\$ 9,335,004</u> | 2010-2029 | 3.00% | <u>\$ 8,204,000</u> |

Annual debt service requirements to maturity for this note are as follows:

| Year | Business-Type Activities | |
|-----------|--------------------------|---------------------|
| | Principal | Interest |
| 2013 | \$ 389,000 | \$ 215,519 |
| 2014 | 399,000 | 205,300 |
| 2015 | 410,000 | 194,818 |
| 2016 | 421,000 | 184,048 |
| 2017 | 432,000 | 172,988 |
| 2018-2022 | 2,334,000 | 688,721 |
| 2023-2027 | 2,656,000 | 365,705 |
| 2028-2029 | 1,163,000 | 46,025 |
| | <u>\$ 8,204,000</u> | <u>\$ 2,073,124</u> |

8. Change in Long-Term Liabilities

Long-term liability activity for the year ended December 31, 2012 was as follows:

| | Beginning Balance | Increases | Decreases | Ending Balance | Due Within One Year |
|---------------------------------|----------------------|-------------------|-----------------------|----------------------|------------------------|
| <i>Governmental Activities</i> | | | | | |
| Bonds payable | | | | | |
| General obligation bonds | \$ 975,000 | \$ - | \$ (545,000) | \$ 430,000 | \$ 135,000 |
| Less: bond discount | (3,566) | - | 719 | (2,847) | - |
| GO Tax Increment bonds | 980,000 | - | (35,000) | 945,000 | 45,000 |
| Less: bond discount | (6,733) | - | 475 | (6,258) | - |
| GO State Aid Street bonds | 320,000 | - | (80,000) | 240,000 | 80,000 |
| Less: bond discount | (2,952) | - | 886 | (2,066) | - |
| GO Aquatic Center bonds | 1,780,000 | - | (80,000) | 1,700,000 | 85,000 |
| Less: bond discount | (2,567) | - | 170 | (2,397) | - |
| Special Assessment bonds | 730,000 | - | (235,000) | 495,000 | 235,000 |
| Plus: bond premium | 517 | - | (144) | 373 | - |
| Less: bond discount | (2,997) | - | 837 | (2,160) | - |
| Other post-employment benefits | 175,709 | 69,424 | (41,452) | 203,681 | - |
| Compensated absences | 251,125 | 201,522 | (194,880) | 257,767 | 150,264 |
| Long term liabilities | <u>\$ 5,193,536</u> | <u>\$ 270,946</u> | <u>\$ (1,208,389)</u> | <u>\$ 4,256,093</u> | <u>\$ 730,264</u> |
| <i>Business-type activities</i> | | | | | |
| Bonds payable | | | | | |
| Revenue bonds | \$ 3,495,000 | \$ - | \$ (900,000) | \$ 2,595,000 | \$ 405,000 |
| Less: bond discount | (16,261) | - | 2,869 | (13,392) | - |
| GO Revenue notes | 8,060,462 | 523,043 | (379,505) | 8,204,000 | 389,000 |
| Other post-employment benefits | 51,399 | 23,988 | (14,324) | 61,063 | - |
| Compensated absences | 77,530 | 51,811 | (47,636) | 81,705 | 36,403 |
| Long term liabilities | <u>\$ 11,668,130</u> | <u>\$ 598,842</u> | <u>\$ (1,338,596)</u> | <u>\$ 10,928,376</u> | <u>\$ 830,403</u> |

For the governmental activities, compensated absences and the net other post-employment benefit obligation are generally liquidated by the General fund.

G. Fund Balance Reporting

1. Committed Fund Balance Policy

The City Council, at its discretion, may commit or assign fund balance for a specific purpose to be spent in future years. Planned uses of fund balance will be budgeted during the annual budget process. Balances must meet the following criteria to be reported as committed:

1. Imposed by City Council through council action (resolution)
2. The council action must be binding, unless removed in the same manner
3. The council action must be done prior to 12/31 of the current year.

2. Assigned Fund Balance Policy

The City's Assigned Fund Balance is fund balance reporting occurring by City Council authority, or established by the City Manager as delegated by the City Council. The amounts include (a) all remaining amounts (except for negative balances) that are reported in special revenue, capital projects and debt service funds (b) amounts in the general fund that are intended to be used for a specific purpose that is narrower than the general purposes of the City.

3. Order of Fund Balance Spending Policy

To provide the greatest level of flexibility and control over its financial resources, the City will apply restricted revenues first when an expense is incurred for purposes for which both restricted and unrestricted revenues are available. The general fund is the only fund that may report a positive unassigned fund balance but a deficit balance is possible in any other governmental fund.

4. Minimum Fund Balance

At the end of each fiscal year, the City will maintain an Assigned/Unassigned fund balance in the General Fund for working capital in a range equal to 35 - 50% of the subsequent year's General Fund expenditure budget. The Assigned/Unassigned fund balance in the General Fund should not fall below 10 percent of budgeted operating expenditures at any time during the year.

Any planned use of fund balance below the minimum target shall be accompanied by a plan to restore the fund balance to the minimum targeted level.

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 2012, the amount of support provided to the library system by the City was \$166,362.

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. On an annual basis the City provides 26.6% of the financial support provided. 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, 2011 is presented as follows (2012 financial information was not available at the time of the audit):

| | |
|---------------------------------|--------------------------|
| Total Revenues | \$ 771,842 |
| Total Expenditures | <u>760,814</u> |
| Change in Net Position | 11,028 |
| Net Position, January 1, 2011 | <u>701,674</u> |
| Net Position, December 31, 2011 | <u><u>\$ 712,702</u></u> |
| | |
| Total Assets | <u><u>\$ 757,144</u></u> |
| | |
| Total Liabilities | <u><u>\$ 44,442</u></u> |

City's Investment in Joint Ventures, December 31, 2011 \$ 189,579

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 April 1, 2030.

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.

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

E. Construction Commitments

The City has several ongoing construction projects. Commitments to contractors for these projects are as follows:

| Project | Contractor | Paid to date | Contract remaining |
|------------------------|----------------------|--------------|--------------------|
| 2012 Hangar Taxilane | Timm's Trucking | \$ 275,933 | \$ 33,997 |
| 2010 State Aid Streets | Bituminous Materials | \$ 305,139 | \$ 49,140 |

F. Pension Plans

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

Plan Description

All full-time and certain part-time employees of the City of Waseca are covered by defined benefit plans administered by the Public Employees Retirement Association of Minnesota (PERA). PERA administers the General Employees Retirement Fund (GERF), 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.

General Employees Retirement Fund 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 and benefits vest after three years of credited service (five years for those first eligible for membership after June 30, 2010).

All police officers, firefighters, and peace officers who qualify for membership by statute are covered by the Public Employees Police and Fire Fund. For members first eligible for membership after June 30, 2010, benefits vest on a graduated schedule starting with 50 percent after five years and increasing 10 percent for each year of service until fully vested after ten years. Members eligible for membership before July, 2010, are fully vested after three years of service.

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. Defined retirement benefits are based on a member's highest average salary for the five highest-paid consecutive years of allowable service, age, and years of credit at termination of service.

Two methods are used to compute benefits for PERA's Coordinated and Basic Plan members. The retiring member receives 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 year thereafter. The annuity accrual rate for a Coordinated Plan member is 1.2 percent of average salary for each of the first 10 years of service 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 GERF members whose annuity is calculated using Method 1, and all PEPFF members, a full annuity is available when age plus years of service equal 90. Normal retirement age is 55 for PEPFF members and 65 for Basic and Coordinated members hired prior to July 1, 1989. Normal retirement age is the age for unreduced Social Security benefits capped at 66 for Coordinated members hired on or after July 1, 1989. A reduced retirement annuity is also available to eligible members seeking early retirement.

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 General Employees Retirement Fund and Public Employees Police and Fire Fund. That report may be obtained on the Internet at www.mnpera.org, by writing to PERA at 60 Empire Drive, Suite 200, St. Paul, Minnesota, 55103-2088, or by calling 651-296-7460 or 1-800-652-9026.

Funding Policy

Pension benefits are funded from member and employer contributions and income from investment of fund assets. Rates for employer and employee contributions are set by Minnesota Statute, Chapter 353. These statutes are established and amended by the State Legislature. The City of Waseca makes annual contributions to the pension plans equal to the amount required by state statutes. GERF Basic Plan members and Coordinated Plan members were required to contribute 9.1 and 6.25 percent, respectively, of their annual covered salary. PEPFF members were required to contribute 9.6 percent.

The City of Waseca was required to contribute the following percentages of annual covered payroll in 2012:

| | |
|--------------------------|---------|
| GERF | |
| Basic Plan members | 11.78 % |
| Coordinated Plan members | 7.25 % |
| PEPFF | 14.40 % |

The City of Waseca's contributions for the years ending December 31, 2012, 2011, and 2010, for the General Employees Retirement Fund and the Public Employees Police and Fire Fund were:

| | <u>2012</u> | <u>2011</u> | <u>2010</u> |
|-------|-------------|-------------|-------------|
| GERF | \$ 158,139 | \$ 159,055 | \$ 159,882 |
| PEPFF | 147,473 | 138,797 | 134,763 |

These contribution amounts are 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 plan is established and administered in accordance with Minnesota Statutes, Chapter 353D, which may be amended by the State Legislature. The plan 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. For those qualified personnel who elect to participate, Minnesota Statutes Section 353D.03, specifies plan provisions including the employee and employer contribution rates. An eligible elected official who decides to participate contributes 5.0 percent of salary which is matched by the employer. Employees may elect to make member contributions in an amount not to exceed the employer share. Employee and employer 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 2.00 percent of employer contributions and .25 percent of the assets in each member's account annually.

Total contributions by dollar amount and percentage of covered payroll made by the City of Waseca during fiscal year ended December 31, 2012, were:

| | <u>Employee</u> | <u>Employer</u> |
|-------------------------------|-----------------|-----------------|
| Contribution Amount | \$ 2,198 | \$ 2,198 |
| Percentage of Covered Payroll | 5.00% | 5.00% |

Required contribution rates were 5.00 percent.

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. On-behalf payments of fringe benefits and salaries for the government's employees were recognized as revenues and expenditures/expenses during the period.

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 on a level dollar closed basis. The contribution required from the City for the year ended December 31, 2012 was \$33,707. The City contributed \$33,707 in 2012 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 \$44,481 and remitted Fire Aid in the amount of \$44,481 in 2012.

The Required Supplementary Information providing a three-year history of Funding Progress is on page 70.

Annual Pension Cost and Net Pension Obligation

The City's annual pension cost and net pension obligation for the year ended December 31, 2012 were as follows:

| | |
|---|-----------|
| Annual Required Contribution | \$ 33,707 |
| Interest on Net Pension Obligation | - |
| Adjustment to Annual Required Contribution | 44,481 |
| Annual Pension Cost | 78,188 |
| Contributions Made | 78,188 |
| Increase (Decrease) in Net Pension Obligation | - |
| Net Pension Obligation - Beginning of Year | - |
| Net Pension Obligation - End of Year | \$ - |

In the December 31, 2012 actuarial valuation, the entry age normal method was used. The significant actuarial assumptions included: (a) 5% investments rate of return; and (b) age and service retirement was assumed to occur at age 50. The actuarial value of plan assets was determined using techniques that spread the effects of short-term volatility in the market value of investments over a five-year period. Actuarial assumptions for project inflation rate, and cost of living adjustments were not applicable to this calculation. 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, 2012, 2011 and 2010 are as follows:

| Year Ended | Annual Pension Cost (APC) | Percentage of APC Contributed | Net Pension Obligation |
|------------|---------------------------|-------------------------------|------------------------|
| 12/31/2010 | \$ 122,079 | 100.0% | \$ - |
| 12/31/2011 | 94,585 | 100.0% | - |
| 12/31/2012 | 78,188 | 100.0% | - |

Funding Progress

| Actuarial Valuation Date | Actuarial Value of Assets | Actuarial Accrued Liability | Funded (Unfunded) Accrued Liability | Funded Ratio | Annual Benefits Per Year of Service |
|--------------------------------|---------------------------------|-----------------------------------|--|-----------------|--|
| 12/31/2010 | 1,094,553 | 1,325,952 | (231,399) | 82.5% | 3,100 |
| 12/31/2011 | 1,094,907 | 1,264,699 | (169,792) | 86.6% | 3,100 |
| 12/31/2012 | 1,279,232 | 1,369,897 | (90,665) | 93.4% | 3,100 |

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 had two public safety employees who were entitled to these benefits for all or part of 2012, currently only one employee is entitled to these benefits. Expenditures for post employment benefits made in 2012 were \$25,832. 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 is currently one such participant covered on the City's plan. In 2011, the City contracted with Hildi Incorporated, 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).

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, 2013.

| | Plan 1 | Plan 2 |
|--------|-----------|-----------|
| Single | \$ 437.50 | \$ 627.00 |
| Family | 1,362.00 | 1,951.50 |

Participants

| | |
|---|-----------|
| 1. Active Employees | 57 |
| 2. Covered retirees, beneficiaries and disabled | 2 |
| 3. Total | <u>59</u> |

Annual OPEB Costs and Net OPEB Obligation

The City's last actuarial valuation was performed for the plan on January 1, 2011 to determine the funded status of the plan as well as the employer's annual required contribution (ARC) for the fiscal year ended December 31, 2012. The City's annual OPEB cost (expense) was \$93,412. The transition liability was set at zero as of January 1, 2008. The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2012 were as follows:

| Fiscal Year Ended | Annual OPEB Cost | Employer Contributions | Implicit Rate | Cumulative Net OPEB Obligation | Percentage of Annual OPEB Cost Contributed |
|----------------------|---------------------|---------------------------|------------------|--------------------------------------|--|
| 2010 | \$ 101,667 | \$ (26,341) | \$ (19,124) | \$ 133,379 | 44.7% |
| 2011 | 94,242 | (21,948) | (34,768) | 227,107 | 60.2% |
| 2012 | 93,412 | (15,470) | (40,306) | 264,743 | 59.7% |

The net OPEB obligation (NOPEBO) as of December 31, 2012, was calculated as follows:

| | |
|---------------------------------------|--------------------------|
| Annual Required Contribution | \$ 97,625 |
| Interest on Net OPEB Obligation | 9,084 |
| Adjustment to ARC | <u>(13,297)</u> |
| Annual OPEB Cost | 93,412 |
| Contributions made | (15,470) |
| Implicit rate | <u>(40,306)</u> |
| Increase in Net OPEB Obligation | 37,636 |
| Net OPEB Obligation Beginning of Year | <u>227,107</u> |
| Net OPEB Obligation End of Year | <u><u>\$ 264,743</u></u> |

Funded Status and Funding Progress. The funded status of the plan as of January 1, 2011 (the most recent valuation date), was as follows:

| | |
|---|-----------|
| Actuarial accrued liability (AAL) | 891,792 |
| Actuarial value of plan assets | - |
| Unfunded actuarial accrued liability (UAAL) | 891,792 |
| Funded ratio (actuarial value of plan assets/AAL) | - |
| Covered payroll (active plan members) | 2,832,604 |
| UAAL as a percentage of covered payroll | 31.48% |

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 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.

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.

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members up to that date. The actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with long-term perspective of the calculations.

In the January 1, 2011 actuarial valuation the projected unit credit method was used. The actuarial assumptions included a 4.0% investment rate of return (net of expenses) with an underlying inflation rate of 2.5%. The actuarial assumptions also included a current year healthcare cost trend rate of 8% in 2008 grading to 5% over 6 years. It is assumed that 55% of active participants continue coverage until age 65. The percentage of spouses electing coverage at participant's retirement is assumed to be 25%. Retirement age is considered the latest of age 60, plan eligibility or current age. Life expectancy is based on the RP 2000 Combined Healthy Table (with Blue Collar adjustment for Police & Fire). 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. The actuarial value of assets was not determined as the City has not advance funded its obligations. The plan's unfunded actuarial accrued liability is being amortized as a level amount of projected payroll on a closed basis over a period of 30 years. The Monthly retiree medical costs per person were estimated to be \$486 for single and \$1,513 for family valued to Medicare eligibility.

H. Accounting Change

GASB Statement 63 "Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position" provides financial reporting guidance for deferred outflows of resources and deferred inflows of resources. Previous financial reporting standards do not include guidance for reporting those financial statement elements, which are distinct from assets and liabilities. The requirements of this Statement will improve financial reporting by standardizing the presentation of deferred outflows of resources and deferred inflows of resources and their effects on a government's net position.

GASB Statement 65 "Items Previously Reported as Assets and Liabilities" requires debt issuance costs be reported as outflows of resources or expensed in the year of the debt issuance. Debt issuance costs that were previously being amortized will need to be written off and should be applied retroactively by restating the financial statements for all periods presented. The Statement requires the term deferred be used only on the statement of net position and balance sheets when describing deferred inflows or outflows of resources.

The City implemented this standard for fiscal year ended December 31, 2012. Changes are reflected in the financial statements and schedules and related disclosures. A prior period adjustment was necessary as a result of the change in accounting principle of the Statement of Activities for debt issuance costs that were previously being amortized.

I. Prior Period Adjustment

Adjustments to the beginning Net position were required as follows:

| Government-wide | Original | Adjustment | Restated |
|---------------------------|------------|------------|------------|
| Governmental Activities | 32,063,323 | (75,875) | 31,987,448 |
| Business type Activities | 30,346,842 | 613,193 | 30,960,035 |
| Fund Financial Statements | | | |
| Water | 6,047,778 | 31,786 | 6,079,564 |
| Sewer | 18,073,637 | 61,132 | 18,134,769 |
| Electric | 6,334,736 | 520,275 | 6,855,011 |

GASB 65 required a reduction in net position of the governmental activities totaling \$75,875 and a reduction of net position in the Business type Activities of \$45,419 related to bond issuance costs. This reduction in Business type position is shown in the Water and Sewer funds at \$12,391 and \$33,027 respectively.

Unbilled accounts receivable were recorded in the Water, Sewer, and Electric funds in the amounts of \$44,177, \$94,159, and \$306,428 respectively as of January 1, 2012. Also, the Electric fund was adjusted for additional beginning inventory balances of \$213,847.

J. Concentrations

The City receives a significant amount of its annual General fund revenues from the State of Minnesota from the Local Government Aid (LGA). The amount received in 2012 was \$2,273,651, which accounted for 33.64 percent of General fund revenues.

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 governmental fund:

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.

B. Assets, Liabilities, deferred inflows of resources and fund balance

1. Deposits and Investments

Cash balances are pooled with the City of Waseca's funds and invested to the extent available in savings accounts and certificates of deposits. Earnings from investments are allocated monthly to each fund based on month end balances of cash and investments.

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 nonspendable fund balance for amounts that cannot be spent because they are either (a) not in a spendable form, or (b), legally or contractually required to be maintained intact. Restricted fund balance are amounts that are subject to externally enforceable legal restrictions from (a) externally imposed by creditors, grantors, contributors, or laws or regulations of other governments, or (b), imposed by law through constitutional provisions or enabling legislation. Unassigned fund balance is the residual classification for the General fund and also negative residual amounts in other funds.

C. Deposits and Investments

State Statutes require that all deposits in financial institutions in excess of \$250,000 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, 2012.

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, 2012.

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, 2012 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 Huebert property, and the Cunningham Estate. The balance at year-end consists of:

| | |
|----------------------|-------------------|
| Land | \$ 34,198 |
| Capitalized interest | 46,987 |
| Special assessments | 96,082 |
| Total | <u>\$ 177,267</u> |

E. Long-term Debt**Notes payable**

The EDA issued a note payable to the Waseca Development Corporation in 2011 in conjunction with an agreement to develop a \$625,000 revolving loan program that will be targeted to agribusiness startups. This loan represents a portion of local match funding which was required for eligibility for a \$500,000 USDA loan. The note currently outstanding is as follows:

| | Original Amount | Maturities | Rate | Balance at 12/31/2012 |
|-----------------------------------|--------------------|------------|-------|--------------------------|
| 2011 Waseca Development Corp Loan | \$ 28,000 | 2012-2016 | 0.00% | \$ 22,400 |

| Year | Principal | Interest |
|------|------------------|-------------|
| 2013 | \$ 5,600 | \$ - |
| 2014 | 5,600 | - |
| 2015 | 5,600 | - |
| 2016 | 5,600 | - |
| | <u>\$ 22,400</u> | <u>\$ -</u> |

Change in Long-Term Liabilities

Long-term liability activity for the year ended December 31, 2012 was as follows:

| | Beginning Balance | Increases | Decreases | Ending Balance | Due Within One Year |
|-----------------------------|----------------------|-----------|------------|-------------------|------------------------|
| <i>Component unit - EDA</i> | | | | | |
| Notes payable | \$ 28,000 | \$ - | \$ (5,600) | \$ 22,400 | \$ 5,600 |

F. 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 are no significant reductions 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.

REQUIRED SUPPLEMENTARY INFORMATION

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City of Waseca, Minnesota
Schedule of Funding Progress for Postemployment Benefit Plan
December 31, 2012

| 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) |
|---|--|--|-----------------------------------|-----------------------------------|--------------------------------------|--|
| 1/1/2011 | \$ - | \$ 891,792 | \$ 891,792 | 0.0% | \$ 2,832,604 | 31.5% |
| 1/1/2008 | - | 930,002 | 930,002 | 0.0% | 3,699,000 | 25.1% |

**City of Waseca, Minnesota
Waseca Volunteer Fire Relief Association
December 31, 2012**

| Actuarial Valuation Date | Actuarial Value of Assets | Actuarial Accrued Liability (AAL) | Unfunded AAL | Funded Ratio |
|---|--|--|-------------------------|-------------------------|
| 12/31/2012 | \$ 1,279,232 | \$ 1,369,897 | \$ (90,665) | 93.4% |
| 12/31/2011 | 1,094,907 | 1,264,699 | (169,792) | 86.6% |
| 12/31/2010 | 1,094,553 | 1,325,952 | (231,399) | 82.5% |

COMBINING STATEMENTS

NONMAJOR FUNDS

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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.

2010 SCDP Grant – This fund accounts for the 2010 Small Cities Development Grant activity used for the City's housing rehabilitation program.

2012 SCDP Grant – This fund accounts for the 2012 Small Cities Development Grant activity used for the City's housing rehabilitation program.

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.

Historical Preservation Fund - This fund was established to account for the grant funding and expenditures relating to the Historical Preservation of Waseca.

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

Police Explorers Fund - 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.

2011A Refunding Bonds – Accounts for the refunding debt issued for the Water Revenue Bonds Series 2001B and General Obligation Series 2005D.

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.

Public Safety Building Fund – This fund accounts for the construction of the City of Waseca Public Safety Building (Police & Fire).

Special Assessment Fund - This fund accounts 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.

Equipment Replacement Fund – Accounts for General fund transfers and related purchases of capital equipment as detailed in the 10-year equipment replacement plan.

CITY OF WASECA, MINNESOTA
NON MAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET
December 31, 2012

| | Other Governmental Funds | | | |
|---|--------------------------|------------------|---------------------|---------------------|
| | 2012 | | | |
| | Special Revenue | Debt Service | Capital Projects | Total |
| ASSETS | | | | |
| Cash and cash equivalents | \$ 851,465 | \$ 89,312 | \$ 1,222,142 | \$ 2,162,919 |
| Taxes receivable | 48 | 5,364 | - | 5,412 |
| Accounts receivable | 2,090 | - | - | 2,090 |
| Assessments receivable | - | - | 510,528 | 510,528 |
| Loans receivable | 1,282,158 | - | - | 1,282,158 |
| Due from other governments | 340,598 | 1,370 | 364,928 | 706,896 |
| Land held for resale | - | - | 960,467 | 960,467 |
| Total assets | <u>\$ 2,476,359</u> | <u>\$ 96,046</u> | <u>\$ 3,058,065</u> | <u>\$ 5,630,470</u> |
| LIABILITIES | | | | |
| Accounts payable | \$ 39,601 | \$ 213 | \$ 32,888 | \$ 72,702 |
| Accrued wages payable | 867 | - | - | 867 |
| Due to other funds | 88,592 | - | 55,742 | 144,334 |
| Total liabilities | <u>129,060</u> | <u>213</u> | <u>88,630</u> | <u>217,903</u> |
| DEFERRED INFLOWS OF RESOURCES | | | | |
| Unavailable revenue - taxes | 48 | 5,364 | - | 5,412 |
| Unavailable revenue - loans | 1,282,158 | - | - | 1,282,158 |
| Unavailable revenue - assessments | - | - | 510,528 | 510,528 |
| Total deferred inflows of resources | <u>1,282,206</u> | <u>5,364</u> | <u>510,528</u> | <u>1,798,098</u> |
| FUND BALANCES | | | | |
| Nonspendable: | | | | |
| Land held for resale | - | - | 960,467 | 960,467 |
| Restricted for: | | | | |
| Debt Service | - | 90,469 | - | 90,469 |
| Clear Lake Press Fund | 179,862 | - | - | 179,862 |
| Revolving Loan | 26,951 | - | - | 26,951 |
| TIF Funds | 321,832 | - | - | 321,832 |
| Historical Preservation | 908 | - | - | 908 |
| Police Crime Victims | 19,921 | - | - | 19,921 |
| Police Forfeitures | 67,553 | - | - | 67,553 |
| Municipal State Aid | - | - | 878,431 | 878,431 |
| Committed to: | | | | |
| Airport | 190,707 | - | - | 190,707 |
| Police Reserves | 955 | - | - | 955 |
| Police Explorers | 136 | - | - | 136 |
| Waseca Housing Fund | 84,151 | - | - | 84,151 |
| Assigned to: | | | | |
| Northwest Commercial Development | - | - | 155,196 | 155,196 |
| Annexation and Growth | - | - | 249,387 | 249,387 |
| Equipment Replacement | - | - | 273,175 | 273,175 |
| Operations | 184,261 | - | - | 184,261 |
| Unassigned: | | | | |
| Unassigned | (12,144) | - | (57,749) | (69,893) |
| Total fund balances | <u>1,065,093</u> | <u>90,469</u> | <u>2,458,907</u> | <u>3,614,469</u> |
| Total Liabilities, Deferred Inflows of Resources and Fund Balances | <u>\$ 2,476,359</u> | <u>\$ 96,046</u> | <u>\$ 3,058,065</u> | <u>\$ 5,630,470</u> |

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

For the Year Ended December 31, 2012

| | Other Governmental Funds | | | |
|---|--------------------------|------------------|---------------------|---------------------|
| | 2012 | | | |
| | Special Revenue | Debt Service | Capital Projects | Total |
| REVENUES | | | | |
| Property taxes | \$ 249,889 | \$ 207,191 | \$ - | \$ 457,080 |
| Fines and forfeitures | 19,824 | - | - | 19,824 |
| Intergovernmental | 611,437 | 90,260 | 466,825 | 1,168,522 |
| Assessments | - | - | 241,633 | 241,633 |
| Program income | 245,099 | - | - | 245,099 |
| Contributions | 14,150 | - | - | 14,150 |
| Miscellaneous | 30,862 | 7 | 31,108 | 61,977 |
| Total revenues | <u>1,171,261</u> | <u>297,458</u> | <u>739,566</u> | <u>2,208,285</u> |
| EXPENDITURES | | | | |
| Current: | | | | |
| General government | - | - | 8,354 | 8,354 |
| Public safety | 118,619 | - | - | 118,619 |
| Streets and highways | - | - | 426,883 | 426,883 |
| Culture and recreation | 204,699 | - | - | 204,699 |
| Economic development | 280,558 | - | - | 280,558 |
| Airport | 61,446 | - | - | 61,446 |
| Debt service: | | | | |
| Bond principal | - | 195,000 | - | 195,000 |
| Interest and fiscal charges | - | 137,821 | - | 137,821 |
| Capital outlay | | | | |
| General government | - | - | 23,048 | 23,048 |
| Public safety | - | - | 129,639 | 129,639 |
| Culture and recreation | - | - | 16,858 | 16,858 |
| Streets and highways | - | - | 635,623 | 635,623 |
| Airport | 392,621 | - | - | 392,621 |
| Total expenditures | <u>1,057,943</u> | <u>332,821</u> | <u>1,240,405</u> | <u>2,631,169</u> |
| Excess (deficiency) of revenues over (under) expenditures | <u>113,318</u> | <u>(35,363)</u> | <u>(500,839)</u> | <u>(422,884)</u> |
| OTHER FINANCING SOURCES (USES) | | | | |
| Transfers in | 83,764 | 205,593 | 520,549 | 809,906 |
| Payment of refunding bonds | - | (545,000) | - | (545,000) |
| Transfers out | (78,743) | (26,553) | - | (105,296) |
| Total other financing sources (uses) | <u>5,021</u> | <u>(365,960)</u> | <u>520,549</u> | <u>159,610</u> |
| Net change in fund balances | 118,339 | (401,323) | 19,710 | (263,274) |
| Fund balances - beginning | 946,754 | 491,792 | 2,439,197 | 3,877,743 |
| Fund balances - ending | <u>\$ 1,065,093</u> | <u>\$ 90,469</u> | <u>\$ 2,458,907</u> | <u>\$ 3,614,469</u> |

CITY OF WASECA, MINNESOTA
NON MAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET - SPECIAL REVENUE FUNDS
December 31, 2012

| | Special Revenue | | | | | | |
|---|-----------------------------|---------------------------|-----------------------|-----------------------|-------------------|-------------------|------------------------------|
| | EDPG Clear Lake Press | Revolving Loan Fund | 2010 SCDP Grant | 2012 SCDP Grant | TIF Funds | Airport | Waseca Water Park Fund |
| ASSETS | | | | | | | |
| Cash and cash equivalents | \$ 262,311 | \$ 31,348 | \$ 2,555 | \$ - | \$ 318,401 | \$ - | \$ 48,526 |
| Taxes receivable | - | - | - | - | 48 | - | - |
| Accounts receivable | - | - | - | - | - | 2,030 | - |
| Loans receivable | 508,613 | 348,838 | 421,707 | - | - | - | - |
| Due from other governments | - | - | - | 8,058 | 3,431 | 324,496 | - |
| Total assets | <u>\$ 770,924</u> | <u>\$ 380,186</u> | <u>\$ 424,262</u> | <u>\$ 8,058</u> | <u>\$ 321,880</u> | <u>\$ 326,526</u> | <u>\$ 48,526</u> |
| LIABILITIES | | | | | | | |
| Accounts payable | \$ - | \$ - | \$ - | \$ 8,058 | \$ - | \$ 24,582 | \$ 2,465 |
| Accrued wages payable | - | - | - | - | - | - | 867 |
| Due to other funds | - | - | - | - | 12,144 | 76,448 | - |
| Total liabilities | <u>-</u> | <u>-</u> | <u>-</u> | <u>8,058</u> | <u>12,144</u> | <u>101,030</u> | <u>3,332</u> |
| DEFERRED INFLOWS OF RESOURCES | | | | | | | |
| Unavailable revenue - taxes | - | - | - | - | 48 | - | - |
| Unavailable revenue - loans | 508,613 | 348,838 | 421,707 | - | - | - | - |
| Total Deferred Inflows of Resources | <u>508,613</u> | <u>348,838</u> | <u>421,707</u> | <u>-</u> | <u>48</u> | <u>-</u> | <u>-</u> |
| FUND BALANCES | | | | | | | |
| Restricted for: | | | | | | | |
| Clear Lake Press Fund | 179,862 | - | - | - | - | - | - |
| Revolving Loan | - | 24,421 | 2,530 | - | - | - | - |
| TIF Funds | - | - | - | - | 321,832 | - | - |
| Historical Preservation | - | - | - | - | - | - | - |
| Police Crime Victims | - | - | - | - | - | - | - |
| Police Forfeitures | - | - | - | - | - | - | - |
| Committed to: | | | | | | | |
| Airport | - | - | - | - | - | 190,707 | - |
| Police Reserves | - | - | - | - | - | - | - |
| Police Explorers | - | - | - | - | - | - | - |
| Waseca Housing Fund | - | - | - | - | - | - | - |
| Assigned to: | | | | | | | |
| Operations | 82,449 | 6,927 | 25 | - | - | 34,789 | 45,194 |
| Unassigned: | | | | | | | |
| Unassigned | - | - | - | - | (12,144) | - | - |
| Total fund balances | <u>262,311</u> | <u>31,348</u> | <u>2,555</u> | <u>-</u> | <u>309,688</u> | <u>225,496</u> | <u>45,194</u> |
| Total Liabilities, Deferred Inflows of Resources and Fund Balances | <u>\$ 770,924</u> | <u>\$ 380,186</u> | <u>\$ 424,262</u> | <u>\$ 8,058</u> | <u>\$ 321,880</u> | <u>\$ 326,526</u> | <u>\$ 48,526</u> |

| Waseca Housing Fund | Historical Preservation Fund | Police Reserves Fund | Police Explorers Fund | Police Crime Victims Fund | Police Forfeiture Fund | Fire Relief Fund | Total |
|---------------------------|------------------------------------|----------------------------|-----------------------------|---------------------------------|------------------------------|------------------------|---------------------|
| \$ 98,651 | \$ 1,308 | \$ 1,647 | \$ 181 | \$ 19,921 | \$ 66,616 | \$ - | \$ 851,465 |
| - | - | - | - | - | - | - | 48 |
| - | - | 60 | - | - | - | - | 2,090 |
| 3,000 | - | - | - | - | - | - | 1,282,158 |
| - | - | - | - | - | 4,613 | - | 340,598 |
| <u>\$ 101,651</u> | <u>\$ 1,308</u> | <u>\$ 1,707</u> | <u>\$ 181</u> | <u>\$ 19,921</u> | <u>\$ 71,229</u> | <u>\$ -</u> | <u>\$ 2,476,359</u> |
| \$ - | \$ 400 | \$ 420 | \$ - | \$ - | \$ 3,676 | \$ - | \$ 39,601 |
| - | - | - | - | - | - | - | 867 |
| - | - | - | - | - | - | - | 88,592 |
| <u>-</u> | <u>400</u> | <u>420</u> | <u>-</u> | <u>-</u> | <u>3,676</u> | <u>-</u> | <u>129,060</u> |
| - | - | - | - | - | - | - | 48 |
| 3,000 | - | - | - | - | - | - | 1,282,158 |
| <u>3,000</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>1,282,206</u> |
| - | - | - | - | - | - | - | 179,862 |
| - | - | - | - | - | - | - | 26,951 |
| - | - | - | - | - | - | - | 321,832 |
| - | 908 | - | - | - | - | - | 908 |
| - | - | - | - | 19,921 | - | - | 19,921 |
| - | - | - | - | - | 67,553 | - | 67,553 |
| - | - | - | - | - | - | - | 190,707 |
| - | - | 955 | - | - | - | - | 955 |
| - | - | - | 136 | - | - | - | 136 |
| 84,151 | - | - | - | - | - | - | 84,151 |
| 14,500 | - | 332 | 45 | - | - | - | 184,261 |
| <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>(12,144)</u> |
| <u>98,651</u> | <u>908</u> | <u>1,287</u> | <u>181</u> | <u>19,921</u> | <u>67,553</u> | <u>-</u> | <u>1,065,093</u> |
| <u>\$ 101,651</u> | <u>\$ 1,308</u> | <u>\$ 1,707</u> | <u>\$ 181</u> | <u>\$ 19,921</u> | <u>\$ 71,229</u> | <u>\$ -</u> | <u>\$ 2,476,359</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, 2012

| | Special Revenue | | | | | |
|--|-----------------------------|---------------------------|-----------------------|-----------------------|-------------------|------------------------------|
| | EDPG Clear Lake Press | Revolving Loan Fund | 2010 SCDP Grant | 2012 SCDP Grant | TIF Funds | Waseca Water Park Fund |
| REVENUES | | | | | | |
| Property taxes | \$ - | \$ - | \$ - | \$ - | 249,889 | \$ - |
| Fines and forfeitures | - | - | - | - | - | - |
| Intergovernmental | 100,000 | - | 3,563 | 23,833 | - | 378,396 |
| Program income | - | - | - | - | - | 88,152 |
| Contributions | - | - | - | - | - | - |
| Miscellaneous | 20,176 | 178 | 25 | - | 1,557 | 1,976 |
| Total revenues | <u>120,176</u> | <u>178</u> | <u>3,588</u> | <u>23,833</u> | <u>251,446</u> | <u>468,524</u> |
| EXPENDITURES | | | | | | |
| Current: | | | | | | |
| Public safety | - | - | - | - | - | - |
| Culture and recreation | - | - | - | - | - | 204,699 |
| Economic development | 104,571 | - | 1,033 | 23,833 | 79,483 | - |
| Airport | - | - | - | - | - | 61,446 |
| Capital outlay | | | | | | |
| Airport | - | - | - | - | - | 392,621 |
| Total expenditures | <u>104,571</u> | <u>-</u> | <u>1,033</u> | <u>23,833</u> | <u>79,483</u> | <u>454,067</u> |
| Excess (deficiency) of revenues over (under) expenditures | <u>15,605</u> | <u>178</u> | <u>2,555</u> | <u>-</u> | <u>171,963</u> | <u>(47,403)</u> |
| OTHER FINANCING SOURCES (USES) | | | | | | |
| Transfers in | - | - | - | - | - | 50,000 |
| Transfers out | - | - | - | - | (78,743) | - |
| Total other financing sources (uses) | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>(78,743)</u> | <u>50,000</u> |
| Net change in fund balances | 15,605 | 178 | 2,555 | - | 93,220 | 14,457 |
| Fund balances - beginning | 246,706 | 31,170 | - | - | 216,468 | 211,039 |
| Fund balances - ending | <u>\$ 262,311</u> | <u>\$ 31,348</u> | <u>\$ 2,555</u> | <u>\$ -</u> | <u>\$ 309,688</u> | <u>\$ 225,496</u> |

| Waseca Housing Fund | Historical Preservation Fund | Police Reserve Fund | Police Explorers Fund | Police Crime Victims Fund | Police Forfeiture Fund | Fire Relief Fund | Total |
|---------------------------|------------------------------------|---------------------------|-----------------------------|---------------------------------|------------------------------|------------------------|--------------|
| \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | 249,889 |
| - | - | - | - | 659 | 19,165 | - | 19,824 |
| - | 17,855 | - | - | 42,309 | - | 45,481 | 611,437 |
| - | - | - | - | - | - | - | 245,099 |
| 13,650 | - | 500 | - | - | - | - | 14,150 |
| 644 | - | 5,608 | 2 | 31 | 316 | - | 30,862 |
| 14,294 | 17,855 | 6,108 | 2 | 42,999 | 19,481 | 45,481 | 1,171,261 |
| - | - | 5,969 | 163 | 30,385 | 2,857 | 79,245 | 118,619 |
| - | - | - | - | - | - | - | 204,699 |
| 53,000 | 18,638 | - | - | - | - | - | 280,558 |
| - | - | - | - | - | - | - | 61,446 |
| - | - | - | - | - | - | - | 392,621 |
| 53,000 | 18,638 | 5,969 | 163 | 30,385 | 2,857 | 79,245 | 1,057,943 |
| (38,706) | (783) | 139 | (161) | 12,614 | 16,624 | (33,764) | 113,318 |
| - | - | - | - | - | - | 33,764 | 83,764 |
| - | - | - | - | - | - | - | (78,743) |
| - | - | - | - | - | - | 33,764 | 5,021 |
| (38,706) | (783) | 139 | (161) | 12,614 | 16,624 | - | 118,339 |
| 137,357 | 1,691 | 1,148 | 342 | 7,307 | 50,929 | - | 946,754 |
| \$ 98,651 | \$ 908 | \$ 1,287 | \$ 181 | \$ 19,921 | \$ 67,553 | \$ - | \$ 1,065,093 |

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, 2012

| | EDPG Clear Lake Press | | |
|---|--------------------------------------|---------------------------|-------------------------------|
| REVENUES | Final Budget | Actual Amounts | Variance With Final Budget |
| Intergovernmental | \$ - | \$ 100,000 | \$ 100,000 |
| Miscellaneous | 4,240 | 20,176 | 15,936 |
| Total revenues | <u>4,240</u> | <u>120,176</u> | <u>115,936</u> |
| EXPENDITURES | | | |
| Current: | | | |
| Economic development | 100 | 104,571 | (104,471) |
| Excess of revenues over expenditures | 4,140 | 15,605 | 11,465 |
| Fund balances - beginning | 246,706 | 246,706 | - |
| Fund balances - ending | <u>\$ 250,846</u> | <u>\$ 262,311</u> | <u>\$ 11,465</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, 2012

| | TIF Funds | | |
|---|-------------------------|---------------------------|---------------------------------------|
| | Final Budget | Actual Amounts | Variance With Final Budget |
| REVENUES | | | |
| Property taxes | \$ 250,215 | \$ 249,889 | \$ (326) |
| Intergovernmental | 3,768 | - | (3,768) |
| Miscellaneous | - | 1,557 | 1,557 |
| Total revenues | <u>253,983</u> | <u>251,446</u> | <u>(2,537)</u> |
| EXPENDITURES | | | |
| Current: | | | |
| Economic development | <u>88,735</u> | <u>79,483</u> | <u>9,252</u> |
| Excess of revenues over expenditures | 165,248 | 171,963 | 6,715 |
| OTHER FINANCING USES | | | |
| Transfers to other funds | <u>(80,948)</u> | <u>(78,743)</u> | <u>2,205</u> |
| Net change in fund balances | 84,300 | 93,220 | 8,920 |
| Fund balances - beginning | <u>216,468</u> | <u>216,468</u> | <u>-</u> |
| Fund balances - ending | <u>\$ 300,768</u> | <u>\$ 309,688</u> | <u>\$ 8,920</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, 2012

| | Airport Fund | | |
|--|-------------------------|---------------------------|---------------------------------------|
| | Final Budget | Actual Amounts | Variance With Final Budget |
| REVENUES | | | |
| Intergovernmental | \$ 349,437 | \$ 378,396 | \$ 28,959 |
| Program Income | 72,000 | 88,152 | 16,152 |
| Miscellaneous | 1,000 | 1,976 | 976 |
| Total revenues | <u>422,437</u> | <u>468,524</u> | <u>46,087</u> |
| EXPENDITURES | | | |
| Current: | | | |
| Airport | 70,772 | 61,446 | 9,326 |
| Capital outlay | | | |
| Airport | <u>369,930</u> | <u>392,621</u> | <u>(22,691)</u> |
| Total expenditures | <u>440,702</u> | <u>454,067</u> | <u>(13,365)</u> |
| Excess (deficiency) of revenues over (under) expenditures | (18,265) | 14,457 | 32,722 |
| Fund balances - beginning | 211,039 | 211,039 | - |
| Fund balances - ending | <u>\$ 192,774</u> | <u>\$ 225,496</u> | <u>\$ 32,722</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, 2012

| | Waseca Water Park Fund | | |
|--|---------------------------------------|---------------------------|---------------------------------------|
| | Final Budget | Actual Amounts | Variance With Final Budget |
| REVENUES | | | |
| Program income | \$ 158,200 | \$ 156,947 | \$ (1,253) |
| Miscellaneous | 300 | 349 | 49 |
| Total revenues | <u>158,500</u> | <u>157,296</u> | <u>(1,204)</u> |
| EXPENDITURES | | | |
| Current: | | | |
| Culture and recreation | <u>224,625</u> | <u>204,699</u> | <u>19,926</u> |
| Deficiency of revenues under expenditures | (66,125) | (47,403) | 18,722 |
| OTHER FINANCING SOURCES | | | |
| Transfers from other funds | <u>50,000</u> | <u>50,000</u> | <u>-</u> |
| Net change in fund balances | (16,125) | 2,597 | 18,722 |
| Fund balances - beginning | <u>42,597</u> | <u>42,597</u> | <u>-</u> |
| Fund balances - ending | <u>\$ 26,472</u> | <u>\$ 45,194</u> | <u>\$ 18,722</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, 2012

| | Waseca Housing Fund | | |
|--|------------------------------------|---------------------------|-------------------------------|
| REVENUES | Final Budget | Actual Amounts | Variance With Final Budget |
| Contributions | \$ 13,650 | \$ 13,650 | \$ - |
| Miscellaneous | 1,000 | 644 | (356) |
| Total revenues | <u>14,650</u> | <u>14,294</u> | <u>(356)</u> |
| EXPENDITURES | | | |
| Current: | | | |
| Economic development | 15,150 | 53,000 | (37,850) |
| Excess (deficiency) of revenues over (under) expenditures | (500) | (38,706) | (38,206) |
| Fund balances - beginning | 137,357 | 137,357 | - |
| Fund balances - ending | <u>\$ 136,857</u> | <u>\$ 98,651</u> | <u>\$ (38,206)</u> |

CITY OF WASECA, MINNESOTA
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
Historical Preservation Special Revenue Fund
For the Year Ended December 31, 2012

| | Historical Preservation Fund | | |
|--|---|---------------------------|---------------------------------------|
| | Final Budget | Actual Amounts | Variance With Final Budget |
| REVENUES | | | |
| Intergovernmental | \$ 16,320 | \$ 17,855 | \$ 1,535 |
| EXPENDITURES | | | |
| Current: | | | |
| Economic development | 16,320 | 18,638 | (2,318) |
| Deficiency of revenues under expenditures | - | (783) | (783) |
| Fund balances - beginning | 1,691 | 1,691 | - |
| Fund balances - ending | \$ 1,691 | \$ 908 | \$ (783) |

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, 2012

| | Police Reserve Fund | | |
|---|------------------------------------|---------------------------|---------------------------------------|
| REVENUES | Final Budget | Actual Amounts | Variance With Final Budget |
| Contributions | \$ 250 | \$ 500 | \$ 250 |
| Miscellaneous | 4,750 | 5,608 | 858 |
| Total revenues | <u>5,000</u> | <u>6,108</u> | <u>1,108</u> |
| EXPENDITURES | | | |
| Current: | | | |
| Public safety | <u>5,000</u> | <u>5,969</u> | <u>(969)</u> |
| Excess of revenues over expenditures | - | 139 | 139 |
| Fund balances - beginning | 1,148 | 1,148 | - |
| Fund balances - ending | <u>\$ 1,148</u> | <u>\$ 1,287</u> | <u>\$ 139</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, 2012

| | Police Crime Victims Fund | | |
|--|--|---------------------------|---------------------------------------|
| REVENUES | Final Budget | Actual Amounts | Variance With Final Budget |
| Fines and Forfeitures | \$ - | \$ 659 | \$ 659 |
| Intergovernmental | 43,172 | 42,309 | (863) |
| Miscellaneous | 130 | 31 | (99) |
| Total revenues | <u>43,302</u> | <u>42,999</u> | <u>(303)</u> |
| EXPENDITURES | | | |
| Current: | | | |
| Public safety | <u>44,497</u> | <u>30,385</u> | <u>14,112</u> |
| Deficiency of revenues under expenditures | (1,195) | 12,614 | 13,809 |
| Fund balances - beginning | <u>7,307</u> | <u>7,307</u> | <u>-</u> |
| Fund balances - ending | <u>\$ 6,112</u> | <u>\$ 19,921</u> | <u>\$ 13,809</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, 2012

| | Police Forfeiture Fund | | |
|---|---------------------------------------|---------------------------|-------------------------------|
| REVENUES | Final Budget | Actual Amounts | Variance With Final Budget |
| Fines and Forfeitures | \$ 5,000 | \$ 19,165 | \$ 14,165 |
| Miscellaneous | 250 | 316 | 66 |
| Total revenues | <u>5,250</u> | <u>19,481</u> | <u>14,231</u> |
| EXPENDITURES | | | |
| Current: | | | |
| Public safety | <u>5,000</u> | <u>2,857</u> | <u>2,143</u> |
| Excess of revenues over expenditures | 250 | 16,624 | 16,374 |
| Fund balances - beginning | 50,929 | 50,929 | - |
| Fund balances - ending | <u>\$ 51,179</u> | <u>\$ 67,553</u> | <u>\$ 16,374</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, 2012

| | Fire Relief Fund | | |
|--|---------------------------------|---------------------------|---------------------------------------|
| | Final Budget | Actual Amounts | Variance With Final Budget |
| REVENUES | | | |
| Intergovernmental | \$ 44,422 | \$ 45,481 | \$ 1,059 |
| EXPENDITURES | | | |
| Current: | | | |
| Public safety | 78,892 | 79,245 | (353) |
| Deficiency of revenues under expenditures | (34,470) | (33,764) | 706 |
| OTHER FINANCING SOURCES | | | |
| Transfers from other funds | 34,470 | 33,764 | (706) |
| Net change in fund balances | - | - | - |
| Fund balances - beginning | - | - | - |
| Fund balances - ending | \$ - | \$ - | \$ - |

CITY OF WASECA, MINNESOTA
NON MAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET - TIF SPECIAL REVENUE FUNDS
December 31, 2012

| | TIF Special Revenue Funds | | | | | | | Total |
|--|------------------------------|-----------------------------|------------------------|-------------------------------|------------------------------|---------------------------|-----------------------|------------|
| | TIF Parkview Est. Fund | TIF Charter Oaks Fund | TIF Central Fund | TIF Waseca Village Fund | TIF Colony Ct III Fund | TIF South Loon Fund | TIF Fox Meadows | |
| ASSETS | | | | | | | | |
| Cash and cash equivalents | \$ 7,544 | \$ 9,882 | \$ 263,153 | \$ - | \$ 7,085 | \$ 30,737 | \$ - | \$ 318,401 |
| Taxes receivable | - | - | 9 | - | - | 39 | - | 48 |
| Due from other governments | - | - | 3,399 | - | - | 32 | - | 3,431 |
| Total assets | \$ 7,544 | \$ 9,882 | \$ 266,561 | \$ - | \$ 7,085 | \$ 30,808 | \$ - | \$ 321,880 |
| LIABILITIES | | | | | | | | |
| Due to other funds | \$ - | \$ - | \$ - | \$ 4,644 | \$ - | \$ - | \$ 7,500 | \$ 12,144 |
| DEFERRED INFLOWS OF RESOURCES | | | | | | | | |
| Unavailable revenue - taxes | - | - | 9 | - | - | 39 | - | 48 |
| FUND BALANCES | | | | | | | | |
| Restricted for: | | | | | | | | |
| TIF Funds | 7,544 | 9,882 | 266,552 | - | 7,085 | 30,769 | - | 321,832 |
| Unassigned: | | | | | | | | |
| Unassigned | - | - | - | (4,644) | - | - | (7,500) | (12,144) |
| Total fund balances (deficits) | 7,544 | 9,882 | 266,552 | (4,644) | 7,085 | 30,769 | (7,500) | 309,688 |
| Total Liabilities, Deferred inflows of Resources, and Fund Balances | \$ 7,544 | \$ 9,882 | \$ 266,561 | \$ - | \$ 7,085 | \$ 30,808 | \$ - | \$ 321,880 |

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, 2012

| | TIF Special Revenue Funds | | | | | | | |
|--|------------------------------|-----------------------------|------------------------|-------------------------------|------------------------------|---------------------------|-----------------------|------------|
| | TIF Parkview Est. Fund | TIF Charter Oaks Fund | TIF Central Fund | TIF Waseca Village Fund | TIF Colony Ct III Fund | TIF South Loon Fund | TIF Fox Meadows | Total |
| REVENUES | | | | | | | | |
| Property taxes | \$ - | \$ 13,084 | \$ 182,814 | \$ 4,448 | \$ 30,315 | \$ 19,228 | \$ - | \$ 249,889 |
| Miscellaneous | 44 | 57 | 1,250 | - | 55 | 151 | - | 1,557 |
| Total revenues | 44 | 13,141 | 184,064 | 4,448 | 30,370 | 19,379 | - | 251,446 |
| EXPENDITURES | | | | | | | | |
| Current: | | | | | | | | |
| Economic development | 300 | 12,215 | 19,515 | 4,464 | 30,238 | 12,751 | - | 79,483 |
| Excess (deficiency) of revenues over (under) expenditures | (256) | 926 | 164,549 | (16) | 132 | 6,628 | - | 171,963 |
| OTHER FINANCING USES | | | | | | | | |
| Transfers out | - | - | (78,743) | - | - | - | - | (78,743) |
| Net change in fund balances | (256) | 926 | 85,806 | (16) | 132 | 6,628 | - | 93,220 |
| Fund balances - beginning | 7,800 | 8,956 | 180,746 | (4,628) | 6,953 | 24,141 | (7,500) | 216,468 |
| Fund balances - ending | \$ 7,544 | \$ 9,882 | \$ 266,552 | \$ (4,644) | \$ 7,085 | \$ 30,769 | \$ (7,500) | \$ 309,688 |

CITY OF WASECA, MINNESOTA
NON MAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET - DEBT SERVICE FUNDS
December 31, 2012

| | Debt Service | | | | | | | |
|---|-------------------------|------------------------|-------------|-----------------------------------|-----------------------------|---------------------------|----------------------------------|------------------|
| | Aquatic Park Fund | Equipment Certificates | | Northwest Construction Site | 2011A Refunding Bonds | Municipal State Aid | Tax Increment District #23 | Total |
| | | 2004 | 2005 | | | | | |
| ASSETS | | | | | | | | |
| Cash and cash equivalents | \$ 24,542 | \$ - | \$ - | \$ - | \$ 14,477 | \$ 976 | \$ 49,317 | \$ 89,312 |
| Taxes receivable | 5,364 | - | - | - | - | - | - | 5,364 |
| Due from other governments | 1,370 | - | - | - | - | - | - | 1,370 |
| Total assets | <u>\$ 31,276</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 14,477</u> | <u>\$ 976</u> | <u>\$ 49,317</u> | <u>\$ 96,046</u> |
| LIABILITIES | | | | | | | | |
| Accounts payable | \$ - | \$ - | \$ - | \$ - | \$ 213 | \$ - | \$ - | \$ 213 |
| DEFERRED INFLOWS OF RESOURCES | | | | | | | | |
| Unavailable revenue - taxes | 5,364 | - | - | - | - | - | - | 5,364 |
| FUND BALANCES | | | | | | | | |
| Restricted for: | | | | | | | | |
| Debt service | 25,912 | - | - | - | 14,264 | 976 | 49,317 | 90,469 |
| Total Liabilities, Deferred Inflows of Resources and Fund Balances | <u>\$ 31,276</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 14,477</u> | <u>\$ 976</u> | <u>\$ 49,317</u> | <u>\$ 96,046</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, 2012

| | Debt Service | | | | | | | |
|--|-------------------------|------------------------|---------|-----------------------------------|-----------------------------|---------------------------|----------------------------------|------------|
| | Aquatic Park Fund | Equipment Certificates | | Northwest Construction Site | 2011A Refunding Bonds | Municipal State Aid | Tax Increment District #23 | Total |
| | | 2004 | 2005 | | | | | |
| REVENUES | | | | | | | | |
| Property taxes | \$ 161,822 | \$ 242 | \$ 193 | \$ 44,934 | \$ - | \$ - | \$ - | \$ 207,191 |
| Intergovernmental | - | - | - | - | - | 90,260 | - | 90,260 |
| Miscellaneous | - | - | - | - | - | 7 | - | 7 |
| Total revenues | 161,822 | 242 | 193 | 44,934 | - | 90,267 | - | 297,458 |
| EXPENDITURES | | | | | | | | |
| Debt service: | | | | | | | | |
| Bond principal | 80,000 | - | - | - | - | 80,000 | 35,000 | 195,000 |
| Interest and fiscal charges | 74,116 | - | - | 10,141 | 2,507 | 10,663 | 40,394 | 137,821 |
| Total expenditures | 154,116 | - | - | 10,141 | 2,507 | 90,663 | 75,394 | 332,821 |
| Excess (deficiency) of revenues over (under) expenditures | 7,706 | 242 | 193 | 34,793 | (2,507) | (396) | (75,394) | (35,363) |
| OTHER FINANCING SOURCES (USES) | | | | | | | | |
| Transfers in | - | - | - | 105,316 | 21,534 | - | 78,743 | 205,593 |
| Payment of refunding bonds | - | - | - | (545,000) | - | - | - | (545,000) |
| Transfers to other funds | - | (3,133) | (1,886) | (21,534) | - | - | - | (26,553) |
| Total other financing sources (uses) | - | (3,133) | (1,886) | (461,218) | 21,534 | - | 78,743 | (365,960) |
| Net change in fund balances | 7,706 | (2,891) | (1,693) | (426,425) | 19,027 | (396) | 3,349 | (401,323) |
| Fund balances - beginning | 18,206 | 2,891 | 1,693 | 426,425 | (4,763) | 1,372 | 45,968 | 491,792 |
| Fund balances - ending | \$ 25,912 | \$ - | \$ - | \$ - | \$ 14,264 | \$ 976 | \$ 49,317 | \$ 90,469 |

CITY OF WASECA, MINNESOTA
NON MAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET - CAPITAL PROJECT FUNDS
December 31, 2012

| | Capital Projects | | | | | | | |
|---|--|---------------------------------------|------------------------------|-------------------------------|--|-----------------------------|----------------------------------|---------------------|
| | Municipal State Aid Construction | Municipal State Aid Maintenance | Public Safety Building | Special Assessment Fund | Northwest Commercial Development | Annexation and Growth | Equipment Replacement Fund | Total |
| ASSETS | | | | | | | | |
| Cash and cash equivalents | \$ 186,894 | \$ 387,197 | \$ - | \$ - | \$ 155,196 | \$ 249,387 | \$ 243,468 | \$ 1,222,142 |
| Assessments receivable | - | - | - | 510,528 | - | - | - | 510,528 |
| Land held for resale | - | - | - | - | 960,467 | - | - | 960,467 |
| Due from other governments | 320,531 | - | - | 3,086 | - | - | 41,311 | 364,928 |
| Total assets | <u>\$ 507,425</u> | <u>\$ 387,197</u> | <u>\$ -</u> | <u>\$ 513,614</u> | <u>\$ 1,115,663</u> | <u>\$ 249,387</u> | <u>\$ 284,779</u> | <u>\$ 3,058,065</u> |
| LIABILITIES | | | | | | | | |
| Accounts payable | \$ 16,191 | \$ - | \$ 5,093 | \$ - | \$ - | \$ - | \$ 11,604 | \$ 32,888 |
| Due to other funds | - | - | 13,838 | 41,904 | - | - | - | 55,742 |
| Total liabilities | <u>16,191</u> | <u>-</u> | <u>18,931</u> | <u>41,904</u> | <u>-</u> | <u>-</u> | <u>11,604</u> | <u>88,630</u> |
| DEFERRED INFLOWS OF RESOURCES | | | | | | | | |
| Unavailable revenue - assessments | - | - | - | 510,528 | - | - | - | 510,528 |
| FUND BALANCES | | | | | | | | |
| Nonspendable: | | | | | | | | |
| Land held for resale | - | - | - | - | 960,467 | - | - | 960,467 |
| Restricted for: | | | | | | | | |
| Municipal State Aid | 491,234 | 387,197 | - | - | - | - | - | 878,431 |
| Assigned to: | | | | | | | | |
| Northwest Commercial Development | - | - | - | - | 155,196 | - | - | 155,196 |
| Annexation and Growth | - | - | - | - | - | 249,387 | - | 249,387 |
| Equipment Replacement | - | - | - | - | - | - | 273,175 | 273,175 |
| Unassigned: | | | | | | | | |
| Unassigned | - | - | (18,931) | (38,818) | - | - | - | (57,749) |
| Total fund balances | <u>491,234</u> | <u>387,197</u> | <u>(18,931)</u> | <u>(38,818)</u> | <u>1,115,663</u> | <u>249,387</u> | <u>273,175</u> | <u>2,458,907</u> |
| Total Liabilities, Deferred Inflows of Resources and Fund Balances | <u>\$ 507,425</u> | <u>\$ 387,197</u> | <u>\$ -</u> | <u>\$ 513,614</u> | <u>\$ 1,115,663</u> | <u>\$ 249,387</u> | <u>\$ 284,779</u> | <u>\$ 3,058,065</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, 2012

| | Capital Projects | | | | | | | |
|--|---|--|---------------------------------------|--|---|--------------------------------------|---|---------------------|
| | Municipal State Aid Construction | Municipal State Aid Maintenance | Public Safety Building | Special Assessment Fund | Northwest Commercial Development | Annexation and Growth | Equipment Replacement Fund | Total |
| REVENUES | | | | | | | | |
| Intergovernmental | \$ 320,531 | \$ 85,933 | \$ - | \$ - | \$ - | \$ - | \$ 60,361 | \$ 466,825 |
| Assessments | - | - | - | 241,633 | - | - | - | 241,633 |
| Miscellaneous | 2,104 | 2,462 | - | 24,193 | 881 | 1,468 | - | 31,108 |
| Total revenues | <u>322,635</u> | <u>88,395</u> | <u>-</u> | <u>265,826</u> | <u>881</u> | <u>1,468</u> | <u>60,361</u> | <u>739,566</u> |
| EXPENDITURES | | | | | | | | |
| Current: | | | | | | | | |
| General government | - | - | - | - | - | 8,354 | - | 8,354 |
| Streets and highways | 320,531 | 106,352 | - | - | - | - | - | 426,883 |
| Capital outlay | | | | | | | | |
| General government | - | - | - | - | - | - | 23,048 | 23,048 |
| Public safety | - | - | 18,931 | - | - | - | 110,708 | 129,639 |
| Culture and recreation | - | - | - | - | - | - | 16,858 | 16,858 |
| Streets and highways | - | - | - | 276,694 | - | - | 358,929 | 635,623 |
| Total expenditures | <u>320,531</u> | <u>106,352</u> | <u>18,931</u> | <u>276,694</u> | <u>-</u> | <u>8,354</u> | <u>509,543</u> | <u>1,240,405</u> |
| Excess (deficiency) of revenues over (under) expenditures | <u>2,104</u> | <u>(17,957)</u> | <u>(18,931)</u> | <u>(10,868)</u> | <u>881</u> | <u>(6,886)</u> | <u>(449,182)</u> | <u>(500,839)</u> |
| OTHER FINANCING SOURCES | | | | | | | | |
| Transfers in | - | - | - | - | - | - | 520,549 | 520,549 |
| Net change in fund balances | 2,104 | (17,957) | (18,931) | (10,868) | 881 | (6,886) | 71,367 | 19,710 |
| Fund balances - beginning | 489,130 | 405,154 | - | (27,950) | 1,114,782 | 256,273 | 201,808 | 2,439,197 |
| Fund balances - ending | <u>\$ 491,234</u> | <u>\$ 387,197</u> | <u>\$ (18,931)</u> | <u>\$ (38,818)</u> | <u>\$ 1,115,663</u> | <u>\$ 249,387</u> | <u>\$ 273,175</u> | <u>\$ 2,458,907</u> |

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, 2012

| | Municipal State Aid Maintenance | | |
|--|--|---------------------------|---------------------------------------|
| | Final Budget | Actual Amounts | Variance With Final Budget |
| REVENUES | | | |
| Intergovernmental | \$ 65,000 | \$ 85,933 | \$ 20,933 |
| Miscellaneous | 5,000 | 2,462 | (2,538) |
| Total revenues | <u>70,000</u> | <u>88,395</u> | <u>18,395</u> |
| EXPENDITURES | | | |
| Current: | | | |
| Streets and highways | <u>177,000</u> | <u>106,352</u> | <u>70,648</u> |
| Deficiency of revenues under expenditures | (107,000) | (17,957) | 89,043 |
| Fund balances - beginning | 405,154 | 405,154 | - |
| Fund balances - ending | <u>\$ 298,154</u> | <u>\$ 387,197</u> | <u>\$ 89,043</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, 2012

| | Annexation and Growth | | |
|--|--------------------------------------|---------------------------|---------------------------------------|
| | Final Budget | Actual Amounts | Variance With Final Budget |
| REVENUES | | | |
| Miscellaneous | \$ 2,200 | \$ - | \$ (2,200) |
| EXPENDITURES | | | |
| Current: | | | |
| General government | - | 8,354 | (8,354) |
| Excess (deficiency) of revenues over (under) expenditures | 2,200 | (8,354) | (10,554) |
| Fund balances - beginning | 256,273 | 256,273 | - |
| Fund balances - ending | \$ 258,473 | \$ 247,919 | \$ (10,554) |

CITY OF WASECA, MINNESOTA
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
Equipment Replacement Capital Project Fund
For the Year Ended December 31, 2012

| | Equipment Replacement Fund | | Variance With Final Budget |
|--|----------------------------------|-------------------|-------------------------------|
| | Final Budget | Actual Amounts | |
| REVENUES | | | |
| Intergovernmental | \$ - | \$ 60,361 | \$ 60,361 |
| Miscellaneous | 1,171 | - | (1,171) |
| Total revenues | <u>1,171</u> | <u>60,361</u> | <u>59,190</u> |
| EXPENDITURES | | | |
| Capital outlay | | | |
| General government | 29,100 | 23,048 | 6,052 |
| Public safety | 37,600 | 110,708 | (73,108) |
| Culture and recreation | 20,600 | 16,858 | 3,742 |
| Streets and highways | <u>573,543</u> | <u>358,929</u> | <u>214,614</u> |
| Total expenditures | <u>660,843</u> | <u>509,543</u> | <u>151,300</u> |
| Deficiency of revenues under expenditures | <u>(659,672)</u> | <u>(449,182)</u> | <u>210,490</u> |
| OTHER FINANCING SOURCES | | | |
| Transfers from other funds | <u>515,530</u> | <u>520,549</u> | <u>5,019</u> |
| Net change in fund balances | (144,142) | 71,367 | 215,509 |
| Fund balances - beginning | <u>201,808</u> | <u>201,808</u> | <u>-</u> |
| Fund balances - ending | <u>\$ 57,666</u> | <u>\$ 273,175</u> | <u>\$ 215,509</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, 2012

| | Capital Improvement Fund | | |
|--|---|---------------------------|---------------------------------------|
| | Final Budget | Actual Amounts | Variance With Final Budget |
| REVENUES | | | |
| Miscellaneous | \$ 5,000 | \$ 4,699 | \$ (301) |
| EXPENDITURES | | | |
| Current: | | | |
| General government | - | 17,521 | (17,521) |
| Capital outlay: | | | |
| General government | 72,000 | 39,967 | |
| Streets and highways | 746,671 | 244,933 | 501,738 |
| Total expenditures | 818,671 | 302,421 | 516,250 |
| Deficiency of revenues under expenditures | (813,671) | (297,722) | 515,949 |
| OTHER FINANCING SOURCES | | | |
| Transfers from other funds | 574,356 | 574,356 | - |
| Net change in fund balances | (239,315) | 276,634 | 515,949 |
| Fund balances - beginning | 523,347 | 523,347 | - |
| Fund balances - ending | \$ 284,032 | \$ 799,981 | \$ 515,949 |

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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.

CITY OF WASECA, MINNESOTA
INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF NET POSITION
December 31, 2012

| | Central Garage Services | Property & Liability Insurance Fund | Workers Compensation Insurance Fund | Total |
|---------------------------|--|--|--|-------------------|
| ASSETS | | | | |
| Cash and cash equivalents | \$ <u>10,550</u> | \$ <u>131,316</u> | \$ <u>124,747</u> | \$ <u>266,613</u> |
| LIABILITIES | | | | |
| Accounts payable | 6,780 | 2,280 | - | 9,060 |
| Accrued wages | <u>1,967</u> | <u>-</u> | <u>-</u> | <u>1,967</u> |
| Total liabilities | <u>8,747</u> | <u>2,280</u> | <u>-</u> | <u>11,027</u> |
| NET POSITION | | | | |
| Unrestricted | \$ <u>1,803</u> | \$ <u>129,036</u> | \$ <u>124,747</u> | \$ <u>255,586</u> |

CITY OF WASECA, MINNESOTA**INTERNAL SERVICE FUNDS****COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
FOR THE YEAR ENDED DECEMBER 31, 2012**

| | Central Garage Services | Property & Liability Insurance Fund | Workers Compensation Insurance Fund | Total |
|------------------------------|--|--|--|-------------------|
| Operating revenues: | | | | |
| Charges to other funds | \$ 251,483 | \$ 100,705 | \$ 100,833 | \$ 453,021 |
| Insurance reimbursement | - | 48,992 | 21,963 | 70,955 |
| Total operating revenues | <u>251,483</u> | <u>149,697</u> | <u>122,796</u> | <u>523,976</u> |
| Operating expenses: | | | | |
| Personal services | 109,159 | - | - | 109,159 |
| Supplies | 136,946 | - | - | 136,946 |
| Services and charges | 5,378 | - | - | 5,378 |
| Insurance payment | - | 4,865 | - | 4,865 |
| Insurance premiums | - | 103,426 | 95,885 | 199,311 |
| Total operating expenses | <u>251,483</u> | <u>108,291</u> | <u>95,885</u> | <u>455,659</u> |
| Operating income | - | 41,406 | 26,911 | 68,317 |
| Nonoperating revenues: | | | | |
| Investment earnings | - | 460 | 626 | 1,086 |
| Change in net position | - | 41,866 | 27,537 | 69,403 |
| Total net position-beginning | <u>1,803</u> | <u>87,170</u> | <u>97,210</u> | <u>186,183</u> |
| Total net position-ending | <u>\$ 1,803</u> | <u>\$ 129,036</u> | <u>\$ 124,747</u> | <u>\$ 255,586</u> |

CITY OF WASECA, MINNESOTA
INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2012

| | Central Garage Services | Property & Liability Insurance Fund | Workers Compensation Insurance Fund | Total |
|--|--|--|--|-------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | | | |
| Cash received from other funds and reimbursements | \$ 251,483 | \$ 149,697 | \$ 122,796 | \$ 523,976 |
| Cash payments to employees for services | (108,591) | - | - | (108,591) |
| Cash payments for interfund services used | (144,744) | (106,011) | (96,514) | (347,269) |
| Net cash provided (used) by operating activities | (1,852) | 43,686 | 26,282 | 68,116 |
| CASH FLOWS FROM INVESTING ACTIVITIES | | | | |
| Interest on Investments | - | 460 | 626 | 1,086 |
| Net increase (decrease) in cash and cash equivalents | (1,852) | 44,146 | 26,908 | 69,202 |
| Cash and cash equivalents-January 1 | 12,402 | 87,170 | 97,839 | 197,411 |
| Cash and cash equivalents-December 31 | <u>\$ 10,550</u> | <u>\$ 131,316</u> | <u>\$ 124,747</u> | <u>\$ 266,613</u> |
| Reconciliation of operating income to net cash provided (used) by operating activities: | | | | |
| Operating income | \$ - | \$ 41,406 | \$ 26,911 | \$ 68,317 |
| Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities: | | | | |
| Increase (decrease) in accounts payable | (2,420) | 2,280 | (629) | (769) |
| Increase in accrued wages | 568 | - | - | 568 |
| Total adjustments | (1,852) | 2,280 | (629) | (201) |
| Net cash provided (used) by operating activities | <u>\$ (1,852)</u> | <u>\$ 43,686</u> | <u>\$ 26,282</u> | <u>\$ 68,116</u> |

COMPONENT UNIT

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ECONOMIC DEVELOPMENT AUTHORITY OF THE CITY OF WASECA
Balance Sheet
General Fund
December 31, 2012

| | <u>2012</u> |
|---|--------------------------|
| ASSETS | |
| Cash and cash equivalents | \$ 443,518 |
| Taxes receivable | 2,207 |
| Due from other governments | 745 |
| Land held for resale | <u>177,267</u> |
| TOTAL ASSETS | \$ <u>623,737</u> |
| LIABILITIES | |
| Accounts payable | \$ <u>475</u> |
| DEFERRED INFLOWS OF RESOURCES | |
| Unavailable revenue - taxes | <u>2,207</u> |
| FUND BALANCES | |
| Nonspendable: | |
| Land held for resale | 177,267 |
| Restricted for: | |
| IRP Revolving Loan | 125,000 |
| RBEG Revolving Loan | 102,020 |
| Unassigned: | <u>216,768</u> |
| TOTAL FUND BALANCES | <u>621,055</u> |
| TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES | \$ <u>623,737</u> |
| Amounts reported for governmental activities in the Statement of Net Position are different because: | |
| Fund balance - governmental fund | \$ 621,055 |
| Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds. | (22,400) |
| Other long-term assets are not available to pay for current-period expenditures and, therefore, are unavailable in the funds | <u>2,207</u> |
| Net position of governmental activities | \$ <u>600,862</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, 2012

| | <u>2012</u> |
|-----------------------------------|--------------------------|
| REVENUES | |
| Taxes | \$ 80,509 |
| Interest earnings | 1,542 |
| Miscellaneous | <u>1,000</u> |
| TOTAL REVENUES | <u>83,051</u> |
| EXPENDITURES | |
| Services and charges | 165,672 |
| Debt service principal | <u>5,600</u> |
| TOTAL EXPENDITURES | <u>171,272</u> |
| NET CHANGE IN FUND BALANCE | (88,221) |
| FUND BALANCE - BEGINNING | <u>709,276</u> |
| FUND BALANCE - ENDING | <u>\$ 621,055</u> |

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

| | |
|--|-------------|
| Net change in fund balance - governmental fund | \$ (88,221) |
|--|-------------|

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 position. This is the amount of repayments in the current period. Also, governmental funds report the effect of premiums and discounts when debt is first issued, whereas these amounts are amortized in the Statement of Activities.

| | |
|----------------|-------|
| Principal Paid | 5,600 |
|----------------|-------|

| | |
|---|-----------|
| Revenue (delinquent taxes unavailable revenue) in the Statement of Activities that does not provide current financial resources is not reported as revenue in the fund. | <u>94</u> |
|---|-----------|

| | |
|--|---------------------------|
| Changes in net position of governmental activities | <u><u>\$ (82,527)</u></u> |
|--|---------------------------|

CAPITAL ASSETS

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

December 31, 2012

| | Land | Buildings | Infrastructure | Construction in Progress | Improvements Other than Buildings | Equipment | Total |
|---------------------------------|---------------------|---------------------|----------------------|-----------------------------|---|---------------------|----------------------|
| GENERAL GOVERNMENT | | | | | | | |
| Legislature | \$ - | \$ 79,601 | \$ - | \$ - | \$ - | \$ 12,523 | \$ 92,124 |
| Finance | - | - | - | - | - | 183,626 | 183,626 |
| Buildings and grounds | 191,462 | 917,244 | - | - | 30,866 | 301,314 | 1,440,886 |
| Airport | 174,580 | 617,518 | - | 574,267 | 783,914 | 7,000 | 2,157,279 |
| Community Development | 183,848 | 78,717 | - | - | - | - | 262,565 |
| TOTAL GENERAL GOVERNMENT | 549,890 | 1,693,080 | - | 574,267 | 814,780 | 504,463 | 4,136,480 |
| PUBLIC SAFETY | | | | | | | |
| Police | - | 24,131 | - | - | - | 316,709 | 340,840 |
| Community Service | 133,935 | - | - | - | 6,816 | - | 140,751 |
| Civil defense | - | - | - | - | - | 102,306 | 102,306 |
| Fire | 38,000 | 122,975 | - | - | 65,925 | 1,516,529 | 1,743,429 |
| TOTAL PUBLIC SAFETY | 171,935 | 147,106 | - | - | 72,741 | 1,935,544 | 2,327,326 |
| HIGHWAYS | | | | | | | |
| Engineering | - | - | - | - | - | 132,208 | 132,208 |
| Street garage | 25,980 | 158,885 | - | - | - | 2,002,832 | 2,187,697 |
| Traffic signs and markings | - | - | - | - | 53,116 | - | 53,116 |
| Storm sewer | - | - | 4,283,126 | - | - | 17,280 | 4,300,406 |
| Loon Lake project | - | - | - | - | 630,067 | - | 630,067 |
| Highways | 128,861 | 33,443 | 27,820,421 | 408,445 | - | - | 28,391,170 |
| TOTAL HIGHWAYS | 154,841 | 192,328 | 32,103,547 | 408,445 | 683,183 | 2,152,320 | 35,694,664 |
| RECREATION | | | | | | | |
| Park | 403,104 | 200,499 | 1,492,042 | - | 1,970,805 | 464,780 | 4,531,230 |
| Water Park | - | 965,674 | - | - | 2,614,861 | 9,461 | 3,589,996 |
| Lake restoration | 130,250 | - | - | - | 922,822 | 24,076 | 1,077,148 |
| Library | 2,675 | 327,110 | - | - | 7,215 | 2,000 | 339,000 |
| TOTAL RECREATION | 536,029 | 1,493,283 | 1,492,042 | - | 5,515,703 | 500,317 | 9,537,374 |
| TOTAL GOVERNMENTAL FUND | | | | | | | |
| CAPITAL ASSETS | \$ 1,412,695 | \$ 3,525,797 | \$ 33,595,589 | \$ 982,712 | \$ 7,086,407 | \$ 5,092,644 | \$ 51,695,844 |

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

For the Year Ended December 31, 2012

| | Beginning Balances | Adjustments | Additions | Deletions | Ending Balances |
|---|-----------------------|-------------|---------------------|---------------------|----------------------|
| GENERAL GOVERNMENT | | | | | |
| Legislature | \$ 92,124 | \$ - | \$ - | \$ - | \$ 92,124 |
| Finance | 183,626 | - | - | - | 183,626 |
| Buildings and grounds | 1,411,464 | - | 46,492 | - | 1,457,956 |
| Airport | 1,764,658 | - | 392,621 | (17,070) | 2,140,209 |
| Community Development | 262,565 | - | - | - | 262,565 |
| TOTAL GENERAL GOVERNMENT | 3,714,437 | - | 439,113 | (17,070) | 4,136,480 |
| PUBLIC SAFETY | | | | | |
| Police | 315,040 | - | 37,164 | (11,365) | 340,839 |
| Community Service | 140,751 | - | - | - | 140,751 |
| Civil defense | 102,306 | - | - | - | 102,306 |
| Fire | 1,680,541 | - | 78,712 | (15,826) | 1,743,427 |
| TOTAL PUBLIC SAFETY | 2,238,638 | - | 115,876 | (27,191) | 2,327,323 |
| HIGHWAYS | | | | | |
| Engineering | 132,208 | - | - | - | 132,208 |
| Street garage | 2,023,473 | - | 417,130 | (252,906) | 2,187,697 |
| Traffic signs and markings | 53,116 | - | - | - | 53,116 |
| Storm sewer | 4,300,406 | - | - | - | 4,300,406 |
| Loon Lake project | 630,067 | - | - | - | 630,067 |
| Highways | 27,241,991 | - | 1,158,026 | (8,846) | 28,391,171 |
| TOTAL HIGHWAYS | 34,381,261 | - | 1,575,156 | (261,752) | 35,694,665 |
| RECREATION | | | | | |
| Park | 4,519,758 | - | 22,869 | (11,397) | 4,531,230 |
| Water Park | 3,589,997 | - | - | - | 3,589,997 |
| Lake restoration | 1,077,149 | - | - | - | 1,077,149 |
| Library | 339,000 | - | - | - | 339,000 |
| TOTAL RECREATION | 9,525,904 | - | 22,869 | (11,397) | 9,537,376 |
| TOTAL GOVERNMENTAL FUND CAPITAL ASSETS | \$ 49,860,240 | \$ - | \$ 2,153,014 | \$ (317,410) | \$ 51,695,844 |

STATISTICAL SECTION

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. | 116-119 |
| Revenue Capacity These schedules contain information to help the reader assess the city's most significant local revenue source, the property tax. | 120-123 |
| 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. | 124-128 |
| 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. | 129-130 |
| 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. | 131-133 |

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

City of Waseca

Net Position by Component,
Last Ten Fiscal Years
(accrual basis of accounting)

Schedule 1

| | Fiscal Year | | | | | | | | | |
|---|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|
| | 2003 | 2004 | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 |
| Governmental activities | | | | | | | | | | |
| Net Investment in capital assets | \$ 16,473,311 | \$ 16,168,503 | \$ 16,335,872 | \$ 16,236,644 | \$ 17,881,298 | \$ 20,272,394 | \$ 22,351,800 | \$ 23,707,790 | \$ 23,902,473 | \$ 25,413,394 |
| Restricted | - | - | - | - | - | - | - | - | 3,074,107 | 2,515,866 |
| Unrestricted | 8,415,937 | 8,491,464 | 9,093,905 | 10,030,269 | 9,524,263 | 8,834,787 | 8,502,338 | 7,668,446 | 5,086,743 | 5,927,132 |
| Total governmental activities net position | <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> | <u>\$ 30,854,138</u> | <u>\$ 31,376,236</u> | <u>\$ 32,063,323</u> | <u>\$ 33,856,392</u> |
| Business-type activities | | | | | | | | | | |
| Net Investment in capital assets | \$ 12,679,344 | \$ 13,180,218 | \$ 14,577,318 | \$ 15,675,302 | \$ 16,002,097 | \$ 14,779,935 | \$ 21,358,800 | \$ 21,501,762 | \$ 21,725,944 | \$ 22,522,560 |
| Restricted | 299,285 | 49,285 | - | - | - | - | - | - | - | - |
| Unrestricted | 2,708,746 | 2,826,077 | 3,405,055 | 4,336,621 | 4,943,963 | 5,691,494 | 7,119,219 | 8,332,100 | 8,620,898 | 8,869,226 |
| Total business-type activities net position | <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> | <u>\$ 28,478,019</u> | <u>\$ 29,833,862</u> | <u>\$ 30,346,842</u> | <u>\$ 31,391,786</u> |
| Primary government | | | | | | | | | | |
| Net Investment in capital assets | \$ 29,152,655 | \$ 29,348,721 | \$ 30,913,190 | \$ 31,911,946 | \$ 33,883,395 | \$ 35,052,329 | \$ 43,710,600 | \$ 45,209,552 | \$ 45,628,417 | \$ 47,935,954 |
| Restricted | 299,285 | 49,285 | - | - | - | - | - | - | 3,074,107 | 2,515,866 |
| Unrestricted | 11,124,683 | 11,317,541 | 12,498,960 | 14,366,890 | 14,468,226 | 14,526,281 | 15,621,557 | 16,000,546 | 13,707,641 | 14,796,358 |
| Total primary government net position | <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> | <u>\$ 59,332,157</u> | <u>\$ 61,210,098</u> | <u>\$ 62,410,165</u> | <u>\$ 65,248,178</u> |

City of Waseca

Changes in Net Position, Last Ten Fiscal Years
(accrual basis of accounting)

Schedule 2

| | Fiscal Year | | | | | | | | | |
|---|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|----------------------|-----------------------|-----------------------|-----------------------|
| | 2003 | 2004 | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 |
| Expenses | | | | | | | | | | |
| Governmental activities: | | | | | | | | | | |
| General government | \$ 1,917,946 | \$ 2,088,695 | \$ 1,091,996 | \$ 1,159,811 | \$ 2,280,264 | \$ 2,004,479 | \$ 1,296,041 | \$ 1,466,726 | \$ 1,557,455 | \$ 1,453,361 |
| Public safety | 1,613,675 | 1,786,698 | 1,861,117 | 2,010,994 | 2,088,838 | 2,212,658 | 2,269,907 | 2,239,732 | 2,234,708 | 2,313,626 |
| Streets and highways | 1,648,285 | 1,722,209 | 2,043,056 | 1,421,344 | 2,075,077 | 2,165,581 | 2,197,469 | 2,303,749 | 2,221,251 | 2,266,354 |
| Sanitation | 17,102 | 44,224 | 31,339 | 44,022 | 47,005 | 49,926 | 61,785 | 36,085 | 51,755 | 48,998 |
| Culture and recreation | 660,919 | 707,194 | 852,982 | 1,221,345 | 1,024,144 | 1,028,410 | 1,323,007 | 1,196,169 | 1,198,836 | 993,011 |
| Economic Development | - | - | 1,129,979 | 539,282 | - | - | 635,338 | 160,660 | 519,045 | 313,701 |
| Interest and fees | 93,947 | 118,591 | 180,485 | 312,347 | 319,465 | 287,660 | 252,348 | 220,444 | 198,114 | 154,439 |
| Total governmental activities expenses | <u>5,951,874</u> | <u>6,467,611</u> | <u>7,190,954</u> | <u>6,709,145</u> | <u>7,834,793</u> | <u>7,748,714</u> | <u>8,035,895</u> | <u>7,623,565</u> | <u>7,981,164</u> | <u>7,543,490</u> |
| Business-type activities: | | | | | | | | | | |
| Water | 839,938 | 1,032,904 | 947,391 | 922,119 | 904,267 | 888,636 | 913,070 | 945,826 | 927,153 | 941,724 |
| Sewer | 1,381,928 | 1,333,329 | 1,535,319 | 1,688,033 | 1,760,499 | 1,503,280 | 1,474,211 | 1,847,497 | 1,766,602 | 2,083,325 |
| Electric | 4,744,456 | 4,757,230 | 5,076,255 | 5,552,176 | 6,176,515 | 5,994,670 | 5,752,967 | 6,244,546 | 6,247,453 | 6,563,897 |
| Airport | 112,016 | 93,399 | 74,107 | 94,060 | 122,108 | - | - | - | - | - |
| Total business-type activities expenses | <u>7,078,338</u> | <u>7,216,862</u> | <u>7,633,072</u> | <u>8,256,388</u> | <u>8,963,389</u> | <u>8,386,586</u> | <u>8,140,248</u> | <u>9,037,869</u> | <u>8,941,208</u> | <u>9,588,946</u> |
| Total primary government expenses | <u>\$ 13,030,212</u> | <u>\$ 13,684,473</u> | <u>\$ 14,824,026</u> | <u>\$ 14,965,533</u> | <u>\$ 16,798,182</u> | <u>\$ 16,135,300</u> | <u>\$ 16,176,143</u> | <u>\$ 16,661,434</u> | <u>\$ 16,922,372</u> | <u>\$ 17,132,436</u> |
| Program Revenues | | | | | | | | | | |
| Governmental activities: | | | | | | | | | | |
| Charges for services: | | | | | | | | | | |
| General government | \$ 84,647 | \$ 203,360 | \$ 453,457 | \$ 215,934 | \$ 135,046 | \$ 239,736 | \$ 244,770 | \$ 382,223 | \$ 124,632 | \$ 115,631 |
| Public safety | 82,144 | 86,196 | 102,154 | 122,199 | 168,311 | 149,800 | 116,263 | 15,895 | 166,587 | 193,285 |
| Streets and highways | 386,666 | 149 | 6,918 | 12,631 | 2,090 | 5,665 | 47,158 | 113,226 | - | - |
| Culture and recreation | - | 4,809 | 15,607 | 9,070 | 216,861 | 186,727 | 130,739 | 244,657 | 249,828 | 251,638 |
| Economic Development | - | - | - | 577 | - | - | - | - | - | - |
| Operating grants and contributions | 718,908 | 879,219 | 1,775,034 | 1,313,662 | 768,514 | 518,481 | 657,632 | 657,831 | 983,062 | 1,067,147 |
| Capital grants and contributions | 912,720 | 489,054 | 1,192,075 | 359,661 | 187,414 | 273,571 | 1,689,262 | 186,410 | 589,849 | 1,024,240 |
| Total governmental activities program revenues | <u>2,185,085</u> | <u>1,662,787</u> | <u>3,545,245</u> | <u>2,033,734</u> | <u>1,478,236</u> | <u>1,373,980</u> | <u>2,885,824</u> | <u>1,600,242</u> | <u>2,113,958</u> | <u>2,651,941</u> |
| Business-type activities: | | | | | | | | | | |
| Charges for services: | | | | | | | | | | |
| Water | 1,096,762 | 1,075,260 | 1,315,280 | 1,146,093 | 1,248,324 | 1,158,726 | 1,171,451 | 1,123,628 | 1,077,476 | 1,140,659 |
| Sewer | 1,668,543 | 1,614,100 | 1,796,985 | 1,715,748 | 1,708,700 | 1,658,274 | 2,375,457 | 2,092,247 | 1,979,062 | 2,041,173 |
| Electric | 5,096,095 | 4,940,216 | 5,181,406 | 6,127,135 | 6,876,970 | 6,812,270 | 6,682,100 | 7,179,391 | 6,703,294 | 7,007,456 |
| Airport | 50,037 | 47,055 | 49,811 | 50,057 | 50,772 | - | - | - | - | - |
| Operating grants and contributions | 84,872 | 21,676 | 246,303 | 355,861 | 335,933 | - | - | - | - | - |
| Capital grants and contributions | - | - | - | 649,171 | 81,132 | - | 6,070,552 | 333,514 | 100,984 | 244,532 |
| Total business-type activities program revenues | <u>7,996,309</u> | <u>7,698,307</u> | <u>8,589,785</u> | <u>10,044,065</u> | <u>10,301,831</u> | <u>9,629,270</u> | <u>16,299,560</u> | <u>10,728,780</u> | <u>9,860,816</u> | <u>10,433,820</u> |
| Total primary government program revenues | <u>\$ 10,181,394</u> | <u>\$ 9,361,094</u> | <u>\$ 12,135,030</u> | <u>\$ 12,077,799</u> | <u>\$ 11,780,067</u> | <u>\$ 11,003,250</u> | <u>\$ 19,185,384</u> | <u>\$ 12,329,022</u> | <u>\$ 11,974,774</u> | <u>\$ 13,085,761</u> |
| Net (Expense) Revenue | | | | | | | | | | |
| Governmental activities | \$ (3,766,789) | \$ (4,804,824) | \$ (3,645,709) | \$ (4,675,411) | \$ (6,356,557) | \$ (6,374,734) | \$ (5,150,071) | \$ (6,023,323) | \$ (5,867,206) | \$ (4,891,549) |
| Business-type activities | 917,971 | 481,445 | 956,713 | 1,787,677 | 1,338,442 | 1,242,684 | 8,159,312 | 1,690,911 | 919,608 | 844,874 |
| Total primary government net expense | <u>\$ (2,848,818)</u> | <u>\$ (4,323,379)</u> | <u>\$ (2,688,996)</u> | <u>\$ (2,887,734)</u> | <u>\$ (5,018,115)</u> | <u>\$ (5,132,050)</u> | <u>\$ 3,009,241</u> | <u>\$ (4,332,412)</u> | <u>\$ (4,947,598)</u> | <u>\$ (4,046,675)</u> |
| General Revenues and Other Changes in Net Position | | | | | | | | | | |
| Governmental activities: | | | | | | | | | | |
| Taxes | \$ 1,902,653 | \$ 2,004,634 | \$ 2,298,671 | \$ 2,482,823 | \$ 2,894,168 | \$ 3,281,362 | \$ 3,581,471 | \$ 3,226,835 | \$ 3,193,209 | \$ 3,496,084 |
| TIF Revenue | 145,375 | 171,905 | 187,696 | 238,302 | 230,464 | 220,056 | 234,786 | 237,501 | 227,291 | 249,889 |
| Lodging taxes | - | - | - | - | - | - | - | - | 25,973 | 19,561 |
| Franchise taxes | 152,829 | 142,898 | 179,111 | 153,262 | 173,836 | 194,268 | 194,268 | 195,858 | 202,024 | 202,164 |
| Unrestricted grants and contributions | 1,965,751 | 1,964,255 | 2,119,870 | 2,331,377 | 2,848,079 | 2,256,322 | 2,496,349 | 2,358,118 | 2,359,621 | 2,273,651 |
| Unrestricted investment earnings | 94,418 | 112,351 | 226,697 | 383,959 | 310,848 | 231,281 | 118,050 | 82,376 | 72,874 | 61,192 |
| Gain on disposal of assets | - | - | 230,111 | - | - | 3,855 | - | - | 6,590 | 2,910 |
| Loss on sale of fixed assets | (71,329) | - | - | - | - | - | - | - | - | - |
| Transfers | 335,000 | 179,500 | (826,637) | (77,176) | 607,044 | 1,889,210 | 272,104 | 444,733 | 466,711 | 455,042 |
| Total governmental activities | <u>4,524,697</u> | <u>4,575,543</u> | <u>4,415,519</u> | <u>5,512,547</u> | <u>7,064,439</u> | <u>8,076,354</u> | <u>6,897,028</u> | <u>6,545,421</u> | <u>6,554,293</u> | <u>6,760,493</u> |
| Business-type activities: | | | | | | | | | | |
| Unrestricted investment earnings | 36,914 | 66,260 | 143,443 | 164,697 | 202,739 | 168,498 | 119,382 | 109,665 | 56,393 | 41,921 |
| Gain on disposal of assets | - | - | - | - | - | 3,397 | - | - | 3,690 | - |
| Transfers | (335,000) | (179,500) | 826,637 | 77,176 | (607,044) | (1,889,210) | (272,104) | (444,733) | (466,711) | (455,042) |
| Total business-type activities | <u>(298,086)</u> | <u>(113,240)</u> | <u>970,080</u> | <u>241,873</u> | <u>(404,305)</u> | <u>(1,717,315)</u> | <u>(152,722)</u> | <u>(335,068)</u> | <u>(406,628)</u> | <u>(413,121)</u> |
| Total primary government | <u>\$ 4,226,611</u> | <u>\$ 4,462,303</u> | <u>\$ 5,385,599</u> | <u>\$ 5,754,420</u> | <u>\$ 6,660,134</u> | <u>\$ 6,359,039</u> | <u>\$ 6,744,306</u> | <u>\$ 6,210,353</u> | <u>\$ 6,147,665</u> | <u>\$ 6,347,372</u> |
| Change in Net Position | | | | | | | | | | |
| Governmental activities | \$ 757,908 | \$ (229,281) | \$ 769,810 | \$ 837,136 | \$ 707,882 | \$ 1,701,620 | \$ 1,746,957 | \$ 522,095 | \$ 687,087 | \$ 1,868,944 |
| Business-type activities | 619,885 | 368,205 | 1,926,793 | 2,029,550 | 934,137 | (474,631) | 8,006,590 | 1,355,843 | 512,980 | 431,753 |
| Total primary government | <u>\$ 1,377,793</u> | <u>\$ 138,924</u> | <u>\$ 2,696,603</u> | <u>\$ 2,866,686</u> | <u>\$ 1,642,019</u> | <u>\$ 1,226,989</u> | <u>\$ 9,753,547</u> | <u>\$ 1,877,938</u> | <u>\$ 1,200,067</u> | <u>\$ 2,300,697</u> |

City of Waseca

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

Schedule 3

| | Fiscal Year | | | | | | | | | |
|------------------------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|
| | 2003 | 2004 | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 |
| General Fund | | | | | | | | | | |
| Nondisposable | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ 50,000 | \$ - |
| Reserved | - | - | - | 200,000 | 180,000 | 160,000 | 120,000 | 120,000 | - | - |
| Assigned | - | - | - | - | - | - | - | - | 17,000 | 17,000 |
| Unassigned | - | - | - | - | - | - | - | - | 2,947,330 | 3,324,936 |
| Unreserved | 2,852,641 | 2,802,977 | 2,546,196 | 2,823,693 | 2,548,931 | 2,321,883 | 2,577,264 | 2,505,772 | - | - |
| Total General fund | <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> | <u>\$ 2,697,264</u> | <u>\$ 2,625,772</u> | <u>\$ 3,014,330</u> | <u>\$ 3,341,936</u> |
| All Other Governmental Funds | | | | | | | | | | |
| Nondisposable for: | | | | | | | | | | |
| Land held for resale | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ 960,467 | \$ 960,467 |
| Restricted for: | | | | | | | | | | |
| Debt Service | - | - | - | - | - | - | - | - | 1,351,232 | 805,876 |
| Clear Lake Press Fund | - | - | - | - | - | - | - | - | 165,693 | 179,862 |
| Revolving Loan | - | - | - | - | - | - | - | - | 24,421 | 26,951 |
| TIF Funds | - | - | - | - | - | - | - | - | 228,596 | 321,832 |
| Historical Preservation | - | - | - | - | - | - | - | - | 1,691 | 908 |
| Police Crime Victims | - | - | - | - | - | - | - | - | 7,307 | 19,921 |
| Police Forfeitures | - | - | - | - | - | - | - | - | 50,929 | 67,553 |
| Municipal State Aid | - | - | - | - | - | - | - | - | 894,284 | 878,431 |
| Reserved, reported in: | | | | | | | | | | |
| Special Revenue funds | 284,134 | 237,796 | 32,107 | 32,107 | 32,107 | 23,000 | 3,000 | 3,000 | - | - |
| Capital Projects funds | - | - | 1,142,609 | 1,142,609 | 1,145,882 | 1,145,882 | 960,467 | 960,467 | - | - |
| Debt Service funds | 1,667,715 | 1,680,157 | 1,857,235 | 1,558,908 | 150,000 | 100,000 | - | - | - | - |
| Committed to: | | | | | | | | | | |
| Airport | - | - | - | - | - | - | - | - | 177,226 | 190,707 |
| Police Reserves | - | - | - | - | - | - | - | - | 824 | 955 |
| Police Explorers | - | - | - | - | - | - | - | - | 297 | 136 |
| Waseca Housing Fund | - | - | - | - | - | - | - | - | 123,502 | 84,151 |
| Assigned to: | | | | | | | | | | |
| Capital Projects funds | - | - | - | - | - | - | - | - | 523,347 | 799,981 |
| NW Commercial Development | - | - | - | - | - | - | - | - | 154,315 | 155,196 |
| Annexation & Growth | - | - | - | - | - | - | - | - | 256,273 | 249,387 |
| Equipment Replacement | - | - | - | - | - | - | - | - | 201,808 | 273,175 |
| Operations | - | - | - | - | - | - | - | - | 178,396 | 184,261 |
| Unassigned to: | | | | | | | | | | |
| Unassigned | - | - | - | - | - | - | - | - | (44,841) | (69,893) |
| Unreserved, reported in: | | | | | | | | | | |
| Special Revenue funds | 270,376 | 250,114 | 741,627 | 889,963 | 569,543 | 661,021 | 650,562 | 820,311 | - | - |
| Capital Projects funds | 1,773,469 | 2,140,902 | 3,088,718 | 2,331,803 | 2,061,714 | 1,881,534 | 1,965,787 | 2,188,310 | - | - |
| Debt Service funds | - | - | - | (37,180) | 1,857,287 | 1,505,681 | 1,366,852 | 1,124,998 | - | - |
| Total all other Governmental funds | <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> | <u>\$ 4,946,668</u> | <u>\$ 5,097,086</u> | <u>\$ 5,255,767</u> | <u>\$ 5,129,857</u> |
| Total all funds | <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> | <u>\$ 7,643,932</u> | <u>\$ 7,722,858</u> | <u>\$ 8,270,097</u> | <u>\$ 8,471,793</u> |

Note: In fiscal year 2011, the fund balance classifications were changed to conform to the requirements of GASB 54. In fiscal year 2011, the Equipment Replacement fund was reclassified from an Internal Service fund to a Capital Project fund.

City of Waseca
Schedule 4

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

| | Fiscal Year | | | | | | | | | |
|---|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|
| | 2003 | 2004 | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 |
| REVENUES | | | | | | | | | | |
| Taxes | \$ 2,307,982 | \$ 2,133,882 | \$ 2,464,132 | \$ 2,825,538 | \$ 3,258,358 | \$ 3,395,772 | \$ 3,684,322 | \$ 3,663,548 | \$ 3,640,771 | \$ 3,974,120 |
| Licenses | 37,215 | 41,111 | 42,797 | 42,568 | 53,470 | 42,007 | 34,859 | 34,869 | 48,744 | 40,999 |
| Permits and fees | 173,495 | 134,989 | 264,112 | 136,202 | 79,324 | 102,834 | 96,938 | 84,736 | 121,286 | 135,744 |
| Intergovernmental | 2,947,152 | 3,160,880 | 4,017,916 | 2,893,622 | 3,372,522 | 3,056,868 | 3,406,843 | 3,066,632 | 3,397,557 | 3,728,615 |
| Charges for services | 8,352 | 10,182 | 20,663 | 40,357 | 62,238 | 45,477 | 38,809 | 28,763 | 35,061 | 30,886 |
| Program income | - | - | - | - | 210,116 | 232,231 | 201,123 | 238,020 | 238,008 | 245,099 |
| Construction revenue | 211,139 | - | - | - | - | - | - | - | - | - |
| Fines | 38,724 | 35,025 | 36,300 | 30,883 | 46,019 | 48,749 | 40,415 | 51,476 | 57,007 | 65,825 |
| Assessments | 344,162 | 365,166 | 313,129 | 55,204 | 235,363 | 158,552 | 223,682 | 228,838 | 266,083 | 339,732 |
| Interest on assessments | 28,782 | 44,710 | 40,427 | 66,467 | 58,803 | 47,008 | 39,864 | 35,084 | 90 | - |
| Contributions | - | - | - | 750,000 | 297,683 | 109,688 | 37,815 | 35,750 | 22,940 | 22,239 |
| Miscellaneous | 247,267 | 234,180 | 929,396 | 717,097 | 430,203 | 357,647 | 254,806 | 346,608 | 274,700 | 245,659 |
| Total revenues | 6,344,270 | 6,160,125 | 8,128,872 | 7,557,938 | 8,104,099 | 7,596,833 | 8,059,476 | 7,814,324 | 8,102,247 | 8,828,918 |
| EXPENDITURES | | | | | | | | | | |
| Current: | | | | | | | | | | |
| General government | 947,402 | 960,021 | 1,181,744 | 1,026,769 | 1,178,699 | 1,151,143 | 1,180,094 | 1,135,233 | 1,179,384 | 1,150,309 |
| Public safety | 1,563,462 | 1,697,512 | 1,829,735 | 1,799,213 | 2,478,926 | 1,995,933 | 2,092,219 | 2,129,972 | 2,118,240 | 2,190,280 |
| Streets and highways | 996,047 | 1,300,680 | 1,207,404 | 1,107,890 | 1,316,224 | 1,288,425 | 1,257,170 | 1,351,369 | 1,347,788 | 1,662,948 |
| Sanitation | 17,102 | 44,224 | 31,339 | 44,022 | 47,005 | 49,926 | 61,784 | 36,085 | 51,755 | 48,998 |
| Cultural and recreation | 630,972 | 596,446 | 697,503 | 651,729 | 690,852 | 714,532 | 719,001 | 899,515 | 909,091 | 908,187 |
| Personal services | 69,927 | 89,023 | - | 573 | 133,806 | 129,738 | 141,467 | - | - | - |
| Materials and supplies | 10,618 | 2,882 | 1,208 | 11,640 | 99,368 | 56,632 | 50,562 | - | - | - |
| Separation contribution | 100 | 7,700 | 1,600 | 2,099 | 1,000 | 2,100 | 500 | - | - | - |
| Services and charges | 722,450 | 958,666 | 1,050,493 | 894,185 | 480,578 | 474,809 | 420,138 | - | - | - |
| Economic development | - | - | - | - | - | - | 185,415 | 160,391 | 518,592 | 280,558 |
| Other services | 222,769 | 130,242 | 228,528 | 235,345 | 253,972 | 272,582 | 199,903 | 211,363 | 208,087 | 161,652 |
| Airport | - | - | - | - | - | - | - | 73,084 | 60,360 | 61,446 |
| Debt service: | | | | | | | | | | |
| Bond principal | 125,000 | 215,000 | 290,000 | 795,000 | 820,000 | 940,000 | 925,000 | 660,000 | 630,000 | 430,000 |
| Interest and fiscal charges | 89,386 | 81,941 | 154,019 | 240,252 | 326,795 | 287,660 | 250,956 | 220,156 | 193,956 | 165,447 |
| Capital outlay | 1,457,470 | 2,050,976 | 2,519,022 | 3,475,118 | 1,281,475 | 1,240,058 | 721,016 | 948,399 | 1,416,408 | 1,482,689 |
| Total expenditures | 6,852,705 | 8,135,313 | 9,192,595 | 10,283,835 | 9,108,700 | 8,603,538 | 8,205,225 | 7,825,567 | 8,633,661 | 8,542,514 |
| Excess of revenues over (under) expenditures | (508,435) | (1,975,188) | (1,063,723) | (2,725,897) | (1,004,601) | (1,006,705) | (145,749) | (11,243) | (531,414) | 286,404 |
| OTHER FINANCING SOURCES (USES) | | | | | | | | | | |
| Transfers in | 809,446 | 1,360,203 | 1,333,506 | 1,889,824 | 3,618,983 | 1,656,516 | 1,442,257 | 1,410,511 | 1,876,988 | 2,017,180 |
| Proceeds from equipment notes | 305,000 | 620,000 | 425,000 | - | - | - | - | - | - | - |
| Proceeds from bond issue | - | 1,415,000 | 2,940,000 | 2,040,000 | - | - | - | - | 430,000 | (545,000) |
| Premium on bonds sold | - | 1,588 | 1,700 | - | - | - | - | - | - | - |
| Sale of capital assets | - | - | - | - | 1,118 | 3,855 | 4,576 | - | 6,590 | 5,250 |
| Sale of land | 155,053 | 34,692 | 597,735 | - | - | - | - | - | - | - |
| Bond discount | - | (11,981) | (20,589) | (3,516) | - | - | - | - | (14,763) | - |
| Transfers out | (726,946) | (1,180,703) | (1,917,083) | (1,667,000) | (3,011,939) | (1,400,129) | (1,456,153) | (1,320,342) | (1,410,277) | (1,562,138) |
| Total other financing sources (uses) | 542,553 | 2,238,799 | 3,360,269 | 2,259,308 | 608,162 | 260,242 | (9,320) | 90,169 | 888,538 | (84,708) |
| Net change in fund balances | \$ 34,118 | \$ 263,611 | \$ 2,296,546 | \$ (466,589) | \$ (396,439) | \$ (746,463) | \$ (155,069) | \$ 78,926 | \$ 357,124 | \$ 201,696 |
| Debt service as a percentage of noncapital expenditures | | | | | | | | | | |
| | 4.2% | 5.2% | 6.7% | 17.0% | 15.5% | 17.3% | 16.5% | 13.1% | 11.6% | 9.0% |

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 Assessed Value | Taxable Market Value (1) | Total Direct Tax Rate |
|-------------------------|---------------------------------|--------------------------------|--------------------------------|-------------------------------------|---|----------------------------------|
| 2003 | \$ 245,382,800 | \$ 34,993,800 | \$ 19,608,900 | \$ 299,985,500 | \$ 299,985,500 | 55.19 |
| 2004 | 268,964,200 | 41,701,400 | 20,259,900 | 330,925,500 | 330,925,500 | 51.84 |
| 2005 | 303,603,400 | 45,683,500 | 19,997,700 | 369,284,600 | 369,284,600 | 53.81 |
| 2006 | 314,479,800 | 46,497,600 | 20,803,000 | 381,780,400 | 381,780,400 | 57.21 |
| 2007 | 344,962,700 | 54,063,300 | 21,468,000 | 420,494,000 | 420,494,000 | 63.10 |
| 2008 | 357,679,000 | 54,801,100 | 22,285,800 | 434,765,900 | 434,765,900 | 63.58 |
| 2009 | 365,866,800 | 55,418,600 | 23,113,700 | 444,399,100 | 444,399,100 | 66.01 |
| 2010 | 373,709,300 | 56,241,100 | 22,848,800 | 452,799,200 | 452,799,200 | 64.20 |
| 2011 | 373,700,400 | 56,667,600 | 23,245,300 | 453,613,300 | 453,613,300 | 63.70 |
| 2012 | 362,252,200 | 55,681,400 | 23,245,300 | 441,178,900 | 384,528,900 | 73.70 |

Source: Waseca County, Minnesota Assessors' Office

Notes:

- (1) Beginning with property taxes payable in 2012 the State of Minnesota replaced the Market Value Homestead Credit with a Market Value Exclusion program. Qualified homeowners receive an exclusion of a portion of the market value of their home. For homes valued at less than \$76,000, the exclusion is equal to 40 percent of the home's market value. For homes values between \$76,000 and \$413,800 the exclusion is \$30,400, minus 9 percent of the value over \$76,000. The new market value exclusion for homes resulted in a reduction in each city's tax base and an increase in the city's tax rate to obtain the same property tax levy. Taxable market value was reduced by this exclusion.

City of Waseca
Direct and Overlapping Property Tax Rates

Last Ten Fiscal Years

(rate per \$1,000 of assessed value)

Schedule 6

| Fiscal Year | City Direct Rate | | | Overlapping Rates | | | | | | Total Direct and Overlapping Tax Rate |
|-------------|------------------|-------------------|-------------------|--------------------------|-------------------|-------------------|---------|------|-------------------|---------------------------------------|
| | Operating Rate | Debt Service Rate | Total Direct Rate | Ind School District #829 | Waseca County (1) | Special Districts | HRA (1) | EDA | Total Overlapping | |
| 2003 | - % | - % | 55.19 % | 26.40 % | 57.47 % | 0.27 % | 0.62 % | - % | 84.75 % | 139.94 |
| 2004 | - | - | 51.84 | 22.85 | 53.29 | 0.25 | 0.54 | - | 76.93 | 128.77 |
| 2005 | - | - | 53.81 | 20.74 | 55.30 | 0.24 | 0.54 | - | 76.82 | 130.63 |
| 2006 | - | - | 57.21 | 21.15 | 54.90 | 0.22 | 0.47 | 0.98 | 77.73 | 134.94 |
| 2007 | 56.95 | 6.15 | 63.10 | 22.27 | 52.99 | 0.20 | 0.43 | 0.93 | 76.82 | 139.92 |
| 2008 | 57.28 | 6.31 | 63.58 | 24.08 | 54.30 | 0.20 | 0.42 | 0.90 | 79.89 | 143.47 |
| 2009 | 57.24 | 8.77 | 66.01 | 23.06 | 54.15 | 0.19 | 0.41 | 0.89 | 78.70 | 144.71 |
| 2010 | 60.53 | 3.68 | 64.20 | 19.46 | 51.55 | 0.18 | - | 0.88 | 72.07 | 136.27 |
| 2011 | 60.06 | 3.64 | 63.70 | 19.15 | 49.84 | 0.18 | - | 1.59 | 70.76 | 134.46 |
| 2012 (2) | 69.59 | 4.11 | 73.70 | 21.34 | 54.80 | 0.20 | - | 1.81 | 78.15 | 151.85 |

Source: Waseca County, Minnesota Auditors' Office

Notes: (1) As of 2010 HRA included in Waseca County

(2) Beginning with property taxes payable in 2012 the State of Minnesota replaced the Market Value Homestead Credit with a Market Value Exclusion program. Qualified homeowners receive an exclusion of a portion of the market value of their home. For homes valued at less than \$76,000, the exclusion is equal to 40 percent of the home's market value. For homes values between \$76,000 and \$413,800 the exclusion is \$30,400, minus 9 percent of the value over \$76,000. The new market value exclusion for homes resulted in a reduction in each city's tax base and an increase in the city's tax rate to obtain the same property tax levy. Taxable market value was reduced by this exclusion.

City of Waseca

Principal Property Taxpayers,
Current Year and Ten Years Ago

Schedule 7

| Taxpayer | Type of Property | 2012 | | | 2003 | | |
|-------------------------------|-----------------------|-------------------|------|---|-------------------|------|---|
| | | Net Tax Capacity | Rank | Percentage of Total City Taxable Net Tax Capacity | Net Tax Capacity | Rank | Percentage of Total City Taxable Net Tax Capacity |
| Brown Printing Co. | Printing & Publishing | \$ 177,864 | 1 | 3.85% | \$ 139,782 | 1 | 3.53% |
| WalMart | Retail | 86,384 | 2 | 1.87% | | | |
| Northern States Power | Utility | 76,336 | 3 | 1.65% | 46,596 | 3 | 1.18% |
| Alliance Development Corp | Industrial | 64,706 | 4 | 1.40% | | | |
| Birds Eye Foods Inc | Vegatable Processing | 51,122 | 5 | 1.11% | | | |
| Waseca Properties LLC | Radio Manufacturing | 49,081 | 6 | 1.06% | 45,857 | 4 | 1.16% |
| Woodville Holdings LLC | Manufacturing | 39,084 | 7 | 0.85% | 38,366 | 6 | 0.97% |
| Gary & Kathy Worke Family LLC | Residential | 36,639 | 8 | 0.79% | | | |
| FHS Waseca/Portage LP | Commercial | 33,762 | 9 | 0.73% | 26,502 | 9 | 0.67% |
| FHS Waseca/Portage LP | Commercial | | | | 26,346 | 10 | 0.67% |
| Clear Lake Press Inc | Printing & Publishing | 31,490 | 10 | 0.68% | | | |
| MHW Group LLC | Freezer Warehouse | | | | 64,158 | 2 | 1.62% |
| Agrilink Foods Inc. | Food Processing | | | | 45,328 | 5 | 1.15% |
| First National Bank | Banking | | | | 31,024 | 7 | 0.78% |
| Waseca Leased Housing Assoc. | Real Estate Rental | | | | 30,229 | 8 | 0.76% |
| Total | | <u>\$ 646,468</u> | | <u>13.99%</u> | <u>\$ 494,188</u> | | <u>12.49%</u> |
| Total tax capacity | | | | <u>\$ 4,623,080</u> | | | <u>\$ 3,955,887</u> |

Source: Waseca County, Minnesota Assessor's Office

City of Waseca**Schedule 8**Property Tax Levies and Collections
Last Ten Fiscal Years

| Fiscal Year | Taxes Levied for the Fiscal Year | | Collected within the Fiscal Year of Levy | | Collected and/or Abated in Subsequent Years | Total Collected and/or Abated to Date | |
|----------------|----------------------------------|-----------|---|-----------------------|---|--|-----------------------|
| | Levy | Net Levy* | Amount | Percentage of Levy | Amount | Amount | Percentage of Levy |
| 2003 | \$ 1,997,256 | 1,675,382 | \$ 1,642,823 | 98.06% | \$ 32,559 | \$ 1,675,382 | 100.00% |
| 2004 | 1,980,963 | 1,718,823 | 1,698,921 | 98.84% | 19,902 | 1,718,823 | 100.00% |
| 2005 | 2,274,374 | 2,005,734 | 1,978,763 | 98.66% | 26,359 | 2,005,122 | 99.97% |
| 2006 | 2,748,986 | 2,224,485 | 2,195,033 | 98.68% | 28,574 | 2,223,607 | 99.96% |
| 2007 | 3,043,204 | 2,752,073 | 2,697,479 | 98.02% | 52,600 | 2,750,079 | 99.93% |
| 2008 | 3,182,173 | 2,899,198 | 2,840,941 | 97.99% | 53,331 | 2,894,272 | 99.83% |
| 2009 | 3,490,002 | 3,201,235 | 3,132,434 | 97.85% | 61,034 | 3,193,468 | 99.76% |
| 2010 | 3,449,889 | 3,141,628 | 3,087,830 | 98.29% | 42,585 | 3,130,415 | 99.64% |
| 2011 | 3,436,866 | 3,140,266 | 3,076,042 | 97.95% | 41,872 | 3,117,914 | 99.29% |
| 2012 | 3,436,866 | 3,436,889 | 3,384,833 | 98.49% | - | 3,384,833 | 98.49% |

* The net tax levy excludes state aid for property tax relief and fiscal disparities, if applicable. The net tax levy is the basis for computing tax capacity rates.

City of Waseca

Ratios of Outstanding Debt by Type
Last Ten Fiscal Years

Schedule 9

| Fiscal Year | Governmental Activities | | | | Business-Type Activities | | Total Primary Government | (1) | | |
|-------------|---------------------------|--------------------------|-----------------------------|----------------|----------------------------------|----------------------------------|--------------------------|------------------------------------|-------------------------------|------------|
| | Special Assessments Bonds | General Obligation Bonds | G.O. Equipment Certificates | Capital Leases | General Obligation Revenue Bonds | General Obligation Revenue Notes | | Percentage of Taxable Market Value | Percentage of Personal Income | Per Capita |
| | | | | | | | | | | |
| 2003 | \$ 1,885,000 | \$ - | \$ 305,000 | \$ 136,074 | \$ 3,785,000 | \$ - | \$ 6,111,074 | 2.04% | 1.25% | \$ 629 |
| 2004 | 3,085,000 | - | 925,000 | - | 5,430,000 | - | 9,440,000 | 2.85% | 1.81% | 972.09 |
| 2005 | 2,870,000 | 2,940,000 | 1,275,000 | - | 6,920,000 | - | 14,005,000 | 3.79% | 2.57% | 1,442.18 |
| 2006 | 2,485,000 | 4,895,000 | 950,000 | - | 4,845,000 | - | 13,175,000 | 3.45% | 2.39% | 1,356.71 |
| 2007 | 2,120,000 | 4,775,000 | 615,000 | - | 4,435,000 | - | 11,945,000 | 2.84% | 2.04% | 1,215.40 |
| 2008 | 1,760,000 | 4,540,000 | 270,000 | - | 4,020,000 | - | 10,590,000 | 2.44% | 1.62% | 1,077.64 |
| 2009 | 1,405,000 | 4,240,000 | - | - | 3,675,000 | 381,163 | 9,701,163 | 2.18% | 1.50% | 991.03 |
| 2010 | 1,045,000 | 3,940,000 | - | - | 3,320,000 | 6,704,144 | 15,009,144 | 3.31% | 2.20% | 1,595.02 |
| 2011 | 730,000 | 4,055,000 | - | - | 3,495,000 | 8,060,462 | 16,340,462 | 3.60% | 2.22% | 1,736.50 |
| 2012 | 495,000 | 3,315,000 | - | - | 2,595,000 | 8,204,000 | 14,609,000 | 3.80% | N/A | 1,552.50 |

Sources:

- (1) 2003-2005 Estimated Market Value amount used to figure percentage
2006-current Actual Market Value amount used to figure percentage

Beginning with property taxes payable in 2012 the State of Minnesota replaced the Market Value Homestead Credit with a Market Value Exclusion program. Qualified homeowners receive an exclusion of a portion of the market value of their home. For homes valued at less than \$76,000, the exclusion is equal to 40 percent of the home's market value. For homes values between \$76,000 and \$413,800 the exclusion is \$30,400, minus 9 percent of the value over \$76,000. the new market value exclusion for homes resulted in a reduction in each city's tax base and an increase in the city's tax rate to obtain the same property tax levy.

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

Direct and Overlapping Governmental Activities Debt

As of December 31, 2012

Schedule 10

| | <u>Debt Outstanding</u> | <u>Estimated Percentage Applicable</u> | <u>Estimated Share of Overlapping Debt</u> |
|------------------------------------|-----------------------------|--|--|
| Overlapping: | | | |
| Waseca County | \$ 2,230,000 | 25.3% | \$ 564,190 |
| Ind School District #829 | 9,500,000 | 49.1% | <u>4,664,500</u> |
| Total Overlapping | | | <u>5,228,690</u> |
| City of Waseca Direct Debt | \$ 6,405,000 | 100.00% | <u>\$ 6,405,000</u> |
| Total Direct and Overlapping Debt: | | | <u><u>\$ 11,633,690</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. Overlapping portion determined by ratio of assessed valuation of property subject to taxation in the City to valuation of property subject to taxation in overlapping unit.

City of Waseca
Legal Debt Margin Information
Last Ten Fiscal Years

| | 2003 | 2004 | 2005 | 2006 | 2007 |
|---|---------------------|---------------------|---------------------|---------------------|---------------------|
| Debt limit | \$ 6,121,430 | \$ 7,678,048 | \$ 7,905,674 | \$ 7,635,608 | \$ 8,409,880 |
| Total net debt applicable to limit | - | - | 4,215,000 | 5,845,000 | 5,390,000 |
| Legal debt margin | <u>\$ 6,121,430</u> | <u>\$ 7,678,048</u> | <u>\$ 3,690,674</u> | <u>\$ 1,790,608</u> | <u>\$ 3,019,880</u> |
| Total net debt applicable to the limit as a percentage of debt limit | 0.00% | 0.00% | 53.32% | 76.55% | 64.09% |

Minn. Stat. Section 475.53 state that except as otherwise provided in sections 475.51 to 475.74, no municipality, except a school district or a city of the first class, shall incur or be subject to a net debt in excess of three percent of the market value. In years prior to and including 2007 this limit was two percent.

Beginning with property taxes payable in 2012 the State of Minnesota replaced the Market Value Homestead Credit with a Market Value Exclusion program. Qualified homeowners receive an exclusion of a portion of the market value of their home. For homes valued at less than \$76,000, the exclusion is equal to 40 percent of the home's market value. For homes values between \$76,000 and \$413,800 the exclusion is \$30,400, minus 9 percent of the value over \$76,000. the new market value exclusion for homes resulted in a reduction in each city's tax base and an increase in the city's tax rate to obtain the same property tax levy. Taxable market value was reduced by this exclusion.

Schedule 11

| 2008 | 2009 | 2010 | 2011 | 2012 |
|---------------------|---------------------|---------------------|----------------------|---------------------|
| \$ 13,042,977 | \$ 13,331,973 | \$ 13,583,976 | \$ 13,608,399 | \$ 11,535,867 |
| 4,810,000 | 4,240,000 | 3,940,000 | 2,866,871 | 2,130,000 |
| <u>\$ 8,232,977</u> | <u>\$ 9,091,973</u> | <u>\$ 9,643,976</u> | <u>\$ 10,741,528</u> | <u>\$ 9,405,867</u> |
| 36.88% | 31.80% | 29.00% | 21.07% | 18.46% |

Legal Debt Margin Calculation for Fiscal Year 2012

| | | |
|---|---------------|-----------------------|
| Taxable Market value | | \$ <u>384,528,900</u> |
| Debt limit (3% of Taxable Market Value) | | 11,535,867 |
| Debt applicable to limit: | | |
| Total bonded debt | \$ 14,609,000 | |
| Less: Special Assessment Bonds | (495,000) | |
| Less: Tax Increment Bonds | (945,000) | |
| Less: Municipal State-Aid Bonds | (240,000) | |
| Less: Revenue Bonds | (2,595,000) | |
| Less: Revenue Notes | (8,204,000) | |
| Debt applicable to limit | | <u>2,130,000</u> |
| Legal debt margin | | \$ <u>9,405,867</u> |

City of Waseca
Pledged-Revenue Coverage,
Last Ten Fiscal Years

Schedule 12

Special Assessment Bonds

| Fiscal Year | Revenue | Debt Service | | | Coverage |
|----------------|------------|--------------|-----------|------------|----------|
| | | Principal | Interest | Total | |
| 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 |
| 2009 | 151,530 | 355,000 | 66,263 | 421,263 | 0.36 |
| 2010 | 167,412 | 360,000 | 51,710 | 411,710 | 0.41 |
| 2011 | 142,913 | 235,000 | 27,626 | 262,626 | 0.54 |
| 2012 | 123,356 | 235,000 | 17,453 | 252,453 | 0.49 |

Water Fund

| Fiscal Year | Debt Service | | | | | | |
|----------------|--------------|----------------------|----------------------|--------------|-----------|------------|----------|
| | *Less: | | Net | Debt Service | | | Coverage |
| | Revenue | Operating Expense | Available Revenue | Principal | Interest | Total | |
| 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 |
| 2009 | 1,106,722 | 562,273 | 544,449 | 120,000 | 49,400 | 169,400 | 3.21 |
| 2010 | 1,161,596 | 597,353 | 564,243 | 125,000 | 44,699 | 169,699 | 3.32 |
| 2011 | 1,092,442 | 570,466 | 521,976 | 130,000 | 39,710 | 169,710 | 3.08 |
| 2012 | 1,149,518 | 596,674 | 552,844 | 150,000 | 10,868 | 160,868 | 3.44 |

Sanitary Sewer Fund

| Summary Cover Page | | | | | | | | |
|--------------------|--------------|----------------------|----------------------|--------------|------------|------------|----------|--|
| Fiscal Year | *Less: | | Net | Debt Service | | | Coverage | |
| | Revenue | Operating Expense | Available Revenue | Principal | Interest | Total | | |
| 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 | |
| 2009 | 2,374,755 | 840,840 | 1,533,915 | 225,000 | 101,380 | 326,380 | 4.70 | |
| 2010 | 2,472,699 | 1,197,189 | 1,275,510 | 600,499 | 135,709 | 736,208 | 1.73 | |
| 2011 | 2,002,366 | 954,971 | 1,047,395 | 621,000 | 287,906 | 908,906 | 1.15 | |
| 2012 | 2,062,940 | 967,294 | 1,095,646 | 644,000 | 285,400 | 929,400 | 1.18 | |

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

* Less depreciation

City of WasecaDemographic 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 |
|------------------------|-------------------|--|--|-------------------------------------|-------------------------------------|
| 2003 | 9,711 | \$ 487,734 | \$ 25,103 | 2,285 | 4.7% |
| 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 | 4.2% |
| 2007 | 9,828 | 585,330 | 30,051 | 2,096 | 4.8% |
| 2008 | 9,827 | 654,600 | 33,786 | 2,075 | 5.3% |
| 2009 | 9,789 | 648,132 | 34,528 | 2,086 | 8.5% |
| 2010 | 9,410 | 681,908 | 35,627 | 2,088 | 7.6% |
| 2011 | 9,410 | 735,429 | 38,159 | 2,070 | 6.6% |
| 2012 | 9,410 | Not available | Not available | 2,029 | 6.4% |

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

Principal Employers, Current Year and Nine Years Ago
 Demographic and Economic Statistics

Schedule 14

| Employer | Product/Service | 2012 | | | 2003 | | |
|--------------------------------|------------------------------------|--------------|------|---|--------------|------|---|
| | | Employees | Rank | Percentage of Total City Employment | Employees | Rank | Percentage of Total City Employment |
| Brown Printing Co. | Commercial Printing/Lithographic | 921 | 1 | 9.79% | 1,300 | 1 | 13.39% |
| Itron Inc. | Instruments to Measure Electricity | 415 | 2 | 4.41% | 450 | 2 | 4.63% |
| Waseca Public Schools | Elementary/Secondary Schools | 315 | 3 | 3.35% | 433 | 3 | 4.46% |
| Emerson Network Power | Electronic Components | 282 | 4 | 3.00% | 200 | 5 | 2.06% |
| Federal Correctional Institute | Government-Correction Institution | 223 | 5 | 2.37% | 230 | 4 | 2.37% |
| Waseca Medical Center | General Medical/Surgical Hospital | 143 | 6 | 1.52% | 173 | 6 | 1.78% |
| County of Waseca | Government Offices | 135 | 7 | 1.43% | 135 | 7 | 1.39% |
| Birds Eye Foods, Inc. | Frozen Specialties | 129 | 8 | 1.37% | 130 | 8 | 1.34% |
| ELM Homes Inc | Residential Care | 124 | 9 | 1.32% | 100 | 10 | 1.03% |
| Mediacom | Telecommunications | 100 | 10 | 1.06% | 120 | 9 | 1.24% |
| Total | | <u>2,787</u> | | <u>29.62%</u> | <u>3,271</u> | | <u>33.69%</u> |

Source: Official Statements used for City Debt Issues

City of Waseca**Schedule 15**

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

| Full-time Equivalent Employees as of December 31, | | | | | | | | | | |
|---|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|
| | 2003 | 2004 | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 |
| General Government | | | | | | | | | | |
| Administration | 4 | 4 | 4 | 4 | 4 | 4 | 3 | 3 | 3 | 3 |
| Finance | 3 | 3 | 3 | 3 | 3 | 4 | 4 | 3 | 3.5 | 3.5 |
| Community Development | 2 | 2 | 2 | 2 | 2 | 1 | 2 | 1 | 2 | 2 |
| Total General Government | 9 | 9 | 9 | 9 | 9 | 9 | 9 | 7 | 8.5 | 8.5 |
| Public Safety | | | | | | | | | | |
| Police | 15 | 15 | 15 | 15 | 16 | 17 | 17 | 16 | 16 | 16 |
| Building Inspection | 2 | 2 | 2 | 2 | 2 | 2 | 2 | - | - | - |
| Fire | 3 | 3 | 3 | 3 | 3 | 3 | 3 | 3 | 3 | 3 |
| Total Public Safety | 20 | 20 | 20 | 20 | 21 | 22 | 22 | 19 | 19 | 19 |
| Public Works | | | | | | | | | | |
| Engineering | 4 | 5 | 5 | 5 | 5 | 4 | 3 | 3 | 3 | 3 |
| Streets/Shop | 11 | 11 | 11 | 11 | 11 | 11 | 10 | 10 | 10 | 10 |
| Total Public Works | 15 | 16 | 16 | 16 | 16 | 15 | 13 | 13 | 13 | 13 |
| Culture & Recreation | | | | | | | | | | |
| Parks | 3 | 3 | 4 | 4 | 4 | 4 | 4 | 4 | 4 | 4 |
| Water Park | - | - | - | - | 1 | 1 | 1 | 1 | 1 | 1 |
| Total Culture & Rec | 3 | 3 | 4 | 4 | 5 | 5 | 5 | 5 | 5 | 5 |
| Enterprise | | | | | | | | | | |
| Water/WWTP | 7 | 6 | 6 | 6 | 5 | 5 | 5 | 4 | 4 | 4 |
| Electric | 7 | 7 | 8 | 8 | 6 | 6 | 4 | 4 | 4 | 4 |
| Utility Administration | - | - | - | - | 2 | 2 | 2 | 2 | 2 | 2 |
| Utility Billing | 4 | 4 | 4 | 4 | 3 | 2 | 2 | 2 | 2.5 | 2.5 |
| Total Enterprise | 18 | 17 | 18 | 18 | 16 | 15 | 13 | 12 | 12.5 | 12.5 |
| Total | 65 | 65 | 67 | 67 | 67 | 66 | 62 | 56 | 58 | 58 |

Source: City Finance Department

| Function/Program | 2003 | 2004 | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 |
|----------------------------------|---------------|---------------|---------------|---------------|--------------|--------------|--------------|--------------|---------------|---------------|
| General Government | | | | | | | | | | |
| Elections | - | 1 | - | 1 | - | 1 | - | 1 | - | 1 |
| Registered voters | | 5,368 | | 5,176 | | 5,493 | | 4,687 | | 5,314 |
| Number of votes cast | | 4,215 | | 3,446 | | 4,301 | | 3,317 | | 4,167 |
| Voter participation (registered) | | 78.5% | | 66.6% | | 78.3% | | 70.8% | | 78.4% |
| Public Safety | | | | | | | | | | |
| Police | | | | | | | | | | |
| Admin Fines | - | - | - | - | - | - | - | - | - | 430 |
| Arrests | 308 | 345 | 254 | 466 | 755 | 661 | 375 | 326 | 318 | 392 |
| All citations & warnings | N/A | 194 | 2,130 | 2,159 | 2,337 | 1,868 | 1,826 | 1,959 | 1,226 | 1,302 |
| Calls for service | 5,914 | 5,928 | 6,240 | 6,829 | 7,432 | 7,110 | 7,144 | 7,085 | 7,369 | 8,274 |
| Fire | | | | | | | | | | |
| Medical | 364 | 394 | 431 | 408 | 422 | 414 | 369 | 430 | 406 | 415 |
| Fire | 59 | 78 | 131 | 108 | 73 | 72 | 92 | 89 | 87 | 148 |
| Other Services | 3 | 1 | 5 | 11 | 81 | 97 | 101 | 105 | 124 | 103 |
| Inspections | | | | | | | | | | |
| Building Permits | 548 | 470 | 411 | 374 | 410 | 405 | 363 | 383 | 558 | 561 |
| Value of Building Permits | \$ 17,171,282 | \$ 20,588,608 | \$ 33,663,100 | \$ 14,973,880 | \$ 5,841,601 | \$ 8,810,988 | \$ 6,327,512 | \$ 8,874,557 | \$ 10,821,320 | \$ 13,837,343 |
| Culture and Recreation | | | | | | | | | | |
| Library | | | | | | | | | | |
| Circulation (checked out) | 125,000 | 125,000 | 125,000 | 125,000 | 125,000 | 125,000 | 125,000 | 125,000 | 125,000 | 125,000 |
| Parks | | | | | | | | | | |
| Park Reservations | 134 | 114 | 91 | 109 | 98 | 103 | 130 | 101 | 102 | 107 |
| Water Park-Attendance | - | - | - | - | 29,598 | 29,892 | 19,839 | 27,877 | 25,383 | 25,881 |
| Electric | | | | | | | | | | |
| Outages | 39 | 41 | 49 | 38 | 32 | 67 | 33 | 62 | 41 | 49 |

Source: Various City Departments

City of Waseca

Capital Asset Statistics by Function/Program
Last Ten Years

Schedule 17

| Function/Program | 2003 | 2004 | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 |
|---------------------------------|------------|------------|------------|------------|------------|------------|------------|------------|------------|------------|
| Public Safety | | | | | | | | | | |
| Police | | | | | | | | | | |
| Stations | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 |
| Patrol squads | 6 | 8 | 11 | 12 | 11 | 11 | 11 | 11 | 11 | 11 |
| Fire | | | | | | | | | | |
| Stations | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 |
| Fire Trucks | 3 | 3 | 3 | 3 | 4 | 4 | 5 | 5 | 4 | 4 |
| Public Works | | | | | | | | | | |
| Vehicles | 8 | 9 | 8 | 11 | 11 | 11 | 13 | 13 | 13 | 14 |
| Streets (miles) | 45 | 45 | 45 | 48 | 48 | 48 | 48 | 48 | 48 | 48 |
| Culture & Recreation | | | | | | | | | | |
| Library-Building | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 |
| Water Park | - | - | - | - | 1 | 1 | 1 | 1 | 1 | 1 |
| Parks | 15 | 15 | 15 | 15 | 15 | 15 | 15 | 15 | 15 | 15 |
| Sanitary Sewer | | | | | | | | | | |
| Collection System (miles) | 44 | 44 | 44 | 44 | 44 | 44 | 44 | 45.9 | 46.1 | 46.1 |
| Storm Sewer | | | | | | | | | | |
| Storm sewer (miles) | 40 | 40 | 40 | 40 | 40 | 40 | 40 | 40 | 40 | 40 |
| Water | | | | | | | | | | |
| Water main (miles) | 53 | 53 | 54 | 56 | 56 | 56 | 56 | 56 | 56 | 56 |
| Electric | | | | | | | | | | |
| Annual consumption (KWH) | 65,605,800 | 63,534,700 | 65,222,018 | 66,397,272 | 68,992,100 | 67,218,160 | 63,521,180 | 66,873,180 | 65,531,859 | 65,039,330 |

Source: Various City Departments

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