

CITY OF WASECA
WASECA, MINNESOTA

COMPREHENSIVE ANNUAL
FINANCIAL REPORT

FOR THE YEAR ENDED
DECEMBER 31, 2016

PREPARED BY:

FINANCE DEPARTMENT

Shelly Kolling
Director of Finance

Member GFOA of U.S. and Canada
Published June 29, 2017

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INTRODUCTORY SECTION

CITY OF WASECA
WASECA, MINNESOTA

FOR THE YEAR ENDED
DECEMBER 31, 2016



June 29, 2017

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, 2016.

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, 2016, 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 municipal services. These include police services, fire protection, zoning and code enforcement, municipal planning, parks, recreation activities with an aquatic center, a regional airport, construction and maintenance of streets and infrastructure. Community and economic development are facilitated through a Housing and Redevelopment Authority and an Economic Development Authority. In addition, the City provides water, electric, sanitary sewer and surface water enterprise services. The City also contributes to the regional library system, senior center operations, area transportation services, area tourism bureau, historical society and several other important community based areas.

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 it 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 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 prior to the consideration of the preliminary tax levy. 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 29th. 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.

Financial Condition

In 2013 Governor Dayton signed into law a tax bill that included an \$80 million increase in LGA beginning with the 2014 distribution, as well as a new formula that was supported by the League of MN Cities, Coalition of Greater MN Cities, and Metro Cities. The appropriation increased by \$7.8 million in 2015 and another \$2.5 million in 2016. In 2014 the City of Waseca received Certified LGA under the new formula of \$2,631,156 which is an increase of \$357,505 from 2013. In 2016 the City received a slight increase to \$2,689,060. The increases in LGA will not fully restore the State property tax aid to pre-recession levels, however, it does allow the City to begin the process to catch-up on many delayed initiatives and projects from that period.

The Legislature made significant changes to the state minimum wage law which is a significant impact to the aquatic center operations. As of August 1, 2014 the City of Waseca was required to pay employees a minimum of \$8.00 per hour, on August 1, 2015 this increased to \$9.00 per hour, and on August 1, 2016 it increased to \$9.50 per hour.

Future potential economic factor impact may result from health insurance as an outcome of the Federal Affordable Care Act.

Local Economy

Waseca is supported by strong industry clusters, infrastructure, natural resources and labor pool accessibility. Approximately one quarter of the jobs in Waseca are in manufacturing and the next largest category is 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 recent completion of the City's Public Safety Center allows for better public service and improves 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.

The City is currently participating with the state to reconstruct old Highway 14 which runs through the downtown area. This project spans over a two year time frame and will provide substantial improvements to this thoroughfare.

City issued building permits increased beginning in 2014 and continued to stay strong in 2016, showing a continued trend of significant investments being made in the community.

Relevant Financial Policies

The City of Waseca includes in its Financial Policies a requirement that at the end of each fiscal year, the City will maintain an unrestricted fund balance in the General Fund for working capital in a range equal to 35-50 percent of the subsequent year's General Fund expenditure budget. Appropriation from the minimum fund balance shall require the approval of the City Council. Any planned use of fund balance in the General Fund below the minimum target shall be accompanied by a plan to restore the fund balance to the minimum targeted level.

The City is in the process of maintaining a comprehensive Capital Improvement Plan (CIP) to facilitate the replacement of its aging infrastructure. When streets are reconstructed in this program, aging water, sanitary and storm sewer infrastructure is also repaired or replaced. These improvements are funded by a combination of general obligation improvement bonds supported with special assessments against benefited properties and cash from the capital projects funds and utility enterprise funds. It is expected that this will be an ongoing process and the CIP is reviewed and amended as part of each budget cycle. There will be an expanded use of the Pavement Management System in project analysis and the CIP will include cash flow projections for all funds providing funding for the CIP. A plan for the maintenance and upgrading of the City's buildings and facilities is being incorporated into the CIP for both operational repairs and for large capital expenditure type improvements.

The City continues to review debt and investments to ensure maximization of City funding opportunities. The City is also reviewing the development of utility rate models to improve the City's ability to plan and generate cash for operations, scheduled maintenance and capital improvements.

Also included in the City policies are internal control directives to protect the City's assets from loss, theft or misuse. These controls provide reasonable assurance of the safety of the City's assets while recognizing that management estimates and judgements as to the cost of such controls.

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 areas of the two new State Highway 14 bypass interchanges experience growth 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.

The City initiatives for 2016 and 2017 include:

- Old highway 14 (Elm Avenue) turn back project with MnDOT to include City water and sewer improvement plans.
- Addition of Tink Larson Community Stadium to replace the historical one due to fire.
- Addition of an airport Fixed Base Operator hanger and an airport master plan update.
- Library improvements including additional space, entry way and restroom upgrades.
- Continued sanitary sewer system cleaning, street sweeping and inspections.
- Continued development initiative and loan programs.
- Continue review of storm water management plan.
- Continued implementation of lift station SCADA and generator plan.
- Continued implementation of Surface Water Utility Fund for MS4 permit compliance.
- Ten year funding plan for infrastructure maintenance and improvements.

Awards and Acknowledgments

The Government Finance Officers Association (GFOA) 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, 2015. This is the thirty-second 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. A Certificate of Achievement is valid for a period of one year and it is expected that the 2016 report conforms to the Certificate of Achievement program requirements. It will be submitted to the GFOA to determine its eligibility for another certificate.

The preparation and publication of this report could not have been accomplished without the professional and dedicated hard work of finance technician Alicia Fischer. We appreciate the cooperation and support from all City staff 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 and management of the City of Waseca's future.

Respectively Submitted,



Daniel Lenz
City Manager



Shelly L. Kolling
Finance Director

CITY OF WASECA, MINNESOTA
ELECTED AND APPOINTED OFFICIALS
FOR THE YEAR ENDED DECEMBER 31, 2016

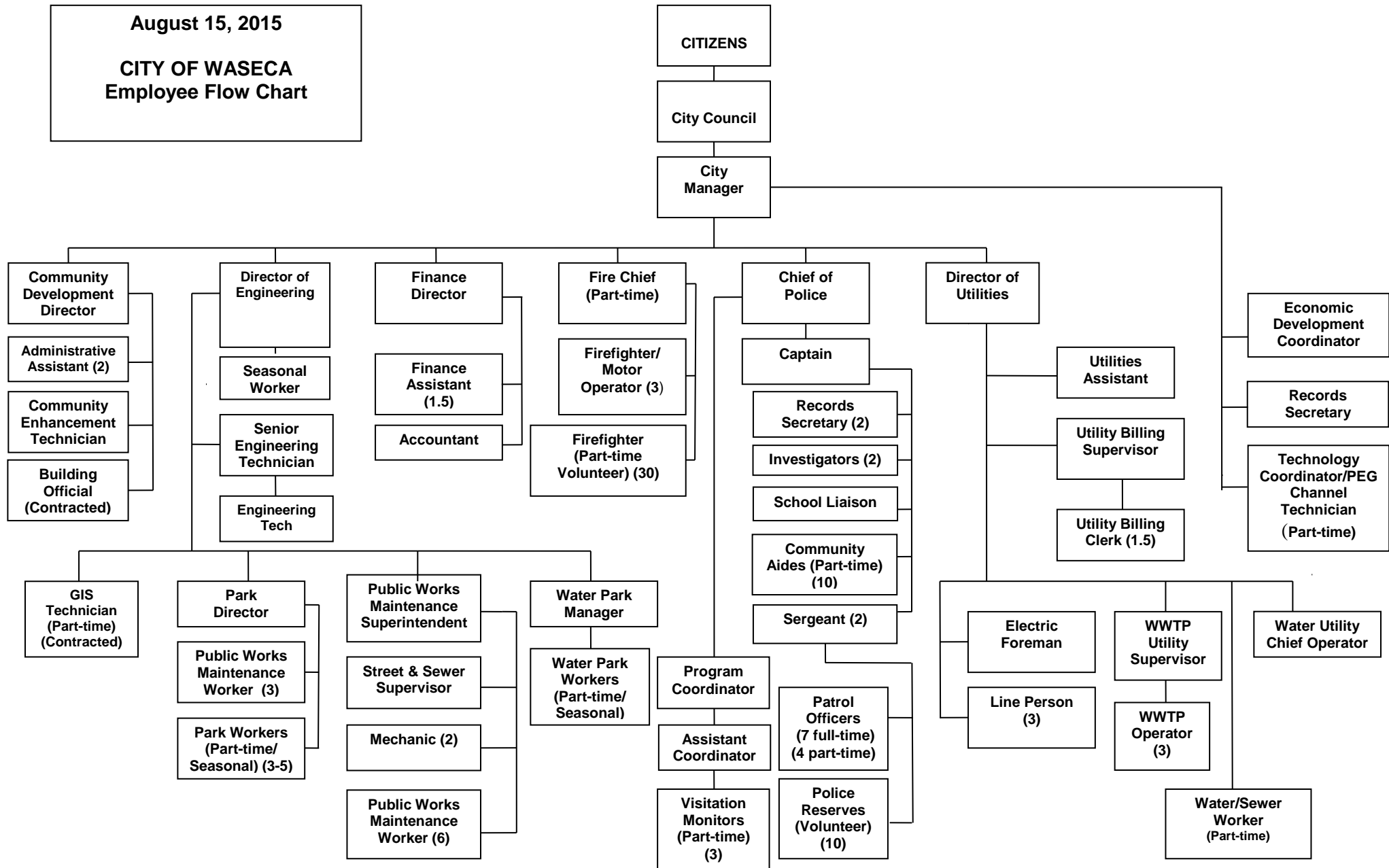
ELECTED OFFICIALS

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
John Clemons	Mayor	12/31/2016
Fred Salisbury	Council - First Ward	12/31/2016
Ann Fitch	Council - First Ward	12/31/2018
Les Tloutan	Council - Second Ward	12/31/2016
Allan Rose	Council - Second Ward	12/31/2018
Mark Christiansen	Council - Third Ward	12/31/2016
Daren Arndt	Council - Third Ward	12/31/2018

APPOINTED OFFICIALS

Danny Lenz	City Manager
Shelly Kolling	Finance Director
Carl Sonnenberg	Utilities Director
Mark DuChene	City Engineer
Penny Vought	Police Chief

August 15, 2015
CITY OF WASECA
Employee Flow Chart





Government Finance Officers Association

**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, 2015

Executive Director/CEO

FINANCIAL SECTION

**CITY OF WASECA
WASECA, MINNESOTA**

**FOR THE YEAR ENDED
DECEMBER 31, 2016**

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INDEPENDENT AUDITOR'S REPORT

Honorable Mayor and City Council
City of Waseca
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, 2016, and the related notes to the financial statements, 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 the financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion 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 presentation of the financial statements.

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund and the aggregate remaining fund information of the City as of December 31, 2016, and the respective changes in financial position and cash flows, where applicable, thereof and the budgetary comparison for the General fund, Capital Improvement fund and Special Assessment fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

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Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis page 21 and the Schedules of Employer's Share of the Net Pension Liability, the Schedule of Changes in Net Pension Liability (Asset) and Related Ratios and the Schedules of Employers Contributions starting on page 104 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

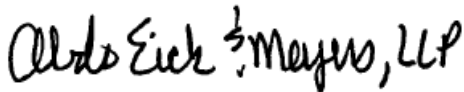
Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The introductory section, combining and individual fund financial statements and schedules, and statistical section, are presented for purposes of 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 combining and individual fund financial statements and schedules are 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 them.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated June 29, 2017, 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
Mankato, Minnesota
June 29, 2017

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Management's Discussion and Analysis

As management of the City of Waseca, Minnesota, (the City), we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended December 31, 2016. 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 starting on page 6 of this report, and the City's financial statements following this section.

Financial Highlights

- The assets and deferred outflows of resources of the City exceeded its liabilities and deferred inflows of resources at the close of the most recent fiscal year by \$65,792,602 (net position). Of this amount, \$10,338,947 (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 \$1,744,880 during the current year. The increase is a result of multiple items, the foremost include:
 - Addition of equipment and capital assets funded by capital grants of \$1,502,662
 - Reduced expenditures due to fewer snow events than anticipated
 - Reduced expenditures due to staff vacancies
- At the end of the current fiscal year, unassigned fund balance for the General fund was \$3,608,772 or 58.8 percent of total current year General fund expenditures.

Overview of the Financial Statements

The discussion and analysis are intended to serve as an introduction to the City's basic financial statements. The City'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.

The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data. The statements are followed by a section of combining and individual fund financial statements and schedules that further explains and supports the information in the financial statements. Figure 1 reflects how the required parts of this annual report are arranged and relate to one another. In addition to these required elements, we have included a section with combining and individual fund financial statements and schedules that provide details about nonmajor governmental funds, which are added together and presented in single columns in the basic financial statements.

Figure 1
Required Components of the
City’s Annual Financial Report

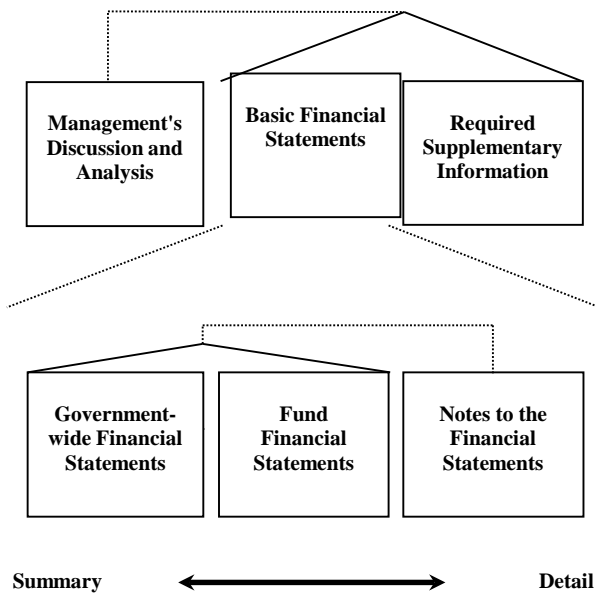


Figure 2 summarizes the major features of the City’s financial statements, including the portion of the City government they cover and the types of information they contain. The remainder of this overview section of management’s discussion and analysis explains the structure and contents of each of the statements.

Figure 2
Major Features of the Government-wide and Fund Financial Statements

	Government-wide Statements	Fund Financial Statements	
		Governmental Funds	Proprietary Funds
Scope	Entire City government and the City’s component units	The activities of the City that are not proprietary, such as police, fire and parks	Activities the City operates similar to private businesses, such as the water and sewer system
Required financial statements	<ul style="list-style-type: none"> • Statement of Net Position • Statement of Activities 	<ul style="list-style-type: none"> • Balance Sheet • Statement of Revenues, Expenditures and Changes in Fund Balances 	<ul style="list-style-type: none"> • Statement of Net Position • Statement of Revenues, Expenses and Changes in Net Position • Statement of Cash Flows
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, and short-term and long-term	Only assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets included	All assets and liabilities, both financial and capital, and short-term and long-term
Type of deferred outflows/inflows of resources information	All deferred outflows/inflows of resources, regardless of when cash is received or paid.	Only deferred outflows of resources expected to be used up and deferred inflows of resources that come due during the year or soon thereafter; no capital assets included	All deferred outflows/inflows of resources, regardless of when cash is received or paid
Type of in flow/out flow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and payment is due during the year or soon thereafter	All revenues and expenses during the year, regardless of when cash is received or paid

Government-wide financial statements. The *government-wide* financial statements are designed to provide readers with a broad overview of the City’s finances, in a manner similar to a private-sector business.

The *statement of net position* presents information on all of the City’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 is improving or deteriorating.

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).

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenue (*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 include general government, public safety, streets and highways, sanitation, culture and recreation, economic development and airport. The business-type activities of the City include water utility, sewer utility, electric utility and surface water.

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

The government-wide financial statements can be found starting on page 34 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, 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 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 maintains 30 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, the Debt Service fund, Highway 14 Reconstruction Fund, Capital Improvement Fund, Special Assessment Fund, all of which are considered to be major funds. Data from the other 20 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 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 starting on page 40 of this report.

Proprietary Funds. The City 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 uses enterprise funds to account for its water, sewer, electric and surface water utilities. Internal service funds are accounting devices used to accumulate and allocate costs internally among the City's various functions. The City 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. 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 starting on page 48 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 starting on page 59 of this report.

Required supplementary information. In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the City of Waseca's share of net pension liabilities for defined benefits plans, schedules of contributions, and progress in funding its obligation to provide pension and other postemployment benefits to its employees. Required supplementary information can be found starting on page 104 of this report.

Other information. The combining statements referred to earlier in connection with nonmajor governmental funds are presented following the notes to financial statements. Combining and individual fund financial statements and schedules can be found starting on page 110 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 2016 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, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$65,792,602 at December 31, 2016. This is an increase of \$1,744,880 from the prior year.

City of Waseca's Summary of Net Position

	Governmental Activities			Business-Type Activities		
	2016	2015	Increase (Decrease)	2016	2015	Increase (Decrease)
Current and other assets	\$ 11,111,714	\$ 12,210,877	\$ (1,099,163)	\$ 7,944,201	\$ 8,551,162	\$ (606,961)
Capital assets	32,640,824	31,510,983	1,129,841	34,089,598	34,708,687	(619,089)
Total assets	43,752,538	43,721,860	30,678	42,033,799	43,259,849	(1,226,050)
Deferred outflows of resources	4,168,034	578,462	3,589,572	499,102	86,143	412,959
Long-term liabilities outstanding	12,949,246	11,362,691	1,586,555	8,986,815	9,269,421	(282,606)
Other liabilities	804,649	1,070,260	(265,611)	905,786	887,427	18,359
Total liabilities	13,753,895	12,432,951	1,320,944	9,892,601	10,156,848	(264,247)
Deferred inflows of resources	854,191	837,241	16,950	160,184	171,552	(11,368)
Net position						
Net investment in capital assets	27,305,824	25,785,983	1,519,841	26,610,969	26,373,317	237,652
Restricted	1,536,862	3,399,647	(1,862,785)	-	-	-
Unrestricted	4,469,800	1,844,500	2,625,300	5,869,147	6,644,275	(775,128)
Total net position	\$ 33,312,486	\$ 31,030,130	\$ 2,282,356	\$ 32,480,116	\$ 33,017,592	\$ (537,476)

By far, the largest portion of the City's net position of \$53,916,793 (approximately 82.0 percent), reflects its investment in capital assets (e.g. land, buildings, machinery, and equipment) less any related debt used to acquire those assets. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City'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 \$1,536,862 (approximately 2.3 percent), represent resources that are subject to external restrictions on how they may be used. The remaining balance of the net position is unrestricted \$10,338,947 (approximately 15.7 percent) 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 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.

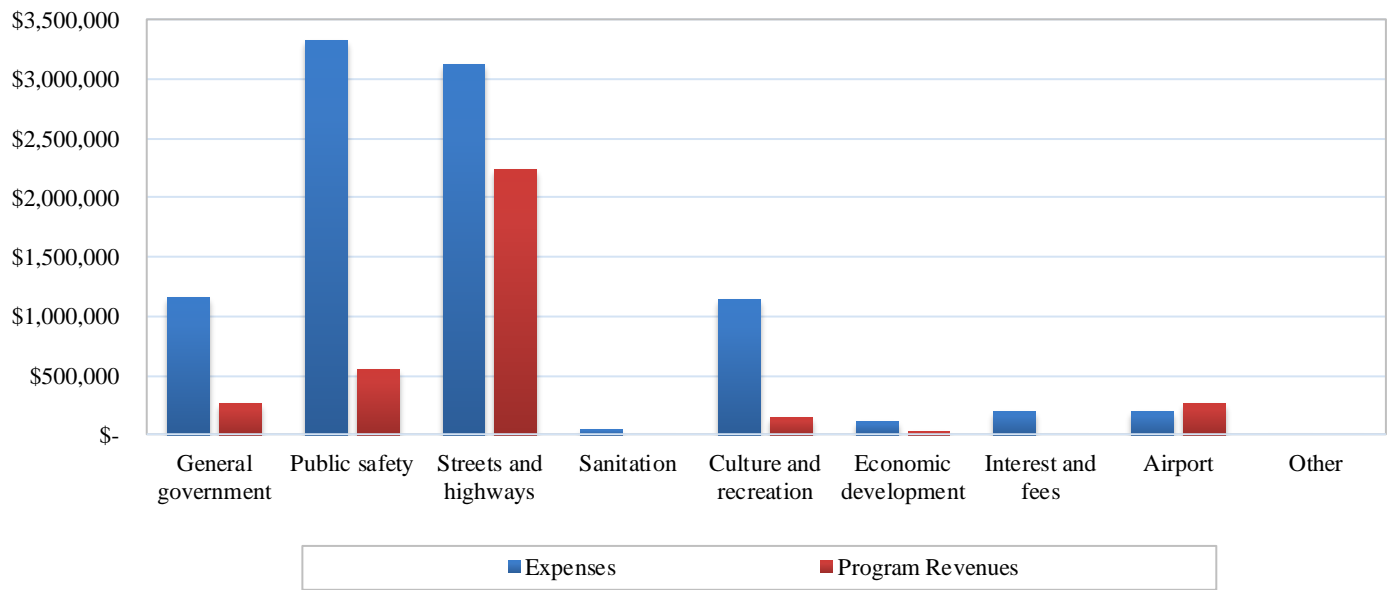
Governmental activities. Governmental activities increased the City's net position by \$2,282,356. This increase was mainly due to funding related to the State Trunk Highway 14 Turnback Project and Municipal State Aid Revenues for street improvements. Key elements of this increase are as follows:

City of Waseca's Changes in Net Position

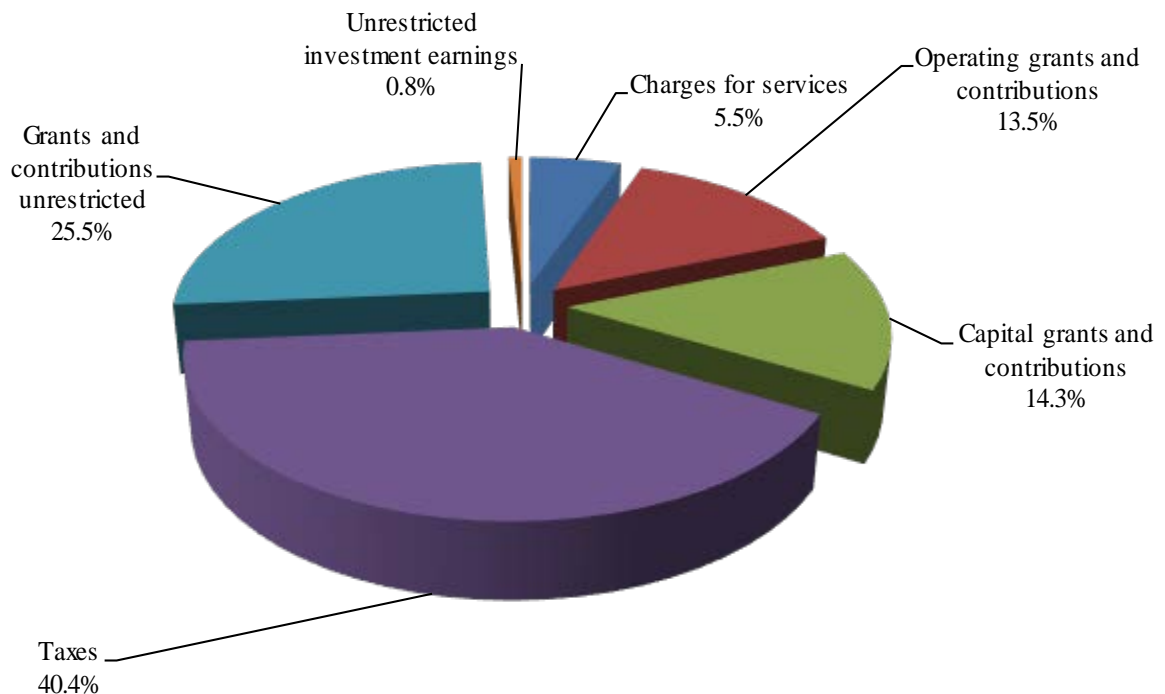
	Governmental Activities			Business-Type Activities		
	2016	2015	Increase (Decrease)	2016	2015	Increase (Decrease)
Revenues						
Program revenues						
Charges for services	\$ 576,701	\$ 650,785	\$ (74,084)	\$ 10,454,885	\$ 9,771,672	\$ 683,213
Operating grants and contributions	1,416,973	817,754	599,219	264,648	5,170	259,478
Capital grants and contributions	1,502,662	477,165	1,025,497	-	-	-
General revenues						
Taxes	4,248,633	4,036,126	212,507	-	-	-
Grants and contributions not restricted to specific programs	2,689,289	3,054,961	(365,672)	-	-	-
Unrestricted investment earnings	82,683	86,258	(3,575)	63,262	76,687	(13,425)
Gain on disposal of assets	-	17,216	(17,216)	-	38,176	(38,176)
Total revenues	10,516,941	9,140,265	1,376,676	10,782,795	9,891,705	891,090
Expenses						
General government	1,164,360	1,477,440	(313,080)	-	-	-
Public safety	3,328,678	2,449,568	879,110	-	-	-
Streets and highways	3,131,504	2,323,408	808,096	-	-	-
Sanitation	52,080	33,654	18,426	-	-	-
Culture and recreation	1,141,929	1,313,046	(171,117)	-	-	-
Economic development	117,407	155,571	(38,164)	-	-	-
Interest and fees	198,893	260,674	(61,781)	-	-	-
Airport	205,104	262,750	(57,646)	-	-	-
Other	-	218,782	(218,782)	-	-	-
Water	-	-	-	926,845	967,243	(40,398)
Sewer	-	-	-	2,310,888	2,166,795	144,093
Electric	-	-	-	6,517,894	5,821,031	696,863
Surface water	-	-	-	459,274	188,134	271,140
Total expenses	9,339,955	8,494,893	845,062	10,214,901	9,143,203	1,071,698
Change in net position before transfers	1,176,986	645,372	531,614	567,894	748,502	(180,608)
Transfers	1,105,370	481,673	623,697	(1,105,370)	(481,673)	(623,697)
Change in net position	2,282,356	1,127,045	1,155,311	(537,476)	266,829	(804,305)
Net position - January 1	31,030,130	29,903,085	1,127,045	33,017,592	32,750,763	266,829
Net position - December 31	\$ 33,312,486	\$ 31,030,130	\$ 2,282,356	\$ 32,480,116	\$ 33,017,592	\$ (537,476)

The following graphs depict various governmental activities and show the revenues and expenses directly related to those activities.

Expenses and Program Revenues - Governmental Activities

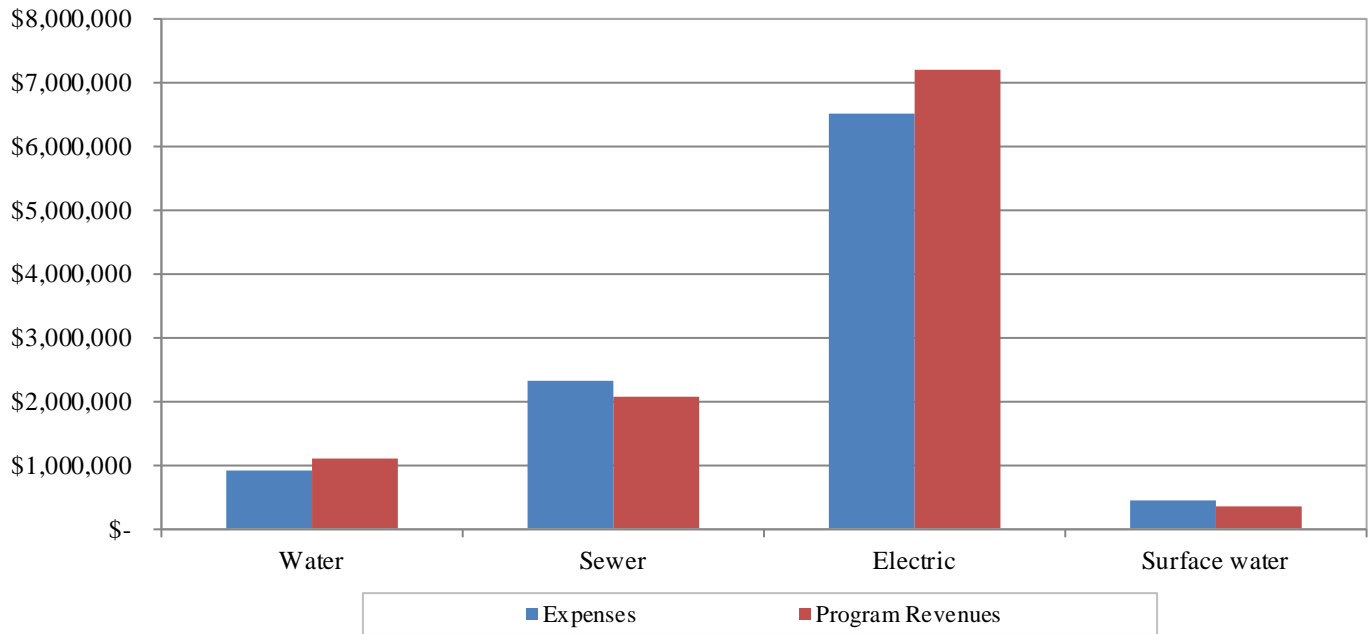


Revenues by Source - Governmental Activities

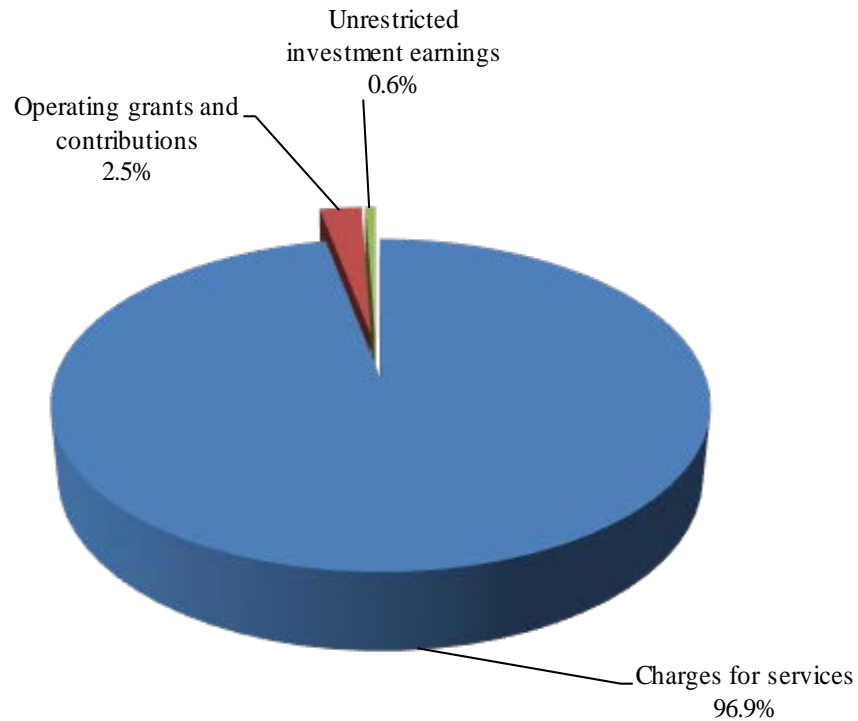


- **Business-type activities.** Business-type activities increased the City's net position by \$83,121

Expenses and Program Revenues - Business-type Activities



Revenues by Source - Business-type Activities



Financial Analysis of the City'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's financial requirements. In particular, unrestricted fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year. At the end of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$9,203,757 . The unrestricted fund balance (committed, assigned or unassigned) consists of \$7,585,435 of the total combined ending fund balance. The restricted fund balance totals \$1,595,999 . The remainder of the fund balance consists of nonspendable fund balances in the amount of \$22,323 .

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, unrestricted (committed, assigned or unassigned) fund balance in the General fund was \$3,608,772, with \$84,139 restricted fund balance for Parkland Dedication, \$17,821 as land held for resale and \$4,502 for prepaid items. Total fund balance was \$3,715,234. As a measure of the General fund's liquidity it may be useful to compare unrestricted fund balance to next years budgeted total General fund expenditures. Unrestricted fund balance represents 57.0 percent of total budgeted 2017 General fund expenditures of \$6,518,695.

The fund balance of the City's General fund increased by \$79,772 during the current fiscal year. The key factor of this increase can be attributed to positive budget variances in expenditures related to reduced snow removal and administration expenditures.

The Debt Service fund has a total fund balance of \$303,228, all of which is restricted for debt service. The fund decreased \$1,494,104 which is a result of bond payoff from crossover refunding and early payoff of a tax increment bond

The Highway 14 Reconstruction fund has a fund balance of \$518,301 due to a transfer in from the Water and Sanitary Sewer fund to cover construction costs.

The City continued to fund the Capital Improvement fund with a \$1,363,465 allocation. Fund balance decreased \$346,461 during 2016, mainly due to planned funding relating to project carryover from 2015. 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 review Capital Improvement Project (CIP) funding, and increase the property tax levy and accompanying transfer to CIP for the increased costs of infrastructure. This will allow the City to address the growth needs of the community.

The Special Assessment Capital Project fund had an increase in fund balance during 2016 of \$242,485 to a total of \$1,024,042 due to special assessment receipts in excess of related project costs during the year.

Proprietary funds: The City's proprietary funds have unrestricted net position as follows:

Water fund	\$ 560,203
Sanitary sewer fund	2,117,490
Electric fund	3,316,138
Surface water fund	14,229

The net position of the proprietary funds decreased by \$537,476 during the current fiscal year. Key factors in this decrease include:

The Water fund had a decrease in net position of \$177,872 mainly as a result of operating income increasing gradually to cover upcoming capital projects offset by transfers for Highway 14 construction deficit.

The Sanitary Sewer fund had a decrease in net position of \$521,359 mainly due to non-operating expenditures relating to the Highway 14 project.

The Electric fund had an increase in net position of \$289,236 due mainly to extra operating income.

The Surface Water fund had a decrease in net position of \$94,403, mainly due to depreciation of assets.

The net position of the Internal Service funds decreased by \$15,760, due mainly to property insurance claims.

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 \$428,302 during the fiscal year 2016. There was also a decrease of \$428,302 between the original budgeted revenues and transfers in and the final amended budgeted revenues and transfers in. Significant budget changes during the current fiscal year included the following:

- Decrease in general fund tax revenue and transfers out totaling \$428,302 as these were moved to appropriated debt service funds.

General fund final amended budgeted expenditures exceeded actual expenditures by \$370,723 during fiscal year 2016. The actual revenues were under the budgeted revenues by \$43,879. Significant variances during the current fiscal year included the following:

- Permit and fee revenues were under budget by \$39,627.
- Budgeted general government expenditures exceeded actual expenditures by \$223,172 due to staffing vacancies.
- Budgeted Street maintenance expenditures exceeded actual expenditures by \$144,508 due to expenditures being lower than anticipated mainly due to fewer snow events.

Capital Asset and Debt Administration

Capital assets. The City's investment in capital assets for its governmental and business-type activities as of December 31, 2016, amounts to \$53,916,793 (net of accumulated depreciation). This investment in capital assets includes land, buildings, improvements, machinery and equipment, and infrastructure. The total increase in the City's investment in capital assets was 0.8 percent (a 3.6 percent increase for governmental activities and a 1.8 decrease for business-type activities).

Additional information on the City's capital assets can be found in Note 3C starting on page 74 of this report.

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

- New motor grader was purchased with a cost of \$167,000.
- Street reclamation, improvement and sidewalk projects totaling \$914,538 in 2016.
- Northeast park improvements cost in 2016 was \$131,429.
- SW Gator Lake land acquisition of \$660,661.
- Highway 14 Turnback reconstruction project continued with costs in 2016 of \$708,092.

City of Waseca's Capital Assets (net of depreciation)

	Governmental Activities			Business-type Activities		
	2016	2015	Increase (Decrease)	2016	2015	Increase (Decrease)
Land	\$ 1,755,257	\$ 1,094,596	\$ 660,661	\$ 257,465	\$ 257,465	\$ -
Buildings	5,068,125	4,551,049	517,076	12,711,580	12,969,801	(258,221)
Improvements other than buildings	5,643,666	4,629,515	1,014,151	15,739,398	15,292,144	447,254
Equipment	2,921,520	2,946,941	(25,421)	2,449,941	2,749,084	(299,143)
Infrastructure	14,661,904	15,489,028	(827,124)	1,914,707	2,000,629	(85,922)
Construction in progress	2,590,352	2,799,854	(209,502)	1,016,507	1,439,564	(423,057)
Total	<u>\$ 32,640,824</u>	<u>\$ 31,510,983</u>	<u>\$ 1,129,841</u>	<u>\$ 34,089,598</u>	<u>\$ 34,708,687</u>	<u>\$ (619,089)</u>

Long-term debt: At the end of the fiscal year, the City had total long-term debt of \$12,775,000 . 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's total debt decreased by \$3,341,000 (20.7 percent decrease) during the current fiscal year. The main factor in this decrease was the retirement of debt during the year.

City of Waseca's Outstanding Debt

	Governmental Activities			Business-type Activities		
	2016	2015	Increase (Decrease)	2016	2015	Increase (Decrease)
General obligation bonds	\$ 5,335,000	\$ 5,580,000	\$ (245,000)	\$ -	\$ -	\$ -
G.O. Tax Increment bonds	-	800,000	(800,000)	-	-	-
G.O. Aquatic Center bonds	-	1,440,000	(1,440,000)	-	-	-
Revenue bonds	-	-	-	855,000	1,290,000	(435,000)
G.O. Revenue notes	-	-	-	6,585,000	7,006,000	(421,000)
Total	<u>\$ 5,335,000</u>	<u>\$ 7,820,000</u>	<u>\$ (2,485,000)</u>	<u>\$ 7,440,000</u>	<u>\$ 8,296,000</u>	<u>\$ (856,000)</u>

Changes in long-term debt included reductions of the bond payments required and made in 2016, a crossover refunded bond payoff, and an early defeasement of a tax increment bond.

The City of Waseca has received a bond rating of Aa3 from Moody's, it's fourth-highest rating, on its general obligation debt issued in November 2011. With the City's most recent debt issue (2014) Moody's re-affirmed the rating.

State statutes limit the amount of general obligation debt a Minnesota city may issue to 3 percent of the total taxable market value. The current debt limitation for the City is \$12,735,780 and \$5,335,000 of the City's outstanding debt is counted within the statutory limitation. The balance of the City's debt is either wholly or partially financed by revenues other than a general tax levy.

Additional information on the City's long-term debt can be found in Note 3G starting on page 79 on this report.

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 2016, Waseca County's unemployment rate of 4.4 percent compares unfavorably to the state unemployment rate of 4.0 percent, but compares favorably to the national unemployment rate of 4.7 percent. Waseca County's unemployment rate was 4.5 percent in 2015; and 4.7 percent in 2014.

Property tax aid from the State of Minnesota increased beginning with the 2014 distribution which included a new formula that was supported by the League of MN Cities, Coalition of Greater MN Cities, and Metro Cities. For the City of Waseca the Certified Local Government Aid (LGA) under the new formula for 2014 was \$2,631,156 which included an increase of \$357,505 from 2013. In 2016 the City received a slight increase to \$2,689,060. The increase in LGA will not fully restore the State property tax aid to pre-recession level, however it does allow the City to begin the process to catch-up on many delayed initiatives and projects from that period.

The adopted budget for the City of Waseca sets the 2017 property tax levy at \$3,975,249 which is an increase from prior year levies. A portion of the increase is for implementation of the classification and compensation study recently completed with the assistance of a consultant. Additionally the City is working on increasing capital project funding through taxes.

City issued building permits increased beginning in 2014 and continued to stay strong in 2015. Permits in 2016 were mainly for improvements, showing a continued trend of significant investments being made in the community.

The Highway 14 multi-phase upgrade project has completed the phase with the bypass of State Highway 14, providing four lanes to Owatonna and Mankato. There are two interchanges to Waseca from the new Highway. Completion of the project relieved congestion at major intersections within the center of the City. This new Highway allows the City, County and State to rebuild old Highway 14, a project that spans multiple years.

Requests for Information

This financial report is designed to provide a general overview of the City'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.

GOVERNMENT-WIDE FINANCIAL STATEMENTS

CITY OF WASECA
WASECA, MINNESOTA

FOR THE YEAR ENDED
DECEMBER 31, 2016

CITY OF WASECA, MINNESOTA
STATEMENT OF NET POSITION
DECEMBER 31, 2016

	Primary Government			Component Units	
	Governmental Activities	Business - type Activities	Total	Economic Development Authority	Housing and Redevelopment Authority
ASSETS					
Cash and investments	\$ 7,362,807	\$ 5,943,528	\$ 13,306,335	\$ 550,451	\$ 416,530
Receivables					
Taxes	109,131	-	109,131	2,166	-
Accounts	73,377	1,704,716	1,778,093	65	1,313
Utility	-	13,564	13,564	-	-
Special assessments	468,254	10,170	478,424	-	-
Interest	81,289	-	81,289	-	-
Loans (net of allowance)	15,903	-	15,903	122,531	-
Due from other governments	969,224	264,648	1,233,872	680	-
Internal balances	138,913	(138,913)	-	-	-
Inventories	-	526,656	526,656	-	-
Land held for resale	978,288	-	978,288	177,267	-
Prepaid items	4,502	3,000	7,502	-	16,192
Investment in joint venture	85,782	-	85,782	-	-
Restricted assets					
Customer deposits	-	220,640	220,640	-	-
Pension asset	203,647	-	203,647	-	-
Capital assets					
Land	1,755,257	257,465	2,012,722	-	61,996
Construction in progress	2,590,352	1,016,507	3,606,859	-	-
Infrastructure	32,016,434	4,265,901	36,282,335	-	-
Buildings	7,192,047	16,211,424	23,403,471	-	2,347,998
Improvements other than buildings	8,202,302	35,982,065	44,184,367	-	122,787
Machinery and equipment	6,195,360	7,362,157	13,557,517	-	155,319
Accumulated depreciation	(25,310,928)	(31,005,921)	(56,316,849)	-	(2,027,441)
Service territory (net of amortization)	-	16,789	16,789	-	-
TOTAL ASSETS	43,131,941	42,654,396	85,786,337	853,160	1,094,694
DEFERRED OUTFLOWS OF RESOURCES					
Deferred pension resources	4,168,034	499,102	4,667,136	-	-
LIABILITIES					
Accounts payable	342,431	527,534	869,965	475	7,935
Customer deposits	-	220,644	220,644	-	17,608
Accrued wages payable	145,379	44,852	190,231	1,240	-
Accrued interest payable	69,813	76,462	146,275	-	-
Due to other governments	194,616	22,730	217,346	-	17,632
Unearned revenue	52,410	13,564	65,974	-	43
Noncurrent liabilities					
Due within one year	482,732	641,795	1,124,527	-	4,480
Due in more than one year	12,466,514	8,345,020	20,811,534	-	-
TOTAL LIABILITIES	13,753,895	9,892,601	23,646,496	1,715	47,698
DEFERRED INFLOWS OF RESOURCES					
Deferred pension resources	854,191	160,184	1,014,375	-	-

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

CITY OF WASECA, MINNESOTA
STATEMENT OF NET POSITION - CONTINUED
DECEMBER 31, 2016

	Primary Government			Component Units	
	Governmental Activities	Business - type Activities	Total	Economic Development Authority	Housing and Redevelopment Authority
NET POSITION					
Net investment in capital assets	\$ 27,305,824	\$ 26,610,969	\$ 53,916,793	\$ -	\$ 660,659
Restricted for					
Debt service	244,091	-	244,091	-	-
Clear Lake Press fund	130,710	-	130,710	-	-
Revolving loans	12,530	-	12,530	-	-
Tax increment	97,403	-	97,403	-	-
Police safe haven	19,944	-	19,944	-	-
Police forfeitures	63,972	-	63,972	-	-
Municipal state aid	860,439	-	860,439	-	-
Parkland dedication	84,139	-	84,139	-	-
PEG channel	23,634	-	23,634	-	-
Unrestricted	4,469,800	5,869,147	10,338,947	851,445	386,337
TOTAL NET POSITION	<u>\$ 33,312,486</u>	<u>\$ 32,480,116</u>	<u>\$ 65,792,602</u>	<u>\$ 851,445</u>	<u>\$ 1,046,996</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, 2016

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Governmental activities				
General government	\$ 1,164,360	\$ 169,599	\$ 99,977	\$ -
Public safety	3,328,678	135,279	424,311	-
Streets and highways	3,131,504	-	840,655	1,390,301
Sanitation	52,080	-	-	-
Culture and recreation	1,141,929	152,792	-	-
Economic development	117,407	9,400	13,884	-
Interest and fees	198,893	-	-	-
Airport	205,104	109,631	38,146	112,361
Total governmental activities	<u>9,339,955</u>	<u>576,701</u>	<u>1,416,973</u>	<u>1,502,662</u>
Business-type activities				
Water	926,845	1,091,015	-	-
Sewer	2,310,888	2,062,084	-	-
Electric	6,517,894	7,195,163	-	-
Surface water utility	459,274	106,623	264,648	-
Total business-type activities	<u>10,214,901</u>	<u>10,454,885</u>	<u>264,648</u>	<u>-</u>
Total primary government	<u>\$ 19,554,856</u>	<u>\$ 11,031,586</u>	<u>\$ 1,681,621</u>	<u>\$ 1,502,662</u>
Component units				
Economic Development Authority	\$ 55,881	\$ -	\$ 638	\$ -
Housing and Redevelopment Authority	407,132	256,717	68,782	27,014
Total component units	<u>\$ 463,013</u>	<u>\$ 256,717</u>	<u>\$ 69,420</u>	<u>\$ 27,014</u>

General Revenues

Property taxes - levied for general purposes
Property taxes - levied for debt service
Tax increment financing revenue
Lodging taxes
Franchise taxes
Grants and contributions not restricted
Unrestricted investment earnings
Transfers

Total general revenues and transfers

Change in Net Position

Net Position - January 1

Net Position - December 31

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

Net (Expense) Revenue and Changes in Net Position			Component Units	
Primary Government				
Governmental Activities	Business-type Activities	Total	Economic Development Authority	Housing and Redevelopment Authority
\$ (894,784)		\$ (894,784)		
(2,769,088)		(2,769,088)		
(900,548)		(900,548)		
(52,080)		(52,080)		
(989,137)		(989,137)		
(94,123)		(94,123)		
(198,893)		(198,893)		
55,034		55,034		
<u>(5,843,619)</u>		<u>(5,843,619)</u>		
-	\$ 164,170	164,170		
-	(248,804)	(248,804)		
-	677,269	677,269		
-	(88,003)	(88,003)		
<u>-</u>	<u>504,632</u>	<u>504,632</u>		
<u>(5,843,619)</u>	<u>504,632</u>	<u>(5,338,987)</u>		
			\$ (55,243)	\$ (54,619)
3,309,454	-	3,309,454	75,818	-
431,771	-	431,771	-	-
264,027	-	264,027	-	-
23,945	-	23,945	-	-
219,436	-	219,436	-	-
2,689,289	-	2,689,289	5	-
82,683	63,262	145,945	9,719	562
1,105,370	(1,105,370)	-	-	-
<u>8,125,975</u>	<u>(1,042,108)</u>	<u>7,083,867</u>	<u>85,542</u>	<u>562</u>
2,282,356	(537,476)	1,744,880	30,299	(54,057)
<u>31,030,130</u>	<u>33,017,592</u>	<u>64,047,722</u>	<u>821,146</u>	<u>1,101,053</u>
<u>33,312,486</u>	<u>32,480,116</u>	<u>65,792,602</u>	<u>851,445</u>	<u>1,046,996</u>

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

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FUND FINANCIAL STATEMENTS

CITY OF WASECA
WASECA, MINNESOTA

FOR THE YEAR ENDED
DECEMBER 31, 2016

CITY OF WASECA, MINNESOTA
BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2016

	101	300s	436	430	440
	General	Debt Service	Highway 14 Reconstruction Fund	Capital Improvement Fund	Special Assessment Fund
ASSETS					
Cash and investments	\$ 3,674,957	\$ 300,897	\$ 620,695	\$ 369,965	\$ 1,017,994
Receivables					
Taxes	95,284	10,676	-	-	-
Accounts	72,697	-	-	-	-
Special assessments	-	-	-	-	468,254
Interest	81,289	-	-	-	-
Loans (net of allowance)	-	-	-	-	-
Due from other governments	185,541	3,831	674,897	-	6,048
Land held for resale	17,821	-	-	-	-
Due from other funds	42,224	-	-	-	-
Prepaid items	4,502	-	-	-	-
TOTAL ASSETS	<u>\$ 4,174,315</u>	<u>\$ 315,404</u>	<u>\$ 1,295,592</u>	<u>\$ 369,965</u>	<u>\$ 1,492,296</u>
LIABILITIES					
Accounts payable	\$ 165,900	\$ 1,500	\$ 45,291	\$ 30,478	\$ -
Due to other governments	9,722	-	-	184,725	-
Accrued wages payable	138,465	-	-	-	-
Unearned revenue	49,710	-	-	-	-
Due to other funds	-	-	732,000	-	-
TOTAL LIABILITIES	<u>363,797</u>	<u>1,500</u>	<u>777,291</u>	<u>215,203</u>	<u>-</u>
DEFERRED INFLOWS OF RESOURCES					
Unavailable revenue - taxes	95,284	10,676	-	-	-
Unavailable revenue - assessments	-	-	-	-	468,254
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>95,284</u>	<u>10,676</u>	<u>-</u>	<u>-</u>	<u>468,254</u>
FUND BALANCES					
Nonspendable					
Prepaid items	4,502	-	-	-	-
Land held for resale	17,821	-	-	-	-
Restricted for					
Debt service	-	303,228	-	-	-
Clear Lake Press fund	-	-	-	-	-
Revolving loan	-	-	-	-	-
Tax increment	-	-	-	-	-
Police safe haven	-	-	-	-	-
Police forfeitures	-	-	-	-	-
PEG Channel	-	-	-	-	-
Municipal state aid	-	-	-	-	-
Parkland dedication	84,139	-	-	-	-
Committed to					
Airport	-	-	-	-	-
Police reserves	-	-	-	-	-
Waseca housing fund	-	-	-	-	-
Assigned to					
Capital projects funds	-	-	518,301	154,762	1,024,042
Northwest commercial development	-	-	-	-	-
Annexation and growth	-	-	-	-	-
Equipment replacement	-	-	-	-	-
Operations	-	-	-	-	-
Unassigned	3,608,772	-	-	-	-
TOTAL FUND BALANCE	<u>3,715,234</u>	<u>303,228</u>	<u>518,301</u>	<u>154,762</u>	<u>1,024,042</u>
TOTAL LIABILITIES, DEFERRED INFLOW OF RESOURCES AND FUND BALANCES	<u>\$ 4,174,315</u>	<u>\$ 315,404</u>	<u>\$ 1,295,592</u>	<u>\$ 369,965</u>	<u>\$ 1,492,296</u>

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

Other Governmental Funds	Total Governmental Funds
\$ 1,795,569	\$ 7,780,077
-	105,960
680	73,377
-	468,254
-	81,289
15,903	15,903
98,907	969,224
960,467	978,288
732,000	774,224
-	4,502
<u>\$ 3,603,526</u>	<u>\$ 11,251,098</u>
\$ 66,974	\$ 310,143
-	194,447
3,438	141,903
2,700	52,410
<u>42,224</u>	<u>774,224</u>
<u>115,336</u>	<u>1,473,127</u>
-	105,960
-	<u>468,254</u>
-	<u>574,214</u>
-	4,502
-	17,821
-	303,228
130,710	130,710
12,530	12,530
97,403	97,403
19,944	19,944
63,972	63,972
23,634	23,634
860,439	860,439
-	84,139
323,847	323,847
728	728
89,926	89,926
-	1,697,105
1,121,057	1,121,057
218,278	218,278
395,949	395,949
148,637	148,637
<u>(18,864)</u>	<u>3,589,908</u>
<u>3,488,190</u>	<u>9,203,757</u>
<u>\$ 3,603,526</u>	<u>\$ 11,251,098</u>

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

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CITY OF WASECA, MINNESOTA
RECONCILIATION OF THE BALANCE SHEET
TO THE STATEMENT OF NET POSITION
GOVERNMENTAL FUNDS
DECEMBER 31, 2016

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

Total fund balances - governmental funds	\$ 9,203,757
Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in the funds.	32,640,824
Long-term assets from pensions reported in governmental activities are not financial resources and therefore are not report as assets in the funds.	203,647
Investments in joint ventures are not financial resources and, therefore are not reported in the funds.	85,782
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds.	
Long-term liabilities at year-end consist of	
Severance payable	(327,923)
Other postemployment benefits obligation	(309,340)
Bonds payable	(5,335,000)
Bond premiums, net of accumulated amortization	(211,835)
Pension liability	(6,663,945)
Long-term assets are not available to pay current-period expenditures and, therefore, are unavailable in the funds.	
Delinquent property taxes receivable	109,131
Special assessments receivable	468,254
Governmental funds do not report long-term amounts related to pensions.	
Deferred outflow of resources - pension resources	4,129,669
Deferred inflow of resources - pension resources	(841,878)
Governmental funds do not report a liability for accrued interest until due and payable.	(69,813)
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	
Add allocation to business-type activities	<u>231,156</u>
Total net position - governmental activities	<u><u>\$ 33,312,486</u></u>

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

CITY OF WASECA, MINNESOTA
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2016

	101	300s	436	430	440
	General	Debt Service	Highway 14 Reconstruction Fund	Capital Improvement Fund	Special Assessment Fund
REVENUES					
Taxes	\$ 3,523,499	\$ 428,691	\$ -	\$ -	\$ -
Licenses	44,582	-	-	-	-
Permits and fees	102,573	-	-	-	-
Intergovernmental	2,930,830	-	1,190,786	-	-
Charges for services	176,791	-	-	-	-
Program income	-	-	-	-	-
Fines and forfeitures	15,413	-	-	-	-
Special assessments	-	-	-	-	207,278
Contributions	62,454	-	-	-	-
Interest earnings	41,224	2,609	-	1,787	8,255
Miscellaneous	114,539	-	-	-	27,687
TOTAL REVENUES	7,011,905	431,300	1,190,786	1,787	243,220
EXPENDITURES					
Current					
General government	1,413,311	-	-	-	-
Public safety	2,491,738	-	-	-	-
Streets and highways	1,255,286	-	-	399	-
Sanitation	52,080	-	-	-	-
Culture and recreation	926,447	-	-	-	-
Economic development	-	-	-	-	-
Airport	-	-	-	-	-
Capital outlay					
General government	-	-	-	-	-
Public safety	-	-	-	-	-
Streets and highways	-	-	832,879	1,585,439	735
Culture and recreation	-	-	-	86,970	-
Airport	-	-	-	-	-
Debt service					
Bond principal	-	2,485,000	-	-	-
Interest and fiscal charges	-	248,790	-	-	-
TOTAL EXPENDITURES	6,138,862	2,733,790	832,879	1,672,808	735
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	873,043	(2,302,490)	357,907	(1,671,021)	242,485
OTHER FINANCING SOURCES (USES)					
Transfers in	618,702	808,386	620,597	1,363,465	-
Transfers out	(1,412,023)	-	-	(38,905)	-
TOTAL OTHER FINANCING SOURCES (USES)	(793,321)	808,386	620,597	1,324,560	-
NET CHANGE IN FUND BALANCE	79,722	(1,494,104)	978,504	(346,461)	242,485
FUND BALANCE, JANUARY 1	3,635,512	1,797,332	(460,203)	501,223	781,557
FUND BALANCES, DECEMBER 31	\$ 3,715,234	\$ 303,228	\$ 518,301	\$ 154,762	\$ 1,024,042

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

Other Governmental Funds	Total Governmental Funds
\$ 264,027	\$ 4,216,217
-	44,582
-	102,573
1,331,826	5,453,442
-	176,791
117,942	117,942
8,450	23,863
-	207,278
43,650	106,104
28,471	82,346
16,470	158,696
<u>1,810,836</u>	<u>10,689,834</u>
60,443	1,473,754
229,360	2,721,098
-	1,255,685
-	52,080
-	926,447
116,953	116,953
205,104	205,104
30,939	30,939
89,396	89,396
181,109	2,600,162
81,159	168,129
7,166	7,166
-	2,485,000
-	248,790
<u>1,001,629</u>	<u>12,380,703</u>
<u>809,207</u>	<u>(1,690,869)</u>
535,050	3,946,200
<u>(1,489,902)</u>	<u>(2,940,830)</u>
<u>(954,852)</u>	<u>1,005,370</u>
(145,645)	(685,499)
<u>3,633,835</u>	<u>9,889,256</u>
<u>\$ 3,488,190</u>	<u>\$ 9,203,757</u>

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

CITY OF WASECA, MINNESOTA
RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCES OF
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2016

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

Net change in fund balances - governmental funds	\$ (685,499)
Governmental funds report capital outlay as expenditures. However, in the statement of activities the cost of those assets is allocated over the estimated useful lives and reported as depreciation expense.	
Capital outlay	2,896,425
Book value of assets sold or traded	(8,808)
Depreciation expense	(1,757,776)
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.	(173,228)
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	2,485,000
Change in accrued interest	42,015
Amortization of bond discount and premium	7,882
Long-term pension activity is not reported in governmental funds.	
Pension expense	(484,455)
Direct aid contributions	18,271
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.	
Other postemployment benefit costs	(25,561)
Compensated absences	(36,348)
Investment in joint venture	(12,880)
Internal service funds are used by management to charge the costs of various services to individual funds. The net revenues of certain activities of internal service funds is reported with governmental activities.	17,318
Change in net position - governmental activities	<u>\$ 2,282,356</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
FOR THE YEAR ENDED DECEMBER 31, 2016

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
REVENUES				
Taxes	\$ 3,912,222	\$ 3,483,920	\$ 3,523,499	\$ 39,579
Licenses	51,494	51,494	44,582	(6,912)
Permits and fees	142,200	142,200	102,573	(39,627)
Intergovernmental	2,952,615	2,952,615	2,930,830	(21,785)
Charges for services	192,200	192,200	176,791	(15,409)
Fines and forfeitures	25,200	25,200	15,413	(9,787)
Contributions	10,000	10,000	62,454	52,454
Interest earnings	30,000	30,000	41,224	11,224
Miscellaneous	168,155	168,155	114,539	(53,616)
TOTAL REVENUES	7,484,086	7,055,784	7,011,905	(43,879)
EXPENDITURES				
Current				
General government	1,636,483	1,636,483	1,413,311	223,172
Public safety	2,487,134	2,487,134	2,491,738	(4,604)
Streets and highways	1,399,794	1,399,794	1,255,286	144,508
Sanitation	48,526	48,526	52,080	(3,554)
Cultural and recreation	937,648	937,648	926,447	11,201
TOTAL EXPENDITURES	6,509,585	6,509,585	6,138,862	370,723
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	974,501	546,199	873,043	326,844
OTHER FINANCING SOURCES (USES)				
Transfers in	578,118	578,118	618,702	40,584
Transfers out	(1,552,619)	(1,124,317)	(1,412,023)	(287,706)
TOTAL OTHER FINANCING SOURCES (USES)	(974,501)	(546,199)	(793,321)	(247,122)
NET CHANGE IN FUND BALANCES	-	-	79,722	79,722
FUND BALANCE, JANUARY 1	3,635,512	3,635,512	3,635,512	-
FUND BALANCE, DECEMBER 31	\$ 3,635,512	\$ 3,635,512	\$ 3,715,234	\$ 79,722

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, 2016

	Business-type Activities- Enterprise Funds		
	601	602	604
	Water	Sanitary Sewer	Electric
ASSETS			
CURRENT ASSETS			
Cash and investments	\$ 651,715	\$ 2,217,368	\$ 2,451,998
Restricted cash and cash equivalents			
Customer deposits	-	-	220,640
Receivables			
Accounts	175,868	366,844	1,147,784
Utility	8,138	5,426	-
Special assessments	-	10,170	-
Due from other governments	-	-	-
Due from other funds	-	-	150,000
Prepaid items	3,000	-	-
Inventories	-	-	526,656
TOTAL CURRENT ASSETS	838,721	2,599,808	4,497,078
NONCURRENT ASSETS			
Capital assets			
Land	10,585	28,500	88,130
Construction in progress	477,602	366,095	172,810
Infrastructure	-	-	-
Buildings	234,659	15,372,663	604,102
Improvements	11,443,258	14,282,674	8,710,844
Machinery and equipment	618,409	5,118,208	1,578,240
Less accumulated depreciation	(7,176,814)	(13,553,731)	(6,672,165)
Total capital assets (net of accumulated depreciation)	5,607,699	21,614,409	4,481,961
Other assets			
Service territory (net of amortization)	-	-	16,789
TOTAL NONCURRENT ASSETS	5,607,699	21,614,409	4,498,750
TOTAL ASSETS	6,446,420	24,214,217	8,995,828
DEFERRED OUTFLOWS OF RESOURCES			
Deferred pension resources	99,501	151,801	193,432
LIABILITIES			
CURRENT LIABILITIES			
Accounts payable	30,725	25,796	467,933
Customer deposits payable	-	-	220,644
Accrued wages payable	8,827	15,423	19,759
Accrued interest payable	1,167	75,295	-
Due to other governments	783	129	21,159
Due to other funds	-	-	-
Unearned revenue	8,138	5,426	-
Revenue notes payable	-	432,000	-
Revenue bonds payable	113,352	56,648	-
Compensated absences payable	7,505	12,424	19,305
TOTAL CURRENT LIABILITIES	170,497	623,141	748,800

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

Business-type Activities- Enterprise Funds		Governmental Activities- Internal Service Funds
Nonmajor 651 Surface Water	Total	
\$ 1,850	\$ 5,322,931	\$ 203,327
-	220,640	-
14,220	1,704,716	-
-	13,564	-
-	10,170	-
264,648	264,648	-
-	150,000	-
-	3,000	-
-	526,656	-
<u>280,718</u>	<u>8,216,325</u>	<u>203,327</u>
130,250	257,465	-
-	1,016,507	-
4,265,901	4,265,901	-
-	16,211,424	-
1,545,289	35,982,065	-
47,300	7,362,157	-
(3,603,211)	(31,005,921)	-
<u>2,385,529</u>	<u>34,089,598</u>	<u>-</u>
-	16,789	-
<u>2,385,529</u>	<u>34,106,387</u>	<u>-</u>
<u>2,666,247</u>	<u>42,322,712</u>	<u>203,327</u>
<u>54,368</u>	<u>499,102</u>	<u>38,365</u>
3,080	527,534	32,288
-	220,644	-
843	44,852	3,476
-	76,462	-
659	22,730	169
150,000	150,000	-
-	13,564	-
-	432,000	-
-	170,000	-
561	39,795	-
<u>155,143</u>	<u>1,697,581</u>	<u>35,933</u>

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

CITY OF WASECA, MINNESOTA
 PROPRIETARY FUNDS
 STATEMENT OF NET POSITION - CONTINUED
 DECEMBER 31, 2016

	Business-type Activities- Enterprise Funds		
	601	602	604
	Water	Sanitary Sewer	Electric
NONCURRENT LIABILITIES			
Revenue notes payable	\$ -	\$ 6,153,000	\$ -
Revenue bonds payable	40,008	683,621	-
Compensated absences payable	11,476	6,333	26,379
Pension liability	262,469	400,430	510,249
Other post-employment benefits payable	14,995	44,143	43,652
TOTAL NONCURRENT LIABILITIES	328,948	7,287,527	580,280
TOTAL LIABILITIES	499,445	7,910,668	1,329,080
DEFERRED INFLOWS OF RESOURCES			
Deferred pension resources	31,934	48,720	62,081
NET POSITION			
Net investment in capital assets	5,454,339	14,289,140	4,481,961
Unrestricted	560,203	2,117,490	3,316,138
TOTAL NET POSITION	\$ 6,014,542	\$ 16,406,630	\$ 7,798,099
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds.			
Net position of business-type activities			

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

Business-type Activities- Enterprise Funds		Governmental Activities- Internal Service Funds
Nonmajor		
651		
Surface Water	Total	
\$ -	\$ 6,153,000	\$ -
-	723,629	-
3,573	47,761	-
143,417	1,316,565	101,203
1,275	104,065	-
148,265	8,345,020	101,203
303,408	10,042,601	137,136
17,449	160,184	12,313
2,385,529	26,610,969	-
14,229	6,008,060	92,243
<u>\$ 2,399,758</u>	<u>32,619,029</u>	<u>\$ 92,243</u>
	(138,913)	
	<u>\$ 32,480,116</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, 2016

	Business-type Activities- Enterprise Funds		
	601	602	604
	Water	Sanitary Sewer	Electric
OPERATING REVENUES			
Charges for services	\$ 1,085,656	\$ 2,060,509	\$ 7,156,299
Insurance reimbursement	-	-	-
Miscellaneous	5,359	1,575	38,864
	<u>1,091,015</u>	<u>2,062,084</u>	<u>7,195,163</u>
TOTAL OPERATING REVENUES			
OPERATING EXPENSES			
Power purchased	102,788	-	5,061,428
Personal services	303,837	485,869	657,708
Supplies	156,586	262,480	220,067
Services and charges	(8,335)	322,470	188,021
Depreciation	362,686	1,019,477	342,960
Insurance payment	-	-	-
Insurance premium	-	-	-
	<u>917,562</u>	<u>2,090,296</u>	<u>6,470,184</u>
TOTAL OPERATING EXPENSES			
OPERATING INCOME (LOSS)	<u>173,453</u>	<u>(28,212)</u>	<u>724,979</u>
NONOPERATING REVENUES (EXPENSES)			
State grant	-	-	-
Federal grant	-	-	-
Loss on disposal of capital assets	-	-	(6,905)
Interest income	9,736	25,966	27,560
Interest expense	(2,912)	(205,984)	(1,116)
Fiscal agent fees	(717)	(332)	-
Amortization expense	(234)	975	(27,282)
	<u>5,873</u>	<u>(179,375)</u>	<u>(7,743)</u>
TOTAL NONOPERATING REVENUES (EXPENSES)			
INCOME (LOSS) BEFORE CONTRIBUTIONS AND TRANSFERS	179,326	(207,587)	717,236
TRANSFERS IN	-	181,445	-
TRANSFERS OUT	<u>(357,198)</u>	<u>(495,217)</u>	<u>(428,000)</u>
CHANGE IN NET POSITION	(177,872)	(521,359)	289,236
NET POSITION, JANUARY 1	<u>6,192,414</u>	<u>16,927,989</u>	<u>7,508,863</u>
NET POSITION, DECEMBER 31	<u>\$ 6,014,542</u>	<u>\$ 16,406,630</u>	<u>\$ 7,798,099</u>

Change in net position as shown above

Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds.

Change in net position of business-type activities

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

Business-type Activities- Enterprise Funds		Governmental Activities- Internal Service Funds
Nonmajor 651 Surface Water	Total	
\$ 106,064	\$ 10,408,528	\$ 474,501
-	-	47,229
559	46,357	2,365
<u>106,623</u>	<u>10,454,885</u>	<u>524,095</u>
-	5,164,216	-
209,395	1,656,809	131,298
3,930	643,063	140,361
137,549	639,705	12,682
108,400	1,833,523	-
-	-	14,973
-	-	341,112
<u>459,274</u>	<u>9,937,316</u>	<u>640,426</u>
<u>(352,651)</u>	<u>517,569</u>	<u>(116,331)</u>
61,073	61,073	-
203,575	203,575	-
-	(6,905)	-
-	63,262	571
-	(210,012)	-
-	(1,049)	-
-	(26,541)	-
<u>264,648</u>	<u>83,403</u>	<u>571</u>
(88,003)	600,972	(115,760)
-	181,445	100,000
<u>(6,400)</u>	<u>(1,286,815)</u>	<u>-</u>
(94,403)	(504,398)	(15,760)
<u>2,494,161</u>	<u>33,123,427</u>	<u>108,003</u>
<u>\$ 2,399,758</u>	<u>\$ 32,619,029</u>	<u>\$ 92,243</u>
	\$ (504,398)	
	<u>(33,078)</u>	
	<u>\$ (537,476)</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, 2016

	Business-type Activities- Enterprise Funds		
	601	602	604
	Water	Sanitary Sewer	Electric
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash received from customers	\$ 1,069,492	\$ 1,991,441	\$ 7,102,635
Cash received from other funds and reimbursements	-	-	-
Cash payments to suppliers	(239,978)	(628,874)	(5,631,999)
Cash payments to employees	(304,741)	(474,264)	(581,820)
Cash payments for interfund services used	-	-	-
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>524,773</u>	<u>888,303</u>	<u>888,816</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Due from other funds	-	-	(150,000)
Due to other funds	-	-	-
Transfers from other funds	-	181,445	-
Transfers to other funds	(357,198)	(495,217)	(428,000)
NET CASH PROVIDED (USED) BY NONCAPITAL FINANCING ACTIVITIES	<u>(357,198)</u>	<u>(313,772)</u>	<u>(578,000)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Principal paid on bonds	(14,000)	(421,000)	-
Principal paid on notes	(101,866)	(319,134)	-
Acquisition of capital assets	(488,444)	(405,084)	(327,811)
Fiscal agent fee	(717)	(332)	-
Interest paid	(3,468)	(215,450)	(1,116)
NET CASH PROVIDED (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES	<u>(608,495)</u>	<u>(1,361,000)</u>	<u>(328,927)</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest on investments	<u>9,736</u>	<u>25,966</u>	<u>27,560</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(431,184)	(760,503)	9,449
CASH AND CASH EQUIVALENTS, JANUARY 1	<u>1,082,899</u>	<u>2,977,871</u>	<u>2,442,549</u>
CASH AND CASH EQUIVALENTS, DECEMBER 31	<u><u>\$ 651,715</u></u>	<u><u>\$ 2,217,368</u></u>	<u><u>\$ 2,451,998</u></u>

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

Business-type Activities- Enterprise Funds			Governmental Activities- Internal Service Funds
Nonmajor			
651 Surface Water	Total		
\$ 106,989	\$ 10,270,557	\$ -	
-	-	524,395	
(137,988)	(6,638,839)	-	
(138,163)	(1,498,988)	(123,052)	
-	-	(480,384)	
(169,162)	2,132,730	(79,041)	
-	(150,000)	-	
150,000	150,000	-	
-	181,445	100,000	
(6,400)	(1,286,815)	-	
143,600	(1,105,370)	100,000	
-	(435,000)	-	
-	(421,000)	-	
-	(1,221,339)	-	
-	(1,049)	-	
-	(220,034)	-	
-	(2,298,422)	-	
-	63,262	571	
(25,562)	(1,207,800)	21,530	
27,412	6,530,731	181,797	
\$ 1,850	\$ 5,322,931	\$ 203,327	

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

CITY OF WASECA, MINNESOTA
 PROPRIETARY FUNDS
 STATEMENT OF CASH FLOWS - CONTINUED
 FOR THE YEAR ENDED DECEMBER 31, 2016

	Business-type Activities- Enterprise Funds		
	601	602	604
	Water	Sanitary Sewer	Electric
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES			
Operating income (loss)	\$ 173,453	\$ (28,212)	\$ 724,979
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities			
Depreciation	362,686	1,019,477	342,960
(Increase) decrease in assets			
Accounts receivable	(21,523)	(72,019)	(92,532)
Utility receivable	(224)	(150)	-
Special assessment receivable	-	1,376	-
Due from other governments	-	-	-
Inventories	-	-	(207,690)
(Increase) decrease in deferred outflows of resources			
Deferred pension resources	(79,571)	(122,657)	(160,182)
Increase (decrease) in liabilities			
Accounts payable	18,925	(43,404)	68,162
Due to other governments	(7,864)	(520)	(22,951)
Wages payable	1,627	1,039	5,279
Compensated absences payable	(9,210)	(13,293)	4,694
Other postemployment benefit obligation	1,703	4,246	3,884
Pension liability	92,303	151,590	226,349
Unearned revenue	224	150	-
Increase (decrease) in deferred inflows of resources			
Deferred pension resources	(7,756)	(9,320)	(4,136)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>\$ 524,773</u>	<u>\$ 888,303</u>	<u>\$ 888,816</u>
SCHEDULE OF NONCASH INVESTING, CAPITAL AND FINANCING ACTIVITIES			
Amortization of bond discount	\$ 234	\$ (975)	\$ -
Amortization of service territory	-	-	27,282
Book value of assets sold or deleted	-	-	(6,905)

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

Business-type Activities- Enterprise Funds		Governmental Activities- Internal Service Funds
Nonmajor		
651		
Surface Water	Total	
\$ (352,651)	\$ 517,569	\$ (116,331)
108,400	1,833,523	-
366	(185,708)	-
-	(374)	-
-	1,376	-
-	-	300
-	(207,690)	-
(50,549)	(412,959)	(31,270)
2,832	46,515	28,575
659	(30,676)	169
68	8,013	705
751	(17,058)	-
306	10,139	-
110,812	581,054	40,627
-	374	-
9,844	(11,368)	(1,816)
<u>\$ (169,162)</u>	<u>\$ 2,132,730</u>	<u>\$ (79,041)</u>
\$ -	\$ (741)	\$ -
-	27,282	-
-	(6,905)	-

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

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CITY OF WASECA, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2016

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the City of Waseca (the City) 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 activities of the primary government and its component units. 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 was 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 units (The Economic Development Authority of the City and the Housing and Redevelopment Authority of the City), entities for which the government is considered financially accountable. The discretely presented component units are reported in separate columns in the basic financial statements to emphasize that they are legally separate from the government. The discretely presented component units have a December 31 year-end.

Discretely presented component units. The Economic Development Authority (EDA) of the City is governed by five members who are appointed by the Waseca City Council. The City is considered financially accountable for the EDA because the City can impose its will and because financial assistance is made by the City. The EDA of the City of Waseca is comprised of one fund, the General fund. Financial information for the EDA is provided in the City's comprehensive annual financial report. The EDA does not issue separate financial statements.

The Housing and Redevelopment Authority (HRA) of the City is governed by five members who are appointed by the Waseca City Council. The City is considered financially accountable for the HRA because the City can impose its will. The HRA of the City of Waseca is comprised of one fund, the Public Housing fund. Financial information for the HRA is provided in the City's comprehensive annual financial report. The HRA issues separate statements which can be obtained by contacting Vicki Green, Executive Director, Waseca Housing and Redevelopment Authority, 308 Second Ave, NW, Waseca, MN 56093.

CITY OF WASECA, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2016

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

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 and proprietary funds.

As discussed earlier, the government has two discretely presented component units. While the Economic Development Authority and Housing and Redevelopment Authority are considered to be major component units, they are 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 and blended component units. Separate statements for each fund category-governmental and proprietary-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.

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.

The Debt Service Fund. This fund accounts for resources accumulated and payments made for principal and interest on long-term general obligation debt of governmental funds

Highway 14 Reconstruction Fund. This accounts for the funding and construction costs of the Highway 14 reconstruction project.

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, etc.

Special Assessment Capital Project fund. This fund was established to account for the acquisition of capital facilities and construction of major permanent capital improvements having a relatively long life that are funded through assessments to the benefitting property owners.

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.

CITY OF WASECA, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2016

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

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.

CITY OF WASECA, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2016

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

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.

CITY OF WASECA, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2016

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

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

Deposits and investments

The City's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition. The proprietary funds' portion in the government-wide cash and temporary investments pool is considered to be cash and cash equivalents for purposes of the statements of cash flows.

Cash balances from all funds are pooled and invested, to the extent available, in certificates of deposit and other authorized investments. Earnings from such investments are allocated on the basis of applicable participation by each of the funds.

The City may invest idle funds as authorized by Minnesota statutes, as follows:

1. Direct obligations or obligations guaranteed by the United States or its agencies.
2. Shares of investment companies registered under the Federal Investment Company Act of 1940 and received the highest credit rating, rated in one of the two highest rating categories by a statistical rating agency, and have a final maturity of thirteen months or less.
3. General obligations of a state or local government with taxing powers rated "A" or better; revenue obligations rated "AA" or better.
4. General obligations of the Minnesota Housing Finance Agency rated "A" or better.
5. Obligation of a school district with an original maturity not exceeding 13 months and (i) rated in the highest category by a national bond rating service or (ii) enrolled in the credit enhancement program pursuant to statute section 126C.55.
6. Bankers' acceptances of United States banks eligible for purchase by the Federal Reserve System.
7. Commercial paper issued by United States banks corporations or their Canadian subsidiaries, of highest quality category by at least two nationally recognized rating agencies, and maturing in 270 days or less.
8. Repurchase or reverse repurchase agreements and securities lending agreements with financial institutions qualified as a "depository" by the government entity, with banks that are members of the Federal Reserve System with capitalization exceeding \$10,000,000, a primary reporting dealer in U.S. government securities to the Federal Reserve Bank of New York, or certain Minnesota securities broker-dealers.
9. Guaranteed Investment Contracts (GIC's) issued or guaranteed by a United States commercial bank, a domestic branch of a foreign bank, a United States insurance company, or its Canadian subsidiary, whose similar debt obligations were rated in one of the top two rating categories by a nationally recognized rating agency.

Broker money market funds operate in accordance with appropriate state laws and regulations. The reported value of the pool is the same as the fair value of the shares.

CITY OF WASECA, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2016

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

The City categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

The City has the following recurring fair value measurements as of December 31, 2016:

- US government and agency securities of \$1,086,848 are valued using quoted market prices (Level 1 inputs)
- Municipal bonds of \$6,307,822 are valued using a matrix pricing model (Level 2 inputs)

Investment policy

The City's investment policy incorporates Minnesota statutes as described above which reduces the City's exposure to credit, custodial credit and interest rate risks. Specific risk information for the City is as follows:

- *Credit Risk.* Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. Ratings are provided by various credit rating agencies and where applicable, indicate associated credit risk. Minnesota statutes and the City's investment policy limit the City's investments to the list above.
- *Custodial Credit Risk.* Custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, a government will not be able to recover the value of investment or collateral securities that are in the possession of an outside party. The City's investment policy does not address custodial credit risk but typically limits its exposure by purchasing insured or registered investments.
- *Concentration of Credit Risk.* Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. The City limits investments in any one institution, other than the U.S. Government or its agencies, to not more than \$2,000,000 or 30 percent of the total portfolio. The City has no concentrations greater than their own requirements in any one issuer.
- *Interest Rate Risk.* Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. In accordance with its investment policy, the City requires at least 5 percent of the City's investment portfolio to be available on a daily basis without loss of principal. Also, no more than 30 percent of the portfolio should have maturities exceeding 3 years.

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.

CITY OF WASECA, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2016

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Accounts receivable

Accounts receivable include amounts billed for services provided before year end. Unbilled utility enterprise fund receivables are also included for services provided in 2016. Delinquent utility charges are annually certified to the county for collection. As a result, there is no allowance for uncollectable amounts in the other enterprise funds.

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.

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.

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.

Land held for resale

Land held for resale is valued at cost which approximates fair value except for parcels which are in the process of being sold, which are valued at the preliminary sales price.

CITY OF WASECA, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2016

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Restricted assets

Customer Deposits - The City 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.

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 by each asset class and capitalization thresholds as follows and an estimated useful life in excess of two years.

Capital Asset Classification	Capitalization Threshold
Land and Land Improvements	\$ 10,000
Other Improvements	15,000
Buildings and Building Improvements	15,000
Machinery and Equipment	5,000
Vehicles	5,000
Infrastructure	25,000

Accumulate all costs and capitalize
if over \$100,000 when complete

Construction-in-progress

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.

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:

Assets	Years
Other Improvements	15-20
Buildings and Building Improvements	10-40
Machinery and Equipment	5-15
Vehicles	5-15
Infrastructure	15-50

Deferred outflows of resources

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The City has only one item that qualifies for reporting in this category. Accordingly, the item, deferred pension resources, is reported only in the statements of net position. This item results from actuarial calculations and current year pension contributions made subsequent to the measurement date.

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.

CITY OF WASECA, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2016

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Postemployment benefits other than pensions

Under Minnesota statute 471.61, subdivision 2b., public employers must allow retirees and their dependents to continue coverage indefinitely in an employer-sponsored health care plan, under the following conditions: 1) Retirees must be receiving (or eligible to receive) an annuity from a Minnesota public pension plan, 2) Coverage must continue in group plan until age 65, and retirees must pay no more than the group premium, and 3) Retirees may obtain dependent coverage immediately before retirement. All premiums are funded on a pay-as-you-go basis. The liability was actuarially determined, in accordance with GASB Statement 45, at January 1, 2014. The General fund is typically used to liquidate governmental other postemployment benefits other than pensions.

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.

Pensions

For purposes of measuring the net pension liability, deferred outflows/inflows of resources, and pension expense, information about the fiduciary net position of the Public Employees Retirement Association (PERA) and additions to/deductions from PERA's fiduciary net position have been determined on the same basis as they are reported by PERA except that PERA's fiscal year end is June 30. For this purpose, plan contributions are recognized as of employer payroll paid dates and benefit payments and refunds are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

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 two sources: property taxes and special assessments. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

The City has an additional item which qualifies for reporting in this category. The item, deferred pension resources, is reported only in the statements of net position and results from actuarial calculations.

CITY OF WASECA, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2016

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Fund balance

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

Unassigned - 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.

Net position

Net position represents the difference between assets and deferred outflows of resources 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".

CITY OF WASECA, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2016

Note 2. 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: EDPG Clear Lake Press, Tax Increment Financing (TIF) funds, Airport fund, Waseca Housing fund, Police Reserve fund, Police Forfeiture fund, Safe Haven Grant fund, Fire Relief fund and PEG Channel fund. A budget is also adopted for the following Capital Project funds: Capital Improvement fund, Special Assessment fund and Equipment Replacement fund. 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 City Council with preliminary approval as required 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 2016 General fund budget included the reduction of property taxes of \$428,302 along with a reduction in the budgeted transfer out for the same amount.

B. Excess of expenditures over appropriations

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

Fund	Budget	Actual	Excess of Expenditures Over Appropriations
Special Revenue			
Police Reserve Fund	\$ 6,510	\$ 7,947	\$ 1,437
PEG Channel Fund	31,937	32,330	393

The Police Reserve Fund was established to account for revenues and expenditures related to the program. Contribution and reimbursement revenues were also over budget in 2016 which offset a portion of unbudgeted expenditures, along with an additional transfer in.

The PEG Channel fund excess expenditures were funded by available fund balance.

CITY OF WASECA, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2016

Note 2. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY - CONTINUED

C. Deficit fund equity

Fund	Amount
Special revenue	
2014 Revolving Loan Fund	\$ 5,636
Historical Preservation Fund	7
Internal service	
Central Garage Services	68,519

The 2014 Revolving Loan Fund deficit balance of \$5,636 will be covered by Clear Lake Press funds when needed.

The Historical Preservation Fund deficit balance of \$7 will be covered by General Fund when needed.

The Highway 14 Reconstruction Fund deficit balance of \$102,296 will be covered by capital project funds as the project progresses.

The Central Garage Fund deficit balance of \$68,519 is related to GASB 68 entries and will be covered by the general fund when needed.

Note 3. DETAILED NOTES ON ALL FUNDS

A. Cash deposits with financial institutions

Deposits

Custodial credit risk for deposits and investments is the risk that in the event of a bank failure, the City's deposits and investments may not be returned or the City will not be able to recover collateral securities in the possession of an outside party. In accordance with Minnesota statutes and as authorized by the Council, the City maintains deposits at those depository banks, all of which are members of the Federal Reserve System.

Minnesota statutes require that all City deposits be protected by insurance, surety bond or collateral. The market value of collateral pledged must equal 110 percent of the deposits not covered by insurance, bonds, or irrevocable standby letters of credit from Federal Home Loan Banks.

- United States government Treasury bills, Treasury notes, Treasury bonds;
- Issues of United States government agencies and instrumentalities as quoted by a recognized industry quotation service available to the government entity;
- General obligation securities of any state or local government with taxing powers which is rated "A" or better by a national bond rating service, or revenue obligation securities of any state or local government with taxing powers which is rated "AA" or better by a national bond rating service;
- General obligation securities of a local government with taxing powers may be pledged as collateral against funds deposited by that same local government entity;
- Irrevocable standby letters of credit issued by Federal Home Loan Banks to a municipality accompanied by written evidence that the bank's public debt is rated "AA" or better by Moody's Investors Service, Inc., or Standard & Poor's Corporation; and
- Time deposits that are fully insured by any federal agency.

CITY OF WASECA, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2016

Note 3. DETAILED NOTES ON ALL FUNDS - CONTINUED

Minnesota statutes require that all collateral shall be placed in safekeeping in a restricted account at a Federal Reserve Bank, or in an account at a trust department of a commercial bank or other financial institution that is not owned or controlled by the financial institution furnishing the collateral. The selection should be approved by the City.

At year end, the carrying amount of the City's deposits was \$7,097,952 and the bank balance was \$7,280,565. Of the total bank balance, the FDIC covered \$1,684,234 and \$5,426,923 was collateralized with securities held by the pledging of financial institution's trust department in the City's name. There was an insufficient amount of collateral to cover the remaining \$169,408.

Investments

As of December 31, 2016, the City had the following investments that are insured or registered, or securities held by the City's agent in the City's name:

Types of Investments	Credit Quality	Segmented Time	Amount	Fair Value	
	Ratings (1)	Distribution (2)		Measurement Using	
				Level 1	Level 2
Non-pooled investments at fair value					
Government Agency Securities	Aa1	more than 3 years	\$ 588,088	\$ 588,088	\$ -
Government Agency Securities	Aa2	more than 3 years	498,760	498,760	-
Negotiable certificates of deposit	N/A	6 months to 1 year	400,766	-	400,766
Negotiable certificates of deposit	N/A	1 to 3 years	4,109,768	-	4,109,768
Negotiable certificates of deposit	N/A	more than 3 years	<u>1,797,288</u>	<u>-</u>	<u>1,797,288</u>
Total investments			<u>\$ 7,394,670</u>	<u>\$ 1,086,848</u>	<u>\$ 6,307,822</u>

(1) Ratings are provided by various credit rating agencies where applicable to indicated associated credit risk.

(2) Interest rate risk is disclosed using the segmented time distribution method.

N/A Indicates not applicable or available.

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

	Primary Government	Component Unit - Economic Development Authority	Component Unit - Housing and Redevelopment Authority	Total
Investments	\$ 7,394,670	\$ -	\$ -	\$ 7,394,670
Deposits	6,130,971	550,451	416,530	7,097,952
Petty cash and change funds	1,334	-	-	1,334
Total	<u>\$ 13,526,975</u>	<u>\$ 550,451</u>	<u>\$ 416,530</u>	<u>\$ 14,493,956</u>
Cash and Investments	\$ 13,306,335	\$ 550,451	\$ 416,530	\$ 14,273,316
Restricted assets	220,640	-	-	220,640
Total	<u>\$ 13,526,975</u>	<u>\$ 550,451</u>	<u>\$ 416,530</u>	<u>\$ 14,493,956</u>

CITY OF WASECA, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2016

Note 3. DETAILED NOTES ON ALL FUNDS - CONTINUED

- *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 year end the City's investment in U.S. Government Agency securities were rated AAA by Moody's Investor Service.
- *Concentration 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

CITY OF WASECA, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2016

Note 3. DETAILED NOTES ON ALL FUNDS - CONTINUED

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 two components of unavailable revenue reported in the governmental funds were for delinquent taxes receivable not yet available (General, Special Revenue and Debt Service funds) and special assessments not yet available (Debt Service funds).

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, 2016 is \$12,903. 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 of 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, 2016 is \$1,221,214. 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 \$1,221,214.

On September 28, 2015 the EDA issued a loan for \$156,250 at various monthly payments with an interest at 4.0 percent per annum on all unpaid balances. This loan will be used exclusively for the purchase of providing working capital. The balance of this loan at December 31, 2016 is \$122,531.

CITY OF WASECA, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2016

Note 3. DETAILED NOTES ON ALL FUNDS - CONTINUED

C. Capital assets

Capital asset activity for governmental activities for the year ended December 31, 2016 was as follows:

	Beginning Balances	Increases	Decreases	Adjustments	Ending Balances
Capital assets not being depreciated					
Land	\$ 1,094,596	\$ 660,661	\$ -	\$ -	\$ 1,755,257
Construction in progress	2,799,854	1,700,381	(1,909,883)	-	2,590,352
Total capital assets not being depreciated	3,894,450	2,361,042	(1,909,883)	-	4,345,609
Depreciable capital assets					
Infrastructure	31,948,628	88,153	(20,347)	-	32,016,434
Buildings	6,589,197	704,068	(101,218)	-	7,192,047
Improvements other than buildings	7,047,882	1,265,205	(110,785)	-	8,202,302
Equipment	6,059,317	387,840	(274,697)	22,900	6,195,360
Total depreciable capital assets	51,645,024	2,445,266	(507,047)	22,900	53,606,143
Accumulated depreciation					
Infrastructure	(16,459,600)	(913,375)	18,445	-	(17,354,530)
Buildings	(2,038,148)	(185,805)	100,031	-	(2,123,922)
Improvements other than buildings	(2,418,367)	(251,054)	110,785	-	(2,558,636)
Equipment	(3,112,376)	(407,542)	262,108	(16,030)	(3,273,840)
Total accumulated depreciation	(24,028,491)	(1,757,776)	491,369	(16,030)	(25,310,928)
Total capital assets being depreciated, net	27,616,533	687,490	(15,678)	6,870	28,295,215
Governmental activities capital assets, net	<u>\$ 31,510,983</u>	<u>\$ 3,048,532</u>	<u>\$ (1,925,561)</u>	<u>\$ 6,870</u>	<u>\$ 32,640,824</u>

* Adjustments were made in the current year to move capital assets from the Electric fund to the General fund.

CITY OF WASECA, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2016

Note 3. DETAILED NOTES ON ALL FUNDS - CONTINUED

Capital asset activity for business-type activities for the year ended December 31, 2016 was as follows:

	Beginning Balances	Increases	Decreases	Adjustments	Ending Balances
Capital assets not being depreciated					
Land	\$ 257,465	\$ -	\$ -	\$ -	\$ 257,465
Construction in progress	1,439,564	940,090	(1,363,147)	-	1,016,507
Total capital assets not being depreciated	1,697,029	940,090	(1,363,147)	-	1,273,972
Depreciable capital assets					
Infrastructure	4,283,126	-	(17,225)	-	4,265,901
Buildings	16,003,416	218,128	(10,120)	-	16,211,424
Improvements other than buildings	36,425,469	1,396,123	(1,839,527)	-	35,982,065
Equipment	7,406,196	30,145	(51,284)	(22,900)	7,362,157
Total depreciable capital assets	64,118,207	1,644,396	(1,918,156)	(22,900)	63,821,547
Accumulated depreciation					
Infrastructure	(2,282,497)	(85,922)	17,225	-	(2,351,194)
Buildings	(3,033,615)	(476,349)	10,120	-	(3,499,844)
Improvements other than buildings	(21,133,325)	(950,835)	1,841,493	-	(20,242,667)
Equipment	(4,657,112)	(320,417)	49,283	16,030	(4,912,216)
Total accumulated depreciation	(31,106,549)	(1,833,523)	1,918,121	16,030	(31,005,921)
Total capital assets being depreciated, net	33,011,658	(189,127)	(35)	(6,870)	32,815,626
Business-type activities capital assets, net	<u>\$ 34,708,687</u>	<u>\$ 750,963</u>	<u>\$ (1,363,182)</u>	<u>\$ (6,870)</u>	<u>\$ 34,089,598</u>

* Adjustments were made in the current year to move capital assets from the Electric fund to the General fund.

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

Governmental activities

General Government	\$ 273,405
Public Safety	130,008
Streets and Highways	1,084,147
Culture and Recreation	270,216
Total depreciation expense - governmental activities	<u>\$ 1,757,776</u>

Business-type activities

Water Fund	\$ 362,686
Sanitary Sewer Fund	1,019,477
Electric	342,960
Surface Water	108,400
Total depreciation - business-type activities	<u>\$ 1,833,523</u>

CITY OF WASECA, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2016

Note 3. DETAILED NOTES ON ALL FUNDS - CONTINUED

Discretely presented component unit - HRA

Capital asset activity for the component units for the year ended December 31, 2016 are as follows:

	Beginning Balances	Increases	Decreases	Ending Balances
Capital assets not being depreciated				
Land	\$ 61,996	\$ -	\$ -	\$ 61,996
Depreciable capital assets				
Buildings	2,333,598	14,400	-	2,347,998
Improvements other than building	110,173	12,614	-	122,787
Machinery and equipment	153,186	2,133	-	155,319
Total depreciable capital assets	2,596,957	29,147	-	2,626,104
Accumulated depreciation	(1,930,112)	(97,329)	-	(2,027,441)
Total capital assets being depreciated, net	666,845	(68,182)	-	598,663
Business-type activities capital assets, net	<u>\$ 728,841</u>	<u>\$ (68,182)</u>	<u>\$ -</u>	<u>\$ 660,659</u>

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

Low Rent Public Housing	\$ 94,775
Public Housing Capital Fund Program	<u>2,554</u>
Total depreciation expense	<u>\$ 97,329</u>

Construction commitments

The City has active construction projects as of December 31, 2016. The projects include street construction, well rehabilitation and library remodel.

Project	Contractor	Paid to Date	Contract Remaining
CSAH 40 Lift Station Pump Replacement	Winona Mechanical	\$ -	\$ 148,957
Tink Larson Community Stadium (Design)	Widseth Smith Nolting & Assoc	35,270	69,715
Highway 14 Reconstruction (Design)	Stantec	2,188,312	179,868
2016 State Aid Street & Watermain Improvements	James Brothers	1,053,987	27,025

D. Investment in real property

Discretely presented component unit - EDA

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 as of December 31, 2016 are as follows:

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

CITY OF WASECA, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2016

Note 3. DETAILED NOTES ON ALL FUNDS - CONTINUED

E. Interfund receivables, payables and transfers

Due to/from other funds

Interfund receivables and payables represent lending/borrowing arrangements to cover deficit cash balances at the end of the fiscal year until the 2016 revenue flow provides for costs.

The composition of interfund balances as of December 31, 2016 is as follows:

Receivable Fund	Payable Fund	Amount
General	Nonmajor Governmental	\$ 42,224
Nonmajor Governmental	Highway 14 Reconstruction Fund	732,000
Electric	Nonmajor Enterprise	150,000
	Total	<u>\$ 924,224</u>

The outstanding balances between funds are due to cash deficits and will be paid back from future revenues.

Interfund transfers

The following is a schedule of interfund transfers for the year ended December 31, 2016:

Transfers Out	General Fund	Debt Service	Highway 14 Reconstruction Fund
General Fund	\$ -	\$ -	\$ -
Capital			
Improvement Fund	38,905	-	-
Non-major			
governmental funds	1,679	720,286	-
Water Fund	27,250	58,500	271,448
Sanitary Sewer Fund	116,468	29,600	349,149
Electric Fund	428,000	-	-
Surface Water Fund	6,400	-	-
	<u>618,702</u>	<u>808,386</u>	<u>620,597</u>
Total	<u>\$ 618,702</u>	<u>\$ 808,386</u>	<u>\$ 620,597</u>

CITY OF WASECA, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2016

Note 3. DETAILED NOTES ON ALL FUNDS - CONTINUED

Transfers Out	Transfers In				Total
	Capital Improvement Fund	Non-Major Governmental Funds	Sanitary Sewer Fund	Internal Service Fund	
General Fund	\$ 599,468	\$ 531,110	\$ 181,445	\$ 100,000	\$ -
Capital Improvement Fund	-	-	-	-	38,905
Non-major governmental funds	763,997	3,940	-	-	721,965
Debt service	-	-	-	-	-
Water Fund	-	-	-	-	357,198
Sanitary Sewer Fund	-	-	-	-	495,217
Electric Fund	-	-	-	-	428,000
Surface Water Fund	-	-	-	-	6,400
Total	<u>\$ 1,363,465</u>	<u>\$ 535,050</u>	<u>\$ 181,445</u>	<u>\$ 100,000</u>	<u>\$ 2,047,685</u>

During the year, transfers are used to 1) move revenues from the fund with collection authorization to the Debt Service fund as debt service principal and interest payments become due, 2) transfer funds from the enterprise funds to the capital project funds for their share of improvements. 3) transfer funds from the enterprise funds to the general fund to cover administrative and overhead costs, 4) transfer franchise fee from the electric fund to the general fund, and 5) transfer funds to capital improvement funds for future capital improvement projects. 6) transfer funds from general fund to the Public, Educational, and Governmental Access Channel fund to cover employee expenses. Further, during the year ended December 31, 2016, the government made the following one-time transfers:

- 1) A transfer of \$3,940 from the 2005 Small Cities Grant Fund to the Small Cities Revolving Grant Fund to close the 2005 fund.
- 2) A transfer of \$1,113 from the General Fund to the Police Reserve Fund to cover uniform expense.
- 3) A transfer of \$3,650 from the General Fund to the Fire Relief Fund to cover actuarial consultant expense.
- 4) A transfer of \$100,000 from the General Fund to the Insurance Fund to cover Tink Larson Community Stadium Loss Expenses.

Component unit - HRA

An equity transfer of \$24,460 was sent from the Public Housing Capital fund to the Low Rent Public Housing fund and an operating transfer of \$20,187 from the Public Housing Capital fund to the Low Rent Public Housing fund.

CITY OF WASECA, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2016

Note 3. DETAILED NOTES ON ALL FUNDS - CONTINUED

F. Other assets

Other assets within the Governmental and Enterprise funds for December 31, 2016 are as follows:

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 Parkridge. This service territory is being amortized over a period of ten years.

As of December 31, 2016 the unamortized balance of these service territories in the Electric Fund was \$16,789.

G. Long-term debt

General obligation bonds

The City issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities. General obligation bonds have been issued for both general government and proprietary activities. These bonds are reported in the proprietary funds if they are expected to be repaid from proprietary fund revenues. In addition, general obligation bonds have been issued to refund general obligation bonds.

General obligation bonds are direct obligations and pledge the full faith and credit of the government. General obligation bonds currently outstanding are as follows:

General obligation bonds

The following bonds are direct obligations and pledge the full faith and credit of the City. These bond issues will be repaid primarily from ad valorem taxes.

	Authorized and Issued	Interest Rate	Issue Date	Maturity Date	Balance at Year End
General Obligation Bonds Series 2014A	\$ 4,125,000	3.00 - 3.38 %	12/18/14	02/01/35	\$ 3,960,000
General Obligation Refunding Bonds Series 2014B	1,375,000	3.00 - 4.00	12/18/14	02/01/33	<u>1,375,000</u>
Total General Obligation Bonds					<u><u>\$ 5,335,000</u></u>

CITY OF WASECA, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2016

Note 3. DETAILED NOTES ON ALL FUNDS - CONTINUED

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

Year	G.O. Bonds Governmental Activities		
	Principal	Interest	Total
2017	\$ 320,000	\$ 162,450	\$ 482,450
2018	325,000	152,175	477,175
2019	335,000	141,650	476,650
2020	350,000	130,725	480,725
2021	360,000	119,400	479,400
2022 - 2026	1,830,000	421,325	2,251,325
2027 - 2031	1,060,000	211,897	1,271,897
2032 - 2035	755,000	44,897	799,897
Total	<u>\$ 5,335,000</u>	<u>\$ 1,384,519</u>	<u>\$ 6,719,519</u>

Revenue bonds

The City also issues bonds where the City pledges income derived from the acquired or constructed assets to pay debt service. These bonds are recorded in the fund according to the purpose for which they were issued.

	Authorized and Issued	Interest Rate	Issue Date	Maturity Date	Balance at Year End
General Obligation Refunding Bonds Series 2011A	\$ 545,000	0.50 - 1.20 %	11/15/11	02/01/17	\$ 110,000
General Obligation Refunding Bonds Series 2014B	850,000	3.00 - 4.00	12/18/14	02/01/26	<u>745,000</u>
Total Revenue Bonds					<u>\$ 855,000</u>

CITY OF WASECA, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2016

Note 3. DETAILED NOTES ON ALL FUNDS - CONTINUED

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

Year	G.O. Revenue Bonds Business-Type Activities		
	Principal	Interest	Total
2017	\$ 170,000	\$ 25,960	\$ 195,960
2018	70,000	22,700	92,700
2019	70,000	19,900	89,900
2020	65,000	17,200	82,200
2021	75,000	14,400	89,400
2022 - 2026	405,000	31,650	436,650
Total	<u>\$ 855,000</u>	<u>\$ 131,810</u>	<u>\$ 986,810</u>

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. The special levy is set at 30% of the corresponding year's principal and interest obligation and the remaining 70% is to be paid from revenues of the City's Sewer utility fund.

	Authorized and Issued	Interest Rate	Issue Date	Maturity Date	Balance at Year End
Revenue Note Series 2009A	\$ 9,335,004	2.63 %	07/10/09	08/20/29	<u>\$ 6,585,000</u>

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

Year	G.O. Revenue Notes Business-Type Activities		
	Principal	Interest	Total
2017	\$ 432,000	\$ 172,988	\$ 604,988
2018	443,000	161,639	604,639
2019	455,000	150,002	605,002
2020	466,000	138,048	604,048
2021	479,000	125,808	604,808
2022 - 2026	2,588,000	433,694	3,021,694
2027 - 2029	1,722,000	91,262	1,813,262
Total	<u>\$ 6,585,000</u>	<u>\$ 1,273,441</u>	<u>\$ 7,858,441</u>

Revenue bonds and G.O. revenue notes were issued to finance capital improvements. The bonds are payable from future revenues pledged from the Water and Sanitary Sewer funds and are backed by the full faith and credit of the City. Annual revenues from charges for services, principal and interest payments, and percentage of revenue required to cover principal and interest payments are as follows:

	Water	Sanitary Sewer
Revenue	\$ 1,091,015	\$ 2,062,084
Principal and interest	119,334	955,584
Percent of revenue	10.94%	46.34%

CITY OF WASECA, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2016

Note 3. DETAILED NOTES ON ALL FUNDS - CONTINUED

Change in long-term liabilities

Long-term liability activity for the year ended December 31, 2016 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance	Due Within One Year
Governmental activities					
Bonds payable					
General obligation bonds	\$ 5,580,000	\$ -	\$ (245,000)	\$ 5,335,000	\$ 320,000
Plus: bond premium	226,969	-	(15,134)	211,835	-
Less: bond discount	(532)	-	532	-	-
G.O. Tax Increment bonds	800,000	-	(800,000)	-	-
Less: bond discount	(4,833)	-	4,833	-	-
G.O. Aquatic Center bonds	1,440,000	-	(1,440,000)	-	-
Less: bond discount	(1,887)	-	1,887	-	-
Total bonds payable	8,039,717	-	(2,492,882)	5,546,835	320,000
Other postemployment benefits obligation	283,779	67,355	(41,794)	309,340	-
Pension liability					
GERF	1,384,139	979,403	(253,676)	2,109,866	-
PEPFF	1,363,481	3,483,277	(191,476)	4,655,282	-
Compensated absences	291,575	402,329	(365,981)	327,923	162,732
Long term liabilities	<u>\$ 11,362,691</u>	<u>\$ 4,932,364</u>	<u>\$ (3,345,809)</u>	<u>\$ 12,949,246</u>	<u>\$ 482,732</u>
Business-type activities					
Bonds payable					
Revenue bonds	\$ 1,290,000	\$ -	\$ (435,000)	\$ 855,000	\$ 170,000
Plus: bond premium	42,979	-	(3,907)	39,072	-
Less: bond discount	(3,609)	-	3,166	(443)	-
G.O. Revenue notes	7,006,000	-	(421,000)	6,585,000	432,000
Total bonds payable	8,335,370	-	(856,741)	7,478,629	602,000
Other postemployment benefits obligation	93,926	26,790	(16,651)	104,065	-
Pension liability					
GERF	735,511	669,335	(88,281)	1,316,565	-
Compensated absences	104,614	77,629	(94,687)	87,556	39,795
Long term liabilities	<u>\$ 9,269,421</u>	<u>\$ 773,754</u>	<u>\$ (1,056,360)</u>	<u>\$ 8,986,815</u>	<u>\$ 641,795</u>

CITY OF WASECA, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2016

Note 3. DETAILED NOTES ON ALL FUNDS - CONTINUED

Discretely presented component units

EDA

Changes in long-term liabilities

Long-term liability activity for the year ended December 31, 2016 was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Notes payable	<u>\$ 5,600</u>	<u>\$ -</u>	<u>\$ (5,600)</u>	<u>\$ -</u>	<u>\$ -</u>

HRA

Changes in long-term liabilities

Long-term liability activity for the year ended December 31, 2016 was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Compensated absences	<u>\$ 3,561</u>	<u>\$ 919</u>	<u>\$ -</u>	<u>\$ 4,480</u>	<u>\$ 4,480</u>

H. Fund balance reporting

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. Balances must meet the following criteria to be reported as committed:

- Imposed by City Council through council action (resolution)
- The council action must be binding, unless removed in the same manner
- The council action must be done prior to December 31st of the current year.

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.

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.

CITY OF WASECA, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2016

Note 3. DETAILED NOTES ON ALL FUNDS - CONTINUED

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.

Note 4: DEFINED BENEFIT PENSION PLANS - STATEWIDE

A. Plan description

The City participates in the following cost-sharing multiple-employer defined benefit pension plans administered by the Public Employees Retirement Association of Minnesota (PERA). PERA's defined benefit pension plans are established and administered in accordance with Minnesota statutes, chapters 353 and 356. PERA's defined benefit pension plans are tax qualified plans under Section 401(a) of the Internal Revenue Code.

General Employees Retirement Fund (GERF)

All full-time and certain part-time employees of the City are covered by the General Employees Retirement Fund (GERF). GERF 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. The Basic Plan was closed to new members in 1967. All new members must participate in the Coordinated Plan.

Public Employees Police and Fire Fund (PEPFF)

The PEPFF, originally established for police officers and firefighters not covered by a local relief association, now covers all police officers and firefighters hired since 1980. Effective July 1, 1999, the PEPFF also covers police officers and firefighters belonging to a local relief association that elected to merge with and transfer assets and administration to PERA.

B. Benefits provided

PERA provides retirement, disability and death benefits. Benefit provisions are established by Minnesota statute and can only be modified by the state legislature.

Benefit increases are provided to benefit recipients each January. Increases are related to the funding ratio of the plan. Members in plans that are at least 90 percent funded for two consecutive years are given 2.5 percent increases. Members in plans that have not exceeded 90 percent funded, or have fallen below 80 percent, are given 1 percent increases.

The benefit provisions stated in the following 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.

CITY OF WASECA, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2016

Note 4: DEFINED BENEFIT PENSION PLANS - STATEWIDE - CONTINUED

GERF benefits

Benefits are based on a member's highest average salary for any five successive years of allowable service, age, and years of credit at termination of service. Two methods are used to compute benefits for PERA's Coordinated 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 ten years of service and 2.7 percent for each remaining year. The annuity accrual rate for a Coordinated Plan member is 1.2 percent of average salary for each of the first ten years and 1.7 percent for each remaining year. Under Method 2, the annuity accrual rate is 2.7 percent of average salary for Basic Plan members and 1.7 percent for Coordinated Plan members for each year of service. For members hired prior to July 1, 1989, a full annuity is available when age plus years of service equal 90 and normal retirement age is 65. For members hired on or after July 1, 1989, normal retirement age is the age for unreduced Social Security benefits capped at 66.

PEPFF benefits

Benefits for the PEPFF members first hired after June 30, 2010, but before July 1, 2014, vest on a prorated basis from 50 percent after five years up to 100 percent after ten years of credited service. Benefits for PEPFF members first hired after June 30, 2014, vest on a prorated basis from 50 percent after ten years up to 100 percent after twenty years of credited service. The annuity accrual rate is 3 percent of average salary for each year of service.

For PEPFF members who were first hired prior to July 1, 1989, a full annuity is available when age plus years of service equal at least 90.

C. Contributions

Minnesota statutes chapter 353 sets the rates for employer and employee contributions. Contribution rates can only be modified by the state legislature.

GERF contributions

Basic Plan members and Coordinated Plan members were required to contribute 9.10 percent and 6.50 percent, respectively, of their annual covered salary in calendar year 2016. The City was required to contribute 11.78 percent of pay for Basic Plan members and 7.50 percent for Coordinated Plan members in calendar year 2016. The City's contributions to the GERF for the years ending December 31, 2016, 2015 and 2014 were \$206,703, \$186,692 and \$177,873 respectively. The City's contributions were equal to the contractually required contributions for each year as set by Minnesota statute.

PEPFF contributions

Plan members were required to contribute 10.8 percent of their annual covered salary in calendar year 2016. The City was required to contribute 16.20 percent of pay for PEPFF members in calendar year 2016. The City's contributions to the PEPFF for the years ending December 31, 2016, 2015 and 2014 were \$194,735, \$177,849 and \$170,643, respectively. The City's contributions were equal to the contractually required contributions for each year as set by Minnesota statute.

CITY OF WASECA, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2016

Note 4: DEFINED BENEFIT PENSION PLANS - STATEWIDE - CONTINUED

D. Pension costs

GERF pension costs

At December 31, 2016, the City reported a liability of \$3,426,431 for its proportionate share of the GERF's net pension liability. The City's net pension liability reflected a reduction due to the State of Minnesota's contribution of \$6 million to the fund in 2016. The State of Minnesota is considered a non-employer contributing entity and the State's contribution meets the definition of a special funding situation. The State of Minnesota's proportionate share of the net pension liability associated with the City totaled \$44,802. The net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City's proportion of the net pension liability was based on the City's contributions received by PERA during the measurement period for employer payroll paid dates from July 1, 2015 through June 30, 2016 relative to the total employer contributions received from all of PERA's participating employers. At June 30, 2016, the City's proportionate share was 0.0422 percent which was a 0.0013 percent increase from its proportion measured as of June 30, 2015.

For the year ended December 31, 2016, the City recognized pension expense of \$388,981 for its proportionate share of GERF's pension expense. In addition, the City recognized an additional \$13,359 as pension expense (and grant revenue) for its proportionate share of the State of Minnesota's contribution of \$6 million to the GERF.

At December 31, 2016, the City reported its proportionate share of GERF's deferred outflows of resources and deferred inflows of resources, and its contributions subsequent to the measurement date, from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 11,423	\$ 284,332
Changes in actuarial assumptions	738,519	-
Net difference between projected and actual earnings on plan investments	388,238	-
Changes in proportion	53,958	132,557
Contributions to GERF subsequent to the measurement date	106,800	-
Total	<u>\$ 1,298,938</u>	<u>\$ 416,889</u>

Deferred outflows of resources totaling \$106,800 related to pensions resulting from the City's contributions to GERF subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2017. Other amounts reported as deferred outflows and inflows of resources related to GERF pensions will be recognized in pension expense as follows:

2017	\$ 189,650
2018	113,817
2019	348,014
2020	123,768
2021	-
Thereafter	-

CITY OF WASECA, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2016

Note 4: DEFINED BENEFIT PENSION PLANS - STATEWIDE - CONTINUED

PEPFF pension costs

At December 31, 2016, the City reported a liability of \$4,655,282 for its proportionate share of the PEPFF's net pension liability. The net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City's proportion of the net pension liability was based on the City's contributions received by PERA during the measurement period for employer payroll paid dates from July 1, 2015 through June 30, 2016 relative to the total employer contributions received from all of PERA's participating employers. At June 30, 2016, the City's proportionate share was 0.1160 percent which was a 0.0040 percent decrease from its proportion measured as of June 30, 2015.

For the year ended December 31, 2016, the City recognized pension expense of \$697,629 for its proportionate share of PEPFF's pension expense. The City also recognized \$10,440 for the year ended December 31, 2016 as pension expense (and an offsetting reduction of net pension liability) for its proportionate share of the State of Minnesota's on-behalf contributions to the plan. Legislation passed in 2013 required the State of Minnesota to begin contributing \$9 million to the PEPFF each year, starting in fiscal year 2014.

At December 31, 2016, the City reported its proportionate share of PEPFF's deferred outflows of resources and deferred inflows of resources, and its contributions subsequent to the measurement date, from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 1,077	\$ 527,156
Changes in actuarial assumptions	2,749,433	-
Net difference between projected and actual earnings on plan investments	396,199	-
Changes in proportion	-	70,330
Contributions to PEPFF subsequent to the measurement date	98,353	-
Total	<u>\$ 3,245,062</u>	<u>\$ 597,486</u>

Deferred outflows of resources totaling \$98,353 related to pensions resulting from the City's contributions to PEPFF subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2017. Other amounts reported as deferred outflows and inflows of resources related to PEPFF pensions will be recognized in pension expense as follows:

2017	\$ 480,696
2018	480,697
2019	640,572
2020	516,170
2021	431,088
Thereafter	-

CITY OF WASECA, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2016

Note 4: DEFINED BENEFIT PENSION PLANS – STATEWIDE - CONTINUED

E. Actuarial assumptions

The total pension liability in the June 30, 2016 actuarial valuation was determined using the following actuarial assumptions:

Inflation	2.50% per year
Active member payroll growth	3.25% per year
Investment rate of return	7.50%

Salary increases were based on a service-related table. Mortality rates for active members, retirees, survivors and disabilitants were based on RP-2014 tables for the GERS and RP-2000 tables for PEPFF for males or females, as appropriate, with slight adjustments. Cost of living benefit increases for retirees are assumed to be: 1 percent per year for all future years for the GERS and PEPFF.

Actuarial assumptions used in the June 30, 2016 valuation were based on the results of actuarial experience studies. The most recent four-year experience study in the GERS was completed in 2015. The experience study for PEPFF was for the period July 1, 2004, through June 30, 2009.

The following changes in actuarial assumptions occurred in 2016:

GERS

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

PEPFF

- The assumed post-retirement benefit increase rate was changed from 1.0 percent per year through 2037 and 2.5 percent per year thereafter to 1.0 percent per year for all future years.
- The assumed investment return was changed from 7.9 percent to 7.5 percent. The single discount rate was changed from 7.9 percent to 5.6 percent.
- The assumed future salary increases, payroll growth and inflation were decreased by 0.25 percent to 3.25 percent for payroll growth and 2.50 percent for inflation.

CITY OF WASECA, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2016

Note 4: DEFINED BENEFIT PENSION PLANS – STATEWIDE - CONTINUED

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

Asset Class	Target Allocation	Long-term Expected Real Rate of Return
Domestic stocks	45.00 %	5.50 %
International stocks	15.00	6.00
Bonds	18.00	1.45
Alternative assets	20.00	6.40
Cash	2.00	0.50
Total	<u>100.00 %</u>	

F. Discount rate

The discount rate used to measure the total pension liability was 7.50 percent, a reduction from the 7.90 percent used in 2015. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and employers will be made at rates set in Minnesota statutes. Based on these assumptions, the fiduciary net position of the GERF was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

In the PEPFF, the fiduciary net position was projected to be available to make all projected future benefit payments of current plan members through June 30, 2056. Beginning in fiscal year ended June 30, 2057 for the PEPFF, when projected benefit payments exceed the funds' projected fiduciary net position, benefit payments were discounted at the municipal bond rate of 2.85 percent based on an index of 20-year general obligation bonds with an average AA credit rating at the measurement date. An equivalent single discount rate of 5.60 percent for the PEPFF was determined that produced approximately the same present value of projected benefits when applied to all years of projected benefits as the present value of projected benefits using 7.50 percent applied to all years of projected benefits through the point of asset depletion and 2.85 percent after.

CITY OF WASECA, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2016

Note 4: DEFINED BENEFIT PENSION PLANS - STATEWIDE - CONTINUED

G. Pension liability sensitivity

The following presents the City's proportionate share of the net pension liability for all plans it participates in, calculated using the discount rate disclosed in the preceding paragraph, as well as what the City's proportionate share of the net pension liability would be if it were calculated using a discount rate 1 percentage point lower or 1 percentage point higher than the current discount rate:

	City Proportionate Share of NPL		
	1 Percent Decrease (6.50%)	Current (7.50%)	1 Percent Increase (8.50%)
GERF	\$ 4,866,547	\$ 3,426,431	\$ 2,240,167
	1 Percent Decrease (4.60%)	Current (5.60%)	1 Percent Increase (6.60%)
PEPFF	\$ 6,516,777	\$ 4,655,282	\$ 3,134,299

H. Pension plan fiduciary net position

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

Note 5: DEFINED CONTRIBUTION PLAN

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

The defined contribution plan consists of individual accounts paying a lump-sum benefit. Plan benefits depend solely on amounts contributed to the plan plus investment earnings, less administrative expenses, therefore there is no future liability to the employer. Minnesota statutes, chapter 353d.03, specifies plan provisions, including the employee and employer contribution rates for those qualified personnel who elect to participate. An eligible elected official who decides to participate contributes 5 percent of salary which is matched by the elected official's employer. For Council members, employer contributions are determined by the employer, and for salaried employees must be a fixed percentage of salary. Employer contributions for volunteer personnel may be a unit value for each call or period of alert duty. Employees who are paid for their services may elect to make member contributions in an amount not to exceed the employer share. Employer and employee contributions are combined and used to purchase shares in one or more of the seven accounts of the Minnesota Supplemental Investment Fund. For administering the plan, PERA receives 2 percent of employer contributions and twenty-five hundredths of 1 percent (.0025) of the assets in each member's account annually.

Pension expense for the year is equal to contributions made. Total Contributions made by the City during the fiscal year 2016 were:

Contribution Amount		Percentage of Covered Payroll		Required Rate
Employee	Employer	Employee	Employer	
\$ 1,493	\$ 1,493	5.00%	5.00%	5.00%

The City's contributions to the PEDCP for the years ended December 31, 2016, 2015 and 2014 were \$1,493, \$1,494 and \$1,846, respectively.

CITY OF WASECA, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2016

Note 6: DEFINED BENEFIT PENSION PLANS – FIRE RELIEF ASSOCIATION

A. Plan description

All members of the Waseca Fire Department (the Department) are covered by a defined benefit plan administered by the Waseca Fire Department Relief Association (the Association). As of December 31, 2014, the plan covered 32 active firefighters and 7 vested terminated fire fighters whose pension benefits are deferred. The plan is a single employer retirement plan and is established and administered in accordance with Minnesota statute, chapter 69.

The Association maintains a separate Special fund to accumulate assets to fund the retirement benefits earned by the Department's membership. Funding for the Association is derived from an insurance premium tax in accordance with the Volunteer Firefighter's Relief Association Financing Guidelines Act of 1971 (chapter 261 as amended by chapter 509 of Minnesota statutes 1980). Funds are also derived from investment income.

B. Benefits provided

A fire fighter who completes at least 20 years as an active member of the Department is entitled, after age 50, to a full service pension upon retirement.

The bylaws of the Association also provide for an early vested service pension for a retiring member who has completed fewer than 20 years of service. The reduced pension, available to members with 10 years of service, shall be equal to 60 percent of the pension as prescribed by the bylaws. This percentage increases 4 percent per year so that at 20 years of service, the full amount prescribed is paid. Members who retire with less than 20 years of service and have reached the age of 50 years and have completed at least 10 years of active membership are entitled to a reduced service pension not to exceed the amount calculated by multiplying the member's service pension for the completed years of service times the applicable non-forfeitable percentage of pension.

C. Contributions

Minnesota statutes, chapters 424 and 424A authorize pension benefits for volunteer fire relief associations. The plan is funded by fire state aid, investment earnings and, if necessary, employer contributions as specified in Minnesota statutes and voluntary City contributions (if applicable). The State of Minnesota contributed \$71,404 in fire state aid to the plan on behalf of the City Fire Department for the year ended December 31, 2015, which was recorded as a revenue. Required employer contributions are calculated annually based on statutory provisions. The City made no statutorily-required contributions to the plan for the year ended December 31, 2016. The City's contributions were equal to the required contributions as set by state statute. The City made no voluntary contributions to the plan. Furthermore, the firefighter has no obligation to contribute to the plan.

CITY OF WASECA, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2016

Note 6: DEFINED BENEFIT PENSION PLANS - FIRE RELIEF ASSOCIATION

D. Pension costs

At December 31, 2016, the City reported a net pension liability (asset) of (\$203,647) for the plan. The net pension liability (asset) was measured as of December 31, 2015. The total pension liability used to calculate the net pension liability (asset) in accordance with GASB 68 was determined by Hildi, Inc. applying an actuarial formula to specific census data certified by the Department as of December 31, 2015. The following table presents the changes in net pension liability (asset) during the year:

	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (Asset) (a-b)
Beginning balance January 1, 2015	\$ 1,234,698	\$ 1,467,164	\$ (232,466)
Changes for the year			
Service cost	46,774		46,774
Interest cost	69,146		69,146
Municipal contributions		14,240	(14,240)
Nonemployer contributions		73,404	(73,404)
Projected investment return	-	84,902	(84,902)
(Gain)/loss	-	(80,915)	80,915
Benefit payments	(64,322)	(64,322)	-
Administrative expenses	-	(4,530)	4,530
Total net changes	51,598	22,779	28,819
Ending balance December 31, 2015	\$ 1,286,296	\$ 1,489,943	\$ (203,647)

For the year ended December 31, 2016, the City recognized pension expense of \$31,070.

At December 31, 2016, the City reported deferred inflows of resources and deferred outflows of resources, its contributions subsequent to the measurement date, related to pension from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Net difference between projected and actual earnings on plan investments	\$ 51,472	\$ -
State aid to City subsequent to the measurement date	71,664	-
Total	\$ 123,136	\$ -

CITY OF WASECA, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2016

Note 6: DEFINED BENEFIT PENSION PLANS - FIRE RELIEF ASSOCIATION-CONTINUED

Deferred outflows of resources totaling \$71,664 related to pensions resulting from the City's contributions to the plan subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2016. Other amounts reported as deferred outflows and inflows of resources related to the plan will be recognized in pension expense as follows:

2017	\$ 11,763
2018	11,763
2019	11,763
2020	16,183
2021	-
Thereafter	-

E. Actuarial assumptions

The total pension liability at December 31, 2015 was determined using the entry age normal actuarial cost method and the following actuarial assumptions:

Retirement eligibility at 50 percent of age 50, 20 percent at ages 51-56 and 100 percent thereafter	
Discount rate	5.75%
Salary increases	2.50%
Cost of living increases	5.00%
Investment rate of return	5.75%
20 year municipal bond yield	3.50%

There were no changes in actuarial assumptions in 2015.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best estimates for expected future real rates of return (expected returns, net of inflation) were developed for each asset class using the plan's target investment allocation along with long-term return expectations by asset class. Inflation expectations were applied to derive the nominal rate of return for the portfolio.

The target allocation and best estimates of geometric real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Long-term Expected Real Rate of Return
Cash	7.00 %	2.00 %
Fixed income	31.00	3.50
Equities	59.00	7.50
Real estate/other	3.00	6.00
Total	<u>100.00 %</u>	

CITY OF WASECA, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2016

Note 6: DEFINED BENEFIT PENSION PLANS - FIRE RELIEF ASSOCIATION - CONTINUED

F. Discount rate

The discount rate used to measure the total pension liability was 6.0 percent. The projection of cash flows used to determine the discount rate assumed that contributions to the plan will be made as specified in statute. Based on that assumption and considering the funding ratio of the plan, the fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

G. Pension liability sensitivity

The following presents the City's net pension liability (asset) for the plan, calculated using the discount rate disclosed in the preceding paragraph, as well as what the City's net pension liability (asset) would be if it were calculated using a discount rate 1 percent lower or 1 percent higher than the current discount rate:

	1 Percent Decrease (4.75%)	Current (5.75%)	1 Percent Increase (6.75%)
Defined benefit plan	\$ (171,805)	\$ (203,647)	\$ (233,340)

H. Pension plan fiduciary net position

The Association issues a publicly available financial report. The report may be obtained by writing to the Waseca Fire Department Relief Association, 508 South State Street, Waseca, MN 56093.

CITY OF WASECA, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2016

Note 7: 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. 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.

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.

CITY OF WASECA, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2016

Note 7: OTHER INFORMATION - CONTINUED

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, 2016 is presented as follows:

Total revenues	\$ 1,030,243
Total expenditures	<u>1,098,170</u>
Change in net position	(67,927)
Net position, January 1, 2016	<u>390,416</u>
Net position, December 31, 2016	<u>\$ 322,489</u>
Total assets and deferred outflows of resources	<u>\$ 1,111,697</u>
Total liabilities and deferred inflows of resources	<u>\$ 789,206</u>
City's Investment in Joint Ventures, December 31, 2016	<u>\$ 85,782</u>

Financial statements of the Waseca LeSueur Regional Library are available for review at 408 North State Street, Waseca, MN 56093.

C. 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.

D. 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.

CITY OF WASECA, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2016

Note 7: OTHER INFORMATION - CONTINUED

E. Post-employment benefits other than pensions

Plan description. 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 disables. The City must pay health insurance premiums for these employees and their dependents, if required, until age 65. The City had one public safety employee who was entitled to these benefits for all of 2015. Qualified former employees and their dependents may remain enrolled in benefit plans provided they pay the full premiums, based on the same rates charged for active employees. There are currently no participants covered on the City's plan. In 2014, 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).

Funding policy. Contribution requirements also are negotiated between the City and union representatives. The City does not contribute to the cost of current-year premiums for eligible retired plan members and their spouses. For fiscal year 2016, the City contributed \$20,371 to the plan. The General fund is typically used to liquidate the net OPEB obligation.

Annual OPEB cost and net OPEB obligation. The City's annual other postemployment benefit (OPEB) cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and to amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The following table shows the components of the City's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the City's net OPEB obligation to the Retiree Health Plan.

Annual required contribution	\$ 100,456
Interest on net OPEB obligation	15,108
Adjustment to annual required contribution	<u>(21,419)</u>
Annual OPEB cost (expense)	94,145
Contributions made	(20,371)
Implicit rate	<u>(38,074)</u>
Increase in net OPEB obligation	35,700
Net OPEB obligation - beginning of year	<u>377,705</u>
Net OPEB obligation - end of year	<u><u>\$ 413,405</u></u>

CITY OF WASECA, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2016

Note 7: OTHER INFORMATION - CONTINUED

The City's annual OPEB cost, employer contributions, implicit rate, cumulative net OPEB obligation and percentage of annual OPEB cost contributed for fiscal year 2016 and the two preceding fiscal years were as follows:

<u>Year Ending</u>	<u>Annual OPEB cost</u>	<u>Employer contributions</u>	<u>Implicit rate</u>	<u>Cumulative net OPEB obligation</u>	<u>Percentage of annual OPEB cost contributed</u>
12/31/2016	\$ 94,145	\$ (20,371)	\$ (38,074)	\$ 413,405	62.1%
12/31/2015	94,800	(23,566)	(32,066)	377,705	58.7%
12/31/2014	94,516	(25,203)	(27,756)	338,537	56.0%

Funded status and funding progress. As of January 1, 2014, the City's share of the actuarial accrued liability for benefits was \$893,868, all of which was unfunded. The City's share of covered payroll (annual payroll of active employees covered by the plan) was \$3,129,657, and the ratio of the unfunded actuarial accrued liability to the covered payroll was 28.6 percent.

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 healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Methods and assumptions. 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 to that point. The methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

For the City, in the January 1, 2014 actuarial valuation, the projected unit credit actuarial cost method was used. The actuarial assumptions included a 4.0 percent investment rate of return and an annual healthcare cost trend rate of 7.5 percent initially, reduced incrementally to an ultimate rate of 5.0 percent after 10 years. The actuarial value of assets was not determined as the City has not advance-funded its obligation. The plan's unfunded actuarial accrued liability was amortized as a level dollar amount over a closed basis of thirty years.

CITY OF WASECA, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2016

Note 7: OTHER INFORMATION - CONTINUED

The following simplifying assumptions were made:

Retirement age for active employees - Based on the historical average retirement age for the covered group, active plan members were assumed to retire at age 65, or at the first subsequent year in which the member would qualify for benefits.

Marital status - 85 percentage of males are assumed to be married and 65 percent females.

Mortality - Life expectancies were based on mortality tables from the Society of Actuaries. The 2000 Group Annuity Mortality Rates for Males and for Females were used.

Healthcare cost trend rate - The expected rate of increase in healthcare insurance premiums was based on projections of the Office of the Actuary at the Centers for Medicare & Medicaid Services. A rate of 7.5 percent initially, reduced to an ultimate rate of 5.0 percent after ten years, was used.

Inflation rate - The expected long-term inflation assumption of 2.5 percent was used based on an intermediate growth scenario.

Actuarial method - Projected unit credit with 30-year amortization of the unfunded liability.

Payroll growth rate - The expected long-term payroll growth rate was assumed to be 2.0 percent.

Based on the historical and expected returns of the City's short-term investment portfolio, a discount rate of 4.0 percent was used. In addition, the projected unit credit actuarial cost method was used. The unfunded actuarial accrued liability is being amortized on a level dollar closed basis. The remaining amortization period at December 31, 2016 was 30 years.

F. 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 2016 was \$2,689,060 , which accounted for 38.3 percent of General fund revenues.

G. Economic dependency

Component unit - HRA

The programs of the HRA are economically dependent on annual contributions and grants from HUD. Without those contributions and grants, the programs would operate at a loss.

CITY OF WASECA, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2016

Note 8: TAX ABATEMENTS

As of December 31, 2016, the City has twelve agreements entered into by the City listed below that abate City property taxes. Below is information specific to each agreement:

The City entered into a tax abatement agreement on September 14, 2012 with a developer in which the developer incurs costs for construction of a manufacturing facility. In return, the City will reimburse the developer for some costs as the city collects future increment for the increased property value and tax capacity related to the economic development. The agreement has a maximum return to the developer of \$240,465 over the life of the agreement. The agreement was negotiated under state law (Minnesota Statute 469.1812-469.1815) and has a maximum duration of August 1, 2028. The calculation of taxes abated during the fiscal year is noted in the chart below.

The City entered into a tax abatement agreement on December 10, 2012, with a developer in which the developer incurs costs for construction of a manufacturing facility. In return, the City will reimburse the developer for some costs as the city collects future increment for the increased property value and tax capacity related to the economic development. The agreement has a maximum return to the developer of \$39,004 over the life of the agreement. The agreement was negotiated under state law (Minnesota Statute 469.1812-469.1815) and has a maximum duration of August 1, 2021. The calculation of taxes abated during the fiscal year is noted in the chart below.

The City entered into a tax abatement agreement on January 28, 2005 with a developer in which the developer incurs costs for a 27-unit facility offering housing, personal and nursing services and related community and dining facilities. In return, the City will reimburse the developer for some costs as the city collects future increment for the increased property value and tax capacity related to the economic development. The agreement has a maximum return to the developer of \$148,000 over the life of the agreement. The agreement was negotiated under state law (Minnesota Statute 469.1812-469.1815) and has a maximum duration of August 1, 2020. The calculation of taxes abated during the fiscal year is noted in the chart below.

The City entered into a tax abatement agreement on November 22, 2010 with a developer in which the developer incurs costs for construction of a manufacturing facility. In return, the City will reimburse the developer for some costs as the city collects future increment for the increased property value and tax capacity related to the economic development. The agreement has a maximum return to the developer of \$40,000 over the life of the agreement. The agreement was negotiated under state law (Minnesota Statute 469.1812-469.1815) and has a maximum duration of August 1, 2019. The calculation of taxes abated during the fiscal year is noted in the chart below.

The City entered into a tax abatement agreement on March 6, 2001 with a developer in which the developer incurs costs for the development of affordable housing through providing bridge loans. In return, the City will reimburse the developer for some costs as the city collects future increment for the increased property value and tax capacity related to the economic development. The agreement has a maximum return to the developer of \$205,000 over the life of the agreement. The agreement was negotiated under state law (Minnesota Statute 469.1812-469.1815) and has a maximum duration of August 1, 2017. The calculation of taxes abated during the fiscal year is noted in the chart below.

The City entered into a tax abatement agreement on June 15, 2012 with a developer in which the developer incurs costs for the construction of a building addition. In return, the City will reimburse the developer for some costs as the city collects future increment for the increased property value and tax capacity related to the economic development. The agreement has a maximum return to the developer of \$95,990 over the life of the agreement. The agreement was negotiated under state law (Minnesota Statute 469.1812-469.1815) and has a maximum duration of August 1, 2024. The calculation of taxes abated during the fiscal year is noted in the chart below.

The City entered into a tax increment financing agreement (TIF #22) on August 2, 2000 with a developer on in which the developer incurs costs for property improvements. In return, the City will reimburse the developer for some costs as the city collects future tax increment for the increased property value and tax capacity related to the economic development. The pay-as-you-go agreement has a maximum return to the developer of \$385,788 over the life of the agreement. The agreement was negotiated under state law (Minnesota Statute 469.174-469.179) and has a maximum duration of December 31, 2025. The calculation of taxes abated during the fiscal year is noted in the chart below.

The City entered into a tax increment financing agreement (TIF #26) on January 15, 2008 with a developer on in which the developer incurs costs for property improvements. In return, the City will reimburse the developer for some costs as the city collects future tax increment for the increased property value and tax capacity related to the economic development. The pay-as-you-go agreement has a maximum return to the developer of \$2,312,719 over the life of the agreement. The agreement was negotiated under state law (Minnesota Statute 469.174-469.179) and has a maximum duration of December 31, 2033. The calculation of taxes abated during the fiscal year is noted in the chart below.

The City entered into a tax increment financing agreement (TIF #27) on August 3, 2010 with a developer on in which the developer incurs costs to develop an affordable housing project. In return, the City will reimburse the developer for some costs as the city collects future tax increment for the increased property value and tax capacity related to the economic development. The pay-as-you-go agreement has a maximum return to the developer of \$622,079 over the life of the agreement. The agreement was negotiated under state law (Minnesota Statute 469.174-469.179) and has a maximum duration of December 31, 2037. The calculation of taxes abated during the fiscal year is noted in the chart below.

The City entered into a tax increment financing agreement (TIF #23) on November 14, 2000 with a developer on in which the developer incurs costs for property improvements. In return, the City will reimburse the developer for some costs as the city collects future tax increment for the increased property value and tax capacity related to the economic development. The pay-as-you-go agreement has a maximum return to the developer of \$580,542 over the life of the agreement. The agreement was negotiated under state law (Minnesota Statute 469.174-469.179) and has a maximum duration of December 31, 2028. The calculation of taxes abated during the fiscal year is noted in the chart below.

The City entered into a tax increment financing agreement (TIF #24) on September 4, 2001 with a developer on in which the developer incurs costs for property improvements. In return, the City will reimburse the developer for some costs as the city collects future tax increment for the increased property value and tax capacity related to the economic development. The pay-as-you-go agreement has a maximum return to the developer of \$106,871 over the life of the agreement. The agreement was negotiated under state law (Minnesota Statute 469.174-469.179) and has a maximum duration of December 31, 2026. The calculation of taxes abated during the fiscal year is noted in the chart below.

Lost revenue as it relates to tax abatements for the year ended December 31, 2016, was as follows:

	City Tax Rate (Year of Establishment)	District Tax Capacity	Amount of taxes abated the fiscal year
Tax Abatement Agreements			
Berry Pallets			\$ 16,031
Elegant Creations			5,572
Latham Investments			9,818
Repnet, Inc.			5,136
Quad Graphics			13,650
Winegar, Inc.			9,599
Tax Increment Districts (PAYGO)			
TIF District #22	40.044 %	\$ 8,562	3,429
TIF District #26	62.262	14,334	8,925
TIF District #27	63.986	13,517	8,649
TIF District #23	48.828	138,055	67,409
TIF District #24	48.828	4,052	1,979
Total			<u>\$ 150,197</u>

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**REQUIRED SUPPLEMENTARY
INFORMATION**

CITY OF WASECA
WASECA, MINNESOTA

FOR THE YEAR ENDED
DECEMBER 31, 2016

CITY OF WASECA, MINNESOTA
REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED DECEMBER 31, 2016

Schedule of employer's share of PERA net pension liability - General Employees Retirement Fund

Required Supplementary Information							
Fiscal Year Ending	City's Proportion of the Net Pension Liability	City's Proportionate Share of the Net Pension Liability (a)	State's Proportionate Share of the Net Pension Liability Associated with the City (b)	Total (a+b)	City's Covered Payroll (c)	City's Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll ((a+b)/c)	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
06/30/16	0.0422 %	\$ 3,426,431	\$ 44,802	\$ 3,471,233	\$ 2,619,911	130.8 %	68.9 %
06/30/15	0.0409	2,119,650	-	2,119,650	2,362,560	89.7	78.2

Note: Schedule is intended to show 10-year trend. Additional years will be reported as they become available.

Schedule of employer's PERA contributions - General Employees Retirement Fund

Required Supplementary Information					
Year Ending	Statutorily Required Contribution (a)	Contributions in Relation to the Statutorily Required Contribution (b)	Contribution Deficiency (Excess) (a-b)	City's Covered Payroll (c)	Contributions as a Percentage of Covered Payroll (b/c)
12/31/16	\$ 206,703	\$ 206,703	\$ -	\$ 2,756,046	7.5 %
12/31/15	186,692	186,692	-	2,489,227	7.5

Note: Schedule is intended to show 10-year trend. Additional years will be reported as they become available.

CITY OF WASECA, MINNESOTA
REQUIRED SUPPLEMENTARY INFORMATION - CONTINUED
FOR THE YEAR ENDED DECEMBER 31, 2016

Schedule of employer's share of PERA net pension liability - Public Employees Police and Fire Fund

Required Supplementary Information							
Fiscal Year Ending	City's Proportion of the Net Pension Liability	City's Proportionate Share of the Net Pension Liability (a)	State's Proportionate Share of the Net Pension Liability Associated with the City (b)	Total (a+b)	City's Covered Payroll (c)	City's Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll ((a+b)/c)	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
06/30/16	0.1160 %	\$ 4,655,282	\$ -	\$ 4,655,282	\$ 1,115,592	417.3 %	63.9 %
06/30/15	0.1200	1,363,481	-	1,363,481	1,069,401	127.5	86.6

Note: Schedule is intended to show 10-year trend. Additional years will be reported as they become available.

Schedule of employer's PERA contributions - Public Employees Police and Fire Fund

Required Supplementary Information					
Year Ending	Statutorily Required Contribution (a)	Contributions in Relation to the Statutorily Required Contribution (b)	Contribution Deficiency (Excess) (a-b)	City's Covered Payroll (c)	Contributions as a Percentage of Covered Payroll (b/c)
12/31/16	\$ 194,735	\$ 194,735	\$ -	\$ 1,202,067	16.2 %
12/31/15	171,849	171,849	-	1,060,796	16.2

Note: Schedule is intended to show 10-year trend. Additional years will be reported as they become available.

CITY OF WASECA, MINNESOTA
REQUIRED SUPPLEMENTARY INFORMATION - CONTINUED
FOR THE YEAR ENDED DECEMBER 31, 2016

Schedule of changes in the Fire Relief Association's net pension liability (asset) and related ratios

	2016 (Fire Relief Report Date 2015)	2015 (Fire Relief Report Date 2014)
Total pension liability		
Service cost	\$ 46,774	\$ 45,633
Interest	69,146	64,654
Benefit payments, including refunds of employee contributions	(64,322)	-
Net change in total pension liability	51,598	110,287
Total pension liability - January 1	1,234,698	1,124,411
Total pension liability - December 31 (a)	<u>\$ 1,286,296</u>	<u>\$ 1,234,698</u>
Plan fiduciary net position		
Contributions - employer	\$ 87,644	\$ 81,626
Net investment income	3,987	98,454
Benefit payments, including refunds of employee contributions	(64,322)	-
Administrative expense	(4,530)	-
Net change in plan fiduciary net position	22,779	180,080
Plan fiduciary net position - January 1	1,467,164	1,287,084
Plan fiduciary net position - December 31 (b)	<u>\$ 1,489,943</u>	<u>\$ 1,467,164</u>
Fire Relief's net pension liability (asset) - December 31 (a-b)	<u>\$ (203,647)</u>	<u>\$ (232,466)</u>
Plan fiduciary net position as a percentage of the total pension liability (b/a)	115.83%	118.83%
Covered-employee payroll	N/A	N/A
Fire Relief's net pension liability (asset) as a percentage of covered-employee payroll	N/A	N/A

Notes to Schedule:

Benefit changes. None.

Changes of assumptions. None.

Note: Schedule is intended to show 10-year trend. Additional years will be reported as they become available.

CITY OF WASECA, MINNESOTA
REQUIRED SUPPLEMENTARY INFORMATION - CONTINUED
FOR THE YEAR ENDED DECEMBER 31, 2016

Schedule of employer's Fire Relief Association contributions

Year Ending	Required Supplementary Information		
	Actuarial Determined Contribution	Actual Contributions Paid	Contribution Deficiency (Excess)
	(a)	(b)	(a-b)
12/31/16	\$ 71,664	\$ 71,664	\$ -
12/31/15	71,404	71,404	-

Schedule of funding progress for other postemployment benefit plan

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)
1/1/2014	\$ -	\$ 893,868	\$ 893,868	0.0%	\$ 3,129,657	28.6%
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%

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**COMBINING AND INDIVIDUAL FUND
FINANCIAL STATEMENTS AND SCHEDULES**

CITY OF WASECA
WASECA, MINNESOTA

FOR THE YEAR ENDED
DECEMBER 31, 2016

CITY OF WASECA, MINNESOTA
NON MAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET
DECEMBER 31, 2016

	Special Revenue	Capital Projects	Total
ASSETS			
Cash and investments	\$ 883,474	\$ 912,095	\$ 1,795,569
Accounts receivable	680	-	680
Loans receivable (net of allowance)	15,903	-	15,903
Due from other governments	98,907	-	98,907
Due from other funds	-	732,000	732,000
Land held for resale	-	960,467	960,467
	<hr/>	<hr/>	<hr/>
TOTAL ASSETS	\$ 998,964	\$ 2,604,562	\$ 3,603,526
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
LIABILITIES			
Accounts payable	\$ 58,135	\$ 8,839	\$ 66,974
Accrued wages payable	3,438	-	3,438
Due to other funds	42,224	-	42,224
Unearned revenue	2,700	-	2,700
	<hr/>	<hr/>	<hr/>
TOTAL LIABILITIES	106,497	8,839	115,336
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
FUND BALANCES			
Restricted for			
Clear lake press fund	130,710	-	130,710
Revolving loan	12,530	-	12,530
TIF funds	97,403	-	97,403
Police safe haven	19,944	-	19,944
Police forfeitures	63,972	-	63,972
PEG Channel	23,634	-	23,634
Municipal state aid	-	860,439	860,439
Committed for			
Airport	323,847	-	323,847
Police reserves	728	-	728
Waseca housing fund	89,926	-	89,926
Assigned for			
Northwest commercial development	-	1,121,057	1,121,057
Annexation and growth	-	218,278	218,278
Equipment replacement	-	395,949	395,949
Operations	148,637	-	148,637
Unassigned	(18,864)	-	(18,864)
	<hr/>	<hr/>	<hr/>
TOTAL FUND BALANCES	892,467	2,595,723	3,488,190
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
TOTAL LIABILITIES AND FUND BALANCES	\$ 998,964	\$ 2,604,562	\$ 3,603,526
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

CITY OF WASECA, MINNESOTA
NONMAJOR GOVERNMENTAL FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED DECEMBER 31, 2016

	Special Revenue	Capital Projects	Total
REVENUES			
Taxes	\$ 264,027	\$ -	\$ 264,027
Fines and forfeitures	8,450	-	8,450
Intergovernmental	356,904	974,922	1,331,826
Program income	117,942	-	117,942
Contributions	43,650	-	43,650
Interest earnings	12,773	15,698	28,471
Miscellaneous	16,234	236	16,470
	<u>819,980</u>	<u>990,856</u>	<u>1,810,836</u>
TOTAL REVENUES			
EXPENDITURES			
Current			
General government	31,773	28,670	60,443
Public safety	229,360	-	229,360
Culture and recreation	-	-	-
Economic development	116,953	-	116,953
Airport	205,104	-	205,104
Capital outlay			
General government	557	30,382	30,939
Public safety	-	89,396	89,396
Streets and highways	-	181,109	181,109
Culture and recreation	-	81,159	81,159
Airport	7,166	-	7,166
	<u>590,913</u>	<u>410,716</u>	<u>1,001,629</u>
TOTAL EXPENDITURES			
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>229,067</u>	<u>580,140</u>	<u>809,207</u>
OTHER FINANCING SOURCES (USES)			
Transfers in	34,667	500,383	535,050
Transfers out	(725,619)	(764,283)	(1,489,902)
	<u>(690,952)</u>	<u>(263,900)</u>	<u>(954,852)</u>
TOTAL OTHER FINANCING SOURCES (USES)			
NET CHANGE IN FUND BALANCES	(461,885)	316,240	(145,645)
FUND BALANCE, JANUARY 1	<u>1,354,352</u>	<u>2,279,483</u>	<u>3,633,835</u>
FUND BALANCES, DECEMBER 31	<u>\$ 892,467</u>	<u>\$ 2,595,723</u>	<u>\$ 3,488,190</u>

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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.

2014 Revolving Loan Fund - This fund was established to account for the re-use of MIF funds for forgivable loans transferred from the Clear Lake Press Fund.

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

Safe Haven Grant Fund - This fund accounts for the funding and activity for the Safe Haven Supervised Visitation and Safe Exchange Grant.

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

PEG Channel Fund - This fund accounts for funding and maintaining a public, educational, and government (PEG) access channel. Revenues are generated through franchise agreements.

CITY OF WASECA, MINNESOTA
NON MAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET - SPECIAL REVENUE FUNDS - CONTINUED ON THE FOLLOWING PAGES
DECEMBER 31, 2016

	205 EDPG Clear Lake Press	208 Revolving Loan Fund	209 2010 SCDP Grant	211 2012 SCDP Grant
ASSETS				
Cash and investments	\$ 214,588	\$ -	\$ 11,989	\$ 613
Accounts receivable	187	-	-	-
Loans receivable (net of allowance)	6,125	-	-	-
Due from other governments	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
TOTAL ASSETS	<u><u>\$ 220,900</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 11,989</u></u>	<u><u>\$ 613</u></u>
LIABILITIES				
Accounts payable	\$ -	\$ -	\$ -	\$ -
Accrued wages payable	-	-	-	-
Due to other funds	-	-	-	-
Unearned revenue	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
TOTAL LIABILITIES	<u><u>-</u></u>	<u><u>-</u></u>	<u><u>-</u></u>	<u><u>-</u></u>
FUND BALANCES				
Restricted for				
Clear lake press fund	130,710	-	-	-
Revolving loan	-	-	11,930	600
Tax increment	-	-	-	-
Police safe haven	-	-	-	-
Police forfeitures	-	-	-	-
PEG Channel	-	-	-	-
Committed for				
Airport	-	-	-	-
Police reserves	-	-	-	-
Waseca housing fund	-	-	-	-
Assigned for				
Operations	90,190	-	59	13
Unassigned	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
TOTAL FUND BALANCE	<u><u>220,900</u></u>	<u><u>-</u></u>	<u><u>11,989</u></u>	<u><u>613</u></u>
TOTAL LIABILITIES AND FUND BALANCE	<u><u>\$ 220,900</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 11,989</u></u>	<u><u>\$ 613</u></u>

212 2014 Revolving Loan Fund	TIF Funds	230 Airport	240 Waseca Water Park Fund	250 Waseca Housing Fund	255 Historical Preservation Fund	275 Police Reserves Fund
\$ 4,786	\$ 116,868	\$ 327,153	\$ -	\$ 104,588	\$ 93	\$ 1,074
-	-	230	-	-	-	-
6,778	-	-	-	3,000	-	-
-	3,454	56,219	-	-	-	-
<u>\$ 11,564</u>	<u>\$ 120,322</u>	<u>\$ 383,602</u>	<u>\$ -</u>	<u>\$ 107,588</u>	<u>\$ 93</u>	<u>\$ 1,074</u>
\$ 1,200	\$ 25,896	\$ 16,989	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-	-
16,000	10,244	-	-	-	100	-
-	-	2,700	-	-	-	-
<u>17,200</u>	<u>36,140</u>	<u>19,689</u>	<u>-</u>	<u>-</u>	<u>100</u>	<u>-</u>
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	97,403	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	323,847	-	-	-	-
-	-	-	-	-	-	728
-	-	-	-	89,926	-	-
-	-	40,066	-	17,662	-	346
(5,636)	(13,221)	-	-	-	(7)	-
<u>(5,636)</u>	<u>84,182</u>	<u>363,913</u>	<u>-</u>	<u>107,588</u>	<u>(7)</u>	<u>1,074</u>
<u>\$ 11,564</u>	<u>\$ 120,322</u>	<u>\$ 383,602</u>	<u>\$ -</u>	<u>\$ 107,588</u>	<u>\$ 93</u>	<u>\$ 1,074</u>

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CITY OF WASECA, MINNESOTA
NON MAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET - SPECIAL REVENUE FUNDS - CONTINUED
DECEMBER 31, 2016

	278 Police Forfeiture Fund	279 Safe Haven Grant Fund	280 Fire Relief Fund	290 PEG Channel	Total
ASSETS					
Cash and investments	\$ 64,820	\$ 11,801	\$ 301	\$ 24,800	\$ 883,474
Accounts receivable	-	-	-	263	680
Loans receivable (net of allowance)	-	-	-	-	15,903
Due from other governments	-	39,234	-	-	98,907
TOTAL ASSETS	\$ 64,820	\$ 51,035	\$ 301	\$ 25,063	\$ 998,964
LIABILITIES					
Accounts payable	\$ 848	\$ 12,939	\$ -	\$ 263	\$ 58,135
Accrued wages payable	-	2,272	-	1,166	3,438
Due to other funds	-	15,880	-	-	42,224
Unearned revenue	-	-	-	-	2,700
TOTAL LIABILITIES	848	31,091	-	1,429	106,497
FUND BALANCES					
Restricted for					
Clear lake press fund	-	-	-	-	130,710
Revolving loan	-	-	-	-	12,530
TIF funds	-	-	-	-	97,403
Police safe haven	-	19,944	-	-	19,944
Police forfeitures	63,972	-	-	-	63,972
PEG Channel	-	-	-	23,634	23,634
Committed for					
Airport	-	-	-	-	323,847
Police reserves	-	-	-	-	728
Waseca housing fund	-	-	-	-	89,926
Assigned for					
Operations	-	-	301	-	148,637
Unassigned	-	-	-	-	(18,864)
TOTAL FUND BALANCE	63,972	19,944	301	23,634	892,467
TOTAL LIABILITIES AND FUND BALANCE	\$ 64,820	\$ 51,035	\$ 301	\$ 25,063	\$ 998,964

CITY OF WASECA, MINNESOTA
NONMAJOR GOVERNMENTAL FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -
SPECIAL REVENUE FUNDS - CONTINUED ON THE FOLLOWING PAGES
FOR THE YEAR ENDED DECEMBER 31, 2016

	205 EDPG Clear Lake Press	208 Revolving Loan Fund	209 2010 SCDP Grant	211 2012 SCDP Grant
REVENUES				
Taxes				
Tax increment	\$ -	\$ -	\$ -	\$ -
Fines and forfeitures	-	-	-	-
Intergovernmental	-	-	-	-
Program income	-	-	-	-
Contributions	-	-	-	-
Interest earnings	2,188	-	-	-
Miscellaneous	-	-	9,400	-
TOTAL REVENUES	2,188	-	9,400	-
EXPENDITURES				
Current				
General government	-	-	-	-
Public safety	-	-	-	-
Culture and recreation	-	-	-	-
Economic development	-	-	-	-
Airport	-	-	-	-
Capital outlay				
General government	-	-	-	-
Airport	-	-	-	-
TOTAL EXPENDITURES	-	-	-	-
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	2,188	-	9,400	-
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	-	-
Transfers out	-	(3,940)	-	-
TOTAL OTHER FINANCING SOURCES (USES)	-	(3,940)	-	-
NET CHANGE IN FUND BALANCES	2,188	(3,940)	9,400	-
FUND BALANCE, JANUARY 1	218,712	3,940	2,589	613
FUND BALANCES, DECEMBER 31	\$ 220,900	\$ -	\$ 11,989	\$ 613

212 2014 Revolving Loan Fund	TIF Funds	230 Airport	240 Waseca Water Park Fund	250 Waseca Housing Fund	255 Historical Preservation Fund	275 Police Reserve Fund
\$ -	\$ 264,027	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-	-
-	-	150,507	-	-	-	-
-	-	109,631	-	-	-	-
-	-	-	-	13,650	-	-
78	6,544	2,507	9	879	-	-
-	-	-	-	-	-	6,834
<u>78</u>	<u>270,571</u>	<u>262,645</u>	<u>9</u>	<u>14,529</u>	<u>-</u>	<u>6,834</u>
-	-	-	-	-	-	-
-	-	-	-	-	-	7,947
-	-	-	-	-	-	-
62,516	54,412	-	-	-	25	-
-	-	205,104	-	-	-	-
-	-	-	-	-	-	-
-	-	7,166	-	-	-	-
<u>62,516</u>	<u>54,412</u>	<u>212,270</u>	<u>-</u>	<u>-</u>	<u>25</u>	<u>7,947</u>
<u>(62,438)</u>	<u>216,159</u>	<u>50,375</u>	<u>9</u>	<u>14,529</u>	<u>(25)</u>	<u>(1,113)</u>
3,940	-	-	-	-	-	1,113
-	(720,000)	-	(1,679)	-	-	-
<u>3,940</u>	<u>(720,000)</u>	<u>-</u>	<u>(1,679)</u>	<u>-</u>	<u>-</u>	<u>1,113</u>
(58,498)	(503,841)	50,375	(1,670)	14,529	(25)	-
<u>52,862</u>	<u>588,023</u>	<u>313,538</u>	<u>1,670</u>	<u>93,059</u>	<u>18</u>	<u>1,074</u>
<u>\$ (5,636)</u>	<u>\$ 84,182</u>	<u>\$ 363,913</u>	<u>\$ -</u>	<u>\$ 107,588</u>	<u>\$ (7)</u>	<u>\$ 1,074</u>

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CITY OF WASECA, MINNESOTA
NONMAJOR GOVERNMENTAL FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -
SPECIAL REVENUE FUNDS - CONTINUED
FOR THE YEAR ENDED DECEMBER 31, 2016

	278 Police Forfeiture Fund	279 Safe Haven Grant Fund	280 Fire Relief Fund	290 PEG Channel	Total
REVENUES					
Taxes					
Tax increment	\$ -	\$ -	\$ -	\$ -	\$ 264,027
Fines and forfeitures	8,450	-	-	-	8,450
Intergovernmental	-	134,733	71,664	-	356,904
Program income	-	8,311	-	-	117,942
Contributions	-	-	-	30,000	43,650
Interest earnings	568	-	-	-	12,773
Miscellaneous	-	-	-	-	16,234
TOTAL REVENUES	9,018	143,044	71,664	30,000	819,980
EXPENDITURES					
Current					
General government	-	-	-	31,773	31,773
Public safety	8,372	137,727	75,314	-	229,360
Culture and recreation	-	-	-	-	-
Economic development	-	-	-	-	116,953
Airport	-	-	-	-	205,104
Capital outlay					
General government	-	-	-	557	557
Airport	-	-	-	-	7,166
TOTAL EXPENDITURES	8,372	137,727	75,314	32,330	590,913
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	646	5,317	(3,650)	(2,330)	229,067
OTHER FINANCING SOURCES (USES)					
Transfers in	-	-	3,650	25,964	34,667
Transfers out	-	-	-	-	(725,619)
TOTAL OTHER FINANCING SOURCES (USES)	-	-	3,650	25,964	(690,952)
NET CHANGE IN FUND BALANCES	646	5,317	-	23,634	(461,885)
FUND BALANCE, JANUARY 1	63,326	14,627	301	-	1,354,352
FUND BALANCES, DECEMBER 31	\$ 63,972	\$ 19,944	\$ 301	\$ 23,634	\$ 892,467

CITY OF WASECA, MINNESOTA
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
EDPG CLEAR LAKE PRESS FUND
FOR THE YEAR ENDED DECEMBER 31, 2016

	Final Budget	Actual Amounts	Variance With Final Budget
REVENUES			
Interest earnings	\$ 1,900	\$ 2,188	\$ 288
Miscellaneous	<u>3,286</u>	<u>-</u>	<u>(3,286)</u>
 TOTAL REVENUES	 5,186	 2,188	 (2,998)
EXPENDITURES			
Current			
Economic development	<u>300</u>	<u>-</u>	<u>300</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	4,886	2,188	(2,698)
FUND BALANCE, JANUARY 1	<u>218,712</u>	<u>218,712</u>	<u>-</u>
FUND BALANCES, DECEMBER 31	<u><u>\$ 223,598</u></u>	<u><u>\$ 220,900</u></u>	<u><u>\$ (2,698)</u></u>

CITY OF WASECA, MINNESOTA
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
TIF FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2016

	Final Budget	Actual Amounts	Variance With Final Budget
REVENUES			
Taxes			
Tax increment	\$ 222,500	\$ 264,027	\$ 41,527
Interest	4,500	6,544	2,044
TOTAL REVENUES	227,000	270,571	43,571
EXPENDITURES			
Current			
Economic development	59,200	54,412	4,788
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	167,800	216,159	48,359
OTHER FINANCING SOURCES (USES)			
Transfers out	(82,493)	(720,000)	(637,507)
NET CHANGE IN FUND BALANCES	85,307	(503,841)	(589,148)
FUND BALANCE, JANUARY 1	588,023	588,023	-
FUND BALANCES, DECEMBER 31	\$ 673,330	\$ 84,182	\$ (589,148)

CITY OF WASECA, MINNESOTA
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
AIRPORT FUND
FOR THE YEAR ENDED DECEMBER 31, 2016

	Final Budget	Actual Amounts	Variance With Final Budget
REVENUES			
Intergovernmental	\$ 535,500	\$ 150,507	\$ (384,993)
Program Income	110,500	109,631	(869)
Interest earnings	1,000	2,507	1,507
Miscellaneous	200	-	(200)
	<u>647,200</u>	<u>262,645</u>	<u>(384,555)</u>
TOTAL REVENUES			
EXPENDITURES			
Current			
Airport	104,475	205,104	(100,629)
Capital outlay			
Airport	660,000	7,166	652,834
	<u>764,475</u>	<u>212,270</u>	<u>552,205</u>
TOTAL EXPENDITURES			
NET CHANGE IN FUND BALANCES	(117,275)	50,375	167,650
FUND BALANCE, JANUARY 1	313,538	313,538	-
FUND BALANCES, DECEMBER 31	<u>\$ 196,263</u>	<u>\$ 363,913</u>	<u>\$ 167,650</u>

CITY OF WASECA, MINNESOTA
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
WASECA HOUSING FUND
FOR THE YEAR ENDED DECEMBER 31, 2016

	Final Budget	Actual Amounts	Variance With Final Budget
REVENUES			
Contributions	\$ 13,650	\$ 13,650	\$ -
Interest earnings	700	879	179
TOTAL REVENUES	14,350	14,529	179
EXPENDITURES			
Current			
Economic development	10,000	-	10,000
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	4,350	14,529	10,179
FUND BALANCE, JANUARY 1	93,059	93,059	-
FUND BALANCES, DECEMBER 31	\$ 97,409	\$ 107,588	\$ 10,179

CITY OF WASECA, MINNESOTA
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
POLICE RESERVE FUND
FOR THE YEAR ENDED DECEMBER 31, 2016

	Final Budget	Actual Amounts	Variance With Final Budget
REVENUES			
Contributions	\$ 500	\$ -	\$ (500)
Interest earnings	10	-	(10)
Miscellaneous	<u>6,000</u>	<u>6,834</u>	<u>834</u>
TOTAL REVENUES	6,510	6,834	324
EXPENDITURES			
Current			
Public safety	<u>6,510</u>	<u>7,947</u>	<u>(1,437)</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	-	(1,113)	(1,113)
OTHER FINANCING SOURCES			
Transfers in	<u>-</u>	<u>1,113</u>	<u>1,113</u>
NET CHANGE IN FUND BALANCES	-	-	-
FUND BALANCE, JANUARY 1	<u>1,074</u>	<u>1,074</u>	<u>-</u>
FUND BALANCES, DECEMBER 31	<u><u>\$ 1,074</u></u>	<u><u>\$ 1,074</u></u>	<u><u>\$ -</u></u>

CITY OF WASECA, MINNESOTA
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
POLICE FORFEITURE FUND
FOR THE YEAR ENDED DECEMBER 31, 2016

	Final Budget	Actual Amounts	Variance With Final Budget
REVENUES			
Fines and Forfeitures	\$ 10,000	\$ 8,450	\$ (1,550)
Interest earnings	<u>500</u>	<u>568</u>	<u>68</u>
TOTAL REVENUES	10,500	9,018	(1,482)
EXPENDITURES			
Current			
Public safety	<u>10,500</u>	<u>8,372</u>	<u>2,128</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	-	646	646
FUND BALANCE, JANUARY 1	<u>63,326</u>	<u>63,326</u>	<u>-</u>
FUND BALANCES, DECEMBER 31	<u><u>\$ 63,326</u></u>	<u><u>\$ 63,972</u></u>	<u><u>\$ 646</u></u>

CITY OF WASECA, MINNESOTA
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
SAFE HAVEN GRANT FUND
FOR THE YEAR ENDED DECEMBER 31, 2016

	Final Budget	Actual Amounts	Variance With Final Budget
REVENUES			
Intergovernmental	\$ 133,070	\$ 134,733	\$ 1,663
Program income	<u>10,000</u>	<u>8,311</u>	<u>(1,689)</u>
TOTAL REVENUES	143,070	143,044	(26)
EXPENDITURES			
Current			
Public safety	<u>143,070</u>	<u>137,727</u>	<u>5,343</u>
NET CHANGE IN FUND BALANCES	-	5,317	5,317
FUND BALANCE, JANUARY 1	<u>14,627</u>	<u>14,627</u>	<u>-</u>
FUND BALANCES, DECEMBER 31	<u><u>\$ 14,627</u></u>	<u><u>\$ 19,944</u></u>	<u><u>\$ 5,317</u></u>

CITY OF WASECA, MINNESOTA
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
FIRE RELIEF FUND
FOR THE YEAR ENDED DECEMBER 31, 2016

	Final Budget	Actual Amounts	Variance With Final Budget
REVENUES			
Intergovernmental	\$ 71,000	\$ 71,664	\$ 664
EXPENDITURES			
Current			
Public safety	85,240	75,314	9,926
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(14,240)	(3,650)	10,590
OTHER FINANCING SOURCES			
Transfers in	14,240	3,650	(10,590)
NET CHANGE IN FUND BALANCES	-	-	-
FUND BALANCE, JANUARY 1	301	301	-
FUND BALANCES, DECEMBER 31	\$ 301	\$ 301	\$ -

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CITY OF WASECA, MINNESOTA
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
PEG CHANNEL FUND
FOR THE YEAR ENDED DECEMBER 31, 2016

	Final Budget	Actual Amounts	Variance With Final Budget
REVENUES			
Contributions	\$ 30,000.00	\$ 30,000.00	\$ -
EXPENDITURES			
Current			
General government	31,937	31,773	164
Capital outlay			
General government	-	557	(557)
Total expenditures	31,937	32,330	(393)
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(1,937)	(2,330)	(393)
OTHER FINANCING SOURCES			
Transfers in	35,000	25,964	(9,036)
NET CHANGE IN FUND BALANCES	33,063	23,634	(9,429)
FUND BALANCE, JANUARY 1	-	-	-
FUND BALANCES, DECEMBER 31	\$ 33,063	\$ 23,634	\$ (9,429)

CITY OF WASECA, MINNESOTA
NON MAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET - TIF SPECIAL REVENUE FUNDS
DECEMBER 31, 2016

	222 TIF Charter Oaks Fund	223 TIF Central Fund	224 TIF Waseca Village Fund	225 TIF Colony Ct III Fund
ASSETS				
Cash and investments	\$ 19,207	\$ 15,453	\$ 42	\$ 8,500
Due from other governments	-	3,241	-	-
TOTAL ASSETS	<u>\$ 19,207</u>	<u>\$ 18,694</u>	<u>\$ 42</u>	<u>\$ 8,500</u>
LIABILITIES				
Accounts payable	\$ 5,606	\$ 8,702	\$ 3,088	\$ 8,500
Due to other funds	-	-	3,244	-
TOTAL LIABILITIES	<u>5,606</u>	<u>8,702</u>	<u>6,332</u>	<u>8,500</u>
FUND BALANCES				
Restricted for				
Tax increment	13,601	9,992	-	-
Unassigned	-	-	(6,290)	-
TOTAL FUND BALANCE	<u>13,601</u>	<u>9,992</u>	<u>(6,290)</u>	<u>-</u>
TOTAL LIABILITIES AND FUND BALANCE	<u>\$ 19,207</u>	<u>\$ 18,694</u>	<u>\$ 42</u>	<u>\$ 8,500</u>

226 TIF South Loon Fund	227 TIF Fox Meadows	Total
\$ 73,597	\$ 69	\$ 116,868
213	-	3,454
<u>\$ 73,810</u>	<u>\$ 69</u>	<u>\$ 120,322</u>
\$ -	\$ -	\$ 25,896
-	7,000	10,244
<u>-</u>	<u>7,000</u>	<u>36,140</u>
73,810	-	97,403
-	(6,931)	(13,221)
<u>73,810</u>	<u>(6,931)</u>	<u>84,182</u>
<u>\$ 73,810</u>	<u>\$ 69</u>	<u>\$ 120,322</u>

CITY OF WASECA, MINNESOTA
NONMAJOR GOVERNMENTAL FUNDS
COMBINING SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -
TIF SPECIAL REVENUE FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2016

	222 TIF Charter Oaks Fund	223 TIF Central Fund	224 TIF Waseca Village Fund	225 TIF Colony Ct III Fund
REVENUES				
Taxes				
Tax increments	\$ 12,458	\$ 208,311	\$ 6,176	\$ -
Interest earnings	<u>147</u>	<u>5,828</u>	<u>-</u>	<u>-</u>
TOTAL REVENUES	<u>12,605</u>	<u>214,139</u>	<u>6,176</u>	<u>-</u>
EXPENDITURES				
Current				
Economic development	<u>11,762</u>	<u>17,754</u>	<u>6,726</u>	<u>-</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	843	196,385	(550)	-
OTHER FINANCING SOURCES (USES)				
Transfers out	<u>-</u>	<u>(720,000)</u>	<u>-</u>	<u>-</u>
NET CHANGE IN FUND BALANCES	843	(523,615)	(550)	-
FUND BALANCE, JANUARY 1	<u>12,758</u>	<u>533,607</u>	<u>(5,740)</u>	<u>-</u>
FUND BALANCES, DECEMBER 31	<u><u>\$ 13,601</u></u>	<u><u>\$ 9,992</u></u>	<u><u>\$ (6,290)</u></u>	<u><u>\$ -</u></u>

226 TIF South Loon Fund	227 TIF Fox Meadows	Total
\$ 19,188 569	\$ 17,894 -	\$ 264,027 6,544
19,757	17,894	270,571
820	17,350	54,412
18,937	544	216,159
-	-	(720,000)
18,937	544	(503,841)
54,873	(7,475)	588,023
\$ 73,810	\$ (6,931)	\$ 84,182

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Nonmajor Governmental Funds

Capital Projects

Municipal State Aid Construction Fund - This fund accounts for the construction of capital assets financed by state aid.

Library Remodel Fund - This fund accounts for costs and funding sources related to remodeling the Waseca-LeSueur Regional Library.

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 - CAPITAL PROJECT FUNDS
DECEMBER 31, 2016

	402 Municipal State Aid Construction	427 Library Remodel Fund	445 Northwest Commercial Development
ASSETS			
Cash and investments	\$ 128,439	\$ -	\$ 160,590
Land held for resale	-	-	960,467
Due from other funds	732,000	-	-
TOTAL ASSETS	<u><u>\$ 860,439</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 1,121,057</u></u>
LIABILITIES			
Accounts payable	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
FUND BALANCES			
Restricted for			
Municipal state aid	860,439	-	-
Assigned for			
Northwest commercial development	-	-	1,121,057
Annexation and growth	-	-	-
Equipment replacement	-	-	-
TOTAL FUND BALANCE	<u><u>860,439</u></u>	<u><u>-</u></u>	<u><u>1,121,057</u></u>
TOTAL LIABILITIES AND FUND BALANCE	<u><u>\$ 860,439</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 1,121,057</u></u>

470 Annexation and Growth	705 Equipment Replacement Fund	Total
\$ 227,117	\$ 395,949	\$ 912,095
-	-	960,467
-	-	732,000
<u>\$ 227,117</u>	<u>\$ 395,949</u>	<u>\$ 2,604,562</u>
<u>\$ 8,839</u>	<u>\$ -</u>	<u>\$ 8,839</u>
-	-	860,439
-	-	1,121,057
218,278	-	218,278
-	395,949	395,949
<u>218,278</u>	<u>395,949</u>	<u>2,595,723</u>
<u>\$ 227,117</u>	<u>\$ 395,949</u>	<u>\$ 2,604,562</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, 2016

	402 Municipal State Aid Construction	427 Library Remodel Fund	445 Northwest Commercial Development
REVENUES			
Intergovernmental	\$ 898,190	\$ 76,732	\$ -
Interest earnings	12,018	-	1,470
Miscellaneous	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>
TOTAL REVENUES	<u>910,208</u>	<u>76,732</u>	<u>1,470</u>
EXPENDITURES			
Current			
General government	-	-	-
Capital outlay			
General government	-	-	-
Public safety	-	-	-
Streets and highways	-	-	-
Culture and recreation	-	36,843	-
	<u>-</u>	<u>36,843</u>	<u>-</u>
TOTAL EXPENDITURES	<u>-</u>	<u>36,843</u>	<u>-</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>910,208</u>	<u>39,889</u>	<u>1,470</u>
OTHER FINANCING SOURCES (USES)			
Transfers in	-	39,583	-
Transfers out	(764,283)	-	-
	<u>(764,283)</u>	<u>-</u>	<u>-</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>(764,283)</u>	<u>39,583</u>	<u>-</u>
NET CHANGE IN FUND BALANCES	145,925	79,472	1,470
FUND BALANCE, JANUARY 1	<u>714,514</u>	<u>(79,472)</u>	<u>1,119,587</u>
FUND BALANCES, DECEMBER 31	<u>\$ 860,439</u>	<u>\$ -</u>	<u>\$ 1,121,057</u>

470 Annexation and Growth	705 Equipment Replacement Fund	Total
\$ -	\$ -	\$ 974,922
2,210	-	15,698
-	236	236
2,210	236	990,856
28,670	-	28,670
-	30,382	30,382
-	89,396	89,396
-	181,109	181,109
-	44,316	81,159
28,670	345,203	410,716
(26,460)	(344,967)	580,140
-	460,800	500,383
-	-	(764,283)
-	460,800	(263,900)
(26,460)	115,833	316,240
244,738	280,116	2,279,483
<u>\$ 218,278</u>	<u>\$ 395,949</u>	<u>\$ 2,595,723</u>

CITY OF WASECA, MINNESOTA
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
EQUIPMENT REPLACEMENT FUND
FOR THE YEAR ENDED DECEMBER 31, 2016

	Final Budget	Actual Amounts	Variance With Final Budget
REVENUES			
Interest earnings	\$ 200	\$ -	\$ (200)
Miscellaneous	-	236	236
	<u>200</u>	<u>236</u>	<u>36</u>
TOTAL REVENUES	<u>200</u>	<u>236</u>	<u>36</u>
EXPENDITURES			
Capital outlay			
General government	44,950	30,382	14,568
Public safety	106,800	89,396	17,404
Streets and highways	257,050	181,109	75,941
Culture and recreation	52,000	44,316	7,684
	<u>460,800</u>	<u>345,203</u>	<u>115,597</u>
TOTAL EXPENDITURES	<u>460,800</u>	<u>345,203</u>	<u>115,597</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(460,600)	(344,967)	115,633
OTHER FINANCING SOURCES (USES)			
Transfers in	460,600	460,800	200
	<u>460,600</u>	<u>460,800</u>	<u>200</u>
NET CHANGE IN FUND BALANCES	-	115,833	115,833
FUND BALANCE, JANUARY 1	280,116	280,116	-
	<u>280,116</u>	<u>280,116</u>	<u>-</u>
FUND BALANCES, DECEMBER 31	<u>\$ 280,116</u>	<u>\$ 395,949</u>	<u>\$ 115,833</u>

CITY OF WASECA, MINNESOTA
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
CAPITAL IMPROVEMENT FUND
FOR THE YEAR ENDED DECEMBER 31, 2016

	Final Budget	Actual Amounts	Variance With Final Budget
REVENUES			
Intergovernmental	\$ 1,200,000	\$ -	\$ (1,200,000)
Interest earnings	3,000	1,787	(1,213)
	<u>1,203,000</u>	<u>1,787</u>	<u>(1,201,213)</u>
TOTAL REVENUES			
EXPENDITURES			
Current			
Streets and highways	-	399	(399)
Capital outlay			
Streets and highways	3,955,000	1,585,439	2,369,561
Culture and recreation	-	86,970	(86,970)
	<u>3,955,000</u>	<u>1,672,808</u>	<u>2,282,192</u>
TOTAL EXPENDITURES			
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>(2,752,000)</u>	<u>(1,671,021)</u>	<u>1,080,979</u>
OTHER FINANCING SOURCES (USES)			
Transfers in	1,143,468	1,363,465	219,997
Transfers out	-	(38,905)	(38,905)
Debt issued	2,341,000	-	(2,341,000)
	<u>3,484,468</u>	<u>1,324,560</u>	<u>(2,159,908)</u>
TOTAL OTHER FINANCING SOURCES (USES)			
NET CHANGE IN FUND BALANCE	732,468	(346,461)	(1,078,929)
FUND BALANCE, JANUARY 1	<u>501,223</u>	<u>501,223</u>	<u>-</u>
FUND BALANCES, DECEMBER 31	<u>\$ 1,233,691</u>	<u>\$ 154,762</u>	<u>\$ (1,078,929)</u>

CITY OF WASECA, MINNESOTA
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
SPECIAL ASSESSMENT FUND
FOR THE YEAR ENDED DECEMBER 31, 2016

	Final Budget	Actual Amounts	Variance With Final Budget
REVENUES			
Special assessments	\$ 241,207	\$ 207,278	\$ (33,929)
Interest earnings	1,000	8,255	7,255
Miscellaneous	<u>-</u>	<u>27,687</u>	<u>27,687</u>
TOTAL REVENUES	<u>242,207</u>	<u>243,220</u>	<u>1,013</u>
EXPENDITURES			
Capital outlay			
Streets and highways	<u>233,589</u>	<u>735</u>	<u>232,854</u>
NET CHANGE IN FUND BALANCES	8,618	242,485	233,867
FUND BALANCE, JANUARY 1	<u>781,557</u>	<u>781,557</u>	<u>-</u>
FUND BALANCES, DECEMBER 31	<u><u>\$ 790,175</u></u>	<u><u>\$ 1,024,042</u></u>	<u><u>\$ 233,867</u></u>

CITY OF WASECA, MINNESOTA
GENERAL FUND
COMPARATIVE BALANCE SHEETS
DECEMBER 31, 2016
(With Comparative Actual Amounts for December 31, 2015)

	<u>2016</u>	<u>2015</u>
ASSETS		
Cash and investments	\$ 3,674,957	\$ 2,823,442
Receivables		
Taxes	95,284	69,119
Accounts	72,697	70,471
Interest	81,289	69,501
Due from other governments	185,541	162,201
Land held for resale	17,821	-
Due from other funds	42,224	812,440
Prepaid items	<u>4,502</u>	<u>4,271</u>
 TOTAL ASSETS	 <u><u>\$ 4,174,315</u></u>	 <u><u>\$ 4,011,445</u></u>
LIABILITIES		
Accounts payable	\$ 165,900	\$ 104,795
Due to other governments	9,722	61,954
Accrued wages payable	138,465	108,090
Unearned revenue	<u>49,710</u>	<u>31,975</u>
 TOTAL LIABILITIES	 <u><u>363,797</u></u>	 <u><u>306,814</u></u>
DEFERRED INFLOWS OF RESOURCES		
Unavailable revenue - taxes	<u>95,284</u>	<u>69,119</u>
FUND BALANCES		
Nonspendable		
Prepaid items	4,502	4,271
Land held for resale	17,821	-
Restricted for		
Parkland dedication	84,139	88,503
PEG channel	-	38,847
Unassigned	<u>3,608,772</u>	<u>3,503,891</u>
 TOTAL FUND BALANCE	 <u><u>3,715,234</u></u>	 <u><u>3,635,512</u></u>
 TOTAL LIABILITIES, DEFERRED INFLOW OF RESOURCES AND FUND BALANCES	 <u><u>\$ 4,174,315</u></u>	 <u><u>\$ 4,011,445</u></u>

CITY OF WASECA, MINNESOTA
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL
FOR THE YEAR ENDED DECEMBER 31, 2016
(With Comparative Actual Amounts for the Year Ended December 31, 2015)

	2016				2015
	Budgeted Amounts		Actual Amounts	Variance with Final Budget	Actual Amounts
	Original	Final			
REVENUES					
Taxes	\$ 3,912,222	\$ 3,483,920	\$ 3,523,499	\$ 39,579	\$ 3,267,270
Licenses	51,494	51,494	44,582	(6,912)	21,238
Permits and fees	142,200	142,200	102,573	(39,627)	216,416
Intergovernmental	2,952,615	2,952,615	2,930,830	(21,785)	2,944,837
Charges for services	192,200	192,200	176,791	(15,409)	26,425
Fines and forfeitures	25,200	25,200	15,413	(9,787)	23,720
Contributions	10,000	10,000	62,454	52,454	6,865
Interest earnings	30,000	30,000	41,224	11,224	23,559
Miscellaneous	168,155	168,155	114,539	(53,616)	122,964
TOTAL REVENUES	7,484,086	7,055,784	7,011,905	(43,879)	6,653,294
EXPENDITURES					
Current					
General government					
Legislative	152,989	152,989	214,130	(61,141)	159,481
Administration	474,208	474,208	289,604	184,604	436,108
Elections	25,000	25,000	12,447	12,553	-
Finance	336,377	336,377	346,079	(9,702)	315,081
Legal	95,000	95,000	99,516	(4,516)	116,274
Information technology	111,000	111,000	119,482	(8,482)	129,890
Buildings and grounds	146,742	146,742	128,131	18,611	93,787
Community development	295,167	295,167	203,922	91,245	260,966
Total general government	1,636,483	1,636,483	1,413,311	223,172	1,511,587
Public safety					
Police department	1,787,320	1,787,320	1,762,858	24,462	1,578,435
Community services	33,729	33,729	34,914	(1,185)	30,361
Fire department	445,048	445,048	453,458	(8,410)	422,929
Civil defense	3,000	3,000	4,332	(1,332)	2,589
Building inspections	218,037	218,037	236,176	(18,139)	227,036
Total public safety	2,487,134	2,487,134	2,491,738	(4,604)	2,261,350
Streets and highways					
Engineering	365,889	365,889	361,000	4,889	333,484
Street maintenance	681,935	681,935	620,723	61,212	584,180
Snow removal	201,775	201,775	137,286	64,489	165,794
Surface water management	-	-	8	(8)	668
Street lighting	106,680	106,680	99,368	7,312	95,018
Traffic signs	43,515	43,515	36,901	6,614	37,241
Total streets and highways	1,399,794	1,399,794	1,255,286	144,508	1,216,385
Sanitation					
Street cleaning	48,526	48,526	52,080	(3,554)	33,654

CITY OF WASECA, MINNESOTA
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL - CONTINUED
FOR THE YEAR ENDED DECEMBER 31, 2016
(With Comparative Actual Amounts for the Year Ended December 31, 2015)

	2016				2015
	Budgeted Amounts		Actual Amounts	Variance with Final Budget	Actual Amounts
	Original	Final			
Cultural and recreation					
Recreation	\$ 120,400	\$ 120,400	\$ 120,400	\$ -	\$ 120,400
Water park	245,700	245,700	254,219	(8,519)	-
Park maintenance	528,162	528,162	520,221	7,941	491,819
Library	43,386	43,386	31,607	11,779	29,908
Total culture and recreation	937,648	937,648	926,447	11,201	642,127
TOTAL EXPENDITURES	6,509,585	6,509,585	6,138,862	370,723	5,665,103
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	974,501	546,199	873,043	326,844	988,191
OTHER FINANCING SOURCES (USES)					
Transfers in	578,118	578,118	618,702	40,584	578,118
Transfers out	(1,552,619)	(1,124,317)	(1,412,023)	(287,706)	(1,181,191)
TOTAL OTHER FINANCING SOURCES (USES)	(974,501)	(546,199)	(793,321)	(247,122)	(603,073)
NET CHANGE IN FUND BALANCES	-	-	79,722	79,722	385,118
FUND BALANCE, JANUARY 1	3,635,512	3,635,512	3,635,512	-	3,250,394
FUND BALANCE, DECEMBER 31	\$ 3,635,512	\$ 3,635,512	\$ 3,715,234	\$ 79,722	\$ 3,635,512

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Nonmajor Governmental Funds

Debt Service

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

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.

2014A GO Bond Debt Service - Accounts for the debt issued for various construction projects including 7th Ave NW, the Public Safety Center, and NW Park Shelters.

2014B Refunding Bonds - Accounts for refunding debt issued for the Aquatic Park Debt.

CITY OF WASECA, MINNESOTA
GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET - DEBT SERVICE FUNDS
DECEMBER 31, 2016

	305 Aquatic Park Fund	346 2011A Refunding Bonds	360 Municipal State Aid	380 Tax Increment District #23
ASSETS				
Cash and investments	\$ -	\$ 46,145	\$ -	\$ 798
Taxes receivable	-	-	-	-
Due from other governments	-	-	-	-
Due from other funds	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
TOTAL ASSETS	<u><u>\$ -</u></u>	<u><u>\$ 46,145</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 798</u></u>
LIABILITIES				
Accounts payable	\$ -	\$ -	\$ -	\$ 1,500
Due to other funds	-	-	-	74,000
	<u>-</u>	<u>-</u>	<u>-</u>	<u>74,000</u>
TOTAL LIABILITIES	<u>-</u>	<u>-</u>	<u>-</u>	<u>75,500</u>
DEFERRED INFLOWS OF RESOURCES				
Unavailable revenue - taxes	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCES				
Restricted for				
Debt service	-	46,145	-	(74,702)
	<u>-</u>	<u>46,145</u>	<u>-</u>	<u>(74,702)</u>
TOTAL LIABILITIES, DEFERRED INFLOW OF RESOURCES AND FUND BALANCES	<u><u>\$ -</u></u>	<u><u>\$ 46,145</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 798</u></u>

390 2014A GO Bond	395 2014B Refunding Bonds	Total
\$ 160,222	\$ 93,732	\$ 300,897
5,856	4,820	10,676
2,380	1,451	3,831
74,000	-	74,000
<u>\$ 242,458</u>	<u>\$ 100,003</u>	<u>\$ 389,404</u>
\$ -	\$ -	\$ 1,500
-	-	74,000
-	-	75,500
5,856	4,820	10,676
236,602	95,183	303,228
<u>\$ 242,458</u>	<u>\$ 100,003</u>	<u>\$ 389,404</u>

CITY OF WASECA, MINNESOTA
GOVERNMENTAL FUNDS
COMBINING SCHEDULE OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES - DEBT SERVICE FUNDS
FOR THE YEAR ENDED DECEMBER 21, 2016

	305 Aquatic Park Fund	346 2011A Refunding Bonds	360 Municipal State Aid	380 Tax Increment District #23
REVENUES				
Property taxes	\$ 166,318	\$ -	\$ -	\$ -
Interest earnings	1,094	-	-	-
TOTAL REVENUES	167,412	-	-	-
EXPENDITURES				
Debt service				
Bond principal	1,440,000	80,000	-	800,000
Interest and fiscal charges	31,118	785	-	45,985
TOTAL EXPENDITURES	1,471,118	80,785	-	845,985
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>(1,303,706)</u>	<u>(80,785)</u>	<u>-</u>	<u>(845,985)</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	-	88,100	286	720,000
Transfers out	<u>(142,458)</u>	<u>-</u>	<u>-</u>	<u>-</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>(142,458)</u>	<u>88,100</u>	<u>286</u>	<u>720,000</u>
NET CHANGE IN FUND BALANCES	(1,446,164)	7,315	286	(125,985)
FUND BALANCE, JANUARY 1	<u>1,446,164</u>	<u>38,830</u>	<u>(286)</u>	<u>51,283</u>
FUND BALANCES, DECEMBER 31	<u><u>\$ -</u></u>	<u><u>\$ 46,145</u></u>	<u><u>\$ -</u></u>	<u><u>\$ (74,702)</u></u>

390 2014A GO Bond	395 2014B Refunding Bonds	Total
\$ 262,373	\$ -	\$ 428,691
1,187	328	2,609
<u>263,560</u>	<u>328</u>	<u>431,300</u>
165,000	-	2,485,000
<u>124,095</u>	<u>46,807</u>	<u>248,790</u>
<u>289,095</u>	<u>46,807</u>	<u>2,733,790</u>
<u>(25,535)</u>	<u>(46,479)</u>	<u>(2,302,490)</u>
-	142,458	950,844
<u>-</u>	<u>-</u>	<u>(142,458)</u>
<u>-</u>	<u>142,458</u>	<u>808,386</u>
(25,535)	95,979	(1,494,104)
<u>262,137</u>	<u>(796)</u>	<u>1,797,332</u>
<u>\$ 236,602</u>	<u>\$ 95,183</u>	<u>\$ 303,228</u>

CITY OF WASECA, MINNESOTA
INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF NET POSITION
DECEMBER 31, 2016

	701 Central Garage Services	702 Property & Liability Insurance	703 Workers Compensation Insurance	Total
ASSETS				
Cash and investments	\$ 26,119	\$ 61,037	\$ 116,171	\$ 203,327
DEFERRED OUTFLOWS OF RESOURCES				
Deferred pension resources	38,365	-	-	38,365
LIABILITIES				
CURRENT LIABILITIES				
Accounts payable	15,842	16,446	-	32,288
Due to other governments	169	-	-	169
Accrued wages payable	3,476	-	-	3,476
TOTAL CURRENT LIABILITIES	19,487	16,446	-	35,933
NONCURRENT LIABILITIES				
Pension liability	101,203	-	-	101,203
TOTAL LIABILITIES	120,690	16,446	-	137,136
DEFERRED INFLOWS OF RESOURCES				
Deferred pension resources	12,313	-	-	12,313
NET POSITION				
Unrestricted	\$ (68,519)	\$ 44,591	\$ 116,171	\$ 92,243

CITY OF WASECA, MINNESOTA
INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
FOR THE YEAR ENDED DECEMBER 31, 2016

	701 Central Garage Services	702 Property & Liability Insurance	703 Workers Compensation Insurance	Total
OPERATING REVENUES				
Charges to other funds	\$ 274,741	\$ 101,561	\$ 98,199	\$ 474,501
Insurance reimbursement	-	47,229	-	47,229
Miscellaneous	-	-	2,365	2,365
	<u>274,741</u>	<u>148,790</u>	<u>100,564</u>	<u>524,095</u>
TOTAL OPERATING REVENUES				
OPERATING EXPENSES				
Personal services	131,298	-	-	131,298
Supplies	140,361	-	-	140,361
Services and charges	3,082	9,600	-	12,682
Insurance payment	-	14,973	-	14,973
Insurance premiums	-	219,991	121,121	341,112
	<u>274,741</u>	<u>244,564</u>	<u>121,121</u>	<u>640,426</u>
TOTAL OPERATING EXPENSES				
OPERATING INCOME (LOSS)	<u>-</u>	<u>(95,774)</u>	<u>(20,557)</u>	<u>(116,331)</u>
NONOPERATING REVENUES (EXPENSES)				
Investment earnings	<u>-</u>	<u>-</u>	<u>571</u>	<u>571</u>
INCOME (LOSS) BEFORE CONTRIBUTIONS AND TRANSFERS	-	(95,774)	(19,986)	(115,760)
TRANSFERS IN	<u>-</u>	<u>100,000</u>	<u>-</u>	<u>100,000</u>
CHANGE IN NET POSITION	-	4,226	(19,986)	(15,760)
NET POSITION, JANUARY 1	<u>(68,519)</u>	<u>40,365</u>	<u>136,157</u>	<u>108,003</u>
NET POSITION, DECEMBER 31	<u>\$ (68,519)</u>	<u>\$ 44,591</u>	<u>\$ 116,171</u>	<u>\$ 92,243</u>

CITY OF WASECA, MINNESOTA
INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2016

	701 Central Garage Services	702 Property & Liability Insurance	703 Workers Compensation Insurance	Total
CASH FLOWS FROM OPERATING ACTIVITIES				
Cash received from other funds and reimbursements	\$ 274,741	\$ 149,090	\$ 100,564	\$ 524,395
Cash payments to employees for services	(123,052)	-	-	(123,052)
Cash payments for interfund services used	(131,145)	(228,118)	(121,121)	(480,384)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>20,544</u>	<u>(79,028)</u>	<u>(20,557)</u>	<u>(79,041)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Transfers from other funds	-	100,000	-	100,000
CASH FLOWS FROM INVESTING ACTIVITIES				
Interest on investments	-	-	571	571
NET CASH INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	20,544	20,972	(19,986)	21,530
CASH AND CASH EQUIVALENTS, JANUARY 1	<u>5,575</u>	<u>40,065</u>	<u>136,157</u>	<u>181,797</u>
CASH AND CASH EQUIVALENTS, DECEMBER 31	<u><u>\$ 26,119</u></u>	<u><u>\$ 61,037</u></u>	<u><u>\$ 116,171</u></u>	<u><u>\$ 203,327</u></u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES				
Operating income (loss)	\$ -	\$ (95,774)	\$ (20,557)	\$ (116,331)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities				
(Increase) decrease in assets				
Due from other governments	-	300	-	300
(Increase) decrease in deferred outflows of resources				
Deferred pension resources	(31,270)	-	-	(31,270)
Increase (decrease) in liabilities				
Accounts payable	12,129	16,446	-	28,575
Due to other governments	169	-	-	169
Accrued wages	705	-	-	705
Pension liability	40,627	-	-	40,627
Increase (decrease) in deferred inflows of resources				
Deferred pension resources	(1,816)	-	-	(1,816)
Net cash provided (used) by operating activities	<u><u>\$ 20,544</u></u>	<u><u>\$ (79,028)</u></u>	<u><u>\$ (20,557)</u></u>	<u><u>\$ (79,041)</u></u>

Component Units

Economic Development Authority - This component unit was established to account for the financial activities of the EDA.

Housing Redevelopment Authority - This component unit was established to account for the financial activities of the HRA.

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CITY OF WASECA, MINNESOTA
DISCRETELY PRESENTED COMPONENT UNIT - ECONOMIC DEVELOPMENT AUTHORITY
BALANCE SHEET
GENERAL FUND
DECEMBER 31, 2016

ASSETS

Cash and investments	\$ 550,451
Receivables	
Taxes	2,166
Accounts	65
Loans	122,531
Due from other governments	680
Land held for resale	<u>177,267</u>

TOTAL ASSETS	<u><u>\$ 853,160</u></u>
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LIABILITIES

Accounts payable	\$ 475
Accrued wages payable	<u>1,240</u>

TOTAL LIABILITIES	<u>1,715</u>
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DEFERRED INFLOWS OF RESOURCES

Unavailable revenue - taxes	<u>2,166</u>
-----------------------------	--------------

FUND BALANCES

Nonspendable for	
Land held for resale	177,267
Unassigned	<u>672,012</u>

TOTAL FUND BALANCES	<u>849,279</u>
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TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	<u><u>\$ 853,160</u></u>
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Amounts reported for governmental activities in the
statement of net position are different because

Fund balance - governmental fund	\$ 849,279
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Other long-term assets are not available to pay for current-period expenditures and, therefore, are unavailable in the funds.	<u>2,166</u>
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Net position of governmental activities	<u><u>\$ 851,445</u></u>
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CITY OF WASECA, MINNESOTA
DISCRETELY PRESENTED COMPONENT UNIT - ECONOMIC DEVELOPMENT AUTHORITY
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2016

REVENUES	
Taxes	\$ 75,291
Interest earnings	9,719
Miscellaneous	<u>638</u>
 TOTAL REVENUES	 <u>85,648</u>
EXPENDITURES	
Current	
Personal services	42,563
Supplies	77
Services and charges	13,241
Debt service	
Principal	<u>5,600</u>
 TOTAL EXPENDITURES	 <u>61,481</u>
 NET CHANGE IN FUND BALANCE	 24,167
 FUND BALANCE, JANUARY 1	 <u>825,112</u>
 FUND BALANCES, DECEMBER 31	 <u><u>\$ 849,279</u></u>

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

Net change in fund balance - governmental fund	\$ 24,167
--	-----------

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
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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.

532

Changes in net position of governmental activities	<u><u>\$ 30,299</u></u>
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CITY OF WASECA, MINNESOTA
DISCRETELY PRESENTED COMPONENT UNIT - HOUSING REDEVELOPMENT AUTHORITY
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
DECEMBER 31, 2016

ASSETS

CURRENT ASSETS

Cash and investments	\$ 398,922
Cash and investments - restricted	17,608
Accounts receivable	1,313
Prepaid items	<u>16,192</u>

TOTAL CURRENT ASSETS	<u>434,035</u>
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NONCURRENT ASSETS

Capital assets	
Land	61,996
Buildings	2,347,998
Leasehold improvements	122,787
Furniture, equipment & machinery	155,319
Less accumulated depreciation	<u>(2,027,441)</u>

TOTAL NONCURRENT ASSETS	<u>660,659</u>
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TOTAL ASSETS	<u>1,094,694</u>
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LIABILITIES AND NET POSITION

CURRENT LIABILITIES

Accounts payable	1,000
Accrued compensated absences - current portion	4,480
Due to other governments	17,632
Tenant security deposits	17,608
Unearned revenue	43
Accrued liabilities - other	<u>6,935</u>

TOTAL LIABILITIES	<u>47,698</u>
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NET POSITION

Net investment in capital assets	660,659
Unrestricted net position	<u>386,337</u>

TOTAL NET POSITION	<u><u>\$ 1,046,996</u></u>
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CITY OF WASECA, MINNESOTA
DISCRETELY PRESENTED COMPONENT UNIT - HOUSING REDEVELOPMENT AUTHORITY
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN NET POSITION
PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2016

OPERATING REVENUES	
Net tenant rental revenue	\$ 241,404
Tenant revenue - other	15,313
Other revenue	300
HUD PHA operating grants	<u>68,482</u>
 TOTAL OPERATING REVENUES	 <u>325,499</u>
OPERATING EXPENSES	
Administration	92,707
Tenant services	650
Utilities	62,580
Ordinary maintenance and operations	115,992
Insurance premiums	18,291
General expenses	19,583
Depreciation	<u>97,329</u>
 TOTAL OPERATING EXPENSES	 <u>407,132</u>
OPERATING INCOME (LOSS)	(81,633)
NONOPERATING REVENUES (EXPENSES)	
Investment income - unrestricted	<u>562</u>
INCOME (LOSS) BEFORE CONTRIBUTIONS AND TRANSFERS	(81,071)
CAPITAL GRANTS	<u>27,014</u>
CHANGE IN NET POSITION	(54,057)
NET POSITION, JANUARY 1	<u>1,101,053</u>
NET POSITION, DECEMBER 31	<u><u>\$ 1,046,996</u></u>

CITY OF WASECA, MINNESOTA
DISCRETELY PRESENTED COMPONENT UNIT - HOUSING REDEVELOPMENT AUTHORITY
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2016

CASH FLOWS FROM OPERATING ACTIVITIES	
Cash received from tenants	\$ 255,667
Federal funds received	68,482
Cash paid to employees	(100,284)
Cash paid to suppliers	<u>(211,105)</u>
 NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	 <u>12,760</u>
 CASH FLOWS FROM INVESTING ACTIVITIES	
Interest received	<u>372</u>
 CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Federal funds received - capital grants	27,014
Capital expenditures	<u>(29,147)</u>
 NET CASH PROVIDED (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES	 <u>(2,133)</u>
 NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	 10,999
 CASH AND CASH EQUIVALENTS, JANUARY 1	 <u>405,531</u>
 CASH AND CASH EQUIVALENTS, DECEMBER 31	 <u><u>\$ 416,530</u></u>
 CASH AND INVESTMENTS	 \$ 398,922
CASH AND INVESTMENTS - RESTRICTED	<u>17,608</u>
 TOTAL CASH AND CASH EQUIVALENTS	 <u><u>\$ 416,530</u></u>
 RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	
Operating income (loss)	\$ (81,633)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities	
Depreciation	97,329
(Increase) decrease in assets	
Accounts receivable	(996)
Prepaid items	(1,193)
Increase (decrease) in liabilities	
Accounts payable	(2,221)
Accrued compensated absences - current portion	535
Due to other governments	(42)
Tenant security deposits	895
Unearned revenue	(354)
Accrued liabilities - other	<u>440</u>
 NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	 <u><u>\$ 12,760</u></u>

CITY OF WASECA, MINNESOTA
SUMMARY OF FINANCIAL REPORT
REVENUES AND EXPENDITURES FOR GENERAL OPERATIONS -
GOVERNMENTAL FUNDS
FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015

	Total		Percent Increase (Decrease)
	2016	2015	
REVENUES			
Taxes	\$ 4,216,217	\$ 4,036,353	4.46 %
Licenses	44,582	21,238	109.92
Permits and fees	102,573	216,416	(52.60)
Intergovernmental	5,453,442	3,903,768	39.70
Charges for services	176,791	26,425	569.03
Program income	117,942	286,733	(58.87)
Fines and forfeitures	23,863	31,802	(24.96)
Special assessments	207,278	324,738	(36.17)
Contributions	106,104	15,690	576.25
Interest earnings	82,346	84,805	(2.90)
Miscellaneous	158,696	193,531	(18.00)
TOTAL REVENUES	\$ 10,689,834	\$ 9,141,499	16.94 %
Per Capita	\$ 1,143	\$ 976	17.11 %
EXPENDITURES			
Current			
General government	\$ 1,473,754	\$ 1,314,549	12.11 %
Public safety	2,721,098	2,486,324	9.44
Streets and highways	1,255,685	1,216,528	3.22
Sanitation	52,080	33,654	54.75
Cultural and recreation	926,447	850,065	8.99
Economic development	116,953	158,507	(26.22)
Airport	205,104	170,795	20.09
Other services	-	218,782	(100.00)
Capital outlay			
General government	30,939	117,660	(73.70)
Public safety	89,396	128,580	(30.47)
Streets and highways	2,600,162	2,249,974	15.56
Cultural and recreation	168,129	908,325	(81.49)
Airport	7,166	183,349	(96.09)
Debt service			
Bond principal	2,485,000	295,000	742.37
Interest and fiscal charges	248,790	211,970	17.37
TOTAL EXPENDITURES	\$ 12,380,703	\$ 10,544,062	17.42 %
Per Capita	\$ 1,324	\$ 1,126	17.58 %
Total long-term indebtedness	\$ 5,335,000	\$ 7,820,000	(31.78) %
Per Capita	571	835	(31.62)
Governmental fund balance - December 31	\$ 8,583,160	\$ 9,889,256	(13.21) %
Per Capita	918	1,056	(13.07)

The purpose of this report is to provide a summary of financial information concerning the City of Waseca to interested citizens. The complete financial statements may be examined at 508 State Street South. Questions about this report should be directed to the Finance Director at (507)-835-9700.

STATISTICAL SECTION (UNAUDITED)

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 required supplementary information says about the government's overall financial health.

Financial Trends

These schedules contain trend information to help the reader understand how the government's financial performance and well-being have changed over time.

Revenue Capacity

These schedules contain information to help the reader assess the government's most significant local revenue source, the property tax.

Debt Capacity

These schedules present information to help the reader assess the affordability of the government's current levels of outstanding debt and the government's ability to issue additional debt in the future.

Demographic and Economic Information

These schedules offer demographic and economic indicators to help the reader understand the environment within which the government's financial activities take place.

Operating Information

These schedules contain service and infrastructure data to help the reader understand how the information in the government's financial report relates to the services the government provides and the activities it performs.

CITY OF WASECA, MINNESOTA
NET POSITION BY COMPONENT
LAST TEN FISCAL YEARS
(accrual basis of accounting)

	Fiscal Year				
	2016	2015	2014	2013	2012
Governmental activities					
Net investment in capital assets	\$ 27,305,824	\$ 25,785,983	\$ 23,663,579	\$ 28,196,258	\$ 25,413,394
Restricted	1,536,862	3,399,647	3,000,951	1,305,426	2,515,866
Unrestricted	4,469,800	1,844,500	6,084,836	4,655,314	5,927,132
Total governmental activities net position	<u>\$ 33,312,486</u>	<u>\$ 31,030,130</u>	<u>\$ 32,749,366</u>	<u>\$ 34,156,998</u>	<u>\$ 33,856,392</u>
Business-type activities					
Net investment in capital assets	\$ 26,610,969	\$ 26,373,317	\$ 25,591,737	\$ 22,627,509	\$ 22,522,560
Unrestricted	5,869,147	6,644,275	8,105,324	8,567,098	8,869,226
Total business-type activities net position	<u>\$ 32,480,116</u>	<u>\$ 33,017,592</u>	<u>\$ 33,697,061</u>	<u>\$ 31,194,607</u>	<u>\$ 31,391,786</u>
Primary government					
Net investment in capital assets	\$ 53,916,793	\$ 52,159,300	\$ 49,255,316	\$ 50,823,767	\$ 47,935,954
Restricted	1,536,862	3,399,647	3,000,951	1,305,426	2,515,866
Unrestricted	10,338,947	8,488,775	14,190,160	13,222,412	14,796,358
Total primary government net position	<u>\$ 65,792,602</u>	<u>\$ 64,047,722</u>	<u>\$ 66,446,427</u>	<u>\$ 65,351,605</u>	<u>\$ 65,248,178</u>

Schedule 1

Fiscal Year				
2011	2010	2009	2008	2007
\$ 23,902,473	\$ 23,707,790	\$ 22,351,800	\$ 20,272,394	\$ 17,881,298
3,074,107	-	-	-	-
5,086,743	7,668,446	8,502,338	8,834,787	9,524,263
<u>\$ 32,063,323</u>	<u>\$ 31,376,236</u>	<u>\$ 30,854,138</u>	<u>\$ 29,107,181</u>	<u>\$ 27,405,561</u>
\$ 21,725,944	\$ 21,501,762	\$ 21,358,800	\$ 14,779,935	\$ 16,002,097
8,620,898	8,332,100	7,119,219	5,691,494	4,943,963
<u>\$ 30,346,842</u>	<u>\$ 29,833,862</u>	<u>\$ 28,478,019</u>	<u>\$ 20,471,429</u>	<u>\$ 20,946,060</u>
\$ 45,628,417	\$ 45,209,552	\$ 43,710,600	\$ 35,052,329	\$ 33,883,395
3,074,107	-	-	-	-
13,707,641	16,000,546	15,621,557	14,526,281	14,468,226
<u>\$ 62,410,165</u>	<u>\$ 61,210,098</u>	<u>\$ 59,332,157</u>	<u>\$ 49,578,610</u>	<u>\$ 48,351,621</u>

CITY OF WASECA, MINNESOTA
CHANGES IN NET POSITION - CONTINUED ON THE FOLLOWING PAGES
LAST TEN FISCAL YEARS
(accrual basis of accounting)

	Fiscal Year				
	2016	2015	2014	2013	2012
EXPENSES					
Governmental activities					
General government	\$ 1,164,360	\$ 1,477,440	\$ 1,450,120	\$ 1,311,191	\$ 1,453,361
Public safety	3,328,678	2,449,568	2,626,754	2,385,006	2,313,626
Streets and highways	3,131,504	2,323,408	2,348,043	2,657,336	2,266,354
Sanitation	52,080	33,654	43,942	37,434	48,998
Culture and recreation	1,141,929	1,313,046	1,173,439	1,221,298	993,011
Economic development	117,407	155,571	343,547	442,247	313,701
Interest and fees	198,893	260,674	223,502	132,580	154,439
Airport	205,104	262,750	135,732	150,248	-
Other	-	218,782	168,451	127,292	-
Total governmental activities expenses	9,339,955	8,494,893	8,513,530	8,464,632	7,543,490
Business-type activities					
Water	926,845	967,243	1,057,817	968,149	941,724
Sewer	2,310,888	2,166,795	2,550,773	2,432,682	2,083,325
Electric	6,517,894	5,821,031	5,992,829	6,282,197	6,563,897
Surface water	459,274	188,134	223,549	-	-
Airport	-	-	-	-	-
Total business-type activities expenses	10,214,901	9,143,203	9,824,968	9,683,028	9,588,946
Total primary government expenses	<u>\$ 19,554,856</u>	<u>\$ 17,638,096</u>	<u>\$ 18,338,498</u>	<u>\$ 18,147,660</u>	<u>\$ 17,132,436</u>
PROGRAM REVENUES					
Governmental activities					
Charges for services					
General government	\$ 169,599	\$ 119,087	\$ 150,630	\$ 128,304	\$ 115,631
Public safety	135,279	258,968	156,120	157,290	193,285
Streets and highways	-	71	-	-	-
Culture and recreation	152,792	163,593	145,208	150,269	251,638
Economic development	9,400	-	-	-	-
Airport	109,631	109,066	127,100	133,251	-
Operating grants and contributions	1,416,973	817,754	1,372,862	934,697	1,067,147
Capital grants and contributions	1,502,662	477,165	957,390	463,360	1,024,240
Total governmental activities program revenues	3,496,336	1,945,704	2,909,310	1,967,171	2,651,941
Business-type activities					
Charges for services					
Water	1,091,015	1,135,623	1,124,343	1,051,180	1,140,659
Sewer	2,062,084	1,897,349	1,965,329	1,994,116	2,041,173
Electric	7,195,163	6,632,275	6,748,614	6,859,913	7,007,456
Surface water	106,623	106,425	106,104	-	-
Airport	-	-	-	-	-
Operating grants and contributions	264,648	5,170	17,665	-	-
Capital grants and contributions	-	-	26,500	-	244,532
Total business-type activities program revenues	10,719,533	9,776,842	9,988,555	9,905,209	10,433,820
Total primary government program revenues	<u>\$ 14,215,869</u>	<u>\$ 11,722,546</u>	<u>\$ 12,897,865</u>	<u>\$ 11,872,380</u>	<u>\$ 13,085,761</u>
Net (expense) revenue					
Governmental activities	\$ (5,843,619)	\$ (6,549,189)	\$ (5,604,220)	\$ (6,497,461)	\$ (4,891,549)
Business-type activities	504,632	633,639	163,587	222,181	844,874
Total primary government net expense	<u>\$ (5,338,987)</u>	<u>\$ (5,915,550)</u>	<u>\$ (5,440,633)</u>	<u>\$ (6,275,280)</u>	<u>\$ (4,046,675)</u>

Schedule 2

2011	2010	2009	2008	2007
\$ 1,557,455	\$ 1,466,726	\$ 1,296,041	\$ 2,004,479	\$ 2,280,264
2,234,708	2,239,732	2,269,907	2,212,658	2,088,838
2,221,251	2,303,749	2,197,469	2,165,581	2,075,077
51,755	36,085	61,785	49,926	47,005
1,198,836	1,196,169	1,323,007	1,028,410	1,024,144
519,045	160,660	635,338	-	-
198,114	220,444	252,348	287,660	319,465
-	-	-	-	-
-	-	-	-	-
7,981,164	7,623,565	8,035,895	7,748,714	7,834,793
927,153	945,826	913,070	888,636	904,267
1,766,602	1,847,497	1,474,211	1,503,280	1,760,499
6,247,453	6,244,546	5,752,967	5,994,670	6,176,515
-	-	-	-	-
-	-	-	-	122,108
8,941,208	9,037,869	8,140,248	8,386,586	8,963,389
\$ 16,922,372	\$ 16,661,434	\$ 16,176,143	\$ 16,135,300	\$ 16,798,182
\$ 124,632	\$ 382,223	\$ 244,770	\$ 239,736	\$ 135,046
166,587	15,895	116,263	149,800	168,311
-	113,226	47,158	5,665	2,090
249,828	244,657	130,739	186,727	216,861
-	-	-	-	-
-	-	-	-	-
983,062	657,831	657,632	518,481	768,514
589,849	186,410	1,689,262	273,571	187,414
2,113,958	1,600,242	2,885,824	1,373,980	1,478,236
1,077,476	1,123,628	1,171,451	1,158,726	1,248,324
1,979,062	2,092,247	2,375,457	1,658,274	1,708,700
6,703,294	7,179,391	6,682,100	6,812,270	6,876,970
-	-	-	-	-
-	-	-	-	50,772
-	-	-	-	335,933
100,984	333,514	6,070,552	-	81,132
9,860,816	10,728,780	16,299,560	9,629,270	10,301,831
\$ 11,974,774	\$ 12,329,022	\$ 19,185,384	\$ 11,003,250	\$ 11,780,067
\$ (5,867,206)	\$ (6,023,323)	\$ (5,150,071)	\$ (6,374,734)	\$ (6,356,557)
919,608	1,690,911	8,159,312	1,242,684	1,338,442
\$ (4,947,598)	\$ (4,332,412)	\$ 3,009,241	\$ (5,132,050)	\$ (5,018,115)

CITY OF WASECA, MINNESOTA
CHANGES IN NET POSITION - CONTINUED
LAST TEN FISCAL YEARS
(accrual basis of accounting)

	Fiscal Year				
	2016	2015	2014	2013	2012
GENERAL REVENUES AND OTHER					
CHANGES IN NET POSITION					
Governmental activities					
Taxes - general	\$ 3,309,454	\$ 3,022,586	\$ 3,227,394	\$ 3,487,983	\$ 3,496,084
Taxes - debt service	431,771	478,022	208,866	-	-
Tax increment	264,027	294,704	270,383	269,351	249,889
Lodging taxes	23,945	26,392	29,710	20,787	19,561
Franchise taxes	219,436	214,422	211,599	205,519	202,164
Unrestricted grants and contributions	2,689,289	3,054,961	2,631,156	2,273,651	2,273,651
Unrestricted investment earnings	82,683	86,258	44,033	40,550	61,192
Gain on disposal of assets	-	17,216	2,998	8,664	2,910
Contributions of capital assets	-	-	(2,697,428)	-	-
Transfers	1,105,370	481,673	419,528	491,562	455,042
Total governmental activities	8,125,975	7,676,234	4,348,239	6,798,067	6,760,493
Business-type activities					
Unrestricted investment earnings	63,262	76,687	49,512	49,169	41,921
Gain on disposal of assets	-	38,176	11,455	23,033	-
Contributions of capital assets	-	-	2,697,428	-	-
Transfers	(1,105,370)	(481,673)	(419,528)	(491,562)	(455,042)
Total business-type activities	(1,042,108)	(366,810)	2,338,867	(419,360)	(413,121)
Total primary government	\$ 7,083,867	\$ 7,309,424	\$ 6,687,106	\$ 6,378,707	\$ 6,347,372
CHANGES IN NET POSITION					
Governmental activities	\$ 2,282,356	\$ 1,127,045	\$ (1,255,981)	\$ 300,606	\$ 1,868,944
Business-type activities	(537,476)	266,829	2,502,454	(197,179)	431,753
Total primary government	\$ 1,744,880	\$ 1,393,874	\$ 1,246,473	\$ 103,427	\$ 2,300,697

Schedule 2

Fiscal Year				
2011	2010	2009	2008	2007
\$ 3,193,209	\$ 3,226,835	\$ 3,581,471	\$ 3,281,362	\$ 2,894,168
-	-	-	-	-
227,291	237,501	234,786	220,056	230,464
25,973	-	-	-	-
202,024	195,858	194,268	194,268	173,836
2,359,621	2,358,118	2,496,349	2,256,322	2,848,079
72,874	82,376	118,050	231,281	310,848
6,590	-	-	3,855	-
-	-	-	-	-
466,711	444,733	272,104	1,889,210	607,044
6,554,293	6,545,421	6,897,028	8,076,354	7,064,439
56,393	109,665	119,382	168,498	202,739
3,690	-	-	3,397	-
-	-	-	-	-
(466,711)	(444,733)	(272,104)	(1,889,210)	(607,044)
(406,628)	(335,068)	(152,722)	(1,717,315)	(404,305)
\$ 6,147,665	\$ 6,210,353	\$ 6,744,306	\$ 6,359,039	\$ 6,660,134
\$ 687,087	\$ 522,095	\$ 1,746,957	\$ 1,701,620	\$ 707,882
512,980	1,355,843	8,006,590	(474,631)	934,137
\$ 1,200,067	\$ 1,877,938	\$ 9,753,547	\$ 1,226,989	\$ 1,642,019

CITY OF WASECA, MINNESOTA
FUND BALANCES OF GOVERNMENTAL FUNDS
LAST TEN FISCAL YEARS
(modified accrual basis of accounting)

	Fiscal Year				
	2016	2015	2014	2013	2012
General Fund					
Nonspendable	\$ 22,323	\$ 4,271	\$ 80,000	\$ -	\$ -
Reserved	-	-	-	-	-
Restricted for					
Parkland dedication	84,139	88,503	78,403	38,905	-
PEG channel	-	38,847	13,245	-	-
Assigned	-	-	-	-	17,000
Unassigned	3,608,772	3,503,891	3,078,746	3,007,118	3,324,936
Unreserved	-	-	-	-	-
Total General fund	<u>\$ 3,715,234</u>	<u>\$ 3,635,512</u>	<u>\$ 3,250,394</u>	<u>\$ 3,046,023</u>	<u>\$ 3,341,936</u>
All Other Governmental Funds					
Restricted for					
Debt service	\$ 303,228	\$ 1,797,332	\$ 1,576,552	\$ 110,923	\$ 805,876
Clear lake press fund	130,710	130,476	137,656	197,295	179,862
Revolving loan	12,530	54,998	88,922	10,495	26,951
TIF funds	97,403	601,238	500,303	406,374	321,832
Historical preservation	-	18	18	2,687	908
Police safe haven	19,944	14,627	3,546	1,379	-
Police crime victims	-	-	-	19,656	19,921
Police forfeitures	63,972	63,326	56,436	50,974	67,553
Municipal state aid	860,439	714,514	591,382	469,957	878,431
Reserved, reported in					
Special revenue funds	-	-	-	-	-
Capital projects funds	-	-	-	-	-
Debt service funds	-	-	-	-	-
Committed to					
Airport	323,847	275,979	302,284	242,463	190,707
Police reserves	728	728	148	458	955
Police explorers	-	-	-	-	136
Waseca housing fund	89,926	76,276	69,451	97,801	84,151
Assigned to					
Capital projects funds	1,697,105	501,223	2,050,884	994,667	799,981
NW commercial development	1,121,057	1,119,587	1,117,737	1,116,693	1,115,663
Annexation & growth	218,278	244,738	243,221	248,648	249,387
Equipment replacement	395,949	280,116	205,563	194,913	273,175
Future projects	-	-	421,370	243,645	-
Operations	148,637	149,901	143,661	143,859	184,261
Highway 14 reconstruction	-	-	38,514	50,151	-
Library remodel	-	-	8,696	-	-
Unassigned	(18,864)	228,667	(13,808)	(1,595,500)	(69,893)
Unreserved, reported in					
Special revenue funds	-	-	-	-	-
Capital projects funds	-	-	-	-	-
Debt service funds	-	-	-	-	-
Total all other Governmental funds	<u>\$ 5,488,523</u>	<u>\$ 6,253,744</u>	<u>\$ 7,542,536</u>	<u>\$ 3,007,538</u>	<u>\$ 5,129,857</u>
Total all funds	<u>\$ 9,203,757</u>	<u>\$ 9,889,256</u>	<u>\$ 10,792,930</u>	<u>\$ 6,053,561</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.

Schedule 3

Fiscal Year				
2011	2010	2009	2008	2007
\$ 50,000	\$ -	\$ -	\$ -	\$ -
-	120,000	120,000	160,000	180,000
-	-	-	-	-
-	-	-	-	-
17,000	-	-	-	-
2,947,330	-	-	-	-
-	2,505,772	2,577,264	2,321,883	2,548,931
<u>\$ 3,014,330</u>	<u>\$ 2,625,772</u>	<u>\$ 2,697,264</u>	<u>\$ 2,481,883</u>	<u>\$ 2,728,931</u>
\$ 1,351,232	\$ -	\$ -	\$ -	\$ -
165,693	-	-	-	-
24,421	-	-	-	-
228,596	-	-	-	-
1,691	-	-	-	-
-	-	-	-	-
7,307	-	-	-	-
50,929	-	-	-	-
894,284	-	-	-	-
-	3,000	3,000	23,000	32,107
-	960,467	960,467	1,145,882	1,145,882
-	-	-	100,000	150,000
177,226	-	-	-	-
824	-	-	-	-
297	-	-	-	-
123,502	-	-	-	-
523,347	-	-	-	-
1,114,782	-	-	-	-
256,273	-	-	-	-
201,808	-	-	-	-
-	-	-	-	-
178,396	-	-	-	-
-	-	-	-	-
-	-	-	-	-
(44,841)	-	-	-	-
-	820,311	650,562	661,021	569,543
-	2,188,310	1,965,787	1,881,534	2,061,714
-	1,124,998	1,366,852	1,505,681	1,857,287
<u>\$ 5,255,767</u>	<u>\$ 5,097,086</u>	<u>\$ 4,946,668</u>	<u>\$ 5,317,118</u>	<u>\$ 5,816,533</u>
<u>\$ 8,270,097</u>	<u>\$ 7,722,858</u>	<u>\$ 7,643,932</u>	<u>\$ 7,799,001</u>	<u>\$ 8,545,464</u>

CITY OF WASECA, MINNESOTA
CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
LAST TEN FISCAL YEARS
(modified accrual basis of accounting)

	Fiscal Year				
	2016	2015	2014	2013	2012
REVENUES					
Taxes	\$ 4,216,217	\$ 4,036,353	\$ 3,957,954	\$ 4,004,044	\$ 3,974,120
Licenses	44,582	21,238	56,769	52,205	40,999
Permits and fees	102,573	216,416	139,247	114,455	135,744
Intergovernmental	5,453,442	3,903,768	4,469,623	3,288,940	3,728,615
Charges for services	176,791	26,425	23,713	30,287	30,886
Program income	117,942	286,733	269,125	277,916	245,099
Fines	23,863	31,802	26,559	53,351	65,825
Assessments	207,278	324,738	286,732	276,661	339,732
Interest on assessments	-	-	-	-	-
Contributions	106,104	15,690	51,635	25,074	22,239
Interest earnings	82,346	84,805	-	-	-
Miscellaneous	158,696	193,531	257,340	245,403	245,659
TOTAL REVENUES	10,689,834	9,141,499	9,538,697	8,368,336	8,828,918
EXPENDITURES					
Current					
General government	1,473,754	1,314,549	1,324,419	1,202,393	1,150,309
Public safety	2,721,098	2,486,324	2,420,384	2,268,008	2,190,280
Streets and highways	1,255,685	1,216,528	1,696,586	1,636,017	1,662,948
Sanitation	52,080	33,654	43,942	37,434	48,998
Cultural and recreation	926,447	850,065	854,458	966,410	908,187
Personal services	-	-	-	-	-
Materials and supplies	-	-	-	-	-
Separation contribution	-	-	-	-	-
Services and charges	-	-	-	-	-
Economic development	116,953	158,507	337,229	441,927	280,558
Other services	-	218,782	168,451	189,299	161,652
Airport	205,104	170,795	66,034	68,916	61,446
Debt service					
Bond principal	2,485,000	295,000	355,000	840,000	430,000
Interest and fiscal charges	248,790	211,970	112,201	140,220	165,447
Bond issue costs	-	-	118,566	-	-
Capital outlay	2,895,792	3,587,888	3,587,166	3,496,170	1,482,689
TOTAL EXPENDITURES	12,380,703	10,544,062	11,084,436	11,286,794	8,542,514
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(1,690,869)	(1,402,563)	(1,545,739)	(2,918,458)	286,404
OTHER FINANCING SOURCES (USES)					
Transfers in	3,946,200	2,352,700	2,400,381	3,099,822	2,017,180
Proceeds from bond issue	-	-	5,500,000	-	-
Payment of refunding bonds	-	-	-	-	(545,000)
Premium on bonds sold	-	-	242,096	-	-
Sale of capital assets	-	17,216	6,924	8,664	5,250
Bond discount	-	-	-	-	-
Transfers out	(2,940,830)	(1,871,027)	(1,980,853)	(2,608,260)	(1,562,138)
TOTAL OTHER FINANCING SOURCES (USES)	1,005,370	498,889	6,168,548	500,226	(84,708)
NET CHANGE IN FUND BALANCES	\$ (685,499)	\$ (903,674)	\$ 4,622,809	\$ (2,418,232)	\$ 201,696
Debt service as a percentage of noncapital expenditures	28.8%	7.1%	6.5%	12.8%	9.0%

Schedule 4

Fiscal Year				
2011	2010	2009	2008	2007
\$ 3,640,771	\$ 3,663,548	\$ 3,684,322	\$ 3,395,772	\$ 3,258,358
48,744	34,869	34,859	42,007	53,470
121,286	84,736	96,938	102,834	79,324
3,397,557	3,066,632	3,406,843	3,056,868	3,372,522
35,061	28,763	38,809	45,477	62,238
238,008	238,020	201,123	232,231	210,116
57,007	51,476	40,415	48,749	46,019
266,083	228,838	223,682	158,552	235,363
90	35,084	39,864	47,008	58,803
22,940	35,750	37,815	109,688	297,683
-	-	-	-	-
274,700	346,608	254,806	357,647	430,203
8,102,247	7,814,324	8,059,476	7,596,833	8,104,099
1,179,384	1,135,233	1,180,094	1,151,143	1,178,699
2,118,240	2,129,972	2,092,219	1,995,933	2,478,926
1,347,788	1,351,369	1,257,170	1,288,425	1,316,224
51,755	36,085	61,784	49,926	47,005
909,091	899,515	719,001	714,532	690,852
-	-	141,467	129,738	133,806
-	-	50,562	56,632	99,368
-	-	500	2,100	1,000
-	-	420,138	474,809	480,578
518,592	160,391	185,415	-	-
208,087	211,363	199,903	272,582	253,972
60,360	73,084	-	-	-
630,000	660,000	925,000	940,000	820,000
193,956	220,156	250,956	287,660	326,795
-	-	-	-	-
1,416,408	948,399	721,016	1,240,058	1,281,475
8,633,661	7,825,567	8,205,225	8,603,538	9,108,700
(531,414)	(11,243)	(145,749)	(1,006,705)	(1,004,601)
1,876,988	1,410,511	1,442,257	1,656,516	3,618,983
430,000	-	-	-	-
-	-	-	-	-
-	-	-	-	-
6,590	-	4,576	3,855	1,118
(14,763)	-	-	-	-
(1,410,277)	(1,320,342)	(1,456,153)	(1,400,129)	(3,011,939)
888,538	90,169	(9,320)	260,242	608,162
\$ 357,124	\$ 78,926	\$ (155,069)	\$ (746,463)	\$ (396,439)

11.6% 13.1% 16.5% 17.3% 15.5%

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CITY OF WASECA, MINNESOTA
 ASSESSED AND ACTUAL VALUE OF TAXABLE PROPERTY
 LAST TEN FISCAL YEARS

Schedule 5

Fiscal Year	Residential Property	Commercial Property	Industrial Property	Total Assessed Value	Taxable Market Value (1)	Total Direct Tax Rate
2007	\$ 344,962,700	\$ 54,063,300	\$ 21,468,000	\$ 420,494,000	\$ 420,494,000	57.21
2008	357,679,000	54,801,100	22,285,800	434,765,900	434,765,900	63.10
2009	365,866,800	55,418,600	23,113,700	444,399,100	444,399,100	63.58
2010	373,709,300	56,241,100	22,848,800	452,799,200	452,799,200	66.01
2011	373,700,400	56,667,600	23,245,300	453,613,300	453,613,300	64.20
2012	362,252,200	55,681,400	23,245,300	441,178,900	384,528,900	63.70
2013	350,773,365	56,785,900	22,889,300	430,448,565	370,682,100	73.70
2014	352,506,683	56,004,000	20,847,600	429,358,283	374,889,900	75.36
2015	334,591,017	54,962,100	27,118,800	416,671,917	362,260,500	75.55
2016	335,158,430	54,886,100	27,157,000	417,201,530	365,125,300	81.96

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, MINNESOTA
DIRECT AND OVERLAPPING PROPERTY TAX RATES
LAST TEN FISCAL YEARS
(rate per \$1,000 of assessed value)

Fiscal Year	City Direct Rate		
	Operating Rate	Debt Service Rate	Total Direct Rate
2007	56.95 %	6.15 %	63.10 %
2008	57.28	6.31	63.59
2009	57.24	8.77	66.01
2010	60.53	3.68	64.21
2011	60.06	3.64	63.70
2012 (2)	69.59	4.11	73.70
2013	71.06	4.30	75.36
2014	71.35	4.20	75.55
2015	67.58	11.67	79.25
2016	71.55	10.32	81.87

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

Overlapping Rates									
Independent School District #829		Waseca County (1)		Special Districts		HRA (1)		EDA	
								Total Overlapping	Total Direct and Overlapping Tax Rate
22.27	%	52.99	%	0.20	%	0.43	%	0.93	%
24.08		54.30		0.20		0.42		0.90	
23.06		54.15		0.19		0.41		0.89	
19.46		51.55		0.18		-		0.88	
19.15		49.84		0.18		-		1.59	
21.34		54.80		0.20		-		1.81	
20.83		54.62		0.19		-		1.61	
17.96		49.84		1.63		-		1.83	
16.76		50.06		1.73		-		1.85	
30.62		58.77		1.87		-		1.76	
								76.82	139.92
								79.90	143.49
								78.70	144.71
								72.07	136.28
								70.76	134.46
								78.15	151.85
								77.25	152.61
								71.26	146.81
								70.40	149.65
								93.02	174.89

CITY OF WASECA, MINNESOTA
PRINCIPAL PROPERTY TAXPAYERS
CURRENT YEAR AND TEN YEARS AGO

Taxpayer	Type of Property	2016		
		Net Tax Capacity	Rank	Percentage of Total City Taxable Net Tax Capacity
Quad Graphics (formerly Brown Printing Co)	Printing & Publishing	\$ 136,092	1	3.18 %
Northern States Power	Utility	118,264	2	2.76
WalMart	Retail	86,006	3	2.01
Alliance Development Corp	Industrial	62,556	4	1.46
Waseca Properties LLC	Radio Manufacturing	52,117	5	1.22
Woodville Holdings LLC	Manufacturing	49,573	6	1.16
Birds Eye Foods Inc	Vegetable Processing	45,979	7	1.07
Gary & Kathy Worke Family LLC	Residential	39,706	8	0.93
Waseca Leased Housing	Rental Housing	14,732	9	0.34
Premier Waseca LLC	Rental Housing	14,193	10	0.33
MHW Group LLC	Freezer Warehouse	-		-
FHS Waseca/Portage LP-HyVee	Commercial	-		-
FHS Waseca/Portage LP-Old Walmart	Commercial	-		-
Total		<u>\$ 619,218</u>		<u>14.46 %</u>
Total tax capacity				<u>\$ 4,281,921</u>

Schedule 7

2007			Percentage of Total City Taxable Net Tax Capacity	
Net Tax Capacity	Rank			
\$ 161,644	1		3.22	%
46,474	6		0.93	
88,790	2		1.77	
-			-	
49,081	4		0.98	
38,679	7		0.77	
48,333	5		0.96	
36,639	8		0.73	
-			-	
-			-	
64,706	3		1.29	
33,762	9		0.67	
28,802	10		0.57	
<u>\$ 596,910</u>			<u>11.89</u>	<u>%</u>
			<u>\$ 5,019,246</u>	

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

Schedule 8

Fiscal Year Ended December 31,	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	Percentage of Levy
2007	\$ 3,043,204	\$ 2,752,073	\$ 2,697,497	98.0 %	\$ 54,385	\$ 2,751,882	100.0 %
2008	3,182,173	2,899,198	2,840,941	98.0	57,923	2,898,864	100.0
2009	3,490,002	3,201,235	3,132,434	97.9	68,500	3,200,934	100.0
2010	3,449,889	3,141,628	3,087,830	98.3	53,358	3,141,188	100.0
2011	3,436,866	3,140,266	3,076,042	98.0	63,490	3,139,532	100.0
2012	3,436,866	3,436,889	3,384,833	98.5	51,404	3,436,237	100.0
2013	3,419,682	3,419,682	3,377,645	98.8	40,877	3,418,522	100.0
2014	3,507,906	3,507,906	3,470,713	98.9	43,806	3,514,519	100.2
2015	3,673,222	3,673,222	3,548,326	96.6	33,880	3,582,206	97.5
2016	3,975,249	3,975,249	3,907,369	98.3	-	3,907,369	98.3

* 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, MINNESOTA
RATIOS OF OUTSTANDING DEBT BY TYPE
LAST TEN FISCAL YEARS

Fiscal Year	Governmental Activities			
	Special Assessments Bonds	General Obligation Bonds	G.O. Equipment Certificates	Capital Leases
2007	\$ 2,114,756	\$ 4,754,962	\$ 615,080	\$ -
2008	1,755,446	4,521,681	270,272	-
2009	1,401,137	4,223,399	-	-
2010	1,041,828	3,925,117	-	-
2011	727,520	4,039,182	-	-
2012	493,213	3,301,432	-	-
2013	-	2,959,216	-	-
2014	-	8,348,376	-	-
2015	-	8,039,717	-	-
2016	-	5,546,835	-	-

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 14 for personal income and population data.

Schedule 9

Business-Type Activities		Total Outstanding Debt	Percentage of Personal Income	Population	Per Capita
General Obligation Revenue Bonds	General Obligation Revenue Notes				
\$ 4,410,865	\$ -	\$ 11,895,663	2.04 %	9,828	\$ 1,210
3,999,118	-	10,546,517	1.61	9,827	1,073
3,656,544	381,163	9,662,243	1.49	9,789	987
3,303,970	6,704,144	14,975,059	2.20	9,410	1,591
3,478,739	8,060,462	16,305,903	2.22	9,410	1,733
2,581,608	8,204,000	14,580,253	1.84	9,368	1,556
2,183,007	7,815,000	12,957,223	1.73	9,427	1,374
2,661,585	7,416,000	18,425,961	2.48	9,365	1,968
1,329,370	7,006,000	16,375,087	1.84	9,365	1,749
893,629	6,585,000	13,025,464	N/A	9,351	1,393

CITY OF WASECA, MINNESOTA
RATIOS OF GENERAL BONDED DEBT OUTSTANDING
LAST TEN FISCAL YEARS

Fiscal Year	Governmental Activities			Schedule 10	
	General Obligation Bonds (1)	Less: Amounts Available in Debt Service Fund (2)	Net Total	Percentage of Taxable Market Value (3)	Net Total Per Capita (4)
2007	\$ 9,780,907	\$ 150,000	\$ 9,630,907	2.29 %	\$ 980
2008	8,791,071	100,000	8,691,071	2.00	884
2009	8,261,106	1,366,852	6,894,254	1.55	704
2010	13,933,231	1,124,998	12,808,233	2.83	1,361
2011	15,578,383	-	15,578,383	3.43	1,656
2012	14,087,040	-	14,087,040	3.66	1,504
2013	12,957,223	110,923	12,846,300	3.47	1,363
2014	18,425,961	1,576,552	16,849,409	4.49	1,799
2015	16,375,087	1,797,332	14,577,755	4.02	1,557
2016	13,025,464	303,228	12,722,236	3.48	1,361

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

- (1) This is the general bonded debt of both governmental and business-type activities, net of original issuance discounts and premiums.
- (2) This is the amount restricted for debt service principal payments
- (3) See the Schedule of Assessed Value and the Estimated Actual Value of Taxable Property on page 177 for property value data.
- (4) Population data can be found in the Schedule of Demographic and Economic Statistics on page 191.

CITY OF WASECA, MINNESOTA
DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT
AS OF DECEMBER 31, 2015

Schedule 11

	<u>Debt Outstanding</u>	<u>Estimated Percentage Applicable</u>	<u>Estimated Share of Overlapping Debt</u>
Overlapping debt			
Waseca County	\$ 3,300,000	25.30 %	\$ 834,900
Independent School District #829	34,655,000	49.30	<u>17,084,915</u>
Total Overlapping			17,919,815
City of Waseca direct debt	\$ 5,546,835	100.00	<u>5,546,835</u>
Total direct and overlapping debt			<u><u>\$ 23,466,650</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, MINNESOTA
LEGAL DEBT MARGIN INFORMATION
LAST TEN FISCAL YEARS

	2016	2015	2014	2013	2012
Debt limit	\$ 10,953,759	\$ 10,867,815	\$ 11,246,697	\$ 11,120,463	\$ 11,535,867
Total net debt applicable to limit	5,335,000	7,020,000	7,185,000	1,910,000	2,130,000
Legal debt margin	\$ 5,618,759	\$ 3,847,815	\$ 4,061,697	\$ 9,210,463	\$ 9,405,867
Total net debt applicable to the limit as a percentage of debt limit	48.70%	64.59%	63.89%	17.18%	18.46%

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 12

2011	2010	2009	2008	2007
\$ 13,608,399	\$ 13,583,976	\$ 13,331,973	\$ 13,042,977	\$ 8,409,880
2,866,871	3,940,000	4,240,000	4,810,000	5,390,000
<u>\$ 10,741,528</u>	<u>\$ 9,643,976</u>	<u>\$ 9,091,973</u>	<u>\$ 8,232,977</u>	<u>\$ 3,019,880</u>
21.07%	29.00%	31.80%	36.88%	64.09%

Legal Debt Margin Calculation for Fiscal Year 2014

Taxable market value	<u>\$ 365,125,300</u>
Debt limit (3% of taxable market value)	<u>\$ 10,953,759</u>
Debt applicable to limit	
Total bonded debt	12,775,000
Less: revenue bonds	(855,000)
Less: revenue notes	<u>(6,585,000)</u>
Debt applicable to limit	<u>5,335,000</u>
Legal debt margin	<u>\$ 5,618,759</u>

CITY OF WASECA, MINNESOTA
 PLEDGED-REVENUE COVERAGE
 LAST TEN FISCAL YEARS

Schedule 13

Special Assessment Bonds

Fiscal Year	Revenue	Debt Service			Coverage
		Principal	Interest	Total	
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	37,835	272,835	0.52
2012	123,356	235,000	26,763	261,763	0.47
2013	91,249	495,000	17,762	512,762	0.18
2014	-	-	-	-	-
2015	-	-	-	-	-
2016	-	-	-	-	-

Water Fund

Fiscal Year	*Less:		Net	Debt Service			Coverage
	Revenue	Operating	Available	Principal	Interest	Total	
		Expense	Revenue				
2007	\$ 1,236,850	\$ 522,545	\$ 714,305	\$ 145,000	\$ 77,684	\$ 222,684	3.21
2008	1,151,331	525,506	625,825	195,000	66,565	261,565	2.39
2009	1,106,722	562,273	544,449	200,000	58,249	258,249	2.11
2010	1,161,596	597,353	564,243	120,000	49,400	169,400	3.33
2011	1,092,442	570,466	521,976	125,000	44,699	169,699	3.08
2012	1,149,518	596,674	552,844	130,000	39,710	169,710	3.26
2013	1,061,597	609,168	452,429	150,000	10,868	160,868	2.81
2014	1,134,134	686,090	448,044	155,000	8,475	163,475	2.74
2015	1,148,605	604,343	544,262	210,000	5,895	215,895	2.52
2016	1,100,751	554,876	545,875	14,000	3,468	17,468	31.25

Sanitary Sewer Fund

Fiscal Year	Revenue	*Less: Operating Expense	Net Available Revenue	Debt Service			Coverage
		Principal	Interest	Total			
2007	\$ 1,708,700	\$ 1,158,671	\$ 550,029	\$ 1,930,000	\$ 179,220	\$ 2,109,220	0.26
2008	1,653,754	922,574	731,180	215,000	112,726	327,726	2.23
2009	2,374,755	840,840	1,533,915	215,000	107,388	322,388	4.76
2010	2,472,699	1,197,189	1,275,510	225,000	101,380	326,380	3.91
2011	2,002,366	954,971	1,047,395	600,499	135,709	736,208	1.42
2012	2,062,940	967,294	1,095,646	621,000	287,906	908,906	1.21
2013	2,020,695	1,101,463	919,232	644,000	285,400	929,400	0.99
2014	1,991,323	1,168,928	822,395	664,000	265,428	929,428	0.88
2015	1,934,100	947,721	986,379	1,530,000	244,715	1,774,715	0.56
2016	2,088,050	1,070,819	1,017,231	740,134	215,450	955,584	1.06

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

* Less depreciation

CITY OF WASECA, MINNESOTA
DEMOGRAPHIC AND ECONOMIC STATISTICS
LAST YEAR CALENDAR YEARS

Schedule 14

Fiscal Year	Population	(1) Personal Income (Thousands of dollars)	(1) Per Capita Personal Income	(2) School Enrollment	(3) Unemployment Rate
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	9,368	791,551	41,147	2,029	6.4
2013	9,427	746,818	39,105	2,080	4.9
2014	9,365	744,221	37,512	2,025	4.7
2015	9,365	889,582	46,847	2,013	4.5
2016	9,351	Not available	Not available	2,119	5.7

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, MINNESOTA
 PRINCIPAL EMPLOYERS, CURRENT YEAR AND NINE YEARS AGO
 DEMOGRAPHIC AND ECONOMIC STATISTICS

Employer	Product/Service	2016		
		Employees	Rank	Percentage of Total City Employment
Quad Graphics	Commercial Printing/Lithographic	554	1	5.89 %
Waseca Public Schools	Elementary/Secondary Schools	330	2	3.51
Itron Inc.	Instruments to Measure Electricity	290	3	3.08
Federal Correctional Institute	Government-Correction Institution	212	4	2.25
Cinch Connectivity	Electronic Components	205	5	2.18
Birds Eye Foods, Inc.	Frozen Specialties	164	6	1.74
Waseca Medical Center	General Medical/Surgical Hospital	152	7	1.62
County of Waseca	Government Offices	106	8	1.13
ICAN Inc	Residential Care	98	9	1.04
Elm Homes	Residential Care	83	10	0.88
Winegar's		-		-
Mediacom		-		-
Total		2,194		23.32 %

Source: Official Statements used for City Debt Issues

Schedule 15

2007		
Employees	Rank	Percentage of Total City Employment
1,054	1	10.85 %
469	3	4.83
501	2	5.16
220	4	2.27
169	6	1.74
-		-
190	5	1.96
143	8	1.47
-		-
120	9	1.24
105	10	1.08
150	7	1.54
<u>3,121</u>		<u>32.14 %</u>

CITY OF WASECA, MINNESOTA
FULL-TIME-EQUIVALENT CITY OF WASECA EMPLOYEES BY TYPE
LAST TEN FISCAL YEARS

	Full-time Equivalent Employees as of December 31,				
	2016	2015	2014	2013	2012
General government					
Administration	2.0	2.0	2.0	3.0	3.0
Finance	4.0	3.5	3.5	3.5	3.5
Economic development	1.0	1.0	-	-	-
Community development	2.0	4.0	4.0	2.0	2.0
Total general government	9.0	10.5	9.5	8.5	8.5
Public safety					
Police	18.0	18.0	16.0	16.0	16.0
Safe haven	1.0	2.0	1.0	-	-
Building inspection	1.0	-	-	-	-
Fire	3.0	3.0	3.0	3.0	3.0
Total public safety	23.0	23.0	20.0	19.0	19.0
Public Works					
Engineering	5.0	3.0	3.0	3.0	3.0
Streets/shop	10.0	10.0	10.0	10.0	10.0
Total public works	15.0	13.0	13.0	13.0	13.0
Culture and recreation					
Parks	4.0	4.0	4.0	4.0	4.0
Water park	1.0	1.0	1.0	1.0	1.0
Total culture and recreation	5.0	5.0	5.0	5.0	5.0
Enterprise					
Water/WWTP	5.0	5.0	5.0	5.0	4.0
Electric	5.0	4.0	4.0	4.0	4.0
Utility administration	1.0	2.0	2.0	2.0	2.0
Utility billing	3.0	2.5	2.5	2.5	2.5
Total enterprise	14.0	13.5	13.5	13.5	12.5
Total	66.0	65.0	61.0	59.0	58.0

Source: City Finance Department

Schedule 16

Full-time Equivalent Employees as of December 31,				
2011	2010	2009	2008	2007
3.0	3.0	3.0	4.0	4.0
3.5	3.0	4.0	4.0	3.0
-	-	-	-	-
2.0	1.0	2.0	1.0	2.0
8.5	7.0	9.0	9.0	9.0
16.0	16.0	17.0	17.0	16.0
-	-	-	-	-
-	-	2.0	2.0	2.0
3.0	3.0	3.0	3.0	3.0
19.0	19.0	22.0	22.0	21.0
3.0	3.0	3.0	4.0	5.0
10.0	10.0	10.0	11.0	11.0
13.0	13.0	13.0	15.0	16.0
4.0	4.0	4.0	4.0	4.0
1.0	1.0	1.0	1.0	1.0
5.0	5.0	5.0	5.0	4.0
4.0	4.0	5.0	5.0	5.0
4.0	4.0	4.0	6.0	6.0
2.0	2.0	2.0	2.0	2.0
2.5	2.0	2.0	2.0	3.0
12.5	12.0	13.0	15.0	16.0
58.0	56.0	62.0	66.0	66.0

CITY OF WASECA, MINNESOTA
OPERATING INDICATORS BY FUNCTION/PROGRAM
LAST TEN YEARS

Function/Program	2016	2015	2014	2013	2012
General Government					
Elections	1	-	1	-	1
Registered voters	5,129		4,701		5,314
Number of votes cast	4,194		2,808		4,167
Voter participation (registered)	81.8%		59.7%		78.4%
Public Safety					
<i>Police</i>					
Admin Fines	66	279	189	214	198
Arrests	259	280	274	330	392
All citations & warnings	648	908	855	1,024	1,302
Calls for service	10,336	9,622	8,070	7,583	8,274
<i>Fire</i>					
Medical	423	450	452	422	415
Fire	139	131	164	132	148
Other Services	65	56	48	55	103
<i>Inspections</i>					
Building Permits	743	1,436	860	475	561
Value of Building Permits	\$ 8,150,734	\$ 18,461,646	\$ 9,352,477	\$ 10,194,793	\$ 13,837,343
Culture and Recreation					
Parks					
Park Reservations	99	106	107	99	107
Water Park-Attendance	24,954	22,938	20,191	26,637	25,881
Electric					
Outages	29	40	36	35	49

Source: Various City Departments

Schedule 17

2011	2010	2009	2008	2007
-	1	-	1	-
	4,687		5,493	
	3,317		4,301	
	70.8%		78.3%	
-	-	-	-	-
318	326	375	661	755
1,226	1,959	1,826	1,868	2,337
7,369	7,085	7,144	7,110	7,432
406	430	369	414	422
87	89	92	72	73
124	105	101	97	81
558	383	363	405	410
\$ 10,821,320	\$ 8,874,557	\$ 6,327,512	\$ 8,810,988	\$ 5,841,601
102	101	130	103	98
25,383	27,877	19,839	29,892	29,598
41	62	33	67	32

CITY OF WASECA, MINNESOTA
CAPITAL ASSET STATISTICS BY FUNCTION/PROGRAM
LAST TEN YEARS

Function/program	2016	2015	2014	2013	2012
Public safety					
Police					
Stations	1	1	1	1	1
Patrol squads	11	10	9	9	11
Fire					
Stations	1	1	1	1	1
Fire trucks	4	4	4	4	4
Public Works					
Vehicles	14	14	14	14	14
Streets (miles)	50	50	50	48	48
Culture & Recreation					
Library-building	1	1	1	1	1
Water park	1	1	1	1	1
Parks	15	15	15	15	15
Sanitary sewer					
Collection system (miles)	46.0	46.1	46.1	46.1	46.1
Storm Sewer					
Storm sewer (miles)	37	36	36	40	40
Water					
Water main (miles)	56	56	56	56	56
Electric					
Annual consumption (KWH)	62,801,782	64,508,651	62,658,100	64,313,814	65,039,330

Schedule 18

2011	2010	2009	2008	2007
1	1	1	1	1
11	11	11	11	11
1	1	1	1	1
4	5	5	4	4
13	13	13	11	11
48	48	48	48	48
1	1	1	1	1
1	1	1	1	1
15	15	15	15	15
46.1	45.9	44	44	44
40	40	40	40	40
56	56	56	56	56
65,531,859	66,873,180	63,521,180	67,218,160	68,992,100

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OTHER REQUIRED REPORTS

CITY OF WASECA
WASECA, MINNESOTA

FOR THE YEAR ENDED
DECEMBER 31, 2016

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INDEPENDENT AUDITOR'S REPORT ON
MINNESOTA LEGAL COMPLIANCE

Honorable Mayor and City Council
City of Waseca, Minnesota

We have audited, in accordance with auditing standards generally accepted in the United States of America, the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, the 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, 2016, and the related notes to the financial statements, and have issued our report thereon dated June 29, 2017.

The *Minnesota Legal Compliance Audit Guide for Cities*, promulgated by the State Auditor pursuant to Minnesota Statute §6.65, contains seven categories of compliance to be tested: contracting and bidding, deposits and investments, conflicts of interest, public indebtedness, claims and disbursements, miscellaneous provisions, and tax increment financing. Our audit considered all of the listed categories.

In connection with our audit, nothing came to our attention that caused us to believe that the City failed to comply with the provisions of the *Minnesota Legal Compliance Audit Guide for Cities*. However, our audit was not directed primarily toward obtaining knowledge of such noncompliance. Accordingly, had we performed additional procedures, other matters may have come to our attention regarding the City's noncompliance with the above referenced provisions.

The purpose of this report is solely to describe the scope of our testing of compliance and the results of that testing, and not to provide an opinion on compliance. Accordingly, this communication is not suitable for any other purpose.

ABDO, EICK & MEYERS, LLP
Mankato, Minnesota
June 29, 2017

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN
AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE
WITH *GOVERNMENT AUDITING STANDARDS*

Honorable Mayor and City Council
City of Waseca, Minnesota

We have audited, in accordance with the 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, the 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, 2016, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated June 29, 2017.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

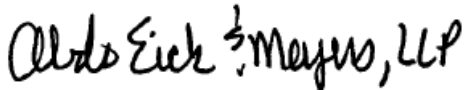
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



ABDO, EICK & MEYERS, LLP
Mankato, Minnesota
June 29, 2017

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CITY OF WASECA, MINNESOTA
SCHEDULE OF FINDINGS, RESPONSES AND QUESTIONED COSTS
FOR THE YEAR ENDED DECEMBER 31, 2016

2016-001 Collateral coverage

Condition: Auditing of legal compliance require a review of the City's deposits and investments. Our study indicated an instance of non-compliance that we believe is required to be remedied.

Criteria: In accordance with Minnesota statute, section 118A.03, the City is required to have pledged collateral equal to 110 percent of the deposit not covered with insurance.

Cause: The City had \$169,408 of deposits uncollateralized on December 31, 2016 due to increased credit card activity.

Effect: The City is not in compliance with this statute.

Recommendation: We recommend that the City reviews collateral coverage each month when completing the bank reconciliation and when planning for cash flow. This will not result in any additional cost and will ensure that the City complies with the applicable statute.

Management response:

The City is aware of the situation and has discussed with the bank to raise the level of collateral.