

CITY OF WASECA  
WASECA, MINNESOTA

COMPREHENSIVE ANNUAL  
FINANCIAL REPORT

FOR THE YEAR ENDED  
DECEMBER 31, 2017

PREPARED BY:

FINANCE DEPARTMENT

Shelly Kolling  
Director of Finance

Member GFOA of U.S. and Canada  
Published June 26, 2018

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INTRODUCTORY SECTION

CITY OF WASECA  
WASECA, MINNESOTA

FOR THE YEAR ENDED  
DECEMBER 31, 2017



**June 26, 2018**

**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, 2017.

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 unmodified opinion that the City of Waseca's financial statements for the fiscal year ended December 31, 2017, 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 29<sup>th</sup>. 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 at the department level.

## **Financial Condition**

The City of Waseca continues to maintain a strong financial position. The City has seen slight increases in Local Government Aid (LGA) distributions since the most recent restructuring of that aid program in 2013.

LGA continues to be used to ensure basic government services are provided to the citizens of Waseca. LGA has not been fully restored to the pre-recession levels, however, the small increases has allowed 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. On August 1, 2017 the minimum wage was increased to \$9.50 per hour. As a future impact the state minimum wage was increased to \$9.65 per hour on January 1, 2018.

Changes in health insurance related policies at the federal and state levels, adjustments within the City's insurance pool, and the health and wellness of City employees continue to require attention to health insurance rates and trends.

## **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.

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. Substantial completion of the project is scheduled for Fall, 2018, and the project will provide substantial improvements to this thoroughfare.

City issued building permits show annual increases beginning in 2014 through 2017, reflecting 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 continues 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.

The Waseca community initiated a visioning process in 2017. Vision 2030 was adopted in 2018 by the City of Waseca, Waseca County, Waseca Public Schools, and other community organizations. The Vision 2030 document sets a vision for the future of the community and action steps to attain the vision. With proper implementation, follow through, and performance Vision 2030 will be a positive force for the future of the community.

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 2017 and 2018 include:

- Old highway 14 (Elm Avenue) turn back project with MnDOT and Waseca County to include City water, sanitary sewer, and storm sewer improvement plans, in addition to Electric Utility improvements.
- Addition of Tink Larson Community Field to replace the historical one after the 2016 fire.
- Addition of an airport Fixed Base Operator hanger and an airport master plan update.
- Vision 2030 implementation.
- Gaiter Lake Land Development.
- Continued sanitary sewer system cleaning, street sweeping and inspections with ongoing I & I improvements.
- Continued development initiative and loan programs.
- Continued revisions of storm water management plan.
- Continued implementation of lift stations SCADA installations and improvements.
- Continued implementation of Surface Water Utility Fund for MS4 permit compliance.
- Multi-year funding goals for infrastructure construction 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, 2016. This is the thirty-third consecutive year that the City has received this prestigious award. In order to be awarded this Certificate of Achievement, the City 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 2017 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 the Finance Department. 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.

Respectfully Submitted,

A handwritten signature in cursive script, appearing to read "Duane Hébert".

Duane Hébert  
Interim City Manager

City of Waseca, Minnesota  
Elected and Appointed Officials  
For the Year Ended December 31, 2017

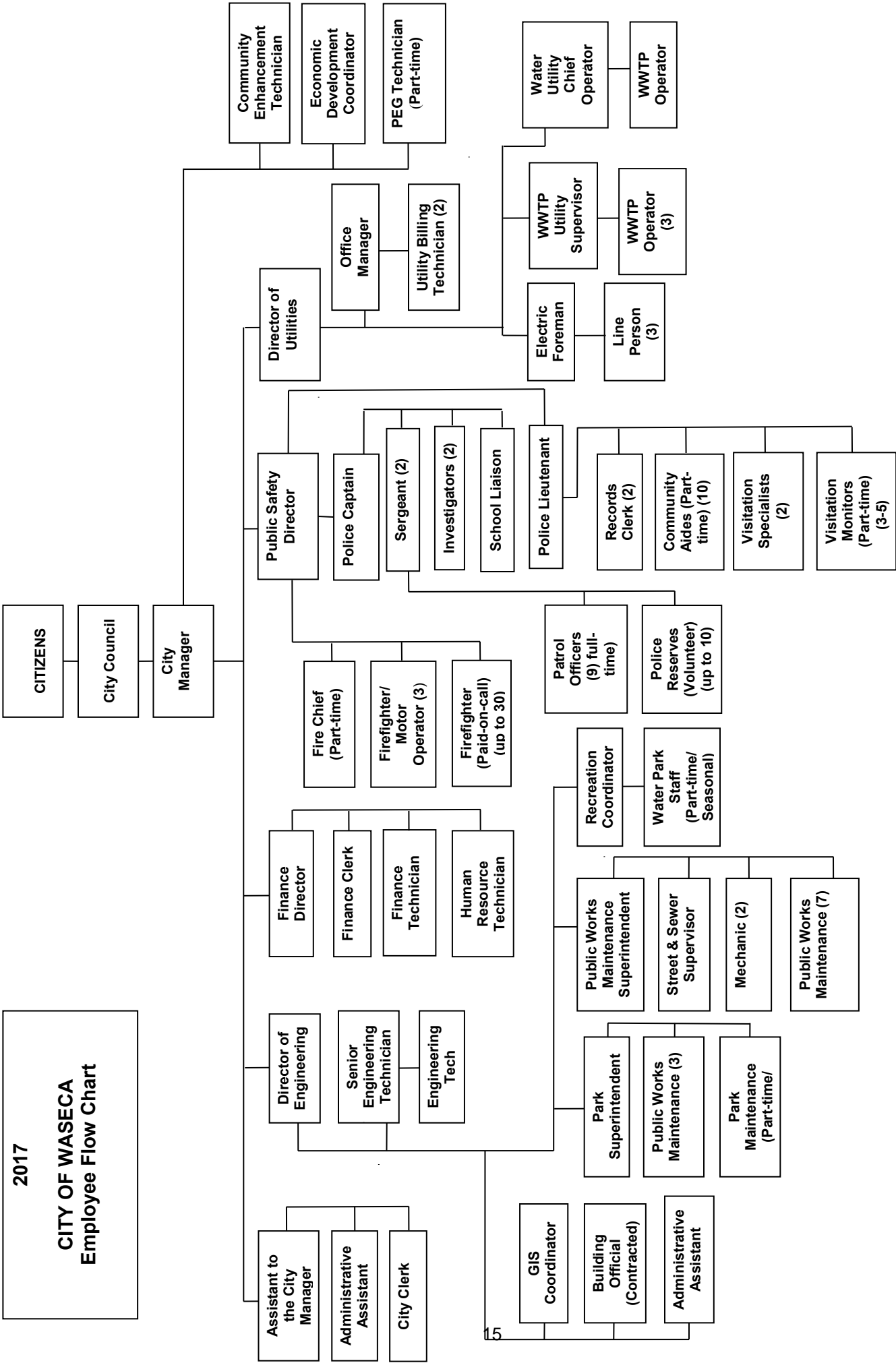
**Elected Officials**

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Roy D. Srp	Mayor	12/31/2018
Jeremy Conrath	Council - First Ward	12/31/2020
Ann Fitch	Council - First Ward	12/31/2018
Les Tlougan	Council - Second Ward	12/31/2020
Allan Rose	Council - Second Ward	12/31/2018
Mark Christiansen	Council - Third Ward	12/31/2020
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

2017  
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, 2016**

*Christopher P. Morrell*

Executive Director/CEO



FINANCIAL SECTION

CITY OF WASECA  
WASECA, MINNESOTA

FOR THE YEAR ENDED  
DECEMBER 31, 2017

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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 units, 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, 2017, 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, 2017, 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 23 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 106 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***

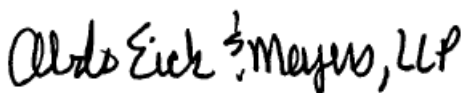
Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The introductory section, combining and individual fund financial statements and schedules, and statistical section, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual fund financial statements, schedules, and statistical section 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 26, 2018, 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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the 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 26, 2018

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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, 2017. 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 \$75,931,343 (net position). Of this amount, \$8,700,009 (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 \$10,138,741 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 \$8,574,136
  - 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 \$3,679,700 or 57.7 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**

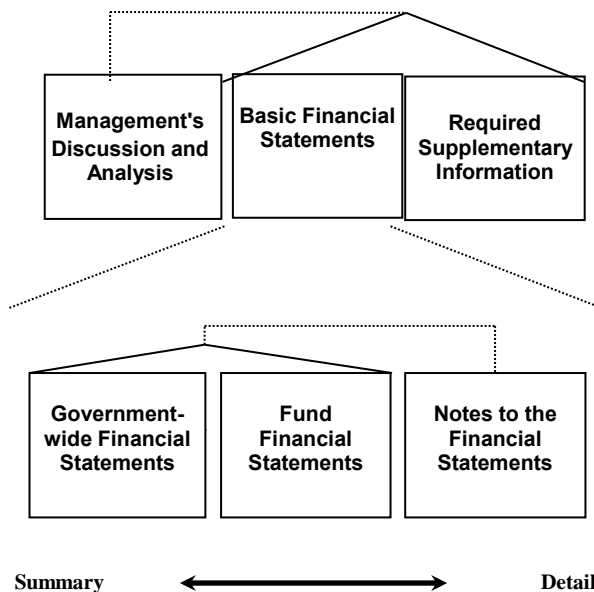




Figure 2 summarizes the major features of the City's financial statements, including the portion of the City government they cover and the types of information they contain. The remainder of this overview section of management's discussion and analysis explains the structure and contents of each of the 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"> <li>• Statement of Net Position</li> <li>• Statement of Activities</li> </ul>	<ul style="list-style-type: none"> <li>• Balance Sheet</li> <li>• Statement of Revenues, Expenditures and Changes in Fund Balances</li> </ul>	<ul style="list-style-type: none"> <li>• Statement of Net Position</li> <li>• Statement of Revenues, Expenses and Changes in Net Position</li> <li>• Statement of Cash Flows</li> </ul>
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 38 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 24 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 16 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 44 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 52 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 63 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 108 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 114 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 2017 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 \$75,931,343 at December 31, 2017. This is an increase of \$10,138,741 from the prior year.

### City of Waseca's Summary of Net Position

	Governmental Activities			Business-Type Activities		
	2017	2016	Increase (Decrease)	2017	2016	Increase (Decrease)
<b>Assets</b>						
Current and other assets	\$ 17,496,382	\$ 11,111,714	\$ 6,384,668	\$ 5,862,763	\$ 7,944,201	\$ (2,081,438)
Capital assets	40,253,302	32,640,824	7,612,478	37,208,825	34,089,598	3,119,227
Total Assets	57,749,684	43,752,538	13,997,146	43,071,588	42,033,799	1,037,789
Deferred outflows of resources	3,078,046	4,168,034	(1,089,988)	329,814	499,102	(169,288)
<b>Liabilities</b>						
Long-term liabilities outstanding	9,259,902	12,949,246	(3,689,344)	8,208,807	8,986,815	(778,008)
Other liabilities	1,220,922	804,649	416,273	1,320,788	905,786	415,002
Total Liabilities	10,480,824	13,753,895	(3,273,071)	9,529,595	9,892,601	(363,006)
Deferred inflows of resources	8,023,500	854,191	7,169,309	263,870	160,184	103,686
<b>Net Position</b>						
Net investment in capital assets	35,238,302	27,305,824	7,932,478	30,335,661	26,610,969	3,724,692
Restricted	1,657,371	1,536,862	120,509	-	-	-
Unrestricted	5,427,733	4,469,800	957,933	3,272,276	5,869,147	(2,596,871)
Total Net Position	\$ 42,323,406	\$ 33,312,486	\$ 9,010,920	\$ 33,607,937	\$ 32,480,116	\$ 1,127,821

By far, the largest portion of the City's net position of \$65,573,963 (approximately 86.3 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 \$1,657,371 (approximately 2.2 percent), represent resources that are subject to external restrictions on how they may be used. The remaining balance of the net position is unrestricted \$8,700,009 (approximately 11.5 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.

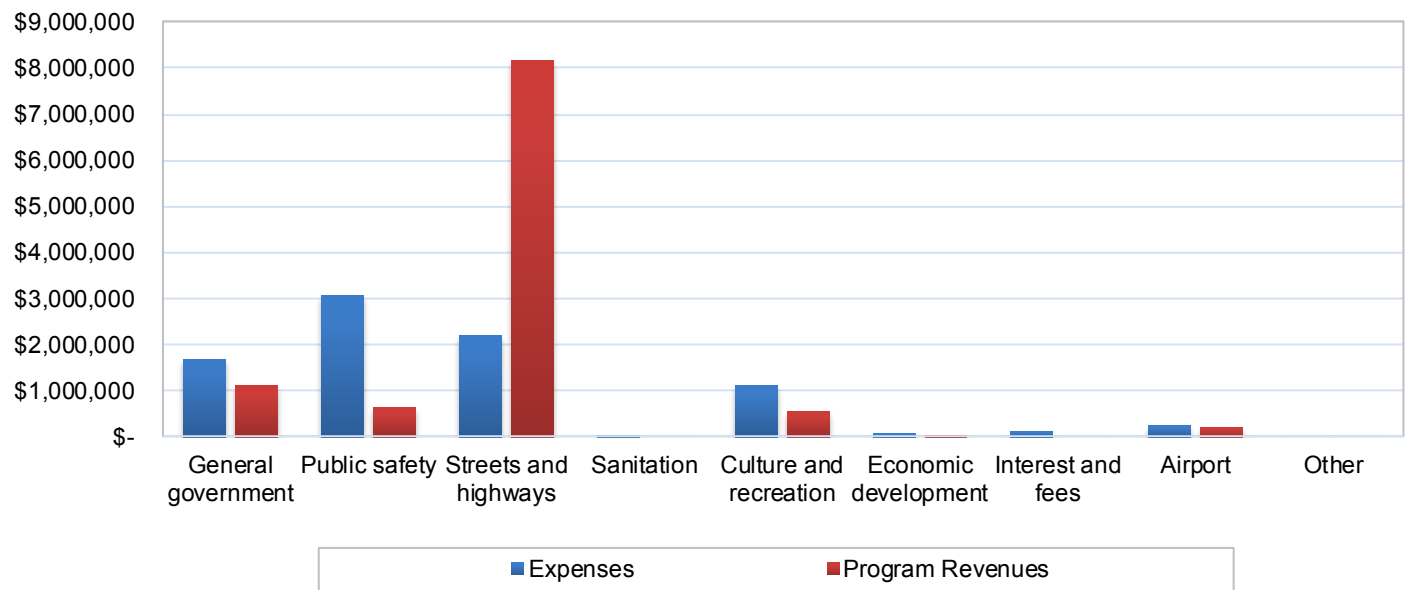
**Governmental activities.** Governmental activities increased the City's net position by \$9,010,920 . This increase was mainly due to funding related to the State Trunk Highway 14 Turnback Project and Municipal State Aid Revenues for street improvements. Key elements of this increase are as follows:

### City of Waseca's Changes in Net Position

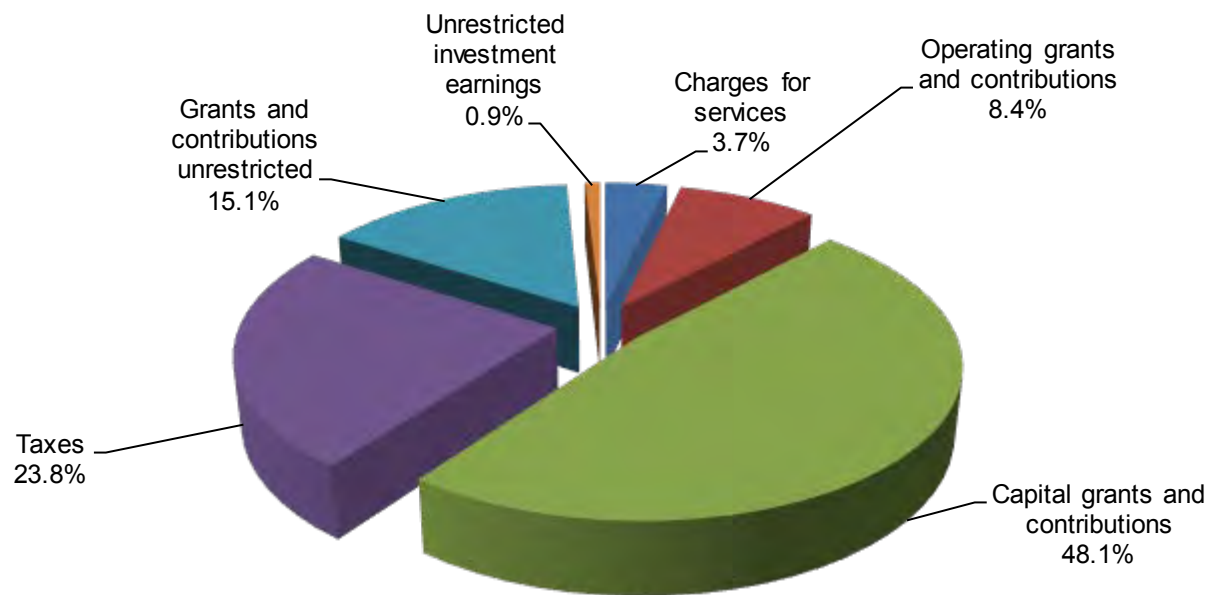
	Governmental Activities			Business-Type Activities		
	2017	2016	Increase (Decrease)	2017	2016	Increase (Decrease)
Revenues						
Program Revenues						
Charges for services	\$ 661,451	\$ 576,701	\$ 84,750	\$ 10,890,933	\$ 10,454,885	\$ 436,048
Operating grants and contributions	1,505,463	1,416,973	88,490	5,663	264,648	(258,985)
Capital grants and contributions	8,574,136	1,502,662	7,071,474	-	-	-
General Revenues						
Taxes	4,224,502	4,248,633	(24,131)	-	-	-
Grants and contributions not restricted to specific programs	2,695,662	2,689,289	6,373	-	-	-
Unrestricted investment earnings	158,354	82,683	75,671	71,629	63,262	8,367
Gain on disposal of assets	827	-	827	-	-	-
Total Revenues	<u>17,820,395</u>	<u>10,516,941</u>	<u>7,303,454</u>	<u>10,968,225</u>	<u>10,782,795</u>	<u>185,430</u>
Expenses						
General government	1,667,203	1,164,360	502,843	-	-	-
Public safety	3,083,121	3,328,678	(245,557)	-	-	-
Streets and highways	2,192,849	3,131,504	(938,655)	-	-	-
Sanitation	53,744	52,080	1,664	-	-	-
Culture and recreation	1,106,935	1,141,929	(34,994)	-	-	-
Economic development	100,151	117,407	(17,256)	-	-	-
Interest and fees	144,411	198,893	(54,482)	-	-	-
Airport	234,621	205,104	29,517	-	-	-
Other	-	-	-	-	-	-
Water	-	-	-	1,012,156	926,845	85,311
Sewer	-	-	-	2,280,532	2,310,888	(30,356)
Electric	-	-	-	6,640,004	6,517,894	122,110
Surface water	-	-	-	178,152	459,274	(281,122)
Total Expenses	<u>8,583,035</u>	<u>9,339,955</u>	<u>(756,920)</u>	<u>10,110,844</u>	<u>10,214,901</u>	<u>(104,057)</u>
Change in Net Position						
Before Transfers	9,237,360	1,176,986	8,060,374	857,381	567,894	289,487
Transfers	<u>(270,440)</u>	<u>1,105,370</u>	<u>(1,375,810)</u>	<u>270,440</u>	<u>(1,105,370)</u>	<u>1,375,810</u>
Change in Net Position	9,010,920	2,282,356	6,728,564	1,127,821	(537,476)	1,665,297
Net Position - January 1	<u>33,312,486</u>	<u>31,030,130</u>	<u>2,282,356</u>	<u>32,480,116</u>	<u>33,017,592</u>	<u>(537,476)</u>
Net Position - December 31	<u>\$ 42,323,406</u>	<u>\$ 33,312,486</u>	<u>\$ 9,010,920</u>	<u>\$ 33,607,937</u>	<u>\$ 32,480,116</u>	<u>\$ 1,127,821</u>

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

**Expenses and Program Revenues - Governmental Activities**

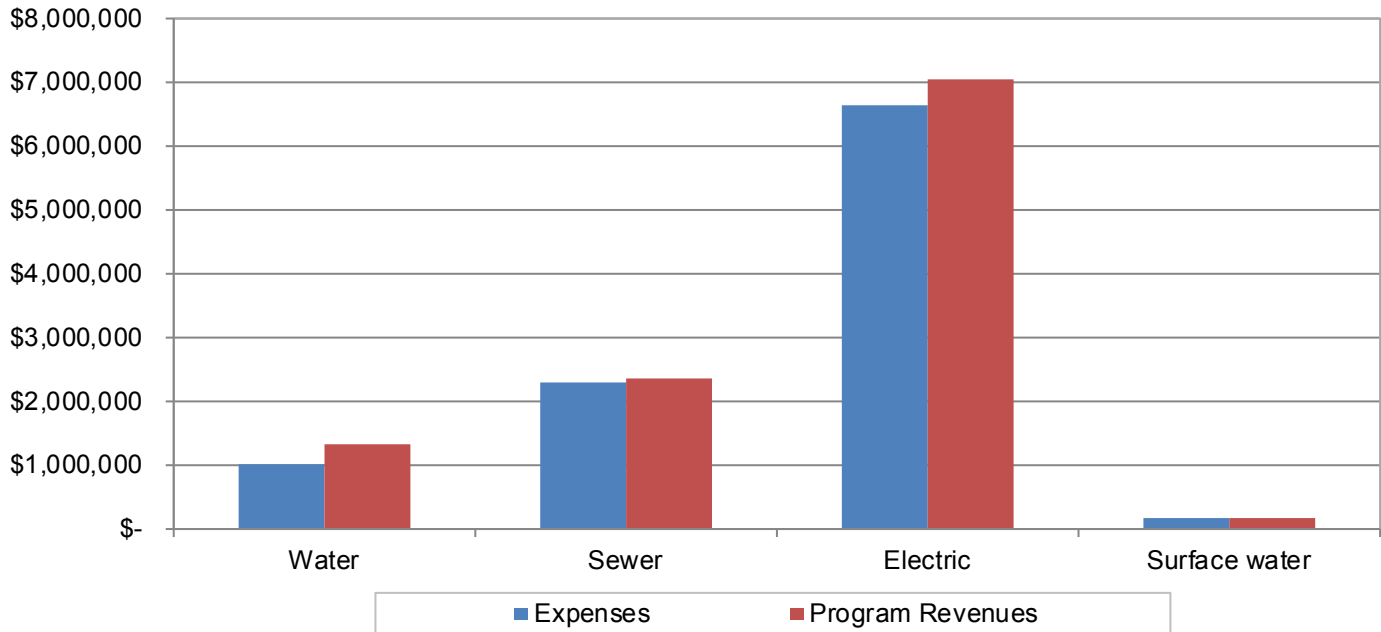


**Revenues by Source - Governmental Activities**

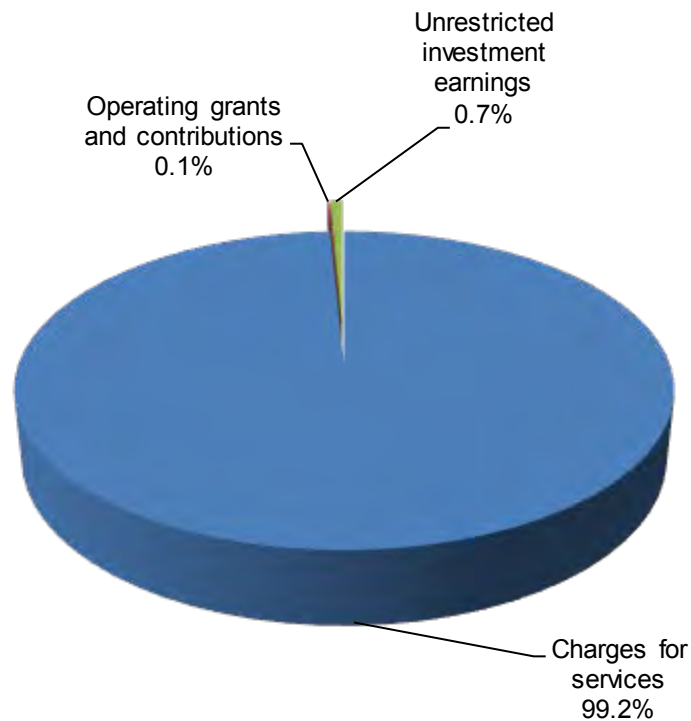


- **Business-type activities.** Business-type activities increased the City's net position by \$1,127,821 .

### 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 \$10,424,312. The unrestricted fund balance (committed, assigned or unassigned) consists of \$8,689,869 of the total combined ending fund balance. The restricted fund balance totals \$1,714,694. The remainder of the fund balance consists of nonspendable fund balances in the amount of \$19,749.

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 \$3,679,700 , with \$49,639 restricted fund balance for Parkland Dedication, and \$19,749 as nonspendable fund balance. Total fund balance was \$3,749,088 . 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 51.8 percent of total budgeted 2018 General fund expenditures of \$7,099,624.

The fund balance of the City's General fund increased by \$33,854 during the current fiscal year. The key factor of this increase can be attributed to increased revenues for building permits and property taxes.

The Debt Service fund has a total fund balance of \$278,315 , all of which is restricted for debt service. The fund decreased \$24,913 which is a result of bond payoff.

The Highway 14 Reconstruction fund has a fund balance of \$242,380 . The fund balance decreased by \$275,921 due to transfer out to the Water and Sewer fund for prior year costs.

The City continued to fund the Capital Improvement fund with a \$1,429,758 fund balance. It increased \$1,274,996 during 2017, mainly due to planned funding relating to projects in 2018. 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 2017 of \$55,163 to a total of \$1,079,205 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	\$ 86,705
Sanitary Sewer Fund	(124,060)
Electric Fund	3,355,789
Surface Water Fund	89,602

The net position of the proprietary funds increased by \$1,127,821 during the current fiscal year. Key factors in this increase include:

The Water fund had an increase in net position of \$607,367 due mainly to extra operating income and net transfers.

The Sanitary Sewer fund had an increase in net position of \$509,494 mainly due to operating income of \$268,934 and net transfers.

The Electric fund had an increase in net position of \$33,623 due mainly to extra operating income of \$418,330.

The Surface Water fund had a decrease in net position of \$25,816, mainly due to depreciation of assets.

The net position of the Internal Service funds increased by \$73,468, due mainly to a decrease in insurance premiums.



## General Fund Budgetary Highlights

The difference between the original budgeted revenues and transfers out and the final amended budgeted revenues and transfers out was a decrease of \$485,739 and \$486,465 during the fiscal year 2017. Significant budget changes during the current fiscal year included the following:

- Decrease in general fund tax revenue and transfers out totaling \$485,739 as these were moved to appropriated debt service funds.

General fund final amended budgeted expenditures exceeded actual expenditures by \$138,939 during fiscal year 2017. The actual revenues exceeded the budgeted revenues by \$49,640. Significant variances during the current fiscal year included the following:

- Permit and fee revenues exceeded the budget by \$33,238.
- Budgeted general government expenditures exceeded actual expenditures by \$200,504 due to building maintenance.
- Budgeted Street maintenance expenditures exceeded actual expenditures by \$115,739 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, 2017, amounts to \$77,462,127 (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 16.1 percent (a 23.3 percent increase for governmental activities and a 9.2 increase for business-type activities).

Additional information on the City's capital assets can be found in Note 3C starting on page 78 of this report.

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

- Street reclamation, improvement and sidewalk projects totaling \$236,052 in 2017.
- Highway 14 Turnback reconstruction project continued with costs in 2017 of \$10,825,926.
- Tink Larson Community Field project continued with costs of \$760,625 in 2017.
- Sanitary Sewer Rehab project totaling \$263,804.

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

	Governmental Activities			Business-type Activities		
	2017	2016	Increase (Decrease)	2017	2016	Increase (Decrease)
Land	\$ 1,755,257	\$ 1,755,257	\$ -	\$ 257,465	\$ 257,465	\$ -
Buildings	4,932,909	5,068,125	(135,216)	12,447,770	12,711,580	(263,810)
Improvements Other than Buildings	6,369,322	5,643,666	725,656	15,416,020	15,739,398	(323,378)
Equipment	2,960,002	2,921,520	38,482	2,313,094	2,449,941	(136,847)
Infrastructure	14,126,414	14,661,904	(535,490)	1,828,784	1,914,707	(85,923)
Construction in Progress	10,109,398	2,590,352	7,519,046	4,945,692	1,016,507	3,929,185
Total	<u>\$ 40,253,302</u>	<u>\$ 32,640,824</u>	<u>\$ 7,612,478</u>	<u>\$ 37,208,825</u>	<u>\$ 34,089,598</u>	<u>\$ 3,119,227</u>

**Long-term debt:** At the end of the fiscal year, the City had total long-term debt of \$11,853,000 . 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 \$922,000 ( 7.2 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		
	2017	2016	Increase (Decrease)	2017	2016	Increase (Decrease)
General Obligation Bonds	\$ 5,015,000	\$ 5,335,000	\$ (320,000)	\$ -	\$ -	\$ -
Revenue Bonds	-	-	-	685,000	855,000	(170,000)
G.O. Revenue Notes	-	-	-	6,153,000	6,585,000	(432,000)
Total	<u>\$ 5,015,000</u>	<u>\$ 5,335,000</u>	<u>\$ (320,000)</u>	<u>\$ 6,838,000</u>	<u>\$ 7,440,000</u>	<u>\$ (602,000)</u>

Changes in long-term debt included reductions of the bond payments required and made in 2017.

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 \$5,015,000 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 84 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 2017, Waseca County's unemployment rate of 4.2 percent compares unfavorably to the state unemployment rate of 3.4 percent, but compares favorably to the national unemployment rate of 4.1 percent. Waseca County's unemployment rate was 4.4 percent in 2016; and 4.5 percent in 2015.

The City of Waseca continues to maintain a strong financial position. The City has seen slight increases in Local Government Aid (LGA) distributions since the most recent restructuring of that aid program in 2013. LGA continues to be used to ensure basic government services are provided to the citizens of Waseca. LGA has not been fully restored to the pre-recession levels, however, the small increases has allowed 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 2018 property tax levy at \$4,345,491 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 through 2016. Permits in 2017 were mainly for commercial 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 is scheduled for completion in the fall of 2018.

### **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.

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GOVERNMENT-WIDE FINANCIAL STATEMENTS

CITY OF WASECA  
WASECA, MINNESOTA

FOR THE YEAR ENDED  
DECEMBER 31, 2017

City of Waseca, Minnesota  
Statement of Net Position  
December 31, 2017

	Primary Government			Component Units	
	Governmental Activities	Business - type Activities	Total	Economic Development Authority	Housing and Redevelopment Authority
<b>Assets</b>					
Cash and investments	\$ 14,706,253	\$ 3,493,215	\$ 18,199,468	\$ 607,402	\$ 352,745
Cash and investments - restricted	-	-	-	-	18,425
Receivables					
Taxes	70,830	-	70,830	1,342	-
Accounts	574,439	1,735,334	2,309,773	-	1,436
Utility	-	25,977	25,977	-	-
Special assessments	448,193	8,982	457,175	-	-
Interest	129,308	-	129,308	-	-
Loans (net of allowance)	5,806	-	5,806	92,352	-
Due from other governments	268,610	7,960	276,570	1,277	-
Internal balances	121,148	(121,148)	-	-	-
Inventories	-	476,085	476,085	-	-
Land held for resale	788,750	-	788,750	177,267	-
Prepaid items	1,900	3,000	4,900	-	15,468
Investment in joint venture	83,372	-	83,372	-	-
Restricted assets					
Customer deposits	-	222,738	222,738	-	-
Pension asset	297,773	-	297,773	-	-
Capital assets					
Land	1,755,257	257,465	2,012,722	-	61,996
Construction in progress	10,109,398	4,945,692	15,055,090	-	-
Infrastructure	29,583,214	4,265,901	33,849,115	-	-
Buildings	6,725,932	16,206,791	22,932,723	-	2,369,436
Improvements other than buildings	9,070,894	34,008,792	43,079,686	-	160,247
Machinery and equipment	6,299,806	7,417,204	13,717,010	-	157,834
Accumulated depreciation	(23,291,199)	(29,893,020)	(53,184,219)	-	(2,116,362)
Service territory (net of amortization)	-	10,620	10,620	-	-
Total Assets	<u>57,749,684</u>	<u>43,071,588</u>	<u>100,821,272</u>	<u>879,640</u>	<u>1,021,225</u>
<b>Deferred Outflows of Resources</b>					
Deferred pension resources	<u>3,078,046</u>	<u>329,814</u>	<u>3,407,860</u>	<u>-</u>	<u>-</u>
<b>Liabilities</b>					
Accounts payable	931,108	894,693	1,825,801	729	8,908
Customer deposits	-	222,741	222,741	-	18,425
Accrued wages payable	158,127	48,830	206,957	1,303	-
Accrued interest payable	65,563	70,656	136,219	-	-
Due to other governments	14,803	57,891	72,694	-	17,571
Unearned revenue	51,321	25,977	77,298	-	14
Noncurrent liabilities					
Due within one year	500,299	570,271	1,070,570	-	4,319
Due in more than one year	8,759,603	7,638,536	16,398,139	-	-
Total Liabilities	<u>10,480,824</u>	<u>9,529,595</u>	<u>20,010,419</u>	<u>2,032</u>	<u>49,237</u>
<b>Deferred Inflows of Resources</b>					
Unavailable revenue - grants	4,637,523	-	4,637,523	-	-
Deferred pension resources	3,385,977	263,870	3,649,847	-	-
Total Deferred Inflow of Resources	<u>8,023,500</u>	<u>263,870</u>	<u>8,287,370</u>	<u>-</u>	<u>-</u>

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

City of Waseca, Minnesota  
Statement of Net Position (Continued)  
December 31, 2017

	Primary Government			Component Units	
	Governmental Activities	Business - type Activities	Total	Economic Development Authority	Housing and Redevelopment Authority
Net Position					
Net investment in capital assets	\$ 35,238,302	\$ 30,335,661	\$ 65,573,963	\$ -	\$ 633,151
Restricted for					
Debt service	220,738	-	220,738	-	-
Revolving loan	12,602	-	12,602	-	-
Capital projects funds	242,380	-	242,380	-	-
Clear Lake Press	87,287	-	87,287	-	-
Tax increment	3,235	-	3,235	-	-
Historical preservation	6,668	-	6,668	-	-
Police forfeitures	56,050	-	56,050	-	-
Municipal state aid	937,801	-	937,801	-	-
Parkland dedication	49,639	-	49,639	-	-
PEG channel	40,971	-	40,971	-	-
Unrestricted	5,427,733	3,272,276	8,700,009	877,608	338,837
Total Net Position	<u>\$ 42,323,406</u>	<u>\$ 33,607,937</u>	<u>\$ 75,931,343</u>	<u>\$ 877,608</u>	<u>\$ 971,988</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, 2017

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
<b>Governmental Activities</b>				
General government	\$ 1,667,203	\$ 191,846	\$ 906,341	\$ -
Public safety	3,083,121	182,468	476,602	-
Streets and highways	2,192,849	-	83,988	8,097,595
Sanitation	53,744	-	-	-
Culture and recreation	1,106,935	154,150	-	396,387
Economic development	100,151	27,100	19,757	-
Interest and fees	144,411	-	-	-
Airport	234,621	105,887	18,775	80,154
Total Governmental Activities	<u>8,583,035</u>	<u>661,451</u>	<u>1,505,463</u>	<u>8,574,136</u>
<b>Business-type Activities</b>				
Water	1,012,156	1,326,102	-	-
Sewer	2,280,532	2,361,043	-	-
Electric	6,640,004	7,051,730	-	-
Surface water utility	178,152	152,058	5,663	-
Total Business-type Activities	<u>10,110,844</u>	<u>10,890,933</u>	<u>5,663</u>	<u>-</u>
Total Primary Government	<u>\$ 18,693,879</u>	<u>\$ 11,552,384</u>	<u>\$ 1,511,126</u>	<u>\$ 8,574,136</u>
<b>Component Units</b>				
Economic Development Authority	\$ 61,906	\$ -	\$ -	\$ -
Housing and Redevelopment Authority	<u>416,480</u>	<u>262,379</u>	<u>36,627</u>	<u>40,730</u>
Total Component Units	<u>\$ 478,386</u>	<u>\$ 262,379</u>	<u>\$ 36,627</u>	<u>\$ 40,730</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  
Gain on disposal of assets  
Contributions of capital assets  
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
\$ (569,016)		\$ (569,016)		
(2,424,051)		(2,424,051)		
5,988,734		5,988,734		
(53,744)		(53,744)		
(556,398)		(556,398)		
(53,294)		(53,294)		
(144,411)		(144,411)		
(29,805)		(29,805)		
<u>2,158,015</u>		<u>2,158,015</u>		
-	\$ 313,946	313,946		
-	80,511	80,511		
-	411,726	411,726		
-	(20,431)	(20,431)		
-	<u>785,752</u>	<u>785,752</u>		
<u>2,158,015</u>	<u>785,752</u>	<u>2,943,767</u>		
			\$ (61,906)	\$ (76,744)
3,414,987	-	3,414,987	74,161	-
483,049	-	483,049	-	-
80,443	-	80,443	-	-
29,820	-	29,820	-	-
216,203	-	216,203	-	-
2,695,662	-	2,695,662	-	-
158,354	71,629	229,983	13,908	1,736
827	-	827	-	-
44,000	-	44,000	-	-
(270,440)	270,440	-	-	-
<u>6,852,905</u>	<u>342,069</u>	<u>7,194,974</u>	<u>88,069</u>	<u>1,736</u>
9,010,920	1,127,821	10,138,741	26,163	(75,008)
<u>33,312,486</u>	<u>32,480,116</u>	<u>65,792,602</u>	<u>851,445</u>	<u>1,046,996</u>
<u>42,323,406</u>	<u>33,607,937</u>	<u>75,931,343</u>	<u>877,608</u>	<u>971,988</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, 2017

City of Waseca, Minnesota

Balance Sheet  
Governmental Funds  
December 31, 2017

	101	300s	436	430
	General	Debt Service	Highway 14 Reconstruction Fund	Capital Improvement Fund
<b>Assets</b>				
Cash and investments	\$ 3,597,740	\$ 271,924	\$ 5,458,378	\$ 1,189,136
Receivables				
Taxes	62,590	7,986	-	-
Accounts	56,057	-	2,654	498,400
Special assessments	-	-	-	-
Interest	114,291	-	15,017	-
Loans (net of allowance)	-	-	-	-
Due from other governments	193,667	6,391	2,546	-
Land held for resale	17,849	-	-	-
Due from other funds	22,529	-	-	-
Prepaid items	1,900	-	-	-
<b>Total Assets</b>	<b>\$ 4,066,623</b>	<b>\$ 286,301</b>	<b>\$ 5,478,595</b>	<b>\$ 1,687,536</b>
<b>Liabilities</b>				
Accounts payable	\$ 45,911	\$ -	\$ 598,692	\$ 256,768
Due to other governments	14,425	-	-	-
Accrued wages payable	145,690	-	-	1,010
Unearned revenue	34,356	-	-	-
Due to other funds	14,563	-	-	-
<b>Total Liabilities</b>	<b>254,945</b>	<b>-</b>	<b>598,692</b>	<b>257,778</b>
<b>Deferred Inflows of Resources</b>				
Unavailable revenue - taxes	62,590	7,986	-	-
Unavailable revenue - grants	-	-	4,637,523	-
Unavailable revenue - assessments	-	-	-	-
<b>Total Deferred Inflows of Resources</b>	<b>62,590</b>	<b>7,986</b>	<b>4,637,523</b>	<b>-</b>
<b>Fund Balances</b>				
Nonspendable				
Prepaid items	1,900	-	-	-
Land held for resale	17,849	-	-	-
Restricted for				
Debt service	-	278,315	-	-
Capital projects funds	-	-	242,380	-
Clear Lake Press	-	-	-	-
Revolving loan	-	-	-	-
Tax increment	-	-	-	-
Police forfeitures	-	-	-	-
PEG Channel	-	-	-	-
Municipal state aid	-	-	-	-
Parkland dedication	49,639	-	-	-
Historical preservation	-	-	-	-
Committed to				
Airport	-	-	-	-
Police reserves	-	-	-	-
Waseca housing fund	-	-	-	-
Assigned to				
Capital projects funds	-	-	-	1,429,758
Northwest commercial development	-	-	-	-
Annexation and growth	-	-	-	-
Equipment replacement	-	-	-	-
Operations	-	-	-	-
Economic development	-	-	-	-
Police safe haven	-	-	-	-
Unassigned	3,679,700	-	-	-
<b>Total Fund Balance</b>	<b>3,749,088</b>	<b>278,315</b>	<b>242,380</b>	<b>1,429,758</b>
<b>Total Liabilities, Deferred Inflow of Resources and Fund Balances</b>	<b>\$ 4,066,623</b>	<b>\$ 286,301</b>	<b>\$ 5,478,595</b>	<b>\$ 1,687,536</b>

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

<b>440</b> Special Assessment Fund	Other Governmental Funds	Total Governmental Funds
\$ 1,077,057	\$ 2,876,672	\$ 14,470,907
-	254	70,830
-	2,595	559,706
448,193	-	448,193
-	-	129,308
-	5,806	5,806
2,148	63,858	268,610
-	770,901	788,750
-	-	22,529
-	-	1,900
<u>\$ 1,527,398</u>	<u>\$ 3,720,086</u>	<u>\$ 16,766,539</u>
\$ -	\$ 27,572	\$ 928,943
-	218	14,643
-	6,933	153,633
-	16,965	51,321
-	22,578	37,141
<u>-</u>	<u>74,266</u>	<u>1,185,681</u>
-	254	70,830
-	-	4,637,523
448,193	-	448,193
<u>448,193</u>	<u>254</u>	<u>5,156,546</u>
-	-	1,900
-	-	17,849
-	-	278,315
-	-	242,380
-	87,287	87,287
-	12,602	12,602
-	2,981	2,981
-	56,050	56,050
-	40,971	40,971
-	937,801	937,801
-	-	49,639
-	6,668	6,668
-	363,532	363,532
-	1,821	1,821
-	103,576	103,576
1,079,205	-	2,508,963
-	1,091,970	1,091,970
-	163,652	163,652
-	547,919	547,919
-	160,863	160,863
-	51,688	51,688
-	16,185	16,185
-	-	3,679,700
<u>1,079,205</u>	<u>3,645,566</u>	<u>10,424,312</u>
<u>\$ 1,527,398</u>	<u>\$ 3,720,086</u>	<u>\$ 16,766,539</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, 2017

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

Total Fund Balances - Governmental Funds	\$ 10,424,312
Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in the funds.	40,253,302
Long-term assets from pensions reported in governmental activities are not financial resources and therefore are not report as assets in the funds.	297,773
Investments in joint ventures are not financial resources and, therefore are not reported in the funds.	83,372
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	(382,089)
Other postemployment benefits obligation	(325,809)
Bonds payable	(5,015,000)
Bond premiums, net of accumulated amortization	(196,704)
Pension liability	(3,257,964)
Long-term assets are not available to pay current-period expenditures and, therefore, are unavailable in the funds.	
Delinquent property taxes receivable	70,830
Special assessments receivable	448,193
Governmental funds do not report long-term amounts related to pensions.	
Deferred outflow of resources - pension resources	3,054,104
Deferred inflow of resources - pension resources	(3,366,822)
Governmental funds do not report a liability for accrued interest until due and payable.	(65,563)
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.	301,471
Total Net Position - Governmental Activities	<u>\$ 42,323,406</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, 2017

	101	300s	436	430
	General	Debt Service	Highway 14 Reconstruction Fund	Capital Improvement Fund
Revenues				
Taxes	\$ 3,696,621	\$ 485,739	\$ -	\$ -
Licenses	71,418	-	-	-
Permits and fees	175,938	-	-	-
Intergovernmental	2,976,212	-	7,773,535	-
Charges for services	169,878	-	-	-
Fines and forfeitures	10,135	-	-	-
Special assessments	-	-	-	-
Contributions	3,043	-	-	396,387
Interest earnings	39,008	7,807	51,799	2,295
Miscellaneous	142,214	-	2,654	831,999
Total Revenues	<u>7,284,467</u>	<u>493,546</u>	<u>7,827,988</u>	<u>1,230,681</u>
Expenditures				
Current				
General government	1,456,235	-	-	-
Public safety	2,614,648	-	-	-
Streets and highways	1,287,700	-	-	20,192
Sanitation	53,744	-	-	-
Culture and recreation	967,728	-	-	-
Economic development	-	-	-	-
Airport	-	-	-	-
Capital outlay				
General government	-	-	-	-
Public safety	-	-	-	-
Streets and highways	-	-	7,483,312	303,587
Culture and recreation	-	-	-	713,128
Airport	-	-	-	-
Debt service				
Bond principal	-	320,000	-	-
Interest and fiscal charges	-	163,792	-	-
Total Expenditures	<u>6,380,055</u>	<u>483,792</u>	<u>7,483,312</u>	<u>1,036,907</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>904,412</u>	<u>9,754</u>	<u>344,676</u>	<u>193,774</u>
Other Financing Sources (Uses)				
Sale of capital assets	-	-	-	-
Transfers in	632,459	11,849	-	1,139,387
Transfers out	(1,503,017)	(46,516)	(620,597)	(58,165)
Total Other Financing Sources (Uses)	<u>(870,558)</u>	<u>(34,667)</u>	<u>(620,597)</u>	<u>1,081,222</u>
Net Change in Fund Balance	33,854	(24,913)	(275,921)	1,274,996
Fund Balance, January 1	<u>3,715,234</u>	<u>303,228</u>	<u>518,301</u>	<u>154,762</u>
Fund Balances, December 31	<u>\$ 3,749,088</u>	<u>\$ 278,315</u>	<u>\$ 242,380</u>	<u>\$ 1,429,758</u>

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



<b>440</b>		
Special	Other	Total
Assessment	Governmental	Governmental
Fund	Funds	Funds
\$ -	\$ 80,443	\$ 4,262,803
-	-	71,418
-	-	175,938
-	469,273	11,219,020
-	105,927	275,805
-	3,905	14,040
224,428	-	224,428
-	45,650	445,080
18,442	37,647	156,998
20,212	34,556	1,031,635
<u>263,082</u>	<u>777,401</u>	<u>17,877,165</u>
-	106,205	1,562,440
-	270,378	2,885,026
-	-	1,307,892
-	-	53,744
-	-	967,728
-	97,380	97,380
-	161,561	161,561
-	7,175	7,175
-	118,924	118,924
-	152,013	7,938,912
-	28,035	741,163
-	3,095	3,095
-	-	320,000
-	-	163,792
<u>-</u>	<u>944,766</u>	<u>16,328,832</u>
<u>263,082</u>	<u>(167,365)</u>	<u>1,548,333</u>
-	827	827
-	579,968	2,363,663
<u>(207,919)</u>	<u>(256,054)</u>	<u>(2,692,268)</u>
<u>(207,919)</u>	<u>324,741</u>	<u>(327,778)</u>
55,163	157,376	1,220,555
<u>1,024,042</u>	<u>3,488,190</u>	<u>9,203,757</u>
<u>\$ 1,079,205</u>	<u>\$ 3,645,566</u>	<u>\$ 10,424,312</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, 2017

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

Net change in fund balances - governmental funds	\$ 1,220,555
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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	8,996,510
Assets contributed from enterprise fund	44,000
Depreciation expense	(1,428,032)

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. (58,362)

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	320,000
Change in accrued interest	4,250
Amortization of bond discount and premium	15,131

Long-term pension activity is not reported in governmental funds.

Pension expense	(112,205)
Direct aid contributions	11,803

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	(16,469)
Compensated absences	(54,166)
Investment in joint venture	(2,410)

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.

70,315

Change in Net Position - Governmental Activities	<u><u>\$ 9,010,920</u></u>
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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, 2017

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
Revenues				
Taxes	\$ 4,221,249	\$ 3,735,510	\$ 3,696,621	\$ (38,889)
Licenses	44,000	44,000	71,418	27,418
Permits and fees	142,700	142,700	175,938	33,238
Intergovernmental	2,949,217	2,949,217	2,976,212	26,995
Charges for services	196,400	196,400	169,878	(26,522)
Fines and forfeitures	22,500	22,500	10,135	(12,365)
Contributions	10,000	10,000	3,043	(6,957)
Interest earnings	20,000	20,000	39,008	19,008
Miscellaneous	114,500	114,500	142,214	27,714
Total Revenues	<u>7,720,566</u>	<u>7,234,827</u>	<u>7,284,467</u>	<u>49,640</u>
Expenditures				
Current				
General government	1,656,739	1,656,739	1,456,235	200,504
Public safety	2,490,300	2,490,300	2,614,648	(124,348)
Streets and highways	1,403,439	1,403,439	1,287,700	115,739
Sanitation	48,013	48,013	53,744	(5,731)
Cultural and recreation	920,503	920,503	967,728	(47,225)
Total Expenditures	<u>6,518,994</u>	<u>6,518,994</u>	<u>6,380,055</u>	<u>138,939</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>1,201,572</u>	<u>715,833</u>	<u>904,412</u>	<u>188,579</u>
Other Financing Sources (Uses)				
Transfers in	578,118	578,118	632,459	54,341
Transfers out	<u>(1,777,469)</u>	<u>(1,291,004)</u>	<u>(1,503,017)</u>	<u>(212,013)</u>
Total Other Financing Sources (Uses)	<u>(1,199,351)</u>	<u>(712,886)</u>	<u>(870,558)</u>	<u>(157,672)</u>
Net Change in Fund Balances	2,221	2,947	33,854	30,907
Fund Balance, January 1	<u>3,715,234</u>	<u>3,715,234</u>	<u>3,715,234</u>	<u>-</u>
Fund Balance, December 31	<u>\$ 3,717,455</u>	<u>\$ 3,718,181</u>	<u>\$ 3,749,088</u>	<u>\$ 30,907</u>

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

City of Waseca, Minnesota  
Proprietary Funds  
Statement of Net Position  
December 31, 2017

	Business-type Activities- Enterprise Funds		
	601 Water	602 Sanitary Sewer	604 Electric
<b>Assets</b>			
<b>Current Assets</b>			
Cash and investments	\$ 161,649	\$ 426,393	\$ 2,775,391
Restricted cash and cash equivalents			
Customer deposits	-	-	222,738
Receivables			
Accounts	205,738	407,779	1,100,375
Utility	8,901	17,076	-
Special assessments	-	8,982	-
Due from other governments	-	-	7,960
Due from other funds	731	-	24,613
Prepaid items	3,000	-	-
Inventories	-	-	476,085
<b>Total Current Assets</b>	<b>380,019</b>	<b>860,230</b>	<b>4,607,162</b>
<b>Noncurrent Assets</b>			
<b>Capital assets</b>			
Land	10,585	28,500	88,130
Construction in progress	1,483,589	3,266,325	195,778
Infrastructure	-	-	-
Buildings	230,026	15,372,663	604,102
Improvements	11,623,503	14,141,305	6,846,300
Machinery and equipment	635,124	5,087,280	1,647,500
Less accumulated depreciation	(7,407,391)	(14,022,957)	(4,905,877)
<b>Total capital assets (net of             accumulated depreciation)</b>	<b>6,575,436</b>	<b>23,873,116</b>	<b>4,475,933</b>
<b>Other assets</b>			
Service territory (net of amortization)	-	-	10,620
<b>Total Noncurrent Assets</b>	<b>6,575,436</b>	<b>23,873,116</b>	<b>4,486,553</b>
<b>Total Assets</b>	<b>6,955,455</b>	<b>24,733,346</b>	<b>9,093,715</b>
<b>Deferred Outflows of Resources</b>			
Deferred pension resources	65,271	114,324	134,324
<b>Liabilities</b>			
<b>Current Liabilities</b>			
Accounts payable	2,088	434,706	454,621
Customer deposits payable	-	-	222,741
Accrued wages payable	10,190	17,630	20,244
Accrued interest payable	561	70,095	-
Due to other governments	8,368	185	49,338
Due to other funds	8,245	1,969	69
Unearned revenue	8,901	17,076	-
Revenue notes payable	-	443,000	-
Revenue bonds payable	3,911	66,089	-
Compensated absences payable	14,469	17,792	23,732
<b>Total Current Liabilities</b>	<b>56,733</b>	<b>1,068,542</b>	<b>770,745</b>

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

Business-type Activities- Enterprise Funds		Governmental Activities- Internal Service Funds
Nonmajor <b>651</b> Surface Water	Total	
\$ 129,782	\$ 3,493,215	\$ 235,346
-	222,738	-
21,442	1,735,334	14,733
-	25,977	-
-	8,982	-
-	7,960	-
-	25,344	-
-	3,000	-
-	476,085	-
<u>151,224</u>	<u>5,998,635</u>	<u>250,079</u>
130,250	257,465	-
-	4,945,692	-
4,265,901	4,265,901	-
-	16,206,791	-
1,397,684	34,008,792	-
47,300	7,417,204	-
(3,556,795)	(29,893,020)	-
<u>2,284,340</u>	<u>37,208,825</u>	<u>-</u>
-	10,620	-
<u>2,284,340</u>	<u>37,219,445</u>	<u>-</u>
<u>2,435,564</u>	<u>43,218,080</u>	<u>250,079</u>
<u>15,895</u>	<u>329,814</u>	<u>23,942</u>
3,278	894,693	2,165
-	222,741	-
766	48,830	4,494
-	70,656	-
-	57,891	160
449	10,732	-
-	25,977	-
-	443,000	-
-	70,000	-
1,278	57,271	-
<u>5,771</u>	<u>1,901,791</u>	<u>6,819</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, 2017

	Business-type Activities- Enterprise Funds		
	601 Water	602 Sanitary Sewer	604 Electric
Noncurrent Liabilities			
Revenue notes payable	\$ -	\$ 5,710,000	\$ -
Revenue bonds payable	36,321	613,843	-
Compensated absences payable	12,992	7,660	10,015
Pension liability	224,456	393,150	461,927
Other post-employment benefits payable	16,095	46,885	46,163
Total Noncurrent Liabilities	<u>289,864</u>	<u>6,771,538</u>	<u>518,105</u>
Total Liabilities	<u>346,597</u>	<u>7,840,080</u>	<u>1,288,850</u>
Deferred Inflows of Resources			
Deferred pension resources	<u>52,220</u>	<u>91,466</u>	<u>107,467</u>
Net Position			
Net investment in capital assets	6,535,204	17,040,184	4,475,933
Unrestricted	<u>86,705</u>	<u>(124,060)</u>	<u>3,355,789</u>
Total Net Position	<u>\$ 6,621,909</u>	<u>\$ 16,916,124</u>	<u>\$ 7,831,722</u>

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 <b>651</b> Surface Water	Total	
\$ -	\$ 5,710,000	\$ -
-	650,164	-
2,894	33,561	-
54,662	1,134,195	82,336
1,473	110,616	-
<u>59,029</u>	<u>7,638,536</u>	<u>82,336</u>
64,800	9,540,327	89,155
<u>12,717</u>	<u>263,870</u>	<u>19,155</u>
2,284,340	30,335,661	-
<u>89,602</u>	<u>3,408,036</u>	<u>165,711</u>
<u>\$ 2,373,942</u>	<u>33,743,697</u>	<u>\$ 165,711</u>
	<u>(135,760)</u>	
	<u>\$ 33,607,937</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, 2017

	Business-type Activities- Enterprise Funds		
	<b>601</b>	<b>602</b>	<b>604</b>
	Water	Sanitary Sewer	Electric
Operating Revenues			
Charges for services	\$ 1,325,414	\$ 2,360,295	\$ 7,011,384
Insurance reimbursement	-	-	-
Miscellaneous	688	748	40,346
Total Operating Revenues	<u>1,326,102</u>	<u>2,361,043</u>	<u>7,051,730</u>
Operating Expenses			
Power purchased	107,056	-	5,120,825
Personal services	363,195	664,274	727,342
Supplies	110,506	288,391	315,262
Services and charges	117,131	433,665	195,192
Depreciation	312,969	705,779	274,779
Insurance payment	-	-	-
Insurance premium	-	-	-
Total Operating Expenses	<u>1,010,857</u>	<u>2,092,109</u>	<u>6,633,400</u>
Operating Income (Loss)	<u>315,245</u>	<u>268,934</u>	<u>418,330</u>
Nonoperating Revenues (Expenses)			
State grant	-	-	-
Loss on disposal of capital assets	-	-	(20)
Interest income	3,717	15,618	51,279
Interest expense	(1,468)	(191,675)	(1,797)
Fiscal agent fees	(617)	(1,198)	-
Amortization expense	(224)	3,689	(6,169)
Total Nonoperating Revenues (Expenses)	<u>1,408</u>	<u>(173,566)</u>	<u>43,293</u>
Income (Loss) Before Contributions and Transfers	316,653	95,368	461,623
Transfers In	317,964	530,594	-
Transfers Out	<u>(27,250)</u>	<u>(116,468)</u>	<u>(428,000)</u>
Change in Net Position	607,367	509,494	33,623
Net Position, January 1	<u>6,014,542</u>	<u>16,406,630</u>	<u>7,798,099</u>
Net Position, December 31	<u>\$ 6,621,909</u>	<u>\$ 16,916,124</u>	<u>\$ 7,831,722</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 <b>651</b> Surface Water	Total	
\$ 152,039	\$ 10,849,132	\$ 544,781
-	-	48,820
19	41,801	9,261
<u>152,058</u>	<u>10,890,933</u>	<u>602,862</u>
-	5,227,881	-
19,446	1,774,257	127,768
8,057	722,216	123,959
49,460	795,448	42,717
101,189	1,394,716	-
-	-	11,818
-	-	282,792
<u>178,152</u>	<u>9,914,518</u>	<u>589,054</u>
<u>(26,094)</u>	<u>976,415</u>	<u>13,808</u>
5,663	5,663	-
-	(20)	-
1,015	71,629	1,495
-	(194,940)	-
-	(1,815)	-
-	(2,704)	-
<u>6,678</u>	<u>(122,187)</u>	<u>1,495</u>
(19,416)	854,228	15,303
-	848,558	58,165
<u>(6,400)</u>	<u>(578,118)</u>	<u>-</u>
(25,816)	1,124,668	73,468
<u>2,399,758</u>	<u>32,619,029</u>	<u>92,243</u>
<u>\$ 2,373,942</u>	<u>\$ 33,743,697</u>	<u>\$ 165,711</u>
	\$ 1,124,668	
	<u>3,153</u>	
	<u>\$ 1,127,821</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, 2017

	Business-type Activities- Enterprise Funds		
	<b>601</b>	<b>602</b>	<b>604</b>
	Water	Sanitary Sewer	Electric
Cash Flows from Operating Activities			
Cash received from customers	\$ 1,296,232	\$ 2,321,296	\$ 7,099,138
Cash received from other funds and reimbursements	-	-	-
Cash payments to suppliers	(355,745)	(673,339)	(5,565,841)
Cash payments to employees	(335,749)	(579,687)	(680,111)
Cash payments for interfund services used	-	-	-
Net Cash Provided (Used) by Operating Activities	<u>604,738</u>	<u>1,068,270</u>	<u>853,186</u>
Cash Flows from Noncapital Financing Activities			
Due from other funds	(731)	-	125,387
Due to other funds	8,245	1,969	69
Federal grant	-	-	(7,960)
Transfers from other funds	317,964	530,594	-
Transfers to other funds	(27,250)	(116,468)	(428,000)
Net Cash Provided (Used) by Noncapital Financing Activities	<u>298,228</u>	<u>416,095</u>	<u>(310,504)</u>
Cash Flows from Capital And Related Financing Activities			
Principal paid on bonds	(113,352)	(56,648)	-
Principal paid on notes	-	(432,000)	-
Acquisition of capital assets	(1,280,706)	(2,604,237)	(268,771)
Fiscal agent fee	(617)	(1,198)	-
Interest paid	(2,074)	(196,875)	(1,797)
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>(1,396,749)</u>	<u>(3,290,958)</u>	<u>(270,568)</u>
Cash Flows from Investing Activities			
Interest on investments	<u>3,717</u>	<u>15,618</u>	<u>51,279</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(490,066)	(1,790,975)	323,393
Cash and Cash Equivalents, January 1	<u>651,715</u>	<u>2,217,368</u>	<u>2,451,998</u>
Cash and Cash Equivalents, December 31	<u>\$ 161,649</u>	<u>\$ 426,393</u>	<u>\$ 2,775,391</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 <b>651</b> Surface Water	Total	
\$ 144,836	\$ 10,861,502	\$ -
-	-	588,129
(57,978)	(6,652,903)	-
(74,301)	(1,669,848)	(124,352)
-	-	(491,418)
<u>12,557</u>	<u>2,538,751</u>	<u>(27,641)</u>
-	124,656	-
(149,551)	(139,268)	-
270,311	262,351	-
-	848,558	58,165
(6,400)	(578,118)	-
<u>114,360</u>	<u>518,179</u>	<u>58,165</u>
-	(170,000)	-
-	(432,000)	-
-	(4,153,714)	-
-	(1,815)	-
-	(200,746)	-
<u>-</u>	<u>(4,958,275)</u>	<u>-</u>
<u>1,015</u>	<u>71,629</u>	<u>1,495</u>
127,932	(1,829,716)	32,019
<u>1,850</u>	<u>5,322,931</u>	<u>203,327</u>
<u>\$ 129,782</u>	<u>\$ 3,493,215</u>	<u>\$ 235,346</u>

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, 2017

	Business-type Activities- Enterprise Funds		
	<b>601</b>	<b>602</b>	<b>604</b>
	Water	Sanitary Sewer	Electric
Reconciliation of Operating Income (Loss) to Net Cash			
Provided (Used) by Operating Activities			
Operating income (loss)	\$ 315,245	\$ 268,934	\$ 418,330
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities			
Depreciation	312,969	705,779	274,779
(Increase) decrease in assets			
Accounts receivable	(29,870)	(40,935)	47,409
Utility receivable	(763)	(11,650)	-
Special assessment receivable	-	1,188	-
Inventories	-	-	50,571
(Increase) decrease in deferred outflows of resources			
Deferred pension resources	34,230	37,477	59,108
Increase (decrease) in liabilities			
Accounts payable	(28,637)	48,661	(13,313)
Due to other governments	7,585	56	28,179
Wages payable	1,363	2,207	485
Compensated absences payable	8,480	6,695	(11,937)
Other postemployment benefit obligation	1,100	2,742	2,511
Pension liability	(38,013)	(7,280)	(48,322)
Unearned revenue	763	11,650	-
Increase (decrease) in deferred inflows of resources			
Deferred pension resources	20,286	42,746	45,386
Net Cash Provided (Used) by Operating Activities	<u>\$ 604,738</u>	<u>\$ 1,068,270</u>	<u>\$ 853,186</u>
Schedule of Noncash Investing, Capital and Financing Activities			
Amortization of bond discount (premium)	\$ 224	\$ (3,689)	\$ -
Amortization of service territory	-	-	6,169
Change in capital items acquired on account	-	360,249	-
Book value of assets sold or deleted	-	-	20

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

Business-type Activities- Enterprise Funds		Governmental Activities- Internal Service Funds
Nonmajor <b>651</b> Surface Water	Total	
\$ (26,094)	\$ 976,415	\$ 13,808
101,189	1,394,716	-
(7,222)	(30,618)	(14,733)
-	(12,413)	-
-	1,188	-
-	50,571	-
38,473	169,288	14,423
198	6,909	(30,123)
(659)	35,161	(9)
(77)	3,978	1,018
38	3,276	-
198	6,551	-
(88,755)	(182,370)	(18,867)
-	12,413	-
(4,732)	103,686	6,842
<u>\$ 12,557</u>	<u>\$ 2,538,751</u>	<u>\$ (27,641)</u>
\$ -	\$ (3,465)	\$ -
-	6,169	-
-	360,249	-
-	20	-

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, 2017

## **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.

## **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, 2017

**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 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, 2017

**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.

## **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, 2017

**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, 2017:

- US government and agency securities of \$3,870,018 are valued using quoted market prices (Level 1 inputs)
- Municipal bonds of \$6,663,412 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.

***Restricted Cash***

The HRA has restricted cash and investments for tenant security deposits of \$18,425 as of December 31, 2017.

***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, 2017

**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 2017. 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, 2017

**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 acquisition 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.

## **Note 1: Summary of Significant Accounting Policies (Continued)**

### ***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.

### ***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, 2017. 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. The General fund is typically used to liquidate the governmental net pension liability.

### ***Deferred Inflows of Resources***

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The government has only one type of item, which arises only under a modified accrual basis of accounting that qualifies for reporting in this category. Accordingly, the item, unavailable revenue, is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from three sources: property taxes, grants 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, 2017

**Note 1: Summary of Significant Accounting Policies (Continued)**

The City has resources that have been received as of year-end, but not yet earned. A large portion of this relates to the Highway 14 Reconstruction project, the City received all the money up front for the State's portion of the project. The balances as of December 31, 2017 is \$4,637,523.

***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.

The City has formally adopted a fund balance policy for the General fund. The City's policy is to maintain a minimum unrestricted fund balance of 35-50 percent of the next year's budgeted operating expenditures for cash-flow timing needs. For 2017, 50 percent of the next year's budgeted operating expenditures is \$3,549,812.

***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".

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



City of Waseca, Minnesota  
Notes to the Financial Statements  
December 31, 2017

## 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 2017 General fund budget included the reduction of property taxes of \$485,739 along with a reduction in the budgeted transfer of \$486,465.

### 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			
TIF Funds	\$ 55,947	\$ 96,707	\$ 40,760
Safe Haven Grant Fund	141,466	175,449	33,983
Police Forfeiture Fund	10,000	12,941	2,941
PEG Channel Fund	34,751	42,908	8,157
Capital Project			
Capital Improvement Fund	470,000	1,036,907	566,907

The TIF Funds were established to account for Tax Increment Financing district revenues and expenses. The excess expenditures over appropriations in 2017 related to return of excess revenue from decertification of Generations 3 - A warehouse expansion plan district. This is funded by excess revenues.

The Safe Haven Grant Fund was established to account for activity relating to a Grant funding. Expenditures relate to more activity than expected and will be reimbursed through the grant.

The Police Forfeiture Fund was established to account for revenue generated from legally forfeited property. Expenditures excess expenditures were funded by available fund balance.

The PEG Channel fund excess expenditures related to added functionality with the system and were funded by available fund balance.

City of Waseca, Minnesota  
Notes to the Financial Statements  
December 31, 2017

**Note 2. Stewardship, Compliance and Accountability (Continued)**

The Capital Improvement Fund was established to account for major City projects that may carry throughout multiple years. The 2017 expenditures were over more than budgeted due to project carryovers from 2016 expected completions and will be covered by balances in the fund.

**C. Deficit Fund Equity**

Fund	Amount
Internal Service	
Central Garage Services	68,519

The Central Garage Fund deficit balance 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, 2017

**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 \$5,781,740 and the bank balance was \$6,243,229. Of the total bank balance, the FDIC covered \$1,212,692 and the remaining deposits were collateralized with securities held by the pledging of financial institution's trust department in the City's name.

**Investments**

As of December 31, 2017, 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
Pooled Investments at Amortized Costs					
Broker Money Market Funds	N/A	less than 6 months	\$ 2,820,722		
Nonpooled Investments at Fair Value					
Government Agency Securities	N/A	less than 6 months	749,400	\$ 749,400	\$ -
Government Agency Securities	N/A	6 months to 1 year	312,789	312,789	-
Government Agency Securities	N/A	1 to 3 years	1,525,229	1,525,229	-
Government Agency Securities	Aa1	more than 3 years	777,610	777,610	-
Government Agency Securities	Aa2	more than 3 years	504,990	504,990	-
Negotiable certificates of deposit	N/A	less than 6 months	1,883,379	-	1,883,379
Negotiable certificates of deposit	N/A	6 months to 1 year	2,269,318	-	2,269,318
Negotiable certificates of deposit	N/A	1 to 3 years	1,325,951	-	1,325,951
Negotiable certificates of deposit	N/A	more than 3 years	1,184,764	-	1,184,764
Total Investments			\$ 13,354,152	\$ 3,870,018	\$ 6,663,412

(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.

**Discretely Presented Component Unit - HRA**

	Credit Quality	Segmented Time		Fair Value Measurement Using		
Types of Investments	Ratings (1)	Distribution (2)	Amount	Level 1	Level 2	Level 3
Non-pooled Investments at Fair Value						
Negotiable certificates of deposits	N/A	6 months to 1 year	\$ 222,502	\$ -	\$ 222,502	\$ -
Negotiable certificates of deposits	N/A	1 to 3 years	41,000	-	41,000	-
Total Investments			\$ 263,502	\$ -	\$ 263,502	\$ -

(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.

City of Waseca, Minnesota  
Notes to the Financial Statements  
December 31, 2017

**Note 3. Detailed Notes on All Funds (Continued)**

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	\$ 13,354,152	\$ -	\$ 263,502	\$ 13,617,654
Deposits	5,066,670	607,402	107,668	5,781,740
Petty Cash and Change Funds	1,384	-	-	1,384
<b>Total</b>	<b>\$ 18,422,206</b>	<b>\$ 607,402</b>	<b>\$ 371,170</b>	<b>\$ 19,400,778</b>
Cash and Investments	\$ 18,199,468	\$ 607,402	\$ 352,745	\$ 19,159,615
Restricted Assets	222,738	-	18,425	241,163
<b>Total</b>	<b>\$ 18,422,206</b>	<b>\$ 607,402</b>	<b>\$ 371,170</b>	<b>\$ 19,400,778</b>

- *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.

City of Waseca, Minnesota  
Notes to the Financial Statements  
December 31, 2017

**Note 3. Detailed Notes on All Funds (Continued)**

- *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

**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, 2017 is \$2,806. 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, 2017 is \$960,345. 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 \$960,345.

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, 2017 is \$92,352.

City of Waseca, Minnesota  
Notes to the Financial Statements  
December 31, 2017

**Note 3. Detailed Notes on All Funds (Continued)**

**C. Capital Assets**

Capital asset activity for governmental activities for the year ended December 31, 2017 was as follows:

	Beginning Balances	Increases	Decreases	Adjustments	Ending Balances
Capital Assets Not Being Depreciated					
Land	\$ 1,755,257	\$ -	\$ -	\$ -	\$ 1,755,257
Construction in progress	2,590,352	8,437,000	(914,539)	(3,415)	10,109,398
Total Capital Assets Not Being Depreciated	<u>4,345,609</u>	<u>8,437,000</u>	<u>(914,539)</u>	<u>(3,415)</u>	<u>11,864,655</u>
Depreciable Capital Assets					
Infrastructure	32,016,434	236,052	(2,669,272)	-	29,583,214
Buildings	7,192,047	-	(466,115)	-	6,725,932
Improvements other than buildings	8,202,302	970,738	(102,146)	-	9,070,894
Equipment	6,195,360	314,674	(212,228)	2,000	6,299,806
Total Depreciable Capital Assets	<u>53,606,143</u>	<u>1,521,464</u>	<u>(3,449,761)</u>	<u>2,000</u>	<u>51,679,846</u>
Accumulated Depreciation					
Infrastructure	(17,354,530)	(771,542)	2,669,272	-	(15,456,800)
Buildings	(2,123,922)	(135,216)	466,115	-	(1,793,023)
Improvements other than buildings	(2,558,636)	(245,082)	102,146	-	(2,701,572)
Equipment	(3,273,840)	(276,192)	212,228	(2,000)	(3,339,804)
Total Accumulated Depreciation	<u>(25,310,928)</u>	<u>(1,428,032)</u>	<u>3,449,761</u>	<u>(2,000)</u>	<u>(23,291,199)</u>
Total Capital Assets Being Depreciated, Net	<u>28,295,215</u>	<u>93,432</u>	<u>-</u>	<u>-</u>	<u>28,388,647</u>
Governmental Activities Capital Assets, Net	<u>\$ 32,640,824</u>	<u>\$ 8,530,432</u>	<u>\$ (914,539)</u>	<u>\$ (3,415)</u>	<u>\$ 40,253,302</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, 2017

**Note 3. Detailed Notes on All Funds (Continued)**

Capital asset activity for business-type activities for the year ended December 31, 2017 was as follows:

	Beginning Balances	Increases	Decreases	Adjustments	Ending Balances
<b>Capital Assets Not Being Depreciated</b>					
Land	\$ 257,465	\$ -	\$ -	\$ -	\$ 257,465
Construction in progress	1,016,507	4,138,534	(212,764)	3,415	4,945,692
Total Capital Assets Not Being Depreciated	<u>1,273,972</u>	<u>4,138,534</u>	<u>(212,764)</u>	<u>3,415</u>	<u>5,203,157</u>
<b>Depreciable Capital Assets</b>					
Infrastructure	4,265,901	-	-	-	4,265,901
Buildings	16,211,424	-	(4,633)	-	16,206,791
Improvements other than buildings	35,982,065	479,423	(2,471,092)	18,396	34,008,792
Equipment	7,362,157	105,355	(31,912)	(18,396)	7,417,204
Total Depreciable Capital Assets	<u>63,821,547</u>	<u>584,778</u>	<u>(2,507,637)</u>	<u>-</u>	<u>61,898,688</u>
<b>Accumulated Depreciation</b>					
Infrastructure	(2,351,194)	(85,923)	-	-	(2,437,117)
Buildings	(3,499,844)	(263,810)	4,633	-	(3,759,021)
Improvements other than buildings	(20,242,667)	(802,781)	2,471,072	(18,396)	(18,592,772)
Equipment	(4,912,216)	(242,202)	31,912	18,396	(5,104,110)
Total Accumulated Depreciation	<u>(31,005,921)</u>	<u>(1,394,716)</u>	<u>2,507,617</u>	<u>-</u>	<u>(29,893,020)</u>
Total Capital Assets Being Depreciated, Net	<u>32,815,626</u>	<u>(809,938)</u>	<u>(20)</u>	<u>-</u>	<u>32,005,668</u>
Business-type Activities Capital Assets, Net	<u>\$ 34,089,598</u>	<u>\$ 3,328,596</u>	<u>\$ (212,784)</u>	<u>\$ 3,415</u>	<u>\$ 37,208,825</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	\$ 83,893
Public Safety	100,108
Streets and Highways	921,267
Culture and Recreation	249,704
Airport	<u>73,060</u>
Total Depreciation Expense - Governmental Activities	<u>\$ 1,428,032</u>

**Business-type activities**

Water Fund	\$ 312,969
Sanitary Sewer Fund	705,779
Electric	274,779
Surface Water	<u>101,189</u>
Total Depreciation - Business-type Activities	<u>\$ 1,394,716</u>

City of Waseca, Minnesota  
Notes to the Financial Statements  
December 31, 2017

**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, 2017 are as follows:

	Beginning Balances	Increases	Decreases	Ending Balances
Capital Assets not Being Depreciated				
Land	\$ 61,996	\$ -	\$ -	\$ 61,996
Depreciable Capital Assets				
Buildings	2,347,998	58,898	(37,460)	2,369,436
Improvements other than building	122,787	-	37,460	160,247
Machinery and equipment	155,319	2,515	-	157,834
Total Depreciable Capital Assets	2,626,104	61,413	-	2,687,517
Accumulated Depreciation	(2,027,441)	(88,921)	-	(2,116,362)
Total Capital Assets Being Depreciated, Net	598,663	(27,508)	-	571,155
Business-type Activities Capital Assets, Net	\$ 660,659	\$ (27,508)	\$ -	\$ 633,151

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

Low Rent Public Housing	\$ 87,345
Public Housing Capital Fund Program	1,576
Total Depreciation Expense	\$ 88,921

***Construction Commitments***

The City has active construction projects as of December 31, 2017. The projects include street construction, well rehabilitation and library remodel.

Project	Contractor	Paid to Date	Contract Remaining
Highway 14 Reconstruction	Ulland Brothers Inc	\$ 9,459,227	\$ 8,809,943
Tink Larson Community Stadium	South Central Erectors, Inc	-	32,400
Tink Larson Community Stadium	Koronis Fabricating Inc.	-	77,750
Tink Larson Community Stadium	Del's Construction Company, Inc	97,437	166,714
Tink Larson Community Stadium	Greener World Solutions	-	18,868
Tink Larson Community Stadium	Innovative Building Concepts, LLC	4,750	45,050
Tink Larson Community Stadium	Insituform Technologies, USA, LLC	164,155	60,384



City of Waseca, Minnesota  
Notes to the Financial Statements  
December 31, 2017

**Note 3. Detailed Notes on All Funds (Continued)**

**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, 2017 are as follows:

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

**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 2017 revenue flow provides for costs.

The composition of interfund balances as of December 31, 2017 is as follows:

Receivable Fund	Payable Fund	Amount
General	Nonmajor Governmental	\$ 22,529
Water	General	164
	Nonmajor Governmental	49
	Electric	69
	Nonmajor Enterprise	449
Electric	General	14,399
	Water	8,245
	Sanitary Sewer	<u>1,969</u>
	Total	<u><u>\$ 47,873</u></u>

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

City of Waseca, Minnesota  
Notes to the Financial Statements  
December 31, 2017

**Note 3. Detailed Notes on All Funds (Continued)**

***Interfund Transfers***

The following is a schedule of interfund transfers for the year ended December 31, 2017:

Transfers Out	Transfers In			
	General Fund	Debt Service	Capital Improvement Fund	Nonmajor Governmental Funds
General Fund	\$ -	\$ -	\$ 797,468	\$ 524,104
Debt Service	-	-	-	-
Highway 14 Reconstruction Fund	-	-	-	-
Capital Improvement Fund	-	-	-	-
Special Assessment Fund	-	-	207,919	-
Nonmajor Governmental Funds	54,341	11,849	134,000	55,864
Water Fund	27,250	-	-	-
Sanitary Sewer Fund	116,468	-	-	-
Electric Fund	428,000	-	-	-
Surface Water Fund	6,400	-	-	-
Total	<u>\$ 632,459</u>	<u>\$ 11,849</u>	<u>\$ 1,139,387</u>	<u>\$ 579,968</u>

Transfers Out	Water Fund	Sanitary Sewer Fund	Internal Service Fund	Total
General Fund	\$ -	\$ 181,445	\$ -	\$ 1,503,017
Debt Service	46,516	-	-	46,516
Highway 14 Reconstruction Fund	271,448	349,149	-	620,597
Capital Improvement Fund	-	-	58,165	58,165
Special Assessment Fund	-	-	-	207,919
Non-Major Governmental Funds	-	-	-	256,054
Water Fund	-	-	-	27,250
Sanitary Sewer Fund	-	-	-	116,468
Electric Fund	-	-	-	428,000
Surface Water Fund	-	-	-	6,400
Total	<u>\$ 317,964</u>	<u>\$ 530,594</u>	<u>\$ 58,165</u>	<u>\$ 2,363,663</u>

City of Waseca, Minnesota  
Notes to the Financial Statements  
December 31, 2017

**Note 3. Detailed Notes on All Funds (Continued)**

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 general fund to cover administrative and overhead costs, 3) transfer franchise fee from the electric fund to the general fund, and 4) transfer funds to capital improvement funds for future capital improvement project, 5) 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, 2017, the government made the following one-time transfers:

- 1) A transfer of \$54,341 from the TIF South Loon Fund to the General Fund to close the fund.
- 2) A transfer of \$3,490 from the General Fund to the Fire Relief Fund to cover actuarial consultant expense.
- 3) A transfer of \$150,000 from the General Fund to the Capital Improvement Fund to cover Tink Larson Community Field Loss Expenses.
- 4) A transfer of \$44,000 from the Equipment Replacement Fund to the Capital Improvement Fund to cover Tink Larson Community Field Loss Expenses.
- 5) A transfer of \$613 from the 2012 SCDP Grant Fund to the 2014 Revolving Loan Fund to close the fund.
- 6) A transfer of \$11,989 from the 2010 SCDP Grant Fund to the 2014 Revolving Loan Fund to close the fund.
- 7) A transfer of \$11,849 from the TIF Central Fund to the 2014A GO Bond to close the fund.
- 8) A transfer of \$46,516 from the 2011A Refunding Bonds Fund to the Water Fund to close the fund.

***Component Unit - HRA***

An equity transfer of \$39,154 was sent from the Public Housing Capital fund to the Low Rent Public Housing fund.

**F. Other Assets**

Other assets within the Governmental and Enterprise funds for December 31, 2017 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, 2017 the unamortized balance of these service territories in the Electric Fund was \$10,620.

City of Waseca, Minnesota  
Notes to the Financial Statements  
December 31, 2017

**Note 3. Detailed Notes on All Funds (Continued)**

**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	\$3,700,000
General Obligation Refunding Bonds Series 2014B	1,375,000	3.00 - 4.00	12/18/14	02/01/33	<u>1,315,000</u>
Total General Obligation Bonds					<u><u>\$5,015,000</u></u>

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

Year	<b>G.O. Bonds</b> Governmental Activities		
	Principal	Interest	Total
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	380,000	107,575	487,575
2023 - 2027	1,650,000	368,750	2,018,750
2028 - 2032	1,090,000	178,441	1,268,441
2033 - 2035	<u>525,000</u>	<u>23,353</u>	<u>548,353</u>
Total	<u><u>\$ 5,015,000</u></u>	<u><u>\$ 1,222,069</u></u>	<u><u>\$ 6,237,069</u></u>

City of Waseca, Minnesota  
Notes to the Financial Statements  
December 31, 2017

**Note 3. Detailed Notes on All Funds (Continued)**

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.

	<u>Authorized and Issued</u>	<u>Interest Rate</u>	<u>Issue Date</u>	<u>Maturity Date</u>	<u>Balance at Year End</u>
General Obligation Refunding Bonds Series 2014B	\$ 850,000	3.00 - 4.00 %	12/18/14	02/01/26	<u>\$ 685,000</u>

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

<u>Year</u>	<b>G.O. Revenue Bonds</b> <b>Business-Type Activities</b>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
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	75,000	11,400	86,400
2023 - 2026	<u>330,000</u>	<u>20,250</u>	<u>350,250</u>
Total	<u>\$ 685,000</u>	<u>\$ 105,850</u>	<u>\$ 790,850</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.

	<u>Authorized and Issued</u>	<u>Interest Rate</u>	<u>Issue Date</u>	<u>Maturity Date</u>	<u>Balance at Year End</u>
Revenue Note Series 2009A	\$ 9,335,004	2.63 %	07/10/09	08/20/29	<u>\$ 6,153,000</u>

City of Waseca, Minnesota  
Notes to the Financial Statements  
December 31, 2017

**Note 3. Detailed Notes on All Funds (Continued)**

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

Year	<b>G.O. Revenue Notes</b> Business-Type Activities		
	Principal	Interest	Total
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	491,000	113,224	604,224
2023 - 2026	2,656,000	365,704	3,021,704
2028 - 2029	1,163,000	46,028	1,209,028
Total	<u>\$ 6,153,000</u>	<u>\$ 1,100,453</u>	<u>\$ 7,253,453</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	\$ 1,326,102	\$ 2,361,043
Principal and Interest	115,426	685,523
Percent of Revenue	8.70%	29.03%

City of Waseca, Minnesota  
Notes to the Financial Statements  
December 31, 2017

**Note 3. Detailed Notes on All Funds (Continued)**

Change in Long-term Liabilities

Long-term liability activity for the year ended December 31, 2017 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance	Due Within One Year
<b>Governmental Activities</b>					
Bonds Payable					
General obligation bonds	\$ 5,335,000	\$ -	\$ (320,000)	\$ 5,015,000	\$ 325,000
Plus: bond premium	211,835	-	(15,131)	196,704	-
Total Bonds Payable	5,546,835	-	(335,131)	5,211,704	325,000
Other postemployment benefits obligation	309,340	43,224	(26,755)	325,809	-
Pension liability					
GERF	2,109,866	-	(403,210)	1,706,656	-
PEPFF	4,655,282	-	(3,021,638)	1,633,644	-
Compensated absences	327,923	331,033	(276,867)	382,089	175,299
 Governmental Activities Long-term Liabilities	 \$ 12,949,246	 \$ 374,257	 \$ (4,063,601)	 \$ 9,259,902	 \$ 500,299
<b>Business-type Activities</b>					
Bonds Payable					
Revenue bonds	\$ 855,000	\$ -	\$ (170,000)	\$ 685,000	\$ 70,000
Plus: bond premium	39,072	-	(3,908)	35,164	-
Less: bond discount	(443)	-	443	-	-
G.O. Revenue notes	6,585,000	-	(432,000)	6,153,000	443,000
Total Bonds Payable	7,478,629	-	(605,465)	6,873,164	513,000
Other postemployment benefits obligation	104,065	17,192	(10,641)	110,616	-
Pension liability					
GERF	1,316,565	106,878	(289,248)	1,134,195	-
Compensated absences	87,556	97,382	(94,106)	90,832	57,271
 Business-type Activities Long-term Liabilities	 \$ 8,986,815	 \$ 221,452	 \$ (999,460)	 \$ 8,208,807	 \$ 570,271

***Discretely Presented Component Units***

**HRA**

Changes in Long-term Liabilities

Long-term liability activity for the year ended December 31, 2017 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance	Due Within One Year
Compensated Absences	\$ 4,480	\$ -	\$ (161)	\$ 4,319	\$ 4,319

### **Note 3. Detailed Notes on All Funds (Continued)**

#### **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.

##### *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.



## **Note 4: Defined Benefit Pension Plans - Statewide (Continued)**

### 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.

#### 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.

City of Waseca, Minnesota  
Notes to the Financial Statements  
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**Note 4: Defined Benefit Pension Plans - Statewide (Continued)**

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 2017. 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 2017. The City's contributions to the GERF for the years ending December 31, 2017, 2016 and 2015 were \$223,233, \$206,703 and \$186,692 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 2017. The City was required to contribute 16.20 percent of pay for PEPFF members in calendar year 2017. The City's contributions to the PEPFF for the years ending December 31, 2017, 2016 and 2015 were \$206,958, \$194,735 and \$171,849, respectively. The City's contributions were equal to the contractually required contributions for each year as set by Minnesota statute.

**D. Pension Costs**

GERF Pension Costs

At December 31, 2017, the City reported a liability of \$2,840,851 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 2017. 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 \$35,688. The net pension liability was measured as of June 30, 2017, 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, 2016 through June 30, 2017 relative to the total employer contributions received from all of PERA's participating employers. At June 30, 2017, the City's proportionate share was 0.0445 percent which was a 0.0023 percent increase from its proportion measured as of June 30, 2016.

For the year ended December 31, 2017, the City recognized pension expense of \$350,878 for its proportionate share of GERF's pension expense. In addition, the City recognized an additional \$1,031 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, 2017, 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	\$ 94,204	\$ 186,037
Changes in Actuarial Assumptions	475,514	284,796
Net Difference Between Projected and Actual Earnings on Plan Investments	-	123,809
Changes in Proportion	141,152	66,279
Contributions to GERF Subsequent to the Measurement Date	115,222	-
	<hr/>	<hr/>
Total	<u>\$ 826,092</u>	<u>\$ 660,921</u>

City of Waseca, Minnesota  
Notes to the Financial Statements  
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**Note 4: Defined Benefit Pension Plans - Statewide (Continued)**

Deferred outflows of resources totaling \$115,222 related to pensions resulting from the City's contributions to GERP subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2018. Other amounts reported as deferred outflows and inflows of resources related to GERP pensions will be recognized in pension expense as follows:

2018	\$ (21,621)
2019	212,575
2020	(20,417)
2021	(120,588)
2022	-
Thereafter	-

PEPFF Pension Costs

At December 31, 2017, the City reported a liability of \$1,633,644 for its proportionate share of the PEPFF's net pension liability. The net pension liability was measured as of June 30, 2017, 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, 2016 through June 30, 2017 relative to the total employer contributions received from all of PERA's participating employers. At June 30, 2017, the City's proportionate share was 0.1210 percent which was a 0.0050 percent increase from its proportion measured as of June 30, 2016.

For the year ended December 31, 2017, the City recognized pension expense of \$89,930 for its proportionate share of PEPFF's pension expense. The City also recognized \$10,890 for the year ended December 31, 2017 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, 2017, 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	\$ 38,354	\$ 424,179
Changes in Actuarial Assumptions	2,268,804	2,319,369
Net Difference Between Projected and Actual Earnings on Plan Investments	-	150,403
Changes in Proportion	73,170	54,922
Contributions to PEPFF Subsequent to the Measurement Date	104,553	-
	<u>\$ 2,484,881</u>	<u>\$ 2,948,873</u>
Total		

City of Waseca, Minnesota  
Notes to the Financial Statements  
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**Note 4: Defined Benefit Pension Plans - Statewide (Continued)**

Deferred outflows of resources totaling \$104,553 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, 2018. Other amounts reported as deferred outflows and inflows of resources related to PEPFF pensions will be recognized in pension expense as follows:

2018	\$ (67,666)
2019	92,209
2020	(32,194)
2021	(119,174)
2022	(441,720)
Thereafter	-

**E. Actuarial Assumptions**

The total pension liability in the June 30, 2017 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 all plans for males or females, as appropriate, with slight adjustments to fit PERA's experience. Cost of living benefit increases for retirees are assumed to be: 1 percent per year for the GERP through 2044 and PEPFF through 2064 and then 2.5 percent thereafter for both plans.

Actuarial assumptions used in the June 30, 2017 valuation were based on the results of actuarial experience studies. The most recent four-year experience study in the GERP was completed in 2015. The most recent five-year experience study for PEPFF was completed in 2016.

The following changes in actuarial assumptions occurred in 2017:

GERP

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

City of Waseca, Minnesota  
Notes to the Financial Statements  
December 31, 2017

**Note 4: Defined Benefit Pension Plans - Statewide (Continued)**

PEPFF

- Assumed salary increases were changed as recommended in the June 30, 2016 experience study. The net effect is proposed rates that average 0.34 percent lower than the previous rates.
- Assumed rates of retirement were changed, resulting in fewer retirements.
- The Combined Service Annuity (CSA) load was 30 percent for vested and non-vested deferred members. The CSA has been changed to 33 percent for vested members and 2 percent for non-vested members.
- The base mortality table for healthy annuitants was changed from the RP-2000 fully generational table to the RP-2014 fully generational table (with a base year of 2006), with male rates adjusted by a factor of 0.96. The mortality improvement scale was changed from Scale AA to Scale MP-2016. The base mortality table for disabled annuitants was changed from the RP-2000 disabled mortality table to the mortality tables assumed for healthy retirees.
- Assumed termination rates were decreased to 3.0 percent for the first three years of service. Rates beyond the select period of three years were adjusted, resulting in more expected terminations overall.
- Assumed percentage of married female members was decreased from 65 percent to 60 percent.
- Assumed age difference was changed from separate assumptions for male members (wives assumed to be three years younger) and female members (husbands assumed to be four years older) to the assumption that males are two years older than females.
- The assumed percentage of female members electing joint and survivor annuities was increased.
- The assumed post-retirement benefit increase rate was changed from 1.00 percent for all years to 1.00 percent per year through 2064 and 2.50 percent thereafter.
- The single discount rate was changed from 5.6 percent to 7.5 percent.

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	39.00 %	5.10 %
International Stocks	19.00	5.30
Bonds	20.00	0.75
Alternative Assets	20.00	5.90
Cash	2.00	-
Total	<u>100.00 %</u>	

**F. Discount Rate**

The discount rate used to measure the total pension liability in 2017 was 7.50 percent. 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 and PEPFF 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.

City of Waseca, Minnesota  
Notes to the Financial Statements  
December 31, 2017

**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	\$ 4,406,370	\$ 2,840,851	\$ 1,559,188
	1 Percent Decrease (6.50%)	Current (7.50%)	1 Percent Increase (8.50%)
PEPFF	\$ 3,076,628	\$ 1,633,644	\$ 442,381

**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](http://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 2017 were:

Contribution Amount		Percentage of Covered Payroll		Required Rate
Employee	Employer	Employee	Employer	
\$ 1,409	\$ 1,409	5.00%	5.00%	5.00%

The City's contributions to the PEDCP for the years ended December 31, 2017, 2016 and 2015 were \$1,409, \$1,493 and \$1,494, respectively.

## **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, 2016, the plan covered 29 active firefighters and 5 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 \$71,664 in fire state aid to the plan on behalf of the City Fire Department for the year ended December 31, 2016, 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, 2017

**Note 6: Defined Benefit Pension Plans - Fire Relief Association**

**D. Pension Costs**

At December 31, 2017, the City reported a net pension liability (asset) of (\$297,773) for the plan. The net pension liability (asset) was measured as of December 31, 2016. 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, 2016. 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, 2016	\$ 1,286,296	\$ 1,489,943	\$ (203,647)
Changes for the Year			
Service cost	45,337	-	45,337
Interest cost	73,349	-	73,349
Assumption changes	8,643	-	8,643
Nonemployer contributions	-	70,664	(70,664)
Projected investment return	-	84,326	(84,326)
(Gain)/loss	(44,504)	27,426	(71,930)
Benefit payments	(112,000)	(112,000)	-
Administrative expenses	-	(5,465)	5,465
Total Net Changes	(29,175)	64,951	(94,126)
Ending Balance December 31, 2016	\$ 1,257,121	\$ 1,554,894	\$ (297,773)

For the year ended December 31, 2017 the City recognized pension expense of (\$27,500).

At December 31, 2017, 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
Differences Between Expected and Actual Experience	\$ -	\$ 40,053
Changes in Actuarial Assumptions	7,778	-
Net Difference Between Projected and Actual Earnings on Plan Investments	17,769	-
State Aid to City Subsequent to the Measurement Date	71,340	-
Total	\$ 96,887	\$ 40,053



City of Waseca, Minnesota  
Notes to the Financial Statements  
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**Note 6: Defined Benefit Pension Plans - Fire Relief Association (Continued)**

Deferred outflows of resources totaling \$71,340 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, 2018. Other amounts reported as deferred outflows and inflows of resources related to the plan will be recognized in pension expense as follows:

2018	\$ 2,691
2019	2,691
2020	7,111
2021	(9,068)
2022	(3,586)
Thereafter	(14,345)

**E. Actuarial Assumptions**

The total pension liability at December 31, 2016 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	5.50%
Salary Increases	2.50%
Cost of Living Increases	5.00%
Investment Rate of Return	5.50%
20 Year Municipal Bond Yield	3.50%

There were no changes in actuarial assumptions in 2016.

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	13.00 %	2.25 %
Fixed Income	29.00	3.30
Equities	55.00	7.50
Other	3.00	6.00
Total	<u>100.00 %</u>	

City of Waseca, Minnesota  
Notes to the Financial Statements  
December 31, 2017

**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:

	<u>1 Percent Decrease (4.50%)</u>	<u>Current (5.50%)</u>	<u>1 Percent Increase (6.50%)</u>
Defined Benefit Plan	\$ (262,048)	\$ (297,773)	\$ (331,649)

**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, 2017

**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, 2017

**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, 2017 is presented as follows:

Total Revenues	\$ 1,097,448
Total Expenditures	<u>1,106,507</u>
Change in net position	(9,059)
Net Position, January 1, 2017	<u>322,488</u>
Net Position, December 31, 2017	<u><u>\$ 313,429</u></u>
Total Assets and Deferred Outflows of Resources	<u><u>\$ 1,084,695</u></u>
Total Liabilities and Deferred Inflows of Resources	<u><u>\$ 771,265</u></u>
City's Investment in Joint Ventures, December 31, 2017	<u><u>\$ 83,372</u></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, 2017

**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 2017. 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 2017, 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 2017, the City contributed \$37,397 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	\$ 68,041
Interest on Net Opeb Obligation	14,470
Adjustment to Annual Required Contribution	<u>(6,176)</u>
Annual OPEB cost (expense)	76,335
Contributions Made	(37,397)
Implicit Rate	<u>(15,918)</u>
Increase in Net Opeb Obligation	23,020
Net OPEB Obligation - Beginning of Year	<u>413,405</u>
Net OPEB Obligation - End of Year	<u><u>\$ 436,425</u></u>

City of Waseca, Minnesota  
Notes to the Financial Statements  
December 31, 2017

**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 2017 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>
12/31/2017	\$ 76,335	\$ (37,397)	\$ (15,918)	\$ 436,425	69.8%
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, 2017, the City's share of the actuarial accrued liability for benefits was \$567,947, all of which was unfunded. The City's share of covered payroll (annual payroll covered by the plan) was \$3,927,595, and the ratio of the unfunded actuarial accrued liability to the covered payroll was 14.5 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, 2017 actuarial valuation, the projected unit credit actuarial cost method was used. The actuarial assumptions included a 3.5 percent investment rate of return and an annual healthcare cost trend rate of 6.5 percent initially, reduced incrementally to an ultimate rate of 5.0 percent after 6 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, 2017

**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.

*Mortality* - Life expectancies were based on mortality tables from the Society of Actuaries. The RP-2014 adjusted to 2006 White Collar Mortality Tables with MP-2016 Generational Improvement Scale (Blue Collar Tables for Police and Fire Personnel) 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 6.5 percent initially, reduced to an ultimate rate of 5.0 percent after six 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 3.5 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, 2017 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 2017 was \$2,695,662 , which accounted for 37.0 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  
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**Note 8: Tax Abatements**

As of December 31, 2017, the City has ten 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 #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, 2017 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 #24	48.828	4,052	1,979
Total			<u>\$ 82,788</u>

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REQUIRED SUPPLEMENTARY  
INFORMATION

CITY OF WASECA  
WASECA, MINNESOTA

FOR THE YEAR ENDED  
DECEMBER 31, 2017

City of Waseca, Minnesota  
Required Supplementary Information  
For the Year Ended December 31, 2017

**Schedule of Employer's Share of PERA Net Pension Liability - General Employees Retirement Fund**

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
06/30/17	0.0445 %	\$ 2,840,851	\$ 35,688	\$ 2,876,539	\$ 2,864,151	100.4 %	75.9 %
06/30/16	0.0422	3,426,431	44,802	3,471,233	2,619,911	132.5	68.9
06/30/15	0.0409	2,119,650	-	2,119,650	2,402,603	88.2	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**

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)
12/31/17	\$ 223,233	\$ 223,233	\$ -	\$ 2,976,446	7.5 %
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.*

**Notes to the Required Supplementary Information - General Employee Retirement Fund**

Changes in Actuarial Assumptions

2017 - The Combined Service Annuity (CSA) loads were changed from 0.8 percent for active members and 60 percent for vested and non-vested deferred members. The revised CSA loads are now 0.0 percent for active member liability, 15.0 percent for vested deferred member liability and 3.0 percent for non-vested deferred member liability. The assumed post-retirement benefit increase rate was changed from 1.0 percent per year for all years to 1.0 percent per year through 2044 and 2.5 percent per year thereafter.

2016 - 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.

2015 - The assumed post-retirement benefit increase rate was changed from 1.0 percent per year through 2030 and 2.5 percent per year thereafter to 1.0 percent per year through 2035 and 2.5 percent per year thereafter.

Changes in Plan Provisions

2015 - On January 1, 2015, the Minneapolis Employees Retirement Fund was merged into the General Employees Fund, which increased the total pension liability by \$1.1 billion and increased the fiduciary plan net position by \$892 million. Upon consolidation, state and employer contributions were revised.

City of Waseca, Minnesota  
Required Supplementary Information (Continued)  
For the Year Ended December 31, 2017

**Schedule of Employer's Share of PERA Net Pension Liability - Public Employees Police and Fire Fund**

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
06/30/17	0.1210 %	\$ 1,633,644	\$ -	\$ 1,633,644	\$ 1,239,242	131.8 %	85.4 %
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	1,100,534	123.9	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**

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)
12/31/17	\$ 206,958	\$ 206,958	\$ -	\$ 1,277,516	16.2 %
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, 2017

**Notes to the Required Supplementary Information - Public Employees Police and Fire Fund**

Changes in Actuarial Assumptions

2017 - Assumed salary increases were changed as recommended in the June 30, 2016 experience study. The net effect is proposed rates that average 0.34 percent lower than the previous rates. Assumed rates of retirement were changed, resulting in fewer retirements. The Combined Service Annuity (CSA) load was 30 percent for vested and non-vested deferred members. The CSA has been changed to 33 percent for vested members and 2 percent for non-vested members. The base mortality table for healthy annuitants was changed from the RP-2000 fully generational table to the RP-2014 fully generational table (with a base year of 2006), with male rates adjusted by a factor of 0.96. The mortality improvement scale was changed from Scale AA to Scale MP-2016. The base mortality table for disabled annuitants was changed from the RP-2000 disabled mortality table to the mortality tables assumed for healthy retirees. Assumed termination rates were decreased to 3.0 percent for the first three years of service. Rates beyond the select period of three years were adjusted, resulting in more expected terminations overall. Assumed percentage of married female members was decreased from 65 percent to 60 percent. Assumed age difference was changed from separate assumptions for male members (wives assumed to be three years younger) and female members (husbands assumed to be four years older) to the assumption that males are two years older than females. The assumed percentage of female members electing joint and survivor annuities was increased. The assumed post-retirement benefit increase rate was changed from 1.00 percent for all years to 1.00 percent per year through 2064 and 2.50 percent thereafter. The single discount rate was changed from 5.6 percent to 7.5 percent.

2016 - 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.

2015 - The assumed post-retirement benefit increase rate was changed from 1.0 percent per year through 2030 and 2.5 percent per year thereafter to 1.0 percent per year through 2037 and 2.5 percent per year thereafter.

Changes in Plan Provisions

2015 - The post-retirement benefit increase to be paid after attainment of the 90 percent funding threshold was changed, from inflation up to 2.5 percent, to a fixed rate of 2.5 percent.

City of Waseca, Minnesota  
Required Supplementary Information (Continued)  
For the Year Ended December 31, 2017

**Schedule of Changes in the Fire Relief Association's Net Pension Liability (Asset) and Related Ratios**

	2017 (Fire Relief Report Date 2016)	2016 (Fire Relief Report Date 2015)	2015 (Fire Relief Report Date 2014)
<b>Total Pension Liability</b>			
Service cost	\$ 45,337	\$ 46,774	\$ 45,633
Interest	73,349	69,146	64,654
Changes of assumptions	8,643	-	-
Net investment income	(44,504)	-	-
Benefit payments, including refunds of employee contributions	(112,000)	(64,322)	-
<b>Net Change in Total Pension Liability</b>	(29,175)	51,598	110,287
<b>Total Pension Liability - January 1</b>	1,286,296	1,234,698	1,124,411
<b>Total Pension Liability - December 31 (A)</b>	<u>\$ 1,257,121</u>	<u>\$ 1,286,296</u>	<u>\$ 1,234,698</u>
<b>Plan Fiduciary Net Position</b>			
Contributions - employer	\$ 70,664	\$ 87,644	\$ 81,626
Net investment income	111,752	3,987	98,454
Benefit payments, including refunds of employee contributions	(112,000)	(64,322)	-
Administrative expense	(5,465)	(4,530)	-
<b>Net Change in Plan Fiduciary Net Position</b>	64,951	22,779	180,080
<b>Plan Fiduciary Net Position - January 1</b>	1,489,943	1,467,164	1,287,084
<b>Plan Fiduciary Net Position - December 31 (B)</b>	<u>\$ 1,554,894</u>	<u>\$ 1,489,943</u>	<u>\$ 1,467,164</u>
<b>Fire Relief's Net Pension Liability (Asset) - December 31 (A-B)</b>	<u>\$ (297,773)</u>	<u>\$ (203,647)</u>	<u>\$ (232,466)</u>
<b>Plan Fiduciary Net Position As a Percentage Of the Total Pension Liability (B/A)</b>	123.69%	115.83%	118.83%
<b>Covered Payroll</b>	N/A	N/A	N/A
<b>Fire Relief's Net Pension Liability (Asset) As a Percentage Of Covered Payroll</b>	N/A	N/A	N/A

**Notes to Schedule:**

*Benefit changes.* None.

*Changes of assumptions.* Discount rate changed from 5.75% to 5.5%

<p>This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, governments should present information for those years for which information is available.</p>
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City of Waseca, Minnesota  
Required Supplementary Information (Continued)  
For the Year Ended December 31, 2017

**Schedule of Employer's Fire Relief Association Contributions**

Year Ending	Actuarial Determined Contribution (a)	Actual Contributions Paid (b)	Contribution Deficiency (Excess) (a-b)
12/31/17	\$ 71,340	\$ 71,340	\$ -
12/31/16	71,664	71,664	-
12/31/15	71,404	71,404	-
12/31/14	67,386	67,386	-

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

**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)
1/1/2017	\$ -	\$ 567,947	\$ 567,947	0.0%	\$ 3,927,595	14.5%
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%



COMBINING AND INDIVIDUAL FUND  
FINANCIAL STATEMENTS AND SCHEDULES

CITY OF WASECA  
WASECA, MINNESOTA

FOR THE YEAR ENDED  
DECEMBER 31, 2017

City of Waseca, Minnesota  
Nonmajor Governmental Funds  
Combining Balance Sheet  
December 31, 2017

	Special Revenue	Capital Projects	Total
<b>Assets</b>			
Cash and investments	\$ 888,329	\$ 1,988,343	\$ 2,876,672
Taxes receivable	254	-	254
Accounts receivable	2,595	-	2,595
Loans receivable (net of allowance)	5,806	-	5,806
Due from other governments	63,858	-	63,858
Land held for resale	-	770,901	770,901
	<u>-</u>	<u>770,901</u>	<u>770,901</u>
 Total Assets	 <u>\$ 960,842</u>	 <u>\$ 2,759,244</u>	 <u>\$ 3,720,086</u>
<b>Liabilities</b>			
Accounts payable	\$ 9,670	\$ 17,902	\$ 27,572
Due to other governments	218	-	218
Accrued wages payable	6,933	-	6,933
Due to other funds	22,578	-	22,578
Unearned revenue	16,965	-	16,965
Total Liabilities	<u>56,364</u>	<u>17,902</u>	<u>74,266</u>
 Deferred Inflows of Resources			
Unavailable revenue - taxes	254	-	254
	<u>254</u>	<u>-</u>	<u>254</u>
<b>Fund Balances</b>			
Restricted for			
Clear lake press fund	87,287	-	87,287
Revolving loan	12,602	-	12,602
TIF funds	2,981	-	2,981
Police forfeitures	56,050	-	56,050
PEG Channel	40,971	-	40,971
Municipal state aid	-	937,801	937,801
Historical preservation	6,668	-	6,668
Committed for			
Airport	363,532	-	363,532
Police reserves	1,821	-	1,821
Waseca housing fund	103,576	-	103,576
Assigned for			
Northwest commercial development	-	1,091,970	1,091,970
Annexation and growth	-	163,652	163,652
Equipment replacement	-	547,919	547,919
Operations	160,863	-	160,863
Economic development	51,688	-	51,688
Police safe haven	16,185	-	16,185
Total Fund Balances	<u>904,224</u>	<u>2,741,342</u>	<u>3,645,566</u>
 Total Liabilities And Fund Balances	 <u>\$ 960,842</u>	 <u>\$ 2,759,244</u>	 <u>\$ 3,720,086</u>

City of Waseca, Minnesota  
Nonmajor Governmental Funds  
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances  
For the Year Ended December 31, 2017

	Special Revenue	Capital Projects	Total
Revenues			
Taxes	\$ 80,443	\$ -	\$ 80,443
Fines and forfeitures	3,905	-	3,905
Intergovernmental	317,843	151,430	469,273
Charges for services	105,927	-	105,927
Contributions	45,650	-	45,650
Interest earnings	15,131	22,516	37,647
Miscellaneous	21,066	13,490	34,556
Total Revenues	<u>589,965</u>	<u>187,436</u>	<u>777,401</u>
Expenditures			
Current			
General government	35,733	70,472	106,205
Public safety	270,378	-	270,378
Economic development	97,380	-	97,380
Airport	161,561	-	161,561
Capital outlay			
General government	7,175	-	7,175
Public safety	-	118,924	118,924
Streets and highways	-	152,013	152,013
Culture and recreation	-	28,035	28,035
Airport	3,095	-	3,095
Total Expenditures	<u>575,322</u>	<u>369,444</u>	<u>944,766</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>14,643</u>	<u>(182,008)</u>	<u>(167,365)</u>
Other Financing Sources (Uses)			
Sale of capital assets	-	827	827
Transfers in	119,168	460,800	579,968
Transfers out	(122,054)	(134,000)	(256,054)
Total Other Financing Sources (Uses)	<u>(2,886)</u>	<u>327,627</u>	<u>324,741</u>
Net Change in Fund Balances	11,757	145,619	157,376
Fund Balance, January 1	<u>892,467</u>	<u>2,595,723</u>	<u>3,488,190</u>
Fund Balances, December 31	<u>\$ 904,224</u>	<u>\$ 2,741,342</u>	<u>\$ 3,645,566</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.

*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 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  
Nonmajor Governmental Funds  
Combining Balance Sheet - Special Revenue Funds (Continued on the Following Pages)  
December 31, 2017

	<b>205</b> EDPG Clear Lake Press	<b>209</b> 2010 SCDP Grant	<b>211</b> 2012 SCDP Grant	<b>212</b> 2014 Revolving Loan Fund
<b>Assets</b>				
Cash and investments	\$ 178,433	\$ -	\$ -	\$ 64,290
Taxes receivable	-	-	-	-
Accounts receivable	-	-	-	-
Loans receivable (net of allowance)	2,806	-	-	-
Due from other governments	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Total Assets</b>	<u><u>\$ 181,239</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 64,290</u></u>
<b>Liabilities</b>				
Accounts payable	\$ -	\$ -	\$ -	\$ -
Due to other governments	-	-	-	-
Accrued wages payable	-	-	-	-
Due to other funds	-	-	-	-
Unearned revenue	200	-	-	-
<b>Total Liabilities</b>	<u><u>200</u></u>	<u><u>-</u></u>	<u><u>-</u></u>	<u><u>-</u></u>
<b>Deferred Inflow of Resources</b>				
Unavailable revenue - taxes	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Fund Balances</b>				
Restricted for				
Clear lake press	87,287	-	-	-
Revolving loan	-	-	-	12,602
Tax increment	-	-	-	-
Police forfeitures	-	-	-	-
PEG Channel	-	-	-	-
Historical preservation	-	-	-	-
Committed for				
Airport	-	-	-	-
Police reserves	-	-	-	-
Waseca housing fund	-	-	-	-
Assigned for				
Operations	93,752	-	-	-
Economic development	-	-	-	51,688
Police safe haven	-	-	-	-
<b>Total Fund Balance</b>	<u><u>181,039</u></u>	<u><u>-</u></u>	<u><u>-</u></u>	<u><u>64,290</u></u>
<b>Total Liabilities and Fund Balance</b>	<u><u>\$ 181,239</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 64,290</u></u>

TIF Funds	230 Airport	250 Waseca Housing Fund	255 Historical Preservation Fund	275 Police Reserve Fund
\$ 15,612	\$ 386,935	\$ 120,165	\$ 6,668	\$ 1,755
254	-	-	-	-
-	1,100	-	-	1,495
-	-	3,000	-	-
-	27,310	-	-	-
<u>\$ 15,866</u>	<u>\$ 415,345</u>	<u>\$ 123,165</u>	<u>\$ 6,668</u>	<u>\$ 3,250</u>
\$ -	\$ 3,422	\$ -	\$ -	\$ 1,083
-	-	-	-	-
-	-	-	-	-
12,631	49	-	-	-
-	1,765	-	-	-
<u>12,631</u>	<u>5,236</u>	<u>-</u>	<u>-</u>	<u>1,083</u>
254	-	-	-	-
-	-	-	-	-
-	-	-	-	-
2,981	-	-	-	-
-	-	-	-	-
-	-	-	6,668	-
-	363,532	-	-	-
-	-	-	-	1,821
-	-	103,576	-	-
-	46,577	19,589	-	346
-	-	-	-	-
-	-	-	-	-
<u>2,981</u>	<u>410,109</u>	<u>123,165</u>	<u>6,668</u>	<u>2,167</u>
<u>\$ 15,866</u>	<u>\$ 415,345</u>	<u>\$ 123,165</u>	<u>\$ 6,668</u>	<u>\$ 3,250</u>

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City of Waseca, Minnesota  
Nonmajor Governmental Funds  
Combining Balance Sheet - Special Revenue Funds (Continued)  
December 31, 2017

	<b>278</b> Police Forfeiture Fund	<b>279</b> Safe Haven Grant Fund	<b>280</b> Fire Relief Fund	<b>290</b> PEG Channel	Total
<b>Assets</b>					
Cash and investments	\$ 56,268	\$ -	\$ 599	\$ 57,604	\$ 888,329
Taxes receivable	-	-	-	-	254
Accounts receivable	-	-	-	-	2,595
Loans receivable (net of allowance)	-	-	-	-	5,806
Due from other governments	-	36,548	-	-	63,858
<b>Total Assets</b>	<b>\$ 56,268</b>	<b>\$ 36,548</b>	<b>\$ 599</b>	<b>\$ 57,604</b>	<b>\$ 960,842</b>
<b>Liabilities</b>					
Accounts payable	\$ -	\$ 4,834	\$ -	\$ 331	\$ 9,670
Due to other governments	218	-	-	-	218
Accrued wages payable	-	5,631	-	1,302	6,933
Due to other funds	-	9,898	-	-	22,578
Unearned revenue	-	-	-	15,000	16,965
<b>Total Liabilities</b>	<b>218</b>	<b>20,363</b>	<b>-</b>	<b>16,633</b>	<b>56,364</b>
<b>Deferred Inflow of Resources</b>					
Unavailable revenue - taxes	-	-	-	-	254
<b>Fund Balances</b>					
Restricted for					
Clear lake press fund	-	-	-	-	87,287
Revolving loan	-	-	-	-	12,602
TIF funds	-	-	-	-	2,981
Police forfeitures	56,050	-	-	-	56,050
PEG Channel	-	-	-	40,971	40,971
Historical preservation	-	-	-	-	6,668
Committed for					
Airport	-	-	-	-	363,532
Police reserves	-	-	-	-	1,821
Waseca housing fund	-	-	-	-	103,576
Assigned for					
Operations	-	-	599	-	160,863
Economic development	-	-	-	-	51,688
Police safe haven	-	16,185	-	-	16,185
<b>Total Fund Balance</b>	<b>56,050</b>	<b>16,185</b>	<b>599</b>	<b>40,971</b>	<b>904,224</b>
<b>Total Liabilities and Fund Balance</b>	<b>\$ 56,268</b>	<b>\$ 36,548</b>	<b>\$ 599</b>	<b>\$ 57,604</b>	<b>\$ 960,842</b>

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, 2017

	<b>205</b> EDPG Clear Lake Press	<b>209</b> 2010 SCDP Grant	<b>211</b> 2012 SCDP Grant	<b>212</b> 2014 Revolving Loan Fund
Revenues				
Taxes				
Tax increment	\$ -	\$ -	\$ -	\$ -
Fines and forfeitures	-	-	-	-
Intergovernmental	-	-	-	-
Charges for services	-	-	-	-
Contributions	-	-	-	-
Interest earnings	3,701	-	-	70
Miscellaneous	-	-	-	14,340
Total Revenues	<u>3,701</u>	<u>-</u>	<u>-</u>	<u>14,410</u>
Expenditures				
Current				
General government	-	-	-	-
Public safety	-	-	-	-
Economic development	300	-	-	348
Airport	-	-	-	-
Capital outlay				
General government	-	-	-	-
Airport	-	-	-	-
Total Expenditures	<u>300</u>	<u>-</u>	<u>-</u>	<u>348</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>3,401</u>	<u>-</u>	<u>-</u>	<u>14,062</u>
Other Financing Sources (Uses)				
Transfers in	-	-	-	55,864
Transfers out	(43,262)	(11,989)	(613)	-
Total Other Financing Sources (Uses)	<u>(43,262)</u>	<u>(11,989)</u>	<u>(613)</u>	<u>55,864</u>
Net Change in Fund Balances	(39,861)	(11,989)	(613)	69,926
Fund Balance, January 1	<u>220,900</u>	<u>11,989</u>	<u>613</u>	<u>(5,636)</u>
Fund Balances, December 31	<u>\$ 181,039</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 64,290</u>

TIF Funds	230 Airport	250 Waseca Housing Fund	255 Historical Preservation Fund	275 Police Reserve Fund
\$ 80,443	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-
-	98,454	-	5,968	-
-	105,887	-	-	-
-	-	13,650	-	2,000
1,253	6,036	1,927	732	-
-	475	-	-	6,251
81,696	210,852	15,577	6,700	8,251
-	-	-	-	-
-	-	-	-	7,158
96,707	-	-	25	-
-	161,561	-	-	-
-	-	-	-	-
-	3,095	-	-	-
96,707	164,656	-	25	7,158
(15,011)	46,196	15,577	6,675	1,093
-	-	-	-	-
(66,190)	-	-	-	-
(66,190)	-	-	-	-
(81,201)	46,196	15,577	6,675	1,093
84,182	363,913	107,588	(7)	1,074
\$ 2,981	\$ 410,109	\$ 123,165	\$ 6,668	\$ 2,167

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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, 2017

	<b>278</b> Police Forfeiture Fund	<b>279</b> Safe Haven Grant Fund	<b>280</b> Fire Relief Fund	<b>290</b> PEG Channel	Total
Revenues					
Taxes					
Tax increment	\$ -	\$ -	\$ -	\$ -	\$ 80,443
Fines and forfeitures	3,905	-	-	-	3,905
Intergovernmental	-	142,081	71,340	-	317,843
Charges for services	-	40	-	-	105,927
Contributions	-	-	-	30,000	45,650
Interest earnings	1,114	-	298	-	15,131
Miscellaneous	-	-	-	-	21,066
Total Revenues	<u>5,019</u>	<u>142,121</u>	<u>71,638</u>	<u>30,000</u>	<u>589,965</u>
Expenditures					
Current					
General government	-	-	-	35,733	35,733
Public safety	12,941	175,449	74,830	-	270,378
Economic development	-	-	-	-	97,380
Airport	-	-	-	-	161,561
Capital outlay					
General government	-	-	-	7,175	7,175
Airport	-	-	-	-	3,095
Total Expenditures	<u>12,941</u>	<u>175,449</u>	<u>74,830</u>	<u>42,908</u>	<u>575,322</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(7,922)</u>	<u>(33,328)</u>	<u>(3,192)</u>	<u>(12,908)</u>	<u>14,643</u>
Other Financing Sources (Uses)					
Transfers in	-	29,569	3,490	30,245	119,168
Transfers out	-	-	-	-	(122,054)
Total Other Financing Sources (Uses)	<u>-</u>	<u>29,569</u>	<u>3,490</u>	<u>30,245</u>	<u>(2,886)</u>
Net Change in Fund Balances	(7,922)	(3,759)	298	17,337	11,757
Fund Balance, January 1	<u>63,972</u>	<u>19,944</u>	<u>301</u>	<u>23,634</u>	<u>892,467</u>
Fund Balances, December 31	<u>\$ 56,050</u>	<u>\$ 16,185</u>	<u>\$ 599</u>	<u>\$ 40,971</u>	<u>\$ 904,224</u>

City of Waseca, Minnesota  
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual  
EDGP Clear Lake Press Fund  
For the Year Ended December 31, 2017

	Final Budget	Actual Amounts	Variance With Final Budget
Revenues			
Interest earnings	\$ 1,900	\$ 3,701	\$ 1,801
Expenditures			
Current			
Economic development	300	300	-
Excess (Deficiency) of Revenues Over (Under) Expenditures	1,600	3,401	1,801
Other Financing Sources (Uses)			
Transfers out	-	(43,262)	(43,262)
Net Change in Fund Balances	1,600	(39,861)	(41,461)
Fund Balance, January 1	220,900	220,900	-
Fund Balances, December 31	\$ 222,500	\$ 181,039	\$ (41,461)

City of Waseca, Minnesota  
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual  
TIF Funds  
For the Year Ended December 31, 2017

	Final Budget	Actual Amounts	Variance With Final Budget
Revenues			
Taxes			
Tax increment	\$ 55,675	\$ 80,443	\$ 24,768
Interest	500	1,253	753
Total Revenues	<u>56,175</u>	<u>81,696</u>	<u>25,521</u>
Expenditures			
Current			
Economic development	<u>55,947</u>	<u>96,707</u>	<u>(40,760)</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	228	(15,011)	(15,239)
Other Financing Sources (Uses)			
Transfers out	<u>-</u>	<u>(66,190)</u>	<u>(66,190)</u>
Net Change in Fund Balances	228	(81,201)	(81,429)
Fund Balance, January 1	<u>84,182</u>	<u>84,182</u>	<u>-</u>
Fund Balances, December 31	<u><u>\$ 84,410</u></u>	<u><u>\$ 2,981</u></u>	<u><u>\$ (81,429)</u></u>

City of Waseca, Minnesota  
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual  
Airport Fund  
For the Year Ended December 31, 2017

	Final Budget	Actual Amounts	Variance With Final Budget
Revenues			
Intergovernmental	\$ 84,006	\$ 98,454	\$ 14,448
Charges for services	110,500	105,887	(4,613)
Interest earnings	1,000	6,036	5,036
Miscellaneous	200	475	275
Total Revenues	<u>195,706</u>	<u>210,852</u>	<u>15,146</u>
Expenditures			
Current			
Airport	126,475	161,561	(35,086)
Capital outlay			
Airport	110,000	3,095	106,905
Total Expenditures	<u>236,475</u>	<u>164,656</u>	<u>71,819</u>
Net Change in Fund Balances	(40,769)	46,196	86,965
Fund Balance, January 1	<u>363,913</u>	<u>363,913</u>	<u>-</u>
Fund Balances, December 31	<u><u>\$ 323,144</u></u>	<u><u>\$ 410,109</u></u>	<u><u>\$ 86,965</u></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, 2017

	Final Budget	Actual Amounts	Variance With Final Budget
Revenues			
Contributions	\$ 13,650	\$ 13,650	\$ -
Interest earnings	700	1,927	1,227
Total Revenues	<u>14,350</u>	<u>15,577</u>	<u>1,227</u>
Expenditures			
Current			
Economic development	<u>10,000</u>	<u>-</u>	<u>10,000</u>
Net Change in Fund Balances	4,350	15,577	11,227
Fund Balance, January 1	<u>107,588</u>	<u>107,588</u>	<u>-</u>
Fund Balances, December 31	<u><u>\$ 111,938</u></u>	<u><u>\$ 123,165</u></u>	<u><u>\$ 11,227</u></u>

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, 2017

	Final Budget	Actual Amounts	Variance With Final Budget
Revenues			
Contributions	\$ 1,000	\$ 2,000	\$ 1,000
Interest earnings	10	-	(10)
Miscellaneous	7,000	6,251	(749)
Total Revenues	<u>8,010</u>	<u>8,251</u>	<u>241</u>
Expenditures			
Current			
Public safety	<u>8,010</u>	<u>7,158</u>	<u>852</u>
Net Change in Fund Balances	-	1,093	1,093
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>\$ 2,167</u></u>	<u><u>\$ 1,093</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, 2017

	Final Budget	Actual Amounts	Variance With Final Budget
Revenues			
Fines and Forfeitures	\$ 10,000	\$ 3,905	\$ (6,095)
Interest earnings	500	1,114	614
Total Revenues	<u>10,500</u>	<u>5,019</u>	<u>(5,481)</u>
Expenditures			
Current			
Public safety	<u>10,000</u>	<u>12,941</u>	<u>(2,941)</u>
Net Change in Fund Balances	500	(7,922)	(8,422)
Fund Balance, January 1	<u>63,972</u>	<u>63,972</u>	<u>-</u>
Fund Balances, December 31	<u><u>\$ 64,472</u></u>	<u><u>\$ 56,050</u></u>	<u><u>\$ (8,422)</u></u>

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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, 2017

	Final Budget	Actual Amounts	Variance With Final Budget
Revenues			
Intergovernmental	\$ 141,466	\$ 142,081	\$ 615
Charges for services	-	40	40
Total Revenues	<u>141,466</u>	<u>142,121</u>	<u>655</u>
Expenditures			
Current			
Public safety	<u>141,466</u>	<u>175,449</u>	<u>(33,983)</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	-	(33,328)	(33,328)
Other Financing Sources			
Transfers in	<u>-</u>	<u>29,569</u>	<u>29,569</u>
Net Change in Fund Balances	-	(3,759)	(3,759)
Fund Balance, January 1	<u>19,944</u>	<u>19,944</u>	<u>-</u>
Fund Balances, December 31	<u><u>\$ 19,944</u></u>	<u><u>\$ 16,185</u></u>	<u><u>\$ (3,759)</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, 2017

	Final Budget	Actual Amounts	Variance With Final Budget
Revenues			
Intergovernmental	\$ 71,000	\$ 71,340	\$ 340
Interest earnings	-	298	298
Total Revenues	<u>71,000</u>	<u>71,638</u>	<u>638</u>
Expenditures			
Current			
Public safety	<u>85,240</u>	<u>74,830</u>	<u>10,410</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(14,240)	(3,192)	11,048
Other Financing Sources			
Transfers in	<u>14,240</u>	<u>3,490</u>	<u>(10,750)</u>
Net Change in Fund Balances	-	298	298
Fund Balance, January 1	<u>301</u>	<u>301</u>	<u>-</u>
Fund Balances, December 31	<u><u>\$ 301</u></u>	<u><u>\$ 599</u></u>	<u><u>\$ 298</u></u>

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, 2017

	Final Budget	Actual Amounts	Variance With Final Budget
Revenues			
Contributions	\$ 30,000	\$ 30,000	\$ -
Expenditures			
Current			
General government	26,901	35,733	(8,832)
Capital outlay			
General government	7,850	7,175	675
Total expenditures	<u>34,751</u>	<u>42,908</u>	<u>(8,157)</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(4,751)	(12,908)	(8,157)
Other Financing Sources			
Transfers in	<u>20,000</u>	<u>30,245</u>	<u>10,245</u>
Net Change in Fund Balances	15,249	17,337	2,088
Fund Balance, January 1	<u>23,634</u>	<u>23,634</u>	<u>-</u>
Fund Balances, December 31	<u><u>\$ 38,883</u></u>	<u><u>\$ 40,971</u></u>	<u><u>\$ 2,088</u></u>

City of Waseca, Minnesota  
Non Major Governmental Funds  
Combining Balance Sheet - TIF Special Revenue Funds  
December 31, 2017

	<b>222</b> TIF Charter Oaks Fund	<b>223</b> TIF Central Fund	<b>224</b> TIF Waseca Village Fund
<b>Assets</b>			
Cash and investments	\$ 14,600	\$ -	\$ -
Taxes receivable	<u>-</u>	<u>-</u>	<u>-</u>
Total Assets	<u><u>\$ 14,600</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>
<b>Liabilities</b>			
Due to other funds	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 6,175</u>
<b>Deferred Inflows of Resources</b>			
Unavailable revenue - taxes	<u>-</u>	<u>-</u>	<u>-</u>
<b>Fund Balances</b>			
Restricted for			
Tax increment	14,600	-	-
Unassigned	<u>-</u>	<u>-</u>	<u>(6,175)</u>
Total Fund Balance	<u><u>14,600</u></u>	<u><u>-</u></u>	<u><u>(6,175)</u></u>
<b>Total Liabilities and Fund Balance</b>	<u><u>\$ 14,600</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>



226 TIF South Loon Fund	227 TIF Fox Meadows	Total
\$ 1,012	\$ -	\$ 15,612
254	-	254
<u>\$ 1,266</u>	<u>\$ -</u>	<u>\$ 15,866</u>
\$ -	\$ 6,456	\$ 12,631
254	-	254
1,012	-	15,612
-	(6,456)	(12,631)
<u>1,012</u>	<u>(6,456)</u>	<u>2,981</u>
<u>\$ 1,266</u>	<u>\$ -</u>	<u>\$ 15,866</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, 2017

	<b>222</b> TIF Charter Oaks Fund	<b>223</b> TIF Central Fund	<b>224</b> TIF Waseca Village Fund
Revenues			
Taxes			
Tax increments	\$ 13,077	\$ 1,857	\$ 13,309
Interest earnings	241	-	-
Total Revenues	<u>13,318</u>	<u>1,857</u>	<u>13,309</u>
Expenditures			
Current			
Economic development	<u>12,319</u>	<u>-</u>	<u>13,194</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	999	1,857	115
Other Financing Sources (Uses)			
Transfers out	<u>-</u>	<u>(11,849)</u>	<u>-</u>
Net Change in Fund Balances	999	(9,992)	115
Fund Balance, January 1	<u>13,601</u>	<u>9,992</u>	<u>(6,290)</u>
Fund Balances, December 31	<u><u>\$ 14,600</u></u>	<u><u>\$ -</u></u>	<u><u>\$ (6,175)</u></u>

226 TIF South Loon Fund	227 TIF Fox Meadows	Total
\$ 34,305	\$ 17,895	\$ 80,443
1,012	-	1,253
<u>35,317</u>	<u>17,895</u>	<u>81,696</u>
 53,774	 17,420	 96,707
 (18,457)	 475	 (15,011)
 (54,341)	 -	 (66,190)
 (72,798)	 475	 (81,201)
 73,810	 (6,931)	 84,182
<u>\$ 1,012</u>	<u>\$ (6,456)</u>	<u>\$ 2,981</u>

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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.

*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, 2017

	<b>402</b> Municipal State Aid Construction	<b>445</b> Northwest Commercial Development	<b>470</b> Annexation and Growth
<b>Assets</b>			
Cash and investments	\$ 937,801	\$ 321,069	\$ 165,941
Land held for resale	<u>-</u>	<u>770,901</u>	<u>-</u>
<b>Total Assets</b>	<u><u>\$ 937,801</u></u>	<u><u>\$ 1,091,970</u></u>	<u><u>\$ 165,941</u></u>
<b>Liabilities</b>			
Accounts payable	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,289</u>
<b>Fund Balances</b>			
Restricted for			
Municipal state aid	937,801	-	-
Assigned for			
Northwest commercial development	-	1,091,970	-
Annexation and growth	-	-	163,652
Equipment replacement	<u>-</u>	<u>-</u>	<u>-</u>
<b>Total Fund Balance</b>	<u><u>937,801</u></u>	<u><u>1,091,970</u></u>	<u><u>163,652</u></u>
<b>Total Liabilities and Fund Balance</b>	<u><u>\$ 937,801</u></u>	<u><u>\$ 1,091,970</u></u>	<u><u>\$ 165,941</u></u>

<b>705</b>	
Equipment Replacement Fund	
	Total
\$ 563,532	\$ 1,988,343
-	770,901
<u>\$ 563,532</u>	<u>\$ 2,759,244</u>
\$ 15,613	\$ 17,902
-	937,801
-	1,091,970
-	163,652
547,919	547,919
<u>547,919</u>	<u>2,741,342</u>
<u>\$ 563,532</u>	<u>\$ 2,759,244</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, 2017

	<b>402</b> Municipal State Aid Construction	<b>445</b> Northwest Commercial Development	<b>470</b> Annexation and Growth
Revenues			
Intergovernmental	\$ 151,430	\$ -	\$ -
Interest earnings	15,932	3,498	3,086
Miscellaneous	-	-	12,760
Total Revenues	<u>167,362</u>	<u>3,498</u>	<u>15,846</u>
Expenditures			
Current			
General government	-	-	70,472
Capital outlay			
Public safety	-	-	-
Streets and highways	-	32,585	-
Culture and recreation	-	-	-
Total Expenditures	<u>-</u>	<u>32,585</u>	<u>70,472</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>167,362</u>	<u>(29,087)</u>	<u>(54,626)</u>
Other Financing Sources (Uses)			
Sale of capital assets	-	-	-
Transfers in	-	-	-
Transfers out	(90,000)	-	-
Total Other Financing Sources (Uses)	<u>(90,000)</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balances	77,362	(29,087)	(54,626)
Fund Balance, January 1	<u>860,439</u>	<u>1,121,057</u>	<u>218,278</u>
Fund Balances, December 31	<u>\$ 937,801</u>	<u>\$ 1,091,970</u>	<u>\$ 163,652</u>



<b>705</b>	
Equipment Replacement Fund	Total
\$ -	\$ 151,430
-	22,516
730	13,490
<u>730</u>	<u>187,436</u>
-	70,472
118,924	118,924
119,428	152,013
28,035	28,035
<u>266,387</u>	<u>369,444</u>
<u>(265,657)</u>	<u>(182,008)</u>
827	827
460,800	460,800
(44,000)	(134,000)
<u>417,627</u>	<u>327,627</u>
151,970	145,619
<u>395,949</u>	<u>2,595,723</u>
<u>\$ 547,919</u>	<u>\$ 2,741,342</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, 2017

	Final Budget	Actual Amounts	Variance With Final Budget
Revenues			
Interest earnings	\$ 1,000	\$ -	\$ (1,000)
Miscellaneous	-	730	730
Total Revenues	<u>1,000</u>	<u>730</u>	<u>(270)</u>
Expenditures			
Capital outlay			
Public safety	388,800	118,924	269,876
Streets and highways	127,100	119,428	7,672
Culture and recreation	94,000	28,035	65,965
Total Expenditures	<u>609,900</u>	<u>266,387</u>	<u>343,513</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(608,900)</u>	<u>(265,657)</u>	<u>343,243</u>
Other Financing Sources (Uses)			
Transfers in	460,800	460,800	-
Transfers to other funds	-	(44,000)	(44,000)
Sale of capital assets	-	827	827
Total Other Financing Sources (Uses)	<u>460,800</u>	<u>417,627</u>	<u>(43,173)</u>
Net Change in Fund Balances	(148,100)	151,970	300,070
Fund Balance, January 1	<u>395,949</u>	<u>395,949</u>	<u>-</u>
Fund Balances, December 31	<u>\$ 247,849</u>	<u>\$ 547,919</u>	<u>\$ 300,070</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, 2017

	Final Budget	Actual Amounts	Variance With Final Budget
Revenues			
Interest earnings	\$ 3,000	\$ 2,295	\$ (705)
Contributions	38,000	396,387	358,387
Miscellaneous	-	831,999	831,999
Total Revenues	<u>41,000</u>	<u>1,230,681</u>	<u>1,189,681</u>
Expenditures			
Current			
Streets and highways	-	20,192	(20,192)
Capital outlay			
General government	15,000	-	15,000
Streets and highways	380,000	303,587	76,413
Culture and recreation	75,000	713,128	(638,128)
Total Expenditures	<u>470,000</u>	<u>1,036,907</u>	<u>(566,907)</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(429,000)	193,774	622,774
Other Financing Sources (Uses)			
Transfers in	<u>907,387</u>	<u>1,139,387</u>	<u>232,000</u>
Net Change in Fund Balance	478,387	1,333,161	854,774
Fund Balance, January 1	<u>154,762</u>	<u>154,762</u>	<u>-</u>
Fund Balances, December 31	<u>\$ 633,149</u>	<u>\$ 1,487,923</u>	<u>\$ 854,774</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, 2017

	Final Budget	Actual Amounts	Variance With Final Budget
Revenues			
Special assessments	\$ 247,207	\$ 224,428	\$ (22,779)
Interest earnings	1,000	18,442	17,442
Miscellaneous	-	20,212	20,212
Total Revenues	<u>248,207</u>	<u>263,082</u>	<u>14,875</u>
Other Financing Sources (Uses)			
Transfers to other funds	<u>(207,919)</u>	<u>(207,919)</u>	<u>-</u>
Net Change in Fund Balances	40,288	55,163	14,875
Fund Balance, January 1	<u>1,024,042</u>	<u>1,024,042</u>	<u>-</u>
Fund Balances, December 31	<u><u>\$ 1,064,330</u></u>	<u><u>\$ 1,079,205</u></u>	<u><u>\$ 14,875</u></u>

City of Waseca, Minnesota  
General Fund  
Comparative Balance Sheets  
December 31, 2017  
(With Comparative Totals for December 31, 2016)

	<u>2017</u>	<u>2016</u>
Assets		
Cash and investments	\$ 3,597,740	\$ 3,674,957
Receivables		
Taxes	62,590	95,284
Accounts	56,057	72,697
Interest	114,291	81,289
Due from other governments	193,667	185,541
Land held for resale	17,849	17,821
Due from other funds	22,529	42,224
Prepaid items	<u>1,900</u>	<u>4,502</u>
Total Assets	<u><u>\$ 4,066,623</u></u>	<u><u>\$ 4,174,315</u></u>
Liabilities		
Accounts payable	\$ 45,911	\$ 165,900
Due to other governments	14,425	9,722
Accrued wages payable	145,690	138,465
Unearned revenue	34,356	49,710
Due to other funds	<u>14,563</u>	<u>-</u>
Total Liabilities	<u>254,945</u>	<u>363,797</u>
Deferred Inflows of Resources		
Unavailable revenue - taxes	<u>62,590</u>	<u>95,284</u>
Fund Balances		
Nonspendable		
Prepaid items	1,900	4,502
Land held for resale	17,849	17,821
Restricted for		
Parkland dedication	49,639	84,139
Unassigned	<u>3,679,700</u>	<u>3,608,772</u>
Total Fund Balance	<u>3,749,088</u>	<u>3,715,234</u>
Total Liabilities, Deferred Inflow of Resources and Fund Balances	<u><u>\$ 4,066,623</u></u>	<u><u>\$ 4,174,315</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, 2017  
(With Comparative Actual Amounts for the Year Ended December 31, 2016)

	2017			2016	
	Budgeted Amounts		Actual	Variance with	Actual
	Original	Final	Amounts	Final Budget	Amounts
Revenues					
Taxes	\$ 4,221,249	\$ 3,735,510	\$ 3,696,621	\$ (38,889)	\$ 3,523,499
Licenses	44,000	44,000	71,418	27,418	44,582
Permits and fees	142,700	142,700	175,938	33,238	102,573
Intergovernmental	2,949,217	2,949,217	2,976,212	26,995	2,930,830
Charges for services	196,400	196,400	169,878	(26,522)	176,791
Fines and forfeitures	22,500	22,500	10,135	(12,365)	15,413
Contributions	10,000	10,000	3,043	(6,957)	62,454
Interest earnings	20,000	20,000	39,008	19,008	41,224
Miscellaneous	114,500	114,500	142,214	27,714	114,539
Total revenues	7,720,566	7,234,827	7,284,467	49,640	7,011,905
Expenditures					
Current					
General government					
Legislative	152,520	152,520	159,885	(7,365)	214,130
Administration	476,887	476,887	320,214	156,673	289,604
Elections	-	-	6,721	(6,721)	12,447
Finance	379,288	379,288	355,072	24,216	346,079
Legal	95,000	95,000	106,737	(11,737)	99,516
Information technology	130,000	130,000	151,059	(21,059)	119,482
Buildings and grounds	146,742	146,742	105,139	41,603	128,131
Community development	276,302	276,302	251,408	24,894	203,922
Total general government	1,656,739	1,656,739	1,456,235	200,504	1,413,311
Public safety					
Police department	1,777,748	1,777,748	1,840,309	(62,561)	1,762,858
Community services	33,729	33,729	30,088	3,641	34,914
Fire department	455,562	455,562	484,246	(28,684)	453,458
Civil defense	5,000	5,000	5,901	(901)	4,332
Building inspections	218,261	218,261	254,104	(35,843)	236,176
Total public safety	2,490,300	2,490,300	2,614,648	(124,348)	2,491,738
Streets and highways					
Engineering	373,679	373,679	368,001	5,678	361,000
Street maintenance	679,461	679,461	644,241	35,220	620,723
Snow removal	200,411	200,411	136,622	63,789	137,286
Surface water management	-	-	-	-	8
Street lighting	106,680	106,680	102,255	4,425	99,368
Traffic signs	43,208	43,208	36,581	6,627	36,901
Total streets and highways	1,403,439	1,403,439	1,287,700	115,739	1,255,286
Sanitation					
Street cleaning	48,013	48,013	53,744	(5,731)	52,080

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, 2017  
(With Comparative Actual Amounts for the Year Ended December 31, 2016)

	2017			2016
	Budgeted Amounts		Actual	Actual
	Original	Final	Amounts	Amounts
Cultural and recreation				
Recreation	\$ 120,400	\$ 120,400	\$ 120,400	\$ 120,400
Water park	238,422	238,422	246,197	254,219
Park maintenance	518,295	518,295	567,460	520,221
Library	43,386	43,386	33,671	31,607
Total culture and recreation	920,503	920,503	967,728	926,447
Total Expenditures	6,518,994	6,518,994	6,380,055	6,138,862
Excess (Deficiency) of Revenues Over (Under) Expenditures	1,201,572	715,833	904,412	873,043
Other Financing Sources (Uses)				
Transfers in	578,118	578,118	632,459	618,702
Transfers out	(1,777,469)	(1,291,004)	(1,503,017)	(1,412,023)
Total other financing sources (uses)	(1,199,351)	(712,886)	(870,558)	(793,321)
Net Change in Fund Balances	2,221	2,947	33,854	79,722
Fund Balance, January 1	3,715,234	3,715,234	3,715,234	3,635,512
Fund Balance, December 31	\$ 3,717,455	\$ 3,718,181	\$ 3,749,088	\$ 3,715,234

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# Nonmajor Governmental Funds

## Debt Service

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

*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* - Accounts for the debt issued for various construction projects including 7<sup>th</sup> 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, 2017

	<b>346</b> 2011A Refunding Bonds	<b>380</b> Tax Increment District #23	<b>390</b> 2014A GO Bond	<b>395</b> 2014B Refunding Bonds	Total
Assets					
Cash and investments	\$ -	\$ -	\$ 169,951	\$ 101,973	\$ 271,924
Taxes receivable	-	-	5,186	2,800	7,986
Due from other governments	-	-	5,125	1,266	6,391
Total Assets	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 180,262</u>	<u>\$ 106,039</u>	<u>\$ 286,301</u>
Deferred Inflows of Resources					
Unavailable revenue - taxes	\$ -	\$ -	\$ 5,186	\$ 2,800	\$ 7,986
Fund Balances					
Restricted for Debt service	<u>-</u>	<u>-</u>	<u>175,076</u>	<u>103,239</u>	<u>278,315</u>
Total Liabilities, Deferred Inflow of Resources and Fund Balances	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 180,262</u>	<u>\$ 106,039</u>	<u>\$ 286,301</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 31, 2017

	<b>346</b> 2011A Refunding Bonds	<b>380</b> Tax Increment District #23	<b>390</b> 2014A GO Bond	<b>395</b> 2014B Refunding Bonds	Total
Revenues					
Property taxes	\$ -	\$ -	\$ 372,955	\$ 112,784	\$ 485,739
Interest earnings	596	-	6,272	939	7,807
Total Revenues	<u>596</u>	<u>-</u>	<u>379,227</u>	<u>113,723</u>	<u>493,546</u>
Expenditures					
Debt service					
Bond principal	-	-	260,000	60,000	320,000
Interest and fiscal charges	225	-	117,900	45,667	163,792
Total Expenditures	<u>225</u>	<u>-</u>	<u>377,900</u>	<u>105,667</u>	<u>483,792</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>371</u>	<u>-</u>	<u>1,327</u>	<u>8,056</u>	<u>9,754</u>
Other Financing Sources (Uses)					
Transfers in	-	74,702	11,849	-	86,551
Transfers out	(46,516)	-	(74,702)	-	(121,218)
Total Other Financing Sources (Uses)	<u>(46,516)</u>	<u>74,702</u>	<u>(62,853)</u>	<u>-</u>	<u>(34,667)</u>
Net Change in Fund Balances	(46,145)	74,702	(61,526)	8,056	(24,913)
Fund Balance, January 1	<u>46,145</u>	<u>(74,702)</u>	<u>236,602</u>	<u>95,183</u>	<u>303,228</u>
Fund Balances, December 31	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 175,076</u>	<u>\$ 103,239</u>	<u>\$ 278,315</u>

City of Waseca, Minnesota  
Internal Service Funds  
Combining Statement of Net Position  
December 31, 2017

	<b>701</b> Central Garage Services	<b>702</b> Property & Liability Insurance	<b>703</b> Workers Compensation Insurance	Total
<b>Assets</b>				
Cash and investments	\$ 15,849	\$ 73,930	\$ 145,567	\$ 235,346
Accounts receivable	-	13,387	1,346	14,733
Total assets	<u>15,849</u>	<u>87,317</u>	<u>146,913</u>	<u>250,079</u>
<b>Deferred Outflows of Resources</b>				
Deferred pension resources	<u>23,942</u>	<u>-</u>	<u>-</u>	<u>23,942</u>
<b>Liabilities</b>				
<b>Current Liabilities</b>				
Accounts payable	2,165	-	-	2,165
Due to other governments	160	-	-	160
Accrued wages payable	<u>4,494</u>	<u>-</u>	<u>-</u>	<u>4,494</u>
Total Current Liabilities	<u>6,819</u>	<u>-</u>	<u>-</u>	<u>6,819</u>
<b>Noncurrent Liabilities</b>				
Pension liability	<u>82,336</u>	<u>-</u>	<u>-</u>	<u>82,336</u>
Total Liabilities	<u>89,155</u>	<u>-</u>	<u>-</u>	<u>89,155</u>
<b>Deferred Inflows of Resources</b>				
Deferred pension resources	<u>19,155</u>	<u>-</u>	<u>-</u>	<u>19,155</u>
<b>Net Position</b>				
Unrestricted	<u><u>\$ (68,519)</u></u>	<u><u>\$ 87,317</u></u>	<u><u>\$ 146,913</u></u>	<u><u>\$ 165,711</u></u>

City of Waseca, Minnesota  
Internal Service Funds  
Combining Statement of Revenues, Expenses, and Changes in Net Position  
For the Year Ended December 31, 2017

	<b>701</b> Central Garage Services	<b>702</b> Property & Liability Insurance	<b>703</b> Workers Compensation Insurance	Total
Operating Revenues				
Charges to other funds	\$ 254,846	\$ 101,533	\$ 188,402	\$ 544,781
Insurance reimbursement	-	48,820	-	48,820
Miscellaneous	-	-	9,261	9,261
Total Operating Revenues	<u>254,846</u>	<u>150,353</u>	<u>197,663</u>	<u>602,862</u>
Operating Expenses				
Personal services	127,768	-	-	127,768
Supplies	123,959	-	-	123,959
Services and charges	3,119	39,598	-	42,717
Insurance payment	-	11,818	-	11,818
Insurance premiums	-	114,376	168,416	282,792
Total Operating Expenses	<u>254,846</u>	<u>165,792</u>	<u>168,416</u>	<u>589,054</u>
Operating Income (Loss)	-	(15,439)	29,247	13,808
Nonoperating Revenues (Expenses)				
Investment earnings	-	-	1,495	1,495
Income (Loss) Before Contributions and Transfers	-	(15,439)	30,742	15,303
Transfers In	-	58,165	-	58,165
Change in Net Position	-	42,726	30,742	73,468
Net Position, January 1	<u>(68,519)</u>	<u>44,591</u>	<u>116,171</u>	<u>92,243</u>
Net Position, December 31	<u>\$ (68,519)</u>	<u>\$ 87,317</u>	<u>\$ 146,913</u>	<u>\$ 165,711</u>

City of Waseca, Minnesota  
Internal Service Funds  
Combining Statement of Cash Flows  
For the Year Ended December 31, 2017

	<b>701</b> Central Garage Services	<b>702</b> Property & Liability Insurance	<b>703</b> Workers Compensation Insurance	Total
Cash Flows from Operating Activities				
Cash received from other funds and reimbursements	\$ 254,846	\$ 136,966	\$ 196,317	\$ 588,129
Cash payments to employees for services	(124,352)	-	-	(124,352)
Cash payments for interfund services used	(140,764)	(182,238)	(168,416)	(491,418)
Net Cash Provided (Used) by Operating Activities	<u>(10,270)</u>	<u>(45,272)</u>	<u>27,901</u>	<u>(27,641)</u>
Cash Flows from Noncapital Financing Activities				
Transfers from other funds	<u>-</u>	<u>58,165</u>	<u>-</u>	<u>58,165</u>
Cash Flows from Investing Activities				
Interest on investments	<u>-</u>	<u>-</u>	<u>1,495</u>	<u>1,495</u>
Net Cash Increase (Decrease) in Cash and Cash Equivalents	(10,270)	12,893	29,396	32,019
Cash and Cash Equivalents, January 1	<u>26,119</u>	<u>61,037</u>	<u>116,171</u>	<u>203,327</u>
Cash and Cash Equivalents, December 31	<u><u>\$ 15,849</u></u>	<u><u>\$ 73,930</u></u>	<u><u>\$ 145,567</u></u>	<u><u>\$ 235,346</u></u>
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities				
Operating income (loss)	\$ -	\$ (15,439)	\$ 29,247	\$ 13,808
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities				
(Increase) decrease in assets				
Accounts receivable	-	(13,387)	(1,346)	(14,733)
(Increase) decrease in deferred outflows of resources				
Deferred pension resources	14,423	-	-	14,423
Increase (decrease) in liabilities				
Accounts payable	(13,677)	(16,446)	-	(30,123)
Due to other governments	(9)	-	-	(9)
Accrued wages	1,018	-	-	1,018
Pension liability	(18,867)	-	-	(18,867)
Increase (decrease) in deferred inflows of resources				
Deferred pension resources	<u>6,842</u>	<u>-</u>	<u>-</u>	<u>6,842</u>
Net Cash Provided (Used) By Operating Activities	<u><u>\$ (10,270)</u></u>	<u><u>\$ (45,272)</u></u>	<u><u>\$ 27,901</u></u>	<u><u>\$ (27,641)</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.

City of Waseca, Minnesota  
Discretely Presented Component Unit - Economic Development Authority  
Balance Sheet  
General Fund  
December 31, 2017

Assets	
Cash and investments	\$ 607,402
Receivables	
Taxes	1,342
Loans	92,352
Due from other governments	1,277
Land held for resale	<u>177,267</u>
Total Assets	<u><u>\$ 879,640</u></u>
Liabilities	
Accounts payable	\$ 729
Accrued wages payable	<u>1,303</u>
Total Liabilities	<u><u>2,032</u></u>
Deferred Inflows of Resources	
Unavailable revenue - taxes	<u>1,342</u>
Fund Balances	
Nonspendable	
Land held for resale	177,267
Unassigned	<u>698,999</u>
Total Fund Balances	<u><u>876,266</u></u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u><u>\$ 879,640</u></u>
Amounts reported for governmental activities in the statement of net position are different because	
Fund balance - governmental fund	\$ 876,266
Other long-term assets are not available to pay for current-period expenditures and, therefore, are unavailable in the funds.	<u>1,342</u>
Net Position of Governmental Activities	<u><u>\$ 877,608</u></u>



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, 2017

Revenues	
Taxes	\$ 74,984
Interest earnings	13,908
Total Revenues	<u>88,892</u>
Expenditures	
Current	
Personal services	46,546
Services and charges	15,360
Total Expenditures	<u>61,906</u>
Net Change in Fund Balance	26,986
Fund Balance, January 1	<u>849,280</u>
Fund Balances, December 31	<u><u>\$ 876,266</u></u>
Amounts reported for governmental activities in the statement of activities are different because:	
Net change in fund balance - governmental fund	\$ 26,986
Revenue (delinquent taxes unavailable revenue) in the statement of activities that does not provide current financial resources is not reported as revenue in the fund.	<u>(823)</u>
Changes in Net Position of Governmental Activities	<u><u>\$ 26,163</u></u>

City of Waseca, Minnesota  
Discretely Presented Component Unit - Housing Redevelopment Authority  
Statement of Net Position  
Proprietary Funds  
December 31, 2017

Assets

Current Assets

Cash and investments	\$ 352,745
Cash and investments - restricted	18,425
Accounts receivable	1,436
Prepaid items	15,468
Total Current Assets	<u>388,074</u>

Noncurrent Assets

Capital assets

Land	61,996
Buildings	2,369,436
Leasehold improvements	160,247
Furniture, equipment & machinery	157,834
Less accumulated depreciation	(2,116,362)
Total Noncurrent Assets	<u>633,151</u>

Total Assets	<u>1,021,225</u>
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Liabilities and Net Position

Current Liabilities

Accounts payable	862
Accrued compensated absences - current portion	4,319
Due to other governments	17,571
Tenant security deposits	18,425
Unearned revenue	14
Accrued liabilities - other	8,046
Total Liabilities	<u>49,237</u>

Net Position

Net investment in capital assets	633,151
Unrestricted net position	<u>338,837</u>
Total Net Position	<u>\$ 971,988</u>

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, 2017

Operating Revenues	
Net tenant rental revenue	\$ 247,922
Tenant revenue - other	14,457
HUD PHA operating grants	<u>36,627</u>
Total Operating Revenues	<u>299,006</u>
Operating Expenses	
Administration	94,092
Tenant services	586
Utilities	67,005
Ordinary maintenance and operations	126,007
Insurance premiums	19,907
General expenses	19,962
Depreciation	<u>88,921</u>
Total Operating Expenses	<u>416,480</u>
Operating Income (Loss)	(117,474)
Nonoperating Revenues (Expenses)	
Investment income - unrestricted	<u>1,736</u>
Income (Loss) Before Contributions and Transfers	(115,738)
Capital Grants	<u>40,730</u>
Change in Net Position	(75,008)
Net Position, January 1	<u>1,046,996</u>
Net Position, December 31	<u><u>\$ 971,988</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, 2017

Cash Flows from Operating Activities	
Cash received from tenants	\$ 262,622
Federal funds received	36,627
Cash paid to employees	(103,649)
Cash paid to suppliers	(221,618)
Net Cash Provided (Used) by Operating Activities	<u>(26,018)</u>
Cash Flows from Investing Activities	
Interest received	<u>1,341</u>
Cash Flows from Capital and Related Financing Activities	
Federal funds received - capital grants	40,730
Capital expenditures	(61,413)
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>(20,683)</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(45,360)
Cash and Cash Equivalents, January 1	<u>416,530</u>
Cash and Cash Equivalents, December 31	<u><u>\$ 371,170</u></u>
Cash and Investments	\$ 352,745
Cash and Investments - Restricted	<u>18,425</u>
Total Cash and Cash Equivalents	<u><u>\$ 371,170</u></u>
Reconciliation of Operating Income (Loss) to Net Cash	
Provided (Used) By Operating Activities	
Operating income (loss)	\$ (117,474)
Adjustments to reconcile operating income (loss) to net cash	
provided (used) by operating activities	
Depreciation	88,921
(Increase) decrease in assets	
Accounts receivable	272
Prepaid items	724
Increase (decrease) in liabilities	
Accounts payable	(138)
Accrued compensated absences - current portion	(161)
Due to other governments	(61)
Tenant security deposits	817
Unearned revenue	(29)
Accrued liabilities - other	<u>1,111</u>
Net Cash Provided (Used) by Operating Activities	<u><u>\$ (26,018)</u></u>

City of Waseca, Minnesota  
Summary of Financial Report  
Revenues and Expenditures For General Operations -  
Governmental Funds  
For the Years Ended December 31, 2017 and 2016

	Total		Percent Increase (Decrease)
	2017	2016	
Revenues			
Taxes	\$ 4,262,803	\$ 4,036,353	5.61 %
Licenses	71,418	21,238	236.27
Permits and fees	175,938	216,416	(18.70)
Intergovernmental	11,219,020	3,903,768	187.39
Charges for services	275,805	26,425	943.73
Program income	-	286,733	(100.00)
Fines and forfeitures	14,040	31,802	(55.85)
Special assessments	224,428	324,738	(30.89)
Contributions	445,080	15,690	2,736.71
Interest earnings	156,998	84,805	85.13
Miscellaneous	1,031,635	193,531	433.06
Total Revenues	<u>\$ 17,877,165</u>	<u>\$ 9,141,499</u>	95.56 %
Per Capita	<u>\$ 1,959</u>	<u>\$ 978</u>	100.31 %
Expenditures			
Current			
General government	\$ 1,562,440	\$ 1,314,549	18.86 %
Public safety	2,885,026	2,486,324	16.04
Streets and highways	1,307,892	1,216,528	7.51
Sanitation	53,744	33,654	59.70
Cultural and recreation	967,728	850,065	13.84
Economic development	97,380	158,507	(38.56)
Airport	161,561	170,795	(5.41)
Other services	-	218,782	(100.00)
Capital outlay			
General government	7,175	117,660	(93.90)
Public safety	118,924	128,580	(7.51)
Streets and highways	7,938,912	2,249,974	252.84
Cultural and recreation	741,163	908,325	(18.40)
Airport	3,095	183,349	(98.31)
Debt service			
Bond principal	320,000	295,000	8.47
Interest and fiscal charges	163,792	211,970	(22.73)
Total Expenditures	<u>\$ 16,328,832</u>	<u>\$ 10,544,062</u>	54.86 %
Per Capita	<u>\$ 1,790</u>	<u>\$ 1,128</u>	58.69 %
Total Long-term Indebtedness	\$ 5,015,000	\$ 5,335,000	(6.00) %
Per Capita	550	571	(3.68)
Governmental Fund Balance - December 31	\$ 10,424,312	\$ 9,203,757	13.26 %
Per Capita	1,143	984	16.16

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.

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# 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				
	2017	2016	2015	2014	2013
Governmental Activities					
Net investment in capital assets	\$ 35,238,302	\$ 27,305,824	\$ 25,785,983	\$ 23,663,579	\$ 28,196,258
Restricted	1,657,371	1,536,862	3,399,647	3,000,951	1,305,426
Unrestricted	<u>5,427,733</u>	<u>4,469,800</u>	<u>1,844,500</u>	<u>6,084,836</u>	<u>4,655,314</u>
Total Governmental Activities Net Position	<u>\$ 42,323,406</u>	<u>\$ 33,312,486</u>	<u>\$ 31,030,130</u>	<u>\$ 32,749,366</u>	<u>\$ 34,156,998</u>
Business-type Activities					
Net investment in capital assets	\$ 30,335,661	\$ 26,610,969	\$ 26,373,317	\$ 25,591,737	\$ 22,627,509
Unrestricted	<u>3,272,276</u>	<u>5,869,147</u>	<u>6,644,275</u>	<u>8,105,324</u>	<u>8,567,098</u>
Total Business-type Activities Net Position	<u>\$ 33,607,937</u>	<u>\$ 32,480,116</u>	<u>\$ 33,017,592</u>	<u>\$ 33,697,061</u>	<u>\$ 31,194,607</u>
Primary government					
Net investment in capital assets	\$ 65,573,963	\$ 53,916,793	\$ 52,159,300	\$ 49,255,316	\$ 50,823,767
Restricted	1,657,371	1,536,862	3,399,647	3,000,951	1,305,426
Unrestricted	<u>8,700,009</u>	<u>10,338,947</u>	<u>8,488,775</u>	<u>14,190,160</u>	<u>13,222,412</u>
Total Primary Government Net Position	<u>\$ 75,931,343</u>	<u>\$ 65,792,602</u>	<u>\$ 64,047,722</u>	<u>\$ 66,446,427</u>	<u>\$ 65,351,605</u>



## Schedule 1

Fiscal Year				
2012	2011	2010	2009	2008
\$ 25,413,394	\$ 23,902,473	\$ 23,707,790	\$ 22,351,800	\$ 20,272,394
2,515,866	3,074,107	-	-	-
5,927,132	5,086,743	7,668,446	8,502,338	8,834,787
<u>\$ 33,856,392</u>	<u>\$ 32,063,323</u>	<u>\$ 31,376,236</u>	<u>\$ 30,854,138</u>	<u>\$ 29,107,181</u>
\$ 22,522,560	\$ 21,725,944	\$ 21,501,762	\$ 21,358,800	\$ 14,779,935
8,869,226	8,620,898	8,332,100	7,119,219	5,691,494
<u>\$ 31,391,786</u>	<u>\$ 30,346,842</u>	<u>\$ 29,833,862</u>	<u>\$ 28,478,019</u>	<u>\$ 20,471,429</u>
\$ 47,935,954	\$ 45,628,417	\$ 45,209,552	\$ 43,710,600	\$ 35,052,329
2,515,866	3,074,107	-	-	-
14,796,358	13,707,641	16,000,546	15,621,557	14,526,281
<u>\$ 65,248,178</u>	<u>\$ 62,410,165</u>	<u>\$ 61,210,098</u>	<u>\$ 59,332,157</u>	<u>\$ 49,578,610</u>

City of Waseca, Minnesota  
Changes in Net Position (Continued on the Following Pages)  
Last Ten Fiscal Years  
(Accrual Basis of Accounting)

	Fiscal Year				
	2017	2016	2015	2014	2013
Expenses					
Governmental Activities					
General government	\$ 1,667,203	\$ 1,164,360	\$ 1,477,440	\$ 1,450,120	\$ 1,311,191
Public safety	3,083,121	3,328,678	2,449,568	2,626,754	2,385,006
Streets and highways	2,192,849	3,131,504	2,323,408	2,348,043	2,657,336
Sanitation	53,744	52,080	33,654	43,942	37,434
Culture and recreation	1,106,935	1,141,929	1,313,046	1,173,439	1,221,298
Economic development	100,151	117,407	155,571	343,547	442,247
Interest and fees	144,411	198,893	260,674	223,502	132,580
Airport	234,621	205,104	262,750	135,732	150,248
Other	-	-	218,782	168,451	127,292
Total Governmental Activities Expenses	<u>8,583,035</u>	<u>9,339,955</u>	<u>8,494,893</u>	<u>8,513,530</u>	<u>8,464,632</u>
Business-type Activities					
Water	1,012,156	926,845	967,243	1,057,817	968,149
Sewer	2,280,532	2,310,888	2,166,795	2,550,773	2,432,682
Electric	6,640,004	6,517,894	5,821,031	5,992,829	6,282,197
Surface water	178,152	459,274	188,134	223,549	-
Total Business-type Activities Expenses	<u>10,110,844</u>	<u>10,214,901</u>	<u>9,143,203</u>	<u>9,824,968</u>	<u>9,683,028</u>
Total Primary Government Expenses	<u>\$ 18,693,879</u>	<u>\$ 19,554,856</u>	<u>\$ 17,638,096</u>	<u>\$ 18,338,498</u>	<u>\$ 18,147,660</u>
Program Revenues					
Governmental Activities					
Charges for services					
General government	\$ 191,846	\$ 169,599	\$ 119,087	\$ 150,630	\$ 128,304
Public safety	182,468	135,279	258,968	156,120	157,290
Streets and highways	-	-	71	-	-
Culture and recreation	154,150	152,792	163,593	145,208	150,269
Economic development	27,100	9,400	-	-	-
Airport	105,887	109,631	109,066	127,100	133,251
Operating grants and contributions	1,505,463	1,416,973	817,754	1,372,862	934,697
Capital grants and contributions	8,574,136	1,502,662	477,165	957,390	463,360
Total Governmental Activities Program Revenues	<u>10,741,050</u>	<u>3,496,336</u>	<u>1,945,704</u>	<u>2,909,310</u>	<u>1,967,171</u>
Business-type Activities					
Charges for services					
Water	1,326,102	1,091,015	1,135,623	1,124,343	1,051,180
Sewer	2,361,043	2,062,084	1,897,349	1,965,329	1,994,116
Electric	7,051,730	7,195,163	6,632,275	6,748,614	6,859,913
Surface water	152,058	106,623	106,425	106,104	-
Operating grants and contributions	5,663	264,648	5,170	17,665	-
Capital grants and contributions	-	-	-	26,500	-
Total Business-type Activities Program Revenues	<u>10,896,596</u>	<u>10,719,533</u>	<u>9,776,842</u>	<u>9,988,555</u>	<u>9,905,209</u>
Total Primary Government Program Revenues	<u>\$ 21,637,646</u>	<u>\$ 14,215,869</u>	<u>\$ 11,722,546</u>	<u>\$ 12,897,865</u>	<u>\$ 11,872,380</u>
Net (Expense) Revenue					
Governmental activities	\$ 2,158,015	\$ (5,843,619)	\$ (6,549,189)	\$ (5,604,220)	\$ (6,497,461)
Business-type activities	785,752	504,632	633,639	163,587	222,181
Total Primary Government Net Expense	<u>\$ 2,943,767</u>	<u>\$ (5,338,987)</u>	<u>\$ (5,915,550)</u>	<u>\$ (5,440,633)</u>	<u>\$ (6,275,280)</u>

## Schedule 2

Fiscal Year				
2012	2011	2010	2009	2008
\$ 1,453,361	\$ 1,557,455	\$ 1,466,726	\$ 1,296,041	\$ 2,004,479
2,313,626	2,234,708	2,239,732	2,269,907	2,212,658
2,266,354	2,221,251	2,303,749	2,197,469	2,165,581
48,998	51,755	36,085	61,785	49,926
993,011	1,198,836	1,196,169	1,323,007	1,028,410
313,701	519,045	160,660	635,338	-
154,439	198,114	220,444	252,348	287,660
-	-	-	-	-
-	-	-	-	-
7,543,490	7,981,164	7,623,565	8,035,895	7,748,714
941,724	927,153	945,826	913,070	888,636
2,083,325	1,766,602	1,847,497	1,474,211	1,503,280
6,563,897	6,247,453	6,244,546	5,752,967	5,994,670
-	-	-	-	-
9,588,946	8,941,208	9,037,869	8,140,248	8,386,586
\$ 17,132,436	\$ 16,922,372	\$ 16,661,434	\$ 16,176,143	\$ 16,135,300
\$ 115,631	\$ 124,632	\$ 382,223	\$ 244,770	\$ 239,736
193,285	166,587	15,895	116,263	149,800
-	-	113,226	47,158	5,665
251,638	249,828	244,657	130,739	186,727
-	-	-	-	-
-	-	-	-	-
1,067,147	983,062	657,831	657,632	518,481
1,024,240	589,849	186,410	1,689,262	273,571
2,651,941	2,113,958	1,600,242	2,885,824	1,373,980
1,140,659	1,077,476	1,123,628	1,171,451	1,158,726
2,041,173	1,979,062	2,092,247	2,375,457	1,658,274
7,007,456	6,703,294	7,179,391	6,682,100	6,812,270
-	-	-	-	-
-	-	-	-	-
244,532	100,984	333,514	6,070,552	-
10,433,820	9,860,816	10,728,780	16,299,560	9,629,270
\$ 13,085,761	\$ 11,974,774	\$ 12,329,022	\$ 19,185,384	\$ 11,003,250
\$ (4,891,549)	\$ (5,867,206)	\$ (6,023,323)	\$ (5,150,071)	\$ (6,374,734)
844,874	919,608	1,690,911	8,159,312	1,242,684
\$ (4,046,675)	\$ (4,947,598)	\$ (4,332,412)	\$ 3,009,241	\$ (5,132,050)

City of Waseca, Minnesota  
Changes in Net Position (Continued)  
Last Ten Fiscal Years  
(accrual basis of accounting)

	Fiscal Year				
	2017	2016	2015	2014	2013
General Revenues and Other					
Changes in Net Position					
Governmental Activities					
Taxes - general	\$ 3,414,987	\$ 3,309,454	\$ 3,022,586	\$ 3,227,394	\$ 3,487,983
Taxes - debt service	483,049	431,771	478,022	208,866	-
Tax increment	80,443	264,027	294,704	270,383	269,351
Lodging taxes	29,820	23,945	26,392	29,710	20,787
Franchise taxes	216,203	219,436	214,422	211,599	205,519
Unrestricted grants and contributions	2,695,662	2,689,289	3,054,961	2,631,156	2,273,651
Unrestricted investment earnings	158,354	82,683	86,258	44,033	40,550
Gain on disposal of assets	827	-	17,216	2,998	8,664
Contributions of capital assets	44,000	-	-	(2,697,428)	-
Transfers	(270,440)	1,105,370	481,673	419,528	491,562
Total Governmental Activities	<u>6,852,905</u>	<u>8,125,975</u>	<u>7,676,234</u>	<u>4,348,239</u>	<u>6,798,067</u>
Business-type Activities					
Unrestricted investment earnings	71,629	63,262	76,687	49,512	49,169
Gain on disposal of assets	-	-	38,176	11,455	23,033
Contributions of capital assets	-	-	-	2,697,428	-
Transfers	270,440	(1,105,370)	(481,673)	(419,528)	(491,562)
Total Business-type Activities	<u>342,069</u>	<u>(1,042,108)</u>	<u>(366,810)</u>	<u>2,338,867</u>	<u>(419,360)</u>
Total Primary Government	<u>\$ 7,194,974</u>	<u>\$ 7,083,867</u>	<u>\$ 7,309,424</u>	<u>\$ 6,687,106</u>	<u>\$ 6,378,707</u>
Changes in Net Position					
Governmental Activities	\$ 9,010,920	\$ 2,282,356	\$ 1,127,045	\$ (1,255,981)	\$ 300,606
Business-type Activities	<u>1,127,821</u>	<u>(537,476)</u>	<u>266,829</u>	<u>2,502,454</u>	<u>(197,179)</u>
Total Primary Government	<u>\$ 10,138,741</u>	<u>\$ 1,744,880</u>	<u>\$ 1,393,874</u>	<u>\$ 1,246,473</u>	<u>\$ 103,427</u>

## Schedule 2 (Continued)

Fiscal Year				
2012	2011	2010	2009	2008
\$ 3,496,084	\$ 3,193,209	\$ 3,226,835	\$ 3,581,471	\$ 3,281,362
-	-	-	-	-
249,889	227,291	237,501	234,786	220,056
19,561	25,973	-	-	-
202,164	202,024	195,858	194,268	194,268
2,273,651	2,359,621	2,358,118	2,496,349	2,256,322
61,192	72,874	82,376	118,050	231,281
2,910	6,590	-	-	3,855
-	-	-	-	-
455,042	466,711	444,733	272,104	1,889,210
6,760,493	6,554,293	6,545,421	6,897,028	8,076,354
41,921	56,393	109,665	119,382	168,498
-	3,690	-	-	3,397
-	-	-	-	-
(455,042)	(466,711)	(444,733)	(272,104)	(1,889,210)
(413,121)	(406,628)	(335,068)	(152,722)	(1,717,315)
\$ 6,347,372	\$ 6,147,665	\$ 6,210,353	\$ 6,744,306	\$ 6,359,039
\$ 1,868,944	\$ 687,087	\$ 522,095	\$ 1,746,957	\$ 1,701,620
431,753	512,980	1,355,843	8,006,590	(474,631)
\$ 2,300,697	\$ 1,200,067	\$ 1,877,938	\$ 9,753,547	\$ 1,226,989

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

	Fiscal Year				
	2017	2016	2015	2014	2013
General Fund					
Nonspendable	\$ 19,749	\$ 22,323	\$ 4,271	\$ 80,000	\$ -
Reserved	-	-	-	-	-
Restricted for					
Parkland dedication	49,639	84,139	88,503	78,403	38,905
PEG channel	-	-	38,847	13,245	-
Assigned	-	-	-	-	-
Unassigned	3,679,700	3,608,772	3,503,891	3,078,746	3,007,118
Unreserved	-	-	-	-	-
Total General Fund	<u>\$ 3,749,088</u>	<u>\$ 3,715,234</u>	<u>\$ 3,635,512</u>	<u>\$ 3,250,394</u>	<u>\$ 3,046,023</u>
All Other Governmental Funds					
Restricted for					
Debt service	\$ 278,315	\$ 303,228	\$ 1,797,332	\$ 1,576,552	\$ 110,923
Capital projects funds	242,380	-	-	-	-
Clear lake press	87,287	130,710	130,476	137,656	197,295
Revolving loan	12,602	12,530	54,998	88,922	10,495
TIF funds	2,981	97,403	601,238	500,303	406,374
Historical preservation	6,668	-	18	18	2,687
Police safe haven	-	19,944	14,627	3,546	1,379
Police crime victims	-	-	-	-	19,656
Police forfeitures	56,050	63,972	63,326	56,436	50,974
PEG Channel	40,971	23,634	-	-	-
Municipal state aid	937,801	860,439	714,514	591,382	469,957
Reserved, reported in					
Special revenue funds	-	-	-	-	-
Capital projects funds	-	-	-	-	-
Debt service funds	-	-	-	-	-
Committed to					
Airport	363,532	323,847	275,979	302,284	242,463
Police reserves	1,821	728	728	148	458
Police explorers	-	-	-	-	-
Waseca housing fund	103,576	89,926	76,276	69,451	97,801
Assigned to					
Capital projects funds	2,508,963	1,697,105	501,223	2,050,884	994,667
NW commercial development	1,091,970	1,121,057	1,119,587	1,117,737	1,116,693
Annexation & growth	163,652	218,278	244,738	243,221	248,648
Equipment replacement	547,919	395,949	280,116	205,563	194,913
Future projects	-	-	-	421,370	243,645
Operations	160,863	148,637	149,901	143,661	143,859
Highway 14 reconstruction	-	-	-	38,514	50,151
Library remodel	-	-	-	8,696	-
Economic development	51,688	-	-	-	-
Police safe haven	16,185	-	-	-	-
Unassigned	-	(18,864)	228,667	(13,808)	(1,595,500)
Unreserved, reported in					
Special revenue funds	-	-	-	-	-
Capital projects funds	-	-	-	-	-
Debt service funds	-	-	-	-	-
Total All Other Governmental Funds	<u>\$ 6,675,224</u>	<u>\$ 5,488,523</u>	<u>\$ 6,253,744</u>	<u>\$ 7,542,536</u>	<u>\$ 3,007,538</u>
Total All Funds	<u>\$ 10,424,312</u>	<u>\$ 9,203,757</u>	<u>\$ 9,889,256</u>	<u>\$ 10,792,930</u>	<u>\$ 6,053,561</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				
2012	2011	2010	2009	2008
\$ -	\$ 50,000	\$ -	\$ -	\$ -
-	-	120,000	120,000	160,000
-	-	-	-	-
-	-	-	-	-
17,000	17,000	-	-	-
3,324,936	2,947,330	-	-	-
-	-	2,505,772	2,577,264	2,321,883
<u>\$ 3,341,936</u>	<u>\$ 3,014,330</u>	<u>\$ 2,625,772</u>	<u>\$ 2,697,264</u>	<u>\$ 2,481,883</u>
\$ 805,876	\$ 1,351,232	\$ -	\$ -	\$ -
-	-	-	-	-
179,862	165,693	-	-	-
26,951	24,421	-	-	-
321,832	228,596	-	-	-
908	1,691	-	-	-
-	-	-	-	-
19,921	7,307	-	-	-
67,553	50,929	-	-	-
-	-	-	-	-
878,431	894,284	-	-	-
-	-	3,000	3,000	23,000
-	-	960,467	960,467	1,145,882
-	-	-	-	100,000
190,707	177,226	-	-	-
955	824	-	-	-
136	297	-	-	-
84,151	123,502	-	-	-
799,981	523,347	-	-	-
1,115,663	1,114,782	-	-	-
249,387	256,273	-	-	-
273,175	201,808	-	-	-
-	-	-	-	-
184,261	178,396	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
(69,893)	(44,841)	-	-	-
-	-	820,311	650,562	661,021
-	-	2,188,310	1,965,787	1,881,534
-	-	1,124,998	1,366,852	1,505,681
<u>\$ 5,129,857</u>	<u>\$ 5,255,767</u>	<u>\$ 5,097,086</u>	<u>\$ 4,946,668</u>	<u>\$ 5,317,118</u>
<u>\$ 8,471,793</u>	<u>\$ 8,270,097</u>	<u>\$ 7,722,858</u>	<u>\$ 7,643,932</u>	<u>\$ 7,799,001</u>

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

	Fiscal Year				
	2017	2016	2015	2014	2013
Revenues					
Taxes	\$ 4,262,803	\$ 4,216,217	\$ 4,036,353	\$ 3,957,954	\$ 4,004,044
Licenses	71,418	44,582	21,238	56,769	52,205
Permits and fees	175,938	102,573	216,416	139,247	114,455
Intergovernmental	11,219,020	5,453,442	3,903,768	4,469,623	3,288,940
Charges for services	275,805	176,791	26,425	23,713	30,287
Program income	-	117,942	286,733	269,125	277,916
Fines	14,040	23,863	31,802	26,559	53,351
Assessments	224,428	207,278	324,738	286,732	276,661
Interest on assessments	-	-	-	-	-
Contributions	445,080	106,104	15,690	51,635	25,074
Interest earnings	156,998	82,346	84,805	-	-
Miscellaneous	1,031,635	158,696	193,531	257,340	245,403
Total Revenues	<u>17,877,165</u>	<u>10,689,834</u>	<u>9,141,499</u>	<u>9,538,697</u>	<u>8,368,336</u>
Expenditures					
Current					
General government	1,562,440	1,473,754	1,314,549	1,324,419	1,202,393
Public safety	2,885,026	2,721,098	2,486,324	2,420,384	2,268,008
Streets and highways	1,307,892	1,255,685	1,216,528	1,696,586	1,636,017
Sanitation	53,744	52,080	33,654	43,942	37,434
Cultural and recreation	967,728	926,447	850,065	854,458	966,410
Personal services	-	-	-	-	-
Materials and supplies	-	-	-	-	-
Separation contribution	-	-	-	-	-
Services and charges	-	-	-	-	-
Economic development	97,380	116,953	158,507	337,229	441,927
Other services	-	-	218,782	168,451	189,299
Airport	161,561	205,104	170,795	66,034	68,916
Debt service					
Bond principal	320,000	2,485,000	295,000	355,000	840,000
Interest and fiscal charges	163,792	248,790	211,970	112,201	140,220
Bond issue costs	-	-	-	118,566	-
Capital outlay	8,809,269	2,895,792	3,587,888	3,587,166	3,496,170
Total Expenditures	<u>16,328,832</u>	<u>12,380,703</u>	<u>10,544,062</u>	<u>11,084,436</u>	<u>11,286,794</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>1,548,333</u>	<u>(1,690,869)</u>	<u>(1,402,563)</u>	<u>(1,545,739)</u>	<u>(2,918,458)</u>
Other Financing Sources (Uses)					
Transfers in	2,363,663	3,946,200	2,352,700	2,400,381	3,099,822
Proceeds from bond issue	-	-	-	5,500,000	-
Payment of refunding bonds	-	-	-	-	-
Premium on bonds sold	-	-	-	242,096	-
Sale of capital assets	827	-	17,216	6,924	8,664
Bond discount	-	-	-	-	-
Transfers out	(2,692,268)	(2,940,830)	(1,871,027)	(1,980,853)	(2,608,260)
Total Other Financing Sources (Uses)	<u>(327,778)</u>	<u>1,005,370</u>	<u>498,889</u>	<u>6,168,548</u>	<u>500,226</u>
Net Change in Fund Balances	<u>\$ 1,220,555</u>	<u>\$ (685,499)</u>	<u>\$ (903,674)</u>	<u>\$ 4,622,809</u>	<u>\$ (2,418,232)</u>
Debt service as a percentage of noncapital expenditures	6.6%	28.8%	7.1%	6.5%	12.8%



## Schedule 4

Fiscal Year					
2012	2011	2010	2009	2008	
\$ 3,974,120	\$ 3,640,771	\$ 3,663,548	\$ 3,684,322	\$ 3,395,772	
40,999	48,744	34,869	34,859	42,007	
135,744	121,286	84,736	96,938	102,834	
3,728,615	3,397,557	3,066,632	3,406,843	3,056,868	
30,886	35,061	28,763	38,809	45,477	
245,099	238,008	238,020	201,123	232,231	
65,825	57,007	51,476	40,415	48,749	
339,732	266,083	228,838	223,682	158,552	
-	90	35,084	39,864	47,008	
22,239	22,940	35,750	37,815	109,688	
-	-	-	-	-	
245,659	274,700	346,608	254,806	357,647	
8,828,918	8,102,247	7,814,324	8,059,476	7,596,833	
1,150,309	1,179,384	1,135,233	1,180,094	1,151,143	
2,190,280	2,118,240	2,129,972	2,092,219	1,995,933	
1,662,948	1,347,788	1,351,369	1,257,170	1,288,425	
48,998	51,755	36,085	61,784	49,926	
908,187	909,091	899,515	719,001	714,532	
-	-	-	141,467	129,738	
-	-	-	50,562	56,632	
-	-	-	500	2,100	
-	-	-	420,138	474,809	
280,558	518,592	160,391	185,415	-	
161,652	208,087	211,363	199,903	272,582	
61,446	60,360	73,084	-	-	
430,000	630,000	660,000	925,000	940,000	
165,447	193,956	220,156	250,956	287,660	
-	-	-	-	-	
1,482,689	1,416,408	948,399	721,016	1,240,058	
8,542,514	8,633,661	7,825,567	8,205,225	8,603,538	
286,404	(531,414)	(11,243)	(145,749)	(1,006,705)	
2,017,180	1,876,988	1,410,511	1,442,257	1,656,516	
-	430,000	-	-	-	
(545,000)	-	-	-	-	
-	-	-	-	-	
5,250	6,590	-	4,576	3,855	
-	(14,763)	-	-	-	
(1,562,138)	(1,410,277)	(1,320,342)	(1,456,153)	(1,400,129)	
(84,708)	888,538	90,169	(9,320)	260,242	
\$ 201,696	\$ 357,124	\$ 78,926	\$ (155,069)	\$ (746,463)	
9.0%	11.6%	13.1%	16.5%	17.3%	

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

Fiscal Year	Residential Property	Commercial Property	Industrial Property	Agricultural Property	Apartment	Other
2008	\$ 357,679,000	\$ 54,801,100	\$ 22,285,800	\$ -	\$ -	\$ -
2009	365,866,800	55,418,600	23,113,700	-	-	-
2010	346,671,600	56,643,000	23,206,300	749,200	-	-
2011	346,950,600	56,667,600	23,245,300	770,800	-	-
2012	340,420,900	56,308,400	23,245,300	774,293	21,147,300	797,000
2013	327,125,400	56,664,900	22,889,300	783,565	22,195,600	789,800
2014	328,122,300	55,883,000	20,847,600	1,321,783	22,393,800	789,800
2015	307,242,600	54,989,400	27,118,800	1,342,817	25,212,600	793,200
2016	307,669,500	55,010,500	27,157,000	1,221,630	25,388,700	754,200
2017	328,152,200	55,611,800	26,940,900	981,100	28,347,300	1,703,500

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.

## Schedule 5

Total Assessed Value		Taxable Market Value (1)		Total Direct Tax Rate
\$	434,765,900	\$	434,765,900	63.59
	444,399,100		444,399,100	66.01
	427,270,100		452,799,200	64.21
	427,634,300		453,613,300	63.70
	442,693,193		384,528,900	73.70
	430,448,565		370,682,100	75.36
	429,358,283		374,889,900	75.55
	416,699,417		362,260,500	79.25
	417,201,530		365,125,300	81.87
	441,736,800		390,183,000	81.96

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			Independent School District #829
	Operating Rate	Debt Service Rate	Total Direct Rate	
2008	57.28 %	6.31 %	63.59 %	24.08
2009	57.24	8.77	66.01	23.06
2010	60.53	3.68	64.21	19.46
2011	60.06	3.64	63.70	19.15
2012 (2)	69.59	4.11	73.70	21.34
2013	71.06	4.30	75.36	20.83
2014	71.35	4.20	75.55	17.96
2015	67.58	11.67	79.25	16.76
2016	71.55	10.32	81.87	30.62
2017	70.11	11.85	81.96	28.78

Source: Waseca County, Minnesota Auditors' Office

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

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

## Schedule 6

Overlapping Rates											
Waseca County (1)		Special Districts		HRA (1)		EDA		Total Overlapping		Total Direct and Overlapping Tax Rate	
%	54.30	%	0.20	%	0.42	%	0.90	%	79.90	%	143.49
	54.15		0.19		0.41		0.89		78.70		144.71
	51.55		0.18		-		0.88		72.07		136.28
	49.84		0.18		-		1.59		70.76		134.46
	54.80		0.20		-		1.81		78.15		151.85
	54.62		0.19		-		1.61		77.25		152.61
	49.84		1.63		-		1.83		71.26		146.81
	50.06		1.73		-		1.85		70.40		149.65
	58.77		1.87		-		1.76		93.02		174.89
	59.94		1.90		-		1.61		92.23		174.19

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

Taxpayer	Type of Property	2017		
		Net Tax Capacity	Rank	Percentage of Total City Taxable Net Tax Capacity
Gruner & Jahr Print & Pub Co (Quad)	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
Berry Family LLC	Manufacturing	31,726	9	0.74
1200 State LLC	Commercial	31,486	10	0.74
MHW Group LLC	Freezer Warehouse	-		-
FHS Waseca/Portage LP-HyVee	Commercial	-		-
Clear Lake Press Inc	Printing & Publishing	-		-
Total		<u>\$ 653,505</u>		<u>15.27 %</u>
Total Tax Capacity				<u>\$ 4,281,921</u>

Source: Waseca County, Minnesota Assessor's Office

Schedule 7

2008				
Net Tax Capacity	Rank	Percentage of Total City Taxable Net Tax Capacity		
\$ 177,864	1	3.54	%	
63,742	4	1.27		
87,324	2	1.74		
-		-		
49,081	5	0.98		
38,859	7	0.77		
48,333	6	0.96		
36,639	8	0.73		
-		-		
-		-		
64,706	3	1.29		
33,762	9	0.67		
31,490	10	0.63		
<u>\$ 631,800</u>		<u>12.58</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
2008	\$ 3,182,173	\$ 2,899,198	\$ 2,840,941	98.0 %	\$ 51,512	\$ 2,892,453	99.8 %
2009	3,490,002	3,201,235	3,132,434	97.9	55,070	3,187,504	99.6
2010	3,449,889	3,141,628	3,087,830	98.3	49,734	3,137,564	99.9
2011	3,436,866	3,140,266	3,076,042	98.0	62,336	3,138,378	99.9
2012	3,436,866	3,436,889	3,384,833	98.5	50,056	3,434,889	99.9
2013	3,419,682	3,419,682	3,377,645	98.8	35,915	3,413,560	99.8
2014	3,507,906	3,507,906	3,470,713	98.9	34,040	3,504,753	99.9
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	56,037	3,963,406	99.7
2017	4,345,491	4,345,491	4,294,315	98.8	-	4,294,315	98.8

\* 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				Business-Type Activities	
	Special Assessments Bonds	General Obligation Bonds	G.O. Equipment Certificates	Capital Leases	General Obligation Revenue Bonds	General Obligation Revenue Notes
2008	\$ 1,755,446	\$ 4,521,681	\$ 270,272	\$ -	\$ 3,999,118	\$ -
2009	1,401,137	4,223,399	-	-	3,656,544	381,163
2010	1,041,828	3,925,117	-	-	3,303,970	6,704,144
2011	727,520	4,039,182	-	-	3,478,739	8,060,462
2012	493,213	3,301,432	-	-	2,581,608	8,204,000
2013	-	2,959,216	-	-	2,183,007	7,815,000
2014	-	8,348,376	-	-	2,661,585	7,416,000
2015	-	8,039,717	-	-	1,329,370	7,006,000
2016	-	5,546,835	-	-	893,629	6,585,000
2017	-	5,211,704	-	-	720,164	6,153,000

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

Total Outstanding Debt	Percentage of Personal Income	Population	Per Capita
\$ 10,546,517	1.61 %	9,827	\$ 1,073
9,662,243	1.49	9,789	987
14,975,059	2.20	9,410	1,591
16,305,903	2.22	9,410	1,733
14,580,253	1.84	9,368	1,556
12,957,223	1.73	9,427	1,374
18,425,961	2.48	9,365	1,968
16,375,087	1.84	9,365	1,749
13,025,464	1.59	9,351	1,393
12,084,868	N/A	9,124	1,325

City of Waseca, Minnesota  
Ratios of General Bonded Debt Outstanding  
Last Ten Fiscal Years

Schedule 10

Fiscal Year	Governmental Activities			Percentage of Taxable Market Value (3)	Net Total Per Capita (4)
	General Obligation Bonds (1)	Less: Amounts Available in Debt Service Fund (2)	Net Total		
2008	\$ 8,791,071	\$ 100,000	\$ 8,691,071	2.00 %	\$ 884
2009	8,261,106	-	8,261,106	1.86	844
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	-	12,957,223	3.50	1,374
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
2017	12,084,868	278,315	11,806,553	3.03	1,294

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, 2017

Schedule 11

	<u>Debt Outstanding</u>	<u>Estimated Percentage Applicable</u>	<u>Estimated Share of Overlapping Debt</u>
Overlapping Debt			
Waseca County	\$ 2,900,000	25.30 %	\$ 733,700
Independent School District #829	36,295,000	49.30	<u>17,893,435</u>
Total Overlapping			18,627,135
City of Waseca Direct Debt	\$ 5,211,704	100.00	<u>5,211,704</u>
Total Direct and Overlapping Debt			<u><u>\$ 23,838,839</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

	2017	2016	2015	2014	2013
Debt Limit	\$ 11,705,490	\$ 10,953,759	\$ 10,867,815	\$ 11,246,697	\$ 11,120,463
Total Net Debt Applicable to Limit	5,015,000	5,335,000	7,020,000	7,185,000	1,910,000
Legal Debt Margin	\$ 6,690,490	\$ 5,618,759	\$ 3,847,815	\$ 4,061,697	\$ 9,210,463
Total Net Debt Applicable to the Limit as a Percentage of Debt Limit	42.84%	48.70%	64.59%	63.89%	17.18%

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

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

Legal Debt Margin Calculation for Fiscal Year 2017

Taxable Market Value	<u>\$ 390,183,000</u>
Debt limit (3% of taxable market value)	<u>\$ 11,705,490</u>
Debt applicable to limit	
Total Bonded Debt	11,853,000
Less: revenue bonds	(685,000)
Less: revenue notes	<u>(6,153,000)</u>
Debt applicable to limit	<u>5,015,000</u>
Legal Debt Margin	<u>\$ 6,690,490</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	
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	-	-	-	-	-
2017	-	-	-	-	-

Water Fund

Fiscal Year	*Less:		Net	Debt Service			Coverage
	Revenue	Operating Expense	Available Revenue	Principal	Interest	Total	
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
2017	1,329,819	697,888	631,931	113,352	2,074	115,426	5.47

Sanitary Sewer Fund

Fiscal Year	Revenue	*Less: Operating Expense	Net Available Revenue	Debt Service			Coverage
		Principal	Interest	Total			
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
2017	2,376,661	1,386,330	990,331	488,648	196,875	685,523	1.44

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
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	818,956	43,306	2,119	5.7
2017	9,124	Not available	Not available	2,056	5.8

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	2017		
		Employees	Rank	Percentage of Total City Employment
Waseca Public Schools	Elementary/Secondary Schools	337	1	3.58 %
Itron Inc.	Instruments to Measure Electricity	296	2	3.15
Federal Correctional Institute	Government-Correction Institution	209	3	2.22
Pinnacle (BirdsEye) Foods	Frozen Specialties	185	4	1.97
Cinch Connectivity	Electronic Components	184	5	1.96
Waseca Area Medical Center	General Medical/Surgical Hospital	134	6	1.42
County of Waseca	Government Offices	113	7	1.20
Elm Homes	Residential Care	100	8	1.06
Mediacom	Cable programming	90	9	0.96
Ican	Residential Care	89	10	0.95
Quad Graphics (closed)	Commercial Printing/Lithographic	-		-
Total		<u>1,737</u>		<u>18.47 %</u>

Source: Official Statements used for City Debt Issues

Schedule 15

2008		
Employees	Rank	Percentage of Total City Employment
432	2	4.45 %
405	3	4.17
218	5	2.24
159	8	1.64
230	4	2.37
200	7	2.06
145	9	1.49
206	6	2.12
125	10	1.29
-		-
<u>1,055</u>	1	<u>10.86</u>
<u><u>3,175</u></u>		<u><u>32.69 %</u></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,				
	2017	2016	2015	2014	2013
General Government					
Administration	2.0	2.0	2.0	2.0	3.0
Finance	4.0	4.0	3.5	3.5	3.5
Economic development	1.0	1.0	1.0	-	-
Community development	2.0	2.0	4.0	4.0	2.0
Total General Government	9.0	9.0	10.5	9.5	8.5
Public Safety					
Police	18.0	18.0	18.0	16.0	16.0
Safe haven	2.0	1.0	2.0	1.0	-
Building inspection	1.0	1.0	-	-	-
Fire	3.0	3.0	3.0	3.0	3.0
Total Public Safety	24.0	23.0	23.0	20.0	19.0
Public Works					
Engineering	5.0	5.0	3.0	3.0	3.0
Streets/shop	10.0	10.0	10.0	10.0	10.0
Total Public Works	15.0	15.0	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	6.0	5.0	5.0	5.0	5.0
Electric	4.0	5.0	4.0	4.0	4.0
Utility administration	1.0	1.0	2.0	2.0	2.0
Utility billing	3.0	3.0	2.5	2.5	2.5
Total Enterprise	14.0	14.0	13.5	13.5	13.5
Total	67.0	66.0	65.0	61.0	59.0

Source: City Finance Department

## Schedule 16

Full-time Equivalent Employees as of December 31,				
2012	2011	2010	2009	2008
3.0	3.0	3.0	3.0	4.0
3.5	3.5	3.0	4.0	4.0
-	-	-	-	-
2.0	2.0	1.0	2.0	1.0
8.5	8.5	7.0	9.0	9.0
16.0	16.0	16.0	17.0	17.0
-	-	-	-	-
-	-	-	2.0	2.0
3.0	3.0	3.0	3.0	3.0
19.0	19.0	19.0	22.0	22.0
3.0	3.0	3.0	3.0	4.0
10.0	10.0	10.0	10.0	11.0
13.0	13.0	13.0	13.0	15.0
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	4.0	5.0	5.0
4.0	4.0	4.0	4.0	6.0
2.0	2.0	2.0	2.0	2.0
2.5	2.5	2.0	2.0	2.0
12.5	12.5	12.0	13.0	15.0
58.0	58.0	56.0	62.0	65.0

City of Waseca, Minnesota  
Operating Indicators by Function/Program  
Last Ten Years

Function/Program	2017	2016	2015	2014	2013
General Government					
Elections	-	1	-	1	-
Registered voters		5,129		4,701	
Number of votes cast		4,194		2,808	
Voter participation (registered)		81.8%		59.7%	
Public Safety					
<i>Police</i>					
Admin Fines	306	66	279	189	214
Arrests	298	259	280	274	330
All citations & warnings	857	648	908	855	1,024
Calls for service	9,348	10,336	9,622	8,070	7,583
<i>Fire</i>					
Medical	497	423	450	452	422
Fire	162	139	131	164	132
Other Services	54	65	56	48	55
<i>Inspections</i>					
Building Permits	539	743	1,436	860	475
Value of Building Permits	\$ 20,139,183	\$ 8,150,734	\$ 18,461,646	\$ 9,352,477	\$ 10,194,793
Culture and Recreation					
Parks					
Park Reservations	98	99	106	107	99
Water Park-Attendance	23,973	24,954	22,938	20,191	26,637
Electric					
Outages	35	29	40	36	35

Source: Various City Departments

## Schedule 17

2012	2011	2010	2009	2008
1	-	1	-	1
5,314		4,687		5,493
4,167		3,317		4,301
78.4%		70.8%		78.3%
198	-	-	-	-
392	318	326	375	661
1,302	1,226	1,959	1,826	1,868
8,274	7,369	7,085	7,144	7,110
415	406	430	369	414
148	87	89	92	72
103	124	105	101	97
561	558	383	363	405
\$ 13,837,343	\$ 10,821,320	\$ 8,874,557	\$ 6,327,512	\$ 8,810,988
107	102	101	130	103
25,881	25,383	27,877	19,839	29,892
49	41	62	33	67

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

Function/Program	2017	2016	2015	2014	2013
Public safety					
Police					
Stations	1	1	1	1	1
Patrol squads	11	11	10	9	9
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	50	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	46	46	46	46
Storm Sewer					
Storm sewer (miles)	37	37	36	36	40
Water					
Water main (miles)	56	56	56	56	56
Electric					
Annual consumption (KWH)	60,540,595	62,801,782	64,508,651	62,658,100	64,313,814



## Schedule 18

2012	2011	2010	2009	2008
1	1	1	1	1
11	11	11	11	11
1	1	1	1	1
4	4	5	5	4
14	13	13	13	11
48	48	48	48	48
1	1	1	1	1
1	1	1	1	1
15	15	15	15	15
46	46	46	44	44
40	40	40	40	40
56	56	56	56	56
65,039,330	65,531,859	66,873,180	63,521,180	67,218,160

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OTHER REQUIRED REPORTS

CITY OF WASECA  
WASECA, MINNESOTA

FOR THE YEAR ENDED  
DECEMBER 31, 2017

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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, 2017, and the related notes to the financial statements, and have issued our report thereon dated June 26, 2018.

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 26, 2018

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, 2017, 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 26, 2018.

**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.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying Schedule of Findings and Responses, we identified a certain deficiency in internal control that we consider to be a material weakness.

*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. We consider the deficiencies described in the accompanying Schedule of Findings and Responses as item 2017-001 to be a material weakness.

*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.

## Compliance and Other Matters

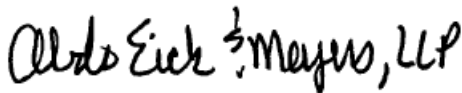
As part of obtaining reasonable assurance about whether the City's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect 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 City's Response to Finding

The City's response to the finding identified in our audit are described in the accompanying Schedule of Findings and Responses. The City's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

## 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 26, 2018

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City of Waseca, Minnesota  
Schedule of Findings, Responses and Questioned Costs  
For the Year Ended December 31, 2017

**2017-001**

**Material Audit Adjustments**

*Condition:* During our audit, adjustments were needed for adjusting receivables, transfers and capital assets.

*Criteria:* The financial statements are the responsibility of the City's management.

*Cause:* City staff has not prepared a year-end trial balance reflecting all necessary accounting entries.

*Effect:* This indicates that misstatements may occur and not be detected by the City's system of internal control.

*Recommendation:* We recommend that management review each journal entry, obtain an understanding of why the entry was necessary and modify current procedures to ensure that future corrections are not needed.

*Management Response:*

Management has reviewed each journal entry and foresees this as a one-time adjustment resulting from a large capital project.