

CITY OF WAYZATA  
WAYZATA, MINNESOTA

ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED  
DECEMBER 31, 2016

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 ANNUAL FINANCIAL REPORT  
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**INTRODUCTORY SECTION**

CITY OF WAYZATA  
WAYZATA, MINNESOTA

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

**ELECTED**

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Kenneth Willcox	Mayor	12/31/16
Bridget Anderson	Council Member	12/31/16
Johanna McCarthy	Council Member	12/31/18
Andrew Mullin	Council Member	12/31/16
Steven Tyacke	Council Member	12/31/18

**APPOINTED**

<u>Name</u>	<u>Title</u>
Jeffrey Dahl	City Manager
Kathy Ovshak	Senior Accountant

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**FINANCIAL SECTION**  
**CITY OF WAYZATA**  
**WAYZATA, MINNESOTA**

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

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**PRINCIPALS**

Thomas A. Karnowski, CPA  
Paul A. Radosevich, CPA  
William J. Lauer, CPA  
James H. Eichten, CPA  
Aaron J. Nielsen, CPA  
Victoria L. Holinka, CPA/CMA

**INDEPENDENT AUDITOR'S REPORT**

To the City Council and Management  
City of Wayzata, Minnesota

**REPORT ON THE FINANCIAL STATEMENTS**

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Wayzata, Minnesota (the City) as of and for the year ended December 31, 2016, and the related notes to the basic 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 financial statements that are free from material misstatement, whether due to fraud or error.

**AUDITOR'S RESPONSIBILITY**

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

(continued)

## **OPINIONS**

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

## **OTHER MATTERS**

### **Required Supplementary Information**

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and the required supplementary information (RSI), as listed in the table of contents, 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 RSI 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 supplementary information, as listed in the table of contents, are presented for purposes of additional analysis and are not required parts of the basic financial statements.

The combining and individual fund financial statements and schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual fund financial statements and schedules are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The introductory section and supplementary information 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.

(continued)

## **PRIOR YEAR COMPARATIVE INFORMATION**

We have previously audited the City's 2015 financial statements, and we expressed unmodified audit opinions on the respective financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information in our report dated April 27, 2016. In our opinion, the partial comparative information presented herein as of and for the year ended December 31, 2015 is consistent, in all material respects, with the audited financial statements from which it has been derived.

## **OTHER REPORTING REQUIRED BY *GOVERNMENT AUDITING STANDARDS***

In accordance with *Government Auditing Standards*, we have also issued our report dated May 4, 2017 on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on 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.

*Malloy, Montague, Karnowski, Radosevich & Co., P.A.*

Minneapolis, Minnesota  
May 4, 2017

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## Management's Discussion and Analysis

As management of the City of Wayzata, Minnesota, (the City), we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended December 31, 2016.

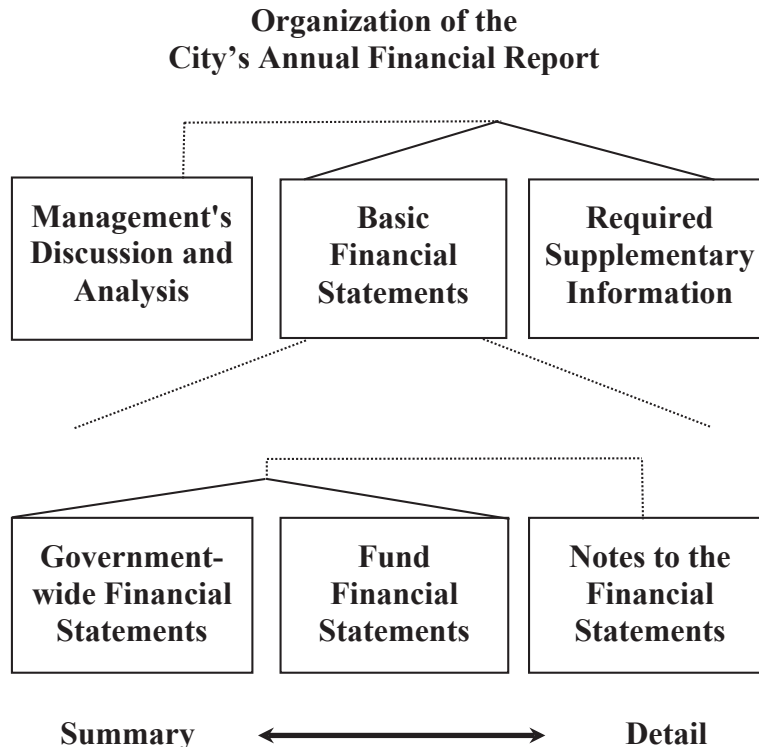
### Financial Highlights - Primary Government

- The assets and deferred outflows of the City exceeded its liabilities and deferred inflows at the close of the most recent fiscal year by \$59,648,176 (net position). Of this amount, \$9,055,638 (unrestricted net position) may be used to meet the City's ongoing obligations to citizens and creditors.
- The City's total net position increased by \$2,189,534. This was primarily a result of the combining factors: combined capital contributions of approximately \$1,427,912 for the governmental and business-type activities, roughly \$364,416 more in revenues than expected for nonbusiness licenses and permits, and approximately \$545,825 in income for the enterprise funds prior to any capital contributions or transfers.
- As of the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$17,969,786, an increase of \$6,822,740 in comparison with the prior year. Approximately 14.2 percent of this total amount, \$2,559,399, is available for spending at the City's discretion (unassigned fund balance).
- At the end of the current fiscal year, unassigned fund balance for the General fund was \$2,559,399 or 42.3 percent of total General fund 2016 expenditures and transfers out.
- The City's total noncurrent liabilities increased \$11,479,787 or 68.2 percent during the current fiscal year. This was primarily a result of increases due to GASB Statement No. 68 pension allocations and the issuance of new debt.

## Overview of the Financial Statements

This discussion and analysis is 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 supplemental information in addition to the basic financial statements themselves.

The following chart shows 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.



The following chart 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.

### Major features of the Government-wide and Fund Financial Statements

	Government-wide Statements	Fund Financial Statements		
		Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire City government (except fiduciary funds) and the City’s component units	The activities of the City that are not proprietary or fiduciary, such as police, fire and parks	Activities the City operates similar to private businesses, such as the water and sewer system	Instances in which the City administers resources on behalf of someone else, such as developers
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 Fund Net Position</li> <li>• Statement of Cash Flows</li> </ul>	<ul style="list-style-type: none"> <li>• Statement of fiduciary net position</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	Accrual accounting and no measurement 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	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	All deferred outflows/inflows of resources, regardless of when cash is received or paid	None currently identified
Type of inflow/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 the related liability is due and payable	All revenues and expenses during the year, regardless of when cash is received or paid	All additions and deductions 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, deferred outflows, liabilities, and deferred inflows 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, public works, culture and recreation, and interest on long-term debt. The business-type activities of the City include water, sewer, licensing, liquor, solid waste, and stormwater.

The government-wide financial statements include not only the City itself (known as the primary government), but also a legally separate Housing and Redevelopment Authority (HRA) for which the City is financially accountable. The HRA has been reported as a discretely presented component unit and does not prepare separate financial statements.

The government-wide financial statements start on page 29 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 three categories: governmental funds, proprietary funds, and the fiduciary fund.

**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 City's near-term financing 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 by the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund 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 17 individual governmental funds, three of which are Debt Service funds. The HRA maintains 3 individual governmental funds. Information is presented separately in the City's governmental fund balance sheet and governmental fund statement of revenues, expenditures and changes in fund balances for the General, Debt Service, and Internally Financed Capital Project funds, all of which are considered to be major funds. Data from the City's other governmental funds are combined into a single, aggregated presentation. Individual fund data for each of the City's nonmajor governmental funds as well as the HRA's individual governmental funds is provided in the form of *combining statements or schedules* elsewhere in this report.

The City adopts an annual appropriated budget for its General fund. A budgetary comparison statement has been provided for the General fund to demonstrate compliance with this budget.

The basic governmental fund financial statements start on page 34 of this report.

**Proprietary funds.** The City maintains one type of proprietary fund. *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, licensing, liquor, solid waste, and stormwater operations.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for each of the enterprise funds, all of which are considered to be major funds of the City.

The basic proprietary fund financial statements start on page 40 of this report.

**Fiduciary fund.** The fiduciary fund is used to account for resources held for the benefit of parties outside the City. The fiduciary fund is *not* reflected in the government-wide financial statements because the resources of this fund are not available to support the City's own programs.

The basic fiduciary fund financial statement can be found on page 50 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 start on page 51 of this report.

**Other information.** In addition to the basic financial statements and accompanying notes, this report also presents *required supplementary information* concerning the City's progress in funding its obligation to provide pension and OPEB benefits to its employees. Required supplementary information can be found starting on page 84 of this report.

The combining statements referred to earlier in connection with nonmajor governmental funds and the discretely presented component unit are presented following the notes to the financial statements. Combining and individual fund statements and schedules start on page 88 of this report.

### Government-wide Financial Analysis

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 \$59,648,176 at the close of the most recent fiscal year.

By far, the largest portion of the City's net position (76.7 percent) reflects its investment in capital assets (e.g., land, buildings, machinery and equipment); less any related debt used to acquire those assets that is still outstanding. The City 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.

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

	Governmental Activities			Business-type Activities		
	2016	2015	Increase (Decrease)	2016	2015	Increase (Decrease)
<b>Assets</b>						
Current and other assets	\$ 21,453,321	\$ 14,183,030	\$ 7,270,291	\$ 7,111,880	\$ 8,016,451	\$ (904,571)
Capital assets, net of depreciation	36,462,734	33,214,462	3,248,272	21,088,093	19,897,456	1,190,637
<b>Total assets</b>	<b>57,916,055</b>	<b>47,397,492</b>	<b>10,518,563</b>	<b>28,199,973</b>	<b>27,913,907</b>	<b>286,066</b>
<b>Deferred Outflows of Resources</b>						
Deferred pension resources	3,456,417	437,407	3,019,010	777,800	164,994	612,806
<b>Liabilities</b>						
Noncurrent liabilities outstanding	18,091,034	6,984,931	11,106,103	10,213,610	9,839,926	373,684
Other liabilities	1,174,184	591,111	583,073	319,495	220,969	98,526
<b>Total liabilities</b>	<b>19,265,218</b>	<b>7,576,042</b>	<b>11,689,176</b>	<b>10,533,105</b>	<b>10,060,895</b>	<b>472,210</b>
<b>Deferred Inflows of Resources</b>						
Deferred pension resources	657,197	577,883	79,314	246,549	240,338	6,211
<b>Net position</b>						
Net investment in capital assets	32,550,256	28,962,215	3,588,041	13,229,599	11,674,924	1,554,675
Restricted	3,085,974	3,888,882	(802,908)	1,726,709	1,819,081	(92,372)
Unrestricted	5,813,827	6,829,877	(1,016,050)	3,241,811	4,283,663	(1,041,852)
<b>Total net position</b>	<b>\$ 41,450,057</b>	<b>\$ 39,680,974</b>	<b>\$ 1,769,083</b>	<b>\$ 18,198,119</b>	<b>\$ 17,777,668</b>	<b>\$ 420,451</b>

An additional portion of the City's net position, \$4,812,683, represents resources that are subject to external restrictions on how they may be used. The remaining balance of *unrestricted net position* \$9,055,638 may be used to meet the City's ongoing obligations to citizens and creditors.

At the end of the current fiscal year, the City is able to report positive balances in all three categories of net position, both for the City as a whole, as well as for its separate governmental and business-type activities.

**Governmental activities.** Governmental activities increased the City’s net position by \$1,769,083, thereby accounting 80.8 percent of the total growth in net position of the City. Significant changes from the prior year are noted below:

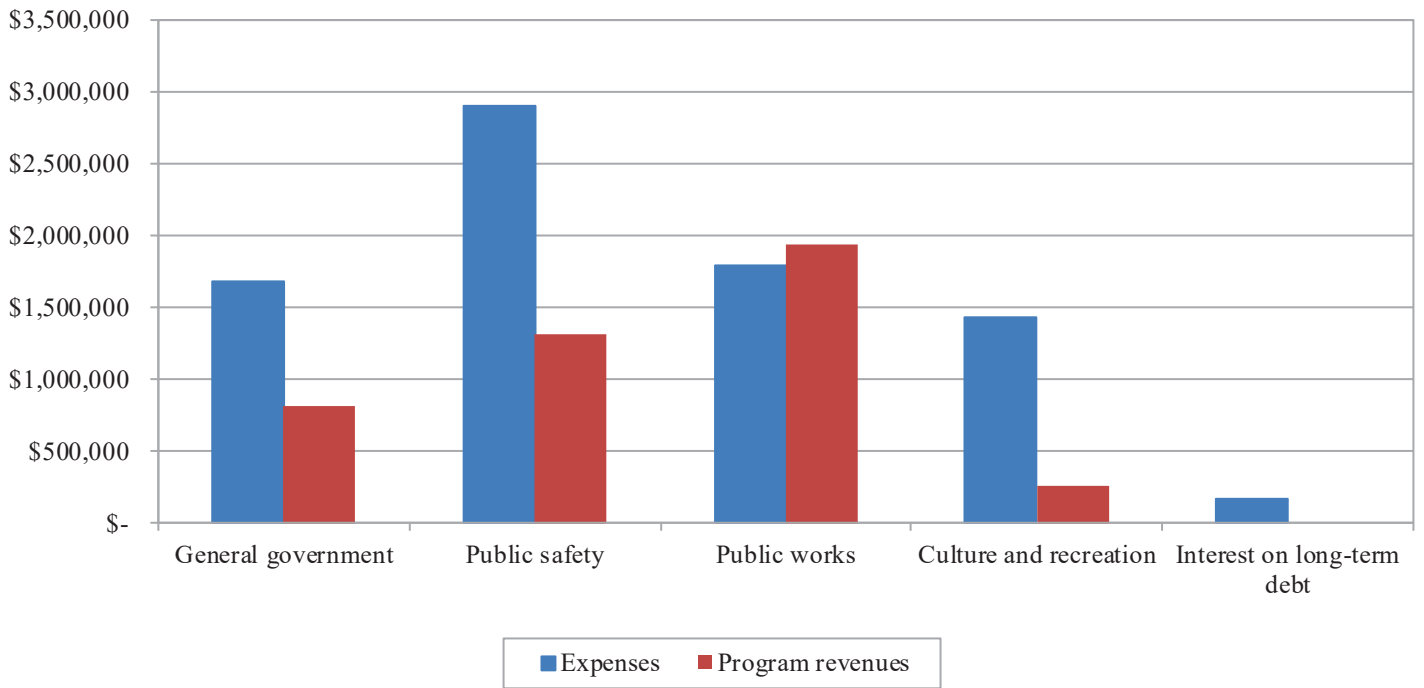
### City of Wayzata’s Changes in Net Position

	Governmental Activities			Business-type Activities		
	2016	2015	Increase (Decrease)	2016	2015	Increase (Decrease)
Revenues						
Program revenues						
Charges for services	\$ 2,232,852	\$ 2,217,381	\$ 15,471	\$ 8,684,556	\$ 8,308,606	\$ 375,950
Operating grants and contributions	370,400	243,888	126,512	60,513	11,846	48,667
Capital grants and contributions	1,719,367	1,442,402	276,965	402,476	444,643	(42,167)
General revenues						
Taxes						
Property taxes	4,584,544	4,309,095	275,449	-	-	-
Franchise fees	149,268	146,602	2,666	-	-	-
Grants and contributions not restricted to specific programs	55,992	20,553	35,439	-	-	-
Unrestricted investment earnings	78,763	102,944	(24,181)	46,175	63,581	(17,406)
Gain on sale of capital assets	18,953	17,699	1,254	-	-	-
<b>Total revenues</b>	<b>9,210,139</b>	<b>8,500,564</b>	<b>709,575</b>	<b>9,193,720</b>	<b>8,828,676</b>	<b>365,044</b>
Expenses						
General government	1,684,626	1,707,279	(22,653)	-	-	-
Public safety	2,899,134	2,339,712	559,422	-	-	-
Public works	1,793,518	2,294,511	(500,993)	-	-	-
Culture and recreation	1,426,073	884,040	542,033	-	-	-
Interest on long-term debt	165,555	120,935	44,620	-	-	-
Water	-	-	-	877,646	861,579	16,067
Sewer	-	-	-	976,953	1,053,816	(76,863)
Licensing	-	-	-	366,121	335,021	31,100
Liquor	-	-	-	5,495,023	5,247,190	247,833
Solid waste	-	-	-	357,902	341,994	15,908
Stormwater	-	-	-	171,774	171,579	195
<b>Total expenses</b>	<b>7,968,906</b>	<b>7,346,477</b>	<b>622,429</b>	<b>8,245,419</b>	<b>8,011,179</b>	<b>234,240</b>
Changes in net position before transfers	1,241,233	1,154,087	87,146	948,301	817,497	130,804
Transfers - capital assets	-	(129,427)	129,427	-	129,427	(129,427)
Transfers - internal activities	527,850	422,700	105,150	(527,850)	(422,700)	(105,150)
<b>Change in net position</b>	<b>1,769,083</b>	<b>1,447,360</b>	<b>321,723</b>	<b>420,451</b>	<b>524,224</b>	<b>(103,773)</b>
Net position, January 1	39,680,974	38,233,614	1,447,360	17,777,668	17,253,444	524,224
<b>Net position, December 31</b>	<b>\$ 41,450,057</b>	<b>\$ 39,680,974</b>	<b>\$ 1,769,083</b>	<b>\$ 18,198,119</b>	<b>\$ 17,777,668</b>	<b>\$ 420,451</b>

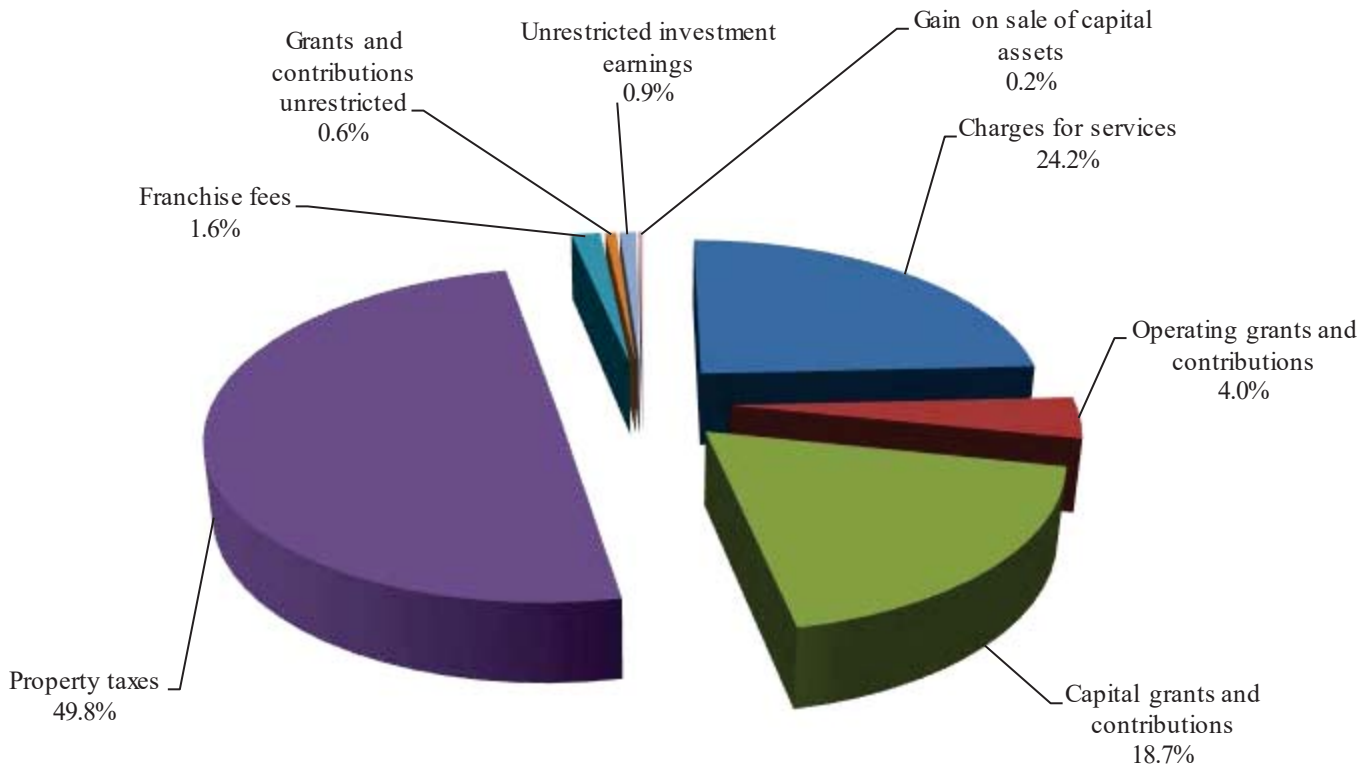
The most significant changes in revenues for the current year are due to a nearly \$277,000 increase in capital grants and contributions as well as an increase in property tax revenue of approximately \$275,500. The increase in public safety expenses related the increase the pension liability allocated from PERA. The decrease in public works related to a decrease in uncapitalized costs related to projects. The increase in culture and recreation is a result of costs related to the lake effect study.

The following graph depicts various governmental activities and shows the revenue and expenses directly related to those activities.

### Expenses and Program Revenues - Governmental Activities

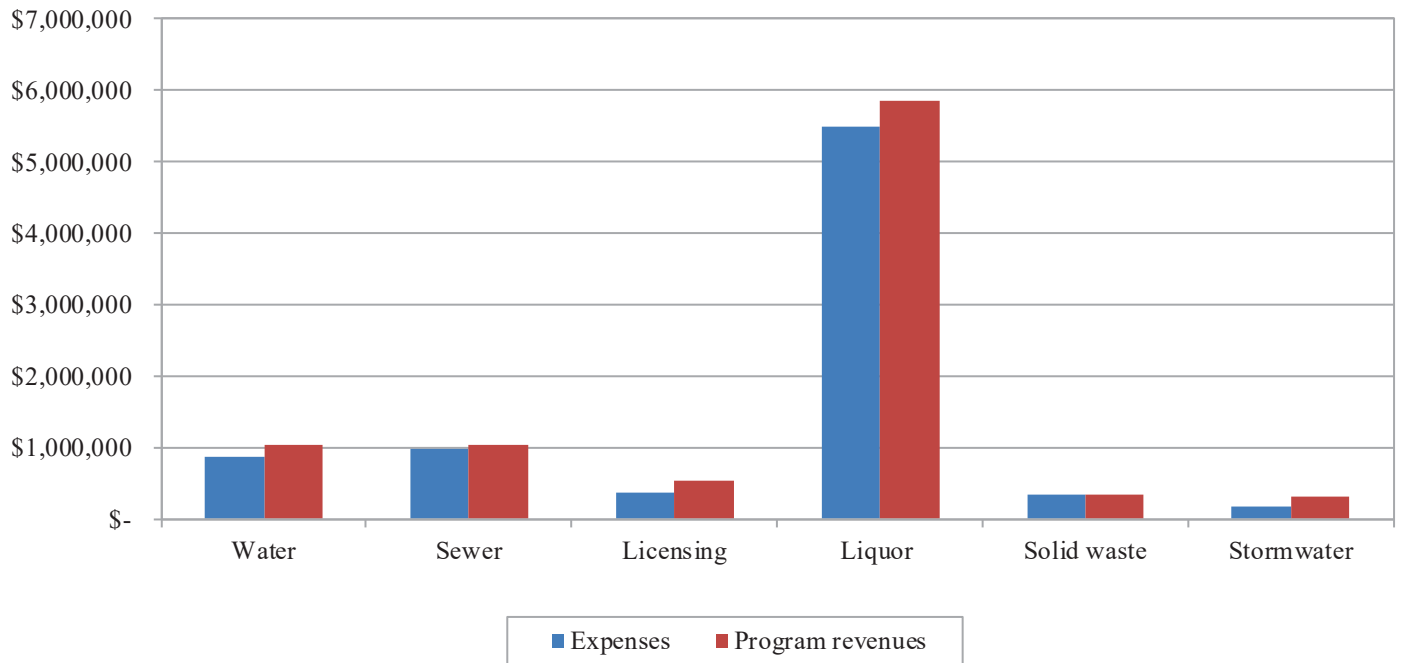


### Revenues by Source - Governmental Activities

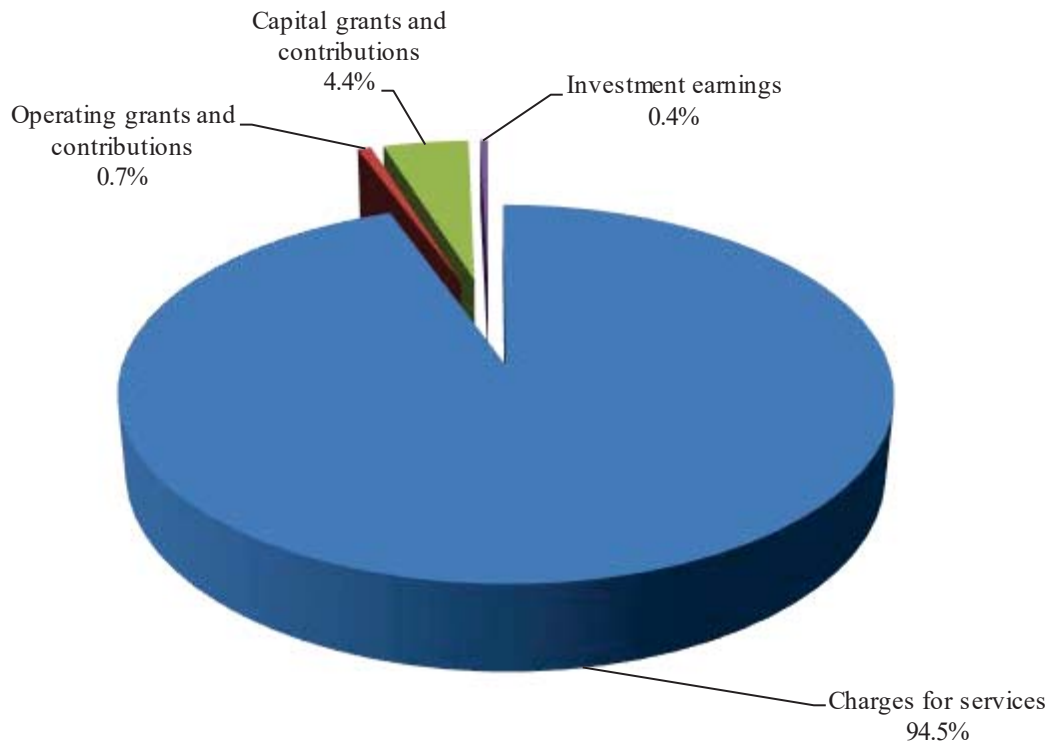


**Business-type activities.** Business-type activities increased the City’s net position by \$420,451, thereby accounting 19.2 percent of the total growth in net position of the City. This increase was the result of charges for services, WAC/SAC connection charges, and capital contributions in excess of expenses and transfers out.

### Expenses and Program Revenues - Business-type Activities



### Revenues by Source - Business-type Activities





## HRA Component Unit

At the end of the fiscal year, the HRA reported net position of \$2,808,399. This is a decrease of \$391,987 from the previous year, which is primarily a result the contributions to the City's downtown ramp project.

## Financial Analysis of the City's Funds

As noted earlier, the City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

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

As of the end of the current fiscal year, the City's governmental funds had combined ending fund balances of \$17,969,786, an increase of \$6,822,740 in comparison with the prior year. Approximately 14.2 percent of this total amount, constitutes *unassigned fund balance*, which is available for spending at the City's discretion. The remainder of fund balance (\$15,410,387) is not available for new spending because it is either 1) restricted (\$8,576,098), 2) committed (\$240,981), or 3) assigned (\$6,593,308). For further classification, refer to Note 3F on page 70 of this report.

Activity in the City's major funds is discussed below.

Major Funds	Fund Balance December 31,		Increase (Decrease)
	2016	2015	
<b>General</b>	\$ 2,835,183	\$ 2,529,396	\$ 305,787
The General fund is the chief operating fund of the City. As a measure of the General fund's liquidity, it may be useful to compare fund balance to total fund expenditures and transfers out. Fund balance represents 46.8 percent of total 2016 expenditures and transfers out. Of the fund balance, \$2,559,399 is unassigned and will be used for cash flow for general operations and will be used to support operations until funds are received in June from the first tax settlement.			
<b>Debt Service</b>	\$ 555,341	\$ 398,223	\$ 157,118
The increase in fund balance is primarily due to the collection of taxes and special assessments to cover future debt service requirements.			
<b>Internally Financed Capital Project</b>	\$ 7,956,204	732,192	7,224,012
The increase in fund balance is primarily a result of new bonds issued for 2016.			

**Proprietary funds.** The City's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail. Unrestricted net position of the enterprise funds at the end of the year amounted to \$3,241,811. Other factors concerning the finances of these funds have already been addressed in the discussion of the City's business-type activities.

## General fund Budgetary Highlights

The City's General fund budget was not amended during the year. The budget called for no change in fund balance. Both revenues and expenditures provided positive budget variances. Some of the significant variances provided by revenues and expenditures are briefly summarized as follows:

- Revenues were more than anticipated by \$644,942. The largest positive variances were within licenses and permits and charges for services of \$364,416 and \$164,146, respectively. The variance in licenses and permits was mostly due to more building, heating, and plumbing permits than anticipated, which corresponded to the increase in charges for services related to plan check and project inspection fees.
- Current expenditures were \$297,675 less than budgeted. Significant variances within current expenditures were miscellaneous and public safety expenditures. The miscellaneous function and public safety were under budget by \$91,367 and \$85,608, respectively.
- In consideration of the positive variances in revenues and expenditures, an additional \$629,000 over budget was transferred to capital project funds to finance future projects.

## Capital Asset and Debt Administration

**Capital assets.** The City's investment in capital assets for its governmental and business-type activities as of December 31, 2016, amounts to \$57,550,827 (net of accumulated depreciation). This investment in capital assets includes land, construction in progress, land improvements, buildings, infrastructure, and machinery and equipment. The total increase in the City's investment in capital assets for the current fiscal year was 8.4 percent. Major capital asset activity includes:

- The governmental construction in progress increased \$2,756,320 prior to completed projects. This increase is primarily related to the Downtown Parking Ramp project, which is still outstanding at December 31, 2016.
- Additions in governmental activities included \$1,347,324 for buildings, and \$571,208 and \$398,313 for infrastructure and machinery and equipment, respectively.
- Additions in business-type activities construction in progress of \$1,154,162 were primarily for the 2016 Stormwater Improvements project.
- Disposals included fully and partially depreciated machinery and equipment that was either replaced or no longer in use.

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

	Governmental Activities			Business-type Activities		
	2016	2015	Increase (Decrease)	2016	2015	Increase (Decrease)
Land	\$ 7,563,994	\$ 7,563,994	\$ -	\$ 973,048	\$ 973,048	\$ -
Construction in progress	4,659,827	2,594,818	2,065,009	2,354,471	1,374,934	979,537
Land improvements	68,367	72,708	(4,341)	-	-	-
Buildings	13,250,340	12,233,148	1,017,192	7,843,634	8,034,208	(190,574)
Infrastructure	8,590,243	8,427,858	162,385	9,370,794	8,887,395	483,399
Machinery and equipment	2,329,963	2,321,936	8,027	546,146	627,871	(81,725)
<b>Total</b>	<b>\$ 36,462,734</b>	<b>\$ 33,214,462</b>	<b>\$ 3,248,272</b>	<b>\$ 21,088,093</b>	<b>\$ 19,897,456</b>	<b>\$ 1,190,637</b>

Additional information on the City's capital assets can be found in Note 3C starting on page 62 of this report.

**Long-term debt.** At the end of the current fiscal year, the City had total bonded debt outstanding of \$19,300,000. This amount consists of G.O. bonds, G.O. improvement bonds, G.O. tax increment bonds, and G.O. revenue bonds. While many of these bonds have their own revenue streams, they are all backed by the full faith and credit of the City.

### City of Wayzata's Outstanding Long-term Liabilities

	Governmental Activities			Business-type Activities		
	2016	2015	Increase (Decrease)	2016	2015	Increase (Decrease)
G.O. bonds	\$ 1,480,000	\$ 1,665,000	\$ (185,000)	\$ -	\$ -	\$ -
G.O. improvement bonds	2,300,000	2,430,000	(130,000)	1,710,000	1,810,000	(100,000)
G.O. tax increment bonds	7,725,000	-	7,725,000	-	-	-
G.O. revenue bonds	-	-	-	6,085,000	6,345,000	(260,000)
Unamortized bond premium	347,182	157,247	189,935	63,494	67,532	(4,038)
Other postemployment benefits payable	171,836	155,318	16,518	83,820	72,969	10,851
Pension liability	5,745,952	2,265,204	3,480,748	2,171,771	1,443,554	728,217
Compensated absences	321,064	312,162	8,902	99,525	100,871	(1,346)
<b>Total</b>	<b>\$ 18,091,034</b>	<b>\$ 6,984,931</b>	<b>\$ 11,106,103</b>	<b>\$ 10,213,610</b>	<b>\$ 9,839,926</b>	<b>\$ 373,684</b>

The City's total long-term liabilities increased \$11,479,787 (68.2 percent) during the current fiscal year. This was primarily a result of the issuance of the 2016A G. O. tax increment bond in the current year.

In accordance with Minnesota statutes, the City may not incur or be subject to net debt in excess of three percent of the estimated market value of taxable property within the City. Net debt is payable solely from ad valorem taxes and, therefore, excludes debt financed partially or entirely by special assessments, enterprise fund revenues, or tax increments. The City's estimated market value of taxable property in 2016 was \$1,650,041,030. The City's legal debt limit was \$49,501,231 and \$1,480,000 of the City's debt is applicable to the limit. Additional information on the City's long-term debt can be found in Note 3E starting on page 65 of this report.

#### Economic Factors and Next Year's Budgets and Rates

- Preliminary market values for the 2017 tax year continue to be strong and improving over the prior year. Residential valuations have increased approximately 10 percent over 2016. The overall market value increased 8 percent due to the combination of new development and the increase in residential values.
- The Bay Center project will continue into the next year which will have a positive effect on development related revenue. The east block has moved forward with the development of 29 condominium units, an 80-90 room boutique hotel, and approximately 25,000 square feet of retail space. Estimated market value at completion in 2018 is about \$42 million.
- The City will evaluate and continue to enhance the planning for capital related items. This includes a more extensive review of anticipated projects and a complete matching of resources to costs.
- The City Council adopted the Lake Effect Framework in 2014. The intent of this project is to showcase Lake Minnetonka, a significant resource for the City. The City Council will continue to review and incorporate elements of this framework as they become feasible.

All of these factors were considered in preparing the City's budget for the 2017 fiscal year.

#### 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 City's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Senior Accountant, City of Wayzata, 600 Rice Street East, Wayzata, Minnesota 55391.

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**GOVERNMENT-WIDE FINANCIAL STATEMENTS**

CITY OF WAYZATA  
WAYZATA, MINNESOTA

FOR THE YEAR ENDED  
DECEMBER 31, 2016

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

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	Housing and Redevelopment Authority
<b>ASSETS</b>				
Cash and temporary investments	\$ 18,937,141	\$ 5,421,730	\$ 24,358,871	\$ 1,420,318
Receivables				
Accrued interest	52,559	-	52,559	7,508
Taxes	34,904	-	34,904	64,872
Accounts	39,414	173,918	213,332	-
Notes	-	-	-	19,250
Special assessments	2,304,644	1,136,456	3,441,100	-
Internal balances	80,500	(80,500)	-	-
Due from other governments	4,159	21,075	25,234	-
Inventories	-	439,201	439,201	-
Capital assets				
Land and construction in progress	12,223,821	3,327,519	15,551,340	2,092,900
Depreciable assets, net of accumulated depreciation	24,238,913	17,760,574	41,999,487	-
<b>TOTAL ASSETS</b>	<b>57,916,055</b>	<b>28,199,973</b>	<b>86,116,028</b>	<b>3,604,848</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>				
Deferred pension resources	3,456,417	777,800	4,234,217	-
<b>LIABILITIES</b>				
Accounts and contracts payable	1,126,393	158,014	1,284,407	791,512
Due to other governments	20,261	87,052	107,313	4,234
Accrued salaries payable	3,159	27,393	30,552	-
Accrued interest payable	11,045	23,923	34,968	-
Deposits payable	13,326	23,113	36,439	703
Noncurrent liabilities				
Due within one year	506,587	425,126	931,713	-
Due in more than one year	17,584,447	9,788,484	27,372,931	-
<b>TOTAL LIABILITIES</b>	<b>19,265,218</b>	<b>10,533,105</b>	<b>29,798,323</b>	<b>796,449</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Deferred pension resources	657,197	246,549	903,746	-
<b>NET POSITION</b>				
Net investment in capital assets	32,550,256	13,229,599	45,779,855	2,092,900
Restricted for				
Debt service	2,844,296	1,726,709	4,571,005	-
Economic development	-	-	-	775,774
Parks and trails	137,176	-	137,176	-
Public safety police expenses	104,502	-	104,502	-
Unrestricted	5,813,827	3,241,811	9,055,638	(60,275)
<b>TOTAL NET POSITION</b>	<b>\$ 41,450,057</b>	<b>\$ 18,198,119</b>	<b>\$ 59,648,176</b>	<b>\$ 2,808,399</b>

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

CITY OF WAYZATA, MINNESOTA  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED DECEMBER 31, 2016

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary government				
Governmental activities				
General government	\$ 1,684,626	\$ 793,584	\$ 19,700	\$ -
Public safety	2,899,134	956,971	350,700	-
Public works	1,793,518	220,987	-	1,715,618
Culture and recreation	1,426,073	261,310	-	3,749
Interest on long-term debt	165,555	-	-	-
Total governmental activities	<u>7,968,906</u>	<u>2,232,852</u>	<u>370,400</u>	<u>1,719,367</u>
Business-type activities				
Water	877,646	780,563	-	258,635
Sewer	976,953	897,443	-	143,749
Licensing	366,121	552,514	-	-
Liquor	5,495,023	5,859,012	-	-
Solid waste	357,902	321,208	24,013	-
Stormwater	171,774	273,816	36,500	92
Total business-type activities	<u>8,245,419</u>	<u>8,684,556</u>	<u>60,513</u>	<u>402,476</u>
Total primary government	<u>\$ 16,214,325</u>	<u>\$ 10,917,408</u>	<u>\$ 430,913</u>	<u>\$ 2,121,843</u>
Component unit				
Housing and Redevelopment Authority	<u>\$ 2,510,962</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

General revenues

Taxes

Property taxes, levied for general purposes

Property taxes, levied for debt service

Tax increment

Franchise fees

Grants and contributions not restricted to specific programs

Unrestricted investment earnings

Gain on sale 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 (Expenses) Revenues and Changes in Net Position

Primary Government			Component Unit
Governmental Activities	Business-type Activities	Total	Housing and Redevelopment Authority
\$ (871,342)	\$ -	\$ (871,342)	\$ -
(1,591,463)	-	(1,591,463)	-
143,087	-	143,087	-
(1,161,014)	-	(1,161,014)	-
(165,555)	-	(165,555)	-
(3,646,287)	-	(3,646,287)	-
-	161,552	161,552	-
-	64,239	64,239	-
-	186,393	186,393	-
-	363,989	363,989	-
-	(12,681)	(12,681)	-
-	138,634	138,634	-
-	902,126	902,126	-
(3,646,287)	902,126	(2,744,161)	-
-	-	-	(2,510,962)
4,336,994	-	4,336,994	-
247,550	-	247,550	-
-	-	-	2,108,233
149,268	-	149,268	-
55,992	-	55,992	-
78,763	46,175	124,938	10,742
18,953	-	18,953	-
527,850	(527,850)	-	-
5,415,370	(481,675)	4,933,695	2,118,975
1,769,083	420,451	2,189,534	(391,987)
39,680,974	17,777,668	57,458,642	3,200,386
<u>\$ 41,450,057</u>	<u>\$ 18,198,119</u>	<u>\$ 59,648,176</u>	<u>\$ 2,808,399</u>

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

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**FUND FINANCIAL STATEMENTS**

CITY OF WAYZATA  
WAYZATA, MINNESOTA

FOR THE YEAR ENDED  
DECEMBER 31, 2016

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

	101	300's	401		
	General	Debt Service	Internally Financed Capital Project	Other Governmental Funds	Total Governmental Funds
<b>ASSETS</b>					
Cash and temporary investments	\$ 2,792,940	\$ 555,341	\$ 8,917,397	\$ 6,671,463	\$ 18,937,141
Receivables					
Accrued interest	52,559	-	-	-	52,559
Taxes	34,904	-	-	-	34,904
Accounts	22,715	-	-	16,699	39,414
Special assessments	703	2,300,000	3,941	-	2,304,644
Due from other funds	-	-	-	14,500	14,500
Due from other governments	4,059	-	-	100	4,159
Advances to other funds	-	-	-	66,000	66,000
<b>TOTAL ASSETS</b>	<b>\$ 2,907,880</b>	<b>\$ 2,855,341</b>	<b>\$ 8,921,338</b>	<b>\$ 6,768,762</b>	<b>\$ 21,453,321</b>
<b>LIABILITIES</b>					
Accounts and contracts payable	\$ 23,062	\$ -	\$ 961,193	\$ 142,138	\$ 1,126,393
Due to other governments	20,203	-	-	58	20,261
Accrued salaries payable	3,159	-	-	-	3,159
Deposits payable	9,818	-	-	3,508	13,326
<b>TOTAL LIABILITIES</b>	<b>56,242</b>	<b>-</b>	<b>961,193</b>	<b>145,704</b>	<b>1,163,139</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>					
Unavailable revenue - delinquent taxes	16,455	-	-	-	16,455
Unavailable revenue - special assessments	-	2,300,000	3,941	-	2,303,941
<b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>	<b>16,455</b>	<b>2,300,000</b>	<b>3,941</b>	<b>-</b>	<b>2,320,396</b>
<b>FUND BALANCES</b>					
Restricted	-	555,341	7,779,079	241,678	8,576,098
Committed	-	-	-	240,981	240,981
Assigned	275,784	-	177,125	6,140,399	6,593,308
Unassigned	2,559,399	-	-	-	2,559,399
<b>TOTAL FUND BALANCES</b>	<b>2,835,183</b>	<b>555,341</b>	<b>7,956,204</b>	<b>6,623,058</b>	<b>17,969,786</b>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES</b>	<b>\$ 2,907,880</b>	<b>\$ 2,855,341</b>	<b>\$ 8,921,338</b>	<b>\$ 6,768,762</b>	<b>\$ 21,453,321</b>

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

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

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

Total fund balances - governmental funds	\$ 17,969,786
Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds.	
Cost of capital assets	45,588,482
Less: accumulated depreciation	(9,125,748)
Noncurrent liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported as liabilities in the funds.	
Noncurrent liabilities at year-end consist of	
Compensated absences payable	(321,064)
Other postemployment benefits payable	(171,836)
Pension liability	(5,745,952)
Bond principal payable	(11,505,000)
Plus: unamortized bond premium	(347,182)
Some receivables are not available soon enough to pay for the current period's expenditures, and therefore are reported as unavailable revenue in the funds.	
Delinquent taxes receivable	16,455
Special assessments receivable	2,303,941
Governmental funds do not report long-term amounts related to pensions.	
Deferred outflow of resources	3,456,417
Deferred inflow of resources	(657,197)
Governmental funds do not report a liability for accrued interest until due and payable.	(11,045)
Total net position - governmental activities	\$ 41,450,057

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

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

	101	300's	401	Other	Total
	General	Debt Service	Internally Financed Capital Project	Governmental Funds	Governmental Funds
<b>REVENUES</b>					
Taxes					
Property taxes	\$ 4,128,510	\$ 247,550	\$ -	\$ 210,000	\$ 4,586,060
Franchise fees	83,443	-	-	65,825	149,268
Licenses and permits	769,641	-	-	178,744	948,385
Intergovernmental	200,025	-	527,225	16,915	744,165
Charges for services	862,230	-	-	338,741	1,200,971
Fines and forfeitures	77,268	-	-	91,325	168,593
Special assessments	-	251,017	1,571	2,478	255,066
Investment earnings	16,638	2,647	5,690	53,788	78,763
Miscellaneous					
Contributions and donations	-	-	-	82,435	82,435
Refunds and reimbursements	-	-	-	25,993	25,993
Other	46,191	-	-	5,699	51,890
<b>TOTAL REVENUES</b>	<b>6,183,946</b>	<b>501,214</b>	<b>534,486</b>	<b>1,071,943</b>	<b>8,291,589</b>
<b>EXPENDITURES</b>					
Current					
General government	1,110,852	-	-	185,263	1,296,115
Public safety	2,195,863	-	-	6,670	2,202,533
Public works	782,691	-	-	-	782,691
Culture and recreation	469,516	-	-	491,938	961,454
Miscellaneous	150,633	-	-	-	150,633
Capital outlay					
General government	-	-	-	101,406	101,406
Public safety	2,249	-	-	73,289	75,538
Public works	-	-	2,338,553	1,119,155	3,457,708
Culture and recreation	-	-	-	431,923	431,923
Debt service					
Principal	-	315,000	-	-	315,000
Interest and other	-	127,408	62,313	100	189,821
<b>TOTAL EXPENDITURES</b>	<b>4,711,804</b>	<b>442,408</b>	<b>2,400,866</b>	<b>2,409,744</b>	<b>9,964,822</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	<b>1,472,142</b>	<b>58,806</b>	<b>(1,866,380)</b>	<b>(1,337,801)</b>	<b>(1,673,233)</b>
<b>OTHER FINANCING SOURCES (USES)</b>					
Transfers in	150,000	-	1,249,000	1,015,624	2,414,624
Sale of capital assets	18,953	-	-	-	18,953
Bonds issued	-	98,312	7,626,688	-	7,725,000
Premium received on debt issued	-	-	214,704	-	214,704
Insurance recovery	9,466	-	-	-	9,466
Transfers out	(1,344,774)	-	-	(542,000)	(1,886,774)
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>(1,166,355)</b>	<b>98,312</b>	<b>9,090,392</b>	<b>473,624</b>	<b>8,495,973</b>
<b>NET CHANGE IN FUND BALANCES</b>	<b>305,787</b>	<b>157,118</b>	<b>7,224,012</b>	<b>(864,177)</b>	<b>6,822,740</b>
<b>FUND BALANCES, JANUARY 1</b>	<b>2,529,396</b>	<b>398,223</b>	<b>732,192</b>	<b>7,487,235</b>	<b>11,147,046</b>
<b>FUND BALANCES, DECEMBER 31</b>	<b>\$ 2,835,183</b>	<b>\$ 555,341</b>	<b>\$ 7,956,204</b>	<b>\$ 6,623,058</b>	<b>\$ 17,969,786</b>

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

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

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

Total net change in fund balances - governmental funds	\$ 6,822,740
<p>Capital outlays are reported in governmental funds as expenditures. However, in the statement of activities, the cost of those assets is allocated over the estimated useful lives as depreciation expense.</p>	
Capital outlays	3,356,418
Depreciation expense	(1,133,582)
<p>Revenues in the statement of activities that do not provide current financial resources are not reported as revenue in the funds.</p>	
Capital contributions	1,025,436
<p>The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of premiums, discounts and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. The amounts below are the effects of these differences in the treatment of long-term debt and related items.</p>	
Principal repayments	315,000
Debt issued or incurred	(7,725,000)
Plus: premium received on debt issued	(214,704)
Amortization of bond premium	24,769
<p>Interest on long-term debt in the statement of activities differs from the amount reported in the governmental funds because interest is recognized as an expenditure in the funds when it is due, and thus requires the use of current financial resources. In the statement of activities, however, interest expense is recognized as the interest accrues, regardless of when it is due.</p>	
	(503)
<p>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 the governmental funds.</p>	
Compensated absences	(8,902)
Other postemployment benefits	(16,518)
<p>Long-term pension activity is not reported in governmental funds</p>	
Pension revenue from state contributions	9,180
Pension expense	(550,232)
<p>Certain revenues are recognized as soon as they are earned. Under the modified accrual basis of accounting, certain revenues cannot be recognized until they are available to liquidate liabilities of the current period.</p>	
Property taxes	(1,516)
Special assessments	(133,503)
	(133,503)
Change in net position - governmental activities	\$ 1,769,083

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

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CITY OF WAYZATA, MINNESOTA  
STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL  
GENERAL FUND  
FOR THE YEAR ENDED DECEMBER 31, 2016

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
REVENUES				
Taxes				
Property taxes	\$ 4,056,795	\$ 4,056,795	\$ 4,128,510	\$ 71,715
Franchise fees	82,000	82,000	83,443	1,443
Licenses and permits	405,225	405,225	769,641	364,416
Intergovernmental	183,400	183,400	200,025	16,625
Charges for services	698,084	698,084	862,230	164,146
Fines and forfeitures	73,500	73,500	77,268	3,768
Investment earnings	35,000	35,000	16,638	(18,362)
Miscellaneous	5,000	5,000	46,191	41,191
TOTAL REVENUES	<u>5,539,004</u>	<u>5,539,004</u>	<u>6,183,946</u>	<u>644,942</u>
EXPENDITURES				
Current				
General government	1,122,336	1,122,336	1,110,852	11,484
Public safety	2,281,471	2,281,471	2,195,863	85,608
Public works	817,501	817,501	782,691	34,810
Culture and recreation	543,922	543,922	469,516	74,406
Miscellaneous	242,000	242,000	150,633	91,367
Capital outlay				
General government	1,000	1,000	-	1,000
Public safety	5,000	5,000	2,249	2,751
TOTAL EXPENDITURES	<u>5,013,230</u>	<u>5,013,230</u>	<u>4,711,804</u>	<u>301,426</u>
EXCESS OF REVENUES OVER EXPENDITURES	<u>525,774</u>	<u>525,774</u>	<u>1,472,142</u>	<u>946,368</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	190,000	190,000	150,000	(40,000)
Sale of capital assets	-	-	18,953	18,953
Insurance recovery	-	-	9,466	9,466
Transfers out	(715,774)	(715,774)	(1,344,774)	(629,000)
TOTAL OTHER FINANCING SOURCES (USES)	<u>(525,774)</u>	<u>(525,774)</u>	<u>(1,166,355)</u>	<u>(640,581)</u>
NET CHANGE IN FUND BALANCES	-	-	305,787	305,787
FUND BALANCES, JANUARY 1	<u>2,529,396</u>	<u>2,529,396</u>	<u>2,529,396</u>	<u>-</u>
FUND BALANCES, DECEMBER 31	<u>\$ 2,529,396</u>	<u>\$ 2,529,396</u>	<u>\$ 2,835,183</u>	<u>\$ 305,787</u>

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

CITY OF WAYZATA, MINNESOTA  
STATEMENT OF NET POSITION - CONTINUED ON THE FOLLOWING PAGES  
PROPRIETARY FUNDS  
DECEMBER 31, 2016

	Business-type Activities - Enterprise Funds			
	610 Water	620 Sewer	630 Licensing	640 Liquor
ASSETS				
CURRENT ASSETS				
Cash and temporary investments	\$ 2,498,868	\$ 701,153	\$ 225,420	\$ 1,192,368
Receivables				
Accounts	44,584	74,440	-	-
Special assessments	41,021	56,325	-	-
Due from other governments	12,271	8,804	-	-
Inventories	15,539	-	-	423,662
	<u>2,612,283</u>	<u>840,722</u>	<u>225,420</u>	<u>1,616,030</u>
NONCURRENT ASSETS				
Special assessments	546,153	492,756	-	-
Capital assets				
Land	3,975	8,495	-	679,550
Buildings	6,077,906	30,830	-	3,439,095
Infrastructure	3,194,099	3,844,832	-	73,210
Machinery and equipment	163,884	373,071	-	797,088
Construction in progress	1,822,615	-	-	-
Less: accumulated depreciation	(1,762,522)	(924,402)	-	(779,213)
	<u>9,499,957</u>	<u>3,332,826</u>	<u>-</u>	<u>4,209,730</u>
	<u>10,046,110</u>	<u>3,825,582</u>	<u>-</u>	<u>4,209,730</u>
	<u>12,658,393</u>	<u>4,666,304</u>	<u>225,420</u>	<u>5,825,760</u>
DEFERRED OUTFLOWS OF RESOURCES				
Deferred pension resources	87,413	87,407	108,118	476,901

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

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

	Business-type Activities - Enterprise Funds			
	610 Water	620 Sewer	630 Licensing	640 Liquor
<b>LIABILITIES</b>				
<b>CURRENT LIABILITIES</b>				
Accounts and contracts payable	\$ 105,172	\$ 7,133	\$ 313	\$ 33,849
Due to other governments	3,545	-	12,097	54,204
Accrued salaries payable	-	-	387	27,006
Accrued interest payable	12,862	979	-	10,082
Deposits payable	5,418	-	-	17,695
Due to other funds	-	-	-	14,500
Compensated absences payable, current portion	17,428	17,428	9,310	15,960
Bonds payable, current portion	220,000	35,000	-	110,000
<b>TOTAL CURRENT LIABILITIES</b>	<b>364,425</b>	<b>60,540</b>	<b>22,107</b>	<b>283,296</b>
<b>NONCURRENT LIABILITIES</b>				
Advances from other funds	-	-	-	66,000
Other postemployment benefits payable	16,001	15,997	13,745	35,830
Pension liability	244,073	244,056	301,886	1,331,605
Compensated absences payable	16,145	16,145	4,330	2,779
Unamortized bond premium	19,443	9,339	-	34,712
Bonds payable	4,165,000	405,000	-	2,860,000
<b>TOTAL NONCURRENT LIABILITIES</b>	<b>4,460,662</b>	<b>690,537</b>	<b>319,961</b>	<b>4,330,926</b>
<b>TOTAL LIABILITIES</b>	<b>4,825,087</b>	<b>751,077</b>	<b>342,068</b>	<b>4,614,222</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Deferred pension resources	27,708	27,706	34,272	151,170
<b>NET POSITION</b>				
Net investment in capital assets	5,095,514	2,883,487	-	1,205,018
Restricted for debt service	1,259,097	467,612	-	-
Unrestricted	1,538,400	623,829	(42,802)	332,251
<b>TOTAL NET POSITION</b>	<b>\$ 7,893,011</b>	<b>\$ 3,974,928</b>	<b>\$ (42,802)</b>	<b>\$ 1,537,269</b>

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

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

	Business-type Activities - Enterprise Funds		
	650 Solid Waste	670 Stormwater	Total
ASSETS			
CURRENT ASSETS			
Cash and temporary investments	\$ 230,000	\$ 573,921	\$ 5,421,730
Receivables			
Accounts	29,658	25,236	173,918
Special assessments	-	201	97,547
Due from other governments	-	-	21,075
Inventories	-	-	439,201
TOTAL CURRENT ASSETS	<u>259,658</u>	<u>599,358</u>	<u>6,153,471</u>
NONCURRENT ASSETS			
Special assessments	-	-	1,038,909
Capital assets			
Land	-	281,028	973,048
Buildings	-	-	9,547,831
Infrastructure	-	4,728,939	11,841,080
Machinery and equipment	-	-	1,334,043
Construction in progress	-	531,856	2,354,471
Less: accumulated depreciation	-	(1,496,243)	(4,962,380)
Total capital assets (net of accumulated depreciation)	<u>-</u>	<u>4,045,580</u>	<u>21,088,093</u>
TOTAL NONCURRENT ASSETS	<u>-</u>	<u>4,045,580</u>	<u>22,127,002</u>
TOTAL ASSETS	<u>259,658</u>	<u>4,644,938</u>	<u>28,280,473</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred pension resources	<u>8,099</u>	<u>9,862</u>	<u>777,800</u>

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

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

	Business-type Activities - Enterprise Funds		
	650	670	Total
	Solid Waste	Stormwater	
<b>LIABILITIES</b>			
<b>CURRENT LIABILITIES</b>			
Accounts and contracts payable	\$ 3,821	\$ 7,726	\$ 158,014
Due to other governments	17,206	-	87,052
Accrued salaries payable	-	-	27,393
Accrued interest payable	-	-	23,923
Deposits payable	-	-	23,113
Due to other funds	-	-	14,500
Compensated absences payable, current portion	-	-	60,126
Bonds payable, current portion	-	-	365,000
	<u>21,027</u>	<u>7,726</u>	<u>759,121</u>
<b>TOTAL CURRENT LIABILITIES</b>			
<b>NONCURRENT LIABILITIES</b>			
Advances from other funds	-	-	66,000
Other postemployment benefits payable	703	1,544	83,820
Pension liability	22,614	27,537	2,171,771
Compensated absences payable	-	-	39,399
Unamortized bond premium	-	-	63,494
Bonds payable	-	-	7,430,000
	<u>23,317</u>	<u>29,081</u>	<u>9,854,484</u>
<b>TOTAL NONCURRENT LIABILITIES</b>			
<b>TOTAL LIABILITIES</b>			
	<u>44,344</u>	<u>36,807</u>	<u>10,613,605</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Deferred pension resources	2,567	3,126	246,549
	<u>2,567</u>	<u>3,126</u>	<u>246,549</u>
<b>NET POSITION</b>			
Net investment in capital assets	-	4,045,580	13,229,599
Restricted for debt service	-	-	1,726,709
Unrestricted	220,846	569,287	3,241,811
	<u>220,846</u>	<u>569,287</u>	<u>3,241,811</u>
<b>TOTAL NET POSITION</b>			
	<u>\$ 220,846</u>	<u>\$ 4,614,867</u>	<u>\$ 18,198,119</u>

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

CITY OF WAYZATA, MINNESOTA  
STATEMENT OF REVENUES, EXPENSES AND  
CHANGES IN NET POSITION - CONTINUED ON THE FOLLOWING PAGE  
PROPRIETARY FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2016

	Business-type Activities - Enterprise Funds			
	610 Water	620 Sewer	630 Licensing	640 Liquor
OPERATING REVENUES				
Sales	\$ -	\$ -	\$ -	\$ 5,841,519
Cost of Sales	-	-	-	(2,987,361)
GROSS PROFIT	-	-	-	2,854,158
Charges for services	700,700	897,443	552,514	-
TOTAL OPERATING REVENUES	700,700	897,443	552,514	2,854,158
OPERATING EXPENSES				
Personnel services	271,030	271,028	354,669	1,601,175
Supplies	67,411	19,224	3,386	114,810
Professional services	76,636	44,254	2,196	137,892
Utilities	68,891	469,460	-	74,431
Other services and charges	19,139	18,146	4,228	210,009
Repairs and maintenance	27,431	27,012	1,642	112,300
Depreciation	186,761	114,988	-	132,727
TOTAL OPERATING EXPENSES	717,299	964,112	366,121	2,383,344
OPERATING INCOME (LOSS)	(16,599)	(66,669)	186,393	470,814
NONOPERATING REVENUES (EXPENSES)				
Investment earnings	28,837	5,543	880	5,476
Intergovernmental	-	-	-	-
Other income	79,863	-	-	17,493
Interest expense and other	(160,347)	(12,841)	-	(124,318)
TOTAL NONOPERATING REVENUES (EXPENSES)	(51,647)	(7,298)	880	(101,349)
INCOME (LOSS) BEFORE CONTRIBUTIONS AND TRANSFERS	(68,246)	(73,967)	187,273	369,465
TRANSFERS IN	-	-	-	-
CAPITAL CONTRIBUTIONS	258,635	143,749	-	-
TRANSFERS OUT	(357,900)	(69,100)	(55,000)	(32,850)
CHANGE IN NET POSITION	(167,511)	682	132,273	336,615
NET POSITION, JANUARY 1	8,060,522	3,974,246	(175,075)	1,200,654
NET POSITION, DECEMBER 31	<u>\$ 7,893,011</u>	<u>\$ 3,974,928</u>	<u>\$ (42,802)</u>	<u>\$ 1,537,269</u>

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

CITY OF WAYZATA, MINNESOTA  
STATEMENT OF REVENUES, EXPENSES AND  
CHANGES IN NET POSITION - CONTINUED  
PROPRIETARY FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2016

	Business-type Activities - Enterprise Funds		
	650 Solid Waste	670 Stormwater	Total
OPERATING REVENUES			
Sales	\$ -	\$ -	\$ 5,841,519
Cost of Sales	-	-	(2,987,361)
GROSS PROFIT	-	-	2,854,158
Charges for services	321,208	273,816	2,745,681
TOTAL OPERATING REVENUES	321,208	273,816	5,599,839
OPERATING EXPENSES			
Personnel services	25,747	32,161	2,555,810
Supplies	-	-	204,831
Professional services	263,786	37,264	562,028
Utilities	49,303	-	662,085
Other services and charges	19,066	1,754	272,342
Repairs and maintenance	-	-	168,385
Depreciation	-	100,595	535,071
TOTAL OPERATING EXPENSES	357,902	171,774	4,960,552
OPERATING INCOME (LOSS)	(36,694)	102,042	639,287
NONOPERATING REVENUES (EXPENSES)			
Investment earnings	1,622	3,817	46,175
Intergovernmental	24,013	36,500	60,513
Other income	-	-	97,356
Interest expense and other	-	-	(297,506)
TOTAL NONOPERATING REVENUES (EXPENSES)	25,635	40,317	(93,462)
INCOME (LOSS) BEFORE CONTRIBUTIONS AND TRANSFERS	(11,059)	142,359	545,825
TRANSFERS IN	-	50,000	50,000
CAPITAL CONTRIBUTIONS	-	92	402,476
TRANSFERS OUT	-	(63,000)	(577,850)
CHANGE IN NET POSITION	(11,059)	129,451	420,451
NET POSITION, JANUARY 1	231,905	4,485,416	17,777,668
NET POSITION, DECEMBER 31	\$ 220,846	\$ 4,614,867	\$ 18,198,119

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

CITY OF WAYZATA, MINNESOTA  
STATEMENT OF CASH FLOWS - CONTINUED ON THE FOLLOWING PAGES  
PROPRIETARY FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2016

	Business-type Activities - Enterprise Funds			
	610 Water	620 Sewer	630 Licensing	640 Liquor
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Receipts from customers and users	\$ 709,161	\$ 908,499	\$ 552,514	\$ 5,841,519
Other operating receipts	79,863	-	-	17,493
Receipts from (payments to) customer deposits	(599)	-	3,176	1,908
Payments to suppliers	(277,431)	(623,520)	(9,869)	(3,707,311)
Payments to employees	(258,842)	(258,840)	(321,582)	(1,517,885)
<b>NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>	<u>252,152</u>	<u>26,139</u>	<u>224,239</u>	<u>635,724</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>				
Transfers from other funds	-	-	-	-
Transfers to other funds	(357,900)	(69,100)	(55,000)	(32,850)
<b>NET CASH PROVIDED (USED) BY NONCAPITAL FINANCING ACTIVITIES</b>	<u>(357,900)</u>	<u>(69,100)</u>	<u>(55,000)</u>	<u>(32,850)</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>				
Acquisition of capital assets	(1,342,987)	(172,051)	-	-
Special assessments	135,467	73,495	-	-
Connection fees	225,568	66,822	-	-
Contribution for capital assets	-	48,611	-	-
Receipt from (payment on) interfund loan	-	-	-	(14,500)
Interest paid on long-term debt	(162,136)	(13,812)	-	(126,413)
Principal paid on long-term debt	(220,000)	(35,000)	-	(105,000)
<b>NET CASH PROVIDED (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES</b>	<u>(1,364,088)</u>	<u>(31,935)</u>	<u>-</u>	<u>(245,913)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Investment earnings	28,837	5,543	880	5,476
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	(1,440,999)	(69,353)	170,119	362,437
<b>CASH AND CASH EQUIVALENTS, JANUARY 1</b>	<u>3,939,867</u>	<u>770,506</u>	<u>55,301</u>	<u>829,931</u>
<b>CASH AND CASH EQUIVALENTS, DECEMBER 31</b>	<u>\$ 2,498,868</u>	<u>\$ 701,153</u>	<u>\$ 225,420</u>	<u>\$ 1,192,368</u>

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



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

	Business-type Activities - Enterprise Funds			
	610 Water	620 Sewer	630 Licensing	640 Liquor
RECONCILIATION OF OPERATING INCOME (LOSS) TO				
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES				
Operating income (loss)	\$ (16,599)	\$ (66,669)	\$ 186,393	\$ 470,814
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities				
Other income related to operations	79,863	-	-	17,493
Depreciation	186,761	114,988	-	132,727
(Increase) decrease in assets				
Accounts receivable, net	244	5,703	-	-
Special assessments receivable	7,357	5,540	-	-
Due from other governments	860	(187)	-	-
Inventories	(6,304)	-	-	(89,620)
(Increase) decrease in deferred outflows of resources				
Deferred pension resources	(68,399)	(68,394)	(86,421)	(375,187)
Increase (decrease) in liabilities				
Accounts and contracts payable	(11,548)	(45,343)	313	16,359
Due to other governments	(71)	(81)	1,270	2,753
Accrued salaries payable	-	-	387	14,692
Deposits payable	(599)	-	3,176	1,908
Compensated absences payable	1,374	1,374	2,259	(6,353)
Other postemployment benefits payable	1,486	1,486	2,138	5,434
Pension liability	77,716	77,711	112,057	441,695
Increase (decrease) in deferred inflows of resources				
Deferred pension resources	11	11	2,667	3,009
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES				
	<u>\$ 252,152</u>	<u>\$ 26,139</u>	<u>\$ 224,239</u>	<u>\$ 635,724</u>
SCHEDULE OF NONCASH CAPITAL AND RELATED FINANCING ACTIVITIES				
Capital assets purchased on account	<u>\$ 98,549</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Amortization of bond premium	<u>\$ 1,293</u>	<u>\$ 912</u>	<u>\$ -</u>	<u>\$ 1,833</u>

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

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

	Business-type Activities - Enterprise Funds		
	650 Solid Waste	670 Stormwater	Total
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Receipts from customers and users	\$ 320,638	\$ 273,640	\$ 8,605,971
Other operating receipts	24,013	36,500	157,869
Receipts from (payments to) customer deposits	-	-	4,485
Payments to suppliers	(322,303)	(31,292)	(4,971,726)
Payments to employees	(23,431)	(29,024)	(2,409,604)
	<u>(1,083)</u>	<u>249,824</u>	<u>1,386,995</u>
<b>NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>			
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>			
Transfers from other funds	-	50,000	50,000
Transfers to other funds	-	(63,000)	(577,850)
	<u>-</u>	<u>(13,000)</u>	<u>(527,850)</u>
<b>NET CASH PROVIDED (USED) BY NONCAPITAL FINANCING ACTIVITIES</b>			
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>			
Acquisition of capital assets	-	(112,121)	(1,627,159)
Special assessments	-	(201)	208,761
Connection fees	-	-	292,390
Contribution for capital assets	-	92	48,703
Receipt from (payment on) interfund loan	-	-	(14,500)
Interest paid on long-term debt	-	-	(302,361)
Principal paid on long-term debt	-	-	(360,000)
	<u>-</u>	<u>(112,230)</u>	<u>(1,754,166)</u>
<b>NET CASH PROVIDED (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES</b>			
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Investment earnings	1,622	3,817	46,175
	<u>539</u>	<u>128,411</u>	<u>(848,846)</u>
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>			
CASH AND CASH EQUIVALENTS, JANUARY 1	229,461	445,510	6,270,576
CASH AND CASH EQUIVALENTS, DECEMBER 31	<u>\$ 230,000</u>	<u>\$ 573,921</u>	<u>\$ 5,421,730</u>

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

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

	Business-type Activities - Enterprise Funds		
	650 Solid Waste	670 Stormwater	Total
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES			
Operating income (loss)	\$ (36,694)	\$ 102,042	\$ 639,287
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities			
Other income related to operations	24,013	36,500	157,869
Depreciation	-	100,595	535,071
(Increase) decrease in assets			
Accounts receivable, net	(570)	(176)	5,201
Special assessments receivable	-	-	12,897
Due from other governments	-	-	673
Inventories	-	-	(95,924)
(Increase) decrease in deferred outflows of resources			
Deferred pension resources	(6,481)	(7,924)	(612,806)
Increase (decrease) in liabilities			
Accounts and contracts payable	3,821	7,726	(28,672)
Due to other governments	6,031	-	9,902
Accrued salaries payable	-	-	15,079
Deposits payable	-	-	4,485
Compensated absences payable	-	-	(1,346)
Other postemployment benefits payable	132	175	10,851
Pension liability	8,455	10,583	728,217
Increase (decrease) in deferred inflows of resources			
Deferred pension resources	210	303	6,211
	<u>210</u>	<u>303</u>	<u>6,211</u>
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>\$ (1,083)</u>	<u>\$ 249,824</u>	<u>\$ 1,386,995</u>
SCHEDULE OF NONCASH CAPITAL AND RELATED FINANCING ACTIVITIES			
Capital assets purchased on account	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 98,549</u>
Amortization of bond premium	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4,038</u>

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

CITY OF WAYZATA, MINNESOTA  
STATEMENT OF FIDUCIARY NET POSITION  
FIDUCIARY FUND  
DECEMBER 31, 2016

	<u>802</u> Agency
ASSETS	
Cash and temporary investments	\$ 79,622
Accounts receivable	<u>1,260</u>
 TOTAL ASSETS	 <u>\$ 80,882</u>
 LIABILITIES	
Deposits payable	<u>\$ 80,882</u>

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

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

**Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Reporting entity**

The City of Wayzata, Minnesota (the City) operates under the “Optional Plan A” form of government as defined in the State of Minnesota statutes. Under this plan, the government of the City is directed by a City Council composed of an elected Mayor and four elected City Council members. The City Council exercises legislative authority and determines all matters of policy. The City Council appoints personnel responsible for the proper administration of all affairs relating to the City.

As required by accounting principles generally accepted in the United States of America, these financial statements include all funds, departments, agencies, boards, and commissions of the City (the primary government) and any component units. 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 City has one component unit.

***Discretely presented component unit***

The Wayzata Housing and Redevelopment Authority (HRA) assists the City Council in addressing the City’s housing and redevelopment goals and objectives in accordance with the Comprehensive Plan. It is a legally separate entity, of which the governing body consists of a five member board of commissioners approved, but not selected, by the City Council. With the exception of the City Council approving board members and the HRA’s budget, the HRA has complete control over its own duties. However, all HRA administrative and financial functions are performed by City staff, and the HRA is fiscally dependent upon the City. It is these criterion that result in the HRA being reported as a discretely presented component unit. The HRA does not prepare separate financial statements. Information on the HRA’s governmental funds is presented as supplementary schedules elsewhere in this report.

**B. Government-wide and fund financial statements**

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

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. Amounts reported as program revenues include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contribution, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

Separate financial statements are provided for governmental funds, proprietary funds, and the fiduciary fund, even though the latter is excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

**C. Measurement focus, basis of accounting and financial statement presentation**

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the proprietary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of 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.

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

**Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED**

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences, pensions, other postemployment benefits, and claims and judgments, are recorded only when payment is due.

Property taxes, franchise taxes, licenses and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. 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.

Proprietary funds distinguish *operating* revenues and expenses from *nonoperating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the City enterprise funds are charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

The City reports the following major governmental funds:

The *General fund* is the City's primary operating fund. It accounts for all financial resources of the City, except those required to be accounted for in another fund.

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

The *Internally Financed Capital Project fund* accounts for accumulated and payments made for internally financed capital project activity.

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

**Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED**

The City reports the following major proprietary funds:

The *Water fund* accounts for the activities of the City's water distribution operations.

The *Sewer fund* accounts for the collection and pumping of sanitary sewage through a system of sewer lines and lift stations. Sewage is treated by the Metropolitan Council of Environmental Services.

The *Licensing fund* accounts for the City's licensing service center.

The *Liquor fund* accounts for the City's on and off-sale liquor operations.

The *Solid Waste fund* accounts for the City's solid waste collection programs.

The *Stormwater fund* accounts for the activities of the City's stormwater system.

Additionally, the City reports the following fund types:

*Fiduciary fund* accounts for assets held by the City in a trustee capacity or as an agent on behalf of others.

The *agency fund* is custodial in nature and does not present results of operations or have a measurement focus. Agency funds are accounted for using the accrual basis of accounting. This fund is used to account for assets that the City holds for others in an agency capacity.

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

**D. 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 statement 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.

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

**Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED**

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.

The Minnesota Municipal Money Market (4M) fund is regulated by Minnesota statutes and the Board of Directors of the League of Minnesota Cities and operates in accordance with appropriate state laws and regulations. The reported value of the pool is the same as the fair value of the pool shares. The 4M fund is an external investment pool not registered with the Securities and Exchange Commission (SEC); however, it follows the regulatory rules of the SEC. Financial statements of the 4M fund can be obtained by contacting RBC Global Asset Management at 100 South Fifth Street, Suite 2300, Minneapolis, MN 55402-1240.

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's recurring fair value measurements are listed in detail on page 60 and are valued using quoted market prices (Level 1 inputs).

The City fair value measurements as of December 31, 2016 are included in note 3. A.



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

**Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED**

***Property taxes***

The City Council annually adopts a tax levy in December and certifies it to the County for collection in 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. The taxes are collected by the County Auditor 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 taxes not received within 60 days after year end in the governmental fund financial statements.

***Accounts receivable***

Accounts receivable include amounts billed for services provided before year end. Unbilled utility enterprise fund receivables are also included for services provided in 2016. The City annually certifies delinquent utility accounts to the County for collection in the following year. Therefore, there has been no allowance for doubtful accounts established for the delinquent water and sewer accounts.

***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 annually certified to the County or 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***

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds." Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

***Inventories***

All inventories are valued at the lower of first-in, first-out (FIFO) cost or replacement market. Proprietary fund inventories consist of water meters, licenses, and liquor. Inventories of governmental funds are recorded as expenditures at the time the inventory items are used (consumption method).

***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. Capital assets are defined by the City as assets with an estimated useful life of more than one year and an initial individual cost of more than \$5,000.

The City reports infrastructure assets on a network and subsystem basis. Accordingly, the amounts spent for the construction or acquisition of infrastructure assets are capitalized and reported in the government-wide financial statements regardless of their amount.

In the case of initial capitalization of general infrastructure assets (i.e., those reported by governmental activities) the City elected to report only those infrastructure assets added since January 1, 2004. As the City constructs or acquires capital assets each period, including infrastructure assets, they are capitalized and reported at historical cost. The reported value excludes normal maintenance and repairs which are essentially amounts spent in relation to capital assets that do not increase the capacity or efficiency of the item or extend its useful life beyond the original estimate. In the case of donations the City values these capital assets at the estimated acquisition value of the item at the date of its donation.

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

**Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED**

Interest costs incurred on the construction of capital assets for business-type activities are included as part of the capitalized value of the assets constructed. No amount of interest was capitalized in 2016.

Property, plant and equipment of the primary government, as well as the component units, are depreciated using the straight-line method over the following estimated useful lives:

Assets	Useful Lives in Years
Land improvements	5 to 30
Buildings	20 to 50
Infrastructure	5 to 50
Machinery and equipment	2 to 20

***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.

***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.

***Compensated absences***

The City policy permits certain employees to accumulate a limited amount of earned, but unused vacation and sick leave. The accrued compensated absences will be paid upon termination or when used. Compensated absences are recognized when they mature in the governmental fund financial statements, and accrued when earned in government-wide and proprietary fund financial statements. The General fund is typically used to liquidate governmental compensated absences payable.

***Other postemployment benefits (OPEB) payable***

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, 2016.

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

**Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED**

***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. The recognition of bond premiums and discounts are 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 fund types recognized 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. Premiums received on debt issuances are 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.

***Deferred inflows of resources***

In addition to liabilities, the statement of net position and fund financial statements 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 City has one type of item, which arises only under a modified accrual basis of accounting that qualifies for reporting in this category. Accordingly, the item, *unavailable revenue*, is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from two sources: delinquent taxes and special assessments. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

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

***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.

***Fund balance***

In the governmental fund 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 not in spendable form, such as prepaid items.

*Restricted* - Amounts related to externally imposed constraints established by creditors, grantors or contributors; or constraints imposed by state statutory provisions.

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

**Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED**

*Committed* - Amounts constrained for specific purposes that are internally imposed by formal action (resolution) of the City Council, which is the City's highest level of decision-making authority. Committed amounts cannot be used for any other purpose unless the City Council modifies or rescinds the commitment by resolution.

*Assigned* - Amounts constrained for specific purposes that are internally imposed. In governmental funds other than the General fund, assigned fund balance represents all remaining amounts that are not classified as nonspendable and are neither restricted nor committed. In the General fund, assigned amounts represent intended uses established by the City Council itself or by an official to which the governing body delegates the authority. The City Council has adopted a fund balance policy which delegates the authority to assign amounts for specific purposes to the Senior Accountant or City Manager.

*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 an unassigned fund balance of 40 percent of the next year's budgeted expenditures.

**Note 2: STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

**A. Budgetary information**

An annual budget is adopted on a basis consistent with accounting principles generally accepted in the United States of America for the General fund. All annual appropriations lapse at fiscal year end. The City does not use encumbrance accounting.

Prior to January 1<sup>st</sup> of each year, a budget for the General fund is adopted by the City Council after holding a public meeting to hear taxpayer comments.

The legal level of budgetary control is at the fund level. This means that management may alter the budget within and between departments, but cannot exceed the greater of the total budgeted expenditures or the total actual revenue for the year without City Council approval. Budgeted expenditures may not exceed estimated revenues. During the year the City Council may increase the budget to the extent an accumulated surplus exists from previous years. No budget amendments were made during 2016.

**B. Deficit fund equity**

The Licensing fund had a deficit net position at December 31, 2016 of \$42,802. This deficit will be eliminated through future charges for services. The HRA's Bay Center Tax Increment capital projects fund had a deficit of \$66,716. This deficit will be eliminated with future tax increments.

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

**Note 3: DETAILED NOTES ON ALL FUNDS**

**A. Deposits and investments**

*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 City 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.

Authorized collateral in lieu of a corporate surety bond includes:

- 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.

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.

Deposit and investments for the primary government and component unit are pooled and as a result they are not separately identified. At year end, the City's carrying amount of deposits was \$11,245,643 and the bank balance was \$12,230,655. The bank balance was covered by federal depository insurance and by collateral held in the City's name.

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

**Note 3: DETAILED NOTES ON ALL FUNDS - CONTINUED**

***Investments***

As of December 31, 2016, the City had the following investments:

<u>Types of Investments</u>	<u>Credit Quality/ Rating (1)</u>	<u>Segmented Time Distribution (2)</u>	<u>Amount</u>	<u>Fair Value Measurement Using Level 1</u>
Pooled investments at amortized cost				
4M Fund	N/A	less than 6 months	\$ 1,504	\$ -
4M Plus Fund	N/A	less than 6 months	3,270	-
Broker Money Market	AAA	less than 6 months	137,553	-
Total pooled			<u>142,327</u>	<u>-</u>
Non Pooled investments at fair value				
U.S. Government Securities	AA	1 - 5 years	311,683	311,683
U.S. Government Securities	AA	more than 5 years	487,315	487,315
Brokered Certificates of Deposit	N/A	less than 1 year	2,937,197	2,937,197
Brokered Certificates of Deposit	N/A	1 - 5 years	4,345,067	4,345,067
Municipal Securities	A-1	1 - 5 years	6,133,671	6,133,671
Municipal Securities	A-1	more than 5 years	245,410	245,410
Total non pooled			<u>14,460,343</u>	<u>14,460,343</u>
Total investments			<u>\$ 14,602,670</u>	<u>\$ 14,460,343</u>

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

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

N/A Indicates not applicable or available.

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

**Note 3: DETAILED NOTES ON ALL FUNDS - CONTINUED**

The investments of the City are subject to the following risks:

- *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 limit the City's investments. The City's investment policies do not further address credit risk.
- *Custodial Credit Risk.* The 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 does not have a formal investment policy addressing this risk, but typically limits its exposure by purchasing insured or registered investments, or by the control of who holds the securities.
- *Concentration of Credit Risk.* The concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer, excluding U.S. guaranteed investments (such as treasuries), investment pools, and mutual funds. The City's investment policies do not limit the concentration of investments. As of December 31, 2016, the City had 6.1 percent invested in Milan MI Areas schools, 6.7 percent invested in New York, NY City Transit Authority bonds, and 5.4 percent invested in Sacramento, CA municipal securities.
- *Interest Rate Risk.* The interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The City's investment policy limits the duration of investments to no more than ten years.

A reconciliation of cash and temporary investments as shown on the financial statements for the City follows:

Carrying amount of deposits	\$ 11,245,643
Investments	14,602,670
Cash on hand	<u>10,498</u>
Total	<u><u>\$ 25,858,811</u></u>
Cash and temporary investments	
Statement of net position	
Primary government	\$ 24,358,871
Component unit - HRA	1,420,318
Statement of fiduciary net position	<u>79,622</u>
Total	<u><u>\$ 25,858,811</u></u>

**B. Note receivables**

*Discretely presented component units*

The Housing and Redevelopment Authority has several loans receivable from local businesses. As of December 31, 2016, the total outstanding balance of these loans is \$19,250. The terms and interest rates vary and all are secured by the assets of the business.

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

**Note 3: DETAILED NOTES ON ALL FUNDS - CONTINUED**

**C. Capital assets**

*Primary government*

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

	Beginning Balance	Increases	Decreases	Ending Balance
<b>Governmental activities</b>				
Capital assets not being depreciated				
Land	\$ 7,563,994	\$ -	\$ -	\$ 7,563,994
Construction in progress	2,594,818	2,756,320	(691,311)	4,659,827
Total capital assets not being depreciated	<u>10,158,812</u>	<u>2,756,320</u>	<u>(691,311)</u>	<u>12,223,821</u>
Capital assets being depreciated				
Land improvements	86,816	-	-	86,816
Buildings	16,178,322	1,347,324	-	17,525,646
Infrastructure	10,145,629	571,208	-	10,716,837
Machinery and equipment	4,699,412	398,313	(62,363)	5,035,362
Total capital assets being depreciated	<u>31,110,179</u>	<u>2,316,845</u>	<u>(62,363)</u>	<u>33,364,661</u>
Less accumulated depreciation for				
Land improvements	(14,108)	(4,341)	-	(18,449)
Buildings	(3,945,174)	(330,132)	-	(4,275,306)
Infrastructure	(1,717,771)	(408,823)	-	(2,126,594)
Machinery and equipment	(2,377,476)	(390,286)	62,363	(2,705,399)
Total accumulated depreciation	<u>(8,054,529)</u>	<u>(1,133,582)</u>	<u>62,363</u>	<u>(9,125,748)</u>
Total capital assets being depreciated, net	<u>23,055,650</u>	<u>1,183,263</u>	<u>-</u>	<u>24,238,913</u>
Governmental activities capital assets, net	<u>\$ 33,214,462</u>	<u>\$ 3,939,583</u>	<u>\$ (691,311)</u>	<u>\$ 36,462,734</u>

The City's Peavey bridge was contributed by the State of Minnesota. Per the Agreement with the State, if the City were to sell the bridge, the proceeds would be restricted to the State to settle any remaining bonds outstanding that were issued in relation to the project.

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

General government	\$ 196,068
Public safety	221,001
Public works	637,065
Culture and recreation	<u>79,448</u>
Total depreciation expense - governmental activities	<u>\$ 1,133,582</u>



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

**Note 3: DETAILED NOTES ON ALL FUNDS - CONTINUED**

	Beginning Balance	Increases	Decreases	Ending Balance
<b>Business-type activities</b>				
Capital assets not being depreciated				
Land	\$ 973,048	\$ -	\$ -	\$ 973,048
Construction in progress	1,374,934	1,154,162	(174,625)	2,354,471
	<u>2,347,982</u>	<u>1,154,162</u>	<u>(174,625)</u>	<u>3,327,519</u>
Total capital assets not being depreciated				
	<u>2,347,982</u>	<u>1,154,162</u>	<u>(174,625)</u>	<u>3,327,519</u>
Capital assets being depreciated				
Buildings	9,547,831	-	-	9,547,831
Infrastructure	11,094,909	746,171	-	11,841,080
Machinery and equipment	1,334,043	-	-	1,334,043
	<u>21,976,783</u>	<u>746,171</u>	<u>-</u>	<u>22,722,954</u>
Total capital assets being depreciated				
	<u>21,976,783</u>	<u>746,171</u>	<u>-</u>	<u>22,722,954</u>
Less accumulated depreciation for				
Buildings	(1,513,623)	(190,574)	-	(1,704,197)
Infrastructure	(2,207,514)	(262,772)	-	(2,470,286)
Machinery and equipment	(706,172)	(81,725)	-	(787,897)
	<u>(4,427,309)</u>	<u>(535,071)</u>	<u>-</u>	<u>(4,962,380)</u>
Total accumulated depreciation				
	<u>(4,427,309)</u>	<u>(535,071)</u>	<u>-</u>	<u>(4,962,380)</u>
Total capital assets being depreciated, net				
	<u>17,549,474</u>	<u>211,100</u>	<u>-</u>	<u>17,760,574</u>
Business-type activities capital assets, net				
	<u>\$ 19,897,456</u>	<u>\$ 1,365,262</u>	<u>\$ (174,625)</u>	<u>\$ 21,088,093</u>

Depreciation expense was charged to functions/programs of the business-type activities of the City as follows:

Water	\$ 186,761
Sewer	114,988
Liquor	132,727
Stormwater	100,595
	<u>535,071</u>
Total depreciation expense - business-type activities	<u>\$ 535,071</u>

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

**Note 3: DETAILED NOTES ON ALL FUNDS - CONTINUED**

The City has active construction projects as of December 31, 2016. At year end, the City's commitments with the contractors are as follows:

<u>Project</u>	<u>Spent to date</u>	<u>Remaining Commitment</u>
Bushaway Road Project	\$ 1,949,432	\$ 203,512
2015 Street & Stormwater Improvements	1,531,558	45,139
Downtown Parking Ramp	1,429,995	7,110,405
Water Treatment Plant #2	996,227	46,566
Bushaway Landscaping	-	424,600

***Discretely presented component unit - HRA***

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

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
<b>Component unit activities</b>				
Capital assets not being depreciated				
Land	<u>\$ 2,092,900</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,092,900</u>

**D. Interfund receivables, payables and transfers**

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

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Purpose</u>	<u>Amount</u>
<b>Due from/to other funds</b>			
Governmental	Business-type		
Nonmajor	Liquor enterprise	Finance capital purchase	<u>\$ 14,500</u>
<b>Advance to/from other funds</b>			
Governmental	Business-type		
Nonmajor	Liquor enterprise	Finance capital purchase	<u>66,000</u>
Total internal balances government-wide statements			<u>\$ 80,500</u>

In 2011, various funds loaned an accumulated balance of \$600,000 to the Liquor enterprise fund for the Municipal liquor store project. The interfund loans will be paid back over 10 years and have an interest rate of 3 percent. Several of the funds were paid off in advance.

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

**Note 3: DETAILED NOTES ON ALL FUNDS - CONTINUED**

*Interfund transfers*

The composition of interfund transfers for the year ended December 31, 2016 is as follows:

Fund	Transfer in				Total
	General	Internally Financed Capital Project	Nonmajor Governmental	Stormwater Enterprise	
Transfer out					
General	\$ -	\$ 499,000	\$ 845,774	\$ -	\$ 1,344,774
Nonmajor governmental	30,000	450,000	12,000	50,000	542,000
Water enterprise	25,000	300,000	32,900	-	357,900
Sewer enterprise	25,000	-	44,100	-	69,100
Licensing enterprise	30,000	-	25,000	-	55,000
Liquor enterprise	30,000	-	2,850	-	32,850
Stormwater enterprise	10,000	-	53,000	-	63,000
 Total transfers	 <u>\$ 150,000</u>	 <u>\$ 1,249,000</u>	 <u>\$ 1,015,624</u>	 <u>\$ 50,000</u>	 <u>\$ 2,464,624</u>

The City annually budgets transfers for specific purposes. Annual transfers include transfers made to cover costs of operation, and transfers made as part of capital improvement plans.

**E. Long-term debt**

*Primary government*

General obligation (G.O.) bonds

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

Description	Authorized and Issued	Interest Rate	Issue Date	Maturity Date	Balance at Year End
G.O. Street Reconstruction Bonds, Series 2009B	\$ 370,000	3.00 - 3.87 %	05/19/09	12/01/23	\$ 195,000
G.O. Refunding Bonds, Series 2012A	1,885,000	2.00 - 3.00	09/05/12	12/01/23	<u>1,285,000</u>
 Total G.O. bonds					 <u>\$ 1,480,000</u>

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

**Note 3: DETAILED NOTES ON ALL FUNDS - CONTINUED**

Annual debt service requirements to maturity for the G.O. bonds are as follows:

<u>Year Ending December 31,</u>	<u>Governmental Activities</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	\$ 190,000	\$ 45,208	\$ 235,208
2018	195,000	39,508	234,508
2019	200,000	33,658	233,658
2020	215,000	27,608	242,608
2021	225,000	21,037	246,037
2022-2026	<u>455,000</u>	<u>21,285</u>	<u>476,285</u>
Total	<u>\$ 1,480,000</u>	<u>\$ 188,304</u>	<u>\$ 1,668,304</u>

G.O. revenue bonds

The following bonds were issued to finance capital improvements in the enterprise funds. Along with G.O. special assessment bonds, they will be repaid from future net operating revenues pledged from enterprise funds and are backed by the taxing power of the City. Annual net operating revenues, principal and interest payments, and percentage of revenue required to cover the principal and interest payments are as follows:

<u>Description</u>	<u>Authorized and Issued</u>	<u>Interest Rate</u>	<u>Issue Date</u>	<u>Maturity Date</u>	<u>Balance at Year End</u>
G.O. Water Revenue Bonds, Series 2009A	\$ 3,870,000	2.00 - 4.37 %	05/19/09	12/01/31	\$ 3,115,000
G.O. Liquor and Restaurant Bonds, Series 2011A	3,375,000	2.00 - 4.40	03/01/11	12/01/35	<u>2,970,000</u>
Total G.O. revenue bonds					<u>\$ 6,085,000</u>

Annual debt service requirements to maturity for G.O. revenue bonds are as follows:

<u>Year Ending December 31,</u>	<u>Business-type Activities</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	\$ 265,000	\$ 242,049	\$ 507,049
2018	270,000	234,099	504,099
2019	285,000	224,299	509,299
2020	295,000	213,961	508,961
2021	305,000	203,255	508,255
2022-2026	1,720,000	832,413	2,552,413
2027-2031	2,120,000	455,206	2,575,206
2032-2036	<u>825,000</u>	<u>92,230</u>	<u>917,230</u>
Total	<u>\$ 6,085,000</u>	<u>\$ 2,497,512</u>	<u>\$ 8,582,512</u>

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

**Note 3: DETAILED NOTES ON ALL FUNDS - CONTINUED**

General obligation tax increment bonds

The following bonds were issued to provide funding to a project within a tax increment financing district and will be repaid with tax increment financing and future tax levies.

Description	Authorized and Issued	Interest Rate	Issue Date	Maturity Date	Balance at Year End
G.O. Tax Increment Refunding Bonds, Series 2016A	\$ 7,725,000	1.10 - 4.0 %	12/29/16	02/01/41	<u>\$ 7,725,000</u>

The annual service requirements to maturity for general obligation tax increment bonds are as follows:

Year Ending December 31,	Governmental Activities		
	Principal	Interest	Total
2017	\$ -	\$ 138,005	\$ 138,005
2018	-	234,348	234,348
2019	-	234,438	234,438
2020	265,000	231,698	496,698
2021	270,000	226,348	496,348
2022-2026	1,440,000	1,040,575	2,480,575
2027-2031	1,640,000	837,303	2,477,303
2032-2036	1,880,000	584,646	2,464,646
2037-2041	2,230,000	225,138	2,455,138
Total	<u>\$ 7,725,000</u>	<u>\$ 3,752,499</u>	<u>\$11,477,499</u>

The City has pledged tax increment revenues generated by Tax Increment District number 5 to the debt service requirements related to the general obligation tax increment bond noted above through maturity of the bond. There was no pledged revenue or debt service requirements for the year ended December 31, 2016. It is anticipated tax increment revenues will be sufficient to provide not less than 105 percent of principal and interest on the bonds as required by Minnesota State law.

G.O. improvement (special assessment) bonds

The following bonds were issued to finance various improvements and will be repaid from special assessments levied on the properties benefiting from the improvements and future net revenues pledged from the Water and Sewer funds. G.O. improvement bonds have been issued for both governmental and business-type activities. All special assessment debt is backed by the full faith and credit of the City.

Description	Authorized and Issued	Interest Rate	Issue Date	Maturity Date	Balance at Year End
G.O. Improvement Bonds, Series 2010A	\$ 2,695,000	3.00 - 3.50 %	09/01/10	12/01/30	\$ 2,300,000
G.O. Improvement Bonds, Series 2012B	1,520,000	2.00 - 3.00	09/05/12	12/01/32	1,270,000
G.O. Improvement Bonds, Series 2012C	545,000	2.00 - 3.00	09/05/12	12/01/27	<u>440,000</u>
Total G.O. improvement bonds					<u>\$ 4,010,000</u>

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

**Note 3: DETAILED NOTES ON ALL FUNDS - CONTINUED**

Annual debt service requirements to maturity for G.O. improvement bonds are as follows:

Year Ending December 31,	Governmental Activities			Business-type Activities		
	Principal	Interest	Total	Principal	Interest	Total
2017	\$ 135,000	\$ 71,850	\$ 206,850	\$ 100,000	\$ 45,025	\$ 145,025
2018	140,000	67,800	207,800	105,000	43,025	148,025
2019	145,000	63,600	208,600	105,000	40,925	145,925
2020	150,000	59,250	209,250	110,000	38,825	148,825
2021	150,000	54,750	204,750	110,000	36,625	146,625
2022-2026	825,000	203,250	1,028,250	595,000	137,838	732,838
2027-2031	755,000	65,350	820,350	490,000	56,188	546,188
2032	-	-	-	95,000	2,850	97,850
Total	<u>\$ 2,300,000</u>	<u>\$ 585,850</u>	<u>\$ 2,885,850</u>	<u>\$ 1,710,000</u>	<u>\$ 401,301</u>	<u>\$ 2,111,301</u>

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

**Note 3: DETAILED NOTES ON ALL FUNDS - CONTINUED**

Changes in long-term liabilities

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

	Beginning Balance	Increases	Decreases	Ending Balance	Due Within One Year
<b>Governmental activities</b>					
Bonds payable					
G.O. bonds	\$ 1,665,000	\$ -	\$ (185,000)	\$ 1,480,000	\$ 190,000
G.O. improvement bonds	2,430,000	-	(130,000)	2,300,000	135,000
G.O. tax increment bonds	-	7,725,000	-	7,725,000	-
Unamortized premium on bonds	157,247	214,704	(24,769)	347,182	-
Total bonds payable	4,252,247	7,939,704	(339,769)	11,852,182	325,000
Other postemployment benefits payable	155,318	27,842	(11,324)	171,836	-
Pension liability					
GERF	1,106,245	648,165	(101,895)	1,652,515	-
PEPFF	1,158,959	3,102,845	(168,367)	4,093,437	-
Total pension liability	2,265,204	3,751,010	(270,262)	5,745,952	-
Compensated absences payable	312,162	268,185	(259,283)	321,064	181,587
Governmental activity long-term liabilities	<u>\$ 6,984,931</u>	<u>\$ 11,986,741</u>	<u>\$ (880,638)</u>	<u>\$ 18,091,034</u>	<u>\$ 506,587</u>
<b>Business-type activities</b>					
Bonds payable					
G.O. revenue bonds	\$ 6,345,000	\$ -	\$ (260,000)	\$ 6,085,000	\$ 265,000
G.O. improvement bonds	1,810,000	-	(100,000)	1,710,000	100,000
Unamortized premium on bonds	67,532	-	(4,038)	63,494	-
Total bonds payable	8,222,532	-	(364,038)	7,858,494	365,000
Other postemployment benefits payable	72,969	13,080	(2,229)	83,820	-
Pension liability					
GERF	1,443,554	845,799	(117,582)	2,171,771	-
Compensated absences payable	100,871	83,113	(84,459)	99,525	60,126
Business-type activity long-term liabilities	<u>\$ 9,839,926</u>	<u>\$ 941,992</u>	<u>\$ (568,308)</u>	<u>\$ 10,213,610</u>	<u>\$ 425,126</u>

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

**Note 3: DETAILED NOTES ON ALL FUNDS - CONTINUED**

**F. Components of fund balance**

At December 31, 2016, portions of the City's fund balance are not available for appropriation due to not being in spendable form (Nonspendable), legal restrictions (Restricted), City Council action (Committed), policy and/or intent (Assigned). The following is a summary of the components of fund balance:

Purpose	General	Debt Service	Internally Financed Capital Project	Other Governmental Funds	Total
Restricted for					
Debt service	\$ -	\$ 555,341	\$ -	\$ -	\$ 555,341
Downtown parking ramp	-	-	7,779,079	-	7,779,079
Parks and trails	-	-	-	137,176	137,176
Public safety police expenditures	-	-	-	104,502	104,502
Total restricted	<u>\$ -</u>	<u>\$ 555,341</u>	<u>\$ 7,779,079</u>	<u>\$ 241,678</u>	<u>\$ 8,576,098</u>
Committed to					
Cemetery	\$ -	\$ -	\$ -	\$ 47,576	\$ 47,576
Cable TV	-	-	-	52,078	52,078
Comprehensive Plan	-	-	-	141,327	141,327
Total committed	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 240,981</u>	<u>\$ 240,981</u>
Assigned to					
Insurance	\$ 275,784	\$ -	\$ -	\$ -	\$ 275,784
Lakefront improvement	-	-	-	335,425	335,425
Capital equipment	-	-	-	1,651,233	1,651,233
Parks and trails	-	-	-	941,141	941,141
Street improvement	-	-	-	1,499,085	1,499,085
Community room/ library improvements	-	-	-	309,994	309,994
Cell tower improvements	-	-	-	408,611	408,611
Other capital projects	-	-	177,125	994,910	1,172,035
Total assigned	<u>\$ 275,784</u>	<u>\$ -</u>	<u>\$ 177,125</u>	<u>\$ 6,140,399</u>	<u>\$ 6,593,308</u>



CITY OF WAYZATA, MINNESOTA  
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**Note 4: DEFINED BENEFIT PENSION PLANS - STATEWIDE**

**A. Plan description**

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

General Employees Retirement Fund (GERF)

All full-time and certain part-time employees of the City are covered by the General Employees Retirement Fund (GERF). GERF members belong to either the Coordinated Plan or the Basic Plan. Coordinated Plan members are covered by Social Security and Basic Plan members are not. The Basic Plan was closed to new members in 1967. All new members must participate in the Coordinated Plan.

Public Employees Police and Fire Fund (PEPFF)

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

**B. Benefits provided**

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

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

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

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.

CITY OF WAYZATA, MINNESOTA  
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DECEMBER 31, 2016

**Note 4: DEFINED BENEFIT PENSION PLANS - STATEWIDE - CONTINUED**

**C. Contributions**

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

GERF contributions

Basic Plan members and Coordinated Plan members were required to contribute 9.10 percent and 6.50 percent, respectively, of their annual covered salary in calendar year 2016. The City was required to contribute 11.78 percent of pay for Basic Plan members and 7.50 percent for Coordinated Plan members in calendar year 2016. The City's contributions to the GERF for the years ending December 31, 2016, 2015 and 2014 were \$226,098, \$221,233, and \$198,357, 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 10.80 percent of their annual covered salary in calendar year 2016. The City was required to contribute 16.20 percent of pay for PEPFF members in calendar year 2016. The City's contributions to the PEPFF for the years ending December 31, 2016, 2015 and 2014 were \$164,719, \$153,685, and \$141,677, 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, 2016, the City reported a liability of \$3,824,286 for its proportionate share of the GERF's net pension liability. The City's net pension liability reflected a reduction due to the State of Minnesota's contribution of \$6 million to the fund in 2016. The State of Minnesota is considered a non-employer contributing entity and the State's contribution meets the definition of a special funding situation. The State of Minnesota's proportionate share of the net pension liability associated with the City totaled \$49,931. The net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City's proportion of the net pension liability was based on the City's contributions received by PERA during the measurement period for employer payroll paid dates from July 1, 2015 through June 30, 2016 relative to the total employer contributions received from all of PERA's participating employers. At June 30, 2016, the City's proportionate share was 0.0471 percent which was a decrease of 0.0021 percent from its proportion measured as of June 30, 2015.

For the year ended December 31, 2016, the City recognized pension expense of \$205,916 for its proportionate share of GERF's pension expense.

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

**Note 4: DEFINED BENEFIT PENSION PLANS - STATEWIDE - CONTINUED**

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 11,558	\$ 300,997
Changes in actuarial assumptions	823,267	-
Net difference between projected and actual earnings on plan investments	417,743	-
Changes in proportion	-	133,154
Contributions to GERF subsequent to the measurement date	117,068	-
Total	\$ 1,369,636	\$ 434,151

Deferred outflows of resources totaling \$117,068 related to pensions resulting from the City's contributions to GERF subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2017. Other amounts reported as deferred outflows and inflows of resources related to GERF pensions will be recognized in pension expense as follows:

2017	\$ 214,943
2018	123,723
2019	341,619
2020	138,132

PEPFF pension costs

At December 31, 2016, the City reported a liability of \$4,093,437 for its proportionate share of the PEPFF's net pension liability. The net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City's proportion of the net pension liability was based on the City's contributions received by PERA during the measurement period for employer payroll paid dates from July 1, 2015 through June 30, 2016 relative to the total employer contributions received from all of PERA's participating employers. At June 30, 2016, the City's proportionate share was 0.102 percent which was the same as its proportion measured as of June 30, 2015.

For the year ended December 31, 2016, the City recognized pension expense of \$465,933 for its proportionate share of PEPFF's pension expense. The City also recognized \$9,180 for the year ended December 31, 2016 as grant revenue for its proportionate share of the State of Minnesota's on-behalf contributions to the PEPFF. Legislation passed in 2013 required the State of Minnesota to begin contributing \$9 million to the PEPFF each year, starting in fiscal year 2014.

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

**Note 4: DEFINED BENEFIT PENSION PLANS - STATEWIDE - CONTINUED**

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 916	\$ 469,595
Changes in actuarial assumptions	2,418,019	-
Net difference between projected and actual earnings on plan investments	352,894	-
Changes in proportion	8,942	-
Contributions to PEPFF subsequent to the measurement date	83,810	-
Total	\$ 2,864,581	\$ 469,595

Deferred outflows of resources totaling \$83,810 related to pensions resulting from the City's contributions to PEPFF subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2017. Other amounts reported as deferred outflows and inflows of resources related to PEPFF pensions will be recognized in pension expense as follows:

2017	\$ 439,633
2018	439,633
2019	575,530
2020	469,669
2021	386,711

**E. Actuarial assumptions**

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

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

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

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

**Note 4: DEFINED BENEFIT PENSION PLANS - STATEWIDE - CONTINUED**

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

The following changes in actuarial assumptions occurred in 2016:

GERP

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

PEPFF

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

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 return using a building-block method in which best-estimate ranges of expected future rates of return are developed for each major asset class. These ranges are combined to produce an expected long-term rate of return by weighting the expected future rates of return by the target asset allocation percentages. The target allocation and best estimates of geometric real rates of return for each major asset class are summarized in the following table:

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

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

**Note 4: DEFINED BENEFIT PENSION PLANS - STATEWIDE - CONTINUED**

**F. Discount rate**

The discount rate used to measure the total pension liability was 7.5 percent, a reduction from 7.90 percent used in 2015. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and employers will be made at rates set in Minnesota statutes. Based on these assumptions, the fiduciary net position of the GERF was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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

**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	\$ 5,431,620	\$ 3,824,286
	City Proportionate Share of NPL		
	1 Percent Decrease (4.60%)	Current (5.60%)	1 Percent Increase (6.60%)
PEPFF	\$ 5,730,269	\$ 4,093,437	\$ 2,756,022

**H. Pension plan fiduciary net position**

Detailed information about each defined benefit 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).

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

**Note 5: DEFINED CONTRIBUTION PENSION PLAN - FIRE DEPARTMENT RELIEF ASSOCIATION**

**A. Plan description**

The City contributes to the Wayzata Fire Department Relief Association (the Association), a single-employer defined contribution lump sum service pension plan. Volunteer firefighters of the City are members of the Association and its pension plan. Partial vesting of retirement benefits occurs at year 10 and continues based on years of service up to 20 years of service, at which time participants are 100 percent vested for retirement benefit purposes. On termination of service, a vested participant receives a single, lump sum distribution.

The City passes through state aids allocated to the plan in accordance with Minnesota statutes. The City's payroll for members of the Association for the year ended December 31, 2016 was \$86,943 compared to a total City payroll of \$4,416,458. The Association issues a publicly available financial report which may be obtained at Wayzata City Hall.

**B. Pension benefits**

Minnesota statutes, chapters 424 and 424A authorize pension benefits for volunteer fire relief associations. A firefighter who completes at least 20 years as an active member of the Fire Department and Association, after age 50, is entitled to a full service pension upon retirement.

**C. Funding and allocation policy**

Total contributions to the Association pension fund for 2016 amounted to \$116,111 of which \$70,436 (61 percent) was paid by the state to the City for the Association and \$45,675 (39 percent) was paid directly by the City. The City's contribution and state aid are apportioned to the accounts of active members in equal shares.

**Note 6: POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS**

**A. Plan description**

The City's defined benefit healthcare plan ("the Retiree Health Plan") provides healthcare insurance for eligible retirees and their spouses. The Retiree Health Plan is affiliated with the healthcare plan administered through LOGIS, an agent multiple-employer postemployment healthcare plan. LOGIS is a consortium of Minnesota local government units controlled by its members. LOGIS' Board of Directors is composed of one representative from each agency. LOGIS issues a publicly available financial report that includes financial statements and required supplementary information for the health plan. That report may be obtained by writing to LOGIS, 5750 Duluth Street, Golden Valley, MN 55422, or by calling (763) 543-2600.

**B. Funding policy**

The contribution requirements of plan members and the City are established and may be amended by LOGIS' Board of Directors. The required contributions are based on projected pay-as-you-go financing requirements. For fiscal year 2016, the City contributed \$13,553 to the plan. As of December 31, 2016, there were two former employees on leave with disability receiving health benefits from the plan. Retirees receiving benefits contribute 100 percent of their premium costs.

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

**Note 6: POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS - CONTINUED**

**C. Annual other postemployment benefit cost**

The City's annual other postemployment benefit (OPEB) cost (expense) is calculated based on the *annual required contribution of the employer* (ARC) of the City, an amount actuarially determined in accordance with the parameters of GASB Statement No. 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:

Annual required contribution	\$ 39,561
Interest on net OPEB obligation	10,273
Adjustment to annual required contribution	<u>(8,912)</u>
 Annual OPEB cost (expense)	 40,922
 Contributions made	 <u>(13,553)</u>
 Increase in net OPEB obligation	 27,369
 Net OPEB obligation - January 1, 2016	 <u>228,287</u>
 Net OPEB obligation - December 31, 2016	 <u><u>\$ 255,656</u></u>

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for fiscal year 2016, 2015 and 2014 follows:

Year Ending	Three Year Trend Information		
	Annual OPEB Cost	Percentage Annual OPEB Contributed	Net OPEB Obligation
12/31/16	\$ 40,922	33.1 %	\$ 255,656
12/31/15	49,542	45.4	228,287
12/31/14	48,021	33.8	201,246

**D. Funded status and funding progress**

As of January 1, 2016, the most recent actuarial valuation date, the actuarial accrued liability for benefits was \$380,123, all of which was unfunded. The covered payroll (annual payroll of active employees covered by the plan) was \$2,988,000 and the ratio of the unfunded actuarial accrued liability to the covered payroll was 12.7 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 for the Postemployment Benefit Plan, 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.



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

**Note 6: POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS - CONTINUED**

**E. Actuarial 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 benefit costs between the employer and plan members to that point. The actuarial 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.

In the January 1, 2016 actuarial valuation, the projected unit credit actuarial cost method was used. The actuarial assumptions include a 4.5 percent discount rate and a 2.75 percent inflation rate. The initial healthcare trend rate was 9.0 percent, reduced by decrements to an ultimate rate of 5.0 percent after 12 years. The unfunded actuarial accrued liability (UAAL) is being amortized as a level percentage of projected payroll on an open basis. The remaining amortization period at December 31, 2016, was 30 years.

**Note 7: OPERATING LEASES**

**A. Antenna and ground space lease**

The City leases space on its water tower and the ground surface located under the water tower to five companies that use the space for their antennas and equipment. The leases are five-year leases with three additional five-year renewal periods and are cancelable by either party by giving 60 days written notice. For 2016 the rent is \$844 per month, per antenna, and \$442 per month for the ground space, which is adjusted each January 1 by the greatest of five percent or the percentage increase of the Consumer Price Index (CPI). Antenna and ground space rent received in 2016 totaled \$326,784.

**B. Library lease**

The City leases space to Hennepin County on a five-year lease that terminates on April 30, 2018. The lease is cancelable by either party by giving 180 days written notice. The cost of the building being leased is \$4,253,125 and the accumulated depreciation is \$1,190,875 as of December 31, 2016. The base rent of \$56,830 is adjusted each December 1 by the percentage increase in the CPI. A portion of the base rent (25 percent) reimburses the City for building and grounds operating costs. The library pays for its own utility services. Library rent of \$59,249 was received in 2016.

**C. Depot Dock Lease**

The city leases a dock and related equipment to Marine Dock & Lift on a three year lease that terminates on October 15, 2017 and includes an option to purchase the equipment for \$51,300, which may be exercised with written notice on or before October 1, 2017. Yearly lease payments amount to \$16,230.

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

**Note 8: TAX ABATEMENTS**

**A. Primary Governments**

**Boulevard Apartments**

The City entered into a tax abatement agreement on December 7, 2010, with a developer 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 taxes paid by said developer for the increased property value and tax capacity related to the economic development. The agreement has a maximum return to the developer of \$11,040 over the life of the agreement (15 years). The agreement was negotiated under state law (Minnesota Statute 469.1813). The taxes abated during the fiscal year are noted in the chart below.

**Village Apartments**

The City entered into a tax abatement agreement on June 20, 2006 with a developer 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 taxes paid by said developer for the increased property value and tax capacity related to the economic development. The agreement has a maximum return to the developer of \$14,400 over the life of the agreement (15 years), and \$736 per year. The agreement was negotiated under state law (Minnesota Statute 469.1813). The taxes abated during the fiscal year are noted in the chart below.

	Amount of taxes abated the fiscal year
Boulevard Apartments	\$ 736
Village Apartments	1,003

**B. Component Unit**

The Wayzata Housing and Redevelopment Authority entered into a tax increment financing agreement with a developer 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 agreement has a maximum return to the developer of \$22,910,879 over the life of the agreement (maximum 25 years). The agreement was negotiated under state law (Minnesota Statute 469.175). The calculation of taxes abated during the fiscal year is noted in the chart below.

	Original Tax Capacity Rate	Captured Tax Capacity	Amount of Taxes Abated During the Fiscal Year
Tax Increment Development District 5	20.308%	\$ 1,631,147	\$ 331,253

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

**Note 9: 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 for which the City carries insurance. The City obtains insurance through participation in the League of Minnesota Cities Insurance Trust (LMCIT), which is a risk sharing pool with approximately 800 other governmental units. The City pays an annual premium to LMCIT for its workers compensation and property and casualty insurance. The LMCIT is self-sustaining through member premiums and will reinsure for claims above a prescribed dollar amount for each insurance event. Settled claims have not exceeded the City's coverage in any of the past three fiscal years.

Liabilities are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. An excess coverage insurance policy covers individual claims in excess of \$1,000,000. Liabilities, if any, include an amount for claims that have been incurred but not reported (IBNRs). The City's management is not aware of any incurred but not reported claims.

The City also carries commercial insurance for certain other risks of loss, including liquor liability. Settled claims resulting from these risks have not exceeded insurance coverage in any of the past three fiscal years. There were no significant reductions in the City's coverage in 2016.

**B. Legal claims**

The City has the usual and customary type of miscellaneous legal claims pending at year-end. Although the outcome of these lawsuits is not presently determinable, the City's management believes that the City will not incur any material monetary loss resulting from these claims. No loss has been recorded on the City's financial statements relating to these claims.

**C. Legal debt margin**

In accordance with Minnesota statutes, the City may not incur or be subject to net debt in excess of three percent of the estimated market value of taxable property within the City. Net debt is payable solely from ad valorem taxes and, therefore, excludes debt financed partially or entirely by special assessments, enterprise fund revenues, or tax increments. The City's estimated market value of taxable property in 2016 was \$1,650,041,030. The City's legal debt limit was \$49,501,231 and \$1,480,000 of the City's debt is applicable to the limit.

**D. Tax increment financing districts**

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

**E. Jointly governed organizations**

The Lake Minnetonka Conservation District (LMCD) is a jointly governed organization, established by the state, which is made up of a representative appointed by the City Councils of each of the 14 Cities surrounding Lake Minnetonka. The purpose of the LMCD is to uniformly regulate docks, promote public access, and protect the environmental quality of the lake. The City contributed \$35,954 in 2016.

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

**Note 9: OTHER INFORMATION - CONTINUED**

**F. Conduit debt**

The City entered into a Cooperative Agreement with the City of Minnetonka to issue a Housing Revenue Note for \$6,250,000. Conduit debt obligations are certain limited-obligation revenue bonds or similar debt instruments issued for the express purpose of providing capital financing for a specific third party. The City of Minnetonka has issued revenue bonds to provide financial assistance to private-sector entities for projects deemed to be in the public interest. Although these bonds bear the name of the City of Minnetonka, the City of Minnetonka, the City of Wayzata, the State, nor any political subdivision thereof is obligated in any manner for repayment of the bonds. Accordingly, the bonds are not reported as liabilities in the accompanying financial statements.

In addition, the City entered into a Cooperative Agreement with Hammer Residences to issue a Housing Revenue Note for \$5,500,000. The outstanding balance at December 31, 2016 is \$4,186,488. The City of Wayzata, the State, nor any political subdivision thereof is obligated in any manner for repayment of the bonds. Accordingly, the bonds are not reported as liabilities in the accompanying financial statements.

**Note 10: TRANSACTIONS BETWEEN THE PRIMARY GOVERNMENT AND ITS COMPONENT UNIT**

The City conducts routine transactions with its component unit for services provided. The City provides administrative and financial services for the HRA activities; the HRA contributed \$40,000 to the City during 2016 for these administrative services and operating costs. In addition, the HRA contributed \$527,225 to the Internally Financed Capital Project fund for project costs.

**REQUIRED SUPPLEMENTARY INFORMATION**

CITY OF WAYZATA  
WAYZATA, MINNESOTA

FOR THE YEAR ENDED  
DECEMBER 31, 2016

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

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

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/c)	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
06/30/16	0.0471 %	\$ 3,824,286	\$ 49,931	\$ 3,874,217	\$ 2,907,012	131.6 %	68.9 %
06/30/15	0.0492	2,549,799	-	2,549,799	2,891,715	88.2	78.2

**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)
12/31/16	\$ 226,098	\$ 226,098	\$ -	\$ 3,014,638	7.5 %
12/31/15	221,233	221,233	-	2,949,773	7.5

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

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

Fiscal Year Ending	City's Proportion of the Net Pension Liability	City's Proportionate Share of the Net Pension Liability (a)	City's Covered Payroll (c)	City's Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll (a/c)	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
06/30/16	0.1020 %	\$ 4,093,437	\$ 982,604	416.6 %	63.9 %
06/30/15	0.1020	1,158,959	936,063	123.8	86.6

**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)
12/31/16	\$ 164,719	\$ 164,719	\$ -	\$ 1,016,781	16.2 %
12/31/15	153,685	153,685	-	948,673	16.2

**Schedule of funding progress for the postemployment benefit plan**

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability	Unfunded Actuarial Accrued Liability (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
01/01/16	\$ -	\$ 380,123	\$ 380,123	- %	\$ 2,988,000	12.7 %
01/01/15	-	494,331	494,331	-	2,761,742	17.9
01/01/14	-	460,130	460,130	-	2,661,920	17.3

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

CITY OF WAYZATA  
WAYZATA, MINNESOTA

FOR THE YEAR ENDED  
DECEMBER 31, 2016

CITY OF WAYZATA, MINNESOTA  
NONMAJOR GOVERNMENTAL FUNDS  
COMBINING BALANCE SHEET  
DECEMBER 31, 2016

	Special Revenue	Capital Projects	Total Nonmajor Governmental Funds
<b>ASSETS</b>			
Cash and temporary investments	\$ 328,928	\$ 6,342,535	\$ 6,671,463
Receivables			
Accounts	16,699	-	16,699
Due from other funds	-	14,500	14,500
Due from other governments	-	100	100
Advances to other funds	-	66,000	66,000
	<u>\$ 345,627</u>	<u>\$ 6,423,135</u>	<u>\$ 6,768,762</u>
<b>LIABILITIES</b>			
Accounts and contracts payable	\$ 144	\$ 141,994	\$ 142,138
Due to other governments	-	58	58
Deposits payable	-	3,508	3,508
	<u>144</u>	<u>145,560</u>	<u>145,704</u>
<b>FUND BALANCES</b>			
Restricted	104,502	137,176	241,678
Committed	240,981	-	240,981
Assigned	-	6,140,399	6,140,399
	<u>345,483</u>	<u>6,277,575</u>	<u>6,623,058</u>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<u>\$ 345,627</u>	<u>\$ 6,423,135</u>	<u>\$ 6,768,762</u>

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

	<u>Special Revenue</u>	<u>Capital Projects</u>	<u>Total Nonmajor Governmental Funds</u>
<b>REVENUES</b>			
Taxes			
Property taxes	\$ -	\$ 210,000	\$ 210,000
Franchise fees	65,825	-	65,825
Licenses and permits	-	178,744	178,744
Intergovernmental	-	16,915	16,915
Charges for service	-	338,741	338,741
Fines and forfeitures	91,325	-	91,325
Special assessments	-	2,478	2,478
Investment earnings	1,862	51,926	53,788
Miscellaneous			
Contributions and donations	19,700	62,735	82,435
Refunds and reimbursements	-	25,993	25,993
Other	-	5,699	5,699
	<u>178,712</u>	<u>893,231</u>	<u>1,071,943</u>
<b>EXPENDITURES</b>			
Current			
General government	64,786	120,477	185,263
Public safety	6,670	-	6,670
Culture and recreation	-	491,938	491,938
Capital outlay			
General government	-	101,406	101,406
Public safety	-	73,289	73,289
Public works	-	1,119,155	1,119,155
Culture and recreation	-	431,923	431,923
Debt service			
Interest and other	-	100	100
	<u>71,456</u>	<u>2,338,288</u>	<u>2,409,744</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	<u>107,256</u>	<u>(1,445,057)</u>	<u>(1,337,801)</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers in	-	1,015,624	1,015,624
Transfers out	<u>(12,000)</u>	<u>(530,000)</u>	<u>(542,000)</u>
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<u>(12,000)</u>	<u>485,624</u>	<u>473,624</u>
<b>NET CHANGE IN FUND BALANCES</b>	95,256	(959,433)	(864,177)
<b>FUND BALANCES, JANUARY 1</b>	<u>250,227</u>	<u>7,237,008</u>	<u>7,487,235</u>
<b>FUND BALANCES, DECEMBER 31</b>	<u>\$ 345,483</u>	<u>\$ 6,277,575</u>	<u>\$ 6,623,058</u>

CITY OF WAYZATA, MINNESOTA  
NONMAJOR SPECIAL REVENUE FUNDS  
COMBINING BALANCE SHEET  
DECEMBER 31, 2016

	<b>232</b>	<b>235</b>	<b>236/240</b>	<b>239</b>	
	Cemetery	Cable TV	Police Forfeiture	Comprehensive Plan	Total
<b>ASSETS</b>					
Cash and temporary investments	\$ 47,623	\$ 35,476	\$ 104,502	\$ 141,327	\$ 328,928
Accounts receivable	-	16,699	-	-	16,699
<b>TOTAL ASSETS</b>	<b>\$ 47,623</b>	<b>\$ 52,175</b>	<b>\$ 104,502</b>	<b>\$ 141,327</b>	<b>\$ 345,627</b>
<b>LIABILITIES</b>					
Accounts and contracts payable	\$ 47	\$ 97	-	-	\$ 144
<b>FUND BALANCES</b>					
Restricted	-	-	104,502	-	104,502
Committed	47,576	52,078	-	141,327	240,981
<b>TOTAL FUND BALANCES</b>	<b>47,576</b>	<b>52,078</b>	<b>104,502</b>	<b>141,327</b>	<b>345,483</b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 47,623</b>	<b>\$ 52,175</b>	<b>\$ 104,502</b>	<b>\$ 141,327</b>	<b>\$ 345,627</b>

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

	<u>232</u>	<u>235</u>	<u>236/240</u>	<u>239</u>	
	Cemetery	Cable TV	Police Forfeiture	Comprehensive Plan	Total
REVENUES					
Taxes					
Franchise fees	\$ -	\$ 65,825	\$ -	\$ -	\$ 65,825
Fines and forfeitures	-	-	91,325	-	91,325
Investment earnings	337	370	291	864	1,862
Miscellaneous					
Contributions and donations	-	-	-	19,700	19,700
TOTAL REVENUES	<u>337</u>	<u>66,195</u>	<u>91,616</u>	<u>20,564</u>	<u>178,712</u>
EXPENDITURES					
Current					
General government	284	64,502	-	-	64,786
Public safety	-	-	6,670	-	6,670
TOTAL EXPENDITURES	<u>284</u>	<u>64,502</u>	<u>6,670</u>	<u>-</u>	<u>71,456</u>
EXCESS OF REVENUES OVER EXPENDITURES	53	1,693	84,946	20,564	107,256
OTHER FINANCING USES					
Transfers out	-	(12,000)	-	-	(12,000)
NET CHANGE IN FUND BALANCES	53	(10,307)	84,946	20,564	95,256
FUND BALANCES, JANUARY 1	<u>47,523</u>	<u>62,385</u>	<u>19,556</u>	<u>120,763</u>	<u>250,227</u>
FUND BALANCES, DECEMBER 31	<u>\$ 47,576</u>	<u>\$ 52,078</u>	<u>\$ 104,502</u>	<u>\$ 141,327</u>	<u>\$ 345,483</u>

CITY OF WAYZATA, MINNESOTA  
NONMAJOR CAPITAL PROJECTS FUNDS  
COMBINING BALANCE SHEET  
DECEMBER 31, 2016

	233	237	404	407
	Lakefront Improvement	Fire Department Pull Tabs	Parks and Trails Capital Project	Cell Tower
<b>ASSETS</b>				
Cash and temporary investments	\$ 360,543	\$ 105,684	\$ 1,078,317	\$ 421,114
Due from other funds	-	-	-	-
Due from other governments	100	-	-	-
Advances to other funds	-	-	-	-
<b>TOTAL ASSETS</b>	<b><u>\$ 360,643</u></b>	<b><u>\$ 105,684</u></b>	<b><u>\$ 1,078,317</u></b>	<b><u>\$ 421,114</u></b>
<b>LIABILITIES</b>				
Accounts and contracts payable	\$ 21,710	\$ -	\$ -	\$ 12,503
Deposits payable	3,508	-	-	-
Due to other governments	-	-	-	-
<b>TOTAL LIABILITIES</b>	<b><u>25,218</u></b>	<b><u>-</u></b>	<b><u>-</u></b>	<b><u>12,503</u></b>
<b>FUND BALANCES</b>				
Restricted	-	-	137,176	-
Assigned	335,425	105,684	941,141	408,611
<b>TOTAL FUND BALANCES</b>	<b><u>335,425</u></b>	<b><u>105,684</u></b>	<b><u>1,078,317</u></b>	<b><u>408,611</u></b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b><u>\$ 360,643</u></b>	<b><u>\$ 105,684</u></b>	<b><u>\$ 1,078,317</u></b>	<b><u>\$ 421,114</u></b>

<b>408</b> General Improvement Capital Project	<b>430</b> Street Improvement Capital Project	<b>409</b> Equipment Revolving	<b>437</b> Community Room/Library Improvement	Total
\$ 1,000,306	\$ 1,520,698	\$ 1,545,549	\$ 310,324	\$ 6,342,535
-	14,500	-	-	14,500
-	-	-	-	100
-	66,000	-	-	66,000
<u>\$ 1,000,306</u>	<u>\$ 1,601,198</u>	<u>\$ 1,545,549</u>	<u>\$ 310,324</u>	<u>\$ 6,423,135</u>
\$ 5,338	\$ 102,113	\$ -	\$ 330	\$ 141,994
-	-	-	-	3,508
58	-	-	-	58
<u>5,396</u>	<u>102,113</u>	<u>-</u>	<u>330</u>	<u>145,560</u>
-	-	-	-	137,176
994,910	1,499,085	1,545,549	309,994	6,140,399
<u>994,910</u>	<u>1,499,085</u>	<u>1,545,549</u>	<u>309,994</u>	<u>6,277,575</u>
<u>\$ 1,000,306</u>	<u>\$ 1,601,198</u>	<u>\$ 1,545,549</u>	<u>\$ 310,324</u>	<u>\$ 6,423,135</u>

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

	233	237	404	407
	Lakefront Improvement	Fire Department Pull Tabs	Parks and Trails Capital Project	Cell Tower
REVENUES				
Property taxes	\$ -	\$ -	\$ -	\$ -
Licenses and permits	178,744	-	-	-
Intergovernmental	-	-	-	-
Charges for services	-	-	15,325	50,000
Special assessments	-	-	-	-
Investment earnings	4,867	451	7,300	3,537
Miscellaneous				
Contributions and donations	1,485	60,500	750	-
Refunds and reimbursements	-	-	1,514	-
Other	5,699	-	-	-
<b>TOTAL REVENUES</b>	<b>190,795</b>	<b>60,951</b>	<b>24,889</b>	<b>53,537</b>
EXPENDITURES				
Current				
General government	-	-	-	120,477
Culture and recreation	459,548	-	4,774	-
Capital outlay				
General government	-	-	-	-
Public safety	-	9,243	-	-
Public works	-	-	-	-
Culture and recreation	52,772	-	102,377	-
Debt service				
Interest and fiscal charges	-	-	-	-
<b>TOTAL EXPENDITURES</b>	<b>512,320</b>	<b>9,243</b>	<b>107,151</b>	<b>120,477</b>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(321,525)	51,708	(82,262)	(66,940)
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	137,500	-
Transfers out	(80,000)	-	-	-
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>(80,000)</b>	<b>-</b>	<b>137,500</b>	<b>-</b>
NET CHANGE IN FUND BALANCES	(401,525)	51,708	55,238	(66,940)
FUND BALANCES, JANUARY 1	736,950	53,976	1,023,079	475,551
FUND BALANCES, DECEMBER 31	\$ 335,425	\$ 105,684	\$ 1,078,317	\$ 408,611



<b>408</b> General Improvement Capital Project	<b>430</b> Street Improvement Capital Project	<b>409</b> Equipment Revolving	<b>437</b> Community Room/Library Improvement	Total
\$ -	\$ 210,000	\$ -	\$ -	\$ 210,000
-	-	-	-	178,744
-	16,915	-	-	16,915
13,399	207,588	-	52,429	338,741
2,478	-	-	-	2,478
10,840	12,896	8,776	3,259	51,926
-	-	-	-	62,735
-	24,479	-	-	25,993
-	-	-	-	5,699
<u>26,717</u>	<u>471,878</u>	<u>8,776</u>	<u>55,688</u>	<u>893,231</u>
-	-	-	-	120,477
-	-	-	27,616	491,938
-	-	101,406	-	101,406
8,908	-	55,138	-	73,289
323,485	770,574	25,096	-	1,119,155
29,074	-	247,700	-	431,923
-	100	-	-	100
<u>361,467</u>	<u>770,674</u>	<u>429,340</u>	<u>27,616</u>	<u>2,338,288</u>
<u>(334,750)</u>	<u>(298,796)</u>	<u>(420,564)</u>	<u>28,072</u>	<u>(1,445,057)</u>
170,000	149,524	558,600	-	1,015,624
(300,000)	-	-	(150,000)	(530,000)
<u>(130,000)</u>	<u>149,524</u>	<u>558,600</u>	<u>(150,000)</u>	<u>485,624</u>
(464,750)	(149,272)	138,036	(121,928)	(959,433)
<u>1,459,660</u>	<u>1,648,357</u>	<u>1,407,513</u>	<u>431,922</u>	<u>7,237,008</u>
<u>\$ 994,910</u>	<u>\$ 1,499,085</u>	<u>\$ 1,545,549</u>	<u>\$ 309,994</u>	<u>\$ 6,277,575</u>

CITY OF WAYZATA, MINNESOTA  
GENERAL FUND  
SCHEDULE OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL - CONTINUED ON THE FOLLOWING PAGES  
FOR THE YEAR ENDED DECEMBER 31, 2016  
(With comparative actual amounts for the year ended December 31, 2015)

	2016			Variance with Final Budget	2015
	Budgeted Amounts		Actual		Actual
	Original	Final	Amounts		Amounts
REVENUES					
Taxes					
Property taxes	\$ 4,056,795	\$ 4,056,795	\$ 4,128,510	\$ 71,715	\$ 3,858,556
Franchise fees	82,000	82,000	83,443	1,443	81,215
Total	<u>4,138,795</u>	<u>4,138,795</u>	<u>4,211,953</u>	<u>73,158</u>	<u>3,939,771</u>
Licenses and permits					
Business	152,650	152,650	191,434	38,784	188,239
Nonbusiness	252,575	252,575	578,207	325,632	469,716
Total	<u>405,225</u>	<u>405,225</u>	<u>769,641</u>	<u>364,416</u>	<u>657,955</u>
Intergovernmental					
State					
Other	183,400	183,400	200,025	16,625	193,931
Charges for services					
General government	285,734	285,734	446,435	160,701	378,943
Public safety	395,650	395,650	400,983	5,333	434,041
Culture and recreation	16,700	16,700	14,812	(1,888)	14,598
Total	<u>698,084</u>	<u>698,084</u>	<u>862,230</u>	<u>164,146</u>	<u>827,582</u>
Fines and forfeitures	73,500	73,500	77,268	3,768	89,360
Investment earnings	35,000	35,000	16,638	(18,362)	26,875
Miscellaneous					
Other	5,000	5,000	46,191	41,191	10,266
TOTAL REVENUES	<u>5,539,004</u>	<u>5,539,004</u>	<u>6,183,946</u>	<u>644,942</u>	<u>5,745,740</u>

CITY OF WAYZATA, MINNESOTA  
GENERAL FUND  
SCHEDULE OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL - CONTINUED  
FOR THE YEAR ENDED DECEMBER 31, 2016  
(With comparative actual amounts for the year ended December 31, 2015)

	2016				2015
	Budgeted Amounts		Actual Amounts	Variance with Final Budget	Actual Amounts
	Original	Final			
<b>EXPENDITURES</b>					
Current					
General government					
Mayor and Council					
Personnel services	\$ 25,836	\$ 25,836	\$ 25,836	\$ -	\$ 25,836
Supplies	200	200	212	(12)	672
Other services and charges	20,200	20,200	24,334	(4,134)	20,438
Total	46,236	46,236	50,382	(4,146)	46,946
Administration and finance					
Personnel services	431,762	431,762	354,842	76,920	465,757
Supplies	11,000	11,000	16,135	(5,135)	12,402
Other services and charges	237,500	237,500	328,048	(90,548)	320,706
Total	680,262	680,262	699,025	(18,763)	798,865
Assessing					
Supplies	500	500	339	161	-
Other services and charges	53,000	53,000	60,713	(7,713)	56,442
Total	53,500	53,500	61,052	(7,552)	56,442
Planning and zoning					
Personnel services	110,538	110,538	113,683	(3,145)	113,547
Supplies	-	-	111	(111)	90
Other services and charges	12,500	12,500	10,164	2,336	35,025
Total	123,038	123,038	123,958	(920)	148,662
General government buildings					
Supplies	4,000	4,000	5,564	(1,564)	3,004
Other services and charges	215,300	215,300	170,871	44,429	157,775
Total	219,300	219,300	176,435	42,865	160,779
Total general government	1,122,336	1,122,336	1,110,852	11,484	1,211,694
Public safety					
Police protection					
Personnel services	1,482,289	1,482,289	1,463,825	18,464	1,368,718
Supplies	48,350	48,350	37,162	11,188	36,655
Other services and charges	116,550	116,550	114,661	1,889	140,183
Total	1,647,189	1,647,189	1,615,648	31,541	1,545,556

CITY OF WAYZATA, MINNESOTA  
GENERAL FUND  
SCHEDULE OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL - CONTINUED  
FOR THE YEAR ENDED DECEMBER 31, 2016  
(With comparative actual amounts for the year ended December 31, 2015)

	2016				2015
	Budgeted Amounts		Actual Amounts	Variance with Final Budget	Actual Amounts
	Original	Final			
<b>EXPENDITURES - CONTINUED</b>					
Current - continued					
Public safety - continued					
Fire protection					
Personnel services	\$ 110,880	\$ 110,880	\$ 93,594	\$ 17,286	\$ 91,527
Supplies	40,750	40,750	37,653	3,097	40,579
Other services and charges	192,675	192,675	167,896	24,779	168,503
Total	344,305	344,305	299,143	45,162	300,609
Building inspections					
Personnel services	234,127	234,127	234,731	(604)	226,721
Supplies	800	800	564	236	743
Other services and charges	17,700	17,700	11,832	5,868	22,269
Total	252,627	252,627	247,127	5,500	249,733
Emergency management					
Other services and charges	5,350	5,350	527	4,823	5,186
Health inspections					
Other services and charges	32,000	32,000	33,418	(1,418)	30,877
Total public safety	2,281,471	2,281,471	2,195,863	85,608	2,131,961
Public works					
Streets					
Personnel services	428,025	428,025	421,253	6,772	387,537
Supplies	93,300	93,300	72,930	20,370	71,937
Other services and charges	27,800	27,800	26,433	1,367	14,546
Total	549,125	549,125	520,616	28,509	474,020
Street lighting					
Supplies	10,000	10,000	13,947	(3,947)	14,617
Other services and charges	62,750	62,750	60,325	2,425	55,469
Total	72,750	72,750	74,272	(1,522)	70,086
Engineering					
Personnel services	187,376	187,376	183,275	4,101	158,700
Supplies	2,000	2,000	686	1,314	1,221
Other services and charges	6,250	6,250	3,842	2,408	3,150
Total	195,626	195,626	187,803	7,823	163,071
Total public works	817,501	817,501	782,691	34,810	707,177

CITY OF WAYZATA, MINNESOTA  
GENERAL FUND  
SCHEDULE OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL - CONTINUED  
FOR THE YEAR ENDED DECEMBER 31, 2016  
(With comparative actual amounts for the year ended December 31, 2015)

	2016				2015
	Budgeted Amounts		Actual Amounts	Variance with Final Budget	Actual Amounts
	Original	Final			
EXPENDITURES - CONTINUED					
Current - continued					
Culture and recreation					
Parks, recreation, and forestry					
Personnel services	\$ 421,622	\$ 421,622	\$ 377,172	\$ 44,450	\$ 318,371
Supplies	53,400	53,400	41,012	12,388	42,239
Other services and charges	68,900	68,900	51,332	17,568	35,492
Total culture and recreation	543,922	543,922	469,516	74,406	396,102
Miscellaneous					
Unallocated					
Other services and charges	242,000	242,000	150,633	91,367	170,215
Total current expenditures	5,007,230	5,007,230	4,709,555	297,675	4,617,149
Capital outlay					
General government	1,000	1,000	-	1,000	1,049
Public safety	5,000	5,000	2,249	2,751	1,203
Total capital outlay	6,000	6,000	2,249	3,751	2,252
TOTAL EXPENDITURES	5,013,230	5,013,230	4,711,804	301,426	4,619,401
EXCESS OF REVENUES OVER EXPENDITURE	525,774	525,774	1,472,142	946,368	1,126,339
OTHER FINANCING SOURCES (USES)					
Transfers in	190,000	190,000	150,000	(40,000)	125,000
Sale of capital assets	-	-	18,953	18,953	30,406
Insurance recovery	-	-	9,466	9,466	26,772
Transfers out	(715,774)	(715,774)	(1,344,774)	(629,000)	(1,278,005)
TOTAL OTHER FINANCING SOURCES (USES)	(525,774)	(525,774)	(1,166,355)	(640,581)	(1,095,827)
NET CHANGE IN FUND BALANCES	-	-	305,787	305,787	30,512
FUND BALANCES, JANUARY 1	2,529,396	2,529,396	2,529,396	-	2,498,884
FUND BALANCES, DECEMBER 31	\$ 2,529,396	\$ 2,529,396	\$ 2,835,183	\$ 305,787	\$ 2,529,396

CITY OF WAYZATA, MINNESOTA  
DEBT SERVICE FUND  
COMBINING BALANCE SHEET  
DECEMBER 31, 2016

	<b>310</b>	<b>311</b> 2009	<b>315</b>	<b>317</b>	
	Superior/Lake Realignment	Street Improvements	Big Woods	Parking Ramp Tax Increment	Total
ASSETS					
Cash and temporary investments	\$ 246,260	\$ 18,888	\$ 191,881	\$ 98,312	\$ 555,341
Special assessments receivable	<u>2,300,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,300,000</u>
<b>TOTAL ASSETS</b>	<u><u>\$ 2,546,260</u></u>	<u><u>\$ 18,888</u></u>	<u><u>\$ 191,881</u></u>	<u><u>\$ 98,312</u></u>	<u><u>\$ 2,855,341</u></u>
DEFERRED INFLOWS OF RESOURCES					
Unavailable revenue - special assessments	\$ 2,300,000	\$ -	\$ -	\$ -	\$ 2,300,000
FUND BALANCES					
Restricted	<u>246,260</u>	<u>18,888</u>	<u>191,881</u>	<u>98,312</u>	<u>555,341</u>
<b>TOTAL DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>	<u><u>\$ 2,546,260</u></u>	<u><u>\$ 18,888</u></u>	<u><u>\$ 191,881</u></u>	<u><u>\$ 98,312</u></u>	<u><u>\$ 2,855,341</u></u>

CITY OF WAYZATA, MINNESOTA  
DEBT SERVICE FUND  
COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCES  
FOR THE YEAR ENDED DECEMBER 31, 2016

	<b>310</b>	<b>311</b> 2009	<b>315</b>	<b>317</b>	
	Superior/Lake Realignment	Street Improvements	Big Woods	Parking Ramp Tax Increment	Total
<b>REVENUES</b>					
Taxes					
Property taxes	\$ -	\$ 34,030	\$ 213,520	\$ -	\$ 247,550
Special assessments	251,017	-	-	-	251,017
Investment earnings	1,351	105	1,191	-	2,647
	<u>252,368</u>	<u>34,135</u>	<u>214,711</u>	<u>-</u>	<u>501,214</u>
<b>EXPENDITURES</b>					
Debt service					
Principal	130,000	25,000	160,000	-	315,000
Interest and other	76,200	7,408	43,800	-	127,408
	<u>206,200</u>	<u>32,408</u>	<u>203,800</u>	<u>-</u>	<u>442,408</u>
EXCESS OF REVENUES OVER EXPENDITURES	46,168	1,727	10,911	-	58,806
<b>OTHER FINANCING SOURCES</b>					
Bonds issued	-	-	-	98,312	98,312
NET CHANGE IN FUND BALANCES	46,168	1,727	10,911	98,312	157,118
FUND BALANCES, JANUARY 1	<u>200,092</u>	<u>17,161</u>	<u>180,970</u>	<u>-</u>	<u>398,223</u>
FUND BALANCES, DECEMBER 31	<u>\$ 246,260</u>	<u>\$ 18,888</u>	<u>\$ 191,881</u>	<u>\$ 98,312</u>	<u>\$ 555,341</u>

CITY OF WAYZATA, MINNESOTA  
HOUSING AND REDEVELOPMENT AUTHORITY  
(DISCRETELY PRESENTED COMPONENT UNIT)  
COMBINING BALANCE SHEET  
DECEMBER 31, 2016

	Debt Service <b>314</b>	Capital Projects <b>316</b>	Special Revenue <b>440</b>	
	Widsten <u>Tax Increment</u>	Bay Center <u>Tax Increment</u>	<u>Housing</u>	<u>Total</u>
<b>ASSETS</b>				
Cash and temporary investments	\$ 712,663	\$ 678,811	\$ 28,844	\$ 1,420,318
Receivables				
Accrued interest	-	-	7,508	7,508
Taxes	9,402	55,470	-	64,872
Notes	-	-	19,250	19,250
	-	-	19,250	19,250
<b>TOTAL ASSETS</b>	<b>\$ 722,065</b>	<b>\$ 734,281</b>	<b>\$ 55,602</b>	<b>\$ 1,511,948</b>
<b>LIABILITIES</b>				
Accounts payable	\$ -	\$ 791,512	\$ -	\$ 791,512
Due to other governments	1,190	3,044	-	4,234
Deposits payable	-	-	703	703
	-	-	703	703
<b>TOTAL LIABILITIES</b>	1,190	794,556	703	796,449
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Unavailable revenue - taxes	-	6,441	-	6,441
	-	6,441	-	6,441
<b>FUND BALANCES</b>				
Restricted for economic development	720,875	-	54,899	775,774
Unassigned	-	(66,716)	-	(66,716)
	-	(66,716)	-	(66,716)
<b>TOTAL FUND BALANCES</b>	720,875	(66,716)	54,899	709,058
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>	<b>\$ 722,065</b>	<b>\$ 734,281</b>	<b>\$ 55,602</b>	<b>\$ 1,511,948</b>
Total fund balances reported above				\$ 709,058
Amounts reported for the Housing and Redevelopment Authority in the statement of net position are different because				
Capital assets used in the Housing and Redevelopment Authority are not financial resources and therefore are not reported as assets in the funds.				
Cost of capital assets				2,092,900
Some receivables are not available soon enough to pay for the current period's expenditures, and therefore are reported as unavailable revenue in the funds.				
Delinquent taxes receivable				6,441
Total net position - Housing and Redevelopment Authority				<b>\$ 2,808,399</b>



CITY OF WAYZATA, MINNESOTA  
HOUSING AND REDEVELOPMENT AUTHORITY  
(DISCRETELY PRESENTED COMPONENT UNIT)  
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCES  
FOR THE YEAR ENDED DECEMBER 31, 2016

	Debt Service <b>314</b>	Capital Projects <b>316</b>	Special Revenue <b>440</b>	
	Widsten Tax Increment	Bay Center Tax Increment	Housing	Total
REVENUES				
Tax increment	\$ 416,980	\$ 1,684,812	\$ -	\$ 2,101,792
Investment earnings	6,087	1,650	3,005	10,742
TOTAL REVENUES	423,067	1,686,462	3,005	2,112,534
EXPENDITURES				
Current				
Housing and economic development	513,366	1,704,805	285,000	2,503,171
Debt service				
Interest and other	2,505	5,286	-	7,791
TOTAL EXPENDITURES	515,871	1,710,091	285,000	2,510,962
NET CHANGE IN FUND BALANCES	(92,804)	(23,629)	(281,995)	(398,428)
FUND BALANCES, JANUARY 1	813,679	(43,087)	336,894	1,107,486
FUND BALANCES, DECEMBER 31	\$ 720,875	\$ (66,716)	\$ 54,899	\$ 709,058

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

Total net change in fund balances - governmental funds	(398,428)
<p>Certain revenues are recognized as soon as they are earned. Under the modified accrual basis of accounting, certain revenues cannot be recognized until they are available to liquidate liabilities of the current period.</p>	
Property taxes	6,441
Change in net position - Housing and Redevelopment Authority	\$ (391,987)

CITY OF WAYZATA, MINNESOTA  
 AGENCY FUND  
 STATEMENT OF CHANGES IN ASSETS AND LIABILITIES  
 FOR THE YEAR ENDED DECEMBER 31, 2016

	<u>12/31/2015</u>	<u>Additions</u>	<u>Deletions</u>	<u>12/31/2016</u>
<u>Escrow</u>				
ASSETS				
Cash and temporary investments	\$ 53,021	\$ 123,757	\$ (97,156)	\$ 79,622
Accounts receivable	<u>27,252</u>	<u>1,260</u>	<u>(27,252)</u>	<u>1,260</u>
TOTAL ASSETS	<u>\$ 80,273</u>	<u>\$ 125,017</u>	<u>\$ (124,408)</u>	<u>\$ 80,882</u>
LIABILITIES				
Accounts payable	\$ 2,975	\$ -	\$ (2,975)	\$ -
Deposits payable	<u>77,298</u>	<u>96,505</u>	<u>(92,921)</u>	<u>80,882</u>
TOTAL LIABILITIES	<u>\$ 80,273</u>	<u>\$ 96,505</u>	<u>\$ (95,896)</u>	<u>\$ 80,882</u>

**SUPPLEMENTARY INFORMATION (UNAUDITED)**

CITY OF WAYZATA  
WAYZATA, MINNESOTA

FOR THE YEAR ENDED  
DECEMBER 31, 2016

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

	Total		Percent Increase (Decrease)
	2016	2015	
<b>REVENUES</b>			
Taxes	\$ 4,735,328	\$ 4,463,123	6.1 %
Licenses and permits	948,385	830,567	14.2
Intergovernmental	744,165	245,034	203.7
Charges for services	1,200,971	1,297,454	(7.4)
Fines and forfeitures	168,593	100,415	67.9
Special assessments	255,066	262,031	(2.7)
Investment earnings	78,763	102,944	(23.5)
Miscellaneous	160,318	1,313,288	(87.8)
<b>TOTAL REVENUES</b>	<b>\$ 8,291,589</b>	<b>\$ 8,614,856</b>	<b>(3.8) %</b>
Per Capita	\$ 1,817	\$ 1,925	(5.6) %
<b>EXPENDITURES</b>			
<b>Current</b>			
General government	\$ 1,296,115	\$ 1,305,035	(0.7) %
Public safety	2,202,533	2,132,929	3.3
Public works	782,691	707,177	10.7
Culture and recreation	961,454	694,163	38.5
Miscellaneous	150,633	170,215	(11.5)
<b>Capital outlay</b>			
General government	101,406	113,476	(10.6)
Public safety	75,538	471,087	(84.0)
Public works	3,457,708	3,208,271	7.8
Culture and recreation	431,923	355,172	21.6
<b>Debt service</b>			
Principal	315,000	310,000	1.6
Interest and other	189,821	139,827	35.8
<b>TOTAL EXPENDITURES</b>	<b>\$ 9,964,822</b>	<b>\$ 9,607,352</b>	<b>3.7 %</b>
Per Capita	\$ 2,183	\$ 2,146	1.7 %
Total Long-term Indebtedness	\$ 11,505,000	\$ 4,095,000	181.0 %
Per Capita	\$ 2,521	\$ 915	175.5
General Fund Balance - December 31	\$ 2,835,183	\$ 2,529,396	12.1 %
Per Capita	\$ 621	\$ 565	9.9

The purpose of this report is to provide a summary of financial information concerning the City of Wayzata to interested citizens. The complete financial statements may be examined at City Hall, 600 Rice Street East, Wayzata, MN 55391. Questions about this report should be directed to Kathy Ovshak, Senior Accountant at (952) 404-5300.