

CITY OF PRIOR LAKE
SCOTT COUNTY, MINNESOTA

Financial Statements
and Supplemental Information

Year Ended
December 31, 2021

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CITY OF PRIOR LAKE
SCOTT COUNTY, MINNESOTA

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SCOTT COUNTY, MINNESOTA

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INTRODUCTORY SECTION

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CITY OF PRIOR LAKE
SCOTT COUNTY, MINNESOTA

Elected and Appointed Officials
As of December 31, 2021

ELECTED

		<u>Term Expires</u>
Kirt Briggs	Mayor	12/31/2024
Zach Braid	Councilmember	12/31/2024
Kevin Burkart	Councilmember	12/31/2024
Kimberly Churchill	Councilmember	12/31/2022
Annette Thompson	Councilmember	12/31/2022

APPOINTED

Jason Wedel	City Manager
Cathy Erickson	Finance Director
Kelly Horn	Assistant Finance Director
Jason Etter	Senior Accountant

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FINANCIAL SECTION

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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
Jaclyn M. Huegel, CPA
Kalen T. Karnowski, CPA

INDEPENDENT AUDITOR'S REPORT

To the City Council and Management
City of Prior Lake, Minnesota

OPINIONS

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Prior Lake, Minnesota (the City) as of and for the year ended December 31, 2021, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City as of December 31, 2021, 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.

BASIS FOR OPINIONS

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. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the City and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

RESPONSIBILITIES OF MANAGEMENT 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; and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern within 12 months beyond the financial statements date, including any currently known information that may raise substantial doubt shortly thereafter.

(continued)

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance, but is not absolute assurance and, therefore, is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgement made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

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 is the responsibility of management and, 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.

(continued)

Supplementary 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 combining and individual fund financial statements and schedules, as listed in the table of contents, are presented for purpose of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The 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 supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Information

Management is responsible for the other information included in the annual report. The other information comprises the introductory and other information sections, but does not include the basic financial statements and our auditor's report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Prior Year Comparative Information

We have previously audited the City's 2020 financial statements, and we expressed unmodified audit opinions on the respective financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information in our report dated May 17, 2021. In our opinion, the partial comparative information presented herein as of and for the year ended December 31, 2020 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 9, 2022, 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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's 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 9, 2022

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CITY OF PRIOR LAKE

Management's Discussion and Analysis Fiscal Year Ended December 31, 2021

As the management of the City of Prior Lake, 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, 2021.

FINANCIAL HIGHLIGHTS

- The assets and deferred outflows of resources of the City exceeded its liabilities and deferred inflows of resources at the close of the most recent fiscal year by \$236,371,668 (*net position*). Of this amount, \$25,624,764 (*unrestricted net position*) may be used to meet the government's ongoing obligations to citizens and creditors.
- The City's total net position increased by \$16,599,199.
- As of the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$30,117,628, an increase of \$3,526,320 in comparison with the prior year.
- At the end of the current fiscal year, the total fund balance for the General Fund was \$10,430,617, or 62.9 percent, of budgeted 2022 expenditures and transfers out of \$16,585,887. The total fund balance reflects an increase of \$316,529 from the prior year.
- Of the total fund balance of \$10,430,617, \$573,420 is assigned for the 2022 budget, primarily for projects carried over from 2021, and future street maintenance and tree planting, per development agreements. The unassigned amount of \$9,857,197, is 59.4 percent of budgeted 2022 expenditures and transfers out of \$16,585,887.

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 include three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to basic financial statements. This report also contains supplemental information in addition to the basic financial statements themselves.

Government-Wide Financial Statements – The government-wide financial statements are designed to provide readers with a broad overview of the City'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 of resources, liabilities, and deferred inflows of resources, with the difference between them 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 revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities of the City include general government, public safety, public works, culture and recreation, and economic development. The business-type activities of the City include water, sewer, and water quality operations.

The government-wide financial statements can be found in the financial section following this report.

Fund Financial Statements – A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City can be divided into two categories: governmental funds and proprietary funds.

Governmental Funds – Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a 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 of the City's near-term financing decisions. Both the governmental funds Balance Sheet and the governmental funds 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 numerous individual governmental funds. Information is presented separately in the governmental funds Balance Sheet and in the governmental funds Statement of Revenues, Expenditures, and Changes in Fund Balances for the General Fund, Debt Service Fund, and Construction Fund, all of which are considered major funds. Data from the other governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds are provided in the form of combining statements elsewhere in this report.

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

The basic governmental fund financial statements can be found in the financial section of this report immediately following the government-wide financial statements.

Proprietary Funds – The City maintains two types of proprietary funds. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses enterprise funds to account for its water, sewer, and water quality operations.

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

Internal service funds are an accounting device used to accumulate and allocate costs internally among the City's various functions. The City uses internal service funds to account for severance compensation and insurance benefits. All internal service funds are combined into a single, aggregated presentation in the proprietary fund financial statements, labeled Governmental Activities – Internal Service Funds. Because these internal service fund activities predominantly benefit governmental rather than business-type functions, they have been included within governmental activities in the government-wide financial statements. Individual fund data for the internal service funds is provided in the form of combining statements elsewhere in this report.

The basic proprietary fund financial statements can be found in the financial section of this report immediately following the governmental fund statements.

Notes to Basic Financial Statements – The notes to basic financial statements 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 basic financial statements can be found following the proprietary fund statements within the financial section of this report.

Other Information – In addition to the basic financial statements and accompanying notes, the financial section also presents required supplementary information, and the combining and individual fund statements and schedules (presented as supplemental information) referred to earlier in connection with nonmajor governmental funds and internal service funds, which are presented immediately following the basic financial statements.

The other information section has been included as part of the financial statements to facilitate additional analysis.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net position may serve over time as a useful indicator of a city's financial position. In the case of the City, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$236,371,668 at the close of the most recent fiscal year.

The City's investment in capital assets (e.g., land, buildings, and machinery and equipment), less any related debt used to acquire those assets that is still outstanding, totaled 84.1 percent of total net position. 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.

The following table provides the City's Summary of Net Position:

	Governmental Activities		Business-Type Activities		Total	
	2021	2020	2021	2020	2021	2020
Assets						
Current and other assets	\$ 40,219,519	\$ 34,530,060	\$ 12,787,508	\$ 11,523,717	\$ 53,007,027	\$ 46,053,777
Capital assets	163,073,419	153,595,893	71,108,601	71,516,241	234,182,020	225,112,134
Total assets	<u>\$ 203,292,938</u>	<u>\$ 188,125,953</u>	<u>\$ 83,896,109</u>	<u>\$ 83,039,958</u>	<u>\$ 287,189,047</u>	<u>\$ 271,165,911</u>
Deferred outflows of resources						
Pension and OPEB plan deferments	<u>\$ 6,078,072</u>	<u>\$ 2,526,494</u>	<u>\$ 673,195</u>	<u>\$ 157,600</u>	<u>\$ 6,751,267</u>	<u>\$ 2,684,094</u>
Liabilities						
Long-term liabilities	\$ 40,411,124	\$ 43,777,198	\$ 3,475,808	\$ 4,013,500	\$ 43,886,932	\$ 47,790,698
Other liabilities	4,979,431	3,044,317	268,643	256,354	5,248,074	3,300,671
Total liabilities	<u>\$ 45,390,555</u>	<u>\$ 46,821,515</u>	<u>\$ 3,744,451</u>	<u>\$ 4,269,854</u>	<u>\$ 49,135,006</u>	<u>\$ 51,091,369</u>
Deferred inflows of resources						
Pension and OPEB plan deferments	<u>\$ 7,631,779</u>	<u>\$ 2,900,602</u>	<u>\$ 801,861</u>	<u>\$ 85,565</u>	<u>\$ 8,433,640</u>	<u>\$ 2,986,167</u>
Net position						
Net investment in capital assets	\$ 129,907,250	\$ 118,120,401	\$ 68,923,937	\$ 69,058,053	\$ 198,831,187	\$ 187,178,454
Restricted	11,915,717	10,865,279	-	-	11,915,717	10,865,279
Unrestricted	14,525,709	11,944,650	11,099,055	9,784,086	25,624,764	21,728,736
Total net position	<u>\$ 156,348,676</u>	<u>\$ 140,930,330</u>	<u>\$ 80,022,992</u>	<u>\$ 78,842,139</u>	<u>\$ 236,371,668</u>	<u>\$ 219,772,469</u>

An additional portion of the City's net position (\$11,915,717, or 5.0 percent) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position, \$25,624,764, may be used to meet the government's ongoing obligations to citizens and creditors.

The significant changes in deferred outflows of resources, long-term liabilities, and deferred inflows of resources relates to improvements in portfolio earnings in the Public Employees Retirement Association pension plans in 2021. The Governmental Accounting Standards Board Statement No. 68 requires the City to recognize its proportionate share of pension benefit obligations.

The significant increase in capital assets is related to continuing development activity in the current year.

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 government as a whole, as well as for its separate governmental and business-type activities. The same situation held true for the prior fiscal year.

Table 2
Changes in Net Position
for the Years Ended December 31, 2021 and 2020

	Governmental Activities		Business-Type Activities		Total	
	2021	2020	2021	2020	2021	2020
Revenues						
Program revenues						
Charges for services	\$ 4,131,187	\$ 2,154,819	\$ 11,537,817	\$ 10,358,971	\$ 15,669,004	\$ 12,513,790
Operating grants and contributions	1,788,868	1,790,808	30,157	35,983	1,819,025	1,826,791
Capital grants and contributions	11,766,517	6,237,207	72,127	1,812,139	11,838,644	8,049,346
General revenues						
Property taxes and tax increments	15,119,212	14,395,457	–	–	15,119,212	14,395,457
Franchise taxes	662,709	670,917	–	–	662,709	670,917
Grants and contributions not restricted to specific programs	579	1,951,940	–	–	579	1,951,940
Investment income (losses)	(54,970)	790,517	9,847	298,677	(45,123)	1,089,194
Miscellaneous	294,914	149,353	16,503	35,230	311,417	184,583
Gain on sale of assets	144,501	38,913	–	–	144,501	38,913
Total revenues	<u>33,853,517</u>	<u>28,179,931</u>	<u>11,666,451</u>	<u>12,541,000</u>	<u>45,519,968</u>	<u>40,720,931</u>
Expenses						
General government	3,730,464	3,831,010	–	–	3,730,464	3,831,010
Public safety	6,923,614	7,025,367	–	–	6,923,614	7,025,367
Public works	6,754,247	6,024,512	–	–	6,754,247	6,024,512
Culture and recreation	2,495,667	2,127,013	–	–	2,495,667	2,127,013
Economic development	889,952	964,213	–	–	889,952	964,213
Interest on long-term debt	752,861	896,377	–	–	752,861	896,377
Water	–	–	3,245,146	3,281,173	3,245,146	3,281,173
Sewer	–	–	3,398,606	3,397,772	3,398,606	3,397,772
Water quality	–	–	730,212	623,317	730,212	623,317
Total expenses	<u>21,546,805</u>	<u>20,868,492</u>	<u>7,373,964</u>	<u>7,302,262</u>	<u>28,920,769</u>	<u>28,170,754</u>
Increase in net position before transfers	12,306,712	7,311,439	4,292,487	5,238,738	16,599,199	12,550,177
Transfers	<u>3,111,634</u>	<u>1,933,050</u>	<u>(3,111,634)</u>	<u>(1,933,050)</u>	<u>–</u>	<u>–</u>
Changes in net position	15,418,346	9,244,489	1,180,853	3,305,688	16,599,199	12,550,177
Net position						
Beginning of year	<u>140,930,330</u>	<u>131,685,841</u>	<u>78,842,139</u>	<u>75,536,451</u>	<u>219,772,469</u>	<u>207,222,292</u>
End of year	<u>\$ 156,348,676</u>	<u>\$ 140,930,330</u>	<u>\$ 80,022,992</u>	<u>\$ 78,842,139</u>	<u>\$ 236,371,668</u>	<u>\$ 219,772,469</u>

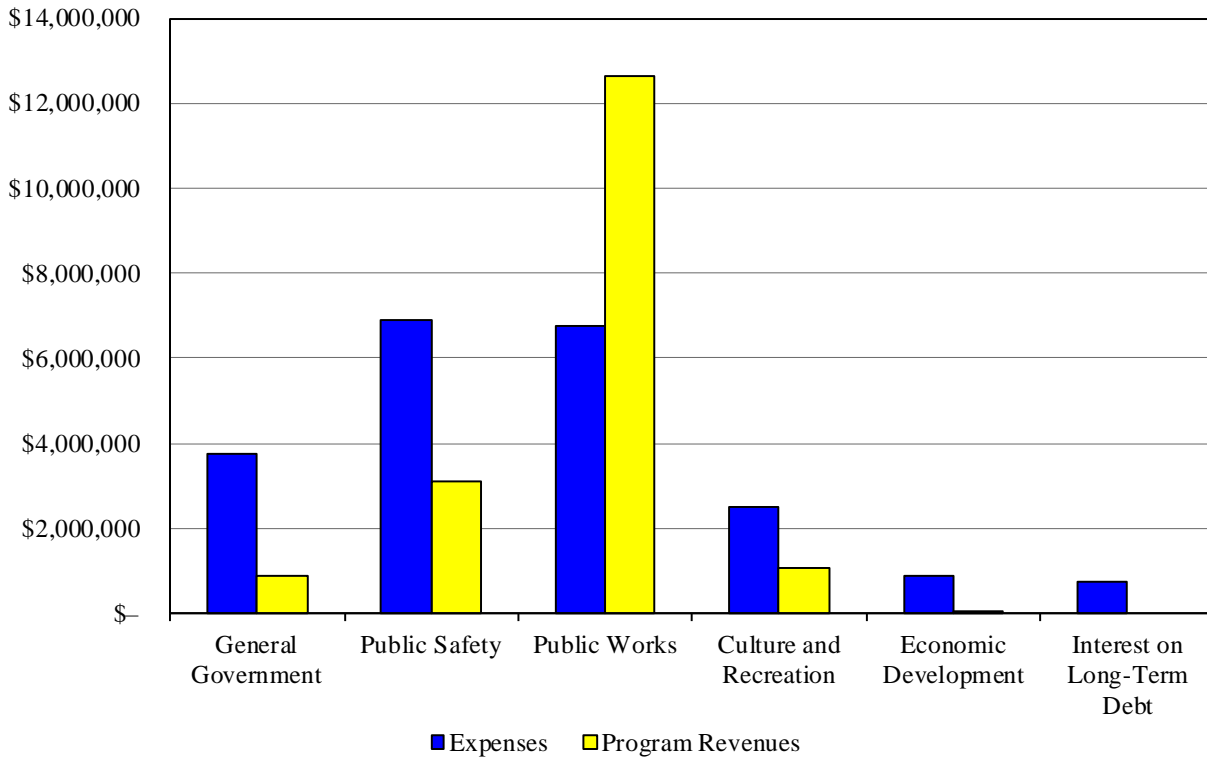
The increase in charges for services are related to increased development activity in the current year. Capital grants and contributions increased, due to capital contributions from developers. The significant decrease in grants and contributions not restricted to specific programs, relates to the receipt of federal coronavirus relief fund (CRF) aid in the prior year.

Governmental Activities – Governmental activities increased the City’s net position by \$15,418,346. Key elements of this increase are seen in the table above. The increase is primarily due to unbudgeted easement donations from developers, which are classified as capital grants and contributions, net transfers in from the enterprise funds for operations, and debt service and operating results of the governmental funds, including an increase in property taxes.

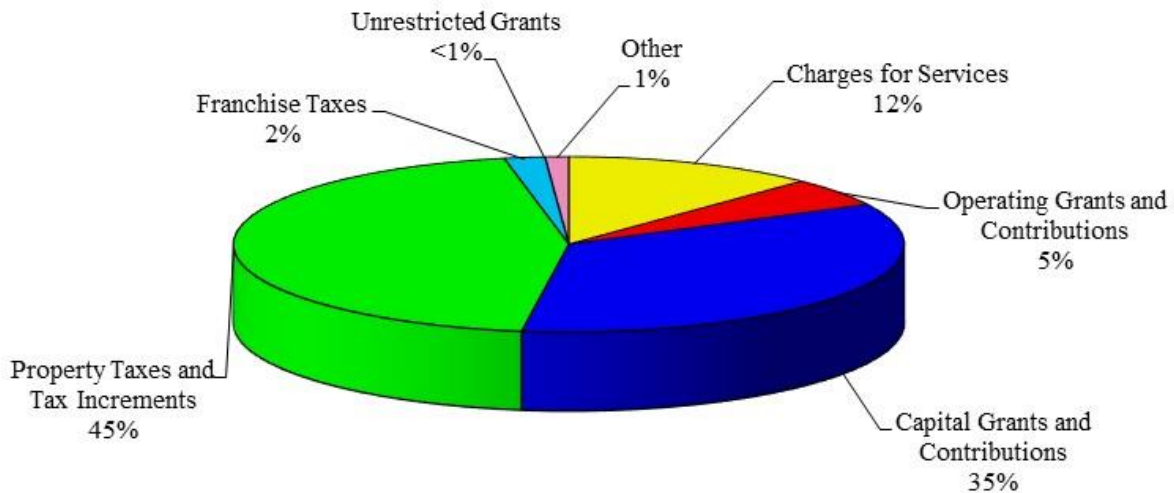
The business-type activities increased the City’s net position in total by \$1,180,853, mostly due to increased charges for services from usage increases and a rate structure change.

Below are specific graphs that provide comparisons of the governmental activities program revenues and expenses.

Program revenues as compared to program expenses are consistent with the prior year for all categories except public works. Public works revenue will vary based on development and transportation projects. In 2021, the City received about \$7.5 million in easement donations from developers and about \$1.6 million in development program trunk/connection fees. Revenue also included about \$1.0 million in state aid and about \$800,000 in street project special assessments.

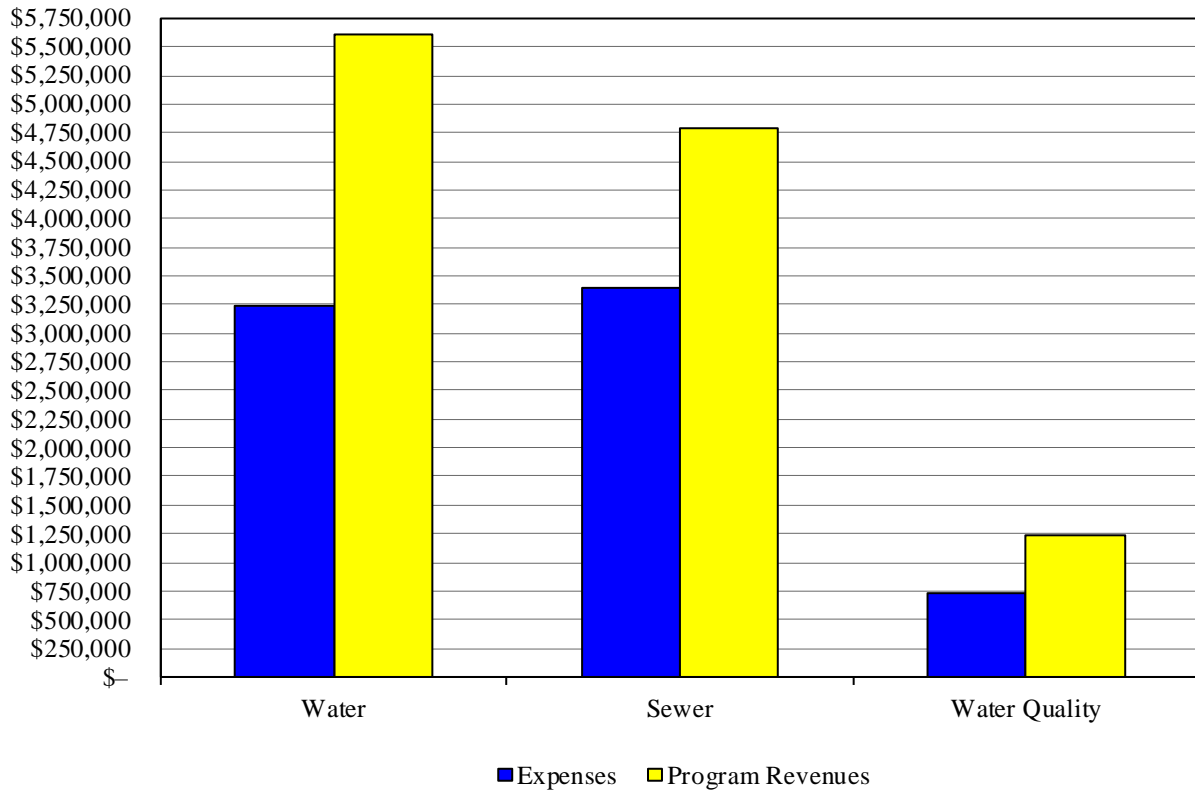


Governmental Activities – Revenue by Program

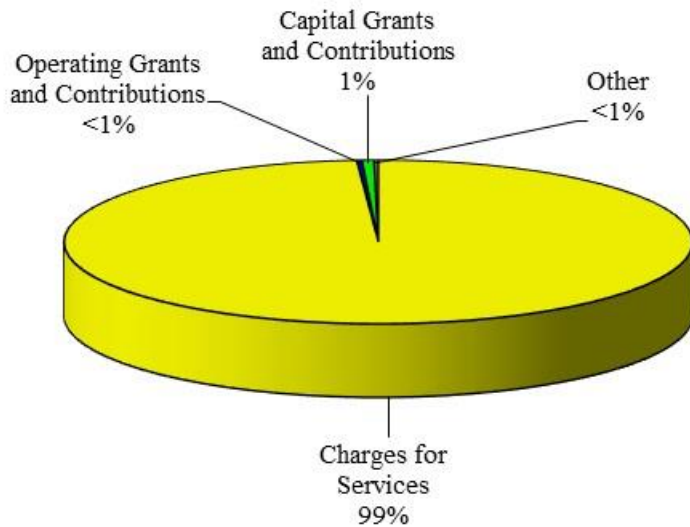


Business-Type Activities – Below are graphs showing the business-type activities program revenues and expense comparisons.

Revenues are collected to fund operations, capital improvements, debt service, and the utility work completed as part of the street projects identified in the Five-Year Capital Improvement Program.



Business-Type Activities – Revenue by Source



FINANCIAL ANALYSIS OF THE GOVERNMENT'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 reported combined ending fund balances of \$30,117,628, an increase of \$3,526,320 in comparison with the prior year.

The General Fund is the chief operating fund of the City. At the end of the recent fiscal year, total fund balance reached \$10,430,617. As a measure of the General Fund's liquidity, it may be useful to compare the total fund balance to total fund expenditures. Total fund balance represents about 62.9 percent of total 2022 General Fund budgeted expenditures and transfers out of \$16,585,887. Of the total fund balance of \$10,430,617, \$573,420 is assigned for subsequent year's budgeted expenditures, and future street maintenance and tree planting, per development agreements. This leaves an unassigned fund balance of the General Fund of \$9,857,197, or 59.4 percent, of total 2022 General Fund budgeted expenditures and transfers out of \$16,585,887.

The total fund balance reflects an increase of \$316,529 from the prior year and an increase of \$1,582,525 above the amended budget. The components of the \$316,529 increase in fund balance are revenues above budget by \$1.2 million, expenditures less than budget by \$375,000, and planned use of reserves of \$1.266 million. The drivers in the revenue above budget were permits and fees, due to building units and development above plan. Expenditures were less than budget, primarily in public safety and parks driven by supplies and equipment purchase delays, due to the global supply chain issues, open park department positions, and carryover of maintenance projects. The amended budget reflected the use of fund balance of \$1,268,996, primarily for a transfer to the Facilities Management Fund for capital projects, police department mid-year wage and workers compensation adjustments, and mid-year hire of the fire department assistant fire chief.

The Debt Service Fund balance decreased by \$250,523. The City manages cash flow in all debt service accounts and ensures adequate resources exist to fund future obligations.

The Construction Fund balance increased by \$989,949, due to timing differences between project financing inflows and capital outlays.

Proprietary Funds – The City's proprietary funds provide the same information for the business-type activities found in the government-wide financial statements, but in more detail.

GENERAL FUND BUDGETARY HIGHLIGHTS

The original budget reflected use of fund balance of \$124,000, primarily to offset anticipated revenue shortfalls in aid for police services. It was anticipated that this would be “one-time” budgeted revenue shortfall, due to the economic impacts of the COVID-19 pandemic.

The City amends its budget at various points during the year. The General Fund budget was amended in 2021 to increase the spending of the fund balance by \$1,144,996, primarily for a transfer to the Facilities Management Fund for capital projects, police department mid-year wage and workers compensation adjustments, and mid-year hire of the fire department assistant fire chief.

Actual revenues were \$1,180,868 over budget in 2021, due primarily to building permits/fees and tower lease revenue.

Actual expenditures were \$374,635 less than budget in 2021, with many factors impacting expenditures. The largest variances from budget were Culture and Recreation (under budget by \$171,382) and Public Safety (under budget by \$158,340). This was primarily because of supplies and equipment purchase delays, due to the global supply chain issues, open park department positions, and carryover of maintenance projects.

CAPITAL ASSETS AND LONG-TERM DEBT

Capital Assets – The City’s investment in capital assets for its governmental and business-type activities as of December 31, 2021 amounts to \$234,182,020 (net of accumulated depreciation). This investment in capital assets includes items such as land, buildings and improvements, machinery and equipment, park facilities, roads, highways, and bridges.

	Governmental Activities		Business-Type Activities		Total	
	2021	2020	2021	2020	2021	2020
Land	\$ 33,088,883	\$ 33,088,883	\$ –	\$ –	\$ 33,088,883	\$ 33,088,883
Utility access agreement	–	–	2,499,970	2,499,970	2,499,970	2,499,970
Easements	56,152,920	48,680,620	218,912	218,912	56,371,832	48,899,532
Construction in progress	8,891,087	4,738,038	38,489	81,203	8,929,576	4,819,241
Land improvements	924,944	996,343	35,195	39,581	960,139	1,035,924
Machinery and equipment	3,068,932	2,832,036	696,479	523,389	3,765,411	3,355,425
Vehicles	2,554,052	2,557,655	491,420	343,554	3,045,472	2,901,209
Infrastructure	58,392,601	60,702,318	67,128,136	67,809,632	125,520,737	128,511,950
Total	\$ 163,073,419	\$ 153,595,893	\$ 71,108,601	\$ 71,516,241	\$ 234,182,020	\$ 225,112,134

Additional information on the City’s capital assets can be found in Note 3 of the notes to basic financial statements.

Long-Term Debt – At the end of the current fiscal year, the City had total bonded debt outstanding, including premiums of \$35,368,521. This amount comprises debt backed by the full faith and credit of the City. The City’s total long-term liabilities decreased during the current fiscal year, due to scheduled payments on debt obligations and energy loans payable.

	Governmental Activities		Business-Type Activities		Total	
	2021	2020	2021	2020	2021	2020
G.O. bonds	\$ 9,225,000	\$ 11,030,000	\$ –	\$ –	\$ 9,225,000	\$ 11,030,000
G.O. special assessment bonds	16,075,000	16,115,000	–	–	16,075,000	16,115,000
G.O. tax increment bonds	85,000	110,000	–	–	85,000	110,000
G.O. revenue bonds	5,425,000	5,845,000	1,950,000	2,190,000	7,375,000	8,035,000
Premium (discount) on bonds payable	2,373,857	1,251,694	234,664	268,187	2,608,521	1,519,881
Energy loan payable	1,008,939	1,283,798	–	–	1,008,939	1,283,798
Compensated absences payable	1,054,767	948,807	234,705	215,032	1,289,472	1,163,839
Net OPEB obligation	867,452	709,417	207,403	155,471	1,074,855	864,888
Net pension liability – GERS and PEPFF	4,296,109	6,483,482	849,036	1,184,810	5,145,145	7,668,292
Total	\$ 40,411,124	\$ 43,777,198	\$ 3,475,808	\$ 4,013,500	\$ 43,886,932	\$ 47,790,698

The City’s statutory debt limit is equal to 3 percent of estimated taxable market value of property located within the City. The taxable market value totals \$4,055,591,900, which calculates to a debt limit of \$121,667,757. Debt financed partially or entirely by special assessments, tax increments, and other revenue sources is not applied against the City’s debt limit, nor is debt financed by proprietary fund revenues. Currently, the City has \$9,225,000 of general obligation debt outstanding, leaving a debt limit of \$112,442,757.

Additional information on the City’s long-term debt can be found in Note 5 of the notes to basic financial statements.

ECONOMIC FACTORS AND NEXT YEAR’S BUDGETS AND RATES

- The City adopted a general operating budget of \$16,585,887 for expenditures and other financing uses for fiscal 2022, an increase of \$1,508,170, or 10 percent, from the 2021 original budget. The 2022 budget includes new personnel funding, primarily for public safety, due to the addition of an assistant fire chief, a new police officer, and salary adjustments needed to bring police department compensation in line with other comparable cities.
- The City received \$1,488,514 from the coronavirus state and local fiscal recovery funds program, a part of the American Rescue Plan. Preliminary uses identified for the funds include street reconstruction, fire station remodel, and purchase of election equipment.
- Starting in 2022, the City is collecting additional franchise fee revenue that will be dedicated to the City’s pavement management program. This is new funding to address long-term maintenance of the City’s street system.
- The City’s local tax capacity will increase by 7.2 percent for property taxes payable in 2022.

- Growth is robust in the City, with 132 single-family residential permits issued in 2021 and a total of 497 single-family residential permits issued between 2019 and 2021. From 2005 to 2021, the City has consistently ranked in the top 25 in the Twin Cities metro area in total number of residential units and ranked in the top 15 in the Twin Cities metro area in total single-family residential units. (Source: Metropolitan Council, Community Profile, Building Permits, Residential, Twin Cities Region (7-county metro area).)

Since 2016, the City issued permits for six multi-family residential buildings, with a total of 440 units. The City anticipates issuing permits for one additional 197-unit multi-family residential building in 2022.

Total building permit valuation (new and addition/alteration) has remained consistent over the past five years (2017–2021), with an average of \$80.2 million each year.

Commercial building permit valuation (new and addition/alteration) has also remained consistent with an average annual valuation of \$15.3 million over the past five years (2017–2021).

- Continued staged development of land within the City and areas to be annexed under the orderly annexation agreement with Spring Lake Township will provide most of the City’s anticipated market value growth over the course of the next 10 to 15 years.
- To meet the City’s water needs as it continues to grow, the City entered into a Water Purchase and Facility Expansion Agreement with the Shakopee Mdewakanton Sioux Community. The plant can supply additional water to the City and will have future expansion available to meet the City’s long-term needs. This approach provides the City with the flexibility to evaluate the pace and timing of development in the Orderly Annexation Area before a substantial investment is needed to construct the expansion of the water treatment plant. The initial improvements, combined with the long-term water purchase agreement, could provide the City with enough water capacity for the next 15 to 20 years, depending on the rate of development.
- The City’s personnel plan includes transitioning from paid, on call, fire staffing to full-time fire fighters. The City has applied for a federal Staffing for Adequate Fire and Emergency Response (SAFER) grant, for funding support for the fire department’s new staffing model.
- Inflationary impacts will be evaluated and incorporated in future budget cycles. Staffing represents 73 percent of the City’s General Fund annual budget. Three-year labor agreements are in place for 2022–2024.

Financial Management Policies

The City has set a goal to establish “Financial Performance Standards” to measure the financial health of the City. These standards serve multiple purposes:

- a) To serve as best practice measures to strengthen the City’s financial position and maximize the return of the taxpayer dollar.
- b) To communicate the fiscal performance and condition of the City to residents in a consistent manner.
- c) To facilitate the setting of policy and financial direction by the City Council with resident input.

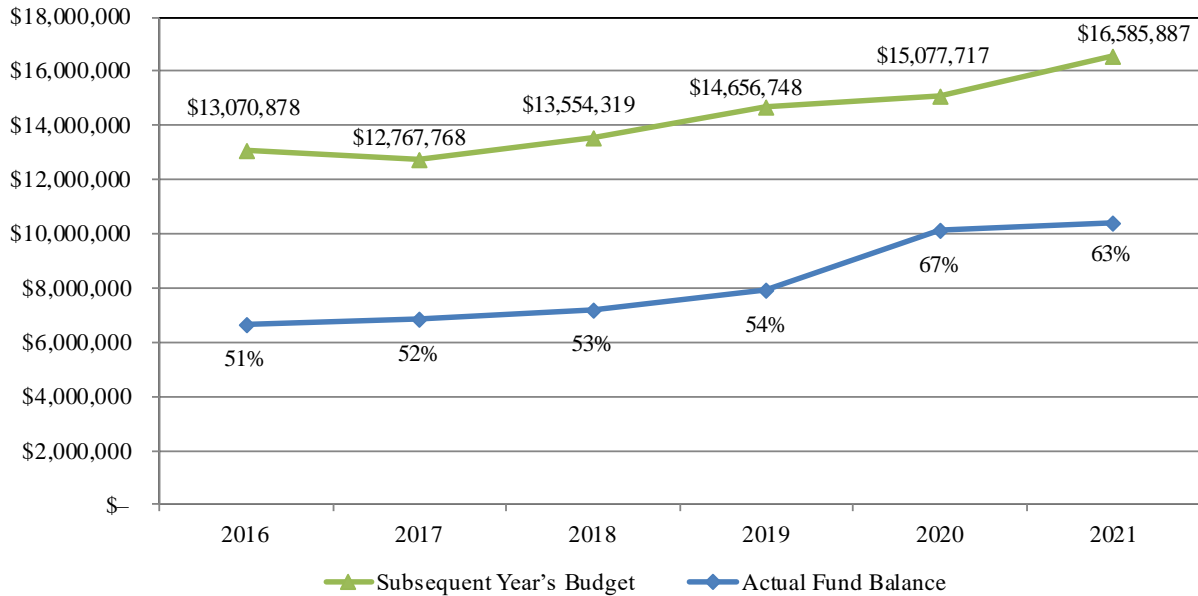
Objective 1: Aa2 Bond Rating

Maintain or improve current Aa2 Bond Rating – Strong credit rating by Moody’s Investors Service (Moody’s), provides low-cost financing for the City’s general obligation bonds. In April 2010, Moody’s recalibrated the City’s bond rating to the global rating scale and, therefore, changed the City’s bond rating from Aa3 to an Aa2. The Aa2 bond rating was reaffirmed with the 2015 bond issuances. The City also received an initial bond rating of AA+ from Standard & Poors (S&P) in 2015. The AA+ bond rating was reaffirmed with the 2016, 2017, 2018, 2019, and 2021 bond issuance:

	S&P
2016	AA+
2017	AA+
2018	AA+
2019	AA+
2020	N/A
2021	AA+
N/A = Not Applicable	

Objective 2: General Fund Reserve Balance

Maintain a 40 to 50 percent General Fund reserve balance – The Office of the State Auditor recommends a reserve balance between 35 to 50 percent to provide adequate cash flow, offset revenue shortfalls, and insurance for unforeseen catastrophic events. The City Council adopted a revision to the Comprehensive Financial Management Policy, which established a fund balance policy regarding the minimum unrestricted fund balance for the General Fund. The policy established that the City will strive to maintain an unrestricted General Fund balance (which includes committed, assigned, and unassigned classifications) within a range from 40 to 50 percent of projected expenditures for the subsequent year.



The 2020 reserve percentage reflected unbudgeted intergovernmental revenues of \$1,951,401, arising from federal CRF. A portion of these funds were transferred to the facilities management fund for capital projects, which contributed to the reduction in the 2021 reserve percentage.

Objective 3: Property Taxes

Maintain or improve property tax rank when compared to a broader list of metro area cities. The favorable tax rate provides stimulus for growth of residential and commercial property tax base. This data reflects the tax capacity rate, which is based on the levies approved by the City Council to fund general services, such as police, fire, street maintenance, parks, recreation, finance, and general administration, as well as the Economic Development Authority (EDA). Beginning in 2021, the EDA tax capacity rate is shown separately and no longer a component of the City of Prior Lake tax capacity rate. The tables do not reflect the market value rate, which is a tax based on market referenda approved by the City's voters to finance the construction of two fire stations and improvements to the City's parks and library.

Average Tax Capacity Rate

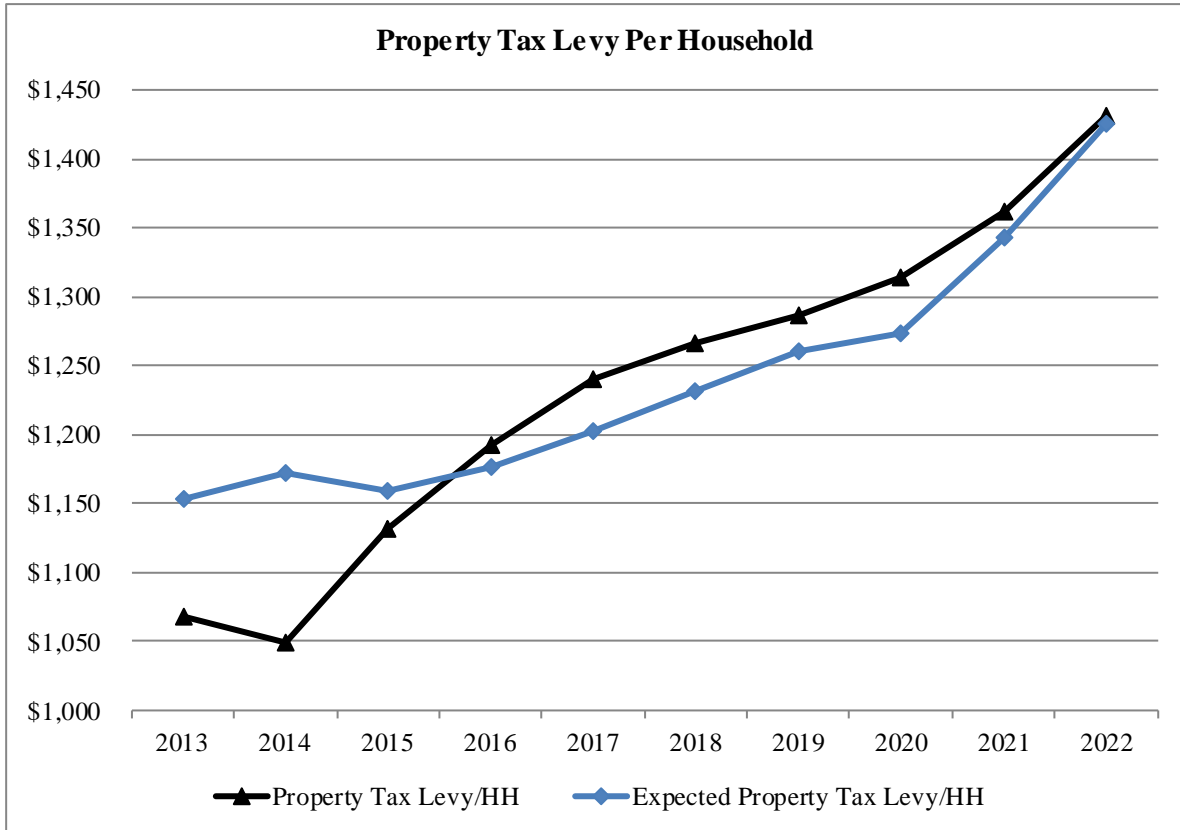
<u>Year</u>	<u>Seven-County Metro Area</u>	<u>City of Prior Lake</u>	<u>Economic Development Authority</u>
2017	N/A	32.69	N/A
2018	42.19	33.04	N/A
2019	41.43	33.02	N/A
2020	40.87	32.96	N/A
2021	39.35	30.27	0.84

Source: League of Minnesota Cities

N/A = Not Applicable

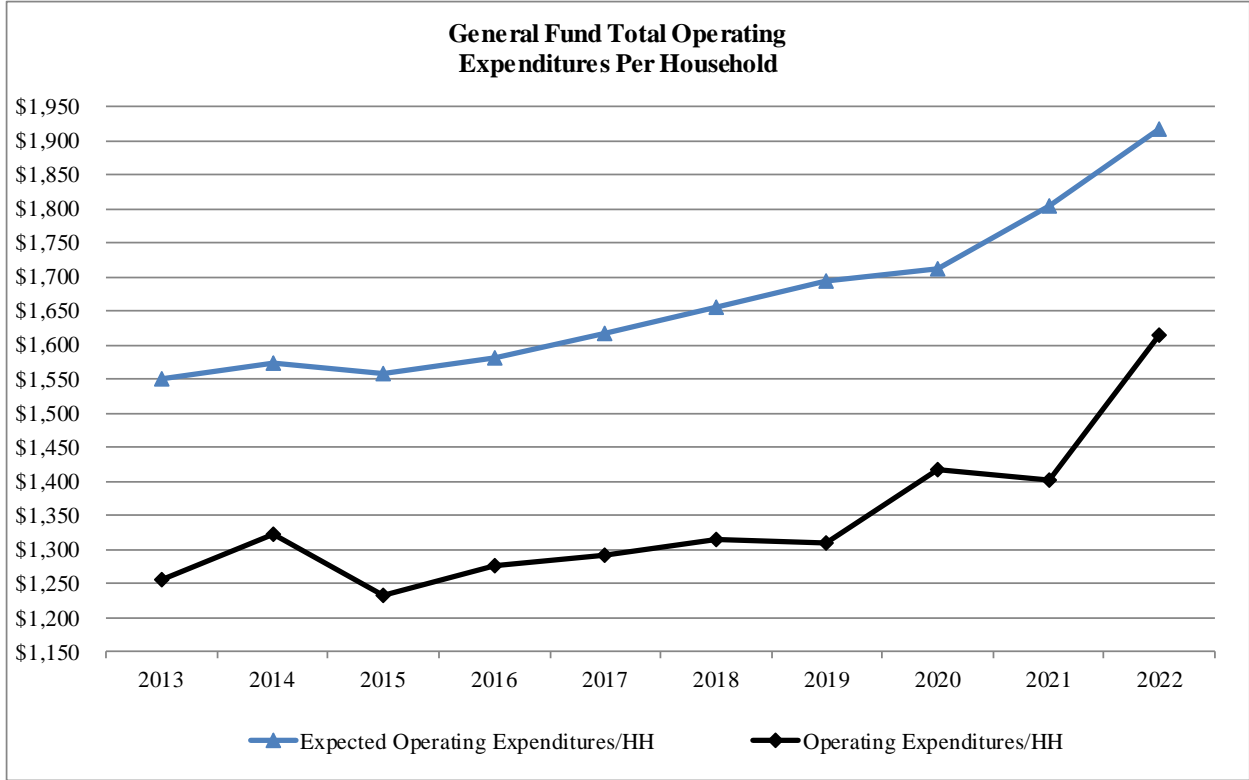
Objective 4: Property Taxes/Household

Maintain a level of property taxes on a per household basis, which takes into account the cost of inflation and community growth. The goal is to have a tax levy per household that is at or below the rate of inflation and growth over time. This chart reflects community growth and the cost of inflation using the Minneapolis-St. Paul Consumer Price Index (CPI).



Objective 5: General Fund Expenditures/Household

Maintain a level of General Fund operational expenditures on a per household basis, which takes into account the cost of inflation and community growth. The goal is to maintain General Fund operating expenditures per household at or below the rate of inflation over time. This chart reflects community growth and the cost of inflation using the Minneapolis-St. Paul CPI.



REQUESTS FOR INFORMATION

These financial statements are 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 office of the City’s Finance Director at the City of Prior Lake, 4646 Dakota Street Southeast, Prior Lake, Minnesota 55372-1714.

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BASIC FINANCIAL STATEMENTS

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CITY OF PRIOR LAKE

Statement of Net Position
as of December 31, 2021

	Governmental Activities	Business-Type Activities	Total
Assets			
Cash and investments	\$ 33,987,298	\$ 11,412,022	\$ 45,399,320
Receivables			
Delinquent taxes	112,767	–	112,767
Accounts	287,894	1,299,136	1,587,030
Special assessments	2,882,075	73,794	2,955,869
Due from other governmental agencies	591,835	2,556	594,391
Restricted assets – temporarily restricted			
Cash and investments held in escrow	48,642	–	48,642
Assets held for resale	1,028,581	–	1,028,581
Net pension asset – fire relief	1,280,427	–	1,280,427
Capital assets not being depreciated	98,132,890	2,757,371	100,890,261
Capital assets net of accumulated depreciation	<u>64,940,529</u>	<u>68,351,230</u>	<u>133,291,759</u>
Total assets	<u>203,292,938</u>	<u>83,896,109</u>	<u>287,189,047</u>
Deferred outflows of resources			
Pension plan deferments – GERS and PEPFF	5,596,753	635,652	6,232,405
Pension plan deferments – fire relief	324,298	–	324,298
OPEB plan deferments	<u>157,021</u>	<u>37,543</u>	<u>194,564</u>
Total deferred outflows of resources	<u>6,078,072</u>	<u>673,195</u>	<u>6,751,267</u>
Total assets and deferred outflows of resources	<u>\$ 209,371,010</u>	<u>\$ 84,569,304</u>	<u>\$ 293,940,314</u>
Liabilities			
Accounts and contracts payable	\$ 1,605,650	\$ 111,621	\$ 1,717,271
Accrued salaries and employee benefits payable	383,589	75,081	458,670
Due to other governmental agencies	165,496	37,449	202,945
Deposits payable	1,168,985	40,754	1,209,739
Accrued interest payable	43,546	3,738	47,284
Unearned revenue	1,612,165	–	1,612,165
Long-term liabilities			
Total OPEB liability – due in more than one year	867,452	207,403	1,074,855
Net pension liability – GERS and PEPFF – due in more than one year	4,296,109	849,036	5,145,145
Due within one year	4,730,141	370,007	5,100,148
Due in more than one year	<u>30,517,422</u>	<u>2,049,362</u>	<u>32,566,784</u>
Total liabilities	<u>45,390,555</u>	<u>3,744,451</u>	<u>49,135,006</u>
Deferred inflows of resources			
Pension plan deferments – GERS and PEPFF	6,989,466	778,950	7,768,416
Pension plan deferments – fire relief	546,491	–	546,491
OPEB plan deferments	<u>95,822</u>	<u>22,911</u>	<u>118,733</u>
Total deferred inflows of resources	<u>7,631,779</u>	<u>801,861</u>	<u>8,433,640</u>
Net position			
Net investment in capital assets	129,907,250	68,923,937	198,831,187
Restricted for debt service	5,097,267	–	5,097,267
Restricted for net pension asset	1,058,234	–	1,058,234
Restricted for capital improvements	3,013,257	–	3,013,257
Restricted for other purposes	2,746,959	–	2,746,959
Unrestricted	<u>14,525,709</u>	<u>11,099,055</u>	<u>25,624,764</u>
Total net position	<u>156,348,676</u>	<u>80,022,992</u>	<u>236,371,668</u>
Total liabilities, deferred inflows of resources, and net position	<u>\$ 209,371,010</u>	<u>\$ 84,569,304</u>	<u>\$ 293,940,314</u>

CITY OF PRIOR LAKE

Statement of Activities
Year Ended December 31, 2021

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Governmental activities				
General government	\$ 3,730,464	\$ 793,559	\$ 68,242	\$ -
Public safety	6,923,614	1,373,319	1,697,768	37,075
Public works	6,754,247	1,593,162	1,227	11,066,409
Culture and recreation	2,495,667	362,565	21,470	663,033
Economic development	889,952	8,582	161	-
Interest on long-term debt	752,861	-	-	-
Total governmental activities	<u>21,546,805</u>	<u>4,131,187</u>	<u>1,788,868</u>	<u>11,766,517</u>
Business-type activities				
Water	3,245,146	5,569,995	1,954	33,034
Sewer	3,398,606	4,761,256	842	32,793
Water quality	730,212	1,206,566	27,361	6,300
Total business-type activities	<u>7,373,964</u>	<u>11,537,817</u>	<u>30,157</u>	<u>72,127</u>
Total	<u>\$ 28,920,769</u>	<u>\$ 15,669,004</u>	<u>\$ 1,819,025</u>	<u>\$ 11,838,644</u>

General revenues

Taxes

Property taxes, levied for general purposes

Property taxes, levied for debt service

Tax increments

Franchise taxes

Grants and contributions not restricted to specific programs

Investment income (losses)

Miscellaneous

Gain on sale of assets

Transfers

Total general revenues and transfers

Change in net position

Net position

Beginning of year

End of year

Net (Expense) Revenues and
Changes in Net Position

Governmental Activities	Business-Type Activities	Total
\$ (2,868,663)	\$ —	\$ (2,868,663)
(3,815,452)	—	(3,815,452)
5,906,551	—	5,906,551
(1,448,599)	—	(1,448,599)
(881,209)	—	(881,209)
(752,861)	—	(752,861)
(3,860,233)	—	(3,860,233)
—	2,359,837	2,359,837
—	1,396,285	1,396,285
—	510,015	510,015
—	4,266,137	4,266,137
(3,860,233)	4,266,137	405,904
11,197,109	—	11,197,109
3,133,141	—	3,133,141
788,962	—	788,962
662,709	—	662,709
579	—	579
(54,970)	9,847	(45,123)
294,914	16,503	311,417
144,501	—	144,501
3,111,634	(3,111,634)	—
19,278,579	(3,085,284)	16,193,295
15,418,346	1,180,853	16,599,199
140,930,330	78,842,139	219,772,469
\$ 156,348,676	\$ 80,022,992	\$ 236,371,668

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FUND FINANCIAL STATEMENTS

CITY OF PRIOR LAKE

Balance Sheet
 Governmental Funds
 as of December 31, 2021

	<u>General</u>	<u>Debt Service</u>	<u>Construction</u>
Assets			
Cash and investments	\$ 11,778,939	\$ 2,558,555	\$ 1,812,215
Cash and investments held in escrow	-	-	-
Receivables			
Delinquent taxes	111,227	-	-
Accounts	194,834	10,045	8,548
Special assessments			
Delinquent	557	13,837	3,406
Deferred	15,844	2,091,957	48,420
Other (Green Acres)	-	451,350	-
Due from other governmental agencies	349,726	16,568	215,677
Due from other funds	-	390	-
Assets held for resale	-	-	-
	<u> </u>	<u> </u>	<u> </u>
Total assets	<u>\$ 12,451,127</u>	<u>\$ 5,142,702</u>	<u>\$ 2,088,266</u>
Liabilities			
Accounts and contracts payable	\$ 454,629	\$ 1,499	\$ 337,006
Accrued salaries and employee benefits payable	380,742	-	-
Due to other governmental agencies	157,647	-	-
Deposits payable	790,915	-	-
Due to other funds	-	390	-
Unearned revenue	75,387	-	-
	<u> </u>	<u> </u>	<u> </u>
Total liabilities	1,859,320	1,889	337,006
Deferred inflows of resources			
Unavailable revenue from state aid	40,204	-	215,677
Unavailable revenue from delinquent taxes	111,227	-	-
Unavailable revenue from special assessments	9,759	2,557,145	51,826
	<u> </u>	<u> </u>	<u> </u>
Total deferred inflows of resources	161,190	2,557,145	267,503
Fund balances			
Restricted	-	2,583,668	-
Assigned	573,420	-	1,483,757
Unassigned	9,857,197	-	-
	<u> </u>	<u> </u>	<u> </u>
Total fund balances	10,430,617	2,583,668	1,483,757
	<u> </u>	<u> </u>	<u> </u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 12,451,127</u>	<u>\$ 5,142,702</u>	<u>\$ 2,088,266</u>

Nonmajor Governmental Funds	Total Governmental Funds
\$ 17,199,168	\$ 33,348,877
48,642	48,642
1,540	112,767
71,392	284,819
1,289	19,089
255,415	2,411,636
–	451,350
9,864	591,835
–	390
1,028,581	1,028,581
<u>\$ 18,615,891</u>	<u>\$ 38,297,986</u>
\$ 812,516	\$ 1,605,650
2,847	383,589
7,849	165,496
378,070	1,168,985
–	390
1,536,778	1,612,165
<u>2,738,060</u>	<u>4,936,275</u>
–	255,881
1,540	112,767
256,705	2,875,435
<u>258,245</u>	<u>3,244,083</u>
5,502,795	8,086,463
10,116,791	12,173,968
–	9,857,197
<u>15,619,586</u>	<u>30,117,628</u>
<u>\$ 18,615,891</u>	<u>\$ 38,297,986</u>

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CITY OF PRIOR LAKE

Reconciliation of the Balance Sheet to the
Statement of Net Position
Governmental Funds
as of December 31, 2021

Total fund balances – governmental funds	\$ 30,117,628
Amounts reported for governmental activities in the Statement of Net Position are different because:	
Capital assets are included in net position, but are excluded from fund balances because they do not represent financial resources.	
Cost of capital assets	239,517,961
Less accumulated depreciation	(76,444,542)
Net pension assets are included in net position, but are excluded from fund balances because they do not represent financial resources.	
	1,280,427
Long-term liabilities are included in net position, but are excluded from fund balances until due and payable.	
Bond principal payable	(30,810,000)
Energy loan payable	(1,008,939)
Total OPEB liability	(867,452)
Net pension liability – GERS and PEPFF	(4,296,109)
Debt issuance premiums and discounts are excluded from net position until amortized, but are included in fund balances upon issuance as other financing sources and uses.	
	(2,373,857)
Accrued interest payable on long-term debt is included in net position, but is excluded from fund balances until due and payable.	
	(43,546)
Internal service funds are used by management to charge certain costs to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the Statement of Net Position.	
	(413,271)
The recognition of certain revenues and expenses/expenditures differ between the full accrual governmental activities financial statements and the modified accrual governmental fund financial statements.	
State aid	255,881
Delinquent taxes	112,767
Special assessments	2,875,435
Deferred outflows of resources – GERS and PEPFF pension plans	5,596,753
Deferred outflows of resources – fire relief pension plan	324,298
Deferred outflows of resources – OPEB	157,021
Deferred inflows of resources – GERS and PEPFF pension plans	(6,989,466)
Deferred inflows of resources – fire relief pension plan	(546,491)
Deferred inflows of resources – OPEB	(95,822)
Total net position – governmental activities	<u>\$ 156,348,676</u>

CITY OF PRIOR LAKE

Statement of Revenues, Expenditures, and Changes in Fund Balances
 Governmental Funds
 Year Ended December 31, 2021

	General	Debt Service	Construction
Revenues			
Taxes	\$ 9,462,313	\$ 3,133,141	\$ -
Franchise taxes	662,709	-	-
Special assessments	5,482	651,595	13,848
Licenses and permits	999,906	-	-
Intergovernmental	2,322,956	-	584,772
Charges for services	1,528,506	-	-
Fines and forfeits	38	-	-
Investment income (losses)	(83,485)	(3,821)	(574)
Miscellaneous	713,160	-	97,882
Total revenues	<u>15,611,585</u>	<u>3,780,915</u>	<u>695,928</u>
Expenditures			
Current			
General government	3,260,266	-	-
Public safety	7,261,344	-	-
Public works	2,099,230	-	-
Culture and recreation	1,982,787	-	-
Economic development	-	-	-
Capital outlay	131,754	-	3,888,028
Debt service			
Principal	-	4,174,859	-
Interest and other	-	1,146,703	35,969
Total expenditures	<u>14,735,381</u>	<u>5,321,562</u>	<u>3,923,997</u>
Excess (deficiency) of revenues over expenditures	876,204	(1,540,647)	(3,228,069)
Other financing sources (uses)			
Bonds issued	-	33,576	2,255,655
Refunding bonds issued	-	8,846,477	-
Premium on bonds issued	-	1,326,441	206,122
Refunded bond payments	-	(10,048,295)	-
Transfers in	523,000	2,595,069	1,756,241
Transfers out	(1,112,697)	(1,463,144)	-
Sale of capital assets	30,022	-	-
Total other financing sources (uses)	<u>(559,675)</u>	<u>1,290,124</u>	<u>4,218,018</u>
Net change in fund balances	316,529	(250,523)	989,949
Fund balances			
Beginning of year	<u>10,114,088</u>	<u>2,834,191</u>	<u>493,808</u>
End of year	<u>\$ 10,430,617</u>	<u>\$ 2,583,668</u>	<u>\$ 1,483,757</u>

See notes to basic financial statements

Nonmajor Governmental Funds	Total Governmental Funds
\$ 2,554,712	\$ 15,150,166
–	662,709
153,067	823,992
–	999,906
–	2,907,728
3,351,206	4,879,712
–	38
32,125	(55,755)
84,024	895,066
<u>6,175,134</u>	<u>26,263,562</u>
1,407	3,261,673
33,540	7,294,884
–	2,099,230
17,128	1,999,915
235,101	235,101
5,055,439	9,075,221
–	4,174,859
7,888	1,190,560
<u>5,350,503</u>	<u>29,331,443</u>
824,631	(3,067,881)
494,292	2,783,523
–	8,846,477
50,490	1,583,053
–	(10,048,295)
2,376,167	7,250,477
(1,389,695)	(3,965,536)
114,480	144,502
<u>1,645,734</u>	<u>6,594,201</u>
2,470,365	3,526,320
13,149,221	26,591,308
<u>\$ 15,619,586</u>	<u>\$ 30,117,628</u>

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CITY OF PRIOR LAKE

Reconciliation of the Statement of
Revenues, Expenditures, and Changes in Fund Balances
to the Statement of Activities
Governmental Funds
Year Ended December 31, 2021

Total net change in fund balances – governmental funds \$ 3,526,320

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

Capital outlays are recorded in net position and the cost is allocated over their estimated useful lives as depreciation expense; however, fund balances are reduced for the full cost of capital outlays at the time of purchase.

Capital outlay	7,230,926
Capital contributions	7,472,300
Depreciation expense	(5,007,051)
Capital contributions to enterprise funds	(173,307)

A gain or loss on the disposal of capital assets, including the difference between the carrying value and any related sale proceeds, is included in the change in net position. However, only the sale proceeds are included in the change in fund balance.

(45,342)

Net pension assets are only recorded in the government-wide financial statements, as they are not current financial resources to governmental funds.

52,365

The amount of debt issued is reported in the governmental funds as a source of financing. Debt obligations are not revenues in the Statement of Activities, but rather constitute long-term liabilities. Repayment of long-term debt does not affect the change in net position; however, it reduces fund balances.

Debt issued	(11,630,000)
Premium on debt issued	(1,583,053)
Principal repayments	14,194,858

Certain expenses are included in the change in net position, but do not require the use of current funds, and are not included in the change in fund balances.

Total OPEB liability	(158,035)
Net pension liability – GERS and PEPFF	2,187,373

Interest on long-term debt is included in the change in net position as it accrues, regardless of when the payment is due; however, it is included in the change in fund balances when due.

(2,784)

Debt issuance premiums and discounts are included in the change in net position as they are amortized over the life of the debt; however, they are included in the change in fund balances upon issuance as other financing sources and uses.

460,890

Internal service funds are used by management to charge certain costs to individual funds. The net revenue (expense) of certain activities of the internal service funds is reported with governmental activities in the government-wide financial statements.

1,537

The recognition of certain revenues and expenses/expenditures differ between the full accrual governmental activities financial statements and the modified accrual governmental fund financial statements.

State aid	255,881
Delinquent property taxes	(30,376)
Special assessments	(154,557)
Deferred outflows of resources – GERS and PEPFF pension plans	3,420,962
Deferred outflows of resources – fire relief pension plan	3,141
Deferred outflows of resources – OPEB	127,475
Deferred inflows of resources – GERS and PEPFF pension plans	(4,695,700)
Deferred inflows of resources – fire relief pension plan	(42,165)
Deferred inflows of resources – OPEB	6,688

Change in net position – governmental activities \$ 15,418,346

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CITY OF PRIOR LAKE

Statement of Revenues, Expenditures, and Changes in Fund Balances
 Budget and Actual
 General Fund
 Year Ended December 31, 2021

	Budgeted Amounts		Actual Amounts	Variance With Final Budget
	Original	Final		
Revenues				
Taxes				
Property taxes	\$ 9,433,959	\$ 9,433,959	\$ 9,462,313	\$ 28,354
Franchise taxes	637,000	637,000	662,709	25,709
Special assessments	–	–	5,482	5,482
Licenses and permits	795,551	795,551	999,906	204,355
Intergovernmental	2,160,235	2,160,235	2,322,956	162,721
Charges for services	1,163,172	1,163,172	1,528,506	365,334
Fines and forfeits	–	–	38	38
Investment income (losses)	86,800	86,800	(83,485)	(170,285)
Miscellaneous	154,000	154,000	713,160	559,160
Total revenues	<u>14,430,717</u>	<u>14,430,717</u>	<u>15,611,585</u>	<u>1,180,868</u>
Expenditures				
Current				
General government	3,263,147	3,280,747	3,260,266	(20,481)
Public safety				
Police	5,300,369	5,536,473	5,411,230	(125,243)
Fire and rescue	1,076,350	1,108,520	1,135,252	26,732
Other	774,691	774,691	714,862	(59,829)
Public works	2,245,916	2,245,916	2,099,230	(146,686)
Culture and recreation	2,154,169	2,154,169	1,982,787	(171,382)
Capital outlay	9,500	9,500	131,754	122,254
Total expenditures	<u>14,824,142</u>	<u>15,110,016</u>	<u>14,735,381</u>	<u>(374,635)</u>
Excess (deficiency) of revenues over expenditures	(393,425)	(679,299)	876,204	1,555,503
Other financing sources (uses)				
Transfers in	523,000	523,000	523,000	–
Transfers out	(253,575)	(1,112,697)	(1,112,697)	–
Sale of assets	–	–	30,022	30,022
Total other financing sources (uses)	<u>269,425</u>	<u>(589,697)</u>	<u>(559,675)</u>	<u>30,022</u>
Net change in fund balances	<u>\$ (124,000)</u>	<u>\$ (1,268,996)</u>	316,529	<u>\$ 1,585,525</u>
Fund balances				
Beginning of year			<u>10,114,088</u>	
End of year			<u>\$ 10,430,617</u>	

CITY OF PRIOR LAKE

Statement of Net Position
Proprietary Funds
as of December 31, 2021

(With Partial Comparative Information as of December 31, 2020)

	Business-Type Activities – Enterprise Funds			
	Water		Sewer	
	2021	2020	2021	2020
Current assets				
Cash and investments	\$ 6,026,984	\$ 5,604,480	\$ 3,316,091	\$ 2,635,109
Receivables				
Accounts	460,396	399,384	671,799	680,551
Special assessments				
Delinquent	36,375	39,318	36,375	39,318
Deferred	1,044	1,638	–	–
Due from other governmental agencies	2,416	2,645	140	124
Total current assets	<u>6,527,215</u>	<u>6,047,465</u>	<u>4,024,405</u>	<u>3,355,102</u>
Noncurrent assets				
Capital assets not being depreciated	2,613,759	2,602,388	–	12,118
Depreciable capital assets	53,004,068	52,086,842	35,510,248	35,179,400
Accumulated depreciation	(12,919,146)	(12,024,118)	(9,578,561)	(8,937,816)
Total noncurrent assets	<u>42,698,681</u>	<u>42,665,112</u>	<u>25,931,687</u>	<u>26,253,702</u>
Total assets	49,225,896	48,712,577	29,956,092	29,608,804
Deferred outflows of resources				
Pension plan deferments – GERF	269,762	60,771	256,030	62,894
OPEB plan deferments	16,341	2,770	14,646	2,569
Total deferred outflows of resources	<u>286,103</u>	<u>63,541</u>	<u>270,676</u>	<u>65,463</u>
Total assets and deferred outflows of resources	<u>\$ 49,511,999</u>	<u>\$ 48,776,118</u>	<u>\$ 30,226,768</u>	<u>\$ 29,674,267</u>
Current liabilities				
Accounts and contracts payable	\$ 85,192	\$ 41,492	\$ 7,383	\$ 33,916
Accrued salaries and employee benefits payable	28,167	22,533	35,520	25,143
Due to other governmental agencies	31,490	35,164	3,861	3,543
Deposits payable	40,754	1,500	–	–
Accrued interest payable	1,869	2,069	1,869	2,069
Current portion of compensated absences payable	47,225	50,014	53,659	39,592
Current portion of bonds payable	125,000	120,000	125,000	120,000
Total current liabilities	<u>359,697</u>	<u>272,772</u>	<u>227,292</u>	<u>224,263</u>
Noncurrent liabilities				
Compensated absences payable	82,983	78,845	21,183	26,962
Bonds premium (discount)	117,332	134,094	117,332	134,094
Bonds payable	850,000	975,000	850,000	975,000
Net pension liability – GERF	360,320	476,440	341,977	493,085
Total OPEB liability	90,275	66,510	80,912	61,684
Total noncurrent liabilities	<u>1,500,910</u>	<u>1,730,889</u>	<u>1,411,404</u>	<u>1,690,825</u>
Total liabilities	1,860,607	2,003,661	1,638,696	1,915,088
Deferred inflows of resources				
Pension plan deferments – GERF	330,576	25,374	313,748	26,260
OPEB plan deferments	9,972	9,611	8,938	8,913
Total deferred inflows of resources	<u>340,548</u>	<u>34,985</u>	<u>322,686</u>	<u>35,173</u>
Net position				
Net investment in capital assets	41,606,349	41,436,018	24,839,355	25,024,608
Unrestricted	5,704,495	5,301,454	3,426,031	2,699,398
Total net position	<u>47,310,844</u>	<u>46,737,472</u>	<u>28,265,386</u>	<u>27,724,006</u>
Total liabilities, deferred inflows of resources, and net position	<u>\$ 49,511,999</u>	<u>\$ 48,776,118</u>	<u>\$ 30,226,768</u>	<u>\$ 29,674,267</u>

Water Quality		Totals		Governmental Activities – Internal Service Funds
2021	2020	2021	2020	
\$ 2,068,947	\$ 1,940,237	\$ 11,412,022	\$ 10,179,826	\$ 638,421
166,941	170,371	1,299,136	1,250,306	3,075
–	–	72,750	78,636	–
–	–	1,044	1,638	–
–	10,542	2,556	13,311	–
<u>2,235,888</u>	<u>2,121,150</u>	<u>12,787,508</u>	<u>11,523,717</u>	<u>641,496</u>
143,612	185,579	2,757,371	2,800,085	–
3,343,101	3,302,231	91,857,417	90,568,473	–
(1,008,480)	(890,383)	(23,506,187)	(21,852,317)	–
<u>2,478,233</u>	<u>2,597,427</u>	<u>71,108,601</u>	<u>71,516,241</u>	<u>–</u>
4,714,121	4,718,577	83,896,109	83,039,958	641,496
109,860	27,460	635,652	151,125	–
6,556	1,136	37,543	6,475	–
<u>116,416</u>	<u>28,596</u>	<u>673,195</u>	<u>157,600</u>	<u>–</u>
<u>\$ 4,830,537</u>	<u>\$ 4,747,173</u>	<u>\$ 84,569,304</u>	<u>\$ 83,197,558</u>	<u>\$ 641,496</u>
\$ 19,046	\$ 78,892	\$ 111,621	\$ 154,300	\$ –
11,394	8,604	75,081	56,280	–
2,098	1,429	37,449	40,136	–
–	–	40,754	1,500	–
–	–	3,738	4,138	–
19,123	14,453	120,007	104,059	404,427
–	–	250,000	240,000	–
<u>51,661</u>	<u>103,378</u>	<u>638,650</u>	<u>600,413</u>	<u>404,427</u>
10,532	5,165	114,698	110,972	650,340
–	–	234,664	268,188	–
–	–	1,700,000	1,950,000	–
146,739	215,285	849,036	1,184,810	–
36,216	27,277	207,403	155,471	–
<u>193,487</u>	<u>247,727</u>	<u>3,105,801</u>	<u>3,669,441</u>	<u>650,340</u>
245,148	351,105	3,744,451	4,269,854	1,054,767
134,626	11,465	778,950	63,099	–
4,001	3,942	22,911	22,466	–
<u>138,627</u>	<u>15,407</u>	<u>801,861</u>	<u>85,565</u>	<u>–</u>
2,478,233	2,597,427	68,923,937	69,058,053	–
1,968,529	1,783,234	11,099,055	9,784,086	(413,271)
<u>4,446,762</u>	<u>4,380,661</u>	<u>80,022,992</u>	<u>78,842,139</u>	<u>(413,271)</u>
<u>\$ 4,830,537</u>	<u>\$ 4,747,173</u>	<u>\$ 84,569,304</u>	<u>\$ 83,197,558</u>	<u>\$ 641,496</u>

CITY OF PRIOR LAKE

Statement of Revenues, Expenses, and Changes in Net Position
 Proprietary Funds
 Year Ended December 31, 2021
 (With Partial Comparative Information for the Year Ended December 31, 2020)

	Business-Type Activities – Enterprise Funds			
	Water		Sewer	
	2021	2020	2021	2020
Operating revenues				
Sewer charges	\$ –	\$ –	\$ 3,672,667	\$ 4,034,543
Water charges	4,213,265	4,273,809	–	–
Storm water charges	–	–	–	–
Base fees	1,247,908	383,331	1,088,589	365,175
Meter sales	108,822	126,924	–	–
Charges for services	–	–	–	–
Total operating revenues	<u>5,569,995</u>	<u>4,784,064</u>	<u>4,761,256</u>	<u>4,399,718</u>
Operating expenses				
Personal services	810,240	761,721	740,030	801,367
Supplies	355,173	355,088	29,402	47,654
Repairs and maintenance	136,683	402,654	113,818	35,494
Other services and charges	198,349	153,624	114,799	117,411
Insurance	7,310	7,210	7,310	25,998
Utilities	714,028	596,704	66,591	59,732
Disposal charges	–	–	1,653,223	1,658,137
Miscellaneous	1,539	11,355	–	–
Depreciation	989,136	955,327	640,745	614,493
Total operating expenses	<u>3,212,458</u>	<u>3,243,683</u>	<u>3,365,918</u>	<u>3,360,286</u>
Operating income (loss)	2,357,537	1,540,381	1,395,338	1,039,432
Nonoperating revenues (expenses)				
Intergovernmental	1,954	18,935	842	12,645
Investment income	4,068	172,842	3,478	70,637
Interest expense	(32,688)	(37,490)	(32,688)	(37,486)
Miscellaneous	10,923	13,905	–	–
Total nonoperating revenues	<u>(15,743)</u>	<u>168,192</u>	<u>(28,368)</u>	<u>45,796</u>
Income (loss) before contributions and transfers	2,341,794	1,708,573	1,366,970	1,085,228
Special assessments	33,034	3,391	–	–
Capital grants	–	–	32,793	2,601
Capital contributions from other funds	–	–	173,307	–
Capital contributions from developers	–	886,304	–	887,205
Transfers out	(1,801,456)	(1,215,160)	(1,031,690)	(632,110)
Change in net position	573,372	1,383,108	541,380	1,342,924
Net position				
Beginning of year	<u>46,737,472</u>	<u>45,354,364</u>	<u>27,724,006</u>	<u>26,381,082</u>
End of year	<u>\$ 47,310,844</u>	<u>\$ 46,737,472</u>	<u>\$ 28,265,386</u>	<u>\$ 27,724,006</u>

See notes to basic financial statements

Water Quality		Totals		Governmental Activities – Internal Service Funds
2021	2020	2021	2020	
\$ –	\$ –	\$ 3,672,667	\$ 4,034,543	\$ –
–	–	4,213,265	4,273,809	–
1,206,566	1,175,189	1,206,566	1,175,189	–
–	–	2,336,497	748,506	–
–	–	108,822	126,924	–
–	–	–	–	42,773
<u>1,206,566</u>	<u>1,175,189</u>	<u>11,537,817</u>	<u>10,358,971</u>	<u>42,773</u>
318,828	343,057	1,869,098	1,906,145	105,961
20,340	28,408	404,915	431,150	–
141,766	74,117	392,267	512,265	–
131,181	61,184	444,329	332,219	–
–	–	14,620	33,208	–
–	–	780,619	656,436	–
–	–	1,653,223	1,658,137	–
–	–	1,539	11,355	–
118,097	116,551	1,747,978	1,686,371	–
<u>730,212</u>	<u>623,317</u>	<u>7,308,588</u>	<u>7,227,286</u>	<u>105,961</u>
476,354	551,872	4,229,229	3,131,685	(63,188)
33,661	4,403	36,457	35,983	–
2,301	55,198	9,847	298,677	785
–	–	(65,376)	(74,976)	–
5,580	21,325	16,503	35,230	63,940
<u>41,542</u>	<u>80,926</u>	<u>(2,569)</u>	<u>294,914</u>	<u>64,725</u>
517,896	632,798	4,226,660	3,426,599	1,537
–	–	33,034	3,391	–
–	–	32,793	2,601	–
–	–	173,307	–	–
–	32,638	–	1,806,147	–
<u>(451,795)</u>	<u>(85,780)</u>	<u>(3,284,941)</u>	<u>(1,933,050)</u>	<u>–</u>
66,101	579,656	1,180,853	3,305,688	1,537
4,380,661	3,801,005	78,842,139	75,536,451	(414,808)
<u>\$ 4,446,762</u>	<u>\$ 4,380,661</u>	<u>\$ 80,022,992</u>	<u>\$ 78,842,139</u>	<u>\$ (413,271)</u>

CITY OF PRIOR LAKE

Statement of Cash Flows

Proprietary Funds

Year Ended December 31, 2021

(With Partial Comparative Information for the Year Ended December 31, 2020)

	Business-Type Activities – Enterprise Funds			
	Water		Sewer	
	2021	2020	2021	2020
Cash flows from operating activities				
Cash received from customers	\$ 5,552,003	\$ 4,790,415	\$ 4,772,935	\$ 4,336,078
Cash payments to suppliers	(1,373,056)	(2,930,931)	(2,011,358)	(2,042,326)
Cash payments to employees	(812,611)	(810,511)	(770,945)	(808,823)
Miscellaneous/other revenue	10,923	13,905	–	–
Net cash flows from operating activities	3,377,259	1,062,878	1,990,632	1,484,929
Cash flows from noncapital financing activities				
Intergovernmental revenue	1,954	18,935	842	12,645
Transfers (out)	(1,801,456)	(1,215,160)	(1,031,690)	(632,110)
Net cash flows from noncapital financing activities	(1,799,502)	(1,196,225)	(1,030,848)	(619,465)
Cash flows from capital and related financing activities				
Special assessments	33,034	3,391	–	–
Capital grants	–	–	32,793	2,601
Acquisition of capital assets	(1,022,705)	(39,318)	(145,423)	(121,444)
Payments on bonds payable	(120,000)	(120,000)	(120,000)	(120,000)
Interest paid on long-term debt	(49,650)	(54,452)	(49,650)	(54,448)
Net cash flows from capital and related financing activities	(1,159,321)	(210,379)	(282,280)	(293,291)
Cash flows from investing activities				
Interest received	4,068	172,842	3,478	70,637
Net increase (decrease) in cash and cash equivalents	422,504	(170,884)	680,982	642,810
Cash and cash equivalents, January 1	5,604,480	5,775,364	2,635,109	1,992,299
Cash and cash equivalents, December 31	\$ 6,026,984	\$ 5,604,480	\$ 3,316,091	\$ 2,635,109

Water Quality		Totals		Governmental Activities – Internal Service Funds
2021	2020	2021	2020	
\$ 1,220,538	\$ 1,174,956	\$ 11,545,476	\$ 10,301,449	\$ 42,695
(352,464)	(200,151)	(3,736,878)	(5,173,408)	–
(330,208)	(329,359)	(1,913,764)	(1,948,693)	(2)
5,580	21,325	16,503	35,230	63,977
543,446	666,771	5,911,337	3,214,578	106,670
33,661	4,403	36,457	35,983	–
(451,795)	(85,780)	(3,284,941)	(1,933,050)	–
(418,134)	(81,377)	(3,248,484)	(1,897,067)	–
–	–	33,034	3,391	–
–	–	32,793	2,601	–
1,097	(105,135)	(1,167,031)	(265,897)	–
–	–	(240,000)	(240,000)	–
–	–	(99,300)	(108,900)	–
1,097	(105,135)	(1,440,504)	(608,805)	–
2,301	55,198	9,847	298,677	785
128,710	535,457	1,232,196	1,007,383	107,455
1,940,237	1,404,780	10,179,826	9,172,443	530,966
<u>\$ 2,068,947</u>	<u>\$ 1,940,237</u>	<u>\$ 11,412,022</u>	<u>\$ 10,179,826</u>	<u>\$ 638,421</u>

CITY OF PRIOR LAKE

Statement of Cash Flows (continued)

Proprietary Funds

Year Ended December 31, 2021

(With Partial Comparative Information for the Year Ended December 31, 2020)

	Business-Type Activities – Enterprise Funds			
	Water		Sewer	
	2021	2020	2021	2020
Reconciliation of operating income (loss) to net cash flows from operating activities				
Operating income (loss)	\$ 2,357,537	\$ 1,540,381	\$ 1,395,338	\$ 1,039,432
Adjustments to reconcile operating income (loss) to net cash flows from operating activities				
Depreciation	989,136	955,327	640,745	614,493
Miscellaneous / other revenue	10,923	13,905	–	–
(Increase) decrease in assets and deferred outflows of resources				
Accounts receivable	(61,012)	(536)	8,752	(74,002)
Special assessments receivable	3,537	10,301	2,943	10,306
Due from other governments	229	(414)	(16)	56
Deferred outflows of resources – GERF	(208,991)	(14,878)	(193,136)	(19,532)
Deferred outflows of resources – OPEB	(13,571)	(523)	(12,077)	(580)
Increase (decrease) in liabilities and deferred inflows of resources				
Accounts and contracts payable	43,700	(341,417)	(26,533)	(95,595)
Accrued salaries and employee benefits payable	5,634	(23,737)	10,377	(17,310)
Due to other governmental agencies	(3,674)	(1,062,879)	318	(2,305)
Deposits payable	39,254	(3,000)	–	–
Compensated absences payable	1,349	11,579	8,288	1,725
Net pension liability – GERF	(116,120)	42,651	(151,108)	83,225
Total OPEB liability	23,765	3,539	19,228	5,929
Deferred inflows of resources – GERF	305,202	(65,740)	287,488	(59,828)
Deferred inflows of resources – OPEB	361	(1,681)	25	(1,085)
Net cash flows from operating activities	<u>\$ 3,377,259</u>	<u>\$ 1,062,878</u>	<u>\$ 1,990,632</u>	<u>\$ 1,484,929</u>
Schedule of noncash activities from capital and related financing activities				
Capital assets contributed from other funds	<u>\$ –</u>	<u>\$ –</u>	<u>\$ 173,307</u>	<u>\$ –</u>
Capital assets contributed by developers	<u>\$ –</u>	<u>\$ 886,304</u>	<u>\$ –</u>	<u>\$ 887,205</u>

Water Quality		Totals		Governmental Activities – Internal Service Funds
2021	2020	2021	2020	
\$ 476,354	\$ 551,872	\$ 4,229,229	\$ 3,131,685	\$ (63,188)
118,097	116,551	1,747,978	1,686,371	–
5,580	21,325	16,503	35,230	63,940
3,430	(2,018)	(48,830)	(76,556)	(41)
–	–	6,480	20,607	–
10,542	1,785	10,755	1,427	–
(82,400)	(9,863)	(484,527)	(44,273)	–
(5,420)	(308)	(31,068)	(1,411)	–
(59,846)	(35,460)	(42,679)	(472,472)	–
2,790	(7,164)	18,801	(48,211)	–
669	(982)	(2,687)	(1,066,166)	–
–	–	39,254	(3,000)	–
10,037	1,713	19,674	15,017	105,959
(68,546)	48,955	(335,774)	174,831	–
8,939	4,058	51,932	13,526	–
123,161	(23,471)	715,851	(149,039)	–
59	(222)	445	(2,988)	–
<u>\$ 543,446</u>	<u>\$ 666,771</u>	<u>\$ 5,911,337</u>	<u>\$ 3,214,578</u>	<u>\$ 106,670</u>
<u>\$ –</u>	<u>\$ –</u>	<u>\$ 173,307</u>	<u>\$ –</u>	<u>\$ –</u>
<u>\$ –</u>	<u>\$ 32,638</u>	<u>\$ –</u>	<u>\$ 1,806,147</u>	<u>\$ –</u>

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CITY OF PRIOR LAKE

Notes to Basic Financial Statements
December 31, 2021

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES

A. Organization

The City of Prior Lake, Minnesota (the City) operates under “Optional Plan B” as defined in Minnesota Statutes. Under this plan, the government of the City is directed by a City Council composed of an elected mayor and four elected councilmembers. 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. 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 accounting policies of the City conform to accounting principles generally accepted in the United States of America as applicable to governmental units.

B. Reporting Entity

As required by accounting principles generally accepted in the United States of America, these financial statements include the City (the primary government) and its component units. Component units are legally separate entities for which the primary government is financially accountable, or for which the exclusion of the component unit would render the financial statements of the primary government misleading. The criteria used to determine if the primary government is financially accountable for a component unit includes whether or not the primary government appoints the voting majority of the potential component unit’s board, is able to impose its will on the potential component unit, is in a relationship of financial benefit or burden with the potential component unit, or is fiscally depended upon by the potential component unit.

As a result of applying these criteria, certain organizations have been included or disclosed in this report as follows:

Blended Component Unit – The Prior Lake Economic and Development Authority (EDA) was created pursuant to Minnesota Statutes § 469.090 through § 469.108 to carryout economic and industrial development and redevelopment within the City in accordance with policies established by the City Council. The five-member Board of Directors consists of two councilmembers and three members appointed from the community by the City Council. The EDA is reported as a blended component unit within the EDA Special Revenue Fund. Separate financial statements are not issued for this component unit. The EDA may not exercise any of the powers enumerated by the authorizing statutes without prior approval of the City Council.

C. Government-Wide Financial Statements

The government-wide financial statements (Statement of Net Position and Statement of Activities) display information about the reporting government as a whole. These statements include all of the financial activities of the City. Governmental activities, which are normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which significantly rely upon sales, fees, and charges for support.

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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. Program revenues include: 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other internally directed revenues are reported as general revenues.

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes and special assessments are recognized as revenues in the fiscal year for which they are certified for levy. Grants and similar items are recognized when all eligibility requirements imposed by the provider have been met.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. However, charges between the City's enterprise funds and other functions are not eliminated, as that would distort the direct costs and program revenues reported in those functions. The City applies restricted resources first when an expense is incurred for which both restricted and unrestricted resources are available. Depreciation expense is included in the direct expenses of each function. Interest on long-term debt is considered an indirect expense and is reported separately on the Statement of Activities.

D. Fund Financial Statement Presentation

Separate fund financial statements are provided for governmental and proprietary funds. Major individual governmental and enterprise funds are reported as separate columns in the fund financial statements. Aggregated information for the remaining nonmajor governmental funds is reported in a single column in the fund financial statements.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this basis of accounting, transactions are recorded in the following manner:

- 1. Revenue Recognition** – Revenue is recognized when it becomes measurable and available. “Measurable” means the amount of the transaction can be determined and “available” means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. For this purpose, the City considers revenues to be available if they are collected within 60 days after year-end. 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. Grants and similar items are recognized when all eligibility requirements imposed by the provider have been met. Proceeds of long-term debt and acquisitions under capital leases are reported as other financing sources.

Major revenue that is susceptible to accrual includes property taxes, franchise taxes, special assessments, intergovernmental revenue, charges for services, and interest earned on investments. Major revenue that is not susceptible to accrual includes licenses and permits, fees, and miscellaneous revenue. Such revenue is recorded only when received because it is not measurable until collected.

- 2. Recording of Expenditures** – Expenditures are generally recorded when a liability is incurred, except for principal and interest on long-term debt, compensated absences, and other long-term liabilities, which are recognized as expenditures to the extent they have matured. Capital asset acquisitions are reported as capital outlay expenditures in the governmental funds.

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Proprietary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, similar to the government-wide financial statements. 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's enterprise funds and internal service funds are charges to customers for sales and services. The operating expenses for the enterprise funds and internal service funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses that do not meet this definition are reported as nonoperating revenues and expenses.

Aggregated information for the internal service funds is reported in a single column in the proprietary fund financial statements. Because the principal user of the internal services is the City's governmental activities, the financial statements of the internal service funds are consolidated into the governmental column when presented in the government-wide financial statements. The cost of these services is reported in the appropriate functional activity.

Description of Funds

The City reports the following major governmental funds:

General Fund – This is the general operating fund of the City. It is used to account for all financial resources except those required to be accounted for in another fund.

Debt Service Fund – This fund accounts for the resources accumulated to provide repayment of the City's general obligation debt.

Construction Capital Project Fund – This fund accounts for the resources accumulated and payments made for city projects.

The City reports the following major proprietary funds:

Water Fund – This fund is used to account for the operation, maintenance, and improvement of the City's water system.

Sewer Fund – This fund is used to account for the operation, maintenance, and improvement of the City's sewer collection operations.

Water Quality Fund – This fund accounts for the costs associated with the City's storm water system.

The City also reports the following fund type:

Internal Service Funds – Internal service funds account for the financing of goods and services provided to other departments or agencies of the City on a cost-reimbursement basis. The City utilizes a Severance Compensation Internal Service Fund and an Insurance Internal Service Fund in managing city operations.

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

E. Cash and Investments

1. Deposits and Investments

The City's cash and cash equivalents are considered to be cash on hand, demand deposits, government securities, and short-term investments with original maturities of three months or less from the date of acquisition.

Cash balances from all funds are combined and invested to the extent available in short-term investments. Earnings from the pooled investments are allocated to the individual funds based on the average monthly cash and investment balances of the respective funds.

The Minnesota Municipal Money Market (4M) Fund is a customized cash management and investment program for Minnesota public funds. Sponsored and governed by the League of Minnesota Cities since 1987, the 4M Fund is a unique investment alternative designed to address the daily and long-term investment needs of Minnesota cities and other municipal entities. Allowable under Minnesota Statutes, the 4M Fund is comprised of top quality-related investments.

Investments are generally stated at fair value, except for investments in external investment pools, which are stated at amortized cost. Short-term, highly liquid debt instruments (including bankers' acceptance and U.S. treasury and agency obligations) purchased with a remaining maturity of one year or less may also be reported at amortized cost. Investment income is accrued at the Balance Sheet date.

Cash held in escrow includes balances held in escrow accounts for future capital projects from energy loan proceeds and cash deposits in the police department. Earnings on these accounts are allocated directly to those funds.

The City categorizes its fair value measurements within the fair value hierarchy established by accounting principles generally accepted in the United States of America. 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; and Level 3 inputs are significant unobservable inputs.

Debt securities classified in Level 2 of the fair value hierarchy are valued using a matrix pricing technique. Matrix pricing is used to value securities based on the securities' relationship to benchmark quoted prices.

See Note 2 for the City's recurring fair value measurements as of year-end.

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2. Investment Policy

The City's investment policy contains the following restrictions:

a) Allowable Investments

The City may invest in any type of security allowed by Minnesota Statutes and may be amended from time to time. The City has chosen to limit its allowable investments to those instruments listed below:

- 1) Bonds, notes, certificates of indebtedness, treasury bills, or other securities now or hereafter issued by the United States of America, its agencies and allowable instrumentalities.
- 2) Interest-bearing checking and savings accounts, or any other investments constituting direct obligations of any bank.
- 3) Certificates of deposit at state and federally-chartered institutions that are limited to the amount of coverage provided by the Federal Deposit Insurance Corporation (FDIC).
- 4) Money market accounts that are invested in the above referenced government securities.
- 5) State and local securities, which have at the time of investment one of the three highest credit ratings by a nationally recognized rating agency.
- 6) Investments may be made only in those savings banks or savings and loan associations the shares, or investment certificates, of which are insured by the FDIC.
- 7) Bankers' acceptances issued by United States banks and commercial paper issued by a United States corporation or its Canadian subsidiary that is rated in the highest quality category by at least two nationally recognized rating agencies and mature in 270 days or less.
- 8) Investment products that are considered as derivatives are specifically excluded from approved investments.

b) Diversification

It is the policy of the City to diversify its investment portfolio. Investments shall be diversified to eliminate the risk of loss resulting in over concentration in a specific maturity, issuers, or class of securities. Diversification strategies shall be determined and revised periodically by the City's finance director. The diversification shall be as follows:

- 1) Up to 100 percent of 2. a) 1)
- 2) Up to 100 percent of 2. a) 2) and 2. a) 3)
- 3) Up to 25 percent of 2. a) 4)
- 4) Up to 25 percent of 2. a) 5)
- 5) Up to 10 percent of 2. a) 6 and 2. a) 7)

c) Duration

It is the policy of the City to require that all investment maturities shall not extend beyond 10 years with no more than 20 percent maturing beyond 5 years. Subject to market conditions and cash flow requirements, it is desirable for the City's investments to be laddered over time in an effort to reduce interest rate market risk.

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

F. Receivables

Accounts receivable include amounts billed for services provided before year-end. The City annually certifies delinquent water and sewer accounts to the county for collection in the following year. Therefore, there has been no allowance for doubtful accounts established.

G. Property Taxes

Property tax levies are set by the City Council in December of each year and are certified to Scott County for collection in the following year. In Minnesota, counties act as collection agents for all property taxes.

The county spreads all levies over taxable property. Such taxes become a lien on January 1 and are recorded as receivables by the City on that date. Real property taxes may be paid by taxpayers in two equal installments on May 15 and October 15. Personal property taxes are due in full on May 15. The county provides tax settlements to cities and other taxing districts three times a year; in July, December, and January. Taxes which remain unpaid on December 31 are classified as delinquent taxes receivable.

H. Special Assessments

Special assessments represent the financing for public improvements paid for by benefiting property owners. These assessments are recorded as delinquent (levied but unremitted) or deferred (certified but not yet levied), or other (Green Acres) special assessments receivable. Deferred contingent special assessments represent assessments on undeveloped property that will not be levied and collected until the properties are subdivided or developed.

I. Assets Held for Resale

Assets held for resale are reported as an asset in the government-wide and fund financial statements. These assets are reported at the lower of cost or acquisition value.

J. Interfund Receivables and Payables

In the fund financial statements, activity between funds that is representative of lending or borrowing arrangements is reported as either “due to/from other funds” (current portion) or “advances to/from other funds.” 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.”

The Debt Service Fund has an intra-fund due to / due from balance totaling \$390. This interfund balance was made to assist with cash flow.

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

K. Capital Assets

Capital assets, which include property, buildings, improvements, equipment, infrastructure assets (roads, bridges, sidewalks, and similar items), and intangible assets, such as water access agreements and easements, are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Such assets are capitalized at historical cost, or estimated historical cost for assets where actual historical cost is not available. Donated assets are recorded as capital assets at their estimated acquisition value on the date of donation. The City defines capital assets as those with an initial, individual cost of \$5,000 or more with an estimated useful life in excess of one year. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

In the case of initial capitalization of general infrastructure assets (i.e., those reported by governmental activities) the City chose to include items dating back to June 30, 1980. The City was able to estimate the historical cost for the initial reporting of these assets through back-trending (i.e., estimating the current replacement cost of the infrastructure to be capitalized and using an appropriate price-level index to deflate the cost to the acquisition year or estimated acquisition year).

Capital assets are recorded in the government-wide and proprietary fund financial statements, but are not reported in the governmental fund financial statements. Property, plant, and equipment of the City are depreciated using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Useful Lives in Years</u>
Land improvements	5–20
Machinery and equipment	5–30
Vehicles	8–25
Infrastructure	10–65

Land, utility access agreements, easements, and construction in progress are not depreciated.

L. Compensated Absences

It is the City's policy to permit employees to accumulate earned but unused vacation and sick leave. Upon separation, unused vacation and 50 percent of sick pay are paid to the employee if employed longer than five years. The majority of separation benefits are paid into a retirement health savings plan.

As benefits accrue to employees, vacation, and vested sick leave is reported as expense and liability in the government-wide and proprietary fund financial statements. Accrued vacation, and the portion of sick leave payable to employees upon termination are reported as expenditures in the governmental fund that will pay them when they become due and payable.

The City has provided funding for these obligations in the Severance Compensation Internal Service Fund and enterprise funds.

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

M. Long-Term Liabilities

In the government-wide and proprietary fund financial statements, long-term debt and other long-term obligations are reported as liabilities. Bond premiums and discounts are deferred and amortized over the life of the bonds using the straight-line method.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources, while discounts on debt issuances are reported as other financing uses.

N. Other Post-Employment Benefits (OPEB)

Under Minnesota Statutes § 471.61, Subd. 2b, public employers must allow retirees and their dependents to continue coverage indefinitely in an employer-sponsored healthcare plan, under the following conditions: 1) retirees must be receiving (or be eligible to receive) an annuity from a Minnesota public pension plan; 2) coverage must continue in a 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.

O. State-Wide Pension Plans

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 the PERA's fiduciary net position have been determined on the same basis as they are reported by the PERA. 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.

P. Deferred Outflows/Inflows of Resources

In addition to assets and liabilities, statements of financial position, or balance sheets, will sometimes report a separate section for deferred outflows and deferred inflows of resources. These separate financial statement elements represent a consumption or acquisition of net position that applies to future periods and so will not be recognized as an outflow of resources (expense/expenditure) or an inflow of financial resources (revenue) until then.

The City reports deferred outflows and inflows of resources related to pensions and OPEB in the government-wide and enterprise funds Statement of Net Position. These deferred outflows and inflows result from differences between expected and actual experience, changes in proportion, changes of assumptions, difference between projected and actual earnings on pension plan investments, and from contributions to the plan subsequent to the measurement date and before the end of the reporting period. These amounts are deferred and amortized as required under pension and OPEB standards.

Unavailable revenue arises only under a modified accrual basis of accounting and, therefore, is only reported in the governmental funds Balance Sheet. The governmental funds report unavailable revenue from three sources: municipal state aid, property taxes, and special assessments. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Q. Net Position

In the government-wide and proprietary fund financial statements, net position represents the difference between assets, deferred outflows of resources, liabilities, and deferred inflows of resources. Net position is displayed in three components:

- **Net Investment in Capital Assets** – Consists of capital assets, net of accumulated depreciation, reduced by any outstanding debt attributable to acquire capital assets.
- **Restricted Net Position** – Consists of net position restricted when there are limitations imposed on their use through external restrictions imposed by creditors, grantors, or laws or regulations of other governments.
- **Unrestricted Net Position** – All other elements of net position that do not meet the definition of “restricted” or “net investment in capital assets.”

The City applies restricted resources first when an expense is incurred for which both restricted and unrestricted resources are available.

R. Fund Balance Classifications

In the fund financial statements, governmental funds report fund balance in classifications that disclose constraints for which amounts in those funds can be spent. These classifications are as follows:

- **Nonspendable** – Consists of amounts that are not in spendable form, such as prepaid items, inventory, and other long-term assets.
- **Restricted** – Consists of amounts related to externally imposed constraints established by creditors, grantors, or contributors; or constraints imposed by state statutory provisions.
- **Committed** – Consists of internally imposed constraints that are established by resolution of the City Council. Those committed amounts cannot be used for any other purpose unless the City Council removes or changes the specified use by taking the same type of action it employed to previously commit those amounts.
- **Assigned** – Consists of internally imposed constraints. These constraints consist of amounts intended to be used by the City for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds, assigned amounts represent intended uses established by the governing body itself or by an official to which the governing body delegates the authority. Pursuant to City Council resolution, the finance director is authorized to establish assignments of fund balance.
- **Unassigned** – The residual classification for the General Fund, which also reflects negative residual amounts in other funds.

When both restricted and unrestricted resources are available for use, it is the City’s policy to first use restricted resources, then use unrestricted resources as they are needed. When committed, assigned, or unassigned resources are available for use, it is the City’s policy to use resources in the following order: 1) committed, 2) assigned, and 3) unassigned.

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

S. Comparative Data

The basic financial statements include certain prior year partial comparative information in total, but not at the level of detail required for a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the City's financial statements for the year ended December 31, 2020, from which the summarized information was derived. Also, certain amounts presented in the prior year data have been reclassified in order to be consistent with the current year's presentation.

T. Budgets and Budgetary Accounting

Annual budgets are 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 year-end. The City does not use encumbrance accounting.

In June of each year, all departments of the City submit requests for appropriations to the finance director so that a budget may be prepared. In September, the proposed budget is presented to the City Council for review. The City Council holds public hearings and a final budget is prepared and adopted in early December.

The appropriated budget is prepared by fund, function, and department. The City's department heads may make transfers of appropriations within a department. Transfers of appropriations between departments require the approval of the city manager. The legal level of budgetary control is the fund level.

U. Statement of Cash Flows

For purposes of the Statement of Cash Flows, the City considers all highly liquid debt instruments with an original maturity from the time of purchase by the City of three months or less to be cash equivalents. The proprietary funds' portion in the government-wide cash and investment management pool is considered to be cash equivalent.

V. 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; and natural disasters. The City participates in the League of Minnesota Cities Insurance Trust (LMCIT), a public entity risk pool for its general property and casualty, workers' compensation, and other miscellaneous insurance coverages. The LMCIT operates as a common risk management and insurance program for a large number of cities in Minnesota. The City pays an annual premium to the LMCIT for insurance coverage. The LMCIT agreement provides that the trust will be self-sustaining through member premiums and will reinsure through commercial companies for claims in excess of certain limits. Settled claims did not exceed insurance coverage in the past three fiscal years. There were no significant reductions in insurance coverage in the current year.

W. Restricted Assets

Restricted assets are cash, investments, and interest accrued thereon; the use of which is limited by external requirements, such as a bond indenture or trust agreements.

X. Use of Estimates

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 amounts reported in the financial statements during the reporting period. Actual results could differ from those estimates.

NOTE 2 – CASH AND INVESTMENTS

A. Components of Cash and Investments

Cash and investments at year-end consist of the following:

Deposits	\$ 904,324
Investments	44,542,688
Cash on hand	<u>950</u>
Total	<u><u>\$ 45,447,962</u></u>

Cash and investments are presented in the financial statements as follows:

Statement of Net Position	
Cash and investments	\$ 45,399,320
Restricted assets – temporarily restricted – cash and investments held in escrow	<u>48,642</u>
Total	<u><u>\$ 45,447,962</u></u>

B. Deposits

In accordance with applicable Minnesota Statutes, the City maintains deposits at depository banks authorized by the City Council, including checking accounts and certificates of deposit.

The following is considered the most significant risk associated with deposits:

Custodial Credit Risk – In the case of deposits, this is the risk that in the event of a bank failure, the City’s deposits may be lost.

Minnesota Statutes require that all deposits be protected by federal deposit insurance, corporate surety bond, or collateral. The market value of collateral pledged must equal 110 percent of the deposits not covered by federal deposit insurance or corporate surety bonds. Authorized collateral includes treasury bills, notes, and bonds; issues of U.S. government agencies; general obligations rated “A” or better; revenue obligations rated “AA” or better; irrevocable standard letters of credit issued by the Federal Home Loan Bank; and certificates of deposit. Minnesota Statutes require that securities pledged as collateral be held in safekeeping in a restricted account at the 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 City has no additional deposit policies addressing custodial credit risk.

At year-end, the carrying amount of the City’s deposits was \$904,324, while the balance on the bank records was \$1,069,131. At December 31, 2021, all deposits were fully covered by federal deposit insurance, surety bonds, or by collateral held by the City’s agent in the City’s name.

NOTE 2 – CASH AND INVESTMENTS (CONTINUED)

C. Investments

The City has the following investments at year-end:

Investment Type	Credit Risk		Fair Value Measurement	Interest Risk – Segmented Time Distribution in Years			Total
	Rating	Agency		Less Than 1	1 to 5	6 to 10	
U.S. treasuries	AAA	Moody's	Level 2	\$ –	\$ 291,069	\$ –	\$ 291,069
U.S. agency securities	AA	S&P	Level 2	466,997	4,884,019	–	5,351,016
Local government securities	AAA	S&P	Level 2	101,678	1,653,427	–	1,755,105
Local government securities	AAA	Moody's	Level 2	–	687,828	–	687,828
Local government securities	AA	S&P	Level 2	1,255,675	3,470,192	–	4,725,867
Local government securities	AA	Moody's	Level 2	251,865	4,294,147	–	4,546,012
Local government securities	A	S&P	Level 2	–	291,652	–	291,652
Negotiable certificates of deposit	N/R	N/A	Level 2	3,730,473	9,297,808	243,173	13,271,454
				<u>\$ 5,806,688</u>	<u>\$ 24,870,142</u>	<u>\$ 243,173</u>	30,920,003
Investment pools/mutual funds							
4M Fund	N/R	N/A	Amortized Cost				12,408,167
U.S. Treasuries Fund	AAA	S&P	Level 1				256,894
Government Obligation Fund	AAA	S&P	Level 1				162,418
U.S. Government Securities Money Market Fund	AAA	S&P	Level 1				795,206
Total investment pools/ mutual funds							<u>13,622,685</u>
Total investments							<u>\$ 44,542,688</u>

N/A – Not Applicable

N/R – Not Rated

The City's investments include investment pools managed by the 4M Fund, which is an external investment pool regulated by Minnesota Statutes and is not registered with the Securities and Exchange Commission. The City's investments in this investment pool are measured at the net asset value per share provided by the pools, which are based on amortized cost methods that approximate fair value. There are no restrictions or limitations on withdrawals from the 4M Fund. The 4M Fund term series portfolios are intended to be held until maturity; a participant's withdrawal prior to maturity will require seven-days' notice of redemption and will likely carry a penalty, which could be substantial in that it would be intended to allow the term series portfolio to recoup any associated penalties, charges, losses, or other costs associated with the early redemption of the investments therein.

Investments are subject to various risks, the following of which are considered the most significant:

Custodial Credit Risk – For investments, this is the risk that in the event of a failure of the counterparty to an investment transaction (typically a broker-dealer) the City would not be able to recover the value of its investments 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.

NOTE 2 – CASH AND INVESTMENTS (CONTINUED)

Credit Risk – This is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. Minnesota Statutes limit the City’s investments to direct obligations or obligations guaranteed by the United States or its agencies; shares of investment companies registered under the Federal Investment Company Act of 1940 that receive the highest credit rating, are rated in one of the two highest rating categories by a statistical rating agency, and all of the investments have a final maturity of 13 months or less; general obligations rated “A” or better; revenue obligations rated “AA” or better; general obligations of the Minnesota Housing Finance Agency rated “A” or better; bankers’ acceptances of United States banks eligible for purchase by the Federal Reserve System; commercial paper issued by United States corporations or their Canadian subsidiaries, rated of the highest quality category by at least two nationally recognized rating agencies, and maturing in 270 days or less; Guaranteed Investment Contracts guaranteed by a United States commercial bank, domestic branch of a foreign bank, or a United States insurance company, and with a credit quality in one of the top two highest categories; repurchase or reverse purchase 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; that are a primary reporting dealer in U.S. government securities to the Federal Reserve Bank of New York; or certain Minnesota securities broker-dealers. The City’s investment policy as described in Note 1 addresses credit risk.

Concentration Risk – This is the risk associated with investing a significant portion of the City’s investment (considered 5.0 percent or more) in the securities of a single issuer, excluding U.S. guaranteed investments (such as treasuries), investment pools, and mutual funds. At December 31, 2021, the City had 7.4 percent of its portfolio invested with Federal Home Loan Bank. The City’s investment policy as described in Note 1, addresses concentration risk.

Interest Rate Risk – This is the risk of potential variability in the fair value of fixed rate investments resulting from changes in interest rates (the longer the period for which an interest rate is fixed, the greater the risk). The City has an investment policy as described in Note 1, which addresses interest rate risk.

NOTE 3 – CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2021 was as follows:

A. Changes in Capital Assets Used in Governmental Activities

	Beginning of Year	Additions	Deletions	Transfers and Completed Construction	End of Year
Capital assets, not depreciated					
Land	\$ 33,088,883	\$ –	\$ –	\$ –	\$ 33,088,883
Easements	48,680,620	7,472,300	–	–	56,152,920
Construction in progress	4,738,038	4,838,997	–	(685,948)	8,891,087
Total capital assets, not depreciated	86,507,541	12,311,297	–	(685,948)	98,132,890
Capital assets, depreciated					
Land improvements	2,832,128	–	–	–	2,832,128
Machinery and equipment	7,426,233	674,267	(345,524)	–	7,754,976
Vehicles	6,960,890	662,759	(262,859)	(67,523)	7,293,267
Infrastructure	121,869,633	1,054,903	–	580,164	123,504,700
Total capital assets, depreciated	139,088,884	2,391,929	(608,383)	512,641	141,385,071
Less accumulated depreciation on					
Land improvements	(1,835,785)	(71,399)	–	–	(1,907,184)
Machinery and equipment	(4,594,197)	(410,324)	318,477	–	(4,686,044)
Vehicles	(4,403,235)	(580,544)	244,564	–	(4,739,215)
Infrastructure	(61,167,315)	(3,944,784)	–	–	(65,112,099)
Total accumulated depreciation	(72,000,532)	(5,007,051)	563,041	–	(76,444,542)
Net capital assets, depreciated	67,088,352	(2,615,122)	(45,342)	512,641	64,940,529
Total capital assets, net	\$ 153,595,893	\$ 9,696,175	\$ (45,342)	\$ (173,307)	\$ 163,073,419

B. Changes in Capital Assets Used in Business-Type Activities

	Beginning of Year	Additions	Deletions	Transfers and Completed Construction	End of Year
Capital assets, not depreciated					
Utility access agreements	\$ 2,499,970	\$ –	\$ –	\$ –	\$ 2,499,970
Easements	218,912	–	–	–	218,912
Construction in progress	81,203	957,110	–	(999,824)	38,489
Total capital assets, not depreciated	2,800,085	957,110	–	(999,824)	2,757,371
Capital assets, depreciated					
Land improvements	87,739	1	–	–	87,740
Machinery and equipment	1,400,707	209,920	(35,986)	43,934	1,618,575
Vehicles	465,213	–	(58,122)	173,307	580,398
Infrastructure	88,614,814	–	–	955,890	89,570,704
Total capital assets, depreciated	90,568,473	209,921	(94,108)	1,173,131	91,857,417
Less accumulated depreciation on					
Land improvements	(48,159)	(4,386)	–	–	(52,545)
Machinery and equipment	(877,318)	(80,765)	35,987	–	(922,096)
Vehicles	(121,659)	(25,440)	58,121	–	(88,978)
Infrastructure	(20,805,181)	(1,637,387)	–	–	(22,442,568)
Total accumulated depreciation	(21,852,317)	(1,747,978)	94,108	–	(23,506,187)
Net capital assets, depreciated	68,716,156	(1,538,057)	–	1,173,131	68,351,230
Total capital assets, net	\$ 71,516,241	\$ (580,947)	\$ –	\$ 173,307	\$ 71,108,601

NOTE 3 – CAPITAL ASSETS (CONTINUED)

C. Depreciation Expense by Function

Depreciation expense for the year ended December 31, 2021 was charged to the following functions:

Governmental activities	
General government	\$ 515,580
Public safety	353,364
Public works	3,648,743
Culture and recreation	<u>489,364</u>
Total depreciation expense – governmental activities	<u>\$ 5,007,051</u>
Business-type activities	
Water	\$ 989,136
Sewer	640,745
Water quality	<u>118,097</u>
Total depreciation expense – business-type activities	<u>\$ 1,747,978</u>

NOTE 4 – TRANSFERS

A schedule of interfund transfers is as follows:

Transfers Out	Transfer In				Total
	Governmental Funds			Nonmajor	
	General	Debt Service	Construction		
Governmental funds					
General	\$ –	\$ 253,575	\$ –	\$ 859,122	\$ 1,112,697
Debt Service	–	1,463,144	–	–	1,463,144
Nonmajor	–	312,650	–	1,077,045	1,389,695
Proprietary funds					
Water	208,000	565,700	765,756	262,000	1,801,456
Sewer	208,000	–	665,690	158,000	1,031,690
Water Quality	<u>107,000</u>	<u>–</u>	<u>324,795</u>	<u>20,000</u>	<u>451,795</u>
	<u>\$ 523,000</u>	<u>\$ 2,595,069</u>	<u>\$ 1,756,241</u>	<u>\$ 2,376,167</u>	<u>\$ 7,250,477</u>

Transfers are used to move revenues from the funds in which they are collected to the funds where they are to be spent in accordance with statutory, budgetary, or contractual requirements.

NOTE 5 – LONG-TERM DEBT

A. Components of Long-Term Debt

	<u>Original Issue</u>	<u>Interest Rate</u>	<u>Issue Date</u>	<u>Final Maturity Date</u>	<u>Balance – End of Year</u>
Governmental activities					
General obligation bonds					
Street Reconstruction Bonds of 2015B	\$ 2,330,000	1.00–2.25%	05/14/2015	12/15/2022	\$ 425,000
Street Reconstruction Bonds of 2016A	\$ 760,000	2.00%	05/01/2016	12/15/2026	300,000
Improvement Bonds 2017A	\$ 370,000	2.00–2.25%	06/29/2017	12/15/2027	165,000
Improvement Bonds 2018A	\$ 1,165,000	4.00–5.00%	08/15/2018	12/15/2028	805,000
Improvement Bonds 2019A	\$ 215,000	5.00%	06/27/2019	12/15/2028	180,000
Improvement Bonds 2021A	\$ 500,000	1.00–3.00%	07/15/2021	12/15/2030	500,000
Improvement Bonds 2021A	\$ 2,490,000	1.00–3.00%	07/15/2021	12/15/2031	2,330,000
Improvement Bonds 2021B	\$ 4,990,000	5.00%	07/26/2021	12/15/2029	4,520,000
Total general obligation bonds					<u>9,225,000</u>
Improvement Bonds of 2013A	\$ 3,240,000	2.00–2.65%	08/15/2013	12/15/2023	640,000
Improvement Bonds of 2015A	\$ 4,640,000	2.00–3.00%	05/14/2015	12/15/2030	4,640,000
Improvement Bonds of 2015B	\$ 160,000	1.00–2.25%	05/14/2015	12/15/2022	25,000
Improvement Bonds of 2016A	\$ 1,105,000	2.00%	05/01/2016	12/15/2026	550,000
Improvement Bonds of 2017A	\$ 4,135,000	2.00–2.25%	06/29/2017	12/15/2024	2,450,000
Improvement Bonds of 2018A	\$ 4,465,000	4.00–5.00%	08/15/2018	12/15/2028	3,090,000
Improvement Bonds of 2019A	\$ 1,850,000	5.00%	06/27/2019	12/15/2028	1,495,000
Improvement Bonds of 2021A	\$ 2,770,000	1.00–3.00%	07/15/2021	12/15/2031	2,520,000
Improvement Bonds of 2021B	\$ 880,000	5.00%	07/26/2021	12/15/2024	665,000
Total general obligation special assessment bonds					<u>16,075,000</u>
Tax increment bonds					
Tax Increment Refunding Bonds of 2011A	\$ 290,000	1.80–3.00%	08/31/2011	12/15/2024	85,000
General obligation revenue bonds					
General Obligation Improvement Bonds of 2015A	\$ 5,360,000	1.00–3.00%	05/14/2015	12/15/2031	5,060,000
General Obligation Improvement Bonds of 2016A	\$ 1,640,000	2.00%	05/01/2016	12/15/2022	365,000
Total general obligation revenue bonds					<u>5,425,000</u>
Premium (discount) on bonds payable					2,373,857
Energy loan payable	\$ 2,667,924	2.12%	12/08/2014	06/19/2025	1,008,939
Compensated absences payable					<u>1,054,767</u>
Total governmental activity long-term liabilities					35,247,563
Business-type activities					
General obligation revenue bonds					
General Obligation Improvement Bonds of 2018A	\$ 2,640,000	4.00–5.00%	08/15/2018	12/15/2028	1,950,000
Premium (discount) on bonds payable					234,664
Compensated absences payable					<u>234,705</u>
Total business-type activity long-term liabilities					<u>2,419,369</u>
Total government-wide long-term liabilities					<u><u>\$ 37,666,932</u></u>

NOTE 5 – LONG-TERM DEBT (CONTINUED)

B. Changes in Long-Term Debt

	Balance – Beginning of Year	Additions	Deletions	Balance – End of Year	Due Within One Year
Governmental activities					
Bonds payable					
G.O. bonds	\$ 11,030,000	\$ 7,980,000	\$ 9,785,000	\$ 9,225,000	\$ 1,340,000
G.O. special assessment bonds	16,115,000	3,650,000	3,690,000	16,075,000	2,240,000
G.O. tax increment bonds	110,000	–	25,000	85,000	25,000
G.O. revenue bonds	5,845,000	–	420,000	5,425,000	440,000
Premium (discount) on bonds payable	1,251,694	1,583,053	460,890	2,373,857	–
Total bonds payable, net of premium (discount)	34,351,694	13,213,053	14,380,890	33,183,857	4,045,000
Energy loan payable	1,283,797	–	274,858	1,008,939	280,714
Compensated absences payable	948,808	246,116	140,157	1,054,767	404,427
Governmental activities long-term liabilities	<u>\$ 36,584,299</u>	<u>\$ 13,459,169</u>	<u>\$ 14,795,905</u>	<u>\$ 35,247,563</u>	<u>\$ 4,730,141</u>
Business-type activities					
Bonds payable					
G.O. revenue bonds	\$ 2,190,000	\$ –	\$ 240,000	\$ 1,950,000	\$ 250,000
Premium (discount) on bonds payable	268,188	–	33,524	234,664	–
Total bonds payable, net of premium (discount)	2,458,188	–	273,524	2,184,664	250,000
Compensated absences payable	215,031	47,321	27,647	234,705	120,007
Business-type activities long-term liabilities	<u>\$ 2,673,219</u>	<u>\$ 47,321</u>	<u>\$ 301,171</u>	<u>\$ 2,419,369</u>	<u>\$ 370,007</u>

C. Minimum Debt Payments

Minimum annual principal and interest payments required to retire long-term debt are as follows:

Year Ending December 31,	Governmental Activities										Business-Type Activities	
	General Obligation		G.O. Special Assessment		G.O. Tax Increment Bonds		G.O. Revenue Bonds		Energy Loan Payable		G.O. Revenue Bonds	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2022	\$ 1,340,000	\$ 363,100	\$ 2,240,000	\$ 509,458	\$ 25,000	\$ 2,550	\$ 440,000	\$ 137,675	\$ 280,714	\$ 19,900	\$ 250,000	\$ 89,700
2023	980,000	317,688	2,355,000	436,495	30,000	1,800	480,000	129,250	286,693	13,920	260,000	79,700
2024	980,000	278,988	2,150,000	362,265	30,000	900	495,000	119,650	292,800	7,813	270,000	69,300
2025	990,000	238,938	2,065,000	295,165	–	–	515,000	109,750	148,732	1,576	270,000	58,500
2026	1,060,000	195,988	1,935,000	234,865	–	–	530,000	99,450	–	–	280,000	45,000
2027–2031	3,875,000	313,590	5,330,000	366,102	–	–	2,965,000	270,850	–	–	620,000	47,000
	<u>\$ 9,225,000</u>	<u>\$ 1,708,292</u>	<u>\$ 16,075,000</u>	<u>\$ 2,204,350</u>	<u>\$ 85,000</u>	<u>\$ 5,250</u>	<u>\$ 5,425,000</u>	<u>\$ 866,625</u>	<u>\$ 1,008,939</u>	<u>\$ 43,209</u>	<u>\$ 1,950,000</u>	<u>\$ 389,200</u>

D. Other Long-Term Liabilities

The City offers a number of benefits to its employees, including severance benefits payable and compensated absences payable. The details of these various benefit liabilities are discussed elsewhere in these notes. Such benefits are financed primarily from the General, Enterprise Funds, and Internal Service Funds.

NOTE 5 – LONG-TERM DEBT (CONTINUED)

E. Descriptions and Restrictions of Long-Term Debt

General Obligation Bonds – The City issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities. They will be repaid with ad valorem taxes. General obligation bonds have been issued for general government activities. In addition, general obligation bonds have been issued to refund bond issues. General obligation bonds are direct obligations and pledge the full faith and credit of the City.

General Obligation Special Assessment Bonds – Special assessment bonds were issued to finance various improvements and will be repaid primarily from special assessments levied on the properties benefiting from the improvements. Some issues, however, are partly financed by ad valorem tax levies. All special assessment debt is backed by the full faith and credit of the City.

General Obligation Tax Increment Bonds – These bonds were issued for downtown redevelopment projects. The additional tax increments resulting from increased tax capacity of the redeveloped properties will be used to retire related debt.

General Obligation Revenue Bonds – These bonds were used to finance maintenance and building improvements. They will be repaid with ad valorem taxes and revenue from the utilities. The bonds are backed by the full faith and credit of the City.

Energy Loan Payable – In 2014, the City entered into an energy loan payable for the purpose of furnishing certain equipment and work designed to reduce energy consumption and operational costs in the City. In this energy loan payable agreement, the provider guarantees a minimum level of energy and operational savings in the City. Payments on the loan will be made semiannually in the amount of \$150,307 commencing December 19, 2015 and each June and December 19 thereafter, until final payment is made on June 19, 2025.

If the City fails to make loan payments specified in this agreement or otherwise defaults on the loan, the lender may declare the loan fully due and payable, take possession of the equipment identified in this agreement without terminating the agreement, exclude the City from possession of the equipment and attempt to sell the equipment identified in the loan, or take legal actions to force the City to comply with the terms of the loan.

Compensated Absences – This liability represents vested benefits earned by employees through the end of the year, which will be paid at termination of employment in future years. The Internal Service Fund and enterprise funds will be used to liquidate this liability.

Refunding Bonds – In 2021, the City issued \$5,760,000 of General Obligation Bonds, Series 2021A. A portion of the bond issue is refunding the City's General Obligation Bonds, Series 2011B (the "2011B Bonds"). Bond proceeds in the amount of \$3,160,169 were used to pay the 2011B Bonds called for redemption on July 26, 2021. This amount was used to pay the called principal (\$3,150,000) and interest (\$10,170) amount due on the 2011B Bonds. As a result of the refunding issue, the City will save \$279,467 in debt service payments and achieve an economic gain (the present value of the difference between the old and the new debt service) of \$264,661.

NOTE 5 – LONG-TERM DEBT (CONTINUED)

In 2021, the City issued \$5,870,000 of General Obligation Bonds, Series 2021B. The bond issue was used to refund the City’s General Obligation Capital Improvement Plan Refunding Bonds, Series 2012A and General Obligation Bonds, Series 2014A. Bond proceeds in the amount of \$6,931,898 were used to pay the 2012A Bonds and 2014A Bonds called for redemption on July 26, 2021. This amount was used to pay the called principal (\$5,925,000 and \$945,000) and interest (\$15,700 and \$2,426) amounts due on the 2012A Bonds and 2014A Bonds, respectively. As a result of the refunding issue, the City will save \$353,725 in debt service payments and achieve an economic gain (the present value of the difference between the old and the new debt service) of \$341,297.

F. Conduit Debt Obligations

Conduit debt obligations are certain limited-obligation revenue bonds or similar instruments issued for the express purpose of providing capital financing for a specific third party. The City has issued revenue bonds to provide funding to private sector entities for projects deemed to be in the public interest. Although these bonds bear the name of the City, the City has no obligation for such debt. Accordingly, the bonds are not reported as liabilities in the financial statements of the City. The aggregate amount of all conduit debt outstanding at December 31, 2021 is \$4,335,184.

G. Revenue Pledged

Future revenue pledged for the payment of long-term debt is as follows:

Bond Issue	Use of Proceeds	Type	Revenue Pledged		Remaining Principal and Interest	Current Year	
			Percent of Total Debt Service	Term of Pledge		Principal and Interest Paid	Pledged Revenue Received
Tax Increment Refunding Bonds of 2011A	Street and site improvements	Tax increment financing	100%	2011–2024	\$ 90,250	\$ 28,175	\$ 133,347
General Obligation Bonds of 2015A	Partial refunding	Utility charges	100%	2015–2031	\$ 5,919,325	\$ 206,500	\$ 5,569,995
General Obligation Bonds of 2016A	Partial refunding	Utility charges	100%	2016–2022	\$ 372,300	\$ 359,200	\$ 5,569,995
General Obligation Bonds of 2018A	Water and sewer improvements	Utility charges	100%	2018–2028	\$ 2,339,200	\$ 339,300	\$ 10,331,251

H. Legal Debt Margin

The City’s statutory debt limit is equal to 3 percent of estimated taxable market value of property located within the City. The taxable market value totals \$4,055,591,900, which calculates to a debt limit of \$121,667,757. Debt financed partially or entirely by special assessments, tax increments, and other revenue sources, is not applied against the City’s debt limit, nor is debt financed by proprietary fund revenues. Currently, the City has \$9,225,000 of general obligation debt outstanding, leaving a debt margin of \$112,442,757.

NOTE 6 – NET POSITION/FUND BALANCES

A. Net Investment in Capital Assets

The government-wide statement of net position at December 31, 2021 includes the City’s net investment in capital assets calculated as follows:

	Governmental Activities	Business-Type Activities	Total
Net investment in capital assets:			
Capital assets			
Nondepreciable	\$ 98,132,890	\$ 2,757,371	\$ 100,890,261
Depreciable, net of accumulated depreciation	64,940,529	68,351,230	133,291,759
Unused bond proceeds	941,627	–	941,627
Less capital related long-term debt outstanding	(31,733,939)	(1,950,000)	(33,683,939)
Less bond premiums (discounts)	(2,373,857)	(234,664)	(2,608,521)
	<u>\$ 129,907,250</u>	<u>\$ 68,923,937</u>	<u>\$ 198,831,187</u>

B. Classifications

At December 31, 2021, a summary of the City’s governmental fund balance classifications are as follows:

	General Fund	Debt Service Fund	Construction Fund	Nonmajor Funds	Total
Restricted					
Recovery activities	\$ –	\$ –	\$ –	\$ 156	\$ 156
Future debt service	–	2,583,668	–	–	2,583,668
Economic development	–	–	–	135,232	135,232
Communications	–	–	–	116,293	116,293
Capital improvements	–	–	–	3,013,257	3,013,257
Development	–	–	–	1,094,535	1,094,535
Tax increment	–	–	–	976,742	976,742
Forfeiture sales	–	–	–	166,580	166,580
Total restricted	<u>–</u>	<u>2,583,668</u>	<u>–</u>	<u>5,502,795</u>	<u>8,086,463</u>
Assigned					
Subsequent year’s budget	360,800	–	–	–	360,800
Capital improvements	–	–	1,483,757	10,116,791	11,600,548
Future chip seal	88,430	–	–	–	88,430
Shop with a cop	10,890	–	–	–	10,890
Charitable gambling donations	2,750	–	–	–	2,750
Tree planting	110,550	–	–	–	110,550
Total assigned	<u>573,420</u>	<u>–</u>	<u>1,483,757</u>	<u>10,116,791</u>	<u>12,173,968</u>
Unassigned	<u>9,857,197</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>9,857,197</u>
Total	<u>\$ 10,430,617</u>	<u>\$ 2,583,668</u>	<u>\$ 1,483,757</u>	<u>\$ 15,619,586</u>	<u>\$ 30,117,628</u>

NOTE 6 – FUND BALANCES (CONTINUED)

C. Minimum Unrestricted Fund Balance Policy

The City Council has formally adopted a fund balance policy regarding the minimum unrestricted fund balance for the General Fund. The policy establishes that the City will strive to maintain an unrestricted General Fund balance (which includes committed, assigned, and unassigned classifications) between 40.0 and 50.0 percent of the subsequent year's General Fund budgeted expenditures. At December 31, 2021, the unrestricted fund balance of the General Fund was 62.9 percent and the unassigned balance of the General Fund was 59.4 percent of the subsequent year's budgeted expenditures and transfers out.

The City Council may consider the judicious use of reserve balances in the following situations:

- to fund an expenditure of long-term benefit or legacy to the community
- to fund a one-time (nonrecurring) expenditure or grant matching opportunity
- to fund a one-time unplanned revenue shortfall
- to fund an unplanned expenditure, due to an emergency or disaster
- to moderate property taxes
- to retire existing debt
- to fund policy shifts by other governmental entities having a negative impact on the City
- to provide catch-up funding for long-term obligations not previously recognized

In no case will the unrestricted balance be allowed to fall below 40 percent.

In the event that the year-end unrestricted balance is projected to be less than the target level, due to the use of unrestricted balances for purposes identified above, a plan must be presented to the City Council at the time the unrestricted funds are appropriated that will reestablish the target level within 24 to 36 months.

If restoration of the unrestricted balance cannot be accomplished within such period without severe hardship to the City, then the City Council will establish a different time period.

NOTE 7 – DEFINED BENEFIT PENSION PLANS - STATE-WIDE

A. Plan Description

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

The following is a summary of the net pension liabilities, deferred outflows and inflows of resources, and pension expense reported for these plans as of and for the year ended December 31, 2021:

Pension Plans	Net Pension Liabilities	Deferred Outflows of Resources	Deferred Inflows of Resources	Pension Expense
GERF	\$ 3,108,888	\$ 2,327,545	\$ 2,852,253	\$ 86,063
PEPFF	2,036,257	3,904,860	4,916,163	(48,364)
Total	\$ 5,145,145	\$ 6,232,405	\$ 7,768,416	\$ 37,699

1. General Employees Retirement Fund (GERF)

All full-time and certain part-time employees of the City are covered by the GERF. The GERF members belong to the Coordinated Plan. Coordinated Plan members are covered by Social Security.

2. Public Employees Police and Fire Fund (PEPFF)

The Public Employees Police and Fire Fund (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 local relief associations that elected to merge with and transfer assets and administration to the PERA.

B. Benefits Provided

The PERA provides retirement, disability, and death benefits. Benefit provisions are established by state statutes and can only be modified by the State Legislature. 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.

1. 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 the PERA's Coordinated Plan members. Members hired prior to July 1, 1989, receive the higher of Method 1 or Method 2 formulas. Only Method 2 is used for members hired after June 30, 1989. Under Method 1, the accrual rate for Coordinated Plan members is 1.2 percent for each of the first 10 years of service, and 1.7 percent for each additional year. Under Method 2, the accrual rate for Coordinated Plan members is 1.7 percent for all years 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 age 66.

NOTE 7 – DEFINED BENEFIT PENSION PLANS – STATE-WIDE (CONTINUED)

Benefit increases are provided to benefit recipients each January. The post-retirement increase is equal to 50.0 percent of the cost of living adjustment (COLA) announced by the Social Security Administration, with a minimum increase of at least 1.0 percent and a maximum of 1.5 percent. Recipients that have been receiving the annuity or benefit for at least a full year as of the June 30 before the effective date of the increase, will receive the full increase. Recipients receiving the annuity or benefit for at least one month, but less than a full year as of the June 30 before the effective date of the increase, will receive a reduced prorated increase. For members retiring on January 1, 2024 or later, the increase will be delayed until normal retirement age (age 65 if hired prior to July 1, 1989, or age 66 for individuals hired on or after July 1, 1989). Members retiring under Rule of 90 are exempt from the delay to normal retirement.

2. PEPFF Benefits

Benefits for the PEPFF members first hired after June 30, 2010 but before July 1, 2014, vest on a prorated basis from 50.0 percent after five years, up to 100.0 percent after 10 years of credited service. Benefits for the PEPFF members first hired after June 30, 2014 vest on a prorated basis from 50.0 percent after 10 years, up to 100.0 percent after 20 years of credited service. The annuity accrual rate is 3.0 percent of average salary for each year of service. For Police and Fire Plan 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.

Benefit increases are provided to benefit recipients each January. The post-retirement increase is fixed at 1.0 percent. Recipients that have been receiving the annuity or benefit for at least 36 months as of the June 30 before the effective date of the increase, will receive the full increase. Recipients receiving the annuity or benefit for at least 25 months, but less than 36 months as of the June 30 before the effective date of the increase, will receive a reduced prorated increase.

C. Contributions

Minnesota Statutes, Chapter 353 sets the rates for employer and employee contributions. Contribution rates can only be modified by the State Legislature.

1. GERF Contributions

Coordinated Plan members were required to contribute 6.50 percent of their annual covered salary in fiscal year 2021, and the City was required to contribute 7.50 percent for Coordinated Plan members. The City's contributions to the GERF for the year ended December 31, 2021, were \$406,799. The City's contributions were equal to the required contributions as set by state statutes.

2. PEPFF Contributions

Police and Fire Plan members were required to contribute 11.80 percent of their annual covered salary in fiscal year 2021, and the City was required to contribute 17.70 percent for Police and Fire Plan members. The City's contributions to the PEPFF for the year ended December 31, 2021, were \$596,631. The City's contributions were equal to the required contributions as set by state statutes.

NOTE 7 – DEFINED BENEFIT PENSION PLANS – STATE-WIDE (CONTINUED)

D. Pension Costs

1. GERF Pension Costs

At December 31, 2021, the City reported a liability of \$3,108,888 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 \$16.0 million. The state of Minnesota is considered a nonemployer 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 \$94,910. The net pension liability was measured as of June 30, 2021, 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 the PERA during the measurement period for employer payroll paid dates from July 1, 2020 through June 30, 2021, relative to the total employer contributions received from all of the PERA’s participating employers. The City’s proportionate share was 0.0728 percent at the end of the measurement period and 0.0714 percent for the beginning of the period.

The amount recognized by the City as its proportionate share of the net pension liability, the direct aid, and total portion of the net pension liability that was associated with the City were as follows:

City’s proportionate share of net pension liability	\$ 3,108,888
State’s proportionate share of the net pension liability associated with the City	\$ 94,910

For the year ended December 31, 2021, the City recognized pension expense of \$78,405 for its proportionate share of the GERF’s pension expense. In addition, the City recognized an additional \$7,658 as pension expense (and grant revenue) for its proportionate share of the state of Minnesota’s contribution of \$16.0 million to the GERF.

At December 31, 2021, the City reported its proportionate share of the GERF’s deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ 17,814	\$ 94,929
Changes in actuarial assumptions	1,898,221	66,397
Net collective difference between projected and actual investment earnings	–	2,690,927
Changes in proportion	192,990	–
Contributions paid to the PERA subsequent to the measurement date	218,520	–
Total	\$ 2,327,545	\$ 2,852,253

NOTE 7 – DEFINED BENEFIT PENSION PLANS – STATE-WIDE (CONTINUED)

A total of \$218,520 reported as deferred outflows of resources related to pensions resulting from city contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending December 31, 2022. Other amounts reported as deferred outflows and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ending December 31,</u>	<u>Pension Expense Amount</u>
2022	\$ (24,371)
2023	\$ 20,767
2024	\$ (5,261)
2025	\$ (734,363)

2. PEPFF Pension Costs

At December 31, 2021, the City reported a liability of \$2,036,257 for its proportionate share of the PEPFF's net pension liability. The net pension liability was measured as of June 30, 2021, 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 the PERA during the measurement period for employer payroll paid dates from July 1, 2020 through June 30, 2021, relative to the total employer contributions received from all of the PERA's participating employers. The City's proportionate share was 0.2638 percent at the end of the measurement period and 0.2570 percent for the beginning of the period.

The state of Minnesota contributed \$18.0 million to the PEPFF in the plan fiscal year ended June 30, 2021. The contribution consisted of \$9.0 million in direct state aid that does meet the definition of a special funding situation and \$9.0 million in supplemental state aid that does not meet the definition of a special funding situation. The \$9.0 million direct state aid was paid on October 1, 2020. Thereafter, by October 1 of each year, the state will pay \$9.0 million to the PEPFF until full funding is reached or July 1, 2048, whichever is earlier. The \$9.0 million in supplemental state aid will continue until the fund is 90.0 percent funded, or until the State Patrol Plan (administered by the Minnesota State Retirement System) is 90.0 percent funded, whichever occurs later. Strong asset returns for the fiscal year ended 2021 will accelerate the phasing out of these state contributions, although we do not anticipate them to be phased out during the fiscal year ending 2022.

The state of Minnesota is included as a nonemployer contributing entity in the Police and Fire Retirement Plan Schedule of Employer Allocations and Schedule of Pension Amounts by Employer, Current Reporting Period Only (pension allocation schedules) for the \$9.0 million in direct state aid. Police and Fire Plan employers need to recognize their proportionate share of the state of Minnesota's pension expense (and grant revenue) under GASB 68 special funding situation accounting and financial reporting requirements. For the year ended December 31, 2021, the City recognized negative pension expense of \$65,032 for its proportionate share of the Police and Fire Plan's pension expense. The City recognized \$16,668 as grant revenue for its proportionate share of the state of Minnesota's pension expense for the contribution of \$9.0 million to the PEPFF.

NOTE 7 – DEFINED BENEFIT PENSION PLANS – STATE-WIDE (CONTINUED)

The amount recognized by the City as its proportionate share of the net pension liability, the direct aid, and total portion of the net pension liability that was associated with the City were as follows:

City’s proportionate share of net pension liability	\$ 2,036,257
State’s proportionate share of the net pension liability associated with the City	\$ 91,525

The state of Minnesota is not included as a nonemployer contributing entity in the Police and Fire Pension Plan pension allocation schedules for the \$9.0 million in supplemental state aid. The City recognized \$23,742 for the year ended December 31, 2021 as revenue and an offsetting reduction of net pension liability for its proportionate share of the state of Minnesota’s on-behalf contributions to the PEPFF.

At December 31, 2021, the City reported its proportionate share of the PEPFF’s deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual economic experience	\$ 386,216	\$ –
Changes in actuarial assumptions	2,992,764	1,007,914
Net collective difference between projected and actual investment earnings	–	3,894,872
Changes in proportion	178,249	13,377
Contributions paid to the PERA subsequent to the measurement date	<u>347,631</u>	<u>–</u>
Total	<u>\$ 3,904,860</u>	<u>\$ 4,916,163</u>

A total of \$347,631 reported as deferred outflows of resources related to pensions resulting from city contributions subsequent to the measurement date that will be recognized as a reduction of the net pension liability in the year ending December 31, 2022. Other amounts reported as deferred outflows and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ending December 31,</u>	<u>Pension Expense Amount</u>
2022	\$ (1,216,986)
2023	\$ (200,589)
2024	\$ (224,133)
2025	\$ (387,340)
2026	\$ 670,114

NOTE 7 – DEFINED BENEFIT PENSION PLANS – STATE-WIDE (CONTINUED)

E. Long-Term Expected Return on Investments

The Minnesota State Board of Investment, which manages the investments of the 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 equity	33.50 %	5.10 %
International equity	16.50	5.30 %
Fixed income	25.00	0.75 %
Private markets	25.00	5.90 %
Total	100.00 %	

F. Actuarial Assumptions

The total pension liability in the June 30, 2021, actuarial valuation was determined using an individual entry-age normal actuarial cost method. The long-term rate of return on pension plan investments used in the determination of the total liability is 6.50 percent. This assumption is based on a review of inflation and investments return assumptions from a number of national investment consulting firms. The review provided a range of return investment return rates deemed to be reasonable by the actuary. An investment return of 6.50 percent was deemed to be within that range of reasonableness for financial reporting purposes.

Inflation is assumed to be 2.25 percent for the General Employees Plan and 2.25 percent for the Police and Fire Plan. Benefit increases after retirement are assumed to be 1.25 percent for the General Employees Plan. The Police and Fire Plan benefit increase is fixed at 1.00 percent per year and that increase was used in the valuation.

Salary growth assumptions in the General Employees Plan range in annual increments from 10.25 percent after one year of service to 3.00 percent after 29 years of service, and 6.00 percent per year thereafter. In the Police and Fire Plan, salary growth assumptions range from 11.75 percent after one year of service to 3.00 percent after 24 years of service.

Mortality rates for the General Employees Plan are based on the Pub-2010 General Employee Mortality Table. Mortality rates for the Police and Fire Plan are based on the Pub-2010 Public Safety Employee Mortality tables. The tables are adjusted slightly to fit the PERA's experience.

Actuarial assumptions for the General Employees Plan are reviewed every four years. The most recent four-year experience study for the General Employees Plan was completed in 2019. The assumption changes were adopted by the Board and became effective with the July 1, 2020 actuarial valuation. The most recent four-year experience study for the Police and Fire Plan was completed in 2020, adopted by the Board, and became effective with the July 1, 2021 actuarial valuation.

NOTE 7 – DEFINED BENEFIT PENSION PLANS – STATE-WIDE (CONTINUED)

The following changes in actuarial assumptions and plan provisions occurred in 2021:

1. GERF

CHANGES IN ACTUARIAL ASSUMPTIONS

- The investment return and single discount rates were changed from 7.50 percent to 6.50 percent, for financial reporting purposes.
- The mortality improvement scale was changed from Scale MP-2019 to Scale MP-2020.

2. PEPFF

CHANGES IN ACTUARIAL ASSUMPTIONS

- The investment return and single discount rates were changed from 7.50 percent to 6.50 percent, for financial reporting purposes.
- The inflation assumption was changed from 2.50 percent to 2.25 percent.
- The payroll growth assumption was changed from 3.25 percent to 3.00 percent.
- The base mortality table for healthy annuitants and employees was changed from the RP-2014 table to the Pub-2010 Public Safety Mortality table. The mortality improvement scale was changed from MP-2019 to MP-2020.
- The base mortality table for disabled annuitants was changed from the RP-2014 healthy annuitant mortality table (with future mortality improvement according to Scale MP-2019) to the Pub-2010 Public Safety disabled annuitant mortality table (with future mortality improvement according to Scale MP-2020).
- Assumed rates of salary increase were modified as recommended in the July 14, 2020 experience study. The overall impact is a decrease in gross salary increase rates.
- Assumed rates of retirement were changed as recommended in the July 14, 2020 experience study. The changes result in slightly more unreduced retirements and fewer assumed early retirements.
- Assumed rates of withdrawal were changed from select and ultimate rates to service-based rates. The changes result in more assumed terminations.
- Assumed rates of disability were increased for ages 25–44 and decreased for ages over 49. Overall, proposed rates result in more projected disabilities.
- Assumed percent married for active female members was changed from 60.00 percent to 70.00 percent. Minor changes to form of payment assumptions were applied.

G. Discount Rate

The discount rate used to measure the total pension liability in 2021 was 6.50 percent. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and employers will be made at rates set in Minnesota Statutes. Based on these assumptions, the fiduciary net positions of the GERF and the PEPFF were 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.

NOTE 7 – DEFINED BENEFIT PENSION PLANS – STATE-WIDE (CONTINUED)

H. Pension Liability Sensitivity

The following table 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:

	1% Decrease in Discount Rate 5.50%	Discount Rate 6.50%	1% Increase in Discount Rate 7.50%
City’s proportionate share of the GERF net pension liability	\$ 6,340,541	\$ 3,108,888	\$ 457,116
City’s proportionate share of the PEPFF net pension liability	\$ 6,464,770	\$ 2,036,257	\$ (1,594,770)

I. Pension Plan Fiduciary Net Position

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

J. Defined Contribution Plan

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

Plan benefits depend solely on amounts contributed to the plan plus investment earnings, less administrative expenses. Minnesota Statutes, Chapter 353D.03, specifies plan provisions, including the employee and employer contribution rates for those qualified personnel who elect to participate. An eligible elected official who decides to participate contributes 5.00 percent of their salary, which is matched by the elected official’s employer. For ambulance service personnel, employer contributions are determined by the employer, and for salaried employees, contributions must be a fixed percentage of salary. Employer contributions for volunteer personnel may be a unit value for each call or period of alert duty. Employees who are paid for their services may elect to make member contributions in an amount not to exceed the employer share. Employer and employee contributions are combined and used to purchase shares in one or more of the seven accounts of the Minnesota Supplemental Investment Fund. For administering the plan, the PERA receives 2.00 percent of employer contributions and 25 hundredths of 1.00 percent (0.25 percent) of the assets in each member’s account annually.

Total contributions made by the City during fiscal year 2021 were:

Contribution Amount		Percentage of Covered Payroll		Required Rate for Employees and Employers
Employee	Employer	Employee	Employer	
\$ 2,508	\$ 2,508	5.00%	5.00%	5.00%

NOTE 8 – DEFINED BENEFIT PENSION PLANS – FIRE RELIEF ASSOCIATION

A. Plan Description

All members of the Prior Lake Fire Department (the Department) are covered by a defined benefit plan administered by the Prior Lake Fire Department Relief Association (the Association). As of December 31, 2020, the plan covered 42 active firefighters and 12 vested terminated firefighters whose pension benefits are deferred. The plan was established November 1, 1957, and the Association operates under the provisions of Minnesota Laws 1965, Chapter 446, as amended and Minnesota Statutes, Chapters 69 and 424A. It is governed by a Board of Trustees (the Board) made up of six members elected by the members of the Association for three-year terms, and the mayor, city manager, and fire chief, who serve as ex officio voting members of the Board of Trustees.

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

B. Benefits Provided

Retirement Benefits

According to the bylaws of the Association and pursuant to Minnesota Statutes, Chapter 424A.02, Subdivisions 2 and 4, the Association pays to each member who has served as an active firefighter in the Department for a period of 20 years or more prior to his/her resignation, and who has reached the age of 50 years or more, \$9,000 per year of service. A member who has served in the Department for at least 20 years but has not reached the age of 50, may retire and be placed on the deferred pension roll until he/she reaches the age of 50. Members who retire with less than 20 years of service, have reached the age of 50, and have completed at least 10 years of active membership are entitled to a reduced service pension.

Disability Benefits

If a member of the Association becomes totally or permanently disabled, the Association shall pay to such members the lump sum of \$9,000 for each year that they have served as an active member of the Department.

Death Benefit

Upon the death of any member of the Association who is in good standing at the time of their death, the Association shall pay to the surviving spouse, if any, and if there is no surviving spouse, to surviving child or children, if any, and if no child or children survive, to the estate of such deceased member under 10 years of service, the sum of \$9,000 for each year that they served as an active member of the Department.

**NOTE 8 – DEFINED BENEFIT PENSION PLANS – FIRE RELIEF ASSOCIATION
(CONTINUED)**

C. Contributions

Minnesota Statutes, Chapters 424 and 424A authorize pension benefits for volunteer fire relief associations. The plan is funded by fire state aid, investment earnings, and, if necessary, employer contributions as specified in Minnesota Statutes and voluntary city contributions (if applicable). The state of Minnesota contributed \$260,564 in fire state aid to the plan on behalf of the Department for the year ended December 31, 2021, which was recorded as revenue. Required employer contributions are calculated annually based on statutory provisions. The City’s statutorily-required contributions to the plan for the year ended December 31, 2021 were \$260,564. The City’s contributions were equal to the required contributions as set by state statutes. The City made a \$20,000 voluntary contribution to the plan in the year ended December 31, 2021. Furthermore, firefighters have no obligation to contribute to the plan.

D. Pension Costs

At December 31, 2021, the City reported a net pension liability (asset) of (\$1,280,427) for the plan. The net pension liability (asset) was measured as of December 31, 2020. The total pension liability used to calculate the net pension liability (asset) in accordance with GASB Statement No. 68 was determined by applying an actuarial formula to specific census data certified by the Department as of December 31, 2020.

For the year ended December 31, 2021, the City recognized pension expense of \$264,616. The City also recognized \$251,275 as revenue for the state of Minnesota’s on-behalf contributions to the Department.

The following table presents the changes in net pension liability (asset) during the year:

	<u>Total Pension Liability</u>	<u>Plan Fiduciary Net Position</u>	<u>Net Pension Liability (Asset)</u>
Beginning balance	\$ 3,688,241	\$ 4,916,303	\$ (1,228,062)
Changes for the year			
Service cost	157,137	–	157,137
Interest on pension liability (asset)	193,390	–	193,390
Plan changes	254,366	–	254,366
Projected investment earnings	–	259,376	(259,376)
Contributions (employer)	–	20,000	(20,000)
Contributions (state)	–	251,275	(251,275)
Asset (gain) loss	(42,606)	97,667	(140,273)
Benefit payments	(658,375)	(658,375)	–
Administrative expenses	–	(13,666)	13,666
Total net changes	<u>(96,088)</u>	<u>(43,723)</u>	<u>(52,365)</u>
Ending balance	<u>\$ 3,592,153</u>	<u>\$ 4,872,580</u>	<u>\$ (1,280,427)</u>

**NOTE 8 – DEFINED BENEFIT PENSION PLANS – FIRE RELIEF ASSOCIATION
(CONTINUED)**

At December 31, 2021, the City reported deferred inflows of resources and deferred outflows of resources related to the pension from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Net difference between projected and actual earnings on plan investments	\$ –	\$ 210,843
Changes in actuarial assumptions	33,233	–
Difference between expected and actual economic experience	10,501	75,084
State aid to the City subsequent to the measurement date	–	260,564
Contributions from the City subsequent to the measurement date	<u>280,564</u>	<u>–</u>
Total	<u>\$ 324,298</u>	<u>\$ 546,491</u>

Deferred outflows of resources totaling \$280,564 related to pensions resulting from the City’s contributions to the plan subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending December 31, 2022. Deferred inflows of resources totaling \$260,564 related to state aid received subsequent to the measurement date will be recognized for its impact on the net pension liability in the year ending December 31, 2022. Other amounts reported as deferred outflows and inflows of resources related to the plan will be recognized in pension expense as follows:

<u>Year Ending December 31,</u>	<u>Pension Expense Amount</u>
2022	\$ (81,843)
2023	\$ (4,573)
2024	\$ (113,118)
2025	\$ (25,772)
2026	\$ (6,237)
Thereafter	\$ (10,650)

E. Actuarial Assumptions

The total pension liability (asset) at December 31, 2021 was determined using the entry-age normal actuarial cost method and the following actuarial assumptions:

Retirement eligibility at 100 percent service pension at age 50 with 20 years of service, early vested retirement at age 50 with 10 years of service vested at 60 percent and increased by 4 percent for each additional year of service, up to 20 and eligibility for deferred service pension payable at age 50 with 20 years of service	
Salary increases	2.50%
Investment rate of return	5.50%
20-year municipal bond yield	N/A (no unfunded liabilities)

The 5.50 percent long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimates for expected future real rates of return (expected returns, net of inflation) were developed for each asset class using the plan’s target investment allocation, along with long-term return expectations by asset class. Inflation expectations were applied to derive the nominal rate of return for the portfolio.

**NOTE 8 – DEFINED BENEFIT PENSION PLANS – FIRE RELIEF ASSOCIATION
(CONTINUED)**

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

<u>Asset Class</u>	<u>Portfolio Weight</u>	<u>Expected Class Return</u>
Cash	6.00 %	1.80 %
Fixed income	31.00	3.00 %
Equities	59.00	6.90 %
Other	<u>4.00</u>	7.00 %
Total	<u><u>100.00 %</u></u>	

F. Discount Rate

The discount rate used to measure the total pension liability was 5.5 percent. The projection of cash flows used to determine the discount rate assumed that contributions to the plan will be made as specified in state statutes. Based on that assumption and considering the funding ratio of the plan, the fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

G. Pension Liability (Asset) Sensitivity

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

	<u>1% Decrease in Discount Rate (4.50%)</u>	<u>Discount Rate (5.50%)</u>	<u>1% Increase in Discount Rate (6.50%)</u>
Net pension liability (asset)	<u>\$ (1,171,873)</u>	<u>\$ (1,280,427)</u>	<u>\$ (1,382,697)</u>

H. Pension Plan Fiduciary Net Position

The Association issues a publicly available financial report. This report may be obtained by writing to the Prior Lake Fire Relief Association, 5316 Hampton Street, Prior Lake, Minnesota 55372.

I. Plan Changes

A benefit level increase from \$8,500 to \$9,000 occurred for fiscal year 2021.

NOTE 9 – OTHER POST-EMPLOYMENT BENEFITS (OPEB) PLAN

A. Plan Description

The City provides post-employment insurance benefits to certain eligible employees through its OPEB Plan, a single-employer defined benefit plan administered by the City. All post-employment benefits are based on contractual agreements with employee groups. Eligibility for these benefits is based on years of service and/or minimum age requirements. These contractual agreements do not include any specific contribution or funding requirements. The Plan does not issue a publicly available financial report. No plan assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75.

B. Benefits Provided

All retirees of the City upon retirement have the option under state law to continue their medical insurance coverage through the City. For members of certain employee groups, the City pays for all or part of the eligible retiree's premiums for medical and/or dental insurance from the time of retirement until the employee reaches the age of eligibility for Medicare. Benefits paid by the City differ by bargaining unit and date of hire, with some contracts specifying a certain dollar amount per month, and some covering premium costs as defined within each collective bargaining agreement. Retirees not eligible for these city-paid premium benefits must pay the full city premium rate for their coverage.

The City is legally required to include any retirees for whom it provides health insurance coverage in the same insurance pool as its active employees until the retiree reaches Medicare eligibility, whether the premiums are paid by the City or the retiree. Consequently, participating retirees are considered to receive a secondary benefit known as an "implicit rate subsidy." This benefit relates to the assumption that the retiree is receiving a more favorable premium rate than they would otherwise be able to obtain if purchasing insurance on their own, due to being included in the same pool with the City's younger and statistically healthier active employees.

C. Contributions

The required contribution is based on projected pay-as-you-go financing requirements, with additional amounts to prefund benefits as determined periodically by the City. The City's current year required pay-as-you-go contributions to finance the benefits described in the previous section totaled \$60,688. Contributions for OPEB are paid by the General Fund and enterprise funds.

D. Membership

Membership in the Plan consisted of the following as of the latest actuarial valuation:

Retirees and beneficiaries receiving benefits	8
Active plan members	<u>99</u>
Total members	<u><u>107</u></u>

E. Total OPEB Liability of the City

The City's total OPEB liability of \$1,074,855 as of year-end was measured as of January 1, 2021 and was determined by an actuarial valuation as of January 1, 2021.

NOTE 9 – OTHER POST-EMPLOYMENT BENEFITS (OPEB) PLAN (CONTINUED)

F. Actuarial Methods and Assumptions

The total OPEB liability was determined by an actuarial valuation as of January 1, 2021, using the entry-age, level percentage of pay actuarial method and the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Discount rate	2.00%
20-year municipal bond yield	2.00%
Inflation rate	2.00%
Salary increases	Service graded table
Healthcare trend rate	6.50% , grading to 5.00% over 6 years and then 4.00% over the next 48 years

The actuarial assumptions used in the latest valuation were based on those used to value pension liabilities for Minnesota city employees. The state pension plans base their assumptions on periodic experience studies. Economic assumptions are based on input from a variety of published sources of historical and projected future financial data. Each assumption was reviewed for reasonableness with the source information, as well as for consistency with the other economic assumptions.

Since the Plan is not funded by an irrevocable trust, the discount rate is equal to the 20-year municipal bond yield rate of 2.00 percent, which was set by considering published rate information for 20-year high quality, tax-exempt, general obligation municipal bonds as of the measurement date. The City's discount rate used in the prior measurement date was 3.80 percent.

Mortality rates were based on Pub-2020 public retirement headcount – weighted mortality tables with WP-2020 generational improvement scale.

Future retirees electing coverage is assumed to be 50 percent when a pre-age 65 subsidy is not available. Married future retirees electing spouse coverage is assumed to be 25 percent when a pre-age 65 subsidy is not available.

G. Changes in Actuarial Assumptions

The healthcare trend rates were changed to better anticipate short term and long-term medical increases. The mortality tables were updated from the RP-2014 Mortality Tables (Blue Collar for Public Safety, White Collar for Others) with MP-2018 Generational Improvement Scale to the Pub-2010 Public Retirement Plans Headcount-Weighted Mortality Tables (General, Safety) with MP-2020 Generational Improvement Scale. The inflation rate changed from 2.50 percent to 2.00 percent. The salary increase rates were changed from a flat 3.00 percent per year for all employees to rates which vary by service and contract group. The discount rate was changed from 3.80 percent to 2.00 percent.

H. Changes in the Total OPEB Liability

	<u>Total OPEB Liability</u>
Beginning balance	\$ 864,888
Changes for the year	
Service cost	75,099
Interest	35,042
Assumption changes	148,752
Differences between expected and actual experience	(12,906)
Benefit payments – employer-financed	(36,020)
Total net changes	<u>209,967</u>
Ending balance	<u>\$ 1,074,855</u>

NOTE 9 – OTHER POST-EMPLOYMENT BENEFITS (OPEB) PLAN CONTINUED)

I. Total OPEB Liability Sensitivity to Discount and Healthcare Cost Trend Rate Changes

The following presents the total OPEB liability of the City, as well as what the City’s total OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage point higher than the current discount rate:

	<u>1% Decrease in Discount Rate</u>	<u>Discount Rate</u>	<u>1% Increase in Discount Rate</u>
OPEB discount rate	1.00%	2.00%	3.00%
Total OPEB liability	<u>\$ 1,155,079</u>	<u>\$ 1,074,855</u>	<u>\$ 1,000,116</u>

The following presents the total OPEB liability of the City, as well as what the City’s total OPEB liability would be if it were calculated using healthcare cost trend rates that are 1 percentage point lower or 1 percentage point higher than the current healthcare cost trend rates:

	<u>1% Decrease in Healthcare Trend Rate</u>	<u>Healthcare Trend Rate</u>	<u>1% Increase in Healthcare Trend Rate</u>
OPEB healthcare trend rate	5.50% decreasing to 4.00% then 3.00%	6.50% decreasing to 5.00% then 4.00%	7.50% decreasing to 6.00% then 5.00%
Total OPEB liability	<u>\$ 971,258</u>	<u>\$ 1,074,855</u>	<u>\$ 1,196,526</u>

J. OPEB Expense and Related Deferred Outflows of Resources and Deferred Inflows of Resources

For the current year ended, the City recognized OPEB expense of \$105,870. As of year-end, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Changes in actuarial assumptions	\$ 133,876	\$ 93,840
Difference between expected and actual economic experience	–	24,893
Contributions from the City subsequent to the measurement date	<u>60,688</u>	<u>–</u>
	<u>\$ 194,564</u>	<u>\$ 118,733</u>

Deferred outflows of resources totaling \$60,688 related to pensions resulting from city contributions to the Plan subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending December 31, 2022. Other amounts reported as deferred outflows and inflows of resources related to the plan will be recognized in pension expense as follows:

<u>Year Ending June 30,</u>	<u>OPEB Expense Amount</u>
2022	\$ (4,271)
2023	\$ (4,271)
2024	\$ (4,271)
2025	\$ (4,271)
2026	\$ (4,271)
2027	\$ (4,256)
Thereafter	\$ 40,754

NOTE 10 – STEWARDSHIP AND ACCOUNTABILITY

Deficit Net Position

As of December 31, 2021, the Severance Compensation Internal Service Fund had a deficit net position of \$505,629. This deficit will be eliminated by future charges for services.

As of December 31, 2021, the 2019 Street Overlay Debt Service Account had a deficit net position of \$477. This deficit will be eliminated by future tax revenues.

NOTE 11 – TAX ABATEMENT AGREEMENTS

The City, in order to spur economic development and redevelopment, has entered into private development and redevelopment agreements to encourage a developer to construct, expand, or improve new or existing properties and buildings or clean-up and redevelop blighted areas. The City currently has six agreements that would be considered tax abatements.

<u>Name</u>	<u>Purpose</u>	<u>Amount Abated During the Fiscal Year</u>	<u>Outstanding Principal Balance at Year-End</u>	<u>Date of Required Decertification</u>
1-3 Lakefront	80-unit owner-occupied senior housing facility and 12,000 square feet of retail space and related improvements	\$ 98,846	\$ 774,530	12/31/2029
1-4 River Valley Vet	7,000 square foot addition to the existing veterinary clinic facility	\$ 4,196	\$ –	12/31/2021
3-1 Creekside Estates	54-unit senior housing facility	\$ –	\$ –	12/31/2029
5-1 Premier Dance	10,000 square foot commercial facility to be used as a dance studio	\$ 15,162	\$ 95,950	12/31/2034
6-1 Shepherds Path	80.03 acres, including 442 senior housing units, a YMCA facility, youth center, medical office/clinic, bank, park area, trails, and companion uses to the existing church	\$ 307,036	\$ 3,012,000	12/31/2034
1-5 Gateway Center	Acquisition, construction, and equipping of a 170-unit multi-family senior housing development	\$ 191,294	\$ 1,208,676	12/31/2035

NOTE 11 – TAX ABATEMENT AGREEMENTS (CONTINUED)

The City is authorized to create a tax increment financing plan under Minnesota Statutes, Chapter 469.175. The criteria that must be met under the state statutes are that, in the opinion of the municipality:

- The proposed development or redevelopment would not reasonably be expected to occur solely through private investment within the reasonably foreseeable future;
- The increased market value of the site that could reasonably be expected to occur without the use of tax increment financing would be less than the increase in the market value estimated to result from the proposed development after subtracting the present value of the projected tax increments for the maximum duration of the district permitted by the plan. The requirements of this item do not apply if the district is a housing district;
- The tax increment financing plan conforms to the general plan for the development or redevelopment of the municipality as a whole; and
- The tax increment financing plan will afford maximum opportunity, consistent with the sound needs of the municipality as a whole, for the development or redevelopment of the project by private enterprise.

The City has entered into private development agreements regarding certain tax increment properties. The vehicle used for this reimbursement is called a tax increment revenue note.

These notes provide for the payment of principal, equal to the developer's costs, plus interest at a set rate. Payments on the loan will be made at the lesser of the note payment or the actual net tax increment received (or a reduced percentage received in certain cases) during specific years as stated in the agreement. Payments are first applied to accrued interest and then to the principal balance. The note is canceled at the end of the agreement term, whether or not the note has been repaid. Any additional tax increments received in years following the term are retained by the City.

The outstanding principal balances as of December 31, 2021 for these agreements are listed on the previous page. These amounts are not included in long-term debt because the nature of these notes is that repayment is required only if sufficient tax increments are received. The City's position is that these are obligations to assign future and uncertain revenue sources and, as such, is not actual debt in-substance.

NOTE 12 – COMMITMENTS AND CONTINGENCIES

A. Federal and State Funding

Amounts received or receivable from federal and state agencies are subject to agency audit and adjustment. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of funds that may be disallowed by the agencies cannot be determined at this time although the City expects such amounts, if any, to be immaterial.

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. Construction Contracts

During fiscal 2021, the City awarded contracts for various construction and remodeling projects. The City's commitment for uncompleted work on these contracts at December 31, 2021 is \$62,969.

D. Tax Increment Districts

The City's tax increment districts are subject to review by the Office of the State Auditor. 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. Water Purchase Agreement

To meet the City's water needs as it continues to grow, the City entered into a Water Purchase and Facility Expansion Agreement with the Shakopee Mdewakanton Sioux Community. The agreement can help supply additional water to the City and will have future expansion available to meet the City's long-term needs. This approach provides the City with the flexibility to evaluate the pace and timing of development in the Orderly Annexation Area before a substantial investment is needed to construct the expansion of the water treatment plant. The initial improvements, combined with the long-term water purchase agreement, could provide the City with enough water capacity for the next 15 to 20 years, depending on the rate of development.

NOTE 13 – SUBSEQUENT EVENTS

New Accounting Standards

A new standard has been issued by the GASB that will result in significant changes in the reporting of leases once it becomes effective for governmental entities. This standard will be adopted by the City beginning in fiscal 2022, and will require the restatement of certain balances reported as of December 31, 2021. The effects of this change have not yet been determined and are not reflected in these financial statements.

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REQUIRED SUPPLEMENTARY INFORMATION

CITY OF PRIOR LAKE

PERA – General Employees Retirement Fund
 Schedule of City’s and Nonemployer Proportionate Share of Net Pension Liability
 Year Ended December 31, 2021

City Fiscal Year-End Date	PERA Fiscal Year-End Date (Measurement Date)	City’s Proportion of the Net Pension Liability	City’s Proportionate Share of the Net Pension Liability	City’s Proportionate Share of the Net Pension Liability	City’s Proportionate Share of the Net Pension Liability	City’s Covered Payroll	City’s Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
12/31/2015	06/30/2015	0.0719%	\$ 3,726,231	\$ –	\$ 3,726,231	\$ 4,189,768	88.94%	78.20%
12/31/2016	06/30/2016	0.0691%	\$ 5,610,578	\$ 73,274	\$ 5,683,852	\$ 4,285,600	130.92%	68.90%
12/31/2017	06/30/2017	0.0692%	\$ 4,417,682	\$ 55,547	\$ 4,473,229	\$ 4,457,941	99.10%	75.90%
12/31/2018	06/30/2018	0.0655%	\$ 3,633,671	\$ 119,282	\$ 3,752,953	\$ 4,405,847	82.47%	79.50%
12/31/2019	06/30/2019	0.0679%	\$ 3,754,038	\$ 116,662	\$ 3,870,700	\$ 4,803,433	78.15%	80.20%
12/31/2020	06/30/2020	0.0714%	\$ 4,280,758	\$ 132,000	\$ 4,412,758	\$ 5,090,738	84.09%	79.10%
12/31/2021	06/30/2021	0.0728%	\$ 3,108,888	\$ 94,910	\$ 3,203,798	\$ 5,239,605	59.33%	87.00%

PERA – General Employees Retirement Fund
 Schedule of City Contributions
 Year Ended December 31, 2021

City Fiscal Year-End Date	Statutorily Required Contributions	Contributions in Relation to the Statutorily Required Contributions	Contribution Deficiency (Excess)	Covered Payroll	Contributions as a Percentage of Covered Payroll
12/31/2015	\$ 314,233	\$ 314,233	\$ –	\$ 4,189,768	7.50%
12/31/2016	\$ 332,258	\$ 332,258	\$ –	\$ 4,430,122	7.50%
12/31/2017	\$ 328,001	\$ 328,001	\$ –	\$ 4,373,614	7.50%
12/31/2018	\$ 344,234	\$ 344,234	\$ –	\$ 4,589,776	7.50%
12/31/2019	\$ 374,803	\$ 374,803	\$ –	\$ 4,999,585	7.50%
12/31/2020	\$ 395,820	\$ 395,820	\$ –	\$ 5,278,601	7.50%
12/31/2021	\$ 406,799	\$ 406,799	\$ –	\$ 5,423,990	7.50%

Note: The City implemented GASB Statement No. 68 in fiscal 2015 (using a June 30, 2015 measurement date). This schedule is intended to present 10-year trend information. Additional years will be added as they become available.

CITY OF PRIOR LAKE

PERA – Public Employees Police and Fire Fund
 Schedule of City's and Nonemployer Proportionate Share of Net Pension Liability
 Year Ended December 31, 2021

City Fiscal Year-End Date	PERA Fiscal Year-End Date (Measurement Date)	City's Proportion of the Net Pension Liability	City's Proportionate Share of the Net Pension Liability	City's Proportionate Share of the Net Pension Liability	City's Proportionate Share of the Net Pension Liability	City's Covered Payroll	City's Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
12/31/2015	06/30/2015	0.2400%	\$ 2,726,962	\$ –	\$ 2,726,962	\$ 2,244,215	121.51%	86.60%
12/31/2016	06/30/2016	0.2380%	\$ 9,551,354	\$ –	\$ 9,551,354	\$ 2,294,383	416.29%	63.90%
12/31/2017	06/30/2017	0.2360%	\$ 3,186,282	\$ –	\$ 3,186,282	\$ 2,425,426	131.37%	85.40%
12/31/2018	06/30/2018	0.2463%	\$ 2,625,304	\$ –	\$ 2,625,304	\$ 2,595,948	101.13%	88.80%
12/31/2019	06/30/2019	0.2569%	\$ 2,734,960	\$ –	\$ 2,734,960	\$ 2,713,440	100.79%	89.30%
12/31/2020	06/30/2020	0.2570%	\$ 3,387,534	\$ 79,788	\$ 3,467,322	\$ 3,019,145	112.20%	87.20%
12/31/2021	06/30/2021	0.2638%	\$ 2,036,257	\$ 91,525	\$ 2,127,782	\$ 3,117,270	65.32%	93.70%

PERA – Public Employees Police and Fire Fund
 Schedule of City Contributions
 Year Ended December 31, 2021

City Fiscal Year-End Date	Statutorily Required Contributions	Contributions in Relation to the Statutorily Required Contributions	Contribution Deficiency (Excess)	Covered Payroll	Contributions as a Percentage of Covered Payroll
12/31/2015	\$ 363,525	\$ 363,525	\$ –	\$ 2,244,215	16.20%
12/31/2016	\$ 377,586	\$ 377,586	\$ –	\$ 2,337,729	16.15%
12/31/2017	\$ 400,549	\$ 400,549	\$ –	\$ 2,472,531	16.20%
12/31/2018	\$ 431,541	\$ 431,541	\$ –	\$ 2,666,989	16.18%
12/31/2019	\$ 498,625	\$ 498,625	\$ –	\$ 2,941,707	16.95%
12/31/2020	\$ 555,781	\$ 555,781	\$ –	\$ 3,139,767	17.70%
12/31/2021	\$ 596,631	\$ 596,631	\$ –	\$ 3,370,797	17.70%

Note: The City implemented GASB Statement No. 68 in fiscal 2015 (using a June 30, 2015 measurement date). This schedule is intended to present 10-year trend information. Additional years will be added as they become available.

CITY OF PRIOR LAKE

Prior Lake Fire Relief Association
 Schedule of Changes in the Relief Association's
 Net Pension Liability (Asset) and Related Ratios
 (Last Seven Years)

City fiscal year-end dated December 31,	2015	2016	2017	2018
Measurement period – December 31,	2014	2015	2016	2017
Total pension liability				
Service cost	\$ 106,719	\$ 109,387	\$ 110,441	\$ 132,893
Interest	148,718	164,204	192,181	208,100
Asset (gain) loss	–	–	28,006	–
Benefit payments	–	–	(34,403)	(209,373)
Assumption changes	–	–	–	–
Plan changes	–	99,450	34,110	304,902
Net change in total pension liability	255,437	373,041	330,335	436,522
Total pension liability – beginning	2,481,307	2,736,744	3,109,785	3,440,120
Total pension liability – ending	<u>\$ 2,736,744</u>	<u>\$ 3,109,785</u>	<u>\$ 3,440,120</u>	<u>\$ 3,876,642</u>
Plan fiduciary net position				
Contributions (state and local)	\$ 215,194	\$ 228,087	\$ 235,891	\$ 237,182
Net investment income	154,856	(169,276)	320,811	640,986
Benefit payments	–	–	(34,403)	(209,373)
Administrative costs	(6,647)	(6,640)	(9,160)	(120)
Net change in plan fiduciary net position	363,403	52,171	513,139	668,675
Total plan fiduciary net position – beginning	3,301,229	3,664,632	3,716,803	4,229,942
Total plan fiduciary net position – ending	<u>\$ 3,664,632</u>	<u>\$ 3,716,803</u>	<u>\$ 4,229,942</u>	<u>\$ 4,898,617</u>
Net pension liability (asset) – ending	<u>\$ (927,888)</u>	<u>\$ (607,018)</u>	<u>\$ (789,822)</u>	<u>\$ (1,021,975)</u>
Plan fiduciary net position as a percentage of the total pension liability	<u>133.90%</u>	<u>119.52%</u>	<u>122.96%</u>	<u>126.36%</u>

Note: The City implemented GASB Statement No. 68 in fiscal 2015 (using a December 31, 2014 measurement date). This information is not available for previous years.

<u>2019</u>	<u>2020</u>	<u>2021</u>
<u>2018</u>	<u>2019</u>	<u>2020</u>
\$ 151,350	\$ 153,304	\$ 157,137
220,949	197,843	193,390
(60,490)	–	(42,606)
(691,031)	(213,500)	(658,375)
53,174	–	–
–	–	254,366
<u>(326,048)</u>	<u>137,647</u>	<u>(96,088)</u>
<u>3,876,642</u>	<u>3,550,594</u>	<u>3,688,241</u>
<u>\$ 3,550,594</u>	<u>\$ 3,688,241</u>	<u>\$ 3,592,153</u>
\$ 247,610	\$ 253,651	\$ 271,275
(262,184)	685,784	357,043
(691,031)	(213,500)	(658,375)
(2,644)	–	(13,666)
<u>(708,249)</u>	<u>725,935</u>	<u>(43,723)</u>
<u>4,898,617</u>	<u>4,190,368</u>	<u>4,916,303</u>
<u>\$ 4,190,368</u>	<u>\$ 4,916,303</u>	<u>\$ 4,872,580</u>
<u>\$ (639,774)</u>	<u>\$ (1,228,062)</u>	<u>\$ (1,280,427)</u>
<u>118.02%</u>	<u>133.30%</u>	<u>135.65%</u>

CITY OF PRIOR LAKE

Prior Lake Fire Relief Association
 Schedule of City Contributions
 Year Ended December 31, 2021
 (Last Seven Years)

City Fiscal Year-End Date	Statutorily Required Contributions	Contributions in Relation to the Statutorily Required Contributions	Contribution Deficiency (Excess)	Voluntary City Contribution
12/31/2015	\$ 208,087	\$ 208,087	\$ —	\$ 20,000
12/31/2016	\$ 215,891	\$ 215,891	\$ —	\$ 20,000
12/31/2017	\$ 217,182	\$ 217,182	\$ —	\$ 20,000
12/31/2018	\$ 225,610	\$ 225,610	\$ —	\$ 20,000
12/31/2019	\$ 234,651	\$ 234,651	\$ —	\$ 20,000
12/31/2020	\$ 247,275	\$ 247,275	\$ —	\$ 20,000
12/31/2021	\$ 260,564	\$ 260,564	\$ —	\$ 20,000

Note: The City implemented GASB Statement No. 68 in fiscal 2015 (using a December 31, 2014 measurement date). This information is not available for previous years.

CITY OF PRIOR LAKE

Other Post-Employment Benefits Plan
 Schedule of Changes in the City's Total
 OPEB Liability and Related Ratios
 Year Ended December 31, 2021

	Fiscal Year-End			
	2018	2019	2020	2021
Total OPEB liability				
Service cost	\$ 61,214	\$ 62,717	\$ 64,598	\$ 75,099
Interest	29,555	31,270	32,188	35,042
Changes of assumptions	–	(37,343)	–	148,752
Differences between expected and actual experiences	–	(123,346)	–	(12,906)
Benefit payments	(37,688)	(42,907)	(28,422)	(36,020)
Net change in total OPEB liability	53,081	(109,609)	68,364	209,967
Total OPEB liability – beginning of year	853,052	906,133	796,524	864,888
Total OPEB liability – end of year	\$ 906,133	\$ 796,524	\$ 864,888	\$ 1,074,855
Covered payroll	\$ 6,560,761	\$ 7,134,065	\$ 7,348,087	\$ 8,306,510
Total OPEB liability as a percentage of covered payroll	13.81%	11.17%	11.77%	12.94%

Note: The City implemented GASB Statement No. 75 in fiscal 2018. This schedule is intended to present 10-year trend information. Additional years will be added as they become available.

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CITY OF PRIOR LAKE

Notes to Required Supplementary Information
December 31, 2021

PERA – GENERAL EMPLOYEES RETIREMENT FUND

2021 CHANGES IN ACTUARIAL ASSUMPTIONS

- The investment return and single discount rates were changed from 7.50 percent to 6.50 percent, for financial reporting purposes.
- The mortality improvement scale was changed from Scale MP-2019 to Scale MP-2020.

2020 CHANGES IN ACTUARIAL ASSUMPTIONS

- The price inflation assumption was decreased from 2.50 percent to 2.25 percent.
- The payroll growth assumption was decreased from 3.25 percent to 3.00 percent.
- Assumed salary increase rates were changed as recommended in the June 30, 2019 experience study. The net effect is assumed rates that average 0.25 percent less than previous rates.
- Assumed rates of retirement were changed as recommended in the June 30, 2019 experience study. The changes result in more unreduced (normal) retirements and slightly fewer Rule of 90 and early retirements.
- Assumed rates of termination were changed as recommended in the June 30, 2019 experience study. The new rates are based on service and are generally lower than the previous rates for years two through five, and slightly higher thereafter.
- Assumed rates of disability were changed as recommended in the June 30, 2019 experience study. The change results in fewer predicted disability retirements for males and females.
- The base mortality table for healthy annuitants and employees was changed from the RP-2014 Table to the Pub-2010 General Mortality Table, with adjustments. The base mortality table for disabled annuitants was changed from the RP-2014 Disabled Annuitant Mortality Table to the Pub-2010 General/Teacher Disabled Annuitant Mortality Table, with adjustments.
- The mortality improvement scale was changed from MP-2018 to MP-2019.
- The assumed spouse age difference was changed from two years older for females to one year older.
- The assumed number of married male new retirees electing the 100.00 percent joint and survivor option changed from 35.00 percent to 45.00 percent. The assumed number of married female new retirees electing the 100.00 percent joint and survivor option changed from 15.00 percent to 30.00 percent. The corresponding number of married new retirees electing the life annuity option was adjusted accordingly.

2020 CHANGES IN PLAN PROVISIONS

- Augmentation for current privatized members was reduced to 2.00 percent for the period July 1, 2020 through December 31, 2023, and zero percent thereafter. Augmentation was eliminated for privatizations occurring after June 30, 2020.

CITY OF PRIOR LAKE

Notes to Required Supplementary Information (continued)
December 31, 2021

PERA – GENERAL EMPLOYEES RETIREMENT FUND (CONTINUED)

2019 CHANGES IN ACTUARIAL ASSUMPTIONS

- The mortality projection scale was changed from MP-2017 to MP-2018.

2019 CHANGES IN PLAN PROVISIONS

- The employer supplemental contribution was changed prospectively, decreasing from \$31.0 million to \$21.0 million per year. The state's special funding contribution was changed prospectively, requiring \$16.0 million due per year through 2031.

2018 CHANGES IN ACTUARIAL ASSUMPTIONS

- The mortality projection scale was changed from MP-2015 to MP-2017.
- The assumed benefit increase was changed from 1.00 percent per year through 2044, and 2.50 percent per year thereafter, to 1.25 percent per year.

2018 CHANGES IN PLAN PROVISIONS

- The augmentation adjustment in early retirement factors is eliminated over a five-year period starting July 1, 2019, resulting in actuarial equivalence after June 30, 2024.
- Interest credited on member contributions decreased from 4.00 percent to 3.00 percent, beginning July 1, 2018.
- Deferred augmentation was changed to zero percent, effective January 1, 2019. Augmentation that has already accrued for deferred members will still apply.
- Contribution stabilizer provisions were repealed.
- Post-retirement benefit increases were changed from 1.00 percent per year with a provision to increase to 2.50 percent upon attainment of 90.00 percent funding ratio to 50.00 percent of the Social Security Cost of Living Adjustment, not less than 1.00 percent and not more than 1.50 percent, beginning January 1, 2019.
- For retirements on or after January 1, 2024, the first benefit increase is delayed until the retiree reaches normal retirement age; does not apply to Rule of 90 retirees, disability benefit recipients, or survivors.
- Actuarial equivalent factors were updated to reflect revised mortality and interest assumptions.

CITY OF PRIOR LAKE

Notes to Required Supplementary Information (continued)
December 31, 2021

PERA – GENERAL EMPLOYEES RETIREMENT FUND (CONTINUED)

2017 CHANGES IN ACTUARIAL ASSUMPTIONS

- The Combined Service Annuity (CSA) loads were changed from 0.80 percent for active members and 60.00 percent for vested and nonvested deferred members. The revised CSA loads are now zero percent for active member liability, 15.00 percent for vested deferred member liability, and 3.00 percent for nonvested deferred member liability.
- The assumed post-retirement benefit increase rate was changed from 1.00 percent per year for all years, to 1.00 percent per year through 2044, and 2.50 percent per year thereafter.

2017 CHANGES IN PLAN PROVISIONS

- The state's contribution for the Minneapolis Employees Retirement Fund equals \$16.0 million in 2017 and 2018, and \$6.0 million thereafter.
- The Employer Supplemental Contribution for the Minneapolis Employees Retirement Fund changed from \$21.0 million to \$31.0 million in calendar years 2019 to 2031. The state's contribution changed from \$16.0 million to \$6.0 million in calendar years 2019 to 2031.

2016 CHANGES IN ACTUARIAL ASSUMPTIONS

- The assumed post-retirement benefit increase rate was changed from 1.00 percent per year through 2035, and 2.50 percent per year thereafter, to 1.00 percent per year for all years.
- The assumed investment return was changed from 7.90 percent to 7.50 percent. The single discount rate changed from 7.90 percent to 7.50 percent.
- Other assumptions were changed pursuant to the experience study June 30, 2015. The assumed future salary increases, payroll growth, and inflation were decreased by 0.25 percent to 3.25 percent for payroll growth, and 2.50 percent for inflation.

2015 CHANGES IN ACTUARIAL ASSUMPTIONS

- The assumed post-retirement benefit increase rate was changed from 1.00 percent per year through 2030, and 2.50 percent per year thereafter, to 1.00 percent per year through 2035, and 2.50 percent per year thereafter.

2015 CHANGES IN PLAN PROVISIONS

- On January 1, 2015, the Minneapolis Employees Retirement Fund was merged into the General Employees Fund, which increased the total pension liability by \$1.1 billion and increased the fiduciary plan net position by \$892.0 million. Upon consolidation, state and employer contributions were revised; the state's contribution of \$6.0 million, which meets the special funding situation definition, was due September 2015.

CITY OF PRIOR LAKE

Notes to Required Supplementary Information (continued)
December 31, 2021

PERA – PUBLIC EMPLOYEES POLICE AND FIRE FUND

2021 CHANGES IN ACTUARIAL ASSUMPTIONS

- The investment return and single discount rates were changed from 7.50 percent to 6.50 percent, for financial reporting purposes.
- The inflation assumption was changed from 2.50 percent to 2.25 percent.
- The payroll growth assumption was changed from 3.25 percent to 3.00 percent.
- The base mortality table for healthy annuitants and employees was changed from the RP-2014 Table to the Pub-2010 Public Safety Mortality Table. The mortality improvement scale was changed from MP-2019 to MP-2020.
- The base mortality table for disabled annuitants was changed from the RP-2014 Healthy Annuitant Mortality Table (with future mortality improvement according to Scale MP-2019) to the Pub-2010 Public Safety Disabled Annuitant Mortality Table (with future mortality improvement according to Scale MP-2020).
- Assumed rates of salary increase were modified as recommended in the July 14, 2020 experience study. The overall impact is a decrease in gross salary increase rates.
- Assumed rates of retirement were changed as recommended in the July 14, 2020 experience study. The changes result in slightly more unreduced retirements and fewer assumed early retirements.
- Assumed rates of withdrawal were changed from select and ultimate rates to service-based rates. The changes result in more assumed terminations.
- Assumed rates of disability were increased for ages 25–44 and decreased for ages over 49. Overall, proposed rates result in more projected disabilities.
- Assumed percent married for active female members was changed from 60 percent to 70 percent. Minor changes to form of payment assumptions were applied.

2020 CHANGES IN ACTUARIAL ASSUMPTIONS

- The mortality projection scale was changed from MP-2018 to MP-2019.

2019 CHANGES IN ACTUARIAL ASSUMPTIONS

- The mortality projection scale was changed from MP-2017 to MP-2018.

CITY OF PRIOR LAKE

Notes to Required Supplementary Information (continued)
December 31, 2021

PERA – PUBLIC EMPLOYEES POLICE AND FIRE FUND (CONTINUED)

2018 CHANGES IN ACTUARIAL ASSUMPTIONS

- The mortality projection scale was changed from MP-2016 to MP-2017.

2018 CHANGES IN PLAN PROVISIONS

- Post-retirement benefit increases were changed to 1.00 percent for all years, with no trigger.
- An end date of July 1, 2048 was added to the existing \$9.0 million state contribution.
- New annual state aid will equal \$4.5 million in fiscal years 2019 and 2020, and \$9.0 million thereafter, until the plan reaches 100.00 percent funding, or July 1, 2048, if earlier.
- Member contributions were changed from 10.80 percent to 11.30 percent of pay, effective January 1, 2019, and 11.80 percent of pay, effective January 1, 2020.
- Employer contributions were changed from 16.20 percent to 16.95 percent of pay, effective January 1, 2019, and 17.70 percent of pay, effective January 1, 2020.
- Interest credited on member contributions decreased from 4.00 percent to 3.00 percent, beginning July 1, 2018.
- Deferred augmentation was changed to zero percent, effective January 1, 2019. Augmentation that has already accrued for deferred members will still apply.
- Actuarial equivalent factors were updated to reflect revised mortality and interest assumptions.

2017 CHANGES IN ACTUARIAL ASSUMPTIONS

- Assumed salary increases were changed as recommended in the June 30, 2016 experience study. The net effect is proposed rates that average 0.34 percent lower than the previous rates.
- Assumed rates of retirement were changed, resulting in fewer retirements.
- The CSA load was 30.00 percent for vested and nonvested deferred members. The CSA has been changed to 33.00 percent for vested members, and 2.00 percent for nonvested members.
- The base mortality table for healthy annuitants was changed from the RP-2000 Fully Generational Table to the RP-2014 Fully Generational Table (with a base year of 2006), with male rates adjusted by a factor of 0.96. The mortality improvement scale was changed from Scale AA to Scale MP-2016. The base mortality table for disabled annuitants was changed from the RP-2000 Disabled Mortality Table to the mortality tables assumed for healthy retirees.
- Assumed termination rates were decreased to 3.00 percent for the first three years of service. Rates beyond the select period of three years were adjusted, resulting in more expected terminations overall.
- Assumed percentage of married female members was decreased from 65.00 percent to 60.00 percent.
- Assumed age difference was changed from separate assumptions for male members (wives assumed to be three years younger) and female members (husbands assumed to be four years older) to the assumption that males are two years older than females.
- The assumed percentage of female members electing joint and survivor annuities was increased.
- The assumed post-retirement benefit increase rate was changed from 1.00 percent for all years, to 1.00 percent per year through 2064, and 2.50 percent thereafter.
- The single discount rate was changed from 5.60 percent per annum to 7.50 percent per annum.

CITY OF PRIOR LAKE

Notes to Required Supplementary Information (continued)
December 31, 2021

PERA – PUBLIC EMPLOYEES POLICE AND FIRE FUND (CONTINUED)

2016 CHANGES IN ACTUARIAL ASSUMPTIONS

- The assumed post-retirement benefit increase rate was changed from 1.00 percent per year through 2037, and 2.50 percent per year thereafter, to 1.00 percent per year for all future years.
- The assumed investment return was changed from 7.90 percent to 7.50 percent.
- The single discount rate changed from 7.90 percent to 5.60 percent.
- The assumed future salary increases, payroll growth, and inflation were decreased by 0.25 percent to 3.25 percent for payroll growth, and 2.50 percent for inflation.

2015 CHANGES IN ACTUARIAL ASSUMPTIONS

- The assumed post-retirement benefit increase rate was changed from 1.00 percent per year through 2030, and 2.50 percent per year thereafter, to 1.00 percent per year through 2037, and 2.50 percent per year thereafter.

2015 CHANGES IN PLAN PROVISIONS

- The post-retirement benefit increase to be paid after attainment of the 90.00 percent funding threshold was changed from inflation up to 2.50 percent, to a fixed rate of 2.50 percent.

CITY OF PRIOR LAKE

Notes to Required Supplementary Information (continued) December 31, 2021

PRIOR LAKE FIRE RELIEF ASSOCIATION

- A benefit level increase from \$8,500 to \$9,000 was reflected in the pension liability for 2021.
- The discount rate was changed from 6.00 percent to 5.50 percent for 2019.
- A benefit level increase from \$8,000 to \$8,500 was reflected in the pension liability for 2019.
- A benefit level increase from \$7,200 to \$8,000 was reflected in the pension liability for 2018.
- A benefit level increase from \$7,100 to \$7,200 was reflected in the pension liability for 2017.
- A benefit level increase from \$6,800 to \$7,100 was reflected in the pension liability for 2016.

OTHER POST-EMPLOYMENT BENEFITS PLAN

2021 CHANGES IN ACTUARIAL ASSUMPTIONS

- The healthcare trend rates were changed to better anticipate short-term and long-term medical increases.
- The mortality tables were updated from the RP-2014 Mortality Tables (Blue Collar for Public Safety, White Collar for Others) with MP-2018 Generational Improvement Scale to the Pub-2010 Public Retirement Plans Headcount-Weighted Mortality Tables (General, Safety) with MP-2020 Generational Improvement Scale.
- The inflation rate changed from 2.50 percent to 2.00 percent.
- The salary increase rates were changed from a flat 3.00 percent per year for all employees, to rates, which vary by service and contract group.
- The discount rate was changed from 3.80 percent to 2.00 percent.

2019 CHANGES IN ACTUARIAL ASSUMPTIONS

- The healthcare trend rates were changed from 6.25 percent, grading to 5.00 percent over five years, to 6.50 percent, grading to 5.00 percent over six years.
- The mortality tables were updated to meet current actuarial standards.
- The discount rate was changed from 3.30 percent to 3.80 percent.

2018 CHANGES IN ACTUARIAL ASSUMPTIONS

- The healthcare trend rates were changed from 6.50 percent, grading to 5.00 percent over six years, to 6.25 percent, grading to 5.00 percent over five years.
- The mortality table was updated from RP-2014 adjusted to 2006 White Collar Mortality Tables with MP-2016 Generational Improvement Scale, to RF-2014 White Collar with MP-2016 Generational Improvement Scale.
- The actuarial cost method was changed from entry-age normal level dollar to entry-age level percent of pay.
- The discount rate was changed from 3.50 percent to 3.30 percent.

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SUPPLEMENTAL INFORMATION

CITY OF PRIOR LAKE

Nonmajor Governmental Funds
 Combining Balance Sheet
 as of December 31, 2021

	<u>Special Revenue</u>	<u>Capital Projects</u>	<u>Total</u>
Assets			
Cash and investments	\$ 5,627,788	\$ 11,571,380	\$ 17,199,168
Cash held in escrow	48,642	-	48,642
Receivables			
Delinquent taxes	1,540	-	1,540
Accounts	9,843	61,549	71,392
Special assessments			
Delinquent	-	1,289	1,289
Deferred	-	255,415	255,415
Due from other governmental agencies	1,624	8,240	9,864
Assets held for resale	<u>1,028,581</u>	<u>-</u>	<u>1,028,581</u>
Total assets	<u>\$ 6,718,018</u>	<u>\$ 11,897,873</u>	<u>\$ 18,615,891</u>
Liabilities			
Accounts and contracts payable	\$ 441,347	\$ 371,169	\$ 812,516
Accrued salaries and employee benefits payable	2,847	-	2,847
Due to other governmental agencies	383	7,466	7,849
Deposits payable	209,070	169,000	378,070
Unearned revenue	<u>1,536,778</u>	<u>-</u>	<u>1,536,778</u>
Total liabilities	2,190,425	547,635	2,738,060
Deferred inflows of resources			
Unavailable revenue from delinquent taxes	1,540	-	1,540
Unavailable revenue from special assessments	<u>-</u>	<u>256,705</u>	<u>256,705</u>
Total deferred inflows of resources	1,540	256,705	258,245
Fund balances			
Restricted	4,526,053	976,742	5,502,795
Assigned	<u>-</u>	<u>10,116,791</u>	<u>10,116,791</u>
Total fund balances	<u>4,526,053</u>	<u>11,093,533</u>	<u>15,619,586</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 6,718,018</u>	<u>\$ 11,897,873</u>	<u>\$ 18,615,891</u>

CITY OF PRIOR LAKE

Nonmajor Governmental Funds
 Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
 Year Ended December 31, 2021

	<u>Special Revenue</u>	<u>Capital Projects</u>	<u>Total</u>
Revenue			
Taxes	\$ 350,284	\$ 2,204,428	\$ 2,554,712
Special assessments	-	153,067	153,067
Charges for services	2,190,219	1,160,987	3,351,206
Investment income	21,067	11,058	32,125
Miscellaneous			
Contributions and donations	41,406	-	41,406
Other	37,075	5,543	42,618
Total revenue	<u>2,640,051</u>	<u>3,535,083</u>	<u>6,175,134</u>
Expenditures			
Current			
General government	1,407	-	1,407
Public safety	33,540	-	33,540
Culture and recreation	17,128	-	17,128
Economic development	234,883	218	235,101
Capital outlay	1,943,389	3,112,050	5,055,439
Debt service			
Interest and other	-	7,888	7,888
Total expenditures	<u>2,230,347</u>	<u>3,120,156</u>	<u>5,350,503</u>
Excess of revenues over expenditures	409,704	414,927	824,631
Other financing sources (uses)			
Bonds issued	-	494,292	494,292
Premium on bonds issued	-	50,490	50,490
Transfers in	494,091	1,882,076	2,376,167
Transfers out	(140)	(1,389,555)	(1,389,695)
Sale of capital assets	-	114,480	114,480
Total other financing sources (uses)	<u>493,951</u>	<u>1,151,783</u>	<u>1,645,734</u>
Net change in fund balances	903,655	1,566,710	2,470,365
Fund balances			
Beginning of year	<u>3,622,398</u>	<u>9,526,823</u>	<u>13,149,221</u>
End of year	<u>\$ 4,526,053</u>	<u>\$ 11,093,533</u>	<u>\$ 15,619,586</u>

CITY OF PRIOR LAKE

Nonmajor Special Revenue Funds
 Combining Balance Sheet
 as of December 31, 2021

	Capital Park	ED Revolving Loan	Revolving Loan
	<u> </u>	<u> </u>	<u> </u>
Assets			
Cash and investments	\$ 1,626,539	\$ 134,628	\$ -
Cash held in escrow	-	-	-
Receivables			
Delinquent taxes	-	-	-
Accounts	3,366	604	-
Due from other governmental agencies	-	-	-
Assets held for resale	-	-	-
	<u> </u>	<u> </u>	<u> </u>
Total assets	<u>\$ 1,629,905</u>	<u>\$ 135,232</u>	<u>\$ -</u>
Liabilities			
Accounts and contracts payable	\$ 19,721	\$ -	\$ -
Accrued salaries and employee benefits payable	-	-	-
Due to other governmental agencies	-	-	-
Deposits payable	-	-	-
Unearned revenue	33,750	-	-
Total liabilities	<u>53,471</u>	<u>-</u>	<u>-</u>
Deferred inflows of resources			
Unavailable revenue from delinquent taxes	-	-	-
Fund balances			
Restricted for economic development	-	135,232	-
Restricted for forfeiture sales	-	-	-
Restricted for capital improvements	1,576,434	-	-
Restricted for recovery activities	-	-	-
Restricted for development	-	-	-
Restricted for communications	-	-	-
Total fund balances	<u>1,576,434</u>	<u>135,232</u>	<u>-</u>
	<u> </u>	<u> </u>	<u> </u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 1,629,905</u>	<u>\$ 135,232</u>	<u>\$ -</u>

<u>Cable Franchise</u>	<u>EDA</u>	<u>Police Forfeiture</u>	<u>DAG</u>	<u>Federal ARPA Recovery</u>	<u>Total</u>
\$ 110,798	\$ 67,832	\$ 179,613	\$ 2,019,744	\$ 1,488,634	\$ 5,627,788
25,000	–	23,642	–	–	48,642
–	1,540	–	–	–	1,540
5,495	135	243	–	–	9,843
–	1,624	–	–	–	1,624
–	1,028,581	–	–	–	1,028,581
<u>\$ 141,293</u>	<u>\$ 1,099,712</u>	<u>\$ 203,498</u>	<u>\$ 2,019,744</u>	<u>\$ 1,488,634</u>	<u>\$ 6,718,018</u>
\$ –	\$ 407	\$ 13,276	\$ 407,943	\$ –	\$ 441,347
–	2,847	–	–	–	2,847
–	383	–	–	–	383
25,000	–	23,642	160,428	–	209,070
–	–	–	14,550	1,488,478	1,536,778
<u>25,000</u>	<u>3,637</u>	<u>36,918</u>	<u>582,921</u>	<u>1,488,478</u>	<u>2,190,425</u>
–	1,540	–	–	–	1,540
–	–	–	–	–	135,232
–	–	166,580	–	–	166,580
–	–	–	1,436,823	–	3,013,257
–	–	–	–	156	156
–	1,094,535	–	–	–	1,094,535
116,293	–	–	–	–	116,293
<u>116,293</u>	<u>1,094,535</u>	<u>166,580</u>	<u>1,436,823</u>	<u>156</u>	<u>4,526,053</u>
<u>\$ 141,293</u>	<u>\$ 1,099,712</u>	<u>\$ 203,498</u>	<u>\$ 2,019,744</u>	<u>\$ 1,488,634</u>	<u>\$ 6,718,018</u>

CITY OF PRIOR LAKE

Nonmajor Special Revenue Funds
 Combining Statement of Revenues, Expenditures,
 and Changes in Fund Balances
 Year Ended December 31, 2021

	Capital Park	ED Revolving Loan	Revolving Loan
Revenues			
Taxes	\$ -	\$ -	\$ -
Charges for services	653,652	-	-
Investment income (losses)	1,243	125	(835)
Miscellaneous			
Contributions and donations	41,406	-	-
Other	-	-	-
Total revenues	<u>696,301</u>	<u>125</u>	<u>(835)</u>
Expenditures			
Current			
General government	-	-	-
Public safety	-	-	-
Culture and recreation	17,128	-	-
Economic development	-	-	-
Capital outlay	<u>733,057</u>	<u>-</u>	<u>35</u>
Total expenditures	<u>750,185</u>	<u>-</u>	<u>35</u>
Excess (deficiency) of revenues over expenditures	(53,884)	125	(870)
Other financing sources			
Transfers in	-	-	-
Transfers out	<u>-</u>	<u>-</u>	<u>(140)</u>
Total other financing sources	<u>-</u>	<u>-</u>	<u>(140)</u>
Net change in fund balances	(53,884)	125	(1,010)
Fund balances			
Beginning of year	<u>1,630,318</u>	<u>135,107</u>	<u>1,010</u>
End of year	<u>\$ 1,576,434</u>	<u>\$ 135,232</u>	<u>\$ -</u>

<u>Cable Franchise</u>	<u>EDA</u>	<u>Police Forfeiture</u>	<u>DAG</u>	<u>Federal ARPA Recovery</u>	<u>Total</u>
\$ -	\$ 350,284	\$ -	\$ -	\$ -	\$ 350,284
23,252	8,582	-	1,504,733	-	2,190,219
103	20,092	183	-	156	21,067
-	-	-	-	-	41,406
-	-	37,075	-	-	37,075
<u>23,355</u>	<u>378,958</u>	<u>37,258</u>	<u>1,504,733</u>	<u>156</u>	<u>2,640,051</u>
1,407	-	-	-	-	1,407
-	-	33,540	-	-	33,540
-	-	-	-	-	17,128
-	234,883	-	-	-	234,883
<u>3,641</u>	<u>27,868</u>	<u>-</u>	<u>1,178,788</u>	<u>-</u>	<u>1,943,389</u>
<u>5,048</u>	<u>262,751</u>	<u>33,540</u>	<u>1,178,788</u>	<u>-</u>	<u>2,230,347</u>
18,307	116,207	3,718	325,945	156	409,704
-	20,969	-	473,122	-	494,091
-	-	-	-	-	(140)
<u>-</u>	<u>20,969</u>	<u>-</u>	<u>473,122</u>	<u>-</u>	<u>493,951</u>
18,307	137,176	3,718	799,067	156	903,655
<u>97,986</u>	<u>957,359</u>	<u>162,862</u>	<u>637,756</u>	<u>-</u>	<u>3,622,398</u>
<u>\$ 116,293</u>	<u>\$ 1,094,535</u>	<u>\$ 166,580</u>	<u>\$ 1,436,823</u>	<u>\$ 156</u>	<u>\$ 4,526,053</u>

CITY OF PRIOR LAKE

Nonmajor Capital Projects Funds
 Combining Balance Sheet
 as of December 31, 2021

	<u>Tax Increment</u>	<u>Revolving Equipment</u>	<u>Trunk Reserve</u>
Assets			
Cash and investments	\$ —	\$ 868,043	\$ 5,181,137
Receivables			
Accounts	—	24,917	26,323
Special assessments			
Delinquent	—	—	693
Deferred	—	—	6,802
Due from other governmental agencies	—	3,835	—
Total assets	<u>\$ —</u>	<u>\$ 896,795</u>	<u>\$ 5,214,955</u>
Liabilities			
Accounts and contracts payable	\$ —	\$ 506	\$ 7,513
Due to other governmental agencies	—	—	—
Deposits payable	—	—	—
Total liabilities	<u>—</u>	<u>506</u>	<u>7,513</u>
Deferred inflows of resources			
Unavailable revenue from special assessments	—	—	7,496
Fund balances			
Restricted for tax increment	—	—	—
Assigned for capital improvements	—	896,289	5,199,946
Total fund balances	<u>—</u>	<u>896,289</u>	<u>5,199,946</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ —</u>	<u>\$ 896,795</u>	<u>\$ 5,214,955</u>

<u>Street Oversizing</u>	<u>Water Storage</u>	<u>Tax Increment 1-3 Lakefront</u>	<u>Tax Increment 3-1 Creekside</u>
\$ 1,435,348	\$ —	\$ 155,585	\$ 349,840
3,934	—	595	286
—	—	—	—
—	—	—	—
—	—	1,553	—
<u>\$ 1,439,282</u>	<u>\$ —</u>	<u>\$ 157,733</u>	<u>\$ 350,126</u>
\$ —	\$ —	\$ 41,041	\$ —
—	—	—	—
169,000	—	—	—
<u>169,000</u>	<u>—</u>	<u>41,041</u>	<u>—</u>
—	—	—	—
—	—	116,692	350,126
1,270,282	—	—	—
<u>1,270,282</u>	<u>—</u>	<u>116,692</u>	<u>350,126</u>
<u>\$ 1,439,282</u>	<u>\$ —</u>	<u>\$ 157,733</u>	<u>\$ 350,126</u>

CITY OF PRIOR LAKE

Nonmajor Capital Projects Funds
 Combining Balance Sheet (continued)
 as of December 31, 2021

	Tax Increment 5-1 Premiere	Tax Increment 6-1 Shepard's Path	Tax Increment 1-4 River Vet
Assets			
Cash and investments	\$ 18,682	\$ 615,073	\$ 7,481
Receivables			
Accounts	11	673	(15)
Special assessments			
Delinquent	-	-	-
Deferred	-	-	-
Due from other governmental agencies	-	-	-
Total assets	<u>\$ 18,693</u>	<u>\$ 615,746</u>	<u>\$ 7,466</u>
Liabilities			
Accounts and contracts payable	\$ 7,580	\$ 153,518	\$ -
Due to other governmental agencies	-	-	7,466
Deposits payable	-	-	-
Total liabilities	<u>7,580</u>	<u>153,518</u>	<u>7,466</u>
Deferred inflows of resources			
Unavailable revenue from special assessments	-	-	-
Fund balances			
Restricted for tax increment	11,113	462,228	-
Assigned for capital improvements	-	-	-
Total fund balances	<u>11,113</u>	<u>462,228</u>	<u>-</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 18,693</u>	<u>\$ 615,746</u>	<u>\$ 7,466</u>

<u>Tax Increment 1-5 Gateway Ctr</u>	<u>Revolving Park Equipment</u>	<u>Facility Management</u>	<u>Permanent Improvement Revolving</u>	<u>Total</u>
\$ 132,561	\$ 1,133,394	\$ 1,333,077	\$ 341,159	\$ 11,571,380
(331)	1,515	3,701	(60)	61,549
–	–	–	596	1,289
–	–	–	248,613	255,415
–	1,725	366	761	8,240
<u>\$ 132,230</u>	<u>\$ 1,136,634</u>	<u>\$ 1,337,144</u>	<u>\$ 591,069</u>	<u>\$ 11,897,873</u>
\$ 95,647	\$ 10,898	\$ 54,466	\$ –	\$ 371,169
–	–	–	–	7,466
–	–	–	–	169,000
<u>95,647</u>	<u>10,898</u>	<u>54,466</u>	<u>–</u>	<u>547,635</u>
–	–	–	249,209	256,705
36,583	–	–	–	976,742
–	1,125,736	1,282,678	341,860	10,116,791
<u>36,583</u>	<u>1,125,736</u>	<u>1,282,678</u>	<u>341,860</u>	<u>11,093,533</u>
<u>\$ 132,230</u>	<u>\$ 1,136,634</u>	<u>\$ 1,337,144</u>	<u>\$ 591,069</u>	<u>\$ 11,897,873</u>

CITY OF PRIOR LAKE

Nonmajor Capital Projects Funds
 Combining Statement of Revenues, Expenditures,
 and Changes in Fund Balances
 Year Ended December 31, 2021

	<u>Tax Increment</u>	<u>Revolving Equipment</u>	<u>Trunk Reserve</u>
Revenues			
Taxes	\$ —	\$ 838,173	\$ —
Special assessments	—	—	2,150
Charges for services	—	—	1,154,827
Investment income (losses)	827	681	6,325
Miscellaneous	—	—	—
Total revenues	<u>827</u>	<u>838,854</u>	<u>1,163,302</u>
Expenditures			
Current			
Economic development	218	—	—
Capital outlay	1,000	1,540,943	638,242
Debt service			
Interest and other	—	7,888	—
Total expenditures	<u>1,218</u>	<u>1,548,831</u>	<u>638,242</u>
Excess (deficiency) of revenues over expenditures	(391)	(709,977)	525,060
Other financing sources (uses)			
Bonds issued	—	494,292	—
Premium on bonds issued	—	50,490	—
Transfers in	—	310,000	642,076
Transfers out	(20,829)	—	—
Sale of capital assets	—	114,480	—
Total other financing sources (uses)	<u>(20,829)</u>	<u>969,262</u>	<u>642,076</u>
Net change in fund balances	(21,220)	259,285	1,167,136
Fund balances			
Beginning of year	<u>21,220</u>	<u>637,004</u>	<u>4,032,810</u>
End of year	<u>\$ —</u>	<u>\$ 896,289</u>	<u>\$ 5,199,946</u>

<u>Street Oversizing</u>	<u>Water Storage</u>	<u>Tax Increment 1-3 Lakefront</u>	<u>Tax Increment 3-1 Creekside</u>
\$ -	\$ -	\$ 133,347	\$ 84,921
-	1,634	-	-
-	6,160	-	-
934	(1,498)	162	368
5,543	-	-	-
<u>6,477</u>	<u>6,296</u>	<u>133,509</u>	<u>85,289</u>
-	-	-	-
-	-	101,566	1,020
-	-	-	-
<u>-</u>	<u>-</u>	<u>101,566</u>	<u>1,020</u>
6,477	6,296	31,943	84,269
-	-	-	-
-	-	-	-
-	-	-	-
-	(642,076)	(25,500)	-
-	-	-	-
<u>-</u>	<u>(642,076)</u>	<u>(25,500)</u>	<u>-</u>
6,477	(635,780)	6,443	84,269
1,263,805	635,780	110,249	265,857
<u>\$ 1,270,282</u>	<u>\$ -</u>	<u>\$ 116,692</u>	<u>\$ 350,126</u>

CITY OF PRIOR LAKE

Nonmajor Capital Projects Funds
 Combining Statement of Revenues, Expenditures,
 and Changes in Fund Balances (continued)
 Year Ended December 31, 2021

	Tax Increment 5-1 Premiere	Tax Increment 6-1 Shepard's Path	Tax Increment 1-4 River Vet
Revenues			
Taxes	\$ 16,847	\$ 341,151	\$ 11,334
Special assessments	-	-	-
Charges for services	-	-	-
Investment income (losses)	33	890	(3)
Miscellaneous	-	-	-
Total revenues	<u>16,880</u>	<u>342,041</u>	<u>11,331</u>
Expenditures			
Current			
Economic development	-	-	-
Capital outlay	16,202	308,036	12,683
Debt service			
Interest and other	-	-	-
Total expenditures	<u>16,202</u>	<u>308,036</u>	<u>12,683</u>
Excess (deficiency) of revenues over expenditures	678	34,005	(1,352)
Other financing sources (uses)			
Bonds issued	-	-	-
Premium on bonds issued	-	-	-
Transfers in	-	-	-
Transfers out	-	-	-
Sale of capital assets	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	678	34,005	(1,352)
Fund balances			
Beginning of year	<u>10,435</u>	<u>428,223</u>	<u>1,352</u>
End of year	<u>\$ 11,113</u>	<u>\$ 462,228</u>	<u>\$ -</u>

<u>Tax Increment 1-5 Gateway Ctr</u>	<u>Revolving Park Equipment</u>	<u>Facility Management</u>	<u>Permanent Improvement Revolving</u>	<u>Total</u>
\$ 201,362	\$ 377,113	\$ 80,072	\$ 120,108	\$ 2,204,428
–	–	–	149,283	153,067
–	–	–	–	1,160,987
306	1,628	594	(189)	11,058
–	–	–	–	5,543
<u>201,668</u>	<u>378,741</u>	<u>80,666</u>	<u>269,202</u>	<u>3,535,083</u>
–	–	–	–	218
192,314	62,095	237,949	–	3,112,050
–	–	–	–	7,888
<u>192,314</u>	<u>62,095</u>	<u>237,949</u>	<u>–</u>	<u>3,120,156</u>
9,354	316,646	(157,283)	269,202	414,927
–	–	–	–	494,292
–	–	–	–	50,490
–	–	930,000	–	1,882,076
–	(414,000)	–	(287,150)	(1,389,555)
–	–	–	–	114,480
<u>–</u>	<u>(414,000)</u>	<u>930,000</u>	<u>(287,150)</u>	<u>1,151,783</u>
9,354	(97,354)	772,717	(17,948)	1,566,710
<u>27,229</u>	<u>1,223,090</u>	<u>509,961</u>	<u>359,808</u>	<u>9,526,823</u>
<u>\$ 36,583</u>	<u>\$ 1,125,736</u>	<u>\$ 1,282,678</u>	<u>\$ 341,860</u>	<u>\$ 11,093,533</u>

CITY OF PRIOR LAKE

General Fund
 Schedule of Revenues, Expenditures, and
 Changes in Fund Balances – Budget and Actual
 Year Ended December 31, 2021
 (With Comparative Actual Amounts for the Year Ended December 31, 2020)

	2021			Variance With Final Budget	2020
	Budgeted Amounts		Actual		Actual
	Original	Final			
Revenues					
Taxes					
Property taxes	\$ 9,433,959	\$ 9,433,959	\$ 9,462,313	\$ 28,354	\$ 8,923,782
Franchise taxes	637,000	637,000	662,709	25,709	670,917
Total taxes	<u>10,070,959</u>	<u>10,070,959</u>	<u>10,125,022</u>	<u>54,063</u>	<u>9,594,699</u>
Special assessments	–	–	5,482	5,482	5,457
Licenses and permits					
Business	83,785	83,785	80,110	(3,675)	11,625
Nonbusiness	711,766	711,766	919,796	208,030	888,976
Total licenses and permits	<u>795,551</u>	<u>795,551</u>	<u>999,906</u>	<u>204,355</u>	<u>900,601</u>
Intergovernmental					
Federal grants	10,500	10,500	–	(10,500)	1,957,795
State					
Road and bridge aid	377,000	377,000	361,833	(15,167)	417,958
Fire relief aid	252,000	252,000	302,483	50,483	248,275
Police aid	257,200	257,200	297,541	40,341	296,262
Other state aids	76,905	76,905	65,000	(11,905)	34,315
County and local					
Township fire and rescue aid	430,540	430,540	429,675	(865)	365,765
Liaison aid	56,090	56,090	61,300	5,210	54,670
Other local aids	–	–	5,124	5,124	17,000
Payment in lieu of taxes	700,000	700,000	800,000	100,000	700,000
Total intergovernmental	<u>2,160,235</u>	<u>2,160,235</u>	<u>2,322,956</u>	<u>162,721</u>	<u>4,092,040</u>
Charges for services					
Zoning fees	30,000	30,000	44,551	14,551	36,370
Plan check fees	300,424	300,424	378,103	77,679	397,284
Park fees	196,575	196,575	202,246	5,671	128,565
Project fees	122,000	122,000	232,318	110,318	41,995
Park program revenue	62,000	62,000	103,114	41,114	36,348
Tower leases	306,324	306,324	407,914	101,590	305,566
Park admission/rent	107,200	107,200	111,913	4,713	96,534
Facility rental	37,349	37,349	46,265	8,916	36,374
Reports	1,300	1,300	2,082	782	2,369
Total charges for services	<u>1,163,172</u>	<u>1,163,172</u>	<u>1,528,506</u>	<u>365,334</u>	<u>1,081,405</u>

CITY OF PRIOR LAKE

General Fund
 Schedule of Revenues, Expenditures, and
 Changes in Fund Balances – Budget and Actual (continued)
 Year Ended December 31, 2021
 (With Comparative Actual Amounts for the Year Ended December 31, 2020)

	2021			Variance With Final Budget	2020
	Budgeted Amounts		Actual		Actual
	Original	Final			
Revenues (continued)					
Fines and forfeits	–	–	38	38	1,652
Investment income					
Interest earnings	86,800	86,800	146,710	59,910	153,053
Amortization – (premium)/discount	–	–	(100,471)	(100,471)	(66,083)
Unrealized gain (loss)	–	–	(129,724)	(129,724)	99,850
Total investment income	86,800	86,800	(83,485)	(170,285)	186,820
Miscellaneous					
Other	24,000	24,000	216,771	192,771	82,535
Contributions and donations	–	–	38,613	38,613	14,734
Developers' agreements	130,000	130,000	457,776	327,776	62,062
Total miscellaneous	154,000	154,000	713,160	559,160	159,331
Total revenues	14,430,717	14,430,717	15,611,585	1,180,868	16,022,005
Expenditures					
Current expenditures					
General government					
Mayor and City Council					
Personal services	66,234	66,234	65,163	(1,071)	61,277
Supplies	300	300	296	(4)	170
Other services and charges	8,400	8,400	6,239	(2,161)	4,240
Total Mayor and City Council	74,934	74,934	71,698	(3,236)	65,687
Ordinance					
Other services and charges	6,000	6,000	5,820	(180)	5,440
Administration					
Personal services	197,222	197,222	236,404	39,182	243,543
Supplies	6,500	6,500	12,105	5,605	7,176
Other services and charges	66,430	66,430	66,825	395	67,020
Total administration	270,152	270,152	315,334	45,182	317,739
Boards and commissions					
Personal services	10,765	10,765	7,613	(3,152)	5,306
Other services and charges	600	600	–	(600)	201
Total boards and commissions	11,365	11,365	7,613	(3,752)	5,507

CITY OF PRIOR LAKE

General Fund
 Schedule of Revenues, Expenditures, and
 Changes in Fund Balances – Budget and Actual (continued)
 Year Ended December 31, 2021
 (With Comparative Actual Amounts for the Year Ended December 31, 2020)

	2021			Variance With Final Budget	2020
	Budgeted Amounts		Actual		Actual
	Original	Final			
Expenditures (continued)					
Current expenditures (continued)					
General government (continued)					
City Clerk					
Personal services	120,422	120,422	121,142	720	115,545
Supplies	100	100	35	(65)	76
Other services and charges	1,750	1,750	641	(1,109)	1,540
Total City Clerk	122,272	122,272	121,818	(454)	117,161
Election					
Personal services	3,500	3,500	671	(2,829)	43,468
Supplies	3,500	3,500	19	(3,481)	8,991
Other services and charges	–	–	–	–	5,934
Total election	7,000	7,000	690	(6,310)	58,393
Finance					
Personal services	537,955	537,955	544,593	6,638	481,376
Supplies	1,450	1,450	1,619	169	1,533
Other services and charges	25,845	25,845	20,768	(5,077)	16,989
Total finance	565,250	565,250	566,980	1,730	499,898
Auditing					
Other services and charges	41,200	41,200	40,333	(867)	31,184
Assessing					
Other services and charges	224,260	224,260	223,111	(1,149)	216,236
Legal services					
Other services and charges	180,000	180,000	181,237	1,237	193,279
Personnel					
Personal services	271,624	271,624	273,004	1,380	269,685
Supplies	250	250	86	(164)	46
Other services and charges	44,200	61,800	50,826	(10,974)	33,475
Total personnel	316,074	333,674	323,916	(9,758)	303,206
Communications					
Personal services	128,054	128,054	126,814	(1,240)	111,308
Supplies	200	200	106	(94)	–
Other services and charges	33,816	33,816	32,383	(1,433)	38,736
Total communications	162,070	162,070	159,303	(2,767)	150,044

CITY OF PRIOR LAKE

General Fund
 Schedule of Revenues, Expenditures, and
 Changes in Fund Balances – Budget and Actual (continued)
 Year Ended December 31, 2021

(With Comparative Actual Amounts for the Year Ended December 31, 2020)

	2021			Variance With Final Budget	2020
	Budgeted Amounts		Actual		Actual
	Original	Final			
Expenditures (continued)					
Current expenditures (continued)					
General government (continued)					
Community development					
Personal services	317,724	317,724	309,445	(8,279)	304,334
Supplies	4,000	4,000	1,475	(2,525)	3,536
Other services and charges	58,200	58,200	34,664	(23,536)	142,284
Total community development	379,924	379,924	345,584	(34,340)	450,154
Technology					
Personal services	225,935	225,935	222,025	(3,910)	141,468
Supplies	33,800	33,800	28,888	(4,912)	45,693
Other services and charges	125,381	125,381	132,620	7,239	197,960
Total technology	385,116	385,116	383,533	(1,583)	385,121
Buildings and plant					
Personal services	91,018	91,018	71,775	(19,243)	61,740
Supplies	8,000	8,000	9,829	1,829	7,762
Other services and charges	418,512	418,512	431,692	13,180	411,129
Total buildings and plant	517,530	517,530	513,296	(4,234)	480,631
Total general government	3,263,147	3,280,747	3,260,266	(20,481)	3,279,680
Public safety					
Police					
Personal services	4,736,215	4,939,965	4,941,451	1,486	4,543,382
Supplies	193,394	225,748	156,267	(69,481)	181,722
Other services and charges	370,760	370,760	313,512	(57,248)	286,851
Total police	5,300,369	5,536,473	5,411,230	(125,243)	5,011,955
Fire and rescue					
Personal services	760,123	792,293	835,660	43,367	759,660
Supplies	125,760	125,760	118,237	(7,523)	91,930
Other services and charges	190,467	190,467	181,355	(9,112)	144,264
Total fire and rescue	1,076,350	1,108,520	1,135,252	26,732	995,854
Building inspections					
Personal services	679,565	679,565	664,385	(15,180)	614,709
Supplies	14,300	14,300	7,737	(6,563)	8,444
Other services and charges	36,936	36,936	12,720	(24,216)	23,013
Total building inspections	730,801	730,801	684,842	(45,959)	646,166
Emergency management					
Other services and charges	15,090	15,090	1,220	(13,870)	10,335

CITY OF PRIOR LAKE

General Fund
 Schedule of Revenues, Expenditures, and
 Changes in Fund Balances – Budget and Actual (continued)
 Year Ended December 31, 2021

(With Comparative Actual Amounts for the Year Ended December 31, 2020)

	2021			Variance With Final Budget	2020
	Budgeted Amounts		Actual		Actual
	Original	Final			
Expenditures (continued)					
Current expenditures (continued)					
Public safety (continued)					
Animal control					
Other services and charges	28,800	28,800	28,800	–	29,195
Total public safety	7,151,410	7,419,684	7,261,344	(158,340)	6,693,505
Public works					
Engineering					
Personal services	350,041	350,041	399,468	49,427	316,764
Supplies	10,700	10,700	4,132	(6,568)	8,004
Other services and charges	28,364	28,364	83,610	55,246	31,353
Total engineering	389,105	389,105	487,210	98,105	356,121
Central garage					
Personal services	247,198	247,198	234,597	(12,601)	232,956
Supplies	184,825	184,825	104,690	(80,135)	177,965
Other services and charges	59,350	59,350	46,823	(12,527)	59,315
Total central garage	491,373	491,373	386,110	(105,263)	470,236
Streets					
Personal services	503,876	503,876	516,549	12,673	470,933
Supplies	338,963	338,963	270,435	(68,528)	208,033
Other services and charges	522,599	522,599	438,926	(83,673)	494,089
Total streets	1,365,438	1,365,438	1,225,910	(139,528)	1,173,055
Total public works	2,245,916	2,245,916	2,099,230	(146,686)	1,999,412
Culture and recreation					
Recreation					
Personal services	360,011	360,011	327,142	(32,869)	249,411
Supplies	86,002	86,002	78,594	(7,408)	57,188
Other services and charges	35,800	35,800	71,417	35,617	32,175
Total recreation	481,813	481,813	477,153	(4,660)	338,774
Parks					
Personal services	1,081,258	1,081,258	974,138	(107,120)	863,292
Supplies	183,355	183,355	154,663	(28,692)	123,499
Other services and charges	339,519	339,519	317,544	(21,975)	240,858
Total parks	1,604,132	1,604,132	1,446,345	(157,787)	1,227,649

CITY OF PRIOR LAKE

General Fund
 Schedule of Revenues, Expenditures, and
 Changes in Fund Balances – Budget and Actual (continued)
 Year Ended December 31, 2021
 (With Comparative Actual Amounts for the Year Ended December 31, 2020)

	2021			Variance With Final Budget	2020
	Budgeted Amounts		Actual		Actual
	Original	Final			
Expenditures (continued)					
Current expenditures (continued)					
Culture and recreation (continued)					
Libraries					
Supplies	5,000	5,000	2,656	(2,344)	2,839
Other services and charges	63,224	63,224	56,633	(6,591)	59,510
Total libraries	<u>68,224</u>	<u>68,224</u>	<u>59,289</u>	<u>(8,935)</u>	<u>62,349</u>
Total culture and recreation	<u>2,154,169</u>	<u>2,154,169</u>	<u>1,982,787</u>	<u>(171,382)</u>	<u>1,628,772</u>
Total current expenditures	14,814,642	15,100,516	14,603,627	(496,889)	13,601,369
Capital outlay					
General government					
Technology	–	–	–	–	85,525
Public safety					
Police	3,000	3,000	33,276	30,276	46,544
Public works					
Central Garage	–	–	60,621	60,621	–
Buildings and plant	6,500	6,500	10,261	3,761	12,239
Parks					
Infrastructure	–	–	27,596	27,596	–
Total capital outlay	<u>9,500</u>	<u>9,500</u>	<u>131,754</u>	<u>122,254</u>	<u>144,308</u>
Total expenditures	<u>14,824,142</u>	<u>15,110,016</u>	<u>14,735,381</u>	<u>(374,635)</u>	<u>13,745,677</u>
Excess (deficiency) of revenues over expenditures	(393,425)	(679,299)	876,204	1,555,503	2,276,328
Other financing sources (uses)					
Transfers in	523,000	523,000	523,000	–	470,000
Transfers out	(253,575)	(1,112,697)	(1,112,697)	–	(538,018)
Sale of assets	–	–	30,022	30,022	2,603
Total other financing sources (uses)	<u>269,425</u>	<u>(589,697)</u>	<u>(559,675)</u>	<u>30,022</u>	<u>(65,415)</u>
Net change in fund balances	<u>\$ (124,000)</u>	<u>\$ (1,268,996)</u>	316,529	<u>\$ 1,585,525</u>	2,210,913
Fund balances					
Beginning of year			10,114,088		7,903,175
End of year			<u>\$ 10,430,617</u>		<u>\$ 10,114,088</u>

CITY OF PRIOR LAKE

Debt Service Fund
 Balance Sheet by Account
 as of December 31, 2021

	City Hall 2005	Fire Station #2	Water Treatment Plant	Tax Increment 2004
Assets				
Cash and investments	\$ -	\$ -	\$ 2,037	\$ 27,118
Receivables				
Accounts	-	-	-	135
Special assessments				
Delinquent	-	-	-	-
Deferred	-	-	-	-
Other (Green Acres)	-	-	-	-
Due from other funds	-	-	-	-
Due from other governmental agencies	-	-	-	-
Total assets	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,037</u>	<u>\$ 27,253</u>
Liabilities				
Accounts and contracts payable	\$ -	\$ -	\$ -	\$ 151
Due to other funds	-	-	-	-
Total liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>151</u>
Deferred inflows of resources				
Unavailable revenue from special assessments	-	-	-	-
Fund balances				
Restricted for debt service	<u>-</u>	<u>-</u>	<u>2,037</u>	<u>27,102</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,037</u>	<u>\$ 27,253</u>

<u>Fish Point</u>	<u>CR 12 and 2010 Reconstruction</u>	<u>Boudin Phase I</u>	<u>Boudin Phase II</u>	<u>Welcome, CR 12, Sunset</u>	<u>CSAH 44, Crest, Maplewood</u>
\$ -	\$ -	\$ -	\$ -	\$ 302,884	\$ -
-	-	-	-	4,039	-
-	-	-	-	1,621	-
30,112	-	-	-	214,706	-
451,350	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	833	-
<u>\$ 481,462</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 524,083</u>	<u>\$ -</u>
\$ -	\$ -	\$ -	\$ -	\$ 149	\$ -
-	-	-	-	-	-
-	-	-	-	149	-
481,462	-	-	-	216,327	-
-	-	-	-	307,607	-
<u>\$ 481,462</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 524,083</u>	<u>\$ -</u>

CITY OF PRIOR LAKE

Debt Service Fund
 Balance Sheet by Account (continued)
 as of December 31, 2021

	<u>GESP Lease</u>	<u>Street Reconstruction 2015</u>	<u>TH 13, 150th Street 2015 Reconstruction</u>	<u>Manitou Road Improvement</u>
Assets				
Cash and investments	\$ 67,135	\$ 258,907	\$ 329,354	\$ 116,155
Receivables				
Accounts	3,911	881	(74)	(110)
Special assessments				
Delinquent	-	9,328	-	507
Deferred	14,441	417,396	-	104,809
Other (Green Acres)	-	-	-	-
Due from other funds	-	-	-	-
Due from other governmental agencies	1,968	862	863	349
Total assets	<u>\$ 87,455</u>	<u>\$ 687,374</u>	<u>\$ 330,143</u>	<u>\$ 221,710</u>
Liabilities				
Accounts and contracts payable	\$ -	\$ 150	\$ 150	\$ 50
Due to other funds	-	-	-	-
Total liabilities	<u>-</u>	<u>150</u>	<u>150</u>	<u>50</u>
Deferred inflows of resources				
Unavailable revenue from special assessments	14,441	426,724	-	105,316
Fund balances				
Restricted for debt service	<u>73,014</u>	<u>260,500</u>	<u>329,993</u>	<u>116,344</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 87,455</u>	<u>\$ 687,374</u>	<u>\$ 330,143</u>	<u>\$ 221,710</u>

TH 13, 150th Street 2016 Reconstruction	Equipment 2016	Cates, Balsam, Franklin Trail, Sycamore Trail, Maintenance Center Roof Improvements 2017	2017 Mill and Overlay Improvements	2018 Franklin, Huron, Woodside	2018 Street Overlay
\$ 11,189	\$ 17,640	\$ 529,900	\$ 9,476	\$ 336,577	\$ 19,942
(5)	(13)	102	(5)	(216)	(9)
-	-	2,381	-	-	-
-	-	438,952	-	356,810	-
-	-	-	-	-	-
-	-	-	-	-	-
189	307	2,766	18	2,564	35
<u>\$ 11,373</u>	<u>\$ 17,934</u>	<u>\$ 974,101</u>	<u>\$ 9,489</u>	<u>\$ 695,735</u>	<u>\$ 19,968</u>
\$ 50	\$ 50	\$ 75	\$ 75	\$ 74	\$ 75
-	-	-	-	-	-
50	50	75	75	74	75
-	-	441,334	-	356,810	-
11,323	17,884	532,692	9,414	338,851	19,893
<u>\$ 11,373</u>	<u>\$ 17,934</u>	<u>\$ 974,101</u>	<u>\$ 9,489</u>	<u>\$ 695,735</u>	<u>\$ 19,968</u>

CITY OF PRIOR LAKE

Debt Service Fund
 Balance Sheet by Account (continued)
 as of December 31, 2021

	2019 Street <u>Improvements</u>	2019 Street <u>Overlay</u>	Fish Point <u>Road</u>
Assets			
Cash and investments	\$ 113,281	\$ -	\$ 181,002
Receivables			
Accounts	(22)	(12)	1,057
Special assessments			
Delinquent	-	-	-
Deferred	9,384	-	492,831
Other (Green Acres)	-	-	-
Due from other funds	390	-	-
Due from other governmental agencies	<u>981</u>	<u>-</u>	<u>786</u>
Total assets	<u><u>\$ 124,014</u></u>	<u><u>\$ (12)</u></u>	<u><u>\$ 675,676</u></u>
Liabilities			
Accounts and contracts payable	\$ 75	\$ 75	\$ 150
Due to other funds	<u>-</u>	<u>390</u>	<u>-</u>
Total liabilities	75	465	150
Deferred inflows of resources			
Unavailable revenue from special assessments	9,384	-	492,831
Fund balances			
Restricted for debt service	<u>114,555</u>	<u>(477)</u>	<u>182,695</u>
Total liabilities, deferred inflows of resources, and fund balances	<u><u>\$ 124,014</u></u>	<u><u>\$ (12)</u></u>	<u><u>\$ 675,676</u></u>

<u>2021B</u> <u>Refunding</u>	<u>Total</u>
\$ 235,958	\$ 2,558,555
386	10,045
—	13,837
12,516	2,091,957
—	451,350
—	390
<u>4,047</u>	<u>16,568</u>
<u>\$ 252,907</u>	<u>\$ 5,142,702</u>
\$ 150	\$ 1,499
—	390
<u>150</u>	<u>1,889</u>
12,516	2,557,145
<u>240,241</u>	<u>2,583,668</u>
<u>\$ 252,907</u>	<u>\$ 5,142,702</u>

CITY OF PRIOR LAKE

Debt Service Fund
 Schedule of Revenues, Expenditures,
 and Changes in Fund Balances by Account
 Year Ended December 31, 2021

	City Hall 2005	Fire Station #2	Water Treatment Plant	Tax Increment 2004
Revenues				
Taxes	\$ 682,641	\$ -	\$ -	\$ -
Special assessments	-	-	-	-
Investment income (losses)	(1,109)	-	-	23
Total revenues	<u>681,532</u>	<u>-</u>	<u>-</u>	<u>23</u>
Expenditures				
Debt service				
Principal	-	-	420,000	25,000
Interest and other	135,763	78,351	145,700	3,369
Total expenditures	<u>135,763</u>	<u>78,351</u>	<u>565,700</u>	<u>28,369</u>
Excess (deficiency) of revenues over expenditures	545,769	(78,351)	(565,700)	(28,346)
Other financing sources (uses)				
Bonds issued	-	-	-	-
Refunding bonds issued	4,986,910	2,490,000	-	-
Premium on bonds issued	1,020,129	214,290	-	-
Refunded bond payments	(5,940,700)	(2,668,899)	-	-
Transfers in	-	47,753	565,700	25,500
Transfers out	(634,653)	(4,879)	-	-
Total other financing sources (uses)	<u>(568,314)</u>	<u>78,265</u>	<u>565,700</u>	<u>25,500</u>
Net change in fund balances	(22,545)	(86)	-	(2,846)
Fund balances (deficit)				
Beginning of year	<u>22,545</u>	<u>86</u>	<u>2,037</u>	<u>29,948</u>
End of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,037</u>	<u>\$ 27,102</u>

Fish Point	CR 12 and 2010 Reconstruction	Boudin Phase I	Boudin Phase II	Welcome, CR 12, Sunset	CSAH 44, Crest, Maplewood
\$	-	\$ 127,857	\$ 170,982	\$ 182,099	\$ 197,979
	-	31,306	22,543	97,298	8,606
	-	(538)	(728)	(446)	(855)
	-	158,625	192,797	278,951	205,730
	-	225,000	-	325,000	-
	-	6,076	13,304	24,600	22,349
	-	231,076	13,304	349,600	22,349
	-	(72,451)	179,493	(70,649)	183,381
	-	-	-	-	-
	-	-	490,000	-	879,567
	-	-	12,464	-	79,558
	-	-	(491,270)	-	(947,426)
	-	-	-	-	-
	-	(20,343)	(332,620)	-	(395,649)
	-	(20,343)	(321,426)	-	(383,950)
	-	(92,794)	(141,933)	(70,649)	(200,569)
	-	92,794	141,933	378,256	200,569
\$	-	\$	-	\$ 307,607	\$
	-	-	-	-	-

CITY OF PRIOR LAKE

Debt Service Fund
 Schedule of Revenues, Expenditures,
 and Changes in Fund Balances by Account (continued)
 Year Ended December 31, 2021

	<u>GESP Lease</u>	<u>Street Reconstruction 2015</u>	<u>TH 13, 150th Street 2015 Reconstruction</u>	<u>Manitou Road Improvement</u>
Revenues				
Taxes	\$ 302,207	\$ -	\$ 188,557	\$ 76,198
Special assessments	3,053	125,229	-	28,740
Investment income (losses)	111	602	(768)	(117)
Total revenues	<u>305,371</u>	<u>125,831</u>	<u>187,789</u>	<u>104,821</u>
Expenditures				
Debt service				
Principal	274,859	-	315,000	110,000
Interest and other	25,755	116,470	17,385	13,250
Total expenditures	<u>300,614</u>	<u>116,470</u>	<u>332,385</u>	<u>123,250</u>
Excess (deficiency) of revenues over expenditures	4,757	9,361	(144,596)	(18,429)
Other financing sources (uses)				
Bonds issued	-	-	-	-
Refunding bonds issued	-	-	-	-
Premium on bonds issued	-	-	-	-
Refunded bond payments	-	-	-	-
Transfers in	20,343	75,000	-	-
Transfers out	-	-	(75,000)	-
Total other financing sources (uses)	<u>20,343</u>	<u>75,000</u>	<u>(75,000)</u>	<u>-</u>
Net change in fund balances	25,100	84,361	(219,596)	(18,429)
Fund balances (deficit)				
Beginning of year	<u>47,914</u>	<u>176,139</u>	<u>549,589</u>	<u>134,773</u>
End of year	<u>\$ 73,014</u>	<u>\$ 260,500</u>	<u>\$ 329,993</u>	<u>\$ 116,344</u>

TH 13, 150th Street 2016 Reconstruction	Equipment 2016	Cates, Balsam, Franklin Trail, Sycamore Trail, Maintenance Center Roof Improvements 2017	2017 Mill and Overlay Improvements	2018 Franklin, Huron, Woodside	2018 Street Overlay
\$ 41,328	\$ 67,157	\$ 304,790	\$ 3,874	\$ 560,504	\$ 7,749
-	-	171,387	-	80,834	-
(54)	(94)	(340)	11	(585)	25
<u>41,274</u>	<u>67,063</u>	<u>475,837</u>	<u>3,885</u>	<u>640,753</u>	<u>7,774</u>
35,000	60,000	425,000	75,000	465,000	100,000
4,350	3,650	61,438	3,075	187,875	12,475
<u>39,350</u>	<u>63,650</u>	<u>486,438</u>	<u>78,075</u>	<u>652,875</u>	<u>112,475</u>
1,924	3,413	(10,601)	(74,190)	(12,122)	(104,701)
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	78,000	-	112,400
-	-	-	-	-	-
<u>-</u>	<u>-</u>	<u>-</u>	<u>78,000</u>	<u>-</u>	<u>112,400</u>
1,924	3,413	(10,601)	3,810	(12,122)	7,699
9,399	14,471	543,293	5,604	350,973	12,194
<u>\$ 11,323</u>	<u>\$ 17,884</u>	<u>\$ 532,692</u>	<u>\$ 9,414</u>	<u>\$ 338,851</u>	<u>\$ 19,893</u>

CITY OF PRIOR LAKE

Debt Service Fund
 Schedule of Revenues, Expenditures,
 and Changes in Fund Balances by Account (continued)
 Year Ended December 31, 2021

	2019 Street Improvements	2019 Street Overlay	Fish Point Road
Revenues			
Taxes	\$ 214,386	\$ -	\$ 786
Special assessments	1,599	-	81,000
Investment income (losses)	221	(402)	379
Total revenues	<u>216,206</u>	<u>(402)</u>	<u>82,165</u>
Expenditures			
Debt service			
Principal	145,000	80,000	410,000
Interest and other	78,325	16,825	62,844
Total expenditures	<u>223,325</u>	<u>96,825</u>	<u>472,844</u>
Excess (deficiency) of revenues over expenditures	(7,119)	(97,227)	(390,679)
Other financing sources (uses)			
Bonds issued	-	-	30,053
Refunding bonds issued	-	-	-
Premium on bonds issued	-	-	-
Refunded bond payments	-	-	-
Transfers in	-	96,750	543,321
Transfers out	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>96,750</u>	<u>573,374</u>
Net change in fund balances	(7,119)	(477)	182,695
Fund balances (deficit)			
Beginning of year	<u>121,674</u>	<u>-</u>	<u>-</u>
End of year	<u>\$ 114,555</u>	<u>\$ (477)</u>	<u>\$ 182,695</u>

<u>2021B</u> <u>Refunding</u>	<u>Total</u>
\$ 4,047	\$ 3,133,141
-	651,595
843	(3,821)
<u>4,890</u>	<u>3,780,915</u>
685,000	4,174,859
<u>113,474</u>	<u>1,146,703</u>
<u>798,474</u>	<u>5,321,562</u>
(793,584)	(1,540,647)
3,523	33,576
-	8,846,477
-	1,326,441
-	(10,048,295)
1,030,302	2,595,069
<u>-</u>	<u>(1,463,144)</u>
<u>1,033,825</u>	<u>1,290,124</u>
240,241	(250,523)
<u>-</u>	<u>2,834,191</u>
<u>\$ 240,241</u>	<u>\$ 2,583,668</u>

CITY OF PRIOR LAKE

Internal Service Funds
 Combining Statement of Net Position
 as of December 31, 2021

	<u>Severance Compensation</u>	<u>Insurance</u>	<u>Total</u>
Current assets			
Cash and investments	\$ 546,310	\$ 92,111	\$ 638,421
Receivables			
Accounts	<u>2,828</u>	<u>247</u>	<u>3,075</u>
Total current assets	<u>\$ 549,138</u>	<u>\$ 92,358</u>	<u>\$ 641,496</u>
Current liabilities			
Current portion of compensated absences payable	\$ 404,427	\$ -	\$ 404,427
Noncurrent liabilities			
Compensated absences payable	<u>650,340</u>	<u>-</u>	<u>650,340</u>
Total liabilities	1,054,767	-	1,054,767
Net position			
Unrestricted	<u>(505,629)</u>	<u>92,358</u>	<u>(413,271)</u>
Total liabilities and net position	<u>\$ 549,138</u>	<u>\$ 92,358</u>	<u>\$ 641,496</u>

CITY OF PRIOR LAKE

Internal Service Funds
 Combining Statement of Revenues, Expenses, and Changes in Net Position
 Year Ended December 31, 2021

	<u>Severance Compensation</u>	<u>Insurance</u>	<u>Total</u>
Operating revenues			
Charges for services	\$ 42,773	\$ –	\$ 42,773
Operating expenses			
Personal services	<u>105,961</u>	<u>–</u>	<u>105,961</u>
Operating income (loss)	(63,188)	–	(63,188)
Nonoperating revenues			
Investment income	537	248	785
Other income	<u>–</u>	<u>63,940</u>	<u>63,940</u>
Total nonoperating revenues	<u>537</u>	<u>64,188</u>	<u>64,725</u>
Change in net position	(62,651)	64,188	1,537
Net position			
Beginning of year	<u>(442,978)</u>	<u>28,170</u>	<u>(414,808)</u>
End of year	<u>\$ (505,629)</u>	<u>\$ 92,358</u>	<u>\$ (413,271)</u>

CITY OF PRIOR LAKE

Internal Service Funds
 Combining Statement of Cash Flows
 Year Ended December 31, 2021

	Severance Compensation	Insurance	Total
Cash flows from operating activities			
Cash received from customers	\$ 42,695	\$ –	\$ 42,695
Cash payments to employees	(2)	–	(2)
Other income	–	63,977	63,977
	<u>42,693</u>	<u>63,977</u>	<u>106,670</u>
Net cash flows from operating activities	42,693	63,977	106,670
Cash flows from investing activities			
Interest received on cash and investments	537	248	785
	<u>537</u>	<u>248</u>	<u>785</u>
Net increase (decrease) in cash and cash equivalents	43,230	64,225	107,455
Cash and cash equivalents, January 1	<u>503,080</u>	<u>27,886</u>	<u>530,966</u>
Cash and cash equivalents, December 31	<u>\$ 546,310</u>	<u>\$ 92,111</u>	<u>\$ 638,421</u>
Reconciliation of operating income (loss) to net cash flows from operating activities			
Operating income (loss)	\$ (63,188)	\$ –	\$ (63,188)
Other income	–	63,940	63,940
Adjustments to reconcile operating income (loss) to net cash flows from operating activities			
(Increase) decrease in assets			
Accounts receivable	(78)	37	(41)
Increase (decrease) in liabilities			
Compensated absences payable	105,959	–	105,959
	<u>105,959</u>	<u>–</u>	<u>105,959</u>
Net cash flows from operating activities	<u>\$ 42,693</u>	<u>\$ 63,977</u>	<u>\$ 106,670</u>

OTHER INFORMATION SECTION

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CITY OF PRIOR LAKE

Summary Financial Report
 Revenues and Expenditures for General Operations
 Governmental Funds
 Years Ended December 31, 2021 and 2020

	Total		Percent Increase (Decrease)
	2021	2020	
Revenues			
Taxes	\$ 15,150,166	\$ 14,366,193	5.5%
Franchise taxes	662,709	670,917	(1.2%)
Special assessments	823,992	936,363	(12.0%)
Licenses and permits	999,906	900,601	11.0%
Intergovernmental	2,907,728	4,839,981	(39.9%)
Charges for services	4,879,712	2,316,988	110.6%
Fines and forfeits	38	1,652	(97.7%)
Interest on investments	(55,755)	773,613	(107.2%)
Miscellaneous	895,066	250,514	257.3%
	<u>\$ 26,263,562</u>	<u>\$ 25,056,822</u>	4.8%
Total revenues			
Per capita	\$ 941	\$ 920	2.2%
Expenditures			
Current			
General government	\$ 3,261,673	\$ 3,284,404	(0.7%)
Public safety	7,294,884	6,706,401	8.8%
Public works	2,099,230	1,999,412	5.0%
Culture and recreation	1,999,915	1,639,924	22.0%
Economic development	235,101	170,354	38.0%
Capital outlay	9,075,221	4,383,058	107.1%
Debt service			
Principal	4,174,859	4,199,126	(0.6%)
Interest and other charges	1,190,560	1,125,331	5.8%
	<u>\$ 29,331,443</u>	<u>\$ 23,508,010</u>	24.8%
Total disbursements			
Per capita	\$ 1,051	\$ 864	21.7%
	<u>\$ 30,810,000</u>	<u>\$ 33,100,000</u>	(6.9%)
Total long-term bonded indebtedness			
Per capita	\$ 1,104	\$ 1,216	(9.2%)
	<u>\$ 10,430,617</u>	<u>\$ 10,114,088</u>	3.1%
General Fund balance – December 31			
Per capita	\$ 374	\$ 372	0.6%

The purpose of this report is to provide a summary of financial information concerning the City to interested citizens. The complete financial statements may be examined at City Hall, 4646 Dakota Street Southeast, Prior Lake, Minnesota 55372. Questions about this report should be directed to the Finance Director at (952) 447-9842.

CITY OF PRIOR LAKE

Combined Schedule of Indebtedness
Year Ended December 31, 2021

	Interest Rate		Issue Date	Final Maturity Date
Bonded indebtedness				
General obligation special assessment bonds				
G.O. Improvement Bonds of 2011A	1.80–2.50	%	08/31/2011	12/15/2021
G.O. Improvement Bonds of 2011B	2.00–2.35		12/14/2011	12/15/2022
G.O. Improvement Bonds of 2013A	2.00–2.65		08/15/2013	12/15/2023
G.O. Improvement Bonds of 2014A	2.00–2.50		09/25/2014	12/15/2024
G.O. Improvement Bonds of 2015A	2.00–3.00		05/14/2015	12/15/2030
G.O. Improvement Bonds of 2015B	1.00–2.25		05/14/2015	12/15/2022
G.O. Improvement Bonds of 2016A	2.00		05/01/2016	12/15/2026
G.O. Improvement Bonds of 2017A	2.00–2.25		06/29/2017	12/15/2027
G.O. Improvement Bonds of 2018A	4.00–5.00		08/15/2018	12/15/2028
G.O. Improvement Bonds of 2019A	5.00		06/27/2019	12/15/2029
G.O. Improvement Bonds of 2021A	1.00–3.00		07/15/2021	12/15/2031
G.O. Improvement Bonds of 2021B	5.00		07/26/2021	12/15/2029
Total general obligation special assessment bonds				
General obligation tax increment bonds				
G.O. Tax Increment Refunding Bonds of 2011A	1.80–3.00		08/31/2011	12/15/2024
General obligation bonds				
G.O. Improvement Bonds of 2011B	2.00–3.40		12/14/2011	12/15/2031
G.O. Capital Improvement Refunding Bonds of 2012A	2.00–2.70		03/13/2012	12/15/2029
G.O. Street Reconstruction Bonds of 2015B	1.00–2.25		05/14/2015	12/15/2022
G.O. Street Reconstruction Bonds of 2016A	2.00		05/01/2016	12/15/2026
G.O. Improvement Bonds of 2017A	2.00–2.25		06/29/2017	12/15/2024
G.O. Improvement Bonds of 2018A	4.00–5.00		08/15/2018	12/15/2028
G.O. Improvement Bonds of 2019A	5.00		06/27/2019	12/15/2028
G.O. Improvement Bonds of 2021A	1.00–3.00		07/15/2021	12/15/2031
G.O. Improvement Bonds of 2021B	5.00		07/26/2021	12/15/2029
Total general obligation bonds				
General obligation revenue bonds				
G.O. Improvement Refunding Bonds of 2015A	1.00–3.00		05/14/2015	12/15/2031
G.O. Improvement Refunding Bonds of 2016A	2.00		05/01/2016	12/15/2022
G.O. Improvement Bonds of 2018A	4.00–5.00		08/15/2018	12/15/2028
Total general obligation revenue bonds				
Total bonded indebtedness				

Authorized	Outstanding January 1	Issued (Retired)	Outstanding December 31	Due in 2022	
				Principal	Interest
\$ 2,130,000	\$ 225,000	\$ (225,000)	\$ –	\$ –	\$ –
2,280,000	490,000	(490,000)	–	–	–
3,240,000	965,000	(325,000)	640,000	320,000	16,480
2,170,000	945,000	(945,000)	–	–	–
4,640,000	4,640,000	–	4,640,000	–	115,825
160,000	50,000	(25,000)	25,000	25,000	563
1,105,000	660,000	(110,000)	550,000	110,000	11,000
4,135,000	2,895,000	(445,000)	2,450,000	450,000	51,063
4,465,000	3,545,000	(455,000)	3,090,000	475,000	140,900
1,850,000	1,700,000	(205,000)	1,495,000	210,000	74,750
2,770,000	–	2,520,000	2,520,000	440,000	65,627
880,000	–	665,000	665,000	210,000	33,250
<u>29,825,000</u>	<u>16,115,000</u>	<u>(40,000)</u>	<u>16,075,000</u>	<u>2,240,000</u>	<u>509,458</u>
290,000	110,000	(25,000)	85,000	25,000	2,550
3,500,000	2,660,000	(2,660,000)	–	–	–
9,825,000	5,925,000	(5,925,000)	–	–	–
2,330,000	715,000	(290,000)	425,000	425,000	9,563
760,000	395,000	(95,000)	300,000	95,000	6,000
370,000	220,000	(55,000)	165,000	55,000	3,300
1,165,000	915,000	(110,000)	805,000	110,000	36,700
215,000	200,000	(20,000)	180,000	20,000	9,000
2,990,000	–	2,830,000	2,830,000	215,000	72,537
4,990,000	–	4,520,000	4,520,000	420,000	226,000
<u>26,145,000</u>	<u>11,030,000</u>	<u>(1,805,000)</u>	<u>9,225,000</u>	<u>1,340,000</u>	<u>363,100</u>
5,360,000	5,135,000	(75,000)	5,060,000	75,000	130,375
1,640,000	710,000	(345,000)	365,000	365,000	7,300
2,640,000	2,190,000	(240,000)	1,950,000	250,000	89,700
<u>9,640,000</u>	<u>8,035,000</u>	<u>(660,000)</u>	<u>7,375,000</u>	<u>690,000</u>	<u>227,375</u>
<u>\$ 65,900,000</u>	<u>\$ 35,290,000</u>	<u>\$ (2,530,000)</u>	<u>\$ 32,760,000</u>	<u>\$ 4,295,000</u>	<u>\$ 1,102,483</u>

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CITY OF PRIOR LAKE

Bond Schedules
December 31, 2021

	Issue Date	Interest Rate	Final Maturity Date	Principal
General obligation special assessment bonds				
\$3,240,000 General Obligation				
Improvement Bonds, Series 2013A	08/15/2013	2.50 %	12/15/2022	\$ 320,000
		2.65	12/15/2023	320,000
Total				640,000
\$4,640,000 General Obligation				
Improvement Bonds, Series 2015A	05/14/2015	2.00 %	12/15/2023	405,000
		2.00	12/15/2024	575,000
		2.00	12/15/2025	775,000
		2.50	12/15/2026	610,000
		2.50	12/15/2027	555,000
		3.00	12/15/2028	550,000
		3.00	12/15/2029	600,000
		3.00	12/15/2030	570,000
Total				4,640,000
\$160,000 General Obligation				
Improvement Bonds, Series 2015B	05/14/2015	2.25 %	12/15/2022	25,000
\$1,105,000 General Obligation				
Improvement Bonds, Series 2016A	05/01/2016	2.00 %	12/15/2022	110,000
		2.00	12/15/2023	110,000
		2.00	12/15/2024	110,000
		2.00	12/15/2025	110,000
		2.00	12/15/2026	110,000
Total				550,000
\$4,135,000 General Obligation				
Improvement Bonds, Series 2017A	06/29/2017	2.00 %	12/15/2022	450,000
		2.00	12/15/2023	385,000
		2.00	12/15/2024	390,000
		2.00	12/15/2025	400,000
		2.25	12/15/2026	410,000
		2.25	12/15/2027	415,000
Total				2,450,000
\$4,465,000 General Obligation				
Improvement Bonds, Series 2018A	08/15/2018	4.00 %	12/15/2022	475,000
		4.00	12/15/2023	490,000
		4.00	12/15/2024	395,000
		5.00	12/15/2025	410,000
		5.00	12/15/2026	420,000
		5.00	12/15/2027	440,000
		5.00	12/15/2028	460,000
Total				3,090,000

CITY OF PRIOR LAKE

Bond Schedules (continued)
December 31, 2021

	Issue Date	Interest Rate	Final Maturity Date	Principal
General obligation special assessment bonds (continued)				
\$1,850,000 General Obligation				
Improvement Bonds, Series 2019A	06/27/2019	5.00 %	12/15/2022	210,000
		5.00	12/15/2023	220,000
		5.00	12/15/2024	235,000
		5.00	12/15/2025	150,000
		5.00	12/15/2026	160,000
		5.00	12/15/2027	165,000
		5.00	12/15/2028	175,000
		5.00	12/15/2029	180,000
Total				1,495,000
\$2,770,000 General Obligation				
Improvement Bonds, Series 2021A	07/15/2021	3.00 %	12/15/2022	440,000
		3.00	12/15/2023	205,000
		3.00	12/15/2024	210,000
		3.00	12/15/2025	220,000
		3.00	12/15/2026	225,000
		3.00	12/15/2027	230,000
		3.00	12/15/2028	240,000
		3.00	12/15/2029	245,000
		1.00	12/15/2030	250,000
		1.05	12/15/2031	255,000
Total				2,520,000
\$880,000 General Obligation				
Improvement Bonds, Series 2021B	07/26/2021	5.00 %	12/15/2022	210,000
		5.00	12/15/2023	220,000
		5.00	12/15/2024	235,000
Total				665,000
Total general obligation special assessment bonds				\$ 16,075,000
General obligation tax increment bonds				
\$290,000 Tax Increment Refunding				
Bonds, Series 2011A	08/31/2011	3.00 %	12/15/2022	\$ 25,000
		3.00	12/15/2023	30,000
		3.00	12/15/2024	30,000
Total general obligation tax increment bonds				\$ 85,000

CITY OF PRIOR LAKE

Bond Schedules (continued)
December 31, 2021

	Issue Date	Interest Rate	Final Maturity Date	Principal
General obligation bonds				
\$2,330,000 General Obligation				
Street Reconstruction Bonds, Series 2015B	05/14/2015	2.25 %	12/15/2022	\$ 425,000
\$760,000 General Obligation				
Street Reconstruction Bonds, Series 2016A	05/01/2016	2.00 %	12/15/2022	95,000
		2.00	12/15/2023	95,000
		2.00	12/15/2024	35,000
		2.00	12/15/2025	35,000
		2.00	12/15/2026	40,000
Total				300,000
\$370,000 General Obligation				
Improvement Bonds of 2017A	06/29/2017	2.00 %	12/15/2022	55,000
		2.00	12/15/2023	55,000
		2.00	12/15/2024	55,000
Total				165,000
\$1,165,000 General Obligation				
Improvement Bonds, Series 2018A	08/15/2018	4.00 %	12/15/2022	110,000
		4.00	12/15/2023	120,000
		4.00	12/15/2024	125,000
		5.00	12/15/2025	125,000
		5.00	12/15/2026	130,000
		5.00	12/15/2027	130,000
		5.00	12/15/2028	65,000
Total				805,000
\$215,000 General Obligation				
Improvement Bonds, Series 2019A	06/27/2019	5.00 %	12/15/2022	20,000
		5.00	12/15/2023	25,000
		5.00	12/15/2024	25,000
		5.00	12/15/2025	25,000
		5.00	12/15/2026	25,000
		5.00	12/15/2027	30,000
		5.00	12/15/2028	30,000
Total				180,000

CITY OF PRIOR LAKE

Bond Schedules (continued)
December 31, 2021

	Issue Date	Interest Rate	Final Maturity Date	Principal
General obligation bonds (continued)				
\$2,990,000 General Obligation				
Improvement Bonds, Series 2021A				
	07/15/2021	3.00 %	12/15/2022	215,000
		3.00	12/15/2023	230,000
		3.00	12/15/2024	250,000
		3.00	12/15/2025	275,000
		3.00	12/15/2026	285,000
		3.00	12/15/2027	300,000
		3.00	12/15/2028	320,000
		3.00	12/15/2029	330,000
		1.00	12/15/2030	350,000
		1.05	12/15/2031	275,000
Total				<u>2,830,000</u>
\$4,990,000 General Obligation				
Improvement Bonds, Series 2021B				
	07/26/2021	5.00 %	12/15/2022	420,000
		5.00	12/15/2023	455,000
		5.00	12/15/2024	490,000
		5.00	12/15/2025	530,000
		5.00	12/15/2026	580,000
		5.00	12/15/2027	630,000
		5.00	12/15/2028	680,000
		5.00	12/15/2029	735,000
Total				<u>4,520,000</u>
Total general obligation bonds				<u>\$ 9,225,000</u>

CITY OF PRIOR LAKE

Bond Schedules (continued)
December 31, 2021

	Issue Date	Interest Rate	Final Maturity Date	Principal
General obligation revenue bonds				
\$5,360,000 General Obligation Improvement Refunding Bonds, Series 2015A	05/14/2015	1.50 %	12/15/2022	\$ 75,000
		2.00	12/15/2023	480,000
		2.00	12/15/2024	495,000
		2.00	12/15/2025	515,000
		2.50	12/15/2026	530,000
		2.50	12/15/2027	550,000
		3.00	12/15/2028	570,000
		3.00	12/15/2029	590,000
		3.00	12/15/2030	615,000
				3.00
Total				5,060,000
\$1,640,000 General Obligation Improvement Refunding Bonds, Series 2016A	05/01/2016	2.00 %	12/15/2022	365,000
\$2,640,000 General Obligation Improvement Bonds, Series 2018A	08/15/2018	4.00 %	12/15/2022	250,000
		4.00	12/15/2023	260,000
		4.00	12/15/2024	270,000
		5.00	12/15/2025	270,000
		5.00	12/15/2026	280,000
		5.00	12/15/2027	300,000
		5.00	12/15/2028	320,000
Total				1,950,000
Total general obligation revenue bonds				<u>\$ 7,375,000</u>

CITY OF PRIOR LAKE

Debt Service Requirements
December 31, 2021

Year	General Obligation Bonds		General Obligation Special Assessment Bonds	
	Principal	Interest	Principal	Interest
2022	\$ 1,340,000	\$ 363,101	\$ 2,240,000	\$ 509,459
2023	980,000	317,688	2,355,000	436,495
2024	980,000	278,988	2,150,000	362,265
2025	990,000	238,938	2,065,000	295,165
2026	1,060,000	195,988	1,935,000	234,865
2027	1,090,000	149,888	1,805,000	172,440
2028	1,095,000	101,388	1,425,000	112,078
2029	1,065,000	53,038	1,025,000	56,628
2030	350,000	6,388	820,000	22,278
2031	275,000	2,887	255,000	2,677
Total	\$ 9,225,000	\$ 1,708,292	\$ 16,075,000	\$ 2,204,350

General Obligation Tax Increment Bonds		General Obligation Revenue Bonds	
Principal	Interest	Principal	Interest
\$ 25,000	\$ 2,550	\$ 690,000	\$ 227,375
30,000	1,800	740,000	208,950
30,000	900	765,000	188,950
–	–	785,000	168,250
–	–	810,000	144,450
–	–	850,000	117,200
–	–	890,000	88,450
–	–	590,000	55,350
–	–	615,000	37,650
–	–	640,000	19,200
<u>\$ 85,000</u>	<u>\$ 5,250</u>	<u>\$ 7,375,000</u>	<u>\$ 1,255,825</u>

CITY OF PRIOR LAKE

Tax Levies and Collections, and
Special Assessment Levies and Collections
Last Ten Years

Tax Levies and Collections

Year	Total Levy	Collection of Current Year Levy	Percentage of Levy Collected	Collections of Prior Years' Levy	Total Collections	Percentage of Total Collections to Levy
2012	\$ 9,414,124	\$ 9,414,124	100.00 %	\$ 132,726	\$ 9,546,850	101.41 %
2013	9,414,124	9,414,124	100.00	79,901	9,494,025	100.85
2014	9,448,918	9,448,918	100.00	86,180	9,535,098	100.91
2015	10,394,086	10,394,086	100.00	48,336	10,442,422	100.47
2016	11,078,361	11,034,353	99.60	68,478	11,102,831	100.22
2017	11,568,155	11,520,353	99.59	12,692	11,533,045	99.70
2018	12,077,538	11,994,082	99.31	61,762	12,055,844	99.82
2019	12,778,035	12,697,865	99.37	65,150	12,763,015	99.88
2020	13,326,387	13,260,149	99.50	32,451	13,292,600	99.75
2021	13,965,457	13,962,613	99.98	47,700	14,010,313	100.32

Special Assessment Levies and Collections

Year	Total Levy	Collection of Current Year Levy**	Percentage of Levy Collected	Collections of Prior Years' Levy	Total Collections	Percentage of Total Collections to Levy
2012	\$ 385,017	\$ 384,144	99.77 %	\$ 4,477	\$ 388,621	100.94 %
2013	393,347	391,132	99.44	5,606	396,738	100.86
2014	526,584	460,800	87.51	4,946	465,746	88.45
2015	354,412	365,481	103.12	11,655	377,136	106.41
2016	453,962	475,376	104.72	2,611	477,987	105.29
2017	504,420	474,936	94.15	7,331	482,267	95.61
2018	657,443	635,553	96.67	34,485	670,038	101.92
2019	728,099	699,440	96.06	13,554	712,994	97.93
2020	670,146	653,522	97.52	20,682	674,204	100.61
2021	644,393	633,503	98.31	30,387	663,890	103.03

**Excludes prepaid assessment collections

CITY OF PRIOR LAKE

Schedules of Market Value, Tax Levy, Tax Capacity Values,
Tax Capacity Rate, and Market Value Rate
Last Three Years

	<u>2019</u>	<u>2020</u>	<u>2021</u>
Taxable market value	\$ 3,447,986,900	\$ 3,713,161,300	\$ 4,055,591,900
Tax levy	\$ 12,778,035	\$ 13,326,387	\$ 13,965,457
Tax capacity, net of fiscal disparities, and tax increment	\$ 35,200,266	\$ 37,983,304	\$ 41,663,114
Tax capacity rate	33.020%	32.496%	30.265%
Market value rate	0.007%	0.007%	0.006%
EDA tax capacity rate	0.395%	0.840%	0.740%

CITY OF PRIOR LAKE

Key Financial Indicators
Last Three Years

	<u>2019</u>	<u>2020</u>	<u>2021</u>
Current population	26,849	27,222	27,917
Tax capacity, net of fiscal disparities, and tax increment	\$ 35,200,266	\$ 37,983,304	\$ 41,663,114
Percent of current property taxes collected	99.37%	99.50%	99.98%
City revenues per capita (governmental funds)	\$ 938	\$ 921	\$ 941
City expenditures per capita (governmental funds)	\$ 1,071	\$ 862	\$ 1,051
Ratio of bonded debt to tax capacity	103.88%	88.10%	76.73%
Bond rating	AA+ (S&P)	AA+ (S&P)	AA+ (S&P)

OTHER REQUIRED REPORTS

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

To the City Council and Management
City of Prior Lake, Minnesota

We have audited, 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, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Prior Lake, Minnesota (the City) as of and for the year ended December 31, 2021, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated May 9, 2022.

INTERNAL CONTROL OVER FINANCIAL REPORTING

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

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

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

(continued)

REPORT ON COMPLIANCE AND OTHER MATTERS

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

PURPOSE OF THIS REPORT

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

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

Minneapolis, Minnesota
May 9, 2022



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INDEPENDENT AUDITOR'S REPORT
ON MINNESOTA LEGAL COMPLIANCE

To the City Council and Management
City of Prior Lake, Minnesota

We have audited, 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, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Prior Lake, Minnesota (the City) as of and for the year ended December 31, 2021, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated May 9, 2022.

MINNESOTA LEGAL COMPLIANCE

In connection with our audit, nothing came to our attention that caused us to believe that the City failed to comply with the provisions of the contracting – bid laws, depositories of public funds and public investments, conflicts of interest, public indebtedness, claims and disbursements, miscellaneous provisions, and tax increment financing sections of the *Minnesota Legal Compliance Audit Guide for Cities*, promulgated by the State Auditor pursuant to Minnesota Statutes § 6.65, insofar as they relate to accounting matters. However, our audit was not directed primarily toward obtaining knowledge of such noncompliance. Accordingly, had we performed additional procedures, other matters may have come to our attention regarding the City's noncompliance with the above referenced provisions, insofar as they relate to accounting matters.

PURPOSE OF THIS REPORT

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

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

Minneapolis, Minnesota
May 9, 2022

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