

# PRELIMINARY OFFICIAL STATEMENT DATED JUNE 6, 2023

NEW ISSUE  
BANK QUALIFIED

BOOK ENTRY ONLY  
MOODY'S RATING "Aaa"

In the opinion of Dorsey & Whitney LLP, Bond Counsel, based on existing law and assuming the accuracy of certain representations and compliance with certain covenants, interest on the Bonds (i) is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986 (the "Code"), (ii) is not an item of tax preference for purposes of the federal alternative minimum tax imposed on noncorporate taxpayers by Section 55 of the Code, (iii) is excluded from taxable net income of individuals, estates, and trusts for Minnesota income tax purposes, and (iv) is not an item of tax preference for Minnesota alternative minimum tax purposes. Interest on the Bonds may, however, be taken into account in determining adjusted financial statement income for purposes of the federal alternative minimum tax imposed on applicable corporations (as defined in Section 59(k) of the Code), and is included in net income for purposes of the Minnesota franchise tax imposed on corporations and financial institutions.

The City will designate the Bonds as "qualified tax-exempt obligations" for purposes of Section 265(b)(3) of the Code relating to the ability of financial institutions to deduct from income for federal income tax purposes a portion of the interest expense that is allocable to carrying and acquiring tax-exempt obligations. See "Tax Considerations" herein.

## CITY OF LAKEVILLE, MINNESOTA \$10,000,000\* General Obligation Bonds, Series 2023A

Dated Date: Date of Delivery (Estimated to be July 20, 2023)

Interest Due: Each February 1 and August 1  
Commencing February 1, 2024

<u>Maturity*</u>	<u>Amount*</u>	<u>Rate</u>	<u>Yield</u>	<u>Price</u>	<u>Maturity*</u>	<u>Amount*</u>	<u>Rate</u>	<u>Yield</u>	<u>Price</u>
2/1/2025	\$635,000	_____ %	_____ %	_____	2/1/2035	\$225,000	_____ %	_____ %	_____
2/1/2026	655,000	_____	_____	_____	2/1/2036	235,000	_____	_____	_____
2/1/2027	680,000	_____	_____	_____	2/1/2037	245,000	_____	_____	_____
2/1/2028	700,000	_____	_____	_____	2/1/2038	250,000	_____	_____	_____
2/1/2029	720,000	_____	_____	_____	2/1/2039	260,000	_____	_____	_____
2/1/2030	740,000	_____	_____	_____	2/1/2040	270,000	_____	_____	_____
2/1/2031	760,000	_____	_____	_____	2/1/2041	285,000	_____	_____	_____
2/1/2032	780,000	_____	_____	_____	2/1/2042	295,000	_____	_____	_____
2/1/2033	805,000	_____	_____	_____	2/1/2043	305,000	_____	_____	_____
2/1/2034	835,000	_____	_____	_____	2/1/2044	320,000	_____	_____	_____

The General Obligation Bonds, Series 2023A (the "Bonds" or the "Issue") are being issued by the City of Lakeville, Minnesota (the "City" or the "Issuer") pursuant to Minnesota Statutes, Chapter 475 and Section 475.58, Subdivision 3b and a voter referendum held of November 2, 2021, which passed by a vote of 7,346 (yes) to 4,681 (no). Proceeds of the Bonds will be used to finance the City's 2023 street reconstruction projects and various park improvements and to pay costs associated with issuance of the Bonds. See *Authority and Purpose* herein for additional information.

The Bonds are valid and binding general obligations of the City and are payable from ad valorem taxes. The full faith and credit of the City is also pledged to their payment. In the event of any deficiency in the Bond Fund established for this Issue, the City has validly obligated itself to levy additional ad valorem taxes upon all of the taxable property within the City, without limitation of amount. See *Security/Sources and Uses of Funds* herein for additional information.

The Bonds maturing on February 1, 2032 and thereafter are subject to redemption, in whole or in part, on February 1, 2031 and on any date thereafter at a price of par plus accrued interest.

Principal due with respect to the Bonds is payable annually on February 1, commencing February 1, 2025. Interest due with respect to the Bonds is payable semiannually on February 1 and August 1, commencing February 1, 2024. The Bonds will be registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York. Individual purchases will be made in book-entry form only, in the principal amount of \$5,000 or any whole multiple thereof. Purchasers will not receive physical delivery of Bonds. See "Book-Entry System" in *Description of the Bonds* herein for additional information. The Paying Agent/Registrar will be U.S. Bank Trust Company, National Association, St. Paul, Minnesota.

**Proposals: Tuesday, June 20, 2023 10:00 A.M., Central Time**

**Award: Tuesday, June 20, 2023 6:30 P.M., Central Time**

Bids may contain a maturity schedule providing for any combination of serial or term bonds. All term bonds shall be subject to mandatory sinking fund redemption and must conform to the maturity schedule set forth above at a price of par plus accrued interest. Bids must be for not less than \$9,870,000 (98.70%) and accrued interest on the total principal amount of the Bonds. **Bids will not be subject to cancellation – see "Establishment of Issue Price" in the Notice of Sale herein for additional details.** The rate for any maturity may not be more than 2.00% less than the rate for any preceding maturity. A Good Faith Deposit (the "Deposit") in the amount of \$200,000, in the form of a federal wire transfer payable to the order of the City, will only be required from the apparent winning bidder, and must be received within two hours after the receipt of bids. See Notice of Sale for additional details. Award of the Bonds will be on the basis of True Interest Cost (TIC).

\* Preliminary, subject to change.



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THE BONDS ARE OFFERED, SUBJECT TO PRIOR SALE, WHEN, AS AND IF ACCEPTED BY THE UNDERWRITER(S) NAMED ON THE FRONT COVER OF THIS OFFICIAL STATEMENT AND SUBJECT TO AN OPINION AS TO VALIDITY OF THE BONDS BY BOND COUNSEL. SUBJECT TO APPLICABLE SECURITIES LAWS AND PREVAILING MARKET CONDITIONS, THE UNDERWRITER(S) INTENDS, BUT IS NOT OBLIGATED, TO EFFECT SECONDARY MARKET TRADING FOR THE BONDS. CLOSING DATE IS ESTIMATED TO BE JULY 20, 2023.

NO PERSON HAS BEEN AUTHORIZED TO GIVE ANY INFORMATION OR TO MAKE ANY REPRESENTATIONS OTHER THAN THOSE CONTAINED IN THIS OFFICIAL STATEMENT IN CONNECTION WITH THE OFFERS MADE HEREBY, AND IF GIVEN OR MADE, SUCH INFORMATION OR REPRESENTATIONS MUST NOT BE RELIED UPON AS HAVING BEEN AUTHORIZED BY THE CITY OR THE UNDERWRITER(S). NEITHER THE DELIVERY OF THIS OFFICIAL STATEMENT NOR ANY SALE HEREUNDER SHALL UNDER ANY CIRCUMSTANCES CREATE ANY IMPLICATION THAT THERE HAS BEEN NO CHANGE IN THE AFFAIRS OF THE CITY SINCE THE DATE HEREOF. THIS OFFICIAL STATEMENT DOES NOT CONSTITUTE AN OFFER OR SOLICITATION IN ANY JURISDICTION IN WHICH SUCH OFFER OR SOLICITATION IS NOT AUTHORIZED, OR IN WHICH THE PERSON MAKING SUCH OFFER OR SOLICITATION IS NOT QUALIFIED TO DO SO, OR TO ANY PERSON TO WHOM IT IS UNLAWFUL TO MAKE SUCH OFFER OR SOLICITATION. THE INFORMATION SET FORTH HEREIN HAS BEEN OBTAINED FROM THE CITY AND OTHER SOURCES WHICH ARE BELIEVED TO BE RELIABLE, BUT IT IS NOT GUARANTEED AS TO ACCURACY OR COMPLETENESS BY, AND IS NOT TO BE CONSTRUED AS A REPRESENTATION BY, THE UNDERWRITER(S).

WITHIN THE MEANING OF SECURITIES AND EXCHANGE COMMISSION RULE 15C2-12, THE INFORMATION INCLUDED IN THE PRELIMINARY OFFICIAL STATEMENT IS DEEMED FINAL BY THE ISSUER AS OF ITS DATE AND IS ACCURATE AND COMPLETE IN ALL MATERIAL RESPECTS, EXCEPT FOR THE OMISSION OF THE OFFERING PRICE(S), INTEREST RATE(S), SELLING COMPENSATION, AGGREGATE PRINCIPAL AMOUNT, PRINCIPAL AMOUNT PER MATURITY, DELIVERY DATE, RATING(S), OTHER TERMS OF THE ISSUE DEPENDING ON SUCH MATTERS, AND THE IDENTITY OF THE UNDERWRITER(S).

## SUMMARY OF OFFERING

**City of Lakeville, Minnesota**  
**\$10,000,000 \***  
**General Obligation Bonds, Series 2023A**  
*(Book-Entry Only)*

AMOUNT -	\$10,000,000																																								
ISSUER -	City of Lakeville, Minnesota (the “City” or the “Issuer”)																																								
AWARD DATE -	June 20, 2023																																								
MUNICIPAL ADVISOR -	Northland Securities, Inc. (the “Municipal Advisor”), 150 South 5th Street, Suite 3300, Minneapolis, Minnesota 55402, telephone: 612-851-5900 or 800-851-2920																																								
TYPE OF ISSUE -	General Obligation Bonds, Series 2023A (the “Bonds” or the “Issue”)																																								
AUTHORITY, PURPOSE & SECURITY -	The General Obligation Bonds, Series 2023A (the “Bonds”) are being issued by the City of Lakeville, Minnesota (the “City”) pursuant to Minnesota Statutes, Chapter 475 and Section 475.58, Subdivision 3b and a voter referendum held of November 2, 2021, which passed by a vote of 7,346 (yes) to 4,681 (no). Proceeds of the Bonds will be used to finance the City’s 2023 street reconstruction projects and various park improvements and to pay costs associated with issuance of the Bonds. The Bonds are valid and binding general obligations of the City and are payable from ad valorem taxes. The full faith and credit of the City is also pledged to their payment. In the event of any deficiency in the Debt Service Account established for this Issue, the City has validly obligated itself to levy additional ad valorem taxes upon all of the taxable property within the City, without limitation of amount. See <i>Authority and Purpose</i> as well as <i>Security/Sources and Uses of Funds</i> herein for additional information.																																								
DATE OF ISSUE -	Date of Delivery (Estimated to be July 20, 2023)																																								
INTEREST PAID -	Semiannually on each February 1 and August 1, commencing February 1, 2024, to registered owners of the Bonds appearing of record in the bond register as of the close of business on the fifteenth day (whether or not a business day) of the calendar month next preceding such interest payment date (the “Record Date”).																																								
MATURITIES* -	<table><tr><td>2/1/2025</td><td>\$635,000</td><td>2/1/2030</td><td>\$740,000</td><td>2/1/2035</td><td>\$225,000</td><td>2/1/2040</td><td>\$270,000</td></tr><tr><td>2/1/2026</td><td>655,000</td><td>2/1/2031</td><td>760,000</td><td>2/1/2036</td><td>235,000</td><td>2/1/2041</td><td>285,000</td></tr><tr><td>2/1/2027</td><td>680,000</td><td>2/1/2032</td><td>780,000</td><td>2/1/2037</td><td>245,000</td><td>2/1/2042</td><td>295,000</td></tr><tr><td>2/1/2028</td><td>700,000</td><td>2/1/2033</td><td>805,000</td><td>2/1/2038</td><td>250,000</td><td>2/1/2043</td><td>305,000</td></tr><tr><td>2/1/2029</td><td>720,000</td><td>2/1/2034</td><td>835,000</td><td>2/1/2039</td><td>260,000</td><td>2/1/2044</td><td>320,000</td></tr></table>	2/1/2025	\$635,000	2/1/2030	\$740,000	2/1/2035	\$225,000	2/1/2040	\$270,000	2/1/2026	655,000	2/1/2031	760,000	2/1/2036	235,000	2/1/2041	285,000	2/1/2027	680,000	2/1/2032	780,000	2/1/2037	245,000	2/1/2042	295,000	2/1/2028	700,000	2/1/2033	805,000	2/1/2038	250,000	2/1/2043	305,000	2/1/2029	720,000	2/1/2034	835,000	2/1/2039	260,000	2/1/2044	320,000
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REDEMPTION -	The Bonds maturing on February 1, 2032 and thereafter are subject to redemption, in whole or in part, on February 1, 2031 and on any date thereafter at a price of par plus accrued interest. See <i>Description of the Bonds</i> herein for additional information.																																								
BOOK-ENTRY -	The Bonds will be issued as fully registered and, when issued, will be registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York, to which principal and interest payments will be made. Individual purchases will be made in book-entry form only, in the principal amount of \$5,000 or any whole multiple thereof. Purchasers will not receive physical delivery of the Bonds.																																								
PAYING AGENT/REGISTRAR -	U.S. Bank Trust Company, National Association, St. Paul, Minnesota																																								
TAX DESIGNATIONS -	<u>NOT Private Activity Bonds</u> - The Bonds are not “private activity bonds” as defined in Section 141 of the Internal Revenue Code of 1986, as amended (the “Code”).  <u>Bank Qualified Tax-Exempt Obligations</u> - The City will designate the Bonds as “qualified tax-exempt obligations” for purposes of Section 265(b)(3) of the Code.																																								
LEGAL OPINION -	Dorsey & Whitney LLP, Minneapolis, Minnesota (“Bond Counsel”)																																								
BOND RATING -	The City received an underlying rating of “Aaa” from Moody’s Investors Service (“Moody’s”). See <i>Bond Rating</i> herein for additional information.																																								
CLOSING -	Estimated to be July 20, 2023																																								
PRIMARY CONTACTS -	Jerilyn Erickson, Finance Director, City of Lakeville, Minnesota 952-985-4481 Tammy Omdal, Managing Director, Northland Securities, Inc., 612-851-4964 Jessica Green, Managing Director, Northland Securities, Inc., 612-851-5930																																								

\* Preliminary, subject to change.

**CITY OF LAKEVILLE, MINNESOTA**

**PRINCIPAL CITY OFFICIALS**

**Elected Officials**

**City Council**

<i>Name</i>	<i>Position</i>	<i>Term Expires</i>
Luke Hellier	Mayor	12/31/26
John Bermel	Council Member	12/31/24
Joshua Lee	Council Member	12/31/26
Michelle Volk	Council Member	12/31/26
Dan Wolter	Council Member	12/31/24

**Primary Contacts**

Justin Miller	City Administrator
Jerilyn Erickson	Finance Director
Andrea McDowell Poehler	City Attorney

**BOND COUNSEL**

Dorsey & Whitney LLP  
Minneapolis, Minnesota

**MUNICIPAL ADVISOR**

Northland Securities, Inc.  
Minneapolis, Minnesota

## **TERMS OF PROPOSAL**

\$10,000,000\*  
GENERAL OBLIGATION BONDS, SERIES 2023A

CITY OF LAKEVILLE, MINNESOTA  
(Book-Entry Only)

NOTICE IS HEREBY GIVEN that these Bonds will be offered for sale according to the following terms:

### **TIME AND PLACE:**

Proposals (also referred to herein as “bids”) will be opened by the City’s Finance Director, or designee, on Tuesday, June 20, 2023, at 10:00 A.M., CT, at the offices of Northland Securities, Inc. (the City’s “Municipal Advisor”), 150 South 5th Street, Suite 3300, Minneapolis, Minnesota 55402. Consideration of the Proposals for award of the sale will be by the City Council at its meeting at the City Offices beginning Tuesday, June 20, 2023 at 6:30 P.M., CT.

### **SUBMISSION OF PROPOSALS**

Proposals may be:

- a) submitted to the office of Northland Securities, Inc.,
- b) faxed to Northland Securities, Inc. at 612-851-5918,
- c) emailed to [PublicSale@northlandsecurities.com](mailto:PublicSale@northlandsecurities.com)
- d) for proposals submitted prior to the sale, the final price and coupon rates may be submitted to Northland Securities, Inc. by telephone at 612-851-5900 or 612-851-4968, or
- e) submitted electronically.

Notice is hereby given that electronic proposals will be received via PARITY™, or its successor, in the manner described below, until 10:00 A.M., CT, on Tuesday, June 20, 2023. Proposals may be submitted electronically via PARITY™ or its successor, pursuant to this Notice until 10:00 A.M., CT, but no Proposal will be received after the time for receiving Proposals specified above. To the extent any instructions or directions set forth in PARITY™, or its successor, conflict with this Notice, the terms of this Notice shall control. For further information about PARITY™, or its successor, potential bidders may contact Northland Securities, Inc. or i-Deal® at 1359 Broadway, 2<sup>nd</sup> floor, New York, NY 10018, telephone 212-849-5021.

Neither the City nor Northland Securities, Inc. assumes any liability if there is a malfunction of PARITY™ or its successor. All bidders are advised that each Proposal shall be deemed to constitute a contract between the bidder and the City to purchase the Bonds regardless of the manner in which the Proposal is submitted.

### **BOOK-ENTRY SYSTEM**

The Bonds will be issued by means of a book-entry system with no physical distribution of bond certificates made to the public. The Bonds will be issued in fully registered form and one bond certificate, representing the aggregate principal amount of the Bonds maturing in each year, will be registered in the name of Cede & Co. as nominee of Depository Trust Company (“DTC”), New York, New York, which will act as securities depository of the Bonds.

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\* The City reserves the right to increase or decrease the principal amount of the Bonds. Any such increase or decrease will be made in multiples of \$5,000 and may be made in any maturity. If any maturity is adjusted, the purchase price will also be adjusted to maintain the same gross spread.

Individual purchases of the Bonds may be made in the principal amount of \$5,000 or any multiple thereof of a single maturity through book entries made on the books and records of DTC and its participants. Principal and interest are payable by the City through U.S. Bank Trust Company, National Association, St. Paul, Minnesota (the “Paying Agent/Registrar”), to DTC, or its nominee as registered owner of the Bonds. Transfer of principal and interest payments to participants of DTC will be the responsibility of DTC; transfer of principal and interest payments to beneficial owners by participants will be the responsibility of such participants and other nominees of beneficial owners. The successful bidder, as a condition of delivery of the Bonds, will be required to deposit the bond certificates with DTC. The City will pay reasonable and customary charges for the services of the Paying Agent/Registrar.

**DATE OF ORIGINAL ISSUE OF BONDS**

Date of Delivery (Estimated to be July 20, 2023)

**AUTHORITY/PURPOSE/SECURITY**

The Bonds are being issued pursuant to Minnesota Statutes, Chapter 475 and Section 475.58, Subdivision 3b and a voter referendum held of November 2, 2021, which passed by a vote of 7,346 (yes) to 4,681 (no). Proceeds will be used to finance the City’s 2023 street reconstruction projects and various park improvements and to pay costs associated with issuance of the Bonds. The Bonds are payable from ad valorem taxes on all taxable property within the City. The full faith and credit of the City is pledged to their payment and the City has validly obligated itself to levy ad valorem taxes in the event of any deficiency in the debt service account established for this issue.

**INTEREST PAYMENTS**

Interest is due semiannually on each February 1 and August 1, commencing February 1, 2024, to registered owners of the Bonds appearing of record in the Bond Register as of the close of business on the fifteenth day (whether or not a business day) of the calendar month next preceding such interest payment date.

**MATURITIES**

Principal is due annually on February 1, inclusive, in each of the years and amounts as follows:

<u>Year</u>	<u>Amount</u>	<u>Year</u>	<u>Amount</u>	<u>Year</u>	<u>Amount</u>
2025	\$635,000	2032	\$780,000	2039	\$260,000
2026	655,000	2033	805,000	2040	270,000
2027	680,000	2034	835,000	2041	285,000
2028	700,000	2035	225,000	2042	295,000
2029	720,000	2036	235,000	2043	305,000
2030	740,000	2037	245,000	2044	320,000
2031	760,000	2038	250,000		

Proposals for the Bonds may contain a maturity schedule providing for any combination of serial bonds and term bonds, subject to mandatory redemption, so long as the amount of principal maturing or subject to mandatory redemption in each year conforms to the maturity schedule set forth above.

**INTEREST RATES**

All rates must be in integral multiples of 1/20th or 1/8th of 1%. *The rate for any maturity may not be more than 2.00% less than the rate for any preceding maturity.* All Bonds of the same maturity must bear a single uniform rate from date of issue to maturity.

**ESTABLISHMENT OF ISSUE PRICE  
(HOLD-THE-OFFERING-PRICE RULE MAY APPLY – BIDS NOT CANCELLABLE)**

In order to establish the issue price of the Bonds for federal income tax purposes, the Issuer requires bidders to agree to the following, and by submitting a bid, each bidder agrees to the following.

If a bid is submitted by a potential underwriter, the bidder confirms that (i) the underwriters have offered or reasonably expect to offer the Bonds to the public on or before the date of the award at the offering price (the “initial offering price”) for each maturity as set forth in the bid and (ii) the bidder, if it is the winning bidder, shall require any agreement among underwriters, selling group agreement, retail distribution agreement or other agreement relating to the initial sale of the Bonds to the public to which it is a party to include provisions requiring compliance by all parties to such agreements with the provisions contained herein. For purposes hereof, Bonds with a separate CUSIP number constitute a separate “maturity,” and the public does not include underwriters of the Bonds (including members of a selling group or retail distribution group) or persons related to underwriters of the Bonds.

If, however, a bid is submitted for the bidder’s own account in a capacity other than as an underwriter of the Bonds, and the bidder has no current intention to sell, reoffer, or otherwise dispose of the Bonds, the bidder shall notify the Issuer to that effect at the time it submits its bid and shall provide a certificate to that effect in place of the certificate otherwise required below.

If the winning bidder intends to act as an underwriter, the Issuer shall advise the winning bidder at or prior to the time of award whether (i) the competitive sale rule or (ii) the “hold-the-offering price” rule applies, as described in the following paragraph.

If the Issuer advises the winning bidder that the requirements for a competitive sale have not been satisfied and that the hold-the-offering price rule applies, the winning bidder shall (1) upon the request of the Issuer confirm that the underwriters did not offer or sell any maturity of the Bonds to any person at a price higher than the initial offering price of that maturity during the period starting on the award date and ending on the earlier of (a) the close of the fifth business day after the sale date or (b) the date on which the underwriters have sold at least 10% of that maturity to the public at or below the initial offering price; and (2) at or prior to closing, deliver to the Issuer a certification substantially in the form attached hereto as Exhibit A, together with a copy of the pricing wire.

If the Issuer advises the winning bidder that the requirements for a competitive sale have been satisfied and that the competitive sale rule applies, the winning bidder will be required to deliver to the Issuer at or prior to closing a certification, substantially in the form attached hereto as Exhibit B, as to the reasonably expected initial offering price as of the award date.

Any action to be taken or documentation to be received by the Issuer pursuant hereto may be taken or received on behalf of the Issuer by the Municipal Advisor.

**Bidders should prepare their bids on the assumption that the Bonds will be subject to the “hold-the-offering-price” rule. Any bid submitted pursuant to the Notice of Sale shall be considered a firm offer for the purchase of the Bonds, and bids submitted will not be subject to cancellation or withdrawal.**

## **ADJUSTMENTS TO PRINCIPAL AMOUNT AFTER PROPOSALS**

The City reserves the right to increase or decrease the principal amount of the Bonds. Any such increase or decrease will be made in multiples of \$5,000 and may be made in any maturity. If any maturity is adjusted, the purchase price will also be adjusted to maintain the same gross spread. Such adjustments shall be made promptly after the sale and prior to the award of Proposals by the City and shall be at the sole discretion of the City. The successful bidder may not withdraw or modify its Proposal once submitted to the City for any reason, including post-sale adjustment. Any adjustment shall be conclusive and shall be binding upon the successful bidder.

## **OPTIONAL REDEMPTION**

Bonds maturing on February 1, 2032 through 2044 are subject to redemption and prepayment at the option of the City on February 1, 2031 and any date thereafter, at a price of par plus accrued interest. Redemption may be in whole or in part of the Bonds subject to prepayment. If redemption is in part, the maturities and principal amounts within each maturity to be redeemed shall be determined by the City and if only part of the Bonds having a common maturity date are called for prepayment, the specific Bonds to be prepaid shall be chosen by lot by the Bond Registrar.

## **CUSIP NUMBERS**

If the Bonds qualify for assignment of CUSIP numbers such numbers will be printed on the Bonds, but neither the failure to print such numbers on any Bond nor any error with respect thereto shall constitute cause for a failure or refusal by the successful bidder thereof to accept delivery of and pay for the Bonds in accordance with terms of the purchase contract. The CUSIP Service Bureau charge for the assignment of CUSIP identification numbers shall be paid by the successful bidder.

## **DELIVERY**

Delivery of the Bonds will be within thirty days after award, subject to an approving legal opinion by Dorsey and Whitney, LLP, Bond Counsel. The legal opinion will be paid by the City and delivery will be anywhere in the continental United States without cost to the successful bidder at DTC.

## **TYPE OF PROPOSAL**

Proposals of not less than \$9,870,000 (98.70%) and accrued interest on the principal sum of \$10,000,000 must be filed with the undersigned prior to the time of sale. Proposals must be unconditional except as to legality. Proposals for the Bonds should be delivered to Northland Securities, Inc. and addressed to:

Jerilyn Erickson, Finance Director  
20195 Holyoke Ave  
Lakeville, Minnesota 55044

A good faith deposit (the "Deposit") in the amount of \$200,000 in the form of a federal wire transfer (payable to the order of the City) is only required from the apparent winning bidder, and must be received within two hours after the time stated for the receipt of Proposals. The apparent winning bidder will receive notification of the wire instructions from the Municipal Advisor promptly after the sale. If the Deposit is not received from the apparent winning bidder in the time allotted, the City may choose to reject their Proposal and then proceed to offer the Bonds to the next lowest bidder based on the terms of their original proposal, so long as said bidder wires funds for the Deposit amount within two hours of said offer.



The City will retain the Deposit of the successful bidder, the amount of which will be deducted at settlement and no interest will accrue to the successful bidder. In the event the successful bidder fails to comply with the accepted Proposal, said amount will be retained by the City. No Proposal can be withdrawn after the time set for receiving Proposals unless the meeting of the City scheduled for award of the Bonds is adjourned, recessed, or continued to another date without award of the Bonds having been made.

### **AWARD**

The Bonds will be awarded on the basis of the lowest interest rate to be determined on a true interest cost (TIC) basis. The City's computation of the interest rate of each Proposal, in accordance with customary practice, will be controlling. In the event of a tie, the sale of the Bonds will be awarded by lot. The City will reserve the right to: (i) waive non-substantive informalities of any Proposal or of matters relating to the receipt of Proposals and award of the Bonds, (ii) reject all Proposals without cause, and (iii) reject any Proposal which the City determines to have failed to comply with the terms herein.

### **INFORMATION FROM SUCCESSFUL BIDDER**

The successful bidder will be required to provide, in a timely manner, certain information relating to the initial offering price of the Bonds necessary to compute the yield on the Bonds pursuant to the provisions of the Internal Revenue Code of 1986, as amended.

### **OFFICIAL STATEMENT**

By awarding the Bonds to any underwriter or underwriting syndicate submitting a Proposal therefor, the City agrees that, no more than seven business days after the date of such award, it shall provide to the senior managing underwriter of the syndicate to which the Bonds are awarded, the Final Official Statement in an electronic format as prescribed by the Municipal Securities Rulemaking Board (MSRB).

### **FULL CONTINUING DISCLOSURE UNDERTAKING**

The City will covenant in the resolution awarding the sale of the Bonds to provide, or cause to be provided, annual financial information, including audited financial statements of the City, and notices of certain material events, as required by SEC Rule 15c2-12.

### **BANK QUALIFICATION**

The City will designate the Bonds as qualified tax-exempt obligations for purposes of Section 265(b)(3) of the Internal Revenue Code of 1986, as amended.

### **BOND INSURANCE AT UNDERWRITER'S OPTION**

If the Bonds qualify for issuance of any policy of municipal bond insurance or commitment therefor at the option of the successful bidder, the purchase of any such insurance policy or the issuance of any such commitment shall be at the sole option and expense of the successful bidder of the Bonds. Any increase in the costs of issuance of the Bonds resulting from such purchase of insurance shall be paid by the successful bidder, except that, if the City has requested and received a rating on the Bonds from a rating agency, the City will pay that rating fee. Any other rating agency fees shall be the responsibility of the successful bidder. Failure of the municipal bond insurer to issue the policy after the Bonds have been awarded to the successful bidder shall not constitute cause for failure or refusal by the successful bidder to accept delivery on the Bonds.

The City reserves the right to reject any and all Proposals, to waive informalities and to adjourn the sale.

Dated: May 15, 2023

BY ORDER OF THE CITY OF LAKEVILLE CITY COUNCIL

/s/ Jerilyn Erickson  
Finance Director

Additional information may be obtained from:

Northland Securities, Inc.

150 South 5<sup>th</sup> Street, Suite 3300

Minneapolis, Minnesota 55402

Telephone No.: 612-851-5900

## EXHIBIT A

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### ISSUE PRICE CERTIFICATE – COMPETITIVE SALES WITH AT LEAST THREE BIDS FROM ESTABLISHED UNDERWRITERS

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**[\$[PRINCIPAL AMOUNT]  
[BOND CAPTION]  
ISSUE PRICE CERTIFICATE**

The undersigned, on behalf of [NAME OF UNDERWRITER] (“[SHORT NAME OF UNDERWRITER]”), hereby certifies as set forth below with respect to the sale of the obligations named above (the “Bonds”).

1. ***Reasonably Expected Initial Offering Price.***

(a) As of the Sale Date, the reasonably expected initial offering prices of the Bonds to the Public by [SHORT NAME OF UNDERWRITER] are the prices listed in Schedule A (the “Expected Offering Prices”). The Expected Offering Prices are the prices for the Maturities of the Bonds used by [SHORT NAME OF UNDERWRITER] in formulating its bid to purchase the Bonds. Attached as Schedule B is a true and correct copy of the bid provided by [SHORT NAME OF UNDERWRITER] to purchase the Bonds.

(b) [SHORT NAME OF UNDERWRITER] was not given the opportunity to review other bids prior to submitting its bid.

(c) The bid submitted by [SHORT NAME OF UNDERWRITER] constituted a firm offer to purchase the Bonds.

2. ***Defined Terms.*** For purposes of this Issue Price Certificate:

(a) *Issuer* means [DESCRIBE ISSUER].

(b) *Maturity* means Bonds with the same credit and payment terms. Any Bonds with different maturity dates, or with the same maturity date but different stated interest rates, are treated as separate Maturities.

(c) *Member of the Distribution Group* means (i) any person that agrees pursuant to a written contract with the Issuer (or with the lead underwriter to form an underwriting syndicate) to participate in the initial sale of the Bonds to the Public, and (ii) any person that agrees pursuant to a written contract directly or indirectly with a person described in clause (i) of this paragraph to participate in the initial sale of the Bonds to the Public (including a member of a selling group or a party to a retail distribution agreement participating in the initial sale of the Bonds to the Public).

(d) *Public* means any person (*i.e.*, an individual, trust, estate, partnership, association, company, or corporation) other than a Member of the Distribution Group or a related party to a Member of the Distribution Group. A person is a “related party” to a Member of the Distribution Group if the Member of the Distribution Group and that person are subject, directly or indirectly, to (i) at least 50% common ownership of the voting power or the total value of their stock, if both entities are corporations (including direct ownership by one corporation of another), (ii) more than 50% common ownership of their capital interests or profits interests, if both entities are partnerships (including direct ownership by one partnership of another), or (iii) more than 50% common ownership of the value of the outstanding stock of the corporation or the capital interests or profit interests of the partnership, as applicable, if one entity is a corporation and the other entity is a partnership (including direct ownership of the applicable stock or interests by one entity of the other).

(e) *Sale Date* means the first day on which there is a binding contract in writing for the sale of the respective Maturity. The Sale Date of each Maturity was [DATE].

The representations set forth in this certificate are limited to factual matters only. Nothing in this certificate represents [SHORT NAME OF UNDERWRITER]'s interpretation of any laws, including specifically Sections 103 and 148 of the Internal Revenue Code of 1986, as amended, and the Treasury Regulations thereunder. The undersigned understands that the foregoing information will be relied upon by the Issuer[ and BORROWER (the "Borrower")] with respect to certain of the representations set forth in the [Tax Certificate][Tax Exemption Agreement] and with respect to compliance with the federal income tax rules affecting the Bonds, and by [BOND COUNSEL] in connection with rendering its opinion that the interest on the Bonds is excluded from gross income for federal income tax purposes, the preparation of the Internal Revenue Service Form 8038[-G][-GC][-TC], and other federal income tax advice that it may give to the Issuer[ and the Borrower] from time to time relating to the Bonds.

[UNDERWRITER]

By: \_\_\_\_\_

Name: \_\_\_\_\_

Dated: July 20, 2023

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**ISSUE PRICE CERTIFICATE – COMPETITIVE SALES WITH FEWER THAN THREE BIDS FROM  
ESTABLISHED UNDERWRITERS**

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**[\$[PRINCIPAL AMOUNT]  
[BOND CAPTION]  
ISSUE PRICE CERTIFICATE**

The undersigned, on behalf of [NAME OF UNDERWRITER/REPRESENTATIVE] ([“[SHORT NAME OF UNDERWRITER]”])[the “Representative”]), on behalf of itself and [NAMES OF OTHER UNDERWRITERS] (together, the “Underwriting Group”), hereby certifies as set forth below with respect to the sale of the obligations named above (the “Bonds”).

1. **Initial Offering Price of the Bonds.** [SHORT NAME OF UNDERWRITER][The Underwriting Group] offered the Bonds to the Public for purchase at the specified initial offering prices listed in Schedule A (the “Initial Offering Prices”) on or before the Sale Date. A copy of the pricing wire for the Bonds is attached to this certificate as Schedule B.

2. **Hold the Offering Price Rule.** [SHORT NAME OF UNDERWRITER][Each member of the Underwriting Group] has agreed in writing that, (i) for each Maturity, it would neither offer nor sell any of the Bonds of such Maturity to any person at a price that is higher than the Initial Offering Price for such Maturity during the Holding Period for such Maturity (the “Hold-the-Offering-Price Rule”), and (ii) any agreement among underwriters, selling group agreement, or third-party distribution agreement contains the agreement of each underwriter, dealer, or broker-dealer who is a party to such agreement to comply with the Hold-the-Offering-Price Rule. Based on the [Representative][SHORT NAME OF UNDERWRITER]’s own knowledge and, in the case of sales by other Members of the Distribution Group, representations obtained from the other Members of the Distribution Group, no Member of the Distribution Group has offered or sold any such Maturity at a price that is higher than the respective Initial Offering Price during the respective Holding Period.

3. **Defined Terms.** For purposes of this Issue Price Certificate:

(a) **Holding Period** means the period starting on the Sale Date and ending on the earlier of (i) the close of the fifth business day after the Sale Date ([DATE]), or (ii) the date on which Members of the Distribution Group have sold at least 10% of such Maturity to the Public at one or more prices, none of which is higher than the Initial Offering Price for such Maturity.

(b) **Issuer** means [DESCRIBE ISSUER].

(c) **Maturity** means Bonds with the same credit and payment terms. Any Bonds with different maturity dates, or with the same maturity date but different stated interest rates, are treated as separate Maturities.

(d) **Member of the Distribution Group** means (i) any person that agrees pursuant to a written contract with the Issuer (or with the lead underwriter to form an underwriting syndicate) to participate in the initial sale of the Bonds to the Public, and (ii) any person that agrees pursuant to a written contract directly or indirectly with a person described in clause (i) of this paragraph to participate in the initial sale of the Bonds to the Public (including a member of a selling group or a party to a retail distribution agreement participating in the initial sale of the Bonds to the Public).

(e) **Public** means any person (*i.e.*, an individual, trust, estate, partnership, association, company, or corporation) other than a Member of the Distribution Group or a related party to a Member of the Distribution Group. A person is a “related party” to a Member of the Distribution Group if the Member of the Distribution Group and that person are subject, directly or indirectly, to (i) at least 50% common ownership of the voting power or the total value of their stock, if both entities are corporations (including direct ownership by one corporation of another), (ii) more than 50% common ownership of their capital interests or profits interests, if both entities are partnerships (including direct ownership by one partnership of another), or (iii) more than 50% common ownership of the value of the outstanding stock of the corporation or the capital interests or profit interests of the partnership,

as applicable, if one entity is a corporation and the other entity is a partnership (including direct ownership of the applicable stock or interests by one entity of the other).

(f) *Sale Date* means the first day on which there is a binding contract in writing for the sale of the respective Maturity. The Sale Date of each Maturity was [DATE].

The representations set forth in this certificate are limited to factual matters only. Nothing in this certificate represents [NAME OF UNDERWRITING FIRM][the Representative's] interpretation of any laws, including specifically Sections 103 and 148 of the Internal Revenue Code of 1986, as amended, and the Treasury Regulations thereunder. The undersigned understands that the foregoing information will be relied upon by the Issuer[ and BORROWER (the "Borrower")] with respect to certain of the representations set forth in the [Tax Certificate][Tax Exemption Agreement] and with respect to compliance with the federal income tax rules affecting the Bonds, and by [BOND COUNSEL] in connection with rendering its opinion that the interest on the Bonds is excluded from gross income for federal income tax purposes, the preparation of the Internal Revenue Service Form 8038[-G][-GC][-TC], and other federal income tax advice that it may give to the Issuer[ and the Borrower] from time to time relating to the Bonds.

[UNDERWRITER][REPRESENTATIVE]

By: \_\_\_\_\_  
Name: \_\_\_\_\_

Dated: July 20, 2023

## **AUTHORITY AND PURPOSE**

The General Obligation Bonds, Series 2023A (the “Bonds” or the “Issue”) are being issued by the City of Lakeville, Minnesota (the “City”) pursuant to Minnesota Statutes, Chapter 475 and Section 475.58, Subdivision 3b and a voter referendum held of November 2, 2021, which passed by a vote of 7,346 (yes) to 4,681 (no). Proceeds from issuance of the Bonds will be used to finance the City’s 2023 street reconstruction projects and various park improvements and to pay costs associated with issuance of the Bonds.

## **SECURITY/SOURCES AND USES OF FUNDS**

### **Security**

The Bonds are valid and binding general obligations of the City and are payable from ad valorem taxes. The full faith and credit of the City is also pledged to their payment. In the event of any deficiency in the Bond Fund established for this Issue, the City has validly obligated itself to levy additional ad valorem taxes upon all of the taxable property within the City, without limitation of amount.

### **Sources and Uses of Funds**

Following are the sources and uses of funds in connection with the issuance of the Bonds.

#### *Sources of Funds*

Par Amount of Bonds	\$ 10,000,000*
Issuer Contribution	<u>100,000</u>
Total Sources of Funds:	<u><u>\$ 10,100,000</u></u>

#### *Uses of Funds*

Deposit to Project Fund	\$ 9,719,977
Deposit to Capitalized Interest Fund	175,414
Costs of Issuance/Underwriter’s Discount	201,394
Rounding Amount	<u>3,215</u>
Total Uses of Funds:	<u><u>\$ 10,100,000</u></u>

## **BONDHOLDERS’ RISKS**

An investment in the Bonds involves an element of risk. In order to identify risk factors and make an informed investment decision, potential investors should be thoroughly familiar with this entire Official Statement (including the appendices hereto) in order to make a judgment as to whether the Bonds are an appropriate investment.

### **COVID-19 Pandemic**

On March 11, 2020, the World Health Organization proclaimed the novel strain of Coronavirus (COVID-19) to be a pandemic. In an effort to lessen the risk of transmission of COVID-19, the United States government, state governments, local governments and private industries have taken measures to limit social interactions in an effort to limit the spread of COVID-19, affecting business activities and impacting global, state and local commerce and financial markets. The emergence of COVID-19 and the spread thereof is an emerging and evolving issue. As the federal, state and local governments, including the Issuer, continue efforts to contain and limit the spread of COVID-19 disease, future tax and other revenue collections may deviate from historical or anticipated collections and may have an adverse impact on the financial position and operations of the Issuer and its ability to fund debt

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\* Preliminary, subject to change.

obligations, including the Bonds in accordance with their terms. The Issuer is not able to predict and makes no representations as to the economic impact of the COVID-19 pandemic on the Issuer or its ongoing financial position.

The City has a history of strong financial management and has a strong general fund balance of \$17,203,248, including a 53% unrestricted balance as of December 31, 2021. Development and building activity remain strong but has slowed down since its peak of \$442 million in 2020. 2022 permit valuation was \$50 million less than 2021 and \$120 million less than 2020. According to Minnesota Housing First, Lakeville continued to rank #1 in residential permit numbers in the Twin Cities. The COVID-19 pandemic did not have any impact on the City's ability to make its debt payments in full and on time. The City used its \$4.8 million Federal CARES Act funding primarily for public health and safety employee expenses and small business assistance. In 2021, the City was awarded \$5.4 million in American Rescue Plan (ARP) Act funds. The City Council used the funds to support general government services.

### **Secondary Market**

There can be no guarantee that there will be a secondary market for the Bonds or, if a secondary market exists, that such Bonds can be sold for any particular price. Occasionally, because of general market conditions or because of adverse history of economic prospects connected with a particular issue, any secondary marketing practices in connection with a particular bond issue are suspended or terminated. Additionally, prices of bond issues for which a market is being made will depend upon then prevailing circumstances. Such prices could be substantially different from the original purchase price of the Bonds.

### **Ratings Loss**

Moody's Investors Service has assigned a rating of "Aaa" to the Bonds. Generally, a rating agency bases its rating on the information and materials furnished to it and on investigations, studies and assumptions of its own. There is no assurance that the rating will continue for any given period of time, or that such rating will not be revised, suspended or withdrawn, if, in the judgment of Moody's, circumstances so warrant. A revision, suspension or withdrawal of a rating may have an adverse effect on the market price of the Bonds.

Additional regulation of rating agencies could materially alter the methodology, rating levels, and types of ratings available, for example, and these changes, if ever, could materially affect the market value of the Bonds.

### **Forward-Looking Statements**

This Official Statement contains statements relating to future results that are "forward-looking statements" as defined in the Private Securities Litigation Reform Act of 1995. When used in this Official Statement, the words "estimate," "forecast," "intend," "expect" and similar expressions identify forward-looking statements. Any forward-looking statement is subject to uncertainty. Accordingly, such statements are subject to risks that could cause actual results to differ, possibly materially, from those contemplated in such forward-looking statements. Inevitably, some assumptions used to develop forward-looking statements will not be realized or unanticipated events and circumstances may occur. Therefore, investors should be aware that there are likely to be differences between forward-looking statements and the actual results. These differences could be material and could impact the availability of funds of the Issuer to pay debt service when due on the Bonds.

### **Tax Exemption, Bank Qualification and Loss of Tax Exemption**

If the federal government or the State of Minnesota taxes all or a portion of the interest on municipal obligations, directly or indirectly, or if there is a change in federal or state tax policy, the value of the Bonds may fall for purposes of resale. Noncompliance following the issuance of the Bonds with certain requirements of the Internal Revenue Code of 1986, as amended (the "Code") and post-issuance tax covenants of the Issuer may result in the inclusion of interest on the Bonds in gross income of the recipient for federal income tax purposes or in taxable net income of individuals, estates or trusts for State of Minnesota income tax purposes. No provision has been made for redemption of the Bonds, or for an increase in the interest rate on the Bonds, in the event that interest on the Bonds becomes subject to federal or State of Minnesota income taxation, retroactive to the date of issuance.



The Bonds are designated as “qualified tax-exempt obligations” under the exception provided in Section 265(b)(3) of the Code, and the Issuer has further covenanted to comply with certain other requirements, which affords banks and certain other financial institutions more favorable treatment of their deduction for interest expense than would otherwise be allowed under Section 265(b)(2) of the Code. Actions, or inactions, by the Issuer in violation of its covenants could affect the designation, which could also affect the pricing and marketability of the Bonds.

It is also possible that actions of the Issuer after the closing of the Bonds will alter the tax status of the Bonds, and, in the extreme, remove the tax exempt status from the Bonds. In that instance, the Bonds are not subject to mandatory prepayment, and the interest rate on the Bonds does not increase or otherwise reset.

### **Pending Federal and State Tax Legislation**

From time to time, there is State legislation proposed, as well as Presidential proposals, proposals of various federal committees, and legislative proposals pending in Congress that could, if enacted, alter or amend one or more of the federal or state tax matters described herein in certain respects or would adversely affect the market value of the Bonds or otherwise prevent holders of the Bonds from realizing the full benefit of the tax exemption of interest on the Bonds. Further, such proposals may impact the marketability or market value of the Bonds simply by being proposed. It cannot be predicted whether or in what forms any of such proposals, either pending or that may be introduced, may be enacted and there can be no assurance that such proposals will not apply to the Bonds. In addition, regulatory actions are from time to time announced or proposed, and litigation threatened or commenced, which if implemented or concluded in a particular manner, could adversely affect the market value, marketability or tax status of the Bonds. It cannot be predicted whether any such regulatory action will be implemented, how any particular litigation or judicial action will be resolved, or whether the Bonds would be impacted thereby.

### **Tax Levy Procedures**

The Bonds are general obligations of the Issuer, payable from and secured by a continuing ad valorem tax levied against all of the property valuation within the Issuer. A failure on the part of the Issuer to make a timely levy request or a levy request by the Issuer that is inaccurate or is insufficient to make full payments of the debt service of the Bonds for a particular fiscal year may cause Bondholders to experience delay in the receipt of distributions of principal of and/or interest on the Bonds. In the event of a default in the payment of principal of or interest on the Bonds, there is no provision for acceleration of maturity of the principal of the Bonds. Consequently, the remedies of the owners of the Bonds (consisting primarily of an action in the nature of mandamus requiring the Issuer and certain other public officials to perform the terms of the resolution for the Bonds) may have to be enforced from year to year.

### **Economy, State Aids**

A combination of economic, climatic, political or civil disruptions outside of the control of the Issuer, including loss of major taxpayers or major employers, could affect the local economy and result in reduced tax collections and/or increased demands upon local governments. Real or perceived threats to the financial stability of the Issuer may have an adverse effect on the value of the Bonds in the secondary market. State of Minnesota cash flow problems could also affect local governments, including reductions in, or delayed payments of, local government state aid (LGA) and possibly increase Issuer property taxes.

### **Cybersecurity**

The Issuer, like many other public and private entities, relies on a large and complex technology environment to conduct its operations. As such, it may face multiple cybersecurity threats including, but not limited to, hacking, viruses, malware and other attacks on computer or other sensitive digital systems and networks. There can be no assurances that any security and operational control measures implemented by the Issuer will be completely successful to guard against and prevent cyber threats and attacks. The result of any such attacks could impact business operations and/or digital networks and systems and the costs of remedying any such damage could be significant.

## **Suitability of Investment**

The interest rate borne by the Bonds is intended to compensate the investor for assuming the risk of investing in the Bonds. Each prospective investor should carefully examine this Official Statement and its own financial condition to make a judgment as to its ability to bear the economic risk of such an investment, and whether or not the Bonds are an appropriate investment for such investor.

## **Summary**

The foregoing is intended only as a summary of certain risk factors attendant to an investment in the Bonds. In order for potential investors to identify risk factors and make an informed investment decision, potential investors should become thoroughly familiar with this entire Official Statement and the Appendices hereto.

## **DESCRIPTION OF THE BONDS**

### **Details of Certain Terms**

The Bonds will be dated, as originally issued, as of the date of delivery (estimated to be July 20, 2023), and will be issued as fully registered Bonds in the denominations of \$5,000 or any integral multiple thereof. Principal, including mandatory redemptions on the Bonds, if applicable, will be payable annually February 1, commencing February 1, 2025. Interest on the Bonds will be payable semiannually on each February 1 and August 1, commencing February 1, 2024. The Bonds when issued, will be registered in the name of Cede & Co. (the “Registered Holder”), as nominee of The Depository Trust Company, New York, New York (“DTC”), the initial custodian for the Bonds, to which principal and interest payments on the Bonds will be made so long as Cede & Co. is the Registered Holder of the Bonds. See “Book-Entry System” in *Description of the Bonds* herein for additional information. So long as the Book-Entry Only System is used, individual purchases of the Bonds will be made in book-entry form only, in the principal amount of \$5,000 or any integral multiple thereof (“Authorized Denominations”). Individual purchasers (“Beneficial Owners”) of the Bonds will not receive physical delivery of bond certificates, and registration, exchange, transfer, tender and redemption of the Bonds with respect to Beneficial Owners shall be governed by the Book-Entry Only System.

So long as the Book-Entry Only System is used, payments from Cede & Co., as the Registered Holder, to the Beneficial Owners shall be governed by the Book-Entry Only System. If the Book-Entry Only System is discontinued, the principal of and premium, if any, on the Bonds will be payable upon presentation and surrender at the offices of the Paying Agent and Bond Registrar or a duly appointed successor. Interest on the Bonds will be paid by check or draft mailed by the Bond Registrar to the registered holders thereof as such appear on the registration books maintained by the Bond Registrar as of the close of business on the fifteenth day (whether or not a business day) of the calendar month next preceding such interest payment date (the “Record Date”).

### **Registration, Transfer and Exchange**

So long as the Book-Entry Only System is used, payments from Cede & Co., as the Registered Holder, to the Beneficial Owners shall be governed by the Book-Entry Only System. If the Book-Entry Only System is discontinued, the Bonds may be transferred upon surrender of the Bonds at the principal office of the Bond Registrar, duly endorsed for transfer or accompanied by an assignment duly executed by the registered owner or his or her attorney duly authorized in writing. The Bonds, upon surrender thereof at the principal office of the Bond Registrar, may also be exchanged for other Bonds of the same series, of any authorized denominations having the same form, terms, interest rates and maturities as the Bonds being exchanged. The Bond Registrar will require the payment by the Bond holder requesting such exchange or transfer of any tax or governmental charge required to be paid with respect to such exchange or transfer. The Bond Registrar is not required to (i) issue, transfer or exchange any Bond during a period beginning at the opening of business fifteen days before any selection of Bonds of a particular stated maturity for redemption in accordance with the provisions of the Bond resolution and ending on the day of the first mailing of the relevant notice of redemption or (ii) to transfer any Bonds or portion thereof selected for redemption.

## **Optional Redemption**

The Bonds maturing on February 1, 2032 and thereafter are subject to redemption, in whole or in part, on February 1, 2031 and on any date thereafter at a price of par plus accrued interest. If redemption is in part, the selection of the amounts and maturities of the Bonds to be prepaid shall be at the discretion of the City. Notice of redemption shall be given by written notice to the registered owner of the Bonds not less than 30 days prior to such redemption date.

## **Book-Entry System**

The Depository Trust Company (“DTC”), New York, NY, will act as securities depository for the Bonds (the “Bonds”). The Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC’s partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered certificate will be issued for the Bonds, in the aggregate principal amount of such issue, and will be deposited with DTC.

DTC, the world’s largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a “banking organization” within the meaning of the New York Banking Law, a member of the Federal Reserve System, a “clearing corporation” within the meaning of the New York Uniform Commercial Code, and a “clearing agency” registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.6 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC’s participants (“Direct Participants”) deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants’ accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation (“DTCC”). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly (“Indirect Participants”). DTC has a Standard & Poor’s rating of AA+. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at [www.dtcc.com](http://www.dtcc.com) and [www.dtcc.org](http://www.dtcc.org).

Purchases of Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds on DTC’s records. The ownership interest of each actual purchaser of each Bonds (“Beneficial Owner”) is in turn to be recorded on the Direct and Indirect Participants’ records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Bonds, except in the event that use of the book-entry system for the Bonds is discontinued.

To facilitate subsequent transfers, all Bonds deposited by Direct Participants with DTC are registered in the name of DTC’s partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not affect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Bonds; DTC’s records reflect only the identity of the Direct Participants to whose accounts such Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time.

Redemption notices shall be sent to DTC. If less than all of the Bonds within an issue are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to Bonds unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the City as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Redemption proceeds, distributions, and dividend payments on the Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the City or Agent, on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with Bonds held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, Agent, or the City, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, distributions, and dividend payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the City or Agent, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as depository with respect to the Bonds at any time by giving reasonable notice to the City or Agent. Under such circumstances, in the event that a successor depository is not obtained, certificates for the Bonds are required to be printed and delivered.

The City may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor securities depository). In that event, certificates for the Bonds will be printed and delivered to DTC.

The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that the City believes to be reliable, but the City of Lakeville takes no responsibility for the accuracy thereof.

#### **FULL CONTINUING DISCLOSURE**

In order to assist the Underwriter(s) in complying with SEC Rule 15c2-12 (the "Rule"), pursuant to a resolution awarding the Issue, the City has and will covenant for the benefit of holders of the Bonds to annually provide certain financial and operating data, relating to the City to the Municipal Securities Rulemaking Board ("MSRB") in an electronic format prescribed by the MSRB, and to provide notices of the occurrence of certain events enumerated in the Rule to the MSRB (the "Undertaking"). The specific nature of the Undertaking, as well as the information to be contained in the annual report or the notices of material events (including the two new events) is set forth in the in substantially the form attached hereto as Appendix B.

To the best of its knowledge, the City has never failed to comply in all material respects with any previous undertakings under the Rule to provide annual reports or notices of material events within the past five years. For the fiscal year ended December 31, 2019, the audit filing due by December 31, 2020 was filed for the City's issues on October 13, 2020, but failed to link to the City's Housing and Redevelopment Authority (HRA) issues. While the City's audit was publicly available by the required deadline, the EMMA filing now shows that it has been re-linked to the City's HRA issues, but maintains the original filing date. A failure by the City to comply with the Certificate will not constitute an event of default on the Bonds (although holders will have an enforceable right to specific performance). Nevertheless, such a failure must be reported in accordance with the Rule and must be considered by any broker, dealer or municipal securities dealer before recommending the purchase or sale of the

Bonds in the secondary market. Consequently, such a failure may adversely affect the transferability and liquidity of the Bonds and their market price. Please see *Appendix B – Continuing Disclosure Undertaking* herein for additional information.

### **MUNICIPAL ADVISOR**

The City has retained Northland Securities, Inc. as municipal advisor (the “Municipal Advisor”) in connection with the issuance of the Bonds. Northland Securities, Inc. is registered as a municipal advisor with both the Securities and Exchange Commission (SEC) and the Municipal Securities Rulemaking Board (MSRB). In preparing the Official Statement, the Municipal Advisor has relied upon governmental officials, and other sources that have access to relevant data to provide accurate information for the Official Statement, and the Municipal Advisor has not been engaged, nor has it undertaken, to independently verify the accuracy of such information. The Municipal Advisor is not a public accounting firm and has not been engaged by the City to compile, review, examine or audit any information in the Official Statement in accordance with accounting standards.

On May 1, 2023, First National Nebraska, Inc. (“FNNI”), acquired Northland Capital Holdings, Inc., parent company of Northland Securities, Inc. (“NSI”) and its subsidiaries. As a result of such common control, FNNI, First National Capital Markets, First National Bank of Omaha and NSI are now affiliated.

### **FUTURE FINANCING**

The City does not anticipate the need to issue any additional general obligation debt within the next three months.

### **BOND RATING**

The City received an underlying rating of “Aaa” from Moody’s Investors Service (“Moody’s”). No application will be made to any other rating agency for the purpose of obtaining an additional rating on the Bonds. This rating reflects only the opinion of Moody’s and any explanation of the significance of this rating may be obtained only from Moody’s. There is no assurance that a rating will continue for any given period of time, or that such rating will not be revised or withdrawn, if in the judgment of Moody’s, circumstances so warrant. A revision or withdrawal of the rating may have an adverse effect on the market price of the Bonds. This rating is not a recommendation to buy, sell or hold the Bonds, and such rating may be subject to revision or withdrawal at any time by the rating agency.

### **LITIGATION**

As of the date of this Official Statement, the City is not aware of any threatened or pending litigation that questions the organization or boundaries of the City or the right of any of its officers to their respective offices or in any manner questioning their rights and power to execute and deliver the Bonds or otherwise questioning the validity of the Bonds.

### **CERTIFICATION**

The City will furnish a statement to the effect that this Official Statement to the best of its knowledge and belief, as of the date of sale and the date of delivery, is true and correct in all material respects, and does not contain any untrue statements of a material fact or omit to state a material fact necessary in order to make the statements made therein, in light of the circumstances under which they were made, not misleading.

The City has always promptly met all payments of principal and interest on its indebtedness when due.

### **LEGALITY**

Legal matters incident to the authorization and issuance of the Bonds are subject to the approving opinion of Dorsey & Whitney LLP, Minneapolis, Minnesota (“Bond Counsel”) as to validity and tax exemption. A copy of such opinion will be available at the time of the delivery of the Bonds. See *Appendix A – Form of Legal Opinion*.

Bond Counsel has not participated in the preparation of this Official Statement and is not passing upon its accuracy, completeness or sufficiency. Bond Counsel has not examined, nor attempted to examine, or verify, any of the financial or statistical statements or data contained in this Official Statement, and will express no opinion with respect thereto.

## **TAX CONSIDERATIONS**

The following is a summary of certain U.S. federal and Minnesota income tax considerations relating to the purchase, ownership, and disposition of the Bonds. This summary is based on the U.S. Internal Revenue Code of 1986 (the “Code”) and the Treasury Regulations promulgated thereunder, judicial decisions, and published rulings and administrative pronouncements of the Internal Revenue Service (the “IRS”), all as of the date hereof and all of which are subject to change, possibly with retroactive effect. Any such change could adversely affect the matters discussed below, including the tax exemption of interest on the Bonds. The City has not sought and will not seek any rulings from the IRS regarding the matters discussed below, and there can be no assurance the IRS or a court will not take a contrary position regarding these matters.

**Prospective purchasers of Bonds should consult their own tax advisors with respect to applicable federal, state, and local tax rules, and any pending or proposed legislation or regulatory or administrative actions, relating to the Bonds based on their own particular circumstances.**

This summary is for general information only and is not intended to constitute a complete analysis of all tax considerations relating to the purchase, ownership, and disposition of Bonds. It does not address the application of the alternative minimum tax or the additional tax on net investment income, nor does it address the U.S. federal estate and gift tax or any state, local, or non-U.S. tax consequences except with respect to Minnesota income tax to the extent expressly specified herein. This summary is limited to consequences to U.S. holders that purchase the Bonds for cash at original issue and hold the Bonds as “capital assets” (generally, property held for investment).

This discussion does not address all aspects of U.S. federal income or state taxation that may be relevant to particular holders of Bonds in light of their specific circumstances or the tax considerations applicable to holders that may be subject to special income tax rules, such as: holders subject to special tax accounting rules under Section 451(b) of the Code; insurance companies; brokers, dealers, or traders in stocks, securities, or currencies or notional principal contracts; foreign corporations subject to the branch profits tax; holders receiving payments in respect of the Bonds through foreign entities; and S corporations, partnerships, or other pass-through entities or investors therein.

For purposes of this discussion, the “issue price” of a maturity of Bonds is the first price at which a substantial amount of Bonds of that maturity is sold for cash to persons other than bond houses, brokers, or similar persons or organizations acting in the capacity of underwriters, placement agents, or wholesalers.

### **The Bonds**

#### ***Tax-Exempt Interest***

In the opinion of Dorsey & Whitney LLP, Bond Counsel, based on existing law and assuming the accuracy of certain representations and compliance with certain covenants, interest on the Bonds (i) is excluded from gross income for federal income tax purposes under Section 103 of the Code, (ii) is not an item of tax preference for purposes of the federal alternative minimum tax imposed on noncorporate taxpayers by Section 55 of the Code, (iii) is excluded from taxable net income of individuals, estates, and trusts for Minnesota income tax purposes, and (iv) is not an item of tax preference for Minnesota alternative minimum tax purposes. Interest on the Bonds may, however, be taken into account in determining adjusted financial statement income for purposes of the federal alternative minimum tax imposed on applicable corporations (as defined in Section 59(k) of the Code), and is included, in net income for purposes of the Minnesota franchise tax imposed on corporations and financial institutions.

The Code establishes certain requirements that must be met after the issuance of the Bonds in order that interest on the Bonds be excluded from federal gross income and from Minnesota taxable net income of individuals, estates, and trusts. These requirements include, but are not limited to, provisions regarding the use of Bond proceeds and

the facilities financed or refinanced with such proceeds and restrictions on the investment of Bond proceeds and other amounts. The City has made certain representations and has covenanted to comply with certain restrictions, conditions, and requirements designed to ensure interest on the Bonds will not be included in federal gross income. Inaccuracy of these representations or noncompliance with these covenants may cause interest on the Bonds to be included in federal gross income or in Minnesota taxable net income retroactively to their date of issue. Bond Counsel has not independently verified the accuracy of these representations and will not verify the continuing compliance with these covenants. No provision has been made for redemption of or for an increase in the interest rate on the Bonds in the event that interest on the Bonds is included in federal gross income or in Minnesota taxable net income.

### ***Original Issue Discount***

Bonds may be issued with original issue discount (“OID”). A Bond will be treated as issued with OID (a “Discount Bond”) if its “stated redemption price at maturity” (i.e., the sum of all amounts payable on the Bond other than payments of qualified stated interest) exceeds its issue price. OID that accrues to a holder of a Discount Bond is excluded from federal gross income and from Minnesota taxable net income of individuals, estates, and trusts to the same extent that stated interest on such Discount Bond would be so excluded. The amount of OID that accrues on a Discount Bond is added to the holder’s federal and Minnesota tax bases. OID is taxable under the Minnesota franchise tax on corporations and financial institutions.

OID on a Discount Bond generally accrues pursuant to a constant-yield method that reflects semiannual compounding on dates that are determined by reference to the maturity date of the Discount Bond. The amount of OID that accrues for any particular semiannual accrual period generally is equal to the excess of (1) the product of (a) one-half of the yield on such Discount Bonds (adjusted as necessary for an initial short period) and (b) the adjusted issue price of such Discount Bonds, over (2) the amount of stated interest actually payable. For this purpose, the adjusted issue price is determined by adding to the issue price for such Discount Bonds the OID that is treated as having accrued during all prior accrual periods. If a Discount Bond is sold or otherwise disposed of between compounding dates, then the original issue discount that would have accrued for that accrual period for federal income tax purposes is allocated ratably to the days in that accrual period.

If a Discount Bond is purchased for a cost that exceeds the sum of the issue price plus accrued interest and accrued OID, the amount of OID that is deemed to accrue thereafter to the purchaser is reduced by an amount that reflects amortization of such excess over the remaining term of the Discount Bond. If the excess is greater than the amount of remaining OID, the basis reduction rules for amortizable bond premium may result in taxable gain upon sale or other disposition of the Bonds, even if the Bonds are sold, redeemed, or retired for an amount equal to or less than their cost.

It is possible under certain state and local income tax laws that original issue discount on a Discount Bond may be taxable in the year of accrual and may be deemed to accrue differently than under federal law.

### ***Market Discount***

If a Bond is purchased for a cost that is less than the Bond’s issue price (plus accrued original issue discount, if any), the purchaser will be treated as having purchased the Bond with market discount (unless a statutory de minimis rule applies). Market discount is treated as ordinary income and generally is recognized on the maturity or earlier disposition of the Bond (to the extent that the gain realized does not exceed the accrued market discount on the Bond).

### ***Bond Premium***

A holder that acquires a Bond for an amount in excess of its stated redemption price at maturity generally must, from time to time, reduce the holder’s federal and Minnesota tax bases for the Bond. Premium generally is amortized for federal income tax purposes and Minnesota income and franchise tax purposes on the basis of a bondholder’s constant yield to maturity or to certain call dates with semiannual compounding. Accordingly, holders who acquire Bonds at a premium might recognize taxable gain upon sale of the Bonds, even if such Bonds are sold

for an amount equal to or less than their original cost. Amortized premium is not deductible for federal income tax purposes or for purposes of the Minnesota income tax applicable to individuals, estates, and trusts.

### ***Related Tax Considerations***

Section 86 of the Code and corresponding provisions of Minnesota law require recipients of certain social security and railroad retirement benefits to take interest on the Bonds into account in determining the taxability of such benefits.

Section 265(a) of the Code denies a deduction for interest on indebtedness incurred or continued to purchase or carry the Bonds, and Minnesota law similarly denies a deduction for such interest in the case of individuals, estates, and trusts. In the case of a financial institution, generally no deduction is allowed under section 265(b) the Code for that portion of the holder's interest expense that is allocable to interest on tax-exempt obligations, such as the Bonds, unless the obligations are "qualified tax-exempt obligations." Indebtedness may be allocated to the Bonds for this purpose even though not directly traceable to the purchase of the Bonds.

The Bonds are "qualified tax-exempt obligations" for purposes of Section 265(b)(3) of the Code. Accordingly, although interest expense allocable to the Bonds is not subject to the disallowance under Section 265(b) of the Code, the deduction for interest on indebtedness incurred or continued to purchase or carry the Bonds may be subject to reduction under Section 291 of the Code.

Income or loss on the Bonds may be taken into account in determining adjusted financial statement income for purposes of the federal alternative minimum tax imposed on applicable corporations.

The ownership or disposition of, or the accrual or receipt of amounts treated as interest on, the Bonds may affect a holder's federal, state, or local tax liability in some additional circumstances. The nature and extent of these other tax consequences depends upon the particular tax status of the holder and the holder's other items of income or deduction.

### ***Sale or Other Disposition***

A holder will generally recognize gain or loss on the sale, exchange, redemption, retirement, or other disposition of a Bond equal to the difference between (i) the amount realized less amounts attributable to any accrued but unpaid stated interest and (ii) the holder's adjusted tax basis in the Bond. The amount realized includes the cash and the fair market value of any property received by the holder in exchange for the Bond. A holder's adjusted tax basis in a Bond generally will be equal to the amount that the holder paid for the Bond, increased by any accrued original issue discount with respect to the Bond and reduced by the amount of any amortized bond premium on the Bond. Except to the extent attributable to market discount (which will be taxable as ordinary income to the extent not previously included in income), any gain or loss will be capital gain or loss and will be long-term capital gain or loss if the holder held the Bond for more than one year. Long-term capital gains recognized by certain non-corporate persons, including individuals, generally are taxable at a reduced rate. The deductibility of capital losses is subject to significant limitations.

### **Information Reporting and Backup Withholding**

Payments of interest on the Bonds (including any allocable bond premium or accrued original issue discount) and proceeds from the sale or other disposition of the Bonds are expected to be reported to the IRS as required under applicable Treasury Regulations. Backup withholding will apply to these payments if the holder fails to provide an accurate taxpayer identification number and certification that it is not subject to backup withholding (generally on an IRS Form W-9) or otherwise fails to comply with the applicable backup withholding requirements. Backup withholding is not an additional tax. Any amounts withheld under the backup withholding rules may be allowed as a refund or a credit against the holder's U.S. federal income tax liability, provided that the required information is timely furnished to the IRS. Certain holders are exempt from information reporting. Potential holders should consult their own tax advisors regarding qualification for an exemption and the procedures for obtaining such an exemption.



# CITY OF LAKEVILLE, MINNESOTA

## GENERAL INFORMATION

### Location and Access

The City of Lakeville is located in Dakota County. The City is situated approximately 20 miles south of downtown Minneapolis and downtown St. Paul and is part of the Twin Cities Metropolitan Area. The City is bordered by the cities of Apple Valley on the north, Prior Lake on the west, and Farmington on the east. Access is provided via Interstate Highway 35 as well as numerous County Roads.

### Population

1990 Census	24,854	2010 Census	55,954
2000 Census	41,128	2020 Census	69,490
		2023 City Estimate <sup>1</sup>	73,107

### Labor Force Data<sup>2</sup>

Comparative average labor force and unemployment rate figures for 2023 through March and year-end 2022 are listed below. Figures are not seasonally adjusted, and numbers of people are estimated by place of residence.

	<u>March 2023</u>		<u>2022</u>	
	<u>Civilian Labor Force</u>	<u>Unemployment Rate</u>	<u>Civilian Labor Force</u>	<u>Unemployment Rate</u>
Dakota County	241,209	2.8%	241,932	2.4%
Minneapolis-St. Paul- Bloomington MSA	2,003,314	3.0	2,009,050	2.6
Minnesota	3,072,423	3.3	3,077,500	2.7

### Income Data<sup>3</sup>

Comparative income levels are listed below for the City, the State of Minnesota and the United States.

	<u>City of Lakeville</u>	<u>State of Minnesota</u>	<u>United States</u>
Median Family Income	\$137,679	\$98,356	\$85,028
Per Capita Income	51,136	41,204	37,638

### City Government

Lakeville, incorporated in 1967, is a Minnesota Statutory City with an Optional Plan A form of government. It has a mayor elected at large for a four-year term and four council members also elected at large for four-year terms. The City has 226 full-time and 69 part-time employees. In addition, the City has 83 paid on-call volunteer fire fighters and hires over 95 seasonal staff to support parks maintenance and recreation activities. The professional staff is appointed and consists of a City Administrator, Assistant Administrator, Finance Director, Public Works Director, Human Resources Manager, Community Development Director, Planning Director, Parks Director, Police Chief, and Fire Chief.

<sup>1</sup> Provided by the City.

<sup>2</sup> Source: Minnesota Department of Employment and Economic Development.

<sup>3</sup> Source: 2017-2021 American Community Survey, U.S. Census Bureau.

## **Municipal Enterprise Services**

Municipal enterprise services provided by the City include the water utility system and the sewer utility system.

The City also operates four municipal liquor stores that are centrally located adjacent to major highways.

## **Other Municipal Services**

Other municipal services include the Police Department and the Fire Department. Additional City facilities include an Arts Center, Heritage Center, 67 public parks, 20 conservation areas, swimming beaches, outdoor ice rinks, indoor ice rinks, and trails.

## **Bargaining Units/Labor Contracts**

The labor unions representing certain City employee groups are shown below.

<u>Employee Group</u>	<u>Contract Expiration Date</u>
Law Enforcement Labor Services Inc. Local No. 177	12/31/2023
Law Enforcement Labor Services Inc. Local No. 384	12/31/2023
Law Enforcement Labor Services Inc. Local No. 128	12/31/2023
Minnesota Teamsters Public & Law Enforcement Employees Union Local No. 320	12/31/2023

## **Employee Pension Programs**

All full-time and certain part-time employees of the City are covered by defined benefit plans administered by the Public Employees' Retirement Association (PERA) of Minnesota. PERA administers the General Employee's Retirement Fund (GERF) and the Public Employees Police and Fire Fund (PEPFF), which are cost-sharing, multiple-employer retirement plans. These plans are established and administered in accordance with Minnesota Statutes, Chapters 353 and 356.

GERF members belong to either the Coordinated or Basic Plan. Coordinated Plan members are covered by Social Security and Basic Plan members are not. All new members must participate in the Coordinated Plan. All police officers, firefighters, and peace officers who qualify for membership by statute are covered by the PEPFF.

PERA provides retirement benefits as well as disability benefits to members, and benefits to survivors upon death of eligible members. Benefits are established by state statute, and vest after five years of credited service. The defined retirement benefits are based on member's highest average salary for any five successive years of allowable service, age, and years of credit at termination of service.

PERA issues a publicly available financial report that includes financial statements and required supplementary information for GERF (formerly "PERF") and PEPFF. That report may be obtained at [www.mnpera.org](http://www.mnpera.org), or by writing to PERA at 60 Empire Drive, #200, St. Paul, MN 55103-2088 or by calling 651-296-7460 or 800-652-9026.

The City makes annual contributions to the pension plans equal to the amount required by state statutes. GERF Coordinated Plan members were required to contribute 6.50%, of their annual covered salary in 2022. PEPFF members were required to contribute 11.80% of their annual covered salary in 2022. Effective January 1, 2020, State statute required the City to contribute the following percentages of annual covered payroll: 7.50% for Coordinated Plan GERF members, and 17.70% for PEPFF members.

Contributions to GERP and PEPFF have been as follows:

<u>Year</u>	<u>Amount</u>
2021	\$2,159,683
2020	2,163,311
2019	1,963,213
2018	1,846,517
2017	1,733,961

Volunteer firefighters of the City are eligible for pension benefits through membership in the Lakeville Fire Relief Association organized under Minnesota Statutes, Chapter 69, Chapter 424A and administered by a separate Board elected by the membership. State aids, investment earnings and City contributions fund the plan. State statute requires this plan to fund current service cost as it accrues and prior service cost amortized over a period of ten years.

All members of the Lakeville Fire Department who have served for at least 20 years and have reached the age of 50 years shall be paid a full pension upon retirement. Volunteers who have served a minimum of 7 years but less than 20 years shall be paid a pension at age 50 according to the following schedule:

7 years - 48%	10 years - 60%	13 years - 72%	16 years - 84%	19 years - 96%
8 years - 52%	11 years - 64%	14 years - 76%	17 years - 88%	20 years - 100%
9 years - 56%	12 years - 68%	15 years - 80%	18 years - 92%	

#### **Other Post-Employment Benefits (“OPEB”)**

Beginning with the year ended December 31, 2018, the City implemented GASB Statement No. 74, Financial Reporting for Postemployment Benefit Plans Other than Pension Plans and GASB Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other than Pensions.

The City provides a single employer defined benefit healthcare plan to eligible retirees and their spouses. The plan offers medical coverage. All postemployment benefits are based on contractual agreements with employee groups. These contractual agreements do not include any specific contribution or funding requirements. As of December 31, 2021, the City had 7 inactive plan members and 197 active plan members receiving benefits for the City’s health plan.

Changes in the City’s net OPEB liability for the fiscal year ended December 31, 2021 are as follows:

	<u>December 31, 2021</u>
Balances at 12/31/20	\$ 1,322,805
Total OPEB Liability	
Service Cost	\$ 92,424
Interest	49,766
Difference Between Expected and Actual Experience	(459,716)
Benefit Payments	(66,232)
Changes in Assumptions	<u>135,361</u>
Net Change in OPEB Liability	<u>\$ (248,397)</u>
End of Year	<u>\$ 1,074,408</u>

Additional information regarding the City’s OPEB obligations is provided in the City’s Annual Financial Report, excerpts of which are provided in Appendix C of this Official Statement, with particular reference to Note 15.

**Estimated Cash/Investment Balances as of March 31, 2023 (unaudited)**

General Fund	\$ 14,589,383
Special Revenue Funds	1,437,484
Debt Service Funds	11,043,007
Capital Projects Funds	85,783,864
Enterprise Funds	25,793,982
Internal Service	493,832
Escrow	<u>10,405,940</u>
Total Estimated Cash/Investment Balances	<u>\$ 149,547,492</u>

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## General Fund Budget Summary

	2022 Budget	2022 Estimated Actual	2023 Budget
Revenues:			
Property Taxes	\$25,215,734	\$25,488,775	\$26,954,875
Licenses and Permits	3,049,112	3,843,424	2,943,346
Intergovernmental Revenue	1,282,526	6,314,319	1,512,699
Charges for Services	3,565,497	3,792,881	3,392,946
Fines and Forfeits	240,000	224,461	240,000
Investment Income	281,000	352,872	281,000
Change in Fair Value of Investments	0	(1,645,228)	0
Miscellaneous	38,760	117,361	46,257
<b>Total Revenues</b>	<b>\$33,672,629</b>	<b>\$38,488,865</b>	<b>\$35,371,123</b>
Expenditures:			
General Government	\$7,830,399	\$7,669,370	\$8,326,359
Public Safety	16,029,281	15,728,567	16,977,551
Public Works	5,614,830	5,192,818	6,372,965
Parks and Recreation	4,920,317	4,872,503	5,222,467
Other	45,000	0	0
Capital Outlay	142,867	0	0
<b>Total Expenditures</b>	<b>\$34,582,694</b>	<b>\$33,463,258</b>	<b>\$36,899,342</b>
Other Financing Sources (Uses)			
Transfer from Other Funds	898,765	898,765	1,171,099
Transfer to Other Funds	(2,501,000)	(7,602,810)	(2,353,880)
<b>Total Other Financing Sources (Uses)</b>	<b>\$(1,602,235)</b>	<b>\$(6,704,045)</b>	<b>\$(1,182,781)</b>
<b>Net Change in Fund Balance</b>	<b>\$(2,493,300)</b>	<b>\$(1,678,438)</b>	<b>(2,711,000)</b>
Beginning Fund Balance (January 1)	\$24,182,592*	\$23,985,822	\$22,307,384†
Change in Supplies – Inventory	0	0	0
<b>Ending Fund Balance (December 31)</b>	<b>\$21,689,292</b>	<b>\$22,307,384</b>	<b>\$19,596,384</b>

## Residential Development

The City is reliant upon regional sanitary sewer and the allocation of Metropolitan Urban Service Area (MUSA) from the Metropolitan Council for future urban growth. To accommodate the City's forecasted 2040 growth, the City has allocated its MUSA in three stages: MUSA Expansion Areas A (Before 2028); B (2029 through 2038); and the Urban Reserve (Not Before 2038). The City's updated 2040 Comprehensive Plan has been approved by the Metropolitan Council. A corridor mixed use (CMU) zone was added to the updated comprehensive plan, which will allow for mixed commercial and residential uses near identified transit areas.

As of April 4, 2023, there were 671 vacant single-family lots and 423 vacant townhome unit lots that have been final platted but not yet built upon, and 630 single-family lots and 433 townhome unit lots preliminary platted pending final plat approval for development. As of April 7, 2023, the City is currently processing subdivision

\* Based on original 2022 Estimated Actual Amount

† Based on original 2023 Estimated Actual Amount

applications that would preliminarily plat an additional 30 single-family lots, 99 detached townhome lots, and 181 attached townhome units and final plat 104 single family lots.

The Metropolitan Council estimates the City’s population to be 72,135 in 24,241 households as of April 1, 2021. The City’s 2040 Comprehensive Plan projects the City’s population to be 83,500, made up of 30,000 households, by the year 2040. This equates to the City being approximately 78% developed in terms of residential land use.

There are currently three multiple-family housing development applications either pending approval or recently approved for construction in the City, including Crown Lakeville Apartments, a 182-unit market-rate apartment project, Estoria Lakeville, a 91-unit senior co-op apartment building, and Authentix Lakeville, a 252-unit stacked flat multi-family project.

### **Commercial/Industrial Development**

Building construction and commercial/industrial development initiated and/or completed within the past four years and a portion of this year has been as follows:

#### *New Building Permits in excess of \$250,000*

<u>Business</u>	<u>Product/Service</u>	<u>Valuation</u>	<u>Date</u>
Panda Express	Drive-thru Restaurant	\$1,957,000	3/31/2023
New Creations Child Care Center	Childcare Facility	3,900,000	2/6/2023
Magnum Trucking	Warehouse	11,000,000	10/13/2022
United Christian Academy	Daycare Building	7,000,000	9/16/2022
Lakeville Specialty Center	Medical office Building	23,300,000	9/8/2022
Molldrem Family Dentistry	Dentist Office	1,000,000	7/25/2022
Bubble Barn Car Wash	Car Wash	1,114,000	7/22/2022
Lakeville Specialty Center	Medical Office Building	2,200,000	6/16/2022
Lakeville Medical Building	Medical Office Building	8,000,000	5/23/2022
Apple Auto Commercial Collision	Commercial Auto Repair	11,460,000	2/2/2022
Magnum Trucking	LTL Trucking Facility	11,000,000	12/17/2021
Aloft Aviation	Airport Hangar (shell)	250,000	11/12/2021
Four Square Daycare	Daycare Center	3,100,000	9/17/2021
Raising Cane’s Chicken Fingers	Drive-thru Restaurant	2,400,000	8/24/2021
Old Dominion Freight Line	LTL Truck Terminal	3,700,000	7/23/2021
Summit Orthopedics	Medical Office	3,400,000	6/10/2021
Scannell Properties	Industrial Spec Building	6,550,000	5/18/2021
Summit Orthopedics	Medical Office	3,366,000	3/26/2021
Tires Plus	Tire Shop	1,100,000	3/18/2021
Keokuk Liquor Store	Municipal Liquor	4,500,000	2/23/2021
Amazon XL Fulfillment Center	Fulfillment Center	45,000,000	10/27/2020
Superior Decks & Railings	Deck Manufacturing	4,200,000	10/7/2020
Launch Park II (Sweet Harvest Foods)	Food Manufacturing	7,430,000	7/20/2020
Airlake Airport	Metropolitan Reliever Airport	321,000	4/20/2020
Southfork Townhomes	Rental Townhomes	600,000	1/27/2020
U-Haul	Storage Facility & Trailer Rental	7,500,000	11/13/2019
Springs at Lakeville	Rental Townhomes	918,000	10/16/2019
Reliable Mini Storage	Self-Storage Facility	525,000	9/24/2019
Glori	Multi-Tenant Industrial Building	1,400,000	8/14/2019
QA1 Precision Products	Automotive Parts Manufacturing	6,886,000	6/24/2019
Polytek Surface Coatings	Floor Coatings Installation	1,358,000	6/18/2019
HealthPartners Park Nicollet Clinic	Medical Clinic	8,158,000	5/22/2019
Hy-Vee Fast & Fresh	Gas & Convenience Store	1,500,000	2/21/2019

*Expansion or Remodel Building Permits in excess of \$250,000*

<u>Business</u>	<u>Product/Service</u>	<u>Valuation</u>	<u>Date</u>
MNGI Digestive Health	Medical Clinic	\$3,850,000	3/6/2023
Allina Primary Care	Medical Clinic	2,500,000	2/24/2023
Goddard School	Preschool and Daycare	1,300,000	1/18/2023
Starbucks	Drive-thru Coffee	281,000	1/5/2023
Simply Storage	Self-storage	350,000	10/13/2022
Aloft Aviation	Flight School	2,000,000	9/6/2022
Mendel Grocery	Grocery Store	3,500,000	9/1/2022
Industrial & Environmental Concepts	Environmental Engineering	331,000	7/18/2022
Baldy's Tailgate Bar	Bar/Restaurant	300,000	5/4/2022
BTD	Custom Metal Fabrication	250,000	4/6/2022
Quality Contour	Precision Machine Shop	572,000	3/15/2022
Dalsin Industries	Sheet Metal Manufacturing	925,000	3/14/2022
Shop Sabre	CNC Machine Manufacturing	261,000	2/17/2022
Advanced Oral Surgery	Oral Surgery	600,000	2/11/2022
The Better Half	Restaurant	305,000	12/20/2021
Buddy's Kitchen	Food Manufacturing	5,355,000	12/8/2021
The Moments of Lakeville	Memory Care Facility	450,000	10/25/2021
Outdoor GreatRoom Company	Outdoor Fireplace Manufacturing	1,295,000	9/27/2021
Uponor	Warehouse	4,230,000	9/21/2021
Hearth & Home Technologies	Indoor Fireplace Manufacturing	682,000	9/16/2021
Delmar	Plastic Machining & Fabrication	750,000	8/5/2021
LCC Building	Office Building	450,000	6/10/2021
Fuchi Poke	Restaurant	250,000	5/7/2021
D&T Loeffler	Construction Management	300,000	4/13/2021
Design Cabinets	Cabinet Maker	270,000	10/28/2020
FedEx Freight	Trucking & Transport	5,288,000	10/16/2020
Meridian Blue Construction	Construction	377,000	10/5/2020
JD Woodcraft	Cabinet Manufacturing	1,329,000	9/15/2020
Children's Lakeville Clinic	Medical Clinic	625,000	9/14/2020
Kwik Trip	Gas & Convenience Store	400,000	8/14/2020
R&B Ventures	Industrial Spec Building	500,000	6/19/2020
U-Haul	Self-Storage & Moving Rentals	422,000	5/6/2020
Menasha	Packaging Manufacturing	400,000	11/7/2019
Coldwell Banker Burnet	Real Estate Sales	700,000	11/1/2019
School District Offices - IT Dept	ISD 194 District Office	300,000	10/25/2019
Dunkin Donuts/Baskin Robbins	Coffee Shop with Drive-Thru	325,000	9/16/2019
Puppy Play & Stay	Pet Care and Boarding	300,000	8/26/2019
McNeilus Truck	Distribution Center	310,000	7/29/2019
Hy-Vee Fast & Fresh	Gas & Convenience Store	350,000	6/25/2019
Recycle Minnesota (LSI)	Recycling Facility	2,487,000	6/17/2019
Menasha	Packaging Manufacturing	500,000	5/28/2019
Walmart	Retail	250,000	2/19/2019
MotoPrimo	Motorsports Retail	2,290,000	2/6/2019
Kwik Trip	Gas & Convenience Store	400,000	1/31/2019
Applied Power Products	Manufacturing	395,000	1/22/2019
Gander Outdoors	Outdoor Retail	526,000	1/9/2019

In 2022, the City issued \$105 million in building permits for new or expanding commercial and industrial buildings. This compares to \$95 million in 2021 and \$106 million in 2020.

In 2019, the City Council approved an orderly annexation agreement between the City and Eureka Township to annex the remainder of Airlake Airport property. This annexation was requested by the Metropolitan Airports Commission (MAC) to allow the MAC to extend City water and sewer infrastructure to serve the entire airport and new proposed private hangars. As of April 2023, 11 of the 21 new hangar spaces are leased.

Schneiderman's Distribution Center constructed a new 130,000 square-foot building in the City's Interstate South Logistics Park (ISLP) that was occupied by the company in February 2019. This was the first building in the ISLP development area and has spurred additional growth. QA1 Precision Products, Inc. moved into its new 100,000 square-foot building located south of the Schneiderman's building in February 2020, and Amazon XL Fulfillment Center, located south and west of QA1 in ISLP, opened in August 2021. Construction was completed in 2020 on U-Haul's new 131,307-square-foot, three-story climate-controlled self-storage building; Penntek Industrial Coatings' new two-story, 17,218-square-foot office and warehouse building; and a new 150,000-square-foot, two-tenant warehouse building in Launch Park that houses Sweet Harvest Foods and Hearth & Home Technologies.

Industrial construction projects started and/or completed in 2021 include a new 62,000-square-foot building for Superior Decks & Railings, an 88,255-square-foot expansion of FedEx Freight, a 158,000-square-foot industrial building that houses The Outdoor GreatRoom Company (in 95,000 square feet) and Dalsin Industries (20,000 square feet), and a 43,300-square-foot LTL truck terminal for Old Dominion Freight Line. In 2022, Magnum Trucking opened a new 31,360-square-foot trans-load facility in the industrial park, located south of 217<sup>th</sup> Street W and west of Jacquard Avenue, and began construction on a 168,000-square-foot warehouse building just north of its LTL facility. In addition, several industrial projects are currently in the works in 2023 including a 276,000 square foot cold storage warehouse and a 360,000 square foot office warehouse – both located near Cedar Avenue and 215<sup>th</sup> Street W.

In 2021, the City annexed 207 acres of land from Eureka Township to be used for industrial development. The Ruddle Property (92 acres) is adjacent to Interstate South Industrial Park and will be developed by Scannell Properties. The Adelmann Property (115 acres) is adjacent to Launch Park and will be developed by Launch Properties.

2019 construction near I-35 and County Road 70 included a 30,000-square-foot office building for Compeer Financial, a 64,000-square-foot, 118-room Hampton Inn, and a 23,000-square-foot ALDI grocery store. In October 2021, the City opened its fourth liquor store, a 20,000-square-foot new commercial building that includes a multi-purpose event space. A new 32-unit memory care facility, Suite Living of Lakeville will open in 2023 just south of the Hampton Inn & Suites and BeeHive Homes of Lakeville is opening a second location with 24 units in 2023 off Lakeville Boulevard

The commercial area near Target saw growth in 2019, with the addition of HomeGoods in the former OfficeMax tenant space and Northern Taphouse in the former Applebee's. Children's Minnesota Specialty Center opened in late 2020 in the former Park Nicollet Clinic space near Target and Citizens Bank. The Target area saw further growth in 2021-2023 with the addition of a 208-unit multi-family apartment building called Northlake Lofts, a Raising Cane's Chicken Fingers drive-thru restaurant, construction underway on Lakeville Specialty Center (a three-story 100,000-square-foot medical office for Allina and MNGI Digestive Health) and approval for a 2,600-square-foot Panda Express drive-thru restaurant.

Medical office construction was popular in 2019 with a newly constructed 3,400-square-foot building for Advanced Oral Surgery and a 28,420-square-foot building for Park Nicollet Clinic near 185<sup>th</sup> Street and Kenwood Trail. Summit Orthopedics completed construction on its a 25,660-square-foot clinic building off Kenyon Avenue and Kenwood Trail (near I-35) in 2021. In 2022, Allina Health announced the addition of a new multi-specialty center and a primary care clinic, both in Lakeville. The Lakeville multi-specialty center and primary care clinic are expected to be open to patients in 2023. The new multi-specialty center is set to be located along I-35 and will bring the full Allina Health ambulatory platform to the south metro. This investment in the Lakeville community will include more than 20 specialties, such as orthopedics, oncology, women's health and cardiology, in addition to an ambulatory surgery center. Molldrem Family Dentistry is constructing a new 7,732-square-foot building near Buffalo Wild Wings off 185<sup>th</sup> Street W.



## Building Permits

Building permits issued for the past five years and a portion of this year have been as follows:

<u>Year</u>	<u>New Commercial/ Industrial Number of Permits</u>	<u>Addition/Remodel Commercial/ Industrial Number of Permits</u>	<u>New Single- Family Number of Permits</u>	<u>Total Number of Permits</u>	<u>Total Permit Valuation</u>
2023 (as of 03/31)	3	11	85	1,776	\$59,018,882
2022	11	53	325	10,347	321,052,165
2021	17	55	527	10,313	371,760,897
2020	7	56	639	10,626	442,292,572
2019	8	65	521	10,065	301,391,296
2018	11	64	446	7,319	249,601,496

## Banking/Financial Institutions

Banking and financial services providers within the City include BMO Harris Bank National Association, Citizens Bank Minnesota, Frandsen Bank & Trust, Great Southern Bank, Lakeview Bank, Merchants Bank, National Association, New Market Bank, Old National Bank, Sterling State Bank, TCF National Bank, U.S. Bank National Association, Wells Fargo Bank, National Association, and Wings Financial Credit Union.

## Education

Lakeville is served by Independent School District No. 192, Farmington, Independent School District No. 194, Lakeville, and Independent School District No. 196, Rosemont-Apple Valley-Eagan. Non-Public education is provided by All Saints Catholic School, Christian Heritage Academy, Southview Christian and Glory Academy.

## Major Employers<sup>1</sup>

Following are some of the major employers within the City:

<u>Employer Name</u>	<u>Product/Service</u>	<u>Number of Employees<sup>2</sup></u>
Lakeville Public School District #194	Education	2,282
Hearthside Food Solutions	Food Packaging	457
TreeHouse Private Brands	Food Manufacturing	452
Schmitt & Sons	School and Tour Bus	450
Amazon XL Fulfillment Center	Warehouse & Distribution	450
Post Consumer Brands	Cereal Manufacturer Headquarters	420
BTD Manufacturing	Metal Fabrication	390
Buddy's Kitchen	Food Manufacturing and Packaging	300
Menasha Corp.	Corrugated Packaging Materials	286
ImageTrend	Software Development	260
City of Lakeville	Government	223

<sup>1</sup> Source: The City and Reference USA.

<sup>2</sup> Includes full-time, part-time and seasonal employees.

## Largest Taxpayers<sup>1</sup>

Following are ten of the largest taxpayers within the City:

<u>Name</u>	<u>Classification</u>	<u>2022/2023 Tax Capacity</u>	<u>Percent of Total Tax Capacity (\$130,077,811)<sup>2</sup></u>
SP Lakeville Development LLC	Industrial	\$ 918,734	0.71%
Continental 476 Fund LLC	Apartment	711,576	0.55
IRET Southfork Apartments LLC	Apartments	677,710	0.52
CenterPoint	Utility	533,140	0.41
KJPL Lakeville LLC	Apartment	402,418	0.31
Fulford Group LLC	Industrial Preferred	400,289	0.31
First Industrial LP	Industrial	376,350	0.29
Lakeville 2004 LLC	Commercial	364,634	0.28
Setzer Properties SMN LLC	Industrial	358,435	0.28
KJPL Avonlea LLC	Apartment	<u>356,808</u>	<u>0.27</u>
		<u>\$ 5,100,094</u>	<u>3.93%</u>

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<sup>1</sup> As reported by Dakota County. Due to a Minnesota Department of Revenue directive, a large portion of Dakota Electric Association's value was shifted from local base value to countywide value. As a result of this shift in value, Dakota Electric Association is no longer included in the Largest Taxpayers.

<sup>2</sup> Before tax increment and fiscal disparities adjustments.

## **MINNESOTA VALUATIONS; PROPERTY TAX CLASSIFICATIONS**

### **Market Value**

State Law defines the “market value” of real property as the usual selling price at the place where the property to which the term is applied shall be at the time of assessment; being the price which could be obtained at a private sale or an auction sale, if it is determined by the assessor that the price from the auction sale represents an arm's-length transaction. The assessor uses sales and market value income trends to estimate the value of property in an open market transaction. This value is also called “estimated market value”. This value is set on January 2 of each year. Property taxes levied each year are based on the value of property on January 2 of the preceding year. According to Minnesota Statutes, Chapter 273, all real property subject to taxation is to be appraised at maximum intervals of five years.

### **Taxable Market Value**

The “taxable market value” is the amount used for calculating property taxes. The taxable market value may differ from the estimated market value due to the application of special programs that exclude value from taxation. These programs currently include, but are not limited to, Homestead Market Value Exclusion and Green Acres.

### **Market Value Exclusion**

In 2011, the State Legislature eliminated the Homestead Market Value Credit. The Credit was an amount paid by the State to local taxing jurisdictions to reduce taxes paid by homesteaded property. The Credit has been replaced by a Homestead Market Value Exclusion. The Exclusion reduces the taxable market value (beginning with taxes payable 2012) of a jurisdiction by excluding a portion of the value of homesteaded property from taxation. For a homestead valued at \$76,000 or less, the exclusion is 40 percent of market value, yielding a maximum exclusion of \$30,400 at \$76,000 of market value. For a homestead valued between \$76,000 and \$413,800, the exclusion is \$30,400 minus nine percent of the valuation over \$76,000. For a homestead valued at \$413,800 or more, there is no valuation exclusion.

### **Sales Ratio**

The Minnesota Department of Revenue conducts the Assessment Sales Ratio Study to compare real estate sales prices to local assessor valuations. The State uses the study results to ensure consistency in property assessments across the state. There are three different sales ratio studies that cover three distinct time periods. The 12-month study includes sales that occur from October 1st of a given year to September 30th of the following year and are compared to market values used for property taxation. The median ratio from the 12-month study is the sales ratio used to calculate indicated and economic market values.

### **Economic and Indicated Market Value**

“Economic market value” and “indicated market value” reflect adjustments made to account for the effects of the sales ratio. The economic market value is determined by dividing the estimated market value of the jurisdiction by the sales ratio. Economic market value provides an estimation of the full value of property if it were valued at 100% of its value in the marketplace (prior to the application of legislatively mandated exclusions). The indicated market value is determined by dividing the taxable market value of the jurisdiction by the sales ratio. This value represents an estimation of the “full value” of property for taxation, after the deduction of legislative exclusions.

### **Net Tax Capacity**

Property taxes are calculated on the basis of the “net tax capacity value”. Net tax capacity is calculated by multiplying the taxable market value of a parcel by the statutory class rate for the use classification of the property. These class rates are subject to revisions by the State Legislature. The table following this section contains current and historical class rates for primary property classifications.

## **Tax Cycle**

Minnesota local government ad valorem property taxes are extended and collected by the various counties within the state. The process begins in the fall of every year with the certification, to the county auditor, of all local taxing districts' property tax levies. Local tax rates are calculated by dividing each taxing district's levy by its net tax capacity. One percentage point of local tax rate represents one dollar of tax per \$100 net tax capacity. A list of taxes due is then prepared by the county auditor and turned over to the county treasurer on or before the first Monday in January.

The county treasurer is responsible for collecting all property taxes within the county. Real estate and personal property tax statements (excluding manufactured homes) are to be mailed out no later than March 31, and manufactured home property tax statements no later than July 15. The due dates for payment of real and personal property taxes (excluding manufactured homes) are one-half on or before May 15 (May 31 for resorts) and one-half on or before October 15 (November 15 for farm property). Personal property taxes for manufactured homes become due one-half on or before August 31 and one-half on or before November 15. Delinquent property taxes are penalized at various rates depending on the type of property and the length of delinquency.

## **Tax Levies for General Obligation Bonds (Minnesota Statutes, Section 475.61)**

State Law requires the governing body of any municipality issuing general obligations, prior to delivery of the obligations, to levy by resolution a direct general ad valorem tax upon all taxable property in the municipality to be spread upon the tax rolls for each year of the term of the obligations. The tax levies for all years shall be specified and such that if collected in full will, together with estimated collections of special assessments and other revenues pledged for the payment of said obligations, produce at least five percent in excess of the amount needed to meet the principal and interest payments on the obligations when due.

Such resolution shall irrevocably appropriate the taxes so levied and any special assessments or other revenues so pledged to the municipality's debt service fund or a special debt service fund or account created for the payment of one or more issues of obligations.

The governing body may, at its discretion, at any time after the obligations have been authorized, adopt a resolution levying only a portion of such taxes, to be filed, assessed, extended, collected and remitted, and the amount therein levied shall be credited against the tax required to be levied prior to delivery of the obligations.

The recording officer of the municipality shall file in the office of the county auditor of each county in which any part of the municipality is located a certified copy of the resolution, together with full information regarding the obligations for which the tax is levied. No further action by the municipality is required to authorize the extension, assessment and collection of the tax, but the municipality's liability on the obligations is not limited thereto and its governing body shall levy and cause to be extended, assessed and collected any additional taxes found necessary for full payment of the principal and interest. The auditor shall annually assess and extend upon the tax rolls the amount specified for such year in the resolution, unless the amount has been reduced as authorized below or, if the municipality is located in more than one county, the portion thereof that bears the same ratio to the whole amount as the tax capacity value of taxable property in that part of the municipality located in the county bears to the tax capacity value of all taxable property in the municipality.

Tax levies so made and filed shall be irrevocable, except that if the governing body in any year makes an irrevocable appropriation to the debt service fund of moneys actually on hand or if there is on hand any excess amount in the debt service fund, the recording officer may certify to the county auditor the fact and amount thereof and the auditor shall reduce by the amount so certified the amount otherwise to be included in the rolls next thereafter prepared.

All such taxes shall be collected and remitted to the municipality by the county treasurer as other taxes are collected and remitted, and shall be used only for payment of the obligations on account of that levied or to repay advances from other funds used for such payments, except that any surplus remaining in the debt service fund when the obligations and interest thereon are paid may be appropriated to any other general purpose by the municipality.

## **Levy Limits**

The State Legislature periodically enacts limitations on the ability of cities and counties to levy property taxes. Levy limits were reenacted in 2013 and applied to all counties with a population over 5,000 and all cities with a population over 2,500 for taxes payable in 2014 only. Levies “to pay the costs of the principal and interest on bonded indebtedness” and “to provide for the bonded indebtedness portion of payments made to another political subdivision of the State of Minnesota” are designated special levies and can be levied in addition to the amount allowed by levy limitations.

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The following is a partial summary of these factors:

*Property Tax Classifications*

<u>Class</u>	<u>Type of Property</u>	<u>Class Rate Schedule</u>		
		<u>2020/ 2021</u>	<u>2021/ 2022</u>	<u>2022/ 2023</u>
1a	<u>Residential Homestead</u> : First \$500,000 Over \$500,000	1.00% 1.25	1.00% 1.25	1.00% 1.25
1c	<u>Commercial seasonal-residential recreational-</u> under 250 days and includes homestead			
	First \$600,000	.50	.50	.50
	\$600,001-2,300,000	1.00	1.00	1.00
	Over \$2,300,000 <sup>†</sup>	1.25	1.25	1.25
2a	<u>Agricultural Homestead – House, Garage, One Acre:</u>			
	First \$500,000	1.00	1.00	1.00
	Over \$500,000	1.25	1.25	1.25
	Remainder of Farm* –			
	First \$1,880,000			
	Over \$1,880,000			
	First \$1,890,000		0.50	0.50
	Over \$1,890,000		1.00	1.00
	First \$1,900,000	0.50		
	Over \$1,900,000	1.00		
	<u>Agricultural Homestead Land</u> <sup>1</sup>	1.00	1.00	1.00
2a	<u>Non-Homestead Agricultural Productive Land</u> <sup>*</sup>	1.00	1.00	1.00
2b	<u>Non-Homestead Rural Vacant Land</u> <sup>2</sup>	1.00	1.00	1.00
3a	<u>Commercial/Industrial and Public Utility</u>			
	First \$150,000 <sup>†</sup>	1.50	1.50	1.50
	Over \$150,000 <sup>†</sup>	2.00	2.00	2.00
4a	<u>Apartment</u> (4+ units, incl. private for-profit hospitals)	1.25	1.25	1.25
	<u>Residential Non-Homestead</u> (Single Unit)			
4bb(1)	First \$500,000	1.00	1.00	1.00
	Over \$500,000	1.25	1.25	1.25
4c(1)	<u>Seasonal Residential Recreational/Commercial</u> <sup>†</sup> (Resort): First \$500,000 Over \$500,000	1.00 1.25	1.00 1.25	1.00 1.25
4c(12)	<u>Seasonal Residential Recreational</u> <sup>†</sup> Non-Commercial (Cabin): First \$500,000* Over \$500,000*	1.00 1.25	1.00 1.25	1.00 1.25
4d	<u>Qualifying Low-Income Rental Housing</u>			
	First \$100,000			.75
	Over \$100,000			.25
	First \$162,000	.75		
	Over \$162,000	.25		
	First \$174,000		.75	
	Over \$174,000		.25	

<sup>†</sup> Subject to the state general property tax.

\* Exempt from referendum market value-based taxes.

<sup>1</sup> Homestead remainder & non-homestead; includes structures.

<sup>2</sup> Homestead remainder & non-homestead; includes minor ancillary structures.

**CITY OF LAKEVILLE, MINNESOTA**

**ECONOMIC AND FINANCIAL INFORMATION<sup>1</sup>**

**Valuations**

	<i>Estimated Market Value 2022/2023</i>	<i>Net Tax Capacity 2021/2022</i>
Real Property	\$11,723,762,300	\$ 128,915,986
Personal Property	61,072,000	1,161,825
Less Tax Increment Deduction	---	( 647,312)
Fiscal Disparities <sup>2</sup>	---	
(Contribution to Pool)	---	( 7,858,132)
Distribution from Pool	---	<u>11,246,438</u>
Total Adjusted Valuation	<u>\$11,784,834,300</u>	<u>\$ 132,818,805</u>

**Valuation Trends (Real and Personal Property)**

<i>Levy Year/ Collection Year</i>	<i>Economic Market Value</i>	<i>Sales Ratio</i>	<i>Estimated Market Value</i>	<i>Taxable Market Value</i>	<i>Tax Capacity Before Tax Increments</i>	<i>Tax Capacity After Tax Increments</i>
2022/2023	N/A <sup>3</sup>	N/A <sup>3</sup>	\$11,784,834,300	\$11,592,195,438	\$130,077,811	\$132,818,805
2021/2022	\$10,848,514,420	89.90%	9,735,686,400	9,503,255,659	106,343,200	107,883,953
2020/2021	9,493,402,171	92.89	8,904,547,600	8,636,691,303	97,138,303	98,649,972
2019/2020	8,909,955,589	93.99	8,370,589,100	8,106,672,140	90,729,405	92,276,654
2018/2019	8,160,104,181	93.57	7,639,217,900	7,374,033,988	82,737,259	83,924,100
2017/2018	7,473,143,264	93.65	7,002,584,100	6,702,242,740	75,422,344	76,657,645

**Breakdown of Valuations**

2022/2023 Tax Capacity, Real and Personal Property (before tax increment and fiscal disparities adjustments):

Residential Homestead	\$ 101,495,866	78.03%
Agricultural	590,636	0.45
Commercial	11,558,270	8.89
Industrial	9,645,318	7.42
Public Utility	196,130	0.15
Railroad	56,434	0.04
Rural Vacant	117,328	0.09
Apartments	5,256,004	4.04
Personal Property	<u>1,161,825</u>	<u>0.89</u>
Totals:	<u>\$ 130,077,811</u>	<u>100.00%</u>

<sup>1</sup> Property valuations, tax rates, and tax levies and collections are provided by Dakota County. Economic market value and sales ratio are provided by the Minnesota Department of Revenue.

<sup>2</sup> Fiscal Disparities Law

The 1971 Legislature enacted a “fiscal disparities law” which allows all the Twin Cities Metropolitan Area Municipalities to share in commercial/industrial growth, regardless of where the growth occurred geographically. Forty percent (40%) of every metropolitan municipality’s growth in commercial/industrial assessed valuation is pooled then redistributed to all municipalities on the basis of population and per capita valuation *after* the tax increment and fiscal disparity adjustments.

<sup>3</sup> The 2022/2023 Economic Market Value and Sales Ratio are not yet available from the Minnesota Department of Revenue.

## Tax Capacity Rates

Tax capacity rates for a City resident within ISD No. 194 for the past five-assessable/collection years have been as follows:

<i>Levy Year/ Collection Year</i>	<i>2018/19 Tax Capacity Rates</i>	<i>2019/20 Tax Capacity Rates</i>	<i>2020/21 Tax Capacity Rates</i>	<i>2021/22 Tax Capacity Rates</i>	<i>2022/23 Tax Capacity Rates</i>
Dakota County	25.386%	24.133%	22.716%	21.630%	18.816
City of Lakeville	35.607	34.615	33.351	32.846	29.676
ISD No. 194, Lakeville	32.535	34.851	33.894	33.983	29.473
Metropolitan Council	0.666	0.606	0.635	0.372	0.564
Mosquito Control	0.435	0.406	0.384	0.969	0.325
Community Development Agency	1.479	1.469	1.375	1.391	1.176
Metropolitan Transit District	1.244	1.150	1.038	0.969	0.849
Light Rail Authority	0.000	0.000	0.000	0.000	0.000
Vermillion River Watershed	<u>0.403</u>	<u>0.399</u>	<u>0.370</u>	<u>0.348</u>	<u>0.287</u>
Totals:	<u>97.755%</u>	<u>97.629%</u>	<u>93.763%</u>	<u>92.508%</u>	<u>81.166%</u>
<i>Market Value Rates:</i>	<i>2018/2019</i>	<i>2019/2020</i>	<i>2020/2021</i>	<i>2021/2022</i>	<i>2022/2023</i>
ISD No. 194 (Lakeville)	0.26992%	0.31225%	0.27269%	0.25582%	0.26581%

## Tax Levies and Collections<sup>1</sup>

<u>Levy/Collect</u>	<u>Net Levy</u>	<u>Collected During Collection Year</u>		<u>Collected and/or Abated as of 3/31/23</u>	
		<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
2022/2023	\$39,771,940		In Process of Collection		
2021/2022	32,135,263	\$31,986,983	99.54%	\$32,039,759	99.70%
2020/2021	30,604,596	30,485,121	99.61	30,586,249	99.94
2019/2020	28,795,991	28,644,937	99.48	28,791,052	99.98
2018/2019	26,974,849	26,853,439	99.55	26,971,437	99.99

<sup>1</sup> 2022/2023 property taxes are currently in the process of collection/reporting and updated figures are not yet available from Dakota County.



**SUMMARY OF DEBT AND DEBT STATISTICS**

**Statutory Debt Limit<sup>1</sup>**

Minnesota Statutes, Section 475.53 states that a city or county may not incur or be subject to a net debt in excess of three percent (3%) of its estimated market value. Net debt is, with limited exceptions, debt paid solely from ad valorem taxes.

Computation of Legal Debt Margin as of June 2, 2023:

2022/2023 Estimated Market Value	\$ 11,784,834,300
Multiplied by 3%	<u>                  x .03</u>
Statutory Debt Limit	<u>\$ 353,545,029</u>
Less outstanding debt applicable to debt limit:	
\$12,660,000 G.O. Refunding Bonds, Series 2014B	\$ 7,940,000
\$1,530,000 G.O. Bonds, Series 2017A	875,000
\$3,115,000 G.O. Bonds, Series 2018B	1,970,000
\$6,915,000 G.O. Bonds, Series 2021C	5,255,000
\$13,240,000 G.O. Refunding Bonds, Series 2022A	9,185,000
\$9,570,000 Taxable G.O. Bonds, Series 2022B	4,845,000
\$24,945,000 G.O. Bonds, Series 2022C	13,735,000
\$10,000,000 G.O. Bonds, Series 2023A (includes This Issue)	<u>10,000,000</u>
Total Debt applicable to debt limit:	\$ 53,805,000
Legal debt margin	<u>\$ 299,740,029</u>

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<sup>1</sup> Effective June 2, 1997 and pursuant to Minnesota Statutes 465.71, any lease revenue or public project revenue bond issues/agreements of \$1,000,000 or more are subject to the statutory debt limit. Lease revenue or public project revenue bond issues/agreements less than \$1,000,000 are not subject to the statutory debt limit.

**CITY OF LAKEVILLE, MINNESOTA**  
**GENERAL OBLIGATION DEBT PAYABLE FROM TAXES**  
**(As of June 2, 2023, Plus This Issue)**

<b>Purpose:</b>	<b>G.O. Refunding Bonds, Series 2014B</b>	<b>G.O. Bonds, Series 2017A</b>	<b>G.O. Refunding Bonds, Series 2018B</b>	<b>G.O. Bonds, Series 2021C</b>	<b>G.O. Refunding Bonds, Series 2022A</b>	
<b>Dated:</b>	08/20/14	09/07/17	08/16/18	08/17/21	01/06/22	
<b>Original Amount:</b>	\$12,660,000	\$1,530,000	\$3,115,000	\$5,650,000	\$10,620,000	
<b>Maturity:</b>	1-Feb	1-Feb	1-Feb	1-Feb	1-Feb	
<b>Interest Rates:</b>	1.75-5.00%	3.00-5.00%	3.00-5.00%	2.00-4.00%	4.00%	
2023	\$0	\$0	\$0	\$0	\$0	2023
2024	875,000	155,000	250,000	500,000	1,550,000	2024
2025	925,000	170,000	255,000	520,000	1,660,000	2025
2026	960,000	175,000	270,000	540,000	1,780,000	2026
2027	790,000	185,000	280,000	560,000	935,000	2027
2028	815,000	190,000	295,000	585,000	1,000,000	2028
2029	845,000	0	305,000	605,000	1,080,000	2029
2030	875,000	0	315,000	630,000	1,180,000	2030
2031	910,000	0	0	650,000	0	2031
2032	945,000	0	0	665,000	0	2032
2033	0	0	0	0	0	2033
2034	0	0	0	0	0	2034
2035	0	0	0	0	0	2035
2036	0	0	0	0	0	2036
2037	0	0	0	0	0	2037
2038	0	0	0	0	0	2038
2039	0	0	0	0	0	2039
2040	0	0	0	0	0	2040
2041	0	0	0	0	0	2041
2042	0	0	0	0	0	2042
2043	0	0	0	0	0	2043
2044	0	0	0	0	0	2044
	<b>\$7,940,000</b>	<b>\$875,000</b>	<b>\$1,970,000</b>	<b>\$5,255,000</b>	<b>\$9,185,000</b>	
		(1)		(2)	(3) (4)	

**GENERAL OBLIGATION DEBT PAYABLE FROM TAXES CONTINUED**

Purpose:	This Issue			TOTAL	TOTAL	
	Taxable G.O. Bonds, Series 2022B	G.O. Bonds, Series 2022C	G.O. Bonds, Series 2023A			
Dated:	04/05/22	08/11/22	07/20/23			
Original Amount:	\$4,845,000	\$13,735,000	\$10,000,000			
Maturity:	1-Feb	1-Feb	1-Feb			
Interest Rates:	1.75-3.35%	3.625-5.00%				
2023	\$0	\$0	\$0	\$0	\$1,442,624	2023
2024	195,000	0	0	3,525,000	5,460,053	2024
2025	195,000	465,000	635,000	4,825,000	6,582,245	2025
2026	200,000	490,000	655,000	5,070,000	6,629,994	2026
2027	205,000	515,000	680,000	4,150,000	5,527,868	2027
2028	210,000	540,000	700,000	4,335,000	5,550,646	2028
2029	215,000	565,000	720,000	4,335,000	5,387,199	2029
2030	220,000	595,000	740,000	4,555,000	5,441,419	2030
2031	220,000	625,000	760,000	3,165,000	3,914,951	2031
2032	230,000	655,000	780,000	3,275,000	3,916,683	2032
2033	235,000	685,000	805,000	1,725,000	2,277,230	2033
2034	240,000	720,000	835,000	1,795,000	2,291,664	2034
2035	245,000	750,000	225,000	1,220,000	1,672,548	2035
2036	250,000	780,000	235,000	1,265,000	1,671,254	2036
2037	260,000	810,000	245,000	1,315,000	1,674,293	2037
2038	265,000	840,000	250,000	1,355,000	1,666,690	2038
2039	275,000	870,000	260,000	1,405,000	1,666,446	2039
2040	285,000	905,000	270,000	1,460,000	1,668,310	2040
2041	290,000	940,000	285,000	1,515,000	1,667,110	2041
2042	300,000	975,000	295,000	1,570,000	1,662,971	2042
2043	310,000	1,010,000	305,000	1,625,000	1,656,401	2043
2044	0	0	320,000	320,000	320,000	2044
	\$4,845,000	\$13,735,000	\$10,000,000	\$53,805,000	<u>\$69,748,596</u>	
	(5)	(6)				

**NOTE: 69% OF GENERAL OBLIGATION DEBT PAYABLE FROM TAXES WILL BE RETIRED WITHIN TEN YEARS.**

- (1) This schedule represents a portion of the \$10,165,000 General Obligation Bonds, Series 2017A, dated September 7, 2017, consisting of \$1,530,000 payable from taxes, \$7,465,000 payable from special assessments, \$835,000 payable from water revenues, and \$335,000 payable from the Street Utility.
- (2) This schedule represents a portion of the \$6,915,000 General Obligation Bonds, Series 2021C, dated August 17, 2021, consisting of \$5,650,000 payable from taxes and \$1,265,000 payable from water revenues.
- (3) These bonds current refunded the February 1, 2023 through February 1, 2030 maturities, totaling \$11,990,000 in principal of the City's General Obligation Refunding Bonds, Series 2012B on February 1, 2022, at a price of par plus accrued interest.
- (4) This schedule represents a portion of the \$13,240,000 General Obligation Refunding Bonds, Series 2022A, dated January 6, 2022, consisting of \$2,620,000 payable from special assessments and \$10,620,000 payable from ad valorem taxes.
- (5) This schedule represents a portion of the \$9,570,000 Taxable General Obligation Bonds, Series 2022B, dated April 5, 2022, consisting of \$4,845,000 payable from ad valorem taxes and \$4,725,000 payable from a tax abatement levy.
- (6) This schedule represents a portion of the \$24,945,000 General Obligation Bonds, Series 2022C, dated August 11, 2022, consisting of \$13,735,000 payable from ad valorem taxes and \$11,210,000 payable from special assessments.

**CITY OF LAKEVILLE, MINNESOTA**  
**GENERAL OBLIGATION DEBT PAYABLE FROM SPECIAL ASSESSMENTS**  
**(As of June 2, 2023)**

Purpose:	G.O. Improvement Bonds, Series 2011A	G.O. Improvement Bonds, Series 2014A	G.O. Bonds, Series 2015A	G.O. Bonds, Series 2016B	G.O. Bonds, Series 2017A	G.O. Bonds, Series 2018A	
<b>Dated:</b>	12/01/11	08/20/14	08/20/15	07/21/16	09/07/17	07/25/18	
<b>Original Amount:</b>	\$2,385,000	\$8,520,000	\$11,815,000	\$15,680,000	\$7,465,000	\$7,690,000	
<b>Maturity:</b>	1-Feb	1-Feb	1-Feb	1-Feb	1-Feb	1-Feb	
<b>Interest Rates:</b>	0.50-3.50%	2.00-4.00%	1.75-5.00%	1.50-5.00%	3.00-5.00%	2.50-5.00%	
2023	\$0	\$0	\$0	\$0	\$0	\$0	2023
2024	50,000	800,000	570,000	890,000	670,000	745,000	2024
2025	45,000	825,000	580,000	920,000	695,000	770,000	2025
2026	45,000	120,000	605,000	950,000	720,000	795,000	2026
2027	45,000	120,000	580,000	970,000	745,000	825,000	2027
2028	45,000	120,000	590,000	970,000	765,000	855,000	2028
2029	45,000	120,000	610,000	980,000	110,000	855,000	2029
2030	45,000	120,000	630,000	995,000	110,000	0	2030
2031	45,000	115,000	640,000	1,010,000	105,000	0	2031
2032	45,000	115,000	655,000	1,035,000	105,000	0	2032
2033	0	115,000	675,000	1,045,000	100,000	0	2033
2034	0	115,000	690,000	570,000	95,000	0	2034
2035	0	115,000	705,000	265,000	95,000	0	2035
2036	0	0	725,000	255,000	90,000	0	2036
2037	0	0	0	255,000	90,000	0	2037
2038	0	0	0	0	85,000	0	2038
	\$410,000	\$2,800,000	\$8,255,000	\$11,110,000	\$4,580,000	\$4,845,000	
			(1)	(2)	(3)	(4)	

**GENERAL OBLIGATION DEBT PAYABLE FROM SPECIAL ASSESSMENTS CONTINUED**

Purpose:	G.O. Bonds, Series 2019A	G.O. Bonds, Series 2020A	G.O. Refunding Bonds, Series 2022A	G.O. Bonds, Series 2022C			
Dated:	07/24/19	08/13/20	01/06/22	08/11/22			
Original Amount:	\$6,295,000	\$9,370,000	\$2,620,000	\$11,210,000			
Maturity:	1-Feb	1-Feb	1-Feb	1-Feb	<b>TOTAL</b>	<b>TOTAL</b>	
Interest Rates:	4.00-5.00%	3.00-5.00%	2.00-4.00%	5.00%	<b>PRINCIPAL:</b>	<b>PRIN &amp; INT:</b>	
2023	\$0	\$0	\$0	\$0	\$0	\$1,453,158	2023
2024	600,000	850,000	450,000	660,000	6,285,000	8,518,806	2024
2025	615,000	890,000	150,000	955,000	6,445,000	8,379,833	2025
2026	635,000	935,000	145,000	1,005,000	5,955,000	7,596,988	2026
2027	655,000	985,000	145,000	1,055,000	6,125,000	7,504,093	2027
2028	665,000	1,030,000	140,000	1,110,000	6,290,000	7,421,698	2028
2029	690,000	1,085,000	140,000	1,165,000	5,800,000	6,696,113	2029
2030	700,000	1,135,000	135,000	1,220,000	5,090,000	5,767,170	2030
2031	0	1,195,000	140,000	1,280,000	4,530,000	5,021,038	2031
2032	0	0	135,000	1,345,000	3,435,000	3,778,860	2032
2033	0	0	125,000	1,415,000	3,475,000	3,685,729	2033
2034	0	0	50,000	0	1,520,000	1,638,607	2034
2035	0	0	0	0	1,180,000	1,253,773	2035
2036	0	0	0	0	1,070,000	1,103,806	2036
2037	0	0	0	0	345,000	353,206	2037
2038	0	0	0	0	85,000	86,328	2038
	\$4,560,000	\$8,105,000	\$1,755,000	\$11,210,000	\$57,630,000	\$70,259,207	
	(5)	(6)	(7) (8)	(9)			

**NOTE: 87% OF GENERAL OBLIGATION DEBT PAYABLE FROM SPECIAL ASSESSMENTS WILL BE RETIRED WITHIN TEN YEARS.**

- (1) This schedule represents a portion of the \$16,545,000 General Obligation Bonds, Series 2015A, dated August 20, 2015, consisting of \$11,815,000 payable from special assessments and \$4,730 payable from State Aid.
- (2) This schedule represents a portion of the \$22,250,000 General Obligation Bonds, Series 2016B, dated July 21, 2016, consisting of \$15,680,000 payable from special assessments and \$6,570,000 payable from water and sewer revenues.
- (3) This schedule represents a portion of the \$10,165,000 General Obligation Bonds, Series 2017A, dated September 7, 2017, consisting of \$1,530,000 payable from taxes, \$7,465,000 payable from special assessments, \$835,000 payable from water revenues, and \$335,000 payable from the Street Utility.
- (4) This schedule represents a portion of the \$8,135,000 General Obligation Bonds, Series 2018A, dated July 25, 2018, consisting of \$7,690,000 payable from special assessments and \$445,000 payable from water revenues.
- (5) This schedule represents a portion of the \$7,025,000 General Obligation Bonds, Series 2019A, dated July 24, 2019, consisting of \$6,295,000 payable from special assessments and \$730,000 payable from water revenues.
- (6) This schedule represents a portion of the \$12,735,000 General Obligation Bonds, Series 2020A, dated August 13, 2020, consisting of \$9,370,000 payable from special assessments, \$2,745,000 payable from water revenues, and \$620,000 payable from an abatement levy.
- (7) These bonds current refunded the February 1, 2023 through February 1, 2033 maturities, totaling \$1,860,000 in principal, of the City's General Obligation Improvement Bonds, Series 2012A and the February 1, 2023 through February 1, 2034 maturities, totaling \$1,800,000 in principal, of the City's General Obligation Improvement Bonds, Series 2013A on February 1, 2022, at a price of par plus accrued interest.
- (8) This schedule represents a portion of the \$13,240,000 General Obligation Refunding Bonds, Series 2022A, dated January 6, 2022, consisting of \$2,620,000 payable from special assessments and \$10,620,000 payable from ad valorem taxes.
- (9) This schedule represents a portion of the \$24,945,000 General Obligation Bonds, Series 2022C, dated August 11, 2022, consisting of \$13,735,000 payable from ad valorem taxes and \$11,210,000 payable from special assessments.

**CITY OF LAKEVILLE, MINNESOTA**  
**GENERAL OBLIGATION DEBT PAYABLE FROM TAX INCREMENTS/TAX ABATEMENTS**  
**(As of June 2, 2023)**

Purpose:	G.O. Bonds, Series 2020A	G.O. Tax Abatement Bonds, Series 2021A	G.O. Tax Abatement Bonds, Series 2021B	Taxable G.O. Bonds, Series 2022B			
<b>Dated:</b>	08/13/20	02/16/21	05/18/21	04/05/22			
<b>Original Amount:</b>	\$620,000	\$7,770,000	\$5,620,000	\$4,725,000			
<b>Maturity:</b>	1-Feb	1-Feb	1-Feb	1-Feb	<b>TOTAL</b>	<b>TOTAL</b>	
<b>Interest Rates:</b>	3.00-5.00%	1.00-3.00%	2.00-4.00%	1.50-2.40%	<b>PRINCIPAL:</b>	<b>PRIN &amp; INT:</b>	
2023	\$0	\$0	\$0	\$0	\$0	\$196,728	2023
2024	55,000	325,000	215,000	425,000	1,020,000	1,399,186	2024
2025	55,000	335,000	220,000	435,000	1,045,000	1,394,876	2025
2026	60,000	345,000	230,000	445,000	1,080,000	1,399,110	2026
2027	65,000	355,000	240,000	460,000	1,120,000	1,406,920	2027
2028	65,000	365,000	250,000	465,000	1,145,000	1,398,356	2028
2029	70,000	375,000	260,000	480,000	1,185,000	1,403,403	2029
2030	75,000	390,000	270,000	495,000	1,230,000	1,415,154	2030
2031	75,000	395,000	280,000	510,000	1,260,000	1,417,995	2031
2032	0	400,000	285,000	520,000	1,205,000	1,339,890	2032
2033	0	405,000	290,000	0	695,000	813,119	2033
2034	0	410,000	295,000	0	705,000	812,175	2034
2035	0	415,000	300,000	0	715,000	810,809	2035
2036	0	420,000	305,000	0	725,000	808,756	2036
2037	0	425,000	315,000	0	740,000	810,953	2037
2038	0	435,000	320,000	0	755,000	812,344	2038
2039	0	440,000	325,000	0	765,000	808,238	2039
2040	0	450,000	330,000	0	780,000	808,900	2040
2041	0	455,000	340,000	0	795,000	809,281	2041
2042	0	0	345,000	0	345,000	348,450	2042
	\$520,000	\$7,140,000	\$5,415,000	\$4,235,000	\$17,310,000	\$20,414,643	
	(1)			(2) (3)			

**NOTE: 59% OF GENERAL OBLIGATION DEBT PAYABLE FROM TAX INCREMENTS WILL BE RETIRED WITHIN TEN YEARS.**

- (1) This schedule represents a portion of the \$12,735,000 General Obligation Bonds, Series 2020A, dated August 13, 2020, consisting of \$9,370,000 payable from special assessments, \$2,745,000 payable from water revenues, and \$620,000 payable from an abatement levy.
- (2) This schedule represents a portion of the \$9,570,000 Taxable General Obligation Bonds, Series 2022A, dated April 5, 2022, consisting of \$4,845,000 payable from ad valorem taxes and \$4,725,000 payable from a tax abatement levy.
- (3) These bonds full net advance refunded the February 1, 2023 through February 1, 2032 maturities of the Housing and Redevelopment Authority of the City of Lakeville's Lease Revenue Refunding Bonds, Series 2016A on April 5, 2022.

**CITY OF LAKEVILLE, MINNESOTA**  
**GENERAL OBLIGATION DEBT PAYABLE FROM STATE AID**  
**(As of June 2, 2023)**

<b>Purpose:</b>	<b>G.O. Bonds, Series 2015A</b>			
<b>Dated:</b>	08/20/15			
<b>Original Amount:</b>	\$4,730,000			
<b>Maturity:</b>	1-Feb			
<b>Interest Rates:</b>	1.75-5.00%			
		<b>TOTAL</b>	<b>TOTAL</b>	
		<b>PRINCIPAL:</b>	<b>PRIN &amp; INT:</b>	
		<hr/>		
2023	\$0	\$0	\$63,197	2023
2024	210,000	210,000	333,769	2024
2025	215,000	215,000	330,769	2025
2026	230,000	230,000	334,644	2026
2027	240,000	240,000	334,094	2027
2028	250,000	250,000	334,294	2028
2029	260,000	260,000	335,394	2029
2030	265,000	265,000	332,353	2030
2031	275,000	275,000	333,744	2031
2032	285,000	285,000	334,466	2032
2033	295,000	295,000	334,668	2033
2034	305,000	305,000	334,363	2034
2035	315,000	315,000	333,513	2035
2036	325,000	325,000	331,500	2036
		<hr/>		
	\$3,470,000	\$3,470,000	\$4,400,765	
	(1)			

**NOTE: 64% OF GENERAL OBLIGATION DEBT PAYABLE FROM STATE AID WILL BE RETIRED WITHIN TEN YEARS.**

(1) This schedule represents a portion of the \$16,545,000 General Obligation Bonds, Series 2015A, dated August 20, 2015, consisting of \$11,815,000 payable from special assessments and \$4,730 payable from State Aid.

**CITY OF LAKEVILLE, MINNESOTA**  
**GENERAL OBLIGATION DEBT PAYABLE FROM REVENUES**  
(As of June 2, 2023)

Purpose:	G.O. Water Utility Revenue Bonds, Series 2016A	G.O. Bonds, Series 2016B	G.O. Bonds, Series 2017A	G.O. Bonds, Series 2018A	G.O. Bonds, Series 2019A	G.O. Bonds, Series 2020A	
<b>Dated:</b>	02/25/16	07/21/16	09/07/17	07/25/18	07/24/19	08/13/20	
<b>Original Amount:</b>	\$8,280,000	\$6,570,000	\$1,170,000	\$445,000	\$730,000	\$2,745,000	
<b>Maturity:</b>	1-Feb	1-Feb	1-Feb	1-Feb	1-Feb	1-Feb	
<b>Interest Rates:</b>	2.00-5.00%	1.50-5.00%	3.00-5.00%	2.50-5.00%	4.00-5.00%	5.00%	
2023	\$0	\$0	\$0	\$0	\$0	\$0	2023
2024	465,000	475,000	130,000	45,000	65,000	245,000	2024
2025	490,000	500,000	140,000	45,000	70,000	260,000	2025
2026	495,000	450,000	145,000	45,000	75,000	270,000	2026
2027	475,000	310,000	100,000	50,000	80,000	285,000	2027
2028	480,000	315,000	105,000	50,000	80,000	300,000	2028
2029	495,000	325,000	0	55,000	85,000	315,000	2029
2030	505,000	335,000	0	0	90,000	330,000	2030
2031	520,000	345,000	0	0	0	0	2031
2032	540,000	355,000	0	0	0	0	2032
2033	555,000	365,000	0	0	0	0	2033
2034	570,000	250,000	0	0	0	0	2034
	\$5,590,000	\$4,025,000	\$620,000	\$290,000	\$545,000	\$2,005,000	
		(1)	(2)	(3)	(4)	(5)	



**GENERAL OBLIGATION BONDS PAYABLE FROM REVENUES CONTINUED**

<b>Purpose:</b>	<b>G.O. Bonds, Series 2021C</b>			
<b>Dated:</b>	08/17/21			
<b>Original Amount:</b>	\$1,265,000			
<b>Maturity:</b>	1-Feb	<b>TOTAL</b>	<b>TOTAL</b>	
<b>Interest Rates:</b>	2.00-4.00%	<b>PRINCIPAL:</b>	<b>PRIN &amp; INT:</b>	
2023	\$0	\$0	\$248,631	2023
2024	115,000	1,540,000	1,999,338	2024
2025	115,000	1,620,000	2,008,838	2025
2026	120,000	1,600,000	1,928,788	2026
2027	125,000	1,425,000	1,704,088	2027
2028	130,000	1,460,000	1,694,188	2028
2029	135,000	1,410,000	1,596,113	2029
2030	140,000	1,400,000	1,535,963	2030
2031	145,000	1,010,000	1,106,788	2031
2032	150,000	1,045,000	1,112,438	2032
2033	0	920,000	958,713	2033
2034	0	820,000	832,456	2034
	<u>\$1,175,000</u>	<u>\$14,250,000</u>	<u>\$16,726,338</u>	
	(6)			

**NOTE: 88% OF GENERAL OBLIGATION DEBT PAYABLE FROM REVENUES WILL BE RETIRED WITHIN TEN YEARS.**

- (1) This schedule represents a portion of the \$22,250,000 General Obligation Bonds, Series 2016B, dated July 21, 2016, consisting of \$11,550,000 payable from special assessments and \$6,570,000 payable from water and sewer revenues.
- (2) This schedule represents a portion of the \$10,165,000 General Obligation Bonds, Series 2017A, dated September 7, 2017, consisting of \$1,530,000 payable from taxes, \$7,465,000 payable from special assessments, \$835,000 payable from water revenues, and \$335,000 payable from the Street Utility.
- (3) This schedule represents a portion of the \$8,135,000 General Obligation Bonds, Series 2018A, dated July 25, 2018, consisting of \$7,690,000 payable from special assessments and \$445,000 payable from water revenues.
- (4) This schedule represents a portion of the \$7,025,000 General Obligation Bonds, Series 2019A, dated July 24, 2019, consisting of \$6,295,000 payable from special assessments and \$730,000 payable from water revenues.
- (5) This schedule represents a portion of the \$12,735,000 General Obligation Bonds, Series 2020A, dated August 13, 2020, consisting of \$9,370,000 payable from special assessments, \$2,745,000 payable from water revenues, and \$620,000 payable from an abatement levy.
- (6) This schedule represents a portion of the \$6,915,000 General Obligation Bonds, Series 2021C, dated August 17, 2021, consisting of \$5,650,000 payable from taxes and \$1,265,000 payable from water revenues.

**HOUSING AND REDEVELOPMENT AUTHORITY OF THE CITY OF LAKEVILLE, MINNESOTA**  
**LEASE REVENUE DEBT**  
**(As of June 2, 2023)**

<b>Purpose:</b>	<b>Lease Revenue Liquor Enterprise Refunding Bonds, Series 2017A</b>			
<b>Dated:</b>	11/08/17			
<b>Original Amount:</b>	\$2,255,000			
<b>Maturity:</b>	1-Feb			
<b>Interest Rates:</b>	2.00-3.00%			
		<b>TOTAL</b>	<b>TOTAL</b>	
		<b>PRINCIPAL:</b>	<b>PRIN &amp; INT:</b>	
2023	\$0	\$0	\$0	2023
2024	260,000	260,000	288,350	2024
2025	265,000	265,000	285,475	2025
2026	270,000	270,000	282,450	2026
2027	280,000	280,000	284,200	2027
	\$1,075,000	<u>\$1,075,000</u>	<u>\$1,140,475</u>	
	(1) (2)			

**NOTE: 100% OF HRA LEASE REVENUE DEBT WILL BE RETIRED WITHIN TEN YEARS.**

- (1) These bonds are payable solely from rental payments to be received from the City. The full faith and credit of the City IS NOT pledged to any payment of principal and interest or any other related costs on the bonds.
- (2) These bonds current refunded the 2022 through 2027 maturities of the City's Liquor Revenue Bonds, Series 2007 on November 8, 2017 at a price of par plus accrued interest.

**Indirect Debt\***

<i>Issuer</i>	<i>2022/2023 Tax Capacity Value<sup>(1)</sup></i>	<i>2022/2023 Tax Capacity Value in City<sup>(1)</sup></i>	<i>Percentage Applicable in City</i>	<i>Outstanding General Obligation Debt<sup>(2)</sup></i>	<i>Taxpayers' Share of Debt</i>
Dakota County	\$ 774,870,959	\$132,818,805	17.14%	\$0	\$ 0
ISD No. 192, Farmington	56,595,870	11,883,527	21.00	114,450,000	24,034,500
ISD No. 194, Lakeville	109,269,966	92,012,113	84.21	174,415,000	146,874,872
ISD No. 196, Rosemount- Apple Valley-Eagan	282,832,211	22,804,687	8.06	85,430,000	6,885,658
Metropolitan Council	5,096,675,377	132,818,805	2.61	4,535,000 <sup>(3)</sup>	118,364
Metro Transit	4,489,842,072	132,818,805	2.96	213,985,000 <sup>(4)</sup>	<u>6,333,956</u>
				<i>Total Indirect Debt:</i>	<u>\$ 184,247,350</u>

*(Remainder of page intentionally left blank)*

\* Only those taxing jurisdictions with general obligation debt outstanding are included. Debt figures do not include non-general obligation debt, short-term general obligation debt, or general obligation tax/aid anticipation certificates of indebtedness.

(1) Tax Capacity Value is after tax increment deduction and fiscal disparity adjustments. The values for Metropolitan Council and Metro Transit are for 2021/2022; the 2022/2023 values are not yet available.

(2) As of June 2, 2023, unless noted otherwise.

(3) Metropolitan Council has \$ 4,535,000 of general obligation debt outstanding as of December 31, 2022. This debt is payable from ad valorem taxes levied on all taxable property within the Metropolitan Taxing District. This amount excludes \$1,176,301,171 of general obligation debt payable from wastewater and sewer revenues, and lease agreements.

(4) Metropolitan Transit has \$213,985,000 of property tax supported general obligation debt outstanding as of December 31, 2022. Transit debt is issued by the Metropolitan Council for public transit operations and is payable from ad valorem taxes levied on all taxable property within the Metropolitan Transit District. This amount excludes \$322,365,000 of general obligation debt payable from revenues.

## General Obligation Debt

Bonds secured by taxes (includes This Issue)	\$ 53,805,000
Bonds secured by special assessments	57,630,000
Bonds secured by tax increments/tax abatements	17,310,000
Bonds secured by state aid	3,470,000
Bonds secured by water/sewer revenues	<u>14,250,000</u>
Subtotal	\$ 146,465,000
Less bonds secured by state aid and water/sewer revenues	( <u>17,720,000</u> )
<i>Direct General Obligation Debt</i>	144,693,000
Add taxpayers' share of indirect debt	<u>184,247,350</u>
<i>Direct and Indirect Debt</i>	<u>\$ 328,940,350</u>

## Special Obligations

\$2,255,000 Lease Revenue Liquor Enterprise Refunding Bonds, Series 2017A	\$ 1,075,000
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## Metropolitan Council Loan Agreements

\$1,466,300 Loan Agreement of 2006	\$ 1,159,843
\$737,171 Loan Agreement of 2017	737,171
\$950,000 Loan Agreement of 2021	950,000

## Facts for Ratio Computations

2021/2022 Economic Market Value (real and personal property)	\$10,848,514,420
Population (2023 City Estimate)	73,107

## Debt Ratios Excluding Revenue-Supported Debt

	<i>Direct <u>Debt</u></i>	<i>Indirect <u>Debt</u></i>	<i>Direct and <u>Indirect Debt</u></i>
To Economic Market Value	1.33%	1.70%	3.03%
Per Capita	\$1,979	\$2,520	\$4,429

## **APPENDIX A**

### **Form of Legal Opinion**



City of Lakeville  
Lakeville, Minnesota

[Purchaser]  
[City, State]

Re:     \$[PAR] General Obligation Bonds, Series 2023A  
       City of Lakeville, Minnesota

Ladies and Gentlemen:

As Bond Counsel in connection with the authorization, issuance and sale by the City of Lakeville, Minnesota (the “City”), of the obligations described above, dated, as originally issued, as of July [ ], 2023 (the “Bonds”), we have examined certified copies of certain proceedings taken, and certain affidavits and certificates furnished, by the City in the authorization, sale and issuance of the Bonds, including the form of the Bonds. As to questions of fact material to our opinion, we have assumed the authenticity of and relied upon the proceedings, affidavits and certificates furnished to us without undertaking to verify the same by independent investigation. From our examination of such proceedings, affidavits and certificates and on the basis of existing law, it is our opinion that:

1.     The Bonds are valid and binding general obligations of the City, enforceable in accordance with their terms.

2.     The principal of and interest on the Bonds are payable from ad valorem taxes duly levied on all taxable property in the City, which ad valorem taxes are expected to produce amounts sufficient to pay the principal of and interest on the Bonds when due, and, to any extent not so paid, from additional ad valorem taxes required by law to be levied on all taxable property in the City, which taxes are not subject to any limitation as to rate or amount.

3.     Interest on the Bonds (a) is excludable from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986 (the “Code”) and (b) is not an item of tax preference for purposes of the federal alternative minimum tax imposed on noncorporate taxpayers by Section 55 of the Code.

4.     Interest on the Bonds (a) is excludable from taxable net income of individuals, estates, and trusts for Minnesota income tax purposes and (b) is not an item of tax preference for purposes of the Minnesota alternative minimum tax imposed on individuals, trusts, and estates.

5.     The Bonds are “qualified tax-exempt obligations” within the meaning of Section 265(b)(3) of the Code.

The opinions expressed in paragraphs 1 and 2 above are subject, as to enforceability, to the effect of any state or federal laws relating to bankruptcy, insolvency, reorganization, moratorium or creditors’ rights and the application of equitable principles, whether considered at law or in equity.

The opinions expressed in paragraphs 3, 4 and 5 above are subject to the compliance by the City with certain requirements of the Code that must be satisfied subsequent to the issuance of the Bonds. Noncompliance with these requirements could result in the inclusion of interest on the Bonds in gross income for federal income tax purposes and taxable net income of individuals, estates, and trusts for Minnesota income tax purposes or the Bonds failing to be qualified tax-exempt obligations, retroactive to the date of issuance of the Bonds.

Except as stated herein, we express no opinion regarding federal, state, or other tax consequences to the owner of the Bonds. We note, however, that interest on the Bonds may be taken into account in determining adjusted financial statement income for purposes of the federal alternative minimum tax imposed on applicable corporations (as defined in Section 59(k) of the Code), and interest on the Bonds is included in net income of corporations and financial institutions for purposes of the Minnesota franchise tax.

In providing this opinion, we have relied upon representations of the City and its officers as to (i) the intended application of the proceeds of the Bonds, (ii) the nature, use, cost, and economic life of the facilities financed by the Bonds, and (iii) other matters relating to the exemption of the interest on the Bonds from federal income taxation.

This opinion is given as of the date hereof, and we assume no obligation to revise or supplement this opinion to reflect any facts or circumstances that may hereafter come to our attention or any changes in law that may occur after the date hereof and which may be retroactive.

Dated this [ ] day of July, 2023.

Very truly yours,

## **APPENDIX B**

### **Continuing Disclosure Undertaking**



## CONTINUING DISCLOSURE

(a) Purpose and Beneficiaries. To provide for the public availability of certain information relating to the Bonds and the security therefor and to permit the Purchaser and other participating underwriters in the primary offering of the Bonds to comply with amendments to Rule 15c2-12 promulgated by the SEC under the Securities Exchange Act of 1934 (17 C.F.R. § 240.15c2-12), relating to continuing disclosure (as in effect and interpreted from time to time, the Rule), which will enhance the marketability of the Bonds, the City hereby makes the following covenants and agreements for the benefit of the Owners (as hereinafter defined) from time to time of the outstanding Bonds. The City is the only obligated person in respect of the Bonds within the meaning of the Rule for purposes of identifying the entities in respect of which continuing disclosure must be made. If the City fails to comply with any provisions of this section, any person aggrieved thereby, including the Owners of any outstanding Bonds, may take whatever action at law or in equity may appear necessary or appropriate to enforce performance and observance of any agreement or covenant contained in this section, including an action for a writ of mandamus or specific performance. Direct, indirect, consequential and punitive damages shall not be recoverable for any default hereunder to the extent permitted by law. Notwithstanding anything to the contrary contained herein, in no event shall a default under this section constitute a default under the Bonds or under any other provision of this resolution. As used in this section, Owner or Bondowner means, in respect of the Bonds, the registered owner or owners thereof appearing in the bond register maintained by the Registrar or any Beneficial Owner (as hereinafter defined) thereof, if such Beneficial Owner provides to the Registrar evidence of such beneficial ownership in form and substance reasonably satisfactory to the Registrar. As used herein, Beneficial Owner means, in respect of the Bonds, any person or entity which (a) has the power, directly or indirectly, to vote or consent with respect to, or to dispose of ownership of, such Bonds (including persons or entities holding Bonds through nominees, depositories or other intermediaries), or (b) is treated as the owner of the Bonds for federal income tax purposes.

(b) Information To Be Disclosed. The City will provide, in the manner set forth in subsection (c) hereof, either directly or indirectly through an agent designated by the City, the following information at the following times:

- (1) On or before 12 months after the end of each fiscal year of the City, commencing with the fiscal year ending December 31, 2023, the following financial information and operating data in respect of the City (the Disclosure Information):
  - (A) the audited financial statements of the City for such fiscal year, prepared in accordance with generally accepted accounting principles in accordance with the governmental accounting standards promulgated by the Governmental Accounting Standards Board or as otherwise provided under Minnesota law, as in effect from time to time, or, if and to the extent such financial statements have not been prepared in accordance with such generally accepted accounting principles for reasons beyond the reasonable control of the City, noting the discrepancies therefrom and the effect

thereof, and certified as to accuracy and completeness in all material respects by the fiscal officer of the City; and

- (B) to the extent not included in the financial statements referred to in paragraph (A) hereof, the information for such fiscal year or for the period most recently available of the type contained in the Official Statement under the headings: “Economic and Financial Information – Valuations,” “– Tax Capacity Rates,” “– Tax Levies and Collections,” and “Summary of Debt and Debt Statistics,” which information may be unaudited.

Notwithstanding the foregoing paragraph, if the audited financial statements are not available by the date specified, the City shall provide on or before such date unaudited financial statements in the format required for the audited financial statements as part of the Disclosure Information and, within 10 days after the receipt thereof, the City shall provide the audited financial statements. Any or all of the Disclosure Information may be incorporated by reference, if it is updated as required hereby, from other documents, including official statements, which have been filed with the SEC or have been made available to the public by the Municipal Securities Rulemaking Board (the “MSRB”) through its Electronic Municipal Market Access System (EMMA). The City shall clearly identify in the Disclosure Information each document so incorporated by reference. If any part of the Disclosure Information can no longer be generated because the operations of the City have materially changed or been discontinued, such Disclosure Information need no longer be provided if the City includes in the Disclosure Information a statement to such effect; provided, however, if such operations have been replaced by other City operations in respect of which data is not included in the Disclosure Information and the City determines that certain specified data regarding such replacement operations would be a Material Fact (as defined in paragraph (2) hereof), then, from and after such determination, the Disclosure Information shall include such additional specified data regarding the replacement operations. If the Disclosure Information is changed or this section is amended as permitted by this paragraph (b)(1) or subsection (d), then the City shall include in the next Disclosure Information to be delivered hereunder, to the extent necessary, an explanation of the reasons for the amendment and the effect of any change in the type of financial information or operating data provided.

- (2) In a timely manner, not in excess of 10 business days, to the MSRB through EMMA, notice of the occurrence of any of the following events (each a “Material Fact,” as hereinafter defined):
  - (A) Principal and interest payment delinquencies;
  - (B) Non-payment related defaults, if material;
  - (C) Unscheduled draws on debt service reserves reflecting financial difficulties;
  - (D) Unscheduled draws on credit enhancements reflecting financial difficulties;
  - (E) Substitution of credit or liquidity providers, or their failure to perform;
  - (F) Adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the Bonds, or other material events affecting the tax status of the Bonds;

- (G) Modifications to rights of security holders, if material;
- (H) Bond calls, if material, and tender offers;
- (I) Defeasances;
- (J) Release, substitution, or sale of property securing repayment of the securities, if material;
- (K) Rating changes;
- (L) Bankruptcy, insolvency, receivership or similar event of the City;
- (M) The consummation of a merger, consolidation, or acquisition involving an obligated person or the sale of all or substantially all of the assets of the obligated person, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; and
- (N) Appointment of a successor or additional paying agent or the change of name of a paying agent, if material.
- (O) Incurrence of a financial obligation of the obligated person, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a financial obligation of the obligated person, any of which affect security holders, if material; and
- (P) Default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a financial obligation of the obligated person, any of which reflect financial difficulties.

For purposes of the events identified in paragraphs (O) and (P) above, the term “financial obligation” means (i) a debt obligation; (ii) a derivative instrument entered into in connection with, or pledged as security or a source of payment for, an existing or planned debt obligation; or (iii) a guarantee of (i) or (ii). The term “financial obligation” shall not include municipal securities as to which a final official statement has been provided to the MSRB consistent with the Rule.

As used herein, for those events that must be reported if material, a “Material Fact” is a fact as to which a substantial likelihood exists that a reasonably prudent investor would attach importance thereto in deciding to buy, hold or sell the Bonds or, if not disclosed, would significantly alter the total information otherwise available to an investor from the Official Statement, information disclosed hereunder or information generally available to the public. Notwithstanding the foregoing sentence, a Material Fact is also a fact that would be deemed material for purposes of the purchase, holding or sale of the Bonds within the meaning of applicable federal securities laws, as interpreted at the time of discovery of the occurrence of the event.

For the purposes of the event identified in (L) hereinabove, the event is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent or similar officer for an obligated person in a proceeding under the U.S. Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the obligated person, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement or liquidation by a court or governmental

authority having supervision or jurisdiction over substantially all of the assets or business of the obligated person.

- (3) In a timely manner, to the MSRB through EMMA, notice of the occurrence of any of the following events or conditions:
  - (A) the failure of the City to provide the Disclosure Information required under paragraph (b)(1) at the time specified thereunder;
  - (B) the amendment or supplementing of this section pursuant to subsection (d), together with a copy of such amendment or supplement and any explanation provided by the City under subsection (d)(2);
  - (C) the termination of the obligations of the City under this section pursuant to subsection (d);
  - (D) any change in the accounting principles pursuant to which the financial statements constituting a portion of the Disclosure Information are prepared; and
  - (E) any change in the fiscal year of the City.

(c) Manner of Disclosure.

- (1) The City agrees to make available to the MSRB through EMMA, in an electronic format as prescribed by the MSRB, the information described in subsection (b).
- (2) All documents provided to the MSRB pursuant to this subsection (c) shall be accompanied by identifying information as prescribed by the MSRB from time to time.

(d) Term; Amendments; Interpretation.

- (1) The covenants of the City in this section shall remain in effect so long as any Bonds are outstanding. Notwithstanding the preceding sentence, however, the obligations of the City under this section shall terminate and be without further effect as of any date on which the City delivers to the Registrar an opinion of Bond Counsel to the effect that, because of legislative action or final judicial or administrative actions or proceedings, the failure of the City to comply with the requirements of this section will not cause participating underwriters in the primary offering of the Bonds to be in violation of the Rule or other applicable requirements of the Securities Exchange Act of 1934, as amended, or any statutes or laws successory thereto or amendatory thereof.
- (2) This section (and the form and requirements of the Disclosure Information) may be amended or supplemented by the City from time to time, without notice to (except as provided in paragraph (c)(2) hereof) or the consent of the Owners of any Bonds, by a resolution of this Council filed in the office of the recording officer of the City accompanied by an opinion of Bond Counsel, who may rely on certificates of the City and others and the opinion may be subject to customary qualifications, to the

effect that: (i) such amendment or supplement (a) is made in connection with a change in circumstances that arises from a change in law or regulation or a change in the identity, nature or status of the City or the type of operations conducted by the City, or (b) is required by, or better complies with, the provisions of paragraph (b)(5) of the Rule; (ii) this section as so amended or supplemented would have complied with the requirements of paragraph (b)(5) of the Rule at the time of the primary offering of the Bonds, giving effect to any change in circumstances applicable under clause (i)(a) and assuming that the Rule as in effect and interpreted at the time of the amendment or supplement was in effect at the time of the primary offering; and (iii) such amendment or supplement does not materially impair the interests of the Bondowners under the Rule.

If the Disclosure Information is so amended, the City agrees to provide, contemporaneously with the effectiveness of such amendment, an explanation of the reasons for the amendment and the effect, if any, of the change in the type of financial information or operating data being provided hereunder.

- (3) This section is entered into to comply with the continuing disclosure provisions of the Rule and should be construed so as to satisfy the requirements of paragraph (b)(5) of the Rule.

## **APPENDIX C**

### **City's Financial Statement**

The following financial statements are excerpts from the annual financial report for the year ended December 31, 2021. The complete financial report for the year 2021 and the prior two years are available for inspection at the Lakeville City Hall and the office of Northland Securities, Inc. The reader of this Official Statement should be aware that the complete financial report may have further data relating to the excerpts presented in the appendix which may provide additional explanation, interpretation or modification of the excerpts.

# 2021 ANNUAL COMPREHENSIVE FINANCIAL REPORT



Year ended December 31, 2021  
City of Lakeville, Minnesota

**CITY OF LAKEVILLE, MINNESOTA**  
**ANNUAL COMPREHENSIVE FINANCIAL REPORT**  
**YEAR ENDED DECEMBER 31, 2021**

**PREPARED BY THE FINANCE DEPARTMENT**



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## **INTRODUCTORY SECTION**



**City of Lakeville**  
*Positioned to Thrive*

May 31, 2022

The Honorable Mayor and Council Members  
20195 Holyoke Avenue  
Lakeville, Minnesota 55044

Honorable Mayor, Members of the City Council and Citizens of the City of Lakeville:

The Annual Comprehensive Financial Report is hereby presented for the purpose of providing you, the reader, with a thorough overview of the financial affairs of the City for the year ended December 31, 2021. The Report was prepared in accordance with Minnesota Statutes and Generally Accepted Accounting Principles (GAAP).

This report was prepared by the City's Finance Department and consists of management's representations concerning the finances of the City. Consequently, management assumes full responsibility for the completeness and reliability of all information presented in this report. To provide a reasonable basis for making these representations, management of the City has established internal controls designed to protect the City's assets from loss, theft or misuse and to provide sufficient reliable information for the preparation of these financial statements in conformity with GAAP. Because the cost of internal controls should not outweigh their benefits, the City's internal controls have been designed to provide reasonable rather than absolute assurance that the financial statements will be free from material misstatements. As management, we assert that to the best of our knowledge and belief this report is complete and reliable in all material respects.

The City of Lakeville's financial statements have been audited by CliftonLarsonAllen LLP, a professional firm of certified public accountants. The independent auditor's report is included in the Financial Section of this report. The auditors have given this report an unmodified ("clean") opinion, meaning that the financial statements fairly present the City's financial position at December 31, 2021 and the changes in financial position for the year then ended.

Management's discussion and analysis (MD&A) immediately follows the independent auditors' report and provides a narrative introduction, overview, and analysis of the basic financial statements. MD&A complements this letter of transmittal and should be read in conjunction with it.

20195 Holyoke Avenue, Lakeville, MN 55044  
952-985-4400 • 952-985-4499 fax  
[www.lakevillemn.gov](http://www.lakevillemn.gov)

## **Profile of Government**

The City of Lakeville is a suburban community located 20 miles south of downtown Minneapolis in the southeast corner of the Twin Cities metropolitan area within Dakota County. Lakeville enjoys an excellent location, with convenient access to the Minneapolis-Saint Paul metropolitan area via interstate highway I-35. The City is also just 25 minutes from the Minneapolis-Saint Paul International Airport. Lakeville continues to be one of the fastest growing cities in Minnesota with a population that has grown from 43,128 in 2000 to 71,472 in 2021.

The City of Lakeville operates under the Mayor-Council form of organization. The governing City Council consists of the Mayor and four other Council members. The City Council is responsible for, among other things, passing ordinances, adopting the budget, appointing members to the various committees and commissions and hiring the City Administrator. The City Administrator is responsible for carrying out the policies, directions and ordinances of the City Council and for overseeing the day-to-day operations of the City. The City Council is elected on a non-partisan at-large basis. The Mayor is elected to serve a four-year term, while Council Members serve four-year staggered terms, with two Council Members elected every two years.

The City provides its residents and businesses with a full range of municipal services consisting of public safety (police and fire), public works, parks and recreation, and general government administration. The City also operates two enterprises: utilities (public water, sanitary sewer, street lights and environmental resources) and off-sale liquor stores. Sewage treatment and disposal is operated on a regional basis by the Metropolitan Council Environmental Services (MCES) and refuse collection and disposal are handled on a private basis through contractual arrangements by City residents with private haulers. Further information regarding city services can be obtained from the City's website at [www.lakevillemn.gov](http://www.lakevillemn.gov)

The City is financially accountable for the Housing and Redevelopment Authority (HRA), which is included in the City's financial statement. Additional information on the HRA can be found in Note 1A. – Summary of Significant Accounting Policies of the Notes to Basic Financial Statements.

The annual budget serves as the foundation for the City of Lakeville's financial planning and control. The budgetary process is outlined in the notes within the required supplementary information section of this report. The City applies budgetary controls to ensure compliance with legal provisions of the laws of Minnesota. Budgets are adopted on a basis consistent with GAAP. Annual budgets are adopted for the general fund and special revenue funds. The general fund budgetary comparison schedules are presented within the required supplementary information section and the special revenue funds budgetary comparison schedules are presented in the nonmajor governmental funds subsection of this report.

## **Factors Affecting Financial Condition**

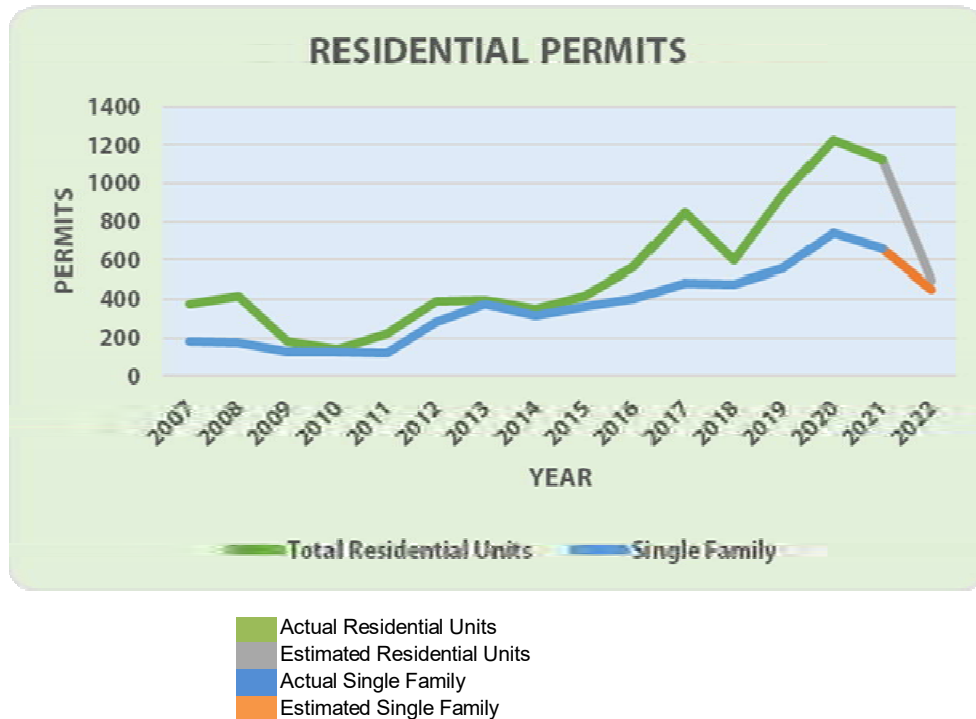
The City of Lakeville is committed to maintaining a strong financial condition, while continuing to provide quality public services to its residents and businesses. The City's financial position, as reflected in the financial statements presented in this report, is perhaps best understood when it is considered from the broader perspective of the environment within which the City operates.

### Local Economy

The City's tax base is primarily residential and consists of mostly single-family homes. Commercial and industrial properties make up approximately eleven percent of the tax base. The City's valuation declined from its peak in 2009 to a low point in 2013. Since 2013, valuations have steadily grown due to a mix of new construction and appreciating values. The City's valuation is now at a new peak and continues to grow. The City has grown by an estimated 14,424 new residents or approximately 25.3% since 2012, while the number of City employees has increased by 19.8%.

The City has a land area of 38 square miles with approximately 30% of its land available for development. In 2021, final plats were approved for 471 single-family units, 147 detached townhomes, 197 attached townhomes, 204 apartment units, one commercial development, one industrial and one institutional development.

The trend for building permit activity for single-family homes is steady with building permits for single family homes/detached townhomes decreasing slightly from 742 in 2020 to 663 in 2021. The 2022 budget is premised on conservative but assumed steady growth of new single-family homes in the coming year.



Commercial and industrial building permit activity was valued at \$94.6 million.

Commercial projects constructed in 2021 included:

- Springs at Lakeville
  - A new 260-unit rental townhomes
- The Moments of Lakeville
  - Two-story, 78,000 square-foot building expansion
  - 60 new memory-care units
- Summit Orthopedics
  - Two-story, 25,600 square-foot medical office
  - Advanced subspecialty orthopedic, sports and spine care

- Keokuk Liquor Store
  - City of Lakeville's fourth liquor store
  - Retail space and an event room – 20,000 square-foot
- Tires Plus
  - A new auto repair shop in Heritage Commons
- TCO Dome at Lakeville North High School
  - A new sports dome, a 98,500 square-foot seasonal facility to host a variety of sporting events including baseball, football, lacrosse, soccer, softball and more
- Porterhouse Steak & Seafood
  - The restaurant expanded its existing outdoor dining patio
- Northern Taphouse
  - The restaurant constructed a new 2,061 square-foot outdoor dining patio
- El Parian Mexican Restaurant
  - The restaurant expanded its existing outdoor dining patio
- Lakeville Brewing Company
  - The restaurant added cooler space and expanded its existing outdoor dining patio

Industrial development in 2021 included:

- Old Dominion Freight Line
  - 43,300 square-foot building
  - 70 new jobs in Lakeville
- Delmar Company
  - 29,647 square-foot expansion
  - Connected two existing buildings for added space and efficiencies
- Hearth & Home Technologies
  - New manufacturing division and additional jobs in Lakeville
- Uponor
  - 57,000 square-foot expansion of existing warehouse and distribution building
- The Outdoor GreatRoom Company
  - Occupying 94,500 square-feet in a new 158,000 square-foot building
  - Manufactures outdoor living products
  - 50-100 new jobs in Lakeville
- Buddy's Kitchen
  - 28,455 square-foot expansion
  - Adding new freezer space to existing building
- Magnum Trucking
  - New 31,360 square-foot trans-load trucking facility
  - 9,408 square-foot office building
  - 13,824 square-foot truck maintenance building
- Boise Building Solutions
  - Approved interim use permit to expand its outdoor storage area onto approximately 13 acres of adjacent MAC property

Commercial projects under construction:

- Raising Cane's Chicken Fingers
  - A new restaurant
- Northlake Loft Apartments
  - 208-unit, four-story market rate apartment



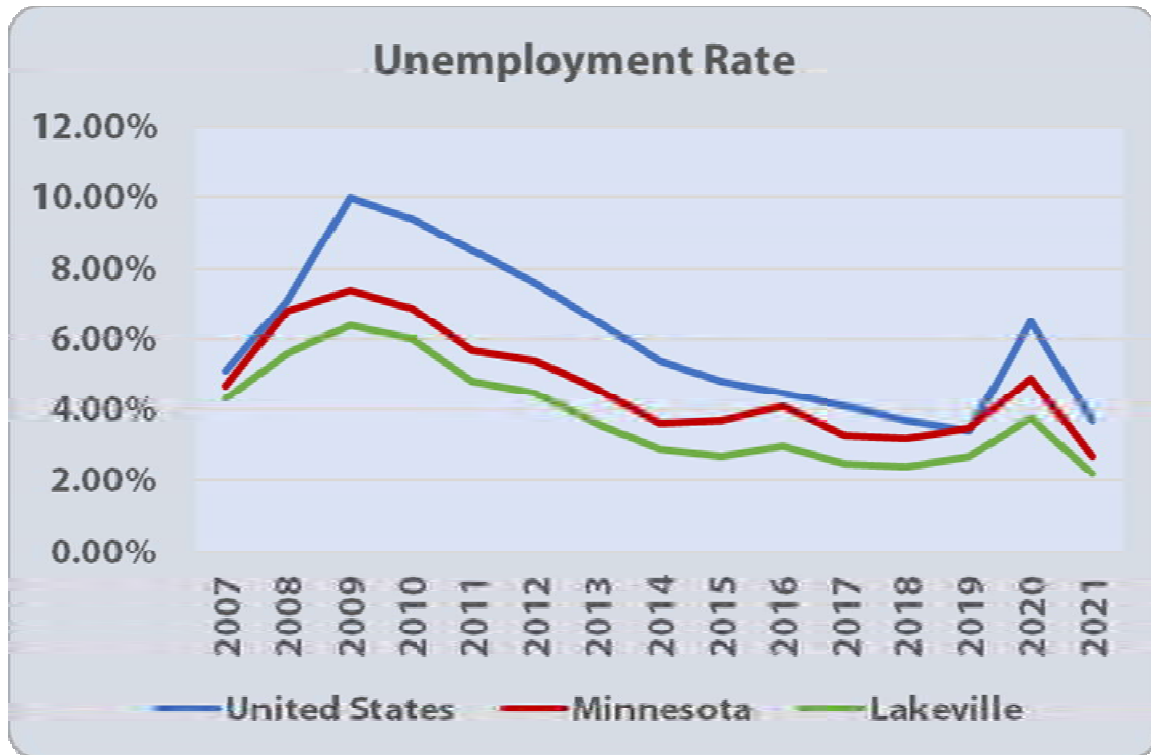
- The Pillars of Lakeville
  - 100-unit senior housing facility
- Arris Apartments
  - 197-unit apartment building
- The Better Half
  - A new restaurant located in downtown next to Angry Inch Brewing

New commercial businesses:

- Children's Minnesota Specialty Center
  - A new location for health care services
- ETS Performance South Metro
  - A new sports performance training facility
- Red's Savoy Pizza
  - A new restaurant
- Hotworx
  - A new 24-hour fitness studio
- Mainstreet Coffee & Wine Bar
  - A restaurant and wine bar under new ownership
- Pizza Ranch
  - Remodeled its location and under new ownership
- Space4Work
  - A new co-working space includes private offices, conference rooms, independent sit/stand workstations and amenities
- Masterpiece Chocolates
  - A new gourmet chocolate shop
- Compcare Urgent Care
  - A new urgent care medical clinic
- Wildflower Quilt Company
  - A new quilt shop with a wide variety of quilting products
- Labyrinth Puzzle Rooms
  - A new puzzle room located in the former Escape MSP space and offers three puzzle rooms

According to the Dakota County Assessor's office, the estimated market value for the median value home increased by 6.45% as of February 2022 (for taxes payable 2022) to \$358,300. The improving housing market is also strengthened with the current low inflation and interest rate environment.

According to the Bureau of Labor Statistics, Lakeville's unemployment rate is favorable compared to the State and National rates.



Source: <https://mn.gov/deed/data>

## Major Initiatives

Pressures and issues confronting the City were taken into account with the 2021 adopted budget including community growth, aging infrastructure, inflationary pressures, innovation and efficiencies, entrepreneurial efforts and preparing for the future.

**Community Growth.** New residential housing construction continues to rise due in large part to improved economic conditions. The resumption of growth will result in increased demands for infrastructure enhancements as well as service delivery such as inspections, code enforcement, police, fire, streets and parks.

**Addressing Aging Infrastructure.** Our City has more than \$400 million of investment in infrastructure such as roads, water mains, parks, trails, facilities, equipment, and other assets. The assets have maintenance, and in certain situations, replacement requirements. The 2021 budget addressed the short-term plan while the Capital Improvement Plan addressed the anticipated intermediate and long-term needs. The most significant 2021 projects included:

- Accelerated pavement management program to improve city-wide pavement management index
- 2021 Street Reconstruction
- Highview Ave improvements
- County Road 70 Expansion

**Inflationary Pressures.** As the economy improves there will be upward pressure on commodities, services and personnel costs. Inflation has increased significantly recently due to supply chain disruptions, etc. The budget anticipated modest price increases in the near term.

**Innovation and Efficiencies.** Lakeville has a long-standing history of being fiscally conservative and prudent. Although the City of Lakeville receives no state aid for property tax relief, per capita current expenditures for operations are still amongst the lowest in the twin cities according to the Minnesota State Auditor’s Office. The adopted budget included several initiatives which continued the focus on a commitment to cost effectiveness and efficiencies. Effective application of technology is a major factor in optimizing organizational efficiencies. The City is currently in the process of converting the water meter system to a fixed-base system utilizing existing water towers as collectors. This will ensure accurate water monitoring and provide residents with timely information regarding their water usage.

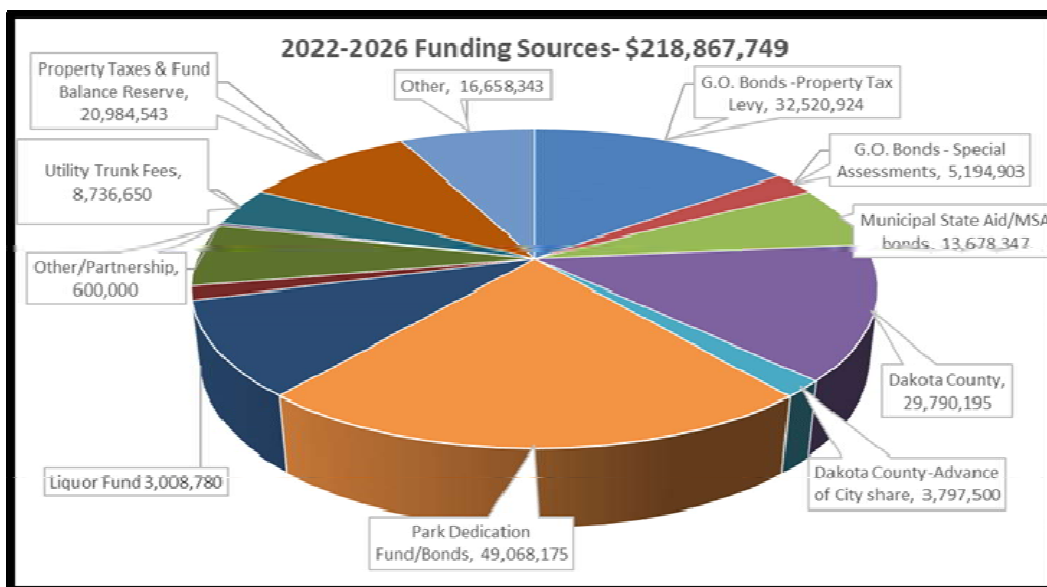
**Entrepreneurial Efforts.** Continued marketing initiatives are proposed to promote economic developments. Several years ago, property was acquired in southwestern Lakeville for what is now known as the Keokuk liquor store, the City’s fourth liquor store. The excess land adjacent to the Keokuk liquor store is currently being marketed for sale for a complementary business to further improve revenues and sales opportunities.

**Preparing for the Future.** As a Community that embraces a high quality of life and a pro-business attitude, Lakeville is “Positioned to Thrive.” It is an objective that embraces a vision for the future and a commitment to preparing for it.

***Long-Term Financial Planning***

There is an interrelationship between a community’s physical development and its long-term financial plan. A comprehensive plan provides the guidance for current and future land use and public infrastructure decisions to provide managed growth throughout the community. The City of Lakeville completes an update of its Comprehensive Plan every ten years. The scheduled Plan update started in 2017 and was completed in 2019.

The City prepares an annually updated Capital Improvement Plan (CIP) which is a flexible, five-year plan that identifies the City’s infrastructure, development objectives and allocation of financial resources. The CIP identifies funding for the projects and provides policy makers and the community with a strategic (documented) approach to implementation and administration of improvement projects. The City will invest \$218 million in transportation, utility, equipment, technology, facilities and parks over the next five years to achieve program objectives.



The City has also implemented long-term financial planning models for its governmental funds, utility funds and debt funds. This effort of forecasting operating and capital budgets has positioned the City to better handle the growing demand for City services, increased infrastructure, and the economic impact of unforeseen events such as COVID-19. Moody's Investors Service upgraded the City's bond rating from Aa1 to Aaa in June, 2021, citing the City's robust economic and financial performance that were exceptionally resilient throughout the coronavirus pandemic coupled with continued solid management practices that are expected to support strong credit fundamentals over the long-term. This top rating from Moody's is shared by only thirteen other Minnesota cities.

As of December 31, 2021, the City of Lakeville had approximately \$133.3 million of debt outstanding. The City will issue approximately \$51 million general obligation improvement bonds in the coming years to finance street reconstruction projects, facility expansion and development of community parks

### ***Relevant Financial Policies***

The City has a number of policies which are utilized in the management of its fiscal affairs. The primary policies include, but are not limited to, operating budget policy, budget amendment process, revenue, debt, investment and fund balance. The City also adopted a Financial Sustainability and Resiliency policy in January 2020.

- ***Operating Budgets.*** The City's operating budget policy sets forth guidance with respect to balanced operating budgets, with an overriding goal of achieving structural balance over a longer-term period, while recognizing that in certain periods, revenues and expenditures may not be equal. A balanced budget for the General Fund is defined as revenues and other sources equal to or exceeding operating expenditures and other uses. Other sources can include that portion of General Fund balance that is allowed to be budgeted for use per the City's fund balance policy. The budget will provide for adequate maintenance of capital facilities and equipment and for their orderly replacement.

Balanced budgets for the proprietary enterprise funds are defined as providing sufficient revenues to support the operations of those funds, without subsidy from the General Fund or property taxes. Charges from the Proprietary Internal Service Funds shall be sufficient to support such activities, with no trend of operating deficits.

The legal level of budgetary control (i.e., the level at which expenditures may not legally exceed appropriations) is at the fund level for the General Fund and Special Revenue Funds. The City Administrator has authorization to expend funds in excess of the appropriation for each department and to approve budget amendments between departments within a budgeted fund pursuant to all adopted financial policies. Budgeted expenditure appropriations lapse at year-end. Supplementary appropriations can be carried forward to the following year if approved by the City Council.

- ***Revenue Policies.*** The City will project its annual revenues by a conservative objective and thorough analytical process. The City will endeavor to maintain a diversified and stable revenue system to shelter it from annual fluctuations in any one revenue source. All existing and potential revenue sources will be reexamined annually. New sources of non-property-tax revenue should always be actively explored. Where appropriate and not contrary to accepted public policy or statutes, emphasis will be directed toward full cost recovery through user fees.

User fees and cost allocation formulas will be updated periodically (annually, if needed). Ongoing, the City will review the full cost of activities supported by user fees to identify the impact of inflation and other factors. The fees along with the resulting net property tax costs will be reviewed with the City Council during the budget process. Sensitivity to market rates will also be considered in setting fees. Intergovernmental grant requests are subject to fiscal review before the application is submitted. This review is to ensure that the grants do not create an obligation for unfunded expenditures by the City relating to the grant's purpose and to provide an overall budgetary review of grant proposals.

- **Debt.** The City's debt policy provides guidance to ensure that long-term debt is utilized appropriately and in a fiscally prudent manner. Limiting long-term borrowing to capital improvements or other long-term projects which cannot, and appropriately should not, be financed from current revenues. Final maturity of bonds and notes should not exceed the expected useful life of the underlying project for which it is being issued. Where possible, the City will endeavor to pledge special assessments, State-aid or other non-tax revenues to debt service payments.
- **Investments.** The City's policy is to invest all available monies at competitive interest rates, coordinated with projections of the City's operating and program cash flow needs. Interest earnings will be distributed to the funds based on the average cash balances. Investments will take into consideration safety, liquidity and yield as well as complying with State regulations.
- **Fund Balance.** Fund balance or net position are terms used to define the difference between a fund's assets, deferred outflows of financial resources, liabilities and deferred inflows of financial resources. Fund balance is used in governmental fund types and net position is used in proprietary fund types and the government-wide financial statements.
- **Financial Sustainability and Resiliency Policy.** The City Council adopted this new policy in January 2020. The purpose of this policy is to establish strategic financial sustainability and resiliency principles for the City of Lakeville, which may be used when developing the annual budget, long-term financial plans, and when making critical financial, economic development and community development decisions.

## **COVID-19 Pandemic**

Like all organizations, 2020 was a year of dealing and managing COVID pandemic related issues. In June 2021, the City reopened all of its facilities to the public and continued to hold City Council meetings and workshops in person and virtually. City recreational programs resumed with safety precautions in place. In 2021, the City was awarded \$5.4 million in American Rescue Plan (ARP) Act funds. The City Council and staff have evaluated the eligible uses of the funds and have incorporated those uses into its multi-year planning documents.

## **Awards**

### **Certificate of Achievement**

The Government Finance Officers Association (GFOA) of the United States awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Lakeville, Minnesota, for its annual comprehensive financial report for the fiscal year ended December 31, 2020. This is the thirty-third consecutive year that the City of Lakeville has received this prestigious award.

In order to be awarded a Certificate of Achievement for Excellence, a government must publish an easily readable and efficiently organized annual comprehensive financial report, and the contents must conform to the program standards. Such reports must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement for Excellence in Financial Reporting is valid for a period of one year only. We believe our current annual comprehensive financial report continues to conform to the Certificate of Achievement for Excellence program requirements, and we are submitting it to the GFOA to determine its eligibility for another certificate.

***Financial Policy Challenge***

The City also earned recognition as a winner of the Financial Policy Challenge from the Government Finance Officers Association (GFOA) for its Financial Sustainability and Resiliency Policy. The GFOA launched this Challenge as an opportunity for GFOA members to adopt and share financial policies that are essential to a strong financial foundation.

***Acknowledgements***

The preparation of this report could not have been accomplished without the professional, efficient and dedicated services of the entire staff of the Finance Department. We would like to express our appreciation to all members of the department, with special recognition to Senior Financial Analysts Julie Werner, David Lang, Tom Nesseth and Laura Miller.

We would also like to express our sincere gratitude to the City Council for its sincere commitment and progressive leadership in the financial affairs of our community.

Respectfully submitted,



Justin Miller  
City Administrator



Jerilyn Erickson  
Finance Director/Treasurer

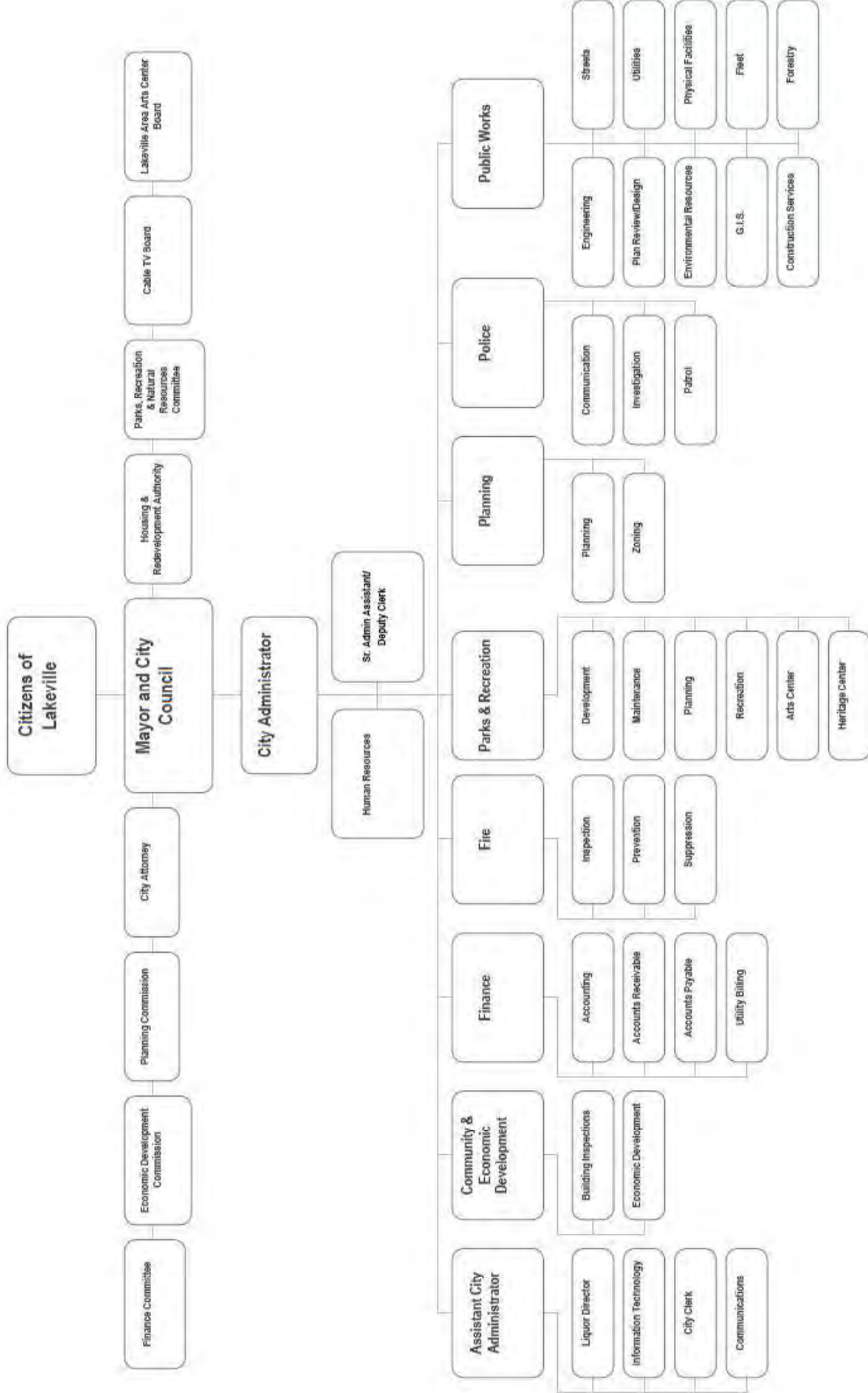
**CITY OF LAKEVILLE  
ELECTED AND APPOINTED OFFICIALS  
YEAR ENDED DECEMBER 31, 2021**

<b>Elected Officials</b>		<u>Term Expires December 31,</u>
Douglas P. Anderson	Mayor	2022
John Bermel	Council Member	2024
Luke Hellier	Council Member	2024
Joshua Lee	Council Member	2022
Michelle Volk	Council Member	2022

**APPOINTED PERSONNEL**

Justin Miller	City Administrator
Jerilyn Erickson	Finance Director/Treasurer
Charlene Friedges	City Clerk

**CITY OF LAKEVILLE  
 ORGANIZATIONAL CHART  
 YEAR ENDED DECEMBER 31, 2021**





CITY OF LAKEVILLE  
CERTIFICATE OF ACHIEVEMENT FOR EXCELLENCE IN FINANCIAL REPORTING  
DECEMBER 31, 2021



Government Finance Officers Association

Certificate of  
Achievement  
for Excellence  
in Financial  
Reporting

Presented to

**City of Lakeville  
Minnesota**

For its Annual Comprehensive  
Financial Report  
For the Fiscal Year Ended

December 31, 2020

*Christopher P. Morill*

Executive Director/CEO

## **FINANCIAL SECTION**



## INDEPENDENT AUDITORS' REPORT

Honorable Mayor and the City Council  
City of Lakeville, Minnesota

### Report on the Audit of the Financial Statements

#### *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 Lakeville, as of and for the year ended December 31, 2021, and the related notes to the financial statements, which collectively comprise the City of Lakeville'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 of Lakeville, as of December 31, 2021, and the respective changes in financial position, and, where applicable, cash flows thereof 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 (GAAS) 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 Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the City of Lakeville 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 the 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 of Lakeville's ability to continue as a going concern for 12 months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

***Auditors' 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 auditors' 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 GAAS 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 judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS 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 City of Lakeville'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 City of Lakeville'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, budgetary comparison information, schedule of changes in the City's total OPEB liability and related ratios, schedule of the City's proportionate share of net pension liability, schedule of the City's pension contributions, and the schedule of changes in net pension liability and related ratios be presented to supplement the basic financial statements.

***Required Supplementary Information (Continued)***

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 required supplementary information in accordance with GAAS, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

***Supplementary Information***

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Lakeville's basic financial statements. The combining and individual fund statements and schedules are presented for purposes 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 GAAS. In our opinion, the combining and individual fund statements and schedules 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 statistical sections but does not include the basic financial statements and our auditors' 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.

Honorable Mayor and the City Council  
City of Lakeville, Minnesota

**Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated May 31, 2022, on our consideration of the City of Lakeville’s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City of Lakeville’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 City of Lakeville’s internal control over financial reporting and compliance.



**CliftonLarsonAllen LLP**

Minneapolis, Minnesota  
May 31, 2022

**CITY OF LAKEVILLE  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED DECEMBER 31, 2021**

As management of the City of Lakeville (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. The discussion and analysis is intended to be considered in conjunction with the additional information that we have furnished in our letter of transmittal, located earlier in this report, and the City's financial statements contained within this report.

**Financial Highlights**

- The assets and deferred outflows of resources of the City exceeded liabilities and deferred inflows of resources by \$488,909,009 (net position) at the close of the most recent fiscal year. Of this amount, \$65,188,498 (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 \$50,190,642 in 2021.
- The City's governmental funds reported combined ending fund balances of \$113,563,812. Of this total amount, \$66,554,577 or 58.6% is not restricted or nonspendable and is available for use within the City's constraints and policies.
- As of the end of the current fiscal year, the City's total unassigned fund balance for the general fund was \$20,821,071 or 65.2% of total general fund expenditures of \$31,945,317.

**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 are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to basic financial statements. This report also contains other required supplementary information in addition to the basic financial statements themselves.

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

The government-wide financial statements include not only the City itself (known as the primary government), but also a legally separate housing and redevelopment authority (HRA) for which the City is considered to be financially accountable or for which the nature and significance of their relationship with the City is such that the exclusion would cause the City's financial statements to be misleading or incomplete. Financial information for this component unit is blended within the financial information presented for the primary government itself.

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 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.

**CITY OF LAKEVILLE  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED DECEMBER 31, 2021**

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, and parks and recreation. The business-type activities of the City include the enterprise activities of the liquor operation and utility operation.

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

**Governmental funds.** Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term 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 government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The City maintains 29 individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund, G.O. improvement (debt service) fund, municipal state-aid (capital projects) fund, and the improvement construction (capital projects) fund, all of which are considered to be major funds. Data from the other governmental funds is combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of combining statements following the required supplementary information.



**CITY OF LAKEVILLE  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
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The City adopts annual appropriated budgets for its general fund and special revenue funds. A budgetary comparison schedule has been provided as required supplementary information for the general fund to demonstrate compliance with this budget. Special revenue funds budgetary comparison schedules can be found in the nonmajor governmental funds subsection of the report after the capital projects funds.

**Proprietary funds.** The City maintains two different 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 internal service fund is an accounting device used to accumulate and allocate costs internally among the City's various functions.

The City uses enterprise funds to account for its off-sale liquor and utility (water, sanitary sewer, streetlight, and environmental resources) operations. The City uses two internal service funds to account for its risk management insurance liability program and the compensated leave balances of governmental activities. These services benefit the governmental and business-type functions; therefore, they have been included within governmental and business-type activities in the government-wide financial statements.

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

**Fiduciary funds.** Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statement because the resources of those funds are not available to support the City's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

**Notes to basic financial statements.** The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

**Other information.** In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information.

This section includes a budgetary comparison schedule and related notes for the general fund, a schedule of funding progress for the other postemployment benefits plan of the City and schedules related to the City's participation in defined benefit pension plans administered by the Minnesota Public Employees Retirement Association (PERA) and the Lakeville Fire Relief Association. The combining statements referred to earlier in connection with nonmajor governmental funds are presented immediately following the required supplementary information.

**CITY OF LAKEVILLE  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED DECEMBER 31, 2021**

**Government-wide Financial Analysis**

An analysis of the City's financial position begins with a review of the Statement of Net Position and the Statement of Activities. These two statements report the City's net position and changes in net position. It should be noted that the financial position can also be affected by nonfinancial factors, including economic conditions, population growth, and new regulations.

As noted earlier, net position may serve over time as a useful indicator of the City's financial position. As presented in the following condensed version of the Statement of Net Position, the City's assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$488,909,009 at December 31, 2021. By far the largest portion, or 72.5% of net position, is reflected in its net investment in capital assets (e.g. land, buildings and improvements, machinery and equipment, infrastructure, and construction in process) less any related debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's net investment in 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.

	Governmental Activities		Business-Type Activities		Total	
	2021	2020	2021	2020	2021	2020
Current and Other Assets	\$ 158,325,959	\$ 152,468,592	\$ 31,500,115	\$ 25,152,326	\$ 189,826,074	\$ 177,620,918
Capital Assets	<u>318,357,691</u>	<u>292,671,692</u>	<u>183,310,980</u>	<u>162,690,787</u>	<u>501,668,671</u>	<u>455,362,479</u>
Total Assets	476,683,650	445,140,284	214,811,095	187,843,113	691,494,745	632,983,397
Deferred Outflows of Resources	13,628,599	5,736,608	1,417,305	324,634	15,045,904	6,061,242
Current and Other Liabilities	19,561,172	25,048,431	2,716,396	2,207,897	22,277,568	27,256,328
Other Liabilities	<u>157,133,486</u>	<u>147,965,715</u>	<u>15,766,434</u>	<u>16,452,717</u>	<u>172,899,920</u>	<u>164,418,432</u>
Total Liabilities	<u>176,694,658</u>	<u>173,014,146</u>	<u>18,482,830</u>	<u>18,660,614</u>	<u>195,177,488</u>	<u>191,674,760</u>
Deferred Inflows of Resources	20,702,622	8,534,916	1,751,530	116,596	22,454,152	8,651,512
Net Position:						
Net Investment in Capital Assets	183,876,386	167,619,658	170,514,908	151,132,001	354,391,294	318,751,659
Restricted	69,329,217	69,458,557	-	-	69,329,217	69,458,557
Unrestricted	<u>39,709,366</u>	<u>32,249,615</u>	<u>25,479,132</u>	<u>18,258,536</u>	<u>65,188,498</u>	<u>50,508,151</u>
Total Net Position	<u>\$ 292,914,969</u>	<u>\$ 269,327,830</u>	<u>\$ 195,994,040</u>	<u>\$ 169,390,537</u>	<u>\$ 488,909,009</u>	<u>\$ 438,718,367</u>

The City's total restricted net position of \$69,329,217 comprises 14.2% of total net position at the close of the fiscal year ended December 31, 2021. These assets are subject to external restrictions on how they may be used.

The 2021 remaining balance of \$65,118,498 (13.3% of total net position), in unrestricted net position may be used to meet the government's ongoing obligations to citizens and creditors. The unrestricted net position of the City increased a total of \$14,680,347 primarily due to higher than budgeted revenues and lower than budgeted expenses during the year. Certain balances within unrestricted net position have internally imposed commitments or limitations, which may further limit the purpose for which such net position may be used.

**CITY OF LAKEVILLE  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED DECEMBER 31, 2021**

**Change in net position.** The City's 2021 total net position during the current fiscal year increased by \$50,190,642 as shown in the following table. This increase is primarily attributed to economic conditions and community growth. Additional details that account for the change in net position are provided in the following analysis of the governmental and business-type activities.

Change in Net Position						
	Governmental Activities		Business-Type Activities		Total	
	2021	2020	2021	2020	2021	2020
<b>REVENUES</b>						
Program Revenues:						
Charges for Services	\$ 23,192,442	\$ 21,584,688	\$ 40,918,963	\$ 35,570,878	\$ 64,111,405	\$ 57,155,566
Operating Grants and Contributions	2,064,673	9,795,564	495,092	162,309	2,559,765	9,957,873
Capital Grants and Contributions	24,803,219	24,041,402	14,094,676	10,045,894	38,897,895	34,087,296
General Revenues:						
Property Taxes	35,051,089	33,033,079	-	-	35,051,089	33,033,079
Unrestricted Investment Earnings	(1,003,311)	2,144,654	(197,930)	352,909	(1,201,241)	2,497,563
<b>Total Revenues</b>	<b>84,108,112</b>	<b>90,599,387</b>	<b>55,310,801</b>	<b>46,131,990</b>	<b>139,418,913</b>	<b>136,731,377</b>
<b>EXPENSES</b>						
General Government	8,966,246	8,994,404	-	-	8,966,246	8,994,404
Public Safety	14,226,059	16,063,433	-	-	14,226,059	16,063,433
Public Works	21,462,578	22,623,378	-	-	21,462,578	22,623,378
Parks and Recreation	7,791,954	6,578,004	-	-	7,791,954	6,578,004
Interest on Long-Term Debt	1,199,275	3,147,896	-	-	1,199,275	3,147,896
Municipal Liquor	-	-	18,069,171	16,735,031	18,069,171	16,735,031
Utility	-	-	17,512,988	17,518,091	17,512,988	17,518,091
<b>Total Expenses</b>	<b>53,646,112</b>	<b>57,407,115</b>	<b>35,582,159</b>	<b>34,253,122</b>	<b>89,228,271</b>	<b>91,660,237</b>
<b>CHANGE IN NET POSITION BEFORE TRANSFERS</b>	<b>30,462,000</b>	<b>33,192,272</b>	<b>19,728,642</b>	<b>11,878,868</b>	<b>50,190,642</b>	<b>45,071,140</b>
Transfers and Contributions	(6,874,861)	1,132,248	6,874,861	(1,132,248)	-	-
<b>CHANGE IN NET POSITION</b>	<b>23,587,139</b>	<b>34,324,520</b>	<b>26,603,503</b>	<b>10,746,620</b>	<b>50,190,642</b>	<b>45,071,140</b>
Net Position - Beginning of Year	269,327,830	235,003,310	169,390,537	158,643,917	438,718,367	393,647,227
<b>NET POSITION - END OF YEAR</b>	<b>\$ 292,914,969</b>	<b>\$ 269,327,830</b>	<b>\$ 195,994,040</b>	<b>\$ 169,390,537</b>	<b>\$ 488,909,009</b>	<b>\$ 438,718,367</b>

**Governmental activities.** The governmental activities change in net position before transfers increased by \$30,462,000. The governmental revenue increase in charges for services is directly related to both an increase in economic, development and community growth. Operating grants decreased in 2021 mostly due to the City receiving \$4,846,940 in federal coronavirus relief funds in 2020 as well as in conjunction with the level of state-aid funded street maintenance and improvement projects compared to the prior year. Capital grants and contributions increased due to a higher number of developer-installed assets reported during 2021 than in 2020.

**CITY OF LAKEVILLE  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED DECEMBER 31, 2021**

*Revenues*

The City's 2021 total revenues for governmental activities decreased by \$6,491,275. Charges for services increased a total of \$1,607,754 primarily due to an increase in economic development and community growth as evidenced by an increase in in park dedication fees collected and continued significant revenues from building permits and connection and area charges collected. A summary of the various increases is shown as follows:

	2021	2020	Increase / (Decrease)
<b><u>Charges for services</u></b>			
Licenses and building permit fees	\$ 5,081,480	\$ 5,600,853	\$ (519,373)
Connection and area charges	8,158,749	8,656,769	(498,020)
Engineering fees - reconstruction projects	1,829,199	2,016,715	(187,516)
Park dedication fees	4,594,939	2,606,531	1,988,408
Other	3,528,075	2,703,820	824,255
Total charges for services	<u>\$ 23,192,442</u>	<u>\$ 21,584,688</u>	<u>\$ 1,607,754</u>

Operating grants and contributions experienced an overall decrease of \$7,725,828. Operating grants decreased in 2021 mostly due to the City receiving \$4,846,940 in federal coronavirus relief funds in 2020 and not recognizing any related federal revenues in 2021. Also, the level of state-aid funded street maintenance projects decreased compared to the prior year. A summary of the various operating grants and contributions are shown as follows:

	2021	2020	Increase / (Decrease)
<b><u>Operating grants and contributions</u></b>			
State-aid for street maintenance	\$ 536,754	\$ 2,272,173	\$ (1,735,419)
State-aid for street revenue bonds	416,754	728,770	(312,016)
County grant for joint road improvements	-	351,665	(351,665)
COVID-19 grants	-	4,846,940	(4,846,940)
Other grants, contributions and donations	1,111,165	1,596,016	(484,851)
Total Operating grants and contributions	<u>\$ 2,064,673</u>	<u>\$ 9,795,564</u>	<u>\$ (7,730,891)</u>

**CITY OF LAKEVILLE  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED DECEMBER 31, 2021**

Capital grants and contributions increased by \$761,817. Contributed infrastructure from private land developers increased \$3.6 million; the infrastructure consists of street, storm water, and park and trail capital assets. Special assessments decreased by \$2.6 million primarily due to a major street project that was levied against the benefitting property owners in 2020. The 2021 project did not have any significant costs assessed to individual property owners since it was primarily a mill and overlay. Other grants and contributions decreased \$309,393 due to multiple road projects that occurred in 2020 and involved other government agencies including Dakota County. The summary of capital grants and contributions is shown as follows:

	2021	2020	Increase / (Decrease)
<b><u>Capital grants and contributions</u></b>			
Contributed infrastructure from developers	\$ 18,539,662	\$ 14,894,746	\$ 3,644,916
Special assessments	1,507,697	4,079,092	(2,571,395)
Other grants and contributions	4,699,712	5,009,105	(309,393)
PEG fees	56,148	58,459	(2,311)
Total capital grants and contributions	<u>\$ 24,803,219</u>	<u>\$ 24,041,402</u>	<u>\$ 761,817</u>

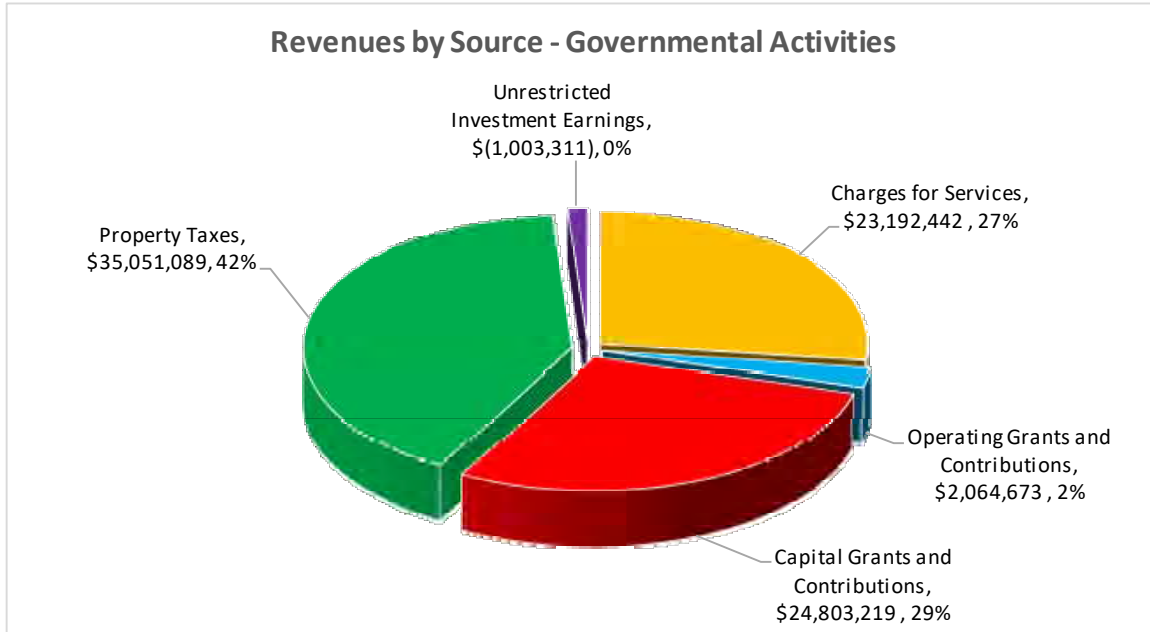
Property tax revenue increased \$2,018,010 or 6.1% primarily due to an increase in the overall tax levy.

Investment income earnings decreased by \$3,147,965. The decrease is the combination of decreased earnings and changes in investment asset values which are inversely related to the changes in market rates. The decrease is consistent with prevailing market conditions.

	2021	2020	Increase / (Decrease)
<b><u>General revenues</u></b>			
Property taxes	\$ 35,051,089	\$ 33,033,079	\$ 2,018,010
Investment income	(1,003,311)	2,144,654	(3,147,965)
Total general revenues	<u>\$ 34,047,778</u>	<u>\$ 35,177,733</u>	<u>\$ (1,129,955)</u>

**CITY OF LAKEVILLE  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED DECEMBER 31, 2021**

A summary of 2021 revenues by source for governmental activities is shown as follows:



**Expenses**

The City's 2021 total governmental activities expenses (before depreciation on capital assets and interest on long-term debt) decreased by \$3,406,578 or 8.7%. Total governmental activities expenses decreased by \$3,761,003 or 6.6%, shown as follows:

	2021	2020	Increase / (Decrease)
<b><u>Governmental activities expenses</u></b>			
General government	\$ 8,566,433	\$ 8,568,875	\$ (2,442)
Public safety	12,909,821	14,866,188	(1,956,367)
Public works	8,929,893	11,398,758	(2,468,865)
Parks and recreation	5,154,980	4,133,884	1,021,096
Total before depreciation and interest	<u>35,561,127</u>	<u>38,967,705</u>	<u>(3,406,578)</u>
Depreciation on capital assets	16,885,710	15,291,514	1,594,196
Interest on long-term debt	1,199,275	3,147,896	(1,948,621)
Total governmental activities expenses	<u><u>\$ 53,646,112</u></u>	<u><u>\$ 57,407,115</u></u>	<u><u>\$ (3,761,003)</u></u>

**CITY OF LAKEVILLE  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED DECEMBER 31, 2021**

Following are explanations of various increases and (decreases) in expenses by governmental function as shown above.

*General government* expenses were consistent, as they decreased by only \$2,422 or 0.0%.

*Public safety* expenses decreased by \$1,956,367 or 13.2%; primarily due to the decrease in the police and fire fund PERA net pension liability and increase in the fire relief association net pension asset, which were partially offset by the overall increase in wages and benefits.

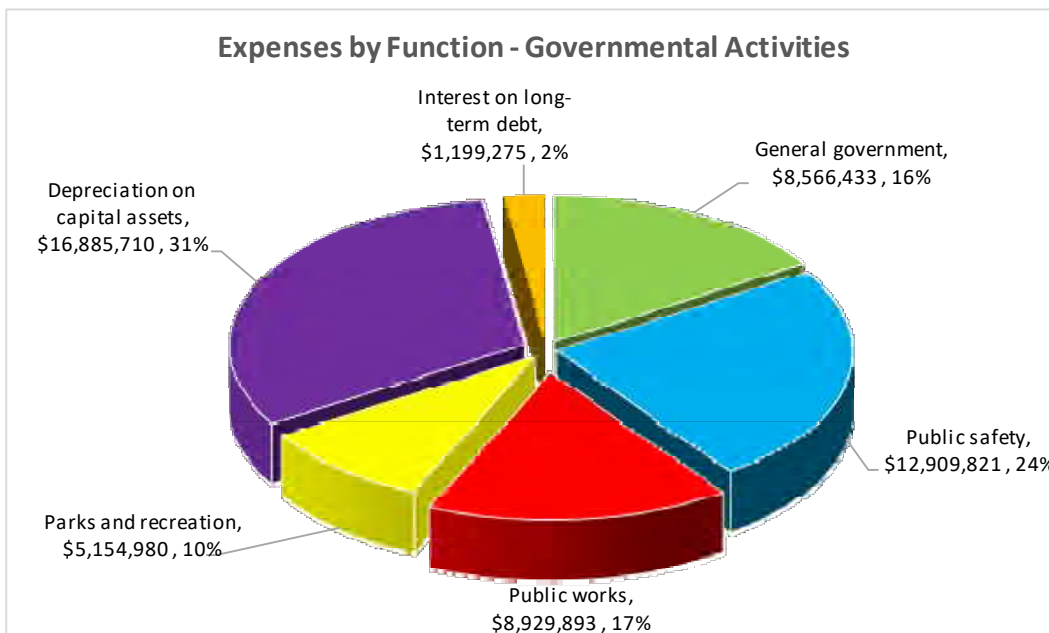
*Public works* expenses decreased by \$2,468,865 or 21.7%; primarily due to 2020 having a greater amount of expenses related to improvement and maintenance projects which were not considered City assets.

*Parks and recreation* expenses increased \$1,021,096 or 24.7%; primarily due to additional park and trail maintenance on existing trails in the current year compared to the prior year. The Casperson shelter was struck by lightning that caused significant damage. As a result, this caused shorter useful life and a loss on the disposal which contributed to the increase in the expense.

*Depreciation on capital assets* increased by \$1,594,196 or 10.4%; primarily due to an increase in contributed infrastructure from development and depreciation starting on recently completed projects.

*Interest on long-term debt* decreased by \$1,948,620 or 61.9%; primarily due to the amortization of bond premiums offsetting scheduled debt payments.

A summary of 2021 expenses by function for governmental activities is shown as follows:



**CITY OF LAKEVILLE  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED DECEMBER 31, 2021**

**Business-type activities.** Business-type activities increased the City's 2021 total net position by \$26,603,503. Key elements of the increase in net position along with a comparison of revenues, expenses, and changes in net position during fiscal years 2021 and 2020 are shown as follows:

	<u>2021</u>	<u>2020</u>	<u>Increase / (Decrease)</u>
Revenues			
Charges for services			
Liquor	\$ 19,683,002	\$ 18,262,397	\$ 1,420,605
Utility	21,235,961	17,308,481	3,927,480
Operating grants and contributions			
Liquor	5,445	76,810	(71,365)
Utility	489,647	85,499	404,148
Capital contributions			
Utility	14,094,676	10,045,894	4,048,782
Investment earnings	(197,930)	352,909	(550,839)
Total revenues	<u>55,310,801</u>	<u>46,131,990</u>	<u>9,178,811</u>
Expenses			
Liquor	18,069,171	16,735,031	1,334,140
Utility	17,512,988	17,518,091	(5,103)
Total expenses	<u>35,582,159</u>	<u>34,253,122</u>	<u>1,329,037</u>
Change in net position before transfers	19,728,642	11,878,868	7,849,774
Transfers	6,874,861	(1,132,248)	8,007,109
Change in net position	<u>26,603,503</u>	<u>10,746,620</u>	<u>15,856,883</u>
Net position - beginning	<u>169,390,537</u>	<u>158,643,917</u>	<u>10,746,620</u>
Net position - ending	<u>\$ 195,994,040</u>	<u>\$ 169,390,537</u>	<u>\$ 26,603,503</u>

The City's 2021 business-type total revenues increased by \$9,178,811 or 19.9%; the various revenue components are discussed in detail in the following paragraphs.

- The liquor fund 2021 charges for services increased due to opening a fourth store in October of 2021. The 2021 cost of goods sold as a percentage of sales were 73.4%, compared to 73.9% in 2020.
- The overall utility revenue charges for services increased by \$3,927,480. This overall increase is represented by a water revenue increase of \$2,919,618, sanitary sewer revenue increase of \$800,787, streetlight revenue increase of \$51,048, and environmental resources revenue increase of \$156,027. The rest of the change related to the internal service funds. The increase in water and increase in sanitary sewer are due to customer consumption as a result of changes in weather patterns, rate increases, and an increase in the number of customers. The streetlight increase is due to an increase in customers. The environmental resources increase is due to an increase in customers and rate increases.



**CITY OF LAKEVILLE  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
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- The utility fund experienced a total increase of \$4,048,782 in capital contributions. The majority of the increase is derived from water and sanitary sewer contributed from developer improvement projects (greater number of contributions during 2021). City improvement project infrastructure assets of \$2,904,183 were contributed to the utility fund which is within the net transfer out amount of \$6,874,861 on the Statement of Activities. The total amount of contributed infrastructure assets received by the utility fund varies yearly.
- Investment earnings decreased \$550,839. The decrease is the combination of decreased earnings and changes in investment asset values which are inversely related to the changes in market rates. The decrease is consistent with prevailing market conditions. Investments are typically held until maturity. The loss in 2021 will likely be gained back in future periods.

The City's 2021 business-type total expenses increased by \$1,329,037 or 3.9% as follows:

	Increase (Decrease) from 2020		
	Liquor Fund	Utility Fund	Total
<b><u>Business-type activities expenses</u></b>			
Cost of Goods Sold	\$ 954,227	\$ -	\$ 954,227
Personnel services	178,622	263,966	442,588
Commodities	100,441	3,282	103,723
Other charges and services	77,665	(484,474)	(406,809)
Sanitary sewage treatment and disposal	-	121,225	121,225
Depreciation on capital assets	23,185	234,593	257,778
Interest, fiscal charges, bond premium (net)	-	(172,119)	(172,119)
Loss on Disposal of Capital Assets	-	28,424	28,424
Total Business-type Expenses	<u>\$ 1,334,140</u>	<u>\$ (5,103)</u>	<u>\$ 1,329,037</u>

- The liquor fund cost of goods sold increased \$954,227 which is proportionate to the increase in liquor sales.
- Liquor fund personnel services expenses increased \$178,622, while utility fund personnel services expenses increased \$263,966. The increases were primarily due to the opening of the fourth liquor store in the last quarter of 2021 that resulted in significant increase over the prior year. The staffing to set up and operate the new store was \$126,000. Personnel costs incurred for new staff training prior to the opening was an additional \$66,500. Utility personnel increased due to the completion of a market study and cost of living increase. Additional time was spent in meter repair and maintenance, sewer line and manhole maintenance.
- Utility fund other charges and services expenses decreased by \$484,474 mostly due to decreases in water and sewer. Water expenses decreased primarily due to major maintenance projects including, watermain repairs (costs to fix watermain breaks in 2020 were not capitalizable).. Sewer expenses decreased due to lower sanitary sewer costs incurred on the annual street projects in 2021 as compared to 2020.
- The utility fund sanitary sewage treatment and disposal expenses increased by \$121,225 primarily due to the change in factors used by MCES in their pass-through cost allocation to the City. The City's annual cost increased 2.82% to \$4,426,993 and the City's wastewater accounts for 1.842% of the total flow through the system.

**CITY OF LAKEVILLE  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED DECEMBER 31, 2021**

**Financial Analysis of the City's Funds**

As noted earlier, the City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. Some funds are required statutorily while others are established internally to assist management in accounting for certain activities.

**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, unrestricted fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$113,563,812. Of this amount, \$66,554,577 or 58.6% of this combined ending fund balance constitutes fund balance that is available for spending at the government's discretion. Nonspendable fund balances of \$666,451 are amounts that are not in a spendable form, such as prepaid items, inventory, and advances to other funds (general fund). The remaining fund balance is restricted for (a) debt service of \$25,596,753, (b) capital acquisition of \$20,410,372, and (c) other restricted purposes of \$335,659.

The general fund is the chief operating fund of the City. At the end of the current fiscal year, the fund balance was \$23,985,822, a decrease from the prior year resulting from \$2,232,536 of revenues over expenditures, net transfers in of \$2,838,640, and a change in supplies inventory of \$147,703.

The general obligation improvement (debt service) fund balance increased by \$1,229,776 due to net effect of higher property tax levies, less prepaid assessment revenue, and an increase in transfers in from remaining bond proceeds. The City levies the required property taxes and special assessments levied against benefited property owners to meet the bonded debt service requirements in the following year. The change in fund balance is subject to principal and interest requirements of existing debt and that of new debt issuance.

The municipal state-aid construction fund accounts for the City's municipal state aid financing. The activity of this fund fluctuates from year to year based on state aid allotments and projects completed. The fund balance increased \$2,031,193 due to debt proceeds received in relation to joint capital projects with Dakota County totaling \$4,924,225, transfers in of \$1,754,060 from nonmajor capital project funds, and intergovernmental revenues for construction projects.

The improvement construction (capital projects) fund accounts for major infrastructure reconstruction projects that require debt issuance for financing purposes. The activity in this fund may fluctuate from year to year depending on the scope of the project. Large projects such as the interstate highway interchange and bridge reconstruction projects may take several years to complete. The fund balance decreased by \$2,528,370 due to capital expenditures and transfers out of excess bond proceeds exceeding the issuance of the 2021C Street Reconstruction Bonds and revenues.

**CITY OF LAKEVILLE  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED DECEMBER 31, 2021**

**General Fund Budgetary Highlights**

With the exception of the public safety police, all other general fund departments expended their 2021 budget appropriations at or below the final adopted budget. A schedule of revenues, expenditures and changes in fund balances – budgetary comparison is disclosed in the required supplemental information section of this report. A summary of general fund revenues, expenditures, other financing sources (uses), variance with final budget, and net change in fund balance is as follows:

	Budget As Originally Adopted	Final Budget	Actual	Variance with Final Budget
<b>Revenues</b>				
Property taxes	\$ 24,232,728	\$ 24,537,278	\$ 24,461,495	\$ (75,783)
Licenses and permits	2,611,289	2,743,179	4,446,972	1,703,793
Intergovernmental	1,085,911	1,127,101	1,418,228	291,127
Charges for services	2,572,350	2,673,213	3,700,360	1,027,147
Special assessments	-	-	940	940
Fines	156,000	156,000	200,942	44,942
Interest income	174,000	174,000	208,895	34,895
Change in value of investments	-	-	(396,891)	(396,891)
Donations	27,062	62,812	81,242	18,430
Miscellaneous	54,128	54,128	55,670	1,542
Total revenues	<u>30,913,468</u>	<u>31,527,711</u>	<u>34,177,853</u>	<u>2,650,142</u>
<b>Expenditures</b>				
Personnel services	24,092,655	24,325,735	24,077,890	(247,845)
Commodities	1,874,341	1,961,726	1,911,490	(50,236)
Other charges and services	5,896,337	6,253,117	5,914,624	(338,493)
Capital outlay	26,690	67,440	41,313	(26,127)
Other	-	98,500	-	(98,500)
Total expenditures	<u>31,890,023</u>	<u>32,706,518</u>	<u>31,945,317</u>	<u>(761,201)</u>
Other financing sources (uses)	<u>(448,570)</u>	<u>(2,838,640)</u>	<u>(2,838,640)</u>	<u>-</u>
Net change in fund balance	<u>\$ (1,425,125)</u>	<u>\$ (4,017,447)</u>	<u>\$ (606,104)</u>	<u>\$ 3,411,343</u>

The 2021 actual general fund revenues exceeded the final budget by \$2,650,142 and expenditures were under final adopted budget by \$761,201. Other financing sources (uses) came in at the final budgeted amount. The general fund actual net change in fund balance surpassed final budget by \$3,411,343.

The general fund budget was amended to reflect the increase in revenues from higher than forecasted building permits, state aid, and grants that were not originally anticipated. Expenditures were modified to reflect the change in election costs; public safety equipment funded by donations; and other projects that arose during the year. Transfers to other funds were modified to fund capital purchases and projects associated with the 2022-2026 capital improvement plan to mitigate the pressures on the property tax levy and user fees and establishing the compensated leave fund.

**CITY OF LAKEVILLE  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED DECEMBER 31, 2021**

The following is a brief summary explanation of the various budgets to actual variances for revenues:

- Property taxes were less than anticipated by \$75,783 due in part to slightly lower than anticipated current tax collection rates, which was partially offset by slightly higher than expected delinquent tax collections. All delinquent taxes are recorded in the General Fund and the other funds receive 100 percent of their current levy.
- Licenses and permits exceeded estimates by \$1,703,793 due to greater than anticipated building permit fees. The number of residential building permits budgeted were 350 compared to 521 actual. Permits for townhomes were budgeted at 50 units compared to 209 actual units.
- Intergovernmental revenues exceeded estimates by \$291,127 due to the City's receipt of \$125,000 for the shuttered venue operating grant for the Arts Center in 2021.
- Charges for services experienced a variance of \$1,027,147 due to engineering-related services in connection with developer construction administration.
- Fines were greater than final budgeted amounts by \$44,942.
- Interest income and the change in value of investments were below estimates by \$361,996 due to prevailing market conditions. The City's Management employs prudent investment practices and cash management techniques to maximize investment income while protecting the City's treasury. Investments are typically held to maturity.
- Donations and miscellaneous revenues experienced variances of \$18,430 and \$1,542, respectively.

The following is a brief summary explanation of the various budgets to actual variances for expenditures:

- Personnel costs including benefits were \$247,845 below budget estimates due to vacant positions as a result of retirements, resignations, and delay in filling new positions.
- Commodities were \$50,236 below budget due to lower usage of chemicals for snow and ice removal. Purchases at the end of the 2021-2022 winter season will be stored at the central maintenance facility and will be utilized in the next season.
- Other charges and services were \$338,493 below budget which is attributed to several factors mostly as a result of COVID-19. Several performances were budgeted to return to normal but the based on attendance and delay some were cancelled or rescheduled. Also impacted projects the civil defense siren was planned to be replaced in 2021 but has been delayed now until 2022
- Capital outlay was \$26,127 under budget while other expenditures ended the year \$98,500 under budget due to supply chain disruptions this caused a significant delay in purchasing various vehicles and equipment

**CITY OF LAKEVILLE  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED DECEMBER 31, 2021**

**Capital Asset and Debt Administration**

**Capital assets.** The City's capital assets for governmental and business-type activities as of December 31, 2021 are \$502 million (net of accumulated depreciation). This amount represents an increase (including additions, deletions, and depreciation) of approximately \$46.3 million from 2020.

The net investment in capital assets including land, historical treasures, buildings, machinery and equipment, other improvements, infrastructure, and construction in process is shown as follows:

	Governmental Activities	Business-Type Activities	Total
Land	\$ 33,980,237	\$ 3,627,767	\$ 37,608,004
Historical treasures	114,000	-	114,000
Construction in process	2,242,128	8,518	2,250,646
Buildings and improvements	62,399,832	34,104,565	96,504,397
Machinery and equipment	26,859,664	4,153,930	31,013,594
Other improvements	14,396,974	-	14,396,974
Infrastructure			
Streets	211,468,310	-	211,468,310
Storm sewer	117,113,384	-	117,113,384
Parks	35,398,765	-	35,398,765
Environmental resources	-	399,007	399,007
Water	-	133,766,765	133,766,765
Sanitary sewer	-	91,435,685	91,435,685
Total Capital Assets	503,973,294	267,496,237	771,469,531
Less: Accumulated Depreciation	(185,615,603)	(84,185,257)	(269,800,860)
Total Capital Assets, Net	<u>\$ 318,357,691</u>	<u>\$ 183,310,980</u>	<u>\$ 501,668,671</u>

The City's 2022 adopted budget provides funding for \$40.1 million in infrastructure capital assets, public building improvements and upgrades, equipment capital assets such as vehicle replacements for public safety and public works, and technology equipment. Refer to Note 3 - *Capital Assets*, of the Notes to Basic Financial Statements for additional information.

**CITY OF LAKEVILLE  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED DECEMBER 31, 2021**

**Debt administration.** At the end of the current fiscal year, the City of Lakeville had total bonded debt outstanding of \$133.320 million, which is an increase of \$9.970 million compared to the prior year. The increase is due to the issuance of the \$7.770 million 2021A Tax Abatement bonds, \$5.620 million 2021B Tax Abatement bonds, \$5.650 million on street reconstruction bonds, and \$1.265 million water revenue bonds.

The City manages its debt structure by utilizing approaches that take full advantage of its financial position, revenue trends, and conditions in municipal bond markets. Refer to Note 5 – *Long-Term Liabilities*, of the Notes to Basic Financial Statements for additional information about the City's governmental and business-type long-term debt activity.

The City's outstanding bonded obligation debt as of December 31, 2021 is shown as follows:

	Outstanding Debt			
	Bonds and Capital Leases Payable			Balance December 31
	Balance January 1	Issued	Redeemed	
<b>Governmental Activities</b>				
General obligation bonds				
Capital improvement	\$ 19,180,000	\$ -	\$ 1,385,000	\$ 17,795,000
Street reconstruction	10,355,000	5,650,000	1,355,000	14,650,000
G.O. improvement	63,940,000	-	5,110,000	58,830,000
State-aid street revenue	4,125,000	-	265,000	3,860,000
Water revenue	6,850,000	-	400,000	6,450,000
Tax increment	525,000	-	260,000	265,000
Tax abatement	620,000	13,390,000	-	14,010,000
HRA lease revenue	5,710,000	-	385,000	5,325,000
Total governmental activities	<u>111,305,000</u>	<u>19,040,000</u>	<u>9,160,000</u>	<u>121,185,000</u>
<b>Business-Type Activities</b>				
Water revenue	9,640,000	1,265,000	835,000	10,070,000
Sewer revenue	325,000	-	60,000	265,000
Street light revenue	270,000	-	40,000	230,000
Capital Lease Payable	1,810,000	-	240,000	1,570,000
Total business-type activities	<u>12,045,000</u>	<u>1,265,000</u>	<u>1,175,000</u>	<u>12,135,000</u>
Total bonds payable	<u>\$ 123,350,000</u>	<u>\$ 20,305,000</u>	<u>\$ 10,335,000</u>	<u>\$ 133,320,000</u>

**Credit Rating**

The City of Lakeville's general obligation bond rating as of December 31, 2021 is "Aaa" as rated by Moody's Investors Service. Moody's Investor Service credit report stated the rating was "*The City of Lakeville (Aaa stable) has an affluent tax base in the Twin Cities (Minneapolis; Aa1 stable; St. Paul, Aa1 stable) metropolitan area and its credit profile benefits from the robust economic and financial performance that were exceptionally resilient throughout the coronavirus pandemic along with continued solid management practices that are expected to support strong credit fundamentals over the long-term. The city's primary challenge remains above average leverage with high fixed costs. On June 23, 2021 we upgraded the city's general obligation unlimited tax rating to Aaa from Aa1 and assigned a stable outlook.*"

**CITY OF LAKEVILLE  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED DECEMBER 31, 2021**

State statutes limit the amount of general obligation debt a Minnesota city may issue to 3% of total assessor's taxable market valuation. The City has \$42,081,331 of net bonded debt, which is subject to the \$259,100,739 current debt limitation, thereby resulting in a legal debt margin of \$217,019,408. Refer to the Statistical Section of this report for a detailed computation of the City's legal debt margin.

**Economic Conditions and Next Year's Budget**

The City of Lakeville remains one of the top growth cities in the Minnesota twin city metro area. The trend for building permit activity for single family homes is steady. The building permits for single family homes decreased from 639 in 2020 compared to 527 permits in 2021 but was consistent with the 521 permits issued in 2020. In our opinion, the resurgence is due to several factors including, but not limited to, near historical low interest rates, low regional unemployment rate of 2.4%, improved personal income levels, reduced number of home foreclosures and increasing home values. The budget and five-year capital improvement plan are premised on the assumption growth will continue at a subdued level for the foreseeable future.

The adopted 2022 budget reflects a continuation of the program and service levels established by the City Council over the past several years and included six new positions as well as position changes and reclassifications. The City Council approved the use of \$2.493 million of the General Fund balance as a funding source for the 2022 budget. The 2022 budget also focuses on City efforts to achieve strategic priorities established in the Envision Lakeville Community Vision Plan to prepare for the future, investments in technology to maximize efficiencies, developing effective partnerships to capitalize on opportunities and multi-agency resources, infrastructure improvements to promote economic and community development and service continuity through staffing enhancements to meet the expectations of community residents and businesses.

**Requests for Information**

This financial report is designed to provide a general overview of the City of Lakeville's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be directed to the City of Lakeville Finance Department at 20195 Holyoke Avenue, Lakeville, Minnesota 55044, (952) 985-4400, or email request to [jerickson@lakevillemn.gov](mailto:jerickson@lakevillemn.gov).

## **BASIC FINANCIAL STATEMENTS**



**CITY OF LAKEVILLE  
STATEMENT OF NET POSITION  
DECEMBER 31, 2021**

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
<b>ASSETS</b>			
Cash and investments	\$ 128,416,446	\$ 23,970,016	\$ 152,386,462
Receivables	22,789,043	4,350,916	27,139,959
Internal balances	(444,906)	444,906	-
Inventories	206,790	2,724,277	2,931,067
Prepaid items	4,475	10,000	14,475
Restricted assets (temporarily)			
Investments held by trustee	907,336	-	907,336
Net pension asset - fire relief	6,446,775	-	6,446,775
Capital assets			
Nondepreciable	36,336,365	3,636,285	39,972,650
Depreciable, net	282,021,326	179,674,695	461,696,021
Total capital assets	<u>318,357,691</u>	<u>183,310,980</u>	<u>501,668,671</u>
Total assets	476,683,650	214,811,095	691,494,745
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Deferred charge on refunding	86,661	-	86,661
OPEB related deferments	267,218	52,767	319,985
Pension plan deferments - PERA	12,964,826	1,364,538	14,329,364
Pension plan deferments - fire relief	309,894	-	309,894
Total deferred outflows of resources	<u>13,628,599</u>	<u>1,417,305</u>	<u>15,045,904</u>
<b>LIABILITIES</b>			
Salaries, accounts, contracts, and deposits payable	14,391,021	2,543,700	16,934,721
Accrued interest	1,851,136	172,696	2,023,832
Unearned revenue	3,319,015	-	3,319,015
Noncurrent liabilities:			
Net pension liability - PERA due in more than one year	10,184,778	1,813,549	11,998,327
Total OPEB Liability due within one year	34,684	6,849	41,533
Total OPEB Liability due in more than one year	862,549	170,326	1,032,875
Other long-term liabilities due within one year	11,916,068	1,397,559	13,313,627
Other long-term liabilities due in more than one year	134,135,407	12,378,151	146,513,558
Total liabilities	<u>176,694,658</u>	<u>18,482,830</u>	<u>195,177,488</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Deferred gain on refunding	76,994	-	76,994
Timing differences	630,000	-	630,000
OPEB related deferments	431,991	85,304	517,295
Pension plan deferments - PERA	16,580,800	1,666,226	18,247,026
Pension plan deferments - fire relief	2,982,837	-	2,982,837
Total deferred inflows of resources	<u>20,702,622</u>	<u>1,751,530</u>	<u>22,454,152</u>
<b>NET POSITION</b>			
Net investment in capital assets	183,876,386	170,514,908	354,391,294
Restricted for:			
Special purposes	437,912	-	437,912
Debt service	39,398,613	-	39,398,613
Capital acquisition	23,020,351	-	23,020,351
Public Safety	25,566	-	25,566
Fire relief pensions	6,446,775	-	6,446,775
Unrestricted	39,709,366	25,479,132	65,188,498
Total Net Position	<u>\$ 292,914,969</u>	<u>\$ 195,994,040</u>	<u>\$ 488,909,009</u>

See accompanying Notes to Basic Financial Statements.

**CITY OF LAKEVILLE  
STATEMENT OF ACTIVITIES  
YEAR ENDED DECEMBER 31, 2021**

Functions/Programs	Program Revenues			Net (Expense) Revenue and Changes in Net Position			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
<b>Primary Government:</b>							
Governmental Activities:							
General government	\$ 8,966,246	\$ 6,303,733	\$ 156,783	\$ 79,173	\$ (2,426,557)	\$ -	\$ (2,426,557)
Public safety	14,226,059	817,539	1,270,607	-	(12,137,913)	-	(12,137,913)
Public works	21,462,578	10,569,326	547,841	24,529,021	14,183,610	-	14,183,610
Parks and recreation	7,791,954	5,501,844	89,442	195,025	(2,005,643)	-	(2,005,643)
Interest on long-term debt	1,199,275	-	-	-	(1,199,275)	-	(1,199,275)
Total-governmental activities	53,646,112	23,192,442	2,064,673	24,803,219	(3,585,778)	-	(3,585,778)
Business-Type Activities:							
Liquor	18,069,171	19,683,002	5,445	-	-	1,619,276	1,619,276
Utility	17,512,988	21,235,961	489,647	14,094,676	-	18,307,296	18,307,296
Total Business-Type Activities	35,582,159	40,918,963	495,092	14,094,676	-	19,926,572	19,926,572
<b>Total Primary Government</b>	<b>\$ 89,228,271</b>	<b>\$ 64,111,405</b>	<b>\$ 2,559,765</b>	<b>\$ 38,897,895</b>	<b>(3,585,778)</b>	<b>19,926,572</b>	<b>16,340,794</b>
General Revenues:							
Property taxes					35,051,089	-	35,051,089
Investment income					(1,003,311)	(197,930)	(1,201,241)
Transfers					(6,874,861)	6,874,861	-
Total general revenues and transfers					27,172,917	6,676,931	33,849,848
Change in Net Position					23,587,139	26,603,503	50,190,642
Net Position - Beginning of Year					269,327,830	169,390,537	438,718,367
Net Position - End of Year					\$ 292,914,969	\$ 195,994,040	\$ 488,909,009

See accompanying Notes to Basic Financial Statements.

**CITY OF LAKEVILLE  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
DECEMBER 31, 2021**

	Debt Service		Capital Projects		Nonmajor Governmental Funds	Total Governmental Funds
	General Fund	G.O. Improvement	Municipal State-aid	Improvement Construction		
<b>ASSETS</b>						
Cash and investments	\$ 33,284,487	\$ 15,597,738	\$ 4,962,515	\$ 7,989,707	\$ 65,394,622	\$ 127,229,069
Investments held by trustee	-	-	-	-	907,336	907,336
Interest receivable	83,274	58,148	27,767	897	266,788	436,874
Taxes receivable	2,075,023	-	-	-	-	2,075,023
Accounts receivable	298,162	-	3,576,210	58	804,814	4,679,244
Advances to other funds	455,186	-	-	-	562,003	1,017,189
Special assessments receivable	118,656	13,716,781	-	1,222,773	538,588	15,596,798
Leases Receivable	-	-	-	-	1,570,000	1,570,000
Inventory	206,790	-	-	-	-	206,790
Prepaid items	4,475	-	-	-	-	4,475
<b>Total Assets</b>	<b>\$ 36,526,053</b>	<b>\$ 29,372,667</b>	<b>\$ 8,566,492</b>	<b>\$ 9,213,435</b>	<b>\$ 70,044,151</b>	<b>\$ 153,722,798</b>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCE</b>						
<b>LIABILITIES</b>						
Salaries payable	\$ 431,516	\$ -	\$ -	\$ -	\$ 8,875	\$ 440,391
Accounts payable	948,489	1,450	936,725	977,160	415,007	3,278,831
Advances from other funds	-	-	-	562,003	455,186	1,017,189
Contracts payable	-	-	53,275	321,037	276,940	651,252
Deposits payable	9,758,329	-	-	115,047	114,460	9,987,836
Unearned revenue	277,851	-	-	-	3,041,164	3,319,015
<b>Total Liabilities</b>	<b>11,416,185</b>	<b>1,450</b>	<b>990,000</b>	<b>1,975,247</b>	<b>4,311,632</b>	<b>18,694,514</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>						
Unavailable revenue - taxes	373,768	-	-	-	-	373,768
Unavailable revenue - special assessments	750,278	13,675,251	-	1,223,450	537,215	16,186,194
Unavailable revenue - other	-	-	2,704,510	-	2,200,000	4,904,510
<b>Total Deferred Inflows of Resources</b>	<b>1,124,046</b>	<b>13,675,251</b>	<b>2,704,510</b>	<b>1,223,450</b>	<b>2,737,215</b>	<b>21,464,472</b>
<b>FUND BALANCE</b>						
Nonspendable	666,451	-	-	-	-	666,451
Restricted	5,000	15,695,966	4,871,982	6,477,347	19,292,489	46,342,784
Committed	-	-	-	-	44,233,989	44,233,989
Assigned	2,493,300	-	-	-	-	2,493,300
Unassigned (Deficit)	20,821,071	-	-	(462,609)	(531,174)	19,827,288
<b>Total Fund Balance</b>	<b>23,985,822</b>	<b>15,695,966</b>	<b>4,871,982</b>	<b>6,014,738</b>	<b>62,995,304</b>	<b>113,563,812</b>
<b>Total Liabilities, Deferred Inflows of Resources, and Fund Balance</b>	<b>\$ 36,526,053</b>	<b>\$ 29,372,667</b>	<b>\$ 8,566,492</b>	<b>\$ 9,213,435</b>	<b>\$ 70,044,151</b>	<b>\$ 153,722,798</b>

See accompanying Notes to Basic Financial Statements.

**CITY OF LAKEVILLE  
RECONCILIATION OF THE BALANCE SHEET TO THE  
STATEMENT OF NET POSITION  
GOVERNMENTAL ACTIVITIES  
DECEMBER 31, 2021**

Total Fund Balances for Governmental Funds		\$ 113,563,812
Total net position reported for governmental activities in the statement of net position is different because:		
Capital assets used in governmental funds are not financial resources and, therefore, are not reported in the funds. Those assets consist of:		
Governmental capital assets	\$ 503,973,294	
Less: Accumulated Depreciation	<u>(185,615,603)</u>	318,357,691
Net pension assets are only recorded in the government-wide financial statements as they are not current financial resources to governmental funds.		
		6,446,775
Long-term liabilities are not payable with current financial resources and, therefore, are not reported in the governmental funds.		
Bonds	(121,185,000)	
Accrued interest	(1,851,136)	
Loan	(2,847,014)	
Note Payable	(10,098,261)	
Unamortized bond premium	(8,328,647)	
Deferred charge on refunding	86,661	
Deferred gain on refunding	<u>(76,994)</u>	(144,300,391)
The City's net pension liability and related and deferred inflows and deferred outflows are recorded only on the statement of net position. Balances at year-end are:		
Net pension liability	(10,184,778)	
Deferred inflows of resources	(19,563,637)	
Deferred outflows of resources	<u>13,274,720</u>	(16,473,695)
Total OPEB liabilities are not payable with current financial resources and, therefore, are not reported in the governmental funds.		
		(897,233)
OPEB related deferred outflows of resources are recorded only on the statement of net position.		
		267,218
OPEB related deferred inflows of resources are recorded only on the statement of net position.		
		(431,991)
Deferred inflows of resources related to unavailable revenue in governmental funds are susceptible to full accrual on the government-wide statements.		
		19,264,472
The City uses an internal service fund to charge the cost of insurance activities and compensated absences to individual funds. A portion of the assets and liabilities of the municipal reserves fund and compensated absences fund are included in governmental activities in the Statement of Net Position.		
		<u>(2,881,689)</u>
Total Net Position of Governmental Activities		<u>\$ 292,914,969</u>

See accompanying Notes to Basic Financial Statements.

**CITY OF LAKEVILLE  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
YEAR ENDED DECEMBER 31, 2021**

	General Fund	Debt Service G.O. Improvement	Municipal State-aid	Capital Projects Improvement Construction	Nonmajor Governmental Funds	Total Governmental Totals
<b>REVENUE</b>						
Property taxes	\$ 24,461,495	\$ 4,060,155	-	\$ -	\$ 5,586,883	\$ 34,108,533
Tax increment	-	-	-	-	1,037,831	1,037,831
Licenses and permits	4,446,972	-	-	-	634,508	5,081,480
Intergovernmental	1,418,228	-	1,242,544	409,608	743,489	3,813,869
Charges for services	3,700,360	-	334,492	135,839	13,173,101	17,343,792
Special assessments	940	2,772,986	-	140,541	108,663	3,023,130
Fines	200,942	-	-	-	200,942	200,942
Interest Income	208,895	115,726	79,303	9,931	590,245	1,004,100
Change in Fair Value of Investments	(396,891)	(233,261)	(160,770)	(20,553)	(1,195,936)	(2,007,411)
Donations	81,242	-	-	-	187,656	268,898
Miscellaneous	55,670	-	-	-	518,528	574,198
Total Revenue	34,177,853	6,715,606	1,495,569	675,366	21,384,968	64,449,362
<b>EXPENDITURES</b>						
Current:						
General government	7,146,640	-	-	-	804,248	7,950,888
Public safety	15,283,047	-	-	-	-	15,283,047
Public works	4,987,928	-	-	-	-	4,987,928
Parks and recreation	4,486,389	-	-	-	-	4,486,389
Capital Outlay:						
General government	-	-	-	64,115	851,268	915,383
Public safety	35,668	-	-	-	1,105,016	1,140,684
Public works	-	-	6,142,661	9,169,985	3,982,657	19,295,303
Parks and recreation	5,645	-	-	-	11,499,497	11,505,142
Debt Service:						
Principal bond maturities	-	5,110,000	-	-	4,050,000	9,160,000
Interest on debt	-	2,398,091	-	-	1,666,852	4,064,943
Fiscal charges	-	25,312	-	-	57,261	82,573
Total Expenditures	31,945,317	7,533,403	6,142,661	9,234,100	24,016,799	78,872,280
<b>EXCESS (DEFICIENCY) OF REVENUE OVER (UNDER) EXPENDITURES</b>	2,232,536	(817,797)	(4,647,092)	(8,558,734)	(2,631,831)	(14,422,918)
<b>OTHER FINANCE SOURCES (USES)</b>						
Issuance of Bonds and Other Debt	-	-	4,924,225	6,600,000	7,770,000	19,294,225
Premium on Issued Debt	-	-	-	776,907	313,284	1,090,191
Proceeds from the Sale of Capital Assets	-	-	-	-	258,880	258,880
Transfers in from other funds	876,430	2,047,573	1,754,060	174,461	4,783,986	9,636,510
Transfers out to other funds	(3,715,070)	-	-	(1,521,004)	(2,500,707)	(7,736,781)
Total Other Finance Sources	(2,838,640)	2,047,573	6,678,285	6,030,364	10,625,443	22,543,025
<b>NET CHANGE IN FUND BALANCES</b>	(606,104)	1,229,776	2,031,193	(2,528,370)	7,983,612	8,120,107
<b>FUND BALANCES</b>						
Beginning of Year, as previously reported	24,739,629	14,466,190	2,840,789	8,543,108	55,001,692	105,591,408
Change in Supplies - Inventory	(147,703)	-	-	-	-	(147,703)
End of Year	23,985,822	15,695,966	4,871,982	6,014,738	62,985,304	113,563,812

See accompanying Notes to Basic Financial Statements.

**CITY OF LAKEVILLE**  
**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN**  
**FUND BALANCES TO THE STATEMENT OF ACTIVITIES**  
**YEAR ENDED DECEMBER 31, 2021**

Net Change in Fund Balances-Total Governmental Funds \$ 8,120,107

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

Governmental funds report capital outlays as expenditures while the government-wide statement of activities reports depreciation expense to allocate those expenditures over the life of the assets. As a result, fund balance decreases by the amount of financial resources expended, whereas net position decreases by the amount of depreciation expense charged for the year. This is the amount by which depreciation expense exceeded capital outlay.

Capital outlay	\$ 24,872,031	
Capital contributed by developer	18,539,662	
Depreciation expense	<u>(16,885,710)</u>	26,525,983

In the government-wide statement of activities, only the gain or loss on the sale of capital assets is reported, whereas in the governmental funds, the proceeds from the sales increases financial resources. Thus, the change in net position differs from the change in fund balance by the net book value of the capital assets disposed of. (839,984)

Governmental funds report inventory related to snow removing chemicals as an expenditure at the time of purchase rather than when it is consumed. The change in supplies is shown as a direct adjustment to fund balance. On the government-wide statement of activities, inventories are shown as an expenditure when consumed. As a result, the change in net position must be adjusted by the change in supplies. (147,703)

Revenues in the government-wide statement of activities that do not provide current financial resources are not reported as revenues in the governmental funds.

Deferred inflows of resources - December 31, 2020	(18,170,670)	
Deferred inflows of resources - December 31, 2021	<u>19,264,472</u>	1,093,802

Bond proceeds are reported as other financing sources in governmental funds and thus contribute to the increase in fund balance. Bond and loan principal maturities are reported as expenditures in governmental funds thus reducing fund balance. In the government-wide statements, however, issuing debt increases long-term liabilities while debt repayment reduces long-term liabilities thus affecting the statement of activities.

Bond and loan proceeds	(24,914,225)	
Bond and loan principal maturities	<u>9,160,000</u>	(15,754,225)

Governmental funds report the effect of premiums, discounts and similar items when debt is first issued, whereas material amounts are deferred and amortized in the statement of activities.

Change in accrued interest payable	(107,720)	
Premium on bonds issued in the current year	(1,490,598)	
Amortization of deferred charge on refunding	(8,594)	
Amortization of deferred gain on refunding	7,636	
Amortization of debt premiums/discounts	<u>3,056,919</u>	1,457,643

In the statement of activities, certain operating expenses and other postemployment benefit expenses - are measured by amounts earned during the year. In the governmental funds, however, expenditures for these items are measured by the amount of financial resources used (and amounts actually paid). (45,955)

Pension expenditures in the governmental funds are measured by current year employer contributions. Pension expenses on the statement of activities are measured by the change in the net pension liability(asset) and the related deferred inflows and outflows of resources. 3,074,204

Internal service funds are used by management to charge the costs of certain activities, such as insurance, to individual funds. This amount represents a portion of the change in net position of the internal service fund, which are reported in with the governmental activities. 103,267

Change in Net Position of Governmental Activities \$ 23,587,139

See accompanying Notes to Basic Financial Statements.

**CITY OF LAKEVILLE  
STATEMENT OF NET POSITION  
PROPRIETARY FUNDS  
DECEMBER 31, 2021**

ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	Business-type Activities - Enterprise Funds			Governmental Activities - Internal Service Funds
	Liquor	Utility	Totals	
<b>CURRENT ASSETS</b>				
Cash and investments	\$ 3,868,487	\$ 20,101,529	\$ 23,970,016	\$ 1,187,377
Interest receivable	8,975	74,322	83,297	1,104
Accounts receivable	-	4,267,619	4,267,619	-
Inventory	2,460,970	263,307	2,724,277	-
Prepaid expenses	-	10,000	10,000	-
Total current assets	<u>6,338,432</u>	<u>24,716,777</u>	<u>31,055,209</u>	<u>1,188,481</u>
<b>NONCURRENT ASSETS</b>				
Capital assets:				
Land	3,087,882	539,885	3,627,767	-
Construction in progress	-	8,518	8,518	-
Buildings and improvements	8,021,703	26,082,862	34,104,565	-
Machinery and equipment	686,653	3,467,277	4,153,930	-
Infrastructure	-	225,601,457	225,601,457	-
Accumulated depreciation	(516,672)	(83,668,585)	(84,185,257)	-
Net Capital Assets	<u>11,279,566</u>	<u>172,031,414</u>	<u>183,310,980</u>	<u>-</u>
Total noncurrent assets	<u>11,279,566</u>	<u>172,031,414</u>	<u>183,310,980</u>	<u>-</u>
Total assets	<u>17,617,998</u>	<u>196,748,191</u>	<u>214,366,189</u>	<u>1,188,481</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>				
Pension plan deferments - PERA	572,448	792,090	1,364,538	-
OPEB related deferments	22,665	30,102	52,767	-
Total deferred outflows of resources	<u>595,113</u>	<u>822,192</u>	<u>1,417,305</u>	<u>-</u>
Total Assets and Deferred Outflows of Resources	<u>\$ 18,213,111</u>	<u>\$ 197,570,383</u>	<u>\$ 215,783,494</u>	<u>\$ 1,188,481</u>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION</b>				
<b>CURRENT LIABILITIES</b>				
Salaries payable	\$ 30,967	\$ 40,650	\$ 71,617	\$ -
Accounts payable	1,473,815	694,563	2,168,378	32,711
Contracts payable	240,916	13,340	254,256	-
Accrued interest payable	-	172,696	172,696	-
Deposits payable	34,149	15,300	49,449	-
Accrued compensated absences	80,241	177,318	257,559	1,986,068
Total OPEB Liability due within one year	3,908	2,941	6,849	-
Long-term debt - current	245,000	895,000	1,140,000	-
Total current liabilities	<u>2,108,996</u>	<u>2,011,808</u>	<u>4,120,804</u>	<u>2,018,779</u>
<b>NONCURRENT LIABILITIES</b>				
Accrued compensated absences	80,654	137,781	218,435	1,606,485
Net pension liability - PERA due in more than one year	760,816	1,052,733	1,813,549	-
Total OPEB Liability	72,195	98,131	170,326	-
Long-term debt	1,325,000	10,834,716	12,159,716	-
Total noncurrent liabilities	<u>2,238,665</u>	<u>12,123,361</u>	<u>14,362,026</u>	<u>1,606,485</u>
Total liabilities	<u>4,347,661</u>	<u>14,135,169</u>	<u>18,482,830</u>	<u>3,625,264</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Pension plan deferments - PERA	699,011	967,215	1,666,226	-
OPEB related deferments	36,641	48,663	85,304	-
Total deferred inflows of resources	<u>735,652</u>	<u>1,015,878</u>	<u>1,751,530</u>	<u>-</u>
<b>NET POSITION</b>				
Net investment in capital assets	9,709,566	160,805,342	170,514,908	-
Unrestricted	3,420,232	21,613,994	25,034,226	(2,436,783)
Total Net Position	<u>13,129,798</u>	<u>182,419,336</u>	<u>195,549,134</u>	<u>(2,436,783)</u>
Total Liabilities, Deferred Inflows of Resources, and Net Position	<u>\$ 18,213,111</u>	<u>\$ 197,570,383</u>	<u>215,783,494</u>	<u>\$ 1,188,481</u>

Explanation of difference between Enterprise Funds  
Statement of Net Position and government-wide  
Statement of Net Position:

The City uses an internal service fund to charge the cost  
of its insurance activities to individual funds. This amount  
consists of the necessary adjustments to reflect the  
consolidation of internal service fund activities:  
Net position of business-type activities

444,906  
\$ 195,994,040

See accompanying Notes to Basic Financial Statements.

**CITY OF LAKEVILLE**  
**STATEMENT OF NET REVENUES, EXPENSES, AND CHANGES IN NET POSITION**  
**PROPRIETARY FUNDS**  
**YEAR ENDED DECEMBER 31, 2021**

	Business-type Activities - Enterprise Funds			Governmental Activities - Internal Service Funds
	Liquor	Utility	Total	
<b>OPERATING REVENUE</b>				
Sales	\$ 19,683,002	\$ -	\$ 19,683,002	\$ -
Cost of sales	(14,445,699)	-	(14,445,699)	-
User Charges	-	20,957,083	20,957,083	556,783
Other	-	278,878	278,878	307,891
Total operating revenue	<u>5,237,303</u>	<u>21,235,961</u>	<u>26,473,264</u>	<u>864,674</u>
<b>OPERATING EXPENSES</b>				
Personnel services	1,970,823	2,589,799	4,560,622	220,963
Commodities	152,010	588,574	740,584	-
Other charges and services	1,430,689	4,619,397	6,050,086	559,822
Disposal charges	-	4,426,993	4,426,993	-
Depreciation	110,479	5,290,811	5,401,290	-
Total operating expenses	<u>3,664,001</u>	<u>17,515,574</u>	<u>21,179,575</u>	<u>780,785</u>
<b>OPERATING INCOME</b>	1,573,302	3,720,387	5,293,689	83,889
<b>NONOPERATING REVENUE (EXPENSES)</b>				
Intergovernmental - grants	5,445	489,647	495,092	-
Interest Income	47,003	146,498	193,501	3,864
Change in Fair Value of Investments	(94,822)	(296,609)	(391,431)	(7,832)
Interest, fiscal charges, bond premium (net)	-	(54,124)	(54,124)	-
Disposal of capital assets	-	(29,415)	(29,415)	-
Total Nonoperating Revenue (Expenses)	<u>(42,374)</u>	<u>255,997</u>	<u>213,623</u>	<u>(3,968)</u>
<b>INCOME BEFORE CONTRIBUTIONS AND TRANSFERS</b>	1,530,928	3,976,384	5,507,312	79,921
Contributed capital from developers	-	14,094,676	14,094,676	-
Contributed capital from governmental activities	6,020,407	2,904,183	8,924,590	-
Transfers from other funds	-	200,000	200,000	200,000
Transfers to other funds	(1,096,825)	(1,152,904)	(2,249,729)	(50,000)
Total Contributions and Transfers	<u>4,923,582</u>	<u>16,045,955</u>	<u>20,969,537</u>	<u>150,000</u>
<b>CHANGE IN NET POSITION</b>	6,454,510	20,022,339	26,476,849	229,921
<b>NET POSITION</b>				
Beginning of Year	6,675,288	162,396,997		704,886
Prior Period Restatement for Implementation of New Internal Service Fund	-	-		(3,371,590)
Beginning of Year, as Restated	<u>6,675,288</u>	<u>162,396,997</u>		<u>(2,666,704)</u>
End of Year	<u>\$ 13,129,798</u>	<u>\$ 182,419,336</u>		<u>\$ (2,436,783)</u>

Explanation of difference between Proprietary Funds Statement of Revenue, Expenses, and Changes in Fund Net Position and the Statement of Activities:

The City uses an internal service fund to charge the cost of its insurance activities to individual funds. This amount represents the income that has been allocated back to the business-type activities in the government-wide Statement of Activities that is attributable to the City's business-type activities:

126,654
<u>\$ 26,603,503</u>



**CITY OF LAKEVILLE  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS  
YEAR ENDED DECEMBER 31, 2021**

	Business-type Activities - Enterprise Funds			Governmental Activities - Internal Service Funds
	Liquor	Utility	Total	
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Cash received from customers	\$ 19,678,855	\$ 20,826,528	\$ 40,505,383	\$ -
Cash received from general service charges	-	-	-	866,557
Cash paid to suppliers	(16,444,518)	(9,380,787)	(25,825,305)	(533,335)
Cash paid to and for employees	(1,993,711)	(2,615,297)	(4,609,008)	-
Net Cash Provided by Operating Activities	<u>1,240,626</u>	<u>8,830,444</u>	<u>10,071,070</u>	<u>333,222</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>				
Intergovernmental - grant	5,445	489,647	495,092	-
Transfers from other funds	419,925	200,000	619,925	200,000
Transfers to other funds	(1,096,825)	(1,152,904)	(2,249,729)	(50,000)
Net Cash Provided (Used) by Noncapital Financing Activities	<u>(671,455)</u>	<u>(463,257)</u>	<u>(1,134,712)</u>	<u>150,000</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>				
Acquisition and construction of capital assets	(228,774)	(3,397,783)	(3,626,557)	-
Proceeds from sale of capital assets	-	175,000	175,000	-
Proceeds from Issuance of Capital Debt	-	1,438,473	1,438,473	-
Interest and fiscal charges	-	(386,712)	(386,712)	-
Principal maturities	(240,000)	(935,000)	(1,175,000)	-
Net Cash Used by Capital and Related Financing Activities	<u>(468,774)</u>	<u>(3,106,022)</u>	<u>(3,574,796)</u>	<u>-</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Investment income received	<u>(48,548)</u>	<u>(152,389)</u>	<u>(200,937)</u>	<u>(4,028)</u>
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>	51,849	5,108,776	5,160,625	479,194
Cash and Cash Equivalents - Beginning of the Year	<u>3,816,638</u>	<u>14,992,753</u>	<u>18,809,391</u>	<u>708,183</u>
<b>CASH AND CASH EQUIVALENTS - END OF THE YEAR</b>	<u>\$ 3,868,487</u>	<u>\$ 20,101,529</u>	<u>\$ 23,970,016</u>	<u>\$ 1,187,377</u>
<b>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>				
Operating Income (Loss)	\$ 1,573,302	\$ 3,720,387	\$ 5,293,689	\$ 83,889
Adjustments:				
Depreciation expense	110,479	5,290,811	5,401,290	-
(Increase) decrease in assets and deferred outflows:				
Accounts receivable	1,576	(410,833)	(409,257)	1,883
Inventory	(975,971)	324,568	(651,403)	-
Prepaid expenses	1,575	1,582	3,157	-
Pension-related deferred outflows	(450,761)	(623,713)	(1,074,474)	-
OPEB-related deferred outflows	(8,621)	(9,576)	(18,197)	-
Increase (decrease) in liabilities and deferred inflows:				
Salaries payable	10,049	8,558	18,607	-
Accounts payable	558,276	(71,973)	486,303	26,487
Deposits payable	(5,723)	1,400	(4,323)	-
Accrued compensated absences	19,543	49,477	69,020	220,963
Net pension liability	(272,692)	(377,321)	(650,013)	-
Pension-related deferred inflows	656,785	908,787	1,565,572	-
OPEB-related deferred inflows	30,165	39,197	69,362	-
Total OPEB liability	(7,356)	(20,907)	(28,263)	-
Net Cash Provided by Operating Activities	<u>\$ 1,240,626</u>	<u>\$ 8,830,444</u>	<u>\$ 10,071,070</u>	<u>\$ 333,222</u>
<b>Supplemental schedule of noncash financing activities:</b>				
The City assumes ownership of utility capital assets from governmental projects and land developers. Capital assets assumed were as follows:	\$ 6,020,407	\$ 16,998,859	\$ 23,019,266	\$ -
Amortization of Bond Premiums	-	340,500	340,500	-
	<u>\$ 6,020,407</u>	<u>\$ 17,339,359</u>	<u>\$ 23,359,766</u>	<u>\$ -</u>

See accompanying Notes to Basic Financial Statements.

**CITY OF LAKEVILLE  
STATEMENT OF FIDUCIARY NET POSITION  
CUSTODIAL FUND  
DECEMBER 31, 2020**

	<u>Custodial Fund</u>
<b>ASSETS</b>	
Cash and investments	\$ 29,837
<b>LIABILITIES</b>	
Accounts payable	<u>1,364</u>
<b>NET POSITION</b>	
Restricted for:	
Individuals, organizations, and other governments	<u><u>\$ 28,473</u></u>

*See accompanying Notes to Basic Financial Statements.*

**CITY OF LAKEVILLE  
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION  
CUSTODIAL FUND  
YEAR ENDED DECEMBER 31, 2021**

	Custodial Fund
<b>ADDITIONS</b>	
Contributions	\$ 6,873
<b>DEDUCTIONS</b>	
Payments to vendors	6,713
<b>NET DECREASE IN FIDUCIARY NET POSITION</b>	160
Fiduciary net position - beginning of year	28,313
<b>FIDUCIARY NET POSITION - END OF YEAR</b>	\$ 28,473

See accompanying Notes to Basic Financial Statements.

**CITY OF LAKEVILLE  
NOTES TO BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2021**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Organization**

The City of Lakeville, Minnesota (the City) operates under the “Optional Plan A” form of government as defined in Minnesota Statutes. The Statutes prescribe a Mayor-Council form of organization. The City provides the following services: public safety, highways and streets, water and sanitary sewer, public improvements, planning and zoning, culture-recreation, and general administration.

The basic financial statements of the City of Lakeville have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The City’s more significant accounting policies are described below.

**B. Reporting Entity**

The City of Lakeville is a municipal corporation governed by an elected mayor and a four-member council. In accordance with GASB standards, these financial statements represent the City of Lakeville and its sole component unit. The City includes all funds, organizations, agencies, departments, and offices that are not legally separate from such. Component units are legally separate organizations for which the elected officials of the City are financially accountable and are included within the basic financial statements of the City based on the nature and the significance of their operational or financial relationships with 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 Governmental Accounting Standards Board (GASB) has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization’s governing body, and (1) the ability of the primary government to impose its will on that organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on the primary government. Based upon the application of these criteria, the City has the following component units:

**Blended Component Unit**

The Housing and Redevelopment Authority (HRA) of Lakeville, Minnesota was created by the City to provide housing and redevelopment assistance to its citizens. The HRA provides this assistance through the administration of various programs. The HRA is governed by a five-member Board of Commissioners comprised of the City of Lakeville Council in accordance with Minnesota Statutes 469.003, Subdivision 6. Although it is legally separate from the City, the HRA is reported as if it were a part of the City (blended) because the City Council is also the HRA governing board. The Commissioners’ terms of office coincide with those of the City Council member. The City Administrator serves as the HRA Executive Director. The operational responsibility for the HRA rests with management of the City.

**CITY OF LAKEVILLE  
NOTES TO BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2021**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**B. Reporting Entity (Continued)**

**Blended Component Unit (Continued)**

During fiscal year 2006, the HRA issued \$9,230,000 in Ice Arena Lease Revenue Bonds, Series 2006, to finance the construction of the single sheet Hasse ice arena facility. The Ice Arena Lease Revenue Bonds, Series 2006 were subsequently refunded in 2016. Debt service will be payable from equal lease payments to be made by the City pursuant to the lease agreement between the HRA and the City, and in conjunction with the joint powers agreement between the City and Independent School District No. 194. In 2017, the HRA issued \$2,255,000 in Lease Revenue Liquor Enterprise Refunding Bonds, Series 2017A, to refund the existing liquor revenue bonds through a purchase (and subsequent lease-back) of the liquor store land and building. Debt service will be payable from lease payments made by the City's liquor enterprise fund.

These HRA bond obligations are combined and presented separately in the debt service funds as debt supported by HRA lease revenue.

The HRA has not issued separate financial statements for the period ending December 31, 2021. Information of a nonfinancial matter regarding the HRA can be obtained at the City's Finance offices, located at 20195 Holyoke Avenue, Lakeville, Minnesota 55044.

**C. Government-Wide Financial Statements**

The basic financial statements include both government-wide and fund financial statements. The government-wide financial statements focus on the City as a whole (consolidation of the City, excluding fiduciary funds) while the fund financial statements focus on the major individual funds (reported as separate columns within the fund financial statements). Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds.

Both the government-wide and fund financial statements (within the basic financial statements) categorize primary activities as either governmental or business-type. In the government-wide statement of net position, both the governmental and business-type activities columns (a) are presented on a consolidated basis by column, and (b) are reflected, on a full accrual, economic resources measurement focus, which incorporates long-term assets, receivables, deferred inflows and outflows of resources as well as long-term debt and other obligations. The City generally first uses restricted assets for expenses incurred for which both restricted and unrestricted assets are available. The City may defer the use of restricted assets based on a review of the specific transaction.

The government-wide statement of activities reflects both the gross cost and the net cost per function category (general government, public safety, public works, and parks and recreation) which are otherwise being supported by both program and general revenues (charges for services, grants and contributions, property taxes, etc.). The statement of activities reduces gross expenses (including depreciation) by the related program revenues and operating/capital grants and contributions.

**CITY OF LAKEVILLE  
NOTES TO BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2021**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**C. Government-Wide Financial Statements (Continued)**

The program revenues must be directly associated with the function (general government, public safety, public works, and parks and recreation) or a business-type activity. Program revenues are derived directly from the program itself or from parties outside the City's taxpayers or citizenry, as a whole. The City does not allocate indirect expenses. The operating grants and contributions column includes operating-specific and discretionary grants while the capital grants and contributions column includes capital specific grants and contributions.

**D. Fund Financial Statement Presentation**

The governmental fund financial statements are presented using the current financial resources measurement focus and the modified accrual basis of accounting. This is the manner in which these funds are normally budgeted. Since the governmental fund statements are presented using a measurement focus and basis of accounting different from that used in the government-wide statement's governmental column, a reconciliation is presented that briefly explains the adjustments necessary to reconcile ending net position and the change in net position.

Both the City as a whole and the City's major funds, including both governmental and enterprise funds, as well as a custodial fund, are presented utilizing the focus of the GASB Statement No. 34 reporting model. Each presentation provides valuable information that can be analyzed and compared (between years and between governments) to enhance the usefulness of the information.

In the fund financial statements, financial transactions and accounts of the City are organized on the basis of funds. The operation of each fund is considered to be an independent fiscal and separate accounting entity, with a self-balancing set of accounts recording cash and/or other financial resources together with all related liabilities, deferred inflows and outflows of resources and residual equities or balances, and changes therein, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions, or limitations.

Major governmental funds - The City reports the following major governmental funds:

*General fund* – The general fund is the general operating fund of the City. It is used to account for all financial resources except for those required to be accounted for in another fund. This fund records revenues such as property taxes, licenses, and permits, intergovernmental revenues, charges for services, fines, and investment income. Most of the day-to-day operations of the City are financed from this fund.

**CITY OF LAKEVILLE  
NOTES TO BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2021**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**D. Fund Financial Statement Presentation (Continued)**

*Debt service G.O. improvement fund* – This fund accounts for those bond issues that financed street, storm sewer, water, and sanitary sewer improvements. The special assessments levied against benefited property owners are pledged toward the repayment of the principal and interest on these bonds.

*Municipal State-aid fund* – This fund accounts for an annual allotment from the state of Minnesota Municipal State-aid street construction account.

*Capital projects improvement construction fund* – This fund accounts for complex construction contracts that involve multiple financing resources from the City and other government entities. Construction projects usually extend over several years before completion.

Major enterprise funds – The City reports the following major proprietary funds:

*Enterprise liquor fund* – This fund is used to account for the retail operations of four off-sale liquor stores.

*Enterprise utility fund* – This fund is used to account for water, sanitary sewer, street lighting, and environmental resources services provided to City customers.

Other funds – The City reports the following other funds:

*Internal service funds* – The City has a Municipal Reserves internal service fund as well as a Compensated Leave internal service fund. The Municipal Reserves fund accounts for the City's risk management program relating to general liability, excess liability, property, workers compensation, and casualty insurance costs which are charged to other departments of the City. The Compensated Leave fund accounts for the accrued liability of employee benefits attributed to compensated leave. Funding was initially provided by transfers from the General Fund. Future revenue sources are charges to benefited programs and departments. Benefits paid to Enterprise Fund employees are accounted for in their respective funds. The Compensated Leave fund currently has a deficit net position, but the City supports reestablishing a Compensated Leave Fund for the purpose of funding the current liability for accrued leave hours due to those employees eligible to retire within the next five years as well as an estimated amount for a normal level of staff turnover, recognizing that even though this liability will be paid in the future, the liability was incurred to provide current services and should be funded with current revenues. Funding this liability can be phased in but the City will strive to meet this goal within three to five years.

*Custodial fund* – The custodial fund is used to record the receipt and remittance of monies held by the City on behalf of other legally separate entities.

**CITY OF LAKEVILLE  
NOTES TO BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2021**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**E. Measurement Focus and Basis of Accounting**

The accounting and reporting treatment applied to a fund is determined by its measurement focus. Funds are classified into three categories: Governmental, Proprietary, and Fiduciary. To provide an accurate cost measurement of individual activities in the fund financial statement consolidation process, the City's interfund activity relating to services provided by and used between functions has been removed from these statements; exceptions are for charges between the government's liquor and utility function and other functions of the government.

Governmental Funds:

*Measurement focus:* Governmental funds are accounted for using a current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. Reported fund balance is considered a measure of "available spendable resources." Governmental fund operating statements represent increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets.

*Basis of accounting:* Governmental funds are accounted for using the modified accrual basis of accounting. Their revenues are recognized when susceptible to accrual (i.e., when they become measurable and available). "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current fiscal year or soon enough thereafter to be used to pay liabilities of the current fiscal year. For this purpose, the City generally considers revenues to be available if collected within 60 days of year-end or if intergovernmental revenues related to a joint project venture with the county are considered to be available if collected within 181 days of year-end.

*Revenues:* Major revenues that are susceptible to accrual include property taxes, excluding delinquent taxes received over 60 days after current fiscal year-end; special assessments, intergovernmental revenue, excluding intergovernmental revenues related to a joint project venture with the county are considered revenue if collected within 181 days after current fiscal year-end; charges for services, investment income, and donations. Major revenues that are not susceptible to accrual (i.e., license and permit revenues, and miscellaneous revenues) are recorded when received because they are not measurable until collected.

*Expenditures:* Expenditures are generally recognized under the modified accrual basis of accounting when the related fund liability is incurred, except for principal and interest on long-term debt, other postemployment benefits, pension benefits and compensated absences which are recognized when due.



**CITY OF LAKEVILLE  
NOTES TO BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2021**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**E. Measurement Focus and Basis of Accounting (Continued)**

Proprietary and Fiduciary Funds:

*Measurement focus:* Proprietary funds and fiduciary funds are accounted for on a flow of economic resources measurement focus. This means that all assets, including capital assets, and all liabilities, including long-term liabilities, and deferred inflows and outflows of resources associated with fund activity are included on the statement of net position. Proprietary fund types statement of revenues, expenses, and changes in net position present increases (i.e., revenues) and decreases (i.e., expenses) in net total position.

*Basis of accounting:* Proprietary funds and fiduciary funds (including custodial funds) are accounted for using the accrual basis of accounting. Revenues are recognized when earned and expenses are recorded at the time the liabilities are incurred. Unbilled utility service receivables are recorded at current fiscal year-end.

*Operating versus nonoperating items:* 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 revenue of the City's enterprise funds and internal service funds are charges to customers for sales and services. Operating expenses for enterprise funds and internal service funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

**F. Cash and Investments**

Cash balances from all funds are combined and invested to the extent available in certificates of deposit, commercial paper, U.S. Government securities, and other securities authorized by state statutes. Earnings from such investments are allocated to the respective funds on the basis of applicable cash balance participation by each fund.

Cash and investments held by trustee represent in part the value of deposits that are required to be held in trust for various City obligations. These established escrow accounts will remain in effect until the terms and conditions of the obligations have been fulfilled. Earnings from such investments are allocated directly to the respective funds in which the assets are held.

**G. Taxes Receivable**

Property tax levies are set by the City Council in December each year and are certified to Dakota County for collection in the following year. Such taxes become a receivable of the City and become a lien on the respective property as of January 1. In Minnesota, most counties act as collection agents for all property taxes. Dakota County spreads the levies over all taxable property within the City of Lakeville.

**CITY OF LAKEVILLE  
NOTES TO BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2021**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**G. Taxes Receivable (Continued)**

Real and personal property taxes are payable in equal installments by property owners to Dakota County on May 15 and October 15 of each year. Dakota County remits these and delinquent collections to the City twice a year, in July and December. Unpaid taxes on December 31 are classified in the fund financial statements as delinquent taxes receivable.

Taxes receivable include the following components:

**Unremitted** – amounts collected by Dakota County but not yet remitted to the City by December 31.

**Delinquent** – amounts billed to property owners but not paid.

**H. Special Assessments Receivable**

Special assessments are levied against the benefited properties for the assessable costs of special assessment improvement projects in accordance with State Statutes. The City usually adopts the assessment rolls when construction contracts will be awarded for the individual projects. The City is obligated for the payment of special assessment debt not covered through the collection of special assessments from property owners. Any obligation by the City would be paid by property taxes. Special assessments are collectable over a term of years generally consistent with the term of years of the related bond issue. Collection of annual special assessment installments (including interest) is administered by Dakota County in the same manner as property taxes. Property owners are allowed to prepay total future installments without interest or prepayment penalties. As of December 31, 2021, the special assessment delinquent receivable was \$143,559 in the governmental funds and \$23,074 in the proprietary enterprise utility fund. Special assessments receivable includes the following components:

**Unremitted** – amounts collected by Dakota County but not yet remitted to the City by December 31.

**Delinquent** – amounts billed to property owners but not paid.

**Deferred** – assessment installments that will be billed to property owners in future years.

**Other** - assessments for which payment has been delayed based on state statutes or City Council action.

**I. Inventory**

Inventories are valued on a first-in, first-out method. The cost of inventories is recorded as expenses/expenditures when consumed rather than purchased except for, general fund inventory related to snow removing chemicals. These materials are recorded as an expenditure at the time of purchase rather than when it is consumed.

**J. Prepaid Items**

Payments made to vendors for services that will benefit periods beyond the current year are recorded as prepaid items. Prepaid items are also accounted for using the consumption method.

**CITY OF LAKEVILLE  
NOTES TO BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2021**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**K. Unamortized Bond Premium and Bond Discount**

In the governmental fund financial statements, bond premiums and discounts are recognized as other financing sources and uses, respectively in the current fiscal year. Bond discounts and bond premiums for the City's government-wide financial statements are deferred and amortized over the term of the bonds using the effective interest rate method. Unamortized bond premiums and discounts are included within the noncurrent liabilities due in more than one year of the City's government-wide statement of net position.

The enterprise utility fund includes a noncurrent liability for unamortized bond premium associated with the issuance of the water, sewer and streetlight bonds of 2016-2021. The bond premium is amortized over the term of the bonds using the effective interest rate method.

**L. Restricted Assets**

The government-wide statement of Net Position "restricted assets (temporarily)" represents cash and investments, and investments held by trustee that have imposed restrictions placed on them by parties outside the government. These restricted amounts are pledged by bond covenants to the repayment of City indebtedness. The assets are temporarily restricted until the terms and conditions of the obligations have been fulfilled.

**M. Capital Assets**

Capital assets, which include land, historical treasures, construction in process, buildings and improvements, machinery and equipment, other improvements, and infrastructure, are reported in the applicable governmental or business-type activity columns of the government-wide statement of net position and proprietary funds statement of net position. 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 of not less than one year. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend the life of the asset are not capitalized.

Capital outlays are recorded as expenditures in the City's governmental fund financial statements, which use the modified accrual basis of accounting. Capital outlays that meet the City's capitalization criteria are reported in the government-wide statement of net position and proprietary funds statement of net position, both of which use the full accrual basis of accounting.

**CITY OF LAKEVILLE**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2021**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**M. Capital Assets (Continued)**

Depreciation on the capital assets is recorded in the government-wide and proprietary fund financial statements. Land, historical treasures, and construction in process are not depreciated. Capital assets are depreciated using the straight-line method over their estimated useful lives as follows:

Buildings and improvements	50 to 75 Years
Machinery and equipment	3 to 20 Years
Other improvements	10 to 50 Years
Infrastructure	20 to 50 Years

**N. Deferred Outflows/Inflows of Resources**

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net assets that applies to a future period and so will not be recognized as an outflow of resources (expense/expenditure) until then.

The City has four items that qualifies for reporting in this category. The first two items are the deferred outflows of resources related to pensions reported in the government-wide and proprietary fund statements of net position. This deferred outflow results from differences between expected and actual experience, changes of assumptions, differences between projected and actual earnings on pension plan investments, and 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 standards. The third item is a deferred outflow related to the City's OPEB liability. This deferred outflows results from contributions made to the plan after the measurement date and for differences between expected and actual experience, and these deferred outflows will be amortized as required under OPEB standards. The fourth item is a deferred outflow related to a current refunding that resulted in a defeasance of debt reported by the governmental activities. This deferred outflow results from the difference between the reacquisition price and the net carrying amount of the old debt. This amount is deferred and amortized over the remaining life of the debt.

In addition to liabilities, statements of financial position or balance sheets will sometimes report a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net assets that applies to future periods and so will not be recognized as an inflow of resources (revenue) until that time.

The City has four items which qualify for reporting in this category. The first item, unavailable revenue, is reported only in the governmental funds Balance Sheet. The governmental funds report unavailable revenue from three sources: property taxes, special assessments, and other, primarily long-term capital leases receivable. These amounts are deferred and recognized as an inflow of resources in the period the amounts become available. The second item, deferred inflows of resources related to pensions and OPEB, is reported in the government-wide and proprietary fund statements of net position. This deferred inflow results from differences between expected and actual experience, changes of assumptions, and the difference between projected and actual earnings on pension plan investments. These amounts are deferred and amortized as required under pension and OPEB standards.

**CITY OF LAKEVILLE  
NOTES TO BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2021**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**N. Deferred Outflows/Inflows of Resources (Continued)**

The third item relates to deferred gains on bond refundings that are amortized over the life of the related bonds. The fourth item, timing difference, related to long-term receivables not recognized to revenue until the underlying timing requirements have been met.

**O. Compensated Absences**

It is the City's policy to permit employees to accumulate earned but unused leave benefits as either paid-time-off (PTO), or vacation and sick leave. Under the City's personnel policies and collective bargaining contracts, City employees are granted leave benefits in varying amounts based on length of service. PTO accruals vary from 18 to 30 days per year, vacation accruals vary from 10 to 20 days per year, and sick leave accrues at a rate of 12 days per year.

As benefits accrue to employees, the accumulated PTO, vacation and vested sick leave is reported as an expense and liability in the government-wide and proprietary fund financial statements. Accrued PTO, vacation and a percentage of sick leave is paid to employees upon termination (severance) only if they have vested and is reported as an expenditure in the governmental fund that will pay for it. No liability is recorded for nonvesting accumulating rights to receive sick leave benefits.

**P. Pensions**

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

**Q. Other Postemployment Benefits (OPEB) Obligation**

In accordance with the provisions of GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, an actuarial valuation is required to be computed and reported for the City's postemployment health insurance benefits provided to eligible employees through the City's Other Postemployment Benefits Plan. OPEB is reported as an expense on a pay-as-you-go basis and is accrued as it is earned. The total OPEB obligation liability and corresponding expense for governmental activities is reported within the government-wide financial statements. The total OPEB liability and corresponding expense for enterprise funds are recorded within those funds.

**CITY OF LAKEVILLE  
NOTES TO BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2021**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**R. Long-Term Obligations**

Long-term obligations are recorded in the City's government-wide and proprietary fund statements of net position when they become a liability of the City. Long-term obligations are recognized as a liability of a governmental fund only when due or when payment is made to the paying agent.

**S. Fund Balance**

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

*Nonspendable* – consists of amounts that cannot be spent because they are not in spendable form, such as prepaid items and inventory.

*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 amounts that are constrained for specific purposes that are internally imposed by formal action (resolution) of the City Council. Those committed amounts cannot be used for any other purpose unless 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 amounts intended to be used by the City for specific purposes but do not meet the criteria to be classified as restricted or committed. Pursuant to City resolution, the City Administrator and the Finance Director are authorized to establish assignments of fund balances.

*Unassigned* – is the residual classification for the General fund and also reflects negative residual amounts in other funds.

The City will endeavor to maintain an unrestricted (committed, assigned, and unassigned) fund balance in the General fund of an amount not less than 40% and not greater than 50% of the next year's budgeted expenditures of the General fund. This will assist in maintaining an adequate level of fund balance to provide for cash flow requirements and contingency needs. At December 31, 2021, the unrestricted fund balance of the General Fund was 67.4% of the subsequent year's budgeted expenditures. The City has opted to reduce fund balance with the 2022 budget.

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

**CITY OF LAKEVILLE  
NOTES TO BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2021**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**T. Net Position**

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

*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 balances restricted when there are limitations imposed on their use through external restrictions imposed by creditors, grantors, laws, or regulations of other governments.

*Unrestricted net position* – All other net position balances that does not meet the definition of “restricted” or “net investment in capital assets”.

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

The City has also established specific targets it will use to maintain an adequate level of net position for the Utility Enterprise Funds. When implementing any rate changes, the city intends to meet the following financial management targets:

- (i) Available cash on hand to cover the following objectives:
  - 1. Three months of operating cash
  - 2. Following year debt service payments
  - 3. Next year planned capital expenses not financed with bonds
- (ii) Unassigned cash to account for unexpected costs at the following thresholds:
  - 1. \$500,000 for water and sewer operating funds
  - 2. \$100,000 for environmental resources and streetlight operating funds.
- (iii) Unrestricted Net Position not less than 50% of projected expenses.
- (iv) Net revenues not less than 125% of annual debt service on existing and planned debt.

**U. Revenues and Expenditures/Expenses**

In the governmental fund financial statements property tax revenue is recognized when it becomes measurable and available to finance expenditures of the current fiscal year. All delinquent taxes receivable are fully offset by deferred inflow of resources in the governmental fund financial statements. Taxes due from Dakota County on December 31 are included in revenue since they are remitted to the City within 60 days after December 31. In the government-wide statement of activities property tax revenue is recognized when levied.

**CITY OF LAKEVILLE  
NOTES TO BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2021**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**U. Revenues and Expenditures/Expenses (Continued)**

In the governmental fund financial statements special assessments principal and interest are recognized as revenue when they become measurable and available to finance expenditures of the current fiscal year. All delinquent and deferred assessments receivable are fully offset by deferred inflow of resources in the fund financial statements. Both the principal and interest on special assessments are payable in installments over a term of years that matches the scheduled payments for the bond issue which financed the project. In the government-wide statement of activities special assessments revenue is recognized when levied.

Investment income is recorded as revenue in the year earned. Elements of investment income include interest earned on investments and unrealized gains or losses on net increases or decreases in the fair value of investments.

Certain grants and aids received by the City require that eligible expenditures be made in order to earn the grant. Revenue for these grants is recorded in the period of which eligible expenditures are made.

Enterprise utility fund service charges are recognized when earned with no allowance for uncollectibles because delinquent accounts deemed uncollectible during the normal billing process are certified to Dakota County as a property tax lien. Quarterly utility service charges provided to customers but unbilled are included as receivables as of December 31.

Interfund service transactions are accounted for as expenditures or expenses. Service transaction payments to a fund are recorded as an expenditure or expense in the paying fund and conversely recorded as a reduction of expenditure or expense in the fund that is receiving payment. Interfund service transactions within the respective categories of governmental activities and business-type activities in the government-wide statement of activities are eliminated. Interfund services provided and used are not eliminated in the process of consolidation into the government-wide statement of activities.

**V. 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 of three months or less to be cash equivalents. The proprietary funds' equity in the government-wide cash and investments management pool is considered to be a cash equivalent.

**W. 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 that affect amounts reported in the financial statements during the reporting period. Actual results could differ from such estimates.



**CITY OF LAKEVILLE  
NOTES TO BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2021**

**NOTE 2 DEPOSITS AND INVESTMENTS**

**A. Components of Cash and Investments**

The City's cash surpluses are pooled and invested in accordance with State Statute and City investment policy. Investment earnings and unrealized gains and losses are allocated to funds on the basis of average cash balances. Investments are stated at fair value, which is the amount that a financial instrument could be exchanged for in a current transaction between willing parties. The investments are not identified with specific funds with the exception for bond proceeds related to bond series 2018 A. Investments held by trustee include balances held in segregated accounts for specific purposes. Interest earned on these trustee accounts is allocated directly to the responsible fund. The amounts represent funds held as required by the debt obligation covenants and other agreements.

The City's cash and investments as of December 31, 2021 consist of the following:

Cash on hand	\$	17,450
Deposits	*	(4,302,100)
Investments		157,608,285
Total cash and investments	\$	153,323,635

\* The City's negative deposits balance is the result of checks issued on December 28, 2021 were outstanding as of December 31, 2021, while the City's deposit account is swept daily into the 4M account, which is classified as investments.

The City's cash and investments as of December 31, 2021 are presented in the financial statements as follows:

<b><u>Statement of Net Position</u></b>		
Cash and investments	\$	152,386,462
Temporarily restricted investments held by trustee		907,336
<b><u>Statement of Fiduciary Net Position</u></b>		
Cash and investments		29,837
Total cash and investments	\$	153,323,635

**CITY OF LAKEVILLE  
NOTES TO BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2021**

**NOTE 2 DEPOSITS AND INVESTMENTS (CONTINUED)**

**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 value of collateral pledged must equal 110% 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 does not have a formal policy addressing this risk.

At year-end, the carrying amount of the City’s deposits was \$(4,302,100) while the balance on the bank records was \$25,355. At December 31, 2021, all deposits were fully covered by federal depository insurance, surety bonds, or by collateral held by the City’s agent in the City’s name.

**C. Investments**

The City’s investments as of December 31, 2021 are as follows:

<u>Investment Type</u>	<u>Credit Risk</u>		<u>Total Value</u>	<u>Interest Risk - Maturity Duration in Years</u>		
	<u>Rating</u>	<u>Agency</u>		<u>Less than 1</u>	<u>1 - 5</u>	<u>6 - 10</u>
Money market funds						
Minnesota Municipal (4M)	N/R	N/A	\$ 15,985,227	\$ 15,985,227	\$ -	\$ -
First American Treasury Obligation	AAAm	S&P	907,336	907,336	-	-
Certificates of deposit	N/R	N/A	17,655,998	7,259,696	10,396,302	-
U.S. treasury securities	N/A	N/A	2,001,600	2,001,600	-	-
U.S. government agencies	AA+	S&P	79,616,623	7,803,340	63,504,023	8,309,260
Municipal Bonds	Aaa	Moody's	5,497,053	-	4,423,163	1,073,890
Municipal Bonds	AAA	S&P	3,492,174	586,451	2,762,288	143,435
Municipal Bonds	Aa1	Moody's	4,355,878	801,410	1,587,108	1,967,360
Municipal Bonds	AA+	S&P	4,779,287	-	1,964,520	2,814,767
Municipal Bonds	Aa2	Moody's	8,670,878	667,500	5,605,693	2,397,685
Municipal Bonds	AA	S&P	6,933,388	1,789,592	3,918,593	1,225,203
Municipal Bonds	Aa3	Moody's	1,503,042	-	635,318	867,724
Municipal Bonds	AA-	S&P	5,197,703	1,055,385	3,149,886	992,432
Municipal Bonds	A	S&P	1,012,098	500,383	511,715	-
<b>Total investments</b>			<b>\$ 157,608,285</b>	<b>\$ 39,357,920</b>	<b>\$ 98,458,609</b>	<b>\$ 19,791,756</b>

N/R - Not rated

N/A - Not applicable

**CITY OF LAKEVILLE  
NOTES TO BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2021**

**NOTE 2 DEPOSITS AND INVESTMENTS (CONTINUED)**

**C. Investments (Continued)**

The 4M Fund is regulated by Minnesota Statutes and the Board of Directors of the League of Minnesota Cities and is an external investment pool not registered with the Securities and Exchange Commission (SEC) that follows guidance under GASB Statement No. 79. The City's investment in the 4M Fund is measured at an amortized cost method that approximates fair value. Investments in the 4M Plus must be deposited for a minimum of 14 calendar days. Withdrawals prior to the 14-day restriction period will be subject to a penalty equal to seven days interest on the amount withdrawn. The City's investment policy does not place any further limitations beyond the state statute requirements for the risk categories described below. 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 any custodial credit risk for its investments since all of the City's investments held in safekeeping by the City's brokerage firm in the City's name are insured and registered.

Credit Risk – This is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. State statutes authorize investments in money market funds, certificates of deposit, commercial paper, U.S. treasury securities, U.S. government agencies, and other securities provided they meet the two highest quality ratings of nationally recognized rating organizations.

Concentration Risk – This is the risk associated with investing a significant portion of the City's investments (considered 5% or more) in the securities of a single issuer, excluding U.S. guaranteed investments (such as treasuries), investment pools, and mutual funds.

As of December 31, 2021, the City's investment portfolio includes the following securities of single issuers exceeding 5%:

Federal Farm Credit Bank	12.7%
Federal Home Loan Bank	17.9%
Federal Home Loan Mortgage Corporation	10.6%
Federal National Mortgage Association	8.9%

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).

**CITY OF LAKEVILLE  
NOTES TO BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2021**

**NOTE 2 DEPOSITS AND INVESTMENTS (CONTINUED)**

**D. Investments Policy**

The City's investment policy limits exposure to interest rate risk by investing in shorter term securities (maturing in one year or less) to meet current operating cash requirements. Longer-term investments are to be purchased with the intent to match maturity periods with future funding needs for capital replacement and debt obligations. The City will not purchase investments that, at the time of investment, cannot be held to maturity. This does not mean that an investment cannot be sold prior to maturity.

Investment activity will focus upon protection of taxpayer dollars and investment income, consistent with statutory authorization and financial prudence. The City will conduct its investment transactions with several legal competing, reputable investment security dealers, and qualifying banks. The City will invest only in the following instruments or those others that may subsequently be permitted by state statute.

- United States Treasury obligations
- Federal Agency Securities
- Certificates of Deposit
- Commercial Paper
- Banker's Acceptance
- Money Market Funds
- State and local securities

**E. Fair Value Measurements**

The City uses fair value measurements to record fair value adjustments to certain asset and liabilities and to determine fair value disclosures.

The City follows an accounting standard which defines fair value, establishes framework for measuring fair value, establishes a fair value hierarchy based on the quality of inputs used to measure fair value, and requires expanded disclosures about fair value measurements. In accordance with this standard, the City has categorized its investments, based on the priority of inputs to the valuation technique, into a three-level fair value hierarchy. The fair value hierarchy gives the highest priority to quotes and prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). If inputs used to measure the financial instruments fall within different levels of the hierarchy, the categorization is based on the lowest level input that is significant to the fair value measurement of the instrument.

**CITY OF LAKEVILLE  
NOTES TO BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2021**

**NOTE 2 DEPOSITS AND INVESTMENTS (CONTINUED)**

**E. Fair Value Measurements (Continued)**

Financial assets and liabilities recorded on the statement of net position are categorized based on the inputs to the valuation techniques as follows:

*Level 1* – Financial assets and liabilities are valued using inputs that are unadjusted quoted prices in active markets accessible at the measurement date of identical financial assets and liabilities.

*Level 2* – Financial assets and liabilities are valued based on quoted prices for similar assets or inputs that are observable, either directly or indirectly, for substantially the full term through corroboration with observable market data.

*Level 3* – Financial assets and liabilities are valued using pricing inputs which are unobservable for the asset, inputs that reflect the reporting entity’s own assumptions about the assumptions market participants would use in pricing the asset.

<u>Investment Type</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
U.S. treasury securities	\$ 2,001,600	\$ -	\$ -	\$ 2,001,600
U.S. government securities	-	79,616,623	-	79,616,623
Certificates of deposit	-	17,655,998	-	17,655,998
Municipal bonds	-	41,441,501	-	41,441,501
	<u>\$ 2,001,600</u>	<u>\$ 138,714,122</u>	<u>\$ -</u>	140,715,722
Investments measured at amortized cost				<u>16,892,563</u>
Total				<u>\$ 157,608,285</u>

**CITY OF LAKEVILLE  
NOTES TO BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2021**

**NOTE 3 CAPITAL ASSETS**

A summary of changes in governmental capital assets during the year ended December 31, 2021 are as follows:

	Beginning Balance	Additions	Deletions	Ending Balance
<b>Governmental Activities:</b>				
Capital Assets, Not Being Depreciated:				
Land	\$ 31,539,096	\$ 2,465,286	\$ (24,145)	\$ 33,980,237
Historical treasures	100,000	14,000	-	114,000
Construction in progress	3,508,790	2,018,681	(3,285,343)	2,242,128
Total Capital Assets, Not Being Depreciated	<u>35,147,886</u>	<u>4,497,967</u>	<u>(3,309,488)</u>	<u>36,336,365</u>
Capital Assets, Being Depreciated:				
Building and improvements	55,281,098	8,365,809	(1,247,075)	62,399,832
Machinery and equipment	26,621,634	1,393,767	(1,155,737)	26,859,664
Other improvements	13,093,307	1,458,287	(154,620)	14,396,974
Infrastructure				
Streets	199,521,017	13,205,535	(1,258,242)	211,468,310
Storm Sewer	102,786,884	14,368,158	(41,658)	117,113,384
Parks	32,195,082	3,407,513	(203,830)	35,398,765
Total Capital Assets, Being Depreciated	<u>429,499,022</u>	<u>42,199,069</u>	<u>(4,061,162)</u>	<u>467,636,929</u>
Accumulated Depreciation for:				
Buildings and improvements	(19,625,894)	(1,221,151)	608,832	(20,238,213)
Machinery and equipment	(17,030,666)	(2,312,065)	1,115,352	(18,227,379)
Other improvements	(4,725,024)	(655,267)	151,720	(5,228,571)
Infrastructure				
Streets	(88,188,206)	(8,757,750)	1,143,910	(95,802,046)
Storm Sewer	(25,697,572)	(2,719,339)	25,791	(28,391,120)
Parks	(16,707,854)	(1,220,138)	199,718	(17,728,274)
Total Accumulated Depreciation	<u>(171,975,216)</u>	<u>(16,885,710)</u>	<u>3,245,323</u>	<u>(185,615,603)</u>
Total Capital Assets, Being Depreciated, Net	<u>257,523,806</u>	<u>25,313,359</u>	<u>(815,839)</u>	<u>282,021,326</u>
Governmental Activities Capital Assets, Net	<u>\$ 292,671,692</u>	<u>\$ 29,811,326</u>	<u>\$ (4,125,327)</u>	<u>\$ 318,357,691</u>

Depreciation expense was charged to governmental functions as follows:

<b>Governmental Activities:</b>	
General government	\$ 399,813
Public safety	1,316,238
Public works	12,532,685
Parks and recreation	2,636,974
Total depreciation expense	<u>\$ 16,885,710</u>

**CITY OF LAKEVILLE  
NOTES TO BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2021**

**NOTE 3 CAPITAL ASSETS (CONTINUED)**

A summary of changes in business-type capital assets during the year ended December 31, 2021 are as follows:

	Beginning Balance	Additions	Deletions	Ending Balance
<b>Business-Type Activities:</b>				
Capital Assets, Not Being Depreciated:				
Land	\$ 3,627,767	\$ -	\$ -	\$ 3,627,767
Construction in Progress	480,749	-	(472,231)	8,518
Total Capital Assets, Not Being Depreciated	<u>4,108,516</u>	<u>-</u>	<u>(472,231)</u>	<u>3,636,285</u>
Capital Assets, Being Depreciated:				
Buildings and improvements	28,341,160	5,915,385	(151,980)	34,104,565
Machinery and equipment	3,768,772	1,365,199	(980,041)	4,153,930
Infrastructure				
Environmental Resources	277,153	121,854	-	399,007
Water	122,783,174	11,266,488	(282,897)	133,766,765
Sanitary Sewer	83,523,029	8,029,203	(116,547)	91,435,685
Total Capital Assets, Being Depreciated	<u>238,693,288</u>	<u>26,698,129</u>	<u>(1,531,465)</u>	<u>263,859,952</u>
Accumulated Depreciation for:				
Buildings and improvements	(10,226,316)	(640,188)	72,108	(10,794,396)
Machinery and equipment	(2,735,644)	(303,086)	980,041	(2,058,689)
Infrastructure				
Environmental Resources	(3,191)	(8,711)	-	(11,902)
Water	(37,521,897)	(2,668,935)	230,019	(39,960,813)
Sanitary Sewer	(29,623,969)	(1,780,370)	44,882	(31,359,457)
Total Accumulated Depreciation	<u>(80,111,017)</u>	<u>(5,401,290)</u>	<u>1,327,050</u>	<u>(84,185,257)</u>
Total Capital Assets, Being Depreciated, Net	<u>158,582,271</u>	<u>21,296,839</u>	<u>(204,415)</u>	<u>179,674,695</u>
Business-Type Activities Capital Assets, Net	<u>\$ 162,690,787</u>	<u>\$ 21,296,839</u>	<u>\$ (676,646)</u>	<u>\$ 183,310,980</u>

Depreciation expense was charged to governmental functions as follows:

<b>Business-Type Activities:</b>	
Liquor fund	\$ 110,479
Utility fund	5,290,811
Total Depreciation Expense, Business-Type Activities	<u>\$ 5,401,290</u>

**NOTE 4 OPERATING LEASES**

Operating Lease (Ames Arena)

On December 1, 2006, the City (as lessor) entered into a joint powers agreement with the Lakeville Arenas (a Minnesota Joint Powers entity, as lessee), whereas the Lakeville Arenas is responsible for operations and maintenance of the Ames Arena. Lakeville Arenas shall pay all debt service requirements due on the Gross Revenue Recreation Facility Bonds of 1999 less payments received by Lakeville Hockey Association, Inc. (Boosters) towards debt service payments in accordance with the revised and restated gaming revenue agreement dated February 16, 1999. There were significant improvements and additions to Ames Arena in 2021. Including the 2021 capital asset additions, the cost of the leased space is included in the total Ames ice arena cost of \$11,805,572, of which \$2,189,305 has been depreciated to date. These amounts are recorded in the City's capital assets. The final payment related to this agreement was made during 2018, and no further payments were made during 2019, 2020, or 2021.

**CITY OF LAKEVILLE  
NOTES TO BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2021**

**NOTE 4 OPERATING LEASES (CONTINUED)**

Operating Sublease (Hasse Arena)

On December 1, 2006, the City (as sublessor) entered into a joint powers agreement with the Lakeville Arenas (a Minnesota Joint Powers entity, as sublessee), whereas the Lakeville Arenas is responsible for operations and maintenance of the Hasse Arena. In addition, the joint powers agreement calls for Independent School District No. 194 to provide for one-half of all future ice arena lease payments to the City. Lease agreement payments coinciding with the bonded debt service schedule commencing February 1, 2007 will remain in effect until February 1, 2032. The 2021 lease revenue totaled \$330,994.

Operating Lease (Heritage Liquor Store)

The Heritage Liquor Store (located in Heritage Shopping Center) consists of 8,859 square feet of space at a monthly lease cost of \$12,550 per month, plus a proportionate share of real estate taxes, property insurance, special assessments, common area maintenance, and management fees. The lease had an original term of 15 years, and it was subsequently renewed for an additional four years expiring June 30, 2019 which was subsequently renewed for three additional years expiring June 30, 2022. The fiscal year 2021 lease expense totaled \$150,603. The following is a schedule of future minimum payments required under the lease as of December 31, 2021:

<u>Year</u>	<u>Amount</u>
2022	\$ 75,302

Operating Lease (Kenrick Liquor Store)

The Kenrick Liquor Store (located off Kenrick Avenue) consists of 9,705 square feet of space at a monthly lease cost of \$15,366 plus a proportionate share of real estate taxes, property insurance, special assessments, common area maintenance, and management fees. The lease has an original term of 20 years ending April 30, 2039. The fiscal year 2021 lease expense totaled \$184,395. The following is a schedule by years of future minimum payments required under the lease as of December 31, 2021:

<u>Year</u>	<u>Amount</u>
2022	\$ 184,395
2023	184,395
2024	197,303
2025	197,303
2026	197,303
2027-2031	1,027,857
2032-2036	1,099,673
2037-2039	526,949
Total	<u>\$ 3,615,177</u>



**CITY OF LAKEVILLE  
NOTES TO BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2021**

**NOTE 4 OPERATING LEASES (CONTINUED)**

Operating Lease – Office Equipment

The City leased office equipment on March 18, 2019 at a monthly lease cost of \$3,558 for 60 months. The fiscal year 2021 lease expenditures totaled \$42,696. The following is a schedule of future minimum payments required under the lease as of December 31, 2021:

<u>Year</u>	<u>Amount</u>
2022	\$ 42,696
2023	42,696
2024	14,232
Total	<u>\$ 99,624</u>

**NOTE 5 LONG-TERM DEBT**

**A. Components of Long-Term Debt**

General Obligation Bonds

The City's general obligation bonds are supported primarily from revenues derived from property tax levies, special assessment levies, tax increment levies, state-aid street revenue, water connection revenue charges, ice arena operations, and contributions by an organization conducting lawful gaming at approved locations. These bonds are backed by the full-faith and credit of the City.

Revenue Bonds

The following revenue bonds are not general obligations of the City and accordingly are not backed by the full-faith and credit of the City.

Governmental Activities

The HRA Ice Arena Lease Revenue Refunding Bonds, Series 2016, will be payable from equal lease payments to be made by the City pursuant to the lease agreement between the HRA of Lakeville, the City, and in conjunction with the joint powers agreement between the City and Independent School District No. 194. The City's portion of the lease payments are supported by property tax levies.

**CITY OF LAKEVILLE  
NOTES TO BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2021**

**NOTE 5 LONG-TERM DEBT (CONTINUED)**

**A. Components of Long-Term Debt (Continued)**

Revenue Bonds (Continued)

Governmental Activities (Continued)

The lease, consisting of land, building and equipment of the Hasse Arena located at 8525 215th Street West, requires the City to provide lease payments sufficient to pay when due, the principal and interest on the HRA Ice Arena Lease Revenue Refunding Bonds, Series 2016 (\$7,115,000 original amount issued), of which the first principal and interest payment was due in 2017. Title to the arena will transfer to the City upon completing the prescribed lease payments coinciding with the bonded debt service schedule commencing February 1, 2017 and maturing February 1, 2032. There were significant improvements and additions to Hasse Arena in 2021. Including the 2021 capital asset additions, the cost of the leased space is included in the total Hasse ice arena cost of \$8,228,892, of which \$2,323,810 has been depreciated to date. These amounts are recorded in the HRA's capital assets.

Business-type Activities

Future revenue pledged for the payment of long-term debt related to the Utility – Water, Utility – Sewer, Utility – Street Lights, and Water Connection revenue bonds is noted in the table below.

Summary of Governmental Activities and Business-type Activities

Bond Issue	Use of Proceeds	Revenue Pledged		Remaining Principal and Interest	Current Year	
		Type	Term of Pledge		Principal and Interest Paid	Pledged Revenue Received
Ice Arena Lease Revenue	Additional ice arena	Lease Revenues	2021 - 2032	\$ 6,524,075	\$ 582,325	\$ 298,275
Utility - Water Revenue	Water infrastructure	Utility user fees	2021 - 2034	12,103,738	1,197,463	9,460,107
Utility - Sewer Revenue	Sewer infrastructure	Utility user fees	2021 - 2025	290,900	71,750	8,213,601
Utility - Street Lights Revenue	Street lights infrastructure	Utility user fees	2021 - 2026	260,000	52,500	1,164,456
Water Connection Revenue	Water infrastructure	Connection charges	2021 - 2034	7,712,700	611,200	4,109,954

Metropolitan Council Loan Agreements

On February 21, 2006, the City entered into a loan agreement with the Metropolitan Council for the purpose of acquiring property for a commuter vehicle park and pool lot located within a proposed state trunk highway right-of-way. The Metropolitan Council provided a loan to the City in the amount of \$1,466,300 to finance the acquisition of the property. In 2021, the City made no payments on this loan. As of December 31, 2021, the balance of the loan is \$1,159,843. On January 3, 2017, the City entered into another loan agreement with the Metropolitan Council for the purpose of acquiring property within a proposed state trunk highway right-of-way. The amount of the loan was \$737,171 and the City made no payments on the loan in 2021. In December of 2021, the City entered into another loan agreement with the Metropolitan Council for the purpose of acquiring property within a proposed state trunk highway right-of-way. The amount of the loan was \$950,000 and the City made no payments on the loan in 2021.

**CITY OF LAKEVILLE  
NOTES TO BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2021**

**NOTE 5 LONG-TERM DEBT (CONTINUED)**

**A. Components of Long-Term Debt (Continued)**

Metropolitan Council Loan Agreements (Continued)

No specific assets are pledged as collateral for the debt, but there are restrictions on the related properties acquired with the loan proceeds.

The loans (all free of interest charge) will be discharged by the Metropolitan Council upon the conveyance of the properties to the highway authority at an undetermined future date.

If the City determined it would not use the land for the highway project and wanted to sell it, it would owe the Met Council the fair market value of the property and, once paid, the loan would be forgiven. If the City breached the contract, essentially using the land for something other than was detailed in the agreements use of funds, the City would owe the Met Council the purchase price of the property (which is equal to the loan amount), and the loan would be forgiven.

Dakota County Loans Payable

During 2020, the City entered into two new agreements with Dakota County, where as Dakota County delayed repayment of project costs. One agreement related to construction on 179<sup>th</sup> Street between CSAH 23 and CASH 31, with the City's total share to date of \$2,854,377 being recorded as a new loan in 2020. Additions of \$27,923 were made to this loan in 2021, bringing the total balance payable to \$2,882,300. This loan requires the City to pay the County for the City's share of the project's costs after May 1, 2023. The other agreement related to the County Road 70 expansion, with the City's total share to date of \$2,319,659 being recorded as a new loan in 2020. Additions of \$4,672,203 were made to this loan in 2021, bringing the total balance payable to \$6,991,862. This loan requires the City to pay the County for the City's share of the project's costs over three years starting with engineering and right of way acquisition after February 1, 2022, and the final payment for constructions costs is due after February 1, 2024. During 2021, the City entered into a third agreement with Dakota County related to 179<sup>th</sup> Street Reconstruction, with the City's total share to date of \$224,099 being recorded as a new loan in 2021. This loan is not payable to the County until 2025. No assets were specifically pledged as collateral for these loans in the related agreements. There were no terms specified in the agreements with the County related to significant events of default, termination events, or subjective acceleration clauses.

**CITY OF LAKEVILLE  
NOTES TO BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2021**

**NOTE 5 LONG-TERM DEBT (CONTINUED)**

**A. Components of Long-Term Debt (Continued)**

Lease Revenue Liquor Enterprise Refunding Bonds, Series 2017A

On October 25, 2017, the City issued \$2,255,000 in HRA Lease Revenue Liquor Enterprise Refunding Bonds, Series 2017A. The proceeds of this issue were deposited with the Trustee in order to call and prepay the outstanding liquor revenue bonds of 2007. In exchange for the refunding of the existing liquor revenue bonds, the liquor fund conveyed related capital assets consisting of land and building to the HRA fund. The HRA then leased the building back to the liquor fund under a capital lease agreement, resulting in the capital assets being reported back in the liquor fund and the long-term debt being shown in the liquor fund as a capital lease. The lease terms include interest of between 2.0%-3.0% with payments totaling \$2,255,000 through 2027. The capital assets being leased had a total cost of \$2,522,470 and accumulated depreciation of \$713,578 at December 31 2021. Per governmental accounting standards the related long-term debt is not shown in both the governmental and business-type activities, therefore the long-term liability is included in business-type activities as a capital lease, as is noted in the table on the following page. This refunding resulted in an aggregate difference in debt service cash flows between the refunding debt and the refunded debt of \$305,074 as well as an economic net present value benefit of \$321,727 on the transaction.

General Obligation Tax Abatement Bonds, Series 2021 A

On February 16, 2021, the City issued \$7,770,000 in General Obligation Tax Abatement Bonds, Series 2021 A. Proceeds of the Bonds were used to finance various energy savings improvements to the Ames Arena and Hasse Arena and to pay costs associated with issuance of the Bonds. The Bonds are valid and binding general obligations of the City and are payable from tax abatement levies. The General Obligation Tax Abatement Bonds carry interest that will vary from 1.0% to 3.0% with a final maturity of February 1, 2041. The Bonds carry a call provision on February 1, 2029.

General Obligation Tax Abatement Bonds, Series 2021 B

On May 18, 2021, the City issued \$5,620,000 in General Obligation Tax Abatement Bonds, Series 2021 B. Proceeds of the Bonds were used to finance the construction of a municipal liquor store and to pay costs associated with issuance of the Bonds. The Bonds are valid and binding general obligations of the City and are payable from tax abatement levies and net revenues of the City's Liquor Fund. The General Obligation Tax Abatement Bonds carry interest that will vary from 2.0% to 4.0% with a final maturity of February 1, 2042. The Bonds carry a call provision on February 1, 2029.

**CITY OF LAKEVILLE  
NOTES TO BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2021**

**NOTE 5 LONG-TERM DEBT (CONTINUED)**

**A. Components of Long-Term Debt (Continued)**

General Obligation Bonds, Series 2021 C

On August 17, 2021, the City issued \$6,915,000 in General Obligation Bonds, Series 2021 C. This included \$5,650,000 in General Obligation Improvement Bonds and \$1,265,000 in General Obligation Water Revenue Bonds. The proceeds of this issue will be used for street reconstruction and improvement projects. The General Obligation Improvement Bonds carry interest that will vary from 2.0% to 4.0% with a final maturity of February 1, 2032. The debt service of these bonds will be made from special assessments and property tax levies. The General Obligation Water Revenue Bonds also carry an interest rate that will vary from 2.0% to 4.0% with a final maturity of February 1, 2032. The debt service of these bonds will be made from water utility revenues. The General Obligation Improvement Bonds and General Obligation Water Revenue Bonds carry a call provision on February 1, 2029.

The City had the following long-term liabilities outstanding at December 31, 2021:

Description	Maturities	Interest Rates	Amount
<b>PRIMARY GOVERNMENT</b>			
Governmental Activities:			
General Obligation Bonds Payable:			
Capital improvement bonds	2030 - 2032	1.75% - 5.00%	\$ 17,795,000
Street reconstruction bonds	2026 - 2032	1.75% - 5.00%	14,650,000
G.O. Improvement bonds	2029 - 2038	1.40% - 5.00%	58,830,000
Tax increment bonds	2022	4.00% - 4.20%	265,000
State-aid street revenue bonds	2036	1.25% - 5.00%	3,860,000
G.O. water revenue bonds	2034	2.00% - 5.00%	6,450,000
Tax Abatement Bonds	2031 - 2042	1.00% - 5.00%	14,010,000
Total General Obligation Bonds			<u>115,860,000</u>
HRA lease revenue bonds	2032	2.00% - 4.00%	<u>5,325,000</u>
Total Governmental Activities			121,185,000
Business-Type Activities:			
Revenue Bonds			
Water revenue bonds	2028 - 2034	1.50% - 5.00%	10,070,000
Sewer revenue bonds	2025	1.50% - 5.00%	265,000
Street light revenue bonds	2026	5.00%	<u>230,000</u>
Total Revenue Bonds			10,565,000
Capital Lease	2027	2.00% - 3.00%	<u>1,570,000</u>
Total Business-Type Activities			<u>12,135,000</u>
Total long-term bonded debt outstanding			<u><u>\$ 133,320,000</u></u>

**CITY OF LAKEVILLE  
NOTES TO BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2021**

**NOTE 5 LONG-TERM DEBT (CONTINUED)**

**A. Components of Long-Term Debt (Continued)**

The City is in compliance with all significant bond covenants. Annual bond debt service requirements to maturity for long-term obligations, excluding the Lease Revenue Liquor Enterprise Refunding Bonds of 2017 (see page 71), are as follows:

Year Ending December 31,	Governmental		Business-Type		Total
	Principal	Interest	Principal	Interest	
2022	\$ 9,930,000	\$ 4,170,828	\$ 895,000	\$ 401,364	\$ 15,397,192
2023	10,915,000	3,733,280	1,010,000	363,363	16,021,643
2024	10,950,000	3,287,980	1,075,000	312,763	15,625,743
2025	11,060,000	2,837,152	1,130,000	258,788	15,285,940
2026	10,770,000	2,397,082	1,105,000	208,588	14,480,670
2027-2031	45,855,000	6,585,928	4,230,000	501,990	57,172,918
2032-2036	17,095,000	1,447,953	1,120,000	42,782	19,705,735
2037-2041	4,265,000	224,251	-	-	4,489,251
2042	345,000	3,450	-	-	348,450
Total	\$ 121,185,000	\$ 24,687,904	\$ 10,565,000	\$ 2,089,638	\$ 158,179,092

**Accrued Compensated Absences**

**Governmental Activities**

The governmental funds accumulated liability for accrued PTO, comp pay, vacation and vested sick pay (including applicable salary-related payments) as of December 31, 2021 is \$3,592,553. This amount is included in the noncurrent liabilities of the government-wide statement of net position.

In the event of employee separation from the City, the related compensated leave internal service fund, general fund, and the responsible special revenue fund will pay the accumulated severance portion.

**Business-Type Activities**

The accumulated liability for accrued PTO, vacation, and vested sick pay for proprietary enterprise funds (including applicable salary-related payments) as of December 31, 2021 is \$475,994. In the event of employee separation from the City, the responsible enterprise fund will pay the accumulated severance portion. These amounts are recorded as a liability and as an expense when earned in the responsible funds.

**CITY OF LAKEVILLE  
NOTES TO BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2021**

**NOTE 5 LONG-TERM DEBT (CONTINUED)**

**A. Components of Long-Term Debt (Continued)**

Unamortized Bond Premium and Discount

Unamortized bond premium and bond discount included within noncurrent liabilities are as follows:

	Governmental	Business-Type
Unamortized bond premium	\$ 8,328,647	\$ 1,164,716

Liquor Capital Lease

The capital lease reported in business-type activities on page 70 has the following annual debt service requirements:

<u>Year Ending December 31,</u>	Liquor Capital Lease	
	Principal	Interest
2022	\$ 245,000	\$ 43,425
2023	250,000	36,000
2024	260,000	28,350
2025	265,000	20,475
2026	270,000	12,450
2027	280,000	4,200
Total	\$ 1,570,000	\$ 144,900

**B. Changes in Long-Term Debt**

Long-term liability activity for the year ended December 31, 2021 was as follows:

	Beginning of Year	Additions	Deletions	End of Year	Due Within One Year
<b>PRIMARY GOVERNMENT</b>					
Governmental Activities					
G.O. Improvement bonds	\$ 29,535,000	\$ 5,650,000	\$ (2,740,000)	\$ 32,445,000	\$ 2,790,000
Other bonds	81,770,000	13,390,000	(6,420,000)	88,740,000	7,140,000
Total bonds	111,305,000	19,040,000	(9,160,000)	121,185,000	9,930,000
Direct Borrowing - County note payable	5,174,036	4,924,225	-	10,098,261	-
Direct Borrowing - Metropolitan					
Council loans	1,897,014	950,000	-	2,847,014	-
Total long-term debt	118,376,050	24,914,225	(9,160,000)	134,130,275	9,930,000
Accrued compensated absences	3,371,590	2,371,685	(2,150,722)	3,592,553	1,986,068
Unamortized bond premium/discount	9,894,968	1,490,598	(3,056,919)	8,328,647	-
Total Governmental Activities	131,642,608	28,776,508	(14,367,641)	146,051,475	11,916,068
Business-Type Activities:					
Utility - water revenue bonds	9,640,000	1,265,000	(835,000)	10,070,000	790,000
Utility - sewer revenue bonds	325,000	-	(60,000)	265,000	65,000
Utility - street light revenue bonds	270,000	-	(40,000)	230,000	40,000
Liquor - capital leases	1,810,000	-	(240,000)	1,570,000	245,000
Accrued compensated absences	406,974	364,826	(295,806)	475,994	257,559
Unamortized Bond Premiums	1,331,743	173,473	(340,500)	1,164,716	-
Total Business-Type Activities	13,783,717	1,803,299	(1,811,306)	13,775,710	1,397,559
Total Primary Government	\$ 145,426,325	\$ 30,579,807	\$ (16,178,947)	\$ 159,827,185	\$ 13,313,627

**CITY OF LAKEVILLE  
NOTES TO BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2021**

**NOTE 6 NET INVESTMENT IN CAPITAL ASSETS**

Net investment in capital assets as of December 31, 2021 is calculated as follows:

	<u>Governmental</u>	<u>Business-type</u>	<u>Total</u>
Capital assets, net of depreciation	\$ 318,357,691	\$ 183,310,980	\$ 501,668,671
Less applicable:			
Bonds payable	(113,350,000)	(10,335,000)	(123,685,000)
Capital lease payable	-	(1,570,000)	(1,570,000)
Loan payable	(2,847,014)	-	(2,847,014)
Note payable	(10,098,261)	-	(10,098,261)
Unamortized bond premium / discount (net)	(8,002,636)	(1,144,403)	(9,147,039)
Unamortized deferred charge on refunding	86,661	-	86,661
Unamortized deferred gain on refunding	(76,994)	-	(76,994)
Unspent bond proceeds	1,459,637	253,331	1,712,968
Contracts Payable	(1,652,698)	-	(1,652,698)
Net Investment in capital assets	<u>\$ 183,876,386</u>	<u>\$ 170,514,908</u>	<u>\$ 354,391,294</u>

The City has \$8,065,000 in bonds and \$346,324 in unamortized bond premiums that are not included in the calculation above as they are not capital in nature.

**NOTE 7 RESTRICTED NET POSITION**

The government-wide statement of net position reports restricted amounts in the net position section. These amounts represent net position that has imposed restrictions placed on it by parties outside the City government. Net position restricted for debt service represents assets pledged by bond covenant to the repayment of City bond obligations. The government-wide restricted net position is as follows:

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
<b><u>Restricted Net Position</u></b>			
Special purposes	\$ 437,912	\$ -	\$ 437,912
Debt service	39,398,613	-	39,398,613
Capital acquisition	23,020,351	-	23,020,351
Public Safety	25,566	-	25,566
Fire relief pensions	6,446,775	-	6,446,775
Total restricted net position	<u>\$ 69,329,217</u>	<u>\$ -</u>	<u>\$ 69,329,217</u>



**CITY OF LAKEVILLE  
NOTES TO BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2021**

**NOTE 8 CONSTRUCTION COMMITMENTS**

The City has outstanding construction and build projects as of December 31, 2021. These projects include street reconstruction projects, equipment purchases, land purchases and other water and sanitary sewer projects. The City's commitments with contractors and other governmental entities are shown as follows:

<u>Projects</u>	<u>Spent-to-Date</u>	<u>Remaining Commitment</u>
<u>Governmental Activities</u>		
City of Lakeville/City of Apple Valley sanitary sewer interceptor	\$ 53,591	\$ 55,613
2022 City lawn services	145,049	153,435
2020 Street reconstruction projects	10,552,446	107,276
2021 Street reconstruction projects	6,486,283	600,951
210th St project 22-03	134,400	298,840
Property acquisition for future right of way	-	750,000
Police body worn/vehicle cameras	424,592	268,544
Freightliner (Streets division)	91,536	91,536
Citywide security upgrades	19,446	173,998
Hasse Arena covered ice rink (design)	-	242,070
Stormwater management projects	-	222,222
New watermain infrastructure/improvements	141,221	30,929
Antlers Park project	-	91,764
Cedar Crossing park	699,783	11,681
Ritter Farm Park Environmental Learning Center cabin	-	82,400
Arts Center loading dock	-	69,804
Orchard Lake Park shelter	-	71,627
City ERP project	68,430	46,570
Other/miscellaneous projects	137,178	22,607
Total governmental	\$ 18,953,955	\$ 3,391,867
 <u>Projects</u>		
<u>Business-Type Activities</u>		
Construction of new liquor store	\$ 4,846,214	\$ 50,171
2022 well rehabilitation projects	-	222,326
2022 fixed base system/AMI project	-	292,462
Well #4 raw watermain replacement	189,774	81,190
Stormwater restoration projects	123,412	69,955
Tree inventory, injections and pruning	105,569	16,253
Total business-type	\$ 5,264,969	\$ 732,357

**CITY OF LAKEVILLE  
NOTES TO BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2021**

**NOTE 9 FUND BALANCES**

A summary of the City's governmental fund balance classifications at December 31, 2021 is as follows:

	General Fund	Debt Service	Capital Projects		Nonmajor	Total
		G.O. Improvement	Municipal State-aid	Improvement Construction		
<b>Nonspendable</b>						
Inventory	\$ 206,790	\$ -	\$ -	\$ -	\$ -	\$ 206,790
Prepaid Items	4,475	-	-	-	-	4,475
Advances to Other Funds	455,186	-	-	-	-	455,186
<b>Total nonspendable</b>	<b>666,451</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>666,451</b>
<b>Restricted for:</b>						
Debt Service	-	15,695,966	-	-	9,900,787	25,596,753
Arenas capital improvements	-	-	-	-	262,026	262,026
Public improvements	-	-	4,871,982	6,477,347	-	11,349,329
Public safety equipment	5,000	-	-	-	20,566	25,566
Park development	-	-	-	-	8,773,451	8,773,451
Tax increment	-	-	-	-	159,773	159,773
Public communications	-	-	-	-	150,531	150,531
Special Service District	-	-	-	-	25,355	25,355
<b>Total Restricted</b>	<b>5,000</b>	<b>15,695,966</b>	<b>4,871,982</b>	<b>6,477,347</b>	<b>19,292,489</b>	<b>46,342,784</b>
<b>Committed for:</b>						
Public buildings	-	-	-	-	1,576,264	1,576,264
Pavement management	-	-	-	-	1,019,680	1,019,680
Storm water infrastructure	-	-	-	-	9,780,750	9,780,750
Water trunk system	-	-	-	-	15,523,714	15,523,714
Sanitary sewer trunk system	-	-	-	-	11,689,671	11,689,671
Trail improvement	-	-	-	-	308,879	308,879
Park improvement	-	-	-	-	353,103	353,103
Capital acquisitions	-	-	-	-	2,535,864	2,535,864
Technology equipment	-	-	-	-	441,768	441,768
Public communications	-	-	-	-	1,004,296	1,004,296
<b>Total Committed</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>44,233,989</b>	<b>44,233,989</b>
<b>Assigned for:</b>						
Subsequent year budget	2,493,300	-	-	-	-	2,493,300
<b>Unassigned (Deficit)</b>	<b>20,821,071</b>	<b>-</b>	<b>-</b>	<b>(462,609)</b>	<b>(531,174)</b>	<b>19,827,288</b>
<b>Total</b>	<b>\$ 23,985,822</b>	<b>\$ 15,695,966</b>	<b>\$ 4,871,982</b>	<b>\$ 6,014,738</b>	<b>\$ 62,995,304</b>	<b>\$ 113,563,812</b>

**CITY OF LAKEVILLE  
NOTES TO BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2021**

**NOTE 10 CONTRIBUTED CAPITAL**

The ownership of local streets, storm water, parks, water and sanitary sewer infrastructure capital assets that are constructed and completed during the year by private land developers becomes contributed property of the City. Storm sewer, water, and sanitary sewer infrastructure assets constructed within Dakota County and state of Minnesota right-of-way boundaries also become City capital assets since they are serviced and maintained by the City. Roads and highways constructed within Dakota County and state of Minnesota right-of-way boundaries are excluded from City capital assets. The City assumed ownership of the following governmental and business-type capital assets contributed from private land developers during the current fiscal year as follows:

<u>From Private Land Developers</u>	<u>Governmental</u>	<u>Enterprise Utility Fund</u>
Infrastructure		
Streets	\$ 9,425,863	\$ -
Storm sewer	7,080,654	-
Parks	2,033,144	-
Water	-	6,843,942
Sanitary sewer	-	7,250,734
Total	<u>\$ 18,539,661</u>	<u>\$ 14,094,676</u>

The ownership of water and sanitary sewer infrastructure assets that are constructed and completed during the year by City governmental activities (through various funding sources at cost) becomes contributed property of the City's enterprise utility fund. The ownership of liquor store assets that are constructed and completed during the year by City governmental activities (through various funding sources at cost) becomes contributed property of the City's liquor fund. The City's enterprise utility fund and liquor fund assumed ownership of the following capital assets contributed during the current fiscal year as follows:

<u>From Governmental Activities</u>	<u>Enterprise Utility Fund</u>
Infrastructure	
Water	\$ 2,202,811
Sanitary sewer	701,372
Total	<u>\$ 2,904,183</u>
<u>From Governmental Activities</u>	<u>Enterprise Liquor Fund</u>
New Liquor Store Building	\$ 6,020,407

**CITY OF LAKEVILLE**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2021**

**NOTE 11 STEWARDSHIP AND ACCOUNTABILITY**

The capital projects tax abatement fund had a deficit fund balance of \$454,952 as of December 31, 2021 as a result of providing tax abatement assistance to retain the headquarters of a manufacturing facility within the City. It is anticipated that the deficit will be financed by future tax abatements collected after an existing Tax Increment Financing District in which the property is currently located will be decertified.

The park referendum bonds fund had a deficit unassigned fund balance of \$48,701 as of December 31, 2021 as a result of paying for parks capital expenditures in 2021. It is anticipated that the deficit will be financed by future tax levies and transfers from other funds.

Although total fund balance was positive, the improvement construction fund has a deficit unassigned fund balance of \$462,609 as of December 31, 2021 as a result of paying for capital expenditures for projects for which no debt has been issued yet. It is anticipated that the deficit will be financed by future bond proceeds, intergovernmental revenues, special assessments, and transfers from other funds.

The American Rescue Plan Fund had a deficit fund balance of \$14,204 as of December 31, 2021 due to a negative adjustment for the change in fair value of investment being allocated to the fund while the entire receipts of grant funds is currently in unearned revenues due to the funds not being expended yet. The deficit will be finance by future positive investment returns or transfers from other funds.

Although total fund balance was positive, the arenas capital reserve fund has a deficit unassigned fund balance of \$13,317 as of December 31, 2021 as a result of nonbonded capital expenditures exceeding the related revenues. It is anticipated that the deficit will be financed by future donations or transfers from other funds.

Expenditures exceed budgeted amounts in the economic development special revenues fund in the amount of \$81 at December 31, 2021. The overages were considered by City management to be the result of necessary expenditures critical to operations approved by the City Council.

**NOTE 12 INTERFUND RECEIVABLES AND PAYABLES**

Activity between funds representative of lending or borrowing arrangements is reported in the fund financial statements as "due from/to other funds" (current portion) or "advances to/from other funds." Such amounts are eliminated in the government-wide financial statements, with any residual balances outstanding between the governmental and business-type activities reported as "internal balances." At December 31, 2021, the capital projects fund tax abatement fund had a payable of \$455,186 to the general fund to finance a long-term cash deficit. The amounts will be repaid with future tax revenues. Also, the water trunk nonmajor capital project fund has \$562,003 due from the improvement construction capital project fund for the Glacier Way improvement project constructed in 2021 (CP21-21). Two other entities are being assessed for the bulk of the costs, to be repaid in future years. The amount of the loan will be reduced by special assessment payments received each year.

**CITY OF LAKEVILLE  
NOTES TO BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2021**

**NOTE 13 INTERFUND TRANSFERS**

The City provides financing for a variety of operations and capital projects utilizing resources from certain funds; interfund transfers used for these various activities during the current fiscal year are as follows:

Transfers From:	Transfers To:							Total
	General Fund	Debt Service	Capital Projects		Nonmajor Govntl. Funds	Enterprise	Internal Service Fund	
		G.O. Improvement	Muni State-aid	Improv. Constr.		Utility		
General Fund	\$ -	\$ -	\$ -	\$ 160,070	\$ 3,155,000	\$ 200,000	\$ 200,000	\$ 3,715,070
G.O. Improvement Bonds	-	-	-	-	-	-	-	-
Improv. Const. (CP)	-	1,521,004	-	-	-	-	-	1,521,004
Nonmajor Govntl. Funds	84,920	-	1,754,060	14,391	647,336	-	-	2,500,707
<b>Total</b>	<b>84,920</b>	<b>1,521,004</b>	<b>1,754,060</b>	<b>174,461</b>	<b>3,802,336</b>	<b>200,000</b>	<b>200,000</b>	<b>7,736,781</b>
Enterprise - Liquor	165,075	-	-	-	931,750	-	-	1,096,825
Enterprise - Utility	576,435	526,569	-	-	49,900	-	-	1,152,904
Internal Service Fund	50,000	-	-	-	-	-	-	50,000
<b>Total</b>	<b>\$ 876,430</b>	<b>\$ 2,047,573</b>	<b>\$ 1,754,060</b>	<b>\$ 174,461</b>	<b>\$ 4,783,986</b>	<b>\$ 200,000</b>	<b>\$ 200,000</b>	<b>\$ 10,036,510</b>
	(1)	(2)	(3)	(4)	(5)(6)	(7)	(8)	

The following are explanations to interfund transfers sub-notes 1 through 9.

Abbreviation key:

(SR) special revenue fund, (DS) debt service fund, (CP) capital projects fund, (Ent) enterprise fund, (IS) internal service fund.

- (1) The transfers to the general fund were provided mainly as overhead and maintenance costs from the following funds:

Fund	Amount	Description
Communications (SR)	\$ 84,920	Public communications and budgeted transfers
Liquor (Ent)	165,075	City hall overhead costs
Utility (Ent)	576,435	City hall overhead costs
Municipal Reserve (IS)	50,000	City hall overhead costs
<b>Total</b>	<b>\$ 876,430</b>	

- (2) The total transfer to the debt service G.O. improvement fund was provided by the following funds mainly to transfer back excess bond proceeds and related to the City improvements projects whereby user fees are pledged towards the improvement bonds debt service requirements.

Fund	Amount	Description
Improvement Construction fund	\$ 1,521,004	Excess bond proceeds on street projects moved back to respective debt service fund
Utility (Ent)	526,569	Total transfer to the DS GO Improvement Fund provided by the enterprise utility fund related to the City improvement projects whereby user fees are pledged towards the improvement bonds debt service requirements.
<b>Total</b>	<b>\$ 2,047,573</b>	

**CITY OF LAKEVILLE  
NOTES TO BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2021**

**NOTE 13 INTERFUND TRANSFERS (CONTINUED)**

(3) The total transfers to the capital projects municipal state-aid fund were provided to finance various road construction projects and were provided by the nonmajor capital project funds as follows:

(3) <b>From:</b>	<b>Amount</b>
Storm water (CP)	\$ 753,539
Water (CP)	783,408
Sanitary Sewer (CP)	217,113
Total Muni State-aid	\$ 1,754,060

(4) The total transfer to the capital projects fund improvement construction of (\$174,461) was provided by the following governmental funds to finance various road construction projects:

(4) From:	Amount	Description
General	\$ 160,070	Transfer of excess internal engineering revenues to future street projects
Water (CP)	14,391	CP21-21 Glacier Way Improvements transfer from Water Trunk Fund
Total improv. const.	\$ 174,461	

(5) The total transfer to nonmajor governmental funds (\$3,802,336) was provided by the following governmental funds:

From:	Amount	Description
General fund	\$ 1,400,000	Equipment Fund (CP) for future equipment purchases
General fund	250,000	SMALL BUSINESS GRANTS (SR) for small business grants in 2021
General fund	350,000	Park Improvement (CP) for future park improvements identified in CIP
General fund	200,000	Trail Improvement (CP) for future park improvements identified in CIP
General fund	355,000	Technology Fund (CP) for future technology purchases/costs
General fund	600,000	Building Fund (CP) for future building-related costs
	3,155,000	
Communications fund (SR)	5,000	Technology Fund (CP) for future technology-equipment purchases
Arenas capital projects (CP)	30,686	Reimbursement to 2020A tax abatement bonds (DSF) for payments received from associations/donations
Water (CP)	611,650	Water revenue (DS) for debt service requirements
	647,336	
Total other govt.	\$ 3,802,336	

**CITY OF LAKEVILLE  
NOTES TO BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2021**

**NOTE 13 INTERFUND TRANSFERS (CONTINUED)**

(6) The total transfer to the nonmajor governmental funds was provided by the enterprise liquor fund (\$931,750) and the enterprise utility fund (\$49,900) to finance various equipment purchases and user fees pledged towards debt service payments.

From:	Amount	Description
Liquor (Ent)	\$ 500,000	Equipment Fund (CP) for future equipment purchases
Liquor (Ent)	31,300	Technology Fund (CP) for future technology-equipment purchases
		Total transfer to the DS GO Bonds Fund provided by the enterprise liquor fund related to the City improvement projects whereby user fees are pledged towards the improvement bonds debt service requirements.
Liquor (Ent)	400,450	
Total other govt.	<u>\$ 931,750</u>	
Utility (Ent)	31,000	Equipment Fund (CP) for future equipment purchases
Utility (Ent)	18,900	Technology Fund (CP) for future technology-equipment purchases
	<u>\$ 49,900</u>	

(7) The total transfer to the utility enterprise fund from the general fund (\$200,000) was used to finance Environmental Resources activities of the Utility (Ent) for future Emerald Ash Borer program costs.

(8) The total transfer to the internal service funds from the general fund (\$200,000) was used to finance the Compensated Leave Fund (ISF) for future employee severance payments.

**NOTE 14 JOINT POWERS DEBT COMMITMENT**

On August 25, 2005, the City of Lakeville entered into a joint powers agreement with the Cities of Apple Valley, Burnsville, Eagan, Farmington, Hastings, Inver Grove Heights, Mendota Heights, Rosemount, South St. Paul, West St. Paul, Minnesota, and Dakota County Minnesota, to establish the Dakota Communications Center (DCC), a Minnesota nonprofit corporation. The purpose of the DCC is to engage in the operation and maintenance of a countywide public safety answering point and communications center for law enforcement, fire, emergency medical services, and other public safety services for the mutual benefit of residents residing in the above mentioned cities and county (members). Pursuant to the joint powers agreement, members are required to provide the DCC their pro rata share of cost of operations and maintenance, and capital projects. Information regarding the Dakota Communications Center can be obtained at the website [www.mn-dcc.org/stats.asp](http://www.mn-dcc.org/stats.asp) or by contacting Jerilyn Erickson at the City of Lakeville, 20195 Holyoke Avenue, Lakeville, Minnesota 55044. Telephone 952-985-4481 or email address [jerickson@lakevillemn.gov](mailto:jerickson@lakevillemn.gov).

**CITY OF LAKEVILLE  
NOTES TO BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2021**

**NOTE 15 OTHER POSTEMPLOYMENT BENEFITS (OPEB)**

**A. Plan Description**

The City provides postemployment insurance benefits to certain eligible employees through the City’s Other Postemployment Benefits Plan, a single-employer defined benefit plan administered by the City. All postemployment benefits are based on contractual agreements with employee groups. These contractual agreements do not include any specific contribution or funding requirements. These benefits are summarized as follows:

Postemployment Insurance Benefits – All retirees of the City have the option under state law to continue their medical insurance coverage through the City from the time of retirement until the employee reaches the age of eligibility for Medicare. For members of all employee groups, the retiree must pay the full premium to continue coverage for medical and dental insurance.

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, 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.

Employees covered by benefit terms. At December 31, 2021, the following employees were covered by the benefit terms:

Inactive Plan Members or Beneficiaries Currently	
Receiving Benefit Payments	7
Inactive Plan Members Entitled to but not yet	
Receiving Benefit Payments	-
Active Plan Members	197
Total	204

**B. Contributions and Funding Policy**

The required contribution is based on projected pay-as-you-go financing requirements, with additional amounts to pre-fund benefits as determined annually by the City. The City contributes a portion of the cost of current year premiums for eligible retired plan members and their spouses as well as the implicit rate subsidy described above. For fiscal year 2021, the City contributed \$12,599 in subsidized payments and implicit payments of \$28,934 to the plan. As of December 31, 2021, there were seven retirees receiving health benefits from the City’s health plans.



**CITY OF LAKEVILLE  
NOTES TO BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2021**

**NOTE 15 OTHER POSTEMPLOYMENT BENEFITS (OPEB) (CONTINUED)**

**C. Total OPEB Liability**

The City's Total OPEB liability was measured as of January 1, 2021 and was determined by an actuarial valuation as of January 1, 2021.

*Actuarial Assumptions*

The total OPEB liability in the January 1, 2021 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

<u>Valuation date:</u>	January 1, 2021
<u>Measurement date:</u>	January 1, 2021

Methods and assumptions used to determine the contribution rates:

Actuarial cost method	Entry age
Amortization method	Level percentage of payroll, closed
Amortization period	Average of expected remaining service on a closed basis for differences between expected and actual experience and assumption changes.
Inflation	3.00%
Healthcare cost trend rate	6.25% for 2021, decreasing to 5.00% over five years
Salary increases	3.00%
Discount rate	1.93% (20-year municipal bond yield)
Mortality	RP-2014 White Collar Mortality Tables with MP-2020 Generational Improvement Scale (with Blue Collar adjustment for Police and Fire Personnel)

*Discount Rate*

The City's OPEB plan is not funded by a trust, and therefore, the City's uses the 20-year municipal bond index rate to develop its long-term rate of return and discount rate. This rate was 1.93% in the current actuarial valuation, which was updated from the 3.60% used in the prior actuarial valuation.

**CITY OF LAKEVILLE  
NOTES TO BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2021**

**NOTE 15 OTHER POSTEMPLOYMENT BENEFITS (OPEB) (CONTINUED)**

**D. Changes in the Total OPEB Liability**

The details of the changes in the City's total OPEB Liability were as follows for 2021:

	Increase (Decrease) Total OPEB Liability (a)
<b>Balances at 12/31/20</b>	<b>\$ 1,322,805</b>
<b>Changes for the Year:</b>	
Service Cost	92,424
Interest	49,766
Differences Between Expected and Actual Experience	(459,716)
Contributions - Employer	-
Net Investment Income	-
Benefit Payments	(66,232)
Changes in Assumptions	135,361
<b>Net Changes</b>	<b>(248,397)</b>
<b>Balances at 12/31/21</b>	<b>\$ 1,074,408</b>

The following changes in assumptions and plan provisions occurred between the current and prior actuarial valuations:

- The discount rate used is the 20-year municipal bond index, as the plan is not funded. This assumed rate decreased from 3.60% to 1.93%.
- Mortality Improvement Scale of MP-2019 was replaced with new Mortality Improvement Scale of MP-2020 and applied to RP-2014 Mortality tables.
- Healthcare cost trend is assumed to be 6.25% in 2021 decreasing .25% each year to an ultimate rate of 5.00% in 2026 and thereafter.
- There have been no changes in plan provisions since the prior valuation.

**CITY OF LAKEVILLE  
NOTES TO BASIC FINANCIAL STATEMENTS  
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**NOTE 15 OTHER POSTEMPLOYMENT BENEFITS (OPEB) (CONTINUED)**

**E. Sensitivity of Total OPEB Liability**

Sensitivity of the total OPEB liability to changes in the discount rate and healthcare cost trend rates. The following presents the total OPEB liability of the City, as well as what the City's net OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (0.93%) or one percentage point higher (2.93%) than the current discount rate:

	1% Decrease (0.93)%	Discount Rate (1.93)%	1% Increase (2.93)%
Total OPEB Liability (Asset)	\$ 1,162,524	\$ 1,074,408	\$ 991,554

Sensitivity of the net OPEB liability to changes in the healthcare cost trend rates. The following presents the net OPEB liability of the City, as well as what the City's net OPEB liability would be if it were calculated using healthcare cost trend rates that are one percentage point lower (5.25% decreasing to 4.00%) or one percentage point higher (7.25% decreasing to 6.00%) than the current healthcare cost trend rates:

	1% Decrease (5.25% Decreasing to 4.00%)	Healthcare Cost Trend Rates (6.25% Decreasing to 5.00%)	1% Increase (7.25% Decreasing to 6.00%)
Total OPEB liability (asset)	\$ 948,124	\$ 1,074,408	\$ 1,225,159

**F. OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB**

For the year ended December 31, 2021, the City recognized OPEB expense of \$118,085. At December 31, 2021, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Experience	\$ 156,362	\$ 517,295
Changes of Assumptions	122,090	-
Contributions After Measurement Date and Before the Reporting Date	41,533	-
Total	\$ 319,985	\$ 517,295

**CITY OF LAKEVILLE  
NOTES TO BASIC FINANCIAL STATEMENTS  
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**NOTE 15 OTHER POSTEMPLOYMENT BENEFITS (OPEB) (CONTINUED)**

**F. OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB (Continued)**

A total of \$41,533 reported as deferred outflows of resources related to OPEB resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the total OPEB liability in the year ended December 31, 2022. Other amounts reported as deferred outflows and inflows of resources related to postemployment benefits will be recognized in OPEB expense as follows:

Year Ending December 31,	Amount
2022	\$ (24,105)
2023	(24,105)
2024	(24,105)
2025	(24,105)
2026	(24,105)
Thereafter	(118,318)

**NOTE 16 RISK FINANCING AND RELATED INSURANCE ISSUES**

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The City purchased the following insurance coverage through the League of Minnesota Cities Insurance Trust (LMCIT), a public entity risk pool currently operating as a common risk management and insurance program for Minnesota cities: general liability, excess liability, workers compensation, property, automobile, marine, crime, employee dishonesty, boiler, petro fund, and open meeting law.

The City pays an annual premium to the LMCIT for its insurance coverage. The LMCIT is self-sustaining through member premiums and will reinsure through commercial companies for claims in excess of reserved amounts for each insured event. The LMCIT allows for the pool to make additional assessments to make the pool self-sustaining. Current state statutes (Minnesota Statutes Subd. 466.04) provide limits of liability for the City. There were no significant reductions in insurance from the previous year or settlements in excess of insurance coverage for any of the past three fiscal years.

**CITY OF LAKEVILLE  
NOTES TO BASIC FINANCIAL STATEMENTS  
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**NOTE 17 DEFINED BENEFIT PENSION PLANS – STATE-WIDE**

**A. Plan Description**

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

1. General Employees Retirement Plan (GERF)

The General Employees Retirement Plan covers certain full time and part-time employees of the City. General Employees Plan members belong to the Coordinated Plan. Coordinated Plan members are covered by Social Security.

2. Public Employees Police and Fire Plan (PEPFF)

The Police and Fire Plan, 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 Police and Fire Plan also covers police officers and firefighters belonging to local relief associations that elected to merge with and transfer assets and administration to PERA.

**B. Benefits Provided**

PERA provides retirement, disability, and death benefits. Benefit provisions are established by state statute 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. General Employees Retirement Plan Benefits

General Employees Plan benefits are based on a member's highest average salary for any five successive years of allowable service, age, and years of credit at termination of service. Two methods are used to compute benefits for PERA's Coordinated 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 members is 1.2% for each of the first 10 years of service and 1.7% for each additional year. Under Method 2, the accrual rate for Coordinated members is 1.7% 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 66.

**CITY OF LAKEVILLE  
NOTES TO BASIC FINANCIAL STATEMENTS  
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**NOTE 17 DEFINED BENEFIT PENSION PLANS – STATE-WIDE (CONTINUED)**

**B. Benefits Provided (Continued)**

1. General Employees Retirement Plan Benefits (Continued)

Benefit increases are provided to benefit recipients each January. The postretirement increase is equal to 50% of the cost-of-living adjustment (COLA) announced by the SSA, with a minimum increase of at least 1% and a maximum of 1.5%. 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. Police and Fire Plan Benefits

Benefits for Police and Fire Plan members first hired after June 30, 2010, but before July 1, 2014, vest on a prorated basis from 50% after five years up to 100% after 10 years of credited service. Benefits for Police and Fire Plan members first hired after June 30, 2014, vest on a prorated basis from 50% after 10 years up to 100% after 20 years of credited service. The annuity accrual rate is 3% 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 postretirement increase is fixed at 1%. 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.

**CITY OF LAKEVILLE**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
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**NOTE 17 DEFINED BENEFIT PENSION PLANS – STATE-WIDE (CONTINUED)**

**C. Contributions**

*Minnesota Statutes* Chapter 353 sets the rates for employer and employee contributions. Contribution rates can only be modified by the state legislature.

1. GERF Contributions

Coordinated Plan members were required to contribute 6.50% of their annual covered salary in calendar year 2021 and the City was required to contribute 7.50% for Coordinated Plan members. The City contributions to the General Employees Fund for the year ended December 31, 2021 were \$987,086, which was equal to the required contribution as set by state statute.

2. PEPFF Contributions

Police and Fire Plan members were required to contribute 11.80% of their annual covered salary in fiscal year 2021 and the City was required to contribute 17.70% for Police and Fire Plan members. The City's contributions to the Police and Fire Fund for the year ended December 31, 2021, were \$1,172,597. The City's contributions were equal to the required contributions as set by state statute.

**D. Pension Costs**

1. GERF Pension Costs

At December 31, 2021, the City reported a liability of \$7,507,448 for its proportionate share of the General Employees Fund's net pension liability. The City's net pension liability reflected a reduction due to the state of Minnesota's contribution of \$16 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 \$229,302.

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 proportionate share of the net pension liability was based on the City's contributions received by PERA during the measurement period for employer payroll paid dates from July 1, 2020 through June 30, 2021, relative to the total employer contributions received from all of PERA's participating employers. The City's proportionate share was 0.1758% at the end of the measurement period and 0.1701% for the beginning of the period.

**CITY OF LAKEVILLE  
NOTES TO BASIC FINANCIAL STATEMENTS  
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**NOTE 17 DEFINED BENEFIT PENSION PLANS – STATE-WIDE (CONTINUED)**

**D. Pension Costs (Continued)**

1. GERS Pension Costs (Continued)

City's Proportionate Share of the Net Pension Liability	\$	7,507,448
State of Minnesota's Proportionate Share of the Net Pension Liability Associated with the City		229,302
Total	\$	<u>7,736,750</u>

For the year ended December 31, 2021, the City recognized pension expense of \$301,547 for its proportionate share of the General Employees Plan's pension expense. In addition, the City recognized \$18,501 as pension expense (and grant revenue) for its proportionate share of the state of Minnesota's contribution of \$16 million to the General Employees Fund.

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

Description	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Economic Experience	\$ 46,124	\$ 229,749
Changes in Actuarial Assumptions	4,583,892	166,069
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	-	6,501,767
Changes in Proportion and Differences Between City Contributions and Proportionate Share of Contributions	478,166	-
City Contributions Subsequent to the Measurement Date	540,521	-
Total	<u>\$ 5,648,703</u>	<u>\$ 6,897,585</u>

A total of \$540,521 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 ended December 31, 2022. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending December 31,	Pension Expense Amount
2022	\$ (126,455)
2023	82,232
2024	28,192
2025	(1,773,372)
2026	-



**CITY OF LAKEVILLE  
NOTES TO BASIC FINANCIAL STATEMENTS  
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**NOTE 17 DEFINED BENEFIT PENSION PLANS – STATE-WIDE (CONTINUED)**

**D. Pension Costs (Continued)**

2. Police and Fire Fund Pension Costs

At December 31, 2021, the City reported a liability of \$4,490,879 for its proportionate share of the Police and Fire Fund'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 proportionate share of the net pension liability was based on the City's contributions received by PERA during the measurement period for employer payroll paid dates from July 1, 2020 through June 30, 2021, relative to the total employer contributions received from all of PERA's participating employers. The City's proportionate share was 0.5818% at the end of the measurement period and 0.5668% for the beginning of the period.

The state of Minnesota contributed \$18 million to the Police and Fire Fund in the plan fiscal year ended June 30, 2021. The contribution consisted of \$9 million in direct state aid that does meet the definition of a special funding situation and \$9 million in supplemental state aid that does not meet the definition of a special funding situation. The \$9 million direct state was paid on October 1, 2020. Thereafter, by October 1 of each year, the state will pay \$9 million to the Police and Fire Fund until full funding is reached or July 1, 2048, whichever is earlier. The \$9 million in supplemental state aid will continue until the fund is 90% funded, or until the State Patrol Plan (administered by the Minnesota State Retirement System) is 90% 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 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 June 30, 2021, the City recognized a reduction in pension expense of \$205,394 for its proportionate share of the Police and Fire Plan's pension expense. The City recognized \$36,771 as grant revenue for its proportionate share of the State of Minnesota's pension expense for the contribution of \$9 million to the Police and Fire Fund.

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 million in supplemental state aid. The City recognized \$52,362 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 Police and Fire Fund.

**CITY OF LAKEVILLE  
NOTES TO BASIC FINANCIAL STATEMENTS  
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**NOTE 17 DEFINED BENEFIT PENSION PLANS – STATE-WIDE (CONTINUED)**

**D. Pension Costs (Continued)**

2. Police and Fire Fund Pension Costs (Continued)

City's Proportionate Share of the Net Pension Liability	\$	4,490,879
State of Minnesota's Proportionate Share of the Net Pension Liability Associated with the City		201,912
Total	\$	<u>4,692,791</u>

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

Description	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Economic Experience	\$ 862,525	\$ -
Changes in Actuarial Assumptions	6,600,419	2,467,461
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	-	8,580,933
Changes in Proportion and Differences Between City Contributions and Proportionate Share of Contributions	511,705	301,047
City Contributions Subsequent to the Measurement Date	706,012	-
Total	<u>\$ 8,680,661</u>	<u>\$ 11,349,441</u>

A total of \$706,012 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 ended December 31, 2022. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending December 31,	Pension Expense Amount
2022	\$ (2,960,516)
2023	(463,663)
2024	(524,934)
2025	(912,204)
2026	1,486,525

3. Pension Totals

The total pension expense, net pension liability, deferred inflows and deferred outflows of resources, and net pension assets for all plans in which the City participates are summarized below:

	GERF	PEPFF	Fire Relief	Total
Net Pension Liability	\$ 7,507,448	\$ 4,490,879	N/A	\$ 11,998,327
Deferred Inflows of Resources	6,897,585	11,349,441	\$ 2,982,837	21,229,863
Deferred Outflows of Resources	5,648,703	8,680,661	309,894	14,639,258
Pension Expense	320,048	(168,623)	(577,431)	(426,006)
Net Pension Asset	N/A	N/A	6,446,775	6,446,775

**CITY OF LAKEVILLE  
NOTES TO BASIC FINANCIAL STATEMENTS  
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**NOTE 17 DEFINED BENEFIT PENSION PLANS – STATE-WIDE (CONTINUED)**

**E. Long-term Expected Return**

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

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Domestic Equity	33.5 %	5.10 %
International Equity	16.5	5.30
Bonds	25.0	0.75
Alternative Assets	25.0	5.90
Totals	<u>100.0 %</u>	

**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 6.5%. 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 6.5% was deemed to be within that range of reasonableness for financial reporting purposes.

Inflation is assumed to be 2.25% for the General Employees Plan and 2.25% for the Police and Fire Plan. Benefit increases after retirement are assumed to be 1.25% for the General Employees Plan. The Police and Fire Plan benefit increase is fixed at 1% 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% after one year of service to 3.0% after 29 years of service and 6.0% per year thereafter. In the Police and Fire Plan, salary growth assumptions range from 11.75% after one year of service to 3.0% 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 PERA's experience.

**CITY OF LAKEVILLE  
NOTES TO BASIC FINANCIAL STATEMENTS  
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**NOTE 17 DEFINED BENEFIT PENSION PLANS – STATE-WIDE (CONTINUED)**

**F. Actuarial Assumptions (Continued)**

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 was completed in 2020 was adopted by the Board and became effective with the July 1, 2021 actuarial valuation.

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

**General Employees Fund**

Changes in Actuarial Assumptions:

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

**Police and Fire Fund**

Changes in Actuarial Assumptions:

- The investment return and single discount rates were changed from 7.50% to 6.50%, for financial reporting purposes.
- The inflation assumption was changed from 2.50% to 2.25%.
- The payroll growth assumption was changed from 3.25% to 3.00%.
- 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 MN-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% to 70%. Minor changes to form of payment assumptions were applied.

**CITY OF LAKEVILLE  
NOTES TO BASIC FINANCIAL STATEMENTS  
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**NOTE 17 DEFINED BENEFIT PENSION PLANS – STATE-WIDE (CONTINUED)**

**G. Discount Rate**

The discount rate used to measure the total pension liability in 2021 was 6.5%. 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 General Employees Fund and the Police and Fire Fund 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.

**H. Pension Liability Sensitivity**

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

<b>GERF PENSION LIABILITY</b>	1% Decrease in Discount Rate (5.50%)	Current Discount Rate (6.50%)	1% Increase in Discount Rate (7.50%)
Description			
City's Proportionate Share of the GERF Net Pension Liability	\$ 15,311,361	\$ 7,507,448	\$ 1,103,861
<b>PEPFF PENSION LIABILITY</b>			
Description	1% Decrease in Discount Rate (5.50%)	Current Discount Rate (6.50%)	1% Increase in Discount Rate (7.50%)
City's Proportionate Share of the PEPFF Net Pension Liability	\$ 14,257,783	\$ 4,490,879	\$ (3,515,561)

**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](http://www.mnpera.org).

**NOTE 18 DEFINED CONTRIBUTION PLAN**

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

Plan benefits depend solely on amounts contributed to the plan plus investment earnings, less administrative expenses. 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% of salary which is matched by the elected official's employer.

**CITY OF LAKEVILLE  
NOTES TO BASIC FINANCIAL STATEMENTS  
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**NOTE 18 DEFINED CONTRIBUTION PLAN (CONTINUED)**

Employees who are paid for their services may elect to make member contributions in an amount not to exceed the employer share. Employer and employee contributions are combined and used to purchase shares in one or more of the seven accounts of the Minnesota Supplemental Investment Fund. For administering the plan, PERA receives 2% of employer contributions and twenty-five hundredths of 1% of the assets in each member's account annually.

Total contributions made by the City for the current fiscal year was:

Year Ended, December 31,	Contribution Amount		Percentage of Covered Payroll		Required Rate for Employees and Employers
	Employee	Employer	Employee	Employer	
2021	\$ 2,841	\$ 2,841	5%	5%	5%

**NOTE 19 DEFINED BENEFIT PENSION PLANS – FIRE RELIEF ASSOCIATION**

**A. Plan Description**

Volunteer firefighters of the City of Lakeville Fire Department (the Department) are members of the Lakeville Fire Relief Association (the Association), which administers a single-employer defined benefit plan established to provide benefits for its members. The plan is established and administered in accordance with Minnesota Statute, Chapters 69 and 424, as amended. The Association is governed by a board of six members elected by the members of the Association for three-year terms. One City Council member, Finance Director and Fire Chief are ex officio, nonvoting members of the Board of Trustees. As of December 31, 2021, the plan covered 90 active firefighters and 16 vested terminated firefighters whose pension benefits are deferred.

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.

**CITY OF LAKEVILLE  
NOTES TO BASIC FINANCIAL STATEMENTS  
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**NOTE 19 DEFINED BENEFIT PENSION PLANS – FIRE RELIEF ASSOCIATION (CONTINUED)**

**B. Benefits Provided**

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

The bylaws of the Association also provide for an early vested service pension for a retiring member who has completed fewer than 20 years of service. The reduced pension, available to members with seven years of service, shall be equal to 48% of the pension as described by the bylaws. This percentage increases 4% per year so that at 20 years of service, the full amount prescribed is paid. Members who retire with less than 20 years of service and have reached the age of 50 years and have completed at least seven years of active membership are entitled to a reduced service pension not to exceed the amount calculated by multiplying the member's service pension for the completed years of service times the applicable nonforfeitable percentage of pension.

**C. Contributions**

Minnesota Statutes, Chapters 424 and 424A authorize pension benefits for volunteer fire relief associations. The plan is funded by fire state aid, investment earnings, and, if necessary, employer contributions as specified in Minnesota Statutes and voluntary city contributions (if applicable). The firefighters have no obligation to contribute to the plan. Nonemployer pension contributions include state aid from the state of Minnesota and municipal contributions from the City. On-behalf of the state payments from the state of Minnesota are received initially by the City and subsequently remitted to the Association. These on-behalf of the state aid payments in addition to the City's municipal contribution payments to the Association plan are recognized as revenues and expenditures in the City's General Fund during the period received.

The City contributed state of Minnesota fire aid of \$434,690 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 \$-0-. The City's contributions were equal to the required contributions as set by state statute. The City made no voluntary contributions to the plan.

**D. Pension Costs**

At December 31, 2021, the City reported a net pension liability (asset) of (\$6,446,775) for the plan. The net pension liability (asset) was measured as of December 31, 2021. The total pension liability used to calculate the net pension liability (asset) in accordance with GASB Statement No. 68 was determined by Van Iwaarden Associates, applying an actuarial formula to specific census data certified by the Department as of December 31, 2020.

**CITY OF LAKEVILLE  
NOTES TO BASIC FINANCIAL STATEMENTS  
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**NOTE 19 DEFINED BENEFIT PENSION PLANS – FIRE RELIEF ASSOCIATION (CONTINUED)**

**D. Pension Costs (Continued)**

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

	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (Asset) (a-b)
Beginning balance - January 1, 2021	\$ 7,416,917	\$ 12,431,782	\$ (5,014,865)
Changes for the year:			
Service cost	428,876	-	428,876
Interest on pension liability (asset)	429,588	-	429,588
Difference between expected and actual economic experience	-	-	-
Changes of assumptions	-	-	-
Changes of benefit terms	-	-	-
Contributions (employer)	-	-	-
Contributions (state)	-	434,690	(434,690)
Net investment income	-	1,871,403	(1,871,403)
Benefit payments	(749,411)	(749,411)	-
Administrative costs	-	(15,719)	15,719
Total net changes	<u>109,053</u>	<u>1,540,963</u>	<u>(1,431,910)</u>
Ending balance - December 31, 2021	<u>\$ 7,525,970</u>	<u>\$ 13,972,745</u>	<u>\$ (6,446,775)</u>

For the year ended December 31, 2021, the City recognized a reduction pension expense of \$577,431.

At December 31, 2021, the City reported deferred outflows of resources, including its contributions subsequent to the measurement date, related to pension from the following sources:

Description	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes in Actuarial Assumptions	\$ 309,894	\$ 56,773
Difference between expected and actual experience	-	1,014,709
Net Difference Between Projected and Actual		
Earnings on Pension Plan Investments	-	1,911,355
Total	<u>\$ 309,894</u>	<u>\$ 2,982,837</u>

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>	Pension Expense Amount
2022	\$ (635,315)
2023	(821,964)
2024	(552,526)
2025	(345,756)
2026	(111,099)
Thereafter	(206,283)



**CITY OF LAKEVILLE  
NOTES TO BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2021**

**NOTE 19 DEFINED BENEFIT PENSION PLANS – FIRE RELIEF ASSOCIATION (CONTINUED)**

**E. Actuarial Assumptions**

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

Retirement eligibility at 100% service pension at age 50 with 20 years of service, early vested retirement at age 50 with seven years of service vested at 48% and increased by 4% for each additional year of service up to 20 and eligibility for deferred service pension payable at age 50 and based on the lump sum pension formula and service at date of termination reduced for less than 20 years of service.

Inflation	2.25% per year
Active Member Payroll Growth	2.25% per year
Investment Rate of Return	5.75%
20-Year Municipal Bond Yield	1.93%

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

Asset Class	Allocation at Measurement Date	Long-Term Expected Real Rate of Return	Long-Term Expected Nominal Rate of Return
Domestic Equity	58.97 %	4.90 %	7.15 %
International Equity	4.35	5.32	7.57
Fixed Income	13.08	1.40	3.65
Real Estate and Alternatives	-	4.43	6.68
Cash and Equivalents	23.60	0.09	2.34
Totals	<u>100.00 %</u>		<u>6.50</u>
Reduced for Assumed Investment Expense			<u>(0.05)</u>
Net Assumed Investment Return (Rounded to 1/4%)			<u>5.75 %</u>

**F. Discount Rate**

The discount rate used to measure the total pension liability was 5.75%. This was a decrease from the previous discount rate of 6.50%. The projection of cash flows used to determine the discount rate assumed that contributions to the plan will be made as specified in statute. Based on that assumption and considering the funding ratio of the plan, the fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

**G. Pension Liability Sensitivity**

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

Description	1% Decrease in Discount Rate (4.75%)	Current Discount Rate (5.75%)	1% Increase in Discount Rate (6.75%)
Defined Benefit Plan	\$ (6,230,506)	\$ (6,446,775)	\$ (6,656,571)

**CITY OF LAKEVILLE  
NOTES TO BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2021**

**NOTE 19 DEFINED BENEFIT PENSION PLANS – FIRE RELIEF ASSOCIATION (CONTINUED)**

**H. Pension Plan Fiduciary Net Position**

The Association issues a publicly available financial report. This report may be obtained by writing to the Lakeville Firefighters' Relief Association, 20195 Holyoke Avenue, Lakeville, Minnesota, 55044 or by calling (952) 985-4480.

**NOTE 20 DEFERRED COMPENSATION PLAN**

The City offers its employees an optional deferred compensation plan created in accordance with Internal Revenue Service Code Section 457. The plan is available to all City employees, which permits them to tax defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency. Under provisions of Section 72(p) of the Internal Revenue Code, a plan may permit participant loans once 457 plan assets are held in a trust. As of the current fiscal year, the City's plan does not have a loan provision for its participants. All amounts of compensation deferred under the plan must be held in trust for the exclusive benefit of plan participants and/or beneficiaries. Investments are managed by the plan's trustee under various investment options or a combination thereof. The choice of investment options is made by the participant. The plan is offered through the City in connection with ICMA-RC and does not meet the requirements of GASB Statement Nos. 84 and 97 for inclusion as a fiduciary activity of the City.

**NOTE 21 LITIGATION**

There are several lawsuits pending in which the City is involved. The City Attorney has indicated that existing and pending lawsuit claims and other actions in which the City is a defendant are either covered by insurance, fully reserved for by the City, or the cases are in the early stages of discovery, and accordingly, the ultimate outcome cannot presently be determined. It is the opinion of City management that in each case the possibility of material loss, net of amounts reserved is remote.

**NOTE 22 TAX ABATEMENT**

The City has five pay-as-you go tax increment financing districts with local businesses to promote economic development within the City. The City agrees pursuant to the authority granted in the TIF Act to abate real estate taxes based on the increased property value from improvements on the owned property. The three of the five agreements call for 95% of the property tax increments collected to be returned to the developers. The City will retain 5% for administrative fees for the periods of time specified in each agreement. One of the agreements calls for 90% if the property tax increments collected to be returned to the developers. The City will retain 10% for administrative fees for the periods of time specified the agreement. One of the agreements calls for 80% if the property tax increments collected to be returned to the developers. The City will retain 20% for administrative fees for the periods of time specified the agreement. For the year ended December 31, 2021, the City paid excess tax increment in the amount of \$491,234. No other commitments were made by the City as part of these agreements.

**CITY OF LAKEVILLE**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2021**

**NOTE 23 SUBSEQUENT EVENTS**

Subsequent to year-end, the City Council approved the following bonds issuances.

The General Obligation Refunding Bonds, Series 2022A were issued in the amount of \$13,240,000, dated January 6, 2022, pursuant to Minnesota Statutes, Sections 475.521 and 475.58, Subdivision 3b and Chapters 429 and 475, as amended. Proceeds of the Bonds will be used to current refund the February 1, 2023 through February 1, 2033 maturities, totaling \$1,860,000 in principal, of the City's General Obligation Improvement Bonds, Series 2012A on February 1, 2022; to current refund the February 1, 2023 through February 1, 2030 maturities, totaling \$11,990,000 in principal, of the City's General Obligation Refunding Bonds, Series 2012B on February 1, 2022; to current refund the February 1, 2023 through February 1, 2034 maturities, totaling \$1,800,000 in principal, of the City's General Obligation Improvement Bonds, Series 2013A on February 1, 2022; and to pay costs associated with issuance of the Bonds. The bonds are general obligations of the City and are payable from special assessments levied against benefitted properties and ad valorem taxes.

The Taxable General Obligation Bonds, Series 2022B were issued in the amount of \$9,570,000, dated April 5, 2022, pursuant to Minnesota Statutes, Sections 469.1812 through 469.1815 and Chapter 475, as amended, and a voter referendum held on November 2, 2021, which passed by a vote of 7,346 (yes) to 4,681 (no). Proceeds of the Bonds will be used to full net advance refund the February 1, 2023 through February 1, 2032 maturities, totaling \$4,920,000 in principal, of the Housing and Redevelopment Authority of the City of Lakeville, Minnesota Lease Revenue Refunding Bonds (Ice Arena Project), Series 2016A; to finance the construction of an outdoor refrigerated covered ice rink at Hasse Arena; and to pay costs associated with issuance of the Bonds. The bonds are general obligations of the City and are payable from an abatement levy and ad valorem taxes.

**REQUIRED SUPPLEMENTARY INFORMATION**

**CITY OF LAKEVILLE  
GENERAL FUND  
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN  
FUND BALANCES – BUDGETARY COMPARISON  
YEAR ENDED DECEMBER 31, 2021**

	Budgeted Amounts		Actual	Over (Under) Final Budget
	Original	Final		
<b>REVENUE</b>				
<b>Property Taxes</b>				
General property taxes:				
Current	\$ 20,737,534	\$ 21,042,084	\$ 20,838,888	\$ (203,196)
Delinquent	146,156	146,156	289,096	142,940
Fiscal Disparities	3,296,213	3,296,213	3,268,592	(27,621)
Mobile Home Tax	47,825	47,825	59,987	12,162
Gravel Tax	5,000	5,000	4,932	(68)
Total property taxes	<u>24,232,728</u>	<u>24,537,278</u>	<u>24,461,495</u>	<u>(75,783)</u>
<b>Licenses and permits</b>	2,611,289	2,743,179	4,446,972	1,703,793
<b>Intergovernmental</b>				
Market value homestead credit	-	-	7,053	7,053
State-aid police	540,000	540,000	536,233	(3,767)
State-aid fire	410,000	431,690	431,690	-
State-aid PERA	-	-	126,057	126,057
State police and fire grants	46,091	46,091	97,140	51,049
State other grants	15,200	15,200	7,707	(7,493)
Federal other grants	74,620	94,120	212,348	118,228
Total intergovernmental	<u>1,085,911</u>	<u>1,127,101</u>	<u>1,418,228</u>	<u>291,127</u>
<b>Charges for services</b>				
General government	317,334	317,334	368,834	51,500
Public safety	547,672	547,672	616,597	68,925
Public works	857,752	915,615	1,829,199	913,584
Parks and recreation	849,592	892,592	885,730	(6,862)
Total charges for services	<u>2,572,350</u>	<u>2,673,213</u>	<u>3,700,360</u>	<u>1,027,147</u>
<b>Special assessments</b>	-	-	940	940
<b>Fines</b>	156,000	156,000	200,942	44,942
<b>Investment income</b>				
Interest Income	174,000	174,000	208,895	34,895
Increase (Decrease in Fair Market Value)	-	-	(396,891)	(396,891)
Total investment income	<u>174,000</u>	<u>174,000</u>	<u>(187,996)</u>	<u>(361,996)</u>
<b>Donations</b>	27,062	62,812	81,242	18,430
<b>Miscellaneous</b>	54,128	54,128	55,670	1,542
Total revenues	<u>30,913,468</u>	<u>31,527,711</u>	<u>34,177,853</u>	<u>2,650,142</u>

(continued)

**CITY OF LAKEVILLE  
GENERAL FUND  
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN  
FUND BALANCES – BUDGETARY COMPARISON  
YEAR ENDED DECEMBER 31, 2021**

	Budgeted Amounts		Actual	Over (Under) Final Budget
	Original	Final		
<b>EXPENDITURES</b>				
<b>General government</b>				
<b>Mayor and council</b>				
Personnel services	\$ 62,561	\$ 62,561	\$ 60,556	\$ (2,005)
Commodities	50	50	-	(50)
Other charges and services	67,428	72,428	70,031	(2,397)
Total mayor and council	<u>130,039</u>	<u>135,039</u>	<u>130,587</u>	<u>(4,452)</u>
<b>Committees/commissions</b>				
Personnel services	59,207	59,207	59,717	510
Commodities	2,530	2,530	1,668	(862)
Other charges and services	45,275	45,275	34,270	(11,005)
Total committees/commissions	<u>107,012</u>	<u>107,012</u>	<u>95,655</u>	<u>(11,357)</u>
<b>City administration</b>				
Personnel services	480,872	480,872	487,191	6,319
Commodities	1,600	1,600	237	(1,363)
Other charges and services	19,384	52,734	47,120	(5,614)
Total city administration	<u>501,856</u>	<u>535,206</u>	<u>534,548</u>	<u>(658)</u>
<b>City clerk</b>				
Personnel services	129,470	151,470	151,180	(290)
Commodities	300	300	160	(140)
Other charges and services	33,308	41,758	29,622	(12,136)
Total city clerk	<u>163,078</u>	<u>193,528</u>	<u>180,962</u>	<u>(12,566)</u>
<b>Legal counsel</b>				
Other charges and services	99,783	99,783	86,682	(13,101)
<b>Planning</b>				
Personnel services	587,617	587,617	578,278	(9,339)
Commodities	2,006	2,006	1,612	(394)
Other charges and services	13,845	13,845	15,704	1,859
Total planning	<u>603,468</u>	<u>603,468</u>	<u>595,594</u>	<u>(7,874)</u>
<b>Community and economic development</b>				
Personnel services	340,712	340,712	340,267	(445)
Commodities	275	275	39	(236)
Other charges and services	61,874	61,874	61,361	(513)
Total community and economic development	<u>402,861</u>	<u>402,861</u>	<u>401,667</u>	<u>(1,194)</u>
<b>Inspections</b>				
Personnel services	1,188,084	1,359,824	1,301,524	(58,300)
Commodities	13,410	13,410	16,211	2,801
Other charges and services	291,236	354,736	358,276	3,540
Capital Outlay	25,290	25,290	-	(25,290)
Total inspections	<u>1,518,020</u>	<u>1,753,260</u>	<u>1,676,011</u>	<u>(77,249)</u>

(continued)

**CITY OF LAKEVILLE  
GENERAL FUND  
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN  
FUND BALANCES – BUDGETARY COMPARISON  
YEAR ENDED DECEMBER 31, 2021**

	Budgeted Amounts		Actual	Over (Under) Final Budget
	Original	Final		
<b>EXPENDITURES (CONTINUED)</b>				
<b>General government (continued)</b>				
<b>General government facilities</b>				
Personnel services	\$ 422,731	\$ 422,731	\$ 381,888	\$ (40,843)
Commodities	24,553	24,553	13,929	(10,624)
Other charges and services	225,095	244,595	234,313	(10,282)
Total general government facilities	<u>672,379</u>	<u>691,879</u>	<u>630,130</u>	<u>(61,749)</u>
<b>Finance</b>				
Personnel services	779,116	779,116	788,304	9,188
Commodities	2,175	2,175	1,969	(206)
Other charges and services	108,335	177,565	167,817	(9,748)
Total finance	<u>889,626</u>	<u>958,856</u>	<u>958,090</u>	<u>(766)</u>
<b>Information technology</b>				
Personnel services	501,500	501,500	503,405	1,905
Commodities	3,800	3,800	4,479	679
Other charges and services	380,071	414,821	402,042	(12,779)
Total information technology	<u>885,371</u>	<u>920,121</u>	<u>909,926</u>	<u>(10,195)</u>
<b>Human resources</b>				
Personnel services	450,823	450,823	459,828	9,005
Commodities	2,825	2,825	1,677	(1,148)
Other charges and services	134,411	134,411	120,283	(14,128)
Total human resources	<u>588,059</u>	<u>588,059</u>	<u>581,788</u>	<u>(6,271)</u>
<b>Insurance coverage</b>				
Other charges and services	<u>285,000</u>	<u>365,000</u>	<u>365,000</u>	<u>-</u>
Total general government	6,846,552	7,354,072	7,146,640	(207,432)
<b>Public safety</b>				
<b>Police</b>				
Personnel services	10,277,749	10,277,749	10,478,858	201,109
Commodities	404,559	404,559	389,994	(14,565)
Other charges and services	2,260,115	2,260,115	2,123,799	(136,316)
Capital Outlay	-	35,750	35,668	(82)
Total police	<u>12,942,423</u>	<u>12,978,173</u>	<u>13,028,319</u>	<u>50,146</u>
<b>Fire Protection</b>				
Personnel services	1,791,327	1,830,667	1,839,502	8,835
Commodities	145,051	145,051	172,407	27,356
Other charges and services	324,430	324,430	278,487	(45,943)
Total fire protection	<u>2,260,808</u>	<u>2,300,148</u>	<u>2,290,396</u>	<u>(9,752)</u>
Total public safety	15,203,231	15,278,321	15,318,715	40,394

(continued)

**CITY OF LAKEVILLE  
GENERAL FUND  
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN  
FUND BALANCES – BUDGETARY COMPARISON  
YEAR ENDED DECEMBER 31, 2021**

	Budgeted Amounts		Actual	Over (Under) Final Budget
	Original	Final		
<b>EXPENDITURES (CONTINUED)</b>				
<b>Public Works</b>				
<b>Engineering</b>				
Personnel services	\$ 937,363	\$ 937,363	\$ 863,363	\$ (74,000)
Commodities	10,412	10,412	3,855	(6,557)
Other charges and services	112,193	112,193	89,897	(22,296)
Total engineering	<u>1,059,968</u>	<u>1,059,968</u>	<u>957,115</u>	<u>(102,853)</u>
<b>Construction services</b>				
Personnel services	561,229	561,229	539,983	(21,246)
Commodities	9,474	9,474	8,949	(525)
Other charges and services	13,853	13,853	8,081	(5,772)
Total construction services	<u>584,556</u>	<u>584,556</u>	<u>557,013</u>	<u>(27,543)</u>
<b>Street maintenance</b>				
Personnel services	2,462,791	2,462,791	2,285,724	(177,067)
Commodities	887,150	949,535	884,434	(65,101)
Other charges and services	319,856	319,856	303,642	(16,214)
Total street maintenance	<u>3,669,797</u>	<u>3,732,182</u>	<u>3,473,800</u>	<u>(258,382)</u>
Total public works	5,314,321	5,376,706	4,987,928	(388,778)
<b>Parks and recreation</b>				
<b>Park maintenance</b>				
Personnel services	2,136,709	2,136,709	2,038,134	(98,575)
Commodities	291,976	291,976	284,912	(7,064)
Other charges and services	551,367	551,367	634,074	82,707
Total park maintenance	<u>2,980,052</u>	<u>2,980,052</u>	<u>2,957,120</u>	<u>(22,932)</u>
<b>Recreation</b>				
Personnel services	469,927	469,927	475,232	5,305
Commodities	24,945	24,945	29,325	4,380
Other charges and services	280,260	323,260	313,088	(10,172)
Capital Outlay	1,400	6,400	5,645	(755)
Total recreation	<u>776,532</u>	<u>824,532</u>	<u>823,290</u>	<u>(1,242)</u>
<b>Heritage center</b>				
Personnel services	69,676	69,676	71,691	2,015
Commodities	14,400	14,400	6,491	(7,909)
Other charges and services	55,188	55,188	40,473	(14,715)
Total heritage center	<u>139,264</u>	<u>139,264</u>	<u>118,655</u>	<u>(20,609)</u>
<b>Arts center</b>				
Personnel services	383,191	383,191	373,265	(9,926)
Commodities	32,850	57,850	89,142	31,292
Other charges and services	214,030	214,030	130,562	(83,468)
Total arts center	<u>630,071</u>	<u>655,071</u>	<u>592,969</u>	<u>(62,102)</u>
Total parks and recreation	4,525,919	4,598,919	4,492,034	(106,885)
<b>Other</b>				
	-	98,500	-	(98,500)
Total expenditures	<u>31,890,023</u>	<u>32,706,518</u>	<u>31,945,317</u>	<u>(761,201)</u>
<b>EXCESS (DEFICIENCY) OF REVENUE OVER (UNDER) EXPENDITURES</b>	(976,555)	(1,178,807)	2,232,536	3,411,343

(continued)



**CITY OF LAKEVILLE  
GENERAL FUND  
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN  
FUND BALANCES – BUDGETARY COMPARISON  
YEAR ENDED DECEMBER 31, 2021**

	Budgeted Amounts		Actual	Over (Under) Final Budget
	Original	Final		
<b>OTHER FINANCE SOURCES (USES)</b>				
Transfers In From:				
Special Revenue - Communications Fund	\$ 84,920	\$ 84,920	\$ 84,920	\$ -
Enterprise - Liquor Fund	165,075	165,075	165,075	-
Enterprise - Utility Fund	576,435	576,435	576,435	-
Internal Service - Municipal Reserves Fund	50,000	50,000	50,000	-
Transfers Out To:				
Special Revenue - Small Business Grant Fund	-	(250,000)	(250,000)	-
Capital Projects - Technology Fund	-	(355,000)	(355,000)	-
Capital Projects - Park Improvement Fund	-	(350,000)	(350,000)	-
Capital Projects - Trail Improvement Fund	-	(200,000)	(200,000)	-
Capital Projects - Building Fund	(600,000)	(600,000)	(600,000)	-
Capital Projects - Improvement Construction Fund	-	(160,070)	(160,070)	-
Capital Projects - Equipment Fund	(725,000)	(1,400,000)	(1,400,000)	-
Enterprise - Utility Fund	-	(200,000)	(200,000)	-
Internal Service - Compensated Liability Fund	-	(200,000)	(200,000)	-
Total Other Finance Sources (Uses)	<u>(448,570)</u>	<u>(2,838,640)</u>	<u>(2,838,640)</u>	<u>-</u>
<b>NET CHANGE IN FUND BALANCES</b>	<u>\$ (1,425,125)</u>	<u>\$ (4,017,447)</u>	(606,104)	<u>\$ 3,411,343</u>
<b>FUND BALANCES</b>				
Beginning of Year			24,739,629	
Change in Supplies - Inventory			<u>(147,703)</u>	
End of Year			<u>\$ 23,985,822</u>	

**CITY OF LAKEVILLE  
GENERAL FUND  
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION  
DECEMBER 31, 2021**

**A. Budgetary Information**

Budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America. Annual appropriated budgets are adopted for the General Fund and Special Revenue Funds. Budgeted amounts are as originally adopted or as amended by the City Council. The City follows these procedures in establishing the budgetary data reflected in the financial statements:

1. The City Administrator submits a proposed operating budget to the City Council.
2. Public hearings are conducted to obtain taxpayer comments.
3. Upon Council approval the budget is legally adopted and employs formal budgetary integration during the year.
4. Expenditures may legally exceed budgeted appropriations at the fund level through City Council action.
5. The legal level of budgetary control (i.e., the level at which expenditures may not legally exceed appropriations) is at the fund level for the General Fund and total expenditures for the Special Revenue Funds. The City Administrator has authorization to expend funds in excess of the appropriation for individual line items.
6. Budget appropriations of all funds lapse at year-end to the extent they were not encumbered. Encumbrances are re-appropriated in the following year's budget.

**CITY OF LAKEVILLE  
PERA – GENERAL EMPLOYEES RETIREMENT FUND  
DECEMBER 31, 2021**

**GERF Schedule of the City's Proportionate Share of the Net Pension Liability  
Last Seven Fiscal Years\***

	Measurement Date						
	6/30/2021	6/30/2020	6/30/2019	6/30/2018	6/30/2017	6/30/2016	6/30/2015
City's Proportion of the Net Pension Liability	0.1758%	0.1701%	0.1633%	0.1632%	0.1585%	0.1544%	0.1540%
City's Proportionate Share of the Net Pension Liability	\$ 7,507,448	\$ 10,198,272	\$ 9,028,491	\$ 9,053,667	\$ 10,118,535	\$ 12,536,514	\$ 7,981,079
State's Proportionate Share of the Net Pension Liability Associated with the City	229,302	314,577	280,654	297,059	127,203	-	-
Total	\$ 7,736,750	\$ 10,512,849	\$ 9,309,145	\$ 9,350,726	\$ 10,245,738	\$ 12,536,514	\$ 7,981,079
City's Covered Payroll	\$ 12,645,032	\$ 12,134,069	\$ 11,645,116	\$ 10,971,998	\$ 10,213,446	\$ 9,572,229	\$ 9,046,858
City's Proportionate Share of the Net Pension Liability as a	59.37%	84.05%	77.53%	82.52%	99.07%	130.97%	88.22%
Percentage of Its Covered Payroll	87.00%	79.06%	80.20%	79.53%	75.90%	68.90%	78.20%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability							

\* The Amounts Presented for Each Fiscal Year were Determined as of 6/30.

**GERF Schedule of City Contributions  
Last Seven Fiscal Years\***

	Fiscal Year Ended December 31,						
	2021	2020	2019	2018	2017	2016	2015
Statutorily Required Contribution	\$ 987,086	\$ 990,259	\$ 896,894	\$ 847,485	\$ 791,612	\$ 741,919	\$ 705,189
Contributions in Relation to the Statutorily Required Contribution	(987,086)	(990,259)	(896,894)	(847,485)	(791,612)	(741,919)	(705,189)
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
City's Covered Payroll	\$ 13,161,147	\$ 13,203,453	\$ 11,958,587	\$ 11,299,800	\$ 10,554,827	\$ 9,892,253	\$ 9,402,520
Contributions as a Percentage of Covered Payroll	7.50%	7.50%	7.50%	7.50%	7.50%	7.50%	7.50%

\* The Amounts Presented for Each Fiscal Year were Determined as of 12/31.

Note: The City implemented GASB Statement No. 68 in fiscal 2015 (using a June 30, 2015 measurement date). The schedule is provided prospectively beginning with the City's fiscal year ended December 31, 2015 and is intended to show a 10-year trend. Additional years will be reported as they become available.

**CITY OF LAKEVILLE  
PERA – PUBLIC EMPLOYEES POLICE AND FIRE FUND  
DECEMBER 31, 2021**

**PEPFF Schedule of the City's Proportionate Share of the Net Pension Liability  
Last Seven Fiscal Years\***

	Measurement Date						
	6/30/2021	6/30/2020	6/30/2019	6/30/2018	6/30/2017	6/30/2016	6/30/2015
City's Proportion of the Net Pension Liability	0.5818%	0.5668%	0.5900%	0.5693%	0.5490%	0.5620%	0.5320%
City's Proportionate Share of the Net Pension Liability	\$ 4,490,879	\$ 7,471,030	\$ 6,281,146	\$ 6,068,152	\$ 7,412,153	\$ 22,554,038	\$ 6,044,765
State's Proportionate Share of the Net Pension Liability Associated with the City	201,912	175,988	-	-	-	-	-
Total	<u>\$ 4,692,791</u>	<u>\$ 7,647,018</u>	<u>\$ 6,281,146</u>	<u>\$ 6,068,152</u>	<u>\$ 7,412,153</u>	<u>\$ 22,554,038</u>	<u>\$ 6,044,765</u>
City's Covered Payroll	\$ 6,888,492	\$ 6,400,325	\$ 6,241,714	\$ 6,004,172	\$ 5,635,205	\$ 5,423,663	\$ 4,870,941
City's Proportionate Share of the Net Pension Liability as a	65.19%	116.73%	100.63%	101.07%	131.53%	415.85%	124.10%
Percentage of Its Covered Payroll	93.66%	87.19%	89.30%	88.84%	85.40%	63.90%	86.60%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability							

\* The Amounts Presented for Each Fiscal Year were Determined as of 6/30.

**PEPFF Schedule of City Contributions  
Last Seven Fiscal Years\***

	Fiscal Year Ended December 31,						
	2021	2020	2019	2018	2017	2016	2015
Statutorily Required Contribution	\$ 1,172,597	\$ 1,173,052	\$ 1,066,319	\$ 999,032	\$ 942,349	\$ 904,571	\$ 845,144
Contributions in Relation to the Statutorily Required Contribution	(1,172,597)	(1,173,052)	(1,066,319)	(999,032)	(942,349)	(904,571)	(845,144)
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
City's Covered Payroll	\$ 6,624,842	\$ 6,627,412	\$ 6,290,968	\$ 6,166,864	\$ 5,816,969	\$ 5,583,772	\$ 5,216,938
Contributions as a Percentage of Covered Payroll	17.70%	17.70%	16.95%	16.20%	16.20%	16.20%	16.20%

\* The Amounts Presented for Each Fiscal Year were Determined as of 12/31.

Note: The City implemented GASB Statement No. 68 in fiscal 2015 (using a June 30, 2015 measurement date). The schedule is provided prospectively beginning with the City's fiscal year ended December 31, 2015 and is intended to show a 10-year trend. Additional years will be reported as they become available.

**CITY OF LAKEVILLE**  
**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION – STATEWIDE PLANS**  
**DECEMBER 31, 2021**

**General Employees Fund**

2021 Changes

Changes in Actuarial Assumptions:

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

Changes in Plan Provisions:

- There were no changes in plan provisions since the previous valuation.

2020 Changes

Changes in Actuarial Assumptions:

- The price inflation assumption was decreased from 2.50% to 2.25%.
- The payroll growth assumption was decreased from 3.25% to 3.00%.
- 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% 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 2-5 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 Scale MP-2018 to Scale 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% Joint & Survivor option changed from 35% to 45%. The assumed number of married female new retirees electing the 100% Joint & Survivor option changed from 15% to 30%. The corresponding number of married new retirees electing the Life annuity option was adjusted accordingly.

Changes in Plan Provisions:

- Augmentation for current privatized members was reduced to 2.0% for the period July 1, 2020 through December 31, 2023 and 0.0% after. Augmentation was eliminated for privatizations occurring after June 30, 2020.

**CITY OF LAKEVILLE**  
**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION – STATEWIDE PLANS**  
**DECEMBER 31, 2021**

**General Employees Fund (Continued)**

2019 Changes

Changes in Actuarial Assumptions:

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

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

Changes in Actuarial Assumptions:

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

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% to 3.00%, beginning July 1, 2018.
- Deferred augmentation was changed to 0.00%, effective January 1, 2019. Augmentation that has already accrued for deferred members will still apply.
- Contribution stabilizer provisions were repealed.
- Postretirement benefit increases were changed from 1.00% per year with a provision to increase to 2.50% upon attainment of 90.00% funding ratio to 50.00% of the Social Security Cost of Living Adjustment, not less than 1.00% and not more than 1.50%, 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.

2017 Changes

Changes in Actuarial Assumptions:

- The combined service annuity (CSA) loads were changed from 0.80% for active members and 60.00% for vested and nonvested deferred members. The revised CSA load are now 0.00% for active member liability, 15.00% for vested deferred member liability, and 3.00% for nonvested deferred member liability.
- The assumed postretirement benefit increase rate was changed for 1.00% per year for all years to 1.00% per year through 2044 and 2.50% per year thereafter.

Changes in Plan Provisions:

- The State's contribution for the Minneapolis Employees Retirement Fund equals \$16,000,000 in 2017 and 2018, and \$6,000,000 thereafter.
- The Employer Supplemental Contribution for the Minneapolis Employees Retirement Fund changed from \$21,000,000 to \$31,000,000 in calendar years 2019 to 2031. The state's contribution changed from \$16,000,000 to \$6,000,000 in calendar years 2019 to 2031.

**CITY OF LAKEVILLE**  
**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION – STATEWIDE PLANS**  
**DECEMBER 31, 2021**

**General Employees Fund (Continued)**

2016 Changes

Changes in Actuarial Assumptions:

- The assumed postretirement benefit increase rate was changed from 1.00% per year through 2035 and 2.50% per year thereafter to 1.00% per year for all years.
- The assumed investment return was changed from 7.90% to 7.50%. The single discount rate changed from 7.90% to 7.50%.
- 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% to 3.25% for payroll growth and 2.50% for inflation.

Changes in Plan Provisions:

- There have been no changes since the prior valuation.

2015 Changes

Changes in Actuarial Assumptions:

- The assumed postretirement benefit increase rate was changed from 1.00% per year through 2030 and 2.50% per year thereafter to 1.00% per year through 2035 and 2.50% per year thereafter.

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 increase the fiduciary plan net position by \$892 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.

**Police and Fire Fund**

2021 Changes

Changes in Actuarial Assumptions:

- The investment return and single discount rates were changed from 7.50% to 6.50%, for financial reporting purposes.
- The inflation assumption was changed from 2.50% to 2.25%.
- The payroll growth assumption was changed from 3.25% to 3.00%.
- 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 MN-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.

**CITY OF LAKEVILLE**  
**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION – STATEWIDE PLANS**  
**DECEMBER 31, 2021**

**Police and Fire Fund (Continued)**

Changes in Actuarial Assumptions (Continued):

2021 Changes (Continued)

- 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% to 70%. Minor changes to form of payment assumptions were applied.

Changes in Plan Provisions:

- There have been no changes since the prior valuation.

2020 Changes

Changes in Actuarial Assumptions:

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

Changes in Plan Provisions:

- There have been no changes since the prior valuation.

2019 Changes

Changes in Actuarial Assumptions:

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

Changes in Plan Provisions:

- There have been no changes since the prior valuation.

2018 Changes

Changes in Actuarial Assumptions:

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

Changes in Plan Provisions:

- Postretirement benefit increases were changed to 1.00% 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% funding, or July 1, 2048, if earlier.
- Member contributions were changed from 10.80% to 11.30% of pay, effective January 1, 2019 and 11.80% of pay, effective January 1, 2020.
- Employer contributions were changed from 16.20% to 16.95% of pay, effective January 1, 2019 and 17.70% of pay, effective January 1, 2020.
- Interest credited on member contributions decreased from 4.00% to 3.00%, beginning July 1, 2018.
- Deferred augmentation was changed to 0.00%, 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.



**CITY OF LAKEVILLE**  
**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION – STATEWIDE PLANS**  
**DECEMBER 31, 2021**

**Police and Fire Fund (Continued)**

2017 Changes

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% lower than the previous rates.
- Assumed rates of retirement were changed, resulting in fewer retirements.
- The combined service annuity (CSA) load was 30.00% for vested and nonvested, deferred members. The CSA has been changed to 33.00% for vested members and 2.00% 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% 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% to 60.00%.
- 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 postretirement benefit increase rate was changed from 1.00% for all years to 1.00% per year through 2064 and 2.50% thereafter.
- The single discount rate was changed from 5.60% per annum to 7.50% per annum.

Changes in Plan Provisions:

- There have been no changes since the prior valuation.

2016 Changes

Changes in Actuarial Assumptions:

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

Changes in Plan Provisions:

- There have been no changes since the prior valuation.

**CITY OF LAKEVILLE**  
**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION – STATEWIDE PLANS**  
**DECEMBER 31, 2021**

**Police and Fire Fund (Continued)**

2015 Changes

Changes in Actuarial Assumptions:

- The assumed postretirement benefit increase rate was changed from 1.00% per year through 2030 and 2.50% per year thereafter to 1.00% per year through 2037 and 2.50% per year thereafter.

Changes in Plan Provisions:

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

**CITY OF LAKEVILLE  
NET PENSION LIABILITY (ASSET) AND RELATED RATIOS  
LAKEVILLE FIRE RELIEF ASSOCIATION  
DECEMBER 31, 2021**

	2021	2020	2019	2018	2017	2016	2015
<b>Total Pension Liability (TPL)</b>							
Service Cost	\$ 428,876	\$ 356,038	\$ 319,546	\$ 255,975	\$ 231,712	\$ 270,846	\$ 223,785
Interest	429,588	434,535	376,417	358,835	345,935	301,640	269,493
Differences Between Expected and Actual Experience	-	(1,177,043)	-	(57,139)	-	(201,242)	-
Changes of Assumptions	-	163,176	-	94,736	38,230	(161,264)	353,037
Changes of Benefit Terms	-	1,435,979	388,025	352,464	154,012	186,369	-
Benefit Payments, Including Member Contribution Refunds	(749,411)	(249,778)	(203,935)	(602,296)	(276,622)	(547,241)	(210,816)
Net Change in Total Pension Liability	109,053	962,907	880,053	402,575	493,267	(150,892)	635,499
Total Pension Liability - Beginning	7,416,917	6,454,010	5,573,957	5,171,382	4,678,115	4,829,007	4,193,508
Total Pension Liability - Ending (a)	7,525,970	7,416,917	6,454,010	5,573,957	5,171,382	4,678,115	4,829,007
<b>Plan Fiduciary Net Position</b>							
Municipal Contributions	-	-	-	-	-	-	-
State Contributions	434,690	409,568	379,598	367,701	351,635	348,276	338,889
Net Investment Income	1,871,403	1,715,829	1,904,143	(314,875)	1,175,892	551,474	39,474
Benefit Payments, including refunds of member contributions	(749,411)	(249,778)	(203,935)	(602,296)	(276,622)	(547,241)	(210,816)
Administrative Expenses	(15,719)	(10,634)	(12,474)	(12,042)	(11,579)	(9,817)	(11,292)
Other	-	-	-	-	-	-	(40)
Net Change in Fiduciary Net Position	1,540,963	1,864,985	2,067,332	(561,512)	1,239,326	342,692	156,215
Fiduciary Net Position - Beginning	12,431,782	10,566,797	8,499,465	9,060,977	7,821,651	7,478,959	7,322,744
Fiduciary Net Position - Ending (b)	13,972,745	12,431,782	10,566,797	8,499,465	9,060,977	7,821,651	7,478,959
Ending Net Pension Liability (Asset) (a-b)	\$ (6,446,775)	\$ (5,014,865)	\$ (4,112,787)	\$ (2,925,508)	\$ (3,889,595)	\$ (3,143,536)	\$ (2,649,952)
Plan Fiduciary Net Position as a Percentage of Total Pension Liability (b/a)	185.66%	167.61%	163.72%	152.49%	175.21%	167.20%	154.88%
Covered Payroll	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Net Pension Liability (Asset) as a Percentage of Covered Payroll	N/A	N/A	N/A	N/A	N/A	N/A	N/A

\*Ten Years of Data Will Eventually Be Presented When Available

**Schedule of Employer Contributions**

	2021	2020	2019	2019	2017	2016	2015
Statutorily Required Contribution	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Contributions in Relation to the Statutorily Required Contribution	-	-	-	-	-	-	-
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

Note: The City implemented GASB Statement No. 68 in fiscal 2015 (using a June 30, 2015 measurement date). The schedule is provided prospectively beginning with the City's fiscal year ended December 31, 2015 and is intended to show a 10-year trend. Additional years will be reported as they become available.

**CITY OF LAKEVILLE**  
**SCHEDULE OF CHANGES IN THE CITY'S TOTAL OPEB LIABILITY AND RELATED RATIOS**  
**DECEMBER 31, 2021**

	2021	2020	2019	2018
Total OPEB Liability				
Service Cost	\$ 92,424	\$ 90,590	\$ 89,732	\$ 48,551
Interest	49,766	46,760	48,182	34,601
Changes of Benefit Terms	-	-	-	-
Difference Between Expected and Actual Experience	(459,716)	-	87,715	-
Changes of Assumptions	135,361	-	-	-
Benefit Payments	(66,232)	(51,097)	(50,869)	(42,312)
Net Change in Total OPEB Liability	(248,397)	86,253	174,760	40,840
Total OPEB Liability - Beginning	1,322,805	1,236,552	1,061,792	1,020,952
Total OPEB Liability - Ending	<u>\$ 1,074,408</u>	<u>\$ 1,322,805</u>	<u>\$ 1,236,552</u>	<u>\$ 1,061,792</u>
Total OPEB Liability	\$ 1,074,408	\$ 1,322,805	\$ 1,236,552	\$ 1,061,792
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	0.00%	0.00%	0.00%	0.00%
Covered Employee Payroll	\$ 17,204,233	\$ 14,711,089	\$ 14,711,089	\$ 15,084,789
City's Total OPEB Liability as a Percentage of the Covered Employee Payroll	6.25%	8.99%	8.41%	7.04%

Note: The City implemented GASB Statement No. 75 in fiscal 2018. The schedule is provided prospectively beginning with the City's fiscal year ended December 31, 2018 and is intended to show a 10-year trend. Additional years will be reported as they become available.

Notes to Schedule:

Valuation date: 1/1/2021

Measurement date: 1/1/2021

Methods and assumptions used to determine the contribution rates:

Actuarial cost method	Entry age
Amortization method	Level percentage of payroll, closed
Amortization period	Average of expected remaining service on a closed basis for differences between expected and actual experience and assumption changes.
Inflation	3.00%
Healthcare cost trend rate	6.25% for 2021, decreasing to 5.00% over 5 years
Salary increases	3.00%
Discount rate	1.93% (20-year municipal bond yield)
Mortality	RP-2014 White Collar Mortality Tables with MP-2020 Generational Improvement Scale (with Blue Collar adjustment for Police and Fire Personnel)

2021 Changes

Changes in Actuarial Assumptions:

- Discount rate of 3.60% was updated to 1.93%.
- Mortality Improvement Scale of MP-2019 was replaced with new Mortality Improvement Scale of MP-2020 and applied to RP-2014 Mortality tables.
- Healthcare cost trend is assumed to be 6.25% in 2021 decreasing .25% each year to an ultimate rate of 5.00% in 2026 and thereafter.

Changes in Plan Provisions:

- There have been no changes since the prior valuation.

**COMBINING AND INDIVIDUAL FUND STATEMENTS AND SCHEDULES**

## **NONMAJOR GOVERNMENTAL FUNDS**

**Special Revenue Funds** - These funds are used to account for revenues and expenditures that have a legally restricted or committed use for a specific purpose.

### **Communications Fund**

This fund accounts for franchise fees from cable TV provider operations. Expenditures and other financing uses are used to finance the City's cable TV channels and public communications, including long-term replacement of equipment.

### **Economic Development Fund**

This fund accounts for a \$125,000 Economic Recovery Grant received from the State of Minnesota Department of Trade and Economic Development in 1995. The grant purpose is to provide loans to businesses expanding in or locating to Lakeville. The fund also accounts for administrative fees received from the issuance of conduit debt.

### **Downtown Special Service District Fund**

The Downtown Special Service District was created in 1998 pursuant to Minnesota Statute 428A. A service charge, payable with property taxes, is levied against the commercial properties in the Downtown Business District for the purpose of financing budgeted programs and activities within the District.

### **Small Business Grant Fund**

This fund accounts for Small Business Grant funding received from the state of Minnesota and Federal Department of Treasury in response to the COVID-19 pandemic and the related expenditure of those grants.

### **American Rescue Plan Fund**

This fund accounts for American Rescue Plan Act (ARPA) Coronavirus State and Local Fiscal Recovery Funds (SLFRF) funding received from the Federal Department of Treasury in response to the COVID-19 pandemic and the related expenditure of those grant funds.

**Debt Service Funds** – These funds account for the accumulation of resources that are restricted to the payment of long-term debt principal and interest, but excluding debt issued for and serviced by an enterprise fund.

### **Tax Increment Fund**

Debt issued to finance construction of public improvements in accordance with approved tax increment plans. Property tax increments received from designated tax increment financing districts are pledged to the payment of the bonds.

### **State-aid Revenue Fund**

Debt issued to finance construction of State-aid street projects within the City. The primary revenue source is municipal state aid allotments from the State of Minnesota Department of Transportation.

### **Water Revenue Fund**

Debt issued to finance the construction of wells, pump houses, towers, water main systems, and the City's water treatment facility. Water connection fees are pledged toward the repayment of the principal and interest on these bonds.

(continued)

## NONMAJOR GOVERNMENTAL FUNDS

### Debt Service Funds (continued)

#### **HRA Revenue Fund**

The HRA also issued the HRA Ice Arena Lease Revenue Bonds, Series 2006 for the Hasse single sheet ice arena facility. Debt service will be payable from property taxes and lease payments to be made to the City pursuant to the lease agreement between the Authority and Independent School District 194. These HRA bonds are not general obligations and accordingly are not backed by the full-faith and credit of the City.

#### **Tax Abatement Debt Service Fund**

This fund accounts for those bond issues that financed abatement projects to be paid back from a tax abatement levy imposed by the City on certain parcels in the City, pursuant to Minnesota Statutes, Sections 469.1812 to 469.1815. Revenues are provided primarily from property taxes related to the tax abatement levy.

#### **General Obligation Debt Service Fund**

This fund accounts for those bond issues that financed debt approved by voter referendum, equipment certificates of indebtedness, and capital improvement bonds. Revenues are provided primarily from property taxes.

**Capital Projects Funds** – These funds account for financial resources used in the acquisition of capital facilities, equipment, and infrastructure (except those financed by enterprise funds).

#### **Pavement Management Fund**

This fund accounts for pavement management activities relating to crack sealing, patching, seal coating and overlays. These major maintenance projects are financed with property taxes.

#### **Storm Water Infrastructure Fund**

This fund accounts for fees and area charges to land developers for construction of storm water infrastructure.

#### **Water Fund**

This fund accounts for revenues derived primarily from connection charges collected at the time building permits are issued and antenna site leases with wireless communications companies. Funds are appropriated towards construction costs of water supply lines, wells and water storage facilities, and provide the debt service to bonds issued to finance the construction of the City's water treatment facility and other trunk infrastructure improvements.

#### **Sanitary Sewer Fund**

This fund accounts for sewer connection and area fees charged to land developers for connecting to the City's sanitary sewer system, appropriations are applied to the construction of sanitary sewer trunk systems.

#### **Park Dedication Fund**

This fund accounts for park dedication fees received from land developers. The expenditures consist of acquiring and developing City parks and trails.

#### **Trail Improvement Fund**

This fund accounts for the long-term maintenance, repairs, and replacement of City trails.

(continued)

## NONMAJOR GOVERNMENTAL FUNDS

### Capital Projects Funds (Continued)

#### **Park Improvement Fund**

This fund accounts for the long-term maintenance, repairs, and replacement of City parks.

#### **Park Referendum Bonds Fund**

This fund accounts for the accumulation and disbursement of funds for the construction of the park projects approved by the referendum.

#### **Tax Increment Fund**

This fund accounts for revenue received from tax increment property districts that does not require debt financing. The expenditures are for current and future development of tax increment property.

#### **Tax Abatement Fund**

This fund accounts for economic development assistance provided to local businesses. The expenditures are for current and future economic development incentives.

#### **Equipment Fund**

This fund accounts for the purchase of equipment for general government, public safety, public works, and park maintenance.

#### **Technology Fund**

This fund accounts for the purchase of equipment related to information technology.

#### **Arenas Capital Reserve Fund**

This fund accounts for the accumulation and disbursement of funds for Lakeville Arenas improvement projects.

#### **Building Fund**

This fund accounts for the accumulation and disbursement of funds for the construction or improvement of public buildings.



**CITY OF LAKEVILLE  
COMBINING BALANCE SHEET  
NONMAJOR GOVERNMENTAL FUNDS  
DECEMBER 31, 2021**

	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Totals</u>
<b>ASSETS</b>				
Cash and investments	\$ 3,744,165	\$ 9,272,953	\$ 52,377,504	\$ 65,394,622
Investments held by trustee	-	907,336	-	907,336
Receivables:				
Interest receivable	2,881	45,151	218,756	266,788
Special assessments				
Delinquent	-	-	2,995	2,995
Deferred	-	249,345	104,281	353,626
Other	-	-	181,967	181,967
Accounts receivable	168,621	-	636,193	804,814
Leases receivable	-	1,570,000	-	1,570,000
Advances to other funds	-	-	562,003	562,003
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
Total Assets	<u>\$ 3,915,667</u>	<u>\$ 12,044,785</u>	<u>\$ 54,083,699</u>	<u>\$ 70,044,151</u>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCE</b>				
<b>LIABILITIES</b>				
Salaries payable	\$ 8,875	\$ -	\$ -	\$ 8,875
Accounts payable	21,427	25,626	367,954	415,007
Due from other funds	-	-	-	-
Advances from other funds	-	-	455,186	455,186
Contracts payable	-	-	276,940	276,940
Deposits payable	-	-	114,460	114,460
Unearned revenue	2,719,387	300,400	21,377	3,041,164
Total Liabilities	<u>2,749,689</u>	<u>326,026</u>	<u>1,235,917</u>	<u>4,311,632</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Unavailable revenue - special assessments	-	247,972	289,243	537,215
Unavailable revenue - other	-	1,570,000	630,000	2,200,000
Total Deferred Inflows of Resources	<u>-</u>	<u>1,817,972</u>	<u>919,243</u>	<u>2,737,215</u>
<b>FUND BALANCE</b>				
Restricted	175,886	9,900,787	9,215,816	19,292,489
Committed	1,004,296	-	43,229,693	44,233,989
Unassigned (Deficit)	(14,204)	-	(516,970)	(531,174)
Total Fund Balance	<u>1,165,978</u>	<u>9,900,787</u>	<u>51,928,539</u>	<u>62,995,304</u>
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balance	<u>\$ 3,915,667</u>	<u>\$ 12,044,785</u>	<u>\$ 54,083,699</u>	<u>\$ 70,044,151</u>

**CITY OF LAKEVILLE  
COMBINING STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCES  
NONMAJOR GOVERNMENTAL FUNDS  
YEAR ENDED DECEMBER 31, 2021**

	Special Revenue	Debt Service	Capital Projects	Totals
<b>REVENUE</b>				
Property taxes:				
Current and delinquent	\$ -	\$ 3,906,883	\$ 1,680,000	\$ 5,586,883
Tax increment	-	483,908	553,923	1,037,831
Licenses and permits	634,508	-	-	634,508
Intergovernmental revenue:				
Municipal state-aid	-	416,754	120,000	536,754
County and local grants	-	-	206,735	206,735
Charges for services	56,148	346,717	12,770,236	13,173,101
Special assessments	-	82,629	26,034	108,663
Interest income	23,523	60,193	506,529	590,245
Change in fair value of investments	(47,684)	(121,954)	(1,026,298)	(1,195,936)
Donations	-	-	187,656	187,656
Miscellaneous	-	-	518,528	518,528
Total Revenue	<u>666,495</u>	<u>5,175,130</u>	<u>15,543,343</u>	<u>21,384,968</u>
<b>EXPENDITURES</b>				
Current:				
General government	804,248	-	-	804,248
Capital Outlay:				
General government	58,674	-	792,594	851,268
Public safety	-	-	1,105,016	1,105,016
Public works	-	-	3,982,657	3,982,657
Culture and recreation	-	-	11,499,497	11,499,497
Debt Service:				
Principal retirement	-	4,050,000	-	4,050,000
Interest on debt	-	1,666,852	-	1,666,852
Fiscal charges	-	57,261	-	57,261
Total Expenditures	<u>862,922</u>	<u>5,774,113</u>	<u>17,379,764</u>	<u>24,016,799</u>
<b>EXCESS (DEFICIENCY) OF REVENUE OVER (UNDER) EXPENDITURES</b>	(196,427)	(598,983)	(1,836,421)	(2,631,831)
<b>OTHER FINANCE SOURCES (USES)</b>				
Issuance of bonds and other debt	-	-	7,770,000	7,770,000
Premium on debt Issued	-	-	313,284	313,284
Proceeds from the sale of capital assets	-	-	258,880	258,880
Transfers in from other funds	250,000	1,042,786	3,491,200	4,783,986
Transfers out to other funds	(89,920)	-	(2,410,787)	(2,500,707)
Total Other Finance Sources (Uses)	<u>160,080</u>	<u>1,042,786</u>	<u>9,422,577</u>	<u>10,625,443</u>
<b>NET CHANGE IN FUND BALANCES</b>	(36,347)	443,803	7,586,156	7,993,612
<b>FUND BALANCES</b>				
Beginning of Year	<u>1,202,325</u>	<u>9,456,984</u>	<u>44,342,383</u>	<u>55,001,692</u>
End of Year	<u>\$ 1,165,978</u>	<u>\$ 9,900,787</u>	<u>\$ 51,928,539</u>	<u>\$ 62,995,304</u>

**CITY OF LAKEVILLE  
SPECIAL REVENUE FUNDS (NONMAJOR)  
COMBINING BALANCE SHEET  
DECEMBER 31, 2021**

	Communications	Economic Development	Downtown Special Service District	Small Business Grant	American Rescue Plan	Totals
<b>ASSETS</b>						
Cash and investments	\$ 1,013,842	\$ -	\$ 25,355	\$ -	\$ 2,704,968	\$ 3,744,165
Interest receivable	2,666	-	-	-	215	2,881
Accounts receivable	168,621	-	-	-	-	168,621
<b>Total Assets</b>	<b>\$ 1,185,129</b>	<b>\$ -</b>	<b>\$ 25,355</b>	<b>\$ -</b>	<b>\$ 2,705,183</b>	<b>\$ 3,915,667</b>
<b>LIABILITIES AND FUND BALANCE</b>						
<b>LIABILITIES</b>						
Salaries payable	\$ 8,875	\$ -	\$ -	\$ -	\$ -	\$ 8,875
Accounts payable	21,427	-	-	-	-	21,427
Unearned revenue	-	-	-	-	2,719,387	2,719,387
<b>Total Liabilities</b>	<b>30,302</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>2,719,387</b>	<b>2,749,689</b>
<b>FUND BALANCE</b>						
Restricted	150,531	-	25,355	-	-	175,886
Committed	1,004,296	-	-	-	-	1,004,296
Unassigned (Deficit)	-	-	-	-	(14,204)	(14,204)
<b>Total Fund Balance</b>	<b>1,154,827</b>	<b>-</b>	<b>25,355</b>	<b>-</b>	<b>(14,204)</b>	<b>1,165,978</b>
<b>Total Liabilities and Fund Balance</b>	<b>\$ 1,185,129</b>	<b>\$ -</b>	<b>\$ 25,355</b>	<b>\$ -</b>	<b>\$ 2,705,183</b>	<b>\$ 3,915,667</b>

**CITY OF LAKEVILLE  
SPECIAL REVENUE FUNDS (NONMAJOR)  
COMBINING STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCES  
YEAR ENDED DECEMBER 31, 2021**

	Communications	Economic Development	Downtown Special Service District	Small Business Grant	American Rescue Plan	Totals
<b>REVENUE</b>						
Licenses and permits	\$ 634,508	\$ -	\$ -	\$ -	\$ -	\$ 634,508
Charges for services	56,148	-	-	-	-	56,148
Interest income	9,698	-	-	-	13,825	23,523
Change in fair value of investments	<u>(19,655)</u>	-	-	-	<u>(28,029)</u>	<u>(47,684)</u>
Total revenue	680,699	-	-	-	(14,204)	666,495
<b>EXPENDITURES</b>						
Current:						
General government	545,199	5,258	3,791	250,000	-	804,248
Capital outlay						
General government	<u>58,674</u>	-	-	-	-	<u>58,674</u>
Total expenditures	<u>603,873</u>	<u>5,258</u>	<u>3,791</u>	<u>250,000</u>	<u>-</u>	<u>862,922</u>
<b>EXCESS (DEFICIENCY) OF REVENUE OVER (UNDER) EXPENDITURES</b>	76,826	(5,258)	(3,791)	(250,000)	(14,204)	(196,427)
<b>OTHER FINANCE SOURCES (USES)</b>						
Transfers In	-	-	-	250,000	-	250,000
Transfers Out	<u>(89,920)</u>	-	-	-	-	<u>(89,920)</u>
Total other finance sources (uses)	<u>(89,920)</u>	-	-	<u>250,000</u>	-	<u>160,080</u>
<b>NET CHANGE IN FUND BALANCES</b>	(13,094)	(5,258)	(3,791)	-	(14,204)	(36,347)
<b>FUND BALANCES</b>						
Beginning of Year	<u>1,167,921</u>	<u>5,258</u>	<u>29,146</u>	<u>-</u>	<u>-</u>	<u>1,202,325</u>
End of Year	<u>\$ 1,154,827</u>	<u>\$ -</u>	<u>\$ 25,355</u>	<u>\$ -</u>	<u>\$ (14,204)</u>	<u>\$ 1,165,978</u>

**CITY OF LAKEVILLE  
DEBT SERVICE FUNDS (NONMAJOR)  
COMBINING BALANCE SHEET  
DECEMBER 31, 2021**

	Bonds						Total
	Tax Increment	State-aid Revenue	Water Revenue	HRA Revenue	Tax Abatement	General Obligation	
<b>ASSETS</b>							
Cash and investments	\$ 3,901,768	\$ 882,104	\$ 125	\$ 524,141	\$ 312,092	\$ 3,652,723	\$ 9,272,953
Investments held by trustee	-	-	-	606,936	-	300,400	907,336
Interest receivable	23,473	6,041	-	693	1,058	13,886	45,151
Special assessments receivable	-	-	-	-	-	249,345	249,345
Leases receivable	-	-	-	1,570,000	-	-	1,570,000
<b>Total Assets</b>	<b>\$ 3,925,241</b>	<b>\$ 888,145</b>	<b>\$ 125</b>	<b>\$ 2,701,770</b>	<b>\$ 313,150</b>	<b>\$ 4,216,354</b>	<b>\$ 12,044,785</b>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCE</b>							
<b>LIABILITIES</b>							
Accounts payable	\$ 125	\$ 125	\$ 125	\$ 375	\$ 250	\$ 24,626	\$ 25,626
Unearned Revenue	-	-	-	-	-	300,400	300,400
<b>Total Liabilities</b>	<b>125</b>	<b>125</b>	<b>125</b>	<b>375</b>	<b>250</b>	<b>325,026</b>	<b>326,026</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>							
Unavailable revenue - special assessments	-	-	-	-	-	247,972	247,972
Unavailable revenue - leases	-	-	-	1,570,000	-	-	1,570,000
<b>Total Deferred Inflows of Resources</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,570,000</b>	<b>-</b>	<b>247,972</b>	<b>1,817,972</b>
<b>FUND BALANCE</b>							
Restricted for debt service	3,925,116	888,020	-	1,131,395	312,900	3,643,356	9,900,787
<b>Total Liabilities, Deferred Inflows of Resources, and Fund Balance</b>	<b>\$ 3,925,241</b>	<b>\$ 888,145</b>	<b>\$ 125</b>	<b>\$ 2,701,770</b>	<b>\$ 313,150</b>	<b>\$ 4,216,354</b>	<b>\$ 12,044,785</b>

**CITY OF LAKEVILLE  
DEBT SERVICE FUNDS (NONMAJOR)  
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCES  
YEAR ENDED DECEMBER 31, 2021**

	Bonds						Total
	Tax Increment	State-aid Revenue	Water Revenue	HRA Revenue	Tax Abatement	General Obligation	
<b>REVENUE</b>							
Property taxes							
Current and delinquent	\$ -	\$ -	\$ -	\$ 298,275	\$ 270,443	\$ 3,338,165	\$ 3,906,883
Tax increment	483,908	-	-	-	-	-	483,908
Intergovernmental - State-aid	-	416,754	-	-	-	-	416,754
Charges for services	-	-	-	298,275	48,442	-	346,717
Special Assessments	-	-	-	-	-	82,629	82,629
Interest Income	34,348	6,290	-	1,519	1,132	16,904	60,193
Change in Fair Value of Investments	(69,635)	(12,753)	-	(3,003)	(2,293)	(34,270)	(121,954)
<b>Total revenues</b>	<b>448,621</b>	<b>410,291</b>	<b>-</b>	<b>595,066</b>	<b>317,724</b>	<b>3,403,428</b>	<b>5,175,130</b>
<b>EXPENDITURES</b>							
Debt Service:							
Principal bond maturities	260,000	265,000	400,000	385,000	-	2,740,000	4,050,000
Interest on debt	16,493	151,379	211,200	197,325	101,117	989,338	1,666,852
Fiscal charges	2,950	543	450	5,099	900	47,319	57,261
<b>Total expenditures</b>	<b>279,443</b>	<b>416,922</b>	<b>611,650</b>	<b>587,424</b>	<b>102,017</b>	<b>3,776,657</b>	<b>5,774,113</b>
<b>DEFICIENCY OF REVENUE UNDER EXPENDITURES</b>	<b>169,178</b>	<b>(6,631)</b>	<b>(611,650)</b>	<b>7,642</b>	<b>215,707</b>	<b>(373,229)</b>	<b>(598,983)</b>
<b>OTHER FINANCE SOURCES</b>							
Transfers from (to):							
Capital Projects - Water Trunk Fund	-	-	611,650	-	-	-	611,650
Capital Projects - Arenas Capital	-	-	-	-	30,686	-	30,686
Enterprise - Liquor Fund	-	-	-	-	450	400,000	400,450
Total other finance sources (uses)	<b>-</b>	<b>-</b>	<b>611,650</b>	<b>-</b>	<b>31,136</b>	<b>400,000</b>	<b>1,042,786</b>
<b>NET CHANGE IN FUND BALANCES</b>	<b>169,178</b>	<b>(6,631)</b>	<b>-</b>	<b>7,642</b>	<b>246,843</b>	<b>26,771</b>	<b>443,803</b>
<b>FUND BALANCES</b>							
Beginning of Year	3,755,938	894,651	-	1,123,753	66,057	3,616,585	9,456,984
End of Year	<u>\$ 3,925,116</u>	<u>\$ 888,020</u>	<u>\$ -</u>	<u>\$ 1,131,395</u>	<u>\$ 312,900</u>	<u>\$ 3,643,356</u>	<u>\$ 9,900,787</u>

**CITY OF LAKEVILLE  
CAPITAL PROJECTS FUND (NONMAJOR)  
COMBINING BALANCE SHEET  
DECEMBER 31, 2021**

<b>ASSETS</b>	Pavement Management	Storm Water Infrastructure	Water	Sanitary Sewer	Park Dedication	Trail Improvement
Cash and investments	\$ 1,143,331	\$ 9,738,166	\$ 14,921,854	\$ 11,755,956	\$ 8,839,389	\$ 303,721
Interest receivable	8,948	51,453	46,118	48,175	32,875	5,158
Accounts receivable	-	-	-	-	-	-
Advances to other funds	-	-	562,003	-	-	-
Special assessments:						
Delinquent	353	1,275	1,367	-	-	-
Deferred	-	4,055	58,751	41,475	-	-
Other	-	64,653	78,400	38,914	-	-
<b>Total Assets</b>	<b>\$ 1,152,632</b>	<b>\$ 9,859,602</b>	<b>\$ 15,668,493</b>	<b>\$ 11,884,520</b>	<b>\$ 8,872,264</b>	<b>\$ 308,879</b>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCE</b>						
<b>LIABILITIES</b>						
Accounts payable	\$ 76,129	\$ 8,869	\$ -	\$ -	\$ 51,706	\$ -
Advances from other funds	-	-	-	-	-	-
Contracts payable	56,470	-	6,261	-	46,193	-
Deposits payable	-	-	-	114,460	-	-
Unearned revenue	-	-	-	-	914	-
<b>Total liabilities</b>	<b>132,599</b>	<b>8,869</b>	<b>6,261</b>	<b>114,460</b>	<b>98,813</b>	<b>-</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>						
Unavailable revenue - special assessments	353	69,983	138,518	80,389	-	-
Unavailable revenue - other	-	-	-	-	-	-
<b>Total deferred inflows of resources</b>	<b>353</b>	<b>69,983</b>	<b>138,518</b>	<b>80,389</b>	<b>-</b>	<b>-</b>
<b>FUND BALANCE</b>						
Restricted	-	-	-	-	8,773,451	-
Committed	1,019,680	9,780,750	15,523,714	11,689,671	-	308,879
Unassigned (Deficit)	-	-	-	-	-	-
<b>Total fund balance</b>	<b>1,019,680</b>	<b>9,780,750</b>	<b>15,523,714</b>	<b>11,689,671</b>	<b>8,773,451</b>	<b>308,879</b>
<b>Total liabilities, deferred inflows of resources, and fund balance</b>	<b>\$ 1,152,632</b>	<b>\$ 9,859,602</b>	<b>\$ 15,668,493</b>	<b>\$ 11,884,520</b>	<b>\$ 8,872,264</b>	<b>\$ 308,879</b>

**CITY OF LAKEVILLE  
CAPITAL PROJECTS FUND (NONMAJOR)  
COMBINING BALANCE SHEET (CONTINUED)  
DECEMBER 31, 2021**

Park Improvement	Park Referendum Bonds	Tax Increment	Tax Abatement	Equipment	Technology	Arenas Capital Reserve	Building	Totals
\$ 361,696	\$ -	\$ 159,659	\$ -	\$ 2,678,531	\$ 441,754	\$ 416,419	\$ 1,617,028	\$ 52,377,504
788	-	329	234	16,984	14	306	7,374	218,756
-	-	-	-	-	-	630,000	6,193	636,193
-	-	-	-	-	-	-	-	562,003
-	-	-	-	-	-	-	-	2,995
-	-	-	-	-	-	-	-	104,281
-	-	-	-	-	-	-	-	181,967
<u>\$ 362,484</u>	<u>\$ -</u>	<u>\$ 159,988</u>	<u>\$ 234</u>	<u>\$ 2,695,515</u>	<u>\$ 441,768</u>	<u>\$ 1,046,725</u>	<u>\$ 1,630,595</u>	<u>\$ 54,083,699</u>
\$ 9,381	\$ 48,701	\$ 215	\$ -	\$ 118,622	\$ -	\$ -	\$ 54,331	\$ 367,954
-	-	-	455,186	-	-	-	-	455,186
-	-	-	-	-	-	168,016	-	276,940
-	-	-	-	-	-	-	-	114,460
-	-	-	-	20,463	-	-	-	21,377
<u>9,381</u>	<u>48,701</u>	<u>215</u>	<u>455,186</u>	<u>139,085</u>	<u>-</u>	<u>168,016</u>	<u>54,331</u>	<u>1,235,917</u>
-	-	-	-	-	-	-	-	289,243
-	-	-	-	-	-	630,000	-	630,000
-	-	-	-	-	-	630,000	-	919,243
-	-	159,773	-	20,566	-	262,026	-	9,215,816
353,103	-	-	-	2,535,864	441,768	-	1,576,264	43,229,693
-	(48,701)	-	(454,952)	-	-	(13,317)	-	(516,970)
<u>353,103</u>	<u>(48,701)</u>	<u>159,773</u>	<u>(454,952)</u>	<u>2,556,430</u>	<u>441,768</u>	<u>248,709</u>	<u>1,576,264</u>	<u>51,928,539</u>
<u>\$ 362,484</u>	<u>\$ -</u>	<u>\$ 159,988</u>	<u>\$ 234</u>	<u>\$ 2,695,515</u>	<u>\$ 441,768</u>	<u>\$ 1,046,725</u>	<u>\$ 1,630,595</u>	<u>\$ 54,083,699</u>



**CITY OF LAKEVILLE  
CAPITAL PROJECTS FUNDS (NONMAJOR)  
COMBINING STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCES  
YEAR ENDED DECEMBER 31, 2021**

	Pavement Management	Storm Water Infrastructure	Water	Sanitary Sewer	Park Dedication	Trail Improvement
<b>REVENUE</b>						
Property taxes						
Current	\$ 1,100,000	\$ -	\$ -	\$ -	\$ -	\$ 80,000
Tax increment	-	-	-	-	-	-
Intergovernmental:						
Municipal state-aid	120,000	-	-	-	-	-
County and local grants	-	125,000	-	-	64,432	17,303
Charges for services	10,614	2,690,755	4,109,954	1,358,040	4,594,939	2,967
Special assessments	-	180	16,722	9,132	-	-
Interest income	13,406	91,813	140,342	107,788	79,165	4,310
Change in fair value of investments	(27,178)	(186,134)	(284,520)	(218,521)	(160,494)	(8,738)
Donations	-	-	-	-	88,201	-
Miscellaneous	-	-	-	-	3,900	-
Total revenues	<u>1,216,842</u>	<u>2,721,614</u>	<u>3,982,498</u>	<u>1,256,439</u>	<u>4,670,143</u>	<u>95,842</u>
<b>EXPENDITURES</b>						
Capital Outlay:						
General government	-	-	-	-	-	-
Public safety	-	-	-	-	-	-
Public works	1,762,036	956,348	430,803	166,344	-	-
Parks and recreation	-	-	-	-	2,650,669	416,531
Total expenditures	<u>1,762,036</u>	<u>956,348</u>	<u>430,803</u>	<u>166,344</u>	<u>2,650,669</u>	<u>416,531</u>
<b>EXCESS (DEFICIENCY) OF REVENUE OVER (UNDER) EXPENDITURES</b>	(545,194)	1,765,266	3,551,695	1,090,095	2,019,474	(320,689)
<b>OTHER FINANCE SOURCES (USES)</b>						
Issuance of Bonds and Other Debt	-	-	-	-	-	-
Premium on Debt Issued	-	-	-	-	-	-
Proceeds from the Sale of Capital Assets	-	24,145	-	-	5,988	-
Transfers from (to):						
General Fund	-	-	-	-	-	200,000
Special Revenue - Communications	-	-	-	-	-	-
Debt Service - Water Revenue Bonds	-	-	(611,650)	-	-	-
Debt Service - Tax Abatement Bonds	-	-	-	-	-	-
Capital Projects - State Aid Construction	-	(753,539)	(797,799)	(217,113)	-	-
Enterprise - Liquor Fund	-	-	-	-	-	-
Enterprise - Utility Fund	-	-	-	-	-	-
Total other finance sources (uses)	<u>-</u>	<u>(729,394)</u>	<u>(1,409,449)</u>	<u>(217,113)</u>	<u>5,988</u>	<u>200,000</u>
<b>NET CHANGE IN FUND BALANCE</b>	(545,194)	1,035,872	2,142,246	872,982	2,025,462	(120,689)
<b>FUND BALANCES</b>						
Beginning of Year	<u>1,564,874</u>	<u>8,744,878</u>	<u>13,381,468</u>	<u>10,816,689</u>	<u>6,747,989</u>	<u>429,568</u>
End of Year	<u>\$ 1,019,680</u>	<u>\$ 9,780,750</u>	<u>\$ 15,523,714</u>	<u>\$ 11,689,671</u>	<u>\$ 8,773,451</u>	<u>\$ 308,879</u>

**CITY OF LAKEVILLE  
CAPITAL PROJECTS FUNDS (NONMAJOR)  
COMBINING STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCES (CONTINUED)  
YEAR ENDED DECEMBER 31, 2021**

Park Improvement	Park Referendum Bonds	Tax Increment	Tax Abatement	Equipment	Technology	Arenas Capital Reserve	Building	Totals
\$ 350,000	\$ -	\$ -	\$ -	\$ 150,000	\$ -	\$ -	\$ -	\$ 1,680,000
-	-	553,923	-	-	-	-	-	553,923
-	-	-	-	-	-	-	-	120,000
-	-	-	-	-	-	-	-	206,735
2,967	-	-	-	-	-	-	-	12,770,236
-	-	-	-	-	-	-	-	26,034
5,866	-	1,367	-	25,835	3,575	19,273	13,789	506,529
(11,892)	-	(2,772)	-	(52,374)	(7,247)	(38,475)	(27,953)	(1,026,298)
-	-	-	-	-	-	80,000	19,455	187,656
27,227	-	-	-	5,063	-	7,500	474,838	518,528
374,168	-	552,518	-	128,524	(3,672)	68,298	480,129	15,543,343
-	-	496,644	13,125	-	109,231	144,928	28,666	792,594
-	-	-	-	823,705	7,139	-	274,172	1,105,016
-	-	-	-	423,532	-	-	243,594	3,982,657
761,634	48,701	-	-	274,631	-	7,197,872	149,459	11,499,497
761,634	48,701	496,644	13,125	1,521,868	116,370	7,342,800	695,891	17,379,764
(387,466)	(48,701)	55,874	(13,125)	(1,393,344)	(120,042)	(7,274,502)	(215,762)	(1,836,421)
-	-	-	-	-	-	7,770,000	-	7,770,000
-	-	-	-	-	-	313,284	-	313,284
-	-	-	-	228,747	-	-	-	258,880
350,000	-	-	-	1,400,000	355,000	-	600,000	2,905,000
-	-	-	-	-	5,000	-	-	5,000
-	-	-	-	-	-	-	-	(611,650)
-	-	-	-	-	-	(30,686)	-	(30,686)
-	-	-	-	-	-	-	-	(1,768,451)
-	-	-	-	500,000	31,300	-	-	531,300
-	-	-	-	31,000	18,900	-	-	49,900
350,000	-	-	-	2,159,747	410,200	8,052,598	600,000	9,422,577
(37,466)	(48,701)	55,874	(13,125)	766,403	290,158	778,096	384,238	7,586,156
390,569	-	103,899	(441,827)	1,790,027	151,610	(529,387)	1,192,026	44,342,383
\$ 353,103	\$ (48,701)	\$ 159,773	\$ (454,952)	\$ 2,556,430	\$ 441,768	\$ 248,709	\$ 1,576,264	\$ 51,928,539

**CITY OF LAKEVILLE  
COMMUNICATIONS – SPECIAL REVENUE FUND  
BUDGETARY COMPARISON SCHEDULE  
YEAR ENDED DECEMBER 31, 2021**

	Budgeted Amounts		Actual	Over (Under) Final Budget
	Original	Final		
<b>REVENUES</b>				
Licenses and permits	\$ 670,366	\$ 670,366	\$ 634,508	\$ (35,858)
Intergovernmental:				
State-aid PERA	516	516	-	(516)
Charges for services	60,026	60,026	56,148	(3,878)
Interest income	3,601	3,601	9,698	6,097
Change in fair value of investments	(1,543)	(1,543)	(19,655)	(18,112)
	<u>732,966</u>	<u>732,966</u>	<u>680,699</u>	<u>(52,267)</u>
Total revenues				
<b>EXPENDITURES - GENERAL GOVERNMENT</b>				
Current:				
Personnel	449,210	449,210	451,599	2,389
Commodities	16,250	16,250	7,126	(9,124)
Other charges and services	110,642	110,642	86,474	(24,168)
Capital outlay	85,000	85,000	58,674	(26,326)
	<u>661,102</u>	<u>661,102</u>	<u>603,873</u>	<u>(57,229)</u>
Total expenditures - general government				
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	71,864	71,864	76,826	4,962
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers out to:				
General Fund	(84,920)	(84,920)	(84,920)	-
Capital Projects Funds	(5,000)	(5,000)	(5,000)	-
	<u>(89,920)</u>	<u>(89,920)</u>	<u>(89,920)</u>	<u>-</u>
Total other finance sources (uses)				
<b>NET CHANGE IN FUND BALANCE</b>	<u>\$ (18,056)</u>	<u>\$ (18,056)</u>	(13,094)	<u>\$ 4,962</u>
<b>FUND BALANCES</b>				
Beginning of year			<u>1,167,921</u>	
End of year			<u>\$ 1,154,827</u>	

**CITY OF LAKEVILLE  
ECONOMIC DEVELOPMENT – SPECIAL REVENUE FUND  
BUDGETARY COMPARISON SCHEDULE  
YEAR ENDED DECEMBER 31, 2021**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Over (Under) Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<b>REVENUES</b>				
Interest income	\$ 50	\$ 50	\$ -	\$ (50)
<b>EXPENDITURES - GENERAL GOVERNMENT</b>				
Current:				
Other charges and services	<u>5,177</u>	<u>5,177</u>	<u>5,258</u>	<u>81</u>
<b>NET CHANGE IN FUND BALANCE</b>	<u>\$ (5,127)</u>	<u>\$ (5,127)</u>	(5,258)	<u>\$ (131)</u>
<b>FUND BALANCE</b>				
Beginning of year			<u>5,258</u>	
End of year			<u>\$ -</u>	

**CITY OF LAKEVILLE  
DOWNTOWN SPECIAL SERVICE DISTRICT – SPECIAL REVENUE FUND  
BUDGETARY COMPARISON SCHEDULE  
YEAR ENDED DECEMBER 31, 2021**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Over (Under) Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<b>REVENUES</b>				
Charges for services	\$ -	\$ -	\$ -	\$ -
<b>EXPENDITURES - GENERAL GOVERNMENT</b>				
Current:				
Other charges and services	<u>14,588</u>	<u>14,588</u>	<u>3,791</u>	<u>(10,797)</u>
<b>NET CHANGE IN FUND BALANCE</b>	<u>\$ (14,588)</u>	<u>\$ (14,588)</u>	(3,791)	<u>\$ 10,797</u>
<b>FUND BALANCE</b>				
Beginning of year			<u>29,146</u>	
End of year			<u>\$ 25,355</u>	

**CITY OF LAKEVILLE  
SMALL BUSINESS GRANT – SPECIAL REVENUE FUND  
BUDGETARY COMPARISON SCHEDULE  
YEAR ENDED DECEMBER 31, 2021**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Over (Under) Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<b>REVENUES</b>				
Intergovernmental:				
Federal grants	\$ -	\$ -	\$ -	\$ -
<b>EXPENDITURES - GENERAL GOVERNMENT</b>				
Current:				
Other charges and services	-	250,000	250,000	-
Total expenditures - general government	-	250,000	250,000	-
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	-	(250,000)	(250,000)	-
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in from:				
General Fund	-	250,000	250,000	-
<b>NET CHANGE IN FUND BALANCE</b>	<u>\$ -</u>	<u>\$ -</u>	-	<u>\$ -</u>
<b>FUND BALANCES</b>				
Beginning of year			-	
End of year			<u>\$ -</u>	

**CITY OF LAKEVILLE  
 AMERICAN RESCUE PLAN – SPECIAL REVENUE FUND  
 BUDGETARY COMPARISON SCHEDULE  
 YEAR ENDED DECEMBER 31, 2021**

	Budgeted Amounts		Actual	Over (Under) Final Budget
	Original	Final		
<b>REVENUES</b>				
Interest income	\$ -	\$ -	\$ 13,825	\$ 13,825
Change in fair value of investments	-	-	(28,029)	(28,029)
Total revenues	-	-	(14,204)	(14,204)
<b>EXPENDITURES - GENERAL GOVERNMENT</b>				
Current:				
Personnel	-	-	-	-
Total expenditures - general government	-	-	-	-
<b>NET CHANGE IN FUND BALANCE</b>	<u>\$ -</u>	<u>\$ -</u>	(14,204)	<u>\$ (14,204)</u>
<b>FUND BALANCES</b>				
Beginning of year			-	
End of year			<u>\$ (14,204)</u>	

## PROPRIETARY FUNDS

**Internal Service Funds** - These funds are used as an accounting device to accumulate and allocate costs internally amount the City's various functions.

### **Municipal Reserves Fund**

This fund accounts for the City's risk management program relating to general liability, excess liability, property, workers compensation, and casualty insurance costs which are charged to other City departments on a cost reimbursement basis.

### **Compensated Leave Fund**

This fund accounts for the accrued liability of employee benefits attributed to compensated leave. Funding was initially provided by transfers from the General Fund. Future revenue sources are charges to benefited programs and departments. Benefits paid to Enterprise Fund employees are accounted for in their respective funds.



**CITY OF LAKEVILLE  
INTERNAL SERVICE FUNDS  
COMBINING STATEMENT OF NET POSITION  
DECEMBER 31, 2021**

	Governmental Activities - Internal Service Funds		Totals
	Municipal Reserves	Compensated Leave	
<b>CURRENT ASSETS</b>			
Cash and investments	\$ 903,100	\$ 284,277	\$ 1,187,377
Interest receivable	1,094	10	1,104
Total current assets	<u>904,194</u>	<u>284,287</u>	<u>1,188,481</u>
<b>CURRENT LIABILITIES</b>			
Accounts payable	\$ 32,711	\$ -	\$ 32,711
Accrued compensated absences	-	1,986,068	1,986,068
Total current liabilities	<u>32,711</u>	<u>1,986,068</u>	<u>2,018,779</u>
<b>NONCURRENT LIABILITIES</b>			
Accrued compensated absences	-	1,606,485	1,606,485
Total liabilities	<u>32,711</u>	<u>3,592,553</u>	<u>3,625,264</u>
<b>NET POSITION</b>			
Unrestricted	<u>871,483</u>	<u>(3,308,266)</u>	<u>(2,436,783)</u>
Total Liabilities and Net Position	<u>\$ 904,194</u>	<u>\$ 284,287</u>	<u>\$ 1,188,481</u>

**CITY OF LAKEVILLE  
INTERNAL SERVICE FUNDS  
COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION  
FOR THE YEAR ENDED DECEMBER 31, 2021**

	Governmental Activities - Internal Service Funds		
	Municipal Reserves	Compensated Leave	Totals
<b>OPERATING REVENUE</b>			
User Charges	\$ 471,836	\$ 84,947	556,783
Other	307,891	-	307,891
Total operating revenue	<u>779,727</u>	<u>84,947</u>	<u>864,674</u>
<b>OPERATING EXPENSES</b>			
Personnel services	-	220,963	220,963
Other charges and services	559,822	-	559,822
	<u>559,822</u>	<u>-</u>	<u>559,822</u>
<b>OPERATING INCOME (LOSS)</b>	219,905	(136,016)	83,889
<b>NONOPERATING REVENUE (EXPENSES)</b>			
Interest Income	3,221	643	3,864
Change in Fair Value of Investments	(6,529)	(1,303)	(7,832)
Total Nonoperating Revenue (Expenses)	<u>(3,308)</u>	<u>(660)</u>	<u>(3,968)</u>
<b>INCOME BEFORE CONTRIBUTIONS AND TRANSFERS</b>	216,597	(136,676)	79,921
Transfers from other funds	-	200,000	200,000
Transfers to other funds	(50,000)	-	(50,000)
Total Contributions and Transfers	<u>(50,000)</u>	<u>200,000</u>	<u>150,000</u>
<b>CHANGE IN NET POSITION</b>	166,597	63,324	229,921
<b>NET POSITION</b>			
Beginning of Year	704,886	-	704,886
Prior Period Restatement for Implementation of New Internal Service Fund	-	(3,371,590)	(3,371,590)
Beginning of Year, as Restated	<u>704,886</u>	<u>(3,371,590)</u>	<u>(2,666,704)</u>
End of Year	<u>\$ 871,483</u>	<u>\$ (3,308,266)</u>	<u>\$ (2,436,783)</u>

**CITY OF LAKEVILLE  
INTERNAL SERVICE FUNDS  
COMBINING STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED DECEMBER 31, 2021**

	Governmental Activities - Internal Service Funds		
	Municipal Reserves	Compensated Leave	Totals
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Cash received from general service charges	\$ 781,610	\$ 84,947	\$ 866,557
Cash paid to suppliers	(533,335)	-	(533,335)
Net Cash Provided by Operating Activities	<u>248,275</u>	<u>84,947</u>	<u>333,222</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>			
Transfers from other funds	-	200,000	200,000
Transfers to other funds	(50,000)	-	(50,000)
Net Cash Provided (Used) by Noncapital Financing Activities	<u>(50,000)</u>	<u>200,000</u>	<u>150,000</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Investment income received	(3,358)	(670)	(4,028)
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>	194,917	284,277	479,194
Cash and Cash Equivalents - Beginning of the Year	<u>708,183</u>	<u>-</u>	<u>708,183</u>
<b>CASH AND CASH EQUIVALENTS - END OF THE YEAR</b>	<u>\$ 903,100</u>	<u>\$ 284,277</u>	<u>\$ 1,187,377</u>
<b>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>			
Operating Income (Loss)	\$ 219,905	\$ (136,016)	\$ 83,889
Adjustments:			
(Increase) decrease in assets and deferred outflows:			
Accounts receivable	1,883	-	1,883
Increase (decrease) in liabilities and deferred inflows:			
Accounts payable	26,487	-	26,487
Accrued compensated absences	-	220,963	220,963
Total adjustments	<u>-</u>	<u>220,963</u>	<u>220,963</u>
Net Cash Provided by Operating Activities	<u>\$ 248,275</u>	<u>\$ 84,947</u>	<u>\$ 333,222</u>

**PROPOSAL FORM**

TO: City of Lakeville, Minnesota  
 C/O Northland Securities, Inc.  
 150 South 5<sup>th</sup> Street, Suite 3300  
 Minneapolis, Minnesota 55402  
 Phone: 612-851-5900, Fax: 612-851-5918

Sale Date: June 20, 2023

For all or none of the \$10,000,000\* General Obligation Bonds, Series 2023A, in accordance with the Terms of Proposal, we will pay you \$ \_\_\_\_\_, (not less than \$9,870,000) plus accrued interest, if any, to date of delivery (estimated to be July 20, 2023) for fully registered Bonds bearing interest rates and maturing on February 1 as follows:

<u>Year</u>	<u>Interest Rate</u>	<u>Yield</u>	<u>Year</u>	<u>Interest Rate</u>	<u>Yield</u>	<u>Year</u>	<u>Interest Rate</u>	<u>Yield</u>
2025	_____ %	_____ %	2032	_____ %	_____ %	2039	_____ %	_____ %
2026	_____ %	_____ %	2033	_____ %	_____ %	2040	_____ %	_____ %
2027	_____ %	_____ %	2034	_____ %	_____ %	2041	_____ %	_____ %
2028	_____ %	_____ %	2035	_____ %	_____ %	2042	_____ %	_____ %
2029	_____ %	_____ %	2036	_____ %	_____ %	2043	_____ %	_____ %
2030	_____ %	_____ %	2037	_____ %	_____ %	2044	_____ %	_____ %
2031	_____ %	_____ %	2038	_____ %	_____ %			

True interest percentage: \_\_\_\_\_ %

Net interest cost: \$ \_\_\_\_\_

Term Bond Option: Bonds maturing in the years:

To be accumulated into a Term Bond maturing in year:

\_\_\_\_\_ through \_\_\_\_\_  
 \_\_\_\_\_ through \_\_\_\_\_  
 \_\_\_\_\_ through \_\_\_\_\_  
 \_\_\_\_\_ through \_\_\_\_\_  
 \_\_\_\_\_ through \_\_\_\_\_

\_\_\_\_\_  
 \_\_\_\_\_  
 \_\_\_\_\_  
 \_\_\_\_\_  
 \_\_\_\_\_

This bid is a firm offer for the purchase of the Bonds identified in the Terms of Proposal, on the terms set forth in the bid form and the Terms of Proposal, and is not subject to any conditions, except as permitted by the Terms of Proposal. By submitting this bid, we confirm that we have an established industry reputation for underwriting new issuances of municipal bonds.

As set forth in the Terms of Proposal, this bid shall not be cancelled in the event that the competitive sale requirements are not satisfied. The City may determine to apply the Hold-the-Offering-Price Rule to the Bonds (such terms are used as described in the Terms of Proposal).

We have received and reviewed the Preliminary Official Statement and have submitted our requests for additional information or corrections to the Official Statement. As Syndicate Manager, we agree to provide the City with the reoffering price of the Bonds within 24 hours of the bid acceptance.

A Good Faith Deposit in the amount as stated in the Terms of Proposal in the form of a federal wire transfer payable to the order of the Terms of Proposal will only be required from the apparent winning bidder, and must be received within two hours after the receipt of the bids. Award of the Bonds will be on the basis of True Interest Cost (TIC).

Account Members:

Account Manager: \_\_\_\_\_ By: \_\_\_\_\_

The foregoing proposal is hereby duly accepted by and on behalf of the City of Lakeville, Minnesota at 6:30 PM on June 20, 2023.

\_\_\_\_\_  
 Finance Director

\_\_\_\_\_  
 Mayor

\* The City reserves the right to increase or decrease the principal amount of the Bonds. Any such increase or decrease will be made in multiples of \$5,000 and may be made in any maturity. If any maturity is adjusted, the purchase price will also be adjusted to maintain the same gross spread.