



Financial Statements
December 31, 2021
City of Eagle Lake

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<u>Name</u>	<u>Position</u>	<u>Term Expires</u>
City Council		
Tim Auringer	Mayor	2022
Garrett Steinberg	Councilor	2022
John Whittington	Councilor	2022
Beth Rohrich	Councilor	2024
Anthony White	Councilor	2024
Administration		
Jennifer Bromeland	City Administrator	
Kerry Rausch	Deputy Clerk	



Independent Auditor's Report

Honorable Mayor and City Council
City of Eagle Lake
Eagle Lake, Minnesota

Report on the Audit of the Financial Statements

Opinions

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

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City as of December 31, 2021, and the respective changes in financial position, and, where applicable, cash flows thereof and the respective budgetary comparison for the general fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of 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's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS 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, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the schedule of employer's share of net pension liability, and schedule of employer's contributions, be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Management has omitted the management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinions on the basic financial statements are not affected by the missing information.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The combining balance sheet - nonmajor governmental funds and combining schedule of revenues, expenditures and changes in fund balances - nonmajor governmental funds 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 auditing standards generally accepted in the United States of America. In our opinion, the supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Information

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

In connection with our audit of the 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.

Report on Other Legal and Regulatory Requirements

In accordance with the *Legal Compliance Audit Guide* prepared by the Office of the State Auditor pursuant to Minn. Stat. §6.65, we have also issued a report dated June 1, 2022, on our consideration of the City's compliance with aspects of the provisions of the *Minnesota Legal Compliance Audit Guide for Cities*. The purpose of that report is to describe the scope of our testing of compliance and the results of that testing, and not directed primarily toward obtaining knowledge of noncompliance. That report is an integral part of procedures performed in accordance with the Office of the State Auditor's *Minnesota Legal Compliance Audit Guide for Cities* in considering the City's compliance with certain regulatory requirements pursuant to Minn. Stat. §6.65.

A handwritten signature in cursive script that reads "Eide Bailly LLP".

Mankato, Minnesota
June 1, 2022

City of Eagle Lake
Statement of Net Position
December 31, 2021

	Primary Government		Totals
	Governmental Activities	Business-Type Activities	
Assets			
Cash and cash equivalents	\$ 3,589,677	\$ 1,256,352	\$ 4,846,029
Restricted cash	169,101	-	169,101
Receivables			
Taxes	14,785	-	14,785
Special assessments	127,843	-	127,843
Accounts	17,525	124,849	142,374
Notes	19,242	-	19,242
Prepaid items	31,943	28,072	60,015
Capital assets not being depreciated			
Land	282,749	12,000	294,749
Construction in progress	1,385,872	-	1,385,872
Capital assets, net of accumulated depreciation			
Distribution plant	-	1,984,329	1,984,329
Equipment	783,442	120,546	903,988
Building	1,517,029	-	1,517,029
Road network	3,159,618	-	3,159,618
Land improvements	290,616	-	290,616
Vehicles	964,803	-	964,803
Total assets	<u>12,354,245</u>	<u>3,526,148</u>	<u>15,880,393</u>
Deferred Outflows of Resources			
Pension plans	<u>356,832</u>	<u>60,729</u>	<u>417,561</u>
Liabilities			
Accounts payable	53,394	5,343	58,737
Accrued payroll liabilities	14,830	5,823	20,653
Interest payable	23,716	-	23,716
Due to borrower	15,974	-	15,974
Noncurrent liabilities:			
Due within one year - bonds payable, capital lease, and compensated absences	291,098	7,975	299,073
Due after one year - bonds payable, and capital lease	3,096,003	-	3,096,003
Net pension liability	<u>243,652</u>	<u>80,101</u>	<u>323,753</u>
Total liabilities	<u>3,738,667</u>	<u>99,242</u>	<u>3,837,909</u>
Deferred Inflows of Resources			
Pension plans	<u>453,452</u>	<u>75,811</u>	<u>529,263</u>
Net Position			
Net investment in capital assets	5,009,854	2,116,875	7,126,729
Restricted for:			
Debt service	336,999	-	336,999
Other purposes	375,571	-	375,571
Unrestricted	<u>2,796,534</u>	<u>1,294,949</u>	<u>4,091,483</u>
Total net position	<u>\$ 8,518,958</u>	<u>\$ 3,411,824</u>	<u>\$ 11,930,782</u>

City of Eagle Lake
Statement of Activities
Year Ended December 31, 2021

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		Totals
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	
Governmental Activities							
General government	\$ 713,742	\$ 27,292	\$ 1,070	\$ -	\$ (685,380)	\$ -	\$ (685,380)
Public safety	653,247	63,411	138,350	-	(451,486)	-	(451,486)
Streets and highways	484,188	-	-	-	(484,188)	-	(484,188)
Refuse and recycling	209,445	288,212	-	-	78,767	-	78,767
Culture and recreation	130,754	-	-	-	(130,754)	-	(130,754)
Economic development	111,601	-	28,958	-	(82,643)	-	(82,643)
Interest and other charges on long-term debt	47,621	-	-	-	(47,621)	-	(47,621)
Total governmental activities	2,350,598	378,915	168,378	-	(1,803,305)	-	(1,803,305)
Business-Type Activities							
Water	289,661	426,732	-	-	-	137,071	137,071
Sewer	457,056	550,975	-	-	-	93,919	93,919
Total business-type activities	746,717	977,707	-	-	-	230,990	230,990
Total primary government	\$ 3,097,315	\$ 1,356,622	\$ 168,378	\$ -	(1,803,305)	230,990	(1,572,315)
		General Revenues					
			Property and franchise taxes		961,766	-	961,766
			Intergovernmental revenue		908,355	-	908,355
			Special assessments		124,908	-	124,908
			Earnings on cash and investments		20,233	-	20,233
			Loss on disposal of assets		(184,209)	-	(184,209)
			Fees and fines		6,949	-	6,949
			Licenses and permits		60,927	-	60,927
			Refunds and reimbursements		42,466	-	42,466
			Miscellaneous		219,595	-	219,595
			Transfers		100,000	(100,000)	-
			Total general revenues and transfers		2,260,990	(100,000)	2,160,990
			Changes in net position		457,685	130,990	588,675
			Net Position - Beginning		8,061,273	3,280,834	11,342,107
			Net Position - Ending		\$ 8,518,958	\$ 3,411,824	\$ 11,930,782

City of Eagle Lake
Balance Sheet – Governmental Funds
December 31, 2021

	General Fund	2010 Debt Service	CSAH 27 Street Project	Other Governmental Funds	Total Governmental Funds
Assets					
Cash and cash equivalents	\$ 2,878,964	\$ -	\$ -	\$ 710,713	\$ 3,589,677
Restricted cash	153,127	-	-	15,974	169,101
Receivables					
Taxes	11,968	885	-	1,932	14,785
Special assessments	7,143	116,175	-	4,525	127,843
Accounts	17,525	-	-	-	17,525
Notes	-	-	-	19,242	19,242
Due from other funds	165,910	-	-	-	165,910
Prepaid items	31,943	-	-	-	31,943
Total Assets	\$ 3,266,580	\$ 117,060	\$ -	\$ 752,386	\$ 4,136,026
Liabilities					
Accounts payable	\$ 51,112	\$ -	\$ 2,207	\$ 75	\$ 53,394
Accrued payroll liabilities	14,830	-	-	-	14,830
Due to other funds	-	15,434	149,433	1,043	165,910
Due to borrower	-	-	-	15,974	15,974
Total liabilities	65,942	15,434	151,640	17,092	250,108
Deferred inflows of resources					
Unavailable revenue	14,691	116,175	-	4,525	135,391
Fund Balances					
Nonspendable	31,943	-	-	19,242	51,185
Restricted	-	-	-	712,570	712,570
Committed	1,447,094	-	-	-	1,447,094
Unassigned	1,706,910	(14,549)	(151,640)	(1,043)	1,539,678
Total fund balances	3,185,947	(14,549)	(151,640)	730,769	3,750,527
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$ 3,266,580	\$ 117,060	\$ -	\$ 752,386	\$ 4,136,026

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

Total Fund Balances for Governmental Funds:		\$ 3,750,527
<p>Amounts reported for governmental activities in the statement of net position are different because:</p>		
Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds.		8,384,129
Some of the City's receivables will be collected after year-end, but are not available soon enough to pay for the current period's expenditures, and therefore, are reported as unavailable revenue in the funds.		135,391
Deferred outflows and inflows of resources related to pensions are applicable to future periods and, therefore, are not reported in the governmental funds.		(96,620)
Interest on long-term debt is not accrued in governmental funds, but rather, is recognized as an expenditure when due.		(23,716)
Long-term liabilities that pertain to governmental funds are not due and payable in the current period, and therefore, are not reported as fund liabilities. All liabilities (both current and long-term) are reported in the statement of net position. Balances at year-end are:		
Net pension liability	\$ (243,652)	
Capital lease payable	(2,275)	
Bonds payable	<u>(3,372,000)</u>	(3,617,927)
Compensated absences earned by employees are not accrued in governmental funds, but are recognized as an expenditure when due.		<u>(12,826)</u>
Total Net Position for Governmental Activities		<u><u>\$ 8,518,958</u></u>

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

	General Fund	2010 Debt Service	CSAH 27 Street Project	Other Governmental Funds	Total Governmental Funds
Revenues					
Property taxes	\$ 617,392	\$ 885	\$ -	\$ 314,898	\$ 933,175
Franchise taxes	28,591	-	-	-	28,591
Special assessments	4,449	36,090	-	115,458	155,997
Fines and forfeits	6,949	-	-	-	6,949
Licenses and permits	60,927	-	-	-	60,927
Intergovernmental - state	959,705	-	-	-	959,705
Charges for services	378,915	-	-	-	378,915
Interest earnings	20,076	-	-	151	20,227
Miscellaneous	327,302	-	-	1,792	329,094
Total revenues	2,404,306	36,975	-	432,299	2,873,580
Expenditures					
Current					
General government	533,719	-	-	-	533,719
Public safety	474,069	-	-	-	474,069
Streets and highways	283,942	-	-	-	283,942
Sanitation	209,445	-	-	-	209,445
Culture and recreation	96,317	-	-	-	96,317
Economic development	-	-	-	109,433	109,433
Capital outlay	468,306	-	1,387,877	-	1,856,183
Debt Services					
Principal	1,203	27,000	-	230,000	258,203
Interest and other charges	165	4,782	16,835	66,745	88,527
Total expenditures	2,067,166	31,782	1,404,712	406,178	3,909,838
Excess (Deficiency) of Revenues Over (Under) Expenditures	337,140	5,193	(1,404,712)	26,121	(1,036,258)
Other Financing Sources (Uses)					
Sale of equipment	-	-	-	50,000	50,000
Bonds issued	-	-	1,295,000	1,398,000	2,693,000
Refunding bond payments	-	-	-	(1,360,000)	(1,360,000)
Transfers in	-	-	-	112,527	112,527
Transfers out	-	-	(12,527)	-	(12,527)
Total other financing sources (uses)	-	-	1,282,473	200,527	1,483,000
Net Change in Fund Balances	337,140	5,193	(122,239)	226,648	446,742
Fund Balance (Deficit) - Beginning	2,848,807	(19,742)	(29,401)	504,121	3,303,785
Fund Balance (Deficit) - Ending	\$ 3,185,947	\$ (14,549)	\$ (151,640)	\$ 730,769	\$ 3,750,527

The notes to the financial statements are an integral part of the financial statements

City of Eagle Lake

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

Total Net Change in Fund Balances - Governmental Funds \$ 446,742

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

Capital outlays are reported in governmental funds as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.

Capital outlay	1,724,149
Depreciation expense	(466,912)

Because some revenues will not be collected for several months after the City's fiscal year ends, they are considered "unavailable" revenues and are deferred in the governmental funds.

(31,088)

Sale of capital asset gross proceeds are reported as revenue in the governmental funds. However, in the statement of activities, only the gain or loss is recorded. The difference between the gross proceeds and the gain or loss is the remaining net book value of the assets sold.

(184,209)

In governmental funds, issuance of debt is reported as an other financing source in the amount of net proceeds received. However, in the statement of activities, a new debt issuance is not revenue, rather it constitutes a long-term liability in the statement of net position.

(2,693,000)

In the statement of activities the cost of pension benefits earned net of employee contributions is reported as pension expense. In the governmental funds, however, the contributions are reported as expense.

46,529

The governmental funds report repayment of principal of long-term debt as an expenditure. In the statement of net position, however, repayment of principal reduces the liability.

1,618,203

The governmental funds report compensated absence costs as expenditures when paid, on the other hand, the statement of activities reports compensated absence costs as the employees earn the compensated absences. In the statement of net position, the payment of compensated absences results in a reduction of the liability. This amount is the net effect of these differences.

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Interest is recognized as an expenditure in the governmental funds when it is due. In the statement of activities, however, interest expense is recognized as it accrues, regardless of when it is due.

(3,430)

Change in Net Position of Governmental Activities

\$ 457,685

City of Eagle Lake
 Budgetary Comparison Schedule – General Fund
 Year Ended December 31, 2021

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
Revenues				
Taxes				
Property	\$ 608,936	\$ 608,936	\$ 617,392	\$ 8,456
Franchise	39,500	39,500	28,591	(10,909)
Special assessments	2,876	2,876	4,449	1,573
Licenses and permits	41,300	41,300	60,927	19,627
Intergovernmental revenue				
Local government aid	717,897	717,897	954,705	236,808
Other state aids and grants	826	826	5,000	4,174
Charges for services				
General government	23,540	23,540	27,292	3,752
Police and fire contracts	71,000	71,000	63,411	(7,589)
Garbage and recycling	279,250	279,250	288,212	8,962
Fines and forfeits	7,200	7,200	6,949	(251)
Interest earnings	50,000	50,000	20,076	(29,924)
Refunds and reimbursements	26,000	26,000	42,466	16,466
Miscellaneous revenue	17,550	17,550	284,836	267,286
Total revenues	<u>1,885,875</u>	<u>1,885,875</u>	<u>2,404,306</u>	<u>518,431</u>
Expenditures				
General government				
Mayor and council	21,905	21,905	18,241	3,664
Administration and finance	129,378	129,378	130,357	(979)
Other general government	392,585	392,585	385,121	7,464
Public safety				
Police				
Current expenditures	315,978	315,978	328,702	(12,724)
Capital outlay	215,840	215,840	170,050	45,790
Fire				
Current expenditures	122,180	122,180	144,575	(22,395)
Capital outlay	171,172	171,172	1,680	169,492
Other protection				
Current expenditures	2,550	2,550	792	1,758
Streets and highways				
Street maintenance	216,628	216,628	245,048	(28,420)
Street lighting	35,000	35,000	38,894	(3,894)
Street construction - capital outlay	60,000	60,000	222,623	(162,623)
Sanitation				
Garbage and other refuse collection	188,286	188,286	209,445	(21,159)
Culture and recreation				
Parks and recreation - current expenditures	82,951	82,951	96,317	(13,366)
Parks and recreation - capital outlay	64,900	64,900	73,953	(9,053)
Debt service				
Principal paid	1,150	1,150	1,203	(53)
Interest and fiscal charges	250	250	165	85
Total expenditures	<u>2,020,753</u>	<u>2,020,753</u>	<u>2,067,166</u>	<u>(46,413)</u>
Net Change in Fund Balance	<u>\$ (134,878)</u>	<u>\$ (134,878)</u>	337,140	<u>\$ 472,018</u>
Fund Balance - Beginning			<u>2,848,807</u>	
Fund Balance - Ending			<u>\$ 3,185,947</u>	

The notes to the financial statements are an integral part of the financial statements

City of Eagle Lake
Statement of Net Position – Proprietary Funds
December 31, 2021

	Water	Sanitary Sewer	Total
Assets			
Current assets			
Cash and cash equivalents	\$ 319,372	\$ 936,980	\$ 1,256,352
Accounts receivable	33,424	91,425	124,849
Prepaid items	14,036	14,036	28,072
Total current assets	<u>366,832</u>	<u>1,042,441</u>	<u>1,409,273</u>
Noncurrent assets			
Capital assets not being depreciated			
Land	6,000	6,000	12,000
Capital assets, net of accumulated depreciation			
Distribution plant	1,104,150	880,179	1,984,329
Buildings and equipment	53,410	67,136	120,546
Total noncurrent assets	<u>1,163,560</u>	<u>953,315</u>	<u>2,116,875</u>
Total assets	<u>1,530,392</u>	<u>1,995,756</u>	<u>3,526,148</u>
Deferred Outflows of Resources			
Pension plans	<u>31,313</u>	<u>29,416</u>	<u>60,729</u>
Liabilities			
Current liabilities			
Accounts payable	1,896	3,447	5,343
Accrued payroll	2,912	2,911	5,823
Compensated absences	3,987	3,988	7,975
Total current liabilities	<u>8,795</u>	<u>10,346</u>	<u>19,141</u>
Non-current liabilities			
Net pension liability	<u>41,300</u>	<u>38,801</u>	<u>80,101</u>
Total liabilities	<u>50,095</u>	<u>49,147</u>	<u>99,242</u>
Deferred Inflows of Resources			
Pension plans	<u>39,088</u>	<u>36,723</u>	<u>75,811</u>
Net Position			
Net investment in capital assets	1,163,560	953,315	2,116,875
Unrestricted	308,962	985,987	1,294,949
Total net position	<u>\$ 1,472,522</u>	<u>\$ 1,939,302</u>	<u>\$ 3,411,824</u>

City of Eagle Lake
Statement of Revenues, Expenses and Changes in Net Position - Proprietary Funds
Year Ended December 31, 2021

	Water	Sanitary Sewer	Total
Operating Revenues			
Utility sales	\$ 420,112	\$ 499,356	\$ 919,468
Connection charges	6,015	4,213	10,228
Miscellaneous revenue	605	47,406	48,011
	<u>426,732</u>	<u>550,975</u>	<u>977,707</u>
Total operating revenues			
Operating Expenses			
Distribution system	232,007	397,537	629,544
General and administrative	1,325	12,866	14,191
Depreciation	56,329	46,653	102,982
	<u>289,661</u>	<u>457,056</u>	<u>746,717</u>
Total operating expenses			
Operating income	137,071	93,919	230,990
Interfund Transfers			
Transfers out	(50,000)	(50,000)	(100,000)
Change in Net Position	87,071	43,919	130,990
Net Position - Beginning	<u>1,385,451</u>	<u>1,895,383</u>	<u>3,280,834</u>
Net Position - Ending	<u>\$ 1,472,522</u>	<u>\$ 1,939,302</u>	<u>\$ 3,411,824</u>

City of Eagle Lake
Statement of Cash Flows - Proprietary Funds
Year Ended December 31, 2021

	Water	Sanitary Sewer	Total
Cash Flows Provided by (Used for) Operating Activities			
Receipts from customers	\$ 424,071	\$ 514,787	\$ 938,858
Payments to employees	(70,120)	(69,988)	(140,108)
Payments to suppliers	(220,215)	(455,787)	(676,002)
Net cash provided by (used for) operating activities	<u>133,736</u>	<u>(10,988)</u>	<u>122,748</u>
Cash Flows Used for Noncapital Financing Activities			
Transfers to governmental funds	<u>(50,000)</u>	<u>(50,000)</u>	<u>(100,000)</u>
Cash Flows Used for Capital and Related Financing Activities			
Acquisition of property, plant and equipment	<u>-</u>	<u>(5,821)</u>	<u>(5,821)</u>
Net Change in Cash and Cash Equivalents	83,736	(66,809)	16,927
Cash and Cash Equivalents - January 1	<u>235,636</u>	<u>1,003,789</u>	<u>1,239,425</u>
Cash and Cash Equivalents - December 31	<u>\$ 319,372</u>	<u>\$ 936,980</u>	<u>\$ 1,256,352</u>
Reconciliation of Operating income to Net Cash Provided by (Used for) Operating Activities			
Operating income	\$ 137,071	\$ 93,919	\$ 230,990
Adjustments to reconcile operating income to net cash provided by (used for) operating activities			
Depreciation	56,329	46,653	102,982
Deferred outflows	(21,229)	(19,940)	(41,169)
Net pension liability	(15,366)	(14,436)	(29,802)
Deferred inflows	34,996	32,879	67,875
Decrease (increase) in assets			
Accounts receivable	(2,661)	(36,188)	(38,849)
Prepaid items	(2,616)	(2,617)	(5,233)
Increase (decrease) in liabilities			
Accounts payable	(52,037)	(110,507)	(162,544)
Accrued payroll	(372)	(373)	(745)
Compensated absences	(379)	(378)	(757)
Net Cash Provided by (Used for) Operating Activities	<u>\$ 133,736</u>	<u>\$ (10,988)</u>	<u>\$ 122,748</u>

Note 1 - Summary of Significant Accounting Policies

The City of Eagle Lake (the City) is a municipal corporation governed by a mayor and a four-member council elected by eligible voters of the City. The financial statements of the City have been prepared in conformity with accounting principles generally accepted in the United States of America 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 applies all relevant GASB pronouncements. The significant City accounting policies are described below.

A. Financial Reporting Entity

The financial reporting entity consists of (a) the primary government, (b) organizations for which the primary government is financially accountable and (c) other organizations for which the primary government is not accountable, but for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

The City is the basic level of government which has oversight responsibility and control over all activities related to the government in the City's area. The City receives funding from local, state, and federal government sources and must comply with the requirements of these funding source entities. However, the City is not included in any other governmental "reporting entity" as defined by the GASB's pronouncements, since mayor and council members are elected by the public and have decision making authority, the authority to levy taxes, the power to designate management, the ability to significantly influence operations and primary accountability for fiscal matters.

Component units are legally separate organizations for which the elected officials of the primary government are financially accountable. In addition, component units can be other organizations for which the nature and significance of their relationships with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete. The City does not have any component units.

B. Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the non-fiduciary activities of the primary government and its component units. For the most part, the effect of inter-fund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support. Likewise, the *primary government* is reported separately from certain legally separate *component units* for which the primary government is financially accountable. The City at present does not have any component units.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include (a) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual proprietary funds are reported as separate columns in the fund financial statements.

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

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

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

Property taxes, franchise taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received by the government.

The government reports the following major governmental funds:

- *General fund* is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.
- *2010 Debt Service fund* accounts for the sources of revenue for and the payments for the 2010 G.O. bonds and the 2010 PFA loan.
- *CSAH 27 Street Project capital project fund* accounts for the sources of revenue for and the payments for the CSAH 27 Street project.

The government reports the following major proprietary funds:

- *Water fund* accounts for the activities of the government's water distribution operations.
- *Sanitary Sewer fund* accounts for the activities of the government's sewage pumping stations and collection systems.

As a general rule, the effect of inter-fund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments-in-lieu of taxes and other charges between the government's water and sewer functions and various other functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

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

D. Assets, Liabilities, Deferred Inflows/Outflows of Resources, and Net Position or Fund Balance

1. Cash and Cash Equivalents

Cash balances of the City's funds are combined (pooled) and invested to the extent available in various deposits and investments authorized by Minnesota State Statutes. Each fund shares in the earnings according to its average cash and investments balance. Cash and cash equivalents include amounts in demand deposits, certificates of deposit as well as amounts in the Minnesota 4M Plus Fund, an external investment pool in which funds are available on demand. For the purposes of the statement of cash flows, cash includes all of the above. There were no investing, capital, or financing activities that affect recognized assets or liabilities but do not result in cash receipts or payments for the year ended December 31, 2021. The Minnesota 4M Plus Fund is stated at cost which approximates fair value.

2. Restricted Cash

During 2019, the City was advanced funds intended for loans to businesses located within the City. Loans are disbursed to businesses once documentation of improvement costs are submitted to the City by the businesses. The difference between the amount received by the City and the amount disbursed by the City is reported as restricted cash. Additionally, there are funds related to a building project restricted in nature.

3. Receivables and Payables

Under the modified accrual basis of accounting, some revenues are susceptible to accrual while others are not. Major revenues treated as susceptible to accrual are property taxes, special assessments, and state and federal aids. All receivables are reported at their gross value and, if appropriate, reduced by the estimated portion that is expected to be uncollectible. The City has reviewed receivables and determined that no allowance for uncollectible accounts is necessary.

Interest on investments and certain receivables are recorded as revenue in the year that the interest is earned and is available to pay liabilities of the current period.

On or before September 30th of each year, the City Council certifies to the county auditor the dates that it has selected for its public hearing and for the continuation of its hearing, if necessary. If not certified by this date, the county auditor will assign the hearing date. All cities must hold public hearings on their proposed property tax levies.

Beginning on November 29th and through December 20th of each year, the City is required by State Law to hold its public hearing on its proposed budgets and proposed property tax levies for the taxes payable in the following year. On or before five business days after December 20th, the City Council certifies its final adopted property taxes payable the following year to the county auditor. If the City has not certified its final property tax by this time, its property tax shall be the amount levied by it in the preceding year.

In Minnesota, counties act as collection agents for all property taxes. The County spreads all levies over taxable property. Such taxes become a lien on January 1 and are recorded as receivables by the City at that date. Revenues are accrued and recognized in the year collectible, net of delinquencies. Real property taxes may be paid by taxpayers in two equal installments on May 15 and October 15. Agricultural land taxes may be paid on November 15. Personal property taxes may be paid on February 28 and June 30. The County provides tax settlements to cities and other taxing districts three times a year, in January, June, and November.

4. Prepaid Items

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

5. Capital Assets

Capital assets which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items) are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$1,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at acquisition value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed.

Capital assets are depreciated using the straight-line method over the following estimated useful lives:

	<u>Years</u>
Lift station	50
Sanitary sewer mains	40
Water mains	40
Storm sewer mains	40
Street and roadways	40
Sump pump lines	40
Buildings	40
Concrete curb and gutter	40
Sidewalks	40
Wells and pump houses	25
Water, electric, meters	20
Office equipment	10
Machinery, equipment, radios, phones	10
Computer equipment and software	5
Vehicles	5
Land	Not Depreciated

6. Compensated Absences

Vacation leave may be accumulated to a total of not more than 200 hours with a carryover amount of 80 hours. Vacation leave is paid 100 percent at the time of separation from employment with the City, given the employee has served at least twelve consecutive months prior to separation.

7. Long-Term Obligations

In the government-wide financial statements and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business type activities, or proprietary fund type statement of net position. In the fund financial statements, governmental fund types report the face amount of debt issued is reported as other financing sources.

Bond premiums and discounts are deferred and amortized over the life of the bonds and issuance costs are expensed in the period incurred. In the fund financial statements, governmental fund types recognize premiums received on debt issuances as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

8. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position or governmental balance sheet will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position or fund balance that applies to a future period and so will *not* be recognized as an outflow (expense/expenditure) until then. The City has two items that qualify for reporting in this category. They are the contributions made to pension plans after the measurement date and prior to the fiscal year-end, and changes in the net pension liability not included in pension expense reported in the government-wide statement of net position.

In addition to liabilities, the statement of financial position or the governmental balance sheet will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position or fund balance that applies to a future period and so will *not* be recognized as an inflow of resources (revenue) until that time. The city has two items that qualifies for reporting in this category, *unavailable revenue*, which arises only under the modified accrual basis of accounting. Accordingly, *unavailable revenue* is only reported on the governmental funds balance sheet. These amounts are deferred and recognized as an inflow of resources in the period that the amount becomes available. The other item is changes in the net pension liability not included in pension expense reported in the government-wide statement of net position.

9. Pensions

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

10. Fund Balance and Net Position

Net position represents the difference between assets and deferred outflows of resources and liabilities and deferred inflows of resources in the government-wide financial statements and proprietary fund statements. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balance of any long-term debt used to build or acquire the capital assets. Net position is reported as restricted in the government-wide financial statements when there are limitations imposed on their use through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. When both restricted and unrestricted resources are available, it is the City's policy to use restricted resources first. The following classifications describe the relative strength of the spending constraints:

- Nonspendable fund balance—amounts that are not in spendable form (such as prepaid items) or are required to be maintained intact.
- Restricted fund balance—amounts constrained to specific purposes by their providers (such as grantors, bondholders, and higher levels of government), through constitutional provisions, or by enabling legislation.
- Committed fund balance—amounts constrained to specific purposes by the City itself, using its highest level of decision-making authority (i.e., City Council resolution). To be reported as committed, amounts cannot be used for any other purpose unless the City takes the same highest-level action to remove or change the constraint.
- Assigned fund balance—amounts the City intends to use for a specific purpose. Intent can be expressed by the City Council or by an official or body to which the City Council delegates the authority. The City Council has delegated this authority to the City Administrator.
- Unassigned fund balance—amounts that are available for any purpose. Positive amounts are reported only in the general fund.

The City approved to maintain 50 percent of the annual budget as a minimum unassigned general fund balance. If resources from more than one fund balance classification could be spent, the City will strive to spend resources from fund balance classifications in the following order (first to last): restricted, committed, assigned, and unassigned.

E. Inter-fund Transactions

Quasi-external transactions are accounted for as revenues or expenses. Transactions that constitute reimbursements to a fund for expenditures/expenses initially made from it that are properly applicable to another fund, are recorded as expenditures/expenses in the reimbursing fund as reductions of expenditures/expenses in the fund that is reimbursed.

All other inter-fund transactions, except quasi-external transactions and reimbursements, are reported as transfers. Transfers between funds within the same activity have been eliminated from the government-wide financial statements.

Note 2 - Stewardship, Compliance and Accountability

A. Budgetary Information

Annual budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America for all governmental funds. All annual appropriations lapse at year end. The actual revenues, expenditures, and transfers for the year ended December 31, 2021, have been compared to the City's budget for the year where applicable. Variances which are in parentheses are unfavorable and indicate revenues are less than budget or expenditures are greater than budget. The budget is adopted through passage of a resolution. Administration can authorize transfer of budgeted amounts within any fund per state statutes. Any revisions that alter total expenditures of any fund must be approved by the City Council.

On or before the last Tuesday in August of each year, all agencies of the government submit requests for appropriation to the government's manager so that a budget may be prepared. The budget is prepared by fund, function, and activity and includes information on the past year, current year estimates, and requested appropriations for the next fiscal year.

The government's council reviews the budget at their regular meeting in September and makes changes as they see fit. All changes are approved by an affirmative vote of a majority of the council.

Budgetary control is maintained at the object of expenditure category level within each activity, and in compliance with State requirements. Also inherent in this controlling function is the management philosophy that the existence of a particular item or appropriation in the approved budget does not automatically mean that it will be spent. The budget process has flexibility in that, where need has been properly demonstrated, an adjustment can be made within the department budget by the City Council. Therefore, there is a constant review process and expenditures are not approved until it has been determined that (a) adequate funds were appropriated; (b) the expenditure is still necessary; and (c) funds are available. Budgeted amounts are as originally adopted or as amended by the City Council. Budgeted expenditure appropriations lapse at year end.

B. Excess of Expenditures over Appropriations

For the year ended December 31, 2021, expenditures exceeded appropriations in the general fund by \$46,413. These over expenditures were funded by greater than anticipated revenues.

C. Deficit Fund Balance

At December 31, 2021, the CSAH 27 Street Project capital project fund had a deficit balance of \$151,640, the 2010 Debt Service fund had a deficit balance of \$14,549, and the 2017 Debt Service fund had a deficit balance of \$1,043. These deficits will be eliminated in future years through a combination of tax levies, special assessments, and transfers from other funds.

Note 3 - Detailed Notes on All Funds

A. Cash and Cash Equivalents

In accordance with Minnesota Statutes, the City maintains deposits at those depository banks authorized by the City Council. All such depositories are members of the Federal Reserve System. Minnesota Statutes require that all City deposits be protected by insurance, surety bond, or collateral. The market value of collateral pledged must equal 110% of the deposits not covered by insurance or bonds. Minnesota Statutes require that securities pledged as collateral be held in safekeeping by the City Treasurer or in a financial institution other than that furnishing the collateral.

The Minnesota 4M Plus Fund is an external investment pool not registered with the Securities and Exchange Commission (SEC) that follows the same regulatory rules of the SEC under rule 2a7. The fair value of the position in the pool is the same as the value of the pool's shares.

Interest Rate Risk. The City does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit Risk. The City may invest funds as authorized by Minnesota Statutes Section 118A.04. The Certificates of Deposit are invested time deposits that are fully insured by the Federal Deposit Insurance Corporation.

Concentration of Credit Risk. The City places no limit on the amount the City may invest in any one issuer. More than 5% of the City's Certificates of Deposit are in Community Bank (52%) and Citizens Community Federal Bank (48%).

Custodial Credit Risk. Custodial credit risk is the risk that in the event of a bank failure, the City's deposits may not be returned to it. The City does not have a deposit policy for custodial credit risk. As of December 31, 2021, the City's deposits at one financial institution were undercollateralized by approximately \$253,000.

The following table presents the City's deposit and cash equivalent balances at December 31, 2021:

Demand deposits (interest bearing)	\$ 4,534,529
Money market	142
Certificates of deposit	<u>480,459</u>
	<u><u>\$ 5,015,130</u></u>

Cash is included in the basic financial statements as follows:

Cash and cash equivalents - Governmental funds	\$ 3,589,677
Restricted Cash - Governmental funds	169,101
Cash and cash equivalents - Proprietary funds	<u>1,256,352</u>
	<u><u>\$ 5,015,130</u></u>

B. Receivables

Receivables as of the year end for the City are reported on the Statements of Net Position and Balance Sheet. The City has determined no allowance for uncollectible receivables is necessary.

The City issued promissory notes through the Economic Development Authority Revolving Loan Fund program to local businesses and organizations. The notes are receivable in monthly installments ranging from \$100 to \$419 and interest rates from 2.00% to 6.00%. The notes are secured by one or a combination of the following: a mortgage, a second mortgage, equipment and fixtures. The current outstanding balance on these loans is \$13,571 as of December 31, 2021.

The City has also issued forgivable promissory notes through the Economic Development Authority Revolving Loan Fund program to local businesses and organizations. The notes will be forgiven over a period of five years and require that the business remain open and make semiannual interest payments. Borrowers are required to submit proof of eligible expenses and the city issues loan funds equal to those expenses, up to an established maximum. The notes bear an interest rate of 4.00% to 5.00%. The total amount authorized for these notes is \$24,743. As of December 31, 2021, \$15,974 remains to be advanced to borrowers, and is reported as a due to borrower liability. The current outstanding balance on these loans is \$5,671.

Governmental funds report unearned revenue in connection with revenues that have been received but unearned and report unavailable revenue in connection with revenue that have been earned but not received. Both items are not considered to be available to liquidate liabilities of the current period. At the end of the current fiscal year, the various components of unavailable and unearned revenue reported in the governmental funds were as follows:

	Unavailable
Special assessments not yet due (general fund)	\$ 7,143
Special assessments not yet due (debt service funds)	120,700
Delinquent property taxes (general fund)	7,548
 Total	 \$ 135,391

C. Capital Assets

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

	<u>Beginning Balances</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Governmental Activities				
Capital assets, not being depreciated				
Land	\$ 406,199	\$ -	\$ 123,450	\$ 282,749
Construction in progress	<u>105,725</u>	<u>1,420,300</u>	<u>140,153</u>	<u>1,385,872</u>
Total capital assets, not being depreciated	<u>511,924</u>	<u>1,420,300</u>	<u>263,603</u>	<u>1,668,621</u>
Capital assets, being depreciated				
Buildings	2,768,643	-	78,050	2,690,593
Road network	5,615,647	-	-	5,615,647
Equipment	1,048,582	393,235	12,077	1,429,740
Land improvements	555,836	-	-	555,836
Vehicles	<u>1,619,466</u>	<u>50,767</u>	<u>28,212</u>	<u>1,642,021</u>
Total capital assets, being depreciated	<u>11,608,174</u>	<u>444,002</u>	<u>118,339</u>	<u>11,933,837</u>
Less accumulated depreciation for				
Buildings	1,101,978	92,399	20,813	1,173,564
Road network	2,307,469	148,560	-	2,456,029
Equipment	580,298	74,555	8,555	646,298
Land improvements	250,251	14,969	-	265,220
Vehicles	<u>569,001</u>	<u>136,429</u>	<u>28,212</u>	<u>677,218</u>
Total accumulated depreciation	<u>4,808,997</u>	<u>466,912</u>	<u>57,580</u>	<u>5,218,329</u>
Total capital assets, being depreciated, net	<u>6,799,177</u>	<u>(22,910)</u>	<u>60,759</u>	<u>6,715,508</u>
Governmental activities capital assets, net	<u><u>\$ 7,311,101</u></u>	<u><u>\$ 1,397,390</u></u>	<u><u>\$ 324,362</u></u>	<u><u>\$ 8,384,129</u></u>

Depreciation expense was charged to activities of the governmental activities as follows:

General government	\$ 71,660
Public safety	167,942
Streets and highways	203,796
Culture and recreation	21,346
Economic development	<u>2,168</u>
	<u><u>\$ 466,912</u></u>

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

	<u>Beginning Balances</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Business-Type Activities				
Capital assets, not being depreciated				
Land	\$ 12,000	\$ -	\$ -	\$ 12,000
Capital assets, being depreciated				
Distribution plant	3,445,063	-	-	3,445,063
Equipment	601,383	5,821	-	607,204
Total capital assets, being depreciated	<u>4,046,446</u>	<u>5,821</u>	<u>-</u>	<u>4,052,267</u>
Less accumulated depreciation for				
Distribution plant	1,383,076	77,658	-	1,460,734
Equipment	461,334	25,324	-	486,658
Total accumulated depreciation	<u>1,844,410</u>	<u>102,982</u>	<u>-</u>	<u>1,947,392</u>
Total capital assets, being depreciated, net	<u>2,202,036</u>	<u>(97,161)</u>	<u>-</u>	<u>2,104,875</u>
Business-type activities capital assets, net	<u>\$ 2,214,036</u>	<u>\$ (97,161)</u>	<u>\$ -</u>	<u>\$ 2,116,875</u>

Depreciation expense was charged to business-type activities as follows:

Water	\$ 56,329
Sewer	<u>46,653</u>
	<u>\$ 102,982</u>

D. Capital Leases

During 2018, the City entered into a capital lease for a copier. The lease qualifies as a capital lease for accounting purposes and, therefore, has been recorded at the present value of the future minimum lease payments as of the inception date. The capital lease is payable in monthly installments of \$114, including interest at a rate of 5.63 percent per annum. The capital lease is paid from the general fund and is payable through 2023.

Annual debt service requirements to maturity for capital lease payments are as follows:

	Governmental Activities
2022	\$ 1,368
2023	1,026
Less: amount representing interest	(119)
Present value of capital lease payments	\$ 2,275

The asset acquired through the capital lease is as follows:

	Governmental Activities
Asset - Copier	\$ 5,950
Less: accumulated depreciation	(3,868)
Total	\$ 2,082

E. Long-Term Debt

General Obligation Bonds: The City issued general obligation bonds to provide funds for the acquisition and construction of major capital facilities. General obligation bonds are direct obligations and pledge the full faith and credit of the City. These bonds are paid out of the 2013, 2017, and CSAH 27 Street Project Debt Service funds. General obligation bonds currently outstanding are as follows:

<u>Bond Issue and Purpose</u>	<u>Interest Rates</u>	<u>Amount</u>
G.O. Crossover Refunding bonds of 2017A of \$525,000. Due in annual installments of \$55,000 to \$65,000 through February 1, 2028	1.60% to 3.00%	\$ 415,000
Minnesota Public Facilities Authority G.O. Improvement Note of 2010 of \$576,256. Due in annual installments of \$26,000 to \$31,000 through August 20, 2030	1.643%	264,000
G.O. Improvement Bonds of 2021A of \$1,295,000. Due in annual installments of \$80,000 to \$95,000 through February 1, 2037.	0.40% to 1.60%	1,295,000
G.O. Refunding Bonds of 2021B of \$1,398,000. Due in annual installments of \$162,000 to \$194,000 through February 1, 2029.	1.10%	<u>1,398,000</u>
		<u>\$ 3,372,000</u>

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

<u>Year Ending December 31</u>	<u>Governmental Activities</u>	
	<u>Principal</u>	<u>Interest</u>
2022	\$ 277,000	\$ 65,618
2023	351,000	54,305
2024	330,000	48,500
2025	334,000	42,771
2026	343,000	36,565
2027-2031	1,192,000	85,699
2032-2036	450,000	24,578
2037	<u>95,000</u>	<u>760</u>
Total	<u>\$ 3,372,000</u>	<u>\$ 358,796</u>

Changes in Long-Term Liabilities. During the year ended December 31, 2021, the following changes occurred in long-term debt:

	Balance January 1	Additions	Reductions	Balance December 31	Due Within One Year
Governmental Activities					
General obligation bonds	\$ 2,296,000	\$ 2,693,000	\$ 1,617,000	\$ 3,372,000	\$ 277,000
Capital lease	3,478	-	1,203	2,275	1,272
Compensated absences	13,527	16,005	16,706	12,826	12,826
Governmental activity					
Long-term liabilities	<u>\$ 2,313,005</u>	<u>\$ 2,709,005</u>	<u>\$ 1,634,909</u>	<u>\$ 3,387,101</u>	<u>\$ 291,098</u>
Business-Type Activities					
Compensated absences	<u>\$ 8,732</u>	<u>\$ 11,258</u>	<u>\$ 12,015</u>	<u>\$ 7,975</u>	<u>\$ 7,975</u>

Legal Debt Margin. The legal debt limitation based on market value of taxable property in the municipality is equal to \$6,921,228. As of December 31, 2021, none of the above debt was subject to the legal debt margin.

During the year ended December 31, 2021, the City issued \$1,295,000 of General Obligation Improvement Bonds, Series 2021A, to fund the CSAH 27/Agency Street reconstruction project. The bonds bear an interest rate of 0.40 to 1.60% and call for semiannual interest payments commencing February 2022 and annual principal payments commencing February 2023 through February 2037. The bonds will be paid from the CSAH 27 Project debt service fund through a combination of property tax levies, service revenues, and special assessments.

During the year ended December 31, 2021, the City also issued \$1,398,000 of General Obligation Refunding Bonds, Series 2021B, to refund the outstanding General Obligation Crossover Refunding Bonds of 2013A and General Obligation Improvement Bonds of 2013A. The bonds bear an interest rate of 1.10% and call for semiannual interest payments and annual principal commencing February 2022 through February 2029. The bonds will be paid from the 2013 debt service fund through property tax levies. The refunding reduced future cash payments by \$38,387 and provided for a net present value savings of \$36,637.

F. Inter-fund Transfers

Inter-fund transfers for the year ended December 31, 2021, consisted of the following and were for the purpose of covering debt service payments:

<u>Transferred From</u>	<u>Transferred To</u>
	Other Governmental Funds
Enterprise fund - water	\$ 50,000
Enterprise fund - sanitary sewer	50,000
CSAH 27 Street project fund	<u>12,527</u>
Total	<u>\$ 112,527</u>

G. Inter-fund Receivables and Payables

The following inter-fund receivables and payables existed at December 31, 2021, as a result of a deficit cash balance:

<u>Due To:</u>	2010 Debt Service Fund	Due From: CSAH 27 Street Project Fund	Other Governmental Funds	Total
General Fund	<u>\$ 15,434</u>	<u>\$ 149,433</u>	<u>\$ 1,043</u>	<u>\$ 165,910</u>

H. Fund Balances

Balances in Restricted Fund Balances as of December 31, 2021:

Restricted for Debt Service	\$ 336,999
Restricted for Special Revenue	<u>375,571</u>
Total	<u>\$ 712,570</u>

Balances in Committed Fund Balances as of December 31, 2021:

Committed for Capital Outlay	<u>\$ 1,447,094</u>
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Note 4 - Defined Benefit Pension Plans

A. Plan Description

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

1. General Employees Retirement Plan

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

2. Public Employees Police and Fire Plan

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 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 percent for each of the first 10 years of service and 1.7 percent for each additional year. Under Method 2, the accrual rate for Coordinated members is 1.7 percent for all years of service. For members hired prior to July 1, 1989 a full annuity is available when age plus years of service equal 90 and normal retirement age is 65. For members hired on or after July 1, 1989, normal retirement age is the age for unreduced Social Security benefits capped at 66.

Benefit increases are provided to benefit recipients each January. The postretirement increase is equal to 50 percent of the cost-of-living adjustment (COLA) announced by the SSA, with a minimum increase of at least 1 percent and a maximum of 1.5 percent. Recipients that have been receiving the annuity or benefit for at least a full year as of the June 30 before the effective date of the increase will receive the full increase. Recipients receiving the annuity or benefit for at least one month but less than a full year as of the June 30 before the effective date of the increase will receive a reduced prorated increase. For members retiring on January 1, 2024, or later, the increase will be delayed until normal retirement age (age 65 if hired prior to July 1, 1989, or age 66 for individuals hired on or after July 1, 1989). Members retiring under Rule of 90 are exempt from the delay to normal retirement.

2. Police and Fire Plan

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 percent after five years up to 100 percent after ten years of credited service. Benefits for Police and Fire Plan members first hired after June 30, 2014, vest on a prorated basis from 50 percent after ten years up to 100 percent after twenty years of credited service. The annuity accrual rate is 3 percent of average salary for each year of service. For 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 percent. Recipients that have been receiving the annuity or benefit for at least 36 months as of the June 30 before the effective date of the increase will receive the full increase. Recipients receiving the annuity or benefit for at least 25 months but less than 36 months as of the June 30 before the effective date of the increase will receive a reduced prorated increase.

C. Contributions

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

1. General Employees Fund Contributions

Coordinated Plan members were required to contribute 6.50 percent of their annual covered salary in fiscal year 2021 and the City was required to contribute 7.50 percent for Coordinated Plan members. The City's contributions to the General Employees Fund for the year ended December 31, 2021, were \$21,786. The City's contributions were equal to the required contributions as set by state statute.

2. Police and Fire Fund Contributions

Police and Fire Plan members were required to contribute 11.80 percent of their annual covered salary in fiscal year 2021 and the City was required to contribute 17.70 percent for Police and Fire Plan members. The City's contributions to the Police and Fire Fund for the year ended December 31, 2021, were \$37,904. The City's contributions were equal to the required contributions as set by state statute.

D. Pension Costs

1. General Employees Fund Pension Costs

At December 31, 2021, the City reported a liability of \$187,900 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 non-employer contributing entity and the state's contribution meets the definition of a special funding situation. The State of Minnesota's proportionate share of the net pension liability associated with the City totaled \$5,821.

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 0.0044 percent at the end of the measurement period and 0.0043 percent for the beginning of the period.

City's proportionate share of the net pension liability	\$	187,900
State of Minnesota's proportionate share of the net pension liability associated with the City		<u>5,821</u>
Total	<u>\$</u>	<u>193,721</u>

For the year ended December 31, 2021, the City recognized pension expense of \$17,285 for its proportionate share of the General Employees Plan's pension expense. In addition, the City recognized an additional \$470 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:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual economic experience	\$ 1,181	\$ 5,735
Changes in actuarial assumptions	114,728	4,122
Net collective difference between projected and actual investment earnings	-	162,451
Changes in proportion	14,205	5,528
Contributions paid to PERA subsequent to the measurement date	<u>12,337</u>	<u>-</u>
Total	<u>\$ 142,451</u>	<u>\$ 177,836</u>

The \$12,337 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 deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Years Ended December 31,</u>	<u>Pension Expense Amount</u>
2022	\$ 955
2023	(4,183)
2024	(109)
2025	(44,385)

2. Police and Fire Fund Pension Costs

At December 31, 2021, the City reported a liability of \$135,853 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 0.0176 percent at the end of the measurement period and 0.0190 percent for the beginning of the period.

City's proportionate share of the net pension liability	\$	135,853
State of Minnesota's proportionate share of the net pension liability associated with the City		<u>6,110</u>
Total	<u>\$</u>	<u>141,963</u>

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 percent funded, or until the State Patrol Plan (administered by the Minnesota State Retirement System) is 90 percent funded, whichever occurs later. Strong asset returns for the fiscal year ended 2021 will accelerate the phasing out of these state contributions, although we do not anticipate them to be phased out during the fiscal year ending 2022.

The State of Minnesota is included as a non-employer 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 pension expense of \$3,685 for its proportionate share of the Police and Fire Plan's pension expense. The City recognized \$1,113 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 non-employer contributing entity in the Police and Fire Pension Plan pension allocation schedules for the \$9 million in supplemental state aid. The City recognized \$1,584 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.

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:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual economic experience	\$ 26,496	\$ -
Changes in actuarial assumptions	199,669	65,320
Net collective difference between projected and actual investment earnings	-	257,227
Changes in proportion	28,791	28,880
Contributions paid to PERA subsequent to the measurement date	<u>20,154</u>	<u>-</u>
Total	<u>\$ 275,110</u>	<u>\$ 351,427</u>

The \$20,154 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:

<u>Years Ended December 31,</u>	<u>Pension Expense Amount</u>
2022	\$ (75,455)
2023	(10,537)
2024	(17,831)
2025	(33,284)
2026	40,636

3. Total Pension Expense

The total pension expense for all plans recognized by the City for the year ended December 31, 2021, was \$20,970.

E. Long-Term Expected Return on Investment

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 Allocations	Long-Term Expected Real Rate of Return
Domestic Equity	33.5%	5.10%
International Equity	16.5%	5.30%
Fixed Income	25.0%	0.75%
Private Markets	25.0%	5.90%
	100.0%	

F. Actuarial Methods and 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 percent. This assumption is based on a review of inflation and investments return assumptions from a number of national investment consulting firms. The review provided a range of return investment return rates deemed to be reasonable by the actuary. An investment return of 6.5 percent was deemed to be within that range of reasonableness for financial reporting purposes.

Inflation is assumed to be 2.25 percent for the General Employees Plan and 2.25 percent for the Police and Fire Plan. Benefit increases after retirement are assumed to be 1.25 percent for the General Employees Plan. The Police and Fire Plan benefit increase is fixed at 1 percent per year and that increase was used in the valuation.

Salary growth assumptions in the General Employees Plan range in annual increments from 10.25 percent after one year of service to 3.0 percent after 29 years of service and 6.0 percent per year thereafter. In the Police and Fire Plan, salary growth assumptions range from 11.75 percent after one year of service to 3.0 percent after 24 years of service.

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

Actuarial assumptions for the General Employees Plan are reviewed every four years. The most recent four-year experience study for the General Employees Plan was completed in 2019. The assumption changes were adopted by the Board and became effective with the July 1, 2020 actuarial valuation. The most recent four-year experience studies for the Police and Fire Plan were completed in 2020 were 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 percent to 6.50 percent, 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.

Police and Fire Fund

Changes in Actuarial Assumptions:

- The investment return and single discount rates were changed from 7.50 percent to 6.50 percent, for financial reporting purposes.
- The inflation assumption was changed from 2.50 percent to 2.25 percent.
- The payroll growth assumption was changed from 3.25 percent to 3.00 percent.

- The base mortality table for healthy annuitants and employees was changed from the RP-2014 table to the Pub-2010 Public Safety Mortality table. The mortality improvement scale was changed from MP-2019 to 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 percent to 70 percent. Minor changes to form of payment assumptions were applied.

Changes in Plan Provisions:

- There were no changes in plan provisions since the previous valuation.

G. Discount Rate

The discount rate used to measure the total pension liability in 2021 was 6.5 percent. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and employers will be made at rates set in Minnesota Statutes. Based on these assumptions, the fiduciary net positions of the 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 (asset) would be if it were calculated using a discount rate one percentage point lower or one percentage point higher than the current discount rate:

Sensitivity Analysis						
<i>Net Pension Liability (Asset) at Different Discount Rates</i>						
	General Employees Fund			Police and Fire Fund		
1% Lower	5.50%	\$	383,219	5.50%	\$	431,311
Current Discount Rate	6.50%	\$	187,900	6.50%	\$	135,853
1% Higher	7.50%	\$	27,628	7.50%	\$	(106,349)

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.

Note 5 - Public Employees Defined Contribution Plan (Defined Contribution Plan)

One City Council member is 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 five percent of salary which is matched by the elected official's employer. For ambulance service personnel, employer contributions are determined by the employer, and for salaried employees contributions must be a fixed percentage of salary. Employer contributions for volunteer personnel may be a unit value for each call or period of alert duty. Employees who are paid for their services may elect to make member contributions in an amount not to exceed the employer share. Employer and employee contributions are combined and used to purchase shares in one or more of the seven accounts of the Minnesota Supplemental Investment Fund. For administering the plan, PERA receives two percent of employer contributions and twenty-five hundredths of one percent (0.25 percent) of the assets in each member's account annually.

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

Contribution Amount		Percentage of Covered Payroll		Required
Employee	Employer	Employee	Employer	Rate
\$ 215	\$ 215	5%	5%	5%

Note 6 - Other Information

A. Contingencies

The City participates in a number of federal and state programs that are either partially or fully funded by grants or aids received from these agencies or other governmental units. Such programs are subject to audit by the grantor agencies which could result in requests for reimbursement to the granting agency for expenditures that are disallowed under the terms of the grant.

B. Commitments

At year end, the City had commitments for several construction projects that were not complete as described in the following paragraphs.

The City has entered into a contract for reconstruction of CSAH 27 and Agency Street. The contract had a total value of approximately \$1,700,000. As of December 31, 2021, the City had a remaining construction commitment of approximately \$314,000. The project is expected to be completed in the summer of 2022.

C. Risk Management

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The City accounts for and reports risk management activities in the general fund within the constraints of the modified accrual basis of accounting.

The City continues to carry commercial insurance for all other risks of loss, including employee health and accident insurance. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past four fiscal years.

D. Conduit Debt Obligation

During 2019, the City issued a \$10,000,000 Revenue Note to provide financial assistance to a nonprofit organization for the acquisition, construction, and equipping of its facility. The note is secured by the property financed and are payable solely by the organization. Upon repayment of the note, ownership of the acquired facilities and equipment transfers to the nonprofit organization. The City has no financial obligation for repayment of the note. Accordingly, the note is not reported as a liability in the accompanying financial statements. As of December 31, 2021, the note had a remaining principal balance of \$9,997,836.



Required Supplementary Information
December 31, 2021

City of Eagle Lake

Schedule of Employer's Share of Net Pension Liability and Schedule of Employer's Contributions
Year Ended December 31, 2021

**Schedule of Employer's Share of Net Pension Liability
Last 10 Fiscal Years ***

Pension Plan	Measurement Date	City's Proportionate Share (Percentage) of the Net Pension Liability (Asset)	City's Proportionate Share (Amount) of the Net Pension Liability (Asset) (a)	State's Proportionate Share (Amount) of the Net Pension Liability Associated With City (b)	Total (d) (a+b)	City's Covered Payroll (e)	City's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered Payroll (a/e)	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
General Employees	06/30/21	0.0044%	\$ 187,900	\$ 5,821	\$ 193,721	\$ 297,500	63.2%	87.0%
	06/30/20	0.0043%	257,805	7,891	265,696	288,046	89.5%	79.1%
	06/30/19	0.0045%	248,795	7,666	256,461	293,569	84.7%	80.2%
	06/30/18	0.0038%	210,808	6,871	217,679	258,787	81.5%	79.5%
	06/30/17	0.0035%	223,438	2,784	226,222	353,107	63.3%	75.9%
	06/30/16	0.0037%	300,422	3,873	304,295	234,274	128.2%	68.9%
	06/30/15	0.0036%	186,571	N/A	186,571	218,796	85.3%	78.2%
	Police and Fire	06/30/21	0.0176%	\$ 135,853	\$ 6,110	\$ 141,963	\$ 192,930	70.4%
06/30/20		0.0190%	250,440	5,885	256,325	203,201	123.2%	87.2%
06/30/19		0.0209%	222,502	N/A	222,502	211,387	105.3%	89.3%
06/30/18		0.0182%	193,993	N/A	193,993	191,798	101.1%	88.8%
06/30/17		0.0150%	202,518	N/A	202,518	157,661	128.5%	85.4%
06/30/16		0.0150%	601,976	N/A	601,976	146,710	410.3%	63.9%
06/30/15		0.0160%	181,797	N/A	181,797	147,827	123.0%	86.6%

**Schedule of Employer's Contributions
Last 10 Fiscal Years ***

Pension Plan	Fiscal Year Ending	Statutorily Required Contribution (a)	Contributions in Relation to the Statutorily Required Contribution (b)	Contribution Deficiency (Excess) (a-b)	Covered Payroll (d)	Contributions as a Percentage of Covered Payroll (b/d)
General Employees	12/31/21	\$ 21,786	\$ 21,786	\$ -	\$ 290,480	7.5%
	12/31/20	22,676	22,676	-	302,347	7.5%
	12/31/19	23,549	23,549	-	313,987	7.5%
	12/31/18	22,836	22,836	-	304,480	7.5%
	12/31/17	17,490	17,490	-	233,200	7.5%
	12/31/16	16,698	16,698	-	223,364	7.5%
	12/31/15	16,617	16,617	-	221,560	7.5%
	Police and Fire	12/31/21	\$ 37,904	\$ 37,904	\$ -	\$ 214,147
12/31/20		36,471	36,471	-	206,501	17.7%
12/31/19		38,119	38,119	-	224,891	16.9%
12/31/18		34,255	34,255	-	211,452	16.2%
12/31/17		28,597	28,597	-	178,017	16.1%
12/31/16		23,045	23,045	-	142,253	16.2%
12/31/15		23,453	23,453	-	144,770	16.2%

* GASB Statement No. 68 requires ten years of information to be presented in this table. However, until a full 10-year trend is compiled, the City will present information for those years for which information is available.

Notes to the Schedule of Employer's Share of Net Pension Liability and Schedule of Employer's Contributions**2021 Changes**

Changes in Actuarial Assumptions

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

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.

2019 Changes

Changes in Actuarial Assumptions

- The mortality 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 percent per year through 2044 and 2.50 percent per year thereafter to 1.25 percent 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 percent to 3.00 percent, beginning July 1, 2018.
- Deferred augmentation was changed to 0.00 percent, 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 percent per year with a provision to increase to 2.50 percent upon attainment of 90.00 percent funding ratio to 50.00 percent of the Social Security Cost of Living Adjustment, not less than 1.00 percent and not more than 1.50 percent, beginning January 1, 2019.
- For retirements on or after January 1, 2024, the first benefit increase is delayed until the retiree reaches normal retirement age; does not apply to Rule of 90 retirees, disability benefit recipients, or survivors.
- Actuarial equivalent factors were updated to reflect revised mortality and interest assumptions.

2017 Changes**Changes in Actuarial Assumptions**

- The combined service annuity (CSA) loads were changed from 0.80 percent for active members and 60.00 percent for vested and non-vested deferred members. The revised CSA load are now 0.00 percent for active member liability, 15.00 percent for vested deferred member liability, and 3.00 percent for non-vested deferred member liability.
- The assumed postretirement benefit increase rate was changed for 1.00 percent per year for all years to 1.00 percent per year through 2044 and 2.50 percent 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.

2016 Changes

Changes in Actuarial Assumptions

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

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 percent per year through 2030 and 2.50 percent per year thereafter to 1.00 percent per year through 2035 and 2.50 percent per year thereafter.

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 percent to 6.50 percent, for financial reporting purposes.
- The inflation assumption was changed from 2.50 percent to 2.25 percent.
- The payroll growth assumption was changed from 3.25 percent to 3.00 percent.
- The base mortality table for healthy annuitants and employees was changed from the RP-2014 table to the Pub-2010 Public Safety Mortality table. The mortality improvement scale was changed from MP-2019 to 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 percent to 70 percent. Minor changes to form of payment assumptions were applied.

Changes in Plan Provisions

- There were no changes in plan provisions since the previous valuation.

2020 Changes

Changes in Actuarial Assumptions

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

Changes in Plan Provisions

- Postretirement benefit increases were changed to 1.00 percent for all years, with no trigger.
- An end date of July 1, 2048 was added to the existing \$9.0 million state contribution.
- New annual state aid will equal \$4.5 million in fiscal years 2019 and 2020, and \$9.0 million thereafter until the plan reaches 100 percent funding, or July 1, 2048, if earlier.
- Member contributions were changed from 10.80 percent to 11.30 percent of pay, effective January 1, 2019 and 11.80 percent of pay, effective January 1, 2020.
- Employer contributions were changed from 16.20 percent to 16.95 percent of pay, effective January 1, 2019 and 17.70 percent of pay, effective January 1, 2020.
- Interest credited on member contributions decreased from 4.00 percent to 3.00 percent, beginning July 1, 2018.
- Deferred augmentation was changed to 0.00 percent, effective January 1, 2019. Augmentation that has already accrued for deferred members will still apply.
- Actuarial equivalent factors were updated to reflect revised mortality and interest assumptions.

2017 Changes

Changes in Actuarial Assumptions

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

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

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 percent per year through 2030 and 2.50 percent per year thereafter to 1.00 percent per year through 2037 and 2.50 percent per year thereafter.

Changes in Plan Provisions

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



Supplementary Schedules and Related Information
December 31, 2021

City of Eagle Lake

City of Eagle Lake
Combining Balance Sheet – Nonmajor Governmental Funds
December 31, 2021

	Special Revenue Funds					Total Special Revenue Funds	Debt Service Funds				Total Debt Service Funds	Total Nonmajor Governmental Funds
	EDA	EDA Revolving	Tax Increment District 2-1	Tax Increment District 3-1	Small Cities		2013 Debt Service	2017 Debt Service	CSAH 27 Street Project Debt Service	Joan Lane		
Assets												
Cash and cash equivalents	\$ 227,069	\$ 39,270	\$ 54,308	\$ 34,773	\$ 18,294	\$ 373,714	\$ 198,084	\$ -	\$ 126,667	\$ 12,248	\$ 336,999	\$ 710,713
Restricted cash	-	15,974	-	-	-	15,974	-	-	-	-	-	15,974
Receivables												
Notes	-	19,242	-	-	-	19,242	-	-	-	-	-	19,242
Taxes	-	-	1,932	-	-	1,932	-	-	-	-	-	1,932
Special assessments	-	-	-	-	-	-	-	-	-	4,525	4,525	4,525
Total Assets	<u>\$ 227,069</u>	<u>\$ 74,486</u>	<u>\$ 56,240</u>	<u>\$ 34,773</u>	<u>\$ 18,294</u>	<u>\$ 410,862</u>	<u>\$ 198,084</u>	<u>\$ -</u>	<u>\$ 126,667</u>	<u>\$ 16,773</u>	<u>\$ 341,524</u>	<u>\$ 752,386</u>
Liabilities												
Accounts payable	\$ -	\$ 75	\$ -	\$ -	\$ -	\$ 75	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 75
Due to borrower	-	15,974	-	-	-	15,974	-	-	-	-	-	15,974
Due to other funds	-	-	-	-	-	-	-	1,043	-	-	1,043	1,043
Total liabilities	<u>-</u>	<u>16,049</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>16,049</u>	<u>-</u>	<u>1,043</u>	<u>-</u>	<u>-</u>	<u>1,043</u>	<u>17,092</u>
Deferred Inflows of Resources												
Unavailable revenue	-	-	-	-	-	-	-	-	-	4,525	4,525	4,525
Fund Balances												
Nonspendable	-	19,242	-	-	-	19,242	-	-	-	-	-	19,242
Restricted	227,069	39,195	56,240	34,773	18,294	375,571	198,084	-	126,667	12,248	336,999	712,570
Unassigned	-	-	-	-	-	-	-	(1,043)	-	-	(1,043)	(1,043)
Total fund balances	<u>227,069</u>	<u>58,437</u>	<u>56,240</u>	<u>34,773</u>	<u>18,294</u>	<u>394,813</u>	<u>198,084</u>	<u>(1,043)</u>	<u>126,667</u>	<u>12,248</u>	<u>335,956</u>	<u>730,769</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$ 227,069</u>	<u>\$ 74,486</u>	<u>\$ 56,240</u>	<u>\$ 34,773</u>	<u>\$ 18,294</u>	<u>\$ 410,862</u>	<u>\$ 198,084</u>	<u>\$ -</u>	<u>\$ 126,667</u>	<u>\$ 16,773</u>	<u>\$ 341,524</u>	<u>\$ 752,386</u>

City of Eagle Lake

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

	Special Revenue Funds					Total Special Revenue Funds	Debt Service Funds				Total Debt Service Funds	Total Nonmajor Government Funds
	EDA	EDA Revolving	Tax Increment District 2-1	Tax Increment District 3-1	Small Cities		2013 Debt Service	2017 Debt Service	CSAH 27 Street Project Debt Service	Joan Lane		
Revenues												
Property taxes	\$ 50,978	\$ -	\$ 109,056	\$ -	\$ -	\$ 160,034	\$ 113,894	\$ -	\$ -	\$ 40,970	\$ 154,864	\$ 314,898
Special assessments	-	-	-	-	-	-	-	-	114,140	1,318	115,458	115,458
Investment Earnings	103	48	-	-	-	151	-	-	-	-	-	151
Miscellaneous	-	1,786	-	-	6	1,792	-	-	-	-	-	1,792
Total revenues	51,081	1,834	109,056	-	6	161,977	113,894	-	114,140	42,288	270,322	432,299
Expenditures												
Economic Development	15,822	1,690	90,921	1,000	-	109,433	-	-	-	-	-	109,433
Debt Service												
Principal	-	-	-	-	-	-	150,000	55,000	-	25,000	230,000	230,000
Interest and other charges	-	-	-	-	-	-	53,867	11,535	-	1,343	66,745	66,745
Total expenditures	15,822	1,690	90,921	1,000	-	109,433	203,867	66,535	-	26,343	296,745	406,178
Excess (Deficiency) of Revenues Over (Under) Expenditures	35,259	144	18,135	(1,000)	6	52,544	(89,973)	(66,535)	114,140	15,945	(26,423)	26,121
Other Financing Sources (Uses)												
Sale of equipment	50,000	-	-	-	-	50,000	-	-	-	-	-	50,000
Bond proceeds	-	-	-	-	-	-	1,398,000	-	-	-	1,398,000	1,398,000
Refunding bond payments	-	-	-	-	-	-	(1,310,000)	-	-	(50,000)	(1,360,000)	(1,360,000)
Transfers in	-	-	-	-	-	-	100,000	-	12,527	-	112,527	112,527
Total other financing sources (uses)	50,000	-	-	-	-	50,000	188,000	-	12,527	(50,000)	150,527	200,527
Net Change in Fund Balances	85,259	144	18,135	(1,000)	6	102,544	98,027	(66,535)	126,667	(34,055)	124,104	226,648
Fund Balance - Beginning	141,810	58,293	38,105	35,773	18,288	292,269	100,057	65,492	-	46,303	211,852	504,121
Fund Balance (Deficit) - Beginning	\$ 227,069	\$ 58,437	\$ 56,240	\$ 34,773	\$ 18,294	\$ 394,813	\$ 198,084	\$ (1,043)	\$ 126,667	\$ 12,248	\$ 335,956	\$ 730,769



Independent Auditor's Report on *Minnesota Legal Compliance*

Honorable Mayor and City Council
City of Eagle Lake
Eagle Lake, Minnesota

We have audited, in accordance with auditing standards generally accepted in the United States of America, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Eagle Lake ("the City"), as of and for the year ended December 31, 2021, and the related notes to the financial statements, and have issued our report thereon dated June 1, 2022.

In connection with our audit, nothing came to our attention that caused us to believe that the City failed to comply with the provisions of the contracting – bid laws, depositories of public funds and public investments, conflicts of interest, public indebtedness, claims and disbursements, miscellaneous provisions, and tax increment financing sections of the *Minnesota Legal Compliance Audit Guide for Cities*, promulgated by the State Auditor pursuant to Minn. Stat. § 6.65, insofar as they relate to accounting matters, except as described in the accompanying Summary of Audit Findings as item 2021-001. However, our audit was not directed primarily toward obtaining knowledge of such noncompliance. Accordingly, had we performed additional procedures, other matters may have come to our attention regarding the City's noncompliance with the above referenced provisions, insofar as they relate to accounting matters.

The City's response to the finding identified in our audit is described in the accompanying schedule of audit findings and the City's Corrective Action Plan, which is contained in a separate document. The City's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

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

A handwritten signature in cursive script that reads "Eide Bailly LLP".

Mankato, Minnesota
June 1, 2022

Minnesota Legal Compliance Findings

2021-001 Insufficient Pledged Collateral

Criteria – A good system of internal accounting control contemplates an adequate system for ensuring the that the City is in compliance with Minnesota Statutes, including maintaining sufficient pledged collateral at depositories.

Condition – Minnesota statute §118A.03 requires that all deposits in excess of FDIC coverage be secured with pledged collateral of at least ten percent more than the uninsured amount on deposit at the close of the banking day. The City’s deposits at one financial institution were undercollateralized by approximately \$253,000 at December 31, 2021.

Cause – The City does not have an internal control system designed to ensure that sufficient pledged collateral is maintained at each financial institution.

Effect – The City is not in compliance with Minnesota Statute. Additionally, the City is exposed to risk of loss of deposits in the event of financial institution failure.

Recommendation – A thorough review of Minnesota State Statutes should be completed to ensure the City is in compliance.

Views of Responsible Officials – The City will make an effort to review Minnesota State Statutes to ensure the City is in compliance.