



Financial Statements
December 31, 2022
City of Eagle Lake

INTRODUCTORY SECTION

Officials (Unaudited) I

FINANCIAL SECTION

Independent Auditor’s Report II

Basic Financial Statements:

Government-Wide Financial Statements:

Statement of Net Position 1
Statement of Activities..... 2

Fund Financial Statements:

Balance Sheet – Governmental Funds 3
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position 4
Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds 5
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities 6
Budgetary Comparison Schedule – General Fund 7
Statement of Net Position – Proprietary Funds..... 8
Statement of Revenues, Expenses and Changes in Net Position - Proprietary Funds..... 9
Statement of Cash Flows - Proprietary Funds..... 10
Notes to Financial Statements 11

Required Supplementary Information:

Schedule of Employer’s Share of Net Pension Liability and Schedule of Employer’s Contributions..... 38

Supplemental Schedules and Related Information:

Combining Balance Sheet – Nonmajor Governmental Funds..... 40
Combining Schedule of Revenues, Expenditures and Changes in Fund Balances – Nonmajor Governmental Funds..... 41

OTHER REPORTS

Independent Auditor’s Report on *Minnesota Legal Compliance* 42
Summary of Audit Findings..... 43

<u>Name</u>	<u>Position</u>	<u>Term Expires</u>
City Council		
Tim Auringer	Mayor	2022
Garrett Steinberg	Councilor	2026
John Whittington	Councilor	2026
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, 2022, 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, 2022, 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.

Correction of Error

As discussed in Note 7 to the financial statements, certain errors resulting in an overstatement of revenue and understatement of liabilities as of December 31, 2021 were discovered by management of the City during the current year. Accordingly, this has resulted in an adjustment of the net position of Governmental Activities and fund balance of the General Fund as of January 1, 2022. Our opinions are not modified with respect to this matter.

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

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 GAAS. In our opinion, the combining balance sheet - nonmajor governmental funds and combining schedule of revenues, expenditures and changes in fund balances - nonmajor governmental funds are 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 26, 2023, 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.

The image shows a handwritten signature in cursive script that reads "Eide Sallee LLP".

Mankato, Minnesota
June 26, 2023

City of Eagle Lake
Statement of Net Position
December 31, 2022

	Primary Government		Totals
	Governmental Activities	Business-Type Activities	
Assets			
Cash and cash equivalents	\$ 4,449,883	\$ 1,071,273	\$ 5,521,156
Restricted cash	46,353	-	46,353
Receivables			
Taxes	14,823	-	14,823
Special assessments	481,438	-	481,438
Accounts	38,607	194,223	232,830
Notes	10,273	-	10,273
Prepaid items	21,866	16,416	38,282
Capital assets not being depreciated			
Land	282,749	12,000	294,749
Construction in progress	18,372	-	18,372
Capital assets, net of accumulated depreciation			
Distribution plant	-	1,907,337	1,907,337
Equipment	722,133	127,735	849,868
Building	1,426,798	-	1,426,798
Road network	4,553,009	-	4,553,009
Land improvements	289,457	-	289,457
Vehicles	808,876	-	808,876
Total assets	<u>13,164,637</u>	<u>3,328,984</u>	<u>16,493,621</u>
Deferred Outflows of Resources			
Pension plans	<u>640,533</u>	<u>52,618</u>	<u>693,151</u>
Liabilities			
Accounts payable	109,526	2,568	112,094
Escrow payable	46,058	-	46,058
Accrued payroll liabilities	19,325	8,930	28,255
Interest payable	16,732	-	16,732
Due to borrower	295	-	295
Noncurrent liabilities:			
Due within one year - bonds payable, financed purchases, and compensated absences	365,987	9,872	375,859
Due after one year - bonds payable, and financed purchases	2,744,000	-	2,744,000
Net pension liability	<u>1,005,547</u>	<u>158,687</u>	<u>1,164,234</u>
Total liabilities	<u>4,307,470</u>	<u>180,057</u>	<u>4,487,527</u>
Deferred Inflows of Resources			
Pension plans	<u>31,980</u>	<u>3,352</u>	<u>35,332</u>
Net Position			
Net investment in capital assets	5,005,391	2,047,072	7,052,463
Restricted for:			
Debt service	725,260	-	725,260
Other purposes	441,758	-	441,758
Unrestricted	<u>3,293,310</u>	<u>1,151,121</u>	<u>4,444,431</u>
Total net position	<u>\$ 9,465,719</u>	<u>\$ 3,198,193</u>	<u>\$ 12,663,912</u>

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

City of Eagle Lake
Statement of Activities
Year Ended December 31, 2022

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	\$ 861,354	\$ 26,959	\$ 6,550	\$ -	\$ (827,845)	\$ -	\$ (827,845)
Public safety	706,241	64,711	112,373	-	(529,157)	-	(529,157)
Streets and highways	310,111	-	-	-	(310,111)	-	(310,111)
Refuse and recycling	217,094	304,548	-	-	87,454	-	87,454
Culture and recreation	168,296	-	-	-	(168,296)	-	(168,296)
Economic development	104,625	-	4,723	-	(99,902)	-	(99,902)
Interest and other charges on long-term debt	42,068	-	-	-	(42,068)	-	(42,068)
Total governmental activities	2,409,789	396,218	123,646	-	(1,889,925)	-	(1,889,925)
Business-Type Activities							
Water	377,336	519,983	-	-	-	142,647	142,647
Sewer	495,533	539,255	-	-	-	43,722	43,722
Total business-type activities	872,869	1,059,238	-	-	-	186,369	186,369
Total primary government	\$ 3,282,658	\$ 1,455,456	\$ 123,646	\$ -	(1,889,925)	186,369	(1,703,556)
General Revenues							
Property and franchise taxes					1,054,101	-	1,054,101
Intergovernmental revenue					862,099	-	862,099
Special assessments					460,190	-	460,190
Earnings on cash and investments					75,434	-	75,434
Loss on disposal of assets					(8,749)	-	(8,749)
Fees and fines					5,038	-	5,038
Licenses and permits					62,548	-	62,548
Refunds and reimbursements					47,845	-	47,845
Miscellaneous					31,307	-	31,307
Transfers					400,000	(400,000)	-
Total general revenues and transfers					2,989,813	(400,000)	2,589,813
Changes in net position					1,099,888	(213,631)	886,257
Net Position - Beginning, as Adjusted (Note 7)					8,365,831	3,411,824	11,777,655
Net Position - Ending					\$ 9,465,719	\$ 3,198,193	\$ 12,663,912

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

City of Eagle Lake
Balance Sheet – Governmental Funds
December 31, 2022

	General Fund	2010 Debt Service	CSAH 27 Street Project	Other Governmental Funds	Total Governmental Funds
Assets					
Cash and cash equivalents	\$ 3,258,379	\$ 12,064	\$ 346,827	\$ 832,613	\$ 4,449,883
Restricted cash	46,058	-	-	295	46,353
Receivables					
Taxes	14,685	138	-	-	14,823
Special assessments	4,481	105,864	371,093	-	481,438
Accounts	38,607	-	-	-	38,607
Notes	-	-	-	10,273	10,273
Due from other funds	106,929	-	-	-	106,929
Prepaid items	21,866	-	-	-	21,866
Total Assets	\$ 3,491,005	\$ 118,066	\$ 717,920	\$ 843,181	\$ 5,170,172
Liabilities					
Accounts payable	\$ 109,526	\$ -	\$ -	\$ -	\$ 109,526
Escrow payable	46,058	-	-	-	46,058
Accrued payroll liabilities	19,325	-	-	-	19,325
Due to other funds	-	-	24,624	82,305	106,929
Due to borrower	-	-	-	295	295
Total liabilities	174,909	-	24,624	82,600	282,133
Deferred inflows of resources					
Unavailable revenue	15,837	105,864	371,093	-	492,794
Fund Balances					
Nonspendable	21,866	-	-	10,273	32,139
Restricted	-	12,202	322,203	832,613	1,167,018
Committed	1,712,997	-	-	-	1,712,997
Unassigned	1,565,396	-	-	(82,305)	1,483,091
Total fund balances	3,300,259	12,202	322,203	760,581	4,395,245
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$ 3,491,005	\$ 118,066	\$ 717,920	\$ 843,181	\$ 5,170,172

Total Fund Balances for Governmental Funds:		\$	4,395,245
Amounts reported for governmental activities in the statement of net position are different because:			
Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds.			8,101,394
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.			492,794
Deferred outflows and inflows of resources related to pensions are applicable to future periods and, therefore, are not reported in the governmental funds.			608,553
Interest on long-term debt is not accrued in governmental funds, but rather, is recognized as an expenditure when due.			(16,732)
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	\$	(1,005,547)
	Financed purchases payable		(1,003)
	Bonds payable		<u>(3,095,000)</u>
			(4,101,550)
Compensated absences earned by employees are not accrued in governmental funds, but are recognized as an expenditure when due.			<u>(13,985)</u>
Total Net Position for Governmental Activities		\$	<u><u>9,465,719</u></u>

City of Eagle Lake
Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds
Year Ended December 31, 2022

	General Fund	2010 Debt Service	CSAH 27 Street Project	Other Governmental Funds	Total Governmental Funds
Revenues					
Property taxes	\$ 711,848	\$ 42,584	\$ -	\$ 261,034	\$ 1,015,466
Franchise taxes	38,635	-	-	-	38,635
Special assessments	2,628	16,505	-	83,654	102,787
Fines and forfeits	5,038	-	-	-	5,038
Licenses and permits	62,548	-	-	-	62,548
Intergovernmental - state	915,472	-	-	-	915,472
Charges for services	396,218	-	-	-	396,218
Interest earnings	73,524	-	-	1,892	75,416
Miscellaneous	158,873	-	-	609	159,482
Total revenues	2,364,784	59,089	-	347,189	2,771,062
Expenditures					
Current					
General government	588,848	-	-	-	588,848
Public safety	490,099	-	-	-	490,099
Streets and highways	236,222	-	-	18,372	254,594
Sanitation	217,094	-	-	-	217,094
Culture and recreation	156,050	-	-	-	156,050
Economic development	-	-	-	104,627	104,627
Capital outlay	107,675	-	126,157	-	233,832
Debt Services					
Principal	1,272	28,000	-	249,000	278,272
Interest and other charges	85	4,338	-	45,378	49,801
Total expenditures	1,797,345	32,338	126,157	417,377	2,373,217
Excess (Deficiency) of Revenues Over (Under) Expenditures	567,439	26,751	(126,157)	(70,188)	397,845
Other Financing Sources (Uses)					
Transfers in	-	-	600,000	100,000	700,000
Transfers out	(300,000)	-	-	-	(300,000)
Total other financing sources (uses)	(300,000)	-	600,000	100,000	400,000
Net Change in Fund Balances	267,439	26,751	473,843	29,812	797,845
Fund Balance (Deficit) - Beginning, as adjusted (Note 7)	3,032,820	(14,549)	(151,640)	730,769	3,597,400
Fund Balance - Ending	\$ 3,300,259	\$ 12,202	\$ 322,203	\$ 760,581	\$ 4,395,245

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, 2022

Total Net Change in Fund Balances - Governmental Funds \$ 797,845

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	224,401
Depreciation expense	(488,351)

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.

357,403

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.

(18,784)

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.

(56,723)

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.

278,272

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.

(1,159)

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.

6,984

Change in Net Position of Governmental Activities

\$ 1,099,888

City of Eagle Lake
Budgetary Comparison Schedule – General Fund
Year Ended December 31, 2022

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
Revenues				
Taxes				
Property	\$ 696,904	\$ 696,904	\$ 711,848	\$ 14,944
Franchise	43,800	43,800	38,635	(5,165)
Special assessments	3,349	3,349	2,628	(721)
Licenses and permits	41,950	41,950	62,548	20,598
Intergovernmental revenue				
Local government aid	901,186	901,186	907,972	6,786
Other state aids and grants	25,000	25,000	7,500	(17,500)
Charges for services				
General government	24,930	24,930	26,959	2,029
Police and fire contracts	67,672	67,672	64,711	(2,961)
Garbage and recycling	287,000	287,000	304,548	17,548
Fines and forfeits	4,000	4,000	5,038	1,038
Interest earnings	25,000	25,000	73,524	48,524
Refunds and reimbursements	33,000	33,000	47,845	14,845
Miscellaneous revenue	55,550	55,550	111,028	55,478
Total revenues	<u>2,209,341</u>	<u>2,209,341</u>	<u>2,364,784</u>	<u>155,443</u>
Expenditures				
General government				
Mayor and council	24,845	24,845	20,686	4,159
Administration and finance	139,651	139,651	136,437	3,214
Other general government	559,372	559,372	431,725	127,647
Capital outlay	5,000	5,000	13,147	(8,147)
Public safety				
Police				
Current expenditures	343,104	343,104	311,329	31,775
Capital outlay	205,717	205,717	18,962	186,755
Fire				
Current expenditures	125,113	125,113	178,120	(53,007)
Capital outlay	205,452	205,452	75,566	129,886
Other protection				
Current expenditures	3,000	3,000	650	2,350
Streets and highways				
Street maintenance	229,830	229,830	192,300	37,530
Street lighting	35,000	35,000	43,922	(8,922)
Street construction - capital outlay	11,000	11,000	-	11,000
Sanitation				
Garbage and other refuse collection	188,286	188,286	217,094	(28,808)
Culture and recreation				
Parks and recreation - current expenditures	93,971	93,971	156,050	(62,079)
Parks and recreation - capital outlay	65,500	65,500	-	65,500
Debt service				
Principal paid	1,275	1,275	1,272	3
Interest and fiscal charges	116	116	85	31
Total expenditures	<u>2,236,232</u>	<u>2,236,232</u>	<u>1,797,345</u>	<u>438,887</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(26,891)</u>	<u>(26,891)</u>	<u>567,439</u>	<u>594,330</u>
Other Financing Sources				
Transfers out	-	-	(300,000)	(300,000)
Net Change in Fund Balance	<u>\$ (26,891)</u>	<u>\$ (26,891)</u>	267,439	<u>\$ 294,330</u>
Fund Balance - Beginning, as Adjusted (Note 7)			<u>3,032,820</u>	
Fund Balance - Ending			<u>\$ 3,300,259</u>	

City of Eagle Lake
Statement of Net Position – Proprietary Funds
December 31, 2022

	Water	Sanitary Sewer	Total
Assets			
Current assets			
Cash and cash equivalents	\$ 375,953	\$ 695,320	\$ 1,071,273
Accounts receivable	112,393	81,830	194,223
Prepaid items	8,208	8,208	16,416
Total current assets	<u>496,554</u>	<u>785,358</u>	<u>1,281,912</u>
Noncurrent assets			
Capital assets not being depreciated			
Land	6,000	6,000	12,000
Capital assets, net of accumulated depreciation			
Distribution plant	1,062,433	844,904	1,907,337
Buildings and equipment	67,996	59,739	127,735
Total noncurrent assets	<u>1,136,429</u>	<u>910,643</u>	<u>2,047,072</u>
Total assets	<u>1,632,983</u>	<u>1,696,001</u>	<u>3,328,984</u>
Deferred Outflows of Resources			
Pension plans	<u>27,132</u>	<u>25,486</u>	<u>52,618</u>
Liabilities			
Current liabilities			
Accounts payable	1,417	1,151	2,568
Accrued payroll	5,047	3,883	8,930
Compensated absences	4,936	4,936	9,872
Total current liabilities	<u>11,400</u>	<u>9,970</u>	<u>21,370</u>
Non-current liabilities			
Net pension liability	<u>81,818</u>	<u>76,869</u>	<u>158,687</u>
Total liabilities	<u>93,218</u>	<u>86,839</u>	<u>180,057</u>
Deferred Inflows of Resources			
Pension plans	<u>1,728</u>	<u>1,624</u>	<u>3,352</u>
Net Position			
Net investment in capital assets	1,136,429	910,643	2,047,072
Unrestricted	428,740	722,381	1,151,121
Total net position	<u>\$ 1,565,169</u>	<u>\$ 1,633,024</u>	<u>\$ 3,198,193</u>

City of Eagle Lake
Statement of Revenues, Expenses and Changes in Net Position - Proprietary Funds
Year Ended December 31, 2022

	Water	Sanitary Sewer	Total
Operating Revenues			
Utility sales	\$ 436,537	\$ 495,881	\$ 932,418
Connection charges	5,595	4,400	9,995
Miscellaneous revenue	77,851	38,974	116,825
Total operating revenues	<u>519,983</u>	<u>539,255</u>	<u>1,059,238</u>
Operating Expenses			
Distribution system	319,073	423,693	742,766
General and administrative	2,320	25,373	27,693
Depreciation	55,943	46,467	102,410
Total operating expenses	<u>377,336</u>	<u>495,533</u>	<u>872,869</u>
Operating income	142,647	43,722	186,369
Interfund Transfers			
Transfers out	<u>(50,000)</u>	<u>(350,000)</u>	<u>(400,000)</u>
Change in Net Position	92,647	(306,278)	(213,631)
Net Position - Beginning	<u>1,472,522</u>	<u>1,939,302</u>	<u>3,411,824</u>
Net Position - Ending	<u><u>\$ 1,565,169</u></u>	<u><u>\$ 1,633,024</u></u>	<u><u>\$ 3,198,193</u></u>

City of Eagle Lake
Statement of Cash Flows - Proprietary Funds
Year Ended December 31, 2022

	Water	Sanitary Sewer	Total
Cash Flows Provided by Operating Activities			
Receipts from customers	\$ 441,014	\$ 548,850	\$ 989,864
Payments to employees	(87,781)	(89,331)	(177,112)
Payments to suppliers	(217,840)	(347,384)	(565,224)
Net cash provided by operating activities	<u>135,393</u>	<u>112,135</u>	<u>247,528</u>
Cash Flows Used for Noncapital Financing Activities			
Transfers to governmental funds	<u>(50,000)</u>	<u>(350,000)</u>	<u>(400,000)</u>
Cash Flows Used for Capital and Related Financing Activities			
Acquisition of property, plant and equipment	<u>(28,812)</u>	<u>(3,795)</u>	<u>(32,607)</u>
Net Change in Cash and Cash Equivalents	56,581	(241,660)	(185,079)
Cash and Cash Equivalents - January 1	<u>319,372</u>	<u>936,980</u>	<u>1,256,352</u>
Cash and Cash Equivalents - December 31	<u>\$ 375,953</u>	<u>\$ 695,320</u>	<u>\$ 1,071,273</u>
Reconciliation of Operating income to Net Cash Provided by Operating Activities			
Operating income	\$ 142,647	\$ 43,722	\$ 186,369
Adjustments to reconcile operating income to net cash provided by operating activities			
Depreciation	55,943	46,467	102,410
Deferred outflows	4,183	3,931	8,114
Net pension liability	40,518	38,068	78,586
Deferred inflows	(37,360)	(35,099)	(72,459)
Decrease (increase) in assets			
Accounts receivable	(78,969)	9,595	(69,374)
Prepaid items	5,827	5,827	11,654
Increase (decrease) in liabilities			
Accounts payable	(479)	(2,298)	(2,777)
Accrued payroll	2,135	973	3,108
Compensated absences	948	949	1,897
Net Cash Provided by Operating Activities	<u>\$ 135,393</u>	<u>\$ 112,135</u>	<u>\$ 247,528</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, 2022. 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, 2022, 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. Deficit Fund Balance

At December 31, 2022, the 2017 Debt Service fund had a deficit balance of \$63,933 and the Water Tower Rehab fund had a deficit balance of \$18,372. The deficit 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, 2022, the City's bank balances were not exposed o custodial credit risk.

The following table presents the City's deposit and cash equivalent balances at December 31, 2022:

Demand deposits (interest bearing)	\$ 5,085,057
Money market	144
Certificates of deposit	<u>482,308</u>
	<u>\$ 5,567,509</u>

Cash is included in the basic financial statements as follows:

Cash and cash equivalents - Governmental funds	\$ 4,449,883
Restricted Cash - Governmental funds	46,353
Cash and cash equivalents - Proprietary funds	<u>1,071,273</u>
	<u>\$ 5,567,509</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 \$10,347 as of December 31, 2022.

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, 2022, \$295 remains to be advanced to borrowers, and is reported as a due to borrower liability. \$15,266 of the remaining funds were returned to the County during the current year. The current outstanding balance on these loans is \$4,118.

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:

	<u>Unavailable</u>
Special assessments not yet due (general fund)	\$ 4,481
Special assessments not yet due (debt service funds)	476,957
Delinquent property taxes (general fund)	11,356
 Total	 \$ 492,794

C. Capital Assets

Capital asset activity for the year ended December 31, 2022, 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	\$ 282,749	\$ -	\$ -	\$ 282,749
Construction in progress	1,385,872	144,529	1,512,029	18,372
Total capital assets, not being depreciated	<u>1,668,621</u>	<u>144,529</u>	<u>1,512,029</u>	<u>301,121</u>
Capital assets, being depreciated				
Buildings	2,690,593	-	-	2,690,593
Road network	5,615,647	1,542,203	-	7,157,850
Equipment	1,429,740	36,550	19,703	1,446,587
Land improvements	555,836	13,147	-	568,983
Vehicles	1,642,021	-	49,307	1,592,714
Total capital assets, being depreciated	<u>11,933,837</u>	<u>1,591,900</u>	<u>69,010</u>	<u>13,456,727</u>
Less accumulated depreciation for				
Buildings	1,173,564	90,231	-	1,263,795
Road network	2,456,029	148,812	-	2,604,841
Equipment	646,298	97,859	19,703	724,454
Land improvements	265,220	14,306	-	279,526
Vehicles	677,218	137,143	30,523	783,838
Total accumulated depreciation	<u>5,218,329</u>	<u>488,351</u>	<u>50,226</u>	<u>5,656,454</u>
Total capital assets, being depreciated, net	<u>6,715,508</u>	<u>1,103,549</u>	<u>18,784</u>	<u>7,800,273</u>
Governmental activities capital assets, net	<u>\$ 8,384,129</u>	<u>\$ 1,248,078</u>	<u>\$ 1,530,813</u>	<u>\$ 8,101,394</u>

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

General government	\$ 72,427
Public safety	171,695
Streets and highways	217,027
Culture and recreation	27,202
	<u>488,351</u>
	<u>\$ 488,351</u>

Capital asset activity for the year ended December 31, 2022, 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	607,204	32,607	-	639,811
Total capital assets, being depreciated	<u>4,052,267</u>	<u>32,607</u>	<u>-</u>	<u>4,084,874</u>
Less accumulated depreciation for				
Distribution plant	1,460,734	76,992	-	1,537,726
Equipment	486,658	25,418	-	512,076
Total accumulated depreciation	<u>1,947,392</u>	<u>102,410</u>	<u>-</u>	<u>2,049,802</u>
Total capital assets, being depreciated, net	<u>2,104,875</u>	<u>(69,803)</u>	<u>-</u>	<u>2,035,072</u>
Business-type activities capital assets, net	<u><u>\$ 2,116,875</u></u>	<u><u>\$ (69,803)</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 2,047,072</u></u>

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

Water	\$ 55,943
Sewer	46,467
	<u>\$ 102,410</u>

D. Financed Purchases

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

Annual debt service requirements to maturity for financed purchase payments are as follows:

	Governmental Activities
2023	\$ 1,026
Less: amount representing interest	(24)
Present value of financed purchase payments	\$ 1,002

The asset acquired through the financed purchase is as follows:

	Governmental Activities
Asset - Copier	\$ 5,950
Less: accumulated depreciation	(5,058)
Total	\$ 892

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%	\$ 360,000
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%	236,000
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>1,204,000</u>
		<u><u>\$ 3,095,000</u></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>
2023	\$ 351,000	\$ 38,806
2024	330,000	34,947
2025	334,000	31,079
2026	343,000	26,784
2027	347,000	22,080
2028-2032	930,000	55,404
2033-2037	<u>460,000</u>	<u>17,965</u>
Total	<u><u>\$ 3,095,000</u></u>	<u><u>\$ 227,065</u></u>

Changes in Long-Term Liabilities. During the year ended December 31, 2022, 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	\$ 3,372,000	\$ -	\$ 277,000	\$ 3,095,000	\$ 351,000
Financed purchase	2,275	-	1,272	1,003	1,002
Compensated absences	<u>12,826</u>	<u>13,985</u>	<u>12,826</u>	<u>13,985</u>	<u>13,985</u>
Governmental activity					
Long-term liabilities	<u>\$ 3,387,101</u>	<u>\$ 13,985</u>	<u>\$ 291,098</u>	<u>\$ 3,109,988</u>	<u>\$ 365,987</u>
Business-Type Activities					
Compensated absences	<u>\$ 7,975</u>	<u>\$ 9,872</u>	<u>\$ 7,975</u>	<u>\$ 9,872</u>	<u>\$ 9,872</u>

Legal Debt Margin. The legal debt limitation based on market value of taxable property in the municipality is equal to \$7,422,528. As of December 31, 2022, none of the above debt was subject to the legal debt margin.

F. Inter-fund Transfers

Inter-fund transfers for the year ended December 31, 2022, consisted of the following and were for the purpose of covering debt service payments:

<u>Transferred From</u>	<u>Transferred To</u>		
	CSAH 27 Street Project	Other Governmental Funds	Total
General fund	\$ 300,000	\$ -	\$ 300,000
Enterprise fund - water	-	50,000	50,000
Enterprise fund - sanitary sewer	<u>300,000</u>	<u>50,000</u>	<u>350,000</u>
Total	<u>\$ 600,000</u>	<u>\$ 100,000</u>	<u>\$ 700,000</u>

G. Inter-fund Receivables and Payables

The following inter-fund receivables and payables existed at December 31, 2022, as a result of a deficit cash balance:

<u>Due To:</u>	<u>Due From:</u>		Total
	2017 Debt Service Fund	CSAH 27 Street Project Fund	
General Fund	<u>\$ -</u>	<u>\$ 24,624</u>	<u>\$ 106,929</u>

H. Fund Balances

Balances in Restricted Fund Balances as of December 31, 2022:

Restricted for 2010 Debt Service	\$ 12,202
Restricted for 2017 Debt Service	322,203
Restricted for Debt Service	390,855
Restricted for Special Revenue	<u>441,758</u>
 Total	 <u><u>\$ 1,167,018</u></u>

Balances in Committed Fund Balances as of December 31, 2022:

Committed for Capital Outlay	<u><u>\$ 1,712,997</u></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 2022 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, 2022, were \$27,773. 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 2022 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, 2022, were \$40,307. 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, 2022, the City reported a liability of \$372,242 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 \$10,828.

The net pension liability was measured as of June 30, 2022, 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, 2021 through June 30, 2022, relative to the total employer contributions received from all of PERA's participating employers. The City's proportionate share was 0.0047 percent at the end of the measurement period and 0.0044 percent for the beginning of the period.

City's proportionate share of the net pension liability	\$ 372,242
State of Minnesota's proportionate share of the net pension liability associated with the City	<u>10,828</u>
Total	<u><u>\$ 383,070</u></u>

For the year ended December 31, 2022, the City recognized pension expense of \$60,852 for its proportionate share of the General Employees Plan's pension expense. In addition, the City recognized an additional \$1,618 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, 2022, 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	\$ 3,109	\$ 3,715
Changes in actuarial assumptions	79,030	1,385
Net collective difference between projected and actual investment earnings	14,359	-
Changes in proportion	12,607	2,764
Contributions paid to PERA subsequent to the measurement date	<u>14,313</u>	<u>-</u>
Total	<u>\$ 123,418</u>	<u>\$ 7,864</u>

The \$14,313 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, 2023. 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>
2023	\$ 34,569
2024	38,642
2025	(5,633)
2026	33,663

2. Police and Fire Fund Pension Costs

At December 31, 2022, the City reported a liability of \$791,992 for its proportionate share of the Police and Fire Fund's net pension liability. The net pension liability was measured as of June 30, 2022, 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, 2021 through June 30, 2022, relative to the total employer contributions received from all of PERA's participating employers. The City's proportionate share was 0.0182 percent at the end of the measurement period and 0.0176 percent for the beginning of the period.

City's proportionate share of the net pension liability	\$ 791,992
State of Minnesota's proportionate share of the net pension liability associated with the City	<u>34,608</u>
Total	<u><u>\$ 826,600</u></u>

The State of Minnesota contributed \$18 million to the Police and Fire Fund in the plan fiscal year ended June 30, 2022. 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, 2021. 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.

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, 2022, the City recognized pension expense of \$155,050 for its proportionate share of the Police and Fire Plan's pension expense. The City recognized \$1,638 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 \$1,638 for the year ended December 31, 2022, 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, 2022, 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	\$ 48,110	\$ -
Changes in actuarial assumptions	460,764	5,039
Net collective difference between projected and actual investment earnings	18,857	-
Changes in proportion	20,653	22,429
Contributions paid to PERA subsequent to the measurement date	<u>21,349</u>	<u>-</u>
Total	<u>\$ 569,733</u>	<u>\$ 27,468</u>

The \$21,349 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, 2023. 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>
2023	\$ 108,280
2024	100,985
2025	85,532
2026	159,452
2027	66,667

3. Total Pension Expense

The total pension expense for all plans recognized by the City for the year ended December 31, 2022, was \$215,902.

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, 2022, 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 27 years of service. 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 2022:

General Employees Fund

Changes in Actuarial Assumptions:

- The mortality improvement scale was changed from Scale MP-2020 to Scale MP-2021.

Changes in Plan Provisions:

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

Police and Fire Fund

Changes in Actuarial Assumptions:

- The mortality improvement scale was changed from Scale MP-2020 to Scale MP-2021.
- The single discount rate changed from 6.50% to 5.40%.

Changes in Plan Provisions:

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

G. Discount Rate

The discount rate for the General Employees Plan used to measure the total pension liability in 2022 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 position of the General Employees Fund was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

In the Police and Fire Fund, the fiduciary net position was projected to be available to make all projected future benefit payments of current plan members through June 30, 2060. Beginning in fiscal year ended June 30, 2061 for the Police and Fire Fund, projected benefit payments exceed the funds' projected fiduciary net position. Benefit payments projected after were discounted at the municipal bond rate of 3.69 percent (based on the weekly rate closest to but not later than the measurement date of the Fidelity "20-Year Municipal GO AA Index"). The resulting equivalent single discount rate of 5.40 percent for the Police and Fire Fund was determined to give approximately the same present value of projected benefits when applied to all years of projected benefits as the present value of projected benefits using 6.5 percent applied to all years of projected benefits through the point of asset depletion and 3.69 percent thereafter.

H. Pension Liability Sensitivity

The following presents the City's proportionate share of the net pension liability for all plans it participates in, calculated using the discount rate disclosed in the preceding paragraph, as well as what the City's proportionate share of the net pension liability would be if it were calculated using a discount rate one percentage point lower or one percentage point higher than the current discount rate:

Sensitivity Analysis					
<i>Net Pension Liability (Asset) at Different Discount Rates</i>					
	General Employees Fund			Police and Fire Fund	
1% Lower	5.50%	\$	587,975	5.50%	\$ 1,198,578
Current Discount Rate	6.50%	\$	372,242	6.50%	\$ 791,992
1% Higher	7.50%	\$	195,307	7.50%	\$ 463,291

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 2022 were:

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

The City has entered into a contract for rehab work on the water tower. The contract had a total value of approximately \$549,000. As of December 31, 2022, the City had a remaining construction commitment of approximately \$531,000. The project is expected to be completed by July 2023.

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, 2022, the note had a remaining principal balance of \$9,711,655.

E. Subsequent Events

On January 23, 2023, the City issued a \$462,000 general obligation note to fund the rehab project on the water tower. The interest rate on the note is 3.75% and the maturity date is February 1, 2033, with a call option on February 1, 2030 at par value plus accrued interest. Principal is to be repaid in annual installments ranging from \$39,000 - \$54,000, with interest paid semi-annually.

Note 7 - Prior Period Adjustment

As of January 1, 2022, Governmental Activities net position and General Fund balance were decreased by \$153,127 due to an error in the previous year related to escrow payables, resulting in over-recognition of revenue.

	Governmental Activities	General Fund
Net Position/Fund Balance at December 31, 2021, as previously reported	\$ 8,518,958	\$ 3,185,947
Reduce escrow revenues at December 31, 2021 and record as escrow payable	(153,127)	(153,127)
Net Position/Fund Balance at December 31, 2021, as adjusted	\$ 8,365,831	\$ 3,032,820



Required Supplementary Information
December 31, 2022

City of Eagle Lake

Schedule of Employer’s Share of Net Pension Liability and Schedule of Employer’s Contributions
Year Ended December 31, 2022

**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	06/30/22	0.0047%	\$ 372,242	\$ 10,828	\$ 383,070	\$ 330,981	112.5%	76.7%
	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	06/30/22	0.0182%	\$ 791,992	\$ 34,608	\$ 826,600	\$ 205,171	386.0%	70.5%
	06/30/21	0.0176%	135,853	6,110	141,963	192,930	70.4%	93.7%
	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	12/31/22	\$ 26,286	\$ 26,286	\$ -	\$ 350,480	7.5%
	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	12/31/22	\$ 39,117	\$ 39,117	\$ -	\$ 221,000	17.7%
	12/31/21	37,904	37,904	-	214,147	17.7%
	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

General Employees Fund

2022 Changes

Changes in Actuarial Assumptions

- The mortality improvement scale was changed from Scale MP-2020 to Scale MP-2021.

Changes in Plan Provisions

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

Police and Fire Fund

2022 Changes

Changes in Actuarial Assumptions

- The mortality improvement scale was changed from Scale MP-2020 to Scale MP-2021.
- The single discount rate changed from 6.5% to 5.4%.



Supplementary Schedules and Related Information
December 31, 2022

City of Eagle Lake

City of Eagle Lake
Combining Balance Sheet – Nonmajor Governmental Funds
December 31, 2022

	Special Revenue Funds					Total Special Revenue Funds	Capital Project Fund	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		Water Tower Rehab	2013 Debt Service	CSAH 27 Street Project Debt Service	Joan Lane	2017 Debt Service		
Assets													
Cash and investments	\$ 271,742	\$ 47,910	\$ 58,234	\$ 45,560	\$ 18,312	\$ 441,758	\$ -	\$ 164,160	\$ 188,262	\$ 38,433	\$ -	\$ 390,855	\$ 832,613
Restricted cash	-	295	-	-	-	295	-	-	-	-	-	-	295
Receivables													
Notes	-	10,273	-	-	-	10,273	-	-	-	-	-	-	10,273
Total Assets	\$ 271,742	\$ 58,478	\$ 58,234	\$ 45,560	\$ 18,312	\$ 452,326	\$ -	\$ 164,160	\$ 188,262	\$ 38,433	\$ -	\$ 390,855	\$ 843,181
Deferred Inflows from Resources and Fund Balances													
Liabilities													
Due to borrower	\$ -	\$ 295	\$ -	\$ -	\$ -	\$ 295	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 295
Due to other funds	-	-	-	-	-	-	18,372	-	-	-	63,933	63,933	82,305
Total liabilities	-	295	-	-	-	295	18,372	-	-	-	63,933	63,933	82,600
Fund Balances													
Nonspendable	-	10,273	-	-	-	10,273	-	-	-	-	-	-	10,273
Restricted	271,742	47,910	58,234	45,560	18,312	441,758	-	164,160	188,262	38,433	-	390,855	832,613
Unassigned	-	-	-	-	-	-	(18,372)	-	-	-	(63,933)	(63,933)	(82,305)
Total fund balances	271,742	58,183	58,234	45,560	18,312	452,031	(18,372)	164,160	188,262	38,433	(63,933)	326,922	760,581
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$ 271,742	\$ 58,478	\$ 58,234	\$ 45,560	\$ 18,312	\$ 452,326	\$ -	\$ 164,160	\$ 188,262	\$ 38,433	\$ -	\$ 390,855	\$ 843,181

City of Eagle Lake

Combining Schedule of Revenues, Expenditures and Changes in Fund Balances – Nonmajor Governmental Funds
Year Ended December 31, 2022

	Special Revenue Funds					Total Special Revenue Funds	Capital Project Fund	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		Water Tower Rehab	2013 Debt Service	CSAH 27 Street Project Debt Service	Joan Lane	2017 Debt Service		
Revenues													
Property taxes	\$ 50,971	\$ -	\$ 96,586	\$ 11,787	\$ -	\$ 159,344	\$ -	77,505	\$ -	\$ 21,489	\$ 2,696	\$ 101,690	\$ 261,034
Special assessments	-	-	-	-	-	-	-	-	78,958	4,696	-	83,654	83,654
Investment Earnings	1,784	108	-	-	-	1,892	-	-	-	-	-	-	1,892
Miscellaneous	-	591	-	-	18	609	-	-	-	-	-	-	609
Total revenues	52,755	699	96,586	11,787	18	161,845	-	77,505	78,958	26,185	2,696	185,344	347,189
Expenditures													
Streets and Highways													
Street maintenance	-	-	-	-	-	-	18,372	-	-	-	-	-	18,372
Economic Development	8,082	953	94,592	1,000	-	104,627	-	-	-	-	-	-	104,627
Debt Service													
Principal	-	-	-	-	-	-	-	194,000	-	-	55,000	249,000	249,000
Interest and other charges	-	-	-	-	-	-	-	17,429	17,363	-	10,586	45,378	45,378
Total expenditures	8,082	953	94,592	1,000	-	104,627	18,372	211,429	17,363	-	65,586	294,378	417,377
Excess (Deficiency) of Revenues Over (Under) Expenditures	44,673	(254)	1,994	10,787	18	57,218	(18,372)	(133,924)	61,595	26,185	(62,890)	(109,034)	(70,188)
Other Financing Sources (Uses)													
Transfers in	-	-	-	-	-	-	-	100,000	-	-	-	100,000	100,000
Net Change in Fund Balances	44,673	(254)	1,994	10,787	18	57,218	(18,372)	(33,924)	61,595	26,185	(62,890)	(9,034)	29,812
Fund Balance (Deficit) - Beginning	227,069	58,437	56,240	34,773	18,294	394,813	-	198,084	126,667	12,248	(1,043)	335,956	730,769
Fund Balance (Deficit) - Beginning	\$ 271,742	\$ 58,183	\$ 58,234	\$ 45,560	\$ 18,312	\$ 452,031	\$ (18,372)	\$ 164,160	\$ 188,262	\$ 38,433	\$ (63,933)	\$ 326,922	\$ 760,581



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, 2022, and the related notes to the financial statements, and have issued our report thereon dated June 26, 2023.

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. 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 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 black ink that reads "Eide Bailly LLP".

Mankato, Minnesota
June 26, 2023

Minnesota Legal Compliance Findings

None Reported