

PRELIMINARY OFFICIAL STATEMENT DATED JULY 16, 2024

**NEW ISSUE
BANK QUALIFIED**

**BOOK ENTRY ONLY
STANDARD & POOR'S RATING "AAA"**

In the opinion of Taft Stettinius & Hollister LLP, Bond Counsel, based on present federal and Minnesota laws, regulations, rulings, and decisions, at the time of the issuance of the Bonds, the interest on the Bonds is excluded from gross income for federal income tax purposes and is excluded, to the same extent, from both gross income and taxable net income for State of Minnesota income tax purposes (other than Minnesota franchise taxes measured by income and imposed on corporations and financial institutions). Interest on the Bonds is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals or for purposes of the Minnesota alternative minimum tax applicable to individuals, estates or trusts; however, interest on the Bonds is taken into account in determining "annual adjusted financial statement income" for the purpose of computing the federal alternative minimum tax imposed on certain corporations for tax years beginning after December 31, 2022. No opinion will be expressed by Bond Counsel regarding other state or federal tax consequences. See "Tax Exemption" and "Other Federal and State Tax Considerations" herein for additional information.

CITY OF PRIOR LAKE, MINNESOTA

\$2,940,000*

General Obligation Bonds, Series 2024A

Dated Date: Date of Delivery (Estimated to be August 20, 2024)

**Interest Due: Each June 15 and December 15
Commencing June 15, 2025**

<u>Maturity*</u>	<u>Amount*</u>	<u>Rate</u>	<u>Yield</u>	<u>Price</u>	<u>Maturity*</u>	<u>Amount*</u>	<u>Rate</u>	<u>Yield</u>	<u>Price</u>
12/15/2025	\$330,000	_____ %	_____ %	_____	12/15/2035	\$60,000	_____ %	_____ %	_____
12/15/2026	375,000	_____	_____	_____	12/15/2036	65,000	_____	_____	_____
12/15/2027	390,000	_____	_____	_____	12/15/2037	65,000	_____	_____	_____
12/15/2028	405,000	_____	_____	_____	12/15/2038	70,000	_____	_____	_____
12/15/2029	415,000	_____	_____	_____	12/15/2039	75,000	_____	_____	_____
12/15/2030	50,000	_____	_____	_____	12/15/2040	75,000	_____	_____	_____
12/15/2031	55,000	_____	_____	_____	12/15/2041	80,000	_____	_____	_____
12/15/2032	55,000	_____	_____	_____	12/15/2042	80,000	_____	_____	_____
12/15/2033	60,000	_____	_____	_____	12/15/2043	85,000	_____	_____	_____
12/15/2034	60,000	_____	_____	_____	12/15/2044	90,000	_____	_____	_____

The General Obligation Bonds, Series 2024A (the "Bonds" or the "Issue") are being issued by the City of Prior Lake, Minnesota (the "City" or the "Issuer") pursuant to Minnesota Statutes, Chapters 429, 444 and 475, as amended. Proceeds of the Bonds will be used to finance storm water improvements and a permanent improvement revolving fund and to pay costs associated with issuance of the Bonds. See *Authority and Purpose* herein for additional information.

The Bonds are valid and binding general obligations of the City and are payable from special assessments levied against benefitted properties, net storm water revenues and ad valorem taxes. The full faith and credit of the City is also pledged to their payment. In the event of any deficiency in the Debt Service Account established for this Issue, the City has validly obligated itself to levy additional ad valorem taxes upon all of the taxable property within the City, without limitation of amount. See *Security/Sources and Uses of Funds* herein for additional information.

The Bonds maturing on December 15, 2033 and thereafter are subject to redemption, in whole or in part, on December 15, 2032 and on any date thereafter at a price of par plus accrued interest.

Principal due with respect to the Bonds is payable annually on December 15, commencing December 15, 2025. Interest due with respect to the Bonds is payable semiannually on June 15 and December 15, commencing June 15, 2025. The Bonds will be registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York. Individual purchases will be made in book-entry form only, in the principal amount of \$5,000 or any whole multiple thereof. Purchasers will not receive physical delivery of Bonds. See "Book-Entry System" in *Description of the Bonds* herein for additional information. The Paying Agent/Registrar will be Northland Trust Services Inc., Minneapolis, Minnesota.

Proposals: Tuesday, July 23, 2024 10:00 A.M., Central Time

Award: Tuesday, July 23, 2024 7:00 P.M., Central Time

Bids may contain a maturity schedule providing for any combination of serial or term bonds. All term bonds shall be subject to mandatory sinking fund redemption and must conform to the maturity schedule set forth above at a price of par plus accrued interest. Bids must be for not less than \$2,900,310 (98.65%) and accrued interest on the total principal amount of the Bonds. **Bids will not be subject to cancellation – see "Establishment of Issue Price" in the Notice of Sale herein for additional details.** The rate for any maturity may not be more than 2.00% less than the rate for any preceding maturity. A Good Faith Deposit (the "Deposit") in the amount of \$58,800, in the form of a federal wire transfer payable to the order of the City, will only be required from the apparent winning bidder, and must be received within two hours after the receipt of bids. See Notice of Sale for additional details. Award of the Bonds will be on the basis of True Interest Cost (TIC).

* Preliminary, subject to change.



TABLE OF CONTENTS

	<u>Page</u>
SUMMARY OF OFFERING.....	2
PRINCIPAL CITY OFFICIALS.....	3
NOTICE OF SALE.....	4
AUTHORITY AND PURPOSE.....	14
SECURITY/SOURCES AND USES OF FUNDS.....	14
BONDHOLDERS' RISKS.....	14
DESCRIPTION OF THE BONDS.....	16
FULL CONTINUING DISCLOSURE.....	19
UNDERWRITER.....	19
MUNICIPAL ADVISOR.....	19
FUTURE FINANCING.....	20
BOND RATING.....	20
LITIGATION.....	20
CERTIFICATION.....	20
LEGALITY.....	20
TAX EXEMPTION.....	20
GENERAL INFORMATION.....	23
MINNESOTA VALUATIONS; PROPERTY TAX CLASSIFICATIONS.....	30
ECONOMIC AND FINANCIAL INFORMATION.....	34
SUMMARY OF DEBT AND DEBT STATISTICS.....	36
APPENDIX A – FORM OF LEGAL OPINION	
APPENDIX B – CONTINUING DISCLOSURE UNDERTAKING	
APPENDIX C – CITY’S FINANCIAL STATEMENT	

THE BONDS ARE OFFERED, SUBJECT TO PRIOR SALE, WHEN, AS AND IF ACCEPTED BY THE UNDERWRITER(S) NAMED ON THE FRONT COVER OF THIS OFFICIAL STATEMENT AND SUBJECT TO AN OPINION AS TO VALIDITY OF THE BONDS BY BOND COUNSEL. SUBJECT TO APPLICABLE SECURITIES LAWS AND PREVAILING MARKET CONDITIONS, THE UNDERWRITER(S) INTENDS, BUT IS NOT OBLIGATED, TO EFFECT SECONDARY MARKET TRADING FOR THE BONDS. CLOSING DATE IS ESTIMATED TO BE AUGUST 20, 2024.

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

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

SUMMARY OF OFFERING

City of Prior Lake, Minnesota
\$2,940,000 *
General Obligation Bonds, Series 2024A
(Book-Entry Only)

AMOUNT -	\$2,940,000																																								
ISSUER -	City of Prior Lake, Minnesota (the “City” or the “Issuer”)																																								
AWARD DATE -	July 23, 2024																																								
MUNICIPAL ADVISOR -	Northland Securities, Inc. (the “Municipal Advisor”), 150 South 5th Street, Suite 3300, Minneapolis, Minnesota 55402, telephone: 612-851-5900 or 800-851-2920																																								
TYPE OF ISSUE -	General Obligation Bonds, Series 2024A (the “Bonds” or the “Issue”)																																								
AUTHORITY, PURPOSE & SECURITY -	The General Obligation Bonds, Series 2024A (the “Bonds”) are being issued by the City of Prior Lake, Minnesota (the “City”) pursuant to Minnesota Statutes, Chapters 429, 444 and 475, as amended. Proceeds of the Bonds will be used to finance storm water improvements and a permanent improvement revolving fund and to pay costs associated with issuance of the Bonds. The Bonds are valid and binding general obligations of the City and are payable from special assessments levied against benefitted properties, net storm water revenues and ad valorem taxes. The full faith and credit of the City is also pledged to their payment. In the event of any deficiency in the Debt Service Account established for this Issue, the City has validly obligated itself to levy additional ad valorem taxes upon all of the taxable property within the City, without limitation of amount. See <i>Authority and Purpose</i> as well as <i>Security/Sources and Uses of Funds</i> herein for additional information.																																								
DATE OF ISSUE -	Date of Delivery (Estimated to be August 20, 2024)																																								
INTEREST PAID -	Semiannually on each June 15 and December 15, commencing June 15, 2025, to registered owners of the Bonds appearing of record in the bond register as of the close of business on the first day (whether or not a business day) of the calendar month of such interest payment date (the “Record Date”).																																								
MATURITIES* -	<table><tr><td>12/15/25</td><td>\$330,000</td><td>12/15/30</td><td>\$50,000</td><td>12/15/35</td><td>\$60,000</td><td>12/15/40</td><td>\$75,000</td></tr><tr><td>12/15/26</td><td>375,000</td><td>12/15/31</td><td>55,000</td><td>12/15/36</td><td>65,000</td><td>12/15/41</td><td>80,000</td></tr><tr><td>12/15/27</td><td>390,000</td><td>12/15/32</td><td>55,000</td><td>12/15/37</td><td>65,000</td><td>12/15/42</td><td>80,000</td></tr><tr><td>12/15/28</td><td>405,000</td><td>12/15/33</td><td>60,000</td><td>12/15/38</td><td>70,000</td><td>12/15/43</td><td>85,000</td></tr><tr><td>12/15/29</td><td>415,000</td><td>12/15/34</td><td>60,000</td><td>12/15/39</td><td>75,000</td><td>12/15/44</td><td>90,000</td></tr></table>	12/15/25	\$330,000	12/15/30	\$50,000	12/15/35	\$60,000	12/15/40	\$75,000	12/15/26	375,000	12/15/31	55,000	12/15/36	65,000	12/15/41	80,000	12/15/27	390,000	12/15/32	55,000	12/15/37	65,000	12/15/42	80,000	12/15/28	405,000	12/15/33	60,000	12/15/38	70,000	12/15/43	85,000	12/15/29	415,000	12/15/34	60,000	12/15/39	75,000	12/15/44	90,000
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REDEMPTION -	The Bonds maturing on December 15, 2033 and thereafter are subject to redemption, in whole or in part, on December 15, 2032 and on any date thereafter at a price of par plus accrued interest. See <i>Description of the Bonds</i> herein for additional information.																																								
BOOK-ENTRY -	The Bonds will be issued as fully registered and, when issued, will be registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York, to which principal and interest payments will be made. Individual purchases will be made in book-entry form only, in the principal amount of \$5,000 or any whole multiple thereof. Purchasers will not receive physical delivery of the Bonds.																																								
PAYING AGENT/REGISTRAR -	Northland Trust Services Inc., Minneapolis, Minnesota																																								
TAX DESIGNATIONS -	<u>NOT Private Activity Bonds</u> - The Bonds are not “private activity bonds” as defined in Section 141 of the Internal Revenue Code of 1986, as amended (the “Code”). <u>Bank Qualified Tax-Exempt Obligations</u> - The City will designate the Bonds as “qualified tax-exempt obligations” for purposes of Section 265(b)(3) of the Code.																																								
LEGAL OPINION -	Taft Stettinius & Hollister LLP, Minneapolis, Minnesota (“Bond Counsel”)																																								
BOND RATING -	The City received an underlying rating of “AAA” from S&P Global Ratings (“S&P”). See <i>Bond Rating</i> herein for additional information.																																								
CLOSING -	Estimated to be August 20, 2024																																								
PRIMARY CONTACTS -	Cathy Erickson, Finance Director, City of Prior Lake, Minnesota 952-447-9842 Tammy Omdal, Managing Director, Northland Securities, Inc., 612-851-4964																																								

* Preliminary, subject to change.

CITY OF PRIOR LAKE, MINNESOTA

PRINCIPAL CITY OFFICIALS

Elected Officials

City Council

<u>Name</u>	<u>Position</u>	<u>Term Expires</u>
Kirt Briggs	Mayor	12/31/2024
Zach Braid	Council Member	12/31/2024
Kevin Burkart	Council Member	12/31/2024
Kimberly Churchill	Council Member	12/31/2026
Victor Lake	Council Member	12/31/2026

Primary Contacts

Jason Wedel	City Manager
Cathy Erickson	City Finance Director
Campbell Knutson, P.A. – David Kendall	Attorney

BOND COUNSEL

Taft Stettinius & Hollister LLP
Minneapolis, Minnesota

MUNICIPAL ADVISOR

Northland Securities, Inc.
Minneapolis, Minnesota

NOTICE OF SALE

\$2,940,000*

GENERAL OBLIGATION BONDS, SERIES 2024A

CITY OF PRIOR LAKE, MINNESOTA
(Book-Entry Only)

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

TIME AND PLACE:

Proposals (also referred to herein as “bids”) will be opened by the City’s Finance Director, or designee, on Tuesday, July 23, 2024, at 10:00 A.M., CT, at the offices of Northland Securities, Inc. (the City’s “Municipal Advisor”), 150 South 5th Street, Suite 3300, Minneapolis, Minnesota 55402. Consideration of the Proposals for award of the sale will be by the City Council at its meeting at the City Offices beginning Tuesday, July 23, 2024 at 7:00 P.M., CT.

SUBMISSION OF PROPOSALS

Proposals may be:

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

Notice is hereby given that electronic proposals will be received via PARITY™, or its successor, in the manner described below, until 10:00 A.M., CT, on Tuesday, July 23, 2024. Proposals may be submitted electronically via PARITY™ or its successor, pursuant to this Notice until 10:00 A.M., CT, but no Proposal will be received after the time for receiving Proposals specified above. To the extent any instructions or directions set forth in PARITY™, or its successor, conflict with this Notice, the terms of this Notice shall control. For further information about PARITY™, or its successor, potential bidders may contact Northland Securities, Inc. or i-Deal® at 1359 Broadway, 2nd floor, New York, NY 10018, telephone 212-849-5021.

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

BOOK-ENTRY SYSTEM

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

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

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

DATE OF ORIGINAL ISSUE OF BONDS

Date of Delivery (Estimated to be August 20, 2024)

AUTHORITY/PURPOSE/SECURITY

The Bonds are being issued pursuant to Minnesota Statutes, Chapters 429, 444 and 475, as amended. Proceeds will be used to finance the storm water improvements and a permanent improvement revolving fund, and to pay costs associated with the issuance of the Bonds. The Bonds are payable from net storm water revenues, special assessments levied against benefited properties and additionally secured by ad valorem taxes on all taxable property within the City. The full faith and credit of the City is pledged to their payment and the City has validly obligated itself to levy ad valorem taxes in the event of any deficiency in the debt service account established for this issue.

INTEREST PAYMENTS

Interest is due semiannually on each June 15 and December 15, commencing June 15, 2025, to registered owners of the Bonds appearing of record in the Bond Register as of the close of business on the first day (whether or not a business day) of the calendar month of such interest payment date.

MATURITIES

Principal is due annually on December 15, inclusive, in each of the years and amounts as follows:

<u>Year</u>	<u>Amount</u>	<u>Year</u>	<u>Amount</u>	<u>Year</u>	<u>Amount</u>	<u>Year</u>	<u>Amount</u>
2025	\$330,000	2030	\$50,000	2035	\$60,000	2040	\$75,000
2026	375,000	2031	55,000	2036	65,000	2041	80,000
2027	390,000	2032	55,000	2037	65,000	2042	80,000
2028	405,000	2033	60,000	2038	70,000	4043	85,000
2029	415,000	2034	60,000	2039	75,000	2044	90,000

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

INTEREST RATES

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

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

The winning bidder shall assist the City in establishing the issue price of the Bonds and shall execute and deliver to the City at closing an “issue price” or similar certificate setting forth the reasonably expected initial offering price to the public or the sales price or prices of the Bonds, together with the supporting pricing wires or equivalent communications, substantially in the form attached hereto as Exhibit A, with such modifications as may be appropriate or necessary, in the reasonable judgment of the winning bidder, the City and Bond Counsel. All actions to be taken by the City under this Notice of Sale to establish the issue price of the Bonds may be taken on behalf of the City by the City’s Municipal Advisor and any notice or report to be provided to the City may be provided to the City’s Municipal Advisor.

The City intends that the provisions of Treasury Regulation Section 1.148-1(f)(3)(i) (defining “competitive sale” for purposes of establishing the issue price of the Bonds) will apply to the initial sale of the Bonds (the “competitive sale requirements”) because:

the City shall disseminate this Notice of Sale to potential underwriters in a manner that is reasonably designed to reach potential underwriters;

all bidders shall have an equal opportunity to bid;

the City may receive bids from at least three underwriters of municipal bonds who have established industry reputations for underwriting new issuances of municipal bonds; and

the City anticipates awarding the sale of the Bonds to the bidder who submits a firm offer to purchase the Bonds at the highest price (or lowest cost), as set forth in this Notice of Sale.

Any bid submitted pursuant to this Notice of Sale shall be considered a firm offer for the purchase of the Bonds, as specified in the bid.

In the event that the competitive sale requirements are not satisfied, the City shall promptly so advise the winning bidder. The City may then determine to treat the initial offering price to the public as of the award date of the Bonds as the issue price of each maturity by imposing on the winning bidder the Hold-the-Offering-Price Rule as described in the following paragraph (the “Hold-the-Offering-Price Rule”). Bids will **not** be subject to cancellation in the event that the City determines to apply the Hold-the-Offering-Price Rule to the Bonds. **Bidders should prepare their bids on the assumption that the Bonds will be subject to the Hold-the-Offering-Price Rule in order to establish the issue price of the Bonds.**

By submitting a bid, the winning bidder shall (i) confirm that the underwriters have offered or will offer the Bonds to the public on or before the date of award at the offering price or prices (the “Initial Offering Price”), or at the corresponding yield or yields, set forth in the bid submitted by the winning bidder and (ii) agree, on behalf of the underwriters participating in the purchase of the Bonds, that the underwriters will neither offer nor sell unsold Bonds of any maturity to which the Hold-the-Offering-Price Rule shall apply to any person at a price that is higher than the Initial Offering Price to the public during the period starting on the award date for the Bonds and ending on the **earlier** of the following:

the close of the fifth (5th) business day after the award date; or

the date on which the underwriters have sold at least 10% of a maturity of the Bonds to the public at a price that is no higher than the Initial Offering Price to the public (the “10% Test”), at which time only that particular maturity will no longer be subject to the Hold-the-Offering-Price Rule.

The City acknowledges that, in making the representations set forth above, the winning bidder will rely on (i) the agreement of each underwriter to comply with the requirements for establishing issue price of the Bonds, including, but not limited to, its agreement to comply with the Hold-the-Offering-Price Rule, if applicable to the Bonds, as set forth in an agreement among underwriters and the related pricing wires, (ii) in the event a selling group has been created in connection with the initial sale of the Bonds to the public, the agreement of each dealer who is a member of the selling group to comply with the requirements for establishing issue price of the Bonds, including but not limited to, its agreement to comply with the Hold-the-Offering-Price Rule, if applicable to the Bonds, as set forth in a selling group agreement and the related pricing wires, and (iii) in the event that an underwriter or dealer who is a member of the selling group is a party to a third-party distribution agreement that was employed in connection

with the initial sale of the Bonds to the public, the agreement of each broker-dealer that is a party to such agreement to comply with the requirements for establishing issue price of the Bonds, including, but not limited to, its agreement to comply with the Hold-the-Offering-Price Rule, if applicable to the Bonds, as set forth in the third-party distribution agreement and the related pricing wires. The City further acknowledges that each underwriter shall be solely liable for its failure to comply with its agreement regarding the requirements for establishing issue price of the Bonds, including but not limited to, its agreement to comply with the Hold-the-Offering-Price Rule, if applicable to the Bonds, and that no underwriter shall be liable for the failure of any other underwriter, or of any dealer who is a member of a selling group, or of any broker-dealer that is a party to a third-party distribution agreement to comply with its corresponding agreement to comply with the requirements for establishing issue price of the Bonds, including, but not limited to, its agreement to comply with the Hold-the-Offering-Price Rule if applicable to the Bonds.

By submitting a bid, each bidder confirms that: (i) any agreement among underwriters, any selling group agreement and each third-party distribution agreement (to which the bidder is a party) relating to the initial sale of the Bonds to the public, together with the related pricing wires, contains or will contain language obligating each underwriter, each dealer who is a member of the selling group, and each broker-dealer that is a party to such third-party distribution agreement, as applicable, (A) to comply with the Hold-the-Offering-Price Rule, if applicable if and for so long as directed by the winning bidder and as set forth in the related pricing wires, (B) to promptly notify the winning bidder of any sales of Bonds that to its knowledge, are made to a purchaser who is a related party to an underwriter participating in the initial sale of the Bonds to the public (each such term being used as defined below), and (C) to acknowledge that, unless otherwise advised by the underwriter, dealer or broker-dealer, the winning bidder shall assume that each order submitted by the underwriter, dealer or broker-dealer is a sale to the public, and (ii) any agreement among underwriters or selling group agreement relating to the initial sale of the Bonds to the public, together with the related pricing wires, contains or will contain language obligating each underwriter or dealer that is a party to a third-party distribution agreement to be employed in connection with the initial sale of the Bonds to the public to require each broker-dealer that is a party to such retail distribution agreement to comply with the Hold-the-Offering-Price Rule, if applicable, in each case if and for so long as directed by the winning bidder or the underwriter and as set forth in the related pricing wires.

Notes: Sales of any Bonds to any person that is a related party to an underwriter participating in the initial sale of the Bonds to the public (each such term being used as defined below) shall not constitute sales to the public for purposes of this Notice of Sale. Further, for purposes of this Notice of Sale:

“public” means any person other than an underwriter or a related party,

“underwriter” means (A) any person that agrees pursuant to a written contract with the City (or with the lead underwriter to form an underwriting syndicate) to participate in the initial sale of the Bonds to the public and (B) any person that agrees pursuant to a written contract directly or indirectly with a person described in clause (A) to participate in the initial sale of the Bonds to the public (including a member of a selling group or a party to a third-party distribution agreement participating in the initial sale of the Bonds to the public).

a purchaser of any of the Bonds is a “related party” to an underwriter if the underwriter and the purchaser are subject, directly or indirectly, to (A) more than 50% common ownership of the voting power or the total value of their stock, if both entities are corporations (including direct ownership by one corporation or another), (B) more than 50% common ownership of their capital interests or profits interests, if both entities are partnerships (including direct ownership by one partnership or another), or (C) more than 50% common ownership of the value of the outstanding stock of the corporation or the capital interests or profit interests of the partnership, as applicable, if one entity is a corporation and the other entity is a partnership (including direct ownership of the applicable stock or interests by one entity of the other), and

“sale date” means the date that the Bonds are awarded by the City to the winning bidder.

ADJUSTMENTS TO PRINCIPAL AMOUNT AFTER PROPOSALS

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

OPTIONAL REDEMPTION

Bonds maturing on December 15, 2033 through 2044 are subject to redemption and prepayment at the option of the City on December 15, 2032 and any date thereafter, at a price of par plus accrued interest. Redemption may be in whole or in part of the Bonds subject to prepayment. If redemption is in part, the maturities and principal amounts within each maturity to be redeemed shall be determined by the City and if only part of the Bonds having a common maturity date are called for prepayment, the specific Bonds to be prepaid shall be chosen by lot by the Bond Registrar.

CUSIP NUMBERS

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

DELIVERY

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

TYPE OF PROPOSAL

Proposals of not less than \$2,900,310 (98.65%) and accrued interest on the principal sum of \$2,940,000 must be filed with the undersigned prior to the time of sale. Proposals must be unconditional except as to legality. Proposals for the Bonds should be delivered to Northland Securities, Inc. and addressed to:

Cathy Erickson, Finance Director
City of Prior Lake
4646 Dakota Street SE.
Prior Lake, Minnesota 55372

A good faith deposit (the "Deposit") in the amount of \$58,800 in the form of a federal wire transfer (payable to the order of the City) is only required from the apparent winning bidder, and must be received within two hours after the time stated for the receipt of Proposals. The apparent winning bidder will receive notification of the wire instructions from the Municipal Advisor promptly after the sale. If the Deposit is not received from the apparent winning bidder in the time allotted, the City may choose to reject their Proposal and then proceed to offer the Bonds to the next lowest bidder based on the terms of their original proposal, so long as said bidder wires funds for the Deposit amount within two hours of said offer.

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

AWARD

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

INFORMATION FROM SUCCESSFUL BIDDER

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

OFFICIAL STATEMENT

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

FULL CONTINUING DISCLOSURE UNDERTAKING

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

BANK QUALIFICATION

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

BOND INSURANCE AT UNDERWRITER'S OPTION

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

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

Dated: June 25, 2024

BY ORDER OF THE PRIOR LAKE CITY COUNCIL

/s/ Cathy Erickson
Finance Director

Additional information may be obtained from:

Northland Securities, Inc.

150 South 5th Street, Suite 3300

Minneapolis, Minnesota 55402

Telephone No.: 612-851-5900

EXHIBIT A

[FORM OF ISSUE PRICE CERTIFICATE – COMPETITIVE SALE SATISFIED]

The undersigned, on behalf of _____ (the "Underwriter"), hereby certifies as set forth below with respect to the sale of the General Obligation Bonds, Series 2024A (the "Bonds") of the City of Prior Lake, Minnesota (the "Issuer").

1. Reasonably Expected Initial Offering Price.

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

The Underwriter was not given the opportunity to review other bids prior to submitting its bid.

The bid submitted by the Underwriter constituted a firm offer to purchase the Bonds.

2. Defined Terms.

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

"Public" means any person (including an individual, trust, estate, partnership, association, company, or corporation) other than an Underwriter or a related party to an Underwriter. The term "related party" for purposes of this certificate generally means any two or more persons who have greater than 50 percent common ownership, directly or indirectly.

"Sale Date" means the first day on which there is a binding contract in writing for the sale of a Maturity of the Bonds. The Sale Date of the Bonds is _____.

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

The representations set forth in this certificate are limited to factual matters only. Nothing in this certificate represents the Underwriter's interpretation of any laws, including specifically Sections 103 and 148 of the Internal Revenue Code of 1986, as amended, and the Treasury Regulations thereunder. The undersigned understands that the foregoing information will be relied upon by the Issuer with respect to certain of the representations set forth in the Nonarbitrage Certificate and with respect to compliance with the federal income tax rules affecting the Bonds, and by Taft Stettinius & Hollister LLP, Bond Counsel in connection with rendering its opinion that the interest on the Bonds is excluded from gross income for federal income tax purposes, the preparation of the Internal Revenue Service Form 8038-G, and other federal income tax advice that it may give to the Issuer from time to time relating to the Bonds.

Dated: August 20, 2024.

[FORM OF ISSUE PRICE CERTIFICATE – HOLD-THE-OFFERING-PRICE RULE APPLIES]

The undersigned, on behalf of _____ (the "Underwriter"), on behalf of itself, hereby certifies as set forth below with respect to the sale and issuance of General Obligation Bonds, Series 2024A (the "Bonds") of the City of Prior Lake, Minnesota (the "Issuer").

1. Initial Offering Price of the Bonds.

(a) The Underwriter offered each Maturity of the Bonds to the Public for purchase at the respective initial offering prices listed in Schedule A (the "Initial Offering Prices") on or before the Sale Date. A copy of the pricing wire or equivalent communication for the Bonds is attached to this certificate as Schedule B.

(b) As set forth in the Notice of Sale and bid award, the Underwriter has agreed in writing that, (i) for each Maturity of the Bonds, it would neither offer nor sell any of the Bonds of such Maturity to any person at a price that is higher than the Initial Offering Price for such Maturity during the Holding Period for such Maturity (the "hold-the-offering-price rule"), and (ii) any selling group agreement shall contain the agreement of each dealer who is a member of the selling group, and any retail distribution agreement shall contain the agreement of each broker-dealer who is a party to the retail distribution agreement, to comply with the hold-the-offering-price rule. Pursuant to such agreement, no Underwriter (as defined below) has offered or sold any Maturity of the Bonds at a price that is higher than the respective Initial Offering Price for that Maturity of the Bonds during the Holding Period.

2. Defined Terms.

(a) "Holding Period" means, for each Maturity of the Bonds, the period starting on the Sale Date and ending on the earlier of (i) the close of the fifth business day after the Sale Date (_____), or (ii) the date on which the Underwriter has sold at least 10% of such Maturity of the Bonds to the Public at prices that are no higher than the Initial Offering Price for such Maturity.

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

(c) "Public" means any person (including an individual, trust, estate, partnership, association, company, or corporation) other than an Underwriter or a related party to an Underwriter. The term "related party" for purposes of this certificate generally means any two or more persons who have greater than 50 percent common ownership, directly or indirectly.

(d) "Sale Date" means the first day on which there is a binding contract in writing for the sale of a Maturity of the Bonds. The Sale Date of the Bonds is _____.

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

The representations set forth in this certificate are limited to factual matters only. Nothing in this certificate represents the Representative's interpretation of any laws, including specifically Sections 103 and 148 of the Internal Revenue Code of 1986, as amended, and the Treasury Regulations thereunder. The undersigned understands that the foregoing information will be relied upon by the Issuer with respect to certain of the representations set forth in the Nonarbitrage Certificate and with respect to compliance with the federal income tax rules affecting the Bonds,

and by Taft Stettinius & Hollister LLP, Bond Counsel, in connection with rendering its opinion that the interest on the Bonds is excluded from gross income for federal income tax purposes, the preparation of the Internal Revenue Service Form 8038-G, and other federal income tax advice that it may give to the Issuer from time to time relating to the Bonds.

Dated: August 20, 2024.

AUTHORITY AND PURPOSE

The General Obligation Bonds, Series 2024A (the “Bonds” or the “Issue”) are being issued by the City of Prior Lake, Minnesota (the “City”) pursuant to Minnesota Statutes, Chapters 429, 444 and 475, as amended. Proceeds from issuance of the Bonds will be used to finance storm water improvements and a permanent improvement revolving fund and to pay costs associated with issuance of the Bonds.

SECURITY/SOURCES AND USES OF FUNDS

Security

The Bonds are valid and binding general obligations of the City and are payable from special assessments levied against benefitted properites, net storm water revenues and ad valorem taxes. The full faith and credit of the City is also pledged to their payment. In the event of any deficiency in the Debt Service Account established for this Issue, the City has validly obligated itself to levy additional ad valorem taxes upon all of the taxable property within the City, without limitation of amount.

Sources and Uses of Funds

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

Sources of Funds

Par Amount of Bonds	<u>\$ 2,940,000*</u>
Total Sources of Funds:	<u>\$ 2,940,000</u>

Uses of Funds

Deposit to Project Fund	\$ 2,841,500
Costs of Issuance/Underwriter’s Discount	96,745
Rounding Amount	<u>1,755</u>
Total Uses of Funds:	<u>\$ 2,940,000</u>

BONDHOLDERS’ RISKS

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

Secondary Market

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

Ratings Loss

S&P Global Ratings has assigned a rating of “AAA” to the Bonds. Generally, a rating agency bases its rating on the information and materials furnished to it and on investigations, studies and assumptions of its own. There is no assurance that the rating will continue for any given period of time, or that such rating will not be revised,

* Preliminary, subject to change.

suspended or withdrawn, if, in the judgment of S&P, circumstances so warrant. A revision, suspension or withdrawal of a rating may have an adverse effect on the market price of the Bonds.

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

Forward-Looking Statements

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

Tax Exemption, Bank Qualification and Loss of Tax Exemption

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

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

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

Pending Federal and State Tax Legislation

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

Tax Levy Procedures

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

Factors Beyond Issuer's Control

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

Cybersecurity

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

Suitability of Investment

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

Summary

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

DESCRIPTION OF THE BONDS

Details of Certain Terms

The Bonds will be dated, as originally issued, as of the date of delivery (estimated to be August 20, 2024), and will be issued as fully registered Bonds in the denominations of \$5,000 or any integral multiple thereof. Principal, including mandatory redemptions on the Bonds, if applicable, will be payable annually December 15, commencing December 15, 2025. Interest on the Bonds will be payable semiannually on each June 15 and December 15, commencing June 15, 2025. The Bonds when issued, will be registered in the name of Cede & Co. (the "Registered Holder"), as nominee of The Depository Trust Company, New York, New York ("DTC"), the initial custodian for the Bonds, to which principal and interest payments on the Bonds will be made so long as Cede & Co. is the

Registered Holder of the Bonds. See “Book-Entry System” in *Description of the Bonds* herein for additional information. So long as the Book-Entry Only System is used, individual purchases of the Bonds will be made in book-entry form only, in the principal amount of \$5,000 or any integral multiple thereof (“Authorized Denominations”). Individual purchasers (“Beneficial Owners”) of the Bonds will not receive physical delivery of bond certificates, and registration, exchange, transfer, tender and redemption of the Bonds with respect to Beneficial Owners shall be governed by the Book-Entry Only System.

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

Registration, Transfer and Exchange

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

Optional Redemption

The Bonds maturing on December 15, 2033 and thereafter are subject to redemption, in whole or in part, on December 15, 2032 and on any date thereafter at a price of par plus accrued interest. If redemption is in part, the selection of the amounts and maturities of the Bonds to be prepaid shall be at the discretion of the City. Notice of redemption shall be given by written notice to the registered owner of the Bonds not less than 30 days prior to such redemption date.

Book-Entry System

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

DTC, the world’s largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a “banking organization” within the meaning of the New York Banking Law, a member of the Federal Reserve System, a “clearing corporation” within the meaning of the New York Uniform Commercial Code, and a “clearing agency” registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.6 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC’s participants (“Direct Participants”) deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants’ accounts. This eliminates the need for physical movement of

securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation (“DTCC”). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly (“Indirect Participants”). DTC has a Standard & Poor’s rating of AA+. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com and www.dtcc.org.

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

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

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

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

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

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

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

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

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

FULL CONTINUING DISCLOSURE

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

To the best of its knowledge, the City has never failed to comply in all material respects with any previous undertakings under the Rule to provide annual reports or notices of material events within the past five years. A failure by the City to comply with the Certificate will not constitute an event of default on the Bonds (although holders will have an enforceable right to specific performance). Nevertheless, such a failure must be reported in accordance with the Rule and must be considered by any broker, dealer or municipal securities dealer before recommending the purchase or sale of the Bonds in the secondary market. Consequently, such a failure may adversely affect the transferability and liquidity of the Bonds and their market price. Please see *Appendix B – Continuing Disclosure Undertaking* herein for additional information.

The City has implemented disclosure policies and procedures to be followed by the City in relation to the financial disclosures and reportable events for which the City must provide notice to the MSRB's Electronic Municipal Market Access system. The City has retained a Dissemination Agent for its continuing disclosure filings.

UNDERWRITER

The Bonds are being purchased by _____ (the "Underwriter") at a purchase price of \$ _____, which is the par amount of the Bonds of \$ _____ less the Underwriter's discount of \$ _____, plus the original issue premium of \$ _____.

MUNICIPAL ADVISOR

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

Northland Securities, Inc., is a subsidiary of Northland Capital Holdings, Inc. First National of Nebraska, Inc., is the parent company of Northland Capital Holdings, Inc. and First National Bank of Omaha.

FUTURE FINANCING

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

BOND RATING

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

LITIGATION

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

CERTIFICATION

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

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

LEGALITY

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

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

TAX EXEMPTION

On the date of issuance of the Bonds, Taft Stettinius & Hollister LLP, Bond Counsel, will render an opinion, that, based on present federal and Minnesota laws, regulations, rulings, and decisions, at the time of the issuance of the Bonds, the interest on the Bonds is excluded from gross income for federal income tax purposes and is excluded, to the same extent, from both gross income and taxable net income for State of Minnesota income tax purposes (other than Minnesota franchise taxes measured by income and imposed on corporations and financial institutions). Interest on the Bonds is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals or for purposes of the Minnesota alternative minimum tax applicable to individuals, estates or trusts; however, interest on the Bonds is taken into account in determining “annual adjusted financial statement income” for the purpose of computing the federal alternative minimum tax imposed on certain corporations for tax years beginning after December 31, 2022. The opinions are subject to the condition that the Issuer complies with all applicable federal tax requirements. Failure to comply with certain of such requirements may cause interest on the Bonds to be included in gross income and taxable net income, retroactive to their date of issuance. No opinion will be expressed by Bond Counsel regarding other state or federal tax consequences.

OTHER FEDERAL AND STATE TAX CONSIDERATIONS

Other Tax Considerations

Though excluded from gross income, interest on the Bonds is subject to federal income taxation for certain types of taxpayers and certain income taxes, including without implied limitation, taxation to the extent it is included as part of (a) the adjusted current earnings of a corporation for purposes of the alternative minimum tax, (b) effectively connected earnings and profits of a foreign corporation for purposes of the branch profits tax on dividend equivalent amounts, (c) excess net passive income of an S Corporation which has Subchapter C earnings and profits, or (d) minimum effectively connected net investment income of a foreign insurance company. Interest on the Bonds is also taken into account in other ways for federal income tax purposes, including without implied limitation, (a) reducing loss reserve deductions of property and casualty insurance companies, (b) reducing interest expense deductions of financial institutions, and (c) causing certain taxpayers to include in gross income a portion of social security benefits and railroad retirement benefits. Ownership of the Bonds may result in other collateral federal income tax consequences to certain taxpayers. Bond Counsel expresses no opinion as to any of such consequences, and prospective purchasers who may be subject to such collateral consequences should consult their tax advisors.

Original Issue Discount

Some of the Bonds (“OID Bonds”) may be sold at initial public offering prices which are less than the principal amounts payable at maturity. For each maturity of OID Bonds, original issue discount is the excess of the stated redemption price at maturity of such Bonds over the initial offering price to the public, excluding underwriters and other intermediaries, at which price a substantial amount of such Bonds were sold. The appropriate portion of such original issue discount allocable to the original and each subsequent holder will be treated as interest and excluded from gross income for federal income tax purposes and will increase a holder’s tax basis in such Bonds for purposes of determining gain or loss upon sale, exchange, redemption, or payment at maturity. Owners of such Bonds should consult their own tax advisors with respect to the computation and determination of the portion of original issue discount which will be treated as interest and added to a holder’s tax basis during the period such Bonds are held.

Original Issue Premium

Some of the Bonds may be sold at initial public offering prices which are greater than the principal amounts payable at maturity. Bondholders who acquire Bonds at a premium should consult their tax advisors concerning the calculation of bond premium and the timing and rate of premium amortization, as well as the federal, state and local tax consequences of owning and selling Bonds acquired at a premium.

Proposed Changes in Federal and State Tax Law

From time to time, there are Presidential proposals, proposals of various federal committees, and legislative proposals in the Congress and in the states that, if enacted, could alter or amend the federal and state tax matters referred to herein or adversely affect the marketability or market value of the Bonds or otherwise prevent holders of the Bonds from realizing the full benefit of the tax exemption of interest on the Bonds. Further, such proposals may impact the marketability or market value of the Bonds simply by being proposed. No prediction is made whether such provisions will be enacted as proposed or concerning other future legislation affecting the tax treatment of interest on the Bonds. In addition, regulatory actions are from time to time announced or proposed and litigation is threatened or commenced which, if implemented or concluded in a particular manner, could adversely affect the market value, marketability or tax status of the Bonds. It cannot be predicted whether any such regulatory action will be implemented, how any particular litigation or judicial action will be resolved, or whether the Bonds would be impacted thereby.

Qualified Tax-Exempt Obligations

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

The above is not a comprehensive list of all federal tax consequences that may arise from the receipt of interest on the Bonds. The receipt of interest on the Bonds may otherwise affect the federal or State of Minnesota income tax liability of the recipient based on the particular taxes to which the recipient is subject and the particular tax status of other items or deductions. Bond Counsel expresses no opinion regarding any such consequences. All prospective purchasers of the Bonds are advised to consult their own tax advisors as to the tax consequences of, or tax considerations for, purchasing or holding the Bonds.

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CITY OF PRIOR LAKE, MINNESOTA

GENERAL INFORMATION

Location and Access

The City of Prior Lake, situated in north central Scott County, is located approximately 24 miles southwest of Minneapolis and is part of the Twin Cities Metropolitan Area. The City is bordered by the cities of Shakopee on the north and Savage on the east. Access is provided via State Highway 13 as well as numerous County Roads. Interstate Highways 35 and 494 are five and seven miles east and north of the City, respectively, and U.S. Highway 169 is five miles northwest of the City.

Population

2000 Census	15,917	2020 Census	27,617
2010 Census	22,796	2023 City Estimate*	28,915

Labor Force Data¹

Comparative average labor force and unemployment rate figures for 2024 (through April) and year-end 2023 are listed below. Figures are not seasonally adjusted, and numbers of people are estimated by place of residence.

	<u>April 2024</u>		<u>2023</u>	
	<u>Civilian Labor Force</u>	<u>Unemployment Rate</u>	<u>Civilian Labor Force</u>	<u>Unemployment Rate</u>
Scott County	84,787	2.9%	84,925	2.5%
Minneapolis-St. Paul- Bloomington MSA	2,019,480	3.0	2,023,955	2.7
Minnesota	3,094,643	3.2	3,099,923	2.8

Income Data²

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

	<u>City of Prior Lake</u>	<u>State of Minnesota</u>	<u>United States</u>
Median Family Income	\$147,520	\$105,324	\$92,148
Per Capita Income	62,432	45,021	41,804

City Government

Prior Lake, founded in 1725 and incorporated in 1891, is a Minnesota Statutory City with an Optional Plan B form of government. It has a mayor elected at large for a four-year term and four council members also elected at large for four-year terms. The City has 97 full-time and 6 part-time employees. In addition, the City has 42 paid on-call volunteer fire fighters and hires over 35 seasonal staff to support parks maintenance and recreation activities. The professional staff is appointed and consists of a City Manager, Assistant Manager, Finance Director, City Engineer/Public Works Director, Community Development Director, Police Chief, and Fire Chief.

Municipal Enterprise Services

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

* Provided by Metropolitan Council.

¹ Source: Minnesota Department of Employment and Economic Development.

² Source: 2018-2022 American Community Survey, U.S. Census Bureau.

Bargaining Units/Labor Contracts

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

<u>Employee Group</u>	<u>Contract Expiration Date</u>
AFSCME	12/31/2024
LELS (Law Enforcement Labor Services), Local #100 - Officers	12/31/2024
LELS (Law Enforcement Labor Services), Local #461 -Sergeants	12/31/2024

Employee Pension Programs

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

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

PERA provides retirement benefits as well as disability benefits to members, and benefits to survivors upon death of eligible members. Benefits are established by state statute, and vest after five years of credited service. The defined retirement benefits are based on member's highest average salary for any five successive years of allowable service, age, and years of credit at termination of service. PERA issues a publicly available financial report that includes financial statements and required supplementary information for GERF (formerly "PERF") and PEPFF. That report may be obtained at www.mnpera.org, or by writing to PERA at 60 Empire Drive, #200, St. Paul, MN 55103-2088 or by calling 651-296-7460 or 800-652-9026.

The City makes annual contributions to the pension plans equal to the amount required by state statutes. GERF Coordinated Plan members were required to contribute 6.50% of their annual covered salary in 2023. PEPFF members were required to contribute 11.80% of their annual covered salary in 2023. Effective January 1, 2015, State statute requires the City to contribute the following percentages of annual covered payroll: 7.50% for Coordinated Plan GERF members, and 17.7% for PEPFF members.

Contributions to GERF and PEPFF have been as follows:

<u>Year</u>	<u>Amount</u>
2023	\$1,222,361
2022	1,088,969
2021	1,003,430
2020	951,601
2019	873,428

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

All members of the Prior Lake Fire Department who have served for at least 20 years and have reached the age of 50 years shall be paid a pension equal to the sum of \$10,500 per year of service. A member who has served in the department for at least 20 years but has not reached the age of 50, may retire and be placed on the deferred pension

roll until he/she reaches the age of 50. Members who retire with less than 20 years of service, have reached the age of 50 and have completed at least 10 years of active membership are entitled to a reduced service pension.

Other Postemployment Benefits (OPEB)

Beginning with the year December 31, 2018, the City implemented GASB Statement No. 74, Financial Reporting for Postemployment Benefit Plans Other than Pension Plans and GASB Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other than Pensions. The City has 99 active plan members and 10 retirees and beneficiaries receiving benefits.

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

Changes in the City’s net OPEB liability for the year ended December 31, 2023 are as follows:

	<u>December 31, 2023</u>
Total OPEB Liability beginning of year	<u>\$ 1,113,962</u>
Changes for the year:	
Service Cost	\$ 57,646
Interest	22,740
Benefit Payments	(69,560)
Assumption Changes	(194,243)
Difference between Expend and actual Experience	<u>37,657</u>
Net Change in OPEB Liability	<u>\$ (145,760)</u>
Total Net OPEB Liability	<u>\$ 968,202</u>

Additional information regarding the City’s OPEB obligations is provided in the City’s Annual Financial Report, excerpts of which are provided in Appendix C of this Official Statement, with reference to Note 11.

Estimated Cash/Investment Balances as of April 30, 2024 (unaudited)

<u>Fund Name</u>	
General Fund	\$9,202,404
Special Revenue Funds	4,190,919
Debt Service Funds	2,444,238
Capital Projects Funds	17,756,204
Enterprise Funds	15,437,895
Internal Service Fund	791,009
Agency Fund	<u>524,725</u>
Total Estimated Cash/Investment Balances	<u>\$50,347,394</u>

General Fund Budget Summary

	<u>2023 Budget</u>	<u>2023 Actual</u>	<u>2024 Budget</u>
Revenues:			
Property Taxes	\$12,161,475	\$12,119,339	\$14,047,266
Licenses and Permits	894,370	694,943	617,238
Intergovernmental	2,833,610	3,007,580	3,348,632
Charges for Services	1,442,444	1,344,465	1,328,267
Fines and Forfeits	0	2,895	0
Franchise Fees	599,000	557,579	559,000
Miscellaneous	292,500	673,180	293,800
Transfers In	<u>555,000</u>	<u>555,000</u>	<u>852,400</u>
 Total Revenues	 \$18,778,399	 \$18,954,981	 \$21,046,603
Expenditures:			
General Government	\$3,336,645	\$3,372,327	\$4,098,277
Community Development	369,784	332,351	397,650
Public Safety	9,454,620	9,168,747	10,828,082
Culture and Recreation	2,524,218	2,312,264	2,626,785
Public Works	2,491,244	2,588,557	2,847,321
Transfers Out	<u>633,888</u>	<u>633,888</u>	<u>248,488</u>
 Total Expenditures	 \$18,810,399	 \$18,408,134	 \$21,046,603
Revenues Over (Under) Expenditures	<u>\$(32,000)</u>	<u>\$546,847</u>	<u>\$0</u>
Beginning Fund Balance	<u>\$10,458,397</u>	<u>\$10,458,397</u>	<u>\$11,005,244</u>
Ending Fund Balance (December 31)	<u>\$10,426,397</u>	<u>\$11,005,244</u>	<u>\$11,005,244</u>

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Residential Development

There are 10,760 households located within the City as of April 1, 2023, based on estimates provided by the Metropolitan Council. In addition, there were 68 single-family homes constructed in 2023. Residential development for the years 2019 through 2024 is provided below.

<u>Subdivision Name</u>	<u>Year Constructed</u>	<u>Total Lots/Units</u>	<u>Vacant Lots/Units</u>	<u>Status (% Developed)</u>
Cardinal Overlook Addn.	2019	9	5	44%
Meadows of Cleary Lake	2019	48	0	100%
Trillium Cove 4 th Addition	2019	25	0	100%
Haven Ridge 3 rd Addition	2019	34	0	100%
Distinctive Shores	2020	6	1	83%
Haven Ridge 4th Addn.	2020	32	0	100%
Parkwood Estates	2021	55	11	80%
Pike Lake Landing	2021	53	15	72%
Revere Place	2021	20	2	90%
Springview Meadows	2021	41	7	83%
Total Single-Family Dwellings		323	41	87%
Townhomes				
New Creations Addition	2020	2	1	50%
Towering Woods	2021	12	8	33%
Total Townhomes		14	9	36%

Industrial Parks

The City has three industrial parks totaling approximately 167.09 acres with capacity to add an additional five to ten businesses. Currently there are 50 enterprises occupying the parks, the larger of which include Buckingham Disposal, Onsite Engineering, Keyland Homes, Miratech, Norex Corporation, Versatile Vehicles and Port City Bakery.

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Commercial/Industrial Development

Building construction and commercial/industrial development completed within the past three years and a portion of 2024 has been as follows:

<u>Name</u>	<u>Product/Service</u>	<u>Description of Construction</u>	<u>Year</u>
Accelerated Auto Service	Auto Repair	New Construction	2021
Deerfield Storage Ph. II	Self-Service Storage	New Construction	2021
Suite Living of Prior Lake	Senior Assisted Housing	New Construction	2021
Brink Storage Condos	Self-Service Storage	New Construction	2021
Lil' Explorers Daycare	Child Care	New Construction	2021
Meadow Green	Landscape Service	New Construction	2022
Park Place Storage	Storage Condominium	New Construction	2023
Caribou Cabin	Restaurant	New Construction	2023
Scooter's Coffee	Restaurant	New Construction	2023
Jeffer's Lodge	Office	New Construction	2023
Fountain Hills Comm. Bldg.	Warehouse/Office	New Construction (under const.)	2024
Culver's	Restaurant	New Construction (permit review)	2024

Building Permits

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

<u>Year</u>	<u>Commercial/ Industrial Number of Permits</u>	<u>Residential Number of Permits</u>	<u>Total Number of Permits</u>	<u>Total Permit Valuation</u>
2024 (as of 4/30/24)	7	303	310	\$50,823,333
2023	26	1,128	1,154	59,489,584
2022	30	1,210	1,240	61,257,180
2021	39	1,450	1,489	84,404,412
2020	20	1,660	1,680	79,840,469
2019	26	1,069	1,095	78,296,316

Banking/Financial Institutions

Banking and financial services providers within the City include Old National Bank, New Market Bank, State Bank of Faribault, South Metro Credit Union, U.S. Bank, National Association, and Wells Fargo Bank, N.A.

Education

Prior Lake is served by Independent School District No. 719, Prior Lake-Savage and Independent School District No. 720, Shakopee. Independent School District No. 719, Prior Lake-Savage, operates six elementary schools, grades early childhood through five; two middle schools, grades six through eight; and a senior high school, grades nine through twelve.

Major Employers¹

The City has 60 retail or commercial enterprises in the downtown area employing an estimated 300 people. In addition, there is one 81,229 square foot shopping center located within the City with 15 stores employing approximately 150 people. Following are some of the major employers within the City:

<u>Employer Name</u>	<u>Product/Service</u>	<u>Number of Employees²</u>
Shakopee Mdewakanton Sioux Community	Casino, hotel, and restaurants	4,500
ISD No. 719, Prior Lake-Savage	Public Education	983
River Valley YMCA	Youth Organizations	300
Playworks	Childcare	175
Dakotah! Sport & Fitness	Fitness	150
City of Prior Lake ³	City Government	138
Lunds & Byerlys	Grocery Store	100
Cal-Tex Electric	Electric Contractors	80
Miratech Co.	Metal Fabrication	75
Legends Golf Club	Golf Course	70
Nuvera	Telecommunication Services	54
Mckenna Crossing	Nursing Care Facility	50

Largest Taxpayers⁴

Following are ten of the largest taxpayers within the City:

<u>Name</u>	<u>Classification</u>	<u>2023/2024 Tax Capacity</u>	<u>Percent of Total Tax Capacity (\$60,244,874)⁵</u>
PC Lake Ridge LLC	Apartment	\$ 494,010	0.82%
CenterPoint Energy Resource	Utility	278,283	0.46
Keystone Com of Prior Lake LLC	Apartment	253,684	0.42
Shakopee Mdewakaton Sioux Community	Commercial/Residential	183,684	0.31
Individual Trust	Commercial/Residential	160,041	0.27
Arlington Arms LLC	Commercial/Industrial	137,500	0.23
Port City Bakery Inc.	Commercial	130,257	0.22
4370 Fountain Hills Drive NE LLC	Commercial	125,496	0.21
Versatile Property Enterprises LLC	Commercial	121,825	0.20
PRC Creekside LLC	Apartments	<u>119,524</u>	<u>0.19</u>
		<u>\$ 2,004,304</u>	<u>3.33%</u>

¹ Source: The City and Data Axle Reference Solutions.

² Includes full-time, part-time, and seasonal employees.

³ Includes 97 full-time, 6 part-time and 35 seasonal employees.

⁴ As reported by Scott County.

⁵ Before tax increment and fiscal disparity adjustments.

MINNESOTA VALUATIONS; PROPERTY TAX CLASSIFICATIONS

Market Value

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

Taxable Market Value

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

Market Value Exclusion

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

Sales Ratio

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

Economic and Indicated Market Value

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

Net Tax Capacity

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

Tax Cycle

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

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

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

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

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

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

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

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

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

Levy Limits

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

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The following is a partial summary of these factors:

Property Tax Classifications

<u>Class</u>	<u>Type of Property</u>	<u>Class Rate Schedule</u>		
		<u>2021/ 2022</u>	<u>2022/ 2023</u>	<u>2023/ 2024</u>
1a	<u>Residential Homestead</u> : First \$500,000	1.00%	1.00%	1.00%
	Over \$500,000	1.25	1.25	1.25
1c	<u>Commercial seasonal-residential recreational-</u> under 250 days and includes homestead			
	First \$600,000	.50	.50	.50
	\$600,001-2,300,000	1.00	1.00	1.00
	Over \$2,300,000 [†]	1.25	1.25	1.25
2a	<u>Agricultural Homestead – House, Garage, One Acre:</u>			
	First \$500,000	1.00	1.00	1.00
	Over \$500,000	1.25	1.25	1.25
	Remainder of Farm* –			
	First \$1,880,000			
	Over \$1,880,000			
	First \$1,890,000	0.50	0.50	
	Over \$1,890,000	1.00	1.00	
	First \$2,150,000			0.50
	Over \$2,150,000			1.00
	<u>Agricultural Homestead Land</u> ¹	1.00	1.00	1.00
2a	<u>Non-Homestead Agricultural Productive Land</u> [*]	1.00	1.00	1.00
2b	<u>Non-Homestead Rural Vacant Land</u> ²	1.00	1.00	1.00
3a	<u>Commercial/Industrial and Public Utility</u>			
	First \$150,000 [†]	1.50	1.50	1.50
	Over \$150,000 [†]	2.00	2.00	2.00
4a	<u>Apartment</u> (4+ units, incl. private for-profit hospitals)	1.25	1.25	1.25
4bb(1)	<u>Residential Non-Homestead</u> (Single Unit)			
	First \$500,000	1.00	1.00	1.00
	Over \$500,000	1.25	1.25	1.25
4c(1)	<u>Seasonal Residential Recreational/Commercial</u> [†] (Resort): First \$500,000	1.00	1.00	1.00
	Over \$500,000	1.25	1.25	1.25
4c(12)	<u>Seasonal Residential Recreational</u> [†] Non-Commercial (Cabin): First \$500,000 [*]	1.00	1.00	1.00
	Over \$500,000 [*]	1.25	1.25	1.25
4d	<u>Qualifying Low-Income Rental Housing</u>			
	First \$100,000		.75	.75
	Over \$100,000		.25	.25
	First \$174,000	.75		
	Over \$174,000	.25		

[†] Subject to the state general property tax.

* Exempt from referendum market value-based taxes.

¹ Homestead remainder & non-homestead; includes structures.

² Homestead remainder & non-homestead; includes minor ancillary structures.

CITY OF PRIOR LAKE, MINNESOTA

ECONOMIC AND FINANCIAL INFORMATION¹

Valuations

	<i>Estimated Market Value 2023/2024</i>	<i>Net Tax Capacity 2023/2024</i>
Real Property	\$ 5,579,377,200	\$ 59,733,134
Personal Property	25,962,000	511,740
Less Tax Increment Deduction	---	(788,655)
Fiscal Disparities ²	---	
(Contribution to Pool)	---	(1,873,793)
Distribution from Pool	---	<u>3,619,512</u>
Total Adjusted Valuation	<u>\$ 5,605,339,200</u>	<u>\$ 61,201,938</u>

Valuation Trends (Real and Personal Property)

<i>Levy Year/ Collection Year</i>	<i>Economic Market Value</i>	<i>Sales Ratio</i>	<i>Estimated Market Value</i>	<i>Taxable Market Value</i>	<i>Tax Capacity Before Tax Increment & Fiscal Disparity</i>	<i>Tax Capacity After Tax Increment & Fiscal Disparity</i>
2023/2024	\$6,025,492,909	93.21%	\$5,605,339,200	\$5,485,388,057	\$60,244,874	\$61,201,938
2022/2023	5,814,921,594	93.19	5,415,683,100	5,302,936,749	57,745,046	58,855,332
2021/2022	4,966,019,145	90.23	4,478,853,300	4,352,813,861	47,197,236	48,173,676
2020/2021	4,449,576,749	94.19	4,190,057,200	4,055,591,900	44,008,214	45,055,487
2019/2020	4,150,983,746	93.13	3,861,129,400	3,713,161,300	40,059,957	41,060,580

Breakdown of Valuations

2023/2024 Tax Capacity, Real and Personal Property (before tax increment and fiscal disparities adjustments):

Residential Homestead	\$ 54,157,086	89.90%
Agricultural	227,671	0.38
Public Utility	68,778	0.11
Commercial & Industrial	4,946,748	8.21
Residential Non-Homestead	297,869	0.49
Other – Vacant Land	34,982	0.06
Personal Property	<u>511,740</u>	<u>0.85</u>
Totals:	<u>\$ 60,244,874</u>	<u>100.00%</u>

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

² *Fiscal Disparities Law*

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

Tax Capacity Rates

Tax capacity rates for a City resident within the Prior Lake-Savage School District, for the past five-assessable/collection years have been as follows:

<i>Levy Year/ Collection Year</i>	<i>2019/20 Tax Capacity Rates</i>	<i>2020/21 Tax Capacity Rates</i>	<i>2021/22 Tax Capacity Rates</i>	<i>2022/23 Tax Capacity Rates</i>	<i>2023/24 Tax Capacity Rates</i>
Scott County	32.718%	31.025%	30.492%	26.578%	26.228%
City of Prior Lake	32.496	30.265	30.465	28.113	30.303
ISD No. 719, (Prior Lake – Savage)	29.244	28.784	27.880	21.310	21.775
Metropolitan Council	0.609	0.634	0.650	0.538	0.633
Metro Transit District	1.401	1.249	1.185	1.085	1.018
Scott County CDA	1.594	1.590	1.597	1.385	1.442
Mosquito Control	0.399	0.375	0.364	0.303	0.316
Prior Lake EDA	0.000	0.840	0.740	0.662	0.638
Prior Lake/ Spring Lake Watershed District	3.741	3.460	3.348	2.826	2.819
Scott County Watershed Management Organization	<u>1.166</u>	<u>1.136</u>	<u>1.102</u>	<u>0.929</u>	<u>0.918</u>
Totals:	<u>103.368%</u>	<u>99.358%</u>	<u>97.823%</u>	<u>83.729%</u>	<u>86.090%</u>
<i>Market Value Rates:</i>	<i>2019/2020</i>	<i>2020/2021</i>	<i>2021/2022</i>	<i>2022/2023</i>	<i>2023/2024</i>
ISD No. 719 (Prior Lake - Savage)	0.203%	0.192%	0.180%	0.187%	0.153%

Tax Levies and Collections¹

<u>Levy/Collect</u>	<u>Adjusted Net Levy</u>	<u>Collected During Collection Year</u>		<u>Collected and/or Abated as of 12/31/23</u>	
		<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
2023/2024	\$18,714,895			In Process of Collection	
2022/2023	16,851,551	\$16,760,377	99.46%	\$16,760,377	99.46%
2021/2022	14,891,711	14,813,883	99.48	14,875,858	99.89
2020/2021	13,984,893	13,929,427	99.60	13,977,341	99.95
2019/2020	13,589,914	13,512,281	99.43	13,582,357	99.94

¹ 2023/2024 property taxes are currently in the process of collection/reporting and updated figures are not yet available from Scott County.

SUMMARY OF DEBT AND DEBT STATISTICS

Statutory Debt Limit^{1 2}

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

Computation of Legal Debt Margin as of July 2, 2024:

2023/2024 Estimated Market Value	\$ 5,605,339,200
Multiplied by 3%	<u> x .03</u>
Statutory Debt Limit	<u>\$ 168,160,176</u>
Outstanding debt applicable to debt limit:	
Outstanding debt applicable to debt limit:	
\$3,630,000 G.O. Bonds, Series 2016A	\$ 110,000
\$4,505,000 G.O. Bonds, Series 2017A	55,000
\$8,720,000 G.O. Bonds, Series 2018A	1,295,000
\$2,065,000 G.O. Bonds, Series 2019A	1,110,000
\$6,240,000 G.O. Bonds, Series 2021A	4,260,000
\$6,995,000 G.O. Bonds, Series 2021B	3,880,000
\$1,620,000 G.O. Bonds, Series 2023A	<u>410,000</u>
Less outstanding debt applicable to debt limit:	<u>\$ 11,120,000</u>
Legal debt margin	<u>\$ 157,040,176</u>

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

² Pursuant to Minnesota Statutes Section 475.521, capital improvement bonds are not subject to the statutory debt limit established in Section 475.53 if the issuer's population is less than 2,500.

CITY OF PRIOR LAKE, MINNESOTA
GENERAL OBLIGATION DEBT PAYABLE FROM TAXES
(As of July 2, 2024)

Purpose:	G.O. Bonds, Series 2016A	G.O. Bonds, Series 2017A	G.O. Bonds, Series 2018A	G.O. Bonds, Series 2019A	G.O. Bonds, Series 2021A	
Dated:	05/01/16	06/29/17	08/15/18	06/27/19	07/15/21	
Original Amount:	\$760,000	\$370,000	\$2,485,000	\$1,665,000	\$5,390,000	
Maturity:	15-Dec	15-Dec	15-Dec	15-Dec	15-Dec	
Interest Rates:	2.00%	2.00%	4.00-5.00%	5.00%	1.00-3.00%	
2024	\$35,000	\$55,000	\$260,000	\$170,000	\$460,000	2024
2025	35,000	0	260,000	175,000	495,000	2025
2026	40,000	0	270,000	185,000	510,000	2026
2027	0	0	280,000	195,000	530,000	2027
2028	0	0	225,000	205,000	560,000	2028
2029	0	0	0	180,000	575,000	2029
2030	0	0	0	0	600,000	2030
2031	0	0	0	0	530,000	2031
2032	0	0	0	0	0	2032
2033	0	0	0	0	0	2033
2034	0	0	0	0	0	2034
2035	0	0	0	0	0	2035
2036	0	0	0	0	0	2036
2037	0	0	0	0	0	2037
2038	0	0	0	0	0	2038
2039	0	0	0	0	0	2039
	\$110,000	\$55,000	\$1,295,000	\$1,110,000	\$4,260,000	
	(1)	(2)	(3)	(4)	(5) (6)	

GENERAL OBLIGATION DEBT PAYABLE FROM TAXES CONTINUED

Purpose:	G.O.					
	Bonds, Series 2021B	Bonds, Series 2023A				
Dated:	07/26/21	07/19/23				
Original Amount:	\$5,870,000	\$410,000				
Maturity:	15-Dec	15-Dec	TOTAL	TOTAL		
Interest Rates:	5.00%	5.00%	PRINCIPAL:	PRIN & INT:		
2024	\$725,000	\$25,000	\$1,730,000	\$1,950,458	2024	
2025	530,000	35,000	1,530,000	1,898,915	2025	
2026	580,000	35,000	1,620,000	1,923,365	2026	
2027	630,000	40,000	1,675,000	1,908,765	2027	
2028	680,000	40,000	1,710,000	1,870,615	2028	
2029	735,000	45,000	1,535,000	1,621,315	2029	
2030	0	45,000	645,000	666,065	2030	
2031	0	45,000	575,000	587,815	2031	
2032	0	50,000	50,000	55,000	2032	
2033	0	50,000	50,000	52,500	2033	
2034	0	0	0	0	2034	
2035	0	0	0	0	2035	
2036	0	0	0	0	2036	
2037	0	0	0	0	2037	
2038	0	0	0	0	2038	
2039	0	0	0	0	2039	
	<u>\$3,880,000</u>	<u>\$410,000</u>	<u>\$11,120,000</u>	<u>\$12,534,813</u>		
	(7)	(8)				

NOTE: 89% OF GENERAL OBLIGATION DEBT PAYABLE FROM TAXES WILL BE RETIRED WITHIN TEN YEARS.

- (1) This schedule represents a portion of the \$3,505,000 General Obligation Bonds, Series 2016A, dated May 1, 2016, consisting of \$1,105,000 backed by special assessments, \$760,000 backed by ad valorem taxes and \$1,640,000 backed by water revenues.
- (2) This schedule represents a portion of the \$4,505,000 General Obligation Bonds, Series 2017A, dated June 29, 2017, consisting of \$4,135,000 backed by special assessments and \$370,000 backed by ad valorem taxes.
- (3) This schedule represents a portion of the \$8,720,000 General Obligation Bonds, Series 2018A, dated August 15, 2018, consisting of \$3,145,000 backed by special assessments, \$2,485,000 backed by ad valorem taxes, and \$2,640,000 backed by water and sewer net revenues.
- (4) This schedule represents a portion of the \$2,065,000 General Obligation Bonds, Series 2019A, dated June 27, 2019, consisting of \$400,000 backed by special assessments and \$1,665,000 backed by ad valorem taxes.
- (5) This schedule represents a portion of the \$5,760,000 General Obligation Bonds, Series 2021A dated July 15, 2021, consisting of \$5,390,000 backed by ad valorem taxes and \$370,000 backed by special assessments.
- (6) A portion of this issue will current refund the December 15, 2021 through December 15, 2031 maturities of the City's General Obligation Bonds, Series 2011B on July 26, 2021, at a price of par plus accrued interest.
- (7) A portion of this issue current refunded the December 15, 2021 through December 15, 2029 maturities of the City's General Obligation Capital Improvement Plan Bonds, Series 2012A on July 26, 2021, at a price of par plus accrued interest. A portion of this issue also current refunded the December 15, 2021 through December 15, 2024 maturities of the City's General Obligation Bonds, Series 2014A on July 26, 2021, at a price of par plus accrued interest.
- (8) This schedule represents a portion of the \$1,620,000 General Obligation Bonds, Series 2023A dated July 19, 2023, consisting of \$410,000 backed by ad valorem taxes and \$1,210,000 backed by special assessments.

CITY OF PRIOR LAKE, MINNESOTA
GENERAL OBLIGATION DEBT PAYABLE FROM SPECIAL ASSESSMENTS
(As of July 2, 2024, Plus a Portion of This Issue)

Purpose:	G.O. Bonds, Series 2015A	G.O. Bonds, Series 2016A	G.O. Bonds, Series 2017A	G.O. Bonds, Series 2018A	G.O. Bonds, Series 2019A	
Dated:	05/01/15	05/01/16	06/29/17	08/15/18	06/15/19	
Original Amount:	\$4,235,000	\$1,105,000	\$4,135,000	\$3,145,000	\$400,000	
Maturity:	15-Dec	15-Dec	15-Dec	15-Dec	15-Dec	
Interest Rates:	1.00-3.00%	2.00%	2.00-2.25%	4.00-5.00%	5.00%	
2024	\$575,000	\$110,000	\$390,000	\$260,000	\$90,000	2024
2025	775,000	110,000	400,000	275,000	0	2025
2026	610,000	110,000	410,000	280,000	0	2026
2027	555,000	0	415,000	290,000	0	2027
2028	550,000	0	0	300,000	0	2028
2029	600,000	0	0	0	0	2029
2030	570,000	0	0	0	0	2030
2031	0	0	0	0	0	2031
2032	0	0	0	0	0	2032
2033	0	0	0	0	0	2033
	\$4,235,000	\$330,000	\$1,615,000	\$1,405,000	\$90,000	
	(1)	(2)	(3)	(4)	(5)	

GENERAL OBLIGATION DEBT PAYABLE FROM SPECIAL ASSESSMENTS CONTINUED

Purpose:	A Portion of This Issue			TOTAL PRINCIPAL:	TOTAL PRIN & INT:	
	G.O. Improvement Bonds, Series 2022A	G.O. Bonds, Series 2023A	G.O. Bonds, Series 2024A			
Dated:	09/08/22	07/19/23	08/20/24			
Original Amount:	\$1,910,000	\$1,210,000	\$1,695,000			
Maturity:	15-Dec	15-Dec	15-Dec			
Interest Rates:	4.00-5.00%	5.00%				
2024	\$160,000	\$70,000	\$0	\$1,655,000	\$1,837,869	2024
2025	170,000	90,000	300,000	2,120,000	2,515,391	2025
2026	180,000	90,000	330,000	2,010,000	2,323,515	2026
2027	190,000	90,000	345,000	1,885,000	2,132,955	2027
2028	195,000	90,000	355,000	1,490,000	1,674,340	2028
2029	205,000	140,000	365,000	1,310,000	1,436,343	2029
2030	220,000	150,000	0	940,000	1,018,500	2030
2031	230,000	155,000	0	385,000	427,900	2031
2032	230,000	165,000	0	395,000	420,950	2032
2033	0	170,000	0	170,000	178,500	2033
	\$1,780,000	\$1,210,000	\$1,695,000	\$12,360,000	\$13,966,262	
		(6)	(7)			

NOTE: 100% OF GENERAL OBLIGATION DEBT PAYABLE FROM SPECIAL ASSESSMENTS WILL BE RETIRED WITHIN TEN YEARS.

- (1) This schedule represents a portion of the \$10,000,000 General Obligation Bonds, Series 2015A, dated May 1, 2015, consisting of \$5,360,000 backed by net revenues of the water system and \$4,640,000 backed by special assessments.
- (2) This schedule represents a portion of the \$3,505,000 General Obligation Bonds, Series 2016A, dated May 1, 2016, consisting of \$1,105,000 backed by special assessments, \$760,000 backed by ad valorem taxes and \$1,640,000 backed by water revenues.
- (3) This schedule represents a portion of the \$4,505,000 General Obligation Bonds, Series 2017A, dated June 29, 2017, consisting of \$4,135,000 backed by special assessments and \$370,000 backed by ad valorem taxes.
- (4) This schedule represents a portion of the \$8,720,000 General Obligation Bonds, Series 2018A, dated August 15, 2018, consisting of \$3,145,000 backed by special assessments, \$2,485,000 backed by ad valorem taxes, and \$2,640,000 backed by water and sewer net revenues.
- (5) This schedule represents a portion of the \$2,065,000 General Obligation Bonds, Series 2019A, dated June 27, 2019, consisting of \$400,000 backed by special assessments and \$1,665,000 backed by ad valorem taxes.
- (6) This schedule represents a portion of the \$1,620,000 General Obligation Bonds, Series 2023A dated July 19, 2023, consisting of \$410,000 backed by ad valorem taxes and \$1,210,000 backed by special assessments.
- (7) This schedule represents a portion of the \$2,940,000 General Obligation Bonds, Series 2024A, dated August 20, 2024, consisting of \$1,695,000 backed by special assessments and \$1,245,000 backed by net storm water revenues.

CITY OF PRIOR LAKE, MINNESOTA
GENERAL OBLIGATION DEBT PAYABLE FROM TAX INCREMENTS
(As of July 2, 2024)

Purpose:	G.O. Bonds, Series 2011A			
Dated:	09/01/11			
Original Amount:	\$290,000			
Maturity:	15-Dec		TOTAL	TOTAL
Interest Rates:	1.80-3.00%		PRINCIPAL:	PRIN & INT:
	<hr/>			
2024	\$30,000	\$30,000	\$30,450	2024
	<hr/>			
	\$30,000	\$30,000	\$30,450	
	<hr/>			
	(1) (2) (3)			

**NOTE: 100% OF GENERAL OBLIGATION DEBT PAYABLE FROM TAX INCREMENTS
WILL BE RETIRED WITHIN TEN YEARS.**

- (1) These bonds are payable primarily from tax increments and additionally secured by ad valorem taxes on all taxable property within the City and without limitation of amount.
- (2) These bonds current refunded \$825,000 of the \$2,700,000 General Obligation Improvement Bonds of 2004, dated June 1, 2004. Maturities 2012 through 2014, inclusive, were called for redemption on December 1, 2011, at a price of par plus accrued interest. The bonds also crossover refunded \$280,000 of the \$400,000 General Obligation Tax Increment Bonds of 2004, dated June 1, 2004. Maturities 2013 through 2024, inclusive, were called for redemption on December 1, 2012, at a price of par plus accrued interest.
- (3) This schedule represents a portion of the \$3,240,000 General Obligation Bonds, Series 2011A, dated September 1, 2011, consisting of \$2,480,000 backed by special assessments, \$290,000 backed by tax increments and \$470,000 backed by ad valorem taxes (street reconstruction).

CITY OF PRIOR LAKE, MINNESOTA
GENERAL OBLIGATION DEBT PAYABLE FROM REVENUES
(As of July 2, 2024, Plus a Portion of This Issue)

Purpose:	Portion of This Issue			TOTAL PRINCIPAL:	TOTAL PRIN & INT:	
	G.O. Bonds, Series 2015A	G.O. Bonds, Series 2018A	G.O. Bonds, Series 2024A			
Dated:	05/01/15	08/15/18	08/20/24			
Original Amount:	\$5,360,000	\$2,640,000	\$1,245,000			
Maturity:	15-Dec	15-Dec	15-Dec			
Interest Rates:	1.00-3.00%	4.00-5.00%				
2024	\$495,000	\$270,000	\$0	\$765,000	\$859,475	2024
2025	515,000	270,000	30,000	815,000	1,046,201	2025
2026	530,000	280,000	45,000	855,000	1,046,095	2026
2027	550,000	300,000	45,000	895,000	1,057,293	2027
2028	570,000	320,000	50,000	940,000	1,071,990	2028
2029	590,000	0	50,000	640,000	737,165	2029
2030	615,000	0	50,000	665,000	742,740	2030
2031	640,000	0	55,000	695,000	752,565	2031
2032	0	0	55,000	55,000	91,468	2032
2033	0	0	60,000	60,000	94,543	2033
2034	0	0	60,000	60,000	92,413	2034
2035	0	0	60,000	60,000	90,223	2035
2036	0	0	65,000	65,000	92,973	2036
2037	0	0	65,000	65,000	90,470	2037
2038	0	0	70,000	70,000	92,903	2038
2039	0	0	75,000	75,000	95,103	2039
2040	0	0	75,000	75,000	92,065	2040
2041	0	0	80,000	80,000	93,990	2041
2042	0	0	80,000	80,000	90,670	2042
2043	0	0	85,000	85,000	92,350	2043
2044	0	0	90,000	90,000	93,780	2044
	\$4,505,000	\$1,440,000	\$1,245,000	\$7,190,000	\$8,516,471	
	(1) (2) (3)	(4) (5) (6)	(7)			

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

- (1) These bonds are payable primarily from net revenues of the municipal water utility system and additionally secured by ad valorem taxes on all taxable property within the City and without limitation of amount.
- (2) These bonds crossover refunded \$5,160,000 of the \$8,500,000 General Obligation Water Treatment Plant Revenue Bonds, Series 2007A, dated May 15, 2007. Maturities 2023 through 2032, inclusive, will be called for redemption on December 15, 2017 at a price of par plus accrued interest.
- (3) This schedule represents a portion of the \$10,000,000 General Obligation Bonds, Series 2015A, dated May 1, 2015, consisting of \$5,360,000 backed by net revenues of the water system and \$4,640,000 backed by special assessments.
- (4) This schedule represents a portion of the \$9,005,000 General Obligation Bonds, Series 2018A, dated August 15, 2018, consisting of \$3,480,000 backed by special assessments, \$2,500,000 backed by ad valorem taxes, and \$3,025,000 backed by water and sewer net revenues.
- (5) These bonds are payable primarily from net revenues of the municipal sewer utility system and additionally secured by ad valorem taxes on all taxable property within the City and without limitation of amount.
- (6) This schedule represents a portion of the \$8,720,000 General Obligation Bonds, Series 2018A, dated August 15, 2018, consisting of \$3,145,000 backed by special assessments, \$2,485,000 backed by ad valorem taxes, and \$2,640,000 backed by water and sewer net revenues.
- (7) This schedule represents a portion of the \$2,940,000 General Obligation Bonds, Series 2024A, dated August 20, 2024, consisting of \$1,695,000 backed by special assessments and \$1,245,000 backed by net storm water revenues.

**CITY OF PRIOR LAKE, MINNESOTA
LEASE OBLIGATION DEBT
(As of July 2, 2024)**

Purpose:	2014 Lease Purchase Agreement				
Dated:	12/19/14				
Original Amount:	\$2,667,924				
Maturity:	19-Jun	19-Dec	TOTAL	TOTAL	
Interest Rates:	2.119%		PRINCIPAL:	PRIN & INT:	
	2024				2024
	2025				2025
	\$0	\$147,172	\$147,172	\$150,307	
	148,731	0	148,731	150,307	
	\$148,731	\$147,172	<u>\$295,903</u>	<u>\$300,614</u>	

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

Indirect Debt*

<i>Issuer</i>	<i>2023/2024 Tax Capacity Value⁽¹⁾</i>	<i>2023/2024 Tax Capacity Value in City⁽¹⁾</i>	<i>Percentage Applicable in City</i>	<i>Outstanding General Obligation Debt⁽²⁾</i>	<i>Taxpayers' Share of Debt</i>
Scott County	\$ 318,207,331	\$61,201,938	19.23%	\$96,455,000	\$ 18,548,297
ISD No. 719 (Prior Lake-Savage)	99,388,267	58,389,868	58.75	136,167,333	79,998,308
ISD No. 720 (Shakopee)	101,454,933	2,812,070	2.77	117,549,569	3,256,123
Metropolitan Council	6,313,906,529	61,201,938	.97	7,645,000 ⁽³⁾	74,157
Metro Transit	5,540,695,433	61,201,938	1.10	230,580,000 ⁽⁴⁾	<u>2,536,380</u>
				<i>Total Indirect Debt:</i>	<u><u>\$ 104,413,265</u></u>

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

(1) Tax Capacity Value is after tax increment deduction and fiscal disparity adjustments.

(2) As of July 2, 2024, unless noted otherwise.

(3) Metropolitan Council has \$7,645,000 of general obligation debt outstanding as of December 31, 2023. This debt is payable from ad valorem taxes levied on all taxable property within the Metropolitan Taxing District. This amount excludes \$1,185,889,000 of general obligation debt payable from wastewater and sewer revenues, and lease agreements.

(4) Metropolitan Transit has \$230,580,000 of property tax supported general obligation debt outstanding as of December 31, 2023. Transit debt is issued by the Metropolitan Council for public transit operations and is payable from ad valorem taxes levied on all taxable property within the Metropolitan Transit District. This amount excludes \$270,715,000 of general obligation debt payable from revenues.

General Obligation Debt

Bonds secured by ad valorem tax (includes a portion of This Issue)	\$ 11,120,000
Bonds secured by special assessments (includes a portion of This Issue)	12,360,000
Bonds secured by tax increment	30,000
Bonds secured by water/sewer revenues	<u>7,190,000</u>
Subtotal	\$ 30,700,000
Less bonds secured by water/sewer revenues	(<u>7,190,000</u>)
<i>Direct General Obligation Debt</i>	23,510,000
Add taxpayers' share of indirect debt	<u>104,413,265</u>
<i>Direct and Indirect Debt</i>	<u>\$ 127,923,265</u>

Lease Obligation Debt

\$2,667,924 Lease-Purchase Agreement (Energy Loan) of 2014	\$ 295,903
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Facts for Ratio Computations

2023/2024 Economic Market Value (real and personal property)	\$6,025,492,909
Population (2023 estimate)	28,915

Debt Ratios Excluding Revenue-Supported Debt

	<i>Direct Debt</i>	<i>Indirect Debt</i>	<i>Direct and Indirect Debt</i>
To Economic Market Value	0.39%	1.73%	2.12%
Per Capita	\$813	\$3,611	\$4,424

APPENDIX A

Form of Legal Opinion

PROPOSED FORM OF LEGAL OPINION

\$2,940,000
GENERAL OBLIGATION BONDS, SERIES 2024A
CITY OF PRIOR LAKE
SCOTT COUNTY
MINNESOTA

We have acted as bond counsel in connection with the issuance by the City of Prior Lake, Scott County, Minnesota (the "Issuer"), of its \$2,940,000 General Obligation Bonds, Series 2024A, bearing a date of original issue of August 20, 2024 (the "Bonds"). We have examined the law and such certified proceedings and other documents as we deem necessary to render this opinion.

We have not been engaged or undertaken to review the accuracy, completeness or sufficiency of the Official Statement or other offering material relating to the Bonds, and we express no opinion relating thereto.

As to questions of fact material to our opinion, we have relied upon the certified proceedings and other certifications of public officials furnished to us without undertaking to verify the same by independent investigation.

Based upon such examinations, and assuming the authenticity of all documents submitted to us as originals, the conformity to original documents of all documents submitted to us as certified or photostatic copies and the authenticity of the originals of such documents, and the accuracy of the statements of fact contained in such documents, and based upon present Minnesota and federal laws (which excludes any pending legislation which may have a retroactive effect on or before the date hereof), regulations, rulings and decisions, it is our opinion that:

(1) The proceedings show lawful authority for the issuance of the Bonds according to their terms under the Constitution and laws of the State of Minnesota now in force.

(2) The Bonds are valid and binding general obligations of the Issuer, and all of the taxable property within the Issuer's jurisdiction is subject to the levy of an ad valorem tax to pay the same without limitation as to rate or amount; provided that the enforceability (but not the validity) of the Bonds and the pledge of taxes for the payment of the principal and interest thereon is subject to the exercise of judicial discretion in accordance with general principles of equity, to the constitutional powers of the United States of America and to bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights heretofore or hereafter enacted.

(3) At the time of the issuance and delivery of the Bonds to the original purchaser, the interest on the Bonds is excluded from gross income for United States income tax purposes and is excluded, to the same extent, from both gross income and taxable net income for State of Minnesota income tax purposes (other than Minnesota franchise taxes measured by income and imposed on corporations and financial institutions), and is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals or the Minnesota alternative minimum tax applicable to individuals, estates or trusts; however, interest on the Bonds is taken into account in determining "annual adjusted financial statement income" for the purpose of computing the federal alternative minimum tax imposed on certain corporations for tax years beginning after December 31, 2022. The opinions set forth in the preceding sentence are subject to the condition that the Issuer comply with all requirements of the Internal Revenue Code of 1986, as amended, that must be satisfied subsequent to the issuance of the Bonds in order that interest thereon be, or continue to be, excluded from gross income for federal income tax purposes and from both gross income and taxable net income for State of Minnesota income tax purposes. Failure to comply with certain of such requirements may cause the inclusion of interest on the Bonds in gross income and taxable net income retroactive to the date of issuance of the Bonds.

We express no opinion regarding other state or federal tax consequences caused by the receipt or accrual of interest on the Bonds or arising with respect to ownership of the Bonds.

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

TAFT STETTINIUS & HOLLISTER LLP

APPENDIX B

Form of Continuing Disclosure Undertaking

PROPOSED FORM OF CONTINUING DISCLOSURE UNDERTAKING

This Continuing Disclosure Undertaking (the "Disclosure Undertaking") is executed and delivered by the City of Prior Lake, Minnesota (the "Issuer"), in connection with the issuance of its \$2,940,000 General Obligation Bonds, Series 2024A (the "Bonds"). The Bonds are being issued pursuant to a Resolution adopted on July 23, 2024 (the "Resolution"). Pursuant to the Resolution and this Disclosure Undertaking, the Issuer covenants and agrees as follows:

SECTION 1. Purpose of the Disclosure Undertaking. This Disclosure Undertaking is being executed and delivered by the Issuer for the benefit of the Owners and in order to assist the Participating Underwriters in complying with SEC Rule 15c2-12(b)(5).

SECTION 2. Definitions. In addition to the definitions set forth in the Resolution, which apply to any capitalized term used in this Disclosure Undertaking unless otherwise defined in this Section, the following capitalized terms shall have the following meanings:

"Annual Report" shall mean any annual financial information provided by the Issuer pursuant to, and as described in, Sections 3 and 4 of this Disclosure Undertaking.

"Audited Financial Statements" shall mean the financial statements of the Issuer audited annually by an independent certified public accounting firm, prepared pursuant to generally accepted accounting principles promulgated by the Financial Accounting Standards Board, modified by governmental accounting standards promulgated by the Government Accounting Standards Board.

"Dissemination Agent" shall mean such party from time to time designated in writing by the Issuer to act as information dissemination agent and which has filed with the Issuer a written acceptance of such designation.

"Financial Obligation" shall mean a (i) debt obligation; (ii) derivative instrument entered into in connection with, or pledged as security or a source of payment for, an existing or planned debt obligation; or (iii) guarantee of (i) or (ii). This term shall not include municipal securities as to which a final official statement has been provided to the MSRB consistent with the Rule.

"Fiscal Year" shall be the fiscal year of the Issuer.

"Governing Body" shall, with respect to the Bonds, have the meaning given that term in Minnesota Statutes, Section 475.51, Subdivision 9.

"MSRB" shall mean the Municipal Securities Rulemaking Board.

"Occurrence(s)" shall mean any of the events listed in Section 5 of this Disclosure Undertaking.

"Official Statement" shall be the Official Statement dated _____, 2024, prepared in connection with the Bonds.

"Owners" shall mean the registered holders and, if not the same, the beneficial owners of any Bonds.

"Participating Underwriter" shall mean any of the original underwriters of the Bonds required to comply with the Rule in connection with offering of the Bonds.

"Resolution" shall mean the resolution or resolutions adopted by the Governing Body of the Issuer providing for, and authorizing the issuance of, the Bonds.

"Rule" shall mean Rule 15c2-12(b)(5) adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as the same may be amended from time to time or interpreted by the Securities and Exchange Commission.

SECTION 3. Provision of Annual Reports.

A. Beginning in connection with the Fiscal Year ending on December 31, 2024, the Issuer shall, or shall cause the Dissemination Agent to provide to the MSRB by filing at www.emma.msrb.org, together with such identifying information as prescribed by the MSRB, an Annual Report which is consistent with the requirements of Section 4 of this Disclosure Undertaking by not later than December 31, 2025, and by December 31 of each year thereafter.

B. If the Issuer is unable to provide to the MSRB an Annual Report by the date required in subsection A, the Issuer shall send a notice of such delay and estimated date of delivery to the MSRB.

SECTION 4. Content and Format of Annual Reports. The Issuer's Annual Report shall contain or incorporate by reference the financial information and operating data pertaining to the Issuer listed below as of the end of the preceding Fiscal Year. The Annual Report may be submitted to the MSRB as a single document or as separate documents comprising a package, and may cross-reference other information as provided in this Disclosure Undertaking.

The following financial information and operating data shall be supplied:

A. An update of the operating and financial data of the type of information contained in the Official Statement under the captions: Economic and Financial Information – "Valuations," "Tax Capacity Rates" and "Tax Levies and Collections;" and Summary of Debt and Debt Statistics.

B. Audited Financial Statements of the Issuer. The Audited Financial Statements of the Issuer may be submitted to the MSRB separately from the balance of the Annual Report. In the event Audited Financial Statements of the Issuer are not available on or before the date for filing the Annual Report with the MSRB as set forth in Section 3.A. above, unaudited financial statements shall be provided as part of the Annual Report. The accounting principles pursuant to which the financial statements will be prepared will be pursuant to generally accepted accounting principles promulgated by the Financial Accounting Standards Board, as such principles are modified by the governmental accounting standards promulgated by the Government Accounting Standards Board, as in effect from time to time. If Audited Financial Statements are not

provided because they are not available on or before the date for filing the Annual Report, the Issuer shall promptly provide them to the MSRB when available.

SECTION 5. Reporting of Significant Events. This Section 5 shall govern the giving of notices of the occurrence of any of the following events with respect to the Bonds:

- (1) Principal and interest payment delinquencies;
- (2) Non-payment related defaults, if material;
- (3) Unscheduled draws on debt service reserves reflecting financial difficulties;
- (4) Unscheduled draws on credit enhancements reflecting financial difficulties;
- (5) Substitution of credit or liquidity providers, or their failure to perform;
- (6) Adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB), or other material notices or determinations with respect to the tax status of the Bonds, or other material events affecting the tax status of the Bonds;
- (7) Modifications to rights of security holders, if material;
- (8) Bond calls, if material, and tender offers;
- (9) Defeasances;
- (10) Release, substitution, or sale of property securing repayment of the Bonds, if material;
- (11) Rating changes;
- (12) Bankruptcy, insolvency, receivership or similar event of the Issuer;
- (13) The consummation of a merger, consolidation, or acquisition involving an obligated person or the sale of all or substantially all of the assets of the obligated person, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material;
- (14) Appointment of a successor or additional trustee or the change of name of a trustee, if material;
- (15) Incurrence of a Financial Obligation of the obligated person, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a Financial Obligation of the obligated person, any of which affect security holders, if material; and,
- (16) Default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a Financial Obligation of the obligated person, any of which reflect financial difficulties.

Whenever an event listed above has occurred, the Issuer shall promptly, which may not be in excess of the ten (10) business days after the Occurrence, file a notice of such Occurrence with the MSRB, by filing at www.emma.msrb.org, together with such identifying information as prescribed by the MSRB.

The Issuer agrees to provide or cause to be provided, in a timely manner, to the MSRB notice of a failure by the Issuer to provide the Annual Reports described in Section 4.

SECTION 6. Termination of Reporting Obligation. The Issuer's obligations under this Disclosure Undertaking shall terminate upon the legal defeasance, prior redemption or payment in full of all of the Bonds.

SECTION 7. Dissemination Agent. The Issuer may, from time to time, appoint or engage a Dissemination Agent to assist it in carrying out its obligations under this Disclosure Undertaking, and may discharge any such Dissemination Agent, with or without appointing a successor Dissemination Agent.

SECTION 8. Amendment; Waiver. Notwithstanding any other provision of this Disclosure Undertaking, the Issuer may amend this Disclosure Undertaking, and any provision of this Disclosure Undertaking may be waived, if (a) a change in law or change in the ordinary business or operation of the Issuer has occurred, (b) such amendment or waiver would not, in and of itself, cause the undertakings herein to violate the Rule if such amendment or waiver had been effective on the date hereof but taking into account any subsequent change in or official interpretation of the Rule, and (c) such amendment or waiver is supported by an opinion of counsel expert in federal securities laws to the effect that such amendment or waiver would not materially impair the interests of Owners.

SECTION 9. Additional Information. Nothing in this Disclosure Undertaking shall be deemed to prevent the Issuer from disseminating any other information, using the means of dissemination set forth in this Disclosure Undertaking or any other means of communication, or including any other information in any Annual Report or notice of an Occurrence, in addition to that which is required by this Disclosure Undertaking. If the Issuer chooses to include any information in any Annual Report or notice of an Occurrence in addition to that which is specifically required by this Disclosure Undertaking, the Issuer shall have no obligation under this Disclosure Undertaking to update such information or include it in any future Annual Report or notice of an Occurrence.

SECTION 10. Default. In the event of a failure of the Issuer to provide information required by this Disclosure Undertaking, any Owner may take such actions as may be necessary and appropriate, including seeking mandamus or specific performance by court order, to cause the Issuer to comply with its obligations to provide information under this Disclosure Undertaking. A default under this Disclosure Undertaking shall not be deemed an Event of Default under the Resolution, and the sole remedy under this Disclosure Undertaking in the event of any failure of the Issuer to comply with this Disclosure Undertaking shall be an action to compel performance.

SECTION 11. Beneficiaries. This Disclosure Undertaking shall inure solely to the benefit of the Issuer, the Participating Underwriters and Owners from time to time of the Bonds, and shall create no rights in any other person or entity.

SECTION 12. Reserved Rights. The Issuer reserves the right to discontinue providing any information required under the Rule if a final determination should be made by a court of competent jurisdiction that the Rule is invalid or otherwise unlawful or, subject to the provisions of Section 8 hereof, to modify the undertaking under this Disclosure Undertaking if the Issuer determines that such modification is required by the Rule or by a court of competent jurisdiction.

Dated: August 20, 2024.

CITY OF PRIOR LAKE, MINNESOTA

By _____
Its Mayor

By _____
Its City Manager

APPENDIX C

City's Financial Statement

The following financial statements are excerpts from the annual financial report for the year ended December 31, 2023. The complete financial report for the year 2023 and the prior two years are available for inspection at the Prior Lake City Hall and the office of Northland Securities. The reader of this Official Statement should be aware that the complete financial report may have further data relating to the excerpts presented in the appendix which may provide additional explanation, interpretation or modification of the excerpts.

CITY OF PRIOR LAKE
SCOTT COUNTY, MINNESOTA

Financial Statements
and Supplementary Information

Year Ended
December 31, 2023

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CITY OF PRIOR LAKE
SCOTT COUNTY, MINNESOTA

Table of Contents

	Page
INTRODUCTORY SECTION	
ELECTED AND APPOINTED OFFICIALS	1
FINANCIAL SECTION	
INDEPENDENT AUDITOR’S REPORT	2–5
MANAGEMENT’S DISCUSSION AND ANALYSIS	6–20
BASIC FINANCIAL STATEMENTS	
Government-Wide Financial Statements	
Statement of Net Position	21
Statement of Activities	22–23
Fund Financial Statements	
Governmental Funds	
Balance Sheet	24–25
Reconciliation of the Balance Sheet to the Statement of Net Position	26
Statement of Revenues, Expenditures, and Changes in Fund Balances	27–28
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances to the Statement of Activities	29
Statement of Revenues, Expenditures, and Changes in Fund Balances – General Fund – Budget and Actual	30
Proprietary Funds	
Statement of Net Position	31–32
Statement of Revenues, Expenses, and Changes in Net Position	33–34
Statement of Cash Flows	35–38
Notes to Basic Financial Statements	39–78
REQUIRED SUPPLEMENTARY INFORMATION	
PERA – General Employees Retirement Fund	
Schedule of City’s and Nonemployer Proportionate Share of Net Pension Liability	79
Schedule of City Contributions	79
PERA – Public Employees Police and Fire Fund	
Schedule of City’s and Nonemployer Proportionate Share of Net Pension Liability	80
Schedule of City Contributions	80
Prior Lake Fire Relief Association	
Schedule of Changes in the Relief Association’s Net Pension Liability (Asset) and Related Ratios	81–82
Schedule of City Contributions	83
Other Post-Employment Benefits Plan	
Schedule of Changes in the City’s Total OPEB Liability and Related Ratios	84
Notes to Required Supplementary Information	85–91

CITY OF PRIOR LAKE
SCOTT COUNTY, MINNESOTA

Table of Contents (continued)

	Page
SUPPLEMENTARY INFORMATION	
Combining and Individual Fund Statements and Schedules	
Nonmajor Governmental Funds	
Combining Balance Sheet	92
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances	93
Nonmajor Special Revenue Funds	
Combining Balance Sheet	94–95
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances	96–97
Nonmajor Capital Projects Funds	
Combining Balance Sheet	98–101
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances	102–105
General Fund	
Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual	106–111
Debt Service Fund	
Balance Sheet by Account	112–115
Schedule of Revenues, Expenditures, and Changes in Fund Balances by Account	116–119
Internal Service Funds	
Combining Statement of Net Position	120
Combining Statement of Revenues, Expenses, and Changes in Net Position	121
Combining Statement of Cash Flows	122
OTHER INFORMATION SECTION	
Summary Financial Report	
Revenues and Expenditures for General Operations	123
Combined Schedule of Indebtedness	124–125
Bond Schedules	126–130
Debt Service Requirements	131–132
Tax Levies and Collections, and Special Assessment Levies and Collections	133
Schedules of Market Value, Tax Levy, Tax Capacity Values, Tax Capacity Rate, and Market Value Rate	134
Key Financial Indicators	135
OTHER REQUIRED REPORTS	
Independent Auditor’s Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With <i>Government Auditing Standards</i>	136–137
Independent Auditor’s Report on Minnesota Legal Compliance	138
Schedule of Findings and Responses	139

INTRODUCTORY SECTION

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CITY OF PRIOR LAKE
SCOTT COUNTY, MINNESOTA

Elected and Appointed Officials
as of December 31, 2023

ELECTED

		<u>Term Expires</u>
Kirt Briggs	Mayor	12/31/2024
Zach Braid	Councilmember	12/31/2024
Kevin Burkart	Councilmember	12/31/2024
Kimberly Churchill	Councilmember	12/31/2026
Victor Lake	Councilmember	12/31/2026

APPOINTED

Jason Wedel	City Manager
Lori Olson	Assistant City Manager
Cathy Erickson	Finance Director
Nicole Klekner	Assistant Finance Director

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FINANCIAL SECTION

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PRINCIPALS

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

INDEPENDENT AUDITOR’S REPORT

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

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

OPINIONS

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Prior Lake, Minnesota (the City) as of and for the year ended December 31, 2023, and the related notes to the financial statements, which collectively comprise the City’s basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City as of December 31, 2023, and the respective changes in financial position, and, where applicable, cash flows thereof, and the budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

BASIS FOR OPINIONS

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor’s Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the City and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

EMPHASIS OF MATTER

Change in Accounting Principle

As described in Note 1 of the notes to basic financial statements, in fiscal 2023, the City adopted new accounting guidance, Governmental Accounting Standards Board (GASB) Statement No. 96, *Subscription-Based Information Technology Arrangements*. Our opinion is not modified with respect to this matter.

(continued)

RESPONSIBILITIES OF MANAGEMENT FOR THE FINANCIAL STATEMENTS

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for 12 months beyond the financial statements 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 generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgement made by a reasonable user based on the financial statements.

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

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

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

(continued)

REQUIRED SUPPLEMENTARY INFORMATION

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

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 accompanying combining and individual fund financial statements and schedules, as listed in the table of contents, are presented for purpose of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the accompanying combining and individual fund financial statements and schedules are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

OTHER INFORMATION

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

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

PRIOR YEAR COMPARATIVE INFORMATION

We have previously audited the City's 2022 financial statements, and we expressed unmodified audit opinions on the respective financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information in our report dated May 5, 2023. In our opinion, the partial comparative information presented herein as of and for the year ended December 31, 2022 is consistent, in all material respects, with the audited financial statements from which it has been derived.

(continued)

OTHER REPORTING REQUIRED BY *GOVERNMENT AUDITING STANDARDS*

In accordance with *Government Auditing Standards*, we have also issued our report dated May 30, 2024, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

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

Minneapolis, Minnesota
May 30, 2024

CITY OF PRIOR LAKE

Management's Discussion and Analysis Fiscal Year Ended December 31, 2023

As the management of the City of Prior Lake, Minnesota (the City), we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended December 31, 2023.

FINANCIAL HIGHLIGHTS

- The assets and deferred outflows of resources of the City exceeded its liabilities and deferred inflows of resources at the close of the most recent fiscal year by \$260,743,930 (*net position*). Of this amount, \$30,227,057 (*unrestricted net position*) may be used to meet the government's ongoing obligations to citizens and creditors.
- The City's total net position increased by \$11,413,014.
- As of the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$32,876,500, a decrease of \$30,989 in comparison with the prior year.
- At the end of the current fiscal year, the total fund balance for the General Fund was \$11,005,244, or 52.3 percent, of budgeted 2024 expenditures and transfers out of \$21,046,603. Of the total fund balance of \$11,005,244, \$465,200 is assigned for future projects and programs. The total fund balance reflects an increase of \$546,847 from the prior year.
- During the year ended December 31, 2023, the City implemented Governmental Accounting Standards Board (GASB) Statement No. 96, *Subscription-Based Information Technology Arrangements* (SBITAs). This statement provides guidance on the accounting and financial reporting for SBITAs for government end users. The implementation of this new GASB statement in the current year resulted in the City reporting new capital assets and long-term debt for technology subscriptions, but did not change beginning net position in the government-wide financial statements in the current year. See Notes 1, 4, and 6 for additional details on this change in the current year.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the City's basic financial statements. The City's basic financial statements include three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to basic financial statements. This report also contains supplemental information in addition to the basic financial statements themselves.

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

The *Statement of Net Position* presents information on all of the City's assets, deferred outflows of resources, liabilities, and deferred inflows of resources, with the difference between them reported as *net position*. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating. The *Statement of Activities* presents information showing how the City's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned, but unused, vacation leave).

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities of the City include general government, public safety, public works, culture and recreation, and economic development. The business-type activities of the City include water, sewer, and water quality operations.

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

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

Governmental Funds – Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a city's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the City's near-term financing decisions. Both the governmental funds Balance Sheet and the governmental funds Statement of Revenues, Expenditures, and Changes in Fund Balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The City maintains numerous individual governmental funds. Information is presented separately in the governmental funds Balance Sheet and in the governmental funds Statement of Revenues, Expenditures, and Changes in Fund Balances for the General Fund, Debt Service Fund, and Construction Fund, all of which are considered major funds. Data from the other governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds are provided in the form of combining statements elsewhere in this report.

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

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

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

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

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

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

Notes to Basic Financial Statements – The notes to basic financial statements provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to basic financial statements can be found following the proprietary fund statements within the financial section of this report.

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

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net position may serve over time as a useful indicator of a city's financial position. In the case of the City, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$260,743,930 at the close of the most recent fiscal year.

The City's investment in capital assets (e.g., land, buildings, and machinery and equipment), less any related debt used to acquire those assets that is still outstanding, totaled 83.6 percent of total net position. The City uses these capital assets to provide services to citizens; consequently, these assets are *not* available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

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

	Governmental Activities		Business-Type Activities		Total	
	2023	2022	2023	2022	2023	2022
Assets						
Current and other assets	\$ 45,479,912	\$ 44,262,357	\$ 17,086,059	\$ 14,232,134	\$ 62,565,971	\$ 58,494,491
Capital assets, net	172,992,464	165,315,011	75,913,636	75,373,736	248,906,100	240,688,747
Total assets	<u>\$ 218,472,376</u>	<u>\$ 209,577,368</u>	<u>\$ 92,999,695</u>	<u>\$ 89,605,870</u>	<u>\$ 311,472,071</u>	<u>\$ 299,183,238</u>
Deferred outflows of resources						
Pension and OPEB plan deferments	\$ 9,860,595	\$ 11,193,049	\$ 350,095	\$ 502,375	\$ 10,210,690	\$ 11,695,424
Liabilities						
Long-term liabilities	\$ 39,724,257	\$ 50,946,133	\$ 3,030,044	\$ 3,817,064	\$ 42,754,301	\$ 54,763,197
Other liabilities	3,181,915	3,119,847	577,432	322,322	3,759,347	3,442,169
Total liabilities	<u>\$ 42,906,172</u>	<u>\$ 54,065,980</u>	<u>\$ 3,607,476</u>	<u>\$ 4,139,386</u>	<u>\$ 46,513,648</u>	<u>\$ 58,205,366</u>
Deferred inflows of resources						
Revenue for subsequent years	\$ 5,050,251	\$ 2,440,198	\$ -	\$ -	\$ 5,050,251	\$ 2,440,198
Pension and OPEB plan deferments	8,992,547	863,012	382,385	39,170	9,374,932	902,182
Total deferred inflows of resources	<u>\$ 14,042,798</u>	<u>\$ 3,303,210</u>	<u>\$ 382,385</u>	<u>\$ 39,170</u>	<u>\$ 14,425,183</u>	<u>\$ 3,342,380</u>
Net position						
Net investment in capital assets	\$ 143,656,868	\$ 133,708,934	\$ 74,313,470	\$ 73,472,594	\$ 217,970,338	\$ 207,181,528
Restricted	12,546,535	11,269,953	-	-	12,546,535	11,269,953
Unrestricted	15,180,598	18,422,340	15,046,459	12,457,095	30,227,057	30,879,435
Total net position	<u>\$ 171,384,001</u>	<u>\$ 163,401,227</u>	<u>\$ 89,359,929</u>	<u>\$ 85,929,689</u>	<u>\$ 260,743,930</u>	<u>\$ 249,330,916</u>

An additional portion of the City's net position, \$12,546,535, or 4.8 percent, represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position, \$30,227,057, may be used to meet the government's ongoing obligations to citizens and creditors.

The significant changes in deferred outflows of resources, long-term liabilities and deferred inflows of resources relates to changes in the Public Employees Retirement Association pension plans in 2023. The GASB Statement No. 68 requires the City to recognize its proportionate share of pension benefit obligations. Deferred inflows of resources also increased for state municipal street aid revenue received by the City in advance of allotments that will be reported as revenue in subsequent years.

The increase in current and other assets is mainly the result of positive operative results during the year in the enterprise funds. The increase in capital assets is related to continuing development activity in the current year. The increase in restricted net position is mainly in amounts restricted for debt service.

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

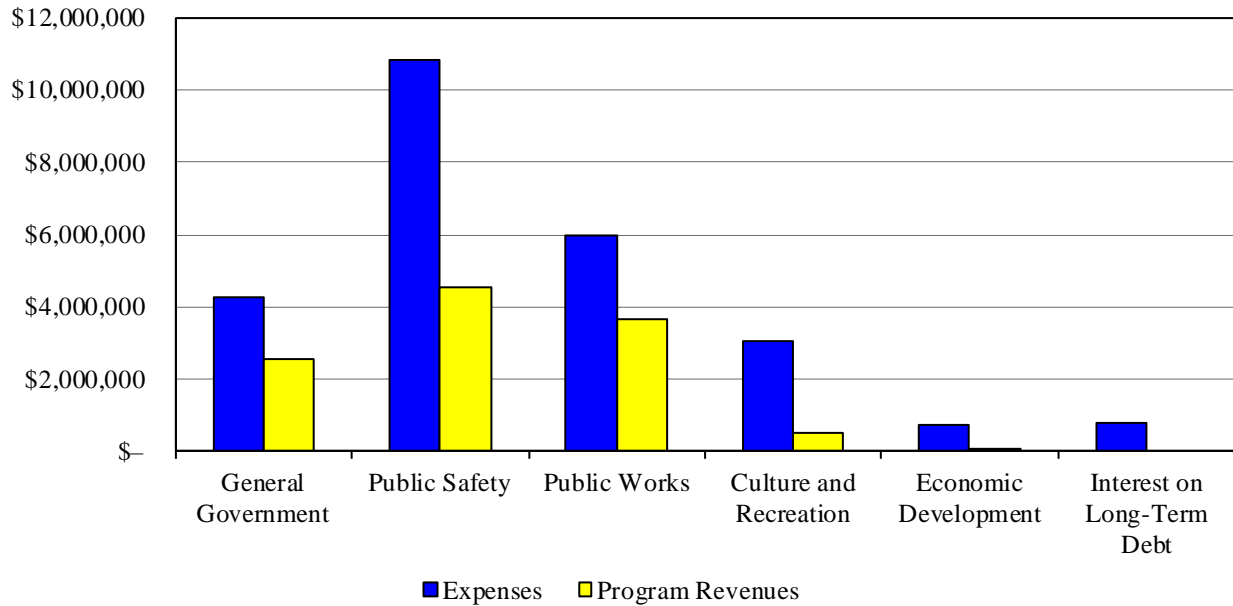
Table 2
Changes in Net Position
for the Years Ended December 31, 2023 and 2022

	Governmental Activities		Business-Type Activities		Total	
	2023	2022	2023	2022	2023	2022
Revenues						
Program revenues						
Charges for services	\$ 2,298,357	\$ 2,194,554	\$ 12,166,243	\$ 11,664,260	\$ 14,464,600	\$ 13,858,814
Operating grants and contributions	3,706,641	2,367,925	27,150	18,747	3,733,791	2,386,672
Capital grants and contributions	5,306,575	8,802,839	64,325	3,155,776	5,370,900	11,958,615
General revenues						
Property taxes and tax increments	17,802,929	16,085,103	–	–	17,802,929	16,085,103
Franchise taxes	1,636,676	1,641,679	–	–	1,636,676	1,641,679
Grants and contributions not restricted to specific programs	456	602	–	–	456	602
Investment income (losses)	1,708,687	(904,982)	678,270	(372,374)	2,386,957	(1,277,356)
Miscellaneous	576,207	973,995	40,888	8,687	617,095	982,682
Gain (loss) on sale of assets	64,915	115,425	(94,246)	139,046	(29,331)	254,471
Total revenues	<u>33,101,443</u>	<u>31,277,140</u>	<u>12,882,630</u>	<u>14,614,142</u>	<u>45,984,073</u>	<u>45,891,282</u>
Expenses						
General government	4,264,884	4,183,035	–	–	4,264,884	4,183,035
Public safety	10,815,305	9,198,988	–	–	10,815,305	9,198,988
Public works	6,005,415	6,162,534	–	–	6,005,415	6,162,534
Culture and recreation	3,032,441	2,925,166	–	–	3,032,441	2,925,166
Economic development	735,775	1,273,677	–	–	735,775	1,273,677
Interest on long-term debt	807,850	735,966	–	–	807,850	735,966
Water	–	–	4,380,943	3,783,170	4,380,943	3,783,170
Sewer	–	–	3,708,995	3,768,963	3,708,995	3,768,963
Water quality	–	–	819,451	900,535	819,451	900,535
Total expenses	<u>25,661,670</u>	<u>24,479,366</u>	<u>8,909,389</u>	<u>8,452,668</u>	<u>34,571,059</u>	<u>32,932,034</u>
Increase in net position before transfers	7,439,773	6,797,774	3,973,241	6,161,474	11,413,014	12,959,248
Transfers	543,001	254,777	(543,001)	(254,777)	–	–
Changes in net position	7,982,774	7,052,551	3,430,240	5,906,697	11,413,014	12,959,248
Net position						
Beginning of year	<u>163,401,227</u>	<u>156,348,676</u>	<u>85,929,689</u>	<u>80,022,992</u>	<u>249,330,916</u>	<u>236,371,668</u>
End of year	<u>\$ 171,384,001</u>	<u>\$ 163,401,227</u>	<u>\$ 89,359,929</u>	<u>\$ 85,929,689</u>	<u>\$ 260,743,930</u>	<u>\$ 249,330,916</u>

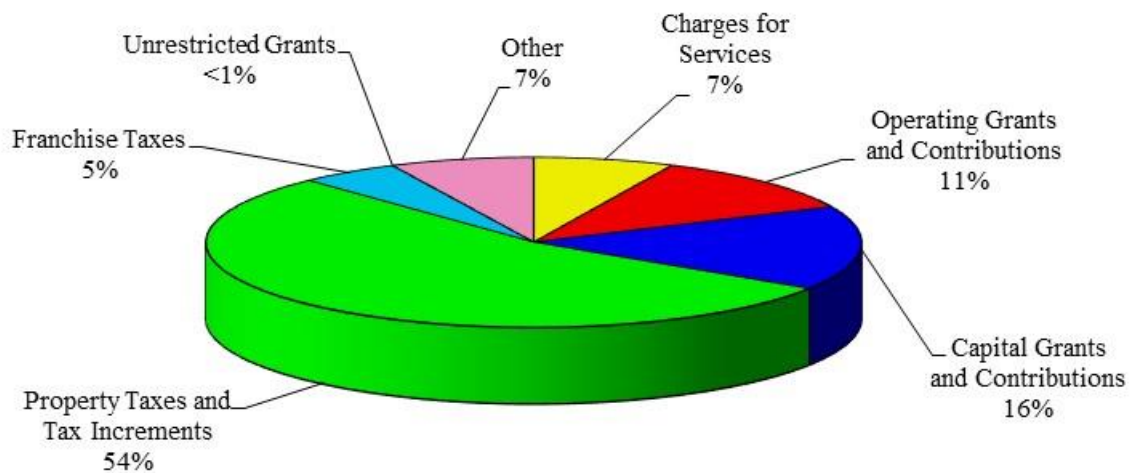
Governmental activities increased the City’s net position by \$7,982,774. Key elements of this increase are seen in the table above. Property tax increases were the result of an increased levy in the current year. The decrease in capital grants and contributions was lower due to having almost \$3 million of federal grant revenue from the Coronavirus State and Local Fiscal Recovery Funds program, a part of the American Rescue Plan Act in 2022. The increase in investment income is related to an increase in income from investments, due to improved market conditions in the current year. The increase in public safety expenses is mostly related to increased staffing of full-time firefighters in the City. Twelve full-time firefighters started with the City on July 1, 2023.

The business-type activities increased the City’s net position in total by \$3,430,240. Capital grants and contributions decreased, mostly in contributions from developers for street and development projects in 2023.

Below are specific graphs that provide comparisons of the governmental activities program revenues and expenses. The City's emphasis on public safety continued in 2023 with the addition of 12 full-time firefighters and the addition of 1 civilian to manage the police property room. General government revenue will vary by year, based on grant funding for operations and capital projects. Public works revenue will vary by year, based on development projects and transportation projects. Fiscal 2023 included two street reconstruction projects, as compared to one street project in 2022.

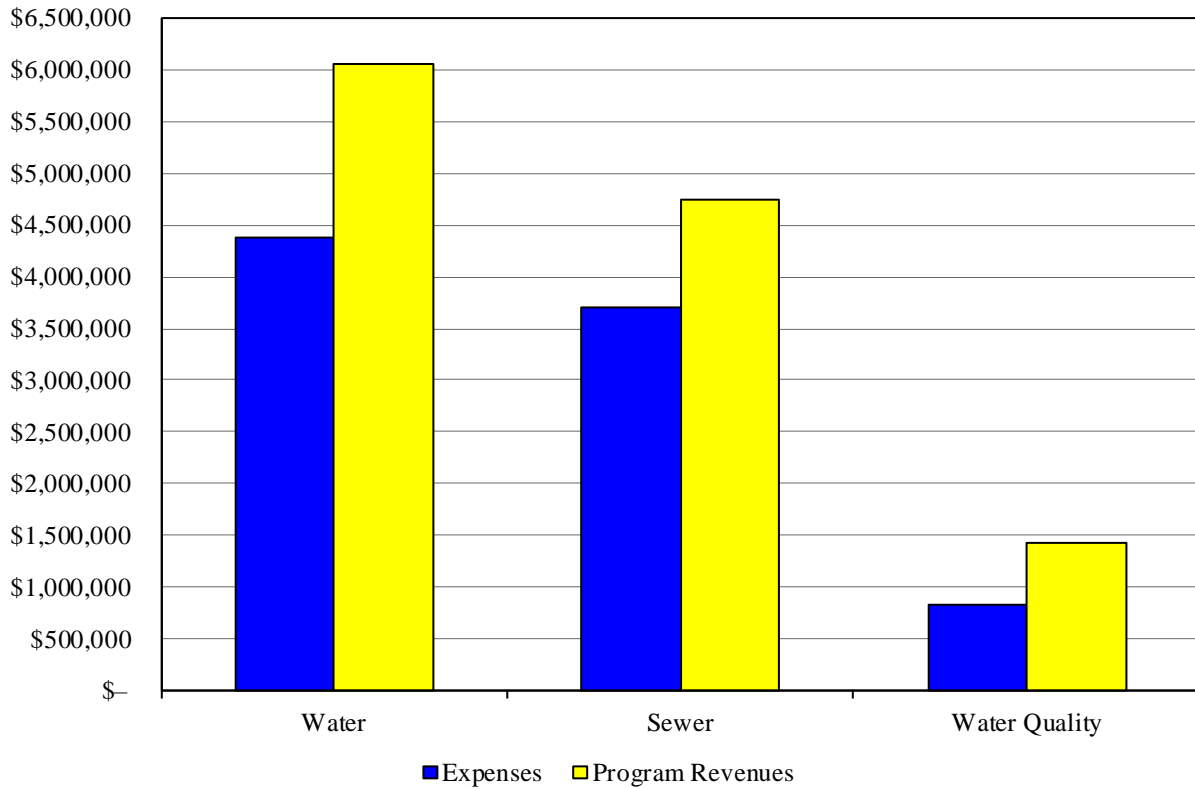


Governmental Activities – Revenue by Source

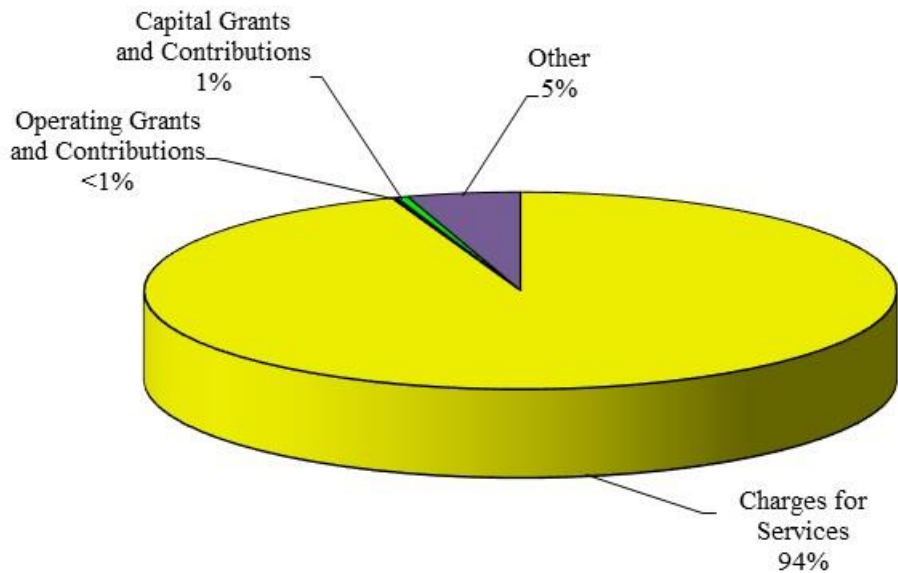


Business-Type Activities – Below are graphs showing the business-type activities program revenues and expense comparisons.

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



Business-Type Activities – Revenue by Source



FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUNDS

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

Governmental Funds – The focus of the City's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City's financing requirements. In particular, unassigned fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$32,876,500, a decrease of \$30,989 in comparison with the prior year.

The General Fund is the chief operating fund of the City. At the end of the recent fiscal year, total fund balance reached \$11,005,244. As a measure of the General Fund's liquidity, it may be useful to compare the total fund balance to total fund expenditures. Total fund balance represents about 52.3 percent of total 2024 General Fund budgeted expenditures and transfers out of \$21,046,603. Of the total fund balance of \$11,005,244, \$465,200 is assigned for future projects and programs. This leaves an unassigned fund balance in the General Fund of \$10,540,044.

The total fund balance reflects an increase of \$546,847 from the prior year and an increase of \$883,146 above the amended budget, which reflected the use of fund balance of \$336,299. The components of the \$546,847 increase in fund balance are revenues and other financing sources over budget by \$176,582 and expenditures less than budget by \$706,564.

The Debt Service Fund balance increased by \$50,946. The City manages cash flow in all debt service accounts and ensures adequate resources exist to fund future obligations.

The Construction Fund balance decreased by \$1,712,210, due to timing differences between project financing inflows and capital outlays.

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

GENERAL FUND BUDGETARY HIGHLIGHTS

The original budget reflected use of fund balance of \$32,000.

The City amends its budget at various points during the year. The General Fund budget was amended in 2023 to increase the spending of the fund balance by \$304,299, primarily for streets, including personal costs and maintenance projects.

Actual revenues and other financing sources were \$176,582 over budget in 2023. Investment income was higher than budget by \$440,266, due to market conditions. Licenses and permits were less than budget by \$199,427 as nonbusiness permit activity was less than projected, due to a slowdown in residential development.

Actual expenditures were \$706,564 less than budget in 2023. Expenditures were less than budget in most program areas, due to open positions and fuel savings across multiple departments. Police department expenditures were lower than budget by \$254,596 for fuel, small equipment, and new technology purchases. Fuel was budgeted at a higher rate, but the price subsequently dropped through the end of 2023. Parks was lower than budget by \$193,366, primarily for maintenance projects and contracted projects.

CAPITAL ASSETS AND LONG-TERM LIABILITIES

Capital Assets – The City’s investment in capital assets for its governmental and business-type activities as of December 31, 2023 amounts to \$248,906,100 (net of accumulated depreciation/amortization). This investment in capital assets includes items, such as land, buildings and improvements, machinery and equipment, park facilities, roads, highways, and bridges.

	Governmental Activities		Business-Type Activities		Total	
	2023	2022	2023	2022	2023	2022
Land	\$ 34,311,351	\$ 33,183,201	\$ –	\$ –	\$ 34,311,351	\$ 33,183,201
Utility access agreement	–	–	2,499,970	2,499,970	2,499,970	2,499,970
Easements	56,152,920	56,152,920	218,912	218,912	56,371,832	56,371,832
Construction in progress	16,010,957	10,033,602	54,625	34,314	16,065,582	10,067,916
Land improvements	782,146	853,545	26,421	30,808	808,567	884,353
Machinery and equipment	3,216,610	2,812,657	870,336	833,562	4,086,946	3,646,219
Vehicles	2,389,626	2,804,267	424,739	457,314	2,814,365	3,261,581
Infrastructure	59,697,281	59,474,819	71,818,633	71,298,856	131,515,914	130,773,675
Technology subscriptions	431,573	–	–	–	431,573	–
Total	<u>\$ 172,992,464</u>	<u>\$ 165,315,011</u>	<u>\$ 75,913,636</u>	<u>\$ 75,373,736</u>	<u>\$ 248,906,100</u>	<u>\$ 240,688,747</u>

Additional information on the City’s capital assets can be found in Note 4 of the notes to basic financial statements.

Long-Term Liabilities – At the end of the current fiscal year, the City had total long-term liabilities of \$42,754,301. This amount includes debt backed by the full faith and credit of the City. The City’s total long-term liabilities decreased during the current fiscal year, due to scheduled payments on debt obligations and energy loans payable and changes in the net pension liability previously discussed.

	Governmental Activities		Business-Type Activities		Total	
	2023	2022	2023	2022	2023	2022
G.O. bonds	\$ 13,875,000	\$ 13,835,000	\$ –	\$ –	\$ 13,875,000	\$ 13,835,000
G.O. special assessment bonds	7,910,000	9,795,000	–	–	7,910,000	9,795,000
G.O. tax increment bonds	30,000	60,000	–	–	30,000	60,000
G.O. revenue bonds	4,505,000	4,985,000	1,440,000	1,700,000	5,945,000	6,685,000
Premium (discount) on bonds payable	2,186,515	2,262,852	160,166	201,140	2,346,681	2,463,992
Energy loan payable	441,532	728,225	–	–	441,532	728,225
Compensated absences payable	1,141,513	1,075,640	209,648	194,481	1,351,161	1,270,121
Subscription liabilities	417,549	–	–	–	417,549	–
Total OPEB obligation	819,675	927,372	148,527	186,590	968,202	1,113,962
Net pension liability – GERP and PEPFF	8,397,473	17,277,044	1,071,703	1,534,851	9,469,176	18,811,895
Total	\$ 39,724,257	\$ 50,946,133	\$ 3,030,044	\$ 3,817,062	\$ 42,754,301	\$ 54,763,195

The City’s statutory debt limit is equal to 3 percent of estimated taxable market value of property located within the City. The taxable market value totals \$5,302,936,749, which calculates to a debt limit of \$159,088,102. Debt financed partially or entirely by special assessments, tax increments, and other revenue sources is not applied against the City’s debt limit, nor is debt financed by proprietary fund revenues. Currently, the City has \$13,875,000 of general obligation debt outstanding, leaving a debt limit of \$145,213,102.

Additional information on the City’s long-term debt can be found in Note 6 of the notes to basic financial statements.

ECONOMIC FACTORS AND NEXT YEAR’S BUDGETS AND RATES

- The City adopted a general fund operating budget of \$21,046,603 for expenditures and other financing uses for fiscal 2024, an increase of \$1,931,905, or 10.1 percent, from the 2023 final budget. Fiscal 2024 expenditures include 12 months of full-time firefighter staff as compared to 6 months of full-time firefighter expenditures in 2023. The budget also includes personnel funding for a new recreation programmer and funding for state and county mandated costs for elections, joint prosecution, and police holiday pay. In 2023, the City received one-time public safety state aid funding approved by the state Legislature. The City’s portion totaled \$1,217,937. The 2024 budget includes \$267,100 for a new police officer and public safety technology capital items that will be funded by this one-time state aid. The outstanding public safety state aid of approximately \$950,000 will be used for future public safety needs as directed by the City Council.
- The City’s local tax capacity will increase 4.3 percent for property taxes payable in 2024.

- Although construction activity was slower in 2023 than recent years, the City continues to grow. The City issued 68 single-family building permits in 2023, compared to an average of 122 single-family permits over the previous 10 years.
- Over the past five years (2019–2023) the City has issued 670 single-family home permits.
- From 2005–2023, the City has consistently ranked in the top 25 in the Twin Cities metro area in total number of residential units and ranked in the top 15 in the Twin Cities metro area in total single-family residential units. (Source: Metropolitan Council, Community Profile, Building Permits, Residential, Twin Cities Region (7-county metro area).)
- From 2016–2023, the City has issued permits for 6 multi-family residential buildings with a total of 440 units. So far in 2024, the City has issued a permit for a new 197-unit multi-family residential building and anticipates issuing another permit for a 140-unit building in 2024.
- Total building permit valuation (new and addition/alteration) has remained consistent over the past five years (2019–2023), with an average of \$72.6 million per year.
- Commercial building permit valuation (new and addition/alteration) has an average annual valuation of \$10.5 million over the past five years (2019–2023).
- Continued staged development of land within the City and areas to be annexed under the orderly annexation agreement with Spring Lake Township will provide most of the City’s anticipated market value growth over the course of the next 10 to 15 years.
- To meet the City’s water needs as it continues to grow, the City entered into a Water Purchase and Facility Expansion Agreement with the Shakopee Mdewakanton Sioux Community. The plant can supply additional water to the City and will have future expansion available to meet the City’s long-term needs. This approach provides the City with the flexibility to evaluate the pace and timing of development in the Orderly Annexation Area before a substantial investment is needed to construct the expansion of the water treatment plant. The initial improvements, combined with the long-term water purchase agreement, could provide the City with enough water capacity for the next 15 to 20 years, depending on the rate of development.
- Economic indicators, including a slowdown in residential construction and inflationary impacts, will be evaluated and incorporated in future budget cycles. Staffing represents 71 percent of the City’s General Fund annual budget. Three-year labor agreements are in place for 2022–2024. Negotiations for the next labor cycle are anticipated to occur during the Fall of 2024.

Financial Management Policies

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

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

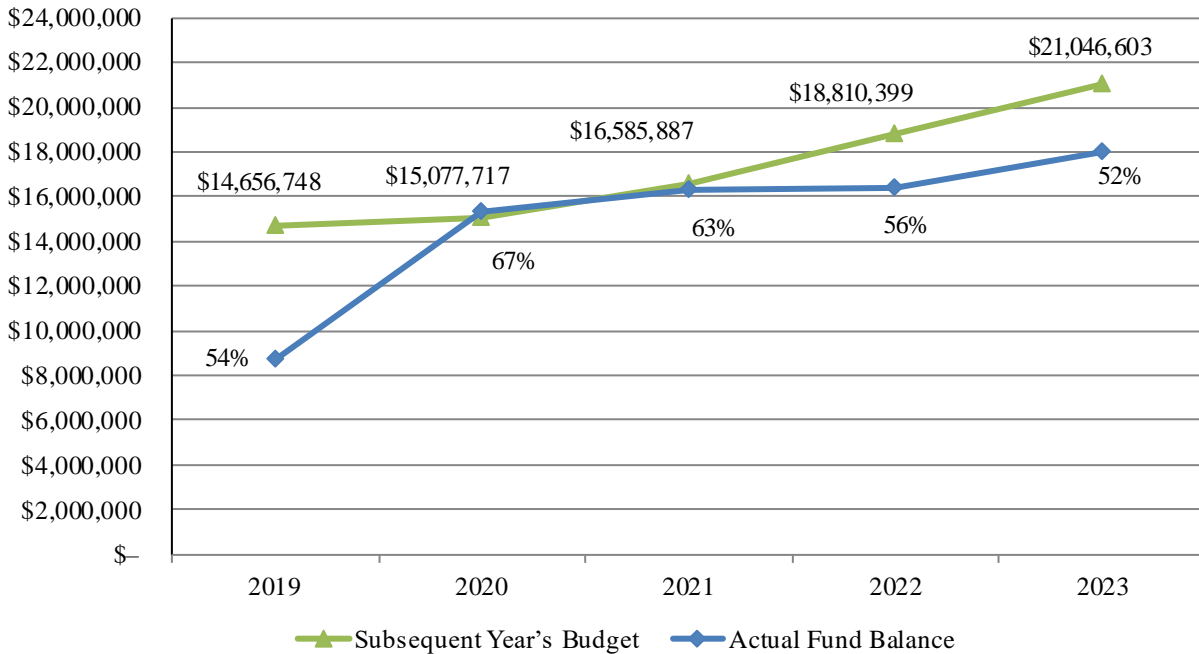
Objective 1: Aa2 Bond Rating

Maintain or improve current Aa2 Bond Rating – Strong credit rating by Moody’s Investors Service (Moody’s), provides low-cost financing for the City’s general obligation bonds. In April 2010, Moody’s recalibrated the City’s bond rating to the global rating scale and, therefore, changed the City’s bond rating from Aa3 to an Aa2. The Aa2 bond rating was reaffirmed with the 2015 bond issuances. The City also received an initial bond rating of AA+ from Standard & Poors (S&P) in 2015. The AA+ bond rating was reaffirmed with the 2016, 2017, 2018, 2019, 2021, and 2022 bond issuance. The City received a bond rating upgrade to AAA from S&P in 2023.

	S&P
2016	AA+
2017	AA+
2018	AA+
2019	AA+
2020	N/A
2021	AA+
2022	AA+
2023	AAA

Objective 2: General Fund Reserve Balance

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



Objective 3: Property Taxes

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

Average Tax Capacity Rate

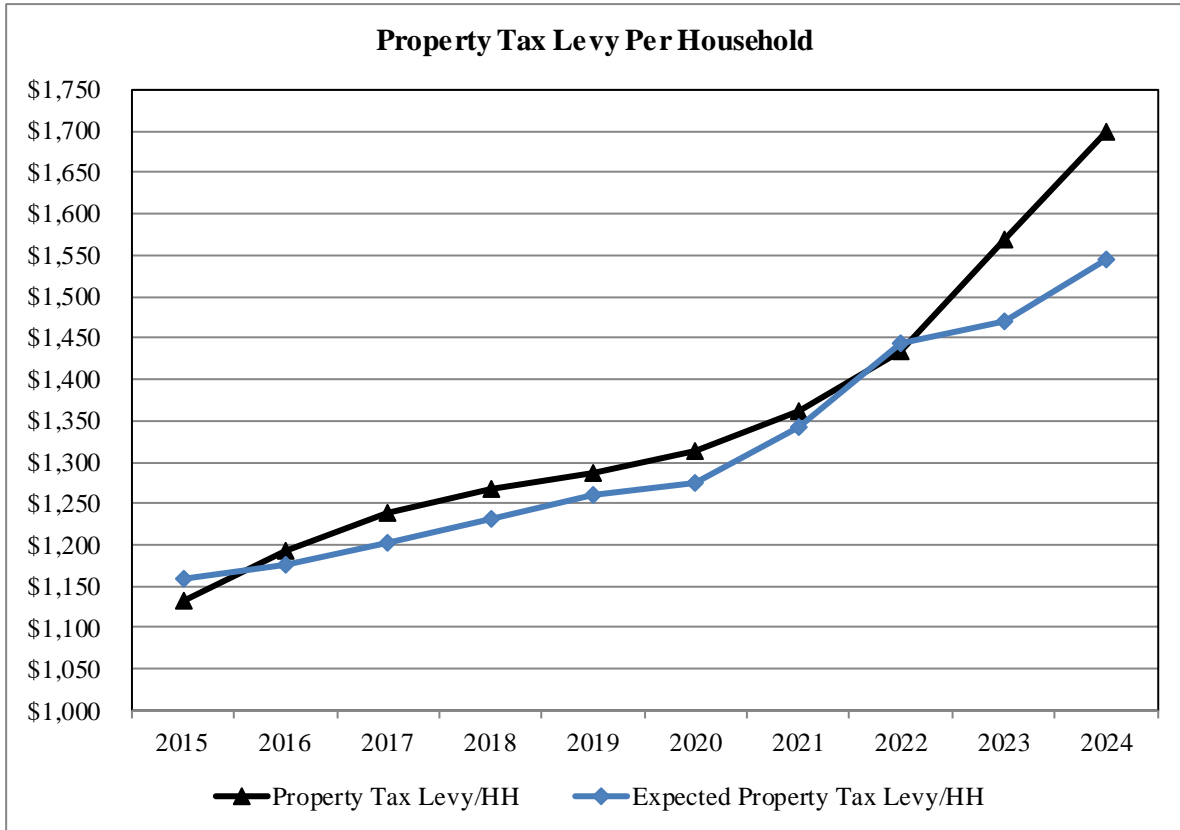
<u>Year</u>	<u>Seven-County Metro Area</u>	<u>City of Prior Lake</u>	<u>Economic Development Authority</u>
2018	42.19	33.04	N/A
2019	41.43	33.02	N/A
2020	40.87	32.96	N/A
2021	39.35	30.27	0.84
2022	41.19	30.47	0.74
2023	48.60	28.11	0.62

N/A – Not Applicable

Source: League of Minnesota Cities

Objective 4: Property Taxes/Household

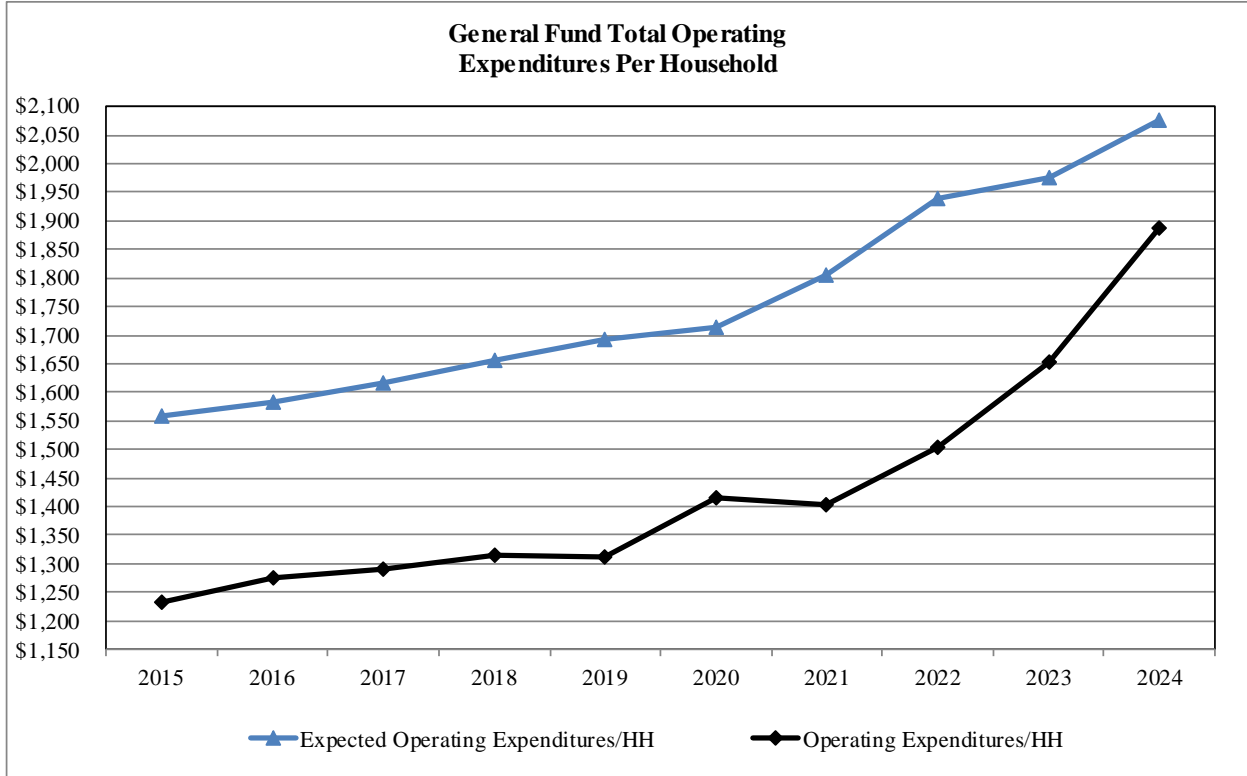
Maintain a level of property taxes on a per household basis, which takes into account the cost of inflation and community growth. The goal is to have a tax levy per household that is at or below the rate of inflation and growth over time. This chart reflects community growth and the cost of inflation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



The increase in the property tax levy per household from 2023 to 2024 is primarily due to the implementation of full-time firefighter staffing and unfunded state and county mandated expenditures.

Objective 5: General Fund Expenditures/Household

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



As reflected in the chart above, the 2024 operating expenditures per household continues to be less than the level which reflects the cost of inflation and growth.

REQUESTS FOR INFORMATION

These financial statements are designed to provide a general overview of the City’s finances for all those with an interest in the City’s finances. Questions concerning any of the information provided in this report, or requests for additional financial information should be addressed to the office of the City’s Finance Director at the City of Prior Lake, 4646 Dakota Street Southeast, Prior Lake, Minnesota 55372-1714.

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BASIC FINANCIAL STATEMENTS

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CITY OF PRIOR LAKE

Statement of Net Position
as of December 31, 2023

	Governmental Activities	Business-Type Activities	Total
Assets			
Cash and investments	\$ 36,981,286	\$ 15,683,329	\$ 52,664,615
Receivables			
Delinquent taxes	145,259	-	145,259
Accounts	540,675	1,321,529	1,862,204
Leases	2,602,985	-	2,602,985
Special assessments	2,582,065	77,902	2,659,967
Due from other governmental agencies	653,918	3,299	657,217
Restricted assets – temporarily restricted			
Cash and investments held in escrow	50,889	-	50,889
Assets held for resale	1,065,014	-	1,065,014
Net pension asset – fire relief	857,821	-	857,821
Capital assets not being depreciated/amortized	106,475,228	2,773,507	109,248,735
Capital assets net of accumulated depreciation/amortization	66,517,236	73,140,129	139,657,365
Total assets	<u>218,472,376</u>	<u>92,999,695</u>	<u>311,472,071</u>
Deferred outflows of resources			
Pension plan deferments – GERP and PEPFF	8,842,414	316,638	9,159,052
Pension plan deferments – fire relief	833,541	-	833,541
OPEB plan deferments	184,640	33,457	218,097
Total deferred outflows of resources	<u>9,860,595</u>	<u>350,095</u>	<u>10,210,690</u>
Total assets and deferred outflows of resources	<u>\$ 228,332,971</u>	<u>\$ 93,349,790</u>	<u>\$ 321,682,761</u>
Liabilities			
Accounts and contracts payable	\$ 1,972,895	\$ 407,207	\$ 2,380,102
Accrued salaries and employee benefits payable	408,008	69,930	477,938
Due to other governmental agencies	147,216	89,222	236,438
Deposits payable	561,055	7,993	569,048
Accrued interest payable	44,441	3,080	47,521
Unearned revenue	48,300	-	48,300
Total OPEB liability			
Due within one year	64,885	11,794	76,679
Due in more than one year	754,790	136,733	891,523
Net pension liability			
GERP and PEPFF – due in more than one year	8,397,473	1,071,703	9,469,176
Bonds, energy loans, subscription liabilities, and compensated absences payable			
Due within one year	4,827,700	340,837	5,168,537
Due in more than one year	25,679,409	1,468,977	27,148,386
Total liabilities	<u>42,906,172</u>	<u>3,607,476</u>	<u>46,513,648</u>
Deferred inflows of resources			
Lease revenue for subsequent years	2,572,115	-	2,572,115
State aid for subsequent years	2,478,136	-	2,478,136
Pension plan deferments – GERP and PEPFF	8,317,080	343,972	8,661,052
Pension plan deferments – fire relief	463,479	-	463,479
OPEB plan deferments	211,988	38,413	250,401
Total deferred inflows of resources	<u>14,042,798</u>	<u>382,385</u>	<u>14,425,183</u>
Net position			
Net investment in capital assets	143,656,868	74,313,470	217,970,338
Restricted for debt service	4,773,882	-	4,773,882
Restricted for net pension asset	1,227,883	-	1,227,883
Restricted for capital improvements	2,625,125	-	2,625,125
Restricted for other purposes	3,919,645	-	3,919,645
Unrestricted	15,180,598	15,046,459	30,227,057
Total net position	<u>171,384,001</u>	<u>89,359,929</u>	<u>260,743,930</u>
Total liabilities, deferred inflows of resources, and net position	<u>\$ 228,332,971</u>	<u>\$ 93,349,790</u>	<u>\$ 321,682,761</u>

CITY OF PRIOR LAKE

Statement of Activities
Year Ended December 31, 2023

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Governmental activities				
General government	\$ 4,264,884	\$ 725,588	\$ 3,098	\$ 1,832,265
Public safety	10,815,305	990,666	3,525,709	–
Public works	6,005,415	30,923	177,766	3,474,310
Culture and recreation	3,032,441	526,592	61	–
Economic development	735,775	24,588	7	–
Interest on long-term debt	807,850	–	–	–
Total governmental activities	<u>25,661,670</u>	<u>2,298,357</u>	<u>3,706,641</u>	<u>5,306,575</u>
Business-type activities				
Water	4,380,943	6,063,587	86	3,714
Sewer	3,708,995	4,689,458	47	64,605
Water quality	819,451	1,413,198	27,017	(3,994)
Total business-type activities	<u>8,909,389</u>	<u>12,166,243</u>	<u>27,150</u>	<u>64,325</u>
Total	<u>\$ 34,571,059</u>	<u>\$ 14,464,600</u>	<u>\$ 3,733,791</u>	<u>\$ 5,370,900</u>

General revenues

Taxes

Property taxes, levied for general purposes

Property taxes, levied for debt service

Tax increments

Franchise taxes

Grants and contributions not restricted to specific programs

Investment income

Miscellaneous

Gain (loss) on sale of assets

Transfers

Total general revenues and transfers

Change in net position

Net position

Beginning of year

End of year

Net (Expense) Revenues and
Changes in Net Position

Governmental Activities	Business-Type Activities	Total
\$ (1,703,933)	\$ —	\$ (1,703,933)
(6,298,930)	—	(6,298,930)
(2,322,416)	—	(2,322,416)
(2,505,788)	—	(2,505,788)
(711,180)	—	(711,180)
(807,850)	—	(807,850)
<u>(14,350,097)</u>	<u>—</u>	<u>(14,350,097)</u>
—	1,686,444	1,686,444
—	1,045,115	1,045,115
—	616,770	616,770
<u>—</u>	<u>3,348,329</u>	<u>3,348,329</u>
(14,350,097)	3,348,329	(11,001,768)
13,839,707	—	13,839,707
3,349,737	—	3,349,737
613,485	—	613,485
1,636,676	—	1,636,676
456	—	456
1,708,687	678,270	2,386,957
576,207	40,888	617,095
64,915	(94,246)	(29,331)
543,001	(543,001)	—
<u>22,332,871</u>	<u>81,911</u>	<u>22,414,782</u>
7,982,774	3,430,240	11,413,014
<u>163,401,227</u>	<u>85,929,689</u>	<u>249,330,916</u>
<u>\$ 171,384,001</u>	<u>\$ 89,359,929</u>	<u>\$ 260,743,930</u>

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FUND FINANCIAL STATEMENTS

CITY OF PRIOR LAKE

Balance Sheet
 Governmental Funds
 as of December 31, 2023

	General	Debt Service	Construction
Assets			
Cash and investments	\$ 11,963,416	\$ 2,300,584	\$ 5,002,315
Cash and investments held in escrow	-	-	-
Receivables			
Delinquent taxes	142,679	-	-
Accounts	176,529	14,352	11,632
Lease	2,594,989	-	-
Special assessments			
Delinquent	-	23,197	-
Deferred	10,776	2,009,722	32,280
Other (Green Acres)	-	451,350	-
Due from other governmental agencies	520,130	21,000	102,475
Assets held for resale	-	-	-
	<u>\$ 15,408,519</u>	<u>\$ 4,820,205</u>	<u>\$ 5,148,702</u>
Liabilities			
Accounts and contracts payable	\$ 590,229	\$ 1,882	\$ 846,318
Accrued salaries and employee benefits payable	404,290	-	-
Due to other governmental agencies	144,509	-	2,152
Deposits payable	456,050	-	-
Unearned revenue	-	-	-
Total liabilities	<u>1,595,078</u>	<u>1,882</u>	<u>848,470</u>
Deferred inflows of resources			
Lease revenue for subsequent years	2,564,133	-	-
State aid for subsequent years	91,626	-	2,469,856
Unavailable revenue from delinquent taxes	142,679	-	-
Unavailable revenue from special assessments	9,759	2,484,268	32,280
Total deferred inflows of resources	<u>2,808,197</u>	<u>2,484,268</u>	<u>2,502,136</u>
Fund balances			
Restricted	-	2,334,055	-
Assigned	465,200	-	1,798,096
Unassigned	10,540,044	-	-
Total fund balances	<u>11,005,244</u>	<u>2,334,055</u>	<u>1,798,096</u>
	<u>\$ 15,408,519</u>	<u>\$ 4,820,205</u>	<u>\$ 5,148,702</u>
Total liabilities, deferred inflows of resources, and fund balances			

Nonmajor Governmental Funds	Total Governmental Funds
\$ 16,970,680	\$ 36,236,995
50,889	50,889
2,580	145,259
334,240	536,753
7,996	2,602,985
386	23,583
54,354	2,107,132
–	451,350
10,313	653,918
1,065,014	1,065,014
<u>\$ 18,496,452</u>	<u>\$ 43,873,878</u>
\$ 534,466	\$ 1,972,895
3,718	408,008
555	147,216
105,005	561,055
48,300	48,300
<u>692,044</u>	<u>3,137,474</u>
7,982	2,572,115
–	2,561,482
2,580	145,259
54,741	2,581,048
<u>65,303</u>	<u>7,859,904</u>
6,542,190	8,876,245
11,196,915	13,460,211
–	10,540,044
<u>17,739,105</u>	<u>32,876,500</u>
<u>\$ 18,496,452</u>	<u>\$ 43,873,878</u>

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CITY OF PRIOR LAKE

Reconciliation of the Balance Sheet to the
Statement of Net Position
Governmental Funds
as of December 31, 2023

Total fund balances – governmental funds	\$ 32,876,500
Amounts reported for governmental activities in the Statement of Net Position are different because:	
Capital assets are included in net position, but are excluded from fund balances because they do not represent financial resources.	
Cost of capital assets	258,875,500
Less accumulated depreciation/amortization	(85,883,036)
Net pension assets are included in net position, but are excluded from fund balances because they do not represent financial resources.	
	857,821
Long-term liabilities are included in net position, but are excluded from fund balances until due and payable.	
Bond principal payable	(26,320,000)
Energy loan payable	(441,532)
Total OPEB liability	(819,675)
Net pension liability – GERS and PEPFF	(8,397,473)
Subscription liabilities	(417,549)
Debt issuance premiums and discounts are excluded from net position until amortized, but are included in fund balances upon issuance as other financing sources and uses.	
	(2,186,515)
Accrued interest payable on long-term debt is included in net position, but is excluded from fund balances until due and payable.	
	(44,441)
Internal service funds are used by management to charge certain costs to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the Statement of Net Position.	
	(393,300)
The recognition of certain revenues and expenses/expenditures differ between the full accrual governmental activities financial statements and the modified accrual governmental fund financial statements.	
State aid	83,346
Delinquent taxes	145,259
Special assessments	2,581,048
Deferred outflows of resources – GERS and PEPFF pension plans	8,842,414
Deferred outflows of resources – fire relief pension plan	833,541
Deferred outflows of resources – OPEB	184,640
Deferred inflows of resources – GERS and PEPFF pension plans	(8,317,080)
Deferred inflows of resources – fire relief pension plan	(463,479)
Deferred inflows of resources – OPEB	(211,988)
Total net position – governmental activities	<u>\$ 171,384,001</u>

CITY OF PRIOR LAKE

Statement of Revenues, Expenditures, and Changes in Fund Balances
 Governmental Funds
 Year Ended December 31, 2023

	General	Debt Service	Construction
Revenues			
Taxes	\$ 12,119,339	\$ 3,349,737	\$ -
Franchise taxes	557,579	-	-
Special assessments	5,499	771,408	12,159
Licenses and permits	694,943	-	-
Intergovernmental	3,007,580	-	3,392,958
Charges for services	1,344,465	-	-
Fines and forfeits	2,895	-	-
Investment income	544,766	146,684	269,802
Miscellaneous	117,243	-	132,768
Total revenues	<u>18,394,309</u>	<u>4,267,829</u>	<u>3,807,687</u>
Expenditures			
Current			
General government	3,671,376	-	-
Public safety	9,140,389	-	-
Public works	2,513,194	-	-
Culture and recreation	2,281,006	-	-
Economic development	-	-	-
Capital outlay	168,281	-	9,725,897
Debt service			
Principal	-	4,261,693	-
Interest and other	-	1,024,891	64,106
Total expenditures	<u>17,774,246</u>	<u>5,286,584</u>	<u>9,790,003</u>
Excess (deficiency) of revenues over expenditures	620,063	(1,018,755)	(5,982,316)
Other financing sources (uses)			
Bonds issued	-	-	1,620,000
Premium on bonds issued	-	-	205,439
Transfers in	555,000	1,243,438	2,686,801
Transfers out	(633,888)	(173,737)	(242,134)
Sale of capital assets	5,672	-	-
Total other financing sources (uses)	<u>(73,216)</u>	<u>1,069,701</u>	<u>4,270,106</u>
Net change in fund balances	546,847	50,946	(1,712,210)
Fund balances			
Beginning of year	<u>10,458,397</u>	<u>2,283,109</u>	<u>3,510,306</u>
End of year	<u>\$ 11,005,244</u>	<u>\$ 2,334,055</u>	<u>\$ 1,798,096</u>

See notes to basic financial statements

Nonmajor Governmental Funds	Total Governmental Funds
\$ 2,323,672	\$ 17,792,748
1,079,097	1,636,676
88,207	877,273
—	694,943
1,217,937	7,618,475
658,909	2,003,374
—	2,895
730,593	1,691,845
215,554	465,565
<u>6,313,969</u>	<u>32,783,794</u>
3,576	3,674,952
61,270	9,201,659
—	2,513,194
65,817	2,346,823
180,687	180,687
3,878,662	13,772,840
—	4,261,693
—	1,088,997
<u>4,190,012</u>	<u>37,040,845</u>
2,123,957	(4,257,051)
—	1,620,000
—	205,439
217,500	4,702,739
(1,380,696)	(2,430,455)
122,667	128,339
<u>(1,040,529)</u>	<u>4,226,062</u>
1,083,428	(30,989)
<u>16,655,677</u>	<u>32,907,489</u>
<u>\$ 17,739,105</u>	<u>\$ 32,876,500</u>

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CITY OF PRIOR LAKE

Reconciliation of the Statement of
Revenues, Expenditures, and Changes in Fund Balances
to the Statement of Activities
Governmental Funds
Year Ended December 31, 2023

Total net change in fund balances – governmental funds \$ (30,989)

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

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

Capital outlay	12,984,546
Capital contributions	1,128,150
Depreciation/amortization expense	(5,185,985)
Capital contributions to enterprise funds	(1,729,283)

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

(63,424)

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

(812,093)

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

Debt issued	(1,620,000)
Premium on debt issued	(205,439)
Principal repayments	4,261,693
Subscription liability payments	125,900

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

Total OPEB liability	107,697
Net pension liability – GERS and PEPFF	8,879,571

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

(629)

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

281,776

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

112,985

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

State aid	(443,408)
Delinquent property taxes	10,636
Special assessments	(356,941)
Deferred outflows of resources – GERS and PEPFF pension plans	(1,846,501)
Deferred outflows of resources – fire relief pension plan	485,999
Deferred outflows of resources – OPEB	28,048
Deferred inflows of resources – GERS and PEPFF pension plans	(8,188,626)
Deferred inflows of resources – fire relief pension plan	188,174
Deferred inflows of resources – OPEB	(129,083)

Change in net position – governmental activities \$ 7,982,774

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CITY OF PRIOR LAKE

Statement of Revenues, Expenditures, and Changes in Fund Balances
 Budget and Actual
 General Fund
 Year Ended December 31, 2023

	Budgeted Amounts		Actual Amounts	Variance With Final Budget
	Original	Final		
Revenues				
Taxes				
Property taxes	\$ 12,161,475	\$ 12,161,475	\$ 12,119,339	\$ (42,136)
Franchise taxes	599,000	599,000	557,579	(41,421)
Special assessments	4,000	4,000	5,499	1,499
Licenses and permits	894,370	894,370	694,943	(199,427)
Intergovernmental	2,833,610	2,833,610	3,007,580	173,970
Charges for services	1,442,444	1,442,444	1,344,465	(97,979)
Fines and forfeits	–	–	2,895	2,895
Investment income	104,500	104,500	544,766	440,266
Miscellaneous	184,000	184,000	117,243	(66,757)
Total revenues	<u>18,223,399</u>	<u>18,223,399</u>	<u>18,394,309</u>	<u>170,910</u>
Expenditures				
Current				
General government	3,685,929	3,771,600	3,671,376	(100,224)
Public safety				
Police	6,540,159	6,574,064	6,319,468	(254,596)
Fire and rescue	1,972,848	1,980,883	1,973,268	(7,615)
Other	933,613	938,471	847,653	(90,818)
Public works	2,491,244	2,676,395	2,513,194	(163,201)
Culture and recreation	2,524,218	2,501,010	2,281,006	(220,004)
Capital outlay	28,500	38,387	168,281	129,894
Total expenditures	<u>18,176,511</u>	<u>18,480,810</u>	<u>17,774,246</u>	<u>(706,564)</u>
Excess (deficiency) of revenues over expenditures	46,888	(257,411)	620,063	877,474
Other financing sources (uses)				
Transfers in	555,000	555,000	555,000	–
Transfers out	(633,888)	(633,888)	(633,888)	–
Sale of assets	–	–	5,672	5,672
Total other financing sources (uses)	<u>(78,888)</u>	<u>(78,888)</u>	<u>(73,216)</u>	<u>5,672</u>
Net change in fund balances	<u>\$ (32,000)</u>	<u>\$ (336,299)</u>	<u>546,847</u>	<u>\$ 883,146</u>
Fund balances				
Beginning of year			<u>10,458,397</u>	
End of year			<u>\$ 11,005,244</u>	

CITY OF PRIOR LAKE

Statement of Net Position
Proprietary Funds
as of December 31, 2023

(With Partial Comparative Information as of December 31, 2022)

	Business-Type Activities – Enterprise Funds			
	Water		Sewer	
	2023	2022	2023	2022
Current assets				
Cash and investments	\$ 8,282,496	\$ 6,761,735	\$ 4,472,264	\$ 3,979,440
Receivables				
Accounts	498,878	478,911	619,348	617,565
Special assessments				
Delinquent	34,853	33,993	36,177	34,679
Deferred	300	450	–	–
Due from other governmental agencies	3,120	3,763	179	146
Total current assets	<u>8,819,647</u>	<u>7,278,852</u>	<u>5,127,968</u>	<u>4,631,830</u>
Noncurrent assets				
Capital assets not being depreciated/amortized	2,575,270	2,575,270	54,625	34,314
Depreciable/amortizable capital assets	56,617,188	55,799,579	39,060,741	37,930,664
Accumulated depreciation/amortization	(14,956,985)	(13,897,668)	(10,944,470)	(10,262,966)
Total noncurrent assets	<u>44,235,473</u>	<u>44,477,181</u>	<u>28,170,896</u>	<u>27,702,012</u>
Total assets	53,055,120	51,756,033	33,298,864	32,333,842
Deferred outflows of resources				
Pension plan deferments – GERP	165,026	197,049	110,988	192,097
OPEB plan deferments	17,064	13,290	11,943	12,584
Total deferred outflows of resources	<u>182,090</u>	<u>210,339</u>	<u>122,931</u>	<u>204,681</u>
Total assets and deferred outflows of resources	<u>\$ 53,237,210</u>	<u>\$ 51,966,372</u>	<u>\$ 33,421,795</u>	<u>\$ 32,538,523</u>
Current liabilities				
Accounts and contracts payable	\$ 84,008	\$ 95,124	\$ 176,501	\$ 30,373
Accrued salaries and employee benefits payable	32,403	44,637	29,289	26,572
Due to other governmental agencies	82,228	84,306	4,284	3,883
Deposits payable	7,993	6,493	–	–
Accrued interest payable	1,540	1,660	1,540	1,660
Current portion of total OPEB liability	6,066	–	4,245	–
Current portion of compensated absences payable	40,033	45,709	27,888	26,997
Current portion of bonds payable	135,000	130,000	135,000	130,000
Total current liabilities	<u>389,271</u>	<u>407,929</u>	<u>378,747</u>	<u>219,485</u>
Noncurrent liabilities				
Compensated absences payable	84,304	64,543	50,852	39,589
Bonds premium (discount)	80,083	100,571	80,083	100,571
Bonds payable	585,000	720,000	585,000	720,000
Net pension liability – GERP	558,553	642,308	375,653	626,164
Total OPEB liability	69,688	78,704	48,774	74,522
Total noncurrent liabilities	<u>1,377,628</u>	<u>1,606,126</u>	<u>1,140,362</u>	<u>1,560,846</u>
Total liabilities	1,766,899	2,014,055	1,519,109	1,780,331
Deferred inflows of resources				
Pension plan deferments – GERP	179,272	9,411	120,569	9,175
OPEB plan deferments	19,592	7,036	13,712	6,662
Total deferred inflows of resources	<u>198,864</u>	<u>16,447</u>	<u>134,281</u>	<u>15,837</u>
Net position				
Net investment in capital assets	43,435,390	43,526,610	27,370,813	26,751,441
Unrestricted	7,836,057	6,409,260	4,397,592	3,990,914
Total net position	<u>51,271,447</u>	<u>49,935,870</u>	<u>31,768,405</u>	<u>30,742,355</u>
Total liabilities, deferred inflows of resources, and net position	<u>\$ 53,237,210</u>	<u>\$ 51,966,372</u>	<u>\$ 33,421,795</u>	<u>\$ 32,538,523</u>

Water Quality		Totals		Governmental Activities – Internal Service Funds
2023	2022	2023	2022	
\$ 2,928,569	\$ 2,138,668	\$ 15,683,329	\$ 12,879,843	\$ 744,291
203,303	178,790	1,321,529	1,275,266	3,922
6,572	3,994	77,602	72,666	–
–	–	300	450	–
–	–	3,299	3,909	–
<u>3,138,444</u>	<u>2,321,452</u>	<u>17,086,059</u>	<u>14,232,134</u>	<u>748,213</u>
143,612	143,612	2,773,507	2,753,196	–
4,577,416	4,157,304	100,255,345	97,887,547	–
(1,213,761)	(1,106,373)	(27,115,216)	(25,267,007)	–
<u>3,507,267</u>	<u>3,194,543</u>	<u>75,913,636</u>	<u>75,373,736</u>	<u>–</u>
6,645,711	5,515,995	92,999,695	89,605,870	748,213
40,624	81,721	316,638	470,867	–
4,450	5,634	33,457	31,508	–
<u>45,074</u>	<u>87,355</u>	<u>350,095</u>	<u>502,375</u>	<u>–</u>
<u>\$ 6,690,785</u>	<u>\$ 5,603,350</u>	<u>\$ 93,349,790</u>	<u>\$ 90,108,245</u>	<u>\$ 748,213</u>
\$ 146,698	\$ 14,884	\$ 407,207	\$ 140,381	\$ –
8,238	10,429	69,930	81,638	–
2,710	2,301	89,222	90,490	–
–	–	7,993	6,493	–
–	–	3,080	3,320	–
1,483	–	11,794	–	–
2,916	10,360	70,837	83,066	503,124
–	–	270,000	260,000	–
<u>162,045</u>	<u>37,974</u>	<u>930,063</u>	<u>665,388</u>	<u>503,124</u>
3,655	7,283	138,811	111,415	638,389
–	–	160,166	201,142	–
–	–	1,170,000	1,440,000	–
137,497	266,379	1,071,703	1,534,851	–
18,271	33,364	136,733	186,590	–
<u>159,423</u>	<u>307,026</u>	<u>2,677,413</u>	<u>3,473,998</u>	<u>638,389</u>
321,468	345,000	3,607,476	4,139,386	1,141,513
44,131	3,903	343,972	22,489	–
5,109	2,983	38,413	16,681	–
<u>49,240</u>	<u>6,886</u>	<u>382,385</u>	<u>39,170</u>	<u>–</u>
3,507,267	3,194,543	74,313,470	73,472,594	–
2,812,810	2,056,921	15,046,459	12,457,095	(393,300)
<u>6,320,077</u>	<u>5,251,464</u>	<u>89,359,929</u>	<u>85,929,689</u>	<u>(393,300)</u>
<u>\$ 6,690,785</u>	<u>\$ 5,603,350</u>	<u>\$ 93,349,790</u>	<u>\$ 90,108,245</u>	<u>\$ 748,213</u>

CITY OF PRIOR LAKE

Statement of Revenues, Expenses, and Changes in Net Position
 Proprietary Funds
 Year Ended December 31, 2023
 (With Partial Comparative Information for the Year Ended December 31, 2022)

	Business-Type Activities – Enterprise Funds			
	Water		Sewer	
	2023	2022	2023	2022
Operating revenues				
Sewer charges	\$ –	\$ –	\$ 3,548,689	\$ 3,701,296
Water charges	4,682,735	4,229,199	–	–
Storm water charges	–	–	–	–
Base fees	1,314,590	1,282,495	1,140,769	1,113,370
Meter sales	66,262	83,379	–	–
Charges for services	–	–	–	–
Miscellaneous/other	–	–	–	–
Total operating revenues	<u>6,063,587</u>	<u>5,595,073</u>	<u>4,689,458</u>	<u>4,814,666</u>
Operating expenses				
Personal services	1,149,241	842,905	670,526	860,440
Supplies	372,929	422,500	61,551	46,788
Repairs and maintenance	593,495	374,245	76,355	108,643
Other services and charges	179,591	159,938	131,492	127,332
Insurance	6,717	13,744	7,539	14,391
Utilities	995,819	890,574	79,813	74,103
Disposal charges	–	–	1,931,514	1,824,681
Miscellaneous	4,592	13,783	279	300
Depreciation/amortization	1,059,317	1,037,601	730,684	684,405
Total operating expenses	<u>4,361,701</u>	<u>3,755,290</u>	<u>3,689,753</u>	<u>3,741,083</u>
Operating income	1,701,886	1,839,783	999,705	1,073,583
Nonoperating revenues (expenses)				
Intergovernmental	86	14,839	61,762	2,742
Investment income (loss)	358,376	(191,272)	195,576	(112,865)
Interest expense	(19,242)	(27,880)	(19,242)	(27,880)
Gain (loss) on sale of assets	–	–	(94,246)	139,046
Miscellaneous	18,374	4,809	5,100	3,878
Total nonoperating revenues (expenses)	<u>357,594</u>	<u>(199,504)</u>	<u>148,950</u>	<u>4,921</u>
Income before contributions and transfers	2,059,480	1,640,279	1,148,655	1,078,504
Special assessments	3,714	1,453	–	–
Capital grants	–	–	2,890	885
Capital contributions from other funds	768,036	1,672,156	541,136	787,994
Capital contributions from developers	–	1,055,853	–	1,457,489
Transfers in	163,937	–	78,197	–
Transfers out	<u>(1,659,590)</u>	<u>(1,744,715)</u>	<u>(744,828)</u>	<u>(847,903)</u>
Change in net position	1,335,577	2,625,026	1,026,050	2,476,969
Net position				
Beginning of year	<u>49,935,870</u>	<u>47,310,844</u>	<u>30,742,355</u>	<u>28,265,386</u>
End of year	<u>\$ 51,271,447</u>	<u>\$ 49,935,870</u>	<u>\$ 31,768,405</u>	<u>\$ 30,742,355</u>

See notes to basic financial statements

Water Quality		Totals		Governmental Activities – Internal Service Funds
2023	2022	2023	2022	
\$ –	\$ –	\$ 3,548,689	\$ 3,701,296	\$ –
–	–	4,682,735	4,229,199	–
1,413,198	1,254,521	1,413,198	1,254,521	–
–	–	2,455,359	2,395,865	–
–	–	66,262	83,379	–
–	–	–	–	50,914
–	–	–	–	110,617
<u>1,413,198</u>	<u>1,254,521</u>	<u>12,166,243</u>	<u>11,664,260</u>	<u>161,531</u>
193,742	354,290	2,013,509	2,057,635	80,424
30,881	35,798	465,361	505,086	–
434,091	371,694	1,103,941	854,582	–
53,257	40,860	364,340	328,130	–
92	–	14,348	28,135	–
–	–	1,075,632	964,677	–
–	–	1,931,514	1,824,681	–
–	–	4,871	14,083	–
107,388	97,893	1,897,389	1,819,899	–
<u>819,451</u>	<u>900,535</u>	<u>8,870,905</u>	<u>8,396,908</u>	<u>80,424</u>
593,747	353,986	3,295,338	3,267,352	81,107
27,017	1,166	88,865	18,747	–
124,318	(68,237)	678,270	(372,374)	31,878
–	–	(38,484)	(55,760)	–
–	–	(94,246)	139,046	–
17,414	–	40,888	8,687	–
<u>168,749</u>	<u>(67,071)</u>	<u>675,293</u>	<u>(261,654)</u>	<u>31,878</u>
762,496	286,915	3,970,631	3,005,698	112,985
(3,994)	3,994	(280)	5,447	–
–	–	2,890	885	–
420,111	–	1,729,283	2,460,150	–
–	636,102	–	3,149,444	–
–	–	242,134	–	–
<u>(110,000)</u>	<u>(122,309)</u>	<u>(2,514,418)</u>	<u>(2,714,927)</u>	<u>–</u>
1,068,613	804,702	3,430,240	5,906,697	112,985
5,251,464	4,446,762	85,929,689	80,022,992	(506,285)
<u>\$ 6,320,077</u>	<u>\$ 5,251,464</u>	<u>\$ 89,359,929</u>	<u>\$ 85,929,689</u>	<u>\$ (393,300)</u>

CITY OF PRIOR LAKE

Statement of Cash Flows

Proprietary Funds

Year Ended December 31, 2023

(With Partial Comparative Information for the Year Ended December 31, 2022)

	Business-Type Activities – Enterprise Funds			
	Water		Sewer	
	2023	2022	2023	2022
Cash flows from operating activities				
Cash received from customers	\$ 6,045,053	\$ 5,543,926	\$ 4,686,144	\$ 4,870,590
Cash payments to suppliers	(2,166,337)	(1,812,036)	(2,142,014)	(2,173,226)
Cash payments to employees	(1,023,429)	(824,311)	(727,475)	(840,701)
Miscellaneous/other revenue	18,374	4,809	5,100	142,924
Net cash flows from operating activities	2,873,661	2,912,388	1,821,755	1,999,587
Cash flows from noncapital financing activities				
Intergovernmental revenue	86	14,839	61,762	2,742
Transfers in (out)	(1,495,653)	(1,744,715)	(666,631)	(847,903)
Net cash flows from noncapital financing activities	(1,495,567)	(1,729,876)	(604,869)	(845,161)
Cash flows from capital and related financing activities				
Special assessments	3,714	1,453	–	–
Capital grants	–	–	2,890	885
Acquisition of capital assets	(49,573)	(88,092)	(752,678)	(209,247)
Payments on bonds payable	(130,000)	(125,000)	(130,000)	(125,000)
Interest paid on long-term debt	(39,850)	(44,850)	(39,850)	(44,850)
Net cash flows from capital and related financing activities	(215,709)	(256,489)	(919,638)	(378,212)
Cash flows from investing activities				
Interest received (paid)	358,376	(191,272)	195,576	(112,865)
Net increase (decrease) in cash and cash equivalents	1,520,761	734,751	492,824	663,349
Cash and cash equivalents, January 1	6,761,735	6,026,984	3,979,440	3,316,091
Cash and cash equivalents, December 31	\$ 8,282,496	\$ 6,761,735	\$ 4,472,264	\$ 3,979,440

Water Quality		Totals		Governmental Activities – Internal Service Funds
2023	2022	2023	2022	
\$ 1,386,107	\$ 1,238,678	\$ 12,117,304	\$ 11,653,194	\$ 50,339
(386,098)	(452,311)	(4,694,449)	(4,437,573)	–
(264,862)	(353,159)	(2,015,766)	(2,018,171)	(14,551)
17,414	–	40,888	147,733	110,577
752,561	433,208	5,447,977	5,345,183	146,365
27,017	1,166	88,865	18,747	–
(110,000)	(122,309)	(2,272,284)	(2,714,927)	–
(82,983)	(121,143)	(2,183,419)	(2,696,180)	–
(3,994)	3,994	(280)	5,447	–
–	–	2,890	885	–
(1)	(178,101)	(802,252)	(475,440)	–
–	–	(260,000)	(250,000)	–
–	–	(79,700)	(89,700)	–
(3,995)	(174,107)	(1,139,342)	(808,808)	–
124,318	(68,237)	678,270	(372,374)	31,878
789,901	69,721	2,803,486	1,467,821	178,243
2,138,668	2,068,947	12,879,843	11,412,022	566,048
<u>\$ 2,928,569</u>	<u>\$ 2,138,668</u>	<u>\$ 15,683,329</u>	<u>\$ 12,879,843</u>	<u>\$ 744,291</u>

CITY OF PRIOR LAKE

Statement of Cash Flows (continued)

Proprietary Funds

Year Ended December 31, 2023

(With Partial Comparative Information for the Year Ended December 31, 2022)

	Business-Type Activities – Enterprise Funds			
	Water		Sewer	
	2023	2022	2023	2022
Reconciliation of operating income to net cash flows from operating activities				
Operating income	\$ 1,701,886	\$ 1,839,783	\$ 999,705	\$ 1,073,583
Adjustments to reconcile operating income to net cash flows from operating activities				
Depreciation/amortization	1,059,317	1,037,601	730,684	684,405
Sale of assets	–	–	–	139,046
Miscellaneous/other revenue	18,374	4,809	5,100	3,878
(Increase) decrease in assets and deferred outflows of resources				
Accounts receivable	(19,967)	(18,515)	(1,783)	54,234
Special assessments receivable	(710)	2,976	(1,498)	1,696
Due from other governments	643	(1,347)	(33)	(6)
Deferred outflows of resources – GERF	32,023	72,713	81,109	63,933
Deferred outflows of resources – OPEB	(3,774)	3,051	641	2,062
Increase (decrease) in liabilities and deferred inflows of resources				
Accounts and contracts payable	(11,116)	9,932	146,128	22,990
Accrued salaries and employee benefits payable	(12,234)	16,470	2,717	(8,948)
Due to other governmental agencies	(2,078)	52,816	401	22
Deposits payable	1,500	(34,261)	–	–
Compensated absences payable	14,085	(19,956)	12,154	(8,256)
Net pension liability – GERF	(83,755)	281,988	(250,511)	284,187
Total OPEB liability	(2,950)	(11,571)	(21,503)	(6,390)
Deferred inflows of resources – GERF	169,861	(321,165)	111,394	(304,573)
Deferred inflows of resources – OPEB	12,556	(2,936)	7,050	(2,276)
Net cash flows from operating activities	<u>\$ 2,873,661</u>	<u>\$ 2,912,388</u>	<u>\$ 1,821,755</u>	<u>\$ 1,999,587</u>
Schedule of noncash activities from capital and related financing activities				
Capital assets contributed from other funds	<u>\$ 768,036</u>	<u>\$ 1,672,156</u>	<u>\$ 541,136</u>	<u>\$ 787,994</u>
Capital assets contributed by developers	<u>\$ –</u>	<u>\$ 1,055,853</u>	<u>\$ –</u>	<u>\$ 1,457,489</u>

Water Quality		Totals		Governmental Activities – Internal Service Funds
2023	2022	2023	2022	
\$ 593,747	\$ 353,986	\$ 3,295,338	\$ 3,267,352	\$ 81,107
107,388	97,893	1,897,389	1,819,899	–
–	–	–	139,046	–
17,414	–	40,888	8,687	–
(24,513)	(11,849)	(46,263)	23,870	(615)
(2,578)	(3,994)	(4,786)	678	–
–	–	610	(1,353)	–
41,097	28,139	154,229	164,785	–
1,184	922	(1,949)	6,035	–
131,814	(4,162)	266,826	28,760	–
(2,191)	(965)	(11,708)	6,557	–
409	203	(1,268)	53,041	–
–	–	1,500	(34,261)	–
(11,072)	(12,012)	15,167	(40,224)	65,873
(128,882)	119,640	(463,148)	685,815	–
(13,610)	(2,852)	(38,063)	(20,813)	–
40,228	(130,723)	321,483	(756,461)	–
2,126	(1,018)	21,732	(6,230)	–
<u>\$ 752,561</u>	<u>\$ 433,208</u>	<u>\$ 5,447,977</u>	<u>\$ 5,345,183</u>	<u>\$ 146,365</u>
<u>\$ 420,111</u>	<u>\$ –</u>	<u>\$ 1,729,283</u>	<u>\$ 2,460,150</u>	<u>\$ –</u>
<u>\$ –</u>	<u>\$ 636,102</u>	<u>\$ –</u>	<u>\$ 3,149,444</u>	<u>\$ –</u>

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CITY OF PRIOR LAKE

Notes to Basic Financial Statements
December 31, 2023

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES

A. Organization

The City of Prior Lake, Minnesota (the City) operates under “Optional Plan B” as defined in Minnesota Statutes. Under this plan, the government of the City is directed by a City Council composed of an elected mayor and four elected councilmembers. The City Council exercises legislative authority and determines all matters of policy. The City Council appoints personnel responsible for the proper administration of all affairs relating to the City. The City has considered all potential units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the City are such that exclusion would cause the City’s financial statements to be misleading or incomplete.

The accounting policies of the City conform to accounting principles generally accepted in the United States of America as applicable to governmental units.

B. Reporting Entity

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

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

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

C. Government-Wide Financial Statements

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

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include: 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other internally directed revenues are reported as general revenues.

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

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

D. Fund Financial Statement Presentation

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

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

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

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

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

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Proprietary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, similar to the government-wide financial statements. Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the City's enterprise funds and internal service funds are charges to customers for sales and services. The operating expenses for the enterprise funds and internal service funds include the cost of sales and services, administrative expenses, and depreciation/amortization on capital assets. All revenues and expenses that do not meet this definition are reported as nonoperating revenues and expenses.

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

Description of Funds

The City reports the following major governmental funds:

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

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

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

The City reports the following major proprietary funds:

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

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

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

The City also reports the following fund type:

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

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

E. Cash and Investments

1. Deposits and Investments

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

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

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

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

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

The City categorizes its fair value measurements within the fair value hierarchy established by accounting principles generally accepted in the United States of America. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; and Level 3 inputs are significant unobservable inputs.

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

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

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2. Investment Policy

The City's investment policy contains the following restrictions:

a) Allowable Investments

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

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

b) Diversification

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

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

c) Duration

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

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

F. Receivables

Accounts receivable include amounts billed for services provided before year-end. The City annually certifies delinquent water and sewer accounts to the county for collection in the following year. Therefore, there has been no allowance for doubtful accounts established. Receivables not expected to be collected in one year include taxes, leases, and special assessments.

G. Property Taxes

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

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

Property taxes are recognized as revenue in the year levied in the government-wide financial statements. In the governmental fund financial statements, taxes are recognized as revenue when received in cash or within 60 days after year-end. Taxes which remain unpaid at December 31, are classified as delinquent taxes receivable, and are offset by a deferred inflow of resources in the governmental fund financial statements.

H. Special Assessments

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

I. Assets Held for Resale

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

J. Interfund Receivables and Payables

In the fund financial statements, activity between funds that is representative of lending or borrowing arrangements is reported as either “due to/from other funds” (current portion) or “advances to/from other funds.” All other outstanding balances between funds are reported as “due to/from other funds.” Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as “internal balances.”

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

K. Capital Assets

Capital assets, which include property, buildings, improvements, equipment, infrastructure assets (roads, bridges, sidewalks, and similar items), technology subscriptions and intangible assets, such as water access agreements and easements, are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Such assets are capitalized at historical cost, or estimated historical cost for assets where actual historical cost is not available. Donated assets are recorded as capital assets at their estimated acquisition value on the date of donation. The City defines capital assets as those with an initial, individual cost of \$10,000 or more with an estimated useful life in excess of one year, including technology subscriptions. Assets purchased with federal funding is capitalized when the cost exceeds \$5,000. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

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

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

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

Technology subscriptions are amortized in a systematic and rational manner over the shorter of the subscription term or the useful life of the underlying information technology (IT) assets. Land, utility access agreements, easements, and construction in progress are not depreciated.

L. Compensated Absences

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

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

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

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

M. Long-Term Liabilities

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

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

N. Subscription-Based Information Technology Arrangements (SBITAs)

A SBITA is a contract that conveys control of the right to use another party's IT software, alone or in combination with tangible capital assets (the underlying IT assets), as specified in the contract for a period of time in an exchange or exchange-like transaction. The City has entered into certain technology subscriptions for public safety software solutions. Capital assets associated with SBITAs are presented separately from other capital assets in Note 4. SBITAs related liabilities are reported in Note 6, which include the terms and related disclosures associated with any subscription liabilities.

O. Other Post-Employment Benefits (OPEB)

Under Minnesota Statutes § 471.61, Subd. 2b, public employers must allow retirees and their dependents to continue coverage indefinitely in an employer-sponsored healthcare plan, under the following conditions: 1) retirees must be receiving (or be eligible to receive) an annuity from a Minnesota public pension plan; 2) coverage must continue in a group plan until age 65, and retirees must pay no more than the group premium; and 3) retirees may obtain dependent coverage immediately before retirement. All premiums are funded on a pay-as-you-go basis.

P. State-Wide Pension Plans

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

Q. Deferred Outflows/Inflows of Resources

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

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

The City reports deferred inflows of resources related to lease receivables in the government-wide Statement of Net Position and governmental funds Balance Sheet, which requires lessors to recognize deferred inflows of resources to correspond to lease receivables. These amounts are deferred and amortized in a systematic and rationale manner over the term of the lease. The City reports deferred inflows of resources related to municipal state aid. The amounts received in advance of state aid allotments are deferred and reported as revenue in the year allotted to the City.

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

R. Net Position

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

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

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

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

S. Fund Balance Classifications

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

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

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

T. Comparative Data

The basic financial statements include certain prior year partial comparative information in total, but not at the level of detail required for a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the City's financial statements for the year ended December 31, 2022, from which the summarized information was derived. Also, certain amounts presented in the prior year data have been reclassified in order to be consistent with the current year's presentation.

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

U. Budgets and Budgetary Accounting

Annual budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America for the General Fund. All annual appropriations lapse at year-end. The City does not use encumbrance accounting.

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

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

V. Statement of Cash Flows

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

W. Risk Management

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

X. Restricted Assets

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

Y. Use of Estimates

The preparation of financial statements, in conformity with accounting principles generally accepted in the United States of America, requires management to make estimates and assumptions that affect amounts reported in the financial statements during the reporting period. Actual results could differ from those estimates.

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Z. Change in Accounting Principle

During the year ended December 31, 2023, the City implemented GASB Statement No. 96, *Subscription-Based Information Technology Arrangements* (SBITAs). This statement provides guidance on the accounting and financial reporting for SBITAs for government end users. A SBITA is defined as a contract that conveys control of the right to use another party's (a SBITA vendor's) IT software, alone or in combination with tangible capital assets (the underlying IT assets), as specified in the contract for a period of time in an exchange or exchange-like transaction. Under this statement, a government generally should recognize a right-to-use subscription asset—an intangible asset—and a corresponding subscription liability. Certain amounts necessary to fully restate fiscal year 2022 financial information are not determinable; therefore, prior year comparative amounts have not been restated. The implementation of this new GASB statement in the current year resulted in the City reporting new capital assets and long-term debt for subscription liabilities, but did not change beginning net position in the government-wide financial statements in the current year. See Notes 4 and 6 for additional details on this change in the current year.

NOTE 2 – CASH AND INVESTMENTS

A. Components of Cash and Investments

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

Deposits	\$ 1,427,327
Investments	51,287,227
Cash on hand	<u>950</u>
Total	<u>\$ 52,715,504</u>

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

Statement of Net Position	
Cash and investments	\$ 52,664,615
Restricted assets – temporarily restricted – cash and investments held in escrow	<u>50,889</u>
Total	<u>\$ 52,715,504</u>

B. Deposits

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

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

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

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

At year-end, the carrying amount of the City’s deposits was \$1,427,327, while the balance on the bank records was \$2,620,183. At December 31, 2023, all deposits were fully covered by federal deposit insurance, surety bonds, or by collateral held by the City’s agent in the City’s name.

NOTE 2 – CASH AND INVESTMENTS (CONTINUED)

C. Investments

The City has the following investments at year-end:

Investment Type	Credit Risk		Fair Value Measurement	Interest Risk – Segmented Time Distribution in Years			Total
	Rating	Agency		Less Than 1	1 to 5	6 to 10	
U.S. treasuries	AAA	Moody's	Level 1	\$ –	\$ 2,253,013	\$ –	\$ 2,253,013
U.S. treasuries	AAA	Moody's	Level 2	–	441,055	–	441,055
U.S. agency securities	AAA	Moody's	Level 2	192,022	–	–	192,022
U.S. agency securities	AA	S&P	Level 2	–	6,847,414	–	6,847,414
Local government securities	AAA	S&P	Level 2	199,680	1,024,076	–	1,223,756
Local government securities	AAA	Moody's	Level 2	681,902	892,491	–	1,574,393
Local government securities	AA	S&P	Level 2	653,831	2,940,878	456,820	4,051,529
Local government securities	AA	Moody's	Level 2	1,348,823	3,323,733	238,607	4,911,163
Local government securities	A	S&P	Level 2	278,097	–	197,327	475,424
Negotiable certificates of deposit	N/R	N/A	Level 2	3,562,154	11,028,733	248,548	14,839,435
				<u>\$ 6,916,509</u>	<u>\$ 28,751,393</u>	<u>\$ 1,141,302</u>	36,809,204
Investment pools/mutual funds							
4M Fund	N/R	N/A	Amortized Cost				11,039,930
Government Obligation Fund	AAA	S&P	Level 1				3,438,093
Total investment pools/ mutual funds							<u>14,478,023</u>
Total investments							<u>\$ 51,287,227</u>

N/A – Not Applicable

N/R – Not Rated

The City's investments include investment pools managed by the 4M Fund, which is an external investment pool regulated by Minnesota Statutes and is not registered with the Securities and Exchange Commission. The City's investments in this investment pool are measured at the net asset value per share provided by the pools, which are based on amortized cost methods that approximate fair value. The 4M Fund is sponsored by the League of Minnesota Cities. Investments are purchased and regulated according to Minnesota Statutes. For this investment pool, there are no unfunded commitments, redemption frequency is daily, and there is no redemption notice required for the Liquid Class; the redemption notice period is 14 days for the Plus Class.

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

Custodial Credit Risk – For investments, this is the risk that in the event of a failure of the counterparty to an investment transaction (typically a broker-dealer) the City would not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The City does not have a formal investment policy addressing this risk, but typically limits its exposure by purchasing insured or registered investments, or by the control of who holds the securities.

NOTE 2 – CASH AND INVESTMENTS (CONTINUED)

Credit Risk – This is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. Minnesota Statutes limit the City’s investments to direct obligations or obligations guaranteed by the United States or its agencies; shares of investment companies registered under the Federal Investment Company Act of 1940 that receive the highest credit rating, are rated in one of the two highest rating categories by a statistical rating agency, and all of the investments have a final maturity of 13 months or less; general obligations rated “A” or better; revenue obligations rated “AA” or better; general obligations of the Minnesota Housing Finance Agency rated “A” or better; bankers’ acceptances of United States banks eligible for purchase by the Federal Reserve System; commercial paper issued by United States corporations or their Canadian subsidiaries, rated of the highest quality category by at least two nationally recognized rating agencies, and maturing in 270 days or less; Guaranteed Investment Contracts guaranteed by a United States commercial bank, domestic branch of a foreign bank, or a United States insurance company, and with a credit quality in one of the top two highest categories; repurchase or reverse purchase agreements and securities lending agreements with financial institutions qualified as a “depository” by the government entity, with banks that are members of the Federal Reserve System with capitalization exceeding \$10,000,000; that are a primary reporting dealer in U.S. government securities to the Federal Reserve Bank of New York; or certain Minnesota securities broker-dealers. The City’s investment policy as described in Note 1 addresses credit risk.

Concentration Risk – This is the risk associated with investing a significant portion of the City’s investment (considered 5.0 percent or more) in the securities of a single issuer, excluding U.S. guaranteed investments (such as treasuries), investment pools, and mutual funds. At December 31, 2023, the City had 6.7 percent of its portfolio invested with Federal Home Loan Bank and 6.7 percent invested in Federal Farm Credit Bank. The City’s investment policy as described in Note 1, addresses concentration risk.

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

NOTE 3 – LEASE RECEIVABLE

The City has entered into 16 lease receivable agreements for cell tower rental and space rental at various city sites. The lease terms include interest rates ranging from 0.2 percent to 3.0 percent with final maturities through 2036. These leases are reported as lease receivables totaling \$2,602,985. These receivables are offset by deferred inflows of resources as lease revenue for subsequent years totaling \$2,572,115. During the current year, the City received principal and interest payments of \$285,143 and \$15,029, respectively, on these leases. The deferred inflows of resources are being amortized to revenue over the life of the leases.

NOTE 4 – CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2023 was as follows:

A. Changes in Capital Assets Used in Governmental Activities

	Beginning of Year	Change in Accounting Principle	Additions	Deletions	Transfers and Completed Construction	End of Year
Capital assets, not depreciated						
Land	\$ 33,183,201	\$ –	\$ 1,128,150	\$ –	\$ –	\$ 34,311,351
Easements	56,152,920	–	–	–	–	56,152,920
Construction in progress	10,033,602	–	11,363,589	–	(5,386,234)	16,010,957
Total capital assets, not depreciated	99,369,723	–	12,491,739	–	(5,386,234)	106,475,228
Capital assets, depreciated/amortized						
Land improvements	2,832,128	–	–	–	–	2,832,128
Machinery and equipment	7,847,076	–	864,280	(234,304)	–	8,477,052
Vehicles	7,647,200	–	297,847	(124,259)	50,660	7,871,448
Infrastructure	128,611,074	–	458,830	–	3,606,291	132,676,195
Technology subscriptions	–	543,449	–	–	–	543,449
Total capital assets, depreciated/amortized	146,937,478	543,449	1,620,957	(358,563)	3,656,951	152,400,272
Less accumulated depreciation/amortization on						
Land improvements	(1,978,583)	–	(71,399)	–	–	(2,049,982)
Machinery and equipment	(5,034,419)	–	(401,111)	175,088	–	(5,260,442)
Vehicles	(4,842,933)	–	(758,940)	120,051	–	(5,481,822)
Infrastructure	(69,136,255)	–	(3,842,659)	–	–	(72,978,914)
Technology subscriptions	–	–	(111,876)	–	–	(111,876)
Total accumulated depreciation/amortization	(80,992,190)	–	(5,185,985)	295,139	–	(85,883,036)
Net capital assets, depreciated/amortized	65,945,288	543,449	(3,565,028)	(63,424)	3,656,951	66,517,236
Total capital assets, net	\$ 165,315,011	\$ 543,449	\$ 8,926,711	\$ (63,424)	\$ (1,729,283)	\$ 172,992,464

The change in accounting principle is further described in Note 1 to the basic financial statements.

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

	Beginning of Year	Additions	Deletions	Transfers and Completed Construction	End of Year
Capital assets, not depreciated					
Utility access agreements	\$ 2,499,970	\$ –	\$ –	\$ –	\$ 2,499,970
Easements	218,912	–	–	–	218,912
Construction in progress	34,314	389,037	–	(368,726)	54,625
Total capital assets, not depreciated	2,753,196	389,037	–	(368,726)	2,773,507
Capital assets, depreciated					
Land improvements	87,740	–	–	–	87,740
Machinery and equipment	1,798,781	149,029	–	–	1,947,810
Vehicles	580,398	–	–	–	580,398
Infrastructure	95,420,628	264,186	(143,426)	2,098,009	97,639,397
Total capital assets, depreciated	97,887,547	413,215	(143,426)	2,098,009	100,255,345
Less accumulated depreciation on					
Land improvements	(56,932)	(4,387)	–	–	(61,319)
Machinery and equipment	(965,219)	(112,255)	–	–	(1,077,474)
Vehicles	(123,084)	(32,575)	–	–	(155,659)
Infrastructure	(24,121,772)	(1,748,172)	49,180	–	(25,820,764)
Total accumulated depreciation	(25,267,007)	(1,897,389)	49,180	–	(27,115,216)
Net capital assets, depreciated	72,620,540	(1,484,174)	(94,246)	2,098,009	73,140,129
Total capital assets, net	\$ 75,373,736	\$ (1,095,137)	\$ (94,246)	\$ 1,729,283	\$ 75,913,636

NOTE 4 – CAPITAL ASSETS (CONTINUED)

C. Depreciation/Amortization Expense by Function

Depreciation/amortization expense for the year ended December 31, 2023 was charged to the following functions:

Governmental activities	
General government	\$ 502,897
Public safety	690,515
Public works	3,460,669
Culture and recreation	<u>531,904</u>
Total depreciation expense – governmental activities	<u>\$ 5,185,985</u>
Business-type activities	
Water	\$ 1,059,317
Sewer	730,684
Water quality	<u>107,388</u>
Total depreciation expense – business-type activities	<u>\$ 1,897,389</u>

NOTE 5 – TRANSFERS

A schedule of interfund transfers is as follows:

Transfers Out	Transfer In						Total
	Governmental Funds				Proprietary Funds		
	General	Debt Service	Construction	Nonmajor	Water	Sewer	
Governmental funds							
General	\$ –	\$ 233,888	\$ 400,000	\$ –	\$ –	\$ –	\$ 633,888
Debt Service	–	173,737	–	–	–	–	173,737
Construction	–	–	–	–	163,937	78,197	242,134
Nonmajor	–	228,600	1,152,096	–	–	–	1,380,696
Proprietary funds							
Water	223,000	607,213	720,627	108,750	–	–	1,659,590
Sewer	222,000	–	414,078	108,750	–	–	744,828
Water Quality	110,000	–	–	–	–	–	110,000
	<u>\$ 555,000</u>	<u>\$ 1,243,438</u>	<u>\$ 2,686,801</u>	<u>\$ 217,500</u>	<u>\$ 163,937</u>	<u>\$ 78,197</u>	<u>\$ 4,944,873</u>

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

Transfers are reported in the fund financial statements, but are eliminated in the government-wide financial statements, as applicable.

NOTE 6 – LONG-TERM DEBT

A. Components of Long-Term Debt

	<u>Original Issue</u>	<u>Interest Rate</u>	<u>Issue Date</u>	<u>Final Maturity Date</u>	<u>Balance – End of Year</u>
Governmental activities					
General obligation bonds					
Street Reconstruction Bonds of 2016A	\$ 760,000	2.00%	05/01/2016	12/15/2026	\$ 110,000
Improvement Bonds 2017A	\$ 370,000	2.00–2.25%	06/29/2017	12/15/2024	55,000
Improvement Bonds 2018A	\$ 2,485,000	4.00–5.00%	08/15/2018	12/15/2028	1,295,000
Improvement Bonds 2019A	\$ 1,665,000	5.00%	06/27/2019	12/15/2029	1,110,000
Improvement Bonds 2021A	\$ 5,270,000	1.00–3.00%	07/15/2021	12/15/2031	4,260,000
Improvement Bonds 2021B	\$ 4,990,000	5.00%	07/26/2021	12/15/2029	3,645,000
Improvement Bonds 2022A	\$ 1,910,000	4.00–5.00%	09/08/2022	12/15/2032	1,780,000
Improvement Bonds 2023A	\$ 1,620,000	5.00%	07/19/2023	12/15/2033	<u>1,620,000</u>
Total general obligation bonds					13,875,000
Improvement Bonds of 2015A	\$ 4,640,000	2.00–3.00%	05/14/2015	12/15/2030	4,235,000
Improvement Bonds of 2016A	\$ 1,105,000	2.00%	05/01/2016	12/15/2026	330,000
Improvement Bonds of 2017A	\$ 4,135,000	2.00–2.25%	06/29/2017	12/15/2027	1,615,000
Improvement Bonds of 2018A	\$ 3,145,000	4.00–5.00%	08/15/2018	12/15/2028	1,405,000
Improvement Bonds of 2019A	\$ 400,000	5.00%	06/27/2019	12/15/2024	90,000
Improvement Bonds of 2021B	\$ 880,000	5.00%	07/26/2021	12/15/2024	<u>235,000</u>
Total general obligation special assessment bonds					7,910,000
Tax increment bonds					
Tax Increment Refunding Bonds of 2011A	\$ 290,000	1.80–3.00%	08/31/2011	12/15/2024	30,000
General obligation revenue bonds					
General Obligation Improvement Bonds of 2015A	\$ 5,360,000	1.00–3.00%	05/14/2015	12/15/2031	4,505,000
Premium (discount) on bonds payable					
					2,186,515
Energy loan payable	\$ 2,667,924	2.12%	12/08/2014	06/19/2025	441,532
Subscription liabilities	\$ 543,449	2.60%	08/15/2022	06/30/2028	417,549
Compensated absences payable					<u>1,141,513</u>
Total governmental activity long-term liabilities					30,507,109
Business-type activities					
General obligation revenue bonds					
General Obligation Improvement Bonds of 2018A	\$ 2,640,000	4.00–5.00%	08/15/2018	12/15/2028	1,440,000
Premium (discount) on bonds payable					
					160,166
Compensated absences payable					<u>209,648</u>
Total business-type activity long-term liabilities					<u>1,809,814</u>
Total government-wide long-term liabilities					<u>\$ 32,316,923</u>

NOTE 6 – LONG-TERM DEBT (CONTINUED)

B. Changes in Long-Term Debt

	Balance – Beginning of Year	Change in Accounting Principle	Additions	Deletions	Balance – End of Year	Due Within One Year
Governmental activities						
Bonds payable						
G.O. bonds	\$ 13,835,000	\$ –	\$ 1,620,000	\$ 1,580,000	\$ 13,875,000	\$ 1,725,000
G.O. special assessment bonds	9,795,000	–	–	1,885,000	7,910,000	1,660,000
G.O. tax increment bonds	60,000	–	–	30,000	30,000	30,000
G.O. revenue bonds	4,985,000	–	–	480,000	4,505,000	495,000
Premium (discount) on bonds payable	2,262,852	–	205,439	281,776	2,186,515	–
Total bonds payable, net of premium (discount)	30,937,852	–	1,825,439	4,256,776	28,506,515	3,910,000
Energy loan payable	728,225	–	–	286,693	441,532	292,801
Subscription liabilities	–	543,449	–	125,900	417,549	121,775
Compensated absences payable	1,075,640	–	157,275	91,402	1,141,513	503,124
Governmental activities long-term liabilities	<u>\$ 32,741,717</u>	<u>\$ 543,449</u>	<u>\$ 1,982,714</u>	<u>\$ 4,760,771</u>	<u>\$ 30,507,109</u>	<u>\$ 4,827,700</u>
Business-type activities						
Bonds payable						
G.O. revenue bonds	\$ 1,700,000	\$ –	\$ –	\$ 260,000	\$ 1,440,000	\$ 270,000
Premium (discount) on bonds payable	201,142	–	–	40,976	160,166	–
Total bonds payable, net of premium (discount)	1,901,142	–	–	300,976	1,600,166	270,000
Compensated absences payable	194,481	–	17,024	1,857	209,648	70,837
Business-type activities long-term liabilities	<u>\$ 2,095,623</u>	<u>\$ –</u>	<u>\$ 17,024</u>	<u>\$ 302,833</u>	<u>\$ 1,809,814</u>	<u>\$ 340,837</u>

The change in accounting principle is further described in Note 1 to the basic financial statements.

C. Minimum Debt Payments

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

Year Ending December 31,	Governmental Activities											
	General Obligation		G.O. Special Assessment		G.O. Tax Increment		G.O. Revenue		Energy Loan Payable		Subscription Liabilities	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2024	\$ 1,725,000	\$ 606,915	\$ 1,660,000	\$ 232,588	\$ 30,000	\$ 900	\$ 495,000	\$ 119,650	\$ 292,801	\$ 7,813	\$ 121,775	\$ 11,881
2025	1,790,000	502,315	1,560,000	184,438	–	–	515,000	109,750	148,731	1,576	125,972	7,683
2026	1,890,000	423,765	1,410,000	144,988	–	–	530,000	99,450	–	–	129,228	4,427
2027	1,955,000	340,665	1,260,000	104,313	–	–	550,000	86,200	–	–	20,027	1,088
2028	1,995,000	253,515	850,000	66,600	–	–	570,000	72,450	–	–	20,547	567
2029–2033	4,520,000	345,095	1,170,000	52,200	–	–	1,845,000	112,200	–	–	–	–
	<u>\$ 13,875,000</u>	<u>\$ 2,472,270</u>	<u>\$ 7,910,000</u>	<u>\$ 785,127</u>	<u>\$ 30,000</u>	<u>\$ 900</u>	<u>\$ 4,505,000</u>	<u>\$ 599,700</u>	<u>\$ 441,532</u>	<u>\$ 9,389</u>	<u>\$ 417,549</u>	<u>\$ 25,646</u>

Year Ending December 31,	Business-Type Activities	
	G.O. Revenue	
	Principal	Interest
2024	\$ 270,000	\$ 69,300
2025	270,000	58,500
2026	280,000	45,000
2027	300,000	31,000
2028	320,000	16,000
	<u>\$ 1,440,000</u>	<u>\$ 219,800</u>

NOTE 6 – LONG-TERM DEBT (CONTINUED)

D. Other Long-Term Liabilities

The City offers a number of benefits to its employees, including compensated absences payable. The details of these various benefit liabilities are discussed elsewhere in these notes. Such benefits are financed primarily from the General Fund, enterprise funds, and internal service funds.

E. Descriptions and Restrictions of Long-Term Debt

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

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

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

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

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

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

Subscription Liabilities – The City entered into an agreement to finance the use of technology software, which calls for monthly principal and interest payments through 2028. This subscription liability is paid by the General Fund. The total amount of the underlying technology subscriptions assets and the related accumulated amortization is presented in Note 4 to the basic financial statements.

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

NOTE 6 – LONG-TERM DEBT (CONTINUED)

F. Conduit Debt Obligations

Conduit debt obligations are certain limited-obligation revenue bonds or similar instruments issued for the express purpose of providing capital financing for a specific third party. The City has issued revenue bonds to provide funding to private sector entities for projects deemed to be in the public interest. Although these bonds bear the name of the City, the City has no obligation for such debt. Accordingly, the bonds are not reported as liabilities in the financial statements of the City. The aggregate amount of all conduit debt outstanding at December 31, 2023 is \$19,494,566.

G. Revenue Pledged

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

Bond Issue	Use of Proceeds	Revenue Pledged			Remaining Principal and Interest	Current Year	
		Type	Percent of Total Debt Service	Term of Pledge		Principal and Interest Paid	Pledged Revenue Received
Tax Increment Refunding Bonds of 2011A	Street and site improvements	Tax increment financing	100%	2011–2024	\$ 30,900	\$ 31,800	\$ 140,894
General Obligation Bonds of 2015A	Partial refunding	Utility charges	100%	2015–2031	\$ 5,104,700	\$ 609,250	\$ 6,063,587
General Obligation Bonds of 2018A	Water and sewer improvements	Utility charges	100%	2018–2028	\$ 1,659,800	\$ 339,700	\$ 10,753,045

H. Legal Debt Margin

The City's statutory debt limit is equal to 3 percent of estimated taxable market value of property located within the City. The taxable market value totals \$5,302,936,749, which calculates to a debt limit of \$159,088,102. Debt financed partially or entirely by special assessments, tax increments, and other revenue sources, is not applied against the City's debt limit, nor is debt financed by proprietary fund revenues. Currently, the City has \$13,875,000 of general obligation debt outstanding, leaving a debt margin of \$145,213,102.

NOTE 7 – NET POSITION/FUND BALANCES

A. Net Investment in Capital Assets

The government-wide Statement of Net Position at December 31, 2023 includes the City's net investment in capital assets calculated as follows:

	Governmental Activities	Business-Type Activities	Total
Net investment in capital assets:			
Capital assets			
Nondepreciable/amortized	\$ 106,475,228	\$ 2,773,507	\$ 109,248,735
Depreciable, net of accumulated depreciation/amortization	66,517,236	73,140,129	139,657,365
Less capital-related long-term debt outstanding	(27,149,081)	(1,440,000)	(28,589,081)
Less bond premiums (discounts)	(2,186,515)	(160,166)	(2,346,681)
	<u>\$ 143,656,868</u>	<u>\$ 74,313,470</u>	<u>\$ 217,970,338</u>

B. Classifications

At December 31, 2023, a summary of the City's governmental fund balance classifications are as follows:

	General Fund	Debt Service Fund	Construction Fund	Nonmajor Funds	Total
Restricted					
Future debt service	\$ –	\$ 2,334,055	\$ –	\$ –	\$ 2,334,055
Economic development	–	–	–	137,356	137,356
Forfeiture sales	–	–	–	110,182	110,182
Public safety	–	–	–	1,233,273	1,233,273
Capital improvements	–	–	–	2,625,125	2,625,125
Development	–	–	–	1,600,260	1,600,260
Communications	–	–	–	102,092	102,092
Tax increment	–	–	–	733,902	733,902
Total restricted	–	2,334,055	–	6,542,190	8,876,245
Assigned					
Subsequent year's budget	230,840	–	–	–	230,840
Capital improvements	–	–	1,798,096	11,196,915	12,995,011
Future chip seal	98,857	–	–	–	98,857
Shop with a cop	10,495	–	–	–	10,495
Charitable gambling donations	14,458	–	–	–	14,458
Tree planting	110,550	–	–	–	110,550
Total assigned	465,200	–	1,798,096	11,196,915	13,460,211
Unassigned	10,540,044	–	–	–	10,540,044
	<u>\$ 11,005,244</u>	<u>\$ 2,334,055</u>	<u>\$ 1,798,096</u>	<u>\$ 17,739,105</u>	<u>\$ 32,876,500</u>

NOTE 7 – NET POSITION/FUND BALANCES (CONTINUED)

C. Minimum Unrestricted Fund Balance Policy

The City Council has formally adopted a fund balance policy regarding the minimum unrestricted fund balance for the General Fund. The policy establishes that the City will strive to maintain an unrestricted General Fund balance (which includes committed, assigned, and unassigned classifications) between 40.0 and 50.0 percent of the subsequent year's General Fund budgeted expenditures. At December 31, 2023, the total fund balance of the General Fund was 52.3 percent of the subsequent year's budgeted expenditures and transfers out of \$21,046,603.

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

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

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

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

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

NOTE 8 – DEFINED BENEFIT PENSION PLANS - STATE-WIDE

A. Plan Description

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

The following is a summary of the net pension liabilities, deferred outflows and inflows of resources, and pension expense reported for these plans as of and for the year ended December 31, 2023:

Pension Plans	Net Pension Liabilities	Deferred Outflows of Resources	Deferred Inflows of Resources	Pension Expense
GERF	\$ 4,283,385	\$ 1,265,538	\$ 1,374,785	\$ 759,977
PEPFF	5,185,791	7,893,514	7,286,267	1,645,320
Total	<u>\$ 9,469,176</u>	<u>\$ 9,159,052</u>	<u>\$ 8,661,052</u>	<u>\$ 2,405,297</u>

1. General Employees Retirement Fund (GERF)

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

2. Public Employees Police and Fire Fund (PEPFF)

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

B. Benefits Provided

The PERA provides retirement, disability, and death benefits. Benefit provisions are established by state statutes and can only be modified by the State Legislature. Vested, terminated employees who are entitled to benefits, but are not receiving them yet, are bound by the provisions in effect at the time they last terminated their public service.

1. GERF Benefits

Benefits are based on a member’s highest average salary for any five successive years of allowable service, age, and years of credit at termination of service. Two methods are used to compute benefits for the PERA’s Coordinated Plan members. Members hired prior to July 1, 1989, receive the higher of Method 1 or Method 2 formulas. Only Method 2 is used for members hired after June 30, 1989. Under Method 1, the accrual rate for Coordinated Plan members is 1.2 percent for each of the first 10 years of service, and 1.7 percent for each additional year. Under Method 2, the accrual rate for Coordinated Plan members is 1.7 percent for all years of service. For members hired prior to July 1, 1989, a full annuity is available when age plus years of service equal 90, and normal retirement age is 65. For members hired on or after July 1, 1989, normal retirement age is the age for unreduced Social Security benefits capped at age 66.

NOTE 8 – DEFINED BENEFIT PENSION PLANS – STATE-WIDE (CONTINUED)

Benefit increases are provided to benefit recipients each January. The post-retirement increase is equal to 50.0 percent of the cost of living adjustment (COLA) announced by the Social Security Administration, with a minimum increase of at least 1.0 percent and a maximum of 1.5 percent. Recipients that have been receiving the annuity or benefit for at least a full year as of the June 30 before the effective date of the increase, will receive the full increase. Recipients receiving the annuity or benefit for at least one month, but less than a full year as of the June 30 before the effective date of the increase, will receive a reduced prorated increase. In 2023, legislation repealed the statute delaying increases for members retiring before full retirement age.

2. PEPFF Benefits

Benefits for the PEPFF members first hired after June 30, 2010 but before July 1, 2014, vest on a prorated basis from 50.0 percent after five years, up to 100.0 percent after 10 years of credited service. Benefits for the PEPFF members first hired after June 30, 2014 vest on a prorated basis from 50.0 percent after 10 years, up to 100.0 percent after 20 years of credited service. The annuity accrual rate is 3.0 percent of average salary for each year of service. For Police and Fire Plan members who were first hired prior to July 1, 1989, a full annuity is available when age plus years of service equal at least 90.

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

In 2023, the Legislature allocated funding for a one-time lump-sum payment to General Employee and Police and Fire Plan benefit recipients. Eligibility criteria and the payment amount is specified in statute. The one-time payment is noncompounding towards future benefits.

C. Contributions

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

1. GERF Contributions

Coordinated Plan members were required to contribute 6.50 percent of their annual covered salary in fiscal year 2023, and the City was required to contribute 7.50 percent for Coordinated Plan members. The City's contributions to the GERF for the year ended December 31, 2023, were \$447,938. The City's contributions were equal to the required contributions as set by state statutes.

2. PEPFF Contributions

Police and Fire Plan members were required to contribute 11.80 percent of their annual covered salary in fiscal year 2023, and the City was required to contribute 17.70 percent for Police and Fire Plan members. The City's contributions to the PEPFF for the year ended December 31, 2023, were \$774,423. The City's contributions were equal to the required contributions as set by state statutes.

NOTE 8 – DEFINED BENEFIT PENSION PLANS – STATE-WIDE (CONTINUED)

D. Pension Costs

1. GERF Pension Costs

At December 31, 2023, the City reported a liability of \$4,283,385 for its proportionate share of the GERF's net pension liability. The City's net pension liability reflected a reduction, due to the state of Minnesota's contribution of \$16.0 million. The state of Minnesota is considered a nonemployer contributing entity and the state's contribution meets the definition of a special funding situation. The state of Minnesota's proportionate share of the net pension liability associated with the City totaled \$118,061. The net pension liability was measured as of June 30, 2023, 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 the PERA during the measurement period for employer payroll paid dates from July 1, 2022 through June 30, 2023, relative to the total employer contributions received from all of the PERA's participating employers. The City's proportionate share was 0.0766 percent at the end of the measurement period and 0.0728 percent for the beginning of the period.

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

City's proportionate share of net pension liability	\$ 4,283,385
State's proportionate share of the net pension liability associated with the City	<u>118,061</u>
Total	<u><u>\$ 4,401,446</u></u>

For the year ended December 31, 2023, the City recognized pension expense of \$759,446 for its proportionate share of the GERF's pension expense. In addition, the City recognized an additional \$531 as pension expense (and grant revenue) for its proportionate share of the state of Minnesota's contribution of \$16.0 million to the GERF.

At December 31, 2023, the City reported its proportionate share of the GERF's deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual economic experience	\$ 138,991	\$ 28,044
Changes in actuarial assumptions	659,018	1,174,037
Net collective difference between projected and actual investment earnings	–	172,704
Changes in proportion	246,705	–
Contributions paid to the PERA subsequent to the measurement date	<u>220,824</u>	<u>–</u>
Total	<u><u>\$ 1,265,538</u></u>	<u><u>\$ 1,374,785</u></u>

NOTE 8 – DEFINED BENEFIT PENSION PLANS – STATE-WIDE (CONTINUED)

A total of \$220,824 reported as deferred outflows of resources related to pensions resulting from city contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending December 31, 2024. Other amounts reported as deferred outflows and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ending December 31,</u>	<u>Pension Expense Amount</u>
2024	\$ 171,963
2025	\$ (557,143)
2026	\$ 148,030
2027	\$ (92,921)

2. PEPFF Pension Costs

At December 31, 2023, the City reported a liability of \$5,185,791 for its proportionate share of the PEPFF’s net pension liability. The net pension liability was measured as of June 30, 2023, 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 the PERA during the measurement period for employer payroll paid dates from July 1, 2022 through June 30, 2023, relative to the total employer contributions received from all of the PERA’s participating employers. The City’s proportionate share was 0.3003 percent at the end of the measurement period and 0.2998 percent for the beginning of the period.

The state of Minnesota contributed \$18.0 million to the PEPFF in the plan fiscal year ended June 30, 2023. The contribution consisted of \$9.0 million in direct state aid that meets the definition of a special funding situation and \$9.0 million in supplemental state aid that does not meet the definition of a special funding situation. The \$9.0 million direct state aid was paid on October 1, 2022. Thereafter, by October 1 of each year, the state will pay \$9.0 million to the PEPFF until full funding is reached or July 1, 2048, whichever is earlier. The \$9.0 million in supplemental state aid will continue until the fund is 90.0 percent funded, or until the State Patrol Plan (administered by the Minnesota State Retirement System) is 90.0 percent funded, whichever occurs later. The state of Minnesota’s proportionate share of the net pension liability associated with the City totaled \$208,890.

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

City’s proportionate share of net pension liability	\$ 5,185,791
State’s proportionate share of the net pension liability associated with the City	<u>208,890</u>
Total	<u><u>\$ 5,394,681</u></u>

NOTE 8 – DEFINED BENEFIT PENSION PLANS – STATE-WIDE (CONTINUED)

The state of Minnesota is included as a nonemployer contributing entity in the Police and Fire Retirement Plan Schedule of Employer Allocations and Schedule of Pension Amounts by Employer, Current Reporting Period Only (pension allocation schedules) for the \$9.0 million in direct state aid. Police and Fire Plan employers need to recognize their proportionate share of the state of Minnesota’s pension expense (and grant revenue) under GASB 68 special funding situation accounting and financial reporting requirements. For the year ended December 31, 2023, the City recognized pension expense of \$1,657,901 for its proportionate share of the Police and Fire Plan’s pension expense. The City recognized \$12,581 as a reduction to grant revenue and pension expense for its proportionate share of the state of Minnesota’s pension expense for the contribution of \$9.0 million to the PEPFF.

The state of Minnesota is not included as a nonemployer contributing entity in the Police and Fire Pension Plan pension allocation schedules for the \$9.0 million in supplemental state aid. The City recognized \$27,027 for the year ended December 31, 2023 as revenue and an offsetting reduction of net pension liability for its proportionate share of the state of Minnesota’s on-behalf contributions to the PEPFF.

At December 31, 2023, the City reported its proportionate share of the PEPFF’s deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual economic experience	\$ 1,400,340	\$ –
Changes in actuarial assumptions	5,762,622	7,286,267
Net collective difference between projected and actual investment earnings	15,374	–
Changes in proportion	267,388	–
Contributions paid to the PERA subsequent to the measurement date	<u>447,790</u>	<u>–</u>
Total	<u>\$ 7,893,514</u>	<u>\$ 7,286,267</u>

A total of \$447,790 reported as deferred outflows of resources related to pensions resulting from city contributions subsequent to the measurement date that will be recognized as a reduction of the net pension liability in the year ending December 31, 2024. Other amounts reported as deferred outflows and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ending December 31,</u>	<u>Pension Expense Amount</u>
2024	\$ 336,578
2025	\$ 173,371
2026	\$ 1,230,823
2027	\$ (298,314)
2028	\$ (1,283,001)

NOTE 8 – DEFINED BENEFIT PENSION PLANS – STATE-WIDE (CONTINUED)

E. Long-Term Expected Return on Investments

The Minnesota State Board of Investment, which manages the investments of the PERA, prepares an analysis of the reasonableness on a regular basis of the long-term expected rate of return using a building-block method in which best-estimate ranges of expected future rates of return are developed for each major asset class. These ranges are combined to produce an expected long-term rate of return by weighting the expected future rates of return by the target asset allocation percentages. The target allocation and best-estimates of geometric real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Domestic equity	33.50 %	5.10 %
International equity	16.50	5.30 %
Fixed income	25.00	0.75 %
Private markets	25.00	5.90 %
Total	100.00 %	

F. Actuarial Methods and Assumptions

The total pension liability in the June 30, 2023, 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 7.00 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 7.00 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 the Police and Fire Plan. Benefit increases after retirement are assumed to be 1.25 percent for the General Employees Plan and 1.00 percent for the Police and Fire Plan.

Salary growth assumptions in the General Employees Plan range in annual increments from 10.25 percent after one year of service to 3.00 percent after 27 years of service. In the Police and Fire Plan, salary growth assumptions range from 11.75 percent after one year of service to 3.00 percent after 24 years of service.

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

Actuarial assumptions for the General Employees Plan are reviewed every four years. The most recent four-year experience study for the General Employees Plan was completed in 2022. The assumption changes were adopted by the Board and became effective with the July 1, 2023 actuarial valuation. The most recent four-year experience study for the Police and Fire Plan was completed in 2020, adopted by the Board, and became effective with the July 1, 2021 actuarial valuation.

NOTE 8 – DEFINED BENEFIT PENSION PLANS – STATE-WIDE (CONTINUED)

The following changes in actuarial assumptions and plan provisions occurred in 2023:

1. GERF

CHANGES IN ACTUARIAL ASSUMPTIONS

- The investment return assumption and single discount rate were changed from 6.50 percent to 7.00 percent.

CHANGES IN PLAN PROVISIONS

- An additional one-time direct state aid contribution of \$170.1 million will be contributed to the Plan on October 1, 2023.
- The vesting period of those hired after June 30, 2010, was changed from five years of allowable service to three years of allowable service.
- The benefit increase delay for early retirements on or after January 1, 2024, was eliminated.
- A one-time, noncompounding benefit increase of 2.50 percent minus the actual 2024 adjustment will be payable in a lump sum for calendar year 2024 by March 31, 2024.

2. PEPFF

CHANGES IN ACTUARIAL ASSUMPTIONS

- The investment return assumption was changed from 6.50 percent to 7.00 percent.
- The single discount rate changed from 5.40 percent to 7.00 percent.

CHANGES IN PLAN PROVISIONS

- Additional one-time direct state aid contribution of \$19.4 million will be contributed to the Plan on October 1, 2023.
- Vesting requirement for new hires after June 30, 2014, was changed from a graded 20-year vesting schedule to a graded 10-year vesting schedule, with 50.00 percent vesting after five years, increasing incrementally to 100.00 percent after 10 years.
- A one-time, noncompounding benefit increase of 3.00 percent will be payable in a lump sum for calendar year 2024 by March 31, 2024.
- Psychological treatment is required effective July 1, 2023, prior to approval for a duty disability benefit for a psychological condition relating to the member's occupation.
- The total and permanent duty disability benefit was increased, effective July 1, 2023.

G. Discount Rate

The discount rate used to measure the total pension liability in 2023 was 7.00 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 and the Police and Fire Fund were projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

NOTE 8 – DEFINED BENEFIT PENSION PLANS – STATE-WIDE (CONTINUED)

H. Pension Liability Sensitivity

The following table presents the City’s proportionate share of the net pension liability for all plans it participates in, calculated using the discount rate disclosed on the preceding page, as well as what the City’s proportionate share of the net pension liability would be if it were calculated using a discount rate 1 percentage point lower or 1 percentage point higher than the current discount rate:

	1% Decrease in Discount Rate (6.00%)	Current Discount Rate (7.00%)	1% Increase in Discount Rate (8.00%)
City’s proportionate share of the GERF net pension liability	\$ 7,577,654	\$ 4,283,385	\$ 1,573,726
City’s proportionate share of the PEPFF net pension liability	\$ 10,289,227	\$ 5,185,791	\$ 990,083

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 9 – DEFINED CONTRIBUTION PLAN

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

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

Total contributions made by the City during fiscal year 2023 were:

Contribution Amount		Percentage of Covered Payroll		Required Rate for Employees and Employers
Employee	Employer	Employee	Employer	
\$ 2,372	\$ 2,372	5.00%	5.00%	5.00%

NOTE 10 – DEFINED BENEFIT PENSION PLANS – FIRE RELIEF ASSOCIATION

A. Plan Description

All members of the Prior Lake Fire Department (the Department) are covered by a defined benefit plan administered by the Prior Lake Fire Department Relief Association (the Association). As of December 31, 2023, the plan covered 27 active firefighters and 14 vested terminated firefighters whose pension benefits are deferred. The plan was established November 1, 1957, and the Association operates under the provisions of Minnesota Laws 1965, Chapter 446, as amended and Minnesota Statutes, Chapters 69 and 424A. It is governed by a Board of Trustees (the Board) made up of six members elected by the members of the Association for three-year terms, and the mayor, city manager, and fire chief, who serve as ex officio voting members of the Board of Trustees.

The Association maintains a separate Special Fund to accumulate assets to fund the retirement benefits earned by the Department's membership. Funding for the Association is derived from an insurance premium tax in accordance with the Volunteer Firefighter's Relief Association Financing Guidelines Act. Funds are also derived from investment income.

B. Benefits Provided

Retirement Benefits

According to the bylaws of the Association and pursuant to Minnesota Statutes, Chapter 424A.02, Subdivisions 2 and 4, the Association pays to each member who has served as an active firefighter in the Department for a period of 20 years or more prior to his/her resignation, and who has reached the age of 50 years or more, \$10,500 per year of service. A member who has served in the Department for at least 20 years but has not reached the age of 50, may retire and be placed on the deferred pension roll until he/she reaches the age of 50. Members who retire with less than 20 years of service, have reached the age of 50, and have completed at least 10 years of active membership are entitled to a reduced service pension.

Disability Benefits

If a member of the Association becomes totally or permanently disabled, the Association shall pay to such members the lump sum of \$10,500 for each year that they have served as an active member of the Department.

Death Benefit

Upon the death of any member of the Association who is in good standing at the time of their death, the Association shall pay to the surviving spouse, if any, and if there is no surviving spouse, to surviving child or children, if any, and if no child or children survive, to the estate of such deceased member under 10 years of service, the sum of \$10,500 for each year that they served as an active member of the Department.

C. Contributions

Minnesota Statutes Chapter 424A authorizes pension benefits for volunteer fire relief associations. The plan is funded by fire state aid, investment earnings, and, if necessary, employer contributions as specified in Minnesota Statutes and voluntary city contributions (if applicable). The state of Minnesota contributed \$334,782 in fire state aid to the plan on behalf of the Department for the year ended December 31, 2023, which was recorded as revenue. Required employer contributions are calculated annually based on statutory provisions. The City's statutorily-required contributions to the plan for the year ended December 31, 2023 were \$334,782. The City's contributions were equal to the required contributions as set by state statutes plus an additional \$20,000 voluntary contribution. Furthermore, firefighters have no obligation to contribute to the plan.

**NOTE 10 – DEFINED BENEFIT PENSION PLANS – FIRE RELIEF ASSOCIATION
(CONTINUED)**

D. Pension Costs

At December 31, 2023, the City reported a net pension liability (asset) of (\$857,821) for the plan. The net pension liability (asset) was measured as of December 31, 2022. The total pension liability used to calculate the net pension liability (asset) in accordance with GASB Statement No. 68 was determined by applying an actuarial formula to specific census data certified by the Department as of December 31, 2022.

For the year ended December 31, 2023, the City recognized pension expense of \$431,876. The City also recognized \$293,956 as revenue for the state of Minnesota’s on-behalf contributions to the Department.

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

	<u>Total Pension Liability</u>	<u>Plan Fiduciary Net Position</u>	<u>Net Pension Liability (Asset)</u>
Beginning balance	\$ 3,533,117	\$ 5,203,031	\$ (1,669,914)
Changes for the year			
Service cost	151,003	–	151,003
Interest on pension liability (asset)	196,874	–	196,874
Assumption changes	(24,682)	–	(24,682)
Plan changes	274,789	–	274,789
Municipal contributions	–	20,000	(20,000)
Projected investment earnings	–	288,978	(288,978)
Contributions (state)	–	296,956	(296,956)
Asset (gain) loss	(70,586)	(885,060)	814,474
Benefit payments	(209,168)	(209,168)	–
Administrative expenses	–	(5,569)	5,569
Total net changes	<u>318,230</u>	<u>(493,863)</u>	<u>812,093</u>
Ending balance	<u>\$ 3,851,347</u>	<u>\$ 4,709,168</u>	<u>\$ (857,821)</u>

At December 31, 2023, the City reported deferred inflows of resources and deferred outflows of resources related to the pension from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Net difference between projected and actual earnings on plan investments	\$ 455,321	\$ –
Changes in actuarial assumptions	19,939	20,568
Difference between expected and actual economic experience	3,499	108,129
State aid to the City subsequent to the measurement date	–	334,782
Contributions from the City subsequent to the measurement date	<u>354,782</u>	<u>–</u>
Total	<u>\$ 833,541</u>	<u>\$ 463,479</u>

**NOTE 10 – DEFINED BENEFIT PENSION PLANS – FIRE RELIEF ASSOCIATION
(CONTINUED)**

Deferred outflows of resources totaling \$354,782 related to pensions resulting from the City’s contributions to the plan subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending December 31, 2024. Deferred inflows of resources totaling \$334,782 related to state aid received subsequent to the measurement date will be recognized for its impact on the net pension liability in the year ending December 31, 2024. Other amounts reported as deferred outflows and inflows of resources related to the plan will be recognized in pension expense as follows:

<u>Year Ending December 31,</u>	<u>Pension Expense Amount</u>
2024	\$ 7,074
2025	\$ 94,420
2026	\$ 113,958
2027	\$ 155,807
2028	\$ (21,197)

E. Actuarial Methods and Assumptions

The total pension liability (asset) at December 31, 2023 was determined using the entry-age normal actuarial cost method and the following actuarial assumptions:

- Retirement eligibility at 100.00 percent service pension at age 50 with 20 years of service, early vested retirement at age 50 with 10 years of service vested at 60.00 percent and increased by 4.00 percent for each additional year of service, up to 20 and eligibility for deferred service pension payable at age 50 with 20 years of service
- Salary increases – 2.50%
- Investment rate of return – 5.75%
- 20-year municipal bond yield – N/A (no unfunded liabilities)

The 5.75 percent long-term expected rate of return on pension plan investments has been set based on the plan’s target investment allocation, along with long-term return expectations by asset class. When there is sufficient historical evidence of market outperformance, historical average returns are considered.

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

<u>Asset Class</u>	<u>Portfolio Weight</u>	<u>Expected Class Return</u>
Cash	10.00 %	2.00 %
Fixed income	31.00	3.00 %
Equities	<u>59.00</u>	7.90 %
Total	<u>100.00 %</u>	5.75 %

**NOTE 10 – DEFINED BENEFIT PENSION PLANS – FIRE RELIEF ASSOCIATION
(CONTINUED)**

F. Discount Rate

The discount rate used to measure the total pension liability was 5.75 percent. The discount rate was projected using expected benefit payments and expected asset returns. Expected benefit payments by year were discounted using the expected asset return assumption for years in which the assets were sufficient to pay all benefit payments. Any remaining benefit payments after the pension assets are exhausted are discounted at the municipal bond rate. The equivalent single rate is the discount rate.

G. Pension Liability (Asset) Sensitivity

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

	1% Decrease in Discount Rate <u>(4.75%)</u>	Current Discount Rate <u>(5.75%)</u>	1% Increase in Discount Rate <u>(6.75%)</u>
Net pension liability (asset)	<u>\$ (749,161)</u>	<u>\$ (857,821)</u>	<u>\$ (960,654)</u>

H. Pension Plan Fiduciary Net Position

The Association issues a publicly available financial report. This report may be obtained by writing to the Prior Lake Fire Relief Association, 4646 Dakota Street SE, Prior Lake, Minnesota 55372.

I. Assumption and Plan Changes

The benefit level changed from \$9,000 to \$10,500 per year of service. The discount rate was changed from 5.50 percent to 5.75 percent for 2023.

NOTE 11 – OTHER POST-EMPLOYMENT BENEFITS (OPEB) PLAN

A. Plan Description

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

B. Benefits Provided

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

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

C. Contributions

The required contribution is based on projected pay-as-you-go financing requirements, with additional amounts to prefund benefits as determined periodically by the City. The City's current year required pay-as-you-go contributions to finance the benefits described in the previous section totaled \$81,024. Contributions for OPEB are paid by the General Fund and enterprise funds.

D. Membership

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

Retirees and beneficiaries receiving benefits	10
Active plan members	<u>99</u>
Total members	<u><u>109</u></u>

E. Total OPEB Liability of the City

The City's total OPEB liability of \$968,202 at year-end was measured as of January 1, 2023 and was determined by an actuarial valuation as of January 1, 2023.

NOTE 11 – OTHER POST-EMPLOYMENT BENEFITS (OPEB) PLAN (CONTINUED)

F. Actuarial Methods and Assumptions

The total OPEB liability was determined by an actuarial valuation as of January 1, 2023, using the entry-age, level percentage of pay actuarial method and the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Discount rate	4.00%
20-year municipal bond yield	4.00%
Inflation rate	2.50%
Salary increases	Service graded table
Healthcare trend rate	6.50% , grading to 5.00% over 6 years and then 4.00% over the next 48 years

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

Since the Plan is not funded by an irrevocable trust, the discount rate is equal to the 20-year municipal bond yield rate of 4.00 percent, which was set by considering published rate information for 20-year high quality, tax-exempt, general obligation municipal bonds as of the measurement date.

Mortality rates were based on Pub-2010 Public Retirement Headcount-Weighted Mortality Tables with MP-2021 Generational Improvement Scale.

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

G. Changes in Actuarial Assumptions

The healthcare trend rates were changed to better anticipate short-term and long-term medical increases. The mortality tables were updated from the Pub-2010 Public Retirement Plans Headcount-Weighted Mortality Tables (General, Safety) with MP-2020 Generational Improvement Scale to the Pub-2010 Public Retirement Plans Headcount-Weighted Mortality Tables (General, Safety) with MP-2021 Generational Improvement Scale. The retirement, withdrawal, and salary increase rates for public safety employees were updated to reflect latest experience study. The inflation rate changed from 2.00 percent to 2.50 percent. The discount rate was changed from 2.00 percent to 4.00 percent.

H. Changes in the Total OPEB Liability

	<u>Total OPEB Liability</u>
Beginning balance	\$ 1,113,962
Changes for the year	
Service cost	57,646
Interest	22,740
Assumption changes	(194,243)
Differences between expected and actual experience	37,657
Benefit payments – employer-financed	(69,560)
Total net changes	<u>(145,760)</u>
Ending balance	<u>\$ 968,202</u>

NOTE 11 – OTHER POST-EMPLOYMENT BENEFITS (OPEB) PLAN (CONTINUED)

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

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

	<u>1% Decrease in Discount Rate</u>	<u>Current Discount Rate</u>	<u>1% Increase in Discount Rate</u>
OPEB discount rate	3.00%	4.00%	5.00%
Total OPEB liability	<u>\$ 1,036,181</u>	<u>\$ 968,202</u>	<u>\$ 905,265</u>

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

	<u>1% Decrease in Healthcare Trend Rate</u>	<u>Healthcare Trend Rate</u>	<u>1% Increase in Healthcare Trend Rate</u>
OPEB healthcare trend rate	5.50% decreasing to 4.00%, then 3.00%	6.50% decreasing to 5.00%, then 4.00%	7.50% decreasing to 6.00%, then 5.00%
Total OPEB liability	<u>\$ 887,029</u>	<u>\$ 968,202</u>	<u>\$ 1,062,391</u>

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

For the current year ended, the City recognized OPEB expense of \$56,542. As of year-end, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Changes in actuarial assumptions	\$ 104,124	\$ 186,555
Difference between expected and actual economic experience	32,949	63,846
Contributions from the City subsequent to the measurement date	81,024	–
	<u>\$ 218,097</u>	<u>\$ 250,401</u>

Deferred outflows of resources totaling \$81,024 related to OPEB resulting from city contributions to the Plan subsequent to the measurement date will be recognized as a reduction of the total OPEB liability in the year ending December 31, 2024. Other amounts reported as deferred outflows and inflows of resources related to the plan will be recognized in OPEB expense as follows:

<u>Year Ending December 31</u>	<u>OPEB Expense Amount</u>
2024	\$ (23,844)
2025	\$ (23,844)
2026	\$ (23,844)
2027	\$ (23,829)
2028	\$ (5,988)
Thereafter	\$ (11,979)

NOTE 12 – STEWARDSHIP AND ACCOUNTABILITY

Deficit Net Position

As of December 31, 2023, the Severance Compensation Internal Service Fund had a deficit net position of \$585,138. This deficit will be eliminated by future charges for services.

NOTE 13 – TAX ABATEMENT AGREEMENTS

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

<u>Name</u>	<u>Purpose</u>	<u>Amount Abated During the Fiscal Year</u>	<u>Outstanding Principal Balance at Year-End</u>	<u>Date of Required Decertification</u>
1-3 Lakefront	80-unit owner-occupied senior housing facility and 12,000 square feet of retail space and related improvements	\$ 105,670	\$ 690,338	12/31/2029
5-1 Premier Dance	10,000 square foot commercial facility to be used as a dance studio	\$ 12,276	\$ 70,248	12/31/2034
6-1 Shepherds Path	80.03 acres, including 442 senior housing units, a YMCA facility, youth center, medical office/clinic, bank, park area, trails, and companion uses to the existing church	\$ 288,242	\$ 3,012,000	12/31/2032
1-5 Gateway Center	Acquisition, construction, and equipping of a 170-unit multi-family senior housing development	\$ 131,747	\$ 945,805	12/31/2034

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

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

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

NOTE 13 – TAX ABATEMENT AGREEMENTS (CONTINUED)

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

The outstanding principal balances as of December 31, 2023 for these agreements are listed on the previous page. These amounts are not included in long-term debt because the nature of these notes is that repayment is required only if sufficient tax increments are received. The City's position is that these are obligations to assign future and uncertain revenue sources and, as such, is not actual debt in-substance.

NOTE 14 – COMMITMENTS AND CONTINGENCIES

A. Federal and State Funding

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

B. Legal Claims

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

C. Construction Contracts

During fiscal 2023, the City awarded contracts for various construction and remodeling projects. The City's commitment for uncompleted work on these contracts at December 31, 2023 is \$1,037,332.

D. Tax Increment Districts

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

E. Water Purchase Agreement

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

NOTE 15 – SUBSEQUENT EVENT

The City entered into a purchase agreement for the purchase of a fire ladder truck totaling about \$1,750,000 with delivery in fiscal 2025.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF PRIOR LAKE

PERA – General Employees Retirement Fund
 Schedule of City's and Nonemployer Proportionate Share of Net Pension Liability
 Year Ended December 31, 2023

City Fiscal Year-End Date	PERA Fiscal Year-End Date (Measurement Date)	City's Proportion of the Net Pension Liability	City's Proportionate Share of the Net Pension Liability	City's Proportionate Share of the Net Pension Liability	City's Proportionate Share of the Net Pension Liability	City's Covered Payroll	City's Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
12/31/2015	06/30/2015	0.0719%	\$ 3,726,231	\$ –	\$ 3,726,231	\$ 4,189,768	88.94%	78.20%
12/31/2016	06/30/2016	0.0691%	\$ 5,610,578	\$ 73,274	\$ 5,683,852	\$ 4,285,600	130.92%	68.90%
12/31/2017	06/30/2017	0.0692%	\$ 4,417,682	\$ 55,547	\$ 4,473,229	\$ 4,457,941	99.10%	75.90%
12/31/2018	06/30/2018	0.0655%	\$ 3,633,671	\$ 119,282	\$ 3,752,953	\$ 4,405,847	82.47%	79.50%
12/31/2019	06/30/2019	0.0679%	\$ 3,754,038	\$ 116,662	\$ 3,870,700	\$ 4,803,433	78.15%	80.20%
12/31/2020	06/30/2020	0.0714%	\$ 4,280,758	\$ 132,000	\$ 4,412,758	\$ 5,090,738	84.09%	79.10%
12/31/2021	06/30/2021	0.0728%	\$ 3,108,888	\$ 94,910	\$ 3,203,798	\$ 5,239,605	59.33%	87.00%
12/31/2022	06/30/2022	0.0728%	\$ 5,765,783	\$ 169,184	\$ 5,934,967	\$ 5,454,052	105.72%	76.70%
12/31/2023	06/30/2023	0.0766%	\$ 4,283,385	\$ 118,061	\$ 4,401,446	\$ 6,093,842	70.29%	83.10%

PERA – General Employees Retirement Fund
 Schedule of City Contributions
 Year Ended December 31, 2023

City Fiscal Year-End Date	Statutorily Required Contributions	Contributions in Relation to the Statutorily Required Contributions	Contribution Deficiency (Excess)	Covered Payroll	Contributions as a Percentage of Covered Payroll
12/31/2015	\$ 314,233	\$ 314,233	\$ –	\$ 4,189,768	7.50%
12/31/2016	\$ 332,258	\$ 332,258	\$ –	\$ 4,430,122	7.50%
12/31/2017	\$ 328,001	\$ 328,001	\$ –	\$ 4,373,614	7.50%
12/31/2018	\$ 344,234	\$ 344,234	\$ –	\$ 4,589,776	7.50%
12/31/2019	\$ 374,803	\$ 374,803	\$ –	\$ 4,999,585	7.50%
12/31/2020	\$ 395,820	\$ 395,820	\$ –	\$ 5,278,601	7.50%
12/31/2021	\$ 406,799	\$ 406,799	\$ –	\$ 5,423,990	7.50%
12/31/2022	\$ 420,458	\$ 420,458	\$ –	\$ 5,606,111	7.50%
12/31/2023	\$ 447,938	\$ 447,938	\$ –	\$ 5,972,500	7.50%

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

CITY OF PRIOR LAKE

PERA – Public Employees Police and Fire Fund
 Schedule of City’s and Nonemployer Proportionate Share of Net Pension Liability
 Year Ended December 31, 2023

City Fiscal Year-End Date	PERA Fiscal Year-End Date (Measurement Date)	City’s Proportion of the Net Pension Liability	City’s Proportionate Share of the Net Pension Liability	City’s Proportionate Share of the Net Pension Liability	City’s Proportionate Share of the State of Minnesota’s Proportionate Share of the Net Pension Liability	City’s Covered Payroll	City’s Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
12/31/2015	06/30/2015	0.2400%	\$ 2,726,962	\$ –	\$ 2,726,962	\$ 2,244,215	121.51%	86.60%
12/31/2016	06/30/2016	0.2380%	\$ 9,551,354	\$ –	\$ 9,551,354	\$ 2,294,383	416.29%	63.90%
12/31/2017	06/30/2017	0.2360%	\$ 3,186,282	\$ –	\$ 3,186,282	\$ 2,425,426	131.37%	85.40%
12/31/2018	06/30/2018	0.2463%	\$ 2,625,304	\$ –	\$ 2,625,304	\$ 2,595,948	101.13%	88.80%
12/31/2019	06/30/2019	0.2569%	\$ 2,734,960	\$ –	\$ 2,734,960	\$ 2,713,440	100.79%	89.30%
12/31/2020	06/30/2020	0.2570%	\$ 3,387,534	\$ 79,788	\$ 3,467,322	\$ 3,019,145	112.20%	87.20%
12/31/2021	06/30/2021	0.2638%	\$ 2,036,257	\$ 91,525	\$ 2,127,782	\$ 3,117,270	65.32%	93.70%
12/31/2022	06/30/2022	0.2998%	\$ 13,046,112	\$ 569,932	\$ 13,616,044	\$ 3,640,885	358.32%	70.50%
12/31/2023	06/30/2023	0.3003%	\$ 5,185,791	\$ 208,890	\$ 5,394,681	\$ 3,943,912	131.49%	86.50%

PERA – Public Employees Police and Fire Fund
 Schedule of City Contributions
 Year Ended December 31, 2023

City Fiscal Year-End Date	Statutorily Required Contributions	Contributions in Relation to the Statutorily Required Contributions	Contribution Deficiency (Excess)	Covered Payroll	Contributions as a Percentage of Covered Payroll
12/31/2015	\$ 363,525	\$ 363,525	\$ –	\$ 2,244,215	16.20%
12/31/2016	\$ 377,586	\$ 377,586	\$ –	\$ 2,337,729	16.15%
12/31/2017	\$ 400,549	\$ 400,549	\$ –	\$ 2,472,531	16.20%
12/31/2018	\$ 431,541	\$ 431,541	\$ –	\$ 2,666,989	16.18%
12/31/2019	\$ 498,625	\$ 498,625	\$ –	\$ 2,941,707	16.95%
12/31/2020	\$ 555,781	\$ 555,781	\$ –	\$ 3,139,767	17.70%
12/31/2021	\$ 596,631	\$ 596,631	\$ –	\$ 3,370,797	17.70%
12/31/2022	\$ 668,511	\$ 668,511	\$ –	\$ 3,775,388	17.71%
12/31/2023	\$ 774,423	\$ 774,423	\$ –	\$ 4,375,283	17.70%

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

CITY OF PRIOR LAKE

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

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

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

<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>
<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>
\$ 151,350	\$ 153,304	\$ 157,137	\$ 147,320	\$ 151,003
220,949	197,843	193,390	194,644	196,874
(60,490)	–	(42,606)	–	(70,586)
(691,031)	(213,500)	(658,375)	(401,000)	(209,168)
53,174	–	–	–	(24,682)
–	–	254,366	–	274,789
<u>(326,048)</u>	<u>137,647</u>	<u>(96,088)</u>	<u>(59,036)</u>	<u>318,230</u>
<u>3,876,642</u>	<u>3,550,594</u>	<u>3,688,241</u>	<u>3,592,153</u>	<u>3,533,117</u>
<u>\$ 3,550,594</u>	<u>\$ 3,688,241</u>	<u>\$ 3,592,153</u>	<u>\$ 3,533,117</u>	<u>\$ 3,851,347</u>
\$ 247,610	\$ 253,651	\$ 271,275	\$ 262,564	\$ 316,956
(262,184)	685,784	357,043	468,887	(596,082)
(691,031)	(213,500)	(658,375)	(401,000)	(209,168)
(2,644)	–	(13,666)	–	(5,569)
<u>(708,249)</u>	<u>725,935</u>	<u>(43,723)</u>	<u>330,451</u>	<u>(493,863)</u>
<u>4,898,617</u>	<u>4,190,368</u>	<u>4,916,303</u>	<u>4,872,580</u>	<u>5,203,031</u>
<u>\$ 4,190,368</u>	<u>\$ 4,916,303</u>	<u>\$ 4,872,580</u>	<u>\$ 5,203,031</u>	<u>\$ 4,709,168</u>
<u>\$ (639,774)</u>	<u>\$(1,228,062)</u>	<u>\$(1,280,427)</u>	<u>\$(1,669,914)</u>	<u>\$ (857,821)</u>
<u>118.02%</u>	<u>133.30%</u>	<u>135.65%</u>	<u>147.26%</u>	<u>122.27%</u>

CITY OF PRIOR LAKE

Prior Lake Fire Relief Association
 Schedule of City Contributions
 Year Ended December 31, 2023
 (Last Nine Years)

<u>City Fiscal Year-End Date</u>	<u>Statutorily Required Contributions</u>	<u>Contributions in Relation to the Statutorily Required Contributions</u>	<u>Contribution Deficiency (Excess)</u>	<u>Voluntary City Contribution</u>
12/31/2015	\$ 208,087	\$ 208,087	\$ —	\$ 20,000
12/31/2016	\$ 215,891	\$ 215,891	\$ —	\$ 20,000
12/31/2017	\$ 217,182	\$ 217,182	\$ —	\$ 20,000
12/31/2018	\$ 225,610	\$ 225,610	\$ —	\$ 20,000
12/31/2019	\$ 234,651	\$ 234,651	\$ —	\$ 20,000
12/31/2020	\$ 247,275	\$ 247,275	\$ —	\$ 20,000
12/31/2021	\$ 260,564	\$ 260,564	\$ —	\$ 20,000
12/31/2022	\$ 293,956	\$ 293,956	\$ —	\$ 20,000
12/31/2023	\$ 334,782	\$ 334,782	\$ —	\$ 20,000

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

CITY OF PRIOR LAKE

Other Post-Employment Benefits Plan
 Schedule of Changes in the City's Total
 OPEB Liability and Related Ratios
 Year Ended December 31, 2023

	Fiscal Year-End					
	2018	2019	2020	2021	2022	2023
Total OPEB liability						
Service cost	\$ 61,214	\$ 62,717	\$ 64,598	\$ 75,099	\$ 77,355	\$ 57,646
Interest	29,555	31,270	32,188	35,042	22,440	22,740
Changes of assumptions	–	(37,343)	–	148,752	–	(194,243)
Differences between expected and actual experiences	–	(123,346)	–	(12,906)	–	37,657
Benefit payments	(37,688)	(42,907)	(28,422)	(36,020)	(60,688)	(69,560)
Net change in total OPEB liability	53,081	(109,609)	68,364	209,967	39,107	(145,760)
Total OPEB liability – beginning of year	853,052	906,133	796,524	864,888	1,074,855	1,113,962
Total OPEB liability – end of year	\$ 906,133	\$ 796,524	\$ 864,888	\$ 1,074,855	\$ 1,113,962	\$ 968,202
Covered employee payroll	\$6,560,761	\$7,134,065	\$7,348,087	\$8,306,510	\$8,555,705	\$9,121,595
Total OPEB liability as a percentage of covered employee payroll	13.81%	11.17%	11.77%	12.94%	13.02%	10.61%

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

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CITY OF PRIOR LAKE

Notes to Required Supplementary Information
December 31, 2023

PERA – GENERAL EMPLOYEES RETIREMENT FUND

2023 CHANGES IN ACTUARIAL ASSUMPTIONS

- The investment return assumption and single discount rate were changed from 6.50 percent to 7.00 percent.

2023 CHANGES IN PLAN PROVISIONS

- An additional one-time direct state aid contribution of \$170.1 million will be contributed to the Plan on October 1, 2023.
- The vesting period of those hired after June 30, 2010, was changed from five years of allowable service to three years of allowable service.
- The benefit increase delay for early retirements on or after January 1, 2024, was eliminated.
- A one-time, noncompounding benefit increase of 2.50 percent minus the actual 2024 adjustment will be payable in a lump sum for calendar year 2024 by March 31, 2024.

2022 CHANGES IN ACTUARIAL ASSUMPTIONS

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

2021 CHANGES IN ACTUARIAL ASSUMPTIONS

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

2020 CHANGES IN ACTUARIAL ASSUMPTIONS

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

CITY OF PRIOR LAKE

Notes to Required Supplementary Information (continued)
December 31, 2023

PERA – GENERAL EMPLOYEES RETIREMENT FUND (CONTINUED)

2020 CHANGES IN PLAN PROVISIONS

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

2019 CHANGES IN ACTUARIAL ASSUMPTIONS

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

2019 CHANGES IN PLAN PROVISIONS

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

2018 CHANGES IN ACTUARIAL ASSUMPTIONS

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

2018 CHANGES IN PLAN PROVISIONS

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

CITY OF PRIOR LAKE

Notes to Required Supplementary Information (continued)
December 31, 2023

PERA – GENERAL EMPLOYEES RETIREMENT FUND (CONTINUED)

2017 CHANGES IN ACTUARIAL ASSUMPTIONS

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

2017 CHANGES IN PLAN PROVISIONS

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

2016 CHANGES IN ACTUARIAL ASSUMPTIONS

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

2015 CHANGES IN ACTUARIAL ASSUMPTIONS

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

2015 CHANGES IN PLAN PROVISIONS

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

CITY OF PRIOR LAKE

Notes to Required Supplementary Information (continued)
December 31, 2023

PERA – PUBLIC EMPLOYEES POLICE AND FIRE FUND

2023 CHANGES IN ACTUARIAL ASSUMPTIONS

- The investment return assumption was changed from 6.50 percent to 7.00 percent.
- The single discount rate changed from 5.40 percent to 7.00 percent.

2023 CHANGES IN PLAN PROVISIONS

- Additional one-time direct state aid contribution of \$19.4 million will be contributed to the Plan on October 1, 2023.
- Vesting requirement for new hires after June 30, 2014, was changed from a graded 20-year vesting schedule to a graded 10-year vesting schedule, with 50.00 percent vesting after five years, increasing incrementally to 100.00 percent after 10 years.
- A one-time, noncompounding benefit increase of 3.00 percent will be payable in a lump sum for calendar year 2024 by March 31, 2024.
- Psychological treatment is required effective July 1, 2023, prior to approval for a duty disability benefit for a psychological condition relating to the member's occupation.
- The total and permanent duty disability benefit was increased, effective July 1, 2023.

2022 CHANGES IN ACTUARIAL ASSUMPTIONS

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

2021 CHANGES IN ACTUARIAL ASSUMPTIONS

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

CITY OF PRIOR LAKE

Notes to Required Supplementary Information (continued)
December 31, 2023

PERA – PUBLIC EMPLOYEES POLICE AND FIRE FUND (CONTINUED)

2020 CHANGES IN ACTUARIAL ASSUMPTIONS

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

2019 CHANGES IN ACTUARIAL ASSUMPTIONS

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

2018 CHANGES IN ACTUARIAL ASSUMPTIONS

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

2018 CHANGES IN PLAN PROVISIONS

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

2017 CHANGES IN ACTUARIAL ASSUMPTIONS

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

CITY OF PRIOR LAKE

Notes to Required Supplementary Information (continued)
December 31, 2023

PERA – PUBLIC EMPLOYEES POLICE AND FIRE FUND (CONTINUED)

2016 CHANGES IN ACTUARIAL ASSUMPTIONS

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

2015 CHANGES IN ACTUARIAL ASSUMPTIONS

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

2015 CHANGES IN PLAN PROVISIONS

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

PRIOR LAKE FIRE RELIEF ASSOCIATION

- The discount rate was changed from 5.50 percent to 5.75 percent for 2023.
- A benefit level increase from \$9,000 to \$10,500 occurred starting January 1, 2022.
- A benefit level increase from \$8,500 to \$9,000 was reflected in the pension liability for 2021.
- The discount rate was changed from 6.00 percent to 5.50 percent for 2019.
- A benefit level increase from \$8,000 to \$8,500 was reflected in the pension liability for 2019.
- A benefit level increase from \$7,200 to \$8,000 was reflected in the pension liability for 2018.
- A benefit level increase from \$7,100 to \$7,200 was reflected in the pension liability for 2017.
- A benefit level increase from \$6,800 to \$7,100 was reflected in the pension liability for 2016.

CITY OF PRIOR LAKE

Notes to Required Supplementary Information (continued)
December 31, 2023

OTHER POST-EMPLOYMENT BENEFITS PLAN

2023 CHANGES IN ACTUARIAL ASSUMPTIONS

- The healthcare trend rates were changed to better anticipate short-term and long-term medical increases.
- The mortality tables were updated from the Pub-2010 Public Retirement Plans Headcount-Weighted Mortality Tables (General, Safety) with MP-2020 Generational Improvement Scale to the Pub-2010 Public Retirement Plans Headcount-Weighted Mortality Tables (General, Safety) with MP-2021 Generational Improvement Scale.
- The retirement, withdrawal, and salary increase rates for public safety employees were updated to reflect the latest experience study.
- The inflation rate changed from 2.00 percent to 2.50 percent.
- The discount rate was changed from 2.00 percent to 4.00 percent.

2021 CHANGES IN ACTUARIAL ASSUMPTIONS

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

2019 CHANGES IN ACTUARIAL ASSUMPTIONS

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

2018 CHANGES IN ACTUARIAL ASSUMPTIONS

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

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OTHER REQUIRED REPORTS

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PRINCIPALS

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

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

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

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Prior Lake, Minnesota (the City) as of and for the year ended December 31, 2023, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated May 30, 2024.

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

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

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

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

(continued)

REPORT ON COMPLIANCE AND OTHER MATTERS

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

PURPOSE OF THIS REPORT

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

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

Minneapolis, Minnesota
May 30, 2024



PRINCIPALS

Thomas A. Karnowski, CPA
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INDEPENDENT AUDITOR'S REPORT
ON MINNESOTA LEGAL COMPLIANCE

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

We have audited, in accordance with auditing standards generally accepted in the United States of America, and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Prior Lake, Minnesota (the City) as of and for the year ended December 31, 2023, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated May 30, 2024.

MINNESOTA LEGAL COMPLIANCE

In connection with our audit, we noted that the City failed to comply with provisions of the contracting – bid laws section of the *Minnesota Legal Compliance Audit Guide for Cities*, promulgated by the State Auditor pursuant to Minnesota Statutes § 6.65, insofar as they relate to accounting matters as described in the Schedule of Findings and Responses as finding 2023-001. Also, 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 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*, 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.

CITY'S RESPONSE TO FINDING

Government Auditing Standards requires the auditor to perform limited procedures on the City's response to the legal compliance finding identified in our audit and described in the accompanying Schedule of Findings and Responses. The City's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

PURPOSE OF THIS REPORT

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

Malloy, Montague, Karnowski, Radosevich & Co., P.A.
Minneapolis, Minnesota
May 30, 2024

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CITY OF PRIOR LAKE

Schedule of Findings and Responses
Year Ended December 31, 2023

FINDINGS – MINNESOTA LEGAL COMPLIANCE

2023-001 WITHHOLDING AFFIDAVIT

Criteria – Minnesota Statutes § 270C.66.

Condition – Before making final settlement with any contractor under a contract requiring the employment of employees for wages by said contractor or subcontractors, the City of Prior Lake, Minnesota (the City) must obtain a certificate by the Commissioner of Revenue that the contractor or subcontractor has complied with the withholding requirements of Minnesota Statutes § 270C.66 (either a Commissioner of Revenue Form IC134 or a Contractor's Withholding Affidavit). The City did not obtain the required certificate on a timely basis for one contract completed during fiscal year 2023.

Questioned Costs – Not applicable.

Context – One contract we tested was not in compliance.

Cause – This was an oversight by city personnel.

Repeat Finding – This is a current year finding.

Effect – The City did not follow state statutes for withholding affidavits for one contract we tested during the year.

Recommendation – We recommend that the City review payment procedures in place for contractors to ensure future compliance with this statute.

View of Responsible Official and Planned Corrective Actions – The City agrees with the finding. The City will review requirements with appropriate staff to assure the planned controls are being followed and the required Commissioner of Revenue Form IC134 or a Contractor's Withholding Affidavit are obtained.

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PROPOSAL FORM

TO: City of Prior Lake, Minnesota
 C/O Northland Securities, Inc.
 150 South 5th Street, Suite 3300
 Minneapolis, Minnesota 55402
 Phone: 612-851-5900
 Email: PublicSale@northlandsecurities.com

Sale Date: July 23, 2024

For all or none of the \$2,940,000* General Obligation Bonds, Series 2024A, in accordance with the Notice of Sale, we will pay you \$ _____, (not less than \$2,900,310) plus accrued interest, if any, to date of delivery (estimated to be August 20, 2024) for fully registered Bonds bearing interest rates and maturing on December 15 as follows:

<u>Year</u>	<u>Interest</u>		<u>Year</u>	<u>Interest</u>		<u>Year</u>	<u>Interest</u>	
	<u>Rate</u>	<u>Yield</u>		<u>Rate</u>	<u>Yield</u>		<u>Rate</u>	<u>Yield</u>
2025	____%	____%	2032	____%	____%	2039	____%	____%
2026	____%	____%	2033	____%	____%	2040	____%	____%
2027	____%	____%	2034	____%	____%	2041	____%	____%
2028	____%	____%	2035	____%	____%	2042	____%	____%
2029	____%	____%	2036	____%	____%	2043	____%	____%
2030	____%	____%	2037	____%	____%	2044	____%	____%
2031	____%	____%	2038	____%	____%			

True interest percentage: _____%

Net interest cost: \$ _____

Term Bond Option: Bonds maturing in the years:

_____ through _____
 _____ through _____
 _____ through _____
 _____ through _____
 _____ through _____

To be accumulated into a Term Bond maturing in year:

This bid is a firm offer for the purchase of the Bonds identified in the Notice of Sale, on the terms set forth in the bid form and the Notice of Sale, and is not subject to any conditions, except as permitted by the Notice of Sale. By submitting this bid, we confirm that we have an established industry reputation for underwriting new issuances of municipal bonds.

As set forth in the Notice of Sale, this bid shall not be cancelled in the event that the competitive sale requirements are not satisfied. The City may determine to apply the Hold-the-Offering-Price Rule to the Bonds (such terms are used as described in the Notice of Sale).

We have received and reviewed the Preliminary Official Statement and have submitted our requests for additional information or corrections to the Official Statement. As Syndicate Manager, we agree to provide the City with the reoffering price of the Bonds within 24 hours of the bid acceptance.

A Good Faith Deposit in the amount as stated in the Notice of Sale in the form of a federal wire transfer payable to the order of the City will only be required from the apparent winning bidder, and must be received within two hours after the receipt of the bids. Award of the Bonds will be on the basis of True Interest Cost (TIC).

Account Members:

Account Manager: _____ By: _____

The foregoing proposal is hereby duly accepted by and on behalf of the City of Prior Lake, Minnesota at 7:00 PM on July 23, 2024.

 City Manager

 Mayor

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