

2023 ANNUAL COMPREHENSIVE FINANCIAL REPORT



Year ended December 31, 2023
City of Lakeville, Minnesota

CITY OF LAKEVILLE, MINNESOTA
ANNUAL COMPREHENSIVE FINANCIAL REPORT
YEAR ENDED DECEMBER 31, 2023

PREPARED BY THE FINANCE DEPARTMENT

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INTRODUCTORY SECTION



City of Lakeville
Positioned to Thrive

June 5, 2024

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

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

The Annual Comprehensive Financial Report is hereby presented for the purpose of providing you, the reader, with a thorough overview of the financial affairs of the City for the year ended December 31, 2023. The Report was prepared in accordance with Minnesota Statutes and Generally Accepted Accounting Principles (GAAP).

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

The City of Lakeville's financial statements have been audited by CliftonLarsonAllen LLP, a professional firm of certified public accountants. The independent auditor's report is included in the Financial Section of this report. The auditors have given this report an unmodified ("clean") opinion, meaning that the financial statements fairly present the City's financial position at December 31, 2023 and the changes in financial position for the year then ended.

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

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www.lakevillemn.gov

Profile of Government

The City of Lakeville is a suburban community located 20 miles south of downtown Minneapolis in the southeast corner of the Twin Cities metropolitan area within Dakota County. Lakeville enjoys an excellent location, with convenient access to the Minneapolis-Saint Paul metropolitan area via interstate highway I-35. The City is also just 25 minutes from the Minneapolis-Saint Paul International Airport. Lakeville continues to be one of the fastest growing cities in Minnesota with a population that has grown from 55,954 in 2010 to 75,217 in 2023.

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

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

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

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

Factors Affecting Financial Condition

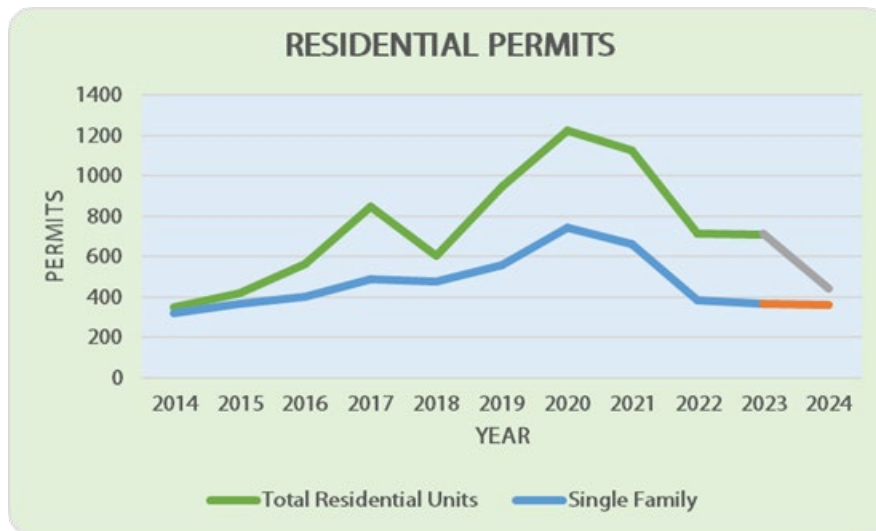
The City of Lakeville is committed to maintaining a strong financial condition, while continuing to provide quality public services to its residents and businesses. The City's financial position, as reflected in the financial statements presented in this report, is perhaps best understood when it is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

Local Economy

The City's tax base is primarily residential and consists of mostly single-family homes. Commercial and industrial properties make up approximately eleven percent of the tax base. The City's valuation declined from its peak in 2009 to a low point in 2013. Since 2013, valuations have steadily grown due to a mix of new construction and appreciating values. The City's valuation is now at a new peak and continues to grow. The City has grown by an estimated 15,856 new residents or approximately 26.7% since 2014, while the number of City employees has increased by 23.2%.

The City has a land area of 38 square miles with approximately 22% of its land available for development. In 2023, final plats were approved for 174 single-family units, 66 detached townhomes, 91 attached townhomes, one commercial, one industrial and senior co-op unit developments.

The trend for building permit activity for single-family homes is steady with building permits for single family homes/detached townhomes decreasing from 387 in 2022 to 367 in 2023. The 2024 budget is premised on conservative modest growth of new single-family homes in the coming year.



Actual Residential Units
Estimated Residential Units
Actual Single Family
Estimated Single Family

Commercial and industrial building permit activity was valued at \$97.6 million.

Industrial development approved and under construction in 2023 included:

- Airlake 70 1st Addition – final plat
 - A 276,480 square-foot cold storage warehouse facility located east of Cedar Avenue and south of future 215th St (County Road 70)
- Oppidan Investment Company
 - A 360,000 square-foot industrial office warehouse located at 21601 Galway Lane near intersection of Cedar Avenue and the extension of County Road 70

- Old Dominion Freight Line
 - LTL freight shipping and logistics company located in Lakeville's industrial park
- Sweet Harvest Foods
 - Future tenant build-out on 21601 Galway Lane
- Dick's Sanitation
 - Add 3,360 square-foot addition onto its existing building

Institutional development in 2023

- Antlers Park
 - Enclosed park building with catering kitchen, three open-air shelters, a new accessible playground, and Lake Marion Greenway trail head
- Lakeville Soccer Club
 - Indoor soccer training facility and administrative offices
- The Goddard School
 - Expanded their building by 3,500 square-foot
- Christian Heritage Academy
 - Expansion to add three classrooms and additional common area learning space 15,871 square-foot

Commercial projects approved under construction in 2023:

- Resilience Martial Arts
 - Tenant remodel at 17630 Juniper Path
- Goodwill
 - New 20,604 square-foot facility
 - This location will replace the existing store when the project is complete
- Lakeville Brewing
 - Locate seasonal restaurant facility in Antlers Park
- Taco Bell
 - Interior and exterior remodeling at 17750 Kenwood Trail
- PetSuites
 - Construct 11,000 square-foot facility at 18440 Orchard Trail
- DollarTree
 - Remodel former CVS located at 17578 Boulevard
- ProSkin Laser
 - Interior remodel
- Johnny Ringo's
 - Build out restaurant space which is planned for an indoor capacity of 77 people and an outdoor patio space in the back of the building
- MNGI Digestive Health
 - Tenant buildout in Lakeville Specialty Center
- Allina Surgery Center and Allina Specialty Clinic
 - Tenant buildout in Lakeville Specialty Center
- Regus
 - Private rental office space
- Action Behavior Center
 - Interior remodel at 20890 Kenbridge Court

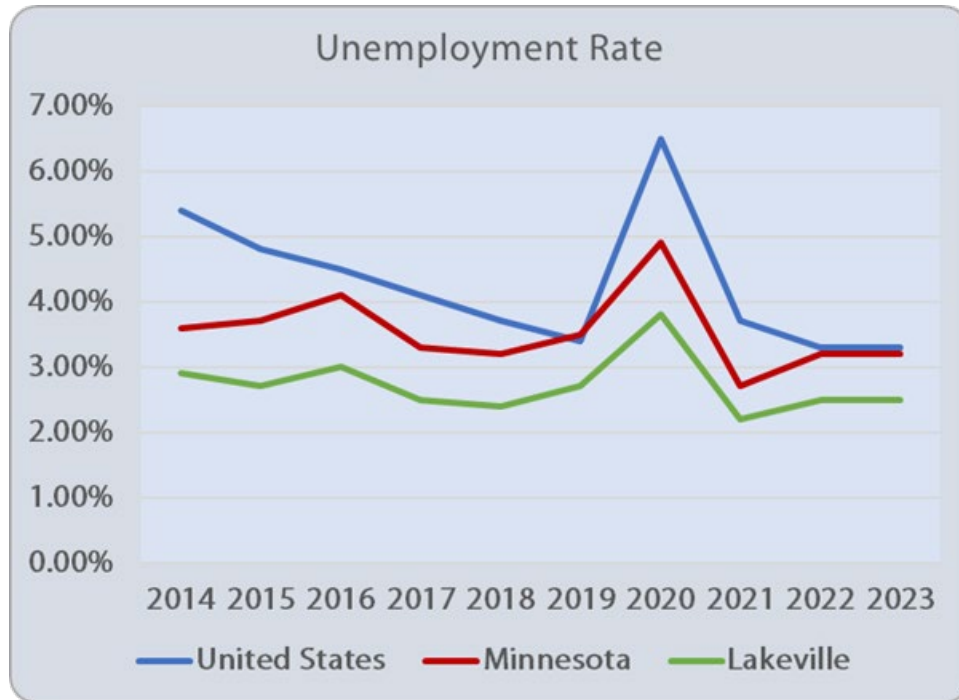
New commercial businesses:

- Baldy's Tailgate Bar
 - Former Lakeville Family Bowl closed and remodel of the interior and expansion of the outdoor patio
- Lakeville Specialty Center
 - 100,000 square-foot medical office building located just west of Buffalo Wild Wings
- Lakeville Medical Building
 - 44,000 square-foot medical office building at the northeast corner of Cedar Avenue and Dodd Boulevard and anchored by Allina Health Primary Care & Eye Care
- Bubble Barn Car Wash
 - Car wash facility located near Hy-Vee Fast & Fresh
- Moldrem Family Dentistry
 - 5,200 square-foot medical office building
- Lakeville Crossing Grocery
 - 6,241 square-foot expansion and remodel interior of former Kowalski's Market/Family Leisure building for grocery tenant
- United Christian Academy Daycare
 - A new pre-k through grade 12 private school campus, daycare facility, medical office, and equine therapy use
- BeeHive Homes of Lakeville South
 - A second memory care facility
 - 24-unit facility offers assisted living and memory care services
- Swing Lab Performance Golf
 - Located in the back of the former Holly's Dance Studio
 - Offers golf lessons, club fittings, memberships and junior programs
- Boba & Tea
 - Restaurant that serves a variety of bubble tea and coffee drinks
- E+M Company
 - Women's boutique offers both online and in-store shopping in downtown
- Premium Moving Services
 - The business specializes in residential and commercial moves
- Apple Ford Pro Elite Commercial Center
 - New location at 7200 Lakeville Boulevard
- Wendy's
 - Interior remodel
- Next Step Dance Studio
 - Offers recreation and competition dance classes
- Shaking Boba
 - Sells bubble tea and shaved ice
- Board & Brush Creative Studio
 - Offers personalized sign painting workshops
- You Glow Girl
 - Spa opened at 17400 Kenwood Trail and offers anti-aging treatments
- Gold Tree Flow Shop
 - Floral arrangements and gifts
- Mother Earth Motors
 - Offers pre-owned electric vehicles for sale

- Panda Express
 - Restaurant with drive-thru
- Scenthound
 - Dog grooming and routine care services
- Farmhouse Music Studio
 - Piano lessons to ages 8 and up
- Planet Fitness
 - Occupying 20,092 square-feet (approximately half) of the building and offers gym memberships
- Idioma Coffee Roastery
 - Fresh roasted coffee located in downtown
- Jersey Mike's Subs
 - Restaurant offers hot and cold subs and catering options
- Family Chiropractic + Wellness
 - Expansion at 17502 Dodd Boulevard
- Minnesota Hospice
 - Provides routine home care, respite care and general inpatient care
- Nexus of Hope Psychiatry & Mental Health Wellness
 - Provides treatments for ADHD, anxiety, depression, and post-traumatic stress disorder
- HealthSource Chiropractic of Lakeville
 - Offers a variety of chiropractic care and spinal decompression therapy
- New Creations Child Care
 - Childcare center that offers programming for infants, toddlers and preschool aged children
- Crystal's Cuddle Bug Childcare Center
 - The business has a capacity of 157 students and cares for infants through school age children
- FYZICAL Therapy & Balance Centers
 - The business provides orthopedic rehabilitation and balance therapy
- Somatic Healing and Alingment
 - Offers massage and somatic touch therapy
- Allina Health Lakeville North Clinic
 - Primary care and specialty services including eye care, retail eye services and mental health services

According to the Dakota County Assessor's office, the estimated market value for the median value home increased by 4.36% as of March 2024 (for taxes payable 2024) to \$445,000. For taxes payable 2025, the median value home has increased by 1.38% to \$451,150.

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



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

Major Initiatives

Pressures and issues confronting the City were taken into account with the 2023 adopted budget including community growth, aging infrastructure, inflationary pressures, innovation and efficiencies, entrepreneurial efforts and preparing for the future.

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

Addressing Aging Infrastructure. Our City has more than \$400 million of investment in infrastructure such as roads, water mains, parks, trails, facilities, equipment, and other assets. The assets have maintenance, and in certain situations, replacement requirements. The 2023 budget addressed the short-term plan while the Capital Improvement Plan addressed the anticipated intermediate and long-term needs. The most significant 2023 projects included:

- Annual pavement maintenance program to improve city-wide pavement management index
- 2023 Street Reconstruction
- Ipava Avenue Reconstruction
- 179th St Project (Joint County Project)
- 185th St Project (Joint County Project)

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

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

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

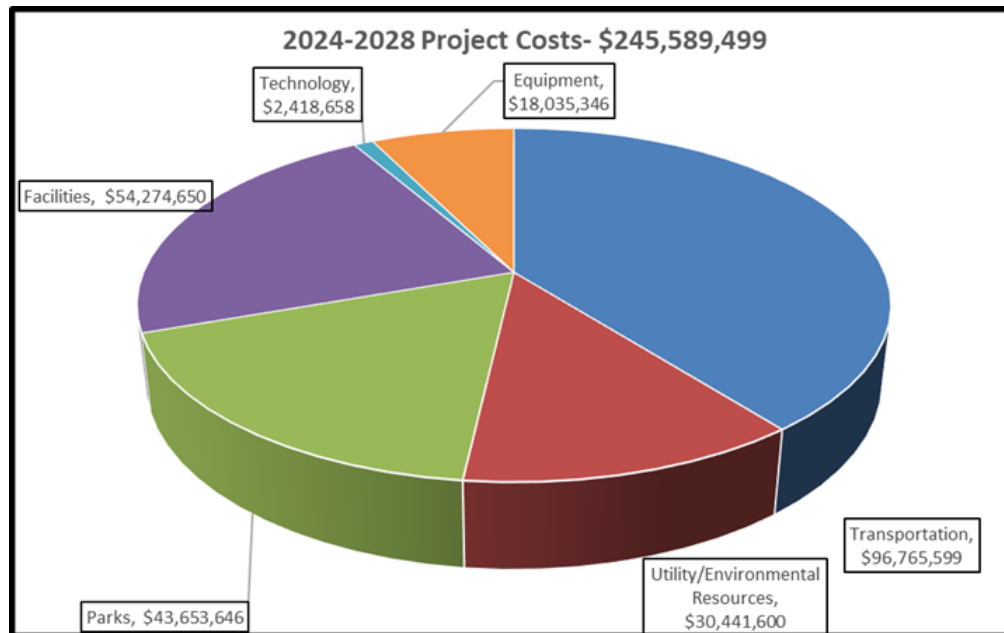
Preparing for the Future. As a community that embraces a high quality of life and a pro-business attitude, Lakeville is "Positioned to Thrive." It is an objective that embraces a vision for the future and a commitment to preparing for.

Long-Term Financial Planning

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

The City prepares an annually updated Capital Improvement Plan (CIP) which is a flexible, five-year plan that identifies the City's infrastructure, development objectives and allocation of financial resources. The CIP identifies funding for the projects and provides policy makers and the community with a strategic (documented) approach to implementation and administration of improvement projects.

The City will invest \$246 million in transportation, utility, equipment, technology, facilities, and parks over the next five years to achieve program objectives.



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

As of December 31, 2023, the City of Lakeville had approximately \$146.8 million of debt outstanding. The City will issue approximately \$28 million general obligation improvement bonds in the coming years to finance street reconstruction projects, facility expansion and development of community parks.

Relevant Financial Policies

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

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

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

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

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

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

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

- **Financial Sustainability and Resiliency Policy.** The City Council adopted this new policy in January 2020. The purpose of this policy is to establish strategic financial sustainability and resiliency principles for the City of Lakeville, which may be used when developing the annual budget, long-term financial plans, and when making critical financial, economic development and community development decisions.

Awards

Certificate of Achievement

The Government Finance Officers Association (GFOA) of the United States awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Lakeville, Minnesota, for its annual comprehensive financial report for the fiscal year ended December 31, 2022. This is the thirty-fifth consecutive year that the City of Lakeville has received this prestigious award.

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

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

Financial Policy Challenge

The City also earned recognition as a winner of the Financial Policy Challenge from the Government Finance Officers Association (GFOA) in 2021 for its Financial Sustainability and Resiliency Policy. The GFOA launched this Challenge as an opportunity for GFOA members to adopt and share financial policies that are essential to a strong financial foundation.

Acknowledgements

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

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

Respectfully submitted,



Justin Miller
City Administrator



Julie Stahl
Finance Director/Treasurer

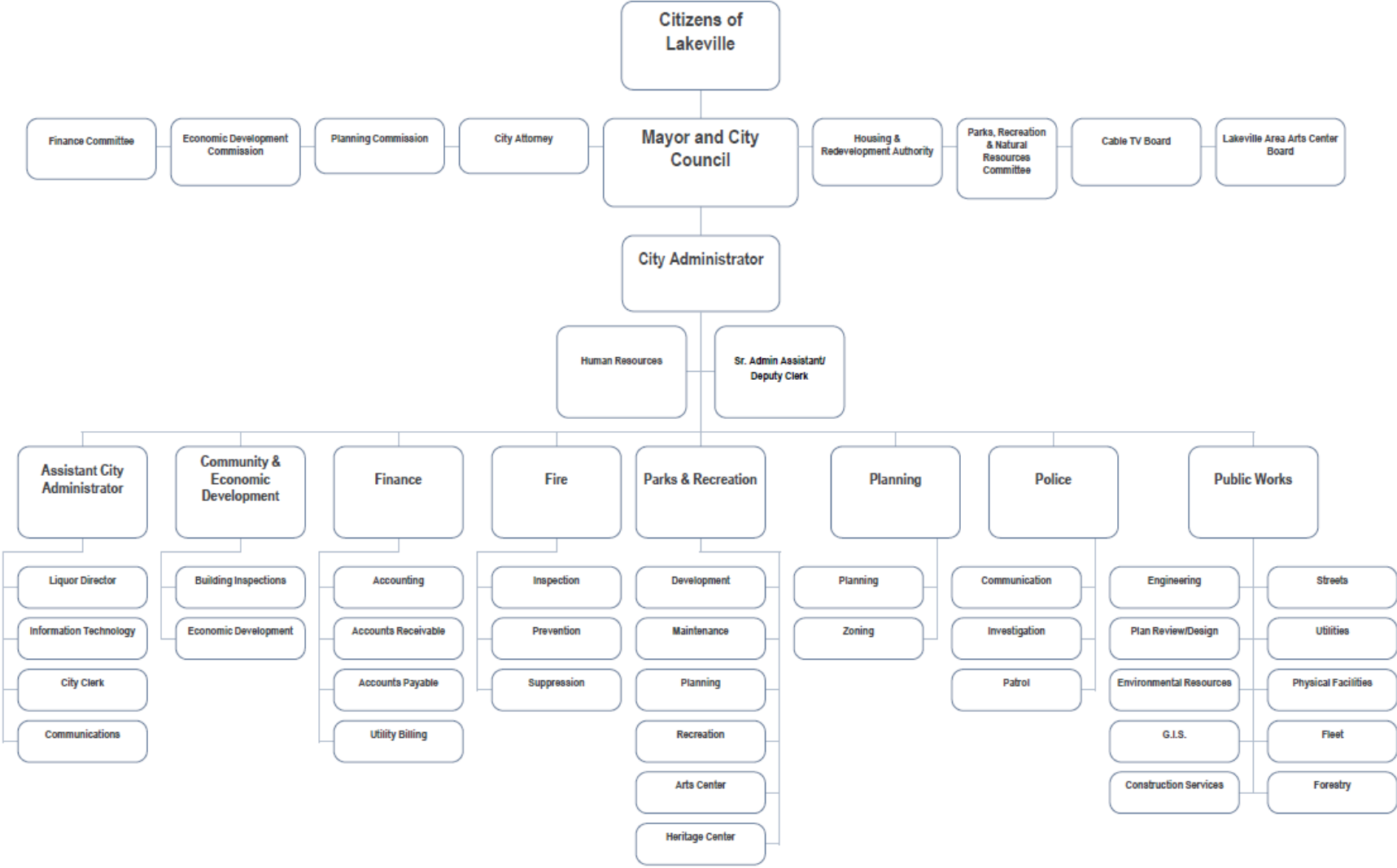
**CITY OF LAKEVILLE
ELECTED AND APPOINTED OFFICIALS
YEAR ENDED DECEMBER 31, 2023**

Elected Officials		<u>Term Expires December 31,</u>
Luke Hellier	Mayor	2026
John Bermel	Council Member	2024
Dan Wolter	Council Member	2024
Joshua Lee	Council Member	2026
Michelle Volk	Council Member	2026

APPOINTED PERSONNEL

Justin Miller	City Administrator
Julie Stahl	Finance Director/Treasurer
Ann Orlofsky	City Clerk

**CITY OF LAKEVILLE
ORGANIZATIONAL CHART
YEAR ENDED DECEMBER 31, 2023**



CITY OF LAKEVILLE
CERTIFICATE OF ACHIEVEMENT FOR EXCELLENCE IN FINANCIAL REPORTING
DECEMBER 31, 2023



Government Finance Officers Association

Certificate of
Achievement
for Excellence
in Financial
Reporting

Presented to

**City of Lakeville
Minnesota**

For its Annual Comprehensive
Financial Report
For the Fiscal Year Ended

December 31, 2022

Christopher P. Morill

Executive Director/CEO

FINANCIAL SECTION



INDEPENDENT AUDITORS' REPORT

Honorable Mayor and the City Council
City of Lakeville, Minnesota

Report on the Audit of the Financial Statements

Opinions

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

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

Basis for Opinions

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

Responsibilities of Management for the Financial Statements

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

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

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

Required Supplementary Information

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

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Lakeville's basic financial statements. The combining and individual fund statements and schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with GAAS. In our opinion, the combining and individual fund statements and schedules is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Information

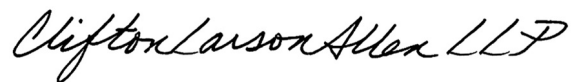
Management is responsible for the other information included in the annual report. The other information comprises the introductory and statistical sections but does not include the basic financial statements and our auditors' report thereon. Our opinions on the basic financial statements do not cover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

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

Honorable Mayor and the City Council
City of Lakeville, Minnesota

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated June 5, 2024, on our consideration of the City of Lakeville's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City of Lakeville's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering City of Lakeville's internal control over financial reporting and compliance.



CliftonLarsonAllen LLP

Minneapolis, Minnesota
June 5, 2024

**CITY OF LAKEVILLE
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2023**

As management of the City of Lakeville (the City), we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended December 31, 2023. The discussion and analysis is intended to be considered in conjunction with the additional information that we have furnished in our letter of transmittal, located earlier in this report, and the City's financial statements contained within this report.

Financial Highlights

- The assets and deferred outflows of resources of the City exceeded liabilities and deferred inflows of resources by \$553,227,211 (net position) at the close of the most recent fiscal year. Of this amount, \$50,764,552 (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 \$26,176,031 in 2023.
- The City's governmental funds reported combined ending fund balances of \$122,202,864. Of this total amount, \$68,727,151 or 56.2% is not restricted or nonspendable and is available for use within the City's constraints and policies.
- As of the end of the current fiscal year, the City's total unassigned fund balance for the general fund was \$18,715,015 or 51.5% of total general fund expenditures of \$36,365,376.

Overview of the Financial Statements

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

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

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

The *Statement of Net Position* presents information on all of the City's assets, deferred outflows of resources, liabilities, and deferred inflows of resources, with the difference reported as *net position*. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

**CITY OF LAKEVILLE
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2023**

The *Statement of Activities* presents information showing how the City's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

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

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

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

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The City maintains 6 individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund, debt service fund, and the capital projects fund, all of which are considered to be major funds. Data from the other governmental funds is combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of combining statements following the required supplementary information.

**CITY OF LAKEVILLE
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2023**

The City adopts annual appropriated budgets for its general fund and special revenue funds. A budgetary comparison schedule has been provided as required supplementary information for the general fund to demonstrate compliance with this budget.

Proprietary funds. The City maintains two different types of proprietary funds. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The internal service fund is an accounting device used to accumulate and allocate costs internally among the City's various functions.

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

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

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

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

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

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

**CITY OF LAKEVILLE
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2023**

Government-wide Financial Analysis

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

As noted earlier, net position may serve over time as a useful indicator of the City's financial position. As presented in the following condensed version of the Statement of Net Position, the City's assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$553,227,211 at December 31, 2023. By far the largest portion, or 77.6% of net position, is reflected in its net investment in capital assets (e.g. land, buildings and improvements, machinery and equipment, infrastructure, and construction in process) less any related debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's net investment in capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

	Governmental Activities		Business-Type Activities		Total	
	2023	2022	2023	2022	2023	2022
Current and Other Assets	\$ 169,696,521	\$ 181,626,871	\$ 39,242,638	\$ 34,462,234	\$ 208,939,159	\$ 216,089,105
Capital Assets	<u>373,067,888</u>	<u>345,436,647</u>	<u>201,950,058</u>	<u>195,973,015</u>	<u>575,017,946</u>	<u>541,409,662</u>
Total Assets	542,764,409	527,063,518	241,192,696	230,435,249	783,957,105	757,498,767
Deferred Outflows of Resources	19,363,267	23,793,040	955,128	1,217,838	20,318,395	25,010,878
Current and Other Liabilities	18,975,527	19,426,731	2,521,017	2,152,515	21,496,544	21,579,246
Other Liabilities	<u>182,219,323</u>	<u>202,447,777</u>	<u>17,415,261</u>	<u>19,863,505</u>	<u>199,634,584</u>	<u>222,311,282</u>
Total Liabilities	<u>201,194,850</u>	<u>221,874,508</u>	<u>19,936,278</u>	<u>22,016,020</u>	<u>221,131,128</u>	<u>243,890,528</u>
Deferred Inflows of Resources	28,915,650	11,432,840	1,001,511	135,097	29,917,161	11,567,937
Net Position:						
Net Investment in Capital Assets	240,978,608	218,867,352	188,259,693	180,563,445	429,238,301	399,430,797
Restricted	73,224,358	82,302,974	-	-	73,224,358	82,302,974
Unrestricted	<u>17,814,210</u>	<u>16,378,884</u>	<u>32,950,342</u>	<u>28,938,525</u>	<u>50,764,552</u>	<u>45,317,409</u>
Total Net Position	<u>\$ 332,017,176</u>	<u>\$ 317,549,210</u>	<u>\$ 221,210,035</u>	<u>\$ 209,501,970</u>	<u>\$ 553,227,211</u>	<u>\$ 527,051,180</u>

The City's total restricted net position of \$73,224,358 comprises 13.2% of total net position at the close of the fiscal year ended December 31, 2023. These assets are subject to external restrictions on how they may be used.

The 2023 remaining balance of \$50,764,552 (9.2% of total net position), in unrestricted net position may be used to meet the government's ongoing obligations to citizens and creditors. The unrestricted net position of the City increased a total of \$5,447,143 primarily due to a decrease in pension and OPEB expenses as well as an increase in unrestricted investment earnings.

**CITY OF LAKEVILLE
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2023**

Change in net position. The City's 2023 total net position during the current fiscal year increased by \$26,176,031 as shown in the following table. This increase is primarily attributed to economic conditions and community growth. Additional details that account for the change in net position are provided in the following analysis of the governmental and business-type activities.

Change in Net Position						
	Governmental Activities		Business-Type Activities		Total	
	2023	2022	2023	2022	2023	2022
REVENUES						
Program Revenues:						
Charges for Services	\$ 16,550,153	\$ 23,346,012	\$ 45,408,259	\$ 43,926,909	\$ 61,958,412	\$ 67,272,921
Operating Grants and Contributions	9,393,087	14,357,046	1,028,439	795,582	10,421,526	15,152,628
Capital Grants and Contributions	17,429,101	22,572,367	5,739,878	11,492,752	23,168,979	34,065,119
General Revenues:						
Property Taxes	40,247,761	36,822,483	-	-	40,247,761	36,822,483
Unrestricted Investment Earnings	5,834,294	(6,316,145)	1,322,619	(1,375,179)	7,156,913	(7,691,324)
Total Revenues	89,454,396	90,781,763	53,499,195	54,840,064	142,953,591	145,621,827
EXPENSES						
General Government	9,899,710	9,999,721	-	-	9,899,710	9,999,721
Public Safety	20,139,088	19,313,383	-	-	20,139,088	19,313,383
Public Works	29,136,552	25,477,542	-	-	29,136,552	25,477,542
Parks and Recreation	10,117,834	7,762,349	-	-	10,117,834	7,762,349
Interest on Long-Term Debt	2,903,304	3,966,703	-	-	2,903,304	3,966,703
Municipal Liquor	-	-	21,726,194	20,652,588	21,726,194	20,652,588
Utility	-	-	22,854,878	20,307,370	22,854,878	20,307,370
Total Expenses	72,196,488	66,519,698	44,581,072	40,959,958	116,777,560	107,479,656
CHANGE IN NET POSITION BEFORE TRANSFERS	17,257,908	24,262,065	8,918,123	13,880,106	26,176,031	38,142,171
Transfers and Contributions	(2,789,942)	372,176	2,789,942	(372,176)	-	-
CHANGE IN NET POSITION	14,467,966	24,634,241	11,708,065	13,507,930	26,176,031	38,142,171
Net Position - Beginning of Year	317,549,210	292,914,969	209,501,970	195,994,040	527,051,180	488,909,009
NET POSITION - END OF YEAR	\$ 332,017,176	\$ 317,549,210	\$ 221,210,035	\$ 209,501,970	\$ 553,227,211	\$ 527,051,180

Governmental activities. The governmental activities change in net position before transfers was an increase of \$17,257,908. The governmental revenue decrease in charges for services is directly related to both a decrease in economic, development and community growth. Operating grants decreased in 2023 mostly due to the City recognizing \$5.1 million in CSLFRF funds in 2022, as well as additional funds for state-aid funded street maintenance and improvement projects in 2022. Capital grants and contributions decreased due to fewer new special assessments being assessed in 2023 and a reduction in developer-installed assets reported during 2023 than in 2022.

**CITY OF LAKEVILLE
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2023**

Revenues

The City's 2023 total revenues for governmental activities decreased by \$1,327,367. Charges for services decreased a total of \$6,795,859 primarily due to a decrease in economic development and community growth as evidenced by a decrease in park dedication fees collected and a decline in revenues from building permits and connection and area charged collected. A summary of the various decreases is shown as follows:

	2023	2022	Increase / (Decrease)
<u>Charges for services</u>			
Licenses and building permit fees	\$ 4,091,103	\$ 4,490,895	\$ (399,792)
Connection and area charges	4,920,155	7,268,401	(2,348,246)
Engineering fees - reconstruction projects	979,981	1,691,448	(711,467)
Park dedication fees	1,331,097	4,501,883	(3,170,786)
Other	5,227,817	5,393,385	(165,568)
Total charges for services	<u>\$ 16,550,153</u>	<u>\$ 23,346,012</u>	<u>\$ (6,795,859)</u>

Operating grants and contributions experienced an overall decrease of \$4,963,959. Operating grants decreased in 2023 mostly due to the City receiving \$5,111,802 in American Rescue Plan Act grant funds in 2022, of which \$4,873,307 was recognized in the general fund in the 2022. Also, the level of state-aid funded street maintenance projects decreased compared to the prior year. These decreases were partially offset by the City's recognition of \$3,156,649 of local public safety aid, which was received in December of 2023. A summary of the various operating grants and contributions are shown as follows:

	2023	2022	Increase / (Decrease)
<u>Operating grants and contributions</u>			
State-aid for street maintenance	\$ 3,636,809	\$ 7,042,687	\$ (3,405,878)
State-aid for street revenue bonds	336,394	336,394	-
County grant for joint road improvements	-	69,000	(69,000)
State local public safety aid	3,156,649	-	3,156,649
American Rescue Plan Act grant	-	5,111,802	(5,111,802)
Other grants, contributions and donations	2,263,235	1,797,163	466,072
Total Operating grants and contributions	<u>\$ 9,393,087</u>	<u>\$ 14,357,046</u>	<u>\$ (4,963,959)</u>

**CITY OF LAKEVILLE
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2023**

Capital grants and contributions decreased by \$5,143,266. Contributed infrastructure from private land developers decreased \$2.2 million; the infrastructure consists of street, storm water, and park and trail capital assets. Special assessments decreased by \$8.6 million primarily due to more street projects levied against the benefitting property owners in 2022. Other grants and contributions increased \$5.8 million due to multiple road projects that occurred in 2023 and involved other government agencies including Dakota County. The summary of capital grants and contributions is shown as follows:

	<u>2023</u>	<u>2022</u>	Increase / (Decrease)
<u>Capital grants and contributions</u>			
Contributed infrastructure from developers	\$ 9,870,707	\$ 12,115,754	\$ (2,245,047)
Special assessments	1,148,080	9,794,681	(8,646,601)
Other grants and contributions	6,365,932	610,966	5,754,966
PEG fees	44,382	50,966	(6,584)
Total capital grants and contributions	<u>\$ 17,429,101</u>	<u>\$ 22,572,367</u>	<u>\$ (5,143,266)</u>

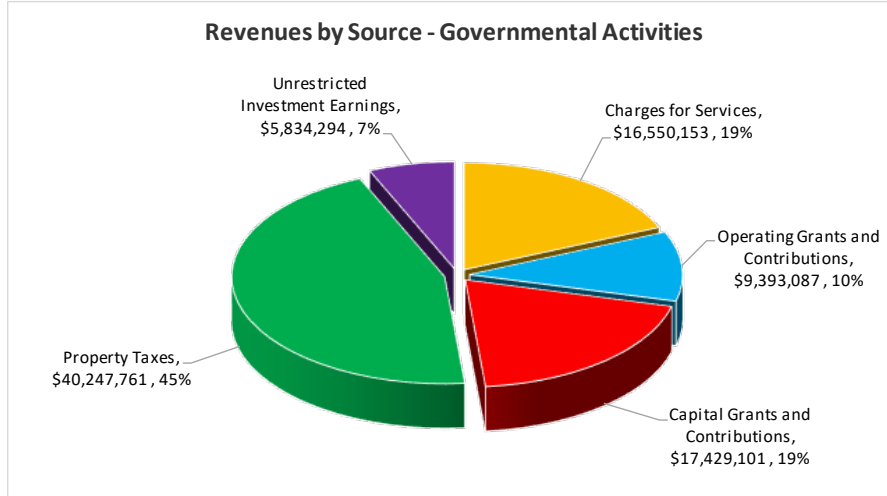
Property tax revenue increased \$3,425,278 or 9.3% primarily due to an increase in the overall tax levy. A higher collection rate also contributed to the increase.

Investment income earnings increased by \$12,150,439. The increase is the combination of increased earnings and changes in investment asset values which are inversely related to the changes in market rates. The increase is consistent with improved market conditions.

	<u>2023</u>	<u>2022</u>	Increase / (Decrease)
<u>General revenues</u>			
Property taxes	\$ 40,247,761	\$ 36,822,483	\$ 3,425,278
Investment income	5,834,294	(6,316,145)	12,150,439
Total general revenues	<u>\$ 46,082,055</u>	<u>\$ 30,506,338</u>	<u>\$ 15,575,717</u>

**CITY OF LAKEVILLE
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2023**

A summary of 2023 revenues by source for governmental activities is shown as follows:



Expenses

The City's 2023 total governmental activities expenses (before depreciation on capital assets and interest on long-term debt) increased by \$5,429,666 or 12.3%. Total governmental activities expenses increased by \$5,676,790 or 8.5%, shown as follows:

	2023	2022	Increase / (Decrease)
<u>Governmental activities expenses</u>			
General government	\$ 9,491,848	\$ 9,639,465	\$ (147,617)
Public safety	18,817,348	17,959,088	858,260
Public works	14,842,043	12,008,877	2,833,166
Parks and recreation	6,491,277	4,605,420	1,885,857
Total before depreciation and interest	<u>49,642,516</u>	<u>44,212,850</u>	<u>5,429,666</u>
Depreciation on capital assets	19,650,668	18,340,145	1,310,523
Interest on long-term debt	2,903,304	3,966,703	(1,063,399)
Total governmental activities expenses	<u>\$ 72,196,488</u>	<u>\$ 66,519,698</u>	<u>\$ 5,676,790</u>

**CITY OF LAKEVILLE
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2023**

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

General government expenses decreased slightly by \$147,617, or 1.5% primarily due to many employees in key positions taking advantage of the advanced resignation policy which provides the City up to six months' notice to hire and train the respective replacements. Expected to see this trend continue through the next several years. In addition, there were additional professional services related to the ERP implementation, updates to the Envision Lakeville Report, and the biennial community survey. Position vacancies and 2023 being a non-election year helped to offset these increased costs.

Public safety expenses increased by \$858,260, or 4.8%, primarily due to the decrease in the police and fire fund PERA net pension liability and increase in the fire relief association net pension asset, which were partially offset by the increases in wages and benefits. Five police positions and one fire inspector position were added in 2023.

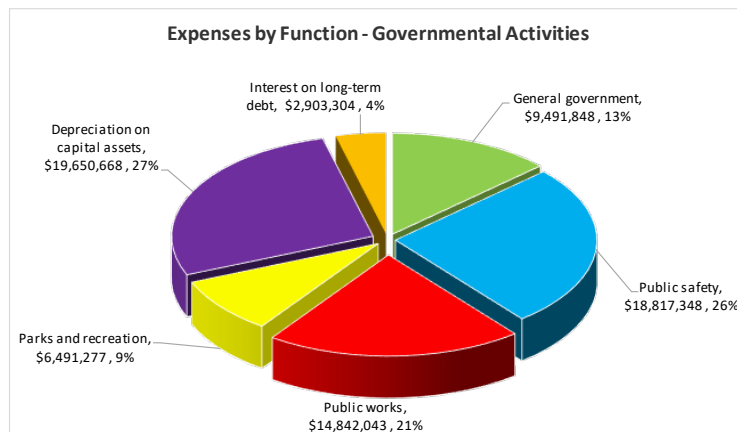
Public works expenses increased by \$2,833,166, or 23.6%, primarily due to 2023 having a greater amount of expenses related to improvement and maintenance projects which were not considered City assets.

Parks and recreation expenses increased \$1,885,857, or 40.9%, primarily due to additional staffing and Arts Center programming events. Seasonal costs are higher than the same period in 2022 due to the City's continued growth and increased seasonal positions.

Depreciation on capital assets increased by \$1,310,523, or 7.1%; primarily due to depreciation starting on recently completed projects.

Interest on long-term debt decreased by \$1,063,399, or 26.8%; primarily due to current amortization of bond premiums outweighing new issue premiums.

A summary of 2023 expenses by function for governmental activities is shown as follows:



**CITY OF LAKEVILLE
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2023**

Business-type activities. Business-type activities increased the City's 2023 total net position by \$11,708,065. Key elements of the increase in net position along with a comparison of revenues, expenses, and changes in net position during fiscal years 2023 and 2022 are shown as follows:

	<u>2023</u>	<u>2022</u>	<u>Increase / (Decrease)</u>
Revenues			
Charges for services			
Liquor	\$ 22,692,555	\$ 21,894,980	\$ 797,575
Utility	22,715,704	22,031,929	683,775
Operating grants and contributions			
Liquor	163	8,778	(8,615)
Utility	1,028,276	786,804	241,472
Capital contributions			
Utility	5,739,878	11,492,752	(5,752,874)
Investment earnings	1,322,619	(1,375,179)	2,697,798
Total revenues	<u>53,499,195</u>	<u>54,840,064</u>	<u>(1,340,869)</u>
Expenses			
Liquor	21,726,194	20,652,588	1,073,606
Utility	22,854,878	20,307,370	2,547,508
Total expenses	<u>44,581,072</u>	<u>40,959,958</u>	<u>3,621,114</u>
Change in net position before transfers	8,918,123	13,880,106	(4,961,983)
Transfers	2,789,942	(372,176)	3,162,118
Change in net position	<u>11,708,065</u>	<u>13,507,930</u>	<u>(1,799,865)</u>
Net position - beginning	<u>209,501,970</u>	<u>195,994,040</u>	<u>13,507,930</u>
Net position - ending	<u>\$ 221,210,035</u>	<u>\$ 209,501,970</u>	<u>\$ 11,708,065</u>

The City's 2023 business-type total revenues decreased by \$1,340,869 or 2.4%; the various revenue components are discussed in detail in the following paragraphs.

- The liquor fund 2023 charges for services increased due to opening a fourth store in October of 2022 and that store producing revenues for 12 months in 2023 compared to only three months in 2022. The 2023 cost of goods sold as a percentage of sales were 72.7%, compared to 73.2% in 2022.
- The overall utility revenue charges for services increased by \$683,775. This overall increase is represented by a water revenue increase of \$828,673, sanitary sewer revenue increase of \$294,190, streetlight revenue increase of \$15,338, and environmental resources revenue decrease of \$454,426. The increase in water and increase in sanitary sewer are due to customer consumption because of changes in weather patterns, rate increases, and an increase in the number of customers. The streetlight increase is due to an increase in customers. The environmental resources decrease is due to now recognizing forestry division services in the General Fund.

**CITY OF LAKEVILLE
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2023**

- The utility fund experienced a total decrease of \$5,752,874 in capital contributions. The majority of the decrease is derived from water and sanitary sewer contributed from developer improvement projects (greater number of contributions during 2022). City improvement project infrastructure assets of \$5,042,714 were contributed to the utility fund which is within the net transfer in amount of \$2,789,942 on the Statement of Activities. The total amount of contributed infrastructure assets received by the utility fund varies yearly.
- Investment earnings increased \$2,697,798. The increase is the combination of increased earnings and changes in investment asset values which are inversely related to the changes in market rates. The increase is consistent with improved market conditions.

The City's 2023 business-type total expenses increased by \$3,621,114 or 8.8% as follows:

	Increase (Decrease) from 2022		
	Liquor Fund	Utility Fund	Total
<u>Business-type activities expenses</u>			
Cost of Goods Sold	\$ 466,394	\$ -	\$ 466,394
Personnel services	508,157	525,251	1,033,408
Commodities	12,027	182,938	194,965
Other charges and services	98,811	1,427,813	1,526,624
Sanitary sewage treatment and disposal	-	182,158	182,158
Depreciation on capital assets	15,551	270,538	286,089
Interest, fiscal charges, bond premium (net)	-	(27,789)	(27,789)
Loss on Disposal of Capital Assets	(27,334)	(13,401)	(40,735)
Total Business-type Expenses	<u>\$ 1,073,606</u>	<u>\$ 2,547,508</u>	<u>\$ 3,621,114</u>

- The liquor fund cost of goods sold increased \$466,394 which is proportionate to the increase in liquor sales.
- Liquor fund personnel services expenses increased \$508,517, while utility fund personnel services expenses increased \$525,251. The increases were primarily due to the opening of the fourth liquor store in the last quarter of 2022 that resulted in significant increase over the prior year. Overall, there were several transitions between sales, lead sales associates with an reorganization of management structure at each of the stores to include a store manager, assistant to the store manager, lead sales associate. Additional time was spent in meter repair and maintenance, sewer line and manhole maintenance. Also, another Utility Maintenance Operator II position was added in 2023.
- Utility fund other charges and services expenses increased by \$1,427,813 while the liquor fund increased by \$98,811. Water expenses increased primarily due to major maintenance projects including, watermain repairs (costs to fix watermain breaks are not capitalizable). Sewer expenses increased due to higher sanitary sewer costs incurred on the annual street projects in 2023 as compared to 2022.
- The utility fund sanitary sewage treatment and disposal expenses increased by \$182,158 primarily due to the change in factors used by MCES in their pass-through cost allocation to the City. The City's annual cost increased 3.73% to \$5,066,715 and the City's wastewater accounts for 1.95% of the total flow through the regional system.

**CITY OF LAKEVILLE
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2023**

Financial Analysis of the City's Funds

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

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

As of the end of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$122,202,864. Of this amount, \$68,727,151 or 56.2% of this combined ending fund balance constitutes fund balance that is available for spending at the government's discretion. Nonspendable fund balances of \$279,568 are amounts that are not in a spendable form, such as prepaid items and inventory. The remaining fund balance is restricted for (a) debt service of \$22,191,294, (b) capital acquisition of \$22,488,551, (c) Parks Bond Referendum of \$5,052,739, (d) public safety aid of \$3,156,649, and (e) other restricted purposes of \$306,912.

The general fund is the chief operating fund of the City. At the end of the current fiscal year, the fund balance was \$22,372,997, an increase from the prior year of \$365,590, resulting from \$2,167,646 of revenues over expenditures, net transfers out of \$1,881,710, and a change in supplies inventory of \$79,654.

The debt service fund balance decreased by \$786,153 due to debt service requirements exceeding the related debt service fund revenues, bond issuance proceeds and net transfers in. Even though debt requirements exceeded property tax and special assessment revenues, transfers in of excess bond proceeds from improvement projects helped to offset this deficiency and lower the decrease in fund balance.

The capital project fund accounts for infrastructure reconstruction projects that require debt issuance for financing purposes, the accumulation and disbursement of funds for the construction or improvement of public buildings, the City's municipal state aid projects and financing, and various other capital activity. The activity of this fund fluctuates from year to year depending on the scope of the project, based on state aid allotments and projects completed, and based on the City's building improvement needs. The fund balance decreased by \$7,264,660 due to the completion of large construction projects whereby funds were received in prior years - such as Antlers Park and the County Road 60 extension from Dodd to Highview.

**CITY OF LAKEVILLE
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2023**

General Fund Budgetary Highlights

With the exception of the planning, community and economic development, and recreation and arts center, all other general fund departments expended their 2023 budget appropriations at or below the final adopted budget. A schedule of revenues, expenditures and changes in fund balances – budgetary comparison is disclosed in the required supplemental information section of this report. A summary of general fund revenues, expenditures, other financing sources (uses), variance with final budget, and net change in fund balance is as follows:

	Budget As Originally Adopted	Final Budget	Actual	Variance with Final Budget
Revenues				
Property taxes	\$ 26,954,875	\$ 26,954,875	\$ 26,701,305	\$ (253,570)
Licenses and permits	2,943,346	3,316,346	3,489,815	173,469
Intergovernmental	1,512,699	3,504,175	3,739,685	235,510
Charges for services	3,358,446	3,683,001	3,418,512	(264,489)
Special assessments	-	-	5,189	5,189
Fines	240,000	240,000	238,097	(1,903)
Interest income	281,000	281,000	350,236	69,236
Change in value of investments	-	-	379,931	379,931
Donations	45,200	45,200	117,801	72,601
Miscellaneous	35,557	35,557	92,451	56,894
Total revenues	<u>35,371,123</u>	<u>38,060,154</u>	<u>38,533,022</u>	<u>472,868</u>
Expenditures				
Personnel services	27,620,562	27,306,617	26,794,589	(512,028)
Commodities	2,213,299	2,268,299	2,364,381	96,082
Other charges and services	6,967,481	7,234,618	7,067,657	(166,961)
Capital outlay	98,000	176,482	138,749	(37,733)
Total expenditures	<u>36,899,342</u>	<u>36,986,016</u>	<u>36,365,376</u>	<u>(620,640)</u>
Other financing sources (uses)	<u>(1,182,781)</u>	<u>(1,881,710)</u>	<u>(1,881,710)</u>	<u>-</u>
Net change in fund balance	<u>\$ (2,711,000)</u>	<u>\$ (807,572)</u>	<u>\$ 285,936</u>	<u>\$ 1,093,508</u>

The 2023 actual general fund revenues were over the final budget by \$472,868 and expenditures were under final adopted budget by \$620,640. Other financing sources (uses) came in at the final budgeted amount. The general fund actual net change in fund balance surpassed final budget by \$1,093,508.

The general fund budget was amended to reflect the decrease in revenues from less than forecasted building permits, state aid, and grants. Expenditures were modified to reflect the change in election costs; public safety equipment funded by donations; and other projects that arose during the year. Transfers to other funds were modified to fund capital purchases and projects associated with the 2023-2027 capital improvement plan to mitigate the pressures on the property tax levy and user fees and establishing the compensated leave fund.

**CITY OF LAKEVILLE
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2023**

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

- Property taxes were lower than anticipated by \$253,570 due in part to slightly lower than anticipated current tax collection rates and moderately lower than expected delinquent tax collections. All delinquent taxes are recorded in the General Fund and the other funds receive 100 percent of their current levy.
- Licenses and permits exceeded estimates by \$173,469 due to change in the mix of building permits from single family to multi-family homes. The number of residential building permits budgeted were 350 compared to 309 actual. Permits for townhomes were budgeted at 120 units compared to 152 actual units.
- Intergovernmental revenues exceeded estimates by \$235,510 due to the City's receipt of \$131,310 for the state aid contributions to PERA and a forestry grant of \$109,916.
- Charges for services experienced a variance of \$264,489 mainly due to reduced engineering-related services in connection with developer construction administration.
- Fines were less than final budgeted amounts by \$1,903.
- Interest income and the change in value of investments were higher than estimates by \$449,167 due to favorable market conditions. The City's Management employs prudent investment practices and cash management techniques to maximize investment income while protecting the City's treasury. Investments are typically held to maturity.
- Donations and miscellaneous revenues experienced positive variances of \$72,101 and \$56,894, respectively.

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

- Personnel costs including benefits were \$512,028 below budget estimates due to vacancies offset with higher employee transition costs in finance, inspections and community development.
- Commodities were \$96,082 over budget due to increased motor fuel costs.
- Other charges and services were \$166,961 below budget which is attributed to several factors. Legal fees were below budget estimates as were contractual costs in Information Technology.
- Capital outlay was \$37,733 under budget due to a delayed vehicle purchase.

**CITY OF LAKEVILLE
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2023**

Capital Asset and Debt Administration

Capital assets. The City's capital assets for governmental and business-type activities as of December 31, 2023 are \$575 million (net of accumulated depreciation and amortization). This amount represents an increase (including additions, deletions, and depreciation and amortization) of approximately \$34 million from 2022.

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

Capital Assets at Year-End
(Net of Accumulated Depreciation)

	Governmental Activities	Business-Type Activities	Total
Land	\$ 37,432,613	\$ 3,672,969	\$ 41,105,582
Historical treasures	128,000	-	128,000
Construction in process	11,844,401	-	11,844,401
Buildings and improvements	70,000,663	34,361,032	104,361,695
Machinery and equipment	29,955,471	4,259,424	34,214,895
Other improvements	21,458,516	-	21,458,516
Right-to-use assets - buildings	-	3,989,676	3,989,676
Infrastructure			
Streets	230,663,689	-	230,663,689
Storm sewer	135,603,182	-	135,603,182
Parks	44,171,349	-	44,171,349
Environmental resources	-	489,644	489,644
Water	-	150,793,883	150,793,883
Sanitary sewer	-	101,478,364	101,478,364
Total Capital Assets	581,257,884	299,044,992	880,302,876
Less: Accumulated Depreciation / Amortization	(208,189,996)	(97,094,934)	(305,284,930)
Total Capital Assets, Net	<u>\$ 373,067,888</u>	<u>\$ 201,950,058</u>	<u>\$ 575,017,946</u>

The City's 2024 adopted budget provides funding for \$67.25 million in infrastructure capital assets, public building improvements and upgrades, equipment capital assets such as vehicle replacements for public safety and public works, and technology equipment. Refer to Note 3 - *Capital Assets*, of the Notes to Basic Financial Statements for additional information.

**CITY OF LAKEVILLE
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2023**

Debt administration. At the end of the current fiscal year, the City of Lakeville had total bonded debt and long-term lease liabilities outstanding of \$150.134 million, which is a net decrease of \$2.990 million compared to the prior year. The decrease is due to the payments on existing bonded debt exceeding the issuance of the \$9.220 million 2023A General Obligation bonds.

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

The City's outstanding bonded obligation debt as of December 31, 2023 is shown as follows:

	Outstanding Debt			Balance December 31
	Bonds and Leases Payable Balance January 1	Issued	Redeemed	
Governmental Activities				
G.O. bonds				
General obligation bonds	\$ 46,865,000	\$ 9,220,000	\$ 3,060,000	\$ 53,025,000
G.O. improvement	63,505,000	-	5,875,000	57,630,000
State-aid street revenue	3,670,000	-	200,000	3,470,000
Water revenue	6,030,000	-	440,000	5,590,000
Tax abatement	18,370,000	-	1,060,000	17,310,000
Total governmental activities	<u>138,440,000</u>	<u>9,220,000</u>	<u>10,635,000</u>	<u>137,025,000</u>
Business-Type Activities				
Water revenue	9,280,000	-	900,000	8,380,000
Sewer revenue	200,000	-	65,000	135,000
Street light revenue	190,000	-	45,000	145,000
Financed purchase arrangement	1,325,000	-	250,000	1,075,000
Lease liability	3,689,281	-	315,001	3,374,280
Total business-type activities	<u>14,684,281</u>	<u>-</u>	<u>1,575,001</u>	<u>13,109,280</u>
Total bonds payable	<u>\$ 153,124,281</u>	<u>\$ 9,220,000</u>	<u>\$ 12,210,001</u>	<u>\$ 150,134,280</u>

Credit Rating

The City of Lakeville's general obligation bond rating as of December 31, 2023 is "Aaa" as rated by Moody's Investors Service. On June 5, 2023 Moody's Investors Service maintained the City's outstanding general obligation unlimited tax (GOULT) debt Aaa and assigned a stable outlook. Moody's also maintained the City's lease revenue debt to Aa2. In its June 2023 analysis, Moody's Investor Service stated, "*The City of Lakeville benefits from a growing economy within the Twin Cities metropolitan area, with strong wealth (full value per capita) and resident income levels, robust reserve supported by consistently stable financial performance, and moderate leverage that is expected to rise over the next five years.*"

**CITY OF LAKEVILLE
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2023**

State statutes limit the amount of general obligation debt a Minnesota city may issue to 3% of total assessor's taxable market valuation. The City has \$64,670,618 of net bonded debt, which is subject to the \$347,765,863 current debt limitation, thereby resulting in a legal debt margin of \$283,095,245. Refer to the Statistical Section of this report for a detailed computation of the City's legal debt margin.

Economic Conditions and Next Year's Budget

The City of Lakeville remains one of the top growth cities in the Minnesota twin city metro area. The trend for building permit activity for single family homes is steady but has decreased in recent years. The building permits for single family homes/detached townhomes decreased from 387 in 2022 compared to 367 permits in 2023. In our opinion, the decline is due to the rise in interest rates. The budget and five-year capital improvement plan are premised on the assumption growth will continue at a subdued level for the foreseeable future.

The adopted 2024 budget reflects a continuation of the program and service levels established by the City Council over the past several years and included thirteen new positions (6 of those position adding to full-time fire fighters) as well as position changes and reclassifications. The City Council approved the use of \$1.548 million of the General Fund balance as a funding source for the 2023 budget. The 2024 budget also focuses on City efforts to achieve strategic priorities established in the Envision Lakeville Community Vision Plan to prepare for the future, investments in technology to maximize efficiencies, developing effective partnerships to capitalize on opportunities and multi-agency resources, infrastructure improvements to promote economic and community development and service continuity through staffing enhancements to meet the expectations of community residents and businesses.

Requests for Information

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

BASIC FINANCIAL STATEMENTS

**CITY OF LAKEVILLE
STATEMENT OF NET POSITION
DECEMBER 31, 2023**

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
ASSETS			
Cash and investments	\$ 133,947,584	\$ 30,973,629	\$ 164,921,213
Receivables	31,439,359	5,415,482	36,854,841
Internal balances	(141,689)	141,689	-
Inventories	254,033	2,701,838	2,955,871
Prepaid items	25,535	10,000	35,535
Restricted assets (temporarily):			
Investments held by trustee	39	-	39
Net pension asset - fire relief	4,171,660	-	4,171,660
Capital assets:			
Nondepreciable	49,405,014	3,672,969	53,077,983
Depreciable, net	323,662,874	198,277,089	521,939,963
Total capital assets	<u>373,067,888</u>	<u>201,950,058</u>	<u>575,017,946</u>
Total assets	542,764,409	241,192,696	783,957,105
DEFERRED OUTFLOWS OF RESOURCES			
OPEB related deferments	266,330	58,146	324,476
Pension plan deferments - PERA	18,806,833	896,982	19,703,815
Pension plan deferments - fire relief	290,104	-	290,104
Total deferred outflows of resources	<u>19,363,267</u>	<u>955,128</u>	<u>20,318,395</u>
LIABILITIES			
Salaries, accounts, contracts, and deposits payable	16,501,247	2,287,993	18,789,240
Accrued interest	2,092,648	144,154	2,236,802
Unearned revenue	381,632	88,870	470,502
Noncurrent liabilities:			
Net pension liability - PERA due in more than one year	18,462,690	2,823,432	21,286,122
Total OPEB Liability due within one year	39,236	8,566	47,802
Total OPEB Liability due in more than one year	843,094	184,064	1,027,158
Other long-term liabilities due within one year	13,635,916	1,943,926	15,579,842
Other long-term liabilities due in more than one year	149,238,387	12,455,273	161,693,660
Total liabilities	<u>201,194,850</u>	<u>19,936,278</u>	<u>221,131,128</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred gain on refunding	1,007,443	-	1,007,443
Leases	8,754,550	-	8,754,550
OPEB-related deferments	469,931	102,595	572,526
Pension plan deferments - PERA	17,934,220	898,916	18,833,136
Pension plan deferments - fire relief	749,506	-	749,506
Total deferred inflows of resources	<u>28,915,650</u>	<u>1,001,511</u>	<u>29,917,161</u>
NET POSITION			
Net investment in capital assets	240,978,608	188,259,693	429,238,301
Restricted for:			
Special purposes	302,251	-	302,251
Debt service	38,035,240	-	38,035,240
Capital acquisition	26,983,646	-	26,983,646
Public safety	3,156,649	-	3,156,649
Opioid remediation activities	574,912	-	574,912
Fire relief pensions	4,171,660	-	4,171,660
Unrestricted	17,814,210	32,950,342	50,764,552
Total Net Position	<u>\$ 332,017,176</u>	<u>\$ 221,210,035</u>	<u>\$ 553,227,211</u>

See accompanying Notes to Basic Financial Statements.

**CITY OF LAKEVILLE
STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2023**

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position Primary Government		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Primary Government:							
Governmental Activities:							
General government	\$ 9,899,710	\$ 6,587,921	\$ 76,861	\$ 304,539	\$ (2,930,389)	\$ -	\$ (2,930,389)
Public safety	20,139,088	835,053	4,655,977	-	(14,648,058)	-	(14,648,058)
Public works	29,136,552	6,620,758	3,681,717	16,919,544	(1,914,533)	-	(1,914,533)
Parks and recreation	10,117,834	2,506,421	978,532	205,018	(6,427,863)	-	(6,427,863)
Interest on long-term debt	2,903,304	-	-	-	(2,903,304)	-	(2,903,304)
Total-governmental activities	72,196,488	16,550,153	9,393,087	17,429,101	(28,824,147)	-	(28,824,147)
Business-Type Activities:							
Liquor	21,726,194	22,692,555	163	-	-	966,524	966,524
Utility	22,854,878	22,715,704	1,028,276	5,739,878	-	6,628,980	6,628,980
Total Business-Type Activities	44,581,072	45,408,259	1,028,439	5,739,878	-	7,595,504	7,595,504
 Total Primary Government	 \$ 116,777,560	 \$ 61,958,412	 \$ 10,421,526	 \$ 23,168,979	 (28,824,147)	 7,595,504	 (21,228,643)
		General Revenues:					
		Property taxes			40,247,761	-	40,247,761
		Investment income			5,834,294	1,322,619	7,156,913
		Transfers			(2,789,942)	2,789,942	-
		Total general revenues and transfers			43,292,113	4,112,561	47,404,674
		Change in Net Position			14,467,966	11,708,065	26,176,031
		Net Position - Beginning of Year			317,549,210	209,501,970	527,051,180
		Net Position - End of Year			\$ 332,017,176	\$ 221,210,035	\$ 553,227,211

See accompanying Notes to Basic Financial Statements.

**CITY OF LAKEVILLE
BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2023**

ASSETS	General Fund	Debt Service Fund	Capital Projects Fund	Nonmajor Governmental Funds	Total Governmental Funds
Cash and investments	\$ 31,625,329	\$ 22,079,562	\$ 77,753,472	\$ 1,441,273	\$ 132,899,636
Investments held by trustee	-	39	-	-	39
Interest receivable	70,396	65,155	420,845	6,740	563,136
Taxes receivable	2,192,584	-	-	-	2,192,584
Accounts receivable	707,616	-	3,290,159	583,562	4,581,337
Special assessments receivable	130,132	12,701,193	2,266,958	-	15,098,283
Leases and financed purchases receivable	53,110	1,075,000	8,944,914	-	10,073,024
Inventory	254,033	-	-	-	254,033
Prepaid items	25,535	-	-	-	25,535
Total Assets	\$ 35,058,735	\$ 35,920,949	\$ 92,676,348	\$ 2,031,575	\$ 165,687,607
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCE					
LIABILITIES					
Salaries payable	\$ 506,567	\$ -	\$ -	\$ 7,554	\$ 514,121
Accounts payable	866,944	3,325	3,226,905	4,252	4,101,426
Contracts payable	-	-	1,650,976	-	1,650,976
Deposits payable	9,908,448	-	254,357	-	10,162,805
Unearned revenue	154,681	-	226,951	-	381,632
Total Liabilities	11,436,640	3,325	5,359,189	11,806	16,810,960
DEFERRED INFLOWS OF RESOURCES					
Unavailable revenue - taxes	401,584	-	-	-	401,584
Unavailable revenue - special assessments	796,298	12,651,330	2,268,096	-	15,715,724
Leases and financed purchases	51,216	1,075,000	8,656,167	47,167	9,829,550
Unavailable revenue - other	-	-	292,032	434,893	726,925
Total Deferred Inflows of Resources	1,249,098	13,726,330	11,216,295	482,060	26,673,783
FUND BALANCE					
Nonspendable	279,568	-	-	-	279,568
Restricted	1,850,000	22,191,294	28,847,939	306,912	53,196,145
Committed	-	-	47,283,302	1,230,797	48,514,099
Assigned	1,528,414	-	-	-	1,528,414
Unassigned (Deficit)	18,715,015	-	(30,377)	-	18,684,638
Total Fund Balance	22,372,997	22,191,294	76,100,864	1,537,709	122,202,864
Total Liabilities, Deferred Inflows of Resources, and Fund Balance	\$ 35,058,735	\$ 35,920,949	\$ 92,676,348	\$ 2,031,575	\$ 165,687,607

See accompanying Notes to Basic Financial Statements.

**CITY OF LAKEVILLE
RECONCILIATION OF THE BALANCE SHEET TO THE
STATEMENT OF NET POSITION
GOVERNMENTAL ACTIVITIES
DECEMBER 31, 2023**

Total Fund Balances for Governmental Funds		\$ 122,202,864
<p>Total net position reported for governmental activities in the statement of net position is different because:</p> <p>Capital assets used in governmental funds are not financial resources and, therefore, are not reported in the funds. Those assets consist of:</p>		
Governmental capital assets	\$ 581,257,884	
Less: Accumulated depreciation and amortization	<u>(208,189,996)</u>	373,067,888
<p>Net pension assets are only recorded in the government-wide financial statements as they are not current financial resources to governmental funds.</p>		
		4,171,660
<p>Long-term liabilities are not payable with current financial resources and, therefore, are not reported in the governmental funds.</p>		
Bonds	(137,025,000)	
Accrued interest	(2,092,648)	
Loan	(2,956,795)	
Note Payable	(10,067,476)	
Unamortized bond premium	(9,037,183)	
Deferred gain on refunding	<u>(1,007,443)</u>	(162,186,545)
<p>The City's net pension liability and related and deferred inflows and deferred outflows are recorded only on the statement of net position. Balances at year-end are:</p>		
Net pension liability	(18,462,690)	
Deferred inflows of resources	(18,683,726)	
Deferred outflows of resources	<u>19,096,937</u>	(18,049,479)
<p>Total OPEB liabilities are not payable with current financial resources and, therefore, are not reported in the governmental funds.</p>		
		(882,330)
<p>OPEB related deferred outflows of resources are recorded only on the statement of net position.</p>		
		266,330
<p>OPEB related deferred inflows of resources are recorded only on the statement of net position.</p>		
		(469,931)
<p>Deferred inflows of resources related to unavailable revenue in governmental funds are susceptible to full accrual on the government-wide statements.</p>		
		16,844,233
<p>The City uses an internal service fund to charge the cost of insurance activities and compensated absences to individual funds. A portion of the assets and liabilities of the municipal reserves fund and compensated absences fund are included in governmental activities in the Statement of Net Position.</p>		
		<u>(2,947,514)</u>
Total Net Position of Governmental Activities		<u><u>\$ 332,017,176</u></u>

See accompanying Notes to Basic Financial Statements.

CITY OF LAKEVILLE
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED DECEMBER 31, 2023

	General Fund	Debt Service Fund	Capital Projects Fund	Nonmajor Governmental Funds	Total Governmental Totals
REVENUE					
Property taxes	\$ 26,701,305	\$ 10,016,900	\$ 2,950,000	\$ -	\$ 39,668,205
Tax increment	-	-	558,684	-	558,684
Licenses and permits	3,489,815	-	-	601,288	4,091,103
Intergovernmental	3,739,685	336,394	11,182,463	915	15,259,457
Charges for services	3,418,512	557,401	7,076,477	44,382	11,096,772
Special assessments	5,189	2,336,382	5,592,993	-	7,934,564
Fines	238,097	-	-	-	238,097
Interest income	350,236	331,588	2,551,904	33,502	3,267,230
Change in fair value of investments	379,931	351,809	1,798,936	36,388	2,567,064
Donations	117,801	-	191,720	-	309,521
Miscellaneous	92,451	-	590,278	32,416	715,145
Total Revenue	<u>38,533,022</u>	<u>13,930,474</u>	<u>32,493,455</u>	<u>748,891</u>	<u>85,705,842</u>
EXPENDITURES					
Current:					
General government	7,541,820	-	-	696,876	8,238,696
Public safety	17,432,946	-	-	-	17,432,946
Public works	5,844,020	-	-	-	5,844,020
Parks and recreation	5,407,841	-	-	-	5,407,841
Capital Outlay:					
General government	35,759	-	1,618,772	56,891	1,711,422
Public safety	-	-	1,271,577	-	1,271,577
Public works	78,476	-	27,685,875	-	27,764,351
Parks and recreation	24,514	-	23,277,721	-	23,302,235
Debt Service:					
Principal bond maturities	-	10,635,000	2,526,000	-	13,161,000
Interest on debt	-	5,006,042	-	-	5,006,042
Fiscal charges	-	42,577	-	-	42,577
Total Expenditures	<u>36,365,376</u>	<u>15,683,619</u>	<u>56,379,945</u>	<u>753,767</u>	<u>109,182,707</u>
EXCESS (DEFICIENCY) OF REVENUE OVER (UNDER) EXPENDITURES	2,167,646	(1,753,145)	(23,886,490)	(4,876)	(23,476,865)
OTHER FINANCE SOURCES (USES)					
Issuance of bonds and other debt	-	226,309	12,135,028	-	12,361,337
Premium on issued debt	-	-	779,235	-	779,235
Proceeds from the sale of capital assets	-	-	307,368	-	307,368
Transfers in from other funds	472,170	3,175,072	5,182,069	-	8,829,311
Transfers out to other funds	(2,353,880)	(2,434,389)	(1,781,870)	(6,400)	(6,576,539)
Total Other Finance Sources (Uses)	<u>(1,881,710)</u>	<u>966,992</u>	<u>16,621,830</u>	<u>(6,400)</u>	<u>15,700,712</u>
NET CHANGE IN FUND BALANCES	285,936	(786,153)	(7,264,660)	(11,276)	(7,776,153)
FUND BALANCES					
Beginning of Year, as previously reported	22,007,407	22,977,447	83,365,524	1,548,985	129,899,363
Change in Supplies - Inventory	79,654	-	-	-	79,654
End of Year	<u>\$ 22,372,997</u>	<u>\$ 22,191,294</u>	<u>\$ 76,100,864</u>	<u>\$ 1,537,709</u>	<u>\$ 122,202,864</u>

See accompanying Notes to Basic Financial Statements.

CITY OF LAKEVILLE
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCES TO THE STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2023

Net Change in Fund Balances-Total Governmental Funds		\$ (7,776,153)
Amounts reported for governmental activities in the statement of activities are different because:		
<p>Governmental funds report capital outlays as expenditures while the government-wide statement of activities reports depreciation expense to allocate those expenditures over the life of the assets. As a result, fund balance decreases by the amount of financial resources expended, whereas net position decreases by the amount of depreciation expense charged for the year. This is the amount by which depreciation expense exceeded capital outlay.</p>		
Capital outlay	\$ 38,980,262	
Capital contributed by developer	9,870,707	
Depreciation expense	<u>(19,650,668)</u>	29,200,301
<p>In the government-wide statement of activities, only the gain or loss on the sale of capital assets is reported, whereas in the governmental funds, the proceeds from the sales increases financial resources. Thus, the change in net position differs from the change in fund balance by the net book value of the capital assets disposed of.</p>		
		(1,569,060)
<p>Governmental funds report inventory related to snow removing chemicals as an expenditure at the time of purchase rather than when it is consumed. The change in supplies is shown as a direct adjustment to fund balance. On the government-wide statement of activities, inventories are shown as an expenditure when consumed. As a result, the change in net position must be adjusted by the change in supplies.</p>		
		79,654
<p>Revenues in the government-wide statement of activities that do not provide current financial resources are not reported as revenues in the governmental funds.</p>		
Deferred inflows of resources - December 31, 2022	(22,882,920)	
Deferred inflows of resources - December 31, 2023	<u>16,844,233</u>	(6,038,687)
<p>Bond proceeds are reported as other financing sources in governmental funds and thus contribute to the increase in fund balance. Bond and loan principal maturities are reported as expenditures in governmental funds thus reducing fund balance. In the government-wide statements, however, issuing debt increases long-term liabilities while debt repayment reduces long-term liabilities thus affecting the statement of activities.</p>		
Bond and loan proceeds	(12,361,337)	
Bond and loan principal maturities	<u>13,161,000</u>	799,663
<p>Governmental funds report the effect of premiums, discounts and similar items when debt is first issued, whereas material amounts are deferred and amortized in the statement of activities.</p>		
Change in accrued interest payable	145,857	
Premium on bonds issued in the current year	(779,235)	
Amortization of deferred gain on refunding	163,152	
Amortization of debt premiums/discounts	<u>1,836,306</u>	1,366,080
<p>In the statement of activities, certain operating expenses and other postemployment benefit expenses - are measured by amounts earned during the year. In the governmental funds, however, expenditures for these items are measured by the amount of financial resources used (and amounts actually paid).</p>		
		22,504
<p>Pension expenditures in the governmental funds are measured by current year employer contributions. Pension expenses on the statement of activities are measured by the change in the net pension liability(asset) and the related deferred inflows and outflows of resources.</p>		
		(1,590,413)
<p>Internal service funds are used by management to charge the costs of certain activities, such as insurance, to individual funds. This amount represents a portion of the change in net position of the internal service fund, which are reported in with the governmental activities.</p>		
		<u>(25,923)</u>
Change in Net Position of Governmental Activities		<u>\$ 14,467,966</u>

See accompanying Notes to Basic Financial Statements.

**CITY OF LAKEVILLE
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
DECEMBER 31, 2023**

ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	Business-type Activities - Enterprise Funds			Governmental Activities - Internal Service Funds
	Liquor	Utility	Totals	
CURRENT ASSETS				
Cash and investments	\$ 3,823,275	\$ 27,150,354	\$ 30,973,629	\$ 1,047,948
Interest receivable	21,227	106,310	127,537	3,522
Accounts receivable	3,580	5,284,365	5,287,945	2,473
Inventory	2,303,707	398,131	2,701,838	-
Prepaid expenses	-	10,000	10,000	-
Total current assets	<u>6,151,789</u>	<u>32,949,160</u>	<u>39,100,949</u>	<u>1,053,943</u>
NONCURRENT ASSETS				
Capital assets:				
Land	3,087,882	585,087	3,672,969	-
Buildings and improvements	8,181,700	26,179,332	34,361,032	-
Machinery and equipment	739,090	3,520,334	4,259,424	-
Infrastructure	-	252,761,891	252,761,891	-
Right-to-use lease asset	3,989,676	-	3,989,676	-
Accumulated depreciation / amortization	(1,824,367)	(95,270,567)	(97,094,934)	-
Net capital assets	<u>14,173,981</u>	<u>187,776,077</u>	<u>201,950,058</u>	<u>-</u>
Total noncurrent assets	<u>14,173,981</u>	<u>187,776,077</u>	<u>201,950,058</u>	<u>-</u>
Total assets	20,325,770	220,725,237	241,051,007	1,053,943
DEFERRED OUTFLOWS OF RESOURCES				
Pension plan deferments - PERA	418,892	478,090	896,982	-
OPEB related deferments	27,576	30,570	58,146	-
Total deferred outflows of resources	<u>446,468</u>	<u>508,660</u>	<u>955,128</u>	<u>-</u>
Total Assets and Deferred Outflows of Resources	<u>\$ 20,772,238</u>	<u>\$ 221,233,897</u>	<u>\$ 242,006,135</u>	<u>\$ 1,053,943</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION				
CURRENT LIABILITIES				
Salaries payable	\$ 44,106	\$ 48,187	\$ 92,293	\$ -
Accounts payable	1,270,266	795,183	2,065,449	71,919
Contracts payable	-	68,098	68,098	-
Accrued interest payable	3,186	140,968	144,154	-
Deposits payable	40,953	21,200	62,153	-
Accrued compensated absences	91,926	189,799	281,725	2,130,916
Unearned revenue	-	88,870	88,870	-
Total OPEB liability due within one year	4,062	4,504	8,566	-
Lease liability and financed purchase payable - current	327,201	-	327,201	-
Long-term debt - current	260,000	1,075,000	1,335,000	-
Total current liabilities	<u>2,041,700</u>	<u>2,431,809</u>	<u>4,473,509</u>	<u>2,202,835</u>
NONCURRENT LIABILITIES				
Accrued compensated absences	124,613	157,496	282,109	1,656,933
Net pension liability - PERA due in more than one year	1,318,549	1,504,883	2,823,432	-
Total OPEB liability	87,293	96,771	184,064	-
Lease liability and financed purchase payable	3,047,079	-	3,047,079	-
Long-term debt	815,000	8,311,085	9,126,085	-
Total noncurrent liabilities	<u>5,392,534</u>	<u>10,070,235</u>	<u>15,462,769</u>	<u>1,656,933</u>
Total liabilities	7,434,234	12,502,044	19,936,278	3,859,768
DEFERRED INFLOWS OF RESOURCES				
Pension plan deferments - PERA	419,796	479,120	898,916	-
OPEB related deferments	48,656	53,939	102,595	-
Total deferred inflows of resources	<u>468,452</u>	<u>533,059</u>	<u>1,001,511</u>	<u>-</u>
NET POSITION				
Net investment in capital assets	9,724,701	178,534,992	188,259,693	-
Unrestricted	3,144,851	29,663,802	32,808,653	(2,805,825)
Total net position	<u>12,869,552</u>	<u>208,198,794</u>	<u>221,068,346</u>	<u>(2,805,825)</u>
Total Liabilities, Deferred Inflows of Resources, and Net Position	<u>\$ 20,772,238</u>	<u>\$ 221,233,897</u>	<u>242,006,135</u>	<u>\$ 1,053,943</u>

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

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

Net position of business-type activities	141,689
	\$ 221,210,035

See accompanying Notes to Basic Financial Statements.

CITY OF LAKEVILLE
STATEMENT OF NET REVENUES, EXPENSES, AND CHANGES IN NET POSITION
PROPRIETARY FUNDS
YEAR ENDED DECEMBER 31, 2023

	Business-type Activities - Enterprise Funds			Governmental Activities - Internal Service Funds
	Liquor	Utility	Total	
OPERATING REVENUE				
Sales	\$ 22,692,555	\$ -	\$ 22,692,555	\$ -
Cost of sales	(16,474,955)	-	(16,474,955)	-
User Charges	-	22,293,731	22,293,731	566,559
Other	-	421,973	421,973	302,499
Total operating revenue	<u>6,217,600</u>	<u>22,715,704</u>	<u>28,933,304</u>	<u>869,058</u>
OPERATING EXPENSES				
Personnel services	3,184,842	3,470,612	6,655,454	158,535
Commodities	111,450	845,870	957,320	-
Other charges and services	1,185,727	7,203,675	8,389,402	935,013
Disposal charges	-	5,066,715	5,066,715	-
Depreciation and amortization	673,810	6,007,119	6,680,929	-
Total operating expenses	<u>5,155,829</u>	<u>22,593,991</u>	<u>27,749,820</u>	<u>1,093,548</u>
OPERATING INCOME	1,061,771	121,713	1,183,484	(224,490)
NONOPERATING REVENUE (EXPENSES)				
Intergovernmental - grants	163	1,028,276	1,028,439	-
Interest Income	105,521	528,470	633,991	17,509
Change in Fair Value of Investments	114,615	574,013	688,628	6,674
Interest, fiscal charges, bond premium (net)	(39,607)	(133,289)	(172,896)	-
Disposal of capital assets	-	(9,017)	(9,017)	-
Total nonoperating revenue (expenses)	<u>180,692</u>	<u>1,988,453</u>	<u>2,169,145</u>	<u>24,183</u>
INCOME (LOSS) BEFORE CONTRIBUTIONS AND TRANSFERS	1,242,463	2,110,166	3,352,629	(200,307)
Contributed capital from developers	-	5,739,878	5,739,878	-
Contributed capital from governmental activities	-	5,042,714	5,042,714	-
Transfers from other funds	2,354,946	-	2,354,946	-
Transfers to other funds	(3,678,729)	(928,989)	(4,607,718)	-
Total Contributions and Transfers	<u>(1,323,783)</u>	<u>9,853,603</u>	<u>8,529,820</u>	<u>-</u>
CHANGE IN NET POSITION	(81,320)	11,963,769	11,882,449	(200,307)
NET POSITION				
Beginning of Year	<u>12,950,872</u>	<u>196,235,025</u>		<u>(2,605,518)</u>
End of Year	<u>\$ 12,869,552</u>	<u>\$ 208,198,794</u>		<u>\$ (2,805,825)</u>

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

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

	(174,384)
Change in net Position of business-type activities	<u>\$ 11,708,065</u>

**CITY OF LAKEVILLE
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
YEAR ENDED DECEMBER 31, 2023**

	Business-type Activities - Enterprise Funds			Governmental Activities - Internal Service Funds
	Liquor	Utility	Total	
CASH FLOWS FROM OPERATING ACTIVITIES				
Cash received from customers	\$ 22,691,812	\$ 22,214,291	\$ 44,906,103	\$ -
Cash received from general service charges	-	-	-	866,585
Cash paid to suppliers	(17,943,490)	(12,670,877)	(30,614,367)	(1,007,681)
Cash paid to and for employees	(2,864,863)	(3,321,164)	(6,186,027)	-
Net Cash Provided (Used) by Operating Activities	<u>1,883,459</u>	<u>6,222,250</u>	<u>8,105,709</u>	<u>(141,096)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Intergovernmental - grant	163	1,028,276	1,028,439	-
Transfers from other funds	2,354,946	-	2,354,946	-
Transfers to other funds	(3,678,729)	(928,989)	(4,607,718)	-
Net Cash Provided (Used) by Noncapital Financing Activities	<u>(1,323,620)</u>	<u>99,287</u>	<u>(1,224,333)</u>	<u>-</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Acquisition and construction of capital assets	(65,067)	(1,838,090)	(1,903,157)	-
Proceeds from sale of capital assets	-	18,760	18,760	-
Interest and fiscal charges	(39,853)	(363,363)	(403,216)	-
Principal maturities	(565,001)	(1,010,000)	(1,575,001)	-
Net Cash Used by Capital and Related Financing Activities	<u>(669,921)</u>	<u>(3,192,693)</u>	<u>(3,862,614)</u>	<u>-</u>
CASH FLOWS FROM INVESTING ACTIVITIES				
Investment income received	<u>210,983</u>	<u>1,078,523</u>	<u>1,289,506</u>	<u>23,439</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	<u>100,901</u>	<u>4,207,367</u>	<u>4,308,268</u>	<u>(117,657)</u>
Cash and Cash Equivalents - Beginning of the Year	<u>3,722,374</u>	<u>22,942,987</u>	<u>26,665,361</u>	<u>1,165,605</u>
CASH AND CASH EQUIVALENTS - END OF THE YEAR	<u><u>\$ 3,823,275</u></u>	<u><u>\$ 27,150,354</u></u>	<u><u>\$ 30,973,629</u></u>	<u><u>\$ 1,047,948</u></u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES				
Operating Income (Loss)	\$ 1,061,771	\$ 121,713	\$ 1,183,484	\$ (224,490)
Adjustments:				
Depreciation expense	673,810	6,007,119	6,680,929	-
(Increase) decrease in assets and deferred outflows:				
Accounts receivable	(3,137)	(595,083)	(598,220)	(2,473)
Inventory	(12,639)	(3,034)	(15,673)	-
Prepaid expenses	-	486	486	-
Pension-related deferred outflows	93,513	183,567	277,080	-
OPEB-related deferred outflows	(8,460)	(5,910)	(14,370)	-
Increase (decrease) in liabilities and deferred inflows:				
Salaries payable	2,831	1,199	4,030	-
Accounts payable	(158,719)	447,931	289,212	(72,668)
Unearned revenue	-	88,870	88,870	-
Deposits payable	2,394	4,800	7,194	-
Accrued compensated absences	45,990	16,385	62,375	158,535
Net pension liability	(233,497)	(499,238)	(732,735)	-
Pension-related deferred inflows	396,904	449,560	846,464	-
OPEB-related deferred inflows	12,566	7,384	19,950	-
Total OPEB liability	10,132	(3,499)	6,633	-
Net Cash Provided (Used) by Operating Activities	<u><u>\$ 1,883,459</u></u>	<u><u>\$ 6,222,250</u></u>	<u><u>\$ 8,105,709</u></u>	<u><u>\$ (141,096)</u></u>
Supplemental schedule of noncash financing activities:				
The City assumes ownership of utility capital assets from governmental projects and land developers. Capital assets assumed were as follows:				
Amortization of Bond Premiums	\$ -	\$ 10,782,592	\$ 10,782,592	\$ -
	-	209,516	209,516	-
	<u><u>\$ -</u></u>	<u><u>\$ 10,992,108</u></u>	<u><u>\$ 10,992,108</u></u>	<u><u>\$ -</u></u>

See accompanying Notes to Basic Financial Statements.

**CITY OF LAKEVILLE
STATEMENT OF FIDUCIARY NET POSITION
CUSTODIAL FUND
DECEMBER 31, 2023**

	Custodial Fund
ASSETS	
Accounts receivable	\$ 33,055
LIABILITIES	
Disbursements in excess of deposits	8,433
Accounts payable	2,613
Total liabilities	11,046
NET POSITION	
Restricted for:	
Individuals, organizations, and other governments	\$ 22,009

See accompanying Notes to Basic Financial Statements.

**CITY OF LAKEVILLE
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
CUSTODIAL FUND
YEAR ENDED DECEMBER 31, 2023**

	Custodial Fund
ADDITIONS	
Contributions	\$ 9,330
DEDUCTIONS	
Payments to vendors	13,801
NET DECREASE IN FIDUCIARY NET POSITION	(4,471)
Fiduciary net position - beginning of year	26,480
FIDUCIARY NET POSITION - END OF YEAR	\$ 22,009

See accompanying Notes to Basic Financial Statements.

**CITY OF LAKEVILLE
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2023**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Organization

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

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

B. Reporting Entity

The City of Lakeville is a municipal corporation governed by an elected mayor and a four-member council. In accordance with GASB standards, these financial statements represent the City of Lakeville and its sole component unit. The City includes all funds, organizations, agencies, departments, and offices that are not legally separate from such. Component units are legally separate organizations for which the elected officials of the City are financially accountable and are included within the basic financial statements of the City based on the nature and the significance of their operational or financial relationships with the City.

The City has considered all potential units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the City are such that exclusion would cause the City’s financial statements to be misleading or incomplete. The Governmental Accounting Standards Board (GASB) has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization’s governing body, and (1) the ability of the primary government to impose its will on that organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on the primary government. Based upon the application of these criteria, the City has the following component units:

Blended Component Unit

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

**CITY OF LAKEVILLE
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2023**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. Reporting Entity (Continued)

Blended Component Unit (Continued)

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

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

The HRA has not issued separate financial statements for the period ending December 31, 2023. Information of a nonfinancial matter regarding the HRA can be obtained at the City's Finance offices, located at 20195 Holyoke Avenue, Lakeville, Minnesota 55044.

C. Government-Wide Financial Statements

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

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

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

**CITY OF LAKEVILLE
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2023**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Government-Wide Financial Statements (Continued)

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

D. Fund Financial Statement Presentation

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

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

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

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

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

**CITY OF LAKEVILLE
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2023**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Fund Financial Statement Presentation (Continued)

Debt service fund – This fund is used to account for the accumulation of resources that are restricted for the payment of long-term principal, interest, and related costs.

Capital projects fund – This fund accounts for the accumulation and disbursement of funds for major capital projects and facilities including the construction or improvement of public buildings, Minnesota Municipal State-aid funded street construction, and complex construction contracts that involve multiple financing resources from the City and other government entities.

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

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

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

Other funds – The City reports the following other funds:

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

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

**CITY OF LAKEVILLE
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2023**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

E. Measurement Focus and Basis of Accounting

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

Governmental Funds:

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

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

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

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

**CITY OF LAKEVILLE
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2023**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

E. Measurement Focus and Basis of Accounting (Continued)

Proprietary and Fiduciary Funds:

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

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

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

F. Cash and Investments

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

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

G. Taxes Receivable

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

**CITY OF LAKEVILLE
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2023**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

G. Taxes Receivable (Continued)

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

Taxes receivable include the following components:

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

Delinquent – amounts billed to property owners but not paid.

H. Special Assessments Receivable

Special assessments are levied against the benefited properties for the assessable costs of special assessment improvement projects in accordance with State Statutes. The City usually adopts the assessment rolls when construction contracts will be awarded for the individual projects. The City is obligated for the payment of special assessment debt not covered through the collection of special assessments from property owners. Any obligation by the City would be paid by property taxes. Special assessments are collectable over a term of years generally consistent with the term of years of the related bond issue. Collection of annual special assessment installments (including interest) is administered by Dakota County in the same manner as property taxes. Property owners are allowed to prepay total future installments without interest or prepayment penalties. As of December 31, 2023, the special assessment delinquent receivable was \$141,056 in the governmental funds and \$49,554 in the proprietary enterprise utility fund. Special assessments receivable includes the following components:

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

Delinquent – amounts billed to property owners but not paid.

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

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

I. Inventory

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

J. Prepaid Items

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

**CITY OF LAKEVILLE
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2023**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

K. Unamortized Bond Premium and Bond Discount

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

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

L. Restricted Assets

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

M. Capital Assets

Capital assets, which include land, historical treasures, construction in process, buildings and improvements, machinery and equipment, other improvements, and infrastructure, are reported in the applicable governmental or business-type activity columns of the government-wide statement of net position and proprietary funds statement of net position. Such assets are capitalized at historical cost or estimated historical cost for assets where actual historical cost is not available. Donated assets are recorded as capital assets at their estimated acquisition value on the date of donation. The City defines capital assets as those with an initial, individual cost of \$5,000 or more with an estimated useful life of not less than one year. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend the life of the asset are not capitalized.

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

**CITY OF LAKEVILLE
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2023**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

M. Capital Assets (Continued)

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

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

Right-to-use lease assets are initially measured at the present value of payments expected to be made during the lease term, adjusted for lease payments made at or before the lease commencement date, plus certain initial direct costs. Subsequently, the lease asset is amortized in a systematic and rational manner over the shorter of the lease term or the useful life of the underlying asset.

N. Deferred Outflows/Inflows of Resources

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

The City has three items that qualifies for reporting in this category. The first two items are the deferred outflows of resources related to pensions reported in the government-wide and proprietary fund statements of net position. This deferred outflow results from differences between expected and actual experience, changes of assumptions, differences between projected and actual earnings on pension plan investments, and contributions to the plan subsequent to the measurement date and before the end of the reporting period. These amounts are deferred and amortized as required under pension standards. The third item is a deferred outflow related to the City's OPEB liability. This deferred outflows results from contributions made to the plan after the measurement date and for differences between expected and actual experience, and these deferred outflows will be amortized as required under OPEB standards.

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

The City has four items which qualify for reporting in this category. The first item, unavailable revenue, is reported only in the governmental funds Balance Sheet. The governmental funds report unavailable revenue from three sources: property taxes, special assessments, and other. These amounts are deferred and recognized as an inflow of resources in the period the amounts become available.

**CITY OF LAKEVILLE
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2023**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

N. Deferred Outflows/Inflows of Resources (Continued)

The second item, deferred inflows of resources related to pensions and OPEB, is reported in the government-wide and proprietary fund statements of net position. This deferred inflow results from differences between expected and actual experience, changes of assumptions, and the difference between projected and actual earnings on pension plan investments. These amounts are deferred and amortized as required under pension and OPEB standards. The third item relates to deferred gains on bond refundings that are amortized over the life of the related bonds. The fourth item, leases and financed purchases, relates to long-term lease receivables and financed purchase receivables not recognized to revenue until the underlying timing requirements of the leases have been met.

O. Compensated Absences

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

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

P. Pensions

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

CITY OF LAKEVILLE
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2023

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Q. Other Postemployment Benefits (OPEB) Obligation

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

R. Long-Term Obligations

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

S. Leases Receivable

The City determines if an arrangement is a lease at inception. Leases for which the City is the lessor are included in lease receivables and deferred inflows of resources in the statements of net position and fund financial statements.

Lease receivables represent the City's claim to receive lease payments over the lease term, as specified in the contract, in an exchange or exchange-like transaction. Lease receivables are recognized at commencement date based on the present value of expected lease payments over the lease term, reduced by any provision for estimated uncollectible amounts. Interest revenue is recognized ratably over the contract term.

Deferred inflows of resources related to leases are recognized at the commencement date based on the initial measurement of the lease receivable, plus any payments received from the lessee at or before the commencement of the lease term that relate to future periods, less any lease incentives paid to, or on behalf of, the lessee at or before the commencement of the lease term. The deferred inflows related to leases are recognized as lease revenue in a systematic and rational manner over the lease term.

The individual lease contracts do not provide information about the discount rate implicit in the lease. Therefore, the City has elected to use its incremental borrowing rate to calculate the present value of expected lease payments.

**CITY OF LAKEVILLE
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2023**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

T. Fund Balance

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

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

Restricted – consists of amounts related to externally imposed constraints established by creditors, grantors or contributors; or constraints imposed by state statutory provisions.

Committed – consists of amounts that are constrained for specific purposes that are internally imposed by formal action (resolution) of the City Council. Those committed amounts cannot be used for any other purpose unless City Council removes or changes the specified use by taking the same type of action it employed to previously commit those amounts.

Assigned – consists of amounts intended to be used by the City for specific purposes but do not meet the criteria to be classified as restricted or committed. Pursuant to City resolution, the City Administrator and the Finance Director are authorized to establish assignments of fund balances.

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

The City will endeavor to maintain an unrestricted (committed, assigned, and unassigned) fund balance in the General fund of an amount not less than 40% and not greater than 50% of the next year's budgeted expenditures of the General fund. This will assist in maintaining an adequate level of fund balance to provide for cash flow requirements and contingency needs. At December 31, 2023, the unrestricted fund balance of the General Fund was 49.2% of the subsequent year's budgeted expenditures.

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

When committed, assigned or unassigned resources are available for use, it is the City's policy to use resources in the following order; 1.) committed, 2.) assigned, and 3.) unassigned.

**CITY OF LAKEVILLE
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2023**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

U. Net Position

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

Net investment in capital assets – Consists of capital assets, net of accumulated depreciation and amortization reduced by any outstanding debt attributable to acquire capital assets.

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

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

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

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

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

V. Revenues and Expenditures/Expenses

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

**CITY OF LAKEVILLE
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2023**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

V. Revenues and Expenditures/Expenses (Continued)

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

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

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

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

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

W. Cash Flows

For purposes of the statement of cash flows, the City considers all highly liquid debt instruments with an original maturity from the time of purchase of three months or less to be cash equivalents. The proprietary funds' equity in the government-wide cash and investments management pool is considered to be a cash equivalent.

X. Use of Estimates

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

**CITY OF LAKEVILLE
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2023**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Y. Adoption of New Accounting Standards

GASB Statement No. 94, Public-Private and Public-Public Partnerships and Availability Payment Arrangements

In March 2020, the GASB issued GASB Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*. This standard provides accounting and financial reporting requirements for public-private and public-public partnership arrangements (PPPs) that either meet the definition of an SCA or are not within the scope of Statement 87, as amended. This standard also provides guidance for accounting and financial reporting for availability payment arrangements (APAs), which are arrangements in which a government compensates an operator for services that may include designing, constructing, financing, maintaining, or operating an underlying nonfinancial asset for a period of time in an exchange or exchange-like transaction.

The City adopted the requirements of the guidance effective January 1, 2023, and has applied the provisions of this standard to the beginning of the period of adoption. As the City did not identify any arrangements that qualified as an APA or PPPs that met the definition of an SCA which required recording in the financial statements, this new accounting standard did not have any effect on the financial statements.

GASB Statement No. 96, Subscription-Based Information Technology Arrangements

In May 2020, the GASB issued GASB Statement No. 96, *Subscription-Based Information Technology Arrangements*. This standard defines a subscription-based information technology arrangement (SBITA); establishes that a SBITA results in a right-to-use subscription asset (an intangible asset) and a corresponding subscription liability; provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and requires note disclosures regarding a SBITA.

The City adopted the requirements of the guidance effective January 1, 2023, and has applied the provisions of this standard to the beginning of the period of adoption. As the City did not identify any arrangements that qualified as a long-term SBITA, this new accounting standard did not have any effect on the financial statements.

NOTE 2 DEPOSITS AND INVESTMENTS

A. Components of Cash and Investments

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

**CITY OF LAKEVILLE
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2023**

NOTE 2 DEPOSITS AND INVESTMENTS (CONTINUED)

A. Components of Cash and Investments (Continued)

The City's cash and investments as of December 31, 2023 consist of the following:

Cash on hand	\$	17,750
Deposits		2,223,209
Investments		<u>162,671,860</u>
Total cash and investments		<u>\$ 164,912,819</u>

The City's cash and investments as of December 31, 2023 are presented in the financial statements as follows:

Statement of Net Position

Cash and investments	\$	164,921,213
Temporarily restricted investments held by trustee		39

Statement of Fiduciary Net Position

Cash and investments		<u>(8,433)</u>
Total cash and investments		<u>\$ 164,912,819</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 value of collateral pledged must equal 110% of the deposits not covered by federal deposit insurance or corporate surety bonds. Authorized collateral includes treasury bills, notes, and bonds; issues of U.S. government agencies; general obligations rated "A" or better; revenue obligations rated "AA" or better; irrevocable standard letters of credit issued by the Federal Home Loan Bank; and certificates of deposit. Minnesota Statutes require that securities pledged as collateral be held in safekeeping in a restricted account at the Federal Reserve Bank or in an account at a trust department of a commercial bank or other financial institution that is not owned or controlled by the financial institution furnishing the collateral. The City does not have a formal policy addressing this risk.

At year-end, the carrying amount of the City's deposits was \$2,223,209, while the balance on the bank records was \$-0-. At December 31, 2023, all deposits were fully covered by federal depository insurance, surety bonds, or by collateral held by the City's agent in the City's name.

**CITY OF LAKEVILLE
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2023**

NOTE 2 DEPOSITS AND INVESTMENTS (CONTINUED)

C. Investments

The City's investments as of December 31, 2023 are as follows:

Investment Type	Credit Risk		Total Value	Interest Risk - Maturity Duration in Years		
	Rating	Agency		Less than 1	1 - 5	6 - 10
Money market funds:						
Minnesota Municipal (4M)	N/R	N/A	\$ 24,446,015	\$ 24,446,015	\$ -	\$ -
First American Treasury Obligation	AAAm	S&P	39	39	-	-
Wells Fargo Money Market	N/R	N/A	72	72	-	-
Certificates of deposit	N/R	N/A	11,238,823	3,156,845	8,081,978	-
U.S. treasury securities	N/A	N/A	4,965,090	4,965,090	-	-
U.S. government agencies	AA+	S&P	87,951,469	16,904,698	70,650,982	395,789
Municipal bonds	Aaa	Moody's	391,929	-	391,929	-
Municipal bonds	AAA	S&P	8,068,952	-	8,068,952	-
Municipal bonds	Aa1	Moody's	3,562,337	-	3,562,337	-
Municipal bonds	AA+	S&P	5,147,197	805,413	4,341,784	-
Municipal bonds	Aa2	Moody's	5,682,735	1,969,277	3,713,458	-
Municipal bonds	AA	S&P	6,718,423	1,646,965	5,071,458	-
Municipal bonds	Aa3	Moody's	918,324	-	918,324	-
Municipal bonds	AA-	S&P	3,580,455	1,517,598	2,062,857	-
Total investments			<u>\$ 162,671,860</u>	<u>\$ 55,412,012</u>	<u>\$ 106,864,059</u>	<u>\$ 395,789</u>

N/R - Not rated

N/A - Not applicable

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

Custodial Credit Risk – For investments, this is the risk that in the event of a failure of the counterparty to an investment transaction (typically a broker-dealer) the City would not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The City does not have any custodial credit risk for its investments since all of the City's investments held in safekeeping by the City's brokerage firm in the City's name are insured and registered.

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

CITY OF LAKEVILLE
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2023

NOTE 2 DEPOSITS AND INVESTMENTS (CONTINUED)

C. Investments (Continued)

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

As of December 31, 2023, the City’s investment portfolio includes the following securities of single issuers exceeding 5%:

Federal Farm Credit Bank	11.7%
Federal Home Loan Bank	25.2%
Federal Home Loan Mortgage Corporation	7.5%
Federal National Mortgage Association	9.2%

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).

D. Investments Policy

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

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

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

**CITY OF LAKEVILLE
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2023**

NOTE 2 DEPOSITS AND INVESTMENTS (CONTINUED)

E. Fair Value Measurements

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

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

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

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

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

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

<u>Investment Type</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
U.S. treasury securities	\$ 4,965,090	\$ -	\$ -	\$ 4,965,090
U.S. government securities	-	87,951,469	-	87,951,469
Certificates of deposit	-	11,238,823	-	11,238,823
Municipal bonds	-	34,070,352	-	34,070,352
Total	<u>\$ 4,965,090</u>	<u>\$ 133,260,644</u>	<u>\$ -</u>	138,225,734
Investments measured at amortized cost				<u>24,446,126</u>
Total				<u>\$ 162,671,860</u>

CITY OF LAKEVILLE
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2023

NOTE 3 CAPITAL ASSETS

A summary of changes in governmental capital assets during the year ended December 31, 2023 are as follows:

	Beginning Balance	Additions	Deletions	Ending Balance
Governmental Activities:				
Capital Assets, Not Being Depreciated:				
Land	\$ 35,872,515	\$ 1,560,098	\$ -	\$ 37,432,613
Historical treasures	128,000	-	-	128,000
Construction in progress	6,061,392	9,929,554	(4,146,545)	11,844,401
Total Capital Assets, Not Being Depreciated	<u>42,061,907</u>	<u>11,489,652</u>	<u>(4,146,545)</u>	<u>49,405,014</u>
Capital Assets, Being Depreciated:				
Building and improvements	62,686,756	8,100,334	(786,427)	70,000,663
Machinery and equipment	28,303,066	3,456,612	(1,804,207)	29,955,471
Other improvements	17,041,333	4,471,182	(53,999)	21,458,516
Infrastructure				
Streets	224,730,598	10,750,829	(4,817,738)	230,663,689
Storm Sewer	126,708,909	9,551,380	(657,107)	135,603,182
Parks	39,145,098	5,177,525	(151,274)	44,171,349
Total Capital Assets, Being Depreciated	<u>498,615,760</u>	<u>41,507,862</u>	<u>(8,270,752)</u>	<u>531,852,870</u>
Accumulated Depreciation for:				
Buildings and improvements	(21,740,261)	(1,667,493)	407,971	(22,999,783)
Machinery and equipment	(18,300,643)	(2,305,811)	1,754,399	(18,852,055)
Other improvements	(5,728,581)	(896,101)	48,956	(6,575,726)
Infrastructure				
Streets	(99,846,988)	(9,775,709)	4,307,722	(105,314,975)
Storm Sewer	(31,437,169)	(3,499,290)	31,370	(34,905,089)
Parks	(18,187,378)	(1,506,264)	151,274	(19,542,368)
Total Accumulated Depreciation	<u>(195,241,020)</u>	<u>(19,650,668)</u>	<u>6,701,692</u>	<u>(208,189,996)</u>
Total Capital Assets, Being Depreciated, Net	<u>303,374,740</u>	<u>21,857,194</u>	<u>(1,569,060)</u>	<u>323,662,874</u>
Governmental Activities Capital Assets, Net	<u>\$ 345,436,647</u>	<u>\$ 33,346,846</u>	<u>\$ (5,715,605)</u>	<u>\$ 373,067,888</u>

Depreciation and amortization expense was charged to governmental functions as follows:

Governmental Activities:	
General government	\$ 407,862
Public safety	1,321,740
Public works	14,294,509
Parks and recreation	3,626,557
Total depreciation and amortization expense	<u>\$ 19,650,668</u>

**CITY OF LAKEVILLE
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2023**

NOTE 3 CAPITAL ASSETS (CONTINUED)

A summary of changes in business-type capital assets during the year ended December 31, 2023 are as follows:

	Beginning Balance	Additions	Deletions	Ending Balance
Business-Type Activities:				
Capital Assets, Not Being Depreciated:				
Land	\$ 3,634,926	\$ 38,043	\$ -	\$ 3,672,969
Construction in Progress	18,761	-	(18,761)	-
Total Capital Assets, Not Being Depreciated	<u>3,653,687</u>	<u>38,043</u>	<u>(18,761)</u>	<u>3,672,969</u>
Capital Assets, Being Depreciated:				
Buildings and improvements	34,246,258	114,774	-	34,361,032
Machinery and equipment	4,228,346	61,444	(30,366)	4,259,424
Infrastructure				
Environmental Resources	399,007	90,637	-	489,644
Water	142,169,013	8,624,870	-	150,793,883
Sanitary Sewer	97,737,651	3,755,981	(15,268)	101,478,364
Total Capital Assets, Being Depreciated	<u>278,780,275</u>	<u>12,647,706</u>	<u>(45,634)</u>	<u>291,382,347</u>
Accumulated Depreciation for:				
Buildings and improvements	(11,569,562)	(804,428)	-	(12,373,990)
Machinery and equipment	(2,421,647)	(341,885)	30,366	(2,733,166)
Infrastructure				
Environmental Resources	(24,328)	(12,682)	-	(37,010)
Water	(42,810,914)	(3,165,076)	-	(45,975,990)
Sanitary Sewer	(33,269,995)	(2,002,682)	6,252	(35,266,425)
Total Accumulated Depreciation	<u>(90,096,446)</u>	<u>(6,326,753)</u>	<u>36,618</u>	<u>(96,386,581)</u>
Total Capital Assets, Being Depreciated, Net	<u>188,683,829</u>	<u>6,320,953</u>	<u>(9,016)</u>	<u>194,995,766</u>
Right-to-Use Assets, Not Being Depreciated:				
Leased buildings	3,989,676	-	-	3,989,676
Less accumulated amortization	(354,177)	(354,176)	-	(708,353)
Total Right-to-Use Assets, Net	<u>3,635,499</u>	<u>(354,176)</u>	<u>-</u>	<u>3,281,323</u>
Business-Type Activities Capital Assets, Net	<u>\$ 195,973,015</u>	<u>\$ 6,004,820</u>	<u>\$ (27,777)</u>	<u>\$ 201,950,058</u>

Depreciation and amortization expense was charged to governmental functions as follows:

Business-Type Activities:	
Liquor fund	\$ 673,810
Utility fund	6,007,119
Total depreciation and amortization expense, Business-Type Activities	<u>\$ 6,680,929</u>

NOTE 4 LEASES

The City, acting as lessor, leases land and water tower space for cellular services as well as ice arena space under long-term, non-cancelable lease agreements. The leases expire at various dates through 2056. During the year ended December 31, 2023, the City recognized \$657,990 and \$108,716 in lease revenue and interest revenue, respectively, pursuant to these contracts.

Certain leases provide for increases in future minimum annual rental payments based on defined increases in the Consumer Price Index, subject to certain minimum increases.

**CITY OF LAKEVILLE
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2023**

NOTE 5 LONG-TERM DEBT

A. Components of Long-Term Debt

General Obligation Bonds

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

Revenue Bonds

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

Business-type Activities

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

Summary of Business-type Activities

Bond Issue	Use of Proceeds	Revenue Pledged		Remaining Principal and Interest	Current Year	
		Type	Term of Pledge		Principal and Interest Paid	Pledged Revenue Received
Utility - Water Revenue	Water infrastructure	Utility user fees	2023 - 2034	\$ 9,686,906	\$ 1,246,613	\$ 10,251,763
Utility - Sewer Revenue	Sewer infrastructure	Utility user fees	2023 - 2025	141,875	73,375	8,929,881
Utility - Street Lights Revenue	Street lights infrastructure	Utility user fees	2023 - 2026	156,125	53,375	1,231,278
Water Connection Revenue	Water infrastructure	Connection charges	2023 - 2034	6,492,800	609,200	2,736,750

Metropolitan Council Loan Agreements

On February 21, 2006, the City entered into a loan agreement with the Metropolitan Council for the purpose of acquiring property for a commuter vehicle park and pool lot located within a proposed state trunk highway right-of-way. The Metropolitan Council provided a loan to the City in the amount of \$1,466,300 to finance the acquisition of the property. In 2023, the City made no payments on this loan. As of December 31, 2023, the balance of the loan is \$1,159,843. On January 3, 2017, the City entered into another loan agreement with the Metropolitan Council for the purpose of acquiring property within a proposed state trunk highway right-of-way. The amount of the loan was \$737,171 and the City made no payments on the loan in 2023. In December of 2021, the City entered into another loan agreement with the Metropolitan Council for the purpose of acquiring property within a proposed state trunk highway right-of-way. The amount of the loan was \$950,000 with subsequent additions of \$51,842 in 2022 and \$57,939 in 2023, for a total loan of \$1,059,781. The City made no payments on the loan in 2023.

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

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

**CITY OF LAKEVILLE
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2023**

NOTE 5 LONG-TERM DEBT (CONTINUED)

A. Components of Long-Term Debt (Continued)

Metropolitan Council Loan Agreements (Continued)

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

Dakota County Loans Payable

During 2020, the City entered into two new agreements with Dakota County, where as Dakota County delayed repayment of project costs. One agreement related to construction on 179th Street between CSAH 23 and CASH 31, with the City's total share to date of \$2,854,377 being recorded as a new loan in 2020. Additions of \$27,923 were made to this loan in 2021, bringing the total balance payable to \$2,882,300. This loan requires the City to pay the County for the City's share of the project's costs after May 1, 2023. Additions of \$27,923 were made to this loan in 2023 along with payments of \$2,526,000, bringing the December 31, 2023, balance to \$360,748.

The other 2020 agreement related to the County Road 70 expansion, with the City's total share to date of \$2,319,659 being recorded as a new loan in 2020. Additions of \$4,672,203 were made to this loan in 2021, bringing the total balance payable to \$6,991,862. This loan requires the City to pay the County for the City's share of the project's costs over three years starting with engineering and right of way acquisition after February 1, 2022, and the final payment for constructions costs is due after February 1, 2024. Payments of \$656,200 were made in 2022, bringing the total balance payable as of December 31, 2022 to \$6,335,662. An adjustment to the agreement in the amount of \$676,542 was made in 2023, bringing the balance of the payable as of December 31, 2023, to \$5,659,120.

During 2021, the City entered into a third agreement with Dakota County related to 179th Street Reconstruction, with the City's total share to date of \$224,099 being recorded as a new loan in 2021. Additions in the amount of \$68,018 were made to this loan in 2022 and additions in the amount of \$41,346 were made to the loan in 2023, bringing the total balance payable to \$333,463. This loan is not payable to the County until 2025.

During 2023, the City entered into agreements for three more projects with Dakota County. The first of these agreements related to reconstruction on 185th Street between Dodd Boulevard and Highview Avenue, with the City's total date to date of \$2,982,455 as a new loan in 2023. This loan is not payable to the County until 2026. The second of these agreements related to the 185th Street and CSAH 60 reconstruction project, with the City's total date to date of \$524,000 as a new loan in 2023. This loan is not payable to the County until 2025. The third agreement related to the 210th Street and Lakeville Boulevard reconstruction project, with the City's total date to date of \$207,700 as a new loan in 2023. This loan is not payable to the County until 2026.

**CITY OF LAKEVILLE
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2023**

NOTE 5 LONG-TERM DEBT (CONTINUED)

A. Components of Long-Term Debt (Continued)

Dakota County Loans Payable (Continued)

No assets were specifically pledged as collateral for these loans in the related agreements. There were no terms specified in the agreements with the County related to significant events of default, termination events, or subjective acceleration clauses.

Lease Revenue Liquor Enterprise Refunding Bonds, Series 2017A

On October 25, 2017, the City issued \$2,255,000 in HRA Lease Revenue Liquor Enterprise Refunding Bonds, Series 2017A. The proceeds of this issue were deposited with the Trustee in order to call and prepay the outstanding liquor revenue bonds of 2007. In exchange for the refunding of the existing liquor revenue bonds, the liquor fund conveyed related capital assets consisting of land and building to the HRA fund. The HRA then leased the building back to the liquor fund under a financed purchase agreement, resulting in the capital assets being reported back in the liquor fund and the long-term debt being shown in the liquor fund as a financed purchase. The financed purchase terms include interest of between 2.0%-3.0% with payments totaling \$2,255,000 through 2027. The capital assets being leased had a total cost of \$2,522,470 and accumulated depreciation of \$840,855 at December 31 2023. Per governmental accounting standards the related long-term debt is not shown in both the governmental and business-type activities, therefore the long-term liability is included in business-type activities as a financed purchase, as is noted in the table on the following page. This refunding resulted in an aggregate difference in debt service cash flows between the refunding debt and the refunded debt of \$305,074 as well as an economic net present value benefit of \$321,727 on the transaction.

General Obligation Tax Abatement Bonds, Series 2021 A

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

General Obligation Tax Abatement Bonds, Series 2021 B

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

**CITY OF LAKEVILLE
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2023**

NOTE 5 LONG-TERM DEBT (CONTINUED)

A. Components of Long-Term Debt (Continued)

General Obligation Bonds, Series 2021 C

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

General Obligation Refunding Bonds, Series 2022A

The General Obligation Refunding Bonds, Series 2022A, were issued in the amount of \$13,240,000, dated January 6, 2022, pursuant to Minnesota Statutes, Sections 475.521 and 475.58, Subdivision 3b and Chapters 429 and 475, as amended. Proceeds of the Bonds will be used to current refund the February 1, 2023 through February 1, 2033 maturities, totaling \$1,860,000 in principal, of the City's General Obligation Improvement Bonds, Series 2012A on February 1, 2022; to current refund the February 1, 2023 through February 1, 2030 maturities, totaling \$11,990,000 in principal, of the City's General Obligation Refunding Bonds, Series 2012B on February 1, 2022; to current refund the February 1, 2023 through February 1, 2034 maturities, totaling \$1,800,000 in principal, of the City's General Obligation Improvement Bonds, Series 2013A on February 1, 2022; and to pay costs associated with issuance of the Bonds. The Bonds are general obligations of the City and are payable from special assessments levied against benefitted properties and ad valorem taxes. This refunding resulted in an aggregate difference in debt service cash flows between the refunding debt and the refunded debt of \$2,251,071 as well as an economic net present value benefit of \$1,423,255 on the transaction.

Taxable General Obligation Bonds, Series 2022 B

The Taxable General Obligation Bonds, Series 2022B were issued in the amount of \$9,570,000, dated April 5, 2022, pursuant to Minnesota Statutes, Sections 469.1812 through 469.1815 and Chapter 475, as amended, and a voter referendum held on November 2, 2021, which passed by a vote of 7,346 (yes) to 4,681 (no). Proceeds of the Bonds will be used to full net advance refund the February 1, 2023 through February 1, 2032 maturities, totaling \$4,920,000 in principal, of the Housing and Redevelopment Authority of the City of Lakeville, Minnesota Lease Revenue Refunding Bonds (Ice Arena Project), Series 2016A; to finance the construction of an outdoor refrigerated covered ice rink at Hasse Arena; and to pay costs associated with issuance of the Bonds. The bonds are general obligations of the City and are payable from an abatement levy and ad valorem taxes. This refunding resulted in an aggregate difference in debt service cash flows between the refunding debt and the refunded debt of \$634,677 as well as an economic net present value benefit of \$171,723 on the transaction.

CITY OF LAKEVILLE
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2023

NOTE 5 LONG-TERM DEBT (CONTINUED)

A. Components of Long-Term Debt (Continued)

General Obligation Bonds, Series 2022C

On July 18, 2022, the City issued the General Obligation Bonds, Series 2022C were being issued by the City pursuant to Minnesota Statutes, Chapters 429 and 475, as amended, and a voter referendum held on November 2, 2021, which passed by a vote of 7,346 (yes) to 4,681 (no). Proceeds of the Bonds will be used to finance the City's 2022 street improvements, various park improvements, and to pay costs associated with issuance of the Bonds. The Bonds are valid and binding general obligations of the City and are payable from special assessments levied against benefitted properties and ad valorem taxes. The full faith and credit of the City is also pledged to their payment. The Bonds maturing on February 1, 2031 and thereafter are subject to redemption, in whole or in part, on February 1, 2030 and on any date thereafter at a price of par plus accrued interest. Principal due with respect to the Bonds is payable annually on February 1, commencing February 1, 2024. Interest due with respect to the Bonds is payable semiannually on February 1 and August 1, commencing August 1, 2023.

General Obligation Bonds, Series 2023A

The General Obligation Bonds, Series 2023A were issued on July 20, 2023 in the amount of \$9,220,000, pursuant to Minnesota Statutes, Chapter 475 and Section 475.58, Subdivision 3b and a voter referendum held of November 2, 2021, which passed by a vote of 7,346 (yes) to 4,681 (no). Proceeds of the Bonds were used to finance the City's 2023 street reconstruction projects and various park improvements and to pay costs associated with issuance of the Bonds. The Bonds are valid and binding general obligations of the City and are payable from ad valorem taxes. The full faith and credit of the City is also pledged to their payment. The Bonds maturing on February 1, 2032 and thereafter are subject to redemption, in whole or in part, on February 1, 2031 and on any date thereafter at a price of par plus accrued interest. Principal due with respect to the Bonds is payable annually on February 1, commencing February 1, 2025. Interest due with respect to the Bonds is payable semiannually on February 1 and August 1, commencing February 1, 2024.

Leases Payable

The City also leases liquor store space, as a lessee, as well as certain operating under long-term, non-cancelable lease agreements. The Heritage Liquor Store lease (located in Heritage Shopping Center) consists of 8,859 square feet of space and expires on June 30, 2027. This lease was discounted at a rate of 0.636%. The Kenrick Liquor Store lease (located off Kenrick Avenue) consists of 9,705 square feet of space and expires on April 30, 2038. This lease was discounted at a rate of 1.24%. The City also has an internal lease between the HRA and the Liquor fund for space that was funding by the 2017A lease revenue liquor enterprise refunding bonds.

**CITY OF LAKEVILLE
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2023**

NOTE 5 LONG-TERM DEBT (CONTINUED)

A. Components of Long-Term Debt (Continued)

The City had the following long-term liabilities outstanding at December 31, 2023:

Description	Maturities	Interest Rates	Amount
PRIMARY GOVERNMENT			
Governmental Activities:			
General Obligation Bonds Payable:			
General obligation bonds	2026 - 2044	1.75% - 5.00%	\$ 53,025,000
G.O. improvement bonds	2029 - 2038	1.50% - 5.00%	57,630,000
State-aid street revenue bonds	2036	1.25% - 5.00%	3,470,000
G.O. water revenue bonds	2034	2.00% - 5.00%	5,590,000
Tax abatement Bonds	2031 - 2042	1.00% - 5.00%	17,310,000
Total General Obligation Bonds			<u>137,025,000</u>
Business-Type Activities:			
Revenue Bonds			
Water revenue bonds	2028 - 2034	1.50% - 5.00%	8,380,000
Sewer revenue bonds	2025	1.50% - 5.00%	135,000
Street light revenue bonds	2026	5.00%	145,000
Total Revenue Bonds			8,660,000
Financed purchase arrangements	2027	2.00% - 3.00%	1,075,000
Lease liability	2024- 2038	1.16% - 3.00%	3,374,280
Total Business-Type Activities			<u>13,109,280</u>
Total long-term bonded debt outstanding			<u><u>\$ 150,134,280</u></u>

The City is in compliance with all significant bond covenants. Annual bond debt service requirements to maturity for long-term bond obligations are as follows:

Year Ending December 31,	Governmental		Business-Type		Total
	Principal	Interest	Principal	Interest	
2024	\$ 11,505,000	\$ 4,936,874	\$ 1,075,000	\$ 312,763	\$ 17,829,637
2025	12,910,000	4,399,451	1,130,000	258,788	18,698,239
2026	12,725,000	3,850,764	1,105,000	208,588	17,889,352
2027	12,005,000	3,345,877	950,000	168,588	16,469,465
2028	12,410,000	2,874,723	980,000	133,538	16,398,261
2029-2033	48,665,000	8,189,563	3,170,000	238,740	60,263,303
2034-2038	16,260,000	2,793,075	250,000	3,906	19,306,981
2039-2043	10,235,000	885,880	-	-	11,120,880
2044	310,000	6,200	-	-	316,200
Total	<u>\$ 137,025,000</u>	<u>\$ 31,282,407</u>	<u>\$ 8,660,000</u>	<u>\$ 1,324,911</u>	<u>\$ 177,976,118</u>

**CITY OF LAKEVILLE
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2023**

NOTE 5 LONG-TERM DEBT (CONTINUED)

A. Components of Long-Term Debt (Continued)

Annual bond debt service requirements to maturity for financed purchases payable and the liquor lease liability are as follows:

<u>Year Ending December 31,</u>	Liquor Financed Purchase	
	Principal	Interest
2024	\$ 260,000	\$ 28,350
2025	265,000	20,475
2026	270,000	12,450
2027	280,000	4,200
Total	\$ 1,075,000	\$ 65,475

<u>Year Ending December 31,</u>	Liquor Lease Liability	
	Principal	Interest
2024	\$ 327,201	\$ 36,828
2025	335,306	33,728
2026	343,608	30,564
2027	259,588	27,457
2028	181,353	25,137
2029-2033	974,910	90,343
2034-2038	952,314	26,306
Total	\$ 3,374,280	\$ 270,363

Accrued Compensated Absences

Governmental Activities

The governmental funds accumulated liability for accrued PTO, comp pay, vacation, and vested sick pay (including applicable salary-related payments) as of December 31, 2023 is \$3,787,849. This amount is included in the noncurrent liabilities of the government-wide statement of net position.

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

Business-Type Activities

The accumulated liability for accrued PTO, vacation, and vested sick pay for proprietary enterprise funds (including applicable salary-related payments) as of December 31, 2023 is \$563,834. In the event of employee separation from the City, the responsible enterprise fund will pay the accumulated severance portion. These amounts are recorded as a liability and as an expense when earned in the responsible funds.

**CITY OF LAKEVILLE
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2023**

NOTE 5 LONG-TERM DEBT (CONTINUED)

A. Components of Long-Term Debt (Continued)

Unamortized Bond Premium and Discount

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

	<u>Governmental</u>	<u>Business-Type</u>
Unamortized bond premium	\$ 9,037,183	\$ 726,085

B. Changes in Long-Term Debt

Long-term liability activity for the year ended December 31, 2023 was as follows:

	<u>Beginning of Year</u>	<u>Additions</u>	<u>Deletions</u>	<u>End of Year</u>	<u>Due Within One Year</u>
PRIMARY GOVERNMENT					
Governmental Activities					
General obligation bonds	\$ 46,865,000	\$ 9,220,000	\$ (3,060,000)	\$ 53,025,000	\$ 3,525,000
Other bonds	91,575,000	-	(7,575,000)	84,000,000	7,980,000
Total bonds	138,440,000	9,220,000	(10,635,000)	137,025,000	11,505,000
Direct Borrowing - County note payable	9,510,078	3,083,398	(2,526,000)	10,067,476	-
Direct Borrowing - Metropolitan Council loans	2,898,856	57,939	-	2,956,795	-
Total long-term debt	150,848,934	12,361,337	(13,161,000)	150,049,271	11,505,000
Accrued compensated absences	3,629,314	2,178,286	(2,019,751)	3,787,849	2,130,916
Unamortized bond premium/discount	10,094,254	779,235	(1,836,306)	9,037,183	-
Total Governmental Activities	164,572,502	15,318,858	(17,017,057)	162,874,303	13,635,916
Business-Type Activities:					
Utility - water revenue bonds	9,280,000	-	(900,000)	8,380,000	965,000
Utility - sewer revenue bonds	200,000	-	(65,000)	135,000	65,000
Utility - street light revenue bonds	190,000	-	(45,000)	145,000	45,000
Liquor - lease liability	3,689,281	-	(315,001)	3,374,280	327,201
Financed purchase arrangements	1,325,000	-	(250,000)	1,075,000	260,000
Accrued compensated absences	501,459	337,010	(274,635)	563,834	281,725
Unamortized Bond Premiums	935,601	-	(209,516)	726,085	-
Total Business-Type Activities	16,121,341	337,010	(2,059,152)	14,399,199	1,943,926
Total Primary Government	\$ 180,693,843	\$ 15,655,868	\$ (19,076,209)	\$ 177,273,502	\$ 15,579,842

The general fund is used to generally liquidate compensated absences, net pension liability, and total OPEB liability in governmental activities.

**CITY OF LAKEVILLE
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2023**

NOTE 6 NET INVESTMENT IN CAPITAL ASSETS

Net investment in capital assets as of December 31, 2023 is calculated as follows:

	<u>Governmental</u>	<u>Business-type</u>	<u>Total</u>
Capital assets, net of depreciation	\$ 373,067,888	\$ 201,950,058	\$ 575,017,946
Less applicable:			
Bonds payable	(106,730,000)	(8,515,000)	(115,245,000)
Lease liability and financed purchase payable	-	(4,449,280)	(4,449,280)
Loan payable	(2,956,795)	-	(2,956,795)
Note payable	(10,067,476)	-	(10,067,476)
Unamortized bond premium / discount (net)	(8,775,337)	(726,085)	(9,501,422)
Unamortized deferred gain on refunding	(1,007,443)	-	(1,007,443)
Unspent bond proceeds	1,037,763	-	1,037,763
Contracts Payable	(3,589,992)	-	(3,589,992)
Net Investment in capital assets	<u>\$ 240,978,608</u>	<u>\$ 188,259,693</u>	<u>\$ 429,238,301</u>

The City has \$30,440,000 in bonds and \$261,846 in unamortized bond premiums that are not included in the calculation above as they are not capital in nature.

NOTE 7 RESTRICTED NET POSITION

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

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
<u>Restricted Net Position</u>			
Special purposes	\$ 302,251	\$ -	\$ 302,251
Debt service	38,035,240	-	38,035,240
Capital acquisition	26,983,646	-	26,983,646
Public safety	3,156,649	-	3,156,649
Opioid remediation activities	574,912	-	574,912
Fire relief pensions	4,171,660	-	4,171,660
Total restricted net position	<u>\$ 73,224,358</u>	<u>\$ -</u>	<u>\$ 73,224,358</u>

**CITY OF LAKEVILLE
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2023**

NOTE 8 CONSTRUCTION COMMITMENTS

The City has outstanding construction and build projects as of December 31, 2023. These projects include street reconstruction projects, equipment purchases, land purchases and other water and sanitary sewer projects. The City's commitments with contractors and other governmental entities are shown as follows:

<u>Projects</u>	<u>Spent-to-Date</u>	<u>Remaining Commitment</u>
<u>Governmental Activities</u>		
ERP Implementation Project	\$ 357,967	\$ 727,908
215th St Extension, CP22-24 Airlake improvements	2,432,693	2,518,056
2023 Street reconstruction projects	3,942,056	57,421
2022 Street reconstruction projects	6,410,920	360,788
2023 pavement management projects	1,091,448	326,410
Police equipment (Axon)	-	34,119
Casperson park irrigation	69,689	14,162
Trail Lighting	-	202,500
Aronson Park projects	116,445	54,335
Voyageur Farms pedestrian bridge	-	62,300
Knob Hill Park	670,368	103,416
Casperson park trails CP23-18	315,141	27,381
Foxborough Park playground replacement	62,550	28,450
Antlers Park project	9,650,910	797,234
Ritter Farm Park Environmental Learning Center cabin	695,159	54,682
Trail gaps project CP23-06	2,124,446	383,771
179th St project 23-04	-	3,775,074
North Creek stormwater management CP23-59	349,562	31,310
210th St project 22-03	10,687,413	263,895
City Hall renovations	88,808	434,907
CMF Commodities Bunkers	634,253	18,255
Hasse Arena covered ice rink (construction)	6,070,449	885,485
New watermain infrastructure/improvements	157,521	14,630
Other/miscellaneous projects	104,526	118,181
Total governmental	\$ 46,032,323	\$ 11,294,669
 <u>Projects</u>		
<u>Business-Type Activities</u>		
2023 well rehabilitation projects	\$ 63,670	\$ 198,725
Lift station #9 rehabilitation	18,761	6,970
Water meters - ordered but not received	-	106,560
Stormwater and lake restoration/improvement projects	433,575	92,391
Total business-type	\$ 516,006	\$ 404,646

**CITY OF LAKEVILLE
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2023**

NOTE 9 FUND BALANCES

A summary of the City's governmental fund balance classifications at December 31, 2023 is as follows:

	General Fund	Debt Service Fund	Capital Projects Fund	Nonmajor	Total
Nonspendable					
Inventory	\$ 254,033	\$ -	\$ -	\$ -	\$ 254,033
Prepaid Items	25,535	-	-	-	25,535
Total nonspendable	<u>279,568</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>279,568</u>
Restricted for:					
Debt Service	-	22,191,294	-	-	22,191,294
Arenas capital improvements	-	-	135,358	-	135,358
Public improvements	-	-	5,731,057	-	5,731,057
Street construction	-	-	9,871,448	-	9,871,448
Public safety aid	1,850,000	-	1,306,649	-	3,156,649
Park development	-	-	6,518,163	-	6,518,163
Tax increment	-	-	232,525	-	232,525
Parks bond referendum	-	-	5,052,739	-	5,052,739
Opioid remediation activities	-	-	-	140,019	140,019
Public communications	-	-	-	154,190	154,190
Special Service District	-	-	-	12,703	12,703
Total Restricted	<u>1,850,000</u>	<u>22,191,294</u>	<u>28,847,939</u>	<u>306,912</u>	<u>53,196,145</u>
Committed for:					
Public improvements	-	-	3,143,763	-	3,143,763
Public buildings	-	-	1,281,444	-	1,281,444
Pavement management	-	-	1,091,618	-	1,091,618
Storm water infrastructure	-	-	7,379,651	-	7,379,651
Water trunk system	-	-	15,081,783	-	15,081,783
Sanitary sewer trunk system	-	-	13,245,203	-	13,245,203
Trail improvement	-	-	695,677	-	695,677
Park improvement	-	-	553,870	-	553,870
Capital acquisitions	-	-	4,287,037	-	4,287,037
Technology equipment	-	-	408,084	-	408,084
Public communications	-	-	-	1,230,797	1,230,797
Arenas improvement projects	-	-	115,172	-	115,172
Total Committed	<u>-</u>	<u>-</u>	<u>47,283,302</u>	<u>1,230,797</u>	<u>48,514,099</u>
Assigned for:					
Subsequent year budget	1,528,414	-	-	-	1,528,414
Unassigned (Deficit)	<u>18,715,015</u>	<u>-</u>	<u>(30,377)</u>	<u>-</u>	<u>18,684,638</u>
Total	<u>\$ 22,372,997</u>	<u>\$ 22,191,294</u>	<u>\$ 76,100,864</u>	<u>\$ 1,537,709</u>	<u>\$ 122,202,864</u>

**CITY OF LAKEVILLE
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2023**

NOTE 10 CONTRIBUTED CAPITAL

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

<u>From Private Land Developers</u>	<u>Governmental</u>	<u>Enterprise Utility Fund</u>
Infrastructure:		
Streets	\$ 3,757,145	\$ -
Storm sewer	5,516,170	-
Parks	597,392	-
Water	-	2,803,872
Sanitary sewer	-	2,936,006
Total	<u>\$ 9,870,707</u>	<u>\$ 5,739,878</u>

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

<u>From Governmental Activities</u>	<u>Enterprise Utility Fund</u>
Infrastructure:	
Water	\$ 4,267,283
Sanitary sewer	775,431
Total	<u>\$ 5,042,714</u>

**CITY OF LAKEVILLE
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2023**

NOTE 11 STEWARDSHIP AND ACCOUNTABILITY

Although total fund balance was positive, the capital projects fund has a deficit unassigned fund balance of \$30,377 as of December 31, 2023 for an internally tracked project, as a result of paying for capital expenditures for projects for which no debt has been issued yet. It is anticipated that the deficit will be financed by future bond proceeds, intergovernmental revenues, special assessments, and transfers from other funds.

NOTE 12 INTERFUND TRANSFERS

The City provides financing for a variety of operations and capital projects utilizing resources from certain funds; interfund transfers used for these various activities during the current fiscal year are as follows:

Transfers From:	Transfers To:				
	General Fund	Debt Service Fund	Capital Projects Fund	Enterprise	
				Liquor	Total
General fund	\$ -	\$ 225,000	\$ 2,128,880	\$ -	\$ 2,353,880
Debt service fund	-	-	79,443	2,354,946	2,434,389
Capital projects fund	100,000	1,681,870	-	-	1,781,870
Nonmajor govntl. funds	-	-	6,400	-	6,400
Total	<u>100,000</u>	<u>1,906,870</u>	<u>2,214,723</u>	<u>2,354,946</u>	<u>6,576,539</u>
Enterprise - liquor	30,000	748,883	2,899,846	-	3,678,729
Enterprise - utility	342,170	519,319	67,500	-	928,989
Total	<u>\$ 472,170</u>	<u>\$ 3,175,072</u>	<u>\$ 5,182,069</u>	<u>\$ 2,354,946</u>	<u>\$ 11,184,257</u>
	(1)	(2)	(3), (4), (5)	(6)	

The following are explanations to interfund transfers sub-notes 1 through 6.

Abbreviation key:

(SR) special revenue fund, (DS) debt service fund, (CP) capital projects fund, (Ent) enterprise fund.

**CITY OF LAKEVILLE
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2023**

NOTE 13 INTERFUND TRANSFERS (CONTINUED)

- (1) The transfers to the general fund were provided mainly to move the Forestry department to the General fund and as overhead and maintenance costs from the following funds:

Fund	Amount	Description
Liquor (Ent)	\$ 30,000	Contribution to Pan-o-Prog Fireworks
Utility (Ent)	342,170	One-time transfer to move Forestry department to General Fund
Capital Projects Fund	100,000	To move unused tax levy on street projects to General Fund
Total	<u>\$ 472,170</u>	

- (2) The transfers to the debt service fund were provided by the following funds mainly to transfer back excess bond proceeds and related to the City improvements projects whereby user fees are pledged towards the improvement bonds debt service requirements.

Fund	Amount	Description
Improvement Construction (CP)	\$ 1,009,315	Excess bond proceeds on street projects moved back to respective DSF
Arenas Capital Projects (CP)	62,875	Reimbursement to 2020A tax abatement bonds (DSF) for payments received from associations/donations
Water Trunk Fund (CP)	609,680	Water revenue (DS) for debt service requirements
Utility (Ent)	519,319	Total transfer to the DS GO improvement bonds provided by the enterprise utility fund related to the City improvement projects whereby user fees are pledged towards the improvement bonds debt service requirements.
Liquor (Ent)	400,000	Total transfer to the DS GO bonds provided by the enterprise liquor fund related to the City improvement projects whereby user fees are pledged towards the improvement bonds debt service requirements (police station)
Liquor (Ent)	348,883	Transfer to the DS GO bonds provided by the enterprise liquor fund related to the Keokuk Liquor Store construction.
General Fund	225,000	One-time transfer from the General Fund to the police station bond fund
Total	<u>\$ 3,175,072</u>	

- (3) The total transfers to the capital projects fund from other governmental funds were provided to finance various construction projects as follows:

From:	Amount	Description
General Fund	\$ 400,000	Building Fund (CP) for future building-related costs
General Fund	1,028,880	Equipment Fund (CP) for future equipment purchases
General Fund	450,000	Technology Fund (CP) for future technology purchases/costs and ERP project
General Fund	250,000	Trail Improvement (CP) for future park improvements identified in CIP
Southfork TIF Fund (DS)	79,443	Property demo/clean-up-related costs
Communications Fund (SR)	6,400	Technology Fund (CP) for future technology-equipment purchases
Total	<u>\$ 2,214,723</u>	

**CITY OF LAKEVILLE
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2023**

NOTE 13 INTERFUND TRANSFERS (CONTINUED)

- (4) The total transfer to the capital projects fund was provided by the liquor enterprise fund to finance various construction projects:

From:	Amount	Description
Liquor (Ent)	\$ 44,900	Technology Fund (CP) for future technology-equipment purchases
Liquor (Ent)	1,218,246	Building Fund (CP) for future building-related costs
Liquor (Ent)	1,636,700	Building Fund (CP) for future building-related costs
Total	<u>\$ 2,899,846</u>	

- (5) The total transfer to the capital projects fund was provided by the utility enterprise fund to finance various construction projects:

From:	Amount	Description
Environmental Resources Fund (EF)	\$ 6,800	Technology Fund (CP) for future technology-equipment purchases
Environmental Resources Fund (EF)	40,500	Equipment Fund (CP) for future equipment purchases
Water Operating Fund (EF)	10,100	Technology Fund (CP) for future technology-equipment purchases
Sanitary Sewer Operating Fund (EF)	10,100	Technology Fund (CP) for future technology-equipment purchases
Total	<u>\$ 67,500</u>	

- (6) The total transfer to the liquor enterprise fund was provided by the debt service fund to finance land acquisition in the TIF project area:

From:	Amount	Description
Tax Increment Financing (DS)	\$ 2,354,946	Liquor Fund for land acquisition in TIF project area

NOTE 14 JOINT POWERS DEBT COMMITMENT

On August 25, 2005, the City of Lakeville entered into a joint powers agreement with the Cities of Apple Valley, Burnsville, Eagan, Farmington, Hastings, Inver Grove Heights, Mendota Heights, Rosemount, South St. Paul, West St. Paul, Minnesota, and Dakota County Minnesota, to establish the Dakota 911 (D911), a Minnesota nonprofit corporation. The purpose of the D911 is to engage in the operation and maintenance of a countywide public safety answering point and communications center for law enforcement, fire, emergency medical services, and other public safety services for the mutual benefit of residents residing in the above mentioned cities and county (members). Pursuant to the joint powers agreement, members are required to provide the D911 their pro rata share of cost of operations and maintenance, and capital projects. Information regarding the Dakota 911 can be obtained at the website <https://dakota911mn.gov/> or by contacting Julie Stahl at the City of Lakeville, 20195 Holyoke Avenue, Lakeville, Minnesota 55044. Telephone 952-985-4481 or email address jstahl@lakevillemn.gov.

**CITY OF LAKEVILLE
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2023**

NOTE 15 OTHER POSTEMPLOYMENT BENEFITS (OPEB)

A. Plan Description

The City provides postemployment insurance benefits to certain eligible employees through the City’s Other Postemployment Benefits Plan, a single-employer defined benefit plan administered by the City. All postemployment benefits are based on contractual agreements with employee groups. These contractual agreements do not include any specific contribution or funding requirements. These benefits are summarized as follows:

Postemployment Insurance Benefits – All retirees of the City have the option under state law to continue their medical insurance coverage through the City from the time of retirement until the employee reaches the age of eligibility for Medicare. For members of all employee groups, the retiree must pay the full premium to continue coverage for medical and dental insurance.

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

Employees Covered by Benefit Terms – At December 31, 2023, the following employees were covered by the benefit terms:

Inactive Plan Members or Beneficiaries Currently	
Receiving Benefit Payments	5
Inactive Plan Members Entitled to but not yet	
Receiving Benefit Payments	-
Active Plan Members	<u>229</u>
Total	<u><u>234</u></u>

B. Contributions and Funding Policy

The required contribution is based on projected pay-as-you-go financing requirements, with additional amounts to pre-fund benefits as determined annually by the City. The City contributes a portion of the cost of current year premiums for eligible retired plan members and their spouses as well as the implicit rate subsidy described above. For fiscal year 2023, the City contributed \$20,016 in subsidized payments and implicit payments of \$27,786 to the plan. As of December 31, 2023, there were five retirees receiving health benefits from the City’s health plans. The City holds no assets in trust related to this plan.

**CITY OF LAKEVILLE
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2023**

NOTE 15 OTHER POSTEMPLOYMENT BENEFITS (OPEB) (CONTINUED)

C. Total OPEB Liability

The City's Total OPEB liability was measured as of January 1, 2023 and was determined by an actuarial valuation as of January 1, 2023.

Actuarial Assumptions

The total OPEB liability in the January 1, 2023 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

<u>Valuation date:</u>	January 1, 2023
<u>Measurement date:</u>	January 1, 2023

Methods and assumptions used to determine the contribution rates:

Actuarial cost method	Entry age
Amortization method	Level percentage of payroll, closed
Amortization period	Average of expected remaining service on a closed basis for differences between expected and actual experience and assumption changes.
Inflation	3.00%
Healthcare cost trend rate	6.25% for 2023, decreasing to 5.00% over five years
Salary increases	3.00%
Discount rate	4.31% (20-year municipal bond yield)
Mortality	RP-2014 White Collar Mortality Tables with MP-2021 Generational Improvement Scale (with Blue Collar adjustment for Police and Fire Personnel)

Discount Rate

The City's OPEB plan is not funded by a trust, and therefore, the City's uses the 20-year municipal bond index rate to develop its long-term rate of return and discount rate. This rate was 4.31% in the current actuarial valuation, which was updated from the 2.25% used in the prior measurement date.

**CITY OF LAKEVILLE
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2023**

NOTE 15 OTHER POSTEMPLOYMENT BENEFITS (OPEB) (CONTINUED)

D. Changes in the Total OPEB Liability

The details of the changes in the City's total OPEB liability were as follows for 2023:

	Increase (Decrease) Total OPEB Liability (a)
Balances at 12/31/22	\$ 1,102,835
Changes for the Year:	
Service Cost	77,941
Interest	26,086
Differences Between Expected and Actual Experience	69,035
Contributions - Employer	-
Benefit Payments	(43,080)
Changes in Assumptions	(157,857)
Net Changes	(27,875)
Balances at 12/31/23	\$ 1,074,960

The following changes in assumptions and plan provisions occurred between the current and prior actuarial valuations:

- The discount rate used is the 20-year municipal bond index, as the plan is not funded. This assumed rate increased from 2.25% to 4.31%.
- Improvement Scale MP-2021 was applied to mortality tables.
- Medical trend was reset at 6.25% in 2023, decreasing .25% each year, down to 5.00% in 2028 and onwards.
- There have been no changes in plan provisions since the prior valuation.

**CITY OF LAKEVILLE
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2023**

NOTE 15 OTHER POSTEMPLOYMENT BENEFITS (OPEB) (CONTINUED)

E. Sensitivity of Total OPEB Liability

Sensitivity of the total OPEB liability to changes in the discount rate and healthcare cost trend rates. The following presents the total OPEB liability of the City, as well as what the City's net OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (3.31%) or one percentage point higher (5.31%) than the current discount rate:

	1% Decrease (3.31)%	Discount Rate (4.31)%	1% Increase (5.31)%
Total OPEB Liability (Asset)	\$ 1,160,787	\$ 1,074,960	\$ 994,593

Sensitivity of the net OPEB liability to changes in the healthcare cost trend rates. The following presents the net OPEB liability of the City, as well as what the City's net OPEB liability would be if it were calculated using healthcare cost trend rates that are one percentage point lower (5.25% decreasing to 4.00%) or one percentage point higher (7.25% decreasing to 6.00%) than the current healthcare cost trend rates:

	1% Decrease (5.25% Decreasing to 4.00%)	Healthcare Cost Trend Rates (6.25% Decreasing to 5.00%)	1% Increase (7.25% Decreasing to 6.00%)
Total OPEB liability (asset)	\$ 947,981	\$ 1,074,960	\$ 1,226,314

F. OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

For the year ended December 31, 2023, the City recognized OPEB expense of \$67,594. At December 31, 2023, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Experience	\$ 181,126	\$ 408,020
Changes of Assumptions	95,548	164,506
Contributions After Measurement Date and Before the Reporting Date	47,802	-
Total	\$ 324,476	\$ 572,526

**CITY OF LAKEVILLE
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2023**

NOTE 15 OTHER POSTEMPLOYMENT BENEFITS (OPEB) (CONTINUED)

F. OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB (Continued)

A total of \$47,802 reported as deferred outflows of resources related to OPEB resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the total OPEB liability in the year ended December 31, 2024. Other amounts reported as deferred outflows and inflows of resources related to postemployment benefits will be recognized in OPEB expense as follows:

Year Ending December 31,	Amount
2024	\$ (36,432)
2025	(36,432)
2026	(36,432)
2027	(36,432)
2028	(36,432)
Thereafter	(113,692)

NOTE 16 RISK FINANCING AND RELATED INSURANCE ISSUES

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The City purchased the following insurance coverage through the League of Minnesota Cities Insurance Trust (LMCIT), a public entity risk pool currently operating as a common risk management and insurance program for Minnesota cities: general liability, excess liability, workers compensation, property, automobile, marine, crime, employee dishonesty, boiler, petro fund, and open meeting law.

The City pays an annual premium to the LMCIT for its insurance coverage. The LMCIT is self-sustaining through member premiums and will reinsure through commercial companies for claims in excess of reserved amounts for each insured event. The LMCIT allows for the pool to make additional assessments to make the pool self-sustaining. Current state statutes (Minnesota Statutes Subd. 466.04) provide limits of liability for the City. There were no significant reductions in insurance from the previous year or settlements in excess of insurance coverage for any of the past three fiscal years.

**CITY OF LAKEVILLE
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2023**

NOTE 17 DEFINED BENEFIT PENSION PLANS – STATE-WIDE

A. Plan Description

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

1. General Employees Retirement Plan (GERF)

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

2. Public Employees Police and Fire Plan (PEPFF)

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

B. Benefits Provided

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

1. General Employees Retirement Plan Benefits

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

**CITY OF LAKEVILLE
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2023**

NOTE 17 DEFINED BENEFIT PENSION PLANS – STATE-WIDE (CONTINUED)

B. Benefits Provided (Continued)

1. General Employees Retirement Plan Benefits (Continued)

Benefit increases are provided to benefit recipients each January. The postretirement increase is equal to 50 percent of the cost-of-living adjustment (COLA) announced by the SSA, with a minimum increase of at least 1 percent and a maximum of 1.5 percent. Recipients that have been receiving the annuity or benefit for at least a full year as of the June 30 before the effective date of the increase will receive the full increase. Recipients receiving the annuity or benefit for at least one month but less than a full year as of the June 30 before the effective date of the increase will receive a reduced prorated increase. In 2023, legislation repealed the statute delaying increases for members retiring before full retirement age.

2. Police and Fire Plan Benefits

Benefits for Police and Fire Plan members first hired after June 30, 2010, but before July 1, 2014, vest on a prorated basis from 50% after five years up to 100% after 10 years of credited service. Benefits for Police and Fire Plan members first hired after June 30, 2014, vest on a prorated basis from 50% after 10 years up to 100% after 20 years of credited service. The annuity accrual rate is 3% of average salary for each year of service. For Police and Fire Plan members who were first hired prior to July 1, 1989, a full annuity is available when age plus years of service equal at least 90.

Benefit increases are provided to benefit recipients each January. The postretirement increase is fixed at 1%. Recipients that have been receiving the annuity or benefit for at least 36 months as of the June 30 before the effective date of the increase will receive the full increase. Recipients receiving the annuity or benefit for at least 25 months but less than 36 months as of the June 30 before the effective date of the increase will receive a reduced prorated increase.

**CITY OF LAKEVILLE
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2023**

NOTE 17 DEFINED BENEFIT PENSION PLANS – STATE-WIDE (CONTINUED)

C. Contributions

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

1. General Employees Fund Contributions

Coordinated Plan members were required to contribute 6.50% of their annual covered salary in fiscal year 2023 and the City was required to contribute 7.50% for Coordinated Plan members. The City contributions to the General Employees Fund for the year ended December 31, 2023 were \$1,152,904, which was equal to the required contribution as set by state statute.

2. Police and Fire Fund Contributions

Police and Fire Plan members were required to contribute 11.80% of their annual covered salary in fiscal year 2023 and the City was required to contribute 17.70% for Police and Fire Plan members. The City's contributions to the Police and Fire Fund for the year ended December 31, 2023 were \$1,403,842. The City's contributions were equal to the required contributions as set by state statute.

D. Pension Costs

1. General Employees Fund Pension Costs

At December 31, 2023, the City reported a liability of \$10,786,752 for its proportionate share of the General Employees Fund's net pension liability. The City's net pension liability reflected a reduction due to the state of Minnesota's contribution of \$16 million. The state of Minnesota is considered a nonemployer contributing entity and the state's contribution meets the definition of a special funding situation. The state of Minnesota's proportionate share of the net pension liability associated with the City totaled \$297,327.

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 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 PERA's participating employers. The City's proportionate share was 0.1929% at the end of the measurement period and 0.1821% for the beginning of the period.

**CITY OF LAKEVILLE
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2023**

NOTE 17 DEFINED BENEFIT PENSION PLANS – STATE-WIDE (CONTINUED)

D. Pension Costs (Continued)

1. General Employees Fund Pension Costs (Continued)

City's Proportionate Share of the Net Pension Liability	\$	10,786,752
State of Minnesota's Proportionate Share of the Net Pension Liability Associated with the City		297,327
Total	\$	<u>11,084,079</u>

For the year ended December 31, 2023, the City recognized pension expense of \$2,065,046 for its proportionate share of the General Employees Plan's pension expense. In addition, the City recognized \$1,336 as pension expense (and grant revenue) for its proportionate share of the state of Minnesota's contribution of \$16 million to the General Employees Fund.

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

Description	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Economic Experience	\$ 354,241	\$ 74,308
Changes in Actuarial Assumptions	1,746,224	2,956,558
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	-	403,387
Changes in Proportion and Differences Between City Contributions and Proportionate Share of Contributions	751,131	-
City Contributions Subsequent to the Measurement Date	575,270	-
Total	<u>\$ 3,426,866</u>	<u>\$ 3,434,253</u>

A total of \$575,570 reported as deferred outflows of resources related to pensions resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2024. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending December 31,	Pension Expense Amount
2024	\$ 602,383
2025	(1,365,988)
2026	414,949
2027	(234,001)

**CITY OF LAKEVILLE
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2023**

NOTE 17 DEFINED BENEFIT PENSION PLANS – STATE-WIDE (CONTINUED)

D. Pension Costs (Continued)

2. Police and Fire Fund Pension Costs

At December 31, 2023, the City reported a liability of \$10,499,370 for its proportionate share of the Police and Fire Fund'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 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 PERA's participating employers. The City's proportionate share was 0.6080% at the end of the measurement period and 0.5996% for the beginning of the period.

The state of Minnesota contributed \$18 million to the Police and Fire Fund in the plan fiscal year ended June 30, 2023. The contribution consisted of \$9 million in direct state aid that meets the definition of a special funding situation and \$9 million in supplemental state aid that does not meet the definition of a special funding situation. The \$9 million direct state was paid on October 1, 2022. Thereafter, by October 1 of each year, the state will pay \$9 million to the Police and Fire Fund until full funding is reached or July 1, 2048, whichever is earlier. The \$9 million in supplemental state aid will continue until the fund is 90 percent funded, or until the State Patrol Plan (administered by the Minnesota State Retirement System) is 90 percent funded, whichever occurs later. The State of Minnesota's proportionate share of the net pension liability associated with the City totaled \$422,928.

City's Proportionate Share of the Net Pension Liability	\$	10,499,370
State of Minnesota's Proportionate Share of the Net Pension Liability Associated with the City		<u>422,928</u>
Total		<u><u>\$ 10,922,298</u></u>

The state of Minnesota is included as a non-employer contributing entity in the Police and Fire Retirement Plan Schedule of Employer Allocations and Schedule of Pension Amounts by Employer, Current Reporting Period Only (pension allocation schedules) for the \$9 million in direct state aid. Police and Fire Plan employers need to recognize their proportionate share of the state of Minnesota's pension expense (and grant revenue) under GASB 68 special funding situation accounting and financial reporting requirements. For the year ended June 30, 2023, the City recognized pension expense of \$3,241,390 for its proportionate share of the Police and Fire Plan's pension expense. The City also recognized \$25,472 as reduction of grant revenue and pension expense for its proportionate share of the state of Minnesota's pension expense for the contribution of \$9 million to the Police and Fire Fund.

**CITY OF LAKEVILLE
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2023**

NOTE 17 DEFINED BENEFIT PENSION PLANS – STATE-WIDE (CONTINUED)

D. Pension Costs (Continued)

2. Police and Fire Fund Pension Costs (Continued)

The state of Minnesota is not included as a non-employer contributing entity in the Police and Fire Pension Plan pension allocation schedules for the \$9 million in supplemental state aid. The City recognized \$54,720 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 Police and Fire Fund.

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

Description	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Economic Experience	\$ 2,895,028	\$ -
Changes in Actuarial Assumptions	12,183,668	14,762,238
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	-	504,021
Changes in Proportion and Differences Between City Contributions and Proportionate Share of Contributions	454,313	132,624
City Contributions Subsequent to the Measurement Date	743,940	-
Total	<u>\$ 16,276,949</u>	<u>\$ 15,398,883</u>

A total of \$743,940 reported as deferred outflows of resources related to pensions resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2024. Other amounts reported as deferred outflows and 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	\$ 552,586
2025	150,598
2026	2,654,365
2027	(639,353)
2028	(2,584,070)

3. Pension Totals

The total pension expense, net pension liability, deferred inflows and deferred outflows of resources, and net pension assets for all plans in which the City participates are summarized below:

	GERF	PEPFF	Fire Relief	Total
Net Pension Liability	\$ 10,786,752	\$ 10,499,370	N/A	\$ 21,286,122
Deferred Inflows of Resources	3,434,253	15,398,883	\$ 749,506	19,582,642
Deferred Outflows of Resources	3,426,866	16,276,949	290,104	19,993,919
Pension Expense	2,066,382	3,215,918	708,423	5,990,723
Net Pension Asset	N/A	N/A	4,171,660	4,171,660

**CITY OF LAKEVILLE
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2023**

NOTE 17 DEFINED BENEFIT PENSION PLANS – STATE-WIDE (CONTINUED)

E. Long-term Expected Return

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

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

F. Actuarial 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 7.0%. 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 7.0% was deemed to be within that range of reasonableness for financial reporting purposes.

Inflation is assumed to be 2.25% for the General Employees Plan and Police and Fire Plan. Benefit increases after retirement are assumed to be 1.25% for the General Employees Plan and 1% for the Police and Fire Plan.

Salary growth assumptions in the General Employees Plan range in annual increments from 10.25% after one year of service to 3.0% after 27 years of service. In the Police and Fire Plan, salary growth assumptions range from 11.75% after one year of service to 3.0% after 24 years of service.

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

**CITY OF LAKEVILLE
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2023**

NOTE 17 DEFINED BENEFIT PENSION PLANS – STATE-WIDE (CONTINUED)

F. Actuarial Assumptions (Continued)

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

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

General Employees Fund

Changes in Actuarial Assumptions:

- The investment return assumption and single discount rate were changed from 6.5% to 7.0%.

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, non-compounding benefit increase of 2.5% minus the actual 2024 adjustment will be payable in a lump sum for calendar year 2024 by March 31, 2024.

Police and Fire Fund

Changes in Actuarial Assumptions:

- The investment return assumption was changed from 6.5% to 7.0%.
- The single discount rate changed from 5.4% to 7.%.

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% vesting after five years, increasing incrementally to 100% after 10 years.
- A one-time, non-compounding benefit increase of 3.0% 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.

**CITY OF LAKEVILLE
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2023**

NOTE 17 DEFINED BENEFIT PENSION PLANS – STATE-WIDE (CONTINUED)

G. Discount Rate

The discount rate used to measure the total pension liability in 2023 was 7.0%. 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 and Police and Fire Plans were projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

H. Pension Liability Sensitivity

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

GERF PENSION LIABILITY	1% Decrease in Discount Rate (6.00%)	Current Discount Rate (7.00%)	1% Increase in Discount Rate (8.00%)
Description			
City’s Proportionate Share of the GERF Net Pension Liability	\$ 19,082,631	\$ 10,786,752	\$ 3,963,076
PEPFF PENSION LIABILITY			
Description	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 PEPFF Net Pension Liability	\$ 20,832,001	\$ 10,499,370	\$ 2,004,564

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 18 DEFINED CONTRIBUTION PLAN

Council members of the City are covered by the Defined Contribution Plan, a multiple-employer deferred compensation plan administered by PERA. The Defined Contribution Plan is a tax qualified plan under Section 401(a) of the Internal Revenue Code and all contributions by or on behalf of employees are tax deferred until time of withdrawal.

Plan benefits depend solely on amounts contributed to the plan plus investment earnings, less administrative expenses. Minnesota Statutes, Chapter 353D.03, specifies plan provisions, including the employee and employer contribution rates for those qualified personnel who elect to participate. An eligible elected official who decides to participate contributes 5% of salary which is matched by the elected official’s employer.

**CITY OF LAKEVILLE
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2023**

NOTE 18 DEFINED CONTRIBUTION PLAN (CONTINUED)

Employees who are paid for their services may elect to make member contributions in an amount not to exceed the employer share. Employer and employee contributions are combined and used to purchase shares in one or more of the seven accounts of the Minnesota Supplemental Investment Fund. For administering the plan, PERA receives 2% of employer contributions and twenty-five hundredths of 1% of the assets in each member's account annually.

Total contributions made by the City for the current fiscal year were:

Year Ended, December 31,	Contribution Amount		Percentage of Covered Payroll		Required Rate for Employees and Employers
	Employee	Employer	Employee	Employer	
2023	\$ 2,759	\$ 2,759	5%	5%	5%

NOTE 19 DEFINED BENEFIT PENSION PLANS – FIRE RELIEF ASSOCIATION

A. Plan Description

Volunteer firefighters of the City of Lakeville Fire Department (the Department) are members of the Lakeville Fire Relief Association (the Association), which administers a single-employer defined benefit plan established to provide benefits for its members. The plan is established and administered in accordance with Minnesota Statute, Chapters 69 and 424, as amended. The Association is governed by a board of six members elected by the members of the Association for three-year terms. One City Council member, Finance Director and Fire Chief are ex officio, nonvoting members of the Board of Trustees. As of December 31, 2023, the plan covered 84 active firefighters and 20 vested terminated firefighters whose pension benefits are deferred.

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

**CITY OF LAKEVILLE
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2023**

NOTE 19 DEFINED BENEFIT PENSION PLANS – FIRE RELIEF ASSOCIATION (CONTINUED)

B. Benefits Provided

A firefighter who completes at least 20 years as an active member of the Department is entitled, after age 50, to a full service pension upon retirement.

The bylaws of the Association also provide for an early vested service pension for a retiring member who has completed fewer than 20 years of service. The reduced pension, available to members with seven years of service, shall be equal to 48% of the pension as described by the bylaws. This percentage increases 4% per year so that at 20 years of service, the full amount prescribed is paid. Members who retire with less than 20 years of service and have reached the age of 50 years and have completed at least seven years of active membership are entitled to a reduced service pension not to exceed the amount calculated by multiplying the member's service pension for the completed years of service times the applicable nonforfeitable percentage of pension.

C. Contributions

Minnesota Statutes, Chapters 424 and 424A authorize pension benefits for volunteer fire relief associations. The plan is funded by fire state aid, investment earnings, and, if necessary, employer contributions as specified in Minnesota Statutes and voluntary city contributions (if applicable). The firefighters have no obligation to contribute to the plan. Nonemployer pension contributions include state aid from the state of Minnesota and municipal contributions from the City. On-behalf of the state payments from the state of Minnesota are received initially by the City and subsequently remitted to the Association. These on-behalf of the state aid payments in addition to the City's municipal contribution payments to the Association plan are recognized as revenues and expenditures in the City's General Fund during the period received.

The City contributed state of Minnesota fire aid of \$588,879 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 \$-0-. The City's contributions were equal to the required contributions as set by state statute. The City made no voluntary contributions to the plan.

D. Pension Costs

At December 31, 2023, the City reported a net pension liability (asset) of (\$4,171,660) 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 Van Iwaarden Associates, applying an actuarial formula to specific census data certified by the Department as of December 31, 2022.

**CITY OF LAKEVILLE
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2023**

NOTE 19 DEFINED BENEFIT PENSION PLANS – FIRE RELIEF ASSOCIATION (CONTINUED)

D. Pension Costs (Continued)

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

	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (Asset) (a-b)
Beginning balance - January 1, 2023	\$ 9,251,371	\$ 11,778,284	\$ (2,526,913)
Changes for the year:			
Service cost	489,087	-	489,087
Interest on pension liability (asset)	479,407	-	479,407
Contributions (state)	-	588,879	(588,879)
Net investment income	-	2,044,048	(2,044,048)
Benefit payments	(2,805,883)	(2,805,883)	-
Administrative costs	-	(19,686)	19,686
Total net changes	<u>(1,837,389)</u>	<u>(192,642)</u>	<u>(1,644,747)</u>
Ending balance - December 31, 2023	<u>\$ 7,413,982</u>	<u>\$ 11,585,642</u>	<u>\$ (4,171,660)</u>

For the year ended December 31, 2023, the City recognized pension expense of \$708,423.

At December 31, 2023, the City reported deferred outflows of resources, including its contributions subsequent to the measurement date, related to pension from the following sources:

Description	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes in Actuarial Assumptions	\$ 175,624	\$ 42,857
Difference between expected and actual experience	114,480	692,632
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	-	14,017
Total	<u>\$ 290,104</u>	<u>\$ 749,506</u>

Amounts reported as deferred outflows and inflows of resources related to the plan will be recognized in pension expense as follows:

Year Ending December 31,	Pension Expense Amount
2024	\$ (222,409)
2025	(15,640)
2026	219,018
2027	(383,651)
2028	(80,253)
Thereafter	23,533

**CITY OF LAKEVILLE
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2023**

NOTE 19 DEFINED BENEFIT PENSION PLANS – FIRE RELIEF ASSOCIATION (CONTINUED)

E. Actuarial Assumptions

The total pension liability at the December 31, 2022 valuation date was determined using the entry age normal actuarial cost method and the following actuarial assumptions:

Retirement eligibility at 100% service pension at age 50 with 20 years of service, early vested retirement at age 50 with seven years of service vested at 48% and increased by 4% for each additional year of service up to 20 and eligibility for deferred service pension payable at age 50 and based on the lump sum pension formula and service at date of termination reduced for less than 20 years of service.

Inflation	2.50% per year
Active Member Payroll Growth	2.50% per year
Investment Rate of Return	5.75%
20-Year Municipal Bond Yield	4.31%

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

Asset Class	Allocation at Measurement Date	Long-Term Expected Real Rate of Return	Long-Term Expected Nominal Rate of Return
Domestic Equity	65.00 %	4.10 %	6.60 %
International Equity	4.00	4.64	7.14
Fixed Income	8.00	1.05	3.55
Real Estate and Alternatives	-	3.54	6.04
Cash and Equivalents	23.00	(0.45)	2.05
Totals	<u>100.00 %</u>		<u>5.68</u>
Reduced for Assumed Investment Expense			<u>(0.05)</u>
Net Assumed Investment Return (Rounded to 1/4%)			<u>5.75 %</u>

F. Discount Rate

The discount rate used to measure the total pension liability was 5.75%. This was unchanged from the previous discount rate of 5.75%. The projection of cash flows used to determine the discount rate assumed that contributions to the plan will be made as specified in statute. Based on that assumption and considering the funding ratio of the plan, the fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

G. Pension Liability Sensitivity

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

Description	1% Decrease in Discount Rate (4.75%)	Current Discount Rate (5.75%)	1% Increase in Discount Rate (6.75%)
Defined Benefit Plan	\$ (3,916,922)	\$ (4,171,660)	\$ (4,418,605)

**CITY OF LAKEVILLE
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2023**

NOTE 19 DEFINED BENEFIT PENSION PLANS – FIRE RELIEF ASSOCIATION (CONTINUED)

H. Pension Plan Fiduciary Net Position

The Association issues a publicly available financial report. This report may be obtained by writing to the Lakeville Firefighters' Relief Association, 20195 Holyoke Avenue, Lakeville, Minnesota, 55044 or by calling (952) 985-4480.

NOTE 20 DEFERRED COMPENSATION PLAN

The City offers its employees an optional deferred compensation plan created in accordance with Internal Revenue Service Code Section 457. The plan is available to all City employees, which permits them to tax defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency. Under provisions of Section 72(p) of the Internal Revenue Code, a plan may permit participant loans once 457 plan assets are held in a trust. As of the current fiscal year, the City's plan does not have a loan provision for its participants. All amounts of compensation deferred under the plan must be held in trust for the exclusive benefit of plan participants and/or beneficiaries. Investments are managed by the plan's trustee under various investment options or a combination thereof. The choice of investment options is made by the participant. The plan is offered through the City in connection with ICMA-RC and does not meet the requirements of GASB Statement Nos. 84 and 97 for inclusion as a fiduciary activity of the City.

NOTE 21 LITIGATION

There are several lawsuits pending in which the City is involved. The City Attorney has indicated that existing and pending lawsuit claims and other actions in which the City is a defendant are either covered by insurance, fully reserved for by the City, or the cases are in the early stages of discovery, and accordingly, the ultimate outcome cannot presently be determined. It is the opinion of City management that in each case the possibility of material loss, net of amounts reserved is remote.

NOTE 22 TAX ABATEMENT

The City has five pay-as-you-go tax increment financing districts with local businesses to promote economic development within the City. The City agrees pursuant to the authority granted in the TIF Act to abate real estate taxes based on the increased property value from improvements on the owned property. The three of the five agreements call for 95% of the property tax increments collected to be returned to the developers. The City will retain 5% for administrative fees for the periods of time specified in each agreement. One of the agreements calls for 90% if the property tax increments collected to be returned to the developers. The City will retain 10% for administrative fees for the periods of time specified the agreement. One of the agreements calls for 80% if the property tax increments collected to be returned to the developers. The City will retain 20% for administrative fees for the periods of time specified the agreement. For the year ended December 31, 2023, the City paid excess tax increment in the amount of \$460,608. No other commitments were made by the City as part of these agreements.

REQUIRED SUPPLEMENTARY INFORMATION

**CITY OF LAKEVILLE
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCES – BUDGETARY COMPARISON
YEAR ENDED DECEMBER 31, 2023**

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUE				
Property Taxes				
General property taxes:				
Current	\$ 22,971,429	\$ 22,971,429	\$ 22,902,147	\$ (69,282)
Delinquent	222,641	222,641	73,674	(148,967)
Fiscal Disparities	3,694,005	3,694,005	3,644,224	(49,781)
Mobile Home Tax	61,800	61,800	68,994	7,194
Gravel Tax	5,000	5,000	12,266	7,266
Total property taxes	<u>26,954,875</u>	<u>26,954,875</u>	<u>26,701,305</u>	<u>(253,570)</u>
Licenses and permits	2,943,346	3,316,346	3,489,815	173,469
Intergovernmental				
Market value homestead credit	3,000	3,000	4,428	1,428
State-aid police	580,000	642,476	642,476	-
State-aid fire	520,000	574,000	577,879	3,879
State-aid PERA	-	-	131,310	131,310
State police and fire grants	284,999	309,999	297,582	(12,417)
State local public safety aid	-	1,850,000	1,850,000	-
State other grants	74,700	74,700	71,042	(3,658)
Federal other grants	50,000	50,000	164,968	114,968
Total intergovernmental	<u>1,512,699</u>	<u>3,504,175</u>	<u>3,739,685</u>	<u>235,510</u>
Charges for services				
General government	407,380	540,435	692,184	151,749
Public safety	624,111	624,111	596,956	(27,155)
Public works	1,355,632	1,355,632	979,981	(375,651)
Parks and recreation	971,323	1,162,823	1,149,391	(13,432)
Total charges for services	<u>3,358,446</u>	<u>3,683,001</u>	<u>3,418,512</u>	<u>(264,489)</u>
Special assessments	-	-	5,189	5,189
Fines	240,000	240,000	238,097	(1,903)
Investment income				
Interest Income	281,000	281,000	350,236	69,236
Increase (Decrease in Fair Market Value)	-	-	379,931	379,931
Total investment income	<u>281,000</u>	<u>281,000</u>	<u>730,167</u>	<u>449,167</u>
Donations	45,200	45,200	117,801	72,601
Miscellaneous	35,557	35,557	92,451	56,894
Total revenues	<u>35,371,123</u>	<u>38,060,154</u>	<u>38,533,022</u>	<u>472,868</u>

See accompanying Note to Required Supplementary Information.

**CITY OF LAKEVILLE
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCES – BUDGETARY COMPARISON (CONTINUED)
YEAR ENDED DECEMBER 31, 2023**

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
EXPENDITURES				
General government				
Mayor and council				
Personnel services	\$ 62,561	\$ 55,652	\$ 51,908	\$ 3,744
Commodities	50	50	140	(90)
Other charges and services	76,167	76,168	73,320	2,848
Total mayor and council	<u>138,778</u>	<u>131,870</u>	<u>125,368</u>	<u>6,502</u>
Committees/commissions				
Personnel services	77,677	78,562	76,375	2,187
Commodities	2,500	2,500	94	2,406
Other charges and services	47,700	52,560	56,226	(3,666)
Total committees/commissions	<u>127,877</u>	<u>133,622</u>	<u>132,695</u>	<u>927</u>
City administration				
Personnel services	525,250	478,207	479,207	(1,000)
Commodities	4,500	4,500	1,168	3,332
Other charges and services	99,809	118,809	110,933	7,876
Capital Outlay	-	-	1,529	(1,529)
Total city administration	<u>629,559</u>	<u>601,516</u>	<u>592,837</u>	<u>8,679</u>
City clerk				
Personnel services	143,506	143,691	143,569	122
Commodities	300	300	1,932	(1,632)
Other charges and services	40,125	54,555	51,858	2,697
Total city clerk	<u>183,931</u>	<u>198,546</u>	<u>197,359</u>	<u>1,187</u>
Legal counsel				
Other charges and services	97,350	97,350	74,170	23,180
Planning				
Personnel services	643,697	645,110	633,576	11,534
Commodities	1,901	1,901	1,635	266
Other charges and services	17,245	17,245	6,286	10,959
Total planning	<u>662,843</u>	<u>664,256</u>	<u>641,497</u>	<u>22,759</u>
Community and economic development				
Personnel services	383,365	383,538	382,897	641
Commodities	275	275	151	124
Other charges and services	136,033	138,023	152,429	(14,406)
Total community and economic development	<u>519,673</u>	<u>521,836</u>	<u>535,477</u>	<u>(13,641)</u>
Inspections				
Personnel services	1,511,300	1,380,823	1,451,175	(70,352)
Commodities	16,207	16,207	13,487	2,720
Other charges and services	347,130	398,110	408,637	(10,527)
Capital Outlay	62,000	62,000	31,097	30,903
Total inspections	<u>1,936,637</u>	<u>1,857,140</u>	<u>1,904,396</u>	<u>(47,256)</u>

See accompanying Note to Required Supplementary Information.

**CITY OF LAKEVILLE
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCES – BUDGETARY COMPARISON (CONTINUED)
YEAR ENDED DECEMBER 31, 2023**

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
EXPENDITURES (CONTINUED)				
General government (continued)				
General government facilities				
Personnel services	\$ 415,602	\$ 323,926	\$ 323,690	236
Commodities	22,898	22,898	21,218	1,680
Other charges and services	246,389	244,259	230,942	13,317
Total general government facilities	<u>684,889</u>	<u>591,083</u>	<u>575,850</u>	<u>15,233</u>
Finance				
Personnel services	950,108	1,018,151	1,017,925	226
Commodities	1,400	1,400	2,728	(1,328)
Other charges and services	183,339	154,555	139,499	15,056
Capital Outlay	-	-	1,534	(1,534)
Total finance	<u>1,134,847</u>	<u>1,174,106</u>	<u>1,161,686</u>	<u>12,420</u>
Information technology				
Personnel services	555,347	340,372	310,361	30,011
Commodities	3,800	3,800	2,903	897
Other charges and services	513,432	513,432	407,135	106,297
Capital Outlay	-	-	1,599	(1,599)
Total information technology	<u>1,072,579</u>	<u>857,604</u>	<u>721,998</u>	<u>135,606</u>
Human resources				
Personnel services	716,626	499,013	443,043	55,970
Commodities	1,975	1,975	1,734	241
Other charges and services	168,795	226,335	219,469	6,866
Total human resources	<u>887,396</u>	<u>727,323</u>	<u>664,246</u>	<u>63,077</u>
Insurance coverage				
Other charges and services	<u>250,000</u>	<u>250,000</u>	<u>250,000</u>	<u>-</u>
Total general government	8,326,359	7,806,252	7,577,579	228,673
Public safety				
Police				
Personnel services	11,627,096	11,764,573	11,833,009	(68,436)
Commodities	498,897	498,897	487,535	11,362
Other charges and services	2,185,135	2,185,135	2,219,608	(34,473)
Total police	<u>14,311,128</u>	<u>14,448,605</u>	<u>14,540,152</u>	<u>(91,547)</u>
Fire Protection				
Personnel services	2,096,272	2,497,360	2,240,259	257,101
Commodities	225,645	225,645	283,891	(58,246)
Other charges and services	344,506	344,506	368,644	(24,138)
Total fire protection	<u>2,666,423</u>	<u>3,067,511</u>	<u>2,892,794</u>	<u>174,717</u>
Total public safety	16,977,551	17,516,116	17,432,946	83,170

See accompanying Note to Required Supplementary Information.

**CITY OF LAKEVILLE
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCES – BUDGETARY COMPARISON (CONTINUED)
YEAR ENDED DECEMBER 31, 2023**

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
EXPENDITURES (CONTINUED)				
Public Works				
Engineering				
Personnel services	\$ 951,500	\$ 737,660	\$ 628,372	109,288
Commodities	8,786	8,786	6,664	2,122
Other charges and services	170,111	170,111	149,339	20,772
Total engineering	<u>1,130,397</u>	<u>916,557</u>	<u>784,370</u>	<u>132,187</u>
Forestry				
Personnel services	218,114	218,446	212,436	6,010
Commodities	7,593	7,593	7,357	236
Other charges and services	330,340	330,340	306,709	23,631
Total engineering	<u>556,047</u>	<u>556,379</u>	<u>526,502</u>	<u>29,877</u>
Construction services				
Personnel services	591,652	592,599	485,492	107,107
Commodities	12,141	12,141	7,858	4,283
Other charges and services	18,106	18,106	15,608	2,498
Capital Outlay	-	78,482	78,481	1
Total construction services	<u>621,899</u>	<u>701,328</u>	<u>587,439</u>	<u>113,889</u>
Street maintenance				
Personnel services	2,644,947	2,570,157	2,538,232	31,925
Commodities	993,915	993,915	1,018,402	(24,487)
Other charges and services	425,760	425,760	467,551	(41,791)
Total street maintenance	<u>4,064,622</u>	<u>3,989,832</u>	<u>4,024,185</u>	<u>(34,353)</u>
Total public works	6,372,965	6,164,096	5,922,496	241,600
Parks and recreation				
Park maintenance				
Personnel services	2,500,425	2,528,458	2,459,518	68,940
Commodities	324,472	324,472	319,434	5,038
Other charges and services	645,297	645,297	608,014	37,283
Total park maintenance	<u>3,470,194</u>	<u>3,498,227</u>	<u>3,386,966</u>	<u>111,261</u>
Recreation				
Personnel services	501,101	502,599	503,709	(1,110)
Commodities	31,844	31,844	34,463	(2,619)
Other charges and services	314,992	367,242	351,993	15,249
Total recreation	<u>847,937</u>	<u>901,685</u>	<u>890,165</u>	<u>11,520</u>
Heritage center				
Personnel services	76,804	77,177	73,108	4,069
Commodities	11,850	11,850	11,768	82
Other charges and services	52,019	52,019	54,056	(2,037)
Total heritage center	<u>140,673</u>	<u>141,046</u>	<u>138,932</u>	<u>2,114</u>
Arts center				
Personnel services	427,612	470,543	506,728	(36,185)
Commodities	42,350	97,350	139,819	(42,469)
Other charges and services	257,701	354,701	345,231	9,470
Capital Outlay	36,000	36,000	24,514	11,486
Total arts center	<u>763,663</u>	<u>958,594</u>	<u>1,016,292</u>	<u>(57,698)</u>
Total parks and recreation	<u>5,222,467</u>	<u>5,499,552</u>	<u>5,432,355</u>	<u>67,197</u>
Total expenditures	<u>36,899,342</u>	<u>36,986,016</u>	<u>36,365,376</u>	<u>620,640</u>

See accompanying Note to Required Supplementary Information.

**CITY OF LAKEVILLE
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCES – BUDGETARY COMPARISON (CONTINUED)
YEAR ENDED DECEMBER 31, 2023**

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
EXCESS (DEFICIENCY) OF REVENUE OVER (UNDER) EXPENDITURES	\$ (1,528,219)	\$ 1,074,138	\$ 2,167,646	\$ 1,093,508
OTHER FINANCE SOURCES (USES)				
Transfers In From:				
Special Revenue - Communications Fund	82,212	-	-	-
Capital Projects Fund	-	100,000	100,000	-
Enterprise - Liquor Fund	268,286	30,000	30,000	-
Enterprise - Utility Fund	790,601	342,170	342,170	-
Internal Service - Municipal Reserves Fund	30,000	-	-	-
Transfers Out To:				
Debt Service Fund	(225,000)	(225,000)	(225,000)	-
Capital Projects Fund	(2,128,880)	(2,128,880)	(2,128,880)	-
Total Other Finance Sources (Uses)	<u>(1,182,781)</u>	<u>(1,881,710)</u>	<u>(1,881,710)</u>	<u>-</u>
NET CHANGE IN FUND BALANCES	<u>\$ (2,711,000)</u>	<u>\$ (807,572)</u>	285,936	<u>\$ 1,093,508</u>
FUND BALANCES				
Beginning of Year			22,007,407	
Change in Supplies - Inventory			<u>79,654</u>	
End of Year			<u>\$ 22,372,997</u>	

See accompanying Note to Required Supplementary Information.

**CITY OF LAKEVILLE
GENERAL FUND
NOTE TO REQUIRED SUPPLEMENTARY INFORMATION
DECEMBER 31, 2023**

A. Budgetary Information

Budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America. Annual appropriated budgets are adopted for the General Fund and Special Revenue Funds. Budgeted amounts are as originally adopted or as amended by the City Council. The City follows these procedures in establishing the budgetary data reflected in the financial statements:

1. The City Administrator submits a proposed operating budget to the City Council.
2. Public hearings are conducted to obtain taxpayer comments.
3. Upon Council approval the budget is legally adopted and employs formal budgetary integration during the year.
4. Expenditures may legally exceed budgeted appropriations at the fund level through City Council action.
5. The legal level of budgetary control (i.e., the level at which expenditures may not legally exceed appropriations) is at the fund level for the General Fund and total expenditures for the Special Revenue Funds. The City Administrator has authorization to expend funds in excess of the appropriation for individual line items.
6. Budget appropriations of all funds lapse at year-end to the extent they were not encumbered. Encumbrances are re-appropriated in the following year's budget.

CITY OF LAKEVILLE
PERA – GENERAL EMPLOYEES RETIREMENT FUND
YEAR ENDED DECEMBER 31, 2023

GERF Schedule of the City's Proportionate Share of the Net Pension Liability
Last Eight Fiscal Years*

	Measurement Date								
	6/30/2023	6/30/2022	6/30/2021	6/30/2020	6/30/2019	6/30/2018	6/30/2017	6/30/2016	6/30/2015
City's Proportion of the Net Pension Liability	0.1929%	0.1821%	0.1758%	0.1701%	0.1633%	0.1632%	0.1585%	0.1544%	0.1540%
City's Proportionate Share of the Net Pension Liability	\$ 10,786,752	\$ 14,422,380	\$ 7,507,448	\$ 10,198,272	\$ 9,028,491	\$ 9,053,667	\$ 10,118,535	\$ 12,536,514	\$ 7,981,079
State's Proportionate Share of the Net Pension Liability Associated with the City	297,327	422,734	229,302	314,577	280,654	297,059	127,203	-	-
Total	\$ 11,084,079	\$ 14,845,114	\$ 7,736,750	\$ 10,512,849	\$ 9,309,145	\$ 9,350,726	\$ 10,245,738	\$ 12,536,514	\$ 7,981,079
City's Covered Payroll	\$ 15,468,304	\$ 13,640,721	\$ 12,645,032	\$ 12,134,069	\$ 11,645,116	\$ 10,971,998	\$ 10,213,446	\$ 9,572,229	\$ 9,046,858
City's Proportionate Share of the Net Pension Liability as a Percentage of Its Covered Payroll	69.73%	105.73%	59.37%	84.05%	77.53%	82.52%	99.07%	130.97%	88.22%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	83.10%	76.67%	87.00%	79.06%	80.20%	79.53%	75.90%	68.90%	78.20%

* The Amounts Presented for Each Fiscal Year were Determined as of 6/30.

GERF Schedule of City Contributions
Last Eight Fiscal Years*

	Fiscal Year Ended December 31,								
	2023	2022	2021	2020	2019	2018	2017	2016	2015
Statutorily Required Contribution	\$ 1,152,904	\$ 1,065,020	\$ 987,086	\$ 990,259	\$ 896,894	\$ 847,485	\$ 791,612	\$ 741,919	\$ 705,189
Contributions in Relation to the Statutorily Required Contribution	(1,152,904)	(1,065,020)	(987,086)	(990,259)	(896,894)	(847,485)	(791,612)	(741,919)	(705,189)
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
City's Covered Payroll	\$ 15,372,053	\$ 14,200,267	\$ 13,161,147	\$ 13,203,453	\$ 11,958,587	\$ 11,299,800	\$ 10,554,827	\$ 9,892,253	\$ 9,402,520
Contributions as a Percentage of Covered Payroll	7.50%	7.50%	7.50%	7.50%	7.50%	7.50%	7.50%	7.50%	7.50%

* The Amounts Presented for Each Fiscal Year were Determined as of 12/31.

Note: The City implemented GASB Statement No. 68 in fiscal 2015 (using a June 30, 2015 measurement date). The schedule is provided prospectively beginning with the City's fiscal year ended December 31, 2015 and is intended to show a 10-year trend. Additional years will be reported as they become available.

See accompanying Notes to Required Supplementary Information – Statewide Plans.

CITY OF LAKEVILLE
PERA – PUBLIC EMPLOYEES POLICE AND FIRE FUND
YEAR ENDED DECEMBER 31, 2023

PEPFF Schedule of the City's Proportionate Share of the Net Pension Liability
Last Eight Fiscal Years*

	Measurement Date								
	6/30/2023	6/30/2022	6/30/2021	6/30/2020	6/30/2019	6/30/2018	6/30/2017	6/30/2016	6/30/2015
City's Proportion of the Net Pension Liability	0.6080%	0.5996%	0.5818%	0.5668%	0.5900%	0.5693%	0.5490%	0.5620%	0.5320%
City's Proportionate Share of the Net Pension Liability	\$ 10,499,370	\$ 26,092,224	\$ 4,490,879	\$ 7,471,030	\$ 6,281,146	\$ 6,068,152	\$ 7,412,153	\$ 22,554,038	\$ 6,044,765
State's Proportionate Share of the Net Pension Liability Associated with the City	422,928	1,139,864	201,912	175,988	-	-	-	-	-
Total	<u>\$ 10,922,298</u>	<u>\$ 27,232,088</u>	<u>\$ 4,692,791</u>	<u>\$ 7,647,018</u>	<u>\$ 6,281,146</u>	<u>\$ 6,068,152</u>	<u>\$ 7,412,153</u>	<u>\$ 22,554,038</u>	<u>\$ 6,044,765</u>
City's Covered Payroll	\$ 7,903,580	\$ 7,255,546	\$ 6,888,492	\$ 6,400,325	\$ 6,241,714	\$ 6,004,172	\$ 5,635,205	\$ 5,423,663	\$ 4,870,941
City's Proportionate Share of the Net Pension Liability as a Percentage of Its Covered Payroll	132.84%	359.62%	65.19%	116.73%	100.63%	101.07%	131.53%	415.85%	124.10%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	86.47%	70.53%	93.66%	87.19%	89.30%	88.84%	85.40%	63.90%	86.60%

* The Amounts Presented for Each Fiscal Year were Determined as of 6/30.

PEPFF Schedule of City Contributions
Last Eight Fiscal Years*

	Fiscal Year Ended December 31,								
	2023	2022	2021	2020	2019	2018	2017	2016	2015
Statutorily Required Contribution	\$ 1,403,842	\$ 1,316,993	\$ 1,172,597	\$ 1,173,052	\$ 1,066,319	\$ 999,032	\$ 942,349	\$ 904,571	\$ 845,144
Contributions in Relation to the Statutorily Required Contribution	(1,403,842)	(1,316,993)	(1,172,597)	(1,173,052)	(1,066,319)	(999,032)	(942,349)	(904,571)	(845,144)
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
City's Covered Payroll	\$ 7,931,311	\$ 7,440,638	\$ 6,624,842	\$ 6,627,412	\$ 6,290,968	\$ 6,166,864	\$ 5,816,969	\$ 5,583,772	\$ 5,216,938
Contributions as a Percentage of Covered Payroll	17.70%	17.70%	17.70%	17.70%	16.95%	16.20%	16.20%	16.20%	16.20%

* The Amounts Presented for Each Fiscal Year were Determined as of 12/31.

Note: The City implemented GASB Statement No. 68 in fiscal 2015 (using a June 30, 2015 measurement date). The schedule is provided prospectively beginning with the City's fiscal year ended December 31, 2015 and is intended to show a 10-year trend. Additional years will be reported as they become available.

See accompanying Notes to Required Supplementary Information – Statewide Plans.

CITY OF LAKEVILLE
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION – STATEWIDE PLANS
DECEMBER 31, 2023

General Employees Fund

2023 Changes

Changes in Actuarial Assumptions:

- The investment return assumption and single discount rate were changed from 6.5% to 7.0%.

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, non-compounding benefit increase of 2.5% minus the actual 2024 adjustment will be payable in a lump sum for calendar year 2024 by March 31, 2024.

2022 Changes

Changes in Actuarial Assumptions:

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

Changes in Plan Provisions:

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

2021 Changes

Changes in Actuarial Assumptions:

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

Changes in Plan Provisions:

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

2020 Changes

Changes in Actuarial Assumptions:

- The price inflation assumption was decreased from 2.50% to 2.25%.
- The payroll growth assumption was decreased from 3.25% to 3.00%.
- Assumed salary increase rates were changed as recommended in the June 30, 2019 experience study. The net effect is assumed rates that average 0.25% less than previous rates.
- Assumed rates of retirement were changed as recommended in the June 30, 2019 experience study. The changes result in more unreduced (normal) retirements and slightly fewer Rule of 90 and early retirements.
- Assumed rates of termination were changed as recommended in the June 30, 2019 experience study. The new rates are based on service and are generally lower than the previous rates for years 2-5 and slightly higher thereafter.
- Assumed rates of disability were changed as recommended in the June 30, 2019 experience study. The change results in fewer predicted disability retirements for males and females.

CITY OF LAKEVILLE
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION – STATEWIDE PLANS
DECEMBER 31, 2023

General Employees Fund (Continued)

2020 Changes (Continued)

- The base mortality table for healthy annuitants and employees was changed from the RP-2014 table to the Pub-2010 General Mortality table, with adjustments. The base mortality table for disabled annuitants was changed from the RP-2014 disabled annuitant mortality table to the PUB-2010 General/Teacher disabled annuitant mortality table, with adjustments.
- The mortality improvement scale was changed from Scale MP-2018 to Scale MP-2019.
- The assumed spouse age difference was changed from two years older for females to one year older.
- The assumed number of married male new retirees electing the 100% Joint & Survivor option changed from 35% to 45%. The assumed number of married female new retirees electing the 100% Joint & Survivor option changed from 15% to 30%. The corresponding number of married new retirees electing the Life annuity option was adjusted accordingly.

Changes in Plan Provisions:

- Augmentation for current privatized members was reduced to 2.0% for the period July 1, 2020 through December 31, 2023 and 0.0% after. Augmentation was eliminated for privatizations occurring after June 30, 2020.

2019 Changes

Changes in Actuarial Assumptions:

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

Changes in Plan Provisions:

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

2018 Changes

Changes in Actuarial Assumptions:

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

Changes in Plan Provisions:

- The augmentation adjustment in early retirement factors is eliminated over a five-year period starting July 1, 2019, resulting in actuarial equivalence after June 30, 2024.
- Interest credited on member contributions decreased from 4.00% to 3.00%, beginning July 1, 2018.
- Deferred augmentation was changed to 0.00%, effective January 1, 2019. Augmentation that has already accrued for deferred members will still apply.
- Contribution stabilizer provisions were repealed.
- Postretirement benefit increases were changed from 1.00% per year with a provision to increase to 2.50% upon attainment of 90.00% funding ratio to 50.00% of the Social Security Cost of Living Adjustment, not less than 1.00% and not more than 1.50%, beginning January 1, 2019.

CITY OF LAKEVILLE
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION – STATEWIDE PLANS
DECEMBER 31, 2023

General Employees Fund (Continued)

2018 Changes (Continued)

- For retirements on or after January 1, 2024, the first benefit increase is delayed until the retiree reaches normal retirement age; does not apply to Rule of 90 retirees, disability benefit recipients, or survivors.
- Actuarial equivalent factors were updated to reflect revised mortality and interest assumptions.

2017 Changes

Changes in Actuarial Assumptions:

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

Changes in Plan Provisions:

- The State's contribution for the Minneapolis Employees Retirement Fund equals \$16,000,000 in 2017 and 2018, and \$6,000,000 thereafter.
- The Employer Supplemental Contribution for the Minneapolis Employees Retirement Fund changed from \$21,000,000 to \$31,000,000 in calendar years 2019 to 2031. The state's contribution changed from \$16,000,000 to \$6,000,000 in calendar years 2019 to 2031.

2016 Changes

Changes in Actuarial Assumptions:

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

Changes in Plan Provisions:

- There have been no changes since the prior valuation.

2015 Changes

Changes in Actuarial Assumptions:

- The assumed postretirement benefit increase rate was changed from 1.00% per year through 2030 and 2.50% per year thereafter to 1.00% per year through 2035 and 2.50% per year thereafter.

Changes in Plan Provisions:

- On January 1, 2015, the Minneapolis Employees Retirement Fund was merged into the General Employees Fund, which increased the total pension liability by \$1.1 billion and increase the fiduciary plan net position by \$892 million. Upon consolidation, state and employer contributions were revised; the State's contribution of \$6.0 million, which meets the special funding situation definition, was due September 2015.

CITY OF LAKEVILLE
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION – STATEWIDE PLANS
DECEMBER 31, 2023

Police and Fire Fund

2023 Changes

Changes in Actuarial Assumptions:

- The investment return assumption was changed from 6.5% to 7.0%.
- The single discount rate changed from 5.4% to 7.0%.

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% vesting after five years, increasing incrementally to 100% after 10 years.
- A one-time, non-compounding benefit increase of 3.0% 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

Changes in Actuarial Assumptions:

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

Changes in Plan Provisions:

- There have been no changes since the prior valuation.

2021 Changes

Changes in Actuarial Assumptions:

- The investment return and single discount rates were changed from 7.50% to 6.50%, for financial reporting purposes.
- The inflation assumption was changed from 2.50% to 2.25%.
- The payroll growth assumption was changed from 3.25% to 3.00%.
- The base mortality table for healthy annuitants and employees was changed from the RP-2014 table to the Pub-2010 Public Safety Mortality table. The mortality improvement scale was changed from MP-2019 to MN-2020.
- The base mortality table for disabled annuitants was changed from the RP-2014 healthy annuitant mortality table (with future mortality improvement according to Scale MP-2019) to the Pub-2010 Public Safety disabled annuitant mortality table (with future mortality improvement according to Scale MP-2020).
- Assumed rates of salary increase were modified as recommended in the July 14, 2020 experience study. The overall impact is a decrease in gross salary increase rates.
- Assumed rates of retirement were changed as recommended in the July 14, 2020 experience study. The changes result in slightly more unreduced retirements and fewer assumed early retirements.
- Assumed rates of withdrawal were changed from select and ultimate rates to service-based rates. The changes result in more assumed terminations.

CITY OF LAKEVILLE
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION – STATEWIDE PLANS
DECEMBER 31, 2023

Police and Fire Fund (Continued)

Changes in Actuarial Assumptions (Continued):

2021 Changes (Continued)

- Assumed rates of disability were increased for ages 25-44 and decreased for ages over 49. Overall, proposed rates result in more projected disabilities.
- Assumed percent married for active female members was changed from 60% to 70%. Minor changes to form of payment assumptions were applied.

Changes in Plan Provisions:

- There have been no changes since the prior valuation.

2020 Changes

Changes in Actuarial Assumptions:

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

Changes in Plan Provisions:

- There have been no changes since the prior valuation.

2019 Changes

Changes in Actuarial Assumptions:

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

Changes in Plan Provisions:

- There have been no changes since the prior valuation.

2018 Changes

Changes in Actuarial Assumptions:

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

Changes in Plan Provisions:

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

CITY OF LAKEVILLE
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION – STATEWIDE PLANS
DECEMBER 31, 2023

Police and Fire Fund (Continued)

2017 Changes

Changes in Actuarial Assumptions:

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

Changes in Plan Provisions:

- There have been no changes since the prior valuation.

2016 Changes

Changes in Actuarial Assumptions:

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

Changes in Plan Provisions:

- There have been no changes since the prior valuation.

**CITY OF LAKEVILLE
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION – STATEWIDE PLANS
DECEMBER 31, 2023**

Police and Fire Fund (Continued)

2015 Changes

Changes in Actuarial Assumptions:

- The assumed postretirement benefit increase rate was changed from 1.00% per year through 2030 and 2.50% per year thereafter to 1.00% per year through 2037 and 2.50% per year thereafter.

Changes in Plan Provisions:

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

**CITY OF LAKEVILLE
NET PENSION LIABILITY (ASSET) AND RELATED RATIOS
LAKEVILLE FIRE RELIEF ASSOCIATION
YEAR ENDED DECEMBER 31, 2023**

	2023	2022	2021	2020	2019	2018	2017	2016	2015
Total Pension Liability (TPL)									
Service Cost	\$ 489,087	\$ 438,526	\$ 428,876	\$ 356,038	\$ 319,546	\$ 255,975	\$ 231,712	\$ 270,846	\$ 223,785
Interest	479,407	443,842	429,588	434,535	376,417	358,835	345,935	301,640	269,493
Differences Between Expected and Actual Experience	-	148,756	-	(1,177,043)	-	(57,139)	-	(201,242)	-
Changes of Assumptions	-	(27,176)	-	163,176	-	94,736	38,230	(161,264)	353,037
Changes of Benefit Terms	-	1,212,453	-	1,435,979	388,025	352,464	154,012	186,369	-
Benefit Payments, Including Member Contribution Refunds	(2,805,883)	(491,000)	(749,411)	(249,778)	(203,935)	(602,296)	(276,622)	(547,241)	(210,816)
Net Change in Total Pension Liability	(1,837,389)	1,725,401	109,053	962,907	880,053	402,575	493,267	(150,892)	635,499
Total Pension Liability - Beginning	9,251,371	7,525,970	7,416,917	6,454,010	5,573,957	5,171,382	4,678,115	4,829,007	4,193,508
Total Pension Liability - Ending (a)	7,413,982	9,251,371	7,525,970	7,416,917	6,454,010	5,573,957	5,171,382	4,678,115	4,829,007
Plan Fiduciary Net Position									
Municipal Contributions	-	-	-	-	-	-	-	-	-
State Contributions	588,879	510,676	434,690	409,568	379,598	367,701	351,635	348,276	338,889
Net Investment Income	2,044,048	(2,204,039)	1,871,403	1,715,829	1,904,143	(314,875)	1,175,892	551,474	39,474
Benefit Payments, including refunds of member contributions	(2,805,883)	(491,000)	(749,411)	(249,778)	(203,935)	(602,296)	(276,622)	(547,241)	(210,816)
Administrative Expenses	(19,686)	(10,098)	(15,719)	(10,634)	(12,474)	(12,042)	(11,579)	(9,817)	(11,292)
Other	-	-	-	-	-	-	-	-	(40)
Net Change in Fiduciary Net Position	(192,642)	(2,194,461)	1,540,963	1,864,985	2,067,332	(561,512)	1,239,326	342,692	156,215
Fiduciary Net Position - Beginning	11,778,284	13,972,745	12,431,782	10,566,797	8,499,465	9,060,977	7,821,651	7,478,959	7,322,744
Fiduciary Net Position - Ending (b)	11,585,642	11,778,284	13,972,745	12,431,782	10,566,797	8,499,465	9,060,977	7,821,651	7,478,959
Ending Net Pension Liability (Asset) (a-b)	\$ (4,171,660)	\$ (2,526,913)	\$ (6,446,775)	\$ (5,014,865)	\$ (4,112,787)	\$ (2,925,508)	\$ (3,889,595)	\$ (3,143,536)	\$ (2,649,952)
Plan Fiduciary Net Position as a Percentage of Total Pension Liability (b/a)	156.27%	127.31%	185.66%	167.61%	163.72%	152.49%	175.21%	167.20%	154.88%
Covered Payroll	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Net Pension Liability (Asset) as a Percentage of Covered Payroll	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A

*Ten Years of Data Will Eventually Be Presented When Available

Schedule of Employer Contributions

	2023	2022	2021	2020	2019	2019	2017	2016	2015
Statutorily Required Contribution	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Contributions in Relation to the Statutorily Required Contribution	-	-	-	-	-	-	-	-	-
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

Note: The City implemented GASB Statement No. 68 in fiscal 2015 (using a June 30, 2015 measurement date). The schedule is provided prospectively beginning with the City's fiscal year ended December 31, 2015 and is intended to show a 10-year trend. Additional years will be reported as they become available. The City holds no assets in trust for this plan.

**CITY OF LAKEVILLE
SCHEDULE OF CHANGES IN THE CITY'S
TOTAL OPEB LIABILITY AND RELATED RATIOS
YEAR ENDED DECEMBER 31, 2023**

	2023	2022	2021	2020	2019	2018
Total OPEB Liability						
Service Cost	\$ 77,941	\$ 80,068	\$ 92,424	\$ 90,590	\$ 89,732	\$ 48,551
Interest	26,086	21,882	49,766	46,760	48,182	34,601
Changes of Benefit Terms	-	-	-	-	-	-
Difference Between Expected and Actual Experience	69,035	(3,399)	(459,716)	-	87,715	-
Changes of Assumptions	(157,857)	(28,591)	135,361	-	-	-
Benefit Payments	(43,080)	(41,533)	(66,232)	(51,097)	(50,869)	(42,312)
Net Change in Total OPEB Liability	(27,875)	28,427	(248,397)	86,253	174,760	40,840
Total OPEB Liability - Beginning	1,102,835	1,074,408	1,322,805	1,236,552	1,061,792	1,020,952
Total OPEB Liability - Ending	<u>\$ 1,074,960</u>	<u>\$ 1,102,835</u>	<u>\$ 1,074,408</u>	<u>\$ 1,322,805</u>	<u>\$ 1,236,552</u>	<u>\$ 1,061,792</u>
Total OPEB Liability	\$ 1,074,960	\$ 1,102,835	\$ 1,074,408	\$ 1,322,805	\$ 1,236,552	\$ 1,061,792
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Covered Employee Payroll	\$ 20,991,155	\$ 18,582,335	\$ 17,204,233	\$ 14,711,089	\$ 14,711,089	\$ 15,084,789
City's Total OPEB Liability as a Percentage of the Covered Employee Payroll	5.12%	5.93%	6.25%	8.99%	8.41%	7.04%

Note: The City implemented GASB Statement No. 75 in fiscal 2018. The schedule is provided prospectively beginning with the City's fiscal year ended December 31, 2018 and is intended to show a 10-year trend. Additional years will be reported as they become available.

Notes to Schedule:

Valuation date: 1/1/2023

Measurement date: 1/1/2023

Methods and assumptions used to determine the contribution rates:

Actuarial cost method	Entry age
Amortization method	Level percentage of payroll, closed
Amortization period	Average of expected remaining service on a closed basis for differences between expected and actual experience and assumption changes.
Inflation	3.00%
Healthcare cost trend rate	6.25% for 2021, decreasing to 5.00% over 5 years
Salary increases	3.00%
Discount rate	4.31% (20-year municipal bond yield)
Mortality	RP-2014 White Collar Mortality Tables with MP-2021 Generational Improvement Scale (with Blue Collar adjustment for Police and Fire Personnel)

The City holds no assets in trust related to this OPEB plan.

2023 Changes

Changes in Actuarial Assumptions:

- The discount rate used is the 20-year municipal bond index, as the plan is not funded. This assumed rate increased from 2.25% to 4.31%.
- Improvement Scale MP-2021 was applied to mortality tables.
- Medical trend was reset at 6.25% in 2023, decreasing .25% each year, down to 5.00% in 2028 and onwards.

Changes in Plan Provisions:

- There have been no changes since the prior valuation.

**CITY OF LAKEVILLE
SCHEDULE OF CHANGES IN THE CITY'S
TOTAL OPEB LIABILITY AND RELATED RATIOS (CONTINUED)
YEAR ENDED DECEMBER 31, 2023**

2022 Changes

Changes in Actuarial Assumptions:

- Discount rate of 1.93% was updated to 2.25%.

Changes in Plan Provisions:

- There have been no changes since the prior valuation.

2021 Changes

Changes in Actuarial Assumptions:

- Discount rate of 3.60% was updated to 1.93%.
- Mortality Improvement Scale of MP-2019 was replaced with new Mortality Improvement Scale of MP-2020 and applied to RP-2014 Mortality tables.
- Healthcare cost trend is assumed to be 6.25% in 2021 decreasing .25% each year to an ultimate rate of 5.00% in 2026 and thereafter.

Changes in Plan Provisions:

- There have been no changes since the prior valuation.

COMBINING AND INDIVIDUAL FUND STATEMENTS AND SCHEDULES

NONMAJOR GOVERNMENTAL FUNDS

Special Revenue Funds - These funds are used to account for revenues and expenditures that have a legally restricted or committed use for a specific purpose.

Communications Fund

This fund accounts for franchise fees from cable TV provider operations. Expenditures and other financing uses are used to finance the City's cable TV channels and public communications, including long-term replacement of equipment.

Downtown Special Service District Fund

The Downtown Special Service District was created in 1998 pursuant to Minnesota Statute 428A. A service charge, payable with property taxes, is levied against the commercial properties in the Downtown Business District for the purpose of financing budgeted programs and activities within the District.

Opioid Settlement Fund

This fund is used to account for opioid settlement revenues and the related expenditures restricted to opioid remediation activities.

**CITY OF LAKEVILLE
SPECIAL REVENUE FUNDS (NONMAJOR)
COMBINING BALANCE SHEET
DECEMBER 31, 2023**

ASSETS	<u>Communications</u>	<u>Downtown Special Service District</u>	<u>Opioid Settlement</u>	<u>Totals</u>
Cash and investments	\$ 1,289,177	\$ 12,630	\$ 139,466	\$ 1,441,273
Interest receivable	6,114	73	553	6,740
Accounts receivable	148,669	-	434,893	583,562
	<u>148,669</u>	<u>-</u>	<u>434,893</u>	<u>583,562</u>
Total Assets	<u>\$ 1,443,960</u>	<u>\$ 12,703</u>	<u>\$ 574,912</u>	<u>\$ 2,031,575</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCE				
LIABILITIES				
Salaries payable	\$ 7,554	\$ -	\$ -	\$ 7,554
Accounts payable	4,252	-	-	4,252
	<u>4,252</u>	<u>-</u>	<u>-</u>	<u>4,252</u>
Total Liabilities	11,806	-	-	11,806
DEFERRED INFLOWS OF RESOURCES				
Leases	47,167	-	-	47,167
Unavailable revenue - other	-	-	434,893	434,893
	<u>-</u>	<u>-</u>	<u>434,893</u>	<u>434,893</u>
Total Deferred Inflows of Resources	47,167	-	434,893	482,060
FUND BALANCE				
Restricted	154,190	12,703	140,019	306,912
Committed	1,230,797	-	-	1,230,797
Total Fund Balance	<u>1,384,987</u>	<u>12,703</u>	<u>140,019</u>	<u>1,537,709</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balance	<u>\$ 1,443,960</u>	<u>\$ 12,703</u>	<u>\$ 574,912</u>	<u>\$ 2,031,575</u>

**CITY OF LAKEVILLE
SPECIAL REVENUE FUNDS (NONMAJOR)
COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
YEAR ENDED DECEMBER 31, 2023**

	<u>Communications</u>	<u>Downtown Special Service District</u>	<u>Opioid Settlement</u>	<u>Totals</u>
REVENUE				
Licenses and permits	\$ 601,288	\$ -	\$ -	\$ 601,288
Intergovernmental:				
State-aid PERA	915	-	-	915
Charges for services	44,382	-	-	44,382
Interest income	30,391	363	2,748	33,502
Change in fair value of investments	33,010	394	2,984	36,388
Miscellaneous	2,000	-	30,416	32,416
Total revenue	<u>711,986</u>	<u>757</u>	<u>36,148</u>	<u>748,891</u>
EXPENDITURES				
Current:				
General government	674,574	6,910	15,392	696,876
Capital outlay:				
General government	<u>54,356</u>	<u>-</u>	<u>2,535</u>	<u>56,891</u>
Total expenditures	<u>728,930</u>	<u>6,910</u>	<u>17,927</u>	<u>753,767</u>
EXCESS (DEFICIENCY) OF REVENUE OVER (UNDER) EXPENDITURES	(16,944)	(6,153)	18,221	(4,876)
OTHER FINANCE SOURCES (USES)				
Transfers Out	<u>(6,400)</u>	<u>-</u>	<u>-</u>	<u>(6,400)</u>
NET CHANGE IN FUND BALANCES	(23,344)	(6,153)	18,221	(11,276)
FUND BALANCES				
Beginning of Year	<u>1,408,331</u>	<u>18,856</u>	<u>121,798</u>	<u>1,548,985</u>
End of Year	<u>\$ 1,384,987</u>	<u>\$ 12,703</u>	<u>\$ 140,019</u>	<u>\$ 1,537,709</u>

PROPRIETARY FUNDS

Internal Service Funds - These funds are used as an accounting device to accumulate and allocate costs internally amount the City's various functions.

Municipal Reserves Fund

This fund accounts for the City's risk management program relating to general liability, excess liability, property, workers compensation, and casualty insurance costs which are charged to other City departments on a cost reimbursement basis.

Compensated Leave Fund

This fund accounts for the accrued liability of employee benefits attributed to compensated leave. Funding was initially provided by transfers from the General Fund. Future revenue sources are charges to benefited programs and departments. Benefits paid to Enterprise Fund employees are accounted for in their respective funds.

**CITY OF LAKEVILLE
INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF NET POSITION
DECEMBER 31, 2023**

	Governmental Activities - Internal Service Funds		
	Municipal Reserves	Compensated Leave	Totals
ASSETS			
Cash and investments	\$ 437,813	\$ 610,135	\$ 1,047,948
Interest receivable	1,236	2,286	3,522
Accounts receivable	2,473	-	2,473
Total Assets	\$ 441,522	\$ 612,421	\$ 1,053,943
LIABILITIES AND NET POSITION			
CURRENT LIABILITIES			
Accounts payable	\$ 71,919	\$ -	\$ 71,919
Accrued compensated absences	-	2,130,916	2,130,916
Total current liabilities	71,919	2,130,916	2,202,835
NONCURRENT LIABILITIES			
Accrued compensated absences	-	1,656,933	1,656,933
Total liabilities	71,919	3,787,849	3,859,768
NET POSITION			
Unrestricted	369,603	(3,175,428)	(2,805,825)
Total Liabilities and Net Position	\$ 441,522	\$ 612,421	\$ 1,053,943

**CITY OF LAKEVILLE
INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
YEAR ENDED DECEMBER 31, 2023**

	Governmental Activities - Internal Service Funds		
	Municipal Reserves	Compensated Leave	Totals
OPERATING REVENUE			
User Charges	\$ 372,774	\$ 193,785	\$ 566,559
Other	302,499	-	302,499
Total operating revenue	<u>675,273</u>	<u>193,785</u>	<u>869,058</u>
OPERATING EXPENSES			
Personnel services	-	158,535	158,535
Other charges and services	935,013	-	935,013
Total operating expenses	<u>935,013</u>	<u>158,535</u>	<u>1,093,548</u>
OPERATING INCOME (LOSS)	(259,740)	35,250	(224,490)
NONOPERATING REVENUE (EXPENSES)			
Interest Income	6,143	11,366	17,509
Change in Fair Value of Investments	6,674	-	6,674
Total nonoperating revenue (expenses)	<u>12,817</u>	<u>11,366</u>	<u>24,183</u>
CHANGE IN NET POSITION	(246,923)	46,616	(200,307)
NET POSITION			
Beginning of Year	<u>616,526</u>	<u>(3,222,044)</u>	<u>(2,605,518)</u>
End of Year	<u>\$ 369,603</u>	<u>\$ (3,175,428)</u>	<u>\$ (2,805,825)</u>

**CITY OF LAKEVILLE
INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF CASH FLOWS
YEAR ENDED DECEMBER 31, 2023**

	Governmental Activities - Internal Service Funds		
	Municipal Reserves	Compensated Leave	Totals
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash received from general service charges	\$ 672,800	\$ 193,785	\$ 866,585
Cash paid to suppliers	(1,007,681)	-	(1,007,681)
Net Cash Provided (Used) by Operating Activities	(334,881)	193,785	(141,096)
CASH FLOWS FROM INVESTING ACTIVITIES			
Investment income received	13,167	10,272	23,439
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(321,714)	204,057	(117,657)
Cash and Cash Equivalents - Beginning of the Year	759,527	406,078	1,165,605
CASH AND CASH EQUIVALENTS - END OF THE YEAR	<u>\$ 437,813</u>	<u>\$ 610,135</u>	<u>\$ 1,047,948</u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES			
Operating Income (Loss)	\$ (259,740)	\$ 35,250	\$ (224,490)
Adjustments:			
(Increase) decrease in assets and deferred outflows:			
Accounts receivable	(2,473)	-	(2,473)
Increase (decrease) in liabilities and deferred inflows:			
Accounts payable	(72,668)	-	(72,668)
Accrued compensated absences	-	158,535	158,535
Total adjustments	-	158,535	158,535
Net Cash Provided (Used) by Operating Activities	<u>\$ (334,881)</u>	<u>\$ 193,785</u>	<u>\$ (141,096)</u>

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Statistical Section

This part of the City of Lakeville's annual comprehensive financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the government's overall financial health.

Financial Trends	127
<i>These schedules contain trend information to help the reader understand how the City's financial performance and well-being have changed over time.</i>	
<i>Net Position by Component – Government-wide</i>	
<i>Changes in Net Position by Component – Governmental Activities</i>	
<i>Changes in Net Position by Component – Business-type Activities</i>	
<i>Changes in Net Position by Component – Total Governmental and Business-type Activities</i>	
<i>Fund Balances – Governmental Funds</i>	
Revenue Capacity	139
<i>These schedules contain information to help the reader assess the City's most significant local revenue sources; electric sales and property taxes.</i>	
<i>Tax Capacity Valuation and Assessor's Taxable Market Value of Taxable Property</i>	
<i>Property Tax Rates – Direct and Overlapping Governments</i>	
<i>Principal Property Taxpayers</i>	
<i>Property Tax Levy and Collections</i>	
Debt Capacity	144
<i>These schedules present information to help the reader assess the affordability of the City's current levels of outstanding debt and the City's ability to issue additional debt in the future.</i>	
<i>Ratio of Total Debt by Type</i>	
<i>Ratio of Net Bonded Debt Outstanding</i>	
<i>Direct and Overlapping Governmental Debt</i>	
<i>Legal Debt Margin</i>	
<i>Pledged Revenue Coverage</i>	
Demographic and Economic Information	149
<i>These schedules offer demographic and economic indicators to help the reader understand the environment within which the City's financial activities take place.</i>	
<i>Demographic and Economic Statistics</i>	
<i>Principal Employers</i>	
<i>Commercial and Industrial Building Permits Issued</i>	
Operating Information	152
<i>These schedules contain service and infrastructure data to help the reader understand how the information in the City's financial report relates to the services the City provides and the activities it performs.</i>	
<i>Employees by Function/Program (Full-Time Equivalent)</i>	
<i>Operating Indicators by Function</i>	
<i>Capital Asset Statistics by Function</i>	

Sources: Unless otherwise noted, the information in these schedules is derived from the annual comprehensive financial reports for the relevant year.

CITY OF LAKEVILLE
NET POSITION BY COMPONENT – GOVERNMENT-WIDE
LAST TEN FISCAL YEARS
(ACCRUAL BASIS OF ACCOUNTING)

	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
Governmental Activities:				
Net Investment in Capital Assets	\$ 135,673,737	\$ 141,868,136	\$ 149,196,480	\$ 144,581,700
Restricted	19,913,014	33,860,946	35,860,604	46,683,603
Unrestricted	<u>5,874,237</u>	<u>(4,929,168)</u>	<u>4,277,626</u>	<u>6,036,382</u>
Total Governmental Activities Net Position	<u>\$ 161,460,988</u>	<u>\$ 170,799,914</u>	<u>\$ 189,334,710</u>	<u>\$ 197,301,685</u>
Business-Type Activities:				
Net Investment in Capital Assets	\$ 109,535,106	\$ 116,288,771	\$ 129,086,090	\$ 135,324,120
Restricted	324,125	323,875	323,875	323,875
Unrestricted	<u>11,318,290</u>	<u>8,420,410</u>	<u>9,757,400</u>	<u>10,791,344</u>
Total Business-Type Activities Net Position	<u>\$ 121,177,521</u>	<u>\$ 125,033,056</u>	<u>\$ 139,167,365</u>	<u>\$ 146,439,339</u>
Primary Government:				
Net Investment in Capital Assets	\$ 245,208,843	\$ 258,156,907	\$ 278,282,570	\$ 279,905,820
Restricted	20,237,139	34,184,821	36,184,479	47,007,478
Unrestricted	<u>17,192,527</u>	<u>3,491,242</u>	<u>14,035,026</u>	<u>16,827,726</u>
Total Primary Government Net Position	<u>\$ 282,638,509</u>	<u>\$ 295,832,970</u>	<u>\$ 328,502,075</u>	<u>\$ 343,741,024</u>

(1)

Notes:

- (1) The City implemented GASB Statement No. 68 in 2015, recording a change in accounting principle that decreased unrestricted net position. Prior year balances were not restated.
- (2) The City implemented GASB Statement No. 75 in 2018, recording a change in accounting principle that decreased unrestricted net position. Prior year balances were not restated.
- (3) The City implemented GASB Statement No. 84 in 2019, recording a change in accounting principle that increased restricted net position. Prior year balances were not restated.

**CITY OF LAKEVILLE
NET POSITION BY COMPONENT – GOVERNMENT-WIDE (CONTINUED)
LAST TEN FISCAL YEARS
(ACCRUAL BASIS OF ACCOUNTING)**

2018	2019	2020	2021	2022	2023
\$ 142,300,205	\$ 154,468,792	\$ 167,619,658	\$ 183,876,386	\$ 218,867,352	\$ 240,978,608
45,267,313	56,356,434	69,458,557	69,329,217	82,302,974	73,224,358
15,427,439	24,178,084	32,249,615	39,709,366	16,378,884	17,814,210
<u>\$ 202,994,957</u>	<u>\$ 235,003,310</u>	<u>\$ 269,327,830</u>	<u>\$ 292,914,969</u>	<u>\$ 317,549,210</u>	<u>\$ 332,017,176</u>
\$ 138,725,763	\$ 143,501,608	\$ 151,132,001	\$ 170,514,908	\$ 180,563,445	\$ 188,259,693
-	-	-	-	-	-
13,878,208	15,142,309	18,258,536	25,479,132	28,938,525	32,950,342
<u>\$ 152,603,971</u>	<u>\$ 158,643,917</u>	<u>\$ 169,390,537</u>	<u>\$ 195,994,040</u>	<u>\$ 209,501,970</u>	<u>\$ 221,210,035</u>
\$ 281,025,968	\$ 297,970,400	\$ 318,751,659	\$ 354,391,294	\$ 399,430,797	\$ 429,238,301
45,267,313	56,356,434	69,458,557	69,329,217	82,302,974	73,224,358
29,305,647	39,320,393	50,508,151	65,188,498	45,317,409	50,764,552
<u>\$ 355,598,928</u>	<u>\$ 393,647,227</u>	<u>\$ 438,718,367</u>	<u>\$ 488,909,009</u>	<u>\$ 527,051,180</u>	<u>\$ 553,227,211</u>
(2)	(3)				

CITY OF LAKEVILLE
CHANGES IN NET POSITION BY COMPONENT – GOVERNMENTAL ACTIVITIES
LAST TEN FISCAL YEARS
(ACCRUAL BASIS OF ACCOUNTING)

	2014	2015	2016	2017
Expenses:				
General government	\$ 6,051,985	\$ 5,893,261	\$ 8,028,316	\$ 4,579,478
Public safety	11,807,183	12,236,411	16,369,670	14,250,572
Public works	14,776,390	15,365,976	17,711,240	18,944,454
Parks and recreation	5,202,168	5,762,890	5,626,149	6,645,057
Interest on long-term debt	3,665,421	3,296,665	3,930,168	3,268,426
Total expenses	<u>41,503,147</u>	<u>42,555,203</u>	<u>51,665,543</u>	<u>47,687,987</u>
Program Revenues:				
Charges for Services:				
General government	3,219,644	3,730,342	4,094,298	4,348,910
Public safety	660,910	926,168	954,395	934,444
Public works	5,280,338	8,311,017	8,401,512	7,081,317
Parks and recreation	2,808,885	3,699,025	3,685,202	2,369,615
Operating Grants and Contributions				
General government	5,399	7,132	772,998	68,095
Public safety	825,434	980,310	989,342	1,061,252
Public works	3,665,373	4,145,806	4,942,834	1,382,380
Parks and recreation	66,575	186,118	91,869	55,300
Capital Grants and Contributions				
General government	2,762,609	77,006	138,593	62,101
Public safety	-	-	8,500	-
Public works	6,892,230	12,702,266	23,604,519	13,018,689
Parks and recreation	436,107	1,004,480	2,932,612	182,387
Total program revenues	<u>26,623,504</u>	<u>35,769,670</u>	<u>50,616,674</u>	<u>30,564,490</u>
Net Revenue (Expense):				
General government	(64,333)	(2,078,781)	(3,022,427)	(100,372)
Public safety	(10,320,839)	(10,329,933)	(14,417,433)	(12,254,876)
Public works	1,061,551	9,793,113	19,237,625	2,537,932
Parks and recreation	(1,890,601)	(873,267)	1,083,534	(4,037,755)
Interest on long-term debt	(3,665,421)	(3,296,665)	(3,930,168)	(3,268,426)
Total net (expense) revenue	<u>(14,879,643)</u>	<u>(6,785,533)</u>	<u>(1,048,869)</u>	<u>(17,123,497)</u>
General Revenues and Other Changes in Net Position:				
Property taxes	24,465,333	25,338,778	26,173,822	27,317,169
Investment earnings (charges)	552,444	368,232	388,672	597,513
Transfers in (out)	1,565,481	(1,549,881)	(6,978,829)	(2,824,210)
Total general revenues and other (net)	<u>26,583,258</u>	<u>24,157,129</u>	<u>19,583,665</u>	<u>25,090,472</u>
Change in Net Position:				
Governmental Activities	<u>\$ 11,703,615</u>	<u>\$ 17,371,596</u>	<u>\$ 18,534,796</u>	<u>\$ 7,966,975</u>
		(1)		

Notes:

- (1) The City implemented GASB Statement No. 68 in 2015, recording a change in accounting principle that decreased unrestricted net position. Prior year balances were not restated.
- (2) The City implemented GASB Statement No. 75 in 2018, recording a change in accounting principle that decreased unrestricted net position. Prior year balances were not restated.
- (3) The City implemented GASB Statement No. 84 in 2019, recording a change in accounting principle that increased restricted net position. Prior year balances were not restated.

CITY OF LAKEVILLE
CHANGES IN NET POSITION BY COMPONENT – GOVERNMENTAL ACTIVITIES (CONTINUED)
LAST TEN FISCAL YEARS
(ACCRUAL BASIS OF ACCOUNTING)

2018	2019	2020	2021	2022	2023
\$ 7,203,308	\$ 7,902,490	\$ 8,994,404	\$ 8,966,246	\$ 9,999,721	\$ 9,899,710
14,141,045	14,927,426	16,063,433	14,226,059	19,313,383	20,139,088
22,336,416	21,015,480	22,623,378	21,462,578	25,477,542	29,136,552
6,661,852	7,178,164	6,578,004	7,791,954	7,762,349	10,117,834
3,468,814	3,332,465	3,147,896	1,199,275	3,966,703	2,903,304
<u>53,811,435</u>	<u>54,356,025</u>	<u>57,407,115</u>	<u>53,646,112</u>	<u>66,519,698</u>	<u>72,196,488</u>
5,584,036	6,506,302	6,573,673	6,303,733	7,064,177	6,587,921
1,059,236	838,664	638,887	817,539	810,708	835,053
6,792,249	9,166,886	11,300,325	10,569,326	9,903,121	6,620,758
2,455,851	4,098,580	3,071,803	5,501,844	5,568,006	2,506,421
23,772	97,964	917,379	156,783	206,244	76,861
1,149,691	1,168,857	5,100,592	1,270,607	6,425,656	4,655,977
4,313,934	3,142,430	3,461,526	547,841	7,056,438	3,681,717
11,422	204,737	316,067	89,442	668,708	978,532
61,193	116,750	149,610	79,173	55,044	304,539
-	-	-	-	-	-
9,183,039	21,234,628	23,710,868	24,529,021	22,352,046	16,919,544
194,327	112,725	180,924	195,025	165,277	205,018
<u>30,828,750</u>	<u>46,688,523</u>	<u>55,421,654</u>	<u>50,060,334</u>	<u>60,275,425</u>	<u>43,372,341</u>
(1,534,307)	(1,181,474)	(1,353,742)	(2,426,557)	(2,674,256)	(2,930,389)
(11,932,118)	(12,919,905)	(10,323,954)	(12,137,913)	(12,077,019)	(14,648,058)
(2,047,194)	12,528,464	15,849,341	14,183,610	13,834,063	(1,914,533)
(4,000,252)	(2,762,122)	(3,009,210)	(2,005,643)	(1,360,358)	(6,427,863)
<u>(3,468,814)</u>	<u>(3,332,465)</u>	<u>(3,147,896)</u>	<u>(1,199,275)</u>	<u>(3,966,703)</u>	<u>(2,903,304)</u>
<u>(22,982,685)</u>	<u>(7,667,502)</u>	<u>(1,985,461)</u>	<u>(3,585,778)</u>	<u>(6,244,273)</u>	<u>(28,824,147)</u>
28,641,302	30,897,445	33,033,079	35,051,089	36,822,483	40,247,761
907,138	2,769,074	2,144,654	(1,003,311)	(6,316,145)	5,834,294
<u>(492,418)</u>	<u>1,162,124</u>	<u>1,132,248</u>	<u>(6,874,861)</u>	<u>372,176</u>	<u>(2,789,942)</u>
<u>29,056,022</u>	<u>34,828,643</u>	<u>36,309,981</u>	<u>27,172,917</u>	<u>30,878,514</u>	<u>43,292,113</u>
<u>\$ 6,073,337</u>	<u>\$ 27,161,141</u>	<u>\$ 34,324,520</u>	<u>\$ 23,587,139</u>	<u>\$ 24,634,241</u>	<u>\$ 14,467,966</u>
(2)	(3)				

CITY OF LAKEVILLE
CHANGES IN NET POSITION BY COMPONENT – BUSINESS-TYPE ACTIVITIES
LAST TEN FISCAL YEARS
(ACCRUAL BASIS OF ACCOUNTING)

	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
Expenses:				
Liquor	\$ 13,577,019	\$ 12,852,980	\$ 13,268,419	\$ 13,638,043
Utility	<u>11,462,552</u>	<u>11,946,778</u>	<u>13,558,839</u>	<u>14,138,885</u>
Total expenses	<u>25,039,571</u>	<u>24,799,758</u>	<u>26,827,258</u>	<u>27,776,928</u>
Program Revenues:				
Charges for Services:				
Liquor	14,883,858	13,611,294	14,130,830	14,583,514
Utility	9,296,118	9,216,463	10,692,185	12,585,450
Operating Grants and Contributions				
Liquor	3,762	3,762	3,762	6,716
Utility	112,181	85,754	111,572	166,227
Capital Grants and Contributions				
Utility	<u>4,252,192</u>	<u>6,009,075</u>	<u>8,973,280</u>	<u>4,791,313</u>
Total program revenues	<u>28,548,111</u>	<u>28,926,348</u>	<u>33,911,629</u>	<u>32,133,220</u>
Net Revenue (Expense):				
Liquor	1,310,601	762,076	866,173	952,187
Utility	<u>2,197,939</u>	<u>3,364,514</u>	<u>6,218,198</u>	<u>3,404,105</u>
Total net (expense) revenue	<u>3,508,540</u>	<u>4,126,590</u>	<u>7,084,371</u>	<u>4,356,292</u>
General Revenues and Other Changes in Net Position:				
Investment income (charges)	150,310	52,461	71,109	91,472
Disposal of capital assets	-	-	-	-
Transfers in (out)	<u>(1,565,481)</u>	<u>1,549,881</u>	<u>6,978,829</u>	<u>2,824,210</u>
Total general revenues and other (net)	<u>(1,415,171)</u>	<u>1,602,342</u>	<u>7,049,938</u>	<u>2,915,682</u>
Change in Net Position:				
Business-type Activities	<u>\$ 2,093,369</u>	<u>\$ 5,728,932</u>	<u>\$ 14,134,309</u>	<u>\$ 7,271,974</u>
		(1)		

Notes:

- (1) The City implemented GASB Statement No. 68 in 2015, recording a change in accounting principle that decreased unrestricted net position. Prior year balances were not restated.
- (2) The City implemented GASB Statement No. 75 in 2018, recording a change in accounting principle that decreased unrestricted net position. Prior year balances were not restated.

CITY OF LAKEVILLE
CHANGES IN NET POSITION BY COMPONENT – BUSINESS-TYPE ACTIVITIES (CONTINUED)
LAST TEN FISCAL YEARS
(ACCRUAL BASIS OF ACCOUNTING)

2018	2019	2020	2021	2022	2023
\$ 14,234,337	\$ 15,267,133	\$ 16,735,031	\$ 18,069,171	\$ 20,652,588	\$ 21,726,194
14,815,914	16,386,516	17,518,091	17,512,988	20,307,370	22,854,878
<u>29,050,251</u>	<u>31,653,649</u>	<u>34,253,122</u>	<u>35,582,159</u>	<u>40,959,958</u>	<u>44,581,072</u>
15,276,433	16,288,986	18,262,397	19,683,002	21,894,980	22,692,555
13,613,145	14,215,952	17,308,481	21,235,961	22,031,929	22,715,704
13,421	6,453	76,810	5,445	8,778	163
51,035	643,919	85,499	489,647	786,804	1,028,276
4,075,854	7,240,758	10,045,894	14,094,676	11,492,752	5,739,878
<u>33,029,888</u>	<u>38,396,068</u>	<u>45,779,081</u>	<u>55,508,731</u>	<u>56,215,243</u>	<u>52,176,576</u>
1,055,517	1,028,306	1,604,176	1,619,276	1,251,170	966,524
2,924,120	5,714,113	9,921,783	18,307,296	14,004,115	6,628,980
<u>3,979,637</u>	<u>6,742,419</u>	<u>11,525,959</u>	<u>19,926,572</u>	<u>15,255,285</u>	<u>7,595,504</u>
160,165	459,651	352,909	(197,930)	(1,375,179)	1,322,619
1,601,334	-	-	-	-	-
492,418	(1,162,124)	(1,132,248)	6,874,861	(372,176)	2,789,942
<u>2,253,917</u>	<u>(702,473)</u>	<u>(779,339)</u>	<u>6,676,931</u>	<u>(1,747,355)</u>	<u>4,112,561</u>
<u>\$ 6,233,554</u>	<u>\$ 6,039,946</u>	<u>\$ 10,746,620</u>	<u>\$ 26,603,503</u>	<u>\$ 13,507,930</u>	<u>\$ 11,708,065</u>
(2)					

**CITY OF LAKEVILLE
 CHANGES IN NET POSITION BY COMPONENT – TOTAL GOVERNMENTAL
 AND BUSINESS-TYPE ACTIVITIES
 LAST TEN FISCAL YEARS
 (ACCRUAL BASIS OF ACCOUNTING)**

	2014	2015	2016	2017
Expenses:				
Governmental activities	\$ 41,503,147	\$ 42,555,203	\$ 51,665,543	\$ 47,687,987
Business-type activities	25,039,571	24,799,758	26,827,258	27,776,928
Total expenses	<u>66,542,718</u>	<u>67,354,961</u>	<u>78,492,801</u>	<u>75,464,915</u>
Program Revenues:				
Governmental activities	26,623,504	35,769,670	50,616,674	30,564,490
Business-type activities	28,548,111	28,926,348	33,911,629	32,133,220
Total program revenues	<u>55,171,615</u>	<u>64,696,018</u>	<u>84,528,303</u>	<u>62,697,710</u>
Net Revenue (Expense):				
Governmental activities	(14,879,643)	(6,785,533)	(1,048,869)	(17,123,497)
Business-type activities	3,508,540	4,126,590	7,084,371	4,356,292
Total net (expense) revenue	<u>(11,371,103)</u>	<u>(2,658,943)</u>	<u>6,035,502</u>	<u>(12,767,205)</u>
General Revenues and Other Changes in Net Position:				
Governmental activities	26,583,258	24,157,129	19,583,665	25,090,472
Business-type activities	(1,415,171)	1,602,342	7,049,938	2,915,682
Total general revenues and other (net)	<u>25,168,087</u>	<u>25,759,471</u>	<u>26,633,603</u>	<u>28,006,154</u>
Change in Net Position:				
Governmental activities	11,703,615	17,371,596	18,534,796	7,966,975
Business-type activities	2,093,369	5,728,932	14,134,309	7,271,974
Total change in net position	<u>\$ 13,796,984</u>	<u>\$ 23,100,528</u>	<u>\$ 32,669,105</u>	<u>\$ 15,238,949</u>
		(1)		

Note:

- (1) The City implemented GASB Statement No. 68 in 2015, recording a change in accounting principle that decreased unrestricted net position. Prior year balances were not restated.
- (2) The City implemented GASB Statement No. 75 in 2018, recording a change in accounting principle that decreased unrestricted net position. Prior year balances were not restated.
- (3) The City implemented GASB Statement No. 84 in 2019, recording a change in accounting principle that increased restricted net position. Prior year balances were not restated.

**CITY OF LAKEVILLE
 CHANGES IN NET POSITION BY COMPONENT – TOTAL GOVERNMENTAL
 AND BUSINESS-TYPE ACTIVITIES (CONTINUED)
 LAST TEN FISCAL YEARS
 (ACCRUAL BASIS OF ACCOUNTING)**

2018	2019	2020	2021	2022	2023
\$ 53,811,435	\$ 54,356,025	\$ 57,407,115	\$ 53,646,112	\$ 66,519,698	\$ 72,196,488
29,050,251	31,653,649	34,253,122	35,582,159	40,959,958	44,581,072
<u>82,861,686</u>	<u>86,009,674</u>	<u>91,660,237</u>	<u>89,228,271</u>	<u>107,479,656</u>	<u>116,777,560</u>
30,828,750	46,688,523	55,421,654	50,060,334	60,275,425	43,372,341
33,029,888	38,396,068	45,779,081	55,508,731	56,215,243	52,176,576
<u>63,858,638</u>	<u>85,084,591</u>	<u>101,200,735</u>	<u>105,569,065</u>	<u>116,490,668</u>	<u>95,548,917</u>
(22,982,685)	(7,667,502)	(1,985,461)	(3,585,778)	(6,244,273)	(28,824,147)
3,979,637	6,742,419	11,525,959	19,926,572	15,255,285	7,595,504
<u>(19,003,048)</u>	<u>(925,083)</u>	<u>9,540,498</u>	<u>16,340,794</u>	<u>9,011,012</u>	<u>(21,228,643)</u>
29,056,022	34,828,643	36,309,981	27,172,917	30,878,514	43,292,113
2,253,917	(702,473)	(779,339)	6,676,931	(1,747,355)	4,112,561
<u>31,309,939</u>	<u>34,126,170</u>	<u>35,530,642</u>	<u>33,849,848</u>	<u>29,131,159</u>	<u>47,404,674</u>
6,073,337	27,161,141	34,324,520	23,587,139	24,634,241	14,467,966
6,233,554	6,039,946	10,746,620	26,603,503	13,507,930	11,708,065
<u>\$ 12,306,891</u>	<u>\$ 33,201,087</u>	<u>\$ 45,071,140</u>	<u>\$ 50,190,642</u>	<u>\$ 38,142,171</u>	<u>\$ 26,176,031</u>
(2)	(3)				

**CITY OF LAKEVILLE
FUND BALANCES – GOVERNMENTAL FUNDS
LAST TEN FISCAL YEARS
(MODIFIED ACCRUAL BASIS OF ACCOUNTING)**

	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
General Fund:				
Nonspendable	\$ 221,704	\$ 447,284	\$ 695,830	\$ 914,375
Restricted	-	-	-	-
Committed	45,000	45,000	-	-
Assigned	-	-	1,478,522	741,864
Unassigned	<u>10,805,065</u>	<u>11,882,644</u>	<u>12,902,148</u>	<u>13,613,203</u>
Total general fund	11,071,769	12,374,928	15,076,500	15,269,442
All Other Governmental Funds:				
Nonspendable	169	-	-	-
Restricted	44,319,872	35,659,756	37,947,697	29,887,820
Committed	17,154,096	17,937,431	21,651,118	26,519,559
Unassigned	<u>(632,035)</u>	<u>(3,492,389)</u>	<u>(726,681)</u>	<u>(876,594)</u>
Total all other governmental funds	<u>60,842,102</u>	<u>50,104,798</u>	<u>58,872,134</u>	<u>55,530,785</u>
Total Governmental Funds:				
Nonspendable	221,873	447,284	695,830	914,375
Restricted	44,319,872	35,659,756	37,947,697	29,887,820
Committed	17,199,096	17,982,431	21,651,118	26,519,559
Assigned	-	-	1,478,522	741,864
Unassigned	<u>10,173,030</u>	<u>8,390,255</u>	<u>12,175,467</u>	<u>12,736,609</u>
Total governmental funds	<u>\$ 71,913,871</u>	<u>\$ 62,479,726</u>	<u>\$ 73,948,634</u>	<u>\$ 70,800,227</u>
All governmental funds percentage change	92.9%	-13.1%	18.4%	-4.3%

**CITY OF LAKEVILLE
FUND BALANCES – GOVERNMENTAL FUNDS (CONTINUED)
LAST TEN FISCAL YEARS
(MODIFIED ACCRUAL BASIS OF ACCOUNTING)**

2018	2019	2020	2021	2022	2023
\$ 876,394	\$ 748,231	\$ 811,338	\$ 666,451	\$ 254,180	\$ 279,568
-	175,590	-	5,000	-	1,850,000
-	100,000	200,000	-	-	-
705,500	749,675	1,675,125	2,493,300	2,711,000	1,528,414
<u>14,011,567</u>	<u>15,429,752</u>	<u>22,053,166</u>	<u>20,821,071</u>	<u>19,042,227</u>	<u>18,715,015</u>
15,593,461	17,203,248	24,739,629	23,985,822	22,007,407	22,372,997
11,630	-	-	-	-	-
25,773,762	36,333,665	41,694,538	46,337,784	63,559,319	51,346,145
30,327,238	36,071,889	40,241,806	44,233,989	44,954,814	48,514,099
<u>(415,577)</u>	<u>(428,702)</u>	<u>(1,084,565)</u>	<u>(993,783)</u>	<u>(622,177)</u>	<u>(30,377)</u>
<u>55,697,053</u>	<u>71,976,852</u>	<u>80,851,779</u>	<u>89,577,990</u>	<u>107,891,956</u>	<u>99,829,867</u>
888,024	748,231	811,338	666,451	254,180	279,568
25,773,762	36,509,255	41,694,538	46,342,784	63,559,319	53,196,145
30,327,238	36,171,889	40,441,806	44,233,989	44,954,814	48,514,099
705,500	749,675	1,675,125	2,493,300	2,711,000	1,528,414
<u>13,595,990</u>	<u>15,001,050</u>	<u>20,968,601</u>	<u>19,827,288</u>	<u>18,420,050</u>	<u>18,684,638</u>
<u>\$ 71,290,514</u>	<u>\$ 89,180,100</u>	<u>\$ 105,591,408</u>	<u>\$ 113,563,812</u>	<u>\$ 129,899,363</u>	<u>\$ 122,202,864</u>
0.7%	25.1%	18.4%	7.6%	14.4%	-5.9%

CITY OF LAKEVILLE
CHANGES IN FUND BALANCES – GOVERNMENTAL FUNDS
LAST TEN FISCAL YEARS
(MODIFIED ACCRUAL BASIS OF ACCOUNTING)

	2014	2015	2016	2017
Revenues:				
Property taxes and tax increment	\$ 24,524,709	\$ 25,215,734	\$ 26,131,569	\$ 27,401,195
Licenses and permits	2,836,555	3,325,293	3,706,567	3,988,189
Intergovernmental	4,979,156	5,232,193	9,043,356	3,771,886
Charges for services	8,405,492	12,443,152	13,289,708	10,016,017
Special assessments	1,636,267	1,736,905	2,308,223	2,812,587
Investment income (charges)	548,842	366,555	387,604	597,513
Donations	242,627	356,446	550,255	238,383
Miscellaneous	3,411,579	1,155,073	2,828,177	846,035
Total Revenues	<u>46,585,227</u>	<u>49,831,351</u>	<u>58,245,459</u>	<u>49,671,805</u>
Expenditures:				
General government	5,690,230	5,226,864	5,783,013	6,424,260
Public safety	10,305,450	10,892,071	11,513,170	12,775,807
Public works	3,805,470	3,856,984	4,245,072	9,786,321
Parks and recreation	3,330,488	3,532,376	3,497,041	5,222,503
Capital outlay	21,420,875	31,649,447	37,938,823	11,995,449
Debt Service:				
Principal retirement	5,995,000	7,385,000	5,935,000	6,885,000
Interest on debt	3,700,590	3,735,120	3,970,010	3,881,179
Fiscal charges	176,789	33,071	327,052	129,158
Total Expenditures	<u>54,424,892</u>	<u>66,310,933</u>	<u>73,209,181</u>	<u>57,099,677</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(7,839,665)	(16,479,582)	(14,963,722)	(7,427,872)
Other Financing Sources (Uses):				
Transfers in	3,489,225	6,883,879	5,179,668	8,355,474
Transfers out	(1,644,624)	(4,928,951)	(3,222,237)	(6,661,840)
Bond, note, loan and lease proceeds	21,180,000	16,545,000	31,075,000	11,987,171
Payment on refunded bonds called	(10,035,000)	(12,460,000)	(9,535,000)	(11,368,146)
Premium on bonds issued	1,981,519	1,005,509	2,626,731	1,309,907
Sale of capital assets	-	-	-	516,380
Total Other Financing Sources (Uses)	<u>14,971,120</u>	<u>7,045,437</u>	<u>26,124,162</u>	<u>4,138,946</u>
Net Change in Fund Balances	<u>\$ 7,131,455</u>	<u>\$ (9,434,145)</u>	<u>\$ 11,160,440</u>	<u>\$ (3,288,926)</u>
Debt Service as a Percentage of				
Noncapital Expenditures	<u>25.3%</u>	<u>25.6%</u>	<u>19.6%</u>	<u>22.6%</u>

Note: The City has no taxes other than property taxes and tax increment.

CITY OF LAKEVILLE
CHANGES IN FUND BALANCES – GOVERNMENTAL FUNDS (CONTINUED)
LAST TEN FISCAL YEARS
(MODIFIED ACCRUAL BASIS OF ACCOUNTING)

	2018	2019	2020	2021	2022	2023
\$	28,612,384	\$ 30,855,832	\$ 32,983,369	\$ 35,146,364	\$ 36,815,539	\$ 40,226,889
	3,899,604	4,492,109	5,600,853	5,081,480	4,490,895	4,091,103
	5,090,762	8,901,495	14,571,858	3,813,869	17,279,101	15,259,457
	11,828,549	15,046,177	15,239,684	17,343,792	17,586,719	11,096,772
	3,139,103	3,683,354	3,953,438	3,023,130	3,478,667	7,934,564
	907,138	2,769,074	2,144,654	(1,003,311)	(6,316,145)	5,834,294
	309,970	211,969	232,689	268,898	200,642	309,521
	835,986	861,800	800,067	775,140	1,310,631	953,242
	<u>54,623,496</u>	<u>66,821,810</u>	<u>75,526,612</u>	<u>64,449,362</u>	<u>74,846,049</u>	<u>85,705,842</u>
	6,656,824	7,028,626	8,061,485	7,950,888	8,377,090	8,238,696
	13,061,572	13,496,719	14,251,367	15,283,047	15,836,333	17,432,946
	4,741,200	4,802,149	4,692,478	4,987,928	5,139,700	5,844,020
	3,998,735	4,178,410	3,888,960	4,486,389	4,863,528	5,407,841
	25,065,276	20,906,745	34,788,668	32,856,512	42,577,218	54,049,585
	10,420,000	8,920,000	9,715,000	9,160,000	7,861,201	13,161,000
	3,948,999	3,877,764	3,871,110	4,064,943	4,179,644	5,006,042
	96,729	44,429	38,098	82,573	324,787	42,577
	<u>67,989,335</u>	<u>63,254,842</u>	<u>79,307,166</u>	<u>78,872,280</u>	<u>89,159,501</u>	<u>109,182,707</u>
	(13,365,839)	3,566,968	(3,780,554)	(14,422,918)	(14,313,452)	(23,476,865)
	6,038,479	5,120,699	6,522,720	9,636,510	15,996,085	8,829,311
	(4,167,132)	(2,980,605)	(4,180,711)	(7,736,781)	(14,621,216)	(6,576,539)
	13,805,000	6,295,000	15,164,036	19,294,225	47,874,860	12,361,337
	(3,320,000)	-	-	-	(23,540,000)	-
	1,005,336	1,065,624	2,391,960	1,090,191	4,115,966	779,235
	530,734	107,645	249,015	258,880	868,415	307,368
	<u>13,892,417</u>	<u>9,608,363</u>	<u>20,147,020</u>	<u>22,543,025</u>	<u>30,694,110</u>	<u>15,700,712</u>
\$	<u>526,578</u>	<u>\$ 13,175,331</u>	<u>\$ 16,366,466</u>	<u>\$ 8,120,107</u>	<u>\$ 16,380,658</u>	<u>\$ (7,776,153)</u>
	<u>26.9%</u>	<u>25.7%</u>	<u>25.8%</u>	<u>24.5%</u>	<u>22.0%</u>	<u>25.9%</u>

**CITY OF LAKEVILLE
TAX CAPACITY VALUATION AND ASSESSOR'S TAXABLE
MARKET VALUE OF TAXABLE PROPERTY
LAST TEN FISCAL YEARS**

<u>Fiscal Year</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
<u>Taxable Net Tax Capacity Valuation of Taxable Property</u>			
Tax capacity value	\$ 57,174,306	\$ 62,811,855	\$ 65,634,896
Less:			
Captured tax increment tax capacity	(861,019)	(446,760)	(497,171)
Contributions to fiscal disparities pool	(5,439,491)	(5,481,001)	(5,411,614)
Plus:			
Distribution from fiscal disparities pool	<u>6,316,073</u>	<u>6,323,361</u>	<u>6,635,572</u>
Total taxable net tax capacity	<u>\$ 57,189,869</u>	<u>\$ 63,207,455</u>	<u>\$ 66,361,683</u>
<u>Taxable Net Tax Capacity Valuation by Class of Property</u>			
Homestead residential	\$ 41,029,548	\$ 46,374,248	\$ 49,048,168
Commercial/industrial, public utility, and personal property	13,833,973	14,223,709	14,754,095
Non-homestead residential/apartments	1,468,225	1,629,527	1,656,581
Agriculture and seasonal/recreational	<u>858,123</u>	<u>979,971</u>	<u>902,839</u>
Total taxable net tax capacity	<u>\$ 57,189,869</u>	<u>\$ 63,207,455</u>	<u>\$ 66,361,683</u>
Assessor's taxable market valuation	<u>\$ 4,995,818,217</u>	<u>\$ 5,553,395,148</u>	<u>\$ 5,825,279,418</u>
Taxable net tax capacity as a percentage of assessor's taxable market value	<u>1.145%</u>	<u>1.138%</u>	<u>1.139%</u>
Direct tax capacity rate	<u>40.696%</u>	<u>38.948%</u>	<u>38.669%</u>

Notes:

Taxes are determined by multiplying the taxable net tax capacity by the direct tax capacity rate as expressed as a percentage.

The foregoing direct tax capacity rates do not reflect reductions for state property tax credits.

Source: Dakota County Auditor and Treasurer's Office.

**CITY OF LAKEVILLE
TAX CAPACITY VALUATION AND ASSESSOR'S TAXABLE
MARKET VALUE OF TAXABLE PROPERTY (CONTINUED)
LAST TEN FISCAL YEARS**

<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>
\$ 69,887,094	\$ 75,422,344	\$ 82,737,259	\$ 90,729,405	\$ 97,138,303	\$ 106,343,200	\$ 130,077,811
(596,348)	(609,048)	(774,382)	(856,909)	(1,085,470)	(1,084,201)	(647,312)
(5,524,685)	(5,828,030)	(6,190,357)	(6,645,636)	(6,925,361)	(7,645,703)	(7,858,132)
<u>7,139,972</u>	<u>7,672,379</u>	<u>8,151,580</u>	<u>9,049,794</u>	<u>9,522,500</u>	<u>10,270,657</u>	<u>11,246,438</u>
<u>\$ 70,906,033</u>	<u>\$ 76,657,645</u>	<u>\$ 83,924,100</u>	<u>\$ 92,276,654</u>	<u>\$ 98,649,972</u>	<u>\$ 107,883,953</u>	<u>\$ 132,818,805</u>
\$ 52,427,026	\$ 57,017,144	\$ 63,032,149	\$ 69,577,579	\$ 73,762,668	\$ 81,813,145	\$ 101,495,866
15,842,447	16,870,980	17,893,911	19,164,426	20,997,684	21,583,053	25,302,537
1,736,856	1,938,329	2,206,240	2,738,491	3,143,112	3,810,748	5,256,004
<u>899,704</u>	<u>831,192</u>	<u>791,800</u>	<u>796,158</u>	<u>746,508</u>	<u>677,007</u>	<u>764,398</u>
<u>\$ 70,906,033</u>	<u>\$ 76,657,645</u>	<u>\$ 83,924,100</u>	<u>\$ 92,276,654</u>	<u>\$ 98,649,972</u>	<u>\$ 107,883,953</u>	<u>\$ 132,818,805</u>
<u>\$ 6,201,221,856</u>	<u>\$ 6,702,242,762</u>	<u>\$ 7,374,033,988</u>	<u>\$ 8,106,672,140</u>	<u>\$ 8,636,691,303</u>	<u>\$ 9,503,255,659</u>	<u>\$ 11,592,195,438</u>
<u>1.143%</u>	<u>1.144%</u>	<u>1.138%</u>	<u>1.138%</u>	<u>1.142%</u>	<u>1.135%</u>	<u>1.146%</u>
<u>37.510%</u>	<u>36.419%</u>	<u>35.607%</u>	<u>34.615%</u>	<u>34.351%</u>	<u>32.846%</u>	<u>29.676%</u>

**CITY OF LAKEVILLE
PROPERTY TAX RATES – DIRECT AND OVERLAPPING GOVERNMENTS
LAST TEN FISCAL YEARS**

Fiscal Year	City of Lakeville Direct Rates				Overlapping Rates						Total Direct and Overlapping Rates			
	General Levy (Tax Capacity-based)			Referendum Levy (Market Value-based) Debt Service	Dakota County		Ind. School District	School District		Special Districts Levy (Tax Capacity-based)	Tax Capacity - based	Market Value-based		
	Operating	Debt Service	Total		General Levy (Tax Capacity-based)	Referendum Levy (Market Value-based)		General Levy (Tax Capacity-based)	Referendum Levy (Market Value-based)					
				192			194			196				
2014	32.045%	8.651%	40.696%	0.00678%	31.827%	-	192	56.326%	0.11117%	5.538%	134.387%	0.11795%		
							194	33.048%	0.25954%				111.109%	0.26632%
							196	27.606%	0.25809%					
2015	30.605%	8.343%	38.948%	-	29.633%	-	192	53.474%	0.11550%	5.033%	127.088%	0.11550%		
							194	31.459%	0.24871%				105.073%	0.24871%
							196	23.271%	0.25484%					
2016	30.455%	8.214%	38.669%	-	28.570%	-	192	57.584%	0.19065%	5.063%	129.886%	0.19065%		
							194	35.319%	0.27898%				107.621%	0.27898%
							196	24.317%	0.26999%					
2017	29.342%	8.168%	37.510%	-	28.004%	-	192	54.269%	0.18481%	4.907%	124.690%	0.18481%		
							194	32.914%	0.25441%				103.335%	0.25441%
							196	23.336%	0.27380%					
2018	29.305%	7.114%	36.419%	-	26.580%	-	192	52.825%	0.18495%	4.307%	120.131%	0.18495%		
							194	32.992%	0.26835%				100.298%	0.26835%
							196	21.352%	0.26715%					
2019	27.192%	8.415%	35.607%	-	25.386%	-	192	51.401%	0.18968%	4.227%	116.621%	0.18968%		
							194	32.535%	0.26992%				97.755%	0.26992%
							196	20.613%	0.26162%					
2020	26.682%	7.933%	34.615%	-	24.133%	-	192	53.105%	0.18904%	4.030%	115.883%	0.18904%		
							194	34.851%	0.31225%				97.629%	0.31225%
							196	19.860%	0.34367%					
2021	26.281%	8.070%	34.351%	-	22.716%	-	192	50.805%	0.18392%	3.802%	111.674%	0.18392%		
							194	33.894%	0.27269%				94.763%	0.27269%
							196	20.046%	0.32712%					
2022	25.755%	7.091%	32.846%	-	21.630%	-	192	49.481%	0.18244%	3.729%	107.686%	0.18244%		
							194	33.983%	0.25582%				92.188%	0.25582%
							196	19.971%	0.31336%					
2023	22.485%	7.191%	29.676%	-	18.816%	-	192	38.497%	0.18725%	3.201%	90.190%	0.18725%		
							194	29.473%	0.26581%				81.166%	0.26581%
							196	17.904%	0.29771%					

Notes:

Taxes are determined by multiplying the taxable net tax capacity by the tax capacity rate and market valued based rate expressed as a percentage. The foregoing tax capacity rates do not reflect reductions for state property tax credits.

Special Districts include: Metropolitan Mosquito Control, Metropolitan Council, Metropolitan Transit District, Dakota County Community Development Agency, Light Rail Authority, and Vermillion River Watershed District.

Source: Dakota County Auditor and Treasurer's Office.

Per Dakota County - Final Tax Rates Pay 2023 table

**CITY OF LAKEVILLE
PRINCIPAL PROPERTY TAXPAYERS
FISCAL YEARS ENDED DECEMBER 31, 2022 AND DECEMBER 31, 2013**

<u>Principal Property Taxpayer</u>	<u>Type of Business</u>	<u>2023</u>			<u>2014</u>		
		<u>Taxable Tax Capacity Value</u>	<u>Rank</u>	<u>Percentage of Taxable Tax Capacity Value</u>	<u>Taxable Tax Capacity Value</u>	<u>Rank</u>	<u>Percentage of Taxable Tax Capacity Value</u>
SP Lakeville Development LLC	Industrial	\$ 918,734	1	0.7%	\$ -		0.0%
Continental 476 Fund LLC	Apartment	711,576	2	0.5%	-		0.0%
IRET Southfork Apartments LLC	Apartments	677,710	3	0.5%	-		0.0%
Minnegasco/Centerpoint	Utility	533,140	4	0.4%	215,522	8	0.4%
Dakota Electric Association	Utility	-		0.0%	268,116	3	0.5%
KJPL Lakeville LLC	Apartment	402,418	5	0.3%			
Fulford Group, LLC	Agriculture	400,289	6	0.3%			
First Industrial LP	Industrial	376,350	7	0.3%			
Lakeville 2004, LLC	Commercial	364,634	8	0.3%	331,302	1	0.6%
Setzer Properties SMN LLC	Industrial	358,435	9	0.3%			
KJPL Avonlea LLC	Apartments	356,808	10	0.3%			
EREP Heritage Commons, LLC	Retail				319,220	2	0.6%
Inland Argonne Village, LLC	Retail				254,243	5	0.4%
Walker Highview Hills, LLC	Apartments				246,873	6	0.4%
FR/CAL Interstate South LLC	Industrial				230,222	9	0.4%
Target Corporation	Retail				256,414	4	0.4%
LFT Real Estate Company Inc.	Real Estate				238,810	7	0.4%
Xcel Energy	Utility				215,522	10	0.4%
Total principal taxpayers		5,100,094		3.8%	2,576,244		4.5%
All other taxpayers		127,718,711		96.2%	54,613,625		95.5%
Total City of Lakeville taxpayers		\$ 132,818,805		100.0%	\$ 57,189,869		100.0%

Source: Dakota County Auditor and Treasurer's Office.

**CITY OF LAKEVILLE
PROPERTY TAX LEVY AND COLLECTIONS
LAST TEN FISCAL YEARS**

Fiscal Year	Total Tax Levy for Fiscal Year (1)	Collection of Current Year's Levy		Collection of Prior Year Levy (3)	Total Collections	Percentage of Total Collections To Tax Levy Certified
		Amount (2)	Percent			
2014	23,657,996	23,541,510	99.51%	116,486	23,657,996	100.00%
2015	24,728,549	24,568,028	99.35%	160,521	24,728,549	100.00%
2016	25,679,619	25,566,236	99.56%	113,383	25,679,619	100.00%
2017	26,679,614	26,534,636	99.46%	144,978	26,679,614	100.00%
2018	28,001,550	27,857,045	99.48%	144,505	28,001,550	99.97%
2019	29,948,890	29,815,159	99.55%	89,250	29,904,409	99.94%
2020	32,031,000	31,840,067	99.40%	111,541	31,951,608	99.90%
2021	33,911,570	33,753,733	99.53%	157,837	33,911,570	100.00%
2022	35,590,000	35,485,096	99.71%	18,757	35,503,853	99.71%
2023	39,771,000	39,513,394	99.35%	-	39,513,394	99.35%

Notes

- (1) Total levy is net of current year cancellations and abatements.
- (2) Total tax levy and current tax collections include state paid credits.
- (3) Includes county adjustments for prior year over collections, cancellations, and abatements.

**CITY OF LAKEVILLE
RATIO OF TOTAL DEBT BY TYPE
LAST TEN FISCAL YEARS**

<u>Fiscal Year</u>	<u>Governmental Activities</u>			<u>Business-type Activities</u>			<u>Total Outstanding Debt</u>	<u>Population (1)</u>	<u>% of Personal Income (2)</u>	<u>Total Outstanding Debt Per Capita</u>
	<u>General Obligation Bonds</u>	<u>Other Bonds</u>	<u>Loans and Notes Payable</u>	<u>Financed Purchase</u>	<u>Lease Liability</u>	<u>Revenue Bond</u>				
2014	106,516,778	8,133,239	1,159,843	-		3,088,529	118,898,389	59,361	3.8	2,003
2015	104,062,522	7,886,294	1,159,843	-		2,911,996	116,020,655	59,991	3.6	1,934
2016	121,958,354	7,781,645	1,159,843	-		9,952,577	140,852,419	60,965	4.2	2,310
2017	113,666,228	7,417,448	1,897,014	-		8,258,468	131,239,158	61,993	3.7	2,117
2018	112,553,287	7,018,251	3,897,014	-		8,571,877	132,040,429	64,334	3.4	2,052
2019	111,718,611	6,614,054	2,897,014	-		8,876,565	130,106,244	65,831	3.2	1,976
2020	115,000,111	6,199,857	7,071,050	1,810,000		11,566,742	136,473,724	69,490	3.0	1,964
2021	124,710,301	5,685,403	12,945,275	1,570,000		11,729,716	155,070,695	72,135	3.2	2,150
2022	148,534,254	-	12,408,934	1,325,000	3,689,281	10,605,601	176,563,070	73,828	3.4	2,392
2023	146,062,183	-	13,024,271	1,075,000	3,374,280	9,386,085	172,921,819	75,217	N/A	2,299

Source:

(1) Metropolitan Council as of April 1 (2020 Federal Census).

(2) See Demographic and Economic Statistics page.

N/A - Not available.

**CITY OF LAKEVILLE
RATIO OF NET BONDED DEBT OUTSTANDING
LAST TEN FISCAL YEARS**

<u>Fiscal Year</u>	<u>Gross Bonded Debt</u>	<u>Debt Payable From Other Sources (1)</u>	<u>Debt Service Monies Available (2)</u>	<u>Net Bonded Debt</u>	<u>Taxable Net Tax Capacity</u>	<u>Percentage of Net Bonded Debt to Taxable Net Tax Capacity</u>	<u>(3) Population</u>	<u>Net Bonded Debt Per Capita</u>
2014	106,516,778	35,640,000	31,852,035	39,024,743	57,189,869	68.24%	59,361	657
2015	104,062,522	44,340,000	18,541,682	41,180,840	63,207,455	65.15%	59,991	686
2016	121,958,354	64,845,000	15,928,687	41,184,667	66,361,683	62.06%	60,965	676
2017	123,338,676	67,940,000	6,261,464	49,137,212	70,906,033	69.30%	61,993	793
2018	121,826,538	70,660,000	4,128,788	47,037,750	76,657,645	61.36%	64,334	731
2019	120,372,665	71,840,000	4,239,541	44,293,124	83,924,100	52.78%	65,831	673
2020	124,906,982	75,440,000	4,355,292	45,111,690	92,276,654	48.89%	65,831	685
2021	124,710,301	69,405,000	4,373,669	50,931,632	98,649,972	51.63%	69,490	733
2022	148,534,254	73,205,000	1,648,727	73,680,527	107,883,953	68.30%	72,135	1,021
2023	146,062,183	66,690,000	5,664,382	73,707,801	132,818,805	55.50%	75,217	980

Source:

- (1) G.O. Improvement bonds, tax increment bonds, State-aid street revenue bonds, water connection revenue bonds, and arena revenue bonds.
- (2) Debt service monies available include amounts restricted in the debt service funds repaying the related debt. We believe this is the most accurate and consistent representation of the resources restricted for debt service when crossover refunding bonds are being held in escrow, as those resources are not included in the governmental activities net position restricted for debt service due to conversion for full accrual accounting.
- (3) Metropolitan Council as of April 1, except for 2020 (Federal Census).

**CITY OF LAKEVILLE
DIRECT AND OVERLAPPING GOVERNMENTAL DEBT
AS OF DECEMBER 31, 2023**

<u>Governmental Unit</u>	<u>Debt Outstanding</u> (2)	<u>Debt Applicable to Taxable Net Tax Capacity in the City</u>	
		<u>Percentage</u> (2)	<u>Amount</u>
Overlapping Debt (1)			
Independent School District #194	\$ 174,415,000	84.21%	\$ 146,874,872
Independent School District #192	114,450,000	21.00%	24,034,500
Independent School District #196	85,430,000	8.06%	6,885,658
<u>Special District</u>			
Metropolitan Council	218,520,000	2.96%	<u>6,452,320</u>
Total overlapping debt			184,247,350
Direct Debt			
City of Lakeville bonded debt	146,062,183	100.00%	<u>146,062,183</u>
Total direct and overlapping debt			<u>\$ 330,309,533</u>

Source: Debt figures and applicable percentages for other than the City of Lakeville are provided by the City's fiscal consultant Northland Securities.

Notes:

- (1) Overlapping governments are those that coincide, at least in part, with the geographical boundaries of the City. This schedule estimates the portion of the outstanding debt of those overlapping governments that is borne by the residents and businesses of the City. This process recognizes that, when considering the government's ability to issue and repay long-term debt, the entire debt burden borne by the residents and businesses should be taken into account. However, this does not imply that every taxpayer is a resident, and therefore responsible for repaying the debt, of each overlapping government.
- (2) The percentage of overlapping debt applicable is estimated using taxable property market values. Applicable percentages were estimated by determining the portion of the county's taxable market value that is within the City's boundaries and dividing it by the county's total taxable market value.

**CITY OF LAKEVILLE
LEGAL DEBT MARGIN
LAST TEN FISCAL YEARS**

<u>Fiscal Year</u>	<u>Assessor's Taxable Market Valuation</u>	<u>Legal Debt Limit</u>	<u>Net Bonded Debt Applicable to Debt Limit</u>	<u>Legal Debt Margin</u>	<u>Net Bonded Debt Applicable to Debt Limit as a Percentage of Legal Debt Limit</u>
2014	4,995,818,217	149,874,547	37,837,965	112,036,582	25.25%
2015	5,553,395,148	166,601,854	36,323,318	130,278,536	21.80%
2016	5,825,279,418	174,758,383	34,776,313	139,982,070	19.90%
2017	6,201,221,856	186,036,656	32,593,536	153,443,120	17.52%
2018	6,702,242,762	201,067,283	32,676,212	168,391,071	16.25%
2019	7,374,033,988	221,221,020	30,120,459	191,100,561	13.62%
2020	8,106,672,140	243,200,164	25,799,708	217,400,456	10.61%
2021	8,636,691,303	259,100,739	42,081,331	217,019,408	16.24%
2022	9,503,255,659	285,097,670	63,586,273	221,511,397	22.30%
2023	11,592,195,438	347,765,863	64,670,618	283,095,245	18.60%

Legal Debt Margin Calculation:

Fiscal Year 2023

Assessor's taxable market valuation		\$ 11,592,195,438
Legal debt limit:		
3% of Assessor's taxable market valuation		\$ 347,765,863
Amount of debt applicable to legal debt limit:		
Gross bonded debt	\$ 146,760,000	
Less debt payable from sources other than taxes:		
G.O. Improvement bonds	\$ 57,630,000	
Tax increment bonds	-	
State-aid street revenue bonds	3,470,000	
Water connection revenue bonds	5,590,000	
HRA lease revenue	1,075,000	
Water revenue bonds	8,380,000	
Street Light revenue bonds	145,000	
Sewer revenue bonds	<u>135,000</u>	<u>(76,425,000)</u>
Debt payable from taxes		70,335,000
Less debt service monies available to pay principal and interest		<u>(5,664,382)</u>
Net bonded debt applicable to debt limit		<u>64,670,618</u> <u>64,670,618</u>
Legal debt margin		<u>\$ 283,095,245</u>

Note: Minnesota Statutes § 475.53, Subdivision 1, No municipality, except a school district or a city of the first class, shall incur or be subject to a net debt in excess of three percent of the taxable market value of taxable property in the municipality for years 2008 and beyond.

Source: Dakota County Auditor and Treasurer's Office.

**CITY OF LAKEVILLE
 PLEDGED REVENUE COVERAGE
 LAST TEN FISCAL YEARS**

Fiscal Year	Gross (1) Revenues	Operating Expenses	Net Revenue Available For Debt Service	Requirements (2)		Total	Times Coverage
				Principal	Interest		
2014	9,181,527	4,942,276	4,239,251	1,415,000	674,644	2,089,644	2.03
2015	9,283,053	4,948,633	4,334,420	2,670,000	594,489	3,264,489	1.33
2016	10,530,436	5,389,869	5,140,567	595,000	652,577	1,247,577	4.12
2017	12,234,365	5,193,095	7,041,270	1,005,000	690,010	1,695,010	4.15
2018	8,361,880	3,099,485	5,262,395	865,000	513,715	1,378,715	3.82
2019	8,610,576	3,156,154	5,454,422	895,000	478,105	1,373,105	3.97
2020	11,989,250	6,222,639	5,766,611	750,000	439,350	1,189,350	4.85
2021	14,204,060	3,975,650	10,228,410	785,000	408,525	1,193,525	8.57
2022	13,233,699	5,077,177	8,156,522	420,000	368,110	788,110	10.35
2023	13,654,066	7,104,056	6,550,010	645,000	312,600	957,600	6.84

Notes:

- (1) The primary revenue source for debt service includes water system connection charges, water system user fees, ice arena net operating revenue and contributions from one organization conducting lawful gambling at approved locations, and liquor fund gross profits.
- (2) Revenue bonds include water connection revenue, arena revenue, and liquor revenue.

**CITY OF LAKEVILLE
DEMOGRAPHIC AND ECONOMIC STATISTICS
LAST TEN FISCAL YEARS**

<u>Year</u>	<u>(1) Population</u>	<u>Percentage Increase from Previous Year</u>	<u>Personal Income (2) (in thousands)</u>	<u>Per Capita Personal Income</u>	<u>Building Permits Issued</u>			<u>Housing units Valuation</u>
					<u>Family Dwellings (3)</u>			
					<u>Single</u>	<u>Multiple</u>	<u>Total</u>	
2014	59,361	2.72%	3,097,279	52,177	319	29	348	115,496,000
2015	59,991	1.06%	3,222,117	53,710	366	54	420	125,929,000
2016	60,965	1.62%	3,351,551	54,975	403	62	465	139,008,000
2017	61,993	1.69%	3,573,153	57,638	487	44	531	160,520,000
2018	64,334	3.78%	3,901,921	60,651	478	49	527	159,251,000
2019	65,831	2.33%	4,075,861	61,914	556	64	620	180,622,000
2020	69,490	5.56%	4,499,339	64,748	742	73	815	223,050,000
2021	72,135	3.81%	4,899,914	67,927	663	73	736	205,419,000
2022	73,828	2.35%	5,166,779	69,984	387	160	547	139,685,000
2023	75,217	1.88%	N/A	N/A	367	94	461	123,241,000

Annual percentage increase average last ten fiscal years 2.68% 126.71% 15,856

Labor Force and Unemployment Rate (not seasonally adjusted) (2)

<u>Year</u>	<u>City of Lakeville</u>		<u>Dakota County</u>		<u>Rates</u>	
	<u>Labor Force</u>	<u>Unemployment Rate</u>	<u>Labor Force</u>	<u>Unemployment Rate</u>	<u>State of Minnesota</u>	<u>United States</u>
2014	33,493	2.9%	231,538	3.2%	3.6%	5.4%
2015	33,876	2.7%	234,299	3.1%	3.7%	4.8%
2016	33,793	3.0%	232,091	3.4%	4.1%	4.5%
2017	34,911	2.5%	239,356	2.7%	3.3%	4.1%
2018	35,758	2.4%	240,195	2.7%	3.2%	3.7%
2019	36,610	2.7%	242,855	2.9%	3.5%	3.4%
2020	36,025	3.8%	233,902	4.3%	4.9%	6.5%
2021	37,007	2.2%	236,441	2.4%	2.7%	3.7%
2022	38,904	2.5%	241,966	2.7%	3.2%	3.3%
2023	38,692	2.5%	240,731	2.7%	3.2%	3.3%

Source:

(1) Metropolitan Council as of April 1 (except for 2020 Federal Census).

(2) U.S. Department of Commerce Bureau of Economic Analysis as of December 31, 2023, not seasonally adjusted.

(3) City of Lakeville Inspections Department.

N/A - Not available.

**CITY OF LAKEVILLE
PRINCIPAL EMPLOYERS
FISCAL YEARS ENDED DECEMBER 31, 2023 AND DECEMBER 31, 2014**

<u>Principal Employer</u> (1)	<u>Product/Service</u>	<u>2023</u>			<u>2014</u>		
		<u>Employees</u>	<u>Rank</u>	<u>%</u>	<u>Employees</u>	<u>Rank</u>	<u>%</u>
Independent School District #194	Elementary & secondary schools	2,282	1	5.9%	1,684	1	5.0%
Hearthside Food Solutions	Food service contractors	457	2	1.2%	715	2	2.1%
Treehouse Brands	Breakfast cereal products	452	3	1.2%	515	3	1.5%
Schmitt & Sons Bus Company	Transportation	450	4	1.2%	400	4	1.2%
Amazon XL Fulfillment Center	Warehouse & distribution	450	4	1.2%	-		0.0%
Post Consumer Brands	Cereal production	420	5	1.1%	250	5	0.7%
BTD Manufacturing	Metal manufacturing	390	6	1.0%	210	8	0.6%
City of Lakeville (2)	City government	258	10	0.7%	208	9	0.6%
Buddy's Kitchen	Food manufacturing and packaging	300	7	0.8%	-		0.0%
Menasha Corporation	Corrugated & solid fiber box mfg.	286	8	0.7%	221	7	0.7%
ImageTrend	Software development	260	9	0.7%	-		0.0%
Despatch Industries, Inc.	Industrial furnace & oven mfg.	-		0.0%	230	6	0.7%
National Polymers, Inc.	Plastics material & resin mfg.	-		0.0%	150	10	0.4%
Total principal employers		<u>6,005</u>		<u>15.5%</u>	<u>4,583</u>		<u>13.7%</u>
All other employers		<u>32,687</u>		<u>84.5%</u>	<u>28,910</u>		<u>86.3%</u>
Total City of Lakeville civilian labor force (3)		<u><u>38,692</u></u>		<u><u>100.0%</u></u>	<u><u>33,493</u></u>		<u><u>100.0%</u></u>

Source:

- (1) Reference USA.
- (2) As of December 31, 2023 (full-time equivalent).
- (3) MN Department of Employment and Economic Development (DEED) as of December 31, 2023.

**CITY OF LAKEVILLE
COMMERCIAL AND INDUSTRIAL BUILDING PERMITS ISSUED
YEARS 2023 AND 2022**

NEW BUILDING PERMITS 2023 AND 2022 (in excess of \$500,000)

<u>BUSINESS</u>	<u>PRODUCT/SERVICE</u>	<u>VALUATION (1)</u>
Lakeville Specialty Center	Medical office building	\$ 23,300,000
Lakeville Office Warehouse	Office warehouse	15,000,000
Magnum Trucking	Warehouse	11,000,000
Lakeville Medical Building	Medical office building	8,000,000
United Christian Academy	Daycare building	7,000,000
New Creations	Childcare facility	3,900,000
Cuddlebugs	Childcare/educational facility	3,500,000
Goodwill	Donation center	3,000,000
PetSuites of America	Pet boarding	2,800,000
Lakeville Specialty Center	Medical office building	2,200,000
Bubble Barn Car Wash	Car wash	1,114,000
Panda Express	Restaurant	1,957,000
Moldrem Family Denistry	Dentist office	1,000,000

EXPANSION OR REMODEL BUILDING PERMITS 2023 AND 2022 (in excess of \$500,000)

<u>BUSINESS</u>	<u>PRODUCT/SERVICE</u>	<u>VALUATION (1)</u>
Allina	Specialty clinic & surgery center	\$ 14,500,000
MNGI	Digestive health	3,850,000
Mendel Grocery	Grocery store	3,500,000
Lakeville Primary Care	Medical care	2,500,000
Aloft Aviation	Flight school	2,000,000
The Goddard School	Education	1,300,000
Christian Heritage Academy	Education	1,200,000
Dalsin Industries	Sheet metal manufacturing	925,000
Planet Fitness	Fitness	822,000
Action Behavior	Therapy	700,000
Advanced Oral Surgery	Oral surgery	600,000
Quality Contour	Precision machine shop	572,000
Regus	Rental office space	500,000
Exuberance Chiro	Holistic wellness	500,000

Notes:

(1) Valuation excludes land and personal property.

Source: City of Lakeville Inspections Department.

**CITY OF LAKEVILLE
EMPLOYEES BY FUNCTION/PROGRAM (FULL-TIME EQUIVALENT)
LAST TEN FISCAL YEARS**

Function/Program	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
General government										
City administration	2.8	3.0	3.0	3.0	3.0	3.0	3.0	3.0	2.6	3.0
Communications	4.0	4.0	3.9	4.5	5.2	5.2	5.0	5.2	5.2	4.9
City clerk	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.6	1.0
Finance	7.0	6.6	6.7	7.0	7.0	6.7	6.7	6.7	7.1	8.5
Information Technology	3.0	3.0	3.1	3.8	4.0	4.0	4.0	4.0	4.0	3.6
Human resources	2.8	3.2	4.0	4.0	4.0	4.0	4.0	4.0	4.0	5.0
Planning	3.5	3.5	3.5	4.2	4.5	4.5	4.5	4.2	4.8	3.5
Community and economic development	2.4	2.5	2.5	2.4	2.5	2.5	2.5	2.5	3.3	2.5
Protective inspection	7.0	7.6	8.0	8.4	9.0	9.1	9.8	10.3	10.5	10.2
General government buildings	3.0	3.0	4.6	5.5	6.0	6.2	6.5	5.7	5.3	5.4
Total general government	<u>36.5</u>	<u>37.4</u>	<u>40.2</u>	<u>43.8</u>	<u>46.2</u>	<u>46.2</u>	<u>47.0</u>	<u>46.6</u>	<u>48.4</u>	<u>47.6</u>
Public safety										
Police officers (sworn)	54.0	52.8	54.7	54.6	57.0	61.0	61.7	61.0	66.4	65.5
Police administration	11.8	12.5	13.4	14.8	13.1	13.6	14.5	13.7	12.1	13.8
Fire (excluding volunteer firefighters)	4.6	5.3	5.5	5.4	5.4	5.4	5.4	5.4	6.0	6.3
Total public safety	<u>70.4</u>	<u>70.6</u>	<u>73.6</u>	<u>74.8</u>	<u>75.5</u>	<u>80.0</u>	<u>81.6</u>	<u>80.1</u>	<u>84.5</u>	<u>85.6</u>
Public works										
Engineering	6.0	6.4	6.6	7.6	7.3	7.5	7.3	8.3	7.3	7.3
Forestry	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	2.0
Construction Services	2.0	3.9	3.7	3.3	4.0	4.7	4.9	5.3	4.1	4.5
Street maintenance	21.0	20.4	21.6	21.7	21.9	22.7	23.0	22.2	22.9	22.1
Total public works	<u>29.0</u>	<u>30.7</u>	<u>31.9</u>	<u>32.6</u>	<u>33.2</u>	<u>34.9</u>	<u>35.2</u>	<u>35.8</u>	<u>34.3</u>	<u>35.9</u>
Parks and recreation										
Park maintenance	15.0	14.8	14.0	15.1	16.4	16.6	16.3	15.4	16.5	18.2
Recreation	5.6	5.5	5.8	6.5	6.4	6.5	6.3	7.8	7.5	6.5
Arts center	3.7	3.7	3.7	3.6	3.8	3.7	3.2	4.3	4.5	4.0
Total parks and recreation	<u>24.3</u>	<u>24.0</u>	<u>23.5</u>	<u>25.2</u>	<u>26.6</u>	<u>26.8</u>	<u>25.8</u>	<u>27.5</u>	<u>28.5</u>	<u>28.7</u>
Total governmental activities	<u>160.2</u>	<u>162.7</u>	<u>169.2</u>	<u>176.4</u>	<u>181.5</u>	<u>187.9</u>	<u>189.6</u>	<u>190.0</u>	<u>195.7</u>	<u>197.8</u>
Liquor	26.3	24.4	25.3	26.1	26.0	26.3	26.5	29.9	36.6	36.6
Utility	21.0	21.6	21.3	23.1	24.3	24.6	24.0	24.0	25.8	23.1
Total business-type activities	<u>47.3</u>	<u>46.0</u>	<u>46.6</u>	<u>49.2</u>	<u>50.3</u>	<u>50.9</u>	<u>50.5</u>	<u>53.9</u>	<u>62.4</u>	<u>59.7</u>
Total employees	<u>207.5</u>	<u>208.7</u>	<u>215.8</u>	<u>225.6</u>	<u>231.8</u>	<u>238.8</u>	<u>240.1</u>	<u>243.9</u>	<u>258.1</u>	<u>257.5</u>

Source: City of Lakeville Human Resources Department.

Note: Includes full-time equivalent for both full and part time employees and accounts for overtime. Seasonal employees are not included for p

**CITY OF LAKEVILLE
OPERATING INDICATORS BY FUNCTION
LAST TEN FISCAL YEARS**

Function	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
General government										
Number of registered voters	36,571	N/A	41,124	N/A	41,693	N/A	44,511	N/A	48,064	N/A
Number of final plats approved	16	23	19	20	25	16	20	20	22	8
Number of building permits issued	3,852	2,030	1,889	1,829	1,875	4,260	3,376	3,129	3,612	4,221
Valuation of building permits issued (in millions)	\$ 139	\$ 183	\$ 218	\$ 248	\$ 234	\$ 276	\$ 403	\$ 331	\$ 292	\$ 218
Public safety										
Total calls for service	35,980	47,072	47,724	38,036	43,268	46,006	32,327	35,784	42,258	51,565
Traffic stops	10,531	17,681	18,239	15,680	18,412	18,700	8,024	6,214	9,605	12,143
Non-traffic related calls	25,449	29,391	29,485	22,356	24,856	27,306	24,303	27,783	32,653	39,422
Number of volunteer firefighters	80	83	85	86	82	88	85	90	90	70
Number of annual fire calls	1,103	1,192	1,347	1,477	1,500	1,694	1,998	2,794	3,114	3,266
Public works										
City street miles added	4.5	4.5	17.0	3.1	3.6	7.5	7.0	10.8	5.4	4.7
Parks and recreation										
Park acres mowed	430	430	430	430	430	430	430	430	450	455
Park facility reservations taken	958	1,024	742	551	562	580	304	574	617	467
Program activity registrations taken	9,627	9,231	8,141	6,294	6,490	7,510	4,250	7,806	8,170	6,291
Liquor										
Annual sales (in millions)	\$ 14.9	\$ 13.6	\$ 14.1	\$ 14.6	\$ 16.9	\$ 16.4	\$ 18.3	\$ 19.6	\$ 21.7	\$ 22.9
Utility (in millions of gallons)										
Water (average daily consumption)	5.5	5.2	5.5	5.8	5.8	5.2	6.3	7.5	7.4	7.8
Sanitary sewer (1) (average daily treatment)	3.4	3.2	3.4	3.4	3.5	3.5	3.6	3.8	3.8	4.0

Notes:

(1) Sewage is treated by the Metropolitan Council Environmental Services.

N/A Indicates information is not available for this period at the printing of this report.

Source: Various City of Lakeville Departments.

**CITY OF LAKEVILLE
CAPITAL ASSET STATISTICS BY FUNCTION
LAST TEN FISCAL YEARS**

Function (1)	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Public safety										
Police station	1	1	1	1	1	1	1	1	1	1
Fire stations	4	4	4	4	4	4	4	4	4	4
Public works										
City streets (miles)	266.8	271.3	288.3	291.4	295.0	302.5	309.5	320.3	325.7	330.4
Parks and recreation										
Acres of parks, conservation areas, and greenways	1,590	1,590	1,600	1,600	1,600	1,677	1,677	1,677	1,706	1,706
Parks	59	59	60	60	61	61	61	61	65	67
Conservation areas	20	20	20	20	20	20	20	20	20	20
Trails and sidewalks - paved (miles)	107	109	110	111	117	118	120	120	130	142
Ice rinks - outdoor (fully boarded)	11	11	11	11	11	11	11	11	11	11
Ice rinks - indoor	3	3	3	3	3	3	3	3	3	3
Fields (softball, soccer, baseball, football, Lacrosse)	97	96	96	96	97	97	97	97	98	101
Courts (basketball, volleyball, tennis, pickleball)	38	38	38	43	43	43	43	47	47	56
Playgrounds	43	43	44	44	46	46	46	47	47	50
Swimming beaches	3	3	3	3	3	2	2	2	2	2
Liquor										
Number of on-sale stores owned	2	2	2	2	1	1	1	2	2	2
Number of on-sale stores leased	1	1	1	1	2	2	2	2	2	2
Utility										
Water										
Water mains (miles)	321	321	321	346	350	358	367	380	387	396
Fire hydrants	3,572	3,572	3,572	3,818	3,885	3,969	4,080	4,374	4,494	4,595
Wells	17	17	18	18	19	19	19	19	19	19
Water Towers	5	5	5	6	6	6	6	6	6	6
Sanitary sewer										
Sanitary sewer mains (miles)	261	261	261	261	264	270	278	288	295	303
Sanitary sewer lift stations	20	20	20	20	20	20	20	20	20	19

Notes:

(1) Indicators for general government functions are not available.

Source: Various City of Lakeville Departments.