

PRELIMINARY OFFICIAL STATEMENT DATED MAY 2, 2023

**NEW ISSUE
BOOK ENTRY ONLY**

S&P RATING: AA

In the opinion of Kennedy & Graven, Chartered, Bond Counsel, based on present federal and Minnesota laws, regulations, rulings and decisions (which excludes any pending legislation which may have a retroactive effect), and assuming compliance with certain covenants set forth in the resolutions approving the issuance of the Bonds, interest to be paid on the Bonds is excludable from gross income of the recipient for federal income tax purposes and, to the same extent, is excludable from the taxable net income of individuals, trusts, and estates for Minnesota income tax purposes, and is not a preference item for purposes of computing the federal alternative minimum tax or the Minnesota alternative minimum tax imposed on individuals, trusts, and estates. However, such interest is included in determining the adjusted financial statement income of applicable corporations for purposes of computing the alternative minimum tax imposed on such applicable corporations and is subject to Minnesota franchise taxes on certain corporations (including financial institutions) measured by income. No opinion will be expressed by Bond Counsel regarding other state or federal tax consequences caused by the receipt or accrual of interest on the Bonds or arising with respect to ownership of the Bonds. See "TAX MATTERS" herein.

The City will not designate the Bonds as "qualified tax-exempt obligations" for purposes of Section 265(b)(3) of the Internal Revenue Code of 1986, as amended, relating to the ability of financial institutions to deduct from income for federal income tax purposes, interest expense that is allocable to carrying and acquiring tax-exempt obligations.

**CITY OF DETROIT LAKES, MINNESOTA
\$11,000,000* General Obligation Capital Improvement Plan Bonds, Series 2023A
(the "Bonds")**

Dated Date	Date of Delivery (anticipated to be June 15, 2023)
Sale Date	Tuesday, May 9, 2023 until 10:00 A.M., Central Time
Consideration of Award	City Council meeting commencing at 5:00 P.M., Central Time on Tuesday, May 9, 2023.
Security	The Bonds will be general obligations of the City for which the City will pledge its full faith and credit and power to levy direct general ad valorem taxes.
Authorization	The Bonds are being issued pursuant to Minnesota Statutes, Chapter 475.521, as amended. See "Authority and Security" herein.
Purpose	The proceeds of the Bonds will be used to finance the construction and equipment of a new public works facility.
Principal and Interest Payments	Principal will be paid annually on February 1, beginning February 1, 2025. Interest will be payable semiannually on February 1 and August 1, commencing February 1, 2024.
Redemption Provisions	The City may elect on February 1, 2032, and on any day thereafter, to redeem Bonds due on or after February 1, 2033 at a price of par plus accrued interest. The Bonds may be issued as term bonds at the discretion of the Underwriter (as hereinafter defined) and, in such case, will be subject to mandatory sinking fund redemption.
Book Entry	The Bonds will be issued only as fully registered obligations, and when issued, will be registered in the name of Cede & Co., as nominee for The Depository Trust Company ("DTC"). See Appendix B for "Book-Entry Only System".
Denominations	The Bonds are being issued in the denomination of \$5,000 or integral multiple thereof.
Registrar and Paying Agent	U.S. Bank Trust Company, National Association located in Saint Paul, Minnesota ("Registrar" and "Paying Agent").
Bidding Information	Interested bidders should review the Terms of Proposal for additional instructions. See Appendix G herein.

The information contained in this Preliminary Official Statement is deemed by the City to be final as of the date hereof; however, the pricing and underwriting information is subject to completion or amendment. Under no circumstances shall this Preliminary Official Statement constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of these securities in any jurisdiction in which such offer, solicitation or sale would be unlawful prior to registration or qualification under the securities laws of any such jurisdiction.

Further information may be obtained from Baker Tilly Municipal Advisors, LLC 30 East Seventh Street, Suite 3025, Saint Paul, MN 55101 (651) 223-3071 or bids@bakertilly.com.

*Preliminary, subject to change.

MATURITY SCHEDULE
(Base CUSIP(1) _____)

<u>Maturity</u> <u>(February 1)</u>	<u>Principal(2)</u>	<u>Interest</u> <u>Rate</u>	<u>Yield</u>	<u>Price</u>	<u>CUSIP(1)</u>
2025	\$375,000				
2026	\$390,000				
2027	\$405,000				
2028	\$420,000				
2029	\$435,000				
2030	\$455,000				
2031	\$470,000				
2032	\$490,000				
2033	\$510,000				
2034	\$525,000				
2035	\$545,000				
2036	\$565,000				
2037	\$585,000				
2038	\$610,000				
2039	\$635,000				
2040	\$660,000				
2041	\$685,000				
2042	\$715,000				
2043	\$745,000				
2044	\$780,000				

- (1) CUSIP® is a registered trademark of the American Bankers Association (“ABA”). CUSIP data (including CUSIP identifiers and related descriptive data) contained herein is provided by CUSIP Global Services (“CGS”), which is operated on behalf of the ABA by FactSet Research Systems Inc. CUSIP data is the valuable intellectual property of the ABA and the inclusion of CUSIP data herein is not intended to create a database and does not serve in any way as a substitute for any CUSIP Service provided by CGS. CUSIP data herein is provided for convenience of reference only. Neither the City, the Municipal Advisor, the Underwriter nor their agents take any responsibility for the accuracy of such data now or at any time in the future. The CUSIP number for a specific maturity is subject to being changed after the issuance of the Bonds as a result of various subsequent actions including, but not limited to, a refunding in whole or in part of such maturity or as a result of the procurement of secondary market portfolio insurance or other similar enhancement by investors that is applicable to all or a portion of certain maturities of the Bonds.
- (2) Preliminary subject to change. The City reserves the right to adjust individual maturity amounts to achieve its financial objectives.

The Bonds are being offered for delivery when, as and if issued and received by the Underwriter (hereinafter defined) and subject to the approval of legality by Kennedy & Graven, Chartered, Minneapolis, Minnesota, Bond Counsel. The Bonds are expected to be available for delivery to DTC, in New York, New York on or about June 15, 2023.

In connection with this offering the underwriter may over-allot or effect transactions which stabilize or maintain the market price of the Bonds offered hereby at a level above that which might otherwise prevail in the open market, and such stabilizing, if commenced, may be discontinued at any time.

No dealer, broker, salesperson, or other person has been authorized by the City to give any information or to make any representations with respect to the Bonds, other than as contained in the Preliminary Official Statement or the Final Official Statement, and if given or made, such other information or representations must not be relied upon as having been authorized by the City. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of the securities described herein by any person in any jurisdiction in which it is unlawful for such person to make such offer, solicitation, or sale.

Certain information contained in the Preliminary Official Statement or the Final Official Statement may have been obtained from sources other than records of the City and, while believed to be reliable, is not guaranteed as to completeness or accuracy. The information and expressions of opinion in the Preliminary Official Statement and the Final Official Statement are subject to change, and neither the delivery of the Preliminary Official Statement nor the Final Official Statement nor any sale made under either such document shall create any implication that there has been no change in the affairs of the City since the respective date thereof. However, upon delivery of the securities, the City will provide a certificate stating there have been no material changes in the information contained in the final official statement since its delivery.

References herein to laws, rules, regulations, resolutions, agreements, reports, and other documents do not purport to be comprehensive or definitive. All references to such documents are qualified in their entirety by reference to the particular document, the full text of which may contain qualifications of and exceptions to statements made herein. Where full texts have not been included as appendices to the Preliminary Official Statement or the Final Official Statement, they will be furnished upon request.

References to website addresses presented herein are for informational purposes only and may be in the form of a hyperlink solely for the reader's convenience. Unless specified otherwise, such websites and the information or links contained therein are not incorporated into, and are not part of, this Official Statement for the purposes of, and as that term is defined in, Securities and Exchange Commission Rule 15c2-12.

The Bonds are considered securities and have not been approved or disapproved by the Securities and Exchange Commission or any state or federal regulatory authority nor has any state or federal regulatory authority confirmed the accuracy or determined the adequacy of this Official Statement. Any representation to the contrary is a criminal offense. Investors must rely on their own examination of this Official Statement, the security pledged to repay the Bonds, the issuer and the merits and risks of the investment opportunity.

FORWARD-LOOKING STATEMENTS

This Official Statement, including its appendices, contains statements which should be considered "forward-looking statements," meaning they refer to possible future events or conditions. Such statements are generally identifiable by the words such as "plan," "expect," "estimate," "budget," "may," or similar words. The achievement of certain results or other expectations contained in such forward-looking statements involve known and unknown risks, uncertainties and other factors which may cause a deviation from the actual results, performance or achievements expressed or implied by such forward-looking statements. The City does not expect or intend to update or revise any forward-looking statements contained herein if or when its expectations, or events, conditions, or circumstances on which such statements are based occur.

CITY CONTACT INFORMATION

For additional information regarding the City may be obtained by contacting Ms. Heidi Tumberg, Finance Officer, City of Detroit Lakes, 1025 Roosevelt Avenue, P.O. Box 647, Detroit Lakes, MN 56501, phone (218) 846-7124, email: htumberg@cityofdetroitlakes.com.

CITY OF DETROIT LAKES, MINNESOTA

CITY COUNCIL

Matt Brenk	Mayor
Shaun Carlson	Alderman First Ward
Ron Zeman	Alderman First Ward
Mike Stearns	Alderman Second Ward
Wendy Spry	Alderman Second Ward
Matt Boeke	Alderman Third Ward
Dan Josephson	Alderman Third Ward
Jackie Buboltz	Alderman At Large
Aaron Dallmann	Alderman At Large
James Deraney	Alderman At Large

CITY ADMINISTRATOR

Kelcey Klemm

FINANCE OFFICER

Heidi Tumberg

MUNICIPAL ADVISOR

Baker Tilly Municipal Advisors, LLC
Saint Paul, Minnesota

BOND COUNSEL

Kennedy & Graven, Chartered
Minneapolis, Minnesota

TABLE OF CONTENTS

	<u>Page</u>
PURPOSE OF THE ISSUE AND USE OF FUNDS	1
PURPOSE OF THE BONDS.....	1
USES AND SOURCES OF FUNDS.....	1
DESCRIPTION OF THE BONDS.....	1
INTEREST CALCULATION.....	1
REGISTRATION AND EXCHANGE FEATURES.....	1
BOOK ENTRY.....	1
PROVISIONS FOR PAYMENT	2
NOTICE OF REDEMPTION	2
OPTIONAL REDEMPTION.....	2
MANDATORY REDEMPTION	2
AUTHORITY AND SECURITY.....	2
AUTHORITY.....	2
SECURITY AND SOURCES OF PAYMENT.....	3
INVESTMENT OF FUNDS	3
RATING	3
RISK FACTORS AND INVESTOR CONSIDERATIONS	3
MAINTENANCE OF RATINGS.....	3
SECONDARY MARKET.....	3
FUTURE CHANGES IN LAW.....	4
LIMITATIONS ON REMEDIES AVAILABLE TO OWNERS OF THE BONDS.....	4
POTENTIAL IMPACTS RESULTING FROM THE CORONAVIRUS (COVID-19).....	4
CYBERSECURITY	4
PURCHASER/UNDERWRITING	5
CONTINUING DISCLOSURE	5
FUTURE FINANCING	5
LITIGATION	6
LEGAL MATTERS.....	6
TAX MATTERS	6
TAX EXEMPTION	6
ORIGINAL ISSUE PREMIUM.....	7
ORIGINAL ISSUE DISCOUNT	7
NOT BANK-QUALIFIED TAX-EXEMPT OBLIGATIONS.....	8
MUNICIPAL ADVISOR.....	8
MUNICIPAL ADVISOR REGISTRATION	8
OTHER FINANCIAL INDUSTRY ACTIVITIES AND AFFILIATIONS	8
MISCELLANEOUS.....	9
CERTIFICATION.....	9

- | | |
|--|---|
| A. General Information of the City | E. Summary of Tax Levies, Payment Provisions, and Minnesota Real Property Valuation |
| B. Book Entry | F. 2021 Annual Comprehensive Financial Report |
| C. Form of Bond Counsel Opinion | G. Bidding Information: Terms of Proposal and Proposal Form |
| D. Form of Continuing Disclosure Certificate | |

OFFICIAL STATEMENT

**CITY OF DETROIT LAKES, MINNESOTA
\$11,000,000* GENERAL OBLIGATION CAPITAL IMPROVEMENT PLAN BONDS, SERIES 2023A**

PURPOSE OF THE ISSUE AND USE OF FUNDS

PURPOSE OF THE BONDS

The proceeds of the Bonds will be used to finance the construction and equipping of a new public works facility.

USES AND SOURCES OF FUNDS

The composition of the Bonds is as follows:

Sources of Funds	
Principal Amount	\$
Total Sources of Funds	\$
Uses of Funds:	
Deposit to Project Fund	\$
Underwriter's Compensation	
Costs of Issuance(1)	_____
Total Uses of Funds	\$

(1) Includes fees for bond counsel, municipal advisor, registrar, rating, and other miscellaneous expenses.

DESCRIPTION OF THE BONDS

INTEREST CALCULATION

Interest on the Bonds is payable on February 1 and August 1 of each year, commencing February 1, 2024. Interest will be payable to the holder (initially Cede & Co.) registered on the books of the Registrar as of the fifteenth day of the calendar month preceding such interest payment date (the "Record Date"). Interest will be computed on the basis of a 360-day year of twelve 30-day months

REGISTRATION AND EXCHANGE FEATURES

Each registered Bond shall be transferable or exchangeable only on such record at the designated corporate trust office of the "Registrar" and "Paying Agent," U.S. Bank Trust Company, National Association, Saint Paul, Minnesota, at the written request of the registered owner thereof or his attorney duly authorized in writing upon surrender thereof, together with a written instrument of transfer satisfactory to the Registrar duly executed by the registered owner or his duly authorized attorney.

BOOK ENTRY

When issued, the Bonds will be registered in the name of and held by Cede & Co., as nominee for The Depository Trust Company, New York, New York ("DTC"). Purchases of beneficial interests in the Bonds will be made in book-entry-only form. See Appendix B: Book-Entry.

*Preliminary; subject to change.

PROVISIONS FOR PAYMENT

The principal on the Bonds shall be payable at the designated corporate trust office of the Registrar and Paying Agent, or by wire transfer to DTC or any successor depository. All payments of interest on the Bonds shall be paid to the registered owners as the names appear as of the Record Date and at the addresses as they appear on the registration books kept by the Registrar or at such other address as is provided to the Registrar or by wire transfer to DTC or any successor depository. If payment of principal or interest is made to DTC or any successor depository, payment shall be made by wire transfer on the payment date in same-day funds. If the payment date occurs on a date when financial institutions are not open for business, the wire transfer shall be made on the next succeeding business day. The Paying Agent shall be instructed to wire transfer payments by 1:00 p.m. (New York City time) so such payments are received at the depository by 2:30 p.m. (New York City time). Payments on the Bonds shall be made in lawful money of the United States of America which, on the date of such payment, shall be legal tender.

So long as DTC or its nominee is the registered owner of the Bonds, principal and interest on the Bonds will be paid directly to DTC by the Paying Agent. (The final disbursement of such payments to the beneficial owners of the Bonds will be the responsibility of the "Direct Participants" and "Indirect Participants" (each as defined in Appendix B attached).

NOTICE OF REDEMPTION

Thirty days' written notice of redemption shall be given to the registered owner(s) of the Bonds. Failure to give such written notice to any registered owner of the Bonds or any defect therein shall not affect the validity of any proceedings for the redemption of the Bonds. All Bonds or portions thereof called for redemption will cease to bear interest after the specified redemption date, provided funds for their redemption are on deposit at the place of payment.

OPTIONAL REDEMPTION

The City may elect on February 1, 2032, and on any day thereafter, to redeem Bonds due on or after February 1, 2033. Redemption may be in whole or in part and if in part at the option of the City and in such manner as the City shall determine. If less than all the Bonds of a maturity are called for redemption, the City will notify DTC of the particular amount of such maturity to be redeemed. DTC will determine by lot the amount of each participant's interest in such maturity to be redeemed and each participant will then select by lot the beneficial ownership interests in such maturity to be redeemed. All redemptions shall be at a price of par plus accrued interest.

MANDATORY REDEMPTION

If any Bonds are issued as Term Bonds, the Paying Agent shall credit against the mandatory sinking fund requirement for the Term Bonds, and corresponding mandatory redemption obligation, in the order determined by the City, any Term Bonds which have previously been redeemed (otherwise than as a result of a previous mandatory redemption requirement) or delivered to the Paying Agent for cancellation or purchased for cancellation by the Paying Agent and not theretofore applied as a credit against any redemption obligation. Each Term Bond so delivered or canceled shall be credited by the Paying Agent at 100% of the principal amount thereof against the mandatory sinking fund obligation on such mandatory redemption date, and any excess of such amount shall be credited on future redemption obligations, and the principal amount of that Term Bond to be redeemed by operation of the mandatory sinking fund requirement shall be accordingly reduced; provided, however, the Paying Agent shall credit such Term Bond only to the extent received on or before 45 days preceding the applicable mandatory redemption date.

AUTHORITY AND SECURITY

AUTHORITY

The Bonds are being issued pursuant to Minnesota Statutes, Chapter 475, as amended, including in particular Section 475.521.

SECURITY AND SOURCES OF PAYMENT

The Bonds will be general obligations of the City for which the City pledges its full faith and credit and power to levy direct general ad valorem taxes. The City made its first levy for the Bonds in 2022 for collection in 2023, which will be used to make the February 1, 2024 interest payment. Thereafter, each year's collection of taxes, if collected in full, will be sufficient to pay 105% of the interest payment due August 1 of the collection year and the principal and interest payment due February 1 of the following year.

Minnesota Statutes, Section 475.521, limits the maximum amount of principal and interest to become due in any year on all outstanding capital improvement plan bonds to be not more than 0.16% of the estimated market value of property for taxes payable in the year in which the bonds are issued or sold. The statutory maximum allowable for annual debt service on the City's capital improvement plan bonds is \$3,074,639 based on the City's 2022/23 estimated market value of \$1,921,649,000. The maximum annual debt service for the Bonds, which are the City's only outstanding capital improvement plan bond issue, is approximately \$816,228, which is within the statutory limit.

INVESTMENT OF FUNDS

The proceeds of this issue are to be invested in accordance with the laws of the State relating to the depositing, holding, securing, or investing of public funds. The City shall direct the investment of Bond proceeds.

RATING

S&P Global Ratings ("Standard & Poor's"), 55 Water Street, New York, New York has assigned a rating of "AA" to the Bonds. Such rating reflects only the view of S&P and any explanation of the significance of such rating may only be obtained from S&P.

The rating is not a recommendation to buy, sell or hold the Bonds, and such rating may be subject to revision or withdrawal at any time by S&P. Any revision or withdrawal of the rating may have an adverse effect upon the market price of the Bonds.

The City has not applied to any other rating service for a rating on the Bonds.

RISK FACTORS AND INVESTOR CONSIDERATIONS

Prospective purchasers of the Bonds should consider carefully, along with other matters referred to herein, the following risks of investment. The ability of the City to meet the debt service requirements of the Bonds is subject to various risks and uncertainties which are discussed throughout this Official Statement. Certain of such investment considerations are set forth below.

MAINTENANCE OF RATINGS

The Bonds have been rated as to their creditworthiness by S&P. While the City does not anticipate any material changes in the future, no assurance can be given that the Bonds will maintain its original rating. If the rating on the Bonds decreases or is withdrawn, the Bonds may lack liquidity in the secondary market in comparison with other such municipal obligations. See "Rating" herein.

SECONDARY MARKET

While the purchaser of the Bonds may expect, insofar as possible, to maintain a secondary market in the Bonds, no assurance can be given concerning the future existence of such a secondary market or its maintenance by the purchasers or others, and prospective purchasers of the Bonds should therefore be prepared, if necessary, to hold their Bonds to maturity or prior redemption, if any.

FUTURE CHANGES IN LAW

Future legislative proposals, if enacted into law, clarification of the Code (defined herein) or court decisions may cause interest on the Bonds to be subject, directly or indirectly, to federal income taxation or to be subject to or exempted from state income taxation, or otherwise prevent Beneficial Owners from realizing the full current benefit of the tax status of such interest. The introduction or enactment of any such legislative proposals, clarification of the Code or court decisions may also affect the market price for, or marketability of, the Bonds. Prospective purchasers of the Bonds should consult their own tax advisors regarding any pending or proposed federal or state tax legislation, regulations, or litigation, as to which Bond Counsel expresses no opinion.

Legislation affecting municipal bonds is considered from time to time by the United States Congress and the Executive Branch. Bond Counsel's opinion is based upon the law in existence on the date of issuance of the Bonds. It is possible that legislation enacted after the date of issuance of the Bonds or proposed for consideration will have an adverse effect on the excludability of all or a part of the interest on the Bonds from gross income, the manner in which such interest is subject to federal income taxation or the market price of the Bonds.

Legislation affecting municipal bonds is considered from time to time by the Minnesota legislature and Executive Branch. It is possible that legislation enacted after the date of the Bonds or proposed for consideration will have an adverse effect on payment or timing of payment or other matters impacting the Bonds.

The City cannot predict the outcome of any such federal or state proposals as to passage, ultimate content or impact if passed, or timing of consideration or passage. Purchasers of the Bonds should reach their own conclusions regarding the impact of any such federal or state proposals.

There can be no assurance that there will not be any change in, interpretation of, or addition to the applicable laws and provisions which would have a material effect, directly or indirectly, on the affairs of the City.

LIMITATIONS ON REMEDIES AVAILABLE TO OWNERS OF THE BONDS

No Acceleration. There is no provision for acceleration of maturity of the principal of the Bonds in the event of a default in the payment of principal of or interest on the Bonds. Consequently, the owners of the Bonds may have to enforce available remedies.

No Trustee. There is no bond trustee or similar person or entity to monitor or enforce the provisions of the resolution awarding the sale of the Bonds (the "Resolution") on behalf of the owners of the Bonds, and therefore the owners should be prepared to enforce such provisions themselves if the need to do so ever arises.

POTENTIAL IMPACTS RESULTING FROM THE CORONAVIRUS (COVID-19)

On March 11, 2020, the World Health Organization proclaimed the Coronavirus (COVID-19) to be a pandemic. COVID-19 has had varied economic and social impacts, and governments and private industries have taken various measures in an effort to limit the spread of the virus. While the City continues to monitor the spread of COVID-19, the City is not able to predict and makes no representations as to any impacts the pandemic may have on the City or its financial position. Please see "APPENDIX A – GOVERNMENTAL ORGANIZATION AND SERVICES – Coronavirus (COVID 19) Financial Assistance" herein for additional information as it relates to the City.

CYBERSECURITY

The City relies on computer networks, data storage, collection, and transmission to conduct the operations of the City and has implemented security measures to protect data and limit financial exposure, including securing cyber security insurance to assist with the reduction of potential risk of financial and operational damage resulting from network attacks. Even with these security measures, the City, its information

technology, data stored by the City and its infrastructure may be vulnerable in the event of a deliberate system attack, including malware, ransomware, computer virus, employee error or general disruption. If breached or compromised, the networks could be disrupted and information could be accessed, disclosed, lost, or stolen. The City acknowledges that its systems could be affected by a cybersecurity attack and that a loss, disruption, or unauthorized access to data held by the City could have a material impact on the City. Further, as cybersecurity threats evolve, the City will continue to evaluate and implement security measures and work to mitigate any vulnerabilities in its system.

PURCHASER/UNDERWRITING

The Bonds are being purchased by _____ (the “Underwriter”) [and its syndicate] at a purchase price of \$_____, which is the par amount of the Bonds of \$_____, less the Underwriter’s discount of \$_____, plus the original [net] issue premium/discount of \$_____, plus accrued interest \$_____. The Terms of Proposal provides that all of the Bonds will be purchased by the Underwriter if any of such Bonds are purchased.

The Underwriter intends to offer the Bonds to the public at the offering prices set forth on the inside cover page of this Official Statement. The Underwriter may allow concessions to certain dealers (including dealers in a selling group of the Underwriter and other dealers depositing the Bonds into investment trusts), who may reallow concessions to other dealers. After the initial public offering, the public offering price may be varied from time to time by the Bonds.

CONTINUING DISCLOSURE

In order to assist the Underwriter in complying with SEC Rule 15c2-12 promulgated by the Securities and Exchange Commission, pursuant to the Securities Exchange Act of 1934, as the same may be amended from time to time, and official interpretations thereof (the “Rule”), pursuant to the Resolution, the City will enter into an undertaking (the “Undertaking”) for the benefit of holders including beneficial owners of the Bonds to provide certain financial information and operating data relating to the City to the Electronic Municipal Market Access system (“EMMA”) annually, and to provide notices of the occurrence of certain events enumerated in the Rule to EMMA or the Municipal Securities Rulemaking Board (the “MSRB”). The specific nature of the Undertaking, as well as the information to be contained in the annual report or the notices of material events, is set forth in the Continuing Disclosure Undertaking to be executed and delivered at the time the Bonds are delivered in substantially the form attached hereto as Appendix D.

Except to the extent the following deficiencies are deemed to be material, the City believes it has complied for the past five years in all material respects in accordance with the terms of its previous continuing disclosure undertakings entered into pursuant to the Rule. In reviewing its past disclosure practices, the City notes the following:

- Prior continuing disclosure undertakings entered into by the City included language stating that the City’s audited financial statements would be filed “as soon as available.” Although the City did not always file “as soon as available”, the audited financial statements were timely filed within the required twelve (12) month timeframe as provided for in each undertaking.

A failure by the City to comply with the Undertaking will not constitute an event of default on the Bonds or under any provisions of the Resolution (although holders will have any other available remedy at law or in equity subject to certain limitations). Nevertheless, such a failure must be reported in accordance with the Rule and must be considered by any broker, dealer or municipal securities dealer before recommending the purchase or sale of the Bonds in the secondary market. Consequently, such a failure may adversely affect the transferability and liquidity of the Bonds and their market price.

FUTURE FINANCING

As of the date of the Official Statement, the City does not currently anticipate issuing additional debt in the calendar year 2023.

The City periodically evaluates market conditions and outstanding financial obligations for refunding and

refinancing opportunities and may issue refunding bonds if debt service savings can be achieved.

LITIGATION

To the knowledge of the officers for the City, there is no litigation pending, or threatened, against the City, which in any way questions or affects the validity of the Bonds, or any proceedings or transactions relating to the issuance, sale, or delivery thereof.

The officers for the City will certify at the time of delivery of the Bonds that there is no litigation pending or in any way threatened questioning the validity of the Bonds, or any of the proceedings relating to the authorization, issuance and sale of the Bonds that would result in a material adverse impact on the financial condition of the City.

LEGAL MATTERS

The Bonds are subject to approval as to certain matters by Kennedy & Graven, Chartered, of Minneapolis, Minnesota, as bond counsel to the City ("Bond Counsel"). Bond Counsel has not participated in the preparation of this Official Statement and will not pass upon its accuracy, completeness, or sufficiency. Bond Counsel has not examined nor attempted to examine or verify any of the financial or statistical statements or data contained in this Official Statement and will express no opinion with respect thereto. A legal opinion in substantially the form set out in Appendix C herein will be delivered at closing.

TAX MATTERS

TAX EXEMPTION

On the date of issuance of the Bonds, Bond Counsel, will render an opinion that, at the time of issuance and delivery of the Bonds to the original purchaser, based on present federal and Minnesota laws, regulations, rulings and decisions (which exclude any pending legislation which may have a retroactive effect), and assuming compliance with certain covenants set forth in the Resolution, interest on the Bonds is excludable from gross income for federal income tax purposes, and, to the same extent, from taxable net income of individuals, trusts, and estates for Minnesota income tax purposes, and is not a preference item for purposes of computing the federal alternative minimum tax or the Minnesota alternative minimum tax imposed on individuals, trusts, and estates. However, such interest is included in determining the annual adjusted financial statement income (as defined in Section 59(k) of the Internal Revenue Code of 1986, as amended (the "Code")) of applicable corporations for purposes of computing the alternative minimum tax imposed on such applicable corporations and is subject to Minnesota franchise taxes measured by income and imposed on certain corporations (including financial institutions). Section 59(k) of the Code defines "applicable corporation" as any corporation (other than an S corporation), a regulated investment company, or a real estate investment trust which meets the average annual adjusted financial statement income test set forth in Section 59(k) of the Code in one or more taxable years. No opinion will be expressed by Bond Counsel regarding other federal or State of Minnesota tax consequences caused by the receipt or accrual of interest on the Bonds or arising with respect to ownership of the Bonds. Certain provisions of the Code, however, impose continuing requirements that must be met after the issuance of the Bonds in order for interest thereon to be and remain excludable from federal gross income and, to the same extent, from Minnesota taxable net income. Noncompliance with such requirements by the City may cause the interest on the Bonds to be includable in gross income for purposes of federal income taxation and, to the same extent, includable in taxable net income for purposes of Minnesota income taxation, retroactive to the date of issuance of the Bonds. No provision has been made for redemption of Bonds or for an increase in the interest rate on the Bonds in the event that interest on the Bonds becomes includable in federal gross income or Minnesota taxable income.

Interest on the Bonds may be includable in the income of a foreign corporation for purposes of the branch profits tax imposed by Section 884 of the Code and is includable in the net investment income of foreign insurance companies for purposes of Section 842(b) of the Code. In the case of an insurance company subject to the tax imposed by Section 831 of the Code, the amount which otherwise would be taken into account as losses incurred under Section 832(b)(5) of the Code must be reduced by an amount equal to the applicable percentage of the interest on the Bonds that is received or accrued during the taxable

year. For purposes hereof, the applicable percentage is 5.25% divided by the highest rate in effect under Section 11(b) of the Code. Section 86 of the Code requires recipients of certain Social Security and railroad retirement benefits to take into account, in determining the taxability of such benefits, receipts or accruals of interest on the Bonds.

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

ORIGINAL ISSUE PREMIUM

Certain maturities of the Bonds (the "Premium Bonds") may be sold to the public at an amount in excess of their stated redemption price at maturity. Such excess of the purchase price of such Premium Bonds over the stated redemption price at maturity constitutes original issue premium with respect to such Premium Bonds. A purchaser of a Premium Bonds must amortize any original issue the premium over the term of such Premium Bonds using constant yield principles, based on the purchaser's yield to maturity. As original issue premium is amortized, the basis in the Premium Bonds is reduced by a corresponding amount, resulting in an increase in the gain (or decrease in the loss) to be recognized for federal income tax purposes upon a sale or other disposition of such Premium Bonds prior to its maturity. Even though the purchaser's basis is reduced, no federal income tax deduction is allowed.

Purchasers of Premium Bonds, whether at the time of initial issuance or subsequent thereto, should consult with their own tax advisors with respect to the determination and treatment of premium for federal income tax purposes and with respect to state and local tax consequences of owning such Premium Bonds.

ORIGINAL ISSUE DISCOUNT

Certain maturities of the Bonds (the "Discount Bonds") may be sold at a discount from the principal amount payable on such Discount Bonds at maturity. The difference between the price at which a substantial amount of the Discount Bonds of a given maturity is first sold to the public (the "Issue Price") and the principal amount payable at maturity constitutes "original issue discount" under the Code. The amount of original issue discount that accrues to a holder of Discount Bonds under section 1288 of the Code is excluded from federal gross income to the same extent that stated interest on such Discount Bonds would be so excluded. The amount of the original issue discount that accrues with respect to Discount Bonds under section 1288 is added to the owner's federal tax basis in determining gain or loss upon disposition of such Discount Bonds (whether by sale, exchange, redemption or payment at maturity).

Interest in the form of original issue discount accrues under section 1288 pursuant to a constant yield method that reflects semiannual compounding on dates that are determined by reference to the maturity date of the Discount Bonds. The amount of original issue discount that accrues for any particular semiannual accrual period generally is equal to the excess of (1) the product of (a) one-half of the yield on such Bonds (adjusted as necessary for an initial short period) and (b) the adjusted issue price of such Bonds, over (2) the amount of stated interest actually payable. For purposes of the preceding sentence, the adjusted issue price is determined by adding to the Issue Price for such Bonds the original issue discount that is treated as having accrued during all prior semiannual accrual periods. If a Discount Bond is sold or otherwise disposed of between semiannual compounding dates, then the original issue discount that would have accrued for that semiannual accrual period for federal income tax purposes is allocated ratably to the days in such accrual period.

If a Discount Bond is purchased at a price that exceeds the sum of the Issue Price plus accrued interest and accrued original issue discount, the amount of original issue discount that is deemed to accrue thereafter to the purchaser is reduced by an amount that reflects amortization of such excess over the remaining term of such Bond.

No opinion is expressed as to state and local income tax treatment of original issue discount. It is possible under certain state and local income tax laws that original issue discount on a Discount Bonds may be taxable in the year of accrual, and may be deemed to accrue differently than under federal law.

Holders of Discount Bonds should consult their tax advisors with respect to the computation and accrual of original issue discount for federal income tax purposes and with respect to the state and local tax consequences of owning such Discount Bonds.

NOT BANK-QUALIFIED TAX-EXEMPT OBLIGATIONS

The City will not designate the Bonds as “qualified tax-exempt obligations” for purposes of Section 265(b)(3) of the Code, relating to the ability of financial institutions to deduct from income for federal income tax purposes, interest expense that is allocable to carrying and acquiring tax-exempt obligations.

MUNICIPAL ADVISOR

The City has retained Baker Tilly Municipal Advisors, LLC as municipal advisor in connection with certain aspects of the issuance of Bonds (the “Municipal Advisor” or “BTMA”). BTMA is a registered municipal advisor and controlled subsidiary of Baker Tilly US, LLP (“BTUS”), an accounting firm and has been retained by the City to provide certain financial advisory services including, among other things, preparation of the deemed “nearly final” Preliminary Official Statement and the Final Official Statement (the “Official Statements”). The information contained in the Official Statements has been compiled from records and other materials provided by City officials and other sources deemed to be reliable. The Municipal Advisor has not and will not independently verify the completeness and accuracy of the information contained in the Official Statements. The Municipal Advisor’s duties, responsibilities and fees arise solely as Municipal Advisor to the City and they have no secondary obligations or other responsibility.

MUNICIPAL ADVISOR REGISTRATION

BTMA is a Municipal Advisor registered with the Securities and Exchange Commission and the Municipal Securities Rulemaking Board. As such, BTMA is providing certain specific municipal advisory services to the City, but is neither a placement agent to the City nor a broker/dealer and cannot participate in the underwriting of the Bonds.

The offer and sale of the Bonds shall be made by the City, in the sole discretion of the City, and under its control and supervision. The City has agreed that BTMA does not undertake to sell or attempt to sell the Bonds, and will take no part in the sale thereof.

OTHER FINANCIAL INDUSTRY ACTIVITIES AND AFFILIATIONS

BTUS is an advisory, tax and assurance firm headquartered in Chicago, Illinois. BTUS and its affiliated entities, have operations in North America, South America, Europe, Asia and Australia. BTUS is an independent member of Baker Tilly International, a worldwide network of independent accounting and business advisory firms in 47 territories, with 33,600 professionals.

Baker Tilly Investment Services, LLC (“BTIS”) is registered as an investment adviser with the Securities and Exchange Commission (“SEC”) under the Federal Investment Advisers Act of 1940. BTIS provides discretionary and non-discretionary investment management services to government and municipal entities. BTIS may provide advisory services to the clients of BTMA.

Baker Tilly Capital, LLC (“BTC”), a wholly owned subsidiary of BTUS, is a limited purpose broker/dealer registered with the SEC and member of the Financial Industry Regulatory Authority. BTC provides merger & acquisition, capital sourcing and corporate finance advisory services. BTC may provide transaction advisory services to clients of BTMA.

Baker Tilly Financial, LLC (“BTF”), a wholly owned subsidiary of BTUS, is an investment adviser registered with the SEC. BTF provides both discretionary and non-discretionary portfolio management, consulting and retirement plan management services to individuals and retirement plans. BTF may provide advisory

services to the clients of BTMA.

BTMA has no other activities or arrangements that are material to its advisory business or its clients with a related person who is a broker-dealer, investment company, other investment adviser or financial planner, bank, law firm or other financial entity.

MISCELLANEOUS

The information contained in this Official Statement has been compiled from the City officials and other sources deemed to be reliable, and while not guaranteed as to completeness or accuracy, it is believed to be correct as of this date. However, the Official Statement speaks only as of its date, and the information contained herein is subject to change.

The references, excerpts, and summaries of all documents referred to herein do not purport to be complete statements of the provisions of such documents, and reference is directed to all such documents for full and complete statements of all matters of fact relating to the Bonds, the security for the payment of the Bonds and the rights and obligations of the owners thereof.

Any statements made in this Official Statement involving matters of opinion or of estimates, whether or not so expressly stated, are set forth as such and not as representations of fact, and no representation is made that any of the estimates will be realized. Neither this Official Statement nor any statement which may have been made orally or in writing is to be construed as a contract with the owners of the Bonds.

CERTIFICATION

The City has authorized the distribution of the Preliminary Official Statement for use in connection with the initial sale of the Bonds and a Final Official Statement following award of the Bonds. The City certifies to the best of its knowledge and belief that this Official Statement, as of its date and as it relates to the City and its economic and financial condition, (i) is complete and accurate; (ii) does not contain any untrue statement of a material fact; and (iii) does not omit any material facts or information which would make the statements contained herein misleading.

(The Balance of This Page Has Been Intentionally Left Blank)

GENERAL INFORMATION OF THE CITY

CITY PROPERTY VALUES

Trend of Values⁽¹⁾

Assessment/ Collection Year	Assessor's Estimated Market Value	Sales Ratio ⁽²⁾	Economic Market Value ⁽³⁾	Market Value Homestead Exclusion	Taxable Market Value	Adjusted Taxable Net Tax Capacity
2021/22	\$1,677,445,100	86.3%	\$1,618,402,436	\$40,705,696	\$1,340,741,400	\$15,604,290
2020/21	1,634,808,700	94.1	1,420,677,254	41,372,800	1,281,458,600	14,975,380
2019/20	1,657,218,600	95.3	1,349,815,857	40,255,600	1,235,838,400	14,305,725
2018/19	1,549,341,800	93.0	1,282,911,293	43,113,630	1,143,169,900	13,219,951
2017/18	1,849,495,000	94.9	1,191,667,282	43,481,100	1,080,219,400	12,427,430

(1) For a description of the Minnesota property tax system, see Appendix E.

(2) Sales Ratio Study for the year of assessment as posted by the Minnesota Department of Revenue, <https://www.revenue.state.mn.us/economic-market-values> and <https://www.revenue.state.mn.us/economic-market-values-reports>.

(3) Economic market values for the year of assessment as posted by the Minnesota Department of Revenue, <https://www.revenue.state.mn.us/economic-market-values> and <https://www.revenue.state.mn.us/economic-market-values-reports>.

Source: Becker County, Minnesota, August 2022, except as otherwise noted.

2021/22 Adjusted Taxable Net Tax Capacity: \$15,604,290(1)

Real Estate:		
Residential Homestead	\$ 6,217,896	38.4%
Commercial/Industrial and Public Utility	4,841,140	29.9
Residential Non-Homestead	2,283,564	14.1
Agricultural, Commercial & Residential, and Seasonal/Recreational	2,748,290	17.0
Personal Property	<u>97,676</u>	<u>0.6</u>
2021/22 Net Tax Capacity	\$16,188,566	100.0%
Less: Captured Tax Increment	<u>(584,276)</u>	
2021/22 Adjusted Taxable Net Tax Capacity	\$15,604,290	

(1) Excludes mobile home valuation of \$50,204

Ten of the Largest Taxpayers in the City

<u>Taxpayer</u>	<u>Type of Property</u>	<u>2021/22 Net Tax Capacity</u>
BTD Manufacturing Inc.	Metal stampings	\$ 265,248
St. Mary's Regional Health Center	Commercial	191,574
Menards Inc.	Home improvement store	188,688
Lakeshirts Screen Printing	Commercial printing	185,965
Walmart	Retail store	132,528
Sanford Clinic North	Healthcare	124,954
Right Choice Lodging	Lodging	106,672
Stonebrook Apartments	Commercial	101,639
DL Hotel Partners	Industrial	91,333
McKinley Plaza	Retail	<u>88,408</u>
Total		\$1,477,009(1)

(1) Represents 9.5% of the City's 2021/22 adjusted taxable net tax capacity.

CITY INDEBTEDNESS

Legal Debt Limit and Debt Margin(1)

Legal Debt Limit (3% of 2021/22 Estimated Market Value	\$50,323,353
Less: Outstanding Debt Subject to Limit	<u>11,000,000</u>
Legal Debt Margin as of June 15, 2023	\$39,323,353

(1) The legal debt margin is referred to statutorily as the "Net Debt Limit" and may be increased by debt service funds and current revenues which are applicable to the payment of debt in the current fiscal year.

NOTE: Certain types of debt are not subject to the legal debt limit. See Appendix E – Debt Limitations.

General Obligation Supported Solely by Taxes (1)

<u>Date of Issue</u>	<u>Original Amount</u>	<u>Purpose</u>	<u>Final Maturity</u>	<u>Est. Principal Outstanding As of 6-15-23</u>
6-15-23	\$11,000,000	Capital Improvement Plan (the Bonds)	2-1-2044	\$11,000,000(2)

(1) This issue is subject to the legal debt limit.

(2) Preliminary subject to change.

General Obligation Special Assessment Debt

<u>Date of Issue</u>	<u>Original Amount</u>	<u>Purpose</u>	<u>Final Maturity</u>	<u>Est. Principal Outstanding As of 6-15-23</u>
11-8-12	\$2,390,000	Improvement Refunding	2-1-2026	\$ 365,000
2-6-14	2,525,000	Public Improvements	2-1-2034	1,525,000
4-21-15	1,985,000	Public Improvements	2-1-2036	1,090,000
4-21-15	2,325,000	Improvement Refunding	2-1-2027	900,000
4-21-15	2,295,000	Improvement Refunding	2-1-2026	690,000
12-8-16	6,535,000	Public Improvements and Refunding	2-1-2030	1,805,000
12-14-17	1,150,000	Public Improvements	2-1-2038	835,000
12-12-18	3,470,000	Public Improvements	2-1-2039	3,115,000
10-7-20	2,535,000	Public Improvements	2-1-2041	2,290,000
11-12-20	2,190,000	Improvement Refunding	2-1-2033	1,770,000
11-10-22	2,805,000	Public Improvements	2-1-2043	<u>2,625,000</u>
Total				\$17,010,000

General Obligation Utility Revenue Debt

<u>Date of Issue</u>	<u>Original Amount</u>	<u>Purpose</u>	<u>Final Maturity</u>	<u>Est. Principal Outstanding As of 6-15-23</u>
1-27-10	\$ 2,100,745	Water Revenue (PFA Loan)	8-20-2029	\$ 869,000
4-21-15	2,865,000	Utility Improvements	2-1-2036	2,015,000
12-14-17	1,460,000	Utility Improvements	2-1-2038	1,140,000
1-25-18	15,077,019	Wastewater Revenue (PFA Loan)	8-20-2037	11,973,000
12-12-18	485,000	Utility Improvements	2-1-2039	410,000
7-10-19	1,988,748	Water Revenue (PFA Loan)	8-20-2039	1,711,257
7-10-19	554,510	Wastewater Revenue (PFA Loan)	8-20-2039	478,000
10-7-20	455,000	Utility Improvements	2-1-2041	425,000
6-9-22	1,896,785	Clean Water (PFA Loan)	8-20-2042	1,896,785
6-9-22	2,021,184	Drinking Water (PFA Loan)	8-20-2042	2,021,184
11-10-22	4,575,000	Utility Improvements	2-1-2043	<u>4,290,000</u>
Total				\$27,229,226

General Obligation Sales Tax Debt

<u>Date of Issue</u>	<u>Original Amount</u>	<u>Purpose</u>	<u>Final Maturity</u>	<u>Est. Principal Outstanding As of 6-15-23</u>
7-6-20	\$6,245,000	Sales Tax Revenue	2-1-2025	\$1,965,000(1)

(1) The City anticipates using available funds on hand to redeem this issue in full on or before June 30, 2023.

Lease Obligations

<u>Date of Issue</u>	<u>Original Amount</u>	<u>Purpose</u>	<u>Final Maturity</u>	<u>Est. Principal Outstanding As of 6-15-23</u>
6-20-12	\$1,800,000	Liquor Store	11-15-2027	\$ 620,484
6-1-18	1,713,278	Energy Loan	12-30-2032	<u>1,316,291</u>
Total				\$1,936,775

Estimated Calendar Year Debt Service Payments

<u>Year</u>	<u>G.O. Supported Solely by Taxes</u>		<u>G.O. Utility Revenue Debt</u>	
	<u>Principal</u>	<u>Principal & Interest(1)</u>	<u>Principal</u>	<u>Principal & Interest</u>
2023 (at 6-15)	-	-	(Paid)	\$ 281,042
2024	-	\$ 497,144	\$ 1,790,000	2,272,706
2025	\$ 375,000	808,317	1,565,000	2,001,956
2026	390,000	808,017	1,585,000	1,980,515
2027	405,000	807,117	1,185,000	1,544,378
2028	420,000	805,617	1,050,000	1,378,229
2029	435,000	803,517	1,145,000	1,442,524
2030	455,000	805,717	1,110,000	1,376,935
2031	470,000	802,217	1,040,000	1,276,393
2032	490,000	803,017	925,000	1,131,413
2033	510,000	805,236	940,000	1,116,524
2034	525,000	803,592	795,000	942,481
2035	545,000	805,310	650,000	772,344
2036	565,000	804,956	650,000	749,666
2037	585,000	802,638	585,000	663,643
2038	610,000	803,641	600,000	659,084
2039	635,000	803,083	515,000	555,459
2040	660,000	800,980	305,000	331,681
2041	685,000	797,396	315,000	331,375
2042	715,000	797,363	185,000	192,213
2043	745,000	795,676	75,000	76,641
2044	<u>780,000</u>	<u>797,199</u>		
Total	\$11,000,000(2)	\$16,557,750	\$17,010,000(3)	\$21,077,202

(1) Includes estimated debt service on the Bonds.

(2) 31.3% of this debt will be retired within ten years.

(3) 67.0% of this debt will be retired within ten years.

Estimated Calendar Year Debt Service Payments (Continued)

<u>Year</u>	<u>G.O. Utility Revenue Debt</u>		<u>G.O. Sales Tax Debt</u>	
	<u>Principal</u>	<u>Principal & Interest</u>	<u>Principal</u>	<u>Principal & Interest</u>
2023 (at 6-15)	\$1,047,969	\$1,390,475	\$ 570,000	\$ 582,956
2024	1,515,000	2,087,664	1,140,000	1,153,088
2025	1,590,000	2,130,756	255,000	255,600
2026	1,622,000	2,129,928		
2027	1,655,000	2,129,098		
2028	1,686,000	2,125,150		
2029	1,718,000	2,121,495		
2030	1,610,000	1,977,213		
2031	1,649,000	1,981,496		
2032	1,670,000	1,966,849		
2033	1,705,000	1,965,481		
2034	1,661,000	1,885,915		
2035	1,697,000	1,887,128		
2036	1,729,000	1,883,123		
2037	1,570,000	1,691,300		
2038	720,000	812,147		
2039	657,257	730,349		
2040	490,000	545,218		
2041	506,000	544,816		
2042	486,000	508,239		
2043	<u>245,000</u>	<u>250,359</u>		
Total	\$27,229,227(1)	\$32,744,199	\$1,965,000	\$1,991,644

<u>Year</u>	<u>Lease Obligations</u>	
	<u>Principal</u>	<u>Principal & Interest</u>
2023	\$131,051	\$166,757
2024	235,899	291,561
2025	247,662	295,985
2026	259,906	300,500
2027	265,374	297,822
2028	138,483	164,357
2029	148,414	169,237
2030	158,849	174,263
2031	169,812	179,440
2032	<u>181,325</u>	<u>184,772</u>
Total	\$1,936,775	\$2,224,694

(1) 57.9% of this debt will be retired within ten years.

Overlapping Debt

<u>Taxing Unit(1)</u>	2021/22 Adjusted Taxable Net Tax Capacity	Est. G.O. Debt As of 6-15-23(2)	Debt Applicable to Tax Capacity in City	
			Percent	Amount
Becker County	\$66,583,759	\$18,160,000	23.4%	\$ 4,249,440
I.S.D. No. 22 (Detroit Lakes)	32,304,911	51,435,000	48.3	<u>24,843,105</u>
Total				\$29,092,545

(1) Only those units with outstanding general obligation debt are shown here.

(2) Excludes general obligation debt supported by wastewater revenues and housing rental payments. Includes certificates of participation.

Debt Ratios(1)

	<u>G.O. Direct Debt</u>	<u>G.O. Direct & Overlapping Debt</u>
2021/22 Estimated Market Value (\$1,677,445,100)	1.79%	3.52%
Per Capita (9,795 – 2021 U.S. Census Estimate)	\$3,057	\$6,027

(1) Excludes general obligation utility revenue debt, revenue debt, and other debt obligations. Includes lease obligations.

CITY TAX RATES, LEVIES AND COLLECTIONS

Tax Capacity Rates for a City Resident in Independent School District No. 22 (Detroit Lakes)

	<u>2017/18</u>	<u>2018/19</u>	<u>2019/20</u>	<u>2020/21</u>	<u>2021/22</u>	
					<u>Total</u>	<u>For Debt Only</u>
Becker County	38.516%	37.732%	36.752%	36.243%	35.607%	1.723%
City of Detroit Lakes	41.597	41.949	40.166	40.712	42.256	0.000
I.S.D. No. 22 (Detroit Lakes(1))	9.233	22.669	21.480	20.898	19.429	0.000
Special Districts(2)	<u>1.587</u>	<u>1.406</u>	<u>1.285</u>	<u>1.225</u>	<u>1.463</u>	<u>0.769</u>
Total	90.933%	103.756%	99.683%	99.078%	98.755%	2.492%

(1) In addition, Independent School District No. 22 (Detroit Lakes) has a 2021/22 market value tax rate of 0.12312% spread across the market value of property in support of an excess operating levy.

(2) Special districts include Pelican River Watershed District, Detroit Lakes Housing and Redevelopment Authority, and Becker County Economic Development Authority.

NOTE: This table includes only net tax capacity-based rates. Certain other tax rates are based on market value. See Appendix E.

Tax Levies and Collections

<u>Levy/Collect</u>	<u>Net Levy(1)</u>	<u>Collected During Collection Year</u>		<u>Collected and/or Abated as of 12-31-22</u>	
		<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
2021/22	\$6,593,725	\$6,543,142	99.2%	\$6,543,142	99.2%
2020/21	6,087,088	6,038,453	99.2	6,074,805	99.8
2019/20	5,746,026	5,685,245	98.9	5,743,827	99.9
2018/19	5,498,450	5,429,326	98.7	5,498,080	99.9
2017/18	5,114,315	5,022,184	98.2	5,113,742	99.9

(1) The net levy excludes state aid for property tax relief and fiscal disparities, if applicable. The net levy is the basis for computing tax capacity rates. See Appendix E.

FUNDS ON HAND As of February 28, 2023

<u>Fund</u>	<u>Cash and Investments</u>
General	\$ 5,489,289
Special Revenue	9,368,963
Capital Projects	409,074
Debt Service:	
Supported by Taxes and Special Assessments	3,335,021
Supported by Tax Increment	42,898
Enterprise Fund	<u>40,071,607</u>
Total Cash and Investments	\$58,716,852

INVESTMENTS

The City does not have a formal investment policy. As of February 28, 2023, City funds are invested as follows: \$32,847,120 in bank accounts and certificates of deposit and \$25,869,732 in government and agency securities.

The investments have varying maturities to match cash flow needs. The approximate maturities for the certificates of deposit and government and agency securities are as follows: 86.49% will mature in five years; 3.78% will mature in ten years; and 9.73% will mature in more than ten years.

GENERAL INFORMATION CONCERNING THE CITY

The City is located in west central Minnesota, approximately 200 miles northwest of the Minneapolis/Saint Paul metropolitan area and 40 miles east of the Fargo/Moorhead metropolitan area. The City is the county seat, the largest city in Becker County, and encompasses approximately 16.1 square miles (10,291 acres).

Population

The City's population trend is shown below.

	<u>Population</u>	<u>Percent Change</u>
2021 U.S. Census Estimate	9,795	(0.7)%
2020 U.S. Census	9,869	15.2
2010 U.S. Census	8,569	16.6
2000 U.S. Census	7,348	10.7
1990 U.S. Census	6,635	(6.6)
1980 U.S. Census	7,106	--

Source: United States Census Bureau, <http://www.census.gov/>.

The City's estimated population by age group for the past five years is as follows:

<u>Data Year/ Report Year</u>	<u>0-17</u>	<u>18-34</u>	<u>35-64</u>	<u>65 and Over</u>
2022/23	2,378	1,870	3,533	2,369
2021/22	2,326	1,784	3,416	2,142
2020/21	2,308	1,805	3,386	2,088
2019/20	2,312	1,832	3,373	2,073
2018/19	2,273	1,835	3,347	2,053

Source: Claritas, LLC.

Transportation

U.S. Highways 10 and 59 run through the City as well as Minnesota Highway 34. The Detroit Lakes/Becker County Airport is located within the City, approximately two miles from downtown. Amtrak and Jefferson Bus Lines services are also available at the BNSF Railway Depot, located within the City.

(The Balance of This Page Has Been Intentionally Left Blank)

Major Employers

<u>Employer</u>	<u>Product/Service</u>	<u>Approximate Number of Employees</u>
Essentia Health St. Mary's Hospital and Clinic	Healthcare	862(1)
Independent School District No. 22 (Detroit Lakes)	Public education	550(1)(2)
Sanford Health	Healthcare	406
Becker County	Government	377(1)
SJE Rhombus	Manufacturing	234(1)
Walmart	Retail store	230(1)
Lakeshirts Screen Printing	Commercial printing	178(1)
ECUMEN Detroit Lakes (formerly Emmanuel Community)	Nursing home and assisted living	176(1)
Central Market	Grocery store	161(1)
Menards	Home improvement store	150(1)
State of Minnesota (MnDOT)	State government	125
City of Detroit Lakes	Government	121(3)
BTD Manufacturing Inc.	Metal stampings	98

(1) Includes full- and part-time employees.

(2) Does not include substitute teachers and temporary employees.

(3) Includes 33 part-time and seasonal employees.

Source: This does not purport to be a comprehensive list and is based on <https://app.dnbhoovers.com/> and an August 2022 best efforts telephone survey of individual employers. Some employers do not respond to inquiries.

Labor Force Data

	<u>Annual Average</u>				<u>January</u>
	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>
Labor Force:					
Becker County	19,008	19,037	18,683	18,528	19,269
State of Minnesota	3,108,681	3,134,160	3,039,322	3,077,500	3,062,840
Unemployment Rate (%):					
Becker County	4.2%	6.4%	3.4%	2.6%	4.4%
State of Minnesota	3.3	6.3	3.8	2.7	3.3

Source: Minnesota Department of Employment and Economic Development, <https://apps.deed.state.mn.us/lmi/laus>. 2023 data are preliminary.

Retail Sales and Effective Buying Income (EBI)

City of Detroit Lakes

<u>Data Year/ Report Year</u>	<u>Total Retail Sales (\$000)</u>	<u>Total EBI (\$000)</u>	<u>Median Household EBI</u>
2022/23	\$372,590	\$321,791	\$52,241
2021/22	316,765	290,633	50,350
2020/21	328,435	255,467	45,983
2019/20	332,495	231,112	39,884
2018/19	315,601	217,587	38,556

Becker County

<u>Data Year/ Report Year</u>	<u>Total Retail Sales (\$000)</u>	<u>Total EBI (\$000)</u>	<u>Median Household EBI</u>
2022/23	\$736,652	\$1,179,926	\$61,097
2021/22	647,730	1,070,443	57,931
2020/21	614,047	966,713	54,216
2019/20	890,966	930,635	51,970
2018/19	611,909	878,591	50,998

The 2022/23 Median Household EBI for the State of Minnesota was \$71,569. The 2022/23 Median Household EBI for the United States was \$64,600.

Source: Claritas, LLC.

Permits Issued by the City

	<u>New Single Family Residential</u>		<u>New Commercial/Industrial</u>		<u>Total Value(1) (All Permits)</u>
	<u>Number</u>	<u>Value</u>	<u>Number</u>	<u>Value</u>	
2023 (at 2-28)	0	\$ 0	0	\$ 0	\$ 1,132,039
2022	23	9,366,952	9	20,630,415	49,201,459
2021	33	13,933,372	10	8,113,000	38,790,394
2020	35	9,702,388	8	5,615,843	27,989,305
2019	35	12,376,973	6	5,950,597	35,301,909
2018	53	13,990,171	12	28,216,313	53,431,444
2017	37	9,593,318	11	9,994,744	29,025,747
2016	35	8,236,250	8	4,960,000	22,944,892
2015	45	11,441,744	2	13,300,000	34,421,612
2014	46	12,141,352	7	2,151,500	32,566,679
2013	43	8,073,000	6	1,373,000	25,856,726

(1) In addition to building permits, the total value includes all other permits issued by the City (i.e. heating, lighting, plumbing, roof replacement, etc.).

Source: City of Detroit Lakes.

Recent Development

In Line Motion: In Line Motion started construction of an 11,000 square foot manufacturing facility in 2022 at a cost of \$986,345.

Zips Car Wash: Construction of a \$4,300,000 car wash was started in 2022.

Becker County Highway Department: The Becker County Highway Department began construction of a new \$13 million highway facility in 2022.

School District Improvements: Independent School District No. 22 (Detroit Lakes) completed approximately \$60,000,000 of additions and improvements to the Middle School, High School, Rossman Elementary, and Roosevelt Elementary in 2022.

Becker County Museum: The Becker County Historical Society began construction of a new 30,000 square-foot museum in 2021. The estimated project cost is \$660,000.

Major Initiatives

The DNR has received \$2,700,000 in State bonding money to extend the Heartland Multi-Use Trail from the City seven miles east to the City of Frazee. This is the next step in a series of projects to extend the State trail system from the City of Park Rapids west to the City of Moorhead through the City. The DNR continues to work on constructing the trail extension.

The City was awarded a \$1,250,000 Minnesota Legacy Funds grant to assist with expanding the biking trails at the 147-acre Detroit Mountain Recreation Area (DMRA). The project was substantially completed in 2019 and is one of only 26 IMBA sanctioned facilities in the United States. In 2021, a grant for trail development and other amenities in the amount of \$1,477,522 was submitted to Greater Minnesota Regional Parks and Trails Commission.

The Electric Utility completed construction of a new substation in spring of 2022. This project was a large addition to the City's transmission and distribution system and supports overall electric infrastructure. The project was funded by Electric Fund cash reserves.

The City Council approved the remodel of the City Administration Building. The remodel began in December 2022 and is expected to be completed in spring 2024.

The City Council has planned for over ten years to construct a new public works facility and has been raising its tax levy each year to prepare for future debt related to that project. This project is funded by the proceeds of the Bonds and is scheduled to begin sometime in 2023.

Education

Public Education

The following district serves the residents of the City:

<u>School</u>	<u>Location</u>	<u>Grades</u>	<u>2022/23 Enrollment</u>
I.S.D. No. 22 (Detroit Lakes)	City of Detroit Lakes	K-12	2,775

Source: Minnesota Department of Education, www.education.state.mn.us

Non-Public Education

City residents are also served by the following private schools:

<u>School</u>	<u>Location</u>	<u>Grades</u>	<u>2022/23 Enrollment</u>
Adventist Christian School	City of Detroit Lakes	K-8	16
Holy Rosary	City of Detroit Lakes	K-8	131

Source: Minnesota Department of Education, www.education.state.mn.us

Post-Secondary Education

Post-secondary education is available at Minnesota State Community and Technical College, a campus of which is located in the City. This technical college offers associate of applied science degrees in over 50 programs, as well as vocational degrees and program certificates.

GOVERNMENTAL ORGANIZATION AND SERVICES

Organization

The City was organized and adopted a Home Rule Charter in 1903, with subsequent Charters adopted in 1959 and 1982. The City operates under a Mayor-Council form of government. The Council consists of ten members, including the Mayor, who are elected to four-year overlapping terms.

The following individuals comprise the current City Council:

		<u>Expiration of Term</u>
Matt Brenk	Mayor	December 31, 2024
Shaun Carlson	Alderman First Ward	December 31, 2026
Ron Zeman	Alderman First Ward	December 31, 2024
Mike Stearns	Alderman Second Ward	December 31, 2026
Wendy Spry	Alderman Second Ward	December 31, 2024
Matt Boeke	Alderman Third Ward	December 31, 2026
Dan Josephson	Alderman Third Ward	December 31, 2024
Jackie Buboltz	Alderman At Large	December 31, 2026
Aaron Dallmann	Alderman At Large	December 31, 2024
James Deraney	Alderman At Large	December 31, 2026

Mr. Kelcey Klemm is the City Administrator and has served in this position since April 2016. Mr. Klemm was the City Manager for the City of Perham, Minnesota for eight years prior to being recruited by the City. Mr. Klemm is responsible for the implementation of Council action and planning, organizing and directing the activities of the City.

Ms. Heidi Tumberg is the City's Finance Officer and has served in this position since April 2020. Previously, Ms. Tumberg served as the Finance Director for the cities of Sartell and Excelsior, Minnesota. Ms. Tumberg is responsible for managing the finances and accounting for all City operations.

Mr. Lawrence Remmen is the City's Community Development Director and has served in this position since October 1990. Mr. Remmen is responsible for overseeing the Planning Department and Economic Development.

Services

The City provides a variety of municipal services including water, electric power and light, wastewater treatment, off-sale liquor, police and fire protection, street maintenance, public beach maintenance, animal control, snow removal, public improvements, park area maintenance, summer recreation programs, building inspection, planning and zoning, and general administrative services. The City also contracts to provide fire protection for Detroit, Lake View, and Erie townships.

The City's municipal electric utility, along with its water utility and wastewater treatment operations, are managed by a five-member Public Utilities Commission (PUC) whose members are appointed by the City Council. The PUC and City Council periodically review electric, water, and wastewater retail rates in order to ensure the rates adequately cover operating and capital expenditures. Rate increases are implemented by the City to cover ongoing utility operational and capital costs while continuing to provide residents with reasonable rates.

The City recently finished a rate study for its electric utility and water utility, with rates approved by the PUC in October 2022. The electric rate study called for implementation of a 3% rate increase for 2023. This was an increase that was scheduled for 2018 but was not implemented due to a strong financial position at that time. The water rate study called for an average 6.5% increase for 2023 due to upcoming major capital projects including a new water tower. The last completed study for the electric utility was in 2015, the most recent wastewater rate study was completed in 2017, and the last water study was completed in 2018. The

wastewater rate study was done in conjunction with the planned construction of a \$32 million treatment facility. The PUC relies heavily on the rate studies in guiding them on any future rate increases.

In 2020, the PUC and City implemented the last programmed step increase for Commercial Wastewater rates as outlined in the 2017 Cost of Service and Rate study. This increase raised the service charge to provide adequate cost recovery for capital costs related to the new wastewater treatment facility. Also, on January 1, 2020, an increase of 8% was implemented for water rates. This is following recommended increases to recover capital costs for replacing aging infrastructure and debt service for expansion of the water system.

Labor Contracts

The status of labor contracts in the City is as follows:

<u>Bargaining Unit</u>	<u>No. of Employees</u>	<u>Expiration Date of Current Contract</u>
IBEW	15	December 31, 2025
AFSCME	18	December 31, 2022(2)
LELS (Police)	13	December 31, 2025
MNPEA	<u>3</u>	December 31, 2025
Subtotal	49	
Non-unionized employees	<u>39</u>	
Total employees	<u>88(1)</u>	

(1) In addition, the City has 33 part-time and seasonal employees.

(2) In negotiations

Employee Pensions

All full-time employees and certain part-time employees of the City are covered by defined benefit pension plans administered by the Public Employees Retirement Association of Minnesota (PERA). PERA administers the General Employees Retirement Fund (GERF) and the Public Employees Police and Fire Fund (PEPFF), which are cost-sharing multiple-employer retirement plans.

In addition, the City's volunteer firefighters of the City are eligible for pension benefits through membership in the Detroit Lakes Fire Department Relief Association (DLFDRA) organized under Minnesota Statutes, Chapter 69, and administered by a separate Board of Trustees elected by the membership.

A detailed description of these plans, along with the City's required contributions to each plan, are represented in the City's Annual Comprehensive Financial Reports. The City's Annual Comprehensive Financial Report for fiscal year ended December 31, 2021, is included as Appendix F of this Official Statement. (The City's Annual Comprehensive Financial Report for the fiscal year ended December 31, 2022 is not yet available.)

Other Postemployment Benefits

The City has obligations to its employees for post-employment benefits other than pensions, accounted for pursuant to the Government Accounting Standards Board (GASB) Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions (GASB 75). The City's OPEB liabilities and associated contributions are represented in the City's Annual Comprehensive Financial Reports. The City's Annual Comprehensive Financial Report for fiscal year ended December 31, 2021, is included as Appendix F of this Official Statement. (The City's Annual Comprehensive Financial Report for the fiscal year ended December 31, 2022 is not yet available.)

General Fund Budget Summary

	<u>2022 Budget</u>	<u>2022 Actual</u>	<u>2023 Budget</u>
Revenues:			
Taxes	\$4,327,445	\$4,314,480	\$4,855,573
Licenses and Permits	164,220	180,711	156,920
Intergovernmental	929,902	1,490,037	818,303
Charges for Services	604,700	648,276	602,435
Fines and Forfeits	75,500	65,104	75,200
Investment Earnings	50,000	(238,195)	50,000
Miscellaneous	<u>31,000</u>	<u>239,038</u>	<u>41,000</u>
Total Revenues	\$6,182,767	\$6,699,451	\$6,599,431
Expenditures:			
General Government	\$1,073,372	\$1,057,276	\$1,146,641
Police Protection	2,332,066	2,463,930	2,596,421
Other Public Safety	257,468	256,457	276,433
Public Works	2,144,547	2,338,335	2,240,466
Culture and Recreation	1,012,145	906,076	1,084,596
Miscellaneous	<u>54,116</u>	<u>52,424</u>	<u>43,530</u>
Total Expenditures	\$6,873,714	\$7,074,498	\$7,388,087
Excess (Deficiency) of Revenues Over (Under) Expenditures	\$ (690,947)	\$ (375,047)	\$ (788,656)
Other Financing Sources (Uses):			
Transfers In	\$1,257,395	\$1,257,395	\$1,277,238
Transfers Out	<u>(566,448)</u>	<u>(566,448)</u>	<u>(488,582)</u>
Total Other Financing Sources (Uses)	\$ 690,947	\$ 690,947	\$ 788,656
Net Change in Fund Balance	\$ 0	\$ 315,900	-
Beginning Fund Balance - January 1	\$6,511,891	\$6,511,891	\$6,827,791
Ending Fund Balance - December 31	\$6,511,891	\$6,827,791	\$6,827,791

Sources: The City.

Coronavirus (COVID-19) Financial Assistance

On March 11, 2020, the World Health Organization proclaimed the Coronavirus (COVID-19) to be a pandemic. COVID-19 has had varied economic and social impacts, and governments and private industries have taken various measures in an effort to limit the spread of the virus. While the City continues to monitor the spread of COVID-19, the City is not able to predict and makes no representations as to any impacts the pandemic may have on the City or its financial position.

As of the date of this Official Statement, the City has received \$779,320 of CARES Act Assistance and \$1,015,013 of American Rescue Plan Act (ARPA) Funds. More information is available at <https://cityofdetroitlakes.com/>.

Major General Fund Revenue Sources

<u>Revenue</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>
Property Taxes	\$2,930,521	\$3,157,470	\$3,442,499	\$3,611,475	\$3,987,538
Intergovernmental	1,288,555	1,154,693	1,071,129	1,807,858	1,555,427
Transfers In	1,114,500	1,180,000	1,261,000	1,309,717	1,268,119
Charges for Services	526,739	668,442	588,575	485,224	566,446
Licenses and Permits	134,584	123,670	170,843	100,593	167,434
Miscellaneous	455,105	89,531	191,142	295,866	165,453

Sources: City's Annual Comprehensive Financial Reports.

(The Balance of This Page Has Been Intentionally Left Blank)

BOOK ENTRY

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

DTC is a limited-purpose trust company organized under the New York Banking Law, a “banking organization” within the meaning of the New York Banking Law, a member of the Federal Reserve System, a “clearing corporation” within the meaning of the New York Uniform Commercial Code, and a “clearing agency” registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC’s participants (“Direct Participants”) deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities through electronic computerized book-entry transfers and pledges between Direct Participants’ accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation (“DTCC”). DTCC is the holding company for DTC, National Securities Clearing Corporation, and Fixed Income Clearing Corporation all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly (“Indirect Participants”). The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.

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

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

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Bonds, such as redemptions, tenders, defaults, and proposed amendments to the Bond documents. For example, Beneficial Owners of the Bonds may wish to ascertain that the nominee holding the Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of notices be provided directly to them.

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

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

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

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

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

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

FORM OF BOND COUNSEL OPINION



Offices in 150 South Fifth Street, Suite 700
 Minneapolis Minneapolis, MN 55402
 (612) 337-9300 telephone
 St. Cloud (612) 337-9310 fax
 www.kennedy-graven.com
 Affirmative Action, Equal Opportunity Employer

\$ _____
 City of Detroit Lakes, Minnesota
 General Obligation Capital Improvement Plan Bonds
 Series 2023A

We have acted as bond counsel to the City of Detroit Lakes, Minnesota (the “Issuer”) in connection with the issuance by the Issuer of its General Obligation Capital Improvement Plan Bonds, Series 2023A (the “Bonds”), originally dated the date hereof, and issued in the original aggregate principal amount of \$ _____. In such capacity and for the purpose of rendering this opinion we have examined certified copies of certain proceedings, certifications and other documents, and applicable laws as we have deemed necessary. Regarding questions of fact material to this opinion, we have relied on certified proceedings and other certifications of public officials and other documents furnished to us without undertaking to verify the same by independent investigation. Under existing laws, regulations, rulings and decisions in effect on the date hereof, and based on the foregoing we are of the opinion that:

1. The Bonds have been duly authorized and executed, and are valid and binding general obligations of the Issuer, enforceable in accordance with their terms.

2. The principal of and interest on the Bonds are payable primarily from ad valorem taxes levied by the Issuer, but if necessary for the payment thereof additional ad valorem taxes are required by law to be levied on all taxable property of the Issuer, which taxes are not subject to any limitation as to rate or amount.

3. Interest on the Bonds is excludable from gross income of the recipient for federal income tax purposes and, to the same extent, is excludable from taxable net income of individuals, trusts, and estates for Minnesota income tax purposes, and is not a preference item for purposes of the computation of the federal alternative minimum tax, or the computation of the Minnesota alternative minimum tax imposed on individuals, trusts and estates. However, such interest is included in determining the annual adjusted financial statement income (as defined in Section 59(k) of the Internal Revenue Code of 1986, as amended (the “Code”)) of applicable corporations (as defined in Section 59(k) of the Code) for purposes of computing the alternative minimum tax imposed on such applicable corporations and is subject to Minnesota franchise taxes on certain corporations (including financial institutions) measured by income. The opinion set forth in this paragraph is subject to the condition that the Issuer comply with all requirements of the Code that must be satisfied subsequent to the issuance of the Bonds in order that interest thereon be, or continue to be, excludable from gross income for federal income tax purposes and from taxable net income for Minnesota income tax purposes. The Issuer has covenanted to comply with all such requirements. Failure to comply with certain of such requirements may cause interest on the Bonds to be included in gross income for federal income tax purposes and taxable net income for Minnesota income tax purposes retroactively to the date of issuance of the Bonds. We express no opinion regarding tax consequences arising with respect to the Bonds other than as expressly set forth herein.

4. The rights of the owners of the Bonds and the enforceability of the Bonds may be limited by bankruptcy, insolvency, reorganization, moratorium, and other similar laws affecting creditors' rights generally and by equitable principles, whether considered at law or in equity.

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

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

Dated _____, 2023 at Minneapolis, Minnesota.

FORM OF CONTINUING DISCLOSURE CERTIFICATE

\$ _____
 City of Detroit lakes, Minnesota
 General Obligation Capital Improvement Plan Bonds
 Series 2023A
 _____, 2023

This Continuing Disclosure Certificate (the “Disclosure Certificate”) is executed and delivered by the City of Detroit Lakes, Minnesota (the “Issuer”) in connection with the issuance of its General Obligation Capital Improvement Plan Bonds, Series 2023A (the “Bonds”), in the original aggregate principal amount of \$ _____. The Bonds are being issued pursuant to resolutions adopted by the City Council of the Issuer (the “Resolutions”). The Bonds are being delivered to _____, _____, _____ (the “Purchaser”), on the date hereof. Pursuant to the Resolutions, the Issuer has covenanted and agreed to provide continuing disclosure of certain financial information and operating data and timely notices of the occurrence of certain events. The Issuer hereby covenants and agrees as follows:

Section 1. Purpose of the Disclosure Certificate. This Disclosure Certificate is being executed and delivered by the Issuer for the benefit of the Holders (as defined herein) of the Bonds in order to provide for the public availability of such information and assist the Participating Underwriter(s) (as defined herein) in complying with the Rule (as defined herein). This Disclosure Certificate, together with the Resolutions, constitutes the written agreement or contract for the benefit of the Holders of the Bonds that is required by the Rule.

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

“Annual Report” means any annual report provided by the Issuer pursuant to, and as described in, Sections 3 and 4 of this Disclosure Certificate.

“Audited Financial Statements” means annual financial statements of the Issuer, prepared in accordance with GAAP as prescribed by GASB.

“Bonds” means the General Obligation Capital Improvement Plan Bonds, Series 2023A, issued by the Issuer in the original aggregate principal amount of \$ _____.

“Disclosure Certificate” means this Continuing Disclosure Certificate.

“EMMA” means the Electronic Municipal Market Access system operated by the MSRB and designated as a nationally recognized municipal securities information repository and the exclusive portal for complying with the continuing disclosure requirements of the Rule.

“Final Official Statement” means the deemed final Official Statement, dated _____, 2023, which constitutes the final official statement delivered in connection with the Bonds, which is available from the MSRB.

“Financial Obligation” means a (a) debt obligation; (b) derivative instrument entered into in connection with, or pledged as security or a source of payment for, an existing or planned debt obligation; or (c) guarantee of a Financial Obligation as described in clause (a) or (b). The term “Financial Obligation” shall not include municipal securities as to which a final official statement has been provided to the MSRB consistent with the Rule.

“Fiscal Year” means the fiscal year of the Issuer.

“GAAP” means generally accepted accounting principles for governmental units as prescribed by GASB.

“GASB” means the Governmental Accounting Standards Board.

“Holder” means the person in whose name a Bond is registered or a beneficial owner of such a Bond.

“Issuer” means the City of Detroit Lakes, Minnesota, which is the obligated person with respect to the Bonds.

“Material Event” means any of the events listed in Section 5(a) of this Disclosure Certificate.

“MSRB” means the Municipal Securities Rulemaking Board located at 1300 I Street NW, Suite 1000, Washington, DC 20005.

“Participating Underwriter” means any of the original underwriter(s) of the Bonds (including the Purchaser) required to comply with the Rule in connection with the offering of the Bonds.

“Purchaser” means _____, _____, _____.

“Repository” means EMMA, or any successor thereto designated by the SEC.

“Rule” means SEC Rule 15c2-12(b)(5) promulgated by the SEC under the Securities Exchange Act of 1934, as the same may be amended from time to time, and including written interpretations thereof by the SEC.

“SEC” means Securities and Exchange Commission, and any successor thereto.

Section 3. Provision of Annual Financial Information and Audited Financial Statements.

(a) The Issuer shall provide to the Repository not later than twelve (12) months after the end of the Fiscal Year commencing with the year that ends December 31, 2022, an Annual Report which is consistent with the requirements of Section 4 of this Disclosure Certificate. The Annual Report may be submitted as a single document or as separate documents comprising a package, and may cross-reference other information as provided in Section 4 of this Disclosure Certificate; provided that the Audited Financial Statements of the Issuer may be submitted separately from the balance of the Annual Report.

(b) If the Issuer is unable or fails to provide to the Repository an Annual Report by the date required in subsection (a), the Issuer shall send a notice of that fact to the Repository and the MSRB.

(c) The Issuer shall determine each year prior to the date for providing the Annual Report the name and address of each Repository.

Section 4. Content of Annual Reports. The Issuer's Annual Report shall contain or incorporate by reference the following sections of the Final Official Statement:

1. City Property Values
2. City Indebtedness
3. City Tax Rates, Levies and Collections

In addition to the items listed above, the Annual Report shall include Audited Financial Statements submitted in accordance with Section 3 of this Disclosure Certificate.

Any or all of the items listed above may be incorporated by reference from other documents, including official statements of debt issues of the Issuer or related public entities, which have been submitted to the Repository or the SEC. If the document incorporated by reference is a final official statement, it must also be available from the MSRB. The Issuer shall clearly identify each such other document so incorporated by reference.

Section 5. Reporting of Material Events.

(a) This Section 5 shall govern the giving of notice of the occurrence of any of the following events ("Material Events") with respect to the Bonds:

1. Principal and interest payment delinquencies;
2. Non-payment related defaults, if material;
3. Unscheduled draws on debt service reserves reflecting financial difficulties;
4. Unscheduled draws on credit enhancements reflecting financial difficulties;
5. Substitution of credit or liquidity providers, or their failure to perform;
6. Adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB), or other material notices or determinations with respect to the tax status of the security, or other material events affecting the tax status of the security;
7. Modifications to rights of security holders, if material;
8. Bond calls, if material, and tender offers;
9. Defeasances;
10. Release, substitution, or sale of property securing repayment of the securities, if material;
11. Rating changes;
12. Bankruptcy, insolvency, receivership or similar event of the obligated person;
13. The consummation of a merger, consolidation, or acquisition involving an obligated person or the sale of all or substantially all of the assets of the obligated person, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an

action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material;

14. Appointment of a successor or additional trustee or the change of name of a trustee, if material;
15. Incurrence of a Financial Obligation of the obligated person, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a Financial Obligation of the obligated person, any of which affect security holders, if material; and
16. Default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a Financial Obligation of the obligated person, any of which reflect financial difficulties.

(b) The Issuer shall file a notice of such occurrence with the Repository or with the MSRB within ten (10) business days of the occurrence of the Material Event.

(c) Unless otherwise required by law and subject to technical and economic feasibility, the Issuer shall employ such methods of information transmission as shall be requested or recommended by the designated recipients of the Issuer's information.

Section 6. EMMA. The SEC has designated EMMA as a nationally recognized municipal securities information repository and the exclusive portal for complying with the continuing disclosure requirements of the Rule. Until the EMMA system is amended or altered by the MSRB and the SEC, the Issuer shall make all filings required under this Disclosure Certificate solely with EMMA.

Section 7. Termination of Reporting Obligation. The Issuer's obligations under the Resolutions and this Disclosure Certificate shall terminate upon the redemption in full of all Bonds or payment in full of all Bonds.

Section 8. Agent. The Issuer may, from time to time, appoint or engage a dissemination agent to assist it in carrying out its obligations under the Resolutions and this Disclosure Certificate, and may discharge any such agent, with or without appointing a successor dissemination agent.

Section 9. Amendment; Waiver. Notwithstanding any other provision of the Resolutions or this Disclosure Certificate, the Issuer may amend this Disclosure Certificate, and any provision of this Disclosure Certificate may be waived, if such amendment or waiver is supported by an opinion of nationally recognized bond counsel to the effect that such amendment or waiver would not, in and of itself, cause a violation of the Rule. The provisions of the Resolutions requiring continuing disclosure pursuant to the Rule and this Disclosure Certificate, or any provision hereof, shall be null and void in the event that the Issuer delivers to the Repository an opinion of nationally recognized bond counsel to the effect that those portions of the Rule which impose the continuing disclosure requirements of the Resolutions and the execution and delivery of this Disclosure Certificate are invalid, have been repealed retroactively or otherwise do not apply to the Bonds. The provisions of the Resolutions requiring continuing disclosure pursuant to the Rule and this Disclosure Certificate may be amended without the consent of the Holders of the Bonds, but only upon the delivery by the Issuer to the Repository of the proposed amendment and an opinion of nationally recognized bond counsel to the effect that such amendment, and giving effect thereto, will not adversely affect the compliance with the Rule.

Section 10. Additional Information. Nothing in this Disclosure Certificate shall be deemed to prevent the Issuer from disseminating any other information, using the means of dissemination set forth in this

Disclosure Certificate or any other means of communication, or including any other information in any Annual Report or notice of occurrence of a Material Event, in addition to that which is required by this Disclosure Certificate. If the Issuer chooses to include any information in any Annual Report or notice of occurrence of a Material Event in addition to that which is specifically required by this Disclosure Certificate, the Issuer shall have no obligation under this Disclosure Certificate to update such information or include it in any future Annual Report or notice of occurrence of a Material Event.

Section 11. Default. In the event of a failure of the Issuer to comply with any provision of this Disclosure Certificate any Holder of the Bonds may take such actions as may be necessary and appropriate, including seeking mandamus or specific performance by court order, to cause the Issuer to comply with its obligations under the Resolutions and this Disclosure Certificate. A default under this Disclosure Certificate shall not be deemed an event of default with respect to the Bonds and the sole remedy under this Disclosure Certificate in the event of any failure of the Issuer to comply with this Disclosure Certificate shall be an action to compel performance.

Section 12. Beneficiaries. This Disclosure Certificate shall inure solely to the benefit of the Issuer, the Participating Underwriters, and the Holders from time to time of the Bonds, and shall create no rights in any other person or entity.

IN WITNESS WHEREOF, we have executed this Disclosure Certificate in our official capacities effective as of the date and year first written above.

CITY OF DETROIT LAKES, MINNESOTA

Mayor

City Administrator

**SUMMARY OF TAX LEVIES, PAYMENT PROVISIONS, AND
MINNESOTA REAL PROPERTY VALUATION**

Following is a summary of certain statutory provisions relative to tax levy procedures, tax payment and credit procedures, and the mechanics of real property valuation. The summary does not purport to be inclusive of all such provisions or of the specific provisions discussed, and is qualified by reference to the complete text of applicable statutes, rules and regulations of the State of Minnesota.

PROPERTY VALUATIONS (CHAPTER 273, MINNESOTA STATUTES)

Assessor's Estimated Market Value. Each parcel of real property subject to taxation must, by statute, be appraised at least once every five years as of January 2 of the year of appraisal. With certain exceptions, all property is valued at its market value, which is the value the assessor determines to be the price the property to be fairly worth, and which is referred to as the "Estimated Market Value." The 2013 Minnesota Legislature established the Estimated Market Value as the value used to calculate a municipality's legal debt limit.

Economic Market Value. The Economic Market Value is the value of locally assessed real property (Assessor's Estimated Market Value) divided by the sales ratio as provided by the State of Minnesota Department of Revenue plus the estimated market value of personal property, utilities, railroad, and minerals.

Taxable Market Value. The Taxable Market Value is the value that Net Tax Capacity is based on, after all reductions, limitations, exemptions and deferrals.

Net Tax Capacity. The Net Tax Capacity is the value upon which net taxes are levied, extended and collected. The Net Tax Capacity is computed by applying the class rate percentages specific to each type of property classification against the Taxable Market Value. Class rate percentages vary depending on the type of property as shown on the last page of this Appendix. The formulas and class rates for converting Taxable Market Value to Net Tax Capacity represent a basic element of the State's property tax relief system and are subject to annual revisions by the State Legislature. Property taxes are the sum of the amounts determined by (i) multiplying the Net Tax Capacity by the tax capacity rate, and (ii) multiplying the referendum market value by the market value rate.

Market Value Homestead Exclusion. In 2011, the Market Value Homestead Exclusion Program (MVHE) was implemented to offset the elimination of the Market Value Homestead Credit Program that provided relief to certain homesteads. The MVHE reduces the taxable market value of a homestead with an Assessor's Estimated Market Value up to \$413,800 in an attempt to result in a property tax similar to the effective property tax prior to the elimination of the homestead credit. The MVHE applies to property classified as Class 1a or 1b and Class 2a, and causes a decrease in the City's aggregate Taxable Market Value, even if the Assessor's Estimated Market Value on the same properties did not decline.

**PROPERTY TAX PAYMENTS AND DELINQUENCIES
(CHAPTERS 275, 276, 277, 279-282 AND 549, MINNESOTA STATUTES)**

Ad valorem property taxes levied by local governments in Minnesota are extended and collected by the various counties within the State. Each taxing jurisdiction is required to certify the annual tax levy to the county auditor within five (5) working days after December 20 of the year preceding the collection year. A listing of property taxes due is prepared by the county auditor and turned over to the county treasurer on or before the first business day in March.

The county treasurer is responsible for collecting all property taxes within the county. Real estate and personal property tax statements are mailed out by March 31. One-half (1/2) of the taxes on real property is due on or before May 15. The remainder is due on or before October 15. Real property taxes not paid by their due date are assessed a penalty on homestead property of 2% until May 31 and increased to 4% on June 1. The penalty on nonhomestead property is assessed at a rate of 4% until May 31 and increased to 8% on June 1. Thereafter, an additional 1% penalty shall accrue each month through October 1 of the collection year for unpaid real property taxes. In the case of the second installment of real property taxes

due October 15, a penalty of 2% on homestead property and 4% on nonhomestead property is assessed. The penalty for homestead property increases to 6% on November 1 and again to 8% on December 1. The penalty for nonhomestead property increases to 8% on November 1 and again to 12% on December 1. Personal property taxes remaining unpaid on May 16 are deemed to be delinquent and a penalty of 8% attaches to the unpaid tax. However, personal property that is owned by a tax-exempt entity, but is treated as taxable by virtue of a lease agreement, is subject to the same delinquent property tax penalties as real property.

On the first business day of January of the year following collection all delinquencies are subject to an additional 2% penalty, and those delinquencies outstanding as of February 15 are filed for a tax lien judgment with the district court. By March 20 the county auditor files a publication of legal action and a mailing of notice of action to delinquent parties. Those property interests not responding to this notice have judgment entered for the amount of the delinquency and associated penalties. The amount of the judgment is subject to a variable interest determined annually by the Department of Revenue, and equal to the adjusted prime rate charged by banks but in no event is the rate less than 10% or more than 14%.

Property owners subject to a tax lien judgment generally have three years (3) to redeem the property. After expiration of the redemption period, unredeemed properties are declared tax forfeit with title held in trust by the State of Minnesota for the respective taxing districts. The county auditor, or equivalent thereof, then sells those properties not claimed for a public purpose at auction. The net proceeds of the sale are first dedicated to the satisfaction of outstanding special assessments on the parcel, with any remaining balance in most cases being divided on the following basis: county - 40%; town or city - 20%; and school district - 40%.

PROPERTY TAX CREDITS (CHAPTER 273, MINNESOTA STATUTES)

In addition to adjusting the taxable value for various property types, primary elements of Minnesota's property tax relief system are: property tax levy reduction aids; the homestead credit refund and the renter's property tax refund, which relate property taxes to income and provide relief on a sliding income scale; and targeted tax relief, which is aimed primarily at easing the effect of significant tax increases. The homestead credit refund, the renter's property tax refund, and targeted credits are reimbursed to the taxpayer upon application by the taxpayer. Property tax levy reduction aid includes educational aids, local governmental aid, equalization aid, county program aid and disparity reduction aid.

DEBT LIMITATIONS

All Minnesota municipalities (counties, cities, towns, and school districts) are subject to statutory "net debt" limitations under the provisions of Minnesota Statutes, Section 475.53. Net debt is defined as the amount remaining after deducting from gross debt the amount of current revenues that are applicable within the current fiscal year to the payment of any debt and the aggregate of the principal of the following:

1. Bonds issued for improvements which are payable wholly or partly from the proceeds of special assessments levied upon property specially benefited thereby, including those which are general obligations of the municipality issuing them, if the municipality is entitled to reimbursement in whole or in part from the proceeds of the special assessments.
2. Warrants or orders having no definite or fixed maturity.
3. Bonds payable wholly from the income from revenue producing conveniences.
4. Bonds issued to create or maintain a permanent improvement revolving fund.
5. Bonds issued for the acquisition, and betterment of public waterworks systems, and public lighting, heating or power systems, and of any combination thereof or for any other public convenience from which a revenue is or may be derived.
6. Debt service loans and capital loans made to a school district under the provisions of Minnesota Statutes, Sections 126C.68 and 126C.69.

7. Amount of all money and the face value of all securities held as a debt service fund for the extinguishment of obligations other than those deductible under Minnesota Statutes, Section 475.51, subdivision 4..
8. Bonds to repay loans made under Minnesota Statutes, Section 216C.37.
9. Bonds to repay loans made from money received from litigation or settlement of alleged violations of federal petroleum pricing regulations.
10. Bonds issued to pay pension fund or other postemployment benefit liabilities under Minnesota Statutes, Section 475.52, subdivision 6, or any charter authority.
11. Bonds issued to pay judgments against the municipality under Minnesota Statutes, Section 475.52, subdivision 6, or any charter authority.
12. All other obligations which under the provisions of law authorizing their issuance are not to be included in computing the net debt of the municipality.

**LEVIES FOR GENERAL BOND DEBT
(SECTIONS 475.61 AND 475.74, MINNESOTA STATUTES)**

Any municipality that issues general obligation debt must, at the time of issuance, certify levies to the county auditor of the county(ies) within which the municipality is situated. Such levies shall be in an amount that if collected in full will, together with estimates of other revenues pledged for payment of the obligations, produce at least five percent in excess of the amount needed to pay principal and interest when due. Notwithstanding any other limitations upon the ability of a taxing unit to levy taxes, its ability to levy taxes for a deficiency in prior levies for payment of general obligation indebtedness is without limitation as to rate or amount.

**STATUTORY FORMULAE: CONVERSION OF TAXABLE MARKET VALUE (TMV) TO
NET TAX CAPACITY FOR MAJOR PROPERTY CLASSIFICATIONS**

<u>Property Type</u>	<u>Local Tax Payable 2018-2022</u>
Residential Homestead (1a)	
Up to \$500,000	1.00%
Over \$500,000	1.25%
Residential Non-homestead	
Single Unit (4bb)	
Up to \$500,000	1.00%
Over \$500,000	1.25%
2-3 unit and undeveloped land (4b1)	1.25%
Market Rate Apartments	
Regular (4a)	1.25%
Low-Income (4d)	
Up to \$100,000 ⁽³⁾	0.75%
Over \$100,000 ⁽³⁾	0.25%
Commercial/Industrial/Public Utility (3a)	
Up to \$150,000	1.50% ⁽¹⁾
Over \$150,000	2.00% ⁽¹⁾
Electric Generation Machinery	2.00%
Commercial Seasonal Residential	
Homestead Resorts (1c)	
Up to \$600,000	0.50%
\$600,000 - \$2,300,000	1.00%
Over \$2,300,000	1.25% ⁽¹⁾
Seasonal Resorts (4c1)	
Up to \$500,000	1.00% ⁽¹⁾
Over \$500,000	1.25% ⁽¹⁾
Non-Commercial (4c12)	
Up to \$500,000	1.00% ⁽¹⁾⁽²⁾
Over \$500,000	1.25% ⁽¹⁾⁽²⁾
Disabled Homestead (1b)	
Up to \$50,000	0.45%
Agricultural Land & Buildings	
Homestead (2a)	
Up to \$500,000	1.00%
Over \$500,000	1.25%
Remainder of Farm	
Up to \$1,890,000 ⁽⁴⁾	0.50% ⁽²⁾
Over \$1,890,000 ⁽⁴⁾	1.00% ⁽²⁾
Non-homestead (2b)	1.00% ⁽²⁾

(1) State tax is applicable to these classifications.

(2) Exempt from referendum market value-based taxes.

(3) Legislative increases, payable 2022. Historical valuations are: Payable 2021 - \$174,000; Payable 2020 - \$150,000; Payable 2019 - \$139,000; and Payable 2018 - \$121,000.

(4) Legislative increases, payable 2022. Historical valuations are: Payable 2021 - \$1,890,000; Payable 2020 - \$1,880,000; Payable 2019 - \$1,900,000; and Payable 2018 - \$1,940,000.

NOTE: For purposes of the State general property tax only, the net tax capacity of non-commercial class 4c(1) seasonal residential recreational property has the following class rate structure: First \$76,000 – 0.40%; \$76,000 to \$500,000 – 1.00%; and over \$500,000 – 1.25%. In addition to the State tax base exemptions referenced by property classification, airport property exempt from city and school district property taxes under M.S. 473.625 is exempt from the State general property tax (MSP International Airport and Holman Field in Saint Paul are exempt under this provision).

2021 ANNUAL COMPREHENSIVE FINANCIAL REPORT

The following pages include the City's Annual Comprehensive Financial Report ("ACFR") for fiscal year ended December 31, 2021. (The City's ACFR for the fiscal year ended December 31, 2022 is not yet available.)

The City's ACFRs for the years ending 2000 through 2021 were awarded the Certificate of Achievement for Excellence in Financial Reporting by the Government Finance Officers Association of the United States and Canada (GFOA). The Certificate of Achievement is the highest form of recognition for excellence in state and local government financial reporting.

In order to be awarded a Certificate of Achievement, a government unit must publish an easily readable and efficiently organized ACFR, whose contents conform to program standards. Such ACFR must satisfy both generally accepted accounting principles and applicable legal requirements. A Certificate of Achievement is valid for a period of one year only.

**CITY OF DETROIT LAKES
DETROIT LAKES, MINNESOTA**

*Annual Comprehensive
Financial Report
Year Ended December 31, 2021*

Prepared By
Office of City Administrator

Heidi Tumberg
Finance Officer

This page intentionally left blank

TABLE OF CONTENTS

	<u>Page</u>
I. INTRODUCTORY SECTION	
LETTER OF TRANSMITTAL	I
GFOA CERTIFICATE OF ACHIEVEMENT	V
ORGANIZATIONAL CHART	VI
LIST OF ELECTED AND APPOINTED OFFICIALS	VII
II. FINANCIAL SECTION	
INDEPENDENT AUDITOR'S REPORT	1
MANAGEMENT'S DISCUSSION AND ANALYSIS	4
BASIC FINANCIAL STATEMENTS	
Government-wide Financial Statements:	
Statement of Net Position	12
Statement of Activities	13
Fund Financial Statements:	
Balance Sheet – Governmental Funds	14
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position	15
Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds	16
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities	17
Statement of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual - General Fund	18
Statement of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual – Airport Fund	19
Statement of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual – Development Authority Fund	20
Statement of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual – Permanent Improvement Fund	21
Statement of Net Position – Proprietary Funds	22
Statement of Revenues, Expenses and Changes in Net Position – Proprietary Funds	23
Statement of Cash Flows – Proprietary Funds	24

(Continued on next page)

	<u>Page</u>
Statement of Fiduciary Net Position – Fiduciary Funds	26
Statement of Changes in Fiduciary Net Position – Fiduciary Funds	27
Notes to the Financial Statements	28
REQUIRED SUPPLEMENTARY INFORMATION	
Schedule of City Contributions	62
Schedule of City’s Share of Net Pension Liability	63
Schedule of Changes in the City’s Total OPEB Liability and Related Ratios	64
Schedule of Net Pension Liability and Related Ratios - Detroit Lakes Fire Relief Association	65
Schedule of Employer Contributions - Detroit Lakes Fire Relief Association	66
Notes to the Required Supplementary Information	67
COMBINING AND INDIVIDUAL FUND STATEMENTS AND SCHEDULES	
Combining Financial Statements Nonmajor Governmental Funds:	71
Combining Balance Sheet – Nonmajor Governmental Funds – Special Revenue Funds	72
Combining Statement of Revenues, Expenditures and Changes in Fund Balances – Nonmajor Governmental Funds – Special Revenue Funds	73
Supplementary Schedules:	
Schedule of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual Nonmajor Governmental Funds – Special Revenue Funds	74
Schedule of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual Debt Service Fund	82
III. STATISTICAL SECTION	
Statistical Section	83
	<u>Table</u>
Net Position by Component	1 84
Changes in Net Position	2 85
Fund Balances – Governmental Funds	3 87
Changes in Fund Balances – Governmental Funds	4 88
Tax Capacity and Estimated Actual Value of Taxable Property	5 89
Direct and Overlapping – Property Tax Rates	6 90
Principal Taxpayers	7 91
Property Tax Levies and Collections	8 92
Ratio of Outstanding Debt by Type	9 93
Ratio of General Bonded Debt Outstanding	10 94
Direct and Overlapping Governmental Activities Debt	11 95
Legal Debt Margin Information	12 96
Pledged - Revenue Coverage	13 97

(Continued on next page)

	<u>Table</u>	<u>Page</u>
III. STATISTICAL SECTION (CONTINUED)		
Demographic and Economic Statistics	14	98
Principal Employers	15	99
Full-Time Equivalent City Government Employees by Function/Program	16	100
Capital Assets and Operating Indicators by Function/Program	17	101
IV. OTHER REPORT SECTION		
Independent Auditor's Report on Minnesota Legal Compliance		102
Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>		103
Independent Auditor's Report on Compliance for Each Major Federal Program and on Internal Control Over Compliance Required by the Uniform Guidance		105
Schedule of Expenditures of Federal Awards		107
Notes to Schedule of Expenditures of Federal Awards		108
Schedule of Findings and Questioned Costs		109
Summary Schedule of Prior Audit Findings		110

INTRODUCTORY SECTION

This page intentionally left blank



City of Detroit Lakes

1025 Roosevelt Ave., P.O. Box 647 Detroit Lakes, MN 56502

June 8, 2022

To the Honorable Mayor, Members of the City Council, and Citizens of the City of Detroit Lakes:

The Annual Comprehensive Financial Report of the City of Detroit Lakes for the fiscal year ended December 31, 2021, is hereby submitted as mandated by local ordinance and state statute. Such mandates require the City of Detroit Lakes issue annually, a complete set of financial statements presented in conformity with United States Generally Accepted Accounting Principles (GAAP) and audited in accordance with United States Generally Accepted Auditing Standards by a firm of licensed certified public accountants.

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

The City of Detroit Lakes' financial statements have been audited by Brady, Martz and Associates, P.C., a firm of licensed certified public accountants. The goal of the independent audit was to provide reasonable assurance that the financial statements of the City of Detroit Lakes for the fiscal year ended December 31, 2021, are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management and evaluating the overall financial statement presentation. The independent auditor concluded, based upon the audit, that there was a reasonable basis for rendering an unmodified opinion that the City of Detroit Lakes' financial statements for the fiscal year ended December 31, 2021, are fairly presented in conformity with GAAP. The independent auditor's report is presented as the first component of the financial section of this report.

GAAP requires that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement the MD&A and should be read in conjunction with it. The City of Detroit Lakes' MD&A can be found immediately following the report of the independent auditors.

Profile of the City

The original Charter of the City of Detroit Lakes, Minnesota, was adopted as a Home Rule Charter, pursuant to the provisions of Section 36, Article 14, Constitution of the State of Minnesota, Chapter 351, General Laws of the State of Minnesota, for the year 1899, at a special election held February 23, 1903. Numerous amendments to the original Charter were adopted at special elections held at various times. An amendment adopted September 7, 1926, changed the name of the City from Detroit to Detroit Lakes. At elections held April 3, 1959, and December 14, 1982, entirely new Charters were adopted. The Council is composed of the Mayor and nine Council members. Two Council members are elected from each of the three wards of the City. The Mayor and three Council members are elected by and from the electors of the City at large. The terms of the office of Mayor and Council members are four years and begin on the first day of January following the regular municipal election. The Mayor, one Councilmember from each ward, and one Councilmember at

large are elected in the presidential election year. One Council member from each ward and two Council members at large shall be elected in the off-presidential election year. Members of the present Council shall continue to serve until their current elected and/or appointed terms expire.

Detroit Lakes is the county seat and largest city in Becker County, which is located in the west central part of the state. The City of Detroit Lakes is a tourist community with a mile long beach located within the city limits.

The City employs 87 full-time, 25 volunteer firefighters, and 6 full-time equivalents for part-time/seasonal staff, and the City provides for a variety of municipal services. These include water, electric power and light, wastewater treatment, off-sale liquor, police and fire protection, street maintenance, animal control, snow removal, public improvements, park area maintenance, summer recreation program, building inspection, planning and zoning, and general administrative services. The City also contracts to provide fire protection for Detroit, Lake View, and Erie Townships.

The City of Detroit Lakes continues to grow as a regional center for retail trade, medical care, education and culture, and recreation. It is the home of the Washington Square Mall, Walmart, Menard's, Essentia Health St. Mary's Regional Health Center, Sanford Health Clinic, M State Detroit Lakes Campus, the Northwest Water Carnival, Polar Fest, Becker County Historical Society, the Detroit Lakes Community and Cultural Center, Detroit Country Club, Detroit Mountain Recreation Area and the Detroit Lakes Public Library.

The Detroit Lakes Development Authority was established by the City Council in 1985 to carry out economic and industrial development and redevelopment within the City of Detroit Lakes in accordance with policies established by the Council. The Authority's policies and activities are consistent with City policies and subject to Council approval. The Development Authority is a public enterprise, which has a unique responsibility to the community and works closely with the private sector on economic and industrial expansion activities. The Development Authority is attempting to create jobs and broaden the community's tax base by encouraging private industry to locate or expand in Detroit Lakes. The Authority believes that public and private sector cooperation is the key to attracting new development to the community and encouraging future growth in the City's business sector.

The City Charter grants the City Council full authority over the financial affairs of the City. The Charter requires that all funds of the City, except proprietary fund types, be budgeted. The City Administrator is charged with the responsibility of preparing the estimates of the annual budget and enforcement of the provisions of the budget as specified in the budget resolution. Upon adoption of the annual budget resolution by the Council, it becomes the formal budget for the City operations. After the budget resolution is adopted, the Council can increase the budget only if actual receipts exceed the estimates or from accumulated surplus in the amount of an unexpended appropriation from the previous fiscal year.

A proposed budget and tax levy shall be submitted for consideration during the month of August and a preliminary budget and tax levy shall be adopted by September 30th and certified to the County Auditor in accordance with state law. The City shall publish a newspaper advertisement of their intent to adopt a proposed budget and levy and hold a public hearing to give interested citizens a reasonable opportunity to be heard. Between November 15th and December 20th, the City shall hold their budget hearing and adopt a final budget and property tax levy. Although adjustments may be made to the proposed budget, the final tax levy cannot exceed the preliminary levy adopted in September.

Each department head shall strictly enforce the provisions of their departmental budget. They shall not authorize any payment or the incurring of any obligation by the City unless an appropriation has been made in the budget resolution and there is a sufficient unexpended balance left after deducting the total past expenditures and encumbrances against the appropriation. No officer or employee of the City shall place any order or make any purchase except for a purpose and to the amount authorized in the budget resolution. Periodically, the City Administrator shall submit reports to the Council on the status of the budget and the expenditures from the balances in each account of the budget. The budget lapses at year end and any appropriate balances are transferred into fund balance.

In developing and evaluating the City's accounting system, consideration is given to the adequacy of internal accounting controls. Internal accounting controls are designed to provide reasonable, but not absolute, assurance regarding the safeguarding of assets against loss from unauthorized use or disposition, and the reliability of financial records for preparing financial statements and maintaining accountability for assets. The concept of reasonable assurance recognizes

that the cost of a control should not exceed the benefits likely to be derived, and the evaluation of cost and benefits requires estimates and judgments by management.

All internal control evaluations occur within the above framework. We believe that the City's internal accounting controls adequately safeguard assets and provide reasonable assurance of proper recording of financial transactions.

Factors Affecting Financial Condition

Local Economy. According to a report from Minnesota Employment and Economic Development, the December 2021 unemployment rate for Becker County was 3.2%, compared to 4.9% for December 2020. The state average unemployment rate as of December 2021 was 2.6%. In 2021, the annual average labor force in Becker County was 18,740, compared to 18,848 annual average in 2020. The 2020 census for the City of Detroit Lakes is 9,869.

The City of Detroit Lakes has experienced stable commercial and industrial activity while the housing sector has seen substantial growth during the past several years. No large commercial or industrial businesses were forced to close in 2020 or 2021, even as the global COVID-19 pandemic presented challenges.

Long-term Financial Planning. The City had no electric rate increase in 2021 and contemplated no rate increase for 2022. The City is preparing for an electric utility rate study to be completed in 2022.

The City implemented water utility rate increases in 2021 and 2022 in order to cover the utility's increase in operating and future capital needs. The City is preparing for a water utility rate study to be completed in 2022.

The Minnesota Pollution Control Agency (MPCA) changed the requirements for surface water discharge from the City's wastewater treatment facility. The new requirements are much more stringent than those previously in place. In order to meet the new requirements, the City contracted an engineering study to determine what changes needed to be made to the existing processing facility. The initial phase of the study determined the City needed to make major upgrades to its existing wastewater treatment facility. Design for the new facility was completed and construction began in May 2018. In order to prepare for the upcoming capital requirements, the City implemented wastewater rate increases over the past number of years. The project was completed in 2021. Final project costs totaled approximately \$32,000,000.

Major Initiatives.

During 2020 and 2021, the COVID-19 pandemic presented challenges globally and locally. The City received \$747,320 in CARES Act funding for various purposes. The City Council directed staff to use a large portion of these funds to assist local businesses who were negatively impacted by mandatory shut downs and capacity limits. In 2021, the City received the first half of American Rescue Plan Act funding in the amount of \$507,506.71. The City will receive a second equal installment in the summer of 2022.

The City is exploring remodeling the City's administrative office space. An architect has been hired to guide the process and develop a plan that is functional for the remodel of the existing office space and former liquor store space. This project is proposed to be funded through reserves from the Electric Utility and Liquor Store funds. The project is in early stages, but we are hoping for construction to begin in 2022.

South Shore Park is a new park in the southern portion of the City which boasts an inclusive playground, multi-use sport court, park building with kitchenette and restrooms, and plenty of open green space. This beautiful new park is a regional amenity and the first of its kind on the south side of the lakes. This project was accomplished through a variety of funding including fundraising by a subset of the park commission who raised a substantial amount of money to fund the upgraded amenities in this park.

The Electric Utility began construction of a new substation in 2020. Most of the work on the South Substation was completed in 2021, however, some finalizing will be done in 2022. This project is a large addition to the City's transmission and distribution system and supports the overall electric infrastructure.

The Willow/Holmes/Frazer project is a major street project that includes the replacement of street and utilities in a residential area of the city and two blocks of commercial area in the City's downtown. The project includes rehab of a large portion of the main sewer line that carries the majority of the city's wastewater to the wastewater treatment plant. This is a large project which began in 2021 and will be completed in 2022. Funding for this project includes federal highway grant funds, Public Facilities Authority water and wastewater loan funds, and special assessments.

The Detroit Lakes Airport began some significant projects in 2021 including upgrading some existing hangars and the construction of a new hangar. The new hangar will be the home of Life Link III and will house a medical helicopter that will respond as needed to medical emergencies. The hangar will have living quarters for those on duty. This project began in 2021 and is projected to be completed in 2022.

Awards and Acknowledgements

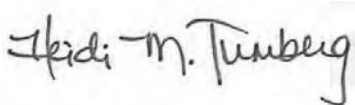
The Government Finance Officers Administration of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City for its Comprehensive Annual Financial Report for the fiscal year ended December 31, 2020.

In order to be awarded a Certificate of Achievement, a governmental unit must publish an easily readable and efficiently organized Annual Comprehensive Financial Report (ACFR), the contents of which conform to program standards. Such reports must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Excellence is valid for a period of one year only. We believe our current ACFR continues to meet the Certificate of Excellence Program's requirements, and we are submitting it to GFOA to determine its eligibility for another certificate.

We want to express our appreciation to the Mayor and City Council members for their interest and support in planning and conducting the financial operations of the City in a reasonable manner. Credit is also due to the auditing firm of Brady, Martz & Associates, P.C. for their valuable contributions and advice.

Respectfully submitted,



Heidi M. Tumberg



Kelcey Klemm



Government Finance Officers Association

Certificate of
Achievement
for Excellence
in Financial
Reporting

Presented to

**City of Detroit Lakes
Minnesota**

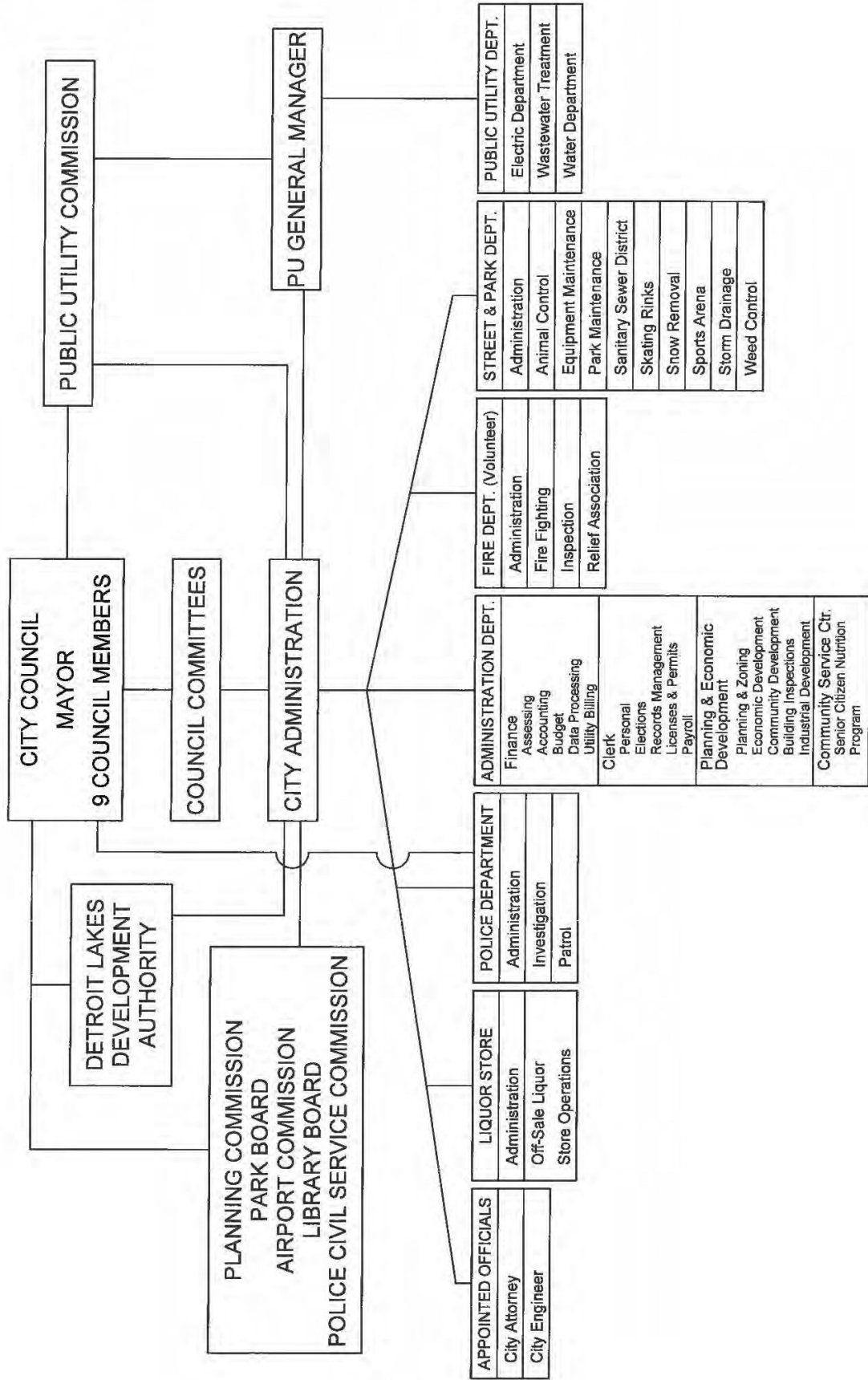
For its Annual Comprehensive
Financial Report
For the Fiscal Year Ended

December 31, 2020

Christopher P. Morill

Executive Director/CEO

CITY OF DETROIT LAKES ORGANIZATIONAL CHART



**CITY OF DETROIT LAKES, MINNESOTA
 LIST OF ELECTED AND APPOINTED OFFICIALS
 YEAR ENDED DECEMBER 31, 2021**

ELECTED OFFICIALS

<u>Name</u>	<u>Position</u>	<u>Expires</u>
Matt Brenk	Mayor	12/31/24
Natalie Bly	Councilmember at Large	12/31/22
Aaron Dallmann	Councilmember at Large	12/31/24
Madalyn Sukke	Councilmember at Large	12/31/22
Ron Zeman	Councilmember 1st Ward	12/31/24
Daniel Wenner	Councilmember 1st Ward	12/31/22
Jamie Marks Erickson	Councilmember 2nd Ward	12/31/22
Wendy Spry	Councilmember 2nd Ward	12/31/24
Matt Boeke	Councilmember 3rd Ward	12/31/22
Dan Josephson	Councilmember 3rd Ward	12/31/24

APPOINTED OFFICIALS

City Administrator	Kelcey Klemm
Public Utilities General Manager	Vernell Roberts
City Attorney	Charles Ramstad
Finance Officer	Heidi Tumberg
Community Development Director	Larry Remmen
Public Works Director	Shawn King
Police Chief	Steven Todd
Liquor Store Manager	Randy Buhr
City Engineer	Jon Pratt
Fire Chief	Ryan Swanson

This page intentionally left blank

FINANCIAL SECTION

This page intentionally left blank

INDEPENDENT AUDITOR'S REPORT

To the Honorable Mayor
and Members of the City Council
City of Detroit Lakes
Detroit Lakes, 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 Detroit Lakes, Minnesota, as of and for the year ended December 31, 2021, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

In our opinion, the 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 Detroit Lakes, Minnesota as of December 31, 2021, and the respective changes in financial position and, where applicable, cash flows thereof, and the respective budgetary comparison for the General Fund, the Development Authority Fund, the Airport Fund, and the Permanent Improvement Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the City of Detroit Lakes, Minnesota 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 these financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS 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, misrepresentation, 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 the City's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and schedules, as listed in the table of contents as required supplementary information, be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquires of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquires, 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 Detroit Lakes' basic financial statements. The accompanying combining and individual nonmajor fund financial statements and schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, 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 related directly to the underlying accounting and other records

used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statement and the schedule of expenditures of federal awards are fairly stated, in all material respects in relation to the basic financial statements as a whole.

Other Information

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

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated June 8, 2022, on our consideration of the City of Detroit Lakes, Minnesota'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 to solely 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 Detroit Lakes' internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Detroit Lakes' internal control over financial reporting and compliance.



**BRADY, MARTZ & ASSOCIATES, P.C.
THIEF RIVER FALLS, MINNESOTA**

June 8, 2022

**CITY OF DETROIT LAKES, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2021**

As management of the City of Detroit Lakes, Minnesota (City), we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended December 31, 2021. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in the basic financial statements, which follow this discussion and analysis.

Financial Highlights

- The assets and deferred outflows of resources of the City exceeded the liabilities and deferred inflows of resources at the close of the fiscal year by \$215,186,795. Of this amount, \$45,224,767 may be used to meet the government's ongoing obligations to citizens and creditors.
- As of the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$21,531,716, a decrease of \$3,038,493 over the prior year. Approximately 43% of this amount, or \$9,277,447, is restricted.
- At the end of the current fiscal year, the unassigned fund balance for the General Fund was \$4,169,199 or 62% of total general fund expenditures for the fiscal year.
- The City of Detroit Lakes' total debt decreased by approximately \$4 million during the current fiscal year.
- The City issued approximately \$5 million of new debt in 2021.

Overview of the Financial Statements

This discussion and analysis are 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 the financial statements. In addition to the basic financial statements, this report contains other supplementary information that will enhance the reader's understanding of the fiscal condition of the City.

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 financial statement of a private-sector business. These statements are prepared under the full-accrual basis of accounting where all the current year's revenues and expenses are included regardless of when cash is received or paid. The *government-wide financial statements* provide short and long term information about the City's financial status as a whole. These statements report the City's net position and how it has changed. The statement of net position and the statement of activities help to determine if the City is in a better financial position as a result of the current year's activities.

The *statement of net position* reflects the City's net position at the end of the fiscal year. The net position of the City is the difference between total assets and total liabilities and deferred inflows/outflows of resources. Measuring net position is one way to evaluate the City's financial condition.

The *statement of activities* presents information showing how the City's net position changed during the 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).

In the government-wide financial statements, the City's activities are presented in the following two categories:

- **Governmental activities** - Most of the City's basic services are included here, such general government, public safety, streets and highways, sanitation and health, airport, economic development and culture and recreation. Property and sales taxes, intergovernmental, licenses and permits, and fines and forfeitures revenue finance most of these activities.
- **Business-type activities** - The services provided by the City included here are electric, water, wastewater, communications and liquor. These services are financed through user fees and charges.

The government-wide financial statements are on pages 12-13 of this report.

Fund Financial Statements. The *fund financial statements* provide a more detailed look at the City's most significant activities. 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

**CITY OF DETROIT LAKES, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2021**

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.

Since 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 of Detroit Lakes maintains fourteen individual governmental funds. Information is presented separately in the governmental funds balance sheet and in the governmental funds statement of revenues, expenditures, and changes in fund balances for the General fund, Development Authority fund, Debt Service fund, Capital Projects fund, Permanent Improvement fund, and Airport fund, all of which are considered to be major funds. Data from the other nine governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of combining statements elsewhere in this report.

The City adopts an annual appropriated budget for its General fund, Special Revenue funds, and Debt Service fund. A budgetary comparison statement has been provided for these funds to demonstrate compliance with this budget.

The basic governmental fund financial statements can be found on pages 14-21 of this report.

Proprietary Funds. The City has one type of proprietary fund. *Enterprise funds* are used to report the same functions presented as *business-type activities* in the government-wide financial statements. The City uses separate enterprise funds to account for its electric, water, wastewater, and liquor operations.

Enterprise funds provide the same type of information as government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the electric, water, wastewater, and liquor operations; all four funds are considered to be major funds of the City of Detroit Lakes.

The basic enterprise fund financial statements can be found on pages 22-25 of this report.

Fiduciary Funds. The City has one type of fiduciary fund. *Fiduciary funds* are used to report the assets that belong to others. The City has a pension trust fund to account for assets that are held at the City to be used for retirement benefits.

The basic fiduciary fund financial statements can be found on pages 26-27 of this report.

Notes to the Financial Statements. The notes provide additional information that is essential to the full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 28-61 of this report.

Other Information. In addition to the basic financial statements and accompanying notes, this report also includes combining statements referred to earlier in connection with non-major governmental funds. Combining and individual fund statements and schedules can be found on pages 71-82 of this report.

City as a Whole

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.

**CITY OF DETROIT LAKES, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2021**

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

A condensed version of the Statement of Net Position at December 31, 2021 follows:

Statement of Net Position

	Governmental Activities		Business-type Activities		Total	
	2021	2020	2021	2020	2021	2020
Current and Other Assets	\$ 34,778,209	\$ 36,475,561	\$ 41,374,034	\$ 39,452,118	\$ 76,152,243	\$ 75,927,679
Capital Assets (net)	109,246,704	102,526,969	88,515,249	84,332,310	197,761,953	186,859,279
Total Assets	<u>144,024,913</u>	<u>139,002,530</u>	<u>129,889,283</u>	<u>123,784,428</u>	<u>273,914,196</u>	<u>262,786,958</u>
Deferred Outflows of Resources	<u>2,524,998</u>	<u>1,008,838</u>	<u>1,495,570</u>	<u>277,901</u>	<u>4,020,568</u>	<u>1,286,739</u>
Long-term Liabilities	29,853,277	35,507,200	22,844,035	22,983,927	52,697,312	58,491,127
Other Liabilities	1,690,157	2,576,757	2,431,814	2,712,290	4,121,971	5,289,047
Total Liabilities	<u>31,543,434</u>	<u>38,083,957</u>	<u>25,275,849</u>	<u>25,696,217</u>	<u>56,819,283</u>	<u>63,780,174</u>
Deferred Inflows of Resources	<u>4,133,777</u>	<u>2,626,728</u>	<u>1,794,909</u>	<u>132,721</u>	<u>5,928,686</u>	<u>2,759,449</u>
Net Position						
Net Investment in Capital Assets	82,404,231	71,296,507	68,775,745	65,067,385	151,179,976	136,363,892
Restricted	18,426,777	19,021,998	355,275	173,400	18,782,052	19,195,398
Unrestricted	10,041,692	8,982,178	35,183,075	32,992,606	45,224,767	41,974,784
Total Net Position	<u>\$ 110,872,700</u>	<u>\$ 99,300,683</u>	<u>\$ 104,314,095</u>	<u>\$ 98,233,391</u>	<u>\$ 215,186,795</u>	<u>\$ 197,534,074</u>

For the year ending December 31, 2021, the City is able to report positive total net position balances, both for the government as a whole, as well for its separate business-type activities.

By far the largest portion of the City's net position (70.3%) reflects investments in capital assets (e.g. land, buildings, machinery, equipment and infrastructure) less the outstanding debt used to acquire those assets. The City uses assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in capital assets is reported net of related debt, it should be noted that resources needed to repay this debt must be provided from other sources since capital assets themselves cannot be used to liquidate these liabilities.

A small portion of the City's net position (8.7%) represents resources that are subject to external restrictions on how they can be used. The remaining unrestricted net position of \$45,224,767 may be used to meet the ongoing obligations to citizens and creditors. Of the unrestricted net position, \$35,183,075 is attributable to business-type activities.

Unrestricted governmental activities net position increased \$1,059,514 (11.8%), while business-type activities unrestricted net position increased \$2,190,469 (6.6%). Government-wide total unrestricted net position increased \$3,249,983 (7.7%).

Changes in Net Position

The City's total revenues for the fiscal year ended December 31, 2021, were \$56,874,123. The total cost of all programs and services was \$42,105,102. The following table presents a summary of the changes in net position for the fiscal years ended December 31, 2021 and 2020.

**CITY OF DETROIT LAKES, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2021**

	Change in Net Position					
	Governmental Activities		Business-type Activities		Total	
	2021	2020	2021	2020	2021	2020
Revenues						
Program Revenues						
Charges for Services	\$ 2,652,556	\$ 2,316,466	\$ 34,950,183	\$ 34,521,761	\$ 37,602,739	\$ 36,838,227
Operating Grants & Contributions	1,688,627	2,307,479			1,688,627	2,307,479
Capital Grants & Contributions	5,219,290	16,005,713	1,256,225	1,673,804	6,475,515	17,679,517
Total Program Revenues	<u>9,560,473</u>	<u>20,629,658</u>	<u>36,206,408</u>	<u>36,195,565</u>	<u>45,766,881</u>	<u>56,825,223</u>
General Revenues						
Taxes	9,583,477	9,098,085			9,583,477	9,098,085
Interest	487,794	608,818	88,194	660,620	575,988	1,269,438
Grants and Contributions	537,802	632,552			537,802	632,552
Gain on Sale of Capital Assets	298,218	46,157	40,850	32,009	339,068	78,166
Other General Revenue	70,907	142,995			70,907	142,995
Total General Revenues	<u>10,978,198</u>	<u>10,528,607</u>	<u>129,044</u>	<u>692,629</u>	<u>11,107,242</u>	<u>11,221,236</u>
Total Revenues	<u>20,538,671</u>	<u>31,158,265</u>	<u>36,335,452</u>	<u>36,888,194</u>	<u>56,874,123</u>	<u>68,046,459</u>
Expenses						
General Government	1,996,337	2,555,951			1,996,337	2,555,951
Public Safety	3,094,443	2,816,947			3,094,443	2,816,947
Public Works	4,544,514	4,857,004			4,544,514	4,857,004
Culture & Recreation	1,992,856	997,510			1,992,856	997,510
Airport	345,431	298,761			345,431	298,761
Economic Development	400,289	285,692			400,289	285,692
Interest on Long-term Debt	688,603	899,855			688,603	899,855
Electric Utility			16,844,334	16,632,033	16,844,334	16,632,033
Water Utility			1,611,310	2,506,506	1,611,310	2,506,506
Wastewater Utility			2,982,333	2,096,878	2,982,333	2,096,878
Liquor Store			7,604,652	7,682,831	7,604,652	7,682,831
Total Expenses	<u>13,062,473</u>	<u>12,711,720</u>	<u>29,042,629</u>	<u>28,918,248</u>	<u>42,105,102</u>	<u>41,629,968</u>
Change in Net Position Before Transfers	7,476,198	18,446,545	7,292,823	7,969,946	14,769,021	26,416,491
Transfers	<u>1,212,119</u>	<u>858,578</u>	<u>(1,212,119)</u>	<u>(858,578)</u>		
Change in Net Position	8,688,317	19,305,123	6,080,704	7,111,368	14,769,021	26,416,491
Net Position - January 1	99,300,683	79,995,560	98,233,391	91,122,023	197,534,074	171,117,583
Prior Period Adjustment See Note 2	2,883,700				2,883,700	
Net Position - January 1, Restated	<u>102,184,383</u>	<u>79,995,560</u>	<u>98,233,391</u>	<u>91,122,023</u>	<u>200,417,774</u>	<u>171,117,583</u>
Net Position - December 31	<u>\$ 110,872,700</u>	<u>\$ 99,300,683</u>	<u>\$ 104,314,095</u>	<u>\$ 98,233,391</u>	<u>\$ 215,186,795</u>	<u>\$ 197,534,074</u>

**CITY OF DETROIT LAKES, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2021**

Governmental activities.

Property taxes and franchise taxes accounted for 32.7% and 0.4% of total revenues, respectively. Other local sales type taxes accounted for 13.6% of total revenues. Operating grants and contributions contributed to 8.2% of total revenues. Capital grants and contributions accounted for 25.4% of total revenues. Charges for services brought in 12.9%. Unrestricted grants and contributions in the form of local government aid and other State aids contributed 2.6% to total revenues.

Governmental revenues decreased \$10,619,594 (34.1%) in the current year with the most significant portion of the decrease attributable to capital grants related to airport construction in the prior year.

Public works expenses (34.8%) are the most significant, followed by public safety (23.7%), general government (15.3%), culture and recreation (15.3%), interest on long term debt (5.3%), economic development expenses (3.1%), and airport (2.6%). Included in these amounts is depreciation expense of \$2,973,330, which is 22.8% of the total expenses for governmental activities.

Governmental activities expenses increased \$350,753 (2.8%) in the current year. The most significant changes in program expenses were within culture and recreation due primarily to an increase in maintenance and capital costs.

Governmental activities increased the City's net position by \$11,572,017 (11.7%) from the prior fiscal year. Of this increase, \$2,883,700 is due to a prior period adjustment. In 2021, the City discovered deferred assessments that were not accounted for consistently so a prior period adjustment was made to recognize the necessary amounts, which increased the governmental net position. The remainder of the increase is primarily due to the increase in the net investment in capital assets.

Business-type activities.

Business-type charges for services increased \$428,422 (1.2%). There were capital grants & contributions of \$1,256,225 resulting from grants for construction of the City's new wastewater treatment plant and governmental and developer contributed capital.

Business-type expenses increased \$124,381 (0.4%). Included in these amounts is depreciation expense of \$2,852,245 which is 9.8% of the total expenses for business-type activities. The other significant contributor to the increase of expenses was attributable to the cost of goods sold for the municipal liquor store which is directly correlated to its increase in sales.

Business-type activities increased the City's net position by \$6,080,704 (6.2%) from the prior fiscal year.

Financial Analysis of the Government's Funds.

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

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

At the end of 2021, the City's governmental funds reported combined ending fund balances of \$21,531,716, a decrease of \$3,308,493 in comparison with the prior year. About 56% of the total ending fund balances constituted unrestricted fund balances of \$12,084,094, which are considered available for appropriation. The remainder of the fund balance is restricted to indicate that it is not available for new spending because it has already been restricted by legislative or outside sources or is considered nonspendable.

At the end of the current year, the General Fund reported a fund balance of \$6,511,891, increasing \$543,859 from the previous year. General Fund revenues were \$106,328 (1.6%) higher than the prior fiscal year and expenditures decreased by \$134,573 (2.0%). General taxes including property taxes and franchise taxes increased \$377,874 (10.5%) due to an

**CITY OF DETROIT LAKES, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2021**

increase in the City's levy. Revenue from charges for services increased \$81,222 (16.7%) due to an increase in building permits and plan review fees.

The Development Authority had a total fund balance of \$2,700,660 as of December 31, 2021. The net increase in fund balance during the current year was \$384,642 (16.6%). The increase was primarily the result of sales of commercial lots in the City's industrial park.

The Debt Service fund had a total fund balance of \$5,128,153, all of which is restricted for the payment of debt service. The net decrease in fund balance during the current year was \$3,469,659. The decrease was primarily due to previously issued refunding bond proceeds being spent during the year.

The Capital Projects fund had a total fund balance of (\$1,282,310). The fund balance decreased by \$1,775,018 in 2021. The decrease was the result of various projects within the city and a delay in funding reimbursements for those projects.

The Permanent Improvement fund had a fund balance of \$2,128,057 as of December 31, 2021, an increase of \$237,024 from the prior year. The increase was primarily due to receipt of special assessment revenues and interest on investments.

The Airport fund had a total fund balance of \$697,432 as of December 31, 2021. The fund balance increased by \$119,282. The increase in fund balance is due to an increase in hangar rents and decrease in hangar loan payments.

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

Net position for the proprietary funds at the end of the year were as follows: Electric Department net position of \$40,642,061; Water Department net position of \$14,505,675; Wastewater Department net position of \$43,756,978; and Liquor Store net position of \$5,409,381.

The electric utility's net position increased \$2,295,970 (6.0%). Operating revenues increased \$849,549 (4.5%) to \$19,617,064. Wholesale purchased power costs increased \$385,059 (4.3%). Transfers out were \$623,150. Other factors concerning the finances of the proprietary funds have already been addressed in the discussion of the City's business-type activities.

The water utility's net position increased \$1,521,456 (11.7%) during 2021. Operating revenues increased \$358,824 (19.5%) while operating expenses decreased \$893,046 (36.7%) from the prior year. Other significant factors relating to changes in income from operations have been previously discussed in the government-wide financial analysis of business-type activities.

The wastewater utility's net position increased \$1,771,903 (4.2%) in the current year. Operating revenue increased \$179,334 (4.2%) and operating expenses increased \$874,046 (45.8%) from the prior year. Other significant factors relating to changes in income from operations have been previously discussed in the government-wide financial analysis of business-type activities.

The City owns and operates a municipal liquor store. Gross sales decreased \$218,014 (2.5%) and operating expenses increased by \$804 (0.1%). Gross profit margin for years ending December 31, 2020 and 2021 was 26.65% and 26.38%, respectively.

Budgetary Highlights.

General Fund revenues exceeded budgeted revenues by \$709,427 in 2021. Property tax revenues exceeded its budget by \$42,991 primarily due to delinquent taxes received. Intergovernmental revenue exceeded budgeted revenues by \$527,143 due to the City receiving American Rescue Plan Act funds.

General Government, Police Protection, and Miscellaneous expenditures were over budgeted amounts by \$87,299, \$12,791, and \$164,481, respectively. Other Public Safety, Public Works, and Culture and Recreation were under budget by \$16,150, \$88,927, and \$93,047, respectively. Departments over budget were primarily due to costs associated with various retirements during the year. The City did not budget for the payout of accumulated vacation and sick pay because

**CITY OF DETROIT LAKES, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2021**

there is set aside fund balance assigned for these types of payouts. Because the City had a number of retirements of long-time employees during 2021, the City hired new employees and had overlap in several positions to provide for a seamless transition and as little disruption to City processes as possible.

The General Fund year end balances since 2010 are as follows:

2010	\$2,549,826	2014	\$3,464,087	2018	\$5,282,505
2011	\$2,613,954	2015	\$4,076,422	2019	\$5,426,794
2012	\$2,847,172	2016	\$4,602,772	2020	\$5,968,032
2013	\$3,050,429	2017	\$4,894,904	2021	\$6,511,891

Capital Assets and Debt Administration

Capital Assets

At December 31, 2021, the City had \$275,352,668 invested in capital assets, including police and fire equipment, park and recreation facilities, buildings, electric system, and water and wastewater lines. More detailed information concerning capital assets is presented in Note 7 of the financial statements.

**Capital Assets
(Net of Depreciation)**

	Governmental Activities		Business-type Activities		Total	
	2021	2020	2021	2020	2021	2020
Land & Land Improvements	\$ 9,310,729	\$ 9,256,977	\$ 1,216,557	\$ 1,216,557	\$ 10,527,286	\$ 10,473,534
Construction in Process	34,158,617	30,143,680	5,811,398	32,366,346	39,970,015	62,510,026
Buildings	28,731,814	28,429,172	43,773,926	11,998,395	72,505,740	40,427,567
Improvements	66,838,866	62,274,554	71,238,161	69,692,852	138,077,027	131,967,406
Equipment	9,143,029	8,606,254	5,129,571	4,977,221	14,272,600	13,583,475
Subtotal	<u>148,183,055</u>	<u>138,710,637</u>	<u>127,169,613</u>	<u>120,251,371</u>	<u>275,352,668</u>	<u>258,962,008</u>
Less: Accumulated Depreciation	<u>(38,936,351)</u>	<u>(36,183,668)</u>	<u>(38,654,364)</u>	<u>(35,919,061)</u>	<u>(77,590,715)</u>	<u>(72,102,729)</u>
Capital Assets, Net	<u>\$ 109,246,704</u>	<u>\$ 102,526,969</u>	<u>\$ 88,515,249</u>	<u>\$ 84,332,310</u>	<u>\$ 197,761,953</u>	<u>\$ 186,859,279</u>

There were several major additions to capital assets in 2021. Improvement additions included the Fire Hall roof, Arena upgrades, fire truck, Long Pines Estates Phase II project, South Washington Avenue project, and the new Wastewater Treatment Facility.

Much of the added assets for 2021 are still in progress so are reported as construction in progress. Many of these projects are anticipated to be completed during 2022, including the new Police Department Facility, Willow/Holmes/Frazer Street project, and Lake Forest 8th addition, Bergquist/Ridgeview Subdivision, and South Shore Park Playground project.

**CITY OF DETROIT LAKES, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2021**

Debt Outstanding

At year-end, the City had \$45,492,837 in bonds and notes outstanding versus \$49,614,861 last year, a decrease of \$4,122,024. The City issued Series 2020A General Obligation Sales Tax Bonds in the amount of \$6,245,000 in 2020 of which only \$3,276,457 was drawn in 2020. As of December 31, 2021, the City had drawn the remaining \$2,968,543 from this bond issue.

	Outstanding Debt					
	Governmental Activities		Business-type Activities		Total	
	2021	2020	2021	2020	2021	2020
G.O. Tax Increment Bonds	\$	\$ 140,000	\$	\$	\$	\$ 140,000
G.O. Sales Tax Bonds	3,675,000	3,276,457			3,675,000	3,276,457
G.O. Improvement Bonds	19,357,000	23,921,750	305,500	362,750	19,662,500	24,284,500
Notes	2,833,697	3,131,431	14,072,109	12,920,655	16,905,806	16,052,086
Revenue Bonds			5,249,531	5,861,818	5,249,531	5,861,818
Total Bonds & Notes	\$ 25,865,697	\$ 30,469,638	\$ 19,627,140	\$ 19,145,223	\$ 45,492,837	\$ 49,614,861

More detailed information on the City's long-term liabilities is presented in Note 8 to these financial statements.

Economic Factors and Next Year's Budgets and Rates

- Continued uncertainty in economic recovery from the COVID-19 pandemic
- Continued increase in labor and health care costs
- As a result of our growing population and manufacturing presence, the City's electric utility has determined the need for a new substation which could have an impact on future electric rates.
- Union contracts were previously settled and are in effect for 2020-2022.
- The City has been planning for an anticipated new Public Works facility for the last six years. As such, the City has set aside funding for this project, but additional funding required could have an impact on future years' levies.
- Due to inequities in the formula used to calculate Local Government Aid (LGA), the City is facing a reduction in LGA of \$94,750 in 2022 and is expecting an additional reduction of approximately \$90,000 in 2023. Legislation passed in 2021 included a tax bill that froze LGA for all cities for 2022, however, no long-term solution has been made.
- During 2020, the City began replacing all of the City's electric and water meters to advanced metering infrastructure (AMI) meters which would enable the City to read meters remotely. This project is slated for completion in 2022.
- Inflationary increases and overall cost increases in all items including fuel, building materials, street maintenance materials, and vehicles and equipment.
- Federal interest rate increases.

To absorb swings in the economy and to plan for future capital expansion, the City routinely sets aside resources. The City's policy is to maintain an unrestricted fund balance in the General Fund no less than 35-50% of the next year's budgeted expenditures. In order to maintain this cushion, the City has attempted to keep expenditures down and has tried to lessen our reliance on state aid for ongoing operational costs.

Financial Contact

The City's financial statements are designed to provide our citizens, taxpayers, customers, investors, and creditors with a general overview of the City's finances and to demonstrate the City's accountability for the resources it receives. If you have any questions about this report or need additional financial information, please contact the City's Finance Officer at 1025 Roosevelt Avenue, Detroit Lakes, Minnesota 56501.

CITY OF DETROIT LAKES, MINNESOTA
STATEMENT OF NET POSITION
DECEMBER 31, 2021

	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash Deposits & Change Funds	\$ 12,429,934	\$ 7,594,753	\$ 20,024,687
Investments	9,109,797	25,364,250	34,474,047
Receivables			
Accounts	150,304	2,148,123	2,298,427
Taxes	443,911		443,911
Special Assessments	10,000,738		10,000,738
Interest	29,422	76,571	105,993
Due from Other Governments	2,724,098	113,395	2,837,493
Internal Balances	(2,435,381)	2,435,381	
Notes Receivable	1,180,041	80,837	1,260,878
Prepaid	26,175	5,503	31,678
Inventory		2,378,119	2,378,119
Restricted Assets			
Cash: Customer Deposits		213,266	213,266
Investments: Revenue Bond Covenant Accounts		355,275	355,275
Net Pension Asset - VFD	1,119,170		1,119,170
Customer Acquisition Costs		608,561	608,561
Capital Assets, Not Being Depreciated:			
Land & Land Improvements	9,310,730	1,216,557	10,527,287
Construction in Progress	34,158,616	5,811,398	39,970,014
Capital Assets, Net of Accumulated Depreciation:			
Buildings	14,933,172	36,095,673	51,028,845
Improvements	47,552,418	43,552,288	91,104,706
Machinery and Equipment	3,291,768	1,839,333	5,131,101
TOTAL ASSETS	144,024,913	129,889,283	273,914,196
DEFERRED OUTFLOWS OF RESOURCES			
Defined Benefit Pension Plan	2,470,273	1,473,435	3,943,708
Other Postemployment Benefits	54,725	22,135	76,860
TOTAL DEFERRED OUTFLOWS OF RESOURCES	2,524,998	1,495,570	4,020,568
LIABILITIES			
Accounts Payable	845,545	1,806,551	2,652,096
Contracts Payable	312,377		312,377
Customer Deposits		213,266	213,266
Sales Tax Payable		153,053	153,053
Accrued Wages Payable	94,718	143,034	237,752
Accrued Interest Payable	225,196	115,910	341,106
Unearned Revenue	212,321		212,321
Noncurrent Liabilities			
Long - Term Liabilities, Due Within One Year	4,133,755	1,945,713	6,079,468
Long - Term Liabilities, Due in More than One Year	23,022,747	18,482,946	41,505,693
Net Pension Liability, Due in More than One Year	1,941,322	1,950,169	3,891,491
Total Other Postemployment Benefits Liability, Due in More than One Year	755,453	465,207	1,220,660
TOTAL LIABILITIES	31,543,434	25,275,849	56,819,283
DEFERRED INFLOWS OF RESOURCES			
Defined Benefit Pension Plan	3,533,900	1,794,909	5,328,809
Advance on MSA	599,877		599,877
TOTAL DEFERRED INFLOWS OF RESOURCES	4,133,777	1,794,909	5,928,686
NET POSITION			
Net Investment in Capital Assets	82,404,231	68,775,745	151,179,976
Restricted for:			
Revolving Loan Fund	2,426,565		2,426,565
Debt Service	14,428,568		14,428,568
Food and Beverage	1,093,307		1,093,307
Lodging Promotion	193,569		193,569
Park Improvements	171,344		171,344
Art in Public Spaces	113,424		113,424
Bond Covenants		355,275	355,275
Unrestricted	10,041,692	35,183,075	45,224,767
TOTAL NET POSITION	\$ 110,872,700	\$ 104,314,095	\$ 215,186,795

See notes to the basic financial statements.

**CITY OF DETROIT LAKES, MINNESOTA
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2021**

Functions/Programs	Program Revenues			Net (Expense) Revenue and Changes in Net Position			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
Governmental Activities:							
General Government	\$ 1,996,337	\$ 426,544	\$ 562,869	\$	\$ (1,006,924)	\$	\$ (1,006,924)
Public Safety	3,094,443	751,318	323,050		(2,020,075)		(2,020,075)
Public Works	4,544,514	851,532	377,568	2,957,048	(358,366)		(358,366)
Culture and Recreation	1,992,856	381,927	286,336		(1,324,593)		(1,324,593)
Airport	345,431	155,921	138,804	2,262,242	2,211,536		2,211,536
Economic Development	400,289	85,314			(314,975)		(314,975)
Interest on Long-term Debt	688,603				(688,603)		(688,603)
Total Governmental Activities	13,062,473	2,652,556	1,688,627	5,219,290	(3,502,000)		(3,502,000)
Business-type Activities:							
Electric Utility	16,844,334	19,656,102				2,811,768	2,811,768
Water Utility	1,611,310	2,205,126		411,912		1,005,728	1,005,728
Wastewater Treatment	2,982,333	4,403,959		844,313		2,265,939	2,265,939
Liquor	7,604,652	8,684,996				1,080,344	1,080,344
Total Business - Type Activities	29,042,629	34,950,183		1,256,225		7,163,779	7,163,779
Total	\$ 42,105,102	\$ 37,602,739	\$ 1,688,627	\$ 6,475,515	(3,502,000)		3,661,779
General Revenues:							
Taxes							
Property Taxes					6,718,137		6,718,137
Lodging Taxes					287,581		287,581
Cablevision Tax					105,598		105,598
Food and Beverage Tax					476,858		476,858
Franchise Tax					78,983		78,983
Sales Tax					1,916,320		1,916,320
Unrestricted State Aid and Payments					537,802		537,802
Unrestricted Investment Earnings					487,794	88,194	575,988
Gain on Sale of Capital Assets					298,218	40,850	339,068
Other General Revenue					70,907		70,907
Transfers					1,212,119	(1,212,119)	
Total General Revenues and Transfers					12,190,317	(1,083,075)	11,107,242
Change in Net Position					8,688,317	6,080,704	14,769,021
Net Position - January 1					99,300,683	98,233,391	197,534,074
Prior Period Adjustment - See Note 2					2,883,700		2,883,700
Net Position - January 1, Restated					102,184,383	98,233,391	200,417,774
Net Position - December 31					\$ 110,872,700	\$ 104,314,095	\$ 215,186,795

See notes to the basic financial statements.

**CITY OF DETROIT LAKES, MINNESOTA
BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2021**

	<u>General Fund</u>	<u>Develop- ment Authority Fund</u>	<u>Debt Service Fund</u>	<u>Capital Projects Fund</u>	<u>Permanent Improve- ment Fund</u>	<u>Airport</u>	<u>Nonmajor Govern- mental Funds</u>	<u>Total Govern- mental Funds</u>
ASSETS								
Cash Deposits & Change Funds	\$ 476,269	\$ 2,228,411	\$ 4,626,921	\$	\$ 719,728	\$	\$ 4,378,605	\$ 12,429,934
Investments	5,823,816	469,287	406,849	3,000	1,115,577		1,291,268	9,109,797
Prepaid	25,750						425	26,175
Receivables								
Accounts	54,030					140	96,134	150,304
Taxes	37,797	727	313,131			1,326	90,930	443,911
Special Assessments	1,819		9,374,101		619,850		4,968	10,000,738
Interest	27,184	130	1,192		530		386	29,422
Due from Other Governments	94,072	1,070	43,404	839,389	149,579	1,580,170	16,414	2,724,098
Notes Receivable	144,000	1,036,041						1,180,041
Due from Other Funds					146,643			146,643
TOTAL ASSETS	\$ 6,684,737	\$ 3,735,666	\$ 14,765,598	\$ 842,389	\$ 2,751,907	\$ 1,581,636	\$ 5,879,130	\$ 36,241,063
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES								
LIABILITIES								
Accounts Payable	\$ 60,428	\$ 56	\$ 1,750	\$ 556,724	\$ 4,000	\$ 39,789	\$ 182,798	\$ 845,545
Contracts Payable				225,373		83,519	3,485	312,377
Accrued Wages Payable	72,802						21,916	94,718
Due to Other Funds			146,643	742,725		721,472	7,172	1,618,012
Unearned Revenue		174,223				38,098		212,321
Advance From Other Funds		860,000	104,012					964,012
Total Liabilities	133,230	1,034,279	252,405	1,524,822	4,000	882,878	215,371	4,046,985
DEFERRED INFLOWS OF RESOURCES								
Advance on MSA				599,877				599,877
Property Taxes	37,797	727	10,939			1,326	10,958	61,747
Special Assessments	1,819		9,374,101		619,850		4,968	10,000,738
Total Deferred Inflows of Resources	39,616	727	9,385,040	599,877	619,850	1,326	15,926	10,662,362
FUND BALANCES								
Nonspendable	169,750						425	170,175
Restricted		2,426,565	5,128,153				1,722,729	9,277,447
Committed		274,095			2,128,057	697,432	3,924,679	7,024,263
Assigned	2,172,942							2,172,942
Unassigned	4,169,199			(1,282,310)				2,886,889
Total Fund Balances	6,511,891	2,700,660	5,128,153	(1,282,310)	2,128,057	697,432	5,647,833	21,531,716
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	\$ 6,684,737	\$ 3,735,666	\$ 14,765,598	\$ 842,389	\$ 2,751,907	\$ 1,581,636	\$ 5,879,130	\$ 36,241,063

See notes to the basic financial statements.

**CITY OF DETROIT LAKES, MINNESOTA
RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS TO THE STATEMENT
OF NET POSITION
DECEMBER 31, 2021**

Total fund balances - governmental funds	\$ 21,531,716
Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds.	
Cost of capital assets	148,183,055
Less: accumulated depreciation	(38,936,351)
Deferred outflows of resources relating to the cost sharing defined benefit plans and other postemployment benefits in the governmental activities are not financial resources and, therefore, are not reported in the governmental funds.	2,524,998
Long - Term liabilities, including bonds payable, are not due and payable in the current period and therefore, are not reported as liabilities in the funds.	
Bonds, net of unamortized premium	(23,696,399)
Net Pension Liability	(1,941,322)
Total Other postemployment benefits	(755,453)
Other Long - Term Obligations	(3,460,103)
Deferred inflows of resources relating to the cost sharing defined benefit plans in the governmental activities are not financial resources and, therefore, are not reported in the governmental funds.	(3,533,900)
Interest payable is not due and payable in the current period and, therefore, is not reported as a liability in the debt service fund.	(225,196)
Other long-term assets are not available to pay for current-period expenditures and, therefore, are unavailable in the governmental funds.	<u>11,181,655</u>
Net position - governmental activities	<u>\$ 110,872,700</u>

See notes to the basic financial statements.

CITY OF DETROIT LAKES, MINNESOTA
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED DECEMBER 31, 2021

	General Fund	Development Authority Fund	Debt Service Fund	Capital Projects Fund	Permanent Improvement Fund	Airport	Nonmajor Governmental Funds	Total Governmental Funds
REVENUES								
Property Taxes	\$ 3,802,520	\$ 69,934	\$ 1,640,767		\$ 261	\$ 132,854	\$ 1,078,686	\$ 6,725,022
Lodging Taxes							287,581	287,581
Franchise Taxes	184,581							184,581
Food and Beverage Tax							476,858	476,858
Local Sales Tax			1,916,320					1,916,320
Special Assessments	437		1,086,764		138,105		12,861	1,238,167
Licenses and Permits	167,434							167,434
Intergovernmental Revenue	1,555,427			1,487,520		2,401,047	138,693	5,582,687
Charges for Services	566,446	43,314	144,882				923,306	1,677,948
Fines and Forfeits	76,701							76,701
Interest on Investments	77,311	12,740	20,958	3,036	12,209	43	19,657	145,954
Miscellaneous Revenue	165,453	302,822	331,218	545,780	190,925	159,442	442,177	2,137,817
Total Revenues	6,596,310	428,810	5,140,909	2,036,336	341,500	2,693,386	3,379,819	20,617,070
EXPENDITURES								
Current								
General Government	1,112,307						198,377	1,310,684
Public Safety	2,596,714				19,594		431,018	3,047,326
Public Works	1,990,986				103,004		315,788	2,409,778
Culture and Recreation	831,925						673,956	1,505,881
Airport						155,505		155,505
Economic Development		34,168						34,168
Miscellaneous	207,981		430,082					638,063
Capital Outlay				6,804,047		2,374,909	1,231,773	10,410,729
Debt Service								
Principal			7,528,795			43,690		7,572,485
Interest and Other Charges		10,000	788,577					798,577
Total Expenditures	6,739,913	44,168	8,747,454	6,804,047	122,598	2,574,104	2,850,912	27,883,196
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(143,603)	384,642	(3,606,545)	(4,767,711)	218,902	119,282	528,907	(7,266,126)
OTHER FINANCING SOURCES (USES)								
Issuance of Bonds Payable				2,968,543				2,968,543
Transfers In	1,268,119		155,008	24,150	18,122		875,334	2,340,733
Transfers Out	(580,657)		(18,122)				(529,835)	(1,128,614)
Sale of Capital Assets							46,971	46,971
Total Other Financing Sources (Uses)	687,462		136,886	2,992,693	18,122		392,470	4,227,633
NET CHANGE IN FUND BALANCES	543,859	384,642	(3,469,659)	(1,775,018)	237,024	119,282	921,377	(3,038,493)
FUND BALANCE, JANUARY 1	5,968,032	2,316,018	8,597,812	492,708	1,891,033	578,150	4,726,456	24,570,209
FUND BALANCE, DECEMBER 31	\$ 6,511,891	\$ 2,700,660	\$ 5,128,153	\$ (1,282,310)	\$ 2,128,057	\$ 697,432	\$ 5,647,833	\$ 21,531,716

See notes to the basic financial statements.

**CITY OF DETROIT LAKES, MINNESOTA
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2021**

Total net change in fund balances - governmental funds	\$ (3,038,493)
Amounts reported for governmental activities in the statement of activities are different because:	
Capital outlays are reported in governmental funds as expenditures. However, in the statement of activities, the cost of those assets is allocated over the estimated useful lives as depreciation expense.	
Capital outlays	9,693,065
Depreciation expense	(2,973,329)
Proceeds from long-term debt provide current financial resources to government funds, but the issuing of debt increases long-term liabilities in the statement of net position.	(2,968,543)
Repayment of bond principal is an expenditure and other financing use in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.	7,572,485
Interest on long-term debt in the statement of activities differs from the amount reported in the governmental funds because interest is recognized as an expenditure in the funds when it is due, and thus requires the use of current financial resources. In the statement of activities, however, interest expense is recognized as the interest accrues, regardless of when it is due. Also, governmental funds report the effect of discounts and premiums when the debt is first issued, whereas these amounts are deferred and amortized in the statement of activities.	149,474
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	(125,373)
Change in deferred outflows and inflows of resources related to net pension liability.	(586,431)
Change in deferred outflows and inflows of resources related to other postemployment benefits.	(7,561)
Change in net pension asset.	19,466
In the statement of activities, certain expenses are measured by the amounts earned during the year. In the governmental funds, however, expenditures for these items are measured by the amount of financial resources used (essentially, the amounts paid.)	
Compensated Absences	(11,126)
Total other postemployment benefit liability	(9,258)
Net pension liability	973,941
Change in net position - governmental activities	<u>\$ 8,688,317</u>

See notes to the basic financial statements.

CITY OF DETROIT LAKES, MINNESOTA
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
GENERAL FUND
YEAR ENDED DECEMBER 31, 2021

	<u>Original and Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
REVENUES			
Taxes:			
Property	\$ 3,759,529	\$ 3,802,520	\$ 42,991
Special Assessment	1,200	437	(763)
Franchise	174,000	184,581	10,581
Licenses and Permits	156,620	167,434	10,814
Intergovernmental	1,028,284	1,555,427	527,143
Charges for Services	556,000	566,446	10,446
Fines	74,000	76,701	2,701
Interest on Investments	50,200	77,311	27,111
Miscellaneous Revenue	<u>87,050</u>	<u>165,453</u>	<u>78,403</u>
Total Revenues	<u>5,886,883</u>	<u>6,596,310</u>	<u>709,427</u>
EXPENDITURES			
Current			
General Government	1,025,008	1,112,307	(87,299)
Police Protection	2,353,155	2,365,946	(12,791)
Other Public Safety	246,918	230,768	16,150
Public Works	2,079,913	1,990,986	88,927
Culture and Recreation	924,972	831,925	93,047
Miscellaneous	<u>43,500</u>	<u>207,981</u>	<u>(164,481)</u>
Total Expenditures	<u>6,673,466</u>	<u>6,739,913</u>	<u>(66,447)</u>
DEFICIENCY OF REVENUES UNDER EXPENDITURES	<u>(786,583)</u>	<u>(143,603)</u>	<u>642,980</u>
OTHER FINANCING SOURCES (USES)			
Transfers In	1,256,282	1,268,119	11,837
Transfers Out	<u>(469,699)</u>	<u>(580,657)</u>	<u>(110,958)</u>
Total Other Financing Sources (Uses)	<u>786,583</u>	<u>687,462</u>	<u>(99,121)</u>
NET CHANGE IN FUND BALANCES		543,859	543,859
FUND BALANCE, JANUARY 1	<u>5,968,032</u>	<u>5,968,032</u>	
FUND BALANCE, DECEMBER 31	<u>\$ 5,968,032</u>	<u>\$ 6,511,891</u>	<u>\$ 543,859</u>

See notes to the basic financial statements.

**CITY OF DETROIT LAKES, MINNESOTA
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
AIRPORT FUND
YEAR ENDED DECEMBER 31, 2021**

	<u>Original and Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
REVENUES			
Taxes			
Current Property Taxes	\$ 132,500	\$ 131,681	\$ (819)
Delinquent Taxes	1,400	1,173	(227)
Total Taxes	<u>133,900</u>	<u>132,854</u>	<u>(1,046)</u>
Intergovernmental Revenue			
State Aid - Improvements		479,698	479,698
State Aid - Operation and Maintenance	34,000	45,318	11,318
Federal Aid - Improvements		1,646,142	1,646,142
Local - County Aid	45,000	229,889	184,889
Total Intergovernmental Revenue	<u>79,000</u>	<u>2,401,047</u>	<u>2,322,047</u>
Miscellaneous			
Miscellaneous		3,521	3,521
Interest on Investments	800	43	(757)
Rents	149,000	155,921	6,921
Total Miscellaneous	<u>149,800</u>	<u>159,485</u>	<u>9,685</u>
Total Revenues	<u>362,700</u>	<u>2,693,386</u>	<u>2,330,686</u>
EXPENDITURES			
Current			
Supplies	10,500	9,982	518
Other Services and Charges	127,100	145,523	(18,423)
Capital Outlay	26,647	2,374,909	(2,348,262)
Debt Service			
Principal	48,600	43,690	4,910
Total Expenditures	<u>212,847</u>	<u>2,574,104</u>	<u>(2,361,257)</u>
EXCESS OF REVENUES OVER EXPENDITURES	149,853	119,282	(30,571)
OTHER FINANCING USES			
Transfers Out	(87,500)		87,500
Total Other Financing Uses	<u>(87,500)</u>		<u>87,500</u>
NET CHANGE IN FUND BALANCES	62,353	119,282	56,929
FUND BALANCE, JANUARY 1	<u>578,150</u>	<u>578,150</u>	
FUND BALANCE, DECEMBER 31	<u>\$ 640,503</u>	<u>\$ 697,432</u>	<u>\$ 56,929</u>

See notes to the basic financial statements.

**CITY OF DETROIT LAKES, MINNESOTA
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
DEVELOPMENT AUTHORITY FUND
YEAR ENDED DECEMBER 31, 2021**

	<u>Original and Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
REVENUES			
Taxes:			
Current Property Taxes	\$ 66,200	\$ 69,269	\$ 3,069
Delinquent		665	665
Total Taxes	<u>66,200</u>	<u>69,934</u>	<u>3,734</u>
Charges for Services	29,156	43,314	14,158
Miscellaneous			
Interest on Investments		12,740	12,740
Interest on Loans	32,306	51,575	19,269
Sale of Asset Held For Resale		251,247	251,247
Total Miscellaneous	<u>32,306</u>	<u>315,562</u>	<u>283,256</u>
Total Revenues	<u>127,662</u>	<u>428,810</u>	<u>301,148</u>
EXPENDITURES			
Economic Development			
Supplies	400	181	(219)
Other Services and Charges	37,379	33,987	(3,392)
Debt Service			
Interest and Other Charges	10,000	10,000	
Total Expenditures	<u>47,779</u>	<u>44,168</u>	<u>3,611</u>
NET CHANGE IN FUND BALANCE	79,883	384,642	304,759
FUND BALANCE, JANUARY 1	<u>2,316,018</u>	<u>2,316,018</u>	
FUND BALANCE, DECEMBER 31	<u>\$ 2,395,901</u>	<u>\$ 2,700,660</u>	<u>\$ 304,759</u>

See notes to the basic financial statements.

CITY OF DETROIT LAKES, MINNESOTA
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
PERMANENT IMPROVEMENT FUND
YEAR ENDED DECEMBER 31, 2021

	<u>Original and Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
REVENUES			
Taxes			
Current Property Taxes	\$	\$ 261	\$ 261
Total Property Taxes		261	261
Special Assessments			
Current	20,000	30,073	10,073
Delinquent		639	639
Prepaid		107,393	107,393
Total Special Assessments	20,000	138,105	118,105
Miscellaneous			
Penalty on Special Assessments	8,000	10,160	2,160
Interest on Investments	10,000	12,209	2,209
Miscellaneous		180,765	180,765
Total Miscellaneous	18,000	203,134	185,134
Total Revenues	38,000	341,500	303,500
EXPENDITURES			
Public Safety			
Other Services and Charges		19,594	(19,594)
Public Works			
Other Services and Charges		103,004	(103,004)
Total Expenditures		122,598	(122,598)
EXCESS OF REVENUES OVER EXPENDITURES	38,000	218,902	180,902
OTHER FINANCING SOURCES			
Transfers In			
	14,000	18,122	4,122
Total Other Financing Sources	14,000	18,122	4,122
NET CHANGE IN FUND BALANCE	52,000	237,024	185,024
FUND BALANCE, JANUARY 1	1,891,033	1,891,033	
FUND BALANCE, DECEMBER 31	\$ 1,943,033	\$ 2,128,057	\$ 185,024

See notes to the basic financial statements.

CITY OF DETROIT LAKES, MINNESOTA
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
DECEMBER 31, 2021

Business Type Activities - Enterprise Funds

	Electric Utility	Water Utility	Wastewater Treatment	Liquor	Total Enterprise Funds
ASSETS					
CURRENT ASSETS					
Cash Deposits & Change Funds	\$ 806,228	\$ 1,576,778	\$ 3,310,446	\$ 1,901,301	\$ 7,594,753
Restricted Cash: Customer Deposits	213,266				213,266
Investments	16,616,516		6,696,779	2,050,955	25,364,250
Accounts Receivable	1,606,260	164,272	376,289	1,302	2,148,123
Notes Receivable	80,837				80,837
Accrued Interest Receivable	49,889		16,210	10,472	76,571
Prepaid	4,946			557	5,503
Inventory					
Fuel	29,554				29,554
Other	1,659,554			689,011	2,348,565
Total Current Assets	<u>21,067,050</u>	<u>1,741,050</u>	<u>10,399,724</u>	<u>4,653,598</u>	<u>37,861,422</u>
NONCURRENT ASSETS					
Restricted Investments: Revenue Bond Covenant	173,400		181,875		355,275
Due From Other Governments			113,395		113,395
Due From Other Funds	1,471,369				1,471,369
Advance to Other Funds	964,012				964,012
Customer Acquisition Costs	608,561				608,561
Capital Assets					
Land	260,929	41,374	54,178	860,076	1,216,557
Construction in Progress	4,266,123	759,924	785,351		5,811,398
Buildings	5,060,996	4,284,650	33,018,896	1,409,385	43,773,927
Improvements Other than Building	26,240,534	20,360,417	24,405,961	231,249	71,238,161
Machinery and Equipment	2,965,386	420,878	1,211,870	531,435	5,129,569
Less: Accumulated Depreciation	(17,638,107)	(9,590,857)	(10,568,315)	(857,084)	(38,654,363)
Total Capital Assets, Net of Accumulated Depreciation	<u>21,155,861</u>	<u>16,276,386</u>	<u>48,907,941</u>	<u>2,175,061</u>	<u>88,515,249</u>
Total Noncurrent Assets	<u>24,373,203</u>	<u>16,276,386</u>	<u>49,203,211</u>	<u>2,175,061</u>	<u>92,027,861</u>
Total Assets	<u>45,440,253</u>	<u>18,017,436</u>	<u>59,602,935</u>	<u>6,828,659</u>	<u>129,889,283</u>
DEFERRED OUTFLOWS OF RESOURCES					
Cost Sharing Defined Benefit Pension Plan	927,616	148,237	274,510	123,072	1,473,435
Other Postemployment Benefits	16,009	1,466	2,519	2,141	22,135
Total Deferred Outflows of Resources	<u>943,625</u>	<u>149,703</u>	<u>277,029</u>	<u>125,213</u>	<u>1,495,570</u>
LIABILITIES					
CURRENT LIABILITIES					
Accounts Payable	1,571,812	8,769	14,712	211,258	1,806,551
Customer Deposits (Payable from Restricted Cash)	213,266				213,266
Sales Tax Payable	71,712			81,341	153,053
Accrued Wages Payable	88,549	7,338	24,462	22,685	143,034
Interest Payable	5,365	28,501	81,043	1,001	115,910
Compensated Absences	163,877	34,217	47,955	27,902	273,951
PFA Loan Payable		139,926	825,880		965,806
Revenue Bonds Payable	330,000	120,402	129,937	125,617	705,956
Total Current Liabilities	<u>2,444,581</u>	<u>339,153</u>	<u>1,123,989</u>	<u>469,804</u>	<u>4,377,527</u>
Long - Term Liabilities					
Compensated Absences	263,031	52,344	56,871	42,958	415,204
PFA Loan Payable		1,351,185	11,755,119		13,106,304
Bonds Payable	340,000	1,511,199	2,436,325	673,914	4,961,438
Net Pension Liability	1,227,751	196,197	363,329	162,892	1,950,169
Total Other Postemployment Benefits	336,450	30,809	52,949	44,999	465,207
Total Long - Term Liabilities	<u>2,167,232</u>	<u>3,141,734</u>	<u>14,664,593</u>	<u>924,763</u>	<u>20,898,322</u>
Total Liabilities	<u>4,611,813</u>	<u>3,480,887</u>	<u>15,788,582</u>	<u>1,394,567</u>	<u>25,275,849</u>
DEFERRED INFLOWS OF RESOURCES					
Cost Sharing Defined Benefit Pension Plan	1,130,004	180,577	334,404	149,924	1,794,909
Total Deferred Inflows of Resources	<u>1,130,004</u>	<u>180,577</u>	<u>334,404</u>	<u>149,924</u>	<u>1,794,909</u>
NET POSITION					
Net Investment in Capital Assets	20,485,861	13,153,674	33,760,680	1,375,530	68,775,745
Restricted for Revenue Bond Covenants	173,400		181,875		355,275
Unrestricted	19,982,800	1,352,001	9,814,423	4,033,851	35,183,075
Total Net Position	<u>\$ 40,642,061</u>	<u>\$ 14,505,675</u>	<u>\$ 43,756,978</u>	<u>\$ 5,409,381</u>	<u>\$ 104,314,095</u>

See notes to the basic financial statements.

CITY OF DETROIT LAKES, MINNESOTA
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
PROPRIETARY FUNDS
YEAR ENDED DECEMBER 31, 2021

Business Type Activities - Enterprise Funds	<u>Electric Utility</u>	<u>Water Utility</u>	<u>Wastewater Treatment</u>	<u>Liquor</u>	<u>Total Enterprise Funds</u>
SALES AND COST OF SALES					
Sales	\$	\$	\$	\$ 8,682,450	\$ 8,682,450
Cost of Sales				6,391,624	6,391,624
Gross Profit				2,290,826	2,290,826
OPERATING REVENUE					
	19,617,064	2,195,126	4,403,959		26,216,149
Total Gross Profits and Operating Revenue	19,617,064	2,195,126	4,403,959	2,290,826	28,506,975
OPERATING EXPENSES					
Operating and Maintenance	15,877,596	1,000,776	1,385,516	973,089	19,236,977
Depreciation	819,075	539,276	1,396,222	97,672	2,852,245
Total Operating Expenses	16,696,671	1,540,052	2,781,738	1,070,761	22,089,222
Operating Income	2,920,393	655,074	1,622,221	1,220,065	6,417,753
NON-OPERATING REVENUE					
Miscellaneous	39,038	10,000		2,546	51,584
Interest on Investments	66,502	5,724	15,968		88,194
Gain on Disposal of Capital Assets	40,850				40,850
Total Non-Operating Revenue	146,390	15,724	15,968	2,546	180,628
NON-OPERATING EXPENSES					
Interest on Bonds and Loans	13,363	71,258	200,595	23,117	308,333
Contributions and Donations	134,300			119,150	253,450
Total Non-Operating Expenses	147,663	71,258	200,595	142,267	561,783
Net Income Before Capital Contributions and Transfers	2,919,120	599,540	1,437,594	1,080,344	6,036,598
CAPITAL CONTRIBUTIONS					
TRANSFERS IN		411,912	844,313		1,256,225
TRANSFERS OUT	(623,150)		(510,004)	(588,969)	(1,722,123)
Change in Net Position	2,295,970	1,521,456	1,771,903	491,375	6,080,704
NET POSITION, JANUARY 1	38,346,091	12,984,219	41,985,075	4,918,006	98,233,391
NET POSITION, DECEMBER 31	\$ 40,642,061	\$ 14,505,675	\$ 43,756,978	\$ 5,409,381	\$ 104,314,095

See notes to the basic financial statements.

**CITY OF DETROIT LAKES, MINNESOTA
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2021**

Business Type Activities - Enterprise Funds	Electric Utility	Water Utility	Wastewater Treatment	Liquor	Total Enterprise Funds
CASH FLOWS FROM OPERATING ACTIVITIES					
Cash Received from Customers	\$ 19,630,021	\$ 2,178,405	\$ 4,394,351	\$ 8,681,262	\$ 34,884,039
Cash Received from Other Sources	39,038	10,000		2,546	51,584
Cash Payments to Suppliers for Goods and Services	(13,452,285)	(637,921)	(679,918)	(6,690,229)	(21,460,353)
Cash Payments to Employees for Services	(2,540,347)	(458,966)	(749,818)	(656,299)	(4,405,430)
Net Cash Provided by Operating Activities	<u>3,676,427</u>	<u>1,091,518</u>	<u>2,964,615</u>	<u>1,337,280</u>	<u>9,069,840</u>
CASH FLOWS FROM INVESTING ACTIVITIES					
Proceeds from Sales of Investments	1,811,186	637,128	223,185		2,671,499
Purchase of Investments	(6,172,622)		(3,140,000)		(9,312,622)
Interest on Investments	51,605	3,955	22,143	13,801	91,504
Net Cash Provided by (Used for) Investment Activities	<u>(4,309,831)</u>	<u>641,083</u>	<u>(2,894,672)</u>	<u>13,801</u>	<u>(6,549,619)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES					
Acquisition of Capital Assets	(4,541,602)	(500,230)	(1,138,014)	(26,405)	(6,206,251)
Payment of Construction Accounts Payable			(689,812)		(689,812)
Proceeds from Sale of Capital Assets	40,850				40,850
Capital Contribution			431,165		431,165
Proceeds from Capital Debt			2,105,098		2,105,098
Principal Paid on Capital Debt	(320,000)	(253,894)	(927,000)	(122,287)	(1,623,181)
Interest Paid on Capital Debt	(15,625)	(75,600)	(200,409)	(23,268)	(314,902)
Net Cash Used for Capital Related Financing Activities	<u>(4,836,377)</u>	<u>(829,724)</u>	<u>(418,972)</u>	<u>(171,960)</u>	<u>(6,257,033)</u>
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES					
Transfers Out to Other Funds	(623,150)		(510,004)	(588,969)	(1,722,123)
Transfers In from Other Funds		510,004			510,004
Proceeds from Advances to Other Funds	1,244,218				1,244,218
Repayment on Notes Issued	30,554				30,554
Contributions and Donations	(134,300)			(119,150)	(253,450)
Net Cash Provided by (Used for) Non-Capital Financing Activities	<u>517,322</u>	<u>510,004</u>	<u>(510,004)</u>	<u>(708,119)</u>	<u>(190,797)</u>
NET INCREASE (DECREASE) IN CASH	(4,952,459)	1,412,881	(859,033)	471,002	(3,927,609)
CASH, JANUARY 1	5,971,953	163,897	4,169,479	1,430,299	11,735,628
CASH, DECEMBER 31	\$ 1,019,494	\$ 1,576,778	\$ 3,310,446	\$ 1,901,301	\$ 7,808,019
RECONCILIATION OF CASH AND RESTRICTED CASH					
Cash	\$ 806,228	\$ 1,576,778	\$ 3,310,446	\$ 1,901,301	\$ 7,594,753
Restricted Cash	213,266				213,266
Total Cash and Restricted Cash	<u>\$ 1,019,494</u>	<u>\$ 1,576,778</u>	<u>\$ 3,310,446</u>	<u>\$ 1,901,301</u>	<u>\$ 7,808,019</u>

(continued)

See notes to the basic financial statements.

CITY OF DETROIT LAKES, MINNESOTA
STATEMENT OF CASH FLOWS - Continued
PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2021

Business Type Activities - Enterprise Funds

	<u>Electric Utility</u>	<u>Water Utility</u>	<u>Wastewater Treatment</u>	<u>Liquor</u>	<u>Total Enterprise Funds</u>
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES					
Operating Income	\$ 2,920,393	\$ 655,074	\$ 1,622,221	\$ 1,220,065	\$ 6,417,753
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities					
Depreciation Expense	819,075	539,276	1,396,222	97,672	2,852,245
Miscellaneous Reimbursement	39,038	10,000		2,546	51,584
(Increase) Decrease in Accounts Receivable	(7,357)	(16,721)	(9,608)	(1,188)	(34,874)
(Increase) Decrease in Prepaid	(4,946)			1,261	(3,685)
(Increase) Decrease in Inventories	(355,023)			(96,774)	(451,797)
(Increase) Decrease in Deferred Outflows	(763,764)	(123,043)	(228,199)	(102,663)	(1,217,669)
Increase (Decrease) in Accounts Payable	360,207	(83,875)	(22,606)	127,330	381,056
Increase (Decrease) in Customer Deposits	20,314				20,314
Increase (Decrease) in Sales Tax Payable	(207)			(4,770)	(4,977)
Increase (Decrease) in Wages Payable	12,935	(4,293)	2,078	1,454	12,174
Increase (Decrease) in Total OPEB Liability	21,325	5,549	10,442	8,487	45,803
Increase (Decrease) in Compensated Absences	(18,732)	8,369	6,691	(146)	(3,818)
Increase (Decrease) in Net Pension Liability	(413,280)	(66,043)	(122,302)	(54,832)	(656,457)
Increase (Decrease) in Deferred Inflows	1,046,449	167,225	309,676	138,838	1,662,188
Total Adjustments	<u>756,034</u>	<u>436,444</u>	<u>1,342,394</u>	<u>117,215</u>	<u>2,652,087</u>
Net Cash Provided by Operating Activities	<u>\$ 3,676,427</u>	<u>\$ 1,091,518</u>	<u>\$ 2,964,615</u>	<u>\$ 1,337,280</u>	<u>\$ 9,069,840</u>
NONCASH CAPITAL ACTIVITIES					
Contributions of Capital Assets from Government	\$	\$ 411,912	\$ 417,021	\$	\$ 828,933

See notes to the basic financial statements.

**CITY OF DETROIT LAKES, MINNESOTA
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
DECEMBER 31, 2021**

	<u>Pension Trust Fund</u>
ASSETS	
Cash	\$ <u>170,883</u>
NET POSITION	
Net Position Restricted For Pensions	\$ <u>170,883</u>

See notes to the basic financial statements.

**CITY OF DETROIT LAKES, MINNESOTA
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2021**

	<u>Pension Trust Fund</u>
ADDITIONS	
Net Investment Income	
Interest	\$ <u>679</u>
TOTAL ADDITIONS	<u>679</u>
DEDUCTIONS	
Benefits	<u>18,778</u>
TOTAL DEDUCTIONS	<u>18,778</u>
Change in Net Position	(18,099)
Net Position - Beginning	<u>188,982</u>
Net Position - Ending	<u>\$ 170,883</u>

See notes to the basic financial statements.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The basic financial statements of the City of Detroit Lakes, Minnesota have been prepared in conformity with accounting principles generally accepted in the United States of America (generally accepted accounting principles), as applied to governmental units by the Governmental Accounting Standards Board (GASB). GASB is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The City's significant accounting policies are described below.

A. Financial Reporting Entity

In accordance with GASB Statement No. 61, The Financial Reporting Entity, the financial statements present the City, including all funds, organizations, institutions, agencies, departments, and offices that are not legally separate from such.

Related Organizations:

City of Detroit Lakes Housing and Redevelopment Authority. The City of Detroit Lakes Housing and Redevelopment Authority (HRA) was established by Minnesota Statutes in 1970. Even though the government's governing body appoints the HRA's governing board, the management and operation of the HRA are the exclusive responsibilities of the HRA's governing body. Additionally, the government does not hold title to any of the HRA assets, nor does it have any right to the Authority's surpluses.

B. Government-wide and Fund Financial Statements

The government-wide financial statements (Statement of Net Position and Statement of Activities) report on all nonfiduciary activities of the City and its component units as a whole. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. All activities, both governmental and business-type activities, are reported in the government-wide financial statements using the economic resources measurement focus and the accrual basis of accounting, which includes long-term assets and receivables as well as long-term debt and obligations. The government-wide financial statements focus more on the sustainability of the City as an entity and the change in aggregate financial position resulting from the activities of the fiscal period.

Generally, the effect of inter-fund activity has been removed from the government-wide financial statements, except that inter-fund services provided and used are not eliminated in the process of elimination. Net inter-fund activity and balances between governmental activities and business-type activities are shown in the government-wide financial statements.

The government-wide Statement of Net Position reports all financial and capital resources of the City. It is displayed in a format of assets plus deferred outflows of resources less liabilities and deferred inflows of resources equal net position, with the assets and liabilities shown in order of their relative liquidity. Net position is required to be displayed in three components: 1) net investment in capital assets, 2) restricted and 3) unrestricted. Invested in capital assets is imposed capital assets net of accumulated depreciation and reduced by outstanding balances of any bonds, mortgages, notes or other borrowings that are attributable to the acquisition, construction, or improvement of those assets. Restricted net position are those assets with constraints placed on their use by either: 1) externally by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments, or 2) imposed by law through constitutional provisions or enabling legislation. All net position not otherwise classified as restricted, is shown as unrestricted. When both restricted and unrestricted resources are available for use, it is the government's policy to use restricted resources first, then unrestricted resources as needed.

The government-wide Statement of Activities demonstrates the degree to which the direct expenses of the various functions and segments of the City are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Interest on general long-term debt is not allocated to the various functions. Program revenues include: 1) charges to customers or users who purchase, use or directly benefit from goods, services or privileges provided by a particular function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes, unrestricted investment income and other revenues not identifiable with particular functions or segments are included as general revenues. The general revenues support the net costs of the functions and segments not covered by program revenues.

**CITY OF DETROIT LAKES, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2021**

The City reports all direct expenses by function in the Statement of Activities. Direct expenses are those that are clearly identifiable with a function. Depreciation expense is specifically identified by function and is included in the direct expense of each function. Interest on general long-term debt is considered an indirect expense and is reported separately on the Statement of Activities.

Also, part of the basic financial statements are fund financial statements for governmental funds and proprietary funds. The focus of the fund financial statements is on major funds, as defined by Statement No. 34. Although the model sets forth minimum criteria for determination of major funds (a percentage of assets, liabilities, revenues, or expenditures/expenses of fund category and of the governmental and enterprise funds combined), it also gives governments the option of displaying other funds as major funds. Other non-major funds are combined in a single column on the fund financial statements.

The City reports the following major governmental funds:

The **General Fund** is the City's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The **Development Authority Fund** accounts for the financial resources to be used for economic development in the City of Detroit Lakes. The fund derives the majority of its revenues from property taxes, interest on outstanding loans and charges for services. In 2012, Minnesota state statutes allowed transfers from excess Tax Increment Financing revenues to the Development Authority.

The **Debt Service Fund** accounts for the financial resources accumulated that are restricted to expenditure for principal and interest. Debt service funds should be used to report resources if legally mandated. Financial resources that are being accumulated for principal and interest maturing in future years should also be reported in debt service funds.

The **Capital Projects Fund** accounts for the financial resources accumulated that are restricted, committed or assigned to expenditures for capital outlays including the acquisition or construction of major capital facilities.

The **Permanent Improvement Fund** accounts for the financial resources to be used for paying the City's share of local improvements. Financing is provided by a specific tax levy.

The **Airport Fund** accounts for the operation and maintenance of the Detroit Lakes/Becker County Airport. The City of Detroit Lakes and Becker County provide financing equally to the extent that operating revenues at the Airport are not sufficient to provide for such financing.

The City reports several special revenue funds as non-major governmental funds. *Special revenue funds* are used to account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects. Non-major special revenue funds reported by the City are the Fire Fund, Library Fund, Lodging & Tourism Fund, Stormwater Fund, Equipment Fund, Food & Beverage Tax Fund, Sports Arena Fund, Bond Emergency Fund, and the Art in Public Spaces Fund.

The City reports the following major enterprise funds:

The **Electric Utility Fund** accounts for the operation of the City's electric utility, a self-supporting activity, which renders services on a user charge basis to residents and businesses located in Detroit Lakes and some residents in the surrounding area.

The **Water Utility Fund** accounts for the operation of the City's water utility, a self-supporting activity, which renders services on a user charge basis to residents and businesses located in Detroit Lakes.

The **Wastewater Treatment Fund** accounts for the operation of the City's wastewater treatment program, a self-supporting activity, which provides for collection, treatment, and disposal of wastewater on a user charge basis to residents and businesses located in Detroit Lakes.

The **Liquor Fund** accounts for the operation of the City's Municipal Off-Sale Liquor Store, a self-supporting activity.

**CITY OF DETROIT LAKES, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2021**

Fiduciary funds: The City is the trustee, or fiduciary, for assets that belong to others. The City is responsible for ensuring the assets reported in these funds are used only by those to whom the assets belong. The City's fiduciary activities are reported in a separate Statement of Fiduciary Net Position and Statement of Changes in Fiduciary Net Position. We exclude these activities from the city-wide financial statements because the City cannot use these assets to finance its operations.

The City reports the following fiduciary fund:

The **Pension Trust Fund** accounts used for reporting resources set aside and held for payment of pension benefits.

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

The governmental fund financial statements are prepared on a current financial resources measurement focus and modified accrual basis of accounting. To conform to the modified accrual basis of accounting, certain modifications must be made to the accrual method. These modifications are outlined below:

- 1) Revenue is recorded when it becomes both measurable and available (received with 60 days after year-end). Revenue considered susceptible to accrual includes: property taxes, transient occupancy taxes, sales taxes, and interest.
- 2) Expenditures are recorded when the related fund liability is incurred. Principal and interest on general long-term debt are recorded as fund liabilities when due or when amounts have been accumulated in the debt service fund for payment to be made early in the following year.
- 3) Disbursements for the purchase of capital assets providing future benefits are considered expenditures. Bond proceeds are reported as an Other Financing Source.

With this measurement focus, operating statements present increases and decreases in net current assets. Unassigned fund balance is a measure of available spendable resources.

This is the traditional basis of accounting for governmental funds and also is the manner in which these funds are normally budgeted. This presentation is deemed most appropriate to: 1) demonstrate legal and covenant compliance, 2) demonstrate the sources and uses of liquid resources, and 3) demonstrate how the City's actual revenues and expenditures conform to the annual budget. Since the governmental funds financial statements are presented on a different basis than the governmental activities column of the government-wide financial statements, reconciliation is provided immediately following each fund statement. These reconciliations briefly explain the adjustments necessary to transform the fund financial statements into the governmental activities column of the government-wide financial statements.

The proprietary funds financial statements are prepared on the same basis (economic resources measurement focus and accrual basis of accounting) as the government-wide financial statements. Therefore, most lines for the total enterprise funds on the proprietary funds financial statements will directly reconcile to the business-type activities column on the government-wide financial statements.

Because the enterprise funds are combined into a single business-type activities column on the government-wide financial statements, certain inter-fund activities between these funds are eliminated in the consolidation for the government-wide financial statements, but are included in the fund columns in the proprietary funds financial statements.

Enterprise funds account for operations where the intent of the City is that the costs of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges. Under GASB Statement No. 34, enterprise funds are also required for any activity whose principal revenue sources meet any of the following criteria: 1) any activity that has issued debt backed solely by the fees and charges of the activity, 2) if the cost of providing services for an activity, including capital costs such as depreciation or debt service, must legally be recovered through fees and charges, or it is the policy of the City to establish activity fees or charges to recover the cost of providing services, including capital costs.

**CITY OF DETROIT LAKES, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2021**

On the proprietary funds financial statements, operating revenues are those that flow directly from the operations of the activity, i.e. charges to customers or users who purchase or use the goods or services of that activity. Operating expenses are those that are incurred to provide those goods or services. Non-operating revenues and expenses are items like investment income and interest expense that are not a result of the direct operations of the activity.

D. Budgets and Budgetary Accounting

Budgets are adopted on a basis consistent with generally accepted accounting principles. Annual appropriated budgets are adopted for the general, special revenue, and debt service funds. All annual appropriations lapse at fiscal year end. Project-length financial plans are adopted for all capital projects funds.

E. Cash and Investments

Investments are carried at fair value. The City considers certificates of deposit with maturities less than 30 days to be cash.

When fair value measurements are required, various data is used in determining those values. Assets and liabilities that are carried at fair value must be classified and disclosed in the following levels based on the nature of the data used.

Level 1: Quoted market prices in active markets for identical assets or liabilities

Level 2: Observable market based inputs or unobservable inputs that are corroborated by market data

Level 3: Unobservable market inputs that are not corroborated by market data

The City maintains a policy of investing the cash balance of each fund to the extent available. The City invests into certificates of deposit, repurchase agreements, US treasury bills, notes and bonds, and federal agency obligations as permitted by Minnesota Statutes. Each certificate of deposit or investment may include cash balances of more than one fund.

F. Short Term Inter-fund Receivables/Payables

During the course of operations, numerous transactions occur between individual funds for goods provided or services rendered. These receivables and payables are classified as "due from other funds" or "due to other funds" on the balance sheet. Short term inter-fund loans are classified as "inter-fund receivables/payables".

G. Accounts Receivable

Receivables are carried at invoice amount with no allowance for uncollectible accounts. Receivables are written off and expensed when deemed uncollectible. Recoveries of receivables previously written off are recorded when received. A receivable is considered past due if any portion of the balance is outstanding fifteen (15) days from the date of the bill. A penalty is charged on receivables that are not paid by the due date.

H. Inventories

Inventory within the Electric Utility Fund is reported at cost and the Liquor Fund inventory is valued at the lower of lower cost or market. Inventory quantities are determined by utilizing physical counts.

I. Prepaids

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items. Prepaid items are reported using the consumption method and recorded as an expense or expenditure at the time of consumption.

J. Deferred Outflows/Inflows of Resources

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

**CITY OF DETROIT LAKES, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2021**

until then. The City has two items that qualify for reporting in this category named *Cost Sharing Defined Benefit Pension Plan* and *Other Postemployment Benefits* which represents actuarial differences within OPEB plans and PERA pension plans as well as amounts paid to the plans after the measurement date.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net assets that applies to future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The governmental funds report unavailable revenues from special assessments and delinquent property taxes as deferred inflows of resources. These amounts are deferred and recognized as an inflow of resources in the period they become available. In addition, the Statement of Net Position and Balance Sheet – Governmental Funds report advance of MSA aid as a deferred inflow of resources, which is aid received in advance of an annual allotment. The item, *Cost Sharing Defined Benefit Pension Plan*, which represents actuarial differences within PERA pension plans also qualifies for reporting in this category.

K. Compensated Absences

Following is a summary of the City's vacation and sick leave benefits:

Vacations: Vacations are based on the following schedule:

After first year	2 weeks
After six years	3 weeks
After thirteen years	4 weeks
After twenty years	5 weeks

Employees are not granted vacation during their first year of employment.

Sick Leave: Sick leave accumulates at the rate of one (1) day per month, to a maximum of one hundred forty (140) days. Employees are reimbursed in the form of severance pay for fifty percent (50%) of unused sick leave, up to a maximum of seventy (70) days upon termination of employment. To qualify, an employee must have three (3) years of continuous service with the City. The amounts are accrued when incurred in the government-wide and proprietary fund financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

L. Pension

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

M. Long-term Obligations

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, and proprietary fund type statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method. Issuance costs are expensed in the period incurred. Bonds payable are reported net of the applicable bond premium or discount.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing resources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

**CITY OF DETROIT LAKES, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2021**

N. Property Taxes

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

The county spreads all levies over taxable property in the City. Such taxes become a lien on January 1 and are recorded as receivables by the City at that date. Revenues are accrued and recognized in the year collectible, net of delinquencies.

Real property taxes may be paid by taxpayers in two equal installments on May 15 and October 15. Personal property taxes may be paid on February 28 and June 30. The county provides tax settlements to cities and other tax districts three times a year, in January, June, and November.

Taxes which remain unpaid at December 31 are classified as delinquent taxes receivable and are fully offset by deferred revenue because they are not known to be available to finance current expenditures. No allowance for uncollectible taxes has been provided because such amounts are not expected to be material.

O. Sales Tax

Sales taxes collected from customers and remitted to taxing authorities are excluded from revenues and cost of sales respectively.

P. Special Assessments

Special assessments are levied against the benefited properties for the assessable costs of special assessment improvement projects in accordance with Minnesota Statutes. The City usually adopts the assessment rolls when the individual projects are complete or substantially complete. The assessments are collectible over a term of years generally equal to or less than the term of years of the related bond issue. Collection of annual installments (including interest) is handled by the county in the same manner as property taxes. Property owners are allowed to prepay total future installments without interest or prepayment penalties.

The City recognizes special assessments revenues in the year of collection, net of delinquencies.

Once an assessment roll is adopted, the amount attributed to each parcel is a lien upon that property until full payment is made or the amount is determined to be excessive by City Council or court action. If special assessments are allowed to go delinquent, the property is subject to tax forfeited sale and the first proceeds of that sale (after cost, penalties, and expenses of sale) are remitted to the City in payment of delinquent special assessments. The City will collect the full amount of its special assessments by reinstating the special assessments if necessary. Accordingly, no allowance for potentially uncollectible assessments has been provided.

Pursuant to state statutes, a property is subjected to tax forfeit sale after three years of delinquency except for homesteaded, agricultural or seasonal recreational property, which is subject to sale after five years.

Special assessments receivable include the following components:

Delinquent – amounts billed to property owners but not paid

Noncurrent – assessment installments which will be billed to property owners in future years

Q. Restricted Assets

Certain proceeds of the City's bonds, as well as certain resources set aside for their repayment, are classified as restricted on the Balance Sheet, or Statement of Net Position, because they are maintained in separate accounts and their use is limited by applicable debt covenants.

Additional resources are set aside by the Electric Utility for customer deposits and are classified as restricted. These deposits are applied against the customer's account when services to them are discontinued.

**CITY OF DETROIT LAKES, MINNESOTA
 NOTES TO THE FINANCIAL STATEMENTS
 DECEMBER 31, 2021**

R. Customer Acquisition Costs

The City purchases electric service territories. Accordingly, under GAAP, as codified by FASB, Goodwill and Other Intangible Assets, the City will periodically reassess the useful life of these costs (and all other capital asset costs) to determine if any impairment losses should be recognized.

S. Capital Assets

Capital assets in the governmental funds, including public domain infrastructure (e.g., roads, bridges, sidewalks and other assets that are immovable and of value only to the City) are defined as assets with an initial, individual cost of more than \$5,000 (\$50,000 for infrastructure) and an estimated useful life greater than one year. Capital assets in the enterprise funds, including infrastructure, are defined as assets with an initial, individual cost of more than \$10,000 (\$50,000 for infrastructure) and an estimated useful life greater than one year.

Capital assets are recorded at cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at acquisition value at the date of donation.

The cost of normal maintenance and repairs that do not add to the value of the assets or materially extend assets lives are not capitalized and depreciated over the remaining useful lives of the related capital assets.

Property, plant & equipment are capitalized when acquired, and depreciated using the straight-line method over the following estimated useful lives:

Buildings, structures and Improvements	5	to	50 years
Distribution/Transmission Systems	5	to	50 years
Machinery and Equipment	2	to	25 years
Infrastructure	25	to	50 years

Capital assets transferred between funds are transferred at their net book value (cost less accumulated depreciation), as of the date of the transfer.

T. Fund Balance

The City implemented GASB Statement No. 54 "*Fund Balance Reporting and Governmental Fund Type Definitions*". This Statement provides more clearly defined fund balance categories to make the nature and extent of the constraints placed on a government's fund balance more transparent. The following classifications describe the relative strength of the spending constraints and the purposes for which resources can be used:

Non-spendable - consists of amounts that are not in spendable form (such as inventory and prepaid items) or are required to be maintained intact.

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

Committed - consists of amounts constrained to specific purposes by the government itself, using its highest level of decision making authority; The governing council is the highest level of decision-making authority for the government that can, by adoption of a resolution prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by the action remains in place until a similar action is taken to remove or revise the limitation. In order to commit or un-commit a fund balance, the action would require a two-thirds vote of the City Council.

Assigned - consists of internally imposed constraints. These constraints reflect the specific purpose for which it is the City's intended use. These constraints are established by the City Council and/or City management. The Council, pursuant to resolution, has authorized the power to establish and remove assignments of fund balances to the City Administrator and Finance Officer, jointly.

Unassigned - consists of amounts that are available for any purpose; positive amounts are reported only in the General Fund.

**CITY OF DETROIT LAKES, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2021**

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.

The City will strive to maintain a minimum unassigned general fund balance of 35-50% percent of the next year's budgeted expenditures.

U. Net Position

Net position represents the difference between (a) assets and deferred outflows of resources and (b) liabilities and deferred inflows of resources in the City's financial statements. Net investment in capital assets, consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any long-term debt attributable to the acquisition, construction, or improvement of those assets. Restricted Net Position consists of restricted assets reduced by liabilities and deferred inflows of resources related to those assets. Unrestricted Net Position is the net amount of assets, deferred outflows of resources, liabilities, and deferred inflows of resources that are not included in the determination of net investment in capital assets or the restricted component of net position.

V. Use of Estimates

The preparation of the basic financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of certain assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures or expenses during the reporting period. As such, actual results could differ from those estimates.

W. Federal Audit Requirements

The U.S. Office of Management and Budget (OMB) issued Uniform Guidance, which establishes uniform audit requirements for non-Federal entities that administer Federal awards.

The purposes of the Uniform Guidance is as follows:

1. To promote sound financial management including effective internal controls with respect to Federal awards;
2. To promote the efficient and effective use of audit resources;
3. To reduce burdens on state and local governments, Indian tribes and non-profit organizations; and
4. To ensure that Federal departments and agencies, to the maximum extent practicable, rely upon and use audit work done pursuant to Uniform Guidance.

For 2021, the City of Detroit Lakes was required to have an audit completed in accordance with Uniform Guidance.

NOTE 2. PRIOR PERIOD ADJUSTMENT

In 2021, the City discovered deferred assessments were not accounted for consistently. A prior period adjustment has been made in the governmental activities to recognize the amount of these assessments which increased net position \$2,883,700.

NOTE 3. BUDGETS AND BUDGETARY ACCOUNTING

The City follows these legal compliance procedures in establishing the budgetary data reflected in the financial statements:

- 1) The City Administrator submits to the City Council a proposed operating budget for the fiscal year commencing the following January 1. The operating budget includes proposed expenditures and the means of financing them.
- 2) Public hearings are conducted to obtain taxpayer comments.

**CITY OF DETROIT LAKES, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2021**

- 3) Prior to December 28, the budget is legally enacted through passage of a budget resolution.
- 4) Formal budgetary integration is employed as a management control device during the year for the General Fund, Special Revenue Funds, and Debt Service Fund. Budgetary control for Capital Projects Fund is based on a project completion time cycle rather than an annual basis, therefore, budgetary comparisons on an annual basis would not present meaningful information. Rather, budgetary control for the Capital Projects Fund is accomplished through the use of project controls.
- 5) Budgets for the General Fund, Special Revenue Funds and Debt Service Fund are adopted on a basis consistent with generally accepted accounting principles.
- 6) As required by City Charter, the Council sets the level of budgetary control which is legally adopted on a fund basis.

Budgeted amounts presented are as originally adopted, or as amended by the City Council. Budgeted expenditure appropriations lapse at year-end.

In 2021, no budget was approved for the Art in Public Spaces Fund due to this being a newly added fund during 2021.

NOTE 4. DEFICIT FUND EQUITY

At December 31, 2021, the Capital Projects fund had a deficit fund balance of \$1,282,310. The deficit is expected to be eliminated with a future bond issue.

NOTE 5. DEPOSITS AND INVESTMENTS

Deposits

Minn. Stat. Sec. 118A.02 and 118A.04 authorize the City to deposit its cash and to invest in certificates of deposit in financial institutions designated by the City Council. Minnesota statutes require that all City deposits be covered by insurance, surety bond, or collateral.

Custodial credit risk is the risk that in the event of bank failure, the City's deposits may not be returned to it. In accordance with Minnesota Statutes, the City maintains deposits at those depository banks authorized by its City Council, all of which are members of the Federal Reserve System. Minnesota Statutes require that all City deposits be protected by insurance, surety bond, or collateral. The market value of collateral pledged must equal 110 percent of the deposits not covered by insurance or bonds. Minnesota statutes also require that securities pledged as collateral be held in safekeeping by the clerk-treasurer or in a financial institution. The City has no formal policy relating to custodial credit risk. The City was not exposed to custodial credit risk as of December 31, 2021.

Investments

Minn. Stat. Sec. 118A.04 and 118A.05 authorizes the types of securities available to the City for investment. Authorized investments are the same for all fund types and include the following:

- 1) Securities which are direct obligations or are guaranteed or insured issues of the United States, its agencies, its instrumentalities, or organizations created by an act of Congress, except mortgage-backed securities defined as "high risk" by Minn. Stat. Sec. 118A.04, subd. 6;
- 2) Mutual funds with shares of registered investment companies provided the mutual fund receives certain ratings depending on its investments;
- 3) General obligations of the State of Minnesota and its municipalities, and in certain state agency and local obligations of Minnesota and other states provides such obligations have certain specified bond ratings by a national bond rating service;
- 4) Bankers' acceptances of United States banks;

CITY OF DETROIT LAKES, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2021

- 5) Commercial paper issued by United States corporations or their Canadian subsidiaries that is rated in the highest quality category by two nationally recognized rating agencies and matures in 270 days or less; and
- 6) With certain restrictions, in repurchase agreements, securities lending agreements, joint powers investment trusts, and guaranteed investment contracts.

As of December 31, 2021, the City had the following investments:

Investment Type	Weighted Average Maturity (Years)	Fair Value
U.S. Government Securities	3.67	\$ 4,263,232
Municipal Bonds	7.20	11,391,124
Negotiable Certificates of Deposit	1.00	18,803,078
External Investment Pool 4M Fund	N/A	57,490
Money Market Funds	N/A	314,398
Total Investments		34,829,322
Deposits & Change Funds		20,408,836
Total Cash and Investments		\$ 55,238,158

These amounts are presented on the statement of net position as follows:

Cash Deposits & Change Funds	\$ 20,024,687
Restricted Cash: Customer Deposits	213,266
Investments	34,474,047
Restricted Investments: Revenue Bond Covenant Accounts	355,275
Total	\$ 55,067,275

These amounts are presented on the statement of fiduciary net position as follows:

Cash	170,883
Total cash and investments	\$ 55,238,158

The City has the following recurring fair value measurements as of December 31, 2021:

- Securities of \$314,398 classified in Level 1 of the fair value hierarchy are valued using prices quotes in active markets for those securities.
- Government securities of \$4,263,232, municipal bonds of \$11,391,124, and negotiable certificates of deposit of \$18,803,078 are valued using a matrix pricing model (level 2 inputs).

Investment Risks

The City's investment policy is to follow Minnesota State Statutes as described above. This reduces the City's exposure to credit, custodial credit, and interest rate risks. Specific risk information for the City is as follows:

Credit Risk - The City's policy is to invest idle funds as authorized in Minnesota Statutes, as follows:

- (a) Direct obligations or obligations guaranteed by the United States or its agencies;

**CITY OF DETROIT LAKES, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2021**

- (b) Shares of investment companies registered under the Federal Investment Company Act of 1940 and whose only investments are in securities described in (a) above;
- (c) General obligations of any state or local government with taxing powers which are rated “A” or better by a national bond rating agency;
- (d) Revenue obligation of any state or local government which is rated “AA” or better by a national bond rating agency;
- (e) Time deposits that are fully insured by the Federal Deposit Insurance Corporation (FDIC) or bankers acceptance of United States banks;
- (f) Commercial paper issued by United States corporations or their Canadian subsidiaries, of the highest quality, and maturing in 270 days or less;
- (g) Repurchase or reverse repurchase agreements with banks that are members of the Federal Reserve System with capitalization exceeding \$10,000,000, a primary reporting dealer in U.S. government securities to the Federal Reserve Bank of New York, or certain Minnesota securities broker-dealers.

Custodial Credit Risk – Custodial credit risk for deposits is the risk that in the event of a bank failure, the City’s deposits may not be returned to it. In accordance with Minnesota Statutes, the City maintains deposits at those depository banks authorized by its City Council, all of which are members of the Federal Reserve System. Minnesota Statutes require that all City deposits be protected by insurance, surety bond, or collateral. The market value of collateral pledged must equal 110 percent of the deposits not covered by insurance or bonds. Minnesota statutes also require that securities pledged as collateral be held in safekeeping by the clerk-treasurer or in a financial institution. The City has no formal policy relating to custodial credit risk. The City was not exposed to custodial credit risk as of December 31, 2021.

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

Concentration of Credit Risk - The City places no limit on the amount the City may invest in any one issuer. U.S. Agencies and Local/State Government bonds make up 12.24% and 32.71% of the City’s total investments, respectively.

NOTE 6. NOTES RECEIVABLE

The City has various notes receivable from individuals and organizations at December 31, 2021, as follows:

	<u>Due Dates</u>	<u>Interest Rates</u>	<u>Balance</u>
General Fund			
Economic Development Loans	2022 - 2030	0.0 - 3.0%	\$ 144,000
Development Authority Fund			
Economic Development Loans	2022 - 2030	0.0 - 3.0%	1,036,041
Electric Fund			
Economic Development Loans	2022- 2030	0.0 - 3.0%	<u>80,837</u>
Total			<u>\$ 1,260,878</u>

**CITY OF DETROIT LAKES, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2021**

NOTE 7. CAPITAL ASSETS

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

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Governmental Activities:				
Capital Assets, Not Being Depreciated:				
Land	\$ 9,240,550	\$ 53,752	\$	\$ 9,294,302
Land Improvements	16,427			16,427
Construction in Progress	30,143,680	8,583,522	4,568,585	34,158,617
Total Capital Assets, Not Being Depreciated	<u>39,400,657</u>	<u>8,637,274</u>	<u>4,568,585</u>	<u>43,469,346</u>
Capital Assets, Being Depreciated:				
Buildings	28,429,172	302,642		28,731,814
Equipment	8,606,254	757,422	220,647	9,143,029
Improvements Other Than Buildings	62,274,554	4,564,312		66,838,866
Total Capital Assets, Being Depreciated	<u>99,309,980</u>	<u>5,624,376</u>	<u>220,647</u>	<u>104,713,709</u>
Less Accumulated Depreciation For:				
Buildings	13,025,531	773,111		13,798,642
Equipment	5,472,074	599,834	220,647	5,851,261
Improvements Other Than Buildings	17,686,063	1,600,385		19,286,448
Total Accumulated Depreciation	<u>36,183,668</u>	<u>2,973,330</u>	<u>220,647</u>	<u>38,936,351</u>
Total Capital Assets, Being Depreciated, Net	<u>63,126,312</u>	<u>2,651,046</u>		<u>65,777,358</u>
Net Capital Assets - Government Activities	<u>\$ 102,526,969</u>	<u>\$ 11,288,320</u>	<u>\$ 4,568,585</u>	<u>\$ 109,246,704</u>
Business-type Activities:				
Capital Assets, Not Being Depreciated:				
Land	\$ 1,216,557	\$	\$	\$ 1,216,557
Construction in Progress	32,366,346	6,844,187	33,399,135	5,811,398
Total Capital Assets, Not Being Depreciated	<u>33,582,903</u>	<u>6,844,187</u>	<u>33,399,135</u>	<u>7,027,955</u>
Capital Assets, Being Depreciated:				
Buildings	11,998,395	31,775,531		43,773,926
Equipment	4,977,221	269,292	116,942	5,129,571
Improvements Other Than Buildings	69,692,852	1,545,309		71,238,161
Total Capital Assets, Being Depreciated	<u>86,668,468</u>	<u>33,590,132</u>	<u>116,942</u>	<u>120,141,658</u>
Less Accumulated Depreciation For:				
Buildings	6,609,430	1,068,823		7,678,253
Equipment	3,057,557	349,623	116,942	3,290,238
Improvements Other Than Buildings	26,252,074	1,433,799		27,685,873
Total Accumulated Depreciation	<u>35,919,061</u>	<u>2,852,245</u>	<u>116,942</u>	<u>38,654,364</u>
Total Capital Assets, Being Depreciated, Net	<u>50,749,407</u>	<u>30,737,887</u>		<u>81,487,294</u>
Net Capital Assets - Business-Type Activities	<u>\$ 84,332,310</u>	<u>\$ 37,582,074</u>	<u>\$ 33,399,135</u>	<u>\$ 88,515,249</u>

**CITY OF DETROIT LAKES, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2021**

Depreciation expense was charged to functions/programs of the City as follows:

Governmental Activities	
General Government	\$ 428,284
Public Safety	329,991
Public Works	1,467,430
Culture & Recreation	557,372
Airport	190,253
Total Depreciation Expense - Governmental Activities	<u>\$ 2,973,330</u>
Business-type Activities	
Electric Utility	\$ 819,075
Water Utility	539,276
Wastewater Utility	1,396,222
Liquor Store	97,672
Total Depreciation Expense - Business-type Activities	<u>\$ 2,852,245</u>

NOTE 8. LONG-TERM LIABILITIES

A. General Obligation Sales Tax Bonds

The City issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities. General obligation sales tax bonds have been issued for the construction of a new police department facility. On June 1, 2020, the City issued a bond for \$6,245,000. In 2020, the City drew \$3,276,457 of this bond issue and drew the remaining \$2,968,543 in 2021.

General obligation sales tax bonds are direct obligations and pledge the full faith and credit of the government. General obligation sales tax bonds currently outstanding are as follows:

Purpose	Interest Rate	Amount
Governmental Activities	1.5% % \$	3,675,000

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

Year Ending December 31	Governmental Activities	
	Principal	Interest
2022	\$ 1,140,000	\$ 47,288
2023	1,140,000	30,188
2024	1,140,000	13,088
2025	255,000	600
	<u>\$ 3,675,000</u>	<u>\$ 91,164</u>

B. General Obligation Improvement Bonds

General obligation improvement bonds are issued for the construction of major capital improvements having a relatively long life. They are payable from special assessments levied and collected on local improvements to property and are backed by the full faith and credit of the City. The original amount of special assessment bonds issued in prior years was \$31,868,250.

**CITY OF DETROIT LAKES, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2021**

Special assessment bonds currently outstanding are as follows:

<u>Purpose</u>	<u>Interest Rate</u>	<u>Amount</u>
Governmental Activities	.40 - 4.00 %	\$ 17,167,000
Governmental Activities- Refunding	1.00 - 1.25	2,190,000
Total Governmental Activities		<u>19,357,000</u>
Business-Type Activities	2.00 - 2.50	305,500
		<u>\$ 19,662,500</u>

Annual debt service requirements to maturity for special assessment bonds are as follows:

<u>Year Ending December 31</u>	<u>Governmental Activities</u>		<u>Business-Type Activities</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2022	\$ 2,415,000	\$ 486,658	\$ 58,000	\$ 7,000
2023	2,167,000	425,819	57,500	5,556
2024	1,762,500	371,883	57,500	4,119
2025	1,538,000	326,683	57,000	2,688
2026	1,563,000	285,910	57,000	1,263
2027-2031	5,108,000	985,503	18,500	275
2032-2036	3,325,000	424,967		
2037-2041	1,478,500	73,586		
	<u>\$ 19,357,000</u>	<u>\$ 3,381,009</u>	<u>\$ 305,500</u>	<u>\$ 20,901</u>

C. Revenue Bonds

The government also issues bonds where the government pledges income derived from the acquired or constructed assets to pay debt service. The original amount of revenue bonds issued in prior years was \$9,201,628.

Revenue bonds currently outstanding are as follows:

<u>Purpose</u>	<u>Interest Rate</u>	<u>Amount</u>
Business-Type Activities	1.00 - 5.00 %	\$ 5,249,531

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

<u>Year Ending December 31</u>	<u>Business-Type Activities</u>	
	<u>Principal</u>	<u>Interest</u>
2022	\$ 640,655	\$ 141,700
2023	654,034	125,981
2024	327,505	112,110
2025	341,149	102,085
2026	349,852	92,576
2027-2031	1,271,336	341,259
2032-2036	1,295,000	158,624
2037-2041	370,000	15,788
	<u>\$ 5,249,531</u>	<u>\$ 1,090,123</u>

**CITY OF DETROIT LAKES, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2021**

D. Other Bonds, Notes and Loans Payable

The City received financing from the State of Minnesota for the construction of a hangar at the airport. The loan was issued at zero percent interest and has a ten-year term. The original amount of the loan was \$483,817. Repayment of the debt is the responsibility of the Airport Fund. The balance on the loan as of December 31, 2021 was \$22,117.

In prior years, the City received \$241,740 from Midwest Minnesota Community Development Corporation to finance a Tax Increment Redevelopment District. The loan had a 7.75% interest rate and was being paid by the Debt Service Fund. The balance of the loan on December 31, 2021 was \$0.

In 2018, the City signed a loan agreement to receive a maximum of \$16,336,065 in General Obligation Bonds from the State of Minnesota Public Facilities Authority to finance a portion of the replacement cost of the City's wastewater treatment plant. The bond has a 1.099% interest rate and is being paid by the Wastewater Treatment Fund. Total construction draws against the bond were \$14,506,533 as of December 31, 2021. The balance of the bond on December 31, 2021 was \$12,137,462.

In prior years, the City received \$2,100,745 in General Obligation Bond financing from the State of Minnesota Public Facilities Authority to finance water treatment plant improvements. The bond has a 2.186% interest rate and is being paid by the Water Fund. The balance of the bond on December 31, 2021 was \$983,000.

In 2018, the City entered into a loan for \$1,713,278 which was borrowed under a 15 year Guaranteed Energy Savings Program arrangement with US Bank at an interest rate of 3.55% in order to upgrade the HVAC, lighting and other energy saving measures at its Detroit Lakes Community & Cultural Center (DLCCC). The DLCCC will repay the loan from the energy savings it realizes as a result of the upgrades. The balance of the loan as of December 31, 2021 was \$1,455,966.

In 2019, the City signed two loan agreements with the Minnesota Public Facilities Authority. One of the agreements was to finance sewer line replacement on West Avenue and Willow Street in the amount of \$554,510. As of December 31, 2021 balance of that loan was \$504,017. The other loan agreement was for water main replacement on West Avenue and Willow Street in the amount of \$1,988,748. The balance of that loan as of December 31, 2021 was \$1,803,209.

All loans are backed by the full faith and credit of the City. The Notes and Loans Payable outstanding are as follows:

<u>Purpose</u>	<u>Interest Rate</u>	<u>Balance</u>
Governmental Activities	0.00 - 7.75 %	\$ 2,833,697
Business-Type Activities	1.01 - 2.19	14,072,109
Total		<u>\$ 16,905,806</u>

Annual debt service requirements for notes and loans are as follows:

<u>Year Ending December 31</u>	<u>Governmental Activities</u>		<u>Business-Type Activities</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2022	\$ 190,713	\$ 63,331	\$ 965,806	\$ 172,986
2023	165,595	59,191	977,087	172,697
2024	174,025	54,990	989,369	160,747
2025	182,862	50,500	1,000,651	148,629
2026	192,241	45,711	1,012,933	136,366
2027-2031	1,119,420	145,091	4,984,206	494,814
2032-2036	570,034	27,391	3,971,482	220,884
2037-2039	238,807	4,890	170,575	13,814
	<u>\$ 2,833,697</u>	<u>\$ 451,095</u>	<u>\$ 14,072,109</u>	<u>\$ 1,520,937</u>

**CITY OF DETROIT LAKES, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2021**

E. Changes in Long-Term Liabilities

The following is a summary of the changes in long-term liabilities reported in the government-wide financial statements for the year ended December 31, 2021:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Governmental Activities					
Bonds Payable:					
G.O. Tax Increment Bonds	\$ 140,000	\$	\$ 140,000	\$	\$
G.O. Sales Tax Bonds	3,276,457	2,968,543	2,570,000	3,675,000	1,140,000
G.O. Improvement Bonds	23,921,750		4,564,750	19,357,000	2,415,000
Unamortized Premium	760,824		96,425	664,399	96,420
Total Bonds Payable	<u>28,099,031</u>	<u>2,968,543</u>	<u>7,371,175</u>	<u>23,696,399</u>	<u>3,651,420</u>
Notes and Loans Payable	3,131,431		297,734	2,833,697	190,713
Compensated Absences	615,280	360,104	348,978	626,406	291,622
OPEB Liability	746,195	9,258		755,453	
Net Pension Liability	2,915,263		973,941	1,941,322	
Governmental Activity Long-term Liabilities	<u>\$ 35,507,200</u>	<u>\$ 3,337,905</u>	<u>\$ 8,991,828</u>	<u>\$ 29,853,277</u>	<u>\$ 4,133,755</u>
Business-type Activities					
G.O. Improvement Bonds	\$ 362,750	\$	\$ 57,250	\$ 305,500	\$ 58,000
Unamortized Premium	119,702		7,339	112,363	7,339
Revenue Bonds Payable	5,861,818		612,287	5,249,531	640,617
Notes & Loans Payable	12,920,655	2,105,098	953,644	14,072,109	965,806
Compensated Absences	692,972	317,820	321,637	689,155	273,951
OPEB Liability	419,404	45,803		465,207	
Net Pension Liability	2,606,626		656,457	1,950,169	
Business-type Activity Long-term Liabilities	<u>\$ 22,983,927</u>	<u>\$ 2,468,721</u>	<u>\$ 2,608,614</u>	<u>\$ 22,844,034</u>	<u>\$ 1,945,713</u>

For governmental activities, compensated absences, other postemployment benefit liability, and net pension liability are generally liquidated by the General Fund.

F. Conduit Debt (No Commitment Debt)

The City issued a Municipal Industrial Development Revenue Act Bond in 2013, at the request of CDL Homes (a non-profit corporation), in order to refund existing conduit bonds and replace them with new conduit debt in the amount of \$2,670,748. The new bond was secured by an assignment of the Loan Agreement, a Guaranty Agreement, Mortgage, Security Agreement, and Fixture Financing Statement. Accordingly, the bond is not reported as a liability in the accompanying financial statements. As of December 31, 2021, the principal amount payable was \$1,966,596

The City issued a Municipal Industrial Development Revenue Act Bond in 2016, at the request of Lakes Homes & Program Development, Inc., (a non-profit corporation), in order to refund existing conduit bonds and finance new construction and acquisition of additional properties. The new conduit debt was in the amount of \$2,715,000. The new bond was secured by an assignment of the Loan Agreement, a Guaranty Agreement, Mortgage, Security Agreement, and Fixture Financing Statement. Accordingly, the bond is not reported as a liability in the accompanying financial statements. As of December 31, 2021, the principal amount payable was \$2,074,808.

**CITY OF DETROIT LAKES, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2021**

NOTE 9. RISK MANAGEMENT

The City is exposed to various risks of loss related to torts; theft of, damage to, or destruction of assets; errors and omissions; injuries to employees; or natural disasters. The City participates with other cities in the League of Minnesota Cities Insurance Trust (LMCIT) to provide its general liability, casualty and property coverage and to provide workers' compensation insurance for its employees.

Additionally, the City self-insures the electric distribution assets of the Electric Fund because the deductible for such coverage is \$50,000 per loss for maximum coverage of \$500,000 per loss.

The City's general liability policy is on a claims-made basis with an each occurrence deductible of \$10,000 and an annual aggregate deductible of \$20,000 and provides the annual Minnesota Statutory limit of \$1,500,000 in liability coverage. For the year ended December 31, 2021, premiums of liability and property coverage totaled \$264,809. The City also provides a blanket dishonesty policy that includes a faithful performance bond on all employees up to \$250,000. The City's Municipal Liquor Store has a separate general liability/liquor liability policy that provides for \$1,500,000 of coverage. The cost for the liquor store liability premium in 2021 was \$8,262. There has been no significant reduction in insurance coverage since 2005. The City receives a dividend each year and this amount is assigned in the General Fund to pay for the deductible portion of future claims. As of December 31, 2021 the amount assigned in the General Fund was \$707,345.

Total liability claims paid in 2020 and 2021 were \$17,107 and \$19,519 respectively, and there were no unpaid claims as of December 31, 2021. Settled claims have not exceeded this commercial coverage in any of the past three fiscal years.

The City also participates in the LMCIT pooled self-insurance program for its workers' compensation insurance program that is administered by a third-party, Berkley Risk Administrators. If deemed necessary, LMCIT may require the City to pay supplemental assessments. The LMCIT re-insures through Workers Compensation Reinsurance Association (WCRA) as required by law. The City has elected to participate in the Trust's premium refund option whereby a share of excess surplus funds, if any, is returned to the City according to the City's loss experience. The annual premium for the City for workers' compensation for the year ended December 31, 2021 was \$247,074 for the premium option. The City also participates in a managed care program for workers' compensation claims to provide better care for injured workers and to realize further savings on the cost of workers' compensation. As of December 31, 2021, the premium refund option has resulted in savings of \$539,868 for the City, which is presented as part of the assigned fund balance in the General Fund.

In 2013, as a result of the continuing increase in health care premiums, the City Council determined it would be prudent to begin to self-insure a portion of the healthcare costs. Exempt employees were offered a high deductible healthcare plan that, as of 2017, had a \$3,250 deductible for singles and \$6,500 for families. The City contracted for a plan that calls for the insurance company to begin paying when the deductible exceeds \$5,950 for singles or \$11,900 for families. The City would reimburse each employee for the healthcare expenses paid between \$3,250 and \$5,950 for singles and between \$6,500 and \$11,900 for families. In order to do this, the City Council determined to fund the self-insured portion by creating a pool of assets based on the City's risk exposure. The City contributed 30% of the potential at risk amount in 2016 and 30% in 2017. In 2018, the City changed the health care insurance offerings to its employees. The new offerings included an option with a \$3,350 single deductible and \$6,700 family deductible. This option was chosen by all employees so it eliminated the need to continue to fund the risk pool. In 2020 and 2021, the amount contributed to that pool was \$0 and \$0 respectively. Claims paid out in 2020 and 2021 were \$0 and \$0 respectively.

Employees covered by collective bargaining agreements have been offered the option to become a part of this plan.

As of December 31, 2021, the amount assigned in the General Fund was \$299,323 for the self-insured option.

**CITY OF DETROIT LAKES, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2021**

NOTE 10. INTER-FUND BALANCES AND TRANSFERS

The composition of inter-fund transfers as of December 31, 2021 is as follows:

	<u>General Fund</u>	<u>Debt Service Fund</u>	<u>Capital Projects Fund</u>	<u>Permanent Improve- ment Fund</u>	<u>Nonmajor Funds</u>	<u>Water Utility</u>	<u>Total</u>
Transfer Out:							
General Fund	\$	\$	\$	\$	\$ 580,657	\$	\$ 580,657
Debt Service Fund				18,122			18,122
Nonmajor Governmental Funds	56,000	155,008	24,150		294,677		529,835
Electric Fund	623,150						623,150
Wastewater Treatment						510,004	510,004
Liquor Fund	588,969						588,969
Total Transfers	<u>\$ 1,268,119</u>	<u>\$ 155,008</u>	<u>\$ 24,150</u>	<u>\$ 18,122</u>	<u>\$ 875,334</u>	<u>\$ 510,004</u>	<u>\$ 2,850,737</u>

In 2021, the General Fund transferred \$50,000 to the Bond Emergency Fund for the 25% share of fines and permits pursuant to the City Charter. The General Fund also made a transfer of \$271,524 to the Fire Department Fund for the City's share of expenditures per the calculation that divides expenditures between the City and the townships served. The General Fund transferred \$5,975 to the Equipment Fund to fund future replacement of capital items for the police school liaison and \$142,200 to the Sports Arena Fund for the City's portion of the expenditures for the Arena. During 2021 the General Fund transferred \$110,958 to the Art in Public Spaces special revenue fund. These were net proceeds from the 150 sails up sailboat sculpture project that are to be used for future public art projects.

The Debt Service Fund transferred \$18,122 to the Permanent Improvement Fund. The Permanent Improvement Fund issued debt related to a Tax Increment Financing project. This transfer is the TIF District making a payment on that debt.

The Bond Emergency Fund transferred \$50,000 of excess funds to the General Fund.

The Storm Water Fund transferred \$6,000 to the General Fund for storm water code enforcement.

The Storm Water Fund transferred \$155,008 to the Debt Service Fund for the storm water share of various bond payments.

The Food and Beverage Tax Fund transferred \$12,150 to the Capital Projects Fund to cover capital costs related to the museum parking lot project.

A \$12,000 transfer was made from the Equipment Fund to the Capital Project Fund to cover capital costs related to the south shore park project.

The Fire Fund transferred \$218,070 to the Equipment Fund for future capital purchases.

The Arena Fund transferred \$76,607 to the Equipment Fund for future capital purchases.

The Electric Fund transferred \$623,150 to the General Fund for payment in lieu of taxes.

The Wastewater Treatment Fund transferred \$510,004 to the Water Utility Fund to cover costs of water meters.

The Liquor Fund transferred \$588,969 to the General Fund to subsidize operations.

**CITY OF DETROIT LAKES, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2021**

The composition of due to/from other funds as of December 31, 2021 is as follows:

<u>Receivable</u>	<u>Payable</u>	<u>Amount</u>
Permanent Improvement	Debt Service	\$ 146,643
Electric	Capital Projects	742,725
Electric	Airport	721,472
Electric	Nonmajor Governmental Funds	7,172
Total Due To/From		<u>\$ 1,618,012</u>

The amounts payable are to finance capital purchases and construction costs to be repaid by tax levy or utility rates and to cover negative cash balances.

The Advance from Other Funds and Advance to Other Funds as of December 31, 2021, are as follows:

<u>Fund</u>	<u>Advance to Other Funds</u>	<u>Advance from Other Funds</u>
Development Authority	\$	\$ 860,000
Debt Service		104,012
Enterprise:		
Electric Utility	964,012	
Total Advances	<u>\$ 964,012</u>	<u>\$ 964,012</u>

The Electric Fund has advanced \$2,300,000 to the Development Authority Fund and \$329,700 to the Debt Service Fund for economic development loans. The current balance of the advance to the Development Authority is \$860,000, and the current balance of the advance to the Debt Service Fund is \$104,012. Additional annual payments are expected on these advances.

**CITY OF DETROIT LAKES, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2021**

NOTE 11. CLASSIFICATION OF FUND BALANCE FOR GOVERNMENTAL FUND TYPES

At December 31, 2021, a summary of the governmental fund balance classifications are as follows:

	General Fund	Development Authority Fund	Debt Service Fund	Capital Projects Fund	Permanent Improvement Fund	Airport Fund	Nonmajor Governmental Funds	Total
Nonspendable for:								
Notes Receivable	\$ 144,000	\$	\$	\$	\$	\$	\$	\$ 144,000
Prepaid	25,750						425	26,175
Total Nonspendable	<u>169,750</u>						<u>425</u>	<u>170,175</u>
Restricted for:								
Revolving Loan Fund		2,426,565						2,426,565
Debt Service			5,128,153				151,510	5,279,663
Food and Beverage							1,093,307	1,093,307
Lodging Promotion							193,144	193,144
Park Improvements							171,344	171,344
Public Art Projects							113,424	113,424
Total Restricted		<u>2,426,565</u>	<u>5,128,153</u>				<u>1,722,729</u>	<u>9,277,447</u>
Committed for:								
Development		274,095						274,095
Library							101,447	101,447
Airport						697,432		697,432
Permanent Improvement					2,128,057			2,128,057
Sanitation and Health							648,875	648,875
Equipment and Building								
Improvements							3,174,357	3,174,357
Total Committed		<u>274,095</u>			<u>2,128,057</u>	<u>697,432</u>	<u>3,924,679</u>	<u>7,024,263</u>
Assigned for:								
Health Insurance	299,323							299,323
Workers' Compensation	539,868							539,868
General Liability Insurance	707,345							707,345
Compensated Absences	626,406							626,406
Total Assigned	<u>2,172,942</u>							<u>2,172,942</u>
Unassigned:								
	<u>4,169,199</u>			<u>(1,282,310)</u>				<u>2,886,889</u>
Totals	<u>\$ 6,511,891</u>	<u>\$ 2,700,660</u>	<u>\$ 5,128,153</u>	<u>\$ (1,282,310)</u>	<u>\$ 2,128,057</u>	<u>\$ 697,432</u>	<u>\$ 5,647,833</u>	<u>\$ 21,531,716</u>

NOTE 12. EXCESS OF ACTUAL EXPENDITURES OVER FINAL BUDGET

The following funds had excess expenditures over budget for the year ended December 31, 2021:

Fund	Expenditures in Excess of Budget
General	\$ 66,447
Fire	16,813
Debt Service	3,620,804
Airport	2,361,257
Permanent Improvement Fund	122,598
Library	12,512
Equipment	568,838
Sports Arena	10,582
Total	<u>\$ 6,779,851</u>

All of the funds have excess revenues or adequate reserves to offset the excess expenditures.

**CITY OF DETROIT LAKES, MINNESOTA
 NOTES TO THE FINANCIAL STATEMENTS
 DECEMBER 31, 2021**

NOTE 13. COMMITTED CONSTRUCTION

At December 31, 2021, the City had commitments for six uncompleted construction contracts with a remaining balance of \$4,312,304.

Fund	Project	Amount
Capital Project Fund	Bergquist/Ridgeview Project	\$ 178,804
Capital Project Fund	Lake Forest 8th Addition	174,535
Capital Project Fund	New Public Works Facility	34,850
Capital Project Fund	Willow/Holmes/Fraze Project	3,250,757
Airport	Airport Hangar Improvemnet (2021)	95,600
Airport	Airport Life Link Hangar (2021)	577,758
Total		<u>\$ 4,312,304</u>

NOTE 14. OTHER POSTEMPLOYMENT BENEFITS

Plan Description - The City's Plan is a single-employer defined benefit healthcare plan to eligible retirees and their spouses. The authority and requirement to provide these benefits is established in Minnesota Statutes Section 471.61, Subd. 2b. The benefit levels, employee contributions, and employer contributions are governed by the City and can be amended by the City through the City's collective bargaining agreements with employee groups.

Benefits Provided – The City provides healthcare benefits for retirees and their dependents. Benefits are provided through a third-party insurer, and the full cost of the benefits is covered by the plan.

Funding Policy - Retirees and their spouses contribute to the healthcare plan at the same rate as City employees. Since the premium is a blended rate determined on the entire active and retiree population, the retirees are receiving an implicit rate subsidy. The City provides postemployment healthcare benefits to qualifying retirees.

Employees Covered by Benefit Term – At December 31, 2021, the following employees were covered by the benefit terms:

Inactive plan members or beneficiaries currently receiving benefit payments	12
Active plan members	84
Total Members	<u>96</u>

Total OPEB Liability – The City's total OPEB liability of \$1,220,660 was measured as of December 31, 2020 and was determined by valuation as of December 31, 2019 using the Alternative Measurement Method prescribed by GASB 75.

Assumptions – The total OPEB liability in the December 31, 2019 valuation was determined using the following assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Wage Inflation	2.25 percent
Healthcare Cost Trend Rates	6.7 percent decreasing to 3.8 percent in FY2075 and later years.

Mortality rates were based on the Pub-2010 general mortality tables with projected mortality improvements based on scale MP-2019, and other adjustments for the general employees and RP-2014 mortality tables with projected mortality improvements based on scale MP-2019, and other adjustments for police and fire members.

The discount rate is based on the estimated yield of 20-year tax-exempt municipal bonds. The overall single discount rate is 2.00%.

**CITY OF DETROIT LAKES, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2021**

In the December 31, 2019 valuation, the entry age normal level percent of pay cost method was used.
Changes in the Total OPEB Liability:

	Total OPEB Liability
Balance at 12/31/2020	\$ 1,165,599
Changes for the year:	
Service Cost	64,141
Interest Cost	32,566
Changes of Assumptions	61,182
Differences between Expected and Actual Experience	(11,766)
Benefit Payments	(91,062)
Net Changes	55,061
Balance at 12/31/2021	\$ 1,220,660

Sensitivity of the Total OPEB Liability to Changes in the Discount Rate – The following presents the total OPEB liability of the City, as well as what the City’s total OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (1.00 percent) or one percentage point higher (3.00 percent) than the current rate:

Total OPEB Liability		
1% Decrease (1.00%)	Current (2.00%)	1% Increase (3.00%)
\$ 1,306,821	\$ 1,220,660	\$ 1,139,764

Sensitivity of the Total OPEB Liability to Changes in the Healthcare Cost Trend Rates – The following presents the total OPEB liability of the City, as well as what the City’s total OPEB liability would be if it were calculated using healthcare cost trend rates of 6.7%, gradually decreasing over several decades to an ultimate rate of 3.8% in FY2075 and later years.

Healthcare Cost Trend Rates		
1% Decrease (5.7%)	Current (6.7%)	1% Increase (7.7%)
\$ 1,128,781	\$ 1,220,660	\$ 1,329,988

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB – For the year ended December 31, 2021, the City recognized OPEB expense of \$146,123. At December 31, 2021, the City reported outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Employer contributions paid subsequent to the measurement date	\$ 76,860	\$ -
Total	\$ 76,860	\$ -

\$76,860 reported as deferred outflows of resources related to OPEB resulting from City contributions to OPEB subsequent to the measurement date will be recognized as a reduction of the total pension liability in the year ending December 31, 2022.

**CITY OF DETROIT LAKES, MINNESOTA
 NOTES TO THE FINANCIAL STATEMENTS
 DECEMBER 31, 2021**

NOTE 15. CONTINGENT LIABILITIES

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

The City is involved in a legal action. Although the outcome cannot be determined, the City believes any potential liability would not have a material impact on the financial condition of the City.

NOTE 16. TAX ABATEMENT DISCLOSURE

The City participates in several tax increment financing (TIF) arrangements with various developers and one tax abatement arrangement with a local business.

Type of Abatement	Amount of Taxes Abated
Economic Development TIF	\$ 13,138
Housing Development TIF	71,951
Redevelopment TIF	146,665
Renewal and Renovation TIF	2,865
Tax Abatement	1,129
Total	<u>\$ 235,748</u>

The City has three economic development TIF Districts. Property taxes paid on the new development that generated the increased tax capacity is returned to the developer. The City entered the TIF arrangements in accordance with MN Statutes to promote and secure additional employment opportunities within the City.

The City has six housing development TIF Districts. Property taxes paid on the new development that generated the increased tax capacity is returned to the developer. The City entered the TIF arrangements in accordance with MN Statutes to assist development of owner-occupied and rental housing for low-income and moderate-income individuals and families.

The City has ten redevelopment TIF Districts. Property taxes paid on the new development that generated the increased tax capacity is returned to the developer. The City entered the TIF arrangements in accordance with MN Statutes to eliminate blighted conditions.

The City has one renewal and renovation TIF District. Property taxes paid on the new development that generated the increased tax capacity is returned to the developer. The City entered the TIF arrangement in accordance with MN Statutes to eliminate blighted conditions.

The City has one tax abatement agreement. Property taxes paid in excess of the base property value are returned to the business owner. The City entered into the tax abatement agreement in accordance with MN Statutes to develop new jobs within the City and increase the tax base in the City. The agreement specifies that a minimum number of employees at a set rate of pay will be maintained.

NOTE 17. DEFINED BENEFIT PENSION PLANS

PUBLIC EMPLOYEES RETIREMENT ASSOCIATION - STATE-WIDE PLAN

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

**CITY OF DETROIT LAKES, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2021**

General Employees Retirement Plan

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

Public Employees Police and Fire Plan

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

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.

General Employees Plan Benefits

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

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

Police and Fire Plan Benefits

Benefits for the 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 ten years of credited service. Benefits for Police and Fire Plan members first hired after June 30, 2014, vest on a prorated basis from 50% after ten years up to 100% after twenty 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 percent. Recipients that have been receiving the annuity or benefit for at least 36 months as of 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.

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

General Employees Fund Contributions

Coordinated Plan members were required to contribute 6.50%, of their annual covered salary in fiscal year 2021 and the City was required to contribute 7.50% for Coordinated Plan members. The City's contributions to the General Employees Fund for the year ended December 31, 2021, were \$393,204. The City's contributions were equal to the required contributions as set by state statute.

Police and Fire Fund Contributions

Police and Fire member's were required to contribute 11.8 percent of their annual covered salary in fiscal year 2021 and the City was required to contribute 17.7 percent for Police and Fire Plan members. The City's contributions to the Police

**CITY OF DETROIT LAKES, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2021**

and Fire Fund for the year ended December 31, 2021, were \$237,788. The City's contributions were equal to the required contributions as set by state statute.

Pension Costs – General Employees Fund Pension Costs

At December 31, 2021, the City reported a liability of \$3,027,742 for its proportionate share of the General Employees Fund's net pension liability. The City's net pension liability reflected a reduction due to the State of Minnesota's contribution of \$16 million. The State of Minnesota is considered a non-employer contributing entity and the state's contribution meets the definition of a special funding situation. The State of Minnesota's proportionate share of the net pension liability associated with the City totaled \$92,505.

The net pension liability was measured as of June 30, 2021, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City's proportionate share of the net pension liability was based on the City's contributions received by PERA during the measurement period for employer payroll paid dates from July 1, 2020 through June 30, 2021 relative to the total employer contributions received from all of PERA's participating employers. The City's proportion share was 0.00071% at the end of the measurement period and 0.00068% for the beginning of the period.

City's proportionate share of net pension liability	\$	3,027,742
State of Minnesota's proportionate share of the net pension liability associated with the City		92,505
Total	\$	<u>3,120,247</u>

For the year ended December 31, 2021, the City recognized pension expense of \$70,636 for its proportionate share of General Employee Plan's pension expense. In addition, the City recognized an additional \$7,464 as pension expense (and grant revenue) for its proportionate share of the State of Minnesota's contribution of \$16 million to the General Employees Fund.

At December 31, 2021, the City reported its proportionate share of the General Employees Plan's deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ 17,133	\$ 92,144
Difference between projected and actual investment earnings		2,631,444
Changes in actuarial assumptions	1,848,681	63,104
Changes in proportion	225,171	
Contributions paid to PERA subsequent to the measurement date	196,602	
Total	<u>\$ 2,287,587</u>	<u>\$ 2,786,692</u>

\$196,602 reported as deferred outflows of resources related to pensions resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending December 31, 2022. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending December 31	Pension Expense Amount
2022	\$ (40,895)
2023	37,198
2024	23,189
2025	(715,199)

Pension Costs – Police and Fire Fund Pension Costs

At December 31, 2021 the City reported a liability of \$863,749 for its proportionate share of the Police and Fire Fund's net pension liability. The net pension liability was measured as of June 30, 2021 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City's proportionate share of the net pension liability was based on the City's contributions received by PERA during the measurement period for

**CITY OF DETROIT LAKES, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2021**

employer payroll paid dates from July 1, 2020 through June 30, 2021 relative to the total employer contributions received from all of PERA's participating employers. The City's proportionate share was .00112% at the end of the measurement period and .00119% for the beginning of the period.

The State of Minnesota also contributed \$18 million to the Police and Fire Fund in the plan fiscal year ended June 30, 2021. The contribution consisted of \$9 million in direct state aid that does meet the definition of a special funding situation and \$9 million in supplemental state aid that does not meet the definition of a special funding situation. The \$9 million in direct state aid was paid on October 1, 2020. Thereafter, by October 1 of each year, the state will pay \$9 million to the Police and Fire Fund until full funding is reached or July 1, 2048, whichever is earlier. The \$9 million in supplemental state aid will continue until the fund is 90 percent funded, or until the State Patrol Plan (administered by the Minnesota State Retirement System) is 90 percent funded, whichever occurs later. Strong asset returns for the fiscal year ended 2021 will accelerate the phasing out of these state contributions, although we do not anticipate them to be phased out during the fiscal year ending 2022.

The State of Minnesota is included as a non-employer contributing entity in the Police and Fire Retirement Plan Schedule of Employer Allocations and Schedule of Pension Amounts by Employer, Current Reporting Period Only (pension allocation schedules) for the \$9 million in direct state aid. Police and Fire Plan employers need to recognize their proportionate share of the State of Minnesota's pension expense (and grant revenue) under GASB 68 special funding situation accounting and financial reporting requirements. For the year ended December 31, 2021, the City recognized pension expense of (\$34,606) for its proportionate share of the Police and Fire Plan's pension expense. In addition, the City recognized an additional \$7,070 as pension expense (and grant revenue) for its proportionate share of the State of Minnesota's pension expense for the contribution of \$9 million to the Police and Fire Fund.

The State of Minnesota is not included as a non-employer contributing entity in the Police and Fire Pension Plan pension allocation schedules for the \$9 million in supplemental state aid. The City also recognized \$10,071 for the year ended December 31, 2021 as revenue and an offsetting reduction of net pension liability for its proportionate share of the State of Minnesota's on-behalf contributions to the Police and Fire Fund.

At December 31, 2021, the City reported its proportionate share of the Police and Fire Plan's deferred outflows of resources and deferred inflows of resources from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ 164,931	\$
Difference between projected and actual investment earnings		1,647,542
Changes in actuarial assumptions	1,269,483	447,108
Changes in proportion	69,100	
Contributions paid to PFF subsequent to the measurement date	118,894	
Total	\$ 1,622,408	\$ 2,094,650

\$118,894 reported as deferred outflows of resources related to pensions resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending December 31, 2022. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending December 31	Pension Expense Amount
2022	\$ (523,572)
2023	(87,966)
2024	(89,683)
2025	(167,831)
2026	277,916

Long-Term Expected Return on Investment – The State Board of Investment, which manages the investments of PERA, prepares an analysis of the reasonableness on a regular basis of the long-term expected rate of return using a building-block method in which best-estimate ranges of expected future rates of return are developed for each major asset class. These ranges are combined to produce an expected long-term rate of return by weighting the expected future rates of

**CITY OF DETROIT LAKES, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2021**

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

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Domestic Equity	33.50%	5.10%
Private Markets	25.00%	5.90%
Fixed Income	25.00%	0.75%
International Equity	16.50%	5.30%

Actuarial Methods and Assumptions – The total pension liability in the June 30, 2021, actuarial valuation was determined using an individual entry-age normal actuarial cost method. The long-term rate of return on pension plan investments used in the determination of the total liability is 6.50 percent. This assumption is based on a review of inflation and investments return assumptions from a number of national investment consulting firms. The review provided a range of return investment return rates deemed to be reasonable by the actuary. An investment return of 6.50 percent was deemed to be within that range of reasonableness for financial reporting purposes.

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

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

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

Actuarial assumptions for the General Employees Plan are reviewed every four years. The most recent four-year experience study for the General Employees Plan was completed in 2019. The assumption changes were adopted by the Board and became effective with the July 1, 2020 actuarial valuation. The most recent four-year experience studies for the Police and Fire was completed in 2020 and was adopted by the Board and became effective with the July 1, 2021 actuarial valuation.

The following changes in actuarial assumptions occurred in 2021:

General Employees Fund

Changes in Actuarial Assumptions:

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

Changes in Plan Provisions:

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

Police and Fire Fund

Changes in Actuarial Assumptions:

- The investment return and single discount rates were changed from 7.50 percent to 6.50 percent, for financial reporting purposes.
- The inflation assumption was changed from 2.50 percent to 2.25 percent.
- The payroll growth assumption was changed from 3.25 percent to 3.00 percent.
- The base mortality table for healthy annuitants and employees was changed from the RP-2014 table to the Pub-2010 Public Safety Mortality table. The mortality improvement scale was changed from MP-2019 to MP-2020.

**CITY OF DETROIT LAKES, MINNESOTA
 NOTES TO THE FINANCIAL STATEMENTS
 DECEMBER 31, 2021**

- The base mortality table for disabled annuitants was changed from the RP-2014 healthy annuitant mortality table (with future mortality improvement according to Scale MP-2019) to the Pub-2010 Public Safety disabled annuitant mortality table (with future mortality improvement according to Scale MP-2020).
- Assumed rates of salary increase were modified as recommended in the July 14, 2020 experience study. The overall impact is a decrease in gross salary increase rates.
- Assumed rates of retirement were changed as recommended in the July 14, 2020 experience study. The changes result in slightly more unreduced retirements and fewer assumed early retirements.
- Assumed rates of withdrawal were changed from select and ultimate rates to service-based rates. The changes result in more assumed terminations.
- Assumed rates of disability were increased for ages 25-44 and decreased for ages over 49. Overall, proposed rates result in more projected disabilities.
- Assumed percent married for active female members was changed from 60 percent to 70 percent. Minor changes to form of payment assumptions were applied.

Changes in Plan Provisions:

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

Discount Rate – The discount rate used to measure the total pension liability in 2021 was 6.50%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and employers will be made at rates set in Minnesota Statutes. Based on these assumptions, the fiduciary net positions of the General Employees Fund and the Police and Fire Fund was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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:

City Proportionate Share of NPL			
	1% Decrease (5.5%)	Current (6.5%)	1% Increase (7.5%)
General Employees Fund	\$ 6,175,060	\$ 3,027,742	\$ 445,186
Police and Fire Fund	2,742,258	863,749	(676,162)

Pension Plan Fiduciary Net Position – Detailed information about each defined benefit pension plan’s fiduciary net position is available in a separately issued PERA financial report. That report may be obtained on the Internet at www.mnpera.org.

NOTE 18. DETROIT LAKES FIRE RELIEF ASSOCIATION PENSION FUND

Plan Description

The Detroit Lakes Fire Department Relief Association is the administrator of a single employer lump-sum defined benefit pension plan available to firefighters, retired and active, of the City of Detroit Lakes. The plan operates under the provisions of Minn. Stat. §§ 69.051 and 69.80. The assets of the fund are dedicated to providing pension benefits to the plan members.

**CITY OF DETROIT LAKES, MINNESOTA
 NOTES TO THE FINANCIAL STATEMENTS
 DECEMBER 31, 2021**

Plan Membership

At December 31, 2021, the membership of the Association consisted of:

Retired and Terminated Members:	
Deferred benefits	7
Current Members:	
Fully Vested (20 years or more)	1
Partially Vested (5 years to 19 years)	13
Nonvested (less than 5 years)	<u>11</u>
Total	<u>32</u>

Plan provisions are established and may be amended by the Association's Board of Trustees within the guidelines of the State of Minnesota statutes.

Benefit Provisions

Twenty Year Service Pension

Each member who is at least 50 years of age; has retired from the Detroit Lakes Fire Department, has served at least twenty (20) years of active service with such department before retirement; shall be entitled to a lump sum service pension in the amount of \$8,300 for each completed full year of service (including each year over 20) but not exceeding the maximum amount per year of service allowed by law for the minimum average amount of available financing per firefighter as prescribed by law.

Five Year Service, but Less than Twenty Year Service

Each member who is at least 50 years of age, has retired from the Fire Department, has served at least 5 years of active service with such department before retirement, but has not served at least 20 years of active service, and has been a member of the Association in good standing at least 5 years prior to such retirement, shall be entitled to pro-rated sum service pension based on the percentages in the following table:

For Duty of:

More than 4 years	Less than 5 years	0%
5	6	40
6	7	44
7	8	48
8	9	52
9	10	56
10	11	60
11	12	64
12	13	68
13	14	72
14	15	76
15	16	80
16	17	84
17	18	88
18	19	92
19	20	96
20	21	100

The payment amount will be calculated by using the amount payable per year of service in effect at the time of such early retirement, multiplied by the number of accumulative years of service, multiplied by the appropriate percentage as defined above.

**CITY OF DETROIT LAKES, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2021**

Disability Benefits

If a member of this Association shall become totally and permanently disabled to the extent that a physician or surgeon acceptable to the board of trustees shall certify that such disability will permanently prevent said member from performing their duties in the Detroit Lakes Fire Department, the Association shall pay to such member the sum of \$8,300 for each year that they have served as an active member of said fire department. If a member who has received such disability pension should subsequently recover and return to active duty in the Detroit Lakes Fire Department, any amount paid to them as a disability pension shall be deducted from their retirement pension.

Death Benefits

Upon the death of any member of the Association who is in good standing at the time of their death, the Association shall pay to the surviving spouse, if any, and if no surviving spouse, to surviving child or children, if any, and if no child or children survive, to the estate of such deceased member the sum of \$9,800 for each year that they served as an active member of the Detroit Lakes Fire Department.

State Supplemental Benefits

Minnesota Statutes Section 424A.10 provides for the payment of a supplemental benefit equal to ten percent of a regular lump sum distribution up to a maximum of \$1,000. The supplemental benefit is in lieu of state income tax exclusion for lump sum distributions and will no longer be available if state tax law is modified to exclude lump sum distributions from state income tax. The Detroit Lakes Fire Department Relief Association qualifies for these benefits.

Funding Requirements

Minnesota Statutes Section 424A.092 specifies minimum contributions required on an annual basis. The minimum contribution from the City of Detroit Lakes is determined as follows:

Normal Cost

- + Amortization Payment on Unfunded Actuarial Liability Prior to Any Changes
- + Amortization Contribution on Unfunded Actuarial Liability Attributed to Any Change
- + Administrative Expenses
- Anticipated State Aid
- Projected Investment Earnings @ 5.0 percent

Total Contribution Required

Plan members are volunteers with no contribution requirements.

Minnesota Statutes Section 424A.092 specifies minimum support rates required on an annual basis. The minimum support rates from the municipality and from State aid are determined as the amount required to meet the normal cost plus amortizing any existing prior service costs over a ten-year period. The significant actuarial assumptions used to compute the municipal support are the same as those used to compute the accrued pension liability. The Association is comprised of volunteers; therefore, there are no payroll expenditures (i.e., there are no covered payroll percentage calculations).

Contributions totaling \$125,148 were made by the State of Minnesota in accordance with State Statute requirements for the year ended December 31, 2021. These contributions were for normal costs of \$119,103 and supplemental benefit reimbursements of \$5,000. The City of Detroit Lakes also made a contribution to the Association of \$25,388. The City's statutorily required contribution was \$0.

Pension Costs

At December 31, 2021, the City reported a net pension asset of \$1,119,170 for the plan. The net pension asset was measured as of December 31, 2021. The total pension liability used to calculate the net pension asset in accordance with GASB 68 was determined by applying an actuarial formula to specific census data certified by the fire department as of December 31, 2021. The following table presents the changes in net pension liability during the year.

**CITY OF DETROIT LAKES, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2021**

Changes in Net Position Liability

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (c) = (a) - (b)
	\$	\$	\$
Balance at previous Measurement Date 12/31/2020	1,215,205	2,314,909	(1,099,704)
Changes for the year:			
Service cost	101,645		101,645
Interest	72,366		72,366
Differences between expected and actual experience	3,513		
Changes in assumptions	10,912		
Changes in benefit terms	259,053		259,053
Contributions - State and local		141,216	(141,216)
Contributions - donations and other income		42,857	(42,857)
Net investment income		289,639	(289,639)
Other Deductions		(100)	100
Benefit payments, including member contribution refunds	(116,632)	(116,632)	
Administrative expense		(6,657)	6,657
Net changes	<u>330,857</u>	<u>350,323</u>	<u>(19,466)</u>
Balance at current Measurement Date 12/31/2021	<u>\$ 1,546,062</u>	<u>\$ 2,665,232</u>	<u>\$ (1,119,170)</u>

For the year ended December 31, 2021, the City recognized pension expense of \$138,608.

At December 31, 2021, the City reported deferred outflows and inflows of resources related to pension from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual liability	\$ 3,183	\$ 128,482
Net difference between projected and actual investment earnings		297,063
Changes in assumptions	30,530	21,922
Total	<u>\$ 33,713</u>	<u>\$ 447,467</u>

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

Year End December 31	Pension Expense Amount
2022	\$ (102,082)
2023	(147,745)
2024	(88,646)
2025	(50,748)
2026	(17,857)
Thereafter	(6,676)

**CITY OF DETROIT LAKES, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2021**

Actuarial Assumptions

The total pension liability was determined by an actuarial valuation as of December 31, 2020, based on the measurement date of December 31, 2021, and using the following actuarial assumptions. The plan has not had a formal actuarial experience study performed.

- Investment rate of return is 5.75%;
- Inflation rate is 2.25%;
- Entry age normal in accordance with the requirements of GASB 67;
- Mortality assumptions for pre-retirement; post-retirement, and post-disability are:
 - Pre-retirement: Pub-2010 Public Safety Employee mortality tables with projected mortality improvements based on scale MP-2020.
 - Post-retirement: Pub-2010 Health Retired Public Safety mortality tables with projected mortality improvements based on scale MP-2020. Male rates are adjusted by a factor of 0.98.
 - Post-disability: Pub-2010 Public Safety Disabled Retiree mortality tables with projected mortality improvements based on scale MP-2020. Male rates are adjusted by a factor of 1.05.

Long-Term Expected Rate of Return

The best-estimate range for the long-term expected rate of return is determined by adding expected inflation to expected long-term real returns and reflecting expected volatility and correlation. The capital market assumptions are per the actuary's investment consulting practice as of December 31, 2021.

<u>Asset Class</u>	<u>Allocation at Measurement Date</u>	<u>Long-Term Expected Real Rate of Return</u>	<u>Long-Term Nominal Rate of Return</u>
Domestic Equity	45.00%	4.42%	6.67%
International Equity	15.00%	4.91%	7.16%
Fixed Income	30.00%	1.00%	3.25%
Real Estate and Alternatives	0.00%	3.98%	6.23%
Cash and Equivalents	10.00%	-0.33%	1.92%

Discount Rate

The discount rate used to measure the total pension liability was 5.75%. The projection of cash flows used to determine the discount rate assumed that City contributions will be made at the actual statutory contribution rate. Based on those assumptions, the Association's net position was projected to be available to make all projected future benefit payments of the 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.

Sensitivity Analysis

The following presents the net pension liability (asset) calculated using the discount rate of 5.75%, as well as what the net pension liability would be if it were calculated using a discount rate that is one-percentage-point lower (4.75%) or one-percentage-point higher (6.75%) than the current rate:

1% Decrease (4.75%)	Current (5.75%)	1% Increase (6.75%)
\$ (1,051,061) \$	(1,119,170) \$	(1,184,434)

Pension Plan Fiduciary Net Position

Detailed information about the plan's fiduciary net position as of December 31, 2021, is available in a separately-issued financial statement that includes financial statements and required supplementary information. That report may be obtained by writing to Detroit Lakes Fire Department Relief Association at PO Box 647, Detroit Lakes, Minnesota, 56502.

**CITY OF DETROIT LAKES, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2021**

Total Pension Expense – The total pension expense for all plans recognized by the City for the year ended December 31, 2021, was \$174,638.

NOTE 19. NEW PRONOUNCEMENTS

GASB Statement No. 87, *Leases*, establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. This Statement requires recognition of certain lease assets and liabilities for leases that were previously classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. This Statement is effective for reporting periods beginning after June 15, 2021. Earlier application is encouraged.

GASB Statement No. 91, *Conduit Debt Obligations*, provides a single method of reporting conduit debt obligations by issuers and eliminates diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. This Statement clarifies the existing definition of a conduit debt obligation; establishes that a conduit debt obligation is not a liability of the issuer; establishes standards for accounting and financial reporting of additional commitments and voluntary commitments extended by issuers and arrangements associated with conduit debt obligations; and improves required note disclosures. This Statement also addresses arrangements—often characterized as leases—that are associated with conduit debt obligations. The requirements of this Statement are effective for reporting periods beginning after December 15, 2021. Earlier application is encouraged.

GASB Statement No. 92, *Omnibus 2020*, provides additional guidance to improve consistency of authoritative literature by addressing practice issues identified during the application of certain GASB statements. This statement provides accounting and financial reporting requirements for specific issues related to leases, intra-entity transfers of assets, postemployment benefits, government acquisitions, risk financing and insurance-related activity of public entity risk pools, fair value measurements and derivative instruments. The requirements of this Statement are effective for reporting periods beginning after June 15, 2021. Earlier application is encouraged.

GASB Statement No. 96, *Subscription-Based Information Arrangements* provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs). A SBITA is defined as a contract that conveys control of the right to use another party's (a SBITA vendor's) information technology (IT) software, alone or in combination with tangible capital assets (the underlying IT assets), as specified in the contract for a period of time in an exchange or exchange-like transaction. Under this Statement, a government generally should recognize a right-to use subscription asset—an intangible asset—and a corresponding subscription liability. The requirements of this Statement will improve financial reporting by establishing a definition for SBITAs and providing uniform guidance for accounting and financial reporting for transactions that meet that definition. The requirements of this Statement are effective for fiscal years beginning after June 15, 2022, and all reporting periods thereafter. Earlier application is encouraged.

GASB Statement No. 97, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans—an amendment of GASB Statements No. 14 and No. 84, and a supersession of GASB Statement No. 32* provides additional guidance for determining whether a primary government is financially accountable for a potential component unit. This Statement requires that the financial burden criterion in paragraph 7 of Statement No. 84, *Fiduciary Activities*, be applicable to only defined benefit pension plans and defined benefit OPEB plans that are administered through trusts that meet the criteria in paragraph 3 of Statement No. 67, *Financial Reporting for Pension Plans*, or paragraph 3 of Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, respectively. This Statement (1) requires that a Section 457 plan be classified as either a pension plan or an other employee benefit plan depending on whether the plan meets the definition of a pension plan and (2) clarifies that Statement 84, as amended, should be applied to all arrangements organized under IRC Section 457 to determine whether those arrangements should be reported as fiduciary activities. The requirements of this Statement that (1) exempt primary governments that perform the duties that a governing board typically performs from treating the absence of a governing board the same as the appointment of a voting majority of a governing board in determining whether they are financially accountable for defined contribution pension plans, defined contribution OPEB plans, or other employee benefit plans and (2) limit the applicability of the financial burden criterion in paragraph 7 of Statement 84 to defined benefit pension plans and defined benefit OPEB plans that are administered through trusts that

**CITY OF DETROIT LAKES, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2021**

meet the criteria in paragraph 3 of Statement 67 or paragraph 3 of Statement 74, respectively, are effective immediately. The requirements of this Statement that are related to the accounting and financial reporting for Section 457 plans are effective for fiscal years beginning after June 15, 2021.

Management has not yet determined the effect these statements will have on the City's financial statements.

REQUIRED SUPPLEMENTARY INFORMATION

This page intentionally left blank

**CITY OF DETROIT LAKES, MINNESOTA
 SCHEDULE OF CITY CONTRIBUTIONS
 LAST 10 YEARS**

Fiscal Year Ended December 31	Statutorily Required Contribution	Contributions in Relation to the Statutorily Required Contributions		Contribution Deficiency (Excess)	City's Covered Payroll	Contributions as a Percentage of Covered Payroll
		\$	\$			
General Employees Fund						
2015	294,390	\$	294,390	\$	3,925,198	7.50 %
2016	310,151		310,151		4,135,344	7.50
2017	321,371		321,371		4,284,949	7.50
2018	335,544		335,544		4,473,922	7.50
2019	349,050		349,050		4,653,994	7.50
2020	375,058		375,058		5,000,769	7.50
2021	393,204		393,204		5,242,725	7.50
Police and Fire Fund						
2015	152,140	\$	152,140	\$	939,138	16.20
2016	160,626		160,626		991,516	16.20
2017	170,213		170,213		1,050,697	16.20
2018	187,458		187,458		1,157,146	16.20
2019	204,668		204,668		1,207,482	16.95
2020	230,234		230,234		1,300,756	17.70
2021	237,788		237,788		1,343,435	17.70

The City implemented GASB Statement No. 68 for its fiscal year ended December 31, 2015. Information for the prior years is not available.

See Notes to the Required Supplementary Information

**CITY OF DETROIT LAKES, MINNESOTA
 SCHEDULE OF CITY'S SHARE OF NET PENSION LIABILITY
 LAST 10 YEARS**

Fiscal Year Ended June 30	City's Proportion of the Net Pension Liability	City's Proportionate Share of the Net Pension Liability	State's Proportionate Share of the Net Pension Liability Associated with the City		City's Covered Payroll	City's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
			\$	%			
General Employees Fund	0.00065	\$ 3,363,455	\$		3,835,431	87.69 %	78.19 %
2015	0.00066	5,358,873	70,029		4,030,271	132.97	68.90
2016	0.00068	4,341,075	54,619		4,210,147	103.11	75.90
2017	0.00065	3,622,571	23,257		4,379,436	82.72	79.53
2018	0.00065	3,610,290	112,162		4,590,350	78.65	80.23
2019	0.00068	4,046,927	140,788		4,827,382	83.83	79.06
2020	0.00071	3,027,742	92,505		5,121,747	59.12	87.00
2021							
Police and Fire Fund	0.00102	\$ 1,158,959	\$		904,363	128.15 %	86.61 %
2015	0.00102	4,093,434			965,327	424.05	63.90
2016	0.00105	1,417,619	9,450		1,021,107	138.83	85.43
2017	0.00106	1,124,521	9,495		1,103,922	101.87	88.84
2018	0.00109	1,180,641	14,971		1,174,453	100.53	89.26
2019	0.00119	1,474,962	34,736		1,254,119	117.61	87.19
2020	0.00112	863,749	38,822		1,322,096	65.33	93.66
2021							

The amounts presented for each year were determined as of the measurement date of the collective net pension liability, which is June 30.

The City implemented GASB Statement No. 68 for its fiscal year ended December 31, 2015. Information for the prior years is not available.

See Notes to the Required Supplementary Information

**CITY OF DETROIT LAKES, MINNESOTA
 SCHEDULE OF CHANGES IN THE CITY'S TOTAL OPEB LIABILITY AND RELATED RATIOS
 LAST 10 YEARS**

	2021	2020	2019	2018
Total OPEB Liability				
Service Cost	\$ 64,141	\$ 44,253	\$ 44,493	\$ 38,804
Interest	32,566	31,356	28,735	31,828
Changes of Assumptions	61,182	58,445	(21,269)	26,325
Differences between Expected and Actual Experience	(11,766)	267,950		
Benefit Payments	(91,062)	(74,672)	(74,628)	(65,188)
Net Change in Total OPEB Liability	55,061	327,332	(22,669)	31,769
Total OPEB Liability - Beginning	1,165,599	838,267	860,936	829,167
Total OPEB Liability - Ending	<u>\$ 1,220,660</u>	<u>\$ 1,165,599</u>	<u>\$ 838,267</u>	<u>\$ 860,936</u>
Covered Employee Payroll	\$ 5,860,104	\$ 5,779,840	\$ 5,676,215	\$ 5,810,000
Department's Total OPEB Liability as a Percentage of a Covered Employee Payroll	20.8%	20.2%	14.8%	14.8%

The City implemented GASB No 75 for the fiscal year ended December 31, 2018. Information from prior years is not available.

See Notes to the Required Supplementary Information

**CITY OF DETROIT LAKES, MINNESOTA
SCHEDULE OF NET PENSION LIABILITY AND RELATED RATIOS – DETROIT LAKES FIRE RELIEF ASSOCIATION
LAST 10 YEARS**

Fiscal Year	2021	2020	2019	2018	2017	2016	2015
Total Pension Liability							
Service Cost	\$ 101,645	\$ 92,854	\$ 89,380	\$ 86,988	\$ 75,863	\$ 92,474	\$ 86,124
Interest Cost	72,366	73,140	95,402	95,038	79,249	56,516	55,171
Differences Between Expected and Actual Experience	3,513		(172,301)		(30,647)		
Changes in Assumptions	10,912		31,307		(13,710)	(61,112)	
Changes of Benefit Terms	259,053	112,282	89,878		107,172		
Benefit Payments	(116,632)	(484,435)	(298,700)	(58,510)		(12,699)	(222,834)
Net Change in Total Pension Liability	330,857	(206,159)	(165,034)	123,516	217,927	75,179	(81,539)
Total Pension Liability - Beginning	1,215,205	1,421,364	1,586,398	1,462,882	1,244,955	1,169,776	1,251,315
Total Pension Liability - Ending	\$ 1,546,062	\$ 1,215,205	\$ 1,421,364	\$ 1,586,398	\$ 1,462,882	\$ 1,244,955	\$ 1,169,776
Plan Fiduciary Net Position							
Contributions - State and Local	\$ 141,216	\$ 149,491	\$ 150,246	\$ 142,110	\$ 131,322	\$ 121,458	\$ 134,511
Contributions - Donations and Other Income	42,857	41,875	39,410	26,000	22,800	38,179	800
Net Investment Income	289,639	304,433	375,498	(100,020)	223,836	95,442	(36,082)
Other Additions		159					
Benefit Payments	(116,632)	(484,435)	(298,700)	(58,510)		(12,699)	(222,834)
Pension Plan Administrative Expense	(6,657)	(9,473)	(6,133)	(9,239)	(7,205)	(11,798)	(5,958)
Other Changes	(100)						
Net Change in Plan Fiduciary Net Position	350,323	2,050	260,321	341	370,753	230,582	(129,563)
Plan Fiduciary Net Position - Beginning	2,314,909	2,312,859	2,052,538	2,052,197	1,681,444	1,450,862	1,580,425
Plan Fiduciary Net Position - Ending	\$ 2,665,232	\$ 2,314,909	\$ 2,312,859	\$ 2,052,538	\$ 2,052,197	\$ 1,681,444	\$ 1,450,862
Net Pension Liability - Ending	\$ (1,119,170)	\$ (1,099,704)	\$ (891,495)	\$ (466,140)	\$ (589,315)	\$ (436,489)	\$ (281,086)
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	172.39%	190.50%	162.72%	129.38%	140.28%	135.06%	124.03%
Covered Payroll *	\$	\$	\$	\$	\$	\$	\$

Notes:

This schedule is built prospectively until it contains ten years of data.

* Because all active plan members are volunteers, there is no actual payroll.

See Notes to the Required Supplementary Information

**CITY OF DETROIT LAKES, MINNESOTA
SCHEDULE OF EMPLOYER CONTRIBUTIONS – DETROIT LAKES FIRE RELIEF ASSOCIATION
LAST 10 YEARS**

<u>Fiscal Year Ending December 31,</u>	<u>Actuarially Determined Contribution</u>	<u>Actual Employer Contributions</u>	<u>Contribution Deficiency (Excess)</u>	<u>Covered Payroll*</u>
2012	85,776	85,776		
2013	126,112	126,112		
2014	88,076	118,408	(30,332)	
2015	92,898	121,511	(28,613)	
2016	95,838	120,458	(24,620)	
2017	105,022	131,322	(26,300)	
2018	109,794	139,837	(30,043)	
2019	112,302	148,246	(35,944)	
2020	119,103	144,491	(25,388)	
2021	124,148	140,216	(16,068)	

*Because all active plan members are volunteers, there is no actual payroll.

The information presented in the required supplementary schedules was determined as part of the actuarial valuations at the dates indicated. Additional information as of the latest actuarial valuation follows:

Valuation date	12/31/2020
Actuarial cost method	Entry Age Normal
Amortization method	Level Dollar Closed
Remaining amortization period:	
Normal cost	20 Years
Prior service cost	10 Years
Asset valuation method	Market
Actuarial assumptions:	
Investment rate of return	5.75%
Projected salary increases	N/A
Includes inflation	2.25%
Cost-of-living adjustments	N/A

See Notes to the Required Supplementary Information

**CITY OF DETROIT LAKES, MINNESOTA
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
DECEMBER 31, 2021**

NOTE 1. DEFINED BENEFIT PLANS

PERA

General Employees Fund

2021 Changes

Changes in Plan Provisions: There were no changes in plan provisions since the previous valuation.

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

2020 Changes

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.

Changes in Actuarial Assumptions: The price inflation assumption was decreased from 2.50% to 2.25%. The payroll growth assumption was decreased from 3.25% to 3.00%. Assumed salary increase rates were changed as recommended in the June 30, 2019 experience study. The net effect is assumed rates that average 0.25% less than previous rates. Assumed rates of retirement were changed as recommended in the June 30, 2019 experience study. The changes result in more unreduced (normal) retirements and slightly fewer Rule of 90 and early retirements. Assumed rates of termination were changed as recommended in the June 30, 2019 experience study. The new rates are based on service and are generally lower than the previous rates for years 2-5 and slightly higher thereafter. Assumed rates of disability were changed as recommended in the June 30, 2019 experience study. The change results in fewer predicted disability retirements for males and females. The base mortality table for healthy annuitants and employees was changed from the RP-2014 table to the Pub-2010 General Mortality table, with adjustments. The base mortality table for disabled annuitants was changed from the RP-2014 disabled annuitant mortality table to the PUB-2010 General/Teacher disabled annuitant mortality table, with adjustments. The mortality improvement scale was changed from Scale MP-2018 to Scale MP-2019. The assumed spouse age difference was changed from two years older for females to one year older. The assumed number of married male new retirees electing the 100% Joint & Survivor option changed from 35% to 45%. The assumed number of married female new retirees electing the 100% Joint & Survivor option changed from 15% to 30%. The corresponding number of married new retirees electing the Life annuity option was adjusted accordingly.

2019 Changes

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.

Changes in Actuarial Assumptions: The mortality projection scale was changed from MP-2017 to MP-2018.

2018 Changes

Changes in Plan Provisions: The augmentation adjustment in early retirement factors is eliminated over a five-year period starting July 1, 2019, resulting in actuarial equivalence after June 30, 2024. Interest credited on member contributions decreased from 4.00 percent to 3.00 percent, beginning July 1, 2018. Deferred augmentation was changed to 0.00 percent, effective January 1, 2019. Augmentation that has already accrued for deferred members will still apply. Contribution stabilizer provisions were repealed. Postretirement benefit increases were changed from 1.00 percent per year with a provision to increase to 2.50 percent upon attainment of 90.00 percent funding ratio to 50.00 percent of the Social Security Cost of Living Adjustment, not less than 1.00 percent and not more than 1.50 percent, beginning January 1, 2019. For retirements on or after January 1, 2024, the first benefit increase is delayed until the retiree reaches normal retirement age; does not apply to Rule of 90 retirees, disability benefit recipients, or survivors. Actuarial equivalent factors were updated to reflect revised mortality and interest assumptions.

CITY OF DETROIT LAKES, MINNESOTA
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
DECEMBER 31, 2021

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

2017 Changes

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.

Changes in Actuarial Assumptions: The Combined Service Annuity (CSA) loads were changed from 0.8 percent for active members and 60 percent for vested and non-vested deferred members. The revised CSA loads are now 0.0 percent for active member liability, 15.0 percent for vested deferred member liability and 3.0 percent for non-vested deferred member liability. The assumed post-retirement benefit increase rate was changed from 1.0 percent per year for all years to 1.0 percent per year through 2044 and 2.5 percent per year thereafter.

2016 Changes

Changes in Plan Provisions: There have been no changes since the prior valuation.

Changes in Actuarial Assumptions: The assumed post-retirement benefit increase rate was changed from 1.0% per year through 2035 and 2.5% per year thereafter to 1.0% per year for all future years. The assumed investment return was changed from 7.9% to 7.5%. The single discount rate was changed from 7.9% to 7.5%. Other assumptions were changed pursuant to the experience study dated 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.

2015 Changes

Changes in Plan Provisions: On January 1, 2015, the Minneapolis Employees Retirement Fund was merged into the General Employees Fund, which increased the total pension liability by \$1.1 billion and increased the fiduciary plan net position by \$892 million. Upon consolidation, state and employer contributions were revised; the State's contribution of \$6 million, which meets the special funding situation definition, was due September 2015.

Changes in Actuarial Assumptions: The assumed post-retirement benefit increase rate was changed from 1.0% per year through 2030 and 2.5% per year thereafter to 1.0% per year through 2035 and 2.5% per year thereafter.

Police and Fire Fund

2021 Changes

Changes in Plan Provisions: There were no changes in plan provisions since the previous valuation.

Changes in Actuarial Assumptions: The investment return and single discount rates were changed from 7.50 percent to 6.50 percent for financial reporting purposes. The inflation assumption was changed from 2.50 percent to 2.25 percent. The payroll growth assumption was changed from 3.25 percent to 3.00 percent. The base mortality table for healthy annuitants and employees was changed from the RP-2014 table to the Pub-2010 Public Safety Mortality table. The mortality improvement scale was changed from MP-2019 to MP-2020. The base mortality table for disabled annuitants was changed from the RP-2014 healthy annuitant mortality table (with future mortality improvement according to Scale MP-2019) to the Pub-2010 Public Safety disabled annuitant mortality table (with future mortality improvement according to Scale MP-2020). Assumed rates of salary increase were modified as recommended in the July 14, 2020 experience study. The overall impact is a decrease in gross salary increase rates. Assumed rates of retirement were changed as recommended in the July 14, 2020 experience study. The changes result in slightly more unreduced retirements and fewer assumed early retirements. Assumed rates of withdrawal were changed from select and ultimate rates to service-based rates. The changes result in more assumed terminations. Assumed rates of disability were increased for ages 25-44 and decreased for ages over 49. Overall, proposed rates result in more projected disabilities. Assumed percent married for active female members was changed from 60 percent to 70 percent. Minor changes to form of payment assumptions were applied.

**CITY OF DETROIT LAKES, MINNESOTA
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
DECEMBER 31, 2021**

2020 Changes

Changes in Plan Provisions: There have been no changes since the prior valuation.

Changes in Actuarial Assumptions: The morality projection scale was changed from MP-2018 to MP-2019.

2019 Changes

Changes in Plan Provisions: There have been no changes since the prior valuation.

Changes in Actuarial Assumptions: The morality projection scale was changed from MP-2017 to MP-2018.

2018 Changes

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

Changes in Actuarial Assumptions: The morality projection scale was changed from MP-2016 to MP-2017.

2017 Changes

Changes in Plan Provisions: There have been no changes since the prior valuation.

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

2016 Changes

Changes in Plan Provisions: There have been no changes since the prior valuation.

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

2015 Changes

Changes in Plan Provisions: The postretirement benefit increases to be paid after the attainment of the 90.00 percent funding threshold was changed from inflation up to 2.50 percent, to a fixed rate of 2.50 percent

**CITY OF DETROIT LAKES, MINNESOTA
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
DECEMBER 31, 2021**

Changes in Actuarial Assumptions: The assumed postretirement benefit increase rate was changed from 1.00 percent per year through 2030 and 2.50 percent per year thereafter to 1.00 percent per year through 2037 and 2.50 percent per year thereafter.

FIRE RELIEF ASSOCIATION FUND

2021 Changes

Plan Changes Since Prior Valuation: The \$7,800 benefit increased to \$8,300 on April 1, 2021.

Changes in Assumptions: The mortality assumption was updated from the rates used in the July 1, 2019 Minnesota PERA Police & Fire Plan actuarial valuation to the rates used in the July 1, 2021 Minnesota PERA Police & Fire Plan actuarial valuation. The inflation assumption decreased from 2.50% to 2.25%.

2020 Changes

Plan Changes Since Prior Valuation: The \$7,300 benefit increased to \$7,800 on April 1, 2020.

2019 Changes

Changes in Assumptions: The expected investment return and discount rate decreased from 6.25% to 5.75% to reflect updated capital market assumptions. The mortality assumption was updated from the rates used in the July 1, 2017 Minnesota PERA Police & Fire Plan actuarial valuation to the rates used in the July 1, 2019 Minnesota PERA Police & Fire Plan actuarial valuation. The inflation assumption decreased from 2.75% to 2.50%.

2018 Changes

Plan Changes Since Prior Valuation: The \$6,850 benefit will increase to \$7,300 on April 1, 2019.

2017 Changes

Changes in Assumptions: The expected investment return and discount rate increased from 6.00% to 6.25% to reflect updated capital market assumptions. The mortality and withdrawal assumptions were updated from the rates used in the July 1, 2016 Minnesota PERA Police & Fire Plan actuarial valuation to the rates used in the July 1, 2017 Minnesota PERA Police & Fire Plan actuarial valuation.

Plan Changes Since Prior Valuation: The \$6,250 benefit will increase to \$6,850 on April 1, 2018.

NOTE 2. OTHER POSTEMPLOYMENT BENEFITS

Since the last valuation, the following changes have been made:

- The discount rate was changed from 2.75 percent to 2.00 percent based on updated 20-year municipal bond rates.

This page intentionally left blank

**COMBINING AND INDIVIDUAL FUND
STATEMENTS AND SCHEDULES**

This page intentionally left blank

COMBINING FINANCIAL STATEMENTS NONMAJOR GOVERNMENTAL FUNDS

Special Revenue Funds

Special Revenue Funds are used to account for the proceeds of certain specific revenue sources that are legally restricted to expenditures for specified purposes.

Fire Fund – To account for the operation and maintenance of the Fire Department. Financing is primarily provided by township and City fire service contracts.

Library Fund – To account for the operation and maintenance of the City-owned library. Financing is provided by a specific annual property tax levy.

Storm Water Fund – To account for the collection of storm water fees that are charged to each property within the City of Detroit Lakes. The monies are used to make improvements to the storm water system.

Lodging Tax Fund – To account for the collection of a 3% lodging tax on the motel/hotel industry in the City. The proceeds are used to promote tourism and convention activities for the area.

Equipment Fund – To account for the purchase of equipment for the Street Department, Park Department, Administration Department, Police Department, and Fire Department. Financing is provided by a specific annual tax levy to the extent that other revenue (primarily fire contracts for the Fire Department) is not sufficient to provide such financing.

Food & Beverage Tax Fund – To account for the accumulation of a 1% City-wide food & beverage tax to be used for expenses relating to the control of aquatic invasive species infestation of waters within the City, construction and improvement of bike trail facilities, parking improvements near City facilities and redevelopment of the area returned to the City by the State of Minnesota as a result of the realignment of Highway 10.

Sports Arena Fund – To account for the operation and maintenance of the City's two ice arenas. Financing is primarily provided through the collection of user fees.

Bond Emergency Fund – To account for the accumulation of monies to pay the principal and interest on bonded debt in the event that the amount in any sinking fund is not sufficient and to call bonds in advance of payment dates. Financing is provided by transfer of 25% of all fines, license fees, and fees for permits.

Art in Public Spaces Fund – To account for the collection of monies generated from special projects to promote art in public spaces.

This page intentionally left blank

**CITY OF DETROIT LAKES, MINNESOTA
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS - SPECIAL REVENUE FUNDS
 DECEMBER 31, 2021**

	Fire	Library	Storm Water	Lodging Tax	Equipment	Food & Bev Tax	Sports Arena	Bond Emergency	Art in Public Spaces	Total
ASSETS										
Cash	\$ 22,030	\$ 99,816	\$ 586,717	\$ 189,796	\$ 2,677,622	\$ 537,690	\$	\$ 151,510	\$ 113,424	\$ 4,378,605
Investments					782,998	508,270				1,291,268
Prepays				425						425
Accounts Receivable	3,250	3,338	67,884	15,116	7,620	64,856	25,000			96,134
Tax Receivable										90,930
Assessment Receivable:										
Delinquent			1,786							1,786
Noncurrent	600	4,924	2,582		11,490					3,182
Due from Other Governments										16,414
Interest Receivable					372	14				386
Total Assets	\$ 25,880	\$ 108,078	\$ 658,969	\$ 205,337	\$ 3,480,102	\$ 1,110,830	\$ 25,000	\$ 151,510	\$ 113,424	\$ 5,879,130
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCE										
Liabilities										
Accounts Payable	\$ 9,017	\$ 3,293	\$ 5,726	\$ 11,768	\$ 123,296	\$ 17,523	\$ 12,175	\$	\$	\$ 182,798
Contracts Payable					3,485					3,485
Accrued Wages Payable	16,263						5,653			21,916
Due to Other Funds							7,172			7,172
Total Liabilities	\$ 25,280	\$ 3,293	\$ 5,726	\$ 11,768	\$ 126,781	\$ 17,523	\$ 25,000			\$ 215,371
Deferred Inflows of Resources										
Property Taxes	600	3,338	4,368		7,620					10,958
Special Assessments	600	3,338	4,368		7,620					4,968
Total Deferred Inflows of Resources	\$ 1,200	\$ 6,676	\$ 8,736		\$ 15,240					\$ 15,926
Fund Balance										
Nonspendable				425						425
Restricted				193,144	171,344	1,093,307		151,510	113,424	1,722,729
Committed		101,447	648,875		3,174,357					3,924,679
Total Fund Balance	\$ 101,447	\$ 101,447	\$ 648,875	\$ 193,569	\$ 3,345,701	\$ 1,093,307		\$ 151,510	\$ 113,424	\$ 5,647,833
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCE	\$ 25,880	\$ 108,078	\$ 658,969	\$ 205,337	\$ 3,480,102	\$ 1,110,830	\$ 25,000	\$ 151,510	\$ 113,424	\$ 5,879,130

**CITY OF DETROIT LAKES, MINNESOTA
 COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
 NONMAJOR GOVERNMENTAL FUNDS - SPECIAL REVENUE FUNDS
 For the Year Ended December 31, 2021**

	Fire	Library	Storm Water	Lodging Tax	Equipment	Food & Bev Tax	Sports Arena	Bond Emergency	Art in Public Spaces	Total
REVENUES										
Property Taxes	\$	322,938	\$	\$	755,748	\$	\$	\$	\$	1,078,686
Special Assessments		2,907	3,044		6,910					12,861
Lodging Taxes				287,581						287,581
Food & Beverage Tax						476,858				476,858
Intergovernmental	137,363				1,330					138,693
Charges for Services	228,349		694,957							923,306
Interest on Investments	451	150	1,585	423	13,793	2,756	22	477		19,657
Miscellaneous	11,401		4,299		159,815		263,125		3,537	442,177
Total Revenues	377,564	325,995	703,885	288,004	937,596	479,614	263,147	477	3,537	3,379,819
EXPENDITURES										
Current										
General Government				180,701	5,520	11,085			1,071	198,377
Public Safety	431,018									431,018
Public Works			245,147			70,641				315,788
Culture and Recreation		321,457			1,685	11,415	339,399			673,956
Capital Outlay	431,018	321,457	245,147	180,701	1,231,773	93,141	339,399		1,071	1,231,773
Total Expenditures	(53,454)	4,538	458,738	107,303	(301,382)	386,473	(76,252)	477	2,466	528,907
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES										
OTHER FINANCING SOURCES (USES)										
Transfers In	271,524				300,652		142,200	50,000	110,958	875,334
Transfers Out	(218,070)		(161,008)		(12,000)	(12,150)	(76,607)	(50,000)		(529,835)
Sale of Capital Assets					46,971					46,971
Total Financing Sources (Uses)	53,454		(161,008)		335,623	(12,150)	65,593		110,958	392,470
NET CHANGE IN FUND BALANCES		4,538	297,730	107,303	34,241	374,323	(10,659)	477	113,424	921,377
FUND BALANCE, JANUARY 1		96,909	351,145	86,266	3,311,460	718,984	10,659	151,033		4,726,456
FUND BALANCE, DECEMBER 31	\$	101,447	648,875	193,569	3,345,701	1,093,307	\$	151,510	113,424	5,647,833

SUPPLEMENTARY SCHEDULES

These supplementary schedules are included to provide management additional information for financial analysis.

This page intentionally left blank

CITY OF DETROIT LAKES, MINNESOTA
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES – BUDGET AND ACTUAL
NONMAJOR GOVERNMENTAL FUND - FIRE FUND
For the Year Ended December 31, 2021

	<u>Original and Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
REVENUES			
Special Assessments			
Current	\$ 1,800	\$	(1,800)
Delinquent	100		(100)
Total Special Assessments	<u>1,900</u>		<u>(1,900)</u>
Intergovernmental Revenue			
State Aid	<u>122,000</u>	<u>137,363</u>	<u>15,363</u>
Total Intergovernmental Revenue	<u>122,000</u>	<u>137,363</u>	<u>15,363</u>
Miscellaneous			
Miscellaneous	5,100	11,401	6,301
Charges for Services	223,131	228,349	5,218
Interest on Investments	<u>550</u>	<u>451</u>	<u>(99)</u>
Total Miscellaneous	<u>228,781</u>	<u>240,201</u>	<u>11,420</u>
Total Revenues	<u>352,681</u>	<u>377,564</u>	<u>24,883</u>
EXPENDITURES			
Current			
Public Safety - Fire	<u>414,205</u>	<u>431,018</u>	<u>(16,813)</u>
Total Expenditures	<u>414,205</u>	<u>431,018</u>	<u>(16,813)</u>
DEFICIENCY OF REVENUES UNDER EXPENDITURES	(61,524)	(53,454)	8,070
OTHER FINANCING SOURCES (USES)			
Transfers In	271,524	271,524	
Transfers Out	<u>(210,000)</u>	<u>(218,070)</u>	<u>(8,070)</u>
Total Other Financing Sources (Uses)	<u>61,524</u>	<u>53,454</u>	<u>(8,070)</u>
NET CHANGE IN FUND BALANCES			
FUND BALANCE, JANUARY 1			
FUND BALANCE, DECEMBER 31	<u>\$</u>	<u>\$</u>	<u>\$</u>

CITY OF DETROIT LAKES, MINNESOTA
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES – BUDGET AND ACTUAL
NONMAJOR GOVERNMENTAL FUND - LIBRARY FUND
For the Year Ended December 31, 2021

	<u>Original and Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
REVENUES			
Taxes			
Current Property Taxes	\$ 324,945	\$ 322,938	\$ (2,007)
Total Taxes	<u>324,945</u>	<u>322,938</u>	<u>(2,007)</u>
Special Assessments			
Delinquent Taxes	3,500	2,907	(593)
Total Special Assessments	<u>3,500</u>	<u>2,907</u>	<u>(593)</u>
Miscellaneous			
Interest on Investments	500	150	(350)
Total Miscellaneous	<u>500</u>	<u>150</u>	<u>(350)</u>
Total Revenues	<u>328,945</u>	<u>325,995</u>	<u>(2,950)</u>
EXPENDITURES			
Current			
Supplies	3,600	693	2,907
Other Services and Charges	305,345	320,764	(15,419)
Total Expenditures	<u>308,945</u>	<u>321,457</u>	<u>(12,512)</u>
NET CHANGE IN FUND BALANCES	20,000	4,538	(15,462)
FUND BALANCE, JANUARY 1	<u>96,909</u>	<u>96,909</u>	
FUND BALANCE, DECEMBER 31	<u>\$ 116,909</u>	<u>\$ 101,447</u>	<u>\$ (15,462)</u>

CITY OF DETROIT LAKES, MINNESOTA
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES – BUDGET AND ACTUAL
NONMAJOR GOVERNMENTAL FUND - STORM WATER FUND
For the Year Ended December 31, 2021

	<u>Original and Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
REVENUES			
Special Assessments			
Current	\$ 1,000	\$ 3,044	\$ 2,044
Delinquent	200		(200)
Total Special Assessments	<u>1,200</u>	<u>3,044</u>	<u>1,844</u>
Charges for Services			
Residential	231,600	233,469	1,869
Commercial	460,800	461,488	688
Total Charges for Services	<u>692,400</u>	<u>694,957</u>	<u>2,557</u>
Miscellaneous			
Interest on Investments	3,500	1,585	(1,915)
Penalty for Late Payment	4,400	4,147	(253)
Penalty on Special Assessments	50	152	102
Total Miscellaneous	<u>7,950</u>	<u>5,884</u>	<u>(2,066)</u>
Total Revenues	<u>701,550</u>	<u>703,885</u>	<u>2,335</u>
EXPENDITURES			
Current			
Storm Water			
Personal Services	183,769	111,424	72,345
Supplies	46,300	23,053	23,247
Other Services and Charges	123,471	110,670	12,801
Total Expenditures	<u>353,540</u>	<u>245,147</u>	<u>108,393</u>
EXCESS OF REVENUES OVER EXPENDITURES	348,010	458,738	110,728
OTHER FINANCING USES			
Transfers Out	(192,584)	(161,008)	31,576
Total Other Financing Uses	<u>(192,584)</u>	<u>(161,008)</u>	<u>31,576</u>
NET CHANGE IN FUND BALANCES	155,426	297,730	142,304
FUND BALANCE, JANUARY 1	<u>351,145</u>	<u>351,145</u>	
FUND BALANCE, DECEMBER 31	<u>\$ 506,571</u>	<u>\$ 648,875</u>	<u>\$ 142,304</u>

CITY OF DETROIT LAKES, MINNESOTA
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES – BUDGET AND ACTUAL
NONMAJOR GOVERNMENTAL FUND - LODGING TAX FUND
For the Year Ended December 31, 2021

	<u>Original and Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
REVENUES			
Taxes			
Lodging Tax	\$ 190,000	\$ 287,581	\$ 97,581
Intergovernmental			
State Grant	11,000		(11,000)
Miscellaneous			
Interest on Investments	<u>250</u>	<u>423</u>	<u>173</u>
Total Revenues	<u>201,250</u>	<u>288,004</u>	<u>86,754</u>
EXPENDITURES			
General Government			
Tourism and Promotion			
Supplies	100	33	67
Other Services and Charges	<u>201,150</u>	<u>180,668</u>	<u>20,482</u>
Total Expenditures	<u>201,250</u>	<u>180,701</u>	<u>20,549</u>
NET CHANGE IN FUND BALANCE		107,303	107,303
FUND BALANCE, JANUARY 1	<u>86,266</u>	<u>86,266</u>	
FUND BALANCE, DECEMBER 31	<u>\$ 86,266</u>	<u>\$ 193,569</u>	<u>\$ 107,303</u>

CITY OF DETROIT LAKES, MINNESOTA
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES – BUDGET AND ACTUAL
NONMAJOR GOVERNMENTAL FUND – EQUIPMENT FUND
For the Year Ended December 31, 2021

	<u>Original and Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
REVENUES			
Taxes			
Current Property Taxes	\$ 770,445	\$ 755,748	\$ (14,697)
Total Taxes	<u>770,445</u>	<u>755,748</u>	<u>(14,697)</u>
Special Assessments			
Delinquent Taxes	5,000	6,910	1,910
Total Special Assessments	<u>5,000</u>	<u>6,910</u>	<u>1,910</u>
Intergovernmental Revenue			
State Aid		1,330	1,330
Total Intergovernmental Revenue		<u>1,330</u>	<u>1,330</u>
Miscellaneous			
Interest	20,500	13,793	(6,707)
Rent	105,000	85,795	(19,205)
Miscellaneous	32,000	74,020	42,020
Total Miscellaneous	<u>157,500</u>	<u>173,608</u>	<u>16,108</u>
Total Revenues	<u>932,945</u>	<u>937,596</u>	<u>4,651</u>
EXPENDITURES			
Current			
General Government		5,520	(5,520)
Culture and Recreation	2,000	1,685	315
Total Current Expenditures	<u>2,000</u>	<u>7,205</u>	<u>(5,205)</u>
Capital Outlay			
General Government	11,040	60,759	(49,719)
Public Safety - Police	100,100	87,869	12,231
Public Safety - Fire	100,000	688,952	(588,952)
Streets and Highways	265,000	128,781	136,219
Culture and Recreation	192,000	265,412	(73,412)
Total Capital Outlay Expenditures	<u>668,140</u>	<u>1,231,773</u>	<u>(563,633)</u>
Total Expenditures	<u>670,140</u>	<u>1,238,978</u>	<u>(568,838)</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURE	262,805	(301,382)	(564,187)
OTHER FINANCING SOURCES (USES)			
Sale of Capital Assets	6,000	46,971	40,971
Transfers In	215,975	300,652	84,677
Transfers Out		(12,000)	(12,000)
Total Other Financing Sources (Uses)	<u>221,975</u>	<u>335,623</u>	<u>113,648</u>
NET CHANGE IN FUND BALANCE	484,780	34,241	(450,539)
FUND BALANCE, JANUARY 1	<u>3,311,460</u>	<u>3,311,460</u>	
FUND BALANCE, DECEMBER 31	<u>\$ 3,796,240</u>	<u>\$ 3,345,701</u>	<u>\$ (450,539)</u>

CITY OF DETROIT LAKES, MINNESOTA
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES – BUDGET AND ACTUAL
NONMAJOR GOVERNMENTAL FUND - FOOD & BEVERAGE TAX FUND
For the Year Ended December 31, 2021

	<u>Original and Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
REVENUES			
Taxes			
Food and Beverage Tax	\$ 350,000	\$ 476,858	\$ 126,858
Miscellaneous			
Interest on Investments	<u>5,000</u>	<u>2,756</u>	<u>(2,244)</u>
Total Revenues	<u>355,000</u>	<u>479,614</u>	<u>124,614</u>
EXPENDITURES			
General Government	4,200	11,085	(6,885)
Public Works			
Public Parking	450,000	70,641	379,359
Culture and Recreation			
Lake Preservation	<u>350,000</u>	<u>11,415</u>	<u>338,585</u>
Total Expenditures	<u>804,200</u>	<u>93,141</u>	<u>711,059</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(449,200)	386,473	835,673
OTHER FINANCING USES			
Transfers Out		<u>(12,150)</u>	<u>(12,150)</u>
Total Other Financing Uses		<u>(12,150)</u>	<u>(12,150)</u>
NET CHANGE IN FUND BALANCE	(449,200)	374,323	823,523
FUND BALANCE, JANUARY 1	<u>718,984</u>	<u>718,984</u>	
FUND BALANCE, DECEMBER 31	<u>\$ 269,784</u>	<u>\$ 1,093,307</u>	<u>\$ 823,523</u>

CITY OF DETROIT LAKES, MINNESOTA
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES – BUDGET AND ACTUAL
NONMAJOR GOVERNMENTAL FUND – SPORTS ARENA FUND
For the Year Ended December 31, 2021

	<u>Original and Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
REVENUES			
Miscellaneous			
Donations or Grants	\$	\$ 25,000	\$ 25,000
Rent	254,000	238,125	(15,875)
Interest on Investments		22	22
	<u>254,000</u>	<u>263,147</u>	<u>9,147</u>
Total Revenues			
EXPENDITURES			
Current			
Personal Services	152,767	168,218	(15,451)
Supplies	29,100	27,919	1,181
Other Services and Charges	146,950	143,262	3,688
	<u>328,817</u>	<u>339,399</u>	<u>(10,582)</u>
Total Expenditures			
DEFICIENCY OF REVENUES UNDER EXPENDITURES	(74,817)	(76,252)	(1,435)
OTHER FINANCING SOURCES (USES)			
Transfers In	142,200	142,200	
Transfers Out	(60,000)	(76,607)	(16,607)
	<u>82,200</u>	<u>65,593</u>	<u>(16,607)</u>
Total Other Financing Sources (Uses)			
NET CHANGE IN FUND BALANCE	7,383	(10,659)	(18,042)
FUND BALANCE, JANUARY 1	<u>10,659</u>	<u>10,659</u>	
FUND BALANCE, DECEMBER 31	\$ <u>18,042</u>	\$ <u> </u>	\$ <u>(18,042)</u>

CITY OF DETROIT LAKES, MINNESOTA
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES – BUDGET AND ACTUAL
NONMAJOR GOVERNMENTAL FUND - BOND EMERGENCY FUND
For the Year Ended December 31, 2021

	<u>Original and Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
REVENUES			
Miscellaneous			
Interest on Investments	\$ 1,000	\$ 477	\$ (523)
Total Revenues	<u>1,000</u>	<u>477</u>	<u>(523)</u>
OTHER FINANCING SOURCES (USES)			
Transfers In	50,000	50,000	
Transfers Out	<u>(50,000)</u>	<u>(50,000)</u>	
Total Other Financing Sources (Uses)			
NET CHANGE IN FUND BALANCE	1,000	477	(523)
FUND BALANCE, JANUARY 1	<u>151,033</u>	<u>151,033</u>	
FUND BALANCE, DECEMBER 31	<u>\$ 152,033</u>	<u>\$ 151,510</u>	<u>\$ (523)</u>

CITY OF DETROIT LAKES, MINNESOTA
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES – BUDGET AND ACTUAL
DEBT SERVICE FUND
For the Year Ended December 31, 2021

	<u>Original and Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
REVENUES			
Taxes			
Current Property Taxes	\$ 1,055,500	\$ 1,048,981	\$ (6,519)
Delinquent Taxes		9,597	9,597
Tax Increment Taxes	428,534	582,189	153,655
Local Sales Tax	1,445,000	1,916,320	471,320
Total Taxes	<u>2,929,034</u>	<u>3,557,087</u>	<u>628,053</u>
Special Assessments			
Current	30,000	779,555	749,555
Delinquent Taxes	13,700	13,640	(60)
Prepaid	10,000	293,569	283,569
Total Special Assessments	<u>53,700</u>	<u>1,086,764</u>	<u>1,033,064</u>
Miscellaneous			
Interest on Investments	880,200	20,958	(859,242)
Charges for Services	144,882	144,882	
Penalty on Special Assessments	86,800	331,218	244,418
Total Miscellaneous	<u>1,111,882</u>	<u>497,058</u>	<u>(614,824)</u>
Total Revenues	<u>4,094,616</u>	<u>5,140,909</u>	<u>1,046,293</u>
EXPENDITURES			
Miscellaneous			
Development Cost	226,204	272,306	(46,102)
Administration Charges	23,730	93,855	(70,125)
Reimbursement to County		63,921	(63,921)
Total Miscellaneous	<u>249,934</u>	<u>430,082</u>	<u>(180,148)</u>
Debt Service			
Principal	4,137,308	7,528,795	(3,391,487)
Interest	732,708	779,852	(47,144)
Paying Agent	6,700	8,725	(2,025)
Total Debt Service	<u>4,876,716</u>	<u>8,317,372</u>	<u>(3,440,656)</u>
Total Expenditures	<u>5,126,650</u>	<u>8,747,454</u>	<u>(3,620,804)</u>
DEFICIENCY OF REVENUES UNDER EXPENDITURES	(1,032,034)	(3,606,545)	(2,574,511)
OTHER FINANCING SOURCES (USES)			
Transfers In	159,749	155,008	(4,741)
Transfers Out	(14,000)	(18,122)	(4,122)
Total Other Financing Sources (Uses)	<u>145,749</u>	<u>136,886</u>	<u>(8,863)</u>
NET CHANGE IN FUND BALANCE	(886,285)	(3,469,659)	(2,583,374)
FUND BALANCE, JANUARY 1	<u>8,597,812</u>	<u>8,597,812</u>	
FUND BALANCE, DECEMBER 31	<u>\$ 7,711,527</u>	<u>\$ 5,128,153</u>	<u>\$ (2,583,374)</u>

STATISTICAL SECTION

This page intentionally left blank

STATISTICAL SECTION (Unaudited)

This part of the City of Detroit Lakes' 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 indicate about the City's overall financial health.

Contents

Financial Trends

These schedules contain trend information to help the reader understand how the City's financial performance has changed over time.

Revenue Capacity

These schedules contain information to help the reader assess the factors affecting the City's ability to generate its individual income and sales.

Debt Capacity

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.

Demographic and Economic Information

These schedules offer demographic and economic indicators to help the reader understand the environment within which the City's financial activities take place.

Operating Information

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.

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

This page intentionally left blank

**CITY OF DETROIT LAKES, MINNESOTA
NET POSITION BY COMPONENT
LAST TEN CALENDAR YEARS**

Table 1

	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Governmental activities:										
Net Investment in Capital Assets	\$ 26,237,095	\$ 31,160,036	\$ 37,002,378	\$ 39,018,224	\$ 41,228,566	\$ 45,580,689	\$ 49,808,166	\$ 57,747,162	\$ 71,296,507	\$ 82,404,231
Restricted	16,007,126	15,527,874	10,547,500	10,184,515	11,706,955	11,328,498	12,977,163	14,882,307	19,021,998	18,426,777
Unrestricted	3,221,213	(187,892)	3,371,773	3,810,933	3,733,413	5,018,645	6,020,505	7,366,091	8,982,178	10,041,692
Total governmental activities net position	\$ 45,465,434	\$ 46,500,018	\$ 50,921,651	\$ 53,013,672	\$ 56,668,934	\$ 61,927,832	\$ 68,805,834	\$ 79,995,560	\$ 99,300,683	\$ 110,872,700
Business-type activities:										
Net Investment in Capital Assets	\$ 34,955,321	\$ 34,745,400	\$ 35,888,876	\$ 36,256,062	\$ 37,648,990	\$ 40,293,773	\$ 51,667,360	\$ 63,041,866	\$ 65,067,385	\$ 68,775,745
Restricted	173,400	173,400	173,400	173,400	173,400	173,400	173,400	173,400	173,400	355,275
Unrestricted	12,989,097	14,574,109	15,417,150	15,964,971	17,782,828	20,483,482	233,304,672	27,738,547	32,992,606	35,183,075
Total business-type activities net position	\$ 48,117,818	\$ 49,492,909	\$ 51,479,426	\$ 52,394,433	\$ 55,605,218	\$ 60,950,655	\$ 285,145,432	\$ 90,953,813	\$ 98,233,391	\$ 104,314,095
Primary government:										
Net Investment in Capital Assets	\$ 61,192,416	\$ 65,905,436	\$ 72,891,254	\$ 75,274,286	\$ 78,877,556	\$ 85,874,462	\$ 101,475,526	\$ 120,789,028	\$ 136,363,892	\$ 151,179,976
Restricted	16,180,526	15,701,274	10,720,900	10,357,915	11,880,355	11,501,898	13,150,563	15,055,707	19,195,398	18,782,052
Unrestricted	16,210,310	14,386,217	18,788,923	19,775,904	21,516,241	25,502,127	239,325,177	35,104,638	41,974,784	45,224,767
Total primary government net position	\$ 93,583,252	\$ 95,992,927	\$ 102,401,077	\$ 105,408,105	\$ 112,274,152	\$ 122,878,487	\$ 353,951,266	\$ 170,949,373	\$ 197,534,074	\$ 215,186,795

**CITY OF DETROIT LAKES, MINNESOTA
CHANGES IN NET POSITION
LAST TEN CALENDAR YEARS**

Table 2

	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
EXPENSES:										
Governmental activities:										
General Government	\$ 1,373,144	\$ 1,380,010	\$ 1,459,066	\$ 1,494,088	\$ 1,681,859	\$ 1,719,765	\$ 1,699,968	\$ 1,670,355	\$ 2,555,951	\$ 1,996,337
Public Safety	2,189,650	2,209,350	2,192,506	2,374,320	2,934,553	2,815,400	2,482,442	2,719,959	2,816,947	3,094,443
Public Works	2,758,809	3,004,510	3,033,355	4,602,067	3,328,229	4,236,255	3,671,722	4,621,676	4,857,004	4,544,514
Culture and Recreation	1,346,501	1,277,213	2,248,697	1,994,475	1,835,034	1,274,851	1,802,006	1,919,847	997,510	1,992,856
Airport	346,307	328,485	361,589	348,000	326,860	351,938	324,165	197,147	298,761	345,431
Economic Development	452,740	452,483	31,104	6,579	3,854	85,328	71,250	179,907	285,692	400,289
Interest on Long-Term Debt	919,420	888,522	876,488	924,744	910,137	801,449	873,988	919,237	899,855	688,603
Total governmental activities expenses	9,386,571	9,540,573	10,202,805	11,744,273	11,020,556	11,284,986	10,925,541	12,228,128	12,711,720	13,062,473
Business-type activities:										
Electric Utility	14,303,568	14,635,547	15,638,123	15,826,023	15,573,342	15,778,187	15,879,564	15,836,124	16,632,033	16,844,334
Water Department	978,961	1,050,455	1,111,204	1,145,212	1,179,330	1,270,585	1,259,401	1,345,820	2,506,506	1,611,310
Wastewater Treatment	1,631,315	1,692,658	1,595,991	1,539,687	1,916,875	1,675,953	1,813,903	2,651,270	2,096,878	2,982,333
Communications Utility	411,469	696,353								
Liquor Store	4,245,207	4,898,344	5,024,799	5,264,858	5,569,675	5,753,576	6,288,931	6,546,972	7,682,831	7,604,652
Total business-type activities expenses	21,570,520	22,973,357	23,370,117	23,775,780	24,239,222	24,478,301	25,241,799	26,380,186	28,918,248	29,042,629
Total expenses	\$ 30,957,091	\$ 32,513,930	\$ 33,572,922	\$ 35,520,053	\$ 35,259,778	\$ 35,763,287	\$ 36,167,340	\$ 38,608,314	\$ 41,629,968	\$ 42,105,102
PROGRAM REVENUES:										
Governmental activities:										
Charges for services:										
General Government	\$ 150,435	\$ 198,831	\$ 193,517	\$ 239,664	\$ 275,302	\$ 280,420	\$ 429,584	\$ 516,275	\$ 395,266	\$ 426,544
Public Safety	499,314	532,984	497,845	452,481	509,339	514,848	549,708	505,866	432,612	751,318
Public Works	485,553	499,934	585,899	605,930	661,726	705,042	733,951	796,277	878,553	851,532
Culture and Recreation	224,137	266,176	258,284	281,328	257,587	293,491	302,951	316,528	263,519	381,927
Airport	164,278	174,131	134,346	136,658	147,321	154,847	138,031	145,406	137,879	155,921
Economic Development	25,185	227,386	221,572	108,410	57,805	39,712	57,764	146,881	208,637	85,314
Operating grants and contributions	372,306	354,098	394,131	433,060	503,270	1,289,249	649,031	1,219,310	2,307,479	1,688,627
Capital grants and contributions	1,964,590	1,209,009	4,340,634	5,529,999	4,267,065	5,515,443	7,749,612	10,688,791	16,005,713	5,219,290
Total governmental activities program revenues	3,885,798	3,462,549	6,626,228	7,787,530	6,679,415	8,793,052	10,610,632	14,335,334	20,629,658	9,560,473

(Continued)

Table 2

**CITY OF DETROIT LAKES, MINNESOTA
CHANGES IN NET POSITION - Continued
LAST TEN CALENDAR YEARS**

	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Business-type activities:										
Charges for services:										
Electric Utility	15,979,935	16,604,777	17,440,880	18,046,807	17,994,163	18,685,697	20,043,910	19,228,152	19,535,866	19,656,102
Water Department	1,165,248	1,153,960	1,136,555	1,224,218	1,306,064	1,403,886	1,608,409	1,746,996	1,836,302	2,205,126
Wastewater Treatment	1,559,862	1,639,290	1,758,382	1,842,711	2,340,184	2,949,469	3,570,048	4,162,265	4,246,412	4,403,959
Communications Utility	260,375	188,354								
Liquor Store	4,909,641	5,420,620	5,799,669	6,005,952	6,315,644	6,532,267	7,129,225	7,441,050	8,903,181	8,684,996
Capital grants and contributions							6,332,826	8,384,663	1,673,804	1,256,225
Total business-type activities program revenues	23,875,061	25,007,001	26,135,486	27,119,688	27,956,055	29,571,319	38,684,418	40,963,126	36,195,565	36,206,408
Total program revenues	\$ 27,760,859	\$ 28,469,550	\$ 32,761,714	\$ 34,907,218	\$ 34,635,470	\$ 38,364,371	\$ 49,295,050	\$ 55,298,460	\$ 56,825,223	\$ 45,766,881
NET (EXPENSE) REVENUE:										
Governmental activities	\$ (5,500,773)	\$ (6,078,024)	\$ (3,576,577)	\$ (3,956,743)	\$ (4,341,141)	\$ (2,491,934)	\$ (314,909)	\$ 2,107,206	\$ 7,917,938	\$ (3,502,000)
Business-type activities	2,304,541	2,033,644	2,765,369	3,343,908	3,716,833	5,093,018	13,442,619	14,582,940	7,277,317	7,163,779
Total net (expense) / revenue	\$ (3,196,232)	\$ (4,044,380)	\$ (811,208)	\$ (612,835)	\$ (624,308)	\$ 2,601,084	\$ 13,127,710	\$ 16,690,146	\$ 15,195,255	\$ 3,661,779
GENERAL REVENUES AND OTHER CHANGES IN NET POSITION:										
Governmental activities:										
Taxes:										
Property taxes	\$ 3,643,778	\$ 3,758,373	\$ 4,096,132	\$ 4,183,387	\$ 4,490,259	\$ 5,124,250	\$ 5,493,812	\$ 6,098,031	\$ 6,342,159	\$ 6,117,071
Lodging taxes	193,340	213,029	231,564	230,287	238,090	237,248	257,240	270,731	187,853	287,581
Tax Increments	566,201	539,344	566,105	537,732	537,732	175,627	219,641	270,908	309,605	601,066
Cablevision Franchise	85,935	92,289	96,644	100,490	104,330	110,164	110,188	106,698	102,779	105,598
Gas Franchise	57,760	61,787	64,454	62,777	59,805	65,141	68,257	71,059	71,792	78,983
Sales Tax								347,430	1,690,499	1,916,320
Food & Beverage Tax	341,315	339,559	361,895	381,931	409,378	429,154	450,269	547,753	393,398	476,858
Unrestricted intergovernmental revenues	705,162	705,471	797,123	802,534	806,150	807,364	716,394	647,487	632,552	537,802
Unrestricted investment earnings	702,762	594,623	506,077	446,711	485,636	528,168	576,667	754,754	608,818	487,794
Gain (loss) on sale of capital assets	(47,500)	33,346	45,229	533,602	73,664	43,152	212,874	108,350	46,157	298,218
Other General revenues	140,933	57,071	161,232	72,173	101,766	217,009	169,655	197,967	142,995	70,907
Transfers	1,352,770	717,716	1,071,755	537,119	689,593	78,172	(682,338)	(338,648)	858,578	1,212,119
Total governmental activities	7,742,456	7,112,608	7,998,210	7,888,743	7,996,403	7,815,449	7,592,659	9,082,520	11,387,185	12,190,317
Business-type activities:										
Unrestricted investment earnings	152,361	48,382	267,858	148,319	183,545	171,151	311,896	847,915	660,620	88,194
Gain on sale of capital assets		10,781	25,045	23,859		159,440	2,230	38,878	32,009	40,850
Transfers	(1,352,770)	(717,716)	(1,071,755)	(537,119)	(689,593)	(78,172)	682,338	338,648	(858,578)	(1,212,119)
Total business-type activities	(1,200,409)	(658,553)	(778,852)	(364,941)	(506,048)	252,419	996,464	1,225,441	(165,949)	(1,083,075)
Total primary government	\$ 6,542,047	\$ 6,454,055	\$ 7,219,358	\$ 7,523,802	\$ 7,490,355	\$ 8,067,868	\$ 8,589,123	\$ 10,307,961	\$ 11,221,236	\$ 11,107,242
CHANGE IN NET POSITION:										
Government activities	\$ 2,241,683	\$ 1,034,584	\$ 4,421,633	\$ 3,932,000	\$ 3,655,262	\$ 5,323,515	\$ 7,277,750	\$ 11,189,726	\$ 19,305,123	\$ 8,688,317
Business-type activities	1,104,132	1,375,091	1,986,517	2,978,967	3,210,795	5,345,437	14,439,083	15,808,381	7,111,368	6,080,704
Total Change in Net Position	\$ 3,345,815	\$ 2,409,675	\$ 6,408,150	\$ 6,910,967	\$ 6,866,047	\$ 10,668,952	\$ 21,716,833	\$ 26,998,107	\$ 26,416,491	\$ 14,769,021

Table 3

**CITY OF DETROIT LAKES, MINNESOTA
FUND BALANCES – GOVERNMENTAL FUNDS
LAST TEN CALENDAR YEARS**

	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
General Fund:										
Nonspendable	\$	\$	\$	\$ 259,767	\$ 259,767	\$ 243,767	\$ 202,911	\$ 186,911	\$ 170,911	\$ 169,750
Committed		164,771	270,061	330,592	323,311	311,672	267,780	222,466		
Assigned	1,182,085	1,212,162	1,257,345	1,312,802	1,389,804	1,473,110	1,530,824	1,579,011	2,287,488	2,172,942
Unassigned	1,665,087	1,673,496	1,936,681	2,173,261	2,629,890	2,866,355	3,280,990	3,438,406	3,509,633	4,169,199
Total General Fund	2,847,172	3,050,429	3,464,087	4,076,422	4,602,772	4,894,904	5,282,505	5,426,794	5,968,032	6,511,891
All Other Governmental Funds										
Nonspendable							986,869	14,298		425
Restricted	10,598,875	10,451,345	6,614,657	10,384,699	13,479,612	11,879,121	11,269,521	7,680,871	12,244,521	9,277,447
Committed	1,896,643	1,865,945	1,863,290	2,238,261	2,304,013	3,418,956	4,205,877	5,407,717	6,357,656	7,024,263
Unassigned	(601,073)	(2,625,675)	(1,555,394)	(572,555)	(245,345)			(350)		(1,282,310)
Total All Other Governmental Funds	11,894,445	9,691,615	6,922,553	12,050,405	15,538,280	15,298,077	16,462,267	13,102,536	18,602,177	15,019,825
Total All Government Funds	\$ 14,741,617	\$ 12,742,044	\$ 10,386,640	\$ 16,126,827	\$ 20,141,052	\$ 20,192,981	\$ 21,744,772	\$ 18,529,330	\$ 24,570,209	\$ 21,531,716

**CITY OF DETROIT LAKES, MINNESOTA
CHANGES IN FUND BALANCES – GOVERNMENTAL FUNDS
LAST TEN CALENDAR YEARS**

Table 4

	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
REVENUES:										
Taxes	\$ 4,888,329	\$ 5,004,381	\$ 5,262,264	\$ 5,534,921	\$ 5,829,346	\$ 6,171,484	\$ 6,601,409	\$ 7,729,419	\$ 9,093,458	\$ 9,590,362
Special assessments	1,349,532	1,280,797	1,450,204	1,531,521	1,709,135	1,526,070	1,520,271	1,694,456	1,294,683	1,238,167
Licenses and permits	96,944	116,655	110,135	134,762	160,081	134,584	153,662	170,843	100,593	167,434
Intergovernmental	2,341,090	1,665,274	2,432,484	4,654,920	3,727,202	5,520,734	7,042,489	9,886,681	17,464,763	5,582,687
Charges for services	974,382	1,271,349	1,176,802	1,158,876	1,261,864	1,396,700	1,568,242	1,715,034	1,646,462	1,677,948
Fines and forfeits	80,432	68,442	71,300	86,746	91,695	81,206	75,993	64,789	59,924	76,701
Investment earnings	322,216	234,058	162,983	95,561	105,578	145,592	228,782	382,434	266,189	145,954
Other	580,296	585,712	822,266	607,287	852,684	1,865,502	1,037,684	1,070,413	1,534,217	2,137,817
Total revenues	10,633,221	10,226,668	11,488,438	13,804,594	13,737,585	16,841,872	18,228,532	22,714,069	31,460,289	20,617,070
EXPENDITURES:										
Current:										
General Government	971,533	934,951	1,396,612	1,107,437	1,148,682	1,154,233	1,219,346	1,575,225	1,229,229	1,310,684
Public Safety	2,008,139	1,985,917	2,037,873	2,181,025	2,221,529	2,436,549	2,421,634	2,636,347	2,795,084	3,047,326
Public Works	1,810,498	2,003,431	2,133,368	1,974,112	2,104,542	2,249,396	2,285,135	2,453,811	2,410,293	2,409,778
Culture and Recreation	1,090,539	1,028,325	1,053,620	1,157,226	1,040,831	1,112,267	1,194,283	1,252,079	1,266,932	1,505,881
Airport	154,326	111,496	136,066	115,985	110,835	127,789	116,034	124,472	488,361	155,505
Economic Development	452,740	452,483	34,706	75,428	159,280	246,151	71,250	45,518	22,485	34,168
Other	112,627	145,010	538,961	464,929	452,041	488,480	516,314	766,019	1,285,836	638,063
Debt service:										
Principal	1,693,347	2,618,871	5,797,633	3,206,472	4,188,200	4,650,672	4,073,316	5,516,397	2,568,145	7,572,485
Interest	907,899	908,231	843,510	961,466	965,189	823,390	813,744	809,253	786,969	798,577
Capital Outlay	2,232,469	3,312,296	3,606,905	6,596,360	5,091,549	5,593,292	10,653,609	13,423,691	22,300,483	10,410,729
Total expenditures	11,434,117	13,501,011	17,579,254	17,840,440	17,482,678	18,882,219	23,364,665	28,602,812	35,153,817	27,883,196
Deficit of revenues under expenditures	<u>(800,896)</u>	<u>(3,274,343)</u>	<u>(6,090,816)</u>	<u>(4,035,846)</u>	<u>(3,745,093)</u>	<u>(2,040,347)</u>	<u>(5,136,133)</u>	<u>(5,888,743)</u>	<u>(3,693,528)</u>	<u>(7,266,126)</u>
OTHER FINANCING SOURCES (USES):										
Transfers in	2,555,330	2,893,597	3,597,910	4,644,289	3,033,399	3,699,819	3,488,564	4,158,453	2,700,345	2,340,733
Sale of refunding bonds	2,390,000			4,620,000	4,440,000					
Transfers out	(1,446,347)	(1,665,028)	(2,445,829)	(3,373,871)	(2,253,344)	(2,632,238)	(2,413,564)	(3,013,453)	(1,509,628)	(1,128,614)
Debt issued	629,596		2,525,000	2,600,000	2,095,000	1,055,000	5,183,278	1,239,972	8,406,375	2,968,543
Premium on bonds				274,189	424,763	30,660	167,597		89,130	
Sale of capital assets	76,000	47,421	58,329	1,011,426	19,500	3,652	262,049	288,328	48,185	46,971
Total other financing sources (uses)	4,204,579	1,275,990	3,735,410	9,776,033	7,759,318	2,156,893	6,687,924	2,673,300	9,734,407	4,227,633
Net change in fund balances	\$ 3,403,683	\$ (1,998,353)	\$ (2,355,406)	\$ 5,740,187	\$ 4,014,225	\$ 116,546	\$ 1,551,791	\$ (3,215,443)	\$ 6,040,879	\$ (3,038,493)
Debt service as a percentage of noncapital expenditures	29.04%	32.92%	47.53%	30.79%	41.50%	38.44%	33.60%	37.06%	25.92%	46.02%

**CITY OF DETROIT LAKES, MINNESOTA
TAX CAPACITY AND ESTIMATED ACTUAL VALUE OF TAXABLE PROPERTY
LAST TEN CALENDAR YEARS**

Table 5

Fiscal Year	Residential Property	Commercial Industrial Property	Other Property	Less: Deferred Annexation Property	Less: Tax Increment Property	Net Taxable Tax Capacity	Total Direct Tax Rate	Estimated Taxable Market Value	Taxable Tax Capacity as a Percentage of Estimated Market Value
2012	4,938,191	3,257,612	1,522,970		608,444	9,110,329	40.24	799,392,700	1.14%
2013	4,785,259	3,399,329	1,571,503		568,753	9,187,338	40.92	852,633,300	1.08%
2014	4,815,139	3,558,304	1,572,342		596,100	9,349,685	42.43	810,644,700	1.15%
2015	5,107,245	3,577,225	1,703,505	68,034	591,935	9,728,006	41.81	859,465,000	1.13%
2016	5,577,445	3,992,489	1,806,716	55,766	551,364	10,769,520	42.17	927,336,000	1.16%
2017	5,563,440	4,080,780	1,880,813	1,739	511,830	11,011,464	44.40	947,271,100	1.16%
2018	6,590,418	4,427,041	2,113,964	133,217	703,933	12,294,273	41.60	1,080,219,400	1.14%
2019	6,814,619	4,884,699	2,315,252	112,395	794,619	13,107,556	41.95	1,143,169,900	1.15%
2020	9,948,210	4,999,555	207,690	45,183	804,544	14,305,728	40.17	1,235,838,400	1.16%
2021	8,040,676	4,901,756	2,698,958	59,310	630,571	14,951,509	40.71	1,281,458,600	1.17%

Source: Becker County Auditor

**CITY OF DETROIT LAKES, MINNESOTA
 DIRECT AND OVERLAPPING PROPERTY TAX RATES
 LAST TEN CALENDAR YEARS**

Table 6

Fiscal Year	City Direct Rate			ISD #22	Becker County	Pelican River Watershed	Total Direct and Overlapping Tax Rates
	Operating Rate	Debt Service Rate	Total Direct Rate				
2012	34.71	5.53	40.24	10.51	41.56	2.24	94.55
2013	35.47	5.45	40.92	10.82	42.83	2.25	96.81
2014	36.38	6.05	42.43	11.00	41.97	2.11	97.51
2015	29.39	12.42	41.81	8.46	40.31	1.65	92.23
2016	22.58	19.59	42.17	8.63	38.67	2.28	91.75
2017	26.40	18.00	44.40	9.11	39.86	1.51	94.88
2018	23.73	17.87	41.60	9.23	38.75	1.36	90.94
2019	22.03	19.92	41.95	22.67	37.94	1.20	103.76
2020	32.46	7.71	40.17	21.48	36.96	1.08	99.69
2021	33.66	7.05	40.71	20.90	36.44	1.03	99.08

Tax rates are based on taxable tax capacity

Source: Becker County Auditor

**CITY OF DETROIT LAKES, MINNESOTA
PRINCIPAL TAXPAYERS
CURRENT YEAR AND NINE YEARS AGO**

Table 7

Taxpayer	Type of Business	2021			2012		
		2020/2021 Tax Capacity Value	Rank	Percentage of Total Tax Capacity Value	2011/2012 Tax Capacity Value	Rank	Percentage of Total Tax Capacity Value
BTD Manufacturing	Manufacturing	267,414	1	1.79%	113,712	3	1.17%
Menard Inc	Retail Store	194,648	2	1.30%	229,914	1	2.37%
Essentia Health (St Mary's)	Health Care	188,160	3	1.26%	107,032	4	1.10%
Lakeshirts Screen Printing	Manufacturing	175,968	4	1.18%	76,998	7	0.79%
Walmart Stores	Retail Store	131,568	5	0.88%	152,686	2	1.57%
Sanford Clinic	Health Care	127,326	6	0.85%			
Right Choice Lodging (Holiday Inn)	Hotel	106,376	7	0.71%	96,540	5	0.99%
Stonebrook Apartment	Apartment	101,639	8	0.68%			
DL Hotel Partners (Fairfield Inn)	Hotel	97,656	9	0.65%			
McKinley Plaza	Retail	92,993	10	0.62%			
K-Mart	Retail Store				80,766	6	0.83%
Lodge on the Lake	Hotel				62,740	10	0.65%
Dynamic Homes, LLC	Manufacturing				63,174	9	0.65%
Washington Square Mall	Retail Mall				63,321	8	0.65%
		<u>\$ 1,483,748</u>		<u>9.92%</u>	<u>\$ 1,046,883</u>		<u>10.77%</u>

Source: Becker County Auditor

**CITY OF DETROIT LAKES, MINNESOTA
PROPERTY TAX LEVIES AND COLLECTIONS
LAST TEN CALENDAR YEARS**

Table 8

Year Collected	Tax Levy	Collected within the Year of the Levy		Collections in Subsequent Years	Tax Collection to Date	
		Amount	Percentage of Levy		Amount	Percentage of Levy
2012	3,643,247	3,563,243	97.8%	71,920	3,635,163	99.8%
2013	3,753,205	3,701,595	98.6%	43,570	3,745,165	99.8%
2014	3,926,180	3,854,142	98.2%	48,823	3,902,965	99.4%
2015	4,159,722	4,063,079	97.7%	47,209	4,110,288	98.8%
2016	4,543,210	4,484,575	98.7%	56,980	4,541,555	100.0%
2017	4,815,631	4,743,479	98.5%	70,131	4,813,610	100.0%
2018	5,112,278	5,024,454	98.3%	86,368	5,110,822	100.0%
2019	5,498,426	5,367,560	97.6%	129,343	5,496,903	100.0%
2020	5,745,991	5,701,276	99.2%	40,333	5,741,609	99.9%
2021	6,092,619	6,066,200	99.6%		6,066,200	99.6%

The above data does not include tax increment districts and State Market Value Credit.

Table 9

**CITY OF DETROIT LAKES, MINNESOTA
RATIO OF OUTSTANDING DEBT BY TYPE
LAST TEN CALENDAR YEARS**

Fiscal Year	Governmental Activities				Business-Type Activities				Percentage of Personal Income	Per Capita	
	General Obligation Bonds	G.O. Sales Tax Bonds	G.O. Tax Increment Bonds	G.O. Improvement Bonds	Notes and Contracts Payable	G.O. Revenue Bonds	Revenue Bonds	Notes and Contracts Payable			Total
2012	\$ 4,444,999	\$	\$ 380,000	\$ 24,183,000	\$ 1,916,720	\$ 867,000	\$ 4,855,721	\$ 2,947,531	\$ 39,594,971	16.94%	4,518
2013	4,379,999		355,000	21,948,500	1,622,348	801,500	4,756,628	2,633,294	36,497,269	15.64%	4,142
2014	419,999		325,000	23,001,750	1,286,465	735,250	4,380,284	2,310,556	32,459,304	14.65%	3,667
2015	359,999		295,000	27,234,000	1,157,743	669,000	6,241,181	1,979,126	37,936,049	16.46%	4,190
2016	294,999		265,000	30,499,202	1,033,293	602,750	5,839,355	1,638,806	40,173,405	16.38%	4,324
2017	224,999		235,000	27,447,450	605,121	648,823	6,739,515	1,414,000	37,314,908	14.63%	3,978
2018	149,999		205,000	27,312,465	2,078,584	606,680	6,716,670	5,389,001	42,458,399	15.82%	4,513
2019	74,999		175,000	22,011,833	3,132,659	541,150	6,155,792	10,387,054	42,478,487	15.29%	4,483
2020		3,276,457	140,000	24,682,574	3,131,431	482,452	5,861,818	12,920,655	50,495,387	15.28%	5,182
2021		3,675,000		20,021,399	2,833,697	417,863	5,249,531	14,072,109	46,269,599	12.28%	4,688

**CITY OF DETROIT LAKES, MINNESOTA
RATIO OF GENERAL BONDED DEBT OUTSTANDING
LAST TEN CALENDAR YEARS**

Table 10

Fiscal Year	Government Activities				Business-Type Activities		Total General Bonded Debt	Restricted Resources	Net General Bonded Debt	Percentage of Actual Taxable Value of Property	Per Capita
	General Obligation Bonds	G.O. Sales Tax Bonds	G.O. Tax Increment Bonds	G.O. Improvement Bonds	Improvement Bonds	G.O.					
2012	\$ 4,444,999	\$	380,000	24,183,000	867,000	\$	29,874,999	1,530,000	28,344,999	3.55%	\$ 3,235
2013	4,379,999		355,000	21,948,500	801,500		27,484,999	1,530,000	25,954,999	3.04%	2,945
2014	419,999		325,000	23,001,750	735,250		24,481,999	1,530,000	22,951,999	2.83%	2,593
2015	359,999		295,000	22,614,000	669,000		23,937,999	4,620,000	19,317,999	2.25%	2,134
2016	294,999		265,000	30,499,202	602,750		31,661,951	6,765,000	24,896,951	2.68%	2,680
2017	224,999		235,000	27,447,450	538,750		28,446,199	4,440,000	24,006,199	2.53%	2,559
2018	149,999		205,000	27,312,465	606,680		28,274,144	2,930,000	25,344,144	2.35%	2,694
2019	74,999		175,000	22,011,833	541,150		22,802,982		22,802,982	1.99%	2,407
2020		3,276,457	140,000	24,682,574	482,452		28,581,483		28,581,483	2.31%	2,933
2021		3,675,000		20,021,399	417,863		24,114,262		24,114,262	1.88%	2,443

**CITY OF DETROIT LAKES, MINNESOTA
 DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT
 DECEMBER 31, 2021**

Table 11

	<u>G.O. Debt</u>	<u>Percentage Applicable to City of Detroit Lakes (1)</u>	<u>Amount Applicable to City of Detroit Lakes</u>
<u>Direct Governmental Debt</u>			
City of Detroit Lakes	\$ 26,530,096	100.00%	\$ 26,530,096
Total Direct Governmental Debt	<u>26,530,096</u>		<u>26,530,096</u>
<u>Overlapping Governmental Debt</u>			
ISD #22	54,335,000	28.02%	15,224,667
Becker County	<u>11,235,000</u>	24.64%	<u>2,768,304</u>
Total Overlapping Governmental Debt	<u>65,570,000</u>		<u>17,992,971</u>
Total Direct and Overlapping Debt	<u>\$ 92,100,096</u>		<u>\$ 44,523,067</u>

(1) The percentage of overlapping debt is using tax capacity values. Applicable percentages were determined by the portion of the City's tax capacity that is within the other government's boundaries

**CITY OF DETROIT LAKES, MINNESOTA
LEGAL DEBT MARGIN INFORMATION
LAST TEN CALENDAR YEARS**

Table 12

	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Debt limit 3% of market value	\$ 23,981,781	\$ 25,578,999	\$ 24,319,341	\$ 25,783,680	\$ 27,820,080	\$ 28,418,133	\$ 34,322,346	\$ 46,505,295	\$ 49,716,558	\$ 49,044,261
Total net debt applicable to limit	236,189	141,169								
Legal Debt Margin	\$ 23,745,592	\$ 25,437,830	\$ 24,319,341	\$ 25,783,680	\$ 27,820,080	\$ 28,418,133	\$ 34,322,346	\$ 46,505,295	\$ 49,716,558	\$ 49,044,261
Total net debt applicable to the limit as a percentage of debt limit	0.98%	0.55%	0.55%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%

Legal Debt Margin Calculation for Fiscal Year 2021	
Assessed Value	1,634,808,700
Debt Limit (3% of total assessed value)	49,044,261
Debt applicable to limit:	
General obligation debt	
Less: Amount set aside for repayment of general obligation debt	
Total net debt applicable to limit	49,044,261
Legal debt margin	

**CITY OF DETROIT LAKES, MINNESOTA
 PLEDGED-REVENUE COVERAGE
 LAST TEN CALENDAR YEARS**

Table 13

Enterprise Revenue Bonds						
Fiscal Year	Operating Revenues and Gross Profit	Less: Operating Expense	Net Available Revenue	Debt Service		Coverage
				Principal	Interest	
2012	\$ 17,123,247	\$ 14,982,486	\$ 2,140,761	\$ 254,279	\$ 206,470	4.65
2013	19,011,598	16,134,903	2,876,695	258,593	88,405	8.29
2014	20,142,926	17,074,691	3,068,235	376,344	81,671	6.70
2015	20,890,813	17,541,352	3,349,461	389,103	77,036	7.19
2016	20,926,284	17,386,470	3,539,814	401,826	72,656	7.46
2017	24,672,942	19,409,633	5,263,309	504,840	129,219	8.30
2018	27,165,338	19,610,281	7,555,057	507,845	121,182	12.01
2019	27,100,218	19,680,704	7,419,514	560,878	166,530	10.20
2020	27,200,122	21,998,408	5,201,714	598,978	163,255	6.82
2021	28,506,975	22,089,222	6,417,753	612,287	154,571	8.37

Note: The City re-funded its electric revenue bond in 2012. The normal Principal payment would have been \$245,000 if the refunding had not taken place. The actual principal paid was \$3,525,000. We only included the \$245,000 in order to maintain comparable information.

**CITY OF DETROIT LAKES, MINNESOTA
DEMOGRAPHIC AND ECONOMIC STATISTICS
LAST TEN CALENDAR YEARS**

Table 14

<u>Fiscal Year</u>	<u>Population</u>	<u>School Enrollment (3)</u>	<u>Unemployment Rate(1)</u>	<u>Per Capita Income (2)</u>	<u>Total Personal Income</u>	<u>Total Employment(1)</u>
2012	8,763	2,847	6.20%	26,680	233,796,840	16,643
2013	8,812	2,953	5.70%	26,477	233,315,324	16,576
2014	8,851	3,001	4.90%	25,026	221,505,126	17,725
2015	9,053	2,961	4.50%	25,455	230,444,115	17,527
2016	9,290	3,025	4.60%	26,399	245,246,710	17,768
2017	9,380	2,908	4.90%	27,188	255,023,440	19,068
2018	9,409	3,001	2.30%	28,525	268,391,725	16,143
2019	9,475	2,993	3.60%	29,322	277,825,950	17,922
2020	9,744	3,095	4.40%	33,916	330,477,504	17,920
2021	9,869	2,946	3.16%	38,164	376,640,516	18,148

- (1) State of Minnesota Department of Employment and Economic Development, Statistics for Becker County
- (2) US Census Bureau
- (3) Detroit Lakes Public Schools and Holy Rosary Catholic School

**CITY OF DETROIT LAKES, MINNESOTA
PRINCIPAL EMPLOYERS
CURRENT YEAR AND NINE YEARS AGO**

Table 15

Employer	Type of Business	2021			2012		
		Employees	Rank	Percentage of Total County Employment	Employees	Rank	Percentage of Total County Employment
Essentia Health/St. Mary's Hospital	Health Care	962	1	5.4%	762	2	4.6%
ISD #22	Education	525	2	2.9%	500	3	3.0%
Lakeshirts Screen Printing	Shirt Screen Printing	500	3	2.8%	420	5	2.5%
BTD Manufacturing	Metal Stamping	470	4	2.6%	845	1	5.1%
Walmart	Retail Store	369	5	2.1%	288	7	1.7%
Becker County	Government	321	6	1.8%	290	6	1.7%
State of Minnesota - MN DOT	Highway Maintenance	270	7	1.5%	463	4	2.8%
Ecumen	Nursing Home & Assisted Living	202	8	1.1%	250	8	1.5%
SJ Electro Systems	Manufacturing	196	9	1.1%	165	10	1.0%
Menards	Retail Store	167	10	0.9%			
Central Market	Retail Groceries				182	9	1.1%
Total		<u>3,982</u>		<u>22.2%</u>	<u>4,165</u>		<u>25.0%</u>

Source: City Survey

**CITY OF DETROIT LAKES, MINNESOTA
 FULL-TIME EQUIVALENT CITY GOVERNMENT EMPLOYEES BY FUNCTION/PROGRAM
 LAST TEN CALENDAR YEARS**

Table 16

	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>
General government:										
Administration	2	2	2	3	3	3	3	3	3	3
Finance	2	2	2	2	2	2	2	2	2	2
General government buildings	0	0	0	0	0	0	2	3	3	3
Other	2	2	2	2	2	3	2	0	0	0
Public Safety:										
Police:										
Licensed	14	14	14	14	14	15	16	17	17	17
Other	2	2	2	2	2	2	2	2	2	2
Fire:										
Chief- Part-time	1	1	1	1	1	1	1	1	1	1
Volunteers	29	29	25	26	26	28	29	23	24	24
Building Inspection/Safety Advisor	0	0	0	0	0	0	0	1	1	1
Public Works:										
Street	12	13	13	13	13	13	13	10	10	10
Shop	2	2	2	2	2	2	2	2	2	2
Park and Recreation:	4	5	5	6	6	7	7	10	10	10
Subtotal	<u>70</u>	<u>72</u>	<u>68</u>	<u>71</u>	<u>71</u>	<u>76</u>	<u>79</u>	<u>74</u>	<u>75</u>	<u>75</u>
Electric	24	22	24	25	23	23	23	22	22	22
Liquor Store	4	6	6	7	8	8	8	9	10	10
Wastewater Treatment	7	6	5	5	5	5	5	6	6	6
Water Department	2	2	2	2	2	2	2	2	2	2
Communications	2	2	0	0	2	2	2	2	2	2
Subtotal	<u>39</u>	<u>38</u>	<u>37</u>	<u>39</u>	<u>40</u>	<u>40</u>	<u>40</u>	<u>41</u>	<u>42</u>	<u>42</u>
Total	<u>109</u>	<u>110</u>	<u>105</u>	<u>110</u>	<u>111</u>	<u>116</u>	<u>119</u>	<u>115</u>	<u>117</u>	<u>117</u>

**CITY OF DETROIT LAKES, MINNESOTA
CAPITAL ASSETS AND OPERATING INDICATORS BY FUNCTION/PROGRAM
LAST NINE CALENDAR YEARS**

Table 17

	2013	2014	2015	2016	2017	2018	2019	2020	2021
General government:									
Planning:									
Number of case files	20	33	29	29	36	42	42	33	33
Number of plats filed		4	5	5	9	10	7	5	12
Public Safety:									
Police:									
Calls for service	12,198	11,413	11,311	11,311	12,163	12,137	13,565	12,207	12,681
Number of stations	1	1	1	1	1	1	1	1	1
Number of patrols	5	5	5	5	5	5	6	7	7
Fire:									
Calls for service	201	203	195	225	227	245	253	216	287
Number of stations	1	1	1	1	1	1	1	1	1
Number of fire trucks	6	6	6	6	6	6	6	6	6
Building Inspection/Safety:									
Buildings permits issued	371	438	402	407	458	381	422	400	391
Single family homes permitted	43	46	45	35	37	53	35	35	33
Public Works:									
Street:									
Miles of roadway	104.88	105.77	114.77	114.93	114.93	115.40	115.46	117.00	117.00
Traffic signals	9	9	9	9	9	9	9	9	9
Park and Recreation:									
Park maintenance:									
Acres maintained	231	231	231	231	231	233	233	233	325
Ball fields	12	12	12	12	12	12	12	12	12
Public Utilities:									
Electric:									
Number of accounts	7,316	7,493	7,589	7,756	7,862	8,267	8,369	8,400	8,495
Kwh purchased (000)	201,410	205,569	197,576	193,521	194,722	203,103	197,569	192,586	195,901
Kwh sold (000)	190,746	193,594	186,290	164,985	181,586	191,706	189,741	185,548	188,200
Kw peak demand	35,990	37,712	35,763	34,924	35,997	36,554	39,019	36,888	37,714
Wastewater Treatment:									
Number of accounts	3,475	3,500	3,546	3,575	3,610	3,997	4,118	4,187	4,199
Units processed (000)	412,240	447,104	413,840	444,250	430,125	413,221	451,710	402,666	363,905
Water:									
Number of metered accounts	3,835	3,882	3,928	3,984	4,021	4,077	4,236	4,294	4,325
Gallons pumped (000)	509,767	489,905	500,317	553,231	540,835	535,681	515,996	477,281	577,073
Number of hydrants	717	717	738	748	755	772	794	806	807
Storm Water:									
Number of accounts	3,724	3,774	3,810	3,848	3,882	3,956	3,956	4,069	4,087

Source: Various City Departments

OTHER REPORT SECTION

This page intentionally left blank

INDEPENDENT AUDITOR'S REPORT ON MINNESOTA LEGAL COMPLIANCE

To the Honorable Mayor and
Members of the City Council
City of Detroit Lakes
Detroit Lakes, Minnesota

We have audited in accordance with auditing standards generally accepted in the United States of America, and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Detroit Lakes, Minnesota, as of and for the year ended December 31, 2021, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated June 8, 2022.

Legal Compliance

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

Purpose of the Report

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



BRADY, MARTZ & ASSOCIATES, P.C.
THIEF RIVER FALLS, MINNESOTA

June 8, 2022

This page intentionally left blank

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

To the Honorable Mayor and
Members of the City Council
City of Detroit Lakes
Detroit Lakes, Minnesota

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Detroit Lakes, Minnesota as of and for the year ended December 31, 2021, and the related notes to the financial statements, which collectively comprise the City of Detroit Lakes, Minnesota's basic financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated June 8, 2022.

Report on Internal Control over Financial Reporting

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

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

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

Report on Compliance and Other Matters

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

Purpose of this Report

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



BRADY, MARTZ & ASSOCIATES, P.C.
THIEF RIVER FALLS, MINNESOTA

June 8, 2022

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

To the Honorable Mayor
and Members of the City Council
City of Detroit Lakes
Detroit Lakes, Minnesota

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited the City of Detroit Lakes' compliance with the types of compliance requirements identified as subject to audit in the *OMB Compliance Supplement* that could have a direct and material effect on each of the City's major federal programs for the year ended December 31, 2021. The City's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, the City of Detroit Lakes complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2021.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the City and to meet our other ethical responsibilities, in accordance with 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 opinion on compliance for each major federal program. Our audit does not provide a legal determination of the City's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to the City's federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the City's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion,

forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about City of Detroit Lakes' compliance with the requirements of each major federal program as a whole.

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, 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 City's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the City's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on Internal Control Over Compliance

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

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose



BRADY, MARTZ & ASSOCIATES, P.C.
THIEF RIVER FALLS, MINNESOTA

June 8, 2022

**CITY OF DETROIT LAKES, MINNESOTA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED DECEMBER 31, 2021**

Federal Grantor/ Pass-Through Grantor/ Program Title	Federal AL Number	Pass-through Entity Identifying Number	Total Federal Expenditures
<u>U.S. Department of Transportation</u>			
Passed-Through Minnesota Department of Transportation:			
<i>Highway Planning and Construction Cluster</i>			
Highway Planning and Construction	20.205	1029939	\$ 592,140
COVID - 19 Highway Planning and Construction	20.205	8821224	28,914
<i>Total Highway Planning and Construction Cluster</i>			<u>621,054</u>
Passed-Through Minnesota Department of Transportation:			
Airport Improvement Program	20.106	1029426	41
Airport Improvement Program	20.106	1044684	1,115,240
COVID - 19 Airport Improvement Program	20.106	3-27-0021-019-2021	13,000
Airport Improvement Program	20.106	1032634	30,207
Airport Improvement Program	20.106	1035405	522,758
Total Airport Improvement Program			<u>1,681,246</u>
Total U.S. Department of Transportation			<u>2,302,300</u>
<u>U.S. Environmental Protection Agency</u>			
Passed-Through Minnesota Public Facilities Authority:			
<i>Clean Water State Revolving Fund Cluster</i>			
Capitalization Grants for Clean Water State Revolving Funds	66.458	MPFA-CWRF-L-028-FY18	2,086,283
Capitalization Grants for Clean Water State Revolving Funds	66.458	MPFA-CWRF-L-050-FY22	776,611
<i>Total Clean Water State Revolving Fund Cluster</i>			<u>2,862,894</u>
<i>Drinking Water State Revolving Fund Cluster</i>			
Capitalization Grants for Drinking Water State Revolving Funds	66.468	MPFA-DWRF-L-051-FY22	1,072,347
<i>Total Drinking Water State Revolving Fund Cluster</i>			<u>1,072,347</u>
Total U.S. Environmental Protection Agency			<u>3,935,241</u>
<u>U.S. Department of the Treasury</u>			
Passed-Through Minnesota Department of Revenue:			
COVID - 19 Coronavirus State and Local Fiscal Recovery Funds	21.027	G90ARPADIST	507,507
Total Coronavirus State and Local Fiscal Recovery Funds			<u>507,507</u>
Total U.S. Department of the Treasury			<u>507,507</u>
<u>U.S. Department of the Interior</u>			
Passed-Through Minnesota Department of Natural Resources:			
Outdoor Recreation Acquisition, Development and Planning	15.916	198797	171,000
Total Outdoor Recreation Acquisition, Development and Planning			<u>171,000</u>
Total U.S. Department of the Interior			<u>171,000</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS			<u>\$ 6,916,048</u>

See accompanying notes to the schedule of expenditures of federal awards.

**CITY OF DETROIT LAKES, MINNESOTA
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
DECEMBER 31, 2021**

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on accompanying schedule of expenditures of federal awards (the Schedule) are reported under generally accepted accounting principles (U.S. GAAP). Such expenditures are recognized following the cost principles contained in Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

NOTE 2. INDIRECT COST RATE

The City has elected not to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.

NOTE 3. BASIS OF PRESENTATION

The Schedule includes the federal award activity of the City of Detroit Lakes, Minnesota under programs of the federal government for the year ended December 31, 2021. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the City of Detroit Lakes, Minnesota, it is not intended to and does not present the financial position, changes in net position or cash flows of the City of Detroit Lakes, Minnesota.

NOTE 4. SUBRECIPIENTS

During 2021, the City did not pass any federal money to subrecipients.

**CITY OF DETROIT LAKES, MINNESOTA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
DECEMBER 31, 2021**

Section I-Summary of Auditor's Results

Financial Statements

Type of report the auditor issued on whether the financial statements audited were prepared in accordance with GAAP:

Unmodified

Internal control over financial reporting:

Material weakness(es) identified?

yes no

Significant deficiency(ies) identified?

yes no

Noncompliance material to financial statements noted?

yes no

Federal Awards

Internal Control over major federal programs:

Material weakness(es) identified?

yes no

Significant deficiency(ies) identified?

yes no

Type of auditor's report issued on compliance for major federal programs:

Unmodified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?

yes no

Identification of major programs:

AL Number(s) Name of Federal Program or Cluster

Clean Water State Revolving Fund Cluster:

66.458 Capitalization Grants for Clean Water State Revolving Funds

Dollar threshold used to distinguish between Type A and Type B programs:

\$750,000

Auditee qualified as low-risk auditee?

yes no

Section II-Financial Statement Findings

There are no findings which are required to be reported under this section.

Section III-Federal Award Findings and Questioned Costs

There are no findings which are required to be reported under this section.

**CITY OF DETROIT LAKES, MINNESOTA
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2021**

2020-001 FINDING

Criteria

A deficiency in internal control over financial reporting exists when the design or operation of a control does not allow management or employees to prevent, or detect and correct, misstatements of the financial statements on a timely basis.

Condition

Material audit adjustments were made to correct capital contributions and grant receivables.

Cause

Oversight by the City staff.

Effect

The City's expenses, receivables, and revenue were misstated.

Recommendation

The City should develop controls to ensure capital project financing is accurately reported.

Views of Responsible Officials and Planned Corrective Actions

The City agrees with the recommendation and will review on an annual basis.

Corrective Action Taken

The City implemented new checklists and processes around the recording of year-end entries to identify all adjustments needed prior to the audit. These checklists and annual workpapers help reduce the risk of material audit adjustments and enable the City to prevent any potential misstatement of the financial statements on a timely basis.

THE CITY HAS AUTHORIZED BAKER TILLY MUNICIPAL ADVISORS, LLC TO NEGOTIATE THIS ISSUE ON ITS BEHALF. PROPOSALS WILL BE RECEIVED ON THE FOLLOWING BASIS:

TERMS OF PROPOSAL

\$11,000,000*

CITY OF DETROIT LAKES, MINNESOTA

GENERAL OBLIGATION CAPITAL IMPROVEMENT PLAN BONDS, SERIES 2023A

(BOOK ENTRY ONLY)

Proposals for the above-referenced obligations (the “Bonds”) will be received by the City of Detroit Lakes, Minnesota (the “City”) on Tuesday, May 9, 2023 (the “Sale Date”) until 10:00 A.M., Central Time (the “Sale Time”) at the offices of Baker Tilly Municipal Advisors, LLC (“Baker Tilly MA”), 30 East 7th Street, Suite 3025, Saint Paul, MN 55101, after which time proposals will be opened and tabulated. Consideration for award of the Bonds will be by the City Council at its meeting commencing at 5:00 P.M., Central Time, of the same day.

SUBMISSION OF PROPOSALS

Baker Tilly MA will assume no liability for the inability of a bidder or its proposal to reach Baker Tilly MA prior to the Sale Time, and neither the City nor Baker Tilly MA shall be responsible for any failure, misdirection or error in the means of transmission selected by any bidder. All bidders are advised that each proposal shall be deemed to constitute a contract between the bidder and the City to purchase the Bonds regardless of the manner in which the proposal is submitted.

(a) **Sealed Bidding.** Completed, signed proposals may be submitted to Baker Tilly MA by email to bids@bakertilly.com, and must be received prior to the Sale Time.

OR

(b) **Electronic Bidding.** Proposals may also be received via PARITY[®]. For purposes of the electronic bidding process, the time as maintained by PARITY[®] shall constitute the official time with respect to all proposals submitted to PARITY[®]. *Each bidder shall be solely responsible for making necessary arrangements to access PARITY[®] for purposes of submitting its electronic proposal in a timely manner and in compliance with the requirements of the Terms of Proposal.* Neither the City, its agents, nor PARITY[®] shall have any duty or obligation to undertake registration to bid for any prospective bidder or to provide or ensure electronic access to any qualified prospective bidder, and neither the City, its agents, nor PARITY[®] shall be responsible for a bidder’s failure to register to bid or for any failure in the proper operation of, or have any liability for any delays or interruptions of or any damages caused by the services of PARITY[®]. The City is using the services of PARITY[®] solely as a communication mechanism to conduct the electronic bidding for the Bonds, and PARITY[®] is not an agent of the City.

If any provisions of this Terms of Proposal conflict with information provided by PARITY[®], this Terms of Proposal shall control. Further information about PARITY[®], including any fee charged, may be obtained from:

PARITY[®], 1359 Broadway, 2nd Floor, New York, New York 10018
Customer Support: (212) 849-5000

* Preliminary; subject to change.

DETAILS OF THE BONDS

The Bonds will be dated as of the date of delivery and will bear interest payable on February 1 and August 1 of each year, commencing February 1, 2024. Interest will be computed on the basis of a 360-day year of twelve 30-day months.

The Bonds will mature February 1 in the years and amounts* as follows

:

2025	\$375,000	2029	\$435,000	2033	\$510,000	2037	\$585,000	2041	\$685,000
2026	\$390,000	2030	\$455,000	2034	\$525,000	2038	\$610,000	2042	\$715,000
2027	\$405,000	2031	\$470,000	2035	\$545,000	2039	\$635,000	2043	\$745,000
2028	\$420,000	2032	\$490,000	2036	\$565,000	2040	\$660,000	2044	\$780,000

*The City reserves the right, after proposals are opened and prior to award, to increase or reduce the principal amount of the Bonds or the amount of any maturity or maturities in multiples of \$5,000. In the event the amount of any maturity is modified, the aggregate purchase price will be adjusted to result in the same gross spread per \$1,000 of Bonds as that of the original proposal. Gross spread for this purpose is the differential between the price paid to the City for the new issue and the prices at which the proposal indicates the securities will be initially offered to the investing public.

BOOK ENTRY SYSTEM

The Bonds will be issued by means of a book entry system with no physical distribution of Bonds made to the public. The Bonds will be issued in fully registered form and one Bond, representing the aggregate principal amount of the Bonds maturing in each year, will be registered in the name of Cede & Co. as nominee of The Depository Trust Company ("DTC"), New York, New York, which will act as securities depository for the Bonds. Individual purchases of the Bonds may be made in the principal amount of \$5,000 or any multiple thereof of a single maturity through book entries made on the books and records of DTC and its participants. Principal and interest are payable by the registrar to DTC or its nominee as registered owner of the Bonds. Transfer of principal and interest payments to participants of DTC will be the responsibility of DTC; transfer of principal and interest payments to beneficial owners by participants will be the responsibility of such participants and other nominees of beneficial owners. The lowest bidder (the "Purchaser"), as a condition of delivery of the Bonds, will be required to deposit the Bonds with DTC.

REGISTRAR

The City will name the registrar which shall be subject to applicable regulations of the Securities and Exchange Commission. The City will pay for the services of the registrar.

OPTIONAL REDEMPTION

The City may elect on February 1, 2032, and on any day thereafter, to redeem Bonds due on or after February 1, 2033. Redemption may be in whole or in part and if in part at the option of the City and in such manner as the City shall determine. If less than all Bonds of a maturity are called for redemption, the City will notify DTC of the particular amount of such maturity to be redeemed. DTC will determine by lot the amount of each participant's interest in such maturity to be redeemed and each participant will then select by lot the beneficial ownership interests in such maturity to be redeemed. All redemptions shall be at a price of par plus accrued interest.

SECURITY AND PURPOSE

The Bonds will be general obligations of the City for which the City will pledge its full faith and credit and power to levy direct general ad valorem taxes. The proceeds of the Bonds will be used to finance the construction and equipping of a new public works facility.

NOT BANK QUALIFIED TAX-EXEMPT OBLIGATIONS

The City will not designate the Bonds as qualified tax-exempt obligations for purposes of Section 265(b)(3) of the Internal Revenue Code of 1986, as amended.

BIDDING PARAMETERS

Proposals shall be for not less than \$11,000,000 (Par) plus accrued interest, if any, on the total principal amount of the Bonds.

Proposals for the Bonds may contain a maturity schedule providing for a combination of serial bonds and term bonds. All term bonds shall be subject to mandatory sinking fund redemption at a price of par plus accrued interest to the date of redemption scheduled to conform to the maturity schedule set forth above. In order to designate term bonds, the proposal must specify "Years of Term Maturities" in the spaces provided on the proposal form.

No proposal can be withdrawn or amended after the time set for receiving proposals on the Sale Date unless the meeting of the City scheduled for award of the Bonds is adjourned, recessed, or continued to another date without award of the Bonds having been made. Rates shall be in integral multiples of 1/100 or 1/8 of 1%. The initial price to the public for each maturity as stated on the proposal must be 98.0% or greater. Bonds of the same maturity shall bear a single rate from the date of the Bonds to the date of maturity. No conditional proposals will be accepted.

ESTABLISHMENT OF ISSUE PRICE

In order to provide the City with information necessary for compliance with Section 148 of the Internal Revenue Code of 1986, as amended, and the Treasury Regulations promulgated thereunder (collectively, the "Code"), the Purchaser will be required to assist the City in establishing the issue price of the Bonds and shall complete, execute, and deliver to the City prior to the closing date, a written certification in a form acceptable to the Purchaser, the City, and Bond Counsel (the "Issue Price Certificate") containing the following for each maturity of the Bonds (and, if different interest rates apply within a maturity, to each separate CUSIP number within that maturity): (i) the interest rate; (ii) the reasonably expected initial offering price to the "public" (as said term is defined in Treasury Regulation Section 1.148-1(f) (the "Regulation")) or the sale price; and (iii) pricing wires or equivalent communications supporting such offering or sale price. Any action to be taken or documentation to be received by the City pursuant hereto may be taken or received on behalf of the City by Baker Tilly MA.

The City intends that the sale of the Bonds pursuant to this Terms of Proposal shall constitute a "competitive sale" as defined in the Regulation based on the following:

- (i) the City shall cause this Terms of Proposal to be disseminated to potential bidders in a manner that is reasonably designed to reach potential bidders;
- (ii) all bidders shall have an equal opportunity to submit a bid;
- (iii) the City reasonably expects that it will receive bids from at least three bidders that have established industry reputations for underwriting municipal bonds such as the Bonds; and
- (iv) the City anticipates awarding the sale of the Bonds to the bidder who provides a proposal with the lowest true interest cost, as set forth in this Terms of Proposal (See "AWARD" herein).

Any bid submitted pursuant to this Terms of Proposal shall be considered a firm offer for the purchase of the Bonds, as specified in the proposal. The Purchaser shall constitute an "underwriter" as said term is defined in the Regulation. By submitting its proposal, the Purchaser confirms that it shall require any agreement among underwriters, a selling group agreement, or other agreement to which it is a party relating to the initial sale of the Bonds, to include provisions requiring compliance with the provisions of the Code and the Regulation regarding the initial sale of the Bonds.

If all of the requirements of a “competitive sale” are not satisfied, the City shall advise the Purchaser of such fact prior to the time of award of the sale of the Bonds to the Purchaser. **In such event, any proposal submitted will not be subject to cancellation or withdrawal.** Within twenty-four (24) hours of the notice of award of the sale of the Bonds, the Purchaser shall advise the City and Baker Tilly MA if 10% of any maturity of the Bonds (and, if different interest rates apply within a maturity, to each separate CUSIP number within that maturity) has been sold to the public and the price at which it was sold. The City will treat such sale price as the “issue price” for such maturity, applied on a maturity-by-maturity basis. The City will not require the Purchaser to comply with that portion of the Regulation commonly described as the “hold-the-offering-price” requirement for the remaining maturities, but the Purchaser may elect such option. If the Purchaser exercises such option, the City will apply the initial offering price to the public provided in the proposal as the issue price for such maturities. If the Purchaser does not exercise that option, it shall thereafter promptly provide the City and Baker Tilly MA the prices at which 10% of such maturities are sold to the public; provided such determination shall be made and the City and Baker Tilly MA notified of such prices whether or not the closing date has occurred, until the 10% test has been satisfied as to each maturity of the Bonds or until all of the Bonds of a maturity have been sold.

GOOD FAITH DEPOSIT

To have its proposal considered for award, the Purchaser is required to submit a good faith deposit via wire transfer to the City in the amount of \$110,000 (the “Deposit”) no later than 1:00 P.M., Central Time on the Sale Date. The Purchaser shall be solely responsible for the timely delivery of its Deposit, and neither the City nor Baker Tilly MA have any liability for delays in the receipt of the Deposit. If the Deposit is not received by the specified time, the City may, at its sole discretion, reject the proposal of the lowest bidder, direct the second lowest bidder to submit a Deposit, and thereafter award the sale to such bidder.

A Deposit will be considered timely delivered to the City upon submission of a federal wire reference number by the specified time. Wire transfer instructions will be available from Baker Tilly MA following the receipt and tabulation of proposals. The successful bidder must send an e-mail including the following information: (i) the federal reference number and time released; (ii) the amount of the wire transfer; and (iii) the issue to which it applies.

Once an award has been made, the Deposit received from the Purchaser will be retained by the City and no interest will accrue to the Purchaser. The amount of the Deposit will be deducted at settlement from the purchase price. In the event the Purchaser fails to comply with the accepted proposal, said amount will be retained by the City.

AWARD

The Bonds will be awarded on the basis of the lowest interest rate to be determined on a true interest cost (TIC) basis calculated on the proposal prior to any adjustment made by the City. The City's computation of the interest rate of each proposal, in accordance with customary practice, will be controlling.

The City will reserve the right to: (i) waive non-substantive informalities of any proposal or of matters relating to the receipt of proposals and award of the Bonds, (ii) reject all proposals without cause, and (iii) reject any proposal that the City determines to have failed to comply with the terms herein.

BOND INSURANCE AT PURCHASER'S OPTION

The City has **not** applied for or pre-approved a commitment for any policy of municipal bond insurance with respect to the Bonds. If the Bonds qualify for municipal bond insurance and a bidder desires to purchase a policy, such indication, the maturities to be insured, and the name of the desired insurer must be set forth on the bidder's proposal. The City specifically reserves the right to reject any bid specifying municipal bond insurance, even though such bid may result in the lowest TIC to the City. All costs associated with the issuance and administration of such policy and associated ratings and expenses (other than any independent rating requested by the City) shall be paid by the successful bidder. Failure of the municipal bond insurer to issue the policy after the award of the Bonds shall not constitute cause for failure or refusal by the successful bidder to accept delivery of the Bonds.

CUSIP NUMBERS

If the Bonds qualify for the assignment of CUSIP numbers such numbers will be printed on the Bonds; however, neither the failure to print such numbers on any Bond nor any error with respect thereto will constitute cause for failure or refusal by the Purchaser to accept delivery of the Bonds. Baker Tilly MA will apply for CUSIP numbers pursuant to Rule G-34 implemented by the Municipal Securities Rulemaking Board. The CUSIP Service Bureau charge for the assignment of CUSIP identification numbers shall be paid by the Purchaser.

SETTLEMENT

On or about June 15, 2023, the Bonds will be delivered without cost to the Purchaser through DTC in New York, New York. Delivery will be subject to receipt by the Purchaser of an approving legal opinion of Kennedy & Graven, Chartered of Minneapolis, Minnesota, and of customary closing papers, including a no-litigation certificate. On the date of settlement, payment for the Bonds shall be made in federal, or equivalent, funds that shall be received at the offices of the City or its designee not later than 12:00 Noon, Central Time. Unless compliance with the terms of payment for the Bonds has been made impossible by action of the City, or its agents, the Purchaser shall be liable to the City for any loss suffered by the City by reason of the Purchaser's non-compliance with said terms for payment.

CONTINUING DISCLOSURE

In accordance with SEC Rule 15c2-12(b)(5), the City will undertake, pursuant to the resolution awarding sale of the Bonds, to provide annual reports and notices of certain events. A description of this undertaking is set forth in the Official Statement. The Purchaser's obligation to purchase the Bonds will be conditioned upon receiving evidence of this undertaking at or prior to delivery of the Bonds.

OFFICIAL STATEMENT

The City has authorized the preparation of a Preliminary Official Statement containing pertinent information relative to the Bonds, and said Preliminary Official Statement has been deemed final by the City as of the date thereof within the meaning of Rule 15c2-12 of the Securities and Exchange Commission. For an electronic copy of the Preliminary Official Statement or for any additional information prior to sale, any prospective purchaser is referred to the Municipal Advisor to the City, Baker Tilly Municipal Advisors, LLC, by telephone (651) 223-3000, or by email bids@bakertilly.com. The Preliminary Official Statement will also be made available at <https://connect.bakertilly.com/bond-sales-calendar>.

A Final Official Statement (as that term is defined in Rule 15c2-12) will be prepared, specifying the maturity dates, principal amounts, and interest rates of the Bonds, together with any other information required by law. By awarding the Bonds to the Purchaser, the City agrees that, no more than seven business days after the date of such award, it shall provide to the Purchaser an electronic copy of the Final Official Statement. The City designates the Purchaser as its agent for purposes of distributing the Final Official Statement to each syndicate member, if applicable. The Purchaser agrees that if its proposal is accepted by the City, (i) it shall accept designation and (ii) it shall enter into a contractual relationship with its syndicate members for purposes of assuring the receipt of the Final Official Statement by each such syndicate member.

Dated April 11, 2023

BY ORDER OF THE CITY COUNCIL

/s/ Kelcey Klemm
City Administrator

CITY OF DETROIT LAKES, MINNESOTA
\$11,000,000* General Obligation Capital Improvement Plan Bonds, Series 2023A

For the Bonds of this Issue which shall mature and bear interest at the respective annual rates, as follow, we offer a price of \$_____ (which may not be less than \$11,000,000 (Par)) plus accrued interest, if any, to the date of delivery.

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

Designation of Term Maturities

Years of Term Maturities _____

In making this offer on the sale date of May 9, 2023 we accept all of the terms and conditions of the Terms of Proposal published in the Preliminary Official Statement dated May 2, 2023 including the City's right to modify the principal amount of the Bonds. (See "Terms of Proposal" herein.) In the event of failure to deliver these Bonds in accordance with said Terms of Proposal, we reserve the right to withdraw our offer, whereupon the deposit accompanying it will be immediately returned. All blank spaces of this offer are intentional and are not to be construed as an omission.

By submitting this proposal, we confirm that we have an established industry reputation for underwriting municipal bonds such as the Bonds.

Not as a part of our offer, the above quoted prices being controlling, but only as an aid for the verification of the offer, we have made the following computations:

NET INTEREST COST: \$ _____

TRUE INTEREST RATE: _____ %

The Bidder will not will purchase municipal bond insurance from _____.

Account Members

Account Manager
By: _____
Phone: _____

.....
The foregoing proposal has been accepted by the City.

Attest: _____

Date: _____

* Preliminary; subject to change.

Phone: 651-223-3000
Fax: 651-223-3046
Email: bids@bakertilly.com