

PRELIMINARY OFFICIAL STATEMENT DATED MARCH 29, 2021

NEW ISSUE
NOT BANK QUALIFIED

BOOK ENTRY ONLY
MOODY'S RATING "Aa1"

In the opinion of Dorsey & Whitney LLP, Bond Counsel, based on existing law and assuming the accuracy of certain representations and compliance with certain covenants, interest on the Bonds (i) is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986 (the "Code"), (ii) is not an item of tax preference for purposes of the federal alternative minimum tax imposed by Section 55 of the Code, (iii) is excluded from taxable net income of individuals, estates, and trusts for Minnesota income tax purposes, and (iv) is not an item of tax preference for Minnesota alternative minimum tax purposes. Interest on the Bonds is included, however, in net income for purposes of the Minnesota franchise tax imposed on corporations and financial institutions. See "Tax Considerations" herein.

CITY OF LAKEVILLE, MINNESOTA

\$6,020,000*

General Obligation Tax Abatement Bonds, Series 2021B

Dated Date: Date of Delivery (Estimated to be May 18, 2021)

Interest Due: Each February 1 and August 1
Commencing February 1, 2022

<u>Amount*</u>	<u>Rate</u>	<u>Maturity*</u>	<u>Yield</u>	<u>Price</u>	<u>Amount*</u>	<u>Rate</u>	<u>Maturity*</u>	<u>Yield</u>	<u>Price</u>
\$265,000	_____ %	2/1/23	_____ %	_____	\$295,000	_____ %	2/1/33	_____ %	_____
265,000	_____	2/1/24	_____	_____	305,000	_____	2/1/34	_____	_____
265,000	_____	2/1/25	_____	_____	310,000	_____	2/1/35	_____	_____
270,000	_____	2/1/26	_____	_____	315,000	_____	2/1/36	_____	_____
270,000	_____	2/1/27	_____	_____	325,000	_____	2/1/37	_____	_____
275,000	_____	2/1/28	_____	_____	330,000	_____	2/1/38	_____	_____
280,000	_____	2/1/29	_____	_____	335,000	_____	2/1/39	_____	_____
280,000	_____	2/1/30	_____	_____	345,000	_____	2/1/40	_____	_____
285,000	_____	2/1/31	_____	_____	355,000	_____	2/1/41	_____	_____
290,000	_____	2/1/32	_____	_____	360,000	_____	2/1/42	_____	_____

The General Obligation Tax Abatement Bonds, Series 2021B (the "Bonds" or the "Issue") are being issued by the City of Lakeville, Minnesota (the "City" or the "Issuer") pursuant to Minnesota Statutes, Sections 469.1812 through 469.1815 and Chapter 475, as amended. Proceeds of the Bonds will be used to finance the construction of a municipal liquor store and to pay costs associated with issuance of the Bonds. See *Authority and Purpose* herein for additional information.

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

The Bonds maturing on February 1, 2030 and thereafter are subject to redemption, in whole or in part, on February 1, 2029 and on any date thereafter at a price of par plus accrued interest.

Principal due with respect to the Bonds is payable annually on February 1, commencing February 1, 2023. Interest due with respect to the Bonds is payable semiannually on February 1 and August 1, commencing February 1, 2022. The Bonds will be registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York. Individual purchases will be made in book-entry form only, in the principal amount of \$5,000 or any whole multiple thereof. Purchasers will not receive physical delivery of Bonds. See "Book-Entry System" in *Description of the Bonds* herein for additional information. The Paying Agent/Registrar will be U.S. Bank National Association, St. Paul, Minnesota.

Proposals: Monday, April 19, 2021 10:30 A.M., Central Time

Award: Monday, April 19, 2021 6:30 P.M., Central Time

Bids may contain a maturity schedule providing for any combination of serial or term bonds. All term bonds shall be subject to mandatory sinking fund redemption and must conform to the maturity schedule set forth above at a price of par plus accrued interest. Bids must be for not less than \$5,953,780 (98.90%) and accrued interest on the total principal amount of the Bonds. **Bids will not be subject to cancellation – see "Establishment of Issue Price" in the Terms of Proposal herein for additional details.** The rate for any maturity may not be more than 2.00% less than the rate for any preceding maturity. A Good Faith Deposit (the "Deposit") in the amount of \$120,400, in the form of a federal wire transfer payable to the order of the City, will only be required from the apparent winning bidder, and must be received within two hours after the receipt of bids. See Terms of Proposal for additional details. Award of the Bonds will be on the basis of True Interest Cost (TIC).

* Preliminary, subject to change.



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THE BONDS ARE OFFERED, SUBJECT TO PRIOR SALE, WHEN, AS AND IF ACCEPTED BY THE UNDERWRITER(S) NAMED ON THE FRONT COVER OF THIS OFFICIAL STATEMENT AND SUBJECT TO AN OPINION AS TO VALIDITY OF THE BONDS BY BOND COUNSEL. SUBJECT TO APPLICABLE SECURITIES LAWS AND PREVAILING MARKET CONDITIONS, THE UNDERWRITER(S) INTENDS, BUT IS NOT OBLIGATED, TO EFFECT SECONDARY MARKET TRADING FOR THE BONDS. CLOSING DATE IS ESTIMATED TO BE MAY 18, 2021.

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

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

SUMMARY OF OFFERING

City of Lakeville, Minnesota

\$6,020,000 *

General Obligation Tax Abatement Bonds, Series 2021B

(Book-Entry Only)

AMOUNT -	\$6,020,000*																																								
ISSUER -	City of Lakeville, Minnesota (the “City” or the “Issuer”)																																								
AWARD DATE -	April 19, 2021																																								
MUNICIPAL ADVISOR -	Northland Securities, Inc. (the “Municipal Advisor”), 150 South 5th Street, Suite 3300, Minneapolis, Minnesota 55402, telephone: 612-851-5900 or 800-851-2920																																								
UNDERWRITER -																																									
TYPE OF ISSUE -	General Obligation Tax Abatement Bonds, Series 2021B (the “Bonds” or the “Issue”)																																								
AUTHORITY, PURPOSE & SECURITY -	The General Obligation Tax Abatement Bonds, Series 2021B (the “Bonds”) are being issued by the City of Lakeville, Minnesota (the “City”) pursuant to Minnesota Statutes, Sections 469.1812 through 469.1815 and Chapter 475, as amended. Proceeds of the Bonds will be used to finance the construction of a municipal liquor store and to pay costs associated with issuance of the Bonds. The Bonds are valid and binding general obligations of the City and are payable from tax abatement levies and net revenues of the City's Liquor Fund. The full faith and credit of the City is also pledged to their payment. In the event of any deficiency in the Debt Service Account established for this Issue, the City has validly obligated itself to levy additional ad valorem taxes upon all of the taxable property within the City, without limitation of amount. See <i>Authority and Purpose</i> as well as <i>Security/Sources and Uses of Funds</i> herein for additional information.																																								
DATE OF ISSUE -	Date of Delivery (Estimated to be May 18, 2021)																																								
INTEREST PAID -	Semiannually on each February 1 and August 1, commencing February 1, 2022, to registered owners of the Bonds appearing of record in the bond register as of the close of business on the fifteenth day (whether or not a business day) of the calendar month next preceding such interest payment date (the “Record Date”).																																								
MATURITIES* -	<table><tr><td>2/1/23</td><td>\$265,000</td><td>2/1/28</td><td>\$275,000</td><td>2/1/33</td><td>\$295,000</td><td>2/1/38</td><td>\$330,000</td></tr><tr><td>2/1/24</td><td>265,000</td><td>2/1/29</td><td>280,000</td><td>2/1/34</td><td>305,000</td><td>2/1/39</td><td>335,000</td></tr><tr><td>2/1/25</td><td>265,000</td><td>2/1/30</td><td>280,000</td><td>2/1/35</td><td>310,000</td><td>2/1/40</td><td>345,000</td></tr><tr><td>2/1/26</td><td>270,000</td><td>2/1/31</td><td>285,000</td><td>2/1/36</td><td>315,000</td><td>2/1/41</td><td>355,000</td></tr><tr><td>2/1/27</td><td>270,000</td><td>2/1/32</td><td>290,000</td><td>2/1/37</td><td>325,000</td><td>2/1/42</td><td>360,000</td></tr></table>	2/1/23	\$265,000	2/1/28	\$275,000	2/1/33	\$295,000	2/1/38	\$330,000	2/1/24	265,000	2/1/29	280,000	2/1/34	305,000	2/1/39	335,000	2/1/25	265,000	2/1/30	280,000	2/1/35	310,000	2/1/40	345,000	2/1/26	270,000	2/1/31	285,000	2/1/36	315,000	2/1/41	355,000	2/1/27	270,000	2/1/32	290,000	2/1/37	325,000	2/1/42	360,000
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REDEMPTION -	The Bonds maturing on February 1, 2030 and thereafter are subject to redemption, in whole or in part, on February 1, 2029 and on any date thereafter at a price of par plus accrued interest. See <i>Description of the Bonds</i> herein for additional information.																																								
BOOK-ENTRY -	The Bonds will be issued as fully registered and, when issued, will be registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York, to which principal and interest payments will be made. Individual purchases will be made in book-entry form only, in the principal amount of \$5,000 or any whole multiple thereof. Purchasers will not receive physical delivery of the Bonds.																																								
PAYING AGENT/REGISTRAR -	U.S. Bank National Association, St. Paul, Minnesota																																								
TAX DESIGNATIONS -	<u>Not Private Activity Bonds</u> - The Bonds are not “private activity bonds” as defined in Section 141 of the Internal Revenue Code of 1986, as amended (the “Code”). <u>Not Bank Qualified Tax-Exempt Obligations</u> - The City will not designate the Bonds as “qualified tax-exempt obligations” for purposes of Section 265(b)(3) of the Code.																																								
LEGAL OPINION -	Dorsey & Whitney LLP, Minneapolis, Minnesota (“Bond Counsel”)																																								
BOND RATING -	The City received an underlying rating of “Aa1” from Moody’s Investors Service (“Moody’s”). See <i>Bond Rating</i> herein for additional information.																																								
CLOSING -	Estimated to be May 18, 2021																																								
PRIMARY CONTACTS -	Jerilyn Erickson, Finance Director, City of Lakeville, Minnesota 952-985-4481 Tammy Omdal, Managing Director, Northland Securities, Inc., 612-851-4964 Jessica Green, Managing Director, Northland Securities, Inc., 612-851-5930																																								

* Preliminary, subject to change.

CITY OF LAKEVILLE, MINNESOTA

PRINCIPAL CITY OFFICIALS

Elected Officials

<u>City Council</u>		
<u>Name</u>	<u>Position</u>	<u>Term Expires</u>
Douglas P. Anderson	Mayor	12/31/22
John Bermel	Council Member	12/31/24
Luke Hellier	Council Member	12/31/24
Joshua Lee	Council Member	12/31/22
Michelle Volk	Council Member	12/31/22

Primary Contacts

Justin Miller	City Administrator
Jerilyn Erickson	Finance Director
Andrea McDowell Poehler	City Attorney

BOND COUNSEL

Dorsey & Whitney LLP
Minneapolis, Minnesota

MUNICIPAL ADVISOR

Northland Securities, Inc.
Minneapolis, Minnesota

TERMS OF PROPOSAL

\$6,020,000*

GENERAL OBLIGATION TAX ABATEMENT BONDS, SERIES 2021B

CITY OF LAKEVILLE, MINNESOTA
(Book-Entry Only)

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

TIME AND PLACE:

Proposals (also referred to herein as “bids”) will be opened by the City’s Finance Director, or designee, on Monday, April 19, 2021, at 10:30 A.M., CT, at the offices of Northland Securities, Inc. (the City’s “Municipal Advisor”), 150 South 5th Street, Suite 3300, Minneapolis, Minnesota 55402. Consideration of the Proposals for award of the sale will be by the City Council at its meeting at the City Offices beginning Monday, April 19, 2021 at 6:30 P.M., CT.

SUBMISSION OF PROPOSALS

Proposals may be:

- a) submitted to the office of Northland Securities, Inc.,
- b) faxed to Northland Securities, Inc. at 612-851-5918,
- c) for proposals submitted prior to the sale, the final price and coupon rates may be submitted to Northland Securities, Inc. by telephone at 612-851-5900 or 612-851-4945, or
- d) submitted electronically.

Notice is hereby given that electronic proposals will be received via PARITY™, or its successor, in the manner described below, until 10:30 A.M., CT, on Monday, April 19, 2021. Proposals may be submitted electronically via PARITY™ or its successor, pursuant to this Notice until 10:30 A.M., CT, but no Proposal will be received after the time for receiving Proposals specified above. To the extent any instructions or directions set forth in PARITY™, or its successor, conflict with this Notice, the terms of this Notice shall control. For further information about PARITY™, or its successor, potential bidders may contact Northland Securities, Inc. or i-Deal® at 1359 Broadway, 2nd floor, New York, NY 10018, telephone 212-849-5021.

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

BOOK-ENTRY SYSTEM

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

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

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

DATE OF ORIGINAL ISSUE OF BONDS

Date of Delivery (Estimated to be May 18, 2021)

AUTHORITY/PURPOSE/SECURITY

The Bonds are being issued pursuant to Minnesota Statutes, Sections 469.1812 through 469.1815 and Chapter 475. Proceeds will be used to finance the construction of a municipal liquor store and to pay costs associated with the issuance of the Bonds. The Bonds are payable from tax abatement levies and additionally secured by revenues of the City’s Liquor Fund and ad valorem taxes on all taxable property within the City. The full faith and credit of the City is pledged to their payment and the City has validly obligated itself to levy ad valorem taxes in the event of any deficiency in the debt service account established for this issue.

INTEREST PAYMENTS

Interest is due semiannually on each February 1 and August 1, commencing February 1, 2022, to registered owners of the Bonds appearing of record in the Bond Register as of the close of business on the fifteenth day (whether or not a business day) of the calendar month preceding such interest payment date.

MATURITIES

Principal is due annually on February 1, inclusive, in each of the years and amounts as follows:

<u>Year</u>	<u>Amount</u>	<u>Year</u>	<u>Amount</u>	<u>Year</u>	<u>Amount</u>	<u>Year</u>	<u>Amount</u>
2023	\$265,000	2028	\$275,000	2033	\$295,000	2038	\$330,000
2024	265,000	2029	280,000	2034	305,000	2039	335,000
2025	265,000	2030	280,000	2035	310,000	2040	345,000
2026	270,000	2031	285,000	2036	315,000	2041	355,000
2027	270,000	2032	290,000	2037	325,000	2042	360,000

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

INTEREST RATES

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

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

In order to establish the issue price of the Bonds for federal income tax purposes, the Issuer requires bidders to agree to the following, and by submitting a bid, each bidder agrees to the following.

If a bid is submitted by a potential underwriter, the bidder confirms that (i) the underwriters have offered or reasonably expect to offer the Bonds to the public on or before the date of the award at the offering price (the “initial offering price”) for each maturity as set forth in the bid and (ii) the bidder, if it is the winning bidder, shall require any agreement among underwriters, selling group agreement, retail distribution agreement or other agreement relating to the initial sale of the Bonds to the public to which it is a party to include provisions requiring compliance by all parties to such agreements with the provisions contained herein. For purposes hereof, Bonds with a separate CUSIP number constitute a separate “maturity,” and the public does not include underwriters of the Bonds (including members of a selling group or retail distribution group) or persons related to underwriters of the Bonds.

If, however, a bid is submitted for the bidder’s own account in a capacity other than as an underwriter of the Bonds, and the bidder has no current intention to sell, reoffer, or otherwise dispose of the Bonds, the bidder shall notify the Issuer to that effect at the time it submits its bid and shall provide a certificate to that effect in place of the certificate otherwise required below.

If the winning bidder intends to act as an underwriter, the Issuer shall advise the winning bidder at or prior to the time of award whether (i) the competitive sale rule or (ii) the “hold-the-offering price” rule applies, as described in the following paragraph.

If the Issuer advises the winning bidder that the requirements for a competitive sale have not been satisfied and that the hold-the-offering price rule applies, the winning bidder shall (1) upon the request of the Issuer confirm that the underwriters did not offer or sell any maturity of the Bonds to any person at a price higher than the initial offering price of that maturity during the period starting on the award date and ending on the earlier of (a) the close of the fifth business day after the sale date or (b) the date on which the underwriters have sold at least 10% of that maturity to the public at or below the initial offering price; and (2) at or prior to closing, deliver to the Issuer a certification substantially in the form attached hereto as Exhibit A, together with a copy of the pricing wire.

If the Issuer advises the winning bidder that the requirements for a competitive sale have been satisfied and that the competitive sale rule applies, the winning bidder will be required to deliver to the Issuer at or prior to closing a certification, substantially in the form attached hereto as Exhibit B, as to the reasonably expected initial offering price as of the award date.

Any action to be taken or documentation to be received by the Issuer pursuant hereto may be taken or received on behalf of the Issuer by the Municipal Advisor.

Bidders should prepare their bids on the assumption that the Bonds will be subject to the “hold-the-offering-price” rule. Any bid submitted pursuant to the Terms of Proposal shall be considered a firm offer for the purchase of the Bonds, and bids submitted will not be subject to cancellation or withdrawal.

ADJUSTMENTS TO PRINCIPAL AMOUNT AFTER PROPOSALS

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

OPTIONAL REDEMPTION

Bonds maturing on February 1, 2030 through 2042 are subject to redemption and prepayment at the option of the City on February 1, 2029 and any date thereafter, at a price of par plus accrued interest. Redemption may be in whole or in part of the Bonds subject to prepayment. If redemption is in part, the maturities and principal amounts within each maturity to be redeemed shall be determined by the City and if only part of the Bonds having a common maturity date are called for prepayment, the specific Bonds to be prepaid shall be chosen by lot by the Bond Registrar.

CUSIP NUMBERS

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

DELIVERY

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

TYPE OF PROPOSAL

Proposals of not less than \$5,953,780 (98.90%) and accrued interest on the principal sum of \$6,020,000 must be filed with the undersigned prior to the time of sale. Proposals must be unconditional except as to legality. Proposals for the Bonds should be delivered to Northland Securities, Inc. and addressed to:

Jerilyn Erickson, Finance Director
Lakeville City Hall
20195 Holyoke Ave
Lakeville, Minnesota 55044

A good faith deposit (the "Deposit") in the amount of \$120,400 in the form of a federal wire transfer (payable to the order of the City) is only required from the apparent winning bidder, and must be received within two hours after the time stated for the receipt of Proposals. The apparent winning bidder will receive notification of the wire instructions from the Municipal Advisor promptly after the sale. If the Deposit is not received from the apparent winning bidder in the time allotted, the City may choose to reject their Proposal and then proceed to offer the Bonds to the next lowest bidder based on the terms of their original proposal, so long as said bidder wires funds for the Deposit amount within two hours of said offer.

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

AWARD

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

INFORMATION FROM SUCCESSFUL BIDDER

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

OFFICIAL STATEMENT

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

FULL CONTINUING DISCLOSURE UNDERTAKING

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

NOT BANK QUALIFIED

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.

BOND INSURANCE AT UNDERWRITER'S OPTION

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

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

Dated: March 15, 2021

BY ORDER OF THE LAKEVILLE, MINNESOTA CITY COUNCIL

/s/ Jerilyn Erickson
Finance Director

Additional information may be obtained from:

Northland Securities, Inc.

150 South 5th Street, Suite 3300

Minneapolis, Minnesota 55402

Telephone No.: 612-851-5900

EXHIBIT A

**ISSUE PRICE CERTIFICATE – COMPETITIVE SALES WITH AT LEAST THREE BIDS FROM
ESTABLISHED UNDERWRITERS**

**\$(PRINCIPAL AMOUNT)
[BOND CAPTION]
ISSUE PRICE CERTIFICATE**

The undersigned, on behalf of [NAME OF UNDERWRITER] (“[SHORT NAME OF UNDERWRITER]”), hereby certifies as set forth below with respect to the sale of the obligations named above (the “Bonds”).

1. Reasonably Expected Initial Offering Price.

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

(b) [SHORT NAME OF UNDERWRITER] was not given the opportunity to review other bids prior to submitting its bid.

(c) The bid submitted by [SHORT NAME OF UNDERWRITER] constituted a firm offer to purchase the Bonds.

2. Defined Terms. For purposes of this Issue Price Certificate:

(a) *Issuer* means [DESCRIBE ISSUER].

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

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

(d) *Public* means any person (*i.e.*, an individual, trust, estate, partnership, association, company, or corporation) other than a Member of the Distribution Group or a related party to a Member of the Distribution Group. A person is a “related party” to a Member of the Distribution Group if the Member of the Distribution Group and that person are subject, directly or indirectly, to (i) at least 50% common ownership of the voting power or the total value of their stock, if both entities are corporations (including direct ownership by one corporation of another), (ii) more than 50% common ownership of their capital interests or profits interests, if both entities are partnerships (including direct ownership by one partnership of another), or (iii) more than 50% common ownership of the value of the outstanding stock of the corporation or the capital interests or profit interests of the partnership, as applicable, if one entity is a corporation and the other entity is a partnership (including direct ownership of the applicable stock or interests by one entity of the other).

(e) *Sale Date* means the first day on which there is a binding contract in writing for the sale of the respective Maturity. The Sale Date of each Maturity was [DATE].

The representations set forth in this certificate are limited to factual matters only. Nothing in this certificate represents [SHORT NAME OF UNDERWRITER]’s interpretation of any laws, including specifically Sections 103

and 148 of the Internal Revenue Code of 1986, as amended, and the Treasury Regulations thereunder. The undersigned understands that the foregoing information will be relied upon by the Issuer[and BORROWER (the “Borrower”)] with respect to certain of the representations set forth in the [Tax Certificate][Tax Exemption Agreement] and with respect to compliance with the federal income tax rules affecting the Bonds, and by [BOND COUNSEL] in connection with rendering its opinion that the interest on the Bonds is excluded from gross income for federal income tax purposes, the preparation of the Internal Revenue Service Form 8038[-G][-GC][-TC], and other federal income tax advice that it may give to the Issuer[and the Borrower] from time to time relating to the Bonds.

[UNDERWRITER]

By: _____

Name: _____

Dated: [ISSUE DATE]

**ISSUE PRICE CERTIFICATE – COMPETITIVE SALES WITH FEWER THAN THREE BIDS FROM
ESTABLISHED UNDERWRITERS**

**\$(PRINCIPAL AMOUNT)
[BOND CAPTION]
ISSUE PRICE CERTIFICATE**

The undersigned, on behalf of [NAME OF UNDERWRITER/REPRESENTATIVE] ([“[SHORT NAME OF UNDERWRITER]”])[the “Representative”][, on behalf of itself and [NAMES OF OTHER UNDERWRITERS] (together, the “Underwriting Group”),] hereby certifies as set forth below with respect to the sale of the obligations named above (the “Bonds”).

1. **Initial Offering Price of the Bonds.** [SHORT NAME OF UNDERWRITER][The Underwriting Group] offered the Bonds to the Public for purchase at the specified initial offering prices listed in Schedule A (the “Initial Offering Prices”) on or before the Sale Date. A copy of the pricing wire for the Bonds is attached to this certificate as Schedule B.

2. **Hold the Offering Price Rule.** [SHORT NAME OF UNDERWRITER][Each member of the Underwriting Group] has agreed in writing that, (i) for each Maturity, it would neither offer nor sell any of the Bonds of such Maturity to any person at a price that is higher than the Initial Offering Price for such Maturity during the Holding Period for such Maturity (the “Hold-the-Offering-Price Rule”), and (ii) any agreement among underwriters, selling group agreement, or third-party distribution agreement contains the agreement of each underwriter, dealer, or broker-dealer who is a party to such agreement to comply with the Hold-the-Offering-Price Rule. Based on the [Representative][SHORT NAME OF UNDERWRITER]’s own knowledge and, in the case of sales by other Members of the Distribution Group, representations obtained from the other Members of the Distribution Group, no Member of the Distribution Group has offered or sold any such Maturity at a price that is higher than the respective Initial Offering Price during the respective Holding Period.

3. **Defined Terms.** For purposes of this Issue Price Certificate:

(a) **Holding Period** means the period starting on the Sale Date and ending on the earlier of (i) the close of the fifth business day after the Sale Date ([DATE]), or (ii) the date on which Members of the Distribution Group have sold at least 10% of such Maturity to the Public at one or more prices, none of which is higher than the Initial Offering Price for such Maturity.

(b) **Issuer** means [DESCRIBE ISSUER].

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

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

(e) *Public* means any person (*i.e.*, an individual, trust, estate, partnership, association, company, or corporation) other than a Member of the Distribution Group or a related party to a Member of the Distribution Group. A person is a “related party” to a Member of the Distribution Group if the Member of the Distribution Group and that person are subject, directly or indirectly, to (i) at least 50% common ownership of the voting power or the total value of their stock, if both entities are corporations (including direct ownership by one corporation of another), (ii) more than 50% common ownership of their capital interests or profits interests, if both entities are partnerships (including direct ownership by one partnership of another), or (iii) more than 50% common ownership of the value of the outstanding stock of the corporation or the capital interests or profit interests of the partnership, as applicable, if one entity is a corporation and the other entity is a partnership (including direct ownership of the applicable stock or interests by one entity of the other).

(f) *Sale Date* means the first day on which there is a binding contract in writing for the sale of the respective Maturity. The Sale Date of each Maturity was [DATE].

The representations set forth in this certificate are limited to factual matters only. Nothing in this certificate represents [NAME OF UNDERWRITING FIRM][the Representative’s] interpretation of any laws, including specifically Sections 103 and 148 of the Internal Revenue Code of 1986, as amended, and the Treasury Regulations thereunder. The undersigned understands that the foregoing information will be relied upon by the Issuer[and BORROWER (the “Borrower”)] with respect to certain of the representations set forth in the [Tax Certificate][Tax Exemption Agreement] and with respect to compliance with the federal income tax rules affecting the Bonds, and by [BOND COUNSEL] in connection with rendering its opinion that the interest on the Bonds is excluded from gross income for federal income tax purposes, the preparation of the Internal Revenue Service Form 8038[-G][-GC][-TC], and other federal income tax advice that it may give to the Issuer[and the Borrower] from time to time relating to the Bonds.

[UNDERWRITER][REPRESENTATIVE]

By: _____
Name: _____

Dated: [ISSUE DATE]

AUTHORITY AND PURPOSE

The General Obligation Tax Abatement Bonds, Series 2021B (the “Bonds” or the “Issue”) are being issued by the City of Lakeville, Minnesota (the “City”) pursuant to Minnesota Statutes, Sections 469.1812 through 469.1815 and Chapter 475, as amended. Proceeds from issuance of the Bonds will be used to finance the construction of a fourth municipal liquor store within the City and to pay costs associated with issuance of the Bonds.

SECURITY/SOURCES AND USES OF FUNDS

Security

The Bonds are valid and binding general obligations of the City and are payable from tax abatement levies and net revenues of the City's Liquor Fund. The full faith and credit of the City is also pledged to their payment. In the event of any deficiency in the Debt Service Account established for this Issue, the City has validly obligated itself to levy additional ad valorem taxes upon all of the taxable property within the City, without limitation of amount.

Sources and Uses of Funds

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

Sources of Funds

Par Amount of Bonds	\$ 6,020,000*
Issuer Contribution	<u>1,282,464</u>
Total Sources of Funds:	<u>\$ 7,302,464</u>

Uses of Funds

Deposit to Project Fund	\$ 7,105,432
Costs of Issuance/Underwriter's Discount	119,633
Capitalized Interest	74,714
Rounding Amount	<u>2,685</u>
Total Uses of Funds:	<u>\$ 7,302,464</u>

BONDHOLDERS' RISKS

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

COVID-19 Pandemic

On March 11, 2020, the World Health Organization proclaimed the Coronavirus (COVID-19) to be a pandemic. In an effort to lessen the risk of transmission of COVID-19, the United States government, state governments, local governments and private industries have taken measures to limit social interactions in an effort to limit the spread of COVID-19, affecting business activities and impacting global, state and local commerce and financial markets. The emergence of COVID-19 and the spread thereof is an emerging and evolving issue. As the federal, state and local governments, including the Issuer, continue efforts to contain and limit the spread of COVID-19 disease, future tax and other revenue collections may deviate from historical or anticipated collections and may have an adverse impact on the financial position and operations of the issuer and its ability to fund debt obligations, including the Bonds in accordance with the terms. The Issuer is not able to predict and makes no representations as to the economic impact of the COVID-19 pandemic on the Issuer or its ongoing financial position.

* Preliminary, subject to change.

City's Response to COVID-19

In March 2020, the City completed its installation of a new phone system that provided staff the ability to receive and respond to phone calls remotely and participate in video conferencing. When Governor Walz issued Minnesota's 'Stay-at-Home' order on March 26, 2020, the City mobilized immediately and was able to provide secure, remote work opportunities for any employee who desired to work remotely, and the job responsibilities allowed for this, with minimal purchasing of computer equipment. The City already had an online presence for business transactions (including, but not limited to, permits and utility payments) and began providing customers with the same level of service online, via email or over the telephone. The Inspections Division immediately implemented virtual inspections for certain types of permits.

Department Directors were asked to review their respective current budgets (YTD budget vs. actuals) and identify any reductions that could be made due to staffing changes, purchases or projects that can be delayed, and training/conferences that have been cancelled. The City delayed certain one-time planned expenses/capital purchases for this year. This action was meant to assist the City in re-balancing the budget given the pandemic and aid the City in bridging the gap.

The City reopened its facilities to the public in June 2020 with safety protocols in place. City council meetings and workshops were held in-person, but the public had the option to participate either in person or via telephone.

The City hired approximately fifty percent of seasonal parks maintenance and recreation staff due to a reduction in programming. The City also postponed hiring for several new positions that were budgeted in 2020.

In response to Governor Walz' November 18, 2020 Executive Order, the City closed a number of City facilities, including the Arts Center and Heritage Center. Safety protocols continue to be in place at all City facilities open to the public. City Council meetings and workshops were again held virtually. The public was able to participate via telephone.

In January 2021, Governor Walz loosened restrictions. The City reopened a number of its facilities to the public, including the Arts Center, Heritage Center and Lakeville Arenas with safety protocols in place. City Council meetings and workshops are now held in person and virtually. The public can participate either in person or via telephone.

Impact of COVID-19 on the City's Finances

The City has a history of strong financial management and currently has a strong general fund balance of \$17,203,248, including a 53% unrestricted balance per the City policy.

Development and building activity remain strong. 2020 single-family building permit activity was 182% of budget for 2020 and exceeds the same period in 2019. Total 2020 permit valuation was \$140 million greater than the year ending December 31, 2019.

All of the City's debt payments were paid in full and on time in 2020. Projections, including with reduced revenue, show a strong cash position to cash flow the City's operations and debt obligations. As part of the City's pandemic operations plan, a COVID-19 code was established to track expenditures and staff time spent on COVID-19 related expenditures and tasks, as well as indirect costs associated with staggered shifts and working remotely. The City anticipates using all of the \$4.8 million Federal CARES Act funding it received towards eligible expenses in the following categories:

Personal Equipment	\$91,000
Small Business Assistance	985,000
Improve Telework Capabilities	32,000
Economic Support	68,000
Administrative Expenses	55,000
Personnel/Services-Substantially Different Use	163,000
Public Health and Safety Employees	<u>3,452,940</u>
Total	\$4,846,940

The City estimates their loss of net revenues due to reduced recreation programs, the Arts Center and Heritage Center being closed for five months, and then experiencing reduced programming, is approximately \$230,000.

Dakota County collects the City's property taxes. The City received approximately 99.4% of the 2020 tax levy with the final distribution made in January, 2021.

Impact of COVID-19 on Major Employers and Largest Taxpayers within the City

Nearly 88% of the tax base in the City is residential. About 11% is commercial and industrial. The top industries in the City are retail trade (15%), manufacturing (14%), food services (13%) and healthcare (10%).

In reviewing the current tax payment status of the principal property taxpayers and major employers, all have paid their full 2020 tax liability.

In the third quarter of 2020, the City had 1,324 business establishments that employed 16,994 people. The industry sector hit hardest by the COVID-19 pandemic is Leisure and Hospitality, which includes arts, entertainment and recreation, and accommodation and food services. These jobs represented 15% of Lakeville's total employment in 2019. In 2020, Leisure and Hospitality jobs now represent 13.8% of total employment. This sector was down 1,249 jobs in Q2 2020 compared to Q2 2019, but hiring has increased and the sector added 757 jobs in Q3 2020. Hotel occupancy dropped to around 10% early in the peacetime emergency and local hotels reported occupancy rates in January 2021 were between 9-29%. The manufacturing sector within the City has remained strong during the crisis and accounts for 12.6% of Lakeville's jobs.

Most Lakeville restaurants have remained open for carry-out, delivery or indoor dining (when permitted) with reduced staff over the last 11 months. The City Council passed an Outdoor Customer Service Policy in May 2020 that allows commercial and industrial businesses to create temporary outdoor patio and display space for drive-up, pick-up and customer service. This policy was extended in 2021 to sunset with the local emergency declaration.

The Minnesota Department of Employment and Economic Development (DEED) reports that Dakota County has seen a total of 93,755 unemployment insurance applications filed since March 16, 2020. In the Twin Cities Planning Region, the top occupations of the unemployment insurance applicants are food and beverage serving workers, retail sales workers, construction trades workers, and motor vehicle operators.

According to the Minnesota Local Area Unemployment Statistics (LAUS), in December 2020, Lakeville's labor force was 36,025 residents, of which 34,640 were employed. This equates to an unemployment rate of 3.8% in December 2020. In March 2020, LAUS data showed a labor force of 37,449 residents, of which 36,442 were employed, for an unemployment rate of 2.7%. For comparison, December 2019 showed a labor force of 36,610 residents of which 35,637 were employed, equating to an unemployment rate of 2.7%.

Secondary Market

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

Ratings Loss

Moody's Investors Service has assigned a rating of "Aa1" to the Bonds. Generally, a rating agency bases its rating on the information and materials furnished to it and on investigations, studies and assumptions of its own. There is no assurance that the rating will continue for any given period of time, or that such rating will not be revised, suspended or withdrawn, if, in the judgment of Moody's, circumstances so warrant. A revision, suspension or withdrawal of a rating may have an adverse effect on the market price of the Bonds.

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

Forward-Looking Statements

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

Tax Exemption and Loss of Tax Exemption

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

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

Pending Federal and State Tax Legislation

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

Tax Levy Procedures

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

Economy, State Aids

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

Cybersecurity

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

Suitability of Investment

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

Summary

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

DESCRIPTION OF THE BONDS

Details of Certain Terms

The Bonds will be dated, as originally issued, as of the date of delivery (estimated to be May 18, 2021), and will be issued as fully registered Bonds in the denominations of \$5,000 or any integral multiple thereof. Principal, including mandatory redemptions on the Bonds, if applicable, will be payable annually February 1, commencing February 1, 2023. Interest on the Bonds will be payable semiannually on each February 1 and August 1, commencing February 1, 2022. The Bonds when issued, will be registered in the name of Cede & Co. (the “Registered Holder”), as nominee of The Depository Trust Company, New York, New York (“DTC”), the initial custodian for the Bonds, to which principal and interest payments on the Bonds will be made so long as Cede & Co. is the Registered Holder

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

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

Registration, Transfer and Exchange

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

Optional Redemption

The Bonds maturing on February 1, 2030 and thereafter are subject to redemption, in whole or in part, on February 1, 2029 and on any date thereafter at a price of par plus accrued interest. If redemption is in part, the selection of the amounts and maturities of the Bonds to be prepaid shall be at the discretion of the City. Notice of redemption shall be given by written notice to the registered owner of the Bonds not less than 30 days prior to such redemption date.

Book-Entry System

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

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

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

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

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

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

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

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

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

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

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

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

FULL CONTINUING DISCLOSURE

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

To the best of its knowledge, the City has never failed to comply in all material respects with any previous undertakings under the Rule to provide annual reports or notices of material events within the past five years. For the fiscal year ended December 31, 2019, the audit filing due by December 31, 2020 was filed for the City's issues on October 13, 2020 but failed to link to the City's Housing and Redevelopment Authority (HRA) issues. While the City's audit was publicly available by the required deadline, the EMMA filing now shows that it has been re-linked to the City's HRA issues, but maintains the original filing date. A failure by the City to comply with the Undertakings will not constitute an event of default on the Bonds (although holders will have an enforceable right to specific performance). Nevertheless, such a failure must be reported in accordance with the Rule and must be considered by any broker, dealer or municipal securities dealer before recommending the purchase or sale of the Bonds in the secondary market. Consequently, such a failure may adversely affect the transferability and liquidity of the Bonds and their market price. Please see *Appendix B – Form of Continuing Disclosure* herein for additional information.

MUNICIPAL ADVISOR

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

FUTURE FINANCING

The City anticipates issuing approximately \$8,700,000 in July of 2021 to finance street projects.

BOND RATING

The City received an underlying rating of "Aa1" from ("Moody's"). No application was made to any other rating agency for the purpose of obtaining an additional rating on the Bonds. This rating reflects only the opinion of Moody's and any explanation of the significance of this rating may be obtained only from Moody's. There is no assurance that a rating will continue for any given period of time, or that such rating will not be revised or withdrawn, if in the judgment of Moody's, circumstances so warrant. A revision or withdrawal of the rating may

have an adverse effect on the market price of the Bonds. This rating is not a recommendation to buy, sell or hold the Bonds, and such rating may be subject to revision or withdrawal at any time by the rating agency.

LITIGATION

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

CERTIFICATION

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

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

LEGALITY

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

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

TAX CONSIDERATIONS

The following is a summary of certain U.S. federal and Minnesota income tax considerations relating to the purchase, ownership, and disposition of the Bonds. This summary is based on the U.S. Internal Revenue Code of 1986 (the “Code”) and the Treasury Regulations promulgated thereunder, judicial decisions, and published rulings and administrative pronouncements of the Internal Revenue Service (the “IRS”), all as of the date hereof and all of which are subject to change, possibly with retroactive effect. Any such change could adversely affect the matters discussed below, including the tax exemption of interest on the Bonds. The City has not sought and will not seek any rulings from the IRS regarding the matters discussed below, and there can be no assurance the IRS or a court will not take a contrary position regarding these matters.

Prospective purchasers of Bonds should consult their own tax advisors with respect to applicable federal, state, and local tax rules, and any pending or proposed legislation or regulatory or administrative actions, relating to the Bonds based on their own particular circumstances.

This summary is for general information only and is not intended to constitute a complete analysis of all tax considerations relating to the purchase, ownership, and disposition of Bonds. It does not address the application of the alternative minimum tax or the additional tax on net investment income, nor does it address the U.S. federal estate and gift tax or any state, local, or non-U.S. tax consequences except with respect to Minnesota income tax to the extent expressly specified herein. This summary is limited to consequences to U.S. holders that purchase the Bonds for cash at original issue and hold the Bonds as “capital assets” (generally, property held for investment).

This discussion does not address all aspects of U.S. federal income or state taxation that may be relevant to particular holders of Bonds in light of their specific circumstances or the tax considerations applicable to holders that may be subject to special income tax rules, such as: holders subject to special tax accounting rules under Section 451(b) of the Code; insurance companies; brokers, dealers, or traders in stocks, securities, or currencies or notional principal

contracts; foreign corporations subject to the branch profits tax; holders receiving payments in respect of the Bonds through foreign entities; and S corporations, partnerships, or other pass-through entities or investors therein.

For purposes of this discussion, the “issue price” of a maturity of Bonds is the first price at which a substantial amount of Bonds of that maturity is sold for cash to persons other than bond houses, brokers, or similar persons or organizations acting in the capacity of underwriters, placement agents, or wholesalers.

The Bonds

Tax-Exempt Interest

In the opinion of Dorsey & Whitney LLP, Bond Counsel, based on existing law and assuming the accuracy of certain representations and compliance with certain covenants, interest on the Bonds (i) is excluded from gross income for federal income tax purposes, (ii) is not an item of tax preference for federal alternative minimum tax purposes, (iii) is excluded from taxable net income of individuals, estates, and trusts for Minnesota income tax purposes, and (iv) is not an item of tax preference for Minnesota alternative minimum tax purposes. Interest on the Bonds is included, however, in net income for purposes of the Minnesota franchise tax imposed on corporations and financial institutions.

The Code establishes certain requirements that must be met after the issuance of the Bonds in order that interest on the Bonds be excluded from federal gross income and from Minnesota taxable net income of individuals, estates, and trusts. These requirements include, but are not limited to, provisions regarding the use of Bond proceeds and the facilities financed or refinanced with such proceeds and restrictions on the investment of Bond proceeds and other amounts. The City has made certain representations and has covenanted to comply with certain restrictions, conditions, and requirements designed to ensure interest on the Bonds will not be included in federal gross income. Inaccuracy of these representations or noncompliance with these covenants may cause interest on the Bonds to be included in federal gross income or in Minnesota taxable net income retroactively to their date of issue. Bond Counsel has not independently verified the accuracy of these representations and will not verify the continuing compliance with these covenants. No provision has been made for redemption of or for an increase in the interest rate on the Bonds in the event that interest on the Bonds is included in federal gross income or in Minnesota taxable net income.

Original Issue Discount

Bonds may be issued at a discount from their principal amount (any such Bonds being “Discount Bonds”). The excess of the principal amount payable on Bonds of a given maturity over their issue price constitutes “original issue discount” (“OID”). OID that accrues to a holder of a Discount Bond is excluded from federal gross income and from Minnesota taxable net income of individuals, estates, and trusts to the same extent that stated interest on such Discount Bond would be so excluded. The amount of OID that accrues on a Discount Bond is added to the holder’s federal and Minnesota tax bases. OID is taxable under the Minnesota franchise tax on corporations and financial institutions.

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

If a Discount Bond is purchased for a cost that exceeds the sum of the issue price plus accrued interest and accrued OID, the amount of OID 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 the Discount Bond. If the excess is greater than the amount of remaining OID, the basis reduction rules for amortizable bond premium may result in taxable gain upon sale or

other disposition of the Bonds, even if the Bonds are sold, redeemed, or retired for an amount equal to or less than their cost.

It is possible under certain state and local income tax laws that original issue discount on a Discount Bond may be taxable in the year of accrual and may be deemed to accrue differently than under federal law.

Market Discount

If a Bond is purchased for a cost that is less than the Bond's issue price (plus accrued original issue discount, if any), the purchaser will be treated as having purchased the Bond with market discount (unless a statutory de minimis rule applies). Market discount is treated as ordinary income and generally is recognized on the maturity or earlier disposition of the Bond (to the extent that the gain realized does not exceed the accrued market discount on the Bond).

Bond Premium

A holder that acquires a Bond for an amount in excess of its principal amount generally must, from time to time, reduce the holder's federal and Minnesota tax bases for the Bond. Premium generally is amortized for federal income tax purposes and Minnesota income and franchise tax purposes on the basis of a bondholder's constant yield to maturity or to certain call dates with semiannual compounding. Accordingly, holders who acquire Bonds at a premium might recognize taxable gain upon sale of the Bonds, even if such Bonds are sold for an amount equal to or less than their original cost. Amortized premium is not deductible for federal income tax purposes or for purposes of the Minnesota income tax applicable to individuals, estates, and trusts.

Related Tax Considerations

Section 86 of the Code and corresponding provisions of Minnesota law require recipients of certain social security and railroad retirement benefits to take interest on the Bonds into account in determining the taxability of such benefits.

Section 265(a) of the Code denies a deduction for interest on indebtedness incurred or continued to purchase or carry the Bonds, and Minnesota law similarly denies a deduction for such interest in the case of individuals, estates, and trusts. In the case of a financial institution, generally no deduction is allowed under section 265(b) the Code for that portion of the holder's interest expense that is allocable to interest on tax-exempt obligations, such as the Bonds, unless the obligations are "qualified tax-exempt obligations." Indebtedness may be allocated to the Bonds for this purpose even though not directly traceable to the purchase of the Bonds.

The Bonds are not "qualified tax-exempt obligations" for purposes of Section 265(b)(3) of the Code.

The ownership or disposition of, or the accrual or receipt of amounts treated as interest on, the Bonds may affect a holder's federal, state, or local tax liability in some additional circumstances. The nature and extent of these other tax consequences depends upon the particular tax status of the holder and the holder's other items of income or deduction.

Sale or Other Disposition

A holder will generally recognize gain or loss on the sale, exchange, redemption, retirement, or other disposition of a Bond equal to the difference between (i) the amount realized less amounts attributable to any accrued but unpaid stated interest and (ii) the holder's adjusted tax basis in the Bond. The amount realized includes the cash and the fair market value of any property received by the holder in exchange for the Bond. A holder's adjusted tax basis in a Bond generally will be equal to the amount that the holder paid for the Bond, increased by any accrued original issue discount with respect to the Bond and reduced by the amount of any amortized bond premium on the Bond. Except to the extent attributable to market discount (which will be taxable as ordinary income to the extent not previously included in income), any gain or loss will be capital gain or loss and will be long-term capital gain or loss if the holder held the Bond for more than one year. Long-term capital gains recognized by certain non-corporate

persons, including individuals, generally are taxable at a reduced rate. The deductibility of capital losses is subject to significant limitations.

Information Reporting and Backup Withholding

Payments of interest on the Bonds (including any allocable bond premium or accrued original issue discount) and proceeds from the sale or other disposition of the Bonds are expected to be reported to the IRS as required under applicable Treasury Regulations. Backup withholding will apply to these payments if the holder fails to provide an accurate taxpayer identification number and certification that it is not subject to backup withholding (generally on an IRS Form W-9) or otherwise fails to comply with the applicable backup withholding requirements. Backup withholding is not an additional tax. Any amounts withheld under the backup withholding rules may be allowed as a refund or a credit against the holder's U.S. federal income tax liability, provided that the required information is timely furnished to the IRS. Certain holders are exempt from information reporting. Potential holders should consult their own tax advisors regarding qualification for an exemption and the procedures for obtaining such an exemption.

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CITY OF LAKEVILLE, MINNESOTA

GENERAL INFORMATION

Location and Access

The City of Lakeville is located in Dakota County. The City is situated approximately 20 miles south of downtown Minneapolis and downtown St. Paul and is part of the Twin Cities Metropolitan Area. The City is bordered by the cities of Apple Valley on the north, Prior Lake on the west, and Farmington on the east. Access is provided via Interstate Highway 35 as well as numerous County Roads.

Population

1990 Census	24,854	2010 Census	55,954
2000 Census	41,128	2020 City Estimate	65,831

Labor Force Data¹

Comparative average labor force and unemployment rate figures for year-end 2020 and year-end 2019 are listed below. Figures are not seasonally adjusted, and numbers of people are estimated by place of residence.

	2020		2019	
	<i>Civilian Labor Force</i>	<i>Unemployment Rate</i>	<i>Civilian Labor Force</i>	<i>Unemployment Rate</i>
Dakota County	240,319	5.9%	242,513	2.5%
Minneapolis-St. Paul- Bloomington MSA	2,005,559	6.0	2,0106,208	2.7
Minnesota	3,075,445	5.8	3,099,006	2.9

Income Data²

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

	City of Lakeville	State of Minnesota	United States
Median Family Income	\$120,888	\$86,204	\$73,965
Per Capita Income	43,263	36,245	32,621

City Government

Lakeville, incorporated in 1967, is a Minnesota Statutory City with an Optional Plan A form of government. It has a mayor elected at large for a four-year term and four council members also elected at large for four-year terms. The City has 205 full-time and 61 part-time employees. In addition, the City has 89 paid on-call volunteer fire fighters and hires over 95 seasonal staff to support parks maintenance and recreation activities. The professional staff is appointed and consists of a City Administrator, Assistant Administrator, Finance Director, Public Works Director, Human Resources Manager, Community & Economic Development Director, Planning Director, Parks Director, Police Chief, and Fire Chief.

¹ Source: Minnesota Department of Employment and Economic Development.

² Source: 2015-2019 American Community Survey, U.S. Census Bureau.

Municipal Enterprise Services

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

The City also operates three municipal liquor stores that are centrally located adjacent to major highways. Proceeds from the issuance of the Bonds will be used to finance the construction of a fourth municipal liquor store, which will also be operated by the City.

Other Municipal Services

Other municipal services include the Police Department and the Fire Department. Additional City facilities include an Arts Center, Heritage Center, 61 public parks, 20 conservation areas, swimming beaches, outdoor ice rinks, indoor ice rinks, and trails.

Bargaining Units/Labor Contracts

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

<u>Employee Group</u>	<u>Contract Expiration Date</u>
Law Enforcement Labor Services Inc. Local No. 177	12/31/2021
Law Enforcement Labor Services Inc. Local No. 384	12/31/2021
Law Enforcement Labor Services Inc. Local No. 128	12/31/2021
Minnesota Teamsters Public & Law Enforcement Employees Union Local No. 320	12/31/2021

Employee Pension Programs

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

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

PERA provides retirement benefits as well as disability benefits to members, and benefits to survivors upon death of eligible members. Benefits are established by state statute, and vest after five years of credited service. The defined retirement benefits are based on member's highest average salary for any five successive years of allowable service, age, and years of credit at termination of service.

PERA issues a publicly available financial report that includes financial statements and required supplementary information for GERF (formerly "PERF") and PEPFF. That report may be obtained at www.mnpera.org, or by writing to PERA at 60 Empire Drive, #200, St. Paul, MN 55103-2088 or by calling 651-296-7460 or 800-652-9026.

The City makes annual contributions to the pension plans equal to the amount required by state statutes. GERF Coordinated Plan members were required to contribute 6.50%, of their annual covered salary in 2019. PEPFF members were required to contribute 11.30% of their annual covered salary in 2019. Effective January 1, 2019, State statute requires the City to contribute the following percentages of annual covered payroll: 7.50% for Coordinated Plan GERF members, and 16.95% for PEPFF members.

Contributions to GERF and PEPFF have been as follows:

<u>Year</u>	<u>Amount</u>
2019	\$1,963,213
2018	1,846,517
2017	1,733,961
2016	1,646,490
2015	1,550,333

Volunteer firefighters of the City are eligible for pension benefits through membership in the Lakeville Fire Relief Association organized under Minnesota Statutes, Chapter 69, Chapter 424A and administered by a separate Board elected by the membership. State aids, investment earnings and City contributions fund the plan. State statute requires this plan to fund current service cost as it accrues and prior service cost amortized over a period of ten years.

All members of the Lakeville Fire Department who have served for at least 20 years and have reached the age of 50 years shall be paid a full pension upon retirement. Volunteers who have served a minimum of 7 years but less than 20 years shall be paid a pension at age 50 according to the following schedule:

7 years - 48%	10 years - 60%	13 years - 72%	16 years - 84%	19 years - 96%
8 years - 52%	11 years - 64%	14 years - 76%	17 years - 88%	20 years - 100%
9 years - 56%	12 years - 68%	15 years - 80%	18 years - 92%	

Other Post-Employment Benefits (“OPEB”)

Beginning with the year ended December 31, 2018, the City implemented GASB Statement No. 74, Financial Reporting for Postemployment Benefit Plans Other than Pension Plans and GASB Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other than Pensions.

The City provides a single employer defined benefit healthcare plan to eligible retirees and their spouses. The plan offers medical coverage. All postemployment benefits are based on contractual agreements with employee groups. These contractual agreements do not include any specific contribution or funding requirements. As of December 31, 2019, the City had 7 inactive plan members and 184 active plan members receiving benefits for the City’s health plan.

Changes in the City’s net OPEB liability for the fiscal year ended December 31, 2019 are as follows:

	<u>December 31, 2019</u>
Balances at 12/31/18	\$ 1,061,792
Total OPEB Liability	
Service Cost	\$ 89,732
Interest	48,182
Difference Between Expected and Actual Experience	87,715
Benefit Payments	(<u>50,869</u>)
Net Change in OPEB Liability	\$ <u>174,760</u>
End of Year	\$ <u>1,236,552</u>

Additional information regarding the City’s OPEB obligations is provided in the City’s Comprehensive Annual Financial Report, excerpts of which are provided in Appendix C of this Official Statement, with particular reference to Note 15.

Estimated Cash/Investment Balances as of December 31, 2020 (unaudited)

Fund Name

General Fund	\$ 25,416,007
Special Revenue Funds	642,000
Debt Service Funds	22,964,495
Capital Projects Funds	57,965,373
Enterprise Funds	20,761,995
Internal Service	(146,631)
Escrow	<u>15,398,175</u>
Total Estimated Cash/Investment Balances	<u>\$ 143,001,414</u>

General Budget Summary

	2020 Amended Budget	2020 Unaudited Actual	2021 Budget
Revenues:			
Property Taxes	\$22,509,080	\$22,651,282	\$24,232,728
Licenses and Permits	2,672,099	4,971,478	2,611,288
Intergovernmental Revenue	1,197,952	5,109,697	1,085,911
Charges for Services	3,019,026	3,243,993	2,595,812
Special Assessments	0	0	0
Fines and Forfeits	360,000	213,070	156,000
Investment Income	128,000	249,352	174,000
Miscellaneous	<u>68,782</u>	<u>111,762</u>	<u>57,729</u>
Total Revenues	\$29,954,939	\$36,550,634	\$30,913,468
Expenditures:			
General Government	\$6,937,745	\$6,648,639	\$6,821,262
Public Safety	14,663,351	14,165,284	15,203,231
Public Works	5,173,064	4,688,474	5,314,321
Parks and Recreation	4,428,686	3,894,153	4,524,519
Other	(45,939)	0	0
Capital Outlay	<u>0</u>	<u>0</u>	<u>26,690</u>
Total Expenditures	\$31,156,907	\$29,396,550	\$31,890,023
Other Financing Sources (Uses)			
Transfer from Other Funds	\$830,371	\$830,371	\$876,430
Transfer to Other Funds	<u>(652,000)</u>	<u>(652,000)</u>	<u>(1,325,000)</u>
Total Other Financing Sources (Uses)	\$178,371	\$178,371	\$(448,750)
Net Change in Fund Balance	\$(1,023,597)	\$7,332,455	\$(1,425,125)
Beginning Fund Balance (January 1)	<u>\$17,203,248</u>	<u>\$17,203,248</u>	<u>\$23,440,187*</u>
Ending Fund Balance (December 31)	<u><u>\$16,179,651</u></u>	<u><u>\$24,535,703</u></u>	<u><u>\$22,015,062</u></u>

* Based on original 2020 Estimated Actual Amount

Residential Development

The City is reliant upon regional sanitary sewer and the allocation of Metropolitan Urban Service Area (MUSA) from the Metropolitan Council for future urban growth. To accommodate the City's forecasted 2040 growth, the City has allocated its MUSA in three stages: MUSA Expansion Areas A (Before 2028); B (2029 through 2038); and the Urban Reserve (Not Before 2038). The City's updated 2040 Comprehensive Plan has been approved by the Metropolitan Council. A corridor mixed use (CMU) zone was added to the updated comprehensive plan, which will allow for mixed commercial and residential uses near identified transit areas.

As of December 31, 2020, there were 532 vacant single-family lots and 301 vacant townhome unit lots that have been final platted but not yet built upon, and 633 single-family lots and 367 townhome unit lots preliminary platted pending final plat approval for development. As of February 1, 2021, the City is currently processing subdivision applications that would preliminarily plat an additional 47 single-family lots, 171 townhome units, and 207 apartments units and final plat 245 single family lots and 150 townhome units.

The Metropolitan Council estimates the City's 2019 population to be 65,831, made up of 22,468 households. The City's 2040 Comprehensive Plan projects the City's population to be 83,500, made up of 30,000 households, by the year 2040. This equates to the City being approximately 75% developed in terms of residential land use.

There are currently several multiple-family housing developments under construction in the City, including Edison at Spirit, a 160-unit market-rate apartment building with five carriage house buildings in the Spirit of Brandtjen Farm housing development; Kingsley Place, a 55-unit senior independent living apartment building; Springs at Lakeville, a multi-family development consisting of 260 market-rate rental townhome-style units; and Timbercrest at Lakeville 9th Addition, a 208-unit market-rate apartment building.

Commercial/Industrial Development

Building construction and commercial/industrial development initiated and/or completed within the past four years has been as follows:

New Building Permits in excess of \$250,000

<u>Business</u>	<u>Product/Service</u>	<u>Valuation</u>	<u>Date</u>
Amazon XL Fulfillment Center	Fulfillment Center	\$ 45,000,000	10/27/2020
Superior Decks & Railings	Deck Manufacturing	4,200,000	10/7/2020
Launch Park II (Sweet Harvest Foods)	Food Manufacturing	7,430,000	7/20/2020
Airlake Airport	Metropolitan Reliever Airport	321,000	4/20/2020
Southfork Townhomes	Rental Townhomes	600,000	1/27/2020
U-Haul	Storage Facility & Trailer Rental	7,500,000	11/13/2019
Springs at Lakeville	Rental Townhomes	918,000	10/16/2019
Reliable Mini Storage	Self-Storage Facility	525,000	9/24/2019
Giori	Multi-Tenant Industrial Building	1,400,000	8/14/2019
QA1 Precision Products	Automotive Parts Manufacturing	6,886,000	6/24/2019
Polytek Surface Coatings	Floor Coatings Installation	1,358,000	6/18/2019
HealthPartners Park Nicollet Clinic	Medical Clinic	8,158,000	5/22/2019
Hy-Vee Fast & Fresh	Gas & Convenience Store	1,500,000	2/21/2019
ALDI	Grocery Store	2,100,000	11/8/2018
Reliable Mini Storage	Self-Storage Facility	480,000	10/31/2018
Wings Financial Credit Union	Financial Institution	2,700,000	10/4/2018
Schneiderman's Distribution Center	Distribution Center	5,100,000	9/13/2018
Interstate Storage	Self-Storage Facility	4,203,000	9/7/2018
Valvoline Oil Change	Automotive Service	800,000	8/9/2018
Hampton Inn & Suites	Hotel	7,000,000	7/13/2018
Compeer Financial	Ag Lending	4,700,000	6/26/2018
O'Reilly Auto Parts	Retail	932,000	6/26/2018
Advanced Oral Surgery	Oral Surgery	850,000	6/20/2018
Bethlehem Baptist Church	Church	8,050,000	1/29/2018

SBF Clubhouse	Residential Development	503,000	10/18/2017
Rivers Edge Dental	Dentist and Multi-Tenant Retail	2,100,000	10/2/2017
Spirit Pointe	Multi-Tenant Retail	1,750,000	9/19/2017
Freddy's Frozen Custard	Restaurant (Fast Casual)	857,000	9/14/2017
Globus Transport	Distribution/Trucking	3,036,000	9/12/2017
Edina Realty Home Services	Real Estate Sales	432,000	8/10/2017
Caribou Coffee & Einstein Bros	Coffee Shop with Drive-Thru	884,000	5/12/2017
Launch Park	Multi-Tenant Warehouse	9,650,000	6/26/2017
Agape Mechanical	Commercial HVAC Contractor	2,400,000	5/5/2017
McDonald Eye Care	Eye Clinic	1,242,000	5/4/2017
Taco Bell	Restaurant (Fast Food)	845,000	4/13/2017
Christian Brothers Automotive	Auto Repair	600,000	4/4/2017
Christian Heritage Academy	Private Elementary School	3,000,000	1/30/2017

Expansion or Remodel Building Permits in excess of \$250,000

<u>Business</u>	<u>Product/Service</u>	<u>Valuation</u>	<u>Date</u>
Design Cabinets	Cabinet Maker	\$270,000	10/28/2020
FedEx Freight	Trucking & Transport	5,288,000	10/16/2020
Meridian Blue Construction	Construction	377,000	10/5/2020
JD Woodcraft	Cabinet Manufacturing	1,329,000	9/15/2020
Children's Lakeville Clinic	Medical Clinic	625,000	9/14/2020
Kwik Trip	Gas & Convenience Store	400,000	8/14/2020
R&B Ventures	Industrial Spec Building	500,000	6/19/2020
U-Haul	Self-Storage & Moving Rentals	422,000	5/6/2020
Menasha	Packaging Manufacturing	400,000	11/7/2019
Coldwell Banker Burnet	Real Estate Sales	700,000	11/1/2019
School District Offices - IT Dept	ISD 194 District Office	300,000	10/25/2019
Dunkin Donuts/Baskin Robbins	Coffee Shop with Drive-Thru	325,000	9/16/2019
Puppy Play & Stay	Pet Care and Boarding	300,000	8/26/2019
McNeilus Truck	Distribution Center	310,000	7/29/2019
Hy-Vee Fast & Fresh	Gas & Convenience Store	350,000	6/25/2019
Recycle Minnesota (LSI)	Recycling Facility	2,487,000	6/17/2019
Menasha	Packaging Manufacturing	500,000	5/28/2019
Walmart	Retail	250,000	2/19/2019
MotoPrimo	Motorsports Retail	2,290,000	2/6/2019
Kwik Trip	Gas & Convenience Store	400,000	1/31/2019
Applied Power Products	Manufacturing	395,000	1/22/2019
Gander Outdoors	Outdoor Retail	526,000	1/9/2019
B-52 Burgers and Brew	Restaurant	400,000	11/21/2018
Kwik Trip	Gas & Convenience Store	400,000	11/20/2018
Juniper Commons	Multi-Tenant Commercial Building	350,000	11/9/2018
Miller Hartwig Insurance	Insurance	644,000	10/23/2018
SBF Commercial Holdings	Residential Development	661,000	10/11/2018
HomeGoods	Retail	1,373,000	9/26/2018
Northland Collision	Auto Body Repair	775,000	9/21/2018
Wag-N-Wash	Pet Store	300,000	7/12/2018
Chipotle	Restaurant (Fast Casual)	285,000	6/15/2018
Bank of America	Advanced Banking Center	350,000	6/1/2018
YMCA Early Childhood	Daycare & Preschool	800,000	5/24/2018
Lakeville Liquor	Retail Liquor Sales	570,000	5/14/2018
HOBO, Inc.	Carwash Chemical Manufacturing	1,205,000	5/8/2018
Fairview Lakeville Clinic	Medical Clinic	318,000	4/24/2018
Cosmopolitan Orthodontics	Dental Office	427,000	2/22/2018
Chipotle	Restaurant (Fast Casual)	900,000	2/12/2018
Alliance Outdoor Group	Outdoor Sporting Distributor	400,000	2/9/2018
Heartland Dental	Dentist	440,000	2/1/2018

Best Buy	Employee Training Facility	250,000	1/31/2018
River's Edge Dental	Dentist Office	376,000	1/26/2018
Dunn Brothers	Coffee Shop with Drive-Thru	250,000	1/12/2018
Super Target	Retail	500,000	11/30/2017
Parkview Elementary	Public Elementary School	4,900,000	10/23/2017
Bass Flexible Packaging	Packaging Supplies Manufacturing	490,000	8/8/2017
Celebration Church	Church	3,000,000	6/30/2017
Exit Realty Office	Real Estate Sales	265,000	5/23/2017
Lakeview Bank	Bank	389,000	4/20/2017
MedExpress/Walgreens	Medical Clinic	400,000	4/19/2017
Harry's Cafe	Restaurant	500,000	4/18/2017
Imagine Lakeville Theater	Movie Theater	750,000	4/12/2017
Lakeville Advanced Dental Care	Dentist Office	275,000	4/5/2017
Total Hockey	Hockey Training Facility	400,000	2/13/2017
Consulting Engineers Group	Engineering Design Firm	390,000	2/2/2017

In 2020, the City issued over \$106 million in building permits for new or expanding commercial and industrial buildings. This compares to \$63 million in 2019 and \$56 million in 2018.

In 2020, the City used Federal CARES Act dollars to support local businesses through two Small Business Emergency Grant Programs and eligible Lakeville businesses were awarded up to \$10,000. The City approved 51 small business grants as of November 2020 and distributed nearly \$492,000. In addition, six nonprofit entities received various amounts totaling \$362,000. In December 2020, the City held a third Small Business Emergency Grant Program round using General Fund dollars. The City issued \$5,000 grants to 50 Lakeville businesses who were directly negatively impacted by Minnesota Executive Order 20-99.

In 2019, the City Council approved an orderly annexation agreement between the City and Eureka Township to annex the remainder of Airlake Airport property. This annexation was requested by the Metropolitan Airports Commission (MAC) to allow the MAC to extend City water and sewer infrastructure to serve the entire airport and new proposed private hangars. At the end of 2020, 12 of the 21 new hangar spaces were reserved and several of the lots had been issued building permits.

Schneiderman's Distribution Center constructed a new 130,000 square-foot building in the City's Interstate South Logistics Park (ISLP) that was occupied by the company in February 2019. This was the first building in the ISLP development area and has spurred additional growth. QA1 Precision Products, Inc. moved into its new 100,000 square-foot building located south of the Schneiderman's building in February 2020. And construction has begun on the new Amazon XL Fulfillment Center located south and west of QA1 in ISLP with a Fall 2021 completion date. Industrial buildings constructed in 2018 include a 23,000 square-foot addition to HOBAS Inc., a new 48,000 square-foot building for Globus Transport Inc., a new 20,000 square-foot building for Agape Mechanical and Sherwin Williams. Construction was completed in 2020 on U-Haul's new 131,307 square-foot, three-story climate-controlled self-storage building; Polytek Surface Coatings' new two-story, 17,218 square-foot office and warehouse building; and a new 150,000 square-foot, two-tenant warehouse building in Launch Park that houses Sweet Harvest Foods. Construction projects starting and/or completing in 2021 include a new 62,000 square-foot building for Superior Decks & Railings, an 88,255 square-foot expansion of FedEx Freight, and the Amazon facility. In addition, several industrial projects are currently in discussions with City staff.

The City's downtown area has seen development activity since 2018. Several new businesses have opened including Alibi Drinkery, B-52 Burgers and Brew, Board & Brush, The Bonus Room, Escape MSP, The Hair Studio, and The Property Geeks.

2019 construction near I-35 and County Road 70 included a 30,000-square-foot office building for Compeer Financial, a 64,000-square-foot, 118-room Hampton Inn, and a 23,000-square-foot ALDI grocery store. The commercial area near Target also saw growth in 2019, with the addition of HomeGoods in the former OfficeMax tenant space and Northern Taphouse in the former Applebee's. Children's Minnesota Specialty Center opened in late 2020/early 2021 in the former Park Nicollet Clinic space near Target and Citizens Bank. The Target area will see further growth in 2021 with the addition of a 208-unit multi-family apartment building called Northlake Lofts.

In 2018, a 15,615 square-foot commercial building opened on Kenwood Trail (near I-35) that houses AT&T, Bank of America, Chipotle Mexican Grill, and Viverant.

Medical office construction was popular in 2019 with a newly constructed 3,400-square-foot building for Advanced Oral Surgery and a 28,420-square-foot building for Park Nicollet Clinic near 185th Street and Kenwood Trail. Summit Orthopedics has announced its intent to construct a 25,000-square-foot clinic building off Kenyon Avenue and Kenwood Trail (near I-35).

The Spirit of Brandtjen Farm commercial district at the southeast corner of County Road 46 and Pilot Knob Road continued to see development in 2018 and into 2019. Twelve businesses have located to that development since the opening of a Hy-Vee grocery store. Businesses include a 2,800 square-foot Taco Bell restaurant, 4,000 square-foot Pilot Knob Dental office, a 3,010 square-foot Freddy's Frozen Custard & Steakburgers restaurant, and 19,980 square feet worth of multi-tenant space occupied by River's Edge Dental, Cosmopolitan Orthodontics, Dunn Brothers Coffee, Club Pilates, Minnesota Orthodontics, Exuberance Chiropractic, Great Clips, and Genisys Credit Union. 2019 business openings in this area included the 3,992 square-foot Wings Financial Credit Union and 1,620 square-foot Valvoline Instant Oil Change.

Building Permits

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

<u>Year</u>	<u>New Commercial/ Industrial Number of Permits</u>	<u>Addition/Remodel Commercial/ Industrial Number of Permits</u>	<u>New Single- Family Number of Permits</u>	<u>Total Number of Permits</u>	<u>Total Permit Valuation</u>
2021 (As of 1/31/21)	0	3	37	552	\$17,504,148
2020	9	55	639	10,626	442,292,572
2019	8	65	521	10,065	301,391,296
2018	11	64	446	7,319	249,601,496
2017	12	53	454	6,942	270,681,155
2016	12	61	389	6,522	238,115,954

Banking/Financial Institutions

Banking and financial services providers within the City include BMO Harris Bank National Association, Citizens Bank Minnesota, Frandsen Bank & Trust, Great Southern Bank, Lakeview Bank, Merchants Bank, National Association, New Market Bank, Old National Bank, Sterling State Bank, TCF National Bank, U.S. Bank National Association, Wells Fargo Bank, National Association, and Wings Financial Credit Union.

Education

Lakeville is served by Independent School District No. 196, Rosemont-Apple Valley-Eagan, Independent School District No. 194, Lakeville, and Independent School District No. 192, Farmington. Non-Public education is provided by All Saints Catholic School, Christian Heritage Academy, Southview Christian and Glory Academy.

Major Employers¹

Following are some of the major employers within the City:

<u>Employer Name</u>	<u>Product/Service</u>	<u>Number of Employees²</u>
Lakeville Public School District #194	Education	1,211
Hearthside Food Solutions	Food Packaging	556
TreeHouse Private Brands	Food Manufacturing	550
Schmitt & Sons	School and Charter Bus Service	454
Post Consumer Brands	Cereal Manufacturer Headquarters	450
BTD Manufacturing	Metal Fabrication	375
Menasha Corp.	Packaging Manufacturing	306
City of Lakeville	Government	266
FedEx Freight	Shipping and Distribution Center	228
ImageTrend	Software Development	180
Buddy's Kitchen	Food Manufacturing and Packaging	151
Dick's Sanitation	Sanitation	150

Largest Taxpayers³

Following are ten of the largest taxpayers within the City:

<u>Name</u>	<u>Classification</u>	<u>2019/2020 Tax Capacity</u>	<u>Percent of Total Tax Capacity (\$90,729,405)⁴</u>
IRET Southfork Apartments LLC	Apartments	\$ 489,237	0.54%
CenterPoint	Utility	438,804	0.48
Dakota Electric Association	Utility	392,034	0.43
Lakeville 2004 LLC	Commercial	332,334	0.37
Fulford Group LLC	Agricultural	307,915	0.34
Inland Argonne Village LLC	Commercial	302,030	0.33
Hy-Vee Inc	Commercial	292,006	0.32
KJPL Avonlea LLC	Apartment	280,766	0.31
EREP Heritage Commons I LLC	Commercial	280,026	0.31
Walker Highview Hills LLC	Apartment	<u>271,875</u>	<u>0.30</u>
		<u>\$ 3,387,027</u>	<u>3.73%</u>

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¹ Source: The City and Reference USA. The numbers above do not reflect ongoing changes in employment related to the COVID-19 pandemic. On January 7, 2021, it was announced that the Imperial Plastics facility located in Lakeville, which employs approximately 177, will close by the end of April, 2021.

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

³ As reported by Dakota County.

⁴ Before tax increment adjustment.

MINNESOTA VALUATIONS; PROPERTY TAX CLASSIFICATIONS

Market Value

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

Taxable Market Value

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

Market Value Exclusion

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

Sales Ratio

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

Economic and Indicated Market Value

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

Net Tax Capacity

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

Tax Cycle

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

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

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

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

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

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

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

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

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

Levy Limits

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

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The following is a partial summary of these factors:

Property Tax Classifications

<u>Class</u>	<u>Type of Property</u>	<u>Class Rate Schedule</u>		
		<u>2017/ 2018</u>	<u>2018/ 2019</u>	<u>2019/ 2020</u>
1a	<u>Residential Homestead</u> : First \$500,000	1.00%	1.00%	1.00%
	Over \$500,000	1.25	1.25	1.25
1c	<u>Commercial seasonal-residential recreational-</u> under 250 days and includes homestead			
	First \$600,000	.50	.50	.50
	\$600,001-2,300,000	1.00	1.00	1.00
	Over \$2,300,000 [†]	1.25	1.25	1.25
2a	<u>Agricultural Homestead – House, Garage, One Acre:</u>			
	First \$500,000	1.00	1.00	1.00
	Over \$500,000	1.25	1.25	1.25
	Remainder of Farm* –			
	First \$1,880,000			.50
	Over \$1,880,000			1.00
	First \$1,900,000		.50	
	Over \$1,900,000		1.00	
	First \$1,940,000	.50		
	Over \$1,940,000	1.00		
	<u>Agricultural Homestead Land</u> ¹	1.00	1.00	1.00
2a	<u>Non-Homestead Agricultural Productive Land</u> *	1.00	1.00	1.00
2b	<u>Non-Homestead Rural Vacant Land</u> ²	1.00	1.00	1.00
3a	<u>Commercial/Industrial and Public Utility</u>			
	First \$100,000	1.50		
	\$100,001 – 150,000 [†]	1.50		
	First \$150,000 [†]		1.50	1.50
	Over \$150,000 [†]	2.00	2.00	2.00
4a	<u>Apartment</u> (4+ units, incl. private for-profit hospitals)	1.25	1.25	1.25
	<u>Residential Non-Homestead</u> (Single Unit)			
4bb(1)	First \$500,000	1.00	1.00	1.00
	Over \$500,000	1.25	1.25	1.25
4c(1)	<u>Seasonal Residential Recreational/Commercial</u> [†] (Resort): First \$500,000	1.00	1.00	1.00
	Over \$500,000	1.25	1.25	1.25
4c(12)	<u>Seasonal Residential Recreational</u> [†]			
	Non-Commercial (Cabin): First \$500,000*	1.00	1.00	1.00
	Over \$500,000*	1.25	1.25	1.25
4d	<u>Qualifying Low-Income Rental Housing</u>			
	First \$121,000	.75	.75	
	Over \$121,000	.25	.25	
	First \$150,000			.75
	Over \$150,000			.25

[†] Subject to the state general property tax.

* Exempt from referendum market value-based taxes.

¹ Homestead remainder & non-homestead; includes structures.

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

CITY OF LAKEVILLE, MINNESOTA

ECONOMIC AND FINANCIAL INFORMATION¹

Valuations

	<i>Estimated Market Value 2019/2020</i>	<i>Net Tax Capacity 2019/2020</i>
Real Property	\$ 8,307,678,700	\$ 89,489,216
Personal Property	62,910,400	1,240,189
Less Tax Increment Deduction	---	(856,909)
Fiscal Disparities ²	---	
(Contribution to Pool)	---	(6,645,636)
Distribution from Pool	---	9,049,794
Total Adjusted Valuation	<u>\$ 8,370,589,100</u>	<u>\$ 92,276,654</u>

Valuation Trends (Real and Personal Property)

<i>Levy Year/ Collection Year</i>	<i>Economic Market Value</i>	<i>Sales Ratio</i>	<i>Estimated Market Value</i>	<i>Taxable Market Value</i>	<i>Tax Capacity Before Tax Increments</i>	<i>Tax Capacity After Tax Increments</i>
2019/2020	\$8,909,955,589	93.99%	\$8,370,589,100	\$8,106,672,140	\$90,729,405	\$92,276,654
2018/2019	8,160,104,181	93.57	7,639,217,900	7,374,033,988	82,737,259	83,924,100
2017/2018	7,473,143,264	93.65	7,002,584,100	6,702,242,740	75,422,344	76,657,645
2016/2017	6,921,610,497	93.63	6,485,736,200	6,201,221,856	69,887,094	70,906,033
2015/2016	6,520,717,299	93.67	6,109,273,400	5,825,279,418	65,634,896	66,361,683

Breakdown of Valuations

2019/2020 Tax Capacity, Real and Personal Property (before tax increment and fiscal disparities adjustments):

Residential Homestead	\$ 69,577,579	76.69%
Agricultural	796,158	0.88
Commercial	10,255,422	11.30
Industrial	5,848,986	6.45
Public Utility	158,864	0.18
Railroad	113,716	0.13
Residential Non-Homestead	2,738,491	3.02
Personal Property	<u>1,240,189</u>	<u>1.37</u>
Totals:	<u>\$ 90,729,405</u>	<u>100.00%</u>

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

² Fiscal Disparities Law

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

Tax Capacity Rates

Tax capacity rates for a City resident within ISD No. 194 for the past five-assessable/collection years have been as follows:

<i>Levy Year/ Collection Year</i>	<i>2015/16 Tax Capacity Rates</i>	<i>2016/17 Tax Capacity Rates</i>	<i>2017/18 Tax Capacity Rates</i>	<i>2018/19 Tax Capacity Rates</i>	<i>2019/20 Tax Capacity Rates</i>
Dakota County	28.570%	28.004%	26.580%	25.386%	24.133%
City of Lakeville	38.669	37.510	36.419	35.607	34.615
ISD No. 194, Lakeville	35.319	32.914	32.992	32.535	34.851
Metropolitan Council	0.958	0.878	0.821	0.666	0.606
Mosquito Control	0.491	0.475	0.443	0.435	0.406
Community Development Agency	1.547	1.548	1.479	1.479	1.469
Metropolitan Transit District	1.261	1.215	1.104	1.244	1.150
Light Rail Authority	0.357	0.342	0.031	0.000	0.000
Vermillion River Watershed	<u>0.449</u>	<u>0.449</u>	<u>0.429</u>	<u>0.403</u>	<u>0.399</u>
Totals:	<u>107.621%</u>	<u>103.335%</u>	<u>100.298%</u>	<u>97.755%</u>	<u>97.629%</u>
<i>Market Value Rates:</i>	<i>2015/2016</i>	<i>2016/2017</i>	<i>2017/2018</i>	<i>2018/2019</i>	<i>2019/2020</i>
ISD No. 194 (Lakeville)	0.27898%	0.25441%	0.26835%	0.26992%	0.31225%

Tax Levies and Collections¹

<u>Levy/Collect</u>	<u>Net Levy</u>	<u>Collected During Collection Year</u>		<u>Collected and/or Abated as of 2/29/20</u>	
		<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
2019/2020	\$28,809,051		In Process of Collection		
2018/2019	26,974,849	\$26,853,439	99.55%	\$26,871,604	99.62%
2017/2018	25,105,409	24,993,157	99.55	25,056,678	99.81
2016/2017	23,888,841	23,787,806	99.58	23,867,834	99.91
2015/2016	23,090,228	22,975,402	99.50	23,066,927	99.90

¹ 2019/2020 property taxes are currently in the process of collection/reporting and updated figures are not yet available from Dakota County.

SUMMARY OF DEBT AND DEBT STATISTICS

Statutory Debt Limit¹

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

Computation of Legal Debt Margin as of April 2, 2021:

2019/2020 Estimated Market Value	\$ 8,370,589,100
Multiplied by 3%	<u>x .03</u>
Statutory Debt Limit	<u>\$ 251,117,673</u>

Less outstanding debt applicable to debt limit:

\$22,450,000 G.O. Refunding Bonds, Series 2012B	\$ 13,610,000
\$12,660,000 G.O. Refunding Bonds, Series 2014B	9,580,000
\$1,530,000 G.O. Bonds, Series 2017A	1,165,000
\$3,115,000 G.O. Bonds, Series 2018B	<u>2,440,000</u>

Total Debt applicable to debt limit:	\$ 26,795,000
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Legal debt margin	<u>\$ 224,322,673</u>
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¹ Effective June 2, 1997 and pursuant to Minnesota Statutes 465.71, any lease revenue or public project revenue bond issues/agreements of \$1,000,000 or more are subject to the statutory debt limit. Lease revenue or public project revenue bond issues/agreements less than \$1,000,000 are not subject to the statutory debt limit.

CITY OF LAKEVILLE, MINNESOTA
GENERAL OBLIGATION DEBT PAYABLE FROM TAXES
(As of April 2, 2021)

Purpose:	G.O. Refunding Bonds, Series 2012B	G.O. Refunding Bonds, Series 2014B	G.O. Bonds, Series 2017A	G.O. Refunding Bonds, Series 2018B			
Dated:	08/15/12	08/20/14	09/07/17	08/16/18			
Original Amount:	\$22,450,000	\$12,660,000	\$1,530,000	\$3,115,000			
Maturity:	1-Feb	1-Feb	1-Feb	1-Feb	TOTAL	TOTAL	
Interest Rates:	2.00-4.00%	1.75-5.00%	3.00-5.00%	3.00-5.00%	PRINCIPAL:	PRIN & INT:	
2021	\$0	\$0	\$0	\$0	\$0	\$500,700	2021
2022	1,620,000	800,000	140,000	230,000	2,790,000	3,682,650	2022
2023	1,690,000	840,000	150,000	240,000	2,920,000	3,707,700	2023
2024	1,770,000	875,000	155,000	250,000	3,050,000	3,727,950	2024
2025	1,865,000	925,000	170,000	255,000	3,215,000	3,779,800	2025
2026	1,975,000	960,000	175,000	270,000	3,380,000	3,827,750	2026
2027	1,070,000	790,000	185,000	280,000	2,325,000	2,671,175	2027
2028	1,125,000	815,000	190,000	295,000	2,425,000	2,689,663	2028
2029	1,200,000	845,000	0	305,000	2,350,000	2,535,888	2029
2030	1,295,000	875,000	0	315,000	2,485,000	2,590,963	2030
2031	0	910,000	0	0	910,000	959,000	2031
2032	0	945,000	0	0	945,000	961,538	2032
	\$13,610,000	\$9,580,000	\$1,165,000	\$2,440,000	\$26,795,000	\$31,634,775	
	(1) (2)	(3)	(4)	(5)			

NOTE: 93% OF GENERAL OBLIGATION DEBT PAYABLE FROM TAXES WILL BE RETIRED WITHIN TEN YEARS.

- (1) Payments reflect mandatory sinking fund payments.
- (2) These bonds refunded the City's General Obligation Street Reconstruction Bonds, Series 2003A. Maturities 2015 through 2026, inclusive, were called for redemption on February 1, 2014, at a price of par plus accrued interest. In addition, these bonds refunded the City's General Obligation Capital Improvement Plan Bonds, Series 2004A. Maturities 2016 through 2030, inclusive, were called for redemption on February 1, 2015, at a price of par plus accrued interest.
- (3) These bonds refunded \$1,950,000 of the \$5,430,000 General Obligation Street Reconstruction Bonds, Series 2005A. Maturities 2017 through 2026, inclusive, were called for redemption on February 1, 2016, at a price of par plus accrued interest. In addition, these bonds refunded \$12,460,000 of the \$15,115,000 General Obligation Capital Improvement Plan Bonds, Series 2007D. Maturities 2018 through 2032, inclusive, were called for redemption on February 1, 2017, at a price of par plus accrued interest.
- (4) This schedule represents a portion of the \$10,165,000 General Obligation Bonds, Series 2017A, dated September 7, 2017, consisting of \$1,530,000 payable from taxes, \$7,465,000 payable from special assessments, \$835,000 payable from water revenues, and \$335,000 payable from the Street Utility.
- (5) These bonds current refunded the City's Taxable General Obligation Street Reconstruction Bonds, Series 2009A (Build America Bonds). Maturities 2019 through 2030, inclusive were called for redemption on September 20, 2018, at a price of par plus accrued interest.

CITY OF LAKEVILLE, MINNESOTA
GENERAL OBLIGATION DEBT PAYABLE FROM SPECIAL ASSESSMENTS
(As of April 2, 2021)

Purpose:	G.O. Improvement Bonds, Series 2011A	G.O. Improvement Bonds, Series 2012A	G.O. Improvement Bonds, Series 2013A	G.O. Improvement Bonds, Series 2014A	G.O. Bonds, Series 2015A	G.O. Bonds, Series 2016B	
Dated:	12/01/11	08/15/12	08/15/13	08/20/14	08/20/15	07/21/16	
Original Amount:	\$2,385,000	\$6,805,000	\$4,685,000	\$8,520,000	\$11,815,000	\$15,680,000	
Maturity:	1-Feb	1-Feb	1-Feb	1-Feb	1-Feb	1-Feb	
Interest Rates:	0.50-3.50%	2.00-4.00%	2.00-4.00%	2.00-4.00%	1.75-5.00%	1.50-5.00%	
2021	\$0	\$0	\$0	\$0	\$0	\$0	2021
2022	50,000	565,000	380,000	745,000	530,000	855,000	2022
2023	50,000	575,000	385,000	775,000	545,000	860,000	2023
2024	50,000	135,000	395,000	800,000	570,000	890,000	2024
2025	45,000	130,000	100,000	825,000	580,000	920,000	2025
2026	45,000	130,000	100,000	120,000	605,000	950,000	2026
2027	45,000	130,000	100,000	120,000	580,000	970,000	2027
2028	45,000	130,000	100,000	120,000	590,000	970,000	2028
2029	45,000	130,000	100,000	120,000	610,000	980,000	2029
2030	45,000	125,000	100,000	120,000	630,000	995,000	2030
2031	45,000	125,000	105,000	115,000	640,000	1,010,000	2031
2032	45,000	125,000	105,000	115,000	655,000	1,035,000	2032
2033	0	125,000	105,000	115,000	675,000	1,045,000	2033
2034	0	0	105,000	115,000	690,000	570,000	2034
2035	0	0	0	115,000	705,000	265,000	2035
2036	0	0	0	0	725,000	255,000	2036
2037	0	0	0	0	0	255,000	2037
2038	0	0	0	0	0	0	2038
	\$510,000	\$2,425,000	\$2,180,000	\$4,320,000	\$9,330,000 (1)	\$12,825,000 (2)	

GENERAL OBLIGATION DEBT PAYABLE FROM SPECIAL ASSESSMENTS CONTINUED

Purpose:	G.O. Bonds, Series 2017A	G.O. Bonds, Series 2018A	G.O. Bonds, Series 2019A	G.O. Bonds, Series 2020A			
Dated:	09/07/17	07/25/18	07/24/19	08/13/20			
Original Amount:	\$7,465,000	\$7,690,000	\$6,295,000	\$9,370,000			
Maturity:	1-Feb	1-Feb	1-Feb	1-Feb	TOTAL	TOTAL	
Interest Rates:	3.00-5.00%	2.50-5.00%	4.00-5.00%	3.00-5.00%	PRINCIPAL:	PRIN & INT:	
2021	\$0	\$0	\$0	\$0	\$0	\$1,160,490	2021
2022	625,000	715,000	575,000	455,000	5,495,000	7,706,156	2022
2023	645,000	740,000	585,000	810,000	5,970,000	7,943,012	2023
2024	670,000	745,000	600,000	850,000	5,705,000	7,423,912	2024
2025	695,000	770,000	615,000	890,000	5,570,000	7,030,483	2025
2026	720,000	795,000	635,000	935,000	5,035,000	6,250,138	2026
2027	745,000	825,000	655,000	985,000	5,155,000	6,157,143	2027
2028	765,000	855,000	665,000	1,030,000	5,270,000	6,077,048	2028
2029	110,000	855,000	690,000	1,085,000	4,725,000	5,351,288	2029
2030	110,000	0	700,000	1,135,000	3,960,000	4,424,895	2030
2031	105,000	0	0	1,195,000	3,340,000	3,677,638	2031
2032	105,000	0	0	0	2,185,000	2,435,885	2032
2033	100,000	0	0	0	2,165,000	2,346,341	2033
2034	95,000	0	0	0	1,575,000	1,695,207	2034
2035	95,000	0	0	0	1,180,000	1,253,773	2035
2036	90,000	0	0	0	1,070,000	1,103,806	2036
2037	90,000	0	0	0	345,000	353,206	2037
2038	85,000	0	0	0	85,000	86,328	2038
	\$5,850,000	\$6,300,000	\$5,720,000	\$9,370,000	\$58,830,000	\$72,476,750	
	(3)	(4)	(5)	(6)			

NOTE: 80% OF GENERAL OBLIGATION DEBT PAYABLE FROM SPECIAL ASSESSMENTS WILL BE RETIRED WITHIN TEN YEARS.

- (1) This schedule represents a portion of the \$16,545,000 General Obligation Bonds, Series 2015A, dated August 20, 2015, consisting of \$11,815,000 payable from special assessments and \$4,730 payable from State Aid.
- (2) This schedule represents a portion of the \$22,250,000 General Obligation Bonds, Series 2016B, dated July 21, 2016, consisting of \$15,680,000 payable from special assessments and \$6,570,000 payable from water and sewer revenues.
- (3) This schedule represents a portion of the \$10,165,000 General Obligation Bonds, Series 2017A, dated September 7, 2017, consisting of \$1,530,000 payable from taxes, \$7,465,000 payable from special assessments, \$835,000 payable from water revenues, and \$335,000 payable from the Street Utility.
- (4) This schedule represents a portion of the \$8,135,000 General Obligation Bonds, Series 2018A, dated July 25, 2018, consisting of \$7,690,000 payable from special assessments and \$445,000 payable from water revenues.
- (5) This schedule represents a portion of the \$7,025,000 General Obligation Bonds, Series 2019A, dated July 24, 2019, consisting of \$6,295,000 payable from special assessments and \$730,000 payable from water revenues.
- (6) This schedule represents a portion of the \$12,735,000 General Obligation Bonds, Series 2020A, dated August 13, 2020, consisting of \$9,370,000 payable from special assessments, \$2,745,000 payable from water revenues, and \$620,000 payable from an abatement levy.

CITY OF LAKEVILLE, MINNESOTA
GENERAL OBLIGATION DEBT PAYABLE FROM TAX INCREMENTS/TAX ABATEMENTS
(As of April 2, 2021, Plus This Issue)

Purpose:	This Issue					
	G.O. Tax Increment Refunding Bonds, Series 2007A	G.O. Bonds, Series 2020A	G.O. Tax Abatement Bonds, Series 2021A	G.O. Tax Abatement Bonds, Series 2021B		
Dated:	02/01/07	08/13/20	02/16/21	05/18/21		
Original Amount:	\$2,265,000	\$620,000	\$7,770,000	\$6,020,000		
Maturity:	1-Feb	1-Feb	1-Feb	1-Feb	TOTAL	TOTAL
Interest Rates:	4.00-4.20%	3.00-5.00%	1.00-3.00%		PRINCIPAL:	PRIN & INT:
2021	\$0	\$0	\$0	\$0	\$0	\$102,915
2022	265,000	50,000	315,000	0	630,000	922,204
2023	0	50,000	315,000	265,000	630,000	886,360
2024	0	55,000	325,000	265,000	645,000	887,704
2025	0	55,000	335,000	265,000	655,000	883,473
2026	0	60,000	345,000	270,000	675,000	888,679
2027	0	65,000	355,000	270,000	690,000	888,129
2028	0	65,000	365,000	275,000	705,000	886,858
2029	0	70,000	375,000	280,000	725,000	889,793
2030	0	75,000	390,000	280,000	745,000	893,533
2031	0	75,000	395,000	285,000	755,000	890,845
2032	0	0	400,000	290,000	690,000	816,145
2033	0	0	405,000	295,000	700,000	816,756
2034	0	0	410,000	305,000	715,000	821,828
2035	0	0	415,000	310,000	725,000	821,268
2036	0	0	420,000	315,000	735,000	819,729
2037	0	0	425,000	325,000	750,000	822,218
2038	0	0	435,000	330,000	765,000	823,750
2039	0	0	440,000	335,000	775,000	819,625
2040	0	0	450,000	345,000	795,000	825,104
2041	0	0	455,000	355,000	810,000	825,129
2042	0	0	0	360,000	360,000	4,770,000
	\$265,000	\$620,000	\$7,770,000	\$6,020,000	<u>\$14,675,000</u>	<u>\$22,002,041</u>

(1)

NOTE: 42% OF GENERAL OBLIGATION DEBT PAYABLE FROM TAX INCREMENTS WILL BE RETIRED WITHIN TEN YEARS.

(1) This schedule represents a portion of the \$12,735,000 General Obligation Bonds, Series 2020A, dated August 13, 2020, consisting of \$9,370,000 payable from special assessments, \$2,745,000 payable from water revenues, and \$620,000 payable from an abatement levy.

CITY OF LAKEVILLE, MINNESOTA
GENERAL OBLIGATION DEBT PAYABLE FROM STATE AID
(As of April 2, 2021)

Purpose:	<div style="border: 1px solid black; padding: 5px; display: inline-block;"> G.O. Bonds, Series 2015A </div>			
Dated:				
Original Amount:	08/20/15			
Maturity:	\$4,730,000			
Interest Rates:	1-Apr	TOTAL	TOTAL	
	1.75-5.00%	PRINCIPAL:	PRIN & INT:	
2021	\$0	\$0	\$72,947	2021
2022	190,000	190,000	331,144	2022
2023	200,000	200,000	331,394	2023
2024	210,000	210,000	333,769	2024
2025	215,000	215,000	330,769	2025
2026	230,000	230,000	334,644	2026
2027	240,000	240,000	334,094	2027
2028	250,000	250,000	334,294	2028
2029	260,000	260,000	335,394	2029
2030	265,000	265,000	332,353	2030
2031	275,000	275,000	333,744	2031
2032	285,000	285,000	334,466	2032
2033	295,000	295,000	334,668	2033
2034	305,000	305,000	334,363	2034
2035	315,000	315,000	333,513	2035
2036	325,000	325,000	331,500	2036
	<u>\$3,860,000</u>	<u>\$3,860,000</u>	<u>\$5,073,053</u>	
	(1)			

NOTE: 53% OF GENERAL OBLIGATION DEBT PAYABLE FROM STATE AID WILL BE RETIRED WITHIN TEN YEARS.

(1) This schedule represents a portion of the \$16,545,000 General Obligation Bonds, Series 2015A, dated August 20, 2015, consisting of \$11,815,000 payable from special assessments and \$4,730 payable from State Aid.

CITY OF LAKEVILLE, MINNESOTA
GENERAL OBLIGATION DEBT PAYABLE FROM REVENUES
(As of April 2, 2021)

Purpose:	G.O. Water Utility Revenue Bonds, Series 2016A	G.O. Bonds, Series 2016B	G.O. Bonds, Series 2017A	G.O. Bonds, Series 2018A	G.O. Bonds, Series 2019A	G.O. Bonds, Series 2020A		
Dated:	02/25/16	07/21/16	09/07/17	07/25/18	07/24/19	08/13/20		
Original Amount:	\$8,280,000	\$6,570,000	\$1,170,000	\$445,000	\$730,000	\$2,745,000	TOTAL	TOTAL
Maturity:	1-Feb	1-Feb	1-Feb	1-Feb	1-Feb	1-Feb	PRINCIPAL:	PRIN & INT:
Interest Rates:	2.00-5.00%	1.50-5.00%	3.00-5.00%	2.50-5.00%	4.00-5.00%	5.00%		
2021	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$288,406
2022	420,000	450,000	120,000	40,000	60,000	225,000	1,315,000	1,865,688
2023	440,000	455,000	125,000	40,000	65,000	235,000	1,360,000	1,845,483
2024	465,000	475,000	130,000	45,000	65,000	245,000	1,425,000	1,846,938
2025	490,000	500,000	140,000	45,000	70,000	260,000	1,505,000	1,861,038
2026	495,000	450,000	145,000	45,000	75,000	270,000	1,480,000	1,780,688
2027	475,000	310,000	100,000	50,000	80,000	285,000	1,300,000	1,555,888
2028	480,000	315,000	105,000	50,000	80,000	300,000	1,330,000	1,546,088
2029	495,000	325,000	0	55,000	85,000	315,000	1,275,000	1,448,313
2030	505,000	335,000	0	0	90,000	330,000	1,260,000	1,387,963
2031	520,000	345,000	0	0	0	0	865,000	957,338
2032	540,000	355,000	0	0	0	0	895,000	960,938
2033	555,000	365,000	0	0	0	0	920,000	958,713
2034	570,000	250,000	0	0	0	0	820,000	832,456
	\$6,450,000	\$4,930,000	\$865,000	\$370,000	\$670,000	\$2,465,000	\$15,750,000	\$19,135,933
		(1)	(2)	(3)	(4)	(5)		

NOTE: 78% OF GENERAL OBLIGATION DEBT PAYABLE FROM REVENUES WILL BE RETIRED WITHIN TEN YEARS.

- (1) This schedule represents a portion of the \$22,250,000 General Obligation Bonds, Series 2016B, dated July 21, 2016, consisting of \$11,550,000 payable from special assessments and \$6,570,000 payable from water and sewer revenues.
- (2) This schedule represents a portion of the \$10,165,000 General Obligation Bonds, Series 2017A, dated September 7, 2017, consisting of \$1,530,000 payable from taxes, \$7,465,000 payable from special assessments, \$835,000 payable from water revenues, and \$335,000 payable from the Street Utility.
- (3) This schedule represents a portion of the \$8,135,000 General Obligation Bonds, Series 2018A, dated July 25, 2018, consisting of \$7,690,000 payable from special assessments and \$445,000 payable from water revenues.
- (4) This schedule represents a portion of the \$7,025,000 General Obligation Bonds, Series 2019A, dated July 24, 2019, consisting of \$6,295,000 payable from special assessments and \$730,000 payable from water revenues.
- (5) This schedule represents a portion of the \$12,735,000 General Obligation Bonds, Series 2020A, dated August 13, 2020, consisting of \$9,370,000 payable from special assessments, \$2,745,000 payable from water revenues, and \$620,000 payable from an abatement levy.

HOUSING AND REDEVELOPMENT AUTHORITY OF THE CITY OF LAKEVILLE, MINNESOTA
LEASE REVENUE DEBT
(As of April 2, 2021)

Purpose:	Lease Revenue				
	Lease Revenue	Liquor Enterprise			
	Refunding	Refunding			
	Bonds, Series 2016A	Bonds, Series 2017A			
Dated:	09/01/16	11/08/17			
Original Amount:	\$7,115,000	\$2,255,000			
Maturity:	1-Feb	1-Feb	TOTAL	TOTAL	
Interest Rates:	2.00-4.00%	2.00-3.00%	PRINCIPAL:	PRIN & INT:	
<hr/>					
2021	\$0	\$0	\$0	\$145,275	2021
2022	405,000	245,000	650,000	878,900	2022
2023	420,000	250,000	670,000	879,100	2023
2024	425,000	260,000	685,000	873,775	2024
2025	440,000	265,000	705,000	872,925	2025
2026	455,000	270,000	725,000	871,475	2026
2027	475,000	280,000	755,000	876,900	2027
2028	490,000	0	490,000	588,400	2028
2029	515,000	0	515,000	593,300	2029
2030	540,000	0	540,000	597,200	2030
2031	565,000	0	565,000	600,100	2031
2032	595,000	0	595,000	606,900	2032
<hr/>					
	\$5,325,000	\$1,570,000	\$6,895,000	\$8,384,250	
	(1) (2)	(3) (4)			

NOTE: 83% OF HRA LEASE REVENUE DEBT WILL BE RETIRED WITHIN TEN YEARS.

- (1) These bonds are payable from annual appropriations to be made by the city's governing body. The full faith and credit of the City IS NOT pledged for the payment of principal and interest. The City has an agreement with Independent School District No. 194 (Lakeville), to pay 50% of the debt service payments.
- (2) These bonds refunded \$5,740,000 of the \$9,230,000 Lease Revenue Bonds (Ice Arena Project), Series 2006, dated December 1, 2006, which were originally issued through the City of Lakeville Housing and Redevelopment Authority. Maturities 2021 through 2032, inclusive, were called for redemption on February 1, 2017, at a price of par plus accrued interest.
- (3) These bonds are payable solely from rental payments to be received from the City. The full faith and credit of the City IS NOT pledged to any payment of principal and interest or any other related costs on the bonds.
- (4) These bonds current refunded the 2022 through 2027 maturities of the City's Liquor Revenue Bonds, Series 2007 on November 8, 2017 at a price of par plus accrued interest.

Indirect Debt*

<i>Issuer</i>	<i>2019/2020 Tax Capacity Value⁽¹⁾</i>	<i>2019/2020 Tax Capacity Value in City⁽¹⁾</i>	<i>Percentage Applicable in City</i>	<i>Outstanding General Obligation Debt⁽²⁾</i>	<i>Taxpayers' Share of Debt</i>
Dakota County	\$ 532,219,151	\$83,226,858	15.64%	\$0	\$ 0
ISD No. 192, Farmington	35,523,186	7,102,603	19.99	151,275,000	30,239,873
ISD No. 194, Lakeville	84,603,677	61,837,609	73.09	144,195,000	105,392,126
ISD No. 196, Rosemount-Apple Valley-Eagan	195,089,579	14,286,648	7.32	100,985,000	7,392,102
Metropolitan Council	4,576,186,304	83,226,858	1.82	8,800,000 ⁽³⁾	160,160
Metro Transit	3,662,962,426	83,226,858	2.27	217,685,000 ⁽⁴⁾	<u>4,941,450</u>
				<i>Total Indirect Debt:</i>	<u><u>\$ 148,125,711</u></u>

(Remainder of page intentionally left blank)

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

(1) Tax Capacity Value is after tax increment deduction and fiscal disparity contribution, but before fiscal disparity distribution.

(2) As of April 2, 2021, unless noted otherwise.

(3) Metropolitan Council has \$8,800,000 of general obligation debt outstanding as of December 31, 2020. This debt is payable from ad valorem taxes levied on all taxable property within the Metropolitan Taxing District. This amount excludes \$1,279,945,062 of general obligation debt payable from wastewater and sewer revenues, and lease agreements.

(4) Metropolitan Transit has \$217,685,000 of property tax supported general obligation debt outstanding as of December 31, 2020. Transit debt is issued by the Metropolitan Council for public transit operations and is payable from ad valorem taxes levied on all taxable property within the Metropolitan Transit District.

General Obligation Debt

Bonds secured by taxes	\$ 26,795,000
Bonds secured by special assessments	58,830,000
Bonds secured by tax increments/tax abatements (includes This Issue)	14,675,000
Bonds secured by state aid	3,860,000
Bonds secured by water/sewer revenues	<u>15,750,000</u>
Subtotal	\$ 119,910,000
Less bonds secured by state aid and water/sewer revenues	(<u>19,610,000</u>)
<i>Direct General Obligation Debt</i>	100,300,000
Add taxpayers' share of indirect debt	<u>148,125,711</u>
<i>Direct and Indirect Debt</i>	<u>\$ 248,425,711</u>

Special Obligations

\$7,115,000 Lease Revenue Refunding Bonds, Series 2016A	\$ 5,325,000
\$2,255,000 Lease Revenue Liquor Enterprise Refunding Bonds, Series 2017A	1,570,000

Metropolitan Council Loan Agreements

\$1,466,300 Loan Agreement of 2006	\$ 1,159,843
\$737,171 Loan Agreement of 2017	\$ 737,171

Facts for Ratio Computations

2019/2020 Economic Market Value (real and personal property)	\$8,909,955,589
Population (2020 estimate)	65,831

Debt Ratios Excluding Revenue-Supported Debt

	<i>Direct Debt</i>	<i>Indirect Debt</i>	<i>Direct and Indirect Debt</i>
To Economic Market Value	1.13%	1.66%	2.79%
Per Capita	\$1,524	\$2,250	\$3,774

APPENDIX A

Form of Legal Opinion



City of Lakeville
Lakeville, Minnesota

[Purchaser]
[City, State]

Re: \$[PAR] General Obligation Tax Abatement Bonds, Series 2021B
 City of Lakeville, Minnesota

Ladies and Gentlemen:

As Bond Counsel in connection with the authorization, issuance and sale by the City of Lakeville, Minnesota (the “City”), of the obligations described above, dated, as originally issued, as of May [], 2021 (the “Bonds”), we have examined certified copies of certain proceedings taken, and certain affidavits and certificates furnished, by the City in the authorization, sale and issuance of the Bonds, including the form of the Bonds. As to questions of fact material to our opinion, we have assumed the authenticity of and relied upon the proceedings, affidavits and certificates furnished to us without undertaking to verify the same by independent investigation. From our examination of such proceedings, affidavits and certificates and on the basis of existing law, it is our opinion that:

1. The Bonds are valid and binding general obligations of the City, enforceable in accordance with their terms.

2. The principal of and interest on the Bonds are payable primarily from tax abatement revenue to be generated from certain parcels of property in the City pursuant to Minnesota Statutes, Section 469.1813 and net revenues of the City’s Liquor Fund, but if necessary for the payment of such principal and interest, ad valorem taxes are required by law to be levied on all taxable property in the City without limitation of rate or amount.

3. Interest on the Bonds (a) is excludable from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986 (the “Code”) and (b) is not an item of tax preference for purposes of the federal alternative minimum tax imposed by Section 55 of the Code.

4. Interest on the Bonds (a) is excludable from taxable net income of individuals, estates, and trusts for Minnesota income tax purposes and (b) is not an item of tax preference for purposes of the Minnesota alternative minimum tax imposed on individuals, trusts, and estates.

The opinions expressed in paragraphs 1 and 2 above are subject, as to enforceability, to the effect of any state or federal laws relating to bankruptcy, insolvency, reorganization, moratorium or creditors’ rights and the application of equitable principles, whether considered at law or in equity.

The opinions expressed in paragraphs 3 and 4 above are subject to the compliance by the City with certain requirements of the Code that must be satisfied subsequent to the issuance of the Bonds. Noncompliance with these requirements could result in the inclusion of interest on the Bonds in gross income for federal income tax purposes and taxable net income of individuals, estates, and trusts for Minnesota income tax purposes, retroactive to the date of issuance of the Bonds.

Except as stated herein, we express no opinion regarding federal, state, or other tax consequences to the owner of the Bonds. We note, however, that notwithstanding the opinion expressed in paragraph 4 above, interest on the Bonds is included in net income of corporations and financial institutions for purposes of the Minnesota franchise tax.

In providing this opinion, we have relied upon representations of the City and its officers as to (i) the intended application of the proceeds of the Bonds, (ii) the nature, use, cost, and economic life of the facilities financed by the Bonds, and (iii) other matters relating to the exemption of the interest on the Bonds from federal income taxation.

This opinion is given as of the date hereof, and we assume no obligation to 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 occur after the date hereof and which may be retroactive.

Dated this [] day of May, 2021.

Very truly yours,

APPENDIX B

Form of Continuing Disclosure

CONTINUING DISCLOSURE

(a) Purpose and Beneficiaries. To provide for the public availability of certain information relating to the Bonds and the security therefor and to permit the Purchaser and other participating underwriters in the primary offering of the Bonds to comply with amendments to Rule 15c2-12 promulgated by the SEC under the Securities Exchange Act of 1934 (17 C.F.R. § 240.15c2-12), relating to continuing disclosure (as in effect and interpreted from time to time, the Rule), which will enhance the marketability of the Bonds, the City hereby makes the following covenants and agreements for the benefit of the Owners (as hereinafter defined) from time to time of the outstanding Bonds. The City is the only obligated person in respect of the Bonds within the meaning of the Rule for purposes of identifying the entities in respect of which continuing disclosure must be made. If the City fails to comply with any provisions of this section, any person aggrieved thereby, including the Owners of any outstanding Bonds, may take whatever action at law or in equity may appear necessary or appropriate to enforce performance and observance of any agreement or covenant contained in this section, including an action for a writ of mandamus or specific performance. Direct, indirect, consequential and punitive damages shall not be recoverable for any default hereunder to the extent permitted by law. Notwithstanding anything to the contrary contained herein, in no event shall a default under this section constitute a default under the Bonds or under any other provision of this resolution. As used in this section, Owner or Bondowner means, in respect of the Bonds, the registered owner or owners thereof appearing in the bond register maintained by the Registrar or any Beneficial Owner (as hereinafter defined) thereof, if such Beneficial Owner provides to the Registrar evidence of such beneficial ownership in form and substance reasonably satisfactory to the Registrar. As used herein, Beneficial Owner means, in respect of the Bonds, any person or entity which (a) has the power, directly or indirectly, to vote or consent with respect to, or to dispose of ownership of, such Bonds (including persons or entities holding Bonds through nominees, depositories or other intermediaries), or (b) is treated as the owner of the Bonds for federal income tax purposes.

(b) Information To Be Disclosed. The City will provide, in the manner set forth in subsection (c) hereof, either directly or indirectly through an agent designated by the City, the following information at the following times:

- (1) On or before 12 months after the end of each fiscal year of the City, commencing with the fiscal year ending December 31, 2020, the following financial information and operating data in respect of the City (the Disclosure Information):
 - (A) the audited financial statements of the City for such fiscal year, prepared in accordance with generally accepted accounting principles in accordance with the governmental accounting standards promulgated by the Governmental Accounting Standards Board or as otherwise provided under Minnesota law, as in effect from time to time, or, if and to the extent such financial statements have not been prepared in accordance with such generally accepted accounting principles for reasons beyond the reasonable control of the City, noting the discrepancies therefrom and the effect

thereof, and certified as to accuracy and completeness in all material respects by the fiscal officer of the City; and

- (B) to the extent not included in the financial statements referred to in paragraph (A) hereof, the information for such fiscal year or for the period most recently available of the type contained in the Official Statement under the headings: “Economic and Financial Information – Valuations,” “– Tax Capacity Rates,” “– Tax Levies and Collections,” and “Summary of Debt and Debt Statistics,” which information may be unaudited.

Notwithstanding the foregoing paragraph, if the audited financial statements are not available by the date specified, the City shall provide on or before such date unaudited financial statements in the format required for the audited financial statements as part of the Disclosure Information and, within 10 days after the receipt thereof, the City shall provide the audited financial statements. Any or all of the Disclosure Information may be incorporated by reference, if it is updated as required hereby, from other documents, including official statements, which have been filed with the SEC or have been made available to the public by the Municipal Securities Rulemaking Board (the “MSRB”) through its Electronic Municipal Market Access System (EMMA). The City shall clearly identify in the Disclosure Information each document so incorporated by reference. If any part of the Disclosure Information can no longer be generated because the operations of the City have materially changed or been discontinued, such Disclosure Information need no longer be provided if the City includes in the Disclosure Information a statement to such effect; provided, however, if such operations have been replaced by other City operations in respect of which data is not included in the Disclosure Information and the City determines that certain specified data regarding such replacement operations would be a Material Fact (as defined in paragraph (2) hereof), then, from and after such determination, the Disclosure Information shall include such additional specified data regarding the replacement operations. If the Disclosure Information is changed or this section is amended as permitted by this paragraph (b)(1) or subsection (d), then the City shall include in the next Disclosure Information to be delivered hereunder, to the extent necessary, an explanation of the reasons for the amendment and the effect of any change in the type of financial information or operating data provided.

- (2) In a timely manner, not in excess of 10 business days, to the MSRB through EMMA, notice of the occurrence of any of the following events (each a “Material Fact,” as hereinafter defined):
 - (A) Principal and interest payment delinquencies;
 - (B) Non-payment related defaults, if material;
 - (C) Unscheduled draws on debt service reserves reflecting financial difficulties;
 - (D) Unscheduled draws on credit enhancements reflecting financial difficulties;
 - (E) Substitution of credit or liquidity providers, or their failure to perform;
 - (F) Adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the Bonds, or other material events affecting the tax status of the Bonds;

- (G) Modifications to rights of security holders, if material;
- (H) Bond calls, if material, and tender offers;
- (I) Defeasances;
- (J) Release, substitution, or sale of property securing repayment of the securities, if material;
- (K) Rating changes;
- (L) Bankruptcy, insolvency, receivership or similar event of the City;
- (M) 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; and
- (N) Appointment of a successor or additional paying agent or the change of name of a paying agent, if material.
- (O) 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
- (P) 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.

For purposes of the events identified in paragraphs (O) and (P) above, the term “financial obligation” means (i) a debt obligation; (ii) a derivative instrument entered into in connection with, or pledged as security or a source of payment for, an existing or planned debt obligation; or (iii) a guarantee of (i) or (ii). 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.

As used herein, for those events that must be reported if material, a “Material Fact” is a fact as to which a substantial likelihood exists that a reasonably prudent investor would attach importance thereto in deciding to buy, hold or sell the Bonds or, if not disclosed, would significantly alter the total information otherwise available to an investor from the Official Statement, information disclosed hereunder or information generally available to the public. Notwithstanding the foregoing sentence, a Material Fact is also a fact that would be deemed material for purposes of the purchase, holding or sale of the Bonds within the meaning of applicable federal securities laws, as interpreted at the time of discovery of the occurrence of the event.

For the purposes of the event identified in (L) hereinabove, the event is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent or similar officer for an obligated person in a proceeding under the U.S. Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the obligated person, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement or liquidation by a court or governmental

authority having supervision or jurisdiction over substantially all of the assets or business of the obligated person.

- (3) In a timely manner, to the MSRB through EMMA, notice of the occurrence of any of the following events or conditions:
 - (A) the failure of the City to provide the Disclosure Information required under paragraph (b)(1) at the time specified thereunder;
 - (B) the amendment or supplementing of this section pursuant to subsection (d), together with a copy of such amendment or supplement and any explanation provided by the City under subsection (d)(2);
 - (C) the termination of the obligations of the City under this section pursuant to subsection (d);
 - (D) any change in the accounting principles pursuant to which the financial statements constituting a portion of the Disclosure Information are prepared; and
 - (E) any change in the fiscal year of the City.

(c) Manner of Disclosure.

- (1) The City agrees to make available to the MSRB through EMMA, in an electronic format as prescribed by the MSRB, the information described in subsection (b).
- (2) All documents provided to the MSRB pursuant to this subsection (c) shall be accompanied by identifying information as prescribed by the MSRB from time to time.

(d) Term; Amendments; Interpretation.

- (1) The covenants of the City in this section shall remain in effect so long as any Bonds are outstanding. Notwithstanding the preceding sentence, however, the obligations of the City under this section shall terminate and be without further effect as of any date on which the City delivers to the Registrar an opinion of Bond Counsel to the effect that, because of legislative action or final judicial or administrative actions or proceedings, the failure of the City to comply with the requirements of this section will not cause participating underwriters in the primary offering of the Bonds to be in violation of the Rule or other applicable requirements of the Securities Exchange Act of 1934, as amended, or any statutes or laws successory thereto or amendatory thereof.
- (2) This section (and the form and requirements of the Disclosure Information) may be amended or supplemented by the City from time to time, without notice to (except as provided in paragraph (c)(2) hereof) or the consent of the Owners of any Bonds, by a resolution of this Council filed in the office of the recording officer of the City accompanied by an opinion of Bond Counsel, who may rely on certificates of the City and others and the opinion may be subject to customary qualifications, to the

effect that: (i) such amendment or supplement (a) is made in connection with a change in circumstances that arises from a change in law or regulation or a change in the identity, nature or status of the City or the type of operations conducted by the City, or (b) is required by, or better complies with, the provisions of paragraph (b)(5) of the Rule; (ii) this section as so amended or supplemented would have complied with the requirements of paragraph (b)(5) of the Rule at the time of the primary offering of the Bonds, giving effect to any change in circumstances applicable under clause (i)(a) and assuming that the Rule as in effect and interpreted at the time of the amendment or supplement was in effect at the time of the primary offering; and (iii) such amendment or supplement does not materially impair the interests of the Bondowners under the Rule.

If the Disclosure Information is so amended, the City agrees to provide, contemporaneously with the effectiveness of such amendment, an explanation of the reasons for the amendment and the effect, if any, of the change in the type of financial information or operating data being provided hereunder.

- (3) This section is entered into to comply with the continuing disclosure provisions of the Rule and should be construed so as to satisfy the requirements of paragraph (b)(5) of the Rule.

APPENDIX C

City's Financial Statement

The following financial statements are excerpts from the annual financial report for the year ended December 31, 2019. The complete financial report for the year 2019 and the prior two years are available for inspection at the Lakeville City Hall and the office of Northland Securities, Inc. The reader of this Official Statement should be aware that the complete financial report may have further data relating to the excerpts presented in the appendix which may provide additional explanation, interpretation or modification of the excerpts.

CITY OF LAKEVILLE, MINNESOTA
COMPREHENSIVE ANNUAL FINANCIAL REPORT
YEAR ENDED DECEMBER 31, 2019

PREPARED BY THE FINANCE DEPARTMENT

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INTRODUCTORY SECTION



City of Lakeville
Positioned to Thrive

June 5, 2020

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

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

The Comprehensive Annual Financial Report is hereby presented for the purpose of providing you, the reader, with a thorough overview of the financial affairs of the City for the year ended December 31, 2019. The Report was prepared in accordance with Minnesota Statutes and Generally Accepted Accounting Principles (GAAP).

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

The City of Lakeville's financial statements have been audited by CliftonLarsonAllen LLP, a professional firm of certified public accountants. The independent auditor's report is included in the Financial Section of this report. The auditors have given this report an unmodified ("clean") opinion, meaning that the financial statements fairly present the City's financial position at December 31, 2019 and the changes in financial position for the year then ended.

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

20195 Holyoke Avenue, Lakeville, MN 55044
952-985-4400 • 952-985-4499 fax
www.lakevillemn.gov

Profile of Government

The City of Lakeville is a suburban community located 20 miles south of downtown Minneapolis in the southeast corner of the Twin Cities metropolitan area within [Dakota County](#). Lakeville enjoys an excellent location, with convenient access to the Minneapolis-Saint Paul metropolitan area via interstate highway I-35. The City is also just 25 minutes from the Minneapolis-Saint Paul International Airport. Lakeville continues to be one of the fastest growing cities in Minnesota with a population that has grown from 43,128 in 2000 to 65,831 in 2019.

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

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

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

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

Factors Affecting Financial Condition

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

Local Economy

The City's tax base is primarily residential and consists of mostly single family homes. Commercial and industrial properties make up approximately eleven percent of the tax base. The City's valuation declined from its peak in 2009 to a low point in 2013. Since 2013, valuations have steadily grown due to a mix of new construction and appreciating values. The City's valuation is now at a new peak and continues to grow. The City has grown by an estimated 9,900 new residents or approximately 17.7% since 2010, while the number of City employees has increased by 16.6%.

The City has a land area of 38 square miles with approximately 30% of its land available for development. In 2019, final plats were approved for 305 single-family units, 164 detached townhomes, 43 attached townhomes, 260 apartment units, 3 commercial developments, 3 industrial and one institutional development.

The trend for building permit activity for single-family homes is steady with building permits for single family homes/detached townhomes increasing from 478 in 2018 to 556 in 2019. The 2020 budget is premised on conservative but assumed steady growth of new single-family homes in the coming year.



Commercial and industrial building permit activity was valued at \$63.3 million. Commercial projects constructed in 2019 included:

- Compeer Financial
 - A new two-story, 30,000 square-foot agricultural lender business
- Heritage Library and Lakeville License Center
 - The facility was remodeled and expanded by about 2,900 square feet
- BeeHive Senior Homes
 - A new 20-unit senior assisted living and memory care residence
- Spero Senior Living
 - A new 55-unit independent senior living community
- Motoprime Motorsports
 - A two-level, 30,000 square-foot addition

Industrial development in 2019 included:

- QA1 Precision Products
 - 100,000 square-foot building
 - Retaining 95 jobs and creating 44 new jobs in the City
- Polytek Surface Coatings
 - 2-story, 17,218 square foot office and warehouse building
 - Growth and expansion of existing Lakeville business
- Globus Transport Inc.
 - 131,307 square foot 3-story climate-controlled self-storage building
 - Includes office, retail showroom, and outdoor storage of recreational vehicles
- Recycle MN / Dick's Sanitation
 - 21,240 square-foot addition
 - New 69-foot tall storage silo

Commercial projects under construction:

- Health Partners Park Nicollet Clinic
 - A new 2-story, 28,420 square-foot medical office building
- Edison at Spirit
 - A 160-unit market-rate apartment building and five secondary carriage house buildings
- Kingsley Place
 - A new 55-unit, four-story senior independent living apartment building
- Springs at Lakeville
 - A multi-family development consisting of 260 market-rate rental townhome-style units

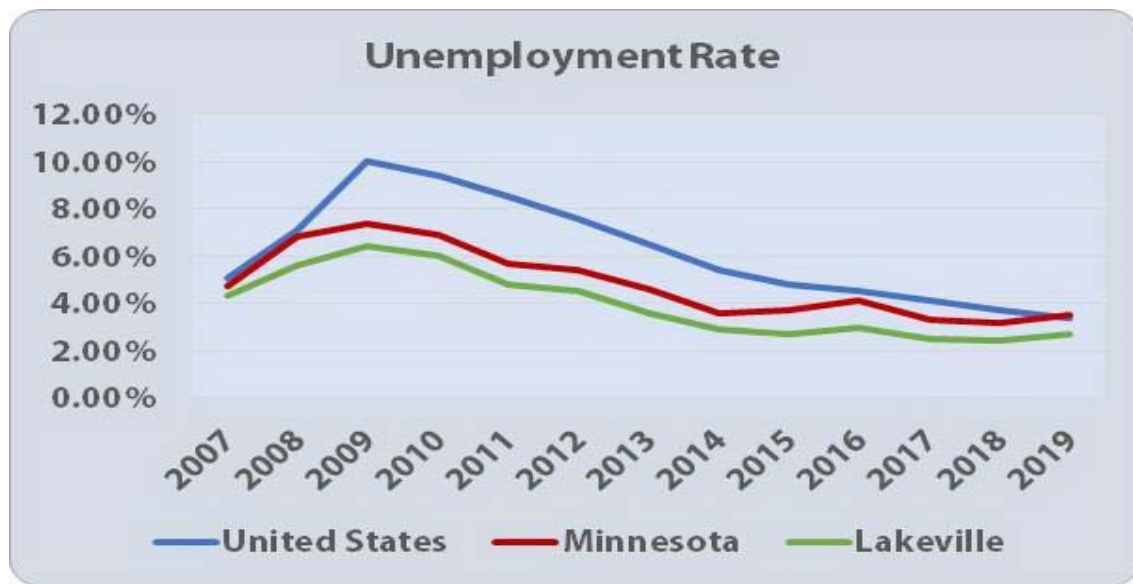
New commercial businesses:

- Escape MSP
 - An escape room entertainment business
- Viverant
 - A new physical therapy, performance training, Pilates and nutrition consulting business
- Power Plate Meals
 - A new ready-to-eat meal business
- Code Hero Academy
 - Technology classes for school-age children and community members
- HomeGoods
 - A new home goods store

- B-52 Burgers and Brew
 - A new full-service restaurant
- Northern Taphouse
 - A new bar and restaurant
- Wings Financial Credit Union
 - A new credit union
- Lakeville Walmart
 - Added online grocery pickup service
- Waffle Bar
 - A new bubble waffle and ice cream parlor
- Mi5 Fitness
 - A new fitness business
- ALDI
 - A new grocery business
- Kato CBD
 - A new boutique style CBD retail store
- Remedy Bar
 - A CBD retail store
- Just for Kix
 - A business offering dance classes
- Hy-Vee Fast & Fresh
 - A new convenience store with groceries, grab-and-go meals, and gas
- Salon de Belle
 - A new salon
- Enlighten Chiropractic
 - A new chiropractic business
- Dunkin' Donuts and Baskin Robbins
 - A new combined store located adjacent to the Kenrick Liquor store
- Spaw 4 Paws
 - A luxury dog grooming salon
- Puppy Play & Stay
 - A new business that offers daycare, boarding and grooming for dogs
- Billie's Choice
 - A new business providing in-home senior care
- Farm Bureau Wealth Management
 - A business providing financial advisory services

According to the Dakota County Assessor's office, the median value home increased by 7.12% as of February 2020 (for taxes payable 2020). The improving housing market is also strengthened with the current low inflation and interest rate environment.

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



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

Major Initiatives

Pressures and issues confronting the City were taken into account with the 2019 adopted budget including community growth, aging infrastructure, inflationary pressures, emerging trends, innovation and efficiencies, entrepreneurial efforts and preparing for the future.

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

Addressing Aging Infrastructure. Our City has more than \$300 million of investment in infrastructure such as roads, water mains, parks, trails, facilities, equipment and other assets. The assets have maintenance, and in certain situations, replacement requirements. The 2019 budget addressed the short-term plan while the Capital Improvement Plan addressed the anticipated intermediate and long-term needs. The most significant 2019 projects included:

- Accelerated pavement management program to improve city-wide pavement management index
 - 2019 Street Reconstruction
 - Hamburg Avenue Improvements

Inflationary Pressures. As the economy improves there will be upward pressure on commodities, services and personnel costs. Although inflation is still relatively benign, the budget anticipated modest price increases in the near term.

Emerging Trends. There are trends emerging within our community which are influenced at least in part by external factors such as technology-related crimes. Currently, there is a defined need for our community to react to or be prepared to react to the issues; however, there is little or no financial assistance available from State or Federal agencies to react to the trends.

Innovation and Efficiencies. Lakeville has a long-standing history of being fiscally conservative and prudent. In spite of the fact that the City of Lakeville receives no state aid for property tax relief, per capita current expenditures for operations are still amongst the lowest in the twin cities according to the Minnesota State Auditor's Office. The adopted budget included several initiatives which continued the focus on a commitment to cost effectiveness and efficiencies. Effective application of technology is a major factor in optimizing organizational efficiencies.

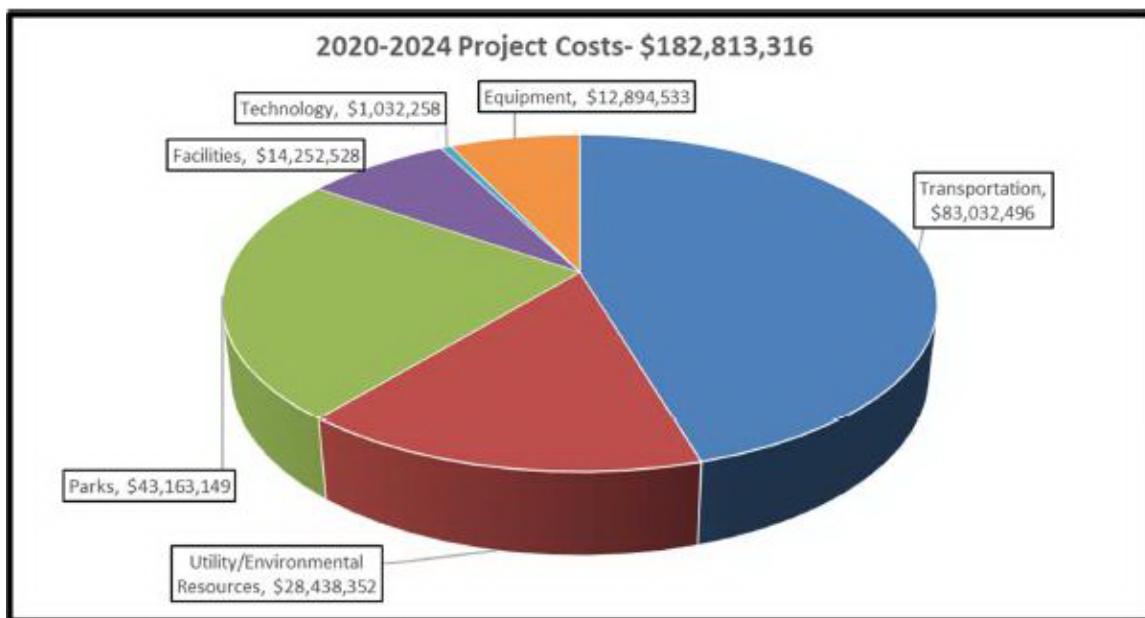
Entrepreneurial Efforts. Continued marketing initiatives are proposed to promote economic developments. Several years ago, property was acquired in southwestern Lakeville for a future new liquor store to improve revenues and sales opportunities.

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

Long-Term Financial Planning

There is an interrelationship between a community's physical development and its long-term financial plan. A comprehensive plan provides the guidance for current and future land use and public infrastructure decisions to provide managed growth throughout the community. The City of Lakeville completes an update of its Comprehensive Plan every ten years. The scheduled Plan update started in 2017 and was completed in 2019.

A Capital Improvement Plan (CIP) is a flexible, five-year plan that identifies the City's infrastructure, development objectives and allocation of financial resources. It provides policy makers and the community with a strategic (documented) approach to implementation and administration of improvement projects. The City will invest \$183 million in transportation, utility, equipment, facilities and parks over the next five years to achieve program objectives.



As of December 31, 2019, the City of Lakeville had approximately \$120.125 million of debt outstanding. The City will issue approximately \$90 million general obligation improvement bonds in the coming years to finance street reconstruction projects, facility expansion and development of community parks.

Relevant Financial Policies

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

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

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

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

- ***Revenue Policies.*** The City will project its annual revenues by a conservative objective and thorough analytical process. The City will endeavor to maintain a diversified and stable revenue system to shelter it from annual fluctuations in any one revenue source. All existing and potential revenue sources will be reexamined annually. New sources of non-property-tax revenue should be actively explored at all times. Where appropriate and not contrary to accepted public policy or statutes, emphasis will be directed toward full cost recovery through user fees. User fees and cost allocation formulas will be updated periodically (annually, if needed). Ongoing, the City will review the full cost of activities supported by user fees to identify the impact of inflation and other factors. The fees along with the resulting net property tax costs will be reviewed with the City Council during the budget process. Sensitivity to market rates will also be considered in setting fees. Intergovernmental grant requests are subject to fiscal review before the application is submitted. This review is to ensure that the grants do not create an obligation for unfunded expenditures by the City relating to the grant's purpose and to provide an overall budgetary review of grant proposals.
- ***Debt.*** The City's debt policy provides guidance to ensure that long-term debt is utilized appropriately and in a fiscally prudent manner. Limiting long-term borrowing to capital improvements or other long-term projects which cannot, and appropriately should not, be financed from current revenues. Final maturity of bonds and notes should not exceed the expected useful life of the underlying project for which it is being issued. Where possible, the City will endeavor to pledge special assessments, State-aid or other non-tax revenues to debt service payments.

- **Investments.** The City's policy is to invest all available monies at competitive interest rates, coordinated with projections of the City's operating and program cash flow needs. Interest earnings will be distributed to the funds based on the average cash balances. Investments will take into consideration safety, liquidity and yield as well as complying with State regulations.
- **Fund Balance.** Fund balance or net position are terms used to define the difference between a fund's assets, deferred outflows of financial resources, liabilities and deferred inflows of financial resources. Fund balance is used in governmental fund types and net position is used in proprietary fund types and also the government-wide financial statements.

Awards and Acknowledgements

The Government Finance Officers Association (GFOA) of the United States awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Lakeville, Minnesota, for its comprehensive annual financial report for the fiscal year ended December 31, 2018. This is the thirty-first consecutive year that the City of Lakeville has received this prestigious award.

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

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


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

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

Respectfully submitted,



Justin Miller
City Administrator



Jerilyn Erickson
Finance Director/Treasurer

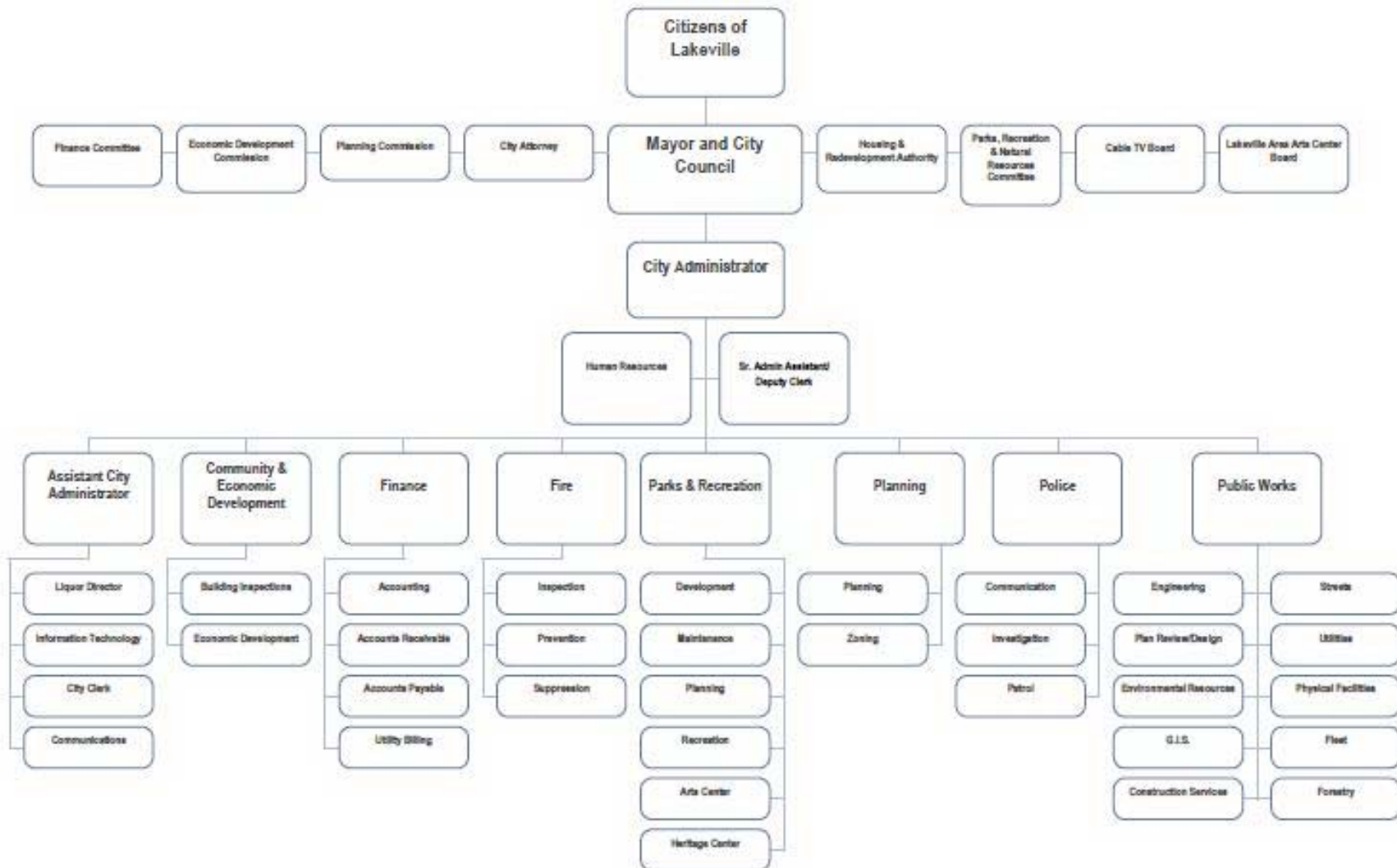
**CITY OF LAKEVILLE
ELECTED AND APPOINTED OFFICIALS
YEAR ENDED DECEMBER 31, 2019**

Elected Officials		Term Expires <u>December 31,</u>
Douglas P. Anderson	Mayor	2022
Joshua Lee	Council Member	2022
Luke Hellier	Council Member	2020
Michelle Volk	Council Member	2022
Brian Wheeler	Council Member	2020

APPOINTED PERSONNEL

Justin Miller	City Administrator
Jerilyn Erickson	Finance Director/Treasurer
Charlene Friedges	City Clerk

**CITY OF LAKEVILLE
ORGANIZATIONAL CHART
YEAR ENDED DECEMBER 31, 2019**



**CITY OF LAKEVILLE
CERTIFICATE OF ACHIEVEMENT FOR EXCELLENCE IN FINANCIAL REPORTING
DECEMBER 31, 2019**



Government Finance Officers Association

**Certificate of
Achievement
for Excellence
in Financial
Reporting**

Presented to

**City of Lakeville
Minnesota**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

December 31, 2018

Christopher P. Morill

Executive Director/CEO

FINANCIAL SECTION



INDEPENDENT AUDITORS' REPORT

Honorable Mayor and the City Council
City of Lakeville, Minnesota

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Lakeville, as of and for the year ended December 31, 2019, and the related notes to the financial statements, which collectively comprise the City of Lakeville's basic financial statements as listed in the table of contents.

Management's Responsibility 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; this includes 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.

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Lakeville as of December 31, 2019, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of a Matter

During fiscal year ended December 31, 2019, the City adopted GASB Statement No. 84, *Fiduciary Activities*. As a result of the implementation of this standard, the City reported a restatement for the change in accounting principle (see Note 23). Our auditors' opinion was not modified with respect to the restatement.

Other Matters

Required Supplementary Information

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

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Lakeville's basic financial statements. The introductory section, combining and individual fund statements and schedules, and statistical sections are presented for purposes of additional analysis and are not a required part of the basic financial statements.


The combining and individual fund statements and schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such 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 statements and schedules are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Honorable Mayor and the City Council
City of Lakeville, Minnesota

The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated June 5, 2020, on our consideration of the City of Lakeville's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the City of Lakeville's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Lakeville's internal control over financial reporting and compliance.

A handwritten signature in cursive script that reads "CliftonLarsonAllen LLP".

CliftonLarsonAllen LLP

Minneapolis, Minnesota
June 5, 2020

**CITY OF LAKEVILLE
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2019**

As management of the City of Lakeville, (the City), we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended December 31, 2019. The discussion and analysis is intended to be considered in conjunction with the additional information that we have furnished in our letter of transmittal, located earlier in this report, and the City's financial statements contained within this report.

Financial Highlights

- The assets and deferred outflows of resources of the City exceeded liabilities and deferred inflows of resources by \$393,647,227 (net position) at the close of the most recent fiscal year. Of this amount, \$39,320,393 (unrestricted net position) may be used to meet the government's ongoing obligations to citizens and creditors.
- The City's total net position increased by \$33,201,087 in 2019.
- The City's governmental funds reported combined ending fund balances of \$89,180,100. Of this total amount, \$51,922,614 or 58.2% is not restricted or nonspendable and is available for use within the City's constraints and policies.
- As of the end of the current fiscal year, the City's total unassigned fund balance for the general fund was \$15,429,752 or 53.5% of total general fund expenditures of \$28,854,340.

Overview of the Financial Statements

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

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

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

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

**CITY OF LAKEVILLE
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2019**

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

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

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

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

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

The City maintains 26 individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund, G.O. improvement (debt service) fund, municipal state-aid (capital projects) fund, and the improvement construction (capital projects) fund, all of which are considered to be major funds. Data from the other governmental funds is combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of combining statements following the required supplementary information.

**CITY OF LAKEVILLE
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2019**

The City adopts annual appropriated budgets for its general fund and special revenue funds. A budgetary comparison schedule has been provided as required supplementary information for the general fund to demonstrate compliance with this budget. Special revenue funds budgetary comparison schedules can be found in the nonmajor governmental funds subsection of the report after the capital projects funds.

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

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

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

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

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

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

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

**CITY OF LAKEVILLE
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2019**

Government-wide Financial Analysis

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

As noted earlier, net position may serve over time as a useful indicator of the City's financial position. As presented in the following condensed version of the Statement of Net Position, the City's assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$393,647,227 at December 31, 2019. By far the largest portion or 75.7% of net position is reflected in its net investment in capital assets (e.g. land, buildings and improvements, machinery and equipment, infrastructure, and construction in process) less any related debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's net investment in capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

	Governmental Activities		Business-Type Activities		Total	
	2019	2018	2019	2018	2019	2018
Current and other assets	\$ 125,919,160	\$ 99,733,628	\$ 20,420,753	\$ 18,567,819	\$ 146,339,913	\$ 118,301,447
Capital assets	267,332,551	255,935,129	154,058,485	149,217,641	421,391,036	405,152,770
Total Assets	393,251,711	355,668,757	174,479,238	167,785,460	567,730,949	523,454,217
Deferred outflows of resources	7,959,018	11,126,536	256,813	460,775	8,215,831	11,587,311
Current and other liabilities	15,945,666	9,813,242	1,919,610	1,532,497	17,865,276	11,345,739
Other liabilities	138,361,225	140,024,833	13,758,197	13,573,208	152,119,422	153,598,041
Total Liabilities	154,306,891	149,838,075	15,677,807	15,105,705	169,984,698	164,943,780
Deferred inflows of resources	11,900,528	13,962,261	414,327	536,559	12,314,855	14,498,820
Net Position:						
Net Investment in Capital Assets	154,468,792	142,300,205	143,501,608	138,725,763	297,970,400	281,025,968
Restricted	56,356,434	45,267,313	-	-	56,356,434	45,267,313
Unrestricted	24,178,084	15,427,439	15,142,309	13,878,208	39,320,393	29,305,647
Total Net Position	<u>\$ 235,003,310</u>	<u>\$ 202,994,957</u>	<u>\$ 158,643,917</u>	<u>\$ 152,603,971</u>	<u>\$ 393,647,227</u>	<u>\$ 355,598,928</u>

The City's total restricted net position of \$56,356,434 comprises 14.3% of total net position at the close of the fiscal year ending December 31, 2019. These assets are subject to external restrictions on how they may be used.

The 2019 remaining balance of \$39,320,393 (10.0% of total net position), in unrestricted net position may be used to meet the government's ongoing obligations to citizens and creditors. The unrestricted net position in the governmental activities increased a total of \$8,750,645 primarily due to higher than budgeted revenues and lower than budgeted expenditures during the year. Certain balances within unrestricted net position have internally imposed commitments or limitations, which may further limit the purpose for which such net position may be used.

**CITY OF LAKEVILLE
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2019**

Change in net position. The City's 2019 total net position during the current fiscal year increased by \$33,201,087 as shown in the following table. This increase is primarily attributed to economic conditions and increase in community growth. Additional details that account for the change in net position are provided in the following analysis of the governmental and business-type activities.

Change in Net Position						
	Governmental Activities		Business-Type Activities		Total	
	2019	2018	2019	2018	2019	2018
REVENUES						
Program Revenues:						
Charges for Services	\$ 20,610,432	\$ 15,891,372	\$ 30,504,938	\$ 28,889,578	\$ 51,115,370	\$ 44,780,950
Operating Grants and Contributions	4,613,988	5,498,819	650,372	64,456	5,264,360	5,563,275
Capital Grants and Contributions	21,464,103	9,438,559	7,240,758	4,075,854	28,704,861	13,514,413
General Revenues:						
Property Taxes	30,897,445	28,641,302	-	-	30,897,445	28,641,302
Unrestricted Investment Earnings	2,769,074	907,138	459,651	160,165	3,228,725	1,067,303
Gain on Sale of Capital Assets	-	-	-	1,601,334	-	1,601,334
Total Revenues	80,355,042	60,377,190	38,855,719	34,791,387	119,210,761	95,168,577
EXPENSES						
General Government	7,902,490	7,203,308	-	-	7,902,490	7,203,308
Public Safety	14,927,426	14,141,045	-	-	14,927,426	14,141,045
Public Works	21,015,480	22,336,416	-	-	21,015,480	22,336,416
Parks and Recreation	7,178,164	6,661,852	-	-	7,178,164	6,661,852
Interest on Long-Term Debt	3,332,465	3,468,814	-	-	3,332,465	3,468,814
Municipal Liquor	-	-	15,267,133	14,234,337	15,267,133	14,234,337
Utility	-	-	16,386,516	14,815,914	16,386,516	14,815,914
Total Expenses	54,356,025	53,811,435	31,653,649	29,050,251	86,009,674	82,861,686
CHANGE IN NET POSITION BEFORE TRANSFERS	25,999,017	6,565,755	7,202,070	5,741,136	33,201,087	12,306,891
Transfers and Contributions	1,162,124	(492,418)	(1,162,124)	492,418	-	-
CHANGE IN NET POSITION	27,161,141	6,073,337	6,039,946	6,233,554	33,201,087	12,306,891
Net Position - Beginning of Year	202,994,957	197,301,685	152,603,971	146,439,339	355,598,928	343,741,024
Prior Period Restatement for Implementation of GASB Standard (See Note 23)	4,847,212	(380,065)	-	(68,922)	4,847,212	(448,987)
Beginning of Year, as Restated	207,842,169	196,921,620	152,603,971	146,370,417	360,446,140	343,292,037
NET POSITION - END OF YEAR	<u>\$ 235,003,310</u>	<u>\$ 202,994,957</u>	<u>\$ 158,643,917</u>	<u>\$ 152,603,971</u>	<u>\$ 393,647,227</u>	<u>\$ 355,598,928</u>

Governmental activities. The governmental activities change in net position before transfers increased by \$25,999,017. The governmental revenue increase in charges for services is directly related to both an increase in economic, development and community. Operating grants decreased in 2019 in conjunction with the level of state-aid funded street maintenance and improvement projects compared to the prior year. Capital grants and contributions increased due a higher number of developer-installed assets reported during the 2019 than in 2018.

**CITY OF LAKEVILLE
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2019**

Revenues

The City's 2019 total revenues for governmental activities increased by \$19,977,852. Charges for services increased a total of \$4,719,060 primarily due to an increase in economic and community growth as evidenced by an increase in building permits, park dedication fees, and connection and area charges collected. A summary of the various increases is shown as follows:

	2019	2018	Increase / (Decrease)
<u>Charges for services</u>			
Licenses and building permit fees	\$ 4,492,109	\$ 3,899,604	\$ 592,505
Connection and area charges	7,087,279	5,568,939	1,518,340
Engineering fees - reconstruction projects	1,635,394	1,463,780	171,614
Park dedication fees	3,154,888	1,602,477	1,552,411
Other	4,240,762	3,356,572	884,190
Total charges for services	<u>\$ 20,610,432</u>	<u>\$ 15,891,372</u>	<u>\$ 4,719,060</u>

Operating grants and contributions experienced an overall decrease of \$884,831. The level of state-aid funded street maintenance and improvement projects decreased compared to the prior year. A summary of the various operating grants and contributions are shown as follows:

	2019	2018	Increase / (Decrease)
<u>Operating grants and contributions</u>			
State-aid for street maintenance	\$ 1,945,421	\$ 1,312,272	\$ 633,149
State-aid for street revenue bonds	734,358	1,176,682	(442,324)
County grant for joint road improvements	269,335	574,554	(305,219)
Federal street reconstruction bonds payment	-	58,743	(58,743)
Other grants, contributions and donations	1,664,874	2,376,568	(711,694)
Total Operating grants and contributions	<u>\$ 4,613,988</u>	<u>\$ 5,498,819</u>	<u>\$ (884,831)</u>

**CITY OF LAKEVILLE
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2019**

Capital grants and contributions increase by \$12,025,544. Contributed infrastructure from private land developers increased \$7 million; the infrastructure consists of street, storm water, and park & trail capital assets. Special assessments increased by \$793,000 primarily due to two major street projects that were levied against the benefitting property owners in 2019. Other grants and contributions increased \$4 million due to multiple road projects that occurred in 2019 and involved other government agencies including Dakota County, City of Burnsville and Vermillion Watershed District. The summary of capital grants and contributions is shown as follows:

	2019	2018	Increase / (Decrease)
<u>Capital grants and contributions</u>			
Contributed infrastructure from developers	\$ 12,453,494	\$ 5,258,885	\$ 7,194,609
Special assessments	4,646,937	3,853,942	792,995
Other grants and contributions	4,302,383	264,539	4,037,844
PEG fees	61,289	61,193	96
Total capital grants and contributions	<u>\$ 21,464,103</u>	<u>\$ 9,438,559</u>	<u>\$ 12,025,544</u>

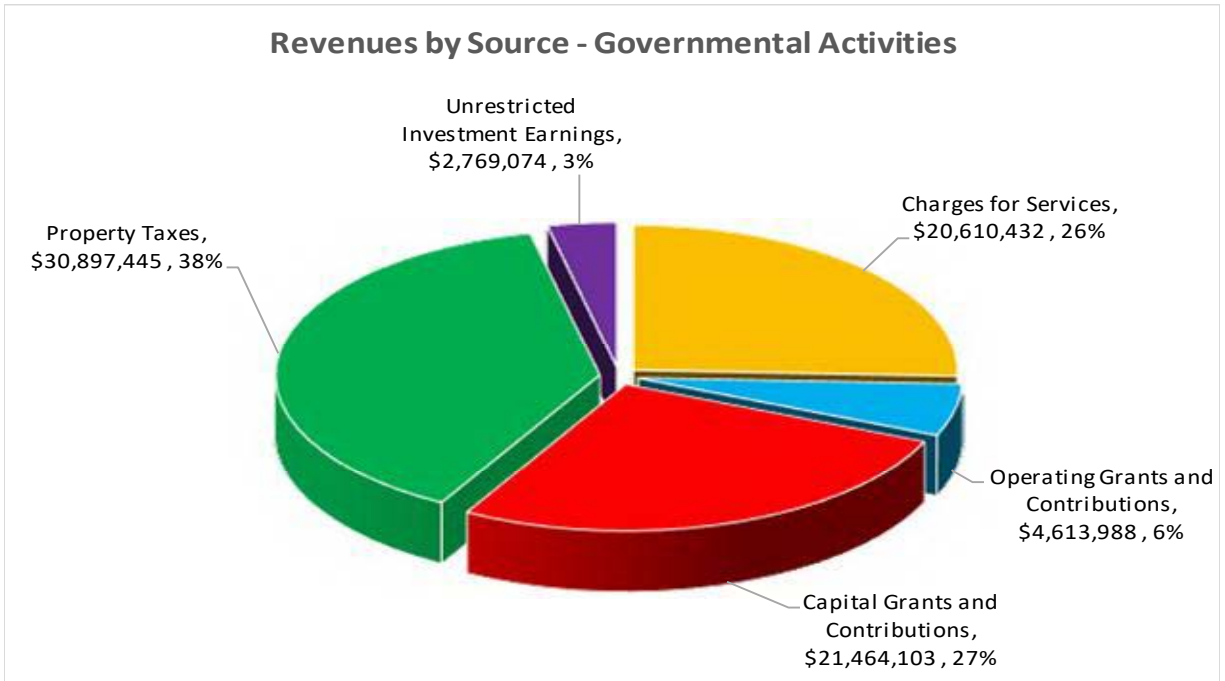
Property tax revenue increased \$2,256,143 or 7.9% primarily due to an increase in the overall tax levy.

Investment income earnings increased by \$1,861,936. The increase is the combination of increased earnings and changes in investment asset values which are inversely related to the changes in market rates. The increase is consistent with prevailing market conditions.

	2019	2018	Increase / (Decrease)
<u>General revenues</u>			
Property taxes	\$ 30,897,445	\$ 28,641,302	\$ 2,256,143
Investment income	2,769,074	907,138	1,861,936
Total general revenues	<u>\$ 33,666,519</u>	<u>\$ 29,548,440</u>	<u>\$ 4,118,079</u>

**CITY OF LAKEVILLE
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2019**

A summary of 2019 revenues by source for governmental activities is shown as follows:



Expenses

The City's 2019 total governmental activities expenses (before depreciation on capital assets and interest on long-term debt) decreased by \$98,609 or 0.3%. Total governmental activities expenses increased by \$544,590 or 1.0%, shown as follows:

	2019	2018	Increase / (Decrease)
<u>Governmental activities expenses</u>			
General government	\$ 7,489,476	\$ 6,846,135	\$ 643,341
Public safety	13,775,555	12,981,627	793,928
Public works	10,789,986	12,665,892	(1,875,906)
Parks and recreation	4,843,193	4,503,165	340,028
Total before depreciation and interest	36,898,210	36,996,819	(98,609)
Depreciation on capital assets	14,125,350	13,345,802	779,548
Interest on long-term debt	3,332,465	3,468,814	(136,349)
Total governmental activities expenses	<u>\$ 54,356,025</u>	<u>\$ 53,811,435</u>	<u>\$ 544,590</u>

**CITY OF LAKEVILLE
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2019**

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

General government expenses increased by \$643,341 or 9.4%; which is primarily attributed to expenses incurred in the prior year (2018) and the elimination of the long-term receivable for the HRA capital lease with the Galaxie liquor store.

Public safety expenses increased by \$793,928 or 6.1%; primarily due to the overall increase in wages in benefits as well as miscellaneous operating costs.

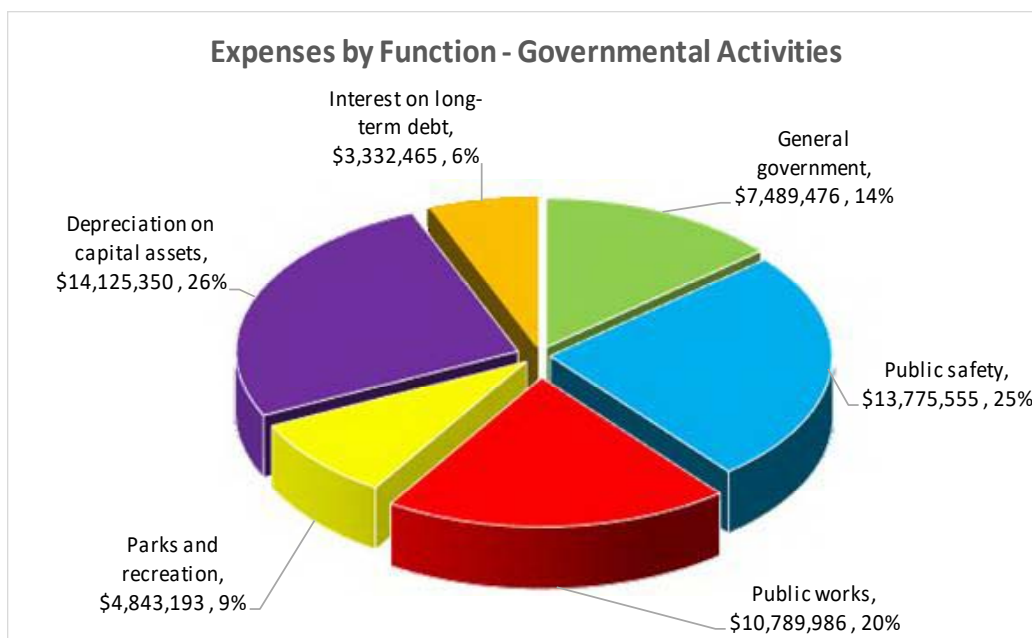
Public works expenses decreased by \$1,875,906 or 14.8%; primarily due to the prior year had a greater amount of expenditures related to an improvement project which was not considered a City asset.

Parks and recreation expenses increased \$340,028 or 7.6%; primarily due to additional park and trail maintenance on existing trails compared to the prior year.

Depreciation on capital assets increased by \$779,548 or 5.8%; primarily due to an increase in contributed infrastructure from development.

Interest on long-term debt decreased by \$136,349 or 3.9%; primarily due to scheduled debt payments.

A summary of 2019 expenses by function for governmental activities is shown as follows:



**CITY OF LAKEVILLE
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2019**

Business-type activities. Business-type activities increased the City's 2019 total net position by \$6,039,946. Key elements of the increase in net position along with a comparison of revenues, expenses, and changes in net position during fiscal years 2019 and 2018 are shown as follows:

	2019	2018	Increase / (Decrease)
Revenues			
Charges for services			
Liquor	\$ 16,288,986	\$ 15,276,433	\$ 1,012,553
Utility	14,215,952	13,613,145	602,807
Operating grants and contributions			
Liquor	6,453	13,421	(6,968)
Utility	643,919	51,035	592,884
Capital contributions			
Utility	7,240,758	4,075,854	3,164,904
Gain on disposal of capital assets	-	1,601,334	(1,601,334)
Investment earnings	459,651	160,165	299,486
Total revenues	<u>38,855,719</u>	<u>34,791,387</u>	<u>4,064,332</u>
Expenses			
Liquor	15,267,133	14,234,337	1,032,796
Utility	16,386,516	14,815,914	1,570,602
Total expenses	<u>31,653,649</u>	<u>29,050,251</u>	<u>2,603,398</u>
Change in net position before transfers	7,202,070	5,741,136	1,460,934
Transfers	(1,162,124)	492,418	(1,654,542)
Change in net position	<u>6,039,946</u>	<u>6,233,554</u>	<u>(193,608)</u>
Net position - beginning	152,603,971	146,439,339	6,164,632
Prior Period Restatement for Implementation of GASB Standard	-	(68,922)	68,922
Beginning of Year, as Restated	<u>152,603,971</u>	<u>146,370,417</u>	<u>6,233,554</u>
Net position - ending	<u>\$ 158,643,917</u>	<u>\$ 152,603,971</u>	<u>\$ 6,039,946</u>

The City's 2019 business-type total revenues increased by \$4,064,332 or 11.7%; the various revenue components are discussed in detail in the following paragraphs.

- The liquor fund 2019 charges for services increased due to sales volume. The 2019 cost of goods sold as a percentage of sales were 75.1%, compared to 75.1% in 2018.
- The overall utility revenue charges for services increased by \$602,807. This overall increase is represented by a water revenue decrease of \$403,956, sanitary sewer revenue increase of \$497,777, street light revenue increase of \$60,116, and environmental resources revenue increase of \$448,870. The decrease in water and increase in sanitary sewer are due to customer consumption as a result of changes in weather patterns, rate increases, and an increase in customers as a result of community growth. The street light and environmental resources increases are due to an increase in customers and rate increases.

**CITY OF LAKEVILLE
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2019**

- The utility fund experienced a total increase of \$3,164,904 in capital contributions. The majority of the increase is derived from water and sanitary sewer contributed from developer improvement projects (greater number of contributions during 2019). City improvement project infrastructure assets of \$927,970 were contributed to the utility fund which is within the net transfer amount of \$162,124 on the Statement of Activities. The total amount of contributed infrastructure assets received by the utility fund varies yearly.
- Investment earnings increased \$299,486. The increase is the combination of increased earnings and changes in investment asset values which are inversely related to the changes in market rates. The increase is consistent with prevailing market conditions.

The City's 2019 business-type total expenses increased by \$1,002,064 or 3.5% as follows:

	Increase (Decrease) from 2018		
	Liquor Fund	Utility Fund	Total
<u>Business-type activities expenses</u>			
Cost of Goods Sold	\$ 763,923	\$ -	\$ 763,923
Personnel services	51,706	287,704	339,410
Commodities	11,096	53,642	64,738
Other charges and services	221,728	844,363	1,066,091
Sanitary sewage treatment and disposal	-	156,420	156,420
Depreciation on capital assets	(15,518)	237,674	222,156
Interest, fiscal charges, bond premium (net)	157	(4,702)	(4,545)
Loss on Disposal of Capital Assets	(1,601,334)	(4,795)	(1,606,129)
Total Business-type Expenses	<u>\$ (568,242)</u>	<u>\$ 1,570,306</u>	<u>\$ 1,002,064</u>

- The liquor fund other charges and services increase of \$221,728 is primarily the result of additional rent payments from the sale and lease back of the Kenrick liquor store.
- The utility fund sanitary sewage treatment and disposal expenses increased by \$156,420 primarily due to the change in factors used by MCES in their pass through cost allocation to the City. The City's rate per million gallons increased 3.89% and the annual flow increased by 14.5%.

Financial Analysis of the City's Funds

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

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

**CITY OF LAKEVILLE
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2019**

As of the end of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$89,180,100. Of this amount, \$51,922,614 or 58.2% of this combined ending fund balance constitutes fund balance that is available for spending at the government's discretion. Nonspendable fund balances of \$748,231 are amounts that are not in a spendable form, such as prepaid items, inventory, and advances to other funds (general fund). The remaining fund balance is restricted for (a) debt service of \$21,651,076, (b) capital acquisition of \$14,474,362, and (c) other restricted purposes of \$383,817.

The general fund is the chief operating fund of the City. At the end of the current fiscal year, the fund balance was \$17,203,248, an increase from the prior year resulting from \$2,091,979 of revenues over expenditures, net transfers out of \$452,216, and a change in supplies inventory of \$132,957.

The general obligation improvement (debt service) fund balance increased by \$2,054,045 due to higher property tax levies and prepaid assessment revenue. The City levies the required property taxes and special assessments levied against benefited property owners to meet the bonded debt service requirements in the following year. The change in fund balance is subject to principal and interest requirements of existing debt and that of new debt issuance.

The municipal state-aid construction fund accounts for the City's municipal state aid financing. The activity of this fund fluctuates from year to year based on state aid allotments and projects completed. The fund balance increased \$1,345,668 due to receiving additional intergovernmental revenues for construction projects.

The improvement construction (capital projects) fund accounts for major infrastructure reconstruction projects that require debt issuance for financing purposes. The activity in this fund may fluctuate from year to year depending on the scope of the project. Large projects such as the interstate highway interchange and bridge reconstruction projects may take several years to complete. The fund balance increased by \$113,163 due to the completion of the 2018 and 2019 street reconstruction projects. Preliminary engineering costs associated with the 2020 street reconstruction project and future projects will be funded in part, by residual balances and transfers from debt services funds.

**CITY OF LAKEVILLE
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2019**

General Fund Budgetary Highlights

With the exception of the general government facilities, information technology, street maintenance, recreation, and arts center, all other general fund departments expended their 2019 budget appropriations at or below the final adopted budget. A schedule of revenues, expenditures and changes in fund balances – budgetary comparison is disclosed in the required supplemental information section of this report. A summary of general fund revenues, expenditures, other financing sources (uses), variance with final budget, and net change in fund balance is as follows:

	Budget As Originally Adopted	Final Budget	Actual	Variance with Final Budget
Revenues				
Property taxes	\$ 21,327,427	\$ 21,327,427	\$ 21,493,905	\$ 166,478
Licenses and permits	2,390,498	2,448,498	3,808,132	1,359,634
Intergovernmental	989,590	1,032,137	1,219,201	187,064
Charges for services	2,710,833	2,742,233	3,420,724	678,491
Special assessments	-	-	2,755	2,755
Fines	346,000	346,000	354,292	8,292
Interest income	120,000	120,000	283,583	163,583
Change in value of investments	-	-	194,734	194,734
Donations	17,705	54,824	104,459	49,635
Miscellaneous	52,874	52,874	64,244	11,370
Total revenues	<u>27,954,927</u>	<u>28,123,993</u>	<u>30,946,029</u>	<u>2,822,036</u>
Expenditures				
Personnel services	21,422,872	21,467,669	21,445,846	(21,823)
Commodities	1,749,479	1,736,746	1,729,737	(7,009)
Other charges and services	5,545,092	5,806,238	5,641,893	(164,345)
Capital outlay	-	41,179	36,574	(4,605)
Other	79,466	79,466	-	(79,466)
Total expenditures	<u>28,796,909</u>	<u>29,131,298</u>	<u>28,854,050</u>	<u>(277,248)</u>
Other financing sources (uses)	<u>136,482</u>	<u>(458,518)</u>	<u>(452,216)</u>	<u>6,302</u>
Net change in fund balance	<u>\$ (705,500)</u>	<u>\$ (1,465,823)</u>	<u>\$ 1,639,763</u>	<u>\$ 3,105,586</u>

The 2019 actual general fund revenues exceeded the final budget by \$2,822,036 and expenditures were under final adopted budget by \$277,248. Other financing sources (uses) were under the final budget by \$6,302. The general fund actual net change in fund balance surpassed final budget by \$1,639,763.

The general fund budget was amended to reflect the increase in revenues from higher than forecasted building permits, additional contracted security services, and grants that were not originally anticipated. Expenditures were modified to reflect the change in commodities for additional salt purchased for inventory. Transfers to other funds were modified to provide additional funding for equipment replacement and a fiber infrastructure project.

**CITY OF LAKEVILLE
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2019**

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

- Property taxes were more than anticipated by \$166,478 due in part to better than anticipated collection rates and delinquent tax collections. All delinquent taxes are recorded in the General Fund and the other funds receive 100 percent of their current levy.
- Licenses and permits exceeded estimates by \$1,359,634 due to greater than anticipated building permit fees. The number of residential building permits budgeted were 350 compared to 521 actual. Permits for townhomes were budgeted at 50 units compared to 99 actual units.
- Intergovernmental revenues exceeded estimates by \$187,064 due to the timing of federal grants for public safety initiatives. CDBG grants for the DARTS senior busing and senior chores/maintenance program exceeded budget estimates.
- Charges for services experienced a variance of \$678,491 due to engineering-related services in connection with developer construction administration.
- Fines were above estimates by \$8,292.
- Interest income and the change in value of investments were above estimates by \$358,317 due to prevailing market conditions. The City's Management employs prudent investment practices and cash management techniques to maximize investment income while protecting the City's treasury.
- Donations and miscellaneous revenues experienced variances of \$49,635 and \$11,370, respectively.

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

- Personnel costs including benefits were \$21,823 below budget estimates due to vacant positions as a result of retirements, resignations, and delay in filling new positions.
- Commodities were \$7,009 below budget due to lower natural gas consumption.
- Other charges and services were \$164,345 below budget which is attributed to several factors. The police department had multiple projects that resulted in \$70,000 in savings. The streets department had a larger salt supply at the beginning of 2019 resulting in a lower cost in 2019. The parks department had multiple major maintenance projects come in at a lower cost due to city staff completing the work versus hiring outside contractors.
- Capital outlay was \$4,605 below budget. Savings from a delay in purchasing an inspection department vehicle were offset by an unanticipated purchase of a GPS receiver unit and related equipment by the engineering department.

**CITY OF LAKEVILLE
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2019**

Capital Asset and Debt Administration

Capital assets. The City's capital assets for governmental and business-type activities as of December 31, 2019 are \$421 million (net of accumulated depreciation). This amount represents an increase (including additions, deletions, and depreciation) of approximately \$16.0 million from 2018.

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

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

	Governmental Activities	Business-Type Activities	Total
Land	\$ 30,128,217	\$ 3,627,767	\$ 33,755,984
Historical treasures	100,000	-	100,000
Construction in process	1,912,755	30,203	1,942,958
Buildings and improvements	55,051,059	28,341,160	83,392,219
Machinery and equipment	25,767,614	3,675,948	29,443,562
Other improvements	10,144,883	-	10,144,883
Infrastructure			
Streets	185,733,608	-	185,733,608
Storm sewer	91,213,117	-	91,213,117
Parks	30,330,869	-	30,330,869
Environmental resources	-	63,142	63,142
Water	-	115,458,217	115,458,217
Sanitary sewer	-	77,899,055	77,899,055
Total Capital Assets	430,382,122	229,095,492	659,477,614
Less: Accumulated Depreciation	(163,049,571)	(75,037,007)	(238,086,578)
Total Capital Assets, Net	<u>\$ 267,332,551</u>	<u>\$ 154,058,485</u>	<u>\$ 421,391,036</u>

The City's 2020 adopted budget provides funding for \$40.1 million in infrastructure capital assets, public building improvements and upgrades, equipment capital assets such as vehicle replacements for public safety and public works, and technology equipment. Refer to Note 3 - *Capital Assets*, of the Notes to Basic Financial Statements for additional information.

**CITY OF LAKEVILLE
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2019**

Debt administration. At the end of the current fiscal year, the City of Lakeville had total bonded debt outstanding of \$120.125 million, which is a decrease of \$1.590 million compared to the prior year. The decrease is due to one new bond issuance totaling \$7.025 million and principal bond maturities.

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

The City's outstanding bonded obligation debt as of December 31, 2019 is shown as follows:

	Outstanding Debt			
	Bonds and Capital Leases Payable			
	Balance January 1	Issued	Redeemed	Balance December 31
Governmental Activities				
General obligation bonds				
Capital improvement	\$ 21,670,000	\$ -	\$ 1,215,000	\$ 20,455,000
Street reconstruction	12,885,000	-	1,230,000	11,655,000
G.O. improvement	56,650,000	6,295,000	3,790,000	59,155,000
State-aid street revenue	5,235,000	-	550,000	4,685,000
Water revenue	7,595,000	-	365,000	7,230,000
Tax increment	1,010,000	-	240,000	770,000
Arena revenue	170,000	-	170,000	-
HRA lease revenue	6,440,000	-	360,000	6,080,000
Total governmental activities	111,655,000	6,295,000	7,920,000	110,030,000
Business-Type Activities				
Water revenue	7,030,000	730,000	395,000	7,365,000
Sewer revenue	440,000	-	55,000	385,000
Street light revenue	335,000	-	30,000	305,000
Capital Lease Payable	2,255,000	-	215,000	2,040,000
Total business-type activities	10,060,000	730,000	695,000	10,095,000
Total bonds payable	\$ 121,715,000	\$ 7,025,000	\$ 8,615,000	\$ 120,125,000

Credit Rating

The City of Lakeville's general obligation bond rating as of December 31, 2019 is "Aa1" as rated by Moody's Investors Service. Moody's Investor Service credit report stated the rating was *"The Aa1 GOULT rating reflects the city's large and growing tax base located in the Twin Cities metropolitan area, above average resident income indices, and healthy financial profile. The rating balances these strengths against the City's above average leverage and fixed costs."*

State statutes limit the amount of general obligation debt a Minnesota city may issue to 3% of total assessor's taxable market valuation. The City has \$30,120,459 of net bonded debt, which is subject to the \$221,221,020 current debt limitation, thereby resulting in a legal debt margin of \$191,100,561. Refer to the Statistical Section of this report for a detailed computation of the City's legal debt margin.

**CITY OF LAKEVILLE
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2019**

Economic Conditions and Next Year's Budget

The City of Lakeville remains one of the top growth cities in the Minnesota twin city metro area. The trend for building permit activity for single family homes is steady, the building permits for single family homes increased from 478 in 2018 compared to 556 permits in 2019. In our opinion, the resurgence is due to several factors including, but not limited to, near historical low interest rates, low regional unemployment rate of 2.9%, improved personal income levels, reduced number of home foreclosures and increasing home values. The budget and five-year capital improvement plan are premised on the assumption growth will continue at a subdued level for the foreseeable future.

The adopted 2020 budget reflects a continuation of the program and service levels established by the City Council over the past several years. Several positions were also added to accommodate specific programs. The 2020 budget also focuses on City efforts to achieve strategic priorities established in the Envision Lakeville Community Vision Plan to prepare for the future, investments in technology to maximize efficiencies, developing effective partnerships to capitalize on opportunities and multi-agency resources, infrastructure improvements to promote economic and community development and service continuity through staffing enhancements to meet the expectations of community residents and businesses..

Requests for Information

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

BASIC FINANCIAL STATEMENTS

**CITY OF LAKEVILLE
STATEMENT OF NET POSITION
DECEMBER 31, 2019**

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
ASSETS			
Cash and investments	\$ 99,103,436	\$ 13,607,357	\$ 112,710,793
Receivables	22,024,346	4,246,812	26,271,158
Internal balances	(257,109)	257,109	-
Inventories	312,695	2,299,475	2,612,170
Prepaid items	6,600	10,000	16,600
Restricted assets (temporarily)			
Investments held by trustee	616,405	-	616,405
Net pension asset - fire relief	4,112,787	-	4,112,787
Capital assets			
Nondepreciable	32,140,972	3,657,970	35,798,942
Depreciable, net	235,191,579	150,400,515	385,592,094
Total capital assets	<u>267,332,551</u>	<u>154,058,485</u>	<u>421,391,036</u>
Total assets	393,251,711	174,479,238	567,730,949
DEFERRED OUTFLOWS OF RESOURCES			
Deferred charge on refunding	103,849	-	103,849
OPEB related deferments	190,963	35,111	226,074
Pension plan deferments - PERA	7,383,218	221,702	7,604,920
Pension plan deferments - fire relief	280,988	-	280,988
Total deferred outflows of resources	<u>7,959,018</u>	<u>256,813</u>	<u>8,215,831</u>
LIABILITIES			
Salaries, accounts, contracts, and deposits	14,078,932	1,794,896	15,873,828
Accrued interest	1,706,029	124,714	1,830,743
Unearned revenue	160,705	-	160,705
Noncurrent liabilities			
Net pension liability - PERA	13,105,350	2,204,287	15,309,637
Total OPEB Liability due within one year	43,162	7,935	51,097
Total OPEB Liability due in more than one year	1,001,347	184,108	1,185,455
Other long-term liabilities due within one year	11,166,789	1,020,377	12,187,166
Other long-term liabilities due in more than one year	113,044,577	10,341,490	123,386,067
Total liabilities	<u>154,306,891</u>	<u>15,677,807</u>	<u>169,984,698</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred gain on refunding	92,266	-	92,266
OPEB related deferments	95,932	17,638	113,570
Pension plan deferments - PERA	10,678,586	396,689	11,075,275
Pension plan deferments - fire relief	1,033,744	-	1,033,744
Total deferred inflows of resources	<u>11,900,528</u>	<u>414,327</u>	<u>12,314,855</u>
NET POSITION			
Net investment in capital assets	154,468,792	143,501,608	297,970,400
Restricted for:			
Special purposes	130,278	-	130,278
Debt service	36,929,438	-	36,929,438
Capital acquisition	14,987,775	-	14,987,775
Public Safety	196,156	-	196,156
Fire relief pensions	4,112,787	-	4,112,787
Unrestricted	24,178,084	15,142,309	39,320,393
Total Net Position	<u>\$ 235,003,310</u>	<u>\$ 158,643,917</u>	<u>\$ 393,647,227</u>

See accompanying Notes to Basic Financial Statements.

**CITY OF LAKEVILLE
STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2019**

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Primary Government:							
Governmental Activities:							
General government	\$ 7,902,490	\$ 6,506,302	97,964	\$ 116,750	\$ (1,181,474)	\$ -	\$ (1,181,474)
Public safety	14,927,426	838,664	1,168,857	-	(12,919,905)	-	(12,919,905)
Public works	21,015,480	9,166,886	3,142,430	21,234,628	12,528,464	-	12,528,464
Parks and recreation	7,178,164	4,098,580	204,737	112,725	(2,762,122)	-	(2,762,122)
Interest on long-term debt	3,332,465	-	-	-	(3,332,465)	-	(3,332,465)
Total-governmental activities	54,356,025	20,610,432	4,613,988	21,464,103	(7,667,502)	-	(7,667,502)
Business-Type Activities:							
Liquor	15,267,133	16,288,986	6,453	-	-	1,028,306	1,028,306
Utility	16,386,516	14,215,952	643,919	7,240,758	-	5,714,113	5,714,113
Total Business-Type Activities	31,653,649	30,504,938	650,372	7,240,758	-	6,742,419	6,742,419
Total Primary Government	<u>\$ 86,009,674</u>	<u>\$ 51,115,370</u>	<u>\$ 5,264,360</u>	<u>\$ 28,704,861</u>	(7,667,502)	6,742,419	(925,083)
		General Revenues:					
		Property taxes			30,897,445	-	30,897,445
		Investment income			2,769,074	459,651	3,228,725
		Transfers			1,162,124	(1,162,124)	-
		Total general revenues and transfers			<u>34,828,643</u>	<u>(702,473)</u>	<u>34,126,170</u>
		Change in Net Position			27,161,141	6,039,946	33,201,087
		Net Position - Beginning of Year			202,994,957	152,603,971	355,598,928
		Prior Period Restatement for Implementation of GASB Standard (See Note 23)			4,847,212	-	4,847,212
		Beginning of Year, as Restated			<u>207,842,169</u>	<u>152,603,971</u>	<u>360,446,140</u>
		Net Position - End of Year			<u>\$ 235,003,310</u>	<u>\$ 158,643,917</u>	<u>\$ 393,647,227</u>

See accompanying Notes to Basic Financial Statements.

**CITY OF LAKEVILLE
BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2019**

	General	Debt Service	Capital Projects		Nonmajor	Total
	Fund	G.O.	Municipal	Improvement	Governmental	Governmental
ASSETS		Improvement	State-aid	Construction	Funds	Funds
Cash and investments	\$ 23,171,764	\$ 12,544,872	\$ 4,116,062	\$ 7,499,585	\$ 51,119,460	\$ 98,451,743
Investments held by trustee	-	-	-	-	616,405	616,405
Interest receivable	89,723	63,100	29,668	194	286,088	468,773
Taxes receivable	1,917,117	-	-	-	-	1,917,117
Accounts receivable	569,956	-	1,612,650	-	466,347	2,648,953
Advances to other funds	428,936	-	-	-	-	428,936
Special assessments receivable	120,528	16,121,740	-	95,805	646,641	16,984,714
Leases Receivable	-	-	-	-	2,040,000	2,040,000
Inventory	312,695	-	-	-	-	312,695
Prepaid items	6,600	-	-	-	-	6,600
Total Assets	<u>\$ 26,617,319</u>	<u>\$ 28,729,712</u>	<u>\$ 5,758,380</u>	<u>\$ 7,595,584</u>	<u>\$ 55,174,941</u>	<u>\$ 123,875,936</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCE						
LIABILITIES						
Salaries payable	\$ 884,026	\$ -	\$ -	\$ -	\$ 19,124	\$ 903,150
Accounts payable	555,547	-	3,716,192	271,559	1,139,361	5,682,659
Advances from other funds	-	-	-	-	428,936	428,936
Contracts payable	-	-	-	513,413	227,285	740,698
Deposits payable	6,632,410	-	-	-	111,975	6,744,385
Unearned revenue	160,659	-	-	-	43	160,702
	<u>8,232,642</u>	<u>-</u>	<u>3,716,192</u>	<u>784,972</u>	<u>1,926,724</u>	<u>14,660,530</u>
DEFERRED INFLOWS OF RESOURCES						
Unavailable revenue - taxes	419,333	-	-	-	-	419,333
Unavailable revenue - special assessments	762,096	16,072,849	-	95,638	645,390	17,575,973
Unavailable revenue - other	-	-	-	-	2,040,000	2,040,000
Total Deferred Inflows of Resources	<u>1,181,429</u>	<u>16,072,849</u>	<u>-</u>	<u>95,638</u>	<u>2,685,390</u>	<u>20,035,306</u>
FUND BALANCE						
Nonspendable	748,231	-	-	-	-	748,231
Restricted	175,590	12,656,863	2,042,188	6,337,742	15,296,872	36,509,255
Committed	100,000	-	-	377,232	35,694,657	36,171,889
Assigned	749,675	-	-	-	-	749,675
Unassigned	15,429,752	-	-	-	(428,702)	15,001,050
Total Fund Balance	<u>17,203,248</u>	<u>12,656,863</u>	<u>2,042,188</u>	<u>6,714,974</u>	<u>50,562,827</u>	<u>89,180,100</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balance	<u>\$ 26,617,319</u>	<u>\$ 28,729,712</u>	<u>\$ 5,758,380</u>	<u>\$ 7,595,584</u>	<u>\$ 55,174,941</u>	<u>\$ 123,875,936</u>

See accompanying Notes to Basic Financial Statements.

**CITY OF LAKEVILLE
RECONCILIATION OF THE BALANCE SHEET TO THE
STATEMENT OF NET POSITION
GOVERNMENTAL ACTIVITIES
DECEMBER 31, 2019**

Total Fund Balances for Governmental Funds		\$ 89,180,100
Total net position reported for governmental activities in the statement of net position is different because:		
Capital assets used in governmental funds are not financial resources and, therefore, are not reported in the funds. Those assets consist of:		
Governmental capital assets	\$ 430,382,122	
Less: Accumulated Depreciation	<u>(163,049,571)</u>	267,332,551
Net pension assets are only recorded in the government-wide financial statements as they are not current financial resources to governmental funds.		4,112,787
Long-term liabilities are not payable with current financial resources and therefore, are not reported in the governmental funds.		
Bonds	(110,030,000)	
Accrued interest	(1,706,029)	
Loan	(1,897,014)	
Note Payable	(1,000,000)	
Unamortized bond premium	(8,302,665)	
Deferred charge on refunding	103,849	
Deferred gain on refunding	(92,266)	
Compensated absences	<u>(2,981,687)</u>	(125,905,812)
The City's net pension liability and related and deferred inflows and deferred outflows are recorded only on the statement of net position. Balances at year end are:		
Net pension liability	(13,105,350)	
Deferred inflows of resources	(11,712,330)	
Deferred outflows of resources	<u>7,664,206</u>	(17,153,474)
Total OPEB liabilities are not payable with current financial resources and, therefore, are not reported in the governmental funds.		(1,044,509)
OPEB related deferred outflows of resources are recorded only on the statement of net position.		190,963
OPEB related deferred inflows of resources are recorded only on the statement of net position.		(95,932)
Deferred inflows of resources related to unavailable revenue in governmental funds are susceptible to full accrual on the government-wide statements.		17,995,306
The City uses an internal service fund to charge the cost of insurance activities to individual funds. A portion of the assets and liabilities of the municipal reserves fund are included in governmental activities in the Statement of Net Position.		<u>391,328</u>
Total Net Position of Governmental Activities		<u><u>\$ 235,003,310</u></u>

See accompanying Notes to Basic Financial Statements.

CITY OF LAKEVILLE
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED DECEMBER 31, 2019

	General Fund	Debt Service G.O. Improvement	Capital Projects Municipal State-aid	Improvement Construction	Nonmajor Governmental Funds	Total Governmental Totals
REVENUE						
Property taxes	\$ 21,493,905	\$ 3,546,841	\$ -	\$ -	\$ 5,057,979	\$ 30,098,725
Tax increment	-	-	-	-	757,107	757,107
Licenses and permits	3,808,132	-	-	-	683,977	4,492,109
Intergovernmental	1,219,201	-	4,177,180	1,821,228	1,683,886	8,901,495
Charges for services	3,420,724	-	702,880	321,117	10,601,456	15,046,177
Special assessments	2,755	3,414,396	-	125,750	140,453	3,683,354
Fines	354,292	-	-	-	-	354,292
Interest Income	283,583	185,725	86,603	64,849	1,014,824	1,635,584
Change in Fair Value of Investments	194,734	133,731	62,356	19,480	723,189	1,133,490
Donations	104,459	-	-	-	107,510	211,969
Miscellaneous	64,244	-	-	-	443,264	507,508
Total Revenue	30,946,029	7,280,693	5,029,019	2,352,424	21,213,645	66,821,810
EXPENDITURES						
Current:						
General government	6,340,198	-	-	-	688,428	7,028,626
Public safety	13,496,719	-	-	-	-	13,496,719
Public works	4,802,149	-	-	-	-	4,802,149
Parks and recreation	4,178,410	-	-	-	-	4,178,410
Capital Outlay:						
General government	-	-	-	19	438,338	438,357
Public safety	-	-	-	-	669,739	669,739
Public works	16,329	-	2,921,891	10,335,698	3,832,328	17,106,246
Parks and recreation	20,245	-	-	-	2,672,158	2,692,403
Debt Service:						
Principal bond maturities	-	3,790,000	1,000,000	-	4,130,000	8,920,000
Interest on debt	-	1,990,706	-	-	1,887,058	3,877,764
Fiscal charges	-	26,264	-	-	18,165	44,429
Total Expenditures	28,854,050	5,806,970	3,921,891	10,335,717	14,336,214	63,254,842
EXCESS (DEFICIENCY) OF REVENUE OVER (UNDER) EXPENDITURES	2,091,979	1,473,723	1,107,128	(7,983,293)	6,877,431	3,566,968
OTHER FINANCE SOURCES (USES)						
Issuance of Bonds and Other Debt	-	77,860	-	6,217,140	-	6,295,000
Premium on Issued Debt	-	-	-	1,065,624	-	1,065,624
Proceeds from the Sale of Capital Assets	-	-	-	-	107,645	107,645
Transfers in from other funds	772,784	525,813	238,540	813,692	2,769,870	5,120,699
Transfers out to other funds	(1,225,000)	(23,351)	-	-	(1,732,254)	(2,980,605)
Total Other Finance Sources	(452,216)	580,322	238,540	8,096,456	1,145,261	9,608,363
NET CHANGE IN FUND BALANCES	1,639,763	2,054,045	1,345,668	113,163	8,022,692	13,175,331
FUND BALANCES						
Beginning of Year, as previously reported	15,696,442	10,602,818	696,520	1,754,599	42,540,135	71,290,514
Change in Supplies - Inventory	(132,957)	-	-	-	-	(132,957)
Restatement - change in accounting principle (see Note 23)	-	-	-	4,847,212	-	4,847,212
Beginning of Year, as restated	15,563,485	10,602,818	696,520	6,601,811	42,540,135	76,004,769
End of Year	\$ 17,203,248	\$ 12,656,863	\$ 2,042,188	\$ 6,714,974	\$ 50,562,827	\$ 89,180,100

See accompanying Notes to Basic Financial Statements.

CITY OF LAKEVILLE
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCES TO THE STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2019

Net Change in Fund Balances-Total Governmental Funds \$ 13,175,331

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

Governmental funds report capital outlays as expenditures while the government-wide statement of activities reports depreciation expense to allocate those expenditures over the life of the assets. As a result, fund balance decreases by the amount of financial resources expended, whereas net position decreases by the amount of depreciation expense charged for the year. This is the amount by which depreciation expense exceeded capital outlay.

Capital outlay	\$ 13,471,659	
Capital contributed by developer	12,453,494	
Depreciation expense	<u>(14,125,351)</u>	11,799,802

In the government-wide statement of activities, only the gain or loss on the sale of capital assets is reported, whereas in the governmental funds, the proceeds from the sales increases financial resources. Thus, the change in net position differs from the change in fund balance by the net book value of the capital assets disposed of.

(423,177)

Governmental funds report inventory related to snow removing chemicals as an expenditure at the time of purchase rather than when it is consumed. The change in supplies is shown as a direct adjustment to fund balance. On the government-wide statement of activities, inventories are shown as an expenditure when consumed. As a result, the change in net position must be adjusted by the change in supplies.

(132,957)

Revenues in the government-wide statement of activities that do not provide current financial resources are not reported as revenues in the governmental funds.

Deferred inflows of resources - December 31, 2018	(16,990,110)	
Deferred inflows of resources - December 31, 2019	<u>17,995,306</u>	1,005,196

Bond proceeds are reported as other financing sources in governmental funds and thus contribute to the increase in fund balance. Bond and loan principal maturities are reported as expenditures in governmental funds thus reducing fund balance. In the government-wide statements, however, issuing debt increases long-term liabilities while debt repayment reduces long-term liabilities thus affecting the statement of activities.

Bond proceeds	(6,295,000)	
Bond and loan principal maturities	<u>8,920,000</u>	2,625,000

Governmental funds report the effect of premiums, discounts and similar items when debt is first issued, whereas material amounts are deferred and amortized in the statement of activities.

Change in accrued interest payable	(13,154)	
Premium on bonds issued in the current year	(1,065,624)	
Amortization of deferred charge on refunding	(31,707)	
Amortization of deferred gain on refunding	13,738	
Amortization of debt premiums/discounts	<u>679,497</u>	(417,250)

In the statement of activities, certain operating expenses, severance benefits and compensated absences - are measured by amounts earned during the year. In the governmental funds, however, expenditures for these items are measured by the amount of financial resources used (and amounts actually paid).

(329,499)

Pension expenditures in the governmental funds are measured by current year employer contributions. Pension expenses on the statement of activities are measured by the change in the net pension liability(asset) and the related deferred inflows and outflows of resources.

(125,506)

Internal service funds are used by management to charge the costs of certain activities, such as insurance, to individual funds. This amount represents a portion of the change in net position of the internal service fund, which are reported in with the governmental activities.

(15,799)

Change in Net Position of Governmental Activities \$ 27,161,141

See accompanying Notes to Basic Financial Statements.

**CITY OF LAKEVILLE
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
DECEMBER 31, 2019**

ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	Business-type Activities - Enterprise Funds			Governmental Activities - Internal Service Funds
	Liquor	Utility	Totals	
CURRENT ASSETS				
Cash and investments	\$ 3,216,349	\$ 10,391,008	\$ 13,607,357	\$ 651,693
Interest receivable	9,866	78,280	88,146	1,136
Accounts receivable	4,005	4,154,661	4,158,666	3,649
Inventory	1,743,526	555,949	2,299,475	-
Prepaid expenses	-	10,000	10,000	-
Total current assets	4,973,746	15,189,898	20,163,644	656,478
NONCURRENT ASSETS				
Capital assets:				
Land	3,087,882	539,885	3,627,767	-
Construction in progress	-	30,203	30,203	-
Buildings and improvements	2,106,318	26,234,842	28,341,160	-
Machinery and equipment	462,559	3,213,389	3,675,948	-
Infrastructure	-	193,420,414	193,420,414	-
Accumulated depreciation	(456,735)	(74,580,272)	(75,037,007)	-
Net Capital Assets	5,200,024	148,858,461	154,058,485	-
Total noncurrent assets	5,200,024	148,858,461	154,058,485	-
Total assets	10,173,770	164,048,359	174,222,129	656,478
DEFERRED OUTFLOWS OF RESOURCES				
Pension plan deferments - PERA	88,845	132,857	221,702	-
OPEB related deferments	14,264	20,847	35,111	-
Total deferred outflows of resources	103,109	153,704	256,813	-
Total Assets and Deferred Outflows of Resources	\$ 10,276,879	\$ 164,202,063	\$ 174,478,942	\$ 656,478
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION				
CURRENT LIABILITIES				
Salaries payable	\$ 66,789	\$ 90,144	\$ 156,933	\$ -
Accounts payable	713,015	877,798	1,590,813	8,040
Contracts payable	-	15,219	15,219	-
Accrued interest payable	-	124,714	124,714	-
Deposits payable	19,732	12,200	31,932	-
Accrued compensated absences	81,713	143,664	225,377	-
Total OPEB Liability due within one year	4,711	3,224	7,935	-
Long-term debt - current	230,000	565,000	795,000	-
Total current liabilities	1,115,960	1,831,963	2,947,923	8,040
NONCURRENT LIABILITIES				
Accrued compensated absences	84,039	135,885	219,924	-
Net pension liability - PERA	883,349	1,320,938	2,204,287	-
Total OPEB Liability	73,306	110,802	184,108	-
Long-term debt	1,810,000	8,311,566	10,121,566	-
Total noncurrent liabilities	2,850,694	9,879,191	12,729,885	-
Total liabilities	3,966,654	11,711,154	15,677,808	8,040
DEFERRED INFLOWS OF RESOURCES				
Pension plan deferments - PERA	158,970	237,719	396,689	-
OPEB related deferments	7,165	10,473	17,638	-
Total deferred inflows of resources	166,135	248,192	414,327	-
NET POSITION				
Net investment in capital assets	3,160,024	140,341,584	143,501,608	-
Unrestricted	2,984,066	11,901,133	14,885,199	648,438
Total Net Position	6,144,090	152,242,717	158,386,807	648,438
Total Liabilities, Deferred Inflows of Resources, and Net Position	\$ 10,276,879	\$ 164,202,063	174,478,942	\$ 656,478
Explanation of difference between Enterprise Funds Statement of Net Position and government-wide Statement of Net Position:				
The City uses an internal service fund to charge the cost of its insurance activities to individual funds. This amount consists of the necessary adjustments to reflect the consolidation of internal service fund activities:				
Net position of business-type activities				257,110
				\$ 158,643,917

See accompanying Notes to Basic Financial Statements.

CITY OF LAKEVILLE
STATEMENT OF NET REVENUES, EXPENSES, AND CHANGES IN NET POSITION
PROPRIETARY FUNDS
YEAR ENDED DECEMBER 31, 2019

	Business-type Activities - Enterprise Funds			Governmental Activities - Internal Service Funds
	Liquor	Utility	Total	
SALES AND COST OF SALES				
Sales	\$ 16,288,986	\$ -	\$ 16,288,986	\$ -
Cost of sales	12,229,562	-	12,229,562	-
Gross profit	4,059,424	-	4,059,424	-
OPERATING REVENUE				
User Charges	-	13,943,364	13,943,364	553,142
Other	-	272,588	272,588	17,169
Total operating revenue	-	14,215,952	14,215,952	570,311
OPERATING EXPENSES				
Personnel services	1,650,487	2,487,253	4,137,740	-
Commodities	75,090	444,868	519,958	-
Other charges and services	1,239,427	4,319,424	5,558,851	491,083
Disposal charges	-	4,174,432	4,174,432	-
Depreciation	87,443	4,782,286	4,869,729	-
Total operating expenses	3,052,447	16,208,263	19,260,710	491,083
OPERATING INCOME (LOSS)	1,006,977	(1,992,311)	(985,334)	79,228
NONOPERATING REVENUE (EXPENSES)				
Intergovernmental - grants	6,453	643,919	650,372	-
Interest Income	63,138	205,623	268,761	848
Change in Fair Value of Investments	45,462	145,428	190,890	611
Interest, fiscal charges, bond premium (net)	-	(209,709)	(209,709)	-
Disposal of capital assets	-	(156)	(156)	-
Total Nonoperating Revenue (Expenses)	115,053	785,105	900,158	1,459
INCOME (LOSS) BEFORE CONTRIBUTIONS AND TRANSFERS	1,122,030	(1,207,206)	(85,176)	80,687
Contributed capital from developers	-	7,240,758	7,240,758	-
Contributed capital from governmental activities	-	927,970	927,970	-
Transfers from other funds	-	8,824	8,824	-
Transfers to other funds	(1,065,062)	(1,033,856)	(2,098,918)	(50,000)
Total Contributions and Transfers	(1,065,062)	7,143,696	6,078,634	(50,000)
CHANGE IN NET POSITION	56,968	5,936,490	5,993,458	30,687
NET POSITION				
Beginning of Year	6,087,122	146,306,227		617,751
Prior Period Restatement for Implementation of GASB Standard (See Note 24)	-	-		-
Beginning of Year, as Restated	6,087,122	146,306,227		617,751
End of Year	\$ 6,144,090	\$ 152,242,717		\$ 648,438

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

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

Change in net Position of business-type activities

46,488
\$ 6,039,946

See accompanying Notes to Basic Financial Statements.

**CITY OF LAKEVILLE
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
YEAR ENDED DECEMBER 31, 2019**

	Business-type Activities - Enterprise Funds			Governmental Activities - Internal Service Funds
	Liquor	Utility	Total	
CASH FLOWS FROM OPERATING ACTIVITIES				
Cash received from customers	\$ 16,271,058	\$ 13,523,342	\$ 29,794,400	\$ 578,775
Cash received from general service charges	-	-	-	(491,621)
Cash paid to suppliers	(13,804,310)	(8,457,495)	(22,261,805)	-
Cash paid to and for employees	(1,602,304)	(2,341,529)	(3,943,833)	-
Net Cash Provided (Used) by Operating Activities	864,444	2,724,318	3,588,762	87,154
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Intergovernmental - grant	6,453	643,919	650,372	-
Transfers from other funds	-	8,824	8,824	-
Transfers to other funds	(1,065,062)	(1,033,856)	(2,098,918)	(50,000)
Net Cash Provided (Used) by Noncapital Financing Activities	(1,058,609)	(381,113)	(1,439,722)	(50,000)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Acquisition and construction of capital assets	(62,830)	(1,479,015)	(1,541,845)	-
Proceeds from sale of capital assets	-	(156)	(156)	-
Proceeds from Issuance of Capital Debt	-	855,543	855,543	-
Interest and fiscal charges	-	(275,788)	(275,788)	-
Principal maturities	(215,000)	(480,000)	(695,000)	-
Net Cash Provided (Used) by Capital and Related Financing Activities	(277,830)	(1,379,416)	(1,657,246)	-
CASH FLOWS FROM INVESTING ACTIVITIES				
Investment income received	105,721	341,840	447,561	1,420
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(366,274)	1,305,629	939,355	38,574
Cash and Cash Equivalents - Beginning of the Year	3,582,623	9,085,379	12,668,002	613,119
CASH AND CASH EQUIVALENTS - END OF THE YEAR	<u>\$ 3,216,349</u>	<u>\$ 10,391,008</u>	<u>\$ 13,607,357</u>	<u>\$ 651,693</u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES				
Operating Income (Loss)	\$ 1,006,977	\$ (1,992,311)	\$ (985,334)	\$ 79,228
Adjustments:				
Depreciation expense	87,443	4,782,286	4,869,729	-
(Increase) decrease in assets and deferred outflows				
Accounts receivable	(2,629)	(689,510)	(692,139)	8,464
Inventory	(95,565)	(67,298)	(162,863)	-
Pension-related deferred outflows	88,778	115,184	203,962	-
Increase (decrease) in liabilities and deferred inflows				
Salaries payable	6,870	10,006	16,876	-
Accounts payable	(164,666)	548,527	383,861	(538)
Deposits payable	(15,299)	(3,100)	(18,399)	-
Accrued compensated absences	26,448	34,630	61,078	-
Net pension liability and related deferred inflows	(90,839)	(28,732)	(119,571)	-
Net OPEB obligation	16,926	14,636	31,562	-
Total adjustments				
Net Cash Provided (Used) by Operating Activities	<u>\$ 864,444</u>	<u>\$ 2,724,318</u>	<u>\$ 3,588,762</u>	<u>\$ 87,154</u>
Supplemental schedule of noncash financing activities:				
The City assumes ownership of utility capital assets from governmental projects and land developers. Capital assets assumed were as follows:	<u>\$ -</u>	<u>\$ 8,168,728</u>	<u>\$ 8,168,728</u>	<u>\$ -</u>

See accompanying Notes to Basic Financial Statements.

**CITY OF LAKEVILLE
STATEMENT OF FIDUCIARY NET POSITION
CUSTODIAL FUND
DECEMBER 31, 2019**

	Custodial Fund
ASSETS	
Cash and investments	\$ 97,237
Accounts receivable	768
Total assets	<u>98,005</u>
LIABILITIES	
Accounts payable	<u>60,130</u>
NET POSITION	
Restricted for:	
Individuals, organizations, and other governments	<u><u>\$ 37,891</u></u>

See accompanying Notes to Basic Financial Statements.

**CITY OF LAKEVILLE
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
CUSTODIAL FUND
DECEMBER 31, 2019**

	Custodial Fund
ADDITIONS	
Contributions	\$ 32,609
DEDUCTIONS	
Payments to vendors	<u>15,700</u>
NET INCREASE (DECREASE) IN FIDUCIARY NET POSITION	<u>16,909</u>
Fiduciary net position - beginning of year	<u>20,982</u>
FIDUCIARY NET POSITION - END OF YEAR	<u><u>\$ 37,891</u></u>

See accompanying Notes to Basic Financial Statements.

**CITY OF LAKEVILLE
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2019**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Organization

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

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

B. Reporting Entity

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

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

Blended Component Unit

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

**CITY OF LAKEVILLE
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2019**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. Reporting Entity (Continued)

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

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

The HRA has not issued separate financial statements for the period ending December 31, 2019. Information of a nonfinancial matter regarding the HRA can be obtained at the City's Finance offices, located at 20195 Holyoke Avenue, Lakeville, Minnesota 55044.

C. Government-Wide Financial Statements

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

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

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

**CITY OF LAKEVILLE
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2019**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Government-Wide Financial Statements (Continued)

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

D. Fund Financial Statement Presentation

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

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

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

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

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

**CITY OF LAKEVILLE
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2019**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Fund Financial Statement Presentation (Continued)

Debt service G.O. improvement fund – This fund accounts for those bond issues that financed street, storm sewer, water, and sanitary sewer improvements. The special assessments levied against benefited property owners are pledged toward the repayment of the principal and interest on these bonds.

Municipal State-aid fund – This fund accounts for an annual allotment from the State of Minnesota Municipal State-aid street construction account.

Capital projects improvement construction fund – This fund accounts for complex construction contracts that involve multiple financing resources from the City and other government entities. Construction projects usually extend over several years before completion.

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

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

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

Other funds – The City reports the following other funds:

Internal service fund – The internal service fund accounts for the City's risk management program relating to general liability, excess liability, property, workers compensation, and casualty insurance costs which are charged to other departments of the City.

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

E. Measurement Focus and Basis of Accounting

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

**CITY OF LAKEVILLE
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2019**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

E. Measurement Focus and Basis of Accounting (Continued)

Governmental Funds:

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

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

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

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

Proprietary and Fiduciary Funds:

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

**CITY OF LAKEVILLE
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2019**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

E. Measurement Focus and Basis of Accounting (Continued)

Proprietary and Fiduciary Funds (Continued):

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

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

F. Cash and Investments

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

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

G. Taxes Receivable

Property tax levies are set by the City Council in December each year and are certified to Dakota County for collection in the following year. Such taxes become a receivable of the City and become a lien on the respective property as of January 1. In Minnesota, most counties act as collection agents for all property taxes. Dakota County spreads the levies over all taxable property within the City of Lakeville. Real and personal property taxes are payable in equal installments by property owners to Dakota County on May 15 and October 15 of each year. Dakota County remits these and delinquent collections to the City twice a year, in July and December. Unpaid taxes on December 31 are classified in the fund financial statements as delinquent taxes receivable.

Taxes receivable include the following components:

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

Delinquent – amounts billed to property owners but not paid.

**CITY OF LAKEVILLE
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2019**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

H. Special Assessments Receivable

Special assessments are levied against the benefited properties for the assessable costs of special assessment improvement projects in accordance with State Statutes. The City usually adopts the assessment rolls when construction contracts will be awarded for the individual projects. The City is obligated for the payment of special assessment debt not covered through the collection of special assessments from property owners. Any obligation by the City would be paid by property taxes. Special assessments are collectable over a term of years generally consistent with the term of years of the related bond issue. Collection of annual special assessment installments (including interest) is administered by Dakota County in the same manner as property taxes. Property owners are allowed to prepay total future installments without interest or prepayment penalties. As of December 31, 2019, the special assessment delinquent receivable was \$137,056 in the governmental funds and \$27,123 in the proprietary enterprise utility fund. Special assessments receivable includes the following components:

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

Delinquent – amounts billed to property owners but not paid.

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

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

I. Inventory

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

J. Prepaid Items

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

**CITY OF LAKEVILLE
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2019**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

K. Unamortized Bond Premium and Bond Discount

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

The enterprise utility fund includes a noncurrent liability for unamortized bond premium associated with the issuance of the water, sewer and street light bonds of 2016-2019. The bond premium is amortized over the term of the bonds using the straight-line method.

L. Restricted Assets

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

M. Capital Assets

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

Capital outlays are recorded as expenditures in the City's governmental fund financial statements, which use the modified accrual basis of accounting. Capital outlays that meet the City's capitalization criteria are reported in the government-wide Statement of Net Position and proprietary funds statement of net position, both of which use the full accrual basis of accounting. Interest incurred during the construction phase of capital assets for business-type activities is included as part of the capitalization value of assets constructed.

CITY OF LAKEVILLE
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2019

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

M. Capital Assets (Continued)

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

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

N. 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 represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expense/expenditure) until then.

The City has four items that qualifies for reporting in this category. The first two items are the deferred outflows of resources related to pensions reported in the government-wide and proprietary fund statements of net position. This deferred outflow results from differences between expected and actual experience, changes of assumptions, differences between projected and actual earnings on pension plan investments, and contributions to the plan subsequent to the measurement date and before the end of the reporting period. These amounts are deferred and amortized as required under pension standards. The third item is a deferred outflow related to the City's OPEB liability. This deferred outflows results from contributions made to the plan after the measurement date and will be recognized in the next fiscal period. The fourth item is a deferred outflow related to a current refunding that resulted in a defeasance of debt reported by the governmental activities. This deferred outflow results from the difference between the reacquisition price and the net carrying amount of the old debt. This amount is deferred and amortized over the remaining life of the debt.

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

The City has three items which qualify for reporting in this category. The first item, unavailable revenue, is reported only in the governmental funds Balance Sheet. The governmental funds report unavailable revenue from three sources: property taxes, special assessments, and other, primarily long-term capital leases receivable. These amounts are deferred and recognized as an inflow of resources in the period the amounts become available. The second item, deferred inflows of resources related to pensions and OPEB, is reported in the government-wide and proprietary fund statements of net position. This deferred inflow results from differences between expected and actual experience, changes of assumptions, and the difference between projected and actual earnings on pension plan investments. These amounts are deferred and amortized as required under pension standards. The third item relates to deferred gains and losses on bond refundings that are amortized over the life of the related bonds.

CITY OF LAKEVILLE
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2019

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

O. Compensated Absences

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

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

P. Pensions

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

Q. Other Postemployment Benefits (OPEB) Obligation

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

R. Long-Term Obligations

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

**CITY OF LAKEVILLE
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2019**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

S. Fund Balance

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

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

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

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

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

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

The City will endeavor to maintain an unrestricted (committed, assigned, and unassigned) fund balance in the General fund of an amount not less than 40% and not greater than 50% of the next year's budgeted expenditures of the General fund. This will assist in maintaining an adequate level of fund balance to provide for cash flow requirements and contingency needs. At December 31, 2019, the unrestricted fund balance of the General Fund was 50.2% of the subsequent year's budgeted expenditures. The City has opted to reduce fund balance with the 2020 budget.

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

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

**CITY OF LAKEVILLE
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2019**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

T. Net Position

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

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

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

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

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

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

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

U. Revenues and Expenditures/Expenses

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

**CITY OF LAKEVILLE
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2019**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

U. Revenues and Expenditures/Expenses (Continued)

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

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

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

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

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

V. Cash Flows

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

CITY OF LAKEVILLE
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2019

NOTE 2 DEPOSITS AND INVESTMENTS

A. Components of Cash and Investments

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

The City's cash and investments as of December 31, 2019 consist of the following:

Cash on hand	\$ 13,650
Deposits	(751,752)
Investments	<u>114,162,537</u>
Total cash and investments	<u>\$ 113,424,435</u>

The City's cash and investments as of December 31, 2019 are presented in the financial statements as follows:

Statement of Net Position

Cash and investments	\$ 112,710,793
Temporarily restricted investments held by trustee	616,405

Statement of Fiduciary Net Position

Cash and investments	<u>97,237</u>
Total cash and investments	<u>\$ 113,424,435</u>

CITY OF LAKEVILLE
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2019

NOTE 2 DEPOSITS AND INVESTMENTS (CONTINUED)

B. Deposits

In accordance with applicable Minnesota Statutes, the City maintains deposits at depository banks authorized by the City Council, including checking accounts and certificates of deposit. The following is considered the most significant risk associated with deposits:

Custodial Credit Risk – In the case of deposits, this is the risk that in the event of a bank failure, the City's deposits may be lost. Minnesota Statutes require that all deposits be protected by federal deposit insurance, corporate surety bond, or collateral. The value of collateral pledged must equal 110% of the deposits not covered by federal deposit insurance or corporate surety bonds. Authorized collateral includes treasury bills, notes, and bonds; issues of U.S. government agencies; general obligations rated "A" or better; revenue obligations rated "AA" or better; irrevocable standard letters of credit issued by the Federal Home Loan Bank; and certificates of deposit. Minnesota Statutes require that securities pledged as collateral be held in safekeeping in a restricted account at the Federal Reserve Bank or in an account at a trust department of a commercial bank or other financial institution that is not owned or controlled by the financial institution furnishing the collateral. The City does not have a formal policy addressing this risk.

At year-end, the carrying amount of the City's deposits was (\$751,752) while the balance on the bank records was \$-0-. At December 31, 2019, all deposits were fully covered by federal depository insurance, surety bonds, or by collateral held by the City's agent in the City's name.

C. Investments

The City's investments as of December 31, 2019 are as follows:

<u>Investment Type</u>	<u>Credit Risk</u>		<u>Total Value</u>	<u>Interest Risk - Maturity Duration in Years</u>		
	<u>Rating</u>	<u>Agency</u>		<u>Less than 1</u>	<u>1 - 5</u>	<u>6 - 10</u>
Money market funds						
Minnesota Municipal (4M)	N/R	N/A	\$ 15,087,081	\$ -	\$ -	\$ -
First American Treasury Obligation	AAAm	S&P	616,406	-	-	-
Certificates of deposit	N/R	N/A	31,337,051	9,108,375	22,228,676	-
U.S. treasury securities	Aaa	N/A	749,925	-	749,925	-
U.S. government agencies	AA+	S&P	53,755,470	8,747,923	42,172,952	2,834,595
Municipal Bonds	Aaa	Moody's	300,060	300,060	-	-
Municipal Bonds	AAA	S&P	590,300	-	590,300	-
Municipal Bonds	Aa1	Moody's	3,726,013	2,103,516	859,504	762,993
Municipal Bonds	AA+	S&P	1,033,050	-	1,033,050	-
Municipal Bonds	Aa2	Moody's	3,517,990	507,115	3,010,875	-
Municipal Bonds	AA	S&P	250,033	250,033	-	-
Municipal Bonds	Aa3	Moody's	500,550	500,550	-	-
Municipal Bonds	AA-	S&P	1,620,353	357,294	1,263,059	-
Municipal Bonds	A1	Moody's	575,125	465,000	110,125	-
Total investments			<u>\$ 114,162,537</u>	<u>\$ 22,842,996</u>	<u>\$ 72,018,466</u>	<u>\$ 3,597,588</u>

N/R - Not rated

N/A - Not applicable

**CITY OF LAKEVILLE
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2019**

NOTE 2 DEPOSITS AND INVESTMENTS (CONTINUED)

C. Investments (Continued)

The 4M Fund is regulated by Minnesota Statutes and the Board of Directors of the League of Minnesota Cities and is an external investment pool not registered with the Securities and Exchange Commission (SEC) that follows guidance under GASB Statement No. 79. The City's investment in the 4M Fund is measured at an amortized cost method that approximates fair value. The City's investment policy does not place any further limitations beyond the state statute requirements for the risk categories described below. Investments are subject to various risks, the following of which are considered the most significant;

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

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

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

As of December 31, 2019, the City's investment portfolio includes the following securities of single issuers exceeding 5%:

Federal Farm Credit Bank	20.95%
Federal Home Loan Bank	6.20%
Federal Home Loan Mortgage	11.44%

Interest Rate Risk – This is the risk of potential variability in the fair value of fixed rate investments resulting from changes in interest rates (the longer the period for which an interest rate is fixed, the greater the risk).

**CITY OF LAKEVILLE
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2019**

NOTE 2 DEPOSITS AND INVESTMENTS (CONTINUED)

D. Investments Policy

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

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

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

E. Fair Value Measurements

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

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

CITY OF LAKEVILLE
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2019

NOTE 2 DEPOSITS AND INVESTMENTS (CONTINUED)

E. Fair Value Measurements (Continued)

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

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

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

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

<u>Investment Type</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
First American Treasury Obligation	\$ 616,406	\$ -	\$ -	\$ 616,406
U.S. treasury securities	749,925	-	-	749,925
U.S. government securities	-	53,755,470	-	53,755,470
Certificates of deposit	-	31,337,051	-	31,337,051
Municipal bonds	-	12,616,604	-	12,616,604
	<u>\$ 1,366,331</u>	<u>\$ 97,709,125</u>	<u>\$ -</u>	<u>99,075,456</u>
Investments measured at amortized cost				<u>15,087,081</u>
Total				<u>\$ 114,162,537</u>

CITY OF LAKEVILLE
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2019

NOTE 3 CAPITAL ASSETS

A summary of changes in governmental capital assets during the year ended December 31, 2019 are as follows:

	Beginning Balance	Additions	Deletions	Ending Balance
Governmental Activities:				
Capital Assets, Not Being Depreciated:				
Land	\$ 28,889,653	\$ 1,238,564	\$ -	\$ 30,128,217
Historical treasures	100,000	-	-	100,000
Construction in progress	951,736	1,446,365	(485,346)	1,912,755
Total Capital Assets, Not Being Depreciated	29,941,389	2,684,929	(485,346)	32,140,972
Capital Assets, Being Depreciated:				
Building and improvements	55,143,526	-	(92,467)	55,051,059
Machinery and equipment	24,935,626	1,321,937	(489,949)	25,767,614
Other improvements	9,760,538	467,930	(83,585)	10,144,883
Infrastructure				
Streets	176,102,512	12,846,336	(3,215,240)	185,733,608
Storm Sewer	83,516,837	7,800,454	(104,174)	91,213,117
Parks	29,021,159	1,309,710	-	30,330,869
Total Capital Assets, Being Depreciated	378,480,198	23,746,367	(3,985,415)	398,241,150
Accumulated Depreciation for:				
Buildings and improvements	(17,322,697)	(1,180,989)	22,621	(18,481,065)
Machinery and equipment	(14,313,425)	(2,035,345)	425,562	(15,923,208)
Other improvements	(3,837,147)	(484,493)	83,585	(4,238,055)
Infrastructure				
Streets	(80,970,525)	(7,263,199)	2,957,278	(85,276,446)
Storm Sewer	(21,456,416)	(2,055,241)	73,192	(23,438,465)
Parks	(14,586,248)	(1,106,084)	-	(15,692,332)
Total Accumulated Depreciation	(152,486,458)	(14,125,351)	3,562,238	(163,049,571)
Total Capital Assets, Being Depreciated, Net	225,993,740	9,621,016	(423,177)	235,191,579
Governmental Activities Capital Assets, Net	\$ 255,935,129	\$ 12,305,945	\$ (908,523)	\$ 267,332,551

Depreciation expense was charged to governmental functions as follows:

Governmental Activities:	
General government	\$ 413,014
Public safety	1,151,871
Public works	10,225,494
Parks and recreation	2,334,971
Total depreciation expense	<u>\$ 14,125,350</u>

CITY OF LAKEVILLE
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2019

NOTE 3 CAPITAL ASSETS (CONTINUED)

A summary of changes in business-type capital assets during the year ended December 31, 2019 are as follows:

	Beginning Balance	Additions	Deletions	Ending Balance
Business-Type Activities:				
Capital Assets, Not Being Depreciated:				
Land	\$ 3,627,767	\$ -	\$ -	\$ 3,627,767
Construction in Progress	13,842	30,203	(13,842)	30,203
Total Capital Assets, Not Being Depreciated	3,641,609	30,203	(13,842)	3,657,970
Capital Assets, Being Depreciated:				
Buildings and improvements	28,241,679	99,481	-	28,341,160
Machinery and equipment	3,635,521	50,604	(10,177)	3,675,948
Infrastructure				
Environmental Resources	-	63,142	-	63,142
Water	109,695,944	5,798,671	(36,398)	115,458,217
Sanitary Sewer	74,220,172	3,683,222	(4,339)	77,899,055
Total Capital Assets, Being Depreciated	215,793,316	9,695,120	(50,914)	225,437,522
Accumulated Depreciation for:				
Buildings and improvements	(9,005,627)	(604,928)	-	(9,610,555)
Machinery and equipment	(2,097,335)	(354,214)	10,177	(2,441,372)
Infrastructure				
Environmental Resources	-	(1,233)	-	(1,233)
Water	(32,707,127)	(2,353,203)	35,490	(35,024,840)
Sanitary Sewer	(26,407,195)	(1,556,151)	4,339	(27,959,007)
Total Accumulated Depreciation	(70,217,284)	(4,869,729)	50,006	(75,037,007)
Total Capital Assets, Being Depreciated, Net	145,576,032	4,825,391	(908)	150,400,515
Business-Type Activities Capital Assets, Net	\$ 149,217,641	\$ 4,855,594	\$ (14,750)	\$ 154,058,485

Depreciation expense was charged to governmental functions as follows:

Business-Type Activities:	
Liquor fund	\$ 87,443
Utility fund	4,782,286
Total Depreciation Expense, Business-Type Activities	<u>\$ 4,869,729</u>

NOTE 4 OPERATING LEASES

Operating Lease (Ames Arena):

On December 1, 2006, the City (as lessor) entered into a joint powers agreement with the Lakeville Arenas (a Minnesota Joint Powers entity, as lessee), whereas the Lakeville Arenas is responsible for operations and maintenance of the Ames Arena. Lakeville Arenas shall pay all debt service requirements due on the Gross Revenue Recreation Facility Bonds of 1999 less payments received by Lakeville Hockey Association, Inc. (Boosters) towards debt service payments in accordance with the revised and restated gaming revenue agreement dated February 16, 1999. The agreement will remain in effect until August 1, 2019. The cost of the leased space is included in the total Ames ice arena cost of \$4,143,826, of which \$1,886,411 has been depreciated to date. These amounts are recorded in the City's capital assets. The final payment related to this agreement was made during 2018 and no further payments were made during 2019.

CITY OF LAKEVILLE
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2019

NOTE 4 OPERATING LEASES (CONTINUED)

Operating Sublease (Hasse Arena):

On December 1, 2006, the City (as sublessor) entered into a joint powers agreement with the Lakeville Arenas (a Minnesota Joint Powers entity, as sublessee), whereas the Lakeville Arenas is responsible for operations and maintenance of the Hasse Arena. In addition, the joint powers agreement calls for Independent School District No. 194 to provide for one-half of all future ice arena lease payments to the City. Lease agreement payments coinciding with the bonded debt service schedule commencing February 1, 2007 will remain in effect until February 1, 2032. The 2019 lease revenue totaled \$292,100.

Operating Lease (Heritage Liquor Store):

The Heritage Liquor Store (located in Heritage Shopping Center) consists of 8,859 square feet of space at a monthly lease cost of \$11,812 for January through June and then \$12,550 per month thereafter, plus a proportionate share of real estate taxes, property insurance, special assessments, common area maintenance, and management fees. The lease had an original term of fifteen years and was subsequently renewed for an additional four years expiring June 30, 2019 and was subsequently renewed for three additional years expiring June 30, 2022. The fiscal year 2019 lease expense totaled \$146,174. The HRA owns the land and building of the Galaxie store.

Operating Lease (Kenrick Liquor Store):

The Kenrick Liquor Store (located off Kenrick Avenue) consists of 9,705 square feet of space at a monthly lease cost of \$15,366 plus a proportionate share of real estate taxes, property insurance, special assessments, common area maintenance, and management fees. The lease has an original term of twenty years ending April 30, 2039. The fiscal year 2019 lease expense totaled \$184,395. The following is a schedule by years of future minimum payments required under the lease as of December 31, 2019:

<u>Year</u>	<u>Amount</u>
2020	\$ 184,395
2021	184,395
2022	184,395
2023	184,395
2024	197,303
2025-2029	1,000,294
2030-2034	1,070,170
2035-2039	1,144,996
Total	<u>\$ 4,150,343</u>

**CITY OF LAKEVILLE
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2019**

NOTE 4 OPERATING LEASES (CONTINUED)

Operating Lease – Office Equipment

The City leased office equipment on March 18, 2019 at a monthly lease cost of \$3,558 for 60 months. The fiscal year 2019 lease expenditures totaled \$28,464. The following is a schedule of future minimum payments required under the lease as of December 31, 2019:

<u>Year</u>	<u>Amount</u>
2020	\$ 42,696
2021	42,696
2022	42,696
2023	42,696
2024	14,232
Total	<u>\$ 185,016</u>

NOTE 5 LONG-TERM DEBT

A. Components of Long-Term Debt

General Obligation Bonds

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

Revenue Bonds

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

Governmental Activities

The Gross Revenue Recreation Facility Bonds, Series 1999, are supported primarily from revenues derived from ice arena operations and contributions from gaming revenues. The final debt payment was made on August 1, 2019

The HRA Ice Arena Lease Revenue Refunding Bonds, Series 2016, will be payable from equal lease payments to be made by the City pursuant to the lease agreement between the HRA of Lakeville, the City, and in conjunction with the joint powers agreement between the City and Independent School District No. 194. The City's portion of the lease payments are supported by property tax levies.

**CITY OF LAKEVILLE
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2019**

NOTE 5 LONG-TERM DEBT (CONTINUED)

A. Components of Long-Term Debt (Continued)

Revenue Bonds (Continued)

Governmental Activities (Continued)

The lease, consisting of land, building and equipment of the Hasse Arena located at 8525 215th Street West, requires the City to provide lease payments sufficient to pay when due, the principal and interest on the HRA Ice Arena Lease Revenue Refunding Bonds, Series 2016 (\$7,115,000 original amount issued), of which the first principal and interest payment was due in 2017. Title to the arena will transfer to the City upon completing the prescribed lease payments coinciding with the bonded debt service schedule commencing February 1, 2017 and maturing February 1, 2032. The cost of the leased space is included in the total Hasse ice arena cost of \$7,505,840, of which \$1,735,936 has been depreciated to date. These amounts are recorded in the HRA's capital assets.

Business-type Activities

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

Bond Issue	Use of Proceeds	Type	Term of Pledge	Revenue Pledged		Current Year	
				Remaining Principal and Interest	Principal and Interest Paid	Pledged Revenue Received	
Recreation Facility	Ice arena	Arena Revenues	2019	\$ -	\$ 179,180	\$ -	
Ice Arena Lease Revenue	Additional ice arena	Lease Revenues	2019 - 2032	7,685,050	579,600	292,100	
Utility - Water Revenue	Water infrastructure	Utility user fees	2019 - 2034	9,048,358	637,956	4,496,539	
Utility - Sewer Revenue	Sewer infrastructure	Utility user fees	2019 - 2025	436,350	71,575	6,795,837	
Water Connection Revenue	Water infrastructure	Connection charges	2019 - 2034	8,934,587	614,325	3,517,166	

Metropolitan Council Loan Agreements

On February 21, 2006, the City entered into a loan agreement with the Metropolitan Council for the purpose of acquiring property for a commuter vehicle park and pool lot located within a proposed state trunk highway right-of-way. The Metropolitan Council provided a loan to the City in the amount of \$1,466,300 to finance the acquisition of the property. In 2019, the City made no payments on this loan. As of December 31, 2019, the balance of the loan is \$1,159,843. On January 3, 2017, the City entered into another loan agreement with the Metropolitan Council for the purpose of acquiring property within a proposed state trunk highway right-of-way. The amount of the loan was \$737,171 and the City made no payments on the loan in 2019. The loans (both free of interest charge) will be discharged by the Metropolitan Council upon the conveyance of the properties to the highway authority at an undetermined future date.

Dakota County Loan Payable

During 2018, the City entered into a 3-year agreement with Dakota County, where as Dakota County delayed repayment of \$3,000,000 of project costs for the County Road 50 project. This loan requires annual payments of \$1,000,000 with no interest, of which the first installment was made during 2018 and final payment is due in 2020.

**CITY OF LAKEVILLE
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2019**

NOTE 5 LONG-TERM DEBT (CONTINUED)

A. Components of Long-Term Debt (Continued)

Lease Revenue Liquor Enterprise Refunding Bonds, Series 2017A

On October 25, 2017, the City issued \$2,255,000 in HRA Lease Revenue Liquor Enterprise Refunding Bonds, Series 2017A. The proceeds of this issue were deposited with the Trustee in order to call and prepay the outstanding liquor revenue bonds of 2007. In exchange for the refunding of the existing liquor revenue bonds, the liquor fund conveyed related capital assets consisting of land and building to the HRA fund. The HRA then leased the building back to the liquor fund under a capital lease agreement, resulting in the capital assets being reported back in the liquor fund and the long-term debt being shown in the liquor fund as a capital lease. The lease terms include interest of between 2.0%-3.0% with payments totaling \$2,255,000 through 2027. The capital assets being leased had a total cost of \$2,522,470 and accumulated depreciation of \$612,777 at December 31 2019. Per governmental accounting standards the related long-term debt is not shown in both the governmental and business-type activities, therefore the long-term liability is included in business-type activities as a capital lease, as is noted in the table on page 69. This refunding resulted in an aggregate difference in debt service cash flows between the refunding debt and the refunded debt of \$305,074 as well as an economic net present value benefit of \$321,727 on the transaction.

General Obligation Bonds, Series 2019 A

On July 24, 2019, the City issued \$6,295,000 in General Obligation Street Reconstruction and Improvement Bonds, Series 2019 A. The proceeds of this issue will be used for street reconstruction and improvement projects. They carry interest that will vary from 4.0% to 5.0% with a final maturity of February 1, 2030. The debt service of these bonds will be made from special assessments and property tax levies. They carry a call provision on February 1, 2028.

CITY OF LAKEVILLE
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2019

NOTE 5 LONG-TERM DEBT (CONTINUED)

A. Components of Long-Term Debt (Continued)

The City had the following long-term liabilities outstanding at December 31, 2019:

Description	Maturities	Interest Rates	Amount
PRIMARY GOVERNMENT			
Governmental Activities:			
General Obligation Bonds Payable:			
Capital improvement bonds	2019 - 2032	1.75% - 5.00%	\$ 20,455,000
Street reconstruction bonds	2019 - 2030	1.75% - 5.00%	11,655,000
G.O. Improvement bonds	2019 - 2038	1.40% - 5.00%	59,155,000
Tax increment bonds	2022	4.00% - 4.20%	770,000
State-aid street revenue bonds	2019 - 2036	1.25% - 5.00%	4,685,000
G.O. water revenue bonds	2034	2.00% - 5.00%	7,230,000
Total General Obligation Bonds			103,950,000
HRA lease revenue bonds			6,080,000
Total Governmental Activities			110,030,000
Business-Type Activities:			
Revenue Bonds			
Water revenue bonds	2034	1.50% - 5.00%	7,365,000
Sewer revenue bonds	2025	1.50% - 5.00%	385,000
Street light revenue bonds			305,000
Total Revenue Bonds			8,055,000
Capital Lease	2027	2.00% - 3.00%	2,040,000
Total Business-Type Activities			10,095,000
Total long-term bonded debt outstanding			\$ 120,125,000

**CITY OF LAKEVILLE
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2019**

NOTE 5 LONG-TERM DEBT (CONTINUED)

A. Components of Long-Term Debt (Continued)

The City is in compliance with all significant bond covenants. Annual bond debt service requirements to maturity for long-term obligations, excluding the Lease Revenue Liquor Enterprise Refunding Bonds of 2017 (see page 71), are as follows:

Year Ending December 31,	Governmental		Business-Type		Total
	Principal	Interest	Principal	Interest	
2020	\$ 8,715,000	\$ 3,871,091	\$ 565,000	\$ 284,513	\$ 13,435,604
2021	9,160,000	3,534,045	655,000	261,038	13,610,083
2022	9,110,000	3,193,464	670,000	242,362	13,215,826
2023	9,140,000	2,832,805	685,000	215,738	12,873,543
2024	9,005,000	2,467,530	715,000	181,237	12,368,767
2025-2029	40,530,000	7,417,091	3,025,000	484,238	51,456,329
2030-2034	21,050,000	1,999,816	1,740,000	122,456	24,912,272
2035-2039	3,320,000	142,125	-	-	3,462,125
Total	<u>\$ 110,030,000</u>	<u>\$ 25,457,967</u>	<u>\$ 8,055,000</u>	<u>\$ 1,791,582</u>	<u>\$ 145,334,549</u>

Accrued Compensated Absences

Governmental Activities

The governmental funds accumulated liability for accrued PTO, vacation and vested sick pay (including applicable salary-related payments) as of December 31, 2019 is \$2,981,687. This amount is included in the noncurrent liabilities of the government-wide Statement of Net Position.

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

Business-Type Activities

The accumulated liability for accrued PTO, vacation, and vested sick pay for proprietary enterprise funds (including applicable salary-related payments) as of December 31, 2019 is \$445,301. In the event of employee separation from the City, the responsible enterprise fund will pay the accumulated severance portion. These amounts are recorded as a liability and as an expense when earned in the responsible funds.

**CITY OF LAKEVILLE
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2019**

NOTE 5 LONG-TERM DEBT (CONTINUED)

A. Components of Long-Term Debt (Continued)

Unamortized Bond Premium and Discount

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

	<u>Governmental</u>	<u>Business-Type</u>
Unamortized bond premium	<u>\$ 8,302,665</u>	<u>\$ 821,566</u>

Liquor Capital Lease

The capital lease reported in business-type activities on page 69 has the following annual debt service requirements:

Year Ending December 31,	<u>Liquor Capital Lease</u>	
	<u>Principal</u>	<u>Interest</u>
2020	\$ 230,000	\$ 54,200
2021	240,000	49,500
2022	245,000	43,425
2023	250,000	36,000
2024	260,000	28,350
2025-2027	<u>815,000</u>	<u>37,125</u>
Total	<u>\$ 2,040,000</u>	<u>\$ 248,600</u>

CITY OF LAKEVILLE
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2019

NOTE 5 LONG-TERM DEBT (CONTINUED)

B. Changes in Long-Term Debt

Long-term liability activity for the year ended December 31, 2019 was as follows:

PRIMARY GOVERNMENT	Beginning of Year	Additions	Deletions	End of Year	Due Within One Year
Governmental Activities					
G.O. Improvement bonds	\$ 34,555,000	\$ -	\$ (2,445,000)	\$ 32,110,000	\$ 2,575,000
Other bonds	77,100,000	6,295,000	(5,475,000)	77,920,000	6,140,000
Total bonds	111,655,000	6,295,000	(7,920,000)	110,030,000	8,715,000
County note payable	2,000,000	-	(1,000,000)	1,000,000	1,000,000
Metropolitan Council loans	1,897,014	-	-	1,897,014	-
Total long-term debt	115,552,014	6,295,000	(8,920,000)	112,927,014	9,715,000
Accrued compensated absences	2,734,777	1,698,699	(1,451,789)	2,981,687	1,451,789
Unamortized bond premium/discount	7,916,538	1,065,624	(679,497)	8,302,665	-
Total Governmental Activities	126,203,329	9,059,323	(11,051,286)	124,211,366	11,166,789
Business-Type Activities:					
Utility - water revenue bonds	7,030,000	730,000	(395,000)	7,365,000	470,000
Utility - sewer revenue bonds	440,000	-	(55,000)	385,000	60,000
Utility - street light revenue bonds	335,000	-	(30,000)	305,000	35,000
Liquor - capital leases	2,255,000	-	(215,000)	2,040,000	230,000
Accrued compensated absences	384,223	282,883	(221,805)	445,301	225,377
Unamortized Bond Premiums	766,878	125,543	(70,855)	821,566	-
Total Business-Type Activities	11,211,101	1,138,426	(987,660)	11,361,867	1,020,377
Total Primary Government	\$ 137,414,430	\$ 10,197,749	\$ (12,038,946)	\$ 135,573,233	\$ 12,187,166

NOTE 6 NET INVESTMENT IN CAPITAL ASSETS

Net investment in capital assets as of December 31, 2019 is calculated as follows:

	Governmental	Business-type	Total
Capital assets, net of depreciation	\$ 267,332,551	\$ 154,058,485	\$ 421,391,036
Less applicable:			
Bonds payable	(99,345,000)	(7,750,000)	(107,095,000)
Capital lease payable	-	(2,040,000)	(2,040,000)
Loan payable	(1,897,014)	-	(1,897,014)
Note payable	(1,000,000)	-	(1,000,000)
Unamortized bond premium / discount (net)	(7,559,496)	(766,877)	(8,326,373)
Unamortized deferred charge on refunding	103,849	-	103,849
Unamortized deferred gain on refunding	(92,266)	-	(92,266)
Unspent bond proceeds	1,490,530	-	1,490,530
Contracts Payable	(4,564,362)	-	(4,564,362)
Net Investment in capital assets	\$ 154,468,792	\$ 143,501,608	\$ 297,970,400

The City has \$10,990,000 in bonds and \$797,858 in unamortized bond premiums that are not included in the calculation above as they are not capital in nature.

CITY OF LAKEVILLE
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2019

NOTE 7 RESTRICTED NET POSITION

The government-wide Statement of Net Position reports restricted amounts in the net position section. These amounts represent assets and deferred outflows (less any related liabilities and deferred inflows) that have imposed restrictions placed on them by parties outside the City government. Net position restricted for debt service represents assets pledged by bond covenant to the repayment of City bond obligations. The government-wide restricted net position is as follows:

	Governmental Activities	Business-type Activities	Total
<u>Restricted Net Position</u>			
Cash and investments	\$ 35,116,374	\$ -	\$ 35,116,374
Temporarily restricted			
Investments held by trustee	616,405	-	616,405
Net pension asset	4,112,787	-	4,112,787
Receivables	18,308,160	-	18,308,160
Less related liabilities	(1,797,292)	-	(1,797,292)
Total restricted net position	<u>\$ 56,356,434</u>	<u>\$ -</u>	<u>\$ 56,356,434</u>

NOTE 8 CONSTRUCTION COMMITMENTS

The City has outstanding construction and build projects as of December 31, 2019. These projects include street reconstruction projects, equipment purchases, land purchases and other water and sanitary sewer projects. The City's commitments with contractors and other governmental entities are shown as follows:

<u>Projects</u>	Spent-to-Date	Remaining Commitment
<u>Governmental Activities</u>		
VonBank Lawn Care	\$ 52,549	\$ 56,126
Law Services	80,049	85,046
Police Department - cameras	134,272	537,088
Misc. street and trail repairs	1,030,612	55,477
Storm Sewer projects	-	48,342
CR50 project (185th St to Dodd Blvd)	4,526,148	5,225,625
2018 street reconstruction	239,378	322,557
2019 street reconstruction	8,981,047	161,558
Holyoke Water Tower	3,300,661	173,982
Sanitary Sewer Projects	-	55,614
Total governmental	<u>\$ 20,154,887</u>	<u>\$ 6,721,415</u>
<u>Projects</u>		
<u>Business-Type Activities</u>	Spent-to-Date	Remaining Commitment
Right of way - tree and stump removal	\$ -	\$ 22,828
Well rehabilitation	-	149,750
Total business-type	<u>\$ -</u>	<u>\$ 172,578</u>

CITY OF LAKEVILLE
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2019

NOTE 9 FUND BALANCES

A summary of the City's governmental fund balance classifications at December 31, 2019 is as follows:

		Debt Service		Capital Projects		
		G.O.		Municipal	Improvement	
	General Fund	Improvement	State-aid	Construction	Nonmajor	Total
Nonspendable						
Inventory	\$ 312,695	\$ -	\$ -	\$ -	\$ -	\$ 312,695
Prepaid Items	6,600	-	-	-	-	6,600
Advances to Other Funds	428,936	-	-	-	-	428,936
Total nonspendable	748,231	-	-	-	-	748,231
Restricted for:						
Forfeitures	175,590	-	-	-	-	175,590
Debt Service	-	12,656,863	-	-	8,994,213	21,651,076
Public improvements	-	-	2,042,188	6,337,742	-	8,379,930
Public safety equipment	-	-	-	-	20,566	20,566
Park development	-	-	-	-	6,094,432	6,094,432
Tax increment	-	-	-	-	57,383	57,383
Public communications	-	-	-	-	87,659	87,659
Arenas Reserve	-	-	-	-	10,090	10,090
Special Service District	-	-	-	-	32,529	32,529
Total Restricted	175,590	12,656,863	2,042,188	6,337,742	15,296,872	36,509,255
Committed for:						
Compensated leave	100,000	-	-	-	-	100,000
Public improvements	-	-	-	377,232	-	377,232
Public buildings	-	-	-	-	1,233,811	1,233,811
Pavement management	-	-	-	-	1,786,069	1,786,069
Storm water infrastructure	-	-	-	-	8,982,575	8,982,575
Water trunk system	-	-	-	-	10,597,425	10,597,425
Sanitary sewer trunk system	-	-	-	-	9,320,341	9,320,341
Trail improvement	-	-	-	-	704,620	704,620
Park improvement	-	-	-	-	328,176	328,176
Capital acquisitions	-	-	-	-	1,605,375	1,605,375
Technology equipment	-	-	-	-	156,867	156,867
Public communications	-	-	-	-	966,003	966,003
Economic development	-	-	-	-	13,395	13,395
Total Committed	100,000	-	-	377,232	35,694,657	36,171,889
Assigned for:						
Subsequent year budget	749,675	-	-	-	-	749,675
Unassigned	15,429,752	-	-	-	(428,702)	15,001,050
Total	\$ 17,203,248	\$ 12,656,863	\$ 2,042,188	\$ 6,714,974	\$ 50,562,827	\$ 89,180,100

**CITY OF LAKEVILLE
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2019**

NOTE 10 CONTRIBUTED CAPITAL

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

<u>From Private Land Developers</u>	<u>Governmental</u>	<u>Enterprise Utility Fund</u>
Infrastructure		
Streets	\$ 5,298,413	\$ -
Storm sewer	6,175,985	-
Parks	979,096	-
Water	-	3,979,617
Sanitary sewer	-	3,261,141
Total	<u>\$ 12,453,494</u>	<u>\$ 7,240,758</u>

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

<u>From Governmental Activities</u>	<u>Enterprise Utility Fund</u>
Infrastructure	
Water	\$ 914,056
Sanitary sewer	13,914
Total	<u>\$ 927,970</u>

NOTE 11 DEFICIT FUND BALANCES

The capital projects tax abatement fund had a deficit fund balance of (\$428,702) as of December 31, 2019 as a result of providing tax abatement assistance to retain the headquarters of a manufacturing facility within the City. It is anticipated that the deficit will be financed by future tax abatements collected after an existing Tax Increment Financing District in which the property is currently located will be decertified.

CITY OF LAKEVILLE
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2019

NOTE 12 INTERFUND RECEIVABLES AND PAYABLES

Activity between funds representative of lending or borrowing arrangements is reported in the fund financial statements as “due from/to other funds” (current portion) or “advances to/from other funds.” Such amounts are eliminated in the government-wide financial statements, with any residual balances outstanding between the governmental and business-type activities reported as “internal balances.” At December 31, 2019, the capital projects fund tax abatement fund had a payable of \$428,936 to the general fund to finance a long-term cash deficit.

NOTE 13 INTERFUND TRANSFERS

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

n

Transfers From	General Fund	Debt Service	Capital Projects		Nonmajor Govntl. Funds	Enterprise	Total
		G.O. Improvement	Muni State-aid	Improv. Constr.		Utility	
General Fund	\$ -	\$ -	\$ -	\$ -	\$ 1,225,000	\$ -	\$ 1,225,000
G.O. Improvement Bonds	-	-	-	23,351	-	-	23,351
Nonmajor Govntl. Funds	80,866	-	238,540	790,341	617,108	5,399	1,732,254
Total	80,866	-	238,540	813,692	1,842,108	5,399	2,980,605
Enterprise - Liquor	164,875	-	-	-	896,762	3,425	1,065,062
Enterprise - Utility	477,043	525,813	-	-	31,000	-	1,033,856
Internal Service Fund	50,000	-	-	-	-	-	50,000
Total	<u>\$ 772,784</u>	<u>\$ 525,813</u>	<u>\$ 238,540</u>	<u>\$ 813,692</u>	<u>\$ 2,769,870</u>	<u>\$ 8,824</u>	5,129,523
	(1)	(2)	(3)	(4)	(5)(6)	(7)	
Less: Utility fund							(8,824)
Total governmental funds							<u>\$ 5,120,699</u>

The following are explanations to interfund transfers sub-notes 1 through 9.

Abbreviation key:

(SR) special revenue fund, (DS) debt service fund, (CP) capital projects fund, (E) enterprise fund, (IS) internal service fund.

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

Fund	Amount	Description
Communications (SR)	\$ 80,866	Public communications and budgeted transfers
Liquor (Ent)	164,875	Budgeted transfers
Utility (Ent)	477,043	Budgeted transfers
Municipal Reserve (IS)	50,000	Budgeted transfers
Total	<u>\$ 772,784</u>	

**CITY OF LAKEVILLE
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2019**

NOTE 13 INTERFUND TRANSFERS (CONTINUED)

(2) The total transfer to the debt service G.O. improvement fund was provided by the enterprise utility fund (\$525,813) related to the City improvements projects whereby user fees are pledged towards the improvement bonds debt service requirements.

(3) The total transfers to the capital projects municipal state-aid fund were provided to finance various road construction projects and were provided by the nonmajor capital project storm water infrastructure fund (\$238,540).

(4) The total transfer to the capital projects fund improvement construction of (\$813,692) was provided by the following governmental funds to finance various road construction projects:

<u>From:</u>	<u>Amount</u>
G.O. Improvement Bonds (DS)	\$ 23,351
Park Dedication (CP)	108,426
Storm Water Infrastructure (CP)	553,102
Water (CP)	128,813
Total improv. const.	<u><u>\$ 813,692</u></u>

(5) The total transfer to nonmajor governmental funds (\$1,842,108) was provided by the following governmental funds:

<u>From:</u>	<u>Amount</u>	<u>Description</u>
General fund	\$ 155,000	Technology (CP) for future improvements
General fund	150,000	Park Improvement (CP) for future park improvements identified in CIP
General fund	920,000	Equipment (CP) for future equipment acquisitions
Water (CP)	617,108	Water revenue (DS) for debt service requirements
Total other govt.	<u><u>\$ 1,842,108</u></u>	

(6) The total transfer to the nonmajor governmental funds was provided by the enterprise liquor fund (\$896,762) and the enterprise utility fund (\$31,000) to finance various equipment purchases.

(7) The total transfer to the enterprise utility fund was provided by the storm water infrastructure capital projects fund (\$5,399) and the enterprise liquor fund (\$3,425) for customer service billing overhead costs.

**CITY OF LAKEVILLE
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2019**

NOTE 14 JOINT POWERS DEBT COMMITMENT

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

NOTE 15 OTHER POSTEMPLOYMENT BENEFITS (OPEB)

A. Plan Description

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

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

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

This benefit relates to the assumption that the retiree is receiving a more favorable premium rate than they would otherwise be able to obtain if purchasing insurance on their own, due to being included in the same pool with the City's younger and statistically healthier active employees.

**CITY OF LAKEVILLE
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2019**

NOTE 15 OTHER POSTEMPLOYMENT BENEFITS (OPEB) (CONTINUED)

A. Plan Description (Continued)

Employees covered by benefit terms. At December 31, 2019, the following employees were covered by the benefit terms:

Inactive Plan Members or Beneficiaries Currently	
Receiving Benefit Payments	7
Inactive Plan Members Entitled to but not yet	
Receiving Benefit Payments	-
Active Plan Members	184
Total	<u>191</u>

B. Contributions and Funding Policy

The required contribution is based on projected pay-as-you-go financing requirements, with additional amounts to pre-fund benefits as determined annually by the City. The City contributes a portion of the cost of current year premiums for eligible retired plan members and their spouses as well as the implicit rate subsidy described above. For fiscal year 2019, the City contributed \$13,009 in subsidized payments and implicit payments of \$37,860 to the plan. As of December 31, 2019, there were 7 retirees receiving health benefits from the City's health plans.

C. Total OPEB Liability

The City's Total OPEB liability was measured as of January 1, 2019 and was determined by an actuarial valuation as of January 1, 2019.

Actuarial Assumptions

The total OPEB liability in the January 1, 2019 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

<u>Valuation date:</u>	January 1, 2019
<u>Measurement date:</u>	January 1, 2019
<u>Methods and assumptions used to determine the contribution rates:</u>	
Actuarial cost method	Entry age
Amortization method	Level percentage of payroll, closed
Amortization period	Average of expected remaining service on a closed basis for differences between expected and actual experience and assumption changes.
Inflation	3.00%
Healthcare cost trend rate	6.25% for 2018, decreasing to 5.00% over 5 years
Salary increases	3.00%
Discount rate	3.60% (20-year municipal bond yield)
Mortality	RP-2014 White Collar Mortality Tables with MP-2019 Generational Improvement Scale (with Blue Collar adjustment for Police and Fire Personnel)

**CITY OF LAKEVILLE
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2019**

NOTE 15 OTHER POSTEMPLOYMENT BENEFITS (OPEB) (CONTINUED)

C. Total OPEB Liability (Continued)

Discount Rate

The City's OPEB plan is not funded by a trust, and therefore, the City's uses the 20-year municipal bond index rate to develop its long-term rate of return and discount rate. This rate was 3.60% in the current actuarial valuation, which was updated from the 3.30% used in the prior actuarial valuation.

D. Changes in the Total OPEB Liability

The details of the changes in the City's total OPEB Liability were as follows for 2019:

	Increase (Decrease) Total OPEB Liability (a)
Balances at 12/31/18	<u>\$ 1,061,792</u>
Changes for the Year:	
Service Cost	89,732
Interest	48,182
Differences Between Expected and Actual Experience	87,715
Contributions - Employer	-
Net Investment Income	-
Benefit Payments	(50,869)
Changes in Assumptions	<u>-</u>
Net Changes	<u>174,760</u>
Balances at 12/31/19	<u><u>\$ 1,236,552</u></u>

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

- The discount rate used is the 20-year municipal bond index, as the plan is not funded. This assumed rate increased from 3.30% to 3.60%.
- The inflation rate used was increased from 2.50% to 3.00%

**CITY OF LAKEVILLE
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2019**

NOTE 15 OTHER POSTEMPLOYMENT BENEFITS (OPEB) (CONTINUED)

E. Sensitivity of Total OPEB Liability

Sensitivity of the total OPEB liability to changes in the discount rate and healthcare cost trend rates. The following presents the total OPEB liability of the City, as well as what the City's net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.60%) or 1-percentage-point higher (4.60%) than the current discount rate:

	1% Decrease (2.60)%	Discount Rate (3.60)%	1% Increase (4.60)%
Total OPEB Liability (Asset)	\$ 1,329,274	\$ 1,236,552	\$ 1,147,955

Sensitivity of the net OPEB liability to changes in the healthcare cost trend rates. The following presents the net OPEB liability of the City, as well as what the City's net OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower (5.25% decreasing to 4.00%) or 1-percentage-point higher (7.25% decreasing to 6.00%) than the current healthcare cost trend rates:

	1% Decrease (5.25% Decreasing to 4.00%)	Healthcare Cost Trend Rates (6.25% Decreasing to 5.00%)	1% Increase (7.25% Decreasing to 6.00%)
Total OPEB liability (asset)	\$ 1,083,633	\$ 1,236,552	\$ 1,416,362

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

For the year ended December 31, 2019, the City recognized OPEB expense of \$102,921. At December 31, 2019, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Experience Contributions After Measurement Date and Before the Reporting Date	\$ 174,977	\$ 113,570
Total	51,097	-
	<u>\$ 226,074</u>	<u>\$ 113,570</u>

**CITY OF LAKEVILLE
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2019**

NOTE 15 OTHER POSTEMPLOYMENT BENEFITS (OPEB) (CONTINUED)

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

A total of \$51,097 reported as deferred outflows of resources related to OPEB resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the total OPEB liability in the year ended December 31, 2020. Other amounts reported as deferred outflows and inflows of resources related to postemployment benefits will be recognized in OPEB expense as follows:

<u>Year Ending December 31,</u>	<u>Amount</u>
2020	\$ 7,694
2021	7,694
2022	7,694
2023	7,694
2024	7,694
Thereafter	22,937

NOTE 16 RISK FINANCING AND RELATED INSURANCE ISSUES

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

The City pays an annual premium to the LMCIT for its insurance coverage. The LMCIT is self-sustaining through member premiums and will reinsure through commercial companies for claims in excess of reserved amounts for each insured event. The LMCIT allows for the pool to make additional assessments to make the pool self-sustaining. Current state statutes (Minnesota Statutes Subd. 466.04) provide limits of liability for the City.

**CITY OF LAKEVILLE
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2019**

NOTE 17 DEFINED BENEFIT PENSION PLANS – STATE-WIDE

A. Plan Description

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

1. General Employees Retirement Fund (GERF)

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

2. Public Employees Police and Fire Fund (PEPFF)

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

B. Benefits Provided

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

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

**CITY OF LAKEVILLE
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2019**

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

B. Benefits Provided (Continued)

1. GERS Benefits (Continued)

Annuities, disability benefits, and survivor benefits are increased effective every January 1. Beginning January 1, 2019, the postretirement increase will be equal to 50 percent of the cost-of-living adjustment (COLA) announced by the SSA, with a minimum increase of at least 1 percent and a maximum of 1.5 percent. Recipients that have been receiving the annuity or benefit for at least a full year as of the June 30 before the effective date of the increase will receive the full increase. For recipients receiving the annuity or benefit for at least one month but less than a full year as of the June 30 before the effective date of the increase will receive a reduced prorated increase. For members retiring on January 1, 2024, or later, the increase will be delayed until normal retirement age (age 65 if hired prior to July 1, 1989, or age 66 for individuals hired on or after July 1, 1989). Members retiring under Rule of 90 are exempt from the delay to normal retirement.

2. PEPFF Benefits

Benefits for Police and Fire Plan members first hired after June 30, 2010, but before July 1, 2014, vest on a prorated basis from 50% after five years up to 100% after 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. A full, unreduced pension is earned when members are age 55 and vested, or for members who were first hired prior to July 1, 1989, when age plus years of service equal at least 90.

Annuities, disability benefits, and survivor benefits are increased effective every January 1. Beginning January 1, 2019, the postretirement increase will be fixed at 1 percent. Recipients that have been receiving the annuity or benefit for at least 36 months as of the June 30 before the effective date of the increase will receive the full increase. For recipients receiving the annuity or benefit for at least 25 months but less than 36 months as of the June 30 before the effective date of the increase will receive a reduced prorated increase.

**CITY OF LAKEVILLE
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2019**

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

C. Contributions

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

1. GERF Contributions

Coordinated Plan members were required to contribute 6.50% of their annual covered salary in calendar year 2018 and the City was required to contribute 7.50% for Coordinated Plan members. The City contributions to the GERF for the year ended December 31, 2019 were \$896,894, which was equal to the required contribution as set by state statute.

2. PEPFF Contributions

Police and Fire member's contribution rates increased from 10.8 percent of pay to 11.3 percent and employer rates increased from 16.2 percent to 16.95 percent on January 1, 2019. The City's contributions to the Police and Fire Fund for the year ended December 31, 2019, were \$1,066,319. The City's contributions were equal to the required contributions as set by state statute.

D. Pension Costs

1. GERF Pension Costs

At December 31, 2019, the City reported a liability of \$9,028,491 for its proportionate share of the GERF's net pension liability. The City's net pension liability reflected a reduction due to the state of Minnesota's contribution of \$16 million to the fund during PERA's fiscal year ended June 30, 2019. The state of Minnesota's proportionate share of the net pension liability associated with the City totaled \$280,654. The net pension liability was measured as of June 30, 2019, 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 proportion of the net pension liability was based on its respective contributions received by PERA during the measurement period for employer payroll paid dates from July 1, 2018, through June 30, 2019, relative to the total employer contributions received from all of PERA's participating employers.

**CITY OF LAKEVILLE
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2019**

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

D. Pension Costs (Continued)

1. GERF Pension Costs (Continued)

At June 30, 2019, the City's combined proportion was .1633%, an increase of .0001% from the June 30, 2018 measurement date.

City's Proportionate Share of the Net Pension Liability	\$ 9,028,491
State of Minnesota's Proportionate Share of the Net Pension Liability Associated with the City	280,654
Total	<u>\$ 9,309,145</u>

For the year ended December 31, 2019, the City recognized pension expense of \$1,266,408 for its proportionate share of the GERF's pension expense. In addition, the City recognized an additional \$26,128 as pension expenses (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, 2019, the City reported its proportionate share of the GERF's deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

Description	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Economic Experience	\$ 250,214	\$ -
Changes in Actuarial Assumptions	-	709,645
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	-	915,146
Changes in Proportion and Differences Between City Contributions and Proportionate Share of Contributions	206,454	-
City Contributions Subsequent to the Measurement Date	451,398	-
Total	<u>\$ 908,066</u>	<u>\$ 1,624,791</u>

A total of \$451,398 reported as deferred outflows of resources related to pensions resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2020. 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
2020	\$ (350,244)
2021	(653,239)
2022	(179,189)
2023	14,549
2024	-
Thereafter	-

**CITY OF LAKEVILLE
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2019**

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

D. Pension Costs (Continued)

2. PEPFF Pension Costs

At December 31, 2019, the City reported a liability of \$6,281,146 for its proportionate share of the PEPFF's net pension liability. The net pension liability was measured as of June 30, 2019, 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 proportion 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, 2018 through June 30, 2019, relative to the total employer contributions received from all of PERA's participating employers. At June 30, 2019, the City's proportion was .5900%, an increase of .0207% from the June 30, 2018 measurement date. The City also recognized \$79,650 for the year ended December 31, 2019, as revenue and an offsetting reduction of net pension liability for its proportionate share of the State of Minnesota's on-behalf contributions to the PEPFF. Legislation passed in 2013 required the State of Minnesota to begin contributing \$9 million to the Police and Fire Fund each year until the plan is 90 percent funded or until the State Patrol Plan (administered by the Minnesota State Retirement System) is 90 percent funded, whichever occurs later. In addition, the state will pay \$4.5 million on October 1, 2018 and October 1, 2019 in direct state aid. Thereafter, by October 1 of each year, the state will pay \$9 million until full funding is reached or July 1, 2048, whichever is earlier.

For the year ended December 31, 2019, the City recognized pension expense of \$1,089,210 for its proportionate share of the PEPFF pension expense.

At December 31, 2019, the City reported its proportionate share of the PEPFF's deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

Description	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Economic Experience	\$ 266,691	\$ 956,058
Changes in Actuarial Assumptions	5,212,355	7,051,799
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	-	1,308,214
Changes in Proportion and Differences Between City Contributions and Proportionate Share of Contributions	659,551	134,413
City Contributions Subsequent to the Measurement Date	558,257	-
Total	<u>\$ 6,696,854</u>	<u>\$ 9,450,484</u>

A total of \$558,257 reported as deferred outflows of resources related to pensions resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2020. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

**CITY OF LAKEVILLE
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2019**

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

D. Pension Costs (Continued)

2. PEPFF Pension Costs (Continued)

<u>Year Ending December 31,</u>	<u>Pension Expense Amount</u>
2020	\$ (314,160)
2021	(754,075)
2022	(2,415,154)
2023	116,386
2024	55,116
Thereafter	-

For year ended December 31, 2019, the City recognized total pension expenses of \$2,355,618 for all of the plans in which it participates.

E. Actuarial Assumptions

The total pension liability in the June 30, 2018, actuarial valuation was determined using the following actuarial assumptions:

Inflation	2.50% per year
Active Member Payroll Growth	3.25% per year
Investment Rate of Return	7.50%

Salary increases were based on a service-related table. Mortality rates for active members, retirees, survivors, and disabilitants were based on RP-2014 tables for males or females, as appropriate, with slight adjustments to fit PERA's experience. Cost of living benefit increases for retirees are assumed to be 1.25% per year for GERP and 1.00% per year for PEPFF.

Actuarial assumptions used in the June 30, 2019 valuation were based on the results of actuarial experience studies. The most recent four-year experience study in the General Employees Plan was completed in 2019. The most recent four-year experience study for Police and Fire Plan was completed in 2016. Economic assumptions were updated in 2018 based on a review of inflation and investment return assumptions.

The following changes in actuarial assumptions occurred in 2019:

General Employees Fund

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

Police and Fire Fund

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

CITY OF LAKEVILLE
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2019

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

E. Actuarial Assumptions (Continued)

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

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Domestic Equity	36 %	5.10%
International Equity	17	5.30%
Bonds	20	0.75%
Alternative Assets	25	5.90%
Cash	2	0.00%
Totals	100 %	

F. Discount Rate

The discount rate used to measure the total pension liability in 2019 was 7.5%. The projection of cash flows used to determine the discount rate assumed that employee and employer contributions will be made at the rate specified in statute. Based on that assumption, each of the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

G. Pension Liability Sensitivity

The following presents the City's 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 1-percentage point lower or 1-percentage point higher than the current discount rate:

GERF PENSION LIABILITY		1% Decrease in Discount Rate (6.50%)	Current Discount Rate (7.50%)	1% Increase in Discount Rate (8.50%)
Description				
City's Proportionate Share of the GERF Net Pension Liability		\$ 14,842,353	\$ 9,028,491	\$ 4,227,992
PEPFF PENSION LIABILITY		1% Decrease in Discount Rate (6.50%)	Current Discount Rate (7.50%)	1% Increase in Discount Rate (8.50%)
Description				
City's Proportionate Share of the PEPFF Net Pension Liability		\$ 13,729,418	\$ 6,281,146	\$ 122

**CITY OF LAKEVILLE
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2019**

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

H. Pension Plan Fiduciary Net Position

Detailed information about each pension plan's fiduciary net position is available in a separately issued PERA financial report that includes financial statements and required supplementary information. That report may be obtained on the Internet at www.mnpera.org; by writing to PERA at 60 Empire Drive #200, St. Paul, Minnesota, 55103-2088; or by calling 651-296-7460 or 1-800-652-9026.

NOTE 18 DEFINED CONTRIBUTION PLAN

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

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

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

Total contributions made by the City for the last three fiscal years were:

Year Ended, December 31,	Contribution Amount		Percentage of Covered Payroll		Required Rate for Employees and Employers
	Employee	Employer	Employee	Employer	
2019	\$ 2,841	\$ 2,841	5%	5%	5%
2018	2,256	2,256	5%	5%	5%
2017	2,261	2,261	5%	5%	5%

**CITY OF LAKEVILLE
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2019**

NOTE 19 DEFINED BENEFIT PENSION PLANS – FIRE RELIEF ASSOCIATION

A. Plan Description

Volunteer firefighters of the City of Lakeville Fire Department (the Department) are members of the Lakeville Fire Relief Association (the Association), which administers a single-employer defined benefit plan established to provide benefits for its members. The plan is established and administered in accordance with Minnesota Statute, Chapters 69 and 424, as amended. The Association is governed by a board of six members elected by the members of the Association for three-year terms. One City Council member, Finance Director and Fire Chief are ex officio, nonvoting members of the Board of Trustees. As of December 31, 2019, the plan covered 85 active firefighters and 17 vested terminated firefighters whose pension benefits are deferred.

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

B. Benefits Provided

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

The bylaws of the Association also provide for an early vested service pension for a retiring member who has completed fewer than 20 years of service. The reduced pension, available to members with 7 years of service, shall be equal to 48% of the pension as described by the bylaws. This percentage increases 4% per year so that at 20 years of service, the full amount prescribed is paid. Members who retire with less than 20 years of service and have reached the age of 50 years and have completed at least 7 years of active membership are entitled to a reduced service pension not to exceed the amount calculated by multiplying the member's service pension for the completed years of service times the applicable nonforfeitable percentage of pension.

**CITY OF LAKEVILLE
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2019**

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

C. Contributions

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

The City contributed state of Minnesota fire aid of \$379,598 to the plan on behalf of the Department for the year ended December 31, 2019, which was recorded as revenue. Required employer contributions are calculated annually based on statutory provisions. The City's statutorily required contributions to the plan for the year ended December 31, 2019 were \$-0-. The City's contributions were equal to the required contributions as set by state statute. The City made no voluntary contributions to the plan.

D. Pension Costs

At December 31, 2019, the City reported a net pension liability (asset) of (\$4,112,787) for the plan. The net pension liability (asset) was measured as of December 31, 2019. The total pension liability used to calculate the net pension liability (asset) in accordance with GASB Statement No. 68 was determined by Van Iwaarden Associates, applying an actuarial formula to specific census data certified by the Department as of December 31, 2019.

CITY OF LAKEVILLE
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2019

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

D. Pension Costs (Continued)

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

	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (Asset) (a-b)
Beginning balance - January 1, 2018	\$ 5,573,957	\$ 8,499,465	\$ (2,925,508)
Changes for the year:			
Service cost	319,546	-	319,546
Interest on pension liability (asset)	376,417	-	376,417
Difference between expected and actual economic experience	-	-	-
Changes of assumptions	-	-	-
Changes of benefit terms	388,025	-	388,025
Contributions (employer)	-	-	-
Contributions (state)	-	379,598	(379,598)
Net investment income	-	1,904,143	(1,904,143)
Benefit payments	(204,935)	(204,935)	-
Administrative costs	-	(12,474)	12,474
Total net changes	<u>879,053</u>	<u>2,066,332</u>	<u>(1,187,279)</u>
Ending balance - December 31, 2018	<u>\$ 6,453,010</u>	<u>\$ 10,565,797</u>	<u>\$ (4,112,787)</u>

For the year ended December 31, 2019, the City recognized a reduction in pension expense of \$109,525.

At December 31, 2019, the City reported deferred outflows of resources, including its contributions subsequent to the measurement date, related to pension from the following sources:

Description	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes in Actuarial Assumptions	\$ 280,988	\$ 91,604
Difference between expected and actual experience	-	159,743
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	-	782,397
City Contributions Subsequent to the Measurement Date	-	-
Total	<u>\$ 280,988</u>	<u>\$ 1,033,744</u>

Deferred outflows of resources totaling \$0- related to pensions resulting from the City's contributions to the plan subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2020. Other amounts reported as deferred outflows and inflows of resources related to the plan will be recognized in pension expense as follows:

**CITY OF LAKEVILLE
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2019**

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

E. Actuarial Assumptions

<u>Year Ending December 31,</u>	<u>Pension Expense Amount</u>
2020	\$ (221,330)
2021	(201,575)
2022	(79,157)
2023	(265,806)
2024	3,633
Thereafter	11,479

The total pension liability at December 31, 2019 was determined using the entry age normal actuarial cost method and the following actuarial assumptions:

Retirement eligibility at 100% service pension at age 50 with 20 years of service, early vested retirement at age 50 with 7 years of service vested at 48% and increased by 4% for each additional year of service up to 20 and eligibility for deferred service pension payable at age 50 and based on the lump sum pension formula and service at date of termination reduced for less than 20 years of service.

Inflation	2.50% per year
Active Member Payroll Growth	2.50% per year
Investment Rate of Return	6.50%
20-Year Municipal Bond Yield	2.75%

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

<u>Asset Class</u>	<u>Allocation at Measurement Date</u>	<u>Long-Term Expected Real Rate of Return</u>	<u>Long-Term Expected Nominal Rate of Return</u>
Domestic Equity	67.09 %	4.95%	7.45%
International Equity	5.07	5.24%	7.74%
Fixed Income	3.63	1.99%	4.49%
Real Estate and Alternatives	-	4.19%	6.69%
Cash and Equivalents	24.21	0.58%	3.08%
Totals	<u>100.00 %</u>		6.50%

F. Discount Rate

The discount rate used to measure the total pension liability was 6.5%. The projection of cash flows used to determine the discount rate assumed that contributions to the plan will be made as specified in statute. Based on that assumption and considering the funding ratio of the plan, the fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

**CITY OF LAKEVILLE
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2019**

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

G. Pension Liability Sensitivity

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

Description	1% Decrease in Discount Rate (5.50%)	Current Discount Rate (6.50%)	1% Increase in Discount Rate (7.50%)
Defined Benefit Plan	\$ (3,913,738)	\$ (4,112,787)	\$ (4,305,022)

H. Pension Plan Fiduciary Net Position

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

NOTE 20 DEFERRED COMPENSATION PLAN

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

NOTE 21 LITIGATION

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

**CITY OF LAKEVILLE
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2019**

NOTE 22 TAX ABATEMENT

The City has three pay-as-you go tax increment financing districts with local businesses to promote economic development within the City. The City agrees pursuant to the authority granted in the TIF Act to abate real estate taxes based on the increased property value from improvements on the owned property. The agreements call for 95% of the property tax increments collected to be returned to the developers. The City will retain 5% for administrative fees for the periods of time specified in each agreement. For the year ended December 31, 2019, the City paid excess tax increment in the amount of \$278,644. No other commitments were made by the City as part of these agreements.

NOTE 23 NEW STANDARDS

During the year ended December 31, 2019, the City implemented the GASB Statement No. 84, *Fiduciary Activities*. The implementation of this statement resulted in beginning fund balance of the Improvement Construction Capital Projects fund and net position in governmental activities being increased by \$4,847,212.

NOTE 24 SUBSEQUENT EVENT

Subsequent to year-end, the World Health Organization declared the spread of Coronavirus Disease (COVID-19) a worldwide pandemic. The COVID-19 pandemic is having significant effects on global markets, supply chains, businesses, and communities. Specific to the City, COVID-19 may impact various parts of its 2020 operations and financial results including, but not limited to, costs for emergency preparedness and shortages of personnel. Management believes the City is taking appropriate actions to mitigate the negative impact. However, the full impact of COVID-19 is unknown and cannot be reasonably estimated as these events occurred subsequent to year-end and are still developing.

REQUIRED SUPPLEMENTARY INFORMATION

**CITY OF LAKEVILLE
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCES – BUDGETARY COMPARISON
YEAR ENDED DECEMBER 31, 2019**

	Budgeted Amounts			Over (Under)
	Original	Final	Actual	Final Budget
REVENUE				
Property Taxes				
General property taxes:				
Current	\$ 18,162,309	\$ 18,162,309	\$ 18,252,465	\$ 90,156
Delinquent	146,156	146,156	216,343	70,187
Fiscal Disparities	2,968,727	2,968,727	2,956,607	(12,120)
Mobile Home Tax	47,825	47,825	53,538	5,713
Gravel Tax	2,410	2,410	14,952	12,542
Total property taxes	21,327,427	21,327,427	21,493,905	166,478
Licenses and permits	2,390,498	2,448,498	3,808,132	1,359,634
Intergovernmental				
Market value homestead credit	-	-	4,052	4,052
State-aid police	464,005	464,005	501,485	37,480
State-aid fire	363,851	383,598	383,598	-
State-aid PERA	21,303	21,303	121,750	100,447
State police and fire grants	80,621	80,621	95,993	15,372
State other grants	200	23,000	22,350	(650)
Federal other grants	59,610	59,610	89,973	30,363
Total intergovernmental	989,590	1,032,137	1,219,201	187,064
Charges for services				
General government	309,645	309,645	379,770	70,125
Public safety	502,810	502,810	484,372	(18,438)
Public works	1,063,725	1,063,725	1,635,394	571,669
Parks and recreation	834,653	866,053	921,188	55,135
Total charges for services	2,710,833	2,742,233	3,420,724	678,491
Special assessments	-	-	2,755	2,755
Fines	346,000	346,000	354,292	8,292
Investment income				
Interest Income	120,000	120,000	283,583	163,583
Increase (Decrease in Fair Market Value)	-	-	194,734	194,734
	120,000	120,000	478,317	358,317
Donations	17,705	54,824	104,459	49,635
Miscellaneous	52,874	52,874	64,244	11,370
Total revenues	27,954,927	28,123,993	30,946,029	2,822,036

(continued)

**CITY OF LAKEVILLE
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCES – BUDGETARY COMPARISON
YEAR ENDED DECEMBER 31, 2019**

	Budgeted Amounts			Over (Under)
	Original	Final	Actual	Final Budget
EXPENDITURES				
General government				
Mayor and council				
Personnel services	\$ 62,561	\$ 62,561	\$ 60,566	\$ (1,995)
Commodities	50	50	99	49
Other charges and services	50,639	58,521	58,362	(159)
Total mayor and council	113,250	121,132	119,027	(2,105)
Committees/commissions				
Personnel services	53,388	80,388	80,663	275
Commodities	1,630	1,630	2,191	561
Other charges and services	13,200	35,752	25,108	(10,644)
Total committees/commissions	68,218	117,770	107,962	(9,808)
City administration				
Personnel services	455,248	455,248	449,052	(6,196)
Commodities	1,600	1,600	293	(1,307)
Other charges and services	20,658	31,448	20,560	(10,888)
Total city administration	477,506	488,296	469,905	(18,391)
City clerk				
Personnel services	114,305	114,305	115,749	1,444
Commodities	300	300	300	-
Other charges and services	33,981	33,981	20,752	(13,229)
Total city clerk	148,586	148,586	136,801	(11,785)
Legal counsel				
Other charges and services	81,000	96,000	92,545	(3,455)
Planning				
Personnel services	538,195	538,195	529,936	(8,259)
Commodities	2,041	2,041	1,743	(298)
Other charges and services	40,279	40,279	31,153	(9,126)
Total planning	580,515	580,515	562,832	(17,683)
Community and economic development				
Personnel services	307,121	307,121	304,550	(2,571)
Commodities	250	250	193	(57)
Other charges and services	67,866	67,866	69,880	2,014
Total community and economic development	375,237	375,237	374,623	(614)
Inspections				
Personnel services	1,003,209	1,003,209	1,007,200	3,991
Commodities	13,792	13,792	10,258	(3,534)
Other charges and services	256,543	289,543	298,453	8,910
Capital Outlay	-	25,000	-	(25,000)
Total inspections	1,273,544	1,331,544	1,315,911	(15,633)

(continued)

**CITY OF LAKEVILLE
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCES – BUDGETARY COMPARISON
YEAR ENDED DECEMBER 31, 2019**

	Budgeted Amounts			Over (Under)
	Original	Final	Actual	Final Budget
EXPENDITURES (CONTINUED)				
General government (continued)				
General government facilities				
Personnel services	\$ 399,147	\$ 399,147	\$ 416,584	\$ 17,437
Commodities	22,174	22,174	22,172	(2)
Other charges and services	186,003	186,003	187,580	1,577
Total general government facilities	607,324	607,324	626,336	19,012
Finance				
Personnel services	716,653	716,653	706,841	(9,812)
Commodities	3,525	3,525	1,253	(2,272)
Other charges and services	84,251	84,251	84,966	715
Total finance	804,429	804,429	793,060	(11,369)
Information technology				
Personnel services	443,618	443,618	436,504	(7,114)
Commodities	4,425	4,425	5,613	1,188
Other charges and services	340,502	340,502	366,692	26,190
Total information systems	788,545	788,545	808,809	20,264
Human resources				
Personnel services	416,092	416,092	402,640	(13,452)
Commodities	3,865	3,865	4,145	280
Other charges and services	108,040	108,040	89,875	(18,165)
Total human resources	527,997	527,997	496,660	(31,337)
Insurance coverage				
Other charges and services	285,000	435,727	435,727	-
Total general government	6,131,151	6,423,102	6,340,198	(82,904)
Public safety				
Police				
Personnel services	9,083,175	9,056,175	9,053,312	(2,863)
Commodities	401,462	371,662	339,589	(32,073)
Other charges and services	2,143,651	2,133,451	2,063,336	(70,115)
Total police	11,628,288	11,561,288	11,456,237	(105,051)
Fire Protection				
Personnel services	1,609,135	1,628,882	1,612,767	(16,115)
Commodities	145,816	155,821	141,286	(14,535)
Other charges and services	279,986	279,986	286,429	6,443
Total fire protection	2,034,937	2,064,689	2,040,482	(24,207)
Total public safety	13,663,225	13,625,977	13,496,719	(129,258)
(continued)				

**CITY OF LAKEVILLE
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCES – BUDGETARY COMPARISON
YEAR ENDED DECEMBER 31, 2019**

	Budgeted Amounts			Over (Under)
	Original	Final	Actual	Final Budget
EXPENDITURES (CONTINUED)				
Public Works				
Engineering				
Personnel services	\$ 769,706	\$ 769,706	\$ 779,160	\$ 9,454
Commodities	12,966	12,966	7,822	(5,144)
Other charges and services	99,085	99,085	73,101	(25,984)
Capital Outlay	-	-	16,329	16,329
Total engineering	881,757	881,757	876,412	(5,345)
Construction services				
Personnel services	552,065	552,065	490,045	(62,020)
Commodities	7,915	7,915	7,496	(419)
Other charges and services	13,890	13,890	10,699	(3,191)
Total construction services	573,870	573,870	508,240	(65,630)
Street maintenance				
Personnel services	2,183,894	2,183,894	2,282,840	98,946
Commodities	746,573	746,573	834,396	87,823
Other charges and services	358,150	358,150	316,590	(41,560)
Capital Outlay	-	10,929	-	(10,929)
Total street maintenance	3,288,617	3,299,546	3,433,826	134,280
Total public works	4,744,244	4,755,173	4,818,478	63,305
Parks and recreation				
Park maintenance				
Personnel services	1,925,115	1,925,115	1,895,861	(29,254)
Commodities	296,140	296,140	272,985	(23,155)
Other charges and services	523,708	523,708	492,533	(31,175)
Total park maintenance	2,744,963	2,744,963	2,661,379	(83,584)
Recreation				
Personnel services	419,055	419,055	411,217	(7,838)
Commodities	35,577	35,577	30,764	(4,813)
Other charges and services	290,505	290,505	303,512	13,007
Total recreation	745,137	745,137	745,493	356
Heritage center				
Personnel services	71,576	71,576	62,955	(8,621)
Commodities	9,358	9,358	6,424	(2,934)
Other charges and services	57,740	57,740	48,603	(9,137)
Total heritage center	138,674	138,674	117,982	(20,692)
Arts center				
Personnel services	299,614	324,664	347,404	22,740
Commodities	40,020	47,082	40,715	(6,367)
Other charges and services	210,415	241,810	265,437	23,627
Capital Outlay	-	5,250	20,245	14,995
Total arts center	550,049	618,806	673,801	54,995
Total parks and recreation	4,178,823	4,247,580	4,198,655	(48,925)
Other	79,466	79,466	-	(79,466)
Total expenditures	28,796,909	29,131,298	28,854,050	(277,248)
EXCESS (DEFICIENCY) OF REVENUE OVER (UNDER) EXPENDITURES	(841,982)	(1,007,305)	2,091,979	3,099,284

(continued)

**CITY OF LAKEVILLE
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCES – BUDGETARY COMPARISON
YEAR ENDED DECEMBER 31, 2019**

	Budgeted Amounts			Over (Under)
	Original	Final	Actual	Final Budget
OTHER FINANCE SOURCES (USES)				
Transfers In From:				
Special Revenue - Communications Fund	\$ 80,866	\$ 80,866	\$ 80,866	\$ -
Enterprise - Liquor Fund	158,573	158,573	164,875	6,302
Enterprise - Utility Fund	477,043	477,043	477,043	-
Internal Service - Municipal Reserves Fund	50,000	50,000	50,000	-
Transfers Out To:				
Capital Projects - Technology Fund	-	(155,000)	(155,000)	-
Capital Projects - Park Improvement Fund	(150,000)	(150,000)	(150,000)	-
Capital Projects - Equipment Fund	(480,000)	(920,000)	(920,000)	-
Total Other Finance Sources (Uses)	<u>136,482</u>	<u>(458,518)</u>	<u>(452,216)</u>	<u>6,302</u>
NET CHANGE IN FUND BALANCES	<u><u>\$ (705,500)</u></u>	<u><u>\$ (1,465,823)</u></u>	1,639,763	<u><u>\$ 3,105,586</u></u>
FUND BALANCES				
Beginning of Year			15,696,442	
Change in Supplies - Inventory			<u>(132,957)</u>	
End of Year			<u><u>\$ 17,203,248</u></u>	

**CITY OF LAKEVILLE
GENERAL FUND
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
DECEMBER 31, 2019**

A. Budgetary Information

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

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

CITY OF LAKEVILLE
PERA – GENERAL EMPLOYEES RETIREMENT FUND
DECEMBER 31, 2019

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

	Measurement Date				
	6/30/2019	6/30/2018	6/30/2017	6/30/2016	6/30/2015
City's Proportion of the Net Pension Liability	0.1633%	0.1632%	0.1585%	0.1544%	0.1540%
City's Proportionate Share of the Net Pension Liability	\$ 9,028,491	\$ 9,053,667	\$ 10,118,535	\$ 12,536,514	\$ 7,981,079
State's Proportionate Share of the Net Pension Liability Associated with the City	280,654	297,059	127,203	-	-
Total	<u>\$ 9,309,145</u>	<u>\$ 9,350,726</u>	<u>\$ 10,245,738</u>	<u>\$ 12,536,514</u>	<u>\$ 7,981,079</u>
City's Covered Payroll	\$ 11,645,116	\$ 10,971,998	\$ 10,213,446	\$ 9,572,229	\$ 9,046,858
City's Proportionate Share of the Net Pension Liability as a Percentage of Its Covered Payroll	77.53%	82.52%	99.07%	130.97%	88.22%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	80.20%	79.53%	75.90%	68.90%	78.20%

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

GERF Schedule of City Contributions
Last Four Fiscal Years*

	Fiscal Year Ended December 31,				
	2019	2018	2017	2016	2015
Statutorily Required Contribution	\$ 896,894	\$ 847,485	\$ 791,612	\$ 741,919	\$ 705,189
Contributions in Relation to the Statutorily Required Contribution	(896,894)	(847,485)	(791,612)	(741,919)	(705,189)
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
City's Covered Payroll	\$ 11,958,587	\$ 11,299,800	\$ 10,554,827	\$ 9,892,253	\$ 9,402,520
Contributions as a Percentage of Covered Payroll	7.50%	7.50%	7.50%	7.50%	7.50%

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

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

**CITY OF LAKEVILLE
PERA – PUBLIC EMPLOYEES POLICE AND FIRE FUND
DECEMBER 31, 2019**

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

	Measurement Date				
	6/30/2019	6/30/2018	6/30/2017	6/30/2016	6/30/2015
City's Proportion of the Net Pension Liability	0.5900%	0.5693%	0.5490%	0.5620%	0.5320%
City's Proportionate Share of the Net Pension Liability	\$ 6,281,146	\$ 6,068,152	\$ 7,412,153	\$ 22,554,038	\$ 6,044,765
City's Covered Payroll	\$ 6,241,714	\$ 6,004,172	\$ 5,635,205	\$ 5,423,663	\$ 4,870,941
City's Proportionate Share of the Net Pension Liability as a Percentage of Its Covered Payroll	100.63%	101.07%	131.53%	415.85%	124.10%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	89.30%	88.84%	85.40%	63.90%	86.60%

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

**PEPFF Schedule of City Contributions
Last Four Fiscal Years***

	Fiscal Year Ended December 31,				
	2019	2018	2017	2016	2015
Statutorily Required Contribution	\$ 1,066,319	\$ 999,032	\$ 942,349	\$ 904,571	\$ 845,144
Contributions in Relation to the Statutorily Required Contribution	(1,066,319)	(999,032)	(942,349)	(904,571)	(845,144)
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -	\$ -	\$ -
City's Covered Payroll	\$ 6,290,968	\$ 6,166,864	\$ 5,816,969	\$ 5,583,772	\$ 5,216,938
Contributions as a Percentage of Covered Payroll	16.95%	16.20%	16.20%	16.20%	16.20%

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

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

CITY OF LAKEVILLE
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION – STATE WIDE PLANS
DECEMBER 31, 2019

General Employees Fund

2019 Changes

Changes in Actuarial Assumptions

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

Changes in Plan Provisions

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

2018 Changes

Changes in Actuarial Assumptions:

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

2017 Changes

Changes in Plan Provisions:

- The State's special funding contribution increased from \$6 million to \$16 million.

Changes in Actuarial Assumptions:

- The Combined Service Annuity (CSA) loads were changed from 0.8% for active members and 60% for vested and nonvested deferred members. The revised CSA loads are now 0.0% for active member liability, 15.00% for vested deferred member liability, and 3.00% for nonvested deferred member liability.
- The assumed postretirement benefit increase rate was changed from 1.00% per year for all years to 1.00% per year through 2044 and 2.50% per year thereafter.

2016 Changes

Changes in Actuarial Assumptions:

- The assumed postretirement benefit increase rate was changed from 1.00% per year through 2035 and 2.50% per year thereafter to 1.00% per year for all years.
- The assumed investment return was changed from 7.90% to 7.50%. The single discount rate was changed from 7.90% to 7.50%.
- 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.

CITY OF LAKEVILLE
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION – STATE WIDE PLANS
DECEMBER 31, 2019

General Employees Fund (Continued)

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, is due September 2015.

Changes in Actuarial Assumptions:

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

Police and Fire Fund

2019 Changes

Changes in Actuarial Assumptions:

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

2018 Changes

Changes in Actuarial Assumptions:

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

2017 Changes

Changes in Actuarial Assumptions:

- Assumed salary increases were changed as recommended in the June 30, 2016 experience study. The net effect is proposed rates that average 0.34% lower than the previous rates.
- Assumed rates of retirement were changed, resulting in fewer retirements.
- The Combined Service Annuity (CSA) load was 30% for vested and nonvested deferred members. The CSA has been changed to 33% for vested members and 2% for nonvested members.
- The base mortality table for healthy annuitants was changed from the RP-2000 fully generational table to the RP-2014 fully generational table (with a base year of 2006), with male rates adjusted by a factor of 0.96. The mortality improvement scale was changed from Scale AA to Scale MP-2016. The base mortality table for disabled annuitants was changed from the RP-2000 disabled mortality table to the mortality tables assumed for healthy retirees.
- Assumed termination rates were decreased to 3.0% 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% to 60%.
- Assumed age difference was changed from separate assumptions for male members (wives assumed to be three years younger) and female members (husbands assumed to be four years older) to the assumption that males are two years older than females.
- The assumed percentage of female members electing Joint and Survivor annuities was increased.
- The assumed postretirement benefit increase rate was changed from 1.00% for all years to 1.00% per year through 2064 and 2.50% thereafter.
- The Single Discount Rate was changed from 5.60% per annum to 7.50% per annum.

**CITY OF LAKEVILLE
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION – STATE WIDE PLANS
DECEMBER 31, 2019**

Police and Fire Fund (Continued)

2016 Changes

Changes in Actuarial Assumptions:

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

2015 Changes

Changes in Plan Provisions:

- The postretirement benefit increase to be paid after attainment of the 90% funding threshold was changed, from inflation up to 2.50%, to a fixed rate of 2.50%.

Changes in Actuarial Assumptions:

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

CITY OF LAKEVILLE
NET PENSION LIABILITY (ASSET) AND RELATED RATIOS
LAKEVILLE FIRE RELIEF ASSOCIATION
DECEMBER 31, 2019

	2019	2018	2017	2016	2015
Total Pension Liability (TPL)					
Service Cost	\$ 319,546	\$ 255,975	\$ 231,712	\$ 270,846	\$ 223,785
Interest	376,417	358,835	345,935	301,640	269,493
Differences Between Expected and Actual Experience	-	(57,139)	-	(201,242)	-
Changes of Assumptions	-	94,736	38,230	(161,264)	353,037
Changes of Benefit Terms	388,025	352,464	154,012	186,369	-
Benefit Payments, Including Member Contribution Refunds	(204,935)	(602,296)	(276,622)	(547,241)	(210,816)
Net Change in Total Pension Liability	879,053	402,575	493,267	(150,892)	635,499
Total Pension Liability - Beginning	5,573,957	5,171,382	4,678,115	4,829,007	4,193,508
Total Pension Liability - Ending (a)	6,453,010	5,573,957	5,171,382	4,678,115	4,829,007
Plan Fiduciary Net Position					
Municipal Contributions	-	-	-	-	-
State Contributions	379,598	367,701	351,635	348,276	338,889
Net Investment Income	1,904,143	(314,875)	1,175,892	551,474	39,474
Benefit Payments, including refunds of member contributions	(204,935)	(602,296)	(276,622)	(547,241)	(210,816)
Administrative Expenses	(12,474)	(12,042)	(11,579)	(9,817)	(11,292)
Other	-	-	-	-	(40)
Net Change in Fiduciary Net Position	2,066,332	(561,512)	1,239,326	342,692	156,215
Fiduciary Net Position - Beginning	8,499,465	9,060,977	7,821,651	7,478,959	7,322,744
Fiduciary Net Position - Ending (b)	10,565,797	8,499,465	9,060,977	7,821,651	7,478,959
Ending Net Pension Liability (Asset) (a-b)	<u>\$ (4,112,787)</u>	<u>\$ (2,925,508)</u>	<u>\$ (3,889,595)</u>	<u>\$ (3,143,536)</u>	<u>\$ (2,649,952)</u>
Plan Fiduciary Net Position as a Percentage of Total Pension Liability (b/a)	163.73%	152.49%	175.21%	167.20%	154.88%
Covered Payroll	N/A	N/A	N/A	N/A	N/A
Net Pension Liability (Asset) as a Percentage of Covered Payroll	N/A	N/A	N/A	N/A	N/A

*Ten Years of Data Will Eventually Be Presented When Available

Schedule of Employer Contributions

	2019	2019	2017	2016	2015
Statutorily Required Contribution	\$ -	\$ -	\$ -	\$ -	\$ -
Contributions in Relation to the Statutorily Required Contribution	-	-	-	-	-
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

*Ten Years of Data Will Eventually Be Presented When Available

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

CITY OF LAKEVILLE
SCHEDULE OF CHANGES IN THE CITY'S TOTAL OPEB LIABILITY AND RELATED RATIOS
DECEMBER 31, 2019

	2019	2018
Total OPEB Liability		
Service Cost	\$ 89,732	\$ 48,551
Interest	48,182	34,601
Changes of Benefit Terms	-	-
Difference Between Expected and Actual Experience	87,715	-
Changes of Assumptions	-	-
Benefit Payments	(50,869)	(42,312)
Net Change in Total OPEB Liability	174,760	40,840
Total OPEB Liability - Beginning	1,061,792	1,020,952
Total OPEB Liability - Ending	<u>\$ 1,236,552</u>	<u>\$ 1,061,792</u>
Total OPEB Liability	\$ 1,236,552	\$ 1,061,792
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	0.00%	0.00%
Covered Employee Payroll	\$ 14,711,089	\$ 15,084,789
City's Total OPEB Liability as a Percentage of the Covered Employee Payroll	8.41%	7.04%

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

Valuation date: January 1, 2019
Measurement date: January 1, 2019

Methods and assumptions used to determine the contribution rates:

Actuarial cost method	Entry age
Amortization method	Level percentage of payroll, closed
Amortization period	Average of expected remaining service on a basis for differences between expected an experience and assumption changes.
Inflation	3.00%
Healthcare cost trend rate	6.25% for 2018, decreasing to 5.00% over 5
Salary increases	3.00%
Discount rate	3.60% (20-year municipal bond yield)
Mortality	RP-2014 White Collar Mortality Tables with I Generational Improvement Scale (with Blu adjustment for Police and Fire Personnel)

COMBINING AND INDIVIDUAL FUND STATEMENTS AND SCHEDULES

NONMAJOR GOVERNMENTAL FUNDS

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

Communications Fund

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

Economic Development Fund

This fund accounts for a \$125,000 Economic Recovery Grant received from the State of Minnesota Department of Trade and Economic Development in 1995. The grant purpose is to provide loans to businesses expanding in or locating to Lakeville. The fund also accounts for administrative fees received from the issuance of conduit debt.

Downtown Special Service District Fund

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

Debt Service Funds – These funds account for the accumulation of resources that are restricted to the payment of long-term debt principal and interest, but excluding debt issued for and serviced by an enterprise fund.

Tax Increment Fund

Debt issued to finance construction of public improvements in accordance with approved tax increment plans. Property tax increments received from designated tax increment financing districts are pledged to the payment of the bonds.

State-aid Revenue Fund

Debt issued to finance construction of State-aid street projects within the City. The primary revenue source is municipal state aid allotments from the State of Minnesota Department of Transportation.

Water Revenue Fund

Debt issued to finance the construction of wells, pump houses, towers, water main systems, and the City's water treatment facility. Water connection fees are pledged toward the repayment of the principal and interest on these bonds.

Arena Revenue Fund

Debt issued for the construction of the Lakeville Ames Ice Arena first and second sheet of ice, spectator seating and locker rooms. Revenue sources include donations from net operating ice arena revenues and other sources pledged to the payment of the bonds. The Ice Center Refunding Bonds, Series 2008 A and the 2005 Capital Dehumidification Lease-Purchase agreement are general obligations that are backed by the full-faith and credit of the City. The Gross Revenue Recreation Facility Bonds of 1999 are not general obligations and, accordingly, are not backed by the full-faith and credit of the City.

(continued)

NONMAJOR GOVERNMENTAL FUNDS

Debt Service Funds (continued)

HRA Revenue Fund

The HRA also issued the HRA Ice Arena Lease Revenue Bonds, Series 2006 for the Hasse single sheet ice arena facility. Debt service will be payable from property taxes and lease payments to be made to the City pursuant to the lease agreement between the Authority and Independent School District 194. These HRA bonds are not general obligations and accordingly are not backed by the full-faith and credit of the City.

General Obligation Debt Service Fund

This fund accounts for those bond issues that financed debt approved by voter referendum, equipment certificates of indebtedness, and capital improvement bonds. Revenues are provided primarily from property taxes.

Capital Projects Funds – These funds account for financial resources used in the acquisition of capital facilities, equipment, and infrastructure (except those financed by enterprise funds).

Pavement Management Fund

This fund accounts for pavement management activities relating to crack sealing, patching, seal coating and overlays. These major maintenance projects are financed with property taxes.

Storm Water Infrastructure Fund

This fund accounts for fees and area charges to land developers for construction of storm water infrastructure.

Water Fund

This fund accounts for revenues derived primarily from connection charges collected at the time building permits are issued and antenna site leases with wireless communications companies. Funds are appropriated towards construction costs of water supply lines, wells and water storage facilities, and provide the debt service to bonds issued to finance the construction of the City's water treatment facility and other trunk infrastructure improvements.

Sanitary Sewer Fund

This fund accounts for sewer connection and area fees charged to land developers for connecting to the City's sanitary sewer system, appropriations are applied to the construction of sanitary sewer trunk systems.

Park Dedication Fund

This fund accounts for park dedication fees received from land developers. The expenditures consist of acquiring and developing City parks and trails.

Trail Improvement Fund

This fund accounts for the long-term maintenance, repairs, and replacement of City trails.

Park Improvement Fund

This fund accounts for the long-term maintenance, repairs, and replacement of City parks.

Tax Increment Fund

This fund accounts for revenue received from tax increment property districts that does not require debt financing. The expenditures are for current and future development of tax increment property.

Tax Abatement Fund

This fund accounts for economic development assistance provided to local businesses. The expenditures are for current and future economic development incentives.

(continued)

NONMAJOR GOVERNMENTAL FUNDS

Capital Projects Funds (Continued)

Equipment Fund

This fund accounts for the purchase of equipment for general government, public safety, public works, and park maintenance.

Technology Fund

This fund accounts for the purchase of equipment related to information technology.

Arenas Capital Reserve Fund

This fund accounts for the accumulation and disbursement of funds for Lakeville Arenas improvement projects.

Capital Projects Building Fund

This fund accounts for the accumulation and disbursement of funds for the construction or improvement of public buildings.

**CITY OF LAKEVILLE
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
DECEMBER 31, 2019**

	Special Revenue	Debt Service	Capital Projects	Totals
ASSETS				
Cash and investments	\$ 961,505	\$ 8,328,834	\$ 41,829,121	\$ 51,119,460
Investments held by trustee	-	616,405	-	616,405
Receivables:				
Interest receivable	3,361	47,835	234,892	286,088
Special assessments				
Unremitted	-	-	112	112
Delinquent	-	-	353	353
Deferred	-	305,828	138,237	444,065
Other	-	-	202,111	202,111
Accounts receivable	178,279	-	288,068	466,347
Leases receivable	-	2,040,000	-	2,040,000
Total Assets	<u>\$ 1,143,145</u>	<u>\$ 11,338,902</u>	<u>\$ 42,692,894</u>	<u>\$ 55,174,941</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCE				
LIABILITIES				
Salaries payable	\$ 19,124	\$ -	\$ -	\$ 19,124
Accounts payable	24,434	-	1,114,927	1,139,361
Advances from other funds	-	-	428,936	428,936
Contracts payable	-	-	227,285	227,285
Deposits payable	-	-	111,975	111,975
Unearned revenue	-	-	43	43
Total Liabilities	<u>43,558</u>	<u>-</u>	<u>1,883,166</u>	<u>1,926,724</u>
DEFERRED INFLOWS OF RESOURCES				
Unavailable revenue - special assessments	-	304,689	340,701	645,390
Unavailable revenue - other	-	2,040,000	-	2,040,000
Total Deferred Inflows of Resources	<u>-</u>	<u>2,344,689</u>	<u>340,701</u>	<u>2,685,390</u>
FUND BALANCE				
Restricted	120,188	8,994,213	6,182,471	15,296,872
Committed	979,399	-	34,715,258	35,694,657
Unassigned	-	-	(428,702)	(428,702)
Total Fund Balance	<u>1,099,587</u>	<u>8,994,213</u>	<u>40,469,027</u>	<u>50,562,827</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balance	<u>\$ 1,143,145</u>	<u>\$ 11,338,902</u>	<u>\$ 42,692,894</u>	<u>\$ 55,174,941</u>

CITY OF LAKEVILLE
COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
YEAR ENDED DECEMBER 31, 2019

	Special Revenue	Debt Service	Capital Projects	Totals
REVENUE				
Property taxes:				
Current and delinquent	\$ -	\$ 3,530,979	\$ 1,527,000	\$ 5,057,979
Licenses and permits	683,977	-	-	683,977
Special assessments	-	48,702	91,751	140,453
Tax increment	-	436,307	320,800	757,107
Intergovernmental revenue:				
State-aid PERA	516	-	-	516
Municipal state-aid	-	734,358	119,999	854,357
Federal grants	-	-	64,316	64,316
County and local grants	31,758	-	732,939	764,697
Charges for services	61,289	292,100	10,248,067	10,601,456
Interest income	20,316	137,955	856,553	1,014,824
Change in fair value of investments	14,628	91,804	616,757	723,189
Donations	-	-	107,510	107,510
Miscellaneous	-	-	443,264	443,264
Total Revenue	812,484	5,272,205	15,128,956	21,213,645
EXPENDITURES				
Current:				
General government	688,428	-	-	688,428
Capital Outlay:				
General government	25,287	-	413,051	438,338
Public safety	-	-	669,739	669,739
Public works	-	-	3,832,328	3,832,328
Culture and recreation	-	-	2,672,158	2,672,158
Debt Service:				
Principal retirement	-	4,130,000	-	4,130,000
Interest on debt	-	1,887,058	-	1,887,058
Fiscal charges	-	18,165	-	18,165
Total Expenditures	713,715	6,035,223	7,587,276	14,336,214
EXCESS (DEFICIENCY) OF REVENUE OVER (UNDER) EXPENDITURES	98,769	(763,018)	7,541,680	6,877,431
OTHER FINANCE SOURCES (USES)				
Proceeds from the sale of capital assets	-	-	107,645	107,645
Transfers in from other funds	91,267	1,017,108	1,661,495	2,769,870
Transfers out to other funds	(80,866)	-	(1,651,388)	(1,732,254)
Total Other Finance Sources (Uses)	10,401	1,017,108	117,752	1,145,261
NET CHANGE IN FUND BALANCES	109,170	254,090	7,659,432	8,022,692
FUND BALANCES				
Beginning of Year	990,417	8,740,123	32,809,595	42,540,135
End of Year	\$ 1,099,587	\$ 8,994,213	\$ 40,469,027	\$ 50,562,827

**CITY OF LAKEVILLE
SPECIAL REVENUE FUNDS (NONMAJOR)
COMBINING BALANCE SHEET
DECEMBER 31, 2019**

	Communications	Economic Development	Downtown Special Service District	Totals
ASSETS				
Cash and investments	\$ 915,882	\$ 13,094	\$ 32,529	\$ 961,505
Interest receivable	3,060	301	-	3,361
Accounts receivable	178,279	-	-	178,279
	<u>178,279</u>	<u>-</u>	<u>-</u>	<u>178,279</u>
Total Assets	<u>\$ 1,097,221</u>	<u>\$ 13,395</u>	<u>\$ 32,529</u>	<u>\$ 1,143,145</u>
LIABILITIES AND FUND BALANCE				
LIABILITIES				
Salaries payable	\$ 19,124	\$ -	\$ -	\$ 19,124
Accounts payable	24,434	-	-	24,434
	<u>24,434</u>	<u>-</u>	<u>-</u>	<u>24,434</u>
Total Liabilities	43,558	-	-	43,558
FUND BALANCE				
Restricted	87,659	-	32,529	120,188
Committed	966,004	13,395	-	979,399
	<u>966,004</u>	<u>13,395</u>	<u>-</u>	<u>979,399</u>
Total Fund Balance	<u>1,053,663</u>	<u>13,395</u>	<u>32,529</u>	<u>1,099,587</u>
Total Liabilities and Fund Balance	<u>\$ 1,097,221</u>	<u>\$ 13,395</u>	<u>\$ 32,529</u>	<u>\$ 1,143,145</u>

**CITY OF LAKEVILLE
SPECIAL REVENUE FUNDS (NONMAJOR)
COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
YEAR ENDED DECEMBER 31, 2019**

	Communications	Economic Development	Downtown Special Service District	Totals
REVENUE				
Licenses and permits	\$ 683,977	\$ -	\$ -	\$ 683,977
Intergovernmental				
State-aid PERA	516	-	-	516
Other grants	31,758	-	-	31,758
Charges for services	61,289	-	-	61,289
Interest income	19,987	329	-	20,316
Change in fair value of investments	14,391	237	-	14,628
Total revenue	<u>811,918</u>	<u>566</u>	<u>-</u>	<u>812,484</u>
EXPENDITURES				
Current:				
General government	674,160	8,301	5,967	688,428
Capital outlay				
General government	<u>25,287</u>	<u>-</u>	<u>-</u>	<u>25,287</u>
Total expenditures	<u>699,447</u>	<u>8,301</u>	<u>5,967</u>	<u>713,715</u>
EXCESS (DEFICIENCY) OF REVENUE OVER (UNDER) EXPENDITURES	112,471	(7,735)	(5,967)	98,769
OTHER FINANCE SOURCES (USES)				
Transfers In	91,267	-	-	91,267
Transfers Out	<u>(80,866)</u>	<u>-</u>	<u>-</u>	<u>(80,866)</u>
Total other finance sources (uses)	<u>10,401</u>	<u>-</u>	<u>-</u>	<u>10,401</u>
NET CHANGE IN FUND BALANCES	122,872	(7,735)	(5,967)	109,170
FUND BALANCES				
Beginning of Year	<u>930,791</u>	<u>21,130</u>	<u>38,496</u>	<u>990,417</u>
End of Year	<u>\$ 1,053,663</u>	<u>\$ 13,395</u>	<u>\$ 32,529</u>	<u>\$ 1,099,587</u>

**CITY OF LAKEVILLE
DEBT SERVICE FUNDS (NONMAJOR)
COMBINING BALANCE SHEET
DECEMBER 31, 2019**

	Bonds						Total
	Tax Increment	State-aid Revenue	Water Revenue	Arena Revenue	HRA Revenue	General Obligation	
ASSETS							
Cash and investments	\$ 3,471,776	\$ 882,734	\$ -	\$ 9,470	\$ 494,529	\$ 3,470,325	\$ 8,328,834
Investments held by trustee	-	-	-	-	616,405	-	616,405
Interest receivable	24,801	6,451	-	1,045	767	14,771	47,835
Special assessments receivable	-	-	-	-	-	305,828	305,828
Leases receivable	-	-	-	-	2,040,000	-	2,040,000
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,040,000</u>	<u>-</u>	<u>2,040,000</u>
Total Assets	<u>\$ 3,496,577</u>	<u>\$ 889,185</u>	<u>\$ -</u>	<u>\$ 10,515</u>	<u>\$ 3,151,701</u>	<u>\$ 3,790,924</u>	<u>\$ 11,338,902</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCE							
LIABILITIES							
Interest payable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
DEFERRED INFLOWS OF RESOURCES							
Unavailable revenue - special assessments	-	-	-	-	-	304,689	304,689
Unavailable revenue - leases	-	-	-	-	2,040,000	-	2,040,000
Total Deferred Inflows	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,040,000</u>	<u>304,689</u>	<u>2,344,689</u>
FUND BALANCE							
Restricted for debt service	<u>3,496,577</u>	<u>889,185</u>	<u>-</u>	<u>10,515</u>	<u>1,111,701</u>	<u>3,486,235</u>	<u>8,994,213</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balance	<u>\$ 3,496,577</u>	<u>\$ 889,185</u>	<u>\$ -</u>	<u>\$ 10,515</u>	<u>\$ 3,151,701</u>	<u>\$ 3,790,924</u>	<u>\$ 11,338,902</u>

**CITY OF LAKEVILLE
DEBT SERVICE FUNDS (NONMAJOR)
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES
YEAR ENDED DECEMBER 31, 2019**

	Bonds						
	Tax Increment	State-aid Revenue	Water Revenue	Arena Revenue	HRA Revenue	General Obligation	Total
REVENUE							
Property taxes							
Current and delinquent	\$ -	\$ -	\$ -	\$ -	\$ 292,100	\$ 3,238,879	\$ 3,530,979
Tax increment	436,307	-	-	-	-	-	436,307
Intergovernmental - State-aid	-	734,358	-	-	-	-	734,358
Charges for services	-	-	-	-	292,100	-	292,100
Special Assessments	-	-	-	-	-	48,702	48,702
Interest Income	69,872	14,534	-	2,274	13,557	37,718	137,955
Change in Fair Value of Investments	50,312	10,465	-	1,637	2,232	27,158	91,804
Donations	-	-	-	-	-	-	-
Total revenues	<u>556,491</u>	<u>759,357</u>	<u>-</u>	<u>3,911</u>	<u>599,989</u>	<u>3,352,457</u>	<u>5,272,205</u>
EXPENDITURES							
Debt Service:							
Principal bond maturities	240,000	550,000	365,000	170,000	360,000	2,445,000	4,130,000
Interest on debt	36,761	180,889	249,325	9,179	219,600	1,191,304	1,887,058
Fiscal charges	2,920	1,138	2,783	-	3,818	7,506	18,165
Total expenditures	<u>279,681</u>	<u>732,027</u>	<u>617,108</u>	<u>179,179</u>	<u>583,418</u>	<u>3,643,810</u>	<u>6,035,223</u>
DEFICIENCY OF REVENUE UNDER EXPENDITURES	<u>276,810</u>	<u>27,330</u>	<u>(617,108)</u>	<u>(175,268)</u>	<u>16,571</u>	<u>(291,353)</u>	<u>(763,018)</u>
OTHER FINANCE SOURCES							
Transfers from (to):							
Capital Projects - Water Fund	-	-	617,108	-	-	-	617,108
Enterprise - Liquor Fund	-	-	-	-	-	400,000	400,000
Total other finance sources (uses)	<u>-</u>	<u>-</u>	<u>617,108</u>	<u>-</u>	<u>-</u>	<u>400,000</u>	<u>1,017,108</u>
NET CHANGE IN FUND BALANCES	<u>276,810</u>	<u>27,330</u>	<u>-</u>	<u>(175,268)</u>	<u>16,571</u>	<u>108,647</u>	<u>254,090</u>
FUND BALANCES							
Beginning of Year	<u>3,219,767</u>	<u>861,855</u>	<u>-</u>	<u>185,783</u>	<u>1,095,130</u>	<u>3,377,588</u>	<u>8,740,123</u>
End of Year	<u>\$ 3,496,577</u>	<u>\$ 889,185</u>	<u>\$ -</u>	<u>\$ 10,515</u>	<u>\$ 1,111,701</u>	<u>\$ 3,486,235</u>	<u>\$ 8,994,213</u>

**CITY OF LAKEVILLE
CAPITAL PROJECTS FUND (NONMAJOR)
COMBINING BALANCE SHEET
DECEMBER 31, 2019**

	Pavement Management	Storm Water Infrastructure	Water	Sanitary Sewer	Park Dedication	Trail Improvement
ASSETS						
Cash and investments	\$ 1,821,217	\$ 8,826,518	\$ 11,569,291	\$ 9,380,377	\$ 6,150,574	\$ 697,432
Interest receivable	9,698	55,026	50,506	51,939	35,121	5,437
Accounts receivable	-	222,000	-	-	-	1,752
Special assessments:						
Unremitted	112	-	-	-	-	-
Delinquent	353	-	-	-	-	-
Deferred	-	5,126	80,989	52,122	-	-
Other	-	63,372	99,911	38,828	-	-
	<u>-</u>	<u>63,372</u>	<u>99,911</u>	<u>38,828</u>	<u>-</u>	<u>-</u>
Total Assets	<u>\$ 1,831,380</u>	<u>\$ 9,172,042</u>	<u>\$ 11,800,697</u>	<u>\$ 9,523,266</u>	<u>\$ 6,185,695</u>	<u>\$ 704,621</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCE						
LIABILITIES						
Accounts payable	\$ 25,853	\$ 104,105	\$ 840,521	\$ -	\$ 91,220	\$ -
Advances from other funds	-	-	-	-	-	-
Contracts payable	19,104	16,863	181,852	-	-	-
Deposits payable	-	-	-	111,975	-	-
Unearned revenue	-	-	-	-	43	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>43</u>	<u>-</u>
Total liabilities	44,957	120,968	1,022,373	111,975	91,263	-
DEFERRED INFLOWS OF RESOURCES						
Unavailable revenue - special assessments	353	68,499	180,899	90,950	-	-
FUND BALANCE						
Restricted	-	-	-	-	6,094,432	-
Committed	1,786,070	8,982,575	10,597,425	9,320,341	-	704,621
Unassigned	-	-	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total fund balance	<u>1,786,070</u>	<u>8,982,575</u>	<u>10,597,425</u>	<u>9,320,341</u>	<u>6,094,432</u>	<u>704,621</u>
Total liabilities, deferred inflows of resources, and fund balance	<u>\$ 1,831,380</u>	<u>\$ 9,172,042</u>	<u>\$ 11,800,697</u>	<u>\$ 9,523,266</u>	<u>\$ 6,185,695</u>	<u>\$ 704,621</u>

Park Improvement	Tax Increment	Tax Abatement	Equipment	Technology	Arenas Capital Reserve	Building	Totals
\$ 337,422	\$ 57,019	\$ -	\$ 1,574,408	\$ 156,815	\$ 10,088	\$ 1,247,960	\$ 41,829,121
954	364	234	17,639	49	2	7,923	234,892
-	-	-	64,316	-	-	-	288,068
-	-	-	-	-	-	-	112
-	-	-	-	-	-	-	353
-	-	-	-	-	-	-	138,237
-	-	-	-	-	-	-	202,111
<u>\$ 338,376</u>	<u>\$ 57,383</u>	<u>\$ 234</u>	<u>\$ 1,656,363</u>	<u>\$ 156,864</u>	<u>\$ 10,090</u>	<u>\$ 1,255,883</u>	<u>\$ 42,692,894</u>
\$ 10,200	\$ -	\$ -	\$ 20,955	\$ -	\$ -	\$ 22,073	\$ 1,114,927
-	-	428,936	-	-	-	-	428,936
-	-	-	9,466	-	-	-	227,285
-	-	-	-	-	-	-	111,975
-	-	-	-	-	-	-	43
10,200	-	428,936	30,421	-	-	22,073	1,883,166
-	-	-	-	-	-	-	340,701
-	57,383	-	20,566	-	10,090	-	6,182,471
328,176	-	-	1,605,376	156,864	-	1,233,810	34,715,258
-	-	(428,702)	-	-	-	-	(428,702)
<u>328,176</u>	<u>57,383</u>	<u>(428,702)</u>	<u>1,625,942</u>	<u>156,864</u>	<u>10,090</u>	<u>1,233,810</u>	<u>40,469,027</u>
<u>\$ 338,376</u>	<u>\$ 57,383</u>	<u>\$ 234</u>	<u>\$ 1,656,363</u>	<u>\$ 156,864</u>	<u>\$ 10,090</u>	<u>\$ 1,255,883</u>	<u>\$ 42,692,894</u>

CITY OF LAKEVILLE
CAPITAL PROJECTS FUNDS (NONMAJOR)
COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
YEAR ENDED DECEMBER 31, 2019

	Pavement Management	Storm Water Infrastructure	Water	Sanitary Sewer	Park Dedication	Trail Improvement
REVENUE						
Property taxes						
Current	\$ 1,100,000	\$ -	\$ -	\$ -	\$ -	\$ -
Tax increment	-	-	-	-	-	-
Intergovernmental:						
Municipal state-aid	119,999	-	-	-	-	-
Federal grants	-	-	-	-	-	-
County and local grants	269,335	276,351	-	-	9,634	169,091
Charges for services	5,900	2,372,051	3,517,166	1,198,062	3,154,888	-
Special assessments	111	198	32,200	59,242	-	-
Interest income	34,092	194,078	219,189	192,157	120,035	22,429
Change in fair value of investments	24,548	139,745	157,826	138,362	86,431	16,150
Donations	836	-	-	-	64,863	-
Miscellaneous	-	-	-	-	3,900	-
Total revenues	1,554,821	2,982,423	3,926,381	1,587,823	3,439,751	207,670
EXPENDITURES						
Capital Outlay:						
General government	-	-	-	-	-	-
Public safety	-	-	-	-	-	-
Public works	1,059,044	920,382	1,020,613	119,291	-	-
Parks and recreation	-	-	-	-	1,646,691	565,782
Total expenditures	1,059,044	920,382	1,020,613	119,291	1,646,691	565,782
EXCESS (DEFICIENCY) OF REVENUE OVER (UNDER) EXPENDITURES	495,777	2,062,041	2,905,768	1,468,532	1,793,060	(358,112)
OTHER FINANCE SOURCES (USES)						
Proceeds from the Sale of Capital Assets	-	-	-	-	-	-
Transfers from (to):						
General Fund	-	-	-	-	-	-
Debt Service - Water Revenue Bonds	-	-	(617,108)	-	-	-
Capital Projects - State Aid Construction	-	(238,540)	(128,813)	-	-	-
Capital Projects - Improvement Construction	-	(553,102)	-	-	(108,426)	-
Enterprise - Liquor Fund	-	-	-	-	-	-
Enterprise - Utility Fund	-	(5,399)	-	-	-	-
Total other finance sources (uses)	-	(797,041)	(745,921)	-	(108,426)	-
NET CHANGE IN FUND BALANCE	495,777	1,265,000	2,159,847	1,468,532	1,684,634	(358,112)
FUND BALANCES						
Beginning of Year	1,290,293	7,717,575	8,437,578	7,851,809	4,409,798	1,062,733
End of Year	\$ 1,786,070	\$ 8,982,575	\$ 10,597,425	\$ 9,320,341	\$ 6,094,432	\$ 704,621

Park Improvement	Tax Increment	Tax Abatement	Equipment	Technology	Arenas Capital Reserve	Building	Totals
\$ 175,000	\$ -	\$ -	\$ 252,000	\$ -	\$ -	\$ -	\$ 1,527,000
-	320,800	-	-	-	-	-	320,800
-	-	-	-	-	-	-	119,999
-	-	-	64,316	-	-	-	64,316
-	-	-	-	-	-	8,528	732,939
-	-	-	-	-	-	-	10,248,067
-	-	-	-	-	-	-	91,751
6,848	803	-	35,416	1,084	52	30,370	856,553
4,931	577	-	25,501	780	38	21,868	616,757
-	-	-	20,566	-	10,000	11,245	107,510
25,664	-	-	2,015	-	-	411,685	443,264
212,443	322,180	-	399,814	1,864	10,090	483,696	15,128,956
-	292,369	13,125	32,485	-	-	75,072	413,051
-	-	-	456,412	-	-	213,327	669,739
-	-	-	532,394	-	-	180,604	3,832,328
184,413	-	-	176,722	-	-	98,550	2,672,158
184,413	292,369	13,125	1,198,013	-	-	567,553	7,587,276
28,030	29,811	(13,125)	(798,199)	1,864	10,090	(83,857)	7,541,680
-	-	-	107,500	-	-	145	107,645
150,000	-	-	920,000	155,000	-	-	1,225,000
-	-	-	-	-	-	-	(617,108)
-	-	-	-	-	-	-	(367,353)
-	-	-	-	-	-	-	(661,528)
-	-	-	405,495	-	-	-	405,495
-	-	-	31,000	-	-	-	25,601
150,000	-	-	1,463,995	155,000	-	145	117,752
178,030	29,811	(13,125)	665,796	156,864	10,090	(83,712)	7,659,432
150,146	27,572	(415,577)	960,146	-	-	1,317,522	32,809,595
\$ 328,176	\$ 57,383	\$ (428,702)	\$ 1,625,942	\$ 156,864	\$ 10,090	\$ 1,233,810	\$ 40,469,027

**CITY OF LAKEVILLE
COMMUNICATIONS – SPECIAL REVENUE FUND
BUDGETARY COMPARISON SCHEDULE
YEAR ENDED DECEMBER 31, 2019**

	Budgeted Amounts			Over (Under)
	Original	Final	Actual	Final Budget
REVENUES				
Licenses and permits	\$ 687,840	\$ 687,840	\$ 683,977	\$ (3,863)
Intergovernmental:				
State-aid PERA	516	516	516	-
Other grants	-	91,258	31,758	(59,500)
Charges for services	57,948	57,948	61,289	3,341
Interest income	3,601	3,601	19,987	16,386
Change in fair value of investments	(1,543)	(1,543)	14,391	15,934
Total revenues	<u>748,362</u>	<u>839,620</u>	<u>811,918</u>	<u>(27,702)</u>
EXPENDITURES - GENERAL GOVERNMENT				
Current:				
Personnel	461,880	461,880	457,681	(4,199)
Commodities	14,900	14,900	8,171	(6,729)
Other charges and services	310,530	377,467	208,308	(169,159)
Capital outlay	59,500	59,500	25,287	(34,213)
Total expenditures - general government	<u>846,810</u>	<u>913,747</u>	<u>699,447</u>	<u>(214,300)</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>(98,448)</u>	<u>(74,127)</u>	<u>112,471</u>	<u>186,598</u>
OTHER FINANCING SOURCES (USES)				
Transfers in from:				
Liquor Funds	98,770	98,770	91,267	(7,503)
Utility Funds	41,472	41,472	-	(41,472)
Transfers out to:				
General Fund	<u>(80,866)</u>	<u>(80,866)</u>	<u>(80,866)</u>	<u>-</u>
Total other finance sources (uses)	<u>59,376</u>	<u>59,376</u>	<u>10,401</u>	<u>(48,975)</u>
NET CHANGE IN FUND BALANCE	<u>\$ (39,072)</u>	<u>\$ (14,751)</u>	<u>122,872</u>	<u>\$ 137,623</u>
FUND BALANCES				
Beginning of year			<u>930,791</u>	
End of year			<u>\$ 1,053,663</u>	

**CITY OF LAKEVILLE
ECONOMIC DEVELOPMENT – SPECIAL REVENUE FUND
BUDGETARY COMPARISON SCHEDULE
YEAR ENDED DECEMBER 31, 2019**

	Budgeted Amounts		Actual	Over (Under) Final Budget
	Original	Final		
REVENUES				
Interest income	\$ 179	\$ 179	\$ 329	\$ 150
Change in fair value of investments	-	-	237	237
Total revenues	179	179	566	387
EXPENDITURES - GENERAL GOVERNMENT				
Current:				
Other charges and services	12,800	12,800	8,301	(4,499)
NET CHANGE IN FUND BALANCE	<u>\$ (12,621)</u>	<u>\$ (12,621)</u>	(7,735)	<u>\$ 4,886</u>
FUND BALANCE				
Beginning of year			21,130	
End of year			<u>\$ 13,395</u>	

**CITY OF LAKEVILLE
DOWNTOWN SPECIAL SERVICE DISTRICT – SPECIAL REVENUE FUND
BUDGETARY COMPARISON SCHEDULE
YEAR ENDED DECEMBER 31, 2019**

	<u>Budgeted Amounts</u>			<u>Over (Under)</u>
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	<u>Final Budget</u>
REVENUES				
Charges for services	\$ 13,750	\$ 13,750	\$ -	\$ (13,750)
EXPENDITURES - GENERAL GOVERNMENT				
Current:				
Personnel	10,000	10,000	-	(10,000)
Other charges and services	<u>22,680</u>	<u>22,680</u>	<u>5,967</u>	<u>(16,713)</u>
Total expenditures - general government	<u>32,680</u>	<u>32,680</u>	<u>5,967</u>	<u>(26,713)</u>
NET CHANGE IN FUND BALANCE	<u>\$ (18,930)</u>	<u>\$ (18,930)</u>	(5,967)	<u>\$ 12,963</u>
FUND BALANCE				
Beginning of year			<u>38,496</u>	
End of year			<u>\$ 32,529</u>	

PROPOSAL FORM

TO: City of Lakeville, Minnesota
C/O Northland Securities, Inc.
150 South 5th Street, Suite 3300
Minneapolis, Minnesota 55402
Phone: 612-851-5900, Fax: 612-851-5918

Sale Date: April 19, 2021

For all or none of the \$6,020,000* General Obligation Tax Abatement Bonds, Series 2021B, in accordance with the Terms of Proposal, we will pay you \$ _____, (not less than \$5,953,780) plus accrued interest, if any, to date of delivery (estimated to be May 18, 2021) for fully registered Bonds bearing interest rates and maturing on February 1 as follows:

<u>Interest</u>			<u>Interest</u>			<u>Interest</u>			<u>Interest</u>		
<u>Year</u>	<u>Rate</u>	<u>Yield</u>	<u>Year</u>	<u>Rate</u>	<u>Yield</u>	<u>Year</u>	<u>Rate</u>	<u>Yield</u>	<u>Year</u>	<u>Rate</u>	<u>Yield</u>
2023	%	%	2028	%	%	2033	%	%	2038	%	%
2024	%	%	2029	%	%	2034	%	%	2039	%	%
2025	%	%	2030	%	%	2035	%	%	2040	%	%
2026	%	%	2031	%	%	2036	%	%	2041	%	%
2027	%	%	2032	%	%	2037	%	%	2042	%	%

True interest percentage: _____ %

Net interest cost: \$ _____

Term Bond Option: Bonds maturing in the years:

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

To be accumulated into a Term Bond maturing in year:

_____.
_____.
_____.
_____.
_____.

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

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

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

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

Account Members:

Account Manager: _____ By: _____

The foregoing proposal is hereby duly accepted by and on behalf of the City of Lakeville, Minnesota at _____ PM on April 19, 2021.

Finance Director

Mayor

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