

PRELIMINARY OFFICIAL STATEMENT DATED JUNE 8, 2023

**NEW ISSUE
NOT BANK QUALIFIED
BOOK ENTRY ONLY**

S&P RATING: AA

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

**CITY OF DELANO, MINNESOTA
\$17,990,000* General Obligation Bonds, Series 2023A
(the “Bonds”)**

| | |
|----------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Dated Date | Date of Delivery (anticipated to be June 29, 2023) |
| Sale Date | Tuesday, June 20, 2023 until 11:00 A.M., Central Time |
| Consideration of Award | City Council meeting commencing at 7:00 P.M., Central Time on Tuesday, June 20, 2023 |
| Security | The Bonds will be general obligations of the City for which the City will pledge its full faith and credit and power to levy direct general ad valorem taxes. In addition, the City will pledge special assessments against benefited properties and net revenues of its water, sewer, and storm sewer utilities for repayment of a portion of the Bonds (See “Authority and Security” herein). |
| Authorization | The Bonds are being issued pursuant to Minnesota Statutes, Chapters 429, 444, 475, the City’s 2023-2027 Capital Improvement Plan, and the City’s 2023-2027 Street Reconstruction Plan. See “Authority and Security” herein. |
| Purpose | The proceeds of the Bonds will be used to finance (i) various street improvement projects; (ii) associated improvements to the municipal water, sanitary sewer, and storm sewer systems; (iii) the acquisition and improvement of various facilities for use by the City for its public works and municipal utilities operations; and (iv) to pay the costs associated with the issuance of the Bonds. |
| Principal and Interest Payments | Principal will be paid annually on February 1, beginning February 1, 2025. Interest will be payable semiannually on February 1 and August 1, beginning February 1, 2024. |
| Redemption Provisions | The City may elect on February 1, 2032, and on any day thereafter, to redeem Bonds due on or after February 1, 2033 at a price of par plus accrued interest. The Bonds may be issued as term bonds at the discretion of the Underwriter (as hereinafter defined) and, in such case, will be subject to mandatory sinking fund redemption. |
| Book Entry | The Bonds will be issued only as fully registered obligations, and when issued, will be registered in the name of Cede & Co., as nominee for The Depository Trust Company (“DTC”). See Appendix B for “Book Entry”. |
| Denominations | The Bonds are being issued in the denomination of \$5,000 or integral multiple thereof. |
| Registrar and Paying Agent | U.S. Bank Trust Company, National Association, located in Saint Paul, Minnesota (“Registrar” and “Paying Agent”). |
| Bidding Information | Interested bidders should review the Terms of Proposal for additional instructions. See Appendix G herein. |

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

Further information may be obtained from Baker Tilly Municipal Advisors, LLC 30 East Seventh Street, Suite 3025, Saint Paul, MN 55101 (651) 223-3000 or bids@bakertilly.com.

*Preliminary, subject to change.

MATURITY SCHEDULE
(Base CUSIP(1) _____)

| <u>Maturity</u> <u>(February 1)</u> | <u>Principal(2)</u> | <u>Interest Rate</u> | <u>Yield</u> | <u>Price</u> | <u>CUSIP(1)</u> |
|----------------------------------------|---------------------|----------------------|--------------|--------------|-----------------|
| 2025 | \$ 630,000 | | | | |
| 2026 | \$ 650,000 | | | | |
| 2027 | \$ 670,000 | | | | |
| 2028 | \$ 695,000 | | | | |
| 2029 | \$ 720,000 | | | | |
| 2030 | \$ 740,000 | | | | |
| 2031 | \$ 760,000 | | | | |
| 2032 | \$ 785,000 | | | | |
| 2033 | \$ 810,000 | | | | |
| 2034 | \$ 845,000 | | | | |
| 2035 | \$ 875,000 | | | | |
| 2036 | \$ 910,000 | | | | |
| 2037 | \$ 945,000 | | | | |
| 2038 | \$ 985,000 | | | | |
| 2039 | \$1,030,000 | | | | |
| 2040 | \$1,075,000 | | | | |
| 2041 | \$1,135,000 | | | | |
| 2042 | \$1,190,000 | | | | |
| 2043 | \$1,240,000 | | | | |
| 2044 | \$1,300,000 | | | | |

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

(2) Preliminary subject to change. The City reserves the right to adjust individual maturity amounts to achieve its financial objectives.

The Bonds are being offered for delivery when, as and if issued and received by the Underwriter (hereinafter defined) and subject to the approval of legality by Taft Stettinius & Hollister LLP, Minneapolis, Minnesota, Bond Counsel. The Bonds are expected to be available for delivery to DTC, in New York, New York on or about June 29, 2023.

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

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

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

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

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

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

FORWARD-LOOKING STATEMENTS

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

CITY CONTACT INFORMATION

For additional information regarding the City may be obtained by contacting Brian Bloch, Finance Director, City of Delano, Minnesota, 234 2nd Street North, PO Box 108, Delano, Minnesota, 55328; phone (763)972-0584; email: bbloch@delano.mn.us

CITY OF DELANO, MINNESOTA

CITY COUNCIL

| | |
|---------------|---------------|
| Holly Schrupp | Mayor |
| Betsy Moran | Councilmember |
| Jason Franzen | Councilmember |
| Becky Schaust | Councilmember |
| Mike Mathisen | Councilmember |

CITY ADMINISTRATOR

Phil Kern

FINANCE DIRECTOR

Brian Bloch

MUNICIPAL ADVISOR

Baker Tilly Municipal Advisors, LLC
Saint Paul, Minnesota

BOND COUNSEL

Taft Stettinius & Hollister LLP
Minneapolis, Minnesota

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OFFICIAL STATEMENT

**CITY OF DELANO, MINNESOTA
\$17,990,000* GENERAL OBLIGATION BONDS, SERIES 2023A**

PURPOSE OF THE ISSUE AND USE OF FUNDS

PURPOSE OF THE BONDS

The proceeds of the Bonds will be used to finance (i) various street improvement projects; (ii) associated improvements to the municipal water, sanitary sewer, and storm sewer systems; (iii) the acquisition and improvement of various facilities for use by the City for its public works and municipal utilities operations; and (iv) the costs associated with the issuance of the Bonds.

USES AND SOURCES OF FUNDS

The composition of the Bonds is as follows:

| | <u>Street Reconstruction Portion</u> | <u>Improvement Portion</u> | <u>Utility Portion</u> | <u>CIP Portion</u> |
|--------------------------------------------------------|----------------------------------------------|--------------------------------|------------------------|--------------------|
| Sources of Funds: | | | | |
| Principal Amount | \$ _____ | \$ _____ | \$ _____ | \$ _____ |
| Reoffering Premium | _____ | _____ | _____ | _____ |
| Available City Funds | _____ | _____ | _____ | _____ |
| Total Sources of Funds | \$ _____ | \$ _____ | \$ _____ | \$ _____ |
| Uses of Funds: | | | | |
| Deposit to Project Fund | \$ _____ | \$ _____ | \$ _____ | \$ _____ |
| Deposit to Debt Service Fund (Capitalized Interest) | _____ | _____ | _____ | _____ |
| Costs of Issuance(1) | _____ | _____ | _____ | _____ |
| Underwriter's Compensation | _____ | _____ | _____ | _____ |
| Total Uses of Funds | \$ _____ | \$ _____ | \$ _____ | \$ _____ |

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

DESCRIPTION OF THE BONDS

INTEREST CALCULATION

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

REGISTRATION AND EXCHANGE FEATURES

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

*Preliminary; subject to change.

BOOK ENTRY

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

PROVISIONS FOR PAYMENT

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

So long as DTC or its nominee is the registered owner of the Bonds, principal and interest on the Bonds will be paid directly to DTC by the Paying Agent. (The final disbursement of such payments to the Beneficial Owners of the Bonds will be the responsibility of the DTC Participants and Indirect Participants.

NOTICE OF REDEMPTION

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

OPTIONAL REDEMPTION

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

MANDATORY REDEMPTION

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

AUTHORITY AND SECURITY

AUTHORITY

The Bonds are being issued pursuant to Minnesota Statutes, Chapters 429, 444, 475, the City's 2023-2027 Capital Improvement Plan, and the City's 2023-2027 Street Reconstruction Plan.

For purposes of this Official Statement, the composition of the Bonds has been broken out as follows:

- the portion of the Bonds being issued pursuant to Minnesota Statutes, Section 475.58 (subd. 3b) and the City's 2023-2027 Street Reconstruction Plan, and being repaid solely from taxes (the "Street Reconstruction Portion");
- the portion of the Bonds being issued pursuant to Minnesota Statutes, Chapter 429, and being repaid, in part, by special assessments (the "Improvement Portion");
- the portion of the Bonds being issued pursuant to Minnesota Statutes, Chapter 444, and being repaid by net revenues of the City's Water, Sewer, and Storm Sewer systems (the "Utility Portion"); and
- the portion of the Bonds being issued pursuant to Minnesota Statutes, Section 475.521 and the City's 2023-2027 Capital Improvement Plan, and being repaid solely from taxes (the "CIP Portion").

SECURITY AND SOURCES OF PAYMENT

The Bonds will be general obligations of the City for which the City will pledge its full faith and credit and power to levy direct general ad valorem taxes. Additional sources of security are discussed below.

Street Reconstruction Portion

The City will make its first levy for the Street Reconstruction Portion of the Bonds in 2023 for collection in 2024. Capitalized interest has been included in the par amount of the Bonds and will be used to make the February 1, 2024 interest payment due on the Bonds. Thereafter, each year's collection of taxes, if collected in full, will be sufficient to pay 105% of the debt service due on the Street Reconstruction Portion of the Bonds in each year.

Improvement Portion

The City will levy taxes for repayment of a portion of the Improvement Portion of the Bonds, and will make its first levy in 2023 for collection in 2024. In addition, the City will pledge special assessments against benefited properties for repayment of a portion of the Improvement Portion of the Bonds. The collection of special assessments will be dependent on the timing of future development, and the City will apply any special assessment collections received for repayment of the Improvement Portion of the Bonds.

The City will use available funds on hand to make the February 1, 2024 interest payment due on the Improvement Portion of the Bonds. Thereafter, each year's collection of taxes and any special assessments, if collected in full, will be sufficient to pay 105% of the debt service due on the Improvement Portion of the Bonds in each year.

Utility Portion

Pursuant to Minnesota Statutes, Chapter 444, and the resolution awarding the sale of the Bonds, the City will covenant to impose and collect charges for the service, use, availability and connection to the City's Water, Sewer and Storm Sewer systems (the "Utilities") to produce net revenues in amounts sufficient to support the operation of the Utilities and to pay 105% of the debt service due on obligations to which it has pledged its Utility revenues. The City is required to annually review the budget of the Utilities to determine whether current rates and charges are sufficient and to adjust such rates and charges as necessary.

The City will use available funds on hand to make the February 1, 2024 interest payment due on the Utility Portion of the Bonds. Thereafter, net revenues of the Utilities will be used to pay 105% of the debt service due on the Utility Portion of the Bonds in each year. The City does not anticipate the need to levy taxes for repayment of the Utility Portion of the Bonds.

Capital Improvement Plan Portion

The City will make its first levy for the CIP Portion of the Bonds in 2023 for collection in 2024. The City will use available funds on hand to make the February 1, 2024 interest payment due on the CIP Portion of the Bonds. Thereafter, each year's collection of taxes, if collected in full, will be sufficient to pay 105% of the debt service due on the CIP Portion of the Bonds in each year.

Minnesota Statutes, Section 475.521 limits the maximum amount of principal and interest to become due in any year on all outstanding capital improvement plan bonds to be not more than 0.16% of the estimated market value of property for taxes payable in the year in which the bonds are issued or sold. The statutory maximum allowable for annual debt service on the City's outstanding capital improvement plan bonds is \$1,235,562, based on the City's 2021/22 estimated market value of \$772,226,500. (The City's 2022/23 estimated market value is not yet available). The maximum annual debt service for the City's outstanding capital improvement plan bond issues, including an estimate for the CIP Portion of the Bonds, is approximately \$602,673, which is within the statutory limit.

INVESTMENT OF FUNDS

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

RATING

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

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

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

RISK FACTORS AND INVESTOR CONSIDERATIONS

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

MAINTENANCE OF RATINGS

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

SECONDARY MARKET

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

FUTURE CHANGES IN LAW

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

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

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

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

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

LIMITATIONS ON REMEDIES AVAILABLE TO OWNERS OF THE BONDS

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

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

POTENTIAL IMPACTS RESULTING FROM EPIDEMICS OR PANDEMICS

The City's finances may be materially adversely affected by unforeseen impacts of future epidemics and pandemics, such as the Coronavirus (COVID-19) pandemic. The City cannot predict future impacts of epidemics or a pandemics, any similar outbreaks, or their impact on travel, on assemblies or gatherings, on the State, national or global economy, or on securities markets, or whether any such disruptions may have a material adverse impact on the financial condition or operations of the City, including but not limited to the payment of debt service on any of its outstanding debt obligations.

CYBERSECURITY

The City relies on computer networks, data storage, collection, and transmission to conduct the operations of the City and has implemented security measures to protect data and limit financial exposure, including securing cyber security insurance to assist with the reduction of potential risk of financial and operational damage resulting from network attacks. Even with these security measures, the City, its information technology, data stored by the City and its infrastructure may be vulnerable in the event of a deliberate system attack, including malware, ransomware, computer virus, employee error or general disruption. If breached or compromised, the networks could be disrupted and information could be accessed, disclosed, lost, or stolen. The City acknowledges that its systems could be affected by a cybersecurity attack and that a loss, disruption, or unauthorized access to data held by the City could have a material impact on the City. Further, as cybersecurity threats evolve, the City will continue to evaluate and implement security measures and work to mitigate any vulnerabilities in its system.

PURCHASER/UNDERWRITING

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

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

CONTINUING DISCLOSURE

In order to assist the Underwriters in complying with SEC Rule 15c2-12 (the "Rule"), pursuant to the Award Resolution and Continuing Disclosure Undertaking to be executed on behalf of the City on or before closing, the City has and will covenant (the "Undertaking") for the benefit of holders or beneficial owners of the Bonds to provide certain financial information and operating data relating to the City to certain information repositories annually, and to provide notices of the occurrence of certain events enumerated in the Rule to certain information repositories or the Municipal Securities Rulemaking Board and to any state information depository. The specific nature of the Undertaking, as well as the information to be contained in the annual report or the notices of material events, is set forth in the Undertaking in substantially the form attached hereto as Appendix D, subject to such modifications thereof or additions thereto as: (i) consistent with requirements under the Rule, (ii) required by the purchaser of the Bonds from the City, and (iii) acceptable to the Mayor and Administrator of the City.

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

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

A failure by the City to comply with the Undertaking will not constitute an event of default on the Bonds (although holders or other beneficial owners of the Bonds will have the sole remedy of bringing an action for 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.

FUTURE FINANCING

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

LITIGATION

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

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

LEGAL MATTERS

The Bonds are subject to approval as to certain matters incident to the issuance of the Bonds and with regard to the tax status of the interest thereon by Taft Stettinius & Hollister LLP, of Minneapolis, Minnesota, as bond counsel ("Bond Counsel"). In its capacity as bond counsel, Bond Counsel has reviewed those portions of this Official Statement under the captions "DESCRIPTION OF THE BONDS" (except "Book Entry" therein), "AUTHORITY AND SECURITY," "LEGAL MATTERS," "TAX MATTERS," "APPENDIX C. Form of Bond Counsel Opinion," and "APPENDIX D. Form of Continuing Undertaking." Except as described in the previous sentence, Bond Counsel has not participated in the preparation of this Official Statement and will not pass upon its accuracy, completeness, or sufficiency, including with respect to any risk factors or other investor considerations contained herein. Bond Counsel has not examined nor attempted to examine or verify, and will express no opinion regarding, any of the financial, operational or statistical statements or data contained in this Official Statement or any other offering or disclosure documents or other information that may be prepared or made available by the City, the Municipal Advisor, the prospective purchasers of the Bonds, or others. A legal opinion in substantially the form set out in Appendix C herein is expected to be delivered at closing.

By expressing its opinion, Bond Counsel is expressing its professional judgment and does not become an insurer or guarantor of the result indicated by that expression of professional judgment or of the transaction or the future performance of the parties to the transaction. Ownership of the Bonds may result in other state and local tax consequences to certain taxpayers. Bond Counsel expresses no opinion regarding any such collateral consequences arising with respect to the Bonds. Prospective purchasers of the Bonds should consult their own tax advisors regarding the applicability of any such state and local taxes.

TAX MATTERS

TAX EXEMPTION

At closing Taft Stettinius & Hollister LLP, Bond Counsel, will render an opinion that, at the time of their issuance and delivery to the original purchaser, under present federal and State of Minnesota laws, regulations, rulings and decisions (which excludes any pending legislation which may have a retroactive effect), the interest on each Bond is excluded from gross income for purposes of United States income tax and is excluded, to the same extent, in computing both gross income and taxable net income for purposes of State of Minnesota income tax (other than Minnesota franchise taxes measured by income and imposed on corporations and financial institutions), and that interest on the Bonds is not an item of tax preference for purposes of computing the federal alternative minimum tax imposed on individuals or the Minnesota alternative minimum tax applicable to individuals, estates or trusts; however, interest on the Bonds is taken into account in determining "annual adjusted financial statement income" for the purpose of computing the federal alternative minimum tax imposed on certain corporations for tax years beginning after December 31, 2022. No opinion will be expressed by Bond Counsel regarding other federal or state tax consequences caused by the receipt or accrual of interest on the Bonds or arising with respect to ownership of the Bonds.

Preservation of the exclusion of interest on the Bonds from federal gross income and state gross and taxable net income, however, depends upon compliance by the City with all requirements of the Internal Revenue Code of 1986, as amended, (the "Code") that must be satisfied subsequent to the issuance of the Bonds in order that interest thereon be (or continue to be) excluded from federal gross income and state gross and taxable net income. The City will covenant to comply with requirements necessary under the Code to establish and maintain the Bonds as tax-exempt under Section 103 thereof, including without limitation, requirements relating to temporary periods for investments and limitations on amounts invested at a yield greater than the yield on the Bonds.

RELATED TAX CONSIDERATIONS

Property and Casualty Insurance Companies

Property and casualty insurance companies are required to reduce the amount of their loss reserve deduction by 15% of the amount of tax-exempt interest received or accrued during the taxable year on certain obligations acquired after August 7, 1986, including interest on the Bonds.

Foreign Insurance Companies

Foreign companies carrying on an insurance business in the United States are subject to a tax on income which is effectively connected with their conduct of any trade or business in the United States, including "net investment income." Net investment income includes tax-exempt interest such as interest on the Bonds.

Branch Profits Tax

A foreign corporation is subject to a branch profits tax equal to 30% of the "dividend equivalent amount" for the taxable year. The "dividend equivalent amount" is the foreign corporation's "effectively connected earnings and profits" adjusted for increase or decrease in "U.S. net equity." A branch's earnings and profits may include tax-exempt municipal bond interest, such as interest on the Bonds.

Passive Investment Income of S Corporations

Passive investment income, including interest on the Bonds, may be subject to federal income taxation under Section 1375 of the Code for an S corporation that has Subchapter C earnings and profits at the close of the taxable year if more than 25% of the gross receipts of such S corporation is passive investment income.

Financial Institutions

For federal income tax purposes, financial institutions are unable to deduct any portion of the interest expense allocable to the ownership of certain tax-exempt obligations acquired after August 7, 1986, including the Bonds but for the designation as Qualified Tax-Exempt Obligations. See "Bank-Qualified Tax-Exempt Obligations" herein.

General

The preceding is not a comprehensive list of all federal tax consequences which may arise from the receipt or accrual of interest on the Bonds. The receipt or accrual of interest on the Bonds may otherwise affect the federal income tax (or Minnesota income tax or franchise tax) liability of the recipient based on the particular taxes to which the recipient is subject and the particular tax status of other items of income or deductions. All prospective purchasers of the Bonds are advised to consult their own tax advisors as to the tax consequences of, or tax considerations for, purchasing or holding the Bonds.

NOT BANK-QUALIFIED TAX-EXEMPT OBLIGATIONS

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

MUNICIPAL ADVISOR

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

MUNICIPAL ADVISOR REGISTRATION

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

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

OTHER FINANCIAL INDUSTRY ACTIVITIES AND AFFILIATIONS

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

Baker Tilly Wealth Management, LLC (“BTWM”), a U.S. Securities and Exchange Commission (“SEC”) registered investment adviser under the Federal Investment Advisers Act of 1940. Baker Tilly Capital, LLC (“BTC”), a wholly owned subsidiary of BTUS, is a limited purpose broker/dealer registered with the SEC and a member of the Financial Industry Regulatory Authority (“FINRA”). Baker Tilly Financial, LLC (“BTF”), is a wholly owned subsidiary of BTUS, registered with the SEC as an investment advisor.

BTUS, BTWM and subsidiaries of BTUS may provide advisory services to the clients of BTMA. BTMA has no other activities or arrangements that are material to its advisory business or its clients with a related person who is a broker-dealer, investment company, other investment adviser or financial planner, bank, law firm or other financial entity.

MISCELLANEOUS

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

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

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

CERTIFICATION

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

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GENERAL INFORMATION OF THE CITY

CITY PROPERTY VALUES

Trend of Values(1)

| Assessment/ Collection Year | Assessor's Estimated Market Value | Sales Ratio(2) | Economic Market Value(3) | Market Value Homestead Exclusion | Taxable Market Value | Adjusted Taxable Net Tax Capacity |
|-----------------------------------|-----------------------------------------|-------------------|-----------------------------|----------------------------------------|-------------------------|-----------------------------------------|
| 2021/22 | \$772,226,500 | 91.7% | \$842,678,033 | \$21,836,400 | \$740,361,700 | \$8,139,896 |
| 2020/21 | 720,651,300 | 96.5 | 748,280,810 | 22,755,800 | 686,453,400 | 7,550,426 |
| 2019/20 | 661,484,800 | 96.4 | 686,196,776 | 23,457,100 | 629,954,100 | 7,044,785 |
| 2018/19 | 619,771,500 | 96.1 | 645,478,602 | 24,911,400 | 589,343,700 | 6,634,484 |
| 2017/18 | 567,521,700 | 95.5 | 592,978,682 | 26,816,300 | 536,356,600 | 6,081,187 |

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

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

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

Source: Wright County, Minnesota, November 2022, except as otherwise noted.

2021/22 Adjusted Taxable Net Tax Capacity: \$8,139,896

| | | |
|-------------------------------------------------------|------------------|------------|
| Real Estate: | | |
| Residential Homestead | \$5,252,773 | 60.8% |
| Commercial/Industrial, Railroad and Public Utility | 2,408,493 | 27.9 |
| Residential Non-Homestead | 823,382 | 9.5 |
| Agricultural | 87,490 | 1.0 |
| Personal Property | <u>68,366</u> | <u>0.8</u> |
| 2021/22 Net Tax Capacity | \$8,640,504 | 100.0% |
| Less: Captured Tax Increment | <u>(500,608)</u> | |
| 2021/22 Adjusted Taxable Net Tax Capacity | \$8,139,896 | |

Ten of the Largest Taxpayers in the City

| <u>Taxpayer</u> | <u>Type of Property</u> | <u>2021/22 Net Tax Capacity</u> |
|-------------------------------|-----------------------------------|-------------------------------------|
| Landscape Structures Inc. | Playground Equipment Manufacturer | \$ 257,726 |
| KLN Enterprises Inc. | Commercial | 233,669 |
| King Holdings | Industrial | 149,232 |
| Delano Crossings LLC | Commercial | 147,112 |
| Randy's Rentals LLC | Commercial | 116,925 |
| Sil-Pro LLC | Industrial | 92,374 |
| Ridgeview Medical Center | Commercial | 78,702 |
| LBJ Enterprises LLC | Industrial | 78,698 |
| C & C Delano Building LTD Co. | Industrial | 77,508 |
| Xcel Energy | Utility | <u>66,872</u> |
| Total | | \$1,298,818(1) |

(1) Represents 16.0% of the City's 2021/22 adjusted taxable net tax capacity.

CITY INDEBTEDNESS

Legal Debt Limit and Debt Margin(1)

| | |
|---------------------------------------------------------|-------------------|
| Legal Debt Limit (3% of 2021/22 Estimated Market Value) | \$23,166,795 |
| Less: Outstanding Debt Subject to Limit | <u>19,526,600</u> |
| Legal Debt Margin as of June 29, 2023 | \$ 3,640,195 |

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

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

General Obligation Debt Supported Solely by Taxes(1)

| <u>Date of Issue</u> | <u>Original Amount</u> | <u>Purpose</u> | <u>Final Maturity</u> | <u>Est. Principal Outstanding As of 6-29-23</u> |
|--------------------------|----------------------------|-------------------------------------|---------------------------|---------------------------------------------------------|
| 9-1-09 | \$ 770,000 | Street Reconstruction | 2-1-2025 | \$ 130,000 |
| 6-15-13 | 4,405,000 | Street Reconstruction | 2-1-2034 | 3,995,000 |
| 7-21-16 | 4,640,000 | Street Reconstruction | 2-1-2036 | 3,410,000 |
| 7-21-16 | 1,260,000 | Street Reconstruction Refunding | 2-1-2028 | 625,000 |
| 6-17-20 | 965,000 | Street Reconstruction | 2-1-2041 | 895,000 |
| 2-29-21 | 820,000 | Street Reconstruction | 2-1-2042 | 820,000 |
| 5-23-23 | 5,000,000 | Street Reconstruction | 2-1-2044 | 5,000,000(2) |
| | | (the Street Reconstruction Portion) | | |
| 5-23-23 | 8,020,000 | Capital Improvement Plan | 2-1-2044 | <u>8,020,000(2)(3)</u> |
| | | (the “CIP Portion”) | | |
| Total | | | | \$22,895,000 |

(1) These issues are subject to the legal debt limit.

(2) Preliminary subject to change

(3) 58% of this issue is subject to the legal debt limit.

General Obligation Special Assessment Debt

| <u>Date of Issue</u> | <u>Original Amount</u> | <u>Purpose</u> | <u>Final Maturity</u> | <u>Est. Principal Outstanding As of 6-29-23</u> |
|--------------------------|----------------------------|---------------------------|---------------------------|---------------------------------------------------------|
| 10-15-14 | \$1,015,000 | Improvements | 2-1-2035 | \$ 685,000 |
| 7-19-18 | 2,625,000 | Improvements | 2-1-2039 | 2,220,000 |
| 6-17-20 | 275,000 | Improvements | 2-1-2031 | 235,000 |
| 12-29-21 | 740,000 | Improvements | 2-1-2042 | 740,000 |
| 12-29-21 | 3,455,000 | Improvements Refunding | 2-1-2035 | 3,270,000 |
| 5-23-23 | 2,110,000 | Street Improvements | 2-1-2044 | <u>2,110,000(1)</u> |
| | | (the Improvement Portion) | | |
| Total | | | | \$9,260,000 |

(1) Preliminary subject to change

General Obligation Revenue Debt

| <u>Date of Issue</u> | <u>Original Amount</u> | <u>Purpose</u> | <u>Final Maturity</u> | <u>Est. Principal Outstanding As of 6-29-23</u> |
|----------------------|------------------------|--------------------------------------------------------|-----------------------|-------------------------------------------------|
| 10-1-05 | \$7,160,000 | Water (MMUA Loan) | 12-1-2025 | \$ 1,540,000 |
| 10-1-05 | 3,560,000 | Sewer (MMUA Loan) | 12-1-2025 | 770,000 |
| 7-21-16 | 1,595,000 | Water, Sewer, and Storm Sewer | 2-1-2036 | 1,170,000 |
| 7-21-16 | 965,000 | Storm Water Revenue Refunding | 2-1-2028 | 475,000 |
| 7-19-18 | 450,000 | Water, Sewer, and Storm Sewer | 2-1-2039 | 380,000 |
| 6-17-20 | 1,905,000 | Water, Sewer, and Storm Sewer | 2-1-2041 | 1,770,000 |
| 12-29-21 | 2,180,000 | Water, Sewer, and Storm Sewer | 2-1-2042 | 2,115,000 |
| 5-23-23 | 2,860,000 | Water, Sewer, and Storm Sewer (the Utility Portion) | 2-1-2044 | <u>2,860,000(1)</u> |
| Total | | | | \$11,080,000 |

(1) Preliminary subject to change

General Obligation Tax Abatement Debt

| <u>Date of Issue</u> | <u>Original Amount</u> | <u>Purpose</u> | <u>Final Maturity</u> | <u>Est. Principal Outstanding As of 6-29-23</u> |
|----------------------|------------------------|----------------|-----------------------|-------------------------------------------------|
| 11-04-15 | \$1,040,000 | Improvements | 2-1-2029 | \$ 510,000 |
| 12-29-21 | 1,080,000 | Improvements | 2-1-2042 | <u>1,080,000</u> |
| Total | | | | \$1,590,000 |

General Obligation Tax Increment Debt

| <u>Date of Issue</u> | <u>Original Amount</u> | <u>Purpose</u> | <u>Final Maturity</u> | <u>Est. Principal Outstanding As of 6-29-23</u> |
|----------------------|------------------------|------------------------------------------|-----------------------|-------------------------------------------------|
| 7-21-16 | \$ 380,000 | Tax Increment Refunding | 2-1-2030 | \$ 225,000 |
| 12-29-20 | 2,535,000 | Taxable Tax Increment (MN Lakes Bank) | 12-15-2023 | <u>2,535,000</u> |
| Total | | | | \$2,760,000 |

Revenue Debt

| <u>Date of Issue</u> | <u>Original Amount</u> | <u>Purpose</u> | <u>Final Maturity</u> | <u>Est. Principal Outstanding As of 6-29-23</u> |
|----------------------|------------------------|------------------------------|-----------------------|-------------------------------------------------|
| 10-1-05 | \$700,000 | Electric Revenue (MMUA Loan) | 12-1-2025 | \$155,000 |

Estimated Calendar Year Debt Service Payments

| Year | G.O. Debt Supported Solely by Taxes | | G.O. Special Assessment Debt | |
|----------------|----------------------------------------|----------------------------|---------------------------------|----------------------------|
| | Principal | Principal & Interest(1) | Principal | Principal & Interest(2) |
| 2023 (at 5-23) | (Paid) | \$ 142,054 | (Paid) | \$ 124,438 |
| 2024 | \$ 625,000 | 1,527,833 | \$ 415,000 | 757,139 |
| 2025 | 1,120,000 | 1,893,688 | 510,000 | 816,691 |
| 2026 | 1,150,000 | 1,888,301 | 525,000 | 810,479 |
| 2027 | 1,190,000 | 1,894,875 | 540,000 | 803,850 |
| 2028 | 1,245,000 | 1,915,258 | 570,000 | 811,330 |
| 2029 | 1,270,000 | 1,903,356 | 590,000 | 807,659 |
| 2030 | 1,320,000 | 1,913,354 | 620,000 | 812,811 |
| 2031 | 1,370,000 | 1,920,952 | 650,000 | 816,873 |
| 2032 | 1,435,000 | 1,943,011 | 675,000 | 820,199 |
| 2033 | 1,490,000 | 1,953,489 | 660,000 | 788,059 |
| 2034 | 1,550,000 | 1,963,428 | 680,000 | 790,283 |
| 2035 | 1,025,000 | 1,393,391 | 695,000 | 786,686 |
| 2036 | 1,065,000 | 1,396,063 | 305,000 | 382,023 |
| 2037 | 790,000 | 1,085,914 | 315,000 | 381,180 |
| 2038 | 820,000 | 1,083,006 | 330,000 | 384,554 |
| 2039 | 855,000 | 1,082,999 | 340,000 | 382,328 |
| 2040 | 890,000 | 1,080,715 | 170,000 | 202,729 |
| 2041 | 930,000 | 1,081,110 | 180,000 | 205,750 |
| 2042 | 915,000 | 1,024,765 | 190,000 | 208,303 |
| 2043 | 900,000 | 967,190 | 145,000 | 155,998 |
| 2044 | <u>940,000</u> | <u>962,795</u> | <u>155,000</u> | <u>158,759</u> |
| Total | \$22,895,000(3) | \$32,017,547 | \$9,260,000(4) | \$12,208,121 |

(1) Includes estimated debt service on the Street Reconstruction Portion and CIP Portion of the Bonds.

(2) Includes estimated debt service on the Improvement Portion of the Bonds.

(3) 53.4% of this debt will be retired within ten years.

(4) 62.1% of this debt will be retired within ten years.

Estimated Calendar Year Debt Service Payments (continued)

| Year | G.O. Revenue Debt | | G.O. Tax Abatement Debt | |
|----------------|-------------------|-------------------------|-------------------------|----------------------|
| | Principal | Principal & Interest(1) | Principal | Principal & Interest |
| 2023 (at 5-23) | \$ 730,000 | \$ 903,115 | (Paid) | \$ 22,325 |
| 2024 | 1,110,000 | 1,466,471 | \$ 120,000 | 162,850 |
| 2025 | 1,260,000 | 1,547,298 | 120,000 | 159,250 |
| 2026 | 465,000 | 708,226 | 130,000 | 165,263 |
| 2027 | 475,000 | 703,091 | 130,000 | 160,888 |
| 2028 | 500,000 | 712,430 | 135,000 | 161,450 |
| 2029 | 415,000 | 612,140 | 140,000 | 161,825 |
| 2030 | 430,000 | 612,160 | 50,000 | 68,200 |
| 2031 | 440,000 | 607,469 | 55,000 | 70,575 |
| 2032 | 460,000 | 614,804 | 60,000 | 73,600 |
| 2033 | 465,000 | 608,146 | 60,000 | 72,400 |
| 2034 | 480,000 | 610,684 | 60,000 | 71,200 |
| 2035 | 490,000 | 607,271 | 60,000 | 70,000 |
| 2036 | 505,000 | 608,104 | 65,000 | 73,750 |
| 2037 | 415,000 | 504,735 | 65,000 | 72,450 |
| 2038 | 420,000 | 497,274 | 65,000 | 71,150 |
| 2039 | 440,000 | 504,221 | 65,000 | 69,850 |
| 2040 | 415,000 | 466,090 | 70,000 | 73,500 |
| 2041 | 435,000 | 472,908 | 70,000 | 72,100 |
| 2042 | 330,000 | 355,215 | 70,000 | 70,700 |
| 2043 | 195,000 | 209,623 | | |
| 2044 | <u>205,000</u> | <u>209,971</u> | | |
| Total | \$11,080,000(2) | \$14,141,446 | \$1,590,000(3) | \$1,923,326 |

(1) Includes estimated debt service on the Utility Portion of the Bonds.

(3) 56.7% of this debt will be retired within ten years.

(3) 62.9% of this debt will be retired within ten years.

Estimated Calendar Year Debt Service Payments (continued)

| Year | G.O. Tax Increment Debt | | Revenue Debt | |
|----------------|----------------------------|-------------------------|--------------|-------------------------|
| | Principal | Principal & Interest | Principal | Principal & Interest |
| 2023 (at 5-23) | \$2,535,000 | \$2,552,798 | \$ 50,000 | \$ 55,903 |
| 2024 | 30,000 | 34,725 | 50,000 | 53,832 |
| 2025 | 30,000 | 33,825 | 55,000 | 56,761 |
| 2026 | 30,000 | 33,075 | | |
| 2027 | 35,000 | 37,425 | | |
| 2028 | 35,000 | 36,725 | | |
| 2029 | 35,000 | 36,025 | | |
| 2030 | 30,000 | 30,338 | | |
| Total | \$2,760,000 | \$2,794,936 | \$155,000 | \$166,496 |

Other Debt Obligations

Operating Lease

Effective November 2001, the City entered into a lease for retail space for its Municipal Liquor Store. The lease was originally scheduled to expire in 2014; however, the lease was extended through 2024. The following is a schedule of the future minimum lease payments as of December 31, 2021:

| <u>Fiscal Year</u> | <u>Amount</u> |
|--------------------|---------------|
| 2022 | \$ 99,814 |
| 2023 | 99,814 |
| 2024 | <u>8,318</u> |
| Total | \$207,946 |

Overlapping Debt

| <u>Taxing Unit(1)</u> | 2021/22 <u>Adjusted Taxable Net Tax Capacity</u> | Est. G.O. Debt <u>As of 06-29-23 (2)</u> | <u>Debt Applicable to Tax Capacity in City</u> | |
|-----------------------|---------------------------------------------------------|---------------------------------------------|----------------------------------------------------|-------------------|
| | | | <u>Percent</u> | <u>Amount</u> |
| Wright County | \$199,120,589 | \$92,720,000 | 4.1% | \$ 3,801,520 |
| ISD No. 879 (Delano) | 19,542,488 | 58,170,000 | 41.7 | <u>24,256,890</u> |
| Total | | | | \$28,058,410 |

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

(2) Excludes general obligation tax and aid anticipation certificates and revenue-supported debt.

Debt Ratios(1)

| | <u>G.O. Direct Debt</u> | <u>G.O. Direct & Overlapping Debt</u> |
|---------------------------------------------------|-----------------------------|-----------------------------------------------|
| To 2021/22 Estimated Market Value (\$772,226,500) | 4.73% | 8.36% |
| Per Capita - (6,638 – 2021 U.S. Census Estimate) | \$5,499 | \$9,726 |

(1) Excludes general obligation revenue debt, revenue debt, and other debt obligations

CITY TAX RATES, LEVIES AND COLLECTIONS

Tax Capacity Rates for a Resident in ISD No 879 (Delano)

| | <u>2017/18</u> | <u>2018/19</u> | <u>2019/20</u> | <u>2020/21</u> | <u>2021/22</u> | |
|-------------------------|-----------------|-----------------|-----------------|-----------------|-----------------|----------------------|
| | | | | | <u>Total</u> | <u>For Debt Only</u> |
| Wright County | 39.946% | 44.273% | 44.421% | 43.719% | 43.751% | 5.762% |
| City of Delano | 53.980 | 53.399 | 52.913 | 49.369 | 49.061 | 12.125 |
| ISD No. 879 (Delano) | <u>43.824</u> | <u>39.826</u> | <u>36.805</u> | <u>36.122</u> | <u>34.702</u> | <u>26.072</u> |
| Total | 137.750% | 137.498% | 134.139% | 129.210% | 127.514% | 43.959% |

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

Tax Levies and Collections

| <u>Levy/Collect</u> | <u>Net Levy(1)</u> | <u>Collected During Collection Year</u> | | <u>Collected and/or Abated as of 6-21-22</u> | |
|---------------------|--------------------|-----------------------------------------|----------------|----------------------------------------------|----------------|
| | | <u>Amount</u> | <u>Percent</u> | <u>Amount</u> | <u>Percent</u> |
| 2021/22 | \$3,993,164 | | | (In Process of Collection) | |
| 2020/21 | 3,727,037 | \$3,694,270 | 99.1% | \$3,712,579 | 99.6% |
| 2019/20 | 3,727,058 | 3,691,006 | 99.0 | 3,721,221 | 99.8 |
| 2018/19 | 3,544,118 | 3,519,427 | 99.3 | 3,540,698 | 99.9 |
| 2017/18 | 3,278,686 | 3,249,744 | 99.1 | 3,277,148 | 99.9 |

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

**FUNDS ON HAND
As of April 30, 20223**

| | |
|-----------------------|---------------------|
| General Fund | \$3,171,327 |
| Debt Service Funds | 802,931 |
| Capital Project Funds | 973,343 |
| Enterprise Fund | 5,417,404 |
| Special Revenue | <u>1,457,388</u> |
| Total | \$11,822,393 |

INVESTMENTS

The City has a formal investment policy, and investments of the City are made in accordance with Minnesota Statutes, Chapter 118A. The Finance Director manages investments on a day-to-day basis with a general overall guiding principal of conservative investment types. The City Administrator has the authority to make deposits and withdrawals in accordance with the needs and in the best financial interest of the City.

As of April 30, 2023, the City's investments were as follows:

| | |
|-----------------------------------|--------------------|
| Money Market and Cash Equivalents | \$ 170,084 |
| Certificates of Deposit | 2,827,977 |
| Municipal Bonds | <u>161,542</u> |
| Total | <u>\$3,159,603</u> |

The remaining funds on hand of \$8,662,790 as of April 30, 2023 are held in checking accounts at two local banks in the community.

GENERAL INFORMATION CONCERNING THE CITY

The City is located in Wright County, 30 miles west of the Minneapolis/Saint Paul metropolitan area, and encompasses an area of 4.2 square miles (2,700 acres).

Population

The City's population trend is shown below.

| | <u>Population</u> | <u>Percent Change</u> |
|---------------------------|-------------------|-----------------------|
| 2021 U.S. Census Estimate | 6,638 | 2.4% |
| 2020 U.S. Census | 6,484 | 18.7 |
| 2010 U.S. Census | 5,464 | 42.4 |
| 2000 U.S. Census | 3,836 | 41.6 |
| 1990 U.S. Census | 2,709 | 9.2 |
| 1980 U.S. Census | 2,480 | -- |

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

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

| <u>Data Year/ Report Year</u> | <u>0-17</u> | <u>18-34</u> | <u>35-64</u> | <u>65 and Over</u> |
|-----------------------------------|-------------|--------------|--------------|--------------------|
| 2022/23 | 1,770 | 1,304 | 2,547 | 1,141 |
| 2021/22 | 1,613 | 1,308 | 2,453 | 1,048 |
| 2020/21 | 1,637 | 1,253 | 2,421 | 983 |
| 2019/20 | 1,629 | 1,208 | 2,397 | 939 |
| 2018/19 | 1,622 | 1,175 | 2,398 | 901 |

Source: Claritas, LLC.

Transportation

U.S. Highway 12 runs east-west through the City as well as Minnesota Highways 17, 30, and 139. Public transportation services are offered to City residents through the River Rider Transportation Program.

Economy

Although the economy of the surrounding area is reliant on agriculture and related business and industries, the City serves as a center for retail trade, medical care, education, and small industries. This diversity of the City's economic base, which is evident in the list of the City's major employers, has provided steady growth and stability.

Major Employers

| <u>Employer</u> | <u>Product/Service</u> | <u>Approximate Number of Employees</u> |
|----------------------------------------------------------|-------------------------------------|----------------------------------------|
| Landscape Structures, Inc. | Playground Equipment Manufacturer | 516 |
| I.S.D. No. 879 (Delano) | Elementary and Secondary Schools | 370 |
| Trelleborg AB | Silicone Manufacturing | 350 |
| Republic Services | Refuse Systems | 200 |
| Coborns Inc. | Grocery Store | 134 * |
| Solar Plastics, Inc. | Plastic Parts | 130 |
| Arctic Fox Inc. | Motor Vehicle Parts and Accessories | 75 |
| Industrial Louvers, Inc. | Lumber, Plywood and Millwork | 75 |
| Modern Molding Inc. | Plastics Products | 72 |
| City of Delano | City Government | 71 |
| The Estates of Delano (formerly Golden Living Center) | Skilled Nursing Care Facility | 51 |
| Stahlke Bus Service | Transportation | 38 |

* Includes contract, full-time, part-time, and seasonal employees.

Source: This does not purport to be a comprehensive list and is based on a March 2023 best efforts telephone survey of individual employers. Some employers do not respond to inquiries.

Labor Force Data

| | <u>Annual Average</u> | | | | <u>January</u> |
|--------------------------|-----------------------|-------------|-------------|-------------|----------------|
| | <u>2019</u> | <u>2020</u> | <u>2021</u> | <u>2022</u> | <u>2023</u> |
| Labor Force: | | | | | |
| Wright County | 77,480 | 77,159 | 75,116 | 77,219 | 76,862 |
| Minneapolis – Saint Paul | | | | | |
| Bloomington MSA | 2,044,538 | 2,039,338 | 1,980,522 | 2,030,823 | 1,997,211 |
| State of Minnesota | 3,129,843 | 3,122,980 | 3,021,360 | 3,077,500 | 3,062,840 |
| Unemployment Rate (%): | | | | | |
| Wright County | 3.4% | 5.7% | 3.1% | 2.1% | 3.9% |
| Minneapolis – Saint Paul | | | | | |
| Bloomington MSA | 3.2 | 6.5 | 3.4 | 2.1 | 2.9 |
| State of Minnesota | 3.4 | 6.3 | 3.4 | 2.7 | 3.3 |

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

Retail Sales and Effective Buying Income (EBI)

City of Delano

| <u>Data Year/ Report Year</u> | <u>Total Retail Sales (\$000)</u> | <u>Total EBI (\$000)</u> | <u>Median Household EBI</u> |
|-------------------------------|-----------------------------------|--------------------------|-----------------------------|
| 2022/23 | \$153,529 | \$277,414 | \$93,662 |
| 2021/22 | 140,971 | 294,979 | 103,049 |
| 2020/21 | 121,636 | 250,165 | 84,578 |
| 2019/20 | 137,055 | 210,240 | 78,342 |
| 2018/19 | 136,093 | 197,051 | 78,733 |

Wright County

| <u>Data Year/ Report Year</u> | <u>Total Retail Sales (\$000)</u> | <u>Total EBI (\$000)</u> | <u>Median Household EBI</u> |
|-----------------------------------|---------------------------------------|------------------------------|---------------------------------|
| 2022/23 | \$2,760,903 | \$5,304,054 | \$85,461 |
| 2021/22 | 2,434,138 | 5,163,186 | 84,352 |
| 2020/21 | 2,251,899 | 4,517,111 | 73,829 |
| 2019/20 | 2,565,008 | 4,031,503 | 68,699 |
| 2018/19 | 2,472,970 | 3,714,590 | 66,471 |

The 2022/23 Median Household EBI for the State of Minnesota was \$71,568. The 2022/23 Median Household EBI for the United States was \$64,600.

Source: Claritas, LLC.

Permits Issued by the City

| | <u>New Single Family Residential</u> | | <u>New Commercial/Industrial</u> | | <u>Total Value(1) (All Permits)</u> |
|----------------|------------------------------------------|--------------|--------------------------------------|--------------|-----------------------------------------|
| | <u>Number</u> | <u>Value</u> | <u>Number</u> | <u>Value</u> | |
| 2023 (to 4-30) | 18 | \$ 4,802,100 | 0 | \$ 0 | \$ 5,886,773 |
| 2022 | 104 | 28,187,388 | 1 | 1,115,283 | 34,718,416 |
| 2021 | 114 | 29,904,352 | 3 | 4,448,053 | 87,152,832 |
| 2020 | 71 | 17,710,486 | 2 | 1,550,000 | 28,759,929 |
| 2019 | 39 | 9,924,205 | 4 | 13,446,500 | 25,658,529 |
| 2018 | 44 | 10,666,103 | 3 | 3,621,420 | 16,687,711 |
| 2017 | 53 | 11,618,731 | 4 | 52,170,000 | 67,951,869 |
| 2016 | 43 | 8,888,303 | 0 | 0 | 12,010,215 |
| 2015 | 36 | 7,514,461 | 3 | 3,497,490 | 13,152,810 |
| 2014 | 41 | 8,388,777 | 2 | 3,673,782 | 18,710,550 |

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

Source: City of Delano.

Recent Development

Industrial. Industrial expansion and growth continue to be a thriving part of the City’s local economy. The growth of local employment has been driven by the growth of the City’s established and largest employers. The City has continued to build on this success with several major new industrial buildings that opened from 2020 through 2022, with additional projects that were in process in 2021 and 2022.

Landscape Structures, Inc., (LSI) is the largest property owner in the City’s original Industrial Park with six facilities totaling over 600,000 square feet on 24 acres. Both the LSI and Randy’s Environmental Services projects will continue to grow employment within the community and have added over \$9,000,000 in market value to the City’s industrial property base.

KLN Family Brands is a well-established company that provides a wide variety of market needs in pet foods and candy’s/confections. One of its largest pet food products, Tuffy’s, is expanding in the City to enter the pet treats market – a product type not currently manufactured in the company’s main facilities in the City of Perham, Minnesota. The facility located in the City of Delano is a \$75,000,000 investment for KLN and has added over 100 jobs to the City’s employment base since opening in 2021. The City has also worked to facilitate the purchase of an 20 acres by KLN/Tuffy’s of land adjacent to this site to allow for future expansion. KLN/Tuffy’s has indicated to the City that it expects to double its building size on the existing and new sites within the next two to five years.

In 2022, Duinick Companies constructed and opened a new facility in the West Metro Business Park on McKinley Parkway. Duinick purchased 3.8 acres of land from the City's Economic Development Authority ("EDA") and constructed a 14,000 square-foot office and operations facility to support its construction business. The site also contains improved exterior areas for materials and equipment storage. Duinick Companies a regionally significant construction company in the upper Midwest, specializing in heavy civil construction, golf course development, and commercial site construction.

Also in 2022, the EDA sold a 6.0 acre parcel to Jeffrey Muonio, representing a group of investors and business owners. Mr. Muonio has received approval of a project in the West Metro Business Park to construct four buildings totaling 84,000 square feet for the purpose of providing individual, condo-style spaces for small businesses and incubation of new businesses. Mr. Muonio has received all land use approvals and is slated for construction in 2023.

Additionally, the City/EDA have reached a purchase agreement to sell a 5.0 acre parcel to a construction company, similar to the Duinick Companies project. It is expected that the sale of this property will close in spring 2023 and construction will take place in 2023.

The City has acquired an additional 89 acres of land adjacent to the West Metro Business Park for future growth and opportunity for parcels to accommodate larger land needs. The City is also working with Burlington Northern Santa Fe Railroad to potentially add a rail spur/service to the next phase in the business park.

Commercial/Retail. The City's retail and commercial sector continues to be a strong part of the local economy.

Dollar General constructed a new store with upgraded exterior finishes along the Highway 12 corridor, which opened in the summer of 2021. In addition, a 6,000 square-foot office building opened in 2021 along Highway 12 to provide commercial/office space for existing business. The office building was fully-occupied at opening and the owner is looking to construct a second building in 2023 to meet demand for space.

The EDA acquired a vacant gas station site along the Highway 12 corridor in 2019, demolishing the structures early in 2020, and removing the underground storage tanks. The site is marketed for redevelopment and the City anticipates commercial/retail development to occur in 2023.

Delano's Downtown District, a historic area along the banks of the Crow River, has seen significant investment and redevelopment in recent years. Brickside Grill and Tap and The Jerome businesses highlight this area, which has seen many other successful business ventures start in the past 24 months. Market 12, a fixture along the Highway 12 corridor, opened a second location in downtown in the fall of 2021 providing retail sales of a wide variety of products. Wilbur's Coffee also opened in 2021, updating a coffee shop and café at the high traffic corner of River Street and Bridge Avenue. Several other businesses such as Lulu's Retail Therapy, Mauvelous Fashion and the Book Nook have been successful in establishing retail storefronts in recent years.

Residential. Residential growth in the City has been accelerating in recent years from a pretty steady pace over the past decade. Single-family and multi-family housing options are available and new investment in residential projects has increased significantly over the past 36 months.

One of the large residential projects involves the redevelopment of the Granite Works, a former industrial site along the Crow River in the Downtown District. The City purchase the property in 2020, demolished the former industrial buildings, and remediated contaminated soils. Through the creation of a tax increment redevelopment district, the City created three multi-family housing sites. One site was sold in April 2021 and a 70-unit market rate apartment building was constructed. The building opened in June 2022 and offers high-amenity living in 1- and 2-bedroom units.

The same developer in the fall of 2022 acquired the next site in the Granite Works Redevelopment Area and is moving forward with construction of a second 75-unit market rate apartment building in the spring of 2023. Following this development, one additional multi-family housing site will remain in the redevelopment area.

Single-family residential demand and new housing starts continue to grow at an accelerated pace. In 2020, new housing starts increased to 71 permits issued, 114 permits in 2021, and 104 new single-family houses in 2022.

The demand for single-family housing in the City is attracting additional development interest from some of the nation’s largest home builders and local builders as well.

- Lennar Homes has been operating in the City since 2005 and, in 2022, completed improvements on the 12th and final addition of its plat.
- DR Horton started construction in 2021 with its 1st addition of the 216-lot Greywood Development. Construction continued with its 2nd addition in 2022. The Greywood Development is the second residential neighborhood in the City for DR Horton, who completed the 95-lot Liberty Landing subdivision between 2019-2021.
- In 2021, the City approved 122 lots in the Legacy Woods Development, a project by Rachel Development and M/I Homes. M/I Homes is the third largest national builder to acquire a development project in the City and has now completed two additions of the four-addition neighborhood. It is expected that construction will continue in 2023.
- Concept approval has been granted for Prairie Ridge, a potential new single-family neighborhood proposed for development by JP Brooks. The development would provide approximately 80 lots on 47 acres and infill a cap between the existing Parkview Hills and Fox Meadows developments.
- Concept approval has been granted for Parkview Hills north, which would provide 47 lots in an infill development between the existing Parkview Hills and Westridge Hills neighborhoods. It is expected that this development will proceed in 2023 and provide additional single-family lot inventory.

Education

Public Education

The following district serve the residents of the City:

| <u>School</u> | <u>Location</u> | <u>Grades</u> | <u>2022/23 Enrollment</u> |
|-------------------------|-----------------|---------------|---------------------------|
| I.S.D. No. 879 (Delano) | City of Delano | K-12 | 2,448 |

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

Non-Public Education

City residents are also served by the following private schools:

| <u>School</u> | <u>Location</u> | <u>Grades</u> | <u>2021/22 Enrollment</u> |
|--------------------------------------|-----------------|---------------|---------------------------|
| Mount Olive Lutheran | City of Delano | K-8 | 45 |
| St. Maximilian Kolbe Catholic School | City of Delano | K-7 | 120 |

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

Post-Secondary Education

Post-secondary educational institutions within commutable distance are the south campus of Hennepin Technical College, located approximately 20 miles north of the City; Normandale Community College in Bloomington, approximately 23 miles northeast of the City. Additionally, many colleges and universities are located within 35 miles of the City throughout the Minneapolis/Saint Paul metropolitan area.

GOVERNMENTAL ORGANIZATION AND SERVICES

Organization

The City has been a municipal corporation since 1876 and became a statutory city in 1974. The City has a statutory form of government, in which the Mayor and the four Council members are elected and are voting members. The persons listed below comprise the present City Council:

The following individuals comprise the current City Council:

| | | <u>Expiration of Term</u> |
|---------------|----------------|---------------------------|
| Holly Schrupp | Mayor | December 31, 2026 |
| Betsy Moran | Council Member | December 31, 2024 |
| Jason Franzen | Council Member | December 31, 2026 |
| Becky Schaust | Council Member | December 31, 2026 |
| Mike Mathisen | Council Member | December 31, 2024 |

Mr. Philip Kern has served as the City Administrator since January 2001 and is responsible for directing the administration of Council policy. Mr. Brian Bloch has served as the City's Finance Director since September 2004 and is responsible for maintaining the records and accounts of the City's operation.

Municipal Services

The City presently has 37 full-time, 32 part-time, and 2 seasonal employees providing a variety of services for City residents, including public works, public safety, municipal water and sanitary and storm sewer systems. The City's Fire Department provides fire protection to residents through 25 trained and equipped paid-per-call firefighters. Police protection is provided by the Wright County Sheriff's Department.

The City's water is supplied by municipal wells that serve 2,507 customers as of January 31, 2023. The wells have a combined pumping capacity of 2,750 gallons per minute. Average daily demand is 900,000 gallons. The City also has a 1.5 million gallon water tower. The City's water treatment plant has a capacity to filter 5.7 million gallons of water per day.

The City's electricity is purchased by the Delano Water, Light and Power Commission from the Central Minnesota Municipal Power Agency. In addition, the City's nine generating units have the capacity to transmit 15 megawatts of electricity. The City's electric utility serves 3,156 customers as of January 31, 2023.

The City's sewage treatment plant has capacity for 1.5 million gallons per day, with average daily demand at 617,328 gallons.

Labor Contracts

The City does not have any labor contracts or bargaining units.

Employee Pensions

All full-time employees and certain part-time employees of the City are covered by defined benefit pension plans administered by the Public Employees Retirement Association of Minnesota (PERA). PERA administers the General Employees Retirement Fund (GERF), the Public Employees Police and Fire Fund (PEPFF) and the Public Employees Correctional Fund (PECF), which are cost-sharing multiple-employer retirement plans. In addition, the City participates in the Public Employees Defined Contribution Plan (PEDCP), a multiple-employer deferred compensation plan administered by PERA.

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

Other Postemployment Benefits

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

Sources: City's Annual Financial Statements.

General Fund Budget Summary

| | <u>2022 Budget</u> | <u>2022 Actual(1)</u> | <u>2023 Budget</u> |
|----------------------|--------------------|-----------------------|--------------------|
| Revenues: | | | |
| Property Tax | \$2,848,403 | \$2,897,481 | \$2,945,753 |
| Franchise Fees | 450,000 | 491,977 | 460,000 |
| Intergovernmental | 463,847 | 728,281 | 495,147 |
| Licenses and Permits | 498,400 | 784,757 | 537,600 |
| Charges for Services | 217,200 | 228,594 | 267,900 |
| Transfers | 266,000 | 266,000 | 625,000 |
| Other | <u>5,400</u> | <u>(36,625)</u> | <u>5,200</u> |
| Total Revenues | \$4,749,250 | \$5,360,465 | \$5,336,600 |
| Expenditures: | | | |
| City Council | \$ 65,900 | \$ 65,194 | \$ 72,900 |
| Administrative | 615,400 | 673,299 | 735,700 |
| Financial | 296,600 | 299,694 | 323,700 |
| Public Safety | 588,300 | 537,160 | 730,500 |
| Public Works | 555,450 | 518,163 | 580,200 |
| Community Services | 1,586,400 | 1,595,431 | 1,747,700 |
| Transfers | <u>1,041,200</u> | <u>1,041,200</u> | <u>1,145,900</u> |
| Total Expenditures | \$4,749,250 | \$4,730,141 | \$5,336,600 |

(1) Unaudited.

Sources The City.

Coronavirus (COVID-19) Financial Assistance

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

As of the date of this Official Statement, the City has received \$466,130 in Affordable Care act and \$688,697 in American Rescue Plan Act (ARPA) State and Local Fiscal Recovery Funds Program. To date, the City has dedicated these funds to mitigate increased expenditures, lost revenue and economic hardship due to the COVID-19 pandemic.

Major General Fund Revenue Sources

| <u>Revenue</u> | <u>2017</u> | <u>2018</u> | <u>2019</u> | <u>2020</u> | <u>2021</u> |
|----------------------|-------------|-------------|-------------|-------------|-------------|
| Taxes | \$2,378,448 | \$2,475,125 | \$2,591,931 | \$2,682,538 | \$2,815,606 |
| Licenses and Permits | 820,312 | 488,372 | 603,526 | 812,631 | 880,527 |
| Intergovernmental | 324,516 | 360,450 | 421,628 | 548,588 | 444,493 |
| Franchise Fees | 375,887 | 421,179 | 446,050 | 444,237 | 430,118 |
| Charges for Services | 92,510 | 170,557 | 184,898 | 164,405 | 225,416 |
| Transfers In | 102,050 | 100,000 | 100,000 | 100,000 | 100,000 |

Sources: City's Annual Financial Statements.

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BOOK ENTRY

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

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

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

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

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

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

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

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

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

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

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

FORM OF BOND COUNSEL OPINION

\$ _____
 GENERAL OBLIGATION BONDS, SERIES 2023A
 CITY OF DELANO
 WRIGHT COUNTY
 MINNESOTA

We have acted as bond counsel in connection with the issuance by the City of Delano, Wright County, Minnesota (the "Issuer"), of its \$ _____ General Obligation Bonds, Series 2023A, bearing a date of original issue of June 29, 2023 (the "Bonds"). We have examined the law and such certified proceedings and other documents as we deem necessary to render this opinion.

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

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

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

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

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

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

Code of 1986, as amended, that must be satisfied subsequent to the issuance of the Bonds in order that interest thereon be, or continue to be, excluded from gross income for federal income tax purposes and from both gross income and taxable net income for State of Minnesota income tax purposes. Failure to comply with certain of such requirements may cause the inclusion of interest on the Bonds in gross income and taxable net income retroactive to the date of issuance of the Bonds.

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

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

TAFT STETTINIUS & HOLLISTER LLP

FORM OF CONTINUING DISCLOSURE UNDERTAKING

This Continuing Disclosure Undertaking (the "Disclosure Undertaking") is executed and delivered by the City of Delano, Minnesota (the "Issuer"), in connection with the issuance of its \$17,990,000 General Obligation Bonds, Series 2023A (the "Bonds"). The Bonds are being issued pursuant to a Resolution adopted on June 20, 2023 (the "Resolution"). Pursuant to the Resolution and this Disclosure Undertaking, the Issuer covenants and agrees as follows:

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

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

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

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

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

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

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

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

"MSRB" shall mean the Municipal Securities Rulemaking Board.

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

"Official Statement" shall be the Official Statement dated _____, 2023, prepared in connection with the Bonds.

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

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

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

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

SECTION 3. Provision of Annual Reports.

A. Beginning in connection with the Fiscal Year ending on December 31, 2022, the Issuer shall, or shall cause the Dissemination Agent to provide to the MSRB by filing at www.emma.msrb.org, together with such identifying information as prescribed by the MSRB, an Annual Report which is consistent with the requirements of Section 4 of this Disclosure Undertaking by not later than December 31, 2023, and by December 31 of each year thereafter.

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

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

The following financial information and operating data shall be supplied:

A. An update of the operating and financial data of the type of information contained in the Official Statement under the captions: City Property Values; City Indebtedness; and City Tax Rates, Levies and Collections.

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

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

- (1) Principal and interest payment delinquencies;
- (2) Non-payment related defaults, if material;
- (3) Unscheduled draws on debt service reserves reflecting financial difficulties;
- (4) Unscheduled draws on credit enhancements reflecting financial difficulties;
- (5) Substitution of credit or liquidity providers, or their failure to perform;
- (6) Adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-

- TEB), or other material notices or determinations with respect to the tax status of the Bonds, or other material events affecting the tax status of the Bonds;
- (7) Modifications to rights of security holders, if material;
 - (8) Bond calls, if material, and tender offers;
 - (9) Defeasances;
 - (10) Release, substitution, or sale of property securing repayment of the Bonds, if material;
 - (11) Rating changes;
 - (12) Bankruptcy, insolvency, receivership or similar event of the Issuer;
 - (13) The consummation of a merger, consolidation, or acquisition involving an obligated person or the sale of all or substantially all of the assets of the obligated person, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material;
 - (14) Appointment of a successor or additional trustee or the change of name of a trustee, if material;
 - (15) Incurrence of a Financial Obligation of the obligated person, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a Financial Obligation of the obligated person, any of which affect security holders, if material; and,
 - (16) Default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a Financial Obligation of the obligated person, any of which reflect financial difficulties.

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

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

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

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

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

counsel expert in federal securities laws to the effect that such amendment or waiver would not materially impair the interests of Owners.

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

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

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

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

Dated: June 29, 2023.

CITY OF DELANO, MINNESOTA

By _____
Its Mayor

By _____
Its City Administrator

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

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

PROPERTY VALUATIONS (CHAPTER 273, MINNESOTA STATUTES)

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

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

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

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

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

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

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

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

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

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

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

PROPERTY TAX CREDITS (CHAPTER 273, MINNESOTA STATUTES)

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

DEBT LIMITATIONS

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

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

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

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

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

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

| <u>Property Type</u> | <u>Local Tax Payable 2019-2023</u> |
|--------------------------------------------------|--------------------------------------------|
| Residential Homestead (1a) | |
| Up to \$500,000 | 1.00% |
| Over \$500,000 | 1.25% |
| Residential Non-homestead | |
| Single Unit (4bb) | |
| Up to \$500,000 | 1.00% |
| Over \$500,000 | 1.25% |
| 2-3 unit and undeveloped land (4b1) | 1.25% |
| Market Rate Apartments | |
| Regular (4a) | 1.25% |
| Low-Income (4d) | |
| Up to \$100,000 ⁽³⁾ | 0.75% |
| Over \$100,000 ⁽³⁾ | 0.25% |
| Commercial/Industrial/Public Utility (3a) | |
| Up to \$150,000 | 1.50% ⁽¹⁾ |
| Over \$150,000 | 2.00% ⁽¹⁾ |
| Electric Generation Machinery | 2.00% |
| Commercial Seasonal Residential | |
| Homestead Resorts (1c) | |
| Up to \$600,000 | 0.50% |
| \$600,000 - \$2,300,000 | 1.00% |
| Over \$2,300,000 | 1.25% ⁽¹⁾ |
| Seasonal Resorts (4c1) | |
| Up to \$500,000 | 1.00% ⁽¹⁾ |
| Over \$500,000 | 1.25% ⁽¹⁾ |
| Non-Commercial (4c12) | |
| Up to \$500,000 | 1.00% ⁽¹⁾⁽²⁾ |
| Over \$500,000 | 1.25% ⁽¹⁾⁽²⁾ |
| Disabled Homestead (1b) | |
| Up to \$50,000 | 0.45% |
| Agricultural Land & Buildings | |
| Homestead (2a) | |
| Up to \$500,000 | 1.00% |
| Over \$500,000 | 1.25% |
| Remainder of Farm | |
| Up to \$1,890,000 ⁽⁴⁾ | 0.50% ⁽²⁾ |
| Over \$1,890,000 ⁽⁴⁾ | 1.00% ⁽²⁾ |
| Non-homestead (2b) | 1.00% ⁽²⁾ |

(1) State tax is applicable to these classifications.

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

(3) Legislative increases, payable 2023. Historical valuations are: Payable 2022 - \$100,000; Payable 2021 - \$174,000; Payable 2020 - \$150,000; and Payable 2019 - \$139,000.

(4) Legislative increases, payable 2023. Historical valuations are: Payable 2022 - \$1,890,000; Payable 2021 - \$1,890,000; Payable 2020 - \$1,880,000; and Payable 2019 - \$1,900,000.

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

2021 ANNUAL FINANCIAL STATEMENTS

The following pages include the City's Annual Financial Statements for fiscal year ended December 31, 2021. (The City's Annual Financial Statements for fiscal year ended December 31, 2022 are not yet available.) The reader should be aware that the complete financial statements may contain additional information which may interpret, explain or modify the data presented here.

CITY OF DELANO, MINNESOTA
FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION
YEAR ENDED DECEMBER 31, 2021



WEALTH ADVISORY | OUTSOURCING
AUDIT, TAX, AND CONSULTING

CLAconnect.com

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INTRODUCTORY SECTION

**CITY OF DELANO, MINNESOTA
OFFICIAL DIRECTORY
DECEMBER 31, 2021**

Elected Officials

| | | |
|----------------|-----------------|-------------------|
| Mayor | Dale J. Graunke | December 31, 2022 |
| Council Member | Betsy Moran | December 31, 2024 |
| Council Member | Jason Franzen | December 31, 2022 |
| Council Member | Holly Schrupp | December 31, 2022 |
| Council Member | Jon Sutherland | December 31, 2024 |

Term Expires

Appointed Officials

| | |
|------------------|-------------|
| Administrator | Phil Kern |
| Finance Director | Brian Bloch |

FINANCIAL SECTION



INDEPENDENT AUDITORS' REPORT

Honorable Mayor and City Council
City of Delano
Delano, Minnesota

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Delano, Minnesota (the City) as of and for the year ended December 31, 2021, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

In our opinion, based on our audit and the report of the other auditors, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Delano as of December 31, 2021, and the respective changes in financial position and, where applicable, cash flows, and the budgetary comparison for the General Fund thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

We did not audit the financial statements Delano Municipal Utilities, a discretely presented component unit, which statements reflect 100% of the total assets as of December 31, 2021 and 100% of the total revenues for the year then ended. Those statements were audited by other auditors, whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for the Delano Municipal Utilities, is based solely on the report of other auditors.

Basis for Opinions

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

Responsibilities of Management for the Financial Statements

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

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

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

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

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

Required Supplementary Information

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

Supplementary Information

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

Other Information

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

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

Honorable Mayor and City Council
City of Delano, Minnesota

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated June 27, 2022, on our consideration of the City of Delano's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City of Delano's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering City of Delano's internal control over financial reporting and compliance.



CliftonLarsonAllen LLP

Minneapolis, Minnesota
June 27, 2022

REQUIRED SUPPLEMENTARY INFORMATION

**CITY OF DELANO, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2021**

This section of the City of Delano's (the City) annual financial report presents our discussion and analysis of the City's financial performance during the fiscal year that ended on December 31, 2021. The Management's Discussion and Analysis (MD&A) is an element of Required Supplementary Information specified in the Governmental Accounting Standard Board's (GASB) Statement No. 34 – *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments* issued in June 1999. Certain comparative information between the current year, 2021, and the prior year, 2020, is required to be presented in the MD&A.

The Delano Water, Light, and Power Commission (Commission) is considered a component unit of the City and, therefore, the Commission's financial information is included in management's discussion of the financial statements.

FINANCIAL HIGHLIGHTS

Key financial highlights for 2021 include the following:

- Governmental activities net position increase of \$1,807,367.
- Business-type activities net position increased \$2,214,834, primarily due to increased revenue from both the sewer fund and liquor funds.
- As of December 31, 2021, unassigned fund balance within the General Fund was \$2,903,640 or 83.3% of total 2021 General Fund expenditures.
- The fund balances of the Governmental Funds' increased from \$8,883,151 to \$12,592,790 as of December 31, 2021. Expenditures exceeded revenues by \$3,394,718, additionally net transfers in of \$184,304 and other financing sources of \$6,920,053 resulted in the net fund balances increasing by \$3,709,639.

OVERVIEW OF THE FINANCIAL STATEMENTS

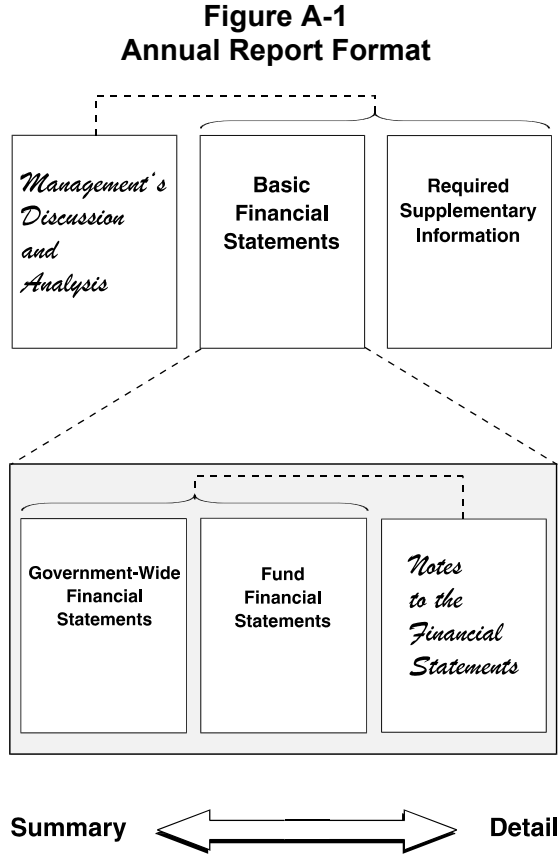
The financial section of the annual report consists of four parts – Independent Auditors' Report, required supplementary information which includes the management's discussion and analysis (this section), the basic financial statements, and supplementary information. The basic financial statements include two kinds of statements that present different views of the City:

- The first two statements are City-wide financial statements which provide both short-term and long-term information about the City's overall financial status.
- The remaining statements are fund financial statements which focus on individual parts of the City, reporting the City's operations in more detail than the City-wide statements.
 - The governmental funds statements tell how basic services such as general government, public safety, and highways and streets were financed in the short-term as well as what remains for future spending.
 - The proprietary funds statements provide details of the City's municipal liquor and utility "business-type" funds.
 - The financial statements also include notes that explain some of the information in the statements and provide more detailed data.

**CITY OF DELANO, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2021**

OVERVIEW OF THE FINANCIAL STATEMENTS (CONTINUED)

Figure A-1 shows how the various parts of this annual report are arranged and related to one another.



**CITY OF DELANO, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2021**

OVERVIEW OF THE FINANCIAL STATEMENTS (CONTINUED)

Figure A-2 summarizes the major features of the City's financial statements, including the portion of the City's activities they cover and the types of information they contain. The remainder of this overview section of management's discussion and analysis highlights the structure and contents of each of the statements.

| Figure A-2. Major Features of the City's Government-Wide and Fund Financial Statements | | | |
|-----------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------|
| Type of Statements | City-Wide | Governmental Funds | Proprietary Funds |
| Scope | Entire City's government (except fiduciary funds). | The activities of the City that are not proprietary or fiduciary. | The activities of the City that operate similar to private businesses: municipal liquor, sewer, electric, and water. |
| Required Financial Statements | Statement of net position. | Balance sheet. | Statement of net position. |
| | Statement of activities. | Statement of revenues, expenditures, and changes in fund balance. | Statement of revenues, expenses, and changes in net position, and statement of cash flows. |
| Accounting Basis and Measurement Focus | Accrual accounting and economic resources focus. | Modified accrual accounting and current financial resources focus. | Accrual accounting and economic resources focus. |
| Type of Asset/Liability Deferred Outflow/Inflow Information | All assets, deferred outflows of resources, liabilities, and deferred inflows of resources both financial and capital, short term and long term. | Only assets and deferred outflows of resources expected to be used up and liabilities and deferred inflows of resources that come due during the year or soon thereafter, no capital assets included. | All assets, deferred outflows of resources, liabilities, and deferred inflows of resources, both financial and capital, and short term and long term. |
| Type of Inflow/Outflow Information | All revenues and expenses during the year, regardless of when cash is received or paid. | Revenues for which cash is received during or soon after the end of the year, expenditures when goods or services have been received and payment is due during the year or soon thereafter. | All revenues and expenses during the year, regardless of when cash is received or paid. |

City-Wide Statements

The City-wide statements report information about the City as a whole using accounting methods similar to those used by private-sector companies. The statement of net position includes all of the City's assets and liabilities. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

**CITY OF DELANO, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2021**

OVERVIEW OF THE FINANCIAL STATEMENTS (CONTINUED)

City-Wide Statements (Continued)

The two City-wide statements report the City's net position and how they have changed. Net position – the difference between the City's assets and liabilities – are one way to measure the City's financial health or position.

- Over time, increases or decreases in the City's net position are an indicator of whether its financial position is improving or deteriorating, respectively.
- To assess the overall health of the City you need to consider additional nonfinancial factors such as changes in the City's property tax base and the condition of City buildings, infrastructure and other facilities.

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

- Governmental activities – The City's basic services are included here. Property taxes, charges for services, and state aids finance most of these activities.
- Business-type activities – The City's enterprise fund operations (municipal liquor and sewer) are included here. Charges for services finance most of these activities.

Fund Financial Statements

The fund financial statements provide more detailed information about the City's funds – focusing on its most significant or "major" funds – not the City as a whole. Funds are accounting devices the City uses to keep track of specific sources of funding and spending on particular programs:

- Some funds are required by state law and by bond covenants.
- The City establishes other funds to control and manage money for particular purposes (e.g., repaying its long-term debts) or to show that it is properly using certain revenues (e.g., federal grants).

The City has two kinds of funds:

- Governmental Funds – The City's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for future operations. Consequently, the governmental funds statements provide a detailed short-term view that helps to determine whether there are more or less financial resources that can be spent in the near future to finance the City's programs. Because this information does not encompass the additional long-term focus of the City-wide statements, we provide additional information after the governmental funds statements that explain the relationship (or differences) between them.
- Proprietary (Enterprise) Funds – The City reports two enterprise funds. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses enterprise funds to account for its municipal liquor and sewer utility. Enterprise fund financial statements provide the same type of information as the City-wide financial statements, only in more detail.

**CITY OF DELANO, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2021**

FINANCIAL ANALYSIS OF THE CITY AS A WHOLE

Net Position

The City's overall net position was \$56,262,064 on December 31, 2021 (see Table A-1).

**Table A-1
Condensed Statements of Net Position
as of December 31, 2021 and 2020**

| | Governmental Activities | | Business-Type Activities | | Total | |
|----------------------------------|-------------------------|----------------------|--------------------------|----------------------|----------------------|----------------------|
| | 2021 | 2020 | 2021 | 2020 | 2021 | 2020 |
| Current and Other Assets | \$ 23,913,009 | \$ 18,875,352 | \$ 7,540,066 | \$ 3,903,572 | \$ 31,453,075 | \$ 22,778,924 |
| Capital Assets | 48,017,496 | 44,687,813 | 19,841,666 | 19,806,549 | 67,859,162 | 64,494,362 |
| Total Assets | <u>71,930,505</u> | <u>63,563,165</u> | <u>27,381,732</u> | <u>23,710,121</u> | <u>99,312,237</u> | <u>87,273,286</u> |
| Deferred Outflows of Resources | 774,215 | 191,993 | 184,223 | 31,967 | 958,438 | 223,960 |
| Long-Term Liabilities | 33,472,467 | 28,276,864 | 5,291,168 | 3,851,482 | 38,763,635 | 32,128,346 |
| Other Liabilities | 3,544,678 | 2,325,973 | 542,227 | 560,409 | 4,086,905 | 2,886,382 |
| Total Liabilities | <u>37,017,145</u> | <u>30,602,837</u> | <u>5,833,395</u> | <u>4,411,891</u> | <u>42,850,540</u> | <u>35,014,728</u> |
| Deferred Inflows of Resources | <u>954,263</u> | <u>226,376</u> | <u>203,808</u> | <u>16,279</u> | <u>1,158,071</u> | <u>242,655</u> |
| Net Position: | | | | | | |
| Net Investment in Capital Assets | 15,688,256 | 17,972,305 | 15,632,001 | 16,015,284 | 31,320,257 | 33,987,589 |
| Restricted | 19,664,385 | 14,539,474 | - | - | 19,664,385 | 14,539,474 |
| Unrestricted | <u>(619,329)</u> | <u>414,166</u> | <u>5,896,751</u> | <u>3,298,634</u> | <u>5,277,422</u> | <u>3,712,800</u> |
| Total Net Position | <u>\$ 34,733,312</u> | <u>\$ 32,925,945</u> | <u>\$ 21,528,752</u> | <u>\$ 19,313,918</u> | <u>\$ 56,262,064</u> | <u>\$ 52,239,863</u> |

**CITY OF DELANO, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2021**

FINANCIAL ANALYSIS OF THE CITY AS A WHOLE (CONTINUED)

Changes in Net Position

The City-wide total revenues were \$16,760,633 for the year ended December 31, 2021. Property taxes accounted for 22.3% of total revenue for the year (see Graph A-1 for breakdown of Governmental Activities).

**Table A-2
Condensed Statement of Activities
Years Ended December 31, 2021 and 2020**

| | Governmental Activities | | Business-Type Activities | | Total | |
|---------------------------------------------|-------------------------|----------------------|--------------------------|----------------------|----------------------|----------------------|
| | 2021 | 2020 | 2021 | 2020 | 2021 | 2020 |
| REVENUES | | | | | | |
| Program Revenues: | | | | | | |
| Charges for Services | \$ 3,145,558 | \$ 4,574,139 | \$ 6,982,344 | \$ 6,559,110 | \$ 10,127,902 | \$ 11,133,249 |
| Operating Grants and Contributions | 238,255 | 319,724 | - | - | 238,255 | 319,724 |
| Capital Grants and Contributions | 176,730 | - | - | - | 176,730 | - |
| General Revenues: | | | | | | |
| Property Taxes | 3,742,433 | 3,737,896 | - | - | 3,742,433 | 3,737,896 |
| Tax Increments | 643,260 | 214,715 | - | - | 643,260 | 214,715 |
| Grants and Contributions, Not Restricted | 732,163 | 2,053,280 | - | - | 732,163 | 2,053,280 |
| Unrestricted Investment Earnings | 7,959 | 84,677 | 5,168 | 71,575 | 13,127 | 156,252 |
| Rental Income | - | 27,334 | - | - | - | 27,334 |
| Miscellaneous | 691,908 | 434,133 | 394,855 | - | 1,086,763 | 434,133 |
| Total Revenues | 9,378,266 | 11,445,898 | 7,382,367 | 6,630,685 | 16,760,633 | 18,076,583 |
| EXPENSES | | | | | | |
| General Government | 1,015,652 | 1,140,550 | - | - | 1,015,652 | 1,140,550 |
| Public Safety | 1,086,975 | 1,112,027 | - | - | 1,086,975 | 1,112,027 |
| Highways and Streets | 909,034 | 2,437,923 | - | - | 909,034 | 2,437,923 |
| Economic Development | 1,659,248 | 2,266,804 | - | - | 1,659,248 | 2,266,804 |
| Community Services | 2,295,366 | 1,799,114 | - | - | 2,295,366 | 1,799,114 |
| Debt Service | 616,190 | 307,909 | - | - | 616,190 | 307,909 |
| Municipal Liquor | - | - | 3,331,493 | 3,263,886 | 3,331,493 | 3,263,886 |
| Sewer | - | - | 1,824,474 | 1,722,700 | 1,824,474 | 1,722,700 |
| Total Expenses | 7,582,465 | 9,064,327 | 5,155,967 | 4,986,586 | 12,738,432 | 14,050,913 |
| Increase in Net Position before Transfers | 1,795,801 | 2,381,571 | 2,226,400 | 1,644,099 | 4,022,201 | 4,025,670 |
| Transfers | 11,566 | 152,662 | (11,566) | (152,662) | - | - |
| CHANGE IN NET POSITION | 1,807,367 | 2,534,233 | 2,214,834 | 1,491,437 | 4,022,201 | 4,025,670 |
| Net Position - Beginning of Year | 32,925,945 | 30,391,712 | 19,313,918 | 17,822,481 | 52,239,863 | 48,214,193 |
| NET POSITION - END OF YEAR | \$ 34,733,312 | \$ 32,925,945 | \$ 21,528,752 | \$ 19,313,918 | \$ 56,262,064 | \$ 52,239,863 |

**CITY OF DELANO, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2021**

FINANCIAL ANALYSIS OF THE CITY AS A WHOLE (CONTINUED)

Changes in Net Position (Continued)

Total revenues surpassed expenses, increasing net position \$4,022,201 from the prior year. This compares to a \$4,025,670 increase in net position in 2020. The increase in net position from 2020 to 2021 is largely a result of decrease expenditures from non-restrictive grants and contributions.

The City-wide cost of all activities this year was \$12,738,432. Governmental activities and business-type activities comprised of \$7,582,465 and \$5,155,967, respectively.

- A total of \$10,127,902 of the cost was paid by the users of the City's programs, comprised of: \$3,145,558 for governmental activities and \$6,982,344 for business-type activities.
- Certain programs in the governmental activities received federal, state, and local support with operating grants and contributions of \$238,255. Restricted state-aid comprised a majority of the revenue in this classification.
- The City's governmental activities' program expenses exceeded program revenues by \$4,021,922 (see Table A-3).

See Graph A-1 and A-2 for a breakdown of the City's revenues and expenses for governmental activities.

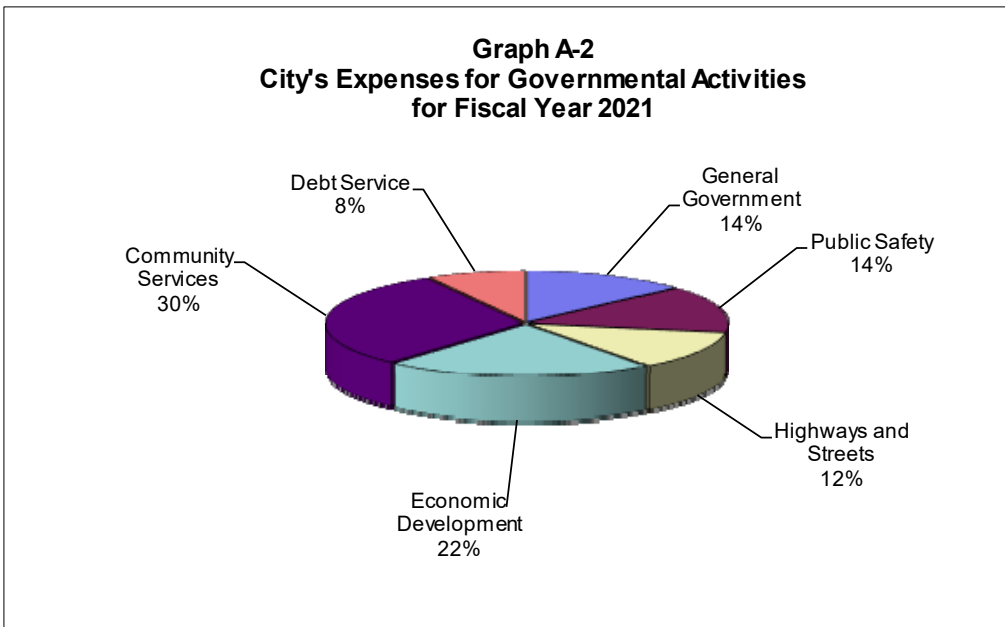
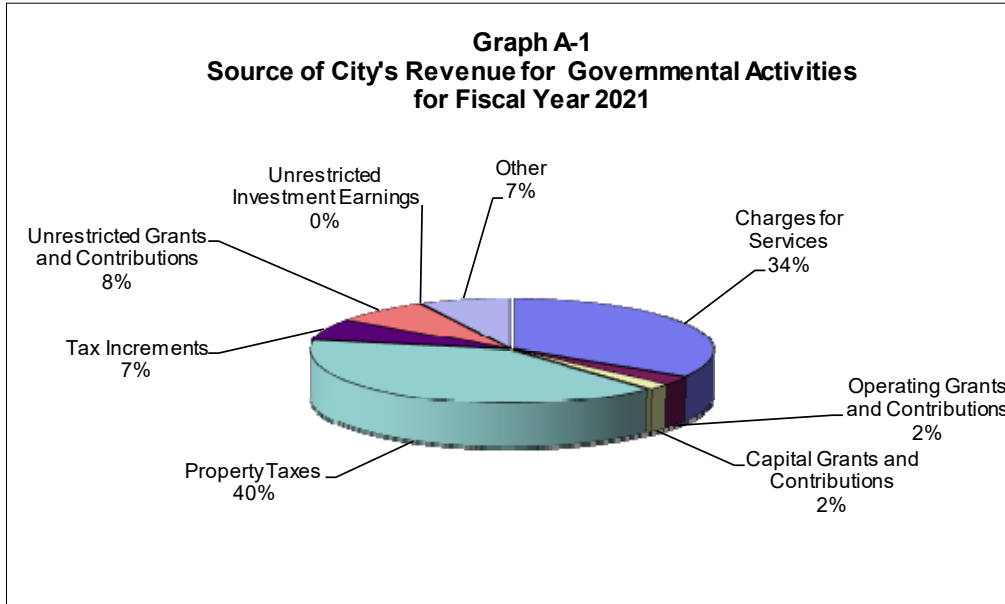
**Table A-3
Cost of Services Analysis**

| | Total Cost of Services | | Percentage Change | Net Revenue from (Cost of) Services | | Percentage Change |
|---------------------------------|------------------------|---------------------|----------------------|----------------------------------------|-----------------------|----------------------|
| | 2021 | 2020 | | 2021 | 2020 | |
| GOVERNMENTAL ACTIVITIES | | | | | | |
| General Government | \$ 1,015,652 | \$ 1,140,550 | (11.0)% | \$ (251,880) | \$ 157,230 | 260.2 % |
| Public Safety | 1,086,975 | 1,112,027 | (2.3) | (727,339) | (479,800) | (51.6) |
| Highways and Streets | 909,034 | 2,437,923 | (62.7) | (335,852) | (90,702) | (270.3) |
| Economic Development | 1,659,248 | 2,266,804 | (26.8) | (898,118) | (2,175,852) | 58.7 |
| Community Services | 2,295,366 | 1,799,114 | 27.6 | (1,192,543) | (1,273,431) | 6.4 |
| Debt Service | 616,190 | 307,909 | 100.1 | (616,190) | (307,909) | (100.1) |
| Total | <u>\$ 7,582,465</u> | <u>\$ 9,064,327</u> | | <u>\$ (4,021,922)</u> | <u>\$ (4,170,464)</u> | |
| BUSINESS-TYPE ACTIVITIES | | | | | | |
| Municipal Liquor | \$ 3,331,493 | \$ 3,263,886 | 2.1 % | \$ 361,169 | \$ 459,435 | (21.4)% |
| Sewer | 1,824,474 | 1,722,700 | 5.9 | 1,465,208 | 1,113,089 | 31.6 |
| Total | <u>\$ 5,155,967</u> | <u>\$ 4,986,586</u> | | <u>\$ 1,826,377</u> | <u>\$ 1,572,524</u> | |

**CITY OF DELANO, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2021**

FINANCIAL ANALYSIS OF THE CITY AS A WHOLE (CONTINUED)

Changes in Net Position (Continued)



**CITY OF DELANO, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2021**

FINANCIAL ANALYSIS OF THE CITY AT THE FUND LEVEL

The financial performance of the City as a whole is reflected in its governmental funds as well. As the City completed the year, its governmental funds reported a combined fund balance of \$12,592,790.

Revenues for the City's governmental funds were \$9,383,793, while total expenditures were \$12,778,511. Total expenditures include \$1,340,000 of bond and loan principal payments and \$891,826 of expenditures for interest related to the City's long-term debt.

GENERAL FUND

The General Fund includes the primary operations of the City in providing services to its residents. Fund balance in the General Fund decreased by \$10,768 in 2021 to an ending balance of \$2,927,133. This compares to an increase of \$145,408 in 2020.

The following schedule presents a summary of General Fund Revenues:

**Table A-4
General Fund Revenues**

| | Year Ended December 31, | | Change | |
|----------------------|-------------------------|---------------------|-------------------------|---------|
| | 2021 | 2020 | Increase/ (Decrease) | Percent |
| GENERAL FUND | | | | |
| Taxes | \$ 2,815,606 | \$ 2,682,538 | \$ 133,068 | 5.0 % |
| Special Assessments | 21,307 | 153 | 21,154 | N/A |
| Licenses and Permits | 880,527 | 812,631 | 67,896 | 8.4 |
| Intergovernmental | 444,493 | 548,588 | (104,095) | (19.0) |
| Charges for Services | 655,534 | 608,642 | 46,892 | 7.7 |
| Investment Earnings | (449) | 33,165 | (33,614) | (101.4) |
| Miscellaneous | 133,878 | 131,496 | 2,382 | 1.8 |
| Total | <u>\$ 4,950,896</u> | <u>\$ 4,817,213</u> | <u>\$ 133,683</u> | 2.8 |

Total General Fund revenue increased by \$133,683 from the previous year. Taxes continue to be the significant source of funding in the general fund, comprising 56.9% of the total general fund revenues for 2021. The City has increased its reliance upon intergovernmental revenues in recent years, which make up 9% of general fund revenues for 2021.

**CITY OF DELANO, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2021**

GENERAL FUND (CONTINUED)

The following schedule presents a summary of General Fund Expenditures:

**Table A-5
General Fund Expenditures**

| | Year Ended December 31, | | Change | |
|----------------------|-------------------------|---------------------|-------------------------|---------|
| | 2021 | 2020 | Increase/ (Decrease) | Percent |
| GENERAL FUND | | | | |
| General Government | \$ 957,980 | \$ 871,649 | \$ 86,331 | 9.9 % |
| Public Safety | 522,056 | 497,239 | 24,817 | 5.0 |
| Highways and Streets | 509,577 | 457,384 | 52,193 | 11.4 |
| Community Services | 1,494,772 | 1,370,257 | 124,515 | 9.1 |
| Total | <u>\$ 3,484,385</u> | <u>\$ 3,196,529</u> | <u>\$ 287,856</u> | 9.0 |

Expenditures were up across all departments in 2021 compared to 2020. Professional services were up due to the increase in economic development.

General Fund Budgetary Highlights

The 2021 General Fund budget anticipated a balanced budget. Revenues plus other financing sources were expected to be \$4,447,340 while expenditures and other financing were expected to be the same. The motor vehicle activities are included in the General Fund and typically represent about 5% of all expenditures and other financing uses in the General Fund.

The budget for building permit revenues was a conservative estimate since the City cannot always predict the amount of permits each year and the budget was exceeded in 2021 by \$533,999 due to new developments both residential and commercial. In total revenues were greater than the budget by \$603,556 while expenditures were over budget by \$126,945.

General Capital Improvements

The General Capital Improvements Fund is a capital project fund accounting for projects and equipment purchases completed by the City that are not significant enough to warrant their own fund. Annually the City budgets transfers into this fund, mostly from the General Fund, to pay for those equipment purchases and smaller projects.

**CITY OF DELANO, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2021**

GENERAL FUND (CONTINUED)

G.O. Improvement Bonds 2013B

The G.O. Bonds 2013B Fund is a debt service fund accounting for the payment of the general obligation improvement bonds, series 2013B. This bond was issued in 2013 to finance improvements within the Northwest Business Park. The bond is a 20-year bond with final payment expected in 2035. Special assessments levied against benefiting property owners are being used to finance the repayment of the entire debt over the term of the bond.

PROPRIETARY FUNDS

Due to timing differences in the user fees and capital improvements in the proprietary funds, increases (or decreases) in net position can occur from year to year. For fiscal year 2021, enterprise funds net income before contributions and transfers was \$2,226,400 compared to \$1,644,099 in 2020. The following table (A-6) shows a summary of operations for the enterprise funds.

**Table A-6
Enterprise Funds Summary of Operations**

| | Operating Revenues | Operating Expenses | Operating Income | Nonoperating Revenues | Nonoperating Expenses | Net Income Before Capital Contributions and Transfers |
|-----------------------|-----------------------|-----------------------|---------------------|--------------------------|--------------------------|-------------------------------------------------------------------|
| Municipal Liquor: | | | | | | |
| 2021 | \$ 1,034,417 | \$ 673,248 | \$ 361,169 | \$ 1,889 | \$ - | \$ 363,058 |
| 2020 | 1,037,150 | 608,492 | 428,658 | 40,995 | - | 469,653 |
| Increase / (Decrease) | <u>\$ (2,733)</u> | <u>\$ 64,756</u> | <u>\$ (67,489)</u> | <u>\$ (39,106)</u> | <u>\$ -</u> | <u>\$ (106,595)</u> |
| Sewer: | | | | | | |
| 2021 | \$ 2,052,937 | \$ 1,660,849 | \$ 392,088 | \$ 1,634,879 | \$ 163,625 | \$ 1,863,342 |
| 2020 | 1,897,091 | 1,591,687 | 305,404 | 1,000,055 | 131,013 | 1,174,446 |
| Increase / (Decrease) | <u>\$ 155,846</u> | <u>\$ 69,162</u> | <u>\$ 86,684</u> | <u>\$ 634,824</u> | <u>\$ 32,612</u> | <u>\$ 688,896</u> |
| Total: | | | | | | |
| 2021 | \$ 3,087,354 | \$ 2,334,097 | \$ 753,257 | \$ 1,636,768 | \$ 163,625 | \$ 2,226,400 |
| 2020 | 2,934,241 | 2,200,179 | 734,062 | 1,041,050 | 131,013 | 1,644,099 |
| Increase / (Decrease) | <u>\$ 153,113</u> | <u>\$ 133,918</u> | <u>\$ 19,195</u> | <u>\$ 595,718</u> | <u>\$ 32,612</u> | <u>\$ 582,301</u> |

Municipal Liquor

Total sales for the fund increased \$118 while the cost of goods sold increased \$2,851 resulting in a \$2,733 or 0.3% decrease in operating income.

Sanitary Sewer

Rates remained consistent during 2021. At the end of the year, the fund showed net income before transfers of \$1,863,342 compared to net income before transfers of \$1,174,446 in 2020.

**CITY OF DELANO, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2021**

CAPITAL ASSETS

By the end of 2021, the City had invested approximately \$67.9 million, net of accumulated depreciation, in a broad range of capital assets, including: buildings, improvements, equipment, and infrastructure (see Table A-7). (More detailed information about capital assets can be found in Note 3 to the financial statements.) Total depreciation expense for the year was \$638,489 for the enterprise funds.

**Table A-7
The City's Capital Assets**

| | Governmental Activities | | Percent Change | Business-Type Activities | | Percent Change |
|------------------------------------------------------------|-------------------------|----------------------|-------------------|--------------------------|----------------------|-------------------|
| | 2021 | 2020 | | 2021 | 2020 | |
| Land | \$ 5,899,887 | \$ 4,410,619 | 33.8 % | \$ 131,434 | \$ 131,434 | - % |
| Construction in Progress | 6,847,493 | 7,574,438 | (9.6) | 469,706 | 92,077 | 410.1 |
| Land Improvements | 4,401,396 | 4,099,203 | 7.4 | 72,500 | 72,500 | - |
| Buildings and Building Improvements | 8,749,392 | 7,906,748 | 10.7 | 11,612,309 | 11,610,509 | 0.0 |
| Infrastructure and Infrastructure Improvements | 30,554,609 | 29,222,703 | 4.6 | 17,829,265 | 17,656,527 | 1.0 |
| Furniture, Fixtures, Vehicles, Equipment, and Machinery | 5,935,619 | 4,376,652 | 35.6 | 739,966 | 669,404 | 10.5 |
| Leasehold Improvements | - | - | - | 166,080 | 122,435 | 35.6 |
| Less: Accumulated Depreciation | <u>(14,370,900)</u> | <u>(12,902,550)</u> | 11.4 | <u>(11,179,594)</u> | <u>(10,548,337)</u> | 6.0 |
| Total | <u>\$ 48,017,496</u> | <u>\$ 44,687,813</u> | 7.5 | <u>\$ 19,841,666</u> | <u>\$ 19,806,549</u> | 0.2 |

Major capital asset transaction/events during the current fiscal year included:

- The City had capital asset additions in its governmental activities during 2021 that included \$1,111,138 for land for a future park, \$1,321,891 for an aerial truck for the fire department, and \$726,173 for building improvements for the heritage building and 221 building.
- Governmental activities construction in progress decreased by 9.6% however there were additional expenditures of \$1,930,000 that were spent on street improvements in 2021.
- Business-type activities construction in progress is mostly for an expansion of the wastewater treatment plant. At December 31, 2021 there was \$452,611 spent for that project.

**CITY OF DELANO, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2021**

LONG-TERM OBLIGATIONS

At year-end, the City had approximately \$38 million in long-term liabilities outstanding.

- The City's governmental activities total long-term liabilities increased \$5,409,272, due primarily to the 2021 A debt issuance that occurred during 2021.
- The City's business-type activities total long-term liabilities decreased \$1,444,690, due primarily to scheduled debt payments.

**Table A-8
The City's Long-Term Liabilities**

| | Governmental Activities | | Percent Change | Business-Type Activities | | Percent Change |
|-------------------------------|-------------------------|---------------|-------------------|--------------------------|--------------|-------------------|
| | 2021 | 2020 | | 2021 | 2020 | |
| G.O. Bonds | \$ 9,115,000 | \$ 8,100,000 | 12.5 % | \$ - | \$ - | - % |
| G.O. Tax Increment Bonds | 2,815,000 | 2,840,000 | (0.9) | - | - | - |
| G.O. Special Assessment Bonds | 14,170,000 | 11,260,000 | 25.8 | - | - | - |
| G.O. Revenue Bonds | 1,226,720 | 1,321,720 | (7.2) | 5,010,607 | 3,795,607 | 32.0 |
| G.O. Tax Abatement Bonds | 1,750,000 | 745,000 | 134.9 | - | - | - |
| G.O. Bonds - Commission | 1,977,673 | 2,032,673 | (2.7) | - | - | - |
| Premium | 1,335,899 | 721,115 | 85.3 | 214,111 | - | - |
| Discount | - | - | - | (2,342) | (4,342) | (46.1) |
| Compensated Absences | 202,337 | 180,835 | 11.9 | 68,792 | 60,217 | 14.2 |
| Other Postemployment Benefits | 33,004 | 15,018 | 119.8 | 9,241 | 4,237 | 118.1 |
| Total | \$ 32,625,633 | \$ 27,216,361 | 19.9 | \$ 5,300,409 | \$ 3,855,719 | 37.5 |

FACTORS BEARING ON THE CITY'S FUTURE

The City considers numerous factors when forecasting for the future. When constructing and ultimately adopting the 2021 budget, the City considered the following:

- The City of Delano issued 114 new home permits in 2021 with a value of \$29,904,352. This was up from 43 new home permits in 2020 with a value of \$17,687,925.
- Permits for commercial and industrial projects amounted to \$9,926,607 in 2021 compared to \$11,058,133 in 2020.
- The median household income for Delano was \$101,798 compared to the national household income of \$65,712 (per the United States Census Bureau).

All of these factors will be considered when constructing the 2023 budget.

The City maintains an adequate fund balance and working capital at year-end in the General Fund to avoid cash borrowings until property tax revenues are received around mid-year.

The City annually review sanitary sewer and storm water rates to determine if cash flow needs are adequate to meet expected outflows for the coming year and the following five years. Rates for both sanitary sewer and storm water have remained level since 2015.

**CITY OF DELANO, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2021**

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

The financial report is designed to provide a general overview of the City of Delano's finances for all those with an interest in government finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the City of Delano, City Finance Director, P.O. Box 108, Delano, MN 55328. This report is also available on the City's website: www.delano.mn.us.

BASIC FINANCIAL STATEMENTS

**CITY OF DELANO, MINNESOTA
STATEMENT OF NET POSITION
DECEMBER 31, 2021**

| | Governmental Activities | Business-Type Activities | Total | Component Unit Delano Water, Light, and Power Commission |
|----------------------------------------------|----------------------------|-----------------------------|----------------------|-------------------------------------------------------------------|
| ASSETS | | | | |
| Cash and Investments | \$ 16,184,766 | \$ 3,438,703 | \$ 19,623,469 | \$ 3,340,935 |
| Accounts Receivable | 163,832 | 85,102 | 248,934 | 1,130,828 |
| Taxes Receivable | 50,791 | - | 50,791 | - |
| Special Assessments Receivable | 7,449,055 | - | 7,449,055 | - |
| Internal Balances | (3,167,645) | 3,167,645 | - | - |
| Note Receivable | 76,965 | - | 76,965 | - |
| Due from Other Governmental Units | 169,391 | - | 169,391 | - |
| Note Receivable - Commission | 1,977,673 | - | 1,977,673 | - |
| Inventories | - | 465,891 | 465,891 | 1,479,145 |
| Prepaid Items | 23,697 | 13,166 | 36,863 | 2,634 |
| Due from Primary Government/Component Unit | 150,708 | 369,559 | 520,267 | - |
| Land Held for Resale | 378,276 | - | 378,276 | - |
| Net Pension Asset | 455,500 | - | 455,500 | - |
| Capital Assets: | | | | |
| Capital Assets, Not Being Depreciated | 12,747,380 | 601,140 | 13,348,520 | 2,288,191 |
| Capital Assets, Being Depreciated, Net | 35,270,116 | 19,240,526 | 54,510,642 | 27,539,436 |
| Total Assets | <u>71,930,505</u> | <u>27,381,732</u> | <u>99,312,237</u> | <u>35,781,169</u> |
| DEFERRED OUTFLOWS OF RESOURCES | | | | |
| Pension Related | 774,215 | 184,223 | 958,438 | 496,056 |
| Total Deferred Outflows of Resources | <u>774,215</u> | <u>184,223</u> | <u>958,438</u> | <u>496,056</u> |
| LIABILITIES | | | | |
| Accounts Payable | 97,827 | 161,416 | 259,243 | 556,165 |
| Contracts Payable | 218,949 | 68,434 | 287,383 | - |
| Accrued Compensation | 84,066 | 21,255 | 105,321 | 48,412 |
| Sales Tax Payable | - | 38,467 | 38,467 | - |
| Due to Other Governmental Units | 190,888 | - | 190,888 | - |
| Due to Primary Government/Component Unit | - | - | - | 520,267 |
| Deposits | 2,351,831 | 4,543 | 2,356,374 | 91,665 |
| Unearned Revenue | 344,348 | - | 344,348 | 370,779 |
| Accrued Interest Payable | 256,769 | 18,093 | 274,862 | 23,094 |
| Net Pension Liability | 846,834 | 220,778 | 1,067,612 | 606,404 |
| Noncurrent Liabilities: | | | | |
| Loan Payable - Due within One Year | - | - | - | 87,729 |
| Loan Payable - Due in More than One Year | - | - | - | 1,889,944 |
| Due within One Year | 5,487,355 | 1,042,726 | 6,530,081 | 758,430 |
| Due in More than One Year | 27,105,274 | 4,248,442 | 31,353,716 | 3,455,789 |
| Other Postemployment Benefits | 33,004 | 9,241 | 42,245 | - |
| Total Liabilities | <u>37,017,145</u> | <u>5,833,395</u> | <u>42,850,540</u> | <u>8,408,678</u> |
| DEFERRED INFLOWS OF RESOURCES | | | | |
| Regulatory Collections to Cover Future Costs | - | - | - | 621,245 |
| Pension Related | 954,263 | 203,808 | 1,158,071 | 571,144 |
| Total Deferred Inflows of Resources | <u>954,263</u> | <u>203,808</u> | <u>1,158,071</u> | <u>1,192,389</u> |
| NET POSITION | | | | |
| Net Investment in Capital Assets | 15,688,256 | 15,632,001 | 31,320,257 | 23,747,172 |
| Restricted for: | | | | |
| Economic Development Activities | 992,603 | - | 992,603 | - |
| Future Debt Retirement | 15,705,015 | - | 15,705,015 | - |
| Developer Projects | 968,872 | - | 968,872 | - |
| Park Dedication | 1,048,337 | - | 1,048,337 | - |
| Fire Equipment | 370,163 | - | 370,163 | - |
| Fire Building | 342,765 | - | 342,765 | - |
| Fire Department | 236,630 | - | 236,630 | - |
| Unrestricted | (619,329) | 5,896,751 | 5,277,422 | 2,928,986 |
| Total Net Position | <u>\$ 34,733,312</u> | <u>\$ 21,528,752</u> | <u>\$ 56,262,064</u> | <u>\$ 26,676,158</u> |

See accompanying Notes to Financial Statements.

**CITY OF DELANO, MINNESOTA
STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2021**

| Functions/Programs | Expenses | Program Revenues | | |
|-------------------------------------------|---------------|-----------------------------------|---------------------------------------|-------------------------------------|
| | | Fee, Charges, Fines, and Other | Operating Grants and Contributions | Capital Grants and Contributions |
| Governmental Activities: | | | | |
| General Government | \$ 1,015,652 | \$ 763,772 | \$ - | \$ - |
| Public Safety | 1,086,975 | 256,494 | 103,142 | - |
| Highways and Streets | 909,034 | 319,081 | 77,371 | 176,730 |
| Economic Development | 1,659,248 | 754,904 | 6,226 | - |
| Community Services | 2,295,366 | 1,051,307 | 51,516 | - |
| Interest on Long-Term Debt | 616,190 | - | - | - |
| Total Governmental Activities | 7,582,465 | 3,145,558 | 238,255 | 176,730 |
| Business-Type Activities: | | | | |
| Municipal Liquor | 3,331,493 | 3,692,662 | - | - |
| Sewer | 1,824,474 | 3,289,682 | - | - |
| Total Business-Type Activities | 5,155,967 | 6,982,344 | - | - |
| Total Primary Government | \$ 12,738,432 | \$ 10,127,902 | \$ 238,255 | \$ 176,730 |
| Component Unit: | | | | |
| Delano Water, Light, and Power Commission | \$ 8,690,898 | \$ 9,511,407 | \$ - | \$ 62,119 |
| Total | \$ 21,429,330 | \$ 19,639,309 | \$ 238,255 | \$ 238,849 |

General Revenues:

Taxes:

Property Taxes

Tax Increment

Grants and Contributions Not Restricted to Specific Programs

Investment Earnings

Miscellaneous

Transfers

Total General Revenues and Transfers

CHANGE IN NET POSITION

Net Position - Beginning of Year

NET POSITION - END OF YEAR

See accompanying Notes to Financial Statements.

**CITY OF DELANO, MINNESOTA
STATEMENT OF ACTIVITIES (CONTINUED)
YEAR ENDED DECEMBER 31, 2021**

| Net (Expense) Revenue and Changes in Net Position | | | Component Unit |
|---------------------------------------------------|-----------------------------|----------------------|-------------------------------------------------|
| Governmental Activities | Business-Type Activities | Total | Delano Water, Light, and Power Commission |
| \$ (251,880) | \$ - | \$ (251,880) | \$ - |
| (727,339) | - | (727,339) | - |
| (335,852) | - | (335,852) | - |
| (898,118) | - | (898,118) | - |
| (1,192,543) | - | (1,192,543) | - |
| (616,190) | - | (616,190) | - |
| (4,021,922) | - | (4,021,922) | - |
| - | 361,169 | 361,169 | - |
| - | 1,465,208 | 1,465,208 | - |
| - | 1,826,377 | 1,826,377 | - |
| (4,021,922) | 1,826,377 | (2,195,545) | - |
| - | - | - | 882,628 |
| (4,021,922) | 1,826,377 | (2,195,545) | 882,628 |
| 3,742,433 | - | 3,742,433 | - |
| 643,260 | - | 643,260 | - |
| 732,163 | - | 732,163 | - |
| 7,959 | 5,168 | 13,127 | 7,235 |
| 691,908 | 394,855 | 1,086,763 | 226,534 |
| 11,566 | (11,566) | - | - |
| 5,829,289 | 388,457 | 6,217,746 | 233,769 |
| 1,807,367 | 2,214,834 | 4,022,201 | 1,116,397 |
| 32,925,945 | 19,313,918 | 52,239,863 | 25,559,761 |
| <u>\$ 34,733,312</u> | <u>\$ 21,528,752</u> | <u>\$ 56,262,064</u> | <u>\$ 26,676,158</u> |

See accompanying Notes to Financial Statements.

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

| | General | General Capital Improvements | G.O. Improvement Bonds 2013B | Other Governmental Funds | Total Governmental Funds |
|-------------------------------------------------------------------------------|---------------------|------------------------------------|------------------------------------|--------------------------------|--------------------------------|
| ASSETS | | | | | |
| Cash and Investments | \$ 5,442,442 | \$ 707,231 | \$ 4,142,783 | \$ 5,970,778 | \$ 16,263,234 |
| Accounts Receivable | 84,819 | - | - | 545 | 85,364 |
| Note Receivable | - | - | - | 2,054,638 | 2,054,638 |
| Taxes Receivable | 37,333 | - | - | 13,458 | 50,791 |
| Special Assessments Receivable | 12,810 | - | 6,259,669 | 1,176,576 | 7,449,055 |
| Due from Other Funds | - | 16,346 | - | 550,667 | 567,013 |
| Due from Component Unit | 114,030 | - | - | 36,678 | 150,708 |
| Land Held for Resale | - | 50,000 | - | 328,276 | 378,276 |
| Due from Other Governmental Units | 109,185 | - | - | 60,206 | 169,391 |
| Prepaid Items | 23,493 | - | - | 204 | 23,697 |
| Total Assets | \$ 5,824,112 | \$ 773,577 | \$ 10,402,452 | \$ 10,192,026 | \$ 27,192,167 |
| LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCE | | | | | |
| LIABILITIES | | | | | |
| Accounts Payable | \$ 43,417 | \$ 31,116 | \$ - | \$ 23,294 | \$ 97,827 |
| Contracts Payable | - | - | - | 218,949 | 218,949 |
| Accrued Compensation | 54,609 | - | - | 29,457 | 84,066 |
| Due to Other Funds | - | - | - | 2,597,631 | 2,597,631 |
| Advances from Other Funds | - | - | - | 1,137,027 | 1,137,027 |
| Due to Other Governmental Units | 52,631 | - | - | 138,257 | 190,888 |
| Deposits | 2,351,831 | - | - | - | 2,351,831 |
| Unearned Revenue | 344,348 | - | - | - | 344,348 |
| Total Liabilities | 2,846,836 | 31,116 | - | 4,144,615 | 7,022,567 |
| DEFERRED INFLOWS OF RESOURCES | | | | | |
| Unavailable Revenue | 50,143 | - | 6,259,669 | 1,266,998 | 7,576,810 |
| Total Deferred Inflows of Resources | 50,143 | - | 6,259,669 | 1,266,998 | 7,576,810 |
| FUND BALANCE | | | | | |
| Nonspendable for Prepaid Items | 23,493 | - | - | 204 | 23,697 |
| Restricted: | | | | | |
| Economic Development Activities | - | - | - | 915,638 | 915,638 |
| Future Debt Retirement | - | - | 4,142,783 | 4,388,042 | 8,530,825 |
| Developer Projects | - | - | - | 226,411 | 226,411 |
| Park Dedication | - | - | - | 1,048,337 | 1,048,337 |
| Capital Projects | - | 742,461 | - | - | 742,461 |
| Fire Equipment | - | - | - | 370,163 | 370,163 |
| Fire Building | - | - | - | 342,765 | 342,765 |
| Fire Department | - | - | - | 236,630 | 236,630 |
| Committed for Senior Activities | - | - | - | 233,667 | 233,667 |
| Assigned: | | | | | |
| General Capital Improvements | - | - | - | 3,466 | 3,466 |
| Community Room | - | - | - | 47,024 | 47,024 |
| Unassigned | 2,903,640 | - | - | (3,031,934) | (128,294) |
| Total Fund Balance | 2,927,133 | 742,461 | 4,142,783 | 4,780,413 | 12,592,790 |
| Total Liabilities, Deferred Inflows of Resources, and Fund Balance | \$ 5,824,112 | \$ 773,577 | \$ 10,402,452 | \$ 10,192,026 | \$ 27,192,167 |

See accompanying Notes to the Financial Statements.

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

Total Fund Balance for Governmental Funds \$ 12,592,790

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:

| | |
|---------------------------------------------------------|--------------|
| Land and Land Improvements | 10,301,283 |
| Construction in Progress | 6,847,493 |
| Buildings and Building Improvements | 8,749,392 |
| Infrastructure and Infrastructure Improvements | 30,554,609 |
| Furniture, Fixtures, Vehicles, Equipment, and Machinery | 5,935,619 |
| Less: Accumulated Depreciation | (14,370,900) |

Other long-term assets are not available to pay for current-period expenditures and, therefore, are reported as unavailable resources in the funds.

| | |
|------------------------------------------------|-----------|
| Delinquent Property Taxes | 50,791 |
| Delinquent and Unavailable Special Assessments | 7,449,054 |
| Loans Receivable | 76,965 |

The City's net pension liability and net pension asset and the related deferred inflows and outflows of resources are recorded only on the statement of net position. Balances at year-end are:

| | |
|-----------------------------------------|-----------|
| Net Pension Asset | 455,500 |
| Net Pension Liability | (846,834) |
| Deferred Outflow of Resources - Pension | 774,215 |
| Deferred Inflows of Resources - Pension | (954,263) |

Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported as liabilities in the funds.

| | |
|-------------------------------|--------------|
| Bonds and Notes Payable | (31,054,393) |
| Bond Premiums | (1,335,899) |
| Compensated Absences | (202,337) |
| Other Postemployment Benefits | (33,004) |
| Accrued Interest Payable | (256,769) |
| | (34,882,392) |

| | |
|-----------------------------------------------|---------------|
| Total Net Position of Governmental Activities | \$ 34,733,312 |
|-----------------------------------------------|---------------|

**CITY OF DELANO, MINNESOTA
GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
YEAR ENDED DECEMBER 31, 2021**

| | General | General Capital Improvements | G.O. Improvement Bonds 2013B | Other Governmental Funds | Total Governmental Funds |
|-------------------------------------------------------------|---------------------|------------------------------------|------------------------------------|--------------------------------|--------------------------------|
| REVENUES | | | | | |
| Taxes | \$ 2,815,606 | \$ - | \$ - | \$ 980,577 | \$ 3,796,183 |
| Tax Increment | - | - | - | 581,876 | 581,876 |
| Special Assessments | 21,307 | - | - | 35,159 | 56,466 |
| Licenses and Permits | 880,527 | - | - | 34 | 880,561 |
| Intergovernmental | 444,493 | - | - | 651,585 | 1,096,078 |
| Charges for Services | 655,534 | - | - | 1,466,157 | 2,121,691 |
| Investment Earnings | (449) | 700 | 356 | 7,352 | 7,959 |
| Rental Income | - | - | - | 45,050 | 45,050 |
| Miscellaneous | 133,878 | 36,952 | - | 627,099 | 797,929 |
| Total Revenues | <u>4,950,896</u> | <u>37,652</u> | <u>356</u> | <u>4,394,889</u> | <u>9,383,793</u> |
| EXPENDITURES | | | | | |
| Current: | | | | | |
| General Government | 957,980 | 66,753 | - | - | 1,024,733 |
| Public Safety | 522,056 | 15,158 | - | 467,588 | 1,004,802 |
| Highways and Streets | 509,577 | 119,375 | - | 2,413,858 | 3,042,810 |
| Economic Development | - | - | - | 1,666,360 | 1,666,360 |
| Community Services | 1,494,772 | 1,908,752 | - | 404,456 | 3,807,980 |
| Debt Service: | | | | | |
| Principal | - | - | 235,000 | 1,105,000 | 1,340,000 |
| Interest and Fiscal Charges | - | - | 146,943 | 744,883 | 891,826 |
| Total Expenditures | <u>3,484,385</u> | <u>2,110,038</u> | <u>381,943</u> | <u>6,802,145</u> | <u>12,778,511</u> |
| EXCESS (DEFICIENCY) OF REVENUE OVER EXPENDITURES | 1,466,511 | (2,072,386) | (381,587) | (2,407,256) | (3,394,718) |
| OTHER FINANCING SOURCES (USES) | | | | | |
| Transfers In | 100,000 | 841,214 | 400,000 | 1,493,434 | 2,834,648 |
| Transfers Out | (1,577,279) | - | - | (1,073,065) | (2,650,344) |
| Issuance of Debt | - | 1,021,515 | 3,383,565 | 1,689,920 | 6,095,000 |
| Premium on Bonds | - | 105,335 | 541,435 | 154,856 | 801,626 |
| Proceeds on Capital Asset Disposal | - | 23,059 | - | 368 | 23,427 |
| Total Other Financing Sources (Uses) | <u>(1,477,279)</u> | <u>1,991,123</u> | <u>4,325,000</u> | <u>2,265,513</u> | <u>7,104,357</u> |
| NET CHANGE IN FUND BALANCE | (10,768) | (81,263) | 3,943,413 | (141,743) | 3,709,639 |
| Fund Balance - Beginning of Year | <u>2,937,901</u> | <u>823,724</u> | <u>199,370</u> | <u>4,922,156</u> | <u>8,883,151</u> |
| FUND BALANCE - END OF YEAR | <u>\$ 2,927,133</u> | <u>\$ 742,461</u> | <u>\$ 4,142,783</u> | <u>\$ 4,780,413</u> | <u>\$ 12,592,790</u> |

See accompanying Notes to Financial Statements.

**CITY OF DELANO, MINNESOTA
GOVERNMENTAL FUNDS
RECONCILIATION OF STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE – GOVERNMENTAL FUNDS TO STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2021**

Net Change in Fund Balances - Total Governmental Funds \$ 3,709,639

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

Governmental funds report capital outlays as expenditures. However, in the statement of activities, assets are capitalized and the cost is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.

| | |
|------------------------|-------------|
| Capital Outlay | 4,849,837 |
| Loss on Sale of Assets | (8,521) |
| Depreciation Expense | (1,511,633) |

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the governmental funds. (20,433)

Certain expenses reported in the statement of activities do not require the use of current resources and, therefore, are not reported as expenditures in governmental funds.

| | |
|--------------------------------------------------------------------------------------|----------|
| Compensated Absences | (21,502) |
| Other Postemployment Benefits and related Deferred Outflows and Inflows of Resources | (13,634) |

Pension expenditures in the governmental funds are measured by current year employee contributions. Pension expenses on the statement of activities are measured by the change in the net pension liability and net pension asset and the related deferred outflows and inflows of resources. 172,749

The governmental funds report bond proceeds as financing sources, while repayment of bond principal is reported as an expenditure. In the statement of net position, however, issuing debt increases long-term liabilities and does not affect the statement of activities and repayment of principal reduces the liability. Also, governmental funds report the effect of premiums and discounts when debt is first issued, whereas these amounts are amortized in the statement of activities. Interest is recognized as an expenditure in the governmental funds when it is due. In the statement of activities, however, interest expense is recognized as it accrues, regardless of when it is due. The net effect of these differences in the treatment of general obligation bonds and related items is as follows:

| | |
|-----------------------------------------------------------------|-------------|
| Bond Proceeds | (6,095,000) |
| Premium on Bonds | (801,626) |
| Change in Bond Premiums | 186,842 |
| Repayment of Bond Principal | 1,340,000 |
| Change in Accrued Interest Expense for General Obligation Bonds | 20,649 |
| | 172,749 |

Change in Net Position of Governmental Activities \$ 1,807,367

**CITY OF DELANO, MINNESOTA
 PROPRIETARY FUNDS
 STATEMENT OF NET POSITION
 DECEMBER 31, 2021**

| | Municipal Liquor | Sewer | Total |
|---------------------------------------------------------|---------------------|---------------|---------------|
| ASSETS AND DEFERRED OUTFLOWS OF RESOURCES | | | |
| CURRENT ASSETS | | | |
| Cash and Investments | \$ 1,126,165 | \$ 2,312,538 | \$ 3,438,703 |
| Accounts Receivable | 71 | 85,031 | 85,102 |
| Due from Other Funds | - | 2,030,618 | 2,030,618 |
| Due from Discretely Presented Component Unit | - | 369,559 | 369,559 |
| Inventories | 465,891 | - | 465,891 |
| Prepaid Items | 12,985 | 181 | 13,166 |
| Total Current Assets | 1,605,112 | 4,797,927 | 6,403,039 |
| NONCURRENT ASSETS | | | |
| Advances to Other Funds | - | 1,137,027 | 1,137,027 |
| Capital Assets: | | | |
| Utility Plant Capital Investments | - | 29,645,507 | 29,645,507 |
| Furniture, Fixtures, Vehicles, Equipment, and Machinery | 41,006 | 698,961 | 739,967 |
| Leasehold Improvements | 166,080 | - | 166,080 |
| Construction in Progress | - | 469,706 | 469,706 |
| Total Capital Assets | 207,086 | 30,814,174 | 31,021,260 |
| Less: Accumulated Depreciation | (107,055) | (11,072,539) | (11,179,594) |
| Total Net Capital Assets | 100,031 | 19,741,635 | 19,841,666 |
| Total Noncurrent Assets | 100,031 | 20,878,662 | 20,978,693 |
| DEFERRED OUTFLOWS OF RESOURCES | | | |
| Pension Related | 92,929 | 91,294 | 184,223 |
| Total Assets and Deferred Outflows of Resources | \$ 1,798,072 | \$ 25,767,883 | \$ 27,565,955 |

See accompanying Notes to Financial Statements.

**CITY OF DELANO, MINNESOTA
 PROPRIETARY FUNDS
 STATEMENT OF NET POSITION (CONTINUED)
 DECEMBER 31, 2021**

| LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION | <u>Municipal Liquor</u> | <u>Sewer</u> | <u>Total</u> |
|-------------------------------------------------------------------------|-----------------------------|----------------------|----------------------|
| CURRENT LIABILITIES | | | |
| Accounts Payable | \$ 126,120 | \$ 35,296 | \$ 161,416 |
| Contracts Payable | - | 68,434 | 68,434 |
| Accrued Compensation | 11,402 | 9,853 | 21,255 |
| Compensated Absences, Current Portion | 14,726 | 15,289 | 30,015 |
| Sales Tax Payable | 38,467 | - | 38,467 |
| Deposits | 4,543 | - | 4,543 |
| Accrued Interest Payable | - | 18,093 | 18,093 |
| Current Portion of Long-Term Debt | - | 1,012,711 | 1,012,711 |
| Total Current Liabilities | <u>195,258</u> | <u>1,159,676</u> | <u>1,354,934</u> |
| LONG-TERM LIABILITIES | | | |
| Long-Term Debt, Net of Current Portion | - | 4,209,665 | 4,209,665 |
| Compensated Absences | 19,579 | 19,198 | 38,777 |
| Other Postemployment Benefits | 4,957 | 4,284 | 9,241 |
| Net Pension Liability | <u>111,369</u> | <u>109,409</u> | <u>220,778</u> |
| Total Long-Term Liabilities | <u>135,905</u> | <u>4,342,556</u> | <u>4,478,461</u> |
| Total Liabilities | 331,163 | 5,502,232 | 5,833,395 |
| DEFERRED INFLOWS OF RESOURCES | | | |
| Pension Related | <u>102,809</u> | <u>100,999</u> | <u>203,808</u> |
| Total Deferred Inflows of Resources | 102,809 | 100,999 | 203,808 |
| NET POSITION | | | |
| Net Investment in Capital Assets | 100,031 | 15,531,970 | 15,632,001 |
| Unrestricted | <u>1,264,069</u> | <u>4,632,682</u> | <u>5,896,751</u> |
| Total Net Position | <u>1,364,100</u> | <u>20,164,652</u> | <u>21,528,752</u> |
| Total Liabilities, Deferred Inflows of Resources, and Net Position | <u>\$ 1,798,072</u> | <u>\$ 25,767,883</u> | <u>\$ 27,565,955</u> |

See accompanying Notes to Financial Statements.

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

| | <u>Municipal Liquor</u> | <u>Sewer</u> | <u>Total</u> |
|---------------------------------------------------|-----------------------------|----------------------|----------------------|
| OPERATING REVENUES | | | |
| Sales | \$ 3,692,662 | \$ 2,052,937 | \$ 5,745,599 |
| Costs of Goods Sold | <u>(2,658,245)</u> | <u>-</u> | <u>(2,658,245)</u> |
| Total Gross Profit and Operating Revenues | 1,034,417 | 2,052,937 | 3,087,354 |
| OPERATING EXPENSES | | | |
| Employee Salaries and Benefits | 317,427 | 307,846 | 625,273 |
| Administrative, Maintenance, and General Expenses | 338,756 | 731,579 | 1,070,335 |
| Depreciation | 17,065 | 621,424 | 638,489 |
| Total Operating Expenses | <u>673,248</u> | <u>1,660,849</u> | <u>2,334,097</u> |
| OPERATING INCOME | 361,169 | 392,088 | 753,257 |
| OTHER INCOME (EXPENSES) | | | |
| Permits and Fees | - | 1,566,741 | 1,566,741 |
| Investment Earnings | 1,889 | 56,805 | 58,694 |
| Interest and Fiscal Charges | - | (163,625) | (163,625) |
| Miscellaneous Revenue | - | 11,333 | 11,333 |
| Total Other Income | <u>1,889</u> | <u>1,471,254</u> | <u>1,473,143</u> |
| NET INCOME BEFORE TRANSFERS | 363,058 | 1,863,342 | 2,226,400 |
| Capital Contributions | - | 172,738 | 172,738 |
| Transfers Out | <u>(133,050)</u> | <u>(51,254)</u> | <u>(184,304)</u> |
| CHANGE IN NET POSITION | 230,008 | 1,984,826 | 2,214,834 |
| Net Position - Beginning of Year | <u>1,134,092</u> | <u>18,179,826</u> | <u>19,313,918</u> |
| NET POSITION - END OF YEAR | <u>\$ 1,364,100</u> | <u>\$ 20,164,652</u> | <u>\$ 21,528,752</u> |

See accompanying Notes to Financial Statements.

**CITY OF DELANO, MINNESOTA
PROPRIETARY FUNDS
STATEMENT OF CASH FLOWS
YEAR ENDED DECEMBER 31, 2021**

| | Municipal <u>Liquor</u> | <u>Sewer</u> | <u>Total</u> |
|--------------------------------------------------------------------------------------------|----------------------------|---------------------|---------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | | |
| Cash Received from Customers and Service Users | \$ 3,692,662 | \$ 2,241,585 | \$ 5,934,247 |
| Cash Paid to Suppliers and Others | (3,040,455) | (653,506) | (3,693,961) |
| Cash Paid to Employees | <u>(348,543)</u> | <u>(308,714)</u> | <u>(657,257)</u> |
| Net Cash Provided by Operating Activities | 303,664 | 1,279,365 | 1,583,029 |
| CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES | | | |
| Other Noncapital Income | - | 1,578,074 | 1,578,074 |
| Transfers Out | (133,050) | (51,254) | (184,304) |
| Payments to / Receipts from Other Funds | 609,729 | (1,969,842) | (1,360,113) |
| Payments to / Receipts from Other Governments | - | <u>(207,245)</u> | <u>(207,245)</u> |
| Net Cash Provided (Used) by Noncapital Financing Activities | 476,679 | (650,267) | (173,588) |
| CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES | | | |
| Acquisition and Construction of Capital Assets | (50,968) | (449,900) | (500,868) |
| Proceeds on Revenue Bonds | - | 2,180,000 | 2,180,000 |
| Issuance Costs of Long- Term Debt | - | (59,186) | (59,186) |
| Principal Payments on Revenue Bonds | - | (748,889) | (748,889) |
| Interest Paid on Long-Term Debt | - | (112,606) | (112,606) |
| Net Cash Provided (Used) by Capital and Related Financing Activities | <u>(50,968)</u> | <u>809,419</u> | <u>758,451</u> |
| CASH FLOWS FROM INVESTING ACTIVITIES | | | |
| Investment Earnings | <u>1,889</u> | <u>56,805</u> | <u>58,694</u> |
| NET INCREASE IN CASH AND CASH EQUIVALENTS | 731,264 | 1,495,322 | 2,226,586 |
| Cash and Cash Equivalents - Beginning of Year | <u>394,901</u> | <u>817,216</u> | <u>1,212,117</u> |
| CASH AND CASH EQUIVALENTS - END OF YEAR | <u>\$ 1,126,165</u> | <u>\$ 2,312,538</u> | <u>\$ 3,438,703</u> |
| RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES | | | |
| Operating Income | \$ 361,169 | \$ 392,088 | \$ 753,257 |
| Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities: | | | |
| Depreciation | 17,065 | 621,424 | 638,489 |
| (Increase) Decrease in Assets: | | | |
| Accounts Receivable | - | 4,489 | 4,489 |
| Inventories | (30,771) | - | (30,771) |
| Interfund Advances | - | 184,159 | 184,159 |
| Increase in Deferred Outflows: | | | |
| Pensions | (76,977) | (75,622) | (152,599) |
| OPEB | 193 | 150 | 343 |
| Increase (Decrease) in Liabilities: | | | |
| Accounts Payable | (43,029) | 9,679 | (33,350) |
| Salaries and Benefits Payable | (19,351) | 9,193 | (10,158) |
| Accrued Sales Tax | 29,340 | - | 29,340 |
| Net Pension Liability | (28,100) | (27,606) | (55,706) |
| Increase in Deferred Inflows: | | | |
| Pensions | 95,339 | 93,660 | 188,999 |
| OPEB | (827) | (643) | (1,470) |
| Net Cash Provided by Operating Activities | <u>\$ 303,664</u> | <u>\$ 1,279,365</u> | <u>\$ 1,583,029</u> |

**CITY OF DELANO, MINNESOTA
STATEMENT OF FIDUCIARY NET POSITION
CUSTODIAL FUND
DECEMBER 31, 2021**

| | <u>Custodial Fund - Licenses</u> |
|----------------------------------|--------------------------------------|
| ASSETS | |
| Cash and Cash Equivalents | \$ 41,710 |
| LIABILITIES | |
| Due to Other Governmental Units | <u>41,710</u> |
| NET POSITION | |
| Restricted for Other Governments | <u>\$ -</u> |

**CITY OF DELANO, MINNESOTA
 STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
 CUSTODIAL FUND
 YEAR ENDED DECEMBER 31, 2021**

| | Custodial Fund - Licenses |
|---------------------------------------------------|--------------------------------------|
| ADDITIONS | |
| Licensing Fees | \$ 4,864,578 |
| DEDUCTIONS | |
| License Fees Paid to State of Minnesota | 4,864,578 |
| Net Increase (Decrease) in Fiduciary Net Position | - |
| Net Position - Beginning | - |
| Net Position-Ending | \$ - |

NOTES TO FINANCIAL STATEMENTS

**CITY OF DELANO, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the City of Delano, located in Wright County in Minnesota, conform to accounting principles generally accepted in the United States of America as applicable to governmental units. The following is a summary of the more significant policies.

Financial Reporting Entity

As required by accounting principles generally accepted in the United States of America, the financial statements of the reporting entity include those of the City of Delano (the City), the Delano Economic Development Authority (the EDA), a blended component unit of the City, and the Delano Water, Light, and Power Commission, a discretely presented component unit. A component unit is a legally separate entity for which the primary government is financially accountable, or for which the exclusion of the component unit would render the financial statements of the primary government misleading. The criteria used to determine if the primary government is financially accountable for a component unit include whether or not the primary government appoints the voting majority of the potential component unit's board, is able to impose its will on the potential component unit, is in a relationship of financial benefit or burden with the potential component unit, or is fiscally depended upon by the potential component unit. The EDA is reported as a blended component unit of the City because the members of the City council serve as the governing board of the EDA.

Discretely Presented Component Unit

In conformity with accounting principles generally accepted in the United States of America, the financial statements of the component unit have been included in the financial reporting entity as a discretely presented component Unit.

Delano Water, Light, and Power Commission

The component unit column of the accompanying financial statements includes the financial data of the Delano Water, Light, and Power Commission (the Commission). This financial information is in a separate column to emphasize the Commission is legally separate from the City.

The Commission was established under Minnesota Statute 412.321 to manage, control, and operate the light, power, and water utilities of the City. It is governed by a five-member commission appointed by the City's elected council. One Commissioner also served as a Council Member of the City during 2021. The rates for user charges and bond issuance authorization are approved by the commission and the legal liability for the general obligation portion of the Commission's debt remains with the Commission. The separate financial statements of the Commission may be obtained by writing to the Commission at P.O. Box 65, Delano, MN 55328, or by phone at (763) 972-0557.

**CITY OF DELANO, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basic Financial Statements

Government-Wide Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the primary government and its blended component units. These statements include the financial activities of the overall City government. Eliminations have been made to minimize the double counting of internal activities. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges to external parties for support.

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 reported on a full accrual, economic resource basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations. The City's net position is reported in three parts: (1) net investment in capital assets; (2) restricted; and (3) unrestricted. The City first utilizes restricted resources to finance qualifying activities.

The statement of activities demonstrates the degree to which the direct expenses of each function of the City's governmental activities and different business-type activities are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or activity. Program revenues include: (1) fees, fines, and charges paid by the recipients of goods, services, or privileges provided by a given function or activity; and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or activity. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

Fund Financial Statements

The fund financial statements provide information about the City's funds, including its blended component units. Separate statements for each fund category - governmental and proprietary - are presented. The emphasis of governmental and proprietary fund financial statements is on major individual governmental and enterprise funds, with each displayed as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as nonmajor funds. The City reports all proprietary funds as major funds.

The City reports the following major governmental funds:

General Fund

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

**CITY OF DELANO, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basic Financial Statements (Continued)

Fund Financial Statements (Continued)

General Capital Improvements

The General Capital Improvements Fund is a capital project fund accounting for projects and equipment purchases completed by the City that are not significant enough to warrant their own fund. Annually the City budgets transfers into this Fund, mostly from the General Fund, to pay for those equipment purchases and smaller projects.

G.O. Improvement Bonds 2013B

The G.O. Bonds 2013B Fund is a debt service fund accounting for the payment of the general obligation improvement bonds, series 2013B. This bond was issued in 2013 to finance improvements within the Northwest Business Park. The bond is a 20-year bond with final payment expected in 2035. Special assessments levied against benefiting property owners are being used to finance the repayment of the entire debt over the term of the bond.

The City reports the following major proprietary funds:

Municipal Liquor Fund

The municipal liquor fund accounts for customer sales that are used to finance the City owned liquor store operating expenses and provide funds for general operations of the City.

Sewer Fund

The sewer fund accounts for the operations of the City-owned sewer utility system.

Additionally, the City reports the following fiduciary fund types:

Custodial Funds

The Motor Vehicle, and Department of Natural Resources funds account for fees collected for other government agencies.

**CITY OF DELANO, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Measurement Focus and Basis of Accounting

The government-wide, proprietary fund, and fiduciary fund financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Revenues are recorded when earned, and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. The City considers all revenues to be available if they are collected within 60 days after the end of the current period. Property and other taxes, licenses, and interest are all considered to be susceptible to accrual. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, compensated absences, and claims and judgments, which are recognized as expenditures to the extent that they have matured. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

Property taxes, franchise taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues in the current fiscal period. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received by the government.

All proprietary funds are accounted for using the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when incurred. Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the City's Municipal Liquor Store and Sewer Funds are charges to customers for sales and services. Operating expenses for these 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.

Budgets

Budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America. Annual appropriation budgets are adopted for the General Fund and certain Special Revenue Funds.

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

**CITY OF DELANO, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Legal Compliance – Budgets

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

1. Prior to September 1, the administrator submits to the City Council a proposed operating budget for the fiscal year commencing the following January 1. The operating budget includes proposed expenditures and the means of financing them.
2. Public hearings are conducted to obtain taxpayer comments, and the final tax levy and General Fund budget are adopted. The Council does not approve budgets for funds other than the General Fund.
3. The City Administrator is authorized to transfer budgeted amounts between departments within any fund; however, any revisions that alter the total expenditures of the General Fund must be approved by the City Council.
4. Formal budgetary integration is employed as a management control device during the year for the General Fund, Special Revenue Funds, and Enterprise Funds. Formal budgetary integration is not employed for the capital projects and debt service funds.
5. Budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America except for the enterprise funds where capital expenditures are budgeted for as an operating expense. Budgeted amounts presented are as originally adopted.

Cash and Investments

Cash and investment balances from all funds are combined and invested to the extent available in certificates of deposits and other allowable investments in accordance with Minnesota Statutes. Earnings from investments are allocated to the respective funds on the basis of applicable cash balance participation by each fund.

For purposes of the statement of cash flows, all highly liquid investments with a maturity of three months or less when purchased are considered to be cash equivalents.

Short-term highly liquid debt instruments (including commercial paper, banker's acceptances and U.S. Treasury and Agency obligations) purchased with a remaining maturity of one year or less are reported at amortized cost. Other investments are reported at fair value.

Restricted cash consists of amounts that have been established to reflect conditions of bond issues.

**CITY OF DELANO, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Property Tax Revenue Recognition

Property tax levies are set by the City Council in December of each year, and are certified to the County Auditor for collection in the following year. In Minnesota, counties act as collection agents for all property taxes. Such taxes become a lien on property on January 1 and are recorded as receivables by the City at that date. Real property taxes may be paid by taxpayers in two equal installments on May 15 and October 15. Personal property taxes may be paid on February 28 and June 30. The County provides tax settlements to cities and other taxing districts three times a year.

Within the governmental fund financial statements, the City recognizes property tax revenue when it becomes both measurable and available to finance expenditures of the current period. Taxes which remain unpaid at December 31 are classified as delinquent and are not recognized as revenue in the governmental fund financial statements because they are not known to be available to finance current expenditures. The portion of delinquent taxes not collected by the City in January is fully offset by unavailable resources in the governmental funds because it is not available to finance current expenditures. Property tax revenue in governmental activities is susceptible to full accrual on the government-wide statements. No allowances for uncollectible taxes have been provided because such amounts are not expected to be material.

Special Assessment Revenue Recognition

Special assessments are levied against benefited properties for the cost or a portion of the cost of special assessment improvement projects in accordance with Minnesota Statutes. These assessments are collectible by the City over a term of years usually consistent with the term of the related bond issue. Collection of annual installments (including interest) is handled by the County Auditor in the same manner as property taxes. Property owners are allowed to (and often do) prepay future installments without interest or prepayment penalties.

Within the fund financial statements, the revenue from special assessments is recognized by the City when it becomes measurable and available to finance expenditures of the current fiscal period. In practice, current and delinquent special assessments received by the City are recognized as revenue for the current year. Special assessments are collected by the County and remitted by December 31 (remitted to the City the following January) and are also recognized as revenue for the current year. All remaining delinquent and special assessments receivable in governmental funding are completely offset by unavailable resources. Special assessment revenue in governmental activities is susceptible to full accrual on the government-wide statements.

Once a special assessment roll is adopted, the amount attributed to each parcel is a lien upon that property until full payment is made or the amount is determined to be excessive by the City Council or court action. If special assessments are allowed to go delinquent, the property is subject to tax forfeit sale and the first proceeds of that sale (after costs, penalties and expenses of sale) are remitted to the City in payment of delinquent special assessments. Generally, the City will collect the full amount of its special assessments not adjusted by City Council or court action. Pursuant to Minnesota Statutes, a property shall be subject to a tax forfeit sale after three years unless it is homesteaded, agricultural, or seasonal recreational land in which event the property is subject to such sale after five years.

**CITY OF DELANO, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Utility Billing

The City bills customers monthly for electric, sewer, and water utility services. The City bills and recognizes the electric, sewer, and water services revenues on a monthly basis.

Inventories

Materials and supplies, if material, are recorded at original cost and are reported under the consumption method in the Governmental Funds. Liquor store inventories are recorded at average cost.

Interfund Receivables/Payables

During the course of operations, numerous transactions occur between individual funds for goods provided or services rendered. These receivables are classified as Due from Other Funds, Due to Other Funds, Advances to Other Funds, or Advances from Other Funds on the balance sheets of the fund financial statements.

Capital Assets

The City capitalizes the following assets: all land and land improvements, assets exceeding \$2,000 and have a useful life exceeding one year. Capital assets are capitalized at historical cost, estimated historical cost, or in the case of contributions, at their estimated acquisition value at the time received. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are expensed as incurred.

Capital assets related to general governmental activities are recorded in the government-wide statements, but are not reported in the fund financial statements. Capital assets are depreciated using the straight-line method over their estimated useful lives. Since surplus assets are normally sold for an immaterial amount when declared as no longer needed for City purposes, no salvage value is taken into consideration for depreciation purposes.

Useful lives vary from 10 to 30 years for land improvements, 10 to 50 years for buildings and building improvements, 6 to 50 years for infrastructure and infrastructure improvements, 12 years for leasehold improvements, and 3 to 40 years for furniture, fixtures, vehicles, equipment, and machinery. Capital assets not being depreciated include land and construction in progress. As of January 1, 2004, the City capitalized infrastructure assets for governmental activities prospectively.

Property, plant, and equipment used by proprietary funds are stated at cost or estimated historical cost. Contributed capital assets are recorded at estimated acquisition value at the time received.

**CITY OF DELANO, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Net Pension Asset/Liability

For purposes of measuring the net pension asset, the net pension liability, deferred outflows/inflows of resources, and pension expense, information about the fiduciary net position of the Public Employees Retirement Association (PERA) and Delano Firefighters Relief Association Plans (FRA), and additions to/deductions from PERA's and the FRA's fiduciary net position have been determined on the same basis as they are reported by PERA and the FRA. For this purpose, plan contributions and benefit payments (including refunds of 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.

Compensated Absences

Vacation

City employees earn vacation days based upon the number of completed years of service. The City compensates eligible employees who retire from active service or are terminated in good standing after 20 years of employment with the City for unused vacation, not to exceed 30 days, upon separation. Accordingly, the expenditure for vacation is recognized as it is used in the governmental funds and is recognized as it is earned in the proprietary funds. Accrued vacation (unused) is recorded in the proprietary fund level statements and in the government-wide statements as compensated absences.

Sick Leave

Employees are entitled to paid sick leave at various rates for each month of full-time service. Sick pay is recorded as an expenditure when payment is made. Full-time employees of the City may accumulate one 8-hour day of sick leave for each month of service, not to exceed 30 days. The City compensates eligible employees who retire from active service or are terminated in good standing after 20 years of employment with the City for unused sick leave, not to exceed 30 days, upon separation.

Long-Term Obligations

In the government-wide financial statements, long-term debt, and other long-term obligations are reported as liabilities in the applicable governmental and business-type activities. Bond premiums and discounts are amortized over the life of the bonds using the straight-line method.

In the governmental fund financial statements, bond premiums and discounts are recognized during the current period. The face amount of the debt issue is reported as another financing source. Bond premiums and discounts on debt issuances are reported as other financing sources and uses. Bond issuance costs are reported as debt service expenditures, in the year they are incurred.

**CITY OF DELANO, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fund Balance

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

Nonspendable – portion of fund balances related to prepaids, inventories, long-term receivables, and corpus on any permanent fund.

Restricted – funds are constrained from outside parties (statute, grantors, bond agreements, etc.).

Committed – funds are established and modified by a resolution approved by the City Council.

Assigned – consists of internally imposed constraints approved by the City Finance Director.

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

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, it is the City's policy to use restricted first, then unrestricted fund balance.

When an expenditure is incurred for purposes for which committed, assigned, and unassigned amounts are available, it is the City's policy to use committed first, then assigned, and finally unassigned amounts.

The City formally adopted a fund balance policy for the General Fund. The policy establishes a year-end target unassigned fund balance of 55% of the fund's annual operating expenditures and transfers out. Unassigned fund balance in excess of the desired level will be transferred and committed to the General Capital Improvement Fund pursuant to Council approval.

Interfund Transactions

Quasi-external transactions are accounted for as revenues, expenditures, or expenses. Transactions that constitute reimbursements to a fund for expenditures/expenses made on behalf of another fund are recorded as expenditures/expenses in the reimbursing fund and as reductions of expenditures or expenses in the fund that is reimbursed.

All other interfund transactions, except quasi-external transactions and reimbursements, are reported as transfers.

All Interfund transactions are eliminated except for activity between governmental activities and business-type activities for presentation in the government-wide statement of net position and statement of activities.

**CITY OF DELANO, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Allowance for Uncollectible Accounts

Allowance for uncollectible accounts receivable are established when City management believes that some portion of the receivable will not be collected. Management's estimate of the required allowance is based upon historical experience and analysis of receivables on a specific identification basis.

Deferred Inflows and Outflows of Resources

The City's governmental fund financial statements report a separate section for deferred inflows of resources. The separate financial statement element reflects an increase in fund balance that applies to a future period. The City will not recognize the related revenue until a future event occurs. The deferred inflow of resources occurs because governmental fund revenues are not recognized until available (collected not later than 60 days after the end of the City's year) under the modified accrual basis of accounting.

Deferred inflows and outflows of resources reported in the proprietary funds, represent items which are related to the City's net pension accounting and are to be recognized in future periods.

Deferred inflows of resources reported in the discretely presented component unit represent regulatory collections for amounts which are permit payments that have been collected from developers and new property owners for future capital expenditures related to the acquisition of a service territory from another utility as well as state conservation programs. In addition, deferred inflows and outflows of resources are also reported to represent items which are related to the Commission's net pension accounting and are to be recognized in future periods.

Use of Estimates

The preparation of financial statements in accordance with GAAP requires management to make estimates that affect amounts reported in the financial statements during the reporting period. Actual results could differ from such estimates.

NOTE 2 DEPOSITS AND INVESTMENTS

Deposits

The cash balances of substantially all funds are pooled by the City for the purpose of increasing earnings through investment activities. Pooled and fund investments are reported at their fair value at December 31, 2021, based on market prices. Investment earnings on cash and pooled investments are credited to the General fund. In addition, other funds received investment earnings based on other state statutes, grant agreements, contracts, and bond covenants.

**CITY OF DELANO, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021**

NOTE 2 DEPOSITS AND INVESTMENTS (CONTINUED)

Deposits (Continued)

In accordance with applicable Minnesota Statutes, the City maintains deposits at financial institutions authorized by the City Council. All such depositories are members of the Federal Reserve System. Minnesota Statutes require that all deposits be protected by insurance, surety bond, or collateral. The market value of collateral pledged must equal 110% of the deposits not covered by insurance or corporate surety bonds.

Authorized collateral includes: U.S. government treasury bills, notes, and or bonds; securities issued by a U.S. government agency; general obligations of local governments rated "A" or better; revenue obligations of a state or local governments rated "AA" or better; irrevocable standby letters of credit issue by a Federal Home Loan Bank; and time deposits insured by a federal agency. Minnesota Statutes require securities pledged as collateral be held in safekeeping in a restricted account at the Federal Reserve Bank or at an account at a trust department of a commercial bank or other financial institution not owned or controlled by the depository.

Custodial Credit Risk – Deposits – In the case of deposits, custodial credit risk is the risk that in the event of bank failure, the City's deposits may not be returned to it. The City's deposit policy does not provide additional restrictions beyond Minnesota state statutes.

As of December 31, 2021, the City's deposits were 100% insured and/or collateralized in accordance with Minnesota Statute 118A.03, Subd. 1.

Investments

The City may also invest idle funds as authorized by Minnesota Statutes as follows:

- Direct obligations or obligations guaranteed by the United States or its agencies
- Shares of investment companies registered under the Federal Investment Company Act of 1940 and receives the highest credit rating, is rated in one of the two highest rating categories by a statistical rating agency, and all of the investments have a final maturity of 13 months or less
- General obligations rated "A" or better; revenue obligations rated "AA" or better
- General obligations of the Minnesota Housing Finance Agency rated "A" or better
- Bankers' acceptances of United States banks eligible for purchase by the Federal Reserve System
- Commercial paper issued by United States corporations or their Canadian subsidiaries, of highest quality category by at least two nationally recognized rating agencies, and maturing 270 days or less

**CITY OF DELANO, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021**

NOTE 2 DEPOSITS AND INVESTMENTS (CONTINUED)

Investments (Continued)

- Guaranteed investment contracts guaranteed by United States commercial banks or domestic branches of foreign banks, or United States insurance companies if similar debt obligations of the issuer or the collateral pledged by the issuer is in one of the top two rating categories
- Obligations by a school district with an original maturity not exceeding 13 months and (i) rated in the highest category by a national bond rating service, or (ii) enrolled in the credit enhancement program
- Repurchase or reverse purchase agreements and security lending agreements with financial institutions qualified as a “depository” by the government entity, with banks that are members of the Federal Reserve System with capitalization exceeding \$10,000,000, a primary reporting dealer in U.S. government securities to the Federal Reserve Bank of New York, or certain Minnesota securities broker-dealers

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

| Investment | Credit Rating | Fair Value | Maturity | | |
|------------------------------------|---------------|---------------------|-------------------|---------------------|-------------------|
| | | | Less than 1 Year | 1 to 5 Years | More than 5 Years |
| Money Market Accounts | NR | \$ 39,414 | \$ 39,414 | \$ - | \$ - |
| Negotiable Certificates of Deposit | NR | 1,873,718 | 455,337 | 1,418,381 | - |
| Municipal Bonds | NR | 183,566 | 183,566 | - | - |
| Total | | <u>\$ 2,096,698</u> | <u>\$ 678,317</u> | <u>\$ 1,418,381</u> | <u>\$ -</u> |

NR - Not Rated

NA - Not Applicable

Interest Rate Risk – This is the risk that arises because potential purchasers of debt securities will not agree to pay face value for those securities if interest rates subsequently increase. The City does not have a formal policy for managing interest rate risk.

Credit Risk – Minnesota Statutes restrict the types of investments that the City may invest in. The City does not have a formal policy for managing credit risk. The City’s external investment pool investment is with the 4M Fund which is regulated by Minnesota Statutes and the Board of Directors of the League of Minnesota Cities. The 4M Fund is an unrated 2a7-like pool and the fair value of the position in the pool is the same as the value of pool shares.

Concentration of Credit 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 issue, excluding U.S. Guaranteed investments (such as Treasuries), investment pools, and mutual funds. For the year ended December 31, 2021, the City’s investments included 8.6% of investments in municipal bonds issued by Columbia Minnesota.

**CITY OF DELANO, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021**

NOTE 2 DEPOSITS AND INVESTMENTS (CONTINUED)

Investments (Continued)

The deposits and investments are presented in the financial statements as follows:

| | |
|-------------------------------------------------------|---------------|
| <u>Primary Government</u> | |
| Cash | \$ 17,482,711 |
| Petty Cash | 2,350 |
| Investments | 2,096,698 |
| Custodial Funds | 41,710 |
| Total Cash and Investments | \$ 19,623,469 |
| <u>Discretely Presented Component Unit</u> | |
| Cash and Cash Equivalents | \$ 3,340,935 |

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 the inputs used to measure the financial instruments fall within different levels of the hierarchy, the categorization is based on the lowest level input that is significant to the fair value measurement of the instrument.

Financial assets and liabilities recorded on the combined statements of financial 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.

**CITY OF DELANO, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021**

NOTE 2 DEPOSITS AND INVESTMENTS (CONTINUED)

Fair Value Measurements (Continued)

Fair value measurements are as follows at December 31, 2021:

| <u>Investment</u> | <u>Level 1</u> | <u>Level 2</u> | <u>Level 3</u> | <u>Total</u> |
|----------------------------------------|----------------|---------------------|----------------|---------------------|
| Certificates of Deposit | \$ - | \$ 1,873,718 | \$ - | \$ 1,873,718 |
| Municipal Bonds | - | 183,566 | - | 183,566 |
| Total | <u>\$ -</u> | <u>\$ 2,057,284</u> | <u>\$ -</u> | <u>2,057,284</u> |
| Investments Measured at Amortized Cost | | | | 39,414 |
| Total | | | | <u>\$ 2,096,698</u> |

NOTE 3 CAPITAL ASSETS

Capital asset activity for governmental activities during the year ended December 31, 2021 was as follows:

| | <u>Beginning Balance</u> | <u>Increases</u> | <u>Decreases</u> | <u>Ending Balance</u> |
|------------------------------------------------------------|------------------------------|---------------------|---------------------|---------------------------|
| <u>Governmental Activities</u> | | | | |
| Capital Assets, Not Being Depreciated: | | | | |
| Land | \$ 4,410,619 | \$ 1,489,268 | \$ - | \$ 5,899,887 |
| Construction in Progress | 7,574,438 | 3,051,584 | 3,778,529 | 6,847,493 |
| Total Capital Assets, Not Being Depreciated | <u>11,985,057</u> | <u>4,540,852</u> | <u>3,778,529</u> | <u>12,747,380</u> |
| Capital Assets, Being Depreciated: | | | | |
| Land Improvements | 4,099,203 | 302,193 | - | 4,401,396 |
| Buildings and Building Improvements | 7,906,748 | 842,644 | - | 8,749,392 |
| Infrastructure and Infrastructure Improvements | 29,222,703 | 1,331,906 | - | 30,554,609 |
| Furniture, Fixtures, Vehicles, Equipment, and Machinery | 4,376,652 | 1,610,771 | 51,804 | 5,935,619 |
| Total Capital Assets, Being Depreciated | <u>45,605,306</u> | <u>4,087,514</u> | <u>51,804</u> | <u>49,641,016</u> |
| Accumulated Depreciation for: | | | | |
| Land Improvements | 2,088,924 | 183,650 | - | 2,272,574 |
| Buildings and Building Improvements | 2,964,144 | 213,616 | - | 3,177,760 |
| Infrastructure and Infrastructure Improvements | 5,485,456 | 748,340 | - | 6,233,796 |
| Furniture, Fixtures, Vehicles, Equipment, and Machinery | 2,364,026 | 366,027 | 43,283 | 2,686,770 |
| Total Accumulated Depreciation | <u>12,902,550</u> | <u>1,511,633</u> | <u>43,283</u> | <u>14,370,900</u> |
| Total Capital Assets, Being Depreciated, Net | <u>32,702,756</u> | <u>2,575,881</u> | <u>8,521</u> | <u>35,270,116</u> |
| Governmental Activities Capital Assets, Net | <u>\$ 44,687,813</u> | <u>\$ 7,116,733</u> | <u>\$ 3,787,050</u> | <u>\$ 48,017,496</u> |

**CITY OF DELANO, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021**

NOTE 3 CAPITAL ASSETS (CONTINUED)

Capital asset activity for business-type activities during the year ended December 31, 2021 was as follows:

| | Beginning Balance | Increases | Decreases | Ending Balance |
|------------------------------------------------------------|----------------------|-----------|-----------|-------------------|
| <u>Business-Type Activities</u> | | | | |
| Capital Assets, Not Being Depreciated: | | | | |
| Land | \$ 131,434 | \$ - | \$ - | \$ 131,434 |
| Construction in Progress | 92,077 | 377,629 | - | 469,706 |
| Total Capital Assets, Not Being Depreciated | 223,511 | 377,629 | - | 601,140 |
| Capital Assets, Being Depreciated: | | | | |
| Land Improvements | 72,500 | - | - | 72,500 |
| Buildings and Building Improvements | 11,610,509 | 1,800 | - | 11,612,309 |
| Infrastructure and Infrastructure Improvements | 17,656,527 | 172,738 | - | 17,829,265 |
| Furniture, Fixtures, Vehicles, Equipment, and Machinery | 669,404 | 77,794 | 7,232 | 739,966 |
| Leasehold Improvements | 122,435 | 43,645 | - | 166,080 |
| Total Capital Assets, Being Depreciated | 30,131,375 | 295,977 | 7,232 | 30,420,120 |
| Accumulated Depreciation for: | | | | |
| Land Improvements | 51,830 | 2,340 | - | 54,170 |
| Buildings and Building Improvements | 4,889,205 | 217,895 | - | 5,107,100 |
| Infrastructure and Infrastructure Improvements | 5,139,238 | 354,019 | - | 5,493,257 |
| Furniture, Fixtures, Vehicles, Equipment, and Machinery | 400,489 | 50,461 | 7,232 | 443,718 |
| Leasehold Improvements | 67,575 | 13,774 | - | 81,349 |
| Total Accumulated Depreciation | 10,548,337 | 638,489 | 7,232 | 11,179,594 |
| Total Capital Assets, Being Depreciated, Net | 19,583,038 | (342,512) | - | 19,240,526 |
| Business-Type Activities Capital Assets, Net | \$ 19,806,549 | \$ 35,117 | \$ - | \$ 19,841,666 |

Capital asset activity for the component unit during the year ended December 31, 2021 was as follows:

| | Beginning Balance | Increases | Decreases | Ending Balance |
|----------------------------------------------|----------------------|--------------|------------|-------------------|
| <u>Discrete Component Unit</u> | | | | |
| Capital Assets, Not Being Depreciated: | | | | |
| Construction in Progress | \$ 623,251 | \$ 970,275 | \$ 127,737 | \$ 1,465,789 |
| Intangible Asset (Service Territory) | 801,882 | 11,918 | - | 813,800 |
| Land | 8,602 | - | - | 8,602 |
| Total Capital Assets, Not Being Depreciated | 1,433,735 | 982,193 | 127,737 | 2,288,191 |
| Capital Assets, Being Depreciated: | | | | |
| Utility Plant: | | | | |
| Electric | 26,029,974 | 126,745 | - | 26,156,719 |
| Water | 22,475,772 | 50,431 | - | 22,526,203 |
| Total Utility Plant | 48,505,746 | 177,176 | - | 48,682,922 |
| Accumulated Depreciation | 19,697,489 | 1,445,997 | - | 21,143,486 |
| Total Capital Assets, Being Depreciated, Net | 28,808,257 | (1,268,821) | - | 27,539,436 |
| Discrete Component Unit Capital Assets, Net | \$ 30,241,992 | \$ (286,628) | \$ 127,737 | \$ 29,827,627 |

**CITY OF DELANO, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021**

NOTE 3 CAPITAL ASSETS (CONTINUED)

Depreciation expense was charged to functions as follows:

Governmental Activities:

| | |
|--------------------------------------------------------|----------------------------|
| General Government | \$ 80,232 |
| Public Safety | 323,690 |
| Highways and Streets | 721,545 |
| Economic Development | 8,745 |
| Community Services | <u>377,421</u> |
| Total Depreciation Expense, Governmental Activities | <u><u>\$ 1,511,633</u></u> |

Business-Type Activities:

| | |
|---------------------------------------------------------|--------------------------|
| Municipal Liquor | \$ 17,065 |
| Sewer | <u>621,424</u> |
| Total Depreciation Expense, Business-Type Activities | <u><u>\$ 638,489</u></u> |

Discrete Component Unit:

| | |
|----------------------------|----------------------------|
| Total Depreciation Expense | <u><u>\$ 1,445,997</u></u> |
|----------------------------|----------------------------|

NOTE 4 CITY INDEBTEDNESS

The following is a schedule of changes in City indebtedness for the year ended December 31, 2021:

| | Beginning of Year | Additions | Retirements | End of Year | Due within One Year |
|----------------------------------|-----------------------------|----------------------------|----------------------------|-----------------------------|----------------------------|
| Governmental Activities: | | | | | |
| G.O. Bonds | \$ 8,100,000 | \$ 1,560,000 | \$ 545,000 | \$ 9,115,000 | \$ 600,000 |
| G.O. Tax Increment Bonds | 2,840,000 | - | 25,000 | 2,815,000 | 25,000 |
| G.O. Special Assessment Bonds | 11,260,000 | 3,455,000 | 545,000 | 14,170,000 | 4,505,000 |
| G.O. Revenue Bonds | 1,321,720 | - | 95,000 | 1,226,720 | 109,560 |
| G.O. Bonds - Commission ++ | 2,032,673 | - | 55,000 | 1,977,673 | 87,729 |
| G.O. Tax Abatements | 745,000 | 1,080,000 | 75,000 | 1,750,000 | 80,000 |
| Premium on Bonds | 721,115 | 801,626 | 186,842 | 1,335,899 | - |
| Compensated Absences | <u>180,835</u> | <u>158,597</u> | <u>137,095</u> | <u>202,337</u> | <u>80,066</u> |
| Total Governmental Activities | <u>27,201,343</u> | <u>7,055,223</u> | <u>1,663,937</u> | <u>32,592,629</u> | <u>5,487,355</u> |
| Business-Type Activities: | | | | | |
| G.O. Revenue | 3,795,607 | 2,180,000 | 965,000 | 5,010,607 | 1,012,711 |
| Discount on Bonds | (4,342) | - | (2,000) | (2,342) | - |
| Premium on Bonds | - | 214,111 | - | 214,111 | - |
| Compensated Absences | <u>60,217</u> | <u>47,585</u> | <u>39,010</u> | <u>68,792</u> | <u>30,015</u> |
| Total Business-Type Activities | <u>3,851,482</u> | <u>2,441,696</u> | <u>1,002,010</u> | <u>5,291,168</u> | <u>1,042,726</u> |
| Total Debt - Primary Government | <u><u>\$ 31,052,825</u></u> | <u><u>\$ 9,496,919</u></u> | <u><u>\$ 2,665,947</u></u> | <u><u>\$ 37,883,797</u></u> | <u><u>\$ 6,530,081</u></u> |
| Discrete Component Unit: | | | | | |
| Loan Payable | \$ 2,032,673 | \$ - | \$ 55,000 | \$ 1,977,673 | \$ 87,729 |
| Notes from Direct Borrowings | 2,695,000 | - | 485,000 | 2,210,000 | 515,000 |
| Capital Leases | 1,880,468 | - | 199,805 | 1,680,663 | 153,452 |
| Service Territory Acquisition | 260,347 | 12,118 | 60,346 | 212,119 | 62,119 |
| Premium on Bonds | 64,230 | - | 64,230 | - | - |
| Compensated Absences | <u>141,976</u> | <u>33,695</u> | <u>64,234</u> | <u>111,437</u> | <u>27,859</u> |
| Total | <u><u>\$ 7,074,694</u></u> | <u><u>\$ 45,813</u></u> | <u><u>\$ 928,615</u></u> | <u><u>\$ 6,191,892</u></u> | <u><u>\$ 846,159</u></u> |

++ These amounts consist of portions of the City's Series 2016A, 2018A, and 2020A G.O. Bonds and G.O. Revenue Bonds that were loaned to the Commission for infrastructure improvements. The Commission is repaying the loan to the City in accordance with the original terms of the bonds issued by the City.

**CITY OF DELANO, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021**

NOTE 4 CITY INDEBTEDNESS (CONTINUED)

The compensated absences balances are liquidated by the General Fund and enterprise funds.

City indebtedness at December 31, 2021 is composed of the following:

| Description | Initial Amount Issued | Maturity Date | Net Interest Rate | Outstanding Principal |
|----------------------------------------------------|-----------------------------|------------------|-------------------------|--------------------------|
| Governmental Activities: | | | | |
| G.O. Bonds: | | | | |
| 2009 Street Reconstruction Bonds | \$ 410,000 | 2/1/2025 | 2.00 - 4.00% | \$ 250,000 |
| 2011 Fire Station Refunding Bonds | 530,000 | 2/1/2023 | 1.00 - 2.40% | 215,000 |
| 2011 CIP Current Refunding Bonds | 725,000 | 2/1/2023 | 1.00 - 2.40% | 300,000 |
| 2013 Street Reconstruction Bonds | 4,405,000 | 2/1/2034 | 2.00 - 3.75% | 4,195,000 |
| 2014 Improvement Bonds | 905,000 | 8/1/2035 | 2.10 - 3.50% | 780,000 |
| 2016 Street Reconstruction Refunding Bonds | 1,165,000 | 2/1/2028 | 2.00 - 3.00% | 850,000 |
| 2020 Street Reconstruction Bonds | 965,000 | 2/1/2041 | 2.00 - 5.00% | 965,000 |
| 2021 Street Reconstruction Bonds | 820,000 | 2/1/2042 | 2.00 - 5.00% | 820,000 |
| 2021 Improvement Bonds | 740,000 | 2/1/2042 | 2.00 - 5.00% | 740,000 |
| G.O. Tax Increment Bonds: | | | | |
| 2016 Tax Increment Refunding Bonds | 355,000 | 2/1/2030 | 2.25 - 3.00% | 280,000 |
| 2020 Taxable Tax Increment Revenue Temporary Bonds | 2,535,000 | 12/1/2023 | 0.80% | 2,535,000 |
| G.O. Special Assessment Bonds: | | | | |
| 2013 Improvement Bonds | 4,850,000 | 2/1/2035 | 3.00 - 4.00% | 4,165,000 |
| 2016 Improvement Bonds | 4,450,000 | 2/1/2036 | 2.75 - 3.00% | 3,845,000 |
| 2018 Improvement Bonds | 2,625,000 | 2/1/2039 | 3.00 - 3.50% | 2,430,000 |
| 2020 Improvement Bonds | 275,000 | 2/1/2041 | 2.00 - 5.00% | 275,000 |
| 2021 Improvement Bonds | 3,455,000 | 2/1/2042 | 2.00 - 5.00% | 3,455,000 |
| G.O. Revenue Bonds: | | | | |
| 2016 Storm Water Bonds | 175,000 | 2/1/2036 | 2.75 - 3.00% | 150,000 |
| 2016 Storm Water Refunding Bonds | 890,000 | 2/1/2028 | 2.00 - 3.00% | 650,000 |
| 2020 Storm Water Bonds | 426,720 | 2/1/1941 | 2.00 - 5.00% | 426,720 |
| G.O. Abatement Bonds: | | | | |
| 2015 Abatement Bonds | 895,000 | 2/1/2029 | 1.20 - 2.50% | 670,000 |
| 2021 Abatement Bonds | 1,080,000 | 2/1/2042 | 2.00 - 5.00% | 1,080,000 |
| G.O. Bonds - Commission ++ | Various | 2041 | 2.00 - 5.00% | 1,977,673 |
| Premium on Bonds | | | | 1,335,899 |
| Compensated Absences | | | | 202,337 |
| Total Governmental Activities | | | | <u>\$ 32,592,629</u> |
| Business-Type Activities: | | | | |
| G.O. Revenue Bonds: | | | | |
| 2003 Sewer Note | \$ 2,851,000 | 8/20/2022 | 2.09% | \$ 735,000 |
| 2005 Sewer G.O. Loan | 1,630,000 | 12/1/2025 | 4.14% | 1,000,000 |
| 2016 Sanitary Sewer G.O. Bonds | 495,000 | 2/1/2036 | 2.75 - 3.00% | 430,000 |
| 2020 Sanitary Sewer Bonds | 665,607 | 2/1/2041 | 2.00 - 5.00% | 665,607 |
| 2021 Sanitary Sewer Bonds | 2,180,000 | 2/1/2042 | 2.00 - 5.00% | 2,180,000 |
| Discount on Bonds | | | | (2,342) |
| Premium on Bonds | | | | 214,111 |
| Compensated Absences | | | | 68,792 |
| Total Business-Type Activities | | | | <u>\$ 5,291,168</u> |
| Discrete Component Unit: | | | | |
| Notes from Direct Borrowings: | | | | |
| 2005 Water G.O. Loan | \$ 7,160,000 | 12/1/2025 | 4.14% | \$ 2,005,000 |
| Electric Revenue Loan | 700,000 | 12/1/2025 | 4.14% | 205,000 |
| Loan Payable: | | | | |
| Water G.O. Revenue Bonds | 900,000 | 2/1/2036 | 2.75 - 3.00% | 745,000 |
| Utility G.O. Bonds 2018A | 450,000 | 2/1/2039 | 3.00 - 3.50% | 420,000 |
| Utility G.O. Bonds 2020A | 812,673 | 2/1/2041 | 5.00 - 2.00% | 812,673 |
| Other Long-Term Liabilities: | | | | |
| Service Territory Acquisition | 500,245 | 12/31/2025 | N/A | 212,119 |
| Generator System Lease | 1,838,487 | 11/30/2030 | 5.00% | 1,680,663 |
| Compensated Absences | | | | 111,437 |
| Total Discrete Component Unit | | | | <u>\$ 6,191,892</u> |

++ These amounts consist of portions of the City's Series 2016A, 2018A, and 2020A G.O. Bonds that were passed through to the Commission for infrastructure improvements.

**CITY OF DELANO, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021**

NOTE 4 CITY INDEBTEDNESS (CONTINUED)

Minimum annual principal and interest payments required to retire long-term debt, not including compensated absences payable are as follows:

| Governmental Activities | | | | | |
|-------------------------|----------------------|---------------------|--------------------------|-------------------|----------------------|
| Years | Bonded Debt * | | G.O. Bonds Commission ** | | Total |
| | Principal | Interest | Principal | Interest | |
| 2022 | \$ 5,319,560 | \$ 735,600 | \$ 87,729 | \$ 53,832 | \$ 6,196,721 |
| 2023 | 3,915,680 | 645,517 | 94,862 | 50,517 | 4,706,576 |
| 2024 | 1,306,800 | 584,925 | 96,995 | 47,020 | 2,035,740 |
| 2025 | 1,371,800 | 537,210 | 96,995 | 43,471 | 2,049,476 |
| 2026 | 1,412,920 | 490,469 | 99,128 | 40,263 | 2,042,780 |
| 2027 - 2031 | 7,340,800 | 1,735,450 | 541,970 | 155,983 | 9,774,203 |
| 2032 - 2036 | 6,501,480 | 603,177 | 626,832 | 80,349 | 7,811,838 |
| 2037 - 2041 | 1,732,680 | 106,634 | 333,162 | 17,096 | 2,189,572 |
| Thereafter | 175,000 | 1,750 | - | - | 176,750 |
| Totals | \$ 29,076,720 | \$ 5,440,732 | \$ 1,977,673 | \$ 488,531 | \$ 36,983,656 |

| Business-Type Activities | | | |
|--------------------------|---------------------|---------------------|---------------------|
| Years | Bonded Debt | | Totals |
| | Principal | Interest | |
| 2022 | \$ 1,012,711 | \$ 131,474 | \$ 1,144,185 |
| 2023 | 359,458 | 129,256 | 488,714 |
| 2024 | 381,205 | 111,884 | 493,089 |
| 2025 | 401,205 | 93,571 | 494,776 |
| 2026 | 137,952 | 75,826 | 213,778 |
| 2027 - 2031 | 802,230 | 282,290 | 1,084,520 |
| 2032 - 2036 | 931,688 | 148,512 | 1,080,200 |
| 2037 - 2041 | 844,158 | 56,883 | 901,041 |
| Thereafter | 140,000 | 1,400 | 141,400 |
| Totals | \$ 5,010,607 | \$ 1,031,096 | \$ 6,041,703 |

| Discrete Component Unit | | | | | |
|-------------------------|---------------------|-------------------|---------------------|-------------------|---------------------|
| Years | Direct Borrowings | | Loan Payable | | Totals |
| | Principal | Interest | Principal | Interest | |
| 2022 | \$ 515,000 | \$ 102,502 | \$ 87,729 | \$ 53,832 | \$ 759,063 |
| 2023 | 535,000 | 77,372 | 94,862 | 50,517 | 757,751 |
| 2024 | 565,000 | 51,157 | 96,995 | 47,020 | 760,172 |
| 2025 | 595,000 | 25,704 | 96,995 | 43,471 | 761,170 |
| 2026 | - | - | 99,128 | 40,263 | 139,391 |
| 2027 - 2031 | - | - | 541,970 | 155,983 | 697,953 |
| 2032 - 2036 | - | - | 626,832 | 80,349 | 707,181 |
| 2037 - 2041 | - | - | 333,162 | 17,096 | 350,258 |
| Thereafter | - | - | - | - | - |
| Totals | \$ 2,210,000 | \$ 256,735 | \$ 1,977,673 | \$ 488,531 | \$ 4,932,939 |

| Discrete Component Unit Lease Purchase Agreement | | | |
|-----------------------------------------------------|---------------------|-------------------|---------------------|
| Years | Principal | Interest | Totals |
| 2022 | \$ 153,452 | \$ 80,548 | \$ 234,000 |
| 2023 | 161,303 | 72,697 | 234,000 |
| 2024 | 169,555 | 64,445 | 234,000 |
| 2025 | 178,230 | 55,770 | 234,000 |
| 2026 | 187,349 | 46,651 | 234,000 |
| 2027 - 2031 | 830,774 | 85,725 | 916,499 |
| Totals | \$ 1,680,663 | \$ 405,836 | \$ 2,086,499 |

* These amounts are to be repaid with the City resources

** These amount are to be repaid with the receivable from the Commission

**CITY OF DELANO, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021**

NOTE 4 CITY INDEBTEDNESS (CONTINUED)

The annual requirements to amortize bonded debt outstanding as of December 31, 2021, including interest of \$6,960,359 are as follows:

| Primary Government | | Discrete Component Unit + | |
|--------------------|----------------------|---------------------------|---------------------|
| Years | Amount | Years | Amount |
| 2022 | \$ 7,340,906 | 2022 | \$ 759,063 |
| 2023 | 5,195,290 | 2023 | 757,751 |
| 2024 | 2,528,829 | 2024 | 760,172 |
| 2025 | 2,544,252 | 2025 | 761,170 |
| 2026 | 2,256,558 | 2026 | 139,391 |
| 2027 - 2031 | 10,858,723 | 2027 - 2031 | 697,953 |
| 2032 - 2036 | 8,892,038 | 2032 - 2036 | 707,181 |
| 2037 - 2041 | 3,090,613 | 2037 - 2041 | 350,258 |
| Thereafter | 318,150 | Thereafter | - |
| Total | <u>\$ 43,025,359</u> | Total | <u>\$ 4,932,939</u> |

+ This includes the principal and interest related to the due to primary government for the Commission's portion of the City's Series 2016A, 2018A, and 2020A bonds.

NOTE 5 DEFINED BENEFIT PENSION PLANS – STATEWIDE

Plan Description

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

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

Benefits Provided

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

General Employees Plan benefits 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% of average salary for each of the first 10 years of service and 1.7% of average salary for each additional year. Under Method 2, the accrual rate for Coordinated members is 1.7% 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 DELANO, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021**

NOTE 5 DEFINED BENEFIT PENSION PLANS – STATEWIDE (CONTINUED)

Benefits Provided (Continued)

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

Contributions

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

Coordinated Plan members were required to contribute 6.50% of their annual covered salary in fiscal year 2021 and the City was required to contribute 7.50% for Coordinated Plan members. The City's contributions to the General Employees Fund for the year ended December 31, 2021 were \$144,237. The City's contributions were equal to the required contributions as set by state statute.

Pension Costs

At December 31, 2021, the City reported a liability of \$1,067,612 for its proportionate share of the General Employees Fund's net pension liability. The City's net pension liability reflected a reduction due to the State of Minnesota's contribution of \$16 million to the fund in 2019. The State of Minnesota is considered a nonemployer contributing entity and the state's contribution meets the definition of a special funding situation. The State of Minnesota's proportionate share of the net pension liability associated with the City totaled \$32,649. The net pension liability was measured as of June 30, 2021, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City's 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, 2020, through June 30, 2021, relative to the total employer contributions received from all of PERA's participating employers. The City's proportion was .0250% at the end of the measurement period and .0223% for the beginning of the period.

| | |
|------------------------------------------------------------------------------------------------|---------------------------|
| The City's proportionate share of the net pension liability | \$1,067,612 |
| State of Minnesota's proportionate share of the net pension liability associated with the City | <u>32,649</u> |
| Total | <u><u>\$1,100,261</u></u> |

**CITY OF DELANO, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021**

NOTE 5 DEFINED BENEFIT PENSION PLANS – STATEWIDE (CONTINUED)

Pension Costs (Continued)

For the year ended December 31, 2021, the City recognized pension expense of \$50,559 for its proportionate share of the General Employees Plan's pension expense. In addition, the City recognized an additional \$2,634 as pension expense (and grant revenue) for its proportionate share of the state of Minnesota's contribution of \$16 million to the General Employees Fund.

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

| <u>Description</u> | <u>Deferred Outflows of Resources</u> | <u>Deferred Inflows of Resources</u> |
|-----------------------------------------------------------------------------------------------------------|-----------------------------------------------|----------------------------------------------|
| Differences Between Expected and Actual Economic Experience | \$ 6,559 | \$ 32,672 |
| Changes in Actuarial Assumptions | 651,862 | 23,616 |
| Net Difference Between Projected and Actual Earnings on Pension Plan Investments | - | 924,597 |
| Changes in Proportion and Differences Between City Contributions and Proportionate Share of Contributions | 158,201 | 4,667 |
| City Contributions Subsequent to the Measurement Date | <u>74,223</u> | <u>-</u> |
| Total | <u>\$ 890,845</u> | <u>\$ 985,552</u> |

\$74,223 is reported as deferred outflows of resources related to pensions resulting from the City's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending December 31, 2022. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

| <u>Year Ending December 31,</u> | <u>Pension Expenses Amount</u> |
|---------------------------------|----------------------------------------|
| 2022 | \$ 7,976 |
| 2023 | 42,541 |
| 2024 | 32,739 |
| 2025 | (252,186) |
| 2026 | - |
| Thereafter | - |

**CITY OF DELANO, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021**

NOTE 5 DEFINED BENEFIT PENSION PLANS – STATEWIDE (CONTINUED)

Long-Term Expected Return on Investments

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

| <u>Asset Class</u> | <u>Target Allocation</u> | <u>Long-Term Expected Real Rate of Return</u> |
|----------------------|--------------------------|-------------------------------------------------------|
| Domestic Equity | 35.50% | 5.10% |
| Private Markets | 25.00 | 5.90 |
| Fixed Income | 20.00 | 0.75 |
| International Equity | 17.50 | 5.30 |
| Cash | 2.00 | - |

Actuarial Assumptions

The total pension liability in the June 30, 2021, actuarial valuation was determined using an individual entry-age normal actuarial cost method. The long-term rate of return on pension plan investments used in the determination of the total liability is 6.5%. This assumption is based on a review of inflation and investments return assumptions from a number of national investment consulting firms. The review provided a range of return investment return rates deemed to be reasonable by the actuary. An investment return of 6.5% was deemed to be within that range of reasonableness for financial reporting purposes.

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

Salary growth assumptions in the General Employees Plan range in annual increments from 10.25% after one year of service to 3.0% after 29 years of service and 6.0% per year thereafter.

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

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

**CITY OF DELANO, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021**

NOTE 5 DEFINED BENEFIT PENSION PLANS – STATEWIDE (CONTINUED)

Actuarial Assumptions (Continued)

The following changes in actuarial assumptions and plan provisions occurred in 2021:

General Employees Fund

Changes in Actuarial Assumptions:

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

Discount Rate

The discount rate used to measure the total pension liability in 2021 was 6.5%. 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.

Pension Liability Sensitivity

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

| Description | 1% Decrease in Discount Rate (5.50%) | Current Discount Rate (6.50%) | 1% Increase in Discount Rate (7.50%) |
|--------------------------------------------------------------|--------------------------------------------|----------------------------------|--------------------------------------------|
| City's Proportionate Share of the GERS Net Pension Liability | \$ 2,177,384 | \$ 1,067,612 | \$ 156,977 |

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.

**CITY OF DELANO, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021**

NOTE 6 DEFINED BENEFIT PENSION PLANS – DISCRETELY PRESENTED COMPONENT UNIT

Plan Description

The Commission 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.

The General Employees Retirement Plan Covers certain full time and part-time employees of the Commission. General Employees Plan members belong to the Coordinated Plan. Coordinated Plan members are covered by Social Security.

Benefits Provided

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

General Employees Plan benefits 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% of average salary for each of the first 10 years of service and 1.7% of average salary for each additional year. Under Method 2, the accrual rate for Coordinated members is 1.7% 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.

Annuities, disability benefits, and survivor benefits are increased effective every January 1. Beginning January 1, 2019, the postretirement increase will be equal to 50% of the cost-of-living adjustment (COLA) announced by the SSA, with a minimum increase of at least 1% and a maximum of 1.5%. 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.

**CITY OF DELANO, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021**

**NOTE 6 DEFINED BENEFIT PENSION PLANS – DISCRETELY PRESENTED COMPONENT UNIT
(CONTINUED)**

Contributions

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

Coordinated Plan members were required to contribute 6.50% of their annual covered salary in calendar year 2021 and the Commission was required to contribute 7.50% for Coordinated Plan members. The Commission’s contributions to the General Employees Fund for the year ended December 31, 2021 were \$70,983. The Commission’s contributions were equal to the required contributions as set by state statute.

Pension Costs

At December 31, 2021, the Commission reported a liability of \$606,404 for its proportionate share of the General Employees Fund’s net pension liability. The Commission’s net pension liability reflected a reduction due to the State of Minnesota’s contribution of \$16 million to the fund in 2021. The State of Minnesota is considered a nonemployer contributing entity and the state’s contribution meets the definition of a special funding situation. The State of Minnesota’s proportionate share of the net pension liability associated with the Commission totaled \$18,602. The net pension liability was measured as of June 30, 2021, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Commission’s proportion of the net pension liability was based on the Commission’s contributions received by PERA during the measurement period for employer payroll paid dates from July 1, 2020 through June 30, 2021, relative to the total employer contributions received from all of PERA’s participating employers. The Commission’s proportionate share .0142% at the end of the measurement period and .0133% for the beginning of the period.

| | |
|------------------------------------------------------------------------------------------------------|------------------|
| The Commission’s proportionate share of the net pension liability | \$606,404 |
| State of Minnesota’s proportionate share of the net pension liability associated with the Commission | <u>18,602</u> |
| Total | <u>\$625,006</u> |

For the year ended December 31, 2021, the Commission recognized pension expense of (\$1,371) for its proportionate share of the General Employees Plan’s pension expense.

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

**CITY OF DELANO, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021**

**NOTE 6 DEFINED BENEFIT PENSION PLANS – DISCRETELY PRESENTED COMPONENT UNIT
(CONTINUED)**

Pension Costs (Continued)

| <u>Description</u> | <u>Deferred Outflows of Resources</u> | <u>Deferred Inflows of Resources</u> |
|-----------------------------------------------------------------------------------------------------------------|-----------------------------------------------|----------------------------------------------|
| Differences Between Expected and Actual Economic Experience | \$ 3,726 | \$ 18,558 |
| Changes in Actuarial Assumptions | 370,257 | 13,414 |
| Net Difference Between Projected and Actual Earnings on Pension Plan Investments | - | 525,171 |
| Changes in Proportion and Differences Between Commission Contributions and Proportionate Share of Contributions | 85,648 | 14,001 |
| Commission Contributions Subsequent to the Measurement Date | 36,425 | - |
| Total | <u>\$ 496,056</u> | <u>\$ 571,144</u> |

\$36,425 reported as deferred outflows of resources related to pensions resulting from Commission contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2022. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

| <u>Year Ending December 31,</u> | <u>Pension Expenses Amount</u> |
|---------------------------------|----------------------------------------|
| 2020 | \$ (4,108) |
| 2021 | 26,875 |
| 2022 | 8,961 |
| 2023 | (143,241) |

Long-Term Expected Return on Investment

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 arithmetic real rates of return for each major asset class are summarized below:

| <u>Asset Class</u> | <u>Target Allocation</u> | <u>Long-Term Expected Real Rate of Return</u> |
|----------------------|--------------------------|-------------------------------------------------------|
| Domestic Equity | 35.50 % | 5.10 % |
| Private Markets | 25.00 | 5.90 |
| Fixed Income | 20.00 | 0.75 |
| International Equity | 17.50 | 5.30 |
| Cash | 2.00 | - |

**CITY OF DELANO, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021**

**NOTE 6 DEFINED BENEFIT PENSION PLANS – DISCRETELY PRESENTED COMPONENT UNIT
(CONTINUED)**

Actuarial Assumptions

The total pension liability in the June 30, 2021, actuarial valuation was determined using an individual entry-age normal actuarial cost method. The long-term rate of return on pension plan investments used in the determination of the total liability is 6.5%. This assumption is based on a review of inflation and investments return assumptions from a number of national investment consulting firms. The review provided a range of return investment return rates deemed to be reasonable by the actuary. An investment return of 6.5% was deemed to be within that range of reasonableness for financial reporting purposes.

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

Salary growth assumptions in the General Employees Plan range in annual increments from 10.25% after one year of service to 3.0% after 29 years of service and 6.0% per year thereafter.

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

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

The following changes in actuarial assumptions and plan provisions occurred in 2021:

General Employees Fund

Changes in Actuarial Assumptions:

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

Discount Rate

The discount rate used to measure the total pension liability in 2021 was 6.5%. The projection of cash flows used to determine the discount rate assumed that employee and employer contributions will be made at rates set in Minnesota Statutes. Based on these assumptions, the fiduciary net position of the General Employees Fund was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

**CITY OF DELANO, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021**

**NOTE 6 DEFINED BENEFIT PENSION PLANS – DISCRETELY PRESENTED COMPONENT UNIT
(CONTINUED)**

Pension Liability Sensitivity

The following presents the Commission’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 Commission’s proportionate share of the net pension liability would be if it were calculated using a discount rate one percentage point lower or one percentage point higher than the current discount rate:

| Description | 1% Decrease in Discount Rate (6.50%) | Current Discount Rate (7.50%) | 1% Increase in Discount Rate (8.50%) |
|---------------------------------------------------------------------------------|--------------------------------------------|----------------------------------|--------------------------------------------|
| Discrete Component Unit's Proportionate Share of the GERS Net Pension Liability | \$ 1,227,949 | \$ 797,396 | \$ 400,978 |

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 7 DEFINED BENEFIT PENSION PLANS – FIRE RELIEF ASSOCIATION

Plan Description

Firefighters of the City of Delano are members of the Delano Fire Department Relief Association (the Association). The Association is the administrator of the single-employer defined benefit pension plan available to firefighters. The plan is administered by the Delano Fire Department Relief Association pursuant to Minnesota Statutes, Chapter 69, Chapter 424A, and the Association’s by-laws. As of December 31, 2020, membership includes 24 active participants and 5 terminated members entitled to benefits but not yet receiving them. The plan issues a stand-alone financial statement. Financial statements can be obtained by contacting the City finance department.

Benefits Provided

Authority for payment of pension benefits is established in Minnesota Statutes §69.77 and may be amended only by the Minnesota State Legislature. Each member who is at least 50 years of age, has retired from the Fire Department, has served 10 years but less than 20 years of active service with such department before retirement shall be entitled to a lump-sum service pension in the amount of \$3,375 for each year of active times the vesting percentage. The vesting percentage is 60% for active duty of 10 years or more but less than 11 years. For active duty of more than 10 years, but less than 20 years, the vesting percentage increased by 4% for each additional year of service between 11 and 20.

**CITY OF DELANO, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021**

NOTE 7 DEFINED BENEFIT PENSION PLANS – FIRE RELIEF ASSOCIATION (CONTINUED)

Benefits Provided (Continued)

If a member of the Association shall become permanently or totally disabled, the Association shall pay the sum \$3,375 for each year the member was an active member of the Delano Fire Department. If a member who received a disability pension subsequently recovers and returns to active duty, the disability pension is deducted from the service pension. A death benefit is also available, which is payable to a survivor.

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

Contributions

Minnesota Statutes Chapter 69.772 specifies minimum support rates required on an annual basis. The minimum support rates from the municipality are determined as the amount required to meet the normal cost plus amortizing any existing prior service costs over a 10-year period. The significant actuarial assumptions used to compute the municipal support are the same as those used to compute the accrued pension liability. The association is comprised of volunteers; therefore, there are no payroll expenditures (i.e. there are no covered payroll percentage calculations). The minimum contribution from the City of Delano and state aid is determined as follows:

| | |
|---|------------------------------------------------------------------------------------|
| | Normal Cost |
| + | Amortization Payment of Unfunded Accrued Liability Prior to Any Change |
| + | Amortization Contribution on Unfunded Accrued Liability Attributable to Any Change |
| + | Administrative Expenses |
| - | Anticipated State Aid |
| - | Projected Investment Earnings |
| = | <u>Total Contribution Required</u> |

The plan is funded in part by fire state aid and, if necessary, City contributions. The state of Minnesota distributed to the City \$58,695 in fire state aid paid by the City to the Relief Association for the year ended December 31, 2020. Required employer contributions are calculated annually based on statutory provisions. The City's statutorily-required contribution to the plan for the year ended December 31, 2020 was \$-0-.

Pension Costs

At December 31, 2020, the City reported an asset of \$455,500 for the Association's net pension asset. The net pension asset was measured as of December 31, 2020, and the total pension liability used to calculate the net pension asset was determined by an actuarial valuation as of that date.

**CITY OF DELANO, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021**

NOTE 7 DEFINED BENEFIT PENSION PLANS – FIRE RELIEF ASSOCIATION (CONTINUED)

Pension Costs (Continued)

As a result of its requirement to contribute to the Relief Association, the City recognized pension expense of (\$206,076) for the year ended December 31, 2020. At December 31, 2020, the City reported deferred outflows of resources and deferred inflows of resources from the following sources:

| Description | Deferred Outflows of Resources | Deferred Inflows of Resources |
|-------------------------------------------------------------------------------------|--------------------------------------|-------------------------------------|
| Differences Between Expected and Actual Economic Experience | \$ - | \$ 73,023 |
| Changes in Actuarial Assumptions | 3,730 | 13,409 |
| Net Difference Between Projected and Actual Earnings on Pension Plan Investments | - | 60,867 |
| Change in Total Pension Liability Due to Change in Census Data | - | 25,220 |
| City Contributions Subsequent to the Measurement Date | 63,863 | - |
| Total | <u>\$ 67,593</u> | <u>\$ 172,519</u> |

The City contributions to the Association subsequent to the measurement date, \$63,863 reported as deferred outflows of resources will be recognized as a reduction of the net pension liability in the year ended December 31, 2021. Other amounts reported as deferred outflows and inflows of resources related to the Association's pension will be recognized in pension expense as follows:

| <u>Year Ending December 31,</u> | Pension Expenses Amount |
|---------------------------------|-------------------------------|
| 2022 | \$ (47,665) |
| 2023 | (32,287) |
| 2024 | (61,597) |
| 2025 | (20,694) |
| 2026 | (2,183) |
| Thereafter | (4,363) |

**CITY OF DELANO, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021**

NOTE 7 DEFINED BENEFIT PENSION PLANS – FIRE RELIEF ASSOCIATION (CONTINUED)

Actuarial Assumptions

The actuarial total pension liability was determined as of December 31, 2020, using the following actuarial assumptions, applied to all periods included in the measurement:

| | |
|------------------------------|------------------------|
| Valuation Date | 1/1/2021 |
| Actuarial Cost Method | Entry Age Normal |
| Amortization Method | Level Dollar Closed |
| Actuarial Assumptions: | |
| Discount Rate | 5.25% |
| Investment Rate of Return | 5.25% |
| 20-Year Municipal Bond Yield | N/A |
| Inflation Rate | 2.50% |
| Age of Service Requirement | 50 |

The best estimate of expected future real rates of return were developed by aggregating data from several published capital market assumption surveys and deriving a single best estimate based on the average survey values. These capital market assumptions reflect both historical market experience as well as diverse views regarding anticipated future returns. The expected inflation assumption was developed based on an analysis of historical experience blended with forward-looking expectations available in market data.

Best estimates of geometric real and nominal rates of return for each major asset class included in the pension plan's asset allocation as of December 31, 2020 are summarized in the following table:

| Asset Class | Target Allocation | Long-Term Expected Real Rate of Return |
|---------------------------|-------------------|----------------------------------------------|
| Cash and Cash Equivalents | 15.00% | 2.25% |
| Equities | 34.00% | 7.30 |
| Fixed Income | 50.00% | 3.40 |
| Other | 1.00% | 6.00 |

Discount Rates

The discount rate used to measure the total pension asset was 5.25%. Assets were projected using expected benefit payments and expected asset returns. Expected benefit payments were discounted by year using expected assets return assumption for years in which the assets were sufficient to pay all benefit payments. Any remaining benefit payments after the trust fund is exhausted are discounted at the municipal bond rate of return. The equivalent single rate is the discount rate. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members.

**CITY OF DELANO, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021**

NOTE 7 DEFINED BENEFIT PENSION PLANS – FIRE RELIEF ASSOCIATION (CONTINUED)

Pension Sensitivity

The following presents the City of Delano’s proportionate share of the net pension asset of the Association, calculated using the discount rate of 5.25%, as well as what the Association’s net pension liability would be if it were calculated using a discount rate that is one percentage point lower (4.25%) or one percentage point higher (6.25%) than the current rate:

| Description | 1% Decrease in Discount Rate (4.25%) | Current Discount Rate (5.25%) | 1% Increase in Discount Rate (6.25%) |
|-------------------------------|--------------------------------------------|----------------------------------|--------------------------------------------|
| Net Pension Liability (Asset) | \$ (439,412) | \$ (455,500) | \$ (470,926) |

Information about the plan’s net position is as follows:

| | <u>2020</u> |
|---------------------------------|----------------------------|
| Assets: | |
| Cash and Investments | \$ 1,505,340 |
| Accounts Receivable | 780 |
| Total Assets | <u>1,506,120</u> |
| Liabilities: | |
| Accounts Payable | <u>288</u> |
| Net Position: | |
| Restricted for Pension Benefits | <u><u>\$ 1,506,120</u></u> |

**CITY OF DELANO, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021**

NOTE 7 DEFINED BENEFIT PENSION PLANS – FIRE RELIEF ASSOCIATION (CONTINUED)

Pension Sensitivity (Continued)

Information about changes in the plan’s net pension liability (asset) is as follows:

| | 2020 |
|-----------------------------------------------------------------------|--------------|
| Total Pension Liability | |
| Service Cost | \$ 24,940 |
| Interest | 52,488 |
| Differences Between Expected and Actual Experience | - |
| Plan Changes | - |
| Changes of Assumptions | - |
| Gain or Loss | (17,466) |
| Benefit Payments, Including Member Contribution Refunds | (8,580) |
| Other Changes | - |
| Net Change in Total Pension Liability | 51,382 |
| Total Pension Liability - Beginning | 979,113 |
| Total Pension Liability - Ending (a) | 1,030,495 |
| Plan Fiduciary Net Position | |
| Municipal Contributions | - |
| State Contributions | 58,695 |
| Net Investment Income | 116,363 |
| Benefit Payments | (8,580) |
| Administrative Expenses | (9,255) |
| Other Changes | 5,168 |
| Net Change in Fiduciary Net Position | 162,391 |
| Fiduciary Net Position - Beginning | 1,343,441 |
| Fiduciary Net Position - Ending (b) | 1,505,832 |
| Association's Net Pension Liability/(Asset) - Ending (a) - (b) | \$ (475,337) |

NOTE 8 OTHER POSTEMPLOYMENT BENEFITS

Plan Description

The City adopted Governmental Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*. As the City has fewer than one hundred plan members, it has elected to calculate its total OPEB liability and related information using the alternative measurement permitted by GASB Statement No. 75.

The City provides health insurance benefits for certain retired employees under a single-employer defined benefit health care plan. The plan provides health care insurance for eligible retirees and their spouses through the City’s group health insurance plan, which covers both active and retired members. Pursuant to the provisions of the plan, retirees are required to pay varying percentages of the total premium cost.

**CITY OF DELANO, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021**

NOTE 8 OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)

Plan Description (Continued)

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

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

Employees covered by benefit terms. At December 31, 2021, the following employees were covered by the benefit terms:

| | |
|--------------------------------------------------------------------------------|----------------------------------------------------------------------------------|
| Inactive Plan Members or Beneficiaries Currently Receiving Benefit Payments | - |
| Inactive Plan Members Entitled to but not yet Receiving Benefit Payments | - |
| Active Plan Members | 24 |
| Total | <hr style="border: 1px solid black;"/> <hr style="border: 1px solid black;"/> 24 |

Contributions and Funding Policy

The City funds its OPEB obligation on a pay as you go basis. The City contributes none of the cost of current year premiums for eligible retired plan members and their spouses except for the implicit rate subsidy described above. For fiscal year 2021, the City contributed \$-0- to the plan. Plan members receiving benefits contribute 100% of their premium costs. As of December 31, 2021, there were no retirees receiving health benefits from the City’s health plans.

Total OPEB Liability

The City’s Total OPEB liability was measured as of December 31, 2021 and was determined by an actuarial valuation as of that date.

**CITY OF DELANO, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021**

NOTE 8 OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)

Total OPEB Liability (Continued)

Actuarial Assumptions

The total OPEB liability in the December 31, 2020 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

| | |
|--------------------------|-------------------|
| <u>Valuation Date:</u> | December 31, 2020 |
| <u>Measurement Date:</u> | December 31, 2021 |

Methods and assumptions used to determine the contribution rates:

| | |
|----------------------------|---------------------------------------------------------------------------------------------------------------------------------|
| Actuarial Cost Method | Entry age |
| Amortization Method | Level percentage of payroll, closed |
| Amortization Period | Investment gains/losses are amortized over 5 years and liability gains/losses are amortized over Average Working Lifetime |
| Inflation | 2.50% |
| Healthcare Cost Trend Rate | 6.50% for 2021, decreasing 0.30% per year to an ultimate rate of 3.9% |
| Salary Increases | 3.25% |
| Discount Rate | 2.06% (20-year municipal bond index) |
| Retirement Age | Age 55 for Police & Fire, Age 64 for all others (based on PERA average rates) |
| Mortality | RP-2014 with MP-2018 generational improvements |

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 2.06% in the current actuarial valuation, which was updated from the 2.12% used in the prior actuarial valuation.

**CITY OF DELANO, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021**

NOTE 8 OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)

Changes in the Total OPEB Liability

The details of the changes in the City's total OPEB liability were as follows for 2021:

| | Total OPEB Liability |
|-------------------------------------------------------|-------------------------|
| Balances at December 31, 2020 | \$ 19,255 |
| Increase (Decrease) for the Year: | |
| Service Cost | 1,554 |
| Interest | 441 |
| Differences Between Expected and Actual Experience | 60,578 |
| Contributions - Employer | - |
| Net Investment Income | - |
| Benefit Payments | - |
| Changes in Assumptions | (39,583) |
| Net Changes | 22,990 |
| Balances at December 31, 2021 | \$ 42,245 |

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 decreased from 2.12% to 2.06%.

Sensitivity of Total OPEB Liability

Sensitivity of the total OPEB liability to changes in the discount rate and health care 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 (1.06%) or 1-percentage-point higher (3.06%) than the current discount rate:

| | 1% Decrease (1.06)% | Discount Rate (2.06)% | 1% Increase (3.06)% |
|----------------------------|------------------------|--------------------------|------------------------|
| Net OPEB Liability (Asset) | \$ 44,473 | \$ 42,245 | \$ 40,073 |

**CITY OF DELANO, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021**

NOTE 8 OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)

Sensitivity of Total OPEB Liability (Continued)

Sensitivity of the net OPEB liability to changes in the health care 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 health care cost trend rates that are 1-percentage-point lower (5.5% decreasing to 2.6%) or 1-percentage-point higher (7.5% decreasing to 4.9%) than the current health care cost trend rates:

| | 1% Decrease (5.5% Decreasing to 2.9%) | Health Care Cost Trend Rates (6.5% Decreasing to 3.9%) | 1% Increase (7.5% Decreasing to 4.9%) |
|----------------------------|------------------------------------------------|--------------------------------------------------------------------|------------------------------------------------|
| Net OPEB Liability (Asset) | \$ 38,611 | \$ 42,245 | \$ 46,419 |

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

For the year ended December 31, 2021, the City recognized OPEB expense of \$17,511. At December 31, 2021, the City did not report any deferred outflows of resources and deferred inflows of resources related to OPEB.

NOTE 9 OPERATING LEASES

Liquor Store

Since 2001, the City has leased retail space for its Municipal Liquor Store fund. The previously existing lease was scheduled to expire in January 2014, but was extended through January 2024. Rent expense for 2021 totaled \$99,814. The following is a schedule of the future minimum lease payments as of December 31, 2021:

| <u>Fiscal Year</u> | <u>Amount</u> |
|--------------------|-------------------|
| 2022 | \$ 99,814 |
| 2023 | 99,814 |
| 2024 | 8,318 |
| Total | <u>\$ 207,946</u> |

**CITY OF DELANO, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021**

NOTE 10 STEWARDSHIP COMPLIANCE AND ACCOUNTABILITY

Deficit Fund Balances/Net Position

The City has deficit fund balances at December 31, 2021 as follows:

| Fund | Deficit |
|------------------------------------|----------------|
| Nonmajor Funds: | |
| Special Revenue Funds: | |
| Storm Drainage | (44,075) |
| TIF #7 Delano Commons Project | (37,394) |
| TIF #8 Downtown Redevelopment | (250,999) |
| TIF#9 Delano Legacy | (811,802) |
| TIF #11 Industrial Louvers | (36,832) |
| Riverside Commons | (58,806) |
| Economic Development | (203,677) |
| Debt Service Funds: | |
| G.O. Bonds 2020B | (24,545) |
| Capital Projects Funds: | |
| Baseball Field Improvements | (16,346) |
| Project Year 3 Street Improvements | (607,969) |
| County Road 30 | (722,751) |
| 2021 Street Improvement | (140,880) |
| McKinley Extension | (158,799) |
| Public Works Building Construction | (379,154) |
| | (379,154) |
| Total Nonmajor Funds: | \$ (3,107,779) |

The City intends to fund these deficits through future tax levies, special assessment levies, tax increments, transfers from other funds, and various other sources.

**CITY OF DELANO, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021**

NOTE 11 INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS

Individual fund receivable and payable balances at December 31, 2021 are as follows:

| Fund | Interfund Receivables Due from Other Funds | Interfund Payables Due to Other Funds |
|--------------------------------------------------|-----------------------------------------------------|------------------------------------------------|
| Major Governmental Funds: | | |
| General Capital Improvements | \$ 16,346 | \$ - |
| Nonmajor Governmental Funds: | | |
| Special Revenue Fund: | | |
| Storm Drainage Fund | - | 79,366 |
| Economic Development | - | 550,667 |
| Riverside Commons | - | 57,858 |
| Capital Project Fund: | | |
| Park Dedication | 550,667 | - |
| Baseball Field Improvements | - | 16,346 |
| Project Year 3 Street Improvements | - | 607,969 |
| County Road 30 | - | 722,751 |
| 2021 Street Improvements | - | 140,880 |
| McKinley Extension | - | 18,095 |
| Public Works Building Construction | - | 379,154 |
| Debt Service Fund: | | |
| G.O. Bonds 2020B | - | 24,545 |
| Enterprise Funds: | | |
| Sewer | 2,030,618 | - |
| Due from Component Unit (to General Fund) | 114,030 | - |
| Due from Component Unit (to Storm Drainage Fund) | 36,678 | - |
| Due from Component Unit (to Sewer Fund) | 369,559 | - |
| Due to Primary Government from Component Unit | - | 520,267 |
| Total Due From/To | <u>\$ 3,117,898</u> | <u>\$ 3,117,898</u> |

These interfund balances are for the reimbursement of services or utilities provided or temporary cash borrowings and are expected to be repaid in the following year.

**CITY OF DELANO, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021**

NOTE 11 INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS (CONTINUED)

Individual fund advances balances at December 31, 2021 are as follows:

| Fund | Advances to Other Funds | Advances from Other Funds |
|-------------------------------|----------------------------|------------------------------|
| Nonmajor Governmental Funds: | | |
| Special Revenue Funds: | | |
| TIF #7 Delano Commons Project | \$ - | \$ 37,394 |
| TIF #8 Downtown Redevelopment | - | 250,999 |
| TIF #9 Delano Legacy | - | 811,802 |
| TIF #11 Industrial Louvers | - | 36,832 |
| Enterprise Funds: | | |
| Sewer | 1,137,027 | - |
| Total Advances | <u>\$ 1,137,027</u> | <u>\$ 1,137,027</u> |

The advances from the Sewer Fund are for construction of infrastructure for various projects within the City. The advances from the Sewer Fund to TIF funds for infrastructure improvements are expected to be repaid with tax increments collected over the lives of the applicable districts. None of these advances are expected to be repaid within one year.

The advances from the General Capital Improvements Fund are for capital improvements to the baseball field and are not expected to be repaid within one year.

**CITY OF DELANO, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021**

NOTE 11 INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS (CONTINUED)

Transfers between funds during 2021 are as follows:

| | Amount | Description |
|----------------------------------------------------------|--------------|------------------------------------|
| Major Funds | | |
| Transfers to General Fund from: | | |
| Municipal Liquor Fund | \$ 100,000 | Annual Contribution |
| Transfer to General Capital Improvements Fund from: | | |
| General Fund | 312,800 | Annual Contribution |
| General Fund | 491,864 | Fund Balance Policy Transfer |
| Liquor Store Fund | 33,050 | Capital Contribution |
| General Fund | 3,500 | Annual Contribution |
| Total Transfers to General Capital Improvements Fund | 841,214 | |
| Transfer to G.O. Improvement Bonds 2013B Fund from: | | |
| Northwest Business Park Fund | 400,000 | Bus Park Expansion |
| Total Transfers to Major Funds | 1,341,214 | |
| Nonmajor Funds | | |
| Transfer to Fire Department Special Revenue Fund from: | | |
| General Fund | 212,915 | Administrative Costs |
| General Fund | 196,600 | Future Capital Needs |
| Total Transfers to Fire Department Special Revenue Fund | 409,515 | |
| Transfer to Senior Center Special Revenue Fund from: | | |
| General Fund | 188,800 | Sr. Center Operations Fund Funding |
| General Fund | 11,500 | Sr. Transportation Fund Funding |
| General Fund | 11,600 | Sr. Capital Fund Funding |
| General Fund | 17,700 | Sr. Lunch Program |
| Total Transfers to Senior Center Special Revenue Fund | 229,600 | |
| Transfer to Economic Development Fund from: | | |
| General Fund | 110,000 | Debt Service |
| General Fund | 20,000 | Economic Development Projects |
| Total Transfer to G.O. Street Reconstruction Bonds 2016A | 130,000 | |
| Transfer to G.O. Refunding Bonds 2011A Fund from: | | |
| Economic Development Special Revenue Fund | 110,000 | Debt Service |
| Fire Department Special Revenue Fund | 43,000 | Debt Service |
| Total Transfers to G.O. Refunding Bonds 2011A Fund | 153,000 | |
| Transfer to G.O. Bonds 2014A Fund from: | | |
| Northwest Business Park Fund | 75,000 | Debt Service |
| Transfer to G.O. Bonds 2016A Fund from: | | |
| Storm Drainage Special Revenue Fund | 113,900 | Debt Service |
| TIF #8 Downtown Redevelopment Fund | 31,450 | Debt Service |
| General Street Project | 156,000 | Debt Service |
| Total Transfers G.O. Bonds 2016A Fund | 301,350 | |
| Transfer to G.O. Tax Abatement Bonds 2015A Fund from: | | |
| Abatement District #1 Special Revenue Fund | 93,000 | Debt Service |
| Transfer to G.O. Bonds 2018A Fund from: | | |
| Storm Drainage Special Revenue Fund | 10,207 | Debt Service |
| Sanitary Sewer Fund | 51,254 | Debt Service |
| Total Transfers to G.O. Bonds 2018A Fund | 61,461 | |
| Transfer to G.O. Bonds 2020A Fund from: | | |
| Storm Drainage Special Revenue Fund | 40,508 | Debt Service |
| Total Transfers to Nonmajor Governmental Funds | 1,493,434 | |
| Total Interfund Transfers | \$ 2,834,648 | |

**CITY OF DELANO, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021**

NOTE 12 RISK MANAGEMENT

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The City obtains insurance through participation in the League of Minnesota Cities Insurance Trust (LMCIT) which is a risk sharing pool for its workers' compensation and property and casualty insurance. The LMCIT is self-sustaining through member premiums and will reinsure for claims above a prescribed dollar amount for each insurance event. Settled claims have not exceeded the City's coverage in any of the past three fiscal years.

Liabilities are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. Liabilities, if any, include an amount for claims that have been incurred but not reported (IBNRs). The City's management is not aware of any incurred but not reported claims.

The City continues to carry commercial insurance for all other risks of loss, including disability and employee health insurance. There were no significant reductions in insurance from the previous year or settlements in excess of insurance coverage for any of the past three fiscal years.

NOTE 13 COMMITMENTS AND CONTINGENCIES

Discretely Presented Component Unit – Electrical Power

Under authorization of state statutes, the Commission joined Central Minnesota Municipal Power Agency (CMMPA) with other municipal utilities to purchase electrical power through contracts for the mutual advantage of the governments. In 2015, CMMPA changed its name to Central Municipal Power Agency/Services (CMPAS). The governing body consists of members from each of the member utilities who are elected by the respective local utility commissions. Complete financial statements may be obtained by contacting CMPAS at 459 South Grove Street, Blue Earth, Minnesota, 56013.

The Commission signed a pre-execution subscription agreement with CMPAS (formerly CMMPA) to purchase 0.73MW of electrical power from the Wolf Wind project in Rushmore, MN. CMPAS has a 6.25MW subscription that is allocated among its members based on load share ratio. The contractual period for this contract is March 1, 2005 to April 3, 2021.

In September 2003, the Commission signed a pre-execution subscription agreement with CMPAS (formerly CMMPA) to purchase electrical power from a new power plant constructed by the Omaha Public Power District (OPPD) and to provide a share of the construction funding. This new plant was completed and operational in 2009. The life of the contract is 40 years after the date of completion. The Commission has committed to purchase 2 megawatts from this 600-megawatt plant. The Commission's share of construction costs approximate \$3,300,000. These construction costs are expected to be paid to CMMPA or OPPD via electricity purchase rates over the life of the 40-year contract.

If other participants in this project were to default, the Commission could be held responsible for up to 160% of its stated commitment.

**CITY OF DELANO, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021**

NOTE 13 COMMITMENTS AND CONTINGENCIES (CONTINUED)

Discretely Presented Component Unit – Electrical Power (Continued)

In 2010, the Commission signed a pre-execution subscription agreement with CMPAS (formerly CMMPA) to purchase 1.0MW of electrical power from the Iberdrola Wind Project in Rugby, SD. CMMPA has a 13.1MW subscription that is allocated among its members based on agreed upon levels of commitment. The contractual period for this contract is January 1, 2011 to December 31, 2025. In 2011, the Commission signed another agreement with CMPAS to purchase an additional 2.6MW of electrical power from the Iberdrola Wind Project for a total commitment of 3.6MW.

In 2012, the Commission signed an agreement to commit to purchasing power from the WPPI/Point Beach Nuclear Project. This agreement is for 1.20 MW of energy annually and extends through March 8, 2033.

In April 2007, the Commission and other municipal utilities signed an unsecured guaranty of a stand-by letter of credit between Utilities Plus (a component unit of CMMPA) and a bank. The letter of credit is to be used by Utilities Plus for payment of transmission or transmission service obligations to Midwest Independent Transmission System Operator, Inc. (MISO). The Commission's share of the guaranty is not to exceed \$434,734. Additionally, the Commission's guaranty only applies to transactions involving the Commission's purchase of electricity, transmission, and transmission services from Utilities Plus. No changes were made to this agreement during 2021 and there is no outstanding balance on the line of credit.

In December 2020, the Commission signed an agreement to commit to purchasing power from AEP Energy Partners, Inc. agreement runs from January 1, 2021 through May 31, 2030.

Federal and State Funds

The City receives financial assistance from federal and state governmental agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with the terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the applicable fund. Management is not aware of any disallowed claims at this time. The City administration believes such disallowances, if any, will be immaterial.

Law Enforcement Protection

The City contracts with the Wright County Sheriff for law enforcement protection. The current contract covers fiscal years 2021, 2022 and 2023. The total remaining commitment for contracted services is approximately \$493,075 for 2022 and \$508,008 for 2023.

Wastewater

The City contracts with Veolia Water North America-Central, LLC for maintenance and operations services for the City's Wastewater Treatment Plant. The current contract extends through 2021.

**CITY OF DELANO, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021**

NOTE 13 COMMITMENTS AND CONTINGENCIES (CONTINUED)

Tax Increment Districts

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

NOTE 14 MAJOR CUSTOMER – DISCRETELY PRESENTED COMPONENT UNIT

During the year ended December 31, 2021, the Discretely Presented Component Unit – Electric Fund had net sales to one customer totaling \$627,931, representing 8.69% of total sales.

**REQUIRED SUPPLEMENTARY INFORMATION
OTHER THAN MD&A**

**CITY OF DELANO, MINNESOTA
GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
YEAR ENDED DECEMBER 31, 2021**

| | Original Budget | Final Budget | Actual | Variance from Final Budget |
|---------------------------------------|---------------------|---------------------|---------------------|-------------------------------|
| REVENUES | | | | |
| Property Taxes | \$ 2,726,996 | \$ 2,726,996 | \$ 2,815,606 | \$ 88,610 |
| Special Assessments | - | - | 21,307 | 21,307 |
| Licenses and Permits: | | | | |
| Building Permits | 100,000 | 100,000 | 633,999 | 533,999 |
| Other | 286,900 | 286,900 | 246,528 | (40,372) |
| Total Licenses and Permits | <u>386,900</u> | <u>386,900</u> | <u>880,527</u> | <u>493,627</u> |
| Intergovernmental: | | | | |
| Local Government Aid | 324,639 | 324,639 | 324,639 | - |
| Market Value Credit | 500 | 500 | 266 | (234) |
| Police State Aid | 25,000 | 25,000 | 25,398 | 398 |
| County Recycling Aid | 11,000 | 11,000 | 11,685 | 685 |
| Other Federal, State, and County Aids | 85,365 | 85,365 | 82,505 | (2,860) |
| Total Intergovernmental | <u>446,504</u> | <u>446,504</u> | <u>444,493</u> | <u>(2,011)</u> |
| Charges for Services: | | | | |
| Administrative TIF Reimbursement | 14,500 | 14,500 | 58,822 | 44,322 |
| Franchise Fees | 440,000 | 440,000 | 430,118 | (9,882) |
| Other | 193,300 | 193,300 | 166,594 | (26,706) |
| Total Charges for Services | <u>647,800</u> | <u>647,800</u> | <u>655,534</u> | <u>7,734</u> |
| Investment Earnings | 5,140 | 5,140 | (449) | (5,589) |
| Miscellaneous: | | | | |
| Other | 134,000 | 134,000 | 133,878 | (122) |
| Total Miscellaneous | <u>134,000</u> | <u>134,000</u> | <u>133,878</u> | <u>(122)</u> |
| Total Revenues | <u>\$ 4,347,340</u> | <u>\$ 4,347,340</u> | <u>\$ 4,950,896</u> | <u>\$ 603,556</u> |

See accompanying Notes to Required Supplementary Information.

**CITY OF DELANO, MINNESOTA
GENERAL FUND
BUDGETARY COMPARISON SCHEDULE (CONTINUED)
YEAR ENDED DECEMBER 31, 2021**

| | Original Budget | Final Budget | Actual | Variance from Final Budget |
|---------------------------------------------|--------------------|------------------|---------------------|-------------------------------|
| EXPENDITURES | | | | |
| General Government: | | | | |
| Mayor and Council | \$ 57,600 | \$ 57,600 | \$ 52,630 | \$ 4,970 |
| Administration | 562,650 | 562,650 | 628,907 | (66,257) |
| Financial | 280,350 | 280,350 | 276,443 | 3,907 |
| Total General Government | <u>900,600</u> | <u>900,600</u> | <u>957,980</u> | <u>(57,380)</u> |
| Public Safety: | | | | |
| Police Contract | 499,000 | 499,000 | 499,302 | (302) |
| Flood Control | 26,000 | 26,000 | - | 26,000 |
| Animal Control | 5,000 | 5,000 | 3,720 | 1,280 |
| Insurance | 3,100 | 3,100 | 2,545 | 555 |
| Utilities | 2,400 | 2,400 | 1,837 | 563 |
| Other Operating Costs and Supplies | 34,700 | 34,700 | 14,652 | 20,048 |
| Total Public Safety | <u>570,200</u> | <u>570,200</u> | <u>522,056</u> | <u>48,144</u> |
| Highways and Streets: | | | | |
| Professional Services | 41,000 | 41,000 | 47,749 | (6,749) |
| Streets | 422,550 | 422,550 | 435,371 | (12,821) |
| Ice and Snow Removal | 41,000 | 41,000 | 26,457 | 14,543 |
| Total Highways and Streets | <u>504,550</u> | <u>504,550</u> | <u>509,577</u> | <u>(5,027)</u> |
| Community Services: | | | | |
| Planning Consultant Fee | 51,000 | 51,000 | 60,414 | (9,414) |
| Park and Other Community Services | 1,042,200 | 1,042,200 | 1,145,887 | (103,687) |
| Library | 32,750 | 32,750 | 25,255 | 7,495 |
| Heritage Center | 21,400 | 21,400 | 20,098 | 1,302 |
| Motor Vehicle | 234,140 | 234,140 | 243,118 | (8,978) |
| Total Community Services | <u>1,382,090</u> | <u>1,382,090</u> | <u>1,494,772</u> | <u>(112,682)</u> |
| Total Expenditures | <u>3,357,440</u> | <u>3,357,440</u> | <u>3,484,385</u> | <u>(126,945)</u> |
| EXCESS OF REVENUES OVER EXPENDITURES | 989,900 | 989,900 | 1,466,511 | 476,611 |
| OTHER FINANCING SOURCES (USES) | | | | |
| Transfers In | 100,000 | 100,000 | 100,000 | - |
| Transfers Out | (1,089,900) | (1,089,900) | (1,577,279) | (487,379) |
| Total Other Financing Sources (Uses) | <u>(989,900)</u> | <u>(989,900)</u> | <u>(1,477,279)</u> | <u>(487,379)</u> |
| NET CHANGE IN FUND BALANCE | <u>\$ -</u> | <u>\$ -</u> | (10,768) | <u>\$ (10,768)</u> |
| Fund Balance - Beginning of Year | | | <u>2,937,901</u> | |
| FUND BALANCE - END OF YEAR | | | <u>\$ 2,927,133</u> | |

See accompanying Notes to Required Supplementary Information.

**CITY OF DELANO, MINNESOTA
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
YEAR ENDED DECEMBER 31, 2021**

I. BUDGETARY INFORMATION

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

1. Prior to September 1, the City Administrator submits to the City Council a proposed operating budget for the fiscal year commencing the following January 1. The operating budget includes proposed expenditures and the means of financing them.
2. Public hearings are conducted in the Council chambers at City Hall to obtain taxpayer comments. The Council then approves the budget for the General Fund and certifies the tax levy.
3. The City Administrator is authorized to transfer budgeted amounts between departments within any fund; however, any revisions that alter the total expenditures of the General Fund must be approved by the City Council.
4. The City has a legally adopted budget for the General Fund, and follows budgets that were not formally adopted for certain Special Revenue Funds, and some enterprise funds. Formal budgetary integration is not employed for the capital projects and debt service funds. Expenditures may not legally exceed budgeted appropriations at the total fund level. Monitoring of budgets is maintained at the expenditure category level (i.e., personal services, supplies, capital outlay, etc.) within each program. All amounts over budget have been approved by the City Council through the disbursement process. The City is not legally required to adopt an annual budget for the Capital Projects or Debt Service funds.
5. Budgets for the General, and certain Special Revenue Funds are prepared on a basis consistent with accounting principles generally accepted in the United States of America. General Fund budgeted amounts are as originally adopted, or as amended by the City Council. All annual appropriations lapse at fiscal year-end.

CITY OF DELANO, MINNESOTA
SCHEDULE OF CHANGES IN THE CITY'S TOTAL OPEB LIABILITY AND RELATED RATIOS
LAST TEN YEARS*

| | 2021 | 2020 | 2019 | 2018 |
|-----------------------------------------------------------------------------|------------------|------------------|------------------|------------------|
| Total OPEB Liability | | | | |
| Service Cost | \$ 1,554 | \$ 1,380 | \$ 1,130 | \$ 1,832 |
| Interest | 441 | 494 | 921 | 739 |
| Changes of Benefit Terms | - | - | - | - |
| Difference Between Expected and Actual Experience | 60,578 | - | (8,065) | - |
| Changes of Assumptions | (39,583) | 741 | 1,225 | (799) |
| Benefit Payments | - | - | - | - |
| Net Change in Total OPEB Liability | 22,990 | 2,615 | (4,789) | 1,772 |
| Total OPEB Liability - Beginning | 19,255 | 16,640 | 21,429 | 19,657 |
| Total OPEB Liability - Ending | <u>\$ 42,245</u> | <u>\$ 19,255</u> | <u>\$ 16,640</u> | <u>\$ 21,429</u> |
| | | | | |
| Total OPEB Liability | \$ 42,245 | \$ 19,255 | \$ 16,640 | \$ 21,429 |
| | | | | |
| Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability | 0.00% | 0.00% | 0.00% | 0.00% |
| | | | | |
| Covered Employee Payroll | \$ 1,600,000 | \$ 1,400,000 | \$ 1,300,000 | \$ 1,300,000 |
| | | | | |
| City's Total OPEB Liability as a Percentage of the Covered Employee Payroll | 2.64% | 1.38% | 1.28% | 1.65% |

*Additional data will be presented as it becomes available and eventually 10 years of data will be presented.

Valuation Date: December 31, 2020
Measurement Date: December 31, 2021

Methods and Assumptions Used to Determine the Contribution Rates:

| | |
|----------------------------|---------------------------------------------------------------------------------------------------------------------------|
| Actuarial Cost Method | Entry age |
| Amortization Method | Level percentage of payroll, closed |
| Amortization Period | Investment gains/losses are amortized over 5 years and liability gains/losses are amortized over Average Working Lifetime |
| Inflation | 2.50% |
| Healthcare Cost Trend Rate | 6.50% for 2021, decreasing 0.50% per year to an ultimate rate of 3.90% |
| Salary Increases | 3.25% |
| Discount Rate | 2.06% (20-year municipal bond index) |
| Retirement Age | Age 55 for Police & Fire, Age 64 for all others (based on PERA average rates) |
| Mortality | RP-2014 with MP-2018 generational improvements |

No assets are accumulated in a trust that meets the criteria in GASB No. 75, paragraph 4, to pay related benefits.

**CITY OF DELANO, MINNESOTA
SCHEDULE OF CHANGES IN THE CITY'S TOTAL OPEB LIABILITY AND
RELATED RATIOS (CONTINUED)
LAST TEN YEARS***

Changes in Assumptions:

2021

- Medical trend was updated based on recently published trend model and trend surveys to better reflect future anticipated experience.
- Medical per capita claims tables were updated based on recent experience and demographics.
- The discount rate was updated from 2.12% to 2.06% based on recent muni bond index rates.
- Withdrawal, mortality and salary scale assumptions were updated to those included in the recently published PERA General and Police & Fire actuarial valuations.
- Assumed retirement age was updated from 63 to 64 based on recent experience and updated expectations.

2020

- The discount rate used is the 20-year municipal bond index, as the plan is not funded. This assumed rate decreased from 2.74% to 2.12%.

2019

- The discount rate used is the 20-year municipal bond index, as the plan is not funded. This assumed rate decreased from 4.09% to 2.74%.

2018

- The discount rate used is the 20-year municipal bond index, as the plan is not funded. This assumed rate increased from 4.00% to 4.09%.
- The actuarial Cost Methods was updated along with the implementation of GASB Statement No. 75 to the Entry Age Normal level percent of pay method, with investment gains/losses being amortized over 5 years, liability gains/losses are amortized over the assumed average working lifetime, and plan changes are recognized immediately. Previously, under GASB Statement No. 45, the Entry Age Normal actuarial cost method was used, and the unfunded actuarial accrued liability was being amortized as a level percent of payroll over a 30-year period.

**CITY OF DELANO, MINNESOTA
SCHEDULE OF THE CITY'S PROPORTIONATE
SHARE OF THE NET PENSION LIABILITY – GENERAL EMPLOYEES PLAN
LAST TEN YEARS***

| Primary Government | Measurement Date June 30, | | | | | | | |
|------------------------------------------------------------------------------------------------|---------------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|
| | 2021 | 2020 | 2019 | 2018 | 2017 | 2016 | 2015 | 2014 |
| City's Proportion of the Net Pension Liability | 0.0250% | 0.0223% | 0.0212% | 0.0215% | 0.0220% | 0.0206% | 0.0208% | 0.0223% |
| City's Proportionate Share of the Net Pension Liability | \$ 1,067,612 | \$ 1,336,987 | \$ 1,172,100 | \$ 1,192,732 | \$ 1,404,465 | \$ 1,672,618 | \$ 1,077,964 | \$ 1,836,722 |
| State's Proportionate Share of the Net Pension Liability | 32,649 | 41,250 | 36,332 | 39,115 | 17,656 | 21,877 | - | - |
| Total | <u>\$ 1,100,261</u> | <u>\$ 1,378,237</u> | <u>\$ 1,208,432</u> | <u>\$ 1,231,847</u> | <u>\$ 1,422,121</u> | <u>\$ 1,694,495</u> | <u>\$ 1,077,964</u> | <u>\$ 1,836,722</u> |
| City's Covered Payroll | \$ 1,801,236 | \$ 1,588,162 | \$ 1,494,048 | \$ 1,434,947 | \$ 1,416,949 | \$ 1,278,579 | \$ 1,222,039 | \$ 1,597,724 |
| City's Proportionate Share of the Net Pension Liability as a Percentage of Its Covered Payroll | 168.72% | 118.79% | 127.47% | 120.31% | 100.89% | 76.44% | 113.37% | 86.99% |
| Plan Fiduciary Net Position as a Percentage of the Total Pension Liability | 87.00% | 79.06% | 80.23% | 79.53% | 75.90% | 68.91% | 78.20% | 78.70% |

* The amounts presented for each fiscal year were determined as of 6/30.

| Discretely Presented Component Unit | Measurement Date June 30, | | | | | | | |
|------------------------------------------------------------------------------------------------------|---------------------------|-------------------|-------------------|-------------------|-------------------|---------------------|-------------------|-------------------|
| | 2021 | 2020 | 2019 | 2018 | 2017 | 2016 | 2015 | 2014 |
| Commission's Proportion of the Net Pension Liability | 0.0142% | 0.0133% | 0.0119% | 0.0128% | 0.1450% | 0.0163% | 0.0165% | 0.1830% |
| Commission's Proportionate Share of the Net Pension Liability | \$ 606,404 | \$ 797,396 | \$ 657,923 | \$ 710,092 | \$ 925,670 | \$ 1,323,479 | \$ 855,166 | \$ 859,642 |
| State's Proportionate Share of the Net Pension Liability | 18,602 | 24,571 | 20,499 | 23,433 | 11,668 | - | - | - |
| Total | <u>\$ 625,006</u> | <u>\$ 821,967</u> | <u>\$ 678,422</u> | <u>\$ 733,525</u> | <u>\$ 937,338</u> | <u>\$ 1,323,479</u> | <u>\$ 855,166</u> | <u>\$ 859,642</u> |
| Commission's Covered Payroll | \$ 1,023,987 | \$ 946,251 | \$ 843,579 | \$ 876,693 | \$ 929,242 | \$ 1,008,407 | \$ 968,376 | \$ 995,462 |
| Commission's Proportionate Share of the Net Pension Liability as a Percentage of Its Covered Payroll | 59.22% | 84.27% | 77.99% | 81.00% | 99.62% | 131.24% | 88.31% | 86.36% |
| Plan Fiduciary Net Position as a Percentage of the Total Pension Liability | 87.00% | 79.06% | 80.23% | 79.53% | 75.90% | 68.96% | 78.70% | 83.20% |

* The amounts presented for each fiscal year were determined as of 6/30.

*Additional information will be added as it becomes available.

**CITY OF DELANO, MINNESOTA
SCHEDULE OF THE CITY CONTRIBUTIONS
LAST TEN YEARS***

| General Employees Fund Primary Government | 2021 | 2020 | 2019 | 2018 | 2017 | 2016 | 2015 | 2014 |
|-----------------------------------------------------------------------|------------------|------------------|------------------|------------------|------------------|-----------------|-----------------|------------------|
| Statutorily Required Contribution | \$ 144,237 | \$ 126,686 | \$ 114,923 | \$ 109,344 | \$ 104,774 | \$ 99,134 | \$ 97,651 | \$ 115,835 |
| Contributions in Relation to the Statutorily Required Contribution | <u>(144,237)</u> | <u>(126,686)</u> | <u>(114,923)</u> | <u>(109,344)</u> | <u>(104,774)</u> | <u>(99,134)</u> | <u>(97,651)</u> | <u>(115,835)</u> |
| Contribution Deficiency (Excess) | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |
| City's Covered Payroll | \$ 1,923,157 | \$ 1,689,147 | \$ 1,532,307 | \$ 1,457,920 | \$ 1,396,987 | \$ 1,321,787 | \$ 1,302,013 | \$ 1,597,724 |
| Contributions as a Percentage of Covered Payroll | 7.50% | 7.50% | 7.50% | 7.50% | 7.50% | 7.50% | 7.50% | 7.25% |
| General Employees Fund Discretely Presented Component Unit | 2021 | 2020 | 2019 | 2018 | 2017 | 2016 | 2015 | 2014 |
| Statutorily Required Contribution | \$ 70,983 | \$ 77,409 | \$ 66,316 | \$ 63,356 | \$ 64,404 | \$ 73,268 | \$ 74,844 | \$ 72,171 |
| Contributions in Relation to the Statutorily Required Contribution | <u>(70,983)</u> | <u>(77,409)</u> | <u>(66,316)</u> | <u>(63,356)</u> | <u>(64,404)</u> | <u>(73,268)</u> | <u>(74,844)</u> | <u>(72,171)</u> |
| Contribution Deficiency (Excess) | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |
| City's Covered Payroll | \$ 946,440 | \$ 1,032,120 | \$ 884,213 | \$ 844,747 | \$ 858,720 | \$ 976,907 | \$ 997,920 | \$ 995,462 |
| Contributions as a Percentage of Covered Payroll | 7.50% | 7.50% | 7.50% | 7.50% | 7.50% | 7.50% | 7.50% | 7.25% |
| Fire Relief Association Plan | 2021 | 2020 | 2019 | 2018 | 2017 | 2016 | 2015 | 2014 |
| Statutorily Required Contribution | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| Contributions in Relation to the Statutorily Required Contribution | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Contribution Deficiency (Excess) | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |

*Additional information will be added as it becomes available.

**CITY OF DELANO, MINNESOTA
INFORMATION ABOUT THE CITY'S NET PENSION LIABILITY
YEAR ENDED DECEMBER 31, 2021**

Notes to Schedule of Changes in Net Pension Liabilities and Related Ratios

General Employees Fund

2021

Changes in Actuarial Assumptions

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

Changes in Plan Provisions

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

2020

Changes in Actuarial Assumptions

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

Changes in Plan Provisions

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

**CITY OF DELANO, MINNESOTA
INFORMATION ABOUT THE CITY'S NET PENSION LIABILITY
YEAR ENDED DECEMBER 31, 2021**

Notes to Schedule of Changes in Net Pension Liabilities and Related Ratios (Continued)

General Employees Fund (Continued)

2019

Changes in Actuarial Assumptions

- The morality 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 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.

Changes in Plan Provisions

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

**CITY OF DELANO, MINNESOTA
INFORMATION ABOUT THE CITY'S NET PENSION LIABILITY
YEAR ENDED DECEMBER 31, 2021**

General Employees Fund (Continued)

2017

Changes in Actuarial Assumptions

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

Changes in Plan Provisions

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

2016

- The assumed postretirement benefit increase rate was changed from 1.0% per year through 2035 and 2.5% per year thereafter to 1.0% per year for all future years.
- The assumed investment return was changed from 7.9% to 7.5%. The single discount rate was changed from 7.9% to 7.5%. Other assumptions were changed pursuant to the experience study dated June 30, 2015. The assumed future salary increases, payroll growth, and inflation were decreased by 0.25% to 3.25% for payroll growth and 2.50% for inflation.
- Other assumptions were changed pursuant to the experience study June 30, 2015. The assumed future salary increases, payroll growth, and inflation were decreased by 0.25% to 3.25% for payroll growth and 2.50% for inflation

Changes in Plan Provisions

- There have been no changes since the prior valuation.

2015

Changes in Actuarial Assumptions

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

Changes in Plan Provisions:

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

**CITY OF DELANO, MINNESOTA
SCHEDULE OF CHANGES IN THE DELANO FIREFIGHTER'S
RELIEF ASSOCIATION'S NET PENSION LIABILITY (ASSET)
LAST TEN YEARS***

| | Measurement Date December 31, | | | | | | |
|------------------------------------------------------------------------------|-------------------------------|---------------------|---------------------|---------------------|---------------------|--------------------|--------------------|
| | 2020 | 2019 | 2018 | 2017 | 2016 | 2015 | 2014 |
| Total Pension Liability | | | | | | | |
| Service Cost | \$ 24,940 | \$ 23,595 | \$ 20,439 | \$ 19,940 | \$ 38,421 | \$ 39,312 | \$ 38,354 |
| Interest | 52,488 | 48,860 | 47,362 | 43,676 | 27,641 | 26,906 | 24,699 |
| Differences Between Expected and Actual Experience | - | - | - | - | (35,756) | (75,661) | - |
| Plan Changes | - | 26,584 | 128,736 | - | 16,435 | 6,569 | - |
| Changes of Assumptions | - | - | 6,528 | - | - | - | - |
| Gain or Loss | (17,466) | - | - | - | - | - | - |
| Benefit Payments, Including Member Contribution Refunds | (8,580) | (54,000) | - | - | (29,076) | - | - |
| Other Changes | - | - | (72,245) | - | (43,886) | - | - |
| Net Change in Total Pension Liability | 51,382 | 45,039 | 130,820 | 63,616 | (26,221) | (2,874) | 63,053 |
| Total Pension Liability - Beginning | 979,113 | 934,074 | 803,254 | 739,638 | 765,859 | 768,733 | 705,680 |
| Total Pension Liability - Ending (a) | 1,030,495 | 979,113 | 934,074 | 803,254 | 739,638 | 765,859 | 768,733 |
| Plan Fiduciary Net Position | | | | | | | |
| Municipal Contributions | - | - | 32,000 | 32,000 | 31,000 | 31,000 | 29,500 |
| State Contributions | 58,695 | 59,614 | 55,747 | 54,287 | 54,635 | 52,252 | 49,134 |
| Net Investment Income | 116,363 | 173,215 | (78,137) | 132,968 | 72,648 | (22,242) | 20,102 |
| Benefit Payments | (8,580) | (54,000) | - | - | (29,076) | - | - |
| Administrative Expenses | (9,255) | (9,278) | (288) | (302) | (1,138) | (659) | (181) |
| Other Changes | 5,168 | 20,974 | (4,908) | (5,424) | (18,018) | (15,613) | (3,981) |
| Net Change in Fiduciary Net Position | 162,391 | 190,525 | 4,414 | 213,529 | 110,051 | 44,738 | 94,574 |
| Fiduciary Net Position - Beginning | 1,343,441 | 1,152,916 | 1,148,502 | 934,973 | 824,922 | 780,184 | 685,610 |
| Fiduciary Net Position - Ending (b) | 1,505,832 | 1,343,441 | 1,152,916 | 1,148,502 | 934,973 | 824,922 | 780,184 |
| Association's Net Pension Liability/(Asset) - Ending (a) - (b) | \$ (475,337) | \$ (364,328) | \$ (218,842) | \$ (345,248) | \$ (195,335) | \$ (59,063) | \$ (11,451) |
| Fiduciary Net Position as a Percentage of the Total Pension Liability | 146.13% | 137.21% | 123.43% | 142.98% | 126.41% | 107.71% | 101.49% |

*Additional information will be added as it becomes available.

**COMBINING AND INDIVIDUAL NONMAJOR
FUND FINANCIAL STATEMENTS**

**CITY OF DELANO, MINNESOTA
NONMAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET
DECEMBER 31, 2021**

| | Special Revenue | Debt Service | Capital Projects | Total Nonmajor Governmental Funds |
|---------------------------------------------------------------------------------|---------------------|---------------------|---------------------|-----------------------------------------|
| ASSETS | | | | |
| Cash and Investments | \$ 2,105,976 | \$ 2,405,148 | \$ 1,459,654 | \$ 5,970,778 |
| Receivables: | | | | |
| Accounts Receivable | 545 | - | - | 545 |
| Taxes Receivable | 1,376 | 12,082 | - | 13,458 |
| Special Assessments Receivable | - | 1,159,209 | 17,367 | 1,176,576 |
| Due from Other Funds | - | - | 550,667 | 550,667 |
| Due from Component Unit | 36,678 | - | - | 36,678 |
| Note Receivable | 60,204 | 1,977,673 | 16,761 | 2,054,638 |
| Land Held for Resale | 328,276 | - | - | 328,276 |
| Due from Other Governmental Units | 54,486 | 5,720 | - | 60,206 |
| Prepaid Items | 204 | - | - | 204 |
| | <u>\$ 2,587,745</u> | <u>\$ 5,559,832</u> | <u>\$ 2,044,449</u> | <u>\$ 10,192,026</u> |
| LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCE | | | | |
| LIABILITIES | | | | |
| Accounts Payable | \$ 16,512 | \$ 500 | \$ 6,282 | \$ 23,294 |
| Contracts Payable | - | - | 218,949 | 218,949 |
| Accrued Compensation | 29,457 | - | - | 29,457 |
| Due to Other Funds | 687,891 | 24,545 | 1,885,195 | 2,597,631 |
| Advances from Other Funds | 1,137,027 | - | - | 1,137,027 |
| Due to Other Governmental Units | - | - | 138,257 | 138,257 |
| Total Liabilities | <u>1,870,887</u> | <u>25,045</u> | <u>2,248,683</u> | <u>4,144,615</u> |
| DEFERRED INFLOWS OF RESOURCES | | | | |
| Unavailable Revenue | 61,580 | 1,171,290 | 34,128 | 1,266,998 |
| Total Deferred Inflows of Resources | <u>61,580</u> | <u>1,171,290</u> | <u>34,128</u> | <u>1,266,998</u> |
| FUND BALANCE (DEFICIT) | | | | |
| Restricted: | | | | |
| Economic Development Activities | 915,638 | - | - | 915,638 |
| Future Debt Retirement | - | 4,388,042 | - | 4,388,042 |
| Developer Projects | - | - | 226,411 | 226,411 |
| Park Dedication | - | - | 1,048,337 | 1,048,337 |
| Fire Equipment | 370,163 | - | - | 370,163 |
| Fire Building | 342,765 | - | - | 342,765 |
| Fire Department | 236,630 | - | - | 236,630 |
| Committed for Senior Activities | 233,667 | - | - | 233,667 |
| Assigned: | | | | |
| General Capital Improvements | - | - | 3,466 | 3,466 |
| Community Room | - | - | 47,024 | 47,024 |
| Unassigned | (1,443,585) | (24,545) | (1,563,600) | (3,031,730) |
| Total Fund Balance (Deficit) | <u>655,278</u> | <u>4,363,497</u> | <u>(238,362)</u> | <u>4,780,413</u> |
| Total Liabilities, Deferred Inflows of Resources, and Fund Balance (Deficit) | <u>\$ 2,587,745</u> | <u>\$ 5,559,832</u> | <u>\$ 2,044,449</u> | <u>\$ 10,192,026</u> |

**CITY OF DELANO, MINNESOTA
NONMAJOR GOVERNMENTAL FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE
YEAR ENDED DECEMBER 31, 2021**

| | Special Revenue | Debt Service | Capital Projects | Total Nonmajor Governmental Funds |
|--------------------------------------------------------------|--------------------|---------------------|---------------------|--------------------------------------------|
| REVENUES | | | | |
| Taxes | \$ 112,775 | \$ 867,802 | \$ - | \$ 980,577 |
| Tax Increment | 581,876 | - | - | 581,876 |
| Special Assessments | - | 32,270 | 2,889 | 35,159 |
| Licenses and Permits | 34 | - | - | 34 |
| Intergovernmental | 640,929 | - | 10,656 | 651,585 |
| Charges for Services | 854,747 | - | 611,410 | 1,466,157 |
| Investment Earnings | 3,798 | 2,609 | 945 | 7,352 |
| Rental Income | 45,050 | - | - | 45,050 |
| Miscellaneous | 67,963 | 59,136 | 500,000 | 627,099 |
| Total Revenues | <u>2,307,172</u> | <u>961,817</u> | <u>1,125,900</u> | <u>4,394,889</u> |
| EXPENDITURES | | | | |
| Current: | | | | |
| Public Safety | 467,588 | - | - | 467,588 |
| Highways and Streets | - | - | 2,413,858 | 2,413,858 |
| Economic Development | 1,520,010 | - | 146,350 | 1,666,360 |
| Community Services | 356,838 | - | 47,618 | 404,456 |
| Debt Service: | | | | |
| Principal | - | 1,105,000 | - | 1,105,000 |
| Interest and Fiscal Charges | 68,145 | 676,738 | - | 744,883 |
| Total Expenditures | <u>2,412,581</u> | <u>1,781,738</u> | <u>2,607,826</u> | <u>6,802,145</u> |
| EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES | (105,409) | (819,921) | (1,481,926) | (2,407,256) |
| OTHER FINANCING SOURCES (USES) | | | | |
| Transfers In | 769,115 | 724,319 | - | 1,493,434 |
| Transfers Out | (442,065) | - | (631,000) | (1,073,065) |
| Issuance of Debt | - | 214,743 | 1,475,177 | 1,689,920 |
| Premium on Bonds | - | - | 154,856 | 154,856 |
| Proceeds on Capital Asset Disposal | 368 | - | - | 368 |
| Total Other Financing Sources (Uses) | <u>327,418</u> | <u>939,062</u> | <u>999,033</u> | <u>2,265,513</u> |
| NET CHANGE IN FUND BALANCE | 222,009 | 119,141 | (482,893) | (141,743) |
| Fund Balance - Beginning of Year | 433,269 | 4,244,356 | 244,531 | 4,922,156 |
| FUND BALANCE - END OF YEAR | <u>\$ 655,278</u> | <u>\$ 4,363,497</u> | <u>\$ (238,362)</u> | <u>\$ 4,780,413</u> |

**CITY OF DELANO, MINNESOTA
NONMAJOR GOVERNMENTAL FUNDS - SPECIAL REVENUE FUNDS
COMBINING BALANCE SHEET
DECEMBER 31, 2021**

| ASSETS | Storm Drainage | Fire Department | Abatement District #1 Delano Crossing | TIF #7 Delano Commons Project | TIF #8 Downtown Redevelopment | TIF #9 Delano Legacy | TIF #10 Landscape Structures |
|------------------------------------------------------------------------------|-------------------|--------------------|------------------------------------------------|----------------------------------------|-------------------------------------|----------------------------|------------------------------------|
| Cash and Investments | \$ - | \$ 945,159 | \$ 292,701 | \$ - | \$ - | \$ - | \$ - |
| Accounts Receivable | - | - | - | - | - | - | - |
| Taxes Receivable | - | - | 1,376 | - | - | - | - |
| Due from Component Unit | 36,678 | - | - | - | - | - | - |
| Due from Other Governmental Units | - | 32,403 | 661 | - | - | - | - |
| Land Held for Resale | - | - | - | - | - | - | - |
| Note Receivable | - | - | - | - | - | - | - |
| Prepaid Items | - | - | - | - | - | - | - |
| Total Assets | <u>\$ 36,678</u> | <u>\$ 977,562</u> | <u>\$ 294,738</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |
| LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCE | | | | | | | |
| LIABILITIES | | | | | | | |
| Accounts Payable | \$ 1,387 | \$ 8,105 | \$ - | \$ - | \$ - | \$ - | \$ - |
| Accrued Compensation | - | 19,899 | - | - | - | - | - |
| Due to Other Funds | 79,366 | - | - | - | - | - | - |
| Advances from Other Funds | - | - | - | 37,394 | 250,999 | 811,802 | - |
| Total Liabilities | <u>80,753</u> | <u>28,004</u> | <u>-</u> | <u>37,394</u> | <u>250,999</u> | <u>811,802</u> | <u>-</u> |
| DEFERRED INFLOWS OF RESOURCES | | | | | | | |
| Unavailable Revenue | - | - | 1,376 | - | - | - | - |
| FUND BALANCE (DEFICIT) | | | | | | | |
| Restricted for: | | | | | | | |
| Economic Development Activities | - | - | 293,362 | - | - | - | - |
| Fire Equipment | - | 370,163 | - | - | - | - | - |
| Fire Building | - | 342,765 | - | - | - | - | - |
| Fire Department | - | 236,630 | - | - | - | - | - |
| Committed for Senior Activities | - | - | - | - | - | - | - |
| Unassigned | (44,075) | - | - | (37,394) | (250,999) | (811,802) | - |
| Total Fund Balance (Deficit) | <u>(44,075)</u> | <u>949,558</u> | <u>293,362</u> | <u>(37,394)</u> | <u>(250,999)</u> | <u>(811,802)</u> | <u>-</u> |
| Total Liabilities, Deferred Inflows of Resources, and Fund Balance (Deficit) | <u>\$ 36,678</u> | <u>\$ 977,562</u> | <u>\$ 294,738</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |

**CITY OF DELANO, MINNESOTA
NONMAJOR GOVERNMENTAL FUNDS - SPECIAL REVENUE FUNDS
COMBINING BALANCE SHEET (CONTINUED)
DECEMBER 31, 2021**

| TIF #11 Industrial Louvers | TIF #12 West Metro Business Park | TIF #13 Granite Works Redevelopment | Riverside Commons | Economic Development | Revolving Loan | Senior Center | Total Nonmajor Special Revenue Funds |
|----------------------------------|-------------------------------------------|----------------------------------------------|----------------------|-------------------------|-------------------|-------------------|--------------------------------------------------|
| \$ - | \$ 386,250 | \$ 133,031 | \$ - | \$ - | \$ 103,403 | \$ 245,432 | \$ 2,105,976 |
| - | - | - | - | - | - | 545 | 545 |
| - | - | - | - | - | - | - | 1,376 |
| - | - | - | - | - | - | - | 36,678 |
| - | - | - | - | 21,422 | - | - | 54,486 |
| - | - | - | - | 328,276 | - | - | 328,276 |
| - | - | - | 24,000 | 36,204 | - | - | 60,204 |
| - | - | - | - | 76 | - | 128 | 204 |
| <u>\$ -</u> | <u>\$ 386,250</u> | <u>\$ 133,031</u> | <u>\$ 24,000</u> | <u>\$ 385,978</u> | <u>\$ 103,403</u> | <u>\$ 246,105</u> | <u>\$ 2,587,745</u> |
| \$ - | \$ - | \$ 408 | \$ 948 | \$ - | \$ - | \$ 5,664 | \$ 16,512 |
| - | - | - | - | 2,784 | - | 6,774 | 29,457 |
| - | - | - | 57,858 | 550,667 | - | - | 687,891 |
| 36,832 | - | - | - | - | - | - | 1,137,027 |
| <u>36,832</u> | <u>-</u> | <u>408</u> | <u>58,806</u> | <u>553,451</u> | <u>-</u> | <u>12,438</u> | <u>1,870,887</u> |
| - | - | - | 24,000 | 36,204 | - | - | 61,580 |
| - | 386,250 | 132,623 | - | - | 103,403 | - | 915,638 |
| - | - | - | - | - | - | - | 370,163 |
| - | - | - | - | - | - | - | 342,765 |
| - | - | - | - | - | - | - | 236,630 |
| - | - | - | - | - | - | 233,667 | 233,667 |
| (36,832) | - | - | (58,806) | (203,677) | - | - | (1,443,585) |
| <u>(36,832)</u> | <u>386,250</u> | <u>132,623</u> | <u>(58,806)</u> | <u>(203,677)</u> | <u>103,403</u> | <u>233,667</u> | <u>655,278</u> |
| <u>\$ -</u> | <u>\$ 386,250</u> | <u>\$ 133,031</u> | <u>\$ 24,000</u> | <u>\$ 385,978</u> | <u>\$ 103,403</u> | <u>\$ 246,105</u> | <u>\$ 2,587,745</u> |

**CITY OF DELANO, MINNESOTA
NONMAJOR GOVERNMENTAL FUNDS - SPECIAL REVENUE FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE
YEAR ENDED DECEMBER 31, 2021**

| | Storm Drainage | Fire Department | Abatement District #1 Delano Crossing | TIF #7 Delano Commons Project | TIF #8 Downtown Redevelopment | TIF #9 Delano Legacy | TIF #10 Landscape Structures |
|--------------------------------------------------------------|--------------------|--------------------|------------------------------------------------|----------------------------------------|-------------------------------------|----------------------------|------------------------------------|
| REVENUES | | | | | | | |
| Taxes | \$ - | \$ - | \$ 100,286 | \$ - | \$ - | \$ - | \$ 12,489 |
| Tax Increment | - | - | - | 15,467 | 35,986 | 37,281 | (6,339) |
| Licenses and Permits | - | 34 | - | - | - | - | - |
| Intergovernmental | 176,730 | 72,731 | - | - | - | - | - |
| Charges for Services | 480,955 | 256,460 | - | - | - | - | - |
| Investment Earnings | (698) | 1,458 | 503 | 15 | (14) | 11 | - |
| Rental Income | - | - | - | - | - | - | - |
| Miscellaneous | - | 5,013 | - | 4,323 | - | 885 | - |
| Total Revenues | <u>656,987</u> | <u>335,696</u> | <u>100,789</u> | <u>19,805</u> | <u>35,972</u> | <u>38,177</u> | <u>6,150</u> |
| EXPENDITURES | | | | | | | |
| Public Safety | 21,981 | 445,607 | - | - | - | - | - |
| Economic Development | - | - | - | 1,547 | 3,599 | 3,729 | 153,178 |
| Community Services | - | - | - | - | - | - | - |
| Debt Service | - | - | - | - | - | - | - |
| Interest and Fiscal Charges | - | - | - | 2,338 | 7,338 | 40,298 | - |
| Total Expenditures | <u>21,981</u> | <u>445,607</u> | <u>-</u> | <u>3,885</u> | <u>10,937</u> | <u>44,027</u> | <u>153,178</u> |
| EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES | 635,006 | (109,911) | 100,789 | 15,920 | 25,035 | (5,850) | (147,028) |
| OTHER FINANCING SOURCES (USES) | | | | | | | |
| Transfers In | - | 409,515 | - | - | - | - | - |
| Transfers Out | (164,615) | (43,000) | (93,000) | - | (31,450) | - | - |
| Proceeds on Capital Asset Disposal | - | - | - | - | - | - | - |
| Total Other Financing Sources (Uses) | <u>(164,615)</u> | <u>366,515</u> | <u>(93,000)</u> | <u>-</u> | <u>(31,450)</u> | <u>-</u> | <u>-</u> |
| NET CHANGE IN FUND BALANCE | 470,391 | 256,604 | 7,789 | 15,920 | (6,415) | (5,850) | (147,028) |
| Fund Balance (Deficit) - Beginning of Year | <u>(514,466)</u> | <u>692,954</u> | <u>285,573</u> | <u>(53,314)</u> | <u>(244,584)</u> | <u>(805,952)</u> | <u>147,028</u> |
| FUND BALANCE (DEFICIT) - END OF YEAR | <u>\$ (44,075)</u> | <u>\$ 949,558</u> | <u>\$ 293,362</u> | <u>\$ (37,394)</u> | <u>\$ (250,999)</u> | <u>\$ (811,802)</u> | <u>\$ -</u> |

**CITY OF DELANO, MINNESOTA
NONMAJOR GOVERNMENTAL FUNDS - SPECIAL REVENUE FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE (CONTINUED)
YEAR ENDED DECEMBER 31, 2021**

| TIF #11 Industrial Louvers | TIF #12 West Metro Business Park | TIF #13 Granite Works Redevelopment | Riverside Commons | Economic Development | Revolving Loan | Senior Center | Total Nonmajor Special Revenue Funds |
|----------------------------------|-------------------------------------------|----------------------------------------------|----------------------|-------------------------|-------------------|-------------------|--------------------------------------------------|
| \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ 112,775 |
| 61,658 | 437,823 | - | - | - | - | - | 581,876 |
| - | - | - | - | - | - | - | 34 |
| - | - | 391,468 | - | - | - | - | 640,929 |
| - | - | - | - | 72,391 | - | 44,941 | 854,747 |
| 22 | 110 | 1,121 | (128) | (984) | 188 | 2,194 | 3,798 |
| - | - | - | 21,306 | 6,794 | 10,000 | 6,950 | 45,050 |
| - | - | - | - | 6,226 | - | 51,516 | 67,963 |
| <u>61,680</u> | <u>437,933</u> | <u>392,589</u> | <u>21,178</u> | <u>84,427</u> | <u>10,188</u> | <u>105,601</u> | <u>2,307,172</u> |
| - | - | - | - | - | - | - | 467,588 |
| 6,165 | 43,783 | 1,143,819 | - | 164,190 | - | - | 1,520,010 |
| - | - | - | 11,175 | 6,710 | - | 338,953 | 356,838 |
| <u>3,552</u> | <u>-</u> | <u>14,619</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>68,145</u> |
| <u>9,717</u> | <u>43,783</u> | <u>1,158,438</u> | <u>11,175</u> | <u>170,900</u> | <u>-</u> | <u>338,953</u> | <u>2,412,581</u> |
| 51,963 | 394,150 | (765,849) | 10,003 | (86,473) | 10,188 | (233,352) | (105,409) |
| - | - | - | - | 130,000 | - | 229,600 | 769,115 |
| - | - | - | - | (110,000) | - | - | (442,065) |
| - | - | - | - | - | - | 368 | 368 |
| <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>20,000</u> | <u>-</u> | <u>229,968</u> | <u>327,418</u> |
| 51,963 | 394,150 | (765,849) | 10,003 | (66,473) | 10,188 | (3,384) | 222,009 |
| <u>(88,795)</u> | <u>(7,900)</u> | <u>898,472</u> | <u>(68,809)</u> | <u>(137,204)</u> | <u>93,215</u> | <u>237,051</u> | <u>433,269</u> |
| <u>\$ (36,832)</u> | <u>\$ 386,250</u> | <u>\$ 132,623</u> | <u>\$ (58,806)</u> | <u>\$ (203,677)</u> | <u>\$ 103,403</u> | <u>\$ 233,667</u> | <u>\$ 655,278</u> |

**CITY OF DELANO, MINNESOTA
NONMAJOR GOVERNMENTAL FUNDS – DEBT SERVICE FUNDS
COMBINING BALANCE SHEET
DECEMBER 31, 2021**

| | General Debt Service | G.O. Street Reconstruction Bonds 2009A | G.O. Refunding Bonds 2011A | G.O. Street Reconstruction Bonds 2013A | G.O. Improvement Bonds 2014A | G.O. Bonds 2016A |
|--------------------------------------------------------------------------|----------------------------|----------------------------------------------|-------------------------------|----------------------------------------------|------------------------------------|------------------------|
| ASSETS | | | | | | |
| Cash and Investments | \$ 17,208 | \$ 99,931 | \$ 603,577 | \$ 253,646 | \$ 43,435 | \$ 931,820 |
| Taxes Receivable | - | 991 | 1,054 | 3,294 | - | 4,886 |
| Special Assessments Receivable | - | - | - | - | 1,149,504 | 9,705 |
| Note Receivable | - | - | - | - | - | - |
| Due from Other Governmental Units | - | 483 | 502 | 1,620 | - | 2,031 |
| Total Assets | <u>\$ 17,208</u> | <u>\$ 101,405</u> | <u>\$ 605,133</u> | <u>\$ 258,560</u> | <u>\$ 1,192,939</u> | <u>\$ 948,442</u> |
| LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCE | | | | | | |
| LIABILITIES | | | | | | |
| Accounts Payable | \$ - | \$ - | \$ 500 | \$ - | \$ - | \$ - |
| Due to Other Funds | - | - | - | - | - | - |
| Total Liabilities | <u>-</u> | <u>-</u> | <u>500</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| DEFERRED INFLOWS OF RESOURCES | | | | | | |
| Unavailable Revenue | - | 991 | 1,054 | 3,294 | 1,149,504 | 14,590 |
| FUND BALANCE | | | | | | |
| Restricted for Future Debt Retirement | 17,208 | 100,414 | 603,579 | 255,266 | 43,435 | 933,852 |
| Unassigned | - | - | - | - | - | - |
| Total Fund Balance (Deficit) | <u>17,208</u> | <u>100,414</u> | <u>603,579</u> | <u>255,266</u> | <u>43,435</u> | <u>933,852</u> |
| Total Liabilities, Deferred Inflows of Resources, and Fund Balance | <u>\$ 17,208</u> | <u>\$ 101,405</u> | <u>\$ 605,133</u> | <u>\$ 258,560</u> | <u>\$ 1,192,939</u> | <u>\$ 948,442</u> |

**CITY OF DELANO, MINNESOTA
NONMAJOR GOVERNMENTAL FUNDS – DEBT SERVICE FUNDS
COMBINING BALANCE SHEET (CONTINUED)
DECEMBER 31, 2021**

| G.O. Tax Abatement Bonds 2015 | G.O. Bonds 2018 | G.O Bonds 2020A | G.O Bonds 2020B | G.O. Bonds 2021A | G.O Bonds Allocated to Commission | Total Nonmajor Debt Service Funds |
|-------------------------------------|-----------------------|-----------------------|-----------------------|------------------------|-----------------------------------------|--------------------------------------------|
| \$ 115,879 | \$ 151,074 | \$ 28,902 | \$ - | \$ 159,676 | \$ - | \$ 2,405,148 |
| - | 1,257 | 600 | - | - | - | 12,082 |
| - | - | - | - | - | - | 1,159,209 |
| - | - | - | - | - | 1,977,673 | 1,977,673 |
| - | 622 | 462 | - | - | - | 5,720 |
| <u>\$ 115,879</u> | <u>\$ 152,953</u> | <u>\$ 29,964</u> | <u>\$ -</u> | <u>\$ 159,676</u> | <u>\$ 1,977,673</u> | <u>\$ 5,559,832</u> |
| | | | | | | |
| \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ 500 |
| - | - | - | 24,545 | - | - | 24,545 |
| - | - | - | 24,545 | - | - | 25,045 |
| | | | | | | |
| - | 1,257 | 600 | - | - | - | 1,171,290 |
| | | | | | | |
| 115,879 | 151,696 | 29,364 | - | 159,676 | 1,977,673 | 4,388,042 |
| - | - | - | (24,545) | - | - | (24,545) |
| <u>115,879</u> | <u>151,696</u> | <u>29,364</u> | <u>(24,545)</u> | <u>159,676</u> | <u>1,977,673</u> | <u>4,363,497</u> |
| | | | | | | |
| <u>\$ 115,879</u> | <u>\$ 152,953</u> | <u>\$ 29,964</u> | <u>\$ -</u> | <u>\$ 159,676</u> | <u>\$ 1,977,673</u> | <u>\$ 5,559,832</u> |

**CITY OF DELANO, MINNESOTA
NONMAJOR GOVERNMENTAL FUNDS – DEBT SERVICE FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE
YEAR ENDED DECEMBER 31, 2021**

| | General Debt Service | G.O. Street Reconstruction Bonds 2009A | G.O. Refunding Bonds 2011A | G.O. Street Reconstruction Bonds 2013A | G.O. Improvement Bonds 2014A | G.O. Bonds 2016A |
|--------------------------------------------------------------|----------------------------|----------------------------------------------|-------------------------------|----------------------------------------------|------------------------------------|------------------------|
| REVENUES | | | | | | |
| Taxes | \$ - | \$ 73,205 | \$ 76,257 | \$ 245,591 | \$ - | \$ 309,021 |
| Special Assessments | - | - | - | - | - | 1,576 |
| Investment Earnings | 33 | 92 | 908 | 235 | 30 | 1,123 |
| Miscellaneous | - | - | - | - | - | - |
| Total Revenues | <u>33</u> | <u>73,297</u> | <u>77,165</u> | <u>245,826</u> | <u>30</u> | <u>311,720</u> |
| EXPENDITURES | | | | | | |
| Principal | - | 55,000 | 250,000 | 85,000 | 45,000 | 440,000 |
| Interest and Fiscal Charges | - | 11,362 | 16,060 | 140,446 | 26,080 | 151,138 |
| Total Expenditures | <u>-</u> | <u>66,362</u> | <u>266,060</u> | <u>225,446</u> | <u>71,080</u> | <u>591,138</u> |
| EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES | 33 | 6,935 | (188,895) | 20,380 | (71,050) | (279,418) |
| OTHER FINANCING SOURCES (USES) | | | | | | |
| Transfers In | - | - | 153,000 | - | 75,000 | 301,350 |
| Bond Proceeds | - | - | - | - | - | - |
| Total Other Financing Sources (Uses) | <u>-</u> | <u>-</u> | <u>153,000</u> | <u>-</u> | <u>75,000</u> | <u>301,350</u> |
| NET CHANGE IN FUND BALANCE | 33 | 6,935 | (35,895) | 20,380 | 3,950 | 21,932 |
| Fund Balance - Beginning of Year | <u>17,175</u> | <u>93,479</u> | <u>639,474</u> | <u>234,886</u> | <u>39,485</u> | <u>911,920</u> |
| FUND BALANCE - END OF YEAR | <u>\$ 17,208</u> | <u>\$ 100,414</u> | <u>\$ 603,579</u> | <u>\$ 255,266</u> | <u>\$ 43,435</u> | <u>\$ 933,852</u> |

**CITY OF DELANO, MINNESOTA
NONMAJOR GOVERNMENTAL FUNDS – DEBT SERVICE FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE (CONTINUED)
YEAR ENDED DECEMBER 31, 2021**

| G.O. Tax Abatement Bonds 2015 | G.O. Bonds 2018 | G.O Bonds 2020A | G.O. Bonds 2020B | G.O. Bonds 2021A | G.O Bonds Allocated to Commission | Total Nonmajor Debt Service Funds |
|-------------------------------------|-----------------------|-----------------------|------------------------|------------------------|-----------------------------------------|--------------------------------------------|
| \$ - | \$ 94,116 | \$ 69,612 | \$ - | \$ - | \$ - | \$ 867,802 |
| - | 30,694 | - | - | - | - | 32,270 |
| 144 | 99 | (19) | (45) | 9 | - | 2,609 |
| - | - | - | - | - | 59,136 | 59,136 |
| <u>144</u> | <u>124,909</u> | <u>69,593</u> | <u>(45)</u> | <u>9</u> | <u>59,136</u> | <u>961,817</u> |
| 75,000 | 100,000 | - | - | - | 55,000 | 1,105,000 |
| 15,698 | 79,468 | 58,044 | - | 55,076 | 123,366 | 676,738 |
| <u>90,698</u> | <u>179,468</u> | <u>58,044</u> | <u>-</u> | <u>55,076</u> | <u>178,366</u> | <u>1,781,738</u> |
| (90,554) | (54,559) | 11,549 | (45) | (55,067) | (119,230) | (819,921) |
| 93,000 | 61,461 | 40,508 | - | - | - | 724,319 |
| - | - | - | - | 214,743 | - | 214,743 |
| <u>93,000</u> | <u>61,461</u> | <u>40,508</u> | <u>-</u> | <u>214,743</u> | <u>-</u> | <u>939,062</u> |
| 2,446 | 6,902 | 52,057 | (45) | 159,676 | (119,230) | 119,141 |
| <u>113,433</u> | <u>144,794</u> | <u>(22,693)</u> | <u>(24,500)</u> | <u>-</u> | <u>2,096,903</u> | <u>4,244,356</u> |
| <u>\$ 115,879</u> | <u>\$ 151,696</u> | <u>\$ 29,364</u> | <u>\$ (24,545)</u> | <u>\$ 159,676</u> | <u>\$ 1,977,673</u> | <u>\$ 4,363,497</u> |

**CITY OF DELANO, MINNESOTA
NONMAJOR GOVERNMENTAL FUNDS – CAPITAL PROJECTS FUNDS
COMBINING BALANCE SHEET
DECEMBER 31, 2021**

| ASSETS | General Street Projects | Northwest Business Park | Baseball Field Improvements | Fox Meadows Trail | Project Year 3 Street Improvements | County Road 30 |
|---------------------------------------------------------------------------------|-------------------------------|-------------------------------|--------------------------------|-------------------------|---------------------------------------------|-------------------|
| Cash and Investments | \$ 3,466 | \$ 433,413 | \$ - | \$ 12,917 | \$ - | \$ - |
| Due from Other Funds | - | - | - | - | - | - |
| Special Assessments Receivable | - | - | - | - | 17,367 | - |
| Note Receivable | - | - | 16,761 | - | - | - |
| Total Assets | <u>\$ 3,466</u> | <u>\$ 433,413</u> | <u>\$ 16,761</u> | <u>\$ 12,917</u> | <u>\$ 17,367</u> | <u>\$ -</u> |
| LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCE | | | | | | |
| LIABILITIES | | | | | | |
| Accounts Payable | \$ - | \$ 371 | \$ - | \$ - | \$ - | \$ - |
| Contracts Payable | - | 218,949 | - | - | - | - |
| Due to Other Funds | - | - | 16,346 | - | 607,969 | 722,751 |
| Due to Other Governmental Units | - | 599 | - | - | - | - |
| Total Liabilities | <u>-</u> | <u>219,919</u> | <u>16,346</u> | <u>-</u> | <u>607,969</u> | <u>722,751</u> |
| DEFERRED INFLOWS OF RESOURCES | | | | | | |
| Unavailable Revenue | - | - | 16,761 | - | 17,367 | - |
| FUND BALANCE (DEFICIT) | | | | | | |
| Restricted: | | | | | | |
| Developer Projects | - | 213,494 | - | 12,917 | - | - |
| Park Dedication | - | - | - | - | - | - |
| Assigned: | | | | | | |
| General Capital Improvements | 3,466 | - | - | - | - | - |
| Community Room | - | - | - | - | - | - |
| Unassigned | - | - | (16,346) | - | (607,969) | (722,751) |
| Total Fund Balance (Deficit) | <u>3,466</u> | <u>213,494</u> | <u>(16,346)</u> | <u>12,917</u> | <u>(607,969)</u> | <u>(722,751)</u> |
| Total Liabilities, Deferred Inflows of Resources, and Fund Balance (Deficit) | <u>\$ 3,466</u> | <u>\$ 433,413</u> | <u>\$ 16,761</u> | <u>\$ 12,917</u> | <u>\$ 17,367</u> | <u>\$ -</u> |

**CITY OF DELANO, MINNESOTA
NONMAJOR GOVERNMENTAL FUNDS – CAPITAL PROJECTS FUNDS
COMBINING BALANCE SHEET (CONTINUED)
DECEMBER 31, 2021**

| 2021 Street Improvement | 90th Street Improvement | McKinley Extension | Public Works Building Construction | Community Room | Park Dedication | Total Nonmajor Capital Projects Funds |
|-------------------------------|-------------------------------|-----------------------|------------------------------------------|-------------------|---------------------|------------------------------------------------|
| \$ - | \$ 465,164 | \$ - | \$ - | \$ 47,024 | \$ 497,670 | \$ 1,459,654 |
| - | - | - | - | - | 550,667 | 550,667 |
| - | - | - | - | - | - | 17,367 |
| - | - | - | - | - | - | 16,761 |
| <u>\$ -</u> | <u>\$ 465,164</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 47,024</u> | <u>\$ 1,048,337</u> | <u>\$ 2,044,449</u> |
| | | | | | | |
| \$ - | \$ 2,465 | \$ 3,446 | \$ - | \$ - | \$ - | \$ 6,282 |
| - | - | - | - | - | - | 218,949 |
| 140,880 | - | 18,095 | 379,154 | - | - | 1,885,195 |
| - | 400 | 137,258 | - | - | - | 138,257 |
| <u>140,880</u> | <u>2,865</u> | <u>158,799</u> | <u>379,154</u> | <u>-</u> | <u>-</u> | <u>2,248,683</u> |
| - | - | - | - | - | - | 34,128 |
| - | - | - | - | - | - | 226,411 |
| - | - | - | - | - | 1,048,337 | 1,048,337 |
| - | - | - | - | - | - | 3,466 |
| - | - | - | - | 47,024 | - | 47,024 |
| <u>(140,880)</u> | <u>462,299</u> | <u>(158,799)</u> | <u>(379,154)</u> | <u>-</u> | <u>-</u> | <u>(1,563,600)</u> |
| <u>(140,880)</u> | <u>462,299</u> | <u>(158,799)</u> | <u>(379,154)</u> | <u>47,024</u> | <u>1,048,337</u> | <u>(238,362)</u> |
| | | | | | | |
| <u>\$ -</u> | <u>\$ 465,164</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 47,024</u> | <u>\$ 1,048,337</u> | <u>\$ 2,044,449</u> |

**CITY OF DELANO, MINNESOTA
NONMAJOR GOVERNMENTAL FUNDS – CAPITAL PROJECTS FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE
YEAR ENDED DECEMBER 31, 2021**

| | General Street Projects | Northwest Business Park | Baseball Field Improvements | Fox Meadows Trail | Project Year 3 Street Improvements | County Road 30 |
|--------------------------------------------------------------|-------------------------------|-------------------------------|-----------------------------------|-------------------------|---------------------------------------------|---------------------|
| REVENUES | | | | | | |
| Special Assessments | \$ - | \$ - | \$ - | \$ - | \$ 2,889 | \$ - |
| Intergovernmental | - | - | - | - | 10,656 | - |
| Investment Earnings | 172 | - | 22 | 25 | (376) | (609) |
| Charges for Services | - | - | - | - | (19,674) | - |
| Miscellaneous | - | - | - | - | - | - |
| Total Revenues | <u>172</u> | <u>-</u> | <u>22</u> | <u>25</u> | <u>(6,505)</u> | <u>(609)</u> |
| EXPENDITURES | | | | | | |
| Highways and Streets | - | 219,134 | - | - | 290,923 | 330,530 |
| Economic Development | - | 146,350 | - | - | - | - |
| Community Services | - | - | 1,255 | - | - | - |
| Total Expenditures | <u>-</u> | <u>365,484</u> | <u>1,255</u> | <u>-</u> | <u>290,923</u> | <u>330,530</u> |
| EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES | 172 | (365,484) | (1,233) | 25 | (297,428) | (331,139) |
| OTHER FINANCING SOURCES (USES) | | | | | | |
| Transfers Out | (156,000) | (475,000) | - | - | - | - |
| Issuance of Debt | - | 699,715 | - | - | - | - |
| Premium on Bonds | - | 73,939 | - | - | - | - |
| Total Other Financing Sources (Uses) | <u>(156,000)</u> | <u>298,654</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| NET CHANGE IN FUND BALANCE (DEFICIT) | (155,828) | (66,830) | (1,233) | 25 | (297,428) | (331,139) |
| Fund Balance (Deficit) - Beginning of Year | <u>159,294</u> | <u>280,324</u> | <u>(15,113)</u> | <u>12,892</u> | <u>(310,541)</u> | <u>(391,612)</u> |
| FUND BALANCE (DEFICIT) - END OF YEAR | <u>\$ 3,466</u> | <u>\$ 213,494</u> | <u>\$ (16,346)</u> | <u>\$ 12,917</u> | <u>\$ (607,969)</u> | <u>\$ (722,751)</u> |

**CITY OF DELANO, MINNESOTA
NONMAJOR GOVERNMENTAL FUNDS – CAPITAL PROJECTS FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE (CONTINUED)
YEAR ENDED DECEMBER 31, 2021**

| 2021 Street Improvement | 90th Street Improvement | McKinley Extension | Public Works Building Construction | Community Room | Park Dedication | Total Nonmajor Capital Projects Funds |
|-------------------------------|-------------------------------|-----------------------|------------------------------------------|-------------------|---------------------|------------------------------------------------|
| \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ 2,889 |
| - | - | - | - | - | - | 10,656 |
| 43 | 308 | (1) | 8 | 90 | 1,263 | 945 |
| - | - | - | - | - | 631,084 | 611,410 |
| - | 500,000 | - | - | - | - | 500,000 |
| <u>43</u> | <u>500,308</u> | <u>(1)</u> | <u>8</u> | <u>90</u> | <u>632,347</u> | <u>1,125,900</u> |
| 997,302 | 38,009 | 158,798 | 379,162 | - | - | 2,413,858 |
| - | - | - | - | - | - | 146,350 |
| - | - | - | - | - | 46,363 | 47,618 |
| <u>997,302</u> | <u>38,009</u> | <u>158,798</u> | <u>379,162</u> | <u>-</u> | <u>46,363</u> | <u>2,607,826</u> |
| (997,259) | 462,299 | (158,799) | (379,154) | 90 | 585,984 | (1,481,926) |
| - | - | - | - | - | - | (631,000) |
| 775,462 | - | - | - | - | - | 1,475,177 |
| 80,917 | - | - | - | - | - | 154,856 |
| <u>856,379</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>999,033</u> |
| (140,880) | 462,299 | (158,799) | (379,154) | 90 | 585,984 | (482,893) |
| - | - | - | - | 46,934 | 462,353 | 244,531 |
| <u>\$ (140,880)</u> | <u>\$ 462,299</u> | <u>\$ (158,799)</u> | <u>\$ (379,154)</u> | <u>\$ 47,024</u> | <u>\$ 1,048,337</u> | <u>\$ (238,362)</u> |

DISCRETELY PRESENTED COMPONENT UNIT

CITY OF DELANO, MINNESOTA
DELANO WATER, LIGHT, AND POWER COMMISSION
STATEMENT OF NET POSITION BY DEPARTMENT
DECEMBER 31, 2021

| ASSETS AND DEFERRED OUTFLOWS OF RESOURCES | <u>Electric</u> | <u>Water</u> | <u>Total</u> |
|---------------------------------------------------------------------|----------------------|----------------------|----------------------|
| CURRENT ASSETS | | | |
| Cash and Investments | \$ 1,621,073 | \$ 1,719,862 | \$ 3,340,935 |
| Accounts Receivable | 694,856 | 320,809 | 1,015,665 |
| Miscellaneous Receivables | 112,534 | 2,629 | 115,163 |
| Due from Other Funds | 763 | 10,800 | 11,563 |
| Inventories | 1,211,449 | 267,696 | 1,479,145 |
| Prepaid Items | 2,634 | - | 2,634 |
| Total Current Assets | <u>3,643,309</u> | <u>2,321,796</u> | <u>5,965,105</u> |
| NONCURRENT ASSETS | | | |
| Capital Assets: | | | |
| Utility Plant Capital Investments | 26,156,719 | 22,526,203 | 48,682,922 |
| Intangible Assets - Service Territory Acquisition | 813,799 | - | 813,799 |
| Construction in Progress | 1,273,143 | 192,647 | 1,465,790 |
| Land | 8,602 | - | 8,602 |
| Total Capital Assets | <u>28,252,263</u> | <u>22,718,850</u> | <u>50,971,113</u> |
| Less: Accumulated Depreciation | <u>(13,364,799)</u> | <u>(7,778,687)</u> | <u>(21,143,486)</u> |
| Total Net Capital Assets | <u>14,887,464</u> | <u>14,940,163</u> | <u>29,827,627</u> |
| Total Noncurrent Assets | 14,887,464 | 14,940,163 | 29,827,627 |
| DEFERRED OUTFLOWS OF RESOURCES | | | |
| Pension Related | <u>372,042</u> | <u>124,014</u> | <u>496,056</u> |
| Total Assets and Deferred Outflows of Resources | <u>\$ 18,902,815</u> | <u>\$ 17,385,973</u> | <u>\$ 36,288,788</u> |
| LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION | | | |
| CURRENT LIABILITIES | | | |
| Current Portion of Long-Term Debt | \$ 265,571 | \$ 465,000 | \$ 730,571 |
| Loan Payable - Current | - | 87,729 | 87,729 |
| Accounts Payable | 830,547 | 28,815 | 859,362 |
| Due to Primary Government | 4,390 | 212,680 | 217,070 |
| Accrued Compensation | 36,940 | 11,472 | 48,412 |
| Compensated Absences, Current Portion | 21,173 | 6,686 | 27,859 |
| Accrued Interest Payable | - | 23,094 | 23,094 |
| Due to Other Fund | 10,800 | 763 | 11,563 |
| Deposits | 91,665 | - | 91,665 |
| Unearned Revenue | - | 370,779 | 370,779 |
| Total Current Liabilities | <u>1,261,086</u> | <u>1,207,018</u> | <u>2,468,104</u> |
| LONG-TERM LIABILITIES | | | |
| Loan Payable - Long-Term | - | 1,889,944 | 1,889,944 |
| Long-Term Debt, Net of Current Portion | 1,832,211 | 1,540,000 | 3,372,211 |
| Compensated Absences | 62,407 | 21,171 | 83,578 |
| Net Pension Liability | 454,803 | 151,601 | 606,404 |
| Total Long-Term Liabilities | <u>2,349,421</u> | <u>3,602,716</u> | <u>5,952,137</u> |
| Total Liabilities | 3,610,507 | 4,809,734 | 8,420,241 |
| DEFERRED INFLOWS OF RESOURCES | | | |
| Regulatory Collections to Cover Future Costs | 621,245 | - | 621,245 |
| Pension Related | 428,358 | 142,786 | 571,144 |
| Total Deferred Inflows of Resources | <u>1,049,603</u> | <u>142,786</u> | <u>1,192,389</u> |
| NET POSITION | | | |
| Net Investment in Capital Assets | 12,789,682 | 10,957,490 | 23,747,172 |
| Unrestricted | <u>1,453,023</u> | <u>1,475,963</u> | <u>2,928,986</u> |
| Total Net Position | <u>14,242,705</u> | <u>12,433,453</u> | <u>26,676,158</u> |
| Total Liabilities, Deferred Inflows of Resources, and Net Position | <u>\$ 18,902,815</u> | <u>\$ 17,385,973</u> | <u>\$ 36,288,788</u> |

**CITY OF DELANO, MINNESOTA
DELANO WATER, LIGHT, AND POWER COMMISSION
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN
NET POSITION BY DEPARTMENT
YEAR ENDED DECEMBER 31, 2021**

| | <u>Electric</u> | <u>Water</u> | <u>Total</u> |
|---------------------------------------------------|----------------------|----------------------|----------------------|
| OPERATING REVENUES | | | |
| Sales | \$ 7,227,132 | \$ 1,380,148 | \$ 8,607,280 |
| Other Operating Revenues | 222,866 | - | 222,866 |
| Total Gross Profit and Operating Revenues | <u>7,449,998</u> | <u>1,380,148</u> | <u>8,830,146</u> |
| OPERATING EXPENSES | | | |
| Production | 4,726,646 | 219,407 | 4,946,053 |
| Distribution | 313,139 | 108,565 | 421,704 |
| Administrative, Maintenance, and General Expenses | 1,340,188 | 325,524 | 1,665,712 |
| Depreciation | 910,749 | 535,248 | 1,445,997 |
| Total Operating Expenses | <u>7,290,722</u> | <u>1,188,744</u> | <u>8,479,466</u> |
| OPERATING INCOME | 159,276 | 191,404 | 350,680 |
| OTHER INCOME (EXPENSES) | | | |
| Permits and Fees | 7,671 | 673,590 | 681,261 |
| Investment Earnings | 5,481 | 1,754 | 7,235 |
| Interest and Fiscal Charges | (100,649) | (110,783) | (211,432) |
| Miscellaneous | 227,457 | (923) | 226,534 |
| Total Other Income | <u>139,960</u> | <u>563,638</u> | <u>703,598</u> |
| NET INCOME | 299,236 | 755,042 | 1,054,278 |
| Capital Contributions | 62,119 | - | 62,119 |
| CHANGE IN NET POSITION | 361,355 | 755,042 | 1,116,397 |
| Net Position - Beginning of Year | <u>13,881,350</u> | <u>11,678,411</u> | <u>25,559,761</u> |
| NET POSITION - END OF YEAR | <u>\$ 14,242,705</u> | <u>\$ 12,433,453</u> | <u>\$ 26,676,158</u> |

OTHER REPORTS SECTION



INDEPENDENT AUDITORS' REPORT ON MINNESOTA LEGAL COMPLIANCE

Honorable Mayor and
Members of the City Council
City of Delano, Minnesota

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Delano, Minnesota (the City), as of and for the year ended December 31, 2021, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated June 27, 2022. We did not audit the basic financial statements of Delano Municipal Utilities which represents the amounts shows as the discretely presented component unit.

In connection with our audit, we noted that the City of Delano failed to comply with the provisions of the miscellaneous provisions of *Minnesota Legal Compliance Audit Guide for Cities*, promulgated by the State Auditor pursuant to Minn. Stat. § 6.65, in so far as they relate to accounting matters as described in below as items 2021-003 and 2021-004. Also, in connection with our audit, nothing came to our attention that caused us to believe that the City of Delano failed to comply with the provisions of the contracting and bidding, deposits and investments, conflicts of interest, public indebtedness, claims and disbursements, and tax increment financing sections of the *Minnesota Legal Compliance Audit Guide for Cities*, promulgated by the State Auditor pursuant to Minn. Stat. § 6.65, insofar as they relate to accounting matters,. However, our audit was not directed primarily toward obtaining knowledge of such noncompliance. Accordingly, had we performed additional procedures, other matters may have come to our attention regarding the City's noncompliance with the above-referenced provisions, insofar as they relate to accounting matters.

The City's written response to the legal compliance finding identified in our audit is described below. The City's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

2020-003: Miscellaneous Provisions: Unclaimed Property

Condition: It was noted that there were three checks outstanding older than three years included in the bank reconciliation.

Criteria: MN Statute §345.38-.43 requires that if the City's records show unclaimed or uncashed checks or other intangible property held for more than three years (or one year for unpaid compensation); was the property reported and paid or delivered to the state Commissioner of Commerce.

2021-003: Miscellaneous Provisions: Unclaimed Property (Continued)

Effect: The City of Delano was not in compliance with Minnesota Statutes regarding unclaimed property.

Cause: The finance department overlooked these checks during the year.

Recommendation: The City remits all unclaimed property over three years to the state Commissioner of Commerce.

Management Response: The City will ensure that all unclaimed property will be delivered to the state Commissioner of Commerce as required by statute.

2021-004: Claims and Disbursements: Prompt Payment of Bills

Condition: It was noted that there was one check paid outside of 35 days.

Criteria: MN Statute §471.425, Subd. 2, requires Cities to pay each vendor obligation according to terms of the contract or, if no contract terms apply, within the standard payment period unless the municipality in good faith disputes the obligation. For municipalities who have governing boards which have regularly scheduled meetings at least once a month, the standard payment period is defined as within 35 days of the date of receipt.

Effect: The City of Delano was not in compliance with Minnesota Statutes regarding prompt payment of bills.

Cause: The finance department received the invoice late from outside the department.

Recommendation: The City ensure that all claims are paid within the 35 day requirement.

Management Response: The City will ensure that all claims are paid within the 35 day requirement.

The purpose of this report is solely to describe the scope of our testing of compliance relating to the provisions of the *Minnesota Legal Compliance Audit Guide for Cities* and the results of that testing, and not to provide an opinion on compliance. Accordingly, this communication is not suitable for any other purpose.

Cliff LarsonAllen LLP

Minneapolis, Minnesota
June 27, 2022

Investment advisory services are offered through CliftonLarsonAllen Wealth Advisors, LLC, an SEC-registered investment advisor. CLA is an independent member of Nexia International, a leading, global network of independent accounting and consulting firms. See [nexia.com/member-firm-disclaimer](https://www.nexia.com/member-firm-disclaimer) for details. **CliftonLarsonAllen LLP**



THE CITY HAS AUTHORIZED BAKER TILLY MUNICIPAL ADVISORS, LLC TO NEGOTIATE THIS ISSUE ON ITS BEHALF. PROPOSALS WILL BE RECEIVED ON THE FOLLOWING BASIS:

TERMS OF PROPOSAL

\$17,990,000*

CITY OF DELANO, MINNESOTA

GENERAL OBLIGATION BONDS, SERIES 2023A

(BOOK ENTRY ONLY)

Proposals for the above-referenced obligations (the "Bonds") will be received by the City of Delano, Minnesota (the "City") on Tuesday, June 20, 2023 (the "Sale Date") until 11:00 A.M., Central Time (the "Sale Time") at the offices of Baker Tilly Municipal Advisors, LLC ("Baker Tilly MA"), 30 East 7th Street, Suite 3025, Saint Paul, MN 55101, after which time proposals will be opened and tabulated. Consideration for award of the Bonds will be by the designated the Mayor and City Administrator subsequent to the opening of proposals.

SUBMISSION OF PROPOSALS

Baker Tilly MA will assume no liability for the inability of a bidder or its proposal to reach Baker Tilly MA prior to the Sale Time, and neither the City nor Baker Tilly MA shall be responsible for any failure, misdirection or error in the means of transmission selected by any bidder. All bidders are advised that each proposal shall be deemed to constitute a contract between the bidder and the City to purchase the Bonds regardless of the manner in which the proposal is submitted.

(a) **Sealed Bidding.** Completed, signed proposals may be submitted to Baker Tilly MA by email to bids@bakertilly.com and must be received prior to the Sale Time.

OR

(b) **Electronic Bidding.** Proposals may also be received via PARITY[®]. For purposes of the electronic bidding process, the time as maintained by PARITY[®] shall constitute the official time with respect to all proposals submitted to PARITY[®]. *Each bidder shall be solely responsible for making necessary arrangements to access PARITY[®] for purposes of submitting its electronic proposal in a timely manner and in compliance with the requirements of the Terms of Proposal.* Neither the City, its agents, nor PARITY[®] shall have any duty or obligation to undertake registration to bid for any prospective bidder or to provide or ensure electronic access to any qualified prospective bidder, and neither the City, its agents, nor PARITY[®] shall be responsible for a bidder's failure to register to bid or for any failure in the proper operation of, or have any liability for any delays or interruptions of or any damages caused by the services of PARITY[®]. The City is using the services of PARITY[®] solely as a communication mechanism to conduct the electronic bidding for the Bonds, and PARITY[®] is not an agent of the City.

If any provisions of this Terms of Proposal conflict with information provided by PARITY[®], this Terms of Proposal shall control. Further information about PARITY[®], including any fee charged, may be obtained from:

PARITY[®], 1359 Broadway, 2nd Floor, New York, New York 10018
Customer Support: (212) 849-5000

*Preliminary; subject to change.

Baker Tilly Municipal Advisors, LLC is a registered municipal advisor and controlled subsidiary of Baker Tilly US, LLP, an accounting firm. Baker Tilly US, LLP trading as Baker Tilly is a member of the global network of Baker Tilly International Ltd., the members of which are separate and independent legal entities. © 2023 Baker Tilly Municipal Advisors, LLC.

DETAILS OF THE BONDS

The Bonds will be dated as of the date of delivery and will bear interest payable on February 1 and August 1 of each year, commencing February 1, 2024. Interest will be computed on the basis of a 360-day year of twelve 30-day months.

The Bonds will mature February 1 in the years and amounts* as follows:

| | | | | | | | | | |
|------|-----------|------|-----------|------|-----------|------|-------------|------|-------------|
| 2025 | \$630,000 | 2029 | \$720,000 | 2033 | \$810,000 | 2037 | \$ 945,000 | 2041 | \$1,135,000 |
| 2026 | \$650,000 | 2030 | \$740,000 | 2034 | \$845,000 | 2038 | \$ 985,000 | 2042 | \$1,190,000 |
| 2027 | \$670,000 | 2031 | \$760,000 | 2035 | \$875,000 | 2039 | \$1,030,000 | 2043 | \$1,240,000 |
| 2028 | \$695,000 | 2032 | \$785,000 | 2036 | \$910,000 | 2040 | \$1,075,000 | 2044 | \$1,300,000 |

*The City reserves the right, after proposals are opened and prior to award, to increase or reduce the principal amount of the Bonds or the amount of any maturity or maturities in multiples of \$5,000. In the event the amount of any maturity is modified, the aggregate purchase price will be adjusted to result in the same gross spread per \$1,000 of Bonds as that of the original proposal. Gross spread for this purpose is the differential between the price paid to the City for the new issue and the prices at which the proposal indicates the securities will be initially offered to the investing public.

BOOK ENTRY SYSTEM

The Bonds will be issued by means of a book entry system with no physical distribution of Bonds made to the public. The Bonds will be issued in fully registered form and one Bond, representing the aggregate principal amount of the Bonds maturing in each year, will be registered in the name of Cede & Co. as nominee of The Depository Trust Company ("DTC"), New York, New York, which will act as securities depository for the Bonds. Individual purchases of the Bonds may be made in the principal amount of \$5,000 or any multiple thereof of a single maturity through book entries made on the books and records of DTC and its participants. Principal and interest are payable by the registrar to DTC or its nominee as registered owner of the Bonds. Transfer of principal and interest payments to participants of DTC will be the responsibility of DTC; transfer of principal and interest payments to beneficial owners by participants will be the responsibility of such participants and other nominees of beneficial owners. The lowest bidder (the "Purchaser"), as a condition of delivery of the Bonds, will be required to deposit the Bonds with DTC.

REGISTRAR AND PAYING AGENT

U.S. Bank Trust Company, National Association, Saint Paul, Minnesota will serve as Registrar (the "Registrar") for the Bonds, and shall be subject to applicable regulations of the Securities and Exchange Commission. The City will pay for the services of the registrar.

OPTIONAL REDEMPTION

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

SECURITY AND PURPOSE

The Bonds will be general obligations of the City for which the City will pledge its full faith and credit and power to levy direct general ad valorem taxes. In addition, the City will pledge special assessments against benefited properties and net revenues of its water, sewer, and storm sewer utilities for repayment of a portion of the Bonds. The proceeds of the Bonds will be used to finance (i) various street improvement projects; (ii) associated improvements to the municipal water, sanitary sewer, and storm sewer systems;

(iii) the acquisition and improvement of various facilities for use by the City for its public works and municipal utilities operations; and (iv) pay the costs associated with the issuance of the Bonds.

NOT BANK QUALIFIED TAX-EXEMPT OBLIGATIONS

The City will not designate the Bonds as qualified tax-exempt obligations for purposes of Section 265(b)(3) of the Internal Revenue Code of 1986, as amended.

BIDDING PARAMETERS

Proposals shall be for not less than \$17,774,120 plus accrued interest, if any, on the total principal amount of the Bonds. Rates shall be in integral multiples of 1/100 or 1/8 of 1%. The initial price to the public for each maturity as stated on the proposal must be 98.0% or greater. Bonds of the same maturity shall bear a single rate from the date of the Bonds to the date of maturity. No conditional proposals will be accepted.

Proposals for the Bonds may contain a maturity schedule providing for a combination of serial bonds and term bonds. All term bonds shall be subject to mandatory sinking fund redemption at a price of par plus accrued interest to the date of redemption scheduled to conform to the maturity schedule set forth above. In order to designate term bonds, the proposal must specify "Years of Term Maturities" in the spaces provided on the proposal form.

No proposal can be withdrawn or amended after the time set for receiving proposals unless award of the Bonds is not made by the Mayor and City Administrator following the opening of proposals, as designated by the City pursuant to a resolution adopted on March 21, 2023.

ESTABLISHMENT OF ISSUE PRICE

In order to provide the City with information necessary for compliance with Section 148 of the Internal Revenue Code of 1986, as amended, and the Treasury Regulations promulgated thereunder (collectively, the "Code"), the Purchaser will be required to assist the City in establishing the issue price of the Bonds and shall complete, execute, and deliver to the City prior to the closing date, a written certification in a form acceptable to the Purchaser, the City, and Bond Counsel (the "Issue Price Certificate") containing the following for each maturity of the Bonds (and, if different interest rates apply within a maturity, to each separate CUSIP number within that maturity): (i) the interest rate; (ii) the reasonably expected initial offering price to the "public" (as said term is defined in Treasury Regulation Section 1.148-1(f) (the "Regulation")) or the sale price; and (iii) pricing wires or equivalent communications supporting such offering or sale price. Any action to be taken or documentation to be received by the City pursuant hereto may be taken or received on behalf of the City by Baker Tilly MA.

The City intends that the sale of the Bonds pursuant to this Terms of Proposal shall constitute a "competitive sale" as defined in the Regulation based on the following:

- (i) the City shall cause this Terms of Proposal to be disseminated to potential bidders in a manner that is reasonably designed to reach potential bidders;
- (ii) all bidders shall have an equal opportunity to submit a bid;
- (iii) the City reasonably expects that it will receive bids from at least three bidders that have established industry reputations for underwriting municipal bonds such as the Bonds; and
- (iv) the City anticipates awarding the sale of the Bonds to the bidder who provides a proposal with the lowest true interest cost, as set forth in this Terms of Proposal (See "AWARD" herein).

Any bid submitted pursuant to this Terms of Proposal shall be considered a firm offer for the purchase of the Bonds, as specified in the proposal. The Purchaser shall constitute an "underwriter" as said term is defined in the Regulation. By submitting its proposal, the Purchaser confirms that it shall require any agreement among underwriters, a selling group agreement, or other agreement to which it is a party relating

to the initial sale of the Bonds, to include provisions requiring compliance with the provisions of the Code and the Regulation regarding the initial sale of the Bonds.

If all of the requirements of a “competitive sale” are not satisfied, the City shall advise the Purchaser of such fact prior to the time of award of the sale of the Bonds to the Purchaser. **In such event, any proposal submitted will not be subject to cancellation or withdrawal.** Within twenty-four (24) hours of the notice of award of the sale of the Bonds, the Purchaser shall advise the City and Baker Tilly MA if 10% of any maturity of the Bonds (and, if different interest rates apply within a maturity, to each separate CUSIP number within that maturity) has been sold to the public and the price at which it was sold. The City will treat such sale price as the “issue price” for such maturity, applied on a maturity-by-maturity basis. The City will not require the Purchaser to comply with that portion of the Regulation commonly described as the “hold-the-offering-price” requirement for the remaining maturities, but the Purchaser may elect such option. If the Purchaser exercises such option, the City will apply the initial offering price to the public provided in the proposal as the issue price for such maturities. If the Purchaser does not exercise that option, it shall thereafter promptly provide the City and Baker Tilly MA the prices at which 10% of such maturities are sold to the public; provided such determination shall be made and the City and Baker Tilly MA notified of such prices whether or not the closing date has occurred, until the 10% test has been satisfied as to each maturity of the Bonds or until all of the Bonds of a maturity have been sold.

GOOD FAITH DEPOSIT

To have its proposal considered for award, the Purchaser is required to submit a good faith deposit via wire transfer to the City in the amount of \$179,900 (the “Deposit”) no later than 1:00 P.M., Central Time on the Sale Date. The Purchaser shall be solely responsible for the timely delivery of its Deposit, and neither the City nor Baker Tilly MA have any liability for delays in the receipt of the Deposit. If the Deposit is not received by the specified time, the City may, at its sole discretion, reject the proposal of the lowest bidder, direct the second lowest bidder to submit a Deposit, and thereafter award the sale to such bidder.

A Deposit will be considered timely delivered to the City upon submission of a federal wire reference number by the specified time. Wire transfer instructions will be available from Baker Tilly MA following the receipt and tabulation of proposals. The successful bidder must send an e-mail including the following information: (i) the federal reference number and time released; (ii) the amount of the wire transfer; and (iii) the issue to which it applies.

Once an award has been made, the Deposit received from the Purchaser will be retained by the City and no interest will accrue to the Purchaser. The amount of the Deposit will be deducted at settlement from the purchase price. In the event the Purchaser fails to comply with the accepted proposal, said amount will be retained by the City.

AWARD

The Bonds will be awarded on the basis of the lowest interest rate to be determined on a true interest cost (TIC) basis calculated on the proposal prior to any adjustment made by the City. The City's computation of the interest rate of each proposal, in accordance with customary practice, will be controlling.

The City will reserve the right to: (i) waive non-substantive informalities of any proposal or of matters relating to the receipt of proposals and award of the Bonds, (ii) reject all proposals without cause, and (iii) reject any proposal that the City determines to have failed to comply with the terms herein.

BOND INSURANCE AT PURCHASER'S OPTION

The City has **not** applied for or pre-approved a commitment for any policy of municipal bond insurance with respect to the Bonds. If the Bonds qualify for municipal bond insurance and a bidder desires to purchase a policy, such indication, the maturities to be insured, and the name of the desired insurer must be set forth on the bidder's proposal. The City specifically reserves the right to reject any bid specifying municipal bond insurance, even though such bid may result in the lowest TIC to the City. All costs associated with the issuance and administration of such policy and associated ratings and expenses (other than any independent rating requested by the City) shall be paid by the successful bidder. Failure of the municipal

bond insurer to issue the policy after the award of the Bonds shall not constitute cause for failure or refusal by the successful bidder to accept delivery of the Bonds.

CUSIP NUMBERS

If the Bonds qualify for the assignment of CUSIP numbers such numbers will be printed on the Bonds; however, neither the failure to print such numbers on any Bond nor any error with respect thereto will constitute cause for failure or refusal by the Purchaser to accept delivery of the Bonds. Baker Tilly MA will apply for CUSIP numbers pursuant to Rule G-34 implemented by the Municipal Securities Rulemaking Board. The CUSIP Service Bureau charge for the assignment of CUSIP identification numbers shall be paid by the Purchaser.

SETTLEMENT

On or about June 29, 2023, the Bonds will be delivered without cost to the Purchaser through DTC in New York, New York. Delivery will be subject to receipt by the Purchaser of an approving legal opinion of Taft Stettinius & Hollister LLP, of Minneapolis, Minnesota, and of customary closing papers, including a no-litigation certificate. On the date of settlement, payment for the Bonds shall be made in federal, or equivalent, funds that shall be received at the offices of the City or its designee not later than 12:00 Noon, Central Time. Unless compliance with the terms of payment for the Bonds has been made impossible by action of the City, or its agents, the Purchaser shall be liable to the City for any loss suffered by the City by reason of the Purchaser's non-compliance with said terms for payment.

CONTINUING DISCLOSURE

On the date of actual issuance and delivery of the Bonds, the City will execute and deliver a Continuing Disclosure Undertaking (the "Undertaking") whereunder the City will covenant for the benefit of the owners of the Bonds to provide certain financial and other information about the City and notices of certain occurrences to information repositories as specified in and required by SEC Rule 15c2-12(b)(5).

OFFICIAL STATEMENT

The City has authorized the preparation of a Preliminary Official Statement containing pertinent information relative to the Bonds, and said Preliminary Official Statement has been deemed final by the City as of the date thereof within the meaning of Rule 15c2-12 of the Securities and Exchange Commission. For an electronic copy of the Preliminary Official Statement or for any additional information prior to sale, any prospective purchaser is referred to the Municipal Advisor to the City, Baker Tilly Municipal Advisors, LLC, by telephone (651) 223-3000, or by email bids@bakertilly.com. The Preliminary Official Statement will also be made available at <https://connect.bakertilly.com/bond-sales-calendar>.

A Final Official Statement (as that term is defined in Rule 15c2-12) will be prepared, specifying the maturity dates, principal amounts, and interest rates of the Bonds, together with any other information required by law. By awarding the Bonds to the Purchaser, the City agrees that, no more than seven business days after the date of such award, it shall provide to the Purchaser an electronic copy of the Final Official Statement. The City designates the Purchaser as its agent for purposes of distributing the Final Official Statement to each syndicate member, if applicable. The Purchaser agrees that if its proposal is accepted by the City, (i) it shall accept designation and (ii) it shall enter into a contractual relationship with its syndicate members for purposes of assuring the receipt of the Final Official Statement by each such syndicate member.

Dated March 21, 2023

BY ORDER OF THE CITY COUNCIL

/s/ Brian Bloch
Finance Director/Clerk

**CITY OF DELANO, MINNESOTA
\$17,990,000* General Obligation Bonds, Series 2023A**

For the Bonds of this Issue which shall mature and bear interest at the respective annual rates, as follow, we offer a price of \$_____ (which may not be less than \$17,774,120) plus accrued interest, if any, to the date of delivery.

| <u>Year</u> | <u>Interest Rate (%)</u> | <u>Yield (%)</u> | <u>Dollar Price</u> | <u>Year</u> | <u>Interest Rate (%)</u> | <u>Yield (%)</u> | <u>Dollar Price</u> |
|-------------|--------------------------|------------------|---------------------|-------------|--------------------------|------------------|---------------------|
| 2025 | _____% | _____% | _____% | 2035 | _____% | _____% | _____% |
| 2026 | _____% | _____% | _____% | 2036 | _____% | _____% | _____% |
| 2027 | _____% | _____% | _____% | 2037 | _____% | _____% | _____% |
| 2028 | _____% | _____% | _____% | 2038 | _____% | _____% | _____% |
| 2029 | _____% | _____% | _____% | 2039 | _____% | _____% | _____% |
| 2030 | _____% | _____% | _____% | 2040 | _____% | _____% | _____% |
| 2031 | _____% | _____% | _____% | 2041 | _____% | _____% | _____% |
| 2032 | _____% | _____% | _____% | 2042 | _____% | _____% | _____% |
| 2033 | _____% | _____% | _____% | 2043 | _____% | _____% | _____% |
| 2034 | _____% | _____% | _____% | 2044 | _____% | _____% | _____% |

Designation of Term Maturities

Years of Term Maturities _____

In making this offer on the sale date of June 20, 2023 we accept all of the terms and conditions of the Terms of Proposal published in the Preliminary Official Statement dated June 8, 2023 including the City's right to modify the principal amount of the Bonds. (See "Terms of Proposal" herein.) In the event of failure to deliver these Bonds in accordance with said Terms of Proposal, we reserve the right to withdraw our offer, whereupon the deposit accompanying it will be immediately returned. All blank spaces of this offer are intentional and are not to be construed as an omission.

By submitting this proposal, we confirm that we have an established industry reputation for underwriting municipal bonds such as the Bonds.

Not as a part of our offer, the above quoted prices being controlling, but only as an aid for the verification of the offer, we have made the following computations:

NET INTEREST COST: \$ _____

TRUE INTEREST RATE: _____ %

The Bidder will not will purchase municipal bond insurance from _____.

Account Members

Account Manager
By: _____
Phone: _____

.....
The foregoing proposal has been accepted by the City.

Attest: _____

Date: _____

Phone: 651-223-3000

Email: bids@bakertilly.com

* Preliminary; subject to change.