

CITY OF WAYZATA
HENNEPIN COUNTY, MINNESOTA

Financial Statements
and Supplementary Information

Year Ended
December 31, 2022

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CITY OF WAYZATA
HENNEPIN COUNTY, MINNESOTA

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HENNEPIN COUNTY, MINNESOTA

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INTRODUCTORY SECTION

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CITY OF WAYZATA
HENNEPIN COUNTY, MINNESOTA

Elected and Appointed Officials
December 31, 2022

Elected

	<u>Term Expires</u>	<u>Position</u>
Johanna Mouton	2024	Mayor
Jeff Buchanan	2022	Councilmember
Cathy Iverson	2024	Councilmember
Molly MacDonald	2022	Councilmember
Alex Plechash	2024	Councilmember

Appointed

Jeffrey Dahl	City Manager
Aurora Yager	Administrative Services Director
Kathy Leervig	City Clerk
Kathy Ovshak	Senior Accountant

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FINANCIAL SECTION

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PRINCIPALS

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

INDEPENDENT AUDITOR'S REPORT

To the City Council and Management
City of Wayzata, Minnesota

OPINIONS

We have audited the accompanying 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 Wayzata, Minnesota (the City) as of and for the year ended December 31, 2022, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City as of December 31, 2022, and the respective changes in financial position and, where applicable, cash flows thereof, and the budgetary comparison for the General Fund for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

BASIS FOR OPINIONS

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

EMPHASIS OF MATTER

Change in Accounting Principle

As described in Note 1 to the basic financial statements, in fiscal 2022, the City adopted new accounting guidance, Governmental Accounting Standards Board (GASB) Statement No. 87, *Leases*. Our opinion is not modified with respect to this matter.

(continued)

RESPONSIBILITIES OF MANAGEMENT FOR THE FINANCIAL STATEMENTS

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for 12 months beyond the financial statements date, including any currently known information that may raise substantial doubt shortly thereafter.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS

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

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

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

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

(continued)

REQUIRED SUPPLEMENTARY INFORMATION

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

SUPPLEMENTARY INFORMATION

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

OTHER INFORMATION

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

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

OTHER REPORTING REQUIRED BY GOVERNMENT AUDITING STANDARDS

In accordance with *Government Auditing Standards*, we have also issued our report dated May 19, 2023 on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

Malloy, Montague, Karnowski, Radosevich & Co., P. A.
Minneapolis, Minnesota
May 19, 2023

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CITY OF WAYZATA

Management's Discussion and Analysis Year Ended December 31, 2022

As management of the City of Wayzata, Minnesota (the City) we have provided readers of the City's financial statements with this narrative overview and analysis of the financial activities of the City for the fiscal year ended December 31, 2022. We encourage readers to consider the information presented here in conjunction with additional information provided in this report.

FINANCIAL HIGHLIGHTS

- The assets and deferred outflows of resources of the City (primary government) exceeded liabilities and deferred inflows of resources by \$69,887,511 (net position) at the close of the most recent fiscal year. Of this amount, \$11,089,956 (unrestricted net position) may be used to meet the government's ongoing obligations to citizens and creditors.
- The City's (primary government) total net position decreased by \$2,070,090 during 2022, including a \$1,421,159 decrease in governmental activities net position, and a \$648,931 decrease in business-type net position. The City also recognized a prior period adjustment during 2022 for pension plan contributions due on prior year employee tips at the municipal bar and grill, which reduced the beginning business-type activities net position by an additional \$225,196.
- The City's governmental funds reported combined ending fund balances of \$12,955,320 as of December 31, 2022, a decrease of \$682,182 from last year. Of the year-end fund balances, \$2,539,874 (19.6 percent) is unassigned.
- As of December 31, 2022, the total fund balances of the General Fund equaled \$4,360,955, which represents 65.6 percent of General Fund expenditures for 2022. Total fund balances increased \$348,683 during the year, compared to a break-even budget. The increase was mainly due to favorable variances across most expenditure functions, and the City transferring \$131,316 more than originally budgeted into the General Fund from the licensing and liquor enterprise funds.
- The City's total bonded debt decreased \$1,483,882, or 7.0 percent, in 2022, due to scheduled bond principal payments and no new debt issued during the year.
- The City implemented Governmental Accounting Standards Board (GASB) Statement No. 87, *Leases*, during the fiscal year ended December 31, 2022. As described in Note 1 of the notes to basic financial statements, this standard changed the way lease transactions are reported by the City. Implementation resulted in the reporting of new lease receivables and related deferred inflows of financial resources for agreements where the City is the lessor, and a new "right-to-use" leased asset and related lease liability for an agreement where the City is the lessee. However, implementation did not result in the restatement of beginning net position in the current year.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

The government-wide financial statements include not only the City itself (known as the primary government), but also the Wayzata Housing and Redevelopment Authority (HRA). The HRA is a legally separate entity for which the City is financially accountable, which provides community redevelopment assistance through the administration of various programs. Financial information for this component unit is presented discretely, separate from the financial information presented for the primary government.

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

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

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

REPORTING THE CITY AS A WHOLE

The analysis of the City as a whole begins with the Statement of Net Position and the Statement of Activities. One of the most important questions asked about the City's finances is, "is the City as a whole better or worse off as a result of this year's activities?" The Statement of Net Position and the Statement of Activities report information about the City as a whole and about its activities in a way that helps answer this question. These statements include all assets, deferred outflows of resources, liabilities, and deferred inflows of resources using the accrual basis of accounting, which is similar to the accounting used by most private sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

These statements report the City's net position and changes in them. The City's net position can be used as a way of measuring the City's financial health or financial position. Over time, increases or decreases in the City's net position are indicators of whether its financial health is improving or deteriorating. You will need to consider other nonfinancial factors; however, such as changes in the City's tax base or the condition of the City's infrastructure, to assess the overall health of the City.

REPORTING THE CITY'S MOST SIGNIFICANT FUNDS

The fund financial statements provide detailed information about the most significant funds, not the City as a whole. Some funds are required to be established by state law or by bond covenants. However, the City Council establishes many other funds to help it control and manage money for particular purposes or to show that it is meeting legal responsibilities for using certain taxes, grants, and other revenues. The City's two types of funds each use different accounting approaches.

Governmental Funds – Most of the City's basic services are reported in governmental funds, which focus on how money flows into and out of these funds and the balances left at year-end that are available for spending. These funds are reported using an accounting method called modified accrual, which measures cash and all other financial assets that can be readily converted to cash. The governmental fund financial statements provide a detailed short-term view of the City's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or less financial resources that can be spent in the near future to finance city programs. We describe the relationship (or differences) between governmental activities (reported in the Statement of Net Position and Statement of Activities) and governmental funds in reconciliation to each of the fund financial statements.

Proprietary Funds – When the City charges customers for the services it provides, whether to outside customers or units of the City, these services are generally reported in the proprietary funds. These funds are reported in the same manner that all activities are reported in the Statement of Net Position and Statement of Activities. In fact, the City's enterprise funds are the same as the business-type activities reported in the government-wide financial statements, but provide more detailed and additional information, such as cash flows, for proprietary funds.

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

Other Information – Required supplementary information (RSI) on the pension and other post-employment benefits plans in which city employees participate is presented following the notes to basic financial statements. Supplementary information, consisting of combining and individual fund financial statements and schedules and other city information, is presented immediately following the RSI.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net Position – Net position may over time serve as a useful indicator of a city’s financial position. In the case of the City, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$69,887,511 at the close of the most recent fiscal year. The City’s total net position decreased \$2,070,090 from 2022 activity. The following is a summary of the City’s net position:

	Governmental Activities		Business-Type Activities		Total	
	2022	2021	2022	2021	2022	2021
Current and other assets	\$ 22,078,319	\$ 18,087,036	\$ 6,772,103	\$ 7,144,321	\$ 28,850,422	\$ 25,231,357
Capital assets, net	54,958,295	55,345,326	19,270,728	19,399,947	74,229,023	74,745,273
Total assets	<u>77,036,614</u>	<u>73,432,362</u>	<u>26,042,831</u>	<u>26,544,268</u>	<u>103,079,445</u>	<u>99,976,630</u>
Deferred outflows of resources						
Pension plan deferments	4,542,146	2,266,865	2,065,537	1,001,494	6,607,683	3,268,359
OPEB plan deferments	198,169	46,503	106,376	22,613	304,545	69,116
Deferred charges on refunding	–	–	36,165	40,183	36,165	40,183
Total deferred outflows of resources	<u>4,740,315</u>	<u>2,313,368</u>	<u>2,208,078</u>	<u>1,064,290</u>	<u>6,948,393</u>	<u>3,377,658</u>
Liabilities						
Other liabilities	1,060,666	1,345,296	600,622	320,297	1,661,288	1,665,593
Noncurrent liabilities	22,969,643	17,643,592	9,984,345	7,552,870	32,953,988	25,196,462
Total liabilities	<u>24,030,309</u>	<u>18,988,888</u>	<u>10,584,967</u>	<u>7,873,167</u>	<u>34,615,276</u>	<u>26,862,055</u>
Deferred inflows of resources						
Lease revenue for subsequent years	5,249,295	–	–	–	5,249,295	–
Pension plan deferments	62,524	2,935,841	38,282	1,256,354	100,806	4,192,195
OPEB plan deferments	113,840	78,881	61,110	38,360	174,950	117,241
Total deferred inflows of resources	<u>5,425,659</u>	<u>3,014,722</u>	<u>99,392</u>	<u>1,294,714</u>	<u>5,525,051</u>	<u>4,309,436</u>
Net position						
Net investment in capital assets	40,058,333	40,102,438	13,817,816	13,481,147	53,876,149	53,583,585
Restricted	3,878,130	4,936,452	1,043,276	1,177,638	4,921,406	6,114,090
Unrestricted	8,384,498	8,703,230	2,705,458	3,781,892	11,089,956	12,485,122
Total net position	<u>\$ 52,320,961</u>	<u>\$ 53,742,120</u>	<u>\$ 17,566,550</u>	<u>\$ 18,440,677</u>	<u>\$ 69,887,511</u>	<u>\$ 72,182,797</u>

A large portion of the City’s net position (77.1 percent) reflects its investment in capital assets (land, buildings, and machinery and equipment) less any related debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City’s investment in its capital assets is reported net of related debt, the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities. A portion (7.0 percent) of the City’s net position represents resources that are subject to external restrictions on how they may be used. The remainder of the City’s net position (15.9 percent) is unrestricted.

At the end of the current fiscal year, the City is able to report positive balances in all categories of net position, both for the City as a whole, as well as for its separate governmental and business-type activities. This was also the case at the previous year-end.

The implementation of GASB Statement No. 87 contributed to the increases in current and other assets and deferred inflows of resources.

The following is a summary of the City's changes in net position:

	Governmental Activities		Business-Type Activities		Total	
	2022	2021	2022	2021	2022	2021
Revenues						
Program revenues						
Charges for services	\$ 2,301,282	\$ 2,264,993	\$ 11,032,114	\$ 10,225,334	\$ 13,333,396	\$ 12,490,327
Operating grants and contributions	473,091	369,499	38,655	19,673	511,746	389,172
Capital grants and contributions	1,290,551	2,440,907	54,354	199,352	1,344,905	2,640,259
General revenues						
Property taxes	5,307,773	5,097,764	–	–	5,307,773	5,097,764
Franchise fees	166,943	157,679	–	–	166,943	157,679
Unrestricted grants and contributions	524,682	106,406	–	–	524,682	106,406
Other general revenues	4,046	93	–	–	4,046	93
Unrestricted investment earnings (charges)	(963,574)	(78,741)	(445,639)	(37,386)	(1,409,213)	(116,127)
Gain on sale of capital assets	38,933	–	–	–	38,933	–
Total revenues	<u>9,143,727</u>	<u>10,358,600</u>	<u>10,679,484</u>	<u>10,406,973</u>	<u>19,823,211</u>	<u>20,765,573</u>
Expenses						
General government	2,686,966	2,202,811	–	–	2,686,966	2,202,811
Public safety	3,419,433	2,856,299	–	–	3,419,433	2,856,299
Public works	3,179,712	2,192,961	–	–	3,179,712	2,192,961
Culture and recreation	1,823,311	1,675,930	–	–	1,823,311	1,675,930
Interest on long-term debt	371,491	379,829	–	–	371,491	379,829
Water	–	–	987,508	902,015	987,508	902,015
Sewer	–	–	1,151,735	1,043,863	1,151,735	1,043,863
Licensing	–	–	555,213	493,355	555,213	493,355
Liquor	–	–	6,853,181	6,005,401	6,853,181	6,005,401
Solid waste	–	–	379,078	379,117	379,078	379,117
Stormwater	–	–	485,673	363,297	485,673	363,297
Total expenses	<u>11,480,913</u>	<u>9,307,830</u>	<u>10,412,388</u>	<u>9,187,048</u>	<u>21,893,301</u>	<u>18,494,878</u>
Change in net position before transfers	(2,337,186)	1,050,770	267,096	1,219,925	(2,070,090)	2,270,695
Transfers	<u>916,027</u>	<u>480,001</u>	<u>(916,027)</u>	<u>(480,001)</u>	<u>–</u>	<u>–</u>
Change in net position	(1,421,159)	1,530,771	(648,931)	739,924	(2,070,090)	2,270,695
Net position – beginning						
As previously reported	53,742,120	52,211,349	18,440,677	17,700,753	72,182,797	69,912,102
Prior period adjustment	–	–	(225,196)	–	(225,196)	–
As restated	<u>53,742,120</u>	<u>52,211,349</u>	<u>18,215,481</u>	<u>17,700,753</u>	<u>71,957,601</u>	<u>69,912,102</u>
Net position – ending	<u>\$ 52,320,961</u>	<u>\$ 53,742,120</u>	<u>\$ 17,566,550</u>	<u>\$ 18,440,677</u>	<u>\$ 69,887,511</u>	<u>\$ 72,182,797</u>

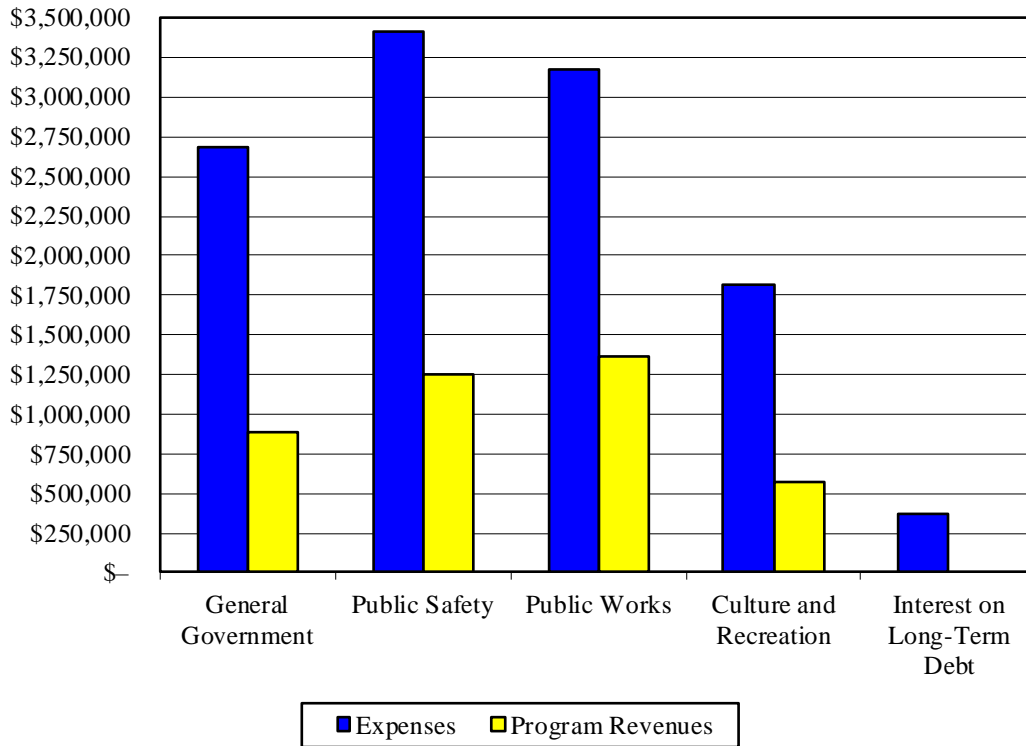
Governmental activities decreased the City's net position by \$1,421,159 in 2022, while business-type activities decreased net position by \$648,931.

Charges for services were \$843,069 higher than last year, mainly due to Liquor Fund sales increasing by \$596,342. Capital grants and contributions in 2022 were \$1,295,354 lower than last year, mainly due to reduced contributions from the City's HRA for capital improvement projects. Unrestricted grants and contributions were \$418,276 higher than last year, as the City utilized its American Rescue Plan Act (ARPA) federal award allocation in 2022. Unrestricted investment earnings (charges) were \$1,293,086 lower than last year, due to a decline in market conditions.

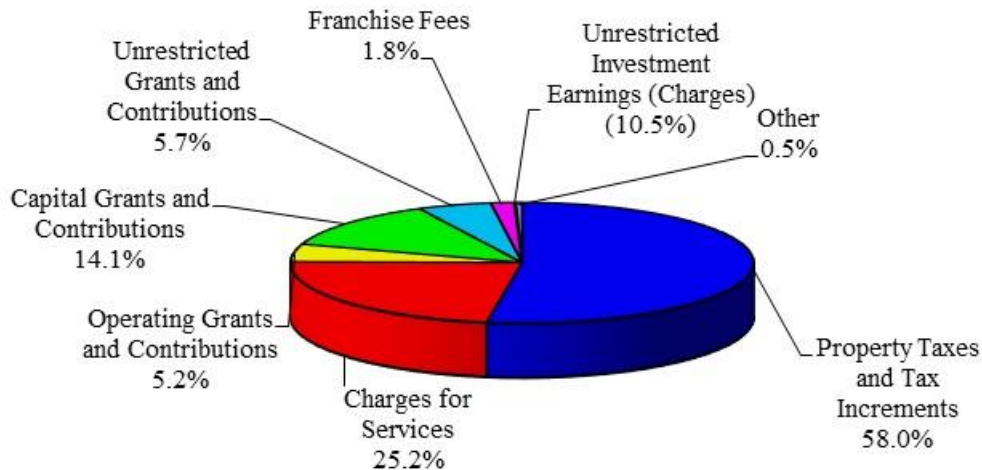
Increases in PERA pension costs, personnel costs, maintenance, and operating costs in the bar and grill contributed to an overall increase of \$3,398,423 (18.4 percent) in expenses from the prior year.

Governmental Activities – The following graphs further depict the revenue and expenses related to the City’s governmental activities for 2022:

Expenses and Program Revenue – Governmental Activities



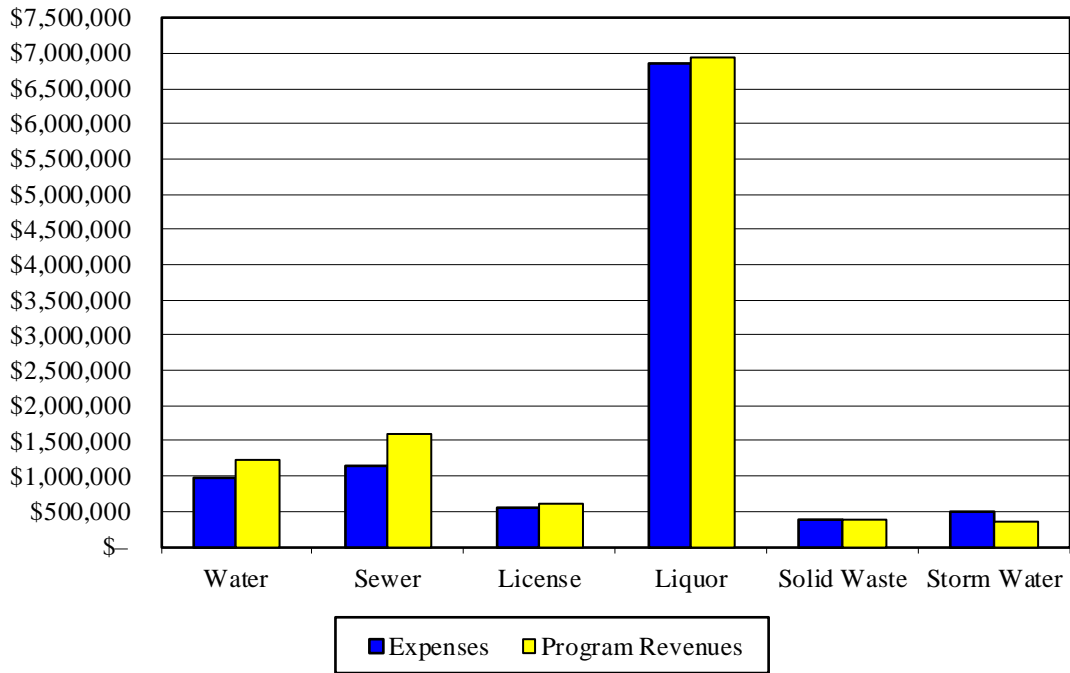
Revenue by Source – Governmental Activities



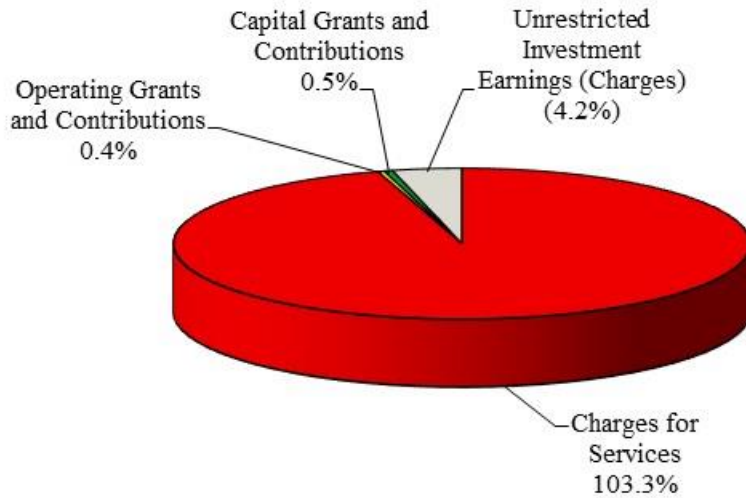
Governmental activities decreased the City’s net position by \$1,421,159 in 2022, compared to an increase of \$1,530,771 in 2021. Governmental activities revenues were \$1,214,873 lower than last year, mainly due to reductions in capital grants from the City’s HRA and investment income (charges). Governmental activities expenses increased \$2,173,083 from last year, with the increase spread over all functions presented above, mainly due to the increases in maintenance and pension costs, as previously discussed.

Business-Type Activities – The following graphs further depict the revenue and expenses related to the City’s business-type activities for 2022:

Expenses and Program Revenue – Business-Type Activities



Revenue by Source – Business-Type Activities



The City’s business-type net position decreased \$648,931 during 2022, as compared to an increase of \$739,924 in 2021. A decrease in operating results of \$437,031 across all of the City’s enterprise funds, a \$408,253 reduction in investment income, and transfers of \$916,027 to the governmental activities to support general city operations and various capital improvement plan initiatives contributed to this decline.

HRA Component Unit – At the end of the fiscal year, the HRA reported total net position of \$2,178,144, an increase of \$935,068 from the previous year, which is primarily the result increased tax increment revenue generated in the Bay Center and Downtown TIF 6 Tax Increment Districts.

FINANCIAL ANALYSIS OF THE CITY'S FUNDS

Governmental Funds – At the end of the fiscal year, the City's governmental funds reported combined ending fund balances of \$12,955,320, a decrease of \$682,182 in comparison with the prior year. The use of \$1,136,872 of fund balance is restricted by various externally imposed constraints. The use of \$132,589 of fund balance is internally committed for particular purposes. An additional \$7,564,893 is assigned for internally imposed spending constraints. Fund balance of \$1,581,092 represents assets, such as long-term receivables and prepaid items, that are not considered to be in spendable form. The remaining \$2,539,874 of fund balance is unassigned and may be used for any approved public purpose.

General Fund – The total fund balances of the General Fund increased by \$348,683 to \$4,360,955 at December 31, 2022, as compared to a break-even budget. Total fund balances equal 65.6 percent of 2022 General Fund expenditures, which puts the General Fund in an excellent financial position. The increase was mainly due to spending coming in below budget across most expenditure functions, and the City transferring \$131,316 more than originally budgeted into the General Fund from the licensing and liquor enterprise funds.

Debt Service Fund – Fund balances decreased by \$10,587 in 2022, as debt service requirements exceeded current year collections of taxes, special assessments, intergovernmental revenue (from the HRA component unit), and investment earnings (charges).

General Improvement Capital Project Fund – Fund balances increased by \$280,601 in 2022, as current year revenues and transfers in exceeded improvement project expenditures.

Street Improvement Capital Project Fund – Fund balances decreased by \$329,581 in 2022, as current year street improvement project expenditures exceeded revenues and transfers in.

Nonmajor Funds – Total fund balances of the City's other "nonmajor" governmental funds decreased \$971,298, ending the year at \$4,750,915.

General Fund Budgetary Highlights

The City Council adopted a balanced budget for the General Fund, which was not amended during the year. Some of the more significant variances are summarized as follows:

Revenue was less than anticipated by \$25,168:

- Property taxes were under budget by \$156,152, due to increased delinquencies and abatements.
- Licenses and permits were \$43,381 under budget, mainly in nonbusiness permit revenue.
- Intergovernmental revenue was \$298,403 over budget, due to the City utilizing its full federal ARPA award.
- Investment earnings (charges) were \$157,475 under budget, due to unrealized losses from declines in the fair value of investments.

Expenditures were \$222,684 under budget in total:

- Public safety expenditures were under budget by \$60,511, mainly in police salaries and benefits.
- Public works expenditures were \$54,154 less than expected, mainly in engineering costs.
- Culture and recreation expenditures were \$50,901 under budget, mainly in contracted services for parks, recreation, and forestry.

Capital Assets – The City’s investment in capital assets for its governmental and business-type activities amounted to \$74,229,023 (net of accumulated depreciation/amortization) at year-end. The investment in capital assets includes: land, buildings, park facilities, equipment, streets, storm sewers, and water and sanitary sewer lines. The total decrease in net capital assets for the current fiscal year was \$516,250 (a 0.7 percent decrease for governmental activities and a 0.7 percent decrease for business-type activities).

- Major governmental activity additions included: \$445,924 for street sealcoating, \$503,149 for vehicles and equipment purchases, and various other purchases.
- A new “right-to-use” site lease asset is reported in the governmental activities, due to the implementation of GASB Statement No. 87.

	Governmental Activities		Business-Type Activities		Total	
	2022	2021	2022	2021	2022	2021
Land	\$ 7,663,994	\$ 7,663,994	\$ 973,048	\$ 973,048	\$ 8,637,042	\$ 8,637,042
Construction in progress	489,550	2,682,854	–	689,684	489,550	3,372,538
Buildings	20,404,925	20,998,689	6,700,216	6,890,785	27,105,141	27,889,474
Infrastructure	22,958,243	21,256,267	11,357,649	10,562,550	34,315,892	31,818,817
Machinery and equipment	2,567,171	2,530,636	239,815	283,880	2,806,986	2,814,516
Land improvements	198,670	212,886	–	–	198,670	212,886
Site lease	675,742	–	–	–	675,742	–
Total capital assets	\$ 54,958,295	\$ 55,345,326	\$ 19,270,728	\$ 19,399,947	\$ 74,229,023	\$ 74,745,273

Additional details of the City’s capital asset activity for the year can be found in Note 5 of the notes to basic financial statements.

Long-Term Debt – The City has \$19.7 million in outstanding bonded debt at December 31, 2022, compared to \$21.2 million last year.

- The City did not issue any new debt in 2022.
- The City made scheduled debt service principal payments of \$1,410,000 on outstanding bonds.

	Governmental Activities		Business-Type Activities		Total	
	2022	2021	2022	2021	2022	2021
G.O. bonds	\$ 230,000	\$ 455,000	\$ –	\$ –	\$ 230,000	\$ 455,000
G.O. improvement bonds	2,975,000	3,310,000	1,065,000	1,180,000	4,040,000	4,490,000
G.O. tax increment bonds	10,495,000	10,900,000	–	–	10,495,000	10,900,000
G.O. revenue bonds	–	–	4,180,000	4,510,000	4,180,000	4,510,000
Unamortized bond premium	524,894	577,888	207,912	228,800	732,806	806,688
Total	\$ 14,224,894	\$ 15,242,888	\$ 5,452,912	\$ 5,918,800	\$ 19,677,806	\$ 21,161,688

Additional information on the City’s long-term liabilities can be found in Note 7 of the notes to basic financial statements.

In accordance with Minnesota Statutes, the City may not incur or be subject to net debt in excess of 3 percent of the estimated market value of taxable property within the City. Net debt is payable solely from ad valorem taxes and, therefore, excludes debt financed partially or entirely by special assessments, enterprise fund revenues, or tax increments. The City’s estimated market value of taxable property in 2022 was \$2,429,546,743, resulting in a legal debt limit was \$72,886,402. At year-end, \$230,000 of the City’s debt was applicable to the limit.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

The City's elected and appointed officials considered many factors when they developed the 2023 budget and tax levy and when they set the appropriate fees that will be charged for business-type activities. These factors include:

- Preliminary market values for the 2023 tax year continue to be strong and improved over the prior year. Residential valuations have increased approximately 16.5 percent over 2022. The overall market value increased 14.8 percent over 2022, due to the combination of new development and increase in values.
- Economic conditions resulting in larger inflationary increases resulted in increased budgets for the normal operating expenditures for the City in nearly all areas with the most significant increases reflected in utilities and employee wage and benefit costs.
- All investment revenues were decreased to reflect the decline in market conditions and available interest rates.
- The 2023 General Fund revenue budget expects several decreases in revenues, due to removing the American Rescue Plan Act funding since the award was used in 2022, reducing the SRO contract with the school district, and reducing court fines closer to prior year actuals.
- The 2023 General Fund expenditures also increased, due to adding two additional police officers to the Police Department.
- The City will evaluate and continue to enhance the planning for capital-related items. This includes a more extensive review of anticipated projects and a complete matching of resources to costs.

All of these factors were considered in preparing the City's budget for the 2023 fiscal year.

REQUESTS FOR INFORMATION

This report is designed to provide a general overview of the City's finances for all those interested in the government's finances. If you have any questions about this report or need additional information, contact the City's Finance Department at 600 Rice Street, Wayzata, Minnesota 55391; or (952) 404-5300.

BASIC FINANCIAL STATEMENTS

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CITY OF WAYZATA

Statement of Net Position
December 31, 2022

	Primary Government			Component Unit
	Governmental Activities	Business-Type Activities	Total	Housing and Redevelopment Authority
Assets				
Cash and investments	\$ 12,120,099	\$ 5,325,782	\$ 17,445,881	\$ 2,829,302
Receivables				
Interest	127,172	—	127,172	5,700
Taxes and tax increments	75,852	—	75,852	—
Accounts	39,686	259,588	299,274	—
Notes	—	—	—	10,000
Special assessments	2,892,708	485,856	3,378,564	—
Leases	5,232,665	—	5,232,665	—
Due from component unit	1,565,979	—	1,565,979	—
Due from other governmental units	9,045	21,003	30,048	—
Prepaid items	15,113	31,173	46,286	—
Inventories	—	648,701	648,701	—
Capital assets				
Not being depreciated/amortized	8,153,544	973,048	9,126,592	2,092,900
Depreciated/amortized, net	46,804,751	18,297,680	65,102,431	—
Total assets	77,036,614	26,042,831	103,079,445	4,937,902
Deferred outflows of resources				
Pension plan deferments	4,542,146	2,065,537	6,607,683	—
OPEB plan deferments	198,169	106,376	304,545	—
Deferred charges on refunding	—	36,165	36,165	—
Total deferred outflows of resources	4,740,315	2,208,078	6,948,393	—
Total assets and deferred outflows of resources	\$ 81,776,929	\$ 28,250,909	\$ 110,027,838	\$ 4,937,902
Liabilities				
Accounts payable	\$ 139,686	\$ 187,507	\$ 327,193	\$ 1,041,551
Due to other governments	2,769	223,300	226,069	151,525
Accrued salaries and wages	178,984	138,995	317,979	—
Accrued interest payable	151,450	10,730	162,180	—
Due to primary government	—	—	—	1,565,979
Deposits payable	587,777	40,090	627,867	703
Net pension liability, due in more than one year	7,345,446	4,227,833	11,573,279	—
Total OPEB liability, due in more than one year	364,856	195,855	560,711	—
Bonds, premiums, and compensated absences payable				
Due within one year	1,373,225	541,613	1,914,838	—
Due in more than one year	13,886,116	5,019,044	18,905,160	—
Total liabilities	24,030,309	10,584,967	34,615,276	2,759,758
Deferred inflows of resources				
Lease revenue for subsequent years	5,249,295	—	5,249,295	—
Pension plan deferments	62,524	38,282	100,806	—
OPEB plan deferments	113,840	61,110	174,950	—
Total deferred inflows of resources	5,425,659	99,392	5,525,051	—
Net position				
Net investment in capital assets	40,058,333	13,817,816	53,876,149	2,092,900
Restricted for				
Debt service	3,861,587	1,043,276	4,904,863	—
Economic development	—	—	—	1,391,743
Public safety police expenses	16,543	—	16,543	—
Unrestricted	8,384,498	2,705,458	11,089,956	(1,306,499)
Total net position	52,320,961	17,566,550	69,887,511	2,178,144
Total liabilities, deferred inflows of resources, and net position	\$ 81,776,929	\$ 28,250,909	\$ 110,027,838	\$ 4,937,902

CITY OF WAYZATA

Statement of Activities
Year Ended December 31, 2022

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary government				
Governmental activities				
General government	\$ 2,686,966	\$ 768,925	\$ 10,391	\$ 105,180
Public safety	3,419,433	827,824	417,700	–
Public works	3,179,712	365,688	45,000	951,485
Culture and recreation	1,823,311	338,845	–	233,886
Interest on long-term debt	371,491	–	–	–
Total governmental activities	<u>11,480,913</u>	<u>2,301,282</u>	<u>473,091</u>	<u>1,290,551</u>
Business-type activities				
Water	987,508	1,198,510	1,402	24,315
Sewer	1,151,735	1,575,855	3,158	30,039
Licensing	555,213	593,603	2,238	–
Liquor	6,853,181	6,935,757	13,036	–
Solid Waste	379,078	369,150	18,504	–
Stormwater	485,673	359,239	317	–
Total business-type activities	<u>10,412,388</u>	<u>11,032,114</u>	<u>38,655</u>	<u>54,354</u>
Total primary government	<u>\$ 21,893,301</u>	<u>\$ 13,333,396</u>	<u>\$ 511,746</u>	<u>\$ 1,344,905</u>
Component unit				
Housing and Redevelopment Authority	<u>\$ 2,852,933</u>	<u>\$ –</u>	<u>\$ –</u>	<u>\$ –</u>

General revenues
Property taxes, levied for general purposes
Property taxes, levied for debt service
Tax increment
Franchise fees
Grants and contributions not restricted to specific programs
Other general revenues
Unrestricted investment earnings (charges)
Gain on sale of capital assets

Transfers
Total general revenues and transfers

Change in net position

Net position – beginning, as previously reported
Prior period adjustment
Net position – beginning, as restated

Net position – ending

Net (Expense) Revenue and Changes in Net Position

Primary Government			Component Unit
Governmental Activities	Business-Type Activities	Total	Housing and Redevelopment Authority
\$ (1,802,470)	\$ —	\$ (1,802,470)	\$ —
(2,173,909)	—	(2,173,909)	—
(1,817,539)	—	(1,817,539)	—
(1,250,580)	—	(1,250,580)	—
(371,491)	—	(371,491)	—
<u>(7,415,989)</u>	<u>—</u>	<u>(7,415,989)</u>	<u>—</u>
—	236,719	236,719	—
—	457,317	457,317	—
—	40,628	40,628	—
—	95,612	95,612	—
—	8,576	8,576	—
—	(126,117)	(126,117)	—
<u>—</u>	<u>712,735</u>	<u>712,735</u>	<u>—</u>
(7,415,989)	712,735	(6,703,254)	—
<u>—</u>	<u>—</u>	<u>—</u>	<u>(2,852,933)</u>
5,056,694	—	5,056,694	—
251,079	—	251,079	—
—	—	—	3,856,853
166,943	—	166,943	—
524,682	—	524,682	—
4,046	—	4,046	—
(963,574)	(445,639)	(1,409,213)	(68,852)
38,933	—	38,933	—
916,027	(916,027)	—	—
<u>5,994,830</u>	<u>(1,361,666)</u>	<u>4,633,164</u>	<u>3,788,001</u>
(1,421,159)	(648,931)	(2,070,090)	935,068
53,742,120	18,440,677	72,182,797	1,243,076
—	(225,196)	(225,196)	—
<u>53,742,120</u>	<u>18,215,481</u>	<u>71,957,601</u>	<u>1,243,076</u>
<u>\$ 52,320,961</u>	<u>\$ 17,566,550</u>	<u>\$ 69,887,511</u>	<u>\$ 2,178,144</u>

CITY OF WAYZATA

Balance Sheet
Governmental Funds
December 31, 2022

	101	300's	408	430		
	General	Debt Service	General Improvement Capital Projects	Street Improvement Capital Projects	Nonmajor Governmental Funds	Total Governmental Funds
Assets						
Cash and investments	\$ 2,960,668	\$ 1,120,329	\$ 1,631,920	\$ 1,113,970	\$ 5,293,212	\$ 12,120,099
Receivables						
Interest	78,711	-	12,069	34,550	1,842	127,172
Taxes	75,852	-	-	-	-	75,852
Accounts	21,714	-	-	-	17,972	39,686
Special assessments	1,571	2,891,137	-	-	-	2,892,708
Leases	144,322	-	1,205,079	3,476,984	406,280	5,232,665
Due from component unit	1,565,979	-	-	-	-	1,565,979
Due from other governments	9,045	-	-	-	-	9,045
Prepaid items	3,113	-	-	-	12,000	15,113
	<u>3,113</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>12,000</u>	<u>15,113</u>
Total assets	<u>\$ 4,860,975</u>	<u>\$ 4,011,466</u>	<u>\$ 2,849,068</u>	<u>\$ 4,625,504</u>	<u>\$ 5,731,306</u>	<u>\$ 22,078,319</u>
Liabilities						
Accounts and contracts payable	\$ 59,228	\$ -	\$ 39,487	\$ 6,790	\$ 34,181	\$ 139,686
Due to other governments	656	-	-	-	2,113	2,769
Accrued salaries payable	177,058	-	-	-	1,926	178,984
Deposits payable	47,925	-	-	-	539,852	587,777
	<u>47,925</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>539,852</u>	<u>587,777</u>
Total liabilities	284,867	-	39,487	6,790	578,072	909,216
Deferred inflows of resources						
Lease revenue for subsequent years	141,802	-	1,211,037	3,494,137	402,319	5,249,295
Unavailable revenue						
Property taxes	71,780	-	-	-	-	71,780
Special assessments	1,571	2,891,137	-	-	-	2,892,708
	<u>1,571</u>	<u>2,891,137</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,892,708</u>
Total deferred inflows of resources	215,153	2,891,137	1,211,037	3,494,137	402,319	8,213,783
Fund balances						
Nonspendable	1,569,092	-	-	-	12,000	1,581,092
Restricted	-	1,120,329	-	-	16,543	1,136,872
Committed	-	-	-	-	132,589	132,589
Assigned	251,989	-	1,598,544	1,124,577	4,589,783	7,564,893
Unassigned	2,539,874	-	-	-	-	2,539,874
	<u>2,539,874</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,539,874</u>
Total fund balances	4,360,955	1,120,329	1,598,544	1,124,577	4,750,915	12,955,320
	<u>4,360,955</u>	<u>1,120,329</u>	<u>1,598,544</u>	<u>1,124,577</u>	<u>4,750,915</u>	<u>12,955,320</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 4,860,975</u>	<u>\$ 4,011,466</u>	<u>\$ 2,849,068</u>	<u>\$ 4,625,504</u>	<u>\$ 5,731,306</u>	<u>\$ 22,078,319</u>

CITY OF WAYZATA

Reconciliation of the Balance Sheet to the
Statement of Net Position
Governmental Funds
December 31, 2022

Total fund balances – governmental funds \$ 12,955,320

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

Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in governmental funds.

Cost of capital assets	74,064,753
Less accumulated depreciation/amortization	(19,106,458)

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

Compensated absences payable	(359,379)
Net pension liability	(7,345,446)
Total OPEB liability	(364,856)
Bonds principal payable	(13,700,000)
Unamortized bond premiums	(524,894)
Lease liabilities payable	(675,068)
Accrued interest payable	(151,450)

Due to availability, certain revenues are not recognized under the governmental fund statements until received; however, under full accrual in the government-wide Statement of Activities, revenues are recorded when earned regardless of when received.

Delinquent property taxes	71,780
Delinquent and deferred special assessments	2,892,708

Governmental funds do not report certain long-term amounts related to pensions and OPEB that are included in governmental activities net position.

Deferred outflows of resources – pension plan deferments	4,542,146
Deferred inflows of resources – pension plan deferments	(62,524)
Deferred outflows of resources – OPEB plan deferments	198,169
Deferred inflows of resources – OPEB plan deferments	(113,840)

Total net position – governmental activities \$ 52,320,961

CITY OF WAYZATA

Statement of Revenue, Expenditures, and Changes in Fund Balances
 Governmental Funds
 Year Ended December 31, 2022

	101	300's	408	430	Nonmajor	Total
	General	Debt Service	General Improvement Capital Projects	Street Improvement Capital Projects	Governmental Funds	Governmental Funds
Revenue						
Taxes						
Property taxes	\$ 4,785,349	\$ 251,079	\$ -	\$ 222,789	\$ -	\$ 5,259,217
Franchise fees	87,436	-	-	-	79,507	166,943
Licenses and permits	586,814	-	-	-	-	586,814
Intergovernmental	810,403	717,467	-	-	6,125	1,533,995
Charges for services	907,386	-	105,514	260,174	319,738	1,592,812
Fines and forfeitures	62,255	-	-	-	-	62,255
Special assessments	-	478,412	-	-	-	478,412
Investment earnings (charges)	(147,475)	(82,255)	(119,591)	(130,541)	(483,712)	(963,574)
Miscellaneous						
Contributions and donations	-	-	-	-	457,080	457,080
Refunds and reimbursements	-	-	19,349	300	8,990	28,639
Other	15,755	-	-	-	-	15,755
Total revenue	7,107,923	1,364,703	5,272	352,722	387,728	9,218,348
Expenditures						
Current						
General government	1,734,683	-	-	-	133,440	1,868,123
Public safety	2,899,249	-	-	-	-	2,899,249
Public works	853,802	-	-	-	1,605	855,407
Culture and recreation	854,857	-	-	-	729,314	1,584,171
Miscellaneous	297,700	-	-	-	-	297,700
Capital outlay						
General government	665	-	-	-	173,958	174,623
Public safety	10,451	-	-	-	239,907	250,358
Public works	-	-	294,382	761,303	62,704	1,118,389
Culture and recreation	-	-	-	-	389,098	389,098
Debt service						
Principal	-	965,000	-	-	18,001	983,001
Interest and fiscal charges	-	410,290	-	-	5,999	416,289
Total expenditures	6,651,407	1,375,290	294,382	761,303	1,754,026	10,836,408
Excess (deficiency) of revenue over expenditures	456,516	(10,587)	(289,110)	(408,581)	(1,366,298)	(1,618,060)
Other financing sources (uses)						
Sale of capital assets	15,805	-	-	-	-	15,805
Insurance recovery	4,046	-	-	-	-	4,046
Transfers in	534,316	-	569,711	79,000	500,000	1,683,027
Transfers (out)	(662,000)	-	-	-	(105,000)	(767,000)
Total other financing sources (uses)	(107,833)	-	569,711	79,000	395,000	935,878
Net change in fund balances	348,683	(10,587)	280,601	(329,581)	(971,298)	(682,182)
Fund balances						
Beginning of year	4,012,272	1,130,916	1,317,943	1,454,158	5,722,213	13,637,502
End of year	\$ 4,360,955	\$ 1,120,329	\$ 1,598,544	\$ 1,124,577	\$ 4,750,915	\$ 12,955,320

CITY OF WAYZATA

Reconciliation of the Statement of
Revenue, Expenditures, and Changes in Fund Balances
to the Statement of Activities
Governmental Funds
Year Ended December 31, 2022

Total net change in fund balances – governmental funds \$ (682,182)

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

Capital outlays are reported in governmental funds as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over the estimated useful lives as depreciation/amortization expense.

Capital outlays	1,106,716
Capital asset contributions	105,180
Depreciation/amortization expense	(2,286,624)

A gain or loss on the disposal of capital assets is included in the change in net position. However, only the sale proceeds are included in the change in fund balances.

Net book value of capital asset disposals	(5,372)
---	---------

The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Other long-term adjustments are also made between the governmental funds and the Statement of Activities for debt premiums, compensated absences, pension liabilities, and OPEB obligations.

Principal payments for bonds	965,000
Principal payments for leases payable	18,001
Debt premiums	52,994
Compensated absences	13,704
Net pension liability	(5,577,858)
Total OPEB liability	(104,823)

Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recognized as an expenditure in the funds when it is due, and thus requires the use of current financial resources. In the Statement of Activities, however, interest expense is recognized as the interest accrues, regardless of when it is due.

	(8,196)
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Governmental funds do not report additions or deletions to certain long-term amounts related to pensions that are included in the change in governmental activities net position.

Deferred outflows of resources – pension plan deferments	2,275,281
Deferred inflows of resources – pension plan deferments	2,873,317
Deferred outflows of resources – OPEB plan deferments	151,666
Deferred inflows of resources – OPEB plan deferments	(34,959)

Certain revenues (including delinquent taxes and special assessments) are included in the change in net position, but are excluded from the change in fund balances until they are available to liquidate liabilities of the current period.

Delinquent property taxes	48,556
Delinquent and deferred special assessments	(331,560)

Change in net position – governmental activities \$ (1,421,159)

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CITY OF WAYZATA

Statement of Revenue, Expenditures, and Changes in Fund Balances
 General Fund – Budget and Actual
 Year Ended December 31, 2022

	Original and Final Budget	Actual	Over (Under) Final Budget
Revenues			
Taxes			
Property taxes	\$ 4,941,501	\$ 4,785,349	\$ (156,152)
Franchise fees	85,000	87,436	2,436
Licenses and permits	630,195	586,814	(43,381)
Intergovernmental	512,000	810,403	298,403
Charges for services	857,395	907,386	49,991
Fines and forfeitures	92,000	62,255	(29,745)
Investment earnings (charges)	10,000	(147,475)	(157,475)
Miscellaneous	5,000	15,755	10,755
Total revenues	7,133,091	7,107,923	(25,168)
Expenditures			
Current			
General government	1,768,117	1,734,683	(33,434)
Public safety	2,959,760	2,899,249	(60,511)
Public works	907,956	853,802	(54,154)
Culture and recreation	905,758	854,857	(50,901)
Miscellaneous	327,000	297,700	(29,300)
Capital outlay			
General government	3,000	665	(2,335)
Public safety	2,500	10,451	7,951
Total expenditures	6,874,091	6,651,407	(222,684)
Excess of revenue over expenditures	259,000	456,516	197,516
Other financing sources (uses)			
Sale of capital assets	–	15,805	15,805
Insurance recovery	–	4,046	4,046
Transfers in	403,000	534,316	131,316
Transfers (out)	(662,000)	(662,000)	–
Total other financing sources (uses)	(259,000)	(107,833)	151,167
Net change in fund balances	\$ –	348,683	\$ 348,683
Fund balances			
Beginning of year		4,012,272	
End of year		<u>\$ 4,360,955</u>	

CITY OF WAYZATA

Statement of Net Position
Proprietary Funds
December 31, 2022

	610	620	630	640	650	670	Total
	Water	Sewer	Licensing	Liquor	Solid Waste	Stormwater	
Assets							
Current assets							
Cash and investments	\$ 2,219,462	\$ 1,318,790	\$ 219,000	\$ 945,863	\$ 279,870	\$ 342,797	\$ 5,325,782
Receivables							
Accounts	66,290	127,250	-	-	33,396	32,652	259,588
Special assessments	29,660	48,326	-	-	-	-	77,986
Due from other governments	16,104	4,899	-	-	-	-	21,003
Prepaid items	-	-	-	31,173	-	-	31,173
Inventories	18,481	-	-	630,220	-	-	648,701
Total current assets	<u>2,349,997</u>	<u>1,499,265</u>	<u>219,000</u>	<u>1,607,256</u>	<u>313,266</u>	<u>375,449</u>	<u>6,364,233</u>
Noncurrent assets							
Special assessments	229,800	178,070	-	-	-	-	407,870
Capital assets							
Land	3,975	8,495	-	679,550	-	281,028	973,048
Buildings	6,077,906	30,830	-	3,439,095	-	-	9,547,831
Infrastructure	5,704,550	4,673,595	-	110,149	-	5,343,934	15,832,228
Machinery and equipment	194,878	388,886	-	857,529	-	-	1,441,293
Less accumulated depreciation	<u>(3,153,407)</u>	<u>(1,634,365)</u>	<u>-</u>	<u>(1,495,004)</u>	<u>-</u>	<u>(2,240,896)</u>	<u>(8,523,672)</u>
Total capital assets, net of accumulated depreciation	<u>8,827,902</u>	<u>3,467,441</u>	<u>-</u>	<u>3,591,319</u>	<u>-</u>	<u>3,384,066</u>	<u>19,270,728</u>
Total noncurrent assets	<u>9,057,702</u>	<u>3,645,511</u>	<u>-</u>	<u>3,591,319</u>	<u>-</u>	<u>3,384,066</u>	<u>19,678,598</u>
Total assets	<u>11,407,699</u>	<u>5,144,776</u>	<u>219,000</u>	<u>5,198,575</u>	<u>313,266</u>	<u>3,759,515</u>	<u>26,042,831</u>
Deferred outflows of resources							
Pension plan deferments	156,329	158,729	249,579	1,453,933	11,656	35,311	2,065,537
OPEB plan deferments	13,748	13,748	23,546	51,630	1,105	2,599	106,376
Deferred charges on refunding	36,165	-	-	-	-	-	36,165
Total deferred outflows of resources	<u>206,242</u>	<u>172,477</u>	<u>273,125</u>	<u>1,505,563</u>	<u>12,761</u>	<u>37,910</u>	<u>2,208,078</u>
Total assets and deferred outflows of resources	<u>\$11,613,941</u>	<u>\$ 5,317,253</u>	<u>\$ 492,125</u>	<u>\$ 6,704,138</u>	<u>\$ 326,027</u>	<u>\$ 3,797,425</u>	<u>\$28,250,909</u>

CITY OF WAYZATA

Statement of Net Position (continued)
 Proprietary Funds
 December 31, 2022

	610	620	630	640	650	670	Total
	Water	Sewer	Licensing	Liquor	Solid Waste	Stormwater	
Liabilities							
Current liabilities							
Accounts payable	\$ 5,025	\$ 23,525	\$ 1,230	\$ 128,540	\$ 29,187	\$ -	\$ 187,507
Due to other governments	4,969	109	149,727	63,799	4,696	-	223,300
Accrued salaries payable	11,495	11,496	14,647	96,601	1,151	3,605	138,995
Accrued interest payable	7,080	537	-	3,113	-	-	10,730
Deposits payable	6,083	-	-	34,007	-	-	40,090
Compensated absences payable	13,171	13,171	15,063	40,208	-	-	81,613
Bonds payable	270,000	40,000	-	150,000	-	-	460,000
Total current liabilities	<u>317,823</u>	<u>88,838</u>	<u>180,667</u>	<u>516,268</u>	<u>35,034</u>	<u>3,605</u>	<u>1,142,235</u>
Noncurrent liabilities							
Net pension liability	319,982	324,894	510,848	2,975,974	23,858	72,277	4,227,833
Total OPEB liability	25,312	25,312	43,353	95,058	2,035	4,785	195,855
Compensated absences payable	5,875	5,872	2,443	11,942	-	-	26,132
Unamortized bond premium	109,051	3,867	-	94,994	-	-	207,912
Bonds payable	2,595,000	175,000	-	2,015,000	-	-	4,785,000
Total noncurrent liabilities	<u>3,055,220</u>	<u>534,945</u>	<u>556,644</u>	<u>5,192,968</u>	<u>25,893</u>	<u>77,062</u>	<u>9,442,732</u>
Total liabilities	<u>3,373,043</u>	<u>623,783</u>	<u>737,311</u>	<u>5,709,236</u>	<u>60,927</u>	<u>80,667</u>	<u>10,584,967</u>
Deferred inflows of resources							
Pension plan deferments	2,897	2,942	4,626	26,947	216	654	38,282
OPEB plan deferments	7,898	7,898	13,527	29,659	635	1,493	61,110
Total deferred inflows of resources	<u>10,795</u>	<u>10,840</u>	<u>18,153</u>	<u>56,606</u>	<u>851</u>	<u>2,147</u>	<u>99,392</u>
Net position							
Net investment in capital assets	5,853,851	3,248,574	-	1,331,325	-	3,384,066	13,817,816
Restricted for debt service	786,532	256,744	-	-	-	-	1,043,276
Unrestricted	1,589,720	1,177,312	(263,339)	(393,029)	264,249	330,545	2,705,458
Total net position	<u>8,230,103</u>	<u>4,682,630</u>	<u>(263,339)</u>	<u>938,296</u>	<u>264,249</u>	<u>3,714,611</u>	<u>17,566,550</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$11,613,941</u>	<u>\$ 5,317,253</u>	<u>\$ 492,125</u>	<u>\$ 6,704,138</u>	<u>\$ 326,027</u>	<u>\$ 3,797,425</u>	<u>\$28,250,909</u>

CITY OF WAYZATA

Statement of Revenue, Expenses, and Changes in Net Position
 Proprietary Funds
 Year Ended December 31, 2022

	610 Water	620 Sewer	630 Licensing	640 Liquor	650 Solid Waste	670 Stormwater	Total
Operating revenue							
Sales	\$ -	\$ -	\$ -	\$ 6,918,956	\$ -	\$ -	\$ 6,918,956
Charges for services	1,198,510	1,575,855	593,603	-	369,150	359,239	4,096,357
Total operating revenue	1,198,510	1,575,855	593,603	6,918,956	369,150	359,239	11,015,313
Cost of goods sold	-	-	-	3,483,017	-	-	3,483,017
Gross profit	1,198,510	1,575,855	593,603	3,435,939	369,150	359,239	7,532,296
Operating expenses							
Personal services	347,502	349,456	526,608	2,514,046	27,947	76,011	3,841,570
Supplies	72,807	38,534	12,802	171,932	-	-	296,075
Professional fees	76,587	76,540	2,595	88,795	281,234	274,393	800,144
Utilities	90,565	512,904	-	108,484	63,638	-	775,591
Other services and charges	42,439	26,310	8,639	284,018	6,259	6,493	374,158
Repairs and maintenance	28,327	21,811	4,569	65,874	-	-	120,581
Depreciation	244,746	118,992	-	107,268	-	128,776	599,782
Total operating expenses	902,973	1,144,547	555,213	3,340,417	379,078	485,673	6,807,901
Operating income (loss)	295,537	431,308	38,390	95,522	(9,928)	(126,434)	724,395
Nonoperating income (expense)							
Investment earnings (charges)	(198,955)	(116,811)	(10,511)	(59,623)	(23,972)	(35,767)	(445,639)
Intergovernmental	1,402	1,423	2,238	13,036	18,504	317	36,920
Other income	-	1,735	-	16,801	-	-	18,536
Interest and fiscal charges	(84,535)	(7,188)	-	(29,747)	-	-	(121,470)
Total nonoperating income (expense)	(282,088)	(120,841)	(8,273)	(59,533)	(5,468)	(35,450)	(511,653)
Income (loss) before contributions and transfers	13,449	310,467	30,117	35,989	(15,396)	(161,884)	212,742
Capital contributions	24,315	30,039	-	-	-	-	54,354
Transfers (out)	(71,000)	(91,000)	(86,297)	(602,730)	-	(65,000)	(916,027)
Changes in net position	(33,236)	249,506	(56,180)	(566,741)	(15,396)	(226,884)	(648,931)
Net position							
Beginning of year, as previously reported	8,263,339	4,433,124	(207,159)	1,730,233	279,645	3,941,495	18,440,677
Prior period adjustment	-	-	-	(225,196)	-	-	(225,196)
Beginning of year, as restated	8,263,339	4,433,124	(207,159)	1,505,037	279,645	3,941,495	18,215,481
End of year	\$ 8,230,103	\$ 4,682,630	\$ (263,339)	\$ 938,296	\$ 264,249	\$ 3,714,611	\$ 17,566,550

CITY OF WAYZATA

Statement of Cash Flows
Proprietary Funds
Year Ended December 31, 2022

	610 Water	620 Sewer	630 Licensing	640 Liquor	650 Solid Waste	670 Stormwater	Total
Cash flows from operating activities							
Receipts from customers and users	\$ 1,238,834	\$ 1,653,742	\$ 593,603	\$ 6,919,111	\$ 369,134	\$ 358,083	\$ 11,132,507
Other operating receipts	1,402	3,158	2,238	29,837	18,504	317	55,456
Receipts from customer deposits	437	–	–	2,825	–	–	3,262
Payments to vendors	(309,940)	(667,936)	116,999	(4,246,146)	(322,059)	(284,022)	(5,713,104)
Payments to employees	(321,749)	(321,788)	(493,818)	(2,056,888)	(25,334)	(68,211)	(3,287,788)
Net cash flows from operating activities	608,984	667,176	219,022	648,739	40,245	6,167	2,190,333
Cash flows from noncapital financing activities							
Transfers to other funds	(71,000)	(91,000)	(86,297)	(602,730)	–	(65,000)	(916,027)
Cash flows from capital and related financing activities							
Acquisition of capital assets	–	(464,357)	–	(6,206)	–	–	(470,563)
Special assessments	6,171	23,039	–	–	–	–	29,210
Connection fees	18,144	7,000	–	–	–	–	25,144
Interest paid on long-term debt	(93,225)	(8,201)	–	(40,256)	–	–	(141,682)
Principal paid on long-term debt	(260,000)	(40,000)	–	(145,000)	–	–	(445,000)
Net cash flows from capital and related activities	(328,910)	(482,519)	–	(191,462)	–	–	(1,002,891)
Cash flows from investing activities							
Interest received (charged)	(198,955)	(116,811)	(10,511)	(59,623)	(23,972)	(35,767)	(445,639)
Increase (decrease) in cash and cash equivalents	10,119	(23,154)	122,214	(205,076)	16,273	(94,600)	(174,224)
Cash and cash equivalents – beginning	2,209,343	1,341,944	96,786	1,150,939	263,597	437,397	5,500,006
Cash and cash equivalents – ending	\$ 2,219,462	\$ 1,318,790	\$ 219,000	\$ 945,863	\$ 279,870	\$ 342,797	\$ 5,325,782
Reconciliation of operating income (loss) to net cash flows from operating activities							
Operating income (loss)	\$ 295,537	\$ 431,308	\$ 38,390	\$ 95,522	\$ (9,928)	\$ (126,434)	\$ 724,395
Adjustments to reconcile operating income (loss) to net cash flows from operating activities							
Other income related to operations	1,402	3,158	2,238	29,837	18,504	317	55,456
Depreciation	244,746	118,992	–	107,268	–	128,776	599,782
Changes in assets, liabilities, and deferred outflows/inflows of resources							
Accounts receivable, net	(2,106)	(7,735)	–	155	(16)	(1,156)	(10,858)
Special assessments receivable	55,927	85,199	–	–	–	–	141,126
Due from other governmental units	(13,497)	423	–	–	–	–	(13,074)
Prepaid items	–	–	550	(31,173)	–	–	(30,623)
Inventories	351	–	–	(114,124)	–	–	(113,773)
Deferred outflows of pension resources	(78,050)	(80,398)	(110,979)	(771,909)	(5,524)	(17,183)	(1,064,043)
Deferred outflows of OPEB resources	(10,789)	(10,789)	(17,416)	(41,913)	(861)	(1,995)	(83,763)
Accounts and contracts payable	(3,895)	8,177	940	97,315	29,187	(3,136)	128,588
Due to other governments	4,329	(14)	144,114	3,956	(115)	–	152,270
Accrued salaries payable	(2,917)	(3,145)	(5,432)	10,696	70	275	(453)
Deposits payable	437	–	–	2,825	–	–	3,262
Compensated absences payable	(10,236)	(10,239)	(3,314)	10,110	–	–	(13,679)
Net pension liability	211,382	215,855	328,025	2,023,965	15,535	46,877	2,841,639
Total OPEB liability	8,764	8,764	9,075	40,723	668	1,409	69,403
Deferred inflows of pension resources	(95,279)	(95,258)	(170,298)	(827,690)	(7,495)	(22,052)	(1,218,072)
Deferred inflows of OPEB resources	2,878	2,878	3,129	13,176	220	469	22,750
Net cash flows from operating activities	\$ 608,984	\$ 667,176	\$ 219,022	\$ 648,739	\$ 40,245	\$ 6,167	\$ 2,190,333
Noncash capital financing activities							
Amortization of bond premiums	\$ 12,105	\$ 912	\$ –	\$ 7,871	\$ –	\$ –	\$ 20,888
Amortization of deferred charge	\$ 4,018	\$ –	\$ –	\$ –	\$ –	\$ –	\$ 4,018

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CITY OF WAYZATA

Notes to Basic Financial Statements December 31, 2022

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

The City of Wayzata, Minnesota (the City) operates under the “Optional Plan A” form of government as defined in Minnesota Statutes. Under this plan, the government of the City is directed by a City Council composed of an elected Mayor and four elected City Council members. The City Council exercises legislative authority and determines all matters of policy. The City Council appoints personnel responsible for the proper administration of all affairs relating to the City.

As required by accounting principles generally accepted in the United States of America, these financial statements include all funds, departments, agencies, boards, and commissions of the City (the primary government) and any component units. The City has considered all potential units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the City are such that exclusion would cause the City’s financial statements to be misleading or incomplete. The Governmental Accounting Standards Board (GASB) has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization’s governing body, and (1) the ability of the primary government to impose its will on that organization or (2) the potential for the organization to provide specific benefits to, or impose specific financial burdens on the primary government. The City has one component unit.

Discretely Presented Component Unit – The Wayzata Housing and Redevelopment Authority (HRA) assists the City Council in addressing the City’s housing and redevelopment goals and objectives in accordance with the Comprehensive Plan. It is a legally separate entity, of which the governing body consists of a five-member Board of Commissioners approved, but not selected, by the City Council. With the exception of the City Council approving boardmembers and the HRA’s budget, the HRA has complete control over its own duties. However, all HRA administrative and financial functions are performed by city staff, and the HRA is fiscally dependent upon the City. It is these criterion that result in the HRA being reported as a discretely presented component unit. The HRA does not prepare separate financial statements. Information on the HRA’s governmental funds is presented as supplementary schedules elsewhere in this report.

B. Government-Wide Financial 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 component units. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support. Likewise, the *primary government* is reported separately from certain legally separate *component units* for which the primary government is financially accountable.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. The City does not allocate indirect expenses. Program revenues include: 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment, and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

C. Fund Financial Statement Presentation

The accounts of the City are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, deferred outflows of resources, liabilities, deferred inflows of resources, fund balances or net position, revenues, and expenditures or expenses, as appropriate. Government resources are allocated to, and accounted for in, individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled.

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

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

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

Major revenue sources susceptible to accrual include property taxes, special assessments, intergovernmental revenue, charges for services, and interest earned on investments. Major revenue sources not susceptible to accrual include licenses and permits, fees, and miscellaneous revenue, which are recorded only when received because they are not measurable until collected.

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Proprietary fund financial statements are reported using the economic resources measurement focus and accrual basis of accounting, similar to the government-wide financial statements. Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations.

The principal operating revenues of the City's enterprise funds are charges to customers for sales and services. The operating expenses for the enterprise 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.

The City reports the following major governmental funds:

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

Debt Service Fund – This fund accounts for the resources accumulated and payments made for principal and interest on long-term general obligation debt of governmental funds.

General Improvement Capital Projects Fund – This fund accounts for the resources accumulated and payments made for general capital improvement projects.

Street Improvement Capital Projects Fund – This accounts for the resources accumulated and payments made for the City's street improvement program capital projects.

The City reports the following major proprietary funds:

Water Fund – This fund is used to account for revenues and expenses to operate the municipal water utility.

Sewer Fund – This fund is used to account for revenues and expenses to operate the municipal sewer utility.

Licensing Fund – This fund is used to account for revenues and expenses to operate the licensing service center.

Liquor Fund – This fund is used to account for revenues and expenses to operate the City's off-sale liquor store and on-sale municipal bar and grill operations.

Solid Waste Fund – This fund is used to account for revenues and expenses to operate the City's solid waste collection programs.

Stormwater Fund – This fund is used to account for revenues and expenses to operate the City's stormwater system.

D. Budgets

An annual budget is legally adopted for the General Fund on a modified accrual basis consistent with accounting principles generally accepted in the United States of America. Appropriations are authorized by the City Council at the fund level, which is the legal level of budgetary control. Appropriations lapse at year-end; however, the City Council may approve the carryover of specific amounts.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

E. Cash and Investments

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

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

The City generally reports investments at fair value, except for certain investment pools reported at amortized cost. Fair value measurements are categorized within the fair value hierarchy established by accounting principles generally accepted in the United States of America. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; and Level 3 inputs are significant unobservable inputs. Debt securities classified in Level 2 of the fair value hierarchy are valued using a matrix pricing technique. Matrix pricing is used to value securities based on the securities' relationship to benchmark quoted prices. See Note 2 for the City's recurring fair value measurements at year-end.

F. Receivables

Utility and miscellaneous accounts receivable are reported at gross. The City is generally able to certify delinquent amounts for collection as special assessments; however, an allowance for uncollectible accounts is recorded for utility receivables that remain delinquent after certification to the county. Receivables not expected to be fully collected within one year include leases, deferred special assessments, delinquent property taxes, and amounts due from the discretely presented component unit.

G. Interfund Balances and Transfers

In the fund financial statements, activity between funds that is representative of lending or borrowing arrangements is reported as "advances to/from other funds." All other outstanding balances between funds are reported as "due to/from other funds." Interfund balances and transfers reported in the fund financial statements are eliminated to the extent possible in the government-wide financial statements. Any residual balances outstanding between the governmental activities and the business-type activities are reported in the government-wide financial statements as "internal balances."

H. Property Taxes

Property tax levies are set by the City Council prior to December 31 of each year and are certified to Hennepin County for collection in the following year. In Minnesota, counties act as collection agents for all property taxes. Property tax levies are based on property values assessed on January 1 of the preceding year. The county spreads levies over all taxable property in the City.

Such taxes become a lien on January 1 of the current year. 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 three times a year.

Revenues are accrued and recognized in the government-wide financial statements in the year levied. In the governmental fund financial statements, taxes that remain unpaid at December 31 are classified as delinquent taxes and are fully offset by deferred inflows of resources because it is not known when they will be available to finance current expenditures.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

I. Special Assessments

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

The City recognizes special assessment revenue in the government-wide and proprietary fund financial statements when the assessment rolls are levied. In the governmental fund financial statements, the City recognizes special assessment revenue when it becomes both measurable and available. Current assessments which remain unpaid at December 31 are classified as delinquent receivables and, together with deferred assessments, are fully offset by deferred inflows of resources because it is not known when they will be available to finance current expenditures.

J. Prepaid Items

Certain payments to vendors reflect costs applicable to future accounting periods and are reported as prepaid items in both the government-wide and financial statements. Prepaid items are reported in governmental funds using the consumption method.

K. Inventories

Proprietary fund inventories consist of water meters and liquor, which are valued at the lower of cost using the first-in, first-out method, or replacement value.

L. Capital Assets

Capital assets, which include property, plant, equipment and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items) are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the City as assets with an estimated useful life of more than one year and an initial individual cost of more than \$5,000.

The City reports infrastructure assets on a network and subsystem basis. Accordingly, the amounts spent for the construction or acquisition of infrastructure assets are capitalized and reported in the government-wide financial statements regardless of their amount.

In the case of initial capitalization of general infrastructure assets (i.e., those reported by governmental activities) the City elected to report only those infrastructure assets added since January 1, 2004. As the City constructs or acquires capital assets each period, including infrastructure assets, they are capitalized and reported at historical cost. The reported value excludes normal maintenance and repairs, which are essentially amounts spent in relation to capital assets that do not increase the capacity or efficiency of the item or extend its useful life beyond the original estimate. In the case of donations, the City values these capital assets at the acquisition value of the item at the date of its donation. Leased capital assets are recorded based on the measurement of payments applicable to the lease term.

Property, plant, and equipment of the primary government, as well as the component units, are depreciated using the straight-line method over the following estimated useful lives: land improvements 5–30 years; buildings, 20–50 years; infrastructure 5–50 years; and machinery and equipment 2–20 years. Leased assets are amortized over the term of the lease or over the useful life of the applicable asset class previously described, if future ownership is anticipated. Land and construction in progress are not depreciated.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

M. Deferred Outflows/Inflows of Resources

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

Deferred inflows from unavailable revenue arises only under the modified accrual basis of accounting and, therefore, is only reported in the governmental fund financial statements. The governmental funds report unavailable revenue from two sources, property taxes and special assessments. These amounts are deferred and recognized as inflows of resources in the period they become available.

Deferred outflows and inflows of resources related to pensions or other post-employment benefits (OPEB) are reported in the government-wide and proprietary fund Statements of Net Position. These deferred outflows and inflows result from differences between expected and actual experience, changes in proportion, changes of assumptions, differences between projected and actual earnings on pension plan investments, and contributions to the plans subsequent to the measurement date and before the end of the reporting period. These amounts are deferred and amortized as required under pension and OPEB standards.

Deferred charges on refunding are reported as a deferred outflow of resources in both the proprietary fund financial statements and the government-wide financial statements. This item represents the difference between the carrying value of refunded debt and its reacquisition price, which is deferred and amortized over the shorter of the life of the refunded or refunding debt.

The City reports deferred inflows of resources related to lease receivables, which require lessors to recognize corresponding deferred inflows of resources. These amounts are deferred and amortized in a systematic and rationale manner over the term of the lease in both the government-wide and fund financial statements.

N. Long-Term Obligations

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

In the governmental fund financial statements, long-term debt and other long-term obligations are reported as liabilities when due and payable. The face amount of debt issued is reported as other financing sources. Premiums or discounts on debt issuances are reported as other financing sources or uses, respectively.

O. Compensated Absences

The City policy permits certain employees to accumulate a limited amount of earned, but unused vacation and sick leave. The accrued compensated absences will be paid upon termination or when used. Compensated absences are recognized when they mature in the governmental fund financial statements, but accrued when earned in government-wide and proprietary fund financial statements. The General Fund is typically used to liquidate governmental compensated absences payable.

P. State-Wide Pension Plans

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Q. Net Position

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

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

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

R. Fund Balance Classifications

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

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

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

The City has formally adopted a fund balance policy for the General Fund. The City’s policy is to maintain an unassigned fund balance of 40 percent of the next year’s budgeted expenditures.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

S. Risk Management

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

T. Use of Estimates

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

U. Change in Accounting Principle

During the year ended December 31, 2022, the City implemented GASB Statement No. 87, *Leases*. This statement included major changes in recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources. The implementation of GASB Statement No. 87 in the current year did not require restatement of beginning net position or fund balances. See Notes 4, 5, and 7 for additional detail on this change in the current year.

V. Prior Period Adjustment

During the year ended December 31, 2022, the City reported a prior period adjustment to record the effects of a correction to certain employee benefits. In prior years, tips earned by employees at the City's bar and grill had not been included in the salaries on which pension benefit contributions were being calculated for those individuals. This prior period adjustment resulted in a reduction of \$225,196 to the beginning net position of the Liquor Enterprise Fund in the proprietary fund financial statements, and to the business-type activities net position in the government-wide financial statements.

NOTE 2 – CASH AND INVESTMENTS

A. Components of Cash and Investments

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

Deposits	\$ 5,878,196
Investments	14,380,973
Cash on hand	16,014
	<u>16,014</u>
Total cash and investments	<u>\$ 20,275,183</u>

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

Statement of Net Position	
Primary government	\$ 17,445,881
Component unit – HRA	2,829,302
	<u>2,829,302</u>
Total – reporting entity	<u>\$ 20,275,183</u>

B. Deposits

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

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

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

At year-end, the carrying amount of the City’s deposits was \$5,878,196, while the balance on the bank records was \$6,180,874. At December 31, 2022, all deposits were fully covered by federal deposit insurance, surety bonds, or by collateral held by the City’s agent in the City’s name.

C. Investments

The City had the following investments at year-end:

Investment Type	Credit Risk All Ratings by S&P or Moody’s	Fair Value Measurements Using	Interest Risk – Maturity Duration in Years			Total
			Less Than 1	1 to 5	6 to 10	
State and local government securities	A	Level 2	\$ –	\$ 619,689	\$ 431,150	\$ 1,050,839
State and local government securities	AA	Level 2	\$ –	\$ 3,624,655	\$ 4,959,068	8,583,723
Negotiable certificates of deposit	Not Rated	Level 2	\$ 967,729	\$ 3,413,848	\$ 206,055	4,587,632
UBS Select Prime Institutional Fund	AAA	NAV		Not Applicable		153,702
4M Fund	Not Rated	Not Applicable		Not Applicable		1,596
4M Plus Fund	Not Rated	Not Applicable		Not Applicable		3,481
						<u>3,481</u>
Total investments						<u>\$ 14,380,973</u>

NOTE 2 – CASH AND INVESTMENTS (CONTINUED)

The mutual fund held by the City reported at net asset value (NAV), has no unfunded commitments and a daily redemption frequency with no redemption notice required. The Minnesota Municipal Money Market (4M) Fund and 4M Plus Fund are external investment pools regulated by Minnesota Statutes that are not registered with the Securities and Exchange Commission (SEC), but follow the regulatory rules of the SEC. The City's investments in these funds are measured at the value per share provided by the pool, which is based on an amortized cost method that approximates fair value. There are no limitations or restrictions on withdrawals for the 4M Fund. The 4M Plus Fund requires an initial 14-day investment period, subject to a penalty equal to 7 days of interest on funds withdrawn prior to the 14-day restriction period.

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

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

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

Concentration Risk – This is the risk associated with investing a significant portion of the City's investment (considered 5.0 percent or more) in the securities of a single issuer, excluding U.S. guaranteed investments (such as treasuries), investment pools, and mutual funds. The City's investment policies do not limit the concentration of investments. As of December 31, 2022, the City had 5.7 percent of its portfolio invested in New York, NY City Transit Authority Bonds and 6.1 percent invested in Chino, CA Public Financing Authority Bonds.

Interest Rate Risk – This is the risk of potential variability in the fair value of fixed rate investments resulting from changes in interest rates (the longer the period for which an interest rate is fixed, the greater the risk). The City's investment policy limits investment maturities to a maximum of 10 years.

NOTE 3 – NOTES RECEIVABLE

At year-end, the HRA has a loan receivable from a local business with an outstanding balance of \$10,000. The loan has an annual interest rate of 3.0 percent, is secured by real property belonging to the business, and matures when the underlying property is sold.

NOTE 4 – LEASES RECEIVABLE

The City has entered into various lease receivable agreements for antennae rentals on its monopole and space at its library site. The lease terms include interest rates ranging from 0.83 percent to 2.91 percent with final maturities ranging from 2028 through 2051. During the current year, the City received principal and interest payments of \$406,715 under these agreements.

NOTE 5 – CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2022 was as follows:

A. Changes in Capital Assets Used in Governmental Activities – Primary Government

	Beginning Balance (1)	Additions	Deletions	Completed Construction	Ending Balance
Capital assets, not depreciated/amortized					
Land	\$ 7,663,994	\$ –	\$ –	\$ –	\$ 7,663,994
Construction in progress	2,682,854	489,548	–	(2,682,852)	489,550
Total capital assets, not depreciated/amortized	10,346,848	489,548	–	(2,682,852)	8,153,544
Capital assets, depreciated/amortized					
Buildings	27,970,149	–	–	–	27,970,149
Infrastructure	26,834,013	219,199	–	2,669,119	29,722,331
Machinery and equipment	6,860,787	503,149	(136,316)	13,733	7,241,353
Land improvements	284,307	–	–	–	284,307
Site lease	693,069	–	–	–	693,069
Total capital assets, depreciated/amortized	62,642,325	722,348	(136,316)	2,682,852	65,911,209
Less accumulated depreciation/amortization on					
Buildings	(6,971,460)	(593,764)	–	–	(7,565,224)
Infrastructure	(5,577,746)	(1,186,342)	–	–	(6,764,088)
Machinery and equipment	(4,330,151)	(474,975)	130,944	–	(4,674,182)
Land improvements	(71,421)	(14,216)	–	–	(85,637)
Site lease	–	(17,327)	–	–	(17,327)
Total accumulated depreciation/amortization	(16,950,778)	(2,286,624)	130,944	–	(19,106,458)
Net capital assets, depreciated/amortized	45,691,547	(1,564,276)	(5,372)	2,682,852	46,804,751
Net capital assets	\$ 56,038,395	\$ (1,074,728)	\$ (5,372)	\$ –	\$ 54,958,295

(1) The beginning balance is restated to include the “right-to-use” lease asset added with the implementation of GASB Statement No. 87.

NOTE 5 – CAPITAL ASSETS (CONTINUED)

B. Changes in Capital Assets Used in Business-Type Activities – Primary Government

	Beginning Balance	Additions	Deletions	Completed Construction	Ending Balance
Capital assets, not depreciated/amortized					
Land	\$ 973,048	\$ –	\$ –	\$ –	\$ 973,048
Construction in progress	689,684	–	–	(689,684)	–
Total capital assets, not depreciated/amortized	<u>1,662,732</u>	<u>–</u>	<u>–</u>	<u>(689,684)</u>	<u>973,048</u>
Capital assets, depreciated/amortized					
Buildings	9,547,831	–	–	–	9,547,831
Infrastructure	14,678,187	464,357	–	689,684	15,832,228
Machinery and equipment	1,435,087	6,206	–	–	1,441,293
Total capital assets, depreciated/amortized	<u>25,661,105</u>	<u>470,563</u>	<u>–</u>	<u>689,684</u>	<u>26,821,352</u>
Less accumulated depreciation/amortization on					
Buildings	(2,657,046)	(190,569)	–	–	(2,847,615)
Infrastructure	(4,115,637)	(358,942)	–	–	(4,474,579)
Machinery and equipment	(1,151,207)	(50,271)	–	–	(1,201,478)
Total accumulated depreciation/amortization	<u>(7,923,890)</u>	<u>(599,782)</u>	<u>–</u>	<u>–</u>	<u>(8,523,672)</u>
Net capital assets, depreciated/amortized	<u>17,737,215</u>	<u>(129,219)</u>	<u>–</u>	<u>689,684</u>	<u>18,297,680</u>
Net capital assets	<u>\$ 19,399,947</u>	<u>\$ (129,219)</u>	<u>\$ –</u>	<u>\$ –</u>	<u>\$ 19,270,728</u>

C. Changes in Capital Assets – Component Unit HRA

	Beginning Balance	Additions	Deletions	Completed Construction	Ending Balance
Capital assets, not depreciated/amortized					
Land	<u>\$ 2,092,900</u>	<u>\$ –</u>	<u>\$ –</u>	<u>\$ –</u>	<u>\$ 2,092,900</u>

D. Depreciation/Amortization Expense by Function – Primary Government

Depreciation/amortization expense was charged to the following functions:

Governmental activities	
General government	\$ 280,551
Public safety	254,026
Public works	1,639,760
Culture and recreation	112,287
Total depreciation/amortization – governmental activities	<u>\$ 2,286,624</u>
Business-type activities	
Water	\$ 244,746
Sewer	118,992
Liquor	107,268
Stormwater	128,776
Total depreciation/amortization – business-type activities	<u>\$ 599,782</u>

NOTE 6 – INTERFUND BALANCES AND TRANSFERS

A. Due To/From Component Unit

The HRA component unit – Downtown TIF 6 Capital Projects Fund has borrowed \$1,681,860 (out of an approved maximum of loan \$2,000,000) from the primary government – General Fund to provide temporary financing for qualified improvement project costs approved in the TIF Plan. The loan will be repaid from tax increment revenue generated by the improvements through annual principal and interest payments due each December 31, commencing the first year the TIF District generates available tax increment as defined by the loan agreement. Loan activity during the current year was as follows:

Loan	Beginning Balance	Additions	Deletions	Ending Balance
TIF 6 Loan from the City’s General Fund	\$1,681,860	\$ –	\$ 115,881	\$1,565,979

B. Interfund Transfers

The composition of interfund transfers for the year ended December 31, 2022 is as follows:

Transfers Out	Transfers In				
Fund	General	General Improvement	Street Improvement	Nonmajor Governmental	Total
General	\$ –	\$ 243,000	\$ 24,000	\$ 395,000	\$ 662,000
Nonmajor Governmental	100,000	–	–	5,000	105,000
Water Enterprise	31,000	–	–	40,000	71,000
Sewer Enterprise	31,000	–	–	60,000	91,000
Licensing Enterprise	61,297	25,000	–	–	86,297
Liquor Enterprise	301,019	301,711	–	–	602,730
Stormwater Enterprise	10,000	–	55,000	–	65,000
	<u>\$ 534,316</u>	<u>\$ 569,711</u>	<u>\$ 79,000</u>	<u>\$ 500,000</u>	<u>\$ 1,683,027</u>

The City annually budgets transfers for specific purposes. Annual transfers include transfers made to cover costs of operation, and transfers made as part of capital improvement plans.

NOTE 7 – LONG-TERM LIABILITIES

A. Changes in Long-Term Liabilities

Changes in the City’s long-term liabilities during the year were as follows:

	Beginning Balance (1)	Additions	Reductions	Ending Balance	Due Within One Year
Governmental activities					
General obligation bonds	\$ 455,000	\$ –	\$ 225,000	\$ 230,000	\$ 230,000
G.O. improvement bonds	3,310,000	–	335,000	2,975,000	340,000
G.O. tax increment bonds	10,900,000	–	405,000	10,495,000	510,000
Premium	577,888	–	52,994	524,894	–
Total bonds	<u>15,242,888</u>	<u>–</u>	<u>1,017,994</u>	<u>14,224,894</u>	<u>1,080,000</u>
Lease liability	693,069	–	18,001	675,068	12,179
Compensated absences payable	<u>373,083</u>	<u>388,281</u>	<u>401,985</u>	<u>359,379</u>	<u>281,046</u>
Total governmental activities	<u>16,309,040</u>	<u>388,281</u>	<u>1,437,980</u>	<u>15,259,341</u>	<u>1,373,225</u>
Business-type activities					
G.O. revenue bonds	4,510,000	–	330,000	4,180,000	345,000
G.O. improvement bonds	1,180,000	–	115,000	1,065,000	115,000
Premium	228,800	–	20,888	207,912	–
Total bonds	<u>5,918,800</u>	<u>–</u>	<u>465,888</u>	<u>5,452,912</u>	<u>460,000</u>
Compensated absences payable	<u>121,424</u>	<u>129,558</u>	<u>143,237</u>	<u>107,745</u>	<u>81,613</u>
Total business-type activities	<u>6,040,224</u>	<u>129,558</u>	<u>609,125</u>	<u>5,560,657</u>	<u>541,613</u>
Total government-wide	<u>\$ 22,349,264</u>	<u>\$ 517,839</u>	<u>\$ 2,047,105</u>	<u>\$ 20,819,998</u>	<u>\$ 1,914,838</u>

(1) The beginning balance is restated to include the lease liability added with the implementation of GASB Statement No. 87.

NOTE 7 – LONG-TERM LIABILITIES (CONTINUED)

B. Bonds Payable

The components of the City’s outstanding bonded debt at year-end were as follows:

Description	Authorized and Issued	Interest Rate	Original Issue	Maturity	Balance at Year-End
Governmental activities					
General obligation bonds					
G.O. Street Reconstruction Bonds, Series 2009B	\$ 370,000	3.00–3.88%	05/19/2009	12/01/2023	\$ 30,000
G.O. Refunding Bonds, Series 2012A	\$ 1,885,000	2.00–3.00%	09/15/2012	12/01/2023	200,000
Total general obligation bonds					<u>230,000</u>
General obligation improvement bonds					
G.O. Improvement Bonds, Series 2019A	\$ 1,980,000	1.75–2.10%	05/30/2019	02/01/2030	1,630,000
G.O. Improvement Refunding Bonds, Series 2020B	\$ 1,650,000	1.15–2.00%	11/10/2020	02/01/2035	1,345,000
Total general obligation improvement bonds					<u>2,975,000</u>
General obligation tax increment bonds					
G.O. Tax Increment Bonds, Series 2016A	\$ 7,725,000	1.10–4.00%	12/29/2016	02/01/2041	6,915,000
G.O. Tax Increment Bonds, Series 2020A	\$ 3,710,000	2.00–3.00%	05/28/2020	02/01/2040	3,580,000
Total general obligation tax increment bonds					<u>10,495,000</u>
Total governmental activities					<u>13,700,000</u>
Business-type activities					
General obligation revenue bonds					
G.O. Water Revenue Bonds, Series 2017A	\$ 2,775,000	3.00%	12/28/2017	12/01/2031	2,015,000
G.O. Liquor and Restaurant Refunding Bonds, Series 2020B	\$ 2,450,000	1.15–2.00%	11/10/2020	12/01/2035	2,165,000
Total general obligation revenue bonds					<u>4,180,000</u>
General obligation improvement bonds					
G.O. Improvement Bonds, Series 2012B	\$ 1,520,000	2.00–3.00%	09/05/2012	12/01/2032	850,000
G.O. Improvement Bonds, Series 2012C	\$ 545,000	2.00–3.00%	09/05/2012	12/01/2027	215,000
Total general obligation improvement bonds					<u>1,065,000</u>
Total business-type activities					<u>5,245,000</u>
Total government-wide					<u>\$ 18,945,000</u>

Minimum annual payments required to retire bonds are as follows:

Year Ending December 31,	Governmental Activities		Business-Type Activities	
	Principal	Interest	Principal	Interest
2023	\$ 1,080,000	\$ 381,704	\$ 460,000	\$ 128,768
2024	875,000	352,416	470,000	116,655
2025	900,000	328,929	485,000	104,243
2026	920,000	304,391	500,000	91,443
2027	945,000	278,904	515,000	78,243
2028–2032	4,110,000	1,018,320	2,275,000	193,163
2033–2037	2,615,000	602,844	540,000	15,805
2038–2041	2,255,000	161,466	–	–
	<u>\$ 13,700,000</u>	<u>\$ 3,428,974</u>	<u>\$ 5,245,000</u>	<u>\$ 728,320</u>

NOTE 7 – LONG-TERM LIABILITIES (CONTINUED)

C. Descriptions of Bonds Payable

- **General Obligation (G.O.) Bonds** – The City issues G.O. bonds to provide funds for the acquisition and construction of major capital facilities and projects, or to refund previous bond issues. These bonds will be repaid primarily with ad valorem tax levies. G.O. bonds are backed by the full faith and credit of the City.
- **G.O. Improvement (Special Assessment) Bonds** – G.O. improvement bonds are issued to finance various improvements to be repaid primarily from special assessments levied on the properties benefitting from the improvements and net revenues pledged by the enterprise funds. G.O. improvement bonds are backed by the full faith and credit of the City.
- **G. O. Tax Increment Bonds** – The City issues G.O. tax increment bonds to provide funding for projects within a tax increment financing district that will be repaid primarily with tax increment financing. G.O. tax increment bonds are backed by the full faith and credit of the City.

The HRA has pledged tax increment revenues generated by Tax Increment District No. 5 to the debt service requirements related to the G.O. Tax Increment Bonds, Series 2016A, through maturity of the bond. There was \$495,898 of pledged revenue from tax increments and \$495,898 of debt service principal and interest requirements for the year ended December 31, 2022. It is anticipated tax increment revenues will be sufficient to provide not less than 105 percent of principal and interest on the bonds as required by Minnesota state law.

The HRA has pledged tax increment revenues generated by Tax Increment District No. 5 to the debt service requirements related to the G.O. Tax Increment Bonds, Series 2020A, through maturity of the bond. There was \$221,569 of pledged revenue from tax increments and \$221,569 of debt service principal and interest requirements for the year ended December 31, 2022. It is anticipated tax increment revenues will be sufficient to provide not less than 105 percent of principal and interest on the bonds as required by Minnesota state law.

- **General Obligation Revenue Bonds** – The City issues general obligation revenue bonds to finance capital improvements in the enterprise funds. Along with G.O. special assessment bonds, they will be repaid from future net operating revenues pledged from enterprise funds and are backed by the taxing power of the City. Annual net operating revenues, principal and interest payments, and percentage of revenue required to cover the principal and interest payments is disclosed below:

	<u>Water</u>	<u>Sewer</u>	<u>Liquor</u>
Net operating revenues	\$ 1,198,510	\$ 1,575,855	\$ 6,918,956
Principal and interest	\$ 353,225	\$ 48,201	\$ 185,256
Percentage of revenues	29%	3%	3%

NOTE 7 – LONG-TERM LIABILITIES (CONTINUED)

D. Lease Liability

The City has a site lease agreement with Independent School District No. 284, Wayzata Public Schools to lease land on which the City's monopole is located. The lease, which bears an incremental interest rate of 1.75 percent, calls for semi-annual payments of \$12,000 due each January 1 and July 1 through 2041, with two 10-year options to extend the agreement under the same terms through 2061. The lease liability is being paid by the nonmajor Parks and Trails Capital Projects Fund.

Future principal and interest payments on the lease liability are as follows:

Year Ending December 31,	Principal	Interest
2023	\$ 12,179	\$ 11,821
2024	12,394	11,606
2025	12,612	11,388
2026	12,835	11,165
2027	13,061	10,939
2028–2032	68,845	51,155
2033–2037	75,135	44,865
2038–2042	82,001	37,999
2043–2047	89,493	30,507
2048–2052	97,671	22,329
2053–2057	106,595	13,405
2058–2061	92,247	3,753
	<u>\$ 675,068</u>	<u>\$ 260,932</u>

E. Other Long-Term Liabilities

- **Compensated Absences** – This liability represents vested benefits earned by employees through the end of the year, which will be paid or used in future periods. The General, Water, Sewer, Licensing, and Liquor Funds will be used to liquidate this liability.
- **Total OPEB and Net Pension Liabilities** – The City also provides OPEB and pension benefits to employees as described later in these notes. The General, Water, Sewer, Licensing, and Liquor Funds will be used to liquidate these liabilities.

NOTE 8 – FUND EQUITY

A. Components of Fund Balances

The components of the City’s fund balances at year-end were as follows:

	General	Debt Service	General Improvement Capital Projects	Street Improvement Capital Projects	Nonmajor Funds	Total
Nonspendable						
Prepaid items	\$ 3,113	\$ –	\$ –	\$ –	\$ 12,000	\$ 15,113
Due from component unit	1,565,979	–	–	–	–	1,565,979
Total nonspendable	<u>1,569,092</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>12,000</u>	<u>1,581,092</u>
Restricted						
Debt service	–	1,120,329	–	–	–	1,120,329
Public safety police	–	–	–	–	16,543	16,543
Total restricted	<u>–</u>	<u>1,120,329</u>	<u>–</u>	<u>–</u>	<u>16,543</u>	<u>1,136,872</u>
Committed						
Cemetery	–	–	–	–	19,300	19,300
Cable TV	–	–	–	–	43,300	43,300
Comprehensive plan	–	–	–	–	69,989	69,989
Total committed	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>132,589</u>	<u>132,589</u>
Assigned						
Insurance	251,989	–	–	–	–	251,989
Lakefront improvement	–	–	–	–	202,794	202,794
Street improvements	–	–	–	1,124,577	–	1,124,577
Capital equipment	–	–	–	–	2,311,910	2,311,910
Parks and trails	–	–	–	–	1,297,731	1,297,731
Community room/ library improvement	–	–	–	–	265,500	265,500
Other capital projects	–	–	1,598,544	–	511,848	2,110,392
Total assigned	<u>251,989</u>	<u>–</u>	<u>1,598,544</u>	<u>1,124,577</u>	<u>4,589,783</u>	<u>7,564,893</u>
Unassigned						
General Fund	<u>2,539,874</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>2,539,874</u>
Total	<u>\$ 4,360,955</u>	<u>\$ 1,120,329</u>	<u>\$ 1,598,544</u>	<u>\$ 1,124,577</u>	<u>\$ 4,750,915</u>	<u>\$ 12,955,320</u>

B. Deficit Fund Equity

The City’s Licensing Enterprise Fund had a deficit net position of \$263,339 at year-end, which is expected to be eliminated through future charges for services.

The HRA component unit’s Downtown TIF 6 Capital Projects Fund had a fund balance deficit at year-end of \$1,306,499, which is expected to be eliminated with future tax increments.

NOTE 9 – DEFINED BENEFIT PENSION PLAN – STATE-WIDE

A. Plan Descriptions

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

1. General Employees Retirement Fund (GERF)

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

2. Public Employees Police and Fire Fund (PEPFF)

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

The following table summarizes the net pension liabilities, deferred outflows and inflows of resources, and pension expense related to these plans as of and for the City's fiscal year ended December 31, 2022:

Pension Plans	Net Pension Liabilities	Deferred Outflows of Resources	Deferred Inflows of Resources	Pension Expense
PERA – GERF	\$ 7,017,149	\$ 3,428,277	\$ 63,539	\$ 1,429,389
PERA – PEPFF	4,556,130	3,179,406	37,267	401,317
Total	<u>\$ 11,573,279</u>	<u>\$ 6,607,683</u>	<u>\$ 100,806</u>	<u>\$ 1,830,706</u>

B. Benefits Provided

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

1. GERF Benefits

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

NOTE 9 – DEFINED BENEFIT PENSION PLAN – STATE-WIDE (CONTINUED)

Benefit increases are provided to benefit recipients each January. The post-retirement increase is equal to 50.0 percent of the cost of living adjustment (COLA) announced by the Social Security Administration, with a minimum increase of at least 1.0 percent and a maximum of 1.5 percent. Recipients that have been receiving the annuity or benefit for at least a full year as of the June 30 before the effective date of the increase, will receive the full increase. Recipients receiving the annuity or benefit for at least one month, but less than a full year as of the June 30 before the effective date of the increase, will receive a reduced prorated increase. For members retiring on January 1, 2024 or later, the increase will be delayed until normal retirement age (age 65 if hired prior to July 1, 1989, or age 66 for individuals hired on or after July 1, 1989). Members retiring under Rule of 90 are exempt from the delay to normal retirement.

2. PEPFF Benefits

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

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

C. Contributions

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

1. GERF Contributions

Coordinated Plan members were required to contribute 6.50 percent of their annual covered salary in fiscal year 2022, and the City was required to contribute 7.50 percent for Coordinated Plan members. The City's contributions to the GERF for the year ended December 31, 2022, were \$371,077. The City's contributions were equal to the required contributions as set by state statutes.

2. PEPFF Contributions

Police and Fire Plan members were required to contribute 11.80 percent of their annual covered salary in fiscal year 2022, and the City was required to contribute 17.70 percent for Police and Fire Plan members. The City's contributions to the PEPFF for the year ended December 31, 2022, were \$229,527. The City's contributions were equal to the required contributions as set by state statutes.

NOTE 9 – DEFINED BENEFIT PENSION PLAN – STATE-WIDE (CONTINUED)

D. Pension Costs

1. GERF Pension Costs

At December 31, 2022, the City reported a liability of \$7,017,149 for its proportionate share of the GERF’s net pension liability. The City’s net pension liability reflected a reduction, due to the state of Minnesota’s contribution of \$16.0 million. The state of Minnesota is considered a nonemployer contributing entity and the state’s contribution meets the definition of a special funding situation. The state of Minnesota’s proportionate share of the net pension liability associated with the City totaled \$205,727. The net pension liability was measured as of June 30, 2022, 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 the PERA during the measurement period for employer payroll paid dates from July 1, 2021 through June 30, 2022, relative to the total employer contributions received from all of the PERA’s participating employers. The City’s proportionate share was 0.0886 percent at the end of the measurement period and 0.0548 percent for the beginning of the period.

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

City’s proportionate share of the net pension liability	\$ 7,017,149
State’s proportionate share of the net pension liability associated with the City	\$ 205,727

For the year ended December 31, 2022, the City recognized pension expense of \$1,398,649 for its proportionate share of the GERF’s pension expense. In addition, the City recognized \$30,740 as pension expense (and grant revenue) for its proportionate share of the state of Minnesota’s contribution of \$16.0 million to the GERF.

At December 31, 2022, the City reported its proportionate share of the GERF’s deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ 58,612	\$ 46,273
Changes in actuarial assumptions	1,000,563	17,266
Net collective difference between projected and actual investment earnings	1,039,917	–
Changes in proportion	1,142,028	–
Contributions paid to the PERA subsequent to the measurement date	187,157	–
Total	\$ 3,428,277	\$ 63,539

NOTE 9 – DEFINED BENEFIT PENSION PLAN – STATE-WIDE (CONTINUED)

A total of \$187,157 reported as deferred outflows of resources related to pensions resulting from city contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending December 31, 2023. Other amounts reported as deferred outflows and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ending December 31,</u>	<u>Pension Expense Amount</u>
2023	\$ 1,035,801
2024	\$ 1,028,998
2025	\$ 478,187
2026	\$ 634,595

2. PEPFF Pension Costs

At December 31, 2022, the City reported a liability of \$4,556,130 for its proportionate share of the PEPFF's net pension liability. The net pension liability was measured as of June 30, 2022, 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 the PERA during the measurement period for employer payroll paid dates from July 1, 2021 through June 30, 2022, relative to the total employer contributions received from all of the PERA's participating employers. The City's proportionate share was 0.1047 percent at the end of the measurement period and 0.1054 percent for the beginning of the period.

The state of Minnesota contributed \$18.0 million to the PEPFF in the plan fiscal year ended June 30, 2022. The contribution consisted of \$9.0 million in direct state aid that does meet the definition of a special funding situation and \$9.0 million in supplemental state aid that does not meet the definition of a special funding situation. The \$9.0 million direct state aid was paid on October 1, 2021. Thereafter, by October 1 of each year, the state will pay \$9.0 million to the PEPFF until full funding is reached or July 1, 2048, whichever is earlier. The \$9.0 million in supplemental state aid will continue until the fund is 90.0 percent funded, or until the State Patrol Plan (administered by the Minnesota State Retirement System) is 90.0 percent funded, whichever occurs later.

The state of Minnesota is included as a nonemployer contributing entity in the Police and Fire Retirement Plan Schedule of Employer Allocations and Schedule of Pension Amounts by Employer, Current Reporting Period Only (pension allocation schedules) for the \$9.0 million in direct state aid. Police and Fire Plan employers need to recognize their proportionate share of the state of Minnesota's pension expense (and grant revenue) under GASB 68 special funding situation accounting and financial reporting requirements. For the year ended December 31, 2022, the City recognized pension expense of \$362,735 for its proportionate share of the Police and Fire Plan's pension expense. The City recognized \$38,582 as grant revenue for its proportionate share of the state of Minnesota's pension expense for the contribution of \$9.0 million to the PEPFF.

NOTE 9 – DEFINED BENEFIT PENSION PLAN – STATE-WIDE (CONTINUED)

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

City’s proportionate share of the net pension liability	\$ 4,556,130
State’s proportionate share of the net pension liability associated with the City	\$ 198,902

The state of Minnesota is not included as a nonemployer contributing entity in the Police and Fire Pension Plan pension allocation schedules for the \$9.0 million in supplemental state aid. The City recognized \$9,423 for the year ended December 31, 2022 as revenue and an offsetting reduction of net pension liability for its proportionate share of the state of Minnesota’s on-behalf contributions to the PEPFF.

At December 31, 2022, the City reported its proportionate share of the PEPFF’s deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual economic experience	\$ 277,933	\$ –
Changes in actuarial assumptions	2,688,337	26,239
Net collective difference between projected and actual investment earnings	48,504	–
Changes in proportion	48,277	11,028
Contributions paid to the PERA subsequent to the measurement date	<u>116,355</u>	<u>–</u>
Total	<u>\$ 3,179,406</u>	<u>\$ 37,267</u>

A total of \$116,355 reported as deferred outflows of resources related to pensions resulting from city contributions subsequent to the measurement date that will be recognized as a reduction of the net pension liability in the year ending December 31, 2023. Other amounts reported as deferred outflows and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ending December 31,</u>	<u>Pension Expense Amount</u>
2023	\$ 582,527
2024	\$ 588,953
2025	\$ 526,948
2026	\$ 949,177
2027	\$ 378,179

NOTE 9 – DEFINED BENEFIT PENSION PLAN – STATE-WIDE (CONTINUED)

E. Long-Term Expected Return on Investments

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

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

F. Actuarial Methods and Assumptions

The total pension liability in the June 30, 2022, actuarial valuation was determined using an individual entry-age normal actuarial cost method. The long-term rate of return on pension plan investments used in the determination of the total liability is 6.50 percent. This assumption is based on a review of inflation and investments return assumptions from a number of national investment consulting firms. The review provided a range of return investment return rates deemed to be reasonable by the actuary. An investment return of 6.50 percent was deemed to be within that range of reasonableness for financial reporting purposes.

Inflation is assumed to be 2.25 percent for the General Employees Plan and 2.25 percent for the Police and Fire Plan. Benefit increases after retirement are assumed to be 1.25 percent for the General Employees Plan. The Police and Fire Plan benefit increase is fixed at 1.00 percent per year and that increase was used in the valuation.

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

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

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

NOTE 9 – DEFINED BENEFIT PENSION PLAN – STATE-WIDE (CONTINUED)

The following changes in actuarial assumptions occurred in 2022:

1. GERF

CHANGES IN ACTUARIAL ASSUMPTIONS

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

2. PEPFF

CHANGES IN ACTUARIAL ASSUMPTIONS

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

G. Discount Rate

The discount rate for the General Employees Plan used to measure the total pension liability in 2022 was 6.50 percent. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and employers will be made at rates set in Minnesota Statutes. Based on these assumptions, the fiduciary net position of the General Employees Fund 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.

In the Police and Fire Fund, the fiduciary net position was projected to be available to make all projected future benefit payments of current plan members through June 30, 2060. Beginning in fiscal year ended June 30, 2061, projected benefit payments exceed the fund's projected fiduciary net position. Benefit payments projected after were discounted at the municipal bond rate of 3.69 percent (based on the weekly rate closest to, but not later than, the measurement date of the Fidelity "20-Year Municipal GO AA Index"). The resulting equivalent single discount rate of 5.40 percent for the Police and Fire Fund was determined to give approximately the same present value of projected benefits when applied to all years of projected benefits as the present value of projected benefits using 6.50 percent applied to all years of projected benefits through the point of asset depletion and 3.69 percent thereafter.

NOTE 9 – DEFINED BENEFIT PENSION PLAN – STATE-WIDE (CONTINUED)

H. Pension Liability Sensitivity

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

	<u>1% Decrease in Discount Rate</u>	<u>Current Discount Rate</u>	<u>1% Increase in Discount Rate</u>
GERF discount rate	5.50%	6.50%	7.50%
City’s proportionate share of the GERF net pension liability	\$ 11,083,955	\$ 7,017,149	\$ 3,681,741
PEPFF discount rate	4.40%	5.40%	6.40%
City’s proportionate share of the PEPFF net pension liability	\$ 6,895,119	\$ 4,556,130	\$ 2,665,198

I. Pension Plan Fiduciary Net Position

Detailed information about each pension plan’s fiduciary net position is available in a separately-issued PERA financial report that includes financial statements and required supplementary information. That report may be obtained on the internet at www.mnpera.org.

NOTE 10 – DEFINED CONTRIBUTION PENSION PLAN – FIRE RELIEF ASSOCIATION

The City contributes to the Wayzata Fire Department Relief Association (the Association), a single-employer defined contribution lump sum service pension plan. Volunteer firefighters of the City are members of the Association and its pension plan. Partial vesting of retirement benefits occurs at year 10 and continues based on years of service up to 20 years of service, at which time participants are 100 percent vested for retirement benefit purposes. On termination of service, a vested participant receives a single, lump sum distribution.

The City passes through state aids allocated to the plan in accordance with Minnesota Statutes. The City’s payroll for members of the Association for the year ended December 31, 2022 was \$84,620, compared to a total city payroll of \$6,650,948. The Association issues a publicly available financial report, which may be obtained at Wayzata City Hall.

Minnesota Statutes, Chapters 424 and 424A, authorize pension benefits for volunteer fire relief associations. A firefighter who completes at least 20 years as an active member of the fire department and the Association, after age 50, is entitled to a full-service pension upon retirement.

Total contributions to the Association’s Pension Fund for 2022 amounted to \$133,952, of which \$86,952 was state aid passed through the City for the Association. The contributions are apportioned to the accounts of active members in equal shares.

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

A. Plan Description

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

B. Benefits Provided

All retirees of the City upon retirement have the option under state law to continue their medical insurance coverage through the City. For police or firefighters disabled in the line-of-duty, Minnesota Statutes require the City to continue to pay the employer contribution toward health insurance coverage for the police officer or firefighter and their spouse, if the spouse was covered at the time of disability, until age 65. Retirees not eligible for these city-paid premium benefits must pay the full city premium rate for their coverage.

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

C. Contributions

The required contribution is based on projected pay-as-you-go financing requirements, with additional amounts to prefund benefits as determined periodically by the City. The City’s current year required pay-as-you-go contributions to finance the benefits described in the previous section totaled \$43,632.

D. Membership

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

Retirees and beneficiaries receiving benefits	4
Active plan members	<u>57</u>
Total members	<u><u>61</u></u>

E. Total OPEB Liability of the City

The City’s total OPEB liability of \$560,711 was measured as of December 31, 2021 and was determined by an actuarial valuation as of January 1, 2022.

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

F. Actuarial Methods and Assumptions

The total OPEB liability was determined by an actuarial valuation as of January 1, 2022, using the entry-age normal level percent of pay method, and the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Discount rate	2.06%
Inflation rate	2.50%
Payroll growth rate	N/A
Medical trend rate	6.2% decreasing to 3.9% over 53 years

Withdrawal, mortality, and salary scale assumptions were based on those used to value pension liabilities for Minnesota city employees participating in the PERA GERP and PEPFF plans. The PERA pension plans base their assumptions on periodic experience studies as detailed earlier in these notes. Economic assumptions are based on input from a variety of published sources of historical and projected future financial data. Each assumption was reviewed for reasonableness with the source information, as well as for consistency with the other economic assumptions.

Since the plan is not funded by an irrevocable trust, the discount rate is equal to the 20-year municipal bond yield rate of 2.06 percent, which was set by considering published rate information for 20-year high quality, tax-exempt, general obligation municipal bonds as of the measurement date. The discount rate used in the prior measurement date was 2.12 percent.

Future retirees electing coverage is assumed to be 50 percent when a pre-age 65 subsidy is available, and 100 percent of all disabled in the line of duty members are assumed to elect coverage at retirement. Actual spousal elections are used for current retirees, and 35 percent of future retirees electing coverage at retirement are assumed to elect spousal coverage. Retirees electing medical coverage are assumed to continue until they become Medicare eligible at age 65.

The following actuarial assumptions changed since the previous valuation:

- The discount rate was changed from 2.12 percent to 2.06 percent.
- Healthcare cost trend rates and per capita medical claims were updated based on published trend models and recent experience to better reflect future anticipated experience.
- Withdrawal, mortality, and salary scale assumptions were updated to those used in the most recently published PERA GERP and PEPFF valuations.
- Future retiree participation rates were updated from 55.00 percent to 50.00 percent based on analysis of past plan experience.
- Future retiree spouse participation rates were updated from 40.00 percent for PERA GERP plan members and 60.00 percent for PERA PEPFF plan members to 35.00 percent based on analysis of past plan experience.
- Future retiree medical plan blending was updated based on an analysis of plan election rates as of the valuation date.

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

G. Changes in the Total OPEB Liability

	<u>Total OPEB Liability</u>
Beginning balance – January 1, 2022	\$ 386,485
Changes for the year	
Service cost	42,559
Interest	8,600
Differences between expected and actual experience	259,444
Changes in assumptions	(89,577)
Benefit payments – employer-financed	<u>(46,800)</u>
Total net changes	<u>174,226</u>
Ending balance – December 31, 2022	<u>\$ 560,711</u>

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

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

	<u>1% Decrease in Discount Rate</u>	<u>Current Discount Rate</u>	<u>1% Increase in Discount Rate</u>
OPEB discount rate	1.06%	2.06%	3.06%
Total OPEB liability	\$ 594,801	\$ 560,711	\$ 527,829

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

	<u>1% Decrease in Medical Trend Rate</u>	<u>Medical Trend Rate</u>	<u>1% Increase in Medical Trend Rate</u>
OPEB medical trend rate	5.2% decreasing to 2.9% over 53 years	6.2% decreasing to 3.9% over 53 years	7.2% decreasing to 4.9% over 53 years
Total OPEB liability	\$ 510,197	\$ 560,711	\$ 618,276

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

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

For 2022, the City recognized OPEB expense of \$40,137. As of year-end, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 233,700	\$ 87,562
Changes in actuarial assumptions	27,213	87,388
Contributions subsequent to the measurement date	43,632	–
	<u>\$ 304,545</u>	<u>\$ 174,950</u>

Deferred outflows of resources totaling \$43,632 related to OPEB resulting from the City’s contributions to the plan subsequent to the measurement date will be recognized as a reduction of the total OPEB liability in the year ending December 31, 2023. Other amounts reported as deferred outflows and inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year Ending December 31,	OPEB Expense Amount
2023	\$ 5,923
2024	\$ 5,923
2025	\$ 5,727
2026	\$ 5,273
2027	\$ 13,059
Thereafter	\$ 50,058

NOTE 12 – TAX ABATEMENT AGREEMENTS

A. Primary Government

Boulevard Apartments

The City entered into a tax abatement agreement on December 7, 2010, with a developer in which the developer incurs costs for property improvements. In return, the City will reimburse the developer for some costs as the City collects future taxes paid by said developer for the increased property value and tax capacity related to the economic development. The agreement has a maximum return to the developer of \$11,040 over the life of the agreement (15 years). The agreement was negotiated under state law (Minnesota Statutes § 469.1813). The taxes abated during the fiscal year were \$209, which fulfilled the City’s liability under the terms of this agreement.

B. Component Unit

The HRA entered into a tax increment financing agreement with a developer in which the developer incurs costs for property improvements. In return, the City will reimburse the developer for some costs as the City collects future tax increment for the increased property value and tax capacity related to the economic development. The agreement has a maximum return to the developer of \$22,910,879 over the life of the agreement (maximum 25 years). The agreement was negotiated under state law (Minnesota Statutes § 469.175). The calculation of taxes abated during the fiscal year is noted below:

	<u>Original Tax Capacity Rate</u>	<u>Captured Tax Capacity</u>	<u>Amount of Taxes Abated During the Fiscal Year</u>
Tax Increment District 5 (Bay Center)	20.308%	\$ 3,204,112	\$ 1,936,013

NOTE 13 – TRANSACTIONS BETWEEN PRIMARY GOVERNMENT AND COMPONENT UNIT

The City conducts routine transactions with its component unit for services provided. The City provides administrative and financial services for the HRA’s activities. The HRA contributed \$45,000 to the City during 2022 for these administrative services, \$717,467 for debt service costs, and \$105,180 for capital improvement projects.

NOTE 14 – COMMITMENTS, CONTINGENCIES, AND SUBSEQUENT EVENTS

A. Legal Claims

The City generally follows the practice of recording liabilities resulting from claims and legal actions only when they become fixed or determinable in amount. Management does not anticipate any significant losses that would not be covered by insurance.

B. Federal and State Receivables

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

C. Tax Increment Districts

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

D. Construction Commitments

The City is committed to various construction contracts for improvement of city property. The City's remaining commitment under these contracts was approximately \$47,517 at year-end.

E. Conduit Debt Obligations

The City entered into a Cooperative Agreement with the City of Minnetonka to issue a Housing Revenue Note for \$6,250,000. Conduit debt obligations are certain limited-obligation revenue bonds or similar debt instruments issued for the express purpose of providing capital financing for a specific third party. The City of Minnetonka has issued revenue bonds to provide financial assistance to private sector entities for projects deemed to be in the public interest. Although these bonds bear the name of the City of Minnetonka, the City, the state, nor any political subdivision thereof is obligated in any manner for repayment of the bonds. Accordingly, the bonds are not reported as liabilities in the accompanying financial statements.

In addition, the City entered into a Cooperative Agreement with Hammer Residence to issue a Housing Revenue Note for \$5,500,000. The outstanding balance at December 31, 2022 is \$350,070. The City, the state, nor any political subdivision thereof is obligated in any manner for repayment of the note. Accordingly, the note is not reported as a liability in the accompanying financial statements.

F. New Accounting Standard

A new standard has been issued by the GASB that will result in significant changes in the reporting of subscription-based information technology arrangements (SBITAs) once it becomes effective for governmental entities. This standard will be adopted by the City beginning in 2023, and may require the restatement of certain balances reported as of December 31, 2022. The effects of this change have not yet been determined and are not reflected in these financial statements.

G. Debt Issued

In April 2023, the City sold \$6,555,000 of General Obligation Temporary Tax Increment Bonds, Series 2023A to finance the construction of a boardwalk and dock/boat slips as part of its Panoway project. The bonds mature February 1, 2026 and bear an interest rate of 3.0 percent.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF WAYZATA

PERA – General Employees Retirement Fund
 Schedule of City’s and Nonemployer Proportionate Share of Net Pension Liability
 Year Ended December 31, 2022

City Fiscal Year-End Date	PERA Fiscal Year-End Date (Measurement Date)	City’s Proportion of the Net Pension Liability	City’s Proportionate Share of the Net Pension Liability	City’s Proportionate Share of the Net Pension Liability	City’s Proportionate Share of the Net Pension Liability	City’s Covered Payroll	City’s Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
12/31/2015	06/30/2015	0.0492%	\$ 2,549,799	\$ –	\$ 2,549,799	\$ 2,889,952	88.23%	78.20%
12/31/2016	06/30/2016	0.0471%	\$ 3,824,286	\$ 49,931	\$ 3,874,217	\$ 2,907,012	131.55%	68.90%
12/31/2017	06/30/2017	0.0496%	\$ 3,166,431	\$ 39,785	\$ 3,206,216	\$ 3,192,942	99.17%	75.90%
12/31/2018	06/30/2018	0.0516%	\$ 2,862,556	\$ 93,910	\$ 2,956,466	\$ 3,413,642	83.86%	79.50%
12/31/2019	06/30/2019	0.0519%	\$ 2,869,435	\$ 89,329	\$ 2,958,764	\$ 3,668,748	78.21%	80.20%
12/31/2020	06/30/2020	0.0536%	\$ 3,213,565	\$ 99,179	\$ 3,312,744	\$ 3,820,117	84.12%	79.10%
12/31/2021	06/30/2021	0.0548%	\$ 2,340,206	\$ 71,499	\$ 2,411,705	\$ 3,878,623	60.34%	87.00%
12/31/2022	06/30/2022	0.0886%	\$ 7,017,149	\$ 205,727	\$ 7,222,876	\$ 4,798,414	146.24%	76.70%

PERA – General Employees Retirement Fund
 Schedule of City Contributions
 Year Ended December 31, 2022

City Fiscal Year-End Date	Statutorily Required Contributions	Contributions in Relation to the Statutorily Required Contributions	Contribution Deficiency (Excess)	Covered Payroll	Contributions as a Percentage of Covered Payroll
12/31/2015	\$ 221,233	\$ 221,233	\$ –	\$ 2,949,778	7.50%
12/31/2016	\$ 226,098	\$ 226,098	\$ –	\$ 3,014,640	7.50%
12/31/2017	\$ 245,260	\$ 245,260	\$ –	\$ 3,270,133	7.50%
12/31/2018	\$ 267,307	\$ 267,307	\$ –	\$ 3,564,093	7.50%
12/31/2019	\$ 288,235	\$ 288,235	\$ –	\$ 3,842,870	7.50%
12/31/2020	\$ 271,112	\$ 271,112	\$ –	\$ 3,609,248	7.51%
12/31/2021	\$ 334,639	\$ 334,639	\$ –	\$ 4,469,736	7.49%
12/31/2022	\$ 371,077	\$ 371,077	\$ –	\$ 4,947,745	7.50%

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

CITY OF WAYZATA

PERA – Public Employees Police and Fire Fund
 Schedule of City’s and Nonemployer Proportionate Share of Net Pension Liability
 Year Ended December 31, 2022

City Fiscal Year-End Date	PERA Fiscal Year-End Date (Measurement Date)	City’s Proportion of the Net Pension Liability	City’s Proportionate Share of the Net Pension Liability	City’s Proportionate Share of the Net Pension Liability	City’s Proportionate Share of the Net Pension Liability	City’s Covered Payroll	City’s Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
12/31/2015	06/30/2015	0.1020%	\$ 1,158,959	\$ –	\$ 1,158,959	\$ 936,215	123.79%	86.60%
12/31/2016	06/30/2016	0.1020%	\$ 4,093,437	\$ –	\$ 4,093,437	\$ 982,601	416.59%	63.90%
12/31/2017	06/30/2017	0.1010%	\$ 1,363,620	\$ –	\$ 1,363,620	\$ 1,033,368	131.96%	85.40%
12/31/2018	06/30/2018	0.0981%	\$ 1,045,645	\$ –	\$ 1,045,645	\$ 1,033,534	101.17%	88.80%
12/31/2019	06/30/2019	0.1010%	\$ 1,075,247	\$ –	\$ 1,075,247	\$ 1,065,638	100.90%	89.30%
12/31/2020	06/30/2020	0.1012%	\$ 1,333,924	\$ 31,430	\$ 1,365,354	\$ 1,143,195	116.68%	87.20%
12/31/2021	06/30/2021	0.1054%	\$ 813,576	\$ 36,563	\$ 850,139	\$ 1,245,238	65.33%	93.70%
12/31/2022	06/30/2022	0.1047%	\$ 4,556,130	\$ 198,902	\$ 4,755,032	\$ 1,271,281	358.39%	70.50%

PERA – Public Employees Police and Fire Fund
 Schedule of City Contributions
 Year Ended December 31, 2022

City Fiscal Year-End Date	Statutorily Required Contributions	Contributions in Relation to the Statutorily Required Contributions	Contribution Deficiency (Excess)	Covered Payroll	Contributions as a Percentage of Covered Payroll
12/31/2015	\$ 153,685	\$ 153,685	\$ –	\$ 948,675	16.20%
12/31/2016	\$ 164,719	\$ 164,719	\$ –	\$ 1,016,784	16.20%
12/31/2017	\$ 164,989	\$ 164,989	\$ –	\$ 1,018,451	16.20%
12/31/2018	\$ 173,672	\$ 173,672	\$ –	\$ 1,072,049	16.20%
12/31/2019	\$ 183,640	\$ 183,640	\$ –	\$ 1,085,584	16.92%
12/31/2020	\$ 208,688	\$ 208,688	\$ –	\$ 1,179,002	17.70%
12/31/2021	\$ 226,636	\$ 226,636	\$ –	\$ 1,280,433	17.70%
12/31/2022	\$ 229,527	\$ 229,527	\$ –	\$ 1,296,764	17.70%

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

CITY OF WAYZATA

Other Post-Employment Benefits Plan
 Schedule of Changes in the City's Total
 OPEB Liability and Related Ratios
 Year Ended December 31, 2022

	City Fiscal Year Ended December 31,				
	2018	2019	2020	2021	2022
Total OPEB liability					
Service cost	\$ 33,826	\$ 37,028	\$ 30,537	\$ 36,808	\$ 42,559
Interest	15,107	14,958	18,187	10,135	8,600
Differences between expected and actual experience	–	–	(144,604)	6,879	259,444
Changes of assumptions	8,276	(17,311)	29,464	8,671	(89,577)
Benefit payments	(24,770)	(25,706)	(10,991)	(18,227)	(46,800)
Net change in total OPEB liability	32,439	8,969	(77,407)	44,266	174,226
Total OPEB liability – beginning of year	378,218	410,657	419,626	342,219	386,485
Total OPEB liability – end of year	<u>\$ 410,657</u>	<u>\$ 419,626</u>	<u>\$ 342,219</u>	<u>\$ 386,485</u>	<u>\$ 560,711</u>
Covered-employee payroll	<u>\$ 3,300,000</u>	<u>\$ 3,400,000</u>	<u>\$ 3,800,000</u>	<u>\$ 3,900,000</u>	<u>\$ 4,300,000</u>
Total OPEB liability as a percentage of covered-employee payroll	<u>12.44%</u>	<u>12.34%</u>	<u>9.01%</u>	<u>9.91%</u>	<u>13.04%</u>

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

CITY OF WAYZATA

Notes to Required Supplementary Information December 31, 2022

PERA – GENERAL EMPLOYEES RETIREMENT FUND

2022 CHANGES IN ACTUARIAL ASSUMPTIONS

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

2021 CHANGES IN ACTUARIAL ASSUMPTIONS

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

2020 CHANGES IN ACTUARIAL ASSUMPTIONS

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

2020 CHANGES IN PLAN PROVISIONS

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

CITY OF WAYZATA

Notes to Required Supplementary Information (continued)
December 31, 2022

PERA – GENERAL EMPLOYEES RETIREMENT FUND (CONTINUED)

2019 CHANGES IN ACTUARIAL ASSUMPTIONS

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

2019 CHANGES IN PLAN PROVISIONS

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

2018 CHANGES IN ACTUARIAL ASSUMPTIONS

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

2018 CHANGES IN PLAN PROVISIONS

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

CITY OF WAYZATA

Notes to Required Supplementary Information (continued)
December 31, 2022

PERA – GENERAL EMPLOYEES RETIREMENT FUND (CONTINUED)

2017 CHANGES IN ACTUARIAL ASSUMPTIONS

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

2017 CHANGES IN PLAN PROVISIONS

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

2016 CHANGES IN ACTUARIAL ASSUMPTIONS

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

2015 CHANGES IN ACTUARIAL ASSUMPTIONS

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

2015 CHANGES IN PLAN PROVISIONS

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

CITY OF WAYZATA

Notes to Required Supplementary Information (continued)
December 31, 2022

PERA – PUBLIC EMPLOYEES POLICE AND FIRE FUND

2022 CHANGES IN ACTUARIAL ASSUMPTIONS

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

2021 CHANGES IN ACTUARIAL ASSUMPTIONS

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

2020 CHANGES IN ACTUARIAL ASSUMPTIONS

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

2019 CHANGES IN ACTUARIAL ASSUMPTIONS

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

CITY OF WAYZATA

Notes to Required Supplementary Information (continued)
December 31, 2022

PERA – PUBLIC EMPLOYEES POLICE AND FIRE FUND (CONTINUED)

2018 CHANGES IN ACTUARIAL ASSUMPTIONS

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

2018 CHANGES IN PLAN PROVISIONS

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

2017 CHANGES IN ACTUARIAL ASSUMPTIONS

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

CITY OF WAYZATA

Notes to Required Supplementary Information (continued)
December 31, 2022

PERA – PUBLIC EMPLOYEES POLICE AND FIRE FUND (CONTINUED)

2016 CHANGES IN ACTUARIAL ASSUMPTIONS

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

2015 CHANGES IN ACTUARIAL ASSUMPTIONS

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

2015 CHANGES IN PLAN PROVISIONS

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

CITY OF WAYZATA

Notes to Required Supplementary Information (continued)
December 31, 2022

OTHER POST-EMPLOYMENT BENEFITS PLAN

2022 CHANGES IN ACTUARIAL ASSUMPTIONS

- The discount rate was changed from 2.12 percent to 2.06 percent.
- Healthcare cost trend rates and per capita medical claims were updated based on published trend models and recent experience to better reflect future anticipated experience.
- Withdrawal, mortality, and salary scale assumptions were updated to those used in the most recently published PERA GEF and PEPFF valuations.
- Future retiree participation rates were updated from 55.00 percent to 50.00 percent based on analysis of past plan experience.
- Future retiree spouse participation rates were updated from 40.00 percent for PERA GEF plan members and 60.00 percent for PERA PEPFF plan members to 35.00 percent based on analysis of past plan experience.
- Future retiree medical plan blending was updated based on an analysis of plan election rates as of the valuation date.

2021 CHANGES IN ACTUARIAL ASSUMPTIONS

- The discount rate was changed from 2.74 percent to 2.12 percent.

2020 CHANGES IN ACTUARIAL ASSUMPTIONS

- The discount rate was changed from 4.09 percent to 2.74 percent.
- The payroll growth rate was changed from 3.50 percent to 3.25 percent.
- The mortality projection scale was changed from MP-2016 to MP-2018.

2019 CHANGES IN ACTUARIAL ASSUMPTIONS

- The discount rate was changed from 3.44 percent to 4.09 percent.

2018 CHANGES IN ACTUARIAL ASSUMPTIONS

- The discount rate was changed from 4.50 percent to 3.44 percent.

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SUPPLEMENTARY INFORMATION

CITY OF WAYZATA

Nonmajor Governmental Funds
 Combining Balance Sheet
 December 31, 2022

	<u>Special Revenue</u>	<u>Capital Projects</u>	<u>Total</u>
Assets			
Cash and investments	\$ 134,986	\$ 5,158,226	\$ 5,293,212
Receivables			
Interest	-	1,842	1,842
Accounts	17,972	-	17,972
Leases	-	406,280	406,280
Prepaid items	-	12,000	12,000
	<u> </u>	<u> </u>	<u> </u>
Total assets	<u>\$ 152,958</u>	<u>\$ 5,578,348</u>	<u>\$ 5,731,306</u>
Liabilities			
Accounts and contracts payable	\$ 1,900	\$ 32,281	\$ 34,181
Due to other governments	-	2,113	2,113
Accrued salaries payable	1,926	-	1,926
Deposits payable	-	539,852	539,852
	<u> </u>	<u> </u>	<u> </u>
Total liabilities	3,826	574,246	578,072
Deferred inflows of resources			
Lease revenue for subsequent years	-	402,319	402,319
Fund balances			
Nonspendable	-	12,000	12,000
Restricted	16,543	-	16,543
Committed	132,589	-	132,589
Assigned	-	4,589,783	4,589,783
	<u> </u>	<u> </u>	<u> </u>
Total fund balances	<u>149,132</u>	<u>4,601,783</u>	<u>4,750,915</u>
	<u> </u>	<u> </u>	<u> </u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 152,958</u>	<u>\$ 5,578,348</u>	<u>\$ 5,731,306</u>

CITY OF WAYZATA

Nonmajor Governmental Funds
 Combining Statement of Revenue, Expenditures, and Changes in Fund Balances
 Year Ended December 31, 2022

	<u>Special Revenue</u>	<u>Capital Projects</u>	<u>Total</u>
Revenue			
Taxes			
Franchise fees	\$ 79,507	\$ -	\$ 79,507
Intergovernmental	-	6,125	6,125
Charges for services	8,770	310,968	319,738
Investment earnings (charges)	(11,229)	(472,483)	(483,712)
Miscellaneous			
Contributions and donations	69,792	387,288	457,080
Refunds and reimbursements	-	8,990	8,990
Total revenue	<u>146,840</u>	<u>240,888</u>	<u>387,728</u>
Expenditures			
Current			
General government	133,440	-	133,440
Public works	-	1,605	1,605
Culture and recreation	-	729,314	729,314
Capital outlay			
General government	-	173,958	173,958
Public safety	-	239,907	239,907
Public works	-	62,704	62,704
Culture and recreation	-	389,098	389,098
Debt service			
Principal	-	18,001	18,001
Interest and fiscal charges	-	5,999	5,999
Total expenditures	<u>133,440</u>	<u>1,620,586</u>	<u>1,754,026</u>
Excess (deficiency) of revenue over expenditures	13,400	(1,379,698)	(1,366,298)
Other financing sources (uses)			
Transfers in	-	500,000	500,000
Transfers (out)	(5,000)	(100,000)	(105,000)
Total other financing sources (uses)	<u>(5,000)</u>	<u>400,000</u>	<u>395,000</u>
Net change in fund balances	8,400	(979,698)	(971,298)
Fund balances			
Beginning of year	<u>140,732</u>	<u>5,581,481</u>	<u>5,722,213</u>
End of year	<u>\$ 149,132</u>	<u>\$ 4,601,783</u>	<u>\$ 4,750,915</u>

CITY OF WAYZATA

Nonmajor Special Revenue Funds
 Combining Balance Sheet
 December 31, 2022

	<u>232</u>	<u>235</u>	<u>236/240</u>	<u>239</u>	
	Cemetery	Cable TV	Police Forfeiture	Comprehensive Plan	Totals
Assets					
Cash and investments	\$ 19,909	\$ 28,545	\$ 16,543	\$ 69,989	\$ 134,986
Receivables					
Accounts	-	17,972	-	-	17,972
Total assets	<u>\$ 19,909</u>	<u>\$ 46,517</u>	<u>\$ 16,543</u>	<u>\$ 69,989</u>	<u>\$ 152,958</u>
Liabilities					
Accounts and contracts payable	\$ -	\$ 1,900	\$ -	\$ -	\$ 1,900
Accrued salaries payable	609	1,317	-	-	1,926
Total liabilities	609	3,217	-	-	3,826
Fund balances					
Restricted	-	-	16,543	-	16,543
Committed	19,300	43,300	-	69,989	132,589
Total fund balances	<u>19,300</u>	<u>43,300</u>	<u>16,543</u>	<u>69,989</u>	<u>149,132</u>
Total liabilities and fund balances	<u>\$ 19,909</u>	<u>\$ 46,517</u>	<u>\$ 16,543</u>	<u>\$ 69,989</u>	<u>\$ 152,958</u>

CITY OF WAYZATA

Nonmajor Special Revenue Funds
 Combining Statement of Revenue, Expenditures, and Changes in Fund Balances
 Year Ended December 31, 2022

	232	235	236/240	239	
	Cemetery	Cable TV	Police Forfeiture	Comprehensive Plan	Totals
Revenue					
Taxes					
Franchise fees	\$ -	\$ 79,507	\$ -	\$ -	\$ 79,507
Charges for services	8,770	-	-	-	8,770
Investment earnings (charges)	(2,208)	(1,687)	(1,529)	(5,805)	(11,229)
Miscellaneous					
Contributions and donations	-	59,401	-	10,391	69,792
Total revenue	6,562	137,221	(1,529)	4,586	146,840
Expenditures					
Current					
General government	9,323	124,082	-	35	133,440
Excess (deficiency) of revenue over expenditures	(2,761)	13,139	(1,529)	4,551	13,400
Other financing (uses)					
Transfers (out)	-	(5,000)	-	-	(5,000)
Net change in fund balances	(2,761)	8,139	(1,529)	4,551	8,400
Fund balances					
Beginning of year	22,061	35,161	18,072	65,438	140,732
End of year	\$ 19,300	\$ 43,300	\$ 16,543	\$ 69,989	\$ 149,132

CITY OF WAYZATA

Nonmajor Capital Projects Funds
 Combining Balance Sheet
 December 31, 2022

	233	237	401	404
	Lakefront Improvement	Fire Department Pull Tabs	Internally Financed	Parks and Trails
Assets				
Cash and investments	\$ 204,389	\$ 355,015	\$ 511,848	\$ 1,302,566
Receivables				
Interest	-	-	-	1,657
Leases	-	-	-	138,254
Prepaid items	-	-	-	12,000
Total assets	\$ 204,389	\$ 355,015	\$ 511,848	\$ 1,454,477
Liabilities				
Accounts and contracts payable	\$ 1,595	\$ -	\$ -	\$ 5,774
Due to other governments	-	-	-	-
Deposits payable	-	-	-	-
Total liabilities	1,595	-	-	5,774
Deferred inflows of resources				
Lease revenue for subsequent years	-	-	-	138,972
Fund balances				
Unspendable	-	-	-	12,000
Assigned	202,794	355,015	511,848	1,297,731
Total fund balances	202,794	355,015	511,848	1,309,731
Total liabilities, deferred inflows of resources, and fund balances	\$ 204,389	\$ 355,015	\$ 511,848	\$ 1,454,477

409	437	802	
<u>Equipment Revolving</u>	<u>Community Room/Library</u>	<u>Developer Financed</u>	<u>Totals</u>
\$ 1,983,920	\$ 260,636	\$ 539,852	\$ 5,158,226
-	185	-	1,842
-	268,026	-	406,280
-	-	-	12,000
<u>\$ 1,983,920</u>	<u>\$ 528,847</u>	<u>\$ 539,852</u>	<u>\$ 5,578,348</u>
\$ 24,912	\$ -	\$ -	\$ 32,281
2,113	-	-	2,113
-	-	539,852	539,852
27,025	-	539,852	574,246
-	263,347	-	402,319
-	-	-	12,000
<u>1,956,895</u>	<u>265,500</u>	<u>-</u>	<u>4,589,783</u>
<u>1,956,895</u>	<u>265,500</u>	<u>-</u>	<u>4,601,783</u>
<u>\$ 1,983,920</u>	<u>\$ 528,847</u>	<u>\$ 539,852</u>	<u>\$ 5,578,348</u>

CITY OF WAYZATA

Nonmajor Capital Projects Funds
 Combining Statement of Revenue, Expenditures, and Changes in Fund Balances
 Year Ended December 31, 2022

	233	237	401	404
	Lakefront Improvement	Fire Department Pull Tabs	Internally Financed	Parks and Trails
Revenue				
Intergovernmental	\$ -	\$ -	\$ -	\$ 6,125
Charges for services	-	-	-	255,015
Investment earnings (charges)	(56,951)	(30,204)	(49,289)	(139,526)
Miscellaneous				
Contributions and donations	208,896	101,000	61,392	16,000
Refunds and reimbursements	-	-	-	8,990
	<u>151,945</u>	<u>70,796</u>	<u>12,103</u>	<u>146,604</u>
Total revenue				
Expenditures				
Current				
Public works	-	-	-	-
Culture and recreation	534,070	-	-	28,507
Capital outlay				
General government	-	-	-	-
Public safety	-	35,388	-	-
Public works	-	-	23,914	-
Culture and recreation	21,951	-	-	312,505
Debt service				
Principal	-	-	-	18,001
Interest and fiscal charges	-	-	-	5,999
	<u>556,021</u>	<u>35,388</u>	<u>23,914</u>	<u>365,012</u>
Total expenditures				
Excess (deficiency) of revenue over expenditures	(404,076)	35,408	(11,811)	(218,408)
Other financing sources (uses)				
Transfers in	-	-	-	-
Transfers (out)	(100,000)	-	-	-
	<u>(100,000)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total other financing sources (uses)				
Net change in fund balances	(504,076)	35,408	(11,811)	(218,408)
Fund balances				
Beginning of year	<u>706,870</u>	<u>319,607</u>	<u>523,659</u>	<u>1,528,139</u>
End of year	<u>\$ 202,794</u>	<u>\$ 355,015</u>	<u>\$ 511,848</u>	<u>\$ 1,309,731</u>

409	437	802	
<u>Equipment Revolving</u>	<u>Community Room/Library</u>	<u>Developer Financed</u>	<u>Totals</u>
\$ -	\$ -	\$ -	\$ 6,125
-	55,953	-	310,968
(165,835)	(30,678)	-	(472,483)
-	-	-	387,288
-	-	-	8,990
(165,835)	25,275	-	240,888
-	-	1,605	1,605
-	166,737	-	729,314
173,958	-	-	173,958
204,519	-	-	239,907
38,790	-	-	62,704
54,642	-	-	389,098
-	-	-	18,001
-	-	-	5,999
<u>471,909</u>	<u>166,737</u>	<u>1,605</u>	<u>1,620,586</u>
(637,744)	(141,462)	(1,605)	(1,379,698)
500,000	-	-	500,000
-	-	-	(100,000)
<u>500,000</u>	<u>-</u>	<u>-</u>	<u>400,000</u>
(137,744)	(141,462)	(1,605)	(979,698)
<u>2,094,639</u>	<u>406,962</u>	<u>1,605</u>	<u>5,581,481</u>
<u>\$ 1,956,895</u>	<u>\$ 265,500</u>	<u>\$ -</u>	<u>\$ 4,601,783</u>

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CITY OF WAYZATA

General Fund
 Schedule of Revenue, Expenditures, and Changes in Fund Balances – Budget and Actual
 Year Ended December 31, 2022
 (With Comparative Actual Amounts for the Year Ended December 31, 2021)

	2022			Over (Under) Budget	2021
	Budget		Actual		Actual
	Original	Final			
Revenue					
Taxes					
Property taxes	\$ 4,941,501	\$ 4,941,501	\$ 4,785,349	\$ (156,152)	\$ 4,708,417
Franchise fees	85,000	85,000	87,436	2,436	86,290
Total taxes	5,026,501	5,026,501	4,872,785	(153,716)	4,794,707
Licenses and permits					
Business	257,695	257,695	263,783	6,088	221,573
Nonbusiness	372,500	372,500	323,031	(49,469)	429,840
Total licenses and permits	630,195	630,195	586,814	(43,381)	651,413
Intergovernmental					
State	223,000	223,000	256,476	33,476	237,401
Federal	244,000	244,000	508,927	264,927	23,872
Component unit	45,000	45,000	45,000	–	45,000
Total intergovernmental	512,000	512,000	810,403	298,403	306,273
Charges for services					
General government	386,000	386,000	445,564	59,564	412,197
Public safety	446,095	446,095	433,945	(12,150)	420,923
Culture and recreation	25,300	25,300	27,877	2,577	24,051
Total charges for services	857,395	857,395	907,386	49,991	857,171
Fines and forfeitures	92,000	92,000	62,255	(29,745)	71,557
Investment earnings (charges)	10,000	10,000	(147,475)	(157,475)	(8,419)
Miscellaneous	5,000	5,000	15,755	10,755	8,076
Total revenue	7,133,091	7,133,091	7,107,923	(25,168)	6,680,778
Expenditures					
Current					
General government					
Mayor and City Council					
Personnel services	25,836	25,836	25,836	–	25,836
Supplies	500	500	235	(265)	964
Other current expenditures	21,200	21,200	26,160	4,960	18,336
Total mayor and City Council	47,536	47,536	52,231	4,695	45,136
Administration and finance					
Personnel services	612,162	612,162	559,566	(52,596)	505,527
Supplies	8,500	8,500	9,105	605	11,951
Other current expenditures	391,730	391,730	398,517	6,787	373,840
Total administration and finance	1,012,392	1,012,392	967,188	(45,204)	891,318
Assessing					
Supplies	3,500	3,500	1,698	(1,802)	2,953
Other current expenditures	73,000	73,000	81,320	8,320	73,350
Total assessing	76,500	76,500	83,018	6,518	76,303

CITY OF WAYZATA

General Fund
 Schedule of Revenue, Expenditures, and Changes in Fund Balances – Budget and Actual (continued)
 Year Ended December 31, 2022
 (With Comparative Actual Amounts for the Year Ended December 31, 2021)

	2022			Over (Under) Budget	2021
	Budget		Actual		Actual
	Original	Final			
Expenditures (continued)					
Current (continued)					
General government (continued)					
Planning and zoning					
Personnel services	345,860	345,860	314,973	(30,887)	300,357
Supplies	–	–	40	40	283
Other current expenditures	16,000	16,000	13,992	(2,008)	11,837
Total planning and zoning	361,860	361,860	329,005	(32,855)	312,477
General government buildings					
Personnel services	47,829	47,829	50,437	2,608	49,215
Supplies	7,500	7,500	7,652	152	6,078
Other current expenditures	214,500	214,500	245,152	30,652	227,848
Total general government buildings	269,829	269,829	303,241	33,412	283,141
Total general government	1,768,117	1,768,117	1,734,683	(33,434)	1,608,375
Public safety					
Police protection					
Personnel services	2,120,049	2,120,049	2,018,293	(101,756)	2,033,041
Supplies	45,500	45,500	81,839	36,339	59,674
Other current expenditures	151,500	151,500	177,518	26,018	155,585
Total police protection	2,317,049	2,317,049	2,277,650	(39,399)	2,248,300
Fire protection					
Personnel services	113,975	113,975	92,419	(21,556)	83,391
Supplies	44,000	44,000	46,498	2,498	48,380
Other current expenditures	210,000	210,000	220,956	10,956	200,579
Total fire protection	367,975	367,975	359,873	(8,102)	332,350
Building inspections					
Personnel services	179,536	179,536	183,865	4,329	181,545
Supplies	700	700	1,296	596	1,220
Other current expenditures	52,500	52,500	33,423	(19,077)	42,412
Total building inspections	232,736	232,736	218,584	(14,152)	225,177
Emergency management					
Supplies	–	–	–	–	3,521
Other current expenditures	3,000	3,000	6,367	3,367	2,503
Total emergency management	3,000	3,000	6,367	3,367	6,024
Health inspections					
Other current expenditures	39,000	39,000	36,775	(2,225)	34,656
Total public safety	2,959,760	2,959,760	2,899,249	(60,511)	2,846,507
Public works					
Streets					
Personnel services	532,012	532,012	507,455	(24,557)	485,278
Supplies	78,700	78,700	79,841	1,141	70,088
Other current expenditures	30,550	30,550	33,258	2,708	31,135
Total streets	641,262	641,262	620,554	(20,708)	586,501

CITY OF WAYZATA

General Fund
 Schedule of Revenue, Expenditures, and Changes in Fund Balances – Budget and Actual (continued)
 Year Ended December 31, 2022
 (With Comparative Actual Amounts for the Year Ended December 31, 2021)

	2022			Over (Under) Budget	2021
	Budget		Actual		Actual
	Original	Final			
Expenditures (continued)					
Current (continued)					
Public works (continued)					
Street lighting					
Supplies	24,000	24,000	21,884	(2,116)	13,739
Other current expenditures	65,000	65,000	74,876	9,876	61,231
Total street lighting	89,000	89,000	96,760	7,760	74,970
Engineering					
Personnel services	170,194	170,194	130,578	(39,616)	120,218
Supplies	900	900	884	(16)	718
Other current expenditures	6,600	6,600	5,026	(1,574)	5,491
Total engineering	177,694	177,694	136,488	(41,206)	126,427
Total public works	907,956	907,956	853,802	(54,154)	787,898
Culture and recreation					
Parks, recreation, and forestry					
Personnel services	716,308	716,308	718,544	2,236	619,631
Supplies	56,900	56,900	54,231	(2,669)	53,296
Other current expenditures	132,550	132,550	82,082	(50,468)	58,009
Total culture and recreation	905,758	905,758	854,857	(50,901)	730,936
Miscellaneous					
Unallocated					
Supplies	-	-	5,070	5,070	-
Other current expenditures	327,000	327,000	292,630	(34,370)	362,616
Total miscellaneous	327,000	327,000	297,700	(29,300)	362,616
Total current expenditures	6,868,591	6,868,591	6,640,291	(228,300)	6,336,332
Capital outlay					
General government	3,000	3,000	665	(2,335)	1,941
Public safety	2,500	2,500	10,451	7,951	3,699
Total capital outlay	5,500	5,500	11,116	5,616	5,640
Total expenditures	6,874,091	6,874,091	6,651,407	(222,684)	6,341,972
Excess of revenues over expenditures	259,000	259,000	456,516	197,516	338,806
Other financing sources (uses)					
Sale of capital assets	-	-	15,805	15,805	-
Insurance recovery	-	-	4,046	4,046	93
Transfers in	403,000	403,000	534,316	131,316	503,668
Transfers (out)	(662,000)	(662,000)	(662,000)	-	(1,146,988)
Total other financing sources (uses)	(259,000)	(259,000)	(107,833)	151,167	(643,227)
Net change in fund balances	\$ -	\$ -	348,683	\$ 348,683	(304,421)
Fund balances					
Beginning of year			4,012,272		4,316,693
End of year			\$ 4,360,955		\$ 4,012,272

CITY OF WAYZATA

Debt Service Fund
 Balance Sheet by Account
 Year Ended December 31, 2022

	307	310	311	315
	<u>Wayzata Blvd Superior</u>	<u>Superior/Lake Realignment</u>	<u>2009 Street Improvements</u>	<u>Big Woods</u>
Assets				
Cash and investments	\$ 395,246	\$ 475,374	\$ 21,362	\$ 230,129
Receivables				
Special assessments	<u>1,466,137</u>	<u>1,425,000</u>	<u>—</u>	<u>—</u>
Total assets	<u>\$ 1,861,383</u>	<u>\$ 1,900,374</u>	<u>\$ 21,362</u>	<u>\$ 230,129</u>
Deferred inflows of resources				
Unavailable revenue – special assessments	\$ 1,466,137	\$ 1,425,000	\$ —	\$ —
Fund balances (deficits)				
Restricted	<u>395,246</u>	<u>475,374</u>	<u>21,362</u>	<u>230,129</u>
Total deferred inflows of resources and fund balances	<u>\$ 1,861,383</u>	<u>\$ 1,900,374</u>	<u>\$ 21,362</u>	<u>\$ 230,129</u>

317	318	
Parking Ramp Tax Increment	Panoway	Totals
\$ (1,342)	\$ (440)	\$ 1,120,329
<u> -</u>	<u> -</u>	<u>2,891,137</u>
<u>\$ (1,342)</u>	<u>\$ (440)</u>	<u>\$ 4,011,466</u>
\$ -	\$ -	\$ 2,891,137
<u>(1,342)</u>	<u>(440)</u>	<u>1,120,329</u>
<u>\$ (1,342)</u>	<u>\$ (440)</u>	<u>\$ 4,011,466</u>

CITY OF WAYZATA

Debt Service Fund
 Schedule of Revenue, Expenditures, and Changes in Fund Balances by Account
 Year Ended December 31, 2022

	307	310	311	315
	<u>Wayzata Blvd Superior</u>	<u>Superior/Lake Realignment</u>	<u>2009 Street Improvements</u>	<u>Big Woods</u>
Revenue				
Taxes				
Property taxes	\$ -	\$ -	\$ 33,886	\$ 217,193
Intergovernmental	-	-	-	-
Special assessments	244,726	233,686	-	-
Investment earnings (charges)	<u>(15,392)</u>	<u>(41,898)</u>	<u>(1,879)</u>	<u>(23,044)</u>
Total revenue	229,334	191,788	32,007	194,149
Expenditures				
Debt service				
Principal	180,000	155,000	30,000	195,000
Interest and fiscal charges	<u>52,075</u>	<u>30,600</u>	<u>2,273</u>	<u>12,400</u>
Total expenditures	<u>232,075</u>	<u>185,600</u>	<u>32,273</u>	<u>207,400</u>
Net change in fund balances	(2,741)	6,188	(266)	(13,251)
Fund balances (deficits)				
Beginning of year	<u>397,987</u>	<u>469,186</u>	<u>21,628</u>	<u>243,380</u>
End of year	<u>\$ 395,246</u>	<u>\$ 475,374</u>	<u>\$ 21,362</u>	<u>\$ 230,129</u>

317	318	
Parking Ramp Tax Increment	Panoway	Totals
\$ –	\$ –	\$ 251,079
495,898	221,569	717,467
–	–	478,412
<u>(42)</u>	<u>–</u>	<u>(82,255)</u>
495,856	221,569	1,364,703
275,000	130,000	965,000
<u>221,373</u>	<u>91,569</u>	<u>410,290</u>
<u>496,373</u>	<u>221,569</u>	<u>1,375,290</u>
(517)	–	(10,587)
<u>(825)</u>	<u>(440)</u>	<u>1,130,916</u>
<u>\$ (1,342)</u>	<u>\$ (440)</u>	<u>\$ 1,120,329</u>

CITY OF WAYZATA

Housing and Redevelopment Authority
 (Discretely Presented Component Unit)
 Combining Balance Sheet
 December 31, 2022

	Special Revenue 440	Debt Service 314	Capital Projects		
	Housing	Widsten Tax Increment	316 Bay Center Tax Increment	305 Downtown TIF 6	Total
Assets					
Cash and temporary investments	\$ 12,004	\$ 43,534	\$ 2,339,523	\$ 434,241	\$ 2,829,302
Receivables					
Interest	5,700	-	-	-	5,700
Notes	10,000	-	-	-	10,000
	<u>27,704</u>	<u>43,534</u>	<u>2,339,523</u>	<u>434,241</u>	<u>2,845,002</u>
Total assets	\$ 27,704	\$ 43,534	\$ 2,339,523	\$ 434,241	\$ 2,845,002
Liabilities					
Accounts payable	\$ -	\$ -	\$ 866,790	\$ 174,761	\$ 1,041,551
Due to other governments	-	-	151,525	-	151,525
Due to primary government	-	-	-	1,565,979	1,565,979
Deposits payable	703	-	-	-	703
	<u>703</u>	<u>-</u>	<u>1,018,315</u>	<u>1,740,740</u>	<u>2,759,758</u>
Total liabilities	703	-	1,018,315	1,740,740	2,759,758
Fund balances (deficits)					
Restricted for economic development	27,001	43,534	1,321,208	-	1,391,743
Unassigned	-	-	-	(1,306,499)	(1,306,499)
	<u>27,001</u>	<u>43,534</u>	<u>1,321,208</u>	<u>(1,306,499)</u>	<u>85,244</u>
Total fund balances (deficits)	27,001	43,534	1,321,208	(1,306,499)	85,244
	<u>\$ 27,704</u>	<u>\$ 43,534</u>	<u>\$ 2,339,523</u>	<u>\$ 434,241</u>	<u>\$ 2,845,002</u>
Total fund balances reported above					\$ 85,244
Amounts reported for the Housing and Redevelopment Authority in the Statement of Net Position are different because:					
Capital assets used in the Housing and Redevelopment Authority are not financial resources and, therefore, are not reported as assets in the funds.					
Cost of capital assets					<u>2,092,900</u>
Total net position – Housing and Redevelopment Authority					<u><u>\$ 2,178,144</u></u>

CITY OF WAYZATA

Housing and Redevelopment Authority
(Discretely Presented Component Unit)

Combining Statement of Revenue, Expenditures, and Changes in Fund Balances
Year Ended December 31, 2022

	Special Revenue 440	Debt Service 314	Capital Projects		
	Housing	Widsten Tax Increment	Bay Center Tax Increment	Downtown TIF 6	Total
Revenue					
Tax increment	\$ -	\$ 551,901	\$ 2,679,261	\$ 625,691	\$ 3,856,853
Investment earnings (charges)	(630)	(9,455)	(60,986)	2,219	(68,852)
Total revenue	(630)	542,446	2,618,275	627,910	3,788,001
Expenditures					
Current					
Housing and economic development	-	518,383	2,011,606	322,469	2,852,458
Debt service					
Interest and fiscal fees	-	-	475	-	475
Total expenditures	-	518,383	2,012,081	322,469	2,852,933
Net change in fund balances	(630)	24,063	606,194	305,441	935,068
Fund balances (deficits)					
Beginning of year	27,631	19,471	715,014	(1,611,940)	(849,824)
End of year	\$ 27,001	\$ 43,534	\$ 1,321,208	\$(1,306,499)	\$ 85,244

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