



Annual Financial Report

City of Credit River

Scott County, Minnesota

For the year ended December 31, 2021



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City of Credit River, Minnesota
Annual Financial Report
Table of Contents
For the Year Ended December 31, 2021

| | <u>Page No.</u> |
|---|-----------------|
| Introductory Section | |
| Elected and Appointed Officials | 7 |
| Financial Section | |
| Independent Auditor's Report | 11 |
| Management's Discussion and Analysis | 15 |
| Basic Financial Statements | |
| Government-wide Financial Statements | |
| Statement of Net Position | 27 |
| Statement of Activities | 28 |
| Fund Financial Statements | |
| Governmental Funds | |
| Balance Sheet | 32 |
| Reconciliation of the Balance Sheet to the Statement of Net Position | 35 |
| Statement of Revenues, Expenditures and Changes in Fund Balances | 36 |
| Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances to the Statement of Activities | 39 |
| General Fund and Road and Bridge Fund | |
| Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual | 40 |
| Proprietary Funds | |
| Statements of Net Position | 42 |
| Statements of Revenues, Expenses and Changes in Net Position | 43 |
| Statements of Cash Flows | 44 |
| Notes to the Financial Statements | 45 |
| Required Supplementary Information | |
| Schedule of Employer's Share of Public Employees Retirement Association Net Pension Liability - General Employees Retirement Fund | 64 |
| Schedule of Employer's Public Employees Retirement Association Contributions - General Employees Retirement Fund | 64 |
| Notes to the Required Supplementary Information - General Employees Retirement Fund | 65 |
| Combining and Individual Fund Financial Statements and Schedules | |
| Nonmajor Governmental Funds | |
| Combining Balance Sheet | 68 |
| Combining Schedule of Revenues, Expenditures and Changes in Fund Balances | 69 |
| General Fund | |
| Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual | 71 |
| Road and Bridge Fund | |
| Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual | 75 |
| Proprietary Funds | |
| Combining Schedules of Net Position | 76 |
| Combining Schedules of Revenues, Expenses and Changes in Net Position | 78 |
| Combining Schedules of Cash Flows | 80 |
| Debt Service Funds | |
| Combining Balance Sheet | 82 |
| Combining Schedules of Revenues, Expenditures and Changes in Fund Balances | 83 |
| Summary Financial Report | |
| Revenues and Expenses for General Operations - Governmental Funds | 84 |
| Other Required Report | |
| Independent Auditor's Report on Minnesota Legal Compliance | 87 |

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INTRODUCTORY SECTION
CITY OF CREDIT RIVER
SCOTT COUNTY, MINNESOTA

FOR THE YEAR ENDED
DECEMBER 31, 2021

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City of Credit River, Minnesota
Elected and Appointed Officials
For the Year Ended December 31, 2021

ELECTED

| <u>Name</u> | <u>Title</u> | <u>Term Expires</u> |
|----------------|---------------|---------------------|
| Chris Kostik | Mayor | 12/31/22 |
| Al Novak | Councilmember | 12/31/22 |
| Brent Lawrence | Councilmember | 12/31/24 |
| Leroy Schommer | Councilmember | 12/31/24 |
| Andrew Stevens | Councilmember | 12/31/22 |

CITY OFFICIALS - APPOINTED

| <u>Name</u> | <u>Title</u> |
|----------------|--------------|
| Karen Donovan | Clerk |
| Dominique Hill | Treasurer |

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FINANCIAL SECTION
CITY OF CREDIT RIVER
SCOTT COUNTY, MINNESOTA

FOR THE YEAR ENDED
DECEMBER 31, 2021

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INDEPENDENT AUDITOR'S REPORT

Honorable Mayor and City Council
City of Credit River
Credit River, Minnesota

Report on the Financial Statements

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City as of December 31, 2021, 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 (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the City of Credit River 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.

Management's Responsibility for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with GAAS, 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 of Credit River'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 of Credit River'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.

Report on Summarized Comparative Information

The prior year comparative information has been derived from the City's 2020 financial statements and, in our report dated March 8, 2021, we expressed unmodified opinions on the respective proprietary fund financial statements.

We have previously audited the City's 2020 financial statements, and we expressed unmodified opinions on the respective financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund and the aggregate remaining fund information in our report dated March 8, 2021. In our opinion, the summarized comparative information presented herein for the respective proprietary fund financial statements as of and for the year ended December 31, 2020, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis starting on page 15 and the Schedule of Employer's Share of the Net Pension Liability, the Schedule of Employer's Contributions and the related note disclosures starting on page 64 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.



Other Information

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

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

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



Abdo
Minneapolis, Minnesota
March 25, 2022



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Management's Discussion and Analysis

As management of City of Credit River, Minnesota, (the City), we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended December 31, 2021.

Financial Highlights

- The assets and deferred outflows of resources of the City exceeded its liabilities and deferred inflows of resources at the close of the most recent fiscal year by \$17,664,616 (net position). Of this amount, \$4,607,688 (unrestricted net position) may be used to meet the City's ongoing obligations to citizens and creditors.
- The City's total net position increased by \$480,823. This increase is related to the city now being in control of permitting and a significant increase in special assessment revenue.
- As of the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$5,144,674, an increase of \$1,385,481 in comparison with the prior year, this is primarily due to General fund revenues exceeding expenditures during the year. Approximately 21.0 percent of this total amount, \$1,080,283, is available for spending at the City's discretion, with remainder being either 1) nonspendable (\$23,082) 2) restricted (\$1,486,778) 3) committed (\$1,158,280) or 4) assigned (\$1,396,251).
- At the end of the current fiscal year, unassigned fund balance for the General fund was \$1,080,283, or 79.9 percent of 2022 General fund budgeted expenditures.

Overview of the Financial Statements

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

The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data. The statements are followed by a section of combining and individual fund financial statements and schedules which further explain and support the information in the financial statements. Figure 1 shows how the required parts of this annual report are arranged and relate to one another. In addition to these required elements, we have included a section with combining and individual fund financial statements and schedules that provide details about non-major governmental funds, which are added together and presented in single columns in the basic financial statements.

Figure 1
Required Components of the
City's Annual Financial Report

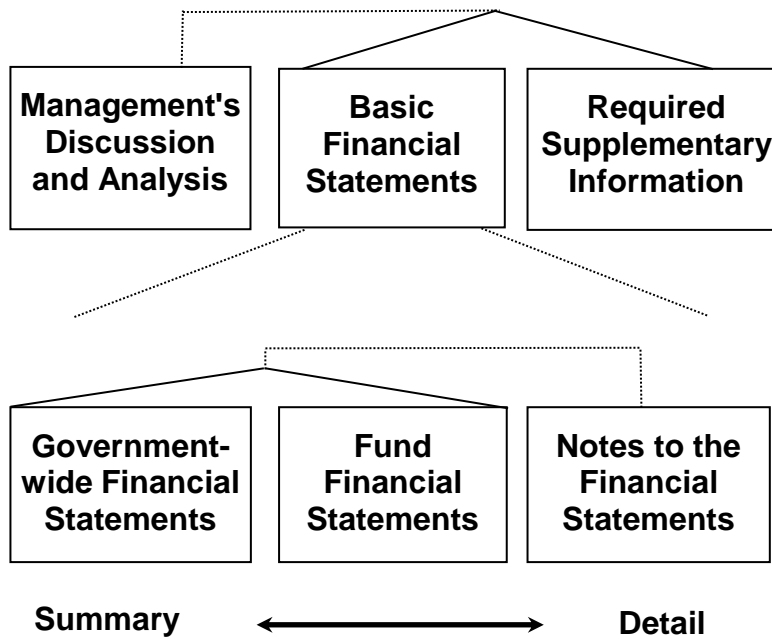


Figure 2 summarizes the major features of the City’s financial statements, including the portion of the City government they cover and the types of information they contain. The remainder of this overview section of management’s discussion and analysis explains the structure and contents of each of the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

Figure 2
Major Features of the Government-wide and Fund Financial Statements

| | Fund Financial Statements | | |
|--|--|--|--|
| | Government-wide Statements | Governmental Funds | Proprietary Funds |
| Scope | Entire City government (except fiduciary funds) and the City’s component units | The activities of the City that are not proprietary or fiduciary, such as police, fire and parks | Activities the City operates similar to private businesses, such as the sewer system |
| Required financial statements | <ul style="list-style-type: none"> • Statement of Net Position • Statement of Activities | <ul style="list-style-type: none"> • Balance Sheet • Statement of Revenues, Expenditures, and Changes in Fund Balances | <ul style="list-style-type: none"> • Statements of Net Position • Statements of Revenues, Expenses and Changes in Net Position • Statements of Cash Flows |
| Accounting basis and measurement focus | Accrual accounting and economic resources focus | Modified accrual accounting and current financial resources focus | Accrual accounting and economic resources focus |
| Type of asset/liability information | All assets and liabilities, both financial and capital, and short term and long term | Only assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets included | All assets and liabilities, both financial and capital, and short-term and long-term |
| Type of deferred outflows/inflows of resources information | All deferred outflows/inflows of resources, regardless of when cash is received or paid | Only deferred outflows of resources expected to be used up and deferred inflows of resources that come due during the year or soon thereafter; no capital assets included | All deferred outflows/inflows of resources, regardless of when cash is received or paid. |
| Type of inflow/outflow information | All revenues and expenses during year, regardless of when cash is received or paid | Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and payment is due during the year or soon thereafter | All revenues and expenses during the year, regardless of when cash is received or paid |

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 *statement of net position* presents information on all of the City’s assets and deferred outflows of resources and 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).

The government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenue (*governmental activities*). The governmental activities of the City include general government, public safety, public works, culture and recreation, and interest on long-term debt. The business-type activities of the City include its sewer system.

The government-wide financial statements can be found starting on page 27 of this report.

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

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

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

The City maintains several governmental funds, four of which are debt service funds combined into one fund. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures and changes in fund balances for the General, Road and Bridge, Debt Service funds and the Capital Improvements fund, 2021 Road Project fund which are considered to be major funds. Individual fund data for the nonmajor governmental fund is provided on the same statement.

The City adopts an annual appropriated budget for its General and Road and Bridge fund. A budgetary comparison statement has been provided for each of the funds to demonstrate compliance with this budget.

The basic governmental fund financial statements can be found starting on page 32 of this report.

Proprietary Funds. The City maintains one type of proprietary fund. *Enterprise funds* are used to report the same functions presented as *business-type activities* in the government-wide financial statements. The City uses enterprise funds to account for its sewer subordinate service districts.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide information on the sewer subordinate service districts as a whole. Data for individual sewer subordinate service districts is provided in the form of *combining statements or schedules* elsewhere in this report.

The basic proprietary fund financial statements can be found starting on page 42 of this report.

Notes to the Financial Statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found starting on page 45 of this report.

Required Supplementary Information. In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the City's progress in funding its obligation to provide pension benefits to its employees. Required supplementary information can be found starting on page 64 of this report.

Other Information. The combining statements referred to earlier in connection with non-major governmental funds are presented following the notes to the financial statements. Combining and individual fund statements and schedules can be found starting on page 68 of this report.

Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the City, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$17,664,616 at the close of the most recent fiscal year.

By far, the largest portion of the City's net position (61.0 percent) reflects its investment in capital assets (e.g., land, buildings, machinery and equipment); less any related debt used to acquire those assets that are still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. The balance of *unrestricted net position* (\$4,607,688) may be used to meet the City's ongoing obligations to citizens and creditors.

City of Credit River's Net Position

| | Governmental Activities | | | Business-type Activities | | |
|---------------------------------------|-------------------------|----------------------|------------------------|--------------------------|---------------------|------------------------|
| | 2021 | 2020 | Increase (Decrease) | 2021 | 2020 | Increase (Decrease) |
| Assets | | | | | | |
| Current and other assets | \$ 7,581,763 | \$ 5,876,452 | \$ 1,705,311 | \$ 779,780 | \$ 612,700 | \$ 167,080 |
| Capital assets (net of depreciation) | 12,129,100 | 11,904,627 | 224,473 | 1,728,070 | 1,831,875 | (103,805) |
| Total Assets | 19,710,863 | 17,781,079 | 1,929,784 | 2,507,850 | 2,444,575 | 63,275 |
| Deferred Outflows of Resources | | | | | | |
| Deferred pension resources | 45,468 | 14,652 | 30,816 | - | - | - |
| Liabilities | | | | | | |
| Current and other liabilities | 1,084,238 | 557,174 | 527,064 | 200,050 | 19,335 | 180,715 |
| Noncurrent | 3,268,222 | 2,475,950 | 792,272 | - | - | - |
| Total Liabilities | 4,352,460 | 3,033,124 | 1,319,336 | 200,050 | 19,335 | 180,715 |
| Deferred Inflows of Resources | | | | | | |
| Deferred pension resources | 47,055 | 4,054 | 43,001 | - | - | - |
| Net Position | | | | | | |
| Net investment in capital assets | 9,067,165 | 9,543,393 | (476,228) | - | - | - |
| Investment in capital assets | - | - | - | 1,715,548 | 1,831,875 | (116,327) |
| Restricted for | | | | | | |
| Capital replacement and repair | - | - | - | 437,858 | 407,610 | 30,248 |
| Park improvements | 70,681 | 7,785 | 62,896 | - | - | - |
| Debt service | 1,765,676 | 1,791,571 | (25,895) | - | - | - |
| Unrestricted | 4,453,294 | 3,415,804 | 1,037,490 | 154,394 | 185,755 | (31,361) |
| Total Net Position | \$ 15,356,816 | \$ 14,758,553 | \$ 598,263 | \$ 2,307,800 | \$ 2,425,240 | \$ (117,440) |

At the end of the current fiscal year, the City is able to report a positive balance in net position for both governmental and business-type activities. The same situation held true in the prior year.

Governmental Activities. Governmental activities increased the City's net position by \$598,263 while business-type activities decreased the City's net position by \$117,440, Additional details are outlined below.

City of Credit River's Changes in Net Position

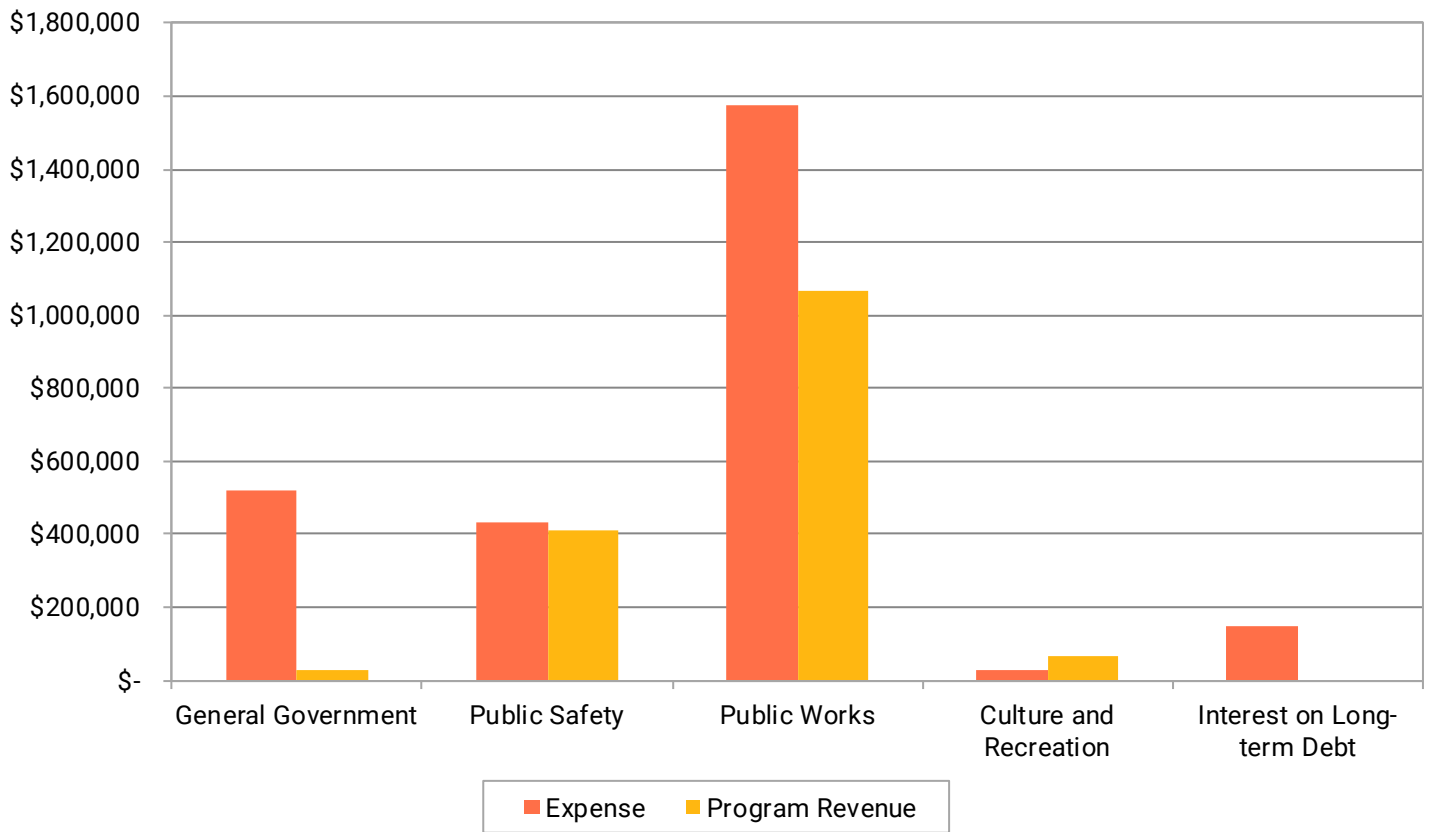
| | Governmental Activities | | | Business-type Activities | | |
|--|-------------------------|----------------------|------------------------|--------------------------|---------------------|------------------------|
| | 2021 | 2020 | Increase (Decrease) | 2021 | 2020 | Increase (Decrease) |
| Program Revenues | | | | | | |
| Charges for services | \$ 545,244 | \$ 83,845 | \$ 461,399 | \$ 252,262 | \$ 227,765 | \$ 24,497 |
| Operating grants and contributions | 51,034 | 514,089 | (463,055) | - | - | - |
| Capital grants and contributions | 977,216 | 430,336 | 546,880 | - | - | - |
| General revenues | | | | | | |
| Taxes | | | | | | |
| Property taxes, levied for general purposes | 1,698,399 | 1,611,496 | 86,903 | - | - | - |
| Franchise taxes | 27,603 | 26,564 | 1,039 | - | - | - |
| State grants and contributions not restricted to specific programs | 2,798 | 7,091 | (4,293) | - | - | - |
| Unrestricted investment earnings | 1,253 | 17,930 | (16,677) | 110 | 1,728 | (1,618) |
| Total Revenues | <u>3,303,547</u> | <u>2,691,351</u> | <u>612,196</u> | <u>252,372</u> | <u>229,493</u> | <u>22,879</u> |
| Expenses | | | | | | |
| General government | 518,095 | 475,541 | 42,554 | - | - | - |
| Public safety | 434,950 | 538,510 | (103,560) | - | - | - |
| Public works | 1,572,947 | 1,524,470 | 48,477 | - | - | - |
| Culture and recreation | 28,774 | 21,385 | 7,389 | - | - | - |
| Interest on long-term debt | 150,518 | 70,135 | 80,383 | - | - | - |
| Sewer | - | - | - | 369,812 | 315,762 | 54,050 |
| Total Expenses | <u>2,705,284</u> | <u>2,630,041</u> | <u>75,243</u> | <u>369,812</u> | <u>315,762</u> | <u>54,050</u> |
| Change In Net Position | 598,263 | 61,310 | 536,953 | (117,440) | (86,269) | (31,171) |
| Net Position, January 1 | <u>14,758,553</u> | <u>14,697,243</u> | <u>61,310</u> | <u>2,425,240</u> | <u>2,511,509</u> | <u>(86,269)</u> |
| Net Position, December 31 | <u>\$ 15,356,816</u> | <u>\$ 14,758,553</u> | <u>\$ 598,263</u> | <u>\$ 2,307,800</u> | <u>\$ 2,425,240</u> | <u>\$ (117,440)</u> |

The City's total net position increased \$480,823 during the year as compared to a total increase of \$24,959 in 2020. Key highlights of the increase and difference from prior year expectation can be explained by the following:

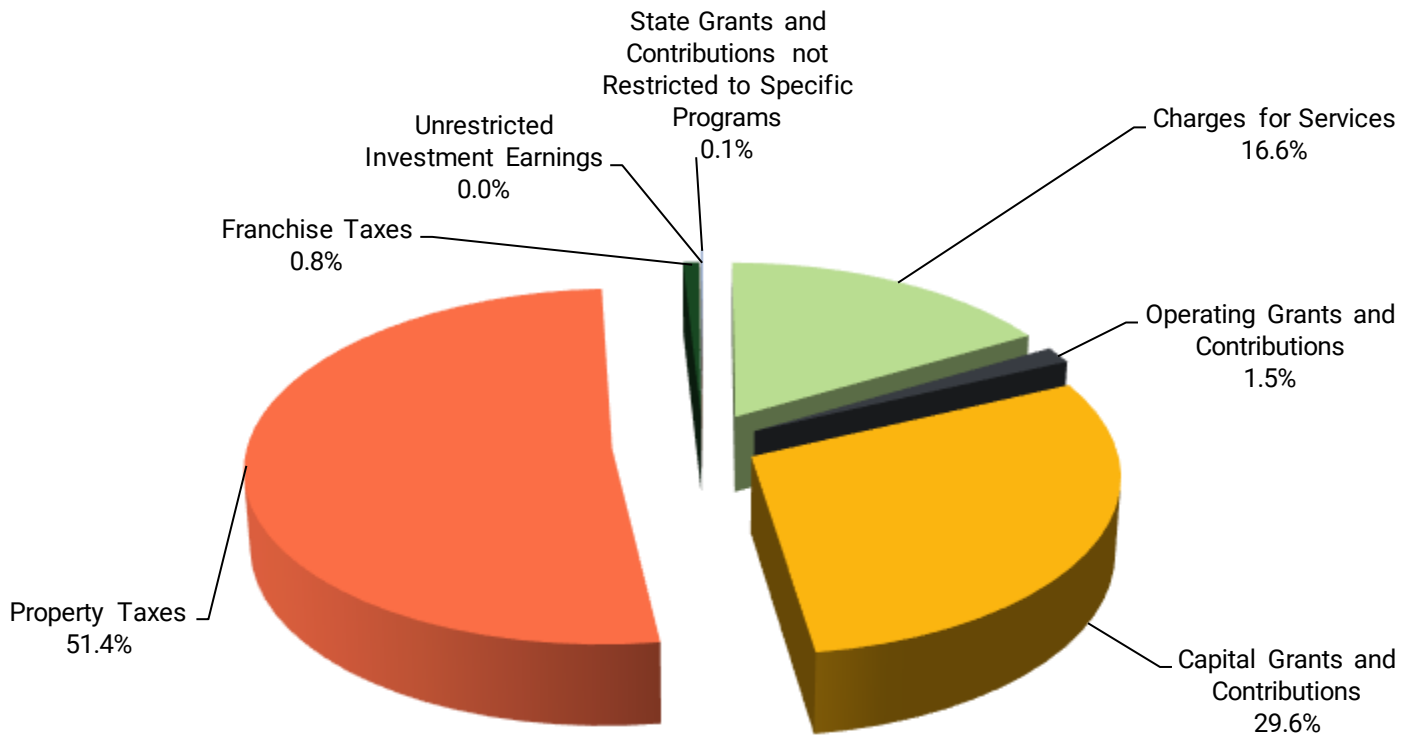
- Operating grants and contributions decreased \$463,055 primarily due to CARES Act Funding that was received for applicable COVID-19 expenses in 2020.
- Charges for services increased \$461,399 due to the city taking over permitting in 2021. Capital grants and contributions increased \$546,880 due to a significant increase in special assessment revenue.
- Expenses in public safety decreased by \$103,560 which was mostly due to additional COVID-19 expenses in 2020.
- Property taxes represent 51.4 percent of total governmental revenue in 2021. Property tax revenue increased \$86,903 from 2020.

The following graph depicts various governmental activities and shows the revenue and expenses directly related to those activities.

Expenses and Program Revenues - Governmental Activities



Revenues by Source - Governmental Activities



Financial Analysis of the Government's Funds

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

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

As of the end of the current fiscal year, the City's governmental funds had combined ending fund balances of \$5,144,674 , an increase of \$1,385,481 in comparison with the prior year. Approximately 21.0 percent of this total amount (\$1,080,283) constitutes *unassigned fund balance*, which is available for spending at the City's discretion. The remainder of fund balance is either: 1) Nonspendable (\$23,082), 2) Restricted (\$1,486,778), 3) Committed (\$1,158,280) or 4) Assigned (\$1,396,251).

The following outlines all major funds:

The General fund is the chief operating fund of the City. At the end of the current year, the fund balance of the General fund was \$1,103,365, an increase of \$588,473 from 2020. As a measure of the General fund's liquidity, it may be useful to compare both unassigned fund balance and total fund expenditures. Total fund balance represents 107% percent of same year fund expenditures. The increase in fund balance was mainly due to the City now doing its own permitting which generated additional revenues of \$461,399.

The Road and Bridge fund balance increased \$94,964 during the year. The reason for the change in fund balance was due to positive budget variances in both revenues and expenditures.

The Debt Service fund balance is restricted for future debt payments. The decrease in fund balance of \$45,198 is due to debt service expenditures exceeding revenues during the current year. The 2012 improvement bond was paid off early in 2021 which contributed to debt service expenditures exceeding revenue.

The fund balance in the Capital Improvement fund is assigned for future capital purchases. The fund balance increased \$407,014 mainly due to tax revenue and special assessment revenue exceeding capital purchases.

The 2021 Road Project fund balance is restricted for capital outlay related to the 2021 road project. The fund balance increased \$326,098 mainly since the fund did not spend all bond proceeds as of year end.

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

Unrestricted net position of the enterprise funds at the end of the year amounted to \$154,394. The total decrease in net position for the sewer fund was \$117,440, primarily due to the Territory Subordinate Service District's operating expenses exceeding revenues. Other factors concerning the finances of this fund have already been addressed in the discussion of the City's business-type activities.

General Fund Budgetary Highlights

The City's General fund budget was not amended during the year. Revenues had a positive budget variance of \$245,588 and expenditures had a positive budget variance of \$150,736, and overall the General fund had a positive budget variance of \$396,324.

Some of the significant variances can be briefly summarized as follows:

- The most significant revenue variance was in charges for services which had a positive budget variance of \$11,451 receipts related to permitting.
- The main reason for the positive expenditure variance was public works expenditures being under budget by \$111,802 since the city expected to spend much more on supplies than they actually did.

Road and Bridge Fund Budgetary Highlights

The budget for the City's Road and Bridge fund was not amended during the year. The budget called for expenditures to exceed revenues by \$558,429. Actual results show a positive budget variance of \$653,393. The positive expenditure budget variance of \$686,984 was mostly due to less than expected road project repairs and sealcoating. The positive revenue budget variance of \$42,701 was mostly due to the additional revenue received in charges for services.

Capital Assets and Debt Administration

Capital Assets. The City's investment in capital assets for its governmental and business-type activities as of December 31, 2021, amounts to \$13,857,170 (net of accumulated depreciation). This investment in capital assets includes land, structures, improvements, machinery and equipment, park facilities, roads, highways and bridges.

Additional information on the City's capital assets can be found in Note 3B starting on page 53 of this report.

City of Credit River's Capital Assets (Net of Depreciation)

| | Governmental Activities | | | Business-type Activities | | |
|----------------------------------|-------------------------|----------------------|------------------------|--------------------------|---------------------|------------------------|
| | 2021 | 2020 | Increase (Decrease) | 2021 | 2020 | Increase (Decrease) |
| Land | \$ 1,126,500 | \$ 1,126,500 | \$ - | \$ - | \$ - | \$ - |
| Construction Work in Progress | - | - | - | - | - | - |
| Buildings | 16,956 | 17,591 | (635) | - | - | - |
| Improvements other than Building | 320,854 | 329,976 | (9,122) | - | - | - |
| Machinery and Equipment | 97,295 | 33,274 | 64,021 | - | - | - |
| Infrastructure | 10,567,495 | 10,397,286 | 170,209 | 1,728,070 | 1,831,875 | (103,805) |
| Total | \$ 12,129,100 | \$ 11,904,627 | \$ 224,473 | \$ 1,728,070 | \$ 1,831,875 | \$ (103,805) |

City of Credit River's Outstanding Debt

Long-term Debt. At the end of the current fiscal year, the City had total bonded debt outstanding of \$3,125,000 . Total bonded debt increased \$715,000 due to a bond issuance.

| | Governmental Activities | | |
|---------------|-------------------------|--------------|------------------------|
| | 2021 | 2020 | Increase (Decrease) |
| Bonds Payable | \$ 3,125,000 | \$ 2,410,000 | \$ 715,000 |

Economic Factors and Next Year's Budgets and Rates

- The General Fund Levy was decreased by 172K, Fire Levy increased by 70K; offset by an anticipated increase in Permit Revenue of 130K for a net increase of 30K.
- The General Fund Budget for 2022 will increase by approximately 169K, mainly due to 70K increase to fire contract, 60K Permit expense related to volume, and 40K for Staff and Benefits.
- The Road and Bridge fund expenditure budget for 2022 will decrease by approximately 56K due to a smaller Seal Coat Project for 2022.
- The Capital improvement fund proposed budget expense with remain consistent with the City's 5-year Capital improvement plan and Includes 109K for the Fire Station improvements in the Fire Contract.

Requests for Information

This financial report is designed to provide a general overview of the City's finances for all those with an interest in the City's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to City of Credit River; Attn: Treasurer; 18985 Meadow View Blvd; Prior Lake, Minnesota 55372.

GOVERNMENT-WIDE FINANCIAL STATEMENTS

CREDIT RIVER CITY
SCOTT COUNTY, MINNESOTA

FOR THE YEAR ENDED
DECEMBER 31, 2021

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City of Credit River, Minnesota

Statement of Net Position

December 31, 2021

| | Governmental Activities | Business-type Activities | Total |
|--|----------------------------|-----------------------------|----------------------|
| Assets | | | |
| Cash and temporary investments | \$ 6,107,287 | \$ 333,440 | \$ 6,440,727 |
| Restricted cash and temporary investments | - | 437,858 | 437,858 |
| Receivables | | | |
| Taxes | 22,924 | - | 22,924 |
| Accounts | 6,880 | 3,098 | 9,978 |
| Special assessments | 1,421,363 | 4,971 | 1,426,334 |
| Due from other governments | 227 | - | 227 |
| Prepaid items | 23,082 | 413 | 23,495 |
| Capital assets | | | |
| Land and construction in progress | 1,126,500 | - | 1,126,500 |
| Depreciable assets (net of accumulated depreciation) | 11,002,600 | 1,728,070 | 12,730,670 |
| Total Assets | 19,710,863 | 2,507,850 | 22,218,713 |
| Deferred Outflows of Resources | | | |
| Deferred pension resources | 45,468 | - | 45,468 |
| Liabilities | | | |
| Accounts payable | 192,106 | 36,717 | 228,823 |
| Escrow payable | 482,370 | - | 482,370 |
| Due to other governments | 12,512 | - | 12,512 |
| Accrued salaries payable | 17,525 | 720 | 18,245 |
| Deposits payable | - | 1,657 | 1,657 |
| Accrued interest payable | 74,437 | 3,434 | 77,871 |
| Unearned revenue | 305,288 | - | 305,288 |
| Noncurrent liabilities | | | |
| Due within one year | 270,000 | - | 270,000 |
| Due in more than one year | 2,946,977 | 157,522 | 3,104,499 |
| Net pension liability | 51,245 | - | 51,245 |
| Total Liabilities | 4,352,460 | 200,050 | 4,552,510 |
| Deferred Inflows of Resources | | | |
| Deferred pension resources | 47,055 | - | 47,055 |
| Net Position | | | |
| Net investment in capital assets | 9,067,165 | 1,715,548 | 10,782,713 |
| Restricted for | | | |
| Capital replacement and maintenance | - | 437,858 | 437,858 |
| Park improvement | 70,681 | - | 70,681 |
| Debt service | 1,765,676 | - | 1,765,676 |
| Unrestricted | 4,453,294 | 154,394 | 4,607,688 |
| Total Net Position | \$ 15,356,816 | \$ 2,307,800 | \$ 17,664,616 |

The notes to the financial statements are an integral part of this statement.

City of Credit River, Minnesota
Statement of Activities
For the Year Ended December 31, 2021

| Functions/Programs | Expenses | Program Revenues | | |
|---------------------------------|---------------------|-------------------------|--|--|
| | | Charges for Services | Operating Grants and Contributions | Capital Grants and Contributions |
| Governmental Activities | | | | |
| General government | \$ 518,095 | \$ 23,415 | \$ 2,068 | \$ - |
| Public safety | 434,950 | 410,115 | - | - |
| Public works | 1,572,947 | 43,214 | 48,966 | 977,216 |
| Culture and recreation | 28,774 | 68,500 | - | - |
| Interest on long-term debt | 150,518 | - | - | - |
| Total Governmental Activities | <u>2,705,284</u> | <u>545,244</u> | <u>51,034</u> | <u>977,216</u> |
| Business-Type Activities | | | | |
| Sewer | <u>369,812</u> | <u>252,262</u> | <u>-</u> | <u>-</u> |
| Total | <u>\$ 3,075,096</u> | <u>\$ 797,506</u> | <u>\$ 51,034</u> | <u>\$ 977,216</u> |

General Revenues

Taxes

Property taxes, levied for general purposes

Property taxes, levied for debt service

Franchise taxes

Grants and contributions not restricted to specific programs

Unrestricted investment earnings

Total General Revenues

Change in Net Position

Net Position, January 1

Net Position, December 31

The notes to the financial statements are an integral part of this statement.

Net (Expenses) Revenues and
Changes in Net Position

| Governmental Activities | Business-type Activities | Total |
|----------------------------|-----------------------------|----------------------|
| \$ (492,612) | \$ - | \$ (492,612) |
| (24,835) | - | (24,835) |
| (503,551) | - | (503,551) |
| 39,726 | - | 39,726 |
| (150,518) | - | (150,518) |
| <u>(1,131,790)</u> | <u>-</u> | <u>(1,131,790)</u> |
| - | (117,550) | (117,550) |
| <u>(1,131,790)</u> | <u>(117,550)</u> | <u>(1,249,340)</u> |
| 1,566,833 | - | 1,566,833 |
| 131,566 | - | 131,566 |
| 27,603 | - | 27,603 |
| 2,798 | - | 2,798 |
| 1,253 | 110 | 1,363 |
| <u>1,730,053</u> | <u>110</u> | <u>1,730,163</u> |
| 598,263 | (117,440) | 480,823 |
| <u>14,758,553</u> | <u>2,425,240</u> | <u>17,183,793</u> |
| <u>\$ 15,356,816</u> | <u>\$ 2,307,800</u> | <u>\$ 17,664,616</u> |

The notes to the financial statements are an integral part of this statement.

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FUND FINANCIAL STATEMENTS

CREDIT RIVER CITY
SCOTT COUNTY, MINNESOTA

FOR THE YEAR ENDED
DECEMBER 31, 2021

City of Credit River, Minnesota

Balance Sheet

Governmental Funds

December 31, 2021

| | 100 | 201, 203, 204 | 300's | 401 |
|---|---------------------|----------------------------|-------------------------|---------------------------------|
| | <u>General</u> | <u>Road and Bridge</u> | <u>Debt Service</u> | <u>Capital Improvements</u> |
| Assets | | | | |
| Cash and temporary investments | \$ 1,122,714 | \$ 1,351,539 | \$ 1,088,128 | \$ 1,630,612 |
| Receivables | | | | |
| Taxes | 14,343 | 5,102 | 1,886 | 1,593 |
| Accounts | 6,880 | - | - | - |
| Special assessments | - | 14,139 | 749,872 | 657,352 |
| Due from other governments | - | - | 227 | - |
| Prepaid items | 23,082 | - | - | - |
| | <u>23,082</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Total Assets | <u>\$ 1,167,019</u> | <u>\$ 1,370,780</u> | <u>\$ 1,840,113</u> | <u>\$ 2,289,557</u> |
| Liabilities | | | | |
| Accounts payable | \$ 34,684 | \$ 43,143 | \$ - | \$ 5,705 |
| Escrow payable | - | - | - | 482,370 |
| Accrued salaries payable | 17,100 | 425 | - | - |
| Due to other governments | 6,072 | 6,440 | - | - |
| Unearned revenue | - | - | - | - |
| | <u>57,856</u> | <u>50,008</u> | <u>-</u> | <u>488,075</u> |
| Deferred Inflows of Resources | | | | |
| Unavailable revenue - taxes | 5,798 | 2,421 | 902 | 841 |
| Unavailable revenue - special assessments | - | 14,139 | 749,212 | 653,975 |
| Total Deferred Inflows of Resources | <u>5,798</u> | <u>16,560</u> | <u>750,114</u> | <u>654,816</u> |
| Fund Balances | | | | |
| Nonspendable | | | | |
| Prepaid items | 23,082 | - | - | - |
| Restricted for | | | | |
| Park improvements | - | - | - | - |
| Debt service | - | - | 1,089,999 | - |
| Road projects | - | - | - | - |
| Committed for | | | | |
| Road and bridge improvement | - | 418,628 | - | 739,652 |
| Assigned for | | | | |
| Park improvements | - | - | - | - |
| Road projects | - | 885,584 | - | 407,014 |
| Unassigned | 1,080,283 | - | - | - |
| Total Fund Balances | <u>1,103,365</u> | <u>1,304,212</u> | <u>1,089,999</u> | <u>1,146,666</u> |
| Total Liabilities, Deferred Inflows of Resources and Fund Balances | <u>\$ 1,167,019</u> | <u>\$ 1,370,780</u> | <u>\$ 1,840,113</u> | <u>\$ 2,289,557</u> |

The notes to the financial statements are an integral part of this statement.

440

| 2021 Road Project | Nonmajor Governmental Funds | Total Governmental Funds |
|----------------------|-----------------------------------|--------------------------------|
| \$ 432,604 | \$ 481,690 | \$ 6,107,287 |
| - | - | 22,924 |
| - | - | 6,880 |
| - | - | 1,421,363 |
| - | - | 227 |
| - | - | 23,082 |
| <u>\$ 432,604</u> | <u>\$ 481,690</u> | <u>\$ 7,581,763</u> |
| \$ 106,506 | \$ 2,068 | \$ 192,106 |
| - | - | 482,370 |
| - | - | 17,525 |
| - | - | 12,512 |
| - | 305,288 | 305,288 |
| <u>106,506</u> | <u>307,356</u> | <u>1,009,801</u> |
| - | - | 9,962 |
| - | - | 1,417,326 |
| - | - | 1,427,288 |
| - | - | 23,082 |
| - | 70,681 | 70,681 |
| - | - | 1,089,999 |
| 326,098 | - | 326,098 |
| - | - | 1,158,280 |
| - | 103,653 | 103,653 |
| - | - | 1,292,598 |
| - | - | 1,080,283 |
| <u>326,098</u> | <u>174,334</u> | <u>5,144,674</u> |
| <u>\$ 432,604</u> | <u>\$ 481,690</u> | <u>\$ 7,581,763</u> |

The notes to the financial statements are an integral part of this statement.

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City of Credit River, Minnesota
 Reconciliation of the Balance Sheet
 to the Statement of Net Position
 Governmental Funds
 December 31, 2021

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

| | |
|---|---------------|
| Total Fund Balances - Governmental | \$ 5,144,674 |
| <p>Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds.</p> | |
| Cost of capital assets | 20,110,454 |
| Less: accumulated depreciation | (7,981,354) |
| <p>Noncurrent liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported as liabilities in the funds.</p> | |
| <p>Noncurrent liabilities at year-end consist of</p> | |
| Bonds payable | (3,216,977) |
| Net pension liability | (51,245) |
| <p>Some receivables are not available soon enough to pay for the current period's expenditures, and therefore are reported as unavailable revenue in the funds.</p> | |
| Delinquent taxes receivable | 9,962 |
| Special assessments receivable | 1,417,326 |
| <p>Governmental funds do not report long-term amounts related to pensions.</p> | |
| Deferred outflows of pension resources | 45,468 |
| Deferred inflows of pension resources | (47,055) |
| Governmental funds do not report a liability for accrued interest until due and payable. | (74,437) |
| Total Net Position - Governmental Activities | \$ 15,356,816 |

The notes to the financial statements are an integral part of this statement.

City of Credit River, Minnesota
Statement of Revenues, Expenditures and
Changes in Fund Balances
Governmental Funds
For the Year Ended December 31, 2021

| | 100 | 201, 203, 204 | 300's |
|--|---------------------|----------------------|---------------------|
| | General | Road and Bridge | Debt Service |
| Revenues | | | |
| Property taxes | \$ 1,080,874 | \$ 359,499 | \$ 131,566 |
| Franchise taxes | 27,603 | - | - |
| Licenses and permits | 416,864 | 1,240 | - |
| Intergovernmental | 1,793 | 49,482 | 188 |
| Charges for services | 15,426 | 40,444 | - |
| Special assessments | - | 1,666 | 374,715 |
| Investment earnings | 1,253 | - | - |
| Miscellaneous | - | 2,770 | - |
| Total Revenues | <u>1,543,813</u> | <u>455,101</u> | <u>506,469</u> |
| Expenditures | | | |
| Current | | | |
| General government | 508,370 | - | - |
| Public safety | 434,950 | - | - |
| Public works | 72,223 | 283,845 | - |
| Culture and recreation | 15,801 | - | - |
| Capital outlay | | | |
| General government | 288 | - | - |
| Public works | - | - | - |
| Culture and recreation | - | - | - |
| Debt service | | | |
| Principal | - | - | 620,000 |
| Interest and other charges | - | - | 64,324 |
| Bond issuance costs | - | - | - |
| Total Expenditures | <u>1,031,632</u> | <u>283,845</u> | <u>684,324</u> |
| Excess (Deficiency) of Revenues Over (Under) Expenditures | <u>512,181</u> | <u>171,256</u> | <u>(177,855)</u> |
| Other Financing Sources (Uses) | | | |
| Transfers in | 76,292 | - | 111,809 |
| Bonds Proceeds | - | - | 20,848 |
| Bond Premium | - | - | - |
| Transfers out | - | (76,292) | - |
| Total Other Financing Sources (Uses) | <u>76,292</u> | <u>(76,292)</u> | <u>132,657</u> |
| Net Change in Fund Balances | 588,473 | 94,964 | (45,198) |
| Fund Balances, January 1 | <u>514,892</u> | <u>1,209,248</u> | <u>1,135,197</u> |
| Fund Balances, December 31 | <u>\$ 1,103,365</u> | <u>\$ 1,304,212</u> | <u>\$ 1,089,999</u> |

The notes to the financial statements are an integral part of this statement.

| 401 | 440 | Nonmajor Governmental Funds | Total Governmental Funds |
|-------------------------|----------------------|-----------------------------------|--------------------------------|
| Capital Improvements | 2021 Road Project | | |
| \$ 125,553 | \$ - | \$ - | \$ 1,697,492 |
| - | - | - | 27,603 |
| - | - | - | 418,104 |
| 179 | - | 2,068 | 53,710 |
| - | - | 68,500 | 124,370 |
| 404,443 | 119,205 | - | 900,029 |
| - | - | - | 1,253 |
| 239,260 | - | - | 242,030 |
| <u>769,435</u> | <u>119,205</u> | <u>70,568</u> | <u>3,464,591</u> |
| - | - | 2,068 | 510,438 |
| - | - | - | 434,950 |
| - | - | - | 356,068 |
| - | - | - | 15,801 |
| - | - | - | 288 |
| 298,959 | 1,159,110 | 419 | 1,458,488 |
| - | - | 5,604 | 5,604 |
| - | - | - | 620,000 |
| - | - | - | 64,324 |
| - | 44,634 | - | 44,634 |
| <u>298,959</u> | <u>1,203,744</u> | <u>8,091</u> | <u>3,510,595</u> |
| <u>470,476</u> | <u>(1,084,539)</u> | <u>62,477</u> | <u>(46,004)</u> |
| - | - | - | 188,101 |
| - | 1,314,152 | - | 1,335,000 |
| - | 96,485 | - | 96,485 |
| (63,462) | - | (48,347) | (188,101) |
| <u>(63,462)</u> | <u>1,410,637</u> | <u>(48,347)</u> | <u>1,431,485</u> |
| 407,014 | 326,098 | 14,130 | 1,385,481 |
| 739,652 | - | 160,204 | 3,759,193 |
| <u>\$ 1,146,666</u> | <u>\$ 326,098</u> | <u>\$ 174,334</u> | <u>\$ 5,144,674</u> |

The notes to the financial statements are an integral part of this statement.

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City of Credit River, Minnesota
 Reconciliation of the Statement of Revenues, Expenditures and
 Changes in Fund Balances
 to the Statement of Activities
 Governmental Funds
 For the Year Ended December 31, 2021

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

| | |
|--|--------------|
| Total Net Change in Fund Balances - Governmental Funds | \$ 1,385,481 |
| <p>Capital outlays are reported in governmental funds as expenditures. However, in the statement of activities, the cost of those assets is allocated over the estimated useful lives as depreciation expense.</p> | |
| Capital outlays | 1,116,242 |
| Depreciation expense | (891,769) |
| <p>The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position.</p> | |
| Debt issued | (1,335,000) |
| Principal repayments | 620,000 |
| Premium on bonds issued, net of amortization expense | (91,977) |
| <p>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.</p> | |
| | (46,068) |
| <p>Long-term pension activity is not reported in governmental funds.</p> | |
| Pension expense | 2,398 |
| Pension revenue | 122 |
| <p>Certain revenues are recognized as soon as they are earned. Under the modified accrual basis of accounting, certain revenues cannot be recognized until they are available to liquidate liabilities of the current period.</p> | |
| Special assessments | (162,073) |
| Property taxes | 907 |
| | 907 |
| Change in Net Position - Governmental Activities | \$ 598,263 |

The notes to the financial statements are an integral part of this statement.

City of Credit River, Minnesota
Statement of Revenues, Expenditures and Changes in Fund Balances -
Budget and Actual
General Fund and Road and Bridge Fund
For the Year Ended December 31, 2021

| | General | | | |
|--|-------------------|-------------------|---------------------|-------------------------------|
| | Budgeted Amounts | | Actual Amounts | Variance with Final Budget |
| | Original | Final | | |
| Revenues | | | | |
| Property taxes | \$ 1,083,000 | \$ 1,083,000 | \$ 1,080,874 | \$ (2,126) |
| Franchise taxes | 24,000 | 24,000 | 27,603 | 3,603 |
| Licenses and permits | 185,350 | 185,350 | 416,864 | 231,514 |
| Intergovernmental | - | - | 1,793 | 1,793 |
| Charges for services | 3,975 | 3,975 | 15,426 | 11,451 |
| Special assessments | - | - | - | - |
| Investment earnings | 1,900 | 1,900 | 1,253 | (647) |
| Miscellaneous | - | - | - | - |
| Total Revenues | <u>1,298,225</u> | <u>1,298,225</u> | <u>1,543,813</u> | <u>245,588</u> |
| Expenditures | | | | |
| Current | | | | |
| General government | 525,325 | 525,325 | 508,370 | 16,955 |
| Public safety | 437,468 | 437,468 | 434,950 | 2,518 |
| Public works | 184,025 | 184,025 | 72,223 | 111,802 |
| Culture and recreation | 14,550 | 14,550 | 15,801 | (1,251) |
| Capital outlay | 21,000 | 21,000 | 288 | 20,712 |
| Total Expenditures | <u>1,182,368</u> | <u>1,182,368</u> | <u>1,031,632</u> | <u>150,736</u> |
| Excess (Deficiency) of Revenues Over (Under) Expenditures | <u>115,857</u> | <u>115,857</u> | <u>512,181</u> | <u>396,324</u> |
| Other Financing Sources (Uses) | | | | |
| Transfers in | - | - | 76,292 | 76,292 |
| Transfers out | - | - | - | - |
| Total Other Financing Sources (Uses) | <u>-</u> | <u>-</u> | <u>76,292</u> | <u>76,292</u> |
| Net Change in Fund Balances | 115,857 | 115,857 | 588,473 | 472,616 |
| Fund Balances, January 1 | <u>514,892</u> | <u>514,892</u> | <u>514,892</u> | <u>-</u> |
| Fund Balances, December 31 | <u>\$ 630,749</u> | <u>\$ 630,749</u> | <u>\$ 1,103,365</u> | <u>\$ 472,616</u> |

The notes to the financial statements are an integral part of this statement.

Road and Bridge

| Budgeted Amounts | | Actual Amounts | Variance with Final Budget |
|-------------------|-------------------|---------------------|-------------------------------|
| Original | Final | | |
| \$ 360,000 | \$ 360,000 | \$ 359,499 | \$ (501) |
| - | - | - | - |
| - | - | - | - |
| 50,000 | 50,000 | 49,482 | (518) |
| 2,400 | 2,400 | 40,444 | 38,044 |
| - | - | 1,666 | 1,666 |
| - | - | - | - |
| - | - | 4,010 | 4,010 |
| <u>412,400</u> | <u>412,400</u> | <u>455,101</u> | <u>42,701</u> |
| - | - | - | - |
| - | - | - | - |
| 970,829 | 970,829 | 283,845 | 686,984 |
| - | - | - | - |
| - | - | - | - |
| <u>970,829</u> | <u>970,829</u> | <u>283,845</u> | <u>686,984</u> |
| <u>(558,429)</u> | <u>(558,429)</u> | <u>171,256</u> | <u>729,685</u> |
| - | - | - | - |
| - | - | (76,292) | (76,292) |
| - | - | (76,292) | (76,292) |
| (558,429) | (558,429) | 94,964 | 653,393 |
| <u>1,209,248</u> | <u>1,209,248</u> | <u>1,209,248</u> | <u>-</u> |
| <u>\$ 650,819</u> | <u>\$ 650,819</u> | <u>\$ 1,304,212</u> | <u>\$ 653,393</u> |

The notes to the financial statements are an integral part of this statement.

City of Credit River, Minnesota
 Statements of Net Position
 Proprietary Fund
 December 31, 2021 and 2020

| | Business-type Activities - Enterprise Funds | |
|---|--|--------------|
| | Sewer Subordinate Service Districts | |
| | 2021 | 2020 |
| Assets | | |
| Current Assets | | |
| Cash and temporary investments | \$ 333,440 | \$ 197,996 |
| Receivables | | |
| Accounts | 3,098 | 4,074 |
| Special assessments | 4,971 | 2,607 |
| Prepaid items | 413 | 413 |
| Total Current Assets | 341,922 | 205,090 |
| Noncurrent Assets | | |
| Restricted cash and temporary investments | 437,858 | 407,610 |
| Capital assets | | |
| Infrastructure | 2,712,849 | 2,712,849 |
| Less accumulated depreciation | (984,779) | (880,974) |
| Net Capital Assets | 1,728,070 | 1,831,875 |
| Total Noncurrent Assets | 2,165,928 | 2,239,485 |
| Total Assets | 2,507,850 | 2,444,575 |
| Liabilities | | |
| Current Liabilities | | |
| Accounts payable | 36,717 | 17,038 |
| Accrued interest payable | 3,434 | - |
| Accrued salaries payable | 720 | 127 |
| Deposits payable | 1,657 | 2,170 |
| Bonds payable - current | 157,522 | - |
| Total Liabilities | 200,050 | 19,335 |
| Net Position | | |
| Investment in capital assets | 1,715,548 | 1,831,875 |
| Restricted for capital replacement and repair | 437,858 | 407,610 |
| Unrestricted | 154,394 | 185,755 |
| Total Net Position | \$ 2,307,800 | \$ 2,425,240 |

The notes to the financial statements are an integral part of this statement.

City of Credit River, Minnesota
 Statements of Revenues, Expenses and Changes in Net Position
 Proprietary Fund
 For the Years Ended December 31, 2021 and 2020

| | Business-type Activities - Enterprise Funds | |
|--------------------------------------|--|--------------|
| | Sewer Subordinate Service Districts | |
| | 2021 | 2020 |
| Operating Revenues | | |
| Charges for services | \$ 252,262 | \$ 227,765 |
| Operating Expenses | | |
| Personal services | 5,776 | 6,881 |
| Telephone and office expenses | 5,146 | 6,123 |
| Maintenance | 145,202 | 106,513 |
| Repairs | 2,392 | 11,970 |
| Professional services | 31,021 | 27,616 |
| Utilities | 9,587 | 10,510 |
| Other expense | 59,217 | 42,269 |
| Depreciation | 103,805 | 103,880 |
| Total Operating Expenses | 362,146 | 315,762 |
| Operating Loss | (109,884) | (87,997) |
| Nonoperating Revenues | | |
| Investment earnings | 110 | 1,728 |
| Bond Issuance costs | (2,820) | - |
| Interest expense | (4,846) | - |
| Total Nonoperating Revenue (Expense) | (7,556) | 1,728 |
| Change In Net Position | (117,440) | (86,269) |
| Net Position, January 1 | 2,425,240 | 2,511,509 |
| Net Position, December 31 | \$ 2,307,800 | \$ 2,425,240 |

The notes to the financial statements are an integral part of this statement.

City of Credit River, Minnesota
 Statements of Cash Flows
 Proprietary Fund
 For the Years Ended December 31, 2021 and 2020

| | Business-type Activities - Enterprise Funds | |
|--|--|-------------|
| | Sewer Subordinate Service Districts | |
| | 2021 | 2020 |
| Cash Flows from Operating Activities | | |
| Receipts from customers | \$ 250,874 | \$ 236,506 |
| Payments to suppliers | (233,399) | (244,847) |
| Payments to employees | (5,183) | (7,346) |
| Net Cash Provided (Used) by Operating Activities | 12,292 | (15,687) |
| Cash Flows from Capital and Related Financing Activities | | |
| Proceeds from issuance in long term debt | 158,136 | - |
| Bond issuance costs | (4,846) | - |
| Net Cash Provided (Used) by Capital and Related Financing Activities | 153,290 | - |
| Cash Flows from Investing Activities | | |
| Interest received on investments | 110 | 1,728 |
| Net Increase (Decrease) in Cash and Cash Equivalents | 165,692 | (13,959) |
| Cash and Cash Equivalents, January 1 | 605,606 | 619,565 |
| Cash and Cash Equivalents, December 31 | \$ 771,298 | \$ 605,606 |
| Cash and Cash Equivalents as Reported on the Statement of Net Position | | |
| Cash and temporary investments | \$ 333,440 | \$ 197,996 |
| Restricted cash and temporary investments | 437,858 | 407,610 |
| Total Cash and Cash Equivalents | \$ 771,298 | \$ 605,606 |
| Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities | | |
| Operating loss | \$ (109,884) | \$ (87,997) |
| Adjustments to reconcile operating loss to net cash provided by operating activities | | |
| Depreciation | 103,805 | 103,880 |
| Increase (decrease) in assets | | |
| Accounts receivable | 976 | 3,485 |
| Special assessments receivable | (2,364) | 5,256 |
| Increase (decrease) in liabilities | | |
| Accounts payable | 19,679 | (40,868) |
| Accrued salaries payable | 593 | (465) |
| Deposits payable | (513) | 1,022 |
| Net Cash Provided (Used) by Operating Activities | \$ 12,292 | \$ (15,687) |

The notes to the financial statements are an integral part of this statement.

City of Credit River, Minnesota
Notes to the Financial Statements
December 31, 2021

Note 1: Summary of Significant Accounting Policies

A. Reporting Entity

City of Credit River, Minnesota (the City), is organized and governed by the standard structure of five Council Members, one Clerk, and one Treasurer. The five Council Members are elected by eligible voters of the City while the Clerk and Treasurer are appointed positions. 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 no component units.

B. Government-wide and Fund 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 City. *Governmental activities*, which are normally 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.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. Amounts reported as *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*.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds. Major individual governmental funds are reported as separate columns in the fund financial statements.

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

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 are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

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

City of Credit River, Minnesota
Notes to the Financial Statements
December 31, 2021

Note 1: Summary of Significant Accounting Policies (Continued)

Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the year in which the resources are measurable and become available.

Non-exchange transactions, in which the City receives value without directly giving equal value in return, include property taxes, grants, entitlement and donations. On an accrual basis, revenue from property taxes is recognized in the year for which the tax is levied. Revenue from grants, entitlements and donations is recognized in the year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the year when use is first permitted, matching requirements, in which the City must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the City on a reimbursement basis. On a modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized.

Unearned revenue arises when assets are recognized before revenue recognition criteria have been satisfied. Grants and entitlements received before eligibility requirements are met are also recorded as unearned revenue.

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.

The City reports the following major governmental funds:

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

The *Road and Bridge fund* accounts for resources accumulated and payments made related to road maintenance and snow removal.

The *Debt Service fund* accounts for the debt service activity associated with the long-term general obligation debt of governmental funds.

The *Capital Improvements fund* accounts for capital improvement projects related to road and bridges.

The *2021 Road Project fund* accounts for the bond proceeds and related expenditures for the 2021 road project.

The City reports the following major proprietary fund:

The *Sewer Subordinate Service District fund* accounts for the activities of the City's wastewater treatment for community septic treatment systems.

As a general rule, the effect of interfund activity has been eliminated from government-wide financial statements. Exceptions to this general rule are charges between the City's sewer function and various other functions of the City. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

City of Credit River, Minnesota
Notes to the Financial Statements
December 31, 2021

Note 1: Summary of Significant Accounting Policies (Continued)

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 sewer services. Operating expenses for enterprise funds include the cost of services, administrative expenses and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

D. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources and Net Position / Fund Balances

Deposits and Investments

The City's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition. The proprietary funds' portion in the government-wide cash and temporary investments pool is considered to be cash and cash equivalents for purposes of the statements of cash flows.

Cash balances from all funds are pooled and invested, to the extent available, in certificates of deposit and other authorized investments. Earnings from such investments are allocated based on the City's policy.

The City may invest idle funds as authorized by Minnesota statutes, as follows:

1. Direct obligations or obligations guaranteed by the United States or its agencies.
2. Shares of investment companies registered under the Federal Investment Company Act of 1940 and received the highest credit rating, rated in one of the two highest rating categories by a statistical rating agency, and have a final maturity of thirteen months or less.
3. General obligations of a state or local government with taxing powers rated "A" or better; revenue obligations rated "AA" or better.
4. General obligations of the Minnesota Housing Finance Agency rated "A" or better.
5. Obligation of a school district with an original maturity not exceeding 13 months and (i) rated in the highest category by a national bond rating service or (ii) enrolled in the credit enhancement program pursuant to statute section 126C.55.
6. Bankers' acceptances of United States banks eligible for purchase by the Federal Reserve System.
7. Commercial paper issued by United States banks corporations or their Canadian subsidiaries, of highest quality category by at least two nationally recognized rating agencies, and maturing in 270 days or less.
8. Repurchase or reverse repurchase 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, a primary reporting dealer in U.S. government securities to the Federal Reserve Bank of New York, or certain Minnesota securities broker-dealers.
9. Guaranteed Investment Contracts (GIC's) issued or guaranteed by a United States commercial bank, a domestic branch of a foreign bank, a United States insurance company, or its Canadian subsidiary, whose similar debt obligations were rated in one of the top two rating categories by a nationally recognized rating agency.

City of Credit River, Minnesota
Notes to the Financial Statements
December 31, 2021

Note 1: Summary of Significant Accounting Policies (Continued)

Property Taxes

The Council annually adopts a tax levy by December 31 of each year. The levy is then certified to the County for collection in the following year. The County is responsible for collecting all property taxes for the City. These taxes attach an enforceable lien on taxable property within the City on January 1 and are payable by the property owners in two installments. The taxes are collected by the County Auditor and tax settlements are made to the City during January, June, and December each year.

Delinquent taxes receivable include the past six years' uncollected taxes. Delinquent taxes have been offset by deferred inflows of resources for delinquent taxes not received within 60 days after year end in the fund financial statements.

Accounts Receivable

Accounts receivable include amounts billed for services provided before year end. The City annually certifies delinquent charges to the County for collection in the following year. Therefore, there has been no allowance for doubtful accounts established.

Special Assessments

Special assessments represent the financing for public improvements paid for by benefiting property owners. These assessments are recorded as receivables upon certification to the County. Special assessments are recognized as revenue when they are received in cash or within 60 days after year end. All special assessments receivable are offset by a deferred inflows of resources in the governmental fund financial statements.

Prepaid Items

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

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 initial, individual cost of more than \$5,000 (amount not rounded) and an estimated useful life in excess of two years.

Such purchased assets are recorded at historical cost or estimated historical cost if historical cost is not available. Assets acquired prior to 1986 are recorded at estimated historical cost. Donated capital assets are recorded at acquisition value at the date of donation. 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.

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

City of Credit River, Minnesota
Notes to the Financial Statements
December 31, 2021

Note 1: Summary of Significant Accounting Policies (Continued)

Property, plant and equipment will be depreciated using the straight-line method over the following estimated useful lives:

| Assets | Useful Lives in Years |
|-----------------------------------|--------------------------|
| Buildings and Structures | 20 to 50 |
| Improvements other than Buildings | 15 to 30 |
| Machinery and Equipment | 5 to 10 |
| Infrastructure | 20 to 30 |

Deferred Outflows of Resources

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The City has only one item that qualifies for reporting in this category. Accordingly, the item, deferred pension resources, is reported only in the statements of net position. This item results from actuarial calculations and current year pension contributions made subsequent to the measurement date.

Long-term Obligations

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

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

Pensions

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

The total pension expense for the GERP and DCP is as follows:

| | Public Employees Retirement Association of Minnesota (PERA) | | Total All Plans |
|-----------------|--|--------|--------------------|
| | GERP | DCP | |
| Pension Expense | \$ 5,508 | \$ 853 | \$ 6,361 |

Note 1: Summary of Significant Accounting Policies (Continued)

Deferred Inflows of Resources

In addition to liabilities, the statement of net position and fund financial statements will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The City has one type of item, which arises only under a modified accrual basis of accounting that qualifies as needing to be reported in this category. Accordingly, the item, unavailable revenue, is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from three sources: property taxes, special assessments and intergovernmental revenue. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

The City has an additional item which qualifies for reporting in this category. The item, deferred pension resources, is reported only in the statements of net position and results from actuarial calculations.

Fund Balance

In the fund financial statements, fund balance is divided into five classifications based primarily on the extent to which the City is bound to observe constraints imposed upon the use of resources reported in the governmental funds. These classifications are defined as follows:

Nonspendable - Amounts that cannot be spent because they are not in spendable form, such as prepaid items.

Restricted - Amounts related to externally imposed constraints established by creditors, grantors or contributors; or constraints imposed by state statutory provisions.

Committed - Amounts constrained for specific purposes that are internally imposed by formal action (resolution) of the Council, which is the City's highest level of decision-making authority. Committed amounts cannot be used for any other purpose unless the Council modifies or rescinds the commitment by resolution.

Assigned - Amounts constrained for specific purposes that are internally imposed. In governmental funds other than the General fund, assigned fund balance represents all remaining amounts that are not classified as nonspendable and are neither restricted nor committed. In the General fund, assigned amounts represent intended uses established by the Council itself or by an official to which the governing body delegates the authority. The Council has adopted a fund balance policy which delegates the authority to assign amounts for specific purposes to the Treasurer.

Unassigned - The residual classification for the General fund and also negative residual amounts in other funds.

The City considers restricted amounts to be spent first when both restricted and unrestricted fund balance is available. Additionally, the City would first use committed, then assigned, and lastly unassigned amounts of unrestricted fund balance when expenditures are made.

The City has formally adopted a fund balance policy for the General fund. The City's policy is to maintain a minimum unassigned fund balance of 50 percent of budgeted operating expenditures for cash-flow timing needs.

City of Credit River, Minnesota
Notes to the Financial Statements
December 31, 2021

Note 1: Summary of Significant Accounting Policies (Continued)

Net Position

Net position represents the difference between assets and deferred outflows of resources, and liabilities and deferred inflows of resources. Net position is displayed in three components:

- a. Net investment in capital assets - Consists of capital assets, net of accumulated depreciation reduced by any outstanding debt attributable to acquire capital assets.
- b. Restricted net position - Consist of net position restricted when there are limitations imposed on their use through external restrictions imposed by creditors, grantors, laws or regulations of other governments.
- c. Unrestricted net position - All other net position that do not meet the definition of "restricted" or "net investment in capital assets".

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

Restricted Net Position / Cash Balances

The City has reserve requirements relating to a portion of the fees collected from the Subordinate Sewer districts. The restricted funds are restricted for future capital expenditures of the districts.

Comparative Data / Reclassifications

Comparative data for the prior year has been presented only for individual enterprise funds in the fund financial statements in order to provide an understanding of the changes in the financial position and operations of these funds. Also, certain amounts presented in the prior year data have been reclassified in order to be consistent with the current year's presentation.

Note 2: Stewardship, Compliance and Accountability

Budgetary Information

Annual budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America for the General and selected special revenue funds. All annual appropriations lapse at fiscal year-end. The City does not use encumbrance accounting.

In July/August of each year, the proposed budget is prepared by the Council and management. The Council holds public hearing in September at the continuation of the annual meeting. A final budget is prepared and adopted prior to the beginning of the year.

The appropriated budget is prepared by fund, function and department. Transfers of appropriations between funds require the approval of the Council. The legal level of budgetary control is the fund level. Budgeted amounts are as originally adopted, or as amended by the Council. The City did not amend the budget during 2021.

City of Credit River, Minnesota
Notes to the Financial Statements
December 31, 2021

Note 3: Detailed Notes on All Funds

A. Deposits and Investments

Deposits

Custodial credit risk for deposits and investments is the risk that in the event of a bank failure, the City's deposits and investments may not be returned or the City will not be able to recover collateral securities in the possession of an outside party. In accordance with Minnesota statutes and as authorized by the Council, the City maintains deposits at those depository banks, all of which are members of the Federal Reserve System.

Minnesota statutes require that all City deposits be protected by insurance, surety bond or collateral. The fair value of collateral pledged must equal 110 percent of the deposits not covered by insurance or bonds, which the exception of irrevocable standby letters of credit issued by Federal Home Loan Banks as this type of collateral only requires collateral pledged equal to 100 percent of the deposits not covered by insurance or bonds.

Authorized collateral in lieu of a corporate surety bond includes:

- United States government Treasury bills, Treasury notes, Treasury bonds;
- Issues of United States government agencies and instrumentalities as quoted by a recognized industry quotation service available to the government entity;
- General obligation securities of any state or local government with taxing powers which is rated "A" or better by a national bond rating service, or revenue obligation securities of any state or local government with taxing powers which is rated "AA" or better by a national bond rating service;
- General obligation securities of a local government with taxing powers may be pledged as collateral against funds deposited by that same local government entity;
- Irrevocable standby letters of credit issued by Federal Home Loan Banks to a municipality accompanied by written evidence that the bank's public debt is rated "AA" or better by Moody's Investors Service, Inc., or Standard & Poor's Corporation; and
- Time deposits that are fully insured by any federal agency.

Minnesota statutes require that all collateral shall be placed in safekeeping in a restricted account at a 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 selection should be approved by the City.

At year end, the City's carrying amount of deposits was \$6,878,585 and the bank balance was \$6,914,448 . The entire bank balance was covered by federal depository insurance and collateral held by financial institutions in the name of the City.

City of Credit River, Minnesota
Notes to the Financial Statements
December 31, 2021

Note 3: Detailed Notes on All Funds (Continued)

A reconciliation of the carrying amount of deposits to the statement of net position is as follows:

| | Total |
|---|--------------|
| Carrying Amount of Deposits | \$6,878,585 |
| Cash and Cash Equivalents | |
| Statement of net position | |
| Cash and temporary investments | \$ 6,440,727 |
| Restricted cash and temporary investments | 437,858 |
| Total | \$ 6,878,585 |

B. Capital Assets

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

| | Beginning Balance | Increases | Decreases | Ending Balance |
|---|----------------------|------------|-----------|-------------------|
| Governmental Activities | | | | |
| Capital Assets not Being Depreciated | | | | |
| Land | \$ 1,126,500 | \$ - | \$ - | \$ 1,126,500 |
| Capital Assets Being Depreciated | | | | |
| Buildings | 84,113 | - | - | 84,113 |
| Improvements other than buildings | 495,496 | - | - | 495,496 |
| Machinery and equipment | 118,364 | 71,400 | - | 189,764 |
| Infrastructure | 17,169,739 | 1,044,842 | - | 18,214,581 |
| Total Capital Assets Being Depreciated | 17,867,712 | 1,116,242 | - | 18,983,954 |
| Less Accumulated Depreciation for | | | | |
| Buildings | (66,522) | (635) | - | (67,157) |
| Improvements other than buildings | (165,520) | (9,122) | - | (174,642) |
| Machinery and equipment | (85,090) | (7,379) | - | (92,469) |
| Infrastructure | (6,772,453) | (874,633) | - | (7,647,086) |
| Total Accumulated Depreciation | (7,089,585) | (891,769) | - | (7,981,354) |
| Total Capital Assets Being Depreciated, Net | 10,778,127 | 224,473 | - | 11,002,600 |
| Governmental Activities Capital Assets, Net | \$ 11,904,627 | \$ 224,473 | \$ - | \$ 12,129,100 |

City of Credit River, Minnesota
Notes to the Financial Statements
December 31, 2021

Note 3: Detailed Notes on All Funds (Continued)

| | Beginning Balance | Increases | Decreases | Ending Balance |
|--|----------------------|---------------------|-------------|---------------------|
| Business-type Activities | | | | |
| Capital Assets Being Depreciated | | | | |
| Infrastructure | \$ 2,712,849 | \$ - | \$ - | \$ 2,712,849 |
| Less Accumulated Depreciation | | | | |
| Infrastructure | (880,974) | (103,805) | - | (984,779) |
| Business-type Activities Capital Assets, Net | <u>\$ 1,831,875</u> | <u>\$ (103,805)</u> | <u>\$ -</u> | <u>\$ 1,728,070</u> |

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

| | | |
|--|--|-------------------|
| Governmental Activities | | |
| General government | | \$ 9,767 |
| Public works | | 874,633 |
| Culture and recreation | | 7,369 |
| | | <u>891,769</u> |
| Total Depreciation Expense - Governmental Activities | | <u>\$ 891,769</u> |
| Business-type Activities | | |
| Sewer | | <u>\$ 103,805</u> |

C. Long-term Debt

General Obligation Bonds

The City issued general obligation bonds to provide funds for the acquisition and construction of major capital assets. General obligation bonds were issued for governmental activities. General obligation bonds are direct obligations and pledge the full faith and credit of the City. General obligation bonds currently outstanding are as follows:

| Description | Authorized and Issued | Interest Rate | Issue Date | Maturity Date | Balance at Year End |
|---|--------------------------|------------------|---------------|------------------|------------------------|
| General Obligation Improvement Bond, Series 2021A | \$ 1,480,000 | 1.10 - 3.00 % | 06/10/21 | 02/01/32 | \$ 1,480,000 |
| General Obligation Improvement Bond, Series 2015A | 1,425,000 | 1.10 - 2.50 | 07/16/15 | 02/01/26 | 715,000 |
| General Obligation Improvement Bond, Series 2018A | 1,410,000 | 3.0 - 4.0 | 06/27/18 | 02/01/29 | <u>1,075,000</u> |
| Total General Obligation Bonds | | | | | <u>\$ 3,270,000</u> |

City of Credit River, Minnesota
Notes to the Financial Statements
December 31, 2021

Note 3: Detailed Notes on All Funds (Continued)

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

| Year Ending December 31, | Governmental Activities | | | Business Activities | | |
|-----------------------------|-------------------------|-------------------|---------------------|---------------------|------------------|-------------------|
| | Principal | Interest | Total | Principal | Interest | Total |
| 2022 | \$ 270,000 | \$ 89,313 | \$ 359,313 | \$ - | \$ 4,121 | \$ 4,121 |
| 2023 | 405,305 | 74,876 | 480,181 | 14,696 | 3,389 | 18,085 |
| 2024 | 414,815 | 61,987 | 476,802 | 15,185 | 2,941 | 18,126 |
| 2025 | 424,325 | 48,800 | 473,125 | 15,675 | 2,478 | 18,153 |
| 2026 | 424,325 | 35,445 | 459,770 | 15,675 | 2,007 | 17,682 |
| 2027 - 2031 | 1,059,951 | 55,560 | 1,115,511 | 70,049 | 3,990 | 74,039 |
| 2032 | 126,279 | 822 | 127,101 | 13,720 | 88 | 13,808 |
| Total | <u>\$ 3,125,000</u> | <u>\$ 366,803</u> | <u>\$ 3,491,803</u> | <u>\$ 145,000</u> | <u>\$ 19,014</u> | <u>\$ 164,014</u> |

Changes in Long-term Liabilities

Long-term liability activity for the year ended December 31, 2021, was as follows:

| | Beginning Balance | Increases | Decreases | Ending Balance | Due Within One Year |
|---------------------------------|----------------------|---------------------|---------------------|---------------------|------------------------|
| Governmental Activities | | | | | |
| Bonds Payable | | | | | |
| G.O. Improvement Bonds | \$ 2,410,000 | \$ 1,335,000 | \$ (620,000) | \$ 3,125,000 | \$ 270,000 |
| Bond Premium | - | 96,485 | (4,508) | 91,977 | 9,017 |
| Long-term Liabilities | <u>\$ 2,410,000</u> | <u>\$ 1,431,485</u> | <u>\$ (624,508)</u> | <u>\$ 3,216,977</u> | <u>\$ 279,017</u> |
| Business-type activities | | | | | |
| Bonds payable | | | | | |
| G.O. Improvement Bonds | - | 145,000 | - | \$ 145,000 | - |
| Bond Premium | - | 13,136 | (614) | 12,522 | 1,228 |
| Long-term Liabilities | <u>\$ -</u> | <u>\$ 158,136</u> | <u>\$ (614)</u> | <u>\$ 157,522</u> | <u>\$ 1,228</u> |

Note 4: Defined Benefit Pension Plans - Statewide

A. Plan Description

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

General Employees Retirement Plan

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

B. Benefits Provided

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

City of Credit River, Minnesota
Notes to the Financial Statements
December 31, 2021

Note 4: Defined Benefit Pension Plans - Statewide (Continued)

General Employee Plan Benefits

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

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

C. Contributions

Minnesota statutes chapter 353 sets the rates for employer and employee contributions. Contribution rates can only be modified by the state Legislature.

General Employees Fund Contributions

Coordinated plan members were required to contribute 6.50 percent of their annual covered salary in the fiscal year 2021 and the City was required to contribute 7.50 percent for Coordinated Plan members. The City’s contributions to the General Employee Fund for the years ending December 31, 2021, 2020 and 2019 were \$7,907, \$6,480 and \$4,955, respectively. The City’s contributions were equal to the required contributions for each year as set by state statute.

D. Pension Costs

General Employees Fund Pension Costs

At December 31, 2021, the City reported a liability of \$51,245 for its proportionate share of the General Employees Fund’s net pension liability. The City’s net pension liability reflected a reduction due to the State of Minnesota’s contribution of \$16 million. The State of Minnesota is considered a non-employer contributing entity and the state’s contribution meets the definition of a special funding situation. The State of Minnesota’s proportionate share of the net pension liability associated with the City totaled \$1,519. The net pension liability was measured as of June 30, 2021, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City’s proportionate share of the net pension liability was based on the City’s contributions received by PERA during the measurement period for employer payroll paid dates from July 1, 2020 through June 30, 2021 relative to the total employer contributions received from all of PERA’s participating employers. The City’s proportion was 0.0012 percent which was an increase of 0.0001 from its proportion measured as of June 30, 2020.

| | |
|---|-----------|
| City’s Proportionate Share of the Net Pension Liability State | \$ 51,245 |
| of Minnesota’s Proportionate Share of the Net Pension | |
| Liability Associated with the City | 1,519 |
| Total | \$ 52,764 |

City of Credit River, Minnesota
Notes to the Financial Statements
December 31, 2021

Note 4: Defined Benefit Pension Plans - Statewide (Continued)

For the year ended December 31, 2021, the City recognized pension expense of \$5,385 for its proportionate share of the General Employees Plan's pension expense. In addition, the City recognized an additional \$123 as pension expense (and grant revenue) for its proportionate share of the State of Minnesota's contribution of \$16 million to the General Employee Fund.

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

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|--|--------------------------------------|-------------------------------------|
| Differences Between Expected and Actual Economic Experience | \$ 236 | \$ 1,554 |
| Changes in Actuarial Assumptions | 31,289 | 979 |
| Net Difference Between Projected and Actual Earnings on Plan Investments | - | 44,522 |
| Changes in Proportion | 9,203 | - |
| Contributions Paid to PERA Subsequent to the Measurement Date | 4,740 | - |
| Total | \$ 45,468 | \$ 47,055 |

The \$4,740 reported as deferred outflows of resources related to pensions resulting from the City's contributions subsequent to the measurement date that will be recognized as a reduction of the net pension liability in the year ended December 31, 2022. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

| | |
|------|----------|
| 2022 | \$ 2,623 |
| 2023 | 3,699 |
| 2024 | 955 |
| 2025 | (12,105) |
| 2026 | (1,499) |

E. Actuarial Assumptions

The total pension liability in the June 30, 2021 actuarial valuation was determined using an individual entry-age normal actuarial cost method and the following actuarial assumptions:

| | |
|------------------------------|----------------|
| Inflation | 2.50% per year |
| Active Member Payroll Growth | 3.25% per year |
| Investment Rate of Return | 7.50% |

Salary increases were based on a service-related table. Mortality rates for active members, retirees, survivors and disabilitants were based on RP-2014 tables for males or females, as appropriate, with slight adjustments to fit PERA's experience. Cost of living benefit increases after retirement for retirees are assumed to be 1.25 percent per year for General Employees Plan.

Actuarial assumptions used in the June 30, 2021 valuation were based on the results of actuarial experience studies. The most recent four-year experience study in the General Employees plan was completed in 2019. The assumption changes were adopted by the Board and became effective with the July 1, 2020 actuarial valuation.

City of Credit River, Minnesota
Notes to the Financial Statements
December 31, 2021

Note 4: Defined Benefit Pension Plans - Statewide (Continued)

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

General Employees Fund

Changes in Actuarial Assumptions

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

Changes in Plan Provisions

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

City of Credit River, Minnesota
Notes to the Financial Statements
December 31, 2021

Note 4: Defined Benefit Pension Plans - Statewide (Continued)

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

| <u>Asset Class</u> | <u>Target Allocation</u> | <u>Long-term Expected Real Rate of Return</u> |
|--------------------------------------|--------------------------|---|
| Domestic Stocks | 33.5 % | 5.10 % |
| Alternative Assets (Private Markets) | 25.0 | 5.90 |
| Bonds (Fixed Income) | 25.0 | 0.75 |
| International Stocks | <u>16.5</u> | 5.30 |
| Total | <u><u>100.00 %</u></u> | |

F. Discount Rate

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

G. Pension Liability Sensitivity

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

| | <u>1 Percent Decrease (6.50%)</u> | <u>Current (6.50%)</u> | <u>1 Percent Increase (8.50%)</u> |
|------------------------|-----------------------------------|------------------------|-----------------------------------|
| General Employees Fund | \$ 104,514 | \$ 51,245 | \$ 7,535 |

H. Pension Plan Fiduciary Net Position

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

City of Credit River, Minnesota
Notes to the Financial Statements
December 31, 2021

Note 5: Public Employees Defined Contribution Plan (Defined Contribution Plan)

The City has 5 council members that are covered by the Defined Contribution Plan, a multiple-employer deferred compensation plan administered by PERA. The Defined Contribution Plan is a tax qualified plan under Section 401(a) of the Internal Revenue Code and all contributions by or on behalf of employees are tax deferred until time of withdrawal.

Plan benefits depend solely on amounts contributed to the plan plus investment earnings, less administrative expenses. Minnesota Statutes, Chapter 353D.03, specifies plan provisions, including the employee and employer contribution rates for those qualified personnel who elect to participate. An eligible elected official who decides to participate contributes five percent of salary which is matched by the elected official's employer. For ambulance service personnel, employer contributions are determined by the employer, and for salaried employees contributions must be a fixed percentage of salary. Employer contributions for volunteer personnel may be a unit value for each call or period of alert duty. Employees who are paid for their services may elect to make member contributions in an amount not to exceed the employer share. Employer and employee contributions are combined and used to purchase shares in one or more of the seven accounts of the Minnesota Supplemental Investment Fund. For administering the plan, PERA receives 2.0 percent of employer contributions and twenty-five hundredths of 1.0 percent (0.25 percent) of the assets in each member's account annually.

Total contributions made by the City during the fiscal year 2021 were:

| Contribution Amount | | Percentage of Covered Payroll | | Required Rate |
|---------------------|----------|-------------------------------|----------|---------------|
| Employee | Employer | Employee | Employer | |
| \$ 853 | \$ 853 | 5.00% | 5.00% | 5.00% |

The City's contributions to the DCP for the years ended December 31, 2021, 2020 and 2019 were \$853, \$857 and \$677, respectively. The City's contributions were equal to the contractually required contributions for each year as set by Minnesota statute.

Note 6: Other Information

A. Risk Management

The City is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters for which the City carries insurance. The City obtains insurance through participation in the League of Minnesota Cities Insurance Trust (LMCIT), which is a risk sharing pool with approximately 800 other governmental units. The City pays an annual premium to LMCIT for its workers compensation and property and casualty insurance. The LMCIT is self-sustaining through member premiums and will reinsure for claims above a prescribed dollar amount for each insurance event. Settled claims have not exceeded the City's coverage in any of the past three fiscal years.

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

B. Legal Debt Margin

In accordance with Minnesota statutes, the City may not incur or be subject to net debt in excess of three percent of the 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. The City has no outstanding debt subject to the limit.

City of Credit River, Minnesota
Notes to the Financial Statements
December 31, 2021

Note 6: Other Information (Continued)

C. Joint Powers Agreements

The City entered into a joint powers agreement, effective September 17, 2007, with the City of Lakeville to improve and maintain Judicial Road. The project costs will be paid 50 percent by each party in accordance with the agreement. The City paid \$5,552 related to the agreement in 2021. Each party will own the portion of the road within its government boundaries. This agreement will remain in effect until either party terminates with a one year written notice to the other party.

The City entered into a joint powers agreement, effective April 2009, with the City of Savage, for the City to have exclusive planning, zoning and subdivision authority for a piece of property in the northwestern corner of the City currently owned by W.G. Pearson, Inc. with the purpose of regulating a mining permit. This agreement renews on the first of each subsequent year unless a party gives sixty days written notice prior to the anticipated date of termination or unless Credit River City is incorporated or the subject property is annexed into a city, or is terminated by law.

The City entered into a joint powers agreement, September 27, 2010, with the City of Savage to cooperate in long range planning and the potential provision of municipal sanitary sewer and water service from the City to the City in the "Primary Study Area" and the "Secondary Study Area" as defined in the agreement. The term of the agreement is three years with an automatic renewal of three years unless either party gives 180 days written notice, or at any time upon mutual consent. The agreement calls for the City to perform its own individual planning and feasibility study for the extension of trunk sanitary sewer and water service to its border with the City, and the City to perform its own planning and feasibility study for the extensions of trunk and lateral sanitary sewer and water service within the "Primary Study Area." At such times the parties agree, the parties shall perform planning and feasibility studies for trunk and lateral sanitary sewer and water service within the "Secondary Study Area."

Note 7: COVID-19

On January 30, 2020, the World Health Organization ("WHO") announced a global health emergency because of a new strain of coronavirus ("COVID-19") and the risks to the international community as virus spreads globally. On March 11, 2020, the WHO classified the COVID-19 outbreak as a pandemic, based on the rapid increase in exposure globally. In response to the pandemic, the State of Minnesota has issued stay-at-home orders and other measures aimed at slowing the spread of the coronavirus.

The full impact of the COVID-19 outbreak continues to evolve as of the date of this report. Due to the rapid development and fluidity of this situation, the City is unable to determine the ultimate impact that the COVID-19 pandemic will have on its financial condition, liquidity, and future revenue collection, and therefore any prediction as to the ultimate impact on the City's financial condition, liquidity, and future results of its revenue collections is uncertain.

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REQUIRED SUPPLEMENTARY INFORMATION

CITY OF CREDIT RIVER
SCOTT COUNTY, MINNESOTA

FOR THE YEAR ENDED
DECEMBER 31, 2021

City of Credit River, Minnesota
Required Supplementary Information
For the Year Ended December 31, 2021

Schedule of Employer's Share of PERA Net Pension Liability - General Employees Fund

| Fiscal Year Ending | City's Proportion of the Net Pension Liability | City's Proportionate Share of the Net Pension Liability (a) | State's Proportionate Share of the Net Pension Liability Associated with the City (b) | Total (a+b) | City's Covered Payroll (c) | City's Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll (a/c) | Plan Fiduciary Net Position as a Percentage of the Total Pension Liability |
|--------------------|--|---|---|-------------|----------------------------|--|--|
| 06/30/21 | 0.0012 % | \$ 51,245 | \$ 1,519 | \$ 52,764 | 85,027 | 60.3 % | 87.0 % |
| 06/30/20 | 0.0011 | 65,950 | 1,973 | 67,923 | 76,767 | 85.9 | 79.0 |
| 06/30/19 | 0.0009 | 49,759 | 1,500 | 51,259 | 64,305 | 77.4 | 80.2 |
| 06/30/18 | 0.0009 | 49,928 | 1,586 | 51,514 | 61,467 | 81.2 | 79.5 |
| 06/30/17 | 0.0010 | 63,839 | 779 | 64,618 | 60,947 | 104.7 | 75.9 |
| 06/30/16 | 0.0009 | 73,076 | 942 | 74,018 | 57,302 | 127.5 | 68.9 |
| 06/30/15 | 0.0009 | 46,643 | - | 46,643 | 54,409 | 85.7 | 78.2 |

Note: Schedule is intended to show 10-year trend. Additional years will be reported as they become available.

Schedule of Employer's PERA Contributions - General Employees Fund

| Year Ending | Statutorily Required Contribution (a) | Statutorily Required Contribution (b) | Contribution Deficiency (Excess) (a-b) | City's Covered Payroll (c) | Contributions as a Percentage of Covered Payroll (b/c) |
|-------------|---------------------------------------|---------------------------------------|--|----------------------------|--|
| 12/31/21 | \$ 7,907 | \$ 7,907 | \$ - | \$ 105,427 | 7.5 % |
| 12/31/20 | 6,480 | 6,480 | - | \$ 86,400 | 7.5 |
| 12/31/19 | 4,955 | 4,955 | - | 66,072 | 7.5 |
| 12/31/18 | 4,613 | 4,613 | - | 61,507 | 7.5 |
| 12/31/17 | 4,584 | 4,584 | - | 61,120 | 7.5 |
| 12/31/16 | 4,478 | 4,478 | - | 59,707 | 7.5 |
| 12/31/15 | 4,202 | 4,202 | - | 56,031 | 7.5 |

Note: Schedule is intended to show 10-year trend. Additional years will be reported as they become available.

City of Credit River, Minnesota
Required Supplementary Information (Continued)
For the Year Ended December 31, 2021

Notes to the Required Supplementary Information - General Employees Fund

Changes in Actuarial Assumptions

2021- 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 - The price inflation assumption was decreased from 2.50% to 2.25%. The payroll growth assumption was decreased from 3.25% to 3.00%. Assumed salary increase rates were changed as recommended in the June 30, 2019 experience study. The net effect is assumed rates that average 0.25% less than previous rates. Assumed rates of retirement were changed as recommended in the June 30, 2019 experience study. The changes result in more unreduced (normal) retirements and slightly fewer Rule of 90 and early retirements. Assumed rates of termination were changed as recommended in the June 30, 2019 experience study. The new rates are based on service and are generally lower than the previous rates for years 2-5 and slightly higher thereafter. Assumed rates of disability were changed as recommended in the June 30, 2019 experience study. The change results in fewer predicted disability retirements for males and females. The base mortality table for healthy annuitants and employees was changed from the RP-2014 table to the Pub-2010 General Mortality table, with adjustments. The base mortality table for disabled annuitants was changed from the RP-2014 disabled annuitant mortality table to the PUB-2010 General/Teacher disabled annuitant mortality table, with adjustments. The mortality improvement scale was changed from Scale MP-2018 to Scale MP-2019. The assumed spouse age difference was changed from two years older for females to one year older. The assumed number of married male new retirees electing the 100% Joint & Survivor option changed from 35% to 45%. The assumed number of married female new retirees electing the 100% Joint & Survivor option changed from 15% to 30%. The corresponding number of married new retirees electing the Life annuity option was adjusted accordingly.

2019 - The mortality projection scale was changed from MP-2017 to MP-2018.

2018 - The mortality projection scale was changed from MP-2015 to MP-2017. The assumed benefit increase was changed from 1.00 percent per year through 2044 and 2.50 percent per year thereafter to 1.25 percent per year.

2017 - The Combined Service Annuity (CSA) loads were changed from 0.8 percent for active members and 60 percent for vested and non-vested deferred members. The revised CSA loads are now 0.0 percent for active member liability, 15.0 percent for vested deferred member liability and 3.0 percent for non-vested deferred member liability. The assumed post-retirement benefit increase rate was changed from 1.0 percent per year for all years to 1.0 percent per year through 2044 and 2.5 percent per year thereafter.

2016 - The assumed post-retirement benefit increase rate was changed from 1.0 percent per year through 2035 and 2.5 percent per year thereafter to 1.0 percent per year for all future years. The assumed investment return was changed from 7.9 percent to 7.5 percent. The single discount rate was changed from 7.9 percent to 7.5 percent. Other assumptions were changed pursuant to the experience study dated June 30, 2015. The assumed future salary increases, payroll growth and inflation were decreased by 0.25 percent to 3.25 percent for payroll growth and 2.50 percent for inflation.

2015 - The assumed post-retirement benefit increase rate was changed from 1.0 percent per year through 2030 and 2.5 percent per year thereafter to 1.0 percent per year through 2035 and 2.5 percent per year thereafter.

City of Credit River, Minnesota
Required Supplementary Information (Continued)
For the Year Ended December 31, 2021

Notes to the Required Supplementary Information - General Employees Fund (Continued)

Changes in Plan Provisions

2021 – There were no changes in plan provisions since the previous valuation.

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

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

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

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

2015 - On January 1, 2015, the Minneapolis Employees Retirement Fund was merged into the General Employees Fund, which increased the total pension liability by \$1.1 billion and increased the fiduciary plan net position by \$892 million. Upon consolidation, state and employer contributions were revised.

COMBINING AND INDIVIDUAL FUND
FINANCIAL STATEMENTS AND SCHEDULES

CITY OF CREDIT RIVER
SCOTT COUNTY, MINNESOTA

FOR THE YEAR ENDED
DECEMBER 31, 2021

City of Credit River, Minnesota
 Nonmajor Governmental Funds
 Combining Balance Sheet
 December 31, 2021

| | 202 | 110 | 430 | |
|--|------------------------|-------------------|------------------------------|--|
| | <u>Special Revenue</u> | | <u>Capital Projects</u> | Total |
| | <u>Park</u> | <u>ARPA</u> | 2018 <u>Road Projects</u> | <u>Nonmajor Governmental Funds</u> |
| Assets | | | | |
| Cash and temporary investments | \$ 174,334 | \$ 307,356 | \$ - | \$ 481,690 |
| Liabilities | | | | |
| Accounts payable | \$ - | \$ 2,068 | \$ - | \$ 2,068 |
| Unearned revenue | - | 305,288 | - | 305,288 |
| Total Liabilities | <u>-</u> | <u>307,356</u> | <u>-</u> | <u>307,356</u> |
| Fund Balances | | | | |
| Restricted for | | | | |
| Park improvements | 70,681 | - | - | 70,681 |
| Assigned for | | | | |
| Park improvements | 103,653 | - | - | 103,653 |
| Total Fund Balances | <u>174,334</u> | <u>-</u> | <u>-</u> | <u>174,334</u> |
| Total Liabilities and Fund Balances | <u>\$ 174,334</u> | <u>\$ 307,356</u> | <u>\$ -</u> | <u>\$ 481,690</u> |

City of Credit River, Minnesota
 Nonmajor Governmental Funds
 Combining Schedule of Revenues, Expenditures
 and Changes in Fund Balances
 For the Year Ended December 31, 2021

| | 202 | 110 | 430 | Total Nonmajor Governmental Funds |
|--|-------------------|------------------|-----------------------|--|
| | Special Revenue | Capital Projects | 2018 Road Projects | |
| | Park | ARPA | | |
| Revenues | | | | |
| Intergovernmental | \$ - | \$ 2,068 | \$ - | 2,068 |
| Charges for services | 68,500 | - | - | 68,500 |
| Total Revenues | <u>68,500</u> | <u>2,068</u> | <u>-</u> | <u>70,568</u> |
| Expenditures | | | | |
| Current | | | | |
| General government | - | 2,068 | - | 2,068 |
| Capital outlay | | | | |
| Public works | - | - | 419 | 419 |
| Culture and recreation | 5,604 | - | - | 5,604 |
| Total Expenditures | <u>5,604</u> | <u>2,068</u> | <u>419</u> | <u>8,091</u> |
| Excess (Deficiency) of Revenues Over (Under) Expenditures | 62,896 | - | (419) | 62,477 |
| Other Financing Sources (Uses) | | | | |
| Transfers out | - | - | (48,347) | (48,347) |
| Net Change in Fund Balances | 62,896 | - | (48,766) | 14,130 |
| Fund Balances, January 1 | <u>111,438</u> | <u>-</u> | <u>48,766</u> | <u>160,204</u> |
| Fund Balances, December 31 | <u>\$ 174,334</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 174,334</u> |

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City of Credit River, Minnesota
 General Fund
 Schedule of Revenues, Expenditures and
 Changes in Fund Balances - Budget and Actual (Continued on the Following Pages)
 For the Year Ended December 31, 2021
 (With Comparative Actual Amounts for the Year Ended December 31, 2020)

| | 2021 | | | Variance with Final Budget | 2020 |
|----------------------------|------------------|------------------|-------------------|-------------------------------|-------------------|
| | Budgeted Amounts | | Actual Amounts | | Actual Amounts |
| | Original | Final | | | |
| Revenues | | | | | |
| Taxes | | | | | |
| General property taxes | \$ 1,083,000 | \$ 1,083,000 | \$ 1,080,874 | \$ (2,126) | \$ 667,106 |
| Franchise taxes | 24,000 | 24,000 | 27,603 | 3,603 | 26,564 |
| Total taxes | <u>1,107,000</u> | <u>1,107,000</u> | <u>1,108,477</u> | <u>1,477</u> | <u>693,670</u> |
| Licenses and permits | <u>185,350</u> | <u>185,350</u> | <u>416,864</u> | <u>231,514</u> | <u>3,900</u> |
| Intergovernmental | | | | | |
| Federal | | | | | |
| CARES funding | - | - | - | - | 338,730 |
| State | | | | | |
| Agricultural credit | - | - | 1,552 | 1,552 | 960 |
| Township aid | - | - | 241 | 241 | 171 |
| Total intergovernmental | <u>-</u> | <u>-</u> | <u>1,793</u> | <u>1,793</u> | <u>339,861</u> |
| Charges for services | | | | | |
| General government | <u>3,975</u> | <u>3,975</u> | <u>15,426</u> | <u>11,451</u> | <u>12,202</u> |
| Special assessments | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>28</u> |
| Investment earnings | <u>1,900</u> | <u>1,900</u> | <u>1,253</u> | <u>(647)</u> | <u>17,930</u> |
| Miscellaneous | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>1,787</u> |
| Total Revenues | <u>1,298,225</u> | <u>1,298,225</u> | <u>1,543,813</u> | <u>245,588</u> | <u>1,069,378</u> |
| Expenditures | | | | | |
| Current | | | | | |
| General government | | | | | |
| Mayor and Council | | | | | |
| Personal services | 105,910 | 105,910 | 81,856 | 24,054 | 76,316 |
| Supplies | 6,750 | 6,750 | 3,439 | 3,311 | 2,947 |
| Other services and charges | 43,875 | 43,875 | 45,035 | (1,160) | 38,692 |
| Total Mayor and Council | <u>156,535</u> | <u>156,535</u> | <u>130,330</u> | <u>26,205</u> | <u>117,955</u> |
| City Clerk | | | | | |
| Personal services | 82,700 | 82,700 | 40,516 | 42,184 | 31,600 |
| Other services and charges | 600 | 600 | 557 | 43 | 600 |
| Total City Clerk | <u>83,300</u> | <u>83,300</u> | <u>41,073</u> | <u>42,227</u> | <u>32,200</u> |

City of Credit River, Minnesota
 General Fund
 Schedule of Revenues, Expenditures and
 Changes in Fund Balances - Budget and Actual (Continued)
 For the Year Ended December 31, 2021
 (With Comparative Actual Amounts for the Year Ended December 31, 2020)

| | 2021 | | | Variance with Final Budget | 2020 |
|--------------------------------|------------------|----------------|-------------------|-------------------------------|-------------------|
| | Budgeted Amounts | | Actual Amounts | | Actual Amounts |
| | Original | Final | | | |
| Expenditures (Continued) | | | | | |
| Current (Continued) | | | | | |
| General government (continued) | | | | | |
| City Treasurer | | | | | |
| Personal services | \$ 41,200 | \$ 41,200 | \$ 48,450 | \$ (7,250) | \$ 39,688 |
| Other services and charges | 600 | 600 | 550 | 50 | 600 |
| Total City Treasurer | <u>41,800</u> | <u>41,800</u> | <u>49,000</u> | <u>(7,200)</u> | <u>40,288</u> |
| Elections | | | | | |
| Personal services | 5,200 | 5,200 | 3,493 | 1,707 | 11,695 |
| Supplies | 650 | 650 | 151 | 499 | 925 |
| Other services and charges | 600 | 600 | 1,931 | (1,331) | 1,890 |
| Total elections | <u>6,450</u> | <u>6,450</u> | <u>5,575</u> | <u>875</u> | <u>14,510</u> |
| Assessor | | | | | |
| Other services and charges | 51,200 | 51,200 | 51,912 | (712) | 50,042 |
| Legal | | | | | |
| Other services and charges | 30,000 | 30,000 | 31,953 | (1,953) | 31,128 |
| Incorporation costs | | | | | |
| Other services and charges | 10,000 | 10,000 | 9,201 | 799 | 147,243 |
| Planning | | | | | |
| Personal services | 20,000 | 20,000 | 17,465 | 2,535 | 80 |
| Other services and charges | 100,000 | 100,000 | 155,150 | (55,150) | 7,975 |
| Total planning | <u>120,000</u> | <u>120,000</u> | <u>172,615</u> | <u>(52,615)</u> | <u>8,055</u> |
| City hall building | | | | | |
| Other services and charges | 26,040 | 26,040 | 16,711 | 9,329 | 12,918 |
| Total general government | <u>525,325</u> | <u>525,325</u> | <u>508,370</u> | <u>16,955</u> | <u>454,339</u> |
| Public safety | | | | | |
| Fire | | | | | |
| Other services and charges | 437,468 | 437,468 | 434,950 | 2,518 | 225,903 |
| CARES funding expenditures | | | | | |
| Personal services | - | - | - | - | 2,590 |
| Supplies | - | - | - | - | 6,492 |
| Other services and charges | - | - | - | - | 303,525 |
| Total planning | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>312,607</u> |
| Total public safety | <u>437,468</u> | <u>437,468</u> | <u>434,950</u> | <u>2,518</u> | <u>538,510</u> |
| Public works | | | | | |
| Streets | | | | | |
| Personal services | 525 | 525 | - | 525 | - |
| Other services and charges | 183,500 | 183,500 | 72,223 | 111,277 | 103,688 |
| Total public works | <u>184,025</u> | <u>184,025</u> | <u>72,223</u> | <u>111,802</u> | <u>103,688</u> |

City of Credit River, Minnesota
 General Fund
 Schedule of Revenues, Expenditures and
 Changes in Fund Balances - Budget and Actual (Continued)
 For the Year Ended December 31, 2021
 (With Comparative Actual Amounts for the Year Ended December 31, 2020)

| | 2021 | | | | 2020 |
|------------------------------|-------------------|-------------------|---------------------|-------------------------------|-------------------|
| | Budgeted Amounts | | Actual Amounts | Variance with Final Budget | Actual Amounts |
| | Original | Final | | | |
| Expenditures (Continued) | | | | | |
| Current (Continued) | | | | | |
| Culture and recreation | | | | | |
| Parks | | | | | |
| Personal services | \$ 525 | \$ 525 | \$ - | \$ 525 | \$ 75 |
| Supplies | - | - | 51 | (51) | 42 |
| Other services and charges | 14,025 | 14,025 | 15,750 | (1,725) | 11,600 |
| Total culture and recreation | <u>14,550</u> | <u>14,550</u> | <u>15,801</u> | <u>(1,251)</u> | <u>11,717</u> |
| Total current | 1,161,368 | 1,161,368 | 1,031,344 | 130,024 | 1,108,254 |
| Capital outlay | | | | | |
| General government | <u>21,000</u> | <u>21,000</u> | <u>288</u> | <u>20,712</u> | <u>12,748</u> |
| Total Expenditures | <u>1,182,368</u> | <u>1,182,368</u> | <u>1,031,632</u> | <u>150,736</u> | <u>1,121,002</u> |
| Net Change in Fund Balances | 115,857 | 115,857 | 588,473 | 472,616 | (51,624) |
| Fund Balances, January 1 | <u>514,892</u> | <u>514,892</u> | <u>514,892</u> | <u>-</u> | <u>566,516</u> |
| Fund Balances, December 31 | <u>\$ 630,749</u> | <u>\$ 630,749</u> | <u>\$ 1,103,365</u> | <u>\$ 472,616</u> | <u>\$ 514,892</u> |

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City of Credit River, Minnesota
Road and Bridge Fund
Schedule of Revenues, Expenditures and
Changes in Fund Balances - Budget and Actual
For the Year Ended December 31, 2021
(With Comparative Actual Amounts for the Year Ended December 31, 2020)

| | 2021 | | | | 2020 |
|-----------------------------|------------------|------------|-------------------|-------------------------------|-------------------|
| | Budgeted Amounts | | Actual Amounts | Variance with Final Budget | Actual Amounts |
| | Original | Final | | | |
| Revenues | | | | | |
| Taxes | | | | | |
| General property taxes | \$ 360,000 | \$ 360,000 | \$ 359,499 | \$ (501) | \$ 383,711 |
| Intergovernmental | | | | | |
| Federal | | | | | |
| FEMA aid | - | - | - | - | 31,657 |
| State | | | | | |
| Agricultural credit | - | - | 516 | 516 | 549 |
| Local | | | | | |
| Other grants and aids | 50,000 | 50,000 | 48,966 | (1,034) | 53,936 |
| Total | 50,000 | 50,000 | 49,482 | (518) | 86,142 |
| Charges for services | 2,400 | 2,400 | 40,444 | 38,044 | 59,683 |
| Special assessments | - | - | 1,666 | 1,666 | 7,974 |
| Miscellaneous | - | - | 4,010 | 4,010 | 2,060 |
| Total Revenues | 412,400 | 412,400 | 455,101 | 42,701 | 539,570 |
| Expenditures | | | | | |
| Current | | | | | |
| Public works | | | | | |
| Personal services | 3,450 | 3,450 | 4,205 | (755) | 5,318 |
| Supplies | 81,400 | 81,400 | 54,811 | 26,589 | 41,670 |
| Other services and charges | 885,979 | 885,979 | 224,829 | 661,150 | 468,512 |
| Total Expenditures | 970,829 | 970,829 | 283,845 | 686,984 | 515,500 |
| Net Change in Fund Balances | (558,429) | (558,429) | 94,964 | 653,393 | 24,070 |
| Fund Balances, January 1 | 1,209,248 | 1,209,248 | 1,209,248 | - | 1,185,178 |
| Fund Balances, December 31 | \$ 650,819 | \$ 650,819 | \$ 1,304,212 | \$ 653,393 | \$ 1,209,248 |

City of Credit River, Minnesota
Proprietary Funds
Combining Schedules of Net Position
December 31, 2021 and 2020

| | Business-type Activities - Enterprise Funds | |
|---|--|------------|
| | Monterey Heights/South Passage Subordinate Service District | |
| | 2021 | 2020 |
| Assets | | |
| Current Assets | | |
| Cash and temporary investments | \$ 220,208 | \$ 73,422 |
| Receivables | | |
| Accounts | 322 | 654 |
| Special assessments | - | - |
| Prepaid items | 95 | 95 |
| Total Current Assets | 220,625 | 74,171 |
| Noncurrent Assets | | |
| Restricted cash and temporary investments | 159,960 | 150,876 |
| Capital assets | | |
| Infrastructure | 204,715 | 204,715 |
| Less accumulated depreciation | (116,968) | (110,218) |
| Net Capital Assets | 87,747 | 94,497 |
| Total Noncurrent Assets | 247,707 | 245,373 |
| Total Assets | 468,332 | 319,544 |
| Liabilities | | |
| Current Liabilities | | |
| Accounts payable | 16,490 | 4,691 |
| Accrued interest payable | 3,434 | - |
| Accrued salaries payable | 166 | 29 |
| Deposits payable | 416 | 540 |
| TOTAL CURRENT LIABILITIES | 20,506 | 5,260 |
| NONCURRENT LIABILITIES | | |
| Bonds payable | 157,522 | - |
| Total Liabilities | 178,028 | 5,260 |
| Net Position | | |
| Investment in capital assets | 75,225 | 94,497 |
| Restricted for capital replacement and repair | 159,960 | 150,876 |
| Unrestricted | 55,119 | 68,911 |
| Total Net Position | \$ 290,304 | \$ 314,284 |

Business-type Activities - Enterprise Funds

| Territory | | Stonebridge | | Total Sewer | |
|------------------------------|---------------------|------------------------------|-------------------|-------------------------------|---------------------|
| Subordinate Service District | | Subordinate Service District | | Subordinate Service Districts | |
| 2021 | 2020 | 2021 | 2020 | 2021 | 2020 |
| \$ 84,825 | \$ 90,406 | \$ 28,407 | \$ 34,168 | \$ 333,440 | \$ 197,996 |
| 1,884 | 1,534 | 892 | 1,886 | 3,098 | 4,074 |
| 4,971 | 2,607 | - | - | 4,971 | 2,607 |
| 256 | 256 | 62 | 62 | 413 | 413 |
| <u>91,936</u> | <u>94,803</u> | <u>29,361</u> | <u>36,116</u> | <u>341,922</u> | <u>205,090</u> |
| | | | | | |
| <u>205,163</u> | <u>189,277</u> | <u>72,735</u> | <u>67,457</u> | <u>437,858</u> | <u>407,610</u> |
| | | | | | |
| 2,145,286 | 2,145,286 | 362,848 | 362,848 | 2,712,849 | 2,712,849 |
| (773,124) | (687,260) | (94,687) | (83,496) | (984,779) | (880,974) |
| <u>1,372,162</u> | <u>1,458,026</u> | <u>268,161</u> | <u>279,352</u> | <u>1,728,070</u> | <u>1,831,875</u> |
| | | | | | |
| <u>1,577,325</u> | <u>1,647,303</u> | <u>340,896</u> | <u>346,809</u> | <u>2,165,928</u> | <u>2,239,485</u> |
| | | | | | |
| <u>1,669,261</u> | <u>1,742,106</u> | <u>370,257</u> | <u>382,925</u> | <u>2,507,850</u> | <u>2,444,575</u> |
| | | | | | |
| 15,441 | 8,168 | 4,786 | 4,179 | 36,717 | 17,038 |
| - | - | - | - | 3,434 | - |
| 446 | 79 | 108 | 19 | 720 | 127 |
| 756 | 1,340 | 485 | 290 | 1,657 | 2,170 |
| <u>16,643</u> | <u>9,587</u> | <u>5,379</u> | <u>4,488</u> | <u>42,528</u> | <u>19,335</u> |
| | | | | | |
| <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>157,522</u> | <u>-</u> |
| <u>16,643</u> | <u>9,587</u> | <u>5,379</u> | <u>4,488</u> | <u>200,050</u> | <u>19,335</u> |
| | | | | | |
| 1,372,162 | 1,458,026 | 268,161 | 279,352 | 1,715,548 | 1,831,875 |
| 205,163 | 189,277 | 72,735 | 67,457 | 437,858 | 407,610 |
| 75,293 | 85,216 | 23,982 | 31,628 | 154,394 | 185,755 |
| <u>\$ 1,652,618</u> | <u>\$ 1,732,519</u> | <u>\$ 364,878</u> | <u>\$ 378,437</u> | <u>\$ 2,307,800</u> | <u>\$ 2,425,240</u> |

City of Credit River, Minnesota
Proprietary Funds
Combining Schedules of Revenues, Expenses and Changes in Net Position
For the Years Ended December 31, 2021 and 2020

| | Business-type Activities - Enterprise Funds | |
|----------------------------|--|------------|
| | Monterey Heights/South Passage Subordinate Service District | |
| | 2021 | 2020 |
| Operating Revenues | | |
| Charges for services | \$ 68,023 | \$ 61,773 |
| Operating Expenses | | |
| Personal services | 1,243 | 1,348 |
| Office expenses | 1,443 | 1,645 |
| Maintenance | 36,875 | 26,919 |
| Repairs | 2,119 | 3,250 |
| Professional services | 7,145 | 8,440 |
| Utilities | 3,092 | 3,152 |
| Other expense | 25,711 | 10,500 |
| Depreciation | 6,750 | 6,824 |
| Total Operating Expenses | 84,378 | 62,078 |
| Operating Income (Loss) | (16,355) | (305) |
| Nonoperating Revenues | | |
| Investment earnings | 41 | 645 |
| Bond Issuance Costs | (4,846) | - |
| Interest expense | (2,820) | - |
| Total Nonoperating Revenue | (7,625) | 645 |
| Change in Net Position | (23,980) | 340 |
| Net Position, January 1 | 314,284 | 313,944 |
| Net Position, December 31 | \$ 290,304 | \$ 314,284 |

Business-type Activities - Enterprise Funds

| Territory | | Stonebridge | | Total Sewer | |
|------------------------------|---------------------|------------------------------|-------------------|-------------------------------|---------------------|
| Subordinate Service District | | Subordinate Service District | | Subordinate Service Districts | |
| 2021 | 2020 | 2021 | 2020 | 2021 | 2020 |
| \$ 135,065 | \$ 128,741 | \$ 49,174 | \$ 37,251 | \$ 252,262 | \$ 227,765 |
| 3,135 | 4,731 | 1,398 | 802 | 5,776 | 6,881 |
| 3,007 | 3,570 | 696 | 908 | 5,146 | 6,123 |
| 78,357 | 59,312 | 29,970 | 20,282 | 145,202 | 106,513 |
| (164) | 6,729 | 437 | 1,991 | 2,392 | 11,970 |
| 13,841 | 12,099 | 10,035 | 7,077 | 31,021 | 27,616 |
| 5,495 | 5,821 | 1,000 | 1,537 | 9,587 | 10,510 |
| 25,483 | 25,404 | 8,023 | 6,365 | 59,217 | 42,269 |
| 85,864 | 85,864 | 11,191 | 11,192 | 103,805 | 103,880 |
| <u>215,018</u> | <u>203,530</u> | <u>62,750</u> | <u>50,154</u> | <u>362,146</u> | <u>315,762</u> |
| (79,953) | (74,789) | (13,576) | (12,903) | (109,884) | (87,997) |
| 52 | 797 | 17 | 286 | 110 | 1,728 |
| - | - | - | - | (2,820) | - |
| - | - | - | - | (4,846) | - |
| <u>52</u> | <u>797</u> | <u>17</u> | <u>286</u> | <u>(7,556)</u> | <u>1,728</u> |
| (79,901) | (73,992) | (13,559) | (12,617) | (117,440) | (86,269) |
| <u>1,732,519</u> | <u>1,806,511</u> | <u>378,437</u> | <u>391,054</u> | <u>2,425,240</u> | <u>2,511,509</u> |
| <u>\$ 1,652,618</u> | <u>\$ 1,732,519</u> | <u>\$ 364,878</u> | <u>\$ 378,437</u> | <u>\$ 2,307,800</u> | <u>\$ 2,425,240</u> |

City of Credit River, Minnesota
Proprietary Funds
Combining Schedules of Cash Flows
For the Years Ended December 31, 2021 and 2020

| | Business-type Activities - Enterprise Funds | |
|---|--|------------|
| | Monterey Heights/South Passage Subordinate Service District | |
| | 2021 | 2020 |
| Cash Flows from Operating Activities | | |
| Receipts from customers | \$ 68,355 | \$ 62,605 |
| Payments to suppliers | (64,710) | (63,915) |
| Payments to employees | (1,106) | (1,455) |
| Net Cash Provided (Used) by Operating Activities | 2,539 | (2,765) |
| Cash Flows from Capital and Related Financing Activities | | |
| Proceeds from issuances of long-term debt | 158,136 | - |
| Bond issuance costs paid | (4,846) | - |
| Net Cash Provided by Capital and Related Financing Activities | 153,290 | - |
| Cash Flows from Investing Activities | | |
| Interest received on investments | 41 | 645 |
| Net Increase (Decrease) in Cash and Cash Equivalents | 155,870 | (2,120) |
| Cash and Cash Equivalents, January 1 | 224,298 | 226,418 |
| Cash and Cash Equivalents, December 31 | \$ 380,168 | \$ 224,298 |
| Cash and Cash Equivalents as Reported on the Statement of Net Position | | |
| Cash and temporary investments | \$ 220,208 | \$ 73,422 |
| Restricted cash and temporary investments | 159,960 | 150,876 |
| Total Cash and Cash Equivalents | \$ 380,168 | \$ 224,298 |
| Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities | | |
| Operating income (loss) | \$ (16,355) | \$ (305) |
| Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities | | |
| Depreciation | 6,750 | 6,824 |
| (Increase) decrease in assets | | |
| Accounts receivable | 332 | 832 |
| Special assessments receivable | - | - |
| Increase (decrease) in liabilities | | |
| Accounts payable | 11,799 | (10,318) |
| Accrued salaries payable | 137 | (107) |
| Deposits payable | (124) | 309 |
| Net Cash Provided (Used) by Operating Activities | \$ 2,539 | \$ (2,765) |
| Noncash Capital and Related Financing Activities | | |
| Amortization of bond premium | \$ 614 | \$ - |

Business-type Activities - Enterprise Funds

| Territory Subordinate Service District | | Stonebridge Subordinate Service District | | Total Sewer Subordinate Service Districts | |
|---|-------------------|---|-------------------|--|--------------------|
| 2021 | 2020 | 2021 | 2020 | 2021 | 2020 |
| \$ 132,351 | \$ 137,396 | \$ 50,168 | \$ 36,505 | \$ 250,874 | \$ 236,506 |
| (119,330) | (137,130) | (49,359) | (43,802) | (233,399) | (244,847) |
| (2,768) | (5,019) | (1,309) | (872) | (5,183) | (7,346) |
| <u>10,253</u> | <u>(4,753)</u> | <u>(500)</u> | <u>(8,169)</u> | <u>12,292</u> | <u>(15,687)</u> |
| - | - | - | - | 158,136 | - |
| - | - | - | - | (4,846) | - |
| - | - | - | - | 153,290 | - |
| <u>52</u> | <u>797</u> | <u>17</u> | <u>286</u> | <u>110</u> | <u>1,728</u> |
| 10,305 | (3,956) | (483) | (7,883) | 165,692 | (13,959) |
| <u>279,683</u> | <u>283,639</u> | <u>101,625</u> | <u>109,508</u> | <u>605,606</u> | <u>619,565</u> |
| <u>\$ 289,988</u> | <u>\$ 279,683</u> | <u>\$ 101,142</u> | <u>\$ 101,625</u> | <u>\$ 771,298</u> | <u>\$ 605,606</u> |
| \$ 84,825 | \$ 90,406 | \$ 28,407 | \$ 34,168 | \$ 333,440 | \$ 197,996 |
| 205,163 | 189,277 | 72,735 | 67,457 | 437,858 | 407,610 |
| <u>\$ 289,988</u> | <u>\$ 279,683</u> | <u>\$ 101,142</u> | <u>\$ 101,625</u> | <u>\$ 771,298</u> | <u>\$ 605,606</u> |
| \$ (79,953) | \$ (74,789) | \$ (13,576) | \$ (12,903) | \$ (109,884) | \$ (87,997) |
| 85,864 | 85,864 | 11,191 | 11,192 | 103,805 | 103,880 |
| (350) | 3,399 | 994 | (746) | 976 | 3,485 |
| (2,364) | 5,256 | - | - | (2,364) | 5,256 |
| 7,273 | (24,623) | 607 | (5,927) | 19,679 | (40,868) |
| 367 | (288) | 89 | (70) | 593 | (465) |
| (584) | 428 | 195 | 285 | (513) | 1,022 |
| <u>\$ 10,253</u> | <u>\$ (4,753)</u> | <u>\$ (500)</u> | <u>\$ (8,169)</u> | <u>\$ 12,292</u> | <u>\$ (15,687)</u> |
| <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |

City of Credit River, Minnesota

Debt Service Funds

Combining Balance Sheet

December 31, 2021

| | 2012 G.O. Improvement Bond | 2015 G.O. Improvement Bond | 2018 G.O. Improvement Bond | 2021 G.O. Improvement Bond | Total |
|--|----------------------------------|----------------------------------|----------------------------------|----------------------------------|---------------------|
| Assets | | | | | |
| Cash and temporary investments | \$ - | \$ 368,132 | \$ 444,332 | \$ 275,664 | \$ 1,088,128 |
| Receivables | | | | | |
| Taxes | - | 932 | 954 | - | 1,886 |
| Special assessments | - | 138,337 | 315,135 | 296,400 | 749,872 |
| Due from other governments | - | 227 | - | - | 227 |
| Total Assets | \$ - | \$ 507,628 | \$ 760,421 | \$ 572,064 | \$ 1,840,113 |
| Deferred Inflows of Resources | | | | | |
| Unavailable revenue - taxes | \$ - | \$ 445 | \$ 457 | \$ - | \$ 902 |
| Unavailable revenue - special assessments | - | 138,337 | 314,475 | 296,400 | 749,212 |
| Total Deferred Inflows of Resources | - | 138,782 | 314,932 | 296,400 | 750,114 |
| Fund Balances | | | | | |
| Restricted for debt service | - | 368,846 | 445,489 | 275,664 | 1,089,999 |
| Total Deferred Inflows of Resources and Fund Balances | \$ - | \$ 507,628 | \$ 760,421 | \$ 572,064 | \$ 1,840,113 |

City of Credit River, Minnesota
Debt Service Funds
Combining Schedules of Revenues, Expenditures
and Changes on Fund Balances
For the Year Ended December 31, 2021

| | 2012 G.O. Improvement Bond | 2015 G.O. Improvement Bond | 2018 G.O. Improvement Bond | 2021 G.O. Improvement Bond | Total |
|--|----------------------------------|----------------------------------|----------------------------------|----------------------------------|---------------------|
| Revenues | | | | | |
| Property taxes | \$ - | \$ 64,860 | \$ 66,706 | \$ - | \$ 131,566 |
| Intergovernmental | - | 92 | 96 | - | 188 |
| Special assessments | - | 54,914 | 64,985 | 254,816 | 374,715 |
| Total Revenues | <u>-</u> | <u>119,866</u> | <u>131,787</u> | <u>254,816</u> | <u>506,469</u> |
| Expenditures | | | | | |
| Debt service | | | | | |
| Principal | 350,000 | 140,000 | 130,000 | - | 620,000 |
| Interest and other charges | 5,199 | 18,575 | 40,550 | - | 64,324 |
| Total Expenditures | <u>355,199</u> | <u>158,575</u> | <u>170,550</u> | <u>-</u> | <u>684,324</u> |
| Deficiency of Revenues Under Expenditures | <u>(355,199)</u> | <u>(38,709)</u> | <u>(38,763)</u> | <u>254,816</u> | <u>(177,855)</u> |
| Other Financing Sources | | | | | |
| Transfer in | 63,462 | - | 48,347 | - | 111,809 |
| Bonds issued | - | - | - | 20,848 | 20,848 |
| Total Other Financing Sources (Uses) | <u>63,462</u> | <u>-</u> | <u>48,347</u> | <u>20,848</u> | <u>132,657</u> |
| Net Change in Fund Balances | (291,737) | (38,709) | 9,584 | 275,664 | (45,198) |
| Fund Balances, January 1 | <u>291,737</u> | <u>407,555</u> | <u>435,905</u> | <u>-</u> | <u>1,135,197</u> |
| Fund Balances, December 31 | <u>\$ -</u> | <u>\$ 368,846</u> | <u>\$ 445,489</u> | <u>\$ 275,664</u> | <u>\$ 1,089,999</u> |

City of Credit River, Minnesota
 Summary Financial Report
 Revenues And Expenses For General Operations -
 Governmental Funds
 For the Years Ended December 31, 2021 and 2020

| | Total | | Percent Increase (Decrease) |
|------------------------------------|---------------------|---------------------|-----------------------------------|
| | 2021 | 2020 | |
| Revenues | | | |
| Property taxes | \$ 1,697,492 | \$ 1,618,936 | 4.85 % |
| Franchise taxes | 27,603 | 26,564 | 3.91 |
| Licenses and permits | 418,104 | 3,900 | 10,620.62 |
| Intergovernmental | 53,710 | 426,820 | (87.42) |
| Charges for services | 124,370 | 77,885 | 59.68 |
| Special assessments | 900,029 | 684,810 | 31.43 |
| Investment earnings | 1,253 | 17,930 | (93.01) |
| Miscellaneous | 242,030 | 127,877 | 89.27 |
| | <u>\$ 3,464,591</u> | <u>\$ 2,984,722</u> | 16.08 % |
| Total Revenues | | | |
| Per Capita | \$ 631 | \$ 529 | |
| Expenditures | | | |
| Current | | | |
| General government | \$ 510,438 | \$ 454,339 | 12.35 % |
| Public safety | 434,950 | 538,510 | (19.23) |
| Public works | 356,068 | 619,188 | (42.49) |
| Culture and recreation | 15,801 | 11,717 | 34.86 |
| Capital outlay | | | |
| General government | 288 | 12,748 | (97.74) |
| Public works | 1,458,488 | 949,906 | 53.54 |
| Culture and recreation | 5,604 | 850 | 559.29 |
| Debt service | | | |
| Principal | 620,000 | 380,000 | 63.16 |
| Interest and other charges | 64,324 | 73,265 | (12.20) |
| Bond issuance costs | 44,634 | - | 100.00 |
| | <u>\$ 3,510,595</u> | <u>\$ 3,040,523</u> | 15.46 % |
| Total Expenditures | | | |
| Per Capita | \$ 639 | \$ 539 | |
| Total Long-term Indebtedness | \$ 3,125,000 | \$ 2,410,000 | 29.67 % |
| Per Capita | 569 | 427 | 33.26 |
| General Fund Balance - December 31 | \$ 1,103,365 | \$ 514,892 | 114.29 % |
| Per Capita | 201 | 91 | 120.88 |

The purpose of this report is to provide a summary of financial information concerning the City of Credit River to interested citizens. The complete financial statements may be examined at Credit River City Hall, 18985 Meadow View Blvd Prior Lake, MN 55372. Questions about this report should be directed to treasurer@creditrivere-mn.gov.

OTHER REQUIRED REPORT
CITY OF CREDIT RIVER
SCOTT COUNTY, MINNESOTA

FOR THE YEAR ENDED
DECEMBER 31, 2021

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**INDEPENDENT AUDITOR'S REPORT
ON MINNESOTA LEGAL COMPLIANCE**

Honorable Mayor and City Council
City of Credit River
Scott County, Minnesota

We have audited, in accordance with auditing standards generally accepted in the United States of America, the financial statements of the governmental activities, the business-type activities, each major fund and the remaining fund information of City of Credit River, Minnesota (the City), as of and for the year ended December 31, 2021, and the related notes to the financial statements which collectively comprise the City's basic financial statements, and have issued our report thereon dated March 25, 2022.

In connection with our audit, nothing came to our attention that caused us to believe that the City failed to comply with the provisions of the contracting and bidding, deposits and investments, conflicts of interest, public indebtedness, claims and disbursements, and miscellaneous provisions of the *Minnesota Legal Compliance Audit Guide for Citys* promulgated by the State Auditor pursuant to Minnesota statute §6.65, insofar as they relate to accounting matters. However, our audit was not directed primarily toward obtaining knowledge of such noncompliance. Accordingly, had we performed additional procedures, other matters may have come to our attention regarding the City's noncompliance with the above referenced provisions, insofar as they relate to accounting matters.

This report is intended solely for the information and use of those charged with governance and management of the City and the State Auditor and is not intended to be and should not be used by anyone other than these specified parties.



Abdo
Minneapolis, Minnesota
March 25, 2022