



CITY OF HOWARD LAKE

City Council Meeting

*The City of Howard Lake strives to build upon its good neighbor traditions –
A welcoming community for all, supported by vibrant and engaged businesses and community organizations, involved
citizens, and diverse amenities that provide a well-rounded quality of life.*

TENTATIVE AGENDA

August 15, 2022 – 7:00 pm

A. CALL TO ORDER

B. PLEDGE OF ALLEGIANCE

C. APPROVAL OF AGENDA

Any additions, deletions, modifications to the agenda will be done at this time.

D. COUNCIL MEETING MINUTES

- a. Consider Approving the Council Meeting Minutes from the July 18, 2022 Meeting.

E. CITIZEN INPUT

F. COUNCIL/COMMITTEE REPORT

G. DEPARTMENT REPORTS

- a. HLWS Financials June & July
- b. SSEC Financials July

H. CONSENT AGENDA

- a. Consider accepting all Reports & Payment of Claims.
- b. Consider Cooperative JPA with Wright County for Bleacher Inspections.
- c. Consider Natural Gas Franchise Renewal.

I. PRESENTATIONS, PUBLIC HEARINGS & RELATED APPROVALS

- a. Set Public Hearing Date for 2023 Truth in Taxation Hearing: December 5, 2022.

J. NEW BUSINESS

- a. Consider Acceptance of Fiscal Year 2021 Financial Statements.
- b. Consider Change Order #2 to CSAH 7 Project.
- c. Consider Terms for TIF Note to Reeds & Rushes Event Center.
- d. Consider Approval of Purchase Agreement for Terning Trails Apartment Project.
- e. Consider Recommendation to Reject Library Construction Bids.

K. OLD BUSINESS

L. ADMINISTRATOR'S REPORT

M. ADJOURN

NOTE: The City Council will adjourn to a study session immediately following the regular meeting.

Howard Lake Wine & Spirits

Profit & Loss Statement

for the period 6/1/2022 to 6/30/2022

SALES					2021	2021	+/- Pr Yr
	Mnthly Amnt	YTD Amount	Budget	% of Budget	Mnthly Amt	YTD1Amt	
Liquor	\$ 29,396	\$ 162,798	\$ 397,000	41%	\$ 29,597	\$ 167,492	\$ (4,694)
Beer	\$ 59,435	\$ 256,288	\$ 675,000	38%	\$ 56,120	\$ 276,454	\$ (20,166)
Wine	\$ 5,443	\$ 43,704	\$ 102,000	43%	\$ 5,535	\$ 44,149	\$ (445)
Discounts	\$ (1,263)	\$ (8,938)	\$ (18,000)	50%	\$ (908)	\$ (7,594)	\$ (1,344)
Misc(Pop/Mixes/Tobaco)	\$ 2,215	\$ 9,093	\$ 33,600	27%	\$ 2,014	\$ 8,772	\$ 321
Non Tax	\$ 1,872	\$ 4,416	\$ 14,400	31%	\$ 1,881	\$ 4,995	\$ (579)
Loyalty Program	\$ -	\$ (23)	\$ (3,000)	1%	\$ (15)	\$ (185)	\$ 162
On Sale Revenue - SSEC	\$ 895	\$ 3,326			\$ 2,541	\$ 4,540	
Other Revenue	\$ -	\$ 298			\$ 11	\$ 97	
TOTAL SALES	\$ 97,993	\$ 470,961	\$ 1,201,000	39%	\$ 96,776	\$ 498,720	\$ (26,746)
COST OF SALES							
Liquor	\$ 20,038	\$ 109,164	\$ 228,000	48%	\$ 19,011	\$ 113,205	\$ (4,042)
Beer	\$ 48,347	\$ 196,662	\$ 532,000	37%	\$ 42,428	\$ 211,420	\$ (14,759)
Wine	\$ 1,766	\$ 31,926	\$ 66,000	48%	\$ 4,209	\$ 29,555	\$ 2,371
Misc Tax	\$ 932	\$ 6,199	\$ 17,500	35%	\$ 2,441	\$ 7,514	\$ (1,316)
Misc Non Tax	\$ -	\$ -	\$ 8,500	0%	\$ -	\$ 179	\$ (179)
Freight	\$ 533	\$ 3,614	\$ 8,000	45%	\$ 505	\$ 3,298	\$ 316
TOTAL COST OF SALES	\$ 71,617	\$ 347,564	\$ 860,000	40%	\$ 68,594	\$ 365,172	\$ (17,608)
GROSS PROFIT	\$ 26,376	\$ 123,398					
EXPENSES							
Wages/Benefits	\$ 13,156	\$ 81,356	\$ 171,825	47%	\$ 11,518	\$ 73,977	\$ 7,379
Consulting	\$ -	\$ 5,000	\$ 12,000	42%	\$ 1,000	\$ 5,100	\$ (100)
Training & Seminars	\$ -	\$ -	\$ 1,000	0%	\$ -	\$ 60	\$ (60)
Travel	\$ 37	\$ 37	\$ 1,000	4%	\$ -	\$ 362	\$ (325)
Dues & Subscriptions	\$ -	\$ -	\$ 1,000	0%	\$ -	\$ 20	\$ (20)
Cash Short/Over	\$ 114	\$ 203	\$ -		\$ (46)	\$ 27	\$ 176
Credit Card Expense	\$ -	\$ 6,990	\$ 18,000	39%	\$ 1,764	\$ 9,000	\$ (2,011)
Insurance	\$ -	\$ 6,294	\$ 9,300	68%	\$ 484	\$ 9,636	\$ (3,342)
Repair & Maintenance	\$ 473	\$ 3,013	\$ 8,000	38%	\$ 396	\$ 3,015	\$ (1)
Computer Supplies/Technology	\$ -	\$ 912	\$ 4,500	20%	\$ -	\$ 3,526	\$ (2,614)
Utilities	\$ 1,739	\$ 8,284	\$ 12,000	69%	\$ 780	\$ 5,286	\$ 2,998
Advertising	\$ -	\$ 143	\$ 2,500	6%	\$ -	\$ 1,976	\$ (1,833)
Misc	\$ 3,257	\$ 10,499	\$ 5,000	210%	\$ 356	\$ 1,748	\$ 8,752
Depreciation	\$ 625	\$ 3,750	\$ 7,500	50%	\$ 625	\$ 3,750	\$ -
TOTAL EXPENSES	\$ 19,402	\$ 126,482	\$ 253,625	50%	\$ 16,877	\$ 117,483	\$ 8,999
PROFIT/(LOSS)	\$ 6,974	\$ (3,084)			\$ 11,006	\$ 16,065	

Howard Lake Wine & Spirits

Profit & Loss Statement

for the period 6/1/2022 to 6/30/2022

SALES					2021	2021	+/- Pr Yr
	Mnthly Amnt	YTD Amount	Budget	% of Budget	Mnthly Amt	YTD1Amt	
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Wine	\$ 5,443	\$ 43,704	\$ 102,000	43%	\$ 5,535	\$ 44,149	\$ (445)
Discounts	\$ (1,263)	\$ (8,938)	\$ (18,000)	50%	\$ (908)	\$ (7,594)	\$ (1,344)
Misc(Pop/Mixes/Tobaco)	\$ 2,215	\$ 9,093	\$ 33,600	27%	\$ 2,014	\$ 8,772	\$ 321
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Misc Tax	\$ 932	\$ 6,199	\$ 17,500	35%	\$ 2,441	\$ 7,514	\$ (1,316)
Misc Non Tax	\$ -	\$ -	\$ 8,500	0%	\$ -	\$ 179	\$ (179)
Freight	\$ 533	\$ 3,614	\$ 8,000	45%	\$ 505	\$ 3,298	\$ 316
TOTAL COST OF SALES	\$ 71,617	\$ 347,564	\$ 860,000	40%	\$ 68,594	\$ 365,172	\$ (17,608)
GROSS PROFIT	\$ 26,376	\$ 123,398					
EXPENSES							
Wages/Benefits	\$ 13,156	\$ 81,356	\$ 171,825	47%	\$ 11,518	\$ 73,977	\$ 7,379
Consulting	\$ -	\$ 5,000	\$ 12,000	42%	\$ 1,000	\$ 5,100	\$ (100)
Training & Seminars	\$ -	\$ -	\$ 1,000	0%	\$ -	\$ 60	\$ (60)
Travel	\$ 37	\$ 37	\$ 1,000	4%	\$ -	\$ 362	\$ (325)
Dues & Subscriptions	\$ -	\$ -	\$ 1,000	0%	\$ -	\$ 20	\$ (20)
Cash Short/Over	\$ 114	\$ 203	\$ -		\$ (46)	\$ 27	\$ 176
Credit Card Expense	\$ -	\$ 6,990	\$ 18,000	39%	\$ 1,764	\$ 9,000	\$ (2,011)
Insurance	\$ -	\$ 6,294	\$ 9,300	68%	\$ 484	\$ 9,636	\$ (3,342)
Repair & Maintenance	\$ 473	\$ 3,013	\$ 8,000	38%	\$ 396	\$ 3,015	\$ (1)
Computer Supplies/Technology	\$ -	\$ 912	\$ 4,500	20%	\$ -	\$ 3,526	\$ (2,614)
Utilities	\$ 1,739	\$ 8,284	\$ 12,000	69%	\$ 780	\$ 5,286	\$ 2,998
Advertising	\$ -	\$ 143	\$ 2,500	6%	\$ -	\$ 1,976	\$ (1,833)
Misc	\$ 3,257	\$ 10,499	\$ 5,000	210%	\$ 356	\$ 1,748	\$ 8,752
Depreciation	\$ 625	\$ 3,750	\$ 7,500	50%	\$ 625	\$ 3,750	\$ -
TOTAL EXPENSES	\$ 19,402	\$ 126,482	\$ 253,625	50%	\$ 16,877	\$ 117,483	\$ 8,999
PROFIT/(LOSS)	\$ 6,974	\$ (3,084)			\$ 11,006	\$ 16,065	

Howard Lake Wine & Spirits

Profit & Loss Statement

for the period 7/1/2022 to 7/31/2022

SALES					2021	2021	
	Mnthly Amnt	YTD Amount	Budget	% of Budget	Mnthly Amt	YTD1Amt	+/- Pr Yr
Liquor	\$ 32,079	\$ 194,878	\$ 397,000	49%	\$ 31,819	\$ 199,312	\$ (4,434)
Beer	\$ 62,930	\$ 319,218	\$ 675,000	47%	\$ 60,196	\$ 336,650	\$ (17,432)
Wine	\$ 7,907	\$ 51,611	\$ 102,000	51%	\$ 8,172	\$ 52,321	\$ (710)
Discounts	\$ (1,762)	\$ (10,700)	\$ (18,000)	59%	\$ (1,468)	\$ (9,062)	\$ (1,638)
Misc(Pop/Mixes/Tobaco)	\$ 2,078	\$ 11,171	\$ 33,600	33%	\$ 2,456	\$ 11,228	\$ (57)
Non Tax	\$ 1,881	\$ 6,297	\$ 14,400	44%	\$ 2,096	\$ 7,091	\$ (795)
Loyalty Program	\$ -	\$ (23)	\$ (3,000)	1%	\$ (26)	\$ (211)	\$ 188
On Sale Revenue - SSEC	\$ 350	\$ 3,676			\$ -	\$ 4,540	
Other Revenue	\$ (5,779)	\$ (5,481)			\$ 24	\$ 121	
TOTAL SALES	\$ 99,684	\$ 570,645	\$ 1,201,000	48%	\$ 103,269	\$ 601,988	\$ (24,877)
COST OF SALES							
Liquor	\$ 23,651	\$ 132,815	\$ 228,000	58%	\$ 23,080	\$ 136,285	\$ (3,470)
Beer	\$ 50,546	\$ 247,207	\$ 532,000	46%	\$ 58,637	\$ 270,057	\$ (22,850)
Wine	\$ 5,045	\$ 36,970	\$ 66,000	56%	\$ 5,732	\$ 35,287	\$ 1,683
Misc Tax	\$ 1,873	\$ 8,071	\$ 17,500	46%	\$ 3,206	\$ 10,720	\$ (2,648)
Misc Non Tax	\$ -	\$ -	\$ 8,500	0%	\$ -	\$ 179	\$ (179)
Freight	\$ 705	\$ 4,320	\$ 8,000	54%	\$ 441	\$ 3,739	\$ 581
TOTAL COST OF SALES	\$ 81,820	\$ 429,384	\$ 860,000	50%	\$ 91,095	\$ 456,267	\$ (26,883)
GROSS PROFIT	\$ 17,864	\$ 141,262					
EXPENSES							
Wages/Benefits	\$ 21,875	\$ 103,231	\$ 171,825	60%	\$ 17,946	\$ 91,924	\$ 11,307
Consulting	\$ -	\$ 5,000	\$ 12,000	42%	\$ 1,000	\$ 6,100	\$ (1,100)
Training & Seminars	\$ -	\$ -	\$ 1,000	0%	\$ -	\$ 60	\$ (60)
Travel	\$ 41	\$ 79	\$ 1,000	8%	\$ 4	\$ 367	\$ (288)
Dues & Subscriptions	\$ 1,200	\$ 1,200	\$ 1,000	120%	\$ -	\$ 20	\$ 1,180
Cash Short/Over	\$ 116	\$ 319	\$ -		\$ 19	\$ 46	\$ 272
Credit Card Expense	\$ -	\$ 6,990	\$ 18,000	39%	\$ 1,684	\$ 10,685	\$ (3,695)
Insurance	\$ -	\$ 6,294	\$ 9,300	68%	\$ -	\$ 9,636	\$ (3,342)
Repair & Maintenance	\$ 1,447	\$ 4,460	\$ 8,000	56%	\$ 1,596	\$ 4,610	\$ (151)
Computer Supplies/Technology	\$ -	\$ 912	\$ 4,500	20%	\$ -	\$ 3,526	\$ (2,614)
Utilities	\$ 1,067	\$ 9,352	\$ 12,000	78%	\$ 1,283	\$ 6,569	\$ 2,783
Advertising	\$ -	\$ 143	\$ 2,500	6%	\$ 123	\$ 2,099	\$ (1,956)
Misc	\$ 3,284	\$ 13,783	\$ 5,000	276%	\$ 183	\$ 1,930	\$ 11,852
Depreciation	\$ 625	\$ 4,375	\$ 7,500	58%	\$ 625	\$ 4,375	\$ -
TOTAL EXPENSES	\$ 29,655	\$ 156,136	\$ 253,625	62%	\$ 24,463	\$ 141,946	\$ 14,190
PROFIT/(LOSS)	\$ (11,791)	\$ (14,874)			\$ (12,290)	\$ 3,775	

CITY OF HOWARD LAKE
CLAIMS & DONATIONS APPROVED
DATE - July 15 - August 15, 2022

GENERAL FUND	CHECKS: 59612-59756	\$849,847.21
PAYROLL	27124-27151, 502159 – 502240	89,960.40
ELECTRONIC	1221-1246	<u>64,692.84</u>
TOTAL		\$1,004,500.45

AMBULANCE CLAIMS	CHECKS: 5874-5884	\$13,978.36
ELECTRONIC		
TOTAL		\$13,978.36

Approved:

1010 CITIZEN ALLIANCE

1221e	INTERNAL REVENUE SERVICE	7/15/2022	\$8,091.87	
1222e	MN DEPT OF REVENUE	7/15/2022	\$1,476.58	
1223e	PERA	7/15/2022	\$6,350.30	
1224e	FURTHER	7/15/2022	\$512.53	
1232e	MN DEPT OF LABOR AND INDUS	7/27/2022	\$2,302.73	2nd Qrt Bldging Permit Surcharge
1233e	INTERNAL REVENUE SERVICE	7/28/2022	\$8,777.93	
1234e	MN DEPT OF REVENUE	7/28/2022	\$1,780.09	
1235e	PERA	7/28/2022	\$7,507.28	
1236e	FURTHER	7/28/2022	\$250.00	
1241e	MN DEPT OF REVENUE	7/31/2022	\$9,312.00	HLWS DALES TAX-JUNE
1242e	MN DEPT OF REVENUE	7/31/2022	\$1,521.00	UB SALES TAX - JUNE 2022
1243e	INTERNAL REVENUE SERVICE	8/11/2022	\$8,016.44	
1244e	MN DEPT OF REVENUE	8/11/2022	\$1,503.96	
1245e	PERA	8/11/2022	\$6,777.60	
1246e	FURTHER	8/11/2022	\$512.53	
27124	CARGILL, ZACHARY C	7/15/2022	\$150.18	
27125	GOEPFERT, THOMAS	7/15/2022	\$388.58	
27126	ARNOLD, KAYLA	7/15/2022	\$46.17	
27127	BOBROWSKE, KURT	7/15/2022	\$23.09	
27128	DRUSCH, JACOB D	7/15/2022	\$486.21	
27129	DRUSCH, JOEY	7/15/2022	\$23.09	
27130	MAGES, ALEX	7/15/2022	\$467.46	
27131	SHEROD, JOSEPH L.	7/15/2022	\$92.35	
27132	STOLL, ERIC	7/15/2022	\$446.60	
27133	WIECH, KYLE	7/15/2022	\$255.96	
27134	MILLER, EDWARD M	7/15/2022	\$229.51	
27135	BONNICK, STEVEN	7/15/2022	\$69.94	
27136	GOEPFERT, THOMAS	7/29/2022	\$727.06	
27137	MILLER, EDWARD M	7/29/2022	\$155.36	
27138	BONNICK, STEVEN	7/29/2022	\$109.91	
27139	CHAFFINS, GORDON	7/29/2022	\$110.82	
27140	CHRISTENSEN, CODY	7/29/2022	\$110.82	
27141	KOTTKE, BRANDON F	7/29/2022	\$209.76	
27142	GOEPFERT, THOMAS	8/12/2022	\$512.81	
27143	BOBROWSKE, KURT	8/12/2022	\$207.79	
27144	DRUSCH, JACOB D	8/12/2022	\$313.71	
27145	MAGES, ALEX	8/12/2022	\$275.21	
27146	SHEROD, JOSEPH L.	8/12/2022	\$92.35	
27147	STOLL, ERIC	8/12/2022	\$202.02	
27148	WIECH, KYLE	8/12/2022	\$46.17	
27149	MILLER, EDWARD M	8/12/2022	\$197.72	
27150	BONNICK, STEVEN	8/12/2022	\$169.87	
27151	KOTTKE, BRANDON F	8/12/2022	\$69.26	
59612	BREAKTHRU BEVERAGE	7/22/2022	\$2,057.79	
59613	CAPITOL BEVERAGE SALES	7/22/2022	\$2,739.04	
59614	CINTAS	7/22/2022	\$123.77	
59615	DAHLHEIMER BEVERAGE, LLC	7/22/2022	\$9,138.65	
59616	FURTHER	7/22/2022	\$4.80	
59617	HALVORSON LEGAL	7/22/2022	\$1,764.00	
59618	HEIMAN FIRE EQUIPMENT, INC	7/22/2022	\$1,160.67	
59619	HOWARD LAKE TIRE & AUTO	7/22/2022	\$220.69	
59620	JOHNSON BROTHERS LIQUOR C	7/22/2022	\$3,208.45	
59621	BRIAN KITTOCK	7/22/2022	\$23.06	REIMBURSEMENT
59622	MYRA LAWAY	7/22/2022	\$85.94	REIMBURSEMENT

59623	LEAGUE OF MN CITIES INS TRU	7/22/2022	\$1,484.00	
59624	LOCHER BROS, INC	7/22/2022	\$4,802.44	
59625	MARCO	7/22/2022	\$382.64	
59626	MEDIACOM LLC	7/22/2022	\$276.17	
59627	MID-MINNESOTA HOT MIX, INC	7/22/2022	\$213.15	
59628	MIDWEST MACHINERY CO	7/22/2022	\$210.79	
59629	MN FIRE SERVICE CERT BOARD	7/22/2022	\$1,230.00	
59630	MN PUBLIC FACILITIES AUTHOR	7/22/2022	\$377,392.82	PFA GO BOND PMTS
59631	MN VALLEY TESTING LAB	7/22/2022	\$93.00	
59632	NAPA AUTO PARTS COKATO	7/22/2022	\$31.49	
59633	NORTHWEST ASSOC CONSULT	7/22/2022	\$2,496.00	
59634	PHILLIPS WINE & SPIRITS	7/22/2022	\$2,058.70	
59635	PLUNKETT'S PEST CONTROL	7/22/2022	\$366.14	
59636	PREMIUM WATERS, INC	7/22/2022	\$69.18	
59637	PRO HYDRO TESTING	7/22/2022	\$1,854.00	
59638	RIDGEVIEW MEDICAL CENTER	7/22/2022	\$155.00	
59639	SCHEMMELE, JONATHAN & CARO	7/22/2022	\$144.24	REFUND OVERPMT UB ACCOUNT
59640	SOUTHERN GLAZER WINE & SPI	7/22/2022	\$1,508.85	
59641	VERIZON CONNECT NWF, INC	7/22/2022	\$97.14	
59642	VIKING BEVERAGES.	7/22/2022	\$315.15	
59643	VINOCOPIA, INC	7/22/2022	\$429.89	
59644	WATERVILLE FOOD & ICE	7/22/2022	\$1,063.89	
59645	WRIGHT COUNTY FINANCE DEP	7/22/2022	\$1,260.00	
59646	HOWARD LAKE POSTMASTER	7/22/2022	\$335.20	July UB mailing
59647	AULWES, JOHN	7/29/2022	\$75.00	REFUND J. AULWES
59648	BELLBOY CORPORATION	7/29/2022	\$4,238.37	
59649	CAPITOL BEVERAGE SALES	7/29/2022	\$3,029.85	
59650	CENTERPOINT ENERGY	7/29/2022	\$260.70	
59651	CENTRA SOTA COOP - COKATO	7/29/2022	\$354.28	
59652	CINTAS	7/29/2022	\$145.78	
59653	DISPLAY SALES	7/29/2022	\$441.00	
59654	EARL F ANDERSON, INC	7/29/2022	\$130.30	
59655	EARTHLINK INC	7/29/2022	\$13.95	
59656	FLOOR VALUE	7/29/2022	\$2,000.00	
59657	GRAINGER	7/29/2022	\$126.13	
59658	HAWKINS, INC	7/29/2022	\$2,260.58	
59659	HENNING EXCAVATING	7/29/2022	\$4,300.00	
59660	HOWARD LAKE TIRE & AUTO	7/29/2022	\$24.94	
59661	HOWARD LAKE WATERSHED AL	7/29/2022	\$2,300.00	
59662	JOE'S SPORT SHOP	7/29/2022	\$1,444.13	
59663	JOHNSON BROTHERS LIQUOR C	7/29/2022	\$2,664.03	
59664	KELLI J BURAU LLC	7/29/2022	\$8,000.00	KELLI J BURAU LLC
59665	MYRA LAWAY	7/29/2022	\$8.80	REIMBURSEMENT
59666	MENARDS-BUFFALO	7/29/2022	\$76.35	
59667	MRWA	7/29/2022	\$794.70	
59668	MUMFORD SANITATION	7/29/2022	\$11,530.71	COMPOST LEASE
59669	536600-NCPERS GROUP LIFE IN	7/29/2022	\$32.00	
59670	NEOGOV	7/29/2022	\$285.80	
59671	PAUMEN COMPUTER SERVICES	7/29/2022	\$1,203.45	
59672	PETTY CASH -MEAGAN THEISE	7/29/2022	\$118.53	
59673	PHILLIPS WINE & SPIRITS	7/29/2022	\$1,740.74	
59674	PIT STOP TIRE & AUTO	7/29/2022	\$1,011.02	
59675	STREICHER'S	7/29/2022	\$26.00	
59676	THE LODGE OF HOWARD LAKE,	7/29/2022	\$11,139.87	1ST HALF PAY 2022
59677	TRI-COUNTY TREE SERVICE	7/29/2022	\$5,584.00	

59678	VESERIS	7/29/2022	\$14,389.00	
59679	VISA	7/29/2022	\$2,064.94	
59680	WRIGHT HENNEPIN ELECTRIC	7/29/2022	\$1,022.00	
59681	BRASS FOUNDRY BREWING CO	8/4/2022	\$98.92	
59682	BREAKTHRU BEVERAGE	8/4/2022	\$376.33	
59683	CAPITOL BEVERAGE SALES	8/4/2022	\$4,593.27	CREDIT
59684	DAHLHEIMER BEVERAGE, LLC	8/4/2022	\$2,806.55	
59685	JOHNSON BROTHERS LIQUOR C	8/4/2022	\$1,073.91	
59686	MYRA LAWAY	8/4/2022	\$41.25	MILEAGE
59687	LOCHER BROS, INC	8/4/2022	\$5,737.55	
59688	PHILLIPS WINE & SPIRITS	8/4/2022	\$555.45	
59689	SOUTHERN GLAZER WINE & SPI	8/4/2022	\$1,572.21	
59690	WINE MERCHANTS	8/4/2022	\$975.70	
59691	KEITH BOBROWSKE	8/5/2022	\$65.00	Cell Allowance
59692	CENTERPOINT ENERGY	8/5/2022	\$23.52	
59693	CENTURYLINK	8/5/2022	\$627.67	
59694	CINTAS	8/5/2022	\$586.96	
59695	DAHLHEIMER BEVERAGE, LLC	8/5/2022	\$6,232.75	
59696	GOPHER STATE ONE-CALL, INC	8/5/2022	\$63.45	
59697	NICK HAGGENMILLER	8/5/2022	\$365.00	Cell Allowance
59698	HERALD JOURNAL PUBLISHING	8/5/2022	\$1,048.80	
59699	JOE'S SPORT SHOP	8/5/2022	\$1,369.80	
59700	MYRA LAWAY	8/5/2022	\$75.72	Cell Allowance
59701	MARCO TECHNOLOGIES LLC	8/5/2022	\$461.40	
59702	DEBRA MCALPINE	8/5/2022	\$65.00	Car Allowance
59703	MEDIACOM LLC	8/5/2022	\$206.90	
59704	JARED MERGES	8/5/2022	\$65.00	Cell Allowance
59705	NELSON ELECTRIC MOTOR REP	8/5/2022	\$1,741.00	
59706	JIM OTTENSTROER	8/5/2022	\$65.00	Cell Allowance
59707	CLAYTON PRESTIDGE	8/5/2022	\$65.00	Cell Allowance
59708	SPRINT	8/5/2022	\$4.82	
59709	THE BROKEN BOLT	8/5/2022	\$417.00	
59710	THEISEN, MEAGAN	8/5/2022	\$215.00	Cell Allowance
59711	T-MOBILE	8/5/2022	\$288.34	
59712	ULINE	8/5/2022	\$207.64	
59713	VINOCOPIA, INC	8/5/2022	\$1,681.25	
59714	VISA	8/5/2022	\$91.94	
59715	WATERVILLE FOOD & ICE	8/5/2022	\$621.50	
59716	WEIDNER PLUMBING & HEATIN	8/5/2022	\$975.20	
59717	WEX BANK	8/5/2022	\$146.40	
59718	WRIGHT CTY ED PARTNERSHIP	8/5/2022	\$0.00	2023 MEMBERSHIP
59719	FIRST SECURITY BANK HENDRI	8/8/2022	\$5,630.00	
59720	PINEAPPLE ENERGY	8/10/2022	\$500.00	TREADMILL
59721	BELLBOY CORPORATION	8/12/2022	\$1,702.45	
59722	BIRCHDALE FIRE & SECURITY, L	8/12/2022	\$144.96	
59723	BOLTON & MENK, INC	8/12/2022	\$24,706.61	
59724	BREAKTHRU BEVERAGE	8/12/2022	\$2,201.14	
59725	CAPITOL BEVERAGE SALES	8/12/2022	\$3,179.59	
59726	CINTAS	8/12/2022	\$128.16	
59727	COKATO MOTOR SALES, INC	8/12/2022	\$274.21	
59728	DAHLHEIMER BEVERAGE, LLC	8/12/2022	\$3,409.66	DEPOSIT
59729	DAVID DROWN ASSOCIATES	8/12/2022	\$4,000.00	2021 TIF FILING
59730	FINKEN WATER CENTERS	8/12/2022	\$24.45	20887TL
59731	JOHNSON BROTHERS LIQUOR C	8/12/2022	\$5,044.91	
59732	KNIFE RIVER CORPORATION	8/12/2022	\$142,236.00	PAY REQUEST #3

59733	LEAGUE OF MN CITIES INS TRU	8/12/2022	\$77.00	
59734	LOCHER BROS, INC	8/12/2022	\$1,680.35	
59735	MENARDS-BUFFALO	8/12/2022	\$2.58	
59736	METRO WEST INSPECTION SER	8/12/2022	\$5,317.05	
59737	MN FIRE SERVICE CERT BOARD	8/12/2022	\$125.00	
59738	MN PEIP	8/12/2022	\$11,942.17	
59739	MN VALLEY TESTING LAB	8/12/2022	\$53.21	
59740	MUNICIPAL EMERGENCY SERVI	8/12/2022	\$3,045.00	
59741	NAPA AUTO PARTS COKATO	8/12/2022	\$27.48	
59742	NELSON ELECTRIC MOTOR REP	8/12/2022	\$240.00	
59743	NORTH STAR AWARDS & TROP	8/12/2022	\$112.50	
59744	ODP BUSINESS SOLUTIONS	8/12/2022	\$143.52	
59745	PEARSON BROS, INC	8/12/2022	\$77,871.34	
59746	PHILLIPS WINE & SPIRITS	8/12/2022	\$2,705.84	
59747	RIDGEVIEW MEDICAL CENTER	8/12/2022	\$382.00	
59748	SANDRY FIRE SUPPLY	8/12/2022	\$290.84	
59749	TADDY DRUSCH MEMORIAL SC	8/12/2022	\$58.00	
59750	U.S. POSTAL SERVICE	8/12/2022	\$275.00	PERMIT
59751	VERIZON CONNECT NWF, INC	8/12/2022	\$97.14	
59752	VIKING BEVERAGES.	8/12/2022	\$271.60	
59753	WATERVILLE FOOD & ICE	8/12/2022	\$169.14	
59754	WRIGHT COUNTY ED PARTNER	8/12/2022	\$849.00	2023 MMBR
59755	WRIGHT COUNTY FINANCE DEP	8/12/2022	\$3,045.00	
59756	XCEL ENERGY	8/12/2022	\$10,642.42	
502159e	HAGGENMILLER, NICHOLAS A	7/15/2022	\$3,224.59	
502160e	MERGES, JARED M	7/15/2022	\$1,927.91	
502161e	THEISEN, MEAGAN	7/15/2022	\$1,826.64	
502162e	OTTENSTROER, JAMES D	7/15/2022	\$1,692.53	
502163e	PRESTIDGE, CLAYTON P	7/15/2022	\$1,416.78	
502164e	STANLEY, BRIDGET	7/15/2022	\$1,112.80	
502165e	POUKKA, BREANNA	7/15/2022	\$217.46	
502166e	SWENDSEN, JENNIFER	7/15/2022	\$2,184.11	
502167e	BERG, TIMOTHY W	7/15/2022	\$115.44	
502168e	BOBROWSKE, KEITH	7/15/2022	\$69.26	
502169e	BRAVINDER, SETH Z	7/15/2022	\$138.52	
502170e	DALBEC, JOSHUA S	7/15/2022	\$390.71	
502171e	KITTOCK, BRIAN	7/15/2022	\$236.71	
502172e	KITTOCK, NICOLE D	7/15/2022	\$642.92	
502173e	LOEBERTMANN, AMANDA G	7/15/2022	\$277.05	
502174e	LOEBERTMANN, CRAIG	7/15/2022	\$184.70	
502175e	PETERSON, DAVID T	7/15/2022	\$92.35	
502176e	STUEVEN, MARK J	7/15/2022	\$138.52	
502177e	YOKIEL, ANDREW J	7/15/2022	\$23.09	
502178e	LAWAY, MYRA	7/15/2022	\$1,799.03	
502179e	MCALPINE, DEBRA-ANN	7/15/2022	\$1,085.60	
502180e	OTTENSTROER, MACKENZIE R	7/15/2022	\$187.28	
502181e	REMER, TANYA M	7/15/2022	\$191.97	
502182e	VIRNACA, TASIA, R	7/15/2022	\$255.76	
502183e	HAGLIN, SERENA P	7/15/2022	\$319.19	
502184e	JOHNSON, JACOB D	7/15/2022	\$1,747.89	
502185e	PREUSSE, MITCHELL D	7/15/2022	\$382.50	
502186e	SZCZEPANIK, DARIUSZ J	7/15/2022	\$2,039.46	
502187e	THOMPSON, DAVID G	7/15/2022	\$2,126.10	
502188e	THOMPSON, KYLE	7/15/2022	\$117.33	
502189e	CARGILL, ZACHARY C	7/29/2022	\$1,268.86	

502190e	HAGGENMILLER, NICHOLAS A	7/29/2022	\$3,454.64
502191e	MERGES, JARED M	7/29/2022	\$2,054.20
502192e	THEISEN, MEAGAN	7/29/2022	\$1,981.62
502193e	OTTENSTROER, JAMES D	7/29/2022	\$1,734.92
502194e	PRESTIDGE, CLAYTON P	7/29/2022	\$1,769.91
502195e	STANLEY, BRIDGET	7/29/2022	\$2,950.75
502196e	SWENDSEN, JENNIFER	7/29/2022	\$2,184.11
502197e	DULLE, KAREN A.	7/29/2022	\$303.03
502198e	LAWAY, MYRA	7/29/2022	\$2,020.30
502199e	LINDER, EMILY	7/29/2022	\$200.13
502200e	MCALPINE, DEBRA-ANN	7/29/2022	\$1,085.60
502201e	OTTENSTROER, MACKENZIE R	7/29/2022	\$266.00
502202e	REMER, TANYA M	7/29/2022	\$238.89
502203e	VIRNACA, TASIA, R	7/29/2022	\$255.76
502204e	HAGLIN, SERENA P	7/29/2022	\$527.70
502205e	JOHNSON, JACOB D	7/29/2022	\$1,747.89
502206e	PREUSSE, MITCHELL D	7/29/2022	\$1,285.76
502207e	SZCZEPANIK, DARIUSZ J	7/29/2022	\$1,959.38
502208e	THOMPSON, DAVID G	7/29/2022	\$2,160.46
502209e	CARGILL, ZACHARY C	8/12/2022	\$1,261.27
502210e	HAGGENMILLER, NICHOLAS A	8/12/2022	\$3,224.59
502211e	MERGES, JARED M	8/12/2022	\$1,946.63
502212e	THEISEN, MEAGAN	8/12/2022	\$1,826.64
502213e	OTTENSTROER, JAMES D	8/12/2022	\$1,581.99
502214e	PRESTIDGE, CLAYTON P	8/12/2022	\$1,524.50
502215e	POUKKA, BREANNA	8/12/2022	\$236.71
502216e	SWENDSEN, JENNIFER	8/12/2022	\$2,184.11
502217e	BERG, TIMOTHY W	8/12/2022	\$161.61
502218e	BOBROWSKE, KEITH	8/12/2022	\$230.87
502219e	BRAVINDER, SETH Z	8/12/2022	\$23.09
502220e	DALBEC, JOSHUA S	8/12/2022	\$178.96
502221e	KITTOCK, BRIAN	8/12/2022	\$159.71
502222e	KITTOCK, NICOLE D	8/12/2022	\$382.49
502223e	LOEBERTMANN, AMANDA G	8/12/2022	\$518.37
502224e	LOEBERTMANN, CRAIG	8/12/2022	\$207.79
502225e	PETERSON, DAVID T	8/12/2022	\$230.87
502226e	STUEVEN, MARK J	8/12/2022	\$69.26
502227e	YOKIEL, ANDREW J	8/12/2022	\$92.35
502228e	DULLE, KAREN A.	8/12/2022	\$189.02
502229e	LAWAY, MYRA	8/12/2022	\$2,204.40
502230e	MCALPINE, DEBRA-ANN	8/12/2022	\$1,085.60
502231e	MCALPINE, LEXI	8/12/2022	\$66.71
502232e	OTTENSTROER, MACKENZIE R	8/12/2022	\$204.51
502233e	VIRNACA, TASIA, R	8/12/2022	\$473.70
502234e	ZINCHINI, TIFFANI M	8/12/2022	\$24.65
502235e	HAGLIN, SERENA P	8/12/2022	\$403.69
502236e	JOHNSON, JACOB D	8/12/2022	\$1,747.89
502237e	PREUSSE, MITCHELL D	8/12/2022	\$398.92
502238e	SZCZEPANIK, DARIUSZ J	8/12/2022	\$1,925.02
502239e	THOMPSON, DAVID G	8/12/2022	\$2,126.10
502240e	THOMPSON, KYLE	8/12/2022	\$454.27
Total Checks			\$1,003,690.23

CITY OF HOWARD LAKE

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***Check Summary Register©**

Checks 07/15/22-08/15/22

	Name	Check Date	Check Amt	
1012	CAB - AMBULANCE			
5874	MICKOLICHEK, LARRY	7/21/2022	\$661.20	REIMBURSEMENT OVERPMT
5875	ALLINA HEALTH EMS	7/25/2022	\$800.00	
5876	AVOCATION SOFTWARE	7/25/2022	\$250.00	ANNUAL SUPPORT FEE
5877	BOUNDTREE MEDICAL	7/25/2022	\$1,245.75	
5878	CENTRAL MCGOWAN, INC	7/25/2022	\$28.35	
5879	CITY OF HOWARD LAKE	7/25/2022	\$5,075.00	JUNE WAGES
5880	JOE'S SPORT SHOP	7/25/2022	\$1,032.09	
5881	KEAVENY PHARMACY	7/25/2022	\$1,460.97	
5882	RIDGEVIEW MEDICAL CENTER	7/25/2022	\$200.00	
5883	VISA	7/29/2022	\$300.00	
5884	CITY OF HOWARD LAKE	8/9/2022	\$2,925.00	May wages
		Total Checks	\$13,978.36	



HOWARD LAKE CITY COUNCIL MEETING

August 15, 2022

AGENDA ITEM: Resolution 22-15 JPA with Wright County Regarding the Inspection of the Bleachers at the Fairgrounds

SECTION: Consent

FROM: Meagan Theisen, Assistant City Administrator

BACKGROUND: The City of Howard Lake receive the request to enter into a JPA with Wright County to allow Wright County Planning and Zoning to inspect the bleachers to ensure they comply with the requirements in Minnesota Statutes section 326B.112. The JPA would be effective until December 31, 2025 and shall automatically renew every three years unless the agreement is terminated.

COUNCIL ACTION REQUESTED: Approve Resolution 22-15 RESOLUTION EXECUTING A COOPERATIVE JOINT POWERS AGREEMENT REGARDING THE INSPECTION OF BLEACHERS ON WRIGHT COUNTY FAIR GROUNDS.

ATTACHMENTS:

1. Resolution 22-15

RESOLUTION 22-15

COOPERATIVE JOINT POWERS AGREEMENT REGARDING THE INSPECTION OF BLEACHERS ON WRIGHT COUNTY FAIRGROUNDS

This intergovernmental cooperative joint powers agreement regarding the inspection of bleachers at the Wright County Fairground Grandstand (hereinafter, the “Agreement”) is made effective on this 28th day of June, 2022 by and between Wright County (hereinafter, the “County”), a municipal corporation, and the City of Howard Lake (hereinafter, the “City”), a municipal corporation.

WHEREAS, the County owns property within the city limits of the City of Howard Lake.

WHEREAS, this property has been designated as the Wright County Fairgrounds (hereinafter, “Fairgrounds”).

WHEREAS, there are bleachers located at the Fairgrounds Grandstand (hereinafter, “Grandstand Bleachers”), located on Parcel 109800334404.

WHEREAS, the City has statutory responsibility for the inspection of bleachers within its city limits pursuant to Minnesota Statutes section 326B.112.

WHEREAS, the County and City desire that Wright County Planning and Zoning conduct the inspection of the Grandstand Bleachers.

WHEREAS, Minnesota Statutes section 471.59 authorizes governmental units to jointly and/or cooperatively exercise their powers.

WHEREAS, the Grandstand Bleachers are required to be inspected as outlined in section 326B.112.

NOW, THEREFORE, pursuant to the authority contained in Minnesota Statutes Section 471.59 (“Joint Exercise of Powers”) and Minnesota Statutes section 326B.112 and in consideration of the mutual covenants herein contained and the benefits that each party hereto shall derive hereby, the Parties agree as follows:

I. PURPOSE OF THIS AGREEMENT

- a. The purpose of this Agreement is to allow Wright County Planning and Zoning to inspect the bleachers to ensure they comply with the requirements of section 326B.112.

II. TERM OF AGREEMENT

- a. This Agreement shall be effective from the date indicated above until December 31, 2025 and shall automatically renew every three years unless and until this Agreement is terminated as outlined in Section III.

III. TERMINATION

- a. A Party may terminate this Agreement upon providing to the other Party not less than forty-five (30) days advance written notice for any or no reason.
- b. In the event of a termination by a Party, each Party shall fully discharge all obligations owed to the other Party accruing prior to the date of such termination, and, except as otherwise provided herein, each Party shall be released from all obligations, which would otherwise accrue subsequent to the date of termination.

IV. INSURANCE; LIABILITY; MUTUAL RESPONSIBILITY; NO WAIVER OF IMMUNITIES

- a. Liability: Each Party to this Agreement shall be liable for its own acts to the extent provided by law and hereby agrees to indemnify, hold harmless and defend the other, its officers and employees against any and all liability, loss, costs, damages, expenses, claims or actions, including attorney's fees that the other, its officers and employees may hereafter sustain, incur or be required to pay, arising out of or by reason of any act or omission of the Party, its agents, servants, or employees, in the execution, performance or failure to adequately perform its obligations pursuant to this Agreement. The provisions of the Municipal Tort Claims Act, Minnesota Statutes Chapter 466, and other applicable laws govern liability of the parties. It is the intent of each Party that this Agreement does not create any liability or exposure of one party for the acts or omissions of any other Party pursuant to Minnesota Statutes Section 471.59, Subd. 1a(a).
- b. Notification of Potential Liability: Each Party agrees to promptly notify the other Party if it knows or becomes aware of any facts or allegations reasonably giving rise to actual or potential liability, claims, causes of action judgments, damages, losses, costs or expenses, including attorney's fees, involving or reasonably likely to involve the other Party, and arising out of acts or omissions related to this Agreement.
- c. Insurance: Each Party to this Agreement agrees that it is self-insured pursuant to the laws of Minnesota or carries adequate insurance coverage to manage all risk undertaken pursuant to this Agreement

V. ASSIGNMENT

- a. No Party will assign or transfer any interest in this Agreement without the consent of the other Parties.

VI. AUDIT OF AGREEMENT RECORDS

- a. Pursuant to Minnesota Statutes section 16C.05, the Parties' books, records, documents, and accounting procedures and practices with respect to any matter covered by this Agreement shall be made available to the State of Minnesota Office of the State Auditor

upon written notice, at any time during normal business hours, for the purpose of auditing, examining or making excerpts or transcripts of relevant data.

VII. AMENDMENT OR CHANGES TO AGREEMENT

- a. Any alterations, amendments, deletions, or waivers of the provisions of this Agreement shall be valid only when reduced to writing and duly signed by the Parties hereto; after all appropriate and necessary authority has been acquired by each such Party.
- b. Modifications or additional schedules shall not be construed to adversely affect vested rights or causes of action which have accrued prior to the effective date of such amendment, modification, or supplement. The term "Agreement" as used herein shall be deemed to include any future amendments, modifications, and additional schedules made in accordance herewith

VIII. INTERPRETATION OF AGREEMENT

- a. This Agreement shall be interpreted and construed according to the laws of the State of Minnesota.

IX. ENTIRE AGREEMENT

- a. It is understood and agreed that this entire Agreement supersedes all oral agreements and negotiations between the parties hereto relating to the subject matters herein. All items that are referenced or that are attached are incorporated and made a part of this Agreement. If there is any conflict between the terms of this Agreement and referenced or attached items, the terms of this Agreement shall prevail.
- b. The matters set forth in the "WHEREAS" clauses at the beginning of this Agreement are by this reference incorporated into and made a part of this Agreement.
- c. The Parties shall comply with all applicable federal, state, and local statutes, regulations, and rules currently in force or later enacted including but not limited to the MGDPA, Minnesota Statutes Section 471.425, subd. 4a, and as applicable, non-discrimination and affirmative action laws and policies.
- d. If any provision of this Agreement is held invalid or unenforceable, such invalidity or unenforceability will not affect any other provision, and this Agreement will be construed and enforced as if such invalid or unenforceable provision had not been included.
- e. Failure of a Party to enforce any provision of this Agreement does not affect the rights of the Parties to enforce such provision in another circumstance. Failure to enforce a provision does not affect the rights of the Parties to enforce any other provision of the Agreement at any time.

- f. Counterparts. This Agreement may be executed in any number of counterparts, each of which shall constitute one and the same instrument.

IN WITNESS WHEREOF, the parties hereto are authorized signatories and have executed this Agreement, the day and year first above written.

COUNTY OF WRIGHT

By:  _____
Its:

Date: 6-28-22

CITY OF HOWARD LAKE

By: _____

Its: MAYOR, PETE ZIMMERMAN

Date: _____

Approval Recommended:

By: _____

CITY ADMINISTRATOR, NICK HAGGENMILLER



HOWARD LAKE CITY COUNCIL MEETING

August 15, 2022

AGENDA ITEM: Ordinance 22-06 CenterPoint Energy Gas Franchise

SECTION: Consent

FROM: Meagan Theisen, Assistant City Administrator

BACKGROUND: The agreement would be to allow CenterPoint Energy to provide gas services to residents within Howard Lake for a period of twenty years. This agreement will allow CenterPoint Energy to construct, operate, repair and maintain gas facility in, on, over, under and across the Public Ways and Public Grounds. CenterPoint Energy will still be required to obtain a permit from the City if ground is being disturbed within any public way and they will also be responsible for the restoration of the disturbed surface.

Either party may propose to amend the franchise ordinance at any time and a subsequent ordinance can be passed by the City upon amendment.

Approval of this agreement will be effective after final approval by the City's attorney.

COUNCIL ACTION REQUESTED: Approve Ordinance 22-06 CenterPoint Energy Gas Franchise.
Approve Resolution 22-16 posting of summary ordinance.

ATTACHMENTS:

1. Ordinance 22-06
2. Resolution 22-16

CenterPoint Energy Gas Franchise Ordinance

ORDINANCE NO. 22-06

CITY OF HOWARD LAKE, WRIGHT COUNTY, MINNESOTA

AN ORDINANCE GRANTING CENTERPOINT ENERGY RESOURCES CORP., d/b/a CENTERPOINT ENERGY MINNESOTA GAS (“CENTERPOINT ENERGY”), ITS SUCCESSORS AND ASSIGNS, A NONEXCLUSIVE FRANCHISE TO CONSTRUCT, OPERATE, REPAIR AND MAINTAIN FACILITIES AND EQUIPMENT FOR THE TRANSPORTATION, DISTRIBUTION, MANUFACTURE AND SALE OF GAS ENERGY FOR PUBLIC AND PRIVATE USE AND TO USE THE PUBLIC WAYS AND GROUNDS OF THE CITY OF HOWARD LAKE, WRIGHT COUNTY, MINNESOTA, FOR SUCH PURPOSE; AND, PRESCRIBING CERTAIN TERMS AND CONDITIONS THEREOF

THE CITY COUNCIL OF THE CITY OF HOWARD LAKE, WRIGHT COUNTY, MINNESOTA, ORDAINS:

SECTION 1. DEFINITIONS.

For purposes of this Ordinance, the following capitalized terms listed in alphabetical order shall have the following meanings:

City. The City of Howard Lake, County of Wright, State of Minnesota.

City Utility System. Facilities used for providing public utility service owned or operated by City or agency thereof, including sewer, storm sewer, water service, street lighting and traffic signals, but excluding facilities for providing heating, lighting, or other forms of energy.

Commission. The Minnesota Public Utilities Commission, or any successor agency or agencies, including an agency of the federal government, which preempts all or part of the authority to regulate gas retail rates now vested in the Minnesota Public Utilities Commission.

Company. CenterPoint Energy Resources Corp., d/b/a CenterPoint Energy Minnesota Gas (“CenterPoint Energy”) its successors and assigns including all successors or assigns that own or operate any part or parts of the Gas Facilities subject to this Franchise.

Gas Energy. Gas Energy includes both retail and wholesale natural, manufactured or mixed gas.

Gas Facilities. Gas transmission and distribution pipes, lines, ducts, fixtures, and all necessary equipment and appurtenances owned or operated by the Company for the purpose of providing Gas Energy for retail or wholesale use.

Notice. A writing served by any party or parties on any other party or parties. Notice to Company shall be mailed to CenterPoint Energy, Minnesota Division Vice President, 505 Nicollet Mall, Minneapolis, Minnesota 55402. Notice to the City shall be mailed to 625 8th Ave, Howard Lake, MN 55349. Any party may change its respective address for the purpose of this Ordinance by written Notice to the other parties.

Ordinance. This gas franchise ordinance, also referred to as the Franchise.

Public Ground. Land owned or otherwise controlled by the City for utility easements, park, trail, walkway, open space or other public property, which is held for use in common by the public or for public benefit.

Public Way. Any highway, street, alley or other public right-of-way within the City.

SECTION 2. ADOPTION OF FRANCHISE.

2.1 **Grant of Franchise.** City hereby grants Company, for a period of twenty (20) years from the date this Ordinance is passed and approved by the City, the right to import, manufacture, distribute and sell Gas Energy for public and private use within and through the limits of the City as its boundaries now exist or as they may be extended in the future and also the right to transport Gas Energy through the limits of the City for use outside of the City limits. For these purposes, Company may construct, operate, repair and maintain Gas Facilities in, on, over, under and across the Public Ways and Public Grounds, subject to the provisions of this Ordinance. Company may do all reasonable things necessary or customary to accomplish these purposes, subject, however, to such reasonable regulations as may be imposed by the City pursuant to a public right-of-way ordinance or permit requirements adopted consistent with state law.

2.2 **Effective Date; Written Acceptance.** This Franchise shall be in force and effect from and after the passage of this Ordinance and publication as required by law and its acceptance in writing by Company.

2.3. **Service and Gas Rates.** The terms and conditions of service and the rates to be charged by Company for Gas Energy in City are subject to the exclusive jurisdiction of the Commission.

2.4. **Publication Expense.** Company shall pay the expense of publication of this Ordinance.

2.5. **Dispute Resolution.** If either party asserts that the other party is in default in the performance of any obligation hereunder, the complaining party shall notify the other party of the default and the desired remedy. The notification shall be written. Representatives of the parties must promptly meet and attempt in good faith to negotiate a resolution of the dispute. If the dispute is not resolved within thirty (30) days of the written Notice, the parties may jointly select a mediator to facilitate further discussion. The parties will equally share the fees and expenses of this mediator. If a mediator is not used or if the parties are unable to resolve the dispute within thirty (30) days after first meeting with the selected mediator, either party may commence an action in District Court to interpret and enforce this Franchise or for such other relief as may be permitted by law or equity.

2.6. **Continuation of Franchise.** If the City and the Company are unable to agree on the terms of a new franchise by the time this Franchise expires, this Franchise will remain in effect until a new franchise is agreed upon, or until *ninety* (90) days after the City or the Company serves written Notice to the other party of its intention to allow Franchise to expire.

SECTION 3. LOCATION, OTHER REGULATIONS.

3.1. **Location of Facilities.** Gas Facilities shall be located, constructed, and maintained so as not to interfere with the safety and convenience of ordinary travel along and over Public Ways and so as not to disrupt normal operation of any City Utility System. Gas Facilities may be located on Public Grounds in a location to be mutually agreed by the City and the Company. The location and relocation of Gas Facilities shall be subject to reasonable regulations of the City consistent with authority granted the City to manage its Public Ways and Public Grounds under state law, to the extent not inconsistent with a specific term of this Franchise.

3.2. **Street Openings.** Company shall not open or disturb the surface of any Public Way or Public Ground for any purpose without first having obtained a permit from the City, if required by a separate ordinance, for which the City may impose a reasonable fee, unless the City is receiving a franchise fee pursuant to this Ordinance, in which case all permit fees will be waived. Permit conditions imposed on Company shall not be more burdensome than those imposed on other public-right-of-way users for similar facilities or work. Company may, however, open and disturb the surface of any Public Way or Public Ground without a permit if (i) an emergency exists requiring the immediate repair of Gas Facilities and (ii) Company gives telephone, email or similar Notice to the City before commencement of the emergency repair, if reasonably possible. Within two (2) business days after commencing the repair, Company shall apply for any required permits and pay any required fees.

3.3. **Restoration.** After undertaking any work requiring the opening of any Public Way or Public Ground, the Company shall restore the Public Ways or Public Grounds in accordance with Minnesota Rules, 7819.1100. Company shall restore the Public Ground to as good a condition as formerly existed, and shall maintain the surface in good condition for six (6) months thereafter. All work shall be completed as promptly as weather permits, and if Company shall not promptly perform and complete the work, remove all dirt, rubbish, equipment and material, and put the Public Ground in the said condition, the City shall have, after demand to Company to cure and the passage of a reasonable period of time following the demand, but not to exceed five (5) days, the right to make the restoration of the Public Ways or Public Grounds at the expense of Company. Company shall pay to the City the cost of such work done for or performed by the City. The Company shall not be required to post a construction performance bond.

3.4. **Avoid Damage to Gas Facilities.** The Company must take reasonable measures to prevent the Gas Facilities from causing damage to persons or property. The Company must take reasonable measures to protect the Gas Facilities from damage that could be inflicted on the Gas Facilities by persons, property, or the elements. Per Minnesota Statute 216D.05, the City must take protective measures when it performs work near the Gas Facilities.

3.5. **Notice of Improvements to Streets.** The City will give Company reasonable written Notice of plans for improvements to Public Ways and Public Grounds where the City has reason to

believe that Gas Facilities may affect or be affected by the improvement. The Notice will contain: (i) the nature and character of the improvements, (ii) the Public Ways or Public Grounds upon which the improvements are to be made, (iii) the extent of the improvements, (iv) the time when the City will start the work, and (v) if more than one Public Way or Public Grounds is involved, the order in which the work is to proceed. The Notice will be given to Company a sufficient length of time, considering seasonal working conditions, in advance of the actual commencement of the work to permit Company to make any additions, alterations or repairs to its Gas Facilities the Company deems necessary.

3.6 **Mapping Information.** If requested by City, the Company must promptly provide complete and accurate mapping information for any of its Gas Facilities in accordance with the requirements of Minnesota Rules 7819.4000 and 7819.4100.

3.7. **Emergency Response.** As emergency first-responders, when a public safety concern exists both the City and Company shall respond to gas emergencies within the City without additional direct fee or expense to either City or Company.

SECTION 4. RELOCATIONS.

4.1. **Relocation in Public Ways.** The Company and City shall comply with the provisions of Minnesota Rules 7819.3100, with respect to requests for the Company to relocate Gas Facilities located in Public Ways.

4.2 **Relocation in Public Grounds.** City may require Company at Company's expense to relocate or remove its Gas Facilities from Public Grounds upon a finding by City that the Gas Facilities have become or will become a substantial impairment to the existing or proposed public use of the Public Grounds. Nothing in this Section 4.2 shall be construed so as to invalidate or impair any existing company easements in Public Grounds. If Company is required to relocate from an existing easement City shall provide an equivalent easement for the relocated facilities.

4.3. **Projects with Federal Funding.** Relocation, removal, or rearrangement of any Company Gas Facilities made necessary because of the extension into or through City of a federally aided highway project shall be governed by the provisions of Minnesota Statutes §§ 161.45 and 161.46.

SECTION 5. INDEMNIFICATION.

5.1. **Indemnity of City.** Company shall indemnify and hold the City harmless from any and all liability, on account of injury to persons or damage to property occasioned by the construction, maintenance, repair, inspection, the issuance of permits, or the operation of the Gas Facilities located in the Public Ways and Public Grounds. The City shall not be indemnified for losses or claims occasioned through its own negligence or otherwise wrongful act or omission except for losses or claims arising out of or alleging the City's negligence as to the issuance of permits for, or inspection of, Company's plans or work.

5.2. **Defense of City.** In the event a suit is brought against the City under circumstances where this agreement to indemnify applies, Company at its sole cost and expense shall defend the City in such suit if written Notice thereof is promptly given to Company within a period wherein

Company is not prejudiced by lack of such Notice. If Company is required to indemnify and defend, it will thereafter have control of such litigation, but Company may not settle such litigation without the consent of the City, which consent shall not be unreasonably withheld. This section is not, as to third parties, a waiver of any defense or immunity otherwise available to the City. The Company, in defending any action on behalf of the City, shall be entitled to assert in any action every defense or immunity that the City could assert in its own behalf. This Franchise agreement shall not be interpreted to constitute a waiver by the City of any of its defenses of immunity or limitations on liability under Minnesota Statutes, Chapter 466.

SECTION 6. VACATION OF PUBLIC WAYS AND PUBLIC GROUNDS.

The City shall give Company at least two weeks prior written Notice of a proposed vacation of a Public Ways or Public Grounds. The City and the Company shall comply with Minnesota Rules 7819.3100 and 7819.3200 with respect to any request for vacation.

SECTION 7. CHANGE IN FORM OF GOVERNMENT.

Any change in the form of government of the City shall not affect the validity of this Ordinance. Any governmental unit succeeding the City shall, without the consent of Company, succeed to all of the rights and obligations of the City provided in this Ordinance.

SECTION 8. FRANCHISE FEE.

8.1. **Form.** During the term of the franchise hereby granted, the City may charge the Company a franchise fee. The Company will administer the collection and payment of franchise fees to City in lieu of permit fees or other fees that may otherwise be imposed on the Company in relation to its operations as a public utility in the City. The franchise fee will be collected on a flat fee basis, or by some other method that is mutually acceptable to both City and Company for each retail customer account within the corporate limits of the City. The amount of the fee collected may differ for each customer class. The City will use a formula that provides a stable and predictable amount of fees, without placing the Company at a competitive disadvantage. Such fee shall not exceed any amount that the Company may legally charge to its customers prior to payment to the City and be consistent with the Minnesota Public Utility Commission's March 23, 2011 Order establishing franchise fee filing requirements in Docket No. E,G999/CI-09-970. If the Company claims that the City required fee formula is discriminatory or otherwise places the Company at a competitive disadvantage, the Company will provide a formula that will produce a substantially similar fee amount to the City. If the City and Company are unable to agree, the disagreement shall be subject to the Dispute Resolution provisions of this Ordinance.

8.2. **Separate Ordinance.** The franchise fee shall be imposed by separate ordinance duly adopted by the City Council. The effective date of the franchise fee ordinance shall be no less than ninety (90) days after written Notice enclosing a copy of the duly adopted and approved ordinance has been served upon the Company by Certified mail. The Company is not required to collect a franchise fee if the terms of the fee agreement are inconsistent with this franchise or state law, provided the Company notifies the City Council of the same within the ninety (90) day period.

8.3. **Condition of Fee.** The separate ordinance imposing the fee shall not be effective against the Company unless it lawfully imposes a fee of the same or substantially similar amount on

the sale of energy within the City by any other energy supplier, provided that, as to such supplier, the City has the authority or contractual right to require a franchise fee or similar fee through an agreed-upon franchise.

8.4. **Collection of Fee.** The franchise fee shall be payable not less than quarterly during complete billing months of the period for which payment is to be made. The franchise fee formula may be changed from time to time, however, the change shall meet the same Notice and acceptance requirements and the fee may not be changed more often than annually. Such fee shall not exceed any amount that the Company may legally charge to its customers prior to payment to the City and be consistent with Minnesota Public Utility Commission's March 23, 2011 Order establishing franchise fee filing requirements in Docket No. E,G999/CI-09-970. Such fee is subject to subsequent reductions to account for uncollectibles and customer refunds incurred by the Company. The Company shall not be responsible to pay City fees that Company is unable to collect under Commission rules or order. The Company agrees to make available for inspection by the City at reasonable times all records necessary to audit the Company's determination of the franchise fee payments.

8.5. **Continuation of Franchise Fee.** If this franchise expires and the City and the Company are unable to agree upon terms of a new franchise, the franchise fee, if any being imposed by the City at the time this franchise expires, will remain in effect until a new franchise is agreed upon. However, the franchise fee will not remain in effect for more than one (1) year after the franchise expires as stated in Section 2.6 of this Franchise. If for any reason the franchise terminates, the franchise fee will terminate at the same time.

SECTION 9. ABANDONED FACILITIES.

The Company shall comply with Minnesota Rules, Part 7819.3300 as it may be amended from time to time with respect to abandoned facilities in Public Ways. The Company shall maintain records describing the exact location of all abandoned and retired Gas Facilities within the Public Ways and Public Grounds, produce such records at the City's request and comply with the location requirements of Minnesota Statutes § 216D.04 with respect to all Gas Facilities located in Public Ways and Public Grounds.

SECTION 10. PROVISIONS OF ORDINANCE.

10.1. **Severability.** Every section, provision, or part of this Ordinance is declared separate from every other section, provision, or part; and if any section, provision, or part shall be held invalid, it shall not affect any other section, provision, or part. Where a provision of any other City ordinance is inconsistent with the provisions of this Ordinance, the provisions of this Ordinance shall prevail.

10.2. **Limitation on Applicability.** This Ordinance constitutes a franchise agreement between the City and Company as the only parties. No provisions herein shall in any way inure to the benefit of any third person (including the public at large) so as to constitute any such person as a third party beneficiary of this Ordinance or of any one or more of the terms hereof, or otherwise give rise to any cause of action in any person not a party hereto.

SECTION 11. AMENDMENT-PROCEDURE.

Either party may propose at any time that this Franchise Ordinance be amended. Franchise Ordinance may be amended at any time by the City passing a subsequent ordinance declaring the provisions of the amendment, which amendatory ordinance shall become effective upon the filing of Company's written consent thereto with the City Clerk within ninety (90) days after the effective date of the amendatory ordinance.

Passed and approved: AUGUST 15, 2022.

Mayor of the City of Howard Lake, Minnesota

Attest:

City Clerk, City of Howard Lake, Minnesota

RESOLUTION NO. 22-16

SUMMARY OF ORDINANCE NO. 22-06

AN ORDINANCE GRANTING CENTERPOINT ENERGY RESOURCES CORP., d/b/a CENTERPOINT ENERGY MINNESOTA GAS (“CENTERPOINT ENERGY”), ITS SUCCESSORS AND ASSIGNS, A NONEXCLUSIVE FRANCHISE TO CONSTRUCT, OPERATE, REPAIR AND MAINTAIN A GAS DISTRIBUTION SYSTEM INCLUDING NECESSARY GAS MAINS, PIPES AND EQUIPMENT FOR THE TRANSPORTATION, DISTRIBUTION AND SALE OF GAS FOR PUBLIC AND PRIVATE USE AND TO USE PUBLIC WAYS AND PUBLIC GROUNDS OF THE CITY OF HOWARD LAKE FOR SUCH PURPOSES; AND PRESCRIBING CERTAIN TERMS AND CONDITIONS THEREOF.

The following is the official summary of Ordinance No. 22-06 approved by the Howard Lake City Council on August 15, 2022. The purposed of the ordinance is to grant to CenterPoint Energy a 20-year non-exclusive franchise to operate, repair and maintain a natural gas distribution system within the city limits of the City of Howard Lake. The terms and conditions of service and the rates to be charged by CenterPoint Energy for natural gas energy are subject to the exclusive jurisdiction of the Minnesota Public Utilities Commission. The ordinance provides for a method of dispute resolution if either the City of Howard Lake or CenterPoint Energy asserts that the other party has defaulted in the terms of the gas franchise ordinance. The ordinance provides that all gas facilities shall be located, constructed, and maintained so as not to interfere with the safety and convenience of ordinary travel along and over public ways.

The ordinance also provides that CenterPoint Energy shall indemnify and hold the City of Howard Lake harmless from liability on account of injury to persons or damage to property occasioned by the construction, maintenance, repair, inspection, the issuance of permits, or the operations of the Gas Facilities located in the City of Howard Lake’s public rights of way and public grounds.

Published in the Herald Journal on August 19, 2022.

Passed and approved: AUGUST 15, 2022.

Pete Zimmerman, Mayor

Attest

Nick Haggemiller, City Clerk



HOWARD LAKE CITY COUNCIL MEETING

August 15, 2022

AGENDA ITEM: Consider Acceptance of Fiscal Year 2021 Financial Statements.

SECTION: New Business

FROM: Nick Haggemiller, City Administrator

BACKGROUND: Lead Auditor, Dean Birkeland from CarlsonSV will be present to delivery the findings of the audit.

DECISION MAKING METRICS:

FINANCIAL: The City budgeted \$22,000 for auditing services in 2022.

LEGAL: FY2021 Audit represents the third year of a three-year contract with CarlsonSV. A proposal for the next three years will be exchanged after the acceptance of the audit.

STRATEGIC PLAN:

1. Maintain fiscally responsible city management and operations.
-

COUNCIL ACTION REQUESTED: Accept audit.

ATTACHMENTS:

1. 2021 Financial Statements
2. Management Letter

CITY OF HOWARD LAKE

**FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION**

Year Ended December 31, 2021

CITY OF HOWARD LAKE, MINNESOTA

ELECTED OFFICIALS

		Term Expires
Pete Zimmerman	Mayor	2022
Al Munson	Council Member	2022
Tom Kutz	Council Member	2024
Gene Gilbert	Council Member	2024
Jason Deiter	Council Member	2022

EX OFFICIO

Nick Haggemiller	City Administrator/Clerk	Appointed
Shari Zander	Treasurer/Accountant	Appointed

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INDEPENDENT AUDITOR'S REPORT

To the Honorable Mayor and Members of the City Council
City of Howard Lake, Minnesota

Opinions

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Howard Lake, Minnesota, as of December 31, 2021, and the respective changes in financial position and, where applicable, cash flows thereof for the year ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the City of Howard Lake, Minnesota'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 generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

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

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

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

Required Supplementary Information

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

Supplementary Information

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated August 3, 2022, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

A handwritten signature in dark ink, appearing to read "Carlson AV LLP".

Fergus Falls, Minnesota
August 3, 2022

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF HOWARD LAKE, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
December 31, 2021

This section of the City of Howard Lake's financial report provides the reader with management's overview and analysis of the financial activities of the City for the fiscal year ended December 31, 2021. This discussion and analysis is designed to (1) assist the reader in focusing on significant financial issues, (2) provide an overview of the City's financial activity, (3) identify changes in the City's financial position, and (4) identify any changes in the City's financial plan (approved budget).

The financial discussion and analysis presented in this section is intended to be used in conjunction with the accompanying financial statements.

FINANCIAL HIGHLIGHTS

Key financial highlights for the 2021 fiscal year include the following:

- The assets and deferred outflows of resources of the City exceeded its liabilities and deferred inflows of resources by \$23,205,622 (net position) as of December 31, 2021. Of this amount, \$8,348,732 (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 \$1,158,097.
- Government-wide revenues were \$7,012,216 while government-wide expenses totaled \$5,854,119.
- At the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$5,835,992, a decrease of \$645,253 in comparison with the prior year.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the City's basic financial statements. The City's basic financial statements are comprised of three components:

- 1) Government-wide financial statements, providing information for the City as a whole.
- 2) Fund financial statements, providing detailed information for the City's significant funds.
- 3) Notes to the financial statements, providing additional information that is essential to understanding the government-wide and fund financial statements.

CITY OF HOWARD LAKE, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
December 31, 2021

OVERVIEW OF THE FINANCIAL STATEMENTS (Continued)

This report also contains other supplementary information in addition to the basic financial statements themselves. A brief description of the basic financial statements follows:

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 liabilities, with the difference between the two 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 the related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g. uncollected taxes and earned, but not used, compensated absences).

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

The government-wide financial statements can be found on pages 16 and 17 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.

CITY OF HOWARD LAKE, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
December 31, 2021

OVERVIEW OF THE FINANCIAL STATEMENTS (Continued)

Fund Financial Statements (Continued)

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 financial requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. The governmental funds' balance sheet and the governmental funds' 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 thirty-nine individual governmental funds. Information is presented separately in the governmental funds' balance sheet and the governmental funds' statement of revenues, expenditures, and changes in fund balances for the General, TIF #10 Deutz Redevelopment, G.O. Improvement Bonds, Series 2010A, G.O. Tax Increment Bonds, Series 2013A, G.O. Tax Increment Refunding Bonds, Series 2021A, Capital Equipment, Industrial Park West Phase I (Non-TIF), and Villas of Howard Lake Development funds, which are considered to be major funds. Data from the other thirty-one governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of combining statements elsewhere in this report.

The City adopts an annual appropriated budget for its General Fund. A budgetary comparison statement has been provided for the general fund to demonstrate compliance with the budget.

The basic governmental fund financial statements can be found on pages 18-21 of this report.

Proprietary funds – The City maintains three types of proprietary funds. These 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 water utility, sewer utility, and liquor store services.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the water utility, sewer utility, and liquor store services, all of which are considered to be major funds of the City.

The basic proprietary fund financial statements can be found on pages 22-24 of this report.

CITY OF HOWARD LAKE, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
December 31, 2021

OVERVIEW OF THE FINANCIAL STATEMENTS (Continued)

Fund Financial Statements (Continued)

Notes to the financial statements 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 on pages 25-67 of this report.

Other information – In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information such as a budgetary comparison schedule for the general fund. Required supplementary information can be found on pages 68-80 of this report. Also, this report presents certain other supplementary information such as combining financial information for nonmajor governmental funds. Other supplementary information can be found on pages 81-88 of this report.

CITY OF HOWARD LAKE, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
December 31, 2021

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Statement of Net Position

The City's combined net position increased from a year ago. Our analysis below focuses on the net position (Tables 1 and 2) and changes in net position (Tables 3 and 4) of the City's governmental and business-type activities.

Table 1 Condensed Comparative Statement of Net Position			
	Governmental Activities		
	2021	2020	Change
Assets			
Current and other assets	\$ 6,289,711	\$ 6,852,016	(562,305)
Capital assets	11,973,606	11,926,456	47,150
Total Assets	18,263,317	18,778,472	(515,155)
Deferred outflows of resources	501,167	363,728	137,439
Liabilities			
Current	332,062	527,661	(195,599)
Long-term	3,261,154	3,863,065	(601,911)
Total Liabilities	3,593,216	4,390,726	(797,510)
Deferred inflows of resources	569,275	279,717	289,558
Net Position			
Net investment in capital assets	8,934,642	8,292,918	641,724
Restricted	3,938,130	3,678,797	259,333
Unrestricted	1,729,221	2,500,042	(770,821)
TOTAL NET POSITION	\$ 14,601,993	\$ 14,471,757	\$ 130,236

CITY OF HOWARD LAKE, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
December 31, 2021

GOVERNMENT-WIDE FINANCIAL ANALYSIS (Continued)

Net Position (Continued)

	Business-Type Activities		Change
	2021	2020	
Assets			
Current and other assets	\$ 8,379,930	\$ 7,917,103	462,827
Capital assets	7,180,466	7,465,831	(285,365)
Total Assets	15,560,396	15,382,934	177,462
Deferred outflows of resources	124,207	68,771	55,436
Liabilities			
Current	908,820	920,319	(11,499)
Long-term	6,064,528	6,950,901	(886,373)
Total Liabilities	6,973,348	7,871,220	(897,872)
Deferred inflows of resources	107,626	4,717	102,909
Net Position			
Net investment in capital assets	1,984,118	1,585,015	399,103
Unrestricted	6,619,511	5,990,753	628,758
TOTAL NET POSITION	\$ 8,603,629	\$ 7,575,768	\$ 1,027,861

CITY OF HOWARD LAKE, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
December 31, 2021

GOVERNMENT-WIDE FINANCIAL ANALYSIS (Continued)

Statement of Activities

Governmental activities – net position of the City's governmental activities increased by \$130,236. Table 3 presents the key elements of the increase.

Table 3			
Condensed Comparative Statement of Activities			
	Governmental Activities		
	2021	2020	Change
Revenues			
Program revenues			
Charges for services	\$ 836,177	\$ 703,146	133,031
Operating grants and contributions	229,706	242,214	(12,508)
Capital grants and contributions	55,000	65,000	(10,000)
General revenues			
Property taxes and tax increments	1,608,547	1,483,952	124,595
Grants and contributions not restricted	611,865	600,183	11,682
Net investment income	237,467	35,558	201,909
Other	29,903	28,177	1,726
Gain (loss) on disposals	(86,069)	27,000	(113,069)
Total Revenues	3,522,596	3,185,230	337,366
Expenses			
General government	1,009,322	800,116	209,206
Public safety	804,861	736,118	68,743
Public works	848,426	905,823	(57,397)
Sanitation	147,718	154,133	(6,415)
Culture and recreation	169,310	165,356	3,954
Economic development	286,386	295,074	(8,688)
Cemetery	10,000	10,000	-
Other	4,336	135,877	(131,541)
Interest on long-term debt	112,001	121,973	(9,972)
Total Expenses	3,392,360	3,324,470	67,890
CHANGE IN NET POSITION	\$ 130,236	\$ (139,240)	\$ 269,476

CITY OF HOWARD LAKE, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
December 31, 2021

GOVERNMENT-WIDE FINANCIAL ANALYSIS (Continued)

Statement of Activities (Continued)

Business-type activities – net position of the City's business-type activities increased by \$1,027,861. Table 4 presents the key elements of the increase.

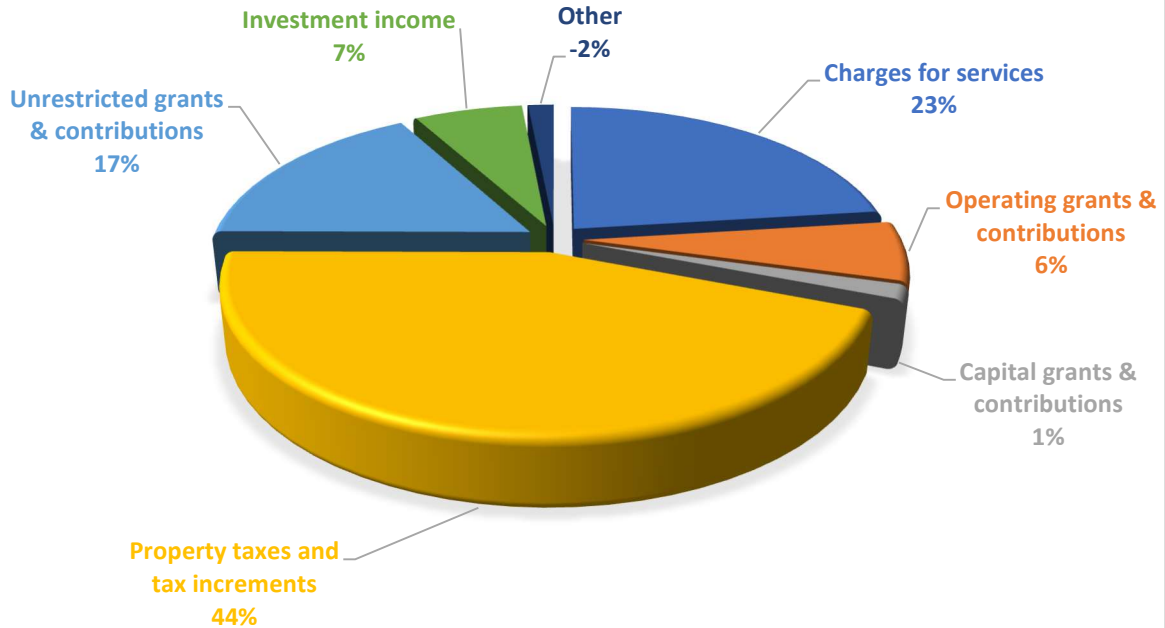
Table 4			
Condensed Comparative Statement of Activities			
	Business-Type Activities		
	2021	2020	Change
Revenues			
Program revenues			
Charges for services	\$ 3,474,355	\$ 3,369,923	104,432
Capital grants and contributions	193,597	193,706	(109)
General revenues			
Other	1,510	3,020	(1,510)
Gain (loss) on asset disposals	(31,197)	-	(31,197)
Total Revenues	<u>3,638,265</u>	<u>3,566,649</u>	<u>71,616</u>
Expenses			
Water	410,201	414,377	(4,176)
Sewer	1,070,049	1,113,832	(43,783)
Municipal liquor	981,509	1,067,216	(85,707)
Total Expenses	<u>2,461,759</u>	<u>2,595,425</u>	<u>(133,666)</u>
Excess of revenues over expenses before other items	1,176,506	971,224	205,282
Change in equity interest	<u>(148,645)</u>	<u>(199,362)</u>	<u>50,717</u>
CHANGE IN NET POSITION	<u>\$ 1,027,861</u>	<u>\$ 771,862</u>	<u>\$ 255,999</u>

CITY OF HOWARD LAKE, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
December 31, 2021

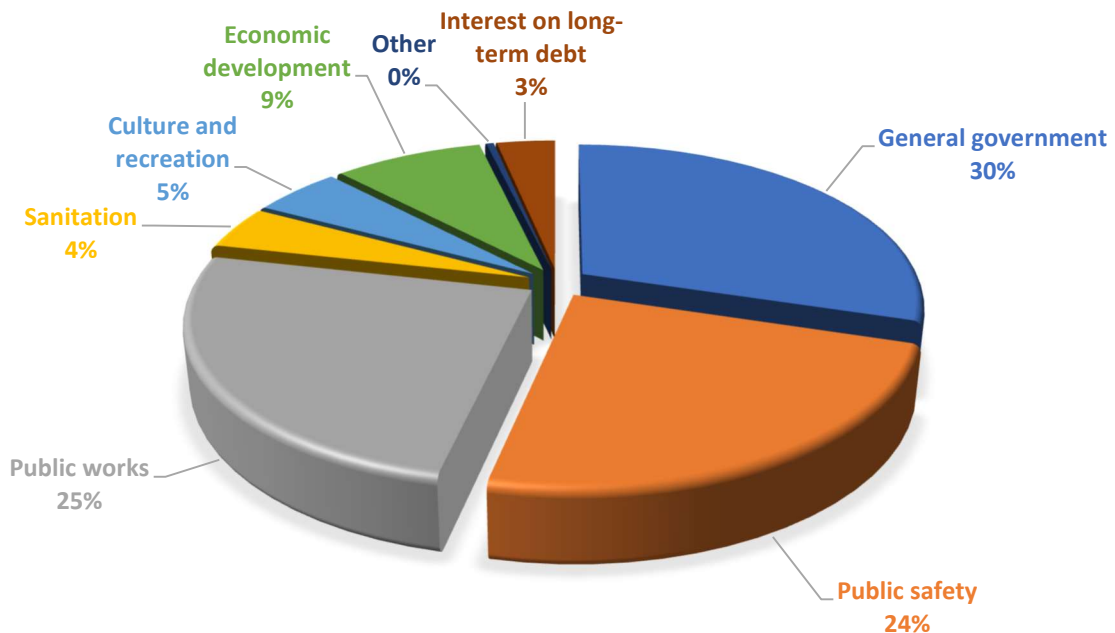
GOVERNMENT-WIDE FINANCIAL ANALYSIS (Continued)

Revenues and Expenses – the following two charts visually illustrate the City's revenues and expenses for its governmental activities:

REVENUE BY SOURCE - GOVERNMENTAL ACTIVITIES



EXPENSES BY FUNCTION - GOVERNMENTAL ACTIVITIES



CITY OF HOWARD LAKE, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
December 31, 2021

FINANCIAL ANALYSIS OF THE CITY'S FUNDS
(FUND FINANCIAL STATEMENTS)

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, unassigned fund balances may serve as a useful measure of the City's net resources available for spending at the end of the fiscal year.

General Fund – the change in the City's General Fund balance was an increase of \$328,635.

Special Revenue Funds – the change in the City's special revenue fund balances was an increase of \$133,368.

Debt Service Funds – the change in the City's debt service fund balances was a decrease of \$424,779. The decrease was due mainly to debt repayment not covered by taxes or transfers.

Capital Projects Funds – the change in the City's capital projects fund balances was a decrease of \$682,898. This decrease was due mostly to Central Park and meter project expenses.

GENERAL FUND BUDGETARY HIGHLIGHTS

The original budget was approved in December 2020 and was not updated during the year. Actual revenues were under budgeted revenues by \$80,977 for 2021. The actual expenditures exceeded budgeted amounts by \$409,847. This was due mainly to under budgeted expenses for street maintenance and fire department capital outlay expenditures.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

As of December 31, 2021, the City had \$30,829,950 invested in a broad range of capital assets.

Major capital additions during 2021 included two new sirens, Central Park improvements, library project, and splash pad project.

Projects in process at year include the library improvements, splash pad, Terning Trails, and CSAH Trail 7 project.

Additional information on the City's capital assets can be found in note 7 on pages 42-44 of this report.

CITY OF HOWARD LAKE, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
December 31, 2021

CAPITAL ASSETS AND DEBT ADMINISTRATION (Continued)

Long-Term Obligations

At the end of the current fiscal year, the City had \$9,648,134 of outstanding in bonds and notes payable, compared to \$11,107,235 as of the end of the previous year, which is a net decrease of \$1,459,101. The decrease is due to regularly scheduled principal payments made during the current year.

Additional information on the City's long-term obligations can be found in note 8 on pages 44-47 of this report.

ECONOMIC FACTORS BEARING ON THE CITY'S FUTURE

Howard Lake continues to see solid residential development as well as commercial and industrial expansions, and double-digit market valuations in all property classes. Our local economy is heavily aligned with agricultural and home construction sectors. As a result, all firms have indicated strong earnings and are currently seeking additional staff.

The City has a robust capital improvement plan that is tied to a cash and debt management plan. We continue to outperform conservative estimates which is positive in the immediate to short term lens, but will be critical to our long term success with an estimated \$20 million in public projects anticipated to be completed in the next 2-4 years.

Finally, it appears as if we have successfully weathered the worst of the COVID-19 virus. That said, with the rate of inflation, we will continue to be conservative with our overall budget strategy. If and when necessary, we are small and nimble enough to make relatively fast adjustments to maintain a strong net position.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide the City's citizens, taxpayers, customers, and creditors with a general overview of the City's finances and to demonstrate the City's accountability for the funds it receives. If you have any questions about this report or would like additional information, contact the City Clerk/Treasurer's office at City Hall, 315 N Broadway, PO Box 350, Howard Lake, MN 56572.

BASIC FINANCIAL STATEMENTS

Government-Wide Financial Statements

CITY OF HOWARD LAKE, MINNESOTA

STATEMENT OF NET POSITION

December 31, 2021

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
ASSETS			
Current Assets			
Cash and investments	\$ 4,087,833	\$ 861,576	\$ 4,949,409
Accounts receivable	66,830	449,537	516,367
Taxes receivable	15,745	-	15,745
Special assessments receivable	103,342	57,676	161,018
Due from other governmental units	64,030	-	64,030
Loans receivable	50,283	-	50,283
Inventories	-	160,329	160,329
Property held for resale	983,463	-	983,463
Interfund balances	(269,765)	269,765	-
Total Current Assets	5,101,761	1,798,883	6,900,644
Noncurrent assets			
Equity interest in joint venture	-	6,581,047	6,581,047
Loans receivable	974,000	-	974,000
Capital assets not being depreciated	598,041	7,000	605,041
Capital assets net of accumulated depreciation	11,375,565	7,173,466	18,549,031
Net pension asset	213,950	-	213,950
Total Noncurrent Assets	13,161,556	13,761,513	26,923,069
Total Assets	18,263,317	15,560,396	33,823,713
DEFERRED OUTFLOWS OF RESOURCES			
Pension	413,005	84,687	497,692
OPEB	88,162	39,520	127,682
Total Deferred Outflows of Resources	501,167	124,207	625,374
LIABILITIES			
Current Liabilities			
Accounts payable	45,366	120,241	165,607
Accrued expenses	901	7,421	8,322
Accrued payroll	22,766	7,049	29,815
Accrued interest payable	26,967	22,109	49,076
Customer deposits	51,650	-	51,650
Current portion of long-term debt	184,412	752,000	936,412
Total Current Liabilities	332,062	908,820	1,240,882
Long-Term Liabilities			
Compensated absences	68,852	17,278	86,130
Bonds and loans payable, net	2,854,552	5,892,348	8,746,900
Net OPEB liability	19,634	8,801	28,435
Net pension liability	318,116	146,101	464,217
Total Long-Term Liabilities	3,261,154	6,064,528	9,325,682
Total Liabilities	3,593,216	6,973,348	10,566,564
DEFERRED INFLOWS OF RESOURCES			
Pension	569,275	107,626	676,901
NET POSITION			
Net investment in capital assets	8,934,642	1,984,118	10,918,760
Restricted	3,938,130	-	3,938,130
Unrestricted	1,729,221	6,619,511	8,348,732
TOTAL NET POSITION	\$ 14,601,993	\$ 8,603,629	\$ 23,205,622

(The accompanying notes are an integral part of these financial statements.)

CITY OF HOWARD LAKE, MINNESOTA
STATEMENT OF ACTIVITIES
Year Ended December 31, 2021

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Position		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		
					Governmental Activities	Business-Type Activities	Total
Governmental Activities							
General government	\$ 1,009,322	\$ 410,877	\$ -	\$ -	\$ (598,445)	\$ -	\$ (598,445)
Public safety	804,861	235,808	62,486	55,000	(451,567)	-	(451,567)
Public works	848,426	-	49,507	-	(798,919)	-	(798,919)
Sanitation	147,718	156,504	-	-	8,786	-	8,786
Health	226	-	-	-	(226)	-	(226)
Culture and recreation	169,310	-	1,000	-	(168,310)	-	(168,310)
Housing and economic development	286,386	-	-	-	(286,386)	-	(286,386)
Other	14,110	-	116,713	-	102,603	-	102,603
Interest and fiscal costs on long-term debt	112,001	32,988	-	-	(79,013)	-	(79,013)
Total Governmental Activities	3,392,360	836,177	229,706	55,000	(2,271,477)	-	(2,271,477)
Business-Type Activities							
Water	410,201	860,220	-	-	-	450,019	450,019
Sewer	1,070,049	1,618,223	-	193,597	-	741,771	741,771
Liquor	981,509	995,912	-	-	-	14,403	14,403
Total Business-Type Activities	2,461,759	3,474,355	-	193,597	-	1,206,193	1,206,193
TOTAL PRIMARY GOVERNMENT	\$ 5,854,119	\$ 4,310,532	\$ 229,706	\$ 248,597	(2,271,477)	1,206,193	(1,065,284)
General revenues							
Property taxes					1,187,283	-	1,187,283
Franchise fees					10,199	-	10,199
Tax increments					421,264	-	421,264
Aids and payments from the state					611,865	-	611,865
Gain (loss) on disposal of property					(86,069)	(31,197)	(117,266)
Unrestricted net investment earnings					237,467	-	237,467
Miscellaneous							
Insurance Recovery					13,443	-	13,443
Other					6,261	1,510	7,771
Change in equity interest					-	(148,645)	(148,645)
Total General Revenues and Other Items					2,401,713	(178,332)	2,223,381
CHANGE IN NET POSITION					130,236	1,027,861	1,158,097
NET POSITION – BEGINNING					14,471,757	7,575,768	22,047,525
NET POSITION – ENDING					\$ 14,601,993	\$ 8,603,629	\$ 23,205,622

(The accompanying notes are an integral part of these financial statements.)

Fund Financial Statements

CITY OF HOWARD LAKE, MINNESOTA
BALANCE SHEET
GOVERNMENTAL FUNDS
December 31, 2021

	General Fund	TIF #10 Deutz Redevelopment	G.O. Improvement Bonds, Series 2010A	G.O. Tax Increment Bonds, Series 2013A	G.O. Tax Increment Refunding Bonds, Series 2021A	Capital Equipment	Industrial Park West Phase I (Non TIF)	Villas of Howard Lake Development	Other Governmental Funds	Total
ASSETS										
Cash and investments	\$ 211,824	\$ 36,009	\$ -	\$ 100,602	\$ -	\$ 1,956,795	\$ 616,805	\$ 103,235	\$ 1,062,563	\$ 4,087,833
Accounts receivable	33,015	-	-	-	-	15,134	-	-	18,681	66,830
Taxes receivable – delinquent	13,787	-	979	-	-	-	-	-	979	15,745
Special assessments receivable	895	-	102,447	-	-	-	-	-	-	103,342
Due from other governmental units	17,474	-	672	-	-	-	-	-	45,884	64,030
Loans receivable	-	-	-	992,240	-	-	-	-	32,043	1,024,283
Due from other funds	2,663,804	-	265,122	3,368	-	-	-	-	1,700	2,933,994
Advance to other funds	130,934	-	-	-	-	-	-	-	157,269	288,203
Property held for resale	468,667	-	-	-	-	-	-	514,796	-	983,463
TOTAL ASSETS	\$ 3,540,400	\$ 36,009	\$ 369,220	\$ 1,096,210	\$ -	\$ 1,971,929	\$ 616,805	\$ 618,031	\$ 1,319,119	\$ 9,567,723
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES										
Liabilities										
Accounts payable	\$ 29,096	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 16,270	\$ 45,366
Accrued expenses	901	-	-	-	-	-	-	-	-	901
Accrued payroll	22,766	-	-	-	-	-	-	-	-	22,766
Due to other funds	-	-	-	-	3,368	-	-	-	3,200,391	3,203,759
Customer deposits	51,650	-	-	-	-	-	-	-	-	51,650
Advances from other funds	157,269	130,934	-	-	-	-	-	-	-	288,203
Total Liabilities	261,682	130,934	-	-	3,368	-	-	-	3,216,661	3,612,645
Deferred Inflows of Resources										
Unavailable revenue - taxes	13,787	-	979	-	-	-	-	-	979	15,745
Unavailable revenue - special assessments	895	-	102,446	-	-	-	-	-	-	103,341
Total Deferred Inflows of Resources	14,682	-	103,425	-	-	-	-	-	979	119,086
Fund Balances										
Nonspendable	599,601	-	-	-	-	-	-	514,796	-	1,114,397
Restricted	-	-	265,795	1,096,210	-	1,971,929	-	103,235	500,961	3,938,130
Unrestricted										
Assigned	-	-	-	-	-	-	616,805	-	765,019	1,381,824
Unassigned	2,664,435	(94,925)	-	-	(3,368)	-	-	-	(3,164,501)	(598,359)
Total Fund Balances	3,264,036	(94,925)	265,795	1,096,210	(3,368)	1,971,929	616,805	618,031	(1,898,521)	5,835,992
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	\$ 3,540,400	\$ 36,009	\$ 369,220	\$ 1,096,210	\$ -	\$ 1,971,929	\$ 616,805	\$ 618,031	\$ 1,319,119	\$ 9,567,723

(The accompanying notes are an integral part of these financial statements.)

CITY OF HOWARD LAKE, MINNESOTA
RECONCILIATION OF THE GOVERNMENTAL FUNDS
BALANCE SHEET TO THE STATEMENT OF NET POSITION
December 31, 2021

TOTAL FUND BALANCES – GOVERNMENTAL FUNDS	\$ 5,835,992
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Amounts reported for the governmental activities in the statement of net position are different because:

Capital assets used in governmental activities are not financial resources; therefore, they are not reported as assets in the governmental funds:

General capital assets	\$ 18,408,594	
Construction in progress	370,941	
Accumulated depreciation	<u>(6,805,929)</u>	11,973,606

Delinquent and deferred property taxes and special assessments receivable are earned, but not available in the current period; therefore, they are recorded as deferred inflows of resources in the fund financial statements, but are a part of net position:

Unavailable revenue - taxes	15,745	
Unavailable revenue - special assessments	<u>103,341</u>	119,086

Some assets, including net pension assets, are not receivable in the current period; therefore, they are not reported in the governmental funds.	213,950
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Accrued vacation pay is not due and payable in the current period; therefore, it is not reported as a liability in the funds. Accrued vacation pay is included in long-term liabilities in the statement of net position.	(68,852)
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Accrued interest on bonds is not recorded as a liability in the governmental funds; however, the statement of net position records this amount. Accrued interest at year-end is:	(26,967)
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Long-term debt payable is not due and payable in the current period; therefore, they are not reported as liabilities in the governmental funds. Long-term liabilities at year-end consist of:

Bonds and notes	(3,035,134)	
Unamortized bond premium and discounts	<u>(3,830)</u>	(3,038,964)

Some liabilities, including net pension obligations, are not due and payable in the current period; therefore, they are not reported in the governmental funds.

Net pension liability	(318,116)	
Net OPEB liability	<u>(19,634)</u>	(337,750)

Deferred outflows and inflows of resources related to pension are applicable to future periods; therefore, they are not reported in the governmental funds.

Deferred outflow of resources related to pensions of \$413,005 = \$381,142 deferred outflows of resources pension expense + \$31,863 deferred outflows of 2021 employer contributions related to pensions.	413,005
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Deferred outflows of resources related to OPEB	88,162
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Deferred inflows of resources related to pensions	<u>(569,275)</u>
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TOTAL NET POSITION – GOVERNMENTAL ACTIVITIES	<u>\$ 14,601,993</u>
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(The accompanying notes are an integral part of these financial statements.)

CITY OF HOWARD LAKE, MINNESOTA
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
Year Ended December 31, 2021

	General Fund	TIF #10 Deutz Redevelopment	G.O. Improvement Bonds, Series 2010A	G.O. Tax Increment Bonds, Series 2013A	G.O. Tax Increment Refunding Bonds, Series 2021A	Capital Equipment	Industrial Park West Phase I (Non TIF)	Villas of Howard Lake Development	Other Governmental Funds	Total
REVENUES										
Taxes										
Property taxes	\$ 1,027,396	\$ -	\$ 55,350	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 106,594	\$ 1,189,340
Franchise taxes	10,199	-	-	-	-	-	-	-	-	10,199
Tax increments	-	56,421	-	-	-	-	-	-	364,844	421,265
Special assessments	941	-	47,288	-	-	-	-	-	-	48,229
Licenses and permits	49,468	-	-	-	-	-	-	-	-	49,468
Intergovernmental	710,689	-	-	-	-	-	-	-	129,882	840,571
Charges for services	309,211	-	-	-	-	300,149	-	-	143,832	753,192
Fines and forfeits	529	-	-	-	-	-	-	-	-	529
Net investment earnings	211,760	-	-	24,463	-	-	-	-	1,244	237,467
Contributions and donations	1,000	-	-	-	-	-	-	-	55,000	56,000
Other	3,321	-	-	-	-	1,940	-	-	1,000	6,261
Total Revenues	2,324,514	56,421	102,638	24,463	-	302,089	-	-	802,396	3,612,521
EXPENDITURES										
Current										
General government	661,509	-	-	-	-	-	-	-	-	661,509
Public safety	529,132	-	-	-	-	1,165	-	-	129,140	659,437
Health	226	-	-	-	-	-	-	-	-	226
Public works	384,916	-	-	-	-	168,153	-	-	-	553,069
Sanitation	147,718	-	-	-	-	-	-	-	-	147,718
Culture and recreation	96,543	-	-	-	-	-	-	-	-	96,543
Housing and economic development	-	-	-	-	-	-	-	1,500	274,886	276,386
Other	3,660	-	-	-	-	-	-	-	10,450	14,110
Debt service										
Principal	6,101	-	45,000	595,000	-	-	-	-	530,000	1,176,101
Interest	11,899	-	8,822	12,352	19,368	-	-	-	84,932	137,373
Capital outlay	274,720	-	-	-	-	42,040	-	-	736,916	1,053,676
Total Expenditures	2,116,424	-	53,822	607,352	19,368	211,358	-	1,500	1,766,324	4,776,148
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	208,090	56,421	48,816	(582,889)	(19,368)	90,731	-	(1,500)	(963,928)	(1,163,627)
OTHER FINANCING SOURCES (USES)										
Bond issue proceeds	-	-	-	-	591,000	-	-	-	-	591,000
Sale of property	-	-	-	-	-	-	-	(86,069)	-	(86,069)
Insurance recovery	13,443	-	-	-	-	-	-	-	-	13,443
Transfers in	147,045	-	-	575,000	-	-	-	-	106,943	828,988
Transfers out	(39,943)	(56,000)	-	-	(575,000)	-	-	-	(158,045)	(828,988)
Net Other Financing Sources (Uses)	120,545	(56,000)	-	575,000	16,000	-	-	(86,069)	(51,102)	518,374
NET CHANGE IN FUND BALANCES	328,635	421	48,816	(7,889)	(3,368)	90,731	-	(87,569)	(1,015,030)	(645,253)
FUND BALANCES – BEGINNING	2,935,401	(95,346)	216,979	1,104,099	-	1,881,198	616,805	705,600	(883,491)	6,481,245
FUND BALANCES – ENDING	<u>\$ 3,264,036</u>	<u>\$ (94,925)</u>	<u>\$ 265,795</u>	<u>\$ 1,096,210</u>	<u>\$ (3,368)</u>	<u>\$ 1,971,929</u>	<u>\$ 616,805</u>	<u>\$ 618,031</u>	<u>\$ (1,898,521)</u>	<u>\$ 5,835,992</u>

(The accompanying notes are an integral part of these financial statements.)

CITY OF HOWARD LAKE, MINNESOTA
RECONCILIATION OF THE CHANGE IN FUND BALANCES OF
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
Year Ended December 31, 2021

NET CHANGE IN FUND BALANCES – TOTAL GOVERNMENTAL FUNDS	\$	(645,253)
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Amounts reported for the governmental activities in the statement of activities are different because:

Capital assets are reported as expenditures in governmental funds. However, in the statement of activities the cost of capital assets is allocated over their estimated useful lives as depreciation expense. In the current period, these amounts are:

Capital outlay	\$ 132,576		
Construction in progress	370,940		
Depreciation	<u>(456,366)</u>		47,150

Interest on long-term debt is not recognized until due in the governmental funds. In the statement of activities, interest is recognized as it accrues. This adjustment is the difference in accrued interest payable between the prior year and the current year.

Accrued interest payable - December 31, 2021	(26,967)		
Accrued interest payable - December 31, 2020	<u>42,867</u>		15,900

Delinquent property taxes receivable will be collected, but are not available soon enough to pay for the current period's expenditures; therefore, they are deferred inflows of resources. This amount represents the change in deferred inflows of resources in the current period.

Unavailable taxes - December 31, 2021	15,745		
Unavailable taxes - December 31, 2020	<u>(17,801)</u>		(2,056)

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. This amount represents the change in unearned revenue in the current period.

Unavailable taxes - special assessments - December 31, 2021	103,341		
Unavailable taxes - special assessments - December 31, 2020	<u>(118,582)</u>		(15,241)

The issuance of long-term debt (e.g., bonds) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items:

Bond proceeds	(591,000)		
Principal payments on long-term debt	1,176,101		
Amortization of bond discount and premium	<u>9,473</u>		594,574

In the statement of activities, accrued compensated absences are measured by the amounts earned during the year. In the governmental funds, however, expenditures for these items are measured by the amount paid during the year:

Compensated absences - December 31, 2021	(68,852)		
Compensated absences - December 31, 2020	<u>96,228</u>		27,376

Governmental funds report City pension contributions and OPEB as expenditures. However, in the statement of activities, the cost of pension benefits earned net of employee contributions is reported as pension expense:

Net pension asset (fire relief) - December 31, 2021	213,950		
Net pension asset (fire relief) - December 31, 2020	(125,695)		
Net pension liability - December 31, 2021	(318,116)		
Net pension liability - December 31, 2020	494,292		
Net OPEB liability - December 31, 2021	(19,634)		
Net OPEB liability - December 31, 2020	15,108		
Deferred outflows of resources, pension - December 31, 2021	413,005		
Deferred outflows of resources, OPEB - December 31, 2021	88,162		
Deferred outflows of resources, pension - December 31, 2020	(283,333)		
Deferred outflows of resources, OPEB - December 31, 2020	(80,395)		
Deferred inflows of resources, pension - December 31, 2021	(569,275)		
Deferred inflows of resources - December 31, 2020	<u>279,717</u>		107,786

CHANGE IN NET POSITION – GOVERNMENTAL ACTIVITIES	\$	<u>130,236</u>
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(The accompanying notes are an integral part of these financial statements.)

CITY OF HOWARD LAKE, MINNESOTA
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
December 31, 2021

	Business-Type Activities – Enterprise Funds			
	Water	Sewer	Liquor	Total
ASSETS				
Current Assets				
Cash and investments	\$ 550,791	\$ 310,785	\$ -	\$ 861,576
Accounts receivable	184,817	264,720	-	449,537
Special assessments receivable	16,864	40,812	-	57,676
Due from other funds	722,807	-	-	722,807
Inventories	-	-	160,329	160,329
Total Current Assets	1,475,279	616,317	160,329	2,251,925
Noncurrent Assets				
Equity interest in joint venture	-	6,581,047	-	6,581,047
Capital assets not being depreciated	-	7,000	-	7,000
Capital assets being depreciated, net	3,628,104	3,522,378	22,984	7,173,466
Total Noncurrent Assets	3,628,104	10,110,425	22,984	13,761,513
Total Assets	5,103,383	10,726,742	183,313	16,013,438
DEFERRED OUTFLOWS OF RESOURCES				
Related to pensions	32,273	13,956	38,458	84,687
Related to OPEB	17,860	9,701	11,959	39,520
Total Deferred Outflows of Resources	50,133	23,657	50,417	124,207
LIABILITIES				
Current Liabilities				
Accounts payable	1,766	118,475	-	120,241
Accrued expenses	457	-	6,964	7,421
Accrued payroll	4,020	3,192	(163)	7,049
Accrued interest payable	8,273	13,836	-	22,109
Due to other funds	-	-	453,042	453,042
Current portion of long-term debt	268,000	484,000	-	752,000
Total Current Liabilities	282,516	619,503	459,843	1,361,862
Noncurrent Liabilities				
Compensated absences	5,218	1,884	10,176	17,278
Bonds and loans payable, net	2,181,674	3,710,674	-	5,892,348
OPEB liability	3,977	2,161	2,663	8,801
Net pension liability	55,031	23,788	67,282	146,101
Total Noncurrent Liabilities	2,245,900	3,738,507	80,121	6,064,528
Total Liabilities	2,528,416	4,358,010	539,964	7,426,390
DEFERRED INFLOWS OF RESOURCES				
Pension	40,195	18,229	49,202	107,626
NET POSITION				
Net investment in capital assets	1,178,430	782,704	22,984	1,984,118
Unrestricted	1,406,475	5,591,456	(378,420)	6,619,511
TOTAL NET POSITION	\$ 2,584,905	\$ 6,374,160	\$ (355,436)	\$ 8,603,629

(The accompanying notes are an integral part of these financial statements.)

CITY OF HOWARD LAKE, MINNESOTA
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
Year Ended December 31, 2021

	Business-Type Activities – Enterprise Funds			
	Water	Sewer	Liquor	Total
SALES AND COST OF SALES				
Sales	\$ -	\$ -	\$ 995,912	\$ 995,912
Cost of sales	-	-	(750,222)	(750,222)
Gross profit	-	-	245,690	245,690
OPERATING REVENUES				
Charges for services	860,220	1,618,223	-	2,478,443
OPERATING EXPENSES				
Salaries and wages	102,011	55,413	123,948	281,372
Payroll taxes	7,240	4,019	9,144	20,403
Pension expense	(2,677)	(2,611)	6,689	1,401
Employee benefits	24,162	10,011	33,471	67,644
Repairs and maintenance	23,982	16,754	11,176	51,912
Insurance	-	-	1,920	1,920
Utilities	22,170	13,174	10,105	45,449
Supplies	25,894	4,309	8,450	38,653
Professional fees	-	-	12,000	12,000
Wastewater commission charges	-	786,258	-	786,258
Meetings and travel	1,187	137	60	1,384
Testing	1,087	-	-	1,087
Depreciation	136,667	110,559	6,942	254,168
Miscellaneous	22,277	9,069	7,382	38,728
Total Operating Expenses	364,000	1,007,092	231,287	1,602,379
OPERATING INCOME	496,220	611,131	14,403	1,121,754
NONOPERATING REVENUES (EXPENSES)				
Local grants and aids	-	193,597	-	193,597
Other income	1,280	-	230	1,510
Gain (loss) on asset disposals	-	(18,041)	(13,156)	(31,197)
Interest expense	(46,201)	(62,957)	-	(109,158)
Net Nonoperating Revenues (Expenses)	(44,921)	112,599	(12,926)	54,752
NET INCOME BEFORE TRANSFERS	451,299	723,730	1,477	1,176,506
TRANSFERS AND OTHER ITEMS				
Change in equity interest	-	(148,645)	-	(148,645)
CHANGE IN NET POSITION	451,299	575,085	1,477	1,027,861
TOTAL NET POSITION – BEGINNING	2,133,606	5,799,075	(356,913)	7,575,768
TOTAL NET POSITION – ENDING	<u>\$ 2,584,905</u>	<u>\$ 6,374,160</u>	<u>\$ (355,436)</u>	<u>\$ 8,603,629</u>

(The accompanying notes are an integral part of these financial statements.)

CITY OF HOWARD LAKE, MINNESOTA
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
Year Ended December 31, 2021

	Business-Type Activities – Enterprise Funds			
	Water	Sewer	Liquor	Total
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipts from customers	\$ 804,677	\$ 1,581,651	\$ 995,912	\$ 3,382,240
Payments to suppliers/vendors	(72,554)	(774,802)	(796,016)	(1,643,372)
Payments to employees	(98,450)	(54,153)	(127,420)	(280,023)
Payments to other governmental units	(37,010)	(18,661)	(44,223)	(99,894)
Other receipts	1,280	-	230	1,510
Other payments	(22,277)	(9,069)	(7,382)	(38,728)
Net Cash Provided by Operating Activities	575,666	724,966	21,101	1,321,733
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Payments to other funds	(244,252)	(4,412)	(21,101)	(269,765)
Special assessments received	5,796	10,926	-	16,722
Net Cash Provided (Used) by Noncapital Financing Activities	(238,456)	6,514	(21,101)	(253,043)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Intergovernmental revenue received	-	193,597	-	193,597
Principal paid on capital debt	(330,500)	(543,500)	-	(874,000)
Interest paid on capital debt	(53,264)	(70,792)	-	(124,056)
Net Cash Used by Capital and Related Financing Activities	(383,764)	(420,695)	-	(804,459)
NET INCREASE (DECREASE) IN CASH AND INVESTMENTS	(46,554)	310,785	-	264,231
CASH AND INVESTMENTS – BEGINNING	597,345	-	-	597,345
CASH AND INVESTMENTS – ENDING	<u>\$ 550,791</u>	<u>\$ 310,785</u>	<u>\$ -</u>	<u>\$ 861,576</u>
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES				
Operating income	\$ 496,220	\$ 611,131	\$ 14,403	\$ 1,121,754
Adjustments to reconcile operating income to net cash provided by operating activities				
Depreciation expense	136,667	110,559	6,942	254,168
Other income related to operations	1,280	-	230	1,510
Net operating changes in				
Accounts receivable	(55,543)	(36,572)	-	(92,115)
Inventory	-	-	(2,083)	(2,083)
Deferred outflows of resources - pension	(22,740)	(11,624)	(21,072)	(55,436)
Accounts payable	1,766	45,830	-	47,596
Accrued expenses	-	-	-	-
Accrued payroll	5,009	1,384	(2,058)	4,335
Compensated absences	(1,448)	(124)	(1,414)	(2,986)
Net pension liability	(26,212)	(11,305)	(20,615)	(58,132)
Net OPEB liability	472	801	(1,060)	213
Deferred inflows of resources	40,195	14,886	47,828	102,909
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>\$ 575,666</u>	<u>\$ 724,966</u>	<u>\$ 21,101</u>	<u>\$ 1,321,733</u>

(The accompanying notes are an integral part of these financial statements.)

CITY OF HOWARD LAKE, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2021

NOTE 1 – NATURE OF REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Howard Lake, Minnesota was incorporated under the laws of the State of Minnesota and operates under a mayor-council form of government. The mayor and four council members are elected by the voters of the City.

The following represents the significant accounting policies used by the City:

Reporting Entity

The financial statements of the reporting entity include those of the City (the primary government) and the component units for which the primary government is financially accountable. The criteria used to determine if the primary government is financially accountable for a component unit includes whether or not the primary government appoints the voting majority of the potential component unit's governing body, is able to impose its will on the potential component unit, is in a relationship of financial benefit or burden with the potential component unit or the potential component unit is fiscally dependent on the City.

Blended component units are separate legal entities that meet the component unit criteria described above and whose governing body is the same or substantially the same as the City Council or the component unit provides services entirely to the City. These component unit's funds are blended into those of the City by appropriate activity type to compose the primary government presentation. Following are the City's blended component units:

Blended Component Unit

Howard Lake Housing and Redevelopment Authority is a legal entity separate from the City. Although legally separate, the Howard Lake Housing and Redevelopment Authority is reported as if it were part of the primary government because it provides services exclusively for the City. Separate financial statements are not prepared for the Howard Lake Housing and Redevelopment Authority.

Discretely presented component units are separate legal entities that meet the component unit criteria described above but do not meet the criteria for blending. Currently, the City has no discretely presented component units.

CITY OF HOWARD LAKE, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2021

NOTE 1 – NATURE OF REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Reporting Entity (Continued)

Joint Ventures and Jointly Governed Organizations

In 2008, the City entered into a joint powers agreement with the City of Annandale and the City of Maple Lake to establish the Annandale-Maple Lake-Howard Lake Wastewater Commission (the Commission), effective January 1, 2009. The purpose of the Commission is to make available wastewater treatment within the present and future boundaries of the cities, and to serve such other areas as the Commission approves. As part of the joint venture, the City of Howard Lake agrees to fund the debt service and operating funds of the Commission according to the terms of the agreement. Each city has a one-third equity interest in the Commission. In 2010, all three cities approved amending the joint powers agreement. The wastewater treatment plant was transferred to the Commission and all three cities will continue to pay user fees to the Commission based on usage, as well as submit sewer access charges. Because there is explicit measurable equity interest in the joint venture, the interest is reported in the government-wide financial statements, as well as in the Sewer Fund. Separate financial statements can be obtained by contacting the Wastewater Commission, P.O. Box K, Annandale, MN 55302.

Government-Wide and Fund Financial Statements

Government-Wide Financial Statements

The City's Government-Wide Financial Statements include a Statement of Net Position and a Statement of Activities. These statements present summaries of Governmental and Business-Type Activities for the City accompanied by a total column.

The statement of net position and the statement of activities report information about the reporting government as a whole. They include all funds of the reporting entity except for fiduciary funds. Governmental activities, which are supported mostly by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on user fees and charges. The financial data of the City's component units is discretely presented in a separate column in the combined financial statements to emphasize that they are legally separate from the City. For the most part, the effect of interfund activity has been removed from these statements.

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. Program revenues include charges to those who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not included among program revenues are reported instead as general revenues.

CITY OF HOWARD LAKE, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2021

NOTE 1 – NATURE OF REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Government-Wide and Fund Financial Statements (Continued)

Fund Financial Statements

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

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds. Major individual governmental funds and major individual enterprise funds are reported in separate columns in the fund financial statements. All remaining funds are aggregated and reported as nonmajor funds.

Funds are organized as major funds or nonmajor funds within the governmental and proprietary statements. An emphasis is placed on major funds within the governmental and proprietary categories. A fund is considered major if it is the primary operating fund of the City or meets the following criteria:

1. Total assets, liabilities, revenues, or expenditures/expenses of that individual governmental or enterprise fund are at least 10% of the corresponding total for all funds of that category or type, and
2. The same element of the individual governmental fund or enterprise fund that met the 10% test is at least 5% of the corresponding total for all governmental and enterprise funds combined.
3. In addition, any other governmental or enterprise fund that the City believes is particularly important to financial statement users may be reported as a major fund.

The City reports the following types of funds:

Governmental Funds

General Fund – used to account for the City’s primary operating activities. It is used to account for all financial resources and transactions, except those required to be accounted for in another fund. The general fund is a major fund.

CITY OF HOWARD LAKE, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2021

NOTE 1 – NATURE OF REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Government-Wide and Fund Financial Statements (Continued)

Fund Financial Statements (Continued)

Governmental Funds (Continued)

Special Revenue Funds – used to account for the proceeds of certain specific revenue sources that are legally restricted to expenditures for specific purposes. The City's major special revenue funds are as follows:

TIF #10 Deutz Redevelopment – used to account for tax increments collected and paid out related to the Deutz redevelopment district.

Debt Service Funds – used to account for the accumulation of, resources for, and the payment of, long-term debt principal, interest, and related costs. The City's major debt service funds are as follows:

G.O. Improvement Bonds, Series 2010A – used to account for the debt repayment related to the 2010A bond issue.

G.O. Tax Increment Bonds, Series 2013A – used to account for the debt repayment related to the 2013A tax increment bonds.

G.O. Tax Increment Refunding Bonds, Series 2021A – used to account for the debt repayment related to the 2021A tax increment refunding bonds.

Capital Project Funds – used to account for the financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by proprietary funds). The City's major capital projects funds are as follows:

Capital Equipment – used to account for the financial resources designated for the City's major capital acquisitions (other than those financed by proprietary funds and trust funds).

Industrial Park West Phase I (Non TIF) – used to account for expenditures related to phase I of the Industrial Park West project.

Villas of Howard Lake Development – used to account for the bond issue and expenditures related to the TIF district created for the family housing development.

CITY OF HOWARD LAKE, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2021

NOTE 1 – NATURE OF REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Government-Wide and Fund Financial Statements (Continued)

Fund Financial Statements (Continued)

Proprietary Funds

Enterprise Funds – used to account for operations that are financed and operated in a manner similar to private business enterprise, where the intent is that the cost of providing goods or services be financed or recovered primarily through user charges. The City's major enterprise funds and their purposes are as follows:

Water – accounts for the provision of water services to the City's residents.

Sewer – accounts for the provision of sewer services to the City's residents.

Liquor – accounts for the operation of the Howard Lake Liquor Store.

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

Government-Wide Financial Statements

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting as are the proprietary fund financial statements. Revenues are recognized 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. Taxes receivable for the following year are recorded as receivables and unearned revenue. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Amounts reported as program revenues include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

As a rule the effect of interfund activity has been eliminated from the government-wide financial statements.

CITY OF HOWARD LAKE, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2021

NOTE 1 – NATURE OF REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Measurement Focus, Basis of Accounting, and Accounting and Financial Statement Presentation (Continued)

Fund Financial Statements

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized when 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 for 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 the related fund 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. General capital asset acquisitions are reported as expenditures in governmental funds. Issuance of long-term debt and acquisitions under capital leases are reported as other financing sources.

Property taxes, franchise fees, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and 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. Sales tax collected and held by vendors at year end on behalf of the City is also recognized as revenue if collected within 30 days after year end. Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other grant requirements have been met. Entitlements and shared revenues are recorded at the time of receipt or earlier if the susceptible to accrual criteria are met. All other revenue items are considered to be measurable and available only when cash is received.

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 Water, Sewer, and Liquor Enterprise Funds are charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses. 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.

CITY OF HOWARD LAKE, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2021

NOTE 1 – NATURE OF REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures/expenses during the reporting period. Actual results could differ from those estimates.

Cash and Temporary Investments (Including Cash Equivalents)

Available cash balances from all funds are pooled and invested in accordance with Minnesota Statutes. Each fund's share of the pool is shown on the financial statements as "cash and cash equivalents." For reporting purposes, petty cash and change funds are also considered cash and cash equivalents. For the purposes of the proprietary fund-type statement of cash flows, the City considers all highly liquid investments with an initial maturity of three months or less to be cash equivalents. Certificates of deposit are valued at cost plus reinvested dividends, and other investments are stated at fair value.

Receivables

In the government-wide financial statements, accounts receivable consist of all revenues earned at year-end and not yet received. These amounts include charges for services rendered or for goods and material provided by the City, including amounts for unbilled services. No substantial losses are anticipated from present receivable balances. Therefore, no allowance for uncollectible accounts is deemed necessary. Receivables are also recognized for property taxes, assessments, accrued interest, and intergovernmental grants. In the governmental fund financial statements, receivables are recorded when they are both measurable and available.

Taxes and tax increments receivable consist of uncollected taxes levied and payable in prior years. In the governmental fund financial statements, these receivables are deferred to indicate they are not available to finance expenditures of the current fiscal period.

Due From Other Governments

Due from other governments includes amounts due from grantors for grants related to specific financial assistance programs and amounts due from the County for December property tax settlements. Program grants are recorded as receivables and revenues at the time reimbursable project costs are incurred.

Inventories

Inventory is valued at cost using the first-in, first-out (FIFO) method. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased.

CITY OF HOWARD LAKE, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2021

NOTE 1 – NATURE OF REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Capital Assets

Government-Wide Financial Statements

Capital assets which include property, plant, equipment, and infrastructure (i.e. roads, bridges, sidewalks, and similar items) are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the City as assets with an estimated useful life in excess of two years and an initial, individual cost of more than \$5,000. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

Based on the age of the majority of the City's infrastructure and an exception for small governments in GASB Statement No. 34, the City has determined it is not practical to capitalize infrastructure retroactively. The current value of the infrastructure includes projects completed during the year ended December 31, 2003 and prospectively from that date.

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.

Capital assets are depreciated using the straight-line method, full month convention over their estimated useful lives:

Buildings	40 years
Building improvements	20 years
Vehicles	8 years
Machinery and equipment	5 – 20 years
Utility distribution system	40 years
Infrastructure	40 years

Capital assets not being depreciated include land and construction in progress, if any.

Fund Financial Statements

In the fund financial statements, capital assets used in governmental fund operations are accounted for as capital outlay expenditures of the governmental fund upon acquisition. Capital assets used in proprietary fund operations are accounted for the same way as in the government-wide financial statements.

CITY OF HOWARD LAKE, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2021

NOTE 1 – NATURE OF REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Compensated Absences

The liability for compensated absences reported in the financial statements consists of unpaid, accumulated vacation, sick leave balances, and compensatory time. The liability has been calculated using the vesting method, in which leave amounts for both employees who currently are eligible to receive such payments upon termination are included. The liability for compensated absences is reported in the governmental funds only if they have matured, for example, as a result of employee resignations and retirements. Compensated absences are accrued when incurred in the government-wide and proprietary fund financial statements. The government-wide and proprietary fund statement of net position reports both current and noncurrent portions of compensated absences using full accrual accounting. The current portion consists of an amount based on expected or known retirements coming in the next fiscal year. The noncurrent portion consists of the remaining amount of vacation, total vested sick leave, and compensatory time.

The City compensates employees who resign or retire for their unused sick leave up to 144 hours, unused compensatory time up to 80 hours, and for their unused vacation. Employees are granted vacation based on their years of service. Vacation must be used within twelve months from the time it is earned, unless the City Council grants an extension.

Other Postemployment Benefits

Employees of the City pay health care premiums based on a negotiated rate. The City has an implicit rate subsidy factor in postemployment health care expenses which accounts for the difference employees would pay if there were no retirees on the City's insurance policy.

Long-Term Obligations

Government-Wide Financial Statements

All long-term obligations to be repaid from governmental and business-type resources are reported as liabilities in the government-wide statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bond using the straight-line method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are expensed when incurred.

Long-term obligations for governmental funds are not reported as liabilities in the fund financial statements. The face value of debt obligations is reported as other financing sources and payments of principal and interest are reported as expenditures. 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.

CITY OF HOWARD LAKE, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2021

NOTE 1 – NATURE OF REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Deferred Outflows/Inflows of Resources

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

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net 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 which arises only under a modified accrual basis of accounting, the item, unavailable revenue, is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from two sources, property taxes and special assessments earned but not yet available. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

In the government-wide financial statements, components of pension expense that are recognized over a period of time are classified as either deferred outflows of resources (using plan assets that are applicable to a future reporting period) or deferred inflows of resources (acquiring plan assets that are applicable to a future reporting period). Employer contributions subsequent to the measurement date of the net pension liability are required to be reported as deferred outflows of resources. Deferred outflows/inflows of resources are also recognized for certain differences between actual experience in pension demographic and economic factors compared to assumptions used in the actuarial analyses.

Equity Classifications

Government-Wide Financial Statements

Equity is classified as net position and displayed in three components:

1. Net investment in capital assets – consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets less any unspent debt proceeds.
2. Restricted – consists of net position with constraints placed on their use by either external groups such as creditors, grantors or contributors, or laws or regulations of other governments or law through constitutional provisions or enabling legislation.
3. Unrestricted – consists of all other net position that do not meet the definition of “restricted” or “net investment in capital assets.”

CITY OF HOWARD LAKE, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2021

NOTE 1 – NATURE OF REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Equity Classifications (Continued)

Government-Wide Financial Statements (Continued)

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.

Fund Financial Statements

Governmental fund equity is classified as fund balance. In accordance with Governmental Accounting Standards Board Statement No. 54 *Fund Balance Reporting and Governmental Fund Type Definitions*, the City classifies governmental fund balance as follows:

1. Nonspendable – amounts that cannot be spent either because they are not in spendable form or because legal or contractual requirements mandate funds be maintained intact.
2. Restricted – amounts with constraints placed on its use either by external groups such as creditors, grantors or contributors, or laws or regulations of other governments or imposed law through constitutional provisions or enabling legislation.
3. Unrestricted
 - a. Committed – amounts constrained for specific purposes that are internally imposed by formal action (resolution) of the City Council, which is the City's highest level of decision making authority. Committed amounts cannot be used for any other purpose unless the City Council modifies or rescinds the commitments by resolution.
 - b. Assigned – amounts assessed 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 City council itself or by an official to which the governing body delegates authority.
 - c. Unassigned – residual positive fund balance amounts within the general fund which has not been classified within the other above mentioned categories. Unassigned fund balance may also include negative balances for any other governmental fund if expenditures exceed amounts restricted, committed, or assigned for those purposes.

The City considers restricted amounts to be spent first when both restricted and unrestricted fund balance is available unless there are legal documents/contracts that prohibit doing this, such as in grant agreements requiring dollar for dollar spending. Additionally, the City would first use committed, then assigned, and lastly unassigned amounts of unrestricted fund balance when expenditures are made.

Proprietary fund equity is classified the same as in the government-wide financial statements.

CITY OF HOWARD LAKE, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2021

NOTE 1 – NATURE OF REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Interfund Transactions

During the course of normal operations, the City has transactions between funds, including expenditures and transfers of resources to provide services, construct assets, and service debt. Loans are reported as receivables or payables as appropriate and are subject to elimination upon consolidation. The accompanying financial statements reflect all other such transactions as transfers.

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.

CITY OF HOWARD LAKE, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2021

NOTE 2 – STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

Deficit Fund Equity

The following funds had deficit fund balances as of December 31, 2021:

Major Governmental Funds	
TIF #10 Deutz Redevelopment	\$ 94,925
G.O. Tax Increment Refunding Bonds, Series 2021A	3,368
Nonmajor Governmental Funds	
Small Cities Development Program	15,195
Thriving Communities Partnership	624
TIF #16 SR Assisted	732
TIF #19 Munson Lakes	423,154
TIF #3 Keleher Project	5,750
TIF #21 Terning Trails 2	9,200
G.O. Storm Sewer Revenue Bonds, Series 2011A	145,485
G.O. Refunding Bonds, Series 2014A	616,940
G.O. Tax Abatement Bonds, Series 2018A	14,850
G.O. Tax Increment Bonds, Series 2019A	48,015
2018 Street Improvement	460,843
City Hall Project	121,637
Downtown Redevelopment Project	82,029
Downtown Enhancement Project	11,816
Legion Parking Lot	218,784
Central Park	570,086
CSAH 7 Trail Improvement	59,684
Library Project	63,176
2021 Meter Project	269,765
Terning Trails 2	9,286
Water Treatment Facility	14,117
Wellhead Protection	3,333
Proprietary Funds	
Municipal Liquor Store	355,436

Deficits will be eliminated by future revenues, transfers, property tax levies, and collection of tax increments.

CITY OF HOWARD LAKE, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2021

NOTE 2 – STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY (Continued)

Budgetary Information

GASB Statement No. 34 requires that budget vs. actual information be presented for the general fund and all budgeted major special revenue funds. Budget vs. actual information and related notes can be found in the required supplementary information following this report.

NOTE 3 – DEPOSITS AND INVESTMENTS

Deposits

Minnesota Statutes authorize the City to deposit its cash and to invest in certificates of deposit in financial institutions designated by the City Council.

Minnesota Statutes require that all deposits be protected by insurance, surety bond, or collateral. Deposits in each local area bank are insured by the FDIC up to specified limits. All financial institutions acting as a depository for the City are required to pledge collateral to secure all City funds over and above amounts guaranteed by the FDIC. The market value of collateral pledged must equal 110% of the deposits not covered by insurance or corporate surety bonds. Authorized collateral includes: U.S. government treasury bills, notes, or bonds; issues of a U.S. government agency; general obligations of a state or local government rated “A” or better; revenue obligations of a state or local government rated “AA” or better; irrevocable standby letter of credit issued by a Federal Home Loan Bank and time deposits insured by a federal agency. Minnesota Statutes require securities pledged as collateral be held in safekeeping in a restricted account at the Federal Reserve Bank or at an account at a trust department of a commercial bank or other financial institution not owned or controlled by the depository.

Custodial Credit Risk – is the risk that in the event of a bank failure, the City’s deposits may not be returned to it. The City’s deposit policy for custodial credit risk follows Minnesota Statutes for deposits, and states the City will obtain collateral or bonds for all uninsured amounts. All of the bank balance was covered by federal depository insurance or by collateral held by the City’s agent in the City’s name; therefore, as of year-end, the City is not exposed to custodial credit risk.

The City’s deposits are presented in the financial statements as follows:

Pooled cash in checking	\$ 1,861,818
Departmental checking accounts	686,001
Departmental certificates of deposit	68,384
Cash on hand	300
Investments	<u>2,332,906</u>
TOTAL CASH AND INVESTMENTS	<u>\$ 4,949,409</u>

CITY OF HOWARD LAKE, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2021

NOTE 3 – DEPOSITS AND INVESTMENTS (Continued)

Investments

Investments of city funds is restricted by state statutes. Available investments are limited to:

- Governmental bonds, notes, bills, mortgages (excluding high-risk mortgage-backed securities), and other securities, which are direct obligations or are guaranteed or insured issues by the United States, its agencies, its instrumentalities, or organizations created by an act of Congress
- General obligations of any state or local government rated “A” or better by a national bond rating service
- Revenue obligations of any state or local government rated “AA” or better by a national bond rating service
- General obligations of the Minnesota Housing Finance Agency rated “A” or better by a national bond rating agency
- Commercial paper issued by United States corporations or their Canadian subsidiaries that is rated in the highest quality category by at least two nationally recognized rating agencies and matures in 270 days or less
- Time deposits that are fully insured by the Federal Deposit Insurance Corporation or bankers’ acceptances of United States banks
- General obligation temporary bonds of the same governmental entity issued under Minnesota Statutes 429.091, subd. 7, 469.178, subd. 5 or 475.61, subd. 6
- Repurchase agreements consisting of collateral allowable in Minnesota Statutes 118A.04, and reverse purchase agreements and securities lending agreements with financial institutions qualified as a “depository” of public funds of the government entity; with any other financial institution which is a member of the Federal Reserve System and whose combined capital and surplus equals or exceeds \$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; reverse agreements may only be entered into for a period of 90 days or less and only to meet short-term cash flow needs
- Shares of investment companies registered under the Federal Investment Company Act of 1940 that either (1) holds itself out as a money market fund and is rated in one of the two highest rating categories for money market funds by at least one nationally recognized statistical rating organization or (2) whose shares are registered under the Federal Securities Act of 1933, receives the highest credit rating and is rated in one of the two highest risk rating categories by at least one nationally recognized statistical rating organization, and is invested in financial instruments with a final maturity no longer than 13 months
- Guaranteed investment contracts that are issued or guaranteed by United States commercial banks, domestic branches of foreign banks, United States insurance companies or their Canadian subsidiaries, or the domestic affiliates of any of the foregoing if similar debt obligations of the issuer are rated in one of the two highest categories by a nationally recognized rating agency

CITY OF HOWARD LAKE, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2021

NOTE 3 – DEPOSITS AND INVESTMENTS (Continued)

Investments (Continued)

The City had the following investments at December 31, 2021:

	<u>Fair Value</u>	<u>Level 1 Inputs</u>	<u>Level 2 Inputs</u>	<u>Level 3 Inputs</u>
Investments held with broker:				
4M fund	\$ 2,084,797	\$ 2,084,797	\$ -	\$ -
Brokered certificates of deposit	<u>248,109</u>	<u>-</u>	<u>248,109</u>	<u>-</u>
TOTAL	<u>\$ 2,332,906</u>	<u>\$ 2,084,797</u>	<u>\$ 248,109</u>	<u>\$ -</u>

The Minnesota Municipal Money Market Fund (4M Fund) operates in accordance with appropriate State laws and regulations. The 4M fund is regulated by *Minnesota Statutes* and the Board of Directors of the League of Minnesota Cities and is an external investment pool not registered with the Securities and Exchange Commission (SEC); however, it follows the same regulatory rules of the SEC under Rule 2a-7 of the Investment Company Act of 1940. The reported value of the pool is the same as the fair value of the pool share. Financial statements of the 4M fund can be obtained by contacting RBC Global Management at 100 South Fifth Street, Suite 2300, Minneapolis, MN 55402.

NOTE 4 – RECEIVABLES

Receivables as of December 31, 2021 are as follows:

	<u>Total Receivables</u>	<u>Amounts not Scheduled for Collection During Subsequent Year</u>
Governmental Activities		
Accounts	\$ 66,830	\$ -
Taxes	15,745	-
Special assessments	103,342	102,447
Loans	<u>1,024,283</u>	<u>974,000</u>
TOTAL GOVERNMENTAL ACTIVITIES	<u>\$ 1,210,200</u>	<u>\$ 1,076,447</u>
Business-Type Activities		
Accounts	\$ 449,537	\$ -
Special assessments	<u>57,676</u>	<u>53,143</u>
TOTAL BUSINESS-TYPE ACTIVITIES	<u>\$ 507,213</u>	<u>\$ 53,143</u>

CITY OF HOWARD LAKE, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2021

NOTE 5 – LOANS RECEIVABLE

The City has Economic Recovery Grant funds available in the form of a revolving loan. Currently, there are two loans outstanding along with developer agreements as listed below.

	<u>Original Amount</u>	<u>Interest Rate</u>	<u>Final Maturity</u>	<u>Principal Outstanding</u>
Ohlerdan, Inc.	\$ 281,678	1.50%	3/1/2023	\$ 32,043
The Lodge of Howard Lake	1,134,134	1.75% - 4.75%	2/1/2040	992,240
TOTAL				<u><u>\$ 1,024,283</u></u>

NOTE 6 – PROPERTY TAXES AND SPECIAL ASSESSMENTS

Property Taxes

Property tax levies are set by the council by September 30 of each year and are certified to the Wright County for collection in the following year. In Minnesota, counties act as collection agencies for all property taxes. The county spreads all levies over assessable property. Such taxes become a lien on January 1 and are recorded as receivables by the City at that date. Revenues are accrued and recognized in the year collectible, net of delinquencies.

Property taxes must be paid by taxpayers in two equal installments on May 15 and October 15. The County is required to distribute collections to the City three times each year. Taxes which remain unpaid at year-end are delinquent and are fully offset by deferred inflows of resources because they are not available to finance current expenditures. Collections made by the County through the end of the year and remitted to the City within 60 days after year-end are recognized as revenue and the remainder is deferred. City property tax revenues are recognized in the year received.

Special Assessments

Special assessments are levied against the benefited properties for the assessable costs of improvement projects in accordance with Minnesota Statutes. Assessments are collectible over a term of years at an interest rate established by the City Council.

CITY OF HOWARD LAKE, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2021

NOTE 7 – CAPITAL ASSETS

Activity in capital assets for the City was as follows:

	Balance 2020	Additions	Removals	Balance 2021
Governmental Activities				
Capital assets not being depreciated				
Land	\$ 227,100	\$ -	\$ -	\$ 227,100
Construction in progress	317,188	370,940	317,187	370,941
	544,288	370,940	317,187	598,041
Capital assets being depreciated				
Buildings	3,762,659	42,285	-	3,804,944
Improvements other than buildings	1,304,947	354,718	-	1,659,665
Equipment and vehicles	2,082,620	52,760	110,436	2,024,944
Infrastructure	10,691,939	-	-	10,691,939
	17,842,165	449,763	110,436	18,181,492
Accumulated depreciation for				
Buildings	(1,721,394)	(113,764)	-	(1,835,158)
Improvements other than buildings	(462,522)	(42,759)	-	(505,281)
Equipment and vehicles	(1,765,878)	(70,677)	(110,436)	(1,726,119)
Infrastructure	(2,510,203)	(229,166)	-	(2,739,369)
	(6,459,997)	(456,366)	(110,436)	(6,805,927)
Total capital assets being depreciated, net	11,382,168	(6,603)	-	11,375,565
TOTAL GOVERNMENTAL ACTIVITIES				
CAPITAL ASSETS, NET	\$ 11,926,456	\$ 364,337	\$ 317,187	\$ 11,973,606

CITY OF HOWARD LAKE, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2021

NOTE 7 – CAPITAL ASSETS (Continued)

	Balance 2020	Additions	Removals	Balance 2021
Business-Type Activities				
Capital assets not being depreciated				
Land	\$ 7,000	\$ -	\$ -	\$ 7,000
Capital assets being depreciated				
Buildings	796,816	-	-	796,816
Other improvements	118,462	-	64,440	54,022
Wastewater treatment plant	173,152	-	54,954	118,198
Water treatment plant	884,686	-	10,529	874,157
Water and sewer lines	9,784,349	-	-	9,784,349
Equipment and vehicles	466,798	-	50,923	415,875
	<u>12,224,263</u>	<u>-</u>	<u>180,846</u>	<u>12,043,417</u>
Accumulated depreciation for				
Buildings	(605,035)	(19,426)	-	(624,461)
Other improvements	(92,438)	(3,968)	(51,284)	(147,690)
Wastewater treatment plant	(159,640)	(1,374)	(42,815)	(203,829)
Water treatment plant	(690,566)	(24,334)	(10,529)	(725,429)
Water and sewer lines	(2,819,735)	(195,687)	-	(3,015,422)
Equipment and vehicles	(398,018)	(9,379)	(45,021)	(452,418)
	<u>(4,765,432)</u>	<u>(254,168)</u>	<u>(149,649)</u>	<u>(5,169,249)</u>
Total capital assets being depreciated, net	<u>7,458,831</u>	<u>(254,168)</u>	<u>31,197</u>	<u>7,173,466</u>
TOTAL BUSINESS-TYPE ACTIVITIES				
CAPITAL ASSETS, NET	<u><u>\$ 7,465,831</u></u>	<u><u>\$ (254,168)</u></u>	<u><u>\$ 31,197</u></u>	<u><u>\$ 7,180,466</u></u>

Depreciation expense was charged to the following functions or programs as follows:

Governmental Activities	
General government	\$ 94,422
Public safety	40,311
Public works	289,883
Culture and recreation	31,750
	<u>456,366</u>
TOTAL	<u><u>\$ 456,366</u></u>

CITY OF HOWARD LAKE, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2021

NOTE 7 – CAPITAL ASSETS (Continued)

Depreciation expense was charged to the following functions or programs as follows:

Business-Type Activities

Water	\$ 136,667
Sewer	110,559
Municipal liquor	<u>6,942</u>

TOTAL	<u>\$ 254,168</u>
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NOTE 8 – LONG-TERM OBLIGATIONS

General Obligation Bonds

The City issues general obligation (G.O.) bonds to provide for financing tax increment projects, street improvements, and facility construction. Debt service is covered respectively by property taxes, tax increments, and special assessments levied against benefitted properties with any shortfalls being paid from general taxes.

G.O. bonds are direct obligations and pledge the full faith and credit of the City. These bonds generally are issued as 15 years serial bonds with equal debt service payments each year.

Components of Long-Term Debt

	<u>Original Amount</u>	<u>Maturity Date</u>	<u>Interest Rate</u>	<u>Balance 2021</u>
Governmental Activities				
General Obligation Bonds				
Improvement bonds, series 2010A	\$ 665,000	2025	0.75 - 3.7%	\$ 205,000
Refunding bonds, series 2014A	1,500,000	2024	2 - 4%	125,000
Tax abatement bonds, series 2018A	980,000	2040	2.6 - 4%	945,000
Tax increment bonds, series 2019A	735,000	2044	2.00%	715,000
Tax increment refunding bonds, series 2021A	591,000	2040	2.00%	591,000
G.O. Revenue Bonds				
Storm sewer revenue bonds, series, 2011A	690,000	2026	1.75 - 2.6%	220,000
Contract for deed	270,000	2042	5.00%	<u>234,134</u>
TOTAL GOVERNMENTAL ACTIVITIES				<u>\$ 3,035,134</u>

CITY OF HOWARD LAKE, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2021

NOTE 8 – LONG-TERM OBLIGATIONS (Continued)

Components of Long-Term Debt (Continued)

	<u>Original Amount</u>	<u>Maturity Date</u>	<u>Interest Rate</u>	<u>Balance 2021</u>
Business-Type Activities				
General Obligation Bonds				
Sewer and water revenue crossover refunding, series 2009A	\$ 1,400,000	2024	2 - 3.5%	\$ 375,000
Sewer and water revenue crossover refunding, series 2012A	3,260,000	2027	2 - 2.65%	1,455,000
Refunding bonds, series 2014A	435,000	2024	2 - 4%	130,000
General Obligation Notes				
Sewer revenue note of 2009	2,606,000	2028	1.08%	1,448,000
Water revenue note of 2011	2,059,069	2040	1.22%	1,454,000
Sewer revenue note of 2011	2,508,122	2040	1.00%	<u>1,751,000</u>
TOTAL BUSINESS-TYPE ACTIVITIES				<u>\$ 6,613,000</u>

Debt service funds are used to liquidate the governmental activities outstanding bonded indebtedness, notes, and contracts for deed.

On March 1, 2012, the City issued \$3,260,000 G.O. sewer and water crossover refunding bonds, series 2012A, with an interest rate of 2% - 2.65%. The City issued the bonds to crossover refund the \$1,630,000 G.O. sewer revenue refunding bonds, series 2005B; the \$1,605,000 G.O. sewer and water revenue bonds, series 2006B; and the \$1,565,000 G.O. sewer and water revenue bonds, series 2007A. The City completed the refunding to reduce its debt service payment over the next 16 years by \$298,541. This results in an economic gain (difference between the present values of the debt service payments on the old and new debt) of \$247,324.

On December 8, 2014, the City issued \$1,935,000 G.O. refunding bonds, series 2014A, with an interest rate of 2% - 4%. The City issued the bonds to refund the \$1,835,000 G.O. crossover refunding bonds, series 2006A; the \$575,000 G.O. tax increment refunding bonds, series 2008B; and the \$815,000 G.O. sewer and water revenue bonds, series 2008A. The City completed the refunding to reduce its debt service payment over the next 10 years by \$128,068. This results in an economic gain (difference between the present values of the debt service payments on the old and new debt) of \$125,717.

On November 1, 2018, the City issued \$980,000 G.O. tax abatement bonds, series 2018A, with an interest rate of 2.6% to 4%. The City issued the bonds to finance the costs of the improvements in the community to the old City Hall building that currently holds the municipal liquor store.

CITY OF HOWARD LAKE, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2021

NOTE 8 – LONG-TERM OBLIGATIONS (Continued)

The changes in long-term obligations is as follows:

	Balance 2020	Increases	Decreases	Balance 2021	Due Within One Year
Governmental Activities					
G.O. bonds	\$ 3,115,000	\$ 591,000	\$ 1,125,000	\$ 2,581,000	\$ 133,000
G.O. revenue bonds	265,000	-	45,000	220,000	45,000
Contract for deed	240,235	-	6,101	234,134	6,412
Unamortized bond premium	33,860	-	11,286	22,574	-
Unamortized bond discount	(20,557)	-	(1,813)	(18,744)	-
Net bonds and notes payable	3,633,538	591,000	1,185,574	3,038,964	184,412
 Other Liabilities					
Compensated absences	96,228	-	27,376	68,852	-
Net pension liability	494,292	-	176,176	318,116	-
Net OPEB liability	15,108	4,526	-	19,634	-
Total Other Liabilities	605,628	4,526	203,552	406,602	-
 TOTAL GOVERNMENTAL ACTIVITIES	\$ 4,239,166	\$ 595,526	\$ 1,389,126	\$ 3,445,566	\$ 184,412
	Balance 2020	Increases	Decreases	Balance 2021	Due Within One Year
Business-Type Activities					
Bonds and Notes Payable					
General obligation bonds	\$ 2,485,000	\$ -	\$ 525,000	\$ 1,960,000	\$ 400,000
General obligation revenue notes	5,002,000	-	349,000	4,653,000	352,000
Unamortized bond premium	41,608	-	8,946	32,662	-
Unamortized bond discount	(1,792)	-	(478)	(1,314)	-
Total Bonds and Notes Payable	7,526,816	-	882,468	6,644,348	752,000
 Other Liabilities					
Compensated absences	20,264	-	2,986	17,278	-
Net pension liability	204,233	-	58,132	146,101	-
Net OPEB liability	8,588	213	-	8,801	-
Total Other Liabilities	233,085	213	61,118	172,180	-
 TOTAL BUSINESS-TYPE ACTIVITIES	\$ 7,759,901	\$ 213	\$ 943,586	\$ 6,816,528	\$ 752,000

CITY OF HOWARD LAKE, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2021

NOTE 8 – LONG-TERM OBLIGATIONS (Continued)

The annual debt service requirements to maturity for all bonds and notes outstanding are as follows:

	Governmental Activities		Business-Type Activities	
	Principal	Interest	Principal	Interest
Years Ending December 31				
2022	\$ 184,412	\$ 88,896	\$ 752,000	\$ 98,940
2023	271,739	84,705	836,000	86,860
2024	250,082	76,670	841,000	69,930
2025	190,443	70,191	660,000	53,894
2026	141,822	64,396	574,000	43,000
2027 - 2031	572,511	271,706	1,348,000	128,034
2032 - 2036	652,350	182,156	870,000	69,138
2037 - 2041	636,803	70,409	732,000	20,242
2042 - 2044	134,972	6,002	-	-
TOTAL	<u>\$ 3,035,134</u>	<u>\$ 915,131</u>	<u>\$ 6,613,000</u>	<u>\$ 570,038</u>

Conduit Debt Obligations

Conduit debt obligations are certain limited-obligation revenue bonds or similar debt instruments issued for the express purpose of providing capital financing for a specific third party. The City has issued a revenue note to provide funding to a private-sector entity for a project deemed to be in the public interest. Although this note bears the name of the City, the City has no obligation for such debt. Accordingly, the note is not reported as a liability in the financial statements of the City.

The original amount of the obligation is \$7,188,000 and the balance outstanding at December 31, 2020 is \$6,709,160.

CITY OF HOWARD LAKE, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2021

NOTE 9 – INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS

Interfund Receivables and Payables

Interfund receivable and payable balances at December 31, 2021 were as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Water	Municipal liquor	\$ 453,042
Water	2021 meter project	269,765
General	Nonmajor governmental funds	2,663,804
G.O. improvement bonds, series 2010A	Nonmajor governmental funds	265,122
G.O. tax increment bonds, series 2013A	G.O. tax increment bonds, series 2021A	3,368
Fire equipment	Ambulance	1,700
TOTAL		<u>\$ 3,656,801</u>

<u>Advance to Other Funds</u>	<u>Advance From Other Funds</u>	<u>Amount</u>
General	Nonmajor governmental funds	\$ 130,934
Nonmajor governmental funds	General	157,269
TOTAL		<u>\$ 288,203</u>

The purpose of the above interfund loans was to provide financing for operating purposes and to cover deficit cash balances.

Interfund Transfers

The City transferred cash between funds as follows:

	<u>Transfer In</u>			
	<u>General</u>	<u>G.O. Tax Increment Bonds, Series 2013A</u>	<u>Nonmajor Governmental Funds</u>	<u>Total</u>
Transfer out				
General	\$ -	\$ -	\$ 39,943	\$ 39,943
TIF #10 Deutz redevelopment	10,000	-	46,000	56,000
G.O. tax increment refunding bonds, series 2021A	-	575,000	-	575,000
Nonmajor governmental funds	137,045	-	21,000	158,045
TOTAL	<u>\$ 147,045</u>	<u>\$ 575,000</u>	<u>\$ 106,943</u>	<u>\$ 828,988</u>

The purpose of the transfers was to provide funding for operating purposes, capital improvement projects and capital outlay, and to cover debt obligations

CITY OF HOWARD LAKE, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2021

NOTE 10 – NET POSITION/FUND BALANCES

Governmental Activities Net Position

Governmental activities net position reported as net investment in capital assets on the government-wide statement of net position is comprised of the following:

Land	\$ 227,100
Construction in progress	370,941
Other capital assets, net of accumulated depreciation	11,375,565
Long-term debt outstanding	<u>(3,038,964)</u>

NET INVESTMENT IN CAPITAL ASSETS	<u>\$ 8,934,642</u>
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Restricted net position amounts are restricted for the following purposes:

Capital equipment purchases	\$ 1,971,929
Debt repayment	1,362,005
TIF districts' operations	174,878
Voyager revolving loans	261,771
Coronavirus relief aid costs	<u>167,547</u>

TOTAL RESTRICTED	<u>\$ 3,938,130</u>
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Business-Type Activities Net Position

Business-type activities net position reported as net investment in capital assets includes the following:

Net investment in capital assets	
Land	\$ 7,000
Other capital assets, net of accumulated depreciation	7,173,466
Long-term debt outstanding	<u>(5,196,348)</u>

NET INVESTMENT IN CAPITAL ASSETS	<u>\$ 1,984,118</u>
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Governmental Fund Balances

Governmental fund balances reported as nonspendable on the fund financial statements are nonspendable because they relate to advances to other funds or property held for resale.

Governmental fund balances reported as restricted on the fund financial statements are restricted for the same purposes as listed above for the statement of net position.

CITY OF HOWARD LAKE, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2021

NOTE 10 – NET POSITION/FUND BALANCES (Continued)

Governmental Fund Balances (Continued)

Governmental fund balances reported as assigned in the fund financial statements are assigned for the following purposes:

Ambulance operations	\$ 247,412
Fire equipment purchases	502,520
Industrial Park West non-TIF operations	616,805
City hall restoration	1,937
Munson Lakes Nutrition Office expenditures	<u>13,150</u>
TOTAL ASSIGNED	<u>\$ 1,381,824</u>

NOTE 11 – DEFINED BENEFIT PENSION PLANS

Plan Description

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

1. General Employees Retirement Plan

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

2. Public Employees Police and Fire Plan

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

Benefits Provided

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

CITY OF HOWARD LAKE, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2021

NOTE 11 – DEFINED BENEFIT PENSION PLANS (Continued)

Benefits Provided (Continued)

1. General Employees Plan Benefits

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

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

2. Police and Fire Plan Benefits

Benefits for Police and Fire Plan members first hired after June 30, 2010 but before July 1, 2014 vest on a prorated basis from 50% after five years up to 100% after ten years of credited service. Benefits for Police and Fire Plan members first hired after June 30, 2014 vest on a prorated basis from 50% after ten years up to 100% after twenty years of credited service. The annuity accrual rate is 3% of average salary for each year of service. A full, unreduced pension is earned when members are age 55 and vested, or for members who were first hired prior to July 1, 1989, when age plus years of service equal at least 90.

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

CITY OF HOWARD LAKE, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2021

NOTE 11 – DEFINED BENEFIT PENSION PLANS (Continued)

Contributions

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

1. General Employees Fund Contributions

Coordinated Plan members are required to contribute 6.50% of their annual covered salary in calendar year 2021 and the City was required to contribute 7.50% for Coordinated Plan members. The City's contributions to the General Employees Fund for the year ended December 31, 2021, were \$37,859. The City's contributions were equal to the required contributions as set by state statute.

2. Police and Fire Fund Contributions

Police and Fire members were required to contribute 11.8% of their annual covered salary in fiscal year 2021 and the City was required to contribute 17.70% for Police and Fire Plan members. The City's contributions to the Police and Fire Fund for the year ended December 31, 2021, were \$40,978. The City's contributions were equal to the required contributions as set by state statute.

Pension Costs

1. General Employees Fund Pension Costs

At December 31, 2021, the City reported a liability of \$316,013 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 \$9,618.

The net pension liability was measured as of June 30, 2021 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City's proportion of the net pension liability was based on the City's contributions received by PERA during the measurement period for employer payroll paid dates from July 1, 2020 through June 30, 2021, relative to the total employer contributions received from all of PERA's participating employers. The City's proportionate share was 0.0074% at the end of the measurement period and 0.0071% for the beginning of the period.

City's proportionate share of the net pension liability	\$ 316,013
State of Minnesota's proportionate share of the net pension liability associated with the City	<u>9,618</u>
TOTAL	<u>\$ 325,631</u>

CITY OF HOWARD LAKE, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2021

NOTE 11 – DEFINED BENEFIT PENSION PLANS (Continued)

Pension Costs (Continued)

1. General Employees Fund Pension Costs (Continued)

For the year ended December 31, 2021, the City recognized pension expense of \$31,046 for its proportionate share of General Employees Plan's pension expense. In addition, the City recognized an additional \$776 as pension expense (and grant revenue) for its proportionate share of the State of Minnesota's contribution of \$16 million to the General Employees Fund.

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ 1,338	\$ 7,220
Changes in actuarial assumptions	144,714	4,962
Net collective difference between projected and actual investment earnings	-	221,092
Changes in proportion	16,339	-
Contributions paid to PERA subsequent to the measurement date	19,720	-
TOTAL	\$ 182,111	\$ 233,274

\$19,720 reported as deferred outflows of resources related to pensions resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2022. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended December 31:	Pension Expense Amount
2022	\$ (8,608)
2023	(540)
2024	(2,017)
2025	(59,718)
TOTAL	\$ (70,883)

CITY OF HOWARD LAKE, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2021

NOTE 11 – DEFINED BENEFIT PENSION PLANS (Continued)

Pension Costs (Continued)

2. Police and Fire Fund Pension Costs

At December 31, 2021, the City reported a liability of \$148,204 for its proportionate share of Police and Fire Fund's net pension liability. The net pension liability was measured as of June 30, 2021, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City's proportion of the net pension liability was based on the City's contributions received by PERA during the measurement period for employer payroll paid dates from July 1, 2020 through June 30, 2021, relative to total employer contributions received from all of PERA's participating employers. The City's proportionate share was 0.0192% at the end of the measurement period and 0.0207% for the beginning of the period.

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

The State of Minnesota is included as a non-employer contributing entity in the Police and Fire Retirement Plan Schedule of Employer Allocations and Schedule of Pension Amounts by Employer, Current Reporting Period Only (pension allocation schedules) for the \$9 million in direct state aid. Police and Fire Plan employers need to recognize their proportionate share of the State of Minnesota's pension expense (and grant revenue) under GASB 68 special funding situation accounting and financial reporting requirements. For the year ended June 30, 2021, the City recognized pension expense of \$4,080 for its proportionate share of the Police and Fire Plan's pension expense. The City recognized \$1,728 as grant revenue for its proportionate share of the State of Minnesota's contribution of \$9 million to the Police and Fire Fund.

The State of Minnesota is not included as a non-employer contributing entity in the Police and Fire Pension Plan pension allocation schedules for the \$9 million in fire state aid. The City also recognized \$1,210 for the year ended December 31, 2021 as revenue and an offsetting reduction of net pension liability for its proportionate share of the State of Minnesota's on-behalf contributions to the Police and Fire Fund.

CITY OF HOWARD LAKE, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2021

NOTE 11 – DEFINED BENEFIT PENSION PLANS (Continued)

Pension Costs (Continued)

2. Police and Fire Fund Pension Costs (Continued)

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ 25,097	\$ -
Changes in actuarial assumptions	181,520	86,076
Net collective difference between projected and actual investment earnings	-	226,172
Changes in proportion	16,580	40,912
Contributions paid to PERA subsequent to the measurement date	21,260	-
TOTAL	\$ 244,457	\$ 353,160

\$21,260 reported as deferred outflows of resources related to pensions resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2022. Other amounts reported as deferred outflows and inflows of resources to pensions will be recognized in pension expense as follows:

	Pension Expense Amount
Year Ended December 31:	
2022	\$ (112,470)
2023	(14,767)
2024	(13,359)
2025	(22,811)
2026	33,444
TOTAL	\$ (129,963)

CITY OF HOWARD LAKE, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2021

NOTE 11 – DEFINED BENEFIT PENSION PLANS (Continued)

Long-Term Expected Return on Investment

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

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

Actuarial Methods and Assumptions

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

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

Salary growth assumptions in the General Employees Plan range in annual increments from 10.25% after one year of service to 3% after 29 years of service and 6% per year thereafter. In the Police and Fire Plan, salary growth assumptions range from 11.75% after one year of service to 3% after 24 years of service.

CITY OF HOWARD LAKE, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2021

NOTE 11 – DEFINED BENEFIT PENSION PLANS (Continued)

Actuarial Methods and Assumptions (Continued)

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

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

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

General Employees Fund

Changes in Actuarial Assumptions:

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

Changes in Plan Provisions:

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

Police and Fire Fund

Changes in Actuarial Assumptions:

- The investment return and single discount rates were changed from 7.50% to 6.50%, for financial reporting purposes.
- The inflation assumption was changed from 2.50% to 2.25%.
- The payroll growth assumption was changed from 3.25% to 3.00%.
- The base mortality table for healthy annuitants and employees was changed from the RP-2014 table to the Pub-2010 Public Safety Mortality table. The mortality improvement scale was changed from MP-2019 to MN-2020.
- The base mortality table for disabled annuitants was changed from the RP-2014 healthy annuitant mortality table (with future mortality improvement according to Scale MP-2019) to the Pub-2010 Public Safety disabled annuitant mortality table (with future mortality improvement according to Scale MP-2020).
- Assumed rates of salary increase were modified as recommended in the July 14, 2020 experience study. The overall impact is a decrease in gross salary increase rates.
- Assumed rates of retirement were changed as recommended in the July 14, 2020 experience study. The changes result in slightly more unreduced retirements and fewer assumed early retirements.

CITY OF HOWARD LAKE, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2021

NOTE 11 – DEFINED BENEFIT PENSION PLANS (Continued)

Actuarial Methods and Assumptions (Continued)

Police and Fire Fund (Continued)

Changes in Actuarial Assumptions (Continued):

- Assumed rates of withdrawal were changed from select and ultimate rates to service-based rates. The changes result in more assumed terminations.
- Assumed rates of disability were increased for ages 25-44 and decreased for ages over 49. Overall, proposed rates result in more projected disabilities.
- Assumed percent married for active female members was changed from 60% to 70%. Minor changes to form of payment assumptions were applied.

Changes in Plan Provisions:

- There have been no changes since the prior valuation.

Discount Rate

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

Pension Liability Sensitivity

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

Sensitivity Analysis				
Net Pension Liability (Asset) at Different Discount Rates				
	General Employees Fund		Police and Fire Fund	
1% lower	5.50%	\$ 644,506	5.50%	\$ 470,522
Current discount rate	6.50%	316,013	6.50%	148,204
1% higher	7.50%	46,465	7.50%	(116,017)

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 HOWARD LAKE, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2021

NOTE 12 – HOWARD LAKE FIRE RELIEF ASSOCIATION – SUPPLEMENTAL PENSION PLAN

Plan Description

Firefighters of the City are members of the Association. The Association is the administrator of a single-employer defined benefit pension plan available to firefighters. The plan is administered by the Association pursuant to Minnesota Statutes Chapter 69, Chapter 424A and the Association's bylaws. As of December 31, 2021, the plan covered 25 active firefighters and 7 vested terminated firefighters whose pension benefits are deferred.

Benefits Provided

The plan provides a lump-sum retirement, death, and supplemental benefits to covered firefighters and survivors. Benefits are paid based on the number of years of service multiplied by a benefit level per year of service approved by the City. The plan includes a \$1,800 service pension benefit for each year of service plus a supplemental benefit of 10% of the regular lump sum distribution, but not more than \$1,000. Members are eligible for a lump-sum retirement benefit at 50 years of age with ten years of service. Plan provisions include a pro-rated vesting schedule that will be reduced by 4% for each year of service less than 20 years.

Contributions

The plan is funded by fire state aid, investment earnings and, if necessary, employer contributions as specified in Minnesota Statutes, and voluntary City contributions. As of December 31, 2021, the State of Minnesota contributed \$27,924 in fire state aid to the plan on behalf of the fire department. Required employer contributions are calculated annually based on statutory provisions.

CITY OF HOWARD LAKE, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2021

NOTE 12 – HOWARD LAKE FIRE RELIEF ASSOCIATION – SUPPLEMENTAL PENSION PLAN (Continued)

Pension Costs

The City reported a net pension liability (asset) of (\$213,950). The City's net pension liability (asset) was measured as of December 31, 2020, and the total pension liability used to calculate the net pension liability (asset) in accordance with GASB 68 was determined by an independent actuary applying an actuarial formula to specific census data certified by the fire department. The following table presents the changes in net pension liability (asset) during the year:

	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (Asset) (a) - (b)
Balance at 1-1-2020	\$ 596,661	\$ 786,920	\$ (190,259)
Changes for the year:			
Service cost	18,011	-	18,011
Interest	31,274	-	31,274
Differences between expected and actual experience	31,726	-	31,726
Changes in assumptions	24,390	-	24,390
Contributions - State	-	54,691	(54,691)
Contributions - donations and other income	-	-	-
Net investment income	-	75,413	(75,413)
Benefit payments	(92,117)	(92,117)	-
Administrative expense	-	(1,012)	1,012
Net change	<u>13,284</u>	<u>36,975</u>	<u>(23,691)</u>
BALANCE AT 12-31-2020	<u>\$ 609,945</u>	<u>\$ 823,895</u>	<u>\$ (213,950)</u>

For the year ended December 31, 2021, the City recognized pension expense of \$5,419.

CITY OF HOWARD LAKE, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2021

NOTE 12 – HOWARD LAKE FIRE RELIEF ASSOCIATION – SUPPLEMENTAL PENSION PLAN (Contributions)

Pension Costs (Continued)

The City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual liability	\$ 44,094	\$ 11,861
Changes in actuarial assumptions	27,036	5,770
Net difference between projected and actual investment earnings	-	44,909
Contributions to the plan subsequent to measurement date	-	-
State aid received for the plan subsequent to measurement date	-	27,925
TOTAL	\$ 71,130	\$ 90,465

\$27,925 reported as deferred inflows of resources related to pensions resulting from state aid received for the plan subsequent to the measurement date will be recognized as an increase of the net pension liability (asset) in the year ended December 31, 2022. Other amounts reported as deferred outflows and inflows of resources related to pension plans will be recognized in pension expense as follows:

	Pension Expense Amount
Year Ended December 31:	
2022	\$ (5,138)
2023	3,311
2024	(11,053)
2025	1,221
2026	4,357
Thereafter	15,892
TOTAL	\$ 8,590

CITY OF HOWARD LAKE, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2021

NOTE 12 – HOWARD LAKE FIRE RELIEF ASSOCIATION – SUPPLEMENTAL PENSION PLAN (Contributions)

Actuarial Assumptions

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

Actuarial cost method	Entry-age normal
Amortization method	Straight-line
Remaining amortization period	5 years
Asset valuation method	Market value of assets
Inflation rate	2.25%
Investment rate of return	4.0%, net of administrative expenses

The actuarial assumptions used in the December 31, 2020 valuation were based on an actuarial valuation model with three components as outlined in Actuarial Standard of Practice No. 56 – Modeling (ASOP 56).

Discount Rate

The discount rate used to measure the total pension liability was 4.00%. The projection of cash flows used to determine the discount rate assumed that employee and employer contributions will be made at a rate specified in statute. Based on that assumption, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Pension Liability (Asset) Sensitivity

The following presents the net pension liability (asset) calculated using the discount rate as well as what the City's net pension liability (asset) would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage point higher than the current discount rate:

	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
1% decrease in discount rate (3.0%)	\$ 625,703	\$ 823,895	\$ (198,192)
Current discount rate (4.0%)	609,945	823,895	(213,950)
1% increase in discount rate (5.0%)	594,508	823,895	(229,387)

Plan Investments/Investment Policy

The City of Howard Lake Fire Relief Association does not have a formal investment policy.

CITY OF HOWARD LAKE, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2021

NOTE 12 – HOWARD LAKE FIRE RELIEF ASSOCIATION – SUPPLEMENTAL PENSION PLAN (Contributions)

Asset Allocation

The long-term expected rate of return on pension plan investments as determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Allocation at Measurement Date	Long-Term Real Rate of Return	Long-Term Nominal Rate of Return
Domestic equity	30.82%	4.42%	6.67%
International equity	1.10%	4.91%	7.16%
Fixed income	42.33%	1.00%	3.25%
Real estate and alternatives	2.80%	3.98%	6.23%
Cash and equivalents	22.95%	-0.33%	1.92%
TOTAL	100.00%		4.47%
Reduced for assumed investment expense			(0.50%)
Net assumed investment return (weighted avg, rounded to 1/4%)			4.00%

The 4.0% long-term expected real rate of return on assets has been set based on the plan's target investment allocation along with long-term return expectations by asset class. When there is sufficient historical evidence of market outperformance, historical average returns may be considered.

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in a separately issued financial report.

CITY OF HOWARD LAKE, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2021

NOTE 13 – OTHER POST-EMPLOYMENT BENEFITS (OPEB) PLAN

The City adopted Governmental Accounting Standards Board (GASB) Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions. This implementation allows the City to report its total OPEB liability, deferred inflows of resources, deferred outflows of resources, and OPEB expense and to reflect an actuarially determined liability for the present value of projected future benefits for retired and active employees less the OPEB plan's fiduciary net position on the financial statements.

Plan Description

The City operates a single-employer retiree benefit plan (the Plan) that provides health, dental, and life insurance to eligible employees and their spouses through the District's commercial insurance plans. There are 10 active participants and 0 retired participants. The Plan does not issue a publicly available financial report. No assets are accumulated in a trust that meets all of the criteria in GASB Statement No. 75, paragraph 4.

Total OPEB Liability

The City's total OPEB liability of \$28,435 was measured as of December 31, 2020, and was determined by an actuarial valuation as of that date.

Changes in Total OPEB Liability

Changes in the total OPEB liability were as follows:

	Total OPEB Liability
Balance at 1-1-2021	\$ 23,696
Changes for the year:	
Service cost	2,094
Interest	709
Differences between expected and actual experience	-
Changes of assumptions or other inputs	1,936
Net changes	<u>4,739</u>
BALANCE AT 12-31-2021	<u>\$ 28,435</u>

Retiree premiums were updated to current levels in 2018.

Changes of assumptions and other inputs reflect a change in the discount rate from 2.75% in 2020 to 2.00% in 2021.

CITY OF HOWARD LAKE, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2021

NOTE 13 – OTHER POST-EMPLOYMENT BENEFITS (OPEB) PLAN (Continued)

Changes in Total OPEB Liability (Continued)

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

	1.0% Decrease in Discount Rate (1.00%)	Discount Rate (2.00%)	1.0% Increase in Discount Rate (3.00%)
Total OPEB Liability	\$ 31,154	\$ 28,435	\$ 25,876

	1.0% Decrease (5.70%)	Healthcare Cost Trend Rates (6.70%)	1.0% Increase (7.70%)
Total OPEB Liability	\$ 24,339	\$ 28,435	\$ 33,279

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

For the year ended December 31, 2021, the City recognized the OPEB expense of \$4,739. At December 31, 2021, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
CONTRIBUTIONS PAID SUBSEQUENT TO MEASUREMENT DATE	\$ 127,682	\$ -

\$127,682 reported as deferred outflows of resources related to OPEB resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the total OPEB liability in the year ended December 31, 2022.

CITY OF HOWARD LAKE, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2021

NOTE 13 – OTHER POST-EMPLOYMENT BENEFITS (OPEB) PLAN (Continued)

Actuarial Methods and Assumptions

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

Discount rate	2.00%
Inflation rate	2.25%
Mortality	
General employees	Pub-2010 general mortality tables with projected mortality improvements based on scale MP-2019, and other adjustments.
Police and fire	RP-2014 mortality tables with projected mortality improvements based on scale MP-2019, and other adjustments.
Healthcare cost trend rate	6.7% for fiscal year 2020, gradually decreasing over several decades to an ultimate rate of 3.8% in fiscal year 2075 and later years.

A discount rate of 2.00% was applied in the measurement date of the total OPEB liability. The discount rate is based on the index rate for 20-year, tax-exempt general obligation municipal bonds with an average rating of AA or higher.

Since the last valuation, the following changes have been made:

Changes in assumptions

- The discount rate was changed from 2.75% to 2.00% based on updated 20-year municipal bond rates.

CITY OF HOWARD LAKE, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2021

NOTE 14 – TAX ABATEMENT

The City is authorized by Minnesota Statute 469.174 through 469.179 to enter into tax increment financing plans. Tax increment financing may be granted on case-by-case basis and may be subject to certain stipulations determined by the City at the time it entered.

Business	Purpose	Percent Abated	Current Year Amount Abated
Foresman Farms	Pay-As-You-Go TIF Note	93%	\$ 251,704
The Lodge of Howard Lake	TIF Bond	95%	23,182
City of Howard Lake	Industrial Park Improvments	93%	-
City of Howard Lake and Joey & Karen Drusch	Pay-As-You-Go TIF Note & TIF Bonds	96%	32,351

NOTE 15 – RISK MANAGEMENT

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; business interruption; errors and omissions; job-related illnesses or injuries to employees and natural disasters. The City has entered into a joint powers agreement with the League of Minnesota Cities Insurance Trust (LMCIT). LMCIT is a public entity risk pool currently operating as a common risk management and insurance program for Minnesota cities. The City also carries commercial insurance for certain other risks of loss, including employee health insurance.

The agreement for formation of LMCIT provides that the pool be self-sustaining through member assessments and will reinsure through commercial companies for claims in excess of reserved amounts for each insured event. LMCIT can make additional assessments to make the pool self-sustaining. The City has determined that it is not possible to estimate the amount of such additional assessments; however, they are not expected to be material to the financial statements. There were no significant reductions in insurance coverage from the previous year or settlements in excess of insurance coverage for any of the past three fiscal years.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF HOWARD LAKE, MINNESOTA
SCHEDULE OF CONTRIBUTIONS
(Last Ten Years*)

Fiscal Year Ending	Statutorily Required Contribution (a)	Contributions in Relation to the Statutorily Required Contribution (b)	Contribution Deficiency (Excess) (a-b)	Covered- Employee Payroll (d)	Contributions as a Percentage of Covered- Employee Payroll (b/d)
Public Employees General Employees Fund					
December 31, 2021	\$ 37,859	\$ 37,859	\$ -	\$ 504,787	7.50%
December 31, 2020	37,584	37,584	-	501,114	7.50%
December 31, 2019	37,106	37,106	-	494,743	7.50%
December 31, 2018	34,561	34,561	-	460,808	7.50%
December 31, 2017	31,066	31,066	-	414,006	7.50%
December 31, 2016	29,568	29,568	-	394,240	7.50%
December 31, 2015	29,553	29,553	-	393,781	7.50%
Public Employees Police and Fire Fund					
December 31, 2021	\$ 40,978	\$ 40,978	\$ -	\$ 231,514	17.70%
December 31, 2020	41,387	41,387	-	233,825	17.70%
December 31, 2019	40,881	40,881	-	241,186	16.95%
December 31, 2018	34,449	34,449	-	212,648	16.20%
December 31, 2017	32,637	32,637	-	201,463	16.20%
December 31, 2016	33,091	33,091	-	204,265	16.20%
December 31, 2015	30,071	30,071	-	185,623	16.20%

* Schedule is provided prospectively until ten years of data is available.

CITY OF HOWARD LAKE, MINNESOTA
SCHEDULE OF PROPORTIONATE SHARE OF NET PENSION LIABILITY
(Last Ten Years*)

Fiscal Year Ending	Employer's Proportion (Percentage) of the Net Pension Liability (Asset)	Employer's Proportionate Share (Amount) of the Net Pension Liability (Asset) (a)	State's Proportionate Share (Amount) of the Net Pension Liability Associated with the City (b)	Employer's Proportionate Share of the Net Pension Liability Associated with the City (a+b)	Employer's Covered- Employee Payroll (c)	Employer's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered- Employee Payroll ((a+b)/c)	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
Public Employees General Employees Fund							
June 30, 2021	0.0074%	\$ 316,013	\$ 9,618	\$ 325,631	\$ 504,787	64.51%	84.00%
June 30, 2020	0.0071%	425,677	13,092	438,769	501,114	87.56%	79.06%
June 30, 2019	0.0068%	375,958	11,666	387,624	470,784	82.34%	80.23%
June 30, 2018	0.0068%	377,236	12,510	389,746	460,808	84.58%	79.53%
June 30, 2017	0.0058%	370,268	4,669	374,937	414,006	90.56%	75.90%
June 30, 2016	0.0064%	519,648	6,804	526,452	394,240	133.54%	68.91%
June 30, 2015	0.0069%	357,594	-	357,594	393,781	90.81%	78.19%
Public Employees Police and Fire Fund							
June 30, 2021	0.0192%	\$ 148,204	\$ 6,642	\$ 154,846	\$ 231,514	66.88%	93.66%
June 30, 2020	0.0207%	272,848	6,401	279,249	\$ 233,825	119.43%	87.19%
June 30, 2019	0.0222%	236,341	-	236,341	235,529	100.34%	89.26%
June 30, 2018	0.0194%	206,784	-	206,784	212,648	97.24%	88.84%
June 30, 2017	0.0200%	270,024	-	270,024	201,463	134.03%	85.43%
June 30, 2016	0.0220%	882,898	-	882,898	204,265	432.23%	63.88%
June 30, 2015	0.0210%	238,609	-	238,609	185,623	128.54%	86.61%

* Schedule is provided prospectively until ten years of data is available.

CITY OF HOWARD LAKE, MINNESOTA
SCHEDULE OF CHANGES IN THE CITY'S TOTAL OPEB LIABILITY
(Last Ten Years*)

	Measurement Date			
	2020	2019	2018	2017
Service cost	\$ 2,094	\$ 2,604	\$ 2,685	\$ 2,245
Interest	709	1,053	896	849
Differences between expected and actual experience	-	(7,444)	-	-
Changes in assumptions	1,936	1,708	(2,185)	1,255
NET CHANGE IN TOTAL OPEB LIABILITY	4,739	(2,079)	1,396	4,349
TOTAL OPEB LIABILITY, BEGINNING OF YEAR	23,696	25,775	24,379	20,030
TOTAL OPEB LIABILITY, END OF YEAR	<u><u>\$ 28,435</u></u>	<u><u>\$ 23,696</u></u>	<u><u>\$ 25,775</u></u>	<u><u>\$ 24,379</u></u>
COVERED EMPLOYEE PAYROLL	<u><u>\$ 915,985</u></u>	<u><u>\$ 904,993</u></u>	<u><u>\$ 633,849</u></u>	<u><u>\$ 538,920</u></u>
TOTAL OPEB LIABILITY AS A % OF COVERED EMPLOYEE PAYROLL	<u><u>3.1%</u></u>	<u><u>2.6%</u></u>	<u><u>4.1%</u></u>	<u><u>4.5%</u></u>

*Schedule is provided prospectively until ten years of data is available.

CITY OF HOWARD LAKE, MINNESOTA
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
GENERAL FUND
Year Ended December 31, 2021

	Budgeted Amounts			Variance Over
	Original	Final	Actual Amounts	(Under)
REVENUES				
Taxes				
Property taxes	\$ 1,167,257	\$ 1,167,257	\$ 1,027,396	\$ (139,861)
Tax increments	15,000	15,000	-	(15,000)
Franchise taxes	10,000	10,000	10,199	199
Total Taxes	1,192,257	1,192,257	1,037,595	(154,662)
Special assessments	15,000	15,000	941	(14,059)
Licenses and permits	57,730	57,730	49,468	(8,262)
Intergovernmental				
Federal grants	-	-	4,000	4,000
State				
Local government aid	612,000	612,000	611,865	(135)
Fire relief aid	23,500	23,500	2,000	(21,500)
Police aid	25,000	25,000	27,578	2,578
Other	16,500	16,500	60,347	43,847
Highway aid	-	-	4,899	4,899
Total Intergovernmental	677,000	677,000	710,689	33,689
Charges for Services				
General government fees	7,000	7,000	11,897	4,897
Fire services	80,000	80,000	91,976	11,976
Public safety	40,000	40,000	26,270	(13,730)
Recycling	25,000	25,000	32,493	7,493
Refuse services	95,000	95,000	112,255	17,255
Lease income	-	-	30,000	30,000
Assessment searches	2,000	2,000	3,000	1,000
Community center fees	1,000	1,000	870	(130)
Park fees	3,200	3,200	450	(2,750)
Total Charges for Services	253,200	253,200	309,211	56,011
Fines and Forfeitures	1,350	1,350	529	(821)
Investment Earnings	5,000	5,000	211,760	206,760
Contributions and Donations	24,000	24,000	1,000	(23,000)
Refunds and Reimbursements	10,000	10,000	-	(10,000)
Other	8,000	8,000	3,321	(4,679)
Total Revenues	2,243,537	2,243,537	2,324,514	80,977
EXPENDITURES				
Current				
General Government				
Mayor and council	31,066	31,066	33,829	2,764
Clerk/finance and administration	272,107	272,107	277,677	5,570
Professional fees	89,000	89,000	81,545	(7,455)
Government buildings	49,325	49,325	59,352	10,027
Planning and zoning	36,085	36,085	43,457	7,372
Other	112,250	112,250	165,649	53,399
Total General Government	589,833	589,833	661,509	71,677

CITY OF HOWARD LAKE, MINNESOTA
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
GENERAL FUND
Year Ended December 31, 2021

	Budgeted Amounts		Actual Amounts	Variance Over (Under)
	Original	Final		
Public Safety				
Police	\$ 422,354	\$ 422,354	\$ 432,239	\$ 9,885
Fire	128,150	128,150	96,036	(32,114)
Ambulance	20,000	20,000	169	(19,831)
Other public safety	250	250	688	438
Total Public Safety	570,754	570,754	529,132	(41,622)
Health	10,000	10,000	226	(9,774)
Public Works				
Street maintenance	217,776	217,776	384,916	167,140
Sanitation	127,500	127,500	147,718	20,218
Culture and Recreation				
Parks	49,885	49,885	31,867	(18,018)
Summer recreation	24,930	24,930	46,524	21,594
Community center	12,500	12,500	18,152	5,652
Total Culture and Recreation	87,315	87,315	96,543	9,228
Miscellaneous				
Cemetery	10,000	10,000	10,000	-
Other	22,900	22,900	(6,340)	(29,240)
Total Miscellaneous	32,900	32,900	3,660	(29,240)
Debt Service				
Principal	-	-	6,101	6,101
Interest	-	-	11,899	11,899
Total Debt Service	-	-	18,000	18,000
Capital Outlay				
Buildings	-	-	3,069	3,069
Public safety	69,500	69,500	238,393	168,893
Streets and highways	-	-	6,578	6,578
Culture and recreation	1,000	1,000	26,680	25,680
Total Capital Outlay	70,500	70,500	274,720	204,220
Total Expenditures	1,706,578	1,706,578	2,116,424	409,847
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	536,960	536,960	208,090	(328,870)
OTHER FINANCING SOURCES (USES)				
Sale of property	89,500	89,500	-	(89,500)
Insurance recovery	60,000	60,000	13,443	(46,557)
Transfers in	24,000	24,000	147,045	123,045
Transfers out	(545,000)	(545,000)	(39,943)	505,057
Net Other Financing Sources (Uses)	(371,500)	(371,500)	120,545	492,045
NET CHANGE IN FUND BALANCES	165,460	165,460	328,635	163,176
FUND BALANCES – BEGINNING	2,935,401	2,935,401	2,935,401	-
FUND BALANCES – ENDING	<u>\$ 3,100,861</u>	<u>\$ 3,100,861</u>	<u>\$ 3,264,036</u>	<u>\$ 163,176</u>

CITY OF HOWARD LAKE, MINNESOTA
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
December 31, 2021

NOTE 1 – BUDGETARY INFORMATION

Budgetary Data

The City Council adopts annual budgets for its General Fund. The budget is adopted in accordance with state statutes. The budgetary data presented in the schedule of revenues, expenditures, and changes in fund balances – budget and actual includes the original approved budget and any subsequent revisions authorized by the City Council, the final approved budget. The City follows these procedures in establishing the budgetary data:

1. Budget requests are submitted by all department heads to the City Administrator. The City Administrator compiles the budget requests into an overall preliminary City budget. The City Administrator presents the proposed budget to the City Council.
2. Public hearings are conducted to obtain taxpayer comments.
3. The budget is legally enacted through passage of a resolution after obtaining taxpayer comments. The budget resolution adopted by the City Council sets forth the budgets at the function level for the General and Special Revenue Funds.
4. Budgets for the General and Special Revenue Funds are adopted on a basis consisted with accounting principles generally accepted in the United States of America.
5. Expenditures may not legally exceed budgeted appropriations at the department level. No fund's budget can be increased without City Council approval. The City Council may authorize transfer of budgeted amounts between departments within any fund. Management may amend budgets within a department level, so long as the department budget is not changed.
6. Annual appropriated budgets are adopted during the year for the General and Special Revenue Funds. Annual appropriated budgets are not adopted for the Debt Service Funds because effective budgetary control is alternatively achieved through bond indenture provisions. Budgetary control for Capital Project Funds is accomplished through the use of project controls and formal appropriated budgets are not adopted.
7. Budgeted amounts are as originally adopted or as amended by the City Council. Individual amendments were not material in relation to the original amounts budgeted. Budgeted expenditure appropriations lapse at year-end.

Encumbrances outstanding at year-end expire and outstanding purchase orders are canceled and are not reported in the financial statements.

Compliance

The General Fund disbursements exceeded budgeted appropriations by \$409,847 for the year ended December 31, 2021. The overage, considered by management to be a result of necessary disbursements critical to operations, was approved by the City Council.

CITY OF HOWARD LAKE, MINNESOTA
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
December 31, 2021

NOTE 2 – SCHEDULE OF CHANGES IN NET PENSION LIABILITIES AND RELATED RATIOS

General Employees Fund

2021 Changes

Changes in Actuarial Assumptions:

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

Changes in Plan Provisions:

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

2020 Changes

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.

CITY OF HOWARD LAKE, MINNESOTA
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
December 31, 2021

NOTE 2 – SCHEDULE OF CHANGES IN NET PENSION LIABILITIES AND RELATED RATIOS (Continued)

General Employees Fund (Continued)

2020 Changes (Continued)

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.

2019 Changes

Changes in Actuarial Assumptions

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

Changes in Plan Provisions

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

2018 Changes

Changes in Actuarial Assumptions:

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

Changes in Plan Provisions

- The augmentation adjustment in early retirement factors is eliminated over a five-year period starting July 1, 2019, resulting in actuarial equivalence after June 30, 2024.
- Interest credited on member contributions decreased from 4% to 3%, beginning July 1, 2018.
- Deferred augmentation was changed to 0%, 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% per year with a provision to increase to 2.5% upon attainment of 90% funding ratio to 50% of the Social Security Cost of Living Adjustment, not less than 1% and not more than 1.50%, beginning January 1, 2019.
- For retirements on or after January 1, 2024, the first benefit increase is delayed until the retiree reaches normal retirement age; does not apply to Rule of 90 retirees, disability benefit recipients, or survivors.
- Actuarial equivalent factors were updated to reflect revised mortality and interest assumptions.

CITY OF HOWARD LAKE, MINNESOTA
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
December 31, 2021

NOTE 2 – SCHEDULE OF CHANGES IN NET PENSION LIABILITIES AND RELATED RATIOS (Continued)

General Employees Fund (Continued)

2017 Changes

Changes in Actuarial Assumptions:

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

Changes in Plan Provisions

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

2016 Changes

Changes in Actuarial Assumptions:

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

Changes in Plan Provisions

- There have been no changes since the prior valuation.

2015 Changes

Changes in Plan Provisions:

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

CITY OF HOWARD LAKE, MINNESOTA
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
December 31, 2021

NOTE 2 – SCHEDULE OF CHANGES IN NET PENSION LIABILITIES AND RELATED RATIOS (Continued)

General Employees Fund (Continued)

2015 Changes (Continued)

Changes in Actuarial Assumptions:

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

Police and Fire Fund

2021 Changes

Changes in Actuarial Assumptions:

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

Changes in Plan Provisions:

- There have been no changes since the prior valuation.

2020 Changes

Changes in Actuarial Assumptions

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

CITY OF HOWARD LAKE, MINNESOTA
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
December 31, 2021

NOTE 2 – SCHEDULE OF CHANGES IN NET PENSION LIABILITIES AND RELATED RATIOS (Continued)

Police and Fire Fund

2020 Changes (Continued)

Changes in Plan Provisions

- There have been no changes since the prior valuation.

2019 Changes

Changes in Actuarial Assumptions

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

Changes in Plan Provisions

- There have been no changes since the prior valuation.

2018 Changes

Changes in Actuarial Assumptions:

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

Changes in Plan Provisions

- Postretirement benefit increases were changed to 1% for all years, with no trigger.
- An end date of July 1, 2048 was added to the existing \$9.0 million state contribution.
- New annual state aid will equal \$4.5 million in fiscal years 2019 and 2020, and \$9 million thereafter until the plan reaches 100% funding, or July 1, 2048, if earlier.
- Member contributions were changed from 10.8% to 11.3% of pay, effective January 1, 2019 and 11.8% of pay, effective January 1, 2020.
- Employer contributions were changed from 16.2% to 16.95% of pay, effective January 1, 2019 and 17.7% of pay, effective January 1, 2020.
- Interest credited on member contributions decreased from 4% to 3%, beginning July 1, 2018.
- Deferred augmentation was changed to 0%, effective January 1, 2019. Augmentation that has already accrued for deferred members will still apply.
- Actuarial equivalent factors were updated to reflect revised mortality and interest assumptions.

CITY OF HOWARD LAKE, MINNESOTA
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
December 31, 2021

NOTE 2 – SCHEDULE OF CHANGES IN NET PENSION LIABILITIES AND RELATED RATIOS (Continued)

Police and Fire Fund (Continued)

2017 Changes

Changes in Actuarial Assumptions:

- Assumed salary increases were changed as recommended in the June 30, 2016 experience study. The net effect is proposed rates that average 0.34% lower than the previous rates.
- Assumed rates of retirement were changed, resulting in fewer retirements.
- The Combined Service Annuity (CSA) load was 30% for vested and non-vested deferred members. The CSA has been changed to 33% for vested members and 2% for non-vested members.
- The base mortality table for healthy annuitants was changed from the RP-2000 fully generational table to the RP-2014 fully generational table (with a base year of 2006), with male rates adjusted by a factor of 0.96. The mortality improvement scale was changed from Scale AA to Scale MP-2016. The base mortality table for disabled annuitants was changed from the RP-2000 disabled mortality table to the mortality tables assumed for healthy retirees.
- Assumed termination rates were decreased to 3.0% for the first three years of service. Rates beyond the select period of three years were adjusted, resulting in more expected terminations overall.
- Assumed percentage of married female members was decreased from 65% to 60%.
- Assumed age difference was changed from separate assumptions for male members (wives assumed to be three years younger) and female members (husbands assumed to be four years older) to the assumption that males are two years older than females.
- The assumed percentage of female members electing joint and survivor annuities was increased.
- The assumed post-retirement benefit increase rate was changed from 1.0% for all years to 1.0% per year through 2064 and 2.5% thereafter.
- The single discount rate was changed from 5.6% per annum to 7.5% per annum.

Changes in Plan Provisions

- There have been no changes since the prior valuation.

2016 Changes

Changes in Actuarial Assumptions:

- The assumed post-retirement benefit increase rate was changed from 1.0% per year through 2037 and 2.5% thereafter to 1.0% per year for all future years.
- The assumed investment return was changed from 7.9% to 7.5%.
- The single discount rate changed from 7.9% to 5.6%.
- The assumed future salary increases, payroll growth, and inflation were decreased by 0.25% to 3.25% for payroll growth and 2.50% for inflation.

CITY OF HOWARD LAKE, MINNESOTA
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
December 31, 2021

NOTE 2 – SCHEDULE OF CHANGES IN NET PENSION LIABILITIES AND RELATED RATIOS (Continued)

Police and Fire Fund (Continued)

2016 Changes (Continued)

Changes in Plan Provisions

- There have been no changes since the prior valuation.

2015 Changes

Changes in Plan Provisions:

- The post-retirement benefit increase to be paid after attainment of the 90% funding threshold was changed, from inflation up to 2.5%, to a fixed rate of 2.5%.

Changes in Actuarial Assumptions:

- The assumed post-retirement benefit increase rate was changed from 1.0% per year through 2030 and 2.5% per year thereafter to 1.0% per year through 2037 and 2.5% per year thereafter.

NOTE 3 – SCHEDULE OF CHANGES IN TOTAL OPEB LIABILITY

2021 Changes

Changes in assumptions

- The discount rate was changed from 2.75% to 2.00% based on updated 20-year municipal bond rates.

2020 Changes

Changes in assumptions

- The discount rate was changed from 3.71% to 2.75% based on updated 20-year municipal bond rates.
- Healthcare trend rates were reset to reflect updated cost increase expectations.
- Medical per capita claims costs were updated to reflect recent experience.
- Withdrawal, mortality and salary increase rates were updated from the rates used in the 7-1-2017 PERA General Employees Plan and 7-1-2017 Police and Fire Plan valuations to the rates used in the 7-1-2020 valuations.
- The inflation assumption was changed from 2.75% to 2.25% based on an updated historical analysis of inflation rates and forward-looking market expectations.

SUPPLEMENTARY INFORMATION

CITY OF HOWARD LAKE, MINNESOTA
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
December 31, 2021

	Special Revenue Funds	Debt Service Funds	Capital Projects Funds	Total
ASSETS				
Cash and investments	\$ 546,656	\$ -	\$ 515,907	\$ 1,062,563
Accounts receivable	18,681	-	-	18,681
Taxes receivable – delinquent	-	979	-	979
Due from other governmental units	44,599	1,285	-	45,884
Loans receivable	32,043	-	-	32,043
Due from other funds	-	-	1,700	1,700
Advance to other funds	157,269	-	-	157,269
TOTAL ASSETS	<u>\$ 799,248</u>	<u>\$ 2,264</u>	<u>\$ 517,607</u>	<u>\$ 1,319,119</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES				
Liabilities				
Accounts payable	\$ -	\$ -	\$ 16,270	\$ 16,270
Due to other funds	505,530	826,575	1,868,286	3,200,391
Total Liabilities	505,530	826,575	1,884,556	3,216,661
Deferred Inflows of Resources				
Unavailable revenue - taxes	-	979	-	979
Fund Balances				
Restricted	500,961	-	-	500,961
Unrestricted				
Assigned	247,412	-	517,607	765,019
Unassigned	(454,655)	(825,290)	(1,884,556)	(3,164,501)
Total Fund Balances	293,718	(825,290)	(1,366,949)	(1,898,521)
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	<u>\$ 799,248</u>	<u>\$ 2,264</u>	<u>\$ 517,607</u>	<u>\$ 1,319,119</u>

CITY OF HOWARD LAKE, MINNESOTA
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
Year Ended December 31, 2021

	Special Revenue Funds	Debt Service Funds	Capital Project Funds	Total
REVENUES				
Taxes				
Property taxes	\$ -	\$ 106,594	\$ -	\$ 106,594
Tax increments	364,844	-	-	364,844
Intergovernmental	129,882	-	-	129,882
Charges for services	143,832	-	-	143,832
Net investment earnings	1,091	-	153	1,244
Contributions and donations	-	-	55,000	55,000
Other	-	-	1,000	1,000
Total Revenues	<u>639,649</u>	<u>106,594</u>	<u>56,153</u>	<u>802,396</u>
EXPENDITURES				
Current				
Public safety	129,140	-	-	129,140
Housing and economic development	274,886	-	-	274,886
Other	10,450	-	-	10,450
Debt service				
Principal	-	530,000	-	530,000
Interest	-	84,932	-	84,932
Capital outlay	35,256	-	701,660	736,916
Total Expenditures	<u>449,732</u>	<u>614,932</u>	<u>701,660</u>	<u>1,766,324</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	189,917	(508,338)	(645,507)	(963,928)
OTHER FINANCING SOURCES (USES)				
Transfers in	-	46,000	60,943	106,943
Transfers out	(56,549)	-	(101,496)	(158,045)
Net Other Financing Sources (Uses)	<u>(56,549)</u>	<u>46,000</u>	<u>(40,553)</u>	<u>(51,102)</u>
NET CHANGE IN FUND BALANCES	133,368	(462,338)	(686,060)	(1,015,030)
FUND BALANCES – BEGINNING	<u>160,350</u>	<u>(362,952)</u>	<u>(680,889)</u>	<u>(883,491)</u>
FUND BALANCES – ENDING	<u><u>\$ 293,718</u></u>	<u><u>\$ (825,290)</u></u>	<u><u>\$ (1,366,949)</u></u>	<u><u>\$ (1,898,521)</u></u>

CITY OF HOWARD LAKE, MINNESOTA
COMBINING BALANCE SHEET
NONMAJOR SPECIAL REVENUE FUNDS
December 31, 2021

	Voyager Revolving Loan	Ambulance Service	Small Cities Development Program	TIF #15 Jones	Thriving Communities Partnership	TIF #16 SR Assisted
ASSETS						
Cash and investments	\$ 72,459	\$ 235,007	\$ -	\$ 186	\$ -	\$ -
Accounts receivable	-	18,681	-	-	-	-
Due from other governmental units	-	-	-	-	-	-
Loans receivable	32,043	-	-	-	-	-
Advance to other funds	157,269	-	-	-	-	-
TOTAL ASSETS	\$ 261,771	\$ 253,688	\$ -	\$ 186	\$ -	\$ -
LIABILITIES AND FUND BALANCES						
Liabilities						
Due to other funds	\$ -	\$ 6,276	\$ 15,195	\$ -	\$ 624	\$ 732
Fund Balances						
Restricted	261,771	-	-	186	-	-
Unrestricted						
Assigned	-	247,412	-	-	-	-
Unassigned	-	-	(15,195)	-	(624)	(732)
Total Fund Balances	261,771	247,412	(15,195)	186	(624)	(732)
TOTAL LIABILITIES AND FUND BALANCES	\$ 261,771	\$ 253,688	\$ -	\$ 186	\$ -	\$ -

CITY OF HOWARD LAKE, MINNESOTA
COMBINING BALANCE SHEET
NONMAJOR SPECIAL REVENUE FUNDS
December 31, 2021

	TIF #17 Emarcor	TIF #18 Forsman Farms	TIF #19 Munson Lakes	Coronavirus Relief Aid	TIF #3 Keleher Project	TIF #21 Terning Trails 2	Total
ASSETS							
Cash and investments	\$ 14,614	\$ 56,843	\$ -	\$ 167,547	\$ -	\$ -	\$ 546,656
Accounts receivable	-	-	-	-	-	-	18,681
Due from other governmental units	-	-	44,599	-	-	-	44,599
Loans receivable	-	-	-	-	-	-	32,043
Advance to other funds	-	-	-	-	-	-	157,269
TOTAL ASSETS	\$ 14,614	\$ 56,843	\$ 44,599	\$ 167,547	\$ -	\$ -	\$ 799,248
LIABILITIES AND FUND BALANCES							
Liabilities							
Due to other funds	\$ -	\$ -	\$ 467,753	\$ -	\$ 5,750	\$ 9,200	\$ 505,530
Fund Balances							
Restricted	14,614	56,843	-	167,547	-	-	500,961
Unrestricted							
Assigned	-	-	-	-	-	-	247,412
Unassigned	-	-	(423,154)	-	(5,750)	(9,200)	(454,655)
Total Fund Balances	14,614	56,843	(423,154)	167,547	(5,750)	(9,200)	293,718
TOTAL LIABILITIES AND FUND BALANCES	\$ 14,614	\$ 56,843	\$ 44,599	\$ 167,547	\$ -	\$ -	\$ 799,248

CITY OF HOWARD LAKE, MINNESOTA
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
NONMAJOR SPECIAL REVENUE FUNDS
Year Ended December 31, 2021

	Voyager Revolving Loan	Ambulance Service	Small Cities Development Program	TIF #15 Jones	Thriving Communities Partnership	TIF #16 SR Assisted
REVENUES						
Taxes						
Tax increments	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 24,402
Intergovernmental	-	13,169	-	-	-	-
Charges for services	-	143,832	-	-	-	-
Net investment earnings	388	703	-	-	-	-
Total Revenues	388	157,704	-	-	-	24,402
EXPENDITURES						
Current						
Public safety	-	129,140	-	-	-	-
Economic development	-	-	-	-	-	23,182
Other	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	-
Total Expenditures	-	129,140	-	-	-	23,182
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	388	28,564	-	-	-	1,220
OTHER FINANCING SOURCES (USES)						
Transfers out	-	-	-	-	-	-
NET CHANGE IN FUND BALANCES	388	28,564	-	-	-	1,220
FUND BALANCES – BEGINNING	261,383	218,848	(15,195)	186	(624)	(1,952)
FUND BALANCES – ENDING	<u>\$ 261,771</u>	<u>\$ 247,412</u>	<u>\$ (15,195)</u>	<u>\$ 186</u>	<u>\$ (624)</u>	<u>\$ (732)</u>

CITY OF HOWARD LAKE, MINNESOTA
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
NONMAJOR SPECIAL REVENUE FUNDS
Year Ended December 31, 2021

	TIF #17 Emarcor	TIF #18 Forsman Farms	TIF #19 Munson Lakes	Coronavirus Relief Aid	TIF #3 Keleher Project	TIF #21 Terning Trails 2	Total
REVENUES							
Taxes							
Tax increments	\$ 19,388	\$ 298,304	\$ 22,750	\$ -	\$ -	\$ -	\$ 364,844
Intergovernmental	-	-	-	116,713	-	-	129,882
Charges for services	-	-	-	-	-	-	143,832
Net investment earnings	-	-	-	-	-	-	1,091
Total Revenues	19,388	298,304	22,750	116,713	-	-	639,649
EXPENDITURES							
Current							
Public safety	-	-	-	-	-	-	129,140
Economic development	-	251,704	-	-	-	-	274,886
Other	-	-	-	-	1,250	9,200	10,450
Capital outlay	-	-	-	35,256	-	-	35,256
Total Expenditures	-	251,704	-	35,256	1,250	9,200	449,732
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	19,388	46,600	22,750	81,457	(1,250)	(9,200)	189,917
OTHER FINANCING SOURCES (USES)							
Transfers out	(18,000)	(17,549)	(21,000)	-	-	-	(56,549)
NET CHANGE IN FUND BALANCES	1,388	29,051	1,750	81,457	(1,250)	(9,200)	133,368
FUND BALANCES – BEGINNING	13,226	27,792	(424,904)	86,090	(4,500)	-	160,350
FUND BALANCES – ENDING	<u>\$ 14,614</u>	<u>\$ 56,843</u>	<u>\$ (423,154)</u>	<u>\$ 167,547</u>	<u>\$ (5,750)</u>	<u>\$ (9,200)</u>	<u>\$ 293,718</u>

CITY OF HOWARD LAKE, MINNESOTA
COMBINING BALANCE SHEET
NONMAJOR DEBT SERVICE FUNDS
December 31, 2021

	G.O. Storm Sewer Revenue Bonds, Series 2011A	G.O. Refunding Bonds, Series 2014A	G.O. Tax Abatement Bonds, Series 2018A	G.O. Tax Increment Bonds, Series 2019A	Total
ASSETS					
Cash and investments	\$ -	\$ -	\$ -	\$ -	\$ -
Taxes receivable – delinquent	-	979	-	-	979
Due from other governmental units	-	424	861	-	1,285
TOTAL ASSETS	\$ -	\$ 1,403	\$ 861	\$ -	\$ 2,264
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES					
Liabilities					
Due to other funds	\$ 145,485	\$ 617,364	\$ 15,711	\$ 48,015	\$ 826,575
Deferred Inflows of Resources					
Unavailable revenue - taxes	-	979	-	-	979
Fund Balances					
Unrestricted					
Unassigned	(145,485)	(616,940)	(14,850)	(48,015)	(825,290)
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	\$ -	\$ 1,403	\$ 861	\$ -	\$ 2,264

CITY OF HOWARD LAKE, MINNESOTA
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
NONMAJOR DEBT SERVICE FUNDS
Year Ended December 31, 2021

	G.O. Storm Sewer Revenue Bonds, Series 2011A	G.O. Refunding Bonds, Series 2014A	G.O. Tax Abatement Bonds, Series 2018A	G.O. Tax Increment Bonds, Series 2019A	Total
REVENUES					
Taxes					
Property taxes	\$ -	\$ 34,618	\$ 71,883	\$ 93	\$ 106,594
EXPENDITURES					
Debt service					
Principal	45,000	440,000	35,000	10,000	530,000
Interest	6,890	25,630	33,962	18,450	84,932
Total Expenditures	<u>51,890</u>	<u>465,630</u>	<u>68,962</u>	<u>28,450</u>	<u>614,932</u>
DEFICIENCY OF REVENUES OVER EXPENDITURES	(51,890)	(431,012)	2,921	(28,357)	(508,338)
OTHER FINANCING SOURCES (USES)					
Transfers in	<u>-</u>	<u>46,000</u>	<u>-</u>	<u>-</u>	<u>46,000</u>
NET CHANGE IN FUND BALANCES	(51,890)	(385,012)	2,921	(28,357)	(462,338)
FUND BALANCES – BEGINNING	<u>(93,595)</u>	<u>(231,928)</u>	<u>(17,771)</u>	<u>(19,658)</u>	<u>(362,952)</u>
FUND BALANCES – ENDING	<u><u>\$ (145,485)</u></u>	<u><u>\$ (616,940)</u></u>	<u><u>\$ (14,850)</u></u>	<u><u>\$ (48,015)</u></u>	<u><u>\$ (825,290)</u></u>

CITY OF HOWARD LAKE, MINNESOTA
COMBINING BALANCE SHEET
NONMAJOR CAPITAL PROJECT FUNDS
December 31, 2021

	Fire Equipment	2018 Street Improvement	City Hall Project	Downtown Redevelopment Project	Downtown Enhancement Project	City Hall Restoration	Legion Parking Lot	Central Park
ASSETS								
Cash and investments	\$ 500,820	\$ -	\$ -	\$ -	\$ -	\$ 1,937	\$ -	\$ -
Due from other funds	1,700	-	-	-	-	-	-	-
TOTAL ASSETS	\$ 502,520	\$ -	\$ -	\$ -	\$ -	\$ 1,937	\$ -	\$ -
LIABILITIES AND FUND BALANCES								
Liabilities								
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,948
Due to other funds	-	460,843	121,637	82,029	11,816	-	218,784	568,138
Total Liabilities	-	460,843	121,637	82,029	11,816	-	218,784	570,086
Fund Balances								
Unrestricted								
Assigned	502,520	-	-	-	-	1,937	-	-
Unassigned	-	(460,843)	(121,637)	(82,029)	(11,816)	-	(218,784)	(570,086)
Total Fund Balances	502,520	(460,843)	(121,637)	(82,029)	(11,816)	1,937	(218,784)	(570,086)
TOTAL LIABILITIES AND FUND BALANCES	\$ 502,520	\$ -	\$ -	\$ -	\$ -	\$ 1,937	\$ -	\$ -

CITY OF HOWARD LAKE, MINNESOTA
COMBINING BALANCE SHEET
NONMAJOR CAPITAL PROJECT FUNDS
December 31, 2021

	Munson Lakes Nutrition Office	CSAH 7 Trail Improvement	Library Project	2021 Meter Project	Terning Trails 2	Water Treatment Facility	Wellhead Protection	Total
ASSETS								
Cash and investments	\$ 13,150	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 515,907
Due from other funds	-	-	-	-	-	-	-	1,700
TOTAL ASSETS	\$ 13,150	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 517,607
LIABILITIES AND FUND BALANCES								
Liabilities								
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ 3,363	\$ 10,959	\$ -	\$ 16,270
Due to other funds	-	59,684	63,176	269,765	5,923	3,158	3,333	1,868,286
Total Liabilities	-	59,684	63,176	269,765	9,286	14,117	3,333	1,884,556
Fund Balances								
Unrestricted								
Assigned	13,150	-	-	-	-	-	-	517,607
Unassigned	-	(59,684)	(63,176)	(269,765)	(9,286)	(14,117)	(3,333)	(1,884,556)
Total Fund Balances	13,150	(59,684)	(63,176)	(269,765)	(9,286)	(14,117)	(3,333)	(1,366,949)
TOTAL LIABILITIES AND FUND BALANCES	\$ 13,150	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 517,607

CITY OF HOWARD LAKE, MINNESOTA
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
NONMAJOR CAPITAL PROJECT FUNDS
Year Ended December 31, 2021

	Fire Equipment	2018 Street Improvement	City Hall Project	Downtown Redevelopment Project	Downtown Enhancement Project	City Hall Restoration	Legion Parking Lot	Central Park
REVENUES								
Net investment earnings	\$ 153	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Contributions and donations	55,000	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	1,000
Total Revenues	55,153	-	-	-	-	-	-	1,000
EXPENDITURES								
Capital outlay	-	-	24,041	10,000	-	-	-	248,258
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	55,153	-	(24,041)	(10,000)	-	-	-	(247,258)
OTHER FINANCING SOURCES (USES)								
Transfers in	39,943	-	-	-	-	-	-	-
Transfers out	(101,496)	-	-	-	-	-	-	-
Total Other Financing Sources (Uses)	(61,553)	-	-	-	-	-	-	-
NET CHANGE IN FUND BALANCES	(6,400)	-	(24,041)	(10,000)	-	-	-	(247,258)
FUND BALANCES – BEGINNING	508,920	(460,843)	(97,596)	(72,029)	(11,816)	1,937	(218,784)	(322,828)
FUND BALANCES – ENDING	<u>\$ 502,520</u>	<u>\$ (460,843)</u>	<u>\$ (121,637)</u>	<u>\$ (82,029)</u>	<u>\$ (11,816)</u>	<u>\$ 1,937</u>	<u>\$ (218,784)</u>	<u>\$ (570,086)</u>

CITY OF HOWARD LAKE, MINNESOTA
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
NONMAJOR CAPITAL PROJECT FUNDS
Year Ended December 31, 2021

	Munson Lakes Nutrition Office	CSAH 7 Trail Improvement	Library Project	2021 Meter Project	Terning Trails 2	Water Treatment Facility	Wellhead Protection	Total
REVENUES								
Net investment earnings	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 153
Contributions and donations	-	-	-	-	-	-	-	55,000
Other	-	-	-	-	-	-	-	1,000
Total Revenues	-	-	-	-	-	-	-	56,153
EXPENDITURES								
Capital outlay	-	59,684	63,176	269,765	9,286	14,117	3,333	701,660
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	-	(59,684)	(63,176)	(269,765)	(9,286)	(14,117)	(3,333)	(645,507)
OTHER FINANCING SOURCES (USES)								
Transfers in	21,000	-	-	-	-	-	-	60,943
Transfers out	-	-	-	-	-	-	-	(101,496)
Total Other Financing Sources (Uses)	21,000	-	-	-	-	-	-	(40,553)
NET CHANGE IN FUND BALANCES	21,000	(59,684)	(63,176)	(269,765)	(9,286)	(14,117)	(3,333)	(686,060)
FUND BALANCES – BEGINNING	(7,850)	-	-	-	-	-	-	(680,889)
FUND BALANCES – ENDING	<u>\$ 13,150</u>	<u>\$ (59,684)</u>	<u>\$ (63,176)</u>	<u>\$ (269,765)</u>	<u>\$ (9,286)</u>	<u>\$ (14,117)</u>	<u>\$ (3,333)</u>	<u>\$ (1,366,949)</u>

OTHER REPORTS

**INDEPENDENT AUDITOR’S REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

To the Honorable Mayor and Members of the City Council
City of Howard Lake, Minnesota

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Howard Lake, Minnesota as of and for the year ended December 31, 2021, and the related notes to the financial statements, which collectively comprise the City’s basic financial statements and have issued our report thereon dated August 3, 2022.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City’s internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City of Howard Lake’s internal control. Accordingly, we do not express an opinion on the effectiveness of the City of Howard Lake, Minnesota’s internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the City’s financial statements will not be prevented, or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies; therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We identified certain deficiencies in internal control, described in the accompanying schedule of current year findings and responses as items 2021-001, 2021-002, and 2021-003 that we consider to be significant deficiencies.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Minnesota Legal Compliance

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

The City's Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on the City of Howard Lake's response to the findings identified in our audit and described in the accompanying schedule of current year findings and responses. The City's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal controls and compliance. Accordingly, this communication is not suitable for any other purpose.



Fergus Falls, Minnesota
August 3, 2022

CITY OF HOWARD LAKE, MINNESOTA
SCHEDULE OF CURRENT YEAR FINDINGS AND RESPONSES
December 31, 2021

CURRENT YEAR FINDINGS

2021-001. Preparation of Financial Statements and Related Footnotes

Criteria: Internal controls over financial reporting include those related to the actual preparation and review of the audited financial statements. In order to prepare a complete set of financial statements in conformity with accounting principles generally accepted in the United States of America, the preparer must have the necessary expertise.

Condition: The City does not have an internal control system designed to provide for the preparation of the financial statements being audited. City personnel do prepare periodic financial statements and other financial information for internal use that meet the needs of management and council. However, the City does not have the internal resources to prepare full-disclosure financial statements required by accounting standards generally accepted in the United States of America for external reporting. As auditors, we were requested to draft the financial statements and accompanying disclosures.

Cause: The City does not have the resources to compile its own financial statements.

Effect: This control deficiency could result in a misstatement to the financial statements that would not be prevented or detected.

Recommendation: This control deficiency is not unusual in a small city. However, it is the responsibility of management and the Council to decide whether to accept the degree of risk associated with this condition based on the cost of correction and other considerations.

Management's Response and Actions Planned: The City's management is aware of this significant deficiency. Management reviews and approves the draft annual audited financial statements and distributes them to the users. For entities of this size, it generally is not practical to obtain the internal expertise needed to handle all aspects of the external financial reporting. Management recognizes this and feels it is effectively handling its reporting responsibilities with the procedures described above.

CITY OF HOWARD LAKE, MINNESOTA
SCHEDULE OF CURRENT YEAR FINDINGS AND RESPONSES
December 31, 2021

2021-002. Segregation of Duties

Criteria: Internal controls should be in place that provide reasonable assurance that proper segregation of duties is achieved.

Condition: The City has a limited number of office personnel and, accordingly, does not have adequate separation of duties in cash receipts, cash disbursements, accounts payable and purchasing, payroll and related liabilities, and general ledger maintenance and reconciliation. An effective internal control structure provides an adequate segregation of duties so that no one individual handles a transaction from its inception to its completion.

Cause: The City has a limited number of office personnel and inadequate internal controls.

Effect: The failure to properly segregate duties increases the risk that misstatements may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

Recommendation: While we recognize the City's office staff is not large enough to permit an adequate segregation of duties in all respects for an effective internal control structure, it is important that the City be aware of this condition and look for opportunities to improve segregation of duties or add mitigating controls to prevent material misstatement of the financial statements.

Management's Response and Actions Planned: The City's management is aware of this condition and believes that it is not economically feasible to attain the ideal segregation of duties. Management attempts to mitigate the associated risks by doing the following:

1. Identifying areas lacking segregation of duties and where there are higher risks of fraud occurring.
2. Implementing limited segregation to the extent possible to reduce risks without impairing efficiency.
3. Using the knowledge of management and the Council to review accounting records and reports.

CITY OF HOWARD LAKE, MINNESOTA
SCHEDULE OF CURRENT YEAR FINDINGS AND RESPONSES
December 31, 2021

2021-003. Audit Adjustments

Condition: The City prepares a cash basis general ledger and adjustments are necessary to convert the cash basis general ledger to the modified accrual basis for fund level governmental fund financial statements and to the accrual basis for proprietary funds' fund level financial statements and the government-wide financial statements.

Cause: The City does not have the resources to prepare all required modified accrual and accrual adjusting entries.

Effect: Audit adjustments were necessary to convert the cash basis records to the modified accrual basis for governmental funds and to the accrual basis for proprietary funds and the government-wide financial statements. All proposed audit adjustments were reviewed and approved by the designated City official and are reflected in the financial statements.

Recommendation: The City should review internal controls currently in place and improve internal controls over financial reporting which will prevent, or detect and correct misstatements to the financial statements.

Management's Response and Actions Planned: The City's management is aware of this significant deficiency. The City recognizes that the limited number of City personnel makes it difficult to make all necessary adjustments.

COMMUNICATION TO THOSE CHARGED WITH GOVERNANCE

August 3, 2022

To the Honorable Mayor and Members of the City Council
City of Howard Lake, Minnesota

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Howard Lake, Minnesota for the year ended December 31, 2021. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated September 20, 2021. Professional standards also require that we communicate to you the following information related to our audit.

SIGNIFICANT AUDIT MATTERS

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the City are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the year. We noted no transactions entered into by the City during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected.

The financial statement disclosures are neutral, consistent, and clear.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. The following material misstatements detected as a result of audit procedures were corrected by management: cash to accrual conversion adjustments.

Disagreements with Management

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated August 3, 2022.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the City's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the City's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Other Matters

We applied certain limited procedures to the required supplementary information, as listed in the table of contents, which are required supplementary information (RSI) that supplements the basic financial statements. Our procedures consisted of inquiries of management regarding 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 did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

We were engaged to report on the supplementary information, as listed in the table of contents, which accompany the financial statements but are not RSI. With respect to the supplementary information, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

Restriction on Use

This information is intended solely for the use of the City Council and management of the City and is not intended to be, and should not be, used by anyone other than these specified parties.

Very truly yours,

A handwritten signature in dark ink, appearing to read "Carlson AV LLP". The signature is written in a cursive, flowing style.

Fergus Falls, Minnesota



CITY OF HOWARD LAKE

Nick Haggenmiller, City Administrator

625 8TH Avenue - PO Box 736 - Howard Lake, MN 55349

Phone: 320-543-3670 | cityadmin@howard-lake.mn.us | www.howard-lake.mn.us

MANAGEMENT REPRESENTATION LETTER

August 3, 2022

CarlsonSV LLP

This representation letter is provided in connection with your audit of the financial statements of City of Howard Lake, which comprise the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information as of December 31, 2021, and the respective changes in financial position and, where applicable, cash flows for the year then ended, and the disclosures (collectively, the “financial statements”), for the purpose of expressing opinions as to whether the financial statements are presented fairly, in all material respects, in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP).

Certain representations in this letter are described as being limited to matters that are material. Items are considered material, regardless of size, if they involve an omission or misstatement of accounting information that, in light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would be changed or influenced by the omission or misstatement. An omission or misstatement that is monetarily small in amount could be considered material as a result of qualitative factors.

We confirm, to the best of our knowledge and belief, as of August 3, 2022, the following representations made to you during your audit.

Financial Statements

- 1) We have fulfilled our responsibilities, as set out in the terms of the audit engagement letter, including our responsibility for the preparation and fair presentation of the financial statements in accordance with U.S. GAAP and for preparation of the supplementary information in accordance with the applicable criteria.
- 2) The financial statements referred to above are fairly presented in conformity with U.S. GAAP and include all properly classified funds and other financial information of the primary government and all component units required by generally accepted accounting principles to be included in the financial reporting City.
- 3) We acknowledge our responsibility for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

- 4) We acknowledge our responsibility for the design, implementation, and maintenance of internal control to prevent and detect fraud.
- 5) Significant assumptions we used in making accounting estimates, including those measured at fair value, are reasonable.
- 6) Related party relationships and transactions, including revenues, expenditures/expenses, loans, transfers, leasing arrangements, and guarantees, and amounts receivable from or payable to related parties have been appropriately accounted for and disclosed in accordance with U.S. GAAP.
- 7) Adjustments or disclosures have been made for all events, including instances of noncompliance, subsequent to the date of the financial statements that would require adjustment to or disclosure in the financial statements.
- 8) The effects of all known actual or possible litigation, claims, and assessments have been accounted for and disclosed in accordance with U.S. GAAP.
- 9) Guarantees, whether written or oral, under which the City is contingently liable, if any, have been properly recorded or disclosed.

Information Provided

- 10) We have provided you with:
 - a) Access to all information, of which we are aware, that is relevant to the preparation and fair presentation of the financial statements, such as records (including information obtained from outside of the general and subsidiary ledgers), documentation, and other matters.
 - b) Additional information that you have requested from us for the purpose of the audit.
 - c) Unrestricted access to persons within the City from whom you determined it necessary to obtain audit evidence.
 - d) Minutes of the meetings of City Council or summaries of actions of recent meetings for which minutes have not yet been prepared.
- 11) All material transactions have been recorded in the accounting records and are reflected in the financial statements.
- 12) We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.
- 13) We have no knowledge of any fraud or suspected fraud that affects the City and involves—
 - a) Management,
 - b) Employees who have significant roles in internal control, or
 - c) Others where the fraud could have a material effect on the financial statements.
- 14) We have no knowledge of any allegations of fraud or suspected fraud affecting the City's financial statements communicated by employees, former employees, regulators, or others.

- 15) We have no knowledge of instances of noncompliance or suspected noncompliance with provisions of laws, regulations, contracts, or grant agreements, or abuse, whose effects should be considered when preparing financial statements.
- 16) We are not aware of any pending or threatened litigation, claims, or assessments or unasserted claims or assessments that are required to be accrued or disclosed in the financial statements, and we have not consulted a lawyer concerning litigation, claims, or assessments.
- 17) We have disclosed to you the names of the City's related parties and all the related party relationships and transactions, including any side agreements.

Government-specific

- 18) There have been no communications from regulatory agencies concerning noncompliance with, or deficiencies in, financial reporting practices.
- 19) We have a process to track the status of audit findings and recommendations.
- 20) We have identified to you any previous audits, attestation engagements, and other studies related to the audit objectives and whether related recommendations have been implemented.
- 21) We have identified to you any investigations or legal proceedings that have been initiated with respect to the period under audit.
- 22) We have provided our views on reported findings, conclusions, and recommendations, as well as our planned corrective actions, for the report.
- 23) The City has no plans or intentions that may materially affect the carrying value or classification of assets, deferred outflows of resources, liabilities, deferred inflows of resources, and fund balance or net position.
- 24) We are responsible for compliance with the laws, regulations, and provisions of contracts and grant agreements applicable to us, including tax or debt limits and debt contracts, and legal and contractual provisions for reporting specific activities in separate funds.
- 25) We have appropriately disclosed all information for conduit debt obligations in accordance with GASBS No. 91.
- 26) We have identified and disclosed to you all instances of identified and suspected fraud and noncompliance with provisions of laws, regulations, contracts, or grant agreements that we believe have a material effect on the financial statements.

- 27) There are no violations or possible violations of budget ordinances, laws and regulations (including those pertaining to adopting, approving, and amending budgets), provisions of contracts and grant agreements, tax or debt limits, and any related debt covenants whose effects should be considered for disclosure in the financial statements, or as a basis for recording a loss contingency, or for reporting on noncompliance.
- 28) As part of your audit, you assisted with preparation of the financial statements and disclosures. We acknowledge our responsibility as it relates to those nonaudit services, including that we assume all management responsibilities; oversee the services by designating an individual, preferably within senior management, who possesses suitable skill, knowledge, or experience; evaluate the adequacy and results of the services performed; and accept responsibility for the results of the services. We have reviewed, approved, and accepted responsibility for those financial statements and disclosures.
- 29) The City has satisfactory title to all owned assets, and there are no liens or encumbrances on such assets nor has any asset been pledged as collateral.
- 30) The City has complied with all aspects of contractual agreements that would have a material effect on the financial statements in the event of noncompliance.
- 31) The financial statements include all component units as well as joint ventures with an equity interest, and properly disclose all other joint ventures and other related organizations.
- 32) The financial statements properly classify all funds and activities in accordance with [GASB Statement No. 34](#).
- 33) All funds that meet the quantitative criteria in [GASBS Nos. 34](#) and [37](#) for presentation as major are identified and presented as such and all other funds that are presented as major are particularly important to financial statement users.
- 34) Components of net position (net investment in capital assets; restricted; and unrestricted) and classifications of fund balance (nonspendable, restricted, committed, assigned, and unassigned) are properly classified and, if applicable, approved.
- 35) Investments, derivative instruments, and land and other real estate held by endowments are properly valued.
- 36) Provisions for uncollectible receivables have been properly identified and recorded.
- 37) Expenses have been appropriately classified in or allocated to functions and programs in the statement of activities, and allocations have been made on a reasonable basis.
- 38) Revenues are appropriately classified in the statement of activities within program revenues, general revenues, contributions to term or permanent endowments, or contributions to permanent fund principal.
- 39) Interfund, internal, and intra-entity activity and balances have been appropriately classified and reported.

- 40) Deposits and investment securities and derivative instruments are properly classified as to risk and are properly disclosed.
- 41) Capital assets, including infrastructure and intangible assets, are properly capitalized, reported, and, if applicable, depreciated.
- 42) We have appropriately disclosed the City's policy regarding whether to first apply restricted or unrestricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position is available and have determined that net position is properly recognized under the policy.
- 43) We are following *GASB Statement No. 54, paragraph 18*, to determine the fund balance classifications for financial reporting purposes.
- 44) We acknowledge our responsibility for the required supplementary information (RSI). The RSI is measured and presented within prescribed guidelines and the methods of measurement and presentation have not changed from those used in the prior period. We have disclosed to you any significant assumptions and interpretations underlying the measurement and presentation of the RSI.
- 45) With respect to the combining statements and individual fund statements)
- a) We acknowledge our responsibility for presenting the supplementary information in accordance with accounting principles generally accepted in the United States of America, and we believe the supplementary information, including its form and content, is fairly presented in accordance with accounting principles generally accepted in the United States of America. The methods of measurement and presentation of the supplementary information have not changed from those used in the prior period, and we have disclosed to you any significant assumptions or interpretations underlying the measurement and presentation of the supplementary information.
- b) If the supplementary information is not presented with the audited financial statements, we will make the audited financial statements readily available to the intended users of the supplementary information no later than the date we issue the supplementary information and the auditor's report thereon.

Signature: _____

Title: _____



HOWARD LAKE CITY COUNCIL MEETING

August 15, 2022

AGENDA ITEM: Consider Change Order #2 to CSAH 7 Project

SECTION: New Business

FROM: Nick Haggemiller, City Administrator

BACKGROUND: The CSAH 7 Pavement Preservation and Trail project is nearly complete. Change Order #2 reflects modifications previously authorized by the administrator and completed in the field for the project.

Specifically,

1. After failing to identify a suitable location for the HLFDD dry hydrant to be installed, it was removed from the project.
2. Addresses utility breaks in the road section.
3. Modifications to quantities of various materials related to striping. City to stripe remaining trail section in Lions Parking Lot.

DECISION MAKING METRICS:

FINANCIAL: The change order recommends a decrease in overall contract amount of \$1,360.75 to \$757,373.90. The city has acted as financier for both county/city portion of the project within city limits. We anticipate about \$400,000 in reimbursement from Wright County and a DNR Trail Grant before closing out this project.

LEGAL: Change Orders must be approved by the council as it is a contract modification.

STRATEGIC PLAN:

Strategic Priority: Ensure a Safe, Healthy Community

- ➔ Establish safe trails and sidewalks

COUNCIL ACTION REQUESTED: Approve Change Order #2 to CSAH 7 Project

ATTACHMENTS:

1. Change Order #2 Information

CHANGE ORDER NO.: 02

Owner:	City of Howard Lake	Owner's Project No.:	
Engineer:	Bolton and Menk, Inc.	Engineer's Project No.:	W14.122467
Contractor:	Knife River Co.	Contractor's Project No.:	
Project:	CSAH 7 Reconstruction & Trail Project		
Contract Name:			
Date Issued:	08/05/2022	Effective Date of Change Order:	08/05/2022

The Contract is modified as follows upon execution of this Change Order:

Description:

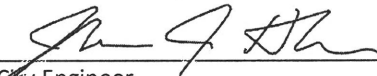
1. Change traffic paint for pavement markings from wet reflective to retro reflective. (-\$3951.25)
 - a. Item 50 – changed from \$0.85/LIN FT to \$0.50/LIN FT
 - b. Item 51 – changed from \$2.50/LIN FT to \$2.00/LIN FT
 - c. Item 52 – changed from \$0.55/LIN FT to \$0.40/LIN FT
 - d. Item 53 – changed from \$7.50/LIN FT to \$5.00/LIN FT
 - e. Item 54 – changed from \$4.50/SQ FT to \$3.00/SQ FT
 - f. Item 55 – changed from \$6.00/SQ FT to \$4.00/SQ FT
2. Install City supplied gate valve and any necessary fittings and accessories near hydrant located at Sta 126+00. (Lump Sum: \$940.50)
3. Remove previously approved dry hydrant installation from the project. (Lump Sum: -\$3850.00)
4. Install 1.5' hydrant extension to hydrant located at Sta 126+00 (Lump Sum: \$3300.00)
5. Install 1.0' hydrant extension to hydrant located at Sta 130+00 (Lump Sum: \$2200.00)
6. Extend completion date to allow for final wear course paving to occur in conjunction with County's CSAH 7 project to the north.

Attachments:

- Proposal Requests

Change in Contract Price		Change in Contract Times	
Original Contract Price:		Original Contract Times:	
\$ 752,684.65		Substantial Completion: 06/15/2022	
		Ready for final payment: 07/15/2022	
Increase from previously approved Change Orders		Increase from previously approved Change Orders No.1 to No. 2:	
\$ 6,050.00		Substantial Completion: 0 days	
		Ready for final payment: 0 days	
Contract Price prior to this Change Order:		Contract Times prior to this Change Order:	
\$ 758,734.65		Substantial Completion: 06/15/2022	
		Ready for final payment: 07/15/2022	
Decrease this Change Order:		Increase this Change Order:	
\$ 1,360.75		Substantial Completion: 51 days	
		Ready for final payment: 63 days	
Contract Price incorporating this Change Order:		Contract Times with all approved Change Orders:	
\$ 757,373.90		Substantial Completion: 08/05/2022	
		Ready for final payment: 09/16/2022	

Recommended by Engineer

By: 

Title: City Engineer

Date: 08/05/2022

Accepted by Contractor



PROJECT MANAGER

8-8-22

Authorized by Owner

By: _____

Title: _____

Date: _____



7175 Cahill Road - Edina, MN 55439
Phone: (952)-913-8382 Email: sales@linesalot.com
www.linesalot.com

PROPOSAL

To: Knife River - North Central Address: 4787 Shadow Wood Drive NE Sauk Rapids, MN 56379	Contact: Phone: 3205292705 Fax:
Project Name: Reconditioning & Trail Project, Howard Lake Project Location: Howard Lake, MN	Bid Number: H21-0791p Bid Date: 8/11/2021

Line #	Item Description	Estimated Quantity	Unit	Unit Price	Total Price
Change Order #1 - Material Switch To Paint					
1	MOBILIZATION	1.00	LS	\$1,500.00	\$1,500.00
50	4" DOUBLE SOLID LINE - PAINT	3,101.00	LF	\$0.50	\$1,550.50
51	4" SOLID LINE - PAINT	542.00	LF	\$2.00	\$1,084.00
52	6" SOLID LINE - PAINT	8,966.00	LF	\$0.40	\$3,586.40
53	24" SOLID LINE - PAINT	50.00	LF	\$5.00	\$250.00
54	CROSSWALK - PAINT	470.00	SF	\$3.00	\$1,410.00
55	PAVEMENT MARKING SPECIAL - PAINT	210.00	SF	\$4.00	\$840.00

Total Bid Price: \$10,220.90

Notes:

- 1. Contract Notes Apply.
- 2. This change order includes ONE mobilization to complete all work listed above.
- 3. All material to be surface applied traffic marking PAINT only. Not ground-in, and not wet reflective.
- 4. Final quantities will be invoiced.

ACCEPTED:

The above prices, specifications and conditions are satisfactory and are hereby accepted.

Buyer: _____

Signature: _____

Date of Acceptance: _____

CONFIRMED:

Sir-Lines-A-Lot

Authorized Signature: _____

Estimator: TJ Phillips

(612) 434-0090 tj.phillips@linesalot.com

Knife River Corp. - North Central

P.O. Box 1333
St. Cloud, MN 56302-1333

Phone: 320-251-9472 Fax 320-251-0011

Bill to:

Bolton & Menk
2040 Highway 12 East
Willmar, MN 56201

RE: CSAH 7 Reconditioning & Trail Project - #W14.122467**Job #** 32211177

Account #		Due Date	
AH001		6/1/22	

Qty	Unit	Description	Price	Total
-----	------	-------------	-------	-------

Proposal Request - Furnish & install hydrant extensions:

1.00	LS	12" Hydrant Extension	\$ 2,000.00	\$2,000.00
1.00	LS	18" Hydrant Extension	\$ 3,000.00	\$3,000.00

Total	\$5,000.00
Prime Markup	10%

Total Due	\$5,500.00
------------------	-------------------

Knife River Corp. - North Central

P.O. Box 1333
St. Cloud, MN 56302-1333

Phone: 320-251-9472 Fax 320-251-0011

Bill to:

Bolton & Menk
2040 Highway 12 East
Willmar, MN 56201

RE: CSAH 7 Reconditioning & Trail Project - #W14.122467

Job # 32211177

Account #		Due Date	
AH001		8/4/22	

Qty	Unit	Description	Price	Total
-----	------	-------------	-------	-------

Proposal Request - Installing city supplied gate valve:

1.00	LS	Labor for adding a valve	\$ 855.00	\$855.00
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Total	\$855.00
Prime Markup	10%

Total Due	\$940.50
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HOWARD LAKE CITY COUNCIL MEETING

August 15, 2022

AGENDA ITEM: Consider Terms of TIF Loan to Reeds & Rushes

SECTION: New Business

FROM: Nick Haggenmiller, City Administrator

BACKGROUND: City staff and consultants have been working on the necessary TIF note, TIF Agreement and supporting documentation. Final agreements are expected to be approved at the same time the overall TIF Plan/District is approved on September 12, 2022.

General Terms/Including Modifications & Clarifications

- Due to delays surrounding the project as well as obtaining bids (previously estimates were used) Reeds and Rushes is requesting a total TIF Note of \$150,000 rather than \$130,000.
- The City is able to establish a redevelopment TIF. The significance of a redevelopment TIF is the ability to have a much longer term associated with the project. Therefore, adding the additional year of debt service and permitting interest income is easily supported.
- Establishing the interest rate of 4% (previously omitted), the city is earning interest on the note while offering a loan at a reduced interest rate to the project owner.
- Sets the groundwork for two interfund loans to be established. This is due to funds being used from other surplus TIF funds as well as the general fund.
- Requires property to remain a commercially taxable property through the duration of the TIF district to guarantee repayment in the event of default and/or sale.
- Will establish a minimum assessment agreement which further guarantees repayment of the TIF note.

In all the modifications/clarifications are more favorable to the city than originally discussed by council. The one item that council should closely consider is the increased TIF note amount.

DECISION MAKING METRICS:

FINANCIAL: \$150,000 TIF Note using surplus TIF funds and general fund reserves.

LEGAL: Various legal documents are in process of being drafted and will be brought forward for approval on September 12, 2022. The purpose of approving the general terms by motion is to permit the project to close and commence in the meantime while meeting underwriting.

STRATEGIC PLAN: Provide Diverse Amenities that Enhance Quality of Life.

COUNCIL ACTION REQUESTED: Approve general terms of Reeds and Rushes TIF Note.

ATTACHMENTS:

1. Terms Letter



CITY OF HOWARD LAKE

Nicholas A. Haggenmiller, City Administrator

625 8TH Avenue - PO Box 736 - Howard Lake, MN 55349

Phone: 320-543-3670 | cityadmin@howard-lake.mn.us | www.howard-lake.mn.us

July 21, 2022

SENT ELECTRONICALLY

Minnesota Lakes Bank
c/o Ms. Sherry Valley
710 Babcock BLVD E
PO Box 700
Delano MN 55328

Ms. Valley –

Please accept this letter in regards to the Reeds and Rushes Event Center proposed by Curtis and Maddie Gruidl at 800 5th Avenue.

At the July 18, 2022 the Howard Lake City Council authorized the establishment of a Redevelopment Tax Increment Financing District as well as an economic development loan to assist with project expenses. The general proposed terms include the following:

Amount:	\$130,000 \$150,000
Interest:	4%
Term:	12 years
Repayment:	Property Tax Payments
Security:	Mortgage

The intent of the TIF district and the increment it generates is to reimburse the City for the loan proceeds advanced to the project at the time of acquisition and related renovation. The City Council would consent to a subordinated note that is executed at the time of closing and recorded following the placement of primary financing. It is further noted that following the initial council discussion that project costs had increased slightly. Therefore, a revised request of \$150,000 will be made with the final approvals. I do not anticipate this to be an issue for the council.

There are various statutory obligations to meet in order to fully execute this request including informing all tax jurisdictions and holding a public hearing. We anticipate these items to be fully approved on September 12, 2022.

Mayor Zimmerman and the entire Howard Lake City Council is wholeheartedly excited and supportive of this project. We look forward to having this business and related amenity in our community.

Thank you! For the City,

Nick Haggenmiller
City Administrator



HOWARD LAKE CITY COUNCIL MEETING

August 15, 2022

AGENDA ITEM: Consider Approval of Purchase Agreement for Terning Trails Apartment Project

SECTION: New Business

FROM: Nick Haggenmiller, City Administrator

BACKGROUND: The City has been negotiating general terms and project scope with Buffalo Lake Partners LLC. This group is active in the area (Buffalo, Delano) in constructing similar developments as proposed in Howard Lake. The partners themselves are familiar to the city as most of the individuals are also partners in the final phase of Terning Trails single family development.

Attached to this staff report is the letter of understanding that summarizing the project and roles of the developer and the City. In quick summary:

- City to sell PID 109055000020 (6.7 acre parcel west of the Lodge of Howard Lake) for \$200,000.
- Developer to construct two, 30 unit apartment developments and an estimated 12 townhomes
- Estimated construction start date of Fall 2022.
- City/Developer would enter into a TIF agreement for a duration of 12 years, at 60%/40% split.

As noted in the LOU, the last multi-family development constructed in Howard Lake was 30 years ago. Residents, realtors and employers have expressed the need for this housing style in order to attract/retain employees.

It is anticipated that modifications and additional agreements will be needed to finalize this project. The developer is seeking approval of the purchase agreement in order to mobilize project consultants and begin due diligence on the project.

DECISION MAKING METRICS:

FINANCIAL: The draft terms include a sales price of \$200,000 for the sale of the land. Various development fees will be due at closing and/or addressed via the TIF agreement.

LEGAL: City Attorney Mike Couri drafted the purchase agreement with assistance from Financial Advisor, Shannon Sweeney.

STRATEGIC PLAN:

1. Provide and encourage a diverse and quality housing stock.

COUNCIL ACTION REQUESTED: Approve purchase agreement for apartment project at Terning Trails.

ATTACHMENTS:

1. Letter of Understanding
2. Purchase Agreement 8.11.22
3. Concept Site Plan 8.11.22



CITY OF HOWARD LAKE

Nicholas A. Haggenmiller, City Administrator

625 8TH Avenue - PO Box 736 - Howard Lake, MN 55349

Phone: 320-543-3670 | cityadmin@howard-lake.mn.us | www.howard-lake.mn.us

June 30, 2022

Buffalo Lake Partners LLC
9705 45th Ave N Unit 42
Plymouth MN 55442

Greetings Buffalo Lake Partners –

Please accept this as an opening terms and conditions for the proposed development at the Terning Trails Campus in Howard Lake. It is our intention to use this as a general terms sheet in order to engage various city consultants necessary to successfully complete this project.

I. Brief Property Description

- PID# 109055000020
- 6.71 acres
- Estimated Market Value \$226,748

II. Brief Project Description

- Development of 6.71 acres with the following improvements proposed:
 - o Two – 30 unit multi-family, market rate apartment buildings.
 - o 12 – Single Family Detached patio homes.
 - o Estimated construction start Fall 2022
 - Intended buildout to be complete by Fall of 2024.

III. Buffalo Lake Partners Roles & Responsibilities

- Submit timely and quality materials suitable for the required development process including but not limited to the following:
 - o Development Application
 - o Concept Site Plan
 - o Preliminary & Final Plat
 - o Street and Utility Plans and Specifications
 - o Financing Securities and/or Pledges
 - o General Project Timeline
- The City shall collect traditional development fees either directly or through an agreed upon development agreement. These fees and charges include
 - o Building permits
 - o Water & sewer access fees
 - o City consultant expenses
 - o Street & Utility improvements
 - o Trunk area fees
 - o Park dedication fees

IV. City of Howard Lake Roles & Responsibilities

- Land Contribution

- The City will sell an approximately 7 acre, bare ground parcel for \$200,000. This is an estimated 15% below estimated market value intended to assist the developer on overall affordability of the completed project.
- Tax Increment Financing
 - The City The City of Howard Lake understands the challenges of developing this product and within a small, rural market. As a result, we will make available tax increment financing. The City is proposing a 12 year TIF district with increments split 60% developer/40% City. Buffalo Lake partners will be required to meet applicable income restrictions during the term of the subsidy. The City is open to modifications of split or term pending discussions and negotiations.

The City of Howard Lake is very excited and grateful to partner with you on this project. We have large employers demanding this type of housing. Moreover, the last multi-family project constructed in Howard Lake is now nearly 30 years old. We will work diligently and creatively to ensure a mutually successful project.

If the terms are agreeable, please acknowledge and we will begin drafting a formal purchase agreement with the intention of approving as soon as the July 18, 2022 Council Meeting.

Thank you! For the City,

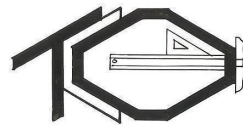


Nick Haggenmiller
City Administrator

BUFFALO LAKE PARTNERS

PID# 109055000020

HOWARD LAKE



TCO DESIGN

drafting and home design

TCO DESIGN

drafting and home design

P.O. Box 41190

Plymouth, MN 55441

Office 763-424-3676

Cell 952-994-8276

dedication to excellence

Prepared by:

Todd Ofethun

Office 763-424-3676

Cell 952-994-8276

todd@tco design.net

Plan Date

PRELIM. 8-9-22

Design #

tco202217

A1

Northwest corner of the NW 1/4 of
Sec. 2, Twp. 118, Rng. 27
(CAST IRON MONUMENT)

1ST STREET EAST (60TH STREET SW)

WETLAND

EDGE OF
WET
LAND

30-UNIT
BUILDING

DOG
PARK

30-UNIT
BUILDING

OPEN
PLAYGROUND

WET LAND
WETLAND

EDGE OF WET
LAND

SITE PLAN

Northerly Right of Way line
of U.S. Highway No. 12

U.S. HIGHWAY 12

BURLINGTON NORTHERN



MINNESOTA DEPARTMENT
RIGHT OF WAY

**AGREEMENT FOR PURCHASE AND SALE OF
PROPERTY TO BE PLATTED AS THE _____
THE CITY OF HOWARD LAKE, WRIGHT COUNTY, MINNESOTA**

THIS AGREEMENT (“Agreement”), effective _____, 2022, (“Effective Date”) is made by and between The City of Howard Lake, a municipal corporation under the laws of the State of Minnesota (“Seller”), and Buffalo Lake Partners, LLC, a limited liability company under the laws of the State of Minnesota, its successors and assigns (“Buyer”).

RECITALS

WHEREAS, Seller owns certain real property located in the City of Howard Lake, Wright County, Minnesota, currently consisting of _____ [Legal Description] and further identified in Article 1.5 below (“Property”); and

WHEREAS, Buyer desires to purchase Seller’s Property as depicted on Exhibit “A”, on which Buyer intends to construct 12 single family detached patio homes and 2 thirty-unit apartment buildings.

AGREEMENT

NOW, THEREFORE, for good and valuable consideration, the receipt and sufficiency of which are hereby expressly acknowledged, the parties hereto hereby agree as follows:

**ARTICLE I
DEFINITIONS**

For the purposes of this Agreement the following terms shall have the meanings set forth in this Article I:

1.1 **Buyer’s Site Plan**. The term “Buyer’s Site Plan” shall mean the Site Plan attached to this Agreement as Exhibit “B” as may be amended by Buyer and approved by Seller.

1.2 **Closing Date**. The term “Closing Date” shall refer to the date on which Buyer takes title to the Property.

1.3 **Laws and Restrictions.** The term “Laws and Restrictions” shall mean all applicable federal, state, local, and other laws, regulations, codes, orders, ordinances, rules, permits, approvals, conditions, regulations and statutes, and all restrictive covenants, conditions and restrictions (if any) and other title encumbrances, affecting all or any part of the Property.

1.4 **Permitted Encumbrances.** The term “Permitted Encumbrances” shall mean (i) utility easements of record; (ii) reservation of any mineral rights by the State of Minnesota; (iii) building and zoning laws, ordinances, and state and federal regulations; (iv) the lien of real estate taxes and installments of special assessments not yet due and payable, as further described in this Agreement; (v) such other exceptions to title or encumbrances, if any, which are approved by Buyer pursuant to Article VI below.

1.5 **Property.** The term “Property” shall mean the real property described on the attached Exhibit A.

1.6 **Title Commitment.** The term “Title Commitment” shall mean a title commitment with respect to the Property to be issued by the Title Company pursuant to Article VI below.

1.7 **Title Company.** The term “Title Company” shall mean _____.

ARTICLE II

PURCHASE PRICE/ADJUSTMENTS/ PAYMENT/EARNEST MONEY/ PRORATIONS

2.1 **Purchase Price.** Buyer shall pay to Seller, as consideration for the conveyance of the Property, Two Hundred Thousand and No/100 dollars (\$200,000.00) plus the undertakings of Buyer as set forth in this Agreement (“Purchase Price”), subject to adjustments, prorations and allocations, as hereinafter provided.

2.1.1 **Earnest Money.** Within three (3) business days after the Effective Date, Buyer will pay and deliver to the Title Company the sum of \$_____ (the “Earnest Money”). The Title Company shall hold the Earnest Money in a trust account for the mutual benefit of the parties in accordance with the provisions of this Agreement. The Earnest Money shall be applied toward the Purchase Price on the Closing Date.

2.1.2 **Balance of Purchase Price.** The balance of the Purchase Price as increased or decreased by any and all other adjustments set forth in this Agreement, shall be paid by wire transfer of immediately available funds on the Closing Date (as defined herein).

2.2 **Prorations and Allocations.** Seller and Buyer shall make the following prorations and allocations at the Closing for each lot:

2.2.1 **Real Estate Taxes and Special Assessments.**

2.2.1.1 **Real Estate Taxes.** General real estate taxes (i) payable in the year prior to the year of closing and all prior years will be paid by Seller, (ii) payable in

the year of closing shall be prorated by Seller and Buyer as of the Closing Date, based upon a calendar year; (iii) payable in the year following the year of closing shall be paid by Buyer; and (iv) Seller shall pay all "Green Acres" and other deferred taxes and charges, if any.

2.2.1.2 **Special Assessments.** Seller shall pay all special assessments levied on the Property as of the date of this Agreement. Buyer shall assume all special assessments levied after the date of this Agreement, subject to the terms and conditions contained in this Agreement.

2.2.2 **Title Insurance.** Seller shall pay the title insurance commitment fee and costs of correcting title as provided in Article 6.2.2; and Buyer will pay all costs of the owner's Title Policy and all supplements and endorsements thereto that Buyer desires but is not part of cost of correcting title.

2.2.3 **Deed Tax.** Seller shall pay all state deed tax regarding the Warranty Deeds to be delivered by Seller pursuant to this Agreement.

2.2.4 **City Fees.**

2.2.4.1 **Platting Fees.** Buyer shall plat the property in accordance with City ordinances and generally in the configuration shown on the attached Exhibit B. Buyer shall pay all platting fees required by City ordinance, including but not limited to plat filing fees, City consultants' fees related to processing the plat application, and park dedication fees.

2.2.4.2 **SAC and WAC Charges.** Buyer shall pay applicable sewer access charges ("SAC") or water access charges ("WAC") at such time as Buyer applies for a building permit for each building. Buyer shall pay such charges according to the schedule set forth in the City of Howard Lake ordinances in effect at the time such building permit is applied for.

2.2.4.3 **Charges.** The Buyer shall pay _____ fee in the amount of \$_____ prior to the release of the final plat of the Property.

2.2.4.4 **City's Development-Related Consultants' Fees.** Developer shall pay all attorney, engineering, financial and planning consultant costs incurred by the City in preparing and enforcing this Purchase Agreement, establishing a tax increment financing district applicable to the Property, preparing development agreements related to the Property and processing any zoning requests of Buyer related to the Property.

2.2.4.4 **Other City Fees.** The Buyer shall pay building permit and other fees required by City Ordinance in connection with Buyer's development of the Property at the time such fees are due per City ordinance.

2.2.5 **Attorneys' Fees.** Each of the parties will pay its own attorneys' fees in all matters involving this Agreement.

2.2.6 **Other Closing-Related Costs.** The parties shall share equally the fees charged by the Title Company to close the transaction and other closing-related costs, if any, shall be paid in accordance with generally accepted customs and practices for similar transactions in Wright County, Minnesota.

ARTICLE III ACCESS TO PROPERTY, INDEMNITY, REPORTS AND SURVEY

3.1 **Access to Property/Indemnity.** Seller hereby authorizes Buyer and Buyer's representatives to access the Property for the express purpose of making such inspections, tests and verifications as they deem reasonably necessary. Buyer (i) shall pay all costs and expenses of such investigations, tests or verifications; and (ii) shall indemnify and hold Seller and the Property harmless from all losses, liabilities, cost and expenses caused by the activities of Buyer and/or its representatives. Buyer shall not be liable for conditions disclosed during Buyer's investigation of the Property.

3.2 **Reports.** Within five (5) business days after the Effective Date, Seller shall provide Buyer, without cost to Buyer, with copies of all studies and reports in the possession of Seller relating to environmental status, soil tests, and any other information regarding the environmental and soil conditions of the Property. Buyer shall provide Seller, without cost to Seller, with copies of all reports generated or purchased by Buyer or its representatives in connection with any tests, inspections or verifications involving the condition of the Property.

ARTICLE IV CONDITIONS PRECEDENT TO CLOSING/TERMINATION

The Closing hereunder shall be conditioned upon Buyer's satisfaction or written waiver of each of the following ("Conditions Precedent") within the times hereinafter provided:

4.1 By the Closing Date Seller shall have provided to Buyer the following:

4.1.1 marketable title to the Property, subject only to the Permitted Encumbrances;

4.1.2 approval of a final plat of the Property consistent with the general layout shown on the attached Exhibit B;

4.2 **Establishment of Housing TIF.** By the date of Closing, Seller shall have established a Housing Tax Increment Financing District ("TIF") which shall include the entire Property and shall return 60% of collected tax increments to the Buyer/Developer for qualified expenses with the other 40% being retained by the City. **The life of the TIF District shall be such that full tax increment is collected for at least 12 years.** Seller shall be required to enter into a minimum assessment agreement setting a minimum valuation

on the Property that is acceptable to the City that shall remain in force during the life of the TIF District.

4.3 **Due Diligence.** Buyer shall have determined that the condition of the Property is acceptable to Buyer, in Buyer's sole discretion, based on all inspections, tests, verifications, and reports obtained by Buyer pursuant to Article III.

4.4 **Termination.** This Agreement shall continue in full force and effect unless terminated within the following times:

4.4.1 **By Buyer.** If all of the Conditions Precedent in Article 4 have not been timely satisfied or waived in writing, then this Agreement may be terminated, at the option of Buyer, by written notice prior to the Closing Date.

4.4.2 **Effects of Termination.** Upon any such termination under this paragraph 4.4, the Earnest Money will be refunded to Buyer and neither party will have any further rights or obligations regarding this Agreement or the Property and no further action shall be brought or maintained herein, excepting only Buyer's obligation to provide Seller with a quit claim deed and/or cancellation agreement as provided in Article 15.6 and the indemnification obligations contained in Article 3.1.

ARTICLE V REPRESENTATIONS AND WARRANTIES, COVENANTS, AND INDEMNIFICATION

5.1 **Representations and Warranties by Seller.** Seller represents and warrants to Buyer as follows:

5.1.1 **Authority.** Seller is duly organized and qualified to transact business in the State of Minnesota; Seller has the requisite corporate power and authority to enter into and perform this Agreement.

5.1.2 **Hazardous Substances.** Seller has no knowledge of hazardous substances on the Property.

5.1.3 **Wells; Tanks; Septic Systems.** Seller has no knowledge of any wells, underground storage tanks or abandoned septic systems located on the Property.

5.2 **Buyer's Express Representations and Warranties.** Buyer represents and warrants as follows:

5.2.1 **Building Construction.** Buyer acknowledges that the Seller will establish a tax increment financing district ("TIF District") over the Property and will capture the tax increment generated by the construction of the residences and planned for the Property. Buyer shall construct all buildings shown on the attached Exhibit C.

5.2.2 **TIF Qualified Buyers.** Upon completion of each single family patio home, Buyer shall sell such single family patio home and lot to a person or persons who will occupy the premises and whose family income is less than or equal to the income requirements for qualified mortgage bond projects under Section 143(f) of the Internal Revenue Code.

5.2.3 **TIF Qualified Lessees.** Buyer shall lease the units in the apartment buildings ("Buyer's Rental Properties"), as follows: Buyer shall lease no less than 20% of Buyer's Rental Properties to a person or persons whose household income is at or below 50% of the area median income (as determined by the U.S. Department of Housing and Urban Development based on family size), or lease 40% of Buyer's Rental Properties to a person or persons whose household income is at or below 60% of such area median income. Buyer shall annually certify to the City that the proper percentage of such tenants meet one of the two income tests set forth in this paragraph 5.2.3. If such rental tests are not met in any given year, Buyer shall remit to the Seller 40% of the tax increment the Seller would have collected for such year had the rental test been met. This requirement shall remain in force during the life of the TIF.

5.2.4 **Additional Representations.** In addition to the representations and warranties contained elsewhere in this Agreement, Buyer hereby represents and warrants, that Buyer is duly organized in Minnesota and is in good standing under the laws of the State of Minnesota; Buyer has the requisite power and authority to enter into this Agreement and to execute and deliver Buyer's Closing Documents.

5.2.5 **Planned Unit Development Regulations.** Developer understands that the Property is governed by a Planned Unit Development ("PUD") zoning ordinance attached hereto as Exhibit D. Developer understands that the terms of the PUD zoning ordinance are proposed to be changed to be consistent with the development proposed by Buyer.

ARTICLE VI TITLE EXAMINATION

Examination of title to Property will be conducted as follows:

6.1 **Title Commitment.** Prior to closing, Seller shall obtain and deliver to Buyer a title commitment for Seller's Property ("Title Commitment") from the Title Company for an Owner's Policy of Title Insurance in the amount of the purchase price, together with all documents shown as exceptions in said Title Commitment wherein the Title Commitment will commit the Title Company, after the Property is platted, to insure Buyer's title to the Property at the Closing, subject only to Permitted Encumbrances.

6.2 **Title Examination.**

6.2.1 **Objections.** Buyer shall have fourteen days after it has received (i) the Title Commitment; and (ii) all documents shown as exceptions therein; to make written

objections to title of the Property (“Objections”) and the failure by Buyer to make any such Objections within such time period will constitute a waiver of all Objections.

6.2.2 **Cure of Objections/Non-Cure Notice.** Seller will have thirty (30) days after receipt of any Objections to cure the Objections; provided, however, that if Seller gives Buyer written notice (a “Non-Cure Notice”) within ten (10) days after receipt of such Objections that Seller cannot or will not cure specified Objections, then this Agreement shall terminate and all of the earnest money shall be refunded to Buyer, unless within ten (10) days after receiving the Non-Cure Notice Buyer gives Seller written notice that Buyer is waiving the Objections specified in the Non-Cure Notice, which items or matters subject to the Objection(s) shall then also become a Permitted Encumbrance(s). In any event, Seller shall cure at Closing any title objections relating to mortgages or liens that can be cured by the payment of money.

ARTICLE VII SELLER’S CLOSING DOCUMENTS.

On the Closing Date, Seller will deliver to Buyer the following (collectively, “Seller’s Closing Documents”):

7.1 **Deed.** A General Warranty Deed conveying fee title to the Property to Buyer, free and clear of all encumbrances, except the Permitted Encumbrances, in a form reasonably acceptable to the Buyer and the Title Company.

7.2 **Title Documents.** An Affidavit of Seller stating that on the Closing Date there are no outstanding, unsatisfied judgments, tax liens or bankruptcies against or involving Seller or the Property; and that there are no other unrecorded interests in the Property and such other Affidavits and documents as may be reasonably required by Title Company or Buyer in order to record Seller’s Deed and issue the Title Policy required by this Agreement.

7.3 **Other Documents.** Such other documents as the Title Company or Buyer shall reasonably request to implement the within described transaction.

ARTICLE VIII BUYER’S CLOSING DOCUMENTS

On the Closing Date, Buyer will deliver to Seller the following (collectively, “Buyer’s Closing Documents”):

8.1 **Purchase Price.** The full purchase price, less the Earnest Money, by wire transfer of U.S. funds, or by certified check (or other immediately available funds) to be payable to Seller or to Seller’s account or as Seller may otherwise direct.

8.2 **Other Costs and Expenses.** Payment for all other costs and expenses to be paid by Buyer pursuant to this Agreement.

8.3 **Minimum Assessment Agreement.** A minimum assessment agreement for each lot purchased from Seller or to be purchased from Seller in the amount of \$_____ per lot. The form of said minimum assessment agreement is attached hereto as Exhibit E and shall be recorded against the property records at the Wright County Recorder's Office. Said minimum assessment agreement shall act as additional security to ensure that the TIF generates the amount of tax increment the Seller needs to defray its costs in the Property.

8.4 **Other Documents.** Such other documents as the Title Company or Seller shall reasonably request to implement the within described transaction.

ARTICLE IX

Omitted.

ARTICLE X TAX INCREMENT FINANCE

Seller shall establish a housing Tax Increment Financing District (TIF) over the Property. Seller shall retain a portion of the tax increments generated by the TIF and intends to use such proceeds to defray Seller's cost of land related to the Property. In order to ensure that the TIF generates sufficient revenue to defray such costs, Buyer agrees that it shall consent to that minimum assessment agreement attached as Exhibit E to this Agreement. Such minimum assessment agreement shall be recorded against the Property in the Wright County Recorder's Office.

ARTICLE XI

OMITTED

ARTICLE XII BROKER'S COMMISSION

Seller represents and warrants that it has not engaged any broker to represent it on this transaction. Buyer represents that it has engaged a broker to represent it on this transaction, and Buyer agrees that any fee or commission charged by such broker shall be the sole obligation of Buyer and shall not be the responsibility of Seller.

ARTICLE XIII

ASSIGNMENT

Buyer may assign its rights and obligations under this Agreement to a third party without the prior written notice to the Seller. Any such assignment will relieve such assigning party of its obligations under this Agreement.

ARTICLE XIV

NOTICES

All notices, demands, consents, requests, or other communications provided for or permitted to be given pursuant to this Agreement shall be in writing and shall be sent to the address set forth below for the receiving party by any of the following means: (i) personal service; (ii) courier; or (iii) if being delivered or sent to an address that is within the same country from which the notice is being sent, by certified (or equivalent) or registered mail, postage prepaid, return receipt requested. Notice shall be effective upon delivery if by personal service or courier, and two (2) days after deposit with the U.S. Postal Service if sent by mail.

If to Seller: The City of Howard Lake
P.O. Box 736
Howard Lake, MN 55349

and a copy to: Couri & Ruppe Law Office
P.O. Box 369
705 Central Avenue NE
St. Michael, MN 55376

If to Buyer: _____

and a copy to: _____

ARTICLE XV

MISCELLANEOUS

15.1 **Force Majeure.** Any prevention, delay, or stoppage because of strikes, lockouts, other labor disputes, material shortages, embargoes, civil unrest, governmental regulations, enemy or hostile governmental action, judicial order, public emergency, weather, fire, earthquake, other Acts of God, and other causes beyond the reasonable control of the party obligated to perform, will extend the period for performance of any act required by a party (except for payment obligations imposed pursuant to this Agreement), including the time required for satisfaction of any condition, for the period of the delay provided, however (i) the unavailability of financing shall not qualify for force majeure treatment and (ii) Seller shall give reasonable written notice to

Buyer of the occurrence causing such delay and shall include in such notice the date by which the delayed obligation will be performed.

15.2 **Counterparts.** This Agreement may be executed in one or more counterparts; all so executed shall constitute one contract.

15.3 **Construction.** This Agreement shall be governed by and construed under the laws of the State of Minnesota. All captions in this Agreement are for reference only.

15.4 **Time.** Time is of the essence in the performance of the parties' respective obligations set forth in this Agreement.

15.5 **No Merger.** The obligations, covenants, representations, and warranties, and the remedies for breach thereof, set forth in this Agreement shall survive the closing and shall not merge with transfer of title but shall remain in effect until fulfilled.

15.6 **Confirmation of Termination.** If this Agreement terminates, Buyer agrees to execute and deliver to Seller a quit claim deed for the Property.

15.7 **Location of Closing.** The Closing shall take place at the Howard Lake City Hall or at such other place as may be agreed to by the parties.

15.8 **Binding Effect.** This Agreement binds and benefits the parties and their successors and assigns.

15.9 **Remedies.**

15.9.1 **Buyer's Default Prior to Closing.** If Buyer defaults under this Agreement prior to Closing, Seller shall notify Buyer of such default and Buyer shall have 30 days to cure such default. If Buyer fails to cure such default within 30 days of the date of such notice and there has been no default by Seller under this Agreement, then as Seller's sole and exclusive remedy, Seller may terminate all of Buyer's rights under this Agreement, retain the Earnest Money as liquidated damages. The parties agree that in the event of default by Buyer, subject to the expiration of the cure period above, Seller's damages will be difficult or impractical to ascertain and the Earnest Money will be deemed to constitute a reasonable estimate of Seller's damages and shall not be deemed to constitute a forfeiture or penalty. Seller shall not have the right to recover any other damages of any kind from Buyer or to obtain other equitable adjustment to the terms of the sale of the Property. In the event of such termination, Buyer shall execute a release of this Purchase Agreement as to any lots not already purchased by Buyer.

15.9.2. **Seller's Default Prior to Closing.** If Seller defaults under this Agreement prior to Closing, Buyer may terminate this Agreement upon 30 days' written notice to Seller (Seller having cure rights during the 30-day period). If Seller fails to cure such default within said 30 days of the date of such notice and there has been no default by Buyer under this Agreement, then at Buyer's election, (i) Buyer may seek specific performance of this Agreement, or (ii) this Agreement will terminate and the Earnest Money shall be refunded to Buyer.

15.9.3 **Default After Closing.** If either Buyer or Seller defaults in the performance of any obligation to be performed after Closing under this Agreement, the non-defaulting party shall have all remedies available for such default, at law or in equity.

ARTICLE XVI
ENTIRE AGREEMENT; NO MODIFICATIONS

16.1 **Recording at Recorder's Office.** This Agreement shall be recorded at the Wright County Recorder's Office and shall bind the heirs, successors and assigns of the parties to this Agreement.

16.2 **Entire Agreement.** This Agreement, together with the attached exhibits, constitutes the entire agreement of the Seller and Buyer with respect to the purchase and sale of the Property. This Agreement may not be modified or amended except in a writing signed by Seller and Buyer.

[Signature pages follow]

IN WITNESS WHEREOF, the parties hereto have duly executed this Agreement the day and year first above written.

SELLER:

The City of Howard Lake
a Minnesota municipal corporation

Peter Zimmerman, Mayor

Nick Haggenmiller, City Administrator/Clerk

STATE OF MINNESOTA)
) SS.
COUNTY OF WRIGHT)

The foregoing instrument was acknowledged before me this _____ day of _____, 2022, by Peter Zimmerman, the Mayor of the City of Howard Lake, a statutory City, on behalf of the City.

Notary Public

STATE OF MINNESOTA)
) SS.
COUNTY OF WRIGHT)

The foregoing instrument was acknowledged before me this _____ day of _____, 2022, by Nick Haggenmiller the Howard Lake City Clerk, on behalf of the City.

Notary Public

Exhibit A

Legal Description of the Property to be purchased

Exhibit B

Buyer's Site Plan

Exhibit C

Depiction of Buildings to be constructed

Exhibit D

Planned Unit Development Ordinance

Exhibit E

Minimum Assessment Agreement form



HOWARD LAKE CITY COUNCIL MEETING

August 15, 2022

AGENDA ITEM: Consider Recommendation to Reject Bids for Library Construction Project

SECTION: New Business

FROM: Nick Haggemiller, City Administrator
Pete Filippi, CGI Group
Susan Morgan, BKV Group

BACKGROUND: Bids were sought for the library project with a deadline for sealed bids to be submitted of August 4, 2022. In all, 23 bid categories were sought. While there were a total of 71 bids received, there were four bid categories that failed to solicit any sort of response. There were an additional 12 bid categories that received bids over the architect and project manager's budget. In full, based on bids received and extrapolation of previous estimates, the project is approximately \$1.1 Million, or 20% over initial estimate.

Project Manager Pete Filippi and Project Architect Susan Morgan will be present for the meeting to discuss likely reasons bids received were over budget and propose some recommendations to move the project forward. Most notably, the recommendation will be to reject all bids, direct the project team to seek clarifications and design modifications to successfully deliver the project.

Project Financing

At this time, it is likely premature to propose revised project budgets. However, staff has already begun researching additional and alternative financing mechanisms to support the project.

Minnesota Department of Education

- No additional funds available.

New Grant Sources

- The original financing schedule did not include \$50,000 from the TMobile grant.
- We have identified several new grant sources that we are eligible for. Applications and related submittals will be made in the coming weeks.

General Fund

- The initial funding proposed for the project includes \$250,000 of general fund reserves into the project. This is an intentional figure as it accounts for the design development of the project and the city has been incurring and paying these expenses as they are received. With the proposed recommendation of bidding in early FY2023, it is reasonable to suggest additional general funds into the project.

Fundraising

- To date, there has not been any deliberate effort to solicit community fundraising.

USDA

- USDA is the primary financier for this project. After discussing bid results and options with our USDA representative and financial advisor, we have formally requested (and received) a waiver for Build America, Buy America (BABA). This is a big deal as this provision has been put into more recent USDA projects and if the city were to have to comply with this provision, it would be an estimated 10% increase to the total project. We have also received verbal confirmation that our lending amount may be increased up to \$5 Million total under the same or similar terms as our current Letter of Conditions.

Affordability/General Conclusions

The City has the financial capacity to cover the project even at this elevated amount but it is assumed the council does not have the political appetite to approve at this level. Therefore, the more critical question to answer is what council desires to set for a project budget.

When the initial project budget was set, an estimate of \$200,000 in annual debt service payments was assumed. With our initial funding commitment from USDA, our anticipated annual debt service payments is preliminarily set at \$130,000.

If the council were to maximize the budget based on a total debt service payment of \$200,000 annually, the USDA loan package may be increased by about \$700,000. The following is a draft project showing funding sources that attempts to balance total debt service but also requires project savings to be realized.

FUNDING SOURCES		
Description	Amount	REVISED 8.11
City HL General Fund**	\$350,000	(+) \$100,000
MDE Grant	\$730,000	
TMobile Grant	\$50,000	(+) \$50,000
Supplemental USDA	\$700,000	(+) \$700,000
USDA Community Facilities Loan	\$3,581,529	
TOTAL ALL CATEGORIES	\$5,411,529	
8.11.22 DD Estimate	\$ 5,636,771.00	
Revised Funding Sources	\$ 5,411,529.00	
Value Engineering/Project Savings Needed	\$ 225,000.00	

DECISION MAKING METRICS:

FINANCIAL: See top section.

LEGAL: The council has 30 days after bid opening to approve/reject bids.

STRATEGIC PLAN:

COUNCIL ACTION REQUESTED: Reject all bids for the library project. Direct the Project Team to identify modifications to the project and set a tentative rebid date of January 9, 2023.

ATTACHMENTS:

1. Bid Tabulation

City of Howard Lake - Library DD Estimate / Bid Comparison					
	DD Est.	Bid Results	% off	Bid Results / Budget Amt	
Category 1 - Earthwork / Exterior Improvements / Utilities	287,452.65	411,700.00	143%	411,700.00	
Category 2 - Landscaping	156,521.00	152,700.00	98%	152,700.00	
Category 3 - Concrete	149,943.16	167,928.00	112%	167,928.00	
Category 4 - Masonry	231,923.00		0%	231,923.00	No Bids Received
Category 5 - Structural Steel Erection	28,012.25	23,600.00	84%	23,600.00	
Category 6 - Rough Carpentry	74,074.25	45,000.00	61%	45,000.00	
Category 7 - Casework	75,580.00		0%	75,580.00	No Bids Received
Category 8 - Metal Panel Siding & Roofing	350,928.00	674,900.00	192%	674,900.00	
Category 9 - Aluminum Windows/Doors & Glazing	138,455.00	202,140.00	146%	202,140.00	
Category 10 - Gypsum Board	422,540.00	530,538.00	126%	530,538.00	
Category 11 - Tile	14,805.00	20,660.00	140%	20,660.00	
Category 12 - Acoustical Treatments	24,176.00	61,690.00	255%	61,690.00	
Category 13 - Flooring	25,926.00	40,453.00	156%	40,453.00	
Category 14 - Painting	27,388.00	26,500.00	97%	26,500.00	
Category 15 - Window Treatments - By Owner	6,000.00		0%		
Category 16 - Mechanical / Plumbing	120,605.00	391,000.00	324%	391,000.00	
Category 17 - HVAC	269,700.00	444,000.00	165%	444,000.00	
Category 18 - Controls	76,400.00	57,350.00	75%	57,350.00	No Bids Received # Provided by UHL
Category 19 - Testing & Balancing		5,270.00	0%	5,270.00	
Category 20 - Electric/Communications/Safety & Security	456,500.00	397,777.00	87%	397,777.00	
Category 21 - Steel Supply Only	80,035.00		0%	80,035.00	No Bids Received
Category 22 - Standard Doors/Frames/Hardware Material Only	44,910.00	120,057.00	267%	120,057.00	
Category 23 - Specialties - Material Only	17,485.00	53,800.00	308%	53,800.00	
Totals:	3,079,359.31	3,827,063.00		4,214,601.00	
** General Requirements (Allowance of 13% Carried)	383,611.71	383,611.71		383,611.71	
Building Permitting / Plan Review	23,800.00	23,800.00		23,800.00	
WAC / SAC (Water and Sewer Access Fees)	25,500.00	25,500.00		25,500.00	
Design / Bid / Construction Contingency (DD Allowance)	321,788.00	321,788.00		321,788.00	
Construction Cost	3,834,059.02	4,581,762.71		4,969,300.71	
Construction Management Fee	98,000.00	98,000.00		98,000.00	
Architect / Engineering / Cx Fee	249,202.00	249,202.00		249,202.00	
Architect Reimbursables	5,000.00	5,000.00		5,000.00	
Commissioning Agent Allowance	0.00	0.00		0.00	
Sub Total	4,186,261.02	4,933,964.71		5,321,502.71	
Owner Items					
ion / Escalation Factor - Midpoint of Const. (DD Allowance Removed)	0.00	0.00		0.00	
E - Allowance TBD (Furniture - Equip. - Moving) / Reviewed with City	201,798.00	201,798.00		201,798.00	
Utility Relocations - Vendor Specific Outside of Contract Work	0.00	0.00		0.00	
Technology - AV Allowance	53,471.00	53,471.00		53,471.00	
Signage - Exterior / Interior	40,000.00	40,000.00		40,000.00	
Artwork - Allowance	20,000.00	20,000.00		20,000.00	
Owner Contingency	0.00	0.00		0.00	
Total Project Cost	4,501,530.02	5,249,233.71		5,636,771.71	