

# PRELIMINARY OFFICIAL STATEMENT DATED MAY 2, 2025

In the opinion of Kutak Rock LLP, under existing laws, regulations, rulings and judicial decisions and assuming the accuracy of certain representations and continuing compliance with certain covenants, interest on the Bonds is excludable from gross income for federal income tax purposes and is not a specific preference item for purposes of the federal alternative minimum tax imposed on individuals. Further, and to the extent of the aforementioned federal income tax exclusion, Bond Counsel is of the opinion that, under existing State of Minnesota statutes, interest on the Bonds is excludable from taxable net income of individuals, trusts, and estates for Minnesota income tax purposes, and is not a specific preference item for purpose of the Minnesota alternative minimum tax applicable to individuals, trusts and estates. However, such interest may affect the federal alternative minimum tax imposed on certain corporations and such interest is subject to Minnesota franchise taxes on certain corporations (including financial institutions) measured by income. For a more detailed description of such opinions of Bond Counsel see "Tax Exemption" herein.

The City will designate the Bonds as "qualified tax-exempt obligations" for purposes of Section 265(b)(3) of the Internal Revenue Code of 1986, as amended, relating to the ability of financial institutions to deduct from income for federal income tax purposes, interest expense that is allocable to carrying and acquiring tax-exempt obligations.

**New Issue**

**Rating Application Made: S&P Global Ratings**

## CITY OF FOREST LAKE, MINNESOTA (Washington County)

### \$4,400,000\* GENERAL OBLIGATION STREET RECONSTRUCTION PLAN BONDS, SERIES 2025A

**PROPOSAL OPENING:** May 12, 2025, 10:00 A.M., C.T.

**CONSIDERATION:** May 12, 2025, 7:00 P.M., C.T.

**PURPOSE/AUTHORITY/SECURITY:** The \$4,400,000\* General Obligation Street Reconstruction Plan Bonds, Series 2025A (the "Bonds") are being issued pursuant to Minnesota Statutes, Section 475.58, subd. 3b, and Minnesota Statutes, Chapter 475, as amended, by the City of Forest Lake (The "City"), to finance the reconstruction of a portion of the North Shore Trail with the City as described in the City's Street Reconstruction and Overlay Plan 2025-2029, dated March 24, 2025. The Bonds will be general obligations of the City for which its full faith and credit and taxing powers are pledged. Delivery is subject to receipt of an approving legal opinion of Kutak Rock LLP, Minneapolis, Minnesota.

**DATE OF BONDS:** June 5, 2025

**MATURITY:** February 1 as follows:

| <u>Year</u> | <u>Amount*</u> | <u>Year</u> | <u>Amount*</u> | <u>Year</u> | <u>Amount*</u> |
|-------------|----------------|-------------|----------------|-------------|----------------|
| 2027        | \$220,000      | 2032        | \$265,000      | 2037        | \$325,000      |
| 2028        | 230,000        | 2033        | 275,000        | 2038        | 340,000        |
| 2029        | 240,000        | 2034        | 285,000        | 2039        | 355,000        |
| 2030        | 245,000        | 2035        | 300,000        | 2040        | 370,000        |
| 2031        | 255,000        | 2036        | 310,000        | 2041        | 385,000        |

**\*MATURITY ADJUSTMENTS:** The City reserves the right to increase or decrease the principal amount of the Bonds on the day of sale, in increments of \$5,000 each. Increases or decreases may be made in any maturity. If any principal amounts are adjusted, the purchase price proposed will be adjusted to maintain the same gross spread per \$1,000.

**TERM BONDS:** See "Term Bond Option" herein.

**INTEREST:** February 1, 2026 and semiannually thereafter.

**OPTIONAL REDEMPTION:** Bonds maturing on February 1, 2036 and thereafter are subject to call for prior optional redemption on February 1, 2035 or any date thereafter, at a price of par plus accrued interest to the date of optional redemption.

**MINIMUM PROPOSAL:** \$4,347,200.

**GOOD FAITH DEPOSIT:** A good faith deposit in the amount of \$88,000 shall be made by the winning bidder by wire transfer of funds.

**PAYING AGENT:** Bond Trust Services Corporation.

**BOND COUNSEL:** Kutak Rock LLP.

**MUNICIPAL ADVISOR:** Ehlers and Associates, Inc.

**BOOK-ENTRY-ONLY:** See "Book-Entry-Only System" herein (unless otherwise specified by the purchaser).

This Preliminary Official Statement and the information contained herein are subject to completion and amendment. These securities may not be sold nor may offers to buy be accepted prior to the time the Official Statement is delivered in final form. Under no circumstances shall this Preliminary Official Statement constitute an offer to sell or the solicitation of an offer to buy these securities nor shall there be any sale of these securities in any jurisdiction in which such offer, solicitation or sale would be unlawful prior to registration or qualification under the securities laws of any such jurisdiction. This Preliminary Official Statement is in a form deemed final as of its date for purposes of SEC Rule 15c2-12(b) (1), but is subject to revision, amendment and completion in a Final Official Statement.



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## REPRESENTATIONS

No dealer, broker, salesperson or other person has been authorized by the City to give any information or to make any representation other than those contained in this Preliminary Official Statement and, if given or made, such other information or representations must not be relied upon as having been authorized by the City. *This Preliminary Official Statement does not constitute an offer to sell or a solicitation of an offer to buy any of the Bonds in any jurisdiction to any person to whom it is unlawful to make such an offer or solicitation in such jurisdiction.*

This Preliminary Official Statement is not to be construed as a contract with the Underwriter (Syndicate Manager). Statements contained herein which involve estimates or matters of opinion are intended solely as such and are not to be construed as representations of fact. Ehlers and Associates, Inc. prepared this Preliminary Official Statement and any addenda thereto relying on information of the City and other sources for which there is reasonable basis for believing the information is accurate and complete. Bond Counsel has not participated in the preparation of this Preliminary Official Statement and is not expressing any opinion as to the completeness or accuracy of the information contained therein. Compensation of Ehlers and Associates, Inc., payable entirely by the City, is contingent upon the delivery of the Bonds.

## COMPLIANCE WITH S.E.C. RULE 15c2-12

Certain municipal obligations (issued in an aggregate amount over \$1,000,000) are subject to Rule 15c2-12 promulgated by the Securities and Exchange Commission pursuant to the Securities Exchange Act of 1934, as amended (the "Rule").

**Preliminary Official Statement:** This Preliminary Official Statement was prepared for the City for dissemination to potential investors. Its primary purpose is to disclose information regarding the Bonds to prospective underwriters in the interest of receiving competitive proposals in accordance with the sale notice contained herein. Unless an addendum is posted prior to the sale, this Preliminary Official Statement shall be deemed nearly final for purposes of the Rule subject to completion, revision and amendment in a Final Official Statement as defined below.

**Review Period:** This Preliminary Official Statement has been distributed to prospective bidders for review. Comments or requests for the correction of omissions or inaccuracies must be submitted to Ehlers and Associates, Inc. at least two business days prior to the sale. Requests for additional information or corrections in the Preliminary Official Statement received on or before this date will not be considered a qualification of a proposal received from an underwriter. If there are any changes, corrections or additions to the Preliminary Official Statement, interested bidders will be informed by an addendum prior to the sale.

**Final Official Statement:** Copies of the Final Official Statement will be delivered to the Underwriter (Syndicate Manager) within seven business days following the proposal acceptance.

**Continuing Disclosure:** Subject to certain exemptions, issues in an aggregate amount over \$1,000,000 may be required to comply with provisions of the Rule which require that underwriters obtain from the issuers of municipal securities (or other obligated party) an agreement for the benefit of the owners of the securities to provide continuing disclosure with respect to those securities. This Preliminary Official Statement describes the conditions under which the City is required to comply with the Rule.

## CLOSING CERTIFICATES

Upon delivery of the Bonds, the Underwriter (Syndicate Manager) will be furnished with the following items: (1) a certificate of the appropriate officials to the effect that at the time of the sale of the Bonds and all times subsequent thereto up to and including the time of the delivery of the Bonds, this Preliminary Official Statement did not and does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading; (2) a receipt signed by the appropriate officer evidencing payment for the Bonds; (3) a certificate evidencing the due execution of the Bonds, including statements that (a) no litigation of any nature is pending, or to the knowledge of signers, threatened, restraining or enjoining the issuance and delivery of the Bonds, (b) neither the corporate existence or boundaries of the City nor the title of the signers to their respective offices is being contested, and (c) no authority or proceedings for the issuance of the Bonds have been repealed, revoked or rescinded; and (4) a certificate setting forth facts and expectations of the City which indicates that the City does not expect to use the proceeds of the Bonds in a manner that would cause them to be arbitrage bonds within the meaning of Section 148 of the Internal Revenue Code of 1986, as amended, or within the meaning of applicable Treasury Regulations.

# TABLE OF CONTENTS

|                                               |    |                                             |     |
|-----------------------------------------------|----|---------------------------------------------|-----|
| INTRODUCTORY STATEMENT.....                   | 1  | TAX LEVIES, COLLECTIONS AND RATES .....     | 19  |
|                                               |    | TAX LEVIES AND COLLECTIONS .....            | 19  |
|                                               |    | TAX CAPACITY RATES .....                    | 20  |
| THE BONDS .....                               | 1  | THE ISSUER .....                            | 20  |
| GENERAL .....                                 | 1  | CITY GOVERNMENT.....                        | 20  |
| OPTIONAL REDEMPTION .....                     | 2  | EMPLOYEES; PENSIONS; UNIONS.....            | 21  |
| AUTHORITY; PURPOSE .....                      | 2  | POST EMPLOYMENT BENEFITS.....               | 21  |
| ESTIMATED SOURCES AND USES.....               | 2  | LITIGATION .....                            | 21  |
| SECURITY.....                                 | 2  | MUNICIPAL BANKRUPTCY.....                   | 22  |
| RATING .....                                  | 3  | FUNDS ON HAND.....                          | 22  |
| CONTINUING DISCLOSURE.....                    | 3  | ENTERPRISE FUNDS.....                       | 23  |
| LEGAL OPINION .....                           | 4  | SUMMARY GENERAL FUND INFORMATION.....       | 24  |
| TAX MATTERS.....                              | 4  | GENERAL INFORMATION .....                   | 25  |
| QUALIFIED TAX-EXEMPT OBLIGATIONS .....        | 6  | LOCATION .....                              | 25  |
| MUNICIPAL ADVISOR .....                       | 6  | LARGER EMPLOYERS .....                      | 25  |
| MUNICIPAL ADVISOR AFFILIATED COMPANIES.....   | 7  | BUILDING PERMITS .....                      | 26  |
| INDEPENDENT AUDITORS .....                    | 7  | U.S. CENSUS DATA .....                      | 26  |
| RISK FACTORS.....                             | 7  | EMPLOYMENT/UNEMPLOYMENT DATA.....           | 27  |
| VALUATIONS .....                              | 10 | FINANCIAL STATEMENTS.....                   | A-1 |
| OVERVIEW .....                                | 10 | FORM OF LEGAL OPINION .....                 | B-1 |
| CURRENT PROPERTY VALUATIONS.....              | 11 | BOOK-ENTRY-ONLY SYSTEM .....                | C-1 |
| 2024/25 NET TAX CAPACITY BY CLASSIFICATION .. | 12 | FORM OF CONTINUING DISCLOSURE UNDERTAKING.. | D-1 |
| TREND OF VALUATIONS.....                      | 12 | TERMS OF PROPOSAL .....                     | E-1 |
| LARGEST TAXPAYERS.....                        | 13 | PROPOSAL FORM                               |     |
| DEBT .....                                    | 13 |                                             |     |
| DIRECT DEBT .....                             | 13 |                                             |     |
| DEBT PAYMENT HISTORY .....                    | 14 |                                             |     |
| FUTURE FINANCING.....                         | 14 |                                             |     |
| DEBT LIMIT .....                              | 14 |                                             |     |
| SCHEDULES OF BONDED INDEBTEDNESS .....        | 15 |                                             |     |
| OVERLAPPING DEBT .....                        | 18 |                                             |     |
| DEBT RATIOS.....                              | 19 |                                             |     |

## **CITY OF FOREST LAKE CITY COUNCIL**

|               |                | <u>Term Expires</u> |
|---------------|----------------|---------------------|
| Blake Roberts | Mayor          | January 2027        |
| Leif Erickson | Council Member | January 2027        |
| Jeff Larson   | Council Member | January 2029        |
| Kevin Miller  | Council Member | January 2027        |
| Hanna Valento | Council Member | January 2029        |

## **ADMINISTRATION**

Mark Statz, City Administrator  
Jessica Hoard, Interim Finance Director

## **PROFESSIONAL SERVICES**

Eckberg Lammers, P.C., City Attorney, Stillwater, Minnesota

Kutak Rock LLP, Bond Counsel, Minneapolis, Minnesota

Ehlers and Associates, Inc., Municipal Advisors, Roseville, Minnesota  
*(Other office located in Waukesha, Wisconsin)*

# INTRODUCTORY STATEMENT

This Preliminary Official Statement contains certain information regarding the City of Forest Lake, Minnesota (the "City") and the issuance of its \$4,400,000\* General Obligation Street Reconstruction Plan Bonds, Series 2025A (the "Bonds"). Any descriptions or summaries of the Bonds, statutes, or documents included herein are not intended to be complete and are qualified in their entirety by reference to such statutes and documents and the form of the Bonds to be included in the resolution authorizing the issuance and sale of the Bonds ("Award Resolution") to be adopted by the City Council on May 12, 2025.

Inquiries may be directed to Ehlers and Associates, Inc. ("Ehlers" or the "Municipal Advisor"), Roseville, Minnesota, (651) 697-8500, the City's municipal advisor. A copy of this Preliminary Official Statement may be downloaded from Ehlers' web site at [www.ehlers-inc.com](http://www.ehlers-inc.com) by connecting to the Bond Sales link and following the directions at the top of the site.

## THE BONDS

### GENERAL

The Bonds will be issued in fully registered form as to both principal and interest in denominations of \$5,000 each or any integral multiple thereof, and will be dated, as originally issued, as of February 4, 2025. The Bonds will mature on February 1 in the years and amounts set forth on the cover of this Preliminary Official Statement. Interest will be payable on February 1 and August 1 of each year, commencing February 1, 2026, to the registered owners of the Bonds appearing of record in the bond register as of the close of business on the 15th day (whether or not a business day) of the immediately preceding month. Interest will be computed upon the basis of a 360-day year of twelve 30-day months and will be rounded pursuant to rules of the Municipal Securities Rulemaking Board ("MSRB"). **The rate for any maturity may not be more than 1.00% less than the rate for any preceding maturity. (For example, if a rate of 4.50% is proposed for the 2027 maturity, then the lowest rate that may be proposed for any later maturity is 3.50%.)** All Bonds of the same maturity must bear interest from the date of issue until paid at a single, uniform rate. Each rate must be expressed in an integral multiple of 5/100 or 1/8 of 1%.

Unless otherwise specified by the purchaser, the Bonds will be registered in the name of Cede & Co., as nominee for The Depository Trust Company, New York, New York ("DTC"). (See "Book-Entry-Only System" herein.) As long as the Bonds are held under the book-entry system, beneficial ownership interests in the Bonds may be acquired in book-entry form only, and all payments of principal of, premium, if any, and interest on the Bonds shall be made through the facilities of DTC and its participants. If the book-entry system is terminated, principal of, premium, if any, and interest on the Bonds shall be payable as provided in the Award Resolution.

The City has selected Bond Trust Services Corporation, Roseville, Minnesota ("BTSC"), to act as paying agent (the "Paying Agent"). BTSC and Ehlers are affiliate companies. The City will pay the charges for Paying Agent services. The City reserves the right to remove the Paying Agent and to appoint a successor.

\*Preliminary, subject to change.

## OPTIONAL REDEMPTION

At the option of the City, the Bonds maturing on or after February 1, 2036 shall be subject to optional redemption prior to maturity on February 1, 2035 or any date thereafter, at a price of par plus accrued interest to the date of optional redemption.

Redemption may be in whole or in part of the Bonds subject to prepayment. If redemption is in part, the selection of the amounts and maturities of the Bonds to be redeemed shall be at the discretion of the City. If only part of the Bonds having a common maturity date are called for redemption, then the City or Paying Agent, if any, will notify DTC of the particular amount of such maturity to be redeemed. DTC will determine by lot the amount of each participant's interest in such maturity to be redeemed and each participant will then select by lot the beneficial ownership interest in such maturity to be redeemed.

Notice of redemption shall be sent by mail not less than 30 days prior to the date fixed for redemption to the registered owner of each Bond to be redeemed at the address shown on the registration books.

## AUTHORITY; PURPOSE

The Bonds are being issued pursuant to Minnesota Statutes, Section 475.58, subd. 3b, and Minnesota Statutes, Chapter 475, as amended, by the City, to finance the reconstruction of a portion of the North Shore Trail within the City as described in the City's Street Reconstruction and Overlay Plan 2025-2029, dated March 24, 2025.

## ESTIMATED SOURCES AND USES\*

### Sources

|                      |                    |                    |
|----------------------|--------------------|--------------------|
| Par Amount of Bonds  | <u>\$4,400,000</u> |                    |
| <b>Total Sources</b> |                    | <b>\$4,400,000</b> |

### Uses

|                                       |              |                    |
|---------------------------------------|--------------|--------------------|
| Total Underwriter's Discount (1.200%) | \$52,800     |                    |
| Costs of Issuance                     | 74,000       |                    |
| Capitalized Interest                  | 118,449      |                    |
| Deposit to Construction Fund          | 4,150,000    |                    |
| Round Amount                          | <u>4,751</u> |                    |
| <b>Total Uses</b>                     |              | <b>\$4,400,000</b> |

\*Preliminary, subject to change.

## SECURITY

The Bonds will be general obligations of the City for which its full faith and credit and taxing powers are pledged without limitation as to rate or amount. In accordance with Minnesota Statutes, the City will levy each year an amount not less than 105% of the debt service requirements on the Bonds. In the event funds on hand for payment of principal and interest are at any time insufficient, the City is required to levy an additional ad valorem tax upon the taxable properties within its boundaries without limit as to rate or amount to make up any deficiency.

## **RATING**

General obligation debt of the City is currently rated "AA+"/Stable outlook by S&P Global Ratings ("S&P").

The City has requested an underlying rating on the Bonds from S&P, and bidders will be notified as to the assigned rating prior to the sale. Such rating reflects only the views of such organization and explanations of the significance of such rating may be obtained from S&P.

Generally, a rating agency bases its rating on the information and materials furnished to it and on investigations, studies and assumptions of its own. There is no assurance that such rating will continue for any given period of time or that it will not be revised downward or withdrawn entirely by such rating agency, if in the judgment of such rating agency circumstances so warrant. Any such downward revision or withdrawal of such rating may have an adverse effect on the market price of the Bonds.

Such rating is not to be construed as a recommendation of the rating agency to buy, sell or hold the Bonds, and the rating assigned by the rating agency should be evaluated independently. Except as may be required by the Disclosure Undertaking described under the heading "CONTINUING DISCLOSURE" neither the City nor the underwriter undertake responsibility to bring to the attention of the owner of the Bonds any proposed changes in or withdrawal of such rating or to oppose any such revision or withdrawal.

## **CONTINUING DISCLOSURE**

In order to assist brokers, dealers, and municipal securities dealers, in connection with their participation in the offering of the Bonds, to comply with Rule 15c2-12 promulgated by the Securities and Exchange Commission, pursuant to the Securities and Exchange Act of 1934, as amended (the "Rule"), the City shall agree to provide certain information to the Municipal Securities Rulemaking Board ("MSRB") through its Electronic Municipal Market Access ("EMMA") system, or any system that may be prescribed in the future. The Rule was last amended, effective February 27, 2019, to include an expanded list of material events.

On the date of issue and delivery of the Bonds, the City shall execute and deliver a Continuing Disclosure Certificate, under which the City will covenant for the benefit of holders including beneficial holders, to provide electronically, or in a manner otherwise prescribed, certain financial information annually and to provide notices of the occurrence of certain events enumerated in the Rule (the "Disclosure Undertaking"). The details and terms of the Disclosure Undertaking for the City are set forth in Appendix D. Such Disclosure Undertaking will be in substantially the form attached hereto.

A failure by the City to comply with any Disclosure Undertaking will not constitute an event of default on the Bonds. However, such a failure may adversely affect the transferability and liquidity of the Bonds and their market price.

In the previous five years, the City believes it has not failed to comply in all material respects with its prior undertakings under the Rule. The City has reviewed its continuing disclosure responsibilities along with any changes to the Rule, to ensure compliance. Ehlers is currently engaged as dissemination agent for the City.

## LEGAL OPINION

An opinion as to the validity of the Bonds and the exemption from taxation of the interest thereon will be furnished by Kutak Rock LLP, Minneapolis, Minnesota, Bond Counsel to the City ("Bond Counsel"), and will be available at the time of delivery of the Bonds. The legal opinion will state that the Bonds are valid and binding general obligations of the City; provided that the rights of the owners of the Bonds and the enforceability of the Bonds may be limited by bankruptcy, insolvency, reorganization, moratorium, and other similar laws affecting creditors' rights and by equitable principles (which may be applied in either a legal or equitable proceeding). See "FORM OF LEGAL OPINION" found in Appendix B.

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

## TAX MATTERS

**General Matters.** In the opinion of Kutak Rock LLP, Bond Counsel, under existing laws, regulations, rulings and judicial decisions, interest on the Bonds (including any original issue discount properly allocable to the owner of a Bond) is excludable from gross income for federal income tax purposes and is not a specific preference item for purposes of the federal alternative minimum tax imposed on individuals. The opinion described above assumes the accuracy of certain representations and compliance by the City with covenants designed to satisfy the requirements of the Code that must be met subsequent to the issuance of the Bonds. Failure to comply with such requirements could cause interest on the Bonds to be included in gross income for federal income tax purposes retroactive to the date of issuance of the Bonds. The City has covenanted to comply with such requirements. Bond Counsel has expressed no opinion regarding other federal tax consequences arising with respect to the Bonds. Interest on the Bonds may affect the federal alternative minimum tax imposed on certain corporations.

The accrual or receipt of interest on the Bonds may otherwise affect the federal income tax liability of the owners of the Bonds. The extent of these other tax consequences will depend on such owners' particular tax status and other items of income or deduction. Bond Counsel has expressed no opinion regarding any such consequences.

Purchasers of the Bonds, particularly purchasers that are corporations (including S corporations, foreign corporations operating branches in the United States of America, and certain corporations subject to the alternative minimum tax imposed on corporations), property or casualty insurance companies, banks, thrifts or other financial institutions, certain recipients of social security or railroad retirement benefits, taxpayers entitled to claim the earned income credit, taxpayers entitled to claim the refundable credit in Section 36B of the Code for coverage under a qualified health plan or taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry tax-exempt obligations, should consult their tax advisors as to the tax consequences of purchasing or owning the Bonds.

Bond Counsel is also of the opinion that, under existing State of Minnesota statutes and to the extent of the aforementioned federal income tax exclusion, interest on the Bonds is excludable from taxable net income of individuals, trusts, and estates for Minnesota income tax purposes, and is not a specific preference item for purpose of the Minnesota alternative minimum tax applicable to individuals, trusts and estates. However, such interest is subject to Minnesota franchise taxes on certain corporations (including financial institutions) measured by income. Bond Counsel has expressed no opinion regarding other tax consequences arising with respect to the Bonds under the laws of the State of Minnesota or any other state or jurisdiction.

A copy of the form of opinion of Bond Counsel is attached hereto as Appendix B.



**Original Issue Discount.** The Bonds that have an original yield above their respective interest rates, as shown on the cover of this Official Statement (collectively, the "Discount Bonds"), are being sold at an original issue discount. The difference between the initial public offering prices of such Discount Bonds and their stated amounts to be paid at maturity (excluding "qualified stated interest" within the meaning of Section 1.1273-1 of the Regulations) constitutes original issue discount treated in the same manner for federal income tax purposes as interest, as described above.

The amount of original issue discount that is treated as having accrued with respect to a Discount Bond is added to the cost basis of the owner of the bond in determining, for federal income tax purposes, gain or loss upon disposition of such Discount Bond (including its sale, redemption or payment at maturity). Amounts received on disposition of such Discount Bond that are attributable to accrued or otherwise recognized original issue discount will be treated as tax-exempt interest, rather than as taxable gain, for federal income tax purposes.

Original issue discount is treated as compounding semiannually, at a rate determined by reference to the yield to maturity of each individual Discount Bond, on days that are determined by reference to the maturity date of such Discount Bond. The amount treated as original issue discount on such Discount Bond for a particular semiannual accrual period is equal to (a) the product of (i) the yield to maturity for such Discount Bond (determined by compounding at the close of each accrual period) and (ii) the amount that would have been the tax basis of such Discount Bond at the beginning of the particular accrual period if held by the original purchaser, less (b) the amount of any interest payable for such Discount Bond during the accrual period. The tax basis for purposes of the preceding sentence is determined by adding to the initial public offering price on such Discount Bond the sum of the amounts that have been treated as original issue discount for such purposes during all prior periods. If such Discount Bond is sold between semiannual compounding dates, original issue discount that would have been accrued for that semiannual compounding period for federal income tax purposes is to be apportioned in equal amounts among the days in such compounding period.

Owners of Discount Bonds should consult their tax advisors with respect to the determination and treatment of original issue discount accrued as of any date and with respect to the state and local tax consequences of owning a Discount Bond. Subsequent purchasers of Discount Bonds that purchase such bonds for a price that is higher or lower than the "adjusted issue price" of the bonds at the time of purchase should consult their tax advisors as to the effect on the accrual of original issue discount.

**Original Issue Premium.** The Bonds that have an original yield below their respective interest rates, as shown on the cover of this Official Statement (collectively, the "Premium Bonds"), are being sold at a premium. An amount equal to the excess of the issue price of a Premium Bond over its stated redemption price at maturity constitutes premium on such Premium Bond. A purchaser of a Premium Bond must amortize any premium over such Premium Bond's term using constant yield principles, based on the purchaser's yield to maturity (or, in the case of Premium Bonds callable prior to their maturity, generally by amortizing the premium to the call date, based on the purchaser's yield to the call date and giving effect to any call premium). As premium is amortized, the amount of the amortization offsets a corresponding amount of interest for the period, and the purchaser's basis in such Premium Bond is reduced by a corresponding amount resulting in an increase in the gain (or decrease in the loss) to be recognized for federal income tax purposes upon a sale or disposition of such Premium Bond prior to its maturity. Even though the purchaser's basis may be reduced, no federal income tax deduction is allowed. Purchasers of the Premium Bonds should consult their tax advisors with respect to the determination and treatment of premium for federal income tax purposes and with respect to the state and local tax consequences of owning a Premium Bond.

**Bank Qualified.** The City has represented that it does not reasonably anticipate issuing greater than \$10,000,000 of tax-exempt obligations in calendar year 2025 (excluding certain private activity and refunding bonds) and that it has designated the Bonds as "qualified tax-exempt obligations" within the meaning of Section 265(b)(3) of the Code. Accordingly, assuming the accuracy of such representations, in the case of certain banks, thrift institutions or other financial institutions owning the Bonds, a deduction is allowed for 80 percent of that portion of such institutions' interest expense allocable to interest on such bonds. Bond Counsel has expressed no opinion with respect to any deduction for federal tax law purposes of interest on indebtedness incurred or continued by an owner of the Bonds or a related person to purchase or carry such bonds.

## **Backup Withholding**

An owner of a Bond may be subject to backup withholding at the applicable rate determined by statute with respect to interest paid with respect to the Bonds if such owner fails to provide to any person required to collect such information pursuant to Section 6049 of the Code with such owner's taxpayer identification number, furnishes an incorrect taxpayer identification number, fails to report interest, dividends or other "reportable payments" (as defined in the Code) properly, or, under certain circumstances, fails to provide such persons with a certified statement, under penalty of perjury, that such owner is not subject to backup withholding.

## **Changes in Federal and State Tax Law**

From time to time, there are legislative proposals in the Congress and in the states that, if enacted, could alter or amend the federal and state tax matters referred to under this heading "TAX MATTERS" or adversely affect the market value of the Bonds. It cannot be predicted whether or in what form any such proposal might be enacted or whether if enacted it would apply to bonds issued prior to enactment. In addition, regulatory actions are from time to time announced or proposed and litigation is threatened or commenced which, if implemented or concluded in a particular manner, could adversely affect the market value of the Bonds. It cannot be predicted whether any such regulatory action will be implemented, how any particular litigation or judicial action will be resolved, or whether the Bonds or the market value thereof would be impacted thereby. Purchasers of the Bonds should consult their tax advisors regarding any pending or proposed legislation, regulatory initiatives or litigation. The opinions expressed by Bond Counsel are based on existing legislation and regulations as interpreted by relevant judicial and regulatory authorities as of the date of issuance and delivery of the Bonds, and Bond Counsel has expressed no opinion as of any date subsequent thereto or with respect to any pending legislation, regulatory initiatives or litigation.

**Prospective purchasers of the Bonds are advised to consult their own tax advisors prior to any purchase of the Bonds as to the impact of the Code upon their acquisition, holding or disposition of the Bonds.**

## **QUALIFIED TAX-EXEMPT OBLIGATIONS**

The Bonds shall be designated as "qualified tax-exempt obligations" for purposes of Section 265(b)(3) of the Code relating to the ability of financial institutions to deduct from income for federal income tax purposes, interest expense that is allocable to carrying and acquiring tax-exempt obligations.

## **MUNICIPAL ADVISOR**

Ehlers has served as municipal advisor to the City in connection with the issuance of the Bonds. The Municipal Advisor cannot participate in the underwriting of the Bonds. The financial information included in this Preliminary Official Statement has been compiled by the Municipal Advisor. Such information does not purport to be a review, audit or certified forecast of future events and may not conform with accounting principles applicable to compilations of financial information. Ehlers is not a firm of certified public accountants. Ehlers is registered with the Securities and Exchange Commission and the MSRB as a municipal advisor. Ehlers makes no representation, warranty or guarantee regarding the accuracy or completeness of the information in this Preliminary Official Statement, and its assistance in preparing this Preliminary Official Statement should not be construed as a representation that it has independently verified such information.

## **MUNICIPAL ADVISOR AFFILIATED COMPANIES**

BTSC and Ehlers Investment Partners, LLC ("EIP") are affiliate companies of Ehlers. BTSC is chartered by the State of Minnesota and authorized in Minnesota, Wisconsin, Colorado, and Illinois to transact the business of a limited purpose trust company. BTSC provides paying agent services to debt issuers. EIP is a Registered Investment Advisor with the Securities and Exchange Commission. EIP assists issuers with the investment of bond proceeds or investing other issuer funds. This includes escrow bidding agent services. Issuers, such as the City, have retained or may retain BTSC and/or EIP to provide these services. If hired, BTSC and/or EIP would be retained by the City under an agreement separate from Ehlers.

## **INDEPENDENT AUDITORS**

The basic financial statements of the City for the fiscal year ended December 31, 2023 have been audited by BerganKDV, Ltd., Minneapolis, Minnesota, independent auditors (the "Auditor"). The report of the Auditor, together with the basic financial statements, component units financial statements, and notes to the financial statements are attached hereto as "APPENDIX A – FINANCIAL STATEMENTS". The Auditor has not been engaged to perform and has not performed, since the date of its report included herein, any procedures on the financial statements addressed in that report. The Auditor also has not performed any procedures relating to this Preliminary Official Statement.

## **RISK FACTORS**

The following is a description of possible risks to holders of the Bonds without weighting as to probability. This description of risks is not intended to be all-inclusive, and there may be other risks not now perceived or listed here.

**Taxes:** The Bonds will be general obligations of the City, the ultimate payment of which rests in the City's ability to levy and collect sufficient taxes to pay debt service. In the event of delayed billing, collection or distribution of property taxes, sufficient funds may not be available to the City in time to pay debt service when due.

**State Actions:** Many elements of local government finance, including the issuance of debt and the levy of property taxes, are controlled by state government. Future actions of the State of Minnesota (the "State") may affect the overall financial condition of the City, the taxable value of property within the City, and the ability of the City to levy and collect property taxes.

**Future Changes in Law:** Various State and federal laws, regulations and constitutional provisions apply to the City and to the Bonds. The City can give no assurance that there will not be a change in or interpretation of any such applicable laws, regulations and provisions which would have a material effect on the City or the taxing authority of the City.

**Ratings; Interest Rates:** In the future, the City's credit rating may be reduced or withdrawn, or interest rates for this type of obligation may rise generally, either possibility resulting in a reduction in the value of the Bonds for resale prior to maturity.

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

**Continuing Disclosure:** A failure by the City to comply with the Disclosure Undertaking for continuing disclosure (see "CONTINUING DISCLOSURE") will not constitute an event of default on the Bonds. Any such failure must be reported in accordance with the Rule and must be considered by any broker, dealer, or municipal securities dealer before recommending the purchase or sale of the Bonds in the secondary market. Such a failure may adversely affect the transferability and liquidity of the Bonds and their market price.

**Levy Limits:** The State Legislature has periodically imposed limitations on the ability of municipalities to levy property taxes. While these limitations have expired, the potential exists for future legislation to limit the ability of local governments to levy property taxes. All previous limitations have not limited the ability to levy for the payment of debt service on bonded indebtedness. For more detailed information about Minnesota levy limits, contact the Minnesota Department of Revenue or Ehlers and Associates.

**State Economy; State Aids:** State of Minnesota cash flow problems could affect local governments and possibly increase property taxes.

**Book-Entry-Only System:** The timely credit of payments for principal and interest on the Bonds to the accounts of the Beneficial Owners of the Bonds may be delayed due to the customary practices, standing instructions or for other unknown reasons by DTC participants or indirect participants. Since the notice of redemption or other notices to holders of these obligations will be delivered by the City to DTC only, there may be a delay or failure by DTC, DTC participants or indirect participants to notify the Beneficial Owners of the Bonds.

**Economy:** A combination of economic, climatic, political or civil disruptions or terrorist actions outside of the control of the City, including loss of major taxpayers or major employers, could affect the local economy and result in reduced tax collections and/or increased demands upon local government. Real or perceived threats to the financial stability of the City may have an adverse effect on the value of the Bonds in the secondary market.

**Secondary Market for the Bonds:** No assurance can be given that a secondary market will develop for the purchase and sale of the Bonds or, if a secondary market exists, that such Bonds can be sold for any particular price. The underwriters are not obligated to engage in secondary market trading or to repurchase any of the Bonds at the request of the owners thereof. Prices of the Bonds as traded in the secondary market are subject to adjustment upward and downward in response to changes in the credit markets and other prevailing circumstances. No guarantee exists as to the future market value of the Bonds. Such market value could be substantially different from the original purchase price.

**Bankruptcy:** The rights and remedies of the holders may be limited by and are subject to the provisions of federal bankruptcy laws, to other laws, or equitable principles that may affect the enforcement of creditors' rights, to the exercise of judicial discretion in appropriate cases and to limitations on legal remedies against local governments. The opinion of Bond Counsel to be delivered with respect to the Bonds will be similarly qualified.

**Cybersecurity:** The City is dependent on electronic information technology systems to deliver services. These systems may contain sensitive information or support critical operational functions which may have value for unauthorized purposes. As a result, the electronic systems and networks may be targets of cyberattack. There can be no assurance that the City will not experience an information technology breach or attack with financial consequences that could have a material adverse impact.

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

# VALUATIONS

## OVERVIEW

All non-exempt property is subject to taxation by local taxing districts. Exempt real property includes Indian lands, public property, and educational, religious and charitable institutions. Most personal property is exempt from taxation (except investor-owned utility mains, generating plants, etc.).

The valuation of property in Minnesota consists of three elements. (1) The estimated market value is set by city or county assessors. Not less than 20% of all real properties are to be appraised by local assessors each year. (2) The taxable market value is the estimated market value adjusted by all legislative exclusions. (3) The tax capacity (taxable) value of property is determined by class rates set by the State Legislature. The tax capacity rate varies according to the classification of the property. Tax capacity represents a percent of taxable market value.

The property tax rate for a local taxing jurisdiction is determined by dividing the total tax capacity or market value of property within the jurisdiction into the dollars to be raised from the levy. State law determines whether a levy is spread on tax capacity or market value. Major classifications and the percentages by which tax capacity is determined are:

| Type of Property                           | 2022/23                                                                                                                                                                                                        | 2023/24                                                                                                                                                                                                        | 2024/25                                                                                                                                                            |
|--------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Residential homestead <sup>1</sup>         | First \$500,000 - 1.00%<br>Over \$500,000 - 1.25%                                                                                                                                                              | First \$500,000 - 1.00%<br>Over \$500,000 - 1.25%                                                                                                                                                              | First \$500,000 - 1.00%<br>Over \$500,000 - 1.25%                                                                                                                  |
| Agricultural homestead <sup>1</sup>        | First \$500,000 HGA - 1.00%<br>Over \$500,000 HGA - 1.25%<br>First \$1,900,000 - 0.50% <sup>2</sup><br>Over \$1,900,000 - 1.00% <sup>2</sup>                                                                   | First \$500,000 HGA - 1.00%<br>Over \$500,000 HGA - 1.25%<br>First \$1,890,000 - 0.50% <sup>2</sup><br>Over \$1,890,000 - 1.00% <sup>2</sup>                                                                   | First \$500,000 HGA - 1.00%<br>Over \$500,000 HGA - 1.25%<br>First \$2,150,000 - 0.50% <sup>2</sup><br>Over \$2,150,000 - 1.00% <sup>2</sup>                       |
| Agricultural non-homestead                 | Land - 1.00% <sup>2</sup>                                                                                                                                                                                      | Land - 1.00% <sup>2</sup>                                                                                                                                                                                      | Land - 1.00% <sup>2</sup>                                                                                                                                          |
| Seasonal recreational residential          | First \$500,000 - 1.00% <sup>3</sup><br>Over \$500,000 - 1.25% <sup>3</sup>                                                                                                                                    | First \$500,000 - 1.00% <sup>3</sup><br>Over \$500,000 - 1.25% <sup>3</sup>                                                                                                                                    | First \$500,000 - 1.00% <sup>3</sup><br>Over \$500,000 - 1.25% <sup>3</sup>                                                                                        |
| Residential non-homestead:                 | 1 unit - 1st \$500,000 - 1.00%<br>Over \$500,000 - 1.25%<br>2-3 units - 1.25%<br>4 or more - 1.25%<br>Small City <sup>4</sup> - 1.25%<br>Affordable Rental:<br>First \$174,000 - .75%<br>Over \$174,000 - .25% | 1 unit - 1st \$500,000 - 1.00%<br>Over \$500,000 - 1.25%<br>2-3 units - 1.25%<br>4 or more - 1.25%<br>Small City <sup>4</sup> - 1.25%<br>Affordable Rental:<br>First \$100,000 - .75%<br>Over \$100,000 - .25% | 1 unit - 1st \$500,000 - 1.00%<br>Over \$500,000 - 1.25%<br>2-3 units - 1.25%<br>4 or more - 1.25%<br>Small City <sup>4</sup> - 1.25%<br>Affordable Rental: - .25% |
| Industrial/Commercial/Utility <sup>5</sup> | First \$150,000 - 1.50%<br>Over \$150,000 - 2.00%                                                                                                                                                              | First \$150,000 - 1.50%<br>Over \$150,000 - 2.00%                                                                                                                                                              | First \$150,000 - 1.50%<br>Over \$150,000 - 2.00%                                                                                                                  |

<sup>1</sup> A residential property qualifies as "homestead" if it is occupied by the owner or a relative of the owner on the assessment date.

<sup>2</sup> Applies to land and buildings. Exempt from referendum market value tax.

<sup>3</sup> Exempt from referendum market value tax.

<sup>4</sup> Cities of 5,000 population or less and located entirely outside the seven-county metropolitan area and the adjacent nine-county area and whose boundaries are 15 miles or more from the boundaries of a Minnesota city with a population of over 5,000.

<sup>5</sup> The estimated market value of utility property is determined by the Minnesota Department of Revenue.

## CURRENT PROPERTY VALUATIONS

|                                                    |                                                  |
|----------------------------------------------------|--------------------------------------------------|
| <b>2023/24 Economic Market Value<sup>1</sup></b>   | <b><u><u>\$3,662,896,510<sup>2</sup></u></u></b> |
| <b>2024/25 Assessor's Estimated Market Value</b>   |                                                  |
|                                                    | <b>Total</b>                                     |
| Real Estate                                        | \$3,600,568,900                                  |
| Personal Property                                  | <u>17,461,400</u>                                |
| Total Valuation                                    | <u><u>\$3,618,030,300</u></u>                    |
| <b>2024/25 Net Tax Capacity</b>                    |                                                  |
|                                                    | <b>Total</b>                                     |
| Real Estate                                        | \$39,342,414                                     |
| Personal Property                                  | <u>331,314</u>                                   |
| Net Tax Capacity                                   | \$39,673,728                                     |
| Less:                                              |                                                  |
| Captured Tax Increment Tax Capacity <sup>3</sup>   | (515,772)                                        |
| Fiscal Disparities Contribution <sup>4</sup>       | (2,800,127)                                      |
| Power Line Adjustment <sup>5</sup>                 | <u>(142)</u>                                     |
| Taxable Net Tax Capacity                           | \$36,357,687                                     |
| Plus: Fiscal Disparities Distribution <sup>4</sup> | <u>3,918,337</u>                                 |
| Adjusted Taxable Net Tax Capacity                  | <u><u>\$40,276,024</u></u>                       |

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<sup>1</sup> Most recent value available from Minnesota Department of Revenue.

<sup>2</sup> According to the Minnesota Department of Revenue, the 2023/24 Assessor's Estimated Market Value (the "AEMV") for the City was about 96.59% of the actual selling prices of property sold in the City located in Washington County. The sales ratio was calculated by comparing the selling prices with the AEMV. Dividing the AEMV of real estate by the sales ratio and adding the AEMV of personal property and utility, railroads and minerals, if any, results in a 2023/24 Economic Market Value ("EMV") for the City of \$3,662,896,510.

<sup>3</sup> The captured tax increment value shown above represents the captured net tax capacity of tax increment financing districts located in the District.

<sup>4</sup> Each community in the seven-county metropolitan area contributes 40% of the growth in its commercial-industrial property tax base to an area pool which is then distributed among the municipalities on the basis of population, special needs, etc. Each governmental unit makes a contribution and receives a distribution--sometimes gaining and sometimes contributing net tax capacity for tax purposes.

<sup>5</sup> Ten percent of the net tax capacity of certain high voltage transmission lines is removed when setting local tax rates. However, taxes are paid on the full value of these lines. The taxes attributable to 10% of value of these lines are used to fund a power line credit. Certain property owners receive a credit when the high voltage transmission line runs over their property.

## 2024/25 NET TAX CAPACITY BY CLASSIFICATION

|                                        | <b>2024/25<br/>Net Tax Capacity</b> | <b>Percent of Total<br/>Net Tax Capacity</b> |
|----------------------------------------|-------------------------------------|----------------------------------------------|
| Residential homestead                  | \$24,399,584                        | 61.50%                                       |
| Agriculture                            | 501,831                             | 1.26%                                        |
| Commercial/industrial                  | 6,969,993                           | 17.57%                                       |
| Public utility                         | 6,165                               | 0.02%                                        |
| Non-homestead residential              | 7,166,263                           | 18.06%                                       |
| Commercial & residential seasonal/rec. | 298,578                             | 0.75%                                        |
| Personal property                      | 331,314                             | 0.84%                                        |
|                                        | <u>331,314</u>                      | <u>0.84%</u>                                 |
| <br>Total                              | <br><u><u>\$39,673,728</u></u>      | <br><u><u>100.00%</u></u>                    |

## TREND OF VALUATIONS

| <b>Levy<br/>Year</b> | <b>Assessor's<br/>Estimated<br/>Market Value</b> | <b>Assessor's<br/>Taxable<br/>Market Value</b> | <b>Net Tax<br/>Capacity<sup>1</sup></b> | <b>Adjusted<br/>Taxable<br/>Net Tax<br/>Capacity<sup>2</sup></b> | <b>Percent +/- in<br/>Estimated<br/>Market Value</b> |
|----------------------|--------------------------------------------------|------------------------------------------------|-----------------------------------------|------------------------------------------------------------------|------------------------------------------------------|
| 2020/21              | \$2,511,141,000                                  | \$2,418,267,600                                | \$27,246,999                            | \$28,193,557                                                     | 3.66%                                                |
| 2021/22              | 2,641,356,500                                    | 2,550,416,600                                  | 28,848,769                              | 29,986,047                                                       | 5.19%                                                |
| 2022/23              | 3,271,722,200                                    | 3,199,026,500                                  | 25,759,208                              | 36,491,308                                                       | 23.87%                                               |
| 2023/24              | 3,536,494,100                                    | 3,468,370,000                                  | 39,297,363                              | 39,951,212                                                       | 8.09%                                                |
| 2024/25              | 3,618,568,900                                    | 3,515,119,700                                  | 39,673,728                              | 40,276,024                                                       | 2.32%                                                |

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<sup>1</sup> Net Tax Capacity is before fiscal disparity contributions and includes tax increment and power line values.

<sup>2</sup> Adjusted Taxable Net Tax Capacity is after fiscal disparity distributions and does not include tax increment or power line values.

**LARGEST TAXPAYERS**

| <b>Taxpayer</b>                | <b>Type of Property</b> | <b>2024/25<br/>Net Tax Capacity</b> | <b>Percent of City's<br/>Total Net Tax<br/>Capacity</b> |
|--------------------------------|-------------------------|-------------------------------------|---------------------------------------------------------|
| Village Apartments MN LLC      | Apartments              | \$414,435                           | 1.04%                                                   |
| WM Forest Lake MN LLC          | Commercial              | 318,256                             | 0.80%                                                   |
| Lighthouse Lofts LLC           | Apartments              | 317,735                             | 0.80%                                                   |
| Inland Forest Lake Marketplace | Commercial              | 266,906                             | 0.67%                                                   |
| Encore Apartments LLC          | Apartments              | 260,241                             | 0.66%                                                   |
| Xcel Energy                    | Utility                 | 249,442                             | 0.63%                                                   |
| Target Corp                    | Commercial              | 247,172                             | 0.62%                                                   |
| MN-Forest Westlake LLC         | Commercial              | 217,584                             | 0.55%                                                   |
| TMI LLC                        | Commercial              | 209,854                             | 0.53%                                                   |
| Menard Inc.                    | Commercial              | <u>206,186</u>                      | <u>0.52%</u>                                            |
| <b>Total</b>                   |                         | <b>\$2,707,811</b>                  | <b>6.83%</b>                                            |

City's Total 2024/25 Net Tax Capacity \$39,673,728

**Source:** Current Property Valuations, Net Tax Capacity by Classification, Trend of Valuations and Largest Taxpayers have been furnished by Washington County.

**DEBT**

**DIRECT DEBT<sup>1</sup>**

**General Obligation Debt (see schedules following)**

|                                                        |                            |
|--------------------------------------------------------|----------------------------|
| Total G.O. debt secured by tax abatement revenues      | \$5,090,000                |
| Total G.O. debt secured by taxes (includes the Bonds)* | 19,765,000                 |
| Total G.O. debt secured by utility revenues            | 10,690,000                 |
| Total General Obligation Debt*                         | <u><u>\$35,545,000</u></u> |

\*Preliminary, subject to change.

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<sup>1</sup> Outstanding debt is as of the dated date of the Bonds.



## DEBT PAYMENT HISTORY

The City has no record of default in the payment of principal and interest on its debt.

## FUTURE FINANCING

The City has no current plans for additional financing in the next 12 months.

## DEBT LIMIT

The statutory limit on net debt of Minnesota municipalities other than school districts or cities of the first class (Minnesota Statutes, Section 475.53, subd. 1, as amended) is 3% of the Assessor's Estimated Market Value of all taxable property within its boundaries. "Net debt" means the amount remaining after deducting from gross debt the amount of current revenues which are applicable within the current fiscal year to the payment of any debt and the aggregate principal of certain obligations enumerated under Minnesota Statutes, Section 475.51, subd.4, including the following: (1) obligations issued for improvements payable wholly or partly from special assessments levied against benefitted property; (2) warrants or orders having no definite or fixed maturity; (3) obligations payable wholly from the income of revenue producing conveniences; (4) obligations issued to create or maintain a permanent improvement revolving fund; (5) obligations issued to finance any revenue producing public convenience; (6) funds held as sinking funds for payment of principal and interest on debt other than those deductible under Minnesota Statutes, Section 475.51, subd. 4, as amended; (7) obligations to repay energy conservation investment loans under Minnesota Statutes, Section 216C.37; (8) obligations issued to pay certain postemployment benefit liabilities; (9) obligations issued to pay certain judgments against the City; and (10) all other obligations which are not to be included in computing the net debt of a municipality under the provisions of the law authorizing their issuance.

|                                                                                        |                            |
|----------------------------------------------------------------------------------------|----------------------------|
| 2024/25 Assessor's Estimated Market Value                                              | \$3,618,568,900            |
| Multiply by 3%                                                                         | <u>0.03</u>                |
| Statutory Debt Limit                                                                   | \$108,557,067              |
| Less: Long-Term Debt Outstanding Being Paid Solely from Taxes<br>(includes the Bonds)* | <u>(19,765,000)</u>        |
| Unused Debt Limit*                                                                     | <u><u>\$88,792,067</u></u> |

\*Preliminary, subject to change.

City of Forest Lake, Minnesota  
 Schedule of Bonded Indebtedness  
 General Obligation Debt Secured by Tax Abatement Revenues  
 (As of 06/05/2025)

| Tax Abatement Bonds<br>Series 2014A |             |          |                 |                |             |                       |         |                    |
|-------------------------------------|-------------|----------|-----------------|----------------|-------------|-----------------------|---------|--------------------|
| Dated                               | 10/30/2014  |          |                 |                |             |                       |         |                    |
| Amount                              | \$8,895,000 |          |                 |                |             |                       |         |                    |
| Maturity                            | 02/01       |          |                 |                |             |                       |         |                    |
| Fiscal Year Ending                  | Principal   | Interest | Total Principal | Total Interest | Total P & I | Principal Outstanding | % Paid  | Fiscal Year Ending |
| 2025                                | 0           | 76,906   | 0               | 76,906         | 76,906      | 5,090,000             | .00%    | 2025               |
| 2026                                | 445,000     | 148,250  | 445,000         | 148,250        | 593,250     | 4,645,000             | 8.74%   | 2026               |
| 2027                                | 460,000     | 136,363  | 460,000         | 136,363        | 596,363     | 4,185,000             | 17.78%  | 2027               |
| 2028                                | 470,000     | 123,575  | 470,000         | 123,575        | 593,575     | 3,715,000             | 27.01%  | 2028               |
| 2029                                | 485,000     | 109,838  | 485,000         | 109,838        | 594,838     | 3,230,000             | 36.54%  | 2029               |
| 2030                                | 500,000     | 95,063   | 500,000         | 95,063         | 595,063     | 2,730,000             | 46.37%  | 2030               |
| 2031                                | 515,000     | 79,838   | 515,000         | 79,838         | 594,838     | 2,215,000             | 56.48%  | 2031               |
| 2032                                | 530,000     | 64,163   | 530,000         | 64,163         | 594,163     | 1,685,000             | 66.90%  | 2032               |
| 2033                                | 545,000     | 47,356   | 545,000         | 47,356         | 592,356     | 1,140,000             | 77.60%  | 2033               |
| 2034                                | 560,000     | 29,400   | 560,000         | 29,400         | 589,400     | 580,000               | 88.61%  | 2034               |
| 2035                                | 580,000     | 10,150   | 580,000         | 10,150         | 590,150     | 0                     | 100.00% | 2035               |
|                                     | 5,090,000   | 920,900  | 5,090,000       | 920,900        | 6,010,900   |                       |         |                    |

**City of Forest Lake, Minnesota**  
**Schedule of Bonded Indebtedness**  
**General Obligation Debt Secured by Taxes**  
**(As of 06/05/2025)**

|                    | Street Reconstruction & Refunding Bonds 1) Series 2019A |           | Equipment Certificates Series 2024A |          | Street Reconstruction Plan Bonds Series 2025A |                    |                 |                |             |                       |         |                    |
|--------------------|---------------------------------------------------------|-----------|-------------------------------------|----------|-----------------------------------------------|--------------------|-----------------|----------------|-------------|-----------------------|---------|--------------------|
| Dated Amount       | 12/12/2019<br>\$19,225,000                              |           | 08/15/2024<br>\$2,205,000           |          | 06/05/2025<br>\$4,400,000*                    |                    |                 |                |             |                       |         |                    |
| Maturity           | 02/01                                                   |           | 02/01                               |          | 02/01                                         |                    |                 |                |             |                       |         |                    |
| Fiscal Year Ending | Principal                                               | Interest  | Principal                           | Interest | Principal                                     | Estimated Interest | Total Principal | Total Interest | Total P & I | Principal Outstanding | % Paid  | Fiscal Year Ending |
| 2025               | 0                                                       | 277,675   | 0                                   | 98,418   | 0                                             | 0                  | 0               | 376,093        | 376,093     | 19,765,000            | .00%    | 2025               |
| 2026               | 1,175,000                                               | 525,975   | 135,000                             | 99,025   | 0                                             | 208,792            | 1,310,000       | 833,792        | 2,143,792   | 18,455,000            | 6.63%   | 2026               |
| 2027               | 1,235,000                                               | 465,725   | 190,000                             | 90,900   | 220,000                                       | 176,670            | 1,645,000       | 733,295        | 2,378,295   | 16,810,000            | 14.95%  | 2027               |
| 2028               | 1,295,000                                               | 402,475   | 200,000                             | 81,150   | 230,000                                       | 168,400            | 1,725,000       | 652,025        | 2,377,025   | 15,085,000            | 23.68%  | 2028               |
| 2029               | 1,360,000                                               | 336,100   | 205,000                             | 71,025   | 240,000                                       | 159,645            | 1,805,000       | 566,770        | 2,371,770   | 13,280,000            | 32.81%  | 2029               |
| 2030               | 1,430,000                                               | 266,350   | 220,000                             | 60,400   | 245,000                                       | 150,429            | 1,895,000       | 477,179        | 2,372,179   | 11,385,000            | 42.40%  | 2030               |
| 2031               | 1,500,000                                               | 200,600   | 230,000                             | 49,150   | 255,000                                       | 140,740            | 1,985,000       | 390,490        | 2,375,490   | 9,400,000             | 52.44%  | 2031               |
| 2032               | 1,565,000                                               | 139,300   | 240,000                             | 37,400   | 265,000                                       | 130,534            | 2,070,000       | 307,234        | 2,377,234   | 7,330,000             | 62.91%  | 2032               |
| 2033               | 1,625,000                                               | 83,625    | 250,000                             | 26,400   | 275,000                                       | 119,800            | 2,150,000       | 229,825        | 2,379,825   | 5,180,000             | 73.79%  | 2033               |
| 2034               | 1,670,000                                               | 34,200    | 260,000                             | 16,200   | 285,000                                       | 108,529            | 2,215,000       | 158,929        | 2,373,929   | 2,965,000             | 85.00%  | 2034               |
| 2035               | 305,000                                                 | 4,575     | 275,000                             | 5,500    | 300,000                                       | 96,533             | 880,000         | 106,608        | 986,608     | 2,085,000             | 89.45%  | 2035               |
| 2036               |                                                         |           |                                     |          | 310,000                                       | 83,798             | 310,000         | 83,798         | 393,798     | 1,775,000             | 91.02%  | 2036               |
| 2037               |                                                         |           |                                     |          | 325,000                                       | 70,381             | 325,000         | 70,381         | 395,381     | 1,450,000             | 92.66%  | 2037               |
| 2038               |                                                         |           |                                     |          | 340,000                                       | 56,165             | 340,000         | 56,165         | 396,165     | 1,110,000             | 94.38%  | 2038               |
| 2039               |                                                         |           |                                     |          | 355,000                                       | 41,134             | 355,000         | 41,134         | 396,134     | 755,000               | 96.18%  | 2039               |
| 2040               |                                                         |           |                                     |          | 370,000                                       | 25,273             | 370,000         | 25,273         | 395,273     | 385,000               | 98.05%  | 2040               |
| 2041               |                                                         |           |                                     |          | 385,000                                       | 8,566              | 385,000         | 8,566          | 393,566     | 0                     | 100.00% | 2041               |
|                    | 13,160,000                                              | 2,736,600 | 2,205,000                           | 635,568  | 4,400,000                                     | 1,745,387          | 19,765,000      | 5,117,554      | 24,882,554  |                       |         |                    |

\* Preliminary, subject to change.

1) This represents the \$19,225,000 Street Reconstruction & Refunding portion of the \$30,710,000 General Obligation Bonds, Series 2019A.

**City of Forest Lake, Minnesota**  
**Schedule of Bonded Indebtedness**  
**General Obligation Debt Secured by Utility Revenues**  
**(As of 06/05/2025)**

|                           | <b>Wastewater Revenue Bonds<br/>Series 2016A</b> |                 | <b>Utility Bonds 1)<br/>Series 2019A</b> |                 |                        |                       |                        |                              |               |                           |
|---------------------------|--------------------------------------------------|-----------------|------------------------------------------|-----------------|------------------------|-----------------------|------------------------|------------------------------|---------------|---------------------------|
| <b>Dated Amount</b>       | 12/21/2016<br>\$4,315,000                        |                 | 12/12/2019<br>\$11,485,000               |                 |                        |                       |                        |                              |               |                           |
| <b>Maturity</b>           | 02/01                                            |                 | 02/01                                    |                 |                        |                       |                        |                              |               |                           |
| <b>Fiscal Year Ending</b> | <b>Principal</b>                                 | <b>Interest</b> | <b>Principal</b>                         | <b>Interest</b> | <b>Total Principal</b> | <b>Total Interest</b> | <b>Total P &amp; I</b> | <b>Principal Outstanding</b> | <b>% Paid</b> | <b>Fiscal Year Ending</b> |
| <b>2025</b>               | 0                                                | 26,560          | 0                                        | 174,400         | 0                      | 200,960               | 200,960                | 10,690,000                   | .00%          | <b>2025</b>               |
| <b>2026</b>               | 290,000                                          | 50,148          | 685,000                                  | 331,675         | 975,000                | 381,823               | 1,356,823              | 9,715,000                    | 9.12%         | <b>2026</b>               |
| <b>2027</b>               | 300,000                                          | 43,950          | 720,000                                  | 296,550         | 1,020,000              | 340,500               | 1,360,500              | 8,695,000                    | 18.66%        | <b>2027</b>               |
| <b>2028</b>               | 305,000                                          | 37,294          | 755,000                                  | 259,675         | 1,060,000              | 296,969               | 1,356,969              | 7,635,000                    | 28.58%        | <b>2028</b>               |
| <b>2029</b>               | 310,000                                          | 29,988          | 795,000                                  | 220,925         | 1,105,000              | 250,913               | 1,355,913              | 6,530,000                    | 38.91%        | <b>2029</b>               |
| <b>2030</b>               | 320,000                                          | 21,713          | 835,000                                  | 180,175         | 1,155,000              | 201,888               | 1,356,888              | 5,375,000                    | 49.72%        | <b>2030</b>               |
| <b>2031</b>               | 325,000                                          | 12,844          | 875,000                                  | 141,800         | 1,200,000              | 154,644               | 1,354,644              | 4,175,000                    | 60.94%        | <b>2031</b>               |
| <b>2032</b>               | 335,000                                          | 4,188           | 910,000                                  | 106,100         | 1,245,000              | 110,288               | 1,355,288              | 2,930,000                    | 72.59%        | <b>2032</b>               |
| <b>2033</b>               |                                                  |                 | 950,000                                  | 73,650          | 950,000                | 73,650                | 1,023,650              | 1,980,000                    | 81.48%        | <b>2033</b>               |
| <b>2034</b>               |                                                  |                 | 975,000                                  | 44,775          | 975,000                | 44,775                | 1,019,775              | 1,005,000                    | 90.60%        | <b>2034</b>               |
| <b>2035</b>               |                                                  |                 | 1,005,000                                | 15,075          | 1,005,000              | 15,075                | 1,020,075              | 0                            | 100.00%       | <b>2035</b>               |
|                           | 2,185,000                                        | 226,683         | 8,505,000                                | 1,844,800       | 10,690,000             | 2,071,483             | 12,761,483             |                              |               |                           |

1) This represents the \$11,485,000 Utility portion of the \$30,710,000 General Obligation Bonds, Series 2019A.

**OVERLAPPING DEBT<sup>1</sup>**

| <b>Taxing District</b>                       | <b>2024/25<br/>Adjusted<br/>Taxable Net<br/>Tax Capacity</b> | <b>% In<br/>City</b> | <b>Total<br/>G.O. Debt<sup>2</sup></b> | <b>City's<br/>Proportionate<br/>Share</b> |
|----------------------------------------------|--------------------------------------------------------------|----------------------|----------------------------------------|-------------------------------------------|
| Washington County                            | \$591,583,644                                                | 6.8082%              | \$99,350,000                           | \$6,763,947                               |
| I.S.D. No. 831<br>(Forest Lake Area Schools) | 99,548,141                                                   | 40.4588%             | 166,915,000 <sup>3</sup>               | 67,531,806                                |
| Metropolitan Council                         | 6,330,160,332                                                | 0.6363%              | 235,750,000 <sup>4</sup>               | <u>1,500,077</u>                          |
| City's Share of Total Overlapping Debt       |                                                              |                      |                                        | <u><u>\$75,795,830</u></u>                |

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<sup>1</sup> Overlapping debt is as of the dated date of the Bonds. Only those taxing jurisdictions with general obligation debt outstanding are included in this section. It does *not* include non-general obligation debt, self-supporting general obligation revenue debt, short-term general obligation debt, or general obligation tax/aid anticipation certificates of indebtedness.

<sup>2</sup> Outstanding debt is based on information in Official Statements obtained on EMMA and the Municipal Advisor's records.

<sup>3</sup> Minnesota School Districts may qualify for aid from the State of Minnesota through the Debt Service Equalization Formula, School Building Bond Agricultural Credit and Long Term Facilities Maintenance Revenue programs. While some of the districts listed may receive these aids, Ehlers has not attempted to estimate the portion of debt service payments that would be financed by state aids for the purposes of the Bonds.

<sup>4</sup> The above debt includes all outstanding general obligation debt supported by taxes of the Metropolitan Council. The Council also has general obligation wastewater revenue, grant anticipation notes and certificates of participation outstanding all of which are supported entirely by revenues and have not been included in the overlapping debt or debt ratios sections.

## DEBT RATIOS

|                                                          | G.O. Debt                   | Debt/Economic<br>Market Value<br>\$3,662,896,510 | Debt/<br>Per Capita<br>21,502 <sup>1</sup> |
|----------------------------------------------------------|-----------------------------|--------------------------------------------------|--------------------------------------------|
| Direct G.O. Debt Secured By:                             |                             |                                                  |                                            |
| Tax Abatement Revenues                                   | \$5,090,000                 |                                                  |                                            |
| Taxes*                                                   | 19,765,000                  |                                                  |                                            |
| Utility Revenues                                         | 10,690,000                  |                                                  |                                            |
| Total General Obligation Debt*                           | <u>\$35,545,000</u>         |                                                  |                                            |
| Less: G.O. Debt Paid Entirely from Revenues <sup>2</sup> | <u>(10,690,000)</u>         |                                                  |                                            |
| Tax Supported General Obligation Debt*                   | \$24,855,000                | 0.68%                                            | \$1,155.94                                 |
| City's Share of Total Overlapping Debt                   | <u>\$76,897,025</u>         | <u>2.10%</u>                                     | <u>\$3,576.27</u>                          |
| Total*                                                   | <u><u>\$101,752,025</u></u> | <u><u>2.78%</u></u>                              | <u><u>\$4,732.21</u></u>                   |

\*Preliminary, subject to change.

## TAX LEVIES, COLLECTIONS AND RATES

### TAX LEVIES AND COLLECTIONS

| Tax Year | Net Tax<br>Levy <sup>3</sup> | Total Collected<br>Following Year | Collected<br>to Date | % Collected |
|----------|------------------------------|-----------------------------------|----------------------|-------------|
| 2020/21  | \$11,430,998                 | \$11,352,776                      | \$11,425,020         | 99.95%      |
| 2021/22  | 12,284,728                   | 12,217,052                        | 12,272,698           | 99.90%      |
| 2022/23  | 13,103,094                   | 12,995,740                        | 13,068,094           | 99.73%      |
| 2023/24  | 14,929,608                   | 14,810,199                        | 14,810,199           | 99.20%      |
| 2024/25  | 16,418,506                   | In process of collection          |                      |             |

Property taxes are collected in two installments in Minnesota--the first by May 15 and the second by October 15.<sup>4</sup> Mobile home taxes are collectible in full by August 31. Minnesota Statutes require that levies (taxes and special assessments) for debt service be at least 105% of the actual debt service requirements to allow for delinquencies.

<sup>1</sup> Estimated 2023 population.

<sup>2</sup> Debt service on the City's general obligation revenue debt is being paid entirely from revenues and therefore is considered self-supporting debt.

<sup>3</sup> This reflects the Final Levy Certification of the City after all adjustments have been made.

<sup>4</sup> Second half tax payments on agricultural property are due on November 15th of each year.

## TAX CAPACITY RATES<sup>1</sup>

|                                           | 2020/21 | 2021/22 | 2022/23 | 2023/24 | 2024/25 |
|-------------------------------------------|---------|---------|---------|---------|---------|
| City of Forest Lake                       | 40.641% | 40.991% | 35.450% | 37.616% | 41.130% |
| Washington County                         | 27.435% | 27.532% | 23.625% | 21.991% | 23.846% |
| I.S.D. No. 831 (Forest Lake Area Schools) | 25.090% | 24.425% | 22.267% | 23.215% | 24.084% |
| Comfort Lake-Forest Lake Watershed        | 5.781%  | 5.999%  | 4.781%  | 4.778%  | 4.941%  |
| Metropolitan Council                      | 0.628%  | 0.630%  | 0.537%  | 0.590%  | 0.572%  |
| Metropolitan Mosquito                     | 0.379%  | 0.361%  | 0.309%  | 0.301%  | 0.331%  |
| Regional Rail Authority                   | 0.157%  | 0.149%  | 0.122%  | 0.109%  | 0.112%  |
| Rice Creek watershed                      | 1.918%  | 1.805%  | 1.559%  | 1.612%  | 1.655%  |
| Transit District                          | 1.139%  | 1.056%  | 0.912%  | 0.809%  | 0.972%  |

### *Referendum Market Value Rates:*

|                                           |          |          |          |          |          |
|-------------------------------------------|----------|----------|----------|----------|----------|
| Washington County                         | 0.00325% | 0.00308% | 0.00261% | 0.00235% | 0.00236% |
| I.S.D. No. 831 (Forest Lake Area Schools) | 0.16723% | 0.15336% | 0.12825% | 0.12232% | 0.12193% |

**Source:** Tax Levies and Collections and Tax Capacity Rates have been furnished by Washington County.

## THE ISSUER

### CITY GOVERNMENT

The City was organized as a municipality in 1893. The City operates under a statutory form of government consisting of a five-member City Council of which the Mayor is a voting member. The Interim Finance Director and City Administrator are responsible for administrative details and financial records.

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<sup>1</sup> After reduction for state aids. Does not include the statewide general property tax against commercial/industrial, non-homestead resorts and seasonal recreational residential property.

## **EMPLOYEES; PENSIONS; UNIONS**

The City currently has 59 full-time, two (2) part-time, and two (2) seasonal employees. All full-time and certain part-time employees of the City are covered by defined benefit pension plans administered by the Public Employee Retirement Association of Minnesota (PERA). PERA administers the General Employees Retirement Fund (GERF) and the Public Employees Police and Fire Fund (PEPFF) which are cost-sharing multiple-employer retirement plans. PERA members belong to either the Coordinated Plan or the Basic Plan. Coordinated members are covered by Social Security. See the Notes to Financial Statements in Appendix A for a detailed description of the Plans.

### **Recognized and Certified Bargaining Units**

| <b>Bargaining Unit</b> | <b>Expiration Date of Current Contract</b> |
|------------------------|--------------------------------------------|
| IUOE Local #49         | December 31, 2027                          |
| AFSCME Local #517      | December 31, 2027                          |
| LELS Local #111        | December 31, 2025                          |
| MAPE                   | December 31, 2025                          |
| LEL Local #326         | December 31, 2025                          |

## **POST EMPLOYMENT BENEFITS**

The City has obligations for some post-employment benefits for its employees. Accounting for these obligations is dictated by Governmental Accounting Standards Board Statement No. 75 (GASB 75). The City's most recent actuarial study shows a total OPEB liability of \$2,466,969 as of December 31, 2024. The City has been funding these obligations on a pay-as-you-go basis.

**Source:** The City's most recent actuarial study.

## **LITIGATION**

There is no litigation threatened or pending questioning the organization or boundaries of the City or the right of any of its officers to their respective offices or in any manner questioning their rights and power to execute and deliver the Bonds or otherwise questioning the validity of the Bonds.

## **MUNICIPAL BANKRUPTCY**

Municipalities are prohibited from filing for bankruptcy under Chapter 11 (reorganization) or Chapter 7 (liquidation) of the U.S. Bankruptcy Code (11 U.S.C. §§ 101-1532) (the "Bankruptcy Code"). Instead, the Bankruptcy Code permits municipalities to file a petition under Chapter 9 of the Bankruptcy Code, but only if certain requirements are met. These requirements include that the municipality must be "specifically authorized" under State law to file for relief under Chapter 9. For these purposes, "State law" may include, without limitation, statutes of general applicability enacted by the State legislature, special legislation applicable to a particular municipality, and/or executive orders issued by an appropriate officer of the State's executive branch.



As of the date hereof, Minnesota Statutes, Section 471.831, authorizes municipalities to file for bankruptcy relief under Chapter 9 of the Bankruptcy Code. A municipality is defined in United States Code, title 11, section 101, as amended through December 31, 1996, but limited to a county, statutory or home rule charter city, or town; or a housing and redevelopment authority, economic development authority, or rural development financing authority established under Chapter 469, a home rule charter or special law.

**FUNDS ON HAND** (as of March 31, 2025)

| <b>Fund</b>             | <b>Total Cash<br/>and Investments</b> |
|-------------------------|---------------------------------------|
| General                 | \$5,714,559                           |
| Special Revenue         | 4,493,095                             |
| Debt Service            | 664,839                               |
| Capital Projects        | 2,478,908                             |
| Enterprise Funds        | <u>11,502,643</u>                     |
| <br>Total Funds on Hand | <br><u><u>\$24,854,044</u></u>        |

**ENTERPRISE FUNDS**

Revenues available for debt service on the City's enterprise funds have been as follows as of December 31 each year:

|                                     | <b>2021<br/>Audited</b>   | <b>2022<br/>Audited</b>   | <b>2023<br/>Audited</b>   |
|-------------------------------------|---------------------------|---------------------------|---------------------------|
| <b>Water</b>                        |                           |                           |                           |
| Total Operating Revenues            | \$2,539,333               | \$2,472,794               | \$3,067,126               |
| Less: Operating Expenses            | <u>(1,898,657)</u>        | <u>(2,067,588)</u>        | <u>(2,081,600)</u>        |
| Operating Income                    | \$640,676                 | \$405,206                 | \$985,526                 |
| Plus: Depreciation                  | <u>596,654</u>            | <u>642,776</u>            | <u>656,928</u>            |
| Revenues Available for Debt Service | <u><u>\$1,237,330</u></u> | <u><u>\$1,047,982</u></u> | <u><u>\$1,642,454</u></u> |
| <br><b>Sewer</b>                    |                           |                           |                           |
| Total Operating Revenues            | \$3,440,656               | \$3,391,229               | \$3,847,640               |
| Less: Operating Expenses            | <u>(2,904,122)</u>        | <u>(2,972,639)</u>        | <u>(3,174,568)</u>        |
| Operating Income                    | \$536,534                 | \$418,590                 | \$673,072                 |
| Plus: Depreciation                  | <u>626,191</u>            | <u>626,794</u>            | <u>697,018</u>            |
| Revenues Available for Debt Service | <u><u>\$1,162,725</u></u> | <u><u>\$1,045,384</u></u> | <u><u>\$1,370,090</u></u> |

**SUMMARY GENERAL FUND INFORMATION**

The following are summaries of the revenues, expenditures and fund balances for the City's General Fund. These summaries are not purported to be the complete audited financial statements of the City, and potential purchasers should read the included financial statements in their entirety for more complete information concerning the City. Copies of the complete statements are available upon request. Appendix A includes the City's 2023 audited financial statements.

| COMBINED STATEMENT                                  | FISCAL YEAR ENDING DECEMBER 31 |                      |                     |                                        |                                        |
|-----------------------------------------------------|--------------------------------|----------------------|---------------------|----------------------------------------|----------------------------------------|
|                                                     | 2021<br>Audited                | 2022<br>Audited      | 2023<br>Audited     | 2024<br>Adopted<br>Budget <sup>1</sup> | 2025<br>Adopted<br>Budget <sup>2</sup> |
| <b>Revenues</b>                                     |                                |                      |                     |                                        |                                        |
| Property taxes                                      | \$8,119,688                    | \$8,741,437          | \$9,316,102         | \$10,204,674                           | \$11,020,216                           |
| Licenses and permits                                | 564,223                        | 566,469              | 609,080             | 556,000                                | 558,900                                |
| Intergovernmental                                   | 540,061                        | 2,766,483            | 528,106             | 525,755                                | 506,500                                |
| Charges for services                                | 757,158                        | 803,533              | 850,942             | 864,871                                | 878,039                                |
| Fines and forfeitures                               | 81,098                         | 70,297               | 89,559              | 71,500                                 | 81,000                                 |
| Other miscellaneous revenues                        | 107,918                        | 69,061               | 435,175             | 165,130                                | 156,070                                |
| <b>Total Revenues</b>                               | <b>\$10,170,146</b>            | <b>\$13,017,280</b>  | <b>\$11,828,964</b> | <b>\$12,387,930</b>                    | <b>\$13,200,725</b>                    |
| <b>Expenditures</b>                                 |                                |                      |                     |                                        |                                        |
| Current:                                            |                                |                      |                     |                                        |                                        |
| General government                                  | \$2,106,492                    | \$2,026,941          | \$2,188,514         | \$2,572,807                            | \$2,790,185                            |
| Public safety                                       | 5,610,045                      | 6,103,444            | 6,614,657           | 6,863,378                              | 7,296,132                              |
| Public works                                        | 1,324,895                      | 1,417,695            | 1,209,865           | 1,374,941                              | 1,377,658                              |
| Culture and recreation                              | 778,062                        | 894,201              | 1,045,924           | 1,115,093                              | 1,085,068                              |
| Economic development                                | 199,154                        | 431,913              | 338,763             | 461,711                                | 551,682                                |
| Capital outlay                                      | 0                              | 136,821              | 142,351             | 0                                      | 0                                      |
| Contingency                                         | 0                              | 0                    | 0                   | 0                                      | 100,000                                |
| <b>Total Expenditures</b>                           | <b>\$10,018,648</b>            | <b>\$11,011,015</b>  | <b>\$11,540,074</b> | <b>\$12,387,930</b>                    | <b>\$13,200,725</b>                    |
| <b>Excess of revenues over (under) expenditures</b> | <b>\$151,498</b>               | <b>\$2,006,265</b>   | <b>\$288,890</b>    | <b>\$0</b>                             | <b>\$0</b>                             |
| <b>Other Financing Sources (Uses)</b>               |                                |                      |                     |                                        |                                        |
| Transfers out                                       | (\$10,000)                     | (\$2,287,605)        | \$0                 | \$0                                    | \$0                                    |
| Insurance recoveries                                | 0                              | 47,419               | 29,301              | 0                                      | 0                                      |
| <b>Total Other Financing Sources (Uses)</b>         | <b>(\$10,000)</b>              | <b>(\$2,240,186)</b> | <b>\$29,301</b>     | <b>\$0</b>                             | <b>\$0</b>                             |
| <b>Net changes in Fund Balances</b>                 | <b>\$141,498</b>               | <b>(\$233,921)</b>   | <b>\$318,191</b>    | <b>\$0</b>                             | <b>\$0</b>                             |
| General Fund Balance January 1                      | 6,413,654                      | 6,555,152            | 6,321,231           |                                        |                                        |
| Prior Period Adjustment                             | 0                              | 0                    | 0                   |                                        |                                        |
| Residual Equity Transfer in (out)                   | 0                              | 0                    | 0                   |                                        |                                        |
| General Fund Balance December 31                    | <b>\$6,555,152</b>             | <b>\$6,321,231</b>   | <b>\$6,639,422</b>  |                                        |                                        |
| <b>DETAILS OF DECEMBER 31 FUND BALANCE</b>          |                                |                      |                     |                                        |                                        |
| Nonspendable                                        | \$302,734                      | \$345,559            | \$418,960           |                                        |                                        |
| Restricted                                          | 0                              | 15,964               | 11,464              |                                        |                                        |
| Committed                                           | 14,628                         | 14,777               | 8,733               |                                        |                                        |
| Assigned                                            | 0                              | 0                    | 23,012              |                                        |                                        |
| Unassigned                                          | 6,237,790                      | 5,944,931            | 6,177,253           |                                        |                                        |
| <b>Total</b>                                        | <b>\$6,555,152</b>             | <b>\$6,321,231</b>   | <b>\$6,639,422</b>  |                                        |                                        |

<sup>1</sup> The 2024 budget was adopted on December 11, 2023.

<sup>2</sup> The 2025 budget was adopted on December 9, 2024.

## GENERAL INFORMATION

### LOCATION

The City, with a 2020 U.S. Census population of 20,611 and a 2023 population estimate of 21,502, and comprising an area of 36 square miles, is located approximately 30 miles north of St. Paul, Minnesota.

### LARGER EMPLOYERS<sup>1</sup>

Larger employers in the City include the following:

| <b>Firm</b>                                                       | <b>Type of Business/Product</b>           | <b>Estimated No. of Employees</b> |
|-------------------------------------------------------------------|-------------------------------------------|-----------------------------------|
| Independent School District No. 831<br>(Forest Lake Area Schools) | Elementary and secondary education        | 1,092                             |
| Velocity <sup>2</sup>                                             | Plastic mold manufacturing                | 250                               |
| Walmart                                                           | Retail department store                   | 249                               |
| Birchwood Health Care Center                                      | Nursing care and senior living facilities | 220                               |
| Menards                                                           | Home improvement department store         | 190                               |
| Target                                                            | Retail department store                   | 160                               |
| Cub Foods                                                         | Grocery store                             | 150                               |
| Forest Lake Chevrolet Cadillac                                    | Automobile dealers                        | 150                               |
| Gaughan Properties                                                | Real estate management                    | 125                               |
| Home Depot                                                        | Home improvement department store         | 115                               |

**Source:** Data Axle Reference Solutions, written and telephone survey, and the Minnesota Department of Employment and Economic Development.

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<sup>1</sup> This does not purport to be a comprehensive list and is based on available data obtained through a survey of individual employers, as well as the sources identified above.

<sup>2</sup> Previously listed as Teamvantage.

**BUILDING PERMITS** (as of April 10, 2025)

|                                                                             | 2021         | 2022         | 2023         | 2024         | 2025         |
|-----------------------------------------------------------------------------|--------------|--------------|--------------|--------------|--------------|
| <u>New Single Family Homes</u>                                              |              |              |              |              |              |
| No. of building permits                                                     | 31           | 21           | 15           | 42           | 15           |
| Valuation                                                                   | \$9,102,400  | \$12,621,434 | \$6,598,466  | \$13,888,000 | \$4,931,000  |
| <u>New Multiple Family Buildings</u>                                        |              |              |              |              |              |
| No. of building permits                                                     | 15           | 10           | 7            | 13           | 12           |
| Valuation                                                                   | \$29,504,343 | \$2,490,000  | \$1,904,750  | \$11,241,234 | \$2,267,799  |
| <u>New Commercial/Industrial</u>                                            |              |              |              |              |              |
| No. of building permits                                                     | 2            | 5            | 4            | 5            | 0            |
| Valuation                                                                   | \$1,452,184  | \$14,929,757 | \$23,824,700 | \$7,246,430  | \$0          |
| <u>All Building Permits</u><br><i>(including additions and remodelings)</i> |              |              |              |              |              |
| No. of building permits                                                     | 243          | 232          | 288          | 301          | 82           |
| Valuation                                                                   | \$54,012,880 | \$41,303,422 | \$42,241,794 | \$48,679,666 | \$16,119,494 |

**Source:** The City.

**U.S. CENSUS DATA**

|                                               |        |
|-----------------------------------------------|--------|
| <b>Population Trend: The City</b>             |        |
| 2010 U.S. Census population                   | 18,375 |
| 2020 U.S. Census population                   | 20,611 |
| Percent of Change 2010 - 2020                 | 12.17% |
| 2023 Metropolitan Council Population Estimate | 21,502 |

**Income and Age Statistics**

|                                        | <b>The City</b> | <b>Washington County</b> | <b>State of Minnesota</b> | <b>United States</b> |
|----------------------------------------|-----------------|--------------------------|---------------------------|----------------------|
| 2023 per capita income                 | \$45,527        | \$56,650                 | \$46,957                  | \$43,289             |
| 2023 median household income           | \$89,879        | \$114,457                | \$87,556                  | \$78,538             |
| 2023 median family income              | \$112,619       | \$135,690                | \$111,492                 | \$96,922             |
| 2023 median gross rent                 | \$1,379         | \$1,637                  | \$1,235                   | \$1,348              |
| 2023 median value owner occupied units | \$375,900       | \$400,900                | \$305,500                 | \$303,400            |
| 2023 median age                        | 38.8 yrs.       | 39.9 yrs.                | 38.6 yrs.                 | 38.7 yrs.            |

|                                     | <b>State of Minnesota</b> | <b>United States</b> |
|-------------------------------------|---------------------------|----------------------|
| City % of 2023 per capita income    | 96.95%                    | 105.17%              |
| City % of 2023 median family income | 101.01%                   | 116.20%              |

**Housing Statistics**

|                   | <b><u>The City</u></b> |             | <b>Percent of Change</b> |
|-------------------|------------------------|-------------|--------------------------|
|                   | <b>2020</b>            | <b>2023</b> |                          |
| All Housing Units | 8,131                  | 8,599       | 5.76%                    |

**Source:** 2010 and 2020 Census of Population and Housing, and 2022 American Community Survey (Based on a five-year estimate), U.S. Census Bureau (<https://data.census.gov>), 2023 Population Estimates, Metropolitan Council (<https://metro council.org/>).

**EMPLOYMENT/UNEMPLOYMENT DATA**

Rates are not compiled for individual communities within counties.

| <b>Year</b> | <b><u>Average Employment</u></b> |                          | <b><u>Average Unemployment</u></b> |  |
|-------------|----------------------------------|--------------------------|------------------------------------|--|
|             | <b>Washington County</b>         | <b>Washington County</b> | <b>State of Minnesota</b>          |  |
| 2021        | 138,572                          | 3.2%                     | 3.7%                               |  |
| 2022        | 144,040                          | 2.1%                     | 2.5%                               |  |
| 2023        | 146,029                          | 2.4%                     | 2.8%                               |  |
| 2024        | 146,241                          | 2.7%                     | 3.0%                               |  |
| 2025, March | 145,946                          | 3.2%                     | 3.9%                               |  |

**Source:** Minnesota Department of Employment and Economic Development.

**FINANCIAL STATEMENTS**

Potential purchasers should read the included financial statements in their entirety for more complete information concerning the City's financial position. Such financial statements have been audited by the Auditor, to the extent and for the periods indicated thereon. The City has not requested or engaged the Auditor to perform, and the Auditor has not performed, any additional examination, assessments, procedures or evaluation with respect to such financial statements since the date thereof or with respect to this Preliminary Official Statement, nor has the City requested that the Auditor consent to the use of such financial statements in this Preliminary Official Statement. Although the inclusion of the financial statements in this Preliminary Official Statement is not intended to demonstrate the fiscal condition of the City since the date of the financial statements, in connection with the issuance of the Bonds, the City represents that there have been no material adverse changes in the financial position or results of operations of the City, nor has the City incurred any material liabilities, which would make such financial statements misleading.

Copies of the complete audited financial statements for the past three years and the current budget are available upon request from Ehlers.

# City of Forest Lake

Washington County, Minnesota



## ANNUAL COMPREHENSIVE FINANCIAL REPORT

For the Fiscal Year Ended December 31, 2023

Prepared By: The Department of Finance

Kevin Knopik, Finance Director



# Forest Lake

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**CITY OF FOREST LAKE  
FOREST LAKE, MINNESOTA**

**ANNUAL COMPREHENSIVE  
FINANCIAL REPORT**

**For the Year Ended  
December 31, 2023**

Prepared by

THE DEPARTMENT OF FINANCE

*Kevin Knopik, Finance Director*

CITY OF FOREST LAKE  
1408 South Lake Street  
Forest Lake, Minnesota 55025





**Forest Lake**

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**City of Forest Lake  
Table of Contents**

|                                                                                                                                                | <b>Page</b> |
|------------------------------------------------------------------------------------------------------------------------------------------------|-------------|
| <b>Introductory Section</b>                                                                                                                    |             |
| Elected Officials and Administration                                                                                                           | 1           |
| Organizational Chart                                                                                                                           | 2           |
| Letter of Transmittal                                                                                                                          | 3           |
| Certificate of Achievement for Excellence in Financial Reporting                                                                               | 9           |
| <br><b>Financial Section</b>                                                                                                                   |             |
| Independent Auditor's Report                                                                                                                   | 11          |
| Management's Discussion and Analysis                                                                                                           | 15          |
| Basic Financial Statements                                                                                                                     |             |
| Government-Wide Financial Statements                                                                                                           |             |
| Statement of Net Position                                                                                                                      | 27          |
| Statement of Activities                                                                                                                        | 28          |
| Fund Financial Statements                                                                                                                      |             |
| Balance Sheet - Governmental Funds                                                                                                             | 30          |
| Reconciliation of the Balance Sheet to the Statement of Net Position<br>- Governmental Funds                                                   | 31          |
| Statement of Revenues, Expenditures, and Changes in Fund Balances<br>- Governmental Funds                                                      | 32          |
| Reconciliation of the Statement of Revenues, Expenditures, and Changes in<br>Fund Balances to the Statement of Activities - Governmental Funds | 33          |
| Statement of Revenues, Expenditures, and Changes in Fund Balance<br>- Budget and Actual - General Fund                                         | 34          |
| Statement of Net Position - Proprietary Funds                                                                                                  | 35          |
| Statement of Revenues, Expenses, and Changes in Fund Net Position<br>- Proprietary Funds                                                       | 36          |
| Statement of Cash Flows - Proprietary Funds                                                                                                    | 37          |
| Notes to Basic Financial Statements                                                                                                            | 39          |
| Required Supplementary Information Other than Management's Discussion<br>and Analysis                                                          |             |
| Schedule of Changes in Total OPEB Liability and Related Ratios                                                                                 | 78          |
| Schedule of City's Proportionate Share of Net Pension Liability<br>- General Employees Retirement Funds                                        | 80          |
| Schedule of City's Proportionate Share of Net Pension Liability<br>- Public Employees Police and Fire Retirement Fund                          | 80          |
| Schedule of City Contributions - General Employees and Retirement Fund                                                                         | 81          |
| Schedule of City Contributions - Public Employees Police and Fire Retirement<br>Fund                                                           | 81          |
| Schedule of Changes in Net Pension Liability, and Related Ratios<br>- Forest Lake Fire Department Relief Association                           | 82          |
| Schedule of City Contributions - Forest Lake Fire Department Relief Association                                                                | 84          |
| Notes to Required Supplementary Information                                                                                                    | 87          |
| Supplementary Information                                                                                                                      |             |
| Combining Balance Sheet - Nonmajor Governmental Funds                                                                                          | 96          |
| Combining Statement of Revenues, Expenditures, and Changes in Fund<br>Balances - Nonmajor Governmental Funds                                   | 102         |
| Detailed Schedule of Revenues, Expenditures, and Changes in Fund<br>Balance - Budget and Actual - General Fund                                 | 104         |

**City of Forest Lake  
Table of Contents**

|                                                                                                                                                                   |              | <b>Page</b> |
|-------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------|-------------|
| <b>Financial Section (Continued)</b>                                                                                                                              |              |             |
| Supplementary Information (Continued)                                                                                                                             |              |             |
| Schedule of Revenues, Expenditures, and Changes in Fund Balance<br>- Budget and Actual - Capital Improvements Capital Projects Fund                               |              | 106         |
| Schedule of Revenues, Expenditures, and Changes in Fund Balance<br>- Budget and Actual - TIF No. 84 Cherrywood Pointe Special Revenue Fund                        |              | 107         |
| Schedule of Revenues, Expenditures, and Changes in Fund Balance<br>- Budget and Actual - TIF No. 86 Centennial Office Park Special Revenue Fund                   |              | 108         |
| Schedule of Revenues, Expenditures, and Changes in Fund Balance<br>- Budget and Actual - TIF Former City Hall Site Special Revenue Fund                           |              | 109         |
| Schedule of Revenues, Expenditures, and Changes in Fund Balance<br>- Budget and Actual - Park Dedication Special Revenue Fund                                     |              | 110         |
| Schedule of Revenues, Expenditures, and Changes in Fund Balance<br>- Budget and Actual - Surface Water Management Special Revenue Fund                            |              | 111         |
| Schedule of Revenues, Expenditures, and Changes in Fund Balance<br>- Budget and Actual - Drug Forfeiture Special Revenue Fund                                     |              | 112         |
| Schedule of Revenues, Expenditures, and Changes in Fund Balance<br>- Budget and Actual - Airport Special Revenue Fund                                             |              | 113         |
| Schedule of Revenues, Expenditures, and Changes in Fund Balance<br>- Budget and Actual - 2019A Refunding Bonds Debt Service Fund                                  |              | 114         |
| Schedule of Revenues, Expenditures, and Changes in Fund Balance<br>- Budget and Actual - YMCA Debt Service Fund                                                   |              | 115         |
| Schedule of Revenues, Expenditures, and Changes in Fund Balance<br>- Budget and Actual - Street Projects Bond Debt Service Fund                                   |              | 116         |
| Schedule of Revenues, Expenditures, and Changes in Fund Balance<br>- Budget and Actual - Capital Equipment Replacement Capital Project Fund                       |              | 117         |
| Schedule of Revenues, Expenditures and Changes in Fund Balance<br>- Budget and Actual - Forest Lake Economic Development Authority<br>Component Unit General Fund |              | 118         |
|                                                                                                                                                                   | <b>Table</b> | <b>Page</b> |
| <b>Statistical Section</b>                                                                                                                                        |              |             |
| Net Position by Component                                                                                                                                         | 1            | 124         |
| Changes in Net Position                                                                                                                                           | 2            | 126         |
| Fund Balances of Governmental Funds                                                                                                                               | 3            | 130         |
| Changes in Fund Balances of Governmental Funds                                                                                                                    | 4            | 132         |
| General Governmental Activities Tax Revenue by Source                                                                                                             | 5            | 134         |
| Governmental Activities Tax Revenue by Source                                                                                                                     | 6            | 135         |
| Net Tax Capacity and Estimated Market Value of Property                                                                                                           | 7            | 136         |
| Property Tax Rates Direct and Overlapping Governments                                                                                                             | 8            | 138         |
| Principal Property Taxpayers                                                                                                                                      | 9            | 140         |
| Property Tax Levies and Collections                                                                                                                               | 10           | 139         |
| Ratios of Outstanding Debt by Type                                                                                                                                | 11           | 141         |
| Ratios of General Bonded Debt Outstanding                                                                                                                         | 12           | 144         |
| Computation of Direct and Overlapping Debt                                                                                                                        | 13           | 145         |
| Legal Debt Margin Information                                                                                                                                     | 14           | 146         |
| Pledged Revenue Coverage                                                                                                                                          | 15           | 148         |

**City of Forest Lake  
Table of Contents**

|                                                 | <b>Table</b> | <b>Page</b> |
|-------------------------------------------------|--------------|-------------|
| <b>Statistical Section (Continued)</b>          |              |             |
| Demographic and Economic Statistics             | 16           | 150         |
| Principal Employers                             | 17           | 151         |
| Full-Time City Government Employees by Function | 18           | 153         |
| Operating Indicators by Function                | 19           | 154         |
| Capital Asset Statistics by Function            | 20           | 156         |



**Forest Lake**

AS GOOD AS IT SOUNDS

**City of Forest Lake  
Elected Officials and Administration  
As of December 31, 2023**

| <u>Elected Officials</u>  | <u>Position</u>                | <u>Term Expires</u> |
|---------------------------|--------------------------------|---------------------|
| Mara Bain                 | Mayor                          | December 31, 2024   |
| Sam Husnik                | Council Member                 | December 31, 2024   |
| Hanna Valento             | Council Member                 | December 31, 2024   |
| Leif Erickson             | Council Member                 | December 31, 2026   |
| Blake Roberts             | Council Member                 | December 31, 2026   |
| <br><u>Administration</u> |                                |                     |
| Patrick Casey             | City Administrator/Clerk       |                     |
| Kevin Knopik              | Finance Director               |                     |
| Alan Newman               | Fire Chief                     |                     |
| Richard Peterson          | Public Safety Director         |                     |
| Dave Adams                | Public Works Director          |                     |
| Abbi Wittman              | Community Development Director |                     |

City of Forest Lake  
Organizational Chart  
December 31, 2023





# Forest Lake

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

*Minnesota Statutes* require all cities to issue an annual report on the financial position and related financial activity of the city. The report must be prepared in accordance with generally accepted accounting principles (GAAP) and audited in accordance with generally accepted auditing standards by a firm of licensed certified public accountants. The organization, form and contents of this report were prepared in accordance with the standards prescribed by the Governmental Accounting Standards Board (GASB), the Government Finance Officers Association of the United States and Canada (GFOA), the American Institute of Certified Public Accountants (AICPA), the Office of the Minnesota State Auditor (OSA), and City policies. Pursuant to all legal requirements, we hereby issue the annual comprehensive financial report of the City of Forest Lake for the fiscal year ended December 31, 2023.

This report contains the representations of management concerning the finances of the City of Forest Lake. Management assumes full responsibility for the completeness and reliability of the information contained in this report, based upon a comprehensive framework of internal control that it has established for this purpose. The internal control system in the City of Forest Lake is designed to protect the City's assets from loss, theft, or misuse and to compile sufficient reliable information for the preparation of the City's financial statements in conformity with GAAP. Because the cost of internal control should not exceed anticipated benefits, the objective is to provide reasonable, rather than absolute, assurance that the financial statements are free of any material misstatements. We believe that the City's internal controls adequately safeguard assets and provide reasonable assurance of proper recording of financial transactions. As management, we assert that, to the best of our knowledge and belief, this financial report is complete and reliable in all material respects.

BerganKDV, a firm of licensed certified public accountants has audited the financial statements of the City of Forest Lake, for the year ended December 31, 2023. An independent audit was performed to provide reasonable assurance that the financial statements of the City of Forest Lake for the fiscal year ended December 31, 2023, are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. The independent auditor issued an unmodified ("clean") opinion on the City of Forest Lake's financial statements. The independent auditor's report is located at the front of the financial section of this report.

In accordance with GAAP, management has provided a narrative introduction, overview and analysis to accompany the basic financial statements in the form of the Management's Discussion and Analysis (MD&A). The MD&A is designed to complement this letter of transmittal and should be read in conjunction with it. The MD&A can be found immediately following the report of the independent auditors.

*The City of Forest Lake is dedicated to providing friendly and efficient city services that enhance the quality of life for those who visit, work and live in the community.*



## ***Profile of the Government***

The City of Forest Lake, incorporated in 1893, is located in the northwestern corner of Washington County, Minnesota, which is in the northeastern suburbs of the Twin Cities metropolitan area. The City of Forest Lake and the entire northern suburbs area have experienced growth over the past decade as population and housing development in the metropolitan area increased. The economic recession temporarily hindered development efforts and growth. The City of Forest Lake currently occupies a land area of 36 square miles and serves an estimated population of 20,911 people. The City of Forest Lake is empowered to levy a property tax on both real and personal property located within its boundaries. It is also empowered by *Minnesota Statutes* to extend its corporate limits by annexation, which it has done from time to time. The City of Forest Lake and the Township of Forest Lake merged in September of 2001.

The City of Forest Lake is a statutory "Option A" city, operating under the council-administrator form of government. Policy-making and legislative authority are vested in a city council consisting of a mayor and four other members, all elected on a non-partisan basis. The city council is responsible, among other things, for passing ordinances, adopting the budget, appointing committees, and hiring staff. The city administrator is responsible for carrying out the policies and ordinances of the council and overseeing the day-to-day operations of the city government. Council members serve four-year staggered terms, while the mayor is elected every two years. All council members and the mayor are elected at large.

The City of Forest Lake provides a full range of services, including planning and zoning; election administration; building inspections; police and fire protection; emergency management; the construction and maintenance of highways, streets, and other infrastructure; surface water management; weed control; water and sewer services; some sanitation services; and recreational and cultural activities. The City also owns and operates a paved-strip airport, complete with an arrival/departure building. Certain housing services are provided through a Housing and Redevelopment Authority, operated by Washington County.

Economic development services are provided through the Forest Lake Economic Development Authority (EDA). The EDA provides business retention and expansion programs and establishes tax increment financing districts where feasible to attract new commercial and industrial businesses in the City. The EDA manages the City's industrial park activities.

The Forest Lake City Council is required to adopt a final budget by no later than the close of the preceding fiscal year. This annual budget serves as the foundation for the City's financial planning and control and is organized by fund, function, and department. All department heads and agencies of the City of Forest Lake submit requests for appropriation to the city administrator in July of each year. The city administrator presents a proposed budget to the council for review prior to the end of August of each year. The Council is required to hold public hearings on the proposed budget and adopt a final budget by no later than December 31, the end of the fiscal year. Budgetary control is maintained at the object of expenditure category level within each activity and any changes to the adopted budget require special approval from the City Council.

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## ***Local Economy***

The largest employer within the boundaries of the City of Forest Lake is Independent School District #831, a K-12 educational facility employing over 1,000 people. Several discount retail stores located in the city also provide significant employment opportunities. Eight financial institutions have a presence in Forest Lake. Because of its location in a region with a varied economic base, unemployment is relatively stable. During the past ten years, the unemployment rate decreased from 3.6% in 2014 to about 2.7% in 2023. As a result of a variety of revitalization efforts undertaken over the past decade, the central business district has expanded dramatically.

Despite market challenges, the economic base of Forest Lake is increasing, and the next few years will further demonstrate the strength of the local development community. In 2024 alone, the City is slated to add nearly 100,000 square feet of new, non-residential space to its tax base. This will include the new construction of general retail, service, and light manufacturing, and warehousing uses. These non-residential uses are in addition to the 75 new multiple-family units and 100 single-family homes anticipated to be constructed in the same year.

## ***Long-Term Financial Planning***

The City has a capital improvement plan and long-term financial plan projects futures project and capital equipment needs over the next ten-years. Projected capital investment for the five-year period exceeds \$94 million and includes the completion of a \$20 million for a new public works facility, an average of \$8.4 million per year for proposed street improvements and reconstruction, \$20 million related to the downtown renovation and improvement plan, and a \$10 million for a new water tower. The City also plans to replace over \$15 million in capital equipment over the next ten years. The long term financial plan contains assumptions and estimates related to the economy over the next ten years, along with property tax impact estimates resulting from the economic assumptions and the City's capital improvement plan. The City is currently working on updating this plan.

In April of 2020, the City Council adopted a revised comprehensive plan. The plan will guide the use of land and the actions of the City Council to provide a quality environment and way of life for existing and future residents through the year 2040. The elements of the plan consist of community background, natural resources, land use, housing, parks, trails and open spaces, transportation, economic development, sanitary sewer, water supply and distribution, surface water, community facilities, sustainability, and implementation. The guiding principles that shaped the development of goals and policies contained within the plan are: 1) to protect natural resources, 2) to provide for parks and recreation opportunities, 3) to guide land and manage growth, 4) to plan for an effective transportation system, and 5) to create and expand opportunities for employment growth. The City consults this plan when developing the annual budget and capital improvement plan.

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## ***Relevant Financial Policies***

The City has a policy regarding General Fund reserve balances. Certain amounts in the General Fund have been committed by the City Council for specific purposes. The City plans for a balanced budget and an unassigned fund balance in the General Fund equivalent to 50% of the current year's budgeted expenditures. Since property tax payments are received by the City in installments in July and December, the City needs adequate cash reserves in order to avoid short-term borrowing to finance operations. Prepaid items are considered nonspendable fund balance. Certain legal obligations are restricted in fund balance. The City Council may also commit a portion of fund balance for special purposes, and management may assign fund balance for certain purposes. The City also has a policy for enterprise fund balances. The cash balance for working capital in the Water and Sewer Fund is maintained at 25% to maintain adequate cash flow for a quarterly billing cycle. Reserves are also maintained to fund major projects and capital outlays.

The primary financial goal of the City investment policy is to ensure the safety of the principal invested by the City. Cash temporarily idle during the year is invested in certificates of deposit, commercial paper, and obligations of the U.S. Treasury and government agencies. The City only invests in instruments that are authorized under *Minnesota Statutes* § 118A. Cash balances from all City funds are pooled into an investment fund and investment income is distributed on a pro-rata basis at the end of each month. At December 31, 2023, the maturities of the investments ranged from ten days to nine years with an average maturity of 3.20 years. Maturities are staggered in a way that avoids over concentration in a specific maturity sector. Extended maturities are utilized to take advantage of higher yields. However, maturities are not extended beyond the dates necessary to meet projected liquidity needs.

Capital financing for major municipal improvements is provided through improvement bonds, general obligation bonds, tax increment bonds, or revenue bonds. Depending upon the project, special assessments may be levied upon properties to share in the cost of the improvement project. The special assessments are collected over a period of time and are used to help satisfy the improvement bond debt. Internal financing of improvement projects is usually minimal and only for short periods of time. Occasionally, the City will finance projects internally through temporary loans or advances from other funds. The City Council sets the terms and conditions of the interfund loan or advance, including the rate of interest to be charged.

## ***Major Initiatives***

In 2022, the City Council approved a new Downtown Plan. This plan guides both the private and public investment in downtown Forest Lake over the few decades. Highlights of the plan include options for alleviating the parking space deficits, additional parkland and greenspace development, and a pedestrian loop to encourage foot traffic in downtown Forest Lake. The City has continued its planning efforts, completing a downtown boat launch relocation and shoreline stabilization study. Additionally, the City continues to explore ways to partner with the private sector by increasing pedestrian connectivity through private land parcels and in the potential development of a downtown trailhead for greater connectivity of its downtown and the Hardwood Creek Trail.

*The City of Forest Lake is dedicated to providing friendly and efficient city services that enhance the quality of life for those who visit, work and live in the community.*

### ***Major Initiatives (Continued)***

The City has played an active role in the development of the Minnesota Technology Corridor. The Minnesota Technology Corridor is a partnership between Washington and Anoka County, 8 local communities as well as private companies that work to promote available developable land on a regional and national level. The City is marketing its Headwaters 123 site as a premier site in the Corridor. The Headwaters 123 site is 123 acres of city-owned land in the Headwaters development that is guided to be developed as a job center for the city. It is actively being marketed for development in both the industrial and technology sectors. When developed, this site will bring a number of new jobs to the City of Forest Lake.

MnDOT aeronautics provided 95 percent of the funding to update the airport's Airport Layout Plan. The airport layout plan guides the future development at the Forest Lake Airport. Projects identified in the plan include expanding the taxiways, adding additional hangar space, and expanding the overall length of the runway. Since completing the airport runway paving project in 2017, the airport has experienced robust growth in hangar development with all of the current hangar sites under lease. The new airport layout plan will allow for this robust growth to continue well into the future. This planning has spurred the interest of private development adjacent to the airport for additional aeronautical uses.

### ***Awards and Acknowledgements***

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Forest Lake for its annual comprehensive financial report for the fiscal year ended December 31, 2022. This was the seventeenth consecutive year that the government has achieved this prestigious award. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized annual comprehensive financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe that our current annual comprehensive financial report continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for a certificate.

The preparation of this report would not have been possible without the efficient and dedicated services of the entire staff of the finance and administration department. We wish to express our appreciation to all members of the department who assisted and contributed to the preparation of this report. Credit must also be given to the City Council for its support in maintaining the highest standards of professionalism in the management of the City of Forest Lake's finances.

Respectfully submitted,



Kevin Knopik  
Finance Director

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City of Forest Lake  
Certificate of Achievement for Excellence in Financial Reporting



Government Finance Officers Association

Certificate of  
Achievement for  
Excellence in  
Financial Reporting

Presented to

**City of Forest Lake Minnesota**

For its Annual Comprehensive Financial  
Report  
For the Fiscal Year Ended December 31, 2022

*Christopher P. Morill*

Executive Director/CEO



**Forest Lake**  
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## Independent Auditor's Report

Honorable Mayor and Members  
of the City Council  
City of Forest Lake  
Forest Lake, Minnesota

### **Report on the Audit of the Financial Statements**

#### **Opinions**

We have audited the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Forest Lake, as of and for the year ended December 31, 2023, and the related notes to the financial statements, which collectively comprise the City of Forest Lake's basic financial statements as listed in the Table of Contents.

In our opinion, the accompanying financial statements present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Forest Lake as of December 31, 2023, and the respective changes in financial position and, where applicable, cash flows thereof, and the budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

#### **Basis for Opinions**

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) 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 Forest Lake 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**

The City of Forest Lake's 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 Forest Lake's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.



### **Auditor’s Responsibilities for the Audit of the Financial Statements**

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

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

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

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

### **Required Supplementary Information**

Accounting principles generally accepted in the United States of America require that the Management’s Discussion and Analysis, which follows this report letter, and Required Supplementary Information as listed in the Table of Contents be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Government Accounting Standards Board (GASB), who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the Required Supplementary Information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management’s responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### **Supplementary Information**

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Forest Lake's basic financial statements. The accompanying supplementary information identified in the Table of Contents is presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

### **Other Information**

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

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

### **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated May 30, 2024, on our consideration of the City Forest Lake's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Forest Lake's internal control over financial reporting and compliance.

**BerganKDV, Ltd.**

Minneapolis, Minnesota  
May 30, 2024



**Forest Lake**

AS GOOD AS IT SOUNDS

## City of Forest Lake Management's Discussion and Analysis

This section of the annual financial statements of the City of Forest Lake, Minnesota (the "City") presents a discussion and analysis of the City's financial performance during the year ending December 31, 2023. Please read it in conjunction with the financial statements, which follow this section.

### FINANCIAL HIGHLIGHTS

- ◆ The assets and deferred outflows of resources of the City exceeded the liabilities and deferred inflows of resources by \$85,666,333. Of this amount \$9,811,166 may be used to meet the government's ongoing obligations to citizens and creditors in accordance with the City's fund designation and fiscal policies.
- ◆ The City's total net position increased by \$6,907,261 due primarily to increases in revenue related to business-type activities in charges for services and capital grants and contributions. The City also has a significant increase in investment earnings due to market conditions.
- ◆ The City's governmental funds reported combined ending fund balances of \$13,768,355. Of this total amount, \$5,387,417 is unassigned and available for spending at the City's discretion.
- ◆ At the end of the current year, unassigned fund balance for the General Fund was \$6,177,253, or 53.5%, of total General Fund expenditures.
- ◆ The City's net bonded debt decreased by \$2,981,558 during the current year due to decrease by scheduled debt service payments.

### OVERVIEW OF THE FINANCIAL STATEMENT

This annual report consists of a series of financial statements. The Statement of Net Position and the Statement of Activities provide information about the activities of the City as a whole and present a longer-term view of the City's finances. Fund financial statements are presented after the Statement of Activities. Fund financial statements report the City's operations in more detail than the government-wide statements by providing information about the City's funds. The Notes to the Financial Statements provide information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. This report also contains other supplementary information in addition to the basic financial statements.

#### Statement of Net Position and Statement of Activities

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

The government-wide financial statements includes information for not only the City (known as the primary government), but also legally separate entities for which the City is financially accountable (discretely presented component units).

## City of Forest Lake Management's Discussion and Analysis

### OVERVIEW OF THE FINANCIAL STATEMENTS (CONTINUED)

#### **Statement of Net Position and Statement of Activities (Continued)**

These two statements report the City's net position and changes in them. You can think of the City's net position, the difference between assets and deferred outflows or resources and liabilities and deferred inflows of resources, as one way to measure the City's financial health or financial position. Over time, increases or decreases in the City's net position are one indicator of whether the City's financial health is improving or deteriorating. You will need to consider other nonfinancial factors, however, to assess the overall health of the City.

#### **Fund Financial Statements**

Our analysis of the City's major funds begins with the fund financial statements and provides detailed information about the most significant funds, not the City as a whole. Some funds are required to be established by law and by bond covenants. However, the City Council establishes other funds to help it control and manage money for particular purposes or to show that it is meeting legal responsibilities for using certain taxes, grants or other money. The City's two kinds of funds, governmental and proprietary, use different approaches.

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

The basic governmental fund financial statements can be found on pages 30-34 of this report.

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

The basic proprietary fund financial statements can be found on pages 35-37 of this report.

#### **Notes to Financial Statements**

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The Notes to the Financial Statements can be found on pages 39-76 of this report.

**City of Forest Lake  
Management's Discussion and Analysis**

**OVERVIEW OF THE FINANCIAL STATEMENTS (CONTINUED)**

**Comparative Data**

Certain comparative information between the current (2023) and prior year (2022) is required to be presented in the Management Discussion and Analysis (MD&A). Comparative data can be found on pages 17-18 of this report. This section will discuss and analyze significant differences between the two years.

**GOVERNMENT-WIDE FINANCIAL ANALYSIS**

The City's net position increased during 2023 by \$6,907,261. Our analysis below focuses on the net position (Table 1) and changes in net position (Table 2) of the City's governmental and business-type activity

**Table 1  
Statement of Net Position**

|                                                                    | Primary Government      |                      |                          |                      |                       |                       |
|--------------------------------------------------------------------|-------------------------|----------------------|--------------------------|----------------------|-----------------------|-----------------------|
|                                                                    | Governmental Activities |                      | Business-Type Activities |                      | Total                 |                       |
|                                                                    | 2023                    | 2022                 | 2023                     | 2022                 | 2023                  | 2022                  |
| <b>Assets</b>                                                      |                         |                      |                          |                      |                       |                       |
| Current and other assets                                           | \$ 21,967,870           | \$ 19,407,561        | \$ 13,866,736            | \$ 17,574,873        | \$ 35,834,606         | \$ 36,982,434         |
| Capital assets                                                     | 57,118,242              | 58,317,434           | 44,592,594               | 38,465,611           | 101,710,836           | 96,783,045            |
| Total assets                                                       | <u>79,086,112</u>       | <u>77,724,995</u>    | <u>58,459,330</u>        | <u>56,040,484</u>    | <u>137,545,442</u>    | <u>133,765,479</u>    |
| <b>Deferred Outflows of Resources</b>                              |                         |                      |                          |                      |                       |                       |
| Related to loss on bond refunding                                  | 244,262                 | 264,617              | -                        | -                    | 244,262               | 264,617               |
| Related to pensions                                                | 7,102,473               | 8,079,024            | 202,234                  | 274,212              | 7,304,707             | 8,353,236             |
| Related to OPEB                                                    | 227,699                 | 246,645              | 30,024                   | 32,592               | 257,723               | 279,237               |
| Total assets and deferred outflows of resources                    | <u>\$ 86,660,546</u>    | <u>\$ 86,315,281</u> | <u>\$ 58,691,588</u>     | <u>\$ 56,347,288</u> | <u>\$ 145,352,134</u> | <u>\$ 142,662,569</u> |
| <b>Liabilities</b>                                                 |                         |                      |                          |                      |                       |                       |
| Noncurrent liabilities outstanding                                 | \$ 31,376,709           | \$ 38,802,357        | \$ 14,700,760            | \$ 15,383,497        | \$ 46,077,469         | \$ 54,185,854         |
| Other liabilities                                                  | 3,225,473               | 3,937,378            | 1,602,863                | 3,283,697            | 4,828,336             | 7,221,075             |
| Total liabilities                                                  | <u>34,602,182</u>       | <u>42,739,735</u>    | <u>16,303,623</u>        | <u>18,667,194</u>    | <u>50,905,805</u>     | <u>61,406,929</u>     |
| <b>Deferred Inflows of Resources</b>                               |                         |                      |                          |                      |                       |                       |
| Related to pensions                                                | 6,440,957               | 674,567              | 184,708                  | 10,657               | 6,625,665             | 685,224               |
| Related to OPEB                                                    | 1,193,939               | 961,112              | 157,430                  | 127,006              | 1,351,369             | 1,088,118             |
| Related to leases                                                  | 802,962                 | 723,226              | -                        | -                    | 802,962               | 723,226               |
| <b>Net Position</b>                                                |                         |                      |                          |                      |                       |                       |
| Net investment in capital assets                                   | 39,796,337              | 39,775,303           | 29,598,005               | 23,685,351           | 69,394,342            | 63,460,654            |
| Restricted                                                         | 6,460,825               | 5,553,620            | -                        | -                    | 6,460,825             | 5,553,620             |
| Unrestricted                                                       | (2,636,656)             | (4,112,282)          | 12,447,822               | 13,857,080           | 9,811,166             | 9,744,798             |
| Total net position                                                 | <u>43,620,506</u>       | <u>41,216,641</u>    | <u>42,045,827</u>        | <u>37,542,431</u>    | <u>85,666,333</u>     | <u>78,759,072</u>     |
| Total liabilities, deferred inflows of resources, and net position | <u>\$ 86,660,546</u>    | <u>\$ 86,315,281</u> | <u>\$ 58,691,588</u>     | <u>\$ 56,347,288</u> | <u>\$ 145,352,134</u> | <u>\$ 142,662,569</u> |

**City of Forest Lake  
Management's Discussion and Analysis**

**GOVERNMENT-WIDE FINANCIAL ANALYSIS (CONTINUED)**

**Governmental Activities**

Net position of the City's governmental activities increased by \$2,403,865. The increase was mainly due to program and general revenues exceeding expenses. Revenues increased primarily due to property taxes and investment earnings. Expenses increased due to the accounting for the net pension liability and changes in assumptions. Unrestricted net position, the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants, legislation or other legal requirement, was (\$2,636,656) at December 31, 2023.

The following table indicates the changes in net position for the City's governmental and business-type activities:

**Table 2  
Statement of Activities**

|                                    | Primary Government      |                      |                          |                      |                      |                      |
|------------------------------------|-------------------------|----------------------|--------------------------|----------------------|----------------------|----------------------|
|                                    | Governmental Activities |                      | Business-Type Activities |                      | Total                |                      |
|                                    | 2023                    | 2022                 | 2023                     | 2022                 | 2023                 | 2022                 |
| <b>Revenues</b>                    |                         |                      |                          |                      |                      |                      |
| Program revenues                   |                         |                      |                          |                      |                      |                      |
| Charges for services               | \$ 3,624,078            | \$ 3,340,183         | \$ 6,911,063             | \$ 5,859,053         | \$ 10,535,141        | \$ 9,199,236         |
| Operating grants and contributions | 1,549,686               | 2,950,936            | 19,623                   | 18,921               | 1,569,309            | 2,969,857            |
| Capital grants and contributions   | 1,896,983               | 1,661,042            | 2,609,725                | 399,600              | 4,506,708            | 2,060,642            |
| General revenues                   |                         |                      |                          |                      |                      |                      |
| Property taxes and tax increments  | 13,363,981              | 12,642,857           | -                        | -                    | 13,363,981           | 12,642,857           |
| Unrestricted state aids            | 8,592                   | 7,778                | -                        | -                    | 8,592                | 7,778                |
| Unrestricted investment earnings   | 593,770                 | (169,303)            | 396,811                  | (296,367)            | 990,581              | (465,670)            |
| Gain on sale of assets             | 244,896                 | 40,088               | 178,480                  | -                    | 423,376              | 40,088               |
| Total revenues                     | <u>21,281,986</u>       | <u>20,473,581</u>    | <u>10,115,702</u>        | <u>5,981,207</u>     | <u>31,397,688</u>    | <u>26,454,788</u>    |
| <b>Expenses</b>                    |                         |                      |                          |                      |                      |                      |
| General government                 | 2,704,144               | 2,626,913            | -                        | -                    | 2,704,144            | 2,626,913            |
| Public safety                      | 7,535,018               | 6,530,987            | -                        | -                    | 7,535,018            | 6,530,987            |
| Public works                       | 5,317,966               | 5,600,424            | -                        | -                    | 5,317,966            | 5,600,424            |
| Culture and recreation             | 1,518,313               | 1,166,339            | -                        | -                    | 1,518,313            | 1,166,339            |
| Economic development               | 803,221                 | 1,120,780            | -                        | -                    | 803,221              | 1,120,780            |
| Airport                            | 334,736                 | 385,934              | -                        | -                    | 334,736              | 385,934              |
| Interest on long-term debt         | 664,723                 | 722,290              | -                        | -                    | 664,723              | 722,290              |
| Water                              | -                       | -                    | 2,375,866                | 2,396,833            | 2,375,866            | 2,396,833            |
| Sewer                              | -                       | -                    | 3,236,440                | 3,042,354            | 3,236,440            | 3,042,354            |
| Total expenses                     | <u>18,878,121</u>       | <u>18,153,667</u>    | <u>5,612,306</u>         | <u>5,439,187</u>     | <u>24,490,427</u>    | <u>23,592,854</u>    |
| Excess of revenues over expenses   | 2,403,865               | 2,319,914            | 4,503,396                | 542,020              | 6,907,261            | 2,861,934            |
| Transfers                          | -                       | (2,237,605)          | -                        | 2,237,605            | -                    | -                    |
| Change in net position             | 2,403,865               | 82,309               | 4,503,396                | 2,779,625            | 6,907,261            | 2,861,934            |
| Net position - beginning           | 41,216,641              | 41,134,332           | 37,542,431               | 34,762,806           | 78,759,072           | 75,897,138           |
| Net position - ending              | <u>\$ 43,620,506</u>    | <u>\$ 41,216,641</u> | <u>\$ 42,045,827</u>     | <u>\$ 37,542,431</u> | <u>\$ 85,666,333</u> | <u>\$ 78,759,072</u> |

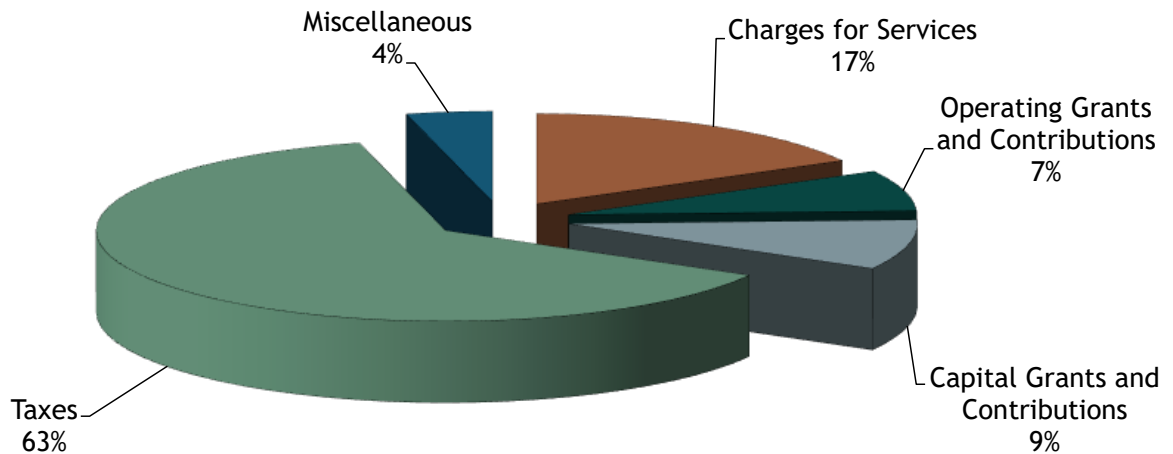
**City of Forest Lake  
Management's Discussion and Analysis**

**GOVERNMENT-WIDE FINANCIAL ANALYSIS (CONTINUED)**

**Governmental Activities (Continued)**

Revenues - The following chart visually illustrates the City's revenue by source for its governmental activities.

**Revenues by Source - Governmental Activities**



Revenues for the City's governmental activities increased by \$808,405. The major component of this increase are explained as follows:

- ◆ Property Taxes and Tax Increments increased by \$721,124 or 5.70%, due to an increase in levy.
- ◆ Unrestricted investment earnings increased by \$763,073 or 450.71% due to significant change in market conditions in 2023 compared to 2022.
- ◆ Charges in Services increased by \$283,895 (8.50%).
- ◆ Operating Grants and Contributions decreased \$1,401,250 primarily due to a onetime federal coronavirus relief funds dollars received 2022.

Expenses for the City's governmental activities increased by \$724,454. The major components of this decrease are explained as follows:

- ◆ Public Safety expenses increased by \$1,004,031 primarily due planned budget increases and due to the accounting for the net pension liability and changes in assumptions.
- ◆ Culture and recreation expense increased by \$351,974 due to operational increased from the prior year.
- ◆ Increases in public safety and culture and recreations were offset by decreases in Public Works (\$282,458) and Economic Development (\$317,559).



**City of Forest Lake  
Management's Discussion and Analysis**

**GOVERNMENT-WIDE FINANCIAL ANALYSIS (CONTINUED)**

**Business-Type Activities**

The net position of the City's business-type activities increased by \$4,503,396.

Revenues for the City's business-type activities increased by \$4,134,495 from the prior year. This increase was primarily due to an increase in capital grants and contributions (\$2,210,125) related to development and grants received for projects. There were also increases in charges for services (\$1,052,010) due to planned increases in rates and higher usage compared to the prior year.

Expenses for the City's business-type activities increased by \$173,119 from the prior year. The increase was primarily due to expected and planned operational increases.

**FINANCIAL ANALYSIS OF THE CITY'S FUNDS**

**Governmental Funds**

The focus of the City of Forest Lake'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 balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

At the end of the current fiscal year, the City of Forest Lake's governmental funds reported combined ending fund balances of \$13,768,355. Approximately 39.1% of this total, \$5,387,417, constitutes the unassigned fund balance. The remainder of fund balance (\$8,380,938) is not available for new spending because it is either 1) nonspendable (\$809,143), 2) restricted (\$4,805,019), 3) committed (\$2,743,764) and 4) assigned (\$23,012).

Activity in the City's major funds is discussed below:

**General Fund** - The General Fund is the chief operating fund of the City. The fund balance for the General fund increased \$318,191 from the prior year. Total revenues decreased from 2022 by \$1,206,437. However, this was due to one-time funds related to the onetime federal coronavirus relief fund dollars received totaling \$2,287,605 in 2022. Total revenues were higher than expectations in 2023 by \$460,000, which offset expenditures being over budget by \$171,110. As a measure of the General Fund's liquidity, it may be useful to compare fund balance to total fund expenditures. Unassigned fund balance represents 53.5% of total 2023 expenditures.

**Capital Improvement fund** - Fund balance decreased \$424,463 during 2023. This is due to normal operations of the fund and planned future projects and funding for planned improvements.

**City of Forest Lake  
Management's Discussion and Analysis**

**FINANCIAL ANALYSIS OF THE CITY'S FUNDS (CONTINUED)**

**Proprietary Funds**

The City's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail. At the end of the year, unrestricted net position of the enterprise funds amount to \$12,447,822. Activity is discussed below:

Water Fund - The Water Funds net position increased \$1,239,416. Operating revenues increased \$594,332 due to increases in rates and water usage from the prior year. The fund also had an increase in capital contributions and investment earnings due to improved market conditions. Operating expenses experienced a slight decrease from the prior year.

Sewer Fund - The increase in net position of \$3,263,980 is primarily due to capital contributions of \$2,269,426 related to sewer infrastructure. Operating revenue also increased \$456,411 due to increases in rates and usage from the prior year. Expenses increased slightly due to expected operations.

**GENERAL FUND BUDGETARY HIGHLIGHTS**

The City did not amend the General Fund budget in 2023. Overall, actual revenues, expenditures, and other financing sources (uses) resulted in an increase in fund balance of \$318,191.

| General Fund Budget Report     |                    |                 |                     |                                        |
|--------------------------------|--------------------|-----------------|---------------------|----------------------------------------|
|                                | Original<br>Budget | Final<br>Budget | Actual              | Variance<br>Favorable<br>(Unfavorable) |
| Revenues                       | \$ 11,368,964      | \$ 11,368,964   | \$ 11,828,964       | \$ 460,000                             |
| Expenditures                   | (11,368,964)       | (11,368,964)    | (11,540,074)        | (171,110)                              |
| Other financing sources (uses) | -                  | -               | 29,301              | 29,301                                 |
| Net change                     | <u>\$ -</u>        | <u>\$ -</u>     | 318,191             | <u>\$ 318,191</u>                      |
| Fund balance                   |                    |                 |                     |                                        |
| January 1, 2023                |                    |                 | <u>6,321,231</u>    |                                        |
| December 31, 2023              |                    |                 | <u>\$ 6,639,422</u> |                                        |

Significant variances from budget to actual in the year 2023 are described below and on the following page.

**Revenues**

Overall, actual revenue was \$460,000 over budget. Charges for services revenue was \$103,052 over budget due to conservative budgeting building permit plan check fees. Intergovernmental revenue was over budget by \$75,106 due to the City receiving higher than anticipated state fire aid and investment income was \$180,384 over budget due to positive market conditions related to unrealized gains on investments.

**City of Forest Lake  
Management's Discussion and Analysis**

**GENERAL FUND BUDGETARY HIGHLIGHTS (CONTINUED)**

**Expenditures**

In total, actual expenditures were over the amount budgeted by \$171,110. General government, public safety, and culture and recreation were over budget by \$49,676, \$155,216, and \$144,326, respectively. Public safety was over budget due to wages and benefits related to retirees and overtime pay and implementing online building permitting software. Culture and recreation was over budget due to capital items and contracted services that were unexpected not budgeted.

**CAPITAL ASSET AND DEBT ADMINISTRATION**

**Capital Assets**

At the end of 2023, the City had \$101,710,833 invested in a broad range of capital assets, net of accumulated depreciation. Refer to Note 5, Capital Assets, of the basic financial statements for a schedule showing the City's capital asset activity. This amount represents a net increase (including additions and deductions) of approximately \$4,927,788.

Major capital asset events during the current fiscal year included the following:

- ◆ Construction related to street improvements and water improvements to maintain proper infrastructure requirements including water treatment plant #4, lift station improvements and north shore circle street and utility reconstruction totaling \$8,380,734.
- ◆ Maintaining adequate levels of vehicles and equipment to support City operations totaling \$1,690,131.

**City of Forest Lake's Capital Assets  
(Net of Depreciation)**

|                            | Governmental<br>Activities | Business-Type<br>Activities | Total                 |
|----------------------------|----------------------------|-----------------------------|-----------------------|
| Land                       | \$ 9,850,619               | \$ 114,573                  | \$ 9,965,192          |
| Construction in progress   | 528,122                    | 14,438,125                  | 14,966,247            |
| Infrastructure             | 29,444,818                 | 24,956,325                  | 54,401,143            |
| Buildings and improvements | 13,305,166                 | 3,973                       | 13,309,139            |
| Machinery and equipment    | 3,989,517                  | 5,079,595                   | 9,069,112             |
| <b>Total</b>               | <b>\$ 57,118,242</b>       | <b>\$ 44,592,591</b>        | <b>\$ 101,710,833</b> |

**Long-Term Debt**

At year-end the City had \$37,719,026 in bonds obligations outstanding.

During 2023, \$2,981,558 in debt was retired. Refer to Note 7 of the basic financial statements for a schedule showing the City's long-term debt activity. This included a payment for a bond refunding.

The City maintains a G.O. bond rating of "Aa2" from Moody's Investor's Service and an "AA+" rating from Standard and Poor's (S&P), which are considered to be excellent ratings in the market.

**City of Forest Lake  
Management's Discussion and Analysis**

**ECONOMIC FACTORS AND NEXT YEAR'S BUDGET**

The City's elected officials considered many factors when adopting the 2024 budget and when setting the 2024 rates and fees that will be charged for the business-type activities. The major factors accounted for when adopting the General Fund budget were:

- ◆ A 3.0% contractual cost-of-living (COLA) increase was planned for all employees.
- ◆ The 2023 budget includes a property tax levy of \$14,952,629 which is 13.91% greater than the 2023 levy.
- ◆ The final city tax rate for taxes payable in 2024 is 37.615%.
- ◆ Washington County has an unemployment rate as of December 2023 of 2.7%. This compares with unemployment rates of 2.7% for the State of Minnesota and 3.7% for the United States.

**CONTACT INFORMATION**

This annual report is designed to provide a general overview of the City of Forest Lake, Minnesota finances for citizens, customers and others. Questions concerning any of the information contained in this report and requests for additional information should be addressed to Kevin Knopik, Finance Director, City of Forest Lake, 1408 Lake Street South, Forest Lake, Minnesota 55025, or by phone at (651) 209-9725.



**Forest Lake**  
AS GOOD AS IT SOUNDS

## **BASIC FINANCIAL STATEMENTS**



**Forest Lake**  
AS GOOD AS IT SOUNDS

City of Forest Lake  
Statement of Net Position  
December 31, 2023

|                                                                       | Primary Government         |                             |                       | Component<br>Unit                    |
|-----------------------------------------------------------------------|----------------------------|-----------------------------|-----------------------|--------------------------------------|
|                                                                       | Governmental<br>Activities | Business-Type<br>Activities | Total                 | Economic<br>Development<br>Authority |
| <b>Assets</b>                                                         |                            |                             |                       |                                      |
| Cash and investments (including cash equivalents)                     | \$ 14,526,503              | \$ 11,060,154               | \$ 25,586,657         | \$ 259,660                           |
| Receivables                                                           |                            |                             |                       |                                      |
| Taxes receivable                                                      | 221,003                    | -                           | 221,003               | -                                    |
| Accounts receivable                                                   | 511,229                    | 1,747,327                   | 2,258,556             | 5,700                                |
| Interest receivable                                                   | 65,545                     | 93,993                      | 159,538               | 659                                  |
| Special assessments receivable                                        |                            |                             |                       |                                      |
| Deferred and delinquent                                               | 90,763                     | 270,739                     | 361,502               | -                                    |
| Due from other governments                                            | 2,509,051                  | 10,000                      | 2,519,051             | -                                    |
| Advances to other funds (internal balances)                           | (455,452)                  | 455,452                     | -                     | -                                    |
| Note receivable                                                       | 834,137                    | -                           | 834,137               | -                                    |
| Leases receivable                                                     | 851,192                    | -                           | 851,192               | -                                    |
| Inventory                                                             | 26,462                     | 22,153                      | 48,615                | -                                    |
| Prepaid items                                                         | 782,681                    | 206,921                     | 989,602               | -                                    |
| Net pension asset - fire relief association                           | 2,004,756                  | -                           | 2,004,756             | -                                    |
| Capital assets not being depreciated                                  |                            |                             |                       |                                      |
| Land                                                                  | 9,850,619                  | 114,573                     | 9,965,192             | -                                    |
| Construction in progress                                              | 528,122                    | 14,438,125                  | 14,966,247            | -                                    |
| Capital assets being depreciated                                      |                            |                             |                       |                                      |
| Infrastructure                                                        | 138,149,042                | 40,879,920                  | 179,028,962           | -                                    |
| Buildings and improvements                                            | 18,238,399                 | 14,465                      | 18,252,864            | -                                    |
| Machinery and equipment                                               | 15,003,690                 | 10,074,230                  | 25,077,920            | -                                    |
| Less accumulated depreciation                                         | (124,651,630)              | (20,928,722)                | (145,580,352)         | -                                    |
| Total assets                                                          | <u>79,086,112</u>          | <u>58,459,330</u>           | <u>137,545,442</u>    | <u>266,019</u>                       |
| <b>Deferred Outflows of Resources</b>                                 |                            |                             |                       |                                      |
| Deferred loss on bond refunding                                       | 244,262                    | -                           | 244,262               | -                                    |
| Deferred outflows of resources related to pensions                    | 7,102,473                  | 202,234                     | 7,304,707             | -                                    |
| Deferred outflows of resources related to OPEB                        | 227,699                    | 30,024                      | 257,723               | -                                    |
| Total deferred outflows of resources                                  | <u>7,574,434</u>           | <u>232,258</u>              | <u>7,806,692</u>      | <u>-</u>                             |
| Total assets and deferred outflows of resources                       | <u>\$ 86,660,546</u>       | <u>\$ 58,691,588</u>        | <u>\$ 145,352,134</u> | <u>\$ 266,019</u>                    |
| <b>Liabilities</b>                                                    |                            |                             |                       |                                      |
| Accounts payable                                                      | \$ 725,096                 | \$ 78,589                   | \$ 803,685            | \$ 630                               |
| Contracts payable                                                     | 58,803                     | 887,078                     | 945,881               | -                                    |
| Escrow payable                                                        | 1,009,883                  | -                           | 1,009,883             | -                                    |
| Due to other governments                                              | 30,192                     | 30,603                      | 60,795                | -                                    |
| Salaries and benefits payable                                         | 197,451                    | 16,563                      | 214,014               | 1,587                                |
| Unearned revenue                                                      | 37,425                     | -                           | 37,425                | -                                    |
| Interest payable                                                      | 443,996                    | 201,068                     | 645,064               | -                                    |
| Bond principal payable, net of premiums                               |                            |                             |                       |                                      |
| Payable within one year                                               | 1,500,000                  | 1,130,000                   | 2,630,000             | -                                    |
| Payable after one year                                                | 22,111,518                 | 12,977,508                  | 35,089,026            | -                                    |
| Compensated absences payable                                          |                            |                             |                       |                                      |
| Payable within one year                                               | 306,671                    | 46,115                      | 352,786               | -                                    |
| Payable after one year                                                | 415,956                    | 75,145                      | 491,101               | -                                    |
| Total OPEB liability                                                  |                            |                             |                       |                                      |
| Payable within one year                                               | 52,000                     | 8,000                       | 60,000                | -                                    |
| Payable after one year                                                | 1,978,237                  | 259,702                     | 2,237,939             | -                                    |
| Net pension liability                                                 |                            |                             |                       |                                      |
| Payable after one year                                                | 5,734,954                  | 593,252                     | 6,328,206             | -                                    |
| Total liabilities                                                     | <u>34,602,182</u>          | <u>16,303,623</u>           | <u>50,905,805</u>     | <u>2,217</u>                         |
| <b>Deferred Inflows of Resources</b>                                  |                            |                             |                       |                                      |
| Deferred inflows of resources related to pensions                     | 6,440,957                  | 184,708                     | 6,625,665             | -                                    |
| Deferred inflows of resources related to OPEB                         | 1,193,939                  | 157,430                     | 1,351,369             | -                                    |
| Deferred inflows of resources related to leases receivable            | 802,962                    | -                           | 802,962               | -                                    |
| Total deferred inflows of resources                                   | <u>8,437,858</u>           | <u>342,138</u>              | <u>8,779,996</u>      | <u>-</u>                             |
| <b>Net Position</b>                                                   |                            |                             |                       |                                      |
| Net investment in capital assets                                      | 39,796,337                 | 29,598,005                  | 69,394,342            | -                                    |
| Restricted for                                                        |                            |                             |                       |                                      |
| Pensions                                                              | 2,004,756                  | -                           | 2,004,756             | -                                    |
| Debt service                                                          | 1,990,295                  | -                           | 1,990,295             | -                                    |
| Tax increment                                                         | 71,342                     | -                           | 71,342                | -                                    |
| Park land acquisition                                                 | 1,413,308                  | -                           | 1,413,308             | -                                    |
| Public safety                                                         | 969,660                    | -                           | 969,660               | -                                    |
| Recycling                                                             | 11,464                     | -                           | 11,464                | -                                    |
| Unrestricted                                                          | (2,636,656)                | 12,447,822                  | 9,811,166             | 263,802                              |
| Total net position                                                    | <u>43,620,506</u>          | <u>42,045,827</u>           | <u>85,666,333</u>     | <u>263,802</u>                       |
| Total liabilities, deferred inflows of resources,<br>and net position | <u>\$ 86,660,546</u>       | <u>\$ 58,691,588</u>        | <u>\$ 145,352,134</u> | <u>\$ 266,019</u>                    |

See notes to basic financial statements.



**City of Forest Lake  
Statement of Activities  
Year Ended December 31, 2023**

| Functions/Programs                              | Program Revenues     |                      |                                    |                                  |
|-------------------------------------------------|----------------------|----------------------|------------------------------------|----------------------------------|
|                                                 | Expenses             | Charges for Services | Operating Grants and Contributions | Capital Grants and Contributions |
| <b>Governmental activities</b>                  |                      |                      |                                    |                                  |
| General government                              | \$ 2,704,144         | \$ 230,348           | \$ -                               | \$ -                             |
| Public safety                                   | 7,535,018            | 1,393,720            | 1,461,676                          | -                                |
| Public works                                    | 5,317,966            | 1,805,034            | 3,872                              | 1,621,527                        |
| Culture and recreation                          | 1,518,313            | 87,890               | 65,612                             | 22,500                           |
| Economic development                            | 803,221              | -                    | -                                  | -                                |
| Airport                                         | 334,736              | 107,086              | 18,526                             | 252,956                          |
| Interest on long-term debt                      | 664,723              | -                    | -                                  | -                                |
| Total governmental activities                   | <u>18,878,121</u>    | <u>3,624,078</u>     | <u>1,549,686</u>                   | <u>1,896,983</u>                 |
| <b>Business-type activities</b>                 |                      |                      |                                    |                                  |
| Water                                           | 2,375,866            | 3,067,126            | 15,920                             | 340,299                          |
| Sewer                                           | 3,236,440            | 3,843,937            | 3,703                              | 2,269,426                        |
| Total business-type activities                  | <u>5,612,306</u>     | <u>6,911,063</u>     | <u>19,623</u>                      | <u>2,609,725</u>                 |
| <br>                                            |                      |                      |                                    |                                  |
| Total governmental and business-type activities | <u>\$ 24,490,427</u> | <u>\$ 10,535,141</u> | <u>\$ 1,569,309</u>                | <u>\$ 4,506,708</u>              |
| <br>                                            |                      |                      |                                    |                                  |
| <b>Component unit</b>                           |                      |                      |                                    |                                  |
| Economic Development Authority                  | <u>\$ 137,784</u>    | <u>\$ -</u>          | <u>\$ 14,068</u>                   | <u>\$ -</u>                      |
| <br>                                            |                      |                      |                                    |                                  |
| General revenues                                |                      |                      |                                    |                                  |
| Property taxes                                  |                      |                      |                                    |                                  |
| Tax increment                                   |                      |                      |                                    |                                  |
| Unrestricted state aids                         |                      |                      |                                    |                                  |
| Unrestricted investment earnings                |                      |                      |                                    |                                  |
| Gain on sale of asset                           |                      |                      |                                    |                                  |
| Total general revenues and transfers            |                      |                      |                                    |                                  |
| Change in net position                          |                      |                      |                                    |                                  |
| Net position - beginning                        |                      |                      |                                    |                                  |
| <br>                                            |                      |                      |                                    |                                  |
| Net position - ending                           |                      |                      |                                    |                                  |

Net (Expense) Revenue  
and Changes in Net Position

| Primary Government         |                             |                      | Component<br>Unit                    |
|----------------------------|-----------------------------|----------------------|--------------------------------------|
| Governmental<br>Activities | Business-Type<br>Activities | Total                | Economic<br>Development<br>Authority |
| \$ (2,473,796)             | \$ -                        | \$ (2,473,796)       | \$ -                                 |
| (4,679,622)                | -                           | (4,679,622)          | -                                    |
| (1,887,533)                | -                           | (1,887,533)          | -                                    |
| (1,342,311)                | -                           | (1,342,311)          | -                                    |
| (803,221)                  | -                           | (803,221)            | -                                    |
| 43,832                     | -                           | 43,832               | -                                    |
| (664,723)                  | -                           | (664,723)            | -                                    |
| <u>(11,807,374)</u>        | <u>-</u>                    | <u>(11,807,374)</u>  | <u>-</u>                             |
| -                          | 1,047,479                   | 1,047,479            | -                                    |
| -                          | 2,880,626                   | 2,880,626            | -                                    |
| <u>-</u>                   | <u>3,928,105</u>            | <u>3,928,105</u>     | <u>-</u>                             |
| <u>(11,807,374)</u>        | <u>3,928,105</u>            | <u>(7,879,269)</u>   | <u>-</u>                             |
| <u>-</u>                   | <u>-</u>                    | <u>-</u>             | <u>(123,716)</u>                     |
| 12,948,627                 | -                           | 12,948,627           | 150,000                              |
| 415,354                    | -                           | 415,354              | -                                    |
| 8,592                      | -                           | 8,592                | -                                    |
| 593,770                    | 396,811                     | 990,581              | 9,672                                |
| 244,896                    | 178,480                     | 423,376              | -                                    |
| <u>14,211,239</u>          | <u>575,291</u>              | <u>14,786,530</u>    | <u>159,672</u>                       |
| 2,403,865                  | 4,503,396                   | 6,907,261            | 35,956                               |
| 41,216,641                 | 37,542,431                  | 78,759,072           | 227,846                              |
| <u>\$ 43,620,506</u>       | <u>\$ 42,045,827</u>        | <u>\$ 85,666,333</u> | <u>\$ 263,802</u>                    |

**City of Forest Lake**  
**Balance Sheet - Governmental Funds**  
**December 31, 2023**

|                                                                        | General Fund<br>(101) | Capital Projects<br>Capital<br>Improvements<br>(211) | Nonmajor<br>Governmental<br>Funds | Total                |
|------------------------------------------------------------------------|-----------------------|------------------------------------------------------|-----------------------------------|----------------------|
| <b>Assets</b>                                                          |                       |                                                      |                                   |                      |
| Cash and investments                                                   | \$ 6,842,804          | \$ 924,493                                           | \$ 6,759,206                      | \$ 14,526,503        |
| Taxes receivable                                                       | 221,003               | -                                                    | -                                 | 221,003              |
| Special assessments receivable                                         |                       |                                                      |                                   |                      |
| Deferred and delinquent                                                | -                     | 40,946                                               | 49,817                            | 90,763               |
| Accounts receivable                                                    | 49,677                | 328,600                                              | 132,952                           | 511,229              |
| Interest receivable                                                    | 36,900                | 12,574                                               | 16,071                            | 65,545               |
| Due from other governments                                             | 89,328                | 2,344,538                                            | 75,185                            | 2,509,051            |
| Note receivable                                                        | 834,137               | -                                                    | -                                 | 834,137              |
| Leases receivable                                                      | 315,174               | -                                                    | 536,018                           | 851,192              |
| Inventory                                                              | -                     | -                                                    | 26,462                            | 26,462               |
| Prepaid items                                                          | 418,960               | -                                                    | 363,721                           | 782,681              |
| Advances to other funds                                                | 275,000               | 35,000                                               | -                                 | 310,000              |
|                                                                        | <u>\$ 9,082,983</u>   | <u>\$ 3,686,151</u>                                  | <u>\$ 7,959,432</u>               | <u>\$ 20,728,566</u> |
| <b>Liabilities</b>                                                     |                       |                                                      |                                   |                      |
| Accounts payable                                                       | \$ 180,725            | \$ 108,097                                           | \$ 436,274                        | \$ 725,096           |
| Contracts payable                                                      | -                     | 58,803                                               | -                                 | 58,803               |
| Escrows payable                                                        | 731,903               | 277,980                                              | -                                 | 1,009,883            |
| Interest payable                                                       | -                     | -                                                    | 95,046                            | 95,046               |
| Due to other governments                                               | 30,192                | -                                                    | -                                 | 30,192               |
| Salaries and benefits payable                                          | 194,530               | -                                                    | 2,921                             | 197,451              |
| Unearned revenue                                                       | 37,425                | -                                                    | -                                 | 37,425               |
| Advances from other funds                                              | -                     | -                                                    | 765,452                           | 765,452              |
|                                                                        | <u>1,174,775</u>      | <u>444,880</u>                                       | <u>1,299,693</u>                  | <u>2,919,348</u>     |
| <b>Deferred Inflows of Resources</b>                                   |                       |                                                      |                                   |                      |
| Unavailable revenue - state shared taxes                               | -                     | 2,170,201                                            | -                                 | 2,170,201            |
| Unavailable revenue - taxes                                            | 143,248               | -                                                    | -                                 | 143,248              |
| Unavailable revenue - special assessments                              | -                     | 40,946                                               | 49,369                            | 90,315               |
| Unavailable revenue - note receivable                                  | 834,137               | -                                                    | -                                 | 834,137              |
| Deferred inflows of resources related<br>to leases receivable          | 291,401               | -                                                    | 511,561                           | 802,962              |
|                                                                        | <u>1,268,786</u>      | <u>2,211,147</u>                                     | <u>560,930</u>                    | <u>4,040,863</u>     |
| <b>Fund Balances</b>                                                   |                       |                                                      |                                   |                      |
| Nonspendable                                                           | 418,960               | -                                                    | 390,183                           | 809,143              |
| Restricted                                                             | 11,464                | -                                                    | 4,793,555                         | 4,805,019            |
| Committed                                                              | 8,733                 | 1,030,124                                            | 1,704,907                         | 2,743,764            |
| Assigned                                                               | 23,012                | -                                                    | -                                 | 23,012               |
| Unassigned                                                             | 6,177,253             | -                                                    | (789,836)                         | 5,387,417            |
|                                                                        | <u>6,639,422</u>      | <u>1,030,124</u>                                     | <u>6,098,809</u>                  | <u>13,768,355</u>    |
|                                                                        | <u>\$ 9,082,983</u>   | <u>\$ 3,686,151</u>                                  | <u>\$ 7,959,432</u>               | <u>\$ 20,728,566</u> |
| Total liabilities, deferred inflows of<br>resources, and fund balances |                       |                                                      |                                   |                      |

**City of Forest Lake**  
**Reconciliation of the Balance Sheet to**  
**the Statement of Net Position - Governmental Funds**  
**December 31, 2023**

Total fund balances - governmental funds \$ 13,768,355

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

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

|                               |               |
|-------------------------------|---------------|
| Capital assets                | 181,769,872   |
| Less accumulated depreciation | (124,651,630) |

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

Long-term liabilities at year-end consist of:

|                                         |              |
|-----------------------------------------|--------------|
| Bond principal payable, net of premiums | (23,611,518) |
| Deferred loss on bond refunding         | 244,262      |
| Compensated absences payable            | (722,627)    |
| Total OPEB liability                    | (2,030,237)  |
| Net pension liability                   | (5,734,954)  |

Deferred outflows of resources and deferred inflows of resources are created as a result of differences between actual and expected contributions and earnings on plan investments as well as changes in proportion and are not recognized in the governmental funds.

|                                                    |             |
|----------------------------------------------------|-------------|
| Deferred outflows of resources related to pensions | 7,102,473   |
| Deferred inflows of resources related to pensions  | (6,440,957) |
| Deferred outflows of resources related to OPEB     | 227,699     |
| Deferred inflows of resources related to OPEB      | (1,193,939) |

Net pension assets created through non-employer contributions to defined benefit pension plans are not recognized in the governmental funds.

2,004,756

Delinquent receivables will be collected in subsequent years, but are not available soon enough to pay for the current period's expenditures and, therefore, are deferred in the funds.

|                     |         |
|---------------------|---------|
| Property taxes      | 143,248 |
| Special assessments | 2,549   |

Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds.

|                              |           |
|------------------------------|-----------|
| Deferred special assessments | 87,766    |
| Note receivable              | 834,137   |
| MSA                          | 2,170,201 |

Governmental funds do not report a liability for accrued interest until due and payable.

(348,950)

Total net position - governmental activities

\$ 43,620,506

**City of Forest Lake**  
**Statement of Revenues, Expenditures, and**  
**Changes in Fund Balances - Governmental Funds**  
**Year Ended December 31, 2023**

|                                                           | <u>Capital Projects</u>       |                                           |                                            | <u>Total</u>         |
|-----------------------------------------------------------|-------------------------------|-------------------------------------------|--------------------------------------------|----------------------|
|                                                           | <u>General Fund<br/>(101)</u> | <u>Capital<br/>Improvements<br/>(211)</u> | <u>Nonmajor<br/>Governmental<br/>Funds</u> |                      |
| <b>Revenues</b>                                           |                               |                                           |                                            |                      |
| Taxes                                                     | \$ 9,316,102                  | \$ 200,000                                | \$ 3,392,480                               | \$ 12,908,582        |
| Tax increments                                            | -                             | -                                         | 415,354                                    | 415,354              |
| Franchise fees                                            | -                             | 808,835                                   | -                                          | 808,835              |
| Special assessments                                       | -                             | 20,505                                    | -                                          | 20,505               |
| Licenses and permits                                      | 609,080                       | -                                         | -                                          | 609,080              |
| Intergovernmental                                         | 528,106                       | 658,149                                   | 1,190,054                                  | 2,376,309            |
| Charges for services                                      | 850,942                       | 21,961                                    | 862,605                                    | 1,735,508            |
| Fines and forfeitures                                     | 89,559                        | -                                         | 9,208                                      | 98,767               |
| Miscellaneous                                             |                               |                                           |                                            |                      |
| Investment income                                         | 275,384                       | 42,277                                    | 251,814                                    | 569,475              |
| Contributions and donations                               | 63,765                        | -                                         | 8,920                                      | 72,685               |
| Other                                                     | 96,026                        | 226,910                                   | 97,922                                     | 420,858              |
| Total revenues                                            | <u>11,828,964</u>             | <u>1,978,637</u>                          | <u>6,228,357</u>                           | <u>20,035,958</u>    |
| <b>Expenditures</b>                                       |                               |                                           |                                            |                      |
| Current                                                   |                               |                                           |                                            |                      |
| General government                                        | 2,188,514                     | -                                         | -                                          | 2,188,514            |
| Public safety                                             | 6,614,657                     | -                                         | 9,443                                      | 6,624,100            |
| Public works                                              | 1,209,865                     | 224,164                                   | 285,065                                    | 1,719,094            |
| Culture and recreation                                    | 1,045,924                     | -                                         | 125,004                                    | 1,170,928            |
| Economic development                                      | 338,763                       | -                                         | 379,356                                    | 718,119              |
| Airport                                                   | -                             | -                                         | 90,579                                     | 90,579               |
| Debt service                                              |                               |                                           |                                            |                      |
| Principal                                                 | -                             | -                                         | 1,430,000                                  | 1,430,000            |
| Interest and other charges                                | -                             | -                                         | 886,434                                    | 886,434              |
| Capital outlay                                            |                               |                                           |                                            |                      |
| Public safety                                             | -                             | -                                         | 427,210                                    | 427,210              |
| Public works                                              | -                             | 2,178,936                                 | 812,705                                    | 2,991,641            |
| Culture and recreation                                    | 142,351                       | -                                         | 158,827                                    | 301,178              |
| Airport                                                   | -                             | -                                         | 257,772                                    | 257,772              |
| Total expenditures                                        | <u>11,540,074</u>             | <u>2,403,100</u>                          | <u>4,862,395</u>                           | <u>18,805,569</u>    |
| Excess (deficiency) of revenues over (under) expenditures | <u>288,890</u>                | <u>(424,463)</u>                          | <u>1,365,962</u>                           | <u>1,230,389</u>     |
| <b>Other Financing Sources</b>                            |                               |                                           |                                            |                      |
| Proceeds from sale of capital asset                       | -                             | -                                         | 302,693                                    | 302,693              |
| Insurance recoveries                                      | 29,301                        | -                                         | -                                          | 29,301               |
| Total other financing sources                             | <u>29,301</u>                 | <u>-</u>                                  | <u>302,693</u>                             | <u>331,994</u>       |
| Net change in fund balances                               | 318,191                       | (424,463)                                 | 1,668,655                                  | 1,562,383            |
| <b>Fund Balances</b>                                      |                               |                                           |                                            |                      |
| Beginning of year                                         | <u>6,321,231</u>              | <u>1,454,587</u>                          | <u>4,430,154</u>                           | <u>12,205,972</u>    |
| End of year                                               | <u>\$ 6,639,422</u>           | <u>\$ 1,030,124</u>                       | <u>\$ 6,098,809</u>                        | <u>\$ 13,768,355</u> |

See notes to basic financial statements.

**City of Forest Lake**  
**Reconciliation of the Statement of Revenues,**  
**Expenditures, and Changes in Fund Balances to**  
**the Statement of Activities - Governmental Funds**  
**Year Ended December 31, 2023**

Net change in fund balances - governmental funds \$ 1,562,383

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

Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over the estimated useful lives as depreciation expense.

|                         |             |
|-------------------------|-------------|
| Capital outlays         | 3,404,848   |
| Depreciation expense    | (4,546,243) |
| Book value of disposals | (57,797)    |

|                                                                                                                                                  |       |
|--------------------------------------------------------------------------------------------------------------------------------------------------|-------|
| Compensated absences are recognized as paid in the governmental funds, but recognized as the expense is incurred in the Statement of Activities. | 1,313 |
|--------------------------------------------------------------------------------------------------------------------------------------------------|-------|

|                                                                                                                                       |          |
|---------------------------------------------------------------------------------------------------------------------------------------|----------|
| OPEB costs are recognized as paid in the governmental funds but recognized as the expense is incurred in the Statement of Activities. | (11,397) |
|---------------------------------------------------------------------------------------------------------------------------------------|----------|

|                                                                                                                                                                       |           |
|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------|
| Principal payments on long-term debt are recognized as expenditures in the governmental funds, but as an increase in the net position in the Statement of Activities. | 1,430,000 |
|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------|

|                                                                                                                                                                                                                                                                                                                                                                                         |        |
|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------|
| Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recognized as an expenditure in the funds when it is due and, thus, requires us of current financial resources. In the Statement of Activities, however, interest expense is recognized as the interest accrues, regardless of when it is due. | 26,333 |
|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------|

|                                                                                                                                                         |         |
|---------------------------------------------------------------------------------------------------------------------------------------------------------|---------|
| Bonds premiums are recognized when the debt is issued in the governmental funds but amortized over the life of the debt in the Statement of Activities. | 215,733 |
|---------------------------------------------------------------------------------------------------------------------------------------------------------|---------|

|                                                                                                                                             |          |
|---------------------------------------------------------------------------------------------------------------------------------------------|----------|
| Refunding losses are recognized when paid in the governmental funds but amortized over the life of the debt in the Statement of Activities. | (20,355) |
|---------------------------------------------------------------------------------------------------------------------------------------------|----------|

Governmental Funds recognize pension contributions as expenditures at the time of payment in the whereas the Statement of Activities factors in differences between actual and expected contributions and earnings on plan investments as well as changes in proportion.

|                                      |           |
|--------------------------------------|-----------|
| State aid related to pension expense | 11,333    |
| Pension expense                      | (602,085) |

Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds.

|                                |         |
|--------------------------------|---------|
| Special assessments deferred   | (2,095) |
| Special assessments delinquent | (1,331) |
| Note receivable                | 24,295  |
| MSA                            | 928,885 |

|                                                                                                                                                                                                       |        |
|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------|
| Delinquent property taxes receivable will be collected in subsequent years, but are not available soon enough to pay for the current period's expenditures and, therefore, are deferred in the funds. | 40,045 |
|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------|

|                                                  |              |
|--------------------------------------------------|--------------|
| Change in net position - governmental activities | \$ 2,403,865 |
|--------------------------------------------------|--------------|

**City of Forest Lake**  
**Statement of Revenues, Expenditures, and**  
**Changes in Fund Balance -**  
**Budget and Actual - General Fund**  
**Year Ended December 31, 2023**

|                                              | Budgeted<br>Amounts   |                     | Variance with<br>Final Budget -<br>Over (Under) |
|----------------------------------------------|-----------------------|---------------------|-------------------------------------------------|
|                                              | Original and<br>Final | Actual Amounts      |                                                 |
| <b>Revenues</b>                              |                       |                     |                                                 |
| Taxes                                        | \$ 9,383,874          | \$ 9,316,102        | \$ (67,772)                                     |
| Licenses and permits                         | 542,000               | 609,080             | 67,080                                          |
| Intergovernmental                            | 453,000               | 528,106             | 75,106                                          |
| Charges for services                         | 747,890               | 850,942             | 103,052                                         |
| Fines and forfeitures                        | 76,500                | 89,559              | 13,059                                          |
| Miscellaneous revenues                       |                       |                     |                                                 |
| Investment income                            | 95,000                | 275,384             | 180,384                                         |
| Contributions and donations                  | 11,300                | 63,765              | 52,465                                          |
| Other                                        | 59,400                | 96,026              | 36,626                                          |
| Total revenues                               | <u>11,368,964</u>     | <u>11,828,964</u>   | <u>460,000</u>                                  |
| <b>Expenditures</b>                          |                       |                     |                                                 |
| <b>Current</b>                               |                       |                     |                                                 |
| General government                           | 2,138,838             | 2,188,514           | 49,676                                          |
| Public safety                                | 6,459,441             | 6,614,657           | 155,216                                         |
| Public works                                 | 1,287,947             | 1,209,865           | (78,082)                                        |
| Culture and recreation                       | 993,949               | 1,045,924           | 51,975                                          |
| Economic development                         | 438,789               | 338,763             | (100,026)                                       |
| <b>Capital outlay</b>                        |                       |                     |                                                 |
| Culture and recreation                       | 50,000                | 142,351             | 92,351                                          |
| Total expenditures                           | <u>11,368,964</u>     | <u>11,540,074</u>   | <u>171,110</u>                                  |
| Excess of revenues over (under) expenditures | <u>-</u>              | <u>288,890</u>      | <u>288,890</u>                                  |
| <b>Other Financing Sources</b>               |                       |                     |                                                 |
| Insurance recoveries                         | -                     | 29,301              | 29,301                                          |
| Net change in fund balance                   | <u>\$ -</u>           | <u>318,191</u>      | <u>\$ 318,191</u>                               |
| <b>Fund Balance</b>                          |                       |                     |                                                 |
| Beginning of year                            |                       | <u>6,321,231</u>    |                                                 |
| End of year                                  |                       | <u>\$ 6,639,422</u> |                                                 |

**City of Forest Lake**  
**Statement of Net Position - Proprietary Funds**  
**December 31, 2023**

|                                                                    | Water (631)   | Sewer (632)   | Total         |
|--------------------------------------------------------------------|---------------|---------------|---------------|
| <b>Assets</b>                                                      |               |               |               |
| <b>Current assets</b>                                              |               |               |               |
| Cash and investments<br>(including cash equivalents)               | \$ 5,085,456  | \$ 5,974,698  | \$ 11,060,154 |
| Special assessments receivable                                     |               |               |               |
| Deferred and delinquent                                            | 112,362       | 158,377       | 270,739       |
| Accounts receivable                                                | 669,979       | 1,077,348     | 1,747,327     |
| Interest receivable                                                | 45,871        | 48,122        | 93,993        |
| Due from other governments                                         | 10,000        | -             | 10,000        |
| Inventory                                                          | 22,153        | -             | 22,153        |
| Prepaid items                                                      | 29,230        | 177,691       | 206,921       |
| Total current assets                                               | 5,975,051     | 7,436,236     | 13,411,287    |
| <b>Noncurrent assets</b>                                           |               |               |               |
| Advance to other funds                                             | 227,726       | 227,726       | 455,452       |
| <b>Capital assets</b>                                              |               |               |               |
| Land                                                               | 114,573       | -             | 114,573       |
| Construction in progress                                           | 9,942,262     | 4,495,863     | 14,438,125    |
| Infrastructure                                                     | 29,295,071    | 11,584,849    | 40,879,920    |
| Buildings and improvements                                         | 14,465        | -             | 14,465        |
| Machinery and equipment                                            | 460,510       | 9,613,720     | 10,074,230    |
| Total capital assets                                               | 39,826,881    | 25,694,432    | 65,521,313    |
| Less accumulated depreciation                                      | (11,559,987)  | (9,368,735)   | (20,928,722)  |
| Net capital assets                                                 | 28,266,894    | 16,325,697    | 44,592,591    |
| Total noncurrent assets                                            | 28,494,620    | 16,553,423    | 45,048,043    |
| Total assets                                                       | 34,469,671    | 23,989,659    | 58,459,330    |
| <b>Deferred Outflows of Resources</b>                              |               |               |               |
| Deferred outflows of resources related to pensions                 | 108,835       | 93,399        | 202,234       |
| Deferred outflows of resources related to OPEB                     | 16,298        | 13,726        | 30,024        |
| Total deferred outflows of resources                               | 125,133       | 107,125       | 232,258       |
| Total assets and deferred outflows of resources                    | \$ 34,594,804 | \$ 24,096,784 | \$ 58,691,588 |
| <b>Liabilities</b>                                                 |               |               |               |
| <b>Current liabilities</b>                                         |               |               |               |
| Accounts payable                                                   | \$ 52,084     | \$ 26,505     | \$ 78,589     |
| Contracts payable                                                  | 661,083       | 225,995       | 887,078       |
| Due to other governments                                           | 18,302        | 12,301        | 30,603        |
| Salaries and benefits payable                                      | 8,814         | 7,749         | 16,563        |
| Interest payable                                                   | 174,226       | 26,842        | 201,068       |
| Compensated absences due within one year                           | 23,058        | 23,057        | 46,115        |
| Bonds payable due within one year                                  | 850,000       | 280,000       | 1,130,000     |
| Total OPEB liability due within one year                           | 4,500         | 3,500         | 8,000         |
| Total current liabilities                                          | 1,792,067     | 605,949       | 2,398,016     |
| <b>Noncurrent liabilities</b>                                      |               |               |               |
| Compensated absences                                               | 60,630        | 60,630        | 121,260       |
| Less compensated absences due within one year                      | (23,058)      | (23,057)      | (46,115)      |
| Bonds payable, net of premiums                                     | 11,328,399    | 2,779,109     | 14,107,508    |
| Less bonds payable due within one year                             | (850,000)     | (280,000)     | (1,130,000)   |
| Total OPEB liability                                               | 145,317       | 122,385       | 267,702       |
| Less total OPEB liability due within one year                      | (4,500)       | (3,500)       | (8,000)       |
| Net pension liability                                              | 319,267       | 273,985       | 593,252       |
| Total noncurrent liabilities                                       | 10,976,055    | 2,929,552     | 13,905,607    |
| Total liabilities                                                  | 12,768,122    | 3,535,501     | 16,303,623    |
| <b>Deferred Inflows of Resources</b>                               |               |               |               |
| Deferred inflows of resources related to pensions                  | 99,403        | 85,305        | 184,708       |
| Deferred inflows of resources related to OPEB                      | 85,458        | 71,972        | 157,430       |
| Total deferred inflows of resources                                | 184,861       | 157,277       | 342,138       |
| <b>Net Position</b>                                                |               |               |               |
| Net investment in capital assets                                   | 16,277,412    | 13,320,593    | 29,598,005    |
| Unrestricted                                                       | 5,364,409     | 7,083,413     | 12,447,822    |
| Total net position                                                 | 21,641,821    | 20,404,006    | 42,045,827    |
| Total liabilities, deferred inflows of resources, and net position | \$ 34,594,804 | \$ 24,096,784 | \$ 58,691,588 |

See notes to basic financial statements.



**City of Forest Lake**  
**Statement of Revenues, Expenses, and Changes**  
**in Fund Net Position - Proprietary Funds**  
**Year Ended December 31, 2023**

|                                                   | Water (631)          | Sewer (632)          | Total                |
|---------------------------------------------------|----------------------|----------------------|----------------------|
| <b>Operating Revenues</b>                         |                      |                      |                      |
| User charges                                      | \$ 2,994,344         | \$ 3,811,880         | \$ 6,806,224         |
| Other                                             | 72,782               | 35,760               | 108,542              |
| Total operating revenues                          | <u>3,067,126</u>     | <u>3,847,640</u>     | <u>6,914,766</u>     |
| <b>Operating Expenses</b>                         |                      |                      |                      |
| Wages and salaries                                | 440,503              | 370,989              | 811,492              |
| Employee benefits                                 | 172,227              | 164,006              | 336,233              |
| Materials and supplies                            | 356,152              | 35,633               | 391,785              |
| Repairs and maintenance                           | 113,008              | 125,462              | 238,470              |
| Professional services                             | 48,875               | 43,831               | 92,706               |
| Insurance                                         | 35,000               | 40,000               | 75,000               |
| Utilities                                         | 200,580              | 71,066               | 271,646              |
| Depreciation                                      | 656,928              | 697,018              | 1,353,946            |
| Equipment                                         | 2,412                | -                    | 2,412                |
| Metro sewer service charges                       | -                    | 1,617,158            | 1,617,158            |
| Miscellaneous                                     | 55,915               | 9,405                | 65,320               |
| Total operating expenses                          | <u>2,081,600</u>     | <u>3,174,568</u>     | <u>5,256,168</u>     |
| Operating income                                  | <u>985,526</u>       | <u>673,072</u>       | <u>1,658,598</u>     |
| <b>Nonoperating Revenues (Expenses)</b>           |                      |                      |                      |
| Investment income                                 | 174,104              | 222,707              | 396,811              |
| Intergovernmental grants                          | 15,920               | -                    | 15,920               |
| Interest and other debt service expense           | (294,266)            | (61,872)             | (356,138)            |
| Gain on sale of asset                             | 17,833               | 160,647              | 178,480              |
| Total nonoperating revenues (expenses)            | <u>(86,409)</u>      | <u>321,482</u>       | <u>235,073</u>       |
| Income before capital contributions and transfers | 899,117              | 994,554              | 1,893,671            |
| <b>Capital Contributions</b>                      | <u>340,299</u>       | <u>2,269,426</u>     | <u>2,609,725</u>     |
| Change in net position                            | 1,239,416            | 3,263,980            | 4,503,396            |
| Net position                                      |                      |                      |                      |
| Beginning of year                                 | <u>20,402,405</u>    | <u>17,140,026</u>    | <u>37,542,431</u>    |
| End of year                                       | <u>\$ 21,641,821</u> | <u>\$ 20,404,006</u> | <u>\$ 42,045,827</u> |

**City of Forest Lake**  
**Statement of Cash Flows - Proprietary Funds**  
**Year Ended December 31, 2023**

|                                                                                    | Water (631)  | Sewer (632)  | Total         |
|------------------------------------------------------------------------------------|--------------|--------------|---------------|
| <b>Cash Flows - Operating Activities</b>                                           |              |              |               |
| Receipts from customers and users                                                  | \$ 3,017,340 | \$ 4,340,926 | \$ 7,358,266  |
| Payments to suppliers                                                              | (868,196)    | (2,030,927)  | (2,899,123)   |
| Payments to employees                                                              | (584,040)    | (490,733)    | (1,074,773)   |
| Net cash flows - operating activities                                              | 1,565,104    | 1,819,266    | 3,384,370     |
| <b>Cash Flows - Noncapital</b>                                                     |              |              |               |
| <b>Financing Activities</b>                                                        |              |              |               |
| Intergovernmental grants                                                           | 5,920        | -            | 5,920         |
| Net cash flows - noncapital financing activities                                   | 5,920        | -            | 5,920         |
| <b>Cash Flows - Capital and Related</b>                                            |              |              |               |
| <b>Financing Activities</b>                                                        |              |              |               |
| Capital contributions                                                              | 340,299      | 2,269,426    | 2,609,725     |
| Principal paid on long-term debt                                                   | (840,000)    | (365,000)    | (1,205,000)   |
| Interest and issuance costs paid on long-term debt                                 | (436,014)    | (68,590)     | (504,604)     |
| Proceeds from sale of asset                                                        | 41,459       | 184,270      | 225,729       |
| Acquisition of capital assets                                                      | (5,410,853)  | (2,797,961)  | (8,208,814)   |
| Net cash flows - capital and related financing activities                          | (6,305,109)  | (777,855)    | (7,082,964)   |
| <b>Cash Flows - Investing Activities</b>                                           |              |              |               |
| Interest received                                                                  | 187,481      | 220,159      | 407,640       |
| Net change in cash and cash equivalents                                            | (4,546,604)  | 1,261,570    | (3,285,034)   |
| <b>Cash and Cash Equivalents</b>                                                   |              |              |               |
| January 1                                                                          | 9,632,060    | 4,713,128    | 14,345,188    |
| December 31                                                                        | \$ 5,085,456 | \$ 5,974,698 | \$ 11,060,154 |
| <b>Reconciliation of Operating Income to</b>                                       |              |              |               |
| <b>Net Cash Flows - Operating Activities</b>                                       |              |              |               |
| Operating income                                                                   | \$ 985,526   | \$ 673,072   | \$ 1,658,598  |
| Adjustments to reconcile operating income to net cash flows - operating activities |              |              |               |
| Depreciation expense                                                               | 656,928      | 697,018      | 1,353,946     |
| Accounts receivable                                                                | (59,332)     | 431,464      | 372,132       |
| Special assessments receivable                                                     | 9,546        | 61,822       | 71,368        |
| Prepaid items                                                                      | (5,398)      | (16,190)     | (21,588)      |
| Inventory                                                                          | 359          | -            | 359           |
| Accounts payable                                                                   | (62,147)     | (84,483)     | (146,630)     |
| Due to other governments                                                           | 10,932       | 12,301       | 23,233        |
| Salaries payable                                                                   | (186)        | (928)        | (1,114)       |
| Compensated absences payable                                                       | 4,309        | 4,309        | 8,618         |
| Net pension liability                                                              | 45,515       | 52,280       | 97,795        |
| Net OPEB obligation                                                                | (20,948)     | (11,399)     | (32,347)      |
| Total adjustments                                                                  | 579,578      | 1,146,194    | 1,725,772     |
| Net cash flows - operating activities                                              | \$ 1,565,104 | \$ 1,819,266 | \$ 3,384,370  |

See notes to basic financial statements.



**Forest Lake**  
AS GOOD AS IT SOUNDS

**City of Forest Lake**  
**Notes to Basic Financial Statements**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Reporting Entity**

The City of Forest Lake (the “City”) is a statutory city governed by an elected mayor and four council members. The accompanying financial statements present the government entities for which the City is considered to be financially accountable.

The financial statements present the City and its component units. The City includes all funds, organizations, institutions, agencies, departments, and offices that are not legally separate from such. Component units are legally separate organizations for which the elected officials of the City are financially accountable and are included within the basic financial statements of the City because of the significance of their operational or financial relationships with the City.

The City is considered financially accountable for a component unit if it appoints a voting majority of the organization’s governing body and it is able to impose its will on the organization by significantly influencing the programs, projects, activities, or level of services performed or provided by the organization or there is a potential for the organization to provide specific financial benefits to or impose specific financial burdens on, the City.

As a result of applying the component unit definition criteria above, certain organizations are presented in this report as follows:

Discretely Presented Component Unit - The relationship of the City with the entity is disclosed.

Joint Ventures - The relationships of the City with the entities are disclosed.

For each of the categories above, the specific entities are identified as follows:

**1. Discretely Presented Component Unit**

Component units are legally separate entities for which the City (primary government) is financially accountable, or for which the exclusion of the component unit would render the financial statements of the primary government misleading. The criteria used to determine if the primary government is financially accountable for a component unit include whether or not the primary government appoints the voting majority of the potential component unit’s 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 is fiscally dependent upon the potential component unit.

The Forest Lake Economic Development Authority (EDA) meets the criteria to be included as a discretely presented component unit. Although the City does not have the authority to approve or modify the Forest Lake EDA’s budget, the tax levy established by the EDA must be approved by the City Council. In addition, cash is transferred between the City and the EDA at the Council’s discretion, demonstrating financial benefit or burden to the City. Separate financial statements are not prepared for the Forest Lake EDA.

**City of Forest Lake  
Notes to Basic Financial Statements**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**A. Reporting Entity (Continued)**

**2. Joint Ventures**

**a. Fire Contracts**

The cities of Forest Lake and Columbus have a joint powers agreement entered into January 1, 1992, whereby the City of Forest Lake fire departments shall furnish fire services to the City of Columbus. The City of Forest Lake is responsible for the administration and management of the fire department. The joint powers agreement continues until its members decide to withdraw from the agreement. Withdrawal will only be permitted after payment has been made in full for all equipment, including equipment being purchased by equipment certificates. Pursuant to these agreements, the City of Columbus contributes approximately 20% of the City of Forest Lake's yearly approved budget for fire protection. The City of Forest Lake accounts for the fire contract in the General Fund. Separate financial statements are not available for the joint venture.

**b. I-35 WE Coalition**

The I-35 WE Coalition (the "Coalition") includes cities and counties along I-35W and I-35E corridors in Anoka and Washington Counties. The goals of the Coalition are to:

- ◆ Develop a cohesive transportation system in the area.
- ◆ Balance land use and the transportation system.
- ◆ Identify, develop, and support regional transportation system improvements.

To accomplish these goals, the counties and cities entered into a joint powers agreement under the authority provided by *Minnesota Statutes* § 471.59. This agreement was signed by Washington County in 2004. The Coalition strives to coordinate programming of transportation systems through 2030 by an interactive process such that the transportation system is capable of supporting land use and development in the northeast metropolitan area.

The parties agree to hold regular meetings for the purpose of monitoring progress on the planning activities, providing guidance for such planning activities and coordinating between governing bodies, including the Minnesota Department of Transportation (MN/DOT) and the Metropolitan Council (MC).

Currently, there are no direct costs associated with the work performed. However, if the parties agree that costs are to be incurred, the parties will amend the existing joint powers agreement or prepare a new agreement for that purpose. Any party may withdraw from the agreement upon 30 days written notice to the other parties in the agreement. Separate financial statements are not available for the joint venture.

**c. School Liaison Officer**

The City and Independent School District No. 831 (the "District") have a joint powers agreement entered into September 1, 1994, whereby the members have agreed to create, fund, and implement the position of Police School Liaison Officers. The City will provide the services of two police officers and related support services to assist the District in establishing a Police School Liaison Officer Program. The City will bill the District for these services on a quarterly basis. The City accounts for this program in the General Fund. Separate financial statements are not available for the joint venture.

**City of Forest Lake**  
**Notes to Basic Financial Statements**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**A. Reporting Entity (Continued)**

**2. Joint Ventures (Continued)**

**d. Cable Commission**

The City and the Forest Lake Cable Commission have a joint powers agreement whereby the members have established an organization to monitor the operations and activities of cable communications and related communications matters. The agreement coordinates the administration, enforcement, and renewal of the franchises of its members and protects the interests of its members and its citizens with respect to the delivery of cable communications and related communications matter. The Cable Commission operates on franchise fees and an appropriation from the City. Financial information for the Cable Commission is reported in the City of Columbus financial statements, available by contacting administration at 16319 Kettle River Boulevard, Columbus, MN 55025.

**e. Washington County Drug Task Force**

The City and the Washington County Drug Task Force have a joint powers agreement whereby the members have agreed to a coordinated and formal framework for targeted investigations, commitments, operations, resource, and equipment sharing, distribution of forfeiture funds and proceeds, and general management and liability issues. The City provides one full time officer to the Washington County Drug Task Force. Financial information for the Drug Task Force is reported in the Washington County financial statements, available by contacting administration at 14949 62<sup>nd</sup> Street, Stillwater, MN 55082.

**f. Metro I-Net**

The Metro I-Net is a joint powers agreement between several metro cities to share computing technology assistance. Subsequently, the City entered into an agreement with the City of Roseville to receive information technology and network related service and support. Currently, the City compensates the City of Roseville approximately \$226,844 annually for services rendered. Financial information for the Metro I-net is reported in the City of Roseville financial statements, available by contacting administration at 2660 Civic Center Drive, Roseville, MN 55113.

**B. Government-Wide and Fund Financial Statements**

The government-wide financial statements (i.e., the Statement of Net Position and the Statement of Activities) report information on all activities of the City. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

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. Interest on general long-term debt is considered an indirect expense and is reported separately in the Statement of Activities. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues. Internally dedicated revenues are reported as general revenues rather than program revenues.

**City of Forest Lake**  
**Notes to Basic Financial Statements**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**B. Government-Wide and Fund Financial Statements (Continued)**

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

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

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

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers revenues to be available if they are collected within 60 days of the end of the current period, except grant revenue is considered available if it is collected within 1 year of the end of the current period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

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

**Description of Funds:**

**Major Governmental Funds:**

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

Capital Improvements Capital Projects Fund - This fund accounts for costs related to general City capital improvement projects. Examples of such projects include street improvements and bridge projects. Additionally, developer contributions are accounted for in this fund.

**Major Proprietary Funds:**

Water Enterprise Fund - This fund accounts for the operations of the City's water utility.

Sewer Enterprise Fund - This fund accounts for the operations of the City's sanitary sewer utility.

**City of Forest Lake**  
**Notes to Basic Financial Statements**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

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

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are interfund services provided and used such as utility costs, which are not eliminated in the process of consolidation as elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the City's enterprise funds are charges to customers for sales and services. 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.

**1. Discretely Presented Component Unit**

The Forest Lake EDA activities are governmental in nature and records are maintained on the modified accrual basis of accounting. There were no government-wide reconciling items for the year-ended December 31, 2023. The Forest Lake EDA's records are reported on the accrual basis of accounting for the Statement of Net Position and the Statement of Activities.

**D. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position or Fund Balance**

**1. Cash and Investments**

Cash and investments include balances from all funds that are combined and invested to the extent available in various securities as authorized by state law. Earnings from the pooled investments are allocated to the individual funds based on the average of month-end cash and investment balances.

The City and EDA's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition.

*Minnesota Statutes* authorize the City and EDA to invest in obligations of the U.S. Treasury, agencies, and instrumentalities, shares of investment companies whose only investments are in the aforementioned securities, obligations of the State of Minnesota or its municipalities, bankers' acceptances, future contracts, repurchase and reverse repurchase agreements, and commercial paper of the highest quality with a maturity of no longer than 270 days and in the Minnesota Municipal Investment Pool.

Certain investments for the City and EDA are reported at fair value as disclosed in Note 3. The City categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The Hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.



**City of Forest Lake**  
**Notes to Basic Financial Statements**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**D. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position or Fund Balance (Continued)**

**1. Cash and Investments (Continued)**

In accordance with GASB Statement No. 79, the Minnesota Municipal Investment Pool securities are valued at amortized cost, which approximates fair value. There are no restrictions or limitations on withdrawals from the 4M Liquid Asset Fund. Investments in the 4M Plus must be deposited for a minimum of 14 calendar days. Withdrawals prior to the 14-day restriction period will be subject to a penalty equal to seven days interest on the amount withdrawn.

**2. Receivables and Payables**

All trade and property tax receivables are shown at a gross amount since both are assessable to the property taxes and are collectible upon the sale of the property.

The City levies its property tax for the subsequent year during the month of December. December 28 is the last day the City can certify a tax levy to the County Auditor for collection the following year. Such taxes become a lien on January 1 and are recorded as receivables by the City at that date. The property tax is recorded as revenue when it becomes measurable and available. Washington County is the collecting agency for the levy and remits the collections to the City three times a year. The tax levy notice is mailed in March with the first half of the payment due on May 15 and the second half due on October 15. Taxes not collected as of December 31 each year are shown as delinquent taxes receivable.

The County Auditor prepares the tax list for all taxable property in the City, applying the applicable tax rate to the tax capacity of individual properties, to arrive at the actual tax for each property. The County Auditor also collects all special assessments, except for certain prepayments paid directly to the City.

The County Auditor submits the list of taxes and special assessments to be collected on each parcel of property to the County Treasurer in January of each year.

**3. Inventory and Prepaid Items**

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements. Prepaid items are recorded as an expenditure at the time of consumption.

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.

**4. Capital Assets**

Capital assets, which include property, plant, equipment, intangible, and infrastructure assets (e.g., roads, sidewalks, and similar items), are reported in the applicable governmental or the business-type activities columns in the government-wide financial statements. Capital assets are defined by the City as infrastructure assets with initial, individual costs of more than \$50,000, land, building, and improvement assets in excess of \$50,000 and all other assets greater than \$10,000. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at acquisition value at the date of donation. Infrastructure assets acquired prior to the implementation of GASB Statement No. 34 have been reported at actual or estimated historical cost.

**City of Forest Lake  
Notes to Basic Financial Statements**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**D. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position or Fund Balance (Continued)**

**4. Capital Assets (Continued)**

Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position or Fund Balance The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

The City also capitalizes certain intangible assets, which are assets that lack physical substance, have a useful life in excess of one year, and are nonfinancial in nature.

Property, plant, and equipment of the City are depreciated using the straight-line method over the following estimated useful lives:

| Assets                                          | Years   |
|-------------------------------------------------|---------|
| Infrastructure                                  | 25 - 50 |
| Buildings and improvements other than buildings | 5 - 40  |
| Machinery and equipment                         | 30 - 10 |

**5. Lease Receivable**

The City is a lessor for numerous noncancellable leases. The City recognizes a lease receivable and a deferred inflow of resources in the government-wide and governmental fund financial statements.

At the commencement of a lease, the City measures the lease receivable at the present value of payments expected to be received during the lease term. Subsequently, the lease receivable is reduced by the principal portion of lease payments received. The deferred inflow of resources is initially measured as the initial amount of the lease receivable, adjusted for lease payments received at or before the lease commencement date. Subsequently, the deferred inflow of resources is recognized as revenue over the life of the lease term in a systematic and rational manner.

Key estimates and judgments include how the City determines (1) the discount rate, (2) lease term, (3) lease receipts, and (4) amortization. The City determines the discount rate for leases based on its estimated borrowing rate. The lease term includes the noncancellable period of the lease. Lease receipts included in the measurement of the lease receivable is composed of fixed payments from the lessee.

**6. Deferred Outflows/Inflows of Resources**

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net assets that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until that time. The City presents deferred outflows of resources on the Statement of Net Position related to the deferred loss on bond refunding, which will be amortized over the life of the bond. The City presents deferred outflows of resources on the Statements of Net Position for deferred outflows of resources related to pensions and OPEB for various estimate differences that will be amortized and recognized over future years.

**City of Forest Lake**  
**Notes to Basic Financial Statements**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**D. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position or Fund Balance (Continued)**

**6. Deferred Outflows/Inflows of Resources (Continued)**

In addition to liabilities, the statement of financial position, and fund financial statements will sometimes report a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net assets that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The City presents deferred inflows of resources on the Governmental Funds Balance Sheet as unavailable revenue. The governmental funds report unavailable revenues from four sources: state shared taxes, taxes, special assessments, and note receivable. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available. The government-wide Statement of Net Position reports a deferred inflow of resources for those inflows that have not met specified timing requirements. The City presents deferred inflows of resources on the Statements of Net Position for deferred inflows of resources related to pensions and OPEB for various estimate differences that will be amortized and recognized over future years as well as state aid received for subsequent years. Deferred inflows of resources related to leases receivable is reported in both the government-wide Statement of Net Position and the Governmental Funds Balance Sheet.

**7. Compensated Absences**

City employees earn vacation time based on years of City service with a maximum of 25 days of vacation time to be carried over from one year to the next. The City compensates employees, upon termination or retirement, for all unused vacation.

Sick leave accrues at one day per month up to a maximum of 90 days paid at full pay; thereafter, an additional 90 days may be accrued at one day per month and paid at 60%. Upon retirement, certain full-time employees will be paid severance pay as follows:

- ◆ After 10 years of service, 60% of unused sick leave up to a maximum of 45 days pay.
- ◆ After 15 years of service, 60% of unused sick leave up to a maximum of 55 days pay.
- ◆ After 20 years of service, 60% of unused sick leave up to a maximum of 90 days pay.

Vested or accumulated sick leave for governmental funds that is not expected to be liquidated with expendable available financial resources is recorded in the governmental activities in the Statement of Net Position. Vested or accumulated vacation and sick leave in the proprietary funds is recorded in the applicable fund.

**8. Other Post-Employment Benefits**

The City will provide insurance coverage in the City's group medical hospitalization insurance plan for those municipal employees who terminate employment with the City and have more than 30 years of service with the City. The employee's right to City provided insurance coverage will terminate after ten years of retirement.

**City of Forest Lake**  
**Notes to Basic Financial Statements**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**D. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position or Fund Balance (Continued)**

**9. 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 the relief association and additions to/deductions from PERA's and the relief association's fiduciary net position have been determined on the same basis as they are reported by PERA and the relief association 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.

**10. Long-Term Obligations**

In the government-wide financial statements and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type Statement of Net Position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method.

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

**11. Fund Balance**

**a. Classification**

In the fund financial statements, governmental funds report fund classifications that comprise a hierarchy based primarily on the extent to which the City is bound to honor constraints on the specific purpose for which amounts in those funds can be spent.

- ◆ Nonspendable Fund Balances - These are amounts that cannot be spent because they are not in spendable form, such as inventories and prepaid items.
- ◆ Restricted Fund Balances - These are amounts that are restricted to specific purposes either by a) constraints placed on the use of resources by creditors, grantors, contributors, or laws or regulations of other governments or b) imposed by law through enabling legislation.
- ◆ Committed Fund Balances - These are amounts that can only be used for specific purposes pursuant to constraints imposed by resolution of the City Council (highest level of decision-making authority) and that remain committed unless modified or removed by the City Council by subsequent resolution.

**City of Forest Lake**  
**Notes to Basic Financial Statements**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**D. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position or Fund Balance (Continued)**

**11. Fund Balance (Continued)**

**a. Classification (Continued)**

- ◆ Assigned Fund Balances - These are amounts that are constrained by the City's intent to be used for specific purposes but are neither restricted nor committed and include remaining amounts (except for negative balances) that are reported in governmental funds, other than the General Fund, that are not classified as nonspendable, restricted or committed. Assignments are made by the City Administrator/Clerk and/or Finance Director/Treasurer based on the City Council's direction as authorized by the City's Fund Balance Policy.
- ◆ Unassigned Fund Balances - These are residual amounts in the General Fund not reported in any other classification. The General Fund is the only fund that can report a positive unassigned fund balance. Other funds would report a negative unassigned fund balance should the total of nonspendable, restricted, and committed fund balances exceed the total net resources of that fund.

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

**b. Minimum Fund Balance**

The City's adopted fund balance policy states the City is to maintain a General Fund unassigned fund balance of 50% of the subsequent year's total budgeted expenditures in the General Fund.

**12. Net Position**

Net position represents the difference between assets and deferred outflows of resources; and liabilities and deferred inflows in the government-wide financial statements. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balance of any long-term debt used to build or acquire the capital assets. Net position is reported as restricted in the government-wide financial statements when there are limitations on their use through external restrictions imposed by creditors, grantors, or laws or regulations of other governments.

**E. Use of Estimates**

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

**City of Forest Lake  
Notes to Basic Financial Statements**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**F. Budgetary Information**

1. In August of each year, City staff submits to the City Council, a proposed operating budget for the year commencing the following January 1. The operating budget includes proposed expenditures and the means of financing them for the upcoming year. The EDA Board approves the EDA's budget.
2. Public hearings are conducted to obtain taxpayer comments.
3. The budget is legally enacted through passage of a resolution after obtaining taxpayer comments.
4. Budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America.
5. Annual appropriated budgets are adopted during the year for the City's General Fund as well as seven Special Revenue Funds (excluding the TIF No. 83 Teamvantage, Headwaters Industrial Park, and Public Safety Aid Funds), the three Debt Service Funds, and the two Capital Project Funds. A budget is also approved for the EDA's General Fund.
6. Budgeted amounts are as originally adopted or as amended by the City Council and EDA Board. 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 not reported in the financial statements.

**NOTE 2 - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY**

**A. Deficit Fund Balances**

The following nonmajor funds had deficit fund balances at December 31, 2023:

|                                                        |           |
|--------------------------------------------------------|-----------|
| TIF No. 86 Centennial Office Park Special Revenue Fund | \$ 41,493 |
| TIF Former City Hall Site                              | 226,975   |
| Headwaters Industrial Park Special Revenue Fund        | 521,368   |

**NOTE 3 - DEPOSITS AND INVESTMENTS**

**A. Deposits**

In accordance with applicable *Minnesota Statutes*, the City and EDA maintain deposits at depository banks authorized by the City Council and EDA Board.

*Minnesota Statutes* require all deposits with financial institutions be protected by federal depository insurance, corporate surety bonds, or collateral. The fair value of collateral pledged must equal at least 110% of deposits in excess of FDIC insurance or corporate surety bonds.

**Custodial Credit Risk - Deposits:** In the case of deposits, this is the risk that in the event of a bank failure, the City's deposits may not be returned. The City and EDA's investment policy states all deposits will be insured or collateralized at a level of 110% of the fair value of principal and accrued interest as required in *Minnesota Statutes* 118. As of December 31, 2023, the City and EDA's bank balance was not exposed to custodial credit risk because it was insured through FDIC insurance and fully collateralized with securities held by the pledging financial institution's trust department or agent in the City's name.

**City of Forest Lake  
Notes to Basic Financial Statements**

**NOTE 3 - DEPOSITS AND INVESTMENTS (CONTINUED)**

**A. Deposits (Continued)**

As of December 31, 2023, the City and EDA had the following deposits:

|          |              |
|----------|--------------|
| Checking | \$ 2,093,940 |
|----------|--------------|

**B. Investments**

As of December 31, 2023, the City and EDA had the following investments:

| Investment Type                | Rating | Amount        | Maturities          |               |              |
|--------------------------------|--------|---------------|---------------------|---------------|--------------|
|                                |        |               | Less than 1<br>year | 1 - 5 years   | Over 5 years |
| Brokered money market accounts | N/A    | \$ 75,239     | \$ 75,239           | \$ -          | \$ -         |
| 4M Fund                        | AAAm   | 10,494,815    | 10,494,815          | -             | -            |
| 4M Plus                        | AAAm   | 205           | 205                 | -             | -            |
| Municipal securities           | A3-Aaa | 2,477,098     | 652,529             | 1,824,569     | -            |
| U.S. securities                | Aaa    | 10,704,520    | 602,209             | 9,154,842     | 947,469      |
| Total                          |        | \$ 23,751,877 | \$ 11,824,997       | \$ 10,979,411 | \$ 947,469   |

**Interest Rate Risk:** This is the risk that fair values of securities in a portfolio would decrease due to changes in market interest rates. The City and EDA 's investment policy states the City and EDA will diversify their investments in a way that allows securities to mature in order to meet cash requirements for ongoing operations. The City and EDA 's investment maturities are noted in the table above.

**Credit Risk:** This is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. *Minnesota Statutes* §§ 118A.04 and 118A.05 limits investments to those that are in the top two ratings issued by nationally recognized statistical rating organizations. The City and EDA 's policy limits investments to some of those referenced in these *Statutes*. City and EDA investment ratings are noted in the previous table.

**Concentration of Credit Risk:** This is the risk of loss attributed to the magnitude of an investment in a single issuer. Investments should be diversified to avoid incurring unreasonable risks inherent in over investing in specific instruments, individual financial institutions, or maturities. The City and EDA's investment policy states their investment portfolio will reflect diversity by class of maturity and issuer. The policy lists specific limits that are imposed for investments of a specific class, such as at any one time, no more than 90% of the total portfolio shall consist of certificates of deposit, no more than 30% of the total portfolio shall consist of local government securities, and maximum holding for any one issuer of collateralized certificates of deposit will be 5% of the total portfolio. As of December 31, 2023, the City's investments in Federal Home Loan Mortgage Corporation and Federal National Mortgage Association securities exceeded 5% of the total portfolio. The City and EDA are in compliance with its investment policy.

**City of Forest Lake  
Notes to Basic Financial Statements**

**NOTE 3 - DEPOSITS AND INVESTMENTS (CONTINUED)**

**B. Investments (Continued)**

Custodial Credit Risk - Investments: This is the risk that in the event of the failure of the counterparty, the City will not be able to recover the value of their investments or collateral securities that are in the possession of an outside party. The City and EDA 's policy states that investments held in safekeeping by a broker/dealer must have asset protection of \$500,000 through the Securities Investor Protection Corporation (SIPC) and at least another \$2,000,000 supplemental insurance protection. Some City and EDA securities held by the City's broker-dealer are not registered to the City and EDA but are held in an insured account. The account is insured up to \$500,000 SIPC insurance and the broker-dealer provides an additional aggregate insurance policy for all of its customers as a group, not individually. It is unknown what portion of this policy is applicable to the City and EDA's portfolio.

The City and EDA had the following investments subject to recurring fair value measurements as of December 31, 2023:

- ◆ \$13,181,618 of investments are valued using a matrix pricing model (Level 2 inputs)

**C. Deposits and Investments Summary**

The following is a summary of total deposits and investments:

|                                    |                                 |
|------------------------------------|---------------------------------|
| Deposits (Note 3.A.)               | \$ 2,093,940                    |
| Petty cash                         | 500                             |
| Investments (Note 3.B.)            | <u>23,751,877</u>               |
| <br>Total deposits and investments | <br><u><u>\$ 25,846,317</u></u> |

Deposits and investments are presented on the Statement of Net Position as follows:

|                                    |                                 |
|------------------------------------|---------------------------------|
| Primary Government                 |                                 |
| Cash and investments               | \$ 25,586,657                   |
| EDA Component Unit                 |                                 |
| Cash and investments               | <u>259,660</u>                  |
| <br>Total deposits and investments | <br><u><u>\$ 25,846,317</u></u> |

**NOTE 4 - NOTE AND LEASES RECEIVABLE**

As of December 31, 2023, the City had a note receivable in the amount of \$834,137 including accrued interest due from Lighthouse Lofts, LLC related to the sale of the former City Hall site. This amount will be paid to the City through tax increment collections commencing August 1, 2034. The note bears interest until paid at 3.0% per annum. If, as of the termination date of the TIF District, the City has received tax increments totaling less than \$700,000 plus accrued interest, the City will forgive the remaining principal amount.

The City owns and operates the Forest Lake Airport and has leases receivable in the Airport Fund related to hanger space. These leases are generally leased to tenants for 25 years with payments due annually. In addition, the City leases airport land for agricultural purposes. The lease receivable totaled \$322,698 as of December 31, 2023, related to these leases. Total inflows related to these leases amounted to \$34,647 for the year ended December 31, 2023.



**City of Forest Lake**  
**Notes to Basic Financial Statements**

**NOTE 4 - NOTE AND LEASES RECEIVABLE (CONTINUED)**

The City entered into leases for antenna space. These leases had an initial 5-year contract with periodic automatic extensions between 20-25 years. The lease receivable totaled \$315,174 as of December 31, 2023, related to these leases. Total inflows related to these leases amounted to \$88,172 for the year ended December 31, 2023.

The City entered into a lease agreement for the rental of boat slips through October 31, 2024. The lease receivable totaled \$7,668 as of December 31, 2023. Total inflows related to this lease amounted to \$7,601 for the year ended December 31, 2023.

The City entered into a lease agreement for the rental of its south building through September 30, 2028. The lease receivable totaled \$205,652 as of December 31, 2023. Total inflows related to this lease amounted to \$11,422 for the year ended December 31, 2023.

**NOTE 5 - CAPITAL ASSETS**

Capital asset activity for the year ended December 31, 2023, was as follows:

|                                                | Beginning<br>Balance | Increases           | Decreases           | Ending<br>Balance    |
|------------------------------------------------|----------------------|---------------------|---------------------|----------------------|
| Governmental activities                        |                      |                     |                     |                      |
| Capital assets not<br>being depreciated        |                      |                     |                     |                      |
| Land                                           | \$ 9,850,619         | \$ -                | \$ -                | \$ 9,850,619         |
| Construction in progress                       | 2,067,922            | 1,690,522           | 3,230,322           | 528,122              |
| Total capital assets not<br>being depreciated  | <u>11,918,541</u>    | <u>1,690,522</u>    | <u>3,230,322</u>    | <u>10,378,741</u>    |
| Capital assets being depreciated               |                      |                     |                     |                      |
| Infrastructure                                 | 134,918,719          | 3,230,323           | -                   | 138,149,042          |
| Buildings and improvements                     | 17,980,627           | 257,772             | -                   | 18,238,399           |
| Machinery and equipment                        | 14,021,348           | 1,456,552           | 474,210             | 15,003,690           |
| Total capital assets<br>being depreciated      | <u>166,920,694</u>   | <u>4,944,647</u>    | <u>474,210</u>      | <u>171,391,131</u>   |
| Less accumulated depreciation for              |                      |                     |                     |                      |
| Infrastructure                                 | (105,667,827)        | (3,036,397)         | -                   | (108,704,224)        |
| Buildings and improvements                     | (4,491,982)          | (441,251)           | -                   | (4,933,233)          |
| Machinery and equipment                        | (10,361,992)         | (1,068,595)         | (416,414)           | (11,014,173)         |
| Total accumulated<br>depreciation              | <u>(120,521,801)</u> | <u>(4,546,243)</u>  | <u>(416,414)</u>    | <u>(124,651,630)</u> |
| Total capital assets<br>being depreciated, net | <u>46,398,893</u>    | <u>398,404</u>      | <u>57,796</u>       | <u>46,739,501</u>    |
| Governmental activities<br>capital assets, net | <u>\$ 58,317,434</u> | <u>\$ 2,088,926</u> | <u>\$ 3,288,118</u> | <u>\$ 57,118,242</u> |

**City of Forest Lake**  
**Notes to Basic Financial Statements**

**NOTE 5 - CAPITAL ASSETS (CONTINUED)**

|                                                 | Beginning<br>Balance | Increases           | Decreases           | Ending<br>Balance    |
|-------------------------------------------------|----------------------|---------------------|---------------------|----------------------|
| Business-type activities                        |                      |                     |                     |                      |
| Capital assets not<br>being depreciated         |                      |                     |                     |                      |
| Land                                            | \$ 114,573           | \$ -                | \$ -                | \$ 114,573           |
| Construction in progress                        | 9,192,728            | 6,690,212           | 1,444,815           | 14,438,125           |
| Total capital assets<br>not being depreciated   | <u>9,307,301</u>     | <u>6,690,212</u>    | <u>1,444,815</u>    | <u>14,552,698</u>    |
| Capital assets being depreciated                |                      |                     |                     |                      |
| Infrastructure                                  | 39,310,606           | 1,569,314           | -                   | 40,879,920           |
| Buildings and improvements                      | 14,465               | -                   | -                   | 14,465               |
| Machinery and equipment                         | 9,858,599            | 713,468             | 497,837             | 10,074,230           |
| Total capital assets<br>being depreciated       | <u>49,183,670</u>    | <u>2,282,782</u>    | <u>497,837</u>      | <u>50,968,615</u>    |
| Less accumulated depreciation for               |                      |                     |                     |                      |
| Infrastructure                                  | (15,054,013)         | (869,582)           | -                   | (15,923,595)         |
| Buildings and improvements                      | (10,050)             | (442)               | -                   | (10,492)             |
| Machinery and equipment                         | (4,961,297)          | (483,922)           | (450,584)           | (4,994,635)          |
| Total accumulated<br>depreciation               | <u>(20,025,360)</u>  | <u>(1,353,946)</u>  | <u>(450,584)</u>    | <u>(20,928,722)</u>  |
| Total capital assets being<br>depreciated, net  | <u>29,158,310</u>    | <u>928,836</u>      | <u>47,253</u>       | <u>30,039,893</u>    |
| Business-type activities<br>capital assets, net | <u>\$ 38,465,611</u> | <u>\$ 7,619,048</u> | <u>\$ 1,492,068</u> | <u>\$ 44,592,591</u> |

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

|                                                       |                     |
|-------------------------------------------------------|---------------------|
| Governmental activities                               |                     |
| General government                                    | \$ 515,911          |
| Public safety                                         | 431,822             |
| Public works                                          | 3,170,071           |
| Airport                                               | 240,876             |
| Culture and recreation                                | 187,563             |
| Total depreciation expense - governmental activities  | <u>\$ 4,546,243</u> |
| Business-type activities                              |                     |
| Water                                                 | \$ 656,928          |
| Sewer                                                 | 697,018             |
| Total depreciation expense - business-type activities | <u>\$ 1,353,946</u> |

**City of Forest Lake  
Notes to Basic Financial Statements**

**NOTE 6 - INTERFUND ACTIVITY**

**A. Advance to/from Other Funds**

| Fund                        | Advance to<br>Other Funds | Advance from<br>Other Funds |
|-----------------------------|---------------------------|-----------------------------|
| General Fund                | \$ 275,000                | \$ -                        |
| Capital Improvements        | 35,000                    | -                           |
| Water                       | 227,726                   | -                           |
| Sewer                       | 227,726                   | -                           |
| Nonmajor governmental funds | -                         | 765,452                     |
|                             | \$ 765,452                | \$ 765,452                  |
| Total                       | \$ 765,452                | \$ 765,452                  |

The amounts advanced to nonmajor governmental funds from the Water and Sewer Funds represent interfund loans to temporarily fund projects. The amounts advanced from the Capital Improvements Fund and General Fund to the nonmajor governmental funds are to temporarily fund TIF District costs.

**NOTE 7 - LONG-TERM DEBT**

**A. General Obligation Bonds**

The City issues General Obligation (G.O.) bonds to provide funds for economic development and for the acquisition and construction of major capital facilities including infrastructure. G.O. bonds have been issued for both general government and proprietary activities. Bonds issued to provide funds for proprietary activities are reported in proprietary funds if they are expected to be repaid from proprietary revenues.

G.O. bonds are direct obligations and pledge the full faith and credit of the City.

**City of Forest Lake**  
**Notes to Basic Financial Statements**

**NOTE 7 - LONG-TERM DEBT (CONTINUED)**

**B. Components of Long-Term Liabilities**

|                                     | Issued<br>Date | Interest<br>Rate | Original<br>Issue | Final<br>Maturity | Principal<br>Outstanding |
|-------------------------------------|----------------|------------------|-------------------|-------------------|--------------------------|
| Long-term liabilities               |                |                  |                   |                   |                          |
| Governmental activities             |                |                  |                   |                   |                          |
| 2014A G.O. Tax Abatement Bonds      | 10/30/14       | 2.1%-3.5%        | \$ 8,895,000      | 02/01/35          | \$ 5,955,000             |
| 2019A G.O. Bonds                    | 12/12/19       | 3.0%-5.0%        | 19,225,000        | 02/01/35          | 15,350,000               |
| Premium on bonds payable            |                |                  |                   |                   | 2,306,518                |
| Compensated absences                |                |                  |                   |                   | 722,627                  |
| Total governmental activities       |                |                  |                   |                   | <u>24,334,145</u>        |
| Business-type activities            |                |                  |                   |                   |                          |
| 2013B G.O. Refunding Bonds          | 11/06/13       | 2.00%-3.00%      | 2,940,000         | 02/01/24          | 225,000                  |
| 2016A G.O. Wastewater Revenue Bonds | 12/21/16       | 2.00%-2.75%      | 4,315,000         | 02/01/32          | 2,750,000                |
| 2019A G.O. Bonds                    | 12/12/19       | 3.00%-5.00%      | 11,485,000        | 02/01/35          | 9,785,000                |
| Premium on bonds payable            |                |                  |                   |                   | 1,347,508                |
| Compensated absences                |                |                  |                   |                   | 121,260                  |
| Total business-type activities      |                |                  |                   |                   | <u>14,228,768</u>        |
| Total all long-term liabilities     |                |                  |                   |                   | <u>\$ 38,562,913</u>     |

Long-term bonded indebtedness listed above were issued to finance acquisition and construction of capital facilities or to refinance (refund) previous bond issues. The General Fund has historically been used to liquidate governmental activity compensated absences listed above. The remaining governmental outstanding bonds payable will be paid from various corresponding debt service funds. The Water Fund and Sewer Fund liquidate their respective business-type activity long-term debt.

**C. Minimum Debt Payments**

Annual debt service requirements to maturity for G.O. Bonds are as follows:

| Year Ending<br>December 31, | Governmental Activities |                     |                      | Business-Type Activities |                     |                      |
|-----------------------------|-------------------------|---------------------|----------------------|--------------------------|---------------------|----------------------|
|                             | G.O. Bonds              |                     |                      | G.O. Bonds               |                     |                      |
|                             | Principal               | Interest            | Total                | Principal                | Interest            | Total                |
| 2024                        | \$ 1,500,000            | \$ 806,215          | \$ 2,306,215         | \$ 1,130,000             | \$ 461,467          | \$ 1,591,467         |
| 2025                        | 1,555,000               | 742,056             | 2,297,056            | 940,000                  | 421,145             | 1,361,145            |
| 2026                        | 1,620,000               | 674,225             | 2,294,225            | 975,000                  | 381,822             | 1,356,822            |
| 2027                        | 1,695,000               | 602,088             | 2,297,088            | 1,020,000                | 340,500             | 1,360,500            |
| 2028                        | 1,765,000               | 526,050             | 2,291,050            | 1,060,000                | 296,969             | 1,356,969            |
| 2029-2033                   | 10,055,000              | 1,422,231           | 11,477,231           | 5,655,000                | 791,381             | 6,446,381            |
| 2034-2035                   | 3,115,000               | 78,325              | 3,193,325            | 1,980,000                | 59,850              | 2,039,850            |
| Total                       | <u>\$ 21,305,000</u>    | <u>\$ 4,851,190</u> | <u>\$ 26,156,190</u> | <u>\$ 12,760,000</u>     | <u>\$ 2,753,134</u> | <u>\$ 15,513,134</u> |

**City of Forest Lake**  
**Notes to Basic Financial Statements**

**NOTE 7 - LONG-TERM DEBT (CONTINUED)**

**D. Changes in Long-Term Liabilities**

Long-term liability activity for the year ended December 31, 2023, was as follows:

|                                | Beginning<br>Balance | Additions         | Reductions          | Ending<br>Balance    | Due Within<br>One Year |
|--------------------------------|----------------------|-------------------|---------------------|----------------------|------------------------|
| Governmental activities        |                      |                   |                     |                      |                        |
| G.O. bonds payable             | \$ 22,735,000        | \$ -              | \$ 1,430,000        | \$ 21,305,000        | \$ 1,500,000           |
| Premium on bonds payable       | 2,522,251            | -                 | 215,733             | 2,306,518            | -                      |
| Total G.O bonds payable        | <u>25,257,251</u>    | <u>-</u>          | <u>1,645,733</u>    | <u>23,611,518</u>    | <u>1,500,000</u>       |
| Compensated absences           | <u>723,940</u>       | <u>456,962</u>    | <u>458,275</u>      | <u>722,627</u>       | <u>306,671</u>         |
| Total governmental activities  | <u>25,981,191</u>    | <u>456,962</u>    | <u>2,104,008</u>    | <u>24,334,145</u>    | <u>1,806,671</u>       |
| Business-type activities       |                      |                   |                     |                      |                        |
| G.O. bonds payable             | 13,965,000           | -                 | 1,205,000           | 12,760,000           | 1,130,000              |
| Premium on bonds payable       | 1,478,333            | -                 | 130,825             | 1,347,508            | -                      |
| Total bonds payable            | <u>15,443,333</u>    | <u>-</u>          | <u>1,335,825</u>    | <u>14,107,508</u>    | <u>1,130,000</u>       |
| Compensated absences           | <u>112,642</u>       | <u>57,835</u>     | <u>49,217</u>       | <u>121,260</u>       | <u>46,115</u>          |
| Total business-type activities | <u>15,555,975</u>    | <u>57,835</u>     | <u>1,385,042</u>    | <u>14,228,768</u>    | <u>1,176,115</u>       |
| Total long-term liabilities    | <u>\$ 41,537,166</u> | <u>\$ 514,797</u> | <u>\$ 3,489,050</u> | <u>\$ 38,562,913</u> | <u>\$ 2,982,786</u>    |

The General Fund typically liquidates the liability related to compensated absences.

**NOTE 8 - 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 various revenue bonds to provide funding to private-sector entities for projects deemed to be in the public interest. Although these bonds bear the name of the City, the City has no obligation for such debt. Accordingly, the bonds are not reported as liabilities in the financial statements of the City.

As of December 31, 2023, the City's conduit debt consisted of the following:

|                                                                        |                      |
|------------------------------------------------------------------------|----------------------|
| Forest Lake Athletic Association                                       |                      |
| Recreational Facility Revenue Note, Series 2008A                       | \$ 2,927,617         |
| Lakes International Language Academy Project                           |                      |
| Charter School Lease Revenue Bonds, Series 2014A                       | 14,675,000           |
| YMCA                                                                   |                      |
| Recreational Facility Revenue Note, Series 2015                        | 2,404,000            |
| Lakes International Language Academy Project                           |                      |
| Charter School Lease Revenue Bonds, Series 2019A & 2019B               | 21,055,000           |
| North Lakes Academy Project                                            |                      |
| Charter School Lease Revenue and Refunding Bonds, Series 2021A & 2021B | <u>29,090,000</u>    |
| Total conduit debt obligations                                         | <u>\$ 70,151,617</u> |

**City of Forest Lake  
Notes to Basic Financial Statements**

**NOTE 9 - FUND BALANCES/NET POSITION**

**A. Fund Balance Classifications**

Fund balances are classified as shown below to reflect the limitations and restrictions of the respective funds.

|                                        | General<br>Fund     | Capital<br>Improvements | Nonmajor<br>Governmental<br>Funds | Total                |
|----------------------------------------|---------------------|-------------------------|-----------------------------------|----------------------|
| Nonspendable                           |                     |                         |                                   |                      |
| Inventory                              | \$ -                | \$ -                    | \$ 26,462                         | \$ 26,462            |
| Prepaid items                          | 418,960             | -                       | 363,721                           | 782,681              |
| Total nonspendable                     | <u>418,960</u>      | <u>-</u>                | <u>390,183</u>                    | <u>809,143</u>       |
| Restricted                             |                     |                         |                                   |                      |
| Recycling                              | 11,464              | -                       | -                                 | 11,464               |
| Park improvements                      | -                   | -                       | 1,413,308                         | 1,413,308            |
| Debt service                           | -                   | -                       | 2,339,245                         | 2,339,245            |
| Public safety                          | -                   | -                       | 969,660                           | 969,660              |
| Tax increment                          | -                   | -                       | 71,342                            | 71,342               |
| Total restricted                       | <u>11,464</u>       | <u>-</u>                | <u>4,793,555</u>                  | <u>4,805,019</u>     |
| Committed                              |                     |                         |                                   |                      |
| Bixby Dog Park                         | -                   | -                       | 695                               | 695                  |
| Veterans Memorial                      | -                   | -                       | 68,561                            | 68,561               |
| Lake improvements                      | -                   | -                       | 54,973                            | 54,973               |
| Safety camp                            | 8,733               | -                       | -                                 | 8,733                |
| Surface water management               | -                   | -                       | 1,208,585                         | 1,208,585            |
| Airport                                | -                   | -                       | 214,433                           | 214,433              |
| Capital                                | -                   | 1,030,124               | 157,660                           | 1,187,784            |
| Total committed                        | <u>8,733</u>        | <u>1,030,124</u>        | <u>1,704,907</u>                  | <u>2,743,764</u>     |
| Assigned                               |                     |                         |                                   |                      |
| Irrigation at Fenway Athletic Facility | 23,012              | -                       | -                                 | 23,012               |
| Unassigned                             | <u>6,177,253</u>    | <u>-</u>                | <u>(789,836)</u>                  | <u>5,387,417</u>     |
| Total fund balance                     | <u>\$ 6,639,422</u> | <u>\$ 1,030,124</u>     | <u>\$ 6,098,809</u>               | <u>\$ 13,768,355</u> |

**B. Net Position**

Restricted net position is comprised of the total restricted fund balance in the governmental funds plus the effects of the conversion to the government-wide net position.

**NOTE 10 - RISK MANAGEMENT**

The City purchases commercial insurance coverage with other cities in the state through the League of Minnesota Cities Insurance Trust (LMCIT), which is a public entity risk pool currently operating as a common risk management and insurance program. The City pays an annual premium to LMCIT for its insurance coverage. LMCIT is self-sustaining through commercial companies for excess claims. The City is covered through the pool for any claims incurred but unreported, however, retains risk for the deductible portion of its insurance policies. The amount of these deductibles is considered immaterial to the financial statements.

**City of Forest Lake**  
**Notes to Basic Financial Statements**

**NOTE 10 - RISK MANAGEMENT (CONTINUED)**

There were no significant reductions in insurance from the previous year or settlements in excess of insurance coverage for any of the past three years.

The City's workers' compensation insurance policy is retrospectively rated. With this type of policy, final premiums are determined after loss experience is known. The amount of premium adjustment for 2023 is estimated to be immaterial based on workers' compensation rates and salaries for the year.

At December 31, 2023, there were no other claims liabilities reported based on the requirements of GASB Statement No. 10, which requires a liability for claims be reported if information prior to the issuance of the financial statements indicates that it is probable that a liability has been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated.

**NOTE 11 - PENSION PLANS**

The City participates in various pension plans. Total pension expense for the year ended December 31, 2023, was \$1,466,649. The components of pension expense are noted in the following plan summaries for the General Employees Retirement Plan, the Public Employees Police and Fire Plan, the Defined Contribution Plan, and the Volunteer Firefighter's Relief Association Plan.

The General Fund and Water and Sewer Funds typically liquidate the liability related to the pensions.

**Public Employees' Retirement Association**

**A. Plan Description**

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

**General Employees Retirement Plan**

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

**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 local relief associations that elected to merge with and transfer assets and administration to PERA.

**B. Benefits Provided**

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

**City of Forest Lake  
Notes to Basic Financial Statements**

**NOTE 11 - PENSION PLANS (CONTINUED)**

**Public Employees' Retirement Association (Continued)**

**B. Benefits Provided (Continued)**

General Employees Plan Benefits

General Employees Plan benefits are based on a member's highest average salary for any 5 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 is equal to 50% of the cost-of-living adjustment (COLA) announced by the SSA, with a minimum increase of at least 1% and a maximum of 1.5%. Recipients that have been receiving the annuity or benefit for at least a full year as of the June 30 before the effective date of the increase will receive the full increase. Recipients receiving the annuity or benefit for at least one month but less than a full year as of the June 30 before the effective date of the increase will receive a reduced prorated increase. In 2023, legislation repealed the statute delaying increases for members retiring before full retirement age.

Police and Fire Plan Benefits

Benefits for the 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 10 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 10 years up to 100% after 20 years of credited service. The annuity accrual rate is 3% of average salary for each year of service. For Police and Fire Plan members who were first hired prior to July 1, 1989, a full annuity is available when age plus years of service equal at least 90.

Benefit increases are provided to benefit recipients each January. The postretirement increase is 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. Recipients receiving the annuity or benefit for at least 25 months but less than 36 months as of the June 30 before the effective date of the increase will receive a reduced prorated increase.

**C. Contributions**

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



**City of Forest Lake  
Notes to Basic Financial Statements**

**NOTE 11 - PENSION PLANS (CONTINUED)**

**Public Employees' Retirement Association (Continued)**

**C. Contributions**

General Employees Fund Contributions

Coordinated Plan members were required to contribute 6.5% of their annual covered salary in fiscal year 2023, and the City was required to contribute 7.5% for Coordinated Plan members. The City's contributions to the General Employees Fund for the year ended December 31, 2023, were \$229,980. The City's contributions were equal to the required contributions as set by state statute.

Police and Fire Fund Contributions

Police and Fire Plan members were required to contribute 11.8% of their annual covered salary in fiscal year 2023 and the City was required to contribute 17.7% for Police and Fire Plan members. The City's contributions to the Police and Fire Fund for the year ended December 31, 2023, were \$569,158. The City's contributions were equal to the required contributions as set by state statute.

**D. Pension Costs**

General Employees Fund Pension Costs

At December 31, 2023, the City reported a liability of \$2,337,409 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 \$64,356.

The net pension liability was measured as of June 30, 2023, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City's proportionate share of the net pension liability was based on the City's contributions received by PERA during the measurement period for employer payroll paid dates from July 1, 2022, through June 30, 2023, relative to the total employer contributions received from all of PERA's participating employers. The City's proportionate share was 0.0418% at the end of the measurement period and 0.0386% at the beginning of the period.

|                                                                                                |                            |
|------------------------------------------------------------------------------------------------|----------------------------|
| City's proportionate share of the net pension liability                                        | \$ 2,337,409               |
| State of Minnesota's proportionate share of the net pension liability associated with the City | <u>64,356</u>              |
| Total                                                                                          | <u><u>\$ 2,401,765</u></u> |

**City of Forest Lake  
Notes to Basic Financial Statements**

**NOTE 11 - PENSION PLANS (CONTINUED)**

**Public Employees' Retirement Association (Continued)**

**D. Pension Costs (Continued)**

General Employees Fund Pension Costs (Continued)

For the year ended December 31, 2023, the City recognized pension expense of \$481,834 for its proportionate share of General Employees Plan's pension expense. Included in this amount, the City recognized \$289 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.

As of December 31, 2023, the City reported its proportionate share of General Employees Plan's deferred outflows of resources and deferred inflows of resources, related to pensions from the following sources:

|                                                                    | Deferred<br>Outflows of<br>Resources | Deferred<br>Inflows of<br>Resources |
|--------------------------------------------------------------------|--------------------------------------|-------------------------------------|
| Differences between expected and actual economic experience        | \$ 75,349                            | \$ 14,291                           |
| Changes in actuarial assumptions                                   | 336,388                              | 640,664                             |
| Net difference between projected<br>and actual investment earnings | -                                    | 72,791                              |
| Changes in proportion                                              | 270,072                              | -                                   |
| Contributions paid to PERA subsequent<br>to the measurement date   | 114,990                              | -                                   |
| Total                                                              | \$ 796,799                           | \$ 727,746                          |

The \$114,990 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, 2024. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

| Year Ending<br>December 31, | Pension<br>Expense<br>Amount |
|-----------------------------|------------------------------|
| 2024                        | \$ 157,494                   |
| 2025                        | (247,739)                    |
| 2026                        | 95,014                       |
| 2027                        | (50,706)                     |
| Total                       | \$ (45,937)                  |

**City of Forest Lake  
Notes to Basic Financial Statements**

**NOTE 11 - PENSION PLANS (CONTINUED)**

**Public Employees' Retirement Association (Continued)**

**D. Pension Costs (Continued)**

Police and Fire Fund Pension Costs

As of December 31, 2023, the City reported a liability of \$3,990,797 for its proportionate share of the Police and Fire Fund's net pension liability. The net pension liability was measured as of June 30, 2023, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City's proportionate share of the net pension liability was based on the City's contributions received by PERA during the measurement period for employer payroll paid dates from July 1, 2022 through June 30, 2023, relative to the total employer contributions received from all of PERA's participating employers. The City's proportionate share was 0.2311% at the end of the measurement period and 0.2297% at the beginning of the period.

The State of Minnesota contributed \$18 million to the Police and Fire Fund in the plan fiscal year ended June 30, 2023. The contribution consisted of \$9 million in direct state aid that meets 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 aid was paid on October 1, 2022. 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 supplemental 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. The State of Minnesota's proportionate share of the net pension liability associated with the City totaled \$160,746.

|                                                                                                |              |
|------------------------------------------------------------------------------------------------|--------------|
| City's proportionate share of the net pension liability                                        | \$ 3,990,797 |
| State of Minnesota's proportionate share of the net pension liability associated with the City | 160,746      |
| Total                                                                                          | \$ 4,151,543 |

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 (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 December 31, 2023, the City recognized pension expense of \$1,190,031 for its proportionate share of the Police and Fire Plan's pension expense. Included in this amount, the City recognized (\$9,682) as pension expense (and grant revenue) for its proportionate share of the State of Minnesota's contribution of \$9 million to the Police and Fire Fund.

**City of Forest Lake  
Notes to Basic Financial Statements**

**NOTE 11 - PENSION PLANS (CONTINUED)**

**Public Employees' Retirement Association (Continued)**

**D. Pension Costs (Continued)**

Police and Fire Fund Pension Costs (Continued)

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 supplemental state aid. The City also recognized \$20,799 for the year ended December 31, 2023, as revenue and an offsetting reduction of the net pension liability for its proportionate share of the State of Minnesota's on-behalf contributions to the Police and Fire Fund.

At December 31, 2023, 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<br>Outflows of<br>Resources | Deferred<br>Inflows of<br>Resources |
|--------------------------------------------------------------------|--------------------------------------|-------------------------------------|
| Differences between expected and actual economic experience        | \$ 1,089,223                         | \$ -                                |
| Changes in actuarial assumptions                                   | 4,515,810                            | 5,610,864                           |
| Net difference between projected<br>and actual investment earnings | -                                    | 90,866                              |
| Changes in proportion                                              | 121,966                              | 80,607                              |
| Contributions paid to PERA subsequent<br>to the measurement date   | 284,579                              | -                                   |
| Total                                                              | \$ 6,011,578                         | \$ 5,782,337                        |

**City of Forest Lake  
Notes to Basic Financial Statements**

**NOTE 11 - PENSION PLANS (CONTINUED)**

**Public Employees' Retirement Association (Continued)**

**D. Pension Costs (Continued)**

Police and Fire Fund Pension Costs (Continued)

The \$284,579 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, 2024. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

| Year Ending<br>December 31, | Pension<br>Expense<br>Amount |
|-----------------------------|------------------------------|
| 2024                        | \$ 188,816                   |
| 2025                        | 55,033                       |
| 2026                        | 925,861                      |
| 2027                        | (245,056)                    |
| 2028                        | (979,992)                    |
| Total                       | \$ (55,338)                  |

**E. 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<br>Allocation | Long-Term<br>Expected Real<br>Rate of Return |
|----------------------|----------------------|----------------------------------------------|
| Domestic equity      | 33.5 %               | 5.10 %                                       |
| International equity | 16.5                 | 5.30                                         |
| Fixed income         | 25.0                 | 0.75                                         |
| Private markets      | 25.0                 | 5.90                                         |
| Total                | 100.0 %              |                                              |

**City of Forest Lake  
Notes to Basic Financial Statements**

**NOTE 11 - PENSION PLANS (CONTINUED)**

**Public Employees' Retirement Association (Continued)**

**F. Actuarial Methods and Assumptions**

The total pension liability in the June 30, 2023, 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 7.0%. 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 7.0% 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 and 1% for the Police and Fire Plan.

Salary growth assumptions in the General Employees Plan range in annual increments from 10.25% after one year of service to 3.0% after 27 years of service. In the Police and Fire Plan, salary growth assumptions range from 11.75% after one year of service to 3.0% after 24 years of service.

Mortality rates for the General Employees Plan are based on the Pub-2010 General Employee Mortality Table. Mortality rates for the Police and Fire Plan are based on the Pub-2010 Public Safety Employee Mortality tables. The tables are adjusted slightly to fit 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 2022. The assumption changes were adopted by the Board and became effective with the July 1, 2023, actuarial valuation. The most recent four-year experience study for the Police and Fire Plan was completed in 2020 and 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 2023:

**General Employees Fund**

**Changes in Actuarial Assumptions**

- ◆ The investment return assumption and single discount rate were changed from 6.5% to 7.0%.

**Changes in Plan Provisions**

- ◆ An additional one-time direct state aid contribution of \$170.1 million will be contributed to the Plan on October 1, 2023.
- ◆ The vesting period of those hired after June 30, 2010, was changed from five years of allowable service to three years of allowable service.
- ◆ The benefit increase delay for early retirements on or after January 1, 2024, was eliminated.
- ◆ A one-time, non-compounding benefit increase of 2.5% minus the actual 2024 adjustment will be payable in a lump sum for calendar year 2024 by March 31, 2024.

**City of Forest Lake  
Notes to Basic Financial Statements**

**NOTE 11 - PENSION PLANS (CONTINUED)**

**Public Employees' Retirement Association (Continued)**

**F. Actuarial Methods and Assumptions (Continued)**

Police and Fire Fund

Changes in Actuarial Assumptions

- ◆ The investment return assumption and single discount rate were changed from 6.5% to 7.0%.
- ◆ The single discount rate changed from 5.4% to 7.0%.

Changes in Plan Provisions

- ◆ Additional one-time direct state aid contribution of 19.4 million will be contributed to the Plan on October 1, 2023.
- ◆ Vesting requirement for new hires after June 30, 2014, was changed from a graded 20-year vesting schedule to a graded 10-year vesting schedule, with 50% vesting after five years, increasing incrementally to 100% after 10 years.
- ◆ A one-time, non-compounding benefit increase of 3.0% will be payable in a lump sum for calendar year 2024 by March 31, 2024.
- ◆ Psychological treatment is required effective July 1, 2023, prior to approval for a duty disability benefit for a psychological condition relating to the member's occupation.
- ◆ The total and permanent duty disability benefit was increased, effective July 1, 2023.

**G. Discount Rate**

The discount rate used to measure the total pension liability in 2023 was 7.0%. 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 and Police and Fire Plans 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.

**City of Forest Lake  
Notes to Basic Financial Statements**

**NOTE 11 - PENSION PLANS (CONTINUED)**

**Public Employees' Retirement Association (Continued)**

**H. 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:

|                                                                                      | 1% Decrease in<br>Discount Rate<br>(6.0%) | Current<br>Discount Rate<br>(7.0%) | 1% Increase in<br>Discount Rate<br>(8.0%) |
|--------------------------------------------------------------------------------------|-------------------------------------------|------------------------------------|-------------------------------------------|
| City's proportionate share of<br>the General Employees Fund<br>net pension liability | \$ 4,135,065                              | \$ 2,337,409                       | \$ 858,769                                |
|                                                                                      | 1% Decrease in<br>Discount Rate<br>(6.0%) | Current<br>Discount Rate<br>(7.0%) | 1% Increase in<br>Discount Rate<br>(8.0%) |
| City's proportionate share of<br>the Police and Fire Fund<br>net pension liability   | \$ 7,918,216                              | \$ 3,990,797                       | \$ 761,932                                |

**I. Pension Plan Fiduciary Net Position**

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

**Public Employees Defined Contribution Plan (Defined Contribution Plan)**

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



**City of Forest Lake  
Notes to Basic Financial Statements**

**NOTE 11 - PENSION PLANS (CONTINUED)**

**Public Employees Defined Contribution Plan (Defined Contribution Plan) (Continued)**

The defined contribution plan consists of individual accounts paying a lump-sum benefit. Plan benefits depend solely on amounts contributed to the plan plus investment earnings, less administrative expenses; therefore, there is no future liability to the City. Minnesota Statutes Chapter 353D.03, specifies plan provisions, including the employee and employer contribution rates for those qualified personnel who elect to participate. An eligible elected official who decides to participate contributes 5% of salary which is matched by the elected official's employer. For ambulance service personnel, employer contributions are determined by the employer, and for salaried employees must be a fixed percentage of salary. Employer contributions for volunteer personnel may be a unit value for each call or period of alert duty. Employees who are paid for their services may elect to make member contributions in an amount not to exceed the employer share. Employer and employee contributions are combined and used to purchase shares in one or more of the seven accounts of the Minnesota Supplemental Investment Fund. For administering the plan, PERA receives 2% of employer contributions and twenty-five hundredths of 1% (.25%) of the assets in each member's account annually.

Pension expense for the year is equal to the contributions made by the City. Total contributions during fiscal year 2023 were \$550, which amounted to 5% of covered payroll as required.

**Defined Benefit Pension Plan - Volunteer Firefighter's Relief Association**

**A. Plan Description**

The City of Forest Lake's Fire Department Relief Association is the administrator of a single employer defined benefit pension plan established to provide benefits for members of the City of Forest Lake Fire Department.

The Association issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to Forest Lake Fire Relief Association, 1408 Lake Street South, Forest Lake, MN 55025.

**B. Benefits Provided**

Volunteer firefighters of the City are members of the Forest Lake Fire Department Relief Association. Full retirement benefits are payable to members who have reached age 50 and have completed 20 years of service. The lump sum pension is based on completed months of service. The current lump sum pension measured in the actuarial study is based on \$5,900 (effective October 25, 2022) per year of service plus a supplemental benefit of 10% of the regular lump sum distribution, but not more than \$1,000. Partial benefits are payable to members who have reached 50 and have completed ten years of service (five years for those hired prior to January 1, 2007). Disability benefits and widow and children's survivor benefits are also payable to members, or their beneficiaries based upon requirements set forth in the bylaws. These benefit provisions and all other requirements are consistent with enabling state statutes.

**City of Forest Lake  
Notes to Basic Financial Statements**

**NOTE 11 - PENSION PLANS (CONTINUED)**

**Defined Benefit Pension Plan - Volunteer Firefighter's Relief Association (Continued)**

**C. Members Covered by Benefit Terms**

As of the December 31, 2022, actuarial valuation date, the following members were covered by the benefit terms:

|                                                             |    |
|-------------------------------------------------------------|----|
| Inactive members entitled to but not yet receiving benefits | 4  |
| Active members                                              | 28 |
|                                                             | 28 |
| Total                                                       | 32 |

**D. Contributions**

*Minnesota Statutes* Chapter 424A.092 specifies minimum support rates required on an annual basis. The minimum support rates from the municipality and from State aid are determined as the amount required to meet the normal cost plus amortizing any existing prior service costs over a ten-year period. The City's obligation is the financial requirement for the year less State aids received. Any additional payments by the City shall be used to amortize the unfunded liability of the relief association. The Association is comprised of volunteers; therefore, there are no payroll expenditures (i.e., there are no covered payroll percentage calculations). During the year ended December 31, 2023, the City recognized as revenue and as an expenditure an on behalf payment of \$206,188 made by the State of Minnesota for the Relief Association. The City also contributed \$18,500 to the Relief Association during the year ended December 31, 2023.

**E. Net Pension Liability**

The City's net pension liability was measured as of December 31, 2022, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2022.

The total pension liability in the December 31, 2022, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

|                           |                                                                                                                        |                      |
|---------------------------|------------------------------------------------------------------------------------------------------------------------|----------------------|
| Inflation                 | 2.50 %                                                                                                                 |                      |
| Investment rate of return | 6.00 %, net of pensions plan investment expense:                                                                       | including inflation. |
| Mortality                 | Various Pub-2010 Public Safety Employee mortality tables with projected mortality improvements based on scale MP-2021. |                      |

**City of Forest Lake  
Notes to Basic Financial Statements**

**NOTE 11 - PENSION PLANS (CONTINUED)**

**Defined Benefit Pension Plan - Volunteer Firefighter's Relief Association (Continued)**

**E. Net Pension Liability (Continued)**

The long-term 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. Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of the measurement date are summarized below.

| <u>Asset Class</u>           | <u>Target Allocation</u>      | <u>Long-Term Expected Nominal Rate of Return</u> |
|------------------------------|-------------------------------|--------------------------------------------------|
| Domestic equity              | 60 %                          | 6.60 %                                           |
| International equity         | 10                            | 7.14                                             |
| Fixed income                 | 15                            | 3.55                                             |
| Real estate and alternatives | 10                            | 6.04                                             |
| Cash and equivalents         | 5                             | 2.05                                             |
| <br>                         |                               |                                                  |
| Total                        | <u>100 %</u>                  | 6.49                                             |
|                              | Investment expense            | <u>(0.50)</u>                                    |
|                              | Net assumed investment return | <u>6.00 %</u>                                    |

The discount rate used to measure the total pension liability was 6.0%. Assets were projected using expected benefit payments and expected asset returns. Expected benefit payments by year were discounted using the expected asset return assumption for years in which the assets were sufficient to pay all benefit payments. Any remaining benefit payments after the trust fund is exhausted are discounted at the municipal bond rate. The equivalent single rate is the discount rate.

The following changes in actuarial assumptions and plan provisions occurred in 2023:

**Changes in Actuarial Assumptions**

- ◆ The disability, mortality and withdrawal assumptions were updated from the rates used in the July 1, 2020, Minnesota PERA Police and Fire Plan actuarial valuation to the rates used in the July 1, 2022, Minnesota PERA Police and Fire Plan actuarial valuation.
- ◆ The inflation assumption increased from 2.25% to 2.5%.

**Changes in Plan Provisions**

- ◆ The lump sum benefit amount increased from \$5,700 to \$5,900.

**City of Forest Lake  
Notes to Basic Financial Statements**

**NOTE 11 - PENSION PLANS (CONTINUED)**

**Defined Benefit Pension Plan - Volunteer Firefighter's Relief Association (Continued)**

**F. Changes in the Net Pension Liability**

|                                                   | Increase (Decrease)                  |                                          |                                          |
|---------------------------------------------------|--------------------------------------|------------------------------------------|------------------------------------------|
|                                                   | Total<br>Pension<br>Liability<br>(a) | Plan Fiduciary<br>Net<br>Position<br>(b) | Net<br>Pension<br>Liability<br>(a) - (b) |
| Balances at December 31, 2021, measurement date   | \$ 1,081,048                         | \$ 3,476,953                             | \$ (2,395,905)                           |
| Changes for the year                              |                                      |                                          |                                          |
| Service cost                                      | 78,560                               | -                                        | 78,560                                   |
| Interest cost                                     | 68,132                               | -                                        | 68,132                                   |
| Difference between expected and actual experience | (75,364)                             | -                                        | (75,364)                                 |
| Changes of assumptions                            | (4,667)                              | -                                        | (4,667)                                  |
| Changes of benefit terms                          | 33,218                               | -                                        | 33,218                                   |
| State and municipal contributions                 | -                                    | 198,492                                  | (198,492)                                |
| Member contributions                              | -                                    | 640                                      | (640)                                    |
| Net investment income                             | -                                    | (475,835)                                | 475,835                                  |
| Benefit payments                                  | (48,158)                             | (48,158)                                 | -                                        |
| Administrative expense                            | -                                    | (14,567)                                 | 14,567                                   |
| Other charges                                     | -                                    | -                                        | -                                        |
| Net changes                                       | 51,721                               | (339,428)                                | 391,149                                  |
| Balances at December 31, 2022, measurement date   | \$ 1,132,769                         | \$ 3,137,525                             | \$ (2,004,756)                           |

Sensitivity of the net pension liability to changes in the discount rate. The following presents the net pension liability of the City, calculated using the discount rate of 6.0%, as well as what the City's net pension 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 rate:

|                   | 1% Decrease<br>in Discount Rate<br>5.0% | Current<br>Discount Rate<br>6.0% | 1% Increase<br>in Discount Rate<br>7.0% |
|-------------------|-----------------------------------------|----------------------------------|-----------------------------------------|
| Net pension asset | \$ 1,962,783                            | \$ 2,004,756                     | \$ 2,045,219                            |

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

**City of Forest Lake  
Notes to Basic Financial Statements**

**NOTE 11 - PENSION PLANS (CONTINUED)**

**Defined Benefit Pension Plan - Volunteer Firefighter's Relief Association (Continued)**

**G. Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions**

For the year ended December 31, 2023, the City recognized pension expense of \$205,766. As of December 31, 2023, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

|                                                                            | Deferred<br>Outflows of<br>Resources | Deferred<br>Inflows of<br>Resources |
|----------------------------------------------------------------------------|--------------------------------------|-------------------------------------|
|                                                                            | <u>                    </u>          | <u>                    </u>         |
| Differences between expected and actual liability                          | \$ -                                 | \$ 111,369                          |
| Net collective difference between projected and actual investment earnings | 233,657                              | -                                   |
| Changes in assumptions                                                     | 37,985                               | 4,213                               |
| Contributions paid to Association subsequent to the measurement date       | <u>224,688</u>                       | <u>-</u>                            |
| Total                                                                      | <u>\$ 496,330</u>                    | <u>\$ 115,582</u>                   |

The \$224,688 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, 2024. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

| <u>Year Ending<br/>December 31,</u> | <u>Pension<br/>Expense<br/>Amount</u> |
|-------------------------------------|---------------------------------------|
| 2024                                | \$ (36,450)                           |
| 2025                                | 34,187                                |
| 2026                                | 66,220                                |
| 2027                                | 127,909                               |
| 2028                                | (7,790)                               |
| Thereafter                          | <u>(28,016)</u>                       |
| Total                               | <u>\$ 156,060</u>                     |

**City of Forest Lake**  
**Notes to Basic Financial Statements**

**NOTE 12 - POST EMPLOYMENT HEALTH CARE PLAN**

**A. Plan Description**

The City's defined benefit OPEB plan provides a single employer defined benefit health care plan to eligible retirees. The plan offers medical coverage. No assets are acclimated in a trust. A separate report is not issued for this plan.

**B. Benefits Provided**

Retirees and their spouses can participate in the health care plan at the same premium rate as City employees. Retirees and their spouses are responsible for 100% of these rates. This results in the retirees receiving an implicit rate subsidy.

**C. Contributions**

Retirees and their spouses contribute to the health care plan at the same rate as City employees. This results in the retirees receiving an implicit rate subsidy. Contribution requirements are established by the City, based on the contract terms with HealthPartners. The required contributions are based on projected pay-as-you-go financing requirements. For 2023, the City contributed \$63,553 to the plan.

**D. Members**

As of the December 31, 2021, valuation date, the following were covered by the benefit terms:

|                                    |    |
|------------------------------------|----|
| Active employees electing coverage | 55 |
| Active employees waiving coverage  | 2  |
| Retirees electing coverage         | 3  |
| Total                              | 60 |

**E. Actuarial Assumptions**

The total OPEB liability was determined by an actuarial valuation as of December 31, 2021, using the following actuarial assumptions.

Key Methods and Assumptions Used in Valuation of Total OPEB Liability

|                                                  |                                                                                                                              |
|--------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------|
| Discount rate                                    | 4.05%                                                                                                                        |
| Inflation                                        | 2.50%                                                                                                                        |
| Healthcare cost trend increases                  | 6.8% for 2022, gradually decreasing over several decades to an ultimate rate of 3.9% in 2075.                                |
| Mortality assumption - general employees         | Pub-2010 General mortality tables with projected mortality improvements based on scale MP-2021, and other adjustments.       |
| Mortality assumption - police and fire employees | Pub-2010 Public Safety mortality tables with projected mortality improvements based on scale MP-2021, and other adjustments. |

**City of Forest Lake**  
**Notes to Basic Financial Statements**

**NOTE 12 - POST EMPLOYMENT HEALTH CARE PLAN (CONTINUED)**

**E. Actuarial Assumptions (Continued)**

Changes in Actuarial Assumptions

- ◆ The discount rate was changed from 1.84% to 4.05% based on updated 20-year municipal bond rates.

Changes in Plan Provisions

- ◆ None

**F. Total OPEB Liability**

The City's total OPEB liability was measured as of December 31, 2021, and was determined by an actuarial valuation as of December 31, 2022.

Changes in the total OPEB liability are as follows:

|                                                             | <u>Total<br/>OPEB<br/>Liability</u> |
|-------------------------------------------------------------|-------------------------------------|
| Balances at December 31, 2021, measurement date             | <u>\$ 2,570,662</u>                 |
| Changes for the year                                        |                                     |
| Service cost                                                | 210,578                             |
| Interest                                                    | 50,593                              |
| Differences between expected and actual economic experience | 8,668                               |
| Changes of assumptions                                      | (479,353)                           |
| Employer contributions                                      | <u>(63,209)</u>                     |
| Net changes                                                 | <u>(272,723)</u>                    |
| Balances at December 31, 2022, measurement date             | <u><u>\$ 2,297,939</u></u>          |

The General Fund and Water and Sewer funds typically liquidate the Liability related to OPEB.

**City of Forest Lake  
Notes to Basic Financial Statements**

**NOTE 12 - POST EMPLOYMENT HEALTH CARE PLAN (CONTINUED)**

**G. OPEB Liability Sensitivity**

The following presents the City's total OPEB liability calculated using the discount rate of 4.05% as well as the liability measured using 1% lower and 1% higher than the current discount rate.

| Total OPEB Liability<br>Total OPEB Liability/ (Asset) |                                     |                                            |
|-------------------------------------------------------|-------------------------------------|--------------------------------------------|
| 1% Decrease in<br>Discount Rate<br>(3.05%)            | Current<br>Discount Rate<br>(4.05%) | 1% Increase in<br>Discount Rate<br>(5.05%) |
| \$ 2,507,839                                          | \$ 2,297,939                        | \$ 2,101,419                               |

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 healthcare cost trend rates that are 1% lower and 1% higher than the current healthcare cost trend rates.

| Total OPEB Liability<br>Total OPEB Liability/ (Asset)        |                                                       |                                                              |
|--------------------------------------------------------------|-------------------------------------------------------|--------------------------------------------------------------|
| 1% Decrease in<br>Trend Rate<br>(5.8% Decreasing<br>to 2.9%) | Current<br>Trend Rate<br>(6.8% Decreasing<br>to 3.9%) | 1% Increase in<br>Trend Rate<br>(7.8% Decreasing<br>to 4.9%) |
| \$ 1,984,268                                                 | \$ 2,297,939                                          | \$ 2,668,071                                                 |

**H. OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB**

For the year ended December 31, 2023, the City recognized OPEB expense of \$84,184. As of December 31, 2023, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

|                                                       | Deferred<br>Outflows of<br>Resources | Deferred<br>Inflows of<br>Resources |
|-------------------------------------------------------|--------------------------------------|-------------------------------------|
| Difference between expected and actual liability      | \$ 7,657                             | \$ 666,932                          |
| Changes of assumptions                                | 186,513                              | 684,437                             |
| Contributions made subsequent to the measurement date | 63,553                               | -                                   |
| Total                                                 | \$ 257,723                           | \$ 1,351,369                        |



**City of Forest Lake  
Notes to Basic Financial Statements**

**NOTE 12 - POST EMPLOYMENT HEALTH CARE PLAN (CONTINUED)**

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

The \$63,553 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, 2024. Other amounts reported as deferred outflows and inflows of resources related to OPEB will be recognized in OPEB expense as follows:

| Year Ending<br>December 31, | Total          |
|-----------------------------|----------------|
| 2024                        | \$ (176,987)   |
| 2025                        | (176,987)      |
| 2026                        | (176,987)      |
| 2027                        | (191,387)      |
| 2028                        | (166,491)      |
| Therafter                   | (268,360)      |
| Total                       | \$ (1,157,199) |

**NOTE 13 - CONTRACT COMMITMENTS**

The City had \$722,286 in contract commitments as of December 31, 2023, related to the water treatment plant, lift station and force main improvements projects, and Well 6 & 7 project.

**NOTE 14 - TAX INCREMENT FINANCING**

The City has entered into Tax Increment Financing agreements which meet the criteria for disclosure under Governmental Accounting Standards Board Statement No. 77 Tax Abatement Disclosures. The City’s authority to enter into these agreements comes from *Minnesota Statute 469*. The City entered into these agreements for the purpose of economic development.

Under each agreement, the City and developer agree on an amount of development costs to be reimbursed to the developer by the City through tax revenues from the additional taxable value of the property generated by the development (tax increment). A “pay-as-you-go” note is established for this amount, on which the City makes payments for a fixed period of time with available tax increment revenue after deducting for certain administrative costs.

During the year ended December 31, 2023, the City generated \$415,354 in tax increment revenue and made \$374,778 in payments to developers.

**REQUIRED SUPPLEMENTARY INFORMATION  
OTHER THAN MANAGEMENT'S DISCUSSION AND ANALYSIS**

**City of Forest Lake**  
**Schedule of Changes in Total OPEB Liability**  
**and Related Ratios**

|                                                                         | December 31,<br>2018 | December 31,<br>2019 | December 31,<br>2020 | December 31,<br>2021 |
|-------------------------------------------------------------------------|----------------------|----------------------|----------------------|----------------------|
| Total OPEB Liability                                                    |                      |                      |                      |                      |
| Service cost                                                            | \$ 162,214           | \$ 188,348           | \$ 177,471           | \$ 158,477           |
| Interest                                                                | 113,068              | 107,988              | 115,602              | 73,032               |
| Differenced between<br>expected and actual<br>experience                | -                    | -                    | (485,114)            | (3,529)              |
| Changes of assumptions                                                  | 152,990              | (289,465)            | (149,671)            | 198,052              |
| Changes of benefit terms                                                | -                    | -                    | -                    | -                    |
| Benefit payments                                                        | (154,471)            | (164,676)            | (120,364)            | (78,730)             |
| Net change in total<br>OPEB liability                                   | <u>273,801</u>       | <u>(157,805)</u>     | <u>(462,076)</u>     | <u>347,302</u>       |
| Beginning of year                                                       | <u>2,882,673</u>     | <u>3,156,474</u>     | <u>2,998,669</u>     | <u>2,536,593</u>     |
| End of Year                                                             | <u>\$ 3,156,474</u>  | <u>\$ 2,998,669</u>  | <u>\$ 2,536,593</u>  | <u>\$ 2,883,895</u>  |
| Covered-employee payroll                                                | \$ 4,626,210         | \$ 4,842,009         | \$ 5,197,573         | \$ 5,745,810         |
| Total OPEB liability as a<br>percentage of covered-<br>employee payroll | 68.23%               | 61.93%               | 48.80%               | 50.19%               |

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

| December 31,<br>2022 | December 31,<br>2023 |
|----------------------|----------------------|
| \$ 186,471           | \$ 210,578           |
| 60,938               | 50,593               |
| (495,708)            | 8,668                |
| (57,146)             | (479,353)            |
| 39,178               | -                    |
| (46,966)             | (63,209)             |
| (313,233)            | (272,723)            |
| 2,883,895            | 2,570,662            |
| \$ 2,570,662         | \$ 2,297,939         |
| \$ 5,741,070         | \$ 5,730,776         |
| 44.78%               | 40.10%               |

**City of Forest Lake**  
**Schedule of City's Proportionate Share**  
**of Net Pension Liability**  
**General Employees Retirement Fund**  
**Last Ten Years**

| For Fiscal Year<br>Ended June<br>30, | City's<br>Proportionate<br>Share<br>(Percentage)<br>of the Net<br>Pension<br>Liability<br>(Asset) | City's<br>Proportionate<br>Share<br>(Amount) of<br>the Net<br>Pension<br>Liability<br>(Asset) | State's<br>Proportionate<br>Share<br>(Amount) of<br>the Net<br>Pension<br>Liability<br>Associated<br>with the City | City's<br>Proportionate<br>Share of the<br>Net Pension<br>Liability and<br>the State's<br>Proportionate<br>Share of the<br>Net Pension<br>Liability<br>Associated<br>with the City | City's Covered<br>Payroll | City's<br>Proportionate<br>Share of the<br>Net Pension<br>Liability<br>(Asset) as a<br>Percentage of<br>its Covered<br>Payroll | Plan Fiduciary<br>Net Position<br>as a<br>Percentage of<br>the Total<br>Pension<br>Liability |
|--------------------------------------|---------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------|--------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------|
| 2015                                 | 0.0347%                                                                                           | \$ 1,798,334                                                                                  | \$ -                                                                                                               | \$ 1,798,334                                                                                                                                                                       | \$ 2,040,339              | 88.14%                                                                                                                         | 78.19%                                                                                       |
| 2016                                 | 0.0314%                                                                                           | 2,549,524                                                                                     | 33,287                                                                                                             | 2,582,811                                                                                                                                                                          | 1,949,960                 | 130.75%                                                                                                                        | 68.91%                                                                                       |
| 2017                                 | 0.0293%                                                                                           | 1,870,493                                                                                     | 23,532                                                                                                             | 1,894,025                                                                                                                                                                          | 1,888,560                 | 99.04%                                                                                                                         | 75.90%                                                                                       |
| 2018                                 | 0.0298%                                                                                           | 1,653,182                                                                                     | 54,267                                                                                                             | 1,707,449                                                                                                                                                                          | 2,001,640                 | 82.59%                                                                                                                         | 79.53%                                                                                       |
| 2019                                 | 0.0296%                                                                                           | 1,636,518                                                                                     | 50,831                                                                                                             | 1,687,349                                                                                                                                                                          | 2,094,493                 | 78.13%                                                                                                                         | 80.23%                                                                                       |
| 2020                                 | 0.0339%                                                                                           | 2,032,460                                                                                     | 62,592                                                                                                             | 2,095,052                                                                                                                                                                          | 2,414,027                 | 84.19%                                                                                                                         | 79.06%                                                                                       |
| 2021                                 | 0.0371%                                                                                           | 1,584,336                                                                                     | 48,341                                                                                                             | 1,632,677                                                                                                                                                                          | 2,670,960                 | 59.32%                                                                                                                         | 87.00%                                                                                       |
| 2022                                 | 0.0386%                                                                                           | 3,057,133                                                                                     | 89,555                                                                                                             | 3,146,688                                                                                                                                                                          | 2,890,560                 | 105.76%                                                                                                                        | 76.67%                                                                                       |
| 2023                                 | 0.0418%                                                                                           | 2,337,409                                                                                     | 64,356                                                                                                             | 2,401,765                                                                                                                                                                          | 3,320,893                 | 70.38%                                                                                                                         | 83.10%                                                                                       |

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

**Schedule of City's Proportionate Share**  
**of Net Pension Liability**  
**Public Employees Police and Fire Retirement Fund**  
**Last Ten Years**

| For Fiscal Year<br>Ended June<br>30, | City's<br>Proportionate<br>Share<br>(Percentage)<br>of the Net<br>Pension<br>Liability<br>(Asset) | City's<br>Proportionate<br>Share<br>(Amount) of<br>the Net<br>Pension<br>Liability<br>(Asset) | State's<br>Proportionate<br>Share<br>(Amount) of<br>the Net<br>Pension<br>Liability<br>Associated<br>with the City | City's<br>Proportionate<br>Share of the<br>Net Pension<br>Liability and<br>the State's<br>Proportionate<br>Share of the<br>Net Pension<br>Liability<br>Associated<br>with the City | City's Covered<br>Payroll | City's<br>Proportionate<br>Share of the<br>Net Pension<br>Liability<br>(Asset) as a<br>Percentage of<br>its Covered<br>Payroll | Plan Fiduciary<br>Net Position<br>as a<br>Percentage of<br>the Total<br>Pension<br>Liability |
|--------------------------------------|---------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------|--------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------|
| 2015                                 | 0.2520%                                                                                           | \$ 2,863,310                                                                                  | \$ -                                                                                                               | \$ 2,863,310                                                                                                                                                                       | \$ 2,306,102              | 124.16%                                                                                                                        | 86.61%                                                                                       |
| 2016                                 | 0.2440%                                                                                           | 9,770,185                                                                                     | -                                                                                                                  | 9,770,185                                                                                                                                                                          | 2,354,062                 | 415.04%                                                                                                                        | 63.88%                                                                                       |
| 2017                                 | 0.2230%                                                                                           | 2,990,695                                                                                     | -                                                                                                                  | 2,990,695                                                                                                                                                                          | 2,287,438                 | 130.74%                                                                                                                        | 85.43%                                                                                       |
| 2018                                 | 0.2265%                                                                                           | 2,393,872                                                                                     | -                                                                                                                  | 2,393,872                                                                                                                                                                          | 2,387,352                 | 100.27%                                                                                                                        | 88.84%                                                                                       |
| 2019                                 | 0.2295%                                                                                           | 2,412,277                                                                                     | -                                                                                                                  | 2,412,277                                                                                                                                                                          | 2,420,640                 | 99.65%                                                                                                                         | 89.26%                                                                                       |
| 2020                                 | 0.2287%                                                                                           | 2,993,928                                                                                     | 71,020                                                                                                             | 3,064,948                                                                                                                                                                          | 2,581,258                 | 115.99%                                                                                                                        | 87.19%                                                                                       |
| 2021                                 | 0.2169%                                                                                           | 1,654,717                                                                                     | 75,252                                                                                                             | 1,729,969                                                                                                                                                                          | 2,563,017                 | 64.56%                                                                                                                         | 93.66%                                                                                       |
| 2022                                 | 0.2297%                                                                                           | 9,995,637                                                                                     | 436,602                                                                                                            | 10,432,239                                                                                                                                                                         | 2,789,938                 | 358.27%                                                                                                                        | 70.53%                                                                                       |
| 2023                                 | 0.2297%                                                                                           | 3,990,797                                                                                     | 160,746                                                                                                            | 4,151,543                                                                                                                                                                          | 3,034,887                 | 131.50%                                                                                                                        | 86.47%                                                                                       |

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

**City of Forest Lake  
Schedule of City Contributions  
General Employees Retirement Fund  
Last Ten Years**

| Year Ending<br>December 31, | Statutorily<br>Required<br>Contribution | Contributions<br>in Relation to<br>the Statutorily<br>Required<br>Contributions | Contribution<br>Deficiency<br>(Excess) | City's Covered<br>Payroll | Contributions<br>as a<br>Percentage of<br>Covered<br>Payroll |
|-----------------------------|-----------------------------------------|---------------------------------------------------------------------------------|----------------------------------------|---------------------------|--------------------------------------------------------------|
| 2015                        | \$ 151,554                              | \$ 151,554                                                                      | \$ -                                   | \$ 2,020,720              | 7.50%                                                        |
| 2016                        | 140,504                                 | 140,504                                                                         | -                                      | 1,873,387                 | 7.50%                                                        |
| 2017                        | 147,699                                 | 147,699                                                                         | -                                      | 1,969,320                 | 7.50%                                                        |
| 2018                        | 152,007                                 | 152,007                                                                         | -                                      | 2,026,760                 | 7.50%                                                        |
| 2019                        | 167,582                                 | 167,582                                                                         | -                                      | 2,234,427                 | 7.50%                                                        |
| 2020                        | 197,726                                 | 197,726                                                                         | -                                      | 2,636,347                 | 7.50%                                                        |
| 2021                        | 198,935                                 | 198,935                                                                         | -                                      | 2,652,467                 | 7.50%                                                        |
| 2022                        | 207,314                                 | 207,314                                                                         | -                                      | 2,764,187                 | 7.50%                                                        |
| 2023                        | 229,980                                 | 229,980                                                                         | -                                      | 3,066,400                 | 7.50%                                                        |

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

**Schedule of City Contributions  
Public Employees Police and Fire Retirement Fund  
Last Ten Years**

| Year Ending<br>December 31, | Statutorily<br>Required<br>Contribution | Contributions<br>in Relation to<br>the Statutorily<br>Required<br>Contributions | Contribution<br>Deficiency<br>(Excess) | City's Covered<br>Payroll | Contributions<br>as a<br>Percentage of<br>Covered<br>Payroll |
|-----------------------------|-----------------------------------------|---------------------------------------------------------------------------------|----------------------------------------|---------------------------|--------------------------------------------------------------|
| 2015                        | \$ 380,747                              | \$ 380,747                                                                      | \$ -                                   | \$ 2,350,290              | 16.20%                                                       |
| 2016                        | 371,639                                 | 371,639                                                                         | -                                      | 2,294,068                 | 16.20%                                                       |
| 2017                        | 377,106                                 | 377,106                                                                         | -                                      | 2,327,815                 | 16.20%                                                       |
| 2018                        | 385,159                                 | 385,159                                                                         | -                                      | 2,377,525                 | 16.20%                                                       |
| 2019                        | 429,989                                 | 429,989                                                                         | -                                      | 2,536,808                 | 16.95%                                                       |
| 2020                        | 472,343                                 | 472,343                                                                         | -                                      | 2,668,605                 | 17.70%                                                       |
| 2021                        | 479,118                                 | 479,118                                                                         | -                                      | 2,706,881                 | 17.70%                                                       |
| 2022                        | 512,920                                 | 512,920                                                                         | -                                      | 2,897,853                 | 17.70%                                                       |
| 2023                        | 569,158                                 | 569,158                                                                         | -                                      | 3,215,582                 | 17.70%                                                       |

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

**City of Forest Lake**  
**Schedule of Changes in Net Pension Liability**  
**and Related Ratios - Forest Lake Fire Department Relief Association**

|                                                    | Measurement Date    |                     |                     |
|----------------------------------------------------|---------------------|---------------------|---------------------|
|                                                    | 12/31/2014          | 12/31/2015          | 12/31/2016          |
| <b>Total Pension Liability (TPL)</b>               |                     |                     |                     |
| Service cost                                       | \$ 58,473           | \$ 60,081           | \$ 72,882           |
| Interest costs                                     | 85,447              | 87,680              | 106,581             |
| Changes of assumptions                             | -                   | 138,729             | -                   |
| Changes of benefit terms                           | -                   | -                   | -                   |
| Differenced between expected and actual experience | -                   | -                   | (77,657)            |
| Benefit payments                                   | (142,192)           | (82,696)            | (68,652)            |
| Net change in total pension liability              | <u>1,728</u>        | <u>203,794</u>      | <u>33,154</u>       |
| Beginning of year                                  | <u>1,278,508</u>    | <u>1,280,236</u>    | <u>1,484,030</u>    |
| End of Year                                        | <u>\$ 1,280,236</u> | <u>\$ 1,484,030</u> | <u>\$ 1,517,184</u> |
| <b>Plan Fiduciary Net Pension (FNP)</b>            |                     |                     |                     |
| State and municipal contributions                  | \$ 145,743          | \$ 152,203          | \$ 154,922          |
| Donations and other income contributions           | -                   | -                   | -                   |
| Member contributions                               | -                   | 740                 | 1,300               |
| Net investment income                              | 127,032             | (30,658)            | 153,854             |
| Benefit payments                                   | (142,192)           | (82,696)            | (68,652)            |
| Administrative expense                             | (8,058)             | (9,162)             | (9,531)             |
| Net change in plan fiduciary net position          | <u>122,525</u>      | <u>30,427</u>       | <u>231,893</u>      |
| Beginning of year                                  | <u>2,086,142</u>    | <u>2,208,667</u>    | <u>2,239,094</u>    |
| End of year                                        | <u>\$ 2,208,667</u> | <u>\$ 2,239,094</u> | <u>\$ 2,470,987</u> |
| Net Pension Liability (NPL)                        | <u>\$ (928,431)</u> | <u>\$ (755,064)</u> | <u>\$ (953,803)</u> |
| FNP as a percentage of the TPL                     | 172.52%             | 150.88%             | 162.87%             |

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

| Measurement Date      |                       |                       |                       |                       |                       |
|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|
| 12/31/2017            | 12/31/2018            | 12/31/2019            | 12/31/2020            | 12/31/2021            | 12/31/2022            |
| \$ 58,606             | \$ 60,218             | \$ 52,577             | \$ 59,436             | \$ 74,161             | \$ 78,560             |
| 91,659                | 76,387                | 69,253                | 79,472                | 70,547                | 68,132                |
| -                     | 21,081                | -                     | 26,126                | -                     | (4,667)               |
| -                     | -                     | 98,861                | 40,684                | 45,956                | 33,218                |
| -                     | (52,520)              | -                     | (5,423)               | -                     | (75,364)              |
| (532,758)             | (207,320)             | (39,353)              | (101,320)             | (422,466)             | (48,158)              |
| (382,493)             | (102,154)             | 181,338               | 98,975                | (231,802)             | 51,721                |
| 1,517,184             | 1,134,691             | 1,032,537             | 1,213,875             | 1,312,850             | 1,081,048             |
| <u>\$ 1,134,691</u>   | <u>\$ 1,032,537</u>   | <u>\$ 1,213,875</u>   | <u>\$ 1,312,850</u>   | <u>\$ 1,081,048</u>   | <u>\$ 1,132,769</u>   |
| \$ 159,531            | \$ 162,745            | \$ 167,070            | \$ 175,885            | \$ 184,035            | \$ 198,492            |
| -                     | 289                   | -                     | -                     | -                     | -                     |
| 900                   | 680                   | 650                   | 900                   | 590                   | 640                   |
| 324,177               | (143,161)             | 524,069               | 319,263               | 491,526               | (475,835)             |
| (532,758)             | (207,320)             | (39,353)              | (101,320)             | (422,466)             | (48,158)              |
| (9,036)               | (8,764)               | (15,534)              | (8,697)               | (17,935)              | (14,567)              |
| (57,186)              | (195,531)             | 636,902               | 386,031               | 235,750               | (339,428)             |
| 2,470,987             | 2,413,801             | 2,218,270             | 2,855,172             | 3,241,203             | 3,476,953             |
| <u>\$ 2,413,801</u>   | <u>\$ 2,218,270</u>   | <u>\$ 2,855,172</u>   | <u>\$ 3,241,203</u>   | <u>\$ 3,476,953</u>   | <u>\$ 3,137,525</u>   |
| <u>\$ (1,279,110)</u> | <u>\$ (1,185,733)</u> | <u>\$ (1,641,297)</u> | <u>\$ (1,928,353)</u> | <u>\$ (2,395,905)</u> | <u>\$ (2,004,756)</u> |
| 212.73%               | 214.84%               | 235.21%               | 246.88%               | 321.63%               | 276.98%               |



**City of Forest Lake**  
**Schedule of City Contributions -**  
**Forest Lake Fire Department Relief Association**

|                                           | <u>12/31/2014</u> | <u>12/31/2015</u>  | <u>12/31/2016</u>  |
|-------------------------------------------|-------------------|--------------------|--------------------|
| City                                      |                   |                    |                    |
| Statutorily determined contribution (SDC) | \$ -              | \$ -               | \$ -               |
| Actual contribution                       | <u>1,060</u>      | <u>18,500</u>      | <u>18,500</u>      |
| Contribution deficiency (excess)          | <u>\$ (1,060)</u> | <u>\$ (18,500)</u> | <u>\$ (18,500)</u> |
| State Pass Through                        |                   |                    |                    |
| 2% Aid                                    | <u>\$ 144,683</u> | <u>\$ 134,703</u>  | <u>\$ 135,422</u>  |

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

| <u>12/31/2017</u>  | <u>12/31/2018</u>  | <u>12/31/2019</u>  | <u>12/31/2020</u>  | <u>12/31/2021</u>  | <u>12/31/2022</u>  | <u>12/31/2023</u>  |
|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|
| \$ -               | \$ -               | \$ -               | \$ -               | \$ -               | \$ -               | \$ -               |
| <u>18,500</u>      | <u>18,500</u>      | <u>18,500</u>      | <u>18,500</u>      | <u>18,500</u>      | <u>18,500</u>      | <u>18,500</u>      |
| <u>\$ (18,500)</u> | <u>\$ (18,500)</u> | <u>\$ (18,500)</u> | <u>\$ (18,500)</u> | <u>\$ (18,500)</u> | <u>\$ (18,500)</u> | <u>\$ (18,500)</u> |
| <u>\$ 138,031</u>  | <u>\$ 146,245</u>  | <u>\$ 149,570</u>  | <u>\$ 158,385</u>  | <u>\$ 162,535</u>  | <u>\$ 181,992</u>  | <u>\$ 206,188</u>  |



**Forest Lake**  
AS GOOD AS IT SOUNDS

**City of Forest Lake**  
**Notes to Required Supplementary Information**

**General Employees Fund**

**2023 Changes**

Changes in Actuarial Assumptions

- ◆ The investment return assumption and single discount rate were changed from 6.5% to 7.0%.

Changes in Plan Provisions

- ◆ An additional one-time direct state aid contribution of \$170.1 million was contributed to the Plan on October 1, 2023.
- ◆ The vesting period of those hired after June 30, 2010, was changed from five years of allowable service to three years of allowable service.
- ◆ The benefit increase delay for early retirements on or after January 1, 2024, was eliminated.
- ◆ A one-time, non-compounding benefit increase of 2.5% minus the actual 2024 adjustment will be payable in a lump sum for calendar year 2024 by March 31, 2024.

**2022 Changes**

Changes in Actuarial Assumptions

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

Changes in Plan Provisions

- ◆ There have been no changes since the prior valuation.

**2021 Changes**

Changes in Actuarial Assumptions

- ◆ The investment return and single discount rates were changed from 7.5% to 6.5% for financial reporting purposes.
- ◆ The mortality improvement scale was changed from scale MP-2019 to scale MP-2020.

Changes in Plan Provisions

- ◆ There have been no changes since the prior valuation.

**2020 Changes**

Changes in Actuarial Assumptions

- ◆ The price inflation assumption was decreased from 2.5% to 2.25%.
- ◆ The payroll growth assumption was decreased from 3.25% to 3.0%.
- ◆ 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.

**City of Forest Lake**  
**Notes to Required Supplementary Information**

**General Employees Fund (Continued)**

**2020 Changes (Continued)**

Changes in Actuarial Assumptions (Continued)

- ◆ The assumed number of married male new retirees electing the 100% Joint and Survivor option changed from 35% to 45%. The assumed number of married female new retirees electing the 100% Joint and Survivor option changed from 15% to 30%. The corresponding number of married new retirees electing the Life annuity option was adjusted accordingly.

Changes in Plan Provisions

- ◆ Augmentation for current privatized members was reduced to 2.0% for the period July 1, 2020, through December 31, 2023, and 0.0% thereafter. 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 1.0% per year through 2044 and 2.5% per year thereafter to 1.25% per year.

Changes in Plan Provisions

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

**2017 Changes**

Changes in Actuarial Assumptions

- ◆ The 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% for vested deferred member liability and 3% for non-vested deferred member liability.

**City of Forest Lake  
Notes to Required Supplementary Information**

**General Employees Fund (Continued)**

**2017 Changes (Continued)**

Changes in Actuarial Assumptions (Continued)

- ◆ The assumed annual 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, the inflation was 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 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.

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 Forest Lake**  
**Notes to Required Supplementary Information**

**Police and Fire Fund**

**2023 Changes**

Changes in Actuarial Assumptions

- ◆ The investment return assumption was changed from 6.5% to 7.0%.
- ◆ The single discount rate changed from 5.4% to 7.0%.

Changes in Plan Provisions

- ◆ Additional one-time direct state aid contribution of 19.4 million will be contributed to the Plan on October 1, 2023.
- ◆ Vesting requirement for new hires after June 30, 2014, was changed from a graded 20-year vesting schedule to a graded 10-year vesting schedule, with 50% vesting after five years, increasing incrementally to 100% after 10 years.
- ◆ A one-time, non-compounding benefit increase of 3.0% will be payable in a lump sum for calendar year 2024 by March 31, 2024.
- ◆ Psychological treatment is required effective July 1, 2023, prior to approval for a duty disability benefit for a psychological condition relating to the member's occupation.
- ◆ The total and permanent duty disability benefit was increased, effective July 1, 2023.

**2022 Changes**

Changes in Actuarial Assumptions

- ◆ The mortality improvement scale was changed from scale MP-2020 to scale MP-2021.
- ◆ The single discount rate was changed from 6.5% to 5.4%.

Changes in Plan Provisions

- ◆ There have been no changes since the prior valuation.

**2021 Changes**

Changes in Actuarial Assumptions

- ◆ The investment return and single discount rates were changed from 7.5% to 6.5% for financial reporting purposes.
- ◆ The inflation assumption was changed from 2.5% to 2.25%.
- ◆ The payroll growth assumption was changed from 3.25% to 3.0%.
- ◆ The base mortality table for healthy annuitants and employees was changed from the RP-2014 table to the Pub-2010 Public Safety mortality table. The mortality improvement scale was changed from MP-2019 to MP-2020.
- ◆ The base mortality table for disabled annuitants was changed from the RP-2014 healthy annuitant mortality table (with future mortality improvement according to scale MP-2019) to the Pub-2010 Public Safety disabled annuitant mortality table (with future mortality improvement according to scale MP-2020).
- ◆ Assumed rates of salary increase were modified as recommended in the July 14, 2020, experience study. The overall impact is a decrease in gross salary increase rates.
- ◆ Assumed rates of retirement were changed as recommended in the July 14, 2020, experience study. The changes resulted 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 resulted in more assumed terminations.
- ◆ Assumed rates of disability were increased for ages 25-44 and decreased for ages over 49. Overall, proposed rates resulted 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.

**City of Forest Lake  
Notes to Required Supplementary Information**

**Police and Fire Fund (Continued)**

◆ **2021 Changes (Continued)**

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.

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

- ◆ Annual increases were changed to 1.00% for all years, with no trigger.
- ◆ An end date of July 1, 2048, was added to the existing \$9.0 million state contribution.
- ◆ New annual state aid will equal \$4.5 million in fiscal years 2019 and 2020, and \$9.0 million thereafter until the plan reaches 100% funding, or July 1, 2048, if earlier.
- ◆ Member contributions were changed from 10.80% to 11.30% of pay, effective January 1, 2019, and 11.80% of pay, effective January 1, 2020.
- ◆ Employer contributions were changed from 16.20% to 16.95% of pay, effective January 1, 2019, and 17.70% of pay, effective January 1, 2020.
- ◆ Interest credited on member contributions decreased from 4.00% to 3.00%, beginning July 1, 2018.
- ◆ Deferred augmentation was changed to 0.00%, effective January 1, 2019. Augmentation that has already accrued for deferred members will still apply.
- ◆ Actuarial equivalent factors were updated to reflect revised mortality and interest assumptions.

**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 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 retiree



**City of Forest Lake  
Notes to Required Supplementary Information**

**Police and Fire Fund (Continued)**

**2017 Changes (Continued)**

Changes in Actuarial Assumptions (Continued)

- ◆ Assumed termination rates were decreased to 3% 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.

Changes in Actuarial Assumptions (Continued)

- ◆ The assumed percentage of female members electing Joint and Survivor annuities was increased.
- ◆ The assumed annual increase rate was changed from 1% for all years to 1% 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 single discount rate changed from 7.90% to 5.60%.
- ◆ The assumed future salary increases, payroll growth, and inflation was 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 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.

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%.

**City of Forest Lake  
Notes to Required Supplementary Information**

**Fire Department Relief Association**

**2023 Changes**

Changes in Actuarial Assumptions

- ◆ The disability, mortality and withdrawal assumptions were updated from the rates used in the July 1, 2020, Minnesota PERA Police and Fire Plan actuarial valuation to the rates used in the July 1, 2022, Minnesota PERA Police and Fire Plan actuarial valuation.
- ◆ The inflation assumption increased from 2.25% to 2.5%.

Changes in Plan Provisions

- ◆ The lump sum benefit amount increased from \$5,700 to \$5,900.

**2022 Changes**

Changes in Actuarial Assumptions

- ◆ None

Changes in Plan Provisions

- ◆ The lump sum multiplier was changed from \$5,500 to \$5,700 as approved by the City on November 30, 2021.

**2021 Changes**

Changes in Actuarial Assumptions

- ◆ The expected investment return and discount rate decreased from 6.50% to 6.00% to reflect updated capital market assumptions.
- ◆ The mortality assumptions were updated from the rates used in the July 8, 2019, Minnesota PERA Police and Fire Plan actuarial valuation to the rates used in the July 1, 2020, Minnesota PERA Police and Fire Plan actuarial valuation.
- ◆ The inflation assumption decreased from 2.50% to 2.25%.

**2020 Changes**

Changes in Actuarial Assumptions

- ◆ None

Changes in Plan Provisions

- ◆ The annual benefit rate increased from \$4,800 to \$5,300.

**2019 Changes**

Changes in Actuarial Assumptions

- ◆ The assumed investment return was changed from 7.0% to 6.5%. The discount rate was changed from 7.0% to 6.5%.
- ◆ The inflation assumption decreased from 2.75% to 2.5%.
- ◆ The mortality and withdrawal assumptions were updated from the rates used in the July 1, 2016, Minnesota PERA Police and Fire Plan actuarial valuation to the rates used in the July 1, 2018, Minnesota Police and Fire Plan actuarial valuation.

**2018 Changes**

None

**2017 Changes**

None

**2016 Changes**

Changes in Actuarial Assumptions

- ◆ The assumed investment return was changed from 6.75% to 7.0%. The discount rate was changed from 6.75% to 7.0%.

**City of Forest Lake**  
**Notes to Required Supplementary Information**

**Post Employment Health Care Plan**

No assets have been accumulated in a qualifying trust to pay related OPEB benefits.

**2023 Changes**

Changes in Actuarial Assumptions

- ◆ The discount rate was changed from 1.84% to 4.05% based on updated 20-year municipal bond rates.

**2022 Changes**

Changes in Actuarial Assumptions

- ◆ The discount rate was changed from 2.00% to 1.84% based on updated 20-year municipal bond rates.
- ◆ Healthcare trend rates were reset to reflect updated cost increase expectations.
- ◆ Medical per capital claims costs were updated to reflect recent experience and an adjustment to reflect age/gender-based risk scores published by the Society of Actuaries.
- ◆ Withdrawal, retirement, mortality, disability, and salary increases were updated from the rates used in the July 1, 2022, PERA General Employees Plan and PERA Police and Fire Plan valuations from the rates used in the July 1, 2019, valuations.
- ◆ The percentage of future non-Medicare eligible, non-Local No. 49 retirees electing each medical plan changed to reflect recent plan experience and new plan offerings.

**2021 Changes**

Changes in Actuarial Assumptions

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

**2020 Changes**

Changes in Actuarial 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, including the repeal of the Affordable Care Act's Excise Tax on high-cost health insurance plans.
- ◆ Medical per capita claims costs were updated to reflect recent experience and new plan offerings.
- ◆ Mortality and salary increase rates were updated.
- ◆ The percent of future non-Medicare eligible, non-Local No. 49 retirees electing each medical plan changed to reflect recent plan experience and new plan offerings.

**2019 Changes**

Changes in Actuarial Assumptions

- ◆ Changes of assumptions and other inputs reflect a change in the discount rate from 3.31% in 2017 to 3.71% in 2018.

**2018 Changes**

Changes in Actuarial Assumptions

- ◆ Changes of assumptions and other inputs reflect a change in the discount rate from 3.81% in 2016 to 3.31% in 2017.

**SUPPLEMENTARY INFORMATION**

**City of Forest Lake  
Combining Balance Sheet -  
Nonmajor Governmental Funds  
December 31, 2023**

|                                                                        | Special Revenue                    |                                          |                                                  |
|------------------------------------------------------------------------|------------------------------------|------------------------------------------|--------------------------------------------------|
|                                                                        | TIF No. 83<br>Teamvantage<br>(214) | TIF No. 84<br>Cherrywood<br>Pointe (215) | TIF No. 86<br>Centennial<br>Office Park<br>(216) |
| <b>Assets</b>                                                          |                                    |                                          |                                                  |
| Cash and investments                                                   | \$ 23,124                          | \$ 120,360                               | \$ 6,835                                         |
| Special assessments receivable                                         |                                    |                                          |                                                  |
| Deferred and delinquent                                                | -                                  | -                                        | -                                                |
| Accounts receivable                                                    | -                                  | -                                        | -                                                |
| Interest receivable                                                    | -                                  | -                                        | -                                                |
| Due from other governments                                             | -                                  | -                                        | -                                                |
| Leases receivable                                                      | -                                  | -                                        | -                                                |
| Inventory                                                              | -                                  | -                                        | -                                                |
| Prepaid items                                                          | -                                  | -                                        | -                                                |
|                                                                        | <u>          </u>                  | <u>          </u>                        | <u>          </u>                                |
| Total assets                                                           | <u>\$ 23,124</u>                   | <u>\$ 120,360</u>                        | <u>\$ 6,835</u>                                  |
| <b>Liabilities</b>                                                     |                                    |                                          |                                                  |
| Accounts payable                                                       | \$ -                               | \$ 72,142                                | \$ 3,723                                         |
| Interest payable                                                       | -                                  | -                                        | 9,605                                            |
| Advances from other funds                                              | -                                  | -                                        | 35,000                                           |
| Salaries and benefits payable                                          | -                                  | -                                        | -                                                |
| Total liabilities                                                      | <u>          </u>                  | <u>72,142</u>                            | <u>48,328</u>                                    |
| <b>Deferred Inflows of Resources</b>                                   |                                    |                                          |                                                  |
| Unavailable revenue - special assessments                              | -                                  | -                                        | -                                                |
| Deferred inflows of resources related to leases receivable             | -                                  | -                                        | -                                                |
| Total deferred inflows of resources                                    | <u>          </u>                  | <u>          </u>                        | <u>          </u>                                |
| <b>Fund Balances</b>                                                   |                                    |                                          |                                                  |
| Nonspendable                                                           | -                                  | -                                        | -                                                |
| Restricted                                                             | 23,124                             | 48,218                                   | -                                                |
| Committed                                                              | -                                  | -                                        | -                                                |
| Unassigned                                                             | -                                  | -                                        | (41,493)                                         |
| Total fund balances                                                    | <u>23,124</u>                      | <u>48,218</u>                            | <u>(41,493)</u>                                  |
|                                                                        | <u>          </u>                  | <u>          </u>                        | <u>          </u>                                |
| Total liabilities, deferred inflows of<br>resources, and fund balances | <u>\$ 23,124</u>                   | <u>\$ 120,360</u>                        | <u>\$ 6,835</u>                                  |

Special Revenue

| TIF Former City<br>Hall Site (217) | Park Dedication<br>(203) | Surface Water<br>Management<br>Fund (205) | Drug Forfeiture<br>(207) | Airport (250)     | Headwaters<br>Industrial Park<br>(251) | Public Safety<br>Aid (403) |
|------------------------------------|--------------------------|-------------------------------------------|--------------------------|-------------------|----------------------------------------|----------------------------|
| \$ 177,446                         | \$ 1,532,269             | \$ 1,088,848                              | \$ 50,959                | \$ 194,628        | \$ -                                   | \$ 918,572                 |
| -                                  | -                        | 49,817                                    | -                        | -                 | -                                      | -                          |
| -                                  | -                        | 120,912                                   | -                        | 6,907             | -                                      | -                          |
| -                                  | 3,891                    | 2,765                                     | 129                      | 494               | -                                      | -                          |
| -                                  | -                        | -                                         | -                        | -                 | -                                      | -                          |
| -                                  | 7,668                    | -                                         | -                        | 322,698           | -                                      | -                          |
| -                                  | -                        | -                                         | -                        | 26,462            | -                                      | -                          |
| -                                  | -                        | -                                         | -                        | 4,872             | -                                      | -                          |
| <u>\$ 177,446</u>                  | <u>\$ 1,543,828</u>      | <u>\$ 1,262,342</u>                       | <u>\$ 51,088</u>         | <u>\$ 556,061</u> | <u>\$ -</u>                            | <u>\$ 918,572</u>          |
| \$ 109,896                         | \$ -                     | \$ 1,965                                  | \$ -                     | \$ 795            | \$ -                                   | \$ -                       |
| 19,525                             | -                        | -                                         | -                        | -                 | 65,916                                 | -                          |
| 275,000                            | -                        | -                                         | -                        | -                 | 455,452                                | -                          |
| -                                  | -                        | 2,423                                     | -                        | 498               | -                                      | -                          |
| <u>404,421</u>                     | <u>-</u>                 | <u>4,388</u>                              | <u>-</u>                 | <u>1,293</u>      | <u>521,368</u>                         | <u>-</u>                   |
| -                                  | -                        | 49,369                                    | -                        | -                 | -                                      | -                          |
| -                                  | 6,291                    | -                                         | -                        | 309,001           | -                                      | -                          |
| -                                  | <u>6,291</u>             | <u>49,369</u>                             | <u>-</u>                 | <u>309,001</u>    | <u>-</u>                               | <u>-</u>                   |
| -                                  | -                        | -                                         | -                        | 31,334            | -                                      | -                          |
| -                                  | 1,413,308                | -                                         | 51,088                   | -                 | -                                      | 918,572                    |
| -                                  | 124,229                  | 1,208,585                                 | -                        | 214,433           | -                                      | -                          |
| (226,975)                          | -                        | -                                         | -                        | -                 | (521,368)                              | -                          |
| <u>(226,975)</u>                   | <u>1,537,537</u>         | <u>1,208,585</u>                          | <u>51,088</u>            | <u>245,767</u>    | <u>(521,368)</u>                       | <u>918,572</u>             |
| <u>\$ 177,446</u>                  | <u>\$ 1,543,828</u>      | <u>\$ 1,262,342</u>                       | <u>\$ 51,088</u>         | <u>\$ 556,061</u> | <u>\$ -</u>                            | <u>\$ 918,572</u>          |

City of Forest Lake  
Combining Balance Sheet -  
Nonmajor Governmental Funds  
December 31, 2023

|                                                                        | Debt Service                      |                            |                               |
|------------------------------------------------------------------------|-----------------------------------|----------------------------|-------------------------------|
|                                                                        | 2019A<br>Refunding<br>Bonds (323) | YMCA Debt<br>Service (325) | Street Projects<br>Bond (326) |
| <b>Assets</b>                                                          |                                   |                            |                               |
| Cash and investments                                                   | \$ 1,549,094                      | \$ 538,398                 | \$ 245,828                    |
| Special assessments receivable                                         |                                   |                            |                               |
| Deferred and delinquent                                                | -                                 | -                          | -                             |
| Accounts receivable                                                    | -                                 | -                          | -                             |
| Interest receivable                                                    | 3,934                             | 1,367                      | 624                           |
| Due from other governments                                             | -                                 | -                          | -                             |
| Leases receivable                                                      | -                                 | -                          | -                             |
| Inventory                                                              | -                                 | -                          | -                             |
| Prepaid items                                                          | -                                 | -                          | -                             |
|                                                                        | <u>          </u>                 | <u>          </u>          | <u>          </u>             |
| Total assets                                                           | <u>\$ 1,553,028</u>               | <u>\$ 539,765</u>          | <u>\$ 246,452</u>             |
| <b>Liabilities</b>                                                     |                                   |                            |                               |
| Accounts payable                                                       | \$ -                              | \$ -                       | \$ -                          |
| Interest payable                                                       | -                                 | -                          | -                             |
| Advances from other funds                                              | -                                 | -                          | -                             |
| Salaries and benefits payable                                          | -                                 | -                          | -                             |
| Total liabilities                                                      | <u>          </u>                 | <u>          </u>          | <u>          </u>             |
| <b>Deferred Inflows of Resources</b>                                   |                                   |                            |                               |
| Unavailable revenue - special assessments                              | -                                 | -                          | -                             |
| Deferred inflows of resources related to leases receivable             | -                                 | -                          | -                             |
| Total deferred inflows of resources                                    | <u>          </u>                 | <u>          </u>          | <u>          </u>             |
| <b>Fund Balances</b>                                                   |                                   |                            |                               |
| Nonspendable                                                           | -                                 | -                          | -                             |
| Restricted                                                             | 1,553,028                         | 539,765                    | 246,452                       |
| Committed                                                              | -                                 | -                          | -                             |
| Unassigned                                                             | -                                 | -                          | -                             |
| Total fund balances                                                    | <u>1,553,028</u>                  | <u>539,765</u>             | <u>246,452</u>                |
|                                                                        | <u>          </u>                 | <u>          </u>          | <u>          </u>             |
| Total liabilities, deferred inflows of<br>resources, and fund balances | <u>\$ 1,553,028</u>               | <u>\$ 539,765</u>          | <u>\$ 246,452</u>             |

Capital Projects

| <u>Capital<br/>Equipment<br/>Replacement<br/>(401)</u> | <u>Total Nonmajor<br/>Governmental<br/>Funds</u> |
|--------------------------------------------------------|--------------------------------------------------|
| \$ 312,845                                             | \$ 6,759,206                                     |
| -                                                      | 49,817                                           |
| 5,133                                                  | 132,952                                          |
| 2,867                                                  | 16,071                                           |
| 75,185                                                 | 75,185                                           |
| 205,652                                                | 536,018                                          |
| -                                                      | 26,462                                           |
| <u>358,849</u>                                         | <u>363,721</u>                                   |
| <u>\$ 960,531</u>                                      | <u>\$ 7,959,432</u>                              |
| <br>                                                   |                                                  |
| \$ 247,753                                             | \$ 436,274                                       |
| -                                                      | 95,046                                           |
| -                                                      | 765,452                                          |
| -                                                      | 2,921                                            |
| <u>247,753</u>                                         | <u>1,299,693</u>                                 |
| <br>                                                   |                                                  |
| -                                                      | 49,369                                           |
| <u>196,269</u>                                         | <u>511,561</u>                                   |
| <u>196,269</u>                                         | <u>560,930</u>                                   |
| <br>                                                   |                                                  |
| 358,849                                                | 390,183                                          |
| -                                                      | 4,793,555                                        |
| 157,660                                                | 1,704,907                                        |
| -                                                      | (789,836)                                        |
| <u>516,509</u>                                         | <u>6,098,809</u>                                 |
| <br>                                                   |                                                  |
| <u>\$ 764,262</u>                                      | <u>\$ 7,959,432</u>                              |



**City of Forest Lake**  
**Combining Statement of Revenues, Expenditures, and Changes**  
**in Fund Balances - Nonmajor Governmental Funds**  
**Year Ended December 31, 2023**

|                                                              | Special Revenue                    |                                          |                                                  |                                    |
|--------------------------------------------------------------|------------------------------------|------------------------------------------|--------------------------------------------------|------------------------------------|
|                                                              | TIF No. 83<br>Teamvantage<br>(214) | TIF No. 84<br>Cherrywood<br>Pointe (215) | TIF No. 86<br>Centennial<br>Office Park<br>(216) | TIF Former City<br>Hall Site (217) |
| <b>Revenues</b>                                              |                                    |                                          |                                                  |                                    |
| Taxes                                                        | \$ -                               | \$ -                                     | \$ -                                             | \$ -                               |
| Tax increments                                               | -                                  | 160,315                                  | 10,826                                           | 244,213                            |
| Intergovernmental                                            | -                                  | -                                        | -                                                | -                                  |
| Charges for services                                         | -                                  | -                                        | -                                                | -                                  |
| Fines and forfeitures                                        | -                                  | -                                        | -                                                | -                                  |
| Miscellaneous                                                |                                    |                                          |                                                  |                                    |
| Investment income                                            | -                                  | -                                        | -                                                | -                                  |
| Contributions and donations                                  | -                                  | -                                        | -                                                | -                                  |
| Other                                                        | -                                  | -                                        | -                                                | -                                  |
| Total revenues                                               | <u>-</u>                           | <u>160,315</u>                           | <u>10,826</u>                                    | <u>244,213</u>                     |
| <b>Expenditures</b>                                          |                                    |                                          |                                                  |                                    |
| <b>Current</b>                                               |                                    |                                          |                                                  |                                    |
| Public safety                                                | -                                  | -                                        | -                                                | -                                  |
| Public works                                                 | -                                  | -                                        | -                                                | -                                  |
| Culture and recreation                                       | -                                  | -                                        | -                                                | -                                  |
| Economic development                                         | 1,731                              | 147,555                                  | 9,854                                            | 220,216                            |
| Airport                                                      | -                                  | -                                        | -                                                | -                                  |
| <b>Debt service</b>                                          |                                    |                                          |                                                  |                                    |
| Principal                                                    | -                                  | -                                        | -                                                | -                                  |
| Interest and other charges                                   | -                                  | -                                        | 1,400                                            | 14,025                             |
| <b>Capital outlay</b>                                        |                                    |                                          |                                                  |                                    |
| Public safety                                                | -                                  | -                                        | -                                                | -                                  |
| Public works                                                 | -                                  | -                                        | -                                                | -                                  |
| Park and recreation                                          | -                                  | -                                        | -                                                | -                                  |
| Airport                                                      | -                                  | -                                        | -                                                | -                                  |
| Total expenditures                                           | <u>1,731</u>                       | <u>147,555</u>                           | <u>11,254</u>                                    | <u>234,241</u>                     |
| Excess (deficiency) of revenues<br>over (under) expenditures | <u>(1,731)</u>                     | <u>12,760</u>                            | <u>(428)</u>                                     | <u>9,972</u>                       |
| <b>Other Financing Sources</b>                               |                                    |                                          |                                                  |                                    |
| Proceeds from sale of capital asset                          | <u>-</u>                           | <u>-</u>                                 | <u>-</u>                                         | <u>-</u>                           |
| Net change in fund balances                                  | <u>(1,731)</u>                     | <u>12,760</u>                            | <u>(428)</u>                                     | <u>9,972</u>                       |
| <b>Fund Balances</b>                                         |                                    |                                          |                                                  |                                    |
| Beginning of year                                            | <u>24,855</u>                      | <u>35,458</u>                            | <u>(41,065)</u>                                  | <u>(236,947)</u>                   |
| End of year                                                  | <u>\$ 23,124</u>                   | <u>\$ 48,218</u>                         | <u>\$ (41,493)</u>                               | <u>\$ (226,975)</u>                |

Special Revenue

| Park Dedication<br>(203) | Surface Water<br>Management<br>Fund (205) | Drug Forfeiture<br>(207) | Airport (250)     | Headwaters<br>Industrial Park<br>(251) | Public Safety<br>Aid (403) |
|--------------------------|-------------------------------------------|--------------------------|-------------------|----------------------------------------|----------------------------|
| \$ 50,000                | \$ -                                      | \$ -                     | \$ -              | \$ -                                   | \$ -                       |
| -                        | -                                         | -                        | -                 | -                                      | -                          |
| -                        | -                                         | -                        | 271,482           | -                                      | 918,572                    |
| 30,720                   | 595,553                                   | -                        | 105,413           | -                                      | -                          |
| -                        | -                                         | 724                      | -                 | -                                      | -                          |
| 56,590                   | 40,958                                    | 1,847                    | 13,723            | -                                      | -                          |
| 8,920                    | -                                         | -                        | -                 | -                                      | -                          |
| -                        | 56,873                                    | -                        | 1,673             | -                                      | -                          |
| <u>146,230</u>           | <u>693,384</u>                            | <u>2,571</u>             | <u>392,291</u>    | <u>-</u>                               | <u>918,572</u>             |
| -                        | -                                         | 9,443                    | -                 | -                                      | -                          |
| -                        | 285,065                                   | -                        | -                 | -                                      | -                          |
| 125,004                  | -                                         | -                        | -                 | -                                      | -                          |
| -                        | -                                         | -                        | 90,579            | -                                      | -                          |
| -                        | -                                         | -                        | -                 | -                                      | -                          |
| -                        | -                                         | -                        | -                 | 1,139                                  | -                          |
| -                        | -                                         | -                        | -                 | -                                      | -                          |
| -                        | 53,448                                    | -                        | -                 | -                                      | -                          |
| -                        | -                                         | -                        | -                 | -                                      | -                          |
| -                        | -                                         | -                        | 257,772           | -                                      | -                          |
| <u>125,004</u>           | <u>338,513</u>                            | <u>9,443</u>             | <u>348,351</u>    | <u>1,139</u>                           | <u>-</u>                   |
| <u>21,226</u>            | <u>354,871</u>                            | <u>(6,872)</u>           | <u>43,940</u>     | <u>(1,139)</u>                         | <u>918,572</u>             |
| -                        | 17,833                                    | -                        | -                 | -                                      | -                          |
| 21,226                   | 372,704                                   | (6,872)                  | 43,940            | (1,139)                                | 918,572                    |
| 1,516,311                | 835,881                                   | 57,960                   | 201,827           | (520,229)                              | -                          |
| <u>\$ 1,537,537</u>      | <u>\$ 1,208,585</u>                       | <u>\$ 51,088</u>         | <u>\$ 245,767</u> | <u>\$ (521,368)</u>                    | <u>\$ 918,572</u>          |

**City of Forest Lake**  
**Combining Statement of Revenues, Expenditures, and Changes**  
**in Fund Balances - Nonmajor Governmental Funds**  
**Year Ended December 31, 2023**

|                                                              | Debt Service                      |                            |                               |
|--------------------------------------------------------------|-----------------------------------|----------------------------|-------------------------------|
|                                                              | 2019A<br>Refunding<br>Bonds (323) | YMCA Debt<br>Service (325) | Street Projects<br>Bond (326) |
| <b>Revenues</b>                                              |                                   |                            |                               |
| Taxes                                                        | \$ 1,419,100                      | \$ 602,630                 | \$ 315,750                    |
| Tax increments                                               | -                                 | -                          | -                             |
| Intergovernmental                                            | -                                 | -                          | -                             |
| Charges for services                                         | -                                 | -                          | -                             |
| Fines and forfeitures                                        | -                                 | -                          | -                             |
| Miscellaneous                                                |                                   |                            |                               |
| Investment income                                            | 56,949                            | 19,793                     | 9,041                         |
| Contributions and donations                                  | -                                 | -                          | -                             |
| Other                                                        | -                                 | -                          | -                             |
| Total revenues                                               | 1,476,049                         | 622,423                    | 324,791                       |
| <b>Expenditures</b>                                          |                                   |                            |                               |
| <b>Current</b>                                               |                                   |                            |                               |
| Public safety                                                | -                                 | -                          | -                             |
| Public works                                                 | -                                 | -                          | -                             |
| Culture and recreation                                       | -                                 | -                          | -                             |
| Economic development                                         | -                                 | -                          | -                             |
| Airport                                                      | -                                 | -                          | -                             |
| <b>Debt service</b>                                          |                                   |                            |                               |
| Principal                                                    | 835,000                           | 415,000                    | 180,000                       |
| Interest and other charges                                   | 560,132                           | 179,330                    | 130,408                       |
| <b>Capital outlay</b>                                        |                                   |                            |                               |
| Public safety                                                | -                                 | -                          | -                             |
| Public works                                                 | -                                 | -                          | -                             |
| Park and recreation                                          | -                                 | -                          | -                             |
| Airport                                                      | -                                 | -                          | -                             |
| Total expenditures                                           | 1,395,132                         | 594,330                    | 310,408                       |
| Excess (deficiency) of revenues<br>over (under) expenditures | 80,917                            | 28,093                     | 14,383                        |
| <b>Other Financing Sources (Uses)</b>                        |                                   |                            |                               |
| Proceeds from sale of capital asset                          | -                                 | -                          | -                             |
| Net change in fund balances                                  | 80,917                            | 28,093                     | 14,383                        |
| <b>Fund Balances</b>                                         |                                   |                            |                               |
| Beginning of year                                            | 1,472,111                         | 511,672                    | 232,069                       |
| End of year                                                  | \$ 1,553,028                      | \$ 539,765                 | \$ 246,452                    |

Capital Projects

| <u>Capital<br/>Equipment<br/>Replacement<br/>(401)</u> | <u>Total Nonmajor<br/>Governmental<br/>Funds</u> |
|--------------------------------------------------------|--------------------------------------------------|
| \$ 1,005,000                                           | \$ 3,392,480                                     |
| -                                                      | 415,354                                          |
| -                                                      | 1,190,054                                        |
| 130,919                                                | 862,605                                          |
| 8,484                                                  | 9,208                                            |
| 52,913                                                 | 251,814                                          |
| -                                                      | 8,920                                            |
| 39,376                                                 | 97,922                                           |
| <u>1,236,692</u>                                       | <u>6,228,357</u>                                 |
| -                                                      | 9,443                                            |
| -                                                      | 285,065                                          |
| -                                                      | 125,004                                          |
| -                                                      | 379,356                                          |
| -                                                      | 90,579                                           |
| -                                                      | 1,430,000                                        |
| -                                                      | 886,434                                          |
| 427,210                                                | 427,210                                          |
| 759,257                                                | 812,705                                          |
| 158,827                                                | 158,827                                          |
| -                                                      | 257,772                                          |
| <u>1,345,294</u>                                       | <u>4,862,395</u>                                 |
| <u>(108,602)</u>                                       | <u>1,365,962</u>                                 |
| <u>284,860</u>                                         | <u>302,693</u>                                   |
| 176,258                                                | 1,668,655                                        |
| <u>340,251</u>                                         | <u>4,430,154</u>                                 |
| <u>\$ 516,509</u>                                      | <u>\$ 6,098,809</u>                              |

**City of Forest Lake**  
**Detailed Schedule of Revenues, Expenditures, and**  
**Changes in Fund Balance -**  
**Budget and Actual - General Fund**  
**Year Ended December 31, 2023**

|                                 | Budgeted<br>Amounts<br><u>Original and</u><br>Final | Actual Amounts    | Variance with<br>Final Budget -<br>Over (Under) |
|---------------------------------|-----------------------------------------------------|-------------------|-------------------------------------------------|
| <b>Revenues</b>                 |                                                     |                   |                                                 |
| Taxes                           | \$ 9,383,874                                        | \$ 9,316,102      | \$ (67,772)                                     |
| Licenses and permits            | 542,000                                             | 609,080           | 67,080                                          |
| Intergovernmental revenue       |                                                     |                   |                                                 |
| Market value credit             | 8,000                                               | 8,592             | 592                                             |
| Fire aid                        | 180,000                                             | 236,295           | 56,295                                          |
| Police aid                      | 255,000                                             | 263,093           | 8,093                                           |
| Federal grants                  | 10,000                                              | 16,254            | 6,254                                           |
| Other grants and aids           | -                                                   | 3,872             | 3,872                                           |
| Total intergovernmental revenue | <u>453,000</u>                                      | <u>528,106</u>    | <u>75,106</u>                                   |
| Charges for services            |                                                     |                   |                                                 |
| General government              | 10,000                                              | 10,221            | 221                                             |
| Public safety                   | 610,390                                             | 680,388           | 69,998                                          |
| Public works                    | 71,400                                              | 72,387            | 987                                             |
| Culture and recreation          | 35,800                                              | 56,289            | 20,489                                          |
| Economic development            | 20,300                                              | 31,657            | 11,357                                          |
| Total charges for services      | <u>747,890</u>                                      | <u>850,942</u>    | <u>103,052</u>                                  |
| Fines and forfeitures           | 76,500                                              | 89,559            | 13,059                                          |
| Miscellaneous                   |                                                     |                   |                                                 |
| Investment income               | 95,000                                              | 275,384           | 180,384                                         |
| Contributions and donations     | 11,300                                              | 63,765            | 52,465                                          |
| Other                           | 59,400                                              | 96,026            | 36,626                                          |
| Total miscellaneous             | <u>165,700</u>                                      | <u>435,175</u>    | <u>269,475</u>                                  |
| Total revenues                  | <u>11,368,964</u>                                   | <u>11,828,964</u> | <u>460,000</u>                                  |
| <b>Expenditures</b>             |                                                     |                   |                                                 |
| General government              |                                                     |                   |                                                 |
| Mayor and council               | 61,579                                              | 58,247            | (3,332)                                         |
| Administrative and finance      | 1,239,668                                           | 1,210,948         | (28,720)                                        |
| Other general government        | 837,591                                             | 919,319           | 81,728                                          |
| Total general government        | <u>2,138,838</u>                                    | <u>2,188,514</u>  | <u>49,676</u>                                   |

City of Forest Lake  
Detailed Schedule of Revenues, Expenditures, and  
Changes in Fund Balance -  
Budget and Actual - General Fund  
Year Ended December 31, 2023  
(Continued)

|                                             | Budgeted<br>Amounts<br><u>Original and</u><br>Final | <u>Actual Amounts</u> | Variance with<br>Final Budget -<br>Over (Under) |
|---------------------------------------------|-----------------------------------------------------|-----------------------|-------------------------------------------------|
| <b>Expenditures</b>                         |                                                     |                       |                                                 |
| Public safety                               |                                                     |                       |                                                 |
| Police                                      | \$ 4,943,381                                        | \$ 4,999,451          | \$ 56,070                                       |
| Fire                                        | 989,158                                             | 1,049,922             | 60,764                                          |
| Other                                       | 526,902                                             | 565,284               | 38,382                                          |
| Total public safety                         | <u>6,459,441</u>                                    | <u>6,614,657</u>      | <u>155,216</u>                                  |
| Public works                                |                                                     |                       |                                                 |
| Streets and highways                        |                                                     |                       |                                                 |
| Street maintenance                          | 1,115,527                                           | 1,025,158             | (90,369)                                        |
| Street engineering                          | 42,000                                              | 30,000                | (12,000)                                        |
| Street lighting                             | 115,000                                             | 138,193               | 23,193                                          |
| Sanitation                                  |                                                     |                       |                                                 |
| Garbage and other refuse                    |                                                     |                       |                                                 |
| Collection and disposal                     | 15,420                                              | 16,022                | 602                                             |
| Other sanitation                            | -                                                   | 492                   | 492                                             |
| Total public works                          | <u>1,287,947</u>                                    | <u>1,209,865</u>      | <u>(78,082)</u>                                 |
| Culture and recreation                      |                                                     |                       |                                                 |
| Parks and recreation                        | 993,949                                             | 1,045,924             | 51,975                                          |
| Capital outlay                              | 50,000                                              | 142,351               | 92,351                                          |
| Total culture and recreation                | <u>1,043,949</u>                                    | <u>1,188,275</u>      | <u>144,326</u>                                  |
| Economic development                        | 438,789                                             | 338,763               | (100,026)                                       |
| Total expenditures                          | <u>11,368,964</u>                                   | <u>11,540,074</u>     | <u>171,110</u>                                  |
| Excess of revenues over under) expenditures | <u>-</u>                                            | <u>288,890</u>        | <u>288,890</u>                                  |
| <b>Other Financing Sources</b>              |                                                     |                       |                                                 |
| Insurance recoveries                        | -                                                   | 29,301                | 29,301                                          |
| Net change in fund balance                  | <u>\$ -</u>                                         | <u>318,191</u>        | <u>\$ 318,191</u>                               |
| <b>Fund Balance</b>                         |                                                     |                       |                                                 |
| Beginning of year                           |                                                     | <u>6,321,231</u>      |                                                 |
| End of year                                 |                                                     | <u>\$ 6,639,422</u>   |                                                 |

**City of Forest Lake**  
**Schedule of Revenues, Expenditures, and**  
**Changes in Fund Balance -**  
**Budget and Actual - Capital Improvements Capital Projects Fund**  
**Year Ended December 31, 2023**

|                            | Budgeted<br>Amounts   |                     | Variance with<br>Final Budget -<br>Over (Under) |
|----------------------------|-----------------------|---------------------|-------------------------------------------------|
|                            | Original and<br>Final | Actual Amounts      |                                                 |
| <b>Revenues</b>            |                       |                     |                                                 |
| Taxes                      | \$ 200,000            | \$ 200,000          | \$ -                                            |
| Franchise fees             | 770,000               | 808,835             | 38,835                                          |
| Special assessments        | 18,518                | 20,505              | 1,987                                           |
| Intergovernmental          | 1,235,000             | 658,149             | (576,851)                                       |
| Charges for services       | -                     | 21,961              | 21,961                                          |
| Miscellaneous              |                       |                     |                                                 |
| Investment income          | 23,971                | 42,277              | 18,306                                          |
| Other                      | 20,000                | 226,910             | 206,910                                         |
| Total revenues             | <u>2,267,489</u>      | <u>1,978,637</u>    | <u>(288,852)</u>                                |
| <b>Expenditures</b>        |                       |                     |                                                 |
| Current                    |                       |                     |                                                 |
| Public works               | 255,000               | 224,164             | (30,836)                                        |
| Capital outlay             |                       |                     |                                                 |
| Public works               | 2,700,000             | 2,178,936           | (521,064)                                       |
| Total expenditures         | <u>2,955,000</u>      | <u>2,403,100</u>    | <u>(551,900)</u>                                |
| Net change in fund balance | <u>\$ (687,511)</u>   | <u>(424,463)</u>    | <u>\$ 263,048</u>                               |
| <b>Fund Balance</b>        |                       |                     |                                                 |
| Beginning of year          |                       | <u>1,454,587</u>    |                                                 |
| End of year                |                       | <u>\$ 1,030,124</u> |                                                 |

**City of Forest Lake**  
**Schedule of Revenues, Expenditures, and**  
**Changes in Fund Balances -**  
**Budget and Actual - TIF No. 84 Cherrywood Pointe Special Revenue Fund**  
**Year Ended December 31, 2023**

|                            | Budgeted<br>Amounts<br>Original and<br>Final | Actual Amounts   | Variance with<br>Final Budget -<br>Over (Under) |
|----------------------------|----------------------------------------------|------------------|-------------------------------------------------|
| <b>Revenues</b>            |                                              |                  |                                                 |
| Tax increments             | \$ 149,522                                   | \$ 160,315       | \$ 10,793                                       |
| Total revenues             | <u>149,522</u>                               | <u>160,315</u>   | <u>10,793</u>                                   |
| <b>Expenditures</b>        |                                              |                  |                                                 |
| Current                    |                                              |                  |                                                 |
| Economic development       | 137,570                                      | 147,555          | 9,985                                           |
| Total expenditures         | <u>137,570</u>                               | <u>147,555</u>   | <u>9,985</u>                                    |
| Net change in fund balance | <u>\$ 11,952</u>                             | 12,760           | <u>\$ 808</u>                                   |
| <b>Fund Balance</b>        |                                              |                  |                                                 |
| Beginning of year          |                                              | <u>35,458</u>    |                                                 |
| End of year                |                                              | <u>\$ 48,218</u> |                                                 |



**City of Forest Lake**  
**Schedule of Revenues, Expenditures, and**  
**Changes in Fund Balances -**  
**Budget and Actual - TIF No. 86 Centennial Office Park Special Revenue Fund**  
**Year Ended December 31, 2023**

|                            | Budgeted<br>Amounts   |                    | Variance with<br>Final Budget -<br>Over (Under) |
|----------------------------|-----------------------|--------------------|-------------------------------------------------|
|                            | Original and<br>Final | Actual Amounts     |                                                 |
| <b>Revenues</b>            |                       |                    |                                                 |
| Tax increments             | \$ 12,736             | \$ 10,826          | \$ (1,910)                                      |
| Total revenues             | <u>12,736</u>         | <u>10,826</u>      | <u>(1,910)</u>                                  |
| <b>Expenditures</b>        |                       |                    |                                                 |
| Current                    |                       |                    |                                                 |
| Economic development       | 11,462                | 9,854              | (1,608)                                         |
| Debt service               |                       |                    |                                                 |
| Interest and other charges | -                     | 1,400              | 1,400                                           |
| Total expenditures         | <u>11,462</u>         | <u>11,254</u>      | <u>(208)</u>                                    |
| Net change in fund balance | <u>\$ 1,274</u>       | (428)              | <u>\$ (1,702)</u>                               |
| <b>Fund Balance</b>        |                       |                    |                                                 |
| Beginning of year          |                       | <u>(41,065)</u>    |                                                 |
| End of year                |                       | <u>\$ (41,493)</u> |                                                 |

**City of Forest Lake**  
**Schedule of Revenues, Expenditures, and**  
**Changes in Fund Balance - Budget and Actual -**  
**TIF Former City Hall Site Special Revenue Fund**  
**Year Ended December 31, 2023**

|                            | Budgeted<br>Amounts   |                     | Variance with<br>Final Budget -<br>Over |
|----------------------------|-----------------------|---------------------|-----------------------------------------|
|                            | Original and<br>Final | Actual Amounts      |                                         |
| <b>Revenues</b>            |                       |                     |                                         |
| Tax increments             | \$ 256,979            | \$ 244,213          | \$ (12,766)                             |
| Total revenues             | <u>256,979</u>        | <u>244,213</u>      | <u>(12,766)</u>                         |
| <b>Expenditures</b>        |                       |                     |                                         |
| Current                    |                       |                     |                                         |
| Economic development       | 234,281               | 220,216             | (14,065)                                |
| Debt service               |                       |                     |                                         |
| Interest and other charges | -                     | 14,025              | 14,025                                  |
| Total expenditures         | <u>234,281</u>        | <u>234,241</u>      | <u>(40)</u>                             |
| Net change in fund balance | <u>\$ 22,698</u>      | 9,972               | <u>\$ (12,726)</u>                      |
| <b>Fund Balance</b>        |                       |                     |                                         |
| Beginning of year          |                       | <u>(236,947)</u>    |                                         |
| End of year                |                       | <u>\$ (226,975)</u> |                                         |

**City of Forest Lake**  
**Schedule of Revenues, Expenditures, and**  
**Changes in Fund Balance -**  
**Budget and Actual - Park Dedication Special Revenue Fund**  
**Year Ended December 31, 2023**

|                             | Budgeted<br>Amounts   |                     | Variance with<br>Final Budget -<br>Over (Under) |
|-----------------------------|-----------------------|---------------------|-------------------------------------------------|
|                             | Original and<br>Final | Actual Amounts      |                                                 |
| <b>Revenues</b>             |                       |                     |                                                 |
| Taxes                       | \$ 50,000             | \$ 50,000           | \$ -                                            |
| Intergovernmental           | 300,000               | -                   | (300,000)                                       |
| Charges for services        | 75,000                | 30,720              | (44,280)                                        |
| Miscellaneous revenues      |                       |                     |                                                 |
| Investment income           | 16,299                | 56,590              | 40,291                                          |
| Contributions and donations | -                     | 8,920               | 8,920                                           |
| Total revenues              | <u>441,299</u>        | <u>146,230</u>      | <u>(295,069)</u>                                |
| <b>Expenditures</b>         |                       |                     |                                                 |
| <b>Current</b>              |                       |                     |                                                 |
| Culture and recreation      | 5,000                 | 125,004             | 120,004                                         |
| <b>Capital outlay</b>       |                       |                     |                                                 |
| Culture and recreation      | 800,000               | -                   | (800,000)                                       |
| Total expenditures          | <u>805,000</u>        | <u>125,004</u>      | <u>(679,996)</u>                                |
| Net change in fund balance  | <u>\$ (363,701)</u>   | 21,226              | <u>\$ 384,927</u>                               |
| <b>Fund Balance</b>         |                       |                     |                                                 |
| Beginning of year           |                       | <u>1,516,311</u>    |                                                 |
| End of year                 |                       | <u>\$ 1,537,537</u> |                                                 |

City of Forest Lake  
Schedule of Revenues, Expenditures, and  
Changes in Fund Balance -  
Budget and Actual - Surface Water Management Special Revenue Fund  
Year Ended December 31, 2023

|                                              | Budgeted<br>Amounts   |    | Actual Amounts | Variance with<br>Final Budget -<br>Over (Under) |
|----------------------------------------------|-----------------------|----|----------------|-------------------------------------------------|
|                                              | Original and<br>Final |    |                |                                                 |
| <b>Revenues</b>                              |                       |    |                |                                                 |
| Charges for services                         | \$ 551,052            | \$ | 595,553        | \$ 44,501                                       |
| Miscellaneous                                |                       |    |                |                                                 |
| Investment income                            | 4,696                 |    | 40,958         | 36,262                                          |
| Other                                        | 2,500                 |    | 56,873         | 54,373                                          |
| Total revenues                               | 558,248               |    | 693,384        | 135,136                                         |
| <b>Expenditures</b>                          |                       |    |                |                                                 |
| Current                                      |                       |    |                |                                                 |
| Public works                                 | 527,380               |    | 285,065        | (242,315)                                       |
| Capital outlay                               |                       |    |                |                                                 |
| Public works                                 | 61,250                |    | 53,448         | (7,802)                                         |
| Total expenditures                           | 588,630               |    | 338,513        | (250,117)                                       |
| Excess of revenues over (under) expenditures | (30,382)              |    | 354,871        | 385,253                                         |
| <b>Other Financing Sources</b>               |                       |    |                |                                                 |
| Proceeds from sale of capital asset          | -                     |    | 17,833         | 17,833                                          |
| Net change in fund balance                   | \$ (30,382)           |    | 372,704        | \$ 403,086                                      |
| <b>Fund Balance</b>                          |                       |    |                |                                                 |
| Beginning of year                            |                       |    | 835,881        |                                                 |
| End of year                                  |                       |    | \$ 1,208,585   |                                                 |

**City of Forest Lake**  
**Schedule of Revenues, Expenditures, and**  
**Changes in Fund Balance -**  
**Budget and Actual - Drug Forfeiture Special Revenue Fund**  
**Year Ended December 31, 2023**

|                            | Budgeted<br>Amounts   |  | Actual Amounts | Variance with<br>Final Budget -<br>Over (Under) |
|----------------------------|-----------------------|--|----------------|-------------------------------------------------|
|                            | Original and<br>Final |  |                |                                                 |
| <b>Revenues</b>            |                       |  |                |                                                 |
| Fines and forfeitures      | \$ 20,000             |  | \$ 724         | \$ (19,276)                                     |
| Miscellaneous              |                       |  |                |                                                 |
| Investment income          | -                     |  | 1,847          | 1,847                                           |
| Total revenues             | 20,000                |  | 2,571          | (17,429)                                        |
| <b>Expenditures</b>        |                       |  |                |                                                 |
| <b>Current</b>             |                       |  |                |                                                 |
| Public safety              | 20,000                |  | 9,443          | (10,557)                                        |
| Total expenditures         | 20,000                |  | 9,443          | (10,557)                                        |
| Net change in fund balance | \$ -                  |  | (6,872)        | \$ (6,872)                                      |
| <b>Fund Balance</b>        |                       |  |                |                                                 |
| Beginning of year          |                       |  | 57,960         |                                                 |
| End of year                |                       |  | \$ 51,088      |                                                 |

City of Forest Lake  
Schedule of Revenues, Expenditures, and  
Changes in Fund Balance -  
Budget and Actual - Airport Special Revenue Fund  
Year Ended December 31, 2023

|                            | Budgeted<br>Amounts   |                   | Variance with<br>Final Budget -<br>Over (Under) |
|----------------------------|-----------------------|-------------------|-------------------------------------------------|
|                            | Original and<br>Final | Actual Amounts    |                                                 |
| <b>Revenues</b>            |                       |                   |                                                 |
| Intergovernmental          | \$ 256,964            | \$ 271,482        | \$ 14,518                                       |
| Charges for services       | 126,646               | 105,413           | (21,233)                                        |
| Miscellaneous              |                       |                   |                                                 |
| Investment income          | -                     | 13,723            | 13,723                                          |
| Other                      | -                     | 1,673             | 1,673                                           |
| Total revenues             | <u>383,610</u>        | <u>392,291</u>    | <u>8,681</u>                                    |
| <b>Expenditures</b>        |                       |                   |                                                 |
| Current                    |                       |                   |                                                 |
| Airport                    | 126,236               | 90,579            | (35,657)                                        |
| Capital outlay             |                       |                   |                                                 |
| Airport                    | 250,988               | 257,772           | 6,784                                           |
| Total expenditures         | <u>377,224</u>        | <u>348,351</u>    | <u>(28,873)</u>                                 |
| Net change in fund balance | <u>\$ 6,386</u>       | 43,940            | <u>\$ 37,554</u>                                |
| <b>Fund Balance</b>        |                       |                   |                                                 |
| Beginning of year          |                       | <u>201,827</u>    |                                                 |
| End of year                |                       | <u>\$ 245,767</u> |                                                 |

**City of Forest Lake**  
**Schedule of Revenues, Expenditures, and**  
**Changes in Fund Balance -**  
**Budget and Actual - 2019A Refunding Bonds Debt Service Fund**  
**Year Ended December 31, 2023**

|                            | Budgeted<br>Amounts   |                     | Variance with<br>Final Budget -<br>Over (Under) |
|----------------------------|-----------------------|---------------------|-------------------------------------------------|
|                            | Original and<br>Final | Actual Amounts      |                                                 |
| <b>Revenues</b>            |                       |                     |                                                 |
| Taxes                      | \$ 1,419,100          | \$ 1,419,100        | \$ -                                            |
| Miscellaneous              |                       |                     |                                                 |
| Investment income          | -                     | 56,949              | 56,949                                          |
| Total revenues             | <u>1,419,100</u>      | <u>1,476,049</u>    | <u>56,949</u>                                   |
| <b>Expenditures</b>        |                       |                     |                                                 |
| Debt service               |                       |                     |                                                 |
| Principal                  | 835,000               | 835,000             | -                                               |
| Interest and other charges | 559,975               | 560,132             | 157                                             |
| Total expenditures         | <u>1,394,975</u>      | <u>1,395,132</u>    | <u>157</u>                                      |
| Net change in fund balance | <u>\$ 24,125</u>      | 80,917              | <u>\$ 56,792</u>                                |
| <b>Fund Balance</b>        |                       |                     |                                                 |
| Beginning of year          |                       | <u>1,472,111</u>    |                                                 |
| End of year                |                       | <u>\$ 1,553,028</u> |                                                 |

**City of Forest Lake**  
**Schedule of Revenues, Expenditures, and**  
**Changes in Fund Balance -**  
**Budget and Actual - YMCA Debt Service Fund**  
**Year Ended December 31, 2023**

|                            | Budgeted<br>Amounts   |                   | Variance with<br>Final Budget -<br>Over |
|----------------------------|-----------------------|-------------------|-----------------------------------------|
|                            | Original and<br>Final | Actual Amounts    |                                         |
| <b>Revenues</b>            |                       |                   |                                         |
| Taxes                      | \$ 602,630            | \$ 602,630        | \$ -                                    |
| Miscellaneous              |                       |                   |                                         |
| Investment income          | -                     | 19,793            | 19,793                                  |
| Total revenues             | <u>602,630</u>        | <u>622,423</u>    | <u>19,793</u>                           |
| <b>Expenditures</b>        |                       |                   |                                         |
| Debt service               |                       |                   |                                         |
| Principal                  | 415,000               | 415,000           | -                                       |
| Interest and other charges | 178,855               | 179,330           | 475                                     |
| Total expenditures         | <u>593,855</u>        | <u>594,330</u>    | <u>475</u>                              |
| Net change in fund balance | <u>\$ 8,775</u>       | 28,093            | <u>\$ 19,318</u>                        |
| <b>Fund Balance</b>        |                       |                   |                                         |
| Beginning of year          |                       | <u>511,672</u>    |                                         |
| End of year                |                       | <u>\$ 539,765</u> |                                         |



**City of Forest Lake**  
**Schedule of Revenues, Expenditures, and**  
**Changes in Fund Balance -**  
**Budget and Actual - Street Projects Bond Debt Service Fund**  
**Year Ended December 31, 2023**

|                            | Budgeted<br>Amounts   |                   | Variance with<br>Final Budget -<br>Over (Under) |
|----------------------------|-----------------------|-------------------|-------------------------------------------------|
|                            | Original and<br>Final | Actual Amounts    |                                                 |
| <b>Revenues</b>            |                       |                   |                                                 |
| Taxes                      | \$ 315,750            | \$ 315,750        | \$ -                                            |
| Miscellaneous              |                       |                   |                                                 |
| Investment income          | -                     | 9,041             | 9,041                                           |
| Total revenues             | <u>315,750</u>        | <u>324,791</u>    | <u>9,041</u>                                    |
| <b>Expenditures</b>        |                       |                   |                                                 |
| Debt service               |                       |                   |                                                 |
| Principal                  | 180,000               | 180,000           | -                                               |
| Interest and other charges | 129,750               | 130,408           | 658                                             |
| Total expenditures         | <u>309,750</u>        | <u>310,408</u>    | <u>658</u>                                      |
| Net change in fund balance | <u>\$ 6,000</u>       | 14,383            | <u>\$ 8,383</u>                                 |
| <b>Fund Balance</b>        |                       |                   |                                                 |
| Beginning of year          |                       | <u>232,069</u>    |                                                 |
| End of year                |                       | <u>\$ 246,452</u> |                                                 |

**City of Forest Lake**  
**Schedule of Revenues, Expenditures, and Changes in**  
**Fund Balance - Budget and Actual**  
**Capital Equipment Replacement Capital Project Fund**  
**Year Ended December 31, 2023**

|                                              | Budgeted<br>Amounts   |  | Actual Amounts | Variance with<br>Final Budget -<br>Over (Under) |
|----------------------------------------------|-----------------------|--|----------------|-------------------------------------------------|
|                                              | Original and<br>Final |  |                |                                                 |
| <b>Revenues</b>                              |                       |  |                |                                                 |
| Taxes                                        | \$ 1,005,000          |  | \$ 1,005,000   | \$ -                                            |
| Charges for services                         | 25,200                |  | 130,919        | 105,719                                         |
| Fines and Forfeitures                        | -                     |  | 8,484          | 8,484                                           |
| Miscellaneous                                |                       |  |                |                                                 |
| Investment income                            | 910                   |  | 52,913         | 52,003                                          |
| Other                                        | 157,163               |  | 39,376         | (117,787)                                       |
| Total revenues                               | 1,188,273             |  | 1,236,692      | 48,419                                          |
| <b>Expenditures</b>                          |                       |  |                |                                                 |
| Capital outlay                               |                       |  |                |                                                 |
| Public safety                                | 1,056,939             |  | 427,210        | (629,729)                                       |
| Public works                                 | 1,019,500             |  | 759,257        | (260,243)                                       |
| Park and recreation                          | 203,500               |  | 158,827        | (44,673)                                        |
| Total expenditures                           | 2,279,939             |  | 1,345,294      | (934,645)                                       |
| Excess of revenues over (under) expenditures | (1,091,666)           |  | (108,602)      | 983,064                                         |
| <b>Other Financing Sources (Uses)</b>        |                       |  |                |                                                 |
| Proceeds from sale of capital asset          | 10,000                |  | 284,860        | 274,860                                         |
| Bond proceeds                                | 2,281,916             |  | -              | (2,281,916)                                     |
| Total other financing sources (uses)         | 2,291,916             |  | 284,860        | (2,007,056)                                     |
| Net change in fund balance                   | \$ 1,200,250          |  | 176,258        | \$ (1,023,992)                                  |
| <b>Fund Balance</b>                          |                       |  |                |                                                 |
| Beginning of year                            |                       |  | 340,251        |                                                 |
| End of year                                  |                       |  | \$ 516,509     |                                                 |

**City of Forest Lake**  
**Schedule of Revenues, Expenditures, and Changes in**  
**Fund Balance - Budget and Actual - Forest Lake**  
**Economic Development Authority Component Unit General Fund**  
**Year Ended December 31, 2023**

|                             | Budgeted<br>Amounts   |                          | Variance with<br>Final Budget -<br>Over (Under) |
|-----------------------------|-----------------------|--------------------------|-------------------------------------------------|
|                             | Original and<br>Final | Actual<br>Actual Amounts |                                                 |
| <b>Revenues</b>             |                       |                          |                                                 |
| Taxes                       | \$ 150,000            | \$ 150,000               | \$ -                                            |
| Intergovernmental           | -                     | 6,068                    | 6,068                                           |
| Miscellaneous               |                       |                          |                                                 |
| Investment income           | -                     | 9,672                    | 9,672                                           |
| Contributions and donations | -                     | 8,000                    | 8,000                                           |
| Total revenues              | <u>150,000</u>        | <u>173,740</u>           | <u>23,740</u>                                   |
| <b>Expenditures</b>         |                       |                          |                                                 |
| Current                     |                       |                          |                                                 |
| Economic development        | 158,647               | 137,784                  | (20,863)                                        |
| Total expenditures          | <u>158,647</u>        | <u>137,784</u>           | <u>(20,863)</u>                                 |
| Net change in fund balance  | <u>\$ (8,647)</u>     | 35,956                   | <u>\$ 44,603</u>                                |
| <b>Fund Balance</b>         |                       |                          |                                                 |
| Beginning of year           |                       | <u>227,846</u>           |                                                 |
| End of year                 |                       | <u>\$ 263,802</u>        |                                                 |

**STATISTICAL SECTION**



**Forest Lake**  
AS GOOD AS IT SOUNDS

## City of Forest Lake Statistical Section

This part of the City of Forest Lake’s annual comprehensive financial report presents detailed information to assist the reader in understanding the preceding financial statements and reports in the context of the City’s overall financial health. The statistical section is designed to complement the annual comprehensive financial report by providing an historical analysis of financial indicators.

### CONTENTS

#### Financial Trend Data

These schedules contain trend information to illustrate how the City of Forest Lake’s financial performance has changed over time. They include an analysis of revenues and expenses and changes in net position for governmental activities and business-type activities.

|         |                                                |
|---------|------------------------------------------------|
| Table 1 | Net Position by Component                      |
| Table 2 | Changes in Net Position                        |
| Table 3 | Fund Balances of Governmental Funds            |
| Table 4 | Changes in Fund Balances of Governmental Funds |

#### Revenue Capacity Data

These schedules contain historical information about the City of Forest Lake’s most significant local revenue source, property taxes. Information contained within these schedules includes an illustration of how the City’s tax capacity and tax rates have changed over time. Also included is a more comprehensive look at how tax rates of overlapping governments have changed over time.

|          |                                                         |
|----------|---------------------------------------------------------|
| Table 5  | General Governmental Activities Tax Revenue by Source   |
| Table 6  | Governmental Activities Tax Revenue by Source           |
| Table 7  | Net Tax Capacity and Estimated Market Value of Property |
| Table 8  | Property Tax Rates Direct and Overlapping Governments   |
| Table 9  | Principal Property Taxpayers                            |
| Table 10 | Property Tax Levies and Collections                     |

#### Debt Capacity Data

These schedules present information designed to help the reader assess the affordability of the City of Forest Lake’s current level of outstanding debt and the City’s ability to issue additional debt in the future.

|          |                                            |
|----------|--------------------------------------------|
| Table 11 | Ratios of Outstanding Debt by Type         |
| Table 12 | Ratios of General Bonded Debt Outstanding  |
| Table 13 | Computation of Direct and Overlapping Debt |
| Table 14 | Legal Debt Margin Information              |
| Table 15 | Pledged Revenue Coverage                   |



**Forest Lake**  
AS GOOD AS IT SOUNDS

**City of Forest Lake  
Statistical Section  
(Continued)**

**CONTENTS (CONTINUED)**

**Demographic and Economic Information**

These schedules provide demographic and economic indicators to illustrate the overall environment in which the City of Forest Lake's financial activities take place.

- Table 16 Demographic and Economic Statistics
- Table 17 Principal Employers

**Operating Indicators**

These schedules contain information about City services and capital assets to assist the reader in understanding how the information contained within the City of Forest Lake's annual comprehensive financial report relates to the services the City provides and the activities it performs.

- Table 18 Full-Time City Government Employees by Function
- Table 19 Operating Indicators by Function
- Table 20 Capital Asset Statistics by Function



**City of Forest Lake**  
**Net Position by Component**  
**Last Ten Fiscal Years**  
**Unaudited**

|                                             | Fiscal Year          |                      |                      |                      |
|---------------------------------------------|----------------------|----------------------|----------------------|----------------------|
|                                             | 2014                 | 2015                 | 2016                 | 2017                 |
| <b>Governmental Activities</b>              |                      |                      |                      |                      |
| Net investment in capital assets            | \$ 43,769,182        | \$ 43,073,454        | \$ 45,602,784        | \$ 45,738,474        |
| Restricted                                  | 220,373              | 701,800              | 493,300              | 475,062              |
| Unrestricted                                | <u>(3,200,256)</u>   | <u>(5,450,368)</u>   | <u>(7,051,800)</u>   | <u>(5,741,412)</u>   |
| Total governmental activities net position  | <u>\$ 40,789,299</u> | <u>\$ 38,324,886</u> | <u>\$ 39,044,284</u> | <u>\$ 40,472,124</u> |
| <b>Business-Type Activities</b>             |                      |                      |                      |                      |
| Net investment in capital assets            | \$ 20,509,751        | \$ 20,969,470        | \$ 20,770,081        | \$ 20,584,297        |
| Unrestricted                                | <u>7,143,678</u>     | <u>6,673,357</u>     | <u>7,733,935</u>     | <u>8,789,634</u>     |
| Total business-type activities net position | <u>\$ 27,653,429</u> | <u>\$ 27,642,827</u> | <u>\$ 28,504,016</u> | <u>\$ 29,373,931</u> |
| <b>Primary Government</b>                   |                      |                      |                      |                      |
| Net investment in capital assets            | \$ 64,278,933        | \$ 64,042,924        | \$ 66,372,865        | \$ 66,322,771        |
| Restricted                                  | 220,373              | 701,800              | 493,300              | 475,062              |
| Unrestricted                                | <u>3,943,422</u>     | <u>1,222,989</u>     | <u>682,135</u>       | <u>3,048,222</u>     |
| Total primary government net position       | <u>\$ 68,442,728</u> | <u>\$ 65,967,713</u> | <u>\$ 67,548,300</u> | <u>\$ 69,846,055</u> |

Table 1

| Fiscal Year          |                      |                      |                      |                      |                      |
|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|
| 2018                 | 2019                 | 2020                 | 2021                 | 2022                 | 2023                 |
| \$ 43,966,786        | \$ 43,627,340        | \$ 42,287,488        | \$ 41,552,299        | \$ 39,775,303        | \$ 39,796,337        |
| 487,664              | 1,222,266            | 2,427,969            | 2,913,376            | 5,553,620            | 6,460,825            |
| (5,010,337)          | (4,319,011)          | (5,652,766)          | (3,331,343)          | (4,112,282)          | (2,636,656)          |
| <u>\$ 39,444,113</u> | <u>\$ 40,530,595</u> | <u>\$ 39,062,691</u> | <u>\$ 41,134,332</u> | <u>\$ 41,216,641</u> | <u>\$ 43,620,506</u> |
| \$ 20,642,110        | \$ 20,546,324        | \$ 20,718,755        | \$ 20,649,070        | \$ 23,685,351        | \$ 29,598,005        |
| 9,556,781            | 11,223,049           | 11,831,033           | 14,113,736           | 13,857,080           | 12,447,822           |
| <u>\$ 30,198,891</u> | <u>\$ 31,769,373</u> | <u>\$ 32,549,788</u> | <u>\$ 34,762,806</u> | <u>\$ 37,542,431</u> | <u>\$ 42,045,827</u> |
| \$ 64,608,896        | \$ 64,173,664        | \$ 63,006,243        | \$ 62,201,369        | \$ 63,460,654        | \$ 69,394,342        |
| 487,664              | 1,222,266            | 2,427,969            | 2,913,376            | 5,553,620            | 6,460,825            |
| 4,546,444            | 6,904,038            | 6,178,267            | 10,782,393           | 9,744,798            | 9,811,166            |
| <u>\$ 69,643,004</u> | <u>\$ 72,299,968</u> | <u>\$ 71,612,479</u> | <u>\$ 75,897,138</u> | <u>\$ 78,759,072</u> | <u>\$ 85,666,333</u> |

**City of Forest Lake  
Changes in Net Position  
Last Ten Fiscal Years  
Unaudited**

|                                                 | Fiscal Year          |                      |                      |                      |
|-------------------------------------------------|----------------------|----------------------|----------------------|----------------------|
|                                                 | 2014                 | 2015                 | 2016                 | 2017                 |
| <b>Expenses</b>                                 |                      |                      |                      |                      |
| Governmental activities                         |                      |                      |                      |                      |
| General government                              | \$ 1,421,125         | \$ 1,983,033         | \$ 2,147,880         | \$ 2,156,638         |
| Public safety                                   | 5,360,742            | 5,338,228            | 6,342,219            | 5,447,153            |
| Public works                                    | 6,402,864            | 6,515,860            | 5,944,268            | 5,853,014            |
| Culture and recreation                          | 704,004              | 573,149              | 628,689              | 749,946              |
| Economic development                            | 10,075,755           | 293,358              | 375,090              | 697,093              |
| Airport                                         | 202,987              | 213,916              | 208,854              | 362,317              |
| Interest and fiscal charges                     | 232,141              | 864,519              | 827,959              | 802,986              |
| Total governmental activities expenses          | <u>24,399,618</u>    | <u>15,782,063</u>    | <u>16,474,959</u>    | <u>16,069,147</u>    |
| Business-type activities                        |                      |                      |                      |                      |
| Utility - water                                 | 1,729,357            | 1,576,842            | 1,541,777            | 1,664,095            |
| Utility - sewer                                 | 2,194,032            | 2,192,685            | 2,286,959            | 2,504,095            |
| Total business-type activities expenses         | <u>3,923,389</u>     | <u>3,769,527</u>     | <u>3,828,736</u>     | <u>4,168,190</u>     |
| Total primary government expenses               | <u>\$ 28,323,007</u> | <u>\$ 19,551,590</u> | <u>\$ 20,303,695</u> | <u>\$ 20,237,337</u> |
| <b>Program Revenues</b>                         |                      |                      |                      |                      |
| Governmental activities                         |                      |                      |                      |                      |
| Charges for services                            |                      |                      |                      |                      |
| General government                              | \$ 169,198           | \$ 213,130           | \$ 137,684           | \$ 187,406           |
| Public safety                                   | 1,226,335            | 1,328,506            | 1,174,347            | 1,666,362            |
| Public works                                    | 487,475              | 1,159,793            | 1,216,046            | 1,213,181            |
| Culture and recreation                          | 11,571               | 13,036               | 13,177               | 14,562               |
| Economic development                            | -                    | 74,082               | -                    | 204,871              |
| Airport                                         | 115,604              | 124,772              | 111,821              | 228,659              |
| Operating grants and contributions              | 778,467              | 829,748              | 847,448              | 850,446              |
| Capital grants and contributions                | 1,621,167            | 1,977,996            | 4,451,116            | 3,426,619            |
| Total government activities program revenues    | <u>4,409,817</u>     | <u>5,721,063</u>     | <u>7,951,639</u>     | <u>7,792,106</u>     |
| Business-type activities                        |                      |                      |                      |                      |
| Charges for services                            |                      |                      |                      |                      |
| Utility - water                                 | 1,510,051            | 1,479,458            | 1,508,420            | 1,614,337            |
| Utility - sewer                                 | 2,311,517            | 2,315,310            | 2,492,894            | 2,762,957            |
| Operating grants and contributions              | -                    | 5,225                | 6,527                | 3,520                |
| Capital grants and contributions                | 507,860              | 395,404              | 674,417              | 643,200              |
| Total business-type activities program revenues | <u>4,329,428</u>     | <u>4,195,397</u>     | <u>4,682,258</u>     | <u>5,024,014</u>     |
| Total primary government program revenues       | <u>\$ 8,739,245</u>  | <u>\$ 9,916,460</u>  | <u>\$ 12,633,897</u> | <u>\$ 12,816,120</u> |

Table 2

| Fiscal Year          |                      |                      |                      |                      |                      |
|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|
| 2018                 | 2019                 | 2020                 | 2021                 | 2022                 | 2023                 |
| \$ 2,022,683         | \$ 2,318,054         | \$ 2,275,786         | \$ 2,617,502         | \$ 2,626,913         | \$ 2,704,144         |
| 5,202,111            | 5,367,940            | 6,760,665            | 4,975,804            | 6,530,987            | 7,535,018            |
| 6,298,346            | 6,306,460            | 8,069,141            | 5,392,760            | 5,600,424            | 5,317,966            |
| 717,086              | 864,031              | 855,391              | 1,004,878            | 1,166,339            | 1,518,313            |
| 487,600              | 348,219              | 837,350              | 558,798              | 1,120,780            | 803,221              |
| 416,756              | 403,593              | 566,492              | 383,844              | 385,934              | 334,736              |
| 821,798              | 584,188              | 864,176              | 780,124              | 722,290              | 664,724              |
| <u>15,966,380</u>    | <u>16,192,485</u>    | <u>20,229,001</u>    | <u>15,713,710</u>    | <u>18,153,667</u>    | <u>18,878,122</u>    |
| 1,658,608            | 1,943,997            | 2,090,059            | 2,261,181            | 2,396,833            | 2,375,866            |
| 2,541,934            | 2,881,957            | 3,107,518            | 2,985,811            | 3,042,354            | 3,236,440            |
| 4,200,542            | 4,825,954            | 5,197,577            | 5,246,992            | 5,439,187            | 5,612,306            |
| <u>\$ 20,166,922</u> | <u>\$ 21,018,439</u> | <u>\$ 25,426,578</u> | <u>\$ 20,960,702</u> | <u>\$ 23,592,854</u> | <u>\$ 24,490,428</u> |
| \$ 198,155           | \$ 513,213           | \$ 154,874           | \$ 316,285           | \$ 239,685           | \$ 214,563           |
| 1,480,220            | 1,322,694            | 1,261,381            | 1,285,806            | 1,202,746            | 1,393,720            |
| 1,253,153            | 1,268,032            | 1,327,342            | 1,392,040            | 1,699,099            | 1,805,034            |
| 15,539               | 17,171               | 9,122                | 46,696               | 53,539               | 87,890               |
| 20,000               | 20,000               | 26,073               | 15,322               | 15,602               | 15,786               |
| 530,976              | 117,756              | 105,672              | 116,905              | 129,512              | 107,086              |
| 901,842              | 630,166              | 1,756,460            | 576,213              | 2,950,936            | 1,549,686            |
| 1,216,085            | 2,417,234            | 5,118,074            | 1,816,989            | 1,661,042            | 1,896,983            |
| <u>5,615,970</u>     | <u>6,306,266</u>     | <u>9,758,998</u>     | <u>5,566,256</u>     | <u>7,952,161</u>     | <u>7,070,748</u>     |
| 1,752,797            | 1,877,571            | 2,268,242            | 2,539,333            | 2,472,794            | 3,067,126            |
| 2,809,341            | 2,966,759            | 3,109,278            | 3,440,656            | 3,386,259            | 3,843,937            |
| 12,756               | 794                  | 2,483                | 1,482                | 18,921               | 19,623               |
| 709,034              | 1,345,488            | 405,122              | 1,573,041            | 399,600              | 2,609,725            |
| <u>5,283,928</u>     | <u>6,190,612</u>     | <u>5,785,125</u>     | <u>7,554,512</u>     | <u>6,277,574</u>     | <u>9,540,411</u>     |
| <u>\$ 10,899,898</u> | <u>\$ 12,496,878</u> | <u>\$ 15,544,123</u> | <u>\$ 13,120,768</u> | <u>\$ 14,229,735</u> | <u>\$ 16,611,159</u> |

**City of Forest Lake**  
**Changes in Net Position**  
**Last Ten Fiscal Years**  
**Unaudited**

|                                   | Fiscal Year            |                       |                       |                       |
|-----------------------------------|------------------------|-----------------------|-----------------------|-----------------------|
|                                   | 2014                   | 2015                  | 2016                  | 2017                  |
| <b>Program Revenues</b>           |                        |                       |                       |                       |
| Net (expense)/revenue             |                        |                       |                       |                       |
| Governmental activities           | \$ (19,989,801)        | \$ (10,061,000)       | \$ (8,523,320)        | \$ (8,277,041)        |
| Business-type activities          | 406,039                | 425,870               | 853,522               | 855,824               |
|                                   | <u>\$ (19,583,762)</u> | <u>\$ (9,635,130)</u> | <u>\$ (7,669,798)</u> | <u>\$ (7,421,217)</u> |
| <b>General Revenues and Other</b> |                        |                       |                       |                       |
| <b>Changes in Net Position</b>    |                        |                       |                       |                       |
| Governmental activities           |                        |                       |                       |                       |
| General revenues                  |                        |                       |                       |                       |
| Taxes                             | \$ 8,734,781           | \$ 9,085,709          | \$ 8,963,300          | \$ 9,515,119          |
| Franchise fees                    | 720,512                | -                     | -                     | -                     |
| Unrestricted state aid            | 69,733                 | 89,207                | 86,983                | 87,339                |
| Unrestricted investment earnings  | 44,337                 | 50,243                | 131,671               | 52,423                |
| Gain on sale of assets            | -                      | 236,517               | 10,764                | -                     |
| Transfers                         | (132,058)              | 50,000                | 50,000                | 50,000                |
| Total governmental activities     | <u>9,437,305</u>       | <u>9,511,676</u>      | <u>9,242,718</u>      | <u>9,704,881</u>      |
| Business-type activities          |                        |                       |                       |                       |
| General revenues                  |                        |                       |                       |                       |
| Unrestricted investment earnings  | 18,260                 | 24,949                | 56,857                | 64,091                |
| Gain on sale of assets            | -                      | -                     | 810                   | -                     |
| Transfers                         | 132,058                | (50,000)              | (50,000)              | (50,000)              |
| Total business-type activities    | <u>150,318</u>         | <u>(25,051)</u>       | <u>7,667</u>          | <u>14,091</u>         |
|                                   | <u>\$ 9,587,623</u>    | <u>\$ 9,486,625</u>   | <u>\$ 9,250,385</u>   | <u>\$ 9,718,972</u>   |
| Change in net position            |                        |                       |                       |                       |
| Governmental activities           | \$ (10,552,496)        | \$ (549,324)          | \$ 719,398            | \$ 1,427,840          |
| Business-type activities          | 556,357                | 400,819               | 861,189               | 869,915               |
|                                   | <u>\$ (9,996,139)</u>  | <u>\$ (148,505)</u>   | <u>\$ 1,580,587</u>   | <u>\$ 2,297,755</u>   |

Table 2 (Continued)

| Fiscal Year           |                       |                       |                       |                       |                       |
|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|
| 2018                  | 2019                  | 2020                  | 2021                  | 2022                  | 2023                  |
| \$ (10,350,410)       | \$ (9,886,219)        | \$ (10,470,003)       | \$ (10,147,454)       | \$ (10,201,506)       | \$ (11,807,374)       |
| 1,083,386             | 1,364,658             | 587,548               | 2,307,520             | 838,387               | 3,928,105             |
| <u>\$ (9,267,024)</u> | <u>\$ (8,521,561)</u> | <u>\$ (9,882,455)</u> | <u>\$ (7,839,934)</u> | <u>\$ (9,363,119)</u> | <u>\$ (7,879,269)</u> |
| <br>                  |                       |                       |                       |                       |                       |
| \$ 10,171,356         | \$ 10,404,392         | \$ 11,256,691         | \$ 11,852,874         | \$ 12,642,857         | \$ 13,363,981         |
| -                     | -                     | -                     | -                     | -                     | -                     |
| 107,544               | 109,032               | 95,140                | 8,534                 | 7,778                 | 8,592                 |
| 153,078               | 381,553               | 331,157               | (4,164)               | (169,303)             | 593,770               |
| 26,189                | 27,724                | 37,005                | 311,851               | 40,088                | 244,896               |
| 100,000               | 50,000                | 325,000               | 50,000                | (2,237,605)           | -                     |
| <u>10,558,167</u>     | <u>10,972,701</u>     | <u>12,044,993</u>     | <u>12,219,095</u>     | <u>10,283,815</u>     | <u>14,211,239</u>     |
| <br>                  |                       |                       |                       |                       |                       |
| 52,983                | 255,824               | 517,867               | (44,502)              | (296,367)             | 396,811               |
| -                     | -                     | -                     | -                     | -                     | 178,480               |
| (100,000)             | (50,000)              | (325,000)             | (50,000)              | 2,237,605             | -                     |
| <u>(47,017)</u>       | <u>205,824</u>        | <u>192,867</u>        | <u>(94,502)</u>       | <u>1,941,238</u>      | <u>575,291</u>        |
| <br>                  |                       |                       |                       |                       |                       |
| <u>\$ 10,511,150</u>  | <u>\$ 11,178,525</u>  | <u>\$ 12,237,860</u>  | <u>\$ 12,124,593</u>  | <u>\$ 12,225,053</u>  | <u>\$ 14,786,530</u>  |
| <br>                  |                       |                       |                       |                       |                       |
| \$ 207,757            | \$ 1,086,482          | \$ 1,574,990          | \$ 2,071,641          | \$ 82,309             | \$ 2,403,865          |
| 1,036,369             | 1,570,482             | 780,415               | 2,213,018             | 2,779,625             | 4,503,396             |
| <u>\$ 1,244,126</u>   | <u>\$ 2,656,964</u>   | <u>\$ 2,355,405</u>   | <u>\$ 4,284,659</u>   | <u>\$ 2,861,934</u>   | <u>\$ 6,907,261</u>   |

**City of Forest Lake**  
**Fund Balances of Governmental Funds**  
**Last Ten Fiscal Years**  
**Unaudited**

|                                     | Fiscal Year         |                     |                     |                     |
|-------------------------------------|---------------------|---------------------|---------------------|---------------------|
|                                     | 2014                | 2015                | 2016                | 2017                |
| <b>General Fund</b>                 |                     |                     |                     |                     |
| Nonspendable                        | \$ 206,589          | \$ 244,463          | \$ 228,514          | \$ 225,283          |
| Restricted                          | -                   | -                   | -                   | -                   |
| Committed                           | -                   | -                   | 10,455              | 10,889              |
| Assigned                            | 138,664             | 46,290              | -                   | -                   |
| Unassigned                          | 4,907,352           | 5,321,846           | 5,374,313           | 5,441,822           |
| Total general fund                  | <u>\$ 5,252,605</u> | <u>\$ 5,612,599</u> | <u>\$ 5,613,282</u> | <u>\$ 5,677,994</u> |
| <b>All Other Governmental Funds</b> |                     |                     |                     |                     |
| Nonspendable                        | \$ 15,222           | \$ 18,705           | \$ 17,098           | \$ 13,164           |
| Restricted                          | 182,620             | 3,475,526           | 2,701,539           | 2,625,422           |
| Committed                           | 3,015,317           | 3,401,315           | 4,116,894           | 5,042,712           |
| Assigned                            | 22,577              | -                   | -                   | -                   |
| Unassigned, reported in             |                     |                     |                     |                     |
| Special revenue funds               | (2,345,401)         | (1,989,786)         | (1,580,558)         | (1,102,852)         |
| Capital projects funds              | -                   | -                   | (1,065,996)         | (1,059,321)         |
| Total all other governmental funds  | <u>\$ 890,335</u>   | <u>\$ 4,905,760</u> | <u>\$ 4,188,977</u> | <u>\$ 5,519,125</u> |

Table 3

| Fiscal Year         |                     |                     |                     |                     |                     |
|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|
| 2018                | 2019                | 2020                | 2021                | 2022                | 2023                |
| \$ 284,179          | \$ 332,654          | \$ 318,198          | \$ 302,734          | \$ 345,559          | \$ 418,960          |
| -                   | -                   | -                   | -                   | 15,964              | 11,464              |
| 12,803              | 12,803              | 12,803              | 14,628              | 14,777              | 8,733               |
| -                   | -                   | -                   | -                   | -                   | 23,012              |
| 5,312,485           | 5,774,245           | 6,082,653           | 6,237,790           | 5,944,931           | 6,177,253           |
| <u>\$ 5,609,467</u> | <u>\$ 6,119,702</u> | <u>\$ 6,413,654</u> | <u>\$ 6,555,152</u> | <u>\$ 6,321,231</u> | <u>\$ 6,639,422</u> |
| \$ 13,808           | \$ 83,594           | \$ 59,143           | \$ 11,970           | \$ 10,240           | \$ 390,183          |
| 2,628,312           | 6,223,302           | 5,460,895           | 4,402,768           | 3,733,201           | 4,793,555           |
| 4,441,434           | 4,213,273           | 1,912,104           | 2,259,029           | 2,939,541           | 2,735,031           |
| 195,346             | -                   | -                   | -                   | -                   | -                   |
| (949,669)           | (910,678)           | (858,887)           | (595,963)           | (798,241)           | (789,836)           |
| (79,469)            | -                   | -                   | -                   | -                   | -                   |
| <u>\$ 6,249,762</u> | <u>\$ 9,609,491</u> | <u>\$ 6,573,255</u> | <u>\$ 6,077,804</u> | <u>\$ 5,884,741</u> | <u>\$ 7,128,933</u> |



**City of Forest Lake**  
**Changes in Fund Balances of Governmental Funds**  
**Last Ten Fiscal Years**  
**Unaudited**

|                                                              | Fiscal Year         |                   |                     |                     |
|--------------------------------------------------------------|---------------------|-------------------|---------------------|---------------------|
|                                                              | 2014                | 2015              | 2016                | 2017                |
| <b>Revenues</b>                                              |                     |                   |                     |                     |
| Taxes                                                        | \$ 8,789,109        | \$ 9,119,114      | \$ 8,963,590        | \$ 9,555,584        |
| Franchise fees                                               | 720,512             | 728,663           | 738,326             | 749,047             |
| Special assessments                                          | 229,057             | 183,723           | 226,761             | 173,250             |
| Licenses and permits                                         | 463,504             | 661,452           | 525,723             | 916,531             |
| Intergovernmental                                            | 2,048,127           | 3,147,640         | 5,541,593           | 5,361,886           |
| Charges for services                                         | 1,622,561           | 1,469,408         | 1,816,968           | 1,627,647           |
| Fines and forfeits                                           | 175,609             | 151,236           | 156,754             | 133,899             |
| Interest income                                              | 44,337              | 50,243            | 131,671             | 52,423              |
| Miscellaneous revenue                                        | 124,384             | 176,245           | 70,160              | 477,818             |
| Total revenues                                               | <u>14,217,200</u>   | <u>15,687,724</u> | <u>18,171,546</u>   | <u>19,048,085</u>   |
| <b>Expenditures</b>                                          |                     |                   |                     |                     |
| General government                                           | 1,377,948           | 1,465,656         | 1,538,660           | 1,550,256           |
| Public safety                                                | 5,065,915           | 5,199,213         | 4,818,732           | 4,941,709           |
| Public works                                                 | 2,587,403           | 2,727,579         | 2,544,844           | 2,500,057           |
| Culture and recreation                                       | 495,627             | 361,661           | 432,999             | 523,807             |
| Economic development                                         | 10,077,685          | 877,915           | 1,395,051           | 2,047,506           |
| Airport                                                      | 91,036              | 99,916            | 94,167              | 97,723              |
| Capital outlay                                               | 2,075,981           | 3,047,538         | 5,667,773           | 3,711,740           |
| Debt service                                                 |                     |                   |                     |                     |
| Principal                                                    | 1,849,464           | 839,464           | 1,634,464           | 1,570,811           |
| Interest                                                     | 209,755             | 804,281           | 851,503             | 827,003             |
| Total expenditures                                           | <u>23,830,814</u>   | <u>15,423,223</u> | <u>18,978,193</u>   | <u>17,770,612</u>   |
| Excess (deficiency) of revenues<br>over (under) expenditures | (9,613,614)         | 264,501           | (806,647)           | 1,277,473           |
| <b>Other Financing Sources (Uses)</b>                        |                     |                   |                     |                     |
| Transfers in                                                 | 807,568             | 325,000           | 1,540,151           | 1,131,152           |
| Transfers out                                                | (939,626)           | (275,000)         | (1,490,151)         | (1,081,152)         |
| Proceeds from sale of capital assets                         | 7,695               | 236,517           | 10,764              | 27,242              |
| Insurance recoveries                                         | 31,495              | 6,776             | 29,783              | 40,145              |
| Lease proceeds                                               | -                   | -                 | -                   | -                   |
| Note receivable forgiveness                                  | -                   | -                 | -                   | -                   |
| Bond issuance and bond premium/discount                      | 9,152,629           | -                 | -                   | -                   |
| Total other financing sources (uses)                         | <u>9,059,761</u>    | <u>293,293</u>    | <u>90,547</u>       | <u>117,387</u>      |
| Net change in fund balances                                  | <u>\$ (553,853)</u> | <u>\$ 557,794</u> | <u>\$ (716,100)</u> | <u>\$ 1,394,860</u> |
| Debt service as a percentage of<br>noncapital expenditures   | 9.6%                | 13.2%             | 18.6%               | 16.8%               |

Note: Significant increase in debt service as a percentage of noncapital expenditures is due to current refunding of 2013A bond in 2019.

Source: City of Forest Lake, audited financial statements.

Table 4

| Fiscal Year       |                     |                       |                     |                     |                     |  |
|-------------------|---------------------|-----------------------|---------------------|---------------------|---------------------|--|
| 2018              | 2019                | 2020                  | 2021                | 2022                | 2023                |  |
| \$ 10,170,281     | \$ 10,442,615       | \$ 11,236,273         | \$ 11,865,658       | \$ 12,660,371       | \$ 13,323,936       |  |
| 762,319           | 775,374             | 784,670               | 790,260             | 792,351             | 808,835             |  |
| 177,501           | 49,641              | 47,699                | 34,036              | 70,290              | 20,505              |  |
| 741,201           | 608,952             | 531,168               | 564,223             | 566,469             | 609,080             |  |
| 3,428,605         | 4,102,690           | 6,842,838             | 1,621,262           | 3,388,770           | 2,376,309           |  |
| 1,473,475         | 2,091,078           | 1,420,239             | 2,046,109           | 1,583,516           | 1,735,508           |  |
| 124,049           | 123,599             | 85,245                | 86,009              | 72,892              | 98,767              |  |
| 127,236           | 360,553             | 308,752               | (23,759)            | (190,303)           | 569,475             |  |
| 602,631           | 162,747             | 138,746               | 167,218             | 386,650             | 493,544             |  |
| <u>17,607,298</u> | <u>18,717,249</u>   | <u>21,395,630</u>     | <u>17,151,016</u>   | <u>19,331,006</u>   | <u>20,035,959</u>   |  |
| 1,611,201         | 1,645,356           | 1,595,822             | 2,108,925           | 2,026,941           | 2,188,514           |  |
| 5,323,082         | 5,524,766           | 6,736,018             | 5,611,427           | 6,112,395           | 6,624,100           |  |
| 2,853,630         | 2,803,445           | 4,346,110             | 2,200,117           | 1,974,643           | 1,719,094           |  |
| 542,724           | 581,570             | 653,027               | 789,445             | 916,124             | 1,170,928           |  |
| 1,961,782         | 1,852,259           | 837,539               | 570,940             | 1,091,739           | 718,119             |  |
| 147,677           | 105,053             | 82,987                | 114,859             | 127,046             | 90,579              |  |
| 2,193,021         | 3,280,936           | 6,803,818             | 4,218,454           | 3,093,837           | 3,977,801           |  |
| 1,676,385         | 20,213,053          | 1,385,000             | 1,280,000           | 1,370,000           | 1,430,000           |  |
| 844,914           | 1,140,961           | 747,611               | 997,352             | 942,834             | 886,435             |  |
| <u>17,154,416</u> | <u>37,147,399</u>   | <u>23,187,932</u>     | <u>17,891,519</u>   | <u>17,655,559</u>   | <u>18,805,570</u>   |  |
| 452,882           | (18,430,150)        | (1,792,302)           | (740,503)           | 1,675,447           | 1,230,389           |  |
| 1,616,761         | 19,289,714          | 886,904               | 251,472             | 75,000              | -                   |  |
| (1,516,761)       | (19,239,714)        | (561,904)             | (201,472)           | (2,312,605)         | -                   |  |
| 26,189            | 27,724              | 37,005                | 335,120             | 48,304              | 302,693             |  |
| 3,600             | 31,333              | 44,934                | 1,430               | 86,870              | 29,301              |  |
| 79,439            | -                   | -                     | -                   | -                   | -                   |  |
| -                 | -                   | -                     | -                   | -                   | -                   |  |
| -                 | 22,191,057          | -                     | -                   | -                   | -                   |  |
| <u>209,228</u>    | <u>22,300,114</u>   | <u>406,939</u>        | <u>386,550</u>      | <u>(2,102,431)</u>  | <u>331,994</u>      |  |
| <u>\$ 662,110</u> | <u>\$ 3,869,964</u> | <u>\$ (1,385,363)</u> | <u>\$ (353,953)</u> | <u>\$ (426,984)</u> | <u>\$ 1,562,383</u> |  |
| 16.6%             | 62.4%               | 12.2%                 | 16.5%               | 15.4%               | 15.0%               |  |

**City of Forest Lake**  
**General Governmental Tax Revenue by Source**  
**(modified Accrual Basis of Accounting)**  
**Last Ten Fiscal Years**  
**Unaudited**

Table 5

| Fiscal<br>Year | Property<br>Tax | Tax<br>Increment | Franchise<br>Tax | Total        |
|----------------|-----------------|------------------|------------------|--------------|
| 2014           | \$ 8,078,654    | \$ 710,455       | \$ 720,512       | \$ 9,509,621 |
| 2015           | 8,376,912       | 742,202          | 728,663          | 9,847,777    |
| 2016           | 8,907,689       | 55,901           | 738,326          | 9,701,916    |
| 2017           | 9,393,964       | 161,620          | 749,047          | 10,304,631   |
| 2018           | 9,990,257       | 180,024          | 762,319          | 10,932,600   |
| 2019           | 10,224,054      | 218,561          | 775,374          | 11,217,989   |
| 2020           | 10,791,643      | 444,630          | 784,670          | 12,020,943   |
| 2021           | 11,400,768      | 464,890          | 790,260          | 12,655,918   |
| 2022           | 12,172,137      | 488,234          | 792,351          | 13,452,722   |
| 2023           | 12,908,582      | 415,354          | 808,835          | 14,132,771   |

**City of Forest Lake  
Governmental Activities Tax Revenue by Source  
(Accrual Basis of Accounting)  
Last Ten Fiscal Years  
Unaudited**

**Table 6**

| Fiscal<br>Year | Property<br>Tax | Tax<br>Increment | Franchise<br>Tax | Total        |
|----------------|-----------------|------------------|------------------|--------------|
| 2014           | \$ 8,007,398    | \$ 727,383       | \$ 720,512       | \$ 9,455,293 |
| 2015           | 8,343,507       | 742,202          | 728,663          | 9,814,372    |
| 2016           | 8,907,399       | 55,901           | 738,326          | 9,701,626    |
| 2017           | 9,355,629       | 159,490          | 749,047          | 10,264,166   |
| 2018           | 9,991,332       | 180,024          | 762,319          | 10,933,675   |
| 2019           | 10,185,831      | 218,561          | 775,374          | 11,179,766   |
| 2020           | 10,812,061      | 444,630          | 784,670          | 12,041,361   |
| 2021           | 11,387,984      | 464,890          | 790,260          | 12,643,134   |
| 2022           | 12,154,623      | 488,234          | 792,351          | 13,435,208   |
| 2023           | 12,948,627      | 415,354          | 808,835          | 14,172,816   |

**City of Forest Lake**  
**Net Tax Capacity and Estimated Market Value of Property**  
**Last Ten Fiscal Years**  
**Unaudited**

| Fiscal Year | Real and Personal Property <sup>(1)</sup> |                            |                          |                     |               |
|-------------|-------------------------------------------|----------------------------|--------------------------|---------------------|---------------|
|             | Total Tax Capacity                        | Tax Increment Tax Capacity | Net Area-Wide Allocation | Powerline Deduction | Taxable Value |
| 2014        | \$ 18,493,584                             | \$ (733,687)               | \$ 301,125               | \$ (1,971)          | \$ 18,059,051 |
| 2015        | 19,690,075                                | (705,082)                  | 414,628                  | (1,894)             | 19,397,727    |
| 2016        | 20,200,023                                | (58,432)                   | 543,683                  | (1,105)             | 20,684,169    |
| 2017        | 21,001,075                                | (154,646)                  | 957,175                  | (132)               | 21,803,472    |
| 2018        | 22,852,723                                | 174,490                    | 1,100,790                | (138)               | 24,127,865    |
| 2019        | 24,794,718                                | 216,019                    | 1,178,008                | (135)               | 25,756,382    |
| 2020        | 26,173,346                                | 434,752                    | 1,927,508                | (128)               | 26,964,622    |
| 2021        | 27,246,999                                | 460,794                    | 1,945,126                | (131)               | 28,193,557    |
| 2022        | 28,848,769                                | 485,155                    | 2,066,327                | (156)               | 29,986,047    |
| 2023        | 35,759,208                                | 468,321                    | 2,234,082                | (156)               | 33,056,649    |

<sup>(1)</sup> Personal property values are minimal and are included in the total value.

Table 7

| Real and Personal Property (1) |                         | Ratio of Net<br>Tax Capacity<br>to Taxable<br>Market Value |
|--------------------------------|-------------------------|------------------------------------------------------------|
| Total<br>Direct<br>Tax Rate    | Taxable<br>Market Value |                                                            |
| 44.653%                        | \$ 1,604,411,300        | 1.15%                                                      |
| 42.839%                        | 1,728,267,700           | 1.14%                                                      |
| 43.385%                        | 1,778,773,900           | 1.14%                                                      |
| 43.473%                        | 1,854,093,700           | 1.13%                                                      |
| 41.871%                        | 2,021,431,100           | 1.13%                                                      |
| 39.580%                        | 2,296,633,200           | 1.08%                                                      |
| 40.333%                        | 2,330,489,500           | 1.12%                                                      |
| 40.641%                        | 2,418,267,600           | 1.13%                                                      |
| 40.991%                        | 2,550,416,600           | 1.13%                                                      |
| 35.450%                        | 3,199,026,500           | 1.12%                                                      |

**City of Forest Lake  
Property Tax Rates  
Direct and Overlapping Governments  
Last Ten Fiscal Years  
Unaudited**

| Fiscal Year | City of Forest Lake |                   |                         | Overlapping Rates <sup>(2)</sup><br>School District No. 831 <sup>(1)</sup> |                   |                         |
|-------------|---------------------|-------------------|-------------------------|----------------------------------------------------------------------------|-------------------|-------------------------|
|             | Operating Rate      | Debt Service Rate | Total Tax Capacity Rate | Operating Rate                                                             | Debt Service Rate | Total Tax Capacity Rate |
| 2014        | 38.530%             | 6.123%            | 44.653%                 | 13.425%                                                                    | 10.471%           | 23.896%                 |
| 2015        | 34.478%             | 8.362%            | 42.839%                 | 11.748%                                                                    | 9.398%            | 21.146%                 |
| 2016        | 34.098%             | 9.287%            | 43.385%                 | 12.096%                                                                    | 12.806%           | 24.902%                 |
| 2017        | 33.701%             | 9.772%            | 43.473%                 | 13.784%                                                                    | 17.412%           | 31.196%                 |
| 2018        | 32.030%             | 9.841%            | 41.871%                 | 10.901%                                                                    | 15.329%           | 26.230%                 |
| 2019        | 31.940%             | 7.640%            | 39.580%                 | 11.220%                                                                    | 13.640%           | 24.860%                 |
| 2020        | 31.855%             | 8.478%            | 40.333%                 | 11.228%                                                                    | 13.756%           | 24.984%                 |
| 2021        | 32.365%             | 8.276%            | 40.641%                 | 11.205%                                                                    | 13.885%           | 25.089%                 |
| 2022        | 33.210%             | 7.781%            | 40.991%                 | 11.614%                                                                    | 12.812%           | 24.426%                 |
| 2023        | 28.853%             | 6.596%            | 35.450%                 | 10.891%                                                                    | 11.376%           | 22.267%                 |

<sup>(1)</sup> School levies do not include market value referendum levy amounts.

<sup>(2)</sup> Overlapping rates are those of local and county governments that apply to property owners within the City. Not all overlapping rates apply to all City property owners (e.g., the rates for special districts apply only to the proportion of the government's property owners whose property is located within the geographic boundaries of the special district.)

<sup>(3)</sup> Special Districts include the Rice Credit Watershed District, Washington County CDA, Metropolitan Council, Metropolitan Mosquito, Comfort Lake/Forest Lake Watershed District and Metropolitan Transit.

**Table 8**

| Overlapping Rates <sup>(2)</sup> |                         |                               |                                     | Total<br>Direct and<br>Overlapping<br>Rates |
|----------------------------------|-------------------------|-------------------------------|-------------------------------------|---------------------------------------------|
| Washington County                |                         |                               | Special<br>Districts <sup>(3)</sup> |                                             |
| Operating<br>Rate                | Debt<br>Service<br>Rate | Total Tax<br>Capacity<br>Rate |                                     |                                             |
| 28.347%                          | 4.464%                  | 32.811%                       | 9.078%                              | 110.439%                                    |
| 25.999%                          | 4.186%                  | 30.186%                       | 8.356%                              | 102.527%                                    |
| 26.410%                          | 4.153%                  | 30.564%                       | 8.727%                              | 107.578%                                    |
| 26.251%                          | 4.184%                  | 30.435%                       | 9.358%                              | 114.462%                                    |
| 23.349%                          | 6.634%                  | 29.983%                       | 9.241%                              | 107.324%                                    |
| 25.560%                          | 3.740%                  | 29.300%                       | 9.650%                              | 103.390%                                    |
| 25.380%                          | 3.460%                  | 28.840%                       | 8.340%                              | 102.497%                                    |
| 24.023%                          | 3.413%                  | 27.435%                       | 9.217%                              | 102.382%                                    |
| 24.536%                          | 2.996%                  | 27.532%                       | 9.808%                              | 102.757%                                    |
| 20.918%                          | 2.707%                  | 23.625%                       | 9.192%                              | 90.535%                                     |



**City of Forest Lake  
Principal Property Taxpayers  
Current Year and Nine Years Ago  
Unaudited**

**Table 9**

| Taxpayer                            | Taxes Payable 2023  |      |                                                        | Taxes Payable 2014  |      |                                                        |
|-------------------------------------|---------------------|------|--------------------------------------------------------|---------------------|------|--------------------------------------------------------|
|                                     | Net Tax<br>Capacity | Rank | Percent of<br>Total Net Tax<br>Capacity <sup>(1)</sup> | Net Tax<br>Capacity | Rank | Percent of<br>Total Net Tax<br>Capacity <sup>(2)</sup> |
| Villages Apartments LLC             | \$ 326,576          | 1    | 0.91%                                                  |                     |      |                                                        |
| Lighthouse Lofts, LLC               | 295,020             | 2    | 0.83%                                                  |                     |      |                                                        |
| WM Forest Lake Minnesota, LLC       | 289,964             | 3    | 0.81%                                                  |                     |      |                                                        |
| Xcel Energy                         | 233,540             | 4    | 0.65%                                                  | \$ 202,477          | 2    | 1.09%                                                  |
| Inland Forest Lake Marketplace      | 218,360             | 5    | 0.61%                                                  | 198,192             | 3    | 1.07%                                                  |
| Menard, Inc. & Corporate Accounting | 204,186             | 6    | 0.57%                                                  | 189,146             | 4    | 1.02%                                                  |
| Dayton Hudson Corp T-1244           | 201,668             | 7    | 0.56%                                                  | 169,658             | 5    | 0.92%                                                  |
| MN-Forest Westlake LLC              | 179,398             | 8    | 0.50%                                                  |                     |      |                                                        |
| Vorandesoto, LLC                    | 156,460             | 9    | 0.44%                                                  |                     |      |                                                        |
| TMI LLC                             | 154,734             | 10   | 0.43%                                                  |                     |      |                                                        |
| MRLR Real Estate Partners           |                     |      |                                                        | 247,140             | 1    | 1.34%                                                  |
| IRET Properties                     |                     |      |                                                        | 149,590             | 6    | 0.81%                                                  |
| Forest Lake Facilities, LLC         |                     |      |                                                        | 117,182             | 7    | 0.63%                                                  |
| Wilcox Properties Forest lake LLC   |                     |      |                                                        | 115,620             | 8    | 0.63%                                                  |
| Michael Roberts and Steven Sanders  |                     |      |                                                        | 98,538              | 9    | 0.53%                                                  |
| Desoto Associates                   |                     |      |                                                        | 94,306              | 10   | 0.51%                                                  |
| Total                               | <u>\$ 2,259,906</u> |      | <u>6.32%</u>                                           | <u>\$ 1,581,849</u> |      | <u>8.55%</u>                                           |

<sup>(1)</sup> Real and Personal Property Total Net Tax Capacity \$35,759,208

<sup>(2)</sup> Real and Personal Property Total Net Tax Capacity \$ 18,493,584

**City of Forest Lake  
Property Tax Levies and Collections  
Last Ten Fiscal Years  
Unaudited**

**Table 10**

| Fiscal Year<br>Ended<br>December 31, | Total Tax<br>Levy for<br>Fiscal Year <sup>(1)</sup> | Collected within the<br>Fiscal Year of the Levy |                 | Collections in<br>Subsequent<br>Years | Total Collections to Date |                 |
|--------------------------------------|-----------------------------------------------------|-------------------------------------------------|-----------------|---------------------------------------|---------------------------|-----------------|
|                                      |                                                     | Amount                                          | Percent of Levy |                                       | Amount                    | Percent of Levy |
| 2014                                 | \$ 8,034,682                                        | \$ 7,931,601                                    | 98.7%           | \$ 99,972                             | \$ 8,031,573              | 100.0%          |
| 2015                                 | 8,350,000                                           | 8,255,116                                       | 98.9%           | 88,568                                | 8,343,684                 | 99.9%           |
| 2016                                 | 8,961,015                                           | 8,853,903                                       | 98.8%           | 89,266                                | 8,943,170                 | 99.8%           |
| 2017                                 | 9,476,225                                           | 9,362,131                                       | 98.8%           | 38,273                                | 9,400,404                 | 99.2%           |
| 2018                                 | 10,002,450                                          | 9,891,074                                       | 98.9%           | 61,551                                | 9,952,625                 | 99.5%           |
| 2019                                 | 10,255,333                                          | 10,152,485                                      | 99.0%           | 56,092                                | 10,208,577                | 99.5%           |
| 2020                                 | 10,851,961                                          | 10,773,416                                      | 99.3%           | 54,016                                | 10,827,432                | 99.8%           |
| 2021                                 | 11,447,799                                          | 11,353,289                                      | 99.2%           | 66,223                                | 11,419,512                | 99.8%           |
| 2022                                 | 12,278,700                                          | 12,217,145                                      | 99.5%           | 43,261                                | 12,260,406                | 99.9%           |
| 2023                                 | 13,126,354                                          | 12,995,782                                      | 99.0%           |                                       | 12,995,782                | 99.0%           |

<sup>(1)</sup> Levy amounts are shown after the reduction of homestead/agricultural credits and other miscellaneous credits.

**City of Forest Lake  
Ratios of Outstanding Debt by Type  
Last Ten Fiscal Years  
Unaudited**

| Fiscal Year | Governmental Activities |                          |                     |                     |                     |                |
|-------------|-------------------------|--------------------------|---------------------|---------------------|---------------------|----------------|
|             | G.O. Bonds              | Special Assessment Bonds | Tax Abatement Bonds | Tax Increment Bonds | Lease Revenue Bonds | Capital Leases |
| 2014        | \$ 905,000              | \$ 530,000               | \$ 9,152,629        | \$ 925,000          | \$ -                | \$ 39,739      |
| 2015        | 680,000                 | 395,000                  | 9,152,629           | 465,000             | 22,105,000          | 20,275         |
| 2016        | 455,000                 | 265,000                  | 8,864,748           | -                   | 21,585,000          | 811            |
| 2017        | 230,000                 | 135,000                  | 8,505,510           | -                   | 20,715,000          | -              |
| 2018        | -                       | -                        | 8,131,951           | -                   | 19,785,000          | 58,053         |
| 2019        | 22,191,056              | -                        | 7,748,391           | -                   | -                   | -              |
| 2020        | 20,983,883              | -                        | 7,354,832           | -                   | -                   | -              |
| 2021        | 19,891,710              |                          | 6,951,273           |                     |                     |                |
| 2022        | 18,724,538              |                          | 6,532,713           |                     |                     |                |
| 2023        | 17,507,364              |                          | 6,104,154           |                     |                     |                |

<sup>(1)</sup> Personal income (per capita) and population from Table 16.

*Source: City of Forest Lake, audited financial statements. Metropolitan Council, population estimates. Bureau of Economic Analysis, local area personal income reports. City of Forest Lake, personal income estimate for fiscal year 2022.*

Table 11

| Business-Type Activities    |                                | Total<br>Primary<br>Government | Percentage<br>of Personal<br>Income <sup>(1)</sup> | Per<br>Capita <sup>(1)</sup> |
|-----------------------------|--------------------------------|--------------------------------|----------------------------------------------------|------------------------------|
| Utility<br>Revenue<br>Bonds | Special<br>Assessment<br>Bonds |                                |                                                    |                              |
| \$ 6,047,336                | \$ -                           | \$ 17,599,704                  | 0.32%                                              | \$ 903                       |
| 5,333,603                   | -                              | 38,151,507                     | 0.15%                                              | 1,883                        |
| 8,959,448                   | -                              | 40,130,007                     | 0.15%                                              | 1,973                        |
| 8,177,036                   | -                              | 37,762,546                     | 0.17%                                              | 1,823                        |
| 7,134,664                   | -                              | 35,109,668                     | 0.19%                                              | 1,683                        |
| 19,300,808                  | -                              | 49,240,255                     | 0.14%                                              | 2,368                        |
| 18,084,983                  | -                              | 46,423,698                     | 0.16%                                              | 2,232                        |
| 16,789,157                  |                                | 43,632,140                     | 0.17%                                              | 2,117                        |
| 15,443,333                  |                                | 40,700,584                     | 0.12%                                              | 1,946                        |
| 14,107,508                  |                                | 37,719,026                     | 0.14%                                              | 1,808                        |

**City of Forest Lake**  
**Ratios of General Bonded Debt Outstanding**  
**Last Ten Fiscal Years**  
**Unaudited**

Table 12

| Fiscal Year | General Obligation Bonds | Accumulated Resources Restricted for Paying Principal | Total      | Percentage of Total Estimated Taxable Market Value of Property | Per Capita |
|-------------|--------------------------|-------------------------------------------------------|------------|----------------------------------------------------------------|------------|
| 2014        | \$ 905,000               | \$ -                                                  | \$ 905,000 | 0.06%                                                          | \$ 46      |
| 2015        | 680,000                  | (393,455)                                             | 286,545    | 0.02%                                                          | 14         |
| 2016        | 455,000                  | (479,068)                                             | (24,068)   | 0.00%                                                          | (1)        |
| 2017        | 230,000                  | (457,575)                                             | (227,575)  | -0.01%                                                         | (11)       |
| 2018        | -                        | -                                                     | -          | 0.00%                                                          | -          |
| 2019        | 22,191,056               | (654,369)                                             | 21,536,687 | 0.94%                                                          | 1,036      |
| 2020        | 20,983,883               | (1,739,292)                                           | 19,244,591 | 0.83%                                                          | 925        |
| 2021        | 19,891,710               | (1,822,451)                                           | 18,069,259 | 0.75%                                                          | 877        |
| 2022        | 18,724,538               | (1,840,569)                                           | 16,883,969 | 0.66%                                                          | 807        |
| 2023        | 17,507,364               | (1,990,295)                                           | 15,517,069 | 0.49%                                                          | 744        |

Source: *City of Forest Lake, audited financial statements. Metropolitan Council, population estimates. Washington County Property Tax Department, Market Value and Net Tax Capacity Values of Taxable Property Report - tax capacity values.*

**City of Forest Lake**  
**Computation of Direct and Overlapping Debt**  
**Unaudited**

Table 13

| Governmental Unit                        | As of 12/31/23<br>Debt Outstanding <sup>(1)</sup> | City's Share           |                       |
|------------------------------------------|---------------------------------------------------|------------------------|-----------------------|
|                                          |                                                   | Percent <sup>(2)</sup> | Amount                |
| <b>Direct</b>                            |                                                   |                        |                       |
| City of Forest Lake                      | \$ 23,611,518                                     | 100.00%                | \$ 23,611,518         |
| <b>Overlapping</b>                       |                                                   |                        |                       |
| School District No. 831                  | 150,985,000                                       | 72.264%                | 109,108,102           |
| Washington County                        | 98,060,000                                        | 7.954%                 | 7,799,987             |
| Metropolitan Council                     | 238,225,000                                       | 0.621%                 | 1,478,901             |
| <b>Total Overlapping Debt</b>            | <b>487,270,000</b>                                |                        | <b>118,386,990</b>    |
| <b>Total Direct and Overlapping Debt</b> | <b>\$ 510,881,518</b>                             |                        | <b>\$ 141,998,508</b> |

<sup>(1)</sup> Gross debt totals include bonds which are financed by ad valorem tax levy, G.O. tax increment, tax abatement and special assessments for governmental purposes.

<sup>(2)</sup> The percentage of overlapping debt applicable is estimated using the total adjusted net tax capacity of property values. Applicable percentages were estimated by determining the portion of the county's taxable total adjusted net tax capacity that is within the government's boundaries and dividing it by the county's total adjusted net tax capacity property value.

Note: Overlapping governments are those that coincide, at least in part, with the geographic boundaries of the City. This schedule estimates the portion of the outstanding debt of those overlapping governments that is borne by the residents and businesses of the City. This process recognizes that, when considering the government's ability to issue and repay long-term debt, the entire debt burden borne by the residents and businesses should be taken into account. However, this does not imply that every taxpayer is a resident, and therefore responsible for repaying the debt of each overlapping government.

**City of Forest Lake  
Legal Debt Margin Information  
Last Ten Fiscal Years  
Unaudited**

|                                                                         | Fiscal Year          |                      |                      |                      |
|-------------------------------------------------------------------------|----------------------|----------------------|----------------------|----------------------|
|                                                                         | 2014                 | 2015                 | 2016                 | 2017                 |
| Debt Limit                                                              | \$ 51,597,756        | \$ 55,071,417        | \$ 56,567,751        | \$ 58,744,557        |
| Total Net Debt Applicable to Limit                                      | 905,000              | 680,000              | 455,000              | 230,000              |
| Legal Debt Margin                                                       | <u>\$ 50,692,756</u> | <u>\$ 54,391,417</u> | <u>\$ 56,112,751</u> | <u>\$ 58,514,557</u> |
| Total Net Debt Applicable to the Limit<br>as a Percentage of Debt Limit | 1.75%                | 1.23%                | 0.80%                | 0.39%                |

Note: Under Minnesota state law, the City's G.O. debt should not exceed 3% of the total estimated market value of the city. By law, the G.O. debt subject to the limitation may be offset by amounts set aside for repaying G.O. bonds.

Table 14

| Fiscal Year          |                      |                      |                      |                      |                      |
|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|
| 2018                 | 2019                 | 2020                 | 2021                 | 2022                 | 2023                 |
| \$ 63,805,653        | \$ 68,898,996        | \$ 72,890,199        | \$ 75,334,230        | \$ 79,240,695        | \$ 98,151,666        |
| -                    | 19,225,000           | 20,983,883           | 15,623,708           | 14,660,819           | 15,707,883           |
| <u>\$ 63,805,653</u> | <u>\$ 49,673,996</u> | <u>\$ 51,906,316</u> | <u>\$ 59,710,522</u> | <u>\$ 64,579,876</u> | <u>\$ 82,443,783</u> |
| 0.00%                | 27.90%               | 28.79%               | 20.74%               | 18.50%               | 16.00%               |

## Legal debt margin calculation for fiscal year 2023

|                                                   |                      |
|---------------------------------------------------|----------------------|
| Estimated Market Value                            | \$ 3,271,722,200     |
| Debt limit (3% of taxable market value)           | 98,151,666           |
| Debt applicable to Llimit                         |                      |
| G.O. Bonds                                        | 17,507,364           |
| Less amount set aside for<br>payment of G.O. Debt | (1,799,481)          |
| Total net debt applicable<br>to limit             | <u>15,707,883</u>    |
| Legal Debt Margin                                 | <u>\$ 82,443,783</u> |



**City of Forest Lake  
Pledged Revenue Coverage  
Last Ten Fiscal Years  
Unaudited**

| Fiscal Year | Water and Sewer Revenue Bonds |                         |                       |              |            |      | Coverage (percentage) |
|-------------|-------------------------------|-------------------------|-----------------------|--------------|------------|------|-----------------------|
|             | Utility Charges and Other     | Less Operating Expenses | Net Available Revenue | Debt Service |            |      |                       |
|             |                               |                         |                       | Principal    | Interest   |      |                       |
| 2014        | \$ 3,839,828                  | \$ 2,817,750            | \$ 1,022,078          | \$ 3,705,000 | \$ 140,731 | 0.27 |                       |
| 2015        | 3,824,942                     | 2,696,706               | 1,128,236             | 700,000      | 122,314    | 1.37 |                       |
| 2016        | 4,065,508                     | 2,684,972               | 1,380,536             | 730,000      | 109,178    | 1.65 |                       |
| 2017        | 4,444,905                     | 3,014,548               | 1,430,357             | 765,000      | 152,866    | 1.56 |                       |
| 2018        | 4,627,877                     | 3,068,160               | 1,559,717             | 1,025,000    | 171,215    | 1.30 |                       |
| 2019        | 5,100,948                     | 3,386,538               | 1,714,410             | 1,060,000    | 148,400    | 1.42 |                       |
| 2020        | 5,910,356                     | 3,544,756               | 2,365,600             | 1,085,000    | 440,414    | 1.55 |                       |
| 2021        | 5,936,969                     | 3,579,934               | 2,357,035             | 1,165,000    | 585,753    | 1.35 |                       |
| 2022        | 5,581,607                     | 3,770,657               | 1,810,950             | 1,215,000    | 546,971    | 1.03 |                       |
| 2023        | 7,505,977                     | 3,902,222               | 3,603,755             | 1,205,000    | 504,604    | 2.11 |                       |

Note: Details regarding the government's outstanding debt can be found in the Notes to the Financial Statements. Utility charges and other includes investment earnings. Operating expenses do not include interest expense or depreciation. Special assessment collections and tax increment collections include investment earnings.

Note: Principal payments for 2014 include payment of an advance refunding in the amount of \$3,305,000 and another in the amount of \$635,000.

Table 15

| Special Assessment Bonds             |              |           |                          |  |
|--------------------------------------|--------------|-----------|--------------------------|--|
| Special<br>Assessment<br>Collections | Debt Service |           | Coverage<br>(percentage) |  |
|                                      | Principal    | Interest  |                          |  |
| \$ 229,057                           | \$ 635,000   | \$ 16,133 | 0.35                     |  |
| 183,723                              | 135,000      | 4,399     | 1.32                     |  |
| 226,762                              | 130,000      | 3,440     | 1.70                     |  |
| 173,250                              | 130,000      | 2,770     | 1.30                     |  |
| 177,501                              | 135,000      | 810       | 1.31                     |  |
| 49,641                               | -            | -         | N/A                      |  |
| 47,699                               | -            | -         | N/A                      |  |
| 34,036                               | -            | -         | N/A                      |  |
| 70,290                               | -            | -         | N/A                      |  |
| 20,505                               | -            | -         | N/A                      |  |

| Tax Increment Bonds |                                 |              |           |                          |
|---------------------|---------------------------------|--------------|-----------|--------------------------|
| Fiscal<br>Year      | Tax<br>Increment<br>Collections | Debt Service |           | Coverage<br>(percentage) |
|                     |                                 | Principal    | Interest  |                          |
| 2014                | \$ 710,455                      | \$ 450,000   | \$ 23,000 | 1.50                     |
| 2015                | 742,202                         | 460,000      | 13,900    | 1.57                     |
| 2016                | 55,902                          | 465,000      | 4,650     | 0.12                     |
| 2017                | 161,620                         | -            | -         | N/A                      |
| 2018                | 180,024                         | -            | -         | N/A                      |
| 2019                | 218,561                         | -            | -         | N/A                      |
| 2020                | 444,630                         | -            | -         | N/A                      |
| 2021                | 464,890                         | -            | -         | N/A                      |
| 2022                | 488,234                         | -            | -         | N/A                      |
| 2023                | 415,354                         | -            | -         | N/A                      |

**City of Forest Lake  
Demographic and Economic Statistics  
Last Ten Fiscal Years  
Unaudited**

**Table 16**

| Fiscal<br>Year | Population <sup>(1)</sup> | Total<br>Personal<br>Income <sup>(2)</sup> | Per Capita<br>Personal<br>Income <sup>(3)</sup> | Median<br>Age <sup>(4)</sup> | Population<br>Over Age 25<br>with Post<br>Secondary<br>Education <sup>(4)</sup> | District<br>No. 831<br>School<br>Enrollment <sup>(5)</sup> | Unemployment<br>Rate <sup>(6)</sup> |
|----------------|---------------------------|--------------------------------------------|-------------------------------------------------|------------------------------|---------------------------------------------------------------------------------|------------------------------------------------------------|-------------------------------------|
| 2014           | 19,484                    | \$ 1,091,513,164                           | \$ 56,021                                       | 42                           | 4,205                                                                           | 6,716                                                      | 3.6%                                |
| 2015           | 20,261                    | 1,178,440,543                              | 58,163                                          | 42                           | 4,205                                                                           | 6,595                                                      | 3.2%                                |
| 2016           | 20,344                    | 1,215,533,656                              | 59,749                                          | 42                           | 4,205                                                                           | 6,378                                                      | 3.3%                                |
| 2017           | 20,497                    | 1,333,309,353                              | 65,049                                          | 42                           | 4,205                                                                           | 6,261                                                      | 3.1%                                |
| 2018           | 20,598                    | 1,383,588,258                              | 67,171                                          | 42                           | 4,205                                                                           | 6,124                                                      | 2.6%                                |
| 2019           | 20,798                    | 1,425,182,950                              | 68,525                                          | 42                           | 4,205                                                                           | 6,059                                                      | 2.9%                                |
| 2020           | 20,798                    | 1,500,721,286                              | 72,157                                          | 42                           | 4,205                                                                           | 5,905                                                      | 4.3%                                |
| 2021           | 20,611                    | 1,489,618,803                              | 72,273                                          | 39.5                         | 9,399                                                                           | 5,958                                                      | 2.2%                                |
| 2022           | 20,911                    | 1,049,878,577                              | 50,207                                          | 39.5                         | 9,849                                                                           | 5,958                                                      | 2.8%                                |
| 2023           | 20,862                    | 1,135,268,316                              | 54,418                                          | 39.8                         | 9,993                                                                           | 5,763                                                      | 2.7%                                |

**Sources:**

- <sup>(1)</sup> Metropolitan Council, except year 2018 estimated by City of Forest Lake.
- <sup>(2)</sup> Calculated using population and per capita personal income.
- <sup>(3)</sup> Bureau of Economic Analysis for Washington County, except year 2020 estimated by City of Forest Lake.
- <sup>(4)</sup> U.S. Census 2020. Includes population with degrees awarded only.
- <sup>(5)</sup> Minnesota Department of Education, Data Center.
- <sup>(6)</sup> Minnesota Department of Employment and Economic Development, Washington County unemployment statistics.

**City of Forest Lake  
Principal Employers  
Current Year and Nine Years Ago  
Unaudited**

**Table 17**

| Employer                            | 2023         |      |                                       | 2014         |      |                                       |
|-------------------------------------|--------------|------|---------------------------------------|--------------|------|---------------------------------------|
|                                     | Employees    | Rank | Percentage of Total County Employment | Employees    | Rank | Percentage of Total County Employment |
| I.S.D. No. 831 (Forest Lake)        | 1,300        | 1    | 0.90%                                 | 1,700        | 1    | 1.30%                                 |
| Walmart Supercenter                 | 500          | 2    | 0.35%                                 | 368          | 2    | 0.28%                                 |
| TeamVantage & Custom Mold           | 300          | 3    | 0.21%                                 | 205          | 4    | 0.16%                                 |
| Menard's, Inc.                      | 190          | 4    | 0.13%                                 | 190          | 5    | 0.14%                                 |
| Target Store                        | 160          | 5    | 0.11%                                 | 160          | 6    | 0.12%                                 |
| Cub Foods                           | 150          | 6    | 0.10%                                 | 150          | 7    | 0.11%                                 |
| Morrie's Foresty Lake Chevrolet     | 150          | 7    | 0.10%                                 |              |      |                                       |
| Gaughan Properties                  | 125          | 8    | 0.09%                                 | 125          | 8    | 0.10%                                 |
| Home Depot                          | 115          | 9    | 0.08%                                 | 115          | 9    | 0.09%                                 |
| Birchwood Health Center             | 110          | 10   | 0.08%                                 | 220          | 3    | 0.17%                                 |
| Lake International language Academy |              |      | -                                     | 105          | 10   | 0.08%                                 |
| <b>Total</b>                        | <b>3,100</b> |      | <b>2.14%</b>                          | <b>3,338</b> |      | <b>2.54%</b>                          |

Note: Data for total City employment is not available. Therefore, the percentage of total employment was calculated using total Washington County employment data. Total county employment for 2023 was 144,669. Total county employment for 2014 was 131,226.

**Sources:**

*City of Forest Lake, Continuing Disclosure Document.*  
*Minnesota Department of Employment and Economic Development, Community Profile for Forest Lake.*  
*Minnesota Department of Employment and Economic Development, Washington County Unemployment Statistics.*

**City of Forest Lake**  
**Full-Time City Government Employers by Function**  
**Last Ten Fiscal Years**  
**Unaudited**

| Function                  | 2014      | 2015      | 2016      | 2017      | 2018      | 2019      |
|---------------------------|-----------|-----------|-----------|-----------|-----------|-----------|
| <b>General Government</b> |           |           |           |           |           |           |
| Administration            | 3         | 3         | 3         | 3         | 3         | 3         |
| Finance                   | 3         | 2         | 2         | 2         | 2         | 3         |
| Community Development     | 1         | 1         | 1         | 1         | 1         | 1         |
| Facilities Maintenance    | 2         | 2         | 2         | 2         | 2         | 2         |
| Senior Center             | 1         | 1         | 1         | 1         | 1         | 1         |
| <b>Public Safety</b>      |           |           |           |           |           |           |
| Police:                   |           |           |           |           |           |           |
| Police Chief              | 1         | 1         | 1         | 1         | 1         | 1         |
| Police Captain            | 1         | 1         | 1         | 1         | 1         | 1         |
| Sworn Officers            | 26        | 26        | 25        | 25        | 25        | 25        |
| Civilians                 | 3         | 3         | 2         | 2         | 2         | 3         |
| Fire:                     |           |           |           |           |           |           |
| Fire Chief                | 1         | 1         | 1         | 1         | 1         | 1         |
| Fire Inspection           | 0         | 0         | 0         | 0         | 0         | 0         |
| Building Inspection       | 3         | 3         | 3         | 3         | 4         | 2         |
| <b>Public Works</b>       |           |           |           |           |           |           |
| Highways and Streets      | 6         | 5         | 5         | 5         | 5         | 6         |
| Maintenance               | 1         | 1         | 1         | 1         | 1         | 1         |
| Surface Water Management  | 1         | 1         | 1         | 1         | 1         | 1         |
| Culture and Recreation    |           |           |           |           |           |           |
| Parks Programs            | 1         | 1         | 1         | 1         | 1         | 1         |
| Parks Maintenance         | 1         | 1         | 1         | 1         | 1         | 2         |
| <b>Proprietary</b>        |           |           |           |           |           |           |
| Water                     | 2         | 2         | 2         | 2         | 2         | 2         |
| Sewer                     | 2         | 2         | 2         | 2         | 2         | 2         |
| Finance                   | 1         | 1         | 1         | 1         | 1         | 1         |
| Total                     | <u>60</u> | <u>58</u> | <u>56</u> | <u>56</u> | <u>57</u> | <u>59</u> |

Includes employees working a minimum of 20 hours per week. Does not include temporary and seasonal workers or volunteer firefighters.

Table 18

| 2020      | 2021      | 2022      | 2023      |
|-----------|-----------|-----------|-----------|
| 3         | 3         | 3         | 3         |
| 3         | 3         | 4         | 4         |
| 1         | 1         | 2         | 3         |
| 2         | 2         | 2         | 2         |
| 1         | 1         | 1         | 1         |
| 1         | 1         | 1         | 1         |
| 1         | 1         | 1         | 1         |
| 25        | 25        | 25        | 25        |
| 3         | 3         | 3         | 3         |
| 1         | 1         | 1         | 1         |
| 0         | 0         | 0         | 0         |
| 3         | 3         | 4         | 4         |
| 6         | 6         | 7         | 7         |
| 1         | 1         | 1         | 1         |
| 1         | 1         | 1         | 1         |
| 1         | 1         | 1         | 1         |
| 2         | 3         | 3         | 3         |
| 2         | 3         | 3         | 3         |
| 2         | 2         | 2         | 2         |
| 1         | 1         | 1         | 1         |
| <b>60</b> | <b>62</b> | <b>66</b> | <b>67</b> |

**City of Forest Lake  
Operating Indicators by Function  
Last Ten Fiscal Years  
Unaudited**

| Function                                  | Fiscal Year   |               |               |                |
|-------------------------------------------|---------------|---------------|---------------|----------------|
|                                           | 2014          | 2015          | 2016          | 2017           |
| <b>Public Safety</b>                      |               |               |               |                |
| Police                                    |               |               |               |                |
| Number of Calls Answered                  | 14,697        | 14,222        | 13,857        | 15,902         |
| Number of Citations                       | 1,841         | 1,725         | 1,359         | 1,133          |
| Number of Sworn Officers                  | 26            | 26            | 25            | 25             |
| Fire                                      |               |               |               |                |
| Number of Calls Answered                  | 359           | 356           | 430           | 472            |
| Number of Volunteer Firefighters          | 34            | 31            | 29            | 31             |
| Number of fire inspections <sup>(1)</sup> | 80            | 24            | -             | -              |
| Building Inspection                       |               |               |               |                |
| Number of New Residential Permits         | 80            | 72            | 45            | 57             |
| Number of New Commercial Permits          | 13            | 8             | 12            | 7              |
| Number of Other Permits                   | 404           | 1,457         | 1,182         | 2,709          |
| Number of Inspections                     | 3,184         | 2,975         | 2,635         | 3,165          |
| Total Permit Valuation                    | \$ 52,859,459 | \$ 34,573,624 | \$ 68,065,656 | \$ 101,999,277 |
| <b>Public Works</b>                       |               |               |               |                |
| Streets and Highways                      |               |               |               |                |
| Miles of Streets Resurfaced               | 12            | 5             | 10            | 6              |
| Water System                              |               |               |               |                |
| Number of Service Connections             | 4,000         | 4,012         | 4,025         | 4,104          |
| Number of Water Main Breaks               | 28            | 18            | 3             | 3              |
| Average Daily Consumption                 | 1,067,159     | 1,160,000     | 1,205,083     | 1,250,608      |
| Sewage System                             |               |               |               |                |
| Number of Service Connections             | 5,854         | 5,789         | 5,833         | 5,888          |
| Number of Sewer Backups                   | 5             | 4             | 1             | 1              |
| Culture and Recreation                    |               |               |               |                |
| Parks                                     |               |               |               |                |
| Number of Seasonal Workers                | 21            | 12            | 12            | 13             |

Note: Indicators are not available for the general government function.

<sup>(1)</sup> The fire inspection program was first implemented in mid - 2006, suspended in mid - 2008, resumed in 2012, suspended in 2015.

Table 19

| Fiscal Year   |               |               |               |               |               |  |
|---------------|---------------|---------------|---------------|---------------|---------------|--|
| 2018          | 2019          | 2020          | 2021          | 2022          | 2023          |  |
| 18,065        | 19,061        | 16,768        | 16,638        | 14,909        | 16,297        |  |
| 1,276         | 1,138         | 667           | 637           | 654           | 917           |  |
| 25            | 25            | 25            | 25            | 25            |               |  |
| 487           | 536           | 495           | 482           | 495           | 508           |  |
| 29            | 31            | 31            | 27            | 28            | 32            |  |
| -             | -             | -             | -             | -             |               |  |
| 59            | 52            | 43            | 34            | 32            | 22            |  |
| 13            | 6             | -             | 12            | 5             | 2             |  |
| 1,730         | 1,389         | 1,666         | 1,516         | 1,125         | 1,224         |  |
| 3,267         | 3,672         | 4,049         | 3,178         | 2,580         | 2,603         |  |
| \$ 79,479,396 | \$ 75,337,753 | \$ 50,561,535 | \$ 71,486,414 | \$ 54,561,535 | \$ 61,743,660 |  |
| 1             | 3.5           | 4.7           | 5.4           | 2             | 2.6           |  |
| 4,145         | 4,213         | 4,243         | 4,260         | 4,296         | 4,325         |  |
| 6             | 7             | 15            | 8             | 4             | 3             |  |
| 1,247,216     | 1,176,000     | 1,233,000     | 1,215,814     | 1,133,680     | 1,309,704     |  |
| 5,918         | 5,969         | 6,014         | 6,058         | 6,092         | 6,166         |  |
| 2             | 1             | 2             | 2             | 3             | 2             |  |
| 13            | 14            | 16            | 14            | 15            | 15            |  |



**City of Forest Lake  
Capital Asset Statistics by Function  
Last Ten Fiscal Years  
Unaudited**

| Function                    | Fiscal Year |      |      |      |
|-----------------------------|-------------|------|------|------|
|                             | 2014        | 2015 | 2016 | 2017 |
| <b>Public Safety</b>        |             |      |      |      |
| Police                      |             |      |      |      |
| Number of Stations          | 1           | 1    | 1    | 1    |
| Number of Patrol Units      | 14          | 14   | 14   | 15   |
| Fire                        |             |      |      |      |
| Number of Stations          | 2           | 2    | 2    | 2    |
| Number of Response Units    | 11          | 11   | 11   | 11   |
| <b>Public Works</b>         |             |      |      |      |
| Streets and Highways        |             |      |      |      |
| Municipal Streets and Roads | 130         | 127  | 136  | 137  |
| Number of Street Lights     | N/A         | N/A  | N/A  | N/A  |
| Water System                |             |      |      |      |
| Miles of Water Mains        | 69          | 71   | 73   | 73   |
| Number of Fire Hydrants     | 705         | 714  | 708  | 708  |
| Sewage System               |             |      |      |      |
| Miles of Sanitary Sewers    | 91          | 104  | 106  | 106  |
| Culture and Recreation      |             |      |      |      |
| Parks                       |             |      |      |      |
| Number of Parks             | 20          | 20   | 20   | 20   |
| Park Acreage                | 282         | 282  | 282  | 282  |
| Tennis Courts               | 1           | 1    | 1    | 2    |
| Pickleball Courts           | -           | -    | -    | -    |
| Basketball Courts           | 3           | 3    | 3    | 3    |
| Softball Fields             | 10          | 10   | 10   | 10   |
| Soccer Fields               | 3           | 3    | 3    | 3    |
| Baseball Fields             | 1           | 1    | 1    | 1    |
| Ice Rinks                   | 2           | 3    | 3    | 3    |

Table 20

| Fiscal Year |      |      |      |      |      |
|-------------|------|------|------|------|------|
| 2018        | 2019 | 2020 | 2021 | 2022 | 2023 |
| 1           | 1    | 1    | 1    | 1    | 1    |
| 15          | 15   | 16   | 17   | 18   | 18   |
| 2           | 2    | 2    | 2    | 2    | 2    |
| 11          | 11   | 11   | 11   | 11   | 12   |
| 138         | 139  | 139  | 139  | 139  | 140  |
| N/A         | N/A  | N/A  | 132  | 132  | 132  |
| 74          | 75   | 75   | 75   | 75   | 76   |
| 791         | 796  | 798  | 800  | 800  | 805  |
| 106         | 107  | 107  | 107  | 107  | 108  |
| 20          | 20   | 20   | 20   | 20   | 20   |
| 282         | 282  | 282  | 282  | 282  | 282  |
| 2           | 2    | 2    | 2    | 2    | 2    |
| -           | -    | -    | -    | 7    | 7    |
| 3           | 3    | 3    | 3    | 3    | 3    |
| 10          | 10   | 10   | 10   | 8    | 8    |
| 3           | 3    | 3    | 3    | 3    | 3    |
| 1           | 1    | 1    | 1    | 5    | 5    |
| 3           | 3    | 3    | 3    | 3    | 3    |

**FORM OF LEGAL OPINION**

(See following pages)

\$4,400,000  
City of Forest Lake, Minnesota  
General Obligation Street Reconstruction Plan Bonds  
Series 2025A

We have acted as bond counsel to the City of Forest Lake, Washington County, Minnesota (the “Issuer”) in connection with the issuance by the Issuer of its General Obligation Street Reconstruction Plan Bonds, Series 2025A (the “Bonds”), originally dated the date hereof, and issued in the original aggregate principal amount of \$4,400,000. In such capacity and for the purpose of rendering this opinion we have examined certified copies of certain proceedings, certifications and other documents, and applicable laws as we have deemed necessary. Regarding questions of fact material to this opinion, we have relied on certified proceedings and other certifications of public officials and other documents furnished to us without undertaking to verify the same by independent investigation. Under existing laws, regulations, rulings and decisions in effect on the date hereof, and based on the foregoing we are of the opinion that:

1. The Bonds have been duly authorized and executed, and are valid and binding general obligations of the Issuer, enforceable against the Issuer in accordance with their terms.

2. The principal of and interest on the Bonds are payable in part from ad valorem taxes, but if necessary for the payment thereof additional ad valorem taxes are required by law to be levied on all taxable property of the Issuer, which taxes are not subject to any limitation as to rate or amount.

3. Interest on the Bonds is excludable from gross income for federal income tax purposes and is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals. Interest on the Bonds is excludable, to the same extent, from taxable net income of individuals, trusts, and estates for Minnesota income tax purposes and is not an item of tax preference for purposes of the Minnesota alternative minimum tax imposed on individuals, trusts and estates. The opinions set forth in the preceding sentences are subject to the condition that the Issuer comply with all requirements of the Internal Revenue Code of 1986, as amended, that must be satisfied subsequent to the issuance of the Bonds in order that the interest thereon be, and continue to be, excludable from gross income for federal income tax purposes and taxable net income for Minnesota income tax purposes. The Issuer has covenanted to comply with all such requirements. Failure to comply with certain of such requirements may cause interest on the Bonds to be included in gross income for federal income tax purposes retroactively to the date of issuance of the Bonds. Interest on the Bonds may affect the federal alternative minimum tax imposed on certain corporations and such interest is subject to Minnesota franchise taxes on certain corporations (including financial institutions) measured by income. We express no opinion regarding tax consequences arising with respect to the Bonds other than as expressly set forth herein.

4. The rights of the owners of the Bonds and the enforceability of the Bonds may be limited by bankruptcy, insolvency, reorganization, moratorium, and other similar laws affecting creditors' rights generally and by equitable principles, whether considered at law or in equity.

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

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

Dated \_\_\_\_\_, 2025 at Minneapolis, Minnesota.

### BOOK-ENTRY-ONLY SYSTEM

1. The Depository Trust Company ("DTC"), New York, New York, will act as securities depository for the securities (the "Securities"). The Securities will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Security certificate will be issued for [each issue of] the Securities, [each] in the aggregate principal amount of such issue, and will be deposited with DTC. [If, however, the aggregate principal amount of [any] issue exceeds \$500 million, one certificate will be issued with respect to each \$500 million of principal amount, and an additional certificate will be issued with respect to any remaining principal amount of such issue.]
2. DTC, the world's largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has a Standard & Poor's rating of AA+. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at [www.dtcc.com](http://www.dtcc.com).
3. Purchases of Securities under the DTC system must be made by or through Direct Participants, which will receive a credit for the Securities on DTC's records. The ownership interest of each actual purchaser of each Security ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Securities are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Securities, except in the event that use of the book-entry system for the Securities is discontinued.
4. To facilitate subsequent transfers, all Securities deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Securities with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Securities; DTC's records reflect only the identity of the Direct Participants to whose accounts such Securities are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

5. Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. [Beneficial Owners of Securities may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Securities, such as redemptions, tenders, defaults, and proposed amendments to the Security documents. For example, Beneficial Owners of Securities may wish to ascertain that the nominee holding the Securities for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of notices be provided directly to them.]
6. Redemption notices shall be sent to DTC. If less than all of the Securities within an issue are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.
7. Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to Securities unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to City as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts Securities are credited on the record date (identified in a listing attached to the Omnibus Proxy).
8. Redemption proceeds, distributions, and dividend payments on the Securities will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the City or Agent, on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, Agent, or the City, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, distributions, and dividend payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the City or Agent, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.
9. A Beneficial Owner shall give notice to elect to have its Securities purchased or tendered, through its Participant, to [Tender/Remarketing] Agent, and shall effect delivery of such Securities by causing the Direct Participant to transfer the Participant's interest in the Securities, on DTC's records, to [Tender/Remarketing] Agent. The requirement for physical delivery of Securities in connection with an optional tender or a mandatory purchase will be deemed satisfied when the ownership rights in the Securities are transferred by Direct Participants on DTC's records and followed by a book-entry credit of tendered Securities to [Tender/Remarketing] Agent's DTC account.
10. DTC may discontinue providing its services as depository with respect to the Securities at any time by giving reasonable notice to the City or Agent. Under such circumstances, in the event that a successor depository is not obtained, Security certificates are required to be printed and delivered.
11. The City may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor securities depository). In that event, Security certificates will be printed and delivered to DTC.
12. The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that the City believes to be reliable, but the City takes no responsibility for the accuracy thereof.

**FORM OF CONTINUING DISCLOSURE UNDERTAKING**

(See following pages)



\$4,400,000  
City of Forest Lake, Minnesota  
General Obligation Street Reconstruction Plan Bonds  
Series 2025A

**CONTINUING DISCLOSURE CERTIFICATE**

\_\_\_\_\_, 2025

This Continuing Disclosure Certificate (the “Disclosure Certificate”) is executed and delivered by the City of Forest Lake, Minnesota (the “Issuer”) in connection with the issuance of its General Obligation Street Reconstruction Plan Bonds, Series 2025A (the “Bonds”) in the original aggregate principal amount of \$4,400,000. The Bonds are being issued pursuant to resolutions adopted by the City Council of the Issuer (the “Resolutions”). The Bonds are being delivered to \_\_\_\_\_, \_\_\_\_\_, \_\_\_\_\_ (the “Purchaser”) on the date hereof. Pursuant to the Resolutions, the Issuer has covenanted and agreed to provide continuing disclosure of certain financial information and operating data and timely notices of the occurrence of certain events. The Issuer hereby covenants and agrees as follows:

Section 1. Purpose of the Disclosure Certificate. This Disclosure Certificate is being executed and delivered by the Issuer for the benefit of the Holders (as defined herein) of the Bonds in order to provide for the public availability of such information and assist the Participating Underwriter(s) (as defined herein) in complying with the Rule (as defined herein). This Disclosure Certificate, together with the Resolutions, constitutes the written agreement or contract for the benefit of the Holders of the Bonds that is required by the Rule.

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

“Annual Report” means any annual report provided by the Issuer pursuant to, and as described in, Sections 3 and 4 of this Disclosure Certificate.

“Audited Financial Statements” means annual financial statements of the Issuer, prepared in accordance with GAAP as prescribed by GASB.

“Bonds” means the General Obligation Street Reconstruction Plan Bonds, Series 2025A, issued by the Issuer in the original aggregate principal amount of \$4,400,000.

“Disclosure Certificate” means this Continuing Disclosure Certificate.

“EMMA” means the Electronic Municipal Market Access system operated by the MSRB and designated as a nationally recognized municipal securities information repository and the exclusive portal for complying with the continuing disclosure requirements of the Rule.

“Final Official Statement” means the deemed final Official Statement, dated \_\_\_\_\_, 2025, which constitutes the final official statement delivered in connection with the Bonds, which is available from the MSRB.

“Financial Obligation” means a (a) debt obligation; (b) derivative instrument entered into in connection with, or pledged as security or a source of payment for, an existing or planned debt obligation; or (c) guarantee of a Financial Obligation as described in clause (a) or (b). The term “Financial Obligation” shall not include municipal securities as to which a final official statement has been provided to the MSRB consistent with the Rule.

“Fiscal Year” means the fiscal year of the Issuer.

“GAAP” means generally accepted accounting principles for governmental units as prescribed by GASB.

“GASB” means the Governmental Accounting Standards Board.

“Holder” means the person in whose name a Bond is registered or a beneficial owner of such a Bond.

“Issuer” means the City of Forest Lake, Minnesota, which is the obligated person with respect to the Bonds.

“Material Event” means any of the events listed in Section 5(a) of this Disclosure Certificate.

“MSRB” means the Municipal Securities Rulemaking Board located at 1300 I Street NW, Suite 1000, Washington, DC 20005.

“Participating Underwriter” means any of the original underwriter(s) of the Bonds (including the Purchaser) required to comply with the Rule in connection with the offering of the Bonds.

“Purchaser” means \_\_\_\_\_, \_\_\_\_\_, \_\_\_\_\_.

“Repository” means EMMA, or any successor thereto designated by the SEC.

“Rule” means SEC Rule 15c2-12(b)(5) promulgated by the SEC under the Securities Exchange Act of 1934, as the same may be amended from time to time, and including written interpretations thereof by the SEC.

“SEC” means Securities and Exchange Commission, and any successor thereto.

### Section 3. Provision of Annual Financial Information and Audited Financial Statements.

(a) The Issuer shall provide to the Repository not later than 12 months after the end of the Fiscal Year commencing with the year that ends December 31, 2024, an Annual Report which is consistent with the requirements of Section 4 of this Disclosure Certificate. The Annual Report may be submitted as a single document or as separate documents comprising a package, and may cross-reference other information as provided in Section 4 of this Disclosure Certificate; provided that the Audited Financial Statements of the Issuer may be submitted separately from the balance of the Annual Report.

(b) If the Issuer is unable or fails to provide to the Repository an Annual Report by the date required in subsection (a), the Issuer shall send a notice of that fact to the Repository and the MSRB.

(c) The Issuer shall determine each year prior to the date for providing the Annual Report the name and address of each Repository.

Section 4. Content of Annual Reports. The Issuer's Annual Report shall contain or incorporate by reference the following sections of the Final Official Statement:

1. Current Property Valuations
2. Direct Debt
3. Tax Levies and Collections
4. U.S. Census Data/Population Trend
5. Employment/Unemployment Data

In addition to the items listed above, the Annual Report shall include Audited Financial Statements submitted in accordance with Section 3 of this Disclosure Certificate.

Any or all of the items listed above may be incorporated by reference from other documents, including official statements of debt issues of the Issuer or related public entities, which have been submitted to the Repository or the SEC. If the document incorporated by reference is a final official statement, it must also be available from the MSRB. The Issuer shall clearly identify each such other document so incorporated by reference.

Section 5. Reporting of Material Events.

(a) This Section 5 shall govern the giving of notice of the occurrence of any of the following events ("Material Events") with respect to the Bonds:

1. Principal and interest payment delinquencies;
2. Non-payment related defaults, if material;
3. Unscheduled draws on debt service reserves reflecting financial difficulties;
4. Unscheduled draws on credit enhancements reflecting financial difficulties;
5. Substitution of credit or liquidity providers, or their failure to perform;
6. Adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB), or other material notices or determinations with respect to the tax status of the security, or other material events affecting the tax status of the security;
7. Modifications to rights of security holders, if material;
8. Bond calls, if material, and tender offers;
9. Defeasances;
10. Release, substitution, or sale of property securing repayment of the securities, if material;
11. Rating changes;
12. Bankruptcy, insolvency, receivership or similar event of the obligated person;

13. The consummation of a merger, consolidation, or acquisition involving an obligated person or the sale of all or substantially all of the assets of the obligated person, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material;
14. Appointment of a successor or additional trustee or the change of name of a trustee, if material;
15. Incurrence of a Financial Obligation of the obligated person, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a Financial Obligation of the obligated person, any of which affect security holders, if material; and
16. Default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a Financial Obligation of the obligated person, any of which reflect financial difficulties.

(b) The Issuer shall file a notice of such occurrence with the Repository or with the MSRB within ten (10) business days of the occurrence of the Material Event.

(c) Unless otherwise required by law and subject to technical and economic feasibility, the Issuer shall employ such methods of information transmission as shall be requested or recommended by the designated recipients of the Issuer's information.

Section 6. EMMA. The SEC has designated EMMA as a nationally recognized municipal securities information repository and the exclusive portal for complying with the continuing disclosure requirements of the Rule. Until the EMMA system is amended or altered by the MSRB and the SEC, the Issuer shall make all filings required under this Disclosure Certificate solely with EMMA.

Section 7. Termination of Reporting Obligation. The Issuer's obligations under the Resolutions and this Disclosure Certificate shall terminate upon the redemption in full of all Bonds or payment in full of all Bonds.

Section 8. Agent. The Issuer may, from time to time, appoint or engage a dissemination agent to assist it in carrying out its obligations under the Resolutions and this Disclosure Certificate, and may discharge any such agent, with or without appointing a successor dissemination agent.

Section 9. Amendment; Waiver. Notwithstanding any other provision of the Resolutions or this Disclosure Certificate, the Issuer may amend this Disclosure Certificate, and any provision of this Disclosure Certificate may be waived, if such amendment or waiver is supported by an opinion of nationally recognized bond counsel to the effect that such amendment or waiver would not, in and of itself, cause a violation of the Rule. The provisions of the Resolutions requiring continuing disclosure pursuant to the Rule and this Disclosure Certificate, or any provision hereof, shall be null and void in the event that the Issuer delivers to the Repository an opinion of nationally recognized bond counsel to the effect that those portions of the Rule which impose the continuing disclosure requirements of the Resolutions and the execution and delivery of this Disclosure Certificate are invalid, have been repealed retroactively or otherwise do not apply to the Bonds. The provisions of the Resolutions requiring continuing disclosure pursuant to the Rule and this Disclosure Certificate may be amended without the consent of the Holders of the Bonds, but only upon the delivery by the Issuer to the Repository of the proposed amendment and an opinion of nationally recognized bond counsel to the effect that such amendment, and giving effect thereto, will not adversely affect the compliance with the Rule.

Section 10. Additional Information. Nothing in this Disclosure Certificate shall be deemed to prevent the Issuer from disseminating any other information, using the means of dissemination set forth in this Disclosure Certificate or any other means of communication, or including any other information in any Annual Report or notice of occurrence of a Material Event, in addition to that which is required by this Disclosure Certificate. If the Issuer chooses to include any information in any Annual Report or notice of occurrence of a Material Event in addition to that which is specifically required by this Disclosure Certificate, the Issuer shall have no obligation under this Disclosure Certificate to update such information or include it in any future Annual Report or notice of occurrence of a Material Event.

Section 11. Default. In the event of a failure of the Issuer to comply with any provision of this Disclosure Certificate any Holder of the Bonds may take such actions as may be necessary and appropriate, including seeking mandamus or specific performance by court order, to cause the Issuer to comply with its obligations under the Resolutions and this Disclosure Certificate. A default under this Disclosure Certificate shall not be deemed an event of default with respect to the Bonds and the sole remedy under this Disclosure Certificate in the event of any failure of the Issuer to comply with this Disclosure Certificate shall be an action to compel performance.

Section 12. Beneficiaries. This Disclosure Certificate shall inure solely to the benefit of the Issuer, the Participating Underwriters, and the Holders from time to time of the Bonds, and shall create no rights in any other person or entity.

(The remainder of this page is intentionally left blank.)

IN WITNESS WHEREOF, we have executed this Disclosure Certificate in our official capacities effective as of the date and year first written above.

**CITY OF FOREST LAKE, MINNESOTA**

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Mayor

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City Administrator

**TERMS OF PROPOSAL**

**\$4,400,000\* GENERAL OBLIGATION STREET RECONSTRUCTION PLAN BONDS, SERIES 2025A  
CITY OF FOREST LAKE, MINNESOTA**

Proposals for the purchase of \$4,400,000\* General Obligation Bonds, Series 2025A (the "Bonds") of the City of Forest Lake, Minnesota (the "City") will be received at the offices of Ehlers and Associates, Inc. ("Ehlers"), 3060 Centre Pointe Drive, Roseville, Minnesota 55113-1105, municipal advisors to the City, until 10:00 A.M., Central Time, and **ELECTRONIC PROPOSALS** will be received via [bondsale@ehlers-inc.com](mailto:bondsale@ehlers-inc.com) or **PARITY**, in the manner described below, until 10:00 A.M., Central Time, on May 12, 2025, at which time they will be opened, read and tabulated. The proposals will be presented to the City Council for consideration for award by resolution at a meeting to be held at 7:00 P.M., Central Time, on the same date. The proposal offering to purchase the Bonds upon the terms specified herein and most favorable to the City will be accepted unless all proposals are rejected.

**AUTHORITY; PURPOSE; SECURITY**

The Bonds are being issued pursuant to Minnesota Statutes, Section 475.58, subd. 3b, and Minnesota Statutes, Chapter 475, as amended, by the City, to finance the reconstruction of a portion of the North Shore Trail with the City as described in the City's Street Reconstruction and Overlay Plan 2025-2029, dated March 24, 2025. The Bonds will be general obligations of the City for which its full faith and credit and taxing powers are pledged.

**DATES AND MATURITIES**

The Bonds will be dated June 5, 2025, will be issued as fully registered Bonds in the denomination of \$5,000 each, or any integral multiple thereof, and will mature on February 1 as follows:

| <u>Year</u> | <u>Amount*</u> | <u>Year</u> | <u>Amount*</u> | <u>Year</u> | <u>Amount*</u> |
|-------------|----------------|-------------|----------------|-------------|----------------|
| 2027        | \$220,000      | 2032        | \$265,000      | 2037        | \$325,000      |
| 2028        | 230,000        | 2033        | 275,000        | 2038        | 340,000        |
| 2029        | 240,000        | 2034        | 285,000        | 2039        | 355,000        |
| 2030        | 245,000        | 2035        | 300,000        | 2040        | 370,000        |
| 2031        | 255,000        | 2036        | 310,000        | 2041        | 385,000        |

**ADJUSTMENT OPTION**

The City reserves the right to increase or decrease the principal amount of the Bonds on the day of sale, in increments of \$5,000 each. Increases or decreases may be made in any maturity. If any principal amounts are adjusted, the purchase price proposed will be adjusted to maintain the same gross spread per \$1,000.

**TERM BOND OPTION**

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

## INTEREST PAYMENT DATES AND RATES

Interest will be payable on February 1 and August 1 of each year, commencing February 1, 2026, to the registered owners of the Bonds appearing of record in the bond register as of the close of business on the 15th day (whether or not a business day) of the immediately preceding month. Interest will be computed upon the basis of a 360-day year of twelve 30-day months and will be rounded pursuant to rules of the Municipal Securities Rulemaking Board. **The rate for any maturity may not be more than 1.00% less than the rate for any preceding maturity. (For example, if a rate of 4.50% is proposed for the 2027 maturity, then the lowest rate that may be proposed for any later maturity is 3.50%.)** All Bonds of the same maturity must bear interest from date of issue until paid at a single, uniform rate. Each rate must be expressed in an integral multiple of 5/100 or 1/8 of 1%.

## BOOK-ENTRY-ONLY FORMAT

Unless otherwise specified by the purchaser, the Bonds will be designated in the name of Cede & Co., as nominee for The Depository Trust Company, New York, New York ("DTC"). DTC will act as securities depository for the Bonds, and will be responsible for maintaining a book-entry system for recording the interests of its participants and the transfers of interests between its participants. The participants will be responsible for maintaining records regarding the beneficial interests of the individual purchasers of the Bonds. So long as Cede & Co. is the registered owner of the Bonds, all payments of principal and interest will be made to the depository which, in turn, will be obligated to remit such payments to its participants for subsequent disbursement to the beneficial owners of the Bonds.

## PAYING AGENT

The City has selected Bond Trust Services Corporation, Roseville, Minnesota ("BTSC"), to act as paying agent (the "Paying Agent"). BTSC and Ehlers are affiliate companies. The City will pay the charges for Paying Agent services. The City reserves the right to remove the Paying Agent and to appoint a successor.

## OPTIONAL REDEMPTION

At the option of the City, the Bonds maturing on or after February 1, 2036 shall be subject to optional redemption prior to maturity on February 1, 2035 or any date thereafter, at a price of par plus accrued interest to the date of optional redemption.

Redemption may be in whole or in part of the Bonds subject to prepayment. If redemption is in part, the selection of the amounts and maturities of the Bonds to be redeemed shall be at the discretion of the City. If only part of the Bonds having a common maturity date are called for redemption, then the City or Paying Agent, if any, will notify DTC of the particular amount of such maturity to be redeemed. DTC will determine by lot the amount of each participant's interest in such maturity to be redeemed and each participant will then select by lot the beneficial ownership interest in such maturity to be redeemed.

Notice of redemption shall be sent by mail not more than 60 days and not less than 30 days prior to the date fixed for redemption to the registered owner of each Bond to be redeemed at the address shown on the registration books.

## DELIVERY

On or about June 5, 2025, the Bonds will be delivered without cost to the winning bidder at DTC. On the day of closing, the City will furnish to the winning bidder the opinion of bond counsel hereinafter described, an arbitrage certification, and certificates verifying that no litigation in any manner questioning the validity of the Bonds is then pending or, to the best knowledge of officers of the City, threatened. Payment for the Bonds must be received by the City at its designated depository on the date of closing in immediately available funds.



## LEGAL OPINION

An opinion as to the validity of the Bonds and the exemption from taxation of the interest thereon will be furnished by Kutak Rock LLP, Minneapolis, Minnesota, Bond Counsel to the City ("Bond Counsel"), and will be available at the time of delivery of the Bonds. The legal opinion will state that the Bonds are valid and binding general obligations of the City; provided that the rights of the owners of the Bonds and the enforceability of the Bonds may be limited by bankruptcy, insolvency, reorganization, moratorium, and other similar laws affecting creditors' rights and by equitable principles (which may be applied in either a legal or equitable proceeding). See "FORM OF LEGAL OPINION" found in Appendix B.

## SUBMISSION OF PROPOSALS

Proposals must not be for less than \$4,347,200 plus accrued interest on the principal sum of \$4,400,000 from date of original issue of the Bonds to date of delivery. Prior to the time established above for the opening of proposals, interested parties may submit a proposal as follows:

- 1) Electronically to [bondsale@ehlers-inc.com](mailto:bondsale@ehlers-inc.com); or
- 2) Electronically via **PARITY** in accordance with this Terms of Proposal until 10:00 A.M., Central Time, but no proposal will be received after the time for receiving proposals specified above. To the extent any instructions or directions set forth in **PARITY** conflict with this Terms of Proposal, the terms of this Terms of Proposal shall control. For further information about **PARITY**, potential bidders may contact IHS Markit (now part of S&P Global) at <https://ihsmarkit.com/products/municipal-issuance.html> or via telephone (844) 301-7334.

Proposals must be submitted to Ehlers via one of the methods described above and must be received prior to the time established above for the opening of proposals. Each proposal must be unconditional except as to legality. Neither the City nor Ehlers shall be responsible for any failure to receive a submission.

**A good faith deposit ("Deposit") in the amount of \$88,000 shall be made by the winning bidder by wire transfer of funds. Such Deposit shall be received by Ehlers no later than two hours after the proposal opening time. Wire transfer instructions will be provided to the winning bidder by Ehlers after the tabulation of proposals.** The City reserves the right to award the Bonds to a winning bidder whose wire transfer is initiated but not received by such time provided that such winning bidder's federal wire reference number has been received by such time. In the event the Deposit is not received as provided above, the City may award the Bonds to the bidder submitting the next best proposal provided such bidder agrees to such award. The Deposit will be retained by the City as liquidated damages if the proposal is accepted and the Purchaser fails to comply therewith.

The City and the winning bidder who chooses to so wire the Deposit hereby agree irrevocably that Ehlers shall be the escrow holder of the Deposit wired to such account subject only to these conditions and duties: 1) All income earned thereon shall be retained by the escrow holder as payment for its expenses; 2) If the proposal is not accepted, Ehlers shall, at its expense, promptly return the Deposit amount to the winning bidder; 3) If the proposal is accepted, the Deposit shall be returned to the winning bidder at the closing; 4) Ehlers shall bear all costs of maintaining the escrow account and returning the funds to the winning bidder; 5) Ehlers shall not be an insurer of the Deposit amount and shall have no liability hereunder except if it willfully fails to perform or recklessly disregards, its duties specified herein; and 6) FDIC insurance on deposits within the escrow account shall be limited to \$250,000 per bidder.

No proposal can be withdrawn after the time set for receiving proposals unless the meeting of the City scheduled for award of the Bonds is adjourned, recessed, or continued to another date without award of the Bonds having been made.

## **AWARD**

The Bonds will be awarded to the bidder offering the lowest interest rate to be determined on a True Interest Cost (TIC) basis. The City's computation of the interest rate of each proposal, in accordance with customary practice, will be controlling. In the event of a tie, the sale of the Bonds will be awarded by lot. The City reserves the right to reject any and all proposals and to waive any informality in any proposal.

## **BOND INSURANCE**

If the Bonds are qualified for any bond insurance policy, the purchase of such policy shall be at the sole option and expense of the winning bidder. Any cost for such insurance policy is to be paid by the winning bidder, except that, if the City requested and received a rating on the Bonds from a rating agency, the City will pay that rating fee. Any rating agency fees not requested by the City are the responsibility of the winning bidder.

Failure of the municipal bond insurer to issue the policy after the Bonds are awarded to the winning bidder shall not constitute cause for failure or refusal by the winning bidder to accept delivery of the Bonds.

## **CUSIP NUMBERS**

The City will assume no obligation for the assignment or printing of CUSIP numbers on the Bonds or for the correctness of any numbers printed thereon, but will permit such numbers to be printed at the expense of the winning bidder, if the winning bidder waives any delay in delivery occasioned thereby.

## **QUALIFIED TAX-EXEMPT OBLIGATIONS**

The City will designate the Bonds as "qualified tax-exempt obligations" for purposes of Section 265(b)(3) of the Internal Revenue Code of 1986, as amended.

## **CONTINUING DISCLOSURE**

In order to assist the Underwriter (Syndicate Manager) in complying with the provisions of Rule 15c2-12 promulgated by the Securities and Exchange Commission under the Securities Exchange Act of 1934 the City will enter into an undertaking for the benefit of the holders of the Bonds. A description of the details and terms of the undertaking is set forth in Appendix D of the Preliminary Official Statement.

## **NEW ISSUE PRICING**

The winning bidder will be required to provide, in a timely manner, certain information necessary to compute the yield on the Bonds pursuant to the provisions of the Internal Revenue Code of 1986, as amended, and to provide a certificate, the form of which will be provided by Bond Counsel upon request.

(a) The winning bidder shall assist the City in establishing the issue price of the Bonds and shall execute and deliver to the City at closing an "issue price" or similar certificate satisfactory to Bond Counsel setting forth the reasonably expected initial offering price to the public or the sales price or prices of the Bonds, together with the supporting pricing wires or equivalent communications. All actions to be taken by the City under this Terms of Proposal to establish the issue price of the Bonds may be taken on behalf of the City by the City's municipal advisor identified herein and any notice or report to be provided to the City may be provided to the City's municipal advisor.

(b) The City intends that the provisions of Treasury Regulation Section 1.148-1(f)(3)(i) (defining "competitive sale" for purposes of establishing the issue price of the Bonds) will apply to the initial sale of the Bonds (the "competitive sale requirements") because:

- (1) The City shall disseminate this Terms of Proposal to potential underwriters in a manner that is reasonably designed to reach potential investors;

- (2) all bidders shall have an equal opportunity to bid;
- (3) the City may receive proposals from at least three underwriters of municipal bonds who have established industry reputations for underwriting new issuances of municipal bonds; and
- (4) the City anticipates awarding the sale of the Bonds to the bidder who submits a firm offer to purchase the Bonds at the highest price (or lowest interest cost), as set forth in this Terms of Proposal.

Any proposal submitted pursuant to this Terms of Proposal shall be considered a firm offer for the purchase of the Bonds, as specified in this proposal.

(c) If all of the requirements of a "competitive sale" are not satisfied, the City shall advise the winning bidder of such fact prior to the time of award of the sale of the Bonds to the winning bidder. In such event, any proposal submitted will not be subject to cancellation or withdrawal and the City agrees to use the rule selected by the winning bidder on its proposal form to determine the issue price for the Bonds. On its proposal form, each bidder must select one of the following two rules for determining the issue price of the Bonds: (1) the first price at which 10% of a maturity of the Bonds (the "10% test") is sold to the public as the issue price of that maturity or (2) the initial offering price to the public as of the sale date as the issue price of each maturity of the Bonds (the "hold-the-offering-price rule").

(d) If all of the requirements of a "competitive sale" are not satisfied and the winning bidder selects the hold-the-offering-price rule, the winning bidder shall (i) confirm that the underwriters have offered or will offer the Bonds to the public on or before the date of award at the offering price or prices (the "initial offering price"), or at the corresponding yield or yields, set forth in the proposal submitted by the winning bidder and (ii) agree, on behalf of the underwriters participating in the purchase of the Bonds, that the underwriters will neither offer nor sell unsold Bonds of any maturity to which the hold-the-offering-price rule shall apply to any person at a price that is higher than the initial offering price to the public during the period starting on the sale date and ending on the earlier of the following:

- (1) the close of the fifth (5<sup>th</sup>) business day after the sale date; or
- (2) the date on which the underwriters have sold at least 10% of that maturity of the Bonds to the public at a price that is no higher than the initial offering price to the public.

The winning bidder will advise the City promptly after the close of the fifth (5<sup>th</sup>) business day after the sale whether it has sold 10% of that maturity of the Bonds to the public at a price that is no higher than the initial offering price to the public.

The City acknowledges that in making the representation set forth above, the winning bidder will rely on:

(i) the agreement of each underwriter to comply with requirements for establishing issue price of the Bonds, including, but not limited to, its agreement to comply with the hold-the-offering-price rule, if applicable to the Bonds, as set forth in an agreement among underwriters and the related pricing wires,

(ii) in the event a selling group has been created in connection with the initial sale of the Bonds to the public, the agreement of each dealer who is a member of the selling group to comply with the requirements for establishing issue price of the Bonds, including, but not limited to, its agreement to comply with the hold-the-offering-price rule, if applicable to the Bonds, as set forth in a selling group agreement and the related pricing wires, and

(iii) in the event that an underwriter or dealer who is a member of the selling group is a party to a third-party distribution agreement that was employed in connection with the initial sale of the Bonds to the public, the agreement of each broker-dealer that is party to such agreement to comply with the requirements for establishing issue price of the Bonds, including, but not limited to, its agreement to comply with the hold-the-offering-price rule, if applicable to the Bonds, as set forth in the third-party distribution agreement and the related pricing wires. The City further acknowledges that each underwriter shall be solely liable for its failure to comply with its agreement regarding the requirements for establishing issue price rule of the Bonds, including, but not limited to, its agreement to comply with the hold-the-offering-price rule, if applicable to the Bonds, and that no underwriter shall be liable for the failure of any other underwriter, or of any dealer who is a member of a selling group, or of any broker-dealer that is a party to a third-party distribution agreement to comply with its corresponding agreement to comply with the requirements for establishing issue price of the Bonds, including, but not limited to, its agreement to comply with the hold-the-offering-price rule as applicable to the Bonds.

(e) If all of the requirements of a "competitive sale" are not satisfied and the winning bidder selects the 10% test, the winning bidder agrees to promptly report to the City, Bond Counsel and Ehlers the prices at which the Bonds have been sold to the public. That reporting obligation shall continue, whether or not the closing date of the Bonds (the "Closing Date") has occurred, until either (i) all Bonds of that maturity have been sold or (ii) the 10% test has been satisfied as to each maturity of the Bonds, provided that, the winning bidder's reporting obligation after the Closing Date may be at reasonable periodic intervals or otherwise upon request of the City or bond counsel.

(f) By submitting a proposal, each bidder confirms that:

(i) any agreement among underwriters, any selling group agreement and each third-party distribution agreement (to which the bidder is a party) relating to the initial sale of the Bonds to the public, together with the related pricing wires, contains or will contain language obligating each underwriter, each dealer who is a member of the selling group, and each broker-dealer that is party to such third-party distribution agreement, as applicable, to:

(A) report the prices at which it sells to the public the unsold Bonds of each maturity allocated to it, whether or not the Closing Date has occurred until either all securities of that maturity allocated to it have been sold or it is notified by the winning bidder that either the 10% test has been satisfied as to the Bonds of that maturity, provided that, the reporting obligation after the Closing Date may be at reasonable periodic intervals or otherwise upon request of the City or bond counsel.

(B) comply with the hold-the-offering-price rule, if applicable, in each case if and for so long as directed by the winning bidder and as set forth in the related pricing wires, and

(ii) any agreement among underwriters or selling group agreement relating to the initial sale of the Bonds to the public, together with the related pricing wires, contains or will contain language obligating each underwriter, each dealer who is a member of the selling group and each broker dealer that is a party to a third-party distribution agreement to be employed in connection with the initial sale of the Bonds to the public to require each broker-dealer that is a party to such third-party distribution agreement to:

(A) to promptly notify the winning bidder of any sales of Bonds that, to its knowledge, are made to a purchaser who is a related party to an underwriter participating in the initial sale of the Bonds to the public (each such term being used as defined below), and

(B) to acknowledge that, unless otherwise advised by the underwriter, dealer or broker-dealer, the winning bidder shall assume that each order submitted by the underwriter, dealer or broker-dealer is a sale to the public.

(g) Sales of any Bonds to any person that is a related party to an underwriter participating in the initial sale of the Bonds to the public (each term being used as defined below) shall not constitute sales to the public for purposes of this Terms of Proposal. Further, for purposes of this Terms of Proposal:

- (i) "public" means any person other than an underwriter or a related party,
- (ii) "underwriter" means (A) any person that agrees pursuant to a written contract with the City (or with the lead underwriter to form an underwriting syndicate) to participate in the initial sale of the Bonds to the public and (B) any person that agrees pursuant to a written contract directly or indirectly with a person described in clause (A) to participate in the initial sale of the Bonds to the public (including a member of a selling group or a party to a third-party distribution agreement participating in the initial sale of the Bonds to the public),
- (iii) a purchaser of any of the Bonds is a "related party" to an underwriter if the underwriter and the purchaser are subject, directly or indirectly, to (A) more than 50% common ownership of the voting power or the total value of their stock, if both entities are corporations (including direct ownership by one corporation of another), (B) more than 50% common ownership of their capital interests or profits interests, if both entities are partnerships (including direct ownership by one partnership of another), or (C) more than 50% common ownership of the value of the outstanding stock of the corporation or the capital interests or profit interests of the partnership, as applicable, if one entity is a corporation and the other entity is a partnership (including direct ownership of the applicable stock or interests by one entity of the other), and
- (iv) "sale date" means the date that the Bonds are awarded by the City to the winning bidder.

#### **PRELIMINARY OFFICIAL STATEMENT**

Bidders may obtain a copy of the Preliminary Official Statement relating to the Bonds prior to the proposal opening by request from Ehlers at [www.ehlers-inc.com](http://www.ehlers-inc.com) by connecting to the Bond Sales link. The Underwriter (Syndicate Manager) will be provided with an electronic copy of the Final Official Statement within seven business days of the proposal acceptance. Up to 10 printed copies of the Final Official Statement will be provided upon request. Additional copies of the Final Official Statement will be available at a cost of \$10.00 per copy.

Information for bidders and proposal forms may be obtained from Ehlers at 3060 Centre Pointe Drive, Roseville, Minnesota 55113-1105, Telephone (651) 697-8500.

By Order of the City Council

City of Forest Lake, Minnesota

# PROPOSAL FORM

The City Council  
City of Forest Lake, Minnesota (the "City")

May 12, 2025

RE: \$4,400,000\* General Obligation Street Reconstruction Plan Bonds, Series 2025A (the "Bonds")  
DATED: June 5, 2025

For all or none of the above Bonds, in accordance with the Terms of Proposal and terms of the Global Book-Entry System (unless otherwise specified by the Purchaser) as stated in this Official Statement, we will pay you \$\_\_\_\_\_ (not less than \$4,347,200) plus accrued interest to date of delivery for fully registered Bonds bearing interest rates and maturing in the stated years as follows:

|             |      |             |      |             |      |
|-------------|------|-------------|------|-------------|------|
| _____ % due | 2027 | _____ % due | 2032 | _____ % due | 2037 |
| _____ % due | 2028 | _____ % due | 2033 | _____ % due | 2038 |
| _____ % due | 2029 | _____ % due | 2034 | _____ % due | 2039 |
| _____ % due | 2030 | _____ % due | 2035 | _____ % due | 2040 |
| _____ % due | 2031 | _____ % due | 2036 | _____ % due | 2041 |

The City reserves the right to increase or decrease the principal amount of the Bonds on the day of sale, in increments of \$5,000 each. Increases or decreases may be made in any maturity. If any principal amounts are adjusted, the purchase price proposed will be adjusted to maintain the same gross spread per \$1,000.

The rate for any maturity may not be more than 1.00% less than the rate for any preceding maturity. (For example, if a rate of 4.50% is proposed for the 2027 maturity, then the lowest rate that may be proposed for any later maturity is 3.50%.) All Bonds of the same maturity must bear interest from date of issue until paid at a single, uniform rate. Each rate must be expressed in an integral multiple of 5/100 or 1/8 of 1%.

A good faith deposit ("Deposit") in the amount of \$88,000 shall be made by the winning bidder by wire transfer of funds. Such Deposit shall be received by Ehlers no later than two hours after the proposal opening time. Wire transfer instructions will be provided to the winning bidder by Ehlers after the tabulation of proposals. The City reserves the right to award the Bonds to a winning bidder whose wire transfer is initiated but not received by such time provided that such winning bidder's federal wire reference number has been received by such time. In the event the Deposit is not received as provided above, the City may award the Bonds to the bidder submitting the next best proposal provided such bidder agrees to such award. The Deposit will be retained by the City as liquidated damages if the proposal is accepted and the Purchaser fails to comply therewith. We agree to the conditions and duties of Ehlers and Associates, Inc., as escrow holder of the Deposit, pursuant to the Terms of Proposal. This proposal is for prompt acceptance and is conditional upon delivery of said Bonds to The Depository Trust Company, New York, New York, in accordance with the Terms of Proposal. Delivery is anticipated to be on or about June 5, 2025.

This proposal is subject to the City's agreement to enter into a written undertaking to provide continuing disclosure under Rule 15c2-12 promulgated by the Securities and Exchange Commission under the Securities Exchange Act of 1934 as described in the Preliminary Official Statement for the Bonds.

We have received and reviewed the Official Statement, and any addenda thereto, and have submitted our requests for additional information or corrections to the Final Official Statement. As Underwriter (Syndicate Manager), we agree to provide the City with the reoffering price of the Bonds within 24 hours of the proposal acceptance.

This proposal is a firm offer for the purchase of the Bonds identified in the Terms of Proposal, on the terms set forth in this proposal form and the Terms of Proposal, and is not subject to any conditions, except as permitted by the Terms of Proposal.

By submitting this proposal, we confirm that we are an underwriter and have an established industry reputation for underwriting new issuances of municipal bonds. YES: \_\_\_ NO: \_\_\_.

If the competitive sale requirements are not met, we elect to use either the: \_\_\_ 10% test, or the \_\_\_ hold-the-offering-price rule to determine the issue price of the Bonds.

Account Manager: \_\_\_\_\_ By: \_\_\_\_\_

Account Members:

Award will be on a true interest cost basis. According to our computations (the correct computation being controlling in the award), the total dollar interest cost (including any discount or less any premium) computed from June 5, 2025 of the above proposal is \$\_\_\_\_\_ and the true interest cost (TIC) is \_\_\_\_\_%.

The foregoing offer is hereby accepted by and on behalf of the City Council of the City of Forest Lake, Minnesota, on May 12, 2025.

By: \_\_\_\_\_ By: \_\_\_\_\_  
Title: \_\_\_\_\_ Title: \_\_\_\_\_