

CITY OF

DEEPHAVEN *Minnesota*

— TWO SQUARE MILES OF TRANQUILITY —

**COMPREHENSIVE ANNUAL FINANCIAL REPORT OF THE
CITY OF DEEPHAVEN, MINNESOTA**



EST. 1900
Deephaven

For The Fiscal Year Ended December 31, 2020

CITY OF

DEEPHAVEN *Minnesota*

— TWO SQUARE MILES OF TRANQUILITY —

**Comprehensive Annual Financial
Report of the City Council of
Deephaven, Minnesota**

*For the Year Ended
December 31, 2020*

Dana Young, City Administrator

**Prepared By:
The Department of Finance**

City of Deephaven
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CITY OF

DEEPHAVEN *Minnesota*

— TWO SQUARE MILES OF TRANQUILITY —

INTRODUCTORY SECTION

CITY OF

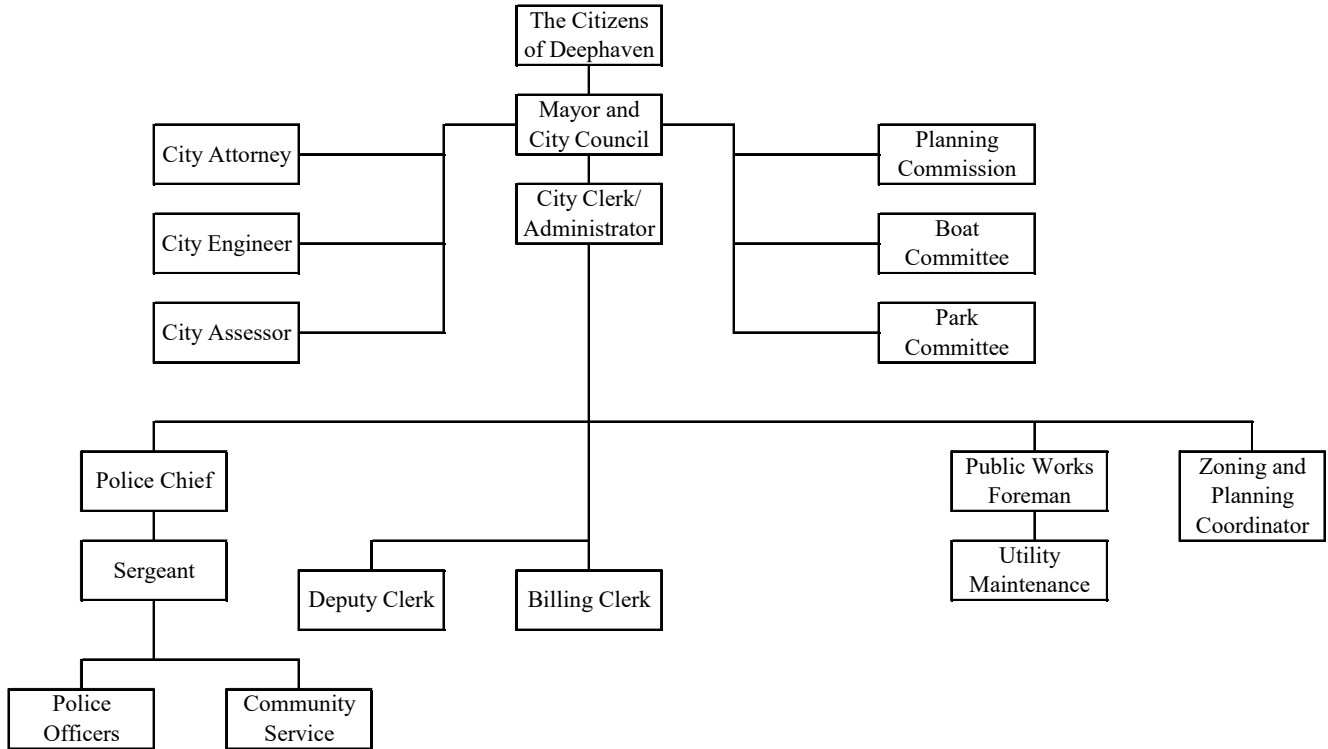
DEEPHAVEN *Minnesota*

— TWO SQUARE MILES OF TRANQUILITY —

City of Deephaven
Elected Officials and Administration
December 31, 2020

<u>Elected Officials</u>	<u>Position</u>	<u>Term Expires</u>
Paul Skrede	Mayor	December 31, 2020
Kent Carlson	Council Member	December 31, 2020
Steve Erickson	Council Member	December 31, 2020
Melissa McNeil	Council Member	December 31, 2022
Tony Jewett	Council Member	December 31, 2022
<u>Administration</u>		
Dana Young	City Administrator/Clerk/Treasurer	Appointed
Cory Johnson	Police Chief	Appointed
John Menzel	Public Works Foreman	Appointed

City of Deephaven Organization Chart





April 27, 2021

To the Honorable Mayor and
Members of the City Council
City of Deephaven
Deephaven, Minnesota

The comprehensive annual financial report of the City of Deephaven, Minnesota, for the year ended December 31, 2020, is hereby submitted for your review. The report was prepared in accordance with generally accepted accounting principles (GAAP) as established by the Governmental Accounting Standards Board and meets the requirements of the Minnesota State Auditor's Office.

The report consists of management's representations concerning the finances of the City. Consequently, management assumes full responsibility for the completeness and reliability of all information presented in this report. To provide a reasonable basis for making these representations, management of the City has established internal controls designed to protect the City's assets from loss, theft, or misuse and to provide sufficient reliable information for the preparation of these financial statements in conformity with GAAP. Because the cost of internal controls should not outweigh their benefits, the City's internal controls have been designed to provide reasonable, rather than absolute assurance that the financial statements will be free from material misstatements. As management, we assert that to the best of our knowledge and belief, this financial report is complete and reliable in all material respects. Furthermore, all disclosures necessary to enable the reader to have the maximum understanding of the City's financial activity have been included.

BerganKDV, a firm of licensed certified public accountants, has audited the City's financial statements. The goal of the independent audit was to provide reasonable assurance that the financial statements of the City for the fiscal year ended December 31, 2020, 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 concluded that there was a reasonable basis for rendering an unqualified opinion that the City's financial statements for the fiscal year ended December 31, 2020, are fairly presented in conformity with GAAP. The independent auditor's report is presented on pages 9-11 of the financial section of this report.

GAAP requires that management provide a narrative introduction, overview and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement the MD&A and should be read in conjunction with it. The City's MD&A can be found starting on page 12.

Government Profile

The City of Deephaven was incorporated in 1900. It is a western suburb of the Minneapolis/St. Paul area, located in Western Hennepin County. Deephaven covers an area of 2.3 square miles (or 1,440 acres) with an estimated population of 3,921. It is essentially a residential city, with a small commercial area that primarily serves the local community.

One of Deephaven's chief attractions is Lake Minnetonka with its three deep-cut bays bordering the city. The points and peninsulas overlooking the lake provide some of the City's most beautiful home sites, and the lake furnishes endless opportunities for year-round recreational activities. Summer fun is provided at six public beaches and two city marinas, which accommodates approximately 312 boats ranging in size from slender canoes to luxurious powerboats and sailboats. Deephaven's recreational areas include public parks, which contain tennis courts, baseball fields, platform courts, playground equipment, basketball courts and walking trails. Hiking trails and bike paths connect many recreational areas. During the winter, the trails are utilized for cross-county skiing. Deephaven is truly a haven when it comes to peaceful living and active recreation.

Management of the City is responsible for establishing and maintaining budgetary controls designed to ensure that the assets of the government are protected from loss, theft or misuse, and to ensure that adequate accounting data is compiled to allow for the preparation of financial statements in conformity with GAAP. The objective of these budgetary controls is to ensure compliance with legal provisions embodied in the annual appropriated budget approved by the City Council. Activities of the General Fund are included in the annual appropriated budget. Project length financial plans are adopted for the Capital Projects Funds. The level of budgetary control (that is, the level at which expenditures cannot legally exceed the appropriate amount) is established by function and activity within an individual fund.

Factors Affecting Financial Condition

The information presented in the financial statements is perhaps best understood when it is considered from the broader perspective of the specific environment within which the City of Deephaven operates.

Local Economic Condition and Outlook

The City of Deephaven has completely recovered from the recession and housing crisis that impacted the national economy back in 2008, which spurred a significant slowdown in construction activity, building permits and residential housing construction. However, as shown below, the total building permit value for the City of Deephaven has remained surprisingly consistent in recent years with the notable exception of 2011:

	Total Permits Number		Value
2020	657	\$	32,229,505
2019	572		20,239,055
2018	650		27,492,851
2017	623		22,453,999
2016	548		21,471,415
2015	606		15,562,559
2014	551		25,926,380
2013	572		18,515,926
2012	506		14,447,728
2011	494		7,579,378

More reflective of improving economic conditions, the overall market value of the City of Deephaven had increased every year since 2015. The market value has increased 11.5% in 2015, 9.9% in 2016, 4.5% in 2017, 5.0% in 2018, 5.9% in 2019, and 3.7% in 2020. The market value of the City of Deephaven is projected to reach an all-time high of 1.379 billion dollars in 2020. Certainly, this gives every indication that the residential housing market has fully recovered.

The City has adopted land use plans, zoning ordinances and developed shoreland management plans to ensure orderly growth and quality redevelopment. In 2019, the City substantially completed an update to the Comprehensive Plan, which extends to the year 2028. .

All of Deephaven is part of Independent School District No. 276, one of the most highly regarded Districts throughout the entire state, if not the entire country. Deephaven has one public elementary school and two private schools located within the city.

Commercial areas in Deephaven provide a limited range of commercial goods and services. The largest commercial area in the community is Chowen's Corner, which consists mainly of retail shops and offices. Two smaller commercial areas are located along Trunk Highway 7 / Vine Hill Road and Hwy 101.

Long-Term Financial Planning

Each year, as part of its review of the long-term financial plan of the City, the City Council establishes five primary long-term financial objectives. They include:

1. **Maintain property tax levy increases at the annual rate of inflation or less.** This goal has been established partly to adhere to levy limit requirements that have been periodically imposed by the State of Minnesota, but primarily to control the growth of government expenditures to a reasonable rate thereby providing its residents with some assurance that the property tax levy will not increase at a greater rate than wage increases. For the most part, this objective has been met with a 2% increase in 2011, 0% increase in both 2012 and 2013, 2.9% increase in 2014, 2.4% increase in 2015, 4.5% increase in 2016, 0.53% increase in 2017, 2.7% increase in 2018, and a 3.4% increase in 2019. The levy grew 17.5% in 2020 due to the first year's bond levy for the 2019 Street Improvement Bond.
2. **Limit the future issuance of bonded debt until final payment has been made on the Excelsior Fire District Facility Bond in 2023 and the 2019 Street Reconstruction Bond in 2030.** This objective has been met with facility lease payments averaging approximately \$153,000 per year through 2023, with no immediate plans to issue future debt.
3. **Establish an unreserved General Fund Balance that equals or exceeds 90% of current year expenditures.** This objective has been met with an unreserved General Fund Balance of 103% in 2011, 108% in 2012, 115% in 2013, 122% in 2014, 113% in 2015, 108% in 2016, 113% in 2017, 112% in 2018, 105% in 2019, and 110% in 2020. In order to address excessive General Fund reserves, the Council transferred \$250,000 in 2015, \$300,000 in 2016, and another \$200,000 in 2020 from the General Fund into the Capital Improvement Fund to assist in the financing of both street and bridge reconstruction projects. Even with these three transfers, projections through 2025 show that the unreserved General Fund Balance will still exceed 90% of current year expenditures.

4. **Establish a Capital Improvement Fund reserve of \$350,000 to provide available funding for street, police, park and administrative equipment and to adequately fund future street improvement projects.** This objective has been achieved in the short term with a Capital Improvement Fund reserve of \$360,395 in 2011, \$384,876 in 2012, and \$369,733 in 2013. After declining to a low of \$32,036 in 2014 due to the construction of the Vine Hill Bridge, future projections show the Capital Improvement Fund reserve will increase to \$243,431 in 2025 due to gradual increases in the property tax levy that are needed to support a more aggressive schedule of street reconstruction projects that began in 2015.
5. **Establish utility rates that ensure the ability to finance annual operating costs, the schedule of current and future capital utility projects, and establish utility fund reserves in the amount of \$250,000 in the Water Utility Fund, \$500,000 in the Sewer Utility Fund and \$150,000 in the Storm Water Utility Fund.** The Water Utility Fund will continue to meet this objective as its current rate structure is adequate to fund all current and future operating costs and projected capital costs.

In the short term, the Storm Water Utility Fund will have a greater difficulty in meeting this objective due to an aggressive slate of capital projects within the next five years. However, recent rate increases in 2020 and 2021 will greatly assisted with the funding of all current and future operating costs and projected capital costs.

The Sewer Utility Fund will present more of a challenge as projected increases in waste disposal fees and future capital improvement costs could potentially cause an overall reduction in the Sewer Utility Fund reserve. However, the City Council has already begun to take the necessary steps to ensure that adequate Sewer Utility Fund reserves are maintained well into the future by approving a sewer rate increase in 2019 that went into effect in 2020.

Major Initiatives

The City of Deephaven prepares a comprehensive Budget annually and also updates its long-range plans and forecasts of key financial indicators. The City reviews the following long-range plans prior to preparing its annual budget:

- Capital Improvement Plan
- Five Year Budget Forecast
- Five Year Park Plan
- Five Year Utility Forecast
- Five Year Marina Forecast
- City Fiscal Policy

Deephaven, along with four other area municipalities, have established the Excelsior Fire District through a joint powers agreement that provides fire services and emergency medical response to all five communities. The joint powers agreement provides Deephaven with partial ownership of the Excelsior Fire District. After adjusting to the annual lease payments for the construction of the two new fire stations in 2003-2006, the City anticipates relative stability in its annual support to the District in future years.

The City has developed a web site, which can be assessed at www.cityofdeephaven.org.

Awards

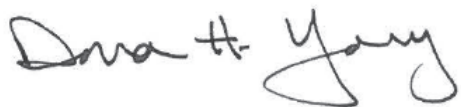
The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Deephaven for its comprehensive annual financial report for the fiscal year ended December 31, 2018. This is the 24th consecutive year that the City has achieved this prestigious award. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both accounting principles generally accepted in the United States of America and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe that our current comprehensive annual financial report continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine eligibility for another certificate. However, due to our delay in submitting the required documents, we anticipate posting the Certificate of Achievement for Excellence in Financial Reporting for the fiscal years December 31, 2019 and December 31, 2020 in next year's financial statements.

Acknowledgments

We commend the finance department staff for their hard work and dedication. We want to recognize the firm of BerganKDV for their professional assistance. As always, we thank Mayor Skrede and the members of the City Council for their continued interest and support in planning and conducting the financial operations of the City in a very progressive and informed manner.

Respectfully submitted,

A handwritten signature in black ink that reads "Dana H. Young". The signature is written in a cursive style with a large, looped "Y" at the end.

Dana H. Young
City Clerk / Administrator



FINANCIAL SECTION

CITY OF

DEEPHAVEN *Minnesota*

— TWO SQUARE MILES OF TRANQUILITY —

Independent Auditor's Report

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, and each major fund of the City of Deephaven, Minnesota, as of and for the year ended December 31, 2020, and the related notes to financial statements, which collectively comprise the City's basic financial statements as listed in the Table of Contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the City's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to in the first paragraph present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities and each major fund of the City of Deephaven, Minnesota, as of December 31, 2020, 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.

Other Matters

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 the Required Supplementary Information as listed in the Table of Contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board (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.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Deephaven's basic financial statements. The accompanying supplementary information as listed in the Table of Contents, introductory section, and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

Other Matters (Continued)

Other Information (Continued)

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated April 27, 2021, on our consideration of the City of Deephaven's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering City of Deephaven's internal control over financial reporting and compliance.

BerganKDV, Ltd.

Minneapolis, Minnesota
April 27, 2021



City of Deephaven Management's Discussion and Analysis

As management of the City of Deephaven (the "City"), we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the year ended December 31, 2020.

FINANCIAL HIGHLIGHTS

- The assets and deferred outflows of resources of the City exceeded liabilities and deferred inflows of resources at the close of the most recent year by \$13,852,956 (total net position). Of this amount, \$3,889,081 (unrestricted total net position) may be used to meet the City's ongoing obligations to citizens and creditors in accordance with the City's fund designations and fiscal policies.
- The City's total net position in 2020 increased by \$783,767 in comparison with the prior year.
- As of the close of the current year, the City's governmental funds reported combined ending fund balances of \$4,251,846, an increase of \$514,841 in comparison with the prior year.
- At the end of the current year, the General Fund balance was \$3,607,575, which included \$26,716 that was nonspendable, \$271,974 committed for severance and other post employment benefits (OPEB) liability, and \$3,308,885 for working capital. The total General Fund balance was 110% of total 2020 General Fund expenditures.
- The City's governmental activities compensated absences and OPEB liability long-term debt is \$271,974. This amount has been committed in the General Fund. In other words, \$143,471 has been designated to pay for one-third accrued sick leave that is paid to City employees upon their retirement with the City and \$128,503 has been designated towards the City's outstanding OPEB liability, net of deferred outflows and inflows of resources.
- The City issued \$1,500,000 in General Obligation street reconstruction bonds to complete the 2019 resurfacing projects. The bonds will be repaid through general property tax levies through 2030.
- The propriety funds have an ending cash balance of \$843,095. This represents a decrease of \$81,180 over the prior year primarily owing to a very aggressive schedule of capital improvement projects undertaken in the Storm Water Fund and Marina Fund in 2020.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

GOVERNMENT-WIDE FINANCIAL STATEMENTS

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

City of Deephaven Management's Discussion and Analysis

GOVERNMENT-WIDE FINANCIAL STATEMENTS (CONTINUED)

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

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

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the City include General Government, Public Safety, Public Works and Parks and Recreation Funds. The business-type activities of the City include Sewer, Water, Storm Water, Marina, and Recycling Funds.

The government-wide financial statements can be found on pages 23 through 25 of this report.

FUND FINANCIAL STATEMENTS

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

Governmental Funds

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

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

City of Deephaven Management's Discussion and Analysis

FUND FINANCIAL STATEMENTS (CONTINUED)

Governmental Funds (Continued)

The City maintains four individual major governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General, Capital Improvement, Park Dedication, and Bonded Debt Funds.

The City adopts an annual appropriated budget for its General Fund. A budgetary comparison statement has been provided on page 33 for this Fund to demonstrate compliance with the budget.

The basic governmental fund financial statements can be found on pages 26 through 32 of this report.

Proprietary Funds

The City maintains five major enterprise funds. Enterprise funds are used to report the same functions presented as business-type activities in the governmental-wide financial statements. The City uses enterprise funds to account for water, sewer, storm water, marina, and recycling operations.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail.

The basic proprietary fund financial statements can be found on pages 34 through 35 of this report.

Notes to Financial Statements

The Notes to the Financial Statements provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to financial statements can be found on pages 41 through 74 of this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net position may serve over time as a useful indicator of a city's financial position. In the case of the City, net position was \$13,852,956 at the close of 2020.

The largest portion of the City's net position of \$9,828,859 or 71% reflects its net investment in capital assets (e.g. land, buildings, machinery, and equipment, net of related debt). The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending.

**City of Deephaven
Management's Discussion and Analysis**

GOVERNMENT-WIDE FINANCIAL ANALYSIS (CONTINUED)

**NET POSITION
(In Thousands)**

	Governmental Activities		Business-type Activities		Total	
	2020	2019	2020	2019	2020	2019
Assets						
Current and other assets	\$ 5,040	\$ 4,225	\$ 1,122	\$ 1,178	\$ 6,162	\$ 5,403
Capital assets	8,906	8,744	2,620	2,495	11,526	11,239
Total assets	<u>\$ 13,946</u>	<u>\$ 12,969</u>	<u>\$ 3,742</u>	<u>\$ 3,673</u>	<u>\$ 17,688</u>	<u>\$ 16,642</u>
Deferred Outflows of Resources	<u>\$ 445</u>	<u>\$ 735</u>	<u>\$ 6</u>	<u>\$ 8</u>	<u>\$ 451</u>	<u>\$ 743</u>
Liabilities						
Current liabilities	\$ 284	\$ 136	\$ 196	\$ 159	\$ 480	\$ 295
Noncurrent liabilities	2,883	2,792	68	111	2,951	2,903
Total liabilities	<u>\$ 3,167</u>	<u>\$ 2,928</u>	<u>\$ 264</u>	<u>\$ 270</u>	<u>\$ 3,431</u>	<u>\$ 3,198</u>
Deferred Inflows of Resources	<u>\$ 846</u>	<u>\$ 1,100</u>	<u>\$ 9</u>	<u>\$ 18</u>	<u>\$ 855</u>	<u>\$ 1,118</u>
Net Position						
Invested in capital assets	\$ 7,209	\$ 7,108	\$ 2,620	\$ 2,495	\$ 9,829	\$ 9,603
Restricted	135	-	-	-	135	-
Unrestricted	3,034	2,568	855	898	3,889	3,466
Total net position	<u>\$ 10,378</u>	<u>\$ 9,676</u>	<u>\$ 3,475</u>	<u>\$ 3,393</u>	<u>\$ 13,853</u>	<u>\$ 13,069</u>

A portion of the City's net position – \$135,016 – is restricted for debt service.

The remaining balance of unrestricted net position – \$3,889,081 – may be used to meet the City's ongoing obligations to citizens and creditors.

The City's net position increased by \$783,767 during the current year: governmental activities increased \$701,993 and business-type activities increased \$81,774. This overall increase is primarily attributable to a stronger revenue position.

**City of Deephaven
Management's Discussion and Analysis**

GOVERNMENT-WIDE FINANCIAL ANALYSIS (CONTINUED)

There was an increase in governmental activities net position by \$701,993 and an increase in business-type activities net position by \$81,774 in 2020, as noted previously. Key elements of this increase are as follows:

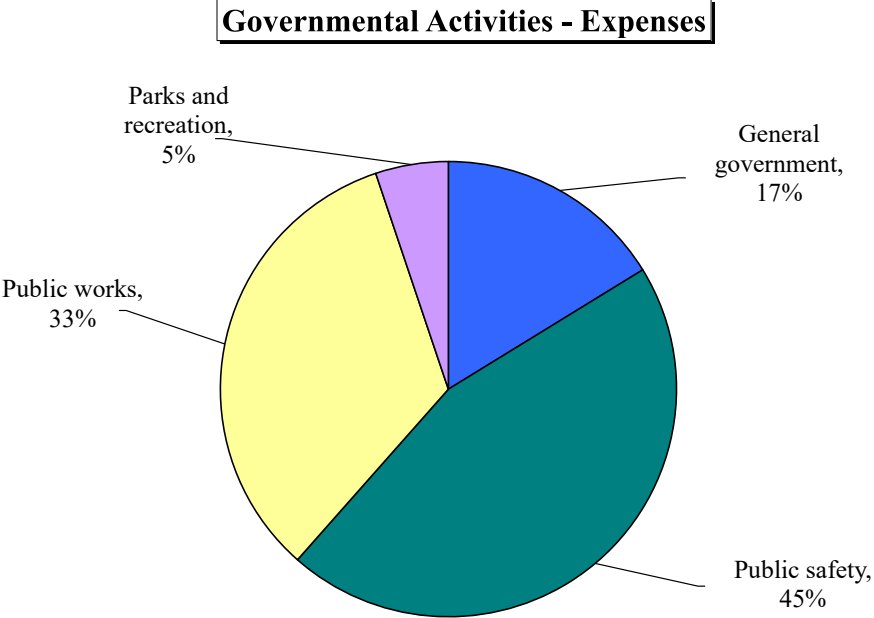
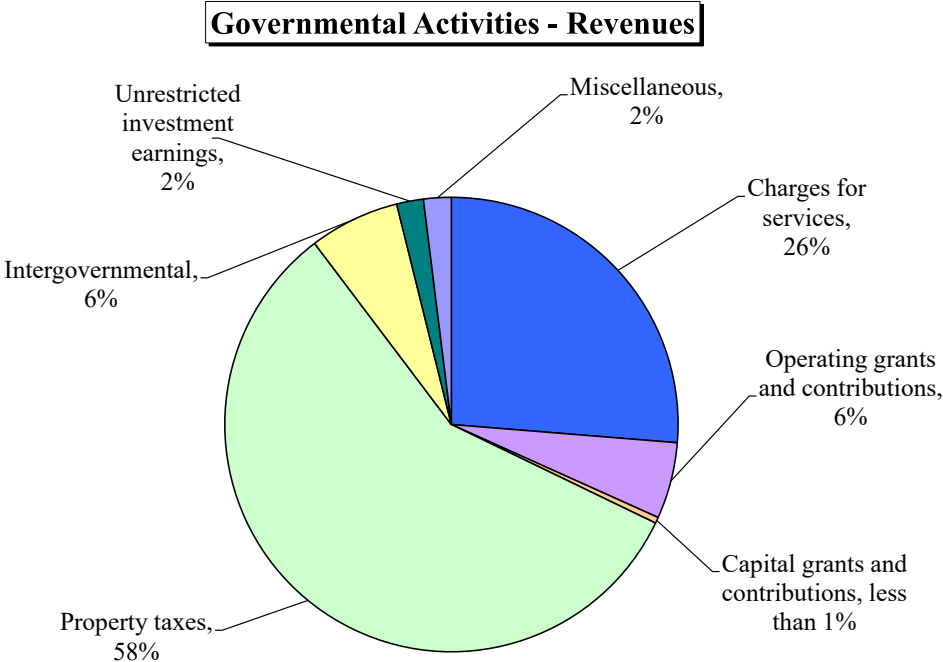
**CHANGES IN NET POSITION
(In Thousands)**

	Governmental Activities		Business-Type Activities		Total	
	2020	2019	2020	2019	2020	2019
Revenues						
Charges for services	\$ 1,210	\$ 922	\$ 1,190	\$ 1,081	\$ 2,400	\$ 2,003
Operating grants and contributions	250	274	8	58	258	332
Capital grants and contributions	20	-	-	-	20	-
Property taxes	2,649	2,263	-	-	2,649	2,263
Intergovernmental	296	-	-	-	296	-
Miscellaneous	88	95	-	-	88	95
Unrestricted investment earnings	91	147	27	33	118	180
Total revenues	<u>4,604</u>	<u>3,701</u>	<u>1,225</u>	<u>1,172</u>	<u>5,829</u>	<u>4,873</u>
Expenses						
General government	632	643	-	-	632	643
Public safety	1,764	1,696	-	-	1,764	1,696
Public works	1,298	1,222	-	-	1,298	1,222
Parks and recreation	201	169	-	-	201	169
Interest on long-term debt	39	65	-	-	39	65
Water	-	-	98	90	98	90
Sewer	-	-	756	800	756	800
Recycling	-	-	19	23	19	23
Storm water	-	-	84	69	84	69
Marina	-	-	154	134	154	134
Total expenses	<u>3,934</u>	<u>3,795</u>	<u>1,111</u>	<u>1,116</u>	<u>5,045</u>	<u>4,911</u>
Change in net position before transfers	670	(94)	114	56	784	(38)
Transfers	<u>32</u>	<u>32</u>	<u>(32)</u>	<u>(32)</u>	<u>-</u>	<u>-</u>
Change in net position	702	(62)	82	24	784	(38)
Net position						
Beginning of year	<u>9,676</u>	<u>9,738</u>	<u>3,393</u>	<u>3,369</u>	<u>13,069</u>	<u>13,107</u>
End of year	<u>\$ 10,378</u>	<u>\$ 9,676</u>	<u>\$ 3,475</u>	<u>\$ 3,393</u>	<u>\$ 13,853</u>	<u>\$ 13,069</u>

**City of Deephaven
Management's Discussion and Analysis**

GOVERNMENTAL ACTIVITIES

Governmental activities increased its overall net position by \$701,993. Below are specific graphs that provide comparisons of the governmental activities revenues and expenses:

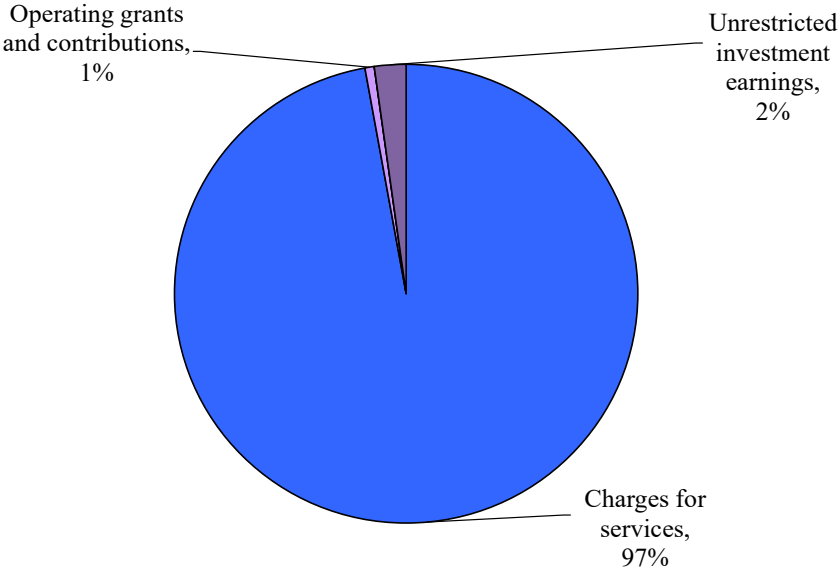


**City of Deephaven
Management's Discussion and Analysis**

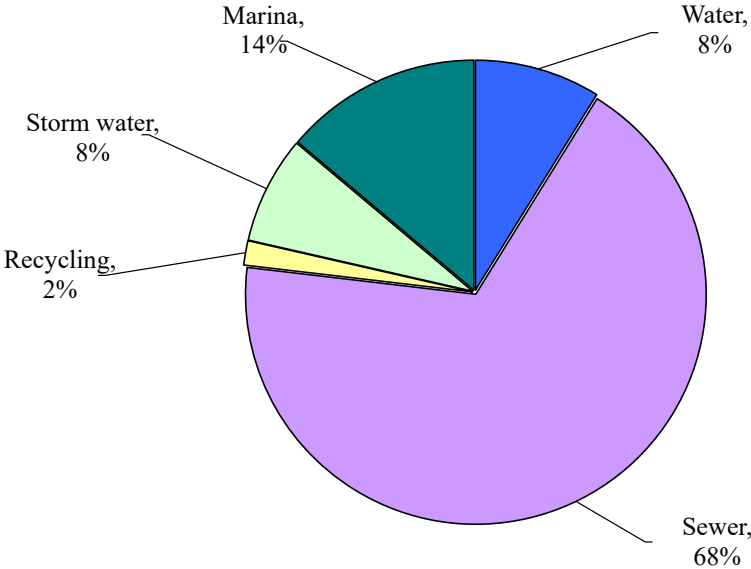
BUSINESS-TYPE ACTIVITIES

Business-type activities increased its overall net position by \$81,774. Below are graphs showing the business-type activities revenue and expense comparisons:

Business-Type Activities - Revenues



Business-Type Activities - Expenses



City of Deephaven Management's Discussion and Analysis

FINANCIAL ANALYSIS OF THE CITY'S FUNDS

Governmental Funds

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

At the end of the current year, the City's governmental funds reported combined ending fund balances of \$4,251,846. Of this amount, \$26,716 represents amounts already expended for prepaid items and is classified as nonspendable. Other portions of the fund balances are dedicated as follows:

- 1) Committee to pay severance and OPEB liability (\$271,974)
- 2) Committed to fund special capital projects (\$501,301)

The remaining unassigned balance of \$3,293,964 provides for ongoing operating costs.

The General Fund increased \$291,781 in 2020. The reasons for increase in the General Fund Balance are due to higher than anticipated building permit revenues and COVID relief aid.

The Capital Improvement Fund balance increased \$65,169 over the prior year primarily due to the proceeds from a \$200,000 General Fund transfer offsetting street resurfacing costs.

The Park Improvement Fund balance remained unchanged over the prior year.

The Bonded Debt Fund was established in 2020 to document revenues and expenses attributable to the issuance of the 2019 Street Reconstruction Bond. The Bonded Debt Fund balance increased \$157,891 over the prior year as tax revenues exceeded debt service payments.

Propriety Funds

Business-type activities increased the City's net position by \$81,774, principally due to a stronger revenue position in 2020.

From a cash position, business-type activities decreased \$81,180 in 2020. A brief summary of each business-type activity is described below:

- Water Fund – The cash position of the Water Fund increased \$16,678 in 2020, largely owing to a lack of water system improvements in 2020.
- Sewer Fund – The cash position of the Sewer Fund decreased \$79,287 in 2020. The decrease is attributable to an interfund load in the amount of \$139,062 to the Storm Water Fund.
- Recycling Fund – The cash position of the Recycling Fund increased \$5,455 in 2020, largely owing to the lower costs of operating the annual Spring Cleanup Day due to the COVID pandemic.

**City of Deephaven
Management’s Discussion and Analysis**

FINANCIAL ANALYSIS OF THE CITY’S FUNDS (CONTINUED)

Propriety Funds (Continued)

- Storm Water Fund – The cash position of the Storm Water Fund stayed exactly the same in 2020, largely owing to a \$139,062 interfund load from the Sewer Fund that offset \$224,971 in capital improvement projects undertaken in 2020.
- Marina Fund – The cash position of the Marina Fund decreased \$24,026 in 2020 due to significant capital projects (\$56,899) undertaken in 2020.

BUDGETARY HIGHLIGHTS

General Fund Revenues – With budgeted General Fund revenues and other financing sources of \$3,222,255 versus actual General Fund revenues and other financing sources of \$3,574,160, General Fund revenues and other financing sources came in \$351,905 higher than anticipated in 2020. A review of General Fund revenues illustrates there were three primary reasons for the surplus of General Fund revenues: 1) License and Permit Fees, primarily building permit fees 2) increases in State Fire, Police Aid, and CARES Relief Funds 3) increases in Charges for Service.

General Fund Expenditures – With budgeted General Fund expenditures of \$3,215,237 versus actual General Fund expenditures of \$3,282,379, General Fund expenditures were \$67,142 higher than expected in 2020 due to higher than expected public works and public safety costs.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

The City’s investment in capital assets for its governmental and business-type activities as of December 31, 2020, amounted to \$11,525,894 (net of accumulated depreciation). This investment in capital assets included land, land improvements, buildings, vehicles, and equipment are shown below.

	2020 (In Thousands)		2020 Total	2019 Total
	Governmental Activities	Business-Type Activities		
Land	\$ 692	\$ -	\$ 692	\$ 692
Construction in progress	-	36	36	-
Building	660	-	660	665
Mains, lifts, hydrants, and distribution systems	-	2,277	2,277	2,224
Improvements other than buildings	-	56	56	3
Infrastructure	6,445	-	6,445	6,323
Vehicles and equipment	1,109	251	1,360	1,332
Total	\$ 8,906	\$ 2,620	\$ 11,526	\$ 11,239

City of Deephaven Management's Discussion and Analysis

CAPITAL ASSET AND DEBT ADMINISTRATION (CONTINUED)

Capital Assets (Continued)

Additional information on the City's capital assets can be found in Note 4 of the section entitled Notes to Financial Statements.

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

- Street Resurfacing Projects (\$375,589)
- Public Works equipment (\$13,306)
- Police Equipment (\$55,206)
- Shuck Park Improvement Project (\$123,841)
- Lift Station & Pump Improvements (\$8,757)
- Storm Water Projects (\$224,971)
- St. Louis Bay Ramp Reconstruction (\$41,125)

LONG-TERM DEBT

At the end of the current fiscal year, the City had total long-term debt of \$247,233 for accrued compensated absences and OPEB liability, net pension liability of \$1,161,758, leases payable liability of \$77,280, and bonded debt, net of premium in the amount of \$1,619,755. Refer to Notes 5, 8, and 9 in the financial statements for further information.

ECONOMIC FACTORS AND FUTURE BUDGET PLANS

The City of Deephaven is a fully developed community that continues to experience significant redevelopment of its housing stock, which is resulting in a relatively steady increase in the future market value of the City. This gives the City the ability to increase future property tax levies in a gradual approach to increase funding for such high priority projects as street resurfacing and City park upgrades.

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of the City's finances for all those with an interest in the City's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to City Hall, 20225 Cottagewood Road, Deephaven, Minnesota 55331.

MAJOR GOVERNMENTAL FUNDS

CITY OF

DEEPHAVEN *Minnesota*

— TWO SQUARE MILES OF TRANQUILITY —

City of Deephaven
Statement of Net Position
December 31, 2020

	Governmental Activities	Business-Type Activities	Total
Assets			
Cash and investments (including cash equivalents)	\$ 4,093,690	\$ 993,095	\$ 5,086,785
Accounts receivable	23,646	247,848	271,494
Interest receivable	24,229	-	24,229
Property taxes receivable			
Unremitted	27,631	-	27,631
Delinquent	27,352	-	27,352
Special assessments receivable			
Delinquent	146	2,648	2,794
Deferred	-	24,183	24,183
Internal activity	150,000	(150,000)	-
Due from other governments	12,866	-	12,866
Prepaid items	26,716	4,315	31,031
Net pension asset	654,200	-	654,200
Capital assets not being depreciated			
Land	692,177	-	692,177
Construction in progress	-	36,027	36,027
Capital assets net of accumulated depreciation			
Buildings	659,871	-	659,871
Mains, lifts, hydrants, and distribution systems	-	2,277,417	2,277,417
Improvements other than buildings	-	55,754	55,754
Infrastructure	6,445,122	-	6,445,122
Vehicles and equipment	1,108,574	250,952	1,359,526
Total assets	<u>13,946,220</u>	<u>3,742,239</u>	<u>17,688,459</u>
Deferred Outflows of Resources			
Deferred outflows of resources related to pensions	434,509	4,522	439,031
Deferred outflows of resources related to OPEB	10,488	1,297	11,785
Total deferred outflows of resources	<u>444,997</u>	<u>5,819</u>	<u>450,816</u>
 Total assets and deferred outflows of resources	 <u>\$ 14,391,217</u>	 <u>\$ 3,748,058</u>	 <u>\$ 18,139,275</u>
Liabilities			
Accounts and contracts payable	\$ 32,688	\$ 12,146	\$ 44,834
Salaries and benefits payable	51,704	3,122	54,826
Due to other governments	22,540	21,481	44,021
Interest payable	22,875	-	22,875
Unearned revenue	-	158,172	158,172
Bond payable, net of premium			
Payable within one year	125,000	-	125,000
Payable after one year	1,494,755	-	1,494,755
Lease payable			
Payable within one year	14,514	-	14,514
Payable after one year	62,766	-	62,766
Compensated absences payable			
Payable within one year	14,348	753	15,101
Payable after one year	129,123	6,780	135,903
Total OPEB liability payable after one year	85,644	10,585	96,229
Net pension liability payable after one year	1,110,510	51,248	1,161,758
Total liabilities	<u>3,166,467</u>	<u>264,287</u>	<u>3,430,754</u>
Deferred Inflows of Resources			
Deferred inflows of resources related to pensions	793,277	2,348	795,625
Deferred inflows of resources related to OPEB	53,347	6,593	59,940
	<u>846,624</u>	<u>8,941</u>	<u>855,565</u>
Net Position			
Net investment in capital assets	7,208,709	2,620,150	9,828,859
Restricted for			
Debt service	135,016	-	135,016
Unrestricted	3,034,401	854,680	3,889,081
Total net position	<u>10,378,126</u>	<u>3,474,830</u>	<u>13,852,956</u>
 Total liabilities, deferred inflows of resources, and net position	 <u>\$ 14,391,217</u>	 <u>\$ 3,748,058</u>	 <u>\$ 18,139,275</u>

**City of Deephaven
Statement of Activities
Year Ended December 31, 2020**

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Governmental activities				
General government	\$ 631,797	\$ 308,148	\$ -	\$ -
Public safety	1,764,312	224,377	238,968	20,000
Public works	1,297,961	677,071	11,423	-
Park and recreation	200,528	-	-	-
Interest on long-term debt	39,111	-	-	-
Total governmental activities	<u>3,933,709</u>	<u>1,209,596</u>	<u>250,391</u>	<u>20,000</u>
Business-type activities				
Water	97,704	94,572	-	-
Sewer	755,983	788,308	-	-
Recycling	18,639	14,442	7,610	-
Storm water	84,415	145,490	-	-
Marina	154,007	147,041	-	-
Total business-type activities	<u>1,110,748</u>	<u>1,189,853</u>	<u>7,610</u>	<u>-</u>
Total governmental and business-type activities	<u>\$ 5,044,457</u>	<u>\$ 2,399,449</u>	<u>\$ 258,001</u>	<u>\$ 20,000</u>

General revenues
Property taxes
Intergovernmental
Unrestricted investment earnings
Other general revenue
Transfers
Total general revenues and transfers
Change in net position
Net position - beginning
Net position - ending

Net (Expense) Revenues
and Changes in Net Position

Governmental Activities	Business-Type Activities	Total
\$ (323,649)	\$ -	\$ (323,649)
(1,280,967)	-	(1,280,967)
(609,467)	-	(609,467)
(200,528)	-	(200,528)
(39,111)	-	(39,111)
<u>(2,453,722)</u>	<u>-</u>	<u>(2,453,722)</u>
-	(3,132)	(3,132)
-	32,325	32,325
-	3,413	3,413
-	61,075	61,075
-	(6,966)	(6,966)
<u>-</u>	<u>86,715</u>	<u>86,715</u>
(2,453,722)	86,715	(2,367,007)
2,649,281	-	2,649,281
295,666	-	295,666
90,952	26,785	117,737
88,090	-	88,090
31,726	(31,726)	-
<u>3,155,715</u>	<u>(4,941)</u>	<u>3,150,774</u>
701,993	81,774	783,767
9,676,133	3,393,056	13,069,189
<u>\$ 10,378,126</u>	<u>\$ 3,474,830</u>	<u>\$ 13,852,956</u>

City of Deephaven
Balance Sheet - Governmental Funds
December 31, 2020

	General Fund	Capital Projects	
		Capital Improvement Fund	Park Dedication Fund
Assets			
Cash and investments	\$ 3,455,779	\$ 482,293	\$ -
Accounts receivable	-	23,646	-
Interest receivable	24,229	-	-
Property taxes receivable			
Unremitted	21,190	4,168	-
Delinquent	27,352	-	-
Special assessments receivable:			
Delinquent	146	-	-
Due from other funds	14,921	-	-
Advance to other funds	150,000	-	-
Due from other governments	12,866	-	-
Prepaid items	26,716	-	-
	<u>3,733,199</u>	<u>510,107</u>	<u>-</u>
Total assets	\$ 3,733,199	\$ 510,107	\$ -
Liabilities			
Accounts and contracts payable	\$ 23,882	\$ 8,806	\$ -
Salaries and benefits payable	51,704	-	-
Due to other funds	-	-	14,921
Due to other governments	22,540	-	-
Total liabilities	<u>98,126</u>	<u>8,806</u>	<u>14,921</u>
Deferred Inflows of Resources			
Unavailable revenue - property taxes	27,352	-	-
Unavailable revenue - special assessments	146	-	-
Total deferred inflows of resources	<u>27,498</u>	<u>-</u>	<u>-</u>
Fund Balances			
Nonspendable	26,716	-	-
Restricted	-	-	-
Committed	271,974	501,301	-
Unassigned	3,308,885	-	(14,921)
Total fund balances	<u>3,607,575</u>	<u>501,301</u>	<u>(14,921)</u>
	<u>3,733,199</u>	<u>510,107</u>	<u>-</u>
Total liabilities, deferred inflows of resources, and fund balances	\$ 3,733,199	\$ 510,107	\$ -

<u>Debt Service</u>		
<u>Bonded Debt</u>		<u>Total</u>
<u>Fund</u>		<u>Governmental</u>
		<u>Funds</u>
\$ 155,618	\$	4,093,690
-		23,646
-		24,229
2,273		27,631
-		27,352
-		146
-		14,921
		150,000
-		12,866
-		26,716
<u>\$ 157,891</u>	<u>\$</u>	<u>4,401,197</u>
\$ -	\$	32,688
-		51,704
-		14,921
-		22,540
<u>-</u>	<u>\$</u>	<u>121,853</u>
-		27,352
-		146
<u>-</u>	<u>\$</u>	<u>27,498</u>
-		26,716
157,891		157,891
-		773,275
-		3,293,964
<u>157,891</u>	<u>\$</u>	<u>4,251,846</u>
<u>\$ 157,891</u>	<u>\$</u>	<u>4,401,197</u>



PROPRIETARY FUNDS

CITY OF

DEEPHAVEN *Minnesota*

— TWO SQUARE MILES OF TRANQUILITY —

City of Deephaven
Reconciliation of the Balance Sheet to
the Statement of Net Position - Governmental Funds
December 31, 2020

Total fund balances - governmental funds	\$ 4,251,846
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.	
Cost of capital assets	14,555,990
Less accumulated depreciation	(5,650,246)
Long-term liabilities 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 payable	(1,500,000)
Unamortized bond premium	(119,755)
Capital leases payable	(77,280)
Compensated absences payable	(143,471)
Total OPEB liability	(85,644)
Net pension liability	(1,110,510)
Net pension assets created through non-employer contributions to defined benefit pension plans are not recognized in the governmental funds.	654,200
Deferred outflows of resources and deferred inflows of resources are created as a result of various differences related to pensions that are not recognized in the governmental funds.	
Deferred outflows of resources related to pensions	434,509
Deferred inflows of resources related to pensions	(793,277)
Deferred outflows of resources related to OPEB	10,488
Deferred inflows of resources related to OPEB	(53,347)
Certain 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.	
Delinquent property taxes	27,352
Deferred special assessments	146
Governmental funds do not report a liability for accrued interest is due and payable.	<u>(22,875)</u>
Total net position - governmental activities	<u><u>\$ 10,378,126</u></u>

City of Deephaven
Statement of Revenues, Expenditures, and
Changes in Fund Balances - Governmental Funds
Year Ended December 31, 2020

	General Fund	Capital Projects	
		Capital Improvement Fund	Park Dedication Fund
Revenues			
General property taxes and fiscal disparities	\$ 2,026,577	\$ 394,469	\$ -
Licenses and permits	416,678	-	-
Intergovernmental	541,373	20,000	-
Charges for services	535,243	-	-
Fines	49,467	-	-
Miscellaneous			
Investment income	77,630	12,487	-
Franchise fees	-	94,641	-
Other	95,446	100,400	-
Total revenues	<u>3,742,414</u>	<u>621,997</u>	<u>-</u>
Expenditures			
Current			
General government	626,610	-	-
Public safety	1,730,789	-	-
Public works	798,327	-	-
Parks and recreation	124,666	18,998	-
Debt service			
Principal	-	947	-
Interest and other charges	-	-	-
Capital outlay			
General government	1,987	5,423	-
Public safety	-	134,259	-
Public works	-	550,148	-
Parks and recreation	-	125,280	-
Total expenditures	<u>3,282,379</u>	<u>835,055</u>	<u>-</u>
Excess of revenues over (under) expenditures	460,035	(213,058)	-
Other Financing Sources			
Proceeds from sale of capital assets	20	-	-
Issuance of long-term debt	-	78,227	-
Transfers in	31,726	200,000	-
Transfers out	(200,000)	-	-
Total other financing sources	<u>(168,254)</u>	<u>278,227</u>	<u>-</u>
Net change in fund balances	291,781	65,169	-
Fund Balances			
Beginning of year	<u>3,315,794</u>	<u>436,132</u>	<u>(14,921)</u>
End of year	<u>\$ 3,607,575</u>	<u>\$ 501,301</u>	<u>\$ (14,921)</u>

<u>Debt Service</u>		
<u>Bonded Debt</u>		<u>Total</u>
<u>Fund</u>		<u>Governmental</u>
		<u>Funds</u>
\$ 215,481	\$	2,636,527
-		416,678
-		561,373
-		535,243
-		49,467
835		90,952
-		94,641
-		195,846
<u>216,316</u>		<u>4,580,727</u>
-		626,610
-		1,730,789
-		798,327
-		143,664
-		947
58,425		58,425
-		7,410
-		134,259
-		550,148
-		125,280
<u>58,425</u>		<u>4,175,859</u>
157,891		404,868
-		20
-		78,227
-		231,726
-		(200,000)
<u>-</u>		<u>109,973</u>
157,891		514,841
-		3,737,005
<u>\$ 157,891</u>	<u>\$</u>	<u>4,251,846</u>

City of Deephaven
Reconciliation of the Statement of Revenues,
Expenditures and Changes in Fund Balances to
the Statement of Activities - Governmental Funds
Year Ended December 31, 2020

Net change in fund balances - governmental funds \$ 514,841

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

Capital outlay is reported in governmental funds as an expenditure. However, in the Statement of Activities, the cost of those assets is allocated over the estimated useful lives as depreciation expense.

Capital outlay	699,147
Depreciation expense	(533,197)
Loss on disposal of capital assets	(4,424)

Compensated absences are recognized as paid in the governmental funds but recognized as the expense is incurred in the Statement of Activities. (21,645)

Governmental funds recognize OPEB contributions as expenditures at the time of payment whereas the Statement of Activities factors in items related to OPEB on a full accrual perspective. 5,990

Principal payments on long-term debt are recognized as expenditures in the governmental funds but have no impact on net assets in the Statement of Activities. 947

Premiums are recognized when debt is issued in the governmental funds but amortized over the life of the debt in the Statement of Activities. 16,450

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 use of current financial resources. In the Statement of Activities, however, interest expense is recognized as the interest accrues, regardless of when it is due. 2,864

Issuances of long-term debt is shown as other financing sources in the funds but are recorded as a long-term liability in the Statement of Net Position. (78,227)

Governmental funds recognize pension contributions as expenditures at the time of payment whereas the Statement of Activities factors in items related to pensions on a full accrual perspective. 86,347

Certain 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.

Delinquent property taxes	12,754
Deferred special assessments	146

Change in net position - governmental activities \$ 701,993

City of Deephaven
Statement of Revenues, Expenditures, and
Changes in Fund Balances -
Budget and Actual - General Fund
Year Ended December 31, 2020

	<u>Original and Final Budget</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget - Over (Under)</u>
Revenues			
General property taxes and fiscal disparities	\$ 2,033,288	\$ 2,026,577	\$ (6,711)
Licenses and permits	296,340	416,678	120,338
Intergovernmental	221,725	541,373	319,648
Charges for services	443,562	535,243	91,681
Fines and forfeitures	40,000	49,467	9,467
Miscellaneous revenues			
Investment income	60,000	77,630	17,630
Contributions and donations	100	-	(100)
Other	95,414	95,446	32
Total revenues	<u>3,190,429</u>	<u>3,742,414</u>	<u>551,985</u>
Expenditures			
Current			
General government	605,375	626,610	21,235
Public safety	1,711,158	1,730,789	19,631
Public works	783,454	798,327	14,873
Park and recreation	115,250	124,666	9,416
Capital outlay			
General government	-	1,987	1,987
Total expenditures	<u>3,215,237</u>	<u>3,282,379</u>	<u>67,142</u>
Excess of revenues over (under) expenditures	(24,808)	460,035	484,843
Other Financing Sources			
Proceeds from sale of capital asset	100	20	(80)
Transfers in	31,726	31,726	-
Transfers out	-	(200,000)	(200,000)
Total other financing sources	<u>31,826</u>	<u>(168,254)</u>	<u>(200,080)</u>
Net change in fund balances	<u>\$ 7,018</u>	291,781	<u>\$ 284,763</u>
Fund Balances			
Beginning of year		<u>3,315,794</u>	
End of year		<u>\$ 3,607,575</u>	

City of Deephaven
Statement of Net Position - Proprietary Funds
December 31, 2020

	Water	Sewer	Recycling	Storm Water
Assets				
Current assets				
Cash and investments	\$ 249,532	\$ 403,824	\$ 73,764	\$ 10,938
Accounts receivable	19,922	190,253	-	37,673
Special assessments receivable				
Delinquent	-	1,434	1,214	-
Deferred	959	23,224	-	-
Prepaid items	85	3,456	-	98
Total current assets	<u>270,498</u>	<u>622,191</u>	<u>74,978</u>	<u>48,709</u>
Noncurrent assets				
Capital assets not being depreciated				
Construction in progress	-	36,027	-	-
Capital assets being depreciated, net				
Mains, lifts, hydrants, and distribution systems	746,413	6,413,546	-	1,212,931
Improvements	-	-	-	-
Vehicles and equipment	23,481	116,464	-	-
Total capital assets	<u>769,894</u>	<u>6,566,037</u>	<u>-</u>	<u>1,212,931</u>
Less accumulated depreciation	<u>(518,967)</u>	<u>(5,483,003)</u>	<u>-</u>	<u>(168,184)</u>
Net capital assets	<u>250,927</u>	<u>1,083,034</u>	<u>-</u>	<u>1,044,747</u>
Total assets	<u>521,425</u>	<u>1,705,225</u>	<u>74,978</u>	<u>1,093,456</u>
Deferred Outflows of Resources				
Deferred outflows of resources related to pensions	264	1,972	-	264
Deferred outflows of resources related to OPEB	-	943	-	-
Total deferred outflows of resources	<u>264</u>	<u>2,915</u>	<u>-</u>	<u>264</u>
 Total assets and deferred outflows of resources	 <u>\$ 521,689</u>	 <u>\$ 1,708,140</u>	 <u>\$ 74,978</u>	 <u>\$ 1,093,720</u>
Liabilities				
Current liabilities				
Accounts and contracts payable	\$ -	\$ 4,588	\$ -	\$ 7,220
Salaries and benefits payable	129	1,683	-	330
Due to other governments	16,561	4,920	-	-
Unearned revenue	-	-	-	-
Advance from other funds	-	-	-	150,000
Compensated absences	3	443	-	147
Total current liabilities	<u>16,693</u>	<u>11,634</u>	<u>-</u>	<u>157,697</u>
Noncurrent liabilities				
Compensated absences	23	3,994	-	1,323
Total OPEB liability	-	7,698	-	-
Net pension liability	<u>2,992</u>	<u>22,345</u>	<u>-</u>	<u>2,992</u>
Total noncurrent liabilities	<u>3,015</u>	<u>34,037</u>	<u>-</u>	<u>4,315</u>
Total liabilities	<u>19,708</u>	<u>45,671</u>	<u>-</u>	<u>162,012</u>
Deferred Inflows of Resources				
Deferred inflows of resources related to pensions	137	1,024	-	137
Deferred inflows of resources related to OPEB	-	4,795	-	-
Total deferred inflows of resources	<u>137</u>	<u>5,819</u>	<u>-</u>	<u>137</u>
Net Position				
Investment in capital assets	250,927	1,083,034	-	1,044,747
Unrestricted	<u>250,917</u>	<u>573,616</u>	<u>74,978</u>	<u>(113,176)</u>
Total net position	<u>501,844</u>	<u>1,656,650</u>	<u>74,978</u>	<u>931,571</u>
 Total liabilities, deferred inflows of resources, and net position	 <u>\$ 521,689</u>	 <u>\$ 1,708,140</u>	 <u>\$ 74,978</u>	 <u>\$ 1,093,720</u>

<u>Marina</u>	<u>Total</u>
\$ 255,037	\$ 993,095
-	247,848
-	2,648
-	24,183
676	4,315
<u>255,713</u>	<u>1,272,089</u>

- 36,027

-	8,372,890
154,089	154,089
341,355	481,300
495,444	9,044,306
(254,002)	(6,424,156)
241,442	2,620,150
497,155	3,892,239

2,022	4,522
354	1,297
<u>2,376</u>	<u>5,819</u>

\$ 499,531 \$ 3,898,058

\$ 338	\$ 12,146
980	3,122
-	21,481
158,172	158,172
-	150,000
160	753
<u>159,650</u>	<u>345,674</u>

1,440	6,780
2,887	10,585
22,919	51,248
27,246	68,613
<u>186,896</u>	<u>414,287</u>

1,050	2,348
1,798	6,593
<u>2,848</u>	<u>8,941</u>

241,442	2,620,150
68,345	854,680
<u>309,787</u>	<u>3,474,830</u>

\$ 499,531 \$ 3,898,058

City of Deephaven
Statement of Revenues, Expenses, and Changes
in Fund Net Position - Proprietary Funds
Year Ended December 31, 2020

	Water	Sewer	Recycling	Storm Water
Operating revenues				
Charges for services	\$ 94,572	\$ 768,481	\$ 14,402	\$ 145,490
Permits, hook-up fees, and penalties	-	4,917	40	-
Other income	-	14,910	-	-
Total operating revenues	<u>94,572</u>	<u>788,308</u>	<u>14,442</u>	<u>145,490</u>
Operating expenses				
Disposal charges	-	432,510	-	-
Water charges	73,204	-	-	-
Wages and benefits	4,355	76,351	-	11,022
Repairs and maintenance	880	43,345	-	-
Supplies	-	1,226	295	298
Utilities	-	6,429	-	-
Other	3,695	44,347	18,344	48,081
Depreciation	15,570	151,775	-	25,014
Total operating expenses	<u>97,704</u>	<u>755,983</u>	<u>18,639</u>	<u>84,415</u>
Operating income (loss)	(3,132)	32,325	(4,197)	61,075
Nonoperating revenues/expenses				
Interest income	6,240	12,292	1,990	163
Nonoperating grant	-	-	7,610	-
Total nonoperating revenues/expenses	<u>6,240</u>	<u>12,292</u>	<u>9,600</u>	<u>163</u>
Income (loss) before transfers	3,108	44,617	5,403	61,238
Transfers out	-	(31,726)	-	-
Change in net position	3,108	12,891	5,403	61,238
Net position				
Beginning of year	<u>498,736</u>	<u>1,643,759</u>	<u>69,575</u>	<u>870,333</u>
End of year	<u>\$ 501,844</u>	<u>\$ 1,656,650</u>	<u>\$ 74,978</u>	<u>\$ 931,571</u>

<u>Marina</u>	<u>Total</u>
\$ 145,796	\$ 1,168,741
-	4,957
1,245	16,155
<u>147,041</u>	<u>1,189,853</u>
-	432,510
-	73,204
42,988	134,716
12,858	57,083
1,212	3,031
925	7,354
80,581	195,048
15,443	207,802
<u>154,007</u>	<u>1,110,748</u>
(6,966)	79,105
6,100	26,785
-	7,610
<u>6,100</u>	<u>34,395</u>
(866)	113,500
-	(31,726)
(866)	81,774
<u>310,653</u>	<u>3,393,056</u>
<u>\$ 309,787</u>	<u>\$ 3,474,830</u>



City of Deephaven
Statement of Cash Flows - Proprietary Funds
Year Ended December 31, 2020

	Water	Sewer	Recycling	Storm Water	Marina	Total
Cash Flows - Operating Activities						
Receipts from customers and users	\$ 87,598	\$ 761,891	\$ 14,494	\$ 138,845	\$ 163,812	\$ 1,166,640
Payments to suppliers	(72,653)	(521,477)	(18,639)	(41,289)	(96,513)	(750,571)
Payments to employees	(4,507)	(125,736)	-	(10,945)	(41,771)	(182,959)
Received from other sources	-	14,910	-	-	1,245	16,155
Net cash flows - operating activities	<u>10,438</u>	<u>129,588</u>	<u>(4,145)</u>	<u>86,611</u>	<u>26,773</u>	<u>249,265</u>
Cash Flows - Noncapital						
Financing Activities						
Grants received	-	-	7,610	-	-	7,610
Transfer out	-	(31,726)	-	-	-	(31,726)
Net cash flows - noncapital financing activities	<u>-</u>	<u>(31,726)</u>	<u>7,610</u>	<u>-</u>	<u>-</u>	<u>(24,116)</u>
Cash Flows - Capital and Related						
Financing Activities						
Interfund loan disbursements received	-	-	-	150,000	-	150,000
Interfund loan payment receipts	-	865	-	-	-	865
Interfund loan payments	-	-	-	(865)	-	(865)
Acquisition of capital assets	-	(51,244)	-	(224,971)	(56,899)	(333,114)
Net cash flows - capital and related financing activities	<u>-</u>	<u>(50,379)</u>	<u>-</u>	<u>(75,836)</u>	<u>(56,899)</u>	<u>(183,114)</u>
Cash Flows - Investing Activities						
Interest and dividends received	<u>6,240</u>	<u>12,292</u>	<u>1,990</u>	<u>163</u>	<u>6,100</u>	<u>26,785</u>
Net change in cash and cash equivalents	16,678	59,775	5,455	10,938	(24,026)	68,820
Cash and Cash Equivalents						
Beginning of year	<u>232,854</u>	<u>344,049</u>	<u>68,309</u>	<u>-</u>	<u>279,063</u>	<u>924,275</u>
End of year	<u>\$ 249,532</u>	<u>\$ 403,824</u>	<u>\$ 73,764</u>	<u>\$ 10,938</u>	<u>\$ 255,037</u>	<u>\$ 993,095</u>
Reconciliation of Operating						
Income (Loss) to Net Cash -						
Flows - Operating Activities						
Operating income (loss)	\$ (3,132)	\$ 32,325	\$ (4,197)	\$ 61,075	\$ (6,966)	\$ 79,105
Adjustments to reconcile operating income (loss) to net cash flows - operating activities						
Depreciation expense	15,570	151,775	-	25,014	15,443	207,802
Accounts receivable	(7,258)	(16,530)	-	(6,645)	-	(30,433)
Special assessments receivable	284	(1,737)	52	-	-	(1,401)
Due from other governments	-	6,760	-	-	-	6,760
Prepaid items	(1)	63	-	(2)	(1)	59
Accounts and contracts payable	-	1,397	-	7,092	(936)	7,553
Salaries and benefits payable	32	705	-	82	242	1,061
Due to other governments	5,127	4,920	-	-	-	10,047
Total OPEB liability	-	(5,119)	-	-	(317)	(5,436)
Unearned revenue	-	-	-	-	18,016	18,016
Compensated absences payable	(37)	391	-	142	(41)	455
Net pension expense	(147)	(45,362)	-	(147)	1,333	(44,323)
Total adjustments	<u>13,570</u>	<u>97,263</u>	<u>52</u>	<u>25,536</u>	<u>33,739</u>	<u>170,160</u>
Net cash flows - operating activities	<u>\$ 10,438</u>	<u>\$ 129,588</u>	<u>\$ (4,145)</u>	<u>\$ 86,611</u>	<u>\$ 26,773</u>	<u>\$ 249,265</u>



**NOTES TO BASIC
FINANCIAL STATEMENTS**



City of Deephaven
Notes to Financial Statements

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

The City of Deephaven is a statutory city governed by an elected mayor and four council members. The accompanying financial statements present the government entities for which the government 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 have been defined and are presented in this report as follows:

Joint Ventures and Jointly Governed Organizations – The relationship of the City with the Excelsior Fire District is disclosed as a joint venture because the City does not appoint a voting majority of the governing body.

For the category above, the specific entity is identified as follows:

1. Joint Venture

The City belongs to the Excelsior Fire District (the "District") which is made up of five member cities. The primary purpose of this organization is to provide fire protection services to the member cities. The City retains an equity interest in the District as of December 31, 2020, for actuarial reporting purposes.

In connection with the construction of the two fire safety facilities, the Shorewood Economic Development Authority (EDA) has issued two bonds totaling \$4,900,000 in 2016 on behalf of the District and its member cities. All five member cities contribute annually towards the bonded debt payments. Annual debt service payments are determined each year based on several factors, including tax capacity.

During 2020, the City paid \$385,118 to the District for fire services provided and \$156,385 of debt service payments. To obtain a copy of the Excelsior Fire District financial statements contact the City of Excelsior. To obtain a copy of the Shorewood Economic Development Authority financial statements contact the City of Shorewood.

City of Deephaven
Notes to Financial Statements

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the Statement of Net Position and the Statement of Activities) report information on all of the governmental and enterprise activities of the City. As a general rule, the effect of interfund activity has been removed from these statements. 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. 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.

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. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, expenditures related to compensated absences and claims and judgments are recorded only when payment is due.

Property taxes, franchise taxes, 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.

City of Deephaven
Notes to Financial Statements

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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 Improvement Capital Project Fund – This fund accounts for revenues and expenditures related to City capital improvements other than specific projects accounted for in other funds.

Park Dedication Capital Project Fund – This fund accounts for the revenue and expenditures related to City park improvements.

Bonded Debt Service Fund – This fund accounts for the revenue and expenditures related to the 2019 Street Reconstruction Bond.

Proprietary Funds:

Water Fund – This fund accounts for the operations of the City's water services.

Sewer Fund – This fund accounts for the operations of the City's sewer services.

Recycling Fund – This fund accounts for the operations of the City's recycling services.

Storm Water Fund – This fund accounts for the operations of the City's storm water services.

Marina Fund – This fund accounts for the operations of the City's marina on Lake Minnetonka.

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

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.

City of Deephaven
Notes to Financial Statements

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, then unrestricted resources as they are needed. Further, the City applies unrestricted funds in this order if various levels of unrestricted fund balances exist: committed, assigned, and unassigned.

D. Assets, Deferred Outflows, Liabilities, Deferred Inflows, and Net Position or Equity

1. Deposits and Investments

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

Minnesota Statutes require all deposits made by cities with financial institutions to be collateralized in an amount equal to 110% of deposits in excess of Federal Deposit Insurance Corporation (FDIC) insurance.

Minnesota Statutes authorizes the City to invest in obligations of the U.S. Treasury, agencies, and instrumentalities, share 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 are reported at fair value as disclosed in Note 2. 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.

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. Hennepin 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.

City of Deephaven
Notes to Financial Statements

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

**D. Assets, Deferred Outflows, Liabilities, Deferred Inflows, and Net Position or Equity
(Continued)**

2. Receivables and Payables (Continued)

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. Prepaid Items

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

4. Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, sidewalks, and similar items) are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the City as assets with an initial, individual cost of more than \$1,000 and an estimated useful life in excess of three years. 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.

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.

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

<u>Assets</u>	<u>Years</u>
Bridges	40
Mains and lines	30 - 50
Buildings and improvements	15 - 50
Streets	15 - 25
Vehicles and equipment	3 - 25
Lift station pumps and valves	10

City of Deephaven
Notes to Financial Statements

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

**D. Assets, Deferred Outflows, Liabilities, Deferred Inflows, and Net Position or Equity
(Continued)**

5. 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 position 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 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.

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 position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The City presents deferred inflows of resources on the Governmental Fund Balance Sheet as unavailable revenue. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available. 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.

6. Compensated Absences

Under terms of union contracts and personnel policies, the City's employees are granted vacation in varying amounts depending on length of service and union contract or employee classification. All full-time employees accumulate eight hours of sick leave per month of service. Upon termination, employees are paid for all unused vacation. Any employee who leaves the City under honorable condition is eligible for severance pay. Severance pay is one-third of unused accumulated sick leave.

7. Long-Term Obligations

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

City of Deephaven
Notes to Financial Statements

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

**D. Assets, Deferred Outflows, Liabilities, Deferred Inflows, and Net Position or Equity
(Continued)**

8. 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 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.

9. Fund Equity

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 Balance – These are amounts that cannot be spent because they are not in spendable form.
- Restricted Fund Balance – 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 Balance – These are amounts that can only be used for specific purposes pursuant to constraints imposed by the City Council (highest level of decision making authority) through resolution.
- Assigned Fund Balance – These are amounts that are constrained by the City's intent to be used for specific purposes but are neither restricted nor committed. Assignments are made by the City Administrator/Clerk/Treasurer based on the City Council's direction.
- Unassigned Fund Balance – 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.

City of Deephaven
Notes to Financial Statements

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

**D. Assets, Deferred Outflows, Liabilities, Deferred Inflows, and Net Position or Equity
(Continued)**

9. Fund Equity (Continued)

a. Classification (Continued)

The City applies restricted resources first when expenditures are incurred for purposes for which either restricted or unrestricted (committed, assigned, and unassigned) are available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used. The City considers restricted to be spent first when an expenditure is incurred where both restricted and unrestricted fund balance is available. In addition, expenditures are applied to fund balances based on this hierarchy: committed, assigned, and unassigned. The amounts are considered to have been spent when an expenditure is incurred for purposes for which amounts in any of those unrestricted fund balance classifications could be used.

b. Minimum Fund Balance

The City's General Fund minimum fund balance is an amount equivalent to 90% of the following year's operating budget.

10. Net Position

Net position represents the difference between assets and deferred outflows of resources; and liabilities, and deferred inflows of resources, 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 statement 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/expense during the reporting period. Actual results could differ from those estimates.

City of Deephaven
Notes to Financial Statements

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

F. Budgetary Information

The City Council adopts an annual budget for all funds. The amounts shown in the financial statements for the General Fund as "budget" represent the original budgeted amount. The City follows these procedures in establishing the budgetary data reflected in the financial statements:

1. The City Administrator/Clerk/Treasurer compiles the budget requests into an overall preliminary City budget.
2. The City Administrator/Clerk/Treasurer presents the proposed budget to the City Council. The budget resolution adopted by the City Council sets forth the budgets at the function level for all of the funds.
3. Formal budgetary integration is employed as a management control device during the year.

The budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America. Annual appropriations lapse at year-end. The detailed budget schedule provided in the supplementary information is presented on the same basis. No revisions to the budgets were made during the year.

NOTE 2 – DEPOSITS AND INVESTMENTS

Cash balances of the City's funds are combined (pooled) and invested to the extent available in various investments authorized by *Minnesota Statutes*. Each fund's portion of this pool is displayed in the financial statements as "cash and investments." For purposes of identifying risk of investing public funds, the balances and related restrictions are summarized below and on the following page.

A. Deposits

Custodial Credit Risk – Deposits: For deposits, this is the risk that in the event of a bank failure, the City's deposits may not be returned to it. The City's policy states all deposits must be fully insured and collateralized in the name of the City, subject to release by the City Administrator/Clerk/Treasurer. As of December 31, 2020, the City's bank balance was not exposed to custodial credit risk because it was fully insured through the FDIC as well as pledged collateral. The City's deposits had a book balance as follows:

Checking and money market savings	\$ 1,962,647
Certificates of deposit	<u>340,000</u>
Total deposits	<u><u>\$ 2,302,647</u></u>

City of Deephaven
Notes to Financial Statements

NOTE 2 – DEPOSITS AND INVESTMENTS (CONTINUED)

B. Investments

As of December 31, 2020, the City had the following investments:

Investment Type	Fair Value	Investment Maturities		
		Less than One Year	1-5 Years	6-10 Years
Brokered certificates of deposit	\$ 2,783,415	\$ 531,466	\$ 1,871,713	\$ 380,236
Brokered money market account	173	173	-	-
Total investments	\$ 2,783,588	\$ 531,639	\$ 1,871,713	\$ 380,236
Maturity				
Less than one year				19%
1-5 years				67%
6-10 years				14%

The City has the following recurring fair value measurements as of December 31, 2020:

- \$2,783,415 of investments are valued using a matrix pricing model (Level 2 inputs)

Interest Rate Risk: This is the risk that market values of securities in a portfolio would decrease due to changes in market interest rates. The City's investment policy states the City should manage its interest rates based on liquidity, safety, and the overall return on the investment.

B. Investments (Continued)

Custodial Credit Risk – Investments: For an investment, 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 its investments or collateral securities that are in the possession of an outside party. The City's investment policy states when a broker/dealer holds investments purchased by the City in safekeeping, the broker/dealer must provide asset protection of \$500,000 through the Securities Investor Protector Corporation (SIPC) and at least another \$2 million supplemental insurance protection.

Credit Risk: This is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. State law limits investments in commercial paper and corporate bonds to be in the top two ratings issued by nationally recognized statistical rating organizations. The City's investment policy lists the allowable investments as government securities, certificates of deposit, repurchase agreements, any general obligation security of the State of Minnesota or any of its municipalities, state-wide investment pool, and money market mutual funds. City's investments were federally insured by FDIC.

City of Deephaven
Notes to Financial Statements

NOTE 2 – DEPOSITS AND INVESTMENTS (CONTINUED)

B. Investments (Continued)

Concentration of Credit Risk: This is the risk of loss attributed to the magnitude of an investment in a single issuer. The City's investment policy states the City will attempt to diversify its investments according to type and maturity. No more than 30% of the total investment should extend beyond five years and the City shall not invest in investments with a maturity exceeding 20 years. As of December 31, 2020, the following investments, brokered CDs, of the City composed more than 5% of the City's portfolio:

New York Community Bank Westbury, NY	8.47 %
Synchrony Bank Draper, UT	5.29
Capital One Bank Glen Allen, VA	8.81
Goldman Sachs Bank New York, NY	9.10
Capital One Bank McClean, VA	8.84
BMW Bank North America Salt Lake City, UT	7.43
Industrial & Commercial Bank New York, NY	7.53
Sallie Mae Bank Salt Lake City, UT	9.11
State Bank India Chicago, IL	8.86
Wells Fargo Bank Sioux Falls, SD	7.91
Texas Exchange Bank Crowley, TX	8.63
Jonesboro Bank Jonesboro, LA	5.03

C. Balances

Summary of cash deposits and investments as of December 31, 2020, were as follows:

Deposits (Note 2. A.)	\$ 2,302,647
Investments	2,783,588
Petty cash	<u>550</u>
Total deposits and investments	<u><u>\$ 5,086,785</u></u>

Deposits and investments are presented in the December 31, 2020, basic financial statements as follows:

Statement of net position	
Cash and investments (including cash and cash equivalents)	<u><u>\$ 5,086,785</u></u>

City of Deephaven
Notes to Financial Statements

NOTE 3 – INTERFUND ACTIVITY

During the year ended December 31, 2020, the City transferred \$31,726 from the Sewer Fund to the General Fund for various administration cost subsidies. The City also transferred \$200,000 from the General Fund to the Capital Improvement Fund for capital project support.

At December 31, 2020, due from/to other funds for the City were as follows:

- \$14,921 due to the General Fund from the Park Dedication Fund for deficit cash at year-end

At December 31, 2020, a long-term advance was due from the Storm Water Fund to the General Fund in the amount of \$150,000. The advance was issued to pay for capital project costs. The loan will be paid back over a period of 5 years at an interest rate of 3%.

City of Deephaven
Notes to Financial Statements

NOTE 4 – CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2020, was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Governmental activities				
Capital assets not being depreciated				
Land	\$ 692,177	\$ -	\$ -	\$ 692,177
Capital assets being depreciated				
Buildings	1,620,847	24,082	-	1,644,929
Improvements other than buildings	5,484	-	-	5,484
Infrastructure	8,622,116	430,698	-	9,052,814
Vehicles and equipment	3,029,859	244,367	113,640	3,160,586
Total capital assets being depreciated	<u>13,278,306</u>	<u>699,147</u>	<u>113,640</u>	<u>13,863,813</u>
Less accumulated depreciation for				
Buildings	955,416	29,642	-	985,058
Improvements other than buildings	5,484	-	-	5,484
Infrastructure	2,299,482	308,210	-	2,607,692
Vehicles and equipment	1,965,883	195,345	109,216	2,052,012
Total accumulated depreciation	<u>5,226,265</u>	<u>533,197</u>	<u>109,216</u>	<u>5,650,246</u>
Total capital assets being depreciated, net	<u>8,052,041</u>	<u>165,950</u>	<u>4,424</u>	<u>8,213,567</u>
Governmental activities capital assets, net	<u>\$ 8,744,218</u>	<u>\$ 165,950</u>	<u>\$ 4,424</u>	<u>\$ 8,905,744</u>
Business-type activities				
Capital assets not being depreciated:				
Construction in progress	\$ -	\$ 36,027	\$ -	\$ 36,027
Capital assets being depreciated				
Mains, lifts, hydrants, and distribution systems	\$ 8,132,702	\$ 240,188	\$ -	\$ 8,372,890
improvements other than buildings	102,190	56,899	5,000	154,089
Vehicles and equipment	481,300	-	-	481,300
Total capital assets being depreciated	<u>8,716,192</u>	<u>297,087</u>	<u>5,000</u>	<u>9,008,279</u>
Less accumulated depreciation for				
Mains, lifts, hydrants, and distribution systems	5,909,176	186,297	-	6,095,473
improvements other than buildings	98,790	4,545	5,000	98,335
Vehicles and equipment	213,388	16,960	-	230,348
Total accumulated depreciation	<u>6,221,354</u>	<u>207,802</u>	<u>5,000</u>	<u>6,424,156</u>
Business-type activities capital assets, net	<u>\$ 2,494,838</u>	<u>\$ 125,312</u>	<u>\$ -</u>	<u>\$ 2,620,150</u>

City of Deephaven
Notes to Financial Statements

NOTE 4 – CAPITAL ASSETS (CONTINUED)

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

Governmental activities	
General government	\$ 4,833
Public safety	102,061
Public works	370,878
Parks and recreation	<u>55,425</u>
Total depreciation expense - governmental activities	<u><u>\$ 533,197</u></u>
Business-type activities	
Water	\$ 15,570
Sewer	151,775
Storm water	25,014
Marina	<u>15,443</u>
Total depreciation expense - governmental activities	<u><u>\$ 207,802</u></u>

NOTE 5 – LONG-TERM DEBT

A. 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 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, 2020, the City's outstanding conduit debt balances totaled \$103,836,214.

B. General Obligation Bonds

The City issued a general obligation (G.O.) bond to provide for financing street reconstruction and overlay projects. It is payable from property taxes levied and collected and is backed by the full faith and credit of the City.

City of Deephaven
Notes to Financial Statements

NOTE 5 – LONG-TERM DEBT (CONTINUED)

C. Components of Long-Term Liabilities

	Issue Date	Interest Rates	Original Issue	Final Maturity	Balance End of Year
Governmental activities					
General Obligation Bonds					
G.O. Street Reconstruction Bonds, Series 2019A	7/11/2019	3.0%-4.0%	\$ 1,500,000	2/1/2030	\$ 1,500,000
Capital Leases					
2021 Police Interceptor Utility Capital Lease	12/15/2020	3.69%	78,227	12/15/2025	77,280
Unamortized bond premium					119,755
Compensated absences payable					143,471
Total governmental activities					<u>1,840,506</u>
Business-type activities					
Compensated absences payable					<u>7,533</u>
Total all long-term liabilities					<u>\$ 1,848,039</u>

D. Changes in Long-Term Liabilities

Long-term liability activity for the year ended December 31, 2020, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental activities					
Bonds payable					
G.O. bonds	\$ 1,500,000	\$ -	\$ -	\$ 1,500,000	\$ 125,000
Unamortized bond premium	136,205	-	16,450	119,755	-
Total bonds payable	<u>1,636,205</u>	<u>-</u>	<u>16,450</u>	<u>1,619,755</u>	<u>125,000</u>
Lease payable	-	78,227	947	77,280	14,514
Compensated absences payable	<u>121,826</u>	<u>139,815</u>	<u>118,170</u>	<u>143,471</u>	<u>14,348</u>
Governmental activity long-term liabilities	<u>\$ 1,758,031</u>	<u>\$ 218,042</u>	<u>\$ 135,567</u>	<u>\$ 1,840,506</u>	<u>\$ 153,862</u>
Business-type activities					
Compensated absences payable	<u>7,078</u>	<u>7,974</u>	<u>7,519</u>	<u>7,533</u>	<u>753</u>
Total long-term liabilities	<u>\$ 1,765,109</u>	<u>\$ 226,016</u>	<u>\$ 143,086</u>	<u>\$ 1,848,039</u>	<u>\$ 154,615</u>

For governmental activities, the general fund typically liquidates the liability related to compensate absences. The Capital Improvement Fund liquidates the liability related to capital leases.

City of Deephaven
Notes to Financial Statements

NOTE 5 – LONG-TERM DEBT (CONTINUED)

E. Minimum Debt Payments

<u>Year Ending December 31,</u>	Governmental Activities	
	G.O. Bonds	
	Principal	Interest
2021	\$ 125,000	\$ 52,400
2022	130,000	47,300
2023	135,000	42,000
2024	140,000	36,500
2025	145,000	30,800
2026-2030	825,000	66,550
Total	\$ 1,500,000	\$ 275,550

F. Capital Lease Obligations

The City has entered into a lease purchase agreement with Enterprise Fleet Management for the acquisition of two new police vehicles. The capital lease obligation totaled \$78,227. The capital lease agreement includes annual principal and interest payments of \$17,157 for each of the five years of the agreement.

The assets purchased with the capital lease are classified as equipment and totaled \$84,449. The associated accumulated depreciation for these assets is \$21,112 for a net value of \$63,337.

<u>Year Ending December 31,</u>	<u>Total</u>
2021	\$ 17,157
2022	17,157
2023	17,157
2024	17,157
2025	16,210
Net minimum lease payments	84,838
Less amount representing interest	(7,558)
Present value of net minimum lease payments	\$ 77,280

City of Deephaven
Notes to Financial Statements

NOTE 6 – FUND BALANCE DETAIL

Fund equity balances are classified as follows to reflect the limitations and restrictions of the respective funds.

	General Fund	Capital Improvement Fund	Park Dedication Fund	Bonded Debt Fund	Total
Nonspendable					
Prepaid items	\$ 26,716	\$ -	\$ -	\$ -	\$ 26,716
Restricted					
Debt service	-	-	-	157,891	157,891
Committed					
Compensated absences	143,471	-	-	-	143,471
OPEB obligation	128,503	-	-	-	128,503
Capital projects	-	501,301	-	-	501,301
Total committed	271,974	501,301	-	-	773,275
Unassigned	3,308,885	-	(14,921)	-	3,293,964
Total	<u>\$ 3,607,575</u>	<u>\$ 501,301</u>	<u>\$ (14,921)</u>	<u>\$ 157,891</u>	<u>\$ 4,251,846</u>

NOTE 7 – RISK MANAGEMENT

The City purchases commercial insurance coverage through the League of Minnesota Cities Insurance Trust (LMCIT) with other cities in the state which is a public entity risk pool currently operating as a common risk management and insurance program. The City pays an annual premium to the LMCIT for its insurance coverage. The 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.

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 2020 was estimated to be immaterial based on workers' compensation rates and salaries for the year.

At December 31, 2020, there were no other claims liabilities reported in the fund 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 it is probable a liability has been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated.

City of Deephaven
Notes to Financial Statements

NOTE 8 – PENSION PLANS

The City participates in various pension plans, total pension expense for the year ended December 31, 2020, was \$21,914. The components of pension expense are noted in the following plan summaries.

The General Fund and Enterprise Funds typically liquidate the liability related to 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 a local relief association that elected to merge with and transfer assets and administration to PERA.

A. Benefits Provided

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

General Employees Plan Benefits

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 a Coordinated member is 1.2% for each of the first ten 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.

City of Deephaven
Notes to Financial Statements

NOTE 8 – PENSION PLANS (CONTINUED)

Public Employees' Retirement Association (Continued)

A. Benefits Provided (Continued)

General Employees Plan Benefits (Continued)

Benefit increases are provided to benefit recipients each January. Beginning in 2019, 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. For recipients receiving the annuity or benefit for at least one month but less than a full year as of the June 30 before the effective date of the increase will receive a reduced prorated increase. For members retiring on January 1, 2024, or later, the increase will be delayed until normal retirement age (age 65 if hired prior to July 1, 1989, or age 66 for individuals hired on or after July 1, 1989). Members retiring under Rule of 90 are exempt from the delay to normal retirement.

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. Beginning in 2019, the postretirement increase was fixed at 1%. Recipients that have been receiving the annuity or benefit for at least 36 months as of the June 30 before the effective date of the increase will receive the full increase. For recipients receiving the annuity or benefit for at least 25 months but less than 36 months as of the June 30 before the effective date of the increase will receive a reduced prorated increase.

B. Contributions

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

General Employees Fund Contributions

Coordinated Plan members were required to contribute 6.5% of their annual covered salary in fiscal year 2020, 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, 2020, were \$47,246. The City's contributions were equal to the required contributions as set by state statute.

City of Deephaven
Notes to Financial Statements

NOTE 8 – PENSION PLANS (CONTINUED)

Public Employees' Retirement Association (Continued)

B. Contributions (Continued)

Police and Fire Fund Contributions

General Employees Fund Contributions (Continued)

Police and Fire member's contribution rates increased from 11.3% of pay to 11.8% and employer rates increased from 16.95% to 17.7% on January 1, 2020. The City's contributions to the Police and Fire Fund for the year ended December 31, 2020, were \$101,245. The City's contributions were equal to the required contributions as set by state statute.

C. Pension Costs

General Employees Fund Pension Costs

At December 31, 2020, the City reported a liability of \$521,605 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 \$15,962. The net pension liability was measured as of June 30, 2020, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City's proportion of the net pension liability was based on the City's contributions received by PERA during the measurement period for employer payroll paid dates from July 1, 2019, through June 30, 2020, relative to the total employer contributions received from all of PERA's participating employers. The City's proportionate share was 0.0087% at the end of the measurement period and 0.0085% for the beginning of the period.

City's proportionate share of the net pension liability	\$ 521,605
State of Minnesota's proportionate share of the net pension liability associated with the City	15,962
Total	\$ 537,567

For the year ended December 31, 2020, the City recognized pension expense of \$20,959 for its proportionate share of General Employees Plan's pension expense. Included in this amount, the City recognized \$1,389 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.

City of Deephaven
Notes to Financial Statements

NOTE 8 – PENSION PLANS (CONTINUED)

Public Employees' Retirement Association (Continued)

D. Pension Costs (Continued)

General Employees Fund Pension Costs (Continued)

At December 31, 2020, 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 Outflows of Resources	Deferred Inflows of Resources
	<u> </u>	<u> </u>
Differences between expected and actual economic experience	\$ 4,648	\$ 1,974
Changes in actuarial assumptions	-	19,151
Net collective difference between projected and actual investment earnings	9,458	-
Changes in proportion	8,292	2,774
Contributions paid to PERA subsequent to the measurement date	23,623	-
Total	<u>\$ 46,021</u>	<u>\$ 23,899</u>

The \$23,623 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, 2021. Other amounts reported as deferred outflows and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending December 31,	Pension Expense Amount
<u> </u>	<u> </u>
2021	\$ (27,760)
2022	995
2023	12,662
2024	12,602
Total	<u>\$ (1,501)</u>

City of Deephaven
Notes to Financial Statements

NOTE 8 – PENSION PLANS (CONTINUED)

Public Employees' Retirement Association (Continued)

D. Pension Costs (Continued)

Police and Fire Fund Pension Costs

At December 31, 2020, the City reported a liability of \$640,153 for its proportionate share of the Police and Fire Fund's net pension liability. The net pension liability was measured as of June 30, 2020, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City's proportion of the net pension liability was based on the City's contributions received by PERA during the measurement period for employer payroll paid dates from July 1, 2019, through June 30, 2020, relative to the total employer contributions received from all of PERA's participating employers. At June 30, 2020, the City's proportionate share was 0.0489% at the end of the measurement period and 0.0496% for the beginning of the period.

The State of Minnesota also contributed \$13.5 million to the Police and Fire Fund in the plan fiscal year ended June 30, 2020. The contribution consisted of \$4.5 million in direct state aid that does meet the definition of a special funding situation and \$9 million in fire state aid that does not meet the definition of a special funding situation. The \$4.5 million direct state aid was paid on October 1, 2019. Thereafter, by October 1 of each year, the State will pay \$9 million to the Police and Fire Fund until full funding is reached or July 1, 2048, whichever is earlier. The \$9 million in fire state aid will continue until the fund is 90% funded, or until the State Patrol Plan (administered by the Minnesota State Retirement System) is 90% funded, whichever occurs later.

As a result, the State of Minnesota is included as a non-employer contributing entity in the Police and Fire Retirement Plan Schedule of Employer Allocations and Schedule of Pension Amounts by Employer, Current Reporting Period Only (pension allocation schedules) for the \$4.5 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, 2020, the City recognized pension expense of \$52,635 for its proportionate share of the Police and Fire Plan's pension expense. Included in this amount, the City recognized \$4,676 as pension expense (and grant revenue) for its proportionate share of the State of Minnesota's contribution of \$4.5 million to the Police and Fire Fund.

The State of Minnesota is not included as a non-employer contributing entity in the Police and Fire Pension Plan pension allocation schedules for the \$9 million in fire state aid. The City also recognized \$4,401 for the year ended December 31, 2020 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.

City of Deephaven
Notes to Financial Statements

NOTE 8 – PENSION PLANS (CONTINUED)

Public Employees' Retirement Association (Continued)

D. Pension Costs (Continued)

Police and Fire Fund Pension Costs (Continued)

At December 31, 2020, the City reported its proportionate share of the Police and Fire Fund's deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ 29,155	\$ 35,679
Changes in actuarial assumptions	251,783	433,707
Net collective difference between projected and actual investment earnings	14,435	-
Changes in proportion	-	88,422
Contributions paid to PERA subsequent to the measurement date	50,623	-
Total	\$ 345,996	\$ 557,808

The \$50,623 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, 2021. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending December 31,	Pension Expense Amount
2021	\$ (76,710)
2022	(230,368)
2023	19,111
2024	26,321
2025	(789)
Total	\$ (262,435)

City of Deephaven
Notes to Financial Statements

NOTE 8 – PENSION PLANS (CONTINUED)

Public Employees' Retirement Association (Continued)

E. Actuarial Assumptions

The total pension liability in the June 30, 2020, actuarial valuation was determined using an individual entry-age normal actuarial cost method and the following actuarial assumptions:

Inflation	2.50 % Per year
Active member payroll growth	3.25 % Per year
Investment rate of return	7.50 %

Salary increases were based on a service-related table. Mortality rates for active members, retirees, survivors, and disabilitants for all plans were based on RP 2014 tables for males or females, as appropriate, with slight adjustments to fit PERA's experience. Cost of living benefit increases after retirement for retirees are assumed to be 1.25% per year for the General Employees Plan and, 1.0% per year for the Police and Fire Plan.

Actuarial assumptions used in the June 30, 2020 valuation were based on the results of actuarial experience studies. The most recent four-year experience study in the General Employees Plan was completed in 2019. The assumption changes were adopted by the Board and became effective with the July 1, 2020, actuarial valuation. The most recent four-year experience study for Police and Fire Plan was completed in 2020. The recommended assumptions for that plan was adopted by the Board and will be effective with the July 1, 2021, actual valuation if approved by the Legislature.

The following changes in actuarial assumptions occurred in 2020:

General Employees Fund

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 changes 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.

City of Deephaven
Notes to Financial Statements

NOTE 8 – PENSION PLANS (CONTINUED)

Public Employees' Retirement Association (Continued)

E. Actuarial Assumptions (Continued)

General Employees Fund (Continued)

Changes in Actuarial Assumptions: (Continued)

- The mortality improvement scale was changed from Scale MP-2018 to Scale MP-2019.
- The assumed spouse age difference was changed from two years older for females to one year older.
- The assumed number of married male new retirees electing the 100% Joint 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.

Police and Fire Fund

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.

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

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Domestic stocks	35.5 %	5.10 %
International stocks	17.5	5.30
Bonds (fixed income)	20	0.75
Alternative assets (private markets)	25	5.90
Cash	2	0.00
Total	<u>100 %</u>	

City of Deephaven
Notes to Financial Statements

NOTE 8 – PENSION PLANS (CONTINUED)

Public Employees' Retirement Association (Continued)

F. Discount Rate

The discount rate used to measure the total pension liability in 2020 was 7.5%. The projection of cash flows used to determine the discount rate assumed that contributions from Plan members and employers will be made at rates set in *Minnesota Statutes*. Based on these assumptions, the fiduciary net positions of the General Employees Fund and the Police and Fire Fund were projected to be available to make all projected future benefit payments of current Plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

G. Pension Liability Sensitivity

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

	1% Decrease in Discount Rate (6.5%)	Discount Rate (7.5%)	1% Increase in Discount Rate (8.5%)
	<hr/>	<hr/>	<hr/>
City's proportionate share of the General Employees Fund net pension liability	\$ 835,952	\$ 521,605	\$ 262,294
	<hr/>	<hr/>	<hr/>
City's proportionate share of the Police and Fire Fund net pension liability/(asset)	\$ 1,280,289	\$ 640,153	\$ 110,554

Pension Plan Fiduciary Net Position

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

**City of Deephaven
Notes to Financial Statements**

NOTE 8 – PENSION PLANS (CONTINUED)

Defined Benefit Pension Plan – Volunteer Fire Fighter's Relief Association

A. Plan Description

The Excelsior Firefighters Relief Association is the administrator of a single employer defined benefit pension plan established to provide benefits for members of the Excelsior Fire District per Minnesota State Statutes. The cities of Deephaven, Excelsior, Greenwood, Shorewood, and Tonka Bay are sponsoring entities of the Excelsior Fire District. At December 31, 2020, the City of Deephaven's proportionate share was 28.52%.

The Association issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to Excelsior Firefighter's Association, at the City of Excelsior.

B. Benefits Provided

Full retirement benefits are payable to members who have reached age 50 and have completed 20 years of service. Partial benefits are payable to members who have reached 50 and have completed 10 years of service. Disability benefits and widow and children's survivor benefits are also payable to members of their beneficiaries based upon requirements set forth in the bylaws. These benefit provisions and all other requirements are consistent with enabling state statutes.

C. Employees Covered by Benefit Terms

At the January 1, 2019, valuation date, the following employees were covered by the benefit terms:

Retirees and beneficiaries	0
Vested terminated and transfers	13
Actives	35
	48
Total	48

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 aids 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. 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, the City did not recognize revenue or an expenditure on behalf payment made by the State of Minnesota for the Relief Association.

City of Deephaven
Notes to Financial Statements

NOTE 8 – PENSION PLANS (CONTINUED)

Defined Benefit Pension Plan – Volunteer Fire Fighter's Relief Association (Continued)

E. Net Pension Liability

The City's net pension liability was measured as of December 31, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of January 1, 2019.

The total pension liability in the January 1, 2019, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.5 %	
Salary increase	2.5	average, including inflation
Investment rate of return	6.0	net of pensions plan investment expense including inflation

The value of death benefits is similar to the value of the retirement pension. Because of low retirement ages, the plan assumes no pre-retirement mortality. Post-retirement mortality does not apply as the benefit structure and form of payment do not reflect lifetime benefits.

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 in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Cash	0.00 %	2.25 %
Fixed income	31.00	3.80
Equities	69.00	7.00
	<hr/>	
Total	<u>100.00 %</u>	

The discount rate used to measure the total pension liability was 6%. 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.

City of Deephaven
Notes to Financial Statements

NOTE 8 – PENSION PLANS (CONTINUED)

Defined Benefit Pension Plan – Volunteer Fire Fighter's Relief Association (Continued)

F. Changes in the Net Pension Liability

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balances at January 1, 2020	\$ 1,289,482	\$ 1,665,460	\$ (375,978)
Changes for the year			
Service cost	27,495	-	27,495
Interest cost	76,371	-	76,371
Plan changes	26,086	-	26,086
Nonemployer contributions	-	45,368	(45,368)
Projected investment return	-	98,523	(98,523)
Gain or loss	-	268,242	(268,242)
Benefit payments	(88,267)	(88,267)	-
Administrative expense	-	(3,955)	3,955
Other changes	2	(2)	4
Net changes	41,687	319,909	(278,222)
Balances at December 31, 2020	\$ 1,331,169	\$ 1,985,369	\$ (654,200)

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 (5.0%) or 1-percentage-point higher (7.0%) than the current rate:

	1% Decrease (5.00%)	Current Discount Rate (6.00%)	1% Increase (7.00%)
Net pension asset	\$ 636,982	\$ 654,200	\$ 669,823

City of Deephaven
Notes to Financial Statements

NOTE 8 – PENSION PLANS (CONTINUED)

Defined Benefit Pension Plan – Volunteer Fire Fighter'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, 2020, the City recognized pension expense of (\$51,680). At December 31, 2020, the City reported deferred outflows of resources and deferred inflows of resources related to the Relief Association Pension from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Liability gains/losses	\$ -	\$ 49,342
Investment gains/losses	-	164,576
Contributions paid subsequent to the measurement date	47,014	-
Total	\$ 47,014	\$ 213,918

The \$47,014 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, 2021. Other amounts reported as deferred outflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending December 31,	Total
2021	\$ (62,877)
2022	(60,078)
2023	(22,385)
2024	(65,116)
2025	(3,462)
Total	\$ (213,918)

NOTE 9 – POST EMPLOYMENT HEALTH CARE PLAN

The General Fund and Enterprise Funds typically liquidate the liability related to the 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 and their spouses. The plan offers medical coverage. It is the City's policy to periodically review its medical coverage, and to obtain requests for proposals in order to provide the most favorable benefits and premiums for City employees and retirees.

City of Deephaven
Notes to Financial Statements

NOTE 9 – POST EMPLOYMENT HEALTH CARE 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

Contribution requirements are established by the City, based on the contract terms with the insurance provider. The required contributions are based on projected pay-as-you-go financing requirements. For 2020, the City contributed \$9,577 to the plan.

D. Members

As of January 1, 2020, valuation date, the following were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	2
Inactive employees entitled to but not yet receiving benefit payments	0
Active employees	17
Total	19

E. Actuarial Assumptions

The total OPEB liability was determined by an actuarial valuation as of January 1, 2020, using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Key Methods and Assumptions Used in Valuation of Total OPEB Liability

Discount rate	2.9% based on the 20-year municipal bond yield
Salary increases	Service graded table
Inflation	2.50%
Healthcare cost trend increases	6.5% initially, grading to 5.0% over six years and then to 4.0% over the next 48 years
Mortality assumption	Pub-2010 Public Retirement Plans Headcount - Weighted Mortality Tables (General, Safety) with MP-2019 Generational Improvement Scale

City of Deephaven
Notes to Financial Statements

NOTE 9 – POST EMPLOYMENT HEALTH CARE PLAN

F. Total OPEB Liability

Changes in the total OPEB liability are as follows:

	<u>Total OPEB Liability</u>
Balances at January 1, 2020	\$ 160,209
Changes for the year	
Service cost	8,023
Interest cost	6,123
Differences between expected and actual experience	(66,362)
Changes in assumptions	2,577
Benefit payments	<u>(14,341)</u>
Net changes	<u>(63,980)</u>
Balances at December 31, 2020	<u><u>\$ 96,229</u></u>

G. OPEB Liability Sensitivity

The following presents the City's total OPEB liability calculated using the discount rate of 2.9% as well as the liability measured using 1% lower and 1% higher than the current discount rate.

Total OPEB Liability		
1% decrease (1.9%)	Current (2.9%)	1% increase (3.9%)
\$ 101,878	\$ 96,229	\$ 90,852

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		
1% decrease	Current	1% increase
\$ 88,087	\$ 96,229	\$ 105,676

City of Deephaven
Notes to Financial Statements

NOTE 9 – POST EMPLOYMENT HEALTH CARE PLAN

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

For the year ended December 31, 2020, the City recognized OPEB expense of \$4,524. At December 31, 2020, the Distract reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes of assumptions	\$ 2,208	\$ 3,059
Liability gains	-	56,881
Contributions paid subsequent to the measurement date	9,577	-
Total	\$ 11,785	\$ 59,940

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

The \$9,577 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, 2021. Other amounts reported as deferred outflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year Ended December 31,	Total
2021	\$ (9,622)
2022	(9,622)
2023	(9,622)
2024	(9,622)
2025	(9,622)
Thereafter	(9,622)
Total	\$ (57,732)

NOTE 10 – COMMITMENTS

At December 31, 2020, the City had outstanding construction contract commitments totaling \$59,256 for the 2020 Sewer Main Repair Project.

City of Deephaven
Notes to Financial Statements

NOTE 11 – NEW STANDARDS ISSUED BUT NOT YET IMPLEMENTED

GASB Statement No. 87, Leases establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. This statement will be effective for the year ending December 31, 2022.

**REQUIRED SUPPLEMENTARY
INFORMATION**

CITY OF

DEEPHAVEN *Minnesota*

— TWO SQUARE MILES OF TRANQUILITY —

City of Deephaven
Schedule of Changes in Total OPEB Liability
and Related Ratios

	December 31, 2020	December 31, 2019	December 31, 2018
Total OPEB Liability			
Service cost	\$ 8,023	\$ 12,332	\$ 12,833
Interest cost	6,123	5,462	5,356
Differenced between expected and actual experience	(66,362)	-	-
Changes of assumptions	2,577	(4,079)	-
Benefit payments	(14,341)	(13,280)	(15,655)
Net change in total OPEB liability	(63,980)	435	2,534
Beginning of year	160,209	159,774	157,240
End of year	<u>\$ 96,229</u>	<u>\$ 160,209</u>	<u>\$ 159,774</u>
Covered payroll	\$ 1,159,356	\$ 1,199,344	\$ 1,164,412
Total OPEB liability as a percentage of covered-employee payroll	8.3%	13.4%	13.7%

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

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

For Fiscal Year Ended June 30,	City's Proportion of the Net Pension Liability (Asset)	City's Proportionate Share of the Net Pension Liability (Asset)	State's Proportionate Share (Amount) of the Net Pension Liability Associated with City	City's Proportionate Share of the Net Pension Liability Associated With City	City's Covered Payroll	City's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
2015	0.0091%	\$ 471,609	\$ -	\$ 471,609	\$ 533,889	88.33%	78.19%
2016	0.0088%	714,516	9,316	723,832	536,727	134.86%	68.91%
2017	0.0086%	549,018	6,868	555,886	549,300	101.20%	75.90%
2018	0.0086%	477,093	15,681	492,774	571,840	86.17%	79.53%
2019	0.0085%	469,946	14,666	484,612	603,173	80.34%	80.23%
2020	0.0087%	521,605	15,962	537,567	618,547	86.91%	79.06%

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 Ended June 30,	City's Proportion of the Net Pension Liability (Asset)	City's Proportionate Share of the Net Pension Liability (Asset)	State's Proportionate Share (Amount) of the Net Pension Liability Associated with City	City's Proportionate Share of the Net Pension Liability Associated With City	City's Covered Payroll	City's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
2015	0.0600%	\$ 681,740	\$ -	\$ 681,740	\$ 550,857	123.76%	86.61%
2016	0.0570%	2,287,509	-	2,287,509	551,355	414.89%	63.88%
2017	0.0530%	715,563	-	715,563	538,191	132.96%	85.43%
2018	0.0498%	526,335	-	526,335	530,340	99.24%	88.84%
2019	0.0496%	521,346	-	521,346	523,198	99.65%	89.26%
2020	0.0489%	640,153	15,199	655,352	552,375	115.89%	87.19%

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

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

Fiscal Year Ending December 31,	Statutorily Required Contribution	Contributions in Relation to the Statutorily Required Contributions	Contribution Deficiency (Excess)	City's Covered Payroll	Contributions as a Percentage of Covered Payroll
2015	\$ 39,698	\$ 39,698	\$ -	\$ 529,307	7.5%
2016	40,811	40,811	-	544,147	7.5%
2017	41,584	41,584	-	554,453	7.5%
2018	44,192	44,192	-	589,227	7.5%
2019	45,678	45,678	-	609,040	7.5%
2020	47,246	47,246	-	629,947	7.5%

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**

Fiscal Year Ending December 31,	Statutorily Required Contribution	Contributions in Relation to the Statutorily Required Contributions	Contribution Deficiency (Excess)	City's Covered Payroll	Contributions as a Percentage of Covered Payroll
2015	\$ 90,754	\$ 90,754	\$ -	\$ 560,210	16.2%
2016	87,885	87,885	-	542,500	16.2%
2017	86,489	86,489	-	533,883	16.2%
2018	85,341	85,341	-	526,796	16.2%
2019	90,517	90,517	-	534,024	16.95%
2020	101,245	101,245	-	572,006	17.7%

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

City of Deephaven
Schedule of Changes in Net Pension Liability
and Related Ratios - Excelsior Fire Relief Association

	December 31, 2019	December 31, 2018	December 31, 2017
Total pension liability (TPL)			
Service cost	\$ 27,495	\$ 33,867	\$ 32,129
Interest costs	76,371	74,333	70,557
Plan changes	26,086	39,666	23,624
Gain or loss	-	(24,244)	-
Benefit payments	(88,267)	(78,278)	(51,978)
Other changes	2	(2)	(1)
Net change in total pension liability	<u>41,687</u>	<u>45,342</u>	<u>74,331</u>
Beginning of year	<u>1,289,482</u>	<u>1,244,140</u>	<u>1,169,809</u>
End of year	<u>\$ 1,331,169</u>	<u>\$ 1,289,482</u>	<u>\$ 1,244,140</u>
Plan fiduciary net position (FNP)			
State contributions	\$ 45,368	\$ 43,791	\$ 42,261
Projected investment return	98,523	107,454	92,184
Gain or loss	268,242	(213,678)	188,470
Benefit payments	(88,267)	(78,278)	(51,978)
Administrative expense	(3,955)	(3,979)	(4,099)
Other changes	(2)	2	1
Net change in plan fiduciary net position	<u>319,909</u>	<u>(144,688)</u>	<u>266,839</u>
Beginning of year	<u>1,665,460</u>	<u>1,810,148</u>	<u>1,543,309</u>
End of year	<u>\$ 1,985,369</u>	<u>\$ 1,665,460</u>	<u>\$ 1,810,148</u>
Net pension asset	<u>\$ (654,200)</u>	<u>\$ (375,978)</u>	<u>\$ (566,008)</u>
Proportionate share	28.52%	28.52%	28.52%

The City implemented the provisions of Governmental Accounting Standards Board Statement No. 68 for the year ended December 31, 2015. The schedules within the Required Supplementary Information section required a ten-year presentation, but does not required retroactive reporting. Information prior to 2014 is not available.

December 31, 2016	December 31, 2015	December 31, 2014
\$ 34,416	\$ 35,591	\$ 34,723
71,291	62,508	60,729
16,031	-	-
(64,051)	-	-
(27,770)	-	(7,868)
(1)	-	(1)
<u>29,916</u>	<u>98,099</u>	<u>87,583</u>
<u>1,139,893</u>	<u>1,041,794</u>	<u>954,211</u>
<u>\$ 1,169,809</u>	<u>\$ 1,139,893</u>	<u>\$ 1,041,794</u>
\$ 41,281	\$ 39,683	\$ 37,227
86,280	86,788	80,566
14,005	(118,418)	(8,136)
(27,770)	-	(7,868)
(3,439)	(3,457)	(3,036)
(2)	1	(1)
<u>110,355</u>	<u>4,597</u>	<u>98,752</u>
<u>1,432,954</u>	<u>1,428,357</u>	<u>1,329,605</u>
<u>\$ 1,543,309</u>	<u>\$ 1,432,954</u>	<u>\$ 1,428,357</u>
<u>\$ (373,500)</u>	<u>\$ (293,061)</u>	<u>\$ (386,563)</u>
28.52%	28.52%	28.52%

**City of Deephaven
Schedule of City Contributions
and Non-Employer Contributing
Entities - Excelsior Fire Relief Association**

	December 31, 2020	December 31, 2019	December 31, 2018	December 31, 2017
City of Deephaven				
Statutorily determined contribution (SDC)	\$ -	\$ -	\$ -	\$ -
Contributions in Relation to SDC	-	-	-	-
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
State Contribution				
2% aid on behalf of City of Deephaven	\$ 47,014	\$ 44,511	\$ 43,791	\$ 42,261
Contributions in relation to SDC	<u>47,014</u>	<u>44,511</u>	<u>43,791</u>	<u>42,261</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

The City implemented the provisions of Governmental Accounting Standards Board Statement No. 68 for the year ended December 31, 2015. The schedules within the Required Supplementary Information section required a ten-year presentation, but does not required retroactive reporting. Information prior to 2014 is not available.

December 31, 2016	December 31, 2015	December 31, 2014
\$ -	\$ -	\$ -
<u>-</u>	<u>-</u>	<u>-</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 41,281	\$ 39,683	\$ 37,227
<u>41,281</u>	<u>39,683</u>	<u>37,227</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>



City of Deephaven
Notes to Required Supplementary Information

General Employees Fund

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.
- 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.

City of Deephaven
Notes to Required Supplementary Information

General Employees Fund (Continued)

2018 Changes (Continued)

Changes in Plan Provisions (Continued)

- The assumed benefit increase was changed from 1.0% per year through 2044 and 2.5% per year thereafter to 1.25% percent per year.
- The augmentation adjustment in early retirement factors is eliminated over a five-year period starting July 1, 2019, resulting in actuarial equivalence after June 30, 2024.
- Interest credited on member contributions decreased from 4.00% to 3.00%, beginning July 1, 2018.
- Deferred augmentation was changed to 0.00%, effective January 1, 2019. Augmentation that has already accrued for deferred members will still apply.
- Contribution stabilizer provisions were repealed.
- Postretirement benefit increases were changed from 1.00% per year with a provision to increase to 2.50% upon attainment of 90.00% funding ratio to 50.00% of the Social Security Cost of Living Adjustment, not less than 1.00% and not more than 1.50%, beginning January 1, 2019.
- For retirements on or after January 1, 2024, the first benefit increase is delayed until the retiree reaches normal retirement age; does not apply to Rule of 90 retirees, disability benefit recipients, or survivors.
- Actuarial equivalent factors were updated to reflect revised mortality and interest assumptions.

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.
- The assumed post-retirement benefit increase rate was changed from 1.0% per year for all years to 1.0% per year through 2044 and 2.5% per year thereafter.

Changes in Plan Provisions

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

2016 Changes

Changes in Actuarial Assumptions

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

City of Deephaven
Notes to Required Supplementary Information

General Employees Fund (Continued)

2016 Changes (Continued)

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 Deephaven
Notes to Required Supplementary Information

Police and Fire Fund

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.

2018 Changes

Changes in Actuarial Assumptions

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

Changes in Plan Provisions

- Postretirement benefit increases were changed to 1.00% 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 retirees.

City of Deephaven
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 3 years younger) and female members (husbands assumed to be 4 years older) to the assumption that males are 2 years older than females.
- The assumed percentage of female members electing Joint and Survivor annuities was increased.
- The assumed post-retirement benefit increase rate was changed from 1% 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 Deephaven
Notes to Required Supplementary Information

Volunteer Fire Fighter's Relief Association

2020 Changes

Changes in Plan Provisions

- The benefit level changed from \$7,625 to \$7,850.

2019 Changes

Changes in Plan Provisions

- The benefit level changed from \$7,250 to \$7,625.

2018 Changes

Changes in Plan Provisions

- The benefit level changed from \$7,050 to \$7,250.

Post Employment Health Care Plan

2020 Changes

Changes in Actuarial Assumptions

- The healthcare trend rates were changed to better anticipate short-term and long-term medical increases.
- The mortality tables were updated from the RP-2014 Mortality Tables with MP-2017 Generational Improvement Scale to the Pub-2010 Public Retirement Plans Headcount – Weighted Mortality Tables with MP-2019 Generational Improvement Scale.
- The salary increase rates were changed from a flat 3.0% per year for all employees to rates which vary by service and employee classification.
- The discount rate was changed from 3.8% to 2.9% as of January 1, 2020.

2019 Changes

Changes in Actuarial Assumptions

- The discount rate was changed from 3.3% to 3.8% as of January 1, 2019.

SUPPLEMENTARY INFORMATION

CITY OF

DEEPHAVEN *Minnesota*

— TWO SQUARE MILES OF TRANQUILITY —

City of Deephaven
Schedule of Revenues, Expenditures, and
Changes in Fund Balances -
Budget and Actual - General Fund
Year Ended December 31, 2020

	Original and Final Budget	Actual Amounts	Variance with Final Budget - Over (Under)
Revenues			
General property taxes and fiscal disparities	\$ 2,033,288	\$ 2,026,577	\$ (6,711)
Licenses and permits	296,340	416,678	120,338
Intergovernmental revenues			
Post board reimbursement	2,225	5,645	3,420
Fire aid	153,000	164,844	11,844
Police retirement aid	57,000	63,795	6,795
Road and other aid	9,500	11,423	1,923
Federal grants	-	295,666	295,666
Total intergovernmental revenues	<u>221,725</u>	<u>541,373</u>	<u>319,648</u>
Charges for services			
General government	30,700	31,600	900
Public safety	32,600	37,305	4,705
Public works	42,000	54,288	12,288
City of Greenwood	135,514	133,461	(2,053)
City of Woodland	202,748	246,089	43,341
Other	-	32,500	32,500
Total charges for services	<u>443,562</u>	<u>535,243</u>	<u>91,681</u>
Fines and forfeitures	40,000	49,467	9,467
Miscellaneous revenues			
Investment income	60,000	77,630	17,630
Contributions and donations	100	-	(100)
Other	95,414	95,446	32
Total miscellaneous revenues	<u>155,514</u>	<u>173,076</u>	<u>17,562</u>
Total revenues	<u>3,190,429</u>	<u>3,742,414</u>	<u>551,985</u>
Expenditures			
General government			
Mayor and council			
Personnel services	26,400	26,400	-
Benefits	2,260	2,071	(189)
Other services and charges	6,475	854	(5,621)
Total mayor and council	<u>35,135</u>	<u>29,325</u>	<u>(5,810)</u>

City of Deephaven
Schedule of Revenues, Expenditures, and
Changes in Fund Balances -
Budget and Actual - General Fund
Year Ended December 31, 2020

	Original and Final Budget	Actual Amounts	Variance with Final Budget - Over (Under)
Expenditures (Continued)			
General government (continued)			
Elections			
Personnel services	\$ 8,965	\$ 6,362	\$ (2,603)
Other services and charges	5,100	3,839	(1,261)
Total elections	<u>14,065</u>	<u>10,201</u>	<u>(3,864)</u>
Administrative and finance			
Personnel services	213,098	219,112	6,014
Benefits	33,784	34,986	1,202
Other services and charges	76,803	93,999	17,196
Total administrative and finance	<u>323,685</u>	<u>348,097</u>	<u>24,412</u>
Assessing	60,150	57,288	(2,862)
Auditing services	17,800	16,200	(1,600)
Legal services	7,000	15,117	8,117
Other general government	147,540	150,382	2,842
Capital outlay	-	1,987	1,987
Total general government	<u>605,375</u>	<u>628,597</u>	<u>23,222</u>
Public safety			
Police			
Personnel services	640,873	644,245	3,372
Benefits	132,012	138,717	6,705
Prosecution services	45,636	49,274	3,638
Other services and charges	198,098	192,197	(5,901)
Total police	<u>1,016,619</u>	<u>1,024,433</u>	<u>7,814</u>
Fire			
Other services and charges	694,539	706,356	11,817
Total public safety	<u>1,711,158</u>	<u>1,730,789</u>	<u>19,631</u>
Public works			
Engineering fees	1,000	120	(880)
Administration			
Personnel services	246,649	234,539	(12,110)
Benefits	65,122	92,787	27,665
Other services and charges	71,220	68,607	(2,613)
Total administration	<u>382,991</u>	<u>395,933</u>	<u>12,942</u>

City of Deephaven
Schedule of Revenues, Expenditures, and
Changes in Fund Balances -
Budget and Actual - General Fund
Year Ended December 31, 2020

	Original and Final Budget	Actual Amounts	Variance with Final Budget - Over (Under)
Expenditures (Continued)			
Public works (continued)			
Streets			
Utility services	\$ 28,800	\$ 27,145	\$ (1,655)
Street repair and maintenance	110,500	104,943	(5,557)
Total streets	139,300	132,088	(7,212)
Planning and zoning			
Personnel services	97,947	96,161	(1,786)
Benefits	26,961	31,623	4,662
Professional services	117,120	119,525	2,405
Other services and charges	18,135	22,877	4,742
Total planning and zoning	260,163	270,186	10,023
Total public works	783,454	798,327	14,873
 Parks and recreation			
Wildlife management	13,000	1,463	(11,537)
Professional services	48,700	52,138	3,438
Other	53,550	71,065	17,515
Total parks and recreation	115,250	124,666	9,416
Total expenditures	3,215,237	3,282,379	67,142
 Excess of revenues over (under) expenditures	(24,808)	460,035	484,843
 Other Financing Sources			
Proceeds from sale of capital assets	100	20	(80)
Transfers in	31,726	31,726	-
Transfers out	-	(200,000)	(200,000)
Total other financing sources	31,826	(168,254)	(200,080)
 Net change in fund balances	\$ 7,018	291,781	\$ 284,763
 Fund Balances			
Beginning of year		3,315,794	
End of year		\$ 3,607,575	

City of Deephaven
Schedule of Revenues, Expenditures, and
Changes in Fund Balances -
Budget and Actual - Capital Improvement Fund
Year Ended December 31, 2020

	Original and Final Budget	Actual Amounts	Variance with Final Budget - Over (Under)
Revenues			
General property taxes and fiscal disparities	\$ 400,000	\$ 394,469	\$ (5,531)
Intergovernmental revenue			
Other grant revenue	-	20,000	20,000
Miscellaneous revenues			
Investment income	2,000	12,487	10,487
Franchise fees	94,000	94,641	641
Other	25,000	100,400	75,400
Total miscellaneous revenues	<u>121,000</u>	<u>207,528</u>	<u>86,528</u>
Total revenues	<u>521,000</u>	<u>621,997</u>	<u>100,997</u>
Expenditures			
General government			
Capital outlay	64,000	5,423	(58,577)
Public safety			
Police			
Capital outlay	43,600	134,259	90,659
Public works			
Streets			
Capital outlay	614,350	550,148	(64,202)
Park and recreation			
Current	-	18,998	18,998
Capital outlay	100,000	125,280	25,280
Total park and recreation	<u>100,000</u>	<u>144,278</u>	<u>44,278</u>
Debt service			
Principal	-	947	947
Total expenditures	<u>821,950</u>	<u>835,055</u>	<u>13,105</u>
Excess of revenues under expenditures	(300,950)	(213,058)	87,892
Other Financing Sources			
Issuance of long-term debt	-	78,227	78,227
Transfers in	200,000	200,000	-
Total other financing sources	<u>200,000</u>	<u>278,227</u>	<u>78,227</u>
Net change in fund balances	<u>\$ (100,950)</u>	65,169	<u>\$ 166,119</u>
Fund Balances			
Beginning of year		<u>436,132</u>	
End of year		<u>\$ 501,301</u>	

City of Deephaven
Schedule of Revenues, Expenditures, and
Changes in Fund Balances -
Budget and Actual - Park Dedication Fund
Year Ended December 31, 2020

	Original and Final Budget	Actual Amounts	Variance with Final Budget - Over (Under)
Revenues			
Miscellaneous revenues			
Other	\$ 4,400	\$ -	\$ (4,400)
Total revenues	4,400	-	(4,400)
Expenditures			
Park and recreation			
Other	4,400	-	(4,400)
Total expenditures	4,400	-	(4,400)
Net change in fund balances	\$ -	-	\$ -
Fund Balances			
Beginning of year		(14,921)	
End of year		\$ (14,921)	

City of Deephaven
Schedule of Revenues, Expenditures, and
Changes in Fund Balances -
Budget and Actual - Bonded Debt Fund
Year Ended December 31, 2020

	Original and Final Budget	Actual Amounts	Variance with Final Budget - Over (Under)
Revenues			
General property taxes and fiscal disparities	\$ 219,395	\$ 215,481	\$ (3,914)
Miscellaneous revenues			
Investment income	-	835	835
Total revenues	219,395	216,316	(3,079)
Expenditures			
Debt service:			
Interest and other charges	58,425	58,425	-
Total expenditures	58,425	-	-
Net change in fund balances	\$ 160,970	157,891	\$ (3,079)
Fund Balances			
Beginning of year		-	
End of year		\$ 157,891	

STATISTICAL SECTION

CITY OF

DEEPHAVEN *Minnesota*

— TWO SQUARE MILES OF TRANQUILITY —

City of Deephaven Statistical Section

This part of the City's Comprehensive Annual Financial Report presents detailed information as a context for understanding what the information in the financial statements, note disclosures and required supplementary information say about the City's overall financial health.

Contents

Financial Trends

These schedules contain trend information to help the reader understand how the City's financial performance has changed over time.

Revenue Capacity

These schedules contain information to help the reader assess the factors tax affecting the City's ability to generate its individual income sales.

Debt Capacity

These schedules present information to help the reader assess the affordability of the City's current levels of outstanding debt and the City's ability to issue additional debt in the future.

Demographic and Economic Information

These schedules offer demographic and economic indicators to help the reader understand the environment within which the City's financial activities take place.

Operating Information

These schedules contain service and infrastructure data to help the reader understand how the information in the City's financial report relates to the services the City provides and the activities it performs.

Sources: Unless otherwise noted, the information in these schedules is derived from the Comprehensive Annual Financial Report for the relevant year.

**City of Deephaven
Net Position by Component
Last Ten Years
(Unaudited)**

	Year			
	2011	2012	2013	2014
Governmental activities				
Net investment in capital assets	\$ 4,751,436	\$ 4,724,104	\$ 4,768,473	\$ 6,289,585
Restricted	458,163	439,748	141,958	144,622
Unrestricted	<u>2,410,373</u>	<u>2,528,138</u>	<u>3,229,783</u>	<u>3,110,519</u>
Total governmental activities				
Net position	<u>\$ 7,619,972</u>	<u>\$ 7,691,990</u>	<u>\$ 8,140,214</u>	<u>\$ 9,544,726</u>
Business-type activities				
Investment in capital assets	\$ 2,710,132	\$ 2,828,257	\$ 2,908,356	\$ 2,801,632
Unrestricted	<u>1,080,259</u>	<u>879,169</u>	<u>771,574</u>	<u>792,993</u>
Total business-type activities				
Net position	<u>\$ 3,790,391</u>	<u>\$ 3,707,426</u>	<u>\$ 3,679,930</u>	<u>\$ 3,594,625</u>
Primary government				
Investment in capital assets	\$ 7,461,568	\$ 7,552,361	\$ 7,676,829	\$ 9,091,217
Restricted	458,163	439,748	141,958	144,622
Unrestricted	<u>3,490,632</u>	<u>3,407,307</u>	<u>4,001,357</u>	<u>3,903,512</u>
Total primary government				
Net position	<u>\$ 11,410,363</u>	<u>\$ 11,399,416</u>	<u>\$ 11,820,144</u>	<u>\$ 13,139,351</u>

Table 1

Year					
2015	2016	2017	2018	2019	2020
\$ 6,398,132	\$ 6,475,010	\$ 6,824,292	\$ 7,199,145	\$ 7,108,013	\$ 7,208,709
153,477	179,099	235,295	-	-	135,016
<u>2,618,637</u>	<u>2,379,926</u>	<u>2,271,514</u>	<u>2,539,131</u>	<u>2,568,120</u>	<u>3,034,401</u>
<u>\$ 9,170,246</u>	<u>\$ 9,034,035</u>	<u>\$ 9,331,101</u>	<u>\$ 9,738,276</u>	<u>\$ 9,676,133</u>	<u>\$ 10,378,126</u>
\$ 2,838,154	\$ 2,758,776	\$ 2,656,312	\$ 2,561,362	\$ 2,494,838	\$ 2,620,150
632,689	719,819	761,428	807,373	898,218	854,680
<u>\$ 3,470,843</u>	<u>\$ 3,478,595</u>	<u>\$ 3,417,740</u>	<u>\$ 3,368,735</u>	<u>\$ 3,393,056</u>	<u>\$ 3,474,830</u>
\$ 9,236,286	\$ 9,233,786	\$ 9,480,604	\$ 9,760,507	\$ 9,602,851	\$ 9,828,859
153,477	179,099	235,295	-	-	135,016
<u>3,251,326</u>	<u>3,099,745</u>	<u>3,032,942</u>	<u>3,346,504</u>	<u>3,466,338</u>	<u>3,889,081</u>
<u>\$ 12,641,089</u>	<u>\$ 12,512,630</u>	<u>\$ 12,748,841</u>	<u>\$ 13,107,011</u>	<u>\$ 13,069,189</u>	<u>\$ 13,852,956</u>

City of Deephaven
Changes in Net Position
Last Ten Years
(Unaudited)

	Year			
	2011	2012	2013	2014
Expenses				
Governmental activities				
General government	\$ 447,182	\$ 479,007	\$ 470,192	\$ 482,554
Public safety	1,407,646	1,430,795	1,504,104	1,564,203
Public works	841,784	813,505	844,575	1,057,559
Parks and recreation	119,517	144,071	127,906	125,216
Interest on long-term debt	-	-	-	-
Total governmental activities expenses	<u>2,816,129</u>	<u>2,867,378</u>	<u>2,946,777</u>	<u>3,229,532</u>
Business-type activities				
Sewer	567,494	659,511	749,843	689,164
Water	68,183	80,160	70,759	67,968
Storm water	43,011	63,532	93,825	72,815
Marina	125,785	122,383	128,004	130,567
Recycling	23,956	23,759	30,536	24,688
Total business-type activities expenses	<u>828,429</u>	<u>949,345</u>	<u>1,072,967</u>	<u>985,202</u>
Total primary government expenses	<u>\$ 3,644,558</u>	<u>\$ 3,816,723</u>	<u>\$ 4,019,744</u>	<u>\$ 4,214,734</u>
Program Revenues				
Governmental activities				
Charges for service				
General government	\$ 127,964	\$ 141,817	\$ 144,041	\$ 140,633
Public safety	187,903	218,433	234,021	288,773
Public works	326,000	372,847	531,911	540,979
Parks and recreation	28,000	-	94,500	-
Operating grants and contributions	152,695	163,283	238,363	193,723
Capital grants and contributions	1,085	168	2,156	1,361,807
Total governmental activities	<u>823,647</u>	<u>896,548</u>	<u>1,244,992</u>	<u>2,525,915</u>
Business-type activities				
Charges for service				
Sewer	548,746	559,066	758,406	581,230
Water	64,395	74,676	64,538	59,119
Storm water	84,993	84,865	85,019	125,654
Marina	124,542	124,141	124,007	121,696
Recycling	15,482	18,564	21,636	17,394
Operating grants and contributions	12,248	12,079	-	12,141
Capital grants and contributions	6,560	-	12,119	-
Total business-type activities	<u>856,966</u>	<u>873,391</u>	<u>1,065,725</u>	<u>917,234</u>
Total primary government revenues	<u>\$ 1,680,613</u>	<u>\$ 1,769,939</u>	<u>\$ 2,310,717</u>	<u>\$ 3,443,149</u>
Net expense				
Governmental activities	\$ (1,992,482)	\$ (1,970,830)	\$ (1,701,785)	\$ (703,617)
Business-type activities	28,537	(75,954)	(7,242)	(67,968)
Total primary government net expense	<u>\$ (1,963,945)</u>	<u>\$ (2,046,784)</u>	<u>\$ (1,709,027)</u>	<u>\$ (771,585)</u>

Table 2

		Year				
2015	2016	2017	2018	2019	2020	
\$ 511,907	\$ 542,641	\$ 512,636	\$ 541,356	\$ 643,493	\$ 631,797	
1,627,952	1,904,911	1,712,408	1,600,267	1,696,283	1,764,312	
995,418	1,025,652	980,996	1,010,579	1,221,755	1,297,961	
119,860	146,120	140,358	170,549	168,807	200,528	
-	-	-	-	65,370	39,111	
<u>3,255,137</u>	<u>3,619,324</u>	<u>3,346,398</u>	<u>3,322,751</u>	<u>3,795,708</u>	<u>3,933,709</u>	
649,217	753,779	801,881	774,273	800,269	755,983	
76,146	86,892	98,835	95,098	89,755	97,704	
58,692	62,080	44,671	38,056	69,563	84,415	
132,155	125,233	126,071	133,898	133,875	154,007	
26,291	22,063	23,650	20,768	22,912	18,639	
<u>942,501</u>	<u>1,050,047</u>	<u>1,095,108</u>	<u>1,062,093</u>	<u>1,116,374</u>	<u>1,110,748</u>	
<u>\$ 4,197,638</u>	<u>\$ 4,669,371</u>	<u>\$ 4,441,506</u>	<u>\$ 4,384,844</u>	<u>\$ 4,912,082</u>	<u>\$ 5,044,457</u>	
\$ 154,082	\$ 158,982	\$ 159,099	\$ 177,553	\$ 178,051	\$ 308,148	
244,776	227,260	219,067	216,330	221,227	224,377	
478,032	493,696	482,617	626,507	522,391	677,071	
25,000	37,000	-	-	-	-	
213,561	216,731	447,944	374,558	274,246	250,391	
52,075	16,325	33,231	33,320	-	20,000	
<u>1,167,526</u>	<u>1,149,994</u>	<u>1,341,958</u>	<u>1,428,268</u>	<u>1,195,915</u>	<u>1,479,987</u>	
576,483	656,019	662,420	648,727	709,136	788,308	
74,756	76,624	87,736	89,893	85,655	94,572	
119,823	118,480	119,295	119,042	119,914	145,490	
119,654	142,098	148,037	151,888	149,046	147,041	
23,019	19,914	21,910	14,833	17,120	14,442	
13,772	13,336	12,201	10,454	58,721	7,610	
-	40,180	-	-	-	-	
<u>927,507</u>	<u>1,066,651</u>	<u>1,051,599</u>	<u>1,034,837</u>	<u>1,139,592</u>	<u>1,197,463</u>	
<u>\$ 2,095,033</u>	<u>\$ 2,216,645</u>	<u>\$ 2,393,557</u>	<u>\$ 2,463,105</u>	<u>\$ 2,335,507</u>	<u>\$ 2,677,450</u>	
\$ (2,087,611)	\$ (2,469,330)	\$ (2,004,440)	\$ (1,894,483)	\$ (2,599,793)	\$ (2,453,722)	
(14,994)	16,604	(43,509)	(27,256)	23,218	86,715	
<u>\$ (2,102,605)</u>	<u>\$ (2,452,726)</u>	<u>\$ (2,047,949)</u>	<u>\$ (1,921,739)</u>	<u>\$ (2,576,575)</u>	<u>\$ (2,367,007)</u>	

City of Deephaven
Changes in Net Position
Last Ten Fiscal Years
(Unaudited)

	Year			
	2011	2012	2013	2014
General Revenues and Other				
Changes in Net Position				
Governmental activities				
Property tax	\$ 1,909,458	\$ 1,922,069	\$ 1,904,890	\$ 1,980,683
Intergovernmental	2,515	2,569	2,501	2,501
Unrestricted investment earnings	30,363	52,231	23,784	31,856
Other general revenues	86,903	41,664	179,843	62,567
Gain on sale of asset	-	-	11,537	3,056
Transfers	21,536	24,315	27,454	27,466
Total governmental activities	<u>2,050,775</u>	<u>2,042,848</u>	<u>2,150,009</u>	<u>2,108,129</u>
Business-type activities				
Unrestricted investment earnings	12,737	16,779	7,200	10,129
Other general revenues	-	525	-	-
Transfers	(21,536)	(24,315)	(27,454)	(27,466)
Total business-type activities	<u>(8,799)</u>	<u>(7,011)</u>	<u>(20,254)</u>	<u>(17,337)</u>
Total primary government	<u>\$ 2,041,976</u>	<u>\$ 2,035,837</u>	<u>\$ 2,129,755</u>	<u>\$ 2,090,792</u>
Changes in net position				
Governmental activities	\$ 58,293	\$ 72,018	\$ 448,224	\$ 1,404,512
Business-type activities	19,738	(82,965)	(27,496)	(85,305)
Total primary government	<u>\$ 78,031</u>	<u>\$ (10,947)</u>	<u>\$ 420,728</u>	<u>\$ 1,319,207</u>

Table 2

		Year				
2015	2016	2017	2018	2019	2020	
\$ 2,020,118	\$ 2,114,891	\$ 2,125,823	\$ 2,182,418	\$ 2,263,091	\$ 2,649,281	
2,501	3,751	2,501	2,501	2,501	295,666	
52,412	77,165	30,371	25,509	147,146	90,952	
232,521	109,258	114,359	72,409	92,743	88,090	
13,132	-	-	-	-	-	
27,743	28,054	28,452	31,577	32,169	31,726	
<u>2,348,427</u>	<u>2,333,119</u>	<u>2,301,506</u>	<u>2,314,414</u>	<u>2,537,650</u>	<u>3,155,715</u>	
15,146	19,202	11,106	9,828	33,272	26,785	
-	-	-	-	-	-	
<u>(27,743)</u>	<u>(28,452)</u>	<u>(28,452)</u>	<u>(31,577)</u>	<u>(32,169)</u>	<u>(31,726)</u>	
<u>(12,597)</u>	<u>(9,250)</u>	<u>(17,346)</u>	<u>(21,749)</u>	<u>1,103</u>	<u>(4,941)</u>	
<u>\$ 2,335,830</u>	<u>\$ 2,323,869</u>	<u>\$ 2,284,160</u>	<u>\$ 2,292,665</u>	<u>\$ 2,538,753</u>	<u>\$ 3,150,774</u>	
\$ 260,816	\$ (136,211)	\$ 297,066	\$ 419,931	\$ (62,143)	\$ 701,993	
<u>(27,591)</u>	<u>7,354</u>	<u>(60,855)</u>	<u>(49,005)</u>	<u>24,321</u>	<u>81,774</u>	
<u>\$ 233,225</u>	<u>\$ (128,857)</u>	<u>\$ 236,211</u>	<u>\$ 370,926</u>	<u>\$ (37,822)</u>	<u>\$ 783,767</u>	

City of Deephaven
Fund Balances of Governmental Funds
Last Ten Years
(Unaudited)

	Year			
	2011	2012	2013	2014
General Fund				
Nonspendable	\$ 22,348	\$ 16,472	\$ 13,870	\$ 19,709
Committed	155,000	176,508	173,874	199,614
Unassigned	2,383,144	2,487,788	2,841,999	3,048,676
Total general fund	<u>\$ 2,560,492</u>	<u>\$ 2,680,768</u>	<u>\$ 3,029,743</u>	<u>\$ 3,267,999</u>
All Other Governmental Funds				
Restricted	\$ 97,768	\$ 54,872	\$ 141,958	\$ 144,622
Committed	360,395	384,876	369,733	32,036
Unassigned	-	-	-	-
Total all other governmental funds	<u>\$ 458,163</u>	<u>\$ 439,748</u>	<u>\$ 511,691</u>	<u>\$ 176,658</u>

Table 3

Year					
2015	2016	2017	2018	2019	2020
\$ 20,794	\$ 20,511	\$ 22,215	\$ 22,384	\$ 25,531	\$ 26,716
193,726	226,753	215,577	250,985	256,319	271,974
3,004,853	2,826,417	2,973,218	3,063,494	3,033,944	3,308,885
<u>\$ 3,219,373</u>	<u>\$ 3,073,681</u>	<u>\$ 3,211,010</u>	<u>\$ 3,336,863</u>	<u>\$ 3,315,794</u>	<u>\$ 3,607,575</u>
\$ 153,477	\$ 179,099	\$ 235,295	\$ -	\$ -	\$ 157,891
222,850	447,838	288,663	368,226	436,132	501,301
-	-	-	(10,458)	(14,921)	(14,921)
<u>\$ 376,327</u>	<u>\$ 626,937</u>	<u>\$ 523,958</u>	<u>\$ 357,768</u>	<u>\$ 421,211</u>	<u>\$ 644,271</u>

City of Deephaven
Changes in Fund Balances of Governmental Funds
Last Ten Years
(Unaudited)

	2011	2012	2013	2014
Revenues				
Taxes	\$ 1,916,148	\$ 1,909,862	\$ 1,923,389	\$ 1,974,766
Special assessments	1,743	780	775	778
Licenses and permits	151,989	211,812	323,964	302,517
Intergovernmental	162,439	144,836	219,049	189,627
Charges for services	330,612	343,713	390,457	442,743
Fines and penalties	58,016	80,076	92,095	125,666
Franchise fees	92,953	92,673	93,139	93,128
Interest income	30,363	52,231	23,784	31,856
Miscellaneous revenues	107,682	67,503	309,055	74,717
Total revenues	<u>2,851,945</u>	<u>2,903,486</u>	<u>3,375,707</u>	<u>3,235,798</u>
Expenditures				
General government	445,153	464,716	464,847	464,222
Public safety	1,336,875	1,369,465	1,446,132	1,490,048
Public works	660,783	634,389	799,914	656,126
Parks and recreation	65,952	87,713	68,083	75,659
Debt service				
Principal	-	-	-	-
Interest and other charges	-	-	-	-
Capital outlay	293,923	297,207	216,207	677,042
Total expenditures	<u>2,802,686</u>	<u>2,853,490</u>	<u>2,995,183</u>	<u>3,363,097</u>
Other Financing Sources (Uses)				
Proceeds from sale of capital asset	8,289	27,550	12,940	3,056
Proceeds from capital lease	-	-	-	-
Bond proceeds	-	-	-	-
Bond premium	-	-	-	-
Transfers in	21,536	24,315	27,454	27,466
Transfers out	-	-	-	-
Total other financing sources (uses)	<u>29,825</u>	<u>51,865</u>	<u>40,394</u>	<u>30,522</u>
Net change in fund balances	<u>\$ 79,084</u>	<u>\$ 101,861</u>	<u>\$ 420,918</u>	<u>\$ (96,777)</u>
Debt service as a percentage of noncapital expenditures	n/a	n/a	n/a	n/a

Note: The City did have outstanding debt for the nine years prior to 2019.

Table 4

2015	2016	2017	2018	2019	2020
\$ 2,020,498	\$ 2,113,077	\$ 2,137,355	\$ 2,170,997	\$ 2,259,914	\$ 2,636,527
535	145	-	-	-	-
255,794	283,668	310,346	355,386	312,494	416,678
262,019	228,707	252,206	261,255	228,023	561,373
434,217	426,851	388,450	503,795	449,146	535,243
81,815	67,627	59,768	54,299	92,476	49,467
93,586	93,903	94,473	94,395	94,815	94,641
52,412	77,165	30,371	25,509	147,146	90,952
269,182	156,942	328,364	226,679	83,994	195,846
<u>3,470,058</u>	<u>3,448,085</u>	<u>3,601,333</u>	<u>3,692,315</u>	<u>3,668,008</u>	<u>4,580,727</u>
503,460	514,194	509,579	533,448	631,078	626,610
1,569,973	1,554,503	1,566,565	1,583,800	1,620,090	1,730,789
704,887	702,884	672,681	753,019	813,040	798,327
95,751	103,566	91,840	105,113	121,070	143,664
-	-	-	-	-	947
-	-	-	-	53,123	58,425
485,819	496,104	775,055	788,849	2,091,723	817,097
<u>3,359,890</u>	<u>3,371,251</u>	<u>3,615,720</u>	<u>3,764,229</u>	<u>5,330,124</u>	<u>4,175,859</u>
13,132	30	20,285	-	22,624	20
-	-	-	-	-	78,227
-	-	-	-	1,500,000	-
-	-	-	-	149,697	-
300,743	328,054	28,452	31,577	32,169	231,726
(273,000)	(300,000)	-	-	-	(200,000)
<u>40,875</u>	<u>28,084</u>	<u>48,737</u>	<u>31,577</u>	<u>1,704,490</u>	<u>109,973</u>
<u>\$ 151,043</u>	<u>\$ 104,918</u>	<u>\$ 34,350</u>	<u>\$ (40,337)</u>	<u>\$ 42,374</u>	<u>\$ 514,841</u>
n/a	n/a	n/a	n/a	1.63%	1.71%

City of Deephaven
Tax Capacity and Estimated Actual Value of Taxable Property
Last Ten Years
(Unaudited)

Levy Year	Collection Year	Real Property		Ratio of Tax Capacity to Total Estimated Actual Value	Total City Levy Amounts
		Tax Capacity	Estimated Market Value		
2010	2011	\$ 11,178,216	\$ 992,653,900	1.1%	\$ 1,922,124
2011	2012	11,851,077	973,857,600	1.2%	1,922,124
2012	2013	10,356,225	933,934,700	1.1%	1,922,124
2013	2014	10,366,151	933,646,600	1.1%	1,977,235
2014	2015	11,631,156	1,041,027,400	1.1%	2,024,878
2015	2016	12,940,677	1,144,459,796	1.1%	2,111,731
2016	2017	13,551,278	1,195,835,000	1.1%	2,121,916
2017	2018	14,084,229	1,255,612,600	1.1%	2,157,000
2018	2019	15,028,736	1,330,085,400	1.1%	2,230,000
2019	2020	15,578,760	1,378,764,900	1.1%	2,619,395

Note - School District Tax Capacity Rate does not include levy referendum

Table 5

Total Direct Rates					
General Revenue	Bonds	Total City	Total School	Total County	Total
Tax Capacity per \$ 1,000 of Assessed Value					
17.222	0.000	17.222	21.269	46.250	84.741
17.776	0.000	17.776	23.014	48.777	89.567
18.624	0.000	18.624	24.458	49.349	92.431
19.117	0.000	19.117	24.348	49.859	93.324
17.379	0.000	17.379	25.075	46.648	89.102
16.335	0.000	16.335	22.812	45.314	84.461
15.663	0.000	16.335	22.768	43.999	83.102
15.315	0.000	15.315	23.124	43.177	81.616
14.838	0.000	14.838	21.203	41.661	77.702
15.406	1.408	16.814	21.150	41.016	78.980

**City of Deephaven
Property Tax Levies and Collections
Last Ten Years
(Unaudited)**

Table 6

Year Ended December 31,	Total Levy	Collection of Current Year's Levy (1)	Percentage of Levy Collected	Collection of Prior Year's Levy	Total Collections	Percentage of Total Collections to Levy
2011	\$ 1,922,124	\$ 1,869,209	97.25%	\$ 14,458	\$ 1,883,667	98.00%
2012	1,922,124	1,879,933	97.80%	7,259	1,887,192	98.18%
2013	1,922,124	1,890,889	98.37%	9,562	1,900,451	98.87%
2014	1,977,235	1,943,848	98.31%	5,066	1,948,914	98.57%
2015	2,024,878	1,989,357	98.25%	5,319	1,994,676	98.51%
2016	2,111,731	2,078,739	98.44%	10,446	2,089,185	98.93%
2017	2,121,916	2,105,815	99.24%	8,537	2,114,352	99.64%
2018	2,157,000	2,148,754	99.62%	(7,087)	2,141,667	99.29%
2019	2,230,000	2,225,159	99.78%	4,841	2,230,000	100.00%
2020	2,619,395	2,597,603	99.17%	9,344	2,606,947	99.52%

(1) Including Fiscal Disparities

**City of Deephaven
Principal Taxpayers
Current Year and Nine Years Ago
(Unaudited)**

Table 7

Property ID No.	Type of Business	2020			2011		
		Net Tax Capacity Value	Rank	Percentage of Total Tax Capacity Value	Net Tax Capacity Value	Rank	Percentage of Total Tax Capacity Value
18-117-22-42-0024	Senior Apartments	\$ 162,963	1	1.05%			
13-117-23-42-0015	Residential Lakeshore	123,675	2	0.79%			
13-117-23-43-0009	Seasonal Residential	104,188	3	0.67%			
23-117-23-41-0003	Residential Lakeshore	100,188	4	0.64%			
18-117-22-23-0017	Residential Lakeshore	87,150	5	0.56%	70,488	2	0.63%
13-117-23-43-0010	Seasonal Residential	87,025	6	0.56%			
13-117-23-43-0006	Residential Lakeshore	83,350	7	0.54%	69,000	3	0.62%
13-117-23-13-0002	Residential Lakeshore	81,125	8	0.52%	76,713	1	0.69%
13-117-23-42-0009	Seasonal Residential	80,000	9	0.51%			
24-117-23-23-0038	Residential Lakeshore	77,213	10	0.50%			
24-117-23-11-0029	Seasonal Residential	74,650	11	0.48%	52,038	10	0.47%
24-117-23-23-0028	Seasonal Residential	73,400	12	0.47%			
18-117-22-13-0046	Commercial	73,250	13	0.47%			
23-117-23-43-0004	Residential Lakeshore	71,675	14	0.46%			
24-117-23-14-0002	Residential Lakeshore	67,438	15	0.43%	53,425	9	0.48%
13-117-23-42-0003	Residential Lakeshore				60,813	4	0.54%
13-117-23-43-0004	Residential Lakeshore				56,288	5	0.50%
13-117-23-13-0001	Residential Lakeshore				55,413	6	0.50%
23-117-23-41-0004	Residential Lakeshore				53,563	7	0.48%
23-117-23-41-0015	Residential Lakeshore				53,538	8	0.48%

City of Deephaven
Special Assessments Levies And Collections
Last Ten Years
(Unaudited)

Table 8

<u>Year Ended December 31,</u>	<u>Total Levied</u>	<u>Total Collections</u>	<u>Total Past Due Assessments</u>
2011	\$ 31,847	\$ 33,016	\$ -
2012	37,277	33,468	3,809
2013	42,064	45,985	-
2014	36,970	39,250	-
2015	41,732	42,803	-
2016	40,229	39,257	972
2017	42,858	42,810	48
2018	40,255	40,843	-
2019	39,013	38,328	685
2020	33,764	33,393	371

Collections includes Special Assessment principal and interest and past due penalty amounts.

City of Deephaven
Ratios of Outstanding Debt by Type
Last Ten Years

Table 9

<u>Year Ended December 31,</u>	<u>Governmental Activities General Obligation Bonds</u>	<u>Percentage of Taxable Market Value</u>	<u>Per Capita</u>
2019	\$ 1,636,205	0.12%	\$ 422
2020	1,619,755	0.12%	427

Note: The City did have outstanding debt for the eight years prior to 2019.

See table 5 for market value and table 13 for population data.

City of Deephaven
Ratios of Net General Bonded Debt Outstanding
Last Ten Years

Table 10

<u>Year Ended December 31,</u>	<u>Governmental Activities General Obligation Bonds</u>	<u>Less Amount Restricted to Debt Service</u>	<u>Net General Bonded Debt</u>	<u>Percentage of Taxable Market Value</u>	<u>Per Capita</u>
2019	\$ 1,636,205	\$ -	\$ 1,636,205	0.12%	\$ 422
2020	1,619,755	157,891	1,461,864	0.11%	386

Note: The City did have outstanding debt for the eight years prior to 2019.

See table 5 for market value and table 13 for population data.

**City of Deephaven
Direct and Overlapping
Governmental Activities Debt
As of December 31, 2020
(Unaudited)**

Table 11

Governmental Unit	<u>Net G.O. Bonded Debt Outstanding</u>	<u>Estimated Percentage Applicable (1)</u>	<u>Estimated Share of Direct and Overlapping Debt</u>
Direct debt			
City of Deephaven	\$ 1,619,755	100.00%	\$ 1,619,755
Overlapping debt			
Hennepin County (1)	998,790,298	0.79%	7,890,443
Hennepin County Regional RR Authority (1)	93,859,422	0.79%	741,489
Independent School District No. 276, Minnetonka (1)	109,495,305	18.46%	20,212,833
Three Rivers Park District (1)	42,954,642	1.13%	485,387
Metropolitan Council (1)	<u>103,225,628</u>	0.40%	<u>412,903</u>
Total Overlapping Debt	<u>1,348,325,295</u>		<u>29,743,056</u>
Total Direct and Overlapping Debt	<u>\$ 1,349,945,050</u>		<u>\$ 31,362,811</u>

(1) Source - Continuing Disclosure Document, Ehler's Associates

(2) Metropolitan Transit G.O. Debt is included in the Metropolitan Council outstanding G.O. Debt

Overlapping rates are those of local and county governments that apply to property owners within the City of Deephaven. Not all overlapping rates apply to all City of Deephaven property owners

The percentage of overlapping debt applicable is estimated using taxable market property values. Applicable percentage were estimated by determining the portion of the county's taxable market value that is within the City's boundaries and dividing it by the county's total taxable market value and similarly for the other governmental entities with overlapping debt

City of Deephaven
Legal Debt Margin Information
Last Ten Years
(Unaudited)

	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
Estimated market value (2)	<u>\$ 992,653,900</u>	<u>\$ 973,857,600</u>	<u>\$ 933,934,700</u>	<u>\$ 933,646,600</u>
Debt limit - 3% of market value (1)	\$ 29,779,617	\$ 29,215,728	\$ 28,018,041	\$ 28,009,398
Amount of debt applicable to debt limit				
Net debt applicable to limit (3)	<u>1,381,562</u>	<u>1,391,792</u>	<u>1,286,550</u>	<u>1,216,160</u>
Legal debt margin	<u>\$ 28,398,055</u>	<u>\$ 27,823,936</u>	<u>\$ 26,731,491</u>	<u>\$ 26,793,238</u>
Total net debt applicable to the limit as a percentage of debt limit	4.64%	4.76%	4.59%	4.34%

(1) *Minnesota Statutes* Section 475.53, Limit on Net Debt. Subdivision 1. Generally, except as otherwise provided in Section 475.51 to 475.75, no municipality, except a school district or a city of the first class, shall incur or be subject to a net debt in excess of 3% of the market value.

Note: Although the annual lease payment to the fire district is not considered as debt service, it does apply to the City's debt limit.

(2) Source: Hennepin County Taxpayer Services Department

(3) Source: City of Deephaven financial records

Table 12

<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>
<u>\$ 1,041,027,400</u>	<u>\$ 1,148,951,300</u>	<u>\$ 1,195,835,000</u>	<u>\$ 1,255,612,600</u>	<u>\$ 1,330,085,400</u>	<u>\$ 1,378,764,900</u>
\$ 31,230,822	\$ 34,468,539	\$ 35,875,050	\$ 37,668,378	\$ 39,902,562	\$ 41,362,947
<u>1,122,573</u>	<u>875,000</u>	<u>848,448</u>	<u>697,920</u>	<u>591,265</u>	<u>2,139,135</u>
<u>\$ 30,108,249</u>	<u>\$ 33,593,539</u>	<u>\$ 35,026,602</u>	<u>\$ 36,970,458</u>	<u>\$ 39,311,297</u>	<u>\$ 39,223,812</u>
3.59%	2.54%	2.37%	1.85%	1.48%	5.17%

**City of Deephaven
Demographics and Economic Statistics
Last Ten Years
(Unaudited)**

Table 13

Year	Population (1)	Deephaven Public School Enrollment (2)	Minnesota Unemployment Rate (3)	Median Household Income (4)	Total Personal Income (4)	Per Capita Personal Income (4)
2011	3,642	560	5.7%	\$ 128,600	\$ 281,890,800	\$ 77,400
2012	3,648	633	5.0%	(5)	(5)	(5)
2013	3,690	624	4.6%	(5)	(5)	(5)
2014	3,677	670	3.7%	(5)	(5)	(5)
2015	3,793	650	3.5%	(5)	(5)	(5)
2016	3,727	671	3.0%	(5)	(5)	(5)
2017	3,921	668	2.4%	(5)	(5)	(5)
2018	3,921	662	2.8%	(5)	(5)	(5)
2019	3,878	650	2.7%	(5)	(5)	(5)
2020	3,790	654	4.7%	(5)	(5)	(5)

(1) Source: Minnesota State Demographer

(2) Source: Minnetonka Public Schools: Estimated Enrollment of Deephaven Elementary School

(3) Source: Bureau of Labor Statistics

(4) Source: Metropolitan Council

(5) Information is not available.

**City of Deephaven
Principal Employers
Current Year and Nine Years Ago
(Unaudited)**

Table 14

Employer	Product/Service	2020			2011		
		Number of Employees	Rank	Percentage of Total City Employment	Number of Employees	Rank	Percentage of Total City Employment
Deephaven Elementary School	Public Education	100	1	37.7 %	86	1	36.4 %
St. Therese Church/School	Religious Church/School	65	2	24.5	61	2	25.8
Streeter and Associates	Building Contractor	52	3	19.6	36	3	15.3
City of Deephaven	City Government	18	4	6.8	18	4	7.6
Grace Lutheran Church/School	Religious Church/School	12	5	4.5	16	5	6.8
Kyle Hunt and Partners, Inc.	Building Contractor	10	6	3.8	11	6	4.7
Steiner and Koppleman	Building Contractor	8	6	3.0	8	7	3.4
		<u>265</u>		<u>100.0 %</u>	<u>236</u>		<u>100.0 %</u>

Note: The above includes the largest principal employers of the City. Further information is not available.

City of Deephaven
Full-time Equivalents by Program
Last Ten Years
(Unaudited)

Function/program	Full-Time - Equivalent Employees as of December 31,				
	2011	2012	2013	2014	2015
General government	6	6	6	6	6
Public safety	8	8	8	8	8
Public works	4	4	4	4	4
Total	18	18	18	18	18

Table 15

Full-Time - Equivalent Employees as of December 31,				
2016	2017	2018	2019	2020
6	6	6	6	6
8	8	8	8	8
4	4	4	4.5	4.5
18	18	18	18.5	18.5

City of Deephaven
Capital Asset Statistics by Function/Program
Last Ten Years
(Unaudited)

Function/Program	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
Public safety				
Police stations	1	1	1	1
Police patrol units	4	4	4	4
Fire stations	2	2	2	2
Fire response units	7	7	7	7
Public works				
Streets (miles)	30.85	30.85	30.85	30.85
Traffic signals	1	1	1	1
Culture and recreation				
Parks	8	8	8	8
Campgrounds	1	1	1	1
Beaches	6	6	6	6
Marina				
Dock slips	112	112	112	112
Buoys	53	53	53	53
Slides	115	115	113	113
Canoe racks	32	32	32	32
Utilities				
Sewer lift stations	9	9	9	9

Notes: No capital asset indicators are available for the general government function.

Table 16

2015	2016	2017	2018	2019	2020
1	1	1	1	1	1
4	4	4	4	4	4
2	2	2	2	2	2
7	7	7	7	7	7
30.85	30.85	30.85	30.85	30.85	30.85
1	1	1	1	1	1
8	8	8	8	8	8
1	1	1	1	1	1
6	6	6	6	6	6
112	112	112	112	112	112
53	53	53	53	53	53
113	113	113	113	113	113
32	32	32	48	48	48
9	9	9	9	9	9



City of Deephaven
Schedule of Building Permits and Construction
Last 10 Years
(Unaudited)

Table 17

Year	Number	Value
2011	494	\$ 7,579,378
2012	506	14,447,728
2013	572	18,515,926
2014	551	25,926,380
2015	606	15,562,559
2016	548	21,471,415
2017	623	22,453,999
2018	650	27,492,851
2019	572	20,239,055
2020	657	32,229,505

Note: Other operating information is not available.

Source: Deephaven Planning Department. Permits include building, plumbing, mechanical, electrical and demolition.

City of Deepehaven
Operating Indicators by Function/Program
Last Ten Years
(Unaudited)

	2011	2012	2013	2014
Public Safety				
Police				
Physical arrests	220	299	304	359
Parking violations	190	236	271	270
Traffic violations	2,971	3,050	3,386	2,988
Fire				
Number of calls answered	651	639	677	769
Inspections	664	601	574	634
Public Works				
Street maintenance				
Miles of city maintained	30.85	30.85	30.85	30.85
Planning				
Number of planning applications received	12	21	26	8
Number of building permits reviewed	494	506	572	551
Park and Recreation				
Parks and trails				
Number of parks maintained	13	13	13	13
Miles of trail and sidewalk maintained	2	2	2	2
Playgrounds	5	5	5	5
Ice skating rinks	4	4	4	4
Beaches	6	6	6	6
Municipal Sewer				
Number of customers	1,468	1,474	1,474	1,474
New connections	5	1	14	9
The city sewage disposal is through the Metropolitan waste control commission.				
Municipal Water				
Number of customers	144	144	145	147
The city purchases water from the municipalities of Minnetonka and Shorewood.				
Recycling				
Curbside recycling picked up on city-wide				
Clean up day (in tons)	405	393	592	526
Marina				
Dock slips	95	95	95	95
Shore space	17	17	17	17
Buoys	53	53	53	53
Slides	115	113	113	113
Canoe racks	32	32	32	32
Storm Water				
Number of utility customer accounts	1,469	1,472	1,472	1,472

(1) Information not available

Note: Indicators are not available for the general government function.

Table 18

2015	2016	2017	2018	2019	2020
314	233	277	170	183	197
313	429	357	419	376	600
3,368	3,148	2,160	1,941	1,230	1,948
810	755	811	844	923	983
549	478	672	715	722	382
30.85	30.85	30.85	30.85	30.85	30.85
21	34	21	22	18	21
606	548	623	650	572	657
13	13	13	13	13	13
2	2	2	2	2	2
5	5	5	5	5	5
4	4	4	4	4	4
6	6	6	6	6	6
1,473	1,474	1,480	1,486	1,486	1,486
1	1	6	6	0	0
148	147	148	148	149	149
404	334	320	262	190	190
95	95	95	95	95	95
17	17	17	17	17	17
53	53	53	53	53	53
113	113	113	113	113	113
32	32	48	48	48	48
1,472	1,472	1,482	1,482	1,482	1,482

For The Fiscal Year Ended December 31, 2020