

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



EST. 1900
Deephaven

For The Fiscal Year Ended December 31, 2021

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

*For the Year Ended
December 31, 2021*

Dana Young, City Administrator

**Prepared By:
The Department of Finance**

City of Deephaven
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INTRODUCTORY SECTION

CITY OF

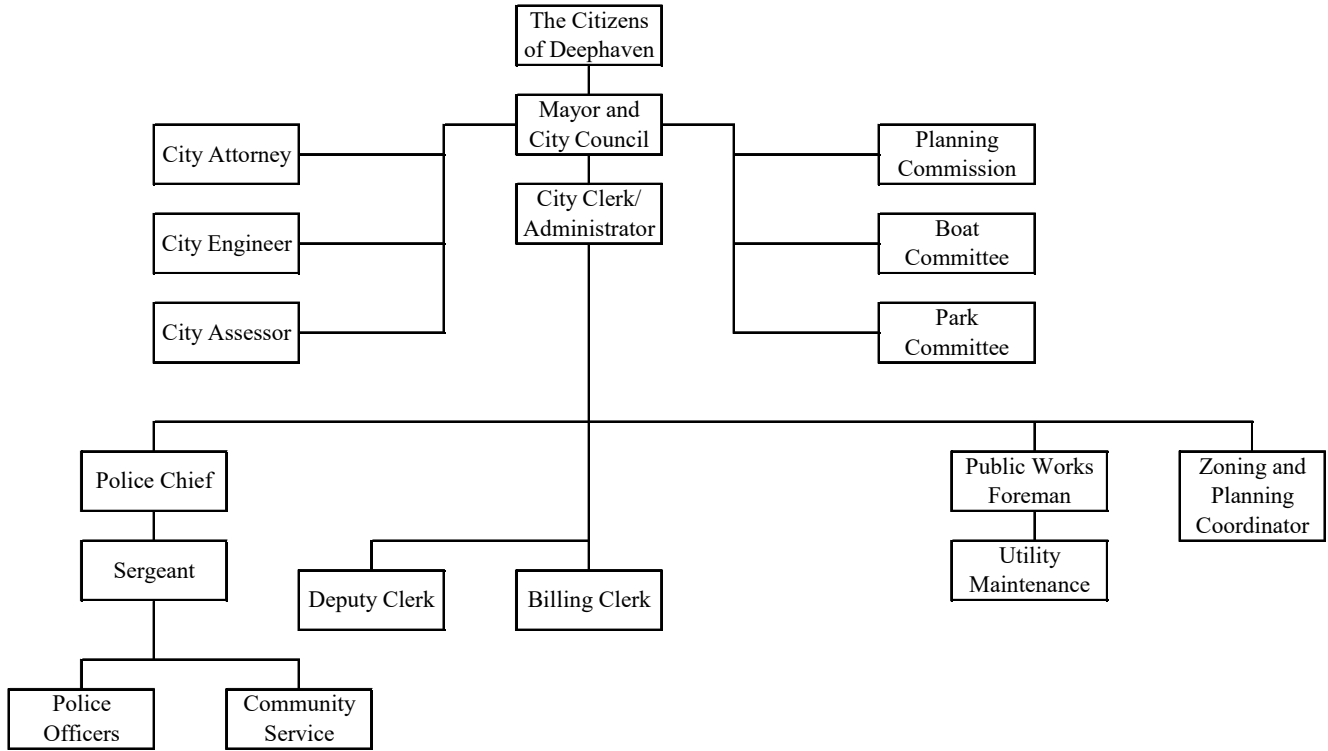
DEEPHAVEN *Minnesota*

— TWO SQUARE MILES OF TRANQUILITY —

**City of Deephaven
Elected Officials and Administration
December 31, 2021**

<u>Elected Officials</u>	<u>Position</u>	<u>Term Expires</u>
Melissa McNeill	Mayor	December 31, 2022
Kent Carlson	Council Member	December 31, 2024
Steve Erickson	Council Member	December 31, 2024
John Studer	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





March 7, 2022

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

The annual comprehensive financial report of the City of Deephaven, Minnesota, for the year ended December 31, 2021, 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, 2021, 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, 2021, are fairly presented in conformity with GAAP. The independent auditor's report is presented on pages 11-13 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 15.

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 3,899. 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 continued to increase on a relatively consistent basis over the past ten years:

	Total Permits Number	Value
2021	752	\$ 39,665,116
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

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, 3.7% in 2020, and 4.4% in 2021. The market value of the City of Deephaven is projected to reach an all-time high of \$1.523 billion dollars in 2022. 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 the 2040 Comprehensive Plan, with another update to the Comprehensive Plan scheduled in 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 with the attempt to limit 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. Over the past 15-year period from 2008-2022, Deephaven averaged a 4.1% annual property tax levy increase. From 2022-2026, the property tax levy is projected to increase at 3.2% per year.
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, 110% in 2020, and 112% in 2021. In order to address excessive General Fund reserves, the Council transferred \$250,000 in 2015, \$300,000 in 2016, \$200,000 in 2020, \$150,000 in 2021, and another \$200,000 in 2022 from the General Fund into the Capital Improvement Fund to assist in the financing of both street and bridge reconstruction projects. Even with these transfers, projections through 2025 show that the unreserved General Fund Balance will still be at 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 \$299,726 in 2026 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, \$400,000 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.

Over 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 that are scheduled 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 2021 that went into effect in 2022.

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 beginning 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.

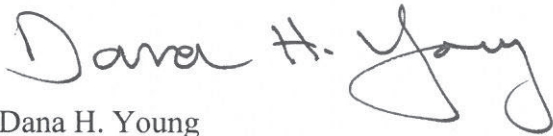
Awards

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 annual comprehensive financial report for the fiscal year ended December 31, 2020. This is the 26th 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 annual comprehensive financial report. This report must satisfy both accounting principles generally accepted in the United States of America and applicable legal requirements.

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 Melissa McNeill 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, stylized "Y" at the end.

Dana H. Young
City Clerk / Administrator



FINANCIAL SECTION



Independent Auditor's Report

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

Report on the Audit of the Financial Statements

Opinions

We have audited the financial statements of the governmental activities, the business-type activities, and each major fund of City of Deephaven, as of and for the year ended December 31, 2021, and the related notes to the financial statements, which collectively comprise the City of Deephaven's basic financial statements as listed in the Table of Contents.

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

Basis for Opinions

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

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, which follows this report letter, and Required Supplementary information as listed in the Table of Contents be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the 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.

Supplementary 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 individual fund schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

Other Information

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

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 7, 2022, 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
March 7, 2022



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, 2021.

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 \$15,806,243 (total net position). Of this amount, \$4,451,543 (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 2021 increased by \$1,953,287 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 \$4,551,015, an increase of \$299,169 in comparison with the prior year.
- At the end of the current year, the General Fund balance was \$3,747,779 which included \$32,914 that was nonspendable, \$290,592 committed for severance and other post-employment benefits (OPEB) liability, and \$3,424,273 for working capital. The total General Fund balance was 112% of total 2021 General Fund expenditures.
- The City's governmental activities compensated absences and OPEB liability long-term debt is \$290,592. This amount has been committed in the General Fund. In other words, \$164,784 has been designated to pay for one-third accrued sick leave that is paid to City employees upon their retirement with the City and \$125,808 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 \$1,112,197. This represents an increase of \$119,102 over the prior year primarily owing to a combination of rate increases and a moderate schedule of capital improvement projects undertaken in both the Storm Water Fund and Marina Fund in 2021.

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 25 through 27 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 37 for this Fund to demonstrate compliance with the budget.

The basic governmental fund financial statements can be found on pages 30 through 37 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 government-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 40 through 45 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 49 through 83 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 \$15,806,243 at the close of 2021.

The largest portion of the City's net position of \$11,007,534 or 70% 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	
	2021	2020	2021	2020	2021	2020
Assets						
Current and other assets	\$ 5,916	\$ 5,040	\$ 1,306	\$ 1,122	\$ 7,222	\$ 6,162
Capital assets	9,985	8,906	2,561	2,620	12,546	11,526
Total assets	<u>\$ 15,901</u>	<u>\$ 13,946</u>	<u>\$ 3,867</u>	<u>\$ 3,742</u>	<u>\$ 19,768</u>	<u>\$ 17,688</u>
Deferred Outflows of Resources	<u>\$ 1,035</u>	<u>\$ 445</u>	<u>\$ 45</u>	<u>\$ 6</u>	<u>\$ 1,080</u>	<u>\$ 451</u>
Liabilities						
Current liabilities	\$ 600	\$ 284	\$ 234	\$ 196	\$ 834	\$ 480
Noncurrent liabilities	2,354	2,883	76	68	2,430	2,951
Total liabilities	<u>\$ 2,954</u>	<u>\$ 3,167</u>	<u>\$ 310</u>	<u>\$ 264</u>	<u>\$ 3,264</u>	<u>\$ 3,431</u>
Deferred Inflows of Resources	<u>\$ 1,719</u>	<u>\$ 846</u>	<u>\$ 59</u>	<u>\$ 9</u>	<u>\$ 1,778</u>	<u>\$ 855</u>
Net Position						
Invested in capital assets	\$ 8,446	\$ 7,209	\$ 2,561	\$ 2,620	\$ 11,007	\$ 9,829
Restricted	347	135	-	-	347	135
Unrestricted	3,470	3,034	982	855	4,452	3,889
Total net position	<u>\$ 12,263</u>	<u>\$ 10,378</u>	<u>\$ 3,543</u>	<u>\$ 3,475</u>	<u>\$ 15,806</u>	<u>\$ 13,853</u>

A portion of the City's net position – \$146,348 – is restricted for debt service, and \$200,818 is restricted for park activities.

The remaining balance of unrestricted net position – \$4,451,543 – may be used to meet the City's ongoing obligations to citizens and creditors.

The City's net position increased by \$1,953,287 during the current year: governmental activities increased \$1,884,962 and business-type activities increased \$68,325. This overall increase is primarily attributable to a stronger revenue position and investment in capital assets, some of which was funded with state grant monies.

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS (CONTINUED)

There was an increase in governmental activities net position by \$1,884,962 and an increase in business-type activities net position by \$68,325 in 2021, as noted previously.

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

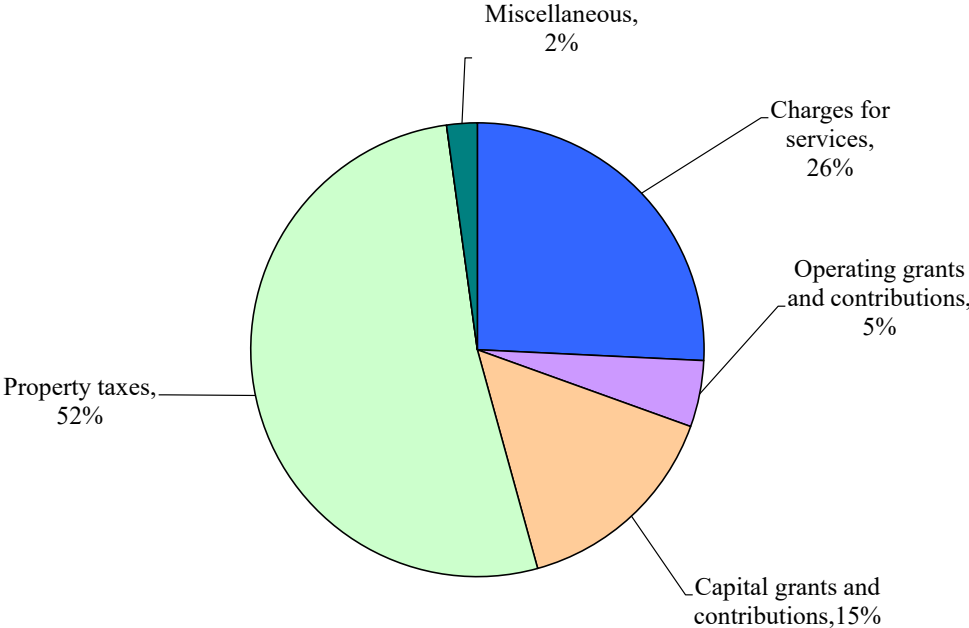
	Governmental Activities		Business-Type Activities		Total	
	2021	2020	2021	2020	2021	2020
Revenues						
Charges for services	\$ 1,393	\$ 1,210	\$ 1,334	\$ 1,190	\$ 2,727	\$ 2,400
Operating grants and contributions	256	250	8	8	264	258
Capital grants and contributions	823	20	-	-	823	20
Property taxes	2,817	2,649	-	-	2,817	2,649
Intergovernmental	-	296	-	-	-	296
Miscellaneous	118	179	-	27	118	206
Total revenues	<u>5,407</u>	<u>4,604</u>	<u>1,342</u>	<u>1,225</u>	<u>6,749</u>	<u>5,829</u>
Expenses						
General government	573	632	-	-	573	632
Public safety	1,589	1,764	-	-	1,589	1,764
Public works	1,212	1,298	-	-	1,212	1,298
Parks and recreation	164	201	-	-	164	201
Interest on long-term debt	35	39	-	-	35	39
Water	-	-	116	98	116	98
Sewer	-	-	859	756	859	756
Recycling	-	-	13	19	13	19
Storm water	-	-	98	84	98	84
Marina	-	-	137	154	137	154
Total expenses	<u>3,573</u>	<u>3,934</u>	<u>1,223</u>	<u>1,111</u>	<u>4,796</u>	<u>5,045</u>
Change in net position before transfers	1,834	670	119	114	1,953	784
Transfers	<u>51</u>	<u>32</u>	<u>(51)</u>	<u>(32)</u>	<u>-</u>	<u>-</u>
Change in net position	1,885	702	68	82	1,953	784
Net position						
Beginning 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>
End of year	<u>\$ 12,263</u>	<u>\$ 10,378</u>	<u>\$ 3,543</u>	<u>\$ 3,475</u>	<u>\$ 15,806</u>	<u>\$ 13,853</u>

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

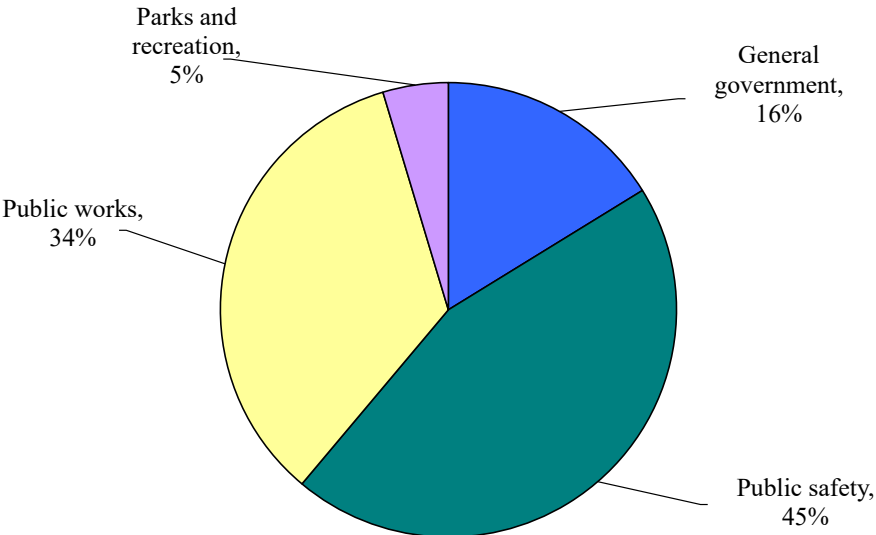
GOVERNMENTAL ACTIVITIES

Governmental activities increased its overall net position by \$1,884,962. Below are specific graphs that provide comparisons of the governmental activities revenues and expenses:

Governmental Activities - Revenues



Governmental Activities - Expenses

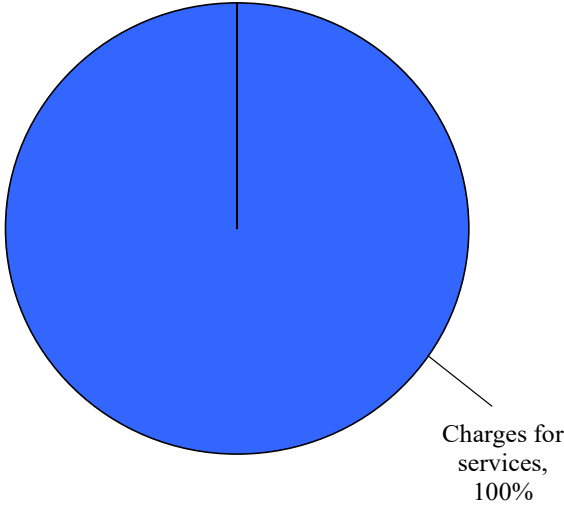


**City of Deephaven
Management's Discussion and Analysis**

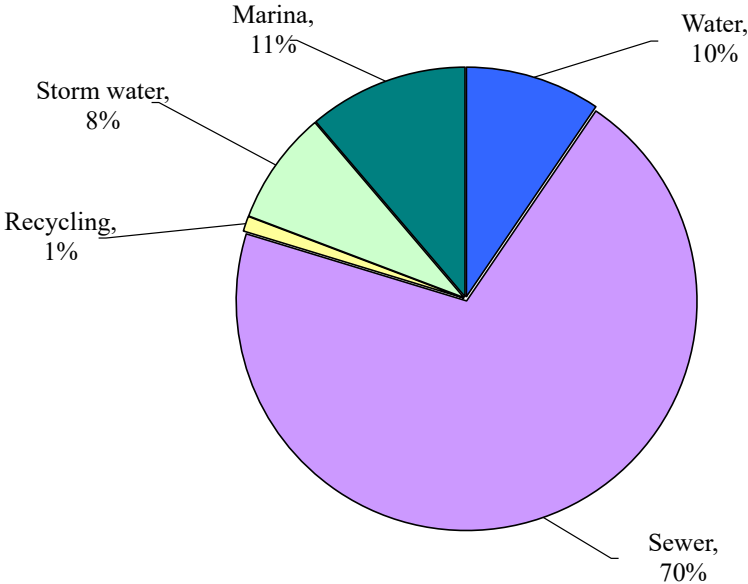
BUSINESS-TYPE ACTIVITIES

Business-type activities increased its overall net position by \$68,325. 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 \$4,551,015. Of this amount, \$32,914 represents amounts already expended for prepaid items and is classified as nonspendable. Other portions of the fund balances are dedicated as follows:

- 1) Committed to pay severance and OPEB liability (\$290,592)
- 2) Committed to fund special capital projects (\$435,278)
- 3) Restricted to fund Park Dedication Fund projects or land acquisition (\$200,818)
- 4) Restricted for Bonded Debt payments (\$167,140)

The remaining unassigned balance of \$3,424,273 provides for ongoing operating costs.

The General Fund increased \$140,204 in 2021. The reasons for increase in the General Fund Balance are due to higher than anticipated building permit revenues.

The Capital Improvement Fund balance decreased \$66,023 over the prior year primarily due to the costs relating to a street resurfacing project and the construction of the Northome Bridge.

The Park Improvement Fund balance increased \$215,739 due to the receipt of two park dedication fees totaling \$223,100 in 2021.

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 \$9,249 over the prior year as tax revenues exceeded debt service payments.

Propriety Funds

Business-type activities increased the City's net position by \$68,325, principally due to a stronger revenue position in 2021.

From a cash position, business-type activities increased \$119,102 in 2021. A brief summary of each business-type activity is described below:

- Water Fund – The cash position of the Water Fund increased \$9,179 in 2021, largely owing to a lack of water system improvements in 2021.
- Sewer Fund – The cash position of the Sewer Fund decreased \$37,263 in 2021. The decrease is attributable to a significant amount of capital projects undertaken in 2021.

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

FINANCIAL ANALYSIS OF THE CITY'S FUNDS (CONTINUED)

Propriety Funds (Continued)

- Recycling Fund – The cash position of the Recycling Fund increased \$15,857 in 2021, largely owing to the lower costs of operating the annual Spring Cleanup Day due to the COVID pandemic.
- Storm Water Fund – The cash position of the Storm Water Fund increased \$80,105 in 2021, primarily owing to undertaking only two relatively minor capital improvement projects in 2021.
- Marina Fund – The cash position of the Marina Fund increased \$51,224 in 2021 due to the lack of capital projects undertaken and the addition of a minor rate increase in 2021.

BUDGETARY HIGHLIGHTS

General Fund Revenues – With budgeted General Fund revenues and other financing sources of \$3,324,586 versus actual General Fund revenues and other financing sources of \$3,635,548, General Fund revenues and other financing sources came in \$310,962 higher than anticipated in 2021. A review of General Fund revenues illustrates there were four 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 3) receipt of Coronavirus State & Local Fiscal Recovery Funds, and 4) increases in Charges for Service.

General Fund Expenditures – With budgeted General Fund expenditures of \$3,313,466 versus actual General Fund expenditures and transfers out of \$3,495,344, General Fund expenditures were \$181,878 higher than expected in 2021 due to higher than expected public safety costs and professional service costs and the unbudgeted transfer out.

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, 2021, amounted to \$12,546,574 (net of accumulated depreciation). This investment in capital assets included land, land improvements, buildings, vehicles, and equipment are shown below.

	2021		2021 Total	2020 Total
	(In Thousands)			
	Governmental Activities	Business-Type Activities		
Land	\$ 692	\$ -	\$ 692	\$ 692
Construction in progress	27	-	27	36
Building	716	-	716	660
Mains, lifts, hydrants, and distribution systems	-	2,276	2,276	2,277
Improvements other than buildings	-	51	51	56
Infrastructure	7,427	-	7,427	6,445
Vehicles and equipment	1,123	234	1,357	1,360
	<u>\$ 9,985</u>	<u>\$ 2,561</u>	<u>\$ 12,546</u>	<u>\$ 11,526</u>
Total				

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 Basic Financial Statements.

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

- Northome Bridge Construction Project (\$932,700)
- Street Resurfacing Project (\$327,299)
- Public Works Water Truck Apparatus (\$96,056)
- Police Equipment (\$13,515)
- Park Equipment & Improvements (\$51,180)
- Lift Station & Pump Improvements (\$20,702)
- Sewer Main Infrastructure Improvements (\$130,286)
- Storm Water Projects (\$24,248)

LONG-TERM DEBT

At the end of the current fiscal year, the City had total long-term debt of \$270,349 for accrued compensated absences and OPEB liability, net pension liability of \$782,413, leases payable liability of \$62,766, and bonded debt, net of premium in the amount of \$1,476,274. 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.

**City of Deephaven
Statement of Net Position
December 31, 2021**

	Governmental Activities	Business-Type Activities	Total
Assets			
Cash and investments (including cash equivalents)	\$ 3,997,725	\$ 1,112,197	\$ 5,109,922
Accounts receivable	23,573	274,053	297,626
Interest receivable	7,569	-	7,569
Property taxes receivable			
Unremitted	34,906	-	34,906
Delinquent	32,242	-	32,242
Special assessments receivable			
Delinquent	1,320	5,330	6,650
Deferred	-	30,946	30,946
Internal activity	121,730	(121,730)	-
Due from other governments	750,000	-	750,000
Prepaid items	32,914	4,828	37,742
Net pension asset	913,984	-	913,984
Capital assets not being depreciated			
Land	692,177	-	692,177
Construction in progress	26,729	-	26,729
Capital assets net of accumulated depreciation			
Buildings	715,902	-	715,902
Mains, lifts, hydrants, and distribution systems	-	2,275,936	2,275,936
Improvements other than buildings	-	51,209	51,209
Infrastructure	7,427,429	-	7,427,429
Vehicles and equipment	1,122,920	234,272	1,357,192
Total assets	<u>15,901,120</u>	<u>3,867,041</u>	<u>19,768,161</u>
Deferred Outflows of Resources			
Deferred outflows of resources related to pensions	1,027,352	44,631	1,071,983
Deferred outflows of resources related to OPEB	7,193	800	7,993
Total deferred outflows of resources	<u>1,034,545</u>	<u>45,431</u>	<u>1,079,976</u>
Total assets and deferred outflows of resources	<u>\$ 16,935,665</u>	<u>\$ 3,912,472</u>	<u>\$ 20,848,137</u>
Liabilities			
Accounts and contracts payable	\$ 124,297	\$ 20,702	\$ 144,999
Salaries and benefits payable	55,401	6,018	61,419
Due to other governments	23,074	23,790	46,864
Interest payable	20,792	-	20,792
Unearned revenue	214,630	183,090	397,720
Bond payable, net of premium			
Payable within one year	130,000	-	130,000
Payable after one year	1,346,274	-	1,346,274
Lease payable			
Payable within one year	15,059	-	15,059
Payable after one year	47,707	-	47,707
Compensated absences payable			
Payable within one year	16,478	772	17,250
Payable after one year	148,306	6,964	155,270
Total OPEB liability payable after one year	88,046	9,783	97,829
Net pension liability payable after one year	723,615	58,798	782,413
Total liabilities	<u>2,953,679</u>	<u>309,917</u>	<u>3,263,596</u>
Deferred Inflows of Resources			
Deferred inflows of resources related to pensions	1,673,943	54,406	1,728,349
Deferred inflows of resources related to OPEB	44,955	4,994	49,949
	<u>1,718,898</u>	<u>59,400</u>	<u>1,778,298</u>
Net Position			
Net investment in capital assets	8,446,117	2,561,417	11,007,534
Restricted for			
Debt service	146,348	-	146,348
Park dedication	200,818	-	200,818
Unrestricted	3,469,805	981,738	4,451,543
Total net position	<u>12,263,088</u>	<u>3,543,155</u>	<u>15,806,243</u>
Total liabilities, deferred inflows of resources, and net position	<u>\$ 16,935,665</u>	<u>\$ 3,912,472</u>	<u>\$ 20,848,137</u>

**City of Deephaven
Statement of Activities
Year Ended December 31, 2021**

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Governmental activities				
General government	\$ 572,842	\$ 227,306	\$ -	\$ -
Public safety	1,589,495	221,823	243,776	-
Public works	1,211,881	720,551	11,249	822,871
Park and recreation	164,324	223,100	1,481	-
Interest on long-term debt	34,954	-	-	-
Total governmental activities	<u>3,573,496</u>	<u>1,392,780</u>	<u>256,506</u>	<u>822,871</u>
Business-type activities				
Water	115,485	110,159	-	-
Sewer	859,006	811,365	-	-
Recycling	13,039	13,168	7,568	-
Storm water	98,131	232,622	-	-
Marina	136,928	166,620	-	-
Total business-type activities	<u>1,222,589</u>	<u>1,333,934</u>	<u>7,568</u>	<u>-</u>
 Total governmental and business-type activities	 <u>\$ 4,796,085</u>	 <u>\$ 2,726,714</u>	 <u>\$ 264,074</u>	 <u>\$ 822,871</u>

General revenues
 Property taxes
 Intergovernmental
 Unrestricted investment earnings
 Other general revenue
 Gain on sale of asset
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
\$ (345,536)	\$ -	\$ (345,536)
(1,123,896)	-	(1,123,896)
342,790	-	342,790
60,257	-	60,257
(34,954)	-	(34,954)
<u>(1,101,339)</u>	<u>-</u>	<u>(1,101,339)</u>
-	(5,326)	(5,326)
-	(47,641)	(47,641)
-	7,697	7,697
-	134,491	134,491
-	29,692	29,692
<u>-</u>	<u>118,913</u>	<u>118,913</u>
(1,101,339)	118,913	(982,426)
2,816,716	-	2,816,716
-	-	-
(10,956)	516	(10,440)
77,137	-	77,137
52,300	-	52,300
51,104	(51,104)	-
<u>2,986,301</u>	<u>(50,588)</u>	<u>2,935,713</u>
1,884,962	68,325	1,953,287
<u>10,378,126</u>	<u>3,474,830</u>	<u>13,852,956</u>
<u>\$ 12,263,088</u>	<u>\$ 3,543,155</u>	<u>\$ 15,806,243</u>



MAJOR GOVERNMENTAL FUNDS

City of Deephaven
Balance Sheet - Governmental Funds
December 31, 2021

	General Fund	Capital Projects	
		Capital Improvement Fund	Park Dedication Fund
Assets			
Cash and investments	\$ 3,632,079	\$ -	\$ 200,818
Accounts receivable	-	23,573	-
Interest receivable	7,569	-	-
Property taxes receivable			
Unremitted	27,698	4,896	-
Delinquent	32,242	-	-
Special assessments receivable			
Delinquent	1,320	-	-
Due from other funds	245,886	-	-
Advance to other funds	121,730	-	-
Due from other governments	-	750,000	-
Prepaid items	32,914	-	-
	<u>32,914</u>	<u>-</u>	<u>-</u>
Total assets	<u>\$ 4,101,438</u>	<u>\$ 778,469</u>	<u>\$ 200,818</u>
Liabilities			
Accounts and contracts payable	\$ 26,992	\$ 97,305	\$ -
Salaries and benefits payable	55,401	-	-
Due to other funds	-	245,886	-
Due to other governments	23,074	-	-
Unearned revenue	214,630	-	-
	<u>320,097</u>	<u>343,191</u>	<u>-</u>
Deferred Inflows of Resources			
Unavailable revenue - property taxes	32,242	-	-
Unavailable revenue - special assessments	1,320	-	-
Total deferred inflows of resources	<u>33,562</u>	<u>-</u>	<u>-</u>
Fund Balances			
Nonspendable	32,914	-	-
Restricted	-	-	200,818
Committed	290,592	435,278	-
Unassigned	3,424,273	-	-
Total fund balances	<u>3,747,779</u>	<u>435,278</u>	<u>200,818</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 4,101,438</u>	<u>\$ 778,469</u>	<u>\$ 200,818</u>

<u>Debt Service</u>	
<u>Bonded Debt Fund</u>	<u>Total Governmental Funds</u>
\$ 164,828	\$ 3,997,725
-	23,573
-	7,569
2,312	34,906
-	32,242
-	1,320
-	245,886
-	121,730
-	750,000
-	32,914
<u>\$ 167,140</u>	<u>\$ 5,247,865</u>
\$ -	\$ 124,297
-	55,401
-	245,886
-	23,074
-	214,630
<u>-</u>	<u>663,288</u>
-	32,242
-	1,320
<u>-</u>	<u>33,562</u>
-	32,914
167,140	367,958
-	725,870
-	3,424,273
<u>167,140</u>	<u>4,551,015</u>
<u>\$ 167,140</u>	<u>\$ 5,247,865</u>



City of Deephaven
Reconciliation of the Balance Sheet to
the Statement of Net Position - Governmental Funds
December 31, 2021

Total fund balances - governmental funds	\$ 4,551,015
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	15,970,510
Less accumulated depreciation	(5,985,353)
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	(1,375,000)
Unamortized bond premium	(101,274)
Capital leases payable	(62,766)
Compensated absences payable	(164,784)
Total OPEB liability	(88,046)
Net pension liability	(723,615)
Net pension assets created through non-employer contributions to defined benefit pension plans are not recognized in the governmental funds.	913,984
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	1,027,352
Deferred inflows of resources related to pensions	(1,673,943)
Deferred outflows of resources related to OPEB	7,193
Deferred inflows of resources related to OPEB	(44,955)
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	32,242
Deferred special assessments	1,320
Governmental funds do not report a liability for accrued interest is due and payable.	(20,792)
Total net position - governmental activities	\$ 12,263,088

City of Deephaven
Statement of Revenues, Expenditures, and
Changes in Fund Balances - Governmental Funds
Year Ended December 31, 2021

	General Fund	Capital Projects	
		Capital Improvement Fund	Park Dedication Fund
Revenues			
General property taxes and fiscal disparities	\$ 2,229,731	\$ 394,994	\$ -
Licenses and permits	563,768	-	-
Intergovernmental	253,534	822,871	-
Charges for services	443,990	-	-
Fines	37,104	9,430	-
Miscellaneous			
Investment income	(11,168)	148	41
Contributions and donations	132	-	-
Franchise fees	-	94,392	-
Other	83,353	6,393	224,581
Total revenues	<u>3,600,444</u>	<u>1,328,228</u>	<u>224,622</u>
Expenditures			
Current			
General government	577,045	-	-
Public safety	1,807,893	-	-
Public works	859,149	-	-
Parks and recreation	101,257	564	1,481
Debt service			
Principal	-	14,514	-
Interest and other charges	-	2,643	-
Capital outlay			
General government	-	87,239	-
Public safety	-	12,896	-
Public works	-	1,447,042	-
Parks and recreation	-	47,653	7,402
Total expenditures	<u>3,345,344</u>	<u>1,612,551</u>	<u>8,883</u>
Excess of revenues over (under) expenditures	255,100	(284,323)	215,739
Other Financing Sources and Uses			
Proceeds from sale of capital assets	-	52,300	-
Transfers in	35,104	166,000	-
Transfers out	(150,000)	-	-
Total other financing sources and uses	<u>(114,896)</u>	<u>218,300</u>	<u>-</u>
Net change in fund balances	140,204	(66,023)	215,739
Fund Balances			
Beginning of year	<u>3,607,575</u>	<u>501,301</u>	<u>(14,921)</u>
End of year	<u>\$ 3,747,779</u>	<u>\$ 435,278</u>	<u>\$ 200,818</u>

<u>Debt Service</u>		
<u>Bonded Debt</u>		<u>Total</u>
<u>Fund</u>		<u>Governmental</u>
		<u>Funds</u>
\$ 187,101	\$	2,811,826
-		563,768
-		1,076,405
-		443,990
-		46,534
23		(10,956)
-		132
-		94,392
-		314,327
<u>187,124</u>		<u>5,340,418</u>
-		577,045
-		1,807,893
-		859,149
-		103,302
125,000		139,514
52,875		55,518
-		87,239
-		12,896
-		1,447,042
-		55,055
<u>177,875</u>		<u>5,144,653</u>
9,249		195,765
-		52,300
-		201,104
-		(150,000)
-		103,404
9,249		299,169
<u>157,891</u>		<u>4,251,846</u>
<u>\$ 167,140</u>	<u>\$</u>	<u>4,551,015</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, 2021

Net change in fund balances - governmental funds	\$ 299,169
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	1,634,787
Depreciation expense	(555,374)
Compensated absences are recognized as paid in the governmental funds but recognized as the expense is incurred in the Statement of Activities.	
	(21,313)
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.	
	2,695
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.	
	139,514
Premiums are recognized when debt is issued in the governmental funds but amortized over the life of the debt in the Statement of Activities.	
	18,481
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.	
	2,083
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.	
	358,856
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	4,890
Deferred special assessments	1,174
	1,884,962
Change in net position - governmental activities	\$ 1,884,962

City of Deephaven
Statement of Revenues, Expenditures, and
Changes in Fund Balances -
Budget and Actual - General Fund
Year Ended December 31, 2021

	Original and Final Budget	Actual Amounts	Variance with Final Budget - Over (Under)
Revenues			
General property taxes and fiscal disparities	\$ 2,237,530	\$ 2,229,731	\$ (7,799)
Licenses and permits	305,550	563,768	258,218
Intergovernmental	225,500	253,534	28,034
Charges for services	300,486	443,990	143,504
Fines and forfeitures	40,000	37,104	(2,896)
Miscellaneous revenues			
Investment income	95,000	(11,168)	(106,168)
Contributions and donations	100	132	32
Other	85,216	83,353	(1,863)
Total revenues	<u>3,289,382</u>	<u>3,600,444</u>	<u>311,062</u>
Expenditures			
Current			
General government	621,236	577,045	(44,191)
Public safety	1,771,739	1,807,893	36,154
Public works	812,191	859,149	46,958
Park and recreation	108,300	101,257	(7,043)
Total expenditures	<u>3,313,466</u>	<u>3,345,344</u>	<u>31,878</u>
Excess of revenues over (under) expenditures	(24,084)	255,100	279,184
Other Financing Sources (Uses)			
Proceeds from sale of capital asset	100	-	(100)
Transfers in	35,104	35,104	-
Transfers out	-	(150,000)	(150,000)
Total other financing sources (uses)	<u>35,204</u>	<u>(114,896)</u>	<u>(150,100)</u>
Net change in fund balances	<u>\$ 11,120</u>	140,204	<u>\$ 129,084</u>
Fund Balances			
Beginning of year		<u>3,607,575</u>	
End of year		<u>\$ 3,747,779</u>	



PROPRIETARY FUNDS

City of Deephaven
Statement of Net Position - Proprietary Funds
December 31, 2021

	Water	Sewer	Recycling	Storm Water
Assets				
Current assets				
Cash and investments	\$ 258,711	\$ 366,561	\$ 89,621	\$ 91,043
Accounts receivable	23,492	190,604	-	59,957
Special assessments receivable				
Delinquent	-	3,150	2,180	-
Deferred	690	30,256	-	-
Prepaid items	83	3,902	-	102
Total current assets	<u>282,976</u>	<u>594,473</u>	<u>91,801</u>	<u>151,102</u>
Noncurrent assets				
Capital assets being depreciated, net				
Mains, lifts, hydrants, and distribution systems	746,413	6,577,667	-	1,237,179
Improvements	-	-	-	-
Vehicles and equipment	23,481	116,464	-	-
Total capital assets	<u>769,894</u>	<u>6,694,131</u>	<u>-</u>	<u>1,237,179</u>
Less accumulated depreciation	<u>(534,537)</u>	<u>(5,637,724)</u>	<u>-</u>	<u>(193,805)</u>
Net capital assets	<u>235,357</u>	<u>1,056,407</u>	<u>-</u>	<u>1,043,374</u>
Total assets	<u>518,333</u>	<u>1,650,880</u>	<u>91,801</u>	<u>1,194,476</u>
Deferred Outflows of Resources				
Deferred outflows of resources related to pensions	1,711	28,625	-	1,711
Deferred outflows of resources related to OPEB	-	560	-	-
Total deferred outflows of resources	<u>1,711</u>	<u>29,185</u>	<u>-</u>	<u>1,711</u>
 Total assets and deferred outflows of resources	 <u>\$ 520,044</u>	 <u>\$ 1,680,065</u>	 <u>\$ 91,801</u>	 <u>\$ 1,196,187</u>
Liabilities				
Current liabilities				
Accounts and contracts payable	\$ -	\$ 9,226	\$ 9,089	\$ 2,173
Salaries and benefits payable	147	4,372	-	378
Due to other governments	18,870	4,920	-	-
Unearned revenue	-	-	-	-
Advance from other funds	-	-	-	121,730
Compensated absences	5	447	-	147
Total current liabilities	<u>19,022</u>	<u>18,965</u>	<u>9,089</u>	<u>124,428</u>
Noncurrent liabilities				
Compensated absences	48	4,025	-	1,326
Total OPEB liability	-	6,848	-	-
Net pension liability	2,254	37,712	-	2,254
Total noncurrent liabilities	<u>2,302</u>	<u>48,585</u>	<u>-</u>	<u>3,580</u>
Total liabilities	<u>21,324</u>	<u>67,550</u>	<u>9,089</u>	<u>128,008</u>
Deferred Inflows of Resources				
Deferred inflows of resources related to pensions	2,085	34,896	-	2,085
Deferred inflows of resources related to OPEB	-	3,496	-	-
Total deferred inflows of resources	<u>2,085</u>	<u>38,392</u>	<u>-</u>	<u>2,085</u>
Net Position				
Investment in capital assets	235,357	1,056,407	-	1,043,374
Unrestricted	261,278	517,716	82,712	22,720
Total net position	<u>496,635</u>	<u>1,574,123</u>	<u>82,712</u>	<u>1,066,094</u>
 Total liabilities, deferred inflows of resources, and net position	 <u>\$ 520,044</u>	 <u>\$ 1,680,065</u>	 <u>\$ 91,801</u>	 <u>\$ 1,196,187</u>

<u>Marina</u>	<u>Total</u>
\$ 306,261	\$ 1,112,197
-	274,053
-	5,330
-	30,946
741	4,828
<u>307,002</u>	<u>1,427,354</u>

-	8,561,259
154,089	154,089
<u>341,355</u>	<u>481,300</u>
495,444	9,196,648
<u>(269,165)</u>	<u>(6,635,231)</u>
226,279	2,561,417
<u>533,281</u>	<u>3,988,771</u>

12,584	44,631
240	800
<u>12,824</u>	<u>45,431</u>

<u>\$ 546,105</u>	<u>\$ 4,034,202</u>
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\$ 214	\$ 20,702
1,121	6,018
-	23,790
183,090	183,090
-	121,730
173	772
<u>184,598</u>	<u>356,102</u>

1,565	6,964
2,935	9,783
<u>16,578</u>	<u>58,798</u>
21,078	75,545
<u>205,676</u>	<u>431,647</u>

15,340	54,406
1,498	4,994
<u>16,838</u>	<u>59,400</u>

226,279	2,561,417
97,312	981,738
<u>323,591</u>	<u>3,543,155</u>

<u>\$ 546,105</u>	<u>\$ 4,034,202</u>
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City of Deephaven
Statement of Revenues, Expenses, and Changes
in Fund Net Position - Proprietary Funds
Year Ended December 31, 2021

	<u>Water</u>	<u>Sewer</u>	<u>Recycling</u>	<u>Storm Water</u>
Operating revenues				
Charges for services	\$ 110,139	\$ 785,755	\$ 13,108	\$ 232,622
Permits, hook-up fees, and penalties	20	5,815	60	-
Other income	-	19,795	-	-
Total operating revenues	<u>110,159</u>	<u>811,365</u>	<u>13,168</u>	<u>232,622</u>
Operating expenses				
Disposal charges	-	441,785	-	-
Water charges	90,304	-	-	-
Wages and benefits	4,404	137,121	-	11,104
Repairs and maintenance	960	51,232	-	-
Supplies	122	5,542	179	140
Utilities	-	6,148	-	-
Other	4,125	62,457	12,860	57,249
Depreciation	15,570	154,721	-	25,621
Total operating expenses	<u>115,485</u>	<u>859,006</u>	<u>13,039</u>	<u>94,114</u>
Operating income (loss)	(5,326)	(47,641)	129	138,508
Nonoperating revenues/expenses				
Interest income	117	218	37	32
Nonoperating grant	-	-	7,568	-
Interest expense	-	-	-	(4,017)
Total nonoperating revenues/expenses	<u>117</u>	<u>218</u>	<u>7,605</u>	<u>(3,985)</u>
Income (loss) before transfers	(5,209)	(47,423)	7,734	134,523
Transfers out	<u>-</u>	<u>(35,104)</u>	<u>-</u>	<u>-</u>
Change in net position	(5,209)	(82,527)	7,734	134,523
Net position				
Beginning of year as restated	<u>501,844</u>	<u>1,656,650</u>	<u>74,978</u>	<u>931,571</u>
End of year	<u>\$ 496,635</u>	<u>\$ 1,574,123</u>	<u>\$ 82,712</u>	<u>\$ 1,066,094</u>

<u>Marina</u>	<u>Total</u>
\$ 165,740	\$ 1,307,364
-	5,895
880	20,675
<u>166,620</u>	<u>1,333,934</u>
-	441,785
-	90,304
38,285	190,914
1,904	54,096
1,087	7,070
964	7,112
79,525	216,216
15,163	211,075
<u>136,928</u>	<u>1,218,572</u>
29,692	115,362
112	516
-	7,568
-	(4,017)
<u>112</u>	<u>4,067</u>
29,804	119,429
<u>(16,000)</u>	<u>(51,104)</u>
13,804	68,325
<u>309,787</u>	<u>3,474,830</u>
<u>\$ 323,591</u>	<u>\$ 3,543,155</u>

City of Deephaven
Statement of Cash Flows - Proprietary Funds
Year Ended December 31, 2021

	<u>Water</u>	<u>Sewer</u>	<u>Recycling</u>	<u>Storm Water</u>
Cash Flows - Operating Activities				
Receipts from customers and users	\$ 106,858	\$ 782,471	\$ 12,202	\$ 210,338
Payments to suppliers	(93,200)	(562,972)	(3,950)	(62,440)
Payments to employees	(4,596)	(113,577)	-	(11,290)
Received from other sources	-	19,795	-	-
Net cash flows - operating activities	<u>9,062</u>	<u>125,717</u>	<u>8,252</u>	<u>136,608</u>
Cash Flows - Noncapital				
Financing Activities				
Grants received	-	-	7,568	-
Transfer out	-	(35,104)	-	-
Net cash flows - noncapital financing activities	<u>-</u>	<u>(35,104)</u>	<u>7,568</u>	<u>-</u>
Cash Flows - Capital and Related				
Financing Activities				
Payments on interfund loan	-	-	-	(28,270)
Acquisition of capital assets	-	(128,094)	-	(24,248)
Net cash flows - capital and related financing activities	<u>-</u>	<u>(124,077)</u>	<u>-</u>	<u>(56,535)</u>
Cash Flows - Investing Activities				
Interest and dividends received	117	(3,799)	37	32
Net change in cash and cash equivalents	9,179	(37,263)	15,857	80,105
Cash and Cash Equivalents				
Beginning of year	<u>249,532</u>	<u>403,824</u>	<u>73,764</u>	<u>10,938</u>
End of year	<u>\$ 258,711</u>	<u>\$ 366,561</u>	<u>\$ 89,621</u>	<u>\$ 91,043</u>
Reconciliation of Operating				
Income (Loss) to Net Cash -				
Flows - Operating Activities				
Operating income (loss)	\$ (5,326)	\$ (47,641)	\$ 129	\$ 138,508
Adjustments to reconcile operating income (loss) to net cash flows - operating activities				
Depreciation expense	15,570	154,721	-	25,621
Accounts receivable	(3,570)	(351)	-	(22,284)
Special assessments receivable	269	(8,748)	(966)	-
Prepaid items	2	(446)	-	(4)
Accounts and contracts payable	-	4,638	9,089	(5,047)
Salaries and benefits payable	18	2,689	-	48
Due to other governments	2,309	-	-	-
Total OPEB liability	-	(850)	-	-
Unearned revenue	-	-	-	-
Compensated absences payable	27	35	-	3
Net pension expense	(237)	21,670	-	(237)
Total adjustments	<u>14,388</u>	<u>173,358</u>	<u>8,123</u>	<u>(1,900)</u>
Net cash flows - operating activities	<u>\$ 9,062</u>	<u>\$ 125,717</u>	<u>\$ 8,252</u>	<u>\$ 136,608</u>

<u>Marina</u>	<u>Total</u>
\$ 190,658	\$ 1,302,527
(83,669)	(806,231)
(40,757)	(170,220)
880	20,675
<u>67,112</u>	<u>346,751</u>
-	7,568
<u>(16,000)</u>	<u>(51,104)</u>
<u>(16,000)</u>	<u>(43,536)</u>
-	(28,270)
<u>-</u>	<u>(152,342)</u>
<u>-</u>	<u>(180,612)</u>
112	(3,501)
51,224	119,102
<u>255,037</u>	<u>993,095</u>
<u>\$ 306,261</u>	<u>\$ 1,112,197</u>
\$ 29,692	\$ 115,362
15,163	211,075
-	(26,205)
-	(9,445)
(65)	(513)
(124)	8,556
141	2,896
-	2,309
48	(802)
24,918	24,918
138	203
<u>(2,799)</u>	<u>18,397</u>
<u>37,420</u>	<u>231,389</u>
<u>\$ 67,112</u>	<u>\$ 346,751</u>



**NOTES TO BASIC
FINANCIAL STATEMENTS**



City of Deephaven
Notes to Basic 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, 2021, 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 2021, the City paid \$394,374 to the District for fire services provided and \$155,825 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 Basic 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, except for grant reimbursement revenues, which are considered revenue if collected within one year of the year-end. 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 Basic 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 Basic 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 Basic 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:

Assets	Years
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 Basic 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 Basic 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 Basic 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.

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.

City of Deephaven
Notes to Basic Financial Statements

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

F. Budgetary Information (Continued)

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, 2021, 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	\$ 1,710,365
Certificates of deposit	<u>220,000</u>
Total deposits	<u><u>\$ 1,930,365</u></u>

City of Deephaven
Notes to Basic Financial Statements

NOTE 2 – DEPOSITS AND INVESTMENTS (CONTINUED)

B. Investments

As of December 31, 2021, 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	\$ 3,163,337	\$ 894,542	\$ 1,812,869	\$ 455,925
Brokered money market account	15,670	15,670	-	-
Total investments	<u>\$ 3,179,007</u>	<u>\$ 910,212</u>	<u>\$ 1,812,869</u>	<u>\$ 455,925</u>

Maturity	
Less than one year	29%
1-5 years	57%
6-10 years	14%

The City has the following recurring fair value measurements as of December 31, 2021:

- \$3,163,337 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 Basic 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, 2021, the following investments, brokered CDs, of the City composed more than 5% of the City's portfolio:

New York Community Bank Westbury, NY	7.35 %
First National Bank Damaeiscotta, ME	7.72
Goldman Sachs BK New York, NY	7.79
Capital One NA McClean, VA	7.54
BMW Bank North America Salt Lake, UT	6.38
Industrial & Commercial New York, NY	6.42
Sallie Mae Bank Salt Lake City, UT	7.70
State Bank of India Chicago, IL	7.54
Medallion Bank Utah	6.75
Texas Exchange Bank Crowley	7.45
Live Oak Banking Co Wilmington, NC	6.73
Bank Hapoalim New York, NY	7.62

C. Balances

Summary of cash deposits and investments as of December 31, 2021, were as follows:

Deposits (Note 2. A.)	\$ 1,930,365
Investments	3,179,007
Petty cash	550
	<hr/>
Total deposits and investments	<u>\$ 5,109,922</u>

Deposits and investments are presented in the December 31, 2021, basic financial statements as follows:

Statement of net position	
Cash and investments (including cash and cash equivalents)	<u>\$ 5,109,922</u>

City of Deephaven
Notes to Basic Financial Statements

NOTE 3 – INTERFUND ACTIVITY

During the year ended December 31, 2021, the City transferred \$35,104 from the Sewer Fund to the General Fund for admin services. The City also transferred \$150,000 from the General Fund to the Capital Improvement Fund for capital project support and \$16,000 from the Marina Fund to the Capital Improvement Fund for park contribution support.

At December 31, 2021, due from/to other funds for the City were as follows:

- \$245,886 due to the General Fund from the Capital Improvement Fund for deficit cash at year-end

At December 31, 2021, a long-term advance was due from the Storm Water Fund to the General Fund in the amount of \$121,730. 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 Basic Financial Statements

NOTE 4 – CAPITAL ASSETS

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

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities				
Capital assets not being depreciated				
Land	\$ 692,177	\$ -	\$ -	\$ 692,177
Construction in progress	-	26,729	-	26,729
Total capital assets not Being depreciated	<u>692,177</u>	<u>26,729</u>	<u>-</u>	<u>718,906</u>
Capital assets being depreciated				
Buildings	1,644,929	87,239	-	1,732,168
Improvements other than buildings	5,484	-	-	5,484
Infrastructure	9,052,814	1,328,309	-	10,381,123
Vehicles and equipment	3,160,586	192,510	220,267	3,132,829
Total capital assets being depreciated	<u>13,863,813</u>	<u>1,608,058</u>	<u>220,267</u>	<u>15,251,604</u>
Less accumulated depreciation for				
Buildings	985,058	31,208	-	1,016,266
Improvements other than buildings	5,484	-	-	5,484
Infrastructure	2,607,692	346,002	-	2,953,694
Vehicles and equipment	2,052,012	178,164	220,267	2,009,909
Total accumulated depreciation	<u>5,650,246</u>	<u>555,374</u>	<u>220,267</u>	<u>5,985,353</u>
Total capital assets being depreciated, net	<u>8,213,567</u>	<u>1,052,684</u>	<u>-</u>	<u>9,266,251</u>
Governmental activities capital assets, net	<u>\$ 8,905,744</u>	<u>\$ 1,079,413</u>	<u>\$ -</u>	<u>\$ 9,985,157</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	\$ 8,372,890	\$ 188,369	\$ -	\$ 8,561,259
improvements other than buildings	154,089	-	-	154,089
Vehicles and equipment	481,300	-	-	481,300
Total capital assets being depreciated	<u>9,008,279</u>	<u>188,369</u>	<u>-</u>	<u>9,196,648</u>
Less accumulated depreciation for				
Mains, lifts, hydrants, and distribution systems	6,095,473	189,850	-	6,285,323
improvements other than buildings	98,335	4,545	-	102,880
Vehicles and equipment	230,348	16,680	-	247,028
Total accumulated depreciation	<u>6,424,156</u>	<u>211,075</u>	<u>-</u>	<u>6,635,231</u>
Total capital assets being depreciated, net	<u>2,584,123</u>	<u>(22,706)</u>	<u>-</u>	<u>2,561,417</u>
Business-type activities capital assets, net	<u>\$ 2,620,150</u>	<u>\$ (22,706)</u>	<u>\$ 36,027</u>	<u>\$ 2,561,417</u>

City of Deephaven
Notes to Basic Financial Statements

NOTE 4 – CAPITAL ASSETS (CONTINUED)

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

Governmental activities	
General government	\$ 8,855
Public safety	70,212
Public works	419,159
Parks and recreation	<u>57,148</u>
Total depreciation expense - governmental activities	<u>\$ 555,374</u>
Business-type activities	
Water	\$ 15,570
Sewer	154,721
Storm water	25,621
Marina	<u>15,163</u>
Total depreciation expense - governmental activities	<u>\$ 211,075</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, 2021, the City's outstanding conduit debt balances totaled \$103,008,973.

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 Basic 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	\$ 1,375,000
Capital Leases					
2021 Police Interceptor Utility Capital Lease	12/15/2020	3.69%	78,227	12/15/2025	62,766
Unamortized bond premium					101,274
Compensated absences payable					<u>164,784</u>
Total governmental activities					<u>1,703,824</u>
Business-type activities					
Compensated absences payable					<u>7,736</u>
Total all long-term liabilities					<u>\$ 1,711,560</u>

D. Changes in Long-Term Liabilities

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

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental activities					
Bonds payable					
G.O. bonds	\$ 1,500,000	\$ -	\$ 125,000	\$ 1,375,000	\$ 130,000
Unamortized bond premium	119,755	-	18,481	101,274	-
Total bonds payable	<u>1,619,755</u>	<u>-</u>	<u>143,481</u>	<u>1,476,274</u>	<u>130,000</u>
Lease payable	77,280	-	14,514	62,766	15,059
Compensated absences payable	<u>143,471</u>	<u>130,782</u>	<u>109,469</u>	<u>164,784</u>	<u>16,478</u>
Governmental activity long-term liabilities	<u>\$ 1,840,506</u>	<u>\$ 130,782</u>	<u>\$ 267,464</u>	<u>\$ 1,703,824</u>	<u>\$ 161,537</u>
Business-type activities					
Compensated absences payable	<u>7,533</u>	<u>8,589</u>	<u>8,386</u>	<u>7,736</u>	<u>772</u>
Total long-term liabilities	<u>\$ 1,848,039</u>	<u>\$ 139,371</u>	<u>\$ 275,850</u>	<u>\$ 1,711,560</u>	<u>\$ 162,309</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 Basic Financial Statements

NOTE 5 – LONG-TERM DEBT (CONTINUED)

E. Minimum Debt Payments

<u>Year Ending December 31,</u>	<u>Governmental Activities</u>	
	<u>G.O. Bonds</u>	
	<u>Principal</u>	<u>Interest</u>
2022	\$ 130,000	\$ 47,300
2023	135,000	42,000
2024	140,000	36,500
2025	145,000	30,800
2026	155,000	24,800
2027-2030	<u>670,000</u>	<u>41,750</u>
Total	<u>\$ 1,375,000</u>	<u>\$ 223,150</u>

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>
2022	\$ 17,157
2023	17,157
2024	17,157
2025	<u>16,210</u>
Net minimum lease payments	67,681
Less amount representing interest	<u>(4,915)</u>
Present value of net minimum lease payments	<u>\$ 62,766</u>

City of Deephaven
Notes to Basic 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	\$ 32,914	\$ -	\$ -	\$ -	\$ 32,914
Restricted					
Debt service	-	-	-	167,140	167,140
Park dedication	-	-	200,818	-	200,818
Total restricted	<u>-</u>	<u>-</u>	<u>200,818</u>	<u>167,140</u>	<u>367,958</u>
Committed					
Compensated absences	164,784	-	-	-	164,784
Total OPEB liability	125,808	-	-	-	125,808
Capital projects	-	435,278	-	-	435,278
Total committed	<u>290,592</u>	<u>435,278</u>	<u>-</u>	<u>-</u>	<u>725,870</u>
Unassigned	<u>3,424,273</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,424,273</u>
Total	<u>\$ 3,747,779</u>	<u>\$ 435,278</u>	<u>\$ 200,818</u>	<u>\$ 167,140</u>	<u>\$ 4,551,015</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 2021 was estimated to be immaterial based on workers' compensation rates and salaries for the year.

At December 31, 2021, 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 Basic Financial Statements

NOTE 8 – PENSION PLANS

The City participates in various pension plans, total pension expense for the year ended December 31, 2021, for the General Employees Retirement Plan, the Public Employees Police and Fire Plan, and the Excelsior Firefighters Relief Association was (\$170,400). 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 associations 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 Basic 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. The postretirement increase is equal to 50% of the cost-of-living adjustment (COLA) announced by the SSA, with a minimum increase of at least 1% and a maximum of 1.5%. Recipients that have been receiving the annuity or benefit for at least a full year as of the June 30 before the effective date of the increase will receive the full increase. Recipients receiving the annuity or benefit for at least one month but less than a full year as of the June 30 before the effective date of the increase will receive a reduced prorated increase. 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. The postretirement increase is fixed at 1%. Recipients that have been receiving the annuity or benefit for at least 36 months as of the June 30 before the effective date of the increase will receive the full increase. Recipients receiving the annuity or benefit for at least 25 months but less than 36 months as of the June 30 before the effective date of the increase will receive a reduced prorated increase.

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 2021, 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, 2021, were \$48,465. The City's contributions were equal to the required contributions as set by state statute.

City of Deephaven
Notes to Basic 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 Plan members were required to contribute 11.8% of their annual covered salary in fiscal year 2021 and the City was required to contribute 17.7% for Police and Fire Plan members. The City's contributions to the Police and Fire Fund for the year ended December 31, 2021, were \$111,774. 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, 2021, the City reported a liability of \$397,152 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 \$12,148.

The net pension liability was measured as of June 30, 2021, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City's proportion of the net pension liability was based on the City's contributions received by PERA during the measurement period for employer payroll paid dates from July 1, 2020, through June 30, 2021, relative to the total employer contributions received from all of PERA's participating employers. The City's proportionate share was 0.0093% at the end of the measurement period and 0.0087% for the beginning of the period.

City's proportionate share of the net pension liability	\$ 397,152
State of Minnesota's proportionate share of the net pension liability associated with the City	12,148
	\$ 409,300

For the year ended December 31, 2021, the City recognized pension expense of \$13,150 for its proportionate share of General Employees Plan's pension expense. Included in this amount, the City recognized \$980 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 Basic 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, 2021, 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	\$ 2,230	\$ 12,064
Changes in actuarial assumptions	242,493	8,158
Net collective difference between projected and actual investment earnings	-	345,890
Changes in proportion	32,507	1,387
Contributions paid to PERA subsequent to the measurement date	<u>24,233</u>	<u>-</u>
Total	<u>\$ 301,463</u>	<u>\$ 367,499</u>

The \$24,233 reported as deferred outflows of resources related to pensions resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2022. Other amounts reported as deferred outflows and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ending December 31,</u>	<u>Pension Expense Amount</u>
2022	\$ (6,577)
2023	5,090
2024	5,031
2025	<u>(93,813)</u>
Total	<u>\$ (90,269)</u>

City of Deephaven
Notes to Basic 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, 2021, the City reported a liability of \$385,261 for its proportionate share of the Police and Fire Fund's net pension liability. The net pension liability was measured as of June 30, 2021, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City's proportion of the net pension liability was based on the City's contributions received by PERA during the measurement period for employer payroll paid dates from July 1, 2020, through June 30, 2021, relative to the total employer contributions received from all of PERA's participating employers. The City's proportionate share was 0.0505% at the end of the measurement period and 0.0489% for the beginning of the period.

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

The State of Minnesota is included as a non-employer contributing entity in the Police and Fire Retirement Plan Schedule of Employer Allocations and Schedule of Pension Amounts by Employer (pension allocation schedules) for the \$9 million in direct state aid. Police and Fire Plan employers need to recognize their proportionate share of the State of Minnesota's pension expense (and grant revenue) under GASB 68 special funding situation accounting and financial reporting requirements. For the year ended December 31, 2021, the City recognized pension expense of (\$50,350) for its proportionate share of the Police and Fire Plan's pension expense. Included in this amount, the City recognized \$3,193 as pension expense (and grant revenue) for its proportionate share of the State of Minnesota's contribution of \$9 million to the Police and Fire Fund. The State of Minnesota's proportionate share of the net pension liability associated with the City totaled \$17,534.

The State of Minnesota is not included as a non-employer contributing entity in the Police and Fire Pension Plan pension allocation schedules for the \$9 million in supplemental state aid. The City also recognized \$4,545 for the year ended December 31, 2021, 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 Basic 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, 2021, 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
	<u> </u>	<u> </u>
Differences between expected and actual economic experience	\$ 74,581	\$ -
Changes in actuarial assumptions	572,913	223,304
Net collective difference between projected and actual investment earnings	-	747,305
Changes in proportion	17,575	47,189
Contributions paid to PERA subsequent to the measurement date	<u>55,887</u>	<u>-</u>
Total	<u>\$ 720,956</u>	<u>\$ 1,017,798</u>

The \$55,887 reported as deferred outflows of resources related to pensions resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2022. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ending</u> <u>December 31,</u>	<u>Pension Expense</u> <u>Amount</u>
2022	\$ (304,351)
2023	(54,873)
2024	(47,667)
2025	(74,772)
2026	<u>128,934</u>
Total	<u>\$ (352,729)</u>

City of Deephaven
Notes to Basic Financial Statements

NOTE 8 – PENSION PLANS (CONTINUED)

Public Employees' Retirement Association (Continued)

E. Long-Term Expected Return on Investment

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

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term</u>
Domestic equity	33.5 %	5.10 %
International equity	16.5	5.30
Fixed income	25.0	0.75
Private markets	<u>25.0</u>	5.90
Total	<u><u>100.0 %</u></u>	

F. Actuarial Assumptions

The total pension liability in the June 30, 2021, actuarial valuation was determined using an individual entry-age normal actuarial cost method. The long-term rate of return on pension plan investments used in the determination of the total liability is 6.%. This assumption is based on a review of inflation and investments return assumptions from a number of national investment consulting firms. The review provided a range of return investment return rates deemed to be reasonable by the actuary. An investment return of 6.5% was deemed to be within that range of reasonableness for financial reporting purposes.

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

Salary growth assumptions in the General Employees Plan range in annual increments from 10.25% after one year of service to 3.0% after 29 years of service and 6.0% per year thereafter. In the Police and Fire Plan, salary growth assumptions range from 11.75% after one year of service to 3.0% after 24 years of service.

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

City of Deephaven
Notes to Basic Financial Statements

NOTE 8 –PENSION PLANS (CONTINUED)

Public Employees' Retirement Association (Continued)

F. Actuarial Methods and Assumptions (Continued)

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

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

General Employees Fund

Changes in Actuarial Assumptions

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

Changes in Plan Provisions

- There have been no changes since the previous valuation.

Police and Fire Fund

Changes in Actuarial Assumptions

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

City of Deephaven
Notes to Basic Financial Statements

NOTE 8 – PENSION PLANS (CONTINUED)

Public Employees' Retirement Association (Continued)

F. Actuarial Methods and Assumptions (Continued)

Police and Fire Fund (Continued)

Changes in Actuarial Assumptions (Continued)

- Assumed percent married for active female members was changed from 60% to 70%. Minor changes to form of payment assumptions were applied.

Changes in Plan Provisions

- There have been no changes since the previous valuation.

F. Discount Rate

The discount rate used to measure the total pension liability in 2021 was 6.5%. 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 <u>(5.5%)</u>	Current Discount Rate <u>(6.5%)</u>	1% Increase in Discount Rate <u>(7.5%)</u>
City's proportionate share of the General Employees Fund net pension liability	\$ 809,987	\$ 397,152	\$ 58,395
City's proportionate share of the Police and Fire Fund net pension liability/(asset)	\$ 1,233,025	\$ 385,261	\$ (309,694)

City of Deephaven
Notes to Basic Financial Statements

NOTE 8 – PENSION PLANS (CONTINUED)

Public Employees' Retirement Association (Continued)

I. Pension Plan Fiduciary Net Position

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

Defined Benefit Pension Plan – Volunteer Firefighter'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, 2021, 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, 2021, valuation date, the following employees were covered by the benefit terms:

Retirees and beneficiaries	0
Vested terminated and transfers	14
Actives	32
	<hr/>
Total	46
	<hr/> <hr/>

City of Deephaven
Notes to Basic Financial Statements

NOTE 8 – PENSION PLANS (CONTINUED)

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

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 recognized revenue or an expenditure on behalf payment made by the State of Minnesota for the Relief Association.

E. Net Pension Liability

The City's net pension liability was measured as of December 31, 2020, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of January 1, 2021.

The total pension liability in the January 1, 2021, 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 following changes in actuarial assumptions and plan provisions occurred in 2021:

- The benefit level changed from \$7,850 to \$8,250.

City of Deephaven
Notes to Basic Financial Statements

NOTE 8 – PENSION PLANS (CONTINUED)

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

E. Net Pension Liability

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:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Cash	1.00 %	1.80 %
Fixed income	20.00	3.00
Equities	79.00	6.90
Total	100.00 %	

The discount rate used to measure the total pension liability was 6.0%. Assets were projected using expected benefit payments and expected asset returns. Expected benefit payments by year were discounted using the expected asset return assumption for years in which the assets were sufficient to pay all benefit payments.

City of Deephaven
Notes to Basic 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, 2021	\$ 1,331,169	\$ 1,985,369	\$ (654,200)
Changes for the year			
Service cost	29,015	-	29,015
Interest cost	75,951	-	75,951
Plan changes	30,777	-	30,777
Nonemployer contributions	-	47,955	(47,955)
Projected investment return	-	114,768	(114,768)
Gain or loss	(38,263)	199,019	(237,282)
Benefit payments	(188,633)	(188,633)	-
Administrative expense	-	(4,478)	4,478
Other changes	1	1	-
Net changes	(91,152)	168,632	(259,784)
Balances at December 31, 2021	\$ 1,240,017	\$ 2,154,001	\$ (913,984)

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 in Discount Rate (5.00%)	Current Discount Rate Rate (6.00%)	1% Increase in Discount Rate (7.00%)
Net pension asset	\$ 891,838	\$ 913,984	\$ 934,754

City of Deephaven
Notes to Basic 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, 2021, the City recognized pension expense of (\$133,200). At December 31, 2021, 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	\$ -	\$ 70,668
Investment gains/losses	-	272,384
Contributions paid subsequent to the measurement date	49,564	-
Total	\$ 49,564	\$ 343,052

The \$49,564 reported as deferred outflows of resources related to pensions resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2022. Other amounts reported as deferred outflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending December 31,	Total
2022	\$ (105,348)
2023	(67,654)
2024	(110,387)
2025	(48,732)
2026	(5,466)
thereafter	(5,465)
Total	\$ (343,052)

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.

City of Deephaven
Notes to Basic Financial Statements

NOTE 9 – POST EMPLOYMENT HEALTH CARE PLAN (CONTINUED)

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.

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 2021, the City contributed \$6,154 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
	<hr/>
Total	19
	<hr/> <hr/>

City of Deephaven
Notes to Basic Financial Statements

NOTE 9 – POST EMPLOYMENT HEALTH CARE PLAN (CONTINUED)

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	6.25%, 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

F. Total OPEB Liability

Changes in the total OPEB liability are as follows:

	<u>Total OPEB Liability</u>
Balances at January 1, 2021	<u>\$ 96,229</u>
Changes for the year	
Service cost	8,284
Interest cost	2,893
Benefit payments	<u>(9,577)</u>
Net changes	<u>1,600</u>
Balances at December 31, 2021	<u><u>\$ 97,829</u></u>

City of Deephaven
Notes to Basic Financial Statements

NOTE 9 – POST EMPLOYMENT HEALTH CARE PLAN (CONTINUED)

G. OPEB Liability Sensitivity

The following presents the City's total OPEB liability calculated using the discount rate of 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%)
\$ 103,830	\$ 97,829	\$ 92,129

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
\$ 88,272	\$ 97,829	\$ 109,014

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

For the year ended December 31, 2021, the City recognized OPEB expense of \$1,555. At December 31, 2021, 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	\$ 1,839	\$ 2,549
Liability gains	-	47,400
Contributions paid subsequent to the measurement date	6,154	-
Total	\$ 7,993	\$ 49,949

The \$6,154 reported as deferred outflows of resources related to OPEB resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the total OPEB liability in the year ended December 31, 2022. Other amounts reported as deferred outflows of resources related to OPEB will be recognized in OPEB expense as follows:

City of Deephaven
Notes to Basic Financial Statements

NOTE 9 – POST EMPLOYMENT HEALTH CARE PLAN (CONTINUED)

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

Year Ended December 31,	Total
2022	\$ (9,622)
2023	(9,622)
2024	(9,622)
2025	(9,622)
2026	(9,622)
Total	\$ (48,110)

NOTE 10 – COMMITMENTS

At December 31, 2021, the City had outstanding construction contract commitments totaling \$769,928 for the 2022 Street Resurfacing Project.

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
Schedule of Changes in Total OPEB Liability
and Related Ratios

	December 31, 2021	December 31, 2020	December 31, 2019	December 31, 2018
Total OPEB Liability				
Service cost	\$ 8,284	\$ 8,023	\$ 12,332	\$ 12,833
Interest cost	2,893	6,123	5,462	5,356
Differenced between expected and actual experience	-	(66,362)	-	-
Changes of assumptions	-	2,577	(4,079)	-
Benefit payments	(9,577)	(14,341)	(13,280)	(15,655)
Net change in total OPEB liability	<u>1,600</u>	<u>(63,980)</u>	<u>435</u>	<u>2,534</u>
Beginning of year	<u>96,229</u>	<u>160,209</u>	<u>159,774</u>	<u>157,240</u>
End of year	<u>\$ 97,829</u>	<u>\$ 96,229</u>	<u>\$ 160,209</u>	<u>\$ 159,774</u>
Covered payroll	\$ 1,197,035	\$ 1,159,356	\$ 1,199,344	\$ 1,164,412
Total OPEB liability as a percentage of covered-employee payroll	8.2%	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%
2021	0.0093%	397,152	12,148	409,300	670,733	61.02%	87.00%

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%
2021	0.0505%	385,261	17,534	402,795	596,689	64.57%	93.66%

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%
2021	48,465	48,465	-	646,200	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%
2021	111,774	111,774	-	631,492	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, 2020	December 31, 2019	December 31, 2018	December 31, 2017
Total pension liability (TPL)				
Service cost	\$ 29,015	\$ 27,495	\$ 33,867	\$ 32,129
Interest costs	75,951	76,371	74,333	70,557
Plan changes	30,777	26,086	39,666	23,624
Gain or loss	(38,263)	-	(24,244)	-
Benefit payments	(188,633)	(88,267)	(78,278)	(51,978)
Other changes	1	2	(2)	(1)
Net change in total pension liability	<u>(91,152)</u>	<u>41,687</u>	<u>45,342</u>	<u>74,331</u>
Beginning of year	<u>1,331,169</u>	<u>1,289,482</u>	<u>1,244,140</u>	<u>1,169,809</u>
End of year	<u>\$ 1,240,017</u>	<u>\$ 1,331,169</u>	<u>\$ 1,289,482</u>	<u>\$ 1,244,140</u>
Plan fiduciary net position (FNP)				
State contributions	\$ 47,955	\$ 45,368	\$ 43,791	\$ 42,261
Projected investment return	114,768	98,523	107,454	92,184
Gain or loss	199,019	268,242	(213,678)	188,470
Benefit payments	(188,633)	(88,267)	(78,278)	(51,978)
Administrative expense	(4,478)	(3,955)	(3,979)	(4,099)
Other changes	1	(2)	2	1
Net change in plan fiduciary net position	<u>168,632</u>	<u>319,909</u>	<u>(144,688)</u>	<u>266,839</u>
Beginning of year	<u>1,985,369</u>	<u>1,665,460</u>	<u>1,810,148</u>	<u>1,543,309</u>
End of year	<u>\$ 2,154,001</u>	<u>\$ 1,985,369</u>	<u>\$ 1,665,460</u>	<u>\$ 1,810,148</u>
Net pension asset	<u>\$ (913,984)</u>	<u>\$ (654,200)</u>	<u>\$ (375,978)</u>	<u>\$ (566,008)</u>
Proportionate share	28.52%	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, 2021	December 31, 2020	December 31, 2019	December 31, 2018
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	\$ 49,564	\$ 47,014	\$ 44,511	\$ 43,791
Contributions in relation to SDC	<u>49,564</u>	<u>47,014</u>	<u>44,511</u>	<u>43,791</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, 2017	December 31, 2016	December 31, 2015	December 31, 2014
\$ -	\$ -	\$ -	\$ -
-	-	-	-
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 42,261	\$ 41,281	\$ 39,683	\$ 37,227
42,261	41,281	39,683	37,227
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

See notes to required supplementary information.



City of Deephaven
Notes to Required Supplementary Information

General Employees Fund

2021 Changes

Changes in Actuarial Assumptions

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

Changes in Plan Provisions

- There have been no changes since the prior valuation.

2020 Changes

Changes in Actuarial Assumptions

- The price inflation assumption was decreased from 2.5% to 2.25%.
- The payroll growth assumption was decreased from 3.25% to 3.0%.
- Assumed salary increase rates were changed as recommended in the June 30, 2019, experience study. The net effect is assumed rates that average 0.25% less than previous rates.
- Assumed rates of retirement were changed as recommended in the June 30, 2019, experience study. The changes result in more unreduced (normal) retirements and slightly fewer Rule of 90 and early retirements.
- Assumed rates of termination were changed as recommended in the June 30, 2019, experience study. The new rates are based on service and are generally lower than the previous rates for years 2-5 and slightly higher thereafter.
- Assumed rates of disability were changed as recommended in the June 30, 2019, experience study. The change results in fewer predicted disability retirements for males and females.
- The base mortality table for healthy annuitants and employees was changed from the RP-2014 table to the Pub-2010 General Mortality table, with adjustments. The base mortality table for disabled annuitants was changed from the RP-2014 disabled annuitant mortality table to the Pub-2010 General/Teacher disabled annuitant mortality table, with adjustments.
- The mortality improvement scale was changed from Scale MP-2018 to Scale MP-2019.
- The assumed spouse age difference was changed from two years older for females to one year older.
- 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.

City of Deephaven
Notes to Required Supplementary Information

General Employees Fund (Continued)

2019 Changes (Continued)

Changes in Plan Provisions

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

2018 Changes

Changes in Actuarial Assumptions

- The mortality projection scale was changed from MP-2015 to MP-2017.
- The assumed benefit increase was changed from 1.0% per year through 2044 and 2.5% per year thereafter to 1.25% per year.

Changes in Plan Provisions

- The augmentation adjustment in early retirement factors is eliminated over a five-year period starting July 1, 2019, resulting in actuarial equivalence after June 30, 2024.
- Interest credited on member contributions decreased from 4.00% to 3.00%, beginning July 1, 2018.
- Deferred augmentation was changed to 0.00%, effective January 1, 2019. Augmentation that has already accrued for deferred members will still apply.
- Contribution stabilizer provisions were repealed.
- 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.

City of Deephaven
Notes to Required Supplementary Information

General Employees Fund (Continued)

2016 Changes

Changes in Actuarial Assumptions

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

Changes in Plan Provisions

- There have been no changes since the prior valuation.

2015 Changes

Changes in Actuarial Assumptions

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

Changes in Plan Provisions

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

City of Deephaven
Notes to Required Supplementary Information

Police and Fire Fund

2021 Changes

Changes in Actuarial Assumptions

- The investment return and single discount rates were changed from 7.5% to 6.5% for financial reporting purposes.
- The inflation assumption was changed from 2.5% to 2.25%.
- The payroll growth assumption was changed from 3.25% to 3.0%.
- The base mortality table for healthy annuitants and employees was changed from the RP-2014 table to the Pub-2010 Public Safety mortality table. The mortality improvement scale was changed from MP-2019 to MP-2020.
- The base mortality table for disabled annuitants was changed from the RP-2014 healthy annuitant mortality table (with future mortality improvement according to scale MP-2019) to the Pub-2010 Public Safety disabled annuitant mortality table (with future mortality improvement according to scale MP-2020).
- Assumed rates of salary increase were modified as recommended in the July 14, 2020, experience study. The overall impact is a decrease in gross salary increase rates.
- Assumed rates of retirement were changed as recommended in the July 14, 2020, experience study. The changes resulted in slightly more unreduced retirements and fewer assumed early retirements.
- Assumed rates of withdrawal were changed from select and ultimate rates to service-based rates. The changes resulted in more assumed terminations.
- Assumed rates of disability were increased for ages 25-44 and decreased for ages over 49. Overall, proposed rates resulted in more projected disabilities.
- Assumed percent married for active female members was changed from 60% to 70%. Minor changes to form of payment assumptions were applied.

Changes in Plan Provisions

- There have been no changes since the prior valuation.

2020 Changes

Changes in Actuarial Assumptions

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

Changes in Plan Provisions

- There have been no changes since the prior valuation.

2019 Changes

Changes in Actuarial Assumptions

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

Changes in Plan Provisions

- There have been no changes since the prior valuation.

2018 Changes

Changes in Actuarial Assumptions

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

City of Deephaven
Notes to Required Supplementary Information

Police and Fire Fund (Continued)

2018 Changes (Continued)

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.
- 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.

City of Deephaven
Notes to Required Supplementary Information

Police and Fire Fund (Continued)

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

2021 Changes

Changes in Plan Provisions

- The benefit level changed from \$7,850 to \$8,250.

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

2021 Changes

Changes in Actuarial Assumptions

- None

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
Schedule of Revenues, Expenditures, and
Changes in Fund Balances -
Budget and Actual - General Fund
Year Ended December 31, 2021

	Original and Final Budget	Actual Amounts	Variance with Final Budget - Over (Under)
Revenues			
General property taxes and fiscal disparities	\$ 2,237,530	\$ 2,229,731	\$ (7,799)
Licenses and permits	305,550	563,768	258,218
Intergovernmental revenues			
Post board reimbursement	5,500	7,213	1,713
Fire aid	157,000	173,788	16,788
Police retirement aid	52,000	61,284	9,284
Road and other aid	11,000	11,249	249
Federal grants	-	-	-
Total intergovernmental revenues	<u>225,500</u>	<u>253,534</u>	<u>28,034</u>
Charges for services			
General government	8,200	14,000	5,800
Public safety	33,460	32,664	(796)
Public works	42,000	74,488	32,488
City of Woodland	216,826	221,135	4,309
Other	-	101,703	101,703
Total charges for services	<u>300,486</u>	<u>443,990</u>	<u>143,504</u>
Fines and forfeitures	40,000	37,104	(2,896)
Miscellaneous revenues			
Investment income	95,000	(11,168)	(106,168)
Contributions and donations	100	132	32
Other	85,216	83,353	(1,863)
Total miscellaneous revenues	<u>180,316</u>	<u>72,317</u>	<u>(107,999)</u>
Total revenues	<u>3,289,382</u>	<u>3,600,444</u>	<u>311,062</u>
Expenditures			
General government			
Mayor and council			
Personnel services	26,400	24,600	(1,800)
Benefits	2,260	2,122	(138)
Other services and charges	6,600	5,381	(1,219)
Total mayor and council	<u>35,260</u>	<u>32,103</u>	<u>(3,157)</u>

City of Deephaven
Schedule of Revenues, Expenditures, and
Changes in Fund Balances -
Budget and Actual - General Fund
Year Ended December 31, 2021

	Original and Final Budget	Actual Amounts	Variance with Final Budget - Over (Under)
Expenditures (Continued)			
General government (continued)			
Elections			
Other services and charges	\$ 1,750	\$ 1,594	\$ (156)
Administrative and finance			
Personnel services	211,197	211,828	631
Benefits	33,496	33,248	(248)
Other services and charges	94,078	76,280	(17,798)
Total administrative and finance	<u>338,771</u>	<u>321,356</u>	<u>(17,415)</u>
Assessing	64,215	60,631	(3,584)
Auditing services	19,000	15,825	(3,175)
Legal services	7,000	3,630	(3,370)
Other general government	155,240	141,906	(13,334)
Total general government	<u>621,236</u>	<u>577,045</u>	<u>(44,191)</u>
Public safety			
Police			
Personnel services	682,153	710,190	28,037
Benefits	139,778	143,026	3,248
Prosecution services	46,080	42,396	(3,684)
Other services and charges	196,369	188,294	(8,075)
Total police	<u>1,064,380</u>	<u>1,083,906</u>	<u>19,526</u>
Fire			
Other services and charges	707,359	723,987	16,628
Total public safety	<u>1,771,739</u>	<u>1,807,893</u>	<u>36,154</u>
Public works			
Engineering fees	1,000	240	(760)
Administration			
Personnel services	265,886	272,295	6,409
Benefits	68,855	67,722	(1,133)
Other services and charges	73,480	69,535	(3,945)
Total administration	<u>408,221</u>	<u>409,552</u>	<u>1,331</u>

City of Deephaven
Schedule of Revenues, Expenditures, and
Changes in Fund Balances -
Budget and Actual - General Fund
Year Ended December 31, 2021

	Original and Final Budget	Actual Amounts	Variance with Final Budget - Over (Under)
Expenditures (Continued)			
Public works (continued)			
Streets			
Utility services	\$ 28,800	\$ 30,124	\$ 1,324
Street repair and maintenance	118,600	123,397	4,797
Total streets	147,400	153,521	6,121
Planning and zoning			
Personnel services	96,884	99,503	2,619
Benefits	27,166	29,140	1,974
Professional services	117,120	141,030	23,910
Other services and charges	14,400	26,163	11,763
Total planning and zoning	255,570	295,836	40,266
Total public works	812,191	859,149	46,958
Parks and recreation			
Wildlife management	8,000	2,400	(5,600)
Professional services	50,000	49,403	(597)
Other	50,300	49,454	(846)
Total parks and recreation	108,300	101,257	(7,043)
Total expenditures	3,313,466	3,345,344	31,878
Excess of revenues over (under) expenditures	(24,084)	255,100	279,184
Other Financing Sources (Uses)			
Proceeds from sale of capital assets	100	-	(100)
Transfers in	35,104	35,104	-
Transfers out	-	(150,000)	(150,000)
Total other financing sources (uses)	35,204	(114,896)	(150,100)
Net change in fund balances	\$ 11,120	140,204	\$ 129,084
Fund Balances			
Beginning of year		3,607,575	
End of year		\$ 3,747,779	

City of Deephaven
Schedule of Revenues, Expenditures, and
Changes in Fund Balances -
Budget and Actual - Capital Improvement Fund
Year Ended December 31, 2021

	Original and Final Budget	Actual Amounts	Variance with Final Budget - Over (Under)
Revenues			
General property taxes and fiscal disparities	\$ 400,000	\$ 394,994	\$ (5,006)
Intergovernmental revenue			
Other grant revenue	-	822,871	822,871
Fines and forfeitures	-	9,430	9,430
Miscellaneous revenues			
Investment income	15,000	148	(14,852)
Franchise fees	94,000	94,392	392
Other	-	6,393	6,393
Total miscellaneous revenues	<u>109,000</u>	<u>100,933</u>	<u>(8,067)</u>
Total revenues	<u>509,000</u>	<u>1,328,228</u>	<u>819,228</u>
Expenditures			
General government			
Capital outlay	15,000	87,239	72,239
Public safety			
Police			
Capital outlay	51,400	12,896	(38,504)
Public works			
Streets			
Capital outlay	637,000	1,447,042	810,042
Park and recreation			
Current	-	564	564
Capital outlay	78,000	47,653	(30,347)
Total park and recreation	<u>78,000</u>	<u>48,217</u>	<u>(29,783)</u>
Debt service			
Principal	-	14,514	14,514
Interest and other charges	-	2,643	2,643
Total debt service	<u>-</u>	<u>17,157</u>	<u>17,157</u>
Total expenditures	<u>781,400</u>	<u>1,612,551</u>	<u>831,151</u>
Excess of revenues under expenditures	(272,400)	(284,323)	(11,923)
Other Financing Sources			
Proceeds from sale of capital assets	30,000	52,300	22,300
Transfers in	16,000	166,000	150,000
Total other financing sources	<u>46,000</u>	<u>218,300</u>	<u>172,300</u>
Net change in fund balances	<u>\$ (226,400)</u>	<u>(66,023)</u>	<u>\$ 160,377</u>
Fund Balances			
Beginning of year		<u>501,301</u>	
End of year		<u>\$ 435,278</u>	

City of Deephaven
Schedule of Revenues, Expenditures, and
Changes in Fund Balances -
Budget and Actual - Park Dedication Fund
Year Ended December 31, 2021

	<u>Original and Final Budget</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget - Over (Under)</u>
Revenues			
Miscellaneous revenues			
Investment income	\$ -	\$ 41	\$ 41
Other	4,400	224,581	220,181
Total revenues	<u>4,400</u>	<u>224,622</u>	<u>220,222</u>
Expenditures			
Park and recreation			
Other	4,400	1,481	(2,919)
Capital outlay	-	7,402	7,402
Total expenditures	<u>4,400</u>	<u>8,883</u>	<u>4,483</u>
Net change in fund balances	<u>\$ -</u>	<u>215,739</u>	<u>\$ 215,739</u>
Fund Balances			
Beginning of year		<u>(14,921)</u>	
End of year		<u>\$ 200,818</u>	

City of Deephaven
Schedule of Revenues, Expenditures, and
Changes in Fund Balances -
Budget and Actual - Bonded Debt Fund
Year Ended December 31, 2021

	Original and Final Budget	Actual Amounts	Variance with Final Budget - Over (Under)
Revenues			
General property taxes and fiscal disparities	\$ 188,895	\$ 187,101	\$ (1,794)
Miscellaneous revenues			
Investment income	-	23	23
Total revenues	188,895	187,124	(1,771)
Expenditures			
Debt service:			
Principal	125,000	125,000	-
Interest and other charges	52,875	52,875	-
Total expenditures	177,875	177,875	-
Net change in fund balances	\$ 11,020	9,249	\$ (1,771)
Fund Balances			
Beginning of year		157,891	
End of year		\$ 167,140	

STATISTICAL SECTION



City of Deephaven Statistical Section

This part of the City's Annual Comprehensive 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 Annual Comprehensive Financial Report for the relevant year.

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

	Year			
	2012	2013	2014	2015
Governmental activities				
Net investment in capital assets	\$ 4,724,104	\$ 4,768,473	\$ 6,289,585	\$ 6,398,132
Restricted	439,748	141,958	144,622	153,477
Unrestricted	<u>2,528,138</u>	<u>3,229,783</u>	<u>3,110,519</u>	<u>2,618,637</u>
Total governmental activities Net position	<u>\$ 7,691,990</u>	<u>\$ 8,140,214</u>	<u>\$ 9,544,726</u>	<u>\$ 9,170,246</u>
Business-type activities				
Investment in capital assets	\$ 2,828,257	\$ 2,908,356	\$ 2,801,632	\$ 2,838,154
Unrestricted	<u>879,169</u>	<u>771,574</u>	<u>792,993</u>	<u>632,689</u>
Total business-type activities Net position	<u>\$ 3,707,426</u>	<u>\$ 3,679,930</u>	<u>\$ 3,594,625</u>	<u>\$ 3,470,843</u>
Primary government				
Investment in capital assets	\$ 7,552,361	\$ 7,676,829	\$ 9,091,217	\$ 9,236,286
Restricted	439,748	141,958	144,622	153,477
Unrestricted	<u>3,407,307</u>	<u>4,001,357</u>	<u>3,903,512</u>	<u>3,251,326</u>
Total primary government Net position	<u>\$ 11,399,416</u>	<u>\$ 11,820,144</u>	<u>\$ 13,139,351</u>	<u>\$ 12,641,089</u>

Table 1

Year					
2016	2017	2018	2019	2020	2021
\$ 6,475,010	\$ 6,824,292	\$ 7,199,145	\$ 7,108,013	\$ 7,208,709	\$ 8,446,117
179,099	235,295	-	-	135,016	347,166
<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>3,469,805</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>	<u>\$ 12,263,088</u>
\$ 2,758,776	\$ 2,656,312	\$ 2,561,362	\$ 2,494,838	\$ 2,620,150	\$ 2,561,417
719,819	761,428	807,373	898,218	854,680	981,738
<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>	<u>\$ 3,543,155</u>
\$ 9,233,786	\$ 9,480,604	\$ 9,760,507	\$ 9,602,851	\$ 9,828,859	\$ 11,007,534
179,099	235,295	-	-	135,016	347,166
<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>4,451,543</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>	<u>\$ 15,806,243</u>

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

	Year			
	2012	2013	2014	2015
Expenses				
Governmental activities				
General government	\$ 479,007	\$ 470,192	\$ 482,554	\$ 511,907
Public safety	1,430,795	1,504,104	1,564,203	1,627,952
Public works	813,505	844,575	1,057,559	995,418
Parks and recreation	144,071	127,906	125,216	119,860
Interest on long-term debt	-	-	-	-
Total governmental activities expenses	<u>2,867,378</u>	<u>2,946,777</u>	<u>3,229,532</u>	<u>3,255,137</u>
Business-type activities				
Sewer	659,511	749,843	689,164	649,217
Water	80,160	70,759	67,968	76,146
Storm water	63,532	93,825	72,815	58,692
Marina	122,383	128,004	130,567	132,155
Recycling	23,759	30,536	24,688	26,291
Total business-type activities expenses	<u>949,345</u>	<u>1,072,967</u>	<u>985,202</u>	<u>942,501</u>
Total primary government expenses	<u>\$ 3,816,723</u>	<u>\$ 4,019,744</u>	<u>\$ 4,214,734</u>	<u>\$ 4,197,638</u>
Program Revenues				
Governmental activities				
Charges for service				
General government	\$ 141,817	\$ 144,041	\$ 140,633	\$ 154,082
Public safety	218,433	234,021	288,773	244,776
Public works	372,847	531,911	540,979	478,032
Parks and recreation	-	94,500	-	25,000
Operating grants and contributions	163,283	238,363	193,723	213,561
Capital grants and contributions	168	2,156	1,361,807	52,075
Total governmental activities	<u>896,548</u>	<u>1,244,992</u>	<u>2,525,915</u>	<u>1,167,526</u>
Program revenues	<u>896,548</u>	<u>1,244,992</u>	<u>2,525,915</u>	<u>1,167,526</u>
Business-type activities				
Charges for service				
Sewer	559,066	758,406	581,230	576,483
Water	74,676	64,538	59,119	74,756
Storm water	84,865	85,019	125,654	119,823
Marina	124,141	124,007	121,696	119,654
Recycling	18,564	21,636	17,394	23,019
Operating grants and contributions	12,079	-	12,141	13,772
Capital grants and contributions	-	12,119	-	-
Total business-type activities	<u>873,391</u>	<u>1,065,725</u>	<u>917,234</u>	<u>927,507</u>
Program revenues	<u>873,391</u>	<u>1,065,725</u>	<u>917,234</u>	<u>927,507</u>
Total primary government revenues	<u>\$ 1,769,939</u>	<u>\$ 2,310,717</u>	<u>\$ 3,443,149</u>	<u>\$ 2,095,033</u>
Net expense				
Governmental activities	\$ (1,970,830)	\$ (1,701,785)	\$ (703,617)	\$ (2,087,611)
Business-type activities	<u>(75,954)</u>	<u>(7,242)</u>	<u>(67,968)</u>	<u>(14,994)</u>
Total primary government net expense	<u>\$ (2,046,784)</u>	<u>\$ (1,709,027)</u>	<u>\$ (771,585)</u>	<u>\$ (2,102,605)</u>

Source: City of Deephaven financial records

Table 2

Year					
2016	2017	2018	2019	2020	2021
\$ 542,641	\$ 512,636	\$ 541,356	\$ 643,493	\$ 631,797	\$ 572,842
1,904,911	1,712,408	1,600,267	1,696,283	1,764,312	1,589,495
1,025,652	980,996	1,010,579	1,221,755	1,297,961	1,211,881
146,120	140,358	170,549	168,807	200,528	164,324
-	-	-	65,370	39,111	34,954
<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>	<u>3,573,496</u>
753,779	801,881	774,273	800,269	755,983	859,006
86,892	98,835	95,098	89,755	97,704	115,485
62,080	44,671	38,056	69,563	84,415	98,131
125,233	126,071	133,898	133,875	154,007	136,928
22,063	23,650	20,768	22,912	18,639	13,039
<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>1,222,589</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>	<u>\$ 4,796,085</u>
\$ 158,982	\$ 159,099	\$ 177,553	\$ 178,051	\$ 308,148	\$ 227,306
227,260	219,067	216,330	221,227	224,377	221,823
493,696	482,617	626,507	522,391	677,071	720,551
37,000	-	-	-	-	223,100
216,731	447,944	374,558	274,246	250,391	256,506
16,325	33,231	33,320	-	20,000	822,871
<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>	<u>2,472,157</u>
656,019	662,420	648,727	709,136	788,308	811,365
76,624	87,736	89,893	85,655	94,572	110,159
118,480	119,295	119,042	119,914	145,490	232,622
142,098	148,037	151,888	149,046	147,041	166,620
19,914	21,910	14,833	17,120	14,442	13,168
13,336	12,201	10,454	58,721	7,610	7,568
40,180	-	-	-	-	-
<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>1,341,502</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>	<u>\$ 3,813,659</u>
\$ (2,469,330)	\$ (2,004,440)	\$ (1,894,483)	\$ (2,599,793)	\$ (2,453,722)	\$ (1,101,339)
16,604	(43,509)	(27,256)	23,218	86,715	118,913
<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>	<u>\$ (982,426)</u>

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

	Year			
	2012	2013	2014	2015
General Revenues and Other Changes in Net Position				
Governmental activities				
Property tax	\$ 1,922,069	\$ 1,904,890	\$ 1,980,683	\$ 2,020,118
Intergovernmental	2,569	2,501	2,501	2,501
Unrestricted investment earnings	52,231	23,784	31,856	52,412
Other general revenues	41,664	179,843	62,567	232,521
Gain on sale of asset	-	11,537	3,056	13,132
Transfers	24,315	27,454	27,466	27,743
Total governmental activities	<u>2,042,848</u>	<u>2,150,009</u>	<u>2,108,129</u>	<u>2,348,427</u>
Business-type activities				
Unrestricted investment earnings	16,779	7,200	10,129	15,146
Other general revenues	525	-	-	-
Transfers	(24,315)	(27,454)	(27,466)	(27,743)
Total business-type activities	<u>(7,011)</u>	<u>(20,254)</u>	<u>(17,337)</u>	<u>(12,597)</u>
Total primary government	<u>\$ 2,035,837</u>	<u>\$ 2,129,755</u>	<u>\$ 2,090,792</u>	<u>\$ 2,335,830</u>
Changes in net position				
Governmental activities	\$ 72,018	\$ 448,224	\$ 1,404,512	\$ 260,816
Business-type activities	<u>(82,965)</u>	<u>(27,496)</u>	<u>(85,305)</u>	<u>(27,591)</u>
Total primary government	<u>\$ (10,947)</u>	<u>\$ 420,728</u>	<u>\$ 1,319,207</u>	<u>\$ 233,225</u>

Table 2

		Year									
		2016	2017	2018	2019	2020	2021				
\$	2,114,891	\$	2,125,823	\$	2,182,418	\$	2,263,091	\$	2,649,281	\$	2,816,716
	3,751		2,501		2,501		2,501		295,666		-
	77,165		30,371		25,509		147,146		90,952		(10,956)
	109,258		114,359		72,409		92,743		88,090		77,137
	-		-		-		-		-		52,300
	28,054		28,452		31,577		32,169		31,726		51,104
	<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>		<u>2,986,301</u>
	19,202		11,106		9,828		33,272		26,785		516
	-		-		-		-		-		-
	<u>(28,452)</u>		<u>(28,452)</u>		<u>(31,577)</u>		<u>(32,169)</u>		<u>(31,726)</u>		<u>(51,104)</u>
	<u>(9,250)</u>		<u>(17,346)</u>		<u>(21,749)</u>		<u>1,103</u>		<u>(4,941)</u>		<u>(50,588)</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>	\$	<u>2,935,713</u>
\$	(136,211)	\$	297,066	\$	419,931	\$	(62,143)	\$	701,993	\$	1,884,962
	<u>7,354</u>		<u>(60,855)</u>		<u>(49,005)</u>		<u>24,321</u>		<u>81,774</u>		<u>68,325</u>
\$	<u>(128,857)</u>	\$	<u>236,211</u>	\$	<u>370,926</u>	\$	<u>(37,822)</u>	\$	<u>783,767</u>	\$	<u>1,953,287</u>

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

	Year			
	2012	2013	2014	2015
General Fund				
Nonspendable	\$ 16,472	\$ 13,870	\$ 19,709	\$ 20,794
Committed	176,508	173,874	199,614	193,726
Unassigned	2,487,788	2,841,999	3,048,676	3,004,853
Total general fund	<u>\$ 2,680,768</u>	<u>\$ 3,029,743</u>	<u>\$ 3,267,999</u>	<u>\$ 3,219,373</u>
All Other Governmental Funds				
Restricted	\$ 54,872	\$ 141,958	\$ 144,622	\$ 153,477
Committed	384,876	369,733	32,036	222,850
Unassigned	-	-	-	-
Total all other governmental funds	<u>\$ 439,748</u>	<u>\$ 511,691</u>	<u>\$ 176,658</u>	<u>\$ 376,327</u>

Table 3

Year					
2016	2017	2018	2019	2020	2021
\$ 20,511	\$ 22,215	\$ 22,384	\$ 25,531	\$ 26,716	\$ 32,914
226,753	215,577	250,985	256,319	271,974	290,592
<u>2,826,417</u>	<u>2,973,218</u>	<u>3,063,494</u>	<u>3,033,944</u>	<u>3,308,885</u>	<u>3,424,273</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>	<u>\$ 3,747,779</u>
\$ 179,099	\$ 235,295	\$ -	\$ -	\$ 157,891	\$ 367,958
447,838	288,663	368,226	436,132	501,301	435,278
<u>-</u>	<u>-</u>	<u>(10,458)</u>	<u>(14,921)</u>	<u>(14,921)</u>	<u>-</u>
<u>\$ 626,937</u>	<u>\$ 523,958</u>	<u>\$ 357,768</u>	<u>\$ 421,211</u>	<u>\$ 644,271</u>	<u>\$ 803,236</u>

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

	2012	2013	2014	2015
Revenues				
Taxes	\$ 1,909,862	\$ 1,923,389	\$ 1,974,766	\$ 2,020,498
Special assessments	780	775	778	535
Licenses and permits	211,812	323,964	302,517	255,794
Intergovernmental	144,836	219,049	189,627	262,019
Charges for services	343,713	390,457	442,743	434,217
Fines and penalties	80,076	92,095	125,666	81,815
Franchise fees	92,673	93,139	93,128	93,586
Interest income	52,231	23,784	31,856	52,412
Miscellaneous revenues	67,503	309,055	74,717	269,182
Total revenues	<u>2,903,486</u>	<u>3,375,707</u>	<u>3,235,798</u>	<u>3,470,058</u>
Expenditures				
General government	464,716	464,847	464,222	503,460
Public safety	1,369,465	1,446,132	1,490,048	1,569,973
Public works	634,389	799,914	656,126	704,887
Parks and recreation	87,713	68,083	75,659	95,751
Debt service				
Principal	-	-	-	-
Interest and other charges	-	-	-	-
Capital outlay	297,207	216,207	677,042	485,819
Total expenditures	<u>2,853,490</u>	<u>2,995,183</u>	<u>3,363,097</u>	<u>3,359,890</u>
Other Financing				
Sources (Uses)				
Proceeds from sale of capital asset	27,550	12,940	3,056	13,132
Proceeds from capital lease	-	-	-	-
Bond proceeds	-	-	-	-
Bond premium	-	-	-	-
Transfers in	24,315	27,454	27,466	300,743
Transfers out	-	-	-	(273,000)
Total other financing	<u>51,865</u>	<u>40,394</u>	<u>30,522</u>	<u>40,875</u>
Sources (uses)	<u>51,865</u>	<u>40,394</u>	<u>30,522</u>	<u>40,875</u>
Net change in fund balances	<u>\$ 101,861</u>	<u>\$ 420,918</u>	<u>\$ (96,777)</u>	<u>\$ 151,043</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

2016	2017	2018	2019	2020	2021
\$ 2,113,077	\$ 2,137,355	\$ 2,170,997	\$ 2,259,914	\$ 2,636,527	\$ 2,811,826
145	-	-	-	-	-
283,668	310,346	355,386	312,494	416,678	563,768
228,707	252,206	261,255	228,023	561,373	1,076,405
426,851	388,450	503,795	449,146	535,243	443,990
67,627	59,768	54,299	92,476	49,467	46,534
93,903	94,473	94,395	94,815	94,641	94,392
77,165	30,371	25,509	147,146	90,952	(10,956)
156,942	328,364	226,679	83,994	195,846	314,459
<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>	<u>5,340,418</u>
514,194	509,579	533,448	631,078	626,610	577,045
1,554,503	1,566,565	1,583,800	1,620,090	1,730,789	1,807,893
702,884	672,681	753,019	813,040	798,327	859,149
103,566	91,840	105,113	121,070	143,664	103,302
-	-	-	-	947	139,514
-	-	-	53,123	58,425	55,518
496,104	775,055	788,849	2,091,723	817,097	1,602,232
<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>	<u>5,144,653</u>
30	20,285	-	22,624	20	52,300
-	-	-	-	78,227	-
-	-	-	1,500,000	-	-
-	-	-	149,697	-	-
328,054	28,452	31,577	32,169	231,726	201,104
<u>(300,000)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(200,000)</u>	<u>(150,000)</u>
<u>28,084</u>	<u>48,737</u>	<u>31,577</u>	<u>1,704,490</u>	<u>109,973</u>	<u>103,404</u>
<u>\$ 104,918</u>	<u>\$ 34,350</u>	<u>\$ (40,337)</u>	<u>\$ 42,374</u>	<u>\$ 514,841</u>	<u>\$ 299,169</u>
n/a	n/a	n/a	1.63%	1.71%	5.56%

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		
2011	2012	\$ 10,851,077	\$ 973,857,600	1.1%	\$ 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
2020	2021	16,352,599	1,439,418,700	1.1%	2,784,365

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					
17.776	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
15.872	1.155	17.027	20.915	38.079	76.021

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
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%
2021	2,784,365	2,771,758	99.55%	8,273	2,780,031	99.84%

(1) Including Fiscal Disparities

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

Table 7

Property ID No.	Type of Business	2021			2012		
		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	Apartment Residential	\$ 149,625	1	0.92%			
13-117-23-42-0015	Residential Lakeshore	123,263	2	0.75%			
13-117-23-43-0009	Seasonal Residential	108,225	3	0.66%			
23-117-23-41-0003	Residential Lakeshore	100,325	4	0.61%			
18-117-22-23-0017	Residential Lakeshore	88,550	5	0.54%	\$ 68,163	2	0.64%
13-117-23-42-009	Residential Lakeshore	88,275	6	0.54%			
13-117-23-43-0010	Seasonal Residential	86,913	7	0.53%			
13-117-23-43-0006	Residential Lakeshore	84,625	8	0.52%	67,025	3	0.63%
13-117-23-13-0002	Residential Lakeshore	84,025	9	0.51%	74,063	1	0.69%
24-117-23-23-0038	Residential Lakeshore	78,163	10	0.48%			
18-117-22-13-0046	Commercial	76,450	11	0.47%			
24-117-23-23-0028	Seasonal Residential	75,600	12	0.46%			
24-117-23-11-0029	Seasonal Residential	73,750	13	0.45%	50,275	9	0.47%
23-117-23-43-0004	Residential Lakeshore	72,063	14	0.44%			
13-117-23-43-0004	Seasonal Residential	67,800	15	0.41%	54,625	5	0.51%
24-117-23-14-0002	Residential Lakeshore				51,163	8	0.48%
13-117-23-42-0003	Residential Lakeshore				59,100	4	0.55%
13-117-23-13-0001	Residential Lakeshore				53,688	6	0.50%
23-117-23-41-0004	Residential Lakeshore				51,850	7	0.49%
23-117-23-41-0015	Residential Lakeshore				49,938	10	0.47%

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>
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
2021	35,393	34,538	855

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
2021	1,476,274	0.10%	379

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
2021	1,476,274	146,348	1,329,926	0.09%	341

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, 2021
(Unaudited)**

Table 11

Governmental Unit	Net G.O. Bonded Debt Outstanding	Estimated Percentage Applicable (1)	Estimated Share of Direct and Overlapping Debt
Direct debt			
City of Deephaven	\$ 1,476,274	100.00%	\$ 1,476,274
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)	103,225,628	0.40%	412,903
Total Overlapping Debt	<u>1,348,325,295</u>		<u>29,743,056</u>
Total Direct and Overlapping Debt	<u>\$ 1,349,801,569</u>		<u>\$ 31,219,330</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 percentages 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>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>
Estimated market value (2)	<u>\$ 973,857,600</u>	<u>\$ 933,934,700</u>	<u>\$ 933,646,600</u>	<u>\$ 1,041,027,400</u>
Debt limit - 3% of market value (1)	\$ 29,215,728	\$ 28,018,041	\$ 28,009,398	\$ 31,230,822
Amount of debt applicable to debt limit				
Net debt applicable to limit (3)	<u>1,391,792</u>	<u>1,286,550</u>	<u>1,216,160</u>	<u>1,122,573</u>
Legal debt margin	<u>\$ 27,823,936</u>	<u>\$ 26,731,491</u>	<u>\$ 26,793,238</u>	<u>\$ 30,108,249</u>
Total net debt applicable to the limit as a percentage of debt limit	4.76%	4.59%	4.34%	3.59%

(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>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</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>	<u>\$ 1,439,418,700</u>
\$ 34,468,539	\$ 35,875,050	\$ 37,668,378	\$ 39,902,562	\$ 41,362,947	\$ 43,182,561
<u>875,000</u>	<u>848,448</u>	<u>697,920</u>	<u>591,265</u>	<u>2,139,135</u>	<u>2,139,135</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>	<u>\$ 41,043,426</u>
2.54%	2.37%	1.85%	1.48%	5.17%	4.95%



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)
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)
2021	3,899	648	3.3%	(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)**

Employer	Product/Service	2021		
		Number of Employees	Rank	Percentage of Total City Employment
Deephaven Elementary School	Public Education	100	1	35.0 %
St. Therese Church/School	Religious Church/School	87	2	30.4
Streeter and Associates	Building Contractor	52	3	18.2
City of Deephaven	City Government	19	4	6.6
Kyle Hunt and Partners, Inc.	Building Contractor	11	5	3.8
Steiner and Koppleman	Building Contractor	11	5	3.8
Calvary Church/School	Religious Church/School	6	6	2.1
		286		100.0 %

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

Table 14

2012		
<u>Number of Employees</u>	<u>Rank</u>	<u>Percentage of Total City Employment</u>
100	1	39.2 %
61	2	23.9
42	3	16.5
18	4	7.1
11	6	4.3
8	7	3.1
<u>15</u>	5	<u>5.9</u>
<u>255</u>		<u>100.0 %</u>

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

Function/program	Full-Time - Equivalent Employees as of December 31,				
	2012	2013	2014	2015	2016
General government	6	6	6	6	6
Public safety	8	8	8	8	8
Public works	4	4	4	4	4
Total	<u>18</u>	<u>18</u>	<u>18</u>	<u>18</u>	<u>18</u>

Table 15

Full-Time - Equivalent Employees as of December 31,				
2017	2018	2019	2020	2021
6	6	6	6	6
8	8	8	8	9
4	4	4.5	4.5	4.5
<u>18</u>	<u>18</u>	<u>18.5</u>	<u>18.5</u>	<u>19.5</u>

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

Function/Program	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</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	113	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

2016	2017	2018	2019	2020	2021
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	48	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
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
2021	752	39,665,116

Note: Other operating information is not available.

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

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

	2012	2013	2014	2015
Public Safety				
Police				
Physical arrests	299	304	359	314
Parking violations	236	271	270	313
Traffic violations	3,050	3,386	2,988	3,368
Fire				
Number of calls answered	639	677	769	810
Inspections	601	574	634	549
Public Works				
Street maintenance				
Miles of city maintained	30.85	30.85	30.85	30.85
Planning				
Number of planning applications received	21	26	8	21
Number of building permits reviewed	506	572	551	606
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	1,474	1,474	1,474	1,473
New connections	1	14	9	1
The city sewage disposal is through the Metropolitan waste control commission.				
Municipal Water				
Number of customers	144	145	147	148
The city purchases water from the municipalities of Minnetonka and Shorewood.				
Recycling				
Curbside recycling picked up on city-wide Clean up day (in tons)	393	592	526	404
Marina				
Dock slips	95	95	95	95
Shore space	17	17	17	17
Buoys	53	53	53	53
Slides	113	113	113	113
Canoe racks	32	32	32	32
Storm Water				
Number of utility customer accounts	1,472	1,472	1,472	1,472

(1) Information not available

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

Source: Various City Departments.

Table 18

2016	2017	2018	2019	2020	2021
233	277	170	183	197	160
429	357	419	376	600	595
3,148	2,160	1,941	1,230	1,948	1,644
755	811	844	923	983	1,007
478	672	715	722	382	279
30.85	30.85	30.85	30.85	30.85	30.85
34	21	22	18	21	30
548	623	650	572	657	752
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
1,474	1,480	1,486	1,486	1,486	1,486
1	6	6	0	0	0
147	148	148	149	149	149
334	320	262	190	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	48	48	48	48	48
1,472	1,482	1,482	1,482	1,482	1,482

For The Fiscal Year Ended December 31, 2021