

PRELIMINARY OFFICIAL STATEMENT DATED APRIL 9, 2026

NEW ISSUE
NOT BANK QUALIFIED

BOOK ENTRY ONLY
MOODY'S RATING "Aaa"

In the opinion of Dorsey & Whitney LLP, Bond Counsel, based on existing law and assuming the accuracy of certain representations and compliance with certain covenants, interest on the Bonds (i) is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986 (the "Code"), (ii) is not an item of tax preference for purposes of the federal alternative minimum tax imposed on noncorporate taxpayers by Section 55 of the Code, (iii) is excluded from taxable net income of individuals, estates, and trusts for Minnesota income tax purposes, and (iv) is not an item of tax preference for Minnesota alternative minimum tax purposes. Interest on the Bonds may, however, be taken into account in determining adjusted financial statement income for purposes of the federal alternative minimum tax imposed on applicable corporations (as defined in Section 59(k) of the Code) and is included in net income for purposes of the Minnesota franchise tax imposed on corporations and financial institutions. See "Tax Considerations" herein.

CITY OF LAKEVILLE, MINNESOTA

\$38,365,000*

General Obligation Bonds, Series 2026A

Dated Date: Date of Delivery (Estimated to be May 14, 2026)

**Interest Due: Each February 1 and August 1
Commencing February 1, 2027**

Principal is due on the dates and in the amounts as shown on the inside cover.

The General Obligation Bonds, Series 2026A (the "Bonds" or the "Issue") are being issued by the City of Lakeville, Minnesota (the "City" or the "Issuer"), pursuant to Minnesota Statutes, Chapters 444 and 475 and Sections 475.521 and 475.58, Subdivision 3b, as amended. Proceeds of the Bonds will be used to finance the construction of a fire station, the City's 2026 street reconstruction and collector rehabilitation projects, the City's 2026 utility improvements, and to pay costs associated with issuance of the Bonds. See *Authority and Purpose* herein for additional information.

The Bonds are valid and binding general obligations of the City and are payable from net revenues of the City's water and sewer utilities and ad valorem taxes. The full faith and credit of the City is also pledged to their payment. In the event of any deficiency in the debt service fund established for this Issue, the City has validly obligated itself to levy additional ad valorem taxes upon all of the taxable property within the City, without limitation of amount. See *Security/Sources and Uses of Funds* herein for additional information.

The Bonds maturing on February 1, 2035 and thereafter are subject to redemption, in whole or in part, on February 1, 2034 and on any date thereafter at a price of par plus accrued interest.

Principal due with respect to the Bonds is payable annually on February 1, commencing February 1, 2027. Interest due with respect to the Bonds is payable semiannually on February 1 and August 1, commencing February 1, 2027. The Bonds will be registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York. Individual purchases will be made in book-entry form only, in the principal amount of \$5,000 or any whole multiple thereof. Purchasers will not receive physical delivery of Bonds. See "Book-Entry System" in *Description of the Bonds* herein for additional information. The Paying Agent/Registrar will be U.S. Bank Trust Company, National Association, St. Paul, Minnesota.

Proposals: Monday, April 20, 2026 10:00 A.M., Central Time

Award: Monday, April 20, 2026 6:00 P.M., Central Time

Bids may contain a maturity schedule providing for any combination of serial or term bonds. All term bonds shall be subject to mandatory sinking fund redemption and must conform to the maturity schedule set forth above at a price of par plus accrued interest. Bids must be for not less than \$38,096,445 (99.30%) and accrued interest on the total principal amount of the Bonds. **Bids will not be subject to cancellation – see "Establishment of Issue Price" in the Notice of Sale herein for additional details.** *The rate for any maturity may not be more than 2.00% less than the rate for any preceding maturity.* A Good Faith Deposit (the "Deposit") in the amount of \$500,000, in the form of a federal wire transfer payable to the order of the City, will only be required from the apparent winning bidder, and must be received within two hours after the receipt of bids. See Terms of Proposal for additional details. Award of the Bonds will be on the basis of True Interest Cost (TIC).

* Preliminary, subject to change.



CITY OF LAKEVILLE, MINNESOTA

\$38,365,000*

General Obligation Bonds, Series 2026A

Dated Date: Date of Delivery (Estimated to be May 14, 2026)

**Interest Due: Each February 1 and August 1
Commencing February 1, 2027**

<u>Maturity*</u>	<u>Amount*</u>	<u>Rate</u>	<u>Yield</u>	<u>Price</u>	<u>Maturity*</u>	<u>Amount*</u>	<u>Rate</u>	<u>Yield</u>	<u>Price</u>
2/1/2027	\$510,000	____%	____%	____	2/1/2038	\$1,430,000	____%	____%	____
2/1/2028	1,910,000	____	____	____	2/1/2039	1,480,000	____	____	____
2/1/2029	1,955,000	____	____	____	2/1/2040	1,530,000	____	____	____
2/1/2030	2,005,000	____	____	____	2/1/2041	1,590,000	____	____	____
2/1/2031	2,055,000	____	____	____	2/1/2042	1,650,000	____	____	____
2/1/2032	2,105,000	____	____	____	2/1/2043	1,715,000	____	____	____
2/1/2033	2,165,000	____	____	____	2/1/2044	1,785,000	____	____	____
2/1/2034	2,220,000	____	____	____	2/1/2045	1,860,000	____	____	____
2/1/2035	2,285,000	____	____	____	2/1/2046	1,935,000	____	____	____
2/1/2036	2,345,000	____	____	____	2/1/2047	2,020,000	____	____	____
2/1/2037	1,815,000	____	____	____					

* Preliminary, subject to change.

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The Bonds are offered, subject to prior sale when, as and if accepted by the underwriter(s) named on the front cover of this official statement and subject to an opinion as to validity of the Bonds by Bond Counsel. Subject to applicable securities laws and prevailing market conditions, the underwriter(s) intends, but is not obligated, to effect secondary market trading for the Bonds. Closing Date is estimated to be May 14, 2026.

No person has been authorized to give any information or to make any representations other than those contained in this official statement in connection with the offers made hereby, and if given or made, such information or representations must not be relied upon as having been authorized by the Issuer or the underwriter(s). This official statement does not constitute an offer or solicitation in any jurisdiction in which such offer or solicitation is not authorized, or in which the person makes such offer or solicitation is not qualified to do so, or to any person to whom it is unlawful to make such offer or solicitation.

The information set forth herein has been obtained from the Issuer and other sources which are believed to be reliable, but it is not guaranteed as to accuracy or completeness by, and is not to be construed as a representation by, the underwriter(s). Neither the delivery of this official statement nor any sale hereunder shall under any circumstances create any implication that there has been no change in the affairs of the Issuer since the date hereof.

Within the meaning of Securities and Exchanges Commission Rule 15c2-12, the information included in the preliminary official statement is deemed final by the Issuer as of its date and is accurate and complete in all material respects, except for the omission of the offering price(s), interest rate(s), selling compensation, aggregate principal amount, principal amount per maturity, delivery date, rating(s), other terms of the issue depending on such matters, and the identity of the underwriter(s).

References herein to laws, rules, regulations, resolutions, agreements, reports, and other documents do not purport to be comprehensive or definitive. All references to such documents are qualified in their entirety by reference to the particular document, the full text of which may contain qualifications of and exceptions to statements made herein. Where full texts have not been included as appendices to the Preliminary Official Statement or the Final Official Statement, they will be furnished upon request.

References to website addresses presented herein are for informational purposes only and may be in the form of a hyperlink solely for the reader's convenience. Unless specified otherwise, such websites and the information or links contained therein are not incorporated into, and are not part of, this Official Statement for the purposes of, and as that term is defined in, Securities and Exchange Commission Rule 15c2-12.

The Bonds are considered securities and have not been approved or disapproved by the Securities and Exchange Commission or any state or federal regulatory authority nor has any state or federal regulatory authority confirmed the accuracy or determined the adequacy of this Official Statement. Any representation to the contrary may be a criminal offense. Investors must rely on their own examination of this Official Statement, the security pledged to repay the Bonds, the Issuer and the merits and risks of the investment opportunity.

FORWARD-LOOKING STATEMENTS

This Official Statement, including its appendices, contains statements which should be considered "forward-looking statements," meaning they refer to possible future events or conditions. Such statements are generally identifiable by the words such as "plan," "expect," "estimate," "budget," "may," or similar words. The achievement of certain results or other expectations contained in such forward-looking statements involve known and unknown risks, uncertainties and other factors which may cause a deviation from the actual results, performance or achievements expressed or implied by such forward-looking statements. The Issuer does not expect or intend to update or revise any forward-looking statements contained herein if or when its expectations, or events, conditions, or circumstances on which such statements are based occur.

SUMMARY OF OFFERING

City of Lakeville, Minnesota
\$38,365,000 *
General Obligation Bonds, Series 2026A
(Book-Entry Only)

AMOUNT -	\$38,365,000*																																																
ISSUER -	City of Lakeville, Minnesota (the “City” or the “Issuer”)																																																
AWARD DATE -	April 20, 2026																																																
MUNICIPAL ADVISOR -	Northland Securities, Inc. (the “Municipal Advisor”), 150 South 5th Street, Suite 3300, Minneapolis, Minnesota 55402, telephone: 612-851-5900 or 800-851-2920																																																
TYPE OF ISSUE -	General Obligation Bonds, Series 2026A (the “Bonds” or the “Issue”)																																																
AUTHORITY, PURPOSE & SECURITY -	The General Obligation Bonds, Series 2026A (the “Bonds”) are being issued by the City of Lakeville, Minnesota (the “City”), pursuant to Minnesota Statutes, Chapters 444 and 475 and Sections 475.521 and 475.58, Subdivision 3b, as amended. Proceeds of the Bonds will be used to finance the construction of a fire station, the City’s 2026 street reconstruction and collector rehabilitation projects, the City’s 2026 utility improvements, and to pay costs associated with issuance of the Bonds. The Bonds are valid and binding general obligations of the City and are payable from net revenues of the City’s water and sewer utilities and ad valorem taxes. The full faith and credit of the City is also pledged to their payment. In the event of any deficiency in the debt service fund established for this Issue, the City has validly obligated itself to levy additional ad valorem taxes upon all of the taxable property within the City, without limitation of amount. See <i>Authority and Purpose</i> as well as <i>Security/Sources and Uses of Funds</i> herein for additional information.																																																
DATE OF ISSUE -	Date of Delivery (Estimated to be May 14, 2026)																																																
INTEREST PAID -	Semiannually on each February 1 and August 1, commencing February 1, 2027, to registered owners of the Bonds appearing of record in the bond register as of the close of business on the fifteenth day (whether or not a business day) of the calendar month next preceding such interest payment date (the “Record Date”).																																																
MATURITIES* -																																																	
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REDEMPTION -	The Bonds maturing on February 1, 2035 and thereafter are subject to redemption, in whole or in part, on February 1, 2034 and on any date thereafter at a price of par plus accrued interest. See <i>Description of the Bonds</i> herein for additional information.																																																
BOOK-ENTRY -	The Bonds will be issued as fully registered and, when issued, will be registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York, to which principal and interest payments will be made. Individual purchases will be made in book-entry form only, in the principal amount of \$5,000 or any whole multiple thereof. Purchasers will not receive physical delivery of the Bonds.																																																
PAYING AGENT/REGISTRAR -	U.S. Bank Trust Company, National Association, St. Paul, Minnesota																																																
TAX DESIGNATIONS -	<u>NOT Private Activity Bonds</u> - The Bonds are not “private activity bonds” as defined in Section 141 of the Internal Revenue Code of 1986, as amended (the “Code”). <u>Not Bank Qualified Tax-Exempt Obligations</u> - The Bonds are not “qualified tax-exempt obligations” for purposes of Section 265(b)(3) of the Code.																																																
LEGAL OPINION -	Dorsey & Whitney LLP, Minneapolis, Minnesota (“Bond Counsel”)																																																
BOND RATING -	The City received an underlying rating of “Aaa” from Moody’s Ratings (“Moody’s”). See <i>Bond Rating</i> herein for additional information.																																																
CLOSING -	Estimated to be May 14, 2026																																																
PRIMARY CONTACTS -	Julie Stahl, Finance Director, City of Lakeville, Minnesota 952-985-4481 Tammy Omdal, Managing Director, Northland Securities, Inc., 612-851-4964 Jessica Green, Managing Director, Northland Securities, Inc., 612-851-5930																																																

* Preliminary, subject to change.

CITY OF LAKEVILLE, MINNESOTA

PRINCIPAL CITY OFFICIALS

Elected Officials

City Council

<u>Name</u>	<u>Position</u>	<u>Term Expires</u>
Luke Hellier	Mayor	12/31/26
John Bermel	Council Member	12/31/28
Joshua Lee	Council Member	12/31/26
Michelle Volk	Council Member	12/31/26
Dan Wolter	Council Member	12/31/28

Primary Contacts

Justin Miller	City Administrator
Julie Stahl	Finance Director
Andrea McDowell Poehler	City Attorney

BOND COUNSEL

Dorsey & Whitney LLP
Minneapolis, Minnesota

MUNICIPAL ADVISOR

Northland Securities, Inc.
Minneapolis, Minnesota

TERMS OF PROPOSAL

\$38,365,000*

GENERAL OBLIGATION BONDS, SERIES 2026A

CITY OF LAKEVILLE, MINNESOTA

(Book-Entry Only)

NOTICE IS HEREBY GIVEN that these Bonds will be offered for sale according to the following terms:

TIME AND PLACE:

Proposals (also referred to herein as “bids”) will be opened by the City’s Finance Director, or designee, on Monday, April 20, 2026, at 10:00 A.M., CT, at the offices of Northland Securities, Inc. (the Issuer’s “Municipal Advisor”), 150 South 5th Street, Suite 3300, Minneapolis, Minnesota 55402. Consideration of the Proposals for award of the sale will be by the City Council at its meeting at the City Offices beginning Monday, April 20, 2026 at 6:00 P.M., CT.

SUBMISSION OF PROPOSALS

Proposals may be:

- a) submitted to the office of Northland Securities, Inc.,
- b) emailed to PublicSale@northlandsecurities.com, or
- c) submitted electronically.

Notice is hereby given that electronic proposals will be received via PARITY™, or its successor, in the manner described below, until 10:00 A.M., CT, on April 20, 2026. Proposals may be submitted electronically via PARITY™ or its successor, pursuant to this Notice until 10:00 A.M., CT, but no Proposal will be received after the time for receiving Proposals specified above. To the extent any instructions or directions set forth in PARITY™, or its successor, conflict with this Notice, the terms of this Notice shall control. For further information about PARITY™, or its successor, potential bidders may contact Northland Securities, Inc. or i-Deal® at 1359 Broadway, 2nd floor, New York, NY 10018, telephone 212-849-5021.

Neither the Issuer nor Northland Securities, Inc. assumes any liability if there is a malfunction of PARITY™ or its successor. All bidders are advised that each Proposal shall be deemed to constitute a contract between the bidder and the Issuer to purchase the Bonds regardless of the manner in which the Proposal is submitted.

BOOK-ENTRY SYSTEM

The Bonds will be issued by means of a book-entry system with no physical distribution of bond certificates made to the public. The Bonds will be issued in fully registered form and one bond certificate, representing the aggregate principal amount of the Bonds maturing in each year, will be registered in the name of Cede & Co. as nominee of Depository Trust Company (“DTC”), New York, New York, which will act as securities depository of the Bonds.

Individual purchases of the Bonds may be made in the principal amount of \$5,000 or any multiple thereof of a single maturity through book entries made on the books and records of DTC and its participants. Principal and interest are payable by the Issuer through U.S. Bank Trust Company, National Association, St. Paul, Minnesota (the “Paying Agent/Registrar”), to DTC, or its nominee as registered owner of the Bonds. Transfer of principal and interest payments to participants of DTC will be the responsibility of DTC; transfer of principal and interest payments to beneficial owners by participants will be the responsibility of such participants and other nominees of beneficial owners. The successful bidder, as a condition of delivery of the Bonds, will be required to deposit the

* The Issuer reserves the right to increase or decrease the principal amount of the Bonds. Any such increase or decrease will be made in multiples of \$5,000 and may be made in any maturity. If any maturity is adjusted, the purchase price will also be adjusted to maintain the same gross spread.

bond certificates with DTC. The Issuer will pay reasonable and customary charges for the services of the Paying Agent/Registrar.

DATE OF ORIGINAL ISSUE OF BONDS

Date of Delivery (Estimated to be May 14, 2026)

AUTHORITY/PURPOSE/SECURITY

The Bonds are being issued pursuant to Minnesota Statutes, Chapters 475 and 444 and Sections 475.58, Subdivision 3b and 475.521, as amended. Proceeds will be used to finance the construction of a fire station, the City's 2026 street reconstruction and collector rehabilitation projects and utility projects, and to pay costs associated with the issuance of the Bonds. The Bonds are payable from net water and sewer utility revenues and ad valorem taxes on all taxable property within the City. The full faith and credit of the Issuer is pledged to their payment and the Issuer has validly obligated itself to levy ad valorem taxes in the event of any deficiency in the debt service fund established for this issue.

INTEREST PAYMENTS

Interest is due semiannually on each February 1 and August 1, commencing February 1, 2027, to registered owners of the Bonds appearing of record in the Bond Register as of the close of business on the fifteenth day (whether or not a business day) of the calendar month next preceding such interest payment date.

MATURITIES

Principal is due annually on February 1, inclusive, in each of the years and amounts as follows:

<u>Year</u>	<u>Amount</u>	<u>Year</u>	<u>Amount</u>	<u>Year</u>	<u>Amount</u>
2027	\$510,000	2034	\$2,220,000	2041	\$1,590,000
2028	1,910,000	2035	2,285,000	2042	1,650,000
2029	1,955,000	2036	2,345,000	2043	1,715,000
2030	2,005,000	2037	1,815,000	2044	1,785,000
2031	2,055,000	2038	1,430,000	2045	1,860,000
2032	2,105,000	2039	1,480,000	2046	1,935,000
2033	2,165,000	2040	1,530,000	2047	2,020,000

Proposals for the Bonds may contain a maturity schedule providing for any combination of serial bonds and term bonds, subject to mandatory redemption, so long as the amount of principal maturing or subject to mandatory redemption in each year conforms to the maturity schedule set forth above.

INTEREST RATES

All rates must be in integral multiples of 1/20th or 1/8th of 1%. *The rate for any maturity may not be more than 2.00% less than the rate for any preceding maturity.* All Bonds of the same maturity must bear a single uniform rate from date of issue to maturity.

ESTABLISHMENT OF ISSUE PRICE (HOLD-THE-OFFERING-PRICE RULE MAY APPLY – BIDS NOT CANCELLABLE)

In order to establish the issue price of the Bonds for federal income tax purposes, the Issuer requires bidders to agree to the following, and by submitting a bid, each bidder agrees to the following.

If a bid is submitted by a potential underwriter, the bidder confirms that (i) the underwriters have offered or reasonably expect to offer the Bonds to the public on or before the date of the award at the offering price (the "initial

offering price”) for each maturity as set forth in the bid and (ii) the bidder, if it is the winning bidder, shall require any agreement among underwriters, selling group agreement, retail distribution agreement or other agreement relating to the initial sale of the Bonds to the public to which it is a party to include provisions requiring compliance by all parties to such agreements with the provisions contained herein. For purposes hereof, Bonds with a separate CUSIP number constitute a separate “maturity,” and the public does not include underwriters of the Bonds (including members of a selling group or retail distribution group) or persons related to underwriters of the Bonds. If, however, a bid is submitted for the bidder’s own account in a capacity other than as an underwriter of the Bonds, and the bidder has no current intention to sell, reoffer, or otherwise dispose of the Bonds, the bidder shall notify the Issuer to that effect at the time it submits its bid and shall provide a certificate to that effect in place of the certificate otherwise required below.

If the winning bidder intends to act as an underwriter, the Issuer shall advise the winning bidder at or prior to the time of award whether (i) the competitive sale rule or (ii) the “hold-the-offering price” rule applies, as described in the following paragraph.

If the Issuer advises the winning bidder that the requirements for a competitive sale have not been satisfied and that the hold-the-offering price rule applies, the winning bidder shall (1) upon the request of the Issuer confirm that the underwriters did not offer or sell any maturity of the Bonds to any person at a price higher than the initial offering price of that maturity during the period starting on the award date and ending on the earlier of (a) the close of the fifth business day after the sale date or (b) the date on which the underwriters have sold at least 10% of that maturity to the public at or below the initial offering price; and (2) at or prior to closing, deliver to the Issuer a certification substantially in the form attached hereto as Exhibit A, together with a copy of the pricing wire.

If the Issuer advises the winning bidder that the requirements for a competitive sale have been satisfied and that the competitive sale rule applies, the winning bidder will be required to deliver to the Issuer at or prior to closing a certification, substantially in the form attached hereto as Exhibit B, as to the reasonably expected initial offering price as of the award date.

Any action to be taken or documentation to be received by the Issuer pursuant hereto may be taken or received on behalf of the Issuer by the Municipal Advisor.

Bidders should prepare their bids on the assumption that the Bonds will be subject to the “hold-the-offering-price” rule. Any bid submitted pursuant to the Notice of Sale shall be considered a firm offer for the purchase of the Bonds, and bids submitted will not be subject to cancellation or withdrawal.

ADJUSTMENTS TO PRINCIPAL AMOUNT AFTER PROPOSALS

The Issuer reserves the right to increase or decrease the principal amount of the Bonds. Any such increase or decrease will be made in multiples of \$5,000 and may be made in any maturity. If any maturity is adjusted, the purchase price will also be adjusted to maintain the same gross spread. Such adjustments shall be made promptly after the sale and prior to the award of Proposals by the Issuer and shall be at the sole discretion of the Issuer. The successful bidder may not withdraw or modify its Proposal once submitted to the Issuer for any reason, including post-sale adjustment. Any adjustment shall be conclusive and shall be binding upon the successful bidder.

OPTIONAL REDEMPTION

Bonds maturing on and after February 1, 2035 are subject to redemption and prepayment at the option of the Issuer on February 1, 2034 and any date thereafter, at a price of par plus accrued interest. Redemption may be in whole or in part of the Bonds subject to prepayment. If redemption is in part, the maturities and principal amounts within each maturity to be redeemed shall be determined by the Issuer and if only part of the Bonds having a common maturity date are called for prepayment, the specific Bonds to be prepaid shall be chosen by lot by the Bond Registrar.

CUSIP NUMBERS

If the Bonds qualify for assignment of CUSIP numbers such numbers will be printed on the Bonds, but neither the failure to print such numbers on any Bond nor any error with respect thereto shall constitute cause for a failure or

refusal by the successful bidder thereof to accept delivery of and pay for the Bonds in accordance with terms of the purchase contract. The CUSIP Service Bureau charge for the assignment of CUSIP identification numbers shall be paid by the successful bidder.

DELIVERY

Delivery of the Bonds will be within thirty days after award, subject to an approving legal opinion by Dorsey & Whitney LLP, Bond Counsel. The legal opinion will be paid by the Issuer and delivery will be anywhere in the continental United States without cost to the successful bidder at DTC.

TYPE OF PROPOSAL

Proposals of not less than \$38,096,445 (99.30%) and accrued interest on the principal sum of \$38,365,000 must be filed with the undersigned prior to the time of sale. Proposals must be unconditional except as to legality. Proposals for the Bonds should be delivered to Northland Securities, Inc. and addressed to:

Julie Stahl, Finance Director
Lakeville City Hall
20195 Holyoke Ave.
Lakeville, MN 55044

A good faith deposit (the "Deposit") in the amount of \$500,000 in the form of a federal wire transfer (payable to the order of the Issuer) is only required from the apparent winning bidder, and must be received within two hours after the time stated for the receipt of Proposals. The apparent winning bidder will receive notification of the wire instructions from the Municipal Advisor promptly after the sale. If the Deposit is not received from the apparent winning bidder in the time allotted, the Issuer may choose to reject their Proposal and then proceed to offer the Bonds to the next lowest bidder based on the terms of their original proposal, so long as said bidder wires funds for the Deposit amount within two hours of said offer.

The Issuer will retain the Deposit of the successful bidder, the amount of which will be deducted at settlement and no interest will accrue to the successful bidder. In the event the successful bidder fails to comply with the accepted Proposal, said amount will be retained by the Issuer. No Proposal can be withdrawn after the time set for receiving Proposals unless the meeting of the Issuer scheduled for award of the Bonds is adjourned, recessed, or continued to another date without award of the Bonds having been made.

AWARD

The Bonds will be awarded on the basis of the lowest interest rate to be determined on a true interest cost (TIC) basis. The Issuer's computation of the interest rate of each Proposal, in accordance with customary practice, will be controlling. In the event of a tie, the sale of the Bonds will be awarded by lot. The Issuer will reserve the right to: (i) waive non-substantive informalities of any Proposal or of matters relating to the receipt of Proposals and award of the Bonds, (ii) reject all Proposals without cause, and (iii) reject any Proposal which the Issuer determines to have failed to comply with the terms herein.

INFORMATION FROM SUCCESSFUL BIDDER

The successful bidder will be required to provide, in a timely manner, certain information relating to the initial offering price of the Bonds necessary to compute the yield on the Bonds pursuant to the provisions of the Internal Revenue Code of 1986, as amended.

OFFICIAL STATEMENT

By awarding the Bonds to any underwriter or underwriting syndicate submitting a Proposal therefor, the Issuer agrees that, no more than seven business days after the date of such award, it shall provide to the senior managing underwriter of the syndicate to which the Bonds are awarded, the Final Official Statement in an electronic format as prescribed by the Municipal Securities Rulemaking Board (MSRB).

FULL CONTINUING DISCLOSURE UNDERTAKING

The Issuer will covenant in the resolution awarding the sale of the Bonds to provide, or cause to be provided, annual financial information, including audited financial statements of the Issuer, and notices of certain material events, as required by SEC Rule 15c2-12.

NOT BANK QUALIFIED

The Bonds are not qualified tax-exempt obligations for purposes of Section 265(b)(3) of the Internal Revenue Code of 1986, as amended.

BOND INSURANCE AT UNDERWRITER'S OPTION

If the Bonds qualify for issuance of any policy of municipal bond insurance or commitment therefor at the option of the successful bidder, the purchase of any such insurance policy or the issuance of any such commitment shall be at the sole option and expense of the successful bidder of the Bonds. Any increase in the costs of issuance of the Bonds resulting from such purchase of insurance shall be paid by the successful bidder, except that, if the Issuer has requested and received a rating on the Bonds from a rating agency, the Issuer will pay that rating fee. Any other rating agency fees shall be the responsibility of the successful bidder. Failure of the municipal bond insurer to issue the policy after the Bonds have been awarded to the successful bidder shall not constitute cause for failure or refusal by the successful bidder to accept delivery on the Bonds.

The Issuer reserves the right to reject any and all Proposals, to waive informalities and to adjourn the sale.

Dated: March 2, 2026

BY ORDER OF THE LAKEVILLE CITY COUNCIL

/s/ Julie Stahl
Finance Director

Additional information may be obtained from:
Northland Securities, Inc.
150 South 5th Street, Suite 3300
Minneapolis, Minnesota 55402
Telephone No.: 612-851-5900

EXHIBIT A

ISSUE PRICE CERTIFICATE – COMPETITIVE SALES WITH AT LEAST THREE BIDS FROM ESTABLISHED UNDERWRITERS

**[\$[PRINCIPAL AMOUNT]
[BOND CAPTION]
ISSUE PRICE CERTIFICATE**

The undersigned, on behalf of [NAME OF UNDERWRITER] (“[SHORT NAME OF UNDERWRITER]”), hereby certifies as set forth below with respect to the sale of the obligations named above (the “Bonds”).

1. ***Reasonably Expected Initial Offering Price.***

(a) As of the Sale Date, the reasonably expected initial offering prices of the Bonds to the Public by [SHORT NAME OF UNDERWRITER] are the prices listed in Schedule A (the “Expected Offering Prices”). The Expected Offering Prices are the prices for the Maturities of the Bonds used by [SHORT NAME OF UNDERWRITER] in formulating its bid to purchase the Bonds. Attached as Schedule B is a true and correct copy of the bid provided by [SHORT NAME OF UNDERWRITER] to purchase the Bonds.

(b) [SHORT NAME OF UNDERWRITER] was not given the opportunity to review other bids prior to submitting its bid.

(c) The bid submitted by [SHORT NAME OF UNDERWRITER] constituted a firm offer to purchase the Bonds.

2. ***Defined Terms.*** For purposes of this Issue Price Certificate:

(a) *Issuer* means [DESCRIBE ISSUER].

(b) *Maturity* means Bonds with the same credit and payment terms. Any Bonds with different maturity dates, or with the same maturity date but different stated interest rates, are treated as separate Maturities.

(c) *Member of the Distribution Group* means (i) any person that agrees pursuant to a written contract with the Issuer (or with the lead underwriter to form an underwriting syndicate) to participate in the initial sale of the Bonds to the Public, and (ii) any person that agrees pursuant to a written contract directly or indirectly with a person described in clause (i) of this paragraph to participate in the initial sale of the Bonds to the Public (including a member of a selling group or a party to a retail distribution agreement participating in the initial sale of the Bonds to the Public).

(d) *Public* means any person (*i.e.*, an individual, trust, estate, partnership, association, company, or corporation) other than a Member of the Distribution Group or a related party to a Member of the Distribution Group. A person is a “related party” to a Member of the Distribution Group if the Member of the Distribution Group and that person are subject, directly or indirectly, to (i) at least 50% common ownership of the voting power or the total value of their stock, if both entities are corporations (including direct ownership by one corporation of another), (ii) more than 50% common ownership of their capital interests or profits interests, if both entities are partnerships (including direct ownership by one partnership of another), or (iii) more than 50% common ownership of the value of the outstanding stock of the corporation or the capital interests or profit interests of the partnership, as applicable, if one entity is a corporation and the other entity is a partnership (including direct ownership of the applicable stock or interests by one entity of the other).

(e) *Sale Date* means the first day on which there is a binding contract in writing for the sale of the respective Maturity. The Sale Date of each Maturity was [DATE].

The representations set forth in this certificate are limited to factual matters only. Nothing in this certificate represents [SHORT NAME OF UNDERWRITER]'s interpretation of any laws, including specifically Sections 103 and 148 of the Internal Revenue Code of 1986, as amended, and the Treasury Regulations thereunder. The undersigned understands that the foregoing information will be relied upon by the Issuer[and BORROWER (the "Borrower")] with respect to certain of the representations set forth in the [Tax Certificate][Tax Exemption Agreement] and with respect to compliance with the federal income tax rules affecting the Bonds, and by [BOND COUNSEL] in connection with rendering its opinion that the interest on the Bonds is excluded from gross income for federal income tax purposes, the preparation of the Internal Revenue Service Form 8038[-G][-GC][-TC], and other federal income tax advice that it may give to the Issuer[and the Borrower] from time to time relating to the Bonds.

[UNDERWRITER]

By: _____

Name: _____

Dated: [ISSUE DATE]

**ISSUE PRICE CERTIFICATE – COMPETITIVE SALES WITH FEWER THAN THREE BIDS FROM
ESTABLISHED UNDERWRITERS**

**\$(PRINCIPAL AMOUNT)
[BOND CAPTION]
ISSUE PRICE CERTIFICATE**

The undersigned, on behalf of [NAME OF UNDERWRITER/REPRESENTATIVE] (["[SHORT NAME OF UNDERWRITER]"] [the "Representative"]), on behalf of itself and [NAMES OF OTHER UNDERWRITERS] (together, the "Underwriting Group"), hereby certifies as set forth below with respect to the sale of the obligations named above (the "Bonds").

1. **Initial Offering Price of the Bonds.** [SHORT NAME OF UNDERWRITER][The Underwriting Group] offered the Bonds to the Public for purchase at the specified initial offering prices listed in Schedule A (the "Initial Offering Prices") on or before the Sale Date. A copy of the pricing wire for the Bonds is attached to this certificate as Schedule B.

2. **Hold the Offering Price Rule.** [SHORT NAME OF UNDERWRITER][Each member of the Underwriting Group] has agreed in writing that, (i) for each Maturity, it would neither offer nor sell any of the Bonds of such Maturity to any person at a price that is higher than the Initial Offering Price for such Maturity during the Holding Period for such Maturity (the "Hold-the-Offering-Price Rule"), and (ii) any agreement among underwriters, selling group agreement, or third-party distribution agreement contains the agreement of each underwriter, dealer, or broker-dealer who is a party to such agreement to comply with the Hold-the-Offering-Price Rule. Based on the [Representative][SHORT NAME OF UNDERWRITER]'s own knowledge and, in the case of sales by other Members of the Distribution Group, representations obtained from the other Members of the Distribution Group, no Member of the Distribution Group has offered or sold any such Maturity at a price that is higher than the respective Initial Offering Price during the respective Holding Period.

3. **Defined Terms.** For purposes of this Issue Price Certificate:

(a) **Holding Period** means the period starting on the Sale Date and ending on the earlier of (i) the close of the fifth business day after the Sale Date ([DATE]), or (ii) the date on which Members of the Distribution Group have sold at least 10% of such Maturity to the Public at one or more prices, none of which is higher than the Initial Offering Price for such Maturity.

(b) **Issuer** means [DESCRIBE ISSUER].

(c) *Maturity* means Bonds with the same credit and payment terms. Any Bonds with different maturity dates, or with the same maturity date but different stated interest rates, are treated as separate Maturities.

(d) *Member of the Distribution Group* means (i) any person that agrees pursuant to a written contract with the Issuer (or with the lead underwriter to form an underwriting syndicate) to participate in the initial sale of the Bonds to the Public, and (ii) any person that agrees pursuant to a written contract directly or indirectly with a person described in clause (i) of this paragraph to participate in the initial sale of the Bonds to the Public (including a member of a selling group or a party to a retail distribution agreement participating in the initial sale of the Bonds to the Public).

(e) *Public* means any person (*i.e.*, an individual, trust, estate, partnership, association, company, or corporation) other than a Member of the Distribution Group or a related party to a Member of the Distribution Group. A person is a “related party” to a Member of the Distribution Group if the Member of the Distribution Group and that person are subject, directly or indirectly, to (i) at least 50% common ownership of the voting power or the total value of their stock, if both entities are corporations (including direct ownership by one corporation of another), (ii) more than 50% common ownership of their capital interests or profits interests, if both entities are partnerships (including direct ownership by one partnership of another), or (iii) more than 50% common ownership of the value of the outstanding stock of the corporation or the capital interests or profit interests of the partnership, as applicable, if one entity is a corporation and the other entity is a partnership (including direct ownership of the applicable stock or interests by one entity of the other).

(f) *Sale Date* means the first day on which there is a binding contract in writing for the sale of the respective Maturity. The Sale Date of each Maturity was [DATE].

The representations set forth in this certificate are limited to factual matters only. Nothing in this certificate represents [NAME OF UNDERWRITING FIRM][the Representative’s] interpretation of any laws, including specifically Sections 103 and 148 of the Internal Revenue Code of 1986, as amended, and the Treasury Regulations thereunder. The undersigned understands that the foregoing information will be relied upon by the Issuer[and BORROWER (the “Borrower”)] with respect to certain of the representations set forth in the [Tax Certificate][Tax Exemption Agreement] and with respect to compliance with the federal income tax rules affecting the Bonds, and by [BOND COUNSEL] in connection with rendering its opinion that the interest on the Bonds is excluded from gross income for federal income tax purposes, the preparation of the Internal Revenue Service Form 8038[-G][-GC][-TC], and other federal income tax advice that it may give to the Issuer[and the Borrower] from time to time relating to the Bonds.

[UNDERWRITER][REPRESENTATIVE]

By: _____
Name: _____

Dated: [ISSUE DATE]

AUTHORITY AND PURPOSE

The General Obligation Bonds, Series 2026A (the “Bonds” or the “Issue”) are being issued by the City of Lakeville, Minnesota (the “City”), pursuant to Minnesota Statutes, Chapters 444 and 475 and Sections 475.521 and 475.58, Subdivision 3b, as amended. Proceeds from issuance of the Bonds will be used to finance the construction of a fire station, the City's 2026 street reconstruction and collector rehabilitation projects, the City's 2026 utility improvements, and to pay costs associated with issuance of the Bonds.

SECURITY/SOURCES AND USES OF FUNDS

Security

The Bonds are valid and binding general obligations of the City and are payable from net revenues of the City's water and sewer utilities and ad valorem taxes. The full faith and credit of the City is also pledged to their payment. In the event of any deficiency in the debt service fund established for this Issue, the City has validly obligated itself to levy additional ad valorem taxes upon all of the taxable property within the City, without limitation of amount.

Sources and Uses of Funds

Following are the sources and uses of funds in connection with the issuance of the Bonds.

Sources of Funds

Par Amount of Bonds	<u>\$ 38,365,000*</u>
Total Sources of Funds:	<u>\$ 38,365,000</u>

Uses of Funds

Deposit to Project Fund	\$ 37,136,152
Costs of Issuance/Underwriter's Discount	425,313
Deposit to Capitalized Interest Fund	800,680
Rounding Amount	<u>2,855</u>
Total Uses of Funds:	<u>\$ 38,365,000</u>

BONDHOLDERS' RISKS

An investment in the Bonds involves an element of risk. In order to identify risk factors and make an informed investment decision, potential investors should be thoroughly familiar with this entire Official Statement (including the appendices hereto) in order to make a judgment as to whether the Bonds are an appropriate investment.

Secondary Market

There can be no guarantee that there will be a secondary market for the Bonds or, if a secondary market exists, that such Bonds can be sold for any particular price. Occasionally, because of general market conditions or because of adverse history of economic prospects connected with a particular issue, any secondary marketing practices in connection with a particular bond issue are suspended or terminated. Additionally, prices of bond issues for which a market is being made will depend upon then prevailing circumstances. Such prices could be substantially different from the original purchase price of the Bonds.

* Preliminary, subject to change.

Ratings Loss

Moody's Ratings has assigned a rating of "Aaa" to the Bonds. Generally, a rating agency bases its rating on the information and materials furnished to it and on investigations, studies and assumptions of its own. There is no assurance that the rating will continue for any given period of time, or that such rating will not be revised, suspended or withdrawn, if, in the judgment of Moody's, circumstances so warrant. A revision, suspension or withdrawal of a rating may have an adverse effect on the market price of the Bonds.

Additional regulation of rating agencies could materially alter the methodology, rating levels, and types of ratings available, for example, and these changes, if ever, could materially affect the market value of the Bonds.

Forward-Looking Statements

This Official Statement contains statements relating to future results that are "forward-looking statements" as defined in the Private Securities Litigation Reform Act of 1995. When used in this Official Statement, the words "estimate," "forecast," "intend," "expect" and similar expressions identify forward-looking statements. Any forward-looking statement is subject to uncertainty. Accordingly, such statements are subject to risks that could cause actual results to differ, possibly materially, from those contemplated in such forward-looking statements. Inevitably, some assumptions used to develop forward-looking statements will not be realized or unanticipated events and circumstances may occur. Therefore, investors should be aware that there are likely to be differences between forward-looking statements and the actual results. These differences could be material and could impact the availability of funds of the Issuer to pay debt service when due on the Bonds.

Tax Exemption and Loss of Tax Exemption

If the federal government or the State of Minnesota taxes all or a portion of the interest on municipal obligations, directly or indirectly, or if there is a change in federal or state tax policy, the value of the Bonds may fall for purposes of resale. Noncompliance following the issuance of the Bonds with certain requirements of the Internal Revenue Code of 1986, as amended (the "Code") and post-issuance tax covenants of the Issuer may result in the inclusion of interest on the Bonds in gross income of the recipient for federal income tax purposes or in taxable net income of individuals, estates or trusts for State of Minnesota income tax purposes. No provision has been made for redemption of the Bonds, or for an increase in the interest rate on the Bonds, in the event that interest on the Bonds becomes subject to federal or State of Minnesota income taxation, retroactive to the date of issuance.

It is also possible that actions of the Issuer after the closing of the Bonds will alter the tax status of the Bonds, and, in the extreme, remove the tax exempt status from the Bonds. In that instance, the Bonds are not subject to mandatory prepayment, and the interest rate on the Bonds does not increase or otherwise reset.

Pending Federal and State Tax Legislation

From time to time, there is State legislation proposed, as well as Presidential proposals, proposals of various federal committees, and legislative proposals pending in Congress that could, if enacted, alter or amend one or more of the federal or state tax matters described herein in certain respects or would adversely affect the market value of the Bonds or otherwise prevent holders of the Bonds from realizing the full benefit of the tax exemption of interest on the Bonds. Further, such proposals may impact the marketability or market value of the Bonds simply by being proposed. It cannot be predicted whether or in what forms any of such proposals, either pending or that may be introduced, may be enacted and there can be no assurance that such proposals will not apply to the Bonds. In addition, regulatory actions are from time to time announced or proposed, and litigation threatened or commenced, which if implemented or concluded in a particular manner, could adversely affect the market value, marketability or tax status of the Bonds. It cannot be predicted whether any such regulatory action will be implemented, how any particular litigation or judicial action will be resolved, or whether the Bonds would be impacted thereby.

Tax Levy Procedures

The Bonds are general obligations of the Issuer, payable from and secured by a continuing ad valorem tax levied against all of the property valuation within the Issuer. A failure on the part of the Issuer to make a timely levy request or a levy request by the Issuer that is inaccurate or is insufficient to make full payments of the debt service of the Bonds for a particular fiscal year may cause Bondholders to experience delay in the receipt of distributions of principal of and/or interest on the Bonds. In the event of a default in the payment of principal of or interest on the Bonds, there is no provision for acceleration of maturity of the principal of the Bonds. Consequently, the remedies of the owners of the Bonds (consisting primarily of an action in the nature of mandamus requiring the Issuer and certain other public officials to perform the terms of the resolution for the Bonds) may have to be enforced from year to year.

Factors Beyond Issuer's Control

A combination of epidemic, pandemic, economic, climatic, political or civil disruptions outside of the control of the Issuer, including loss of major taxpayers or major employers, could affect the local economy and result in reduced tax collections and/or increased demands upon local governments. Real or perceived threats to the financial stability of the Issuer may have an adverse effect on the value of the Bonds in the secondary market. State of Minnesota cash flow problems could also affect local governments, including reductions in, or delayed payments of, local government state aid (LGA) and possibly increase Issuer property taxes.

Cybersecurity

The Issuer, like many other public and private entities, relies on a large and complex technology environment to conduct its operations. As such, it may face multiple cybersecurity threats including, but not limited to, hacking, viruses, malware and other attacks on computer or other sensitive digital systems and networks. There can be no assurances that any security and operational control measures implemented by the Issuer will be completely successful to guard against and prevent cyber threats and attacks. The result of any such attacks could impact business operations and/or digital networks and systems and the costs of remedying any such damage could be significant.

Suitability of Investment

The interest rate borne by the Bonds is intended to compensate the investor for assuming the risk of investing in the Bonds. Each prospective investor should carefully examine this Official Statement and its own financial condition to make a judgment as to its ability to bear the economic risk of such an investment, and whether or not the Bonds are an appropriate investment for such investor.

Summary

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

DESCRIPTION OF THE BONDS

Details of Certain Terms

The Bonds will be dated, as originally issued, as of the date of delivery (estimated to be May 14, 2026), and will be issued as fully registered Bonds in the denominations of \$5,000 or any integral multiple thereof. Principal, including mandatory redemptions on the Bonds, if applicable, will be payable annually February 1, commencing February 1, 2027. Interest on the Bonds will be payable semiannually on each February 1 and August 1, commencing February 1, 2027. The Bonds when issued, will be registered in the name of Cede & Co. (the "Registered Holder"), as nominee of The Depository Trust Company, New York, New York ("DTC"), the initial custodian for the Bonds, to which principal and interest payments on the Bonds will be made so long as Cede & Co. is the Registered Holder

of the Bonds. See “Book-Entry System” in *Description of the Bonds* herein for additional information. So long as the Book-Entry Only System is used, individual purchases of the Bonds will be made in book-entry form only, in the principal amount of \$5,000 or any integral multiple thereof (“Authorized Denominations”). Individual purchasers (“Beneficial Owners”) of the Bonds will not receive physical delivery of bond certificates, and registration, exchange, transfer, tender and redemption of the Bonds with respect to Beneficial Owners shall be governed by the Book-Entry Only System.

So long as the Book-Entry Only System is used, payments from Cede & Co., as the Registered Holder, to the Beneficial Owners shall be governed by the Book-Entry Only System. If the Book-Entry Only System is discontinued, the principal of and premium, if any, on the Bonds will be payable upon presentation and surrender at the offices of the Paying Agent and Bond Registrar or a duly appointed successor. Interest on the Bonds will be paid by check or draft mailed by the Bond Registrar to the registered holders thereof as such appear on the registration books maintained by the Bond Registrar as of the close of business on the fifteenth day (whether or not a business day) of the calendar month next preceding such interest payment date (the “Record Date”).

Registration, Transfer and Exchange

So long as the Book-Entry Only System is used, payments from Cede & Co., as the Registered Holder, to the Beneficial Owners shall be governed by the Book-Entry Only System. If the Book-Entry Only System is discontinued, the Bonds may be transferred upon surrender of the Bonds at the principal office of the Bond Registrar, duly endorsed for transfer or accompanied by an assignment duly executed by the registered owner or his or her attorney duly authorized in writing. The Bonds, upon surrender thereof at the principal office of the Bond Registrar, may also be exchanged for other Bonds of the same series, of any authorized denominations having the same form, terms, interest rates and maturities as the Bonds being exchanged. The Bond Registrar will require the payment by the Bond holder requesting such exchange or transfer of any tax or governmental charge required to be paid with respect to such exchange or transfer. The Bond Registrar is not required to (i) issue, transfer or exchange any Bond during a period beginning at the opening of business fifteen days before any selection of Bonds of a particular stated maturity for redemption in accordance with the provisions of the Bond resolution and ending on the day of the first mailing of the relevant notice of redemption or (ii) to transfer any Bonds or portion thereof selected for redemption.

Optional Redemption

The Bonds maturing on February 1, 2035 and thereafter are subject to redemption, in whole or in part, on February 1, 2034 and on any date thereafter at a price of par plus accrued interest. If redemption is in part, the selection of the amounts and maturities of the Bonds to be prepaid shall be at the discretion of the City. Notice of redemption shall be given by written notice to the registered owner of the Bonds at least thirty (30) but not more than sixty (60) days prior to such redemption date.

Book-Entry System

The Depository Trust Company (“DTC”), New York, NY, will act as securities depository for the Bonds (the “Bonds”). The Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC’s partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered certificate will be issued for the Bonds, in the aggregate principal amount of such issue, and will be deposited with DTC.

DTC, the world’s largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a “banking organization” within the meaning of the New York Banking Law, a member of the Federal Reserve System, a “clearing corporation” within the meaning of the New York Uniform Commercial Code, and a “clearing agency” registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC’s participants (“Direct Participants”) deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants’ accounts. This eliminates the need for physical movement of

securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation (“DTCC”). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly (“Indirect Participants”). DTC has a Standard & Poor’s rating of AA+. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com and www.dtcc.org.

Purchases of Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds on DTC’s records. The ownership interest of each actual purchaser of each Bonds (“Beneficial Owner”) is in turn to be recorded on the Direct and Indirect Participants’ records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Bonds, except in the event that use of the book-entry system for the Bonds is discontinued.

To facilitate subsequent transfers, all Bonds deposited by Direct Participants with DTC are registered in the name of DTC’s partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not affect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Bonds; DTC’s records reflect only the identity of the Direct Participants to whose accounts such Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time.

Redemption notices shall be sent to DTC. If less than all of the Bonds within an issue are being redeemed, DTC’s practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to Bonds unless authorized by a Direct Participant in accordance with DTC’s MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the City as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.’s consenting or voting rights to those Direct Participants to whose accounts the Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Redemption proceeds, distributions, and dividend payments on the Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC’s practice is to credit Direct Participants’ accounts upon DTC’s receipt of funds and corresponding detail information from the City or Agent, on payable date in accordance with their respective holdings shown on DTC’s records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with Bonds held for the accounts of customers in bearer form or registered in “street name,” and will be the responsibility of such Participant and not of DTC, Agent, or the City, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, distributions, and dividend payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the City or Agent, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

[A Beneficial Owner shall give notice to elect to have its Bonds purchased or tendered, through its Participant, to [Tender/Remarketing] Agent, and shall effect delivery of such Bonds by causing the Direct Participant to transfer the Participant's interest in the Securities, on DTC's records, to [Tender/Remarketing] Agent. The requirement for physical delivery of Bonds in connection with an optional tender or a mandatory purchase will be deemed satisfied when the ownership rights in the Bonds are transferred by Direct Participants on DTC's records and followed by a book-entry credit of tendered Bonds to [Tender/Remarketing] Agent's DTC account.]

DTC may discontinue providing its services as depository with respect to the Bonds at any time by giving reasonable notice to the City or Agent. Under such circumstances, in the event that a successor depository is not obtained, certificates for the Bonds are required to be printed and delivered.

The City may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor securities depository). In that event, certificates for the Bonds will be printed and delivered to DTC.

The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that the City believes to be reliable, but the City of Lakeville takes no responsibility for the accuracy thereof.

FULL CONTINUING DISCLOSURE

In order to assist the Underwriter(s) in complying with SEC Rule 15c2-12 (the "Rule"), pursuant to a resolution awarding the Issue, the City has and will covenant for the benefit of holders of the Bonds to annually provide certain financial and operating data, relating to the City to the Municipal Securities Rulemaking Board ("MSRB") in an electronic format prescribed by the MSRB, and to provide notices of the occurrence of certain events enumerated in the Rule to the MSRB (the "Undertaking"). The specific nature of the Undertaking, as well as the information to be contained in the annual report or the notices of material events is set forth in in substantially the same form attached hereto as Appendix B.

To the best of its knowledge, the City has never failed to comply in all material respects with any previous undertakings under the Rule to provide annual reports or notices of material events within the past five years. For the fiscal year ended December 31, 2022, the operating data due by December 31, 2023 was filed for the City's issues on September 15, 2023, but was inadvertently not linked to the City's 2018B bond issue. While the City's operating data was publicly available by the required deadline, it is now also linked to the City's 2018B issue. A failure by the City to comply with the Certificate will not constitute an event of default on the Bonds (although holders will have an enforceable right to specific performance). Nevertheless, such a failure must be reported in accordance with the Rule and must be considered by any broker, dealer or municipal securities dealer before recommending the purchase or sale of the Bonds in the secondary market. Consequently, such a failure may adversely affect the transferability and liquidity of the Bonds and their market price. Please see *Appendix B – Continuing Disclosure Undertaking* herein for additional information.

The City has implemented disclosure policies and procedures to be followed by the City in relation to the financial disclosures and reportable events for which the City must provide notice to the MSRB's Electronic Municipal Market Access system. The City has retained a Dissemination Agent for its continuing disclosure filings.

UNDERWRITER

The Bonds are being purchased by _____ (the "Underwriter") at a purchase price of \$ _____, which is the par amount of the Bonds of \$ _____ less the Underwriter's discount of \$ _____, plus the original issue premium of \$ _____.

MUNICIPAL ADVISOR

The City has retained Northland Securities, Inc. as municipal advisor (the "Municipal Advisor") in connection with the issuance of the Bonds. Northland Securities, Inc. is registered as a municipal advisor with both the Securities and Exchange Commission (SEC) and the Municipal Securities Rulemaking Board (MSRB). In preparing the Official Statement, the Municipal Advisor has relied upon governmental officials, and other sources that have access

to relevant data to provide accurate information for the Official Statement, and the Municipal Advisor has not been engaged, nor has it undertaken, to independently verify the accuracy of such information. The Municipal Advisor is not a public accounting firm and has not been engaged by the City to compile, review, examine or audit any information in the Official Statement in accordance with accounting standards.

Northland Securities, Inc., is a subsidiary of Northland Capital Holdings, Inc. First National of Nebraska, Inc., is the parent company of Northland Capital Holdings, Inc. and First National Bank of Omaha.

FUTURE FINANCING

The City does not anticipate the need to issue any additional general obligation debt within the next three months.

BOND RATING

The City received an underlying rating of “Aaa” from Moody’s Ratings (“Moody’s”). No application was made to any other rating agency for the purpose of obtaining an additional rating on the Bonds. This rating reflects only the opinion of Moody’s and any explanation of the significance of this rating may be obtained only from Moody’s. There is no assurance that a rating will continue for any given period of time, or that such rating will not be revised or withdrawn, if in the judgment of Moody’s, circumstances so warrant. A revision or withdrawal of the rating may have an adverse effect on the market price of the Bonds. This rating is not a recommendation to buy, sell or hold the Bonds, and such rating may be subject to revision or withdrawal at any time by the rating agency.

LITIGATION

As of the date of this Official Statement, the City is not aware of any threatened or pending litigation that questions the organization or boundaries of the City or the right of any of its officers to their respective offices or in any manner questioning their rights and power to execute and deliver the Bonds or otherwise questioning the validity of the Bonds.

CERTIFICATION

The City will furnish a statement to the effect that this Official Statement to the best of its knowledge and belief, as of the date of sale and the date of delivery, is true and correct in all material respects, and does not contain any untrue statements of a material fact or omit to state a material fact necessary in order to make the statements made therein, in light of the circumstances under which they were made, not misleading.

The City has always promptly met all payments of principal and interest on its indebtedness when due.

LEGALITY

Legal matters incident to the authorization and issuance of the Bonds are subject to the approving opinion of Dorsey & Whitney LLP, Minneapolis, Minnesota (“Bond Counsel”) as to validity and tax exemption. A copy of such opinion will be available at the time of the delivery of the Bonds. See *Appendix A – Form of Legal Opinion*.

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

TAX CONSIDERATIONS

The following is a summary of certain U.S. federal and Minnesota income tax considerations relating to the purchase, ownership, and disposition of the Bonds. This summary is based on the U.S. Internal Revenue Code of 1986 (the “Code”) and the Treasury Regulations promulgated thereunder, judicial decisions, and published rulings and administrative pronouncements of the Internal Revenue Service (the “IRS”), all as of the date hereof and all of which are subject to change, possibly with retroactive effect. Any such change could adversely affect the matters

discussed below, including the tax exemption of interest on the Bonds. The City has not sought and will not seek any rulings from the IRS regarding the matters discussed below, and there can be no assurance the IRS or a court will not take a contrary position regarding these matters.

Prospective purchasers of Bonds should consult their own tax advisors with respect to applicable federal, state, and local tax rules, and any pending or proposed legislation or regulatory or administrative actions, relating to the Bonds based on their own particular circumstances.

This summary is for general information only and is not intended to constitute a complete analysis of all tax considerations relating to the purchase, ownership, and disposition of Bonds. It does not address the application of the alternative minimum tax imposed on noncorporate taxpayers and applicable corporations (as defined in Section 59(k) of the Code) or the additional tax on net investment income, nor does it address the U.S. federal estate and gift tax or any state, local, or non-U.S. tax consequences except with respect to Minnesota income tax to the extent expressly specified herein. This summary is limited to consequences to U.S. holders that purchase the Bonds for cash at original issue and hold the Bonds as “capital assets” (generally, property held for investment).

This discussion does not address all aspects of U.S. federal income or state taxation that may be relevant to particular holders of Bonds in light of their specific circumstances or the tax considerations applicable to holders that may be subject to special income tax rules, such as: holders subject to special tax accounting rules under Section 451(b) of the Code; insurance companies; brokers, dealers, or traders in stocks, securities, or currencies or notional principal contracts; foreign corporations subject to the branch profits tax; holders receiving payments in respect of the Bonds through foreign entities; and S corporations, partnerships, or other pass-through entities or investors therein.

For purposes of this discussion, the “issue price” of a maturity of Bonds is the first price at which a substantial amount of Bonds of that maturity is sold for cash to persons other than bond houses, brokers, or similar persons or organizations acting in the capacity of underwriters, placement agents, or wholesalers.

The Bonds

Tax-Exempt Interest

In the opinion of Dorsey & Whitney LLP, Bond Counsel, based on existing law and assuming the accuracy of certain representations and compliance with certain covenants, interest on the Bonds (i) is excluded from gross income for federal income tax purposes under Section 103 of the Code, (ii) is not an item of tax preference for purposes of the federal alternative minimum tax imposed on noncorporate taxpayers by Section 55 of the Code, (iii) is excluded from taxable net income of individuals, estates, and trusts for Minnesota income tax purposes, and (iv) is not an item of tax preference for Minnesota alternative minimum tax purposes. Interest on the Bonds may, however, be taken into account in determining adjusted financial statement income for purposes of the federal alternative minimum tax imposed on applicable corporations (as defined in Section 59(k) of the Code) and is included in net income for purposes of the Minnesota franchise tax imposed on corporations and financial institutions.

The Code establishes certain requirements that must be met after the issuance of the Bonds in order that interest on the Bonds be excluded from federal gross income and from Minnesota taxable net income of individuals, estates, and trusts. These requirements include, but are not limited to, provisions regarding the use of Bond proceeds and the facilities financed or refinanced with such proceeds and restrictions on the investment of Bond proceeds and other amounts. The City has made certain representations and has covenanted to comply with certain restrictions, conditions, and requirements designed to ensure interest on the Bonds will not be included in federal gross income. Inaccuracy of these representations or noncompliance with these covenants may cause interest on the Bonds to be included in federal gross income or in Minnesota taxable net income retroactively to their date of issue. Bond Counsel has not independently verified the accuracy of these representations and will not verify the continuing compliance with these covenants. No provision has been made for redemption of or for an increase in the interest rate on the Bonds in the event that interest on the Bonds is included in federal gross income or in Minnesota taxable net income.

Original Issue Discount

Bonds may be issued with original issue discount (“OID”). A Bond will be treated as issued with OID (a “Discount Bond”) if its “stated redemption price at maturity” (i.e., the sum of all amounts payable on the Bond other than payments of qualified stated interest) exceeds its issue price. OID that accrues to a holder of a Discount Bond is excluded from federal gross income and from Minnesota taxable net income of individuals, estates, and trusts to the same extent that stated interest on such Discount Bond would be so excluded. The amount of OID that accrues on a Discount Bond is added to the holder’s federal and Minnesota tax bases. OID is taxable under the Minnesota franchise tax on corporations and financial institutions.

OID on a Discount Bond generally accrues pursuant to a constant-yield method that reflects semiannual compounding on dates that are determined by reference to the maturity date of the Discount Bond. The amount of OID that accrues for any particular semiannual accrual period generally is equal to the excess of (1) the product of (a) one-half of the yield on such Discount Bonds (adjusted as necessary for an initial short period) and (b) the adjusted issue price of such Discount Bonds, over (2) the amount of stated interest actually payable. For this purpose, the adjusted issue price is determined by adding to the issue price for such Discount Bonds the OID that is treated as having accrued during all prior accrual periods. If a Discount Bond is sold or otherwise disposed of between compounding dates, then the OID that would have accrued for that accrual period for federal income tax purposes is allocated ratably to the days in that accrual period.

If a Discount Bond is purchased for a cost that exceeds the sum of the issue price plus accrued interest and accrued OID, the amount of OID that is deemed to accrue thereafter to the purchaser is reduced by an amount that reflects amortization of such excess over the remaining term of the Discount Bond. If the excess is greater than the amount of remaining OID, the basis reduction rules for amortizable bond premium may result in taxable gain upon sale or other disposition of the Bonds, even if the Bonds are sold, redeemed, or retired for an amount equal to or less than their cost.

It is possible under certain state and local income tax laws that OID on a Discount Bond may be taxable in the year of accrual and may be deemed to accrue differently than under federal law.

Market Discount

If a Bond is purchased for a cost that is less than the Bond’s issue price (plus accrued OID), the purchaser may be treated as having purchased the Bond with market discount (unless a statutory de minimis rule applies). Market discount is treated as ordinary income and generally is recognized on the maturity or earlier disposition of the Bond (to the extent that the gain realized does not exceed the accrued market discount on the Bond).

Bond Premium

A holder that acquires a Bond for an amount in excess of its stated redemption price at maturity generally must, from time to time, reduce the holder’s federal and Minnesota tax bases for the Bond. Premium generally is amortized for federal income tax purposes and Minnesota income and franchise tax purposes on the basis of a bondholder’s constant yield to maturity or to certain call dates with semiannual compounding. Accordingly, holders who acquire Bonds at a premium might recognize taxable gain upon sale of the Bonds, even if such Bonds are sold for an amount equal to or less than their original cost. Amortized premium is not deductible for federal income tax purposes or for purposes of the Minnesota income tax applicable to individuals, estates, and trusts.

Related Tax Considerations

Section 86 of the Code and corresponding provisions of Minnesota law require recipients of certain social security and railroad retirement benefits to take interest on the Bonds into account in determining the taxability of such benefits.

Section 265(a) of the Code denies a deduction for interest on indebtedness incurred or continued to purchase or carry the Bonds, and Minnesota law similarly denies a deduction for such interest in the case of individuals, estates, and trusts. In the case of a financial institution, generally no deduction is allowed under Section 265(b) of the Code

for that portion of the holder's interest expense that is allocable to interest on tax-exempt obligations, such as the Bonds, unless the obligations are "qualified tax-exempt obligations." Indebtedness may be allocated to the Bonds for this purpose even though not directly traceable to the purchase of the Bonds.

The Bonds are not "qualified tax-exempt obligations" for purposes of Section 265(b)(3) of the Code.

Income or loss on the Bonds may be taken into account in determining adjusted financial statement income for purposes of the federal alternative minimum tax imposed on applicable corporations.

The ownership or disposition of, or the accrual or receipt of amounts treated as interest on, the Bonds may affect a holder's federal, state, or local tax liability in some additional circumstances. The nature and extent of these other tax consequences depends upon the particular tax status of the holder and the holder's other items of income or deduction.

Sale or Other Disposition

A holder will generally recognize gain or loss on the sale, exchange, redemption, retirement, or other disposition of a Bond equal to the difference between (i) the amount realized less amounts attributable to any accrued but unpaid stated interest and (ii) the holder's adjusted tax basis in the Bond. The amount realized includes the cash and the fair market value of any property received by the holder in exchange for the Bond. A holder's adjusted tax basis in a Bond generally will be equal to the amount that the holder paid for the Bond, increased by any accrued OID with respect to the Bond and reduced by the amount of any amortized bond premium on the Bond. Except to the extent attributable to market discount (which will be taxable as ordinary income to the extent not previously included in income), any gain or loss will be capital gain or loss and will be long-term capital gain or loss if the holder held the Bond for more than one year. Long-term capital gains recognized by certain non-corporate persons, including individuals, generally are taxable at a reduced rate. The deductibility of capital losses is subject to significant limitations.

Information Reporting and Backup Withholding

Payments of interest on the Bonds (including any allocable bond premium or accrued OID) and proceeds from the sale or other disposition of the Bonds are expected to be reported to the IRS as required under applicable Treasury Regulations. Backup withholding will apply to these payments if the holder fails to provide an accurate taxpayer identification number and certification that it is not subject to backup withholding (generally on an IRS Form W-9) or otherwise fails to comply with the applicable backup withholding requirements. Backup withholding is not an additional tax. Any amounts withheld under the backup withholding rules may be allowed as a refund or a credit against the holder's U.S. federal income tax liability, provided that the required information is timely furnished to the IRS. Certain holders are exempt from information reporting. Potential holders should consult their own tax advisors regarding qualification for an exemption and the procedures for obtaining such an exemption.

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CITY OF LAKEVILLE, MINNESOTA

GENERAL INFORMATION

Location and Access

The City of Lakeville is located in Dakota County. The City is situated approximately 20 miles south of downtown Minneapolis and downtown St. Paul and is part of the Twin Cities Metropolitan Area. The City is bordered by the cities of Apple Valley on the north, Prior Lake on the west, and Farmington on the east. Access is provided via Interstate Highway 35 as well as numerous County Roads.

Population

2000 Census	41,128	2020 Census	69,490
2010 Census	55,954	2026 City Estimate ¹	77,971

Labor Force Data²

Comparative average labor force and unemployment rate figures for year-end 2025 and year-end 2024 are listed below. Figures are not seasonally adjusted, and numbers of people are estimated by place of residence.

	2025		2024	
	<i><u>Civilian Labor Force</u></i>	<i><u>Unemployment Rate</u></i>	<i><u>Civilian Labor Force</u></i>	<i><u>Unemployment Rate</u></i>
Dakota County	252,125	3.4%	249,947	2.7%
Minneapolis-St. Paul- Bloomington MSA	2,086,848	3.6	2,070,359	2.9
Minnesota	3,159,240	3.8	3,128,802	3.0

Income Data³

Comparative income levels are listed below for the City, the State of Minnesota and the United States.

	City of Lakeville	State of Minnesota	United States
Median Family Income	\$157,750	\$113,993	\$99,999
Per Capita Income	57,291	48,237	44,673

City Government

Lakeville, incorporated in 1967, is a Minnesota Statutory City with an Optional Plan A form of government. It has a mayor elected at large for a four-year term and four council members also elected at large for four-year terms. The City has 257 full-time and 71 part-time employees. In addition, the City has 62 paid on-call volunteer fire fighters and hires over 102 seasonal staff to support parks maintenance and recreation activities. The professional staff is appointed and consists of a City Administrator, Assistant Administrator, Finance Director, Public Works Director, Human Resources Director, Community Development Director, Parks & Recreation Director, Police Chief, and Fire Chief.

¹ Provided by the City.

² Source: Minnesota Department of Employment and Economic Development.

³ Source: 2020-2024 American Community Survey, U.S. Census Bureau.

Municipal Enterprise Services

Municipal enterprise services provided by the City include the water utility system and the sewer utility system.

The City also operates four municipal liquor stores that are centrally located adjacent to major highways.

Other Municipal Services

Other municipal services include the Police Department and the Fire Department. Additional City facilities include an Arts Center, Heritage Center, 67 public parks, 20 conservation areas, swimming beaches, outdoor ice rinks, indoor ice rinks, and trails.

Bargaining Units/Labor Contracts

The labor unions representing certain City employee groups are shown below.

<u>Employee Group</u>	<u>Contract Expiration Date</u>
Law Enforcement Labor Services Inc. Local No. 177	12/31/2027
Law Enforcement Labor Services Inc. Local No. 384	12/31/2026
Law Enforcement Labor Services Inc. Local No. 128	12/31/2026
Minnesota Teamsters Public & Law Enforcement Employees Union Local No. 320	12/31/2027

Employee Pension Programs

All full-time and certain part-time employees of the City are covered by defined benefit plans administered by the Public Employees' Retirement Association (PERA) of Minnesota. PERA administers the General Employee's Retirement Fund (GERF) and the Public Employees Police and Fire Fund (PEPFF), which are cost-sharing, multiple-employer retirement plans. These plans are established and administered in accordance with Minnesota Statutes, Chapters 353 and 356.

GERF members belong to either the Coordinated or Basic Plan. Coordinated Plan members are covered by Social Security and Basic Plan members are not. All new members must participate in the Coordinated Plan. All police officers, firefighters, and peace officers who qualify for membership by statute are covered by the PEPFF.

PERA provides retirement benefits as well as disability benefits to members, and benefits to survivors upon death of eligible members. Benefits are established by state statute, and vest after five years of credited service. The defined retirement benefits are based on member's highest average salary for any five successive years of allowable service, age, and years of credit at termination of service.

PERA issues a publicly available financial report that includes financial statements and required supplementary information for GERF (formerly "PERF") and PEPFF. That report may be obtained at www.mnpera.org, or by writing to PERA at 60 Empire Drive, #200, St. Paul, MN 55103-2088 or by calling 651-296-7460 or 800-652-9026.

The City makes annual contributions to the pension plans equal to the amount required by state statutes. GERF Coordinated Plan members were required to contribute 6.50%, of their annual covered salary in 2024. PEPFF members were required to contribute 11.80% of their annual covered salary in 2024. Effective January 1, 2020, State statute required the City to contribute the following percentages of annual covered payroll: 7.50% for Coordinated Plan GERF members, and 17.70% for PEPFF members.

Volunteer firefighters of the City are eligible for pension benefits through membership in the Lakeville Fire Relief Association (the “Association”) organized under Minnesota Statutes, Chapter 69, Chapter 424A and administered by a separate Board elected by the membership. State aids, investment earnings and City contributions fund the plan. State statute requires this plan to fund current service cost as it accrues and prior service cost amortized over a period of ten years.

A firefighter who completes at least 20 years as an active member of the Lakeville Fire Department is entitled, after age 50, to a full service pension upon retirement.

The bylaws of the Association also provide for an early vested service pension for a retiring member who has completed fewer than 20 years of service. The reduced pension, available to members with seven years of service, shall be equal to 48% of the pension as described by the bylaws. This percentage increases 4% per year so that at 20 years of service, the full amount prescribed is paid. Members who retire with less than 20 years of service and have reached the age of 50 years and have completed at least seven years of active membership are entitled to a reduced service pension not to exceed the amount calculated by multiplying the member’s service pension for the completed years of service times the applicable nonforfeitable percentage of pension.

Other Post-Employment Benefits (“OPEB”)

Effective December 31, 2018, the City implemented GASB Statement No. 74, Financial Reporting for Postemployment Benefit Plans Other than Pension Plans and GASB Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other than Pensions.

The City provides a single employer defined benefit healthcare plan to eligible retirees and their spouses. The plan offers medical coverage. All postemployment benefits are based on contractual agreements with employee groups. These contractual agreements do not include any specific contribution or funding requirements. As of December 31, 2024, the City had 5 inactive plan members and 229 active plan members receiving benefits for the City’s health plan.

Changes in the City’s net OPEB liability for the fiscal year ending December 31, 2024 are as follows:

	<u>December 31, 2024</u>
Balances at 12/31/23	\$ 1,074,960
Total OPEB Liability	
Service Cost	\$ 94,527
Interest	49,527
Benefit Payments	(47,802)
Changes in Assumptions	<u>28,776</u>
Net Change in OPEB Liability	<u>\$ 124,887</u>
End of Year	<u>\$ 1,199,847</u>

Additional information regarding the City’s OPEB obligations is provided in the City’s Annual Financial Report, excerpts of which are provided in Appendix C of this Official Statement, with particular reference to Note 14.

Estimated Cash/Investment Balances as of January 31, 2026 (unaudited)

General Fund	\$20,783,699
Special Revenue Funds	1,616,441
Debt Service Funds	9,719,608
Capital Projects Funds	79,587,838
Enterprise Funds	32,198,511
Internal Service	1,174,225
Escrow	<u>6,270,257</u>
Total Estimated Cash/Investment Balances	<u>\$151,350,579</u>

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General Fund Budget Summary

	2025 Budget	2025 Preliminary Actual (estimated)†	2026 Budget
Revenues:			
Property Taxes	\$33,300,000	\$33,190,330	\$34,485,685
Licenses and Permits	3,259,689	3,662,813	3,693,025
Intergovernmental Revenue	3,478,938	3,561,149	4,255,182
Charges for Services	3,139,012	4,178,985	3,566,142
Fines and Forfeits	240,000	184,414	220,000
Investment Income	500,000	1,020,000	920,000
Miscellaneous	88,878	174,332	229,400
Total Revenues	\$44,006,517	\$45,972,023	\$47,369,434
Expenditures:			
General Government	\$7,760,447	\$7,187,538	\$8,657,742
Public Safety	22,801,251	22,366,075	24,080,277
Public Works	6,618,383	6,057,488	7,128,093
Parks and Recreation	5,917,704	5,982,184	6,310,189
Other	250,000	250,000	250,000
Capital Outlay	145,639	368,432	101,461
Total Expenditures	\$43,493,424	\$42,211,717	\$46,527,762
Other Financing Sources (Uses)			
Transfer from Other Funds	170,000	54,500	130,000
Transfer to Other Funds	0	(1,850,000)	(71,000)
Total Other Financing Sources (Uses)	\$170,000	\$(1,795,500)	\$59,000
Net Change in Fund Balance	683,093	1,964,806	900,672
Beginning Fund Balance (January 1)	\$21,747,353	\$23,186,599	\$25,151,405
Committed Use of Fund Balance	0	(775,000)	(1,200,000)
Ending Fund Balance (December 31)	\$22,430,446	\$24,376,405	\$23,951,405

Residential Development

The City is reliant upon regional sanitary sewer and the allocation of Metropolitan Urban Service Area (MUSA) from the Metropolitan Council for future urban growth. To accommodate the City's forecasted 2040 growth, the City has allocated its MUSA in three stages: MUSA Expansion Areas A (Before 2028); B (2029 through 2038); and the Urban Reserve (Not Before 2038). The City's updated 2040 Comprehensive Plan has been approved by the Metropolitan Council. A corridor mixed use (CMU) zone was added to the updated comprehensive plan, which will allow for mixed commercial and residential uses near identified transit areas. The City will begin the 2050 Comprehensive Plan update process in 2026. The 2050 plan will play a critical role in guiding Lakeville's next phase of growth and reinvestment while maintaining community character and fiscal sustainability.

† Unaudited.

The City of Lakeville experienced a busy year of development activity in 2025, issuing building permits with a total valuation of \$381,162,334 – a 47.9% increase over 2024. The City issued 551 residential permits this year and 229 of those were single-family homes. The average building permit value on a single-family home in 2025 was \$349,610. Lakeville ranked first in the Minneapolis-St. Paul metropolitan area for residential permits, followed by Rosemount, St. Michael and Shakopee. Lakeville ranked #1 in the metro from 2013-2022 and 2025, and #2 from 2023-2024.

As of April 1, 2024, the Metropolitan Council estimates the City’s population to be 76,746, made up of 27,875 households. The City’s 2040 Comprehensive Plan projects the City’s population to be 83,500, made up of 30,000 households, by the year 2040. This equates to the City being approximately 92% developed in terms of residential land use. Lakeville’s median home value is \$467,150.

In 2025, the City issued 118 detached and 201 attached townhome permits and 3 multi-family (73 units) permits. Kenyon Green (49-unit workforce apartment & 15 rental townhomes) received final plat approval in 2025 and started apartment construction. Wildwood Lakeville (9 single-family lots and 167 townhome units in nine buildings) was issued several building permits in 2025 to begin construction on the clubhouse and two townhome buildings (24 total units).

Commercial/Industrial Development

Building construction and commercial/industrial development initiated and/or completed within the past three years and a portion of this year has been as follows:

New Building Permits in excess of \$500,000

<u>Business</u>	<u>Product/Service</u>	<u>Valuation</u>	<u>Date</u>
Lakeville Flex Space	Storage Facility	\$1,120,000	1/12/2026
Wildwood Townhomes/Clubhouse	Rental Apartments	8,787,261	1/5/2026
Chase Bank	Bank	3,580,000	12/15/2025
Kenyon Green Apartments	Rental Apartments	9,626,975	12/4/2025
Lakeville Family Pet Clinic	Vet Clinic	4,600,000	11/19/2025
Grow Pediatrics Clinic	Healthcare	1,729,313	11/7/2025
NPL	Office Warehouse	2,235,093	10/23/2025
Dakota Electric	Office Warehouse	47,812,008	9/22/2025
Wild Things	Indoor Playground	700,000	8/15/2025
FiRST Center	First Responder Training Facility	22,000,000	4/29/2025
Pickle In The Middle	Indoor Sports Facility	11,872,037	4/11/2025
Kenwood Commons	Office building	1,300,000	10/8/2024
Midwest ENT Specialists	Medical office	3,000,000	8/1/2024
RL Cold	Cold storage facility	32,000,000	5/15/2024
Taco Bell	Drive-thru Restaurant	1,000,000	3/22/2024
Cedar Hills Amenity Building	Association Assembly Space	596,000	9/14/2023
PetSuites of America	Pet Boarding Facility	2,800,000	9/6/2023
Sweet Harvest Foods	Office Warehouse (TI)	1,192,000	8/31/2023
Goodwill	Retail Building	3,000,000	6/9/2023
Sweet Harvest Foods	Office Warehouse (Shell)	15,000,000	5/23/2023
Panda Express	Drive-thru Restaurant	1,957,000	3/31/2023
New Creations Child Care Center	Childcare Facility	3,900,000	2/6/2023

Expansion or Remodel Building Permits in excess of \$500,000

<u>Business</u>	<u>Product/Service</u>	<u>Valuation</u>	<u>Date</u>
Metropolitan Pediatrics	Healthcare	\$1,183,000	10/31/2025
Advanced Exhaust Solutions LLC	Office Manufacturing Warehouse	3,800,000	9/10/2025
Realty Cold Storage	Office Warehouse	1,400,000	8/4/2025
Lifetime Fitness	Fitness Facility	1,900,000	8/1/2025

Mercy Roads Church	Church	843,000	6/4/2025
Air Lake Maintenance Building	Airport Maintenance Building	590,200	3/24/2025
Children’s Dental Care	Dentist office	1,750,000	12/19/2024
Midwest ENT Specialists	Medical office	2,200,000	12/16/2024
Dick’s Sanitation	Refuse and Recycling	839,000	9/26/2024
Northland Collision	Auto repair shop	800,000	7/2/2024
Post Consumer Brands	Office space	885,000	7/2/2024
Post Consumer Brands	R&D facility	4,480,000	5/22/2024
Post Consumer Brands	Office Factory	3,000,000	2/1/2024
Goldfish Swim School	Swim School	960,000	1/9/2024
POST Consumer Brands	Office Space	1,200,000	1/5/2024
Christian Heritage Academy	Private School	1,200,000	12/1/2023
Dick’s Sanitation	Office Space	600,000	11/30/2023
Planet Fitness	Exercise Gym	822,000	9/15/2023
Exuberance Chiropractic	Chiropractic Clinic	500,000	8/24/2023
Action Behavior Centers	Autism Therapy	700,000	8/10/2023
Allina Specialty Clinic	Medical Clinic	10,500,000	4/27/2023
MNGI Digestive Health	Medical Clinic	3,850,000	3/6/2023
Allina Primary Care	Medical Clinic	2,500,000	2/24/2023
Goddard School	Preschool and Daycare	1,300,000	1/18/2023

In 2025, Lakeville saw \$111.3 million in private investment and commercial diversification and industrial park development - strengthening the City’s economic base, service capacity, and long-term growth trajectory. This compares to \$75 million in 2024, \$98 million in 2023, \$104 million in 2022, and \$95 million in 2021. The largest single permitted project was the Dakota Electric Association Energy Center, valued at \$47.8 million, representing a significant infrastructure and employment anchor for the community.

Industrial development activity remained strong in 2025, highlighted by multiple large-scale projects and business expansions within Lakeville’s industrial parks. The Lakeville 35 Logistics Center delivered a new 189,678-square-foot warehouse facility, breaking ground in May and opening in December, with Pickle in the Middle secured as its first tenant. The Dakota Electric Association advanced construction of its 176,685-square-foot office and warehouse headquarters facility with outdoor storage, marking a significant long-term corporate investment. Additional industrial growth included an 11,500-square-foot expansion by NPL Construction, development of 98 flex garage condominium units through Midwest FlexSpace to support small businesses and storage demand, and approval of a new recycling and composting facility for Dakota Waste Solutions, expanding the city’s environmental and industrial services capacity. Collectively, these projects reinforce Lakeville’s position as a growing logistics, headquarters, and light industrial hub.

The City of Lakeville broke ground in March 2025 on the City’s FiRST Center, a regional first responders training facility, and construction is currently underway. The approximately 40,000-square-foot facility is located at 7777 214th Street West on the former City Public Works site. The FiRST Center will serve public safety personnel from the south metro area and neighboring cities and counties. The City secured \$8.9 million in federal and state funding to support construction of the \$26 million project. The facility is expected to open in June 2026.

Lakeville experienced substantial growth in healthcare services, including new clinics, specialty medical providers, dental expansions, and veterinary facilities. Notable additions and expansions included: 1) Midwest Ear, Nose & Throat Specialists; 2) Midwest Facial Plastic Surgery; 3) Tareen Dermatology; 4) Grow Pediatrics; 5) Lakeville Family Pet Clinic; and 6) Children’s Dental Care. The expansion of medical and wellness services increases professional employment, strengthens daytime population activity, and enhances Lakeville’s role as a regional service hub.

Several large indoor recreation and wellness facilities opened or expanded in 2025, including: 1) Pickle in the Middle (15 indoor courts, 24/7 access); 2) Lake Point Gymnastics; 3) Wild Things Indoor Playground; and 4) Charged Rehab + Fitness. These facilities enhance quality of life, attract regional visitors, and support Lakeville’s family-oriented community profile.

Lakeville continued to see reinvestment along key commercial corridors through new restaurants, retail openings, and financial institution projects. Highlights include: 1) Sala Thai Kitchen; 2) Tropical Smoothie Café; 3) Frandsen Bank & Trust (remodel); and 4) Chase Bank (new construction). Ongoing reinvestment reflects corridor vitality, adaptive reuse of commercial spaces, and continued consumer demand.

Lakeville began formal integration into Minnesota’s regulated cannabis market with the opening of Green Box Cannabis and Legit Cannabis. Positioning within this emerging industry expands the City’s retail tax base and diversifies commercial occupancy.

Building Permits

Building permits issued for the past five years has been as follows:

<u>Year</u>	<u>New Commercial/Industrial Number of Permits</u>	<u>Addition/Remodel Commercial/Industrial Number of Permits</u>	<u>New Single-Family Number of Permits</u>	<u>Total Number of Permits</u>	<u>Total Permit Valuation</u>
2025	17	67	229	7,923	\$381,162,334
2024	6	44	285	7,992	257,783,859
2023	10	46	309	10,550	257,120,894
2022	11	53	325	10,347	321,060,165
2021	17	55	527	10,313	371,760,897

Banking/Financial Institutions

Banking and financial services providers within the City include BMO Harris Bank National Association, Citizens Bank Minnesota, Frandsen Bank & Trust, Great Southern Bank, Lakeview Bank, Merchants Bank, National Association, New Market Bank, Old National Bank, Sterling State Bank, Huntington Bank, U.S. Bank National Association, Wells Fargo Bank, National Association, and Wings Financial Credit Union.

Education

Lakeville is served by Independent School District No. 192, Farmington, Independent School District No. 194, Lakeville, and Independent School District No. 196, Rosemount-Apple Valley-Eagan. Non-Public education is provided by All Saints Catholic School, Christian Heritage Academy, Southview Christian and Glory Academy.

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Major Employers¹

Following are some of the major employers within the City:

<u>Employer Name</u>	<u>Product/Service</u>	<u>Number of Employees²</u>
Lakeville Public School District #194	Education	1,334
Hy-Vee	Grocery	800
Hearthside Food Solutions	Food Packaging	707
TreeHouse Private Brands	Food Manufacturing	500
City of Lakeville	Government	492
Amazon XL Fulfillment Center	Warehouse & Distribution	450
Post Consumer Brands	Cereal Manufacturer Headquarters	415
BTD Manufacturing	Metal Fabrication	390
Buddy's Kitchen	Food Manufacturing and Packaging	300
Menasha Corp.	Corrugated Packaging Materials	286
Schmitt & Sons	School and Tour Bus	270
ImageTrend	Software Development	260

Largest Taxpayers³

Following are ten of the largest taxpayers within the City:

<u>Name</u>	<u>Service</u>	<u>2025/2026 Tax Capacity</u>	<u>Percent of Total Tax Capacity (\$156,642,951)⁴</u>
SP Lakeville Development LLC	Industrial	\$ 1,258,890	0.80%
IRET Southfork Apartments LLC	Apartment	686,316	0.44
Continental 476 Fund LLC	Apartment	646,411	0.41
Stag Industrial Holdings LLC	Industrial	623,898	0.40
Livery Modern Owner LLC	Apartment	621,246	0.40
Fulford Group LLC	Industrial	620,750	0.40
First Industrial LP	Industrial	571,250	0.36
CenterPoint-Minnegasco	Utility	560,872	0.36
Lakeville Mob Partners LLC	Commercial	533,218	0.34
Continental 564 Fund LLC	Apartment	525,673	0.34
NLL LLC	Apartment	<u>525,184</u>	<u>0.34</u>
		<u>\$ 7,173,708</u>	<u>4.58%</u>

¹ Source: The City and Data Axle Reference Solutions.

² Includes full-time, part-time and seasonal employees.

³ Provided by Dakota County.

⁴ Before tax increment and fiscal disparity adjustments.

MINNESOTA VALUATIONS; PROPERTY TAX CLASSIFICATIONS

Market Value

State Law defines the “market value” of real property as the usual selling price at the place where the property to which the term is applied shall be at the time of assessment; being the price which could be obtained at a private sale or an auction sale, if it is determined by the assessor that the price from the auction sale represents an arm's-length transaction. The assessor uses sales and market value income trends to estimate the value of property in an open market transaction. This value is also called “estimated market value”. This value is set on January 2 of each year. Property taxes levied each year are based on the value of property on January 2 of the preceding year. According to Minnesota Statutes, Chapter 273, all real property subject to taxation is to be appraised at maximum intervals of five years.

Taxable Market Value

The “taxable market value” is the amount used for calculating property taxes. The taxable market value may differ from the estimated market value due to the application of special programs that exclude value from taxation. These programs currently include, but are not limited to, Homestead Market Value Exclusion and Green Acres.

Market Value Exclusion

In 2011, the State Legislature eliminated the Homestead Market Value Credit. The Credit was an amount paid by the State to local taxing jurisdictions to reduce taxes paid by homesteaded property. The Credit has been replaced by a Homestead Market Value Exclusion. The Exclusion reduces the taxable market value (beginning with taxes payable 2012) of a jurisdiction by excluding a portion of the value of homesteaded property from taxation. For a homestead valued at \$95,000 or less, the exclusion is 40 percent of market value, yielding a maximum exclusion of \$38,000 at \$95,000 of market value. For a homestead valued between \$95,000 and \$517,200, the exclusion is \$38,000 minus nine percent of the valuation over \$95,000. For a homestead valued at \$517,200 or more, there is no valuation exclusion.

Sales Ratio

The Minnesota Department of Revenue conducts the Assessment Sales Ratio Study to compare real estate sales prices to local assessor valuations. The State uses the study results to ensure consistency in property assessments across the state. There are three different sales ratio studies that cover three distinct time periods. The 12-month study includes sales that occur from October 1st of a given year to September 30th of the following year and are compared to market values used for property taxation. The median ratio from the 12-month study is the sales ratio used to calculate indicated and economic market values.

Economic and Indicated Market Value

“Economic market value” and “indicated market value” reflect adjustments made to account for the effects of the sales ratio. The economic market value is determined by dividing the estimated market value of the jurisdiction by the sales ratio. Economic market value provides an estimation of the full value of property if it were valued at 100% of its value in the marketplace (prior to the application of legislatively mandated exclusions). The indicated market value is determined by dividing the taxable market value of the jurisdiction by the sales ratio. This value represents an estimation of the “full value” of property for taxation, after the deduction of legislative exclusions.

Net Tax Capacity

Property taxes are calculated on the basis of the “net tax capacity value”. Net tax capacity is calculated by multiplying the taxable market value of a parcel by the statutory class rate for the use classification of the property. These class rates are subject to revisions by the State Legislature. The table following this section contains current and historical class rates for primary property classifications.

Tax Cycle

Minnesota local government ad valorem property taxes are extended and collected by the various counties within the state. The process begins in the fall of every year with the certification, to the county auditor, of all local taxing districts' property tax levies. Local tax rates are calculated by dividing each taxing district's levy by its net tax capacity. One percentage point of local tax rate represents one dollar of tax per \$100 net tax capacity. A list of taxes due is then prepared by the county auditor and turned over to the county treasurer on or before the first Monday in January.

The county treasurer is responsible for collecting all property taxes within the county. Real estate and personal property tax statements (excluding manufactured homes) are to be mailed out no later than March 31, and manufactured home property tax statements no later than July 15. The due dates for payment of real and personal property taxes (excluding manufactured homes) are one-half on or before May 15 (May 31 for resorts) and one-half on or before October 15 (November 15 for farm property). Personal property taxes for manufactured homes become due one-half on or before August 31 and one-half on or before November 15. Delinquent property taxes are penalized at various rates depending on the type of property and the length of delinquency.

Tax Levies for General Obligation Bonds (Minnesota Statutes, Section 475.61)

State Law requires the governing body of any municipality issuing general obligations, prior to delivery of the obligations, to levy by resolution a direct general ad valorem tax upon all taxable property in the municipality to be spread upon the tax rolls for each year of the term of the obligations. The tax levies for all years shall be specified and such that if collected in full will, together with estimated collections of special assessments and other revenues pledged for the payment of said obligations, produce at least five percent in excess of the amount needed to meet the principal and interest payments on the obligations when due.

Such resolution shall irrevocably appropriate the taxes so levied and any special assessments or other revenues so pledged to the municipality's debt service fund or a special debt service fund or account created for the payment of one or more issues of obligations.

The governing body may, at its discretion, at any time after the obligations have been authorized, adopt a resolution levying only a portion of such taxes, to be filed, assessed, extended, collected and remitted, and the amount therein levied shall be credited against the tax required to be levied prior to delivery of the obligations.

The recording officer of the municipality shall file in the office of the county auditor of each county in which any part of the municipality is located a certified copy of the resolution, together with full information regarding the obligations for which the tax is levied. No further action by the municipality is required to authorize the extension, assessment and collection of the tax, but the municipality's liability on the obligations is not limited thereto and its governing body shall levy and cause to be extended, assessed and collected any additional taxes found necessary for full payment of the principal and interest. The auditor shall annually assess and extend upon the tax rolls the amount specified for such year in the resolution, unless the amount has been reduced as authorized below or, if the municipality is located in more than one county, the portion thereof that bears the same ratio to the whole amount as the tax capacity value of taxable property in that part of the municipality located in the county bears to the tax capacity value of all taxable property in the municipality.

Tax levies so made and filed shall be irrevocable, except that if the governing body in any year makes an irrevocable appropriation to the debt service fund of moneys actually on hand or if there is on hand any excess amount in the debt service fund, the recording officer may certify to the county auditor the fact and amount thereof and the auditor shall reduce by the amount so certified the amount otherwise to be included in the rolls next thereafter prepared.

All such taxes shall be collected and remitted to the municipality by the county treasurer as other taxes are collected and remitted, and shall be used only for payment of the obligations on account of that levied or to repay advances from other funds used for such payments, except that any surplus remaining in the debt service fund when the obligations and interest thereon are paid may be appropriated to any other general purpose by the municipality.

Levy Limits

The State Legislature periodically enacts limitations on the ability of cities and counties to levy property taxes. Levy limits were reenacted in 2013 and applied to all counties with a population over 5,000 and all cities with a population over 2,500 for taxes payable in 2014 only. Levies “to pay the costs of the principal and interest on bonded indebtedness” and “to provide for the bonded indebtedness portion of payments made to another political subdivision of the State of Minnesota” are designated special levies and can be levied in addition to the amount allowed by levy limitations.

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The following is a partial summary of these factors:

Property Tax Classifications

<u>Class</u>	<u>Type of Property</u>	<u>Class Rate Schedule</u>		
		<u>2023/ 2024</u>	<u>2024/ 2025</u>	<u>2025/ 2026</u>
1a	<u>Residential Homestead</u> : First \$500,000	1.00%	1.00%	1.00%
	Over \$500,000	1.25	1.25	1.25
1c	<u>Commercial seasonal-residential recreational-</u> under 250 days and includes homestead			
	First \$600,000	.50	.50	.50
	\$600,001-2,300,000	1.00	1.00	1.00
	Over \$2,300,000 [†]	1.25	1.25	1.25
2a	<u>Agricultural Homestead – House, Garage, One Acre:</u>			
	First \$500,000	1.00	1.00	1.00
	Over \$500,000	1.25	1.25	1.25
	Remainder of Farm* –			
	First \$2,150,000	0.50		
	Over \$2,150,000	1.00		
	First \$3,500,000		.50	
	Over \$3,500,000		1.00	
	First \$3,800,000			.50
	Over \$3,800,000			1.00
2b	<u>Non-Homestead Rural Vacant Land</u> ¹	1.00	1.00	1.00
3a	<u>Commercial/Industrial and Public Utility</u>			
	First \$150,000 [†]	1.50	1.50	1.50
	Over \$150,000 [†]	2.00	2.00	2.00
4a	<u>Apartment</u> (4+ units, incl. private for-profit hospitals)	1.25	1.25	1.25
4bb(1)	<u>Residential Non-Homestead</u> (Single Unit)			
	First \$500,000	1.00	1.00	1.00
	Over \$500,000	1.25	1.25	1.25
4c(1)	<u>Seasonal Residential Recreational/Commercial</u> [†]			
	(Resort): First \$500,000	1.00	1.00	1.00
	Over \$500,000	1.25	1.25	1.25
4c(12)	<u>Seasonal Residential Recreational</u> [†]			
	Non-Commercial (Cabin): First \$500,000*	1.00	1.00	1.00
	Over \$500,000*	1.25	1.25	1.25
4d	<u>Qualifying Low-Income Rental Housing</u>			
	First \$100,000	.75	.25	.25
	Over \$100,000	.25	.25	.25

[†] Subject to the state general property tax.

* Exempt from referendum market value-based taxes.

¹ Homestead remainder & non-homestead; includes minor ancillary structures.

CITY OF LAKEVILLE, MINNESOTA

ECONOMIC AND FINANCIAL INFORMATION¹

Valuations

	<i>Estimated Market Value 2025/2026</i>	<i>Net Tax Capacity 2025/2026</i>
Real Property	\$ 13,858,673,600	\$ 155,391,990
Personal Property	66,356,400	1,250,961
Less Tax Increment Deduction	---	(279,722)
Fiscal Disparities ²	---	
(Contribution to Pool)	---	(11,643,348)
Distribution from Pool	<u>---</u>	<u>13,067,800</u>
Total Adjusted Valuation	<u>\$ 13,925,030,000</u>	<u>\$ 157,787,681</u>

Valuation Trends (Real and Personal Property)

<i>Levy Year/ Collection Year</i>	<i>Economic Market Value</i>	<i>Sales Ratio</i>	<i>Estimated Market Value</i>	<i>Taxable Market Value</i>	<i>Tax Capacity Before Adjustments</i>	<i>Tax Capacity After Adjustments</i>
2025/2026	N/A	N/A	\$13,925,030,000	\$13,625,794,651	\$156,642,951	\$157,787,681
2024/2025	\$14,159,823,587	93.47%	13,224,676,500	12,932,974,002	148,106,050	150,247,240
2023/2024	13,515,792,788	94.35	12,745,482,600	12,546,610,519	142,366,672	144,506,966
2022/2023	12,698,976,054	92.84	11,784,834,300	11,592,195,438	130,077,811	132,818,805
2021/2022	10,848,514,420	89.90	9,735,686,400	9,503,255,659	106,343,200	107,883,953

Breakdown of Valuations

2024/2025 Tax Capacity, Real and Personal Property (before tax increment and fiscal disparities adjustments):

Residential Homestead	\$116,727,447	74.52%
Commercial	14,467,742	9.24
Industrial	16,038,361	10.24
Public Utility	220,660	0.14
Agricultural	393,575	0.25
Rural Vacant	59,249	0.04
Apartments	7,433,012	4.75
Railroads	51,944	0.03
Personal Property	<u>1,250,961</u>	<u>0.80</u>
Total	<u>\$ 156,642,951</u>	<u>100.00%</u>

¹ Property valuations, tax rates, and tax levies and collections are provided by Dakota County. Economic market value and sales ratio are provided by the Minnesota Department of Revenue and the 2025/2026 values are not yet available.

² Fiscal Disparities Law. The 1971 Legislature enacted a “fiscal disparities law” which allows all the Twin City Metropolitan Area Municipalities to share in commercial/industrial growth, regardless of where the growth occurred geographically. Forty percent (40%) of every metropolitan municipality’s growth in commercial/industrial assessed valuation is pooled then redistributed to all municipalities on the basis of population and per capita valuation *after* the tax increment and fiscal disparity adjustments.

Tax Capacity Rates

Tax capacity rates for a City resident within Dakota County for the past five-assessable/collection years have been as follows:

<u>Levy Year/ Collection Year</u>	<u>2021/22 Tax Capacity Rates</u>	<u>2022/23 Tax Capacity Rates</u>	<u>2023/24 Tax Capacity Rates</u>	<u>2024/25 Tax Capacity Rates</u>	<u>2025/26 Tax Capacity Rates</u>
Dakota County	21.630%	18.816%	18.323%	19.948%	21.031%
City of Lakeville	32.846	29.676	30.213	32.731	32.967
ISD No. 194, Lakeville	33.983	29.473	29.650	29.927	27.593
Metropolitan Council	0.372	0.564	0.620	0.549	0.594
Mosquito Control	0.969	0.325	0.315	0.320	0.332
Community Development Agency	1.391	1.176	1.309	1.360	1.331
Metropolitan Transit District	0.969	0.849	0.750	0.824	0.793
Vermillion River Watershed	<u>0.348</u>	<u>0.287</u>	<u>0.270</u>	<u>0.271</u>	<u>0.270</u>
Totals:	<u>92.508%</u>	<u>81.166%</u>	<u>81.450%</u>	<u>85.930%</u>	<u>84.911%</u>
<u>Market Value Rates:</u>	<u>2021/2022</u>	<u>2022/2023</u>	<u>2023/2024</u>	<u>2024/2025</u>	<u>2025/2026</u>
ISD No. 194 (Lakeville)	0.25582%	0.26581%	0.27666%	0.24436%	0.24401%

Tax Levies and Collections¹

<u>Levy/Collect</u>	<u>Net Levy</u>	<u>Collected During Collection Year</u>		<u>Collected and/or Abated as of 2/28/26</u>	
		<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
2025/2026	\$47,709,434		In Process of Collection		
2024/2025	44,897,811	\$44,673,305	99.50%	\$44,673,305	99.50%
2023/2024	40,018,287	39,874,797	99.64	39,987,085	99.92
2022/2023	36,037,655	35,869,047	99.53	36,022,404	99.96
2021/2022	32,135,263	31,986,983	99.54	32,131,256	99.99

¹ 2025/2026 property taxes are currently in the process of collection/reporting and updated figures are not yet available from Dakota County.

SUMMARY OF DEBT AND DEBT STATISTICS

Statutory Debt Limit¹

Minnesota Statutes, Section 475.53 states that a city or county may not incur or be subject to a net debt in excess of three percent (3%) of its estimated market value. Net debt is, with limited exceptions, debt paid solely from ad valorem taxes.

Computation of Legal Debt Margin as of April 2, 2026:

2025/2026 Estimated Market Value	\$ 13,925,030,000
Multiplied by 3%	<u> x .03</u>
Statutory Debt Limit	<u>\$ 417,750,900</u>
Less outstanding debt applicable to debt limit:	
\$12,660,000 G.O. Refunding Bonds, Series 2014B	\$ 5,180,000
\$10,165,000 G.O. Bonds, Series 2017A	375,000
\$3,115,000 G.O. Bonds, Series 2018B	1,195,000
\$6,915,000 G.O. Bonds, Series 2021C	3,695,000
\$13,240,000 G.O. Refunding Bonds, Series 2022A	4,195,000
\$9,570,000 Taxable G.O. Bonds, Series 2022B	4,255,000
\$24,945,000 G.O. Bonds, Series 2022C	12,780,000
\$9,220,000 G.O. Bonds, Series 2023A	8,145,000
\$21,530,000 G.O. Bonds, Series 2024A	20,545,000
\$22,250,000 G.O. Bonds, Series 2025A	22,250,000
\$38,365,000 G.O. Bonds, Series 2026A (portion of this Issue)	<u>33,065,000</u>
Total Debt applicable to debt limit:	\$ 115,680,000
Legal debt margin	<u>\$ 302,070,900</u>

¹ Effective June 2, 1997 and pursuant to Minnesota Statutes 465.71, any lease revenue or public project revenue bond issues/agreements of \$1,000,000 or more are subject to the statutory debt limit. Lease revenue or public project revenue bond issues/agreements less than \$1,000,000 are not subject to the statutory debt limit.

CITY OF LAKEVILLE, MINNESOTA
GENERAL OBLIGATION DEBT PAYABLE FROM TAXES
(As of April 2, 2026, Plus a Portion of This Issue)

Purpose:	G.O. Refunding Bonds, Series 2014B	G.O. Bonds, Series 2017A	G.O. Refunding Bonds, Series 2018B	G.O. Bonds, Series 2021C	G.O. Refunding Bonds, Series 2022A	Taxable G.O. Bonds, Series 2022B		
Dated:	08/20/14	09/07/17	08/16/18	08/17/21	01/06/22	04/05/22		
Original Amount:	\$12,660,000	\$1,530,000	\$3,115,000	\$5,650,000	\$10,620,000	\$4,845,000		
Maturity:	1-Feb	1-Feb	1-Feb	1-Feb	1-Feb	1-Feb		
Interest Rates:	1.75-5.00%	3.00-5.00%	3.00-5.00%	2.00-4.00%	4.00%	1.75-3.35%		
2026	\$0	\$0	\$0	\$0	\$0	\$0	2026	
2027		790,000	185,000	280,000	560,000	935,000	205,000	2027
2028		815,000	190,000	295,000	585,000	1,000,000	210,000	2028
2029		845,000		305,000	605,000	1,080,000	215,000	2029
2030		875,000		315,000	630,000	1,180,000	220,000	2030
2031		910,000			650,000		220,000	2031
2032		945,000			665,000		230,000	2032
2033							235,000	2033
2034							240,000	2034
2035							245,000	2035
2036							250,000	2036
2037							260,000	2037
2038							265,000	2038
2039							275,000	2039
2040							285,000	2040
2041							290,000	2041
2042							300,000	2042
2043							310,000	2043
2044								2044
2045								2045
2046								2046
2047								2047
	\$5,180,000	\$375,000	\$1,195,000	\$3,695,000	\$4,195,000	\$4,255,000		
		(1)		(2)	(3) (4)	(5)		

GENERAL OBLIGATION DEBT PAYABLE FROM TAXES CONTINUED

Purpose:	Portion of This Issue					TOTAL PRINCIPAL:	TOTAL PRIN & INT:	
	G.O. Bonds, Series 2022C	G.O. Bonds, Series 2023A	G.O. Bonds, Series 2024A	G.O. Bonds, Series 2025A	G.O. Bonds, Series 2026A			
Dated:	08/11/22	07/20/23	07/17/24	04/16/25	05/14/26			
Original Amount:	\$13,735,000	\$9,220,000	\$21,530,000	\$22,250,000	\$33,065,000			
Maturity:	1-Feb	1-Feb	1-Feb	1-Feb	1-Feb			
Interest Rates:	3.625-5.00%	4.00-5.00%	3.875-5.000%	3.50-5.00				
2026	\$0	\$0	\$0	\$0	\$0	\$0	\$1,747,654	2026
2027	515,000	575,000	1,030,000	895,000	0	5,970,000	10,693,825	2027
2028	540,000	610,000	1,080,000	940,000	1,430,000	7,695,000	11,892,244	2028
2029	565,000	635,000	1,140,000	990,000	1,465,000	7,845,000	11,730,358	2029
2030	595,000	670,000	1,195,000	1,035,000	1,500,000	8,215,000	11,778,946	2030
2031	625,000	700,000	1,255,000	1,090,000	1,540,000	6,990,000	10,254,344	2031
2032	655,000	735,000	1,315,000	1,140,000	1,575,000	7,260,000	10,245,456	2032
2033	685,000	775,000	1,380,000	1,205,000	1,620,000	5,900,000	8,616,976	2033
2034	720,000	810,000	1,455,000	1,260,000	1,660,000	6,145,000	8,610,734	2034
2035	750,000	220,000	1,525,000	1,325,000	1,710,000	5,775,000	7,996,183	2035
2036	780,000	230,000	765,000	1,390,000	1,755,000	5,170,000	7,170,926	2036
2037	810,000	240,000	795,000	920,000	1,815,000	4,840,000	6,654,648	2037
2038	840,000	245,000	825,000	955,000	1,430,000	4,560,000	6,207,338	2038
2039	870,000	255,000	860,000	985,000	1,480,000	4,725,000	6,201,076	2039
2040	905,000	265,000	895,000	1,025,000	1,530,000	4,905,000	6,197,945	2040
2041	940,000	280,000	930,000	1,070,000	1,590,000	5,100,000	6,200,405	2041
2042	975,000	290,000	965,000	1,110,000	1,650,000	5,290,000	6,187,978	2042
2043	1,010,000	300,000	1,005,000	1,155,000	1,715,000	5,495,000	6,179,763	2043
2044		310,000	1,045,000	1,205,000	1,785,000	4,345,000	4,831,359	2044
2045			1,085,000	1,250,000	1,860,000	4,195,000	4,505,148	2045
2046				1,305,000	1,935,000	3,240,000	3,394,894	2046
2047					2,020,000	2,020,000	2,063,430	2047
	\$12,780,000	\$8,145,000	\$20,545,000	\$22,250,000	\$33,065,000	\$115,680,000	\$159,361,630	
	(6)				(7)			

NOTE: 58% OF GENERAL OBLIGATION DEBT PAYABLE FROM TAXES WILL BE RETIRED WITHIN TEN YEARS.

- (1) This schedule represents a portion of the \$10,165,000 General Obligation Bonds, Series 2017A, dated September 7, 2017, consisting of \$1,530,000 payable from taxes, \$7,465,000 payable from special assessments, \$835,000 payable from water revenues, and \$335,000 payable from the Street Utility.
- (2) This schedule represents a portion of the \$6,915,000 General Obligation Bonds, Series 2021C, dated August 17, 2021, consisting of \$5,650,000 payable from taxes and \$1,265,000 payable from water revenues.
- (3) These bonds current refunded the February 1, 2023 through February 1, 2030 maturities, totaling \$11,990,000 in principal of the City's General Obligation Refunding Bonds, Series 2012B on February 1, 2022, at a price of par plus accrued interest.
- (4) This schedule represents a portion of the \$13,240,000 General Obligation Refunding Bonds, Series 2022A, dated January 6, 2022, consisting of \$2,620,000 payable from special assessments and \$10,620,000 payable from ad valorem taxes.
- (5) This schedule represents a portion of the \$9,570,000 Taxable General Obligation Bonds, Series 2022B, dated April 5, 2022, consisting of \$4,845,000 payable from ad valorem taxes and \$4,725,000 payable from a tax abatement levy.
- (6) This schedule represents a portion of the \$24,945,000 General Obligation Bonds, Series 2022C, dated August 11, 2022, consisting of \$13,735,000 payable from ad valorem taxes and \$11,210,000 payable from special assessments.
- (7) This schedule represents a portion of the \$38,365,000 General Obligation Bonds, Series 2026A, dated May 14, 2026, consisting of \$33,065,000 payable from ad valorem taxes and \$5,300,000 payable from utility revenues.

CITY OF LAKEVILLE, MINNESOTA
GENERAL OBLIGATION DEBT PAYABLE FROM SPECIAL ASSESSMENTS
(As of April 2, 2026)

Purpose:	G.O. Improvement Bonds, Series 2011A	G.O. Improvement Bonds, Series 2014A	G.O. Bonds, Series 2015A	G.O. Bonds, Series 2016B	G.O. Bonds, Series 2017A	G.O. Bonds, Series 2018A	
Dated:	12/01/11	08/20/14	08/20/15	07/21/16	09/07/17	07/25/18	
Original Amount:	\$2,385,000	\$8,520,000	\$11,815,000	\$15,680,000	\$7,465,000	\$7,690,000	
Maturity:	1-Feb	1-Feb	1-Feb	1-Feb	1-Feb	1-Feb	
Interest Rates:	0.50-3.50%	2.00-4.00%	1.75-5.00%	1.50-5.00%	3.00-5.00%	2.50-5.00%	
2026	\$0	\$0	\$0	\$0	\$0	\$0	2026
2027	45,000	120,000	580,000	970,000	745,000	825,000	2027
2028	45,000	120,000	590,000	970,000	765,000	855,000	2028
2029	45,000	120,000	610,000	980,000	110,000	855,000	2029
2030	45,000	120,000	630,000	995,000	110,000		2030
2031	45,000	115,000	640,000	1,010,000	105,000		2031
2032	45,000	115,000	655,000	1,035,000	105,000		2032
2033		115,000	675,000	1,045,000	100,000		2033
2034		115,000	690,000	570,000	95,000		2034
2035		115,000	705,000	265,000	95,000		2035
2036			725,000	255,000	90,000		2036
2037				255,000	90,000		2037
2038					85,000		2038
	\$270,000	\$1,055,000	\$6,500,000	\$8,350,000	\$2,495,000	\$2,535,000	
			(1)	(2)	(3)	(4)	

GENERAL OBLIGATION DEBT PAYABLE FROM SPECIAL ASSESSMENTS CONTINUED

Purpose:	G.O. Bonds, Series 2019A	G.O. Bonds, Series 2020A	G.O. Refunding Bonds, Series 2022A	G.O. Bonds, Series 2022C			
Dated:	07/24/19	08/13/20	01/06/22	08/11/22			
Original Amount:	\$6,295,000	\$9,370,000	\$2,620,000	\$11,210,000			
Maturity:	1-Feb	1-Feb	1-Feb	1-Feb	TOTAL	TOTAL	
Interest Rates:	4.00-5.00%	3.00-5.00%	2.00-4.00%	5.00%	PRINCIPAL:	PRIN & INT:	
2026	\$0	\$0	\$0	\$0	\$0	\$752,483	2026
2027	655,000	985,000	145,000	1,055,000	6,125,000	7,504,093	2027
2028	665,000	1,030,000	140,000	1,110,000	6,290,000	7,421,698	2028
2029	690,000	1,085,000	140,000	1,165,000	5,800,000	6,696,113	2029
2030	700,000	1,135,000	135,000	1,220,000	5,090,000	5,767,170	2030
2031		1,195,000	140,000	1,280,000	4,530,000	5,021,038	2031
2032			135,000	1,345,000	3,435,000	3,778,860	2032
2033			125,000	1,415,000	3,475,000	3,685,729	2033
2034			50,000		1,520,000	1,638,607	2034
2035					1,180,000	1,253,773	2035
2036					1,070,000	1,103,806	2036
2037					345,000	353,206	2037
2038					85,000	86,328	2038
	\$2,710,000	\$5,430,000	\$1,010,000	\$8,590,000	<u>\$38,945,000</u>	<u>\$45,062,904</u>	
	(5)	(6)	(7) (8)	(9)			

NOTE: 99% OF GENERAL OBLIGATION DEBT PAYABLE FROM SPECIAL ASSESSMENTS WILL BE RETIRED WITHIN TEN YEARS.

- (1) This schedule represents a portion of the \$16,545,000 General Obligation Bonds, Series 2015A, dated August 20, 2015, consisting of \$11,815,000 payable from special assessments and \$4,730 payable from State Aid.
- (2) This schedule represents a portion of the \$22,250,000 General Obligation Bonds, Series 2016B, dated July 21, 2016, consisting of \$15,680,000 payable from special assessments and \$6,570,000 payable from water and sewer revenues.
- (3) This schedule represents a portion of the \$10,165,000 General Obligation Bonds, Series 2017A, dated September 7, 2017, consisting of \$1,530,000 payable from taxes, \$7,465,000 payable from special assessments, \$835,000 payable from water revenues, and \$335,000 payable from the Street Utility.
- (4) This schedule represents a portion of the \$8,135,000 General Obligation Bonds, Series 2018A, dated July 25, 2018, consisting of \$7,690,000 payable from special assessments and \$445,000 payable from water revenues.
- (5) This schedule represents a portion of the \$7,025,000 General Obligation Bonds, Series 2019A, dated July 24, 2019, consisting of \$6,295,000 payable from special assessments and \$730,000 payable from water revenues.
- (6) This schedule represents a portion of the \$12,735,000 General Obligation Bonds, Series 2020A, dated August 13, 2020, consisting of \$9,370,000 payable from special assessments, \$2,745,000 payable from water revenues, and \$620,000 payable from an abatement levy.
- (7) These bonds current refunded the February 1, 2023 through February 1, 2033 maturities, totaling \$1,860,000 in principal, of the City's General Obligation Improvement Bonds, Series 2012A and the February 1, 2023 through February 1, 2034 maturities, totaling \$1,800,000 in principal, of the City's General Obligation Improvement Bonds, Series 2013A on February 1, 2022, at a price of par plus accrued interest.
- (8) This schedule represents a portion of the \$13,240,000 General Obligation Refunding Bonds, Series 2022A, dated January 6, 2022, consisting of \$2,620,000 payable from special assessments and \$10,620,000 payable from ad valorem taxes.
- (9) This schedule represents a portion of the \$24,945,000 General Obligation Bonds, Series 2022C, dated August 11, 2022, consisting of \$13,735,000 payable from ad valorem taxes and \$11,210,000 payable from special assessments.

CITY OF LAKEVILLE, MINNESOTA
GENERAL OBLIGATION DEBT PAYABLE FROM TAX INCREMENTS/TAX ABATEMENTS
(As of April 2, 2026)

Purpose:	G.O. Bonds, Series 2020A	G.O. Tax Abatement Bonds, Series 2021A	G.O. Tax Abatement Bonds, Series 2021B	Taxable G.O. Bonds, Series 2022B				
Dated:	08/13/20	02/16/21	05/18/21	04/05/22				
Original Amount:	\$620,000	\$7,770,000	\$5,620,000	\$4,725,000				
Maturity:	1-Feb	1-Feb	1-Feb	1-Feb	TOTAL	TOTAL		
Interest Rates:	3.00-5.00%	1.00-3.00%	2.00-4.00%	1.50-2.40%	PRINCIPAL:	PRIN & INT:		
	2026	\$0	\$0	\$0	\$0	\$151,693	2026	
	2027	65,000	355,000	240,000	460,000	1,120,000	1,406,920	2027
	2028	65,000	365,000	250,000	465,000	1,145,000	1,398,356	2028
	2029	70,000	375,000	260,000	480,000	1,185,000	1,403,403	2029
	2030	75,000	390,000	270,000	495,000	1,230,000	1,415,154	2030
	2031	75,000	395,000	280,000	510,000	1,260,000	1,417,995	2031
	2032		400,000	285,000	520,000	1,205,000	1,339,890	2032
	2033		405,000	290,000		695,000	813,119	2033
	2034		410,000	295,000		705,000	812,175	2034
	2035		415,000	300,000		715,000	810,809	2035
	2036		420,000	305,000		725,000	808,756	2036
	2037		425,000	315,000		740,000	810,953	2037
	2038		435,000	320,000		755,000	812,344	2038
	2039		440,000	325,000		765,000	808,238	2039
	2040		450,000	330,000		780,000	808,900	2040
	2041		455,000	340,000		795,000	809,281	2041
	2042		0	345,000		345,000	348,450	2042
		<u>\$350,000</u>	<u>\$6,135,000</u>	<u>\$4,750,000</u>	<u>\$2,930,000</u>	<u>\$14,165,000</u>	<u>\$16,176,435</u>	
		(1)			(2) (3)			

NOTE: 70% OF GENERAL OBLIGATION DEBT PAYABLE FROM TAX INCREMENTS WILL BE RETIRED WITHIN TEN YEARS.

- (1) This schedule represents a portion of the \$12,735,000 General Obligation Bonds, Series 2020A, dated August 13, 2020, consisting of \$9,370,000 payable from special assessments, \$2,745,000 payable from water revenues, and \$620,000 payable from an abatement levy.
- (2) This schedule represents a portion of the \$9,570,000 Taxable General Obligation Bonds, Series 2022A, dated April 5, 2022, consisting of \$4,845,000 payable from ad valorem taxes and \$4,725,000 payable from a tax abatement levy.
- (3) These bonds full net advance refunded the February 1, 2023 through February 1, 2032 maturities of the Housing and Redevelopment Authority of the City of Lakeville's Lease Revenue Refunding Bonds, Series 2016A on April 5, 2022.

CITY OF LAKEVILLE, MINNESOTA
GENERAL OBLIGATION DEBT PAYABLE FROM STATE AID
(As of April 2, 2026)

Purpose:	G.O. Bonds, Series 2015A			
Dated:	08/20/15			
Original Amount:	\$4,730,000			
Maturity:	1-Feb	TOTAL	TOTAL	
Interest Rates:	1.75-5.00%	PRINCIPAL:	PRIN & INT:	
2026	\$0	\$0	\$49,447	2026
2027	240,000	240,000	334,094	2027
2028	250,000	250,000	334,294	2028
2029	260,000	260,000	335,394	2029
2030	265,000	265,000	332,353	2030
2031	275,000	275,000	333,744	2031
2032	285,000	285,000	334,466	2032
2033	295,000	295,000	334,668	2033
2034	305,000	305,000	334,363	2034
2035	315,000	315,000	333,513	2035
2036	325,000	325,000	331,500	2036
	\$2,815,000	\$2,815,000	\$3,387,834	
	(1)			

NOTE: 88% OF GENERAL OBLIGATION DEBT PAYABLE FROM STATE AID WILL BE RETIRED WITHIN TEN YEARS.

(1) This schedule represents a portion of the \$16,545,000 General Obligation Bonds, Series 2015A, dated August 20, 2015, consisting of \$11,815,000 payable from special assessments and \$4,730 payable from State Aid.

CITY OF LAKEVILLE, MINNESOTA
GENERAL OBLIGATION DEBT PAYABLE FROM REVENUES
(As of April 2, 2026, Plus a Portion of This Issue)

Purpose:	G.O. Water Utility Revenue Bonds, Series 2016A	G.O. Bonds, Series 2016B	G.O. Bonds, Series 2017A	G.O. Bonds, Series 2018A	G.O. Bonds, Series 2019A	G.O. Bonds, Series 2020A	
Dated:	02/25/16	07/21/16	09/07/17	07/25/18	07/24/19	08/13/20	
Original Amount:	\$8,280,000	\$6,570,000	\$1,170,000	\$445,000	\$730,000	\$2,745,000	
Maturity:	1-Feb	1-Feb	1-Feb	1-Feb	1-Feb	1-Feb	
Interest Rates:	2.00-5.00%	1.50-5.00%	3.00-5.00%	2.50-5.00%	4.00-5.00%	5.00%	
	2026	2027	2028	2029	2030	2031	2032
	\$0	\$0	\$0	\$0	\$0	\$0	\$0
	475,000	310,000	100,000	50,000	80,000	285,000	2027
	480,000	315,000	105,000	50,000	80,000	300,000	2028
	495,000	325,000		55,000	85,000	315,000	2029
	505,000	335,000			90,000	330,000	2030
	520,000	345,000					2031
	540,000	355,000					2032
	555,000	365,000					2033
	570,000	250,000					2034
							2035
							2036
	\$4,140,000	\$2,600,000	\$205,000	\$155,000	\$335,000	\$1,230,000	
		(1)	(2)	(3)	(4)	(5)	

GENERAL OBLIGATION BONDS PAYABLE FROM REVENUES CONTINUED

Purpose:	Portion of This Issue				
	G.O. Bonds, Series 2021C	G.O. Bonds, Series 2026A	TOTAL PRINCIPAL:	TOTAL PRIN & INT:	
Dated:	08/17/21	05/14/26			
Original Amount:	\$1,265,000	\$5,300,000			
Maturity:	1-Feb	1-Feb			
Interest Rates:	2.00-4.00%				
2026	\$0	\$0	\$0	\$148,831	2026
2027	125,000	510,000	1,935,000	2,378,804	2027
2028	130,000	480,000	1,940,000	2,296,503	2028
2029	135,000	490,000	1,900,000	2,196,668	2029
2030	140,000	505,000	1,905,000	2,139,451	2030
2031	145,000	515,000	1,525,000	1,707,653	2031
2032	150,000	530,000	1,575,000	1,714,975	2032
2033		545,000	1,465,000	1,562,003	2033
2034		560,000	1,380,000	1,435,549	2034
2035		575,000	575,000	601,771	2034
2036		590,000	590,000	599,145	2034
	\$825,000	\$5,300,000	\$14,790,000	\$16,781,352	
	(6)	(7)			

NOTE: 100% OF GENERAL OBLIGATION DEBT PAYABLE FROM REVENUES WILL BE RETIRED WITHIN TEN YEARS.

- (1) This schedule represents a portion of the \$22,250,000 General Obligation Bonds, Series 2016B, dated July 21, 2016, consisting of \$11,550,000 payable from special assessments and \$6,570,000 payable from water and sewer revenues.
- (2) This schedule represents a portion of the \$10,165,000 General Obligation Bonds, Series 2017A, dated September 7, 2017, consisting of \$1,530,000 payable from taxes, \$7,465,000 payable from special assessments, \$835,000 payable from water revenues, and \$335,000 payable from the Street Utility.
- (3) This schedule represents a portion of the \$8,135,000 General Obligation Bonds, Series 2018A, dated July 25, 2018, consisting of \$7,690,000 payable from special assessments and \$445,000 payable from water revenues.
- (4) This schedule represents a portion of the \$7,025,000 General Obligation Bonds, Series 2019A, dated July 24, 2019, consisting of \$6,295,000 payable from special assessments and \$730,000 payable from water revenues.
- (5) This schedule represents a portion of the \$12,735,000 General Obligation Bonds, Series 2020A, dated August 13, 2020, consisting of \$9,370,000 payable from special assessments, \$2,745,000 payable from water revenues, and \$620,000 payable from an abatement levy.
- (6) This schedule represents a portion of the \$6,915,000 General Obligation Bonds, Series 2021C, dated August 17, 2021, consisting of \$5,650,000 payable from taxes and \$1,265,000 payable from water revenues.
- (7) This schedule represents a portion of the \$38,365,000 General Obligation Bonds, Series 2026A, dated May 14, 2026, consisting of \$33,065,000 payable from ad valorem taxes and \$5,300,000 payable from utility revenues.

HOUSING AND REDEVELOPMENT AUTHORITY OF THE CITY OF LAKEVILLE, MINNESOTA
LEASE REVENUE DEBT
(As of April 2, 2026)

Purpose:	Lease Revenue Liquor Enterprise Refunding Bonds, Series 2017A			
Dated:	11/08/17			
Original Amount:	\$2,255,000			
Maturity:	1-Feb	TOTAL	TOTAL	
Interest Rates:	2.00-3.00%	PRINCIPAL:	PRIN & INT:	
		<hr/>	<hr/>	
2026	\$0	\$0	\$4,200	2026
2027	280,000	280,000	284,200	2027
		<hr/>	<hr/>	
	\$280,000	\$280,000	\$288,400	
	(1) (2)			

NOTE: 100% OF HRA LEASE REVENUE DEBT WILL BE RETIRED WITHIN TEN YEARS.

- (1) These bonds are payable solely from rental payments to be received from the City. The full faith and credit of the City IS NOT pledged to any payment of principal and interest or any other related costs on the bonds.
- (2) These bonds current refunded the 2022 through 2027 maturities of the City's Liquor Revenue Bonds, Series 2007 on November 8, 2017 at a price of par plus accrued interest.

Indirect Debt*

<i>Issuer</i>	<i>2025/2026 Tax Capacity Value⁽¹⁾</i>	<i>2025/2026 Tax Capacity Value in City⁽¹⁾</i>	<i>Percentage Applicable in City</i>	<i>Outstanding General Obligation Debt⁽²⁾</i>	<i>Taxpayers' Share of Debt</i>
Dakota County	\$795,197,255	\$144,719,883	18.20%	\$35,640,000	\$ 6,486,480
ISD No. 192, Farmington	58,402,629	15,536,174	26.60	63,250,000	16,824,500
ISD No. 194, Lakeville	140,491,674	106,213,775	75.60	169,755,000	128,334,780
ISD No. 196, Rosemount- Apple Valley-Eagan	289,586,561	22,969,932	7.93	437,075,000	34,660,048
Metropolitan Council	6,330,160,332	144,719,883	2.29	12,100,000 ⁽³⁾	277,090
Metro Transit	5,538,527,403	144,719,883	2.61	223,650,000 ⁽⁴⁾	<u>5,837,265</u>
				<i>Total Indirect Debt:</i>	<u>\$ 192,420,163</u>

(Remainder of page intentionally left blank)

* Only those taxing jurisdictions with general obligation debt outstanding that is not payable from revenues are included. Debt figures do not include non-general obligation debt, short-term general obligation debt, or general obligation tax/aid anticipation certificates of indebtedness.

(1) Tax Capacity Value is after tax increment deduction and fiscal disparity contribution only adjustments. The 2025/2026 Tax Capacity values for Metropolitan Council and Metro Transit are not yet available.

(2) As of April 2, 2026, unless noted otherwise.

(3) Metropolitan Council has \$12,100,000 of general obligation debt outstanding as of December 31, 2025. This debt is payable from ad valorem taxes levied on all taxable property within the Metropolitan Taxing District. This amount excludes \$1,122,348,000 of general obligation debt payable from wastewater and sewer revenues, and lease agreements.

(4) Metropolitan Transit has \$223,650,000 of property tax supported general obligation debt outstanding as of December 31, 2025. Transit debt is issued by the Metropolitan Council for public transit operations and is payable from ad valorem taxes levied on all taxable property within the Metropolitan Transit District. This amount excludes \$181,410,000 of general obligation debt payable from revenues.

General Obligation Debt

Bonds secured by taxes (includes a portion of this Issue)	\$ 115,680,000
Bonds secured by special assessments	38,945,000
Bonds secured by tax increments/tax abatements	14,165,000
Bonds secured by state aid	2,815,000
Bonds secured by water/sewer revenues (includes a portion of this Issue)	<u>14,790,000</u>
Subtotal	\$ 186,395,000
Less bonds secured by water/sewer and state aid revenues	(<u>17,605,000</u>)
<i>Direct General Obligation Debt</i>	168,790,000
Add taxpayers' share of indirect debt	<u>192,420,163</u>
<i>Direct and Indirect Debt</i>	<u>\$ 361,210,163</u>

Special Obligations

2,255,000 Lease Revenue Liquor Enterprise Refunding Bonds, Series 2017A	\$ 280,000
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Metropolitan Council Loan Agreements (as of 12/31/25)

\$1,466,300 Loan Agreement of 2006	\$ 1,159,843
\$737,171 Loan Agreement of 2017	737,171
\$950,000 Loan Agreement of 2021	1,059,781

Facts for Ratio Computations

2024/2025 Economic Market Value (real and personal property)	\$14,159,823,587
Population (2026 estimate)	77,971

Debt Ratios Excluding Revenue-Supported Debt

	<i>Direct Debt</i>	<i>Indirect Debt</i>	<i>Direct and Indirect Debt</i>
To Economic Market Value	1.19%	1.36%	2.55%
Per Capita	\$2,165	\$2,468	\$4,633

APPENDIX A

Form of Legal Opinion

FORM OF LEGAL OPINION

City of Lakeville
Lakeville, Minnesota

[Purchaser]

Re: \$[PAR] General Obligation Bonds, Series 2026A
 City of Lakeville, Minnesota

Ladies and Gentlemen:

As Bond Counsel in connection with the authorization, issuance and sale by the City of Lakeville, Minnesota (the “City”), of the obligations described above, dated, as originally issued, as of May 14, 2026 (the “Bonds”), we have examined certified copies of certain proceedings taken, and certain affidavits and certificates furnished, by the City in the authorization, sale and issuance of the Bonds, including the form of the Bonds. As to questions of fact material to our opinion, we have assumed the authenticity of and relied upon the proceedings, affidavits and certificates furnished to us without undertaking to verify the same by independent investigation. From our examination of such proceedings, affidavits and certificates and on the basis of existing law, it is our opinion that:

1. The Bonds are valid and binding general obligations of the City, enforceable in accordance with their terms.

2. The principal of and interest on the Bonds are payable from ad valorem taxes duly levied on all taxable property in the City and net revenues of the municipal water and sewer systems, which ad valorem taxes and revenues are expected to produce amounts sufficient to pay the principal and interest on the Bonds when due; but, if necessary for the payment of such principal and interest, additional ad valorem taxes are required by law to be levied on all taxable property in the City without limitation as to rate or amount.

3. Interest on the Bonds (a) is excludable from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986 (the “Code”) and (b) is not an item of tax preference for purposes of the federal alternative minimum tax imposed on noncorporate taxpayers by Section 55 of the Code.

4. Interest on the Bonds (a) is excludable from taxable net income of individuals, estates, and trusts for Minnesota income tax purposes and (b) is not an item of tax preference for purposes of the Minnesota alternative minimum tax imposed on individuals, trusts, and estates.

The opinions expressed in paragraphs 1 and 2 above are subject, as to enforceability, to the effect of any state or federal laws relating to bankruptcy, insolvency, reorganization, moratorium or creditors’ rights and the application of equitable principles, whether considered at law or in equity.

The opinions expressed in paragraphs 3 and 4 above are subject to the compliance by the City with certain requirements of the Code that must be satisfied subsequent to the issuance of the Bonds. Noncompliance with these requirements could result in the inclusion of interest on the Bonds in gross income for federal income tax purposes and taxable net income of individuals, estates, and trusts for Minnesota income tax purposes, retroactive to the date of issuance of the Bonds.

Except as stated herein, we express no opinion regarding federal, state, or other tax consequences to the owner of the Bonds. We note, however, that interest on the Bonds may be taken into account in determining adjusted financial statement income for purposes of the federal alternative minimum tax imposed on applicable corporations (as defined in Section 59(k) of the Code) and is included in net income of corporations and financial institutions for purposes of the Minnesota franchise tax.

In providing this opinion, we have relied upon representations of the City and its officers as to (i) the intended application of the proceeds of the Bonds, (ii) the nature, use, cost, and economic life of the facilities financed by the Bonds, and (iii) other matters relating to the exemption of the interest on the Bonds from federal income taxation.

This opinion is given as of the date hereof, and we assume no obligation to revise or supplement this opinion to reflect any facts or circumstances that may hereafter come to our attention or any changes in law that may occur after the date hereof and which may be retroactive.

Dated this 14th day of May, 2026.

Very truly yours,

APPENDIX B

Continuing Disclosure Undertaking

FORM OF CONTINUING DISCLOSURE COVENANTS

Excerpt from Resolution

Continuing Disclosure

(a) Purpose and Beneficiaries. To provide for the public availability of certain information relating to the Bonds and the security therefor and to permit the Purchaser and other participating underwriters in the primary offering of the Bonds to comply with amendments to Rule 15c2-12 promulgated by the SEC under the Securities Exchange Act of 1934 (17 C.F.R. § 240.15c2-12), relating to continuing disclosure (as in effect and interpreted from time to time, the Rule), which will enhance the marketability of the Bonds, the City hereby makes the following covenants and agreements for the benefit of the Owners (as hereinafter defined) from time to time of the outstanding Bonds. The City is the only obligated person in respect of the Bonds within the meaning of the Rule for purposes of identifying the entities in respect of which continuing disclosure must be made. If the City fails to comply with any provisions of this section, any person aggrieved thereby, including the Owners of any outstanding Bonds, may take whatever action at law or in equity may appear necessary or appropriate to enforce performance and observance of any agreement or covenant contained in this section, including an action for a writ of mandamus or specific performance. Direct, indirect, consequential and punitive damages shall not be recoverable for any default hereunder to the extent permitted by law. Notwithstanding anything to the contrary contained herein, in no event shall a default under this section constitute a default under the Bonds or under any other provision of this resolution. As used in this section, Owner or Bondowner means, in respect of the Bonds, the registered owner or owners thereof appearing in the bond register maintained by the Registrar or any Beneficial Owner (as hereinafter defined) thereof, if such Beneficial Owner provides to the Registrar evidence of such beneficial ownership in form and substance reasonably satisfactory to the Registrar. As used herein, Beneficial Owner means, in respect of the Bonds, any person or entity which (a) has the power, directly or indirectly, to vote or consent with respect to, or to dispose of ownership of, such Bonds (including persons or entities holding Bonds through nominees, depositories or other intermediaries), or (b) is treated as the owner of the Bonds for federal income tax purposes.

(b) Information To Be Disclosed. The City will provide, in the manner set forth in subsection (c) hereof, either directly or indirectly through an agent designated by the City, the following information at the following times:

- (1) On or before 12 months after the end of each fiscal year of the City, commencing with the fiscal year ending December 31, 2025, the following financial information and operating data in respect of the City (the “Disclosure Information”):
 - (A) the audited financial statements of the City for such fiscal year, prepared in accordance with generally accepted accounting principles in accordance with the governmental accounting standards promulgated by the

Governmental Accounting Standards Board or as otherwise provided under Minnesota law, as in effect from time to time, or, if and to the extent such financial statements have not been prepared in accordance with such generally accepted accounting principles for reasons beyond the reasonable control of the City, noting the discrepancies therefrom and the effect thereof, and certified as to accuracy and completeness in all material respects by the fiscal officer of the City; and

- (B) to the extent not included in the financial statements referred to in paragraph (A) hereof, the information for such fiscal year or for the period most recently available of the type contained in the Official Statement under the headings: “ECONOMIC AND FINANCIAL INFORMATION – Valuations;” “– Tax Capacity Rates;” “– Tax Levies and Collections;” and “SUMMARY OF DEBT AND DEBT STATISTICS;” which information may be unaudited.

Notwithstanding the foregoing paragraph, if the audited financial statements are not available by the date specified, the City shall provide on or before such date unaudited financial statements in the format required for the audited financial statements as part of the Disclosure Information and, within 10 days after the receipt thereof, the City shall provide the audited financial statements. Any or all of the Disclosure Information may be incorporated by reference, if it is updated as required hereby, from other documents, including official statements, which have been filed with the SEC or have been made available to the public by the Municipal Securities Rulemaking Board (the “MSRB”) through its Electronic Municipal Market Access System (EMMA). The City shall clearly identify in the Disclosure Information each document so incorporated by reference. If any part of the Disclosure Information can no longer be generated because the operations of the City have materially changed or been discontinued, such Disclosure Information need no longer be provided if the City includes in the Disclosure Information a statement to such effect; provided, however, if such operations have been replaced by other City operations in respect of which data is not included in the Disclosure Information and the City determines that certain specified data regarding such replacement operations would be a Material Fact (as defined in paragraph (2) hereof), then, from and after such determination, the Disclosure Information shall include such additional specified data regarding the replacement operations. If the Disclosure Information is changed or this section is amended as permitted by this paragraph (b)(1) or subsection (d), then the City shall include in the next Disclosure Information to be delivered hereunder, to the extent necessary, an explanation of the reasons for the amendment and the effect of any change in the type of financial information or operating data provided.

- (2) In a timely manner, not in excess of 10 business days, to the MSRB through EMMA, notice of the occurrence of any of the following events (each a “Material Fact,” as hereinafter defined):

- (A) Principal and interest payment delinquencies;
- (B) Non-payment related defaults, if material;
- (C) Unscheduled draws on debt service reserves reflecting financial difficulties;

- (D) Unscheduled draws on credit enhancements reflecting financial difficulties;
- (E) Substitution of credit or liquidity providers, or their failure to perform;
- (F) Adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the Bonds, or other material events affecting the tax status of the Bonds;
- (G) Modifications to rights of security holders, if material;
- (H) Bond calls, if material, and tender offers;
- (I) Defeasances;
- (J) Release, substitution, or sale of property securing repayment of the securities, if material;
- (K) Rating changes;
- (L) Bankruptcy, insolvency, receivership or similar event of the City;
- (M) The consummation of a merger, consolidation, or acquisition involving an obligated person or the sale of all or substantially all of the assets of the obligated person, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; and
- (N) Appointment of a successor or additional paying agent or the change of name of a paying agent, if material.
- (O) Incurrence of a financial obligation of the obligated person, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a financial obligation of the obligated person, any of which affect security holders, if material; and
- (P) Default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a financial obligation of the obligated person, any of which reflect financial difficulties.

For purposes of the events identified in paragraphs (O) and (P) above, the term “financial obligation” means (i) a debt obligation; (ii) a derivative instrument entered into in connection with, or pledged as security or a source of payment for, an existing or planned debt obligation; or (iii) a guarantee of (i) or (ii). The term “financial obligation” shall not include municipal securities as to which a final official statement has been provided to the MSRB consistent with the Rule.

As used herein, for those events that must be reported if material, a “Material Fact” is a fact as to which a substantial likelihood exists that a reasonably prudent investor would attach importance thereto in deciding to buy, hold or sell the Bonds or, if not disclosed, would significantly alter the total information otherwise available to an investor from the Official Statement, information disclosed hereunder or information generally available to the public. Notwithstanding the foregoing sentence, a Material Fact is also a fact that would be deemed material for purposes of the purchase, holding or sale of the Bonds within the meaning of applicable federal securities laws, as interpreted at the time of discovery of the occurrence of the event.

For the purposes of the event identified in (L) hereinabove, the event is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent or similar officer for an obligated person in a proceeding under the U.S. Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the obligated person, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the obligated person.

- (3) In a timely manner, to the MSRB through EMMA, notice of the occurrence of any of the following events or conditions:
 - (A) the failure of the City to provide the Disclosure Information required under paragraph (b)(1) at the time specified thereunder;
 - (B) the amendment or supplementing of this section pursuant to subsection (d), together with a copy of such amendment or supplement and any explanation provided by the City under subsection (d)(2);
 - (C) the termination of the obligations of the City under this section pursuant to subsection (d);
 - (D) any change in the accounting principles pursuant to which the financial statements constituting a portion of the Disclosure Information are prepared; and
 - (E) any change in the fiscal year of the City.

(c) Manner of Disclosure.

- (1) The City agrees to make available to the MSRB through EMMA, in an electronic format as prescribed by the MSRB, the information described in subsection (b).
- (2) All documents provided to the MSRB pursuant to this subsection (c) shall be accompanied by identifying information as prescribed by the MSRB from time to time.

(d) Term; Amendments; Interpretation.

- (1) The covenants of the City in this section shall remain in effect so long as any Bonds are outstanding. Notwithstanding the preceding sentence, however, the obligations of the City under this section shall terminate and be without further effect as of any date on which the City delivers to the Registrar an opinion of Bond Counsel to the effect that, because of legislative action or final judicial or administrative actions or proceedings, the failure of the City to comply with the requirements of this section will not cause participating underwriters in the primary offering of the Bonds to be in violation of the Rule or other applicable

requirements of the Securities Exchange Act of 1934, as amended, or any statutes or laws successive thereto or amendatory thereof.

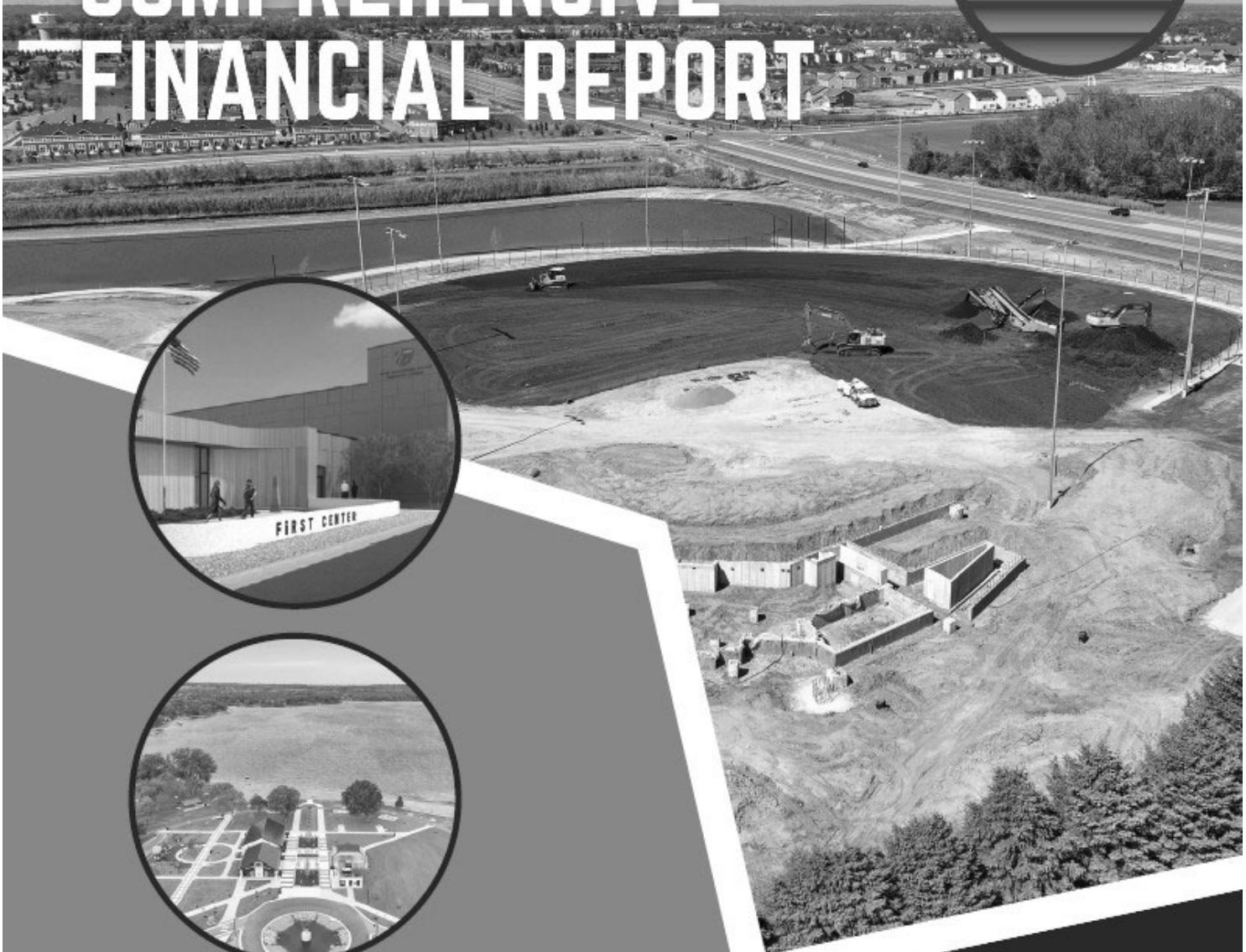
- (2) This section (and the form and requirements of the Disclosure Information) may be amended or supplemented by the City from time to time, without notice to (except as provided in paragraph (c)(2) hereof) or the consent of the Owners of any Bonds, by a resolution of this Council filed in the office of the recording officer of the City accompanied by an opinion of Bond Counsel, who may rely on certificates of the City and others and the opinion may be subject to customary qualifications, to the effect that: (i) such amendment or supplement (a) is made in connection with a change in circumstances that arises from a change in law or regulation or a change in the identity, nature or status of the City or the type of operations conducted by the City, or (b) is required by, or better complies with, the provisions of paragraph (b)(5) of the Rule; (ii) this section as so amended or supplemented would have complied with the requirements of paragraph (b)(5) of the Rule at the time of the primary offering of the Bonds, giving effect to any change in circumstances applicable under clause (i)(a) and assuming that the Rule as in effect and interpreted at the time of the amendment or supplement was in effect at the time of the primary offering; and (iii) such amendment or supplement does not materially impair the interests of the Bondowners under the Rule.

APPENDIX C

City's Financial Statement

Following is the annual financial report for the year ended December 31, 2024. The financial report for the year 2024 and the prior two years are available for inspection at the Lakeville City Hall and the office of Northland Securities, Inc. The reader of this Official Statement should be aware that the complete financial report may have further data relating to the excerpts presented in the appendix which may provide additional explanation, interpretation or modification of the excerpts.

2024 ANNUAL COMPREHENSIVE FINANCIAL REPORT



YEAR ENDED DECEMBER 31, 2024

CITY OF LAKEVILLE,
MINNESOTA

CITY OF LAKEVILLE, MINNESOTA
ANNUAL COMPREHENSIVE FINANCIAL REPORT
YEAR ENDED DECEMBER 31, 2024

PREPARED BY THE FINANCE DEPARTMENT

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INTRODUCTORY SECTION



City of Lakeville
Positioned to Thrive

September 30, 2025

The Honorable Mayor and Council Members
20195 Holyoke Avenue
Lakeville, Minnesota 55044

Honorable Mayor, Members of the City Council and Citizens of the City of Lakeville:

The Annual Comprehensive Financial Report is hereby presented for the purpose of providing you, the reader, with a thorough overview of the financial affairs of the City for the year ended December 31, 2024. The Report was prepared in accordance with Minnesota Statutes and Generally Accepted Accounting Principles (GAAP).

This report was prepared by the City's Finance Department and 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 report is complete and reliable in all material respects.

The City of Lakeville's financial statements have been audited by CliftonLarsonAllen LLP, a professional firm of certified public accountants. The independent auditor's report is included in the Financial Section of this report. The auditors have given this report an unmodified ("clean") opinion, meaning that the financial statements fairly present the City's financial position at December 31, 2024 and the changes in financial position for the year then ended.

Management's discussion and analysis (MD&A) immediately follows the independent auditors' report and provides a narrative introduction, overview, and analysis of the basic financial statements. MD&A complements this letter of transmittal and should be read in conjunction with it.

20195 Holyoke Avenue, Lakeville, MN 55044
952-985-4400 • 952-985-4499 fax
www.lakevillemn.gov

Profile of Government

The City of Lakeville is a suburban community located 20 miles south of downtown Minneapolis in the southeast corner of the Twin Cities metropolitan area within Dakota County. Lakeville enjoys an excellent location, with convenient access to the Minneapolis-Saint Paul metropolitan area via interstate highway I-35. The City is also just 25 minutes from the Minneapolis-Saint Paul International Airport. Lakeville continues to be one of the fastest growing cities in Minnesota with a population that has grown from 69,490 in 2020 to 76,746 in 2024.

The City of Lakeville operates under the Mayor-Council form of organization. The governing City Council consists of the Mayor and four other Council members. The City Council is responsible for, among other things, passing ordinances, adopting the budget, appointing members to the various committees and commissions, and hiring the City Administrator. The City Administrator is responsible for carrying out the policies, directions, and ordinances of the City Council and for overseeing the day-to-day operations of the City. The City Council is elected on a non-partisan at-large basis. The Mayor is elected to serve a four-year term, while Council Members serve four-year staggered terms, with two Council Members elected every two years.

The City provides its residents and businesses with a full range of municipal services consisting of public safety (police and fire), public works, parks and recreation, and general government administration. The City also operates two enterprises: utilities (public water, sanitary sewer, streetlights and environmental resources) and off-sale liquor stores. Sewage treatment and disposal is operated on a regional basis by the Metropolitan Council Environmental Services (MCES) and refuse collection and disposal are handled on a private basis through contractual arrangements by City residents with private haulers. Further information regarding city services can be obtained from the City's website at www.lakevillemn.gov

The City is financially accountable for the Housing and Redevelopment Authority (HRA), which is included in the City's financial statement. Additional information on the HRA can be found in Note 1A. – Summary of Significant Accounting Policies of the Notes to Basic Financial Statements.

The annual budget serves as the foundation for the City of Lakeville's financial planning and control. The budgetary process is outlined in the notes within the required supplementary information section of this report. The City applies budgetary controls to ensure compliance with legal provisions of the laws of Minnesota. Budgets are adopted on a basis consistent with GAAP. Annual budgets are adopted for the general fund and special revenue funds. The general fund budgetary comparison schedules are presented within the required supplementary information section and the special revenue funds budgetary comparison schedules are presented in the nonmajor governmental funds subsection of this report.

Factors Affecting Financial Condition

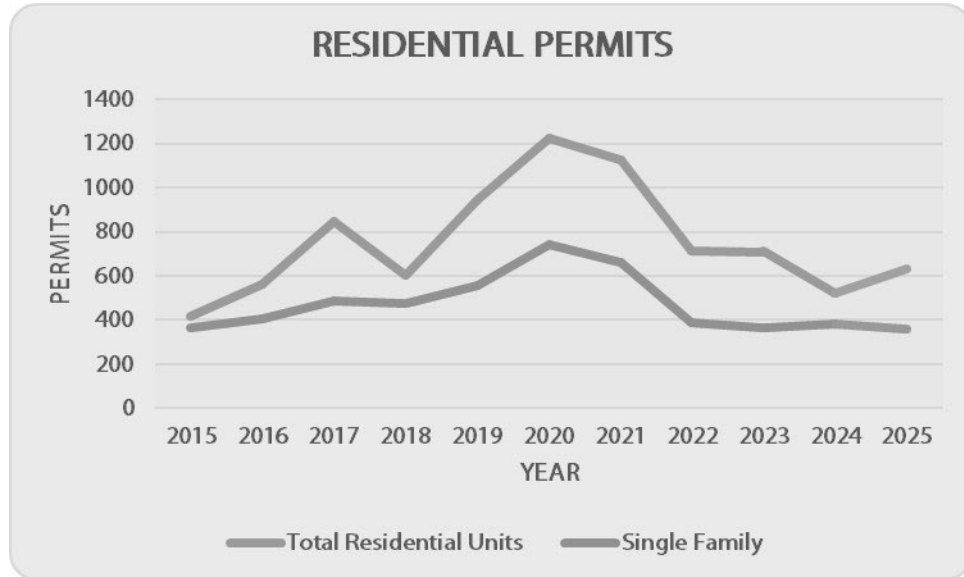
The City of Lakeville is committed to maintaining a strong financial condition, while continuing to provide quality public services to its residents and businesses. The City's financial position, as reflected in the financial statements presented in this report, is perhaps best understood when it is considered from the broader perspective of the environment within which the City operates.

Local Economy

The City's tax base is primarily residential and consists of mostly single-family homes. Commercial and industrial properties make up approximately eleven percent of the tax base. Following a post-2008 recession decline to a 2013 low of \$4.8M, the City's taxable valuation has steadily risen – reaching a new peak of \$13M – driven by new construction and rising property values. Since 2015, the population has grown by 16,755 (28%), while City staff has increased by 24.7%.

The City has a land area of 38 square miles with approximately 22% of its land available for development. In 2024, final plats were approved for 205 single-family units, 210 detached townhomes, 171 attached townhomes, 88 twin homes, three commercial, one industrial and 167-unit apartments.

The trend for building permit activity for single-family homes is steady with building permits for single family homes/detached townhomes increasing from 367 in 2023 to 385 in 2024. The 2025 budget is premised on conservative modest growth of new single-family homes in the coming year.



Actual Residential Units
Estimated Residential Units
Actual Single Family
Estimated Single Family

In 2024, the City issued \$75 million in building permits for new or expanded commercial and industrial buildings.

Commercial construction in 2024 included construction of a new three-story Allina Health Specialty Center and MNGI Digestive Health consisting of 100,000 square feet. This multi-specialty center is located along 185th Street near I-35 and brings the full Allina Health ambulatory platform to the south metro (along with MNGI Digestive Health). This investment in the Lakeville community includes more than 20 specialties, such as orthopedics, oncology, women's health and cardiology, in addition to an ambulatory surgery center. Action Behavior Centers opened at 20890 Kenbridge Court, providing autism therapy services for early learners, school-age children and teens. Goodwill opened its' new 20,000 sq.ft. facility at 207th Street West.

Industrial growth continued in 2024 with groundbreaking of a 276,480 square-foot cold storage warehouse facility (RL Cold) located east of Cedar and south of 215th Street. Adjacent to this site, Sweet Harvest Foods (existing business that is expanding) celebrated their ribbon cutting ceremony on June 25, 2024, on their new 360,000 square-foot office, manufacturing and warehouse facility. Dalsin Industries, a custom metal fabrication and design manufacturer, celebrated their ribbon cutting on April 9, 2024. Jacquard Distribution Center completed construction of its 168,000 sq.ft. multi-tenant industrial warehouse on 217th Street West.

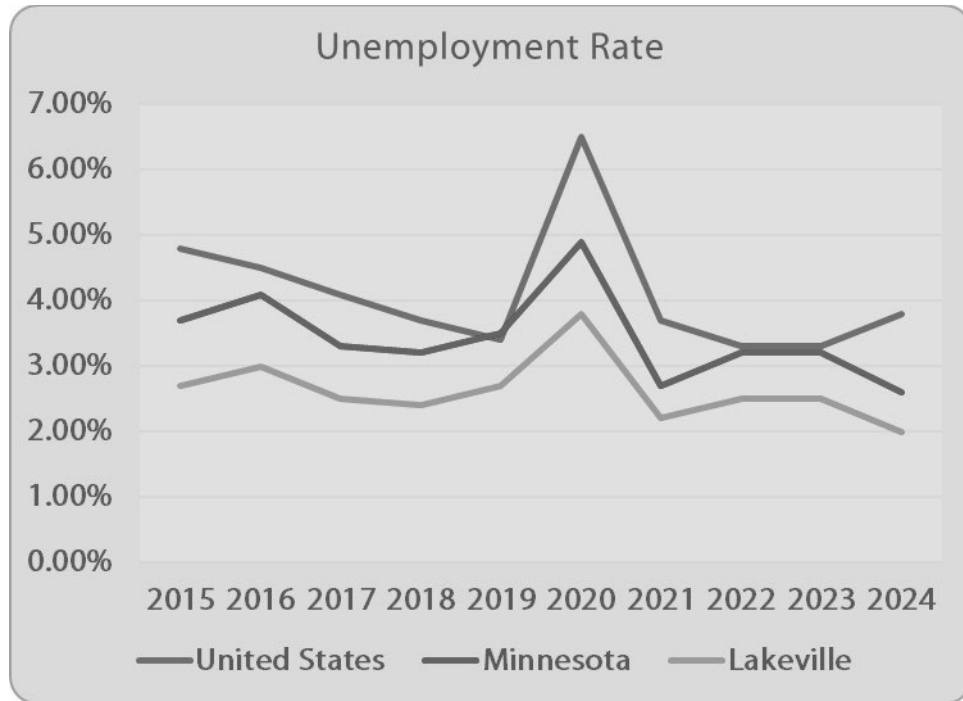
New dining options for Lakeville in 2024 included LBC on the Lake, LaMichoacana Purepecha, Donut Star, Taco Bell, Kyiv Cakes and the Farmer's Grandson Eatery.

Grand Prairie Park was issued multiple building permits in 2024 and construction started on the main park building, challenge course, covered grandstand, dugouts for the new baseball stadium and pickleball courts. This new destination park will include a splash pad, baseball field with seating, pickleball courts, and several multi-purpose fields, including the City's first cricket pitch. Some of the amenities are expected to be ready for use in the summer of 2025.

Lakeville is served by Independent School District No. 192, Farmington, Independent School District No. 194, Lakeville, and Independent School District No. 196, Rosemount-Apple Valley-Eagan. Non-Public education is provided by All Saints Catholic School, Christian Heritage Academy, Southview Christian and Glory Academy.

According to the Dakota County Assessor's office, the estimated market value for the median value home increased by 1.38% as of March 2025 (for taxes payable 2025) to \$451,150. For taxes payable 2026, the median value home has increased by 3.73% to \$468,000.

According to the Bureau of Labor Statistics, Lakeville's unemployment rate is favorable compared to the State and National rates.



Source: <https://mn.gov/deed/data>

Major Initiatives

Pressures and issues confronting the City were taken into account with the 2024 adopted budget including community growth, aging infrastructure, inflationary pressures, innovation and efficiencies, entrepreneurial efforts and preparing for the future.

Community Growth. New residential housing construction continues to rise due in large part to improved economic conditions. The resumption of growth will result in increased demands for infrastructure enhancements as well as service delivery such as inspections, code enforcement, police, fire, streets, and parks.

Commercial Growth. The City utilizes targeted tax abatement agreements to encourage investment, job creation, and redevelopment of underutilized areas. While these agreements temporarily reduce certain tax revenues, they are expected to provide long-term benefits by expanding the tax base, supporting economic growth, and enhancing the quality of life for residents. Additional details are presented in the notes to the financial statements.

Addressing Aging Infrastructure. Our City has more than \$400 million of investment in infrastructure such as roads, water mains, parks, trails, facilities, equipment, and other assets. The assets have maintenance, and in certain situations, replacement requirements.

The 2024 budget addressed the short-term plan while the Capital Improvement Plan addressed the anticipated intermediate and long-term needs. The most significant 2024 projects included:

- Annual pavement maintenance program to improve city-wide pavement management index
- 2024 Street Reconstruction
- Collector Road Rehabilitation (Ipava Ave/Indiana Ave/175th St)
- Well #23 construction
- CMF water tower painting
- Grand Prairie Park construction

Inflationary Pressures. As the economy improves there will be upward pressure on commodities, services, and personnel costs. Inflation has increased significantly recently due to supply chain disruptions, etc. The budget anticipated modest price increases in the near term.

Innovation and Efficiencies. Lakeville has a long-standing history of being fiscally conservative and prudent. Although the City of Lakeville receives no state aid for property tax relief, per capita current expenditures for operations are still amongst the lowest in the twin cities according to the Minnesota State Auditor's Office. The adopted budget included several initiatives which continued the focus on a commitment to cost effectiveness and efficiencies. Effective application of technology is a major factor in optimizing organizational efficiencies. The City converted the water meter system to a fixed-based system utilizing existing water towers as collectors. This ensures accurate water monitoring and provides residents with timely information regarding their water usage.

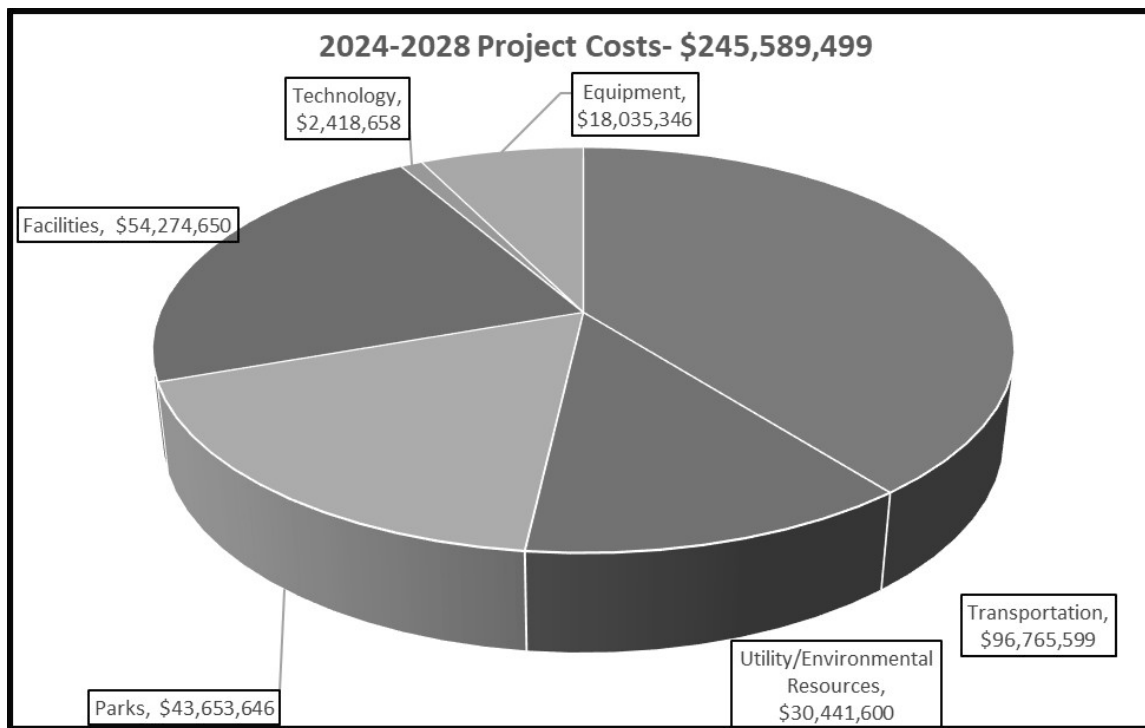
Entrepreneurial Efforts. Continued marketing initiatives are proposed to promote economic developments. Several years ago, property was acquired in southwestern Lakeville for what is now known as the Keokuk liquor store, the City's fourth liquor store. The excess land adjacent to the Keokuk liquor store is currently being marketed for sale for a complementary business to further improve revenues and sales opportunities.

Preparing for the Future. As a Community that embraces a high quality of life and a pro-business attitude, Lakeville is "Positioned to Thrive." It is an objective that embraces a vision for the future and a commitment to preparing for it.

Long-term Financial Planning

There is an interrelationship between a community's physical development and its long-term financial plan. A comprehensive plan provides the guidance for current and future land use and public infrastructure decisions to provide managed growth throughout the community. The City of Lakeville completes an update of its Comprehensive Plan every ten years.

The City prepares an annually updated Capital Improvement Plan (CIP) which is a flexible, five-year plan that identifies the City's infrastructure, development objectives and allocation of financial resources. The CIP identifies funding for the projects and provides policy makers and the community with a strategic (documented) approach to implementation and administration of improvement projects. The City will invest \$246 million in transportation, utility, equipment, technology, facilities, and parks over the next five years to achieve program objectives.



The City has also implemented long-term financial planning models for its governmental funds, utility funds and debt funds. This effort of forecasting operating and capital budgets has positioned the City to better handle the growing demand for City services, increased infrastructure, and the economic impact of unforeseen events such as COVID-19. Moody's Investors Service upgraded the City's bond rating from Aa1 to Aaa in June, 2021, citing the City's robust economic and financial performance that were exceptionally resilient throughout the coronavirus pandemic coupled with continued solid management practices that are expected to support strong credit fundamentals over the long-term. This top rating from Moody's is shared by only twelve other Minnesota cities. There are 31 MN cities with either Moody's Aaa and/or S&P Global's AAA rating.

As of December 31, 2024, the City of Lakeville had approximately \$155.450 million of debt outstanding. The City will issue approximately \$35 million general obligation improvement bonds in the coming years to finance street reconstruction projects, and facility expansion.

Relevant Financial Policies

The City has multiple policies which are utilized in the management of its fiscal affairs. The primary policies include, but are not limited to, operating budget policy, budget amendment process, revenue, debt, investment, and fund balance. The City also adopted a Financial Sustainability and Resiliency policy in January 2020.

- ***Operating Budgets.*** The City's operating budget policy sets forth guidance with respect to balanced operating budgets, with an overriding goal of achieving structural balance over a longer-term period, while recognizing that in certain periods, revenues and expenditures may not be equal. A balanced budget for the General Fund is defined as revenues and other sources equal to or exceeding operating expenditures and other uses. Other sources can include that portion of General Fund balance that is allowed to be budgeted for use per the City's fund balance policy. The budget will provide for adequate maintenance of capital facilities and equipment and for their orderly replacement.

Balanced budgets for the proprietary enterprise funds are defined as providing sufficient revenues to support the operations of those funds, without subsidy from the General Fund or property taxes. Charges from the Proprietary Internal Service Funds shall be sufficient to support such activities, with no trend of operating deficits.

The legal level of budgetary control (i.e., the level at which expenditures may not legally exceed appropriations) is at the fund level for the General Fund and Special Revenue Funds. The City Administrator has authorization to expend funds in excess of the appropriation for each department and to approve budget amendments between departments within a budgeted fund pursuant to all adopted financial policies. Budgeted expenditure appropriations lapse at year-end. Supplementary appropriations can be carried forward to the following year if approved by the City Council.

- ***Revenue Policies.*** The City will project its annual revenues by a conservative objective and thorough analytical process. The City will endeavor to maintain a diversified and stable revenue system to shelter it from annual fluctuations in any one revenue source. All existing and potential revenue sources will be reexamined annually. New sources of non-property-tax revenue should always be actively explored. Where appropriate and not contrary to accepted public policy or statutes, emphasis will be directed toward full cost recovery through user fees. User fees and cost allocation formulas will be updated periodically (annually, if needed). Ongoing, the City will review the full cost of activities supported by user fees to identify the impact of inflation and other factors. The fees along with the resulting net property tax costs will be reviewed with the City Council during the budget process. Sensitivity to market rates will also be considered in setting fees. Intergovernmental grant requests are subject to fiscal review before the application is submitted. This review is to ensure that the grants do not create an obligation for unfunded expenditures by the City relating to the grant's purpose and to provide an overall budgetary review of grant proposals.

- **Debt.** The City's debt policy provides guidance to ensure that long-term debt is utilized appropriately and in a fiscally prudent manner. Limiting long-term borrowing to capital improvements or other long-term projects which cannot, and appropriately should not, be financed from current revenues. Final maturity of bonds and notes should not exceed the expected useful life of the underlying project for which it is being issued. Where possible, the City will endeavor to pledge special assessments, State-aid or other non-tax revenues to debt service payments.
- **Investments.** The City's policy is to invest all available monies at competitive interest rates, coordinated with projections of the City's operating and program cash flow needs. Interest earnings will be distributed to the funds based on the average cash balances. Investments will take into consideration safety, liquidity and yield as well as complying with State regulations.
- **Fund Balance.** Fund balance or net position are terms used to define the difference between a fund's assets, deferred outflows of financial resources, liabilities, and deferred inflows of financial resources. Fund balance is used in governmental fund types and net position is used in proprietary fund types and the government-wide financial statements.
- **Financial Sustainability and Resiliency Policy.** The City Council adopted this new policy in January 2020. The purpose of this policy is to establish strategic financial sustainability and resiliency principles for the City of Lakeville, which may be used when developing the annual budget, long-term financial plans, and when making critical financial, economic development and community development decisions.

Awards

Certificate of Achievement

The Government Finance Officers Association (GFOA) of the United States awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Lakeville, Minnesota, for its annual comprehensive financial report for the fiscal year ended December 31, 2023. This is the thirty-sixth consecutive year that the City of Lakeville has received this prestigious award.

To be awarded a Certificate of Achievement for Excellence, a government must publish an easily readable and efficiently organized annual comprehensive financial report, and the contents must conform to the program standards. Such reports must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement for Excellence in Financial Reporting is valid for a period of one year only. We believe our current annual comprehensive financial report continues to conform to the Certificate of Achievement for Excellence program requirements, and we are submitting it to the GFOA to determine its eligibility for another certificate.

Financial Policy Challenge

The City also earned recognition as a winner of the Financial Policy Challenge from the Government Finance Officers Association (GFOA) in 2021 for its Financial Sustainability and Resiliency Policy. The GFOA launched this Challenge as an opportunity for GFOA members to adopt and share financial policies that are essential to a strong financial foundation.

Acknowledgements

The preparation of this report could not have been accomplished without the professional, efficient, and dedicated services of the entire staff of the Finance Department. We would like to express our appreciation to all members of the department, with special recognition to Senior Financial Analysts Tom Nesseth, Laura Miller, and Julie Werner.

We would also like to express our sincere gratitude to the City Council for its sincere commitment and progressive leadership in the financial affairs of our community.

Respectfully submitted,



Justin Miller
City Administrator



Julie Stahl
Finance Director/Treasurer

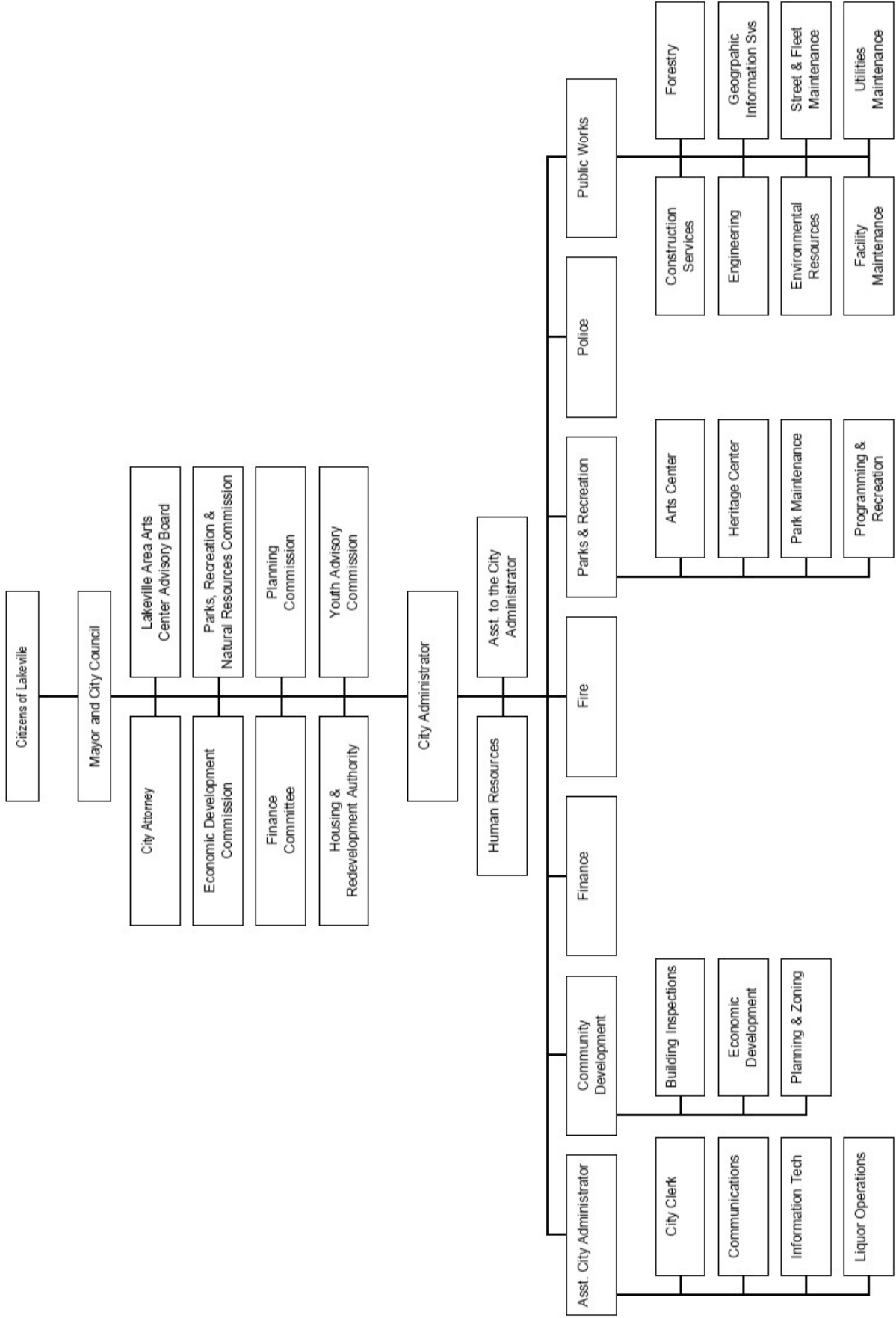
**CITY OF LAKEVILLE
ELECTED AND APPOINTED OFFICIALS
YEAR ENDED DECEMBER 31, 2024**

Elected Officials		<u>Term Expires December 31,</u>
Luke Hellier	Mayor	2026
John Bermel	Council Member	2024
Dan Wolter	Council Member	2024
Joshua Lee	Council Member	2026
Michelle Volk	Council Member	2026

APPOINTED PERSONNEL

Justin Miller	City Administrator
Julie Stahl	Finance Director/Treasurer
Ann Orlofsky	City Clerk

**CITY OF LAKEVILLE
 ORGANIZATIONAL CHART
 YEAR ENDED DECEMBER 31, 2024**



CITY OF LAKEVILLE
CERTIFICATE OF ACHIEVEMENT FOR EXCELLENCE IN FINANCIAL REPORTING
DECEMBER 31, 2024



Government Finance Officers Association

Certificate of
Achievement
for Excellence
in Financial
Reporting

Presented to

**City of Lakeville
Minnesota**

For its Annual Comprehensive
Financial Report
For the Fiscal Year Ended

December 31, 2023

Christopher P. Morill

Executive Director/CEO

FINANCIAL SECTION



INDEPENDENT AUDITORS' REPORT

Honorable Mayor and the City Council
City of Lakeville, Minnesota

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Lakeville, as of and for the year ended December 31, 2024, and the related notes to the financial statements, which collectively comprise the City of Lakeville's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Lakeville as of December 31, 2024, 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 Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the City of Lakeville 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.

Emphasis of Matter – Change in Accounting Principle

We draw attention to Note 22 of the financial statements, which describes the City's restatement due to a change in accounting principle. Our opinions are not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

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

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

Auditors' 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 auditors' 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 City of Lakeville'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 City of Lakeville'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, budgetary comparison information, schedule of changes in the City's total OPEB liability and related ratios, schedule of the City's proportionate share of net pension liability, schedule of the City's pension contributions, and the schedule of changes in net pension liability and related ratios 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 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 GAAS, 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 Lakeville's basic financial statements. The combining and individual fund statements and 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 GAAS. In our opinion, the combining and individual fund statements and schedules is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Information

Management is responsible for the other information included in the annual report. The other information comprises the introductory and statistical sections but does not include the basic financial statements and our auditors' 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.

Honorable Mayor and the City Council
City of Lakeville, Minnesota

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated September 30, 2025, on our consideration of the City of Lakeville's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City of Lakeville's 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 Lakeville's internal control over financial reporting and compliance.



CliftonLarsonAllen LLP

Minneapolis, Minnesota
September 30, 2025

**CITY OF LAKEVILLE
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2024**

As management of the City of Lakeville (the City), we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended December 31, 2024. The discussion and analysis is intended to be considered in conjunction with the additional information that we have furnished in our letter of transmittal, located earlier in this report, and the City's financial statements contained within this report.

Financial Highlights

- The assets and deferred outflows of resources of the City exceeded liabilities and deferred inflows of resources by \$586,716,381 (net position) at the close of the most recent fiscal year. Of this amount, \$55,735,393 (unrestricted net position) may be used to meet the government's ongoing obligations to citizens and creditors.
- The City's total net position increased by \$29,137,011 in 2024.
- The City's governmental funds reported combined ending fund balances of \$128,104,741. Of this total amount, \$68,639,377 or 53.6% is not restricted or nonspendable and is available for use within the City's constraints and policies.
- As of the end of the current fiscal year, the City's total unassigned fund balance for the general fund was \$20,668,085 or 52.8% of total general fund expenditures of \$39,129,789.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the City's basic financial statements. The City's basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to basic financial statements. This report also contains other required 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.

The government-wide financial statements include not only the City itself (known as the primary government), but also a legally separate housing and redevelopment authority (HRA) for which the City is considered to be financially accountable or for which the nature and significance of their relationship with the City is such that the exclusion would cause the City's financial statements to be misleading or incomplete. Financial information for this component unit is blended within the financial information presented for the primary government itself.

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

**CITY OF LAKEVILLE
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2024**

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

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

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

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

The City maintains 4 individual 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 fund, debt service fund, and the capital projects fund, all of which are considered to be major funds. Data from the other governmental funds is combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of combining statements following the required supplementary information.

**CITY OF LAKEVILLE
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2024**

The City adopts annual appropriated budgets for its general fund and special revenue funds. A budgetary comparison schedule has been provided as required supplementary information for the general fund to demonstrate compliance with this budget.

Proprietary funds. The City maintains two different types of proprietary funds. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The internal service fund is an accounting device used to accumulate and allocate costs internally among the City's various functions.

The City uses enterprise funds to account for its off-sale liquor and utility (water, sanitary sewer, streetlight, and environmental resources) operations. The City uses two internal service funds to account for its risk management insurance liability program and the compensated leave balances of governmental activities. These services benefit the governmental and business-type functions; therefore, they have been included within governmental and business-type activities in the government-wide financial statements.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for each of the enterprise funds, all of which are considered to be major funds of the City. The internal service funds are presented in a single aggregated presentation in the proprietary fund financial statements.

Fiduciary funds. Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statement because the resources of those funds are not available to support the City's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

Notes to basic financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

Other information. In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information.

This section includes a budgetary comparison schedule and related notes for the general fund, a schedule of funding progress for the other postemployment benefits plan of the City, and schedules related to the City's participation in defined benefit pension plans administered by the Minnesota Public Employees Retirement Association (PERA) and the Lakeville Fire Relief Association. The combining statements referred to earlier in connection with nonmajor governmental funds are presented immediately following the required supplementary information.

**CITY OF LAKEVILLE
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2024**

Government-wide Financial Analysis

An analysis of the City's financial position begins with a review of the Statement of Net Position and the Statement of Activities. These two statements report the City's net position and changes in net position. It should be noted that the financial position can also be affected by nonfinancial factors, including economic conditions, population growth, and new regulations.

As noted earlier, net position may serve over time as a useful indicator of the City's financial position. As presented in the following condensed version of the Statement of Net Position, the City's assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$586,716,381 at December 31, 2024. By far the largest portion, or 78.2% of net position, is reflected in its net investment in capital assets (e.g. land, buildings and improvements, machinery and equipment, infrastructure, and construction in process) less any related debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's net investment in capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

	Governmental Activities		Business-Type Activities		Total	
	2024	2023	2024	2023	2024	2023
Current and Other Assets	\$ 175,502,378	\$ 169,696,521	\$ 42,537,109	\$ 39,242,638	\$ 218,039,487	\$ 208,939,159
Capital Assets	387,482,576	373,067,888	211,014,799	206,302,217	598,497,375	579,370,105
Total Assets	562,984,954	542,764,409	253,551,908	245,544,855	816,536,862	788,309,264
Deferred Outflows of Resources	15,072,562	19,363,267	490,953	955,128	15,563,515	20,318,395
Current and Other Liabilities	16,320,363	18,975,527	1,650,902	2,521,017	17,971,265	21,496,544
Other Liabilities	181,819,713	182,219,323	14,548,818	17,415,261	196,368,531	199,634,584
Total Liabilities	198,140,076	201,194,850	16,199,720	19,936,278	214,339,796	221,131,128
Deferred Inflows of Resources	29,663,812	28,915,650	1,380,388	1,001,511	31,044,200	29,917,161
Net Position:						
Net Investment in Capital Assets	259,538,899	240,978,608	199,011,990	192,611,852	458,550,889	433,590,460
Restricted	72,430,099	73,224,358	-	-	72,430,099	73,224,358
Unrestricted	18,284,630	17,814,210	37,450,763	32,950,342	55,735,393	50,764,552
Total Net Position	\$ 350,253,628	\$ 332,017,176	\$ 236,462,753	\$ 225,562,194	\$ 586,716,381	\$ 557,579,370

The City's total restricted net position of \$72,430,099 comprises 12.3% of total net position at the close of the fiscal year ended December 31, 2024. These assets are subject to external restrictions on how they may be used.

The 2024 remaining balance of \$55,735,393 (9.5% of total net position), in unrestricted net position may be used to meet the government's ongoing obligations to citizens and creditors. The unrestricted net position of the City increased a total of \$4,970,841 primarily due to a decrease in net pension liability as well as an increase in property taxes.

**CITY OF LAKEVILLE
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2024**

Change in net position. The City's 2024 total net position during the current fiscal year increased by \$29,137,011 as shown in the following table. This increase is primarily attributed to economic conditions and community growth. Additional details that account for the change in net position are provided in the following analysis of the governmental and business-type activities.

	Change in Net Position					
	Governmental Activities		Business-Type Activities		Total	
	2024	2023	2024	2023 (as restated)	2024	2023 (as restated)
REVENUES						
Program Revenues:						
Charges for Services	\$ 18,843,137	\$ 15,948,865	\$ 43,934,809	\$ 45,408,259	\$ 62,777,946	\$ 61,357,124
Operating Grants and Contributions	2,368,016	9,393,087	217,437	1,028,439	2,585,453	10,421,526
Capital Grants and Contributions	19,478,574	17,429,101	9,866,907	5,739,878	29,345,481	23,168,979
General Revenues:						
Property Taxes	44,289,880	40,247,761	-	-	44,289,880	40,247,761
Franchise Taxes	531,252	601,288	-	-	531,252	601,288
Unrestricted Investment Earnings	5,630,680	5,834,294	1,368,137	1,322,619	6,998,817	7,156,913
Total Revenues	<u>91,141,539</u>	<u>89,454,396</u>	<u>55,387,290</u>	<u>53,499,195</u>	<u>146,528,829</u>	<u>142,953,591</u>
EXPENSES						
General Government	9,524,931	9,899,710	-	-	9,524,931	9,899,710
Public Safety	21,818,556	20,139,088	-	-	21,818,556	20,139,088
Public Works	27,274,347	29,136,552	-	-	27,274,347	29,136,552
Parks and Recreation	11,644,154	10,117,834	-	-	11,644,154	10,117,834
Interest on Long-Term Debt	3,535,602	2,903,304	-	-	3,535,602	2,903,304
Municipal Liquor	-	-	21,357,518	21,726,194	21,357,518	21,726,194
Utility	-	-	22,236,710	22,854,878	22,236,710	22,854,878
Total Expenses	<u>73,797,590</u>	<u>72,196,488</u>	<u>43,594,228</u>	<u>44,581,072</u>	<u>117,391,818</u>	<u>116,777,560</u>
CHANGE IN NET POSITION BEFORE TRANSFERS	17,343,949	17,257,908	11,793,062	8,918,123	29,137,011	26,176,031
Transfers and Contributions	<u>892,503</u>	<u>(2,789,942)</u>	<u>(892,503)</u>	<u>2,789,942</u>	<u>-</u>	<u>-</u>
CHANGE IN NET POSITION	18,236,452	14,467,966	10,900,559	11,708,065	29,137,011	26,176,031
Net Position - Beginning of Year	<u>332,017,176</u>	<u>317,549,210</u>	<u>225,562,194</u>	<u>213,854,129</u>	<u>557,579,370</u>	<u>531,403,339</u>
NET POSITION - END OF YEAR	<u>\$ 350,253,628</u>	<u>\$ 332,017,176</u>	<u>\$ 236,462,753</u>	<u>\$ 225,562,194</u>	<u>\$ 586,716,381</u>	<u>\$ 557,579,370</u>

Governmental activities. The governmental activities change in net position before transfers was an increase of \$18,236,452. The governmental revenue increase in charges for services is directly related to an increase in economic, development and community growth. Operating grants decreased in 2024 mostly due to the timing of payments received and additional funds received in 2023 compared to 2024 for state-aid funded street maintenance and improvement projects in 2023. Capital grants and contributions increased due to additional new special assessments being assessed in 2024 and an increase in developer-installed assets reported during 2024 than in 2023.

**CITY OF LAKEVILLE
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2024**

Revenues

The City's 2024 total revenues for governmental activities increased by \$1,687,143. Charges for services increased a total of \$2,894,272 primarily attributable to continued economic development and community growth, as demonstrated by higher collections of park dedication fees, building permit revenues, and connection and area charges. A summary of the various decreases are shown as follows:

	<u>2024</u>	<u>2023</u>	Increase / (Decrease)
<u>Charges for services</u>			
Licenses and building permit fees	\$ 3,052,954	\$ 3,489,815	\$ (436,861)
Connection and area charges	4,515,007	4,920,155	(405,148)
Engineering fees - reconstruction projects	1,294,484	979,981	314,503
Park dedication fees	3,338,496	1,331,097	2,007,399
Other	6,642,196	5,227,817	1,414,379
Total charges for services	<u>\$ 18,843,137</u>	<u>\$ 15,948,865</u>	<u>\$ 2,894,272</u>

Operating grants and contributions experienced an overall decrease of \$7,025,071. Operating grants decreased in 2024 mostly due to the City receiving \$3,156,649 of local public safety aid in 2023. Also, the level of state-aid funded street maintenance projects decreased compared to the prior year. A summary of the various operating grants and contributions are shown as follows:

	<u>2024</u>	<u>2023</u>	Increase / (Decrease)
<u>Operating grants and contributions</u>			
State-aid for street maintenance	\$ 238,712	\$ 3,636,809	\$ (3,398,097)
State-aid for street revenue bonds	60,572	336,394	(275,822)
State local public safety aid	-	3,156,649	(3,156,649)
Other grants, contributions and donations	2,068,732	2,263,235	(194,503)
Total Operating grants and contributions	<u>\$ 2,368,016</u>	<u>\$ 9,393,087</u>	<u>\$ (7,025,071)</u>

**CITY OF LAKEVILLE
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2024**

Capital grants and contributions increased by \$2,049,473. Contributed infrastructure from private land developers increased \$1.6 million; the infrastructure consists of street, storm water, and park and trail capital assets. The summary of capital grants and contributions are shown as follows:

	<u>2024</u>	<u>2023</u>	Increase / (Decrease)
<u>Capital grants and contributions</u>			
Contributed infrastructure from developers	\$ 11,527,671	\$ 9,870,707	\$ 1,656,964
Special assessments	1,434,675	1,148,080	286,595
Other grants and contributions	6,478,030	6,365,932	112,098
PEG fees	38,198	44,382	(6,184)
Total capital grants and contributions	<u>\$ 19,478,574</u>	<u>\$ 17,429,101</u>	<u>\$ 2,049,473</u>

Property tax revenue increased \$4,042,119 or 10.0% primarily due to an increase in the overall tax levy. A higher collection rate also contributed to the increase.

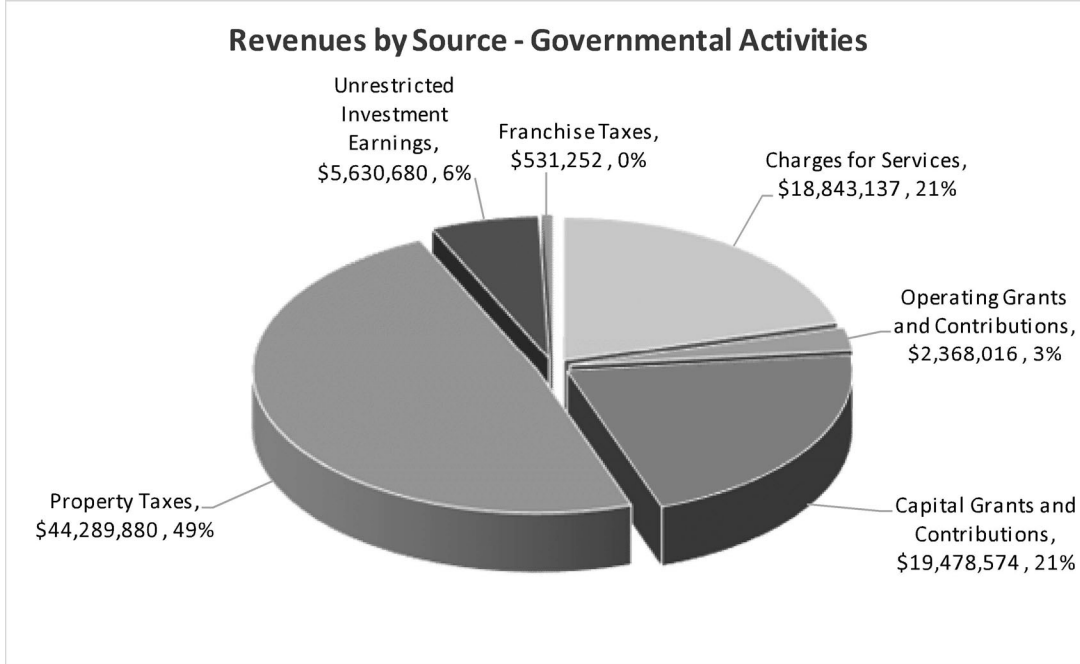
Cable franchise taxes of \$531,252 were received in 2024 versus \$601,288 in 2023.

Investment income earnings decreased by \$203,614. The decrease is the combination of earnings and changes in investment asset values which are inversely related to the changes in market rates.

	<u>2024</u>	<u>2023</u>	Increase / (Decrease)
<u>General revenues</u>			
Property taxes	\$ 44,289,880	\$ 40,247,761	\$ 4,042,119
Franchise taxes	531,252	601,288	(70,036)
Investment income	5,630,680	5,834,294	(203,614)
Total general revenues	<u>\$ 50,451,812</u>	<u>\$ 46,683,343</u>	<u>\$ 3,768,469</u>

**CITY OF LAKEVILLE
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2024**

A summary of 2024 revenues by source for governmental activities is shown as follows:



Expenses

The City's 2024 total governmental activities expenses (before depreciation on capital assets and interest on long-term debt) decreased by \$1,603,995 or 3.2%. Total governmental activities expenses increased by \$1,601,102 or 2.2%, shown as follows:

	2024	2023	Increase / (Decrease)
<u>Governmental activities expenses</u>			
General government	\$ 9,062,867	\$ 9,491,848	\$ (428,981)
Public safety	20,227,705	18,817,348	1,410,357
Public works	11,749,033	14,842,043	(3,093,010)
Parks and recreation	6,998,916	6,491,277	507,639
Total before depreciation and interest	<u>48,038,521</u>	<u>49,642,516</u>	<u>(1,603,995)</u>
Depreciation on capital assets	22,223,467	19,650,668	2,572,799
Interest on long-term debt	3,535,602	2,903,304	632,298
Total governmental activities expenses	<u><u>\$ 73,797,590</u></u>	<u><u>\$ 72,196,488</u></u>	<u><u>\$ 1,601,102</u></u>

**CITY OF LAKEVILLE
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2024**

Following are explanations of various increases and (decreases) in expenses by governmental function as shown above.

General government expenses decreased slightly by \$428,981, or 4.5% primarily due to employees in key positions taking advantage of the advanced resignation policy which provides the City up to six months' notice to hire and train the respective replacements. Savings also resulted from staff vacancies, restructuring, the completion of the ERP implementation, and delayed projects.

Public safety expenses increased by \$1,410,357, or 7.5%, primarily due to new hires in Police and Fire, including 6 full-time firefighters added mid-year as the city transitions to a hybrid fire staffing model.

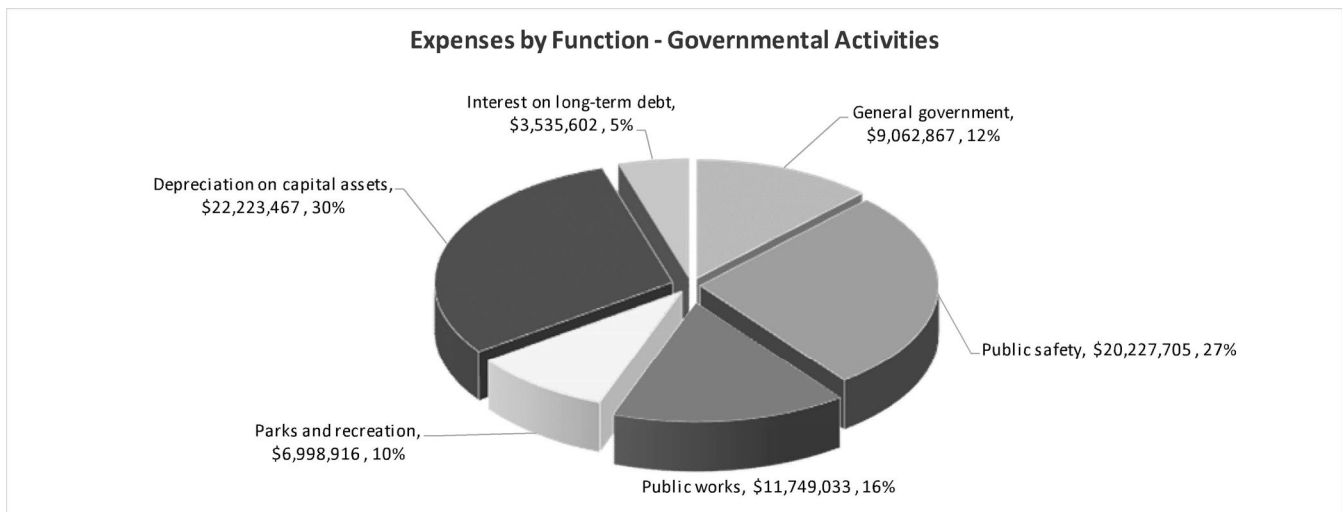
Public works expenses decreased by \$3,093,010, or 20.8%, primarily due to fewer non-City asset improvement and maintenance projects in 2024 compared to 2023.

Parks and recreation expenses increased \$507,639, or 7.8%, primarily due to staffing transitions and expanded Arts Center programming funded by late-2023 Arts Board Grant. Seasonal costs are higher than the same period in 2023 due to the City's continued growth and increased seasonal positions.

Depreciation on capital assets increased by \$2,572,799 or 13.1%; primarily due to depreciation starting on recently completed projects.

Interest on long-term debt increased by \$632,298, or 21.8%; primarily due to current amortization of bond premiums.

A summary of 2024 expenses by function for governmental activities is shown as follows:



**CITY OF LAKEVILLE
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2024**

Business-type activities. Business-type activities increased the City's 2024 total net position by \$10,900,559. Key elements of the increase in net position along with a comparison of revenues, expenses, and changes in net position during fiscal years 2024 and 2023 are shown as follows:

	<u>2024</u>	<u>2023</u>	<u>Increase / (Decrease)</u>
Revenues			
Charges for services			
Liquor	\$ 22,647,127	\$ 22,692,555	\$ (45,428)
Utility	21,287,682	22,715,704	(1,428,022)
Operating grants and contributions			
Liquor	38,882	163	38,719
Utility	178,555	1,028,276	(849,721)
Capital contributions			
Utility	9,866,907	5,739,878	4,127,029
Investment earnings	1,368,137	1,322,619	45,518
Total revenues	<u>55,387,290</u>	<u>53,499,195</u>	<u>1,888,095</u>
Expenses			
Liquor	21,357,518	21,726,194	(368,676)
Utility	22,236,710	22,854,878	(618,168)
Total expenses	<u>43,594,228</u>	<u>44,581,072</u>	<u>(986,844)</u>
Change in net position before transfers	11,793,062	8,918,123	2,874,939
Transfers	(892,503)	2,789,942	(3,682,445)
Change in net position	<u>10,900,559</u>	<u>11,708,065</u>	<u>(807,506)</u>
Net position - beginning, as restated	<u>225,562,194</u>	<u>213,854,129</u>	<u>11,708,065</u>
Net position - ending	<u>\$ 236,462,753</u>	<u>\$ 225,562,194</u>	<u>\$ 10,900,559</u>

The City's 2024 business-type total revenues increased by \$1,888,095 or 3.53%; the various revenue components are discussed in detail in the following paragraphs.

- The liquor fund 2024 charges for services stayed relatively consistent due to all four stores operating for the full 12 months in 2023 and 2024. The 2024 cost of goods sold as a percentage of sales were 72.1%, compared to 72.7% in 2023.
- The overall utility revenue charges for services decreased by \$1,428,022. This overall decrease is represented by a water revenue decrease of \$2,275,571, sanitary sewer revenue increase of \$633,387, streetlight revenue increase of \$66,069, and environmental resources revenue increase of \$148,093. The decrease in water and increase in sanitary sewer are due to customer consumption because of changes in weather patterns, rate increases, and change in the number of customers. The streetlight and environmental resources funds increases are due to an increase in customers.
- Investment earnings increased \$45,518. The increase is the combination of increased earnings and changes in investment asset values which are inversely related to the changes in market rates.

**CITY OF LAKEVILLE
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2024**

- The utility fund experienced a total increase of \$4,127,029 in capital contributions. The majority of the increase is derived from water and sanitary sewer contributed from developer improvement projects (greater number of contributions during 2024). City improvement project infrastructure assets of \$1,264,516 were contributed to the utility fund which is within the net transfer in amount of \$892,503 on the Statement of Activities. The total amount of contributed infrastructure assets received by the utility fund varies yearly.

The City's 2024 business-type total expenses decreased by \$986,844 or 2.2% as follows:

	Increase (Decrease) from 2023		
	Liquor Fund	Utility Fund	Total
<u>Business-type activities expenses</u>			
Cost of Goods Sold	\$ (143,610)	\$ -	\$ (143,610)
Personnel services	(180,513)	(76,612)	(257,125)
Commodities	(38,776)	(35,376)	(74,152)
Other charges and services	(114,286)	(1,485,536)	(1,599,822)
Sanitary sewage treatment and disposal	-	315,535	315,535
Depreciation on capital assets	41,648	696,775	738,423
Interest, fiscal charges, bond premium (net)	(3,035)	(12,749)	(15,784)
Loss on Disposal of Capital Assets	69,896	(20,205)	49,691
Total Business-type Expenses	<u>\$ (368,676)</u>	<u>\$ (618,168)</u>	<u>\$ (986,844)</u>

- The liquor fund cost of goods sold decreased \$143,610 which is proportionate to the decrease in sales.
- Liquor fund personnel services expenses decreased \$180,513, while utility fund personnel services expenses decreased \$76,612. The liquor decrease was the result of staff restructuring. The utility decrease reflects the replacement of retiring employees with employees at the lower end of the pay grade .
- Utility fund other charges and services expenses decreased by \$1,485,536 while the liquor fund decreased by \$114,286. Water expenses decreased primarily due to a drop in major maintenance projects including, watermain repairs (costs to fix watermain breaks are not capitalizable). Sewer expenses increased due to higher sanitary sewer costs incurred on the annual street projects in 2024 as compared to 2023.
- The utility fund sanitary sewage treatment and disposal expenses increased by \$315,535 primarily due to the change in factors used by MCES in their pass-through cost allocation to the City. The City's annual cost increased 6.2% to \$5,382,250 and the City's wastewater accounts for 1.91% of the total flow through the regional system.
- Utility fund depreciation increased 696,775 due to additional machinery, equipment and infrastructure assets that are depreciated in 2024 in comparison to 2023.

**CITY OF LAKEVILLE
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2024**

Financial Analysis of the City's Funds

As noted earlier, the City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. Some funds are required statutorily while others are established internally to assist management in accounting for certain activities.

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, unrestricted fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$128,104,741. Of this amount, \$68,639,377 or 53.6% of this combined ending fund balance constitutes fund balance that is available for spending at the government's discretion. Nonspendable fund balances of \$352,765 are amounts that are not in a spendable form, such as prepaid items and inventory. The remaining fund balance is restricted for (a) debt service of \$23,590,844, (b) capital acquisition of \$19,809,666, (c) Parks Bond Referendum of \$12,015,427, (d) public safety aid of \$3,156,649, and (e) other restricted purposes of \$540,013.

The general fund is the chief operating fund of the City. At the end of the current fiscal year, the fund balance was \$23,186,629, an increase from the prior year of \$813,632, resulting from \$737,498 of revenues over expenditures, net transfers out of \$11,998, and a change in supplies inventory of \$64,136.

The debt service fund balance increased by \$1,399,550 due to the related debt service fund revenues, bond issuance proceeds and net transfers in exceeding debt service requirements. Even though debt requirements exceeded property tax and special assessment revenues, transfers in of excess bond proceeds from improvement projects helped to offset this deficiency.

The capital project fund accounts for infrastructure reconstruction projects that require debt issuance for financing purposes, the accumulation and disbursement of funds for the construction or improvement of public buildings, the City's municipal state aid projects and financing, and various other capital activity. The activity of this fund fluctuates from year to year depending on the scope of the project, based on state aid allotments and projects completed, and based on the City's building improvement needs. The fund balance increased by \$3,589,859 due to the influx of bond proceeds in 2024.

**CITY OF LAKEVILLE
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2024**

General Fund Budgetary Highlights

With the exception of the police and arts center departments, all other general fund departments expended their 2024 budget appropriations at or below the final adopted budget. A schedule of revenues, expenditures and changes in fund balances – budgetary comparison is disclosed in the required supplemental information section of this report. A summary of general fund revenues, expenditures, other financing sources (uses), variance with final budget, and net change in fund balance is as follows:

	Budget As Originally Adopted	Final Budget	Actual	Variance with Final Budget
Revenues				
Property taxes	\$ 29,821,150	\$ 29,821,150	\$ 29,513,138	\$ (308,012)
Licenses and permits	3,262,810	2,962,810	3,052,954	90,144
Intergovernmental	1,596,841	1,904,208	2,172,655	268,447
Charges for services	3,059,510	3,224,220	3,870,497	646,277
Special assessments	-	-	9,321	9,321
Fines	240,000	240,000	222,790	(17,210)
Interest income	311,190	611,190	470,764	(140,426)
Change in value of investments	-	-	398,037	398,037
Donations	45,200	45,200	76,290	31,090
Miscellaneous	38,884	61,284	80,841	19,557
Total revenues	<u>38,375,585</u>	<u>38,870,062</u>	<u>39,867,287</u>	<u>997,225</u>
Expenditures				
Personnel services	30,448,662	30,094,373	29,675,508	(418,865)
Commodities	2,372,867	2,356,432	2,127,178	(229,254)
Other charges and services	7,822,296	7,865,334	7,235,048	(630,286)
Capital outlay	71,745	81,745	92,055	10,310
Other	250,000	-	-	-
Total expenditures	<u>40,965,570</u>	<u>40,397,884</u>	<u>39,129,789</u>	<u>(1,268,095)</u>
Other financing sources (uses)	<u>1,061,571</u>	<u>11,998</u>	<u>11,998</u>	<u>-</u>
Net change in fund balance	<u>\$ (1,528,414)</u>	<u>\$ (1,515,824)</u>	<u>\$ 749,496</u>	<u>\$ 2,265,320</u>

The 2024 actual general fund revenues were over the final budget by \$997,225 and expenditures were under final adopted budget by \$1,268,095. Other financing sources (uses) came in at the final budgeted amount. The general fund actual net change in fund balance surpassed final budget by \$2,265,320.

The General Fund budget was amended to reflect higher state aid grants, program and investment revenues, while building permit revenues were reduced due to lower-than-expected projections. Expenditures were adjusted for personnel contingency allocation, additional recreation and arts programs, election services, and timing shifts in professional services.

**CITY OF LAKEVILLE
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2024**

The following is a brief summary explanation of the various budgets to actual variances for revenues:

- Property taxes were lower than anticipated by \$308,012 due in part to slightly lower than anticipated current tax collection rates and moderately lower than expected delinquent tax collections. All delinquent taxes are recorded in the General Fund and the other funds receive 100 percent of their current levy.
- Licenses and permits exceeded estimates by \$90,144 due to change in the mix of building permits from single family to multi-family homes. The number of residential building permits budgeted were 300 compared to 285 actual. Permits for townhomes were budgeted at 140 units compared to 149 actual units.
- Intergovernmental revenues exceeded estimates by \$268,447 mainly due to the City's receipt of \$131,962 in state aid contributions to PERA, federal grants of \$53,869 and state grants of \$91,699.
- Charges for services experienced a variance of \$646,277 mainly due to engineering-related services with developer construction administration.
- Fines were less than final budgeted amounts by \$17,210.
- Interest income and the change in value of investments were higher than the final budget amount by \$257,611 due to favorable market conditions. The City's Management employs prudent investment practices and cash management techniques to maximize investment income while protecting the City's treasury. Investments are typically held to maturity.
- Donations and miscellaneous revenues experienced positive variances of \$31,090 and \$19,557, respectively.

The following is a brief summary explanation of the various budgets to actual variances for expenditures:

- Personnel costs including benefits were \$418,865 below budget estimates due to vacancies in inspections and construction services as well as employee transition costs in community development.
- Commodities were \$229,254 under budget due to reduced maintenance supplies, snow/ice control materials, and street signs.
- Other charges and services were \$630,286 below budget which is attributed to several factors. Departments under budget in this area saved costs due to either internal staff handling the services, or reduced service needs from lower development activity.
- Capital outlay was \$10,310 over budget costs incurred for the Arts Board Grant awarded in late 2023.

**CITY OF LAKEVILLE
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2024**

Capital Asset and Debt Administration

Capital assets. The City's capital assets for governmental and business-type activities as of December 31, 2024 are \$598 million (net of accumulated depreciation and amortization). This amount represents an increase (including additions, deletions, and depreciation and amortization) of approximately \$19 million from 2023.

The net investment in capital assets including land, historical treasures, buildings, machinery and equipment, other improvements, infrastructure, and construction in process is shown as follows:

Capital Assets at Year-End
(Net of Accumulated Depreciation)

	Governmental Activities	Business-Type Activities	Total
Land	\$ 37,683,547	\$ 3,672,969	\$ 41,356,516
Historical treasures	218,700	-	218,700
Construction in process	14,128,422	37,894	14,166,316
Buildings and improvements	77,751,280	34,490,655	112,241,935
Machinery and equipment	31,499,293	9,071,740	40,571,033
Other improvements	22,782,454	-	22,782,454
Right-to-use assets - buildings	-	3,989,676	3,989,676
Infrastructure			
Streets	240,482,212	-	240,482,212
Storm sewer	144,176,648	-	144,176,648
Parks	45,799,613	-	45,799,613
Environmental resources	-	563,963	563,963
Water	-	156,657,556	156,657,556
Sanitary sewer	-	106,933,457	106,933,457
Total Capital Assets	614,522,169	315,417,910	929,940,079
Less: Accumulated Depreciation/ Amortization	<u>(227,039,593)</u>	<u>(104,403,111)</u>	<u>(331,442,704)</u>
Total Capital Assets, Net	<u>\$ 387,482,576</u>	<u>\$ 211,014,799</u>	<u>\$ 598,497,375</u>

The City's 2024 amended budget provides funding for \$65.6 million in infrastructure capital assets, public building improvements and upgrades, equipment capital assets such as vehicle replacements for public safety and public works, and technology equipment. Refer to Note 3 – *Capital Assets*, of the Notes to Basic Financial Statements for additional information.

**CITY OF LAKEVILLE
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2024**

Debt administration. At the end of the current fiscal year, the City of Lakeville had total bonded debt and long-term lease liabilities outstanding of \$158.497 million, which is a net increase of \$8.363 million compared to the prior year. The increase is due to the issuance of the \$21.53 million 2024A General Obligation bonds exceeding payments on existing bonded debt.

The City manages its debt structure by utilizing approaches that take full advantage of its financial position, revenue trends, and conditions in municipal bond markets. Refer to Note 5 – *Long-Term Liabilities*, of the Notes to Basic Financial Statements for additional information about the City's governmental and business-type long-term debt activity.

The City's outstanding bonded obligation debt as of December 31, 2024 is shown as follows:

	Outstanding Debt Bonds and Leases Payable			
	Balance January 1	Issued	Redeemed	
Governmental Activities				
G.O. bonds				
General obligation bonds	\$ 53,025,000	\$ 15,075,000	\$ 3,525,000	\$ 64,575,000
G.O. improvement	57,630,000	6,455,000	6,285,000	57,800,000
State-aid street revenue	3,470,000	-	210,000	3,260,000
Water revenue	5,590,000	-	465,000	5,125,000
Tax abatement	17,310,000	-	1,020,000	16,290,000
Total governmental activities	<u>137,025,000</u>	<u>21,530,000</u>	<u>11,505,000</u>	<u>147,050,000</u>
Business-Type Activities				
Water revenue	8,380,000	-	965,000	7,415,000
Sewer revenue	135,000	-	65,000	70,000
Street light revenue	145,000	-	45,000	100,000
Financed purchase arrangement	1,075,000	-	260,000	815,000
Lease liability	3,374,280	-	327,201	3,047,079
Total business-type activities	<u>13,109,280</u>	<u>-</u>	<u>1,662,201</u>	<u>11,447,079</u>
 Total bonds payable	 <u>\$ 150,134,280</u>	 <u>\$ 21,530,000</u>	 <u>\$ 13,167,201</u>	 <u>\$ 158,497,079</u>

Credit Rating

The City of Lakeville's general obligation bond rating as of December 31, 2024 is "Aaa" as rated by Moody's Ratings. On May 31, 2024 Moody's Ratings affirmed the city's Aaa issuer rating, Aaa GOULT (General Obligation Unlimited Tax) ratings, and Aa2 lease revenue rating. Moody's Ratings' May 2024 Credit Opinion summary stated "The City of Lakeville benefits from a growing economy in the Twin Cities metro area with very strong resident income, a robust financial position and low fixed-costs. Leverage will likely remain moderate despite some future capital needs."

**CITY OF LAKEVILLE
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2024**

State statutes limit the amount of general obligation debt a Minnesota city may issue to 3% of total assessor's taxable market valuation. The City has \$73,548,737 of net bonded debt, which is subject to the \$376,398,316 current debt limitation, thereby resulting in a legal debt margin of \$302,849,579. Refer to the Statistical Section of this report for a detailed computation of the City's legal debt margin.

Economic Conditions and Next Year's Budget

The City of Lakeville remains one of the top growth cities in the Minnesota twin city metro area. The trend for building permit activity for single family homes is steady and increased from last year. The building permits for single family homes/detached townhomes increased from 367 in 2023 compared to 385 permits in 2025. The budget and five-year capital improvement plan are premised on the assumption growth will continue at a subdued level for the foreseeable future.

The adopted 2025 budget meets the city's growing program and service levels, adding 16 new positions - 15 full-time firefighters (funded by a new SAFER grant) and one police officer. The 2025 budget uses no reserves for one-time or long-term purchases, despite allowance of such under the city's Fund Balance policy. The 2025 budget supports the Envision Lakeville Vision Plan by investing in technology, strategic partnerships, infrastructure, and staffing to enhance efficiency, foster development, and meet community expectations.

Requests for Information

This financial report is designed to provide a general overview of the City of Lakeville's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be directed to the City of Lakeville Finance Department at 20195 Holyoke Avenue, Lakeville, Minnesota 55044, (952) 985-4400, or email request to jstahl@lakevillemn.gov.

BASIC FINANCIAL STATEMENTS

**CITY OF LAKEVILLE
STATEMENT OF NET POSITION
DECEMBER 31, 2024**

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
ASSETS			
Cash and investments	\$ 138,747,612	\$ 33,531,434	\$ 172,279,046
Receivables	32,251,235	6,323,961	38,575,196
Internal balances	(251,813)	251,813	-
Inventories	308,206	2,415,487	2,723,693
Prepaid items	44,559	14,414	58,973
Restricted assets (temporarily):			
Investments held by trustee	272	-	272
Net pension asset - fire relief	4,402,307	-	4,402,307
Capital assets:			
Nondepreciable	52,030,669	3,710,863	55,741,532
Depreciable, net	335,451,907	207,303,936	542,755,843
Total capital assets	<u>387,482,576</u>	<u>211,014,799</u>	<u>598,497,375</u>
 Total assets	 562,984,954	 253,551,908	 816,536,862
DEFERRED OUTFLOWS OF RESOURCES			
OPEB related deferments	255,376	52,990	308,366
Pension plan deferments - PERA	14,611,361	437,963	15,049,324
Pension plan deferments - fire relief	205,825	-	205,825
 Total deferred outflows of resources	 15,072,562	 490,953	 15,563,515
LIABILITIES			
Salaries, accounts, contracts, and deposits payable	13,515,523	1,421,073	14,936,596
Accrued interest	2,464,515	122,029	2,586,544
Unearned revenue	340,325	107,800	448,125
Noncurrent liabilities:			
Net pension liability - PERA due in more than one year	13,086,392	1,706,150	14,792,542
Total OPEB Liability due within one year	38,437	6,345	44,782
Total OPEB Liability due in more than one year	955,227	199,838	1,155,065
Other long-term liabilities due within one year	15,508,292	2,161,743	17,670,035
Other long-term liabilities due in more than one year	152,231,365	10,474,742	162,706,107
 Total liabilities	 198,140,076	 16,199,720	 214,339,796
DEFERRED INFLOWS OF RESOURCES			
Deferred gain on refunding	844,291	-	844,291
Leases	8,124,692	-	8,124,692
OPEB-related deferments	411,731	85,434	497,165
Pension plan deferments - PERA	18,445,405	1,294,954	19,740,359
Pension plan deferments - fire relief	1,837,693	-	1,837,693
 Total deferred inflows of resources	 29,663,812	 1,380,388	 31,044,200
NET POSITION			
Net investment in capital assets	259,538,899	199,011,990	458,550,889
Restricted for:			
Special purposes	429,105	-	429,105
Debt service	33,709,823	-	33,709,823
Capital acquisition	30,317,533	-	30,317,533
Public safety	3,156,649	-	3,156,649
Opioid remediation activities	414,682	-	414,682
Fire relief pensions	4,402,307	-	4,402,307
Unrestricted	18,284,630	37,450,763	55,735,393
 Total Net Position	 <u>\$ 350,253,628</u>	 <u>\$ 236,462,753</u>	 <u>\$ 586,716,381</u>

See accompanying Notes to Basic Financial Statements.

**CITY OF LAKEVILLE
STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2024**

Functions/Programs	Program Revenues			Net (Expense) Revenue and Changes in Net Position			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Primary Government:							
Governmental Activities:							
General government	\$ 9,524,931	\$ 7,452,928	\$ 175,668	\$ 380,326	\$ (1,516,009)	\$ -	\$ (1,516,009)
Public safety	21,818,556	819,342	1,823,715	-	(19,175,499)	-	(19,175,499)
Public works	27,274,347	5,774,455	249,629	18,802,885	(2,447,378)	-	(2,447,378)
Parks and recreation	11,644,154	4,796,412	119,004	295,363	(6,433,375)	-	(6,433,375)
Interest on long-term debt	3,535,602	-	-	-	(3,535,602)	-	(3,535,602)
Total-governmental activities	73,797,590	18,843,137	2,368,016	19,478,574	(33,107,863)	-	(33,107,863)
Business-Type Activities:							
Liquor	21,357,518	22,647,127	38,882	-	-	1,328,491	1,328,491
Utility	22,236,710	21,287,682	178,555	9,866,907	-	9,096,434	9,096,434
Total Business-Type Activities	43,594,228	43,934,809	217,437	9,866,907	-	10,424,925	10,424,925
Total Primary Government	\$ 117,391,818	\$ 62,777,946	\$ 2,585,453	\$ 29,345,481	(33,107,863)	10,424,925	(22,682,938)
General Revenues:							
Property taxes					44,289,880	-	44,289,880
Franchise taxes					531,252	-	531,252
Investment income					5,630,680	1,368,137	6,998,817
Transfers					892,503	(892,503)	-
Total general revenues and transfers					51,344,315	475,634	51,819,949
Change in Net Position					18,236,452	10,900,559	29,137,011
Net Position - Beginning of Year, As Originally Reported					332,017,176	221,210,035	553,227,211
Restatement (see Note 22)					-	4,352,159	4,352,159
Beginning of Year, as Restated					332,017,176	225,562,194	557,579,370
Net Position - End of Year					\$ 350,253,628	\$ 236,462,753	\$ 586,716,381

See accompanying Notes to Basic Financial Statements.

**CITY OF LAKEVILLE
BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2024**

ASSETS	General Fund	Debt Service Fund	Capital Projects Fund	Nonmajor Governmental Funds	Total Governmental Funds
Cash and investments	\$ 31,074,728	\$ 23,248,030	\$ 81,741,951	\$ 1,557,297	\$ 137,622,006
Investments held by trustee	-	272	-	-	272
Interest receivable	114,920	93,735	513,760	8,074	730,489
Taxes receivable	2,090,389	-	-	-	2,090,389
Accounts receivable	716,280	513,751	5,157,866	868,731	7,256,628
Due from other funds	-	-	187,445	-	187,445
Special assessments receivable	136,154	11,521,921	1,962,555	-	13,620,630
Leases and financed purchases receivable	40,292	815,000	8,491,666	-	9,346,958
Inventory	308,206	-	-	-	308,206
Prepaid items	44,559	-	-	-	44,559
Total Assets	\$ 34,525,528	\$ 36,192,709	\$ 98,055,243	\$ 2,434,102	\$ 171,207,582
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCE					
LIABILITIES					
Salaries payable	\$ 680,885	\$ -	\$ -	\$ 10,702	\$ 691,587
Accounts payable	1,090,053	18,370	3,295,099	2,724	4,406,246
Due to other funds	-	-	187,445	-	187,445
Deposits payable	8,228,705	-	184,777	-	8,413,482
Unearned revenue	190,325	-	150,000	-	340,325
Total Liabilities	10,189,968	18,370	3,817,321	13,426	14,039,085
DEFERRED INFLOWS OF RESOURCES					
Unavailable revenue - taxes	361,737	-	-	-	361,737
Unavailable revenue - special assessments	749,054	11,492,923	1,962,437	-	14,204,414
Leases and financed purchases	38,140	815,000	8,041,385	45,167	8,939,692
Unavailable revenue - other	-	275,572	4,543,377	738,964	5,557,913
Total Deferred Inflows of Resources	1,148,931	12,583,495	14,547,199	784,131	29,063,756
FUND BALANCE					
Nonspendable	352,765	-	-	-	352,765
Restricted	1,850,000	23,590,844	33,131,742	540,013	59,112,599
Committed	-	-	46,874,760	1,096,532	47,971,292
Unassigned (Deficit)	20,983,864	-	(315,779)	-	20,668,085
Total Fund Balance	23,186,629	23,590,844	79,690,723	1,636,545	128,104,741
Total Liabilities, Deferred Inflows of Resources, and Fund Balance	\$ 34,525,528	\$ 36,192,709	\$ 98,055,243	\$ 2,434,102	\$ 171,207,582

See accompanying Notes to Basic Financial Statements.

**CITY OF LAKEVILLE
RECONCILIATION OF THE BALANCE SHEET TO THE
STATEMENT OF NET POSITION
GOVERNMENTAL ACTIVITIES
DECEMBER 31, 2024**

Total Fund Balances for Governmental Funds		\$ 128,104,741
<p>Total net position reported for governmental activities in the statement of net position is different because:</p> <p>Capital assets used in governmental funds are not financial resources and, therefore, are not reported in the funds. Those assets consist of:</p>		
Governmental capital assets	\$ 614,522,169	
Less: Accumulated depreciation and amortization	<u>(227,039,593)</u>	387,482,576
<p>Net pension assets are only recorded in the government-wide financial statements as they are not current financial resources to governmental funds.</p>		
		4,402,307
<p>Long-term liabilities are not payable with current financial resources and, therefore, are not reported in the governmental funds.</p>		
Bonds	(147,050,000)	
Accrued interest	(2,464,515)	
Loan	(2,956,795)	
Note Payable	(5,174,148)	
Unamortized bond premium	(8,707,323)	
Deferred gain on refunding	<u>(844,291)</u>	(167,197,072)
<p>The City's net pension liability and related and deferred inflows and deferred outflows are recorded only on the statement of net position. Balances at year-end are:</p>		
Net pension liability	(13,086,392)	
Deferred inflows of resources	(20,283,098)	
Deferred outflows of resources	<u>14,817,186</u>	(18,552,304)
<p>Total OPEB liabilities are not payable with current financial resources and, therefore, are not reported in the governmental funds.</p>		
		(993,664)
<p>OPEB related deferred outflows of resources are recorded only on the statement of net position.</p>		
		255,376
<p>OPEB related deferred inflows of resources are recorded only on the statement of net position.</p>		
		(411,731)
<p>Deferred inflows of resources related to unavailable revenue in governmental funds are susceptible to full accrual on the government-wide statements.</p>		
		20,124,064
<p>The City uses an internal service fund to charge the cost of insurance activities and compensated absences to individual funds. A portion of the assets and liabilities of the municipal reserves fund and compensated absences fund are included in governmental activities in the Statement of Net Position.</p>		
		<u>(2,960,665)</u>
Total Net Position of Governmental Activities		<u><u>\$ 350,253,628</u></u>

See accompanying Notes to Basic Financial Statements.

CITY OF LAKEVILLE
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED DECEMBER 31, 2024

	General Fund	Debt Service Fund	Capital Projects Fund	Nonmajor Governmental Funds	Total Governmental Totals
REVENUE					
Property taxes	\$ 29,513,138	\$ 11,537,150	\$ 2,550,000	\$ -	\$ 43,600,288
Tax increment	-	-	729,439	-	729,439
Licenses and permits	3,052,954	-	-	-	3,052,954
Franchise Taxes	-	-	-	531,252	531,252
Intergovernmental	2,172,655	60,572	1,521,762	230,207	3,985,196
Charges for services	3,870,497	551,961	10,000,847	38,548	14,461,853
Special assessments	9,321	2,528,375	408,289	-	2,945,985
Fines	222,790	-	-	-	222,790
Interest income	470,764	388,847	2,501,284	33,059	3,393,954
Change in fair value of investments	398,037	324,740	1,485,978	27,971	2,236,726
Donations	76,290	-	257,643	-	333,933
Miscellaneous	80,841	-	568,693	187,148	836,682
Total Revenue	<u>39,867,287</u>	<u>15,391,645</u>	<u>20,023,935</u>	<u>1,048,185</u>	<u>76,331,052</u>
EXPENDITURES					
Current:					
General government	7,863,312	-	-	720,193	8,583,505
Public safety	19,567,238	-	-	-	19,567,238
Public works	5,611,535	-	-	-	5,611,535
Parks and recreation	5,995,649	-	-	-	5,995,649
Capital Outlay:					
General government	36,772	-	1,536,581	24,858	1,598,211
Public safety	-	-	2,271,694	-	2,271,694
Public works	2,259	-	18,403,391	-	18,405,650
Parks and recreation	53,024	-	12,453,396	-	12,506,420
Debt Service:					
Principal bond maturities	-	11,505,000	5,659,120	-	17,164,120
Interest on debt	-	4,936,874	-	-	4,936,874
Fiscal charges	-	33,630	75,547	-	109,177
Total Expenditures	<u>39,129,789</u>	<u>16,475,504</u>	<u>40,399,729</u>	<u>745,051</u>	<u>96,750,073</u>
EXCESS (DEFICIENCY) OF REVENUE OVER (UNDER) EXPENDITURES	737,498	(1,083,859)	(20,375,794)	303,134	(20,419,021)
OTHER FINANCE SOURCES (USES)					
Issuance of bonds and other debt	-	530,802	21,764,990	-	22,295,792
Premium on issued debt	-	-	1,389,304	-	1,389,304
Proceeds from the sale of capital assets	-	-	414,647	-	414,647
Transfers in from other funds	226,998	1,952,607	1,075,300	-	3,254,905
Transfers out to other funds	(215,000)	-	(678,588)	(204,298)	(1,097,886)
Total Other Finance Sources (Uses)	<u>11,998</u>	<u>2,483,409</u>	<u>23,965,653</u>	<u>(204,298)</u>	<u>26,256,762</u>
NET CHANGE IN FUND BALANCES	749,496	1,399,550	3,589,859	98,836	5,837,741
FUND BALANCES					
Beginning of Year, as previously reported	22,372,997	22,191,294	76,100,864	1,537,709	122,202,864
Change in Supplies - Inventory	64,136	-	-	-	64,136
End of Year	<u>\$ 23,186,629</u>	<u>\$ 23,590,844</u>	<u>\$ 79,690,723</u>	<u>\$ 1,636,545</u>	<u>\$ 128,104,741</u>

See accompanying Notes to Basic Financial Statements.

CITY OF LAKEVILLE
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCES TO THE STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2024

Net Change in Fund Balances-Total Governmental Funds \$ 5,837,741

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

Governmental funds report capital outlays as expenditures while the government-wide statement of activities reports depreciation expense to allocate those expenditures over the life of the assets. As a result, fund balance decreases by the amount of financial resources expended, whereas net position decreases by the amount of depreciation expense charged for the year. This is the amount by which depreciation expense exceeded capital outlay.

Capital outlay	\$ 25,798,130	
Capital contributed by developer	11,527,671	
Depreciation expense	<u>(22,223,467)</u>	15,102,334

In the government-wide statement of activities, only the gain or loss on the sale of capital assets is reported, whereas in the governmental funds, the proceeds from the sales increases financial resources. Thus, the change in net position differs from the change in fund balance by the net book value of the capital assets disposed of. (687,646)

Governmental funds report inventory related to snow removing chemicals as an expenditure at the time of purchase rather than when it is consumed. The change in supplies is shown as a direct adjustment to fund balance. On the government-wide statement of activities, inventories are shown as an expenditure when consumed. As a result, the change in net position must be adjusted by the change in supplies. 64,136

Revenues in the government-wide statement of activities that do not provide current financial resources are not reported as revenues in the governmental funds.

Deferred inflows of resources - December 31, 2023	(16,844,233)	
Deferred inflows of resources - December 31, 2024	<u>20,124,064</u>	3,279,831

Bond proceeds are reported as other financing sources in governmental funds and thus contribute to the increase in fund balance. Bond and loan principal maturities are reported as expenditures in governmental funds thus reducing fund balance. In the government-wide statements, however, issuing debt increases long-term liabilities while debt repayment reduces long-term liabilities thus affecting the statement of activities.

Bond and loan proceeds	(22,295,792)	
Bond and loan principal maturities	<u>17,164,120</u>	(5,131,672)

Governmental funds report the effect of premiums, discounts and similar items when debt is first issued, whereas material amounts are deferred and amortized in the statement of activities.

Change in accrued interest payable	(371,867)	
Premium on bonds issued in the current year	(1,389,304)	
Amortization of deferred gain on refunding	163,152	
Amortization of debt premiums/discounts	<u>1,719,164</u>	121,145

In the statement of activities, certain operating expenses and other postemployment benefit expenses - are measured by amounts earned during the year. In the governmental funds, however, expenditures for these items are measured by the amount of financial resources used (and amounts actually paid). (64,088)

Pension expenditures in the governmental funds are measured by current year employer contributions. Pension expenses on the statement of activities are measured by the change in the net pension liability(asset) and the related deferred inflows and outflows of resources. (272,178)

Internal service funds are used by management to charge the costs of certain activities, such as insurance, to individual funds. This amount represents a portion of the change in net position of the internal service fund, which are reported in with the governmental activities. (13,151)

Change in Net Position of Governmental Activities \$ 18,236,452

See accompanying Notes to Basic Financial Statements.

**CITY OF LAKEVILLE
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
DECEMBER 31, 2024**

	Business-type Activities - Enterprise Funds			Governmental Activities - Internal Service Funds
	Liquor	Utility	Totals	
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES				
CURRENT ASSETS				
Cash and investments	\$ 3,627,065	\$ 29,904,369	\$ 33,531,434	\$ 1,125,606
Interest receivable	16,723	164,272	180,995	6,379
Accounts receivable	-	6,142,966	6,142,966	14,762
Inventory	2,085,150	330,337	2,415,487	-
Prepaid expenses	-	14,414	14,414	-
Total current assets	<u>5,728,938</u>	<u>36,556,358</u>	<u>42,285,296</u>	<u>1,146,747</u>
NONCURRENT ASSETS				
Capital assets:				
Land	3,087,882	585,087	3,672,969	-
Construction in progress	-	37,894	37,894	-
Buildings and improvements	8,256,341	26,234,314	34,490,655	-
Machinery and equipment	765,513	8,306,227	9,071,740	-
Infrastructure	-	264,154,976	264,154,976	-
Right-to-use lease asset	3,989,676	-	3,989,676	-
Accumulated depreciation / amortization	(2,492,837)	(101,910,274)	(104,403,111)	-
Net capital assets	<u>13,606,575</u>	<u>197,408,224</u>	<u>211,014,799</u>	<u>-</u>
Total noncurrent assets	<u>13,606,575</u>	<u>197,408,224</u>	<u>211,014,799</u>	<u>-</u>
Total assets	<u>19,335,513</u>	<u>233,964,582</u>	<u>253,300,095</u>	<u>1,146,747</u>
DEFERRED OUTFLOWS OF RESOURCES				
Pension plan deferments - PERA	215,432	222,531	437,963	-
OPEB related deferments	26,753	26,237	52,990	-
Total deferred outflows of resources	<u>242,185</u>	<u>248,768</u>	<u>490,953</u>	<u>-</u>
Total Assets and Deferred Outflows of Resources	<u>\$ 19,577,698</u>	<u>\$ 234,213,350</u>	<u>\$ 253,791,048</u>	<u>\$ 1,146,747</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION				
CURRENT LIABILITIES				
Salaries payable	\$ 58,688	\$ 58,871	\$ 117,559	\$ -
Accounts payable	761,995	486,909	1,248,904	4,208
Accrued interest payable	2,929	119,100	122,029	-
Deposits payable	44,710	9,900	54,610	-
Accrued compensated absences	136,006	295,431	431,437	2,598,292
Unearned revenue	-	107,800	107,800	-
Total OPEB liability due within one year	2,537.00	3,808.00	6,345	-
Lease liability and financed purchase payable - current	600,306	-	600,306	-
Long-term debt - current	-	1,130,000	1,130,000	-
Total current liabilities	<u>1,607,171</u>	<u>2,211,819</u>	<u>3,818,990</u>	<u>2,602,500</u>
NONCURRENT LIABILITIES				
Accrued compensated absences	103,109	99,130	202,239	1,253,099
Net pension liability - PERA due in more than one year	839,250	866,900	1,706,150	-
Total OPEB liability	101,559	98,279	199,838	-
Lease liability and financed purchase payable	3,261,773	-	3,261,773	-
Long-term debt	-	7,010,730	7,010,730	-
Total noncurrent liabilities	<u>4,305,691</u>	<u>8,075,039</u>	<u>12,380,730</u>	<u>1,253,099</u>
Total liabilities	<u>5,912,862</u>	<u>10,286,858</u>	<u>16,199,720</u>	<u>3,855,599</u>
DEFERRED INFLOWS OF RESOURCES				
Pension plan deferments - PERA	636,984	657,970	1,294,954	-
OPEB related deferments	43,133	42,301	85,434	-
Total deferred inflows of resources	<u>680,117</u>	<u>700,271</u>	<u>1,380,388</u>	<u>-</u>
NET POSITION				
Net investment in capital assets	9,744,496	189,267,494	199,011,990	-
Unrestricted	3,240,223	33,958,727	37,198,950	(2,708,852)
Total net position	<u>12,984,719</u>	<u>223,226,221</u>	<u>236,210,940</u>	<u>(2,708,852)</u>
Total Liabilities, Deferred Inflows of Resources, and Net Position	<u>\$ 19,577,698</u>	<u>\$ 234,213,350</u>	<u>253,791,048</u>	<u>\$ 1,146,747</u>

Explanation of difference between Enterprise Funds, Statement of Net Position, and government-wide Statement of Net Position:

The City uses an internal service fund to charge the cost of its insurance activities to individual funds. This amount consists of the necessary adjustments to reflect the consolidation of internal service fund activities:

Net position of business-type activities

251,813
\$ 236,462,753

See accompanying Notes to Basic Financial Statements.

CITY OF LAKEVILLE
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
PROPRIETARY FUNDS
YEAR ENDED DECEMBER 31, 2024

	Business-type Activities - Enterprise Funds			Governmental Activities - Internal Service Funds
	Liquor	Utility	Total	
OPERATING REVENUE				
Sales	\$ 22,647,127	\$ -	\$ 22,647,127	\$ -
Cost of sales	(16,331,345)	-	(16,331,345)	-
User charges	-	20,775,952	20,775,952	706,522
Other	-	511,730	511,730	316,592
Total operating revenue	<u>6,315,782</u>	<u>21,287,682</u>	<u>27,603,464</u>	<u>1,023,114</u>
OPERATING EXPENSES				
Personnel services	3,004,329	3,394,000	6,398,329	289,838
Commodities	72,674	810,494	883,168	-
Other charges and services	1,162,484	5,911,604	7,074,088	669,167
Disposal charges	-	5,382,250	5,382,250	-
Depreciation and amortization	715,458	6,703,894	7,419,352	-
Total operating expenses	<u>4,954,945</u>	<u>22,202,242</u>	<u>27,157,187</u>	<u>959,005</u>
OPERATING INCOME	1,360,837	(914,560)	446,277	64,109
NONOPERATING REVENUE (EXPENSES)				
Intergovernmental - grants	38,882	178,555	217,437	-
Interest Income	68,472	672,633	741,105	26,119
Change in Fair Value of Investments	57,932	569,100	627,032	6,745
Interest, fiscal charges, bond premium (net)	(36,572)	(120,540)	(157,112)	-
Disposal of capital assets	(69,896)	11,188	(58,708)	-
Total nonoperating revenue (expenses)	<u>58,818</u>	<u>1,310,936</u>	<u>1,369,754</u>	<u>32,864</u>
INCOME (LOSS) BEFORE CONTRIBUTIONS AND TRANSFERS	1,419,655	396,376	1,816,031	96,973
Contributed capital from developers	35,462	9,831,445	9,866,907	-
Contributed capital from governmental activities	-	1,264,516	1,264,516	-
Transfers to other funds	(1,339,950)	(817,069)	(2,157,019)	-
Total Contributions and Transfers	<u>(1,304,488)</u>	<u>10,278,892</u>	<u>8,974,404</u>	<u>-</u>
CHANGE IN NET POSITION	115,167	10,675,268	10,790,435	96,973
NET POSITION				
Beginning of Year, As Originally Reported	12,869,552	208,198,794		(2,805,825)
Restatement, see Note 22	-	4,352,159		-
Beginning of Year, as Restated	<u>12,869,552</u>	<u>212,550,953</u>		<u>(2,805,825)</u>
End of Year	<u>\$ 12,984,719</u>	<u>\$ 223,226,221</u>		<u>\$ (2,708,852)</u>

Explanation of difference between Proprietary Funds Statement of Revenue, Expenses, and Changes in Fund Net Position and the Statement of Activities:

The City uses an internal service fund to charge the cost of its insurance activities to individual funds. This amount represents the income that has been allocated back to the business-type activities in the government-wide Statement of Activities that is attributable to the City's business-type activities:

Change in net Position of business-type activities	<u>110,124</u>
	<u>\$ 10,900,559</u>

See accompanying Notes to Basic Financial Statements.

**CITY OF LAKEVILLE
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
YEAR ENDED DECEMBER 31, 2024**

	Business-type Activities - Enterprise Funds			Governmental Activities - Internal Service Funds
	Liquor	Utility	Total	
CASH FLOWS FROM OPERATING ACTIVITIES				
Cash received from customers	\$ 22,654,464	\$ 20,436,711	\$ 43,091,175	\$ -
Cash received from general service charges	-	-	-	1,010,825
Cash paid to suppliers	(17,856,217)	(12,417,340)	(30,273,557)	(736,878)
Cash paid to and for employees	(3,017,781)	(3,546,117)	(6,563,898)	(226,296)
Net Cash Provided (Used) by Operating Activities	<u>1,780,466</u>	<u>4,473,254</u>	<u>6,253,720</u>	<u>47,651</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Intergovernmental - grant	38,882	178,555	217,437	-
Transfers to other funds	(1,339,950)	(817,069)	(2,157,019)	-
Net Cash Provided (Used) by Noncapital Financing Activities	<u>(1,301,068)</u>	<u>(638,514)</u>	<u>(1,939,582)</u>	<u>-</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Acquisition and construction of capital assets	(195,986)	(900,179)	(1,096,165)	-
Proceeds from sale of capital assets	13,500	23,446	36,946	-
Interest and fiscal charges	(36,829)	27,947	(8,882)	-
Principal maturities	(587,201)	(1,415,710)	(2,002,911)	-
Net Cash Used by Capital and Related Financing Activities	<u>(806,516)</u>	<u>(2,264,496)</u>	<u>(3,071,012)</u>	<u>-</u>
CASH FLOWS FROM INVESTING ACTIVITIES				
Investment income received	<u>130,908</u>	<u>1,183,771</u>	<u>1,314,679</u>	<u>30,007</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	<u>(196,210)</u>	<u>2,754,015</u>	<u>2,557,805</u>	<u>77,658</u>
Cash and Cash Equivalents - Beginning of the Year	<u>3,823,275</u>	<u>27,150,354</u>	<u>30,973,629</u>	<u>1,047,948</u>
CASH AND CASH EQUIVALENTS - END OF THE YEAR	<u>\$ 3,627,065</u>	<u>\$ 29,904,369</u>	<u>\$ 33,531,434</u>	<u>\$ 1,125,606</u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES				
Operating Income (Loss)	\$ 1,360,837	\$ (914,560)	\$ 446,277	\$ 64,109
Adjustments:				
Depreciation expense	715,458	6,703,894	7,419,352	-
(Increase) decrease in assets and deferred outflows:				
Accounts receivable	3,580	(858,601)	(855,021)	(12,289)
Inventory	218,557	67,794	286,351	-
Prepaid expenses	-	(4,414)	(4,414)	-
Pension-related deferred outflows	203,460	255,559	459,019	-
OPEB-related deferred outflows	823	4,333	5,156	-
Increase (decrease) in liabilities and deferred inflows:				
Salaries payable	14,582	10,684	25,266	-
Accounts payable	(508,271)	(376,372)	(884,643)	(67,711)
Unearned revenue	-	107,800	107,800	-
Deposits payable	3,757	(100,170)	(96,413)	-
Accrued compensated absences	22,576	47,266	69,842	63,542
Net pension liability	(479,299)	(637,983)	(1,117,282)	-
Pension-related deferred inflows	217,188	178,850	396,038	-
OPEB-related deferred inflows	(5,523)	(11,638)	(17,161)	-
Total OPEB liability	12,741	812	13,553	-
Net Cash Provided (Used) by Operating Activities	<u>\$ 1,780,466</u>	<u>\$ 4,473,254</u>	<u>\$ 6,253,720</u>	<u>\$ 47,651</u>
Supplemental schedule of noncash financing activities:				
The City assumes ownership of utility capital assets from governmental projects and land developers. Capital assets assumed were as follows:				
Amortization of Bond Premiums	\$ -	\$ 4,352,159	\$ 4,352,159	\$ -
	-	(170,355)	(170,355)	-
	<u>\$ -</u>	<u>\$ 4,181,804</u>	<u>\$ 4,181,804</u>	<u>\$ -</u>

See accompanying Notes to Basic Financial Statements.

**CITY OF LAKEVILLE
STATEMENT OF FIDUCIARY NET POSITION
CUSTODIAL FUND
DECEMBER 31, 2024**

	<u>Custodial Fund</u>
ASSETS	
Cash and investments	\$ 18,050
Accounts receivable	4,493
Total assets	<u>22,543</u>
LIABILITIES	
Accounts payable	2,641
Total liabilities	<u>2,641</u>
NET POSITION	
Restricted for:	
Individuals, organizations, and other governments	<u>\$ 19,902</u>

See accompanying Notes to Basic Financial Statements.

**CITY OF LAKEVILLE
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
CUSTODIAL FUND
YEAR ENDED DECEMBER 31, 2024**

	<u>Custodial Fund</u>
ADDITIONS	
Contributions	\$ 18,930
DEDUCTIONS	
Payments to vendors	<u>21,037</u>
NET DECREASE IN FIDUCIARY NET POSITION	(2,107)
Fiduciary net position - beginning of year	<u>22,009</u>
FIDUCIARY NET POSITION - END OF YEAR	<u><u>\$ 19,902</u></u>

See accompanying Notes to Basic Financial Statements.

**CITY OF LAKEVILLE
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2024**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Organization

The City of Lakeville, Minnesota (the City) operates under the “Optional Plan A” form of government as defined in Minnesota Statutes. The Statutes prescribe a Mayor-Council form of organization. The City provides the following services: public safety, highways and streets, water and sanitary sewer, public improvements, planning and zoning, culture-recreation, and general administration.

The basic financial statements of the City of Lakeville have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The City’s more significant accounting policies are described below.

B. Reporting Entity

The City of Lakeville is a municipal corporation governed by an elected mayor and a four-member council. In accordance with GASB standards, these financial statements represent the City of Lakeville and its sole component unit. The City includes all funds, organizations, 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 based on the nature and the significance of their operational or financial relationships with the City.

The City has considered all potential units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the City are such that exclusion would cause the City’s financial statements to be misleading or incomplete. The Governmental Accounting Standards Board (GASB) has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization’s governing body, and (1) the ability of the primary government to impose its will on that organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on the primary government. Based upon the application of these criteria, the City has the following component units:

Blended Component Unit

The Housing and Redevelopment Authority (HRA) of Lakeville, Minnesota was created by the City to provide housing and redevelopment assistance to its citizens. The HRA provides this assistance through the administration of various programs. The HRA is governed by a five-member Board of Commissioners comprised of the City of Lakeville Council in accordance with Minnesota Statutes 469.003, Subdivision 6. Although it is legally separate from the City, the HRA is reported as if it were a part of the City (blended) because the City Council is also the HRA governing board. The Commissioners’ terms of office coincide with those of the City Council member. The City Administrator serves as the HRA Executive Director. The operational responsibility for the HRA rests with management of the City.

**CITY OF LAKEVILLE
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2024**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. Reporting Entity (Continued)

Blended Component Unit (Continued)

During fiscal year 2006, the HRA issued \$9,230,000 in Ice Arena Lease Revenue Bonds, Series 2006, to finance the construction of the single sheet Hasse ice arena facility. The Ice Arena Lease Revenue Bonds, Series 2006 were subsequently refunded in 2016. Debt service will be payable from equal lease payments to be made by the City pursuant to the lease agreement between the HRA and the City, and in conjunction with the joint powers agreement between the City and Independent School District No. 194. In 2017, the HRA issued \$2,255,000 in Lease Revenue Liquor Enterprise Refunding Bonds, Series 2017A, to refund the existing liquor revenue bonds through a purchase (and subsequent lease-back) of the liquor store land and building. Debt service will be payable from lease payments made by the City's liquor enterprise fund.

These HRA bond obligations are combined and presented separately in the debt service funds as debt supported by HRA lease revenue.

The HRA has not issued separate financial statements for the period ending December 31, 2024. Information of a nonfinancial matter regarding the HRA can be obtained at the City's Finance offices, located at 20195 Holyoke Avenue, Lakeville, Minnesota 55044.

C. Government-Wide Financial Statements

The basic financial statements include both government-wide and fund financial statements. The government-wide financial statements focus on the City as a whole (consolidation of the City, excluding fiduciary funds) while the fund financial statements focus on the major individual funds (reported as separate columns within the fund financial statements). Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds.

Both the government-wide and fund financial statements (within the basic financial statements) categorize primary activities as either governmental or business-type. In the government-wide statement of net position, both the governmental and business-type activities columns (a) are presented on a consolidated basis by column, and (b) are reflected, on a full accrual, economic resources measurement focus, which incorporates long-term assets, receivables, deferred inflows and outflows of resources as well as long-term debt and other obligations. The City generally first uses restricted assets for expenses incurred for which both restricted and unrestricted assets are available. The City may defer the use of restricted assets based on a review of the specific transaction.

The government-wide statement of activities reflects both the gross cost and the net cost per function category (general government, public safety, public works, and parks and recreation) which are otherwise being supported by both program and general revenues (charges for services, grants and contributions, property taxes, etc.). The statement of activities reduces gross expenses (including depreciation and amortization) by the related program revenues and operating/capital grants and contributions.

**CITY OF LAKEVILLE
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2024**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Government-Wide Financial Statements (Continued)

The program revenues must be directly associated with the function (general government, public safety, public works, and parks and recreation) or a business-type activity. Program revenues are derived directly from the program itself or from parties outside the City's taxpayers or citizenry, as a whole. The City does not allocate indirect expenses. The operating grants and contributions column includes operating-specific and discretionary grants while the capital grants and contributions column includes capital specific grants and contributions.

D. Fund Financial Statement Presentation

The governmental fund financial statements are presented using the current financial resources measurement focus and the modified accrual basis of accounting. This is the manner in which these funds are normally budgeted. Since the governmental fund statements are presented using a measurement focus and basis of accounting different from that used in the government-wide statement's governmental column, a reconciliation is presented that briefly explains the adjustments necessary to reconcile ending net position and the change in net position.

Both the City as a whole and the City's major funds, including both governmental and enterprise funds, as well as a custodial fund, are presented utilizing the focus of the GASB Statement No. 34 reporting model. Each presentation provides valuable information that can be analyzed and compared (between years and between governments) to enhance the usefulness of the information.

In the fund financial statements, financial transactions and accounts of the City are organized on the basis of funds. The operation of each fund is considered to be an independent fiscal and separate accounting entity, with a self-balancing set of accounts recording cash and/or other financial resources together with all related liabilities, deferred inflows and outflows of resources and residual equities or balances, and changes therein, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions, or limitations.

Major governmental funds - The City reports the following major governmental funds:

General fund – The general fund is the general operating fund of the City. It is used to account for all financial resources except for those required to be accounted for in another fund. This fund records revenues such as property taxes, licenses, and permits, intergovernmental revenues, charges for services, fines, and investment income. Most of the day-to-day operations of the City are financed from this fund.

**CITY OF LAKEVILLE
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2024**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Fund Financial Statement Presentation (Continued)

Debt service fund – This fund is used to account for the accumulation of resources that are restricted for the payment of long-term principal, interest, and related costs.

Capital projects fund – This fund accounts for the accumulation and disbursement of funds for major capital projects and facilities including the construction or improvement of public buildings, Minnesota Municipal State-aid funded street construction, and complex construction contracts that involve multiple financing resources from the City and other government entities.

Major enterprise funds – The City reports the following major proprietary funds:

Enterprise liquor fund – This fund is used to account for the retail operations of four off-sale liquor stores.

Enterprise utility fund – This fund is used to account for water, sanitary sewer, street lighting, and environmental resources services provided to City customers.

Other funds – The City reports the following other funds:

Internal service funds – The City has a Municipal Reserves internal service fund as well as a Compensated Leave internal service fund. The Municipal Reserves fund accounts for the City's risk management program relating to general liability, excess liability, property, workers compensation, and casualty insurance costs which are charged to other departments of the City. The Compensated Leave fund accounts for the accrued liability of employee benefits attributed to compensated leave. Funding was initially provided by transfers from the General Fund. Future revenue sources are charges to benefited programs and departments. Benefits paid to Enterprise Fund employees are accounted for in their respective funds. The Compensated Leave fund currently has a deficit net position, but the City supports reestablishing a Compensated Leave Fund for the purpose of funding the current liability for accrued leave hours due to those employees eligible to retire within the next five years as well as an estimated amount for a normal level of staff turnover, recognizing that even though this liability will be paid in the future, the liability was incurred to provide current services and should be funded with current revenues. Funding this liability can be phased in but the City will strive to meet this goal within three to five years.

Custodial fund – The custodial fund is used to record the receipt and remittance of monies held by the City on behalf of other legally separate entities.

**CITY OF LAKEVILLE
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2024**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

E. Measurement Focus and Basis of Accounting

The accounting and reporting treatment applied to a fund is determined by its measurement focus. Funds are classified into three categories: Governmental, Proprietary, and Fiduciary. To provide an accurate cost measurement of individual activities in the fund financial statement consolidation process, the City's interfund activity relating to services provided by and used between functions has been removed from these statements; exceptions are for charges between the government's liquor and utility function and other functions of the government.

Governmental Funds:

Measurement focus: Governmental funds are accounted for using a current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. Reported fund balance is considered a measure of "available spendable resources." Governmental fund operating statements represent increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets.

Basis of accounting: Governmental funds are accounted for using the modified accrual basis of accounting. Their revenues are recognized when susceptible to accrual (i.e., when they become measurable and available). "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current fiscal year or soon enough thereafter to be used to pay liabilities of the current fiscal year. For this purpose, the City generally considers revenues to be available if collected within 60 days of year-end or if intergovernmental revenues related to a joint project venture with the county are considered to be available if collected within 181 days of year-end.

Revenues: Major revenues that are susceptible to accrual include property taxes, excluding delinquent taxes received over 60 days after current fiscal year-end; special assessments, intergovernmental revenue, excluding intergovernmental revenues related to a joint project venture with the county are considered revenue if collected within 181 days after current fiscal year-end; charges for services, investment income, and donations. Major revenues that are not susceptible to accrual (i.e., license and permit revenues, and miscellaneous revenues) are recorded when received because they are not measurable until collected.

Expenditures: Expenditures are generally recognized under the modified accrual basis of accounting when the related fund liability is incurred, except for principal and interest on long-term debt, other postemployment benefits, pension benefits and compensated absences which are recognized when due.

**CITY OF LAKEVILLE
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2024**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

E. Measurement Focus and Basis of Accounting (Continued)

Proprietary and Fiduciary Funds:

Measurement focus: Proprietary funds and fiduciary funds are accounted for on a flow of economic resources measurement focus. This means that all assets, including capital assets, and all liabilities, including long-term liabilities, and deferred inflows and outflows of resources associated with fund activity are included on the statement of net position. Proprietary fund types statement of revenues, expenses, and changes in net position present increases (i.e., revenues) and decreases (i.e., expenses) in net total position.

Basis of accounting: Proprietary funds and fiduciary funds (including custodial funds) are accounted for using the accrual basis of accounting. Revenues are recognized when earned and expenses are recorded at the time the liabilities are incurred. Unbilled utility service receivables are recorded at current fiscal year-end.

Operating versus nonoperating items: 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 revenue of the City's enterprise funds and internal service funds are charges to customers for sales and services. Operating expenses for enterprise funds and internal service funds include the cost of sales and services, administrative expenses, and depreciation and amortization on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

F. Cash and Investments

Cash balances from all funds are combined and invested to the extent available in certificates of deposit, commercial paper, U.S. Government securities, and other securities authorized by state statutes. Earnings from such investments are allocated to the respective funds on the basis of applicable cash balance participation by each fund.

Cash and investments held by trustee represent in part the value of deposits that are required to be held in trust for various City obligations. These established escrow accounts will remain in effect until the terms and conditions of the obligations have been fulfilled. Earnings from such investments are allocated directly to the respective funds in which the assets are held.

G. Taxes Receivable

Property tax levies are set by the City Council in December each year and are certified to Dakota County for collection in the following year. Such taxes become a receivable of the City and become a lien on the respective property as of January 1. In Minnesota, most counties act as collection agents for all property taxes. Dakota County spreads the levies over all taxable property within the City of Lakeville.

**CITY OF LAKEVILLE
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2024**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

G. Taxes Receivable (Continued)

Real and personal property taxes are payable in equal installments by property owners to Dakota County on May 15 and October 15 of each year. Dakota County remits these and delinquent collections to the City twice a year, in July and December. Unpaid taxes on December 31 are classified in the fund financial statements as delinquent taxes receivable.

Taxes receivable include the following components:

Unremitted – amounts collected by Dakota County but not yet remitted to the City by December 31.

Delinquent – amounts billed to property owners but not paid.

H. Special Assessments Receivable

Special assessments are levied against the benefited properties for the assessable costs of special assessment improvement projects in accordance with State Statutes. The City usually adopts the assessment rolls when construction contracts will be awarded for the individual projects. The City is obligated for the payment of special assessment debt not covered through the collection of special assessments from property owners. Any obligation by the City would be paid by property taxes. Special assessments are collectable over a term of years generally consistent with the term of years of the related bond issue. Collection of annual special assessment installments (including interest) is administered by Dakota County in the same manner as property taxes. Property owners are allowed to prepay total future installments without interest or prepayment penalties. As of December 31, 2024, the special assessment delinquent receivable was \$141,056 in the governmental funds and \$49,554 in the proprietary enterprise utility fund. Special assessments receivable includes the following components:

Unremitted – amounts collected by Dakota County but not yet remitted to the City by December 31.

Delinquent – amounts billed to property owners but not paid.

Deferred – assessment installments that will be billed to property owners in future years.

Other - assessments for which payment has been delayed based on state statutes or City Council action.

I. Inventory

Inventories are valued on a first-in, first-out method. The cost of inventories is recorded as expenses/expenditures when consumed rather than purchased except for, general fund inventory related to snow removing chemicals. These materials are recorded as an expenditure at the time of purchase rather than when it is consumed.

J. Prepaid Items

Payments made to vendors for services that will benefit periods beyond the current year are recorded as prepaid items. Prepaid items are also accounted for using the consumption method.

**CITY OF LAKEVILLE
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2024**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

K. Unamortized Bond Premium and Bond Discount

In the governmental fund financial statements, bond premiums and discounts are recognized as other financing sources and uses, respectively in the current fiscal year. Bond discounts and bond premiums for the City's government-wide financial statements are deferred and amortized over the term of the bonds using the effective interest rate method. Unamortized bond premiums and discounts are included within the noncurrent liabilities due in more than one year of the City's government-wide statement of net position.

The enterprise utility fund includes a noncurrent liability for unamortized bond premium associated with the issuance of the water, sewer, and streetlight bonds of 2016-2021. The bond premium is amortized over the term of the bonds using the effective interest rate method.

L. Restricted Assets

The government-wide statement of Net Position "restricted assets (temporarily)" represents cash and investments, and investments held by trustee that have imposed restrictions placed on them by parties outside the government. These restricted amounts are pledged by bond covenants to the repayment of City indebtedness. The assets are temporarily restricted until the terms and conditions of the obligations have been fulfilled.

M. Capital Assets

Capital assets, which include land, historical treasures, construction in process, buildings and improvements, machinery and equipment, other improvements, and infrastructure, are reported in the applicable governmental or business-type activity columns of the government-wide statement of net position and proprietary funds statement of net position. Such assets are capitalized at historical cost or estimated historical cost for assets where actual historical cost is not available. Donated assets are recorded as capital assets at their estimated acquisition value on the date of donation. The City defines capital assets as those with an initial, individual cost of \$5,000 or more with an estimated useful life of not less than one year. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend the life of the asset are not capitalized.

Capital outlays are recorded as expenditures in the City's governmental fund financial statements, which use the modified accrual basis of accounting. Capital outlays that meet the City's capitalization criteria are reported in the government-wide statement of net position and proprietary funds statement of net position, both of which use the full accrual basis of accounting.

**CITY OF LAKEVILLE
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2024**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

M. Capital Assets (Continued)

Depreciation and amortization on the capital assets is recorded in the government-wide and proprietary fund financial statements. Land, historical treasures, and construction in process are not depreciated. Capital assets are depreciated using the straight-line method over their estimated useful lives as follows:

Buildings and improvements	50 to 75 Years
Machinery and equipment	3 to 20 Years
Other improvements	10 to 50 Years
Infrastructure	20 to 50 Years

Right-to-use lease assets are initially measured at the present value of payments expected to be made during the lease term, adjusted for lease payments made at or before the lease commencement date, plus certain initial direct costs. Subsequently, the lease asset is amortized in a systematic and rational manner over the shorter of the lease term or the useful life of the underlying asset.

N. Deferred Outflows/Inflows of Resources

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

The City has three items that qualifies for reporting in this category. The first two items are the deferred outflows of resources related to pensions reported in the government-wide and proprietary fund statements of net position. This deferred outflow results from differences between expected and actual experience, changes of assumptions, differences between projected and actual earnings on pension plan investments, and contributions to the plan subsequent to the measurement date and before the end of the reporting period. These amounts are deferred and amortized as required under pension standards. The third item is a deferred outflow related to the City's OPEB liability. This deferred outflows results from contributions made to the plan after the measurement date and for differences between expected and actual experience, and these deferred outflows will be amortized as required under OPEB standards.

In addition to liabilities, statements of net position or balance sheets will sometimes report a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net assets that applies to future periods and so will not be recognized as an inflow of resources (revenue) until that time.

The City has four items which qualify for reporting in this category. The first item, unavailable revenue, is reported only in the governmental funds Balance Sheet. The governmental funds report unavailable revenue from three sources: property taxes, special assessments, and other. These amounts are deferred and recognized as an inflow of resources in the period the amounts become available.

**CITY OF LAKEVILLE
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2024**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

N. Deferred Outflows/Inflows of Resources (Continued)

The second item, deferred inflows of resources related to pensions and OPEB, is reported in the government-wide and proprietary fund statements of net position. This deferred inflow results from differences between expected and actual experience, changes of assumptions, and the difference between projected and actual earnings on pension plan investments. These amounts are deferred and amortized as required under pension and OPEB standards. The third item relates to deferred gains on bond refundings that are amortized over the life of the related bonds. The fourth item, leases and financed purchases, relates to long-term lease receivables and financed purchase receivables not recognized to revenue until the underlying timing requirements of the leases have been met.

O. Compensated Absences

It is the City's policy to permit employees to accumulate earned but unused leave benefits as either paid-time-off (PTO), or vacation and sick leave. Under the City's personnel policies and collective bargaining contracts, City employees are granted leave benefits in varying amounts based on length of service. PTO accruals vary from 18 to 30 days per year, vacation accruals vary from 10 to 20 days per year, and sick leave accrues at a rate of 12 days per year.

As benefits accrue to employees, the accumulated PTO, vacation and vested sick leave is reported as an expense and liability in the government-wide and proprietary fund financial statements. Accrued PTO, vacation and a percentage of sick leave is paid to employees upon termination (severance) only if they have vested and is reported as an expenditure in the governmental fund that will pay for it. The liability for compensated absences reported in the government-wide and proprietary fund statements consists of leave that has not been used that is attributable to services already rendered, accumulates, and is more likely than not to be used for time off or otherwise paid in cash. The liability also includes amounts for leave that has been used for time off but has not yet been paid in cash.

P. Pensions

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

**CITY OF LAKEVILLE
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2024**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Q. Other Postemployment Benefits (OPEB) Obligation

In accordance with the provisions of GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, an actuarial valuation is required to be computed and reported for the City's postemployment health insurance benefits provided to eligible employees through the City's Other Postemployment Benefits Plan. OPEB is reported as an expense on a pay-as-you-go basis and is accrued as it is earned. The total OPEB obligation liability and corresponding expense for governmental activities is reported within the government-wide financial statements. The total OPEB liability and corresponding expense for enterprise funds are recorded within those funds.

R. Long-Term Obligations

Long-term obligations are recorded in the City's government-wide and proprietary fund statements of net position when they become a liability of the City. Long-term obligations are recognized as a liability of a governmental fund only when due or when payment is made to the paying agent.

S. Leases Receivable

The City determines if an arrangement is a lease at inception. Leases for which the City is the lessor are included in lease receivables and deferred inflows of resources in the statements of net position and fund financial statements.

Lease receivables represent the City's claim to receive lease payments over the lease term, as specified in the contract, in an exchange or exchange-like transaction. Lease receivables are recognized at commencement date based on the present value of expected lease payments over the lease term, reduced by any provision for estimated uncollectible amounts. Interest revenue is recognized ratably over the contract term.

Deferred inflows of resources related to leases are recognized at the commencement date based on the initial measurement of the lease receivable, plus any payments received from the lessee at or before the commencement of the lease term that relate to future periods, less any lease incentives paid to, or on behalf of, the lessee at or before the commencement of the lease term. The deferred inflows related to leases are recognized as lease revenue in a systematic and rational manner over the lease term.

The individual lease contracts do not provide information about the discount rate implicit in the lease. Therefore, the City has elected to use its incremental borrowing rate to calculate the present value of expected lease payments.

**CITY OF LAKEVILLE
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2024**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

T. Fund Balance

In the fund financial statements, governmental funds report fund balance classification that disclose constraints for which amounts in those funds can be spent. These classifications are as follows:

Nonspendable – consists of amounts that cannot be spent because they are not in spendable form, such as prepaid items and inventory.

Restricted – consists of amounts related to externally imposed constraints established by creditors, grantors or contributors; or constraints imposed by state statutory provisions.

Committed – consists of amounts that are constrained for specific purposes that are internally imposed by formal action (resolution) of the City Council. Those committed amounts cannot be used for any other purpose unless City Council removes or changes the specified use by taking the same type of action it employed to previously commit those amounts.

Assigned – consists of amounts intended to be used by the City for specific purposes but do not meet the criteria to be classified as restricted or committed. Pursuant to City resolution, the City Administrator and the Finance Director are authorized to establish assignments of fund balances.

Unassigned – is the residual classification for the General fund and also reflects negative residual amounts in other funds.

The City will endeavor to maintain an unrestricted (committed, assigned, and unassigned) fund balance in the General fund of an amount not less than 40% and not greater than 50% of the next year's budgeted expenditures of the General fund. This will assist in maintaining an adequate level of fund balance to provide for cash flow requirements and contingency needs. At December 31, 2024, the unrestricted fund balance of the General Fund was 49.2% of the subsequent year's budgeted expenditures.

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

When committed, assigned or unassigned resources are available for use, it is the City's policy to use resources in the following order; 1.) committed, 2.) assigned, and 3.) unassigned.

**CITY OF LAKEVILLE
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2024**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

U. Net Position

In the government-wide and proprietary fund financial statements, net position represents the difference between assets and deferred outflows of resources and liabilities and deferred inflows of resources. Net position is displayed in three components:

Net investment in capital assets – Consists of capital assets, net of accumulated depreciation and amortization reduced by any outstanding debt attributable to acquire capital assets.

Restricted net position – Consists of net position balances restricted when there are limitations imposed on their use through external restrictions imposed by creditors, grantors, laws, or regulations of other governments.

Unrestricted net position – All other net position balances that does not meet the definition of “restricted” or “net investment in capital assets”.

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

The City has also established specific targets it will use to maintain an adequate level of net position for the Utility Enterprise Funds. When implementing any rate changes, the City intends to meet the following financial management targets:

- (i) Available cash on hand to cover the following objectives:
 - 1. Three months of operating cash
 - 2. Following year debt service payments
 - 3. Next year planned capital expenses not financed with bonds.
- (ii) Unassigned cash to account for unexpected costs at the following thresholds:
 - 1. \$500,000 for water and sewer operating funds
 - 2. \$100,000 for environmental resources and streetlight operating funds.
- (iii) Unrestricted Net Position not less than 50% of projected expenses.
- (iv) Net revenues not less than 125% of annual debt service on existing and planned debt.

V. Revenues and Expenditures/Expenses

In the governmental fund financial statements property tax revenue is recognized when it becomes measurable and available to finance expenditures of the current fiscal year. All delinquent taxes receivable are fully offset by deferred inflow of resources in the governmental fund financial statements. Taxes due from Dakota County on December 31 are included in revenue since they are remitted to the City within 60 days after December 31. In the government-wide statement of activities property tax revenue is recognized when levied.

**CITY OF LAKEVILLE
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2024**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

V. Revenues and Expenditures/Expenses (Continued)

In the governmental fund financial statements special assessments principal and interest are recognized as revenue when they become measurable and available to finance expenditures of the current fiscal year. All delinquent and deferred assessments receivable are fully offset by deferred inflow of resources in the fund financial statements. Both the principal and interest on special assessments are payable in installments over a term of years that matches the scheduled payments for the bond issue which financed the project. In the government-wide statement of activities special assessments revenue is recognized when levied.

Investment income is recorded as revenue in the year earned. Elements of investment income include interest earned on investments and unrealized gains or losses on net increases or decreases in the fair value of investments.

Certain grants and aids received by the City require that eligible expenditures be made in order to earn the grant. Revenue for these grants is recorded in the period of which eligible expenditures are made.

Enterprise utility fund service charges are recognized when earned with no allowance for uncollectibles because delinquent accounts deemed uncollectible during the normal billing process are certified to Dakota County as a property tax lien. Quarterly utility service charges provided to customers but unbilled are included as receivables as of December 31.

Interfund service transactions are accounted for as expenditures or expenses. Service transaction payments to a fund are recorded as an expenditure or expense in the paying fund and conversely recorded as a reduction of expenditure or expense in the fund that is receiving payment. Interfund service transactions within the respective categories of governmental activities and business-type activities in the government-wide statement of activities are eliminated. Interfund services provided and used are not eliminated in the process of consolidation into the government-wide statement of activities.

W. Cash Flows

For purposes of the statement of cash flows, the City considers all highly liquid debt instruments with an original maturity from the time of purchase of three months or less to be cash equivalents. The proprietary funds' equity in the government-wide cash and investments management pool is considered to be a cash equivalent.

X. 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 that affect amounts reported in the financial statements during the reporting period. Actual results could differ from such estimates.

**CITY OF LAKEVILLE
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2024**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Y. Adoption of New Accounting Standards

Effective January 1, 2024, the City implemented GASB Statement No. 101, *Compensated Absences*. This statement updated the recognition and measurement guidance for compensated absences and associated salary-related payments and amended certain previously required disclosures. There was no material impact as a result of the implementation of this standard.

For the year ended December 31, 2024, the City implemented a change in accounting principle related to the treatment of group asset purchases. This change was prompted by the amendment of Question 7.9.8 in GASB Implementation Guide 2015-1, replaced by Question 5.1 in Implementation Guide 2021-1. The change is applied retroactively in accordance with GASB Statement No. 100. Beginning net position in the Utility Fund has been restated as a result of this change, see Note 22 for more information.

NOTE 2 DEPOSITS AND INVESTMENTS

A. Components of Cash and Investments

The City's cash surpluses are pooled and invested in accordance with State Statute and City investment policy. Investment earnings and unrealized gains and losses are allocated to funds on the basis of average cash balances. Investments are stated at fair value, which is the amount that a financial instrument could be exchanged for in a current transaction between willing parties. The investments are not identified with specific funds with the exception for bond proceeds related to bond series 2018 A. Investments held by trustee include balances held in segregated accounts for specific purposes. Interest earned on these trustee accounts is allocated directly to the responsible fund. The amounts represent funds held as required by the debt obligation covenants and other agreements.

The City's cash and investments as of December 31, 2024 consist of the following:

Cash on hand	\$ 17,750
Investments	<u>172,279,618</u>
Total cash and investments	<u>\$ 172,297,368</u>

**CITY OF LAKEVILLE
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2024**

NOTE 2 DEPOSITS AND INVESTMENTS (CONTINUED)

A. Components of Cash and Investments (Continued)

The City’s cash and investments as of December 31, 2024 are presented in the financial statements as follows:

Statement of Net Position

Cash and investments	\$ 172,279,046
Temporarily restricted investments held by trustee	272

Statement of Fiduciary Net Position

Cash and investments	18,050
Total cash and investments	\$ 172,297,368

B. Deposits

In accordance with applicable Minnesota Statutes, the City maintains deposits at depository banks authorized by the City Council, including checking accounts and certificates of deposit. The following is considered the most significant risk associated with deposits:

Custodial Credit Risk – In the case of deposits, this is the risk that in the event of a bank failure, the City’s deposits may be lost. Minnesota Statutes require that all deposits be protected by federal deposit insurance, corporate surety bond, or collateral. The value of collateral pledged must equal 110% of the deposits not covered by federal deposit insurance or corporate surety bonds. Authorized collateral includes treasury bills, notes, and bonds; issues of U.S. government agencies; general obligations rated “A” or better; revenue obligations rated “AA” or better; irrevocable standard letters of credit issued by the Federal Home Loan Bank; and certificates of deposit. Minnesota Statutes require that securities pledged as collateral be held in safekeeping in a restricted account at the Federal Reserve Bank or in an account at a trust department of a commercial bank or other financial institution that is not owned or controlled by the financial institution furnishing the collateral. The City does not have a formal policy addressing this risk.

At year-end, the carrying amount of the City’s deposits was \$17,750, while the balance on the bank records was \$-0-. At December 31, 2024, all deposits were fully covered by federal depository insurance, surety bonds, or by collateral held by the City’s agent in the City’s name.

**CITY OF LAKEVILLE
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2024**

NOTE 2 DEPOSITS AND INVESTMENTS (CONTINUED)

C. Investments

The City's investments as of December 31, 2024 are as follows:

<u>Investment Type</u>	<u>Credit Risk</u>		<u>Total Value</u>	<u>Interest Risk - Maturity Duration in Years</u>	
	<u>Rating</u>	<u>Agency</u>		<u>Less than 1</u>	<u>1 - 5</u>
Money market funds:					
Minnesota Municipal (4M)	N/R	N/A	\$ 36,316,710	\$ 36,316,710	\$ -
First American Treasury Obligation	AAAm	S&P	-	-	-
Wells Fargo Money Market	N/R	N/A	-	-	-
Certificates of deposit	N/R	N/A	7,560,961	3,648,120	3,912,841
U.S. treasury securities	N/A	N/A	-	-	-
U.S. government agencies	AA+	S&P	94,968,630	20,195,306	74,773,324
Municipal bonds	Aaa	Moody's	405,571	405,571	-
Municipal bonds	AAA	S&P	13,923,120	6,336,353	7,586,767
Municipal bonds	Aa1	Moody's	597,766	-	597,766
Municipal bonds	AA+	S&P	6,398,004	484,605	5,913,399
Municipal bonds	Aa2	Moody's	2,044,768	798,641	1,246,127
Municipal bonds	AA	S&P	6,279,334	1,217,004	5,062,330
Municipal bonds	Aa3	Moody's	133,328	-	133,328
Municipal bonds	AA-	S&P	3,651,426	-	3,651,426
Total investments			\$ 172,279,618	\$ 69,402,310	\$ 102,877,308

N/R - Not rated

N/A - Not applicable

The 4M Fund is regulated by Minnesota Statutes and the Board of Directors of the League of Minnesota Cities and is an external investment pool not registered with the Securities and Exchange Commission (SEC) that follows guidance under GASB Statement No. 79. The City's investment in the 4M Fund is measured at an amortized cost method that approximates fair value. Investments in the 4M Plus must be deposited for a minimum of 14 calendar days. Withdrawals prior to the 14-day restriction period will be subject to a penalty equal to seven days interest on the amount withdrawn. The City's investment policy does not place any further limitations beyond the state statute requirements for the risk categories described below. Investments are subject to various risks, the following of which are considered the most significant:

Custodial Credit Risk – For investments, this is the risk that in the event of a failure of the counterparty to an investment transaction (typically a broker-dealer) the City would not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The City does not have any custodial credit risk for its investments since all of the City's investments held in safekeeping by the City's brokerage firm in the City's name are insured and registered.

Credit Risk – This is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. State statutes authorize investments in money market funds, certificates of deposit, commercial paper, U.S. treasury securities, U.S. government agencies, and other securities provided they meet the two highest quality ratings of nationally recognized rating organizations.

**CITY OF LAKEVILLE
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2024**

NOTE 2 DEPOSITS AND INVESTMENTS (CONTINUED)

C. Investments (Continued)

Concentration Risk – This is the risk associated with investing a significant portion of the City’s investments (considered 5% or more) in the securities of a single issuer, excluding U.S. guaranteed investments (such as treasuries), investment pools, and mutual funds.

As of December 31, 2024, the City’s investment portfolio includes the following securities of single issuers exceeding 5%:

Federal Farm Credit Bank	11.5%
Federal Home Loan Bank	25.2%
Federal Home Loan Mortgage Corporation	8.4%
Federal National Mortgage Association	7.8%

Interest Rate Risk – This is the risk of potential variability in the fair value of fixed rate investments resulting from changes in interest rates (the longer the period for which an interest rate is fixed, the greater the risk).

D. Investments Policy

The City’s investment policy limits exposure to interest rate risk by investing in shorter term securities (maturing in one year or less) to meet current operating cash requirements. Longer-term investments are to be purchased with the intent to match maturity periods with future funding needs for capital replacement and debt obligations. The City will not purchase investments that, at the time of investment, cannot be held to maturity. This does not mean that an investment cannot be sold prior to maturity.

Investment activity will focus upon protection of taxpayer dollars and investment income, consistent with statutory authorization and financial prudence. The City will conduct its investment transactions with several legal competing, reputable investment security dealers, and qualifying banks. The City will invest only in the following instruments or those others that may subsequently be permitted by state statute.

- United States Treasury Obligations
- Federal Agency Securities
- Certificates of Deposit
- Commercial Paper
- Banker’s Acceptance
- Money Market Funds
- State and Local Securities

**CITY OF LAKEVILLE
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2024**

NOTE 2 DEPOSITS AND INVESTMENTS (CONTINUED)

E. Fair Value Measurements

The City uses fair value measurements to record fair value adjustments to certain asset and liabilities and to determine fair value disclosures.

The City follows an accounting standard which defines fair value, establishes framework for measuring fair value, establishes a fair value hierarchy based on the quality of inputs used to measure fair value, and requires expanded disclosures about fair value measurements. In accordance with this standard, the City has categorized its investments, based on the priority of inputs to the valuation technique, into a three-level fair value hierarchy. The fair value hierarchy gives the highest priority to quotes and prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). If inputs used to measure the financial instruments fall within different levels of the hierarchy, the categorization is based on the lowest level input that is significant to the fair value measurement of the instrument.

Financial assets and liabilities recorded on the statement of net position are categorized based on the inputs to the valuation techniques as follows:

Level 1 – Financial assets and liabilities are valued using inputs that are unadjusted quoted prices in active markets accessible at the measurement date of identical financial assets and liabilities.

Level 2 – Financial assets and liabilities are valued based on quoted prices for similar assets or inputs that are observable, either directly or indirectly, for substantially the full term through corroboration with observable market data.

Level 3 – Financial assets and liabilities are valued using pricing inputs which are unobservable for the asset, inputs that reflect the reporting entity’s own assumptions about the assumptions market participants would use in pricing the asset.

<u>Investment Type</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
U.S. government securities	\$ -	\$ 94,968,630	\$ -	\$ 94,968,630
Certificates of deposit	-	7,560,961	-	7,560,961
Municipal bonds	-	33,433,317	-	33,433,317
Total	<u>\$ -</u>	<u>\$ 135,962,908</u>	<u>\$ -</u>	135,962,908
Investments measured at amortized cost				<u>36,316,710</u>
Total				<u>\$ 172,279,618</u>

CITY OF LAKEVILLE
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2024

NOTE 3 CAPITAL ASSETS

A summary of changes in governmental capital assets during the year ended December 31, 2024 are as follows:

	Balance Beginning of Year, Restated (1)	Additions	Deletions	Balance End of Year
Governmental Activities:				
Capital Assets, Not Being Depreciated:				
Land	\$ 37,432,613	\$ 252,309	\$ (1,375)	\$ 37,683,547
Historical treasures	128,000	90,700	-	218,700
Construction in progress	11,844,401	12,580,885	(10,296,864)	14,128,422
Total Capital Assets, Not Being Depreciated	<u>49,405,014</u>	<u>12,923,894</u>	<u>(10,298,239)</u>	<u>52,030,669</u>
Capital Assets, Being Depreciated:				
Building and improvements	70,000,663	8,459,874	(709,257)	77,751,280
Machinery and equipment	29,955,471	3,117,371	(1,573,549)	31,499,293
Other improvements	21,458,516	1,381,715	(57,777)	22,782,454
Infrastructure				
Streets	230,663,689	11,276,557	(1,458,034)	240,482,212
Storm Sewer	135,603,182	8,573,466	-	144,176,648
Parks	44,171,349	1,889,788	(261,524)	45,799,613
Total Capital Assets, Being Depreciated	<u>531,852,870</u>	<u>34,698,771</u>	<u>(4,060,141)</u>	<u>562,491,500</u>
Accumulated Depreciation for:				
Buildings and improvements	(22,999,783)	(2,148,694)	227,779	(24,920,698)
Machinery and equipment	(18,852,055)	(2,913,293)	1,518,425	(20,246,923)
Other improvements	(6,575,726)	(1,176,455)	51,869	(7,700,312)
Infrastructure				
Streets	(105,314,975)	(10,223,270)	1,314,273	(114,223,972)
Storm Sewer	(34,905,089)	(3,970,876)	-	(38,875,965)
Parks	(19,542,368)	(1,790,879)	261,524	(21,071,723)
Total Accumulated Depreciation	<u>(208,189,996)</u>	<u>(22,223,467)</u>	<u>3,373,870</u>	<u>(227,039,593)</u>
Total Capital Assets, Being Depreciated, Net	<u>323,662,874</u>	<u>12,475,304</u>	<u>(686,271)</u>	<u>335,451,907</u>
Governmental Activities Capital Assets, Net	<u>\$ 373,067,888</u>	<u>\$ 25,399,198</u>	<u>\$ (10,984,510)</u>	<u>\$ 387,482,576</u>

Depreciation and amortization expense was charged to governmental functions as follows:

Governmental Activities:	
General government	\$ 462,064
Public safety	1,590,851
Public works	15,525,314
Parks and recreation	4,645,238
Total depreciation and amortization expense	<u>\$ 22,223,467</u>

CITY OF LAKEVILLE
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2024

NOTE 3 CAPITAL ASSETS (CONTINUED)

A summary of changes in business-type capital assets during the year ended December 31, 2024 are as follows:

	Balance Beginning of Year, Restated (1)	Additions	Deletions	Balance End of Year
Business-Type Activities:				
Capital Assets, Not Being Depreciated:				
Land	\$ 3,672,969	\$ -	\$ -	\$ 3,672,969
Construction in Progress	-	37,894	-	37,894
Total Capital Assets, Not Being Depreciated	<u>3,672,969</u>	<u>37,894</u>	<u>-</u>	<u>3,710,863</u>
Capital Assets, Being Depreciated:				
Buildings and improvements	34,361,032	236,123	(106,500)	34,490,655
Machinery and equipment	8,611,583	542,295	(82,138)	9,071,740
Infrastructure				
Environmental Resources	489,644	74,319	-	563,963
Water	150,793,883	5,940,117	(76,444)	156,657,556
Sanitary Sewer	101,478,364	5,455,093	-	106,933,457
Total Capital Assets, Being Depreciated	<u>295,734,506</u>	<u>12,247,947</u>	<u>(265,082)</u>	<u>307,717,371</u>
Accumulated Depreciation for:				
Buildings and improvements	(12,373,990)	(850,729)	35,443	(13,189,276)
Machinery and equipment	(2,733,166)	(679,862)	11,980	(3,401,048)
Infrastructure				
Environmental Resources	(37,010)	(18,452)	-	(55,462)
Water	(45,975,990)	(3,371,881)	63,752	(49,284,119)
Sanitary Sewer	(35,266,425)	(2,144,251)	-	(37,410,676)
Total Accumulated Depreciation	<u>(96,386,581)</u>	<u>(7,065,175)</u>	<u>111,175</u>	<u>(103,340,581)</u>
Total Capital Assets, Being Depreciated, Net	<u>199,347,925</u>	<u>5,182,772</u>	<u>(153,907)</u>	<u>204,376,790</u>
Right-to-Use Assets, Not Being Depreciated:				
Leased buildings	3,989,676	-	-	3,989,676
Less accumulated amortization	(708,353)	(354,177)	-	(1,062,530)
Total Right-to-Use Assets, Net	<u>3,281,323</u>	<u>(354,177)</u>	<u>-</u>	<u>2,927,146</u>
Business-Type Activities Capital Assets, Net	<u>\$ 206,302,217</u>	<u>\$ 4,866,489</u>	<u>\$ (153,907)</u>	<u>\$ 211,014,799</u>

(1) Prior period restatement due to change in accounting principle. See additional information related to restatements in Note 22.

Depreciation and amortization expense was charged to governmental functions as follows:

Business-Type Activities:	
Liquor fund	\$ 715,458
Utility fund	6,703,894
Total depreciation and amortization expense, Business-Type Activities	<u>\$ 7,419,352</u>

NOTE 4 LEASES

The City, acting as lessor, leases land and water tower space for cellular services as well as ice arena space under long-term, non-cancelable lease agreements. The leases expire at various dates through 2056. During the year ended December 31, 2024, the City recognized \$629,851 and \$137,670 in lease revenue and interest revenue, respectively, pursuant to these contracts.

Certain leases provide for increases in future minimum annual rental payments based on defined increases in the Consumer Price Index, subject to certain minimum increases.

**CITY OF LAKEVILLE
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2024**

NOTE 5 LONG-TERM DEBT

A. Components of Long-Term Debt

General Obligation Bonds

The City's general obligation bonds are supported primarily from revenues derived from property tax levies, special assessment levies, tax increment levies, state-aid street revenue, water connection revenue charges, ice arena operations, and contributions by an organization conducting lawful gaming at approved locations. These bonds are backed by the full-faith and credit of the City.

Revenue Bonds

The following revenue bonds are not general obligations of the City and accordingly are not backed by the full-faith and credit of the City.

Business-type Activities

Future revenue pledged for the payment of long-term debt related to the Utility – Water, Utility – Sewer, Utility – Street Lights, and Water Connection revenue bonds is noted in the table below.

Summary of Business-type Activities

Bond Issue	Use of Proceeds	Type	Term of Pledge	Revenue Pledged		Current Year	
				Remaining Principal and Interest	Principal and Interest Paid	Pledged Revenue Received	
Utility - Water Revenue	Water infrastructure	Utility user fees	2023 - 2034	\$ 8,420,393	\$ 1,266,513	\$ 7,979,715	
Utility - Sewer Revenue	Sewer infrastructure	Utility user fees	2023 - 2025	71,750	70,125	9,563,268	
Utility - Street Lights Revenue	Street lights infrastructure	Utility user fees	2023 - 2026	105,000	51,125	1,297,347	
Water Connection Revenue	Water infrastructure	Connection charges	2023 - 2034	5,881,225	611,575	2,132,882	

Metropolitan Council Loan Agreements

On February 21, 2006, the City entered into a loan agreement with the Metropolitan Council for the purpose of acquiring property for a commuter vehicle park and pool lot located within a proposed state trunk highway right-of-way. The Metropolitan Council provided a loan to the City in the amount of \$1,466,300 to finance the acquisition of the property. In 2024, the City made no payments on this loan. As of December 31, 2024, the balance of the loan is \$1,159,843. On January 3, 2017, the City entered into another loan agreement with the Metropolitan Council for the purpose of acquiring property within a proposed state trunk highway right-of-way. The amount of the loan was \$737,171 and the City made no payments on the loan in 2024. In December of 2021, the City entered into another loan agreement with the Metropolitan Council for the purpose of acquiring property within a proposed state trunk highway right-of-way. The amount of the loan was \$950,000 with subsequent additions of \$51,842 in 2022 and \$57,939 in 2023, for a total loan of \$1,059,781. The City made no payments on the loan in 2024.

No specific assets are pledged as collateral for the debt, but there are restrictions on the related properties acquired with the loan proceeds.

The loans (all free of interest charge) will be discharged by the Metropolitan Council upon the conveyance of the properties to the highway authority at an undetermined future date.

**CITY OF LAKEVILLE
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2024**

NOTE 5 LONG-TERM DEBT (CONTINUED)

A. Components of Long-Term Debt (Continued)

Metropolitan Council Loan Agreements (Continued)

If the City determined it would not use the land for the highway project and wanted to sell it, it would owe the Met Council the fair market value of the property and, once paid, the loan would be forgiven. If the City breached the contract, essentially using the land for something other than was detailed in the agreements use of funds, the City would owe the Met Council the purchase price of the property (which is equal to the loan amount), and the loan would be forgiven.

Dakota County Loans Payable

During 2020, the City entered into two new agreements with Dakota County, where as Dakota County delayed repayment of project costs. One agreement related to construction on 179th Street between CSAH 23 and CSAH 31, with the City's total share to date of \$2,854,377 being recorded as a new loan in 2020. Additions of \$27,923 were made to this loan in 2021, bringing the total balance payable to \$2,882,300, payment of \$2,526,000 was made in 2023 and additions to the loan of \$4,449 in 2023 bringing the balance to the \$360,748. This loan requires the City to pay the County for the City's share of the project's costs after May 1, 2023. There were no additions or payments made on this loan in 2024, the balance at December 31, 2024 is \$360,748.

The other 2020 agreement related to the County Road 70 expansion, with the City's total share to date of \$2,319,659 being recorded as a new loan in 2020. Additions of \$4,672,203 were made to this loan in 2021, bringing the total balance payable to \$6,991,862. This loan requires the City to pay the County for the City's share of the project's costs over three years starting with engineering and right of way acquisition after February 1, 2022, and the final payment for constructions costs is due after February 1, 2024. Payments of \$656,200 were made in 2022, bringing the total balance payable as of December 31, 2022 to \$6,335,662. An adjustment to the agreement in the amount of \$676,542 was made in 2023, bringing the balance of the payable as of December 31, 2023, to \$5,659,120. Payment of \$5,659,120 was made in 2024, fully paying off the loan as of December 31, 2024.

During 2021, the City entered into a third agreement with Dakota County related to 179th Street Reconstruction, with the City's total share to date of \$224,099 being recorded as a new loan in 2021. Additions in the amount of \$68,018 were made to this loan in 2022 and additions in the amount of \$41,346 were made to the loan in 2023, bringing the total balance payable to \$333,463. There were no additions or payments in 2024. This loan is not payable to the County until 2025.

During 2023, the City entered into agreements for three more projects with Dakota County. The first of these agreements related to reconstruction on 185th Street between Dodd Boulevard and Highview Avenue, with the City's total date to date of \$2,982,455 as a new loan in 2023. There were no additions or payments in 2024. This loan is not payable to the County until 2026. The second of these agreements related to the 185th Street and CSAH 60 reconstruction project, with the City's total date to date of \$207,700 as a new loan in 2023.

**CITY OF LAKEVILLE
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2024**

NOTE 5 LONG-TERM DEBT (CONTINUED)

A. Components of Long-Term Debt (Continued)

Dakota County Loans Payable (Continued)

This loan is not payable to the County until 2025. The third agreement related to the 210th Street and Lakeville Boulevard reconstruction project, with the City's total date to date of \$524,000 as a new loan in 2023. An addition of \$438,190 was added to this loan in 2024, bringing the total balance at December 31, 2024 to \$645,890. This loan is not payable to the County until 2025 and 2026.

During 2024, the City entered into another agreement related to the 179th St. and County Road 31 traffic signal construction project, with the City's total share to date of \$327,602 recorded as a new loan as of December 31, 2024. This loan is not payable to the County until 2025 through 2027.

No assets were specifically pledged as collateral for these loans in the related agreements. There were no terms specified in the agreements with the County related to significant events of default, termination events, or subjective acceleration clauses.

Lease Revenue Liquor Enterprise Refunding Bonds, Series 2017A

On October 25, 2017, the City issued \$2,255,000 in HRA Lease Revenue Liquor Enterprise Refunding Bonds, Series 2017A. The proceeds of this issue were deposited with the Trustee in order to call and prepay the outstanding liquor revenue bonds of 2007. In exchange for the refunding of the existing liquor revenue bonds, the liquor fund conveyed related capital assets consisting of land and building to the HRA fund. The HRA then leased the building back to the liquor fund under a financed purchase agreement, resulting in the capital assets being reported back in the liquor fund and the long-term debt being shown in the liquor fund as a financed purchase. The financed purchase terms include interest of between 2.0%-3.0% with payments totaling \$2,255,000 through 2027. The capital assets being leased had a total cost of \$2,522,470 and accumulated depreciation of \$840,855 at December 31 2024. Per governmental accounting standards the related long-term debt is not shown in both the governmental and business-type activities, therefore the long-term liability is included in business-type activities as a financed purchase, as is noted in the table on the following page. This refunding resulted in an aggregate difference in debt service cash flows between the refunding debt and the refunded debt of \$305,074 as well as an economic net present value benefit of \$321,727 on the transaction.

General Obligation Tax Abatement Bonds, Series 2021 A

On February 16, 2021, the City issued \$7,770,000 in General Obligation Tax Abatement Bonds, Series 2021 A. Proceeds of the Bonds were used to finance various energy savings improvements to the Ames Arena and Hasse Arena and to pay costs associated with issuance of the Bonds. The Bonds are valid and binding general obligations of the City and are payable from tax abatement levies. The General Obligation Tax Abatement Bonds carry interest that will vary from 1.0% to 3.0% with a final maturity of February 1, 2041. The Bonds carry a call provision on February 1, 2029.

**CITY OF LAKEVILLE
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2024**

NOTE 5 LONG-TERM DEBT (CONTINUED)

A. Components of Long-Term Debt (Continued)

General Obligation Tax Abatement Bonds, Series 2021 B

On May 18, 2021, the City issued \$5,620,000 in General Obligation Tax Abatement Bonds, Series 2021 B. Proceeds of the Bonds were used to finance the construction of a municipal liquor store and to pay costs associated with issuance of the Bonds. The Bonds are valid and binding general obligations of the City and are payable from tax abatement levies and net revenues of the City's Liquor Fund. The General Obligation Tax Abatement Bonds carry interest that will vary from 2.0% to 4.0% with a final maturity of February 1, 2042. The Bonds carry a call provision on February 1, 2029.

General Obligation Bonds, Series 2021 C

On August 17, 2021, the City issued \$6,915,000 in General Obligation Bonds, Series 2021 C. This included \$5,650,000 in General Obligation Improvement Bonds and \$1,265,000 in General Obligation Water Revenue Bonds. The proceeds of this issue will be used for street reconstruction and improvement projects. The General Obligation Improvement Bonds carry interest that will vary from 2.0% to 4.0% with a final maturity of February 1, 2032. The debt service of these bonds will be made from special assessments and property tax levies. The General Obligation Water Revenue Bonds also carry an interest rate that will vary from 2.0% to 4.0% with a final maturity of February 1, 2032. The debt service of these bonds will be made from water utility revenues. The General Obligation Improvement Bonds and General Obligation Water Revenue Bonds carry a call provision on February 1, 2029.

General Obligation Refunding Bonds, Series 2022A

The General Obligation Refunding Bonds, Series 2022A, were issued in the amount of \$13,240,000, dated January 6, 2022, pursuant to Minnesota Statutes, Sections 475.521 and 475.58, Subdivision 3b and Chapters 429 and 475, as amended. Proceeds of the Bonds will be used to current refund the February 1, 2023 through February 1, 2033 maturities, totaling \$1,860,000 in principal, of the City's General Obligation Improvement Bonds, Series 2012A on February 1, 2022; to current refund the February 1, 2023 through February 1, 2030 maturities, totaling \$11,990,000 in principal, of the City's General Obligation Refunding Bonds, Series 2012B on February 1, 2022; to current refund the February 1, 2023 through February 1, 2034 maturities, totaling \$1,800,000 in principal, of the City's General Obligation Improvement Bonds, Series 2013A on February 1, 2022; and to pay costs associated with issuance of the Bonds. The Bonds are general obligations of the City and are payable from special assessments levied against benefitted properties and ad valorem taxes. This refunding resulted in an aggregate difference in debt service cash flows between the refunding debt and the refunded debt of \$2,251,071 as well as an economic net present value benefit of \$1,423,255 on the transaction.

**CITY OF LAKEVILLE
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2024**

NOTE 5 LONG-TERM DEBT (CONTINUED)

A. Components of Long-Term Debt (Continued)

Taxable General Obligation Bonds, Series 2022 B

The Taxable General Obligation Bonds, Series 2022B were issued in the amount of \$9,570,000, dated April 5, 2022, pursuant to Minnesota Statutes, Sections 469.1812 through 469.1815 and Chapter 475, as amended, and a voter referendum held on November 2, 2021, which passed by a vote of 7,346 (yes) to 4,681 (no). Proceeds of the Bonds will be used to full net advance refund the February 1, 2023 through February 1, 2032 maturities, totaling \$4,920,000 in principal, of the Housing and Redevelopment Authority of the City of Lakeville, Minnesota Lease Revenue Refunding Bonds (Ice Arena Project), Series 2016A; to finance the construction of an outdoor refrigerated covered ice rink at Hasse Arena; and to pay costs associated with issuance of the Bonds. The bonds are general obligations of the City and are payable from an abatement levy and ad valorem taxes. This refunding resulted in an aggregate difference in debt service cash flows between the refunding debt and the refunded debt of \$634,677 as well as an economic net present value benefit of \$171,723 on the transaction.

General Obligation Bonds, Series 2022C

On July 18, 2022, the City issued the General Obligation Bonds, Series 2022C were being issued by the City pursuant to Minnesota Statutes, Chapters 429 and 475, as amended, and a voter referendum held on November 2, 2021, which passed by a vote of 7,346 (yes) to 4,681 (no). Proceeds of the Bonds will be used to finance the City's 2022 street improvements, various park improvements, and to pay costs associated with issuance of the Bonds. The Bonds are valid and binding general obligations of the City and are payable from special assessments levied against benefitted properties and ad valorem taxes. The full faith and credit of the City is also pledged to their payment. The Bonds maturing on February 1, 2031 and thereafter are subject to redemption, in whole or in part, on February 1, 2030 and on any date thereafter at a price of par plus accrued interest. Principal due with respect to the Bonds is payable annually on February 1, commencing February 1, 2024. Interest due with respect to the Bonds is payable semiannually on February 1 and August 1, commencing August 1, 2023.

General Obligation Bonds, Series 2023A

The General Obligation Bonds, Series 2023A were issued on July 20, 2023 in the amount of \$9,220,000, pursuant to Minnesota Statutes, Chapter 475 and Section 475.58, Subdivision 3b and a voter referendum held of November 2, 2021, which passed by a vote of 7,346 (yes) to 4,681 (no). Proceeds of the Bonds were used to finance the City's 2023 street reconstruction projects and various park improvements and to pay costs associated with issuance of the Bonds. The Bonds are valid and binding general obligations of the City and are payable from ad valorem taxes. The full faith and credit of the City is also pledged to their payment. The Bonds maturing on February 1, 2032 and thereafter are subject to redemption, in whole or in part, on February 1, 2031 and on any date thereafter at a price of par plus accrued interest. Principal due with respect to the Bonds is payable annually on February 1, commencing February 1, 2025. Interest due with respect to the Bonds is payable semiannually on February 1 and August 1, commencing February 1, 2024.

**CITY OF LAKEVILLE
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2024**

NOTE 5 LONG-TERM DEBT (CONTINUED)

A. Components of Long-Term Debt (Continued)

General Obligation Bonds, Series 2024A

The General Obligation Bonds, Series 2024A were issued on July 17, 2024 in the amount of \$21,530,000, pursuant to Minnesota Statutes, Chapter 475 and Section 475.58, Subdivision 3b and a voter referendum held of November 2, 2021, which passed by a vote of 7,346 (yes) to 4,681 (no). Proceeds of the Bonds will be used to finance the City's 2024 street reconstruction and collector rehabilitation projects and various park improvements and to pay costs associated with issuance of the Bonds. The Bonds are valid and binding general obligations of the City and are payable from ad valorem taxes. The full faith and credit of the City is also pledged to their payment. The Bonds maturing on February 1, 2033 and thereafter are subject to redemption, in whole or in part, on February 1, 2032 and on any date thereafter at a price of par plus accrued interest. Principal due with respect to the Bonds is payable annually on February 1, commencing February 1, 2026. Interest due with respect to the Bonds is payable semiannually on February 1 and August 1, commencing February 1, 2025.

Leases Payable

The City also leases liquor store space, as a lessee, as well as certain operating under long-term, non-cancelable lease agreements. The Heritage Liquor Store lease (located in Heritage Shopping Center) consists of 8,859 square feet of space and expires on June 30, 2027. This lease was discounted at a rate of 0.636%. The Kenrick Liquor Store lease (located off Kenrick Avenue) consists of 9,705 square feet of space and expires on April 30, 2038. This lease was discounted at a rate of 1.24%. The City also has an internal lease between the HRA and the Liquor fund for space that was funding by the 2017A lease revenue liquor enterprise refunding bonds.

**CITY OF LAKEVILLE
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2024**

NOTE 5 LONG-TERM DEBT (CONTINUED)

A. Components of Long-Term Debt (Continued)

The City had the following long-term liabilities outstanding at December 31, 2024:

Description	Maturities	Interest Rates	Amount
PRIMARY GOVERNMENT			
Governmental Activities:			
General Obligation Bonds Payable:			
General obligation bonds	2026 - 2044	1.75% - 5.00%	\$ 64,575,000
G.O. improvement bonds	2029 - 2038	1.50% - 5.00%	57,800,000
State-aid street revenue bonds	2036	1.25% - 5.00%	3,260,000
G.O. water revenue bonds	2034	2.00% - 5.00%	5,125,000
Tax abatement Bonds	2031 - 2042	1.00% - 5.00%	16,290,000
Total General Obligation Bonds			<u>147,050,000</u>
Business-Type Activities:			
Revenue Bonds			
Water revenue bonds	2028 - 2034	1.50% - 5.00%	7,415,000
Sewer revenue bonds	2025	1.50% - 5.00%	70,000
Street light revenue bonds	2026	5.00%	100,000
Total Revenue Bonds			<u>7,585,000</u>
Financed purchase arrangements	2027	2.00% - 3.00%	815,000
Lease liability	2024- 2038	1.16% - 3.00%	3,047,079
Total Business-Type Activities			<u>11,447,079</u>
Total long-term bonded debt outstanding			<u>\$ 158,497,079</u>

The City is in compliance with all significant bond covenants. Annual bond debt service requirements to maturity for long-term bond obligations are as follows:

Year Ending December 31,	Governmental		Business-Type		Total
	Principal	Interest	Principal	Interest	
2025	\$ 12,910,000	\$ 5,422,749	\$ 1,130,000	\$ 258,788	\$ 19,721,537
2026	13,710,000	4,811,131	1,105,000	208,588	19,834,719
2027	13,035,000	4,255,870	950,000	133,538	18,374,408
2028	13,490,000	3,731,965	980,000	133,538	18,335,503
2029	13,130,000	3,211,829	915,000	97,988	17,354,817
2030 - 2034	48,145,000	9,633,996	2,505,000	144,656	60,428,652
2035 - 2039	18,325,000	3,944,926	-	-	22,269,926
2040 - 2044	13,220,000	1,299,997	-	-	14,519,997
2044	1,085,000	22,378	-	-	1,107,378
Total	<u>\$ 147,050,000</u>	<u>\$ 36,334,841</u>	<u>\$ 7,585,000</u>	<u>\$ 977,096</u>	<u>\$ 190,839,559</u>

**CITY OF LAKEVILLE
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2024**

NOTE 5 LONG-TERM DEBT (CONTINUED)

A. Components of Long-Term Debt (Continued)

Annual bond debt service requirements to maturity for financed purchases payable and the liquor lease liability are as follows:

Year Ending December 31,	Liquor Financed Purchase	
	Principal	Interest
2025	\$ 265,000	\$ 20,475
2026	270,000	12,450
2027	280,000	4,200
Total	<u>\$ 815,000</u>	<u>\$ 37,125</u>

Year Ending December 31,	Liquor Lease Liability	
	Principal	Interest
2025	\$ 335,306	\$ 33,728
2026	343,608	30,564
2027	259,588	27,457
2028	181,353	25,137
2029	188,254	22,830
2030-2034	1,001,903	78,101
2035-2038	737,067	15,718
Total	<u>\$ 3,047,079</u>	<u>\$ 233,535</u>

Accrued Compensated Absences

Governmental Activities

The governmental funds accumulated liability for accrued PTO, comp pay, vacation, and sick pay (including applicable salary-related payments) as of December 31, 2024 is \$3,851,391. This amount is included in the noncurrent liabilities of the government-wide statement of net position.

In the event of employee separation from the City, the related compensated leave internal service fund, general fund, and the responsible special revenue fund will pay the accumulated severance portion.

Business-Type Activities

The accumulated liability for accrued PTO, vacation, and sick pay for proprietary enterprise funds (including applicable salary-related payments) as of December 31, 2024 is \$633,676. In the event of employee separation from the City, the responsible enterprise fund will pay the accumulated severance portion. These amounts are recorded as a liability and as an expense when earned in the responsible funds.

**CITY OF LAKEVILLE
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2024**

NOTE 5 LONG-TERM DEBT (CONTINUED)

A. Components of Long-Term Debt (Continued)

Unamortized Bond Premium and Discount

Unamortized bond premium and bond discount included within noncurrent liabilities are as follows:

	<u>Governmental</u>	<u>Business-Type</u>
Unamortized bond premium	<u>\$ 8,707,323</u>	<u>\$ 555,730</u>

B. Changes in Long-Term Debt

Long-term liability activity for the year ended December 31, 2024 was as follows:

	<u>Beginning of Year</u>	<u>Additions</u>	<u>Deletions</u>	<u>End of Year</u>	<u>Due Within One Year</u>
PRIMARY GOVERNMENT					
Governmental Activities					
General obligation bonds	\$ 53,025,000	\$ 15,075,000	\$ (3,525,000)	\$ 64,575,000	\$ 4,715,000
Other bonds	84,000,000	6,455,000	(7,980,000)	82,475,000	8,195,000
Total bonds	137,025,000	21,530,000	(11,505,000)	147,050,000	12,910,000
Direct Borrowing - County note payable	10,067,476	765,792	(5,659,120)	5,174,148	-
Direct Borrowing - Metropolitan					
Council loans	2,956,795	-	-	2,956,795	-
Total long-term debt	150,049,271	22,295,792	(17,164,120)	155,180,943	12,910,000
Accrued compensated absences	3,787,849	2,661,835	(2,598,293)	3,851,391	2,598,292
Unamortized bond premium/discount	9,037,183	1,389,304	(1,719,164)	8,707,323	-
Total Governmental Activities	162,874,303	26,346,931	(21,481,577)	167,739,657	15,508,292
Business-Type Activities:					
Utility - water revenue bonds	8,380,000	-	(965,000)	7,415,000	1,010,000
Utility - sewer revenue bonds	135,000	-	(65,000)	70,000	70,000
Utility - street light revenue bonds	145,000	-	(45,000)	100,000	50,000
Liquor - lease liability	3,374,280	-	(327,201)	3,047,079	335,306
Financed purchase arrangements	1,075,000	-	(260,000)	815,000	265,000
Accrued compensated absences	563,834	501,279	(431,437)	633,676	431,437
Unamortized Bond Premiums	726,085	-	(170,355)	555,730	-
Total Business-Type Activities	14,399,199	501,279	(2,263,993)	12,636,485	2,161,743
Total Primary Government	\$ 177,273,502	\$ 26,848,210	\$ (23,745,570)	\$ 180,376,142	\$ 17,670,035

**CITY OF LAKEVILLE
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2024**

NOTE 6 NET INVESTMENT IN CAPITAL ASSETS

Net investment in capital assets as of December 31, 2024 is calculated as follows:

	<u>Governmental</u>	<u>Business-type</u>	<u>Total</u>
Capital assets, net of depreciation / amortization	\$ 387,482,576	\$ 211,014,799	\$ 598,497,375
Less applicable:			
Bonds payable	(118,925,000)	(7,485,000)	(126,410,000)
Lease liability and financed purchase payable	-	(3,862,079)	(3,862,079)
Loan payable	(2,956,795)	-	(2,956,795)
Note payable	(5,174,148)	-	(5,174,148)
Unamortized bond premium / discount (net)	(8,620,804)	(555,730)	(9,176,534)
Unamortized deferred gain on refunding	(844,291)	-	(844,291)
Unspent bond proceeds	11,073,220	-	11,073,220
Contracts payable	(2,495,859)	-	(2,495,859)
Net Investment in capital assets	<u>\$ 259,538,899</u>	<u>\$ 199,111,990</u>	<u>\$ 458,650,889</u>

The City has \$28,225,000 in bonds and \$86,519 in unamortized bond premiums that are not included in the calculation above as they are not capital in nature.

NOTE 7 RESTRICTED NET POSITION

The government-wide statement of net position reports restricted amounts in the net position section. These amounts represent net position that has imposed restrictions placed on it by parties outside the City government. Net position restricted for debt service represents assets pledged by bond covenant to the repayment of City bond obligations. The government-wide restricted net position is as follows:

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
<u>Restricted Net Position</u>			
Special purposes	\$ 429,105	\$ -	\$ 429,105
Debt service	33,709,823	-	33,709,823
Capital acquisition	30,317,533	-	30,317,533
Public safety	3,156,649	-	3,156,649
Opioid remediation activities	414,682	-	414,682
Fire relief pensions	4,402,307	-	4,402,307
Total restricted net position	<u>\$ 72,430,099</u>	<u>\$ -</u>	<u>\$ 72,430,099</u>

**CITY OF LAKEVILLE
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2024**

NOTE 8 CONSTRUCTION COMMITMENTS

The City has outstanding construction and build projects as of December 31, 2024. These projects include street reconstruction projects, equipment purchases, land purchases and other water and sanitary sewer projects. The City's commitments with contractors and other governmental entities are shown as follows:

<u>Projects</u>	<u>Spent-to-Date</u>	<u>Remaining Commitment</u>
<u>Governmental Activities</u>		
ERP Implementation Project	\$ 813,226	\$ 25,620
215th St Extension, CP22-24 Airlake improvements	4,940,320	233,640
185th St Extension (CP24-04)	9,970,532	10,006
2022 Street reconstruction projects	6,410,920	360,788
2024 Street reconstruction CP24-02	4,058,730	380,706
2024 Collector Rd Rehab. CP24-03	2,069,680	114,442
Casperson park irrigation	69,689	14,162
Voyageur Farms pedestrian bridge	-	62,300
Trail gaps project CP23-06	2,283,139	270,945
179th St project 23-04	-	3,775,074
North Creek stormwater management CP23-59	377,588	3,283
City Hall renovations	645,811	22,994
Grand Prairie Park Project	8,748,125	9,273,330
Hasse Arena covered ice rink (Apex)	577,280	14,011
Other/miscellaneous projects	51,844	58,156
Total governmental	\$ 41,016,884	\$ 14,619,457
 <u>Projects</u>		
<u>Business-Type Activities</u>		
Stormwater restoration/improvement projects	\$ 62,931	\$ 198,725
Total business-type	\$ 62,931	\$ 198,725

**CITY OF LAKEVILLE
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2024**

NOTE 9 FUND BALANCES

A summary of the City's governmental fund balance classifications at December 31, 2024 is as follows:

	General Fund	Debt Service Fund	Capital Projects Fund	Nonmajor	Total
Nonspendable					
Inventory	\$ 308,206	\$ -	\$ -	\$ -	\$ 308,206
Prepaid Items	44,559	-	-	-	44,559
Total nonspendable	352,765	-	-	-	352,765
Restricted for:					
Debt Service	-	23,590,844	-	-	23,590,844
Public improvements	-	-	5,734,501	-	5,734,501
Street construction	-	-	5,285,847	-	5,285,847
Public safety aid	1,850,000	-	1,306,649	-	3,156,649
Park development	-	-	8,469,235	-	8,469,235
Tax increment	-	-	320,083	-	320,083
Parks bond referendum	-	-	12,015,427	-	12,015,427
Opioid remediation activities	-	-	-	110,908	110,908
Local Affordable Housing Aid	-	-	-	229,465	229,465
Public communications	-	-	-	186,233	186,233
Special Service District	-	-	-	13,407	13,407
Total Restricted	1,850,000	23,590,844	33,131,742	540,013	59,112,599
Committed for:					
Public improvements	-	-	1,193,889	-	1,193,889
Public buildings	-	-	816,043	-	816,043
Pavement management	-	-	965,880	-	965,880
Storm water infrastructure	-	-	7,952,133	-	7,952,133
Water trunk system	-	-	16,377,704	-	16,377,704
Sanitary sewer trunk system	-	-	14,221,485	-	14,221,485
Parks bond referendum	-	-	150,000	-	150,000
Trail improvement	-	-	704,455	-	704,455
Park improvement	-	-	754,155	-	754,155
Capital acquisitions	-	-	3,043,212	-	3,043,212
Technology equipment	-	-	429,476	-	429,476
Public communications	-	-	-	1,096,532	1,096,532
Arenas improvement projects	-	-	266,328	-	266,328
Total Committed	-	-	46,874,760	1,096,532	47,971,292
Unassigned (Deficit)	20,983,864	-	(315,779)	-	20,668,085
Total	\$ 23,186,629	\$ 23,590,844	\$ 79,690,723	\$ 1,636,545	\$ 128,104,741

**CITY OF LAKEVILLE
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2024**

NOTE 10 CONTRIBUTED CAPITAL

The ownership of local streets, storm water, parks, water, and sanitary sewer infrastructure capital assets that are constructed and completed during the year by private land developers becomes contributed property of the City. Storm sewer, water, and sanitary sewer infrastructure assets constructed within Dakota County and state of Minnesota right-of-way boundaries also become City capital assets since they are serviced and maintained by the City. Roads and highways constructed within Dakota County and state of Minnesota right-of-way boundaries are excluded from City capital assets. The City assumed ownership of the following governmental and business-type capital assets contributed from private land developers during the current fiscal year as follows:

<u>From Private Land Developers</u>	<u>Governmental</u>	<u>Enterprise Utility Fund</u>
Infrastructure:		
Streets	\$ 4,694,456	\$ -
Storm sewer	6,141,513	-
Parks	691,702	-
Water	-	4,857,199
Sanitary sewer	-	4,974,246
Total	<u>\$ 11,527,671</u>	<u>\$ 9,831,445</u>

The ownership of water and sanitary sewer infrastructure assets that are constructed and completed during the year by City governmental activities (through various funding sources at cost) becomes contributed property of the City's enterprise utility fund. The ownership of liquor store assets that are constructed and completed during the year by City governmental activities (through various funding sources at cost) becomes contributed property of the City's liquor fund. The City's enterprise utility fund and liquor fund assumed ownership of the following capital assets contributed during the current fiscal year as follows:

<u>From Governmental Activities</u>	<u>Enterprise Utility Fund</u>
Infrastructure:	
Water	\$ 825,953
Sanitary sewer	438,563
Total	<u>\$ 1,264,516</u>

**CITY OF LAKEVILLE
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2024**

NOTE 11 STEWARDSHIP AND ACCOUNTABILITY

Although total fund balance was positive, the capital projects fund has a deficit unassigned fund balance of \$319,113 as of December 31, 2024 for an internally tracked project, as a result of paying for capital expenditures for projects for which no debt has been issued yet. It is anticipated that the deficit will be financed by future bond proceeds, intergovernmental revenues, special assessments, and transfers from other funds.

NOTE 12 INTERFUND TRANSFERS

The City provides financing for a variety of operations and capital projects utilizing resources from certain funds; interfund transfers used for these various activities during the current fiscal year are as follows:

Transfers To:				
Transfers From:	General Fund	Debt Service Fund	Capital Projects Fund	Total
General fund	\$ -	\$ -	\$ 215,000	\$ 215,000
Debt service fund	-	-	-	-
Capital projects fund	-	678,588	-	678,588
Nonmajor governmental funds	196,998	-	7,300	204,298
Total	196,998	678,588	222,300	1,097,886
Enterprise - liquor	30,000	750,450	559,500	1,339,950
Enterprise - utility	-	523,569	293,500	817,069
Total	\$ 226,998	\$ 1,952,607	\$ 1,075,300	\$ 3,254,905
	(1)	(2)	(3), (4), (5)	

The following are explanations to interfund transfers sub-notes 1 through 5.

Abbreviation key:

(SR) special revenue fund, (DS) debt service fund, (CP) capital projects fund, (Ent) enterprise fund.

**CITY OF LAKEVILLE
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2024**

NOTE 12 INTERFUND TRANSFERS (CONTINUED)

- (1) The transfers to the general fund were provided mainly to move the Forestry department to the General fund and as overhead and maintenance costs from the following funds:

Fund	Amount	Description
Liquor (Ent)	\$ 30,000	Contribution to Pan-o-Prog Fireworks
SRF (Opioid Fund)	196,998	One-time transfer to move Opioid grant funding to cover eligible costs in General Fund
Total	<u>\$ 226,998</u>	

- (2) The transfers to the debt service fund were provided by the following funds mainly to transfer back excess bond proceeds and related to the City improvements projects whereby user fees are pledged towards the improvement bonds debt service requirements.

Fund	Amount	Description
Arenas Capital Projects (CP)	\$ 66,563	Transfer to 2020A tax abatement bonds (DSF) for payments received from associations/donations
Water Trunk Fund (CP)	612,025	Water revenue (DS) for debt service requirements
Utility (Ent)	523,569	Total transfer to the DS GO improvement bonds provided by the enterprise utility fund related to the City improvement projects whereby user fees are pledged towards the improvement bonds debt service requirements.
Liquor (Ent)	400,000	Total transfer to the DS GO bonds provided by the enterprise liquor fund related to the City improvement projects whereby user fees are pledged towards the improvement bonds debt service requirements (police station).
Liquor (Ent)	350,450	Transfer to the DS GO bonds provided by the enterprise liquor fund related to the Keokuk Liquor Store construction.
Total	<u>\$ 1,952,607</u>	

- (3) The total transfers to the capital projects fund from other governmental funds were provided to finance various construction projects as follows:

From:	Amount	Description
General Fund	\$ 215,000	Technology Fund (CP) for future technology purchases/costs and ERP project
Communications Fund (SR)	7,300	Technology Fund (CP) for future technology-equipment purchases
Total	<u>\$ 222,300</u>	

- (4) The total transfer to the capital projects fund was provided by the liquor enterprise fund to finance various construction projects:

From:	Amount	Description
Liquor (Ent)	\$ 59,500	Technology Fund (CP) for future technology-equipment purchases
Liquor (Ent)	500,000	Equipment Fund (CP) for future equipment purchases
Total	<u>\$ 559,500</u>	

- (5) The total transfer to the capital projects fund was provided by the utility enterprise fund to finance various construction projects:

From:	Amount	Description
Environmental Resources Fund (EF)	\$ 4,600	Technology Fund (CP) for future technology-equipment purchases
Environmental Resources Fund (EF)	40,500	Equipment Fund (CP) for future equipment purchases
Water Operating Fund (EF)	14,200	Technology Fund (CP) for future technology-equipment purchases
Sanitary Sewer Operating Fund (EF)	14,200	Technology Fund (CP) for future technology-equipment purchases
Environmental Resources Fund (EF)	220,000	One-time contribution to Building Fund (CP) for materials bunker project
Total	<u>\$ 293,500</u>	

**CITY OF LAKEVILLE
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2024**

NOTE 13 JOINT POWERS DEBT COMMITMENT

On August 25, 2005, the City of Lakeville entered into a joint powers agreement with the Cities of Apple Valley, Burnsville, Eagan, Farmington, Hastings, Inver Grove Heights, Mendota Heights, Rosemount, South St. Paul, West St. Paul, Minnesota, and Dakota County Minnesota, to establish the Dakota 911 (D911), a Minnesota nonprofit corporation. The purpose of the D911 is to engage in the operation and maintenance of a countywide public safety answering point and communications center for law enforcement, fire, emergency medical services, and other public safety services for the mutual benefit of residents residing in the above mentioned cities and county (members). Pursuant to the joint powers agreement, members are required to provide the D911 their pro rata share of cost of operations and maintenance, and capital projects. Information regarding the Dakota 911 can be obtained at the website <https://dakota911mn.gov/> or by contacting Julie Stahl at the City of Lakeville, 20195 Holyoke Avenue, Lakeville, Minnesota 55044. Telephone 952-985-4481 or email address jstahl@lakevillemn.gov.

NOTE 14 OTHER POSTEMPLOYMENT BENEFITS (OPEB)

A. Plan Description

The City provides postemployment insurance benefits to certain eligible employees through the City's Other Postemployment Benefits Plan, a single-employer defined benefit plan administered by the City. All postemployment benefits are based on contractual agreements with employee groups. These contractual agreements do not include any specific contribution or funding requirements. These benefits are summarized as follows:

Postemployment Insurance Benefits – All retirees of the City have the option under state law to continue their medical insurance coverage through the City from the time of retirement until the employee reaches the age of eligibility for Medicare. For members of all employee groups, the retiree must pay the full premium to continue coverage for medical and dental insurance.

The City is legally required to include any retirees for whom it provides health insurance coverage in the same insurance pool as its active employees, whether the premiums are paid by the City or the retiree. Consequently, participating retirees are considered to receive a secondary benefit known as an "implicit rate subsidy." This benefit relates to the assumption that the retiree is receiving a more favorable premium rate than they would otherwise be able to obtain if purchasing insurance on their own, due to being included in the same pool with the City's younger and statistically healthier active employees.

**CITY OF LAKEVILLE
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2024**

NOTE 14 OTHER POSTEMPLOYMENT BENEFITS (OPEB) (CONTINUED)

A. Plan Description (Continued)

Employees Covered by Benefit Terms – At December 31, 2024, the following employees were covered by the benefit terms:

Inactive Plan Members or Beneficiaries Currently Receiving Benefit Payments	5
Inactive Plan Members Entitled to but not yet Receiving Benefit Payments	-
Active Plan Members	229
Total	234

B. Contributions and Funding Policy

The required contribution is based on projected pay-as-you-go financing requirements, with additional amounts to pre-fund benefits as determined annually by the City. The City contributes a portion of the cost of current year premiums for eligible retired plan members and their spouses as well as the implicit rate subsidy described above. For fiscal year 2024, the City contributed \$35,154 in subsidized payments and implicit payments of \$12,648 to the plan. As of December 31, 2024, there were five retirees receiving health benefits from the City’s health plans. The City holds no assets in trust related to this plan.

C. Total OPEB Liability

The City’s Total OPEB liability was measured as of January 1, 2024 and was determined by an actuarial valuation as of January 1, 2023.

Actuarial Assumptions

The total OPEB liability in the January 1, 2023 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

<u>Valuation date:</u>	January 1, 2023
<u>Measurement date:</u>	January 1, 2024
<u>Methods and assumptions used to determine the contribution rates:</u>	
Actuarial cost method	Entry age
Amortization method	Level percentage of payroll, closed
Amortization period	Average of expected remaining service on a closed basis for differences between expected and actual experience and assumption changes.
Inflation	3.00%
Healthcare cost trend rate	5.50% for 2024, decreasing to 5.00% by 2026
Salary increases	3.00%
Discount rate	4.00% (20-year municipal bond yield)
Mortality	RP-2014 White Collar Mortality Tables with MP-2021 Generational Improvement Scale (with Blue Collar adjustment for Police and Fire Personnel)

**CITY OF LAKEVILLE
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2024**

NOTE 14 OTHER POSTEMPLOYMENT BENEFITS (OPEB) (CONTINUED)

C. Total OPEB Liability (Continued)

Discount Rate

The City's OPEB plan is not funded by a trust, and therefore, the City's uses the 20-year municipal bond index rate to develop its long-term rate of return and discount rate. This rate was 4.00% in the current actuarial valuation, which was updated from the 4.31% used in the prior measurement date.

D. Changes in the Total OPEB Liability

The details of the changes in the City's total OPEB liability were as follows for 2024:

	Increase (Decrease) Total OPEB Liability (a)
Balances at 12/31/23	\$ 1,074,960
Changes for the Year:	
Service Cost	94,527
Interest	49,386
Benefit Payments	(47,802)
Changes in Assumptions	28,776
Net Changes	124,887
Balances at 12/31/24	\$ 1,199,847

The following changes in assumptions and plan provisions occurred between the current and prior actuarial valuations:

- Discount rate of 4.31% was updated to 4.00%.
- There have been no changes in plan provisions since the prior valuation.

**CITY OF LAKEVILLE
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2024**

NOTE 14 OTHER POSTEMPLOYMENT BENEFITS (OPEB) (CONTINUED)

E. Sensitivity of Total OPEB Liability

Sensitivity of the total OPEB liability to changes in the discount rate and healthcare cost trend rates. The following presents the total OPEB liability of the City, as well as what the City's net OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (3.31%) or one percentage point higher (5.31%) than the current discount rate:

	1% Decrease (3.00)%	Discount Rate (4.00)%	1% Increase (5.00)%
Total OPEB Liability (Asset)	\$ 1,296,749	\$ 1,199,847	\$ 1,109,273

Sensitivity of the net OPEB liability to changes in the healthcare cost trend rates. The following presents the net OPEB liability of the City, as well as what the City's net OPEB liability would be if it were calculated using healthcare cost trend rates that are one percentage point lower (4.5% decreasing to 4.00%) or one percentage point higher (6.5% decreasing to 6.00%) than the current healthcare cost trend rates:

	1% Decrease (4.50% Decreasing to 4.00%)	Healthcare Cost Trend Rates (5.50% Decreasing to 5.00%)	1% Increase (6.50% Decreasing to 6.00%)
Total OPEB liability (asset)	\$ 1,046,933	\$ 1,199,847	\$ 1,383,487

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

For the year ended December 31, 2024, the City recognized OPEB expense of \$110,415. At December 31, 2024, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Experience	\$ 155,467	\$ 351,684
Changes of Assumptions	108,117	145,481
Contributions After Measurement Date and Before the Reporting Date	44,782	-
Total	\$ 308,366	\$ 497,165

**CITY OF LAKEVILLE
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2024**

NOTE 14 OTHER POSTEMPLOYMENT BENEFITS (OPEB) (CONTINUED)

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

A total of \$44,782 reported as deferred outflows of resources related to OPEB resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the total OPEB liability in the year ended December 31, 2024. Other amounts reported as deferred outflows and inflows of resources related to postemployment benefits will be recognized in OPEB expense as follows:

<u>Year Ending December 31,</u>	<u>Amount</u>
2025	\$ (33,498)
2026	(33,498)
2027	(33,498)
2028	(33,498)
2029	(33,498)
Thereafter	(66,091)

NOTE 15 RISK FINANCING AND RELATED INSURANCE ISSUES

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The City purchased the following insurance coverage through the League of Minnesota Cities Insurance Trust (LMCIT), a public entity risk pool currently operating as a common risk management and insurance program for Minnesota cities: general liability, excess liability, workers compensation, property, automobile, marine, crime, employee dishonesty, boiler, petro fund, and open meeting law.

The City pays an annual premium to the LMCIT for its insurance coverage. The LMCIT is self-sustaining through member premiums and will reinsure through commercial companies for claims in excess of reserved amounts for each insured event. The LMCIT allows for the pool to make additional assessments to make the pool self-sustaining. Current state statutes (Minnesota Statutes Subd. 466.04) provide limits of liability for the City. There were no significant reductions in insurance from the previous year or settlements in excess of insurance coverage for any of the past three fiscal years.

**CITY OF LAKEVILLE
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2024**

NOTE 16 DEFINED BENEFIT PENSION PLANS – STATE-WIDE

A. Plan Description

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

1. General Employees Retirement Plan (GERF)

Membership in the General Plan includes employees of counties, cities, townships, schools in non-certified positions, and other governmental entities whose revenues are derived from taxation, fees, or assessments. Plan membership is required for any employee who is expected to earn more than \$425 in a month, unless the employee meets exclusion criteria.

2. Public Employees Police and Fire Plan (PEPFF)

Membership in the Police & Fire Plan includes full-time, licensed police officers and firefighters who meet the membership criteria defined in Minnesota Statutes section 353.64 and who are not earning service credit in any other PERA retirement plan or a local relief association for the same service. Employers can provide Police & Fire Plan coverage for part-time positions and certain other public safety positions by submitting a resolution adopted by the entity's governing body. The resolution must state that the position meets plan requirements.

B. Benefits Provided

PERA provides retirement, disability, and death benefits. Benefit provisions are established by state statute and can only be modified by the state Legislature. Vested, terminated employees who are entitled to benefits, but are not receiving them yet, are bound by the provisions in effect at the time they last terminated their public service. When a member is "vested," they have earned enough service credit to receive a lifetime monthly benefit after leaving public service and reaching an eligible retirement age. Members who retire at or over their Social Security full retirement age with at least one year of service qualify for a retirement benefit.

1. General Employees Retirement Plan Benefits

General Employees Plan requires three years of service to vest. Benefits are based on a member's highest average salary for any five successive years of allowable service, age, and years of credit at termination of service. Two methods are used to compute benefits for General Plan members. Members hired prior to July 1, 1989, receive the higher of the Step or Level formulas. Only the Level formula is used for members hired after June 30, 1989. Under the Step formula, General Plan members receive 1.2% of the highest average salary for each of the first 10 years of service and 1.7% for each additional year. Under the Level formula, General Plan members receive 1.7% of highest average salary for all years of service. For members hired prior to July 1, 1989 a full retirement benefit is available when age plus years of

**CITY OF LAKEVILLE
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2024**

NOTE 16 DEFINED BENEFIT PENSION PLANS – STATE-WIDE (CONTINUED)

B. Benefits Provided (Continued)

1. General Employees Retirement Plan Benefits (Continued)

service equal 90 and normal retirement age is 65. Members can receive a reduced requirement benefit as early as age 55 if they have three or more years of service. Early retirement benefits are reduced by .25% for each month under age 65. Members with 30 or more years of service can retire at any age with a reduction of .25% for each month the member is younger than age 62. The Level formula allows General Plan members to receive a full retirement benefit at age 65 if they were first hired before July 1, 1989 or at age 66 if they were hired on or after July 1, 1989. Early retirement begins at age 55 with an actuarial reduction applied to the benefit.

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%. The 2024 annual increase was 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 prorated increase.

2. Police and Fire Plan Benefits

Benefits for Police and Fire Plan members hired before July 1, 2010, are vested after three years of service. Members hired on or after July 1, 2010, are 50% vested after five years of service and 100% vested after ten years. After five years, vesting increase by 10% each full year of service until members are 100% vested after ten years. Police and Fire Plan members receive 3 percent of highest average salary for all years of service. Police and Fire Plan members receive a full retirement benefit when they are age 55 and vested, or when their age plus their years of service equals 90 or greater if they were first hired before July 1, 1989. Early retirement starts at age 50, and early retirement benefits are reduced by 0.417% each month members are younger than age 55.

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 prorated increase.

**CITY OF LAKEVILLE
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2024**

NOTE 16 DEFINED BENEFIT PENSION PLANS – STATE-WIDE (CONTINUED)

C. Contributions

Minnesota Statutes chapters 353, 353E, 353G, and 356 set the rates for employer and employee contributions. Contribution rates can only be modified by the state Legislature.

1. General Employees Fund Contributions

General Plan members were required to contribute 6.50% of their annual covered salary in fiscal year 2024 and the City was required to contribute 7.50% for Coordinated Plan members. The City contributions to the General Employees Fund for the year ended December 31, 2024 were \$1,126,459, which was equal to the required contribution as set by state statute.

2. Police and Fire Fund Contributions

Police and Fire Plan members were required to contribute 11.80% of their annual covered salary in fiscal year 2024 and the City was required to contribute 17.70% for Police and Fire Plan members. The City’s contributions to the Police and Fire Fund for the year ended December 31, 2024 were \$1,557,876. The City’s contributions were equal to the required contributions as set by state statute.

D. Pension Costs

1. General Employees Fund Pension Costs

At December 31, 2024, the City reported a liability of \$6,660,502 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 \$172,227.

City's Proportionate Share of the Net Pension Liability	\$	6,660,502
State of Minnesota's Proportionate Share of the Net Pension Liability Associated with the City		<u>172,227</u>
Total	\$	<u><u>6,832,729</u></u>

The net pension liability was measured as of June 30, 2024, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City’s proportionate share of the net pension liability was based on the City’s contributions received by PERA during the measurement period for employer payroll paid dates from July 1, 2023 through June 30, 2024, relative to the total employer contributions received from all of PERA’s participating employers. The City’s proportionate share was 0.1802% at the end of the measurement period and 0.1929% for the beginning of the period.

**CITY OF LAKEVILLE
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2024**

NOTE 16 DEFINED BENEFIT PENSION PLANS – STATE-WIDE (CONTINUED)

D. Pension Costs (Continued)

1. General Employees Fund Pension Costs (Continued)

For the year ended December 31, 2024, the City recognized pension expense of \$725,327 for its proportionate share of the General Employees Plan's pension expense.

At December 31, 2024, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

Description	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Economic Experience	\$ 626,262	\$ -
Changes in Actuarial Assumptions	32,519	2,520,890
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	-	1,934,155
Changes in Proportion and Differences Between City Contributions and Proportionate Share of Contributions	413,782	600,226
City Contributions Subsequent to the Measurement Date	637,167	-
Total	<u>\$ 1,709,730</u>	<u>\$ 5,055,271</u>

The \$637,167 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, 2025. Other amounts reported as deferred outflows and 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>
2025	\$ (2,056,825)
2026	(399,263)
2027	(1,016,133)
2028	(510,487)

**CITY OF LAKEVILLE
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2024**

NOTE 16 DEFINED BENEFIT PENSION PLANS – STATE-WIDE (CONTINUED)

D. Pension Costs (Continued)

2. Police and Fire Fund Pension Costs

At December 31, 2024, the City reported a liability of \$8,132,040 for its proportionate share of the Police and Fire Fund's net pension liability. The net pension liability was measured as of June 30, 2024, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City's proportionate share of the net pension liability was based on the City's contributions received by PERA during the measurement period for employer payroll paid dates from July 1, 2023 through June 30, 2024, relative to the total employer contributions received from all of PERA's participating employers. The City's proportionate share was 0.6181% at the end of the measurement period and 0.0608% for the beginning of the period.

The State of Minnesota contributed \$37.4 million to the Police and Fire Fund in the plan fiscal year ended June 30, 2024. The contribution consisted of \$9 million in direct state aid that meets the definition of a special funding situation, additional one-time direct state aid contribution of \$19.4 million, and \$9 million in supplemental state aid that does not meet the definition of a special funding situation. Additionally, \$9 million supplemental state aid was paid on October 1, 2024. Thereafter, by October 1 of each year, the state will pay \$9 million to the Police and Fire Fund until full funding is reached or July 1, 2048, whichever is earlier. The \$9 million in supplemental state aid will continue until the fund is 90% funded, or until the State Patrol Plan (administered by the Minnesota State Retirement System) is 90% funded, whichever occurs later. The State of Minnesota's proportionate share of the net pension liability associated with the City totaled \$309,990.

City's Proportionate Share of the Net Pension Liability	\$	8,132,040
State of Minnesota's Proportionate Share of the Net Pension Liability Associated with the City		<u>309,990</u>
Total	\$	<u><u>8,442,030</u></u>

For the year ended December 31, 2024, the City recognized pension expense of \$1,596,323 for its proportionate share of the Police and Fire Plan's pension expense.

**CITY OF LAKEVILLE
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2024**

NOTE 16 DEFINED BENEFIT PENSION PLANS – STATE-WIDE (CONTINUED)

D. Pension Costs (Continued)

2. Police and Fire Fund Pension Costs (Continued)

At December 31, 2024, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

Description	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Economic Experience	\$ 3,169,126	\$ -
Changes in Actuarial Assumptions	8,939,221	11,974,638
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	-	2,644,139
Changes in Proportion and Differences Between City Contributions and Proportionate Share of Contributions	438,471	66,311
City Contributions Subsequent to the Measurement Date	792,776	-
Total	<u>\$ 13,339,594</u>	<u>\$ 14,685,088</u>

The \$792,776 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, 2025. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ending December 31,</u>	Pension Expense Amount
2025	\$ (329,057)
2026	2,215,281
2027	(1,132,567)
2028	(3,108,968)
2029	217,041

3. Aggregate Pension Expense

The total pension expense, net pension liability, deferred inflows and deferred outflows of resources, and net pension assets for all plans in which the City participates are summarized below:

	GERF	PEPFF	Fire Relief	Total
Net Pension Liability	\$ 6,660,502	\$ 8,132,040	\$ (4,402,307)	\$ 14,792,542
Deferred Inflows of Resources	5,055,271	14,685,088	1,837,693	21,578,052
Deferred Outflows of Resources	1,709,730	13,339,594	205,825	15,255,149
Pension Expense	727,461	1,718,189	1,650,883	4,096,533
Net Pension Asset	N/A	N/A	4,402,307	4,402,307

**CITY OF LAKEVILLE
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2024**

NOTE 16 DEFINED BENEFIT PENSION PLANS – STATE-WIDE (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:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Domestic Equity	33.5 %	5.10 %
International Equity	16.5	5.30
Fixed Income	25.0	0.75
Private Markets	25.0	5.90
Totals	100.0 %	

F. Actuarial Methods and Assumptions

The total pension liability for each of the cost-sharing defined benefit plans was determined by an actuarial valuation as of June 30, 2024, using the entry age normal actuarial cost method. The long-term rate of return on pension plan investments used to determine the total liability is 7%. The 7% assumption is based on a review of inflation and investment return assumptions from a number of national investment consulting firms. The review provided a range of investment return rates considered reasonable by the actuary. An investment return of 7% is within that range.

- Inflation is assumed to be 2.25% for the General Employees Plan, Police & Fire Plan, and the Correctional Plan.
- Benefit increases after retirement are assumed to be 1.25% for the General Employees Plan, 1% for the Police & Fire Plan, and 2% for the Correctional Plan.

Salary growth assumptions in the General Employees Plan range in annual increments from 10.25% after one year of service to 3% after 27 years of service. In the Police & Fire Plan, salary growth assumptions range in annual increments from 11.75% after one year of service to 3% after 24 years of service. In the Correctional Plan, salary growth assumptions range from 11% at age 20 to 3% at age 60.

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

**CITY OF LAKEVILLE
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2024**

NOTE 16 DEFINED BENEFIT PENSION PLANS – STATE-WIDE (CONTINUED)

F. Actuarial Methods and Assumptions (Continued)

Actuarial assumptions for the General Employees Plan are reviewed every four years. The General Employees Plan was last reviewed in 2022. The assumption changes were adopted by the board and became effective with the July 1, 2023 actuarial valuation. The Police & Fire Plan and Correctional Plan were reviewed in 2024. PERA anticipates the experience study will be approved by the Legislative Commission on Pensions and Retirement and become effective with the July 1, 2025 actuarial valuation.

The following changes in actuarial assumptions and plan provisions occurred in 2024:

General Employees Fund

Changes in Actuarial Assumptions:

- Rates of merit and seniority were adjusted, resulting in slightly higher rates.
- Assumed rates of retirement were adjusted as follows: increase the rate of assumed unreduced retirements, slight adjustments to Rule of 90 retirement rates, and slight adjustments to early retirement rates for Tier 1 and Tier 2 members.
- Minor increase in assumed withdrawals for males and females.
- Lower rates of disability.
- Continued use of Pub-2010 general mortality table with slight rate adjustments as recommended in the most recent experience study.
- Minor changes to form of payment assumptions for male and female retirees.
- Minor changes to assumptions made with respect to missing participant data.

Changes in Plan Provisions:

- The workers' compensation offset for disability benefits was eliminated. The actuarial equivalent factors updated to reflect the changes in assumptions.

Police and Fire Fund

Changes in Plan Provisions:

- The State contribution of \$9.0 million per year will continue until the earlier of 1) both the Police & Fire Plan and the State Patrol Retirement Fund attain 90% funded status for three consecutive years (on an actuarial value of assets basis) or 2) July 1, 2048. The contribution was previously due to expire after attaining a 90% funded status for one year.
- The additional \$9.0 million contribution will continue until the Police & Fire Plan is fully funded for a minimum of three consecutive years on an actuarial value of assets basis, or July 1, 2048, whichever is earlier. This contribution was previously due to expire upon attainment of fully funded status on an actuarial value of assets basis for one year (or July 1, 2048 if earlier).

**CITY OF LAKEVILLE
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2024**

NOTE 16 DEFINED BENEFIT PENSION PLANS – STATE-WIDE (CONTINUED)

G. Discount Rate

The discount rate used to measure the total pension liability in 2024 was 7.0%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and employers will be made at rates set in Minnesota Statutes. Based on these assumptions, the fiduciary net position of the General Employees, Police and Fire, and Correctional Plans were projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

H. Pension Liability Sensitivity

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

GERF PENSION LIABILITY	1% Decrease in Discount Rate (6.00%)	Current Discount Rate (7.00%)	1% Increase in Discount Rate (8.00%)
Description			
City’s Proportionate Share of the GERF Net Pension Liability	\$ 14,547,608	\$ 6,660,502	\$ 172,638
PEPFF PENSION LIABILITY	1% Decrease in Discount Rate (6.00%)	Current Discount Rate (7.00%)	1% Increase in Discount Rate (8.00%)
Description			
City’s Proportionate Share of the PEPFF Net Pension Liability	\$ 19,217,599	\$ 8,132,040	\$ (971,524)

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.

NOTE 17 DEFINED CONTRIBUTION PLAN

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

**CITY OF LAKEVILLE
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2024**

NOTE 17 DEFINED CONTRIBUTION PLAN (CONTINUED)

Plan benefits depend solely on amounts contributed to the plan plus investment earnings, less administrative expenses. Minnesota Statutes, Chapter 353D and 356, specifies plan provisions, including the employee and employer contribution rates for those qualified personnel who elect to participate. An eligible elected official who decides to participate contributes five percent of salary which is matched by the elected official's employer. For ambulance service personnel, employer contributions are determined by the employer, and for salaried employees contributions must be a fixed percentage of salary. Employer contributions for volunteer personnel may be a unit value for each call or period of alert duty. Employees who are paid for their services may elect to make member contributions in an amount not to exceed the employer share. Employer and employee contributions are combined and used to purchase shares in one or more of the seven accounts of the Minnesota Supplemental Investment Fund. For administering the plan, PERA receives two percent of employer contributions and twenty-five hundredths of one percent (0.25%) of the assets in each member's account annually.

Total contributions made by the City for the current fiscal year were:

Year Ended, December 31,	Contribution Amount		Percentage of Covered Payroll		Required Rate for Employees and Employers
	Employee	Employer	Employee	Employer	
2024	\$ 2,795	\$ 2,795	5%	5%	5%

NOTE 18 DEFINED BENEFIT PENSION PLANS – FIRE RELIEF ASSOCIATION

A. Plan Description

Volunteer firefighters of the City of Lakeville Fire Department (the Department) are members of the Lakeville Fire Relief Association (the Association), which administers a single-employer defined benefit plan established to provide benefits for its members. The plan is established and administered in accordance with Minnesota Statute, Chapters 69 and 424, as amended. The Association is governed by a board of six members elected by the members of the Association for three-year terms. One City Council member, Finance Director and Fire Chief are ex officio, nonvoting members of the Board of Trustees. As of December 31, 2024, the plan covered 75 active firefighters and 24 vested terminated firefighters whose pension benefits are deferred.

The Association maintains a separate Special Fund to accumulate assets to fund the retirement benefits earned by the Department's membership. Funding for the Association is derived from an insurance premium tax in accordance with the Volunteer Firefighter's Relief Association Financing Guidelines Act of 1971 (Chapter 261 as amended by Chapter 509 of Minnesota Statutes 1980). Funds are also derived from investment income.

**CITY OF LAKEVILLE
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2024**

NOTE 18 DEFINED BENEFIT PENSION PLANS – FIRE RELIEF ASSOCIATION (CONTINUED)

B. Benefits Provided

A firefighter who completes at least 20 years as an active member of the Department is entitled, after age 50, to a full service pension upon retirement.

The bylaws of the Association also provide for an early vested service pension for a retiring member who has completed fewer than 20 years of service. The reduced pension, available to members with seven years of service, shall be equal to 48% of the pension as described by the bylaws. This percentage increases 4% per year so that at 20 years of service, the full amount prescribed is paid. Members who retire with less than 20 years of service and have reached the age of 50 years and have completed at least seven years of active membership are entitled to a reduced service pension not to exceed the amount calculated by multiplying the member's service pension for the completed years of service times the applicable nonforfeitable percentage of pension.

C. Contributions

Minnesota Statutes, Chapters 424 and 424A authorize pension benefits for volunteer fire relief associations. The plan is funded by fire state aid, investment earnings, and, if necessary, employer contributions as specified in Minnesota Statutes and voluntary city contributions (if applicable). The firefighters have no obligation to contribute to the plan. Nonemployer pension contributions include state aid from the state of Minnesota and municipal contributions from the City. On-behalf of the state payments from the state of Minnesota are received initially by the City and subsequently remitted to the Association. These on-behalf of the state aid payments in addition to the City's municipal contribution payments to the Association plan are recognized as revenues and expenditures in the City's General Fund during the period received.

The City contributed state of Minnesota fire aid of \$685,405 to the plan on behalf of the Department for the year ended December 31, 2024, which was recorded as revenue. Required employer contributions are calculated annually based on statutory provisions. The City's statutorily required contributions to the plan for the year ended December 31, 2024 were \$-0-. The City's contributions were equal to the required contributions as set by state statute. The City made no voluntary contributions to the plan.

D. Pension Costs

At December 31, 2024, the City reported a net pension liability (asset) of (\$4,402,307) for the plan. The net pension liability (asset) was measured as of December 31, 2024. The total pension liability used to calculate the net pension liability (asset) in accordance with GASB Statement No. 68 was determined by Van Iwaarden Associates, applying an actuarial formula to specific census data certified by the Department as of December 31, 2024.

**CITY OF LAKEVILLE
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2024**

NOTE 18 DEFINED BENEFIT PENSION PLANS – FIRE RELIEF ASSOCIATION (CONTINUED)

D. Pension Costs (Continued)

The following table presents the changes in the net pension liability (asset) during the year:

	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (Asset) (a-b)
Beginning balance - January 1, 2024	\$ 7,413,982	\$ 11,585,642	\$ (4,171,660)
Changes for the year:			
Service cost	501,314	-	501,314
Interest on pension liability (asset)	432,398	-	432,398
Difference between expected and actual economic experience	(255,200)	-	(255,200)
Changes of assumptions	(126,493)	-	(126,493)
Changes of benefit terms	1,847,064	-	1,847,064
Contributions (employer)	-	-	-
Contributions (state)	-	685,405	(685,405)
Net investment income	-	1,965,419	(1,965,419)
Benefit payments	(790,653)	(790,653)	-
Administrative costs	-	(21,094)	21,094
Total net changes	<u>1,608,430</u>	<u>1,839,077</u>	<u>(230,647)</u>
Ending balance - December 31, 2024	<u>\$ 9,022,412</u>	<u>\$ 13,424,719</u>	<u>\$ (4,402,307)</u>

For the year ended December 31, 2024, the City recognized pension expense of \$1,627,213.

At December 31, 2024, the City reported deferred outflows of resources, including its contributions subsequent to the measurement date, related to pension from the following sources:

Description	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes in Actuarial Assumptions	\$ 108,483	\$ 133,111
Difference between expected and actual experience	97,342	755,135
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	-	949,447
Total	<u>\$ 205,825</u>	<u>\$ 1,837,693</u>

Amounts reported as deferred outflows and inflows of resources related to the plan will be recognized in pension expense as follows:

Year Ending December 31,	Pension Expense Amount
2025	\$ (328,134)
2026	(93,469)
2027	(696,149)
2028	(392,739)
2029	(33,350)
Thereafter	(88,027)

**CITY OF LAKEVILLE
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2024**

NOTE 18 DEFINED BENEFIT PENSION PLANS – FIRE RELIEF ASSOCIATION (CONTINUED)

E. Actuarial Assumptions

The total pension liability at the December 31, 2022 valuation date was determined using the entry age normal actuarial cost method and the following actuarial assumptions:

Retirement eligibility at 100% service pension at age 50 with 20 years of service, early vested retirement at age 50 with seven years of service vested at 48% and increased by 4% for each additional year of service up to 20 and eligibility for deferred service pension payable at age 50 and based on the lump sum pension formula and service at date of termination reduced for less than 20 years of service.

Inflation	2.50% per year
Active Member Payroll Growth	2.50% per year
Investment Rate of Return	6.25%
20-Year Municipal Bond Yield	4.08%

The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Allocation at Measurement Date	Long-Term Expected Real Rate of Return	Long-Term Expected Nominal Rate of Return
Domestic Equity	64.00 %	4.52 %	7.02 %
International Equity	4.00	5.08	7.58
Fixed Income	11.00	2.44	4.94
Real Estate and Alternatives	-	3.73	6.23
Cash and Equivalents	21.00	0.99	3.49
Totals	<u>100.00 %</u>		<u>29.26</u>
Reduced for Assumed Investment Expense			<u>(0.10)</u>
Net Assumed Investment Return (Rounded to 1/4%)			5.75 %

F. Discount Rate

The discount rate used to measure the total pension liability was 6.25%. This was a 0.5% increase from the previous discount rate of 5.75%. The projection of cash flows used to determine the discount rate assumed that contributions to the plan will be made as specified in statute. Based on that assumption and considering the funding ratio of the plan, the fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

G. Pension Liability Sensitivity

The following presents the City's net pension liability (asset) for the plan, calculated using the discount rate disclosed in the preceding paragraph, as well as what the City's net pension liability (asset) would be if it were calculated using a discount rate 1% lower or 1% higher than the current discount rate:

Description	1% Decrease in Discount Rate (5.25%)	Current Discount Rate (6.25%)	1% Increase in Discount Rate (7.25%)
Defined Benefit Plan	\$ (4,137,254)	\$ (4,402,307)	\$ (4,657,263)

**CITY OF LAKEVILLE
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2024**

NOTE 18 DEFINED BENEFIT PENSION PLANS – FIRE RELIEF ASSOCIATION (CONTINUED)

H. Pension Plan Fiduciary Net Position

The Association issues a publicly available financial report. This report may be obtained by writing to the Lakeville Firefighters' Relief Association, 20195 Holyoke Avenue, Lakeville, Minnesota, 55044 or by calling (952) 985-4480.

NOTE 19 DEFERRED COMPENSATION PLAN

The City offers its employees an optional deferred compensation plan created in accordance with Internal Revenue Service Code Section 457. The plan is available to all City employees, which permits them to tax defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency. Under provisions of Section 72(p) of the Internal Revenue Code, a plan may permit participant loans once 457 plan assets are held in a trust. As of the current fiscal year, the City's plan does not have a loan provision for its participants. All amounts of compensation deferred under the plan must be held in trust for the exclusive benefit of plan participants and/or beneficiaries. Investments are managed by the plan's trustee under various investment options or a combination thereof. The choice of investment options is made by the participant. The plan is offered through the City in connection with ICMA-RC and does not meet the requirements of GASB Statement Nos. 84 and 97 for inclusion as a fiduciary activity of the City.

NOTE 20 LITIGATION

There are several lawsuits pending in which the City is involved. The City Attorney has indicated that existing and pending lawsuit claims and other actions in which the City is a defendant are either covered by insurance, fully reserved for by the City, or the cases are in the early stages of discovery, and accordingly, the ultimate outcome cannot presently be determined. It is the opinion of City management that in each case the possibility of material loss, net of amounts reserved is remote.

NOTE 21 TAX ABATEMENT

The City has five pay-as-you-go tax increment financing districts with local businesses to promote economic development within the City. The City agrees pursuant to the authority granted in the TIF Act to abate real estate taxes based on the increased property value from improvements on the owned property. The three of the five agreements call for 95% of the property tax increments collected to be returned to the developers. The City will retain 5% for administrative fees for the periods of time specified in each agreement. One of the agreements calls for 90% if the property tax increments collected to be returned to the developers. The City will retain 10% for administrative fees for the periods of time specified the agreement. One of the agreements calls for 80% if the property tax increments collected to be returned to the developers. The City will retain 20% for administrative fees for the periods of time specified the agreement. For the year ended December 31, 2024, the City paid excess tax increment in the amount of \$650,226. No other commitments were made by the City as part of these agreements.

**CITY OF LAKEVILLE
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2024**

NOTE 22 ACCOUNTING CHANGES AND ERROR CORRECTIONS

A) Change In Accounting Principle

For the year ended December 31, 2024, the City implemented a change in accounting principle related to the treatment of group asset purchases. This change was prompted by the amendment of Question 7.9.8 in GASB Implementation Guide 2015-1, replaced by Question 5.1 in Implementation Guide 2021-1. The change is applied retroactively in accordance with GASB Statement No. 100.

As part of the City’s retroactive review, annual water meter purchases from 2014 through 2023 were identified as group asset purchases that meet the criteria for capitalization under the revised guidance. Accordingly, these assets have been capitalized.

The effect of this change in the current period is an increase of \$4,352,159 in Utility Fund capital assets and a corresponding increase in Utility Fund net position. The effect of the change is shown in column A of the table below.

Adjustments to and Restatements of Beginning Balances

During fiscal year 2024, the change in accounting principle related to the treatment of group asset purchases resulted in a restatement of beginning net position, as follows:

	December 31, 2023 As Previously Reported	Change in Accounting Principle (A)	December 31, 2024 As Adjusted or Restated
Government-Wide:			
Business-Type Activities	\$ 221,210,035	\$ 4,352,159	\$ 225,562,194
Proprietary Funds:			
Major Funds			
Utility Fund	\$ 208,198,794	\$ 4,352,159	\$ 212,550,953

NOTE 23 SUBSEQUENT EVENT

On April 16, 2025, the City issued \$22.25 million in General Obligation Bonds. Of this, \$18.1 million will fund the new First Responders Skill Training Center (FiRST Center), and \$4.15 million is allocated to 2025 street reconstruction projects. The \$25.8 million FiRST Center will be built on the site of the old public works building at 777 214th Street, serving fire, police, and EMT personnel across the south metro and Greater Minnesota. The project is supported by \$7.17 million in state funding and \$800,000 in federal funding. Newly adopted electric and gas franchise fees will repay the bond portion related to the FiRST Center.

REQUIRED SUPPLEMENTARY INFORMATION

**CITY OF LAKEVILLE
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCES – BUDGETARY COMPARISON
YEAR ENDED DECEMBER 31, 2024**

	Budgeted Amounts		Actual	Variance with
	Original	Final		Final Budget
				Positive (Negative)
REVENUE				
Property Taxes				
General property taxes:				
Current	\$ 25,978,925	\$ 25,978,925	\$ 25,787,647	\$ (191,278)
Delinquent	226,500	226,500	155,765	(70,735)
Fiscal Disparities	3,530,725	3,530,725	3,476,441	(54,284)
Mobile Home Tax	80,000	80,000	90,522	10,522
Gravel Tax	5,000	5,000	2,763	(2,237)
Total property taxes	<u>29,821,150</u>	<u>29,821,150</u>	<u>29,513,138</u>	<u>(308,012)</u>
Licenses and permits	<u>3,262,810</u>	<u>2,962,810</u>	<u>3,052,954</u>	<u>90,144</u>
Intergovernmental				
Market value homestead credit	3,000	3,000	2,155	(845)
State-aid police	642,476	797,698	797,698	-
State-aid fire	575,879	695,405	682,405	(13,000)
State-aid PERA	-	-	131,962	131,962
State police and fire grants	206,485	232,485	234,747	2,262
State other grants	77,752	84,371	176,070	91,699
Federal other grants	91,249	91,249	145,118	53,869
Other Grants	-	-	2,500	
Total intergovernmental	<u>1,596,841</u>	<u>1,904,208</u>	<u>2,172,655</u>	<u>265,947</u>
Charges for services				
General government	507,357	561,767	604,439	42,672
Public safety	622,495	622,495	596,552	(25,943)
Public works	819,342	819,342	1,294,484	475,142
Parks and recreation	1,110,316	1,220,616	1,375,022	154,406
Total charges for services	<u>3,059,510</u>	<u>3,224,220</u>	<u>3,870,497</u>	<u>646,277</u>
Special assessments	<u>-</u>	<u>-</u>	<u>9,321</u>	<u>9,321</u>
Fines	<u>240,000</u>	<u>240,000</u>	<u>222,790</u>	<u>(17,210)</u>
Investment income				
Interest Income	311,190	611,190	470,764	(140,426)
Increase (Decrease in Fair Market Value)	-	-	398,037	398,037
Total investment income	<u>311,190</u>	<u>611,190</u>	<u>868,801</u>	<u>257,611</u>
Donations	<u>45,200</u>	<u>45,200</u>	<u>76,290</u>	<u>31,090</u>
Miscellaneous	<u>38,884</u>	<u>61,284</u>	<u>80,841</u>	<u>19,557</u>
Total revenues	<u>38,375,585</u>	<u>38,870,062</u>	<u>39,867,287</u>	<u>994,725</u>

See accompanying Note to Required Supplementary Information.

**CITY OF LAKEVILLE
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCES – BUDGETARY COMPARISON (CONTINUED)
YEAR ENDED DECEMBER 31, 2024**

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
EXPENDITURES				
General government				
Mayor and council				
Personnel services	\$ 60,379	\$ 57,360	\$ 56,481	\$ 879
Commodities	50	47	-	47
Other charges and services	77,971	74,050	44,878	29,172
Total mayor and council	<u>138,400</u>	<u>131,457</u>	<u>101,359</u>	<u>30,098</u>
Committees/commissions				
Personnel services	74,289	74,289	94,204	(19,915)
Commodities	2,500	2,500	1,109	1,391
Other charges and services	59,200	59,200	54,303	4,897
Total committees/commissions	<u>135,989</u>	<u>135,989</u>	<u>149,616</u>	<u>(13,627)</u>
City administration				
Personnel services	579,819	510,947	513,237	(2,290)
Commodities	2,550	2,422	4,247	(1,825)
Other charges and services	64,691	60,725	55,121	5,604
Capital Outlay	-	-	127	(127)
Total city administration	<u>647,060</u>	<u>574,094</u>	<u>572,732</u>	<u>1,362</u>
City clerk				
Personnel services	265,956	310,594	315,301	(4,707)
Commodities	5,420	15,420	16,169	(749)
Other charges and services	87,724	88,324	83,222	5,102
Total city clerk	<u>359,100</u>	<u>414,338</u>	<u>414,692</u>	<u>(354)</u>
Legal counsel				
Other charges and services	87,000	97,000	99,827	(2,827)
Community and economic development				
Personnel services	1,070,370	1,082,810	960,750	122,060
Commodities	2,566	2,566	2,430	136
Other charges and services	132,212	132,212	107,542	24,670
Capital Outlay	-	-	2,367	(2,367)
Total community and economic development	<u>1,205,148</u>	<u>1,217,588</u>	<u>1,073,089</u>	<u>144,499</u>
Inspections				
Personnel services	1,506,687	1,515,572	1,386,043	129,529
Commodities	16,796	16,796	13,837	2,959
Other charges and services	455,626	455,626	419,091	36,535
Capital Outlay	34,245	34,245	33,635	610
Total inspections	<u>2,013,354</u>	<u>2,022,239</u>	<u>1,852,606</u>	<u>169,633</u>

See accompanying Note to Required Supplementary Information.

**CITY OF LAKEVILLE
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCES – BUDGETARY COMPARISON (CONTINUED)
YEAR ENDED DECEMBER 31, 2024**

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
EXPENDITURES (CONTINUED)				
General government (continued)				
General government facilities				
Personnel services	\$ 449,966	\$ 385,414	\$ 391,730	\$ (6,316)
Commodities	26,477	22,749	15,945	6,804
Other charges and services	254,964	217,435	191,286	26,149
Total general government facilities	<u>731,407</u>	<u>625,598</u>	<u>598,961</u>	<u>26,637</u>
Finance				
Personnel services	1,051,698	1,033,451	1,016,317	17,134
Commodities	2,300	2,300	1,747	553
Other charges and services	321,780	321,780	223,033	98,747
Total finance	<u>1,375,778</u>	<u>1,357,531</u>	<u>1,241,097</u>	<u>116,434</u>
Information technology				
Personnel services	535,051	395,936	393,689	2,247
Commodities	5,500	4,070	3,821	249
Other charges and services	522,918	490,572	385,444	105,128
Total information technology	<u>1,063,469</u>	<u>890,578</u>	<u>782,954</u>	<u>107,624</u>
Human resources				
Personnel services	663,735	504,555	575,336	(70,781)
Commodities	1,800	1,342	3,100	(1,758)
Other charges and services	279,321	246,626	184,072	62,554
Capital Outlay	-	-	643	(643)
Total human resources	<u>944,856</u>	<u>752,523</u>	<u>763,151</u>	<u>(10,628)</u>
Insurance coverage				
Other charges and services	250,000	250,000	250,000	-
Total general government	<u>8,951,561</u>	<u>8,468,935</u>	<u>7,900,084</u>	<u>568,851</u>
Public safety				
Police				
Personnel services	12,706,216	12,848,862	13,070,527	(221,665)
Commodities	477,229	477,229	495,852	(18,623)
Other charges and services	2,396,808	2,412,652	2,347,365	65,287
Total police	<u>15,580,253</u>	<u>15,738,743</u>	<u>15,913,744</u>	<u>(175,001)</u>
Fire Protection				
Personnel services	2,924,016	3,057,323	3,087,902	(30,579)
Commodities	229,321	229,321	189,677	39,644
Other charges and services	366,087	366,087	375,915	(9,828)
Total fire protection	<u>3,519,424</u>	<u>3,652,731</u>	<u>3,653,494</u>	<u>(763)</u>
Total public safety	<u>19,099,677</u>	<u>19,391,474</u>	<u>19,567,238</u>	<u>(175,764)</u>

See accompanying Note to Required Supplementary Information.

**CITY OF LAKEVILLE
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCES – BUDGETARY COMPARISON (CONTINUED)
YEAR ENDED DECEMBER 31, 2024**

	Budgeted Amounts		Actual	Variance with
	Original	Final		Final Budget
				Positive (Negative)
EXPENDITURES (CONTINUED)				
Public Works				
Engineering				
Personnel services	\$ 999,808	\$ 798,224	\$ 718,709	\$ 79,515
Commodities	8,270	6,120	4,688	1,432
Other charges and services	198,242	179,461	91,066	88,395
Capital Outlay	-	-	-	-
Total engineering	<u>1,206,320</u>	<u>983,805</u>	<u>814,463</u>	<u>169,342</u>
Forestry				
Personnel services	239,333	239,333	195,899	43,434
Commodities	9,736	9,736	7,549	2,187
Other charges and services	348,090	348,090	397,365	(49,275)
Total engineering	<u>597,159</u>	<u>597,159</u>	<u>600,813</u>	<u>(3,654)</u>
Construction services				
Personnel services	592,484	592,484	383,759	208,725
Commodities	12,350	12,350	8,381	3,969
Other charges and services	17,750	17,750	14,689	3,061
Capital Outlay	-	-	2,259	(2,259)
Total construction services	<u>622,584</u>	<u>622,584</u>	<u>409,088</u>	<u>213,496</u>
Street maintenance				
Personnel services	2,860,065	2,785,257	2,506,204	279,053
Commodities	1,104,220	1,083,182	871,131	212,051
Other charges and services	497,640	472,272	412,095	60,177
Total street maintenance	<u>4,461,925</u>	<u>4,340,711</u>	<u>3,789,430</u>	<u>551,281</u>
Total public works	<u>6,887,988</u>	<u>6,544,259</u>	<u>5,613,794</u>	<u>930,465</u>
Parks and recreation				
Park maintenance				
Personnel services	2,674,592	2,697,075	2,777,646	(80,571)
Commodities	356,919	356,919	346,951	9,968
Other charges and services	703,272	703,272	601,755	101,517
Total park maintenance	<u>3,734,783</u>	<u>3,757,266</u>	<u>3,726,352</u>	<u>30,914</u>
Recreation				
Personnel services	620,185	624,255	615,787	8,468
Commodities	47,108	49,608	39,602	10,006
Other charges and services	389,506	431,306	447,309	(16,003)
Total recreation	<u>1,056,799</u>	<u>1,105,169</u>	<u>1,102,698</u>	<u>2,471</u>
Arts center				
Personnel services	574,013	580,632	615,987	(35,355)
Commodities	61,755	61,755	100,942	(39,187)
Other charges and services	311,494	440,894	449,670	(8,776)
Capital Outlay	37,500	47,500	53,024	(5,524)
Total arts center	<u>984,762</u>	<u>1,130,781</u>	<u>1,219,623</u>	<u>(88,842)</u>
Total parks and recreation	<u>5,776,344</u>	<u>5,993,216</u>	<u>6,048,673</u>	<u>(55,457)</u>
Other				
	250,000	-	-	-
Total expenditures	<u>40,965,570</u>	<u>40,397,884</u>	<u>39,129,789</u>	<u>1,268,095</u>

See accompanying Note to Required Supplementary Information.

**CITY OF LAKEVILLE
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCES – BUDGETARY COMPARISON (CONTINUED)
YEAR ENDED DECEMBER 31, 2024**

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
EXCESS (DEFICIENCY) OF REVENUE OVER (UNDER) EXPENDITURES	<u>\$ (2,589,985)</u>	<u>\$ (1,527,822)</u>	<u>\$ 737,498</u>	<u>\$ 2,262,820</u>
OTHER FINANCE SOURCES (USES)				
Transfers In From:				
Special Revenue - Communications Fund	283,491	196,998	196,998	-
Enterprise - Liquor Fund	269,036	30,000	30,000	-
Enterprise - Utility Fund	694,044	-	-	-
Internal Service - Municipal Reserves Fund	30,000	-	-	-
Transfers Out To:				
Capital Projects Fund	(215,000)	(215,000)	(215,000)	-
Total Other Finance Sources (Uses)	<u>1,061,571</u>	<u>11,998</u>	<u>11,998</u>	<u>-</u>
NET CHANGE IN FUND BALANCES	<u>\$ (1,528,414)</u>	<u>\$ (1,515,824)</u>	<u>749,496</u>	<u>\$ 2,265,320</u>
FUND BALANCES				
Beginning of Year			22,372,997	
Change in Supplies - Inventory			64,136	
End of Year			<u>\$ 23,186,629</u>	

See accompanying Note to Required Supplementary Information.

**CITY OF LAKEVILLE
GENERAL FUND
NOTE TO REQUIRED SUPPLEMENTARY INFORMATION
DECEMBER 31, 2024**

A. Budgetary Information

Budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America. Annual appropriated budgets are adopted for the General Fund and Special Revenue Funds. Budgeted amounts are as originally adopted or as amended by the City Council. The City follows these procedures in establishing the budgetary data reflected in the financial statements:

1. The City Administrator submits a proposed operating budget to the City Council.
2. Public hearings are conducted to obtain taxpayer comments.
3. Upon Council approval the budget is legally adopted and employs formal budgetary integration during the year.
4. Expenditures may legally exceed budgeted appropriations at the fund level through City Council action.
5. The legal level of budgetary control (i.e., the level at which expenditures may not legally exceed appropriations) is at the fund level for the General Fund and total expenditures for the Special Revenue Funds. The City Administrator has authorization to expend funds in excess of the appropriation for individual line items.
6. Budget appropriations of all funds lapse at year-end to the extent they were not encumbered. Encumbrances are re-appropriated in the following year's budget.

**CITY OF LAKEVILLE
PERA – GENERAL EMPLOYEES RETIREMENT FUND
YEAR ENDED DECEMBER 31, 2024**

**GERF Schedule of the City's Proportionate Share of the Net Pension Liability
Last Ten Fiscal Years***

	Measurement Date									
	6/30/2024	6/30/2023	6/30/2022	6/30/2021	6/30/2020	6/30/2019	6/30/2018	6/30/2017	6/30/2016	6/30/2015
City's Proportion of the Net Pension Liability	0.1802%	0.1929%	0.1821%	0.1758%	0.1701%	0.1633%	0.1632%	0.1585%	0.1544%	0.1540%
City's Proportionate Share of the Net Pension Liability	\$ 6,660,502	\$ 10,786,752	\$ 14,422,380	\$ 7,507,448	\$ 10,198,272	\$ 9,028,491	\$ 9,063,667	\$ 10,118,535	\$ 12,536,514	\$ 7,981,079
State's Proportionate Share of the Net Pension Liability Associated with the City	172,227	297,327	422,734	229,302	314,577	280,654	287,059	127,203	-	-
Total	\$ 6,832,729	\$ 11,084,079	\$ 14,845,114	\$ 7,736,750	\$ 10,512,849	\$ 9,309,145	\$ 9,350,726	\$ 10,245,738	\$ 12,536,514	\$ 7,981,079
City's Covered Payroll	\$ 15,019,453	\$ 15,468,304	\$ 13,640,721	\$ 12,645,032	\$ 12,134,069	\$ 11,645,116	\$ 10,971,998	\$ 10,213,446	\$ 9,572,229	\$ 9,046,856
City's Proportionate Share of the Net Pension Liability as a Percentage of Its Covered Payroll	44.35%	69.73%	105.73%	59.37%	84.05%	77.53%	82.52%	99.07%	130.97%	88.22%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	89.05%	83.10%	76.67%	87.00%	79.06%	80.20%	79.53%	75.90%	68.90%	76.20%

* The Amounts Presented for Each Fiscal Year were Determined as of 6/30.

**GERF Schedule of City Contributions
Last Ten Fiscal Years***

	Fiscal Year Ended December 31,									
	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
Statutorily Required Contribution	\$ 1,126,459	\$ 1,065,020	\$ 1,065,020	\$ 887,086	\$ 990,259	\$ 896,894	\$ 847,485	\$ 791,612	\$ 741,919	\$ 705,189
Contributions in Relation to the Statutorily Required Contribution	(1,126,459)	(1,065,020)	(1,065,020)	(887,086)	(990,259)	(896,894)	(847,485)	(791,612)	(741,919)	(705,189)
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
City's Covered Payroll	\$ 15,019,453	\$ 14,200,267	\$ 14,200,267	\$ 13,161,147	\$ 13,203,453	\$ 11,968,567	\$ 11,299,800	\$ 10,554,827	\$ 9,892,263	\$ 9,402,520
Contributions as a Percentage of Covered Payroll	7.50%	7.50%	7.50%	7.50%	7.50%	7.50%	7.50%	7.50%	7.50%	7.50%

* The Amounts Presented for Each Fiscal Year were Determined as of 12/31.

Note: The City implemented GASB Statement No. 68 in fiscal 2015 (using a June 30, 2015 measurement date).

**CITY OF LAKEVILLE
PERA – PUBLIC EMPLOYEES POLICE AND FIRE FUND
YEAR ENDED DECEMBER 31, 2024**

**PEPFF Schedule of the City's Proportionate Share of the Net Pension Liability
Last Eight Fiscal Years***

	Measurement Date									
	6/30/2024	6/30/2023	6/30/2022	6/30/2021	6/30/2020	6/30/2019	6/30/2018	6/30/2017	6/30/2016	6/30/2015
City's Proportion of the Net Pension Liability	0.6181%	0.6080%	0.5986%	0.5818%	0.5668%	0.5500%	0.5363%	0.5490%	0.5620%	0.5320%
City's Proportionate Share of the Net Pension Liability	\$ 8,132,040	\$ 10,499,570	\$ 26,062,224	\$ 4,490,679	\$ 7,471,030	\$ 6,281,146	\$ 6,066,152	\$ 7,412,153	\$ 22,554,038	\$ 6,044,765
State's Proportionate Share of the Net Pension Liability Associated with the City	309,990	422,828	(1,139,864)	201,912	(175,988)	-	-	-	-	-
Total	\$ 8,442,030	\$ 10,922,398	\$ 24,922,360	\$ 4,692,591	\$ 7,295,042	\$ 6,241,714	\$ 6,066,152	\$ 7,412,153	\$ 22,554,038	\$ 6,044,765
City's Covered Payroll	\$ 8,801,559	\$ 7,903,560	\$ 7,255,546	\$ 6,888,492	\$ 6,400,325	\$ 6,241,714	\$ 6,004,172	\$ 5,635,205	\$ 5,423,663	\$ 4,870,941
City's Proportionate Share of the Net Pension Liability as a	92.39%	132.84%	359.62%	65.19%	116.73%	100.63%	101.07%	131.53%	415.85%	124.10%
Percentage of Its Covered Payroll	90.17%	86.47%	70.53%	95.68%	87.19%	89.30%	88.84%	85.40%	63.90%	86.60%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability										

* The Amounts Presented for Each Fiscal Year were Determined as of 6/30.

**PEPFF Schedule of City Contributions
Last Eight Fiscal Years***

	Fiscal Year Ended December 31,									
	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
Statutorily Required Contribution	\$ 1,557,876	\$ 1,403,842	\$ 1,316,993	\$ 1,172,597	\$ 1,173,052	\$ 1,066,319	\$ 999,032	\$ 942,349	\$ 904,571	\$ 845,144
Contributions in Relation to the Statutorily Required Contribution	(1,557,876)	(1,403,842)	(1,316,993)	(1,172,597)	(1,173,052)	(1,066,319)	(999,032)	(942,349)	(904,571)	(845,144)
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
City's Covered Payroll	\$ 8,801,559	\$ 7,931,311	\$ 7,440,638	\$ 6,624,842	\$ 6,627,412	\$ 6,290,968	\$ 6,166,864	\$ 5,916,969	\$ 5,583,772	\$ 5,216,938
Contributions as a Percentage of Covered Payroll	17.70%	17.70%	17.70%	17.70%	17.70%	16.95%	16.20%	16.20%	16.20%	16.20%

* The Amounts Presented for Each Fiscal Year were Determined as of 12/31.

Note: The City implemented GASB Statement No. 68 in fiscal 2015 (using a June 30, 2015 measurement date).

See accompanying Notes to Required Supplementary Information – Statewide Plans.

CITY OF LAKEVILLE
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION – STATEWIDE PLANS
DECEMBER 31, 2024

General Employees Fund

2024 Changes

Changes in Actuarial Assumptions

- Rates of merit and seniority were adjusted, resulting in slightly higher rates.
- Assumed rates of retirement were adjusted as follows: increase the rate of assumed unreduced retirements, slight adjustments to Rule of 90 retirement rates, and slight adjustments to early retirement rates for Tier 1 and Tier 2 members.
- Minor increase in assumed withdrawals for males and females.
- Lower rates of disability.
- Continued use of Pub-2010 general mortality table with slight rate adjustments as recommended in the most recent experience study.
- Minor changes to form of payment assumptions for male and female retirees.
- Minor changes to assumptions made with respect to missing participant data.

Changes in Plan Provisions

- The workers' compensation offset for disability benefits was eliminated. The actuarial equivalent factors updated to reflect the changes in assumptions

2023 Changes

Changes in Actuarial Assumptions:

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

Changes in Plan Provisions:

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

2022 Changes

Changes in Actuarial Assumptions:

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

Changes in Plan Provisions:

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

2021 Changes

Changes in Actuarial Assumptions:

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

• Changes in Plan Provisions:

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

CITY OF LAKEVILLE
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION – STATEWIDE PLANS
DECEMBER 31, 2024

General Employees Fund (Continued)

2020 Changes

Changes in Actuarial Assumptions:

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

Changes in Plan Provisions:

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

2019 Changes

Changes in Actuarial Assumptions:

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

Changes in Plan Provisions:

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

2018 Changes

Changes in Actuarial Assumptions:

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

CITY OF LAKEVILLE
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION – STATEWIDE PLANS
DECEMBER 31, 2024

General Employees Fund (Continued)

2018 Changes (Continued)

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 combined service annuity (CSA) loads were changed from 0.80% for active members and 60.00% for vested and nonvested deferred members. The revised CSA load are now 0.00% for active member liability, 15.00% for vested deferred member liability, and 3.00% for nonvested deferred member liability.
- The assumed postretirement benefit increase rate was changed for 1.00% per year for all years to 1.00% per year through 2044 and 2.50% per year thereafter.

Changes in Plan Provisions:

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

2016 Changes

Changes in Actuarial Assumptions:

- The assumed postretirement benefit increase rate was changed from 1.00% per year through 2035 and 2.50% per year thereafter to 1.00% per year for all years.
- The assumed investment return was changed from 7.90% to 7.50%. The single discount rate changed from 7.90% to 7.50%.
- Other assumptions were changed pursuant to the experience study June 30, 2015. The assumed future salary increases, payroll growth, and inflation were decreased by 0.25% to 3.25% for payroll growth and 2.50% for inflation.

Changes in Plan Provisions:

- There have been no changes since the prior valuation.

CITY OF LAKEVILLE
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION – STATEWIDE PLANS
DECEMBER 31, 2024

General Employees Fund (Continued)

2015 Changes

Changes in Actuarial Assumptions:

- The assumed postretirement benefit increase rate was changed from 1.00% per year through 2030 and 2.50% per year thereafter to 1.00% per year through 2035 and 2.50% 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 increase 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.

Police and Fire Fund

2024 Changes

Changes in Actuarial Assumptions

- There were no changes in actuarial assumptions since the prior valuation.

Changes in Plan Provisions

- The State contribution of \$9.0 million per year will continue until the earlier of 1) both the Police & Fire Plan and the State Patrol Retirement Fund attain 90 percent funded status for three consecutive years (on an actuarial value of assets basis) or 2) July 1, 2048. The contribution was previously due to expire after attaining a 90 percent funded status for one year.
- The additional \$9.0 million contribution will continue until the Police & Fire Plan is fully funded for a minimum of three consecutive years on an actuarial value of assets basis, or July 1, 2048, whichever is earlier. This contribution was previously due to expire upon attainment of fully funded status on an actuarial value of assets basis for one year (or July 1, 2048 if earlier).

2023 Changes

Changes in Actuarial Assumptions:

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

Changes in Plan Provisions:

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

**CITY OF LAKEVILLE
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION – STATEWIDE PLANS
DECEMBER 31, 2024**

Police and Fire Fund (Continued)

2022 Changes

Changes in Actuarial Assumptions:

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

Changes in Plan Provisions:

- There have been no changes since the prior valuation.

2021 Changes

Changes in Actuarial Assumptions:

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

Changes in Plan Provisions:

- There have been no changes since the prior valuation.

2020 Changes

Changes in Actuarial Assumptions:

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

Changes in Plan Provisions:

- There have been no changes since the prior valuation.

CITY OF LAKEVILLE
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION – STATEWIDE PLANS
DECEMBER 31, 2024

Police and Fire Fund (Continued)

2018 Changes

Changes in Actuarial Assumptions:

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

Changes in Plan Provisions:

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

2017 Changes

Changes in Actuarial Assumptions:

- Assumed salary increases were changed as recommended in the June 30, 2016 experience study. The net effect is proposed rates that average 0.34% lower than the previous rates.
- Assumed rates of retirement were changed, resulting in fewer retirements.
- The combined service annuity (CSA) load was 30.00% for vested and nonvested, deferred members. The CSA has been changed to 33.00% for vested members and 2.00% for nonvested 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 3.00% 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 65.00% to 60.00%.
- Assumed age difference was changed from separate assumptions for male members (wives assumed to be three years younger) and female members (husbands assumed to be four years older) to the assumption that males are two years older than females.
- The assumed percentage of female members electing joint and survivor annuities was increased.
- The assumed postretirement benefit increase rate was changed from 1.00% for all years to 1.00% per year through 2064 and 2.50% thereafter.
- The single discount rate was changed from 5.60% per annum to 7.50% per annum.

**CITY OF LAKEVILLE
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION – STATEWIDE PLANS
DECEMBER 31, 2024**

Police and Fire Fund (Continued)

2017 Changes (Continued)

Changes in Plan Provisions:

- There have been no changes since the prior valuation.

2016 Changes

Changes in Actuarial Assumptions:

- The assumed postretirement benefit increase rate was changed from 1.00% per year through 2037 and 2.50% per year thereafter to 1.00% per year for all future years.
- The assumed investment return was changed from 7.90% to 7.50%.
- The single discount rate changed from 7.90% to 5.60%.
- The assumed future salary increases, payroll growth, and inflation were decreased by 0.25% to 3.25% for payroll growth and 2.50% for inflation.

Changes in Plan Provisions:

- There have been no changes since the prior valuation.

2015 Changes

Changes in Actuarial Assumptions:

- The assumed postretirement benefit increase rate was changed from 1.00% per year through 2030 and 2.50% per year thereafter to 1.00% per year through 2037 and 2.50% per year thereafter.

Changes in Plan Provisions:

- The postretirement benefit increase to be paid after the attainment of the 90.00% funding threshold was changed from inflation up to 2.50%, to a fixed rate of 2.50%.

**CITY OF LAKEVILLE
NET PENSION LIABILITY (ASSET) AND RELATED RATIOS
LAKEVILLE FIRE RELIEF ASSOCIATION
YEAR ENDED DECEMBER 31, 2024**

	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
Total Pension Liability (TPL)										
Service Cost	\$ 501,314	\$ 489,087	\$ 438,526	\$ 428,876	\$ 356,038	\$ 319,546	\$ 255,975	\$ 231,712	\$ 270,846	\$ 223,785
Interest	432,398	479,407	443,842	429,588	434,535	376,417	358,835	345,935	301,640	269,493
Differences Between Expected and Actual Experience	(255,200)	-	148,756	-	(1,177,043)	-	(57,139)	-	(201,242)	-
Changes of Assumptions	(126,493)	-	(27,176)	-	163,176	-	94,736	38,230	(161,264)	353,037
Changes of Benefit Terms	1,847,064	-	1,212,453	-	1,435,979	388,025	352,464	154,012	186,369	-
Benefit Payments, Including Member Contribution Refunds	(790,653)	(2,805,883)	(491,000)	(749,411)	(249,778)	(203,935)	(602,296)	(276,622)	(547,241)	(210,816)
Net Change in Total Pension Liability	1,608,430	(1,837,389)	1,725,401	108,063	982,907	880,053	402,575	493,267	(150,892)	635,499
Total Pension Liability - Beginning	7,413,982	9,251,371	7,525,970	7,416,917	6,454,010	5,573,957	5,171,382	4,678,115	4,829,007	4,193,508
Total Pension Liability - Ending (a)	9,022,412	7,413,982	9,251,371	7,525,970	7,416,917	6,454,010	5,573,957	5,171,382	4,678,115	4,829,007
Plan Fiduciary Net Position										
Municipal Contributions	-	-	-	-	-	-	-	-	-	-
State Contributions	685,405	588,879	510,676	434,690	409,568	379,598	367,701	351,635	348,276	338,889
Net Investment Income	1,965,419	2,044,048	(2,204,039)	1,871,403	1,715,829	1,904,143	(314,875)	1,175,882	551,474	39,474
Benefit Payments, including refunds of member contributions	(790,653)	(2,805,883)	(491,000)	(749,411)	(249,778)	(203,935)	(602,296)	(276,622)	(547,241)	(210,816)
Administrative Expenses	(21,094)	(19,686)	(10,098)	(15,719)	(10,634)	(12,474)	(12,042)	(11,579)	(9,817)	(11,292)
Other	-	-	-	-	-	-	-	-	-	(40)
Net Change in Fiduciary Net Position	1,839,077	(192,642)	(2,194,461)	1,540,963	1,864,985	2,087,332	(561,512)	1,239,326	342,692	156,215
Fiduciary Net Position - Beginning	11,585,642	11,778,284	13,972,745	12,431,782	10,566,797	8,489,465	9,060,977	7,821,651	7,478,959	7,322,744
Fiduciary Net Position - Ending (b)	13,424,719	11,585,642	11,778,284	13,972,745	12,431,782	10,566,797	8,489,465	9,060,977	7,821,651	7,478,959
Ending Net Pension Liability (Asset) (a-b)	\$ (4,402,307)	\$ (4,171,660)	\$ (2,525,913)	\$ (6,446,775)	\$ (5,014,865)	\$ (4,112,787)	\$ (2,925,508)	\$ (3,689,595)	\$ (3,143,536)	\$ (2,649,952)
Plan Fiduciary Net Position as a Percentage of Total Pension Liability (b/a)	148.79%	156.27%	127.31%	185.66%	167.72%	163.72%	152.49%	175.21%	167.20%	154.88%
Covered Payroll	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Net Pension Liability (Asset) as a Percentage of Covered Payroll	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
*Ten Years of Data Will Eventually Be Presented When Available										
Schedule of Employer Contributions										
Statutorily Required Contribution	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Contributions in Relation to the Statutorily Required Contribution	-	-	-	-	-	-	-	-	-	-
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

Note: The City implemented GASB Statement No. 68 in fiscal 2015 (using a June 30, 2015 measurement date).

**CITY OF LAKEVILLE
SCHEDULE OF CHANGES IN THE CITY'S
TOTAL OPEB LIABILITY AND RELATED RATIOS
YEAR ENDED DECEMBER 31, 2024**

	2024	2023	2022	2021	2020	2019	2018
Total OPEB Liability							
Service Cost	\$ 94,527	\$ 77,941	\$ 80,068	\$ 92,424	\$ 90,590	\$ 89,732	\$ 48,551
Interest	49,386	26,086	21,882	49,766	46,760	48,182	34,601
Changes of Benefit Terms	-	-	-	-	-	-	-
Difference Between Expected and Actual Experience	-	69,035	(3,399)	(459,716)	-	87,715	-
Changes of Assumptions	28,776	(157,857)	(28,591)	135,361	-	-	-
Benefit Payments	(47,802)	(43,080)	(41,533)	(66,232)	(51,097)	(50,869)	(42,312)
Net Change in Total OPEB Liability	124,887	(27,875)	28,427	(248,397)	86,253	174,760	40,840
Total OPEB Liability - Beginning	1,074,960	1,102,835	1,074,408	1,322,805	1,236,552	1,061,792	1,020,952
Total OPEB Liability - Ending	<u>\$ 1,199,847</u>	<u>\$ 1,074,960</u>	<u>\$ 1,102,835</u>	<u>\$ 1,074,408</u>	<u>\$ 1,322,805</u>	<u>\$ 1,236,552</u>	<u>\$ 1,061,792</u>
Total OPEB Liability	\$ 1,199,847	\$ 1,074,960	\$ 1,102,835	\$ 1,074,408	\$ 1,322,805	\$ 1,236,552	\$ 1,061,792
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Covered Employee Payroll	\$ 20,237,799	\$ 20,991,155	\$ 18,582,335	\$ 17,204,233	\$ 14,711,089	\$ 14,711,089	\$ 15,084,789
City's Total OPEB Liability as a Percentage of the Covered Employee Payroll	5.93%	5.12%	5.93%	6.25%	8.99%	8.41%	7.04%

Note: The City implemented GASB Statement No. 75 in fiscal 2018. The schedule is provided prospectively beginning with the City's fiscal year ended December 31, 2018 and is intended to show a 10-year trend. Additional years will be reported as they become available.

Notes to Schedule:

<u>Valuation date:</u>	1/1/2023
<u>Measurement date:</u>	1/1/2024
<u>Methods and assumptions used to determine the contribution rates:</u>	
Actuarial cost method	Entry age
Amortization method	Level percentage of payroll, closed
Amortization period	Average of expected remaining service on a closed basis for differences between expected and actual experience and assumption changes.
Inflation	0.03
Healthcare cost trend rate	5.50% for 2024, decreasing to 5.00% by 2026
Salary increases	0.03
Discount rate	4.00% (20-year municipal bond yield)
Mortality	RP-2014 White Collar Mortality Tables with MP-2021 Generational Improvement Scale (with Blue Collar adjustment for Police and Fire Personnel)

The City holds no assets in trust related to this OPEB plan.

2024 Changes

Changes in Actuarial Assumptions:

- Discount rate of 4.31% was updated to 4.00%.

Changes in Plan Provisions:

- There have been no changes since the prior valuation.

**CITY OF LAKEVILLE
SCHEDULE OF CHANGES IN THE CITY'S
TOTAL OPEB LIABILITY AND RELATED RATIOS (CONTINUED)
YEAR ENDED DECEMBER 31, 2024**

2023 Changes

Changes in Actuarial Assumptions:

- The discount rate used is the 20-year municipal bond index, as the plan is not funded. This assumed rate increased from 2.25% to 4.31%.
- Improvement Scale MP-2021 was applied to mortality tables.
- Medical trend was reset at 6.25% in 2023, decreasing .25% each year, down to 5.00% in 2028 and onwards.

Changes in Plan Provisions:

- There have been no changes since the prior valuation.

2022 Changes

Changes in Actuarial Assumptions:

- Discount rate of 1.93% was updated to 2.25%.

Changes in Plan Provisions:

- There have been no changes since the prior valuation.

2021 Changes

Changes in Actuarial Assumptions:

- Discount rate of 3.60% was updated to 1.93%.
- Mortality Improvement Scale of MP-2019 was replaced with new Mortality Improvement Scale of MP-2020 and applied to RP-2014 Mortality tables.
- Healthcare cost trend is assumed to be 6.25% in 2021 decreasing .25% each year to an ultimate rate of 5.00% in 2026 and thereafter.

Changes in Plan Provisions:

- There have been no changes since the prior valuation.

COMBINING AND INDIVIDUAL FUND STATEMENTS AND SCHEDULES

NONMAJOR GOVERNMENTAL FUNDS

Special Revenue Funds - These funds are used to account for revenues and expenditures that have a legally restricted or committed use for a specific purpose.

Communications Fund

This fund accounts for franchise fees from cable TV provider operations. Expenditures and other financing uses are used to finance the City's cable TV channels and public communications, including long-term replacement of equipment.

Downtown Special Service District Fund

The Downtown Special Service District was created in 1998 pursuant to Minnesota Statute 428A. A service charge, payable with property taxes, is levied against the commercial properties in the Downtown Business District for the purpose of financing budgeted programs and activities within the District.

Opioid Settlement Fund

This fund is used to account for opioid settlement revenues and the related expenditures restricted to opioid remediation activities.

Local Affordable Housing Aid

This fund is used to account for local affordable housing aid revenues and the related expenditures restricted to local affordable housing activities.

**CITY OF LAKEVILLE
SPECIAL REVENUE FUNDS (NONMAJOR)
COMBINING BALANCE SHEET
DECEMBER 31, 2024**

ASSETS	<u>Communications</u>	<u>Downtown Special Service District</u>	<u>Opioid Settlement</u>	<u>Local Affordable Housing Aid</u>	<u>Totals</u>
Cash and investments	\$ 1,203,788	\$ 13,327	\$ 110,717	\$ 229,465	\$ 1,557,297
Interest receivable	7,803	80	191	-	8,074
Accounts receivable	129,767	-	738,964	-	868,731
Total Assets	<u>\$ 1,341,358</u>	<u>\$ 13,407</u>	<u>\$ 849,872</u>	<u>\$ 229,465</u>	<u>\$ 2,434,102</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCE					
LIABILITIES					
Salaries payable	\$ 10,702	\$ -	\$ -	\$ -	\$ 10,702
Accounts payable	2,724	-	-	-	2,724
Total Liabilities	<u>13,426</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>13,426</u>
DEFERRED INFLOWS OF RESOURCES					
Unavailable revenue - special assessments	-	-	-	-	-
Leases	45,167	-	-	-	45,167
Unavailable revenue - other	-	-	738,964	-	738,964
Total Deferred Inflows of Resources	<u>45,167</u>	<u>-</u>	<u>738,964</u>	<u>-</u>	<u>784,131</u>
FUND BALANCE					
Restricted	186,233	13,407	110,908	229,465	540,013
Committed	1,096,532	-	-	-	1,096,532
Total Fund Balance	<u>1,282,765</u>	<u>13,407</u>	<u>110,908</u>	<u>229,465</u>	<u>1,636,545</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balance	<u>\$ 1,341,358</u>	<u>\$ 13,407</u>	<u>\$ 849,872</u>	<u>\$ 229,465</u>	<u>\$ 2,434,102</u>

**CITY OF LAKEVILLE
SPECIAL REVENUE FUNDS (NONMAJOR)
COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
YEAR ENDED DECEMBER 31, 2024**

	Communications	Downtown Special Service District	Opioid Settlement	Local Affordable Housing Aid	Totals
REVENUE					
Franchise Taxes	\$ 531,252	\$ -	\$ -	\$ -	\$ 531,252
Intergovernmental:					
State-aid PERA	742	-	-	229,465	230,207
Charges for services	38,198	350	-	-	38,548
Interest income	31,952	326	781	-	33,059
Change in fair value of investments	27,034	276	661	-	27,971
Miscellaneous	2,000	-	185,148	-	187,148
Total revenue	<u>631,178</u>	<u>952</u>	<u>186,590</u>	<u>229,465</u>	<u>1,048,185</u>
EXPENDITURES					
Current:					
General government	719,945	248	-	-	720,193
Capital outlay:					
General government	6,155	-	18,703	-	24,858
Total expenditures	<u>726,100</u>	<u>248</u>	<u>18,703</u>	<u>-</u>	<u>745,051</u>
EXCESS (DEFICIENCY) OF REVENUE OVER (UNDER) EXPENDITURES	(94,922)	704	167,887	229,465	303,134
OTHER FINANCE SOURCES (USES)					
Transfers Out	(7,300)	-	(196,998)	-	(204,298)
NET CHANGE IN FUND BALANCES	(102,222)	704	(29,111)	229,465	98,836
FUND BALANCES					
Beginning of Year	1,384,987	12,703	140,019	-	1,537,709
End of Year	<u>\$ 1,282,765</u>	<u>\$ 13,407</u>	<u>\$ 110,908</u>	<u>\$ 229,465</u>	<u>\$ 1,636,545</u>

PROPRIETARY FUNDS

Internal Service Funds - These funds are used as an accounting device to accumulate and allocate costs internally amount the City's various functions.

Municipal Reserves Fund

This fund accounts for the City's risk management program relating to general liability, excess liability, property, workers compensation, and casualty insurance costs which are charged to other City departments on a cost reimbursement basis.

Compensated Leave Fund

This fund accounts for the accrued liability of employee benefits attributed to compensated leave. Funding was initially provided by transfers from the General Fund. Future revenue sources are charges to benefited programs and departments. Benefits paid to Enterprise Fund employees are accounted for in their respective funds.

**CITY OF LAKEVILLE
INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF NET POSITION
DECEMBER 31, 2024**

ASSETS	Governmental Activities - Internal Service Funds		
	Municipal Reserves	Compensated Leave	Totals
CURRENT ASSETS			
Cash and investments	\$ 515,966	\$ 609,640	\$ 1,125,606
Interest receivable	1,947	4,432	6,379
Accounts receivable	14,762	-	14,762
Total current assets	532,675	614,072	1,146,747
Total Assets	\$ 532,675	\$ 614,072	\$ 1,146,747
LIABILITIES AND NET POSITION			
CURRENT LIABILITIES			
Accounts payable	\$ 4,208	\$ -	\$ 4,208
Accrued compensated absences	-	2,598,292	2,598,292
Total current liabilities	4,208	2,598,292	2,602,500
NONCURRENT LIABILITIES			
Accrued compensated absences	-	1,253,099	1,253,099
Total liabilities	4,208	3,851,391	3,855,599
NET POSITION			
Unrestricted	528,467	(3,237,319)	(2,708,852)
Total Liabilities and Net Position	\$ 532,675	\$ 614,072	\$ 1,146,747

**CITY OF LAKEVILLE
INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
YEAR ENDED DECEMBER 31, 2024**

	Governmental Activities - Internal Service Funds		
	Municipal Reserves	Compensated Leave	Totals
OPERATING REVENUE			
User charges	\$ 496,722	\$ 209,800	\$ 706,522
Other	316,592	-	316,592
Total operating revenue	813,314	209,800	1,023,114
OPERATING EXPENSES			
Personnel services	-	289,838	289,838
Other charges and services	669,167	-	669,167
Total operating expenses	669,167	289,838	959,005
OPERATING INCOME (LOSS)	144,147	(80,038)	64,109
NONOPERATING REVENUE (EXPENSES)			
Interest Income	7,972	18,147	26,119
Change in Fair Value of Investments	6,745	-	6,745
Total nonoperating revenue (expenses)	14,717	18,147	32,864
CHANGE IN NET POSITION	158,864	(61,891)	96,973
NET POSITION			
Beginning of Year	369,603	(3,175,428)	(2,805,825)
End of Year	\$ 528,467	\$ (3,237,319)	\$ (2,708,852)

**CITY OF LAKEVILLE
INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF CASH FLOWS
YEAR ENDED DECEMBER 31, 2024**

	Governmental Activities - Internal Service Funds		
	Municipal Reserves	Compensated Leave	Totals
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash received from general service charges	\$ 801,025	\$ 209,800	\$ 1,010,825
Cash paid to suppliers	(736,878)	-	(736,878)
Cash paid to and for employees	-	(226,296)	(226,296)
Net Cash Provided (Used) by Operating Activities	<u>64,147</u>	<u>(16,496)</u>	<u>47,651</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Investment income received	<u>14,006</u>	<u>16,001</u>	<u>30,007</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	78,153	(495)	77,658
Cash and Cash Equivalents - Beginning of the Year	<u>437,813</u>	<u>610,135</u>	<u>1,047,948</u>
CASH AND CASH EQUIVALENTS - END OF THE YEAR	<u><u>\$ 515,966</u></u>	<u><u>\$ 609,640</u></u>	<u><u>\$ 1,125,606</u></u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES			
Operating Income (Loss)	\$ 144,147	\$ (80,038)	\$ 64,109
Adjustments:			
(Increase) decrease in assets and deferred outflows:			
Accounts receivable	(12,289)	-	(12,289)
Increase (decrease) in liabilities and deferred inflows:			
Accounts payable	(67,711)	-	(67,711)
Accrued compensated absences	-	63,542	63,542
Net Cash Provided (Used) by Operating Activities	<u><u>\$ 64,147</u></u>	<u><u>\$ (16,496)</u></u>	<u><u>\$ 47,651</u></u>

STATISTICAL SECTION

Statistical Section

This part of the City of Lakeville'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 says about the government's overall financial health.

Financial Trends	129
<i>These schedules contain trend information to help the reader understand how the City's financial performance and well-being have changed over time.</i>	
<i>Net Position by Component – Government-wide</i>	
<i>Changes in Net Position by Component – Governmental Activities</i>	
<i>Changes in Net Position by Component – Business-type Activities</i>	
<i>Changes in Net Position by Component – Total Governmental and Business-type Activities</i>	
<i>Fund Balances – Governmental Funds</i>	
<i>Changes in Fund Balances – Governmental Funds</i>	
Revenue Capacity	141
<i>These schedules contain information to help the reader assess the City's most significant local revenue sources; electric sales and property taxes.</i>	
<i>Tax Capacity Valuation and Assessor's Taxable Market Value of Taxable Property</i>	
<i>Property Tax Rates – Direct and Overlapping Governments</i>	
<i>Principal Property Taxpayers</i>	
<i>Property Tax Levy and Collections</i>	
Debt Capacity	146
<i>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.</i>	
<i>Ratio of Total Debt by Type</i>	
<i>Ratio of Net Bonded Debt Outstanding</i>	
<i>Direct and Overlapping Governmental Debt</i>	
<i>Legal Debt Margin</i>	
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Demographic and Economic Information	151
<i>These schedules offer demographic and economic indicators to help the reader understand the environment within which the City's financial activities take place.</i>	
<i>Demographic and Economic Statistics</i>	
<i>Principal Employers</i>	
<i>Commercial and Industrial Building Permits Issued</i>	
Operating Information	154
<i>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.</i>	
<i>Employees by Function/Program (Full-Time Equivalent)</i>	
<i>Operating Indicators by Function</i>	
<i>Capital Asset Statistics by Function</i>	

Sources: Unless otherwise noted, the information in these schedules is derived from the annual comprehensive financial reports for the relevant year.

**CITY OF LAKEVILLE
NET POSITION BY COMPONENT – GOVERNMENT-WIDE
LAST TEN FISCAL YEARS
(ACCRUAL BASIS OF ACCOUNTING)**

	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
Governmental Activities:				
Net Investment in Capital Assets	\$ 141,868,136	\$ 149,196,480	\$ 144,581,700	\$ 142,300,205
Restricted	33,860,946	35,860,604	46,683,603	45,267,313
Unrestricted	<u>(4,929,168)</u>	<u>4,277,626</u>	<u>6,036,382</u>	<u>15,427,439</u>
Total Governmental Activities Net Position	<u>\$ 170,799,914</u>	<u>\$ 189,334,710</u>	<u>\$ 197,301,685</u>	<u>\$ 202,994,957</u>
Business-Type Activities:				
Net Investment in Capital Assets	\$ 116,288,771	\$ 129,086,090	\$ 135,324,120	\$ 138,725,763
Restricted	323,875	323,875	323,875	-
Unrestricted	<u>8,420,410</u>	<u>9,757,400</u>	<u>10,791,344</u>	<u>13,878,208</u>
Total Business-Type Activities Net Position	<u>\$ 125,033,056</u>	<u>\$ 139,167,365</u>	<u>\$ 146,439,339</u>	<u>\$ 152,603,971</u>
Primary Government:				
Net Investment in Capital Assets	\$ 258,156,907	\$ 278,282,570	\$ 279,905,820	\$ 281,025,968
Restricted	34,184,821	36,184,479	47,007,478	45,267,313
Unrestricted	<u>3,491,242</u>	<u>14,035,026</u>	<u>16,827,726</u>	<u>29,305,647</u>
Total Primary Government Net Position	<u>\$ 295,832,970</u>	<u>\$ 328,502,075</u>	<u>\$ 343,741,024</u>	<u>\$ 355,598,928</u>
	(1)			(2)

Notes:

- (1) The City implemented GASB Statement No. 68 in 2015, recording a change in accounting principle that decreased unrestricted net position. Prior year balances were not restated.
- (2) The City implemented GASB Statement No. 75 in 2018, recording a change in accounting principle that decreased unrestricted net position. Prior year balances were not restated.
- (3) The City implemented GASB Statement No. 84 in 2019, recording a change in accounting principle that increased restricted net position. Prior year balances were not restated.

**CITY OF LAKEVILLE
NET POSITION BY COMPONENT – GOVERNMENT-WIDE (CONTINUED)
LAST TEN FISCAL YEARS
(ACCRUAL BASIS OF ACCOUNTING)**

2019	2020	2021	2022	2023	2024
\$ 154,468,792	\$ 167,619,658	\$ 183,876,386	\$ 218,867,352	\$ 240,978,608	\$ 259,538,899
56,356,434	69,458,557	69,329,217	82,302,974	73,224,358	72,430,099
24,178,084	32,249,615	39,709,366	16,378,884	17,814,210	18,284,630
<u>\$ 235,003,310</u>	<u>\$ 269,327,830</u>	<u>\$ 292,914,969</u>	<u>\$ 317,549,210</u>	<u>\$ 332,017,176</u>	<u>\$ 350,253,628</u>
\$ 143,501,608	\$ 151,132,001	\$ 170,514,908	\$ 180,563,445	\$ 188,259,693	\$ 199,011,990
-	-	-	-	-	-
15,142,309	18,258,536	25,479,132	28,938,525	32,950,342	37,450,763
<u>\$ 158,643,917</u>	<u>\$ 169,390,537</u>	<u>\$ 195,994,040</u>	<u>\$ 209,501,970</u>	<u>\$ 221,210,035</u>	<u>\$ 236,462,753</u>
\$ 297,970,400	\$ 318,751,659	\$ 354,391,294	\$ 399,430,797	\$ 429,238,301	\$ 458,550,889
56,356,434	69,458,557	69,329,217	82,302,974	73,224,358	72,430,099
39,320,393	50,508,151	65,188,498	45,317,409	50,764,552	55,735,393
<u>\$ 393,647,227</u>	<u>\$ 438,718,367</u>	<u>\$ 488,909,009</u>	<u>\$ 527,051,180</u>	<u>\$ 553,227,211</u>	<u>\$ 586,716,381</u>

(3)

**CITY OF LAKEVILLE
CHANGES IN NET POSITION BY COMPONENT – GOVERNMENTAL ACTIVITIES
LAST TEN FISCAL YEARS
(ACCRUAL BASIS OF ACCOUNTING)**

	2015	2016	2017	2018
Expenses:				
General government	\$ 5,893,261	\$ 8,028,316	\$ 4,579,478	\$ 7,203,308
Public safety	12,236,411	16,369,670	14,250,572	14,141,045
Public works	15,365,976	17,711,240	18,944,454	22,336,416
Parks and recreation	5,762,890	5,626,149	6,645,057	6,661,852
Interest on long-term debt	3,296,665	3,930,168	3,268,426	3,468,814
Total expenses	42,555,203	51,665,543	47,687,987	53,811,435
Program Revenues:				
Charges for Services:				
General government	3,730,342	4,094,298	4,348,910	5,584,036
Public safety	926,168	954,395	934,444	1,059,236
Public works	8,311,017	8,401,512	7,081,317	6,792,249
Parks and recreation	3,699,025	3,685,202	2,369,615	2,455,851
Operating Grants and Contributions				
General government	7,132	772,998	68,095	23,772
Public safety	980,310	989,342	1,061,252	1,149,691
Public works	4,145,806	4,942,834	1,382,380	4,313,934
Parks and recreation	186,118	91,869	55,300	11,422
Capital Grants and Contributions				
General government	77,006	138,593	62,101	61,193
Public safety	-	8,500	-	-
Public works	12,702,266	23,604,519	13,018,689	9,183,039
Parks and recreation	1,004,480	2,932,612	182,387	194,327
Total program revenues	35,769,670	50,616,674	30,564,490	30,828,750
Net Revenue (Expense):				
General government	(2,078,781)	(3,022,427)	(100,372)	(1,534,307)
Public safety	(10,329,933)	(14,417,433)	(12,254,876)	(11,932,118)
Public works	9,793,113	19,237,625	2,537,932	(2,047,194)
Parks and recreation	(873,267)	1,083,534	(4,037,755)	(4,000,252)
Interest on long-term debt	(3,296,665)	(3,930,168)	(3,268,426)	(3,468,814)
Total net (expense) revenue	(6,785,533)	(1,048,869)	(17,123,497)	(22,982,685)
General Revenues and Other Changes in Net Position:				
Property taxes	25,338,778	26,173,822	27,317,169	28,641,302
Franchise taxes	-	-	-	-
Investment earnings (charges)	368,232	388,672	597,513	907,138
Transfers in (out)	(1,549,881)	(6,978,829)	(2,824,210)	(492,418)
Total general revenues and other (net)	24,157,129	19,583,665	25,090,472	29,056,022
Change in Net Position:				
Governmental Activities	\$ 17,371,596	\$ 18,534,796	\$ 7,966,975	\$ 6,073,337
	(1)			(2)

Notes:

- (1) The City implemented GASB Statement No. 68 in 2015, recording a change in accounting principle that decreased unrestricted net position. Prior year balances were not restated.
- (2) The City implemented GASB Statement No. 75 in 2018, recording a change in accounting principle that decreased unrestricted net position. Prior year balances were not restated.
- (3) The City implemented GASB Statement No. 84 in 2019, recording a change in accounting principle that increased restricted net position. Prior year balances were not restated.

CITY OF LAKEVILLE
CHANGES IN NET POSITION BY COMPONENT – GOVERNMENTAL ACTIVITIES (CONTINUED)
LAST TEN FISCAL YEARS
(ACCRUAL BASIS OF ACCOUNTING)

	2019	2020	2021	2022	2023	2024
\$	7,902,490	\$ 8,994,404	\$ 8,966,246	\$ 9,999,721	\$ 9,899,710	\$ 9,524,931
	14,927,426	16,063,433	14,226,059	19,313,383	20,139,088	21,818,556
	21,015,480	22,623,378	21,462,578	25,477,542	29,136,552	27,274,347
	7,178,164	6,578,004	7,791,954	7,762,349	10,117,834	11,644,154
	3,332,465	3,147,896	1,199,275	3,966,703	2,903,304	3,535,602
	<u>54,356,025</u>	<u>57,407,115</u>	<u>53,646,112</u>	<u>66,519,698</u>	<u>72,196,488</u>	<u>73,797,590</u>
	6,506,302	6,573,673	6,303,733	7,064,177	6,587,921	7,452,928
	838,664	638,887	817,539	810,708	835,053	819,342
	9,166,886	11,300,325	10,569,326	9,903,121	6,620,758	5,774,455
	4,098,580	3,071,803	5,501,844	5,568,006	2,506,421	4,796,412
	97,964	917,379	156,783	206,244	76,861	175,668
	1,168,857	5,100,592	1,270,607	6,425,656	4,655,977	1,823,715
	3,142,430	3,461,526	547,841	7,056,438	3,681,717	249,629
	204,737	316,067	89,442	668,708	978,532	119,004
	116,750	149,610	79,173	55,044	304,539	380,326
	-	-	-	-	-	-
	21,234,628	23,710,868	24,529,021	22,352,046	16,919,544	18,802,885
	112,725	180,924	195,025	165,277	205,018	295,363
	<u>46,688,523</u>	<u>55,421,654</u>	<u>50,060,334</u>	<u>60,275,425</u>	<u>43,372,341</u>	<u>40,689,727</u>
	(1,181,474)	(1,353,742)	(2,426,557)	(2,674,256)	(2,930,389)	(1,516,009)
	(12,919,905)	(10,323,954)	(12,137,913)	(12,077,019)	(14,648,058)	(19,175,499)
	12,528,464	15,849,341	14,183,610	13,834,063	(1,914,533)	(2,447,378)
	(2,762,122)	(3,009,210)	(2,005,643)	(1,360,358)	(6,427,863)	(6,433,375)
	(3,332,465)	(3,147,896)	(1,199,275)	(3,966,703)	(2,903,304)	(3,535,602)
	<u>(7,667,502)</u>	<u>(1,985,461)</u>	<u>(3,585,778)</u>	<u>(6,244,273)</u>	<u>(28,824,147)</u>	<u>(33,107,863)</u>
	30,897,445	33,033,079	35,051,089	36,822,483	40,247,761	44,289,880
	-	-	-	-	-	531,252
	2,769,074	2,144,654	(1,003,311)	(6,316,145)	5,834,294	5,630,680
	1,162,124	1,132,248	(6,874,861)	372,176	(2,789,942)	892,503
	<u>34,828,643</u>	<u>36,309,981</u>	<u>27,172,917</u>	<u>30,878,514</u>	<u>43,292,113</u>	<u>51,344,315</u>
\$	<u>27,161,141</u>	<u>\$ 34,324,520</u>	<u>\$ 23,587,139</u>	<u>\$ 24,634,241</u>	<u>\$ 14,467,966</u>	<u>\$ 18,236,452</u>
(3)						

CITY OF LAKEVILLE
CHANGES IN NET POSITION BY COMPONENT – BUSINESS-TYPE ACTIVITIES
LAST TEN FISCAL YEARS
(ACCRUAL BASIS OF ACCOUNTING)

	2015	2016	2017	2018
Expenses:				
Liquor	\$ 12,852,980	\$ 13,268,419	\$ 13,638,043	\$ 14,234,337
Utility	11,946,778	13,558,839	14,138,885	14,815,914
Total expenses	<u>24,799,758</u>	<u>26,827,258</u>	<u>27,776,928</u>	<u>29,050,251</u>
Program Revenues:				
Charges for Services:				
Liquor	13,611,294	14,130,830	14,583,514	15,276,433
Utility	9,216,463	10,692,185	12,585,450	13,613,145
Operating Grants and Contributions				
Liquor	3,762	3,762	6,716	13,421
Utility	85,754	111,572	166,227	51,035
Capital Grants and Contributions				
Utility	6,009,075	8,973,280	4,791,313	4,075,854
Total program revenues	<u>28,926,348</u>	<u>33,911,629</u>	<u>32,133,220</u>	<u>33,029,888</u>
Net Revenue (Expense):				
Liquor	762,076	866,173	952,187	1,055,517
Utility	3,364,514	6,218,198	3,404,105	2,924,120
Total net (expense) revenue	<u>4,126,590</u>	<u>7,084,371</u>	<u>4,356,292</u>	<u>3,979,637</u>
General Revenues and Other Changes in Net Position:				
Investment income (charges)	52,461	71,109	91,472	160,165
Disposal of capital assets	-	-	-	1,601,334
Transfers in (out)	1,549,881	6,978,829	2,824,210	492,418
Total general revenues and other (net)	<u>1,602,342</u>	<u>7,049,938</u>	<u>2,915,682</u>	<u>2,253,917</u>
Change in Net Position:				
Business-type Activities	<u>\$ 5,728,932</u>	<u>\$ 14,134,309</u>	<u>\$ 7,271,974</u>	<u>\$ 6,233,554</u>
	(1)			(2)

Notes:

- (1) The City implemented GASB Statement No. 68 in 2015, recording a change in accounting principle that decreased unrestricted net position. Prior year balances were not restated.
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CITY OF LAKEVILLE
CHANGES IN NET POSITION BY COMPONENT – BUSINESS-TYPE ACTIVITIES (CONTINUED)
LAST TEN FISCAL YEARS
(ACCRUAL BASIS OF ACCOUNTING)

	2019	2020	2021	2022	2023	2024
\$	15,267,133	\$ 16,735,031	\$ 18,069,171	\$ 20,652,588	\$ 21,726,194	\$ 21,357,518
	<u>16,386,516</u>	<u>17,518,091</u>	<u>17,512,988</u>	<u>20,307,370</u>	<u>22,854,878</u>	<u>22,236,710</u>
	31,653,649	34,253,122	35,582,159	40,959,958	44,581,072	43,594,228
	16,288,986	18,262,397	19,683,002	21,894,980	22,692,555	22,647,127
	14,215,952	17,308,481	21,235,961	22,031,929	22,715,704	21,287,682
	6,453	76,810	5,445	8,778	163	38,882
	643,919	85,499	489,647	786,804	1,028,276	178,555
	<u>7,240,758</u>	<u>10,045,894</u>	<u>14,094,676</u>	<u>11,492,752</u>	<u>5,739,878</u>	<u>9,866,907</u>
	<u>38,396,068</u>	<u>45,779,081</u>	<u>55,508,731</u>	<u>56,215,243</u>	<u>52,176,576</u>	<u>54,019,153</u>
	1,028,306	1,604,176	1,619,276	1,251,170	966,524	1,328,491
	5,714,113	9,921,783	18,307,296	14,004,115	6,628,980	9,096,434
	<u>6,742,419</u>	<u>11,525,959</u>	<u>19,926,572</u>	<u>15,255,285</u>	<u>7,595,504</u>	<u>10,424,925</u>
	459,651	352,909	(197,930)	(1,375,179)	1,322,619	1,368,137
	-	-	-	-	-	-
	<u>(1,162,124)</u>	<u>(1,132,248)</u>	<u>6,874,861</u>	<u>(372,176)</u>	<u>2,789,942</u>	<u>(892,503)</u>
	<u>(702,473)</u>	<u>(779,339)</u>	<u>6,676,931</u>	<u>(1,747,355)</u>	<u>4,112,561</u>	<u>475,634</u>
\$	<u>6,039,946</u>	<u>\$ 10,746,620</u>	<u>\$ 26,603,503</u>	<u>\$ 13,507,930</u>	<u>\$ 11,708,065</u>	<u>\$ 10,900,559</u>

**CITY OF LAKEVILLE
CHANGES IN NET POSITION BY COMPONENT – TOTAL GOVERNMENTAL
AND BUSINESS-TYPE ACTIVITIES
LAST TEN FISCAL YEARS
(ACCRUAL BASIS OF ACCOUNTING)**

	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
Expenses:				
Governmental activities	\$ 42,555,203	\$ 51,665,543	\$ 47,687,987	\$ 53,811,435
Business-type activities	24,799,758	26,827,258	27,776,928	29,050,251
Total expenses	<u>67,354,961</u>	<u>78,492,801</u>	<u>75,464,915</u>	<u>82,861,686</u>
Program Revenues:				
Governmental activities	35,769,670	50,616,674	30,564,490	30,828,750
Business-type activities	28,926,348	33,911,629	32,133,220	33,029,888
Total program revenues	<u>64,696,018</u>	<u>84,528,303</u>	<u>62,697,710</u>	<u>63,858,638</u>
Net Revenue (Expense):				
Governmental activities	(6,785,533)	(1,048,869)	(17,123,497)	(22,982,685)
Business-type activities	<u>4,126,590</u>	<u>7,084,371</u>	<u>4,356,292</u>	<u>3,979,637</u>
Total net (expense) revenue	<u>(2,658,943)</u>	<u>6,035,502</u>	<u>(12,767,205)</u>	<u>(19,003,048)</u>
General Revenues and Other Changes in Net Position:				
Governmental activities	24,157,129	19,583,665	25,090,472	29,056,022
Business-type activities	<u>1,602,342</u>	<u>7,049,938</u>	<u>2,915,682</u>	<u>2,253,917</u>
Total general revenues and other (net)	<u>25,759,471</u>	<u>26,633,603</u>	<u>28,006,154</u>	<u>31,309,939</u>
Change in Net Position:				
Governmental activities	17,371,596	18,534,796	7,966,975	6,073,337
Business-type activities	<u>5,728,932</u>	<u>14,134,309</u>	<u>7,271,974</u>	<u>6,233,554</u>
Total change in net position	<u>\$ 23,100,528</u>	<u>\$ 32,669,105</u>	<u>\$ 15,238,949</u>	<u>\$ 12,306,891</u>
		(1)		

Note:

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**CITY OF LAKEVILLE
 CHANGES IN NET POSITION BY COMPONENT – TOTAL GOVERNMENTAL
 AND BUSINESS-TYPE ACTIVITIES (CONTINUED)
 LAST TEN FISCAL YEARS
 (ACCRUAL BASIS OF ACCOUNTING)**

2019	2020	2021	2022	2023	2024
\$ 54,356,025	\$ 57,407,115	\$ 53,646,112	\$ 66,519,698	\$ 72,196,488	\$ 73,797,590
31,653,649	34,253,122	35,582,159	40,959,958	44,581,072	43,594,228
<u>86,009,674</u>	<u>91,660,237</u>	<u>89,228,271</u>	<u>107,479,656</u>	<u>116,777,560</u>	<u>117,391,818</u>
46,688,523	55,421,654	50,060,334	60,275,425	43,372,341	40,689,727
38,396,068	45,779,081	55,508,731	56,215,243	52,176,576	54,019,153
<u>85,084,591</u>	<u>101,200,735</u>	<u>105,569,065</u>	<u>116,490,668</u>	<u>95,548,917</u>	<u>94,708,880</u>
(7,667,502)	(1,985,461)	(3,585,778)	(6,244,273)	(28,824,147)	(33,107,863)
<u>6,742,419</u>	<u>11,525,959</u>	<u>19,926,572</u>	<u>15,255,285</u>	<u>7,595,504</u>	<u>10,424,925</u>
(925,083)	9,540,498	16,340,794	9,011,012	(21,228,643)	(22,682,938)
34,828,643	36,309,981	27,172,917	30,878,514	43,292,113	51,344,315
(702,473)	(779,339)	6,676,931	(1,747,355)	4,112,561	475,634
<u>34,126,170</u>	<u>35,530,642</u>	<u>33,849,848</u>	<u>29,131,159</u>	<u>47,404,674</u>	<u>51,819,949</u>
27,161,141	34,324,520	23,587,139	24,634,241	14,467,966	18,236,452
6,039,946	10,746,620	26,603,503	13,507,930	11,708,065	10,900,559
<u>\$ 33,201,087</u>	<u>\$ 45,071,140</u>	<u>\$ 50,190,642</u>	<u>\$ 38,142,171</u>	<u>\$ 26,176,031</u>	<u>\$ 29,137,011</u>
(2)	(3)				

**CITY OF LAKEVILLE
FUND BALANCES – GOVERNMENTAL FUNDS
LAST TEN FISCAL YEARS
(MODIFIED ACCRUAL BASIS OF ACCOUNTING)**

	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
General Fund:				
Nonspendable	\$ 447,284	\$ 695,830	\$ 914,375	\$ 876,394
Restricted	-	-	-	-
Committed	45,000	-	-	-
Assigned	-	1,478,522	741,864	705,500
Unassigned	<u>11,882,644</u>	<u>12,902,148</u>	<u>13,613,203</u>	<u>14,011,567</u>
Total general fund	12,374,928	15,076,500	15,269,442	15,593,461
All Other Governmental Funds:				
Nonspendable	-	-	-	11,630
Restricted	35,659,756	37,947,697	29,887,820	25,773,762
Committed	17,937,431	21,651,118	26,519,559	30,327,238
Unassigned	<u>(3,492,389)</u>	<u>(726,681)</u>	<u>(876,594)</u>	<u>(415,577)</u>
Total all other governmental funds	<u>50,104,798</u>	<u>58,872,134</u>	<u>55,530,785</u>	<u>55,697,053</u>
Total Governmental Funds:				
Nonspendable	447,284	695,830	914,375	888,024
Restricted	35,659,756	37,947,697	29,887,820	25,773,762
Committed	17,982,431	21,651,118	26,519,559	30,327,238
Assigned	-	1,478,522	741,864	705,500
Unassigned	<u>8,390,255</u>	<u>12,175,467</u>	<u>12,736,609</u>	<u>13,595,990</u>
Total governmental funds	<u>\$ 62,479,726</u>	<u>\$ 73,948,634</u>	<u>\$ 70,800,227</u>	<u>\$ 71,290,514</u>
All governmental funds percentage change	67.6%	18.4%	-4.3%	0.7%

**CITY OF LAKEVILLE
FUND BALANCES – GOVERNMENTAL FUNDS (CONTINUED)
LAST TEN FISCAL YEARS
(MODIFIED ACCRUAL BASIS OF ACCOUNTING)**

2019	2020	2021	2022	2023	2024
\$ 748,231	\$ 811,338	\$ 666,451	\$ 254,180	\$ 279,568	\$ 352,765
175,590	-	5,000	-	1,850,000	1,850,000
100,000	200,000	-	-	-	-
749,675	1,675,125	2,493,300	2,711,000	1,528,414	-
15,429,752	22,053,166	20,821,071	19,042,227	18,715,015	20,983,864
17,203,248	24,739,629	23,985,822	22,007,407	22,372,997	23,186,629
-	-	-	-	-	-
36,333,665	41,694,538	46,337,784	63,559,319	51,346,145	57,262,599
36,071,889	40,241,806	44,233,989	44,954,814	48,514,099	47,971,292
(428,702)	(1,084,565)	(993,783)	(622,177)	(30,377)	(315,779)
71,976,852	80,851,779	89,577,990	107,891,956	99,829,867	104,918,112
748,231	811,338	666,451	254,180	279,568	352,765
36,509,255	41,694,538	46,342,784	63,559,319	53,196,145	59,112,599
36,171,889	40,441,806	44,233,989	44,954,814	48,514,099	47,971,292
749,675	1,675,125	2,493,300	2,711,000	1,528,414	-
15,001,050	20,968,601	19,827,288	18,420,050	18,684,638	20,668,085
<u>\$ 89,180,100</u>	<u>\$ 105,591,408</u>	<u>\$ 113,563,812</u>	<u>\$ 129,899,363</u>	<u>\$ 122,202,864</u>	<u>\$ 128,104,741</u>
25.1%	18.4%	7.6%	14.4%	-5.9%	4.8%

CITY OF LAKEVILLE
CHANGES IN FUND BALANCES – GOVERNMENTAL FUNDS
LAST TEN FISCAL YEARS
(MODIFIED ACCRUAL BASIS OF ACCOUNTING)

	2015	2016	2017	2018
Revenues:				
Property taxes and tax increment	\$ 25,215,734	\$ 26,131,569	\$ 27,401,195	\$ 28,612,384
Licenses and permits	3,325,293	3,706,567	3,988,189	3,899,604
Intergovernmental	5,232,193	9,043,356	3,771,886	5,090,762
Charges for services	12,443,152	13,289,708	10,016,017	11,828,549
Special assessments	1,736,905	2,308,223	2,812,587	3,139,103
Investment income (charges)	366,555	387,604	597,513	907,138
Donations	356,446	550,255	238,383	309,970
Miscellaneous	1,155,073	2,828,177	846,035	835,986
Total Revenues	<u>49,831,351</u>	<u>58,245,459</u>	<u>49,671,805</u>	<u>54,623,496</u>
Expenditures:				
General government	5,226,864	5,783,013	6,424,260	6,656,824
Public safety	10,892,071	11,513,170	12,775,807	13,061,572
Public works	3,856,984	4,245,072	9,786,321	4,741,200
Parks and recreation	3,532,376	3,497,041	5,222,503	3,998,735
Capital outlay	31,649,447	37,938,823	11,995,449	25,065,276
Debt Service:				
Principal retirement	7,385,000	5,935,000	6,885,000	10,420,000
Interest on debt	3,735,120	3,970,010	3,881,179	3,948,999
Fiscal charges	33,071	327,052	129,158	96,729
Total Expenditures	<u>66,310,933</u>	<u>73,209,181</u>	<u>57,099,677</u>	<u>67,989,335</u>
Excess (Deficiency) of Revenues				
Over (Under) Expenditures	(16,479,582)	(14,963,722)	(7,427,872)	(13,365,839)
Other Financing Sources (Uses):				
Transfers in	6,883,879	5,179,668	8,355,474	6,038,479
Transfers out	(4,928,951)	(3,222,237)	(6,661,840)	(4,167,132)
Bond, note, loan and lease proceeds	16,545,000	31,075,000	11,987,171	13,805,000
Payment on refunded bonds called	(12,460,000)	(9,535,000)	(11,368,146)	(3,320,000)
Premium on bonds issued	1,005,509	2,626,731	1,309,907	1,005,336
Sale of capital assets	-	-	516,380	530,734
Total Other Financing Sources (Uses)	<u>7,045,437</u>	<u>26,124,162</u>	<u>4,138,946</u>	<u>13,892,417</u>
Net Change in Fund Balances	<u>\$ (9,434,145)</u>	<u>\$ 11,160,440</u>	<u>\$ (3,288,926)</u>	<u>\$ 526,578</u>
Debt Service as a Percentage of				
Noncapital Expenditures	<u>25.6%</u>	<u>19.6%</u>	<u>22.6%</u>	<u>26.9%</u>

Note: The City has no taxes other than property taxes and tax increment.

**CITY OF LAKEVILLE
 CHANGES IN FUND BALANCES – GOVERNMENTAL FUNDS (CONTINUED)
 LAST TEN FISCAL YEARS
 (MODIFIED ACCRUAL BASIS OF ACCOUNTING)**

	2019	2020	2021	2022	2023	2024
\$	30,855,832	\$ 32,983,369	\$ 35,146,364	\$ 36,815,539	\$ 40,226,889	\$ 44,329,727
	4,492,109	5,600,853	5,081,480	4,490,895	4,091,103	3,052,954
	8,901,495	14,571,858	3,813,869	17,279,101	15,259,457	3,985,196
	15,046,177	15,239,684	17,343,792	17,586,719	11,096,772	14,461,853
	3,683,354	3,953,438	3,023,130	3,478,667	7,934,564	2,945,985
	2,769,074	2,144,654	(1,003,311)	(6,316,145)	5,834,294	5,630,680
	211,969	232,689	268,898	200,642	309,521	333,933
	861,800	800,067	775,140	1,310,631	953,242	1,059,472
	<u>66,821,810</u>	<u>75,526,612</u>	<u>64,449,362</u>	<u>74,846,049</u>	<u>85,705,842</u>	<u>75,799,800</u>
	7,028,626	8,061,485	7,950,888	8,377,090	8,238,696	8,583,505
	13,496,719	14,251,367	15,283,047	15,836,333	17,432,946	19,567,238
	4,802,149	4,692,478	4,987,928	5,139,700	5,844,020	5,611,535
	4,178,410	3,888,960	4,486,389	4,863,528	5,407,841	5,995,649
	20,906,745	34,788,668	32,856,512	42,577,218	54,049,585	34,781,975
	8,920,000	9,715,000	9,160,000	7,861,201	13,161,000	17,164,120
	3,877,764	3,871,110	4,064,943	4,179,644	5,006,042	4,936,874
	44,429	38,098	82,573	324,787	42,577	109,177
	<u>63,254,842</u>	<u>79,307,166</u>	<u>78,872,280</u>	<u>89,159,501</u>	<u>109,182,707</u>	<u>96,750,073</u>
	3,566,968	(3,780,554)	(14,422,918)	(14,313,452)	(23,476,865)	(20,950,273)
	5,120,699	6,522,720	9,636,510	15,996,085	8,829,311	3,254,905
	(2,980,605)	(4,180,711)	(7,736,781)	(14,621,216)	(6,576,539)	(1,097,886)
	6,295,000	15,164,036	19,294,225	47,874,860	12,361,337	22,295,792
	-	-	-	(23,540,000)	-	-
	1,065,624	2,391,960	1,090,191	4,115,966	779,235	1,389,304
	107,645	249,015	258,880	868,415	307,368	414,647
	<u>9,608,363</u>	<u>20,147,020</u>	<u>22,543,025</u>	<u>30,694,110</u>	<u>15,700,712</u>	<u>26,256,762</u>
\$	<u>13,175,331</u>	<u>\$ 16,366,466</u>	<u>\$ 8,120,107</u>	<u>\$ 16,380,658</u>	<u>\$ (7,776,153)</u>	<u>\$ 5,306,489</u>
	<u>25.7%</u>	<u>25.8%</u>	<u>24.5%</u>	<u>22.0%</u>	<u>22.0%</u>	<u>31.1%</u>

**CITY OF LAKEVILLE
TAX CAPACITY VALUATION AND ASSESSOR'S TAXABLE
MARKET VALUE OF TAXABLE PROPERTY
LAST TEN FISCAL YEARS**

<u>Fiscal Year</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
<u>Taxable Net Tax Capacity Valuation of Taxable Property</u>				
Tax capacity value	\$ 62,811,855	\$ 65,634,896	\$ 69,887,094	\$ 75,422,344
Less:				
Captured tax increment tax capacity	(446,760)	(497,171)	(596,348)	(609,048)
Contributions to fiscal disparities pool	(5,481,001)	(5,411,614)	(5,524,685)	(5,828,030)
Plus:				
Distribution from fiscal disparities pool	<u>6,323,361</u>	<u>6,635,572</u>	<u>7,139,972</u>	<u>7,672,379</u>
Total taxable net tax capacity	<u>\$ 63,207,455</u>	<u>\$ 66,361,683</u>	<u>\$ 70,906,033</u>	<u>\$ 76,657,645</u>
<u>Taxable Net Tax Capacity Valuation by Class of Property</u>				
Homestead residential	\$ 46,374,248	\$ 49,048,168	\$ 52,427,026	\$ 57,017,144
Commercial/industrial, public utility, and personal property	14,223,709	14,754,095	15,842,447	16,870,980
Non-homestead residential/apartments	1,629,527	1,656,581	1,736,856	1,938,329
Agriculture and seasonal/recreational	<u>979,971</u>	<u>902,839</u>	<u>899,704</u>	<u>831,192</u>
Total taxable net tax capacity	<u>\$ 63,207,455</u>	<u>\$ 66,361,683</u>	<u>\$ 70,906,033</u>	<u>\$ 76,657,645</u>
Assessor's taxable market valuation	<u>\$ 5,553,395,148</u>	<u>\$ 5,825,279,418</u>	<u>\$ 6,201,221,856</u>	<u>\$ 6,702,242,762</u>
Taxable net tax capacity as a percentage of assessor's taxable market value	<u>1.138%</u>	<u>1.139%</u>	<u>1.143%</u>	<u>1.144%</u>
Direct tax capacity rate	<u>38.948%</u>	<u>38.669%</u>	<u>37.510%</u>	<u>36.419%</u>

Notes:

Taxes are determined by multiplying the taxable net tax capacity by the direct tax capacity rate as expressed as a percentage.

The foregoing direct tax capacity rates do not reflect reductions for state property tax credits.

Source: Dakota County Auditor and Treasurer's Office.

**CITY OF LAKEVILLE
TAX CAPACITY VALUATION AND ASSESSOR'S TAXABLE
MARKET VALUE OF TAXABLE PROPERTY (CONTINUED)
LAST TEN FISCAL YEARS**

<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>2024</u>
\$ 82,737,259	\$ 90,729,405	\$ 97,138,303	\$ 106,343,200	\$ 130,077,811	\$ 142,366,672
(774,382)	(856,909)	(1,085,470)	(1,084,201)	(647,312)	(854,791)
(6,190,357)	(6,645,636)	(6,925,361)	(7,645,703)	(7,858,132)	(8,872,466)
<u>8,151,580</u>	<u>9,049,794</u>	<u>9,522,500</u>	<u>10,270,657</u>	<u>11,246,438</u>	<u>11,867,551</u>
<u>\$ 83,924,100</u>	<u>\$ 92,276,654</u>	<u>\$ 98,649,972</u>	<u>\$ 107,883,953</u>	<u>\$ 132,818,805</u>	<u>\$ 144,506,966</u>
\$ 63,032,149	\$ 69,577,579	\$ 73,762,668	\$ 81,813,145	\$ 101,495,866	\$ 108,705,378
17,893,911	19,164,426	20,997,684	21,583,053	25,302,537	28,643,461
2,206,240	2,738,491	3,143,112	3,810,748	5,256,004	6,594,941
<u>791,800</u>	<u>796,158</u>	<u>746,508</u>	<u>677,007</u>	<u>764,398</u>	<u>563,186</u>
<u>\$ 83,924,100</u>	<u>\$ 92,276,654</u>	<u>\$ 98,649,972</u>	<u>\$ 107,883,953</u>	<u>\$ 132,818,805</u>	<u>\$ 144,506,966</u>
<u>\$ 7,374,033,988</u>	<u>\$ 8,106,672,140</u>	<u>\$ 8,636,691,303</u>	<u>\$ 9,503,255,659</u>	<u>\$ 11,592,195,438</u>	<u>\$ 12,546,610,519</u>
<u>1.138%</u>	<u>1.138%</u>	<u>1.142%</u>	<u>1.135%</u>	<u>1.146%</u>	<u>1.152%</u>
<u>35.607%</u>	<u>34.615%</u>	<u>34.351%</u>	<u>32.846%</u>	<u>29.676%</u>	<u>30.213%</u>

**CITY OF LAKEVILLE
PROPERTY TAX RATES – DIRECT AND OVERLAPPING GOVERNMENTS
LAST TEN FISCAL YEARS**

Fiscal Year	City of Lakeville Direct Rates				Overlapping Rates						Total Direct and Overlapping Rates	
	General Levy (Tax Capacity-based)			Referendum Levy (Market Value-based) Debt Service	Dakota County		Ind. School District	School District		Special Districts Levy (Tax Capacity-based)	Tax Capacity - based	Market Value-based
	Operating	Debt Service	Total		General Levy (Tax Capacity-based)	Referendum Levy (Market Value-based)		General Levy (Tax Capacity-based)	Referendum Levy (Market Value-based)			
				192			194			196	General Levy (Tax Capacity-based)	Referendum Levy (Market Value-based)
2015	30.605%	8.343%	38.948%	-	29.633%	-	192	53.474%	0.11550%	5.033%	127.088%	0.11550%
							194	31.459%	0.24871%		105.073%	0.24871%
							196	23.271%	0.25484%		96.885%	0.25484%
2016	30.455%	8.214%	38.669%	-	28.570%	-	192	57.584%	0.19065%	5.063%	129.886%	0.19065%
							194	35.319%	0.27898%		107.621%	0.27898%
							196	24.317%	0.26999%		96.619%	0.26999%
2017	29.342%	8.168%	37.510%	-	28.004%	-	192	54.269%	0.18481%	4.907%	124.690%	0.18481%
							194	32.914%	0.25441%		103.335%	0.25441%
							196	23.336%	0.27380%		93.757%	0.27380%
2018	29.305%	7.114%	36.419%	-	26.580%	-	192	52.825%	0.18495%	4.307%	120.131%	0.18495%
							194	32.992%	0.26835%		100.298%	0.26835%
							196	21.352%	0.26715%		88.658%	0.26715%
2019	27.192%	8.415%	35.607%	-	25.386%	-	192	51.401%	0.18968%	4.227%	116.621%	0.18968%
							194	32.535%	0.26992%		97.755%	0.26992%
							196	20.613%	0.26162%		85.833%	0.26162%
2020	26.682%	7.933%	34.615%	-	24.133%	-	192	53.105%	0.18904%	4.030%	115.883%	0.18904%
							194	34.851%	0.31225%		97.629%	0.31225%
							196	19.860%	0.34367%		82.638%	0.34367%
2021	26.281%	8.070%	34.351%	-	22.716%	-	192	50.805%	0.18392%	3.802%	111.674%	0.18392%
							194	33.894%	0.27269%		94.763%	0.27269%
							196	20.046%	0.32712%		80.915%	0.32712%
2022	25.755%	7.091%	32.846%	-	21.630%	-	192	49.481%	0.18244%	3.729%	107.686%	0.18244%
							194	33.983%	0.25582%		92.188%	0.25582%
							196	19.971%	0.31336%		78.176%	0.31336%
2023	22.485%	7.191%	29.676%	-	18.816%	-	192	38.497%	0.18725%	3.201%	90.190%	0.18725%
							194	29.473%	0.26581%		81.166%	0.26581%
							196	17.904%	0.29771%		69.597%	0.29771%
2024	22.476%	7.737%	30.213%	-	18.323%	-	192	36.439%	0.19446%	3.264%	88.239%	0.19446%
							194	29.650%	0.27666%		81.450%	0.27666%
							196	23.624%	0.30078%		75.424%	0.30078%

Notes:

Taxes are determined by multiplying the taxable net tax capacity by the tax capacity rate and market valued based rate expressed as a percentage. The foregoing tax capacity rates do not reflect reductions for state property tax credits.

Special Districts include: Metropolitan Mosquito Control, Metropolitan Council, Metropolitan Transit District, Dakota County Community Development Agency, Light Rail Authority, and Vermillion River Watershed District.

Source: Dakota County Auditor and Treasurer's Office.

Per Dakota County - Final Tax Rates Pay 2024 table

**CITY OF LAKEVILLE
PRINCIPAL PROPERTY TAXPAYERS
FISCAL YEARS ENDED DECEMBER 31, 2024 AND DECEMBER 31, 2015**

<u>Principal Property Taxpayer</u>	<u>Type of Business</u>	<u>2024</u>			<u>2015</u>		
		<u>Taxable Tax Capacity Value</u>	<u>Rank</u>	<u>Percentage of Taxable Tax Capacity Value</u>	<u>Taxable Tax Capacity Value</u>	<u>Rank</u>	<u>Percentage of Taxable Tax Capacity Value</u>
SP Lakeville Development LLC	Industrial	\$ 1,160,944	1	0.8%			0.0%
Continental 476 Fund LLC	Apartment	744,778	2	0.5%			0.0%
IRET Southfork Apartments LLC	Apartments	698,650	3	0.5%	308,528	3	0.5%
NLL LLC	Apartments	515,698	4	0.4%			
ARRIS LLC	Apartments	495,646	5				0.0%
Minnegasco/Centerpoint	Utility	495,350	6	0.3%	265,484	6	0.4%
Fulford Group, LLC	Agriculture	488,779	7	0.3%			
First Industrial LP	Industrial	478,834	8	0.3%			
Setzer Properties SMN LLC	Industrial	452,144	9	0.3%			
KJPL Lakeville LLC	Apartment	421,475	10	0.3%			
Lakeville 2004, LLC	Commercial				331,278	1	0.5%
EREP Heritage Commons, LLC	Retail				323,038	2	0.5%
Inland Argonne Village, LLC	Retail				285,031	4	0.5%
Dakota Electric Association	Utility				268,928	5	0.4%
Walker Highview Hills, LLC	Apartments				259,216	7	0.4%
Target Corporation	Retail				256,414	8	0.4%
LFT Real Estate Company Inc.	Real Estate				238,810	9	0.4%
FR/CAL Interstate South LLC	Industrial				229,776	10	0.4%
Total principal taxpayers		5,952,298		4.1%	2,766,503		4.4%
All other taxpayers		138,554,668		95.9%	60,440,952		95.6%
Total City of Lakeville taxpayers		\$ 144,506,966		100.0%	\$ 63,207,455		100.0%

Source: Dakota County Auditor and Treasurer's Office.

**CITY OF LAKEVILLE
PROPERTY TAX LEVY AND COLLECTIONS
LAST TEN FISCAL YEARS**

Fiscal Year	Total Tax Levy for Fiscal Year (1)	Collection of Current Year's Levy		Collection of Prior Year Levy (3)	Total Collections	Percentage of Total Collections To Tax Levy Certified
		Amount (2)	Percent			
2015	\$ 24,728,549	\$ 24,568,028	99.35%	\$ 160,521	\$ 24,728,549	100.00%
2016	25,679,619	25,566,236	99.56%	113,383	25,679,619	100.00%
2017	26,679,614	26,534,636	99.46%	144,978	26,679,614	100.00%
2018	28,001,550	27,857,045	99.48%	144,505	28,001,550	100.00%
2019	29,948,890	29,815,159	99.55%	133,731	29,948,890	100.00%
2020	32,031,000	31,840,067	99.40%	190,922	32,030,989	100.00%
2021	33,911,570	33,753,733	99.53%	155,962	33,909,695	99.99%
2022	35,590,000	35,485,096	99.71%	104,904	35,590,000	100.00%
2023	39,771,000	39,513,394	99.35%	257,606	39,771,000	100.00%
2024	43,596,800	43,351,372	99.44%	-	43,351,372	99.44%

Notes

- (1) Total levy is net of current year cancellations and abatements.
- (2) Total tax levy and current tax collections include state paid credits.
- (3) Includes county adjustments for prior year over collections, cancellations, and abatements.

**CITY OF LAKEVILLE
RATIO OF TOTAL DEBT BY TYPE
LAST TEN FISCAL YEARS**

<u>Fiscal Year</u>	<u>Governmental Activities</u>			<u>Business-type Activities</u>			<u>Total Outstanding Debt</u>	<u>Population (1)</u>	<u>% of Personal Income (2)</u>	<u>Total Outstanding Debt Per Capita</u>
	<u>General Obligation Bonds</u>	<u>Other Bonds</u>	<u>Loans and Notes Payable</u>	<u>Financed Purchase</u>	<u>Lease Liability</u>	<u>Revenue Bond</u>				
2015	\$ 104,062,522	\$ 7,886,294	\$ 1,159,843	\$ -	\$ -	\$ 2,911,996	\$ 116,020,655	59,991	3.6	\$ 1,934
2016	121,958,354	7,781,645	1,159,843	-	-	9,952,577	140,852,419	60,965	4.2	2,310
2017	113,666,228	7,417,448	1,897,014	-	-	8,258,468	131,239,158	61,993	3.7	2,117
2018	112,553,287	7,018,251	3,897,014	-	-	8,571,877	132,040,429	64,334	3.4	2,052
2019	111,718,611	6,614,054	2,897,014	-	-	8,876,565	130,106,244	65,831	3.2	1,976
2020	115,000,111	6,199,857	7,071,050	1,810,000	-	11,566,742	136,473,724	69,490	3.0	1,964
2021	124,710,301	5,685,403	12,945,275	1,570,000	-	11,729,716	155,070,695	72,135	3.2	2,150
2022	148,534,254	-	12,408,934	1,325,000	3,689,281	10,605,601	176,563,070	73,828	3.4	2,392
2023	146,062,184	-	13,024,271	1,075,000	3,374,280	9,386,085	172,921,820	75,217	3.1	2,299
2024	155,757,324	-	8,230,944	815,000	3,047,078	8,140,730	175,991,076	76,746	N/A	2,293

Source:

(1) Metropolitan Council as of April 1 (except for 2020 Federal Census).

(2) See Demographic and Economic Statistics page.

N/A - Not available.

**CITY OF LAKEVILLE
RATIO OF NET BONDED DEBT OUTSTANDING
LAST TEN FISCAL YEARS**

Fiscal Year	Gross Bonded Debt	Debt Payable From Other Sources (1)	Debt Service Monies Available (2)	Net Bonded Debt	Taxable Net Tax Capacity	Percentage of Net Bonded Debt to Taxable Net Tax Capacity	(3) Population	Net Bonded Debt Per Capita
2015	\$ 104,062,522	\$ 44,340,000	\$ 18,541,682	\$ 41,180,840	\$ 63,207,455	65.15%	59,991	\$ 686
2016	121,958,354	64,845,000	15,928,687	41,184,667	66,361,683	62.06%	60,965	676
2017	123,338,676	67,940,000	6,261,464	49,137,212	70,906,033	69.30%	61,993	793
2018	121,826,538	70,660,000	4,128,788	47,037,750	76,657,645	61.36%	64,334	731
2019	120,372,665	71,840,000	4,239,541	44,293,124	83,924,100	52.78%	65,831	673
2020	124,906,982	75,440,000	4,355,292	45,111,690	92,276,654	48.89%	69,490	649
2021	124,710,301	69,405,000	4,373,669	50,931,632	98,649,972	51.63%	72,135	706
2022	148,534,254	73,205,000	1,648,727	73,680,527	107,883,953	68.30%	73,828	998
2023	146,062,183	66,690,000	5,664,382	73,707,801	132,818,805	55.50%	75,217	980
2024	155,757,324	66,185,000	7,316,263	82,256,061	144,506,966	56.92%	76,746	1,072

Source:

- (1) G.O. Improvement bonds, tax increment bonds, State-aid street revenue bonds, water connection revenue bonds, and arena revenue bonds.
- (2) Debt service monies available include amounts restricted in the debt service funds repaying the related debt. We believe this is the most accurate and consistent representation of the resources restricted for debt service when crossover refunding bonds are being held in escrow, as those resources are not included in the governmental activities net position restricted for debt service due to conversion for full accrual accounting.
- (3) Metropolitan Council as of April 1, except for 2020 (Federal Census).

**CITY OF LAKEVILLE
DIRECT AND OVERLAPPING GOVERNMENTAL DEBT
LAST TEN FISCAL YEARS**

<u>Governmental Unit</u>	<u>Debt Outstanding</u> (2)	<u>Debt Applicable to Taxable Net Tax Capacity in the City</u>	
		<u>Percentage</u> (2)	<u>Amount</u>
Overlapping Debt (1)			
Independent School District #194	\$ 179,275,000	75.20%	\$ 134,814,800
Independent School District #192	97,115,000	22.82%	22,161,643
Independent School District #196	372,305,000	8.07%	30,045,014
<u>Special District</u>			
Metropolitan Council	238,225,000	2.39%	<u>5,671,407</u>
Total overlapping debt			192,692,864
Direct Debt			
City of Lakeville bonded debt	155,180,943	100.00%	<u>155,180,943</u>
Total direct and overlapping debt			<u>\$ 347,873,807</u>

Source: Debt figures and applicable percentages for other than the City of Lakeville are provided by the City's fiscal consultant Northland Securities.

Notes:

- (1) Overlapping governments are those that coincide, at least in part, with the geographical boundaries of the City. This schedule estimates the portion of the outstanding debt of those overlapping governments that is borne by the residents and businesses of the City. This process recognizes that, when considering the government's ability to issue and repay long-term debt, the entire debt burden borne by the residents and businesses should be taken into account. However, this does not imply that every taxpayer is a resident, and therefore responsible for repaying the debt, of each overlapping government.
- (2) The percentage of overlapping debt applicable is estimated using taxable property market 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.

**CITY OF LAKEVILLE
LEGAL DEBT MARGIN
LAST TEN FISCAL YEARS**

Fiscal Year	Assessor's Taxable Market Valuation	Legal Debt Limit	Net Bonded Debt Applicable to Debt Limit	Legal Debt Margin	Net Bonded Debt Applicable to Debt Limit as a Percentage of Legal Debt Limit
2015	\$ 5,553,395,148	\$ 166,601,854	\$ 36,323,318	\$ 130,278,536	21.80%
2016	5,825,279,418	174,758,383	34,776,313	139,982,070	19.90%
2017	6,201,221,856	186,036,656	32,593,536	153,443,120	17.52%
2018	6,702,242,762	201,067,283	32,676,212	168,391,071	16.25%
2019	7,374,033,988	221,221,020	30,120,459	191,100,561	13.62%
2020	8,106,672,140	243,200,164	25,799,708	217,400,456	10.61%
2021	8,636,691,303	259,100,739	42,081,331	217,019,408	16.24%
2022	9,503,255,659	285,097,670	63,586,273	221,511,397	22.30%
2023	11,592,195,438	347,765,863	64,670,618	283,095,245	18.60%
2024	12,546,610,519	376,398,316	73,548,737	302,849,579	19.54%

Legal Debt Margin Calculation:

Fiscal Year 2024

Assessor's taxable market valuation		<u>\$ 12,546,610,519</u>
Legal debt limit:		
3% of Assessor's taxable market valuation		\$ 376,398,316
Amount of debt applicable to legal debt limit:		
Gross bonded debt	\$ 155,450,000	
Less debt payable from sources other than taxes:		
G.O. Improvement bonds	\$ 57,800,000	
State-aid street revenue bonds	3,260,000	
Water connection revenue bonds	5,125,000	
HRA lease revenue	815,000	
Water revenue bonds	7,415,000	
Street Light revenue bonds	100,000	
Sewer revenue bonds	<u>70,000</u>	<u>(74,585,000)</u>
Debt payable from taxes		80,865,000
Less debt service monies available to pay principal and interest		<u>(7,316,263)</u>
Net bonded debt applicable to debt limit	<u>73,548,737</u>	<u>73,548,737</u>
Legal debt margin		<u>\$ 302,849,579</u>

Note: Minnesota Statutes § 475.53, Subdivision 1, 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 three percent of the taxable market value of taxable property in the municipality for years 2008 and beyond.

Source: Dakota County Auditor and Treasurer's Office.

**CITY OF LAKEVILLE
 PLEDGED REVENUE COVERAGE
 LAST TEN FISCAL YEARS**

Fiscal Year	Gross (1) Revenues	Operating Expenses	Net Revenue Available For Debt Service	Requirements (2)		Total	Times Coverage
				Principal	Interest		
2015	\$ 9,283,053	\$ 4,948,633	\$ 4,334,420	\$ 2,670,000	\$ 594,489	\$ 3,264,489	1.33
2016	10,530,436	5,389,869	5,140,567	595,000	652,577	1,247,577	4.12
2017	12,234,365	5,193,095	7,041,270	1,005,000	690,010	1,695,010	4.15
2018	8,361,880	3,099,485	5,262,395	865,000	513,715	1,378,715	3.82
2019	8,610,576	3,156,154	5,454,422	895,000	478,105	1,373,105	3.97
2020	11,989,250	6,222,639	5,766,611	750,000	439,350	1,189,350	4.85
2021	14,204,060	3,975,650	10,228,410	785,000	408,525	1,193,525	8.57
2022	13,233,699	5,077,177	8,156,522	420,000	368,110	788,110	10.35
2023	13,654,066	7,104,056	6,550,010	645,000	312,600	957,600	6.84
2024	10,737,574	5,817,588	4,919,986	680,000	281,575	961,575	5.12

Notes:

- (1) The primary revenue source for debt service includes water system connection charges, water system user fees, ice arena net operating revenue and contributions from one organization conducting lawful gambling at approved locations, and liquor fund gross profits.
- (2) Revenue bonds include water connection revenue, arena revenue, and liquor revenue.

**CITY OF LAKEVILLE
DEMOGRAPHIC AND ECONOMIC STATISTICS
LAST TEN FISCAL YEARS**

Year	(1) Population	Percentage Increase from Previous Year	Personal Income (2) <i>(in thousands)</i>	Per Capita Personal Income	Building Permits Issued			Housing units Valuation
					Family Dwellings (3)			
					Single	Multiple	Total	
2015	59,991	1.06%	\$ 3,222,117	\$ 53,710	366	54	420	125,929,000
2016	60,965	1.62%	3,351,551	54,975	403	62	465	139,008,000
2017	61,993	1.69%	3,573,153	57,638	487	44	531	160,520,000
2018	64,334	3.78%	3,901,921	60,651	478	49	527	159,251,000
2019	65,831	2.33%	4,075,861	61,914	556	64	620	180,622,000
2020	69,490	5.56%	4,499,339	64,748	742	73	815	223,050,000
2021	72,135	3.81%	4,899,914	67,927	663	73	736	205,419,000
2022	73,828	2.35%	5,166,779	69,984	387	160	547	139,685,000
2023	75,217	1.88%	5,642,704	75,019	367	94	461	123,241,000
2024	76,746	2.03%	N/A	N/A	385	49	434	123,839,003

Annual percentage
increase average last
ten fiscal years 2.61% 127.93% 16,755

Labor Force and Unemployment Rate (not seasonally adjusted) (2)

Year	City of Lakeville		Dakota County		Rates	
	Labor Force	Unemployment Rate	Labor Force	Unemployment Rate	State of Minnesota	United States
2015	33,876	2.7%	234,299	3.1%	3.7%	4.8%
2016	33,793	3.0%	232,091	3.4%	4.1%	4.5%
2017	34,911	2.5%	239,356	2.7%	3.3%	4.1%
2018	35,758	2.4%	240,195	2.7%	3.2%	3.7%
2019	36,610	2.7%	242,855	2.9%	3.5%	3.4%
2020	36,025	3.8%	233,902	4.3%	4.9%	6.5%
2021	37,007	2.2%	236,441	2.4%	2.7%	3.7%
2022	38,904	2.5%	241,966	2.7%	3.2%	3.3%
2023	38,692	2.5%	240,731	2.7%	3.2%	3.3%
2024	43,071	2.0%	249,642	2.2%	2.6%	3.8%

Source:

(1) Metropolitan Council as of April 1 (except for 2020 Federal Census).

(2) U.S. Department of Commerce Bureau of Economic Analysis as of December 31, 2024, not seasonally adjusted.

(3) City of Lakeville Inspections Department.

N/A - Not available.

**CITY OF LAKEVILLE
PRINCIPAL EMPLOYERS
FISCAL YEARS ENDED DECEMBER 31, 2024 AND DECEMBER 31, 2015**

<u>Principal Employer</u> (1)	<u>Product/Service</u>	<u>2024</u>			<u>2015</u>		
		<u>Employees</u>	<u>Rank</u>	<u>%</u>	<u>Employees</u>	<u>Rank</u>	<u>%</u>
Independent School District #194	Elementary & secondary schools	1,334	1	3.4%	1,370	1	4.0%
Hearthside Food Solutions	Food service contractors	707	2	1.8%	715	2	2.1%
Treehouse Brands	Breakfast cereal products	500	3	1.3%	515	3	1.5%
Amazon XL Fulfillment Center	Warehouse & distribution	450	4	1.2%	-		
Post Consumer Brands	Cereal production	415	5	1.1%	250	5	0.7%
BTD Manufacturing	Metal manufacturing	390	6	1.0%	210	8	0.6%
Buddy's Kitchen	Food manufacturing and packaging	300	7	0.8%	-		
Menasha Corporation	Corrugated & solid fiber box mfg.	286	8	0.7%	237	6	0.7%
Schmitt & Sons Bus Company	Transportation	270	9	0.7%	400	4	1.2%
City of Lakeville (2)	City government	265	10	0.7%	209	9	0.6%
Despatch Industries, Inc.	Industrial furnace & oven mfg.	-			230	7	0.7%
Jeff Belzer's Chevy-Dodge-KIA	New & used auto dealership	-			200	10	0.6%
Total principal employers		<u>4,917</u>		<u>12.7%</u>	<u>4,336</u>		<u>12.8%</u>
All other employers		<u>33,775</u>		<u>87.3%</u>	<u>29,540</u>		<u>87.2%</u>
Total City of Lakeville civilian labor force (3)		<u><u>38,692</u></u>		<u><u>100.0%</u></u>	<u><u>33,876</u></u>		<u><u>100.0%</u></u>

Source:

- (1) Reference USA.
- (2) As of December 31, 2024 (full-time equivalent).
- (3) MN Department of Employment and Economic Development (DEED) as of December 31, 2024.

**CITY OF LAKEVILLE
COMMERCIAL AND INDUSTRIAL BUILDING PERMITS ISSUED
YEARS 2024 AND 2023**

NEW BUILDING PERMITS 2024 AND 2023 (in excess of \$500,000)

<u>BUSINESS</u>	<u>PRODUCT/SERVICE</u>	<u>VALUATION (1)</u>
RL Cold	Cold storage facility	\$ 32,000,000
Sweet Harvest Foods	Office warehouse	16,192,000
New Creations Child Care Center	Childcare Facility	3,900,000
Midwest ENT Specialists	Medical office	3,000,000
Goodwill	Retail building	3,000,000
PetSuites of America	Pet boarding facility	2,800,000
Panda Express	Drive-thru restaurant	1,957,000
Kenwood Commons	Office building	1,300,000
Taco Bell	Drive-thru restaurant	1,000,000
Cedar Hills Amenity Building	Association assembly space	596,000

EXPANSION OR REMODEL BUILDING PERMITS 2024 AND 2023 (in excess of \$500,000)

<u>BUSINESS</u>	<u>PRODUCT/SERVICE</u>	<u>VALUATION (1)</u>
Post Consumer Brands	R&D facility & office space	\$ 9,565,000
Midwest ENT Specialists	Medical office	2,200,000
Children's Dental Care	Dentist office	1,750,000
Dick's Sanitation	Refuse/Recycling & office space	1,439,000
Christian Heritage Academy	Private School	1,200,000
Goldfish Swim School	Swim School	960,000
Planet Fitness	Exercise Gym	822,000
Northland Collision	Auto repair shop	800,000
Action Behavior Centers	Autism Therapy	700,000
Exuberance Chiropractic	Chiropractic clinic	500,000

Notes:

(1) Valuation excludes land and personal property.

Source: City of Lakeville Inspections Department.

**CITY OF LAKEVILLE
EMPLOYEES BY FUNCTION/PROGRAM (FULL-TIME EQUIVALENT)
LAST TEN FISCAL YEARS**

Function/Program	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
General government										
City administration	3.0	3.0	3.0	3.0	3.0	3.0	3.0	2.6	3.0	2.9
Communications	4.0	3.9	4.5	5.2	5.2	5.0	5.2	5.2	4.9	4.2
City clerk	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.6	1.0	1.0
Finance	6.6	6.7	7.0	7.0	6.7	6.7	6.7	7.1	8.5	7.8
Information Technology	3.0	3.1	3.8	4.0	4.0	4.0	4.0	4.0	3.6	4.0
Human resources	3.2	4.0	4.0	4.0	4.0	4.0	4.0	4.0	5.0	5.2
Planning	3.5	3.5	4.2	4.5	4.5	4.5	4.2	4.8	3.5	-
Community and economic development	2.5	2.5	2.4	2.5	2.5	2.5	2.5	3.3	2.5	5.8
Protective inspection	7.6	8.0	8.4	9.0	9.1	9.8	10.3	10.5	10.2	9.9
General government buildings	3.0	4.6	5.5	6.0	6.2	6.5	5.7	5.3	5.4	5.4
Total general government	<u>37.4</u>	<u>40.2</u>	<u>43.8</u>	<u>46.2</u>	<u>46.2</u>	<u>47.0</u>	<u>46.6</u>	<u>48.4</u>	<u>47.6</u>	<u>46.2</u>
Public safety										
Police officers (sworn)	52.8	54.7	54.6	57.0	61.0	61.7	61.0	66.4	65.5	67.0
Police administration	12.5	13.4	14.8	13.1	13.6	14.5	13.7	12.1	13.8	14.0
Fire (excluding volunteer firefighters)	5.3	5.5	5.4	5.4	5.4	5.4	5.4	6.0	6.3	13.0
Total public safety	<u>70.6</u>	<u>73.6</u>	<u>74.8</u>	<u>75.5</u>	<u>80.0</u>	<u>81.6</u>	<u>80.1</u>	<u>84.5</u>	<u>85.6</u>	<u>94.0</u>
Public works										
Engineering	6.4	6.6	7.6	7.3	7.5	7.3	8.3	7.3	7.3	7.9
Forestry	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	2.0	1.8
Construction Services	3.9	3.7	3.3	4.0	4.7	4.9	5.3	4.1	4.5	3.2
Street maintenance	20.4	21.6	21.7	21.9	22.7	23.0	22.2	22.9	22.1	20.7
Total public works	<u>30.7</u>	<u>31.9</u>	<u>32.6</u>	<u>33.2</u>	<u>34.9</u>	<u>35.2</u>	<u>35.8</u>	<u>34.3</u>	<u>35.9</u>	<u>33.6</u>
Parks and recreation										
Park maintenance	14.8	14.0	15.1	16.4	16.6	16.3	15.4	16.5	18.2	18.4
Recreation	5.5	5.8	6.5	6.4	6.5	6.3	7.8	7.5	6.5	6.5
Arts center	3.7	3.7	3.6	3.8	3.7	3.2	4.3	4.5	4.0	4.0
Total parks and recreation	<u>24.0</u>	<u>23.5</u>	<u>25.2</u>	<u>26.6</u>	<u>26.8</u>	<u>25.8</u>	<u>27.5</u>	<u>28.5</u>	<u>28.7</u>	<u>28.9</u>
Total governmental activities	<u>162.7</u>	<u>169.2</u>	<u>176.4</u>	<u>181.5</u>	<u>187.9</u>	<u>189.6</u>	<u>190.0</u>	<u>195.7</u>	<u>197.8</u>	<u>202.7</u>
Liquor	24.4	25.3	26.1	26.0	26.3	26.5	29.9	36.6	36.6	38.4
Utility	21.6	21.3	23.1	24.3	24.6	24.0	24.0	25.8	23.1	23.4
Total business-type activities	<u>46.0</u>	<u>46.6</u>	<u>49.2</u>	<u>50.3</u>	<u>50.9</u>	<u>50.5</u>	<u>53.9</u>	<u>62.4</u>	<u>59.7</u>	<u>61.8</u>
Total employees	<u>208.7</u>	<u>215.8</u>	<u>225.6</u>	<u>231.8</u>	<u>238.8</u>	<u>240.1</u>	<u>243.9</u>	<u>258.1</u>	<u>257.5</u>	<u>264.5</u>

Source: City of Lakeville Human Resources Department.

Note: Includes full-time equivalent for both full and part time employees and accounts for overtime. Seasonal employees are not included for purposes of this report.

**CITY OF LAKEVILLE
OPERATING INDICATORS BY FUNCTION
LAST TEN FISCAL YEARS**

Function	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
General government										
Number of registered voters	N/A	41,124	N/A	41,693	N/A	44,511	N/A	48,064	N/A	49,723
Number of final plats approved	23	19	20	25	16	20	20	22	8	16
Number of building permits issued	2,030	1,889	1,829	1,875	4,260	3,376	3,129	3,612	4,221	2,659
Valuation of building permits issued (in millions)	\$ 183	\$ 218	\$ 248	\$ 234	\$ 276	\$ 403	\$ 331	\$ 292	\$ 218	\$ 227
Public safety										
Total calls for service	47,072	47,724	38,036	43,268	46,006	32,327	35,784	42,258	51,565	53,165
Traffic stops	17,681	18,239	15,680	18,412	18,700	8,024	6,214	9,605	12,143	11,795
Non-traffic related calls	29,391	29,485	22,356	24,856	27,306	24,303	27,783	32,653	39,422	41,370
Number of volunteer firefighters	83	85	86	82	88	85	90	90	70	65
Number of full-time firefighters	-	-	-	-	-	-	-	-	-	6
Number of annual fire calls	1,192	1,347	1,477	1,500	1,694	1,998	2,794	3,114	3,266	3,593
Public works										
City street miles added	4.5	17.0	3.1	3.6	7.5	7.0	10.8	5.4	4.7	5.3
Parks and recreation										
Park acres mowed	430	430	430	430	430	430	430	450	455	455
Park facility reservations taken	1,024	742	551	562	580	304	574	617	467	481
Program activity registrations taken	9,231	8,141	6,294	6,490	7,510	4,250	7,806	8,170	6,291	6,480
Liquor										
Annual sales (in millions)	\$ 13.6	\$ 14.1	\$ 14.6	\$ 16.9	\$ 16.4	\$ 18.3	\$ 19.6	\$ 21.7	\$ 22.6	\$ 22.6
Utility (in millions of gallons)										
Water (average daily consumption)	5.2	5.5	5.8	5.8	5.2	6.3	7.5	7.4	7.8	6.2
Sanitary sewer (1) (average daily treatment)	3.2	3.4	3.4	3.5	3.5	3.6	3.8	3.8	4.0	3.9

Notes:

(1) Sewage is treated by the Metropolitan Council Environmental Services.

N/A Indicates information is not available for this period at the printing of this report.

Source: Various City of Lakeville Departments.

**CITY OF LAKEVILLE
CAPITAL ASSET STATISTICS BY FUNCTION
LAST TEN FISCAL YEARS**

Function (1)	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Public safety										
Police station	1	1	1	1	1	1	1	1	1	1
Fire stations	4	4	4	4	4	4	4	4	4	4
Public works										
City streets (miles)	271.3	288.3	291.4	295.0	302.5	309.5	320.3	325.7	330.4	335.7
Parks and recreation										
Acres of parks, conservation areas, and greenways	1,590	1,600	1,600	1,600	1,677	1,677	1,677	1,706	1,706	1,706
Parks	59	60	60	61	61	61	61	65	67	67
Conservation areas	20	20	20	20	20	20	20	20	20	20
Trails and sidewalks - paved (miles)	109	110	111	117	118	120	120	130	142	142
Ice rinks - outdoor (fully boarded)	11	11	11	11	11	11	11	11	11	11
Ice rinks - indoor	3	3	3	3	3	3	3	3	3	3
Fields (softball, soccer, baseball, football, Lacrosse)	96	96	96	97	97	97	97	98	101	101
Courts (basketball, volleyball, tennis, pickleball)	38	38	43	43	43	43	47	47	56	56
Playgrounds	43	44	44	46	46	46	47	47	50	50
Swimming beaches	3	3	3	3	2	2	2	2	2	2
Liquor										
Number of on-sale stores owned	2	2	2	1	1	1	2	2	2	2
Number of on-sale stores leased	1	1	1	2	2	2	2	2	2	2
Utility										
Water										
Water mains (miles)	321	321	346	350	358	367	380	387	396	396
Fire hydrants	3,572	3,572	3,818	3,885	3,969	4,080	4,374	4,494	4,595	4,595
Wells	17	18	18	19	19	19	19	19	19	19
Water Towers	5	5	6	6	6	6	6	6	6	6
Sanitary sewer										
Sanitary sewer mains (miles)	261	261	261	264	270	278	288	295	303	304
Sanitary sewer lift stations	20	20	20	20	20	20	20	20	19	18

Notes:

(1) Indicators for general government functions are not available.

Source: Various City of Lakeville Departments.

PROPOSAL FORM

TO: City of Lakeville, Minnesota
 C/O Northland Securities, Inc.
 150 South 5th Street, Suite 3300
 Minneapolis, Minnesota 55402
 Phone: 612-851-5900

Sale Date: April 20, 2026

For all or none of the \$38,365,000* General Obligation Bonds, Series 2026A, in accordance with the Terms of Proposal, we will pay you \$ _____, (not less than \$38,096,445) plus accrued interest, if any, to date of delivery (estimated to be May 14, 2026) for fully registered Bonds bearing interest rates and maturing on February 1 as follows:

<u>Year</u>	<u>Interest Rate</u>	<u>Yield</u>	<u>Year</u>	<u>Interest Rate</u>	<u>Yield</u>	<u>Year</u>	<u>Interest Rate</u>	<u>Yield</u>
2027	_____ %	_____ %	2034	_____ %	_____ %	2041	_____ %	_____ %
2028	_____ %	_____ %	2035	_____ %	_____ %	2042	_____ %	_____ %
2029	_____ %	_____ %	2036	_____ %	_____ %	2043	_____ %	_____ %
2030	_____ %	_____ %	2037	_____ %	_____ %	2044	_____ %	_____ %
2031	_____ %	_____ %	2038	_____ %	_____ %	2045	_____ %	_____ %
2032	_____ %	_____ %	2039	_____ %	_____ %	2046	_____ %	_____ %
2033	_____ %	_____ %	2040	_____ %	_____ %	2047	_____ %	_____ %

True interest percentage: _____ %

Net interest cost: \$ _____

Term Bond Option: Bonds maturing in the years:

To be accumulated into a Term Bond maturing in year:

_____ through _____
 _____ through _____
 _____ through _____
 _____ through _____
 _____ through _____

This bid is a firm offer for the purchase of the Bonds identified in the Terms of Proposal, on the terms set forth in the bid form and the Terms of Proposal, and is not subject to any conditions, except as permitted by the Terms of Proposal. By submitting this bid, we confirm that we have an established industry reputation for underwriting new issuances of municipal bonds.

As set forth in the Terms of Proposal, this bid shall not be cancelled in the event that the competitive sale requirements are not satisfied. The City may determine to apply the Hold-the-Offering-Price Rule to the Bonds (such terms are used as described in the Terms of Proposal).

We have received and reviewed the Preliminary Official Statement and have submitted our requests for additional information or corrections to the Official Statement. As Syndicate Manager, we agree to provide the City with the reoffering price of the Bonds within 24 hours of the bid acceptance.

A Good Faith Deposit in the amount as stated in the Terms of Proposal in the form of a federal wire transfer payable to the order of the Terms of Proposal will only be required from the apparent winning bidder, and must be received within two hours after the receipt of the bids. Award of the Bonds will be on the basis of True Interest Cost (TIC).

Account Members:

Account Manager: _____ By: _____

The foregoing proposal is hereby duly accepted by and on behalf of the City of Lakeville, Minnesota at 6:00 PM on April 20, 2026.

 Finance Director

 Mayor

* The City reserves the right to increase or decrease the principal amount of the Bonds. Any such increase or decrease will be made in multiples of \$5,000 and may be made in any maturity. If any maturity is adjusted, the purchase price will also be adjusted to maintain the same gross spread.