



Annual Financial Report

City of East Bethel

East Bethel, Minnesota

For the year ended December 31, 2022



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INTRODUCTORY SECTION

CITY OF EAST BETHEL
EAST BETHEL, MINNESOTA

FOR THE YEAR ENDED
DECEMBER 31, 2022

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City of East Bethel, Minnesota
City Council and Officials
For the Year Ended December 31, 2022

CITY COUNCIL

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Steven Voss	Mayor	12/31/22
Tim Harrington	Council Member	12/31/22
Suzanne Erkel	Council Member	12/31/22
Wanda McLaurin	Council Member	11/08/22
Brian Mundle	Council Member	12/31/24

CITY OFFICIALS

Jack Davis	City Administrator
Nate Ayshford	Public Works Manager
Mark DuCharme	Fire Chief
Nick Schmitz	Building Official
Mike Jeziorski	Finance Director
Stephanie Hanson	Community Development Director

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FINANCIAL SECTION
CITY OF EAST BETHEL
EAST BETHEL, MINNESOTA

FOR THE YEAR ENDED
DECEMBER 31, 2022

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INDEPENDENT AUDITOR'S REPORT

Honorable Mayor and City Council
City of East Bethel, Minnesota

Opinions

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City of East Bethel, Minnesota (the City), as of and for the year ended December 31, 2022 and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City as of December 31, 2022, and the respective changes in financial position and, where applicable, cash flows thereof and the budgetary comparison for the General fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement 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 generally accepted auditing standards and *Government Auditing Standards*, we:

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

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

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis starting of page 17 and the Schedules of Employer's Share of the Net Pension Liability, the Schedules of Employer's Contributions, the related note disclosures, and the Schedule of Changes in Net Pension Liability (Asset) and Related Ratios starting on page 72 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The accompanying combining and individual fund financial 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 statement themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual fund financial statements and schedules are fairly stated, in all material respects in relation to the basic financial statements as a whole.



Other Information

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

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 15, 2023, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.



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Minneapolis, Minnesota
March 15, 2023



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Management's Discussion and Analysis

As management of the City of East Bethel, Minnesota (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, 2022.

Financial Highlights

- The assets and deferred outflows of resources of the City exceeded liabilities and deferred inflows of resources at the close of the most recent fiscal year by \$34,105,467 (net position). Of this amount, \$6,693,160 (unrestricted net position) may be used to meet the City's ongoing obligations to citizens and creditors.
- The City's total net position decreased \$391,208. Of the total, governmental activities increased \$142,695 and the business-type activities decreased \$533,903.
- As of the close of the current fiscal year, the City's governmental funds reported a combined ending fund balance of \$5,640,785, an increase of \$1,549,461 from the prior fiscal year.
- At the end of the fiscal year, the General fund had a fund balance of \$3,672,541. The ending 2022 fund balance is 56.9 percent of the 2023 budget.
- The City's total noncurrent liabilities increased \$170,388 during the current fiscal year as a result of debt incurred.

Overview of the Financial Statements

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

The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data. The statements are followed by a section of combining and individual fund financial statements and schedules that further explains and supports the information in the financial statements. Figure 1 shows how the required parts of this annual report are arranged and relate to one another. In addition to these required elements, we have included a section with combining and individual fund financial statements and schedules that provide fund financial statements that include details about nonmajor special revenue governmental funds, which are added together and presented in single columns in the basic financial statements.

**Figure 1
Organization of East Bethel
Annual Financial Report**

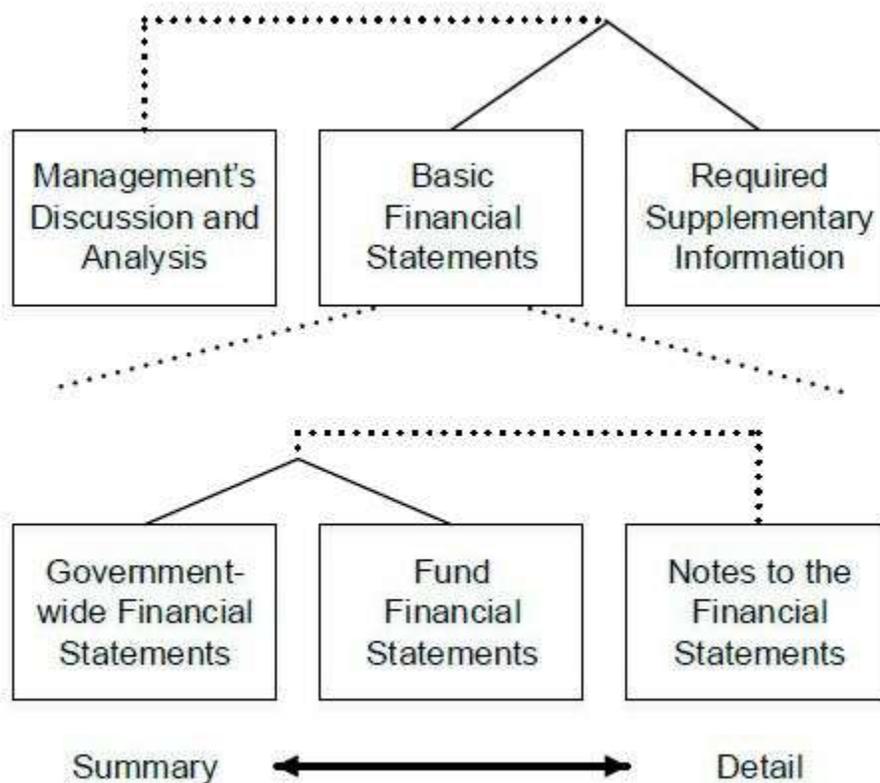


Figure 2 summarizes the major features of the City’s financial statements, including the portion of the City government they cover and the types of information they contain. The remainder of this overview section of management’s discussion and analysis explains the structure and contents of each of the statements.

Figure 2
Major Features of the Government-wide and Fund Financial Statements

	Fund Financial Statements		
	Government-wide Statements	Governmental Funds	Proprietary Funds
Scope	Entire City government and the City’s component units	The activities of the City that are not proprietary or fiduciary, such as police, public works and parks	Activities the City operates similar to private businesses, such as the water and sewer system
Required financial statements	<ul style="list-style-type: none"> • Statement of Net Position • Statement of Activities 	<ul style="list-style-type: none"> • Balance Sheet • Statement of Revenues, Expenditures, and Changes in Fund Balances 	<ul style="list-style-type: none"> • Statements of Net Position • Statements of Revenues, Expenses and Changes in Net Position • Statements of Cash Flows
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, and short-term and long-term	Only assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets included	All assets and liabilities, both financial and capital, and short-term and long-term
Type of deferred outflows/inflows of resources information	All deferred outflows/inflows of resources, regardless of when cash is received or paid	Only deferred outflows of resources expected to be used up and deferred inflows of resources that come due during the year or soon thereafter; no capital assets included	All deferred outflows/inflows of resources, regardless of when cash is received or paid
Type of in flow/out flow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and payment is due during the year or soon thereafter	All revenues and expenses during the year, regardless of when cash is received or paid

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

The statement of net position presents information on all of the City’s assets and deferred outflows or resources and 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.

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, culture and recreation, economic development, miscellaneous, and interest on long-term debt. The business-type activities of the City include an arena, wastewater treatment and water utility.

The government-wide financial statements start on page 29 of this report.

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

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 financial requirements.

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

The City maintains numerous individual governmental funds, four of which are Debt Service 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, Sandhill Parkway fund, 181st Street Project, and the Street Capital fund, all of which are considered to be major funds. Data from the other governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of *combining statements or schedules* elsewhere in this report.

The City adopts an annually appropriated budget for its General fund and many of its special revenue funds. A budgetary comparison statement has been provided for these funds to demonstrate compliance with these budgets.

The basic governmental fund financial statements start on page 34 of this report.

Proprietary Funds. The City maintains three enterprise funds and two internal service funds of the proprietary fund type. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. Internal service funds are used to accumulate and allocate costs internally among the City's various functions. Because the Internal service funds predominantly benefit governmental rather than business-type functions, they have been included within governmental activities in the government-wide financial statements. The City uses enterprise funds to account for its water utility, sewer utility and arena operations. The City uses internal services funds for compensated absences and equipment replacement.

The internal service funds are combined into a single, aggregated presentation in the proprietary fund financial statements. Individual fund data for the internal service funds is provided in the form of *combining statements* elsewhere in this report.

The basic proprietary fund financial statements start on page 39 of this report.

Notes to the Financial Statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements start on page 43 of this report.

Required Supplementary Information. In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the City's progress in funding its obligation to provide pensions to its employees. The required supplementary information starts on page 72.

Other Information. The combining statements referred to earlier in connection with non-major governmental funds are presented immediately following the required supplementary information on budgetary comparisons. Combining and individual fund statements and schedules start on page 82 of this report.

Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the City, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$34,105,467 at the close of the most recent fiscal year.

The largest portion of the City's net position \$25,881,157 or 75.9 percent reflects its investment in capital assets (e.g. land, buildings, machinery and equipment, sewer main lines and storm sewers, and infrastructure) 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 investment in its 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.

City of East Bethel's Summary of Net Position

	Governmental Activities			Business-type Activities		
	2022	2021	Increase (Decrease)	2022	2021	Increase (Decrease)
Current and Other Assets	\$ 10,213,450	\$ 10,240,528	\$ (27,078)	\$ 2,787,525	\$ 2,191,742	\$ 595,783
Capital Assets	29,293,740	30,231,351	(937,611)	11,776,630	12,362,773	(586,143)
Total Assets	<u>39,507,190</u>	<u>40,471,879</u>	<u>(964,689)</u>	<u>14,564,155</u>	<u>14,554,515</u>	<u>9,640</u>
Deferred Outflows of Resources	825,413	719,665	105,748	-	-	-
Long-term Liabilities Outstanding	17,463,575	16,940,796	522,779	1,530,450	995,062	535,388
Other Liabilities	543,546	754,483	(210,937)	61,475	53,320	8,155
Total Liabilities	<u>18,007,121</u>	<u>17,695,279</u>	<u>311,842</u>	<u>1,591,925</u>	<u>1,048,382</u>	<u>543,543</u>
Deferred Inflows of Resources	1,192,245	2,505,723	(1,313,478)	-	-	-
Net Assets						
Net investment in capital assets	15,634,977	16,302,899	(667,922)	10,246,180	11,367,711	(1,121,531)
Restricted	1,531,150	1,270,130	261,020	-	-	-
Unrestricted	3,967,110	3,417,513	549,597	2,726,050	2,138,422	587,628
Total Net Position	<u>\$ 21,133,237</u>	<u>\$ 20,990,542</u>	<u>\$ 142,695</u>	<u>\$ 12,972,230</u>	<u>\$ 13,506,133</u>	<u>\$ (533,903)</u>

A portion of the City's net position \$1,531,150 represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position \$6,693,160 may be used to meet the City's ongoing obligations to citizens and creditors.

At the end of the current fiscal year, the City is able to report positive balances in all three categories of net position for its governmental activities. The decrease in business-type net position is due to additional loan payable issued during the year related to the reserve capacity loan.

Governmental Activities and Business-type Activities

Governmental activities increased the City's net position \$142,695 and business-type net position decreased by \$533,903 during the year. Key elements of the changes in net position are as follows:

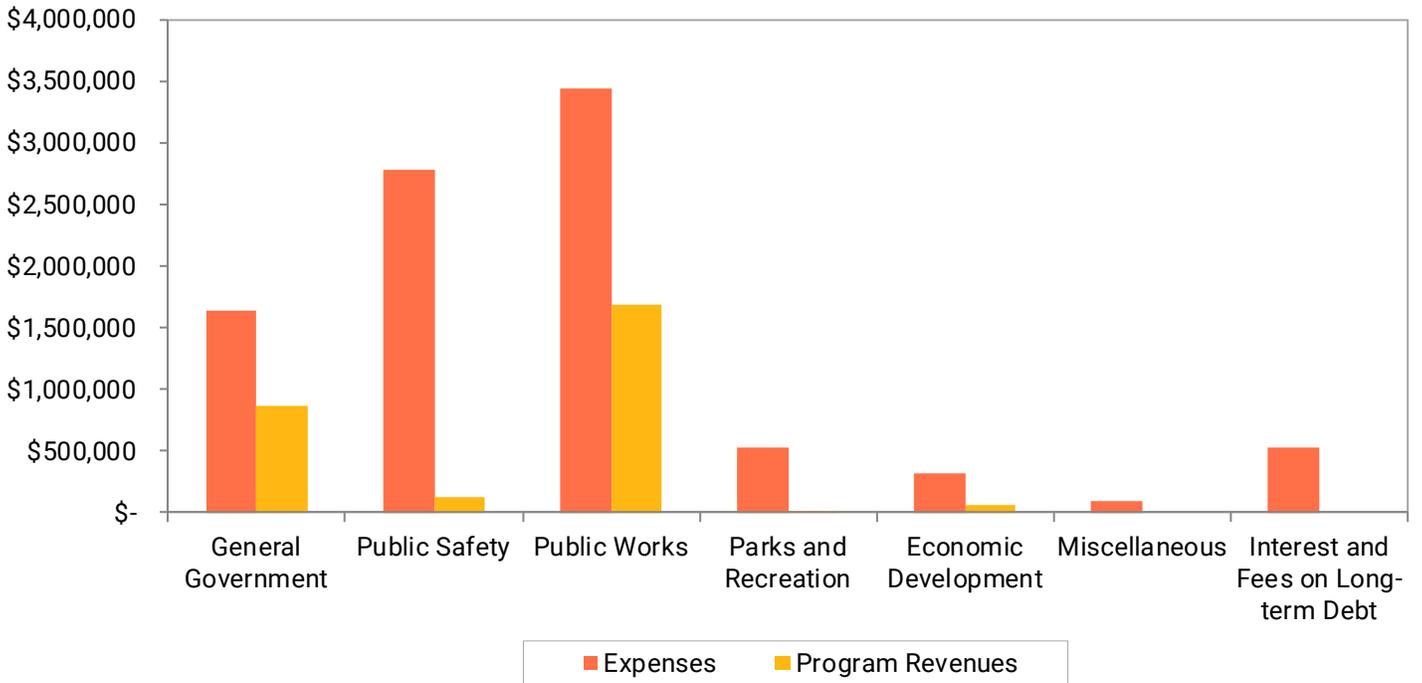
City of East Bethel's Changes in Net Position

	Governmental Activities			Business-type Activities		
	2022	2021	Increase (Decrease)	2022	2021	Increase (Decrease)
Revenues						
Program revenues						
Charges for services	\$ 812,764	\$ 988,210	\$ (175,446)	\$ 682,916	\$ 666,667	\$ 16,249
Operating grants and contributions	983,364	1,490,064	(506,700)	-	-	-
Capital grants and contributions	967,296	3,958,299	(2,991,003)	429,991	249,408	180,583
General revenues						
Taxes	6,594,501	6,443,255	151,246	-	-	-
Grants and contributions not restricted to specific programs	8,013	20,993	(12,980)	-	-	-
Unrestricted investment earnings	75,749	8,304	67,445	27,587	2,398	25,189
Sale of capital assets	25,636	11,327	14,309	-	-	-
Total Revenues	9,467,323	12,920,452	(3,453,129)	1,140,494	918,473	222,021
Expenses						
General government	1,633,772	1,426,357	207,415	-	-	-
Public safety	2,781,226	2,440,656	340,570	-	-	-
Public works	3,437,077	2,981,434	455,643	-	-	-
Parks and recreation	523,645	535,808	(12,163)	-	-	-
Economic Development	316,892	265,420	51,472	-	-	-
Miscellaneous	95,177	97,126	(1,949)	-	-	-
Water utility	-	-	-	398,868	400,022	(1,154)
Sewer utility	-	-	-	981,684	534,021	447,663
Ice arena	-	-	-	293,845	215,888	77,957
Interest on long-term debt	536,839	559,003	(22,164)	-	-	-
Total Expenses	9,324,628	8,305,804	1,018,824	1,674,397	1,149,931	524,466
Change in Net Position	142,695	4,614,648	(4,471,953)	(533,903)	(231,458)	(302,445)
Net Position, January 1	20,990,542	16,375,894	4,614,648	13,506,133	13,737,591	(231,458)
Net Position, December 31	\$ 21,133,237	\$ 20,990,542	\$ 142,695	\$ 12,972,230	\$ 13,506,133	\$ (533,903)

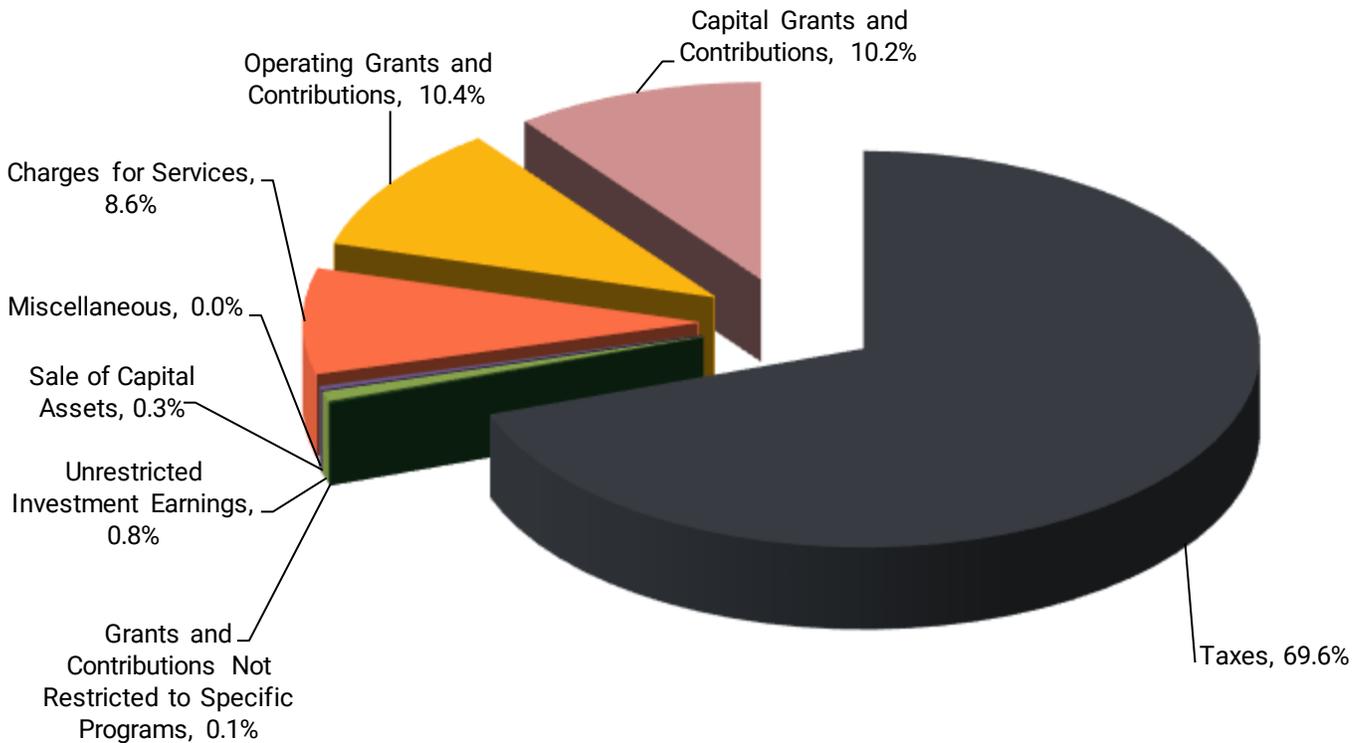
Capital grants and contributions in Governmental activities decreased \$2,991,003 in 2022 primarily related to federal and state aid to assist in the Sandhill Parkway construction project in 2021.

Below are specific graphs which provide comparisons of the governmental activities program revenues and expenditures:

Expenses and Program Revenues - Governmental Activities

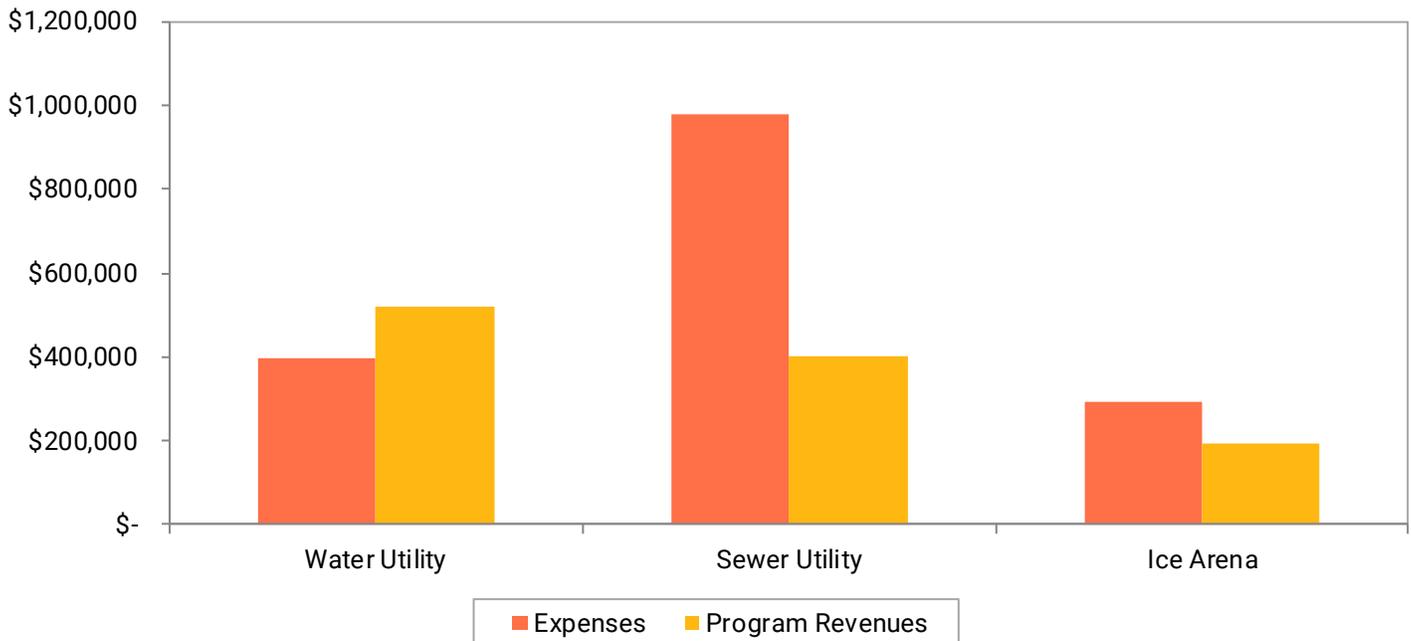


Revenues by Source - Governmental Activities



Business-type Activities. Business-type activities decreased net position by 533,903. Below are graphs showing the business-type activities revenue and expense comparisons:

Expenses and Program Revenues - Business-type Activities



All of the revenues from Business-type activities come from charges for services.

Financial Analysis of the Government's Funds

Governmental Funds. The focus of the City's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City's financing requirements. In particular, unreserved fund 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 \$5,640,785, an increase of \$1,549,461 in comparison with the prior year. Approximately 46 percent of this total amount (\$2,594,439) constitutes unassigned fund balance, which is available for spending at the City's discretion. The remainder of fund balance (\$3,046,346) is not available for new spending because it is either 1) restricted (\$1,655,775), 2) committed (\$717,994), 3) assigned (\$663,642), or 4) nonspendable (\$8,935). For further classification refer to Note 3E on page 58 of this report.

The General fund balance increased by \$261,536 in 2022. The fund also transferred \$645,000 to fund current and future capital projects which was budgeted for and to fund prepayment of bonds which were not included in the budget.

The Debt Service fund has a total fund balance of \$978,578 which is entirely restricted for the payment of debt service. The fund balance increased by \$37,109 in 2022.

The Sandhill Parkway fund increased fund balance by \$1,295,096 compared to the prior year due to the recognition of Federal ARPA aid and state transportation aid related to the project.

The Street Capital fund increased fund balance by \$68,541 compared to the prior year due to the transfer in from the general fund and increased assessment revenue.

The 181st Street Project fund decreased fund balance by \$394,744 due to project costs coming in ahead of funding.

Proprietary Funds. The City’s proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail on page 39 of this report.

Unrestricted net position of the enterprise funds at the end of the year amounted to a balance of \$2,726,050. The total decrease in net position for the funds was \$533,903. Other factors concerning the finances of this fund have already been addressed in the discussion of the City’s business-type activities.

General Fund Budgetary Highlights

The City’s budget was not amended in 2022 and called for no change in fund balance. Some of the line items with significant variances from the final budget are highlighted below:

During the year, revenues were more than budget by \$72,703 and expenditures were less than budgetary estimates by \$188,833. The net result was a \$261,536 increase in the General fund balance. Some of the significant variances can be briefly summarized as follows:

- All revenues classifications were over budget, with the exception of taxes, license and permits, and fines and forfeitures.
- The largest revenue variance was in the miscellaneous permits revenues with \$60,567 more revenue than budgeted.
- The largest expenditure variance was in general government which was under budget by \$115,663.

Capital Asset and Debt Administration

Capital Assets. The City’s, investment in capital assets for its governmental and business type activities as of December 31, 2022, amounts to \$41,070,370 (net of accumulated depreciation). This investment in capital assets includes land, buildings, machinery and equipment, sewer main lines, water lines and wells, storm sewers, and infrastructure.

**City of East Bethel’s Capital Assets
(Net of Accumulated Depreciation)**

	Governmental Activities			Business-type Activities		
	2022	2021	Increase (Decrease)	2022	2021	Increase (Decrease)
Land	\$ 1,471,695	\$ 1,471,695	\$ -	\$ 30,000	\$ 30,000	\$ -
Construction in Progress	1,418,051	6,545,726	(5,127,675)	-	-	-
Buildings and Structures	1,302,447	1,496,641	(194,194)	145,243	178,198	(32,955)
Machinery and Equipment	1,903,806	1,901,390	2,416	59,413	72,237	(12,824)
Park Improvements	758,934	725,710	33,224	-	-	-
Sewer Main Lines and Storm Sewers	639,434	699,795	(60,361)	-	-	-
Infrastructure	21,799,373	17,390,394	4,408,979	11,541,974	12,082,338	(540,364)
Total Capital Assets	\$ 29,293,740	\$ 30,231,351	\$ (937,611)	\$ 11,776,630	\$ 12,362,773	\$ (586,143)

Additional information on the City’s capital assets can be found in Note 3B starting on page 56 of this report.

Long-term Debt. At the end of the current fiscal year, the City had total long-term debt outstanding of \$17,095,450 which was an increase of \$170,388 from 2021.

All debt outstanding at year-end is general obligation debt, which are backed by the full faith and credit of the City. Some of the general obligation bonds have specific revenue sourced pledged other than property taxes, but in the event those other sources were insufficient, the City would be required to the he shortfall through property taxes.

The City's long-term debt at December 31, 2022 is as follows:

City of East Bethel's Outstanding Debt

	Governmental Activities			Business-type Activities		
	2022	2021	Increase (Decrease)	2022	2021	Increase (Decrease)
General Obligation Revenue Bonds	\$ 15,565,000	\$ 15,930,000	\$ (365,000)	\$ -	\$ -	\$ -
Loan Payable	-	-	-	1,530,450	995,062	535,388
Totals	<u>\$ 15,565,000</u>	<u>\$15,930,000</u>	<u>\$ (365,000)</u>	<u>\$ 1,530,450</u>	<u>\$ 995,062</u>	<u>\$ 535,388</u>

State statutes limit the amount of general obligation debt a Minnesota city may issue to three percent of total Estimated Market Value. Of the City's outstanding debt, \$0 is counted within the statutory limitation which is under the City's Estimated Market Value.

Additional information on the City's long-term debt can be found in Note 3D starting on page 58 of this report.

Economic Factors and Next Year's Budget

- The City will continue to closely monitor the effects of the global pandemic and its impact on economic factors such as interest rates and building activity.
- The City adopted a General Fund expenditure budget for 2023 that was 3 percent higher than 2022.
- The City adopted an overall City levy for 2023 that was .9 percent higher than 2022.

Requests for Information. This financial report is designed to provide a general overview of the City's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the City of East Bethel, Finance Department, 2241 221st Avenue N.E., East Bethel, Minnesota 55011.

GOVERNMENT-WIDE FINANCIAL STATEMENTS

CITY OF EAST BETHEL
EAST BETHEL, MINNESOTA

FOR THE YEAR ENDED
DECEMBER 31, 2022

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City of East Bethel, Minnesota
Statement of Net Position
December 31, 2022

	Governmental Activities	Business-type Activities	Total
Assets			
Cash and investments	\$ 8,297,570	\$ 2,728,789	\$ 11,026,359
Receivables			
Accrued interest	4,666	-	4,666
Taxes	197,292	-	197,292
Special assessments	817,853	18,922	836,775
Accounts	11,793	39,814	51,607
Due from other governments	42,388	-	42,388
Prepaid items	8,935	-	8,935
Net pension asset	832,953	-	832,953
Capital assets			
Land and construction in progress	2,889,746	30,000	2,919,746
Depreciable assets (net of accumulated depreciation)	26,403,994	11,746,630	38,150,624
Total Assets	<u>39,507,190</u>	<u>14,564,155</u>	<u>54,071,345</u>
Deferred Outflows of Resources			
Deferred pension resources	<u>825,413</u>	<u>-</u>	<u>825,413</u>
Liabilities			
Accounts and contracts payable	79,619	23,409	103,028
Salaries payable	85,244	-	85,244
Accrued interest payable	219,843	-	219,843
Deposits payable	155,322	-	155,322
Unearned revenue	3,518	38,066	41,584
Noncurrent liabilities			
Due within one year			
Long-term liabilities	503,000	-	503,000
Due in more than one year			
Long-term liabilities	15,257,162	1,530,450	16,787,612
Net pension liability	1,703,413	-	1,703,413
Total Liabilities	<u>18,007,121</u>	<u>1,591,925</u>	<u>19,599,046</u>
Deferred Inflows of Resources			
Advance from other governments- MSA State Aids	808,763	-	808,763
Deferred pension resources	<u>383,482</u>	<u>-</u>	<u>383,482</u>
Total Deferred Inflows of Resources	<u>1,192,245</u>	<u>-</u>	<u>1,192,245</u>
Net Position			
Net investment in capital assets	15,634,977	10,246,180	25,881,157
Restricted for			
Debt service	862,972	-	862,972
Recycling	46,278	-	46,278
Housing and redevelopment	186,201	-	186,201
Economic development	427,145	-	427,145
Park development	8,554	-	8,554
Unrestricted	<u>3,967,110</u>	<u>2,726,050</u>	<u>6,693,160</u>
Total Net Position	<u>\$ 21,133,237</u>	<u>\$ 12,972,230</u>	<u>\$ 34,105,467</u>

The notes to the financial statements are an integral part of this statement.

City of East Bethel, Minnesota
Statement of Activities
For the Year Ended December 31, 2022

Functions/Programs	Expenses	Program Revenues		
		Charges For Services	Operating Grants and Contributions	Capital Grants and Contributions
Government Activities				
General government	\$ 1,633,772	\$ 791,884	\$ 73,407	\$ -
Public safety	2,781,226	-	132,316	-
Public works	3,437,077	2,000	718,207	967,296
Culture and recreation	523,645	18,880	-	-
Housing and economic development	316,892	-	59,434	-
Miscellaneous	95,177	-	-	-
Interest on long-term debt	536,839	-	-	-
Total Government Activities	<u>9,324,628</u>	<u>812,764</u>	<u>983,364</u>	<u>967,296</u>
Business-type Activities				
Water utility	398,868	253,441	-	268,400
Sewer utility	981,684	238,026	-	161,591
Ice arena	293,845	191,449	-	-
Total Business-type Activities	<u>1,674,397</u>	<u>682,916</u>	<u>-</u>	<u>429,991</u>
Total Primary Government	<u>\$ 10,999,025</u>	<u>\$ 1,495,680</u>	<u>\$ 983,364</u>	<u>\$ 1,397,287</u>

General Revenues

Taxes

Property taxes, levied for general purposes

Property taxes, levied for debt service

Tax increment

Franchise taxes

Gambling tax

Grants and contributions not restricted to specific programs

Unrestricted investment earnings

Gain on sale of capital assets

Total General Revenues

Change in Net Position

Net Position, January 1

Net Position, December 31

The notes to the financial statements are an integral part of this statement.

Net (Expenses) Revenues and
Changes in Net Position

Governmental Activities	Business-Type Activities	Total
\$ (768,481)	\$ -	\$ (768,481)
(2,648,910)	-	(2,648,910)
(1,749,574)	-	(1,749,574)
(504,765)	-	(504,765)
(257,458)	-	(257,458)
(95,177)	-	(95,177)
(536,839)	-	(536,839)
<u>(6,561,204)</u>	<u>-</u>	<u>(6,561,204)</u>
-	122,973	122,973
-	(582,067)	(582,067)
-	(102,396)	(102,396)
<u>-</u>	<u>(561,490)</u>	<u>(561,490)</u>
<u>(6,561,204)</u>	<u>(561,490)</u>	<u>(7,122,694)</u>
5,317,973	-	5,317,973
927,428	-	927,428
277,189	-	277,189
63,711	-	63,711
8,200	-	8,200
8,013	-	8,013
75,749	27,587	103,336
25,636	-	25,636
<u>6,703,899</u>	<u>27,587</u>	<u>6,731,486</u>
142,695	(533,903)	(391,208)
<u>20,990,542</u>	<u>13,506,133</u>	<u>34,496,675</u>
<u>\$ 21,133,237</u>	<u>\$ 12,972,230</u>	<u>\$ 34,105,467</u>

The notes to the financial statements are an integral part of this statement.

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FUND FINANCIAL STATEMENTS

CITY OF EAST BETHEL
EAST BETHEL, MINNESOTA

FOR THE YEAR ENDED
DECEMBER 31, 2022

City of East Bethel, Minnesota

Balance Sheet
Governmental Funds
December 31, 2022

	101	300's	405	406	403	Other Governmental Funds	Total Governmental Funds
	General	Debt Service	Sandhill Parkway	Street Capital	181st Street Project		
Assets							
Cash and investments	\$ 3,815,946	\$ 958,126	\$ 150,571	\$ 730,486	\$ (385,849)	\$ 1,295,877	\$ 6,565,157
Receivables							
Taxes	156,725	31,238	-	-	-	9,329	197,292
Special assessments	60,000	93,451	-	664,402	-	-	817,853
Accounts	11,793	-	-	-	-	-	11,793
Accrued interest	4,666	-	-	-	-	-	4,666
Due from other funds	15,758	-	-	-	-	-	15,758
Due from other governments	2,808	-	-	-	-	39,580	42,388
Prepaid items	8,935	-	-	-	-	-	8,935
Total Assets	\$ 4,076,631	\$ 1,082,815	\$ 150,571	\$ 1,394,888	\$ (385,849)	\$ 1,344,786	\$ 7,663,842
Liabilities							
Accounts and contracts payable	\$ 55,860	\$ -	\$ 473	\$ 12,810	\$ 8,895	\$ 1,581	\$ 79,619
Salaries payable	85,244	-	-	-	-	-	85,244
Due to other funds	-	-	-	-	-	15,758	15,758
Deposits payable	155,322	-	-	-	-	-	155,322
Total Liabilities	296,426	-	473	12,810	8,895	17,339	335,943
Deferred Inflows of Resources							
Unavailable revenue - property taxes	47,664	10,786	-	-	-	2,366	60,816
Unavailable revenue - special assessments	60,000	93,451	-	664,084	-	-	817,535
Advance from other governments	-	-	808,763	-	-	-	808,763
Total Deferred Inflows of Resources	107,664	104,237	808,763	664,084	-	2,366	1,687,114
Fund Balances							
Nonspendable	8,935	-	-	-	-	-	8,935
Restricted	-	978,578	-	-	-	677,197	1,655,775
Committed	-	-	-	717,994	-	-	717,994
Assigned	-	-	-	-	-	663,642	663,642
Unassigned	3,663,606	-	(658,665)	-	(394,744)	(15,758)	2,594,439
Total Fund Balances	3,672,541	978,578	(658,665)	717,994	(394,744)	1,325,081	5,640,785
Total Liabilities, Deferred Inflows of Resources and Fund Balances	\$ 4,076,631	\$ 1,082,815	\$ 150,571	\$ 1,394,888	\$ (385,849)	\$ 1,344,786	\$ 7,663,842

The notes to the financial statements are an integral part of this statement.

City of East Bethel, Minnesota
 Reconciliation of the Balance Sheet
 to the Statement of Net Position
 Governmental Funds
 December 31, 2022

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

Total Fund Balances - Governmental	\$ 5,640,785
Long-term assets from pensions reported in governmental activities are not financial and therefore are not reported as assets in governmental funds.	
Pension asset	832,953
Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds.	
Cost of capital assets	80,811,148
Less accumulated depreciation	(53,211,924)
Noncurrent liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported as liabilities in the funds. Noncurrent liabilities at year-end consist of	
Bonds payable	(15,565,000)
Net pension liability	(1,703,413)
Some receivables are not available soon enough to pay for the current period's expenditures, and therefore are unavailable in the funds.	
Delinquent taxes receivable	57,298
Special assessments receivable	817,535
Governmental funds do not report long-term amounts related to pensions.	
Deferred outflows of pension resources	825,413
Deferred inflows of pension resources	(383,482)
Governmental funds do not report a liability for accrued interest until due and payable.	
	(219,843)
Internal service funds are used by management to charge the cost of services to individual funds. The assets and liabilities are included in the governmental statement of net position	
	<u>3,231,767</u>
Net Position of Governmental Activities	<u><u>\$21,133,237</u></u>

The notes to the financial statements are an integral part of this statement.

City of East Bethel, Minnesota
Statement of Revenues, Expenditures and
Changes in Fund Balance
Governmental Funds
For the Year Ended December 31, 2022

	101	300's	405	406	403	Other Governmental Funds	Total
	General	Debt Service	Sandhill Parkway	Street Capital	181st Street Project		
Revenues							
Taxes	\$ 5,173,551	\$ 927,428	\$ -	\$ -	\$ -	\$ 490,190	\$ 6,591,169
Licenses and permits	263,742	-	-	-	-	-	263,742
Intergovernmental	314,967	-	1,321,001	-	497,130	132,841	2,265,939
Charges for services	460,850	-	-	-	-	20,880	481,730
Fines and forfeitures	21,964	-	-	-	-	-	21,964
Special assessments	13,500	11,548	-	42,030	-	-	67,078
Interest on investments	24,462	5,283	2,308	10,999	22	12,090	55,164
Miscellaneous	80,567	-	-	-	-	2,593	83,160
Total Revenues	<u>6,353,603</u>	<u>944,259</u>	<u>1,323,309</u>	<u>53,029</u>	<u>497,152</u>	<u>658,594</u>	<u>9,829,946</u>
Expenditures							
Current							
General government	1,438,637	-	-	-	-	9,516	1,448,153
Public safety	2,474,900	-	-	-	-	-	2,474,900
Public works	955,259	-	-	-	-	109,807	1,065,066
Culture and recreation	483,094	-	-	-	-	-	483,094
Housing and economic development	-	-	-	-	-	219,450	219,450
Miscellaneous	95,177	-	-	-	-	-	95,177
Capital outlay							
Public works	-	-	28,213	484,488	891,896	18,507	1,423,104
Culture and recreation	-	-	-	-	-	66,949	66,949
Housing and economic development	-	-	-	-	-	97,442	97,442
Debt service							
Principal	-	365,000	-	-	-	-	365,000
Interest and other	-	542,150	-	-	-	-	542,150
Total Expenditures	<u>5,447,067</u>	<u>907,150</u>	<u>28,213</u>	<u>484,488</u>	<u>891,896</u>	<u>521,671</u>	<u>8,280,485</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>906,536</u>	<u>37,109</u>	<u>1,295,096</u>	<u>(431,459)</u>	<u>(394,744)</u>	<u>136,923</u>	<u>1,549,461</u>
Other Financing Sources (Uses)							
Transfers in	-	-	-	500,000	-	145,000	645,000
Transfers out	(645,000)	-	-	-	-	-	(645,000)
Total Other Financing Sources (Uses)	<u>(645,000)</u>	<u>-</u>	<u>-</u>	<u>500,000</u>	<u>-</u>	<u>145,000</u>	<u>-</u>
Net Change in Fund Balances	261,536	37,109	1,295,096	68,541	(394,744)	281,923	1,549,461
Fund Balances, January 1	<u>3,411,005</u>	<u>941,469</u>	<u>(1,953,761)</u>	<u>649,453</u>	<u>-</u>	<u>1,043,158</u>	<u>4,091,324</u>
Fund Balances, December 31	<u>\$ 3,672,541</u>	<u>\$ 978,578</u>	<u>\$ (658,665)</u>	<u>\$ 717,994</u>	<u>\$ (394,744)</u>	<u>\$ 1,325,081</u>	<u>\$ 5,640,785</u>

The notes to the financial statements are an integral part of this statement.

City of East Bethel, Minnesota
Reconciliation of the Statement of Revenues, Expenditures and
Changes in Fund Balances to the Statement of Activities
to the Statement of Activities
Governmental Funds
For the Year Ended December 31, 2022

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

Net Changes in Fund Balances - Total Governmental Funds	\$ 1,549,461
<p>Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.</p>	
Depreciation	(2,512,991)
Capital outlay	1,537,184
<p>The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of premiums, discounts and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. The amounts below are the effects of these differences in the treatment of long-term debt and related items.</p>	
Principal payments on bonds payable	365,000
<p>Interest on long-term debt in the statement of activities differs from the amount reported in the governmental funds because interest is recognized as an expenditure in the funds when it is due, and thus requires the use of current financial resources. In the statement of activities, however, interest expense is recognized as the interest accrues, regardless of when it is due.</p>	
	5,311
<p>Long-term pension activity is not reported in governmental funds.</p>	
Pension expense	(143,317)
Pension revenue	8,607
<p>Certain revenues are recognized as soon as they are earned. Under the modified accrual basis of accounting, certain revenues cannot be recognized until they are available to liquidate liabilities of the current period.</p>	
Property taxes	3,332
Special assessments	(43,013)
MSA Grants	(657,770)
<p>Internal service funds are used by management to charge the costs of certain activities to individual funds. The net revenue of internal service funds are reported with governmental activities.</p>	
Consolidation of internal service fund activities with governmental activities	30,891
Change in Net Position of Governmental Activities	\$ 142,695

The notes to the financial statements are an integral part of this statement.

City of East Bethel, Minnesota
Statement of Revenues, Expenditures and Changes in Fund Balances -
Budget and Actual
General Fund
For the Year Ended December 31, 2022

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Revenues				
Taxes	\$ 5,210,700	\$ 5,210,700	\$ 5,173,551	\$ (37,149)
Licenses and permits	275,000	275,000	263,742	(11,258)
Intergovernmental	276,000	276,000	314,967	38,967
Charges for services	441,700	441,700	460,850	19,150
Fines and forfeitures	29,000	29,000	21,964	(7,036)
Special assessments	13,500	13,500	13,500	-
Interest on investments	15,000	15,000	24,462	9,462
Miscellaneous	20,000	20,000	80,567	60,567
Total Revenues	<u>6,280,900</u>	<u>6,280,900</u>	<u>6,353,603</u>	<u>72,703</u>
Expenditures				
Current				
General government	1,554,300	1,554,300	1,438,637	115,663
Public safety	2,464,900	2,464,900	2,474,900	(10,000)
Public works	1,022,500	1,022,500	955,259	67,241
Culture and recreation	496,700	496,700	483,094	13,606
Miscellaneous	97,500	97,500	95,177	2,323
Total Expenditures	<u>5,635,900</u>	<u>5,635,900</u>	<u>5,447,067</u>	<u>188,833</u>
Excess of Revenues Over Expenditures	645,000	645,000	906,536	261,536
Other Financing Uses				
Transfers out	<u>(645,000)</u>	<u>(645,000)</u>	<u>(645,000)</u>	<u>-</u>
Net Change in Fund Balances	-	-	261,536	261,536
Fund Balances, January 1	<u>3,411,005</u>	<u>3,411,005</u>	<u>3,411,005</u>	<u>-</u>
Fund Balances, December 31	<u><u>\$ 3,411,005</u></u>	<u><u>\$ 3,411,005</u></u>	<u><u>\$ 3,672,541</u></u>	<u><u>\$ 261,536</u></u>

The notes to the financial statements are an integral part of this statement.

City of East Bethel, Minnesota
Statement of Net Position
Proprietary Funds
December 31, 2022

	Business-type Activities - Enterprise Funds				Governmental Activities - Internal Service Funds
	601 Water Utility	602 Sewer Utility	615 Ice Arena	Total	
Assets					
Current Assets					
Cash and investments	\$ 1,448,962	\$ 1,084,330	\$ 195,497	\$ 2,728,789	\$ 1,732,413
Receivables					
Special assessments	9,461	9,461	-	18,922	-
Accounts	19,836	19,978	-	39,814	-
Total Current Assets	<u>1,478,259</u>	<u>1,113,769</u>	<u>195,497</u>	<u>2,787,525</u>	<u>1,732,413</u>
Noncurrent Assets					
Capital assets					
Land	-	-	30,000	30,000	-
Buildings and structures	-	-	1,541,440	1,541,440	-
Machinery and equipment	-	-	158,237	158,237	4,773,741
Infrastructure	8,013,202	8,775,139	-	16,788,341	-
Less accumulated depreciation	<u>(2,618,387)</u>	<u>(2,627,980)</u>	<u>(1,495,021)</u>	<u>(6,741,388)</u>	<u>(3,079,225)</u>
Total Capital Assets (Net of Accumulated Depreciation)	<u>5,394,815</u>	<u>6,147,159</u>	<u>234,656</u>	<u>11,776,630</u>	<u>1,694,516</u>
Total Assets	<u>6,873,074</u>	<u>7,260,928</u>	<u>430,153</u>	<u>14,564,155</u>	<u>3,426,929</u>
Liabilities					
Current Liabilities					
Accounts payable	7,208	256	15,945	23,409	-
Compensated absences payable - current portion	-	-	-	-	153,000
Unearned revenue	12,169	12,169	13,728	38,066	-
Total Current Liabilities	<u>19,377</u>	<u>12,425</u>	<u>29,673</u>	<u>61,475</u>	<u>153,000</u>
Noncurrent Liabilities					
Compensated absences payable - noncurrent portion	-	-	-	-	42,162
Loan payable - noncurrent portion	-	1,530,450	-	1,530,450	-
Total Noncurrent Liabilities	<u>-</u>	<u>1,530,450</u>	<u>-</u>	<u>1,530,450</u>	<u>42,162</u>
Total Liabilities	<u>19,377</u>	<u>1,542,875</u>	<u>29,673</u>	<u>1,591,925</u>	<u>195,162</u>
Net Position					
Net investment in capital assets	5,394,815	4,616,709	234,656	10,246,180	1,694,516
Unrestricted	<u>1,458,882</u>	<u>1,101,344</u>	<u>165,824</u>	<u>2,726,050</u>	<u>1,537,251</u>
Total Net Position	<u>\$ 6,853,697</u>	<u>\$ 5,718,053</u>	<u>\$ 400,480</u>	<u>\$ 12,972,230</u>	<u>\$ 3,231,767</u>

The notes to the financial statements are an integral part of this statement.

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City of East Bethel, Minnesota
Statement of Revenues, Expenses and Changes in Net Position
Proprietary Funds
For the Year Ended December 31, 2022

	Business-type Activities - Enterprise Funds				Governmental Activities - Internal Service Funds
	601 Water Utility	602 Sewer Utility	615 Ice Arena	Total	
Operating Revenues					
Ice rentals and related revenue	\$ -	\$ -	\$ 181,949	\$ 181,949	\$ -
Rentals, signs, lockers and tower	-	-	9,500	9,500	-
Charges for services	253,441	238,026	-	491,467	280,000
Total Operating Revenues	<u>253,441</u>	<u>238,026</u>	<u>191,449</u>	<u>682,916</u>	<u>280,000</u>
Operating Expenses					
Repairs and maintenance	9,957	-	61,671	71,628	-
Utilities	28,404	3,234	65,613	97,251	-
Professional services	1,669	48,254	85,469	135,392	-
Supplies	22,542	422	30,994	53,958	-
Other services and charges	78,348	66,715	1,320	146,383	-
Depreciation	257,948	279,417	48,778	586,143	295,330
Total Operating Expenses	<u>398,868</u>	<u>398,042</u>	<u>293,845</u>	<u>1,090,755</u>	<u>295,330</u>
Operating Loss	<u>(145,427)</u>	<u>(160,016)</u>	<u>(102,396)</u>	<u>(407,839)</u>	<u>(15,330)</u>
Nonoperating Revenues (Expenses)					
Gain on sale of capital assets	-	-	-	-	25,636
Interest on investments	14,651	10,844	2,092	27,587	20,585
Financing charge	-	(583,642)	-	(583,642)	-
Total Nonoperating Revenues (Expenses)	<u>14,651</u>	<u>(572,798)</u>	<u>2,092</u>	<u>(556,055)</u>	<u>46,221</u>
Income (Loss) Before Contributions	(130,776)	(732,814)	(100,304)	(963,894)	30,891
Capital Contributions	<u>268,400</u>	<u>161,591</u>	<u>-</u>	<u>429,991</u>	<u>-</u>
Change in Net Position	137,624	(571,223)	(100,304)	(533,903)	30,891
Net Position, January 1	<u>6,716,073</u>	<u>6,289,276</u>	<u>500,784</u>	<u>13,506,133</u>	<u>3,200,876</u>
Net Position, December 31	<u>\$ 6,853,697</u>	<u>\$ 5,718,053</u>	<u>\$ 400,480</u>	<u>\$ 12,972,230</u>	<u>\$ 3,231,767</u>

The notes to the financial statements are an integral part of this statement.

City of East Bethel, Minnesota
Statement of Cash Flows
Proprietary Funds
For the Year Ended December 31, 2022

	Business-type Activities - Enterprise Funds				Governmental Activities - Internal Service Funds
	601 Water Utility	602 Sewer Utility	615 Ice Arena	Total	
Cash Flows from Operating Activities					
Receipts from customers and users	\$ 247,481	\$ 232,378	\$ 205,177	\$ 685,036	\$ -
Receipts from interfund services provided	-	-	-	-	280,000
Payments to suppliers	(143,380)	(124,955)	(193,962)	(462,297)	-
Payments to employees	-	-	-	-	(29,872)
Net Cash Provided (Used) by Operating Activities	<u>104,101</u>	<u>107,423</u>	<u>11,215</u>	<u>222,739</u>	<u>250,128</u>
Cash Flows from Capital and Related Financing Activities					
Acquisition of capital assets	-	-	-	-	(333,526)
Connection fees received	268,400	161,591	-	429,991	-
Proceeds from sale of capital assets	-	-	-	-	25,636
Principal paid on loan payable	-	(48,254)	-	(48,254)	-
Net Cash Flows Provided (Used) by Capital and Related Financing Activities	<u>268,400</u>	<u>113,337</u>	<u>-</u>	<u>381,737</u>	<u>(307,890)</u>
Cash Flows from Investing Activities					
Interest received on investments	<u>14,651</u>	<u>10,844</u>	<u>2,092</u>	<u>27,587</u>	<u>20,585</u>
Net Increase (Decrease) in Cash and Cash Equivalents	387,152	231,604	13,307	632,063	(37,177)
Cash and Cash Equivalents, January 1	<u>1,061,810</u>	<u>852,726</u>	<u>182,190</u>	<u>2,096,726</u>	<u>1,769,590</u>
Cash and Cash Equivalents, December 31	<u>\$ 1,448,962</u>	<u>\$ 1,084,330</u>	<u>\$ 195,497</u>	<u>\$ 2,728,789</u>	<u>\$ 1,732,413</u>

The notes to the financial statements are an integral part of this statement.

City of East Bethel, Minnesota
Statement of Cash Flows (Continued)
Proprietary Funds
For the Year Ended December 31, 2022

	Business-type Activities - Enterprise Funds				Governmental Activities - Internal Service Funds
	601 Water Utility	602 Sewer Utility	615 Ice Arena	Total	
Reconciliation of Operating Loss to Net Cash Used by Operating Activities					
Operating loss	\$ (145,427)	\$ (160,016)	\$ (102,396)	\$ (407,839)	\$ (15,330)
Adjustments to reconcile operating loss to net cash provided (used) operating activities					
Depreciation expense	257,948	279,417	48,778	586,143	295,330
Increase in assets					
Accounts receivable	(1,077)	(765)	47,888	46,046	-
Special assessments receivable	(4,883)	(4,883)	-	(9,766)	-
Increase (decrease) in liabilities					
Accounts payable	3,878	8	3,217	7,103	-
Due to other governments	-	-	-	-	-
Accrued salaries/compensated absences payable	-	-	-	-	(29,872)
Unearned revenue	(6,338)	(6,338)	13,728	1,052	-
 Net Cash Provided (Used) by Operating Activities	 <u>\$ 104,101</u>	 <u>\$ 107,423</u>	 <u>\$ 11,215</u>	 <u>\$ 222,739</u>	 <u>\$ 250,128</u>
 Noncash Investing, Capital and Financing Activities					
Financing charge	<u>\$ -</u>	<u>\$ 583,642</u>	<u>\$ -</u>	<u>\$ 583,642</u>	<u>\$ -</u>

The notes to the financial statements are an integral part of this statement.

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City of East Bethel, Minnesota
Notes to the Financial Statements
December 31, 2022

Note 1: Summary of Significant Accounting Policies

A. Reporting Entity

The City of East Bethel, Minnesota (the City) was incorporated in 1958 and has operated under the State of Minnesota Statutory Plan A form of government since 1974. The governing body consists of a five-member City Council elected by voters of 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. As required by accounting principles generally accepted in the United States of America, these financial statements present the City and its component units, entities for which the City is considered to be financially accountable. Component units for which the City has been determined to be financially accountable can be blended with the primary government or be included as a discrete presentation. Included in the City's reporting entity, based upon the application of these criteria, are the following blended component units.

The City has two component units - the Housing and Redevelopment Authority (HRA) and the Economic Development Authority (EDA), both of which are considered blended component units.

Housing and Redevelopment Authority

The HRA was created by the City to carry out certain redevelopment projects. The five-member Board of Directors is appointed by the City Council and currently is comprised of the members of the City Council. The City can significantly influence the programs and activities and the City has a financial benefit and burden related to the HRA. The HRA is accounted for using the modified accrual basis of accounting, and as such is reported as a special revenue fund. Separate financial statements for the HRA are not prepared.

Economic Development Authority

The EDA was created by the City to carry out economic development with the City. The seven-member Board consists of two city council members and five appointed members. The City can significantly influence the program and activities and the City has a financial benefit and burden related to the EDA. The EDA is accounted for using the modified accrual basis of accounting, and as such is reported as a special revenue fund. Separate financial statements for the EDA are not prepared.

B. Government-wide and Fund Financial Statements

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

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. Amounts reported as program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

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

City of East Bethel, Minnesota
Notes to the Financial Statements
December 31, 2022

Note 1: Summary of Significant Accounting Policies (Continued)

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

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

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

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

Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the year in which the resources are measurable and become available.

Non-exchange transactions, in which the City receives value without directly giving equal value in return, include property taxes, grants, entitlement and donations. On an accrual basis, revenue from property taxes is recognized in the year for which the tax is levied. Revenue from grants, entitlements and donations is recognized in the year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the year when use is first permitted, matching requirements, in which the City must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the City on a reimbursement basis. On a modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized.

Unearned revenue arises when assets are recognized before revenue recognition criteria have been satisfied. Grants and entitlements received before eligibility requirements are met are also recorded as unearned revenue.

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

City of East Bethel, Minnesota
Notes to the Financial Statements
December 31, 2022

Note 1: Summary of Significant Accounting Policies (Continued)

Description of Funds

The City reports the following major governmental funds

The *General fund* is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The *Debt Service fund* accounts for the accumulation of resources and payment of general obligation bond principal and interest from governmental resources and special assessment bond principal and interest from special assessment levies when the City is obligated in some manner for the payment.

The *Street Capital fund* is used to account for the costs associated with the street projects completed within the City.

The *Sandhill Parkway fund* is an accumulation of grant funding from federal and state sources allocated to road construction.

The *181st Street Project fund* is an accumulation of grant funding from state sources allocated to road construction

The City reports the following major proprietary funds

The *Water Utility fund* accounts for water service activities to operate the water utility system.

The *Sewer Utility fund* accounts for sewer service activities to operate the sanitary sewer system.

The *Ice Arena fund* accounts for operations of the City's ice arena.

Additionally, the City reports the following fund type:

Internal service funds are used to account for the costs associated with employees' compensated absences and to account for the funding of major equipment necessary for City operations.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are transactions that would be treated as revenues, expenditures or expenses if they involved external organizations, such as buying goods and services or payments in lieu of taxes, are similarly treated when they involve other funds of the City. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Proprietary funds distinguish *operating* revenues and expenses from *nonoperating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the water, sewer, and arena enterprise funds are charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses. When both restricted and unrestricted resources are available for an allowable use, it is the government's policy to use restricted resources first, then unrestricted resources as they are needed.

City of East Bethel, Minnesota
Notes to the Financial Statements
December 31, 2022

Note 1: Summary of Significant Accounting Policies (Continued)

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

Deposits and Investments

The City's cash and cash equivalents are considered to be cash on hand, demand deposits, commercial paper, government securities and short-term investments with original maturities of three months or less from the date of acquisition. The proprietary funds' portion in the government-wide cash and temporary investments pool is considered to be cash and cash equivalents for purposes of the Statement of Cash Flows.

Cash balances from all funds are pooled and invested, to the extent available, in certificates of deposit and other authorized investments. Earnings on investments are allocated to the individual funds based upon the average of month-end cash and investment balances.

The City may also invest idle funds as authorized by Minnesota statutes, as follows:

1. Direct obligations or obligations guaranteed by the United States or its agencies.
2. Shares of investment companies registered under the Federal Investment Company Act of 1940 and received the highest credit rating, rated in one of the two highest rating categories by a statistical rating agency, and have a final maturity of thirteen months or less.
3. General obligations of a state or local government with taxing powers rated "A" or better; revenue obligations rated "AA" or better.
4. General obligations of the Minnesota Housing Finance Agency rated "A" or better.
5. Obligation of a school district with an original maturity not exceeding 13 months and (i) rated in the highest category by a national bond rating service or (ii) enrolled in the credit enhancement program pursuant to statute section 126C.55.
6. Bankers' acceptances of United States banks eligible for purchase by the Federal Reserve System.
7. Commercial paper issued by United States banks corporations or their Canadian subsidiaries, of highest quality category by at least two nationally recognized rating agencies, and maturing in 270 days or less.
8. Repurchase or reverse repurchase agreements and securities lending agreements with financial institutions qualified as a "depository" by the government entity, with banks that are members of the Federal Reserve System with capitalization exceeding \$10,000,000, a primary reporting dealer in U.S. government securities to the Federal Reserve Bank of New York, or certain Minnesota securities broker-dealers.
9. Guaranteed Investment Contracts (GIC's) issued or guaranteed by a United States commercial bank, a domestic branch of a foreign bank, a United States insurance company, or its Canadian subsidiary, whose similar debt obligations were rated in one of the top two rating categories by a nationally recognized rating agency.

The City categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. The City's recurring fair value measurements are listed in detail on page 53 and are valued using quoted market prices (Level 2 inputs).

The City has the following recurring fair value measurements as of December 31, 2022:

- Negotiable certificates of deposits of \$1,449,513 are valued using quoted market prices (Level 2 inputs).

City of East Bethel, Minnesota
Notes to the Financial Statements
December 31, 2022

Note 1: Summary of Significant Accounting Policies (Continued)

The Minnesota Municipal Money Market 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 Exchange Commission (SEC) that follows the regulatory rules of the SEC. In accordance with GASB Statement No. 79, the City's investment in this pool is valued at amortized cost, which approximates fair value. There are no restrictions or limitations on withdrawals from the 4M Liquid Asset Fund. Investments in the 4M Plus must be deposited for a minimum of 14 calendar days. Withdrawals prior to the 14-day restriction period will be subject to a penalty equal to seven days interest on the amount withdrawn. Seven days' notice of redemption is required for withdrawals of investments in the 4M Term Series withdrawn prior to the maturity date of that series. A penalty could be assessed as necessary to recoup the Series for any charges, losses, and other costs attributable to the early redemption. Financial statements of the 4M Fund can be obtained by contracting RBC Global Management at 100 South Fifth Street, Suite 2300, Minneapolis, MN 55402-1240.

Property Taxes

The City Council annually adopts a tax levy and certifies it to the County in December for collection in the following year. The County is responsible for collecting all property taxes for the City. These taxes attach an enforceable lien on taxable property within the City on January 1 and are payable by the property owners in two installments. The taxes are collected by the County Treasurer and tax settlements are made to the City during January, June and December each year. Delinquent taxes receivable include the past six years' uncollected taxes. Delinquent taxes have been offset by a deferred inflow of resources for taxes not received within 60 days after year end in the governmental fund financial statements.

Accounts Receivable

Accounts receivable include amounts billed for services provided before year end. Unbilled utility enterprise fund receivables are also included for services provided in 2022. The City annually certifies delinquent water and sewer accounts to the County for collection in the following year. Therefore, there has been no allowance for doubtful accounts established.

Special Assessments

Special assessments represent the financing for public improvements paid for by benefiting property owners. These assessments are recorded as receivable upon certification to the County. Special assessments are recognized as revenue when they are received in cash or within 60 days after year end. All governmental special assessments receivable are offset by a deferred inflow of resources in the fund financial statements.

Prepaid Items

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

City of East Bethel, Minnesota
Notes to the Financial Statements
December 31, 2022

Note 1: Summary of Significant Accounting Policies (Continued)

Capital Assets

Capital assets, which include property, plant, equipment and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items) are, reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the City as assets with an initial, individual cost of more than the amounts defined below (amounts not rounded) and an estimated useful life in excess of one year. Donated capital assets are recorded at acquisition value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed. Property, plant and equipment are depreciated using the straight-line method over the following estimated useful lives and are capitalized according to the following thresholds:

Asset Category	Value Threshold
All Assets not Referenced in this Schedule	\$ 5,000
Parking Lots, Sidewalks, Fencing, Park Shelters, Land Improvements	25,000
Buildings and Building Improvements	50,000
Infrastructure Improvements: Water, Sewer, Storm Drainage, Streets	100,000

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

Assets	Life in Years
Miscellaneous Office Equipment, Copiers, Computer Hardware, Light Trucks, Mowers, Attachments, Other Light Equipment	5
Loaders, Dump Trucks, Graders, Trailers, Other Heavy Equipment, Telephone And Radio Systems, Pumps, Generators	10
Fire Rigs, Playground Equipment, Irrigation Systems	20
Buildings, Park Shelters, Fences, Paved Streets, Sidewalks, Parking Lots, Signs	25
Water Trunks, Mains, Towers; Sewer Trunks, Mains, Lift Stations; Storm Drainage Trunks, Mains, Ponds	30

Deferred Outflows 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, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The City has only one item that qualifies for reporting in this category. Accordingly, the item, deferred pension resources, is reported only in the statement of net position. This item results from actuarial calculations and current year pension contributions made subsequent to the measurement date.

City of East Bethel, Minnesota
Notes to the Financial Statements
December 31, 2022

Note 1: Summary of Significant Accounting Policies (Continued)

Compensated Absences

It is the City's policy to permit employees to accumulate earned but unused vacation and sick pay benefits. At year-end, each employee's accrued obligation is expensed to their home department and revenue is recognized in the compensated absences internal service fund to fund the City's obligation. The compensated absences internal service fund is typically used to liquidate governmental compensated absences payable. It is assumed that these amounts will be payable only upon employees' severance from employment. Vacation and sick leave used during employees' tenure with the City is assumed to closely match the leave earned during that year. In accordance with the provisions of Statement of Government Accounting Standards No. 16, *Accounting for Compensated Absences*, no liability is recorded for nonvesting accumulating rights to receive sick pay benefits. A liability is recognized in the internal service fund for that portion of accumulating sick leave benefits that is vested as severance pay.

Long-term Obligations

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position. The recognition of bond premiums and discounts are amortized over the life of the bonds using the straight-line method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as an expense in the period incurred.

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

Pensions

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

For purposes of measuring the net pension liability (asset), deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the defined benefit plan administered by East Bethel Fire Department Relief Association and additions to and deductions from the plan's fiduciary net position have been determined on the same basis as they are reported by the plan. Investments are reported at fair value.

The total pension expense for the GERP, PEPFP and East Bethel Fire Relief Association is as follows:

	Public Employees Retirement Association of Minnesota (PERA)		Fire Relief Association	Total All Plans
	GERP	PEPFP		
City's proportionate share	\$ 212,629	\$ 46,331	\$ 290,419	\$ 549,379
Proportionate share of State's contribution	6,674	1,555	-	8,229
Total pension expense	\$ 219,303	\$ 47,886	\$ 290,419	\$ 557,608

Note 1: Summary of Significant Accounting Policies (Continued)

Deferred Inflows of Resources

In addition to liabilities, the statement of net position and fund financial statements will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The government has only one type of item, which arises only under a modified accrual basis of accounting that qualifies for reporting in this category. The governmental funds report unavailable revenues from three sources: taxes, special assessments and intergovernmental aids. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

The City has an additional item which qualifies for reporting in this category. The item, deferred pension resources, is reported only in the statements of net position and results from actuarial calculations.

Fund Balance Classifications

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

Nonspendable - consists of amounts that are not in spendable form, such as prepaid items.

Restricted - consists of amounts related to externally imposed constraints established by creditors, grantors or contributions; or constraints imposed by State statutory provisions.

Committed - consists of internally imposed constraints. These constraints are established by Resolution of the City Council.

Assigned - consists of internally imposed constraints. These constraints reflect the specific purpose for which it is the City's intended use. These constraints are established by the City Council and/or management. Pursuant to City Council Resolution, the City Administrator is to assign fund balance that reflects the City Council's intended use of those funds and approved by motion of the City Council.

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

The City considers restricted amounts to be spent first when both restricted and unrestricted fund balance is available. Additionally, the City would first use committed, then assigned, and lastly unassigned amounts of unrestricted fund balance when expenditures are made.

The City's policy is to maintain a minimum assigned fund balance of 40 percent of the next year's property tax levy for cash-flow timing needs.

City of East Bethel, Minnesota
Notes to the Financial Statements
December 31, 2022

Note 1: Summary of Significant Accounting Policies (Continued)

Net Position

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:

- a. Net investment in capital assets - Consists of capital assets, net of accumulated depreciation reduced by any outstanding debt attributable to acquire capital assets.
- b. Restricted net position - Consists of net position restricted when there are limitations imposed on their use through external restrictions imposed by creditors, grantors, laws or regulations of other governments.
- c. Unrestricted net position - All other net position that do 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.

Note 2: Stewardship, Compliance and Accountability

A. Budgetary Information

Annual budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America for the General fund, Recycling fund, HRA fund and the EDA fund. All annual appropriations lapse at fiscal year-end. The City does not use encumbrance accounting.

The appropriated budget is prepared by fund, function and department. Transfers of appropriations between departments require the approval of the City Council. The legal level of budgetary control is the fund level. There were no budget amendments made during 2022.

B. Excess of Expenditures Over Appropriations

For the year ended December 31, 2022, expenditures exceeded appropriations in the following fund:

Fund	Budget	Actual	Excess of Expenditures Over Appropriations
EDA Fund	\$ 130,200	\$ 189,450	\$ 59,250

These excess expenditures were funded by greater than anticipated revenues and available fund balance.

City of East Bethel, Minnesota
Notes to the Financial Statements
December 31, 2022

Note 2: Stewardship, Compliance and Accountability (Continued)

Deficit Fund Balance

For the year ended December 31, 2022, the following funds had deficit fund balances.

Fund	Amount
Major	
Sandhill Parkway	\$ 658,665
181st Street Project	394,744
Nonmajor Capital Project Funds	
TIF No. 1-5	15,758

TIF No. 1-5 deficit fund balance will be eliminated with future tax increment financing. The deficit in Sandhill Parkway fund and 181st Street Project fund will be eliminated with the recognition of intergovernmental revenue.

Note 3: Detailed Notes on All Funds

A. Deposits and Investments

Deposits

Custodial credit risk for deposits and investments is the risk that in the event of a bank failure, the City's deposits and investments may not be returned or the City will not be able to recover collateral securities in the possession of an outside party. In accordance with Minnesota statutes and as authorized by the City Council, the City maintains deposits at those depository banks, all of which are members of the Federal Reserve System.

Minnesota statutes require that all City deposits be protected by insurance, surety bond or collateral. The fair value of collateral pledged must equal 110 percent of the deposits not covered by insurance or bonds, with the exception of irrevocable standby letters of credit issued by Federal Home Loan Banks as this type of collateral only requires collateral pledged equal to 100 percent of the deposits not covered by insurance or bonds.

Authorized collateral in lieu of a corporate surety bond includes:

- United States government Treasury bills, Treasury notes, Treasury bonds;
- Issues of United States government agencies and instrumentalities as quoted by a recognized industry quotation service available to the government entity;
- General obligation securities of any state or local government with taxing powers which is rated "A" or better by a national bond rating service, or revenue obligation securities of any state or local government with taxing powers which is rated "AA" or better by a national bond rating service;
- General obligation securities of a local government with taxing powers may be pledged as collateral against funds deposited by that same local government entity;
- Irrevocable standby letters of credit issued by Federal Home Loan Banks to a municipality accompanied by written evidence that the bank's public debt is rated "AA" or better by Moody's Investors Service, Inc., or Standard & Poor's Corporation; and
- Time deposits that are fully insured by any federal agency.

City of East Bethel, Minnesota
Notes to the Financial Statements
December 31, 2022

Note 3: Detailed Notes on All Funds (Continued)

Minnesota statutes require that all collateral shall be placed in safekeeping in a restricted account at a 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 selection should be approved by the City.

At year end, the City's carrying amount of deposits was \$582,016 and the bank balance was \$763,703. Of the bank balance, \$478,956 was covered by federal depository insurance and remaining balance is covered by collateral held in the City's name.

Investments

As of December 31, 2022, the City had the following investments that are insured or registered, or securities held by the City or its agent in the City's name:

Types of Investments	Credit Quality/ Ratings (1)	Segmented Time Distribution (2)	Amount	Fair Value Measurement Using		
				Level 1	Level 2	Level 3
Pooled Investments at Amortized Costs						
4M Fund	N/A	less than 6 months	\$ 2,946,906	\$ -	\$ -	\$ -
4M Plus Fund	N/A	less than 6 months	6,047,774	-	-	-
Non-pooled Investments at Fair Value						
Negotiable certificates of deposits	N/A	less than 6 months	1,449,513	-	1,449,513	-
Total Investments			<u>\$ 10,444,193</u>	<u>\$ -</u>	<u>\$ 1,449,513</u>	<u>\$ -</u>

N/A Indicates not applicable or available.

The investments of the City are subject to the following risks:

- *Credit Risk* is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. Ratings are provided by various credit rating agencies and where applicable, indicate associated credit risk. Minnesota statutes limit the City's investments to the list on page 46 of the notes.
- *Custodial Credit Risk* for investments is the risk that, in the event of the failure of the counterparty to a transaction, a governmental will not be able to recover the value of investment or collateral securities that are in possession of an outside party. The City's investment policy limits its exposure by obtaining collateral or bond for all uninsured amounts on deposit and by obtaining necessary documentation to show compliance with state law and a perfected security interest under federal law.
- *Interest Rate Risk* is the risk that changes in interest rates will adversely affect the fair value of an investment. In accordance with its investment policy, the City manages its exposure to declines in fair values by disallowing purchases of investments that, at the time of investment, cannot be held to maturity. The City's investment policy states the City's investment portfolio, as much as possible, will contain both short-term and long-term investments. The City attempts to match its investments with anticipated cash flow requirements. Extended maturities may be utilized to take advantage of higher yields.
- *Concentration of Credit Risk* is the risk of loss attributed to the magnitude of a government's investment in a single issuer. The City's investment policy does not address concentration of credit risk, placing no limit on the amount that may be invested in any one issuer.

City of East Bethel, Minnesota
Notes to the Financial Statements
December 31, 2022

Note 3: Detailed Notes on All Funds (Continued)

A reconciliation of cash and temporary investments as shown on the statement of net position for the City follows:

Carrying Amount of Deposits	\$ 582,016
Investments	10,444,193
Cash on Hand	<u>150</u>
 Total	 <u><u>\$ 11,026,359</u></u>

B. Capital Assets

Capital asset activity for the year ended December 31, 2022 was as follows:

	Beginning Balance	Increases	Decrease	Ending Balance
Governmental Activities				
Capital Assets not being Depreciated				
Land	\$ 1,471,695	\$ -	\$ -	\$ 1,471,695
Construction in progress	6,545,726	1,421,323	(6,548,998)	1,418,051
Total Capital Assets not being Depreciated	8,017,421	1,421,323	(6,548,998)	2,889,746
Capital Assets being Depreciated				
Buildings and improvements	5,670,592	-		5,670,592
Park improvements	1,923,671	115,861	-	2,039,532
Machinery and equipment	5,357,470	333,526	(42,056)	5,648,940
Streets	60,729,979	6,548,998	-	67,278,977
Storm sewers	2,057,102	-	-	2,057,102
Total Capital Assets being Depreciated	75,738,814	6,998,385	(42,056)	82,695,143
Less Accumulated Depreciation for				
Buildings and improvements	(4,173,951)	(194,194)		(4,368,145)
Park improvements	(1,197,961)	(82,637)	-	(1,280,598)
Machinery and equipment	(3,456,080)	(331,110)	42,056	(3,745,134)
Streets	(43,339,585)	(2,140,019)	-	(45,479,604)
Storm sewers	(1,357,307)	(60,361)	-	(1,417,668)
Total Accumulated Depreciation	(53,524,884)	(2,808,321)	42,056	(56,291,149)
Total Capital Assets being Depreciated, Net	22,213,930	4,190,064	-	26,403,994
Governmental Activities Capital Assets, Net	\$ 30,231,351	\$ 5,611,387	\$ (6,548,998)	\$ 29,293,740

City of East Bethel, Minnesota
Notes to the Financial Statements
December 31, 2022

Note 3: Detailed Notes on All Funds (Continued)

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

Governmental Activities

General government	\$ 131,734
Public safety	119,273
Public works	2,172,521
Culture and recreation	89,463
Depreciation on capital assets held by governmental internal service activities charged to each function based on use	<u>295,330</u>

Total Depreciation Expense - Governmental Activities \$ 2,808,321

	Beginning Balance	Increases	Decrease	Ending Balance
Business-type Activities				
Capital Assets not being Depreciated				
Land	\$ 30,000	\$ -	\$ -	\$ 30,000
Capital Assets being Depreciated				
Buildings and improvements	1,541,440	-	-	1,541,440
Machinery and equipment	158,237	-	-	158,237
Infrastructure	16,802,630	-	(14,289)	16,788,341
Total Capital Assets being Depreciated	18,502,307	-	(14,289)	18,488,018
Less Accumulated Depreciation for				
Buildings and improvements	(1,363,242)	(32,955)	-	(1,396,197)
Machinery and equipment	(86,000)	(12,824)	-	(98,824)
Infrastructure	(4,720,292)	(540,364)	14,289	(5,246,367)
Total Accumulated Depreciation	(6,169,534)	(586,143)	14,289	(6,741,388)
Total Capital Assets being Depreciated, Net	12,332,773	(586,143)	-	11,746,630
Business-type Activities Capital Assets, Net	\$ 12,362,773	\$ (586,143)	\$ -	\$ 11,776,630

Depreciation expense was charged to functions/programs of the business-type activities as follows:

Business-type Activities

Water utility	\$ 257,948
Sewer utility	279,417
Ice Arena	<u>48,778</u>

Total Depreciation Expense - Business-type Activities \$ 586,143

City of East Bethel, Minnesota
Notes to the Financial Statements
December 31, 2022

Note 3: Detailed Notes on All Funds (Continued)

C. Interfund Transfers

The composition of interfund transfers for the year ended December 31, 2022 is as follows:

Fund	Transfer in		Total
	Street Capital Fund	Nonmajor Governmental Funds	
Transfer Out			
General	\$ 500,000	\$ 145,000	\$ 645,000

The City annually budgets transfers for specific purposes. Annual transfers included transfers made as part of capital improvement plans. Specific transfers in the current year included \$500,000, \$95,000, \$50,000 for building, street, and park capital costs, respectively.

D. General Long-term Debt

General Obligation Revenue Bonds

The following bonds were issued to finance capital improvements in the enterprise funds. They will be repaid from future tax levies and/or sewer and water access charges.

Description	Authorized and Issued	Interest Rate	Issue Date	Maturity Date	Balance at Year End
G.O Refunding Bond Series 2014A	\$ 5,485,000	3.00 - 4.00 %	3/4/2014	2/1/2040	\$ 4,660,000
G.O Refunding Bond Series 2015A	11,850,000	3.50 - 4.00	4/23/2015	2/1/2040	<u>10,905,000</u>
Total G.O. Revenue Bonds					<u><u>\$ 15,565,000</u></u>

Annual requirements to maturity for the General Obligation revenue bonds are as follows:

Year Ending December 31,	Governmental Activities		
	Principal	Interest	Total
2023	\$ 350,000	\$ 521,625	\$ 871,625
2024	405,000	509,175	914,175
2025	445,000	495,138	940,138
2026	510,000	478,725	988,725
2027	575,000	461,275	1,036,275
2028 - 2032	4,145,000	1,969,447	6,114,447
2033 - 2037	5,520,000	1,141,215	6,661,215
2038 - 2040	<u>3,615,000</u>	<u>199,375</u>	<u>3,814,375</u>
Total	<u><u>\$ 15,565,000</u></u>	<u><u>\$ 5,775,975</u></u>	<u><u>\$ 21,340,975</u></u>

City of East Bethel, Minnesota
Notes to the Financial Statements
December 31, 2022

Note 3: Detailed Notes on All Funds (Continued)

Loan Payable

In 2015, the City entered into an agreement with Met Council for a reserve capacity loan related to sewer infrastructure constructed. The City has annual connection requirements and revenue in order to meet the required payments to Met Council. Any shortfalls on a yearly basis, will be added to the reserve capacity loan and capped at \$2,000,000. Once the balance reaches the \$2,000,000, the City will begin paying this amount back with interest over a period of 10 to 20 years at 2.73 percent. The balance at December 31, 2022 totaled \$1,530,450

Changes in Long-term Liabilities

Long-term liability activity for the year ended December 31, 2022 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance	Due Within One Year
Governmental Activities					
Bonds Payable					
G.O. revenue bonds	\$ 15,930,000	\$ -	\$ (365,000)	\$ 15,565,000	\$ 350,000
Compensated Absences	225,034	123,128	(153,000)	195,162	153,000
Total Governmental Activity					
Long-term Debt	<u>\$ 16,155,034</u>	<u>\$ 123,128</u>	<u>\$ (518,000)</u>	<u>\$ 15,760,162</u>	<u>\$ 503,000</u>
Business-type Activities					
Loan payable	<u>\$ 995,062</u>	<u>\$ 583,642</u>	<u>\$ (48,254)</u>	<u>\$ 1,530,450</u>	<u>\$ -</u>

E. Components of Fund Balance

At December 31, 2022, portions of the City's fund balance are not available for appropriation due to not being in spendable form (Nonspendable), legal restrictions (Restricted), policy and/or intent (Assigned). The following is a summary of the components of fund balance:

Purpose	General Fund	Debt Service	Street Capital Fund	Street Capital	Other Governmental Funds	Total
Fund Balances						
Nonspendable						
Prepaid items	\$ 8,935	\$ -	\$ -	\$ -	\$ -	\$ 8,935
Restricted						
Debt service	\$ -	\$ 978,578	\$ -	\$ -	\$ -	\$ 978,578
Recycling	-	-	-	-	46,278	46,278
Housing and redevelopment authority	-	-	-	-	185,533	185,533
Economic development authority	-	-	-	-	425,447	425,447
Park development	-	-	-	-	8,554	8,554
Municipal state aid streets	-	-	-	-	11,385	11,385
Total Restricted	<u>\$ -</u>	<u>\$ 978,578</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 677,197</u>	<u>\$ 1,655,775</u>
Committed						
Street capital	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 717,994</u>	<u>\$ -</u>	<u>\$ 717,994</u>
Assigned to						
Park capital projects	\$ -	\$ -	\$ -	\$ -	\$ 136,949	\$ 136,949
Street capital projects	-	-	-	-	118,833	118,833
Other capital projects	-	-	-	-	407,860	407,860
Total Assigned	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 663,642</u>	<u>\$ 663,642</u>

City of East Bethel, Minnesota
Notes to the Financial Statements
December 31, 2022

Note 4: Defined Benefit Pension Plans - Statewide

A. Plan Description

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

General Employees Retirement Plan

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

Public Employees Police and Fire Plan

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

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.

General Employee Plan Benefits

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

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

City of East Bethel, Minnesota
Notes to the Financial Statements
December 31, 2022

Note 4: Defined Benefit Pension Plans - Statewide (Continued)

Police and Fire Plan Benefits

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

Benefit increases are provided to benefit recipients each January. The postretirement increase is fixed at 1 percent. Recipients that have been receiving the annuity or benefit for at least 36 months as of the June 30 before the effective date of the increase will receive the full increase. For recipients receiving the annuity or benefit for at least 25 months but less than 36 months as of the June 30 before the effective date of the increase will receive a reduced prorated increase.

C. Contributions

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

General Employees Fund Contributions

Coordinated Plan members were required to contribute 6.50 percent of their annual covered salary in fiscal year 2022 and the City was required to contribute 7.50 percent for Coordinated Plan members. City's contributions to the General Employees Fund for the year ending December 31, 2022, 2021 and 2020 were \$109,944, \$104,216 and \$99,650, respectively. The City's contributions were equal to the contractually required contributions for each year as set by state statute.

Police and Fire Fund Contributions

Police and Fire Plan members were required to contribute 11.80 percent of their annual covered salary in fiscal year 2021 and the City was required to contribute 17.70 percent for Police and Fire Plan members. The City's contributions to the Police and Fire Fund for the years ending December 31, 2022, 2021 and 2020 were \$15,972, \$2,509 and \$0, respectively. The City's contributions were equal to the required contributions for each year as set by state statute.

City of East Bethel, Minnesota
Notes to the Financial Statements
December 31, 2022

Note 4: Defined Benefit Pension Plans - Statewide (Continued)

D. Pension Costs

General Employees Fund Pension Costs

At December 31, 2022, the City reported a liability of \$1,520,646 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 \$44,665. The net pension liability was measured as of June 30, 2022, 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, 2021 through June 30, 2022, relative to the total employer contributions received from all of PERA's participating employers. The City's proportionate share was 0.0192 percent which was an increase of 0.0008 percent from its proportion measured as of June 30, 2021.

City's Proportionate Share of the Net Pension Liability	\$ 1,520,646
State of Minnesota's Proportionate Share of the Net Pension Liability Associated with the City	44,665
Total	\$ 1,565,311

For the year ended December 31, 2022, the City recognized pension expense of \$212,629 for its proportionate share of the General Employees Plan's pension expense. In addition, the City recognized an additional \$6,674 as pension expense (and grant revenue) for its proportionate share of the State of Minnesota's contribution of \$16 million to the General Employees Fund.

At December 31, 2022, the City reported its proportionate share of the General Employees Plan's deferred outflows of resources and deferred inflows of resources, related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Experience	\$ 12,702	\$ 15,605
Changes in Actuarial Assumptions	330,244	6,088
Net Difference Between Projected and Actual Earnings on Plan Investments	49,654	-
Changes in Proportion	23,286	7,494
Contributions Paid to PERA Subsequent to the Measurement Date	55,186	-
Total	\$ 471,072	\$ 29,187

City of East Bethel, Minnesota
Notes to the Financial Statements
December 31, 2022

Note 4: Defined Benefit Pension Plans - Statewide (Continued)

The \$55,186 reported as deferred outflows of resources related to pensions resulting from the City's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2023. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

2023		\$	141,204
2024			148,364
2025			(40,390)
2026			137,521

Police and Fire Fund Pension Costs

At December 31, 2022, the City reported a liability of \$182,767 for its proportionate share of the Police and Fire Fund's net pension liability. The net pension liability was measured as of June 30, 2022, 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, 2021 through June 30, 2022 relative to the total employer contributions received from all of PERA's participating employers. The City's proportionate share was 0.0042 percent which was a 0.0042 percent increase from its proportionate share measured as of June 30, 2021.

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

The State of Minnesota is included as a non-employer contributing entity in the Police and Fire Retirement Plan Schedule of Employer Allocations and Schedule of Pension Amounts by Employer, Current Reporting Period Only (pension allocation schedules) for the \$9 million in direct state aid. Police and Fire Plan employers need to recognize their proportionate share of the State of Minnesota's pension expense (and grant revenue) under GASB 68 special funding situation accounting and financial reporting requirements. For the year ended December 31, 2022, the City recognized pension expense of \$46,331 for its proportionate share of the Police and Fire Plan's pension expense. In addition, the City recognized an additional \$1,555 as pension expense (grant revenue) for its proportionate share of the State of Minnesota's contribution of \$9 million to the Police and Fire Fund.

The State of Minnesota is not included as a non-employer contributing entity in the Police and Fire Pension Plan pension allocation schedules for the \$9 million in fire state aid. The City also recognized \$378 for the year ended December 31, 2022 as revenue and an offsetting reduction of net pension liability for its proportionate share of the State of Minnesota's on-behalf contributions to the Police and Fire Fund.

City of East Bethel, Minnesota
Notes to the Financial Statements
December 31, 2022

Note 4: Defined Benefit Pension Plans - Statewide (Continued)

At December 31, 2022, the City reported its proportionate share of the Police and Fire Plan's deferred outflows of resources and deferred inflows of resources, from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Experience	\$ 6,565	\$ -
Changes in Actuarial Assumptions	69,468	-
Net Difference Between Projected and Actual Earnings on Plan Investments	48,138	-
Changes in Proportion	21,613	-
Contributions Paid to PERA Subsequent to the Measurement Date	9,511	-
Total	\$ 155,295	\$ -

The \$9,511 reported as deferred outflows of resources related to pensions resulting from the City's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2023. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

2023	\$ 32,644
2024	32,644
2025	32,644
2026	32,644
2027	15,208

E. Actuarial Assumptions

The total pension liability in the June 30, 2022 actuarial valuation was determined using an individual entry-age normal actuarial cost method. The long-term rate of return on pension plan investments used in the determination of the total liability is 6.5 percent. This assumption is based on a review of inflation and investments return assumptions from a number of national investment consulting firms. The review provided a range of return investment return rates deemed to be reasonable by the actuary. An investment return of 6.5 percent was deemed to be within that range of reasonableness for financial reporting purposes.

Inflation is assumed to be 2.25 percent for the General Employees Plan and 2.25 percent for the Police and Fire Plan. Benefit increases after retirement are assumed to be 1.25 percent for the General Employees Plan through December 31, 2054 and 1.5 percent thereafter. The Police and Fire Plan benefit increase is fixed at 1 percent per year and that increase was used in the valuation.

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

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

City of East Bethel, Minnesota
Notes to the Financial Statements
December 31, 2022

Note 4: Defined Benefit Pension Plans - Statewide (Continued)

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

The following changes in actuarial assumptions and plan provisions occurred in 2022:

General Employees Fund

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.

Police and Fire Fund

Changes in Actuarial Assumptions:

- The mortality improvement scale was changed from Scale MP-2020 to Scale MP-2021.
- The single discount rate changed from 6.50% to 5.40%.

Changes in Plan Provisions:

- There have been no changes since the previous valuation.

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

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-term Expected Real Rate of Return</u>
Domestic Equity	33.50 %	5.10 %
International Equity	16.50	5.30
Fixed Income	25.00	0.75
Private Markets	25.00	5.90
Total	<u>100.00 %</u>	

City of East Bethel, Minnesota
Notes to the Financial Statements
December 31, 2022

Note 4: Defined Benefit Pension Plans - Statewide (Continued)

F. Discount Rate

The discount rate for the General Employees Plan used to measure the total pension liability in 2022 was 6.5 percent. 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 Fund was 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.

In the Police and Fire Fund, the fiduciary net position was projected to be available to make all projected future benefit payments of current plan members through June 30, 2060 and June 30, 2061 respectively. Beginning in fiscal year ended June 30, 2061 for the Police and Fire Fund and June 30, 2062. Benefit payments projected after were discounted at the municipal bond rate of 3.69 percent (based on the weekly rate closest to but not later than the measurement date of the Fidelity "20-Year Municipal GO AA Index"). The resulting equivalent single discount rate of 5.40 percent for the Police and Fire Fund was determined to give approximately the same present value of projected benefits when applied to all years of projected benefits as the present value of projected benefits using 6.5 percent applied to all years of projected benefits through the point of asset depletion and 3.69 percent thereafter.

G. Pension Liability Sensitivity

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

	City Proportionate Share of NPL		
	1 Percent Decrease (5.50%)	Current (6.50%)	1 Percent Increase (7.50%)
General Employees Fund	\$ 16,587,443	\$ 1,520,646	\$ 4,725,098
	1 Percent Decrease (4.40%)	Current (5.40%)	1 Percent Increase (6.40%)
Police and Fire Fund	\$ 276,595	\$ 182,767	\$ 106,913

H. Pension Plan Fiduciary Net Position

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

City of East Bethel, Minnesota
Notes to the Financial Statements
December 31, 2022

Note 5: Defined Benefit Pension Plans - Fire Relief Association

A. Plan Description

All members of the East Bethel Department (the Department) are covered by a defined benefit plan administered by the East Bethel Fire Relief Association (the Association). As of December 31, 2020, the plan covered 36 active firefighters and 3 vested terminated fire fighters whose pension benefits are deferred. The plan is a single employer retirement plan and is established and administered in accordance with Minnesota statute, chapter 69.

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.

B. Benefits Provided

A fire fighter who completes at least 20 years as an active member of the Department is entitled, after age 50 to 100 percent of the pension amount.

The bylaws of the Association also provide for an early vested service pension for a retiring member who has completed a minimum of 10 years of service. The plan assumed 50% of active members will retire when reaching retirement eligibility (later of age 50 and 20 years of service); then 50% retire each subsequent year until 100% retirement at the earlier of age 65 or 30 years of service.

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 State of Minnesota contributed \$79,697 in fire state aid to the plan on behalf of the Department for the year ended December 31, 2022, which was recorded as a revenue. Required employer contributions are calculated annually based on statutory provisions. The City had no statutorily-required contribution to the plan for the year ended December 31, 2022. The City made a \$14,000 voluntary contribution to the plan. Furthermore, the firefighter has no obligation to contribute to the plan.

City of East Bethel, Minnesota
Notes to the Financial Statements
December 31, 2022

Note 5: Defined Benefit Pension Plans - Fire Relief Association Continued)

D. Pension Costs

At December 31, 2021, the City reported a net pension asset of 823,953 for the plan. The net pension asset was measured as of December 31, 2021. The total pension liability used to calculate the net pension asset in accordance with GASB 68 was determined by Van Iwaarden Associates applying an actuarial formula to specific census data certified by the Department as of December 31, 2020. The following table presents the changes in net pension liability (asset) during the year.

	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (Asset) (a-b)
Beginning Balance January 1, 2021	\$ 1,799,675	\$ 2,605,684	\$ (806,009)
Changes for the Year			
Service cost	75,279	-	75,279
Interest on pension liability (asset)	116,286	-	116,286
Differences between expected and actual experience	(44,191)	-	(44,191)
Changes of assumptions	43,544	-	43,544
Changes in benefit terms	147,940	-	147,940
Contributions (employer)	-	-	-
Contributions (State)	-	90,326	(90,326)
Net investment income	-	282,876	(282,876)
Benefit payouts	(28,744)	(28,744)	-
Administrative costs	-	(7,400)	7,400
Total Net Changes	<u>310,114</u>	<u>337,058</u>	<u>(26,944)</u>
Ending Balance December 31, 2021	<u>\$ 2,109,789</u>	<u>\$ 2,942,742</u>	<u>\$ (832,953)</u>

For the year ended December 31, 2022, the City recognized pension expense of \$290,419.

At December 31, 2022, the City reported its deferred outflows of resources and deferred inflows of resources, and its contributions subsequent to the measurement date, to the plan from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Experience	\$ -	\$ 112,349
Changes in Actuarial Assumptions	105,349	12,824
Net Difference Between Projected and Actual Earnings on Plan Investments	-	229,122
State aid to City subsequent to the measurement date	<u>93,697</u>	<u>-</u>
Total	<u>\$ 199,046</u>	<u>\$ 354,295</u>

City of East Bethel, Minnesota
Notes to the Financial Statements
December 31, 2022

Note 5: Defined Benefit Pension Plans - Fire Relief Association (Continued)

Deferred outflows of resources totaling \$93,697 related to pensions resulting from the City's contributions to the plan subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2023. Other amounts reported as deferred outflows of resources related to the plan will be recognized in pension expense as follows:

2023	(60,726)
2024	(105,762)
2025	(60,801)
2026	(26,693)
2027	2,114
Thereafter	2,922

E. Actuarial Assumptions

The total pension liability at December 31, 2022 was determined using the entry age normal actuarial cost method and the following actuarial assumptions:

Discount Rate	5.50%
Cost of Living Increases	2.25%
Investment Rate of Return	5.50%

In 2021, there were no changes to actuarial assumptions.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best estimates for expected future real rates of return (expected returns, net of inflation) were developed for each asset class using the plan's target investment allocation along with long-term return expectations by asset class. Inflation expectations were applied to derive the nominal rate of return for the portfolio.

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	53.00 %	4.42 %
International Equity	17.00	4.91
Fixed Income	26.00	1.00
Real Estate and Alternatives	-	3.98
Cash and Equivalents	4.00	(0.33)
Total	100.00 %	

F. Discount Rate

The discount rate used to measure the total pension liability was 5.50 percent. 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.

City of East Bethel, Minnesota
Notes to the Financial Statements
December 31, 2022

Note 5: Defined Benefit Pension Plans - Fire Relief Association (Continued)

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 percent lower or 1 percent higher than the current discount rate:

	1 Percent Decrease (4.5%)	Current (5.5%)	1 Percent Increase (6.5%)
Defined Benefit Plan	\$ (784,476)	(\$832,953)	\$ (879,900)

H. Pension Plan Fiduciary Net Position

The Association issues a publicly available financial report. The report may be obtained by writing to the East Bethel Fire Relief Association, 2241 221st Ave NE, East Bethel, MN 55011.

Note 6: Other Information

A. Risk Management

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. Workers compensation coverage is provided through a pooled self-insurance program through the League of Minnesota Cities Insurance Trust (LMCIT). The City pays an annual premium to the LMCIT. The City is subject to supplemental assessments if deemed necessary by the LMCIT. The LMCIT reinsures through Workers Compensation Reinsurance Association (WCRA) as required by law. For workers compensation, the City has no deductible. The City has selected the regular premium option for its coverage. Under this option, the City’s premium is calculated based on City payroll, by class. The premium is adjusted by an experience modification factor, which reflects the City’s previous loss experience. This option is a “fully insured” option; premium payments are the City’s only liability. Property, casualty, and automobile insurance coverage are also provided through a pooled self-insurance program through the LMCIT. The City pays an annual premium to the LMCIT. The City is subject to supplemental assessments if deemed necessary by the LMCIT. The LMCIT reinsures through commercial companies for claims in excess of various amounts. The City retains risk for the deductible portions. These deductibles are considered immaterial to the financial statements. The City continues to carry commercial insurance for all other risks of loss, including employee health and disability insurance. 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.

B. Federal and State Funds

The City receives financial assistance from county and state governmental agencies primarily in the form of grants. The disbursement of funds received under these programs generally requires compliance with the terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the applicable fund. However, in the opinion of management, any such disallowed claims will not have a material effect on any of the financial statements included herein or on the overall financial position of the City at December 31, 2022.

C. Tax Increment Districts

The City’s tax increment districts are subject to review by the State of Minnesota Office of the State Auditor (OSA). Any disallowed claims or misuse of tax increments could become a liability of the applicable fund. Management has indicated that they are not aware of any instances of noncompliance which could have a material effect on the financial statements.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF EAST BETHEL
EAST BETHEL, MINNESOTA

FOR THE YEAR ENDED
DECEMBER 31, 2022

City of East Bethel, Minnesota
Required Supplementary Information
For the Year Ended December 31, 2022

Schedule of Employer's Share of PERA Net Pension Liability - General Employees Fund

Fiscal Year Ending	City's Proportion of the Net Pension Liability	City's Proportionate Share of the Net Pension Liability (a)	State's Proportionate Share of the Net Pension Liability Associated with the City (b)	Total (a+b)	City's Covered Payroll (c)	City's Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll (a/c)	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
06/30/22	0.0192 %	\$ 1,520,646	\$ 44,665	\$ 1,565,311	\$ 1,441,481	105.5 %	- %
06/30/21	0.0184	785,762	23,917	809,679	1,321,531	59.5	87.0
06/30/19	0.0189	1,133,141	34,794	1,167,935	1,345,557	84.2	79.0
06/30/18	0.0185	1,022,824	31,832	1,054,656	1,308,728	78.2	80.2
06/30/17	0.0188	1,042,947	34,181	1,077,128	1,261,833	82.7	79.5
06/30/16	0.0187	1,193,796	15,026	1,208,822	1,205,930	99.0	75.9
06/30/15	0.0196	1,591,423	20,831	1,612,254	1,217,428	130.7	68.9
06/30/14	0.0188	974,314	-	974,314	570,114	170.9	78.2

Note: Schedule is intended to show 10-year trend. Additional years will be reported as they become available.

Schedule of Employer's PERA Contributions - General Employees Fund

Year Ending	Statutorily Required Contribution (a)	Contributions in Relation to the Statutorily Required Contribution (b)	Contribution Deficiency (Excess) (a-b)	City's Covered Payroll (c)	Contributions as a Percentage of Covered Payroll (b/c)
12/31/22	\$ 109,944	\$ 109,944	\$ -	\$ 1,465,920	7.5 %
12/31/21	104,216	104,216	-	1,389,547	7.5
12/31/20	99,650	99,650	-	1,328,667	7.5
12/31/19	100,563	100,563	-	1,340,840	7.5
12/31/18	95,295	95,295	-	1,270,600	7.5
12/31/17	91,668	91,668	-	1,222,240	7.5
12/31/16	90,070	90,070	-	1,200,933	7.5
12/31/15	89,225	89,225	-	1,189,667	7.5

Note: Schedule is intended to show 10-year trend. Additional years will be reported as they become available.

City of East Bethel, Minnesota
Required Supplementary Information (Continued)
For the Year Ended December 31, 2022

Notes to the Required Supplementary Information - General Employees Fund

Changes in Actuarial Assumptions

2022 - The mortality improvement scale was changed from Scale MP-2020 to Scale MP-2021.

2021 - The investment return and single discount rates were changed from 7.50 percent to 6.50 percent, for financial reporting purposes. The mortality improvement scale was changed from Scale MP-2019 to Scale MP-2020.

2020 - 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.

2019 - The mortality projection scale was changed from MP-2017 to MP-2018.

2018 - The mortality projection scale was changed from MP-2015 to MP-2017. The assumed benefit increase was changed from 1.00 percent per year through 2044 and 2.50 percent per year thereafter to 1.25 percent per year.

2017 - The Combined Service Annuity (CSA) loads were changed from 0.8 percent for active members and 60 percent for vested and non-vested deferred members. The revised CSA loads are now 0.0 percent for active member liability, 15.0 percent for vested deferred member liability and 3.0 percent for non-vested deferred member liability. The assumed post-retirement benefit increase rate was changed from 1.0 percent per year for all years to 1.0 percent per year through 2044 and 2.5 percent per year thereafter.

2016 - The assumed post-retirement benefit increase rate was changed from 1.0 percent per year through 2035 and 2.5 percent per year thereafter to 1.0 percent per year for all future years. The assumed investment return was changed from 7.9 percent to 7.5 percent. The single discount rate was changed from 7.9 percent to 7.5 percent. Other assumptions were changed pursuant to the experience study dated June 30, 2015. The assumed future salary increases, payroll growth and inflation were decreased by 0.25 percent to 3.25 percent for payroll growth and 2.50 percent for inflation.

2015 - The assumed post-retirement benefit increase rate was changed from 1.0 percent per year through 2030 and 2.5 percent per year thereafter to 1.0 percent per year through 2035 and 2.5 percent per year thereafter.

City of East Bethel, Minnesota
Required Supplementary Information (Continued)
For the Year Ended December 31, 2022

Notes to the Required Supplementary Information - General Employees Fund (Continued)

Changes in Plan Provisions

2022 - There were no changes in plan provisions since the previous valuation.

2021 - There were no changes in plan provisions since the previous valuation.

2020 - 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 - 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 - 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 percent to 3.00 percent, beginning July 1, 2018. Deferred augmentation was changed to 0.00 percent, 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 percent per year with a provision to increase to 2.50 percent upon attainment of 90.00 percent funding ratio to 50.00 percent of the Social Security Cost of Living Adjustment, not less than 1.00 percent and not more than 1.50 percent, 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 - 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 - There were no changes in plan provisions since the previous valuation.

2015 - On January 1, 2015, the Minneapolis Employees Retirement Fund was merged into the General Employees Fund, which increased the total pension liability by \$1.1 billion and increased the fiduciary plan net position by \$892 million. Upon consolidation, state and employer contributions were revised.

City of East Bethel, Minnesota
 Required Supplementary Information (Continued)
 For the Year Ended December 31, 2022

Schedule of Employer's Share of PERA Net Pension Liability - General Employees Fund

Fiscal Year Ending	City's Proportion of the Net Pension Liability	City's Proportionate Share of the Net Pension Liability (a)	State's Proportionate Share of the Net Pension Liability Associated with the City (b)	Total (a+b)	City's Covered Payroll (c)	City's Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll (a/c)	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
06/30/22	0.0042 %	182,767	\$ 8,014	\$ 190,781	\$ 50,677	360.7 %	17.7 %

Note: Schedule is intended to show 10-year trend. Additional years will be reported as they become available.

Schedule of Employer's PERA Contributions - General Employees Fund

Year Ending	Statutorily Required Contribution (a)	Contributions in Relation to the Statutorily Required Contribution (b)	Contribution Deficiency (Excess) (a-b)	City's Covered Payroll (c)	Contributions as a Percentage of Covered Payroll (b/c)
12/31/22	\$ 15,972	\$ 15,972	\$ -	\$ 90,238	17.7 %
12/31/21	2,509	2,509	-	14,173	17.7

Note: Schedule is intended to show 10-year trend. Additional years will be reported as they become available.

Notes to the Required Supplementary Information –Police and Fire Fund

Changes in Actuarial Assumptions

2022 - The mortality improvement scale was changed from Scale MP-2020 to Scale MP-2021. The single discount rate changed from 6.50 percent to 5.40 percent.

2021 - The investment return and single discount rates were changed from 7.50 percent to 6.50 percent, for financial reporting purposes. The inflation assumption was changed from 2.50 percent to 2.25 percent. The payroll growth assumption was changed from 3.25 percent to 3.00 percent. 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 percent to 70 percent. Minor changes to form of payment assumptions were applied.

City of East Bethel, Minnesota
Required Supplementary Information (Continued)
For the Year Ended December 31, 2022

Notes to the Required Supplementary Information –Police and Fire Fund (Continued)

Changes in Plan Provisions

2022 - There were no changes in plan provisions since the previous valuation.

2021 - There were no changes in plan provisions since the previous valuation.

Schedule of Changes in the Fire Relief Association's Net Pension Liability (Asset) and Related Ratios

	2022 (Fire Relief Report Date 2021)	2021 (Fire Relief Report Date 2020)**	2020 (Fire Relief Report Date 2020)	2019 (Fire Relief Report Date 2019)	2018 (Fire Relief Report Date 2018)	2017 (Fire Relief Report Date 2017)	2016 (Fire Relief Report Date 2016)	2015 (Fire Relief Report Date 2015)
Total Pension Liability								
Service cost	\$ 75,279	\$ 73,443	\$ 73,443	\$ 56,538	\$ 56,769	\$ 59,100	\$ 68,319	\$ 62,875
Interest on pension liability (asset)	116,286	105,863	105,863	103,017	94,644	94,271	84,026	81,913
Changes of benefit terms	147,940	-	-	-	-	37,036	9,614	-
Differences between expected and actual experience	(44,191)	-	-	(72,989)	-	(54,839)	-	-
Changes of assumptions	43,544	-	-	93,619	(7,477)	6,807	(29,843)	-
Changes of benefit terms				37,639	-	-	-	-
Benefit payments	(28,744)	-	-	(134,176)	(13,000)	(148,200)	(227,000)	-
Net Change in Total Pension Liability	310,114	179,306	179,306	83,648	130,936	(5,825)	(94,884)	144,788
Total Pension Liability - January 1	1,799,675	1,620,369	1,620,369	1,536,721	1,405,785	1,411,610	1,506,494	1,361,706
Total Pension Liability - December 31 (a)	\$ 2,109,789	\$ 1,799,675	\$ 1,799,675	\$ 1,620,369	\$ 1,536,721	\$ 1,405,785	\$ 1,411,610	\$ 1,506,494
Plan Fiduciary Net Position								
Employer contributions	\$ 14,000	\$ 14,000	\$ 14,000	\$ 14,000	\$ 14,000	\$ 14,000	\$ 14,000	\$ 14,000
Nonemployer contributions	76,326	70,632	70,632	69,203	64,229	62,446	62,370	59,194
Projected investment return	282,876	291,124	291,124	348,776	(95,247)	247,596	119,082	(9,494)
Benefit payments	(28,744)	-	-	(134,176)	(13,000)	(148,200)	(227,000)	-
Administrative expenses	(7,400)	(8,378)	(8,378)	(6,908)	(8,170)	(7,075)	(8,800)	(4,575)
Net Change in Plan Fiduciary Net Position	337,058	367,378	367,378	290,895	(38,188)	168,767	(40,348)	59,125
Plan Fiduciary Net Position - January 1	2,605,684	2,238,306	2,238,306	1,947,411	1,985,599	1,816,832	1,857,180	1,798,055
Plan Fiduciary Net Position - December 31 (b)	\$ 2,942,742	\$ 2,605,684	\$ 2,605,684	\$ 2,238,306	\$ 1,947,411	\$ 1,985,599	\$ 1,816,832	\$ 1,857,180
Fire Relief's Net Pension Liability (Asset) - December 31 (a-b)	\$ (832,953)	\$ (806,009)	\$ (806,009)	\$ (617,937)	\$ (410,690)	\$ (579,814)	\$ (405,222)	\$ (350,686)
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability (b/a)	139.48%	144.79%	144.79%	138.14%	126.73%	141.24%	128.71%	123.28%
Covered-employee Payroll	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Fire Relief's Net Pension Liability (Asset) as a Percentage of Covered-employee Payroll	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A

Notes to Schedule:

Benefit Changes: No benefit changes were made in 2022.

2021 There were no benefit changes in 2021.

2020 There were no benefit changes in 2020.

Changes of Assumptions.

2021 The expected investment return and discount rate decreased from 6.25% to 5.5% to reflect updated capital market conditions.

The disability, mortality and withdrawal assumptions were updated from the rates used in the July 1, 2020 Minnesota

PERA Police & Fire Plan actuarial valuation to the rates used in the July 1, 2021 Minnesota PERA Police & Fire Plan actuarial valuation.

The inflation assumption decreased from 2.5% to 2.25%.

2020 The index rate for 20-year, tax exempt municipal bonds decreased from 2.75% to 2.00% in 2020.

** City elected the lookback method in reporting the fire relief pension in 2021 and going forward.

Note: Schedule is intended to show 10-year trend. Additional years will be reported as they become available

City of East Bethel, Minnesota
 Required Supplementary Information (Continued)
 For the Year Ended December 31, 2022

Schedule of Employer's Fire Relief Association Contributions

Year Ending	Actuarial Determined Contribution (a)	Actual Contributions Paid (b)	Contribution Deficiency (Excess) (a-b)
12/31/22	\$ 79,697	\$ 93,697	\$ (14,000)
12/31/21	75,327	89,327	(14,000)
12/31/20	70,632	84,632	(14,000)
12/31/19	69,203	83,203	(14,000)
12/31/18	64,229	78,229	(14,000)
12/31/17	62,446	76,446	(14,000)
12/31/16	62,370	76,370	(14,000)
12/31/15	59,194	73,194	(14,000)
12/31/14	55,354	69,354	(14,000)

Note: Schedule is intended to show 10-year trend. Additional years will be reported as they become available

Changes in actuarial assumptions

2022 – The expected investment return and discount rate decreased from 6.25% to 5.5% to reflect updated capital market assumptions. The disability, mortality and withdrawal assumptions were updated from the rates used in the July 1, 2020 Minnesota PERA Police & Fire Plan actuarial valuation to the rates used in the July 1, 2021 Minnesota PERA Police & Fire Plan actuarial valuation. The inflation assumption decreased from 2.50% to 2.25%.

2021 - The investment return and single discount rates were changed from 7.50 percent to 6.50 percent, for financial reporting purposes. The inflation assumption was changed from 2.50 percent to 2.25 percent. The payroll growth assumption was changed from 3.25 percent to 3.00 percent. 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 percent to 70 percent. Minor changes to form of payment assumptions were applied.

2020 - The mortality projection scale was changed from MP-2018 to MP-2019.

2019 - The mortality projection scale was changed from MP-2017 to MP-2018.

2018 - The mortality projection scale was changed from MP-2016 to MP-2017.

City of East Bethel, Minnesota
Required Supplementary Information (Continued)
For the Year Ended December 31, 2022

Schedule of Employer's Fire Relief Association Contributions (Continued)

2017 - Assumed salary increases were changed as recommended in the June 30, 2016 experience study. The net effect is proposed rates that average 0.34 percent lower than the previous rates. Assumed rates of retirement were changed, resulting in fewer retirements. The Combined Service Annuity (CSA) load was 30 percent for vested and non-vested deferred members. The CSA has been changed to 33 percent for vested members and 2 percent for non-vested members. The base mortality table for healthy annuitants was changed from the RP-2000 fully generational table to the RP-2014 fully generational table (with a base year of 2006), with male rates adjusted by a factor of 0.96. The mortality improvement scale was changed from Scale AA to Scale MP-2016. The base mortality table for disabled annuitants was changed from the RP-2000 disabled mortality table to the mortality tables assumed for healthy retirees. Assumed termination rates were decreased to 3.0 percent 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 percent to 60 percent. Assumed age difference was changed from separate assumptions for male members (wives assumed to be three years younger) and female members (husbands assumed to be four years older) to the assumption that males are two years older than females. The assumed percentage of female members electing joint and survivor annuities was increased. The assumed post-retirement benefit increase rate was changed from 1.00 percent for all years to 1.00 percent per year through 2064 and 2.50 percent thereafter. The single discount rate was changed from 5.6 percent to 7.5 percent.

2016 - The assumed post-retirement benefit increase rate was changed from 1.0 percent per year through 2037 and 2.5 percent per year thereafter to 1.0 percent per year for all future years. The assumed investment return was changed from 7.9 percent to 7.5 percent. The single discount rate was changed from 7.9 percent to 5.6 percent. The assumed future salary increases, payroll growth and inflation were decreased by 0.25 percent to 3.25 percent for payroll growth and 2.50 percent for inflation.

2015 - The assumed post-retirement benefit increase rate was changed from 1.0 percent per year through 2030 and 2.5 percent per year thereafter to 1.0 percent per year through 2037 and 2.5 percent per year thereafter.

Changes in plan provisions

2021 – There were no changes in plan provisions since the previous valuation.

2020 – There were no changes in plan provisions since the previous valuation.

2019 – There were no changes in plan provisions since the previous valuation.

2018 - As set by statute, the assumed post-retirement benefit increase was changed from 1.0 percent per year through 2064 and 2.5 percent per year, thereafter, to 1.0 percent 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 percent funding, or July 1, 2048, if earlier. Member contributions were changed from 10.80 percent to 11.30 percent of pay, effective January 1, 2019 and 11.80 percent of pay, effective January 1, 2020. Employer contributions were changed from 16.20 percent to 16.95 percent of pay, effective January 1, 2019 and 17.70 percent of pay, effective January 1, 2020. Interest credited on member contributions decreased from 4.00 percent to 3.00 percent, beginning July 1, 2018. Deferred augmentation was changed to 0.00 percent, effective January 1, 2019. Augmentation that has already accrued for deferred members will still apply. Actuarial equivalent factors were updated to reflect revised mortality and interest assumptions.

City of East Bethel, Minnesota
Required Supplementary Information (Continued)
For the Year Ended December 31, 2022

Schedule of Employer's Fire Relief Association Contributions (Continued)

2017- Assumed salary increases were changed as recommended in the June 30, 2016 experience study. The net effect is proposed rates that average 0.34 percent lower than the previous rates. Assumed rates of retirement were changed, resulting in fewer retirements. The combined service annuity (CSA) load was 30.00 percent for vested and non-vested, deferred members. The CSA has been changed to 33.00 percent for vested members and 2.00 percent for non-vested members. The base mortality table for healthy annuitants was changed from the RP-2000 fully generational table to the RP-2014 fully generational table (with a base year of 2006), with male rates adjusted by a factor of 0.96. The mortality improvement scale was changed from Scale AA to Scale MP-2016. The base mortality table for disabled annuitants was changed from the RP-2000 disabled mortality table to the mortality tables assumed for healthy retirees. Assumed termination rates were decreased to 3.00 percent 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 percent to 60.00 percent. 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 percent for all years to 1.00 percent per year through 2064 and 2.50 percent thereafter. The single discount rate was changed from 5.60 percent per annum to 7.50 percent per annum.

2016 – There were no changes in plan provisions since the previous valuation.

2015 - The post-retirement benefit increase to be paid after attainment of the 90 percent funding threshold was changed, from inflation up to 2.5 percent, to a fixed rate of 2.5 percent.

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COMBINING AND INDIVIDUAL FUND
FINANCIAL STATEMENTS AND SCHEDULES

CITY OF EAST BETHEL
EAST BETHEL, MINNESOTA

FOR THE YEAR ENDED
DECEMBER 31, 2022

City of East Bethel, Minnesota
 Nonmajor Governmental Funds
 Combining Balance Sheet
 December 31, 2022

	Special Revenue	Capital Projects	Total
Assets			
Cash and investments	\$ 269,369	\$ 1,026,508	\$ 1,295,877
Receivables			
Taxes	7,068	2,261	9,329
Due from other governments	39,580	-	39,580
Total Assets	\$ 316,017	\$ 1,028,769	\$ 1,344,786
Liabilities			
Accounts and contracts payable	\$ 1,181	\$ 400	\$ 1,581
Due to other funds	-	15,758	15,758
Total Liabilities	1,181	16,158	17,339
Deferred Inflows of Resources			
Unavailable revenue - property taxes	2,366	-	2,366
Fund Balances			
Restricted	312,470	364,727	677,197
Assigned	-	663,642	663,642
Unassigned	-	(15,758)	(15,758)
Total Fund Balances	312,470	1,012,611	1,325,081
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$ 316,017	\$ 1,028,769	\$ 1,344,786

City of East Bethel, Minnesota
 Nonmajor Governmental Funds
 Combining Statement of Revenues, Expenditures and
 Changes in Fund Balance
 For the Year Ended December 31, 2022

	Special Revenue	Capital Projects	Total
Revenues			
Taxes	\$ 213,001	\$ 277,189	\$ 490,190
Intergovernmental	132,841	-	132,841
Charges for services	-	20,880	20,880
Interest on investments	1,788	10,302	12,090
Miscellaneous	2,593	-	2,593
Total Revenues	<u>350,223</u>	<u>308,371</u>	<u>658,594</u>
Expenditures			
Current			
General government	-	9,516	9,516
Public works	51,607	58,200	109,807
Housing and economic development	219,450	-	219,450
Capital outlay			
Public works	-	18,507	18,507
Culture and recreation	-	66,949	66,949
Housing and economic development	-	97,442	97,442
Total Expenditures	<u>271,057</u>	<u>250,614</u>	<u>521,671</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	79,166	57,757	136,923
Other Financing Sources (Uses)			
Transfers in	-	145,000	145,000
Net Changes in Fund Balances	79,166	202,757	281,923
Fund Balance, January 1	<u>233,304</u>	<u>809,854</u>	<u>1,043,158</u>
Fund Balance, December 31	<u>\$ 312,470</u>	<u>\$ 1,012,611</u>	<u>\$ 1,325,081</u>

City of East Bethel, Minnesota
 Nonmajor Special Revenue Funds
 Combining Balance Sheet
 December 31, 2022

	226 Recycling	230 HRA	232 EDA	Total
Assets				
Cash and investments	\$ 7,359	\$ 183,836	\$ 78,174	\$ 269,369
Receivables				
Taxes	-	2,365	4,703	7,068
Due from other governments	39,580	-	-	39,580
Total Assets	<u>\$ 46,939</u>	<u>\$ 186,201</u>	<u>\$ 82,877</u>	<u>\$ 316,017</u>
Liabilities				
Accounts payable	\$ 661	\$ -	\$ 520	\$ 1,181
Deferred Inflows of Resources				
Unavailable revenue - property taxes	-	668	1,698	2,366
Fund Balances				
Restricted	46,278	185,533	80,659	312,470
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 46,939</u>	<u>\$ 186,201</u>	<u>\$ 82,877</u>	<u>\$ 316,017</u>

City of East Bethel, Minnesota
 Nonmajor Special Revenue Funds
 Combining Statement of Revenues,
 Expenditures and Changes in Fund Balances
 For the Year Ended December 31, 2022

	226 Recycling	230 HRA	232 EDA	Total
Revenues				
Taxes	\$ -	\$ 76,981	\$ 136,020	\$ 213,001
Intergovernmental	73,407	-	59,434	132,841
Interest on investments	117	1,521	150	1,788
Miscellaneous	2,593	-	-	2,593
Total Revenues	<u>76,117</u>	<u>78,502</u>	<u>195,604</u>	<u>350,223</u>
Expenditures				
Current				
Public works	51,607	-	-	51,607
Housing and economic development	-	30,000	189,450	219,450
Total Expenditures	<u>51,607</u>	<u>30,000</u>	<u>189,450</u>	<u>271,057</u>
Net Change in Fund Balances	24,510	48,502	6,154	79,166
Fund Balances, January 1	<u>21,768</u>	<u>137,031</u>	<u>74,505</u>	<u>233,304</u>
Fund Balances, December 31	<u>\$ 46,278</u>	<u>\$ 185,533</u>	<u>\$ 80,659</u>	<u>\$ 312,470</u>

City of East Bethel, Minnesota
 Special Revenue Fund - Recycling Fund
 Schedule of Revenues, Expenditures and Changes in Fund Balances -
 Budget and Actual
 For the Year Ended December 31, 2022
 (With Comparative Totals for the Year Ended December 31, 2021)

	2022				2021
	Budgeted Amounts		Actual Amounts	Variance with Final Budget	Actual Amounts
	Original	Final			
Revenues					
Intergovernmental	\$ 65,000	\$ 65,000	\$ 73,407	\$ 8,407	\$ 66,688
Interest on investments	100	100	117	17	-
Miscellaneous	2,000	2,000	2,593	593	3,869
Total Revenues	<u>67,100</u>	<u>67,100</u>	<u>76,117</u>	<u>9,017</u>	<u>70,557</u>
Expenditures					
Current					
Public works	<u>66,100</u>	<u>66,100</u>	<u>51,607</u>	<u>14,493</u>	<u>54,150</u>
Net Change in Fund Balances	1,000	1,000	24,510	23,510	16,407
Fund Balances, January 1	<u>21,768</u>	<u>21,768</u>	<u>21,768</u>	<u>-</u>	<u>5,361</u>
Fund Balances, December 31	<u>\$ 22,768</u>	<u>\$ 22,768</u>	<u>\$ 46,278</u>	<u>\$ 23,510</u>	<u>\$ 21,768</u>

City of East Bethel, Minnesota
 Special Revenue Fund - HRA Fund
 Schedule of Revenues, Expenditures and Changes in Fund Balances -
 Budget and Actual
 For the Year Ended December 31, 2022
 (With Comparative Totals for the Year Ended December 31, 2021)

	2022				2021
	Budgeted Amounts		Actual Amounts	Variance with Final Budget	Actual Amounts
	Original	Final			
Revenues					
Property taxes	\$ 77,000	\$ 77,000	\$ 76,981	\$ (19)	\$ 69,775
Interest on investments	1,000	1,000	1,521	521	115
Total Revenues	<u>78,000</u>	<u>78,000</u>	<u>78,502</u>	<u>502</u>	<u>69,890</u>
Expenditures					
Current					
Housing and economic development	<u>30,500</u>	<u>30,500</u>	<u>30,000</u>	<u>500</u>	<u>30,000</u>
Net Change in Fund Balances	47,500	47,500	48,502	1,002	39,890
Fund Balances, January 1	<u>137,031</u>	<u>137,031</u>	<u>137,031</u>	<u>-</u>	<u>97,141</u>
Fund Balances, December 31	<u>\$ 184,531</u>	<u>\$ 184,531</u>	<u>\$ 185,533</u>	<u>\$ 1,002</u>	<u>\$ 137,031</u>

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City of East Bethel, Minnesota
 Special Revenue Fund - EDA Fund
 Schedule of Revenues, Expenditures and Changes in Fund Balances -
 Budget and Actual
 For the Year Ended December 31, 2022
 (With Comparative Totals for the Year Ended December 31, 2021)

	2022				2021
	Budgeted Amounts		Actual Amounts	Variance with Final Budget	Actual Amounts
	Original	Final			
Revenues					
Property taxes	\$ 136,200	\$ 136,200	\$ 136,020	\$ (180)	\$ 121,925
Intergovernmental	-	-	59,434	59,434	-
Interest on investments	1,000	1,000	150	(850)	22
Total Revenues	<u>137,200</u>	<u>137,200</u>	<u>195,604</u>	<u>58,404</u>	<u>121,947</u>
Expenditures					
Current					
Housing and economic development	<u>130,200</u>	<u>130,200</u>	<u>189,450</u>	<u>(59,250)</u>	<u>131,278</u>
Net Change in Fund Balances	7,000	7,000	6,154	(846)	(9,331)
Fund Balances, January 1	<u>74,505</u>	<u>74,505</u>	<u>74,505</u>	<u>-</u>	<u>83,836</u>
Fund Balances, December 31	<u>\$ 81,505</u>	<u>\$ 81,505</u>	<u>\$ 80,659</u>	<u>\$ (846)</u>	<u>\$ 74,505</u>

City of East Bethel, Minnesota
 Nonmajor Capital Projects Funds
 Combining Balance Sheet
 December 31, 2022

	402	404	411	407
	Municipal State Aid Street Improvement	Park Acquisition	Minard Street	Park Capital
Assets				
Cash and investments	\$ 11,785	\$ 8,554	\$ 118,833	\$ 136,949
Receivables				
Taxes	-	-	-	-
Total Assets	<u>\$ 11,785</u>	<u>\$ 8,554</u>	<u>\$ 118,833</u>	<u>\$ 136,949</u>
Liabilities				
Accounts and contracts payable	\$ 400	\$ -	\$ -	\$ -
Due to other funds	-	-	-	-
Total Liabilities	<u>400</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund Balances				
Restricted	11,385	8,554	-	-
Assigned	-	-	118,833	136,949
Unassigned	-	-	-	-
Total Fund Balances	<u>11,385</u>	<u>8,554</u>	<u>118,833</u>	<u>136,949</u>
Total Liabilities and Fund Balance	<u>\$ 11,785</u>	<u>\$ 8,554</u>	<u>\$ 118,833</u>	<u>\$ 136,949</u>

401	436	437	438	439	
Building	TIF No. 1-2	TIF No. 1-3	TIF No. 1-4	TIF No. 1-5	Total
\$ 407,860	\$ 203,214	\$ 127,779	\$ 11,534	\$ -	\$ 1,026,508
-	2,261	-	-	-	2,261
<u>\$ 407,860</u>	<u>\$ 205,475</u>	<u>\$ 127,779</u>	<u>\$ 11,534</u>	<u>\$ -</u>	<u>\$ 1,028,769</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 400
-	-	-	-	15,758	15,758
-	-	-	-	15,758	16,158
-	205,475	127,779	11,534	-	364,727
407,860	-	-	-	-	663,642
-	-	-	-	(15,758)	(15,758)
<u>407,860</u>	<u>205,475</u>	<u>127,779</u>	<u>11,534</u>	<u>(15,758)</u>	<u>1,012,611</u>
<u>\$ 407,860</u>	<u>\$ 205,475</u>	<u>\$ 127,779</u>	<u>\$ 11,534</u>	<u>\$ -</u>	<u>\$ 1,028,769</u>

City of East Bethel, Minnesota
 Nonmajor Capital Projects Funds
 Combining Statement of Revenues,
 Expenditures and Changes in Fund Balances
 For the Year Ended December 31, 2022

	402	404	411	407
	Municipal State Aid Street Improvement	Park Acquisition	Minard Street	Park Capital
Revenues				
Taxes	\$ -	\$ -	\$ -	\$ -
Charges for services	-	18,880	2,000	-
Interest on investments	292	122	1,255	1,718
Total Revenues	<u>292</u>	<u>19,002</u>	<u>3,255</u>	<u>1,718</u>
Expenditures				
General government	-	-	-	-
Public works	-	58,200	-	-
Capital outlay				
Public works	18,507	-	-	-
Culture and recreation	-	3,493	-	63,456
Housing and economic development	-	-	-	-
Total Expenditures	<u>18,507</u>	<u>61,693</u>	<u>-</u>	<u>63,456</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(18,215)	(42,691)	3,255	(61,738)
Other Financing Sources				
Transfers in	-	-	-	95,000
Net Change in Fund Balances	(18,215)	(42,691)	3,255	33,262
Fund Balances, January 1	<u>29,600</u>	<u>51,245</u>	<u>115,578</u>	<u>103,687</u>
Fund Balances, December 31	<u>\$ 11,385</u>	<u>\$ 8,554</u>	<u>\$ 118,833</u>	<u>\$ 136,949</u>

401	436	437	438	439	
Building	TIF No. 1-2	TIF No. 1-3	TIF No. 1-4	TIF No. 1-5	Total
\$ -	\$ 111,299	\$ 70,839	\$ 95,051	\$ -	\$ 277,189
-	-	-	-	-	20,880
4,396	1,503	933	83	-	10,302
<u>4,396</u>	<u>112,802</u>	<u>71,772</u>	<u>95,134</u>	<u>-</u>	<u>308,371</u>
9,516	-	-	-	-	9,516
-	-	-	-	-	58,200
-	-	-	-	-	18,507
-	-	-	-	-	66,949
-	1,380	2,487	88,417	5,158	97,442
<u>9,516</u>	<u>1,380</u>	<u>2,487</u>	<u>88,417</u>	<u>5,158</u>	<u>250,614</u>
(5,120)	111,422	69,285	6,717	(5,158)	57,757
50,000	-	-	-	-	145,000
44,880	111,422	69,285	6,717	(5,158)	202,757
<u>362,980</u>	<u>94,053</u>	<u>58,494</u>	<u>4,817</u>	<u>(10,600)</u>	<u>809,854</u>
<u>\$ 407,860</u>	<u>\$ 205,475</u>	<u>\$ 127,779</u>	<u>\$ 11,534</u>	<u>\$ (15,758)</u>	<u>\$ 1,012,611</u>

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City of East Bethel, Minnesota
General Fund
Schedule of Revenues, Expenditures and Changes in Fund Balances -
Budget and Actual (Continued on the Following Pages)
For the Year Ended December 31, 2022
(With Comparative Totals for the Year Ended December 31, 2021)

	2022			Variance with Final Budget	2021
	Budgeted Amounts		Actual Amounts		Actual Amounts
	Original	Final			
Revenue					
Taxes					
Property	\$ 5,104,200	\$ 5,104,200	\$ 5,101,640	\$ (2,560)	\$ 4,894,071
Franchise	66,500	66,500	63,711	(2,789)	65,464
Gambling	40,000	40,000	8,200	(31,800)	24,900
Total taxes	<u>5,210,700</u>	<u>5,210,700</u>	<u>5,173,551</u>	<u>(37,149)</u>	<u>4,984,435</u>
Licenses and permits					
Business	36,000	36,000	36,092	92	32,861
Nonbusiness	239,000	239,000	227,650	(11,350)	339,354
Total licenses and permits	<u>275,000</u>	<u>275,000</u>	<u>263,742</u>	<u>(11,258)</u>	<u>372,215</u>
Intergovernmental					
State					
Local government aid	-	-	-	-	16,000
MSA	196,000	196,000	221,077	25,077	197,321
Agricultural market value credit	7,000	7,000	8,013	1,013	4,993
Fire aid	73,000	73,000	85,877	12,877	105,906
Total intergovernmental	<u>276,000</u>	<u>276,000</u>	<u>314,967</u>	<u>38,967</u>	<u>324,220</u>
Charges for services	<u>441,700</u>	<u>441,700</u>	<u>460,850</u>	<u>19,150</u>	<u>498,238</u>
Fines and forfeitures	<u>29,000</u>	<u>29,000</u>	<u>21,964</u>	<u>(7,036)</u>	<u>29,342</u>
Interest on investments	<u>15,000</u>	<u>15,000</u>	<u>24,462</u>	<u>9,462</u>	<u>2,451</u>
Special Assessments	<u>13,500</u>	<u>13,500</u>	<u>13,500</u>	<u>-</u>	<u>-</u>
Miscellaneous					
Refunds and reimbursements	<u>20,000</u>	<u>20,000</u>	<u>80,567</u>	<u>60,567</u>	<u>43,221</u>
Total Revenues	<u>6,280,900</u>	<u>6,280,900</u>	<u>6,353,603</u>	<u>72,703</u>	<u>6,254,122</u>
Expenditures					
Current					
General government					
Mayor and Council					
Personnel services	53,500	53,500	55,229	(1,729)	52,923
Other services and charges	24,400	24,400	32,188	(7,788)	21,212
Total Mayor and Council	<u>77,900</u>	<u>77,900</u>	<u>87,417</u>	<u>(9,517)</u>	<u>74,135</u>
Elections					
Supplies	2,000	2,000	226	1,774	-
Other services and charges	19,500	19,500	15,326	4,174	2,419
Total elections	<u>21,500</u>	<u>21,500</u>	<u>15,552</u>	<u>5,948</u>	<u>2,419</u>

City of East Bethel, Minnesota
General Fund
Schedule of Revenues, Expenditures and Changes in Fund Balances -
Budget and Actual (Continued)
For the Year Ended December 31, 2022
(With Comparative Totals for the Year Ended December 31, 2021)

	2022			Variance with Final Budget	2021
	Budgeted Amounts		Actual Amounts		Actual Amounts
	Original	Final			
Expenditures (Continued)					
Current (continued)					
General government (continued)					
Planning and zoning					
Personnel services	\$ 237,700	\$ 237,700	\$ 219,475	\$ 18,225	\$ 216,104
Supplies	3,100	3,100	6,063	(2,963)	527
Other services and charges	42,900	42,900	19,842	23,058	16,850
Total planning and zoning	<u>283,700</u>	<u>283,700</u>	<u>245,380</u>	<u>38,320</u>	<u>233,481</u>
Administration/support					
Personnel services	766,600	766,600	711,731	54,869	646,396
Supplies	8,600	8,600	9,563	(963)	2,096
Other services and charges	85,500	85,500	89,394	(3,894)	89,061
Total administration/support	<u>860,700</u>	<u>860,700</u>	<u>810,688</u>	<u>50,012</u>	<u>737,553</u>
General government buildings					
Supplies	3,500	3,500	3,184	316	3,624
Other services and charges	39,500	39,500	46,038	(6,538)	58,404
Total general government buildings	<u>43,000</u>	<u>43,000</u>	<u>49,222</u>	<u>(6,222)</u>	<u>62,028</u>
Miscellaneous					
Contractual services	267,500	267,500	230,378	37,122	226,501
Total general government	<u>1,554,300</u>	<u>1,554,300</u>	<u>1,438,637</u>	<u>115,663</u>	<u>1,336,117</u>
Public safety					
Fire protection					
Personnel services	575,600	575,600	596,380	(20,780)	522,694
Supplies	82,800	82,800	93,340	(10,540)	64,673
Other services and charges	275,400	275,400	270,737	4,663	239,266
Total fire protection	<u>933,800</u>	<u>933,800</u>	<u>960,457</u>	<u>(26,657)</u>	<u>826,633</u>
Police protection					
Other services and charges	1,179,000	1,179,000	1,172,334	6,666	1,156,820
Building inspection					
Personnel services	322,200	322,200	312,986	9,214	314,278
Supplies	12,000	12,000	11,806	194	6,502
Other services and charges	17,900	17,900	17,317	583	18,364
Total building inspection	<u>352,100</u>	<u>352,100</u>	<u>342,109</u>	<u>9,991</u>	<u>339,144</u>
Total public safety	<u>2,464,900</u>	<u>2,464,900</u>	<u>2,474,900</u>	<u>(10,000)</u>	<u>2,322,597</u>

City of East Bethel, Minnesota
General Fund
Schedule of Revenues, Expenditures and Changes in Fund Balances -
Budget and Actual (Continued)
For the Year Ended December 31, 2022
(With Comparative Totals for the Year Ended December 31, 2021)

	2022			Variance with Final Budget	2021
	Budgeted Amounts		Actual Amounts		Actual Amounts
	Original	Final			
Expenditures (Continued)					
Current (continued)					
Public works					
Street maintenance					
Personnel services	\$ 584,600	\$ 584,600	\$ 516,456	\$ 68,144	\$ 513,041
Supplies	186,100	186,100	184,801	1,299	148,210
Other services and charges	251,800	251,800	254,002	(2,202)	239,376
Total street maintenance	<u>1,022,500</u>	<u>1,022,500</u>	<u>955,259</u>	<u>67,241</u>	<u>900,627</u>
Culture and recreation					
Personnel services	404,800	404,800	380,001	24,799	373,182
Supplies	45,100	45,100	63,748	(18,648)	57,368
Other services and charges	46,800	46,800	39,345	7,455	33,668
Total culture and recreation	<u>496,700</u>	<u>496,700</u>	<u>483,094</u>	<u>13,606</u>	<u>464,218</u>
Miscellaneous					
Other services and charges	<u>97,500</u>	<u>97,500</u>	<u>95,177</u>	<u>2,323</u>	<u>97,126</u>
Total Expenditures	<u>5,635,900</u>	<u>5,635,900</u>	<u>5,447,067</u>	<u>188,833</u>	<u>5,120,685</u>
Excess of Revenues Over Expenditures	645,000	645,000	906,536	261,536	1,133,437
Other Financing Uses					
Transfers out	<u>(645,000)</u>	<u>(645,000)</u>	<u>(645,000)</u>	<u>-</u>	<u>(1,146,754)</u>
Net Change in Fund Balances	-	-	261,536	261,536	(13,317)
Fund Balances, January 1	<u>3,411,005</u>	<u>3,411,005</u>	<u>3,411,005</u>	<u>-</u>	<u>3,424,322</u>
Fund Balances, December 31	<u>\$ 3,411,005</u>	<u>\$ 3,411,005</u>	<u>\$ 3,672,541</u>	<u>\$ 261,536</u>	<u>\$ 3,411,005</u>

City of East Bethel, Minnesota
Debt Service Funds
Combining Balance Sheet
December 31, 2022

	310 2015A Revenue Bond	311 2014A G.O. Refunding Bond	Total
	<u> </u>	<u> </u>	<u> </u>
Assets			
Cash and investments	\$ 566,170	\$ 391,956	\$ 958,126
Receivables			
Taxes	20,048	11,190	31,238
Special assessments	93,451	-	93,451
	<u> </u>	<u> </u>	<u> </u>
Total Assets	<u>\$ 679,669</u>	<u>\$ 403,146</u>	<u>\$ 1,082,815</u>
Deferred Inflows of Resources			
Unavailable revenue - property taxes	\$ 6,891	\$ 3,895	\$ 10,786
Unavailable revenue - special assessments	93,451	-	93,451
Total Deferred Inflows of Resources	<u>100,342</u>	<u>3,895</u>	<u>104,237</u>
Fund Balances			
Restricted	<u>579,327</u>	<u>399,251</u>	<u>978,578</u>
Total Deferred Inflows of Resources and Fund Balances	<u>\$ 679,669</u>	<u>\$ 403,146</u>	<u>\$ 1,082,815</u>

City of East Bethel, Minnesota
Debt Service Funds
Combining Statement of Revenues,
Expenditures and Changes in Fund Balances
For the Year Ended December 31, 2022

	310 2015A Revenue Bond	311 2014A G.O. Refunding Bond	Total
Revenues			
Property taxes	\$ 596,632	\$ 330,796	\$ 927,428
Special assessments	11,548	-	11,548
Interest on investments	2,854	2,429	5,283
Total Revenues	<u>611,034</u>	<u>333,225</u>	<u>944,259</u>
Expenditures			
Debt service			
Principal	180,000	185,000	365,000
Interest and other charges	372,375	169,775	542,150
Total Expenditures	<u>552,375</u>	<u>354,775</u>	<u>907,150</u>
Net Change in Fund Balances	58,659	(21,550)	37,109
Fund Balances, January 1	<u>520,668</u>	<u>420,801</u>	<u>941,469</u>
Fund Balances, December 31	<u>\$ 579,327</u>	<u>\$ 399,251</u>	<u>\$ 978,578</u>

City of East Bethel, Minnesota
Internal Service Funds
Combining Statement of Net Position
December 31, 2022

	702	701	
	Compensated Absences	Equipment Replacement	Total
Assets			
Current Assets			
Cash and cash equivalents	\$ 206,439	\$ 1,525,974	\$ 1,732,413
Noncurrent Assets			
Capital assets			
Machinery and equipment	-	4,773,741	4,773,741
Less accumulated depreciation	-	(3,079,225)	(3,079,225)
Net Capital Assets	-	1,694,516	1,694,516
 Total Assets	 206,439	 3,220,490	 3,426,929
Liabilities			
Current Liabilities			
Compensated absences payable - current portion	153,000	-	153,000
Noncurrent Liabilities			
Compensated absences payable - noncurrent portion	42,162	-	42,162
Total Liabilities	195,162	-	195,162
Net Position			
Investment in capital assets	-	1,694,516	1,694,516
Unrestricted	11,277	1,525,974	1,537,251
 Total Net Position	 \$ 11,277	 \$ 3,220,490	 \$ 3,231,767

City of East Bethel, Minnesota
Internal Service Funds
Combining Statement of Revenues, Expenses and
Changes in Net Position
For the Year Ended December 31, 2022

	702	701	
	Compensated Absences	Equipment Replacement	Total
Operating Revenues			
Charges for services			
Services to departments	\$ -	\$ 280,000	\$ 280,000
Operating Expenses			
Depreciation	-	295,330	295,330
Operating Loss	-	(15,330)	(15,330)
Nonoperating Revenues			
Gain sale of capital assets	-	25,636	25,636
Interest on investments	2,496	18,089	20,585
Total Nonoperating Revenues	2,496	43,725	46,221
Change in Net Position	2,496	28,395	30,891
Net Position, January 1	8,781	3,192,095	3,200,876
Net Position, December 31	<u>\$ 11,277</u>	<u>\$ 3,220,490</u>	<u>\$ 3,231,767</u>

City of East Bethel, Minnesota
Internal Service Funds
Combining Statement of Cash Flows
For the Year Ended December 31, 2022

	702	701	
	Compensated Absences	Equipment Replacement	Total
Cash Flows from Operating Activities			
Receipts from interfund services provided	\$ -	\$ 280,000	\$ 280,000
Payments to employees	(29,872)	-	(29,872)
Net Cash Provided by Operating Activities	(29,872)	280,000	250,128
Cash Flows from Capital and Related Financing Activities			
Acquisition of capital assets	-	(333,526)	(333,526)
Proceeds from sale of capital assets	-	25,636	25,636
Net Cash Used by Capital and Related Financing Activities	-	(307,890)	(307,890)
Cash Flows from Investing Activities			
Interest received on investments	2,496	18,089	20,585
Net Increase in Cash and Cash Equivalents	(27,376)	(9,801)	(37,177)
Cash and Cash Equivalents, January 1	233,815	1,535,775	1,769,590
Cash and Cash Equivalents, December 31	\$ 206,439	\$ 1,525,974	\$ 1,732,413
Reconciliation of Operating Loss to Net Cash Provided (Used) by Operating Activities			
Operating loss	\$ -	\$ (15,330)	\$ (15,330)
Adjustments to reconcile operating loss to net cash provided (used) by operating activities			
Depreciation expense	-	295,330	295,330
Increase (decrease) in liabilities Compensated absences	(29,872)	-	(29,872)
Net Cash Provided by Operating Activities	\$ (29,872)	\$ 280,000	\$ 250,128

City of East Bethel, Minnesota
 Summary Financial Report
 Revenues and Expenditures For General Operations
 Governmental Funds
 For the Year Ended December 31, 2022 and 2021

	Total		Percent Increase (Decrease)
	2022	2021	
Revenues			
Taxes	\$ 6,591,169	\$ 6,500,154	1.40 %
Licenses and permits	263,742	372,215	(29.14)
Intergovernmental	2,265,939	4,792,742	(52.72)
Charges for services	481,730	538,888	(10.61)
Fines and forfeitures	21,964	29,342	(25.14)
Special assessments	67,078	91,854	(26.97)
Interest on investments	55,164	6,016	816.95
Miscellaneous	83,160	47,765	74.10
Total Revenues	\$ 9,829,946	\$ 12,378,976	(20.59) %
Per Capita	\$ 834	\$ 1,050	(20.57) %
Expenditures			
Current			
General government	\$ 1,448,153	\$ 1,343,216	7.81 %
Public safety	2,474,900	2,322,597	6.56
Public works	1,065,066	954,777	11.55
Culture and recreation	483,094	464,218	4.07
Housing and economic development	219,450	161,278	36.07
Miscellaneous	95,177	97,126	(2.01)
Capital outlay			
Public works	1,423,104	7,118,741	(80.01)
Parks and recreation	66,949	231,627	(71.10)
Housing and economic development	97,442	104,142	(6.43)
Debt service			
Principal	365,000	1,215,000	(69.96)
Interest and other charges	542,150	575,822	(5.85)
Total Expenditures	\$ 8,280,485	\$ 14,588,544	(43.24) %
Per Capita	\$ 702	\$ 1,238	(43.30) %
Total Long-term Indebtedness	\$ 15,565,000	\$ 15,930,000	(2.29) %
Per Capita	1,320	1,352	(2.37)
General Fund Balance - December 31	\$ 3,672,541	\$ 3,411,005	7.67 %
Per Capita	311	289	7.61

The purpose of this report is to provide a summary of financial information concerning the City of East Bethel to interested citizens. The complete financial statements may be examined at City Hall, 2241 221st Avenue NE, East Bethel, MN 55011. Questions about this report should be directed to Mike Jeziorski, Finance Director at (763) 367-7852.

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OTHER REQUIRED REPORTS

CITY OF EAST BETHEL
EAST BETHEL, MINNESOTA

FOR THE YEAR ENDED
DECEMBER 31, 2022

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**INDEPENDENT AUDITOR'S REPORT
ON MINNESOTA LEGAL COMPLIANCE**

Honorable Mayor and City Council
City of East Bethel, Minnesota

We have audited, in accordance with auditing standards generally accepted in the United States of America, and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States the financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City of East Bethel, Minnesota (the City), as of and for the year ended December 31, 2022, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated March 15, 2023.

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

The purpose of this report is solely to describe the scope of our testing of compliance and the results of that testing, and not to provide an opinion on compliance. Accordingly, this communication is not suitable for any other purpose.



Abdo
Minneapolis, Minnesota
March 15, 2023

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

Honorable Mayor and City Council
City of East Bethel, Minnesota

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City of East Bethel, Minnesota (the City), as of and for the year ended December 31, 2022, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated March 15, 2023.

Report on Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Report on Compliance and Other Matters

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

Purpose of this Report

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



Abdo
Minneapolis, Minnesota
March 15, 2023

