

**City of Princeton
Mille Lacs County and
Sherburne County, Minnesota**

Basic Financial Statements

December 31, 2021

**City of Princeton
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**City of Princeton
Elected Officials and Administration
As of December 31, 2021**

<u>Elected Officials</u>	<u>Position</u>	<u>Term Expires</u>
Thom Walker	Mayor	December 31, 2022
Jenny Gerold	Council Member	December 31, 2022
Jules Zimmer	Council Member	December 31, 2022
Victoria Hallin	Council Member	December 31, 2024
Jeff Reynolds	Council Member	December 31, 2024
<u>Administration</u>		
Michele McPherson	City Administrator	
Tracy Peters	Finance Director	
Shawna Jenkins Tadych	City Clerk	
Karen Hodge	Accountant	

Independent Auditor's Report

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

Report on the Audit of the Financial Statements

Opinions

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Princeton, Minnesota, as of and for the year ended December 31, 2021, 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 accompanying financial statements present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the Public Utilities Commission discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Princeton as of December 31, 2021, and the respective changes in financial position and, where applicable, cash flows thereof, and the budgetary comparison for the General Fund and Economic Development Authority Special Revenue Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

We did not audit the financial statements of the Princeton Public Utilities Commission, which represent 100% of the net position and revenues of the Princeton Public Utilities Commission discretely presented component unit. Those financial statements were audited by other auditors whose report thereon has been furnished to us, and our opinion, insofar as it relates to the amounts included for the Princeton Public Utilities Commission, is based solely on the report of the other auditors.

Basis for Opinions

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

Responsibilities of Management for the Financial Statements

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

Responsibilities of Management for the Financial Statements (Continued)

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

Required Supplementary Information

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

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Princeton's basic financial statements. The combining and individual nonmajor fund financial statements and Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated July 14, 2022, on our consideration of the City of Princeton's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Princeton's internal control over financial reporting and compliance.

BergankDV, Ltd.

Minneapolis, Minnesota

July 14, 2022

City of Princeton Management's Discussion and Analysis

As management of the City of Princeton (the "City"), we offer readers of the City's financial statement this narrative overview and analysis of the financial activities of the City for the year ended December 31, 2021.

FINANCIAL HIGHLIGHTS

- The assets of the City exceeded its liabilities (net position) at the close of the recent year by \$34,757,650, which is an increase of \$1,988,446 (6.1%) compared to the December 31, 2020, amount. Of this amount, \$9,916,082 for 2021 and \$9,609,882 for 2020 were unrestricted net position amounts available to be used to meet the City's ongoing obligations to citizens and creditors.
- The City's total net position increase of \$1,988,446 during the year 2021 resulted from a combination of a \$869,426 increase from the governmental funds and an increase of \$1,119,020 from the proprietary funds. This increase resulted primarily from increases in the CIP Fund and timing differences in expenditures and revenues in the Park Improvements Fund. The increase in the proprietary funds was primarily the result of operating income in the City's Liquor Fund, which is one of the three proprietary funds, as well as the receipt of a large federal grant for the City's airport improvements in 2021.
- At the end of 2021, the City's governmental funds reported combined ending fund balances of \$9,009,240, a decrease of \$75,748 (0.8%). This was largely due to capital outlay increases in the General Fund related to the public safety storage building and the 19th Avenue street expansion project.
- At year end, the General Fund balance was \$2,752,549.
- The City's total bonded debt decreased by \$699,929 (3.8%) during the current year due to the normal debt service payments.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

The Statement of Net Position presents information on all of the City's assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position may be useful to indicate if the financial position of the City is improving or deteriorating.

City of Princeton Management's Discussion and Analysis

OVERVIEW OF THE FINANCIAL STATEMENTS (CONTINUED)

The Statement of Activities presents information showing how the City's net position changed during the most recent year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future 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, economic development, park and recreation, and cemetery. The business-type activities of the City include a liquor store, sanitary sewer system, and municipal airport.

The government-wide financial statements include not only the City itself (known as the primary government), but also the Public Utilities Commission, which is a legally separate entity that operates a water system and an electric generation and distribution system. Financial information for this component unit is reported separately from the financial information presented for the primary government itself.

The government-wide financial statements can be found on pages 16-17 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 one year. Such information may be useful in evaluating a city's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the City's near-term financing decisions. Both the governmental fund Balance Sheet and the governmental fund Statement of Revenues, Expenditures, and Changes in Fund Balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

City of Princeton Management's Discussion and Analysis

OVERVIEW OF THE FINANCIAL STATEMENTS (CONTINUED)

Governmental Funds (Continued). 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, Special Revenue Fund (Economic Development Authority) and Capital Project Fund (Capital Improvements) all of which are presented as major funds. Data from the other nonmajor governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds is provided as supplementary information in the form of combining statements elsewhere in this report.

The City adopts an annual appropriated budget for its General Fund and the Special Revenue Funds. A budgetary comparison statement has been provided for the General Fund and the Economic Development Authority Special Revenue Fund.

The basic governmental fund financial statements can be found on pages 18-23 of this report.

Proprietary Funds. There are two different types of proprietary funds. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses enterprise funds to account for its liquor store, sanitary sewer, and airport operations. Internal service funds are an accounting device used to accumulate and allocate costs internally among the various functions. The City does not use internal service funds to allocate internal costs.

The proprietary fund financial statements provide separate information for the liquor store, sanitary sewer, and airport, all of which are considered to be major funds of the City.

The basic proprietary fund financial statements can be found on pages 24-26 of this report.

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

The notes to financial statements can be found on pages 27-70 of this report.

Other 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 pension benefits to its employees. Required Supplementary Information (RSI) and the notes to the RSI can be found on pages 72-83 of this report.

The combining statements referred to earlier in connection with non-major governmental funds are presented immediately following the required supplementary information on pensions. Combining and individual fund statements and schedules can be found on pages 86-111 of this report.

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

OVERVIEW OF THE FINANCIAL STATEMENTS (CONTINUED)

Government-Wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a City's financial position. In the case of the City, assets exceeded liabilities (net position) by \$34,757,650 at the close of the most recent year.

City of Princeton's Condensed Statement of Net Position

	Governmental Activities	Business-Type Activities	Total 12/31/21	Total 12/31/20
Assets				
Current and other assets	\$ 11,362,394	\$ 6,711,787	\$ 18,074,181	\$ 17,023,800
Capital assets	12,675,666	25,981,048	38,656,714	38,018,215
Total assets	<u>\$ 24,038,060</u>	<u>\$ 32,692,835</u>	<u>\$ 56,730,895</u>	<u>\$ 55,042,015</u>
Deferred outflows of resources	<u>\$ 1,825,989</u>	<u>\$ 255,787</u>	<u>\$ 2,081,776</u>	<u>\$ 906,188</u>
Liabilities				
Other liabilities	\$ 1,068,638	\$ 341,420	\$ 1,410,058	\$ 1,559,216
Long-term liabilities	6,002,809	14,041,726	20,044,535	20,715,147
Total liabilities	<u>\$ 7,071,447</u>	<u>\$ 14,383,146</u>	<u>\$ 21,454,593</u>	<u>\$ 22,274,363</u>
Deferred inflows of resources	<u>\$ 2,307,539</u>	<u>\$ 292,889</u>	<u>\$ 2,600,428</u>	<u>\$ 904,636</u>
Net position				
Net investment in capital assets	\$ 9,082,287	\$ 12,390,901	\$ 21,473,188	\$ 20,169,019
Restricted	3,368,380	-	3,368,380	2,990,303
Unrestricted	<u>4,034,396</u>	<u>5,881,686</u>	<u>9,916,082</u>	<u>9,609,882</u>
Total net position	<u>\$ 16,485,063</u>	<u>\$ 18,272,587</u>	<u>\$ 34,757,650</u>	<u>\$ 32,769,204</u>

The largest portion (61.8%) of the City's net position reflects its investment in capital assets (e.g., land, buildings, and equipment net of depreciation) less related outstanding debt used to acquire the assets. 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 the resources needed to repay this debt must be provided from other sources. Since the capital assets themselves are used to provide services, they cannot be used to liquidate these liabilities.

An additional 9.7% of the City's net position represents resources that are subject to external restrictions on how they are used. The remaining balance of unrestricted net position, \$9,916,082 may be used to meet the City's ongoing commitments and obligations. At the end of the current year, the City is able to report positive balances in all three categories of net position. This is true for the City as a whole, and its separate governmental and business-type activities.

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

OVERVIEW OF THE FINANCIAL STATEMENTS (CONTINUED)

Government-Wide Financial Analysis (Continued)

City of Princeton's Change in Net Position

	Governmental Activities	Business-type Activities	Total 12/31/2021	Total 12/31/2020
Revenue				
Program revenues				
Charges for services	\$ 845,362	\$ 6,945,829	\$ 7,791,191	\$ 7,768,016
Operating grants and contributions	381,590	325	381,915	525,133
Capital grants and contributions	554,050	970,709	1,524,759	1,954,994
General revenues				
Property taxes	2,641,189	-	2,641,189	2,621,100
Franchise fees	182,799	-	182,799	184,831
Tax increments	182,346	-	182,346	155,266
Intergovernmental	1,022,912	-	1,022,912	973,987
PUC payment in lieu of taxes	-	-	-	13,125
Other revenue	17,736	-	17,736	32,407
Gain on sale of asset	-	-	-	2,826
Investment income	(50,101)	9,039	(41,062)	195,461
Total revenues	<u>5,777,883</u>	<u>7,925,902</u>	<u>13,703,785</u>	<u>14,427,146</u>
Expenses				
General government	767,921	-	767,921	814,628
Public safety	2,076,885	-	2,076,885	2,418,301
Cemetery	63,842	-	63,842	45,401
Public works	1,027,957	-	1,027,957	1,100,465
Parks and recreation	644,128	-	644,128	469,769
Economic development	376,613	-	376,613	334,041
Interest on long-term debt	107,161	-	107,161	110,808
Sewer	-	1,585,396	1,585,396	1,610,085
Municipal liquor	-	4,826,267	4,826,267	4,951,818
Airport	-	239,169	239,169	228,265
Total expenses	<u>5,064,507</u>	<u>6,650,832</u>	<u>11,715,339</u>	<u>12,083,581</u>
Change in net position before transfers	713,376	1,275,070	1,988,446	2,343,565
Transfers	156,050	(156,050)	-	-
Change in net position	<u>869,426</u>	<u>1,119,020</u>	<u>1,988,446</u>	<u>2,343,565</u>
Net position - January 1	<u>15,615,637</u>	<u>17,153,567</u>	<u>32,769,204</u>	<u>30,425,639</u>
Net position - December 31	<u>\$ 16,485,063</u>	<u>\$ 18,272,587</u>	<u>\$ 34,757,650</u>	<u>\$ 32,769,204</u>

There was an increase of \$1,988,446 in the City's net position during the current year.

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

OVERVIEW OF THE FINANCIAL STATEMENTS (CONTINUED)

Government-Wide Financial Analysis (Continued)

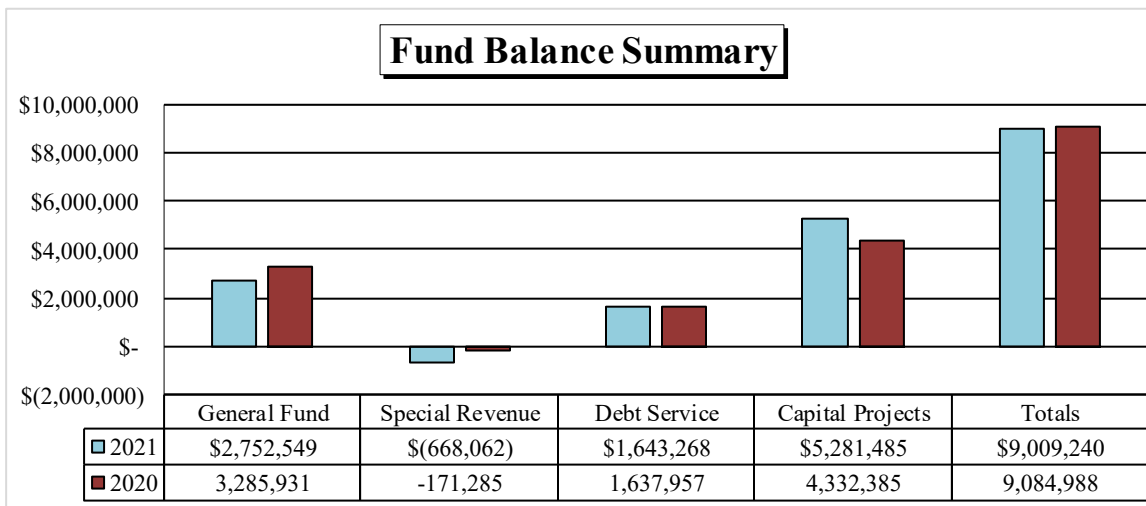
Governmental Activities. Governmental activities increased the City's net position by \$869,426. This increase resulted primarily from CIP Fund and timing differences in expenditures and revenues in the Park Improvements Fund.

Business-Type Activities. Business-type activities resulted in a net position increase of \$1,119,020. This resulted primarily from net operating income in the Liquor Fund and the receipt of the federal airport improvement grant.

FINANCIAL ANALYSIS OF THE CITY'S FUNDS

As noted earlier, the City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

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



As of the end of the current year, the City's governmental funds reported combined ending fund balances of \$9,009,240, a decrease of \$75,748 (0.8%) from the prior year. This decrease was largely due to capital outlay increases in the General Fund related to the public safety storage building and the 19th Avenue street expansion.

The General Fund is the chief operating fund of the City providing for what is viewed as essential services. At the end of the current year, the fund balance of the General Fund was \$2,752,549 of which 92.6% was unassigned and considered available for spending; however, a portion of the unassigned balance is designated by the City Council for working capital (cash flow) purposes.

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

FINANCIAL ANALYSIS OF THE CITY'S FUNDS (CONTINUED)

Governmental Funds (Continued). The General Fund balance decreased by \$533,382 (16.2%) during the year. Key factors in the 2021 decrease were as follows:

- Property tax revenues of the General Fund increased by \$72,844 due to an increase in the levy.
- There was a decrease in intergovernmental revenue of \$200,630, which was primarily due to the receipt of federal Coronavirus Relief Funds in 2020.
- Licenses and permits increased by \$68,253 due to increased building activity.
- Charges for services increased by \$70,480 primarily as a result of the splash pad being open in 2021 after the closure in 2020.
- There was a \$682,497 increase in total expenditures. The increase is largely due to capital outlay increases in the General Fund related to the public safety storage building and the 19th Avenue street expansion.

Debt Service Funds had a total fund balance of \$1,643,268, all of which is restricted for the payment of debt service. This was an increase in fund balance during the current year of \$5,311, which is the result of payment of current maturities offset by payments received for assessments and taxes.

Proprietary Funds. The City's proprietary funds provide the same type of information found in the government-wide financial statements – business-type activities, but in more detail.

Total net position of the Liquor Fund at the end of the year amounted to \$6,787,891, the Sanitary Sewer Fund was \$6,846,508 and the Airport Fund was \$4,638,188. Unrestricted net position, which are amounts available for operating expenditures and spending at the discretion of the City, at year-end for the Liquor Fund amounted to \$5,696,390, the Sanitary Sewer Fund was \$557,600 and the Airport unrestricted net position was \$(372,304). The increase (decrease) in net position for each of these Funds were \$481,545, (\$183,054) and \$820,529, respectively. The increase in the Liquor fund is predominantly from the operations of the revenue generating funds. The decrease in the Sanitary Sewer Fund is largely due to interest on outstanding debt. The increase in the Airport Fund is largely due to the receipt of the federal airport improvement grant in 2021.

GENERAL FUND BUDGETARY HIGHLIGHTS

There were no budget amendments in 2021. The difference between the final amended budget and the actual amount of the change in fund balance was a decrease of \$533,827. The major factors that resulted in this difference were favorable variances of \$260,479 in expenditures and \$50,835 in property taxes received, offset by \$1,159,500 in budgeted transfers in from other funds that were not considered necessary.

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

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets. The City's investment in capital assets (net of accumulated depreciation) for its governmental and business-type activities amounts to \$38,656,714 as of December 31, 2021, and \$38,018,215 as of December 31, 2020. Capital assets include land rights, buildings and improvements, equipment, park facilities, roads, sidewalks, and utility infrastructure and construction in progress.

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

- Construction of the Public Safety storage building
- 19th Avenue street extension project
- Runway and taxiway reconstruction projects
- Total depreciation expense for 2021 was \$1,537,966.

**City of Princeton's Capital Assets
(Net of Depreciation)**

	Governmental Activities	Business-Type Activities	Total 12/31/2021	Total 12/31/2020
Land and easements	\$ 1,685,946	\$ 1,036,041	\$ 2,721,987	\$ 2,721,987
Buildings	3,224,711	1,305,259	4,529,970	4,667,341
Improvements other than buildings	1,484,111	19,343,368	20,827,479	21,154,529
Machinery and equipment	2,296,528	609,958	2,906,486	2,747,730
Infrastructure	3,315,993	-	3,315,993	3,544,110
Construction in progress	668,377	3,686,422	4,354,799	3,182,518
Total	\$ 12,675,666	\$ 25,981,048	\$ 38,656,714	\$ 38,018,215

Additional information on the City's capital assets can be found in Note 4 on pages 40-42 of this report.

Long-Term Debt. At the end of the year, the City had total bonded debt outstanding of \$17,861,227, net of bond premiums. The City has \$3,580,937 that is legally backed solely by the full faith and credit of the City. An additional \$690,143 is special assessment debt for which the City is liable in the event of default by the property owners subject to the assessment and for the difference between the amount of the debt and the special assessment amounts applied to the benefitting properties. The remainder of the City's debt, \$13,590,147 represents bonds secured by specified revenue sources (i.e. revenue bonds) for which the City is liable in the event the revenue sources are insufficient to pay the debt service.

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

CAPITAL ASSET AND DEBT ADMINISTRATION (CONTINUED)

Long-Term Debt (Continued)

**City of Princeton's Outstanding Debt
General Obligation and Revenue Bonds**

	Governmental Activities	Business-type Activities	Total 12/31/2021	Total 12/31/2020
Bonds	\$ 4,271,080	\$ -	\$ 4,271,080	\$ 4,558,009
Compens Revenue	389,167	111,611	500,778	657,994
	<u>-</u>	<u>13,590,147</u>	<u>13,590,147</u>	<u>14,003,147</u>
Total	<u>\$ 4,660,247</u>	<u>\$ 13,701,758</u>	<u>\$ 18,362,005</u>	<u>\$ 19,219,150</u>

The City's total bonded indebtedness (including premiums) decreased by \$699,929 (3.8%) during the year. This decrease was the result of normal debt service payments.

The City has an "AA" rating from Standard & Poor's for general obligation (G.O.) debt. The Public Utilities Commission improved to an A3 rating from a Baa1 rating from Moody's.

Minnesota Statutes Section 475.53 limits the amount of G.O. debt a governmental entity may issue to 3% of its total assessed valuation. As of December 31, 2021, the City had \$3,580,937 of G.O. debt.

Additional information on the City's long-term debt can be found in Note 8 on pages 45-48 of this report.

ECONOMIC FACTORS AND NEW YEAR'S BUDGETS AND RATES

- The City is situated in two counties, Mille Lacs and Sherburne. The 2021 average annual unemployment rate for Mille Lacs was at 3.5% and the Sherburne rate averaged 5.1% for the year. This was an increase from the 2020 rate of 8.4% for Mille Lacs County and 6% for Sherburne County. Compare this to the state's annual 2021 unemployment rate of 3.4% and the national rate of 5.4%. The City has economic similarities to both Counties and the City factors in this information when setting its budget and tax levy.
- The inflationary trend in the region that includes the Minneapolis-St. Paul area was at an annual 4.84% compared to the national rate of 4.7% for the 2021 annual rate.
- During the years 2008 through 2012, the City received LGA and Market Value Credit Aid reductions of \$1,058,726. Although the City had the option of increasing the property taxes to offset this amount, tax levy increases were held to a minimum through the 2022 budget in order to reduce the impact on the taxpayers.

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

ECONOMIC FACTORS AND NEW YEAR'S BUDGETS AND RATES (CONTINUED)

These are some of the factors considered by the City Council and staff in preparing the City's budget for the 2022 year.

An analysis of the Wastewater Enterprise Fund revealed that revenues generated from sewer use did not keep up with inflation and that the fund's expenses and revenues did not balance without either an influx of revenue or a reduction of expenses. Adjustments in expenses for 2022 included reduced depreciation set aside and an increase in sewer usage rates from \$10.50 per 1,000 to \$11.50 per 1,000. The last increase in sewer usage rates occurred in 2011 for the 2012 calendar year. It is anticipated that another increase will occur for the 2023 budget.

From a personnel standpoint, the 2022 budget reflects an addition of one staff person for technology services. This position oversees the various technologies that support City functions: computers, software, body cameras, phones and the like. This position is funded fully by the General Fund. In the Liquor Enterprise Fund, personnel cost will be saved by not filling the Assistant Store Manager after promotion to Store Manager.

Projects from 2021 that carried over to 2022 included:

- 19th/21st Avenue Extension
- Runway reconstruction project at the Airport
- Taxiway reconstruction project at the Airport

For 2022, the following plans will be prepared that will likely lead to future expenses:

- Transportation
- Pavement Management
- Great Northern Trail Regional Facility Designation

In order to offset expenses and grow the City's tax base, activities include annexation of parcels meeting the statutory requirements of less than 40 acres and 60 percent bounded by the municipal boundary, establishment of a lodging tax, and redirection of the franchise fee from park improvements to infrastructure replacement.

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of the City's finances for all those with an interest in the City's finances. Questions concerning any of the information provided in this report or request for additional financial information should be addressed to City of Princeton, 705 Second Street North, Princeton, Minnesota 55371. However, questions concerning information provided in this report or a request for additional financial information regarding the component unit, the Princeton Public Utilities Commission, should be addressed to Princeton Public Utilities, 907 1st Street, Princeton, Minnesota 55371.

BASIC FINANCIAL STATEMENTS

City of Princeton
Statement of Net Position
December 31, 2021

	Primary Government			Component Unit
	Governmental Activities	Business-Type Activities	Total	Public Utilities Commission
Assets				
Cash and investments (including cash equivalents)	\$ 8,653,005	\$ 4,587,018	\$ 13,240,023	\$ 6,908,206
Property tax receivable	72,256	-	72,256	-
Accounts receivable	108,076	10,625	118,701	811,489
Interest receivable	3,172	5,605	8,777	-
Due from other governments	213,893	1,438,284	1,652,177	-
Special assessments receivable				
Delinquent	11,980	-	11,980	-
Deferred	414,790	763	415,553	-
Inventories	-	500,379	500,379	472,572
Notes receivable	28,426	-	28,426	-
Contract for deed				
Due within one year	-	5,197	5,197	-
Due after one year	-	134,307	134,307	-
Prepaid items	213,034	29,609	242,643	63,649
Land held for resale	899,243	-	899,243	-
Net pension asset - Fire Relief Association	744,519	-	744,519	-
Capital assets not being depreciated				
Land	1,683,312	1,036,041	2,719,353	33,162
Easements	2,634	-	2,634	-
Construction in progress	668,377	3,686,422	4,354,799	-
Capital assets being depreciated				
Buildings and systems	5,152,007	2,100,240	7,252,247	2,171,823
Other improvements	3,120,170	-	3,120,170	-
Sewer and water improvements	-	29,704,785	29,704,785	-
Machinery and equipment	5,866,217	1,549,010	7,415,227	1,648,510
Infrastructure	9,612,240	-	9,612,240	30,241,838
Less: accumulated depreciation	(13,429,291)	(12,095,450)	(25,524,741)	(20,595,852)
Restricted assets				
Reserve fund	-	-	-	563,332
Debt retirement	-	-	-	384,941
Cash held in escrow	-	-	-	248,314
Total assets	<u>24,038,060</u>	<u>32,692,835</u>	<u>56,730,895</u>	<u>22,951,984</u>
Deferred Outflows of Resources				
Deferred amount from bond refunding	143,295	-	143,295	-
Deferred outflows of resources related to pensions	1,682,694	255,787	1,938,481	479,682
Total deferred outflows of resources	<u>1,825,989</u>	<u>255,787</u>	<u>2,081,776</u>	<u>479,682</u>
Total assets and deferred outflows of resources	<u>\$ 25,864,049</u>	<u>\$ 32,948,622</u>	<u>\$ 58,812,671</u>	<u>\$ 23,431,666</u>
Liabilities				
Accounts payable	\$ 498,739	\$ 249,450	\$ 748,189	\$ 442,035
Due to other governments	171,284	60,723	232,007	128,216
Unearned revenue	326,757	-	326,757	22,038
Salaries and benefits payable	30,456	21,516	51,972	15,649
Interest payable	41,402	9,731	51,133	12,024
Customer meter deposits	-	-	-	267,204
Bond principal payable, net				
Payable within one year	460,000	421,000	881,000	995,000
Payable after one year	3,811,080	13,169,147	16,980,227	2,352,000
Compensated absences payable				
Payable within one year	144,000	68,782	212,782	78,758
Payable after one year	245,167	42,829	287,996	-
Total OPEB liability	104,802	21,206	126,008	-
Net pension liability	1,237,760	318,762	1,556,522	704,624
Total liabilities	<u>7,071,447</u>	<u>14,383,146</u>	<u>21,454,593</u>	<u>5,017,548</u>
Deferred Inflows of Resources				
Deferred rate stabilization	-	-	-	1,334,123
Deferred inflows of resources related to pensions	2,307,539	292,889	2,600,428	655,445
Deferred solar subscriptions	-	-	-	8,464
Total deferred inflows of resources	<u>2,307,539</u>	<u>292,889</u>	<u>2,600,428</u>	<u>1,998,032</u>
Net Position				
Net investment in capital assets	9,082,287	12,390,901	21,473,188	10,152,481
Restricted for				
Debt service	2,051,811	-	2,051,811	1,196,587
Capital asset replacement cost	305,541	-	305,541	-
Other purposes	1,011,028	-	1,011,028	-
Unrestricted	4,034,396	5,881,686	9,916,082	5,067,018
Total net position	<u>16,485,063</u>	<u>18,272,587</u>	<u>34,757,650</u>	<u>16,416,086</u>
Total liabilities, deferred inflows of resources, and net position	<u>\$ 25,864,049</u>	<u>\$ 32,948,622</u>	<u>\$ 58,812,671</u>	<u>\$ 23,431,666</u>

See notes to basic financial statements.

City of Princeton
Statement of Activities
Year Ended December 31, 2021

Functions/Programs	Primary Government							Component Unit
	Expenses	Program Revenue			Net (Expense) Revenue and Changes in Net Position			Public Utilities Commission
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total	
Governmental activities								
General government	\$ 767,921	\$ 88,524	\$ 4,225	\$ -	\$ (675,172)	\$ -	\$ (675,172)	\$ -
Public safety	2,076,885	645,316	203,442	197,274	(1,030,853)	-	(1,030,853)	-
Cemetery	63,842	32,887	-	-	(30,955)	-	(30,955)	-
Public works	1,027,957	4,554	-	57,131	(966,272)	-	(966,272)	-
Parks and recreation	644,128	68,688	81,769	299,645	73,489	-	73,489	-
Economic development	376,613	5,393	92,154	-	(546,581)	-	(546,581)	-
Interest on long-term debt	107,161	-	-	-	(107,161)	-	(107,161)	-
Total governmental activities	5,064,507	845,362	381,590	554,050	(3,283,505)	-	(3,283,505)	-
Business-type activities								
Water	-	-	-	-	-	-	-	440,115
Sewer	1,585,396	1,402,320	325	-	-	(182,751)	(182,751)	-
Municipal Liquor	4,826,267	5,457,320	-	-	-	631,053	631,053	-
Airport	239,169	86,189	-	970,709	-	817,729	817,729	-
Electric	-	-	-	-	-	-	-	686,522
Total business-type activities	6,650,832	6,945,829	325	970,709	-	1,266,031	1,266,031	1,126,637
Total governmental and business-type activities	\$ 11,715,339	\$ 7,791,191	\$ 381,915	\$ 1,524,759	(3,283,505)	1,266,031	(2,017,474)	1,126,637
General revenues								
Property taxes					2,641,189	-	2,641,189	-
Franchise fees					182,799	-	182,799	-
Tax increments					182,346	-	182,346	-
State aids					1,022,912	-	1,022,912	-
Investment income					(50,101)	9,039	(41,062)	40,164
Miscellaneous					17,736	-	17,736	-
Transfers					156,050	(156,050)	-	-
Total general revenues and transfers					4,152,931	(147,011)	4,005,920	40,164
Change in net position					869,426	1,119,020	1,988,446	1,166,801
Net position - beginning					15,615,637	17,153,567	32,769,204	15,249,285
Net Position - ending					\$ 16,485,063	\$ 18,272,587	\$ 34,757,650	\$ 16,416,086

See notes to basic financial statements.

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

	General Fund (101, 202)	Special Revenue	Capital Projects	Other Governmental Funds	Total Governmental Funds
		Economic Development Authority (600)	Capital Improvements (351)		
Assets					
Cash and investments	\$ 3,039,100	\$ 5,023	\$ 713,507	\$ 4,895,375	\$ 8,653,005
Taxes receivable - delinquent	63,991	515	4,910	2,840	72,256
Special assessments receivable					
Delinquent	-	-	-	11,980	11,980
Deferred	-	-	-	414,790	414,790
Accounts receivable	11,219	-	-	96,857	108,076
Interest receivable	2,891	-	-	281	3,172
Due from other funds	-	-	4,029,905	-	4,029,905
Due from other governments	157,614	-	-	56,279	213,893
Notes receivable	-	-	-	28,426	28,426
Land held for resale	-	361,400	-	537,843	899,243
Prepaid items	151,593	2,201	-	59,240	213,034
Advance to other funds	-	-	202,467	2,832	205,299
Total assets	\$ 3,426,408	\$ 369,139	\$ 4,950,789	\$ 6,106,743	\$ 14,853,079
Liabilities					
Accounts and contracts payable	390,481	585	-	107,673	498,739
Due to other funds	-	1,421,855	-	2,608,050	4,029,905
Due to other governments	47,900	-	-	123,384	171,284
Salaries and benefits payable	30,071	297	-	88	30,456
Unearned revenue	68,359	-	-	258,398	326,757
Interest payable	-	1,651	-	-	1,651
Advance from other funds	-	-	-	205,299	205,299
Total liabilities	536,811	1,424,388	-	3,302,892	5,264,091
Deferred Inflows Resources					
Unavailable revenue - long-term assets	104,000	-	-	11,356	115,356
Unavailable revenue - property taxes	33,048	270	2,523	1,781	37,622
Unavailable revenue - special assessments	-	-	-	426,770	426,770
Total deferred inflows of resources	137,048	270	2,523	439,907	579,748
Fund Balances					
Nonspendable	151,593	2,201	-	59,240	213,034
Restricted	-	-	-	3,564,801	3,564,801
Committed	-	-	4,948,266	-	4,948,266
Assigned	50,931	-	-	763,804	814,735
Unassigned	2,550,025	(1,057,720)	-	(2,023,901)	(531,596)
Total fund balances	2,752,549	(1,055,519)	4,948,266	2,363,944	9,009,240
Total liabilities, deferred inflows of resources, and fund balances	\$ 3,426,408	\$ 369,139	\$ 4,950,789	\$ 6,106,743	\$ 14,853,079

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

Total fund balances - governmental funds \$ 9,009,240

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

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

Cost of capital assets	26,104,957
Less accumulated depreciation	(13,429,291)

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

Long-term liabilities at year-end consist of:

Bond principal payable, net of premiums	(4,271,080)
Compensated absences payable	(389,167)
Total OPEB liability	(104,802)
Net pension liability	(1,237,760)

The loss on refunding of bonds payable is deferred and amortized over the shorter of the life of the refunded bonds or the refunding bonds in the government-wide statements.

143,295

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

744,519

Deferred outflows of resources and deferred inflows of resources are created as a result of various differences related to pensions that are not recognized in the governmental funds.

Deferred outflows of resources related to pensions	1,682,694
Deferred inflows of resources related to pensions	(2,307,539)

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

Delinquent property taxes	37,622
Delinquent special assessments	11,980
Deferred special assessments	414,790

Other long-term assets are not available to pay for current period Expenditures and, therefore, are deferred in the funds.

Notes receivable	11,356
Development revenue reserve	104,000

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

(39,751)

Total net position - governmental activities

\$ 16,485,063

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

	General Fund (101, 202)	Special Revenue	Capital Projects	Other Governmental Funds	Total Governmental Funds
		Economic Development Authority (600)	Capital Improvements (351)		
Revenues					
Property taxes	\$ 2,356,290	\$ 18,344	\$ 179,960	\$ 115,826	\$ 2,670,420
Tax increments	-	-	-	182,346	182,346
Special assessments	-	-	-	107,122	107,122
Licenses and permits	217,794	-	-	-	217,794
Intergovernmental	1,245,511	-	-	290,933	1,536,444
Charges for services	306,525	-	-	200,644	507,169
Fine and forfeitures	23,456	-	-	-	23,456
Miscellaneous					
Investment income	(42,010)	-	(2,621)	(5,470)	(50,101)
Contributions and donations	3,100	-	-	14,248	17,348
Other	161,956	-	-	343,644	505,600
Total revenues	<u>4,272,622</u>	<u>18,344</u>	<u>177,339</u>	<u>1,249,293</u>	<u>5,717,598</u>
Expenditures					
Current					
General government	832,646	-	-	-	832,646
Public safety	2,017,024	-	-	84,464	2,101,488
Cemetery	520	-	-	48,295	48,815
Public works	731,390	-	-	-	731,390
Parks and recreation	347,295	-	-	26,536	373,831
Economic development	16,624	93,887	-	154,575	265,086
Debt service					
Principal	-	-	-	284,000	284,000
Interest and other charges	-	-	-	105,953	105,953
Capital outlay					
General government	305,112	-	-	-	305,112
Public safety	265,187	-	-	106,382	371,569
Public works	305,878	-	-	-	305,878
Parks and recreation	85,220	-	-	158,527	243,747
Economic development	-	-	-	110,225	110,225
Total expenditures	<u>4,906,896</u>	<u>93,887</u>	<u>-</u>	<u>1,078,957</u>	<u>6,079,740</u>
Excess of revenues over (under) expenditures	(634,274)	(75,543)	177,339	170,336	(362,142)
Other Financing Sources (Uses)					
Proceeds from sale of capital asset	4,003	-	-	-	4,003
Insurance recoveries	126,341	-	-	-	126,341
Transfers in	-	5,000	-	203,414	208,414
Transfers out	(29,452)	-	(20,231)	(2,681)	(52,364)
Total other financing sources (uses)	<u>100,892</u>	<u>5,000</u>	<u>(20,231)</u>	<u>200,733</u>	<u>286,394</u>
Net change in fund balances	(533,382)	(70,543)	157,108	371,069	(75,748)
Fund Balances					
Beginning of year	<u>3,285,931</u>	<u>(984,976)</u>	<u>4,791,158</u>	<u>1,992,875</u>	<u>9,084,988</u>
End of year	<u>\$ 2,752,549</u>	<u>\$ (1,055,519)</u>	<u>\$ 4,948,266</u>	<u>\$ 2,363,944</u>	<u>\$ 9,009,240</u>

See notes to basic financial statements.

City of Princeton
Reconciliation of the Statement of Revenues,
Expenditures, and Changes in Fund Balances to
the Statement of Activities - Governmental Funds
Year Ended December 31, 2021

Net change in fund balances - total governmental funds \$ (75,748)

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

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

Capital outlays	1,077,099
Depreciation expense	(754,567)
Loss on disposal	(21,448)

Compensated absences are recognized as paid in the governmental funds but recognized as the expense is incurred in the Statement of Activities. 137,407

OPEB are recognized as paid in the governmental funds but recognized as expensed in the Statement of Activities. (23,305)

Principal payments on long-term debt are recognized as expenditures in the governmental funds but as an increase in the net position in the Statement of Activities. 284,000

The loss on refunding of bonds payable is deferred and amortized over the shorter of the life of the refunded bonds or the refunding bonds in the government-wide statements. (11,941)

Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recognized as an expenditure in the funds when it is due and thus requires use of current financial resources. In the Statement of Activities, however, interest expense is recognized as the interest accrues, regardless of when it is due. 7,804

Premiums are recognized when debt is issued in the governmental funds but amortized over the life of the debt in the Statement of Activities. 2,929

Principal payments on notes receivable will be collected, but are not available soon enough to pay for the current period's expenditures and, therefore, are deferred in the funds. (526)

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

Pension expense	313,252
State aid	13,692

Property taxes and special assessments receivable will be collected in subsequent years, but are not available soon enough to pay for the current period's expenditures and, therefore, are deferred in the funds.

Delinquent property taxes	(29,231)
Delinquent special assessments	9,586
Deferred special assessments	(59,577)

Change in net position - governmental activities. \$ 869,426

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

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Over (Under)
	Original	Final		
Revenues				
Property taxes	\$ 2,305,455	\$ 2,305,455	\$ 2,356,290	\$ 50,835
Licenses and permits	154,770	154,770	217,794	63,024
Intergovernmental	1,142,235	1,142,235	1,245,511	103,276
Charges for services	270,945	270,945	306,525	35,580
Fines and forfeitures	28,500	28,500	23,456	(5,044)
Miscellaneous revenues				
Investment income	10,200	10,200	(42,010)	(52,210)
Contributions and donations	-	-	3,100	3,100
Other	140,000	140,000	161,956	21,956
Total revenues	<u>4,052,105</u>	<u>4,052,105</u>	<u>4,272,622</u>	<u>220,517</u>
Expenditures				
Current				
General government	1,105,015	1,105,015	832,646	(272,369)
Public safety	1,975,520	1,975,520	2,017,024	41,504
Cemetery	-	-	520	520
Public works	794,230	794,230	731,390	(62,840)
Parks and recreation	265,610	265,610	347,295	81,685
Economic development	-	-	16,624	16,624
Capital outlay				
General government	202,000	202,000	305,112	103,112
Public safety	271,000	271,000	265,187	(5,813)
Public works	391,000	391,000	305,878	(85,122)
Parks and recreation	163,000	163,000	85,220	(77,780)
Total expenditures	<u>5,167,375</u>	<u>5,167,375</u>	<u>4,906,896</u>	<u>(260,479)</u>
Excess of revenues over (under) expenditures	(1,115,270)	(1,115,270)	(634,274)	480,996
Other Financing Sources (Uses)				
Proceeds from sale of capital asset	-	-	4,003	4,003
Insurance recoveries	-	-	126,341	126,341
Transfers in	1,159,500	1,159,500	-	(1,159,500)
Transfers out	(43,785)	(43,785)	(29,452)	14,333
Total other financing sources (uses)	<u>1,115,715</u>	<u>1,115,715</u>	<u>100,892</u>	<u>(1,014,823)</u>
Net change in fund balances	<u>\$ 445</u>	<u>\$ 445</u>	(533,382)	<u>\$ (533,827)</u>
Fund Balances				
Beginning of year			<u>3,285,931</u>	
End of year			<u>\$ 2,752,549</u>	

City of Princeton
Statement of Revenues, Expenditures, and
Changes in Fund Balances -
Budget and Actual - Economic Development Authority
Special Revenue Fund
For the Year Ended December 31, 2021

	<u>Budgeted Amounts</u>		Actual Amounts	Variance with Final Budget - Over (Under)
	<u>Original</u>	<u>Final</u>		
Revenues				
Property taxes	\$ 18,170	\$ 18,170	\$ 18,344	\$ 174
Total revenues	<u>18,170</u>	<u>18,170</u>	<u>18,344</u>	<u>174</u>
Expenditures				
Current				
Economic development	105,730	105,730	93,887	(11,843)
Total expenditures	<u>105,730</u>	<u>105,730</u>	<u>93,887</u>	<u>(11,843)</u>
Excess of revenues over (under) expenditures	(87,560)	(87,560)	(75,543)	12,017
Other Financing Sources				
Transfers in	<u>5,000</u>	<u>5,000</u>	<u>5,000</u>	<u>-</u>
Net change in fund balances	<u>\$ (82,560)</u>	<u>\$ (82,560)</u>	(70,543)	<u>\$ 12,017</u>
Fund Balances				
Beginning of year			<u>(984,976)</u>	
End of year			<u>\$ (1,055,519)</u>	

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

	Airport (208)	Sanitary Sewer (702/704)	Municipal Liquor (703)	Total
Assets				
Current assets				
Cash and investments	\$ 22,630	\$ 559,737	\$ 4,004,651	\$ 4,587,018
Special assessment receivable deferred	-	763	-	763
Accounts receivable	10,625	-	-	10,625
Accrued interest	-	-	5,605	5,605
Due from other funds	-	-	1,539,660	1,539,660
Due from other governments	1,225,352	212,932	-	1,438,284
Inventories	8,500	-	491,879	500,379
Contract for deed	-	-	5,197	5,197
Prepaid items	1,244	14,512	13,853	29,609
Total current assets	<u>1,268,351</u>	<u>787,944</u>	<u>6,060,845</u>	<u>8,117,140</u>
Noncurrent assets				
Contract for deed	-	-	134,307	134,307
Capital assets				
Land	495,923	129,120	410,998	1,036,041
Buildings and system	84,855	1,006,068	1,009,317	2,100,240
Other improvements	3,628,606	26,032,571	43,608	29,704,785
Machinery and equipment	342,577	1,006,023	200,410	1,549,010
Construction in progress	3,514,668	171,754	-	3,686,422
Total capital assets	<u>8,066,629</u>	<u>28,345,536</u>	<u>1,664,333</u>	<u>38,076,498</u>
Less accumulated depreciation	<u>(3,056,137)</u>	<u>(8,466,481)</u>	<u>(572,832)</u>	<u>(12,095,450)</u>
Net capital assets	<u>5,010,492</u>	<u>19,879,055</u>	<u>1,091,501</u>	<u>25,981,048</u>
Total assets	<u>6,278,843</u>	<u>20,666,999</u>	<u>7,286,653</u>	<u>34,232,495</u>
Deferred Outflows of Resources				
Deferred outflows of resources related to pensions	<u>10,126</u>	<u>105,742</u>	<u>139,919</u>	<u>255,787</u>
Total assets and deferred outflows of resources	<u>\$ 6,288,969</u>	<u>\$ 20,772,741</u>	<u>\$ 7,426,572</u>	<u>\$ 34,488,282</u>
Liabilities				
Current liabilities				
Accounts and contracts payable	\$ 85,525	\$ 19,097	\$ 144,828	\$ 249,450
Salaries payable	564	4,237	16,715	21,516
Interest payable	-	9,731	-	9,731
Due to other funds	1,539,660	-	-	1,539,660
Due to other governmental units	-	6,156	54,567	60,723
Compensated absences payable	-	26,287	42,495	68,782
Current portion of revenue bonds	-	421,000	-	421,000
Total current liabilities	<u>1,625,749</u>	<u>486,508</u>	<u>258,605</u>	<u>2,370,862</u>
Noncurrent liabilities				
Compensated absences payable	-	5,796	37,033	42,829
Total OPEB liability	819	11,927	8,460	21,206
Bonds payable	-	13,169,147	-	13,169,147
Net pension liability	12,619	131,775	174,368	318,762
Total noncurrent liabilities	<u>13,438</u>	<u>13,318,645</u>	<u>219,861</u>	<u>13,551,944</u>
Total liabilities	<u>1,639,187</u>	<u>13,805,153</u>	<u>478,466</u>	<u>15,922,806</u>
Deferred Inflows of Resources				
Deferred inflows of resources related to pensions	<u>11,594</u>	<u>121,080</u>	<u>160,215</u>	<u>292,889</u>
Net Position				
Net investment in capital assets	5,010,492	6,288,908	1,091,501	12,390,901
Unrestricted	(372,304)	557,600	5,696,390	5,881,686
Total net position	<u>4,638,188</u>	<u>6,846,508</u>	<u>6,787,891</u>	<u>18,272,587</u>
Total liabilities, deferred inflows of resources,	<u>\$ 6,288,969</u>	<u>\$ 20,772,741</u>	<u>\$ 7,426,572</u>	<u>\$ 34,488,282</u>

City of Princeton
Statement of Revenues, Expenses, and Changes
in Fund Net Position - Proprietary Funds
Year Ended December 31, 2021

	Airport (208)	Sanitary Sewer (702/704)	Municipal Liquor (703)	Total
Sales and cost of sales				
Sales	\$ 61,761	\$ -	\$ 5,456,787	\$ 5,518,548
Cost of sales	55,679	-	4,158,977	4,214,656
Gross profit	<u>6,082</u>	<u>-</u>	<u>1,297,810</u>	<u>1,303,892</u>
Operating revenues				
Charges for services	24,428	1,393,480	-	1,417,908
Total gross profit and operating revenues	30,510	1,393,480	1,297,810	2,721,800
Operating expenses				
Wages and salaries	26,541	293,621	418,952	739,114
Materials and supplies	64,656	363,121	113,651	541,428
Professional services	-	-	93,794	93,794
Depreciation	92,293	650,213	40,893	783,399
Miscellaneous	-	14,271	-	14,271
Total operating expenses	<u>183,490</u>	<u>1,321,226</u>	<u>667,290</u>	<u>2,172,006</u>
Operating income (loss)	(152,980)	72,254	630,520	549,794
Nonoperating revenues (expenses)				
Interest income	-	(303)	9,342	9,039
Intergovernmental revenues	-	325	-	325
Interest expense	-	(264,170)	-	(264,170)
Other income	-	8,840	533	9,373
Total nonoperating revenues (expenses)	<u>-</u>	<u>(255,308)</u>	<u>9,875</u>	<u>(245,433)</u>
Income before capital contributions and transfers	(152,980)	(183,054)	640,395	304,361
Capital contributions	970,709	-	-	970,709
Transfers in	2,800	-	-	2,800
Transfers out	-	-	(158,850)	(158,850)
Change in net position	820,529	(183,054)	481,545	1,119,020
Net position				
Beginning of year	<u>3,817,659</u>	<u>7,029,562</u>	<u>6,306,346</u>	<u>17,153,567</u>
End of year	<u>\$ 4,638,188</u>	<u>\$ 6,846,508</u>	<u>\$ 6,787,891</u>	<u>\$ 18,272,587</u>

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

	Airport (208)	Sanitary Sewer (702/704)	Municipal Liquor (703)	Total
Cash Flows - Operating Activities				
Receipts from customers and users	\$ 78,574	\$ 1,400,821	\$ 5,458,864	\$ 6,938,259
Payments to suppliers	(118,133)	(378,094)	(4,111,239)	(4,607,466)
Payments to employees	(29,685)	(335,372)	(447,957)	(813,014)
Other income	-	8,840	533	9,373
Net cash flows - operating activities	<u>(69,244)</u>	<u>696,195</u>	<u>900,201</u>	<u>1,527,152</u>
Cash Flows - Noncapital				
Financing Activities				
Transfer from other funds	2,800	-	-	2,800
Transfer to other funds	-	-	(158,850)	(158,850)
Increase in due to other funds	921,477	-	-	921,477
Decrease in due from other funds	-	-	(921,477)	(921,477)
Net cash flows - noncapital financing activities	<u>924,277</u>	<u>-</u>	<u>(1,080,327)</u>	<u>(156,050)</u>
Cash Flows - Capital and Related				
Financing Activities				
Principal paid on debt	-	(413,000)	-	(413,000)
Interest paid on debt	-	(264,584)	-	(264,584)
Principal received on contract for deed	-	-	5,514	5,514
Intergovernmental revenues received	285,024	325	-	285,349
Acquisition of capital assets	<u>(1,117,427)</u>	<u>(31,440)</u>	<u>(7,554)</u>	<u>(1,156,421)</u>
Net cash flows - capital and related financing activities	<u>(832,403)</u>	<u>(708,699)</u>	<u>(2,040)</u>	<u>(1,543,142)</u>
Cash Flows - Investing Activities				
Interest and dividends received	<u>-</u>	<u>(303)</u>	<u>4,562</u>	<u>4,259</u>
Net change in cash and cash equivalents	22,630	(12,807)	(177,604)	(167,781)
Cash and Cash Equivalents				
January 1	<u>-</u>	<u>572,544</u>	<u>4,182,255</u>	<u>4,754,799</u>
December 31	<u>\$ 22,630</u>	<u>\$ 559,737</u>	<u>\$ 4,004,651</u>	<u>\$ 4,587,018</u>
Reconciliation of Operating Income (Loss) to Net Cash Flows - Operating Activities				
Operating income (loss)	\$ (152,980)	\$ 72,254	\$ 630,520	\$ 549,794
Adjustments to reconcile operating income (loss) to net cash flows - operating activities				
Other income	-	8,840	533	9,373
Depreciation expense	92,293	650,213	40,893	783,399
Accounts receivable	(7,615)	4,951	2,077	(587)
Special assessments receivable	-	(763)	-	(763)
Due from other governments	-	3,153	-	3,153
Prepaid items	(549)	(712)	(2,908)	(4,169)
Inventory	-	-	229,190	229,190
Accounts and contracts payable	2,751	(6,146)	26,741	23,346
Due to other governmental units	-	6,156	2,160	8,316
Salaries payable	142	1,287	12,480	13,909
Compensated absences payable	-	(18,692)	(1,117)	(19,809)
Net pension liability and related deferred outflows and inflows	(3,126)	(24,877)	(38,149)	(66,152)
Total OPEB liability and related deferred outflows	(160)	531	(2,219)	(1,848)
Total adjustments	<u>83,736</u>	<u>623,941</u>	<u>269,681</u>	<u>977,358</u>
Net cash flows - operating activities	<u>\$ (69,244)</u>	<u>\$ 696,195</u>	<u>\$ 900,201</u>	<u>\$ 1,527,152</u>

See notes to basic financial statements.

City of Princeton
Notes to Basic Financial Statements

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

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

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

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

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

Blended Component Units – Reported as if they were part of the City.

Discretely Presented Component Unit – Entails reporting the component unit financial data in a column separate from the financial data of the City.

Related Organization – The relationship of the City with the entity is disclosed.

Joint Ventures and Jointly Governed Organizations – The relationship of the City with the entity is disclosed.

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

1. Blended Component Unit

The Princeton Economic Development Authority (EDA) is a legal entity separate from the City. Although legally separate, the Princeton EDA is reported as if it were part of the primary government because it provides services exclusively for the City and the deficit cash position of the EDA is funded through borrowing from the City. Separate financial statements are not prepared for the Princeton EDA.

2. Discretely Presented Component Unit

The Princeton Public Utilities meets the criteria to be included as a discretely presented component unit in the basic financial statements. Copies of audited financial reports are available at the Princeton Public Utilities Office.

City of Princeton
Notes to Basic Financial Statements

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

A. Reporting Entity (Continued)

3. Joint Ventures and Jointly Governed Organizations

Dalbo-Princeton-Wyanett Fire Districts

The City, the Town of Wyanett and Dalbo Fire and Rescue Department are organized to establish an agreement to provide fire protection and medical response services to the Town of Wyanett. Separate financial statements are not prepared for the Fire District.

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 nonfiduciary activities of the City. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

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

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

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

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

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

City of Princeton
Notes to Basic Financial Statements

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

Description of Funds:

Major Governmental Funds:

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

Economic Development Authority Special Revenue Fund – This fund accounts for economic development activities of the City. Major revenue sources include property taxes.

Capital Improvements Capital Projects Fund – This fund accounts for the activities associated with capital improvements in the City.

Proprietary Funds:

Airport Fund – This fund accounts for the activities of the City's airport operations.

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

Municipal Liquor Fund – This fund accounts for the activities of the City's liquor store 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 charges between the City's utility functions and various other functions of the City. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Sanitary Sewer, Liquor, and Airport Enterprise Funds are charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

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

City of Princeton
Notes to Basic Financial Statements

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

1. Deposits and Investments

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

The City's cash and cash equivalents are considered to be cash on hand, deposits, and highly liquid debt instruments purchased with original maturities of three months or less from the date of acquisition. Investments are stated at fair value.

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

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

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

2. Receivables and Payables

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

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

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

City of Princeton
Notes to Basic Financial Statements

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

2. Receivables and Payables (Continued)

The County Auditors submit the list of taxes and special assessments to be collected on each parcel of property to the County Treasurers in January of each year.

3. Inventory and Prepaid Items

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

Inventory is valued at cost using the first in, first out (FIFO) method. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased.

4. Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, sidewalks, and similar items), and intangible assets, are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the City as assets with an initial, individual cost of more than \$1,000 to \$10,000, depending on the type of asset and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at acquisition value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

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

<u>Assets</u>	<u>Years</u>
Equipment	5-40
Infrastructure	20-60
Vehicles	3-40
Buildings and building improvements	7-40
Land improvements	5-30

City of Princeton
Notes to Basic Financial Statements

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

5. Deferred Outflows/Inflows of Resources

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

In addition to liabilities, the Statement of Financial Position and fund financial statements will sometimes report a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net assets that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The City presents deferred inflows of resources on the Governmental Fund Balance Sheet as unavailable revenue. The governmental funds report unavailable revenues from three sources: long-term assets, property taxes, and special assessments. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available. The City and PUC also present deferred inflows of resources on the Statements of Net Position for deferred inflows of resources related to pensions for various estimate differences that will be amortized and recognized over future years. The PUC presents deferred credits (revenue), which represent rate stabilization as a deferred inflow of resources. Rate stabilization is a result of deposits made to the PUC's rate stabilization account, which may be used to meet unanticipated increase in revenue requirements in subsequent periods. The PUC also presents deferred solar subscriptions for payments received from customers upfront for 5 to 20 year solar panel subscriptions.

6. Compensated Absences

Full-time City employees accumulate sick leave at the rate of one day for each month of employment. Upon termination or retirement, an employee with a minimum of ten years of service can collect half of all unused sick leave. The policy for union employees is the same except only five years of service is necessary and there is a maximum payment of 480 hours of unused sick leave.

City employees in a supervisory position accumulate 40 hours of severance pay for each year of service. The accumulated time vests after three years of service.

The Public Utility Commission (PUC) is obligated to pay certain employees with ten years of service, severance pay upon termination of employment based on unused accumulated sick leave days up to a maximum of 60 days.

City of Princeton
Notes to Basic Financial Statements

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

6. Compensated Absences (Continued)

Employees are granted vacation based on years of service. The City compensates employees who resign, retire, or are terminated for all their unused vacation days. The liability for accumulated vacation and sick pay at December 31, 2021, is recorded in the financial statements.

7. Long-Term Obligations

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

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

8. Pensions

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

9. Fund Equity

a. Classification

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

- Nonspendable Fund Balance – These are amounts that cannot be spent because they are not in spendable form.
- Restricted Fund Balance – These are amounts that are restricted to specific purposes either by a) constraints placed on the use of resources by creditors, grantors, contributors, or laws or regulations of other governments or b) imposed by law through enabling legislation.

City of Princeton
Notes to Basic Financial Statements

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

9. Fund Equity

a. Classification

- Committed Fund Balance – These are amounts that can only be used for specific purposes pursuant to constraints imposed by the City Council (highest level of decision making authority) through resolution.
- Assigned Fund Balance – These are amounts that are constrained by the City's intent to be used for specific purposes but are neither restricted nor committed. Assignments are made by the City Administrator based on the City Council's direction.
- Unassigned Fund Balance – These are residual amounts in the General Fund not reported in any other classification. The General Fund is the only fund that can report a positive unassigned fund balance. Other funds would report a negative unassigned fund balance should the total of nonspendable, restricted, and committed fund balances exceed the total net resources of that fund.

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

b. Minimum Fund Balance

The City's target General Fund balance is to maintain an unassigned fund balance in the amount of 30%-50% of the subsequent year's operating budget.

10. Net Position

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

E. Use of Estimates

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

City of Princeton
Notes to Basic Financial Statements

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

F. Budgetary Information

1. Budget requests are submitted by all department heads to the City Administrator. The City Administrator compiles the budget requests into an overall preliminary City budget. The City Administrator presents the proposed budget to the City Council.
2. Public hearings are conducted to obtain taxpayer comments.
3. The budget is legally enacted through passage of a resolution after obtaining taxpayer comments. The budget resolution adopted by the City Council sets forth the budgets at the function level for the governmental funds.
4. Budgets for the governmental funds are adopted on a basis consistent with accounting principles generally accepted in the United States of America.
5. Expenditures may not legally exceed budgeted appropriations at the department level. No fund's budget can be increased without City Council approval. The City Council may authorize transfer of budgeted amounts between departments within any fund. Management may amend budgets within a department level, so long as the total department budget is not changed.
6. Annual appropriated budgets are adopted during the year for the governmental funds.
7. Budgeted amounts are as originally adopted or as amended by the City Council. Individual amendments were not material in relation to the original amounts budgeted. Budgeted expenditure appropriations lapse at year-end.

Encumbrances outstanding at year-end expire and outstanding purchase orders are canceled and not reported in the financial statements.

City of Princeton
Notes to Basic Financial Statements

NOTE 2 – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. Deficit Fund Balance

The following funds had deficit balances at December 31, 2021:

Major Fund	
Special Revenue	
Economic Development Authority	\$1,055,519
Nonmajor Funds	
Special Revenue	
Community Beautification	764
Community Projects	358
Development Grants	70,535
Development Expenses	476,242
Fire Department Grants	28,959
Stormwater Management	147,005
Debt Service	
G.O. Capital Improvement Bonds, 2016A	990
Western Area Improvements	69,568
Capital Projects	
Heritage Village	284,747
Northland/Old 18 Improvements	53,760
MN Industrial Coatings Expansion District	5,080
West Branch and 7th Avenue North	347,586
Roundabout Project	266,901
Arcadian Homes Utility Project	212,683
2000 Street and Utility Improvements	2,832
Caseys Redevelopment District	7,343
Aero Business Redevelopment District	5,528
TIF 8-4 Chino Development	17,545
West Branch TIF	15,133
TIF 9-2 Housing Rum River Residential/West Rivertown Apartments	10,342

NOTE 3 – DEPOSITS AND INVESTMENTS

A. Deposits

In accordance with applicable *Minnesota Statutes*, the City maintains deposits at depository banks authorized by the City Council.

Custodial Credit Risk – Deposits: For deposits, this is the risk that in the event of bank failure, the City's deposits may not be returned to it. The City's investment policy states the collateralization level will be 110% of the market value of principal and accrued interest. When the pledged collateral consists of notes secured by first mortgages, the collateral level will be 140% of the market value of principal and accrual interest. As of December 31, 2021, the City's bank balance was not exposed to custodial credit risk because it was fully insured through the FDIC as well as collateral pledged.

City of Princeton
Notes to Basic Financial Statements

NOTE 3 – DEPOSITS AND INVESTMENTS (CONTINUED)

A. Deposits (Continued)

Checking	\$ 4,093,000
Savings	2,909,923
Nonnegotiable certificates of deposit	1,548,377
Total deposits	\$ 8,551,300

B. Investments – City

As of December 31, 2021, the City had the following investments:

Type	Investment	Amount	Investment Maturities				Percentage of Total	Credit Rating
			Less than One Year	1 - 5 Years	6 - 10 Years	Greater than 10 Years		
MM	Brokered Money Markets	\$ 664,037	\$ 664,037	\$ -	\$ -	\$ -	14.2%	N/A
MM	4M Plus	316,479	316,479	-	-	-	6.8%	N/A
GB	FNMA	1,302	-	-	-	1,302	0.0%	NR
SEC	Mortgage Securities	7,073	-	-	-	7,073	0.2%	AA+
CD	Brokered Certificates of Deposit	3,696,793	625,790	2,873,377	197,626	-	78.8%	N/A
	Total	\$ 4,685,684	\$ 1,606,306	\$ 2,873,377	\$ 197,626	\$ 8,375	100.0%	

Interest Rate Risk: This is the risk that market values of securities in a portfolio would decrease due to changes in market interest rates. The City's investment policy states the City should remain sufficiently liquid to meet all operating requirements that may be reasonably anticipated and be designed to attain a market average rate of return. The City's investment policy states that under no circumstances should any investment extend beyond 15 years. At December 31, 2021, the City was in compliance with this policy.

Credit Risk: This is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. State statutes limit investments to those listed in Section 118A; the statute limits investments to those in the top two ratings issued by nationally recognized statistical rating organizations. The City's investment policy further restricts investments to instruments which are direct obligations of the federal government, with the principal fully guaranteed by the U.S. Treasury, certificates of deposit, general obligations of the State of Minnesota and its municipalities, state-wide investment pool and money market mutual funds. As of December 31, 2021, the City's investments were rated in the table above.

Concentration of Credit Risk: This is the risk of loss attributed to the magnitude of an investment in a single issuer. Investments should be diversified to avoid incurring unreasonable risk inherent in over investing in specific instruments, individual financial institutions, or maturities. The City's investment policy states the City will attempt to diversify their investments according to type and maturity and the portfolio should contain both short-term and long-term investments to meet anticipated cash flow requirements. Extended maturities may be utilized to take advantage of higher yields; however, no more than 50% of the total investments should extend beyond 5 years and in no circumstances should any extend beyond 15 years.

City of Princeton
Notes to Basic Financial Statements

NOTE 3 – DEPOSITS AND INVESTMENTS (CONTINUED)

B. Investments – City (Continued)

Concentration of Credit Risk: This is the risk of loss attributed to the magnitude of an investment in a single issuer. Investments should be diversified to avoid incurring unreasonable risk inherent in over investing in specific instruments, individual financial institutions, or maturities. The City's investment policy states the City will attempt to diversify their investments according to type and maturity and the portfolio should contain both short-term and long-term investments to meet anticipated cash flow requirements. Extended maturities may be utilized to take advantage of higher yields; however, no more than 50% of the total investments should extend beyond 5 years and in no circumstances should any extend beyond 15 years.

Credit Risk – Investments: For an investment, this is the risk that in the event of the failure of the counterparty, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The City's investment policy states when investments purchased by the City are held in safekeeping by a broker/dealer, they must provide asset protection of \$500,000 through the Securities Investor Protector Corporation (SIPC) and at least another \$2 million supplemental insurance protection.

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

- City - investments of \$3,705,168 are valued using a matrix pricing model (Level 2 inputs)

C. Deposits and Investments – PUC Component Unit

In accordance with applicable *Minnesota Statutes*, the component unit maintains deposits at depository banks authorized by the PUC.

Custodial Credit Risk – Deposits: As of December 31, 2021, the PUC component unit's bank balance not exposed to custodial credit risk because it was fully insured through the FDIC as well as collateral pledged. The component unit's deposits had a book balance at December 31, 2021, of \$7,285,922.

As of December 31, 2021, the PUC component unit had the following investments:

Type	Investment	Fair Value	Credit Rating	Percentage of Total
MM	Brokered Money Markets	\$ 590,924	N/A	72.4%
GB	Grand Rapids, MN G.O. Taxable	225,812	A1	27.6%
Total		<u>\$ 816,736</u>		<u>100.0%</u>

Credit Risk: As of December 31, 2021, the component unit's investments were rated in the table above.

City of Princeton
Notes to Basic Financial Statements

NOTE 3 – DEPOSITS AND INVESTMENTS (CONTINUED)

C. Deposits and Investments – PUC Component Unit (Continued)

Concentration of Credit Risk: The PUC component unit was exposed to concentration of credit risk at December 31, 2021, as individual investments in governmental bonds exceeded 5% of the component units total investment portfolio.

The PUC had the following recurring fair value measurements as of December 31, 2021:

- PUC - investments of \$225,812 are valued using a matrix pricing model (Level 2 inputs)

D. Deposits and Investments Summary

The following is a summary of total deposits and investments:

Deposits (Note 3.A.)	\$ 8,551,300
City investments (Note 3.B.)	4,685,684
Petty cash	<u>3,039</u>
Total deposits and investments - City and EDA component unit	<u>13,240,023</u>
Deposits - component unit (Note 3.C.)	7,285,922
Investments - component unit (Note 3.C.)	816,736
Petty cash	<u>2,135</u>
Total deposits and investments - component unit	<u>8,104,793</u>
Total deposits and investments	<u><u>\$ 21,344,816</u></u>

Deposits and investments are presented in the basic financial statements as follows:

Statement of Net Position	
Cash and investments, primary government	\$ 13,240,023
Cash and investments, PUC component unit	6,908,206
Restricted assets, PUC component unit	<u>1,196,587</u>
Total	<u><u>\$ 21,344,816</u></u>

City of Princeton
Notes to Basic Financial Statements

NOTE 4 – CAPITAL ASSETS

A. Primary Government

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities				
Capital assets not being depreciated				
Land	\$ 1,683,312	\$ -	\$ -	\$ 1,683,312
Easements	2,634	-	-	2,634
Construction in progress	569,827	581,051	482,501	668,377
Total capital assets not being depreciated	<u>2,255,773</u>	<u>581,051</u>	<u>482,501</u>	<u>2,354,323</u>
Capital assets being depreciated				
Building and systems	5,139,071	12,936	-	5,152,007
Other improvements	2,696,249	423,921	-	3,120,170
Machinery and equipment	5,349,586	541,692	25,061	5,866,217
Infrastructure	9,612,240	-	-	9,612,240
Total capital assets being depreciated	<u>22,797,146</u>	<u>978,549</u>	<u>25,061</u>	<u>23,750,634</u>
Less accumulated depreciation for				
Building and systems	1,801,442	125,854	-	1,927,296
Other improvements	1,547,386	88,673	-	1,636,059
Machinery and equipment	3,261,379	311,923	3,613	3,569,689
Infrastructure	6,068,130	228,117	-	6,296,247
Total accumulated depreciation	<u>12,678,337</u>	<u>754,567</u>	<u>3,613</u>	<u>13,429,291</u>
Total capital assets being depreciated, net	<u>10,118,809</u>	<u>223,982</u>	<u>21,448</u>	<u>10,321,343</u>
Governmental activities capital assets, net	<u>\$ 12,374,582</u>	<u>\$ 805,033</u>	<u>\$ 503,949</u>	<u>\$ 12,675,666</u>

City of Princeton
Notes to Basic Financial Statements

NOTE 4 – CAPITAL ASSETS (CONTINUED)

A. Primary Government (Continued)

	Beginning Balance	Increases	Decreases	Ending Balance
Business-type activities				
Capital assets not being depreciated				
Land	\$ 1,036,041	\$ -	\$ -	\$ 1,036,041
Construction in progress	2,612,691	1,073,731	-	3,686,422
Total capital assets not being depreciated	<u>3,648,732</u>	<u>1,073,731</u>	<u>-</u>	<u>4,722,463</u>
Capital assets being depreciated				
Buildings and systems	2,069,602	30,638	-	2,100,240
Other improvements	29,704,785	-	-	29,704,785
Machinery and equipment	1,532,565	16,445	-	1,549,010
Total capital assets being depreciated	<u>33,306,952</u>	<u>47,083</u>	<u>-</u>	<u>33,354,035</u>
Less accumulated depreciation for				
Buildings and systems	739,890	55,091	-	794,981
Other improvements	9,699,119	662,298	-	10,361,417
Machinery and equipment	873,042	66,010	-	939,052
Total accumulated depreciation	<u>11,312,051</u>	<u>783,399</u>	<u>-</u>	<u>12,095,450</u>
Total capital assets being depreciated, net	<u>21,994,901</u>	<u>(736,316)</u>	<u>-</u>	<u>21,258,585</u>
Business-type activities capital assets, net	<u>\$ 25,643,633</u>	<u>\$ 337,415</u>	<u>\$ -</u>	<u>\$ 25,981,048</u>

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

Governmental activities	
General government	\$ 31,553
Public safety	252,642
Cemetery	13,978
Public works	317,258
Parks and recreation	<u>139,136</u>
Total depreciation expense - governmental activities	<u>\$ 754,567</u>

City of Princeton
Notes to Basic Financial Statements

NOTE 4 – CAPITAL ASSETS (CONTINUED)

A. Primary Government (Continued)

Business-type activities	
Airport	\$ 92,293
Sanitary sewer	650,213
Municipal liquor	<u>40,893</u>
Total depreciation expense - business-type activities	<u>\$ 783,399</u>

B. PUC Component Unit

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Business-type activities				
Capital assets not being depreciated				
Land	\$ 33,162	\$ -	\$ -	\$ 33,162
Capital assets being depreciated				
Building and systems	2,171,823	-	-	2,171,823
Infrastructure	27,942,405	443,414	-	28,385,819
Machinery and equipment	<u>3,489,064</u>	<u>34,450</u>	<u>18,983</u>	<u>3,504,531</u>
Total capital assets being depreciated	<u>33,603,292</u>	<u>477,864</u>	<u>18,983</u>	<u>34,062,173</u>
Less accumulated depreciation	<u>19,541,421</u>	<u>1,073,416</u>	<u>18,983</u>	<u>20,595,854</u>
Total capital assets being depreciated, net	<u>14,061,871</u>	<u>(595,552)</u>	<u>-</u>	<u>13,466,319</u>
Governmental activities capital assets, net	<u>\$ 14,095,033</u>	<u>\$ (595,552)</u>	<u>\$ -</u>	<u>\$ 13,499,481</u>

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

Business-type activities	
Electric	\$ 685,235
Water	<u>388,181</u>
Total depreciation expense - business-type activities	<u>\$ 1,073,416</u>

City of Princeton
Notes to Basic Financial Statements

NOTE 5 – NOTES RECEIVABLE

At December 31, 2021, the City had a contract for deed receivable balance of \$139,504 related to the former municipal liquor store building. Monthly payments of \$662 are receivable by the City including interest of 2% through August 2023. A final balloon payment of \$131,003 is due in September 2023.

Notes receivable issued in connection with Urban Development Action Grants (UDAG) at December 31, 2021, consisted of the following:

Bellamy	
Annual payments of \$786, including interest at 3%, through September 2024	\$ 10,378
Anderson	
Annual payments of \$262, including interest at 3%, through September 2024	978
K Bob Cafe	
Annual payments of \$1,544, including interest at 2%, through December 2021	16,021
Small Cities Loans Receivable	<u>1,049</u>
Total	<u><u>\$ 28,426</u></u>

NOTE 6 – RESTRICTED ASSETS – PUC COMPONENT UNIT

A. Improvements and Replacements

In 1986, the PUC resolved that any surplus monies in the Electric and Water Funds be transferred to a reserve account to be used for emergencies, improvements, and equipment replacements. Activity in the account was as follows:

Balance - December 31, 2020	\$ 2,030,939
Additions	<u>148,985</u>
Balance - December 31, 2021	<u><u>\$ 2,179,924</u></u>

B. Reserve Fund

Bond and note covenants required a reserve account in the amount of \$811,646 be established. The amount of \$97,500 is required to be reserved in the Water Fund and \$714,146 in the Electric Fund, of which \$248,314 is being held in escrow.

City of Princeton
Notes to Basic Financial Statements

NOTE 6 – RESTRICTED ASSETS – PUC COMPONENT UNIT (CONTINUED)

C. Debt Retirement

The 2012, 2010, 2008, and 2004 Water Revenue Bond indentures require the Water Fund to set aside bimonthly, at least one-sixth of the total principal and interest payable during the ensuing 12 months. The total set aside as of December 31, 2021, was \$100,582.

The 2012, 2010, and 2006 Electric Revenue Bond indentures require the Electric Fund to set aside an amount equal to not less than one-sixth of the interest due within the next 6 months and monthly, to set aside an amount equal to not less than one-twelfth of the principal due within the next 12 months. The total set aside at December 31, 2021, was \$284,359.

D. Restricted Cash Held in Escrow

Restricted cash held in escrow as of December 31, 2021, consisted of \$248,314 of cash proceeds from the Electric Revenue Note, Series 2006A.

NOTE 7 – INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS

A. Interfund Receivables and Payables

The composition of interfund balances as of December 31, 2021, is as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Capital Improvements	Economic Development Authority	\$ 1,421,855
Capital Improvements	Other governmental funds	2,608,050
Municipal Liquor	Airport	<u>1,539,660</u>
Total		<u>\$ 5,569,565</u>

The purpose of the above interfund receivables and payables are to finance operations and to cover cash deficits.

There was also a long-term advance between other governmental funds totaling \$2,832 at December 31, 2021, to finance capital projects, and a long-term advance between the Capital Improvements Fund and other governmental funds totaling \$202,467 at December 31, 2021, to finance the West Birch townhome development.

City of Princeton
Notes to Basic Financial Statements

NOTE 7 – INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS (CONTINUED)

B. Interfund Transfers

The composition of interfund transfers as of December 31, 2021, was as follows:

Transfer In	Transfer Out	Description	Amount
Cemetery Operations	General Fund	Operations	\$ 13,341
Cemetery Operations	G.O. Capital Improvements	Operations	20,231
Cemetery Operations	Cemetery Perpetual Care	Operations	1,881
Solheim Field Improvements	General Fund	Field improvements	800
Solheim Field Improvements	Park Improvements	Field improvements	800
Community Beautification	Liquor	City contribution for beautification	2,500
Economic Development	General Fund	Operations	5,000
Fire Equipment Reserve	General Fund	Fire operations	10,311
G.O. Capital Improvements	Liquor	Debt service	153,550
Airport	Liquor	Operations	2,800
			<u>\$ 211,214</u>

NOTE 8 – LONG-TERM DEBT

A. General Obligation Bonds

Primary Government

The City issues general obligation (G.O.) bonds to provide financing for street improvements, facility construction and tax increment projects. Debt service is covered respectively by special assessments, property taxes, and tax increments against benefited properties with any shortfalls being paid from general taxes.

G.O. bonds are direct obligations and pledge the full faith and credit of the City. These bonds generally are issued as 15 year serial bonds with equal debt service payments each year.

City of Princeton
Notes to Basic Financial Statements

NOTE 8 – LONG-TERM DEBT (CONTINUED)

B. Components of Long-Term Liabilities

Primary Government

	<u>Issue Date</u>	<u>Interest Rates</u>	<u>Original Issue</u>	<u>Final Maturity</u>	<u>Principal Outstanding</u>	<u>Due Within One Year</u>
Long-term liabilities						
Governmental activities						
G.O. bonds, including						
special assessmetn bonds						
G.O. Improvement 2007A	08/23/07	4.00%-4.25%	\$ 234,000	02/01/23	\$ 41,000	\$ 20,000
G.O. Improvement						
Refunding 2012B	06/21/12	0.35%-2.75%	910,000	02/01/28	-	-
G.O. Improvement 2015A	10/22/15	1.00%-3.00%	910,000	02/01/31	645,000	60,000
G.O. Capital Improvement						
2016A	06/01/16	0.75%-2.75%	2,240,000	02/01/34	1,650,000	115,000
G.O. Bonds 2020A	06/10/20	1.88%	1,350,000	02/01/30	1,350,000	235,000
G.O. Tax Abatement						
Bonds 2020B	06/10/20	2.70%	552,000	02/01/36	552,000	30,000
Bond premium					33,080	-
Compensated absences					389,167	144,000
Total governmental					<u>4,660,247</u>	<u>604,000</u>
activities						
Business-type activities						
G.O. revenue bonds						
G.O. Sewer Revenue						
Refunding 2012B	06/21/12	0.35%-2.75%	1,365,000	02/01/28	830,000	110,000
G.O. Sewer 2013A&B	03/28/13	1.88%	15,118,000	01/01/53	12,760,147	311,000
Compensated absences					111,611	68,782
Total business-type					<u>13,701,758</u>	<u>489,782</u>
activities						
Total all long-term					<u>\$18,362,005</u>	<u>\$1,093,782</u>
liabilities						

PUC Component Unit

	<u>Issue Date</u>	<u>Interest Rates</u>	<u>Original Issue</u>	<u>Final Maturity</u>	<u>Principal Outstanding</u>	<u>Due Within One Year</u>
Long-term liabilities						
Business-type activities						
G.O. Revenue Bonds						
MNPFA G.O. Revenue Note	06/10/04	2.53%	\$ 847,422	08/20/23	\$ 112,000	\$ 55,000
Electric revenue note,						
Series 2006A	04/02/06	4.05%	3,065,000	12/01/25	885,000	205,000
G.O. Water Revenue Bond						
Series 2008A	03/04/08	2.20%-4.05%	4,880,000	12/01/27	1,460,000	320,000
Public utility system refunding						
Revenue Bonds, Series 2010A	11/18/10	2.0%-3.50%	3,040,000	04/01/22	190,000	190,000
Public utility system refunding						
Revenue Bonds, Series 2012A	02/01/12	1.0%-2.85%	2,450,000	04/01/24	700,000	225,000
Compensated absences					78,758	78,758
Total all long-term					<u>\$ 3,425,758</u>	<u>\$ 1,073,758</u>
liabilities						

Long-term bonded indebtedness listed above and on the previous page were issued to finance acquisition and construction of capital facilities or to refinance (refund) previous bond issues.

City of Princeton
Notes to Basic Financial Statements

NOTE 8 – LONG-TERM DEBT (CONTINUED)

B. Components of Long-Term Liabilities (Continued)

Annual debt service requirements to maturity for all bonded debt outstanding as of December 31, 2021, are listed below and on the following page.

Primary Government

<u>Year Ending December 31,</u>	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>
	<u>G.O. Bonds</u>		<u>G.O. Revenue Bonds</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	
2022	\$ 460,000	\$ 91,632	\$ 421,000	\$ 259,373	\$ 1,232,005
2023	472,000	81,936	424,000	251,370	1,229,306
2024	457,000	72,647	436,000	243,718	1,209,365
2025	462,000	63,841	445,000	234,427	1,205,268
2026	297,000	56,214	453,000	225,482	1,031,696
2027-2031	1,474,000	178,305	2,018,000	997,052	4,667,357
2032-2036	616,000	33,019	1,933,000	818,883	3,400,902
2037-2041	-	-	2,125,000	630,043	2,755,043
2042-2046	-	-	2,322,000	423,588	2,745,588
2047-2051	-	-	2,562,000	196,878	2,758,878
2052	-	-	451,147	10,190	461,337
Total	<u>\$4,238,000</u>	<u>\$ 577,594</u>	<u>\$13,590,147</u>	<u>\$4,291,004</u>	<u>\$22,696,745</u>

PUC Component Unit

<u>Year Ending December 31,</u>	<u>Business-Type Activities</u>		
	<u>G.O. Revenue Bonds</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2022	\$ 995,000	\$ 120,536	\$ 1,115,536
2023	837,000	85,029	922,029
2024	810,000	56,112	866,112
2025	390,000	27,889	417,889
2026	155,000	12,680	167,680
2027	160,000	6,480	166,480
Total	<u>\$3,347,000</u>	<u>\$ 308,726</u>	<u>\$ 3,655,726</u>

City of Princeton
Notes to Basic Financial Statements

NOTE 8 – LONG-TERM DEBT (CONTINUED)

C. Changes in Long-Term Liabilities

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

Primary Government

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Governmental activities					
Bonds payable					
G.O. Bonds	\$ 4,522,000	\$ -	\$ 284,000	\$ 4,238,000	\$ 460,000
Bond premium	36,009	-	2,929	33,080	-
Compensated absences	526,574	203,765	341,172	389,167	144,000
Total governmental activities	<u>5,084,583</u>	<u>203,765</u>	<u>628,101</u>	<u>4,660,247</u>	<u>604,000</u>
Business-type activities					
Bonds payable					
G.O. Sewer Revenue Bonds	14,003,147	-	413,000	13,590,147	421,000
Compensated absences	131,420	36,049	55,858	111,611	68,782
Total business-type activities	<u>14,134,567</u>	<u>36,049</u>	<u>468,858</u>	<u>13,701,758</u>	<u>489,782</u>
Total long-term liabilities	<u>\$ 19,219,150</u>	<u>\$ 239,814</u>	<u>\$ 1,096,959</u>	<u>\$ 18,362,005</u>	<u>\$ 1,093,782</u>

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

PUC Component Unit

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Business-type activities					
Bonds payable					
Revenue bonds	\$ 4,306,000	\$ -	\$ 959,000	\$ 3,347,000	\$ 995,000
Compensated absences	108,057	6,096	35,395	78,758	78,758
Total long-term liabilities	<u>\$ 4,414,057</u>	<u>\$ 6,096</u>	<u>\$ 994,395</u>	<u>\$ 3,425,758</u>	<u>\$ 1,073,758</u>

D. Conduit Debt Obligations

Conduit debt obligations are certain limited obligation revenue bonds or similar debt instruments issued for the express purpose of providing capital financing for a specific third party. The City has issued industrial revenue bonds to provide funding to private-sector entities for projects deemed to be in the public interest. Although these bonds bear the name of the City, the City has no obligation for such debt. Accordingly, the bonds are not reported as liabilities in the financial statements of the City.

As of December 31, 2021, there were several issues outstanding. The bonds are not reported as liabilities in the accompanying financial statements. The outstanding balance at December 31, 2021, was not determinable.

City of Princeton
Notes to Basic Financial Statements

NOTE 9 – RESERVED FUND BALANCES/NET POSITION

Reserved/Designated Fund Equity

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

	General	Economic Development Authority	Capital Improvements	Other Governmental Funds	Total
Nonspendable					
Prepaid expenses	\$ 151,593	\$ 2,201	\$ -	\$ 59,240	\$ 213,034
Restricted					
Fire truck reserve	-	-	-	342,981	342,981
Public safety	-	-	-	164,476	164,476
Disaster relocation	-	-	-	213,612	213,612
Small cities development loans	-	-	-	49,211	49,211
Neighborhood stabilization	-	-	-	7,411	7,411
Urban development loans	-	-	-	122,911	122,911
Debt service	-	-	-	1,713,826	1,713,826
Tax increments	-	-	-	124,887	124,887
Industrial park development	-	-	-	496,966	496,966
Park improvements	-	-	-	328,520	328,520
Total restricted	-	-	-	3,564,801	3,564,801
Committed:					
Capital improvements	-	-	4,948,266	-	4,948,266
Assigned					
Insurance deductible	50,931	-	-	-	50,931
Cemetery operation and maintenance	-	-	-	22,023	22,023
Solheim Field improvements	-	-	-	46,944	46,944
Civic Center	-	-	-	13,452	13,452
Fire equipment	-	-	-	273,989	273,989
Cemetery perpetual care	-	-	-	188,064	188,064
Revolving account fund	-	-	-	219,332	219,332
Total assigned	50,931	-	-	763,804	814,735
Unassigned	2,550,025	(1,057,720)	-	(2,023,901)	(531,596)
Total	<u>\$2,752,549</u>	<u>\$(1,055,519)</u>	<u>\$ 4,948,266</u>	<u>\$ 2,363,944</u>	<u>\$ 9,009,240</u>

City of Princeton
Notes to Basic Financial Statements

NOTE 10 – RISK MANAGEMENT

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

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

The City's workers' compensation insurance policy is retrospectively rated. With this type of policy, final premiums are determined after loss experience is known. The amount of premium adjustment for 2021 is estimated to be immaterial based on workers' compensation rates and salaries for the year.

At December 31, 2021, there were no other claims liabilities reported in the Fund based on the requirements of GASB Statement No. 10, which requires that a liability for claims be reported if information prior to the issuance of the financial statements indicates that it is probable that a liability has been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated.

NOTE 11 – PENSION PLANS

The City and PUC participate in various pension plans, total pension expense for the year ended December 31, 2021, was (\$183,879). The components of pension expense are noted in the following plan summaries.

The General Fund and Water and Sewer Funds typically liquidate the Liability related to the pensions for the City.

Public Employees' Retirement Association

A. Plan Description

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

General Employees Retirement Plan

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

City of Princeton
Notes to Basic Financial Statements

NOTE 11 – PENSION PLANS (CONTINUED)

Public Employees' Retirement Association (Continued)

A. Plan Description (Continued)

Public Employees Police and Fire Plan

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

B. Benefits Provided

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

General Employees Plan Benefits

General Employees Plan benefits are based on a member's highest average salary for any 5 successive years of allowable service, age, and years of credit at termination of service. Two methods are used to compute benefits for PERA's Coordinated Plan members. Members hired prior to July 1, 1989, receive the higher of Method 1 or Method 2 formulas. Only Method 2 is used for members hired after June 30, 1989. Under Method 1, the accrual rate for a Coordinated members is 1.2% for each of the first 10 years of service and 1.7% for each additional year. Under Method 2, the accrual rate for Coordinated members is 1.7% for all years of service. For members hired prior to July 1, 1989, a full annuity is available when age plus years of service equal 90 and normal retirement age is 65. For members hired on or after July 1, 1989, normal retirement age is the age for unreduced Social Security benefits capped at 66.

Benefit increases are provided to benefit recipients each January. Beginning in 2019, the postretirement increase is equal to 50% of the cost-of-living adjustment (COLA) announced by the SSA, with a minimum increase of at least 1% and a maximum of 1.5%. Recipients that have been receiving the annuity or benefit for at least a full year as of the June 30 before the effective date of the increase will receive the full increase. 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 Princeton
Notes to Basic Financial Statements

NOTE 11 – PENSION PLANS (CONTINUED)

Public Employees' Retirement Association (Continued)

B. Benefits Provided (Continued)

Police and Fire Plan Benefits

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

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

C. Contributions

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

General Employees Fund Contributions

Coordinated Plan members were required to contribute 6.5% of their annual covered salary in fiscal year 2021 and the City was required to contribute 7.5% for Coordinated Plan members. The City's contributions to the General Employees Fund for the year ended December 31, 2021, were \$125,052, while the PUC's contributions were \$79,680. The City's and the PUC's contributions were equal to the required contributions as set by state statute.

Police and Fire Fund Contributions

Police and Fire Plan members were required to contribute 11.8% of their annual covered salary in fiscal year 2021 and the City was required to contribute 17.7% for Police and Fire Plan members. The City's contributions to the Police and Fire Fund for the year ended December 31, 2021, were \$168,092. The City's contributions were equal to the required contributions as set by state statute.

City of Princeton
Notes to Basic Financial Statements

NOTE 11 – PENSION PLANS (CONTINUED)

Public Employees' Retirement Association (Continued)

D. Pension Costs

General Employees Fund Pension Costs

At December 31, 2021, the City reported a liability of \$952,310 and the PUC reported liability of \$704,624 for its proportionate share of the General Employees Fund's net pension liability. The City and PUC'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 \$29,106 and associated with the PUC totaled \$21,513.

The net pension liability was measured as of June 30, 2021, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The proportionate share of the net pension liability was based on the contributions received by PERA during the measurement period for employer payroll paid dates from July 1, 2020, through June 30, 2021, relative to the total employer contributions received from all of PERA's participating employers. The City's proportionate share was 0.0223%, at the end of the measurement period and 0.0210% for the beginning of the period. The PUC's proportionate share was 0.0165%, at the end of the measurement period and 0.0167% for the beginning of the period.

City's proportionate share of the net pension liability	\$ 952,310
State of Minnesota's proportionate share of the net pension liability associated with the City	29,106
Total	\$ 981,416
PUC's proportionate share of the net pension liability	\$ 704,624
State of Minnesota's proportionate share of the net pension liability associated with the PUC	21,513
Total	\$ 726,137

For the year ended December 31, 2021, the City recognized pension expense of \$74,127 and the PUC recognized pension expense of (\$98,405) for its proportionate share of General Employees Plan's pension expense. Included in these amounts, respectively, the City recognized \$2,348 and the PUC recognized \$1,736 as pension expense (and grant revenue) for its proportionate share of the State of Minnesota's contribution of \$16 million to the General Employees Fund.

City of Princeton
Notes to Basic Financial Statements

NOTE 11 – PENSION PLANS (CONTINUED)

Public Employees' Retirement Association (Continued)

D. Pension Costs (Continued)

General Employees Fund Pension Costs (Continued)

At December 31, 2021, 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 economic experience	\$ 5,037	\$ 28,946
Changes in actuarial assumptions	581,460	19,297
Net collective difference between projected and actual investment earnings	-	826,773
Changes in proportion	115,147	-
Contributions paid to PERA subsequent to the measurement date	62,526	-
Total	\$ 764,170	\$ 875,016

The \$62,526 reported as deferred outflows of resources related to pensions resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2022. Other amounts reported as deferred outflows and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending December 31,	Pension Expense Amount
2022	\$ 12,973
2023	28,421
2024	10,184
2025	(224,950)
Total	\$ (173,372)

**City of Princeton
Notes to Basic Financial Statements**

NOTE 11 – PENSION PLANS (CONTINUED)

Public Employees' Retirement Association (Continued)

D. Pension Costs (Continued)

At December 31, 2021, the PUC reported its proportionate share of GERS's deferred outflows of resources and deferred inflows of resources, and its contributions subsequent to the measurement date, from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ 4,356	\$ 21,593
Changes in actuarial assumptions	430,229	15,745
Difference between projected and actual investment earnings	-	609,114
Changes in proportion	6,925	8,993
Contributions paid to PERA subsequent to the measurement date	38,172	-
Total	\$ 479,682	\$ 655,445

The \$38,172 reported as deferred outflows of resources related to pensions resulting from PUC contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2022. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending December 31,	Pension Expense Amount
2022	\$ (27,320)
2023	(11,977)
2024	(8,196)
2025	(166,442)
Total	\$ (213,935)

City of Princeton
Notes to Basic Financial Statements

NOTE 11 – PENSION PLANS (CONTINUED)

Public Employees' Retirement Association (Continued)

D. Pension Costs (Continued)

Police and Fire Fund Pension Costs

At December 31, 2021, the City reported a liability of \$604,212 for its proportionate share of the Police and Fire Fund's net pension liability. The net pension liability was measured as of June 30, 2021, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City's 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, 2020, through June 30, 2021, relative to the total employer contributions received from all of PERA's participating employers. The City's proportionate share was 0.0792%, at the end of the measurement period and 0.0775% for the beginning of the period.

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

The State of Minnesota is included as a non-employer contributing entity in the Police and Fire Retirement Plan Schedule of Employer Allocations and Schedule of Pension Amounts by Employer, (pension allocation schedules) for the \$9 million in direct state aid. Police and Fire Plan employers need to recognize their proportionate share of the State of Minnesota's pension expense (and grant revenue) under GASB 68 special funding situation accounting and financial reporting requirements. For the year ended December 31, 2021, the City recognized pension expense of (\$6,956) for its proportionate share of the Police and Fire Plan's pension expense. Included in this amount, the City recognized \$5,002 as pension expense (and grant revenue) for its proportionate share of the State of Minnesota's contribution of \$9 million to the Police and Fire Fund.

The State of Minnesota is not included as a non-employer contributing entity in the Police and Fire Pension Plan pension allocation schedules for the \$9 million in supplemental state aid. The City also recognized \$7,128 for the year ended December 31, 2021, as revenue and an offsetting reduction of the net pension liability for its proportionate share of the State of Minnesota's on-behalf contributions to the Police and Fire Fund.

City of Princeton
Notes to Basic Financial Statements

NOTE 11 – PENSION PLANS (CONTINUED)

Public Employees' Retirement Association (Continued)

D. Pension Costs (Continued)

Police and Fire Fund Pension Costs (Continued)

At December 31, 2021, the City reported its proportionate share of the Police and Fire Plan's deferred outflows of resources and deferred inflows of resources related to pensions from the sources below.

	Deferred Outflows of Resources	Deferred Inflows of Resources
	<u> </u>	<u> </u>
Differences between expected and actual economic experience	\$ 115,891	\$ -
Changes in actuarial assumptions	898,508	291,711
Difference between projected and actual investment earnings	-	1,167,848
Changes in proportion	75,866	20,173
Contributions paid to PERA subsequent to the measurement date	<u>84,046</u>	<u>-</u>
Total	<u><u>\$ 1,174,311</u></u>	<u><u>\$ 1,479,732</u></u>

The \$84,046 reported as deferred outflows of resources related to pensions resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2022. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending December 31,	Pension Expense Amount
<u> </u>	<u> </u>
2022	\$ (350,706)
2023	(54,404)
2024	(64,331)
2025	(120,459)
2026	<u>200,433</u>
Total	<u><u>\$ (389,467)</u></u>

City of Princeton
Notes to Basic Financial Statements

NOTE 11 – PENSION PLANS (CONTINUED)

Public Employees' Retirement Association (Continued)

E. Long-Term Expected Return on Investment

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

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

F. Actuarial Methods and Assumptions

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

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

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

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

City of Princeton
Notes to Basic Financial Statements

NOTE 11 – PENSION PLANS (CONTINUED)

Public Employees' Retirement Association (Continued)

F. Actuarial Methods and Assumptions (Continued)

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

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

General Employees Fund

Changes in Actuarial Assumptions

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

Changes in Plan Provisions

- There have been no changes since the previous valuation.

Police and Fire Fund

Changes in Actuarial Assumptions

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

City of Princeton
Notes to Basic Financial Statements

NOTE 11 – PENSION PLANS (CONTINUED)

Public Employees' Retirement Association (Continued)

F. Actuarial Methods and Assumptions (Continued)

Police and Fire Fund (Continued)

Changes in Actuarial Assumptions (Continued)

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

Changes in Plan Provisions

- There have been no changes since the previous valuation.

G. Discount Rate

The discount rate used to measure the total pension liability in 2021 was 6.5%. The projection of cash flows used to determine the discount rate assumed that contributions from Plan members and employers will be made at rates set in *Minnesota Statutes*. Based on these assumptions, the fiduciary net positions of the General Employees Fund and the Police and Fire Fund were projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

City of Princeton
Notes to Basic Financial Statements

NOTE 11 – PENSION PLANS (CONTINUED)

Public Employees' Retirement Association (Continued)

H. Pension Liability Sensitivity

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

	1% Decrease in Discount Rate (5.5%)	Current Discount Rate (6.5%)	1% Increase in Discount Rate (7.5%)
City's proportionate share of the General Employees Fund net pension liability	\$ 1,942,226	\$ 952,310	\$ 1,259,046
PUC's proportionate share of the General Employees Fund net pension liability	1,437,073	704,624	103,605
	1% Decrease in Discount Rate (5.5%)	Current Discount Rate (6.5%)	1% Increase in Discount Rate (7.5%)
City's proportionate share of the Police and Fire Fund net pension liability	\$ 1,933,773	\$ 604,212	\$ (485,699)

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.

Defined Benefit Pension Plan – Volunteer Firefighter's Relief Association

A. Plan Description

The Princeton Firefighters' Relief Association participates in the Statewide Volunteer Firefighter Retirement Plan (SVF), an agent multiple-employer lump-sum defined benefit pension plan administered by the Public Employees Retirement Association of Minnesota (PERA). The SVF plan covers volunteer firefighters of municipal fire departments or independent nonprofit firefighting corporations that have elected to join the plan. As of December 31, 2021, the plan covered 37 active firefighters and 3 vested terminated firefighters whose pension benefits are deferred. The plan is established and administered in accordance with *Minnesota Statutes*, Chapter 353G.

City of Princeton
Notes to Basic Financial Statements

NOTE 11 – PENSION PLANS (CONTINUED)

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

B. Benefits Provided

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

C. Contributions

The Volunteer Firefighter Plan is funded by fire state aid, investment earnings and, if necessary, employer contributions as specified in *Minnesota Statutes*, and voluntary City contributions. The State of Minnesota contributed \$83,002 in fire state aid to the fund for the year ended December 31, 2021. Required employer contributions are calculated annually based on statutory provisions. The City's statutorily-required contributions to the Volunteer Firefighter Fund for the year ended December 31, 2021, were \$22,335.

City of Princeton
Notes to Basic Financial Statements

NOTE 11 – PENSION PLANS (CONTINUED)

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

D. Pension Costs

At December 31, 2021, the City reported a net pension asset of \$744,519 for the Volunteer Firefighter Fund. 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 PERA applying an actuarial formula to specific census data certified by the fire department. The table on the following page presents the changes in net pension liability during the year.

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balances at January 1, 2021	\$ 1,495,189	\$ 2,056,858	\$ (561,669)
Changes for the year			
Service cost	63,444	-	63,444
Interest cost	92,248	-	92,248
Differences between expected and actual experience	(32,360)	-	(32,360)
Projected investment earnings	-	123,411	(123,411)
Changes of benefit terms	-	-	-
State and municipal contributions	-	105,337	(105,337)
Net investment income	-	78,753	(78,753)
Benefit payments	(42,320)	(42,320)	-
Administrative expense	-	(1,319)	1,319
Net changes	81,012	263,862	(182,850)
Balances at December 31, 2021	\$ 1,576,201	\$ 2,320,720	\$ (744,519)

City of Princeton
Notes to Basic Financial Statements

NOTE 11 – PENSION PLANS (CONTINUED)

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

D. Pension Costs (Continued)

For the year ended December 31, 2021, the City recognized pension expense of (\$152,645).

At December 31, 2021, the City reported deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between actuarial assumptions and actual experience	\$ -	\$ 48,871
Difference between projected and actual investment earnings	-	196,809
Total	\$ -	\$ 245,680

Amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending December 31,			
2022			\$ (80,908)
2023			(89,052)
2024			(53,499)
2025			(22,221)
Total			\$ (245,680)

E. Actuarial Assumptions

The total pension liability at December 31, 2021, was determined using the entry age normal actuarial cost method and the following actuarial assumptions:

Retirement eligibility at the later of age 50 or 20 years of service	
Inflation	3.0 %
Investment rate of return	6.0 %

**City of Princeton
Notes to Basic Financial Statements**

NOTE 11 – PENSION PLANS (CONTINUED)

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

F. Discount Rate

The discount rate used to measure the total pension liability was 6.0%. The projection of cash flows used to determine the discount rate assumed that contributions to the Volunteer Firefighter Fund will be made as specified in statute. Based on that assumption and considering the funding ratio of the plan, the fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

G. Pension Liability Sensitivity

The following presents the City's net pension asset for the Volunteer Firefighter Fund, calculated using the assumed discount rate as well as what the City's net pension asset would be if it were calculated using a discount rate one percent lower or one percent higher than the current discount rate:

	1% Decrease in Discount Rate (5.0%)	Current Discount Rate Rate (6.0%)	1% Increase in Discount Rate (7.0%)
Net pension asset	\$ 708,642	\$ 744,519	\$ 779,285

H. Plan Investments

Investment Policy

The Minnesota State Board of Investment (SBI) is established by Article XI of the Minnesota Constitution to invest all state funds. Its membership as specified in the Constitution is comprised of the governor (who is designated as chair of the board), state auditor, secretary of state and state attorney general.

All investments undertaken by the SBI are governed by the prudent person rule and other standards codified in *Minnesota Statutes*, Chapter 11A and Chapter 353G.

Within the requirements defined by state law, the SBI, with assistance of the SBI staff and the Investment Advisory Council, establishes investment policy for all funds under its control. These investments policies are tailored to the particular needs of each fund and specify investment objectives, risk tolerance, asset allocation, investment management structure, and specific performance standards. Studies guide the on-going management of the funds and are updated periodically.

City of Princeton
Notes to Basic Financial Statements

NOTE 11 – PENSION PLANS (CONTINUED)

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

H. Plan Investments (Continued)

Asset Allocation

To match the long-term nature of the pension obligations, the SBI maintains a strategic asset allocation for the Volunteer Firefighter Plan that includes allocations to domestic equity, international equity, bonds and cash equivalents. The long-term target asset allocation and long-term expected real rate of return is below.

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

The six percent long-term expected rate of return on pension plan investments was determined using a building-block method. Best estimates for expected future real rates of return (expected returns, net of inflation) were developed for each asset class using both long-term historical returns and long-term capital market expectations from a number of investment management and consulting organizations. The asset class estimates and the target allocations were then combined to produce a geometric, long-term expected real rate of return for the portfolio. Inflation expectations were applied to derive the nominal rate of return for the portfolio.

The SBI made no significant changes to their investment policy during the year for the Volunteer Firefighter Fund.

I. Pension Plan Fiduciary Net Position

Detailed information about the Volunteer Firefighter Fund's fiduciary net position as of June 30, 2020, is available in a separately-issued PERA financial report that includes financial statements and required supplementary information. That report may be obtained at www.mnpera.org.

NOTE 12 – POST EMPLOYMENT HEALTH CARE PLAN

A. Plan Description

The City provides a single-employer defined benefit health care plan to eligible retirees and their spouses. The plan offers medical coverage and dental coverage. It is the City's policy to periodically review its medical coverage and to obtain requests for proposals in order to provide the most favorable benefits and premiums for City employees and retirees.

City of Princeton
Notes to Basic Financial Statements

NOTE 12 – POST EMPLOYMENT HEALTH CARE PLAN (CONTINUED)

B. Benefits Provided

Employees who apply for early retirement shall remain eligible to receive certain health and dental insurance benefits until the end of the year in which the employee becomes Medicare eligible. Full vesting of such amounts occurs upon attaining 56 years of age.

C. Contributions

Retirees contribute to the health care plan at the same rate as City employees. This results in the retirees receiving an implicit rate subsidy. Contribution requirements are established by the City, based on the contract terms. The required contributions are based on projected pay-as-you-go financing requirements. For the year 2021, the City contributed \$0 to the plan.

D. Members

As of the December 31, 2019, valuation date, the following were covered by the benefit terms:

Total employees without coverage	0
Employees with coverage	32
Total	32

E. Actuarial Assumptions

The total OPEB liability was determined by an actuarial valuation as of December 31, 2019, using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Key Methods and Assumptions Used in Valuation of Total OPEB Liability

Discount rate	2.00%
Investment rate of return	N/A
Salary increases including inflation	Based on the assumptions used in the July 1, 2019 PERA actuarial valuations
Inflation	2.50%
Healthcare cost trend increases	6.2% for 2020 gradually decreasing over to a rate of 4.0% for 2075 and later years
Mortality assumption	Based on the assumptions used in the July 1, 2019 PERA actuarial valuations

The actuarial assumptions used in the December 31, 2019, valuation were based on the results of an actuarial experience study for the period January 1, 2019 – December 31, 2019, with a measurement date period of January 1, 2020 – December 31, 2020.

City of Princeton
Notes to Basic Financial Statements

NOTE 12 – POST EMPLOYMENT HEALTH CARE PLAN (CONTINUED)

E. Actuarial Assumptions (Continued)

Changes in actuarial assumptions:

- The discount rate was changed from 2.75% to 2.0% based on updated 20-year municipal bond rates.

F. Total OPEB Liability

The City's total OPEB liability was measured as of December 31, 2020, and was determined by an actuarial valuation as of December 31, 2019.

Changes in the total OPEB liability are as follows:

	<u>Total OPEB Liability</u>
Balances at January 1, 2021	<u>\$ 105,978</u>
Changes for the year	
Service cost	10,717
Interest	3,209
Changes of assumptions	<u>6,104</u>
Net changes	<u>20,030</u>
Balances at December 31, 2021	<u><u>\$ 126,008</u></u>

G. OPEB Liability Sensitivity

The following presents the City's total OPEB liability calculated using the discount rate of 2.0% as well as the liability measured using 1% lower and 1% higher than the current discount rate.

<u>Total OPEB Liability</u>		
<u>1% decrease (1%)</u>	<u>Current (2%)</u>	<u>1% increase (3%)</u>
\$ 136,610	\$ 126,008	\$ 116,019

City of Princeton
Notes to Basic Financial Statements

NOTE 12 – POST EMPLOYMENT HEALTH CARE PLAN (CONTINUED)

G. OPEB Liability Sensitivity (Continued)

The following presents the total OPEB liability of the City, as well as what the City's total OPEB liability would be if it were calculated using healthcare cost trend rates that are 1% lower and 1% higher than the current healthcare cost trend rates.

Total OPEB Liability/(Asset)		
1% decrease (5.2% decreasing to 3.0%)	Current (6.2% decreasing to 4.0%)	1% increase (7.2% decreasing to 5.0%)
\$ 109,181	\$ 126,008	\$ 146,187

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

For the year ended December 31, 2021, the City recognized OPEB expense of \$20,030. At December 31, 2021, the City reported no deferred outflows or deferred inflows of resources related to OPEB.

NOTE 13 – TAX INCREMENT FINANCING

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

Under each agreement, the City and developer agree on an amount of development costs to be reimbursed to the developer by the City through tax revenues from the additional taxable value of the property generated by the development (tax increment). A "pay-as-you-go" note is established for this amount, on which the City makes payments for a fixed period of time with available tax increment revenue after deducting for certain administrative costs. During the year ended December 31, 2021, the City generated \$182,346 in tax increment revenue and made \$93,133 in payments to developers.

NOTE 14 – CONSTRUCTION COMMITMENTS

As of December 31, 2021, the City had outstanding construction commitments totaling \$39,313 related to the taxiway reconstruction project and \$826,192 related to the 19th Avenue extension project.

City of Princeton
Notes to Basic Financial Statements

NOTE 15 – NEW STANDARDS ISSUED BUT NOT YET IMPLEMENTED

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

REQUIRED SUPPLEMENTARY INFORMATION

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

	<u>December 31, 2018</u>	<u>December 31, 2019</u>	<u>December 31, 2020</u>	<u>December 31, 2021</u>
Total OPEB Liability				
Service cost	\$ 11,095	\$ 12,598	\$ 12,832	\$ 10,717
Interest	3,846	3,869	4,827	3,209
Differenced between expected and actual experience	-	-	(12,073)	-
Changes of assumptions	4,007	(3,485)	(16,875)	6,104
Benefit payments	<u>(9,022)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in total OPEB liability	<u>9,926</u>	<u>12,982</u>	<u>(11,289)</u>	<u>20,030</u>
Beginning of year	<u>94,359</u>	<u>104,285</u>	<u>117,267</u>	<u>105,978</u>
End of Year	<u>\$ 104,285</u>	<u>\$ 117,267</u>	<u>\$ 105,978</u>	<u>\$ 126,008</u>
Covered-employee payroll	\$ 1,661,497	\$ 1,471,500	\$ 1,973,973	\$ 2,530,500
Total OPEB liability as a percentage of covered-employee payroll	6.28%	7.97%	5.37%	4.98%

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

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

For Fiscal Year Ended June 30,	City's Proportionate Share (Percentage) of the Net Pension Liability (Asset)	City's Proportionate Share (Amount) of the Net Pension Liability (Asset)	State's Proportionate Share (Amount) of the Net Pension Liability Associated with the City	City's Proportionate Share of the Net Pension Liability and the State's Proportionate Share of the Net Pension Liability Associated with the City	City's Covered Payroll	City's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
2015	0.0185%	\$ 958,766	\$ -	\$ 958,766	\$ 1,071,267	89.50%	78.19%
2016	0.0183%	1,485,869	19,470	1,505,339	1,137,040	130.68%	68.91%
2017	0.0188%	1,200,180	15,105	1,215,285	1,212,267	99.00%	75.90%
2018	0.0187%	1,037,399	34,005	1,071,404	1,258,200	82.45%	79.53%
2019	0.0192%	1,061,525	32,999	1,094,524	1,361,947	77.94%	80.23%
2020	0.0210%	1,259,046	38,739	1,297,785	1,496,933	84.11%	79.06%
2021	0.0223%	952,310	29,106	981,416	1,607,787	59.23%	87.00%

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

For Fiscal Year Ended June 30,	PUC's Proportionate Share (Percentage) of the Net Pension Liability (Asset)	PUC's Proportionate Share (Amount) of the Net Pension Liability (Asset)	State's Proportionate Share (Amount) of the Net Pension Liability Associated with the PUC	PUC's Proportionate Share of the Net Pension Liability and the State's Proportionate Share of the Net Pension Liability Associated with the PUC	PUC's Covered Payroll	PUC's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
2015	0.0170%	\$ 881,028	\$ -	\$ 881,028	\$ 995,180	88.53%	78.19%
2016	0.0181%	1,469,632	19,156	1,488,788	1,122,267	132.66%	68.91%
2017	0.0177%	1,129,956	14,210	1,144,166	1,140,253	100.34%	75.90%
2018	0.0163%	904,257	29,600	933,857	1,093,133	85.43%	79.53%
2019	0.0166%	917,778	28,499	946,277	1,176,240	80.45%	80.23%
2020	0.0167%	1,001,243	31,027	1,032,270	1,190,453	86.71%	79.06%
2021	0.0165%	704,624	21,513	726,137	1,184,691	61.29%	87.00%

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

For Fiscal Year Ended June 30,	City's Proportion of the Net Pension Liability (Asset)	City's Proportionate Share of the Net Pension Liability (Asset)	State's Proportionate Share (Amount) of the Net Pension Liability Associated with the City	City's Proportionate Share of the Net Pension Liability and the State's Proportionate Share of the Net Pension Liability Associated with the City	City's Covered Payroll	City's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
2015	0.0700%	\$ 795,364	\$ -	\$ 795,364	\$ 625,630	127.13%	86.61%
2016	0.0690%	2,769,090	-	2,769,090	662,235	418.14%	63.88%
2017	0.0680%	918,081	-	918,081	693,981	132.29%	85.43%
2018	0.0723%	764,137	-	764,137	762,383	100.23%	88.84%
2019	0.0794%	834,574	-	834,574	837,116	99.70%	89.26%
2020	0.0775%	1,014,558	24,058	1,038,616	874,684	115.99%	87.19%
2021	0.0792%	611,340	27,464	638,804	935,554	65.35%	93.66%

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

City of Princeton
Schedule of City Contributions
General Employees Retirement Fund
Last Ten Years

Fiscal Year Ending December 31,	Statutorily Required Contribution	Contributions in Relation to the Statutorily Required Contributions	Contribution Deficiency (Excess)	City's Covered Payroll	Contributions as a Percentage of Covered Payroll
2015	\$ 82,822	\$ 82,822	\$ -	\$ 1,104,293	7.50%
2016	87,500	87,500	-	1,166,667	7.50%
2017	96,310	96,310	-	1,284,133	7.50%
2018	93,981	93,981	-	1,253,080	7.50%
2019	109,000	109,000	-	1,453,333	7.50%
2020	123,035	123,035	-	1,640,467	7.50%
2021	125,052	125,052	-	1,667,360	7.50%

Schedule of PUC Contributions
General Employees Retirement Fund
Last Ten Years

Fiscal Year Ending December 31,	Statutorily Required Contribution	Contributions in Relation to the Statutorily Required Contributions	Contribution Deficiency (Excess)	PUC's Covered Payroll	Contributions as a Percentage of Covered Payroll
2015	\$ 78,398	\$ 78,398	\$ -	\$ 1,045,308	7.50%
2016	85,248	85,248	-	1,136,646	7.50%
2017	82,805	82,805	-	1,104,062	7.50%
2018	86,249	86,249	-	1,149,985	7.50%
2019	89,748	89,748	-	1,196,640	7.50%
2020	90,121	90,121	-	1,201,613	7.50%
2021	79,680	79,680	-	1,062,402	7.50%

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

Fiscal Year Ending December 31,	Statutorily Required Contribution	Contributions in Relation to the Statutorily Required Contributions	Contribution Deficiency (Excess)	City's Covered Payroll	Contributions as a Percentage of Covered Payroll
2015	\$ 106,192	\$ 106,192	\$ -	\$ 655,506	16.20%
2016	109,500	109,500	-	675,926	16.20%
2017	113,729	113,729	-	702,031	16.20%
2018	130,621	130,621	-	806,302	16.20%
2019	145,000	145,000	-	855,457	16.95%
2020	164,879	164,879	-	931,520	17.70%
2021	168,092	168,092	-	949,672	17.70%

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

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

	12/31/2015	12/31/2016	12/31/2017	12/31/2018	12/31/2019	12/31/2020	12/31/2021
Total Pension Liability (TPL)							
Service cost	\$ 41,503	\$ 51,822	\$ 46,901	\$ 48,472	\$ 56,225	\$ 65,955	\$ 63,444
Interest costs	63,235	53,945	67,839	67,118	63,384	74,235	92,248
Differenced between expected and actual experience	-	-	(63,320)	(104,759)	(4,651)	(284)	(32,360)
Changes of assumptions	29,103	(21,012)	(2,354)	-	-	-	-
Changes of benefit terms	-	47,458	19,799	73,807	56,180	183,978	-
Benefit payments	(82,250)	(71,815)	(79,250)	(309,266)	-	-	(42,320)
Net change in total pension liability	<u>51,591</u>	<u>60,398</u>	<u>(10,385)</u>	<u>(224,628)</u>	<u>171,138</u>	<u>323,884</u>	<u>81,012</u>
Beginning of year*	<u>1,011,386</u>	<u>1,062,977</u>	<u>1,123,375</u>	<u>1,224,795</u>	<u>1,000,167</u>	<u>1,171,305</u>	<u>1,495,189</u>
End of year	<u>\$ 1,062,977</u>	<u>\$ 1,123,375</u>	<u>\$ 1,112,990</u>	<u>\$ 1,000,167</u>	<u>\$ 1,171,305</u>	<u>\$ 1,495,189</u>	<u>\$ 1,576,201</u>
Plan Fiduciary Net Pension (FNP)							
State and municipal contributions	\$ 88,726	\$ 92,538	\$ 90,546	\$ 72,426	\$ 98,488	\$ 100,089	\$ 105,337
Net investment income	(70,586)	103,412	198,322	(51,838)	254,033	258,095	202,164
Asset transfer/other	-	-	-	92,887	-	-	-
Benefit payments	(82,250)	(71,815)	(79,250)	(309,266)	-	-	(42,320)
Administrative expense	(9,825)	(10,325)	(5,441)	(16,296)	(1,166)	(1,303)	(1,319)
Net change in plan fiduciary net position	<u>(73,935)</u>	<u>113,810</u>	<u>204,177</u>	<u>(212,087)</u>	<u>351,355</u>	<u>356,881</u>	<u>263,862</u>
Beginning of year*	<u>1,410,403</u>	<u>1,336,468</u>	<u>1,450,278</u>	<u>1,560,710</u>	<u>1,348,623</u>	<u>1,699,977</u>	<u>2,056,858</u>
End of year	<u>\$ 1,336,468</u>	<u>\$ 1,450,278</u>	<u>\$ 1,654,455</u>	<u>\$ 1,348,623</u>	<u>\$ 1,699,978</u>	<u>\$ 2,056,858</u>	<u>\$ 2,320,720</u>
Net Pension Liability (NPL)	<u>\$ (273,491)</u>	<u>\$ (326,903)</u>	<u>\$ (541,465)</u>	<u>\$ (348,456)</u>	<u>\$ (528,673)</u>	<u>\$ (561,669)</u>	<u>\$ (744,519)</u>
FNP as a percentage of the TPL	125.73%	129.10%	148.65%	134.84%	145.14%	137.57%	147.24%

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

* Investments for the Princeton Fire Relief Association were transferred to PERA as of January 1, 2018, resulting in a restatement of the beginning balances.

City of Princeton
Schedule of City Contributions - and Non Employer
Contributing Entities
Princeton Fire Relief Association

	<u>12/31/2015</u>	<u>12/31/2016</u>	<u>12/31/2017</u>	<u>12/31/2018</u>	<u>12/31/2019</u>	<u>12/31/2020</u>	<u>12/31/2021</u>
Statutorily determined contribution (SDC)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Actual contribution	<u>19,135</u>	<u>19,710</u>	<u>20,300</u>	<u>-</u>	<u>20,910</u>	<u>21,540</u>	<u>22,335</u>
Contribution deficiency (excess)	<u>\$ (19,135)</u>	<u>\$ (19,710)</u>	<u>\$ (20,300)</u>	<u>\$ -</u>	<u>\$ (20,910)</u>	<u>\$ (21,540)</u>	<u>\$ (22,335)</u>
State pass-through contribution	<u>\$ 69,591</u>	<u>\$ 69,828</u>	<u>\$ 70,246</u>	<u>\$ 71,426</u>	<u>\$ 77,578</u>	<u>\$ 78,549</u>	<u>\$ 83,002</u>

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

City of Princeton
Notes to Required Supplementary Information

General Employees Fund

2021 Changes

Changes in Actuarial Assumptions

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

Changes in Plan Provisions

- There have been no changes since the prior valuation.

2020 Changes

Changes in Actuarial Assumptions

- The price inflation assumption was decreased from 2.5% to 2.25%.
- The payroll growth assumption was decreased from 3.25% to 3.0%.
- Assumed salary increase rates were changed as recommended in the June 30, 2019, experience study. The net effect is assumed rates that average 0.25% less than previous rates.
- Assumed rates of retirement were changed as recommended in the June 30, 2019, experience study. The changes result in more unreduced (normal) retirements and slightly fewer Rule of 90 and early retirements.
- Assumed rates of termination were changed as recommended in the June 30, 2019, experience study. The new rates are based on service and are generally lower than the previous rates for years 2-5 and slightly higher thereafter.
- Assumed rates of disability were changed as recommended in the June 30, 2019, experience study. The change results in fewer predicted disability retirements for males and females.
- The base mortality table for healthy annuitants and employees was changed from the RP-2014 table to the Pub-2010 General Mortality table, with adjustments. The base mortality table for disabled annuitants was changed from the RP-2014 disabled annuitant mortality table to the Pub-2010 General/Teacher disabled annuitant mortality table, with adjustments.
- The mortality improvement scale was changed from Scale MP-2018 to Scale MP-2019.
- The assumed spouse age difference was changed from two years older for females to one year older.
- The assumed number of married male new retirees electing the 100% Joint and Survivor option changed from 35% to 45%. The assumed number of married female new retirees electing the 100% Joint and Survivor option changed from 15% to 30%. The corresponding number of married new retirees electing the Life annuity option was adjusted accordingly.

Changes in Plan Provisions

- Augmentation for current privatized members was reduced to 2.0% for the period July 1, 2020 through December 31, 2023, and 0.0% thereafter. Augmentation was eliminated for privatizations occurring after June 30, 2020.

2019 Changes

Changes in Actuarial Assumptions

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

City of Princeton
Notes to Required Supplementary Information

General Employees Fund (Continued)

Changes in Plan Provisions

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

2018 Changes

Changes in Actuarial Assumptions

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

Changes in Plan Provisions

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

2017 Changes

Changes in Actuarial Assumptions

- The CSA loads were changed from 0.8% for active members and 60% for vested and non-vested deferred members. The revised CSA loads are now 0.0% for active member liability, 15% for vested deferred member liability and 3% for non-vested deferred member liability.
- The assumed post-retirement benefit increase rate was changed from 1.0% per year for all years to 1.0% per year through 2044 and 2.5% per year thereafter.

Changes in Plan Provisions

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

City of Princeton
Notes to Required Supplementary Information

General Employees Fund (Continued)

2016 Changes

Changes in Actuarial Assumptions

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

Changes in Plan Provisions

- There have been no changes since the prior valuation.

2015 Changes

Changes in Actuarial Assumptions

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

Changes in Plan Provisions

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

City of Princeton
Notes to Required Supplementary Information

Police and Fire Fund

2021 Changes

Changes in Actuarial Assumptions

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

Changes in Plan Provisions

- There have been no changes since the prior valuation.

2020 Changes

Changes in Actuarial Assumptions

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

Changes in Plan Provisions

- There have been no changes since the prior valuation.

2019 Changes

Changes in Actuarial Assumptions

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

Changes in Plan Provisions

- There have been no changes since the prior valuation.

2018 Changes

Changes in Actuarial Assumptions

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

City of Princeton
Notes to Required Supplementary Information

Police and Fire Fund (Continued)

2018 Changes (Continued)

Changes in Plan Provisions

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

2017 Changes

Changes in Actuarial Assumptions

- Assumed salary increases were changed as recommended in the June 30, 2016, experience study. The net effect is proposed rates that average 0.34% lower than the previous rates.
- Assumed rates of retirement were changed, resulting in fewer retirements.
- The CSA load was 30% for vested and non-vested deferred members. The CSA has been changed to 33% for vested members and 2% for non-vested members.
- The base mortality table for healthy annuitants was changed from the RP-2000 fully generational table to the RP-2014 fully generational table (with a base year of 2006), with male rates adjusted by a factor of 0.96. The mortality improvement scale was changed from Scale AA to Scale MP-2016. The base mortality table for disabled annuitants was changed from the RP-2000 disabled mortality table to the mortality tables assumed for healthy retirees.
- Assumed termination rates were decreased to 3% for the first three years of service. Rates beyond the select period of three years were adjusted, resulting in more expected terminations overall.
- Assumed percentage of married female members was decreased from 65% to 60%.
- Assumed age difference was changed from separate assumptions for male members (wives assumed to be 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% for all years to 1% per year through 2064 and 2.5% thereafter.
- The single discount rate was changed from 5.6% per annum to 7.5% per annum.

Changes in Plan Provisions

- There have been no changes since the prior valuation.

City of Princeton
Notes to Required Supplementary Information

Police and Fire Fund (Continued)

2016 Changes

Changes in Actuarial Assumptions

- The assumed post-retirement benefit increase rate was changed from 1.0% per year through 2037 and 2.5% thereafter to 1.0% per year for all future years.
- The assumed investment return was changed from 7.9% to 7.5%. The single discount rate changed from 7.9% to 5.6%.
- The single discount rate changed from 7.90% to 5.60%.
- The assumed future salary increases, payroll growth, and inflation were decreased by 0.25% to 3.25% for payroll growth and 2.50% for inflation.

Changes in Plan Provisions

- There have been no changes since the prior valuation.

2015 Changes

Changes in Actuarial Assumptions

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

Changes in Plan Provisions

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

City of Princeton
Notes to Required Supplementary Information

Volunteer Firefighter's Relief Association

2021 Changes

Changes in Plan Provisions

- None

2020 Changes

Changes in Plan Provisions

- The benefit level increased to \$4,100.

2019 Changes

Changes in Plan Provisions

- The benefit level increased to \$3,600.

Post Employment Health Care Plan

2021 Changes

Changes in Actuarial Assumptions

- The discount rate was changed from 2.75% to 2.0% based on updated 20-year municipal bond rates.

2020 Changes

Changes in Actuarial Assumptions

- The discount rate was changed from 3.71% to 2.75% based on updated 20-year municipal bond rates.
- Healthcare trend rates were reset to reflect updated cost increase expectations, including the repeal of the Affordable Care Act's Excise Tax on high-cost health insurance plans.
- Medical per capita claims costs were updated to reflect recent experience, including an adjustment to reflect age/gender-based risk scores published by the Society of Actuaries.
- Withdrawal, retirement, mortality, and salary increase rates were updated from the rates used in the July 1, 2017, PERA Plan valuations to the rates used in the July 1, 2019, PERA Plan valuations.
- The expected retirement age for non-police employees changed from 62 to 63 to reflect recent plan experience.
- The inflation assumption was changed from 2.75% to 2.5% based on an updated historical analysis of inflation rates and forward-looking market expectations.

2019 Changes

Changes in Actuarial Assumptions

- The discount rate was increased from 3.31% to 3.71%.

2018 Changes

Changes in Actuarial Assumptions

- The discount rate was reduced from 3.81% to 3.31%.

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SUPPLEMENTARY INFORMATION

**City of Princeton
Combining Balance Sheet -
Nonmajor Governmental Funds
December 31, 2021**

	Special Revenue		
	Cemetery Operation and Maintenance (205)	Property Confiscation (210)	Public Safety and Awareness (211)
Assets			
Cash and investments	\$ 38,222	\$ 133,559	\$ 21,271
Taxes receivable - delinquent	-	-	-
Special assessment receivable			
Delinquent	-	-	-
Deferred	-	-	-
Accounts receivable	-	-	-
Interest receivable	-	-	-
Due from other governments	-	-	-
Notes receivable	-	-	-
Land held for resale	-	-	-
Prepaid items	1,282	-	-
Advance to other funds	-	-	-
Total assets	\$ 39,504	\$ 133,559	\$ 21,271
Liabilities			
Accounts and contracts payable	-	176	1,000
Due to other funds	16,110	-	-
Due to other governments	1	-	-
Salaries and benefits payable	88	-	-
Unearned revenue	-	-	-
Advance from other funds	-	-	-
Total liabilities	16,199	176	1,000
Deferred Inflows of Resources			
Unavailable revenue - long-term assets	-	-	-
Unavailable revenue - property taxes	-	-	-
Unavailable revenue - special assessments	-	-	-
Total deferred inflows of resources	-	-	-
Fund Balances			
Nonspendable	1,282	-	-
Restricted	-	133,383	20,271
Assigned	22,023	-	-
Unassigned	-	-	-
Total fund balances	23,305	133,383	20,271
Total liabilities, deferred inflows of resources, and fund balances	\$ 39,504	\$ 133,559	\$ 21,271

Special Revenue

Investigation Information Buy Fund (212)	Felony Investigation (214)	Civic Center (240)	Community Beautification (242)	Community Projects (250)	Development Grants (252)	Development Expenses (253)
\$ 2,036	\$ 8,786	\$ 14,609	\$ 4,787	\$ -	\$ -	\$ -
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	358	-	-	-	-
-	-	-	-	-	-	-
<u>\$ 2,036</u>	<u>\$ 8,786</u>	<u>\$ 14,967</u>	<u>\$ 4,787</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
-	-	979	5,551	-	-	23,812
-	-	-	-	358	70,535	452,430
-	-	178	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	1,157	5,551	358	70,535	476,242
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	358	-	-	-	-
2,036	8,786	-	-	-	-	-
-	-	13,452	-	-	-	-
-	-	-	(764)	(358)	(70,535)	(476,242)
<u>2,036</u>	<u>8,786</u>	<u>13,810</u>	<u>(764)</u>	<u>(358)</u>	<u>(70,535)</u>	<u>(476,242)</u>
<u>\$ 2,036</u>	<u>\$ 8,786</u>	<u>\$ 14,967</u>	<u>\$ 4,787</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

**City of Princeton
Combining Balance Sheet -
Nonmajor Governmental Funds
December 31, 2021**

	Special Revenue		
	Fire Department Grants (261)	Disaster Relocation (262)	American Rescue Plan (401)
Assets			
Cash and investments	\$ -	\$ 198,113	\$ 258,398
Taxes receivable - delinquent	-	-	-
Special assessment receivable			
Delinquent	-	-	-
Deferred	-	-	-
Accounts receivable	-	-	-
Interest receivable	-	-	-
Due from other governments	-	16,371	-
Notes receivable	-	-	-
Land held for resale	-	-	-
Prepaid items	-	-	-
Advance to other funds	-	-	-
	-	-	-
Total assets	\$ -	\$ 214,484	\$ 258,398
Liabilities			
Accounts and contracts payable	-	872	-
Due to other funds	28,959	-	-
Due to other governments	-	-	-
Salaries and benefits payable	-	-	-
Unearned revenue	-	-	258,398
Advance from other funds	-	-	-
	-	-	-
Total liabilities	28,959	872	258,398
Deferred Inflows of Resources			
Unavailable revenue - long-term assets	-	-	-
Unavailable revenue - property taxes	-	-	-
Unavailable revenue - special assessments	-	-	-
	-	-	-
Total deferred inflows of resources	-	-	-
Fund Balances			
Nonspendable	-	-	-
Restricted	-	213,612	-
Assigned	-	-	-
Unassigned	(28,959)	-	-
	-	-	-
Total fund balances	(28,959)	213,612	-
Total liabilities, deferred inflows of resources, and fund balances	\$ -	\$ 214,484	\$ 258,398

Special Revenue

Small Cities Development Program (603)	Stormwater Management (601)	Neighborhood Stabilization Program (602)	Park Improvements (802)	Cemetery Perpetual Care (803)	UDAG No. 2 Downtown Project (814)	UDAG No. 5 Crystal Cabinets (820)
\$ 48,162	\$ -	\$ 7,410	\$ 386,741	\$ 188,002	\$ 62,057	\$ 44,770
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	25,161	-	-	-
-	-	-	-	62	63	-
-	-	-	39,908	-	-	-
1,049	-	-	-	-	11,356	16,021
-	-	1	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
<u>\$ 49,211</u>	<u>\$ -</u>	<u>\$ 7,411</u>	<u>\$ 451,810</u>	<u>\$ 188,064</u>	<u>\$ 73,476</u>	<u>\$ 60,791</u>
-	-	-	85	-	-	-
-	147,005	-	-	-	-	-
-	-	-	123,205	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	147,005	-	123,290	-	-	-
-	-	-	-	-	11,356	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	11,356	-
-	-	-	-	-	-	-
49,211	-	7,411	328,520	-	62,120	60,791
-	-	-	-	188,064	-	-
-	(147,005)	-	-	-	-	-
<u>49,211</u>	<u>(147,005)</u>	<u>7,411</u>	<u>328,520</u>	<u>188,064</u>	<u>62,120</u>	<u>60,791</u>
<u>\$ 49,211</u>	<u>\$ -</u>	<u>\$ 7,411</u>	<u>\$ 451,810</u>	<u>\$ 188,064</u>	<u>\$ 73,476</u>	<u>\$ 60,791</u>

**City of Princeton
Combining Balance Sheet -
Nonmajor Governmental Funds
December 31, 2021**

	Debt Service		
	Downtown Redevelopment Tax Increment (490)	G.O. Capital Improvement Bonds, 2016A (416)	G.O. Bonds, 2020A (419)
Assets			
Cash and investments	\$ 33,390	\$ -	\$ 22,446
Taxes receivable - delinquent	-	-	436
Special assessment receivable			
Delinquent	-	-	-
Deferred	-	-	-
Accounts receivable	-	-	-
Interest receivable	-	-	-
Due from other governments	-	-	-
Notes receivable	-	-	-
Land held for resale	-	-	-
Prepaid items	-	-	-
Advance to other funds	-	-	-
	\$ 33,390	\$ -	\$ 22,882
Total assets	\$ 33,390	\$ -	\$ 22,882
Liabilities			
Accounts and contracts payable	-	-	-
Due to other funds	-	990	-
Due to other governments	-	-	-
Salaries and benefits payable	-	-	-
Unearned revenue	-	-	-
Advance from other funds	-	-	-
	-	990	-
Total liabilities	-	990	-
Deferred Inflows of Resources			
Unavailable revenue - long-term assets	-	-	-
Unavailable revenue - property taxes	-	-	225
Unavailable revenue - special assessments	-	-	-
	-	-	225
Total deferred inflows of resources	-	-	225
Fund Balances			
Nonspendable	-	-	-
Restricted	33,390	-	22,657
Assigned	-	-	-
Unassigned	-	(990)	-
	33,390	(990)	22,657
Total fund balances	33,390	(990)	22,657
Total liabilities, deferred inflows of resources, and fund balances	\$ 33,390	\$ -	\$ 22,882

Debt Service

G.O. Bonds 2020B (420)	2002/2003 1st Street Improvements (502)	Western Area Improvements (503)	2nd and 7th Improvements (504)	2007 PUC Area Improvements (507)	G.O. Refunding Bonds, 2012B (512 & 506)	G.O. Improvement Bonds, 2015A (515)
\$ 35,776	\$ 191,291	\$ -	\$ 225,157	\$ 37,273	\$ 844,831	\$ 657,363
537	-	920	-	4	30	913
-	-	-	-	119	2,039	8,434
-	2,699	-	-	41,746	48,907	202,989
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
<u>\$ 36,313</u>	<u>\$ 193,990</u>	<u>\$ 920</u>	<u>\$ 225,157</u>	<u>\$ 79,142</u>	<u>\$ 895,807</u>	<u>\$ 869,699</u>
-	-	-	-	-	-	-
-	-	69,699	-	-	768,939	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	69,699	-	-	768,939	-
-	-	-	-	-	-	-
277	-	789	-	3	26	461
-	2,699	-	-	41,865	50,946	211,423
<u>277</u>	<u>2,699</u>	<u>789</u>	<u>-</u>	<u>41,868</u>	<u>50,972</u>	<u>211,884</u>
-	-	-	-	-	-	-
36,036	191,291	-	225,157	37,274	75,896	657,815
-	-	-	-	-	-	-
-	-	(69,568)	-	-	-	-
<u>36,036</u>	<u>191,291</u>	<u>(69,568)</u>	<u>225,157</u>	<u>37,274</u>	<u>75,896</u>	<u>657,815</u>
<u>\$ 36,313</u>	<u>\$ 193,990</u>	<u>\$ 920</u>	<u>\$ 225,157</u>	<u>\$ 79,142</u>	<u>\$ 895,807</u>	<u>\$ 869,699</u>

**City of Princeton
Combining Balance Sheet -
Nonmajor Governmental Funds
December 31, 2021**

	Debt Service			Capital Projects
	School District Middle School Road (530)	1992 Street and Utilities (592)	1993 Street and Utilities (593)	Solheim Field Improvements (216)
Assets				
Cash and investments	\$ 11,488	\$ 362,616	\$ 60,206	\$ 46,944
Taxes receivable - delinquent	-	-	-	-
Special assessment receivable				
Delinquent	893	-	-	-
Deferred	68,129	-	-	-
Accounts receivable	-	-	-	-
Interest receivable	-	-	-	-
Due from other governments	-	-	-	-
Notes receivable	-	-	-	-
Land held for resale	-	-	-	-
Prepaid items	-	-	-	-
Advance to other funds	-	-	-	-
	<u>\$ 80,510</u>	<u>\$ 362,616</u>	<u>\$ 60,206</u>	<u>\$ 46,944</u>
Liabilities				
Accounts and contracts payable	-	-	-	-
Due to other funds	-	-	-	-
Due to other governments	-	-	-	-
Salaries and benefits payable	-	-	-	-
Unearned revenue	-	-	-	-
Advance from other funds	-	-	-	-
Total liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Deferred Inflows of Resources				
Unavailable revenue - long-term assets	-	-	-	-
Unavailable revenue - property taxes	-	-	-	-
Unavailable revenue - special assessments	69,022	-	-	-
Total deferred inflows of resources	<u>69,022</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund Balances				
Nonspendable	-	-	-	-
Restricted	11,488	362,616	60,206	-
Assigned	-	-	-	46,944
Unassigned	-	-	-	-
Total fund balances	<u>11,488</u>	<u>362,616</u>	<u>60,206</u>	<u>46,944</u>
	<u>\$ 80,510</u>	<u>\$ 362,616</u>	<u>\$ 60,206</u>	<u>\$ 46,944</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 80,510</u>	<u>\$ 362,616</u>	<u>\$ 60,206</u>	<u>\$ 46,944</u>

Capital Projects

Fire Equipment Reserve (260)	Fire Truck Reserve (263)	Heritage Village (305)	Northland/ Old 18 Improvements (310)	MN Industrial Coatings Expansion District (314)	West Branch and 7th Avenue North Projects (315)	Roundabout Project (317)
\$ 210,812	\$ 342,981	\$ -	\$ -	\$ 19,376	\$ -	\$ -
-	-	-	-	-	-	-
-	-	-	-	-	-	-
71,696	-	-	-	-	-	-
156	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
57,600	-	-	-	-	-	-
-	-	-	-	-	-	-
<u>\$ 340,264</u>	<u>\$ 342,981</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 19,376</u>	<u>\$ -</u>	<u>\$ -</u>
8,675	-	-	-	24,456	-	-
-	-	284,747	53,760	-	347,586	266,901
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
<u>8,675</u>	<u>-</u>	<u>284,747</u>	<u>53,760</u>	<u>24,456</u>	<u>347,586</u>	<u>266,901</u>
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
57,600	-	-	-	-	-	-
-	342,981	-	-	-	-	-
273,989	-	-	-	-	-	-
-	-	(284,747)	(53,760)	(5,080)	(347,586)	(266,901)
<u>331,589</u>	<u>342,981</u>	<u>(284,747)</u>	<u>(53,760)</u>	<u>(5,080)</u>	<u>(347,586)</u>	<u>(266,901)</u>
<u>\$ 340,264</u>	<u>\$ 342,981</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 19,376</u>	<u>\$ -</u>	<u>\$ -</u>

**City of Princeton
Combining Balance Sheet -
Nonmajor Governmental Funds
December 31, 2021**

	Capital Projects		
	Arcadian Homes Utility Project (328)	District No. 3-7 Redevelopment District (329)	2000 Street and Utility Improvements (330)
Assets			
Cash and investments	\$ -	\$ 52,939	\$ -
Taxes receivable - delinquent	-	-	-
Special assessment receivable			
Delinquent	-	-	-
Deferred	-	-	-
Accounts receivable	-	-	-
Interest receivable	-	-	-
Due from other governments	-	-	-
Notes receivable	-	-	-
Land held for resale	-	-	-
Prepaid items	-	-	-
Advance to other funds	-	-	-
	-	-	-
Total assets	\$ -	\$ 52,939	\$ -
Liabilities			
Accounts and contracts payable	4,750	25,971	-
Due to other funds	5,466	-	-
Due to other governments	-	-	-
Salaries and benefits payable	-	-	-
Unearned revenue	-	-	-
Advance from other funds	202,467	-	2,832
Total liabilities	212,683	25,971	2,832
Deferred Inflows of Resources			
Unavailable revenue - long-term assets	-	-	-
Unavailable revenue - property taxes	-	-	-
Unavailable revenue - special assessments	-	-	-
Total deferred inflows of resources	-	-	-
Fund Balances			
Nonspendable	-	-	-
Restricted	-	26,968	-
Assigned	-	-	-
Unassigned	(212,683)	-	(2,832)
Total fund balances	(212,683)	26,968	(2,832)
Total liabilities, deferred inflows of resources, and fund balances	\$ -	\$ 52,939	\$ -

Capital Projects

Kwik Trip Redevelopment District (347)	Caseys Redevelopment District (348)	AERO Business Redevelopment District (349)	Industrial Park Redevelopment District (350)	District No. 3-5 Redevelopment District (391)	Armory Redevelopment District (398)	Industrial Park Development (821)
\$ 53,476	\$ -	\$ -	\$ 27,248	\$ 20,036	\$ 6,303	\$ -
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	537,842
-	-	-	-	-	-	-
<u>\$ 53,476</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 27,248</u>	<u>\$ 20,036</u>	<u>\$ 6,303</u>	<u>\$ 537,842</u>
-	-	-	-	9,144	-	-
-	7,343	5,528	-	-	-	40,876
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
<u>-</u>	<u>7,343</u>	<u>5,528</u>	<u>-</u>	<u>9,144</u>	<u>-</u>	<u>40,876</u>
-	-	-	-	-	-	-
-	-	-	-	-	-	-
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
-	-	-	-	-	-	-
53,476	-	-	27,248	10,892	6,303	496,966
-	-	-	-	-	-	-
-	(7,343)	(5,528)	-	-	-	-
<u>53,476</u>	<u>(7,343)</u>	<u>(5,528)</u>	<u>27,248</u>	<u>10,892</u>	<u>6,303</u>	<u>496,966</u>
<u>\$ 53,476</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 27,248</u>	<u>\$ 20,036</u>	<u>\$ 6,303</u>	<u>\$ 537,842</u>

**City of Princeton
Combining Balance Sheet -
Nonmajor Governmental Funds
December 31, 2021**

	Capital Projects		
	TIF 8-4 Chino Development (319)	West Branch TIF (327)	TIF 9-2 Housing Rum River Residential/ West Rivertown Apartments (338)
Assets			
Cash and investments	\$ -	\$ -	\$ -
Taxes receivable - delinquent	-	-	-
Special assessment receivable			
Delinquent	-	-	-
Deferred	-	-	-
Accounts receivable	-	-	-
Interest receivable	-	-	-
Due from other governments	-	-	-
Notes receivable	-	-	-
Land held for resale	-	-	-
Prepaid items	-	-	-
Advance to other funds	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>
Total assets	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Liabilities			
Accounts and contracts payable	-	-	2,202
Due to other funds	17,545	15,133	8,140
Due to other governments	-	-	-
Salaries and benefits payable	-	-	-
Unearned revenue	-	-	-
Advance from other funds	-	-	-
Total liabilities	<u>17,545</u>	<u>15,133</u>	<u>10,342</u>
Deferred Inflows of Resources			
Unavailable revenue - long-term assets	-	-	-
Unavailable revenue - property taxes	-	-	-
Unavailable revenue - special assessments	-	-	-
Total deferred inflows of resources	<u>-</u>	<u>-</u>	<u>-</u>
Fund Balances			
Nonspendable	-	-	-
Restricted	-	-	-
Assigned	-	-	-
Unassigned	(17,545)	(15,133)	(10,342)
Total fund balances	<u>(17,545)</u>	<u>(15,133)</u>	<u>(10,342)</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

Capital Projects

<u>Revolving Account Fund (552)</u>	<u>Total Governmental Funds</u>
\$ 216,500	\$ 4,895,375
-	2,840
495	11,980
50,320	414,790
-	96,857
-	281
-	56,279
-	28,426
-	537,843
-	59,240
2,832	2,832
<u>\$ 270,147</u>	<u>\$ 6,106,743</u>
-	107,673
-	2,608,050
-	123,384
-	88
-	258,398
-	205,299
-	<u>3,302,892</u>
-	11,356
-	1,781
50,815	426,770
<u>50,815</u>	<u>439,907</u>
-	59,240
-	3,564,801
219,332	763,804
-	(2,023,901)
<u>219,332</u>	<u>2,363,944</u>
<u>\$ 270,147</u>	<u>\$ 6,106,743</u>

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

	Special Revenue		
	Cemetery Operation and Maintenance (205)	Property Confiscation (210)	Public Safety and Awareness (211)
Revenues			
Property taxes	\$ -	\$ -	\$ -
Tax increments	-	-	-
Special assessments	-	-	-
Intergovernmental	-	-	-
Charges for services	25,514	8,647	-
Miscellaneous			
Investment income	-	(72)	(12)
Contributions and donations	-	4,225	-
Other	2,550	747	9,301
Total revenues	28,064	13,547	9,289
Expenditures			
Current			
Public safety	-	4,970	3,992
Cemetery	48,295	-	-
Parks and recreation	-	-	-
Economic development	-	-	-
Debt service			
Principal	-	-	-
Interest and other charges	-	-	-
Capital outlay			
Public safety	-	-	-
Parks and recreation	-	-	-
Economic development	-	-	-
Total expenditures	48,295	4,970	3,992
Excess of revenues over (under) expenditures	(20,231)	8,577	5,297
Other Financing Sources (Uses)			
Transfers in	35,453	-	-
Transfers out	-	-	-
Total other financing sources (uses)	35,453	-	-
Net change in fund balances	15,222	8,577	5,297
Fund Balances			
Beginning of year	8,083	124,806	14,974
End of year	\$ 23,305	\$ 133,383	\$ 20,271

Special Revenue

Investigation Information Buy Fund (212)	Felony Investigation (214)	Civic Center (240)	Community Beautification (242)	Community Projects (250)	Development Grants (252)	Development Expenses (253)
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	9,484	-	-	-	-
(1)	(5)	(8)	(1)	-	-	-
-	-	-	10,023	-	-	-
-	-	73	891	-	-	-
<u>(1)</u>	<u>(5)</u>	<u>9,549</u>	<u>10,913</u>	<u>-</u>	<u>-</u>	<u>-</u>
-	-	-	-	-	-	-
-	-	6,594	17,038	-	-	-
-	-	-	-	-	-	119,018
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	19,331
<u>-</u>	<u>-</u>	<u>6,594</u>	<u>17,038</u>	<u>-</u>	<u>-</u>	<u>138,349</u>
(1)	(5)	2,955	(6,125)	-	-	(138,349)
-	-	-	2,500	-	-	-
-	-	-	-	-	-	-
<u>-</u>	<u>-</u>	<u>-</u>	<u>2,500</u>	<u>-</u>	<u>-</u>	<u>-</u>
(1)	(5)	2,955	(3,625)	-	-	(138,349)
<u>2,037</u>	<u>8,791</u>	<u>10,855</u>	<u>2,861</u>	<u>(358)</u>	<u>(70,535)</u>	<u>(337,893)</u>
<u>\$ 2,036</u>	<u>\$ 8,786</u>	<u>\$ 13,810</u>	<u>\$ (764)</u>	<u>\$ (358)</u>	<u>\$ (70,535)</u>	<u>\$ (476,242)</u>

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

	Special Revenue		
	Fire Department Grants (261)	Disaster Relocation (262)	Small Cities Development Program (603)
Revenues			
Property taxes	\$ -	\$ -	\$ -
Tax increments	-	-	-
Special assessments	-	-	-
Intergovernmental	-	70,933	-
Charges for services	-	-	-
Miscellaneous			
Investment income	-	-	-
Contributions and donations	-	-	-
Other	-	23,621	10,479
Total revenues	-	94,554	10,479
Expenditures			
Current			
Public safety	-	66,971	-
Cemetery	-	-	-
Parks and recreation	-	-	-
Economic development	-	-	-
Debt service			
Principal	-	-	-
Interest and other charges	-	-	-
Capital outlay			
Public safety	-	-	-
Parks and recreation	-	-	-
Economic development	-	-	-
Total expenditures	-	66,971	-
Excess of revenues over (under) expenditures	-	27,583	10,479
Other Financing Sources (Uses)			
Transfers in	-	-	-
Transfers out	-	-	-
Total other financing sources (uses)	-	-	-
Net change in fund balances	-	27,583	10,479
Fund Balances			
Beginning of year	(28,959)	186,029	38,732
End of year	\$ (28,959)	\$ 213,612	\$ 49,211

Special Revenue						Debt Service
Stormwater Management (601)	Neighborhood Stabilization Program (602)	Park Improvements (802)	Cemetery Perpetual Care (803)	UDAG No. 2 Downtown Project (814)	UDAG No. 5 Crystal Cabinets (820)	Downtown Redevelopment Tax Increment (490)
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	220,000	-	-	-	-
-	-	60,000	4,823	-	-	-
-	-	-	(681)	(3,588)	(24)	(18)
-	-	-	-	-	-	-
-	-	202,444	-	526	-	2,103
-	-	482,444	4,142	(3,062)	(24)	2,085
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	726	-	-	-	-
-	-	-	-	-	-	1,400
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	146,230	-	-	-	-
-	-	-	-	-	-	-
-	-	146,956	-	-	-	1,400
-	-	335,488	4,142	(3,062)	(24)	685
-	-	-	-	-	-	-
-	-	(800)	(1,881)	-	-	-
-	-	(800)	(1,881)	-	-	-
-	-	334,688	2,261	(3,062)	(24)	685
(147,005)	7,411	(6,168)	185,803	65,182	60,815	32,705
\$ (147,005)	\$ 7,411	\$ 328,520	\$ 188,064	\$ 62,120	\$ 60,791	\$ 33,390

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

	Debt Service		
	G.O. Capital Improvement Bonds, 2016A (416)	G.O. Bonds, 2020A (419)	G.O. Bonds 2020B (420)
Revenues			
Property taxes	\$ -	\$ 35,239	\$ 43,438
Tax increments	-	-	-
Special assessments	-	-	-
Intergovernmental	-	-	-
Charges for services	-	-	-
Miscellaneous			
Investment income	-	(12)	(19)
Contributions and donations	-	-	-
Other	-	-	-
Total revenues	-	35,227	43,419
Expenditures			
Current			
Public safety	-	-	-
Cemetery	-	-	-
Parks and recreation	-	-	-
Economic development	-	-	-
Debt service			
Principal	115,000	-	-
Interest and other charges	39,045	28,976	17,016
Capital outlay			
Public safety	-	-	-
Parks and recreation	-	-	-
Economic development	-	-	-
Total expenditures	154,045	28,976	17,016
Excess of revenues over (under) expenditures	(154,045)	6,251	26,403
Other Financing Sources (Uses)			
Transfers in	153,550	-	-
Transfers out	-	-	-
Total other financing sources (uses)	153,550	-	-
Net change in fund balances	(495)	6,251	26,403
Fund Balances			
Beginning of year	(495)	16,406	9,633
End of year	\$ (990)	\$ 22,657	\$ 36,036

Debt Service

2002/2003 1st Street Improvements (502)	Western Area Improvements (503)	2nd and 7th Improvements (504)	2007 PUC Area Improvements (507)	G.O. Refunding Bonds, 2012B (512 & 506)	G.O. Improvement Bonds, 2015A (515)	School District Middle School Road (530)	1992 Street and Utilities (592)
\$ -	\$ 2,817	\$ -	\$ 1	\$ 7	\$ 34,324	\$ -	\$ -
-	-	-	-	-	-	-	-
-	-	-	7,031	26,396	48,013	11,488	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
(104)	-	(122)	(20)	(457)	(355)	-	(196)
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
<u>(104)</u>	<u>2,817</u>	<u>(122)</u>	<u>7,012</u>	<u>25,946</u>	<u>81,982</u>	<u>11,488</u>	<u>(196)</u>
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	19,000	90,000	60,000	-	-
-	-	-	2,145	1,701	17,070	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	<u>21,145</u>	<u>91,701</u>	<u>77,070</u>	<u>-</u>	<u>-</u>
(104)	2,817	(122)	(14,133)	(65,755)	4,912	11,488	(196)
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
(104)	2,817	(122)	(14,133)	(65,755)	4,912	11,488	(196)
<u>191,395</u>	<u>(72,385)</u>	<u>225,279</u>	<u>51,407</u>	<u>141,651</u>	<u>652,903</u>	<u>-</u>	<u>362,812</u>
<u>\$ 191,291</u>	<u>\$ (69,568)</u>	<u>\$ 225,157</u>	<u>\$ 37,274</u>	<u>\$ 75,896</u>	<u>\$ 657,815</u>	<u>\$ 11,488</u>	<u>\$ 362,616</u>

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

	<u>Debt Service</u>	<u>Capital Projects</u>	
	1993 Street and Utilities (593)	Solheim Field Improvements (216)	Fire Equipment Reserve (260)
Revenues			
Property taxes	\$ -	\$ -	\$ -
Tax increments	-	-	-
Special assessments	893	-	-
Intergovernmental	-	-	-
Charges for services	-	-	92,176
Miscellaneous			
Investment income	(38)	(25)	592
Contributions and donations	-	-	-
Other	-	58,454	32,455
Total revenues	<u>855</u>	<u>58,429</u>	<u>125,223</u>
Expenditures			
Current			
Public safety	-	-	8,531
Cemetery	-	-	-
Parks and recreation	-	2,178	-
Economic development	-	-	-
Debt service			
Principal	-	-	-
Interest and other charges	-	-	-
Capital outlay			
Public safety	-	-	106,382
Parks and recreation	-	12,297	-
Economic development	-	-	-
Total expenditures	<u>-</u>	<u>14,475</u>	<u>114,913</u>
Excess of revenues over (under) expenditures	855	43,954	10,310
Other Financing Sources (Uses)			
Transfers in	-	1,600	10,311
Transfers out	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>1,600</u>	<u>10,311</u>
Net change in fund balances	855	45,554	20,621
Fund Balances			
Beginning of year	<u>59,351</u>	<u>1,390</u>	<u>310,968</u>
End of year	<u>\$ 60,206</u>	<u>\$ 46,944</u>	<u>\$ 331,589</u>

Capital Projects

Fire Truck Reserve (263)	Heritage Village (305)	Northland/ Old 18 Improvements (310)	MN Industrial Coatings Expansion District (314)	West Branch and 7th Avenue North Projects (315)	Roundabout Project (317)	Arcadian Homes Utility Project (328)
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	28,787	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
(186)	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
<u>(186)</u>	<u>-</u>	<u>-</u>	<u>28,787</u>	<u>-</u>	<u>-</u>	<u>-</u>
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	27,309	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
<u>-</u>	<u>-</u>	<u>-</u>	<u>27,309</u>	<u>-</u>	<u>-</u>	<u>-</u>
(186)	-	-	1,478	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
(186)	-	-	1,478	-	-	-
343,167	(284,747)	(53,760)	(6,558)	(347,586)	(266,901)	(212,683)
<u>\$ 342,981</u>	<u>\$ (284,747)</u>	<u>\$ (53,760)</u>	<u>\$ (5,080)</u>	<u>\$ (347,586)</u>	<u>\$ (266,901)</u>	<u>\$ (212,683)</u>

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

	Capital Projects		
	District No. 3-7 Redevelopment District (329)	2000 Street and Utility Improvements (330)	Kwik Trip Redevelopment District (347)
Revenues			
Property taxes	\$ -	\$ -	\$ -
Tax increments	52,667	-	30,559
Special assessments	-	-	-
Intergovernmental	-	-	-
Charges for services	-	-	-
Miscellaneous			
Investment income	-	-	-
Contributions and donations	-	-	-
Other	-	-	-
Total revenues	52,667	-	30,559
Expenditures			
Current			
Public safety	-	-	-
Cemetery	-	-	-
Parks and recreation	-	-	-
Economic development	-	-	1,000
Debt service			
Principal	-	-	-
Interest and other charges	-	-	-
Capital outlay			
Public safety	-	-	-
Parks and recreation	-	-	-
Economic development	48,800	-	-
Total expenditures	48,800	-	1,000
Excess of revenues over (under) expenditures	3,867	-	29,559
Other Financing Sources (Uses)			
Transfers in	-	-	-
Transfers out	-	-	-
Total other financing sources (uses)	-	-	-
Net change in fund balances	3,867	-	29,559
Fund Balances			
Beginning of year	23,101	(2,832)	23,917
End of year	\$ 26,968	\$ (2,832)	\$ 53,476

Capital Projects

Caseys Redevelopment District (348)	AERO Business Redevelopment District (349)	Industrial Park Redevelopment District (350)	District No. 3-5 Redevelopment District (391)	Armory Redevelopment District (398)	Industrial Park Development (821)	TIF 8-4 Chino Development (319)
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
1,171	-	39,432	22,027	7,703	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
1,171	-	39,432	22,027	7,703	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
1,000	-	1,000	1,400	1,400	48	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	19,824	-	22,270	-
1,000	-	1,000	21,224	1,400	22,318	-
171	-	38,432	803	6,303	(22,318)	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
171	-	38,432	803	6,303	(22,318)	-
(7,514)	(5,528)	(11,184)	10,089	-	519,284	(17,545)
\$ (7,343)	\$ (5,528)	\$ 27,248	\$ 10,892	\$ 6,303	\$ 496,966	\$ (17,545)

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

	Capital Projects			Total Other Governmental Funds
	West Branch TIF (327)	TIF 9-2 Housing Rum River Residential/ West Rivertown Apartments (338)	Revolving Account Fund (552)	
Revenues				
Property taxes	\$ -	\$ -	\$ -	\$ 115,826
Tax increments	-	-	-	182,346
Special assessments	-	-	13,301	107,122
Intergovernmental	-	-	-	290,933
Charges for services	-	-	-	200,644
Miscellaneous				
Investment income	-	-	(118)	(5,470)
Contributions and donations	-	-	-	14,248
Other	-	-	-	343,644
Total revenues	-	-	13,183	1,249,293
Expenditures				
Current				
Public safety	-	-	-	84,464
Cemetery	-	-	-	48,295
Parks and recreation	-	-	-	26,536
Economic development	1,000	-	-	154,575
Debt service				
Principal	-	-	-	284,000
Interest and other charges	-	-	-	105,953
Capital outlay				
Public safety	-	-	-	106,382
Parks and recreation	-	-	-	158,527
Economic development	-	-	-	110,225
Total expenditures	1,000	-	-	1,078,957
Excess of revenues over (under) expenditures	(1,000)	-	13,183	170,336
Other Financing Sources (Uses)				
Transfers in	-	-	-	203,414
Transfers out	-	-	-	(2,681)
Total other financing sources (uses)	-	-	-	200,733
Net change in fund balances	(1,000)	-	13,183	371,069
Fund Balances				
Beginning of year	(14,133)	(10,342)	206,149	1,992,875
End of year	\$ (15,133)	\$ (10,342)	\$ 219,332	\$ 2,363,944

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

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Over (Under)
	Original	Final		
Revenues				
Property taxes	\$ 2,305,455	\$ 2,305,455	\$ 2,356,290	\$ 50,835
Licenses and permits	154,770	154,770	217,794	63,024
Intergovernmental revenue				
Local government aid	1,022,825	1,022,825	1,022,826	1
Market value credit	-	-	86	86
Fire aid	-	-	30,613	30,613
Police aid	113,410	113,410	110,311	(3,099)
Other grants and aids	6,000	6,000	81,675	75,675
Total intergovernmental revenue	<u>1,142,235</u>	<u>1,142,235</u>	<u>1,245,511</u>	<u>103,276</u>
Charges for services				
General government	34,330	34,330	33,060	(1,270)
Public safety	205,415	205,415	229,119	23,704
Public works	3,700	3,700	2,714	(986)
Parks and recreation	27,500	27,500	41,632	14,132
Total charges for services	<u>270,945</u>	<u>270,945</u>	<u>306,525</u>	<u>35,580</u>
Fines or forfeitures	<u>28,500</u>	<u>28,500</u>	<u>23,456</u>	<u>(5,044)</u>
Miscellaneous revenues				
Investment income	10,200	10,200	(42,010)	(52,210)
Contributions and donations	-	-	3,100	3,100
Other	140,000	140,000	161,956	21,956
Total miscellaneous revenues	<u>150,200</u>	<u>150,200</u>	<u>123,046</u>	<u>(27,154)</u>
Total revenues	<u>4,052,105</u>	<u>4,052,105</u>	<u>4,272,622</u>	<u>220,517</u>
Expenditures				
General government				
Mayor and council	33,575	33,575	27,786	(5,789)
Administrative and finance	476,010	476,010	546,991	70,981
Other general government	595,430	595,430	257,869	(337,561)
Capital outlay	202,000	202,000	305,112	103,112
Total general government	<u>1,307,015</u>	<u>1,307,015</u>	<u>1,137,758</u>	<u>(169,257)</u>

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

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Over (Under)
	Original	Final		
Expenditures				
Public safety				
Police				
Current	\$ 1,599,495	\$ 1,599,495	\$ 1,588,288	\$ (11,207)
Capital outlay	184,000	184,000	129,644	(54,356)
Total police	<u>1,783,495</u>	<u>1,783,495</u>	<u>1,717,932</u>	<u>(65,563)</u>
Fire				
Current	318,725	318,725	330,515	11,790
Capital outlay	-	-	135,543	135,543
Total fire	<u>318,725</u>	<u>318,725</u>	<u>466,058</u>	<u>147,333</u>
Other:				
Current	57,300	57,300	98,221	40,921
Capital outlay	87,000	87,000	-	(87,000)
Total other	<u>144,300</u>	<u>144,300</u>	<u>98,221</u>	<u>(46,079)</u>
Total public safety	<u>2,246,520</u>	<u>2,246,520</u>	<u>2,282,211</u>	<u>35,691</u>
Cemetery				
Current	<u>-</u>	<u>-</u>	<u>520</u>	<u>520</u>
Public works				
Streets and highways				
Street maintenance and storm sewers	794,230	794,230	731,390	(62,840)
Street - capital outlay	391,000	391,000	305,878	(85,122)
Total public works	<u>1,185,230</u>	<u>1,185,230</u>	<u>1,037,268</u>	<u>(147,962)</u>
Parks and recreation				
Libraries				
Current expenditures	39,440	39,440	31,967	(7,473)
Other parks and recreation				
Current expenditures	226,170	226,170	315,328	89,158
Capital outlay	163,000	163,000	85,220	(77,780)
Total other parks and recreation	<u>389,170</u>	<u>389,170</u>	<u>400,548</u>	<u>11,378</u>
Total parks and recreation	<u>428,610</u>	<u>428,610</u>	<u>432,515</u>	<u>3,905</u>
Economic development				
Economic development				
Current expenditures	<u>-</u>	<u>-</u>	<u>16,624</u>	<u>16,624</u>
Total expenditures	<u>5,167,375</u>	<u>5,167,375</u>	<u>4,906,896</u>	<u>(260,479)</u>
Excess of revenues over (under) expenditures	(1,115,270)	(1,115,270)	(634,274)	480,996

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

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Over (Under)
	Original	Final		
Other Financing Sources (Uses)				
Proceeds from Sale of Capital Asset	\$ -	\$ -	\$ 4,003	\$ 4,003
Insurance Recoveries	-	-	126,341	126,341
Transfers in	1,159,500	1,159,500	-	(1,159,500)
Transfers out	(43,785)	(43,785)	(29,452)	14,333
Total other financing sources (uses)	<u>1,115,715</u>	<u>1,115,715</u>	<u>100,892</u>	<u>(1,014,823)</u>
Net change in fund balances	<u>\$ 445</u>	<u>\$ 445</u>	(533,382)	<u>\$ (533,827)</u>
Fund Balances				
Beginning of year			<u>3,285,931</u>	
End of year			<u>\$ 2,752,549</u>	

City of Princeton
Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2021

Federal Agency/Pass Through Agency/Program Title	CFDA Number	Expenditures
Department of Transportation		
Through State of Minnesota Department of Transportation		
Airport improvement program	20.106	\$ 951,943
COVID-19 - Airport improvement program	20.106C	<u>30,000</u>
Total Airport improvement program		<u>981,943</u>
 Total Federal Expenditures		 <u>\$ 981,943</u>

City of Princeton
Notes to the Schedule of Expenditures of Federal Awards

NOTE 1 – BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of the City of Princeton, Minnesota and is presented on the accrual basis of accounting. The information in this Schedule is presented in accordance with the requirements of the Uniform Guidance. Therefore, some amounts presented in this Schedule may differ from amounts presented in, or used in, the preparation of the modified accrual or accrual basis financial statements.

NOTE 2 – PASS-THROUGH GRANT NUMBERS

All pass-through entities listed above use the same CFDA numbers as the federal grantors to identify these grants and have not assigned any additional identifying numbers.

NOTE 3 – INDIRECT COST RATE

The City did not elect to use the 10 percent de minimis indirect cost rate, as allowed under the Uniform Guidance.

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**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***

Independent Auditor's Report

Honorable Mayor and Members
of the City Council
City of Princeton
Princeton, 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 Princeton, Minnesota, as of and for the year ended December 31, 2021, and the related notes to financial statements, which collectively comprise the City's basic financial statements and have issued our report thereon dated July 14, 2022. Our report includes a reference to other auditors who audited the financial statements of Princeton Public Utilities Commission, as described in our report on the City's financial statements. This report does not include the results of the other auditors testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors.

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 City's internal control. Accordingly, we do not express an opinion on the effectiveness of City's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying Schedule of Findings and Questioned Costs, we identified certain deficiencies in internal control that we consider to be a material weakness and a significant deficiency.

Internal Control over Financial Reporting (Continued)

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 City's financial statements will not be prevented, or detected and corrected, on a timely basis. We consider the deficiency described in the accompanying Schedule of Findings and Questioned Costs as Audit Finding 2021-001 to be a material weakness.

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. We consider the deficiency described in the accompanying Schedule of Findings and Questioned Costs as Audit Finding 2021-002 to be a significant deficiency.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's basic financial statements are free of 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 determination of financial statement amounts. 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*.

City's Responses to Findings

The City's responses to the findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. The City's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the responses.

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 result 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.

Bergan KDV, Ltd.

Minneapolis, Minnesota
July 14, 2022

**Report on Compliance for each Major Federal Program
and Report on Internal Control over Compliance In Accordance
With the Uniform Guidance**

Independent Auditor's Report

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

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited the City's compliance with the types of compliance requirements identified as subject to audit in the *OMB Compliance Supplement* that could have a direct and material effect on the City's major federal program for the year ended December 31, 2021. The City's major federal program is identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs.

In our opinion, the City complied in all material respects, with the compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended December 31, 2021.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*); and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the City and to meet our other ethical responsibilities, in accordance with 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 opinion on compliance for each major federal program. Our audit does not provide a legal determination of the City's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to the City's federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the City's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the City's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance, we

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, 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 City's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the City's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of Example Entity's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on Internal Control over Compliance

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

Report on Internal Control over Compliance (Continued)

Our consideration of internal control over compliance was for the limited purpose described in Auditor's Responsibilities for the Audit of Compliance section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

BerganKDV, Ltd.

Minneapolis, Minnesota
July 14, 2022

City of Princeton
Schedule of Findings and Questioned Costs

SECTION I – SUMMARY OF AUDITOR’S RESULTS

Financial Statements

Type of auditor’s report issued: We issued an unmodified opinion on the fair presentation of the financial statements of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information in accordance with accounting principles generally accepted in the United States of America (GAAP).

Internal control over financial reporting:
• Material weakness(es) identified? Yes, Audit Finding 2021-001
• Significant deficiency(ies) identified? Yes, Audit Finding 2021-002

Noncompliance material to financial statements noted? No

Federal Awards

Type of auditor’s report issued on compliance for major programs: Unmodified

Internal control over major programs:
• Material weakness(es) identified? No
• Significant deficiency(ies) identified? None reported

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? No

Identification of Major Programs

CFDA No.: 20.106, 20.106C
Name of Federal Program or Cluster: Airport improvement program

Dollar threshold used to distinguish between type A and type B programs: \$750,000

Auditee qualified as low risk auditee? No

**City of Princeton
Schedule of Findings and Questioned Costs**

CURRENT YEAR INTERNAL CONTROL FINDING

Audit Finding 2021-001 – Material Audit Adjustments

Criteria or Specific Requirement

Internal control that assures all material adjustments are identified and prepared by City personnel or hired consultants.

Condition

During the course of our engagement, we proposed material audit adjustments that were not identified as a result of the City's existing internal controls and, therefore, could have resulted in a material misstatement of the City's basic financial statements.

In order to ensure basic financial statements were free from material misstatement, audit adjustments were required in the following areas:

- Receivables/revenues
- Payables/expenditures
- Inventory balance

Questioned Costs

None

Context

This finding impacts the internal control for all significant accounting functions.

Effect or Potential Effect

The basic financial statements could have material misstatements.

Cause

The City did not make all the required adjustments.

Recommendation

Have all material entries completed before the audit.

Management's Response

1. Explanation of Disagreement with Audit Finding
There is no disagreement with the audit finding.
2. Actions Planned in Response to Finding
The City will ensure all adjusting entries are made prior to audit work commencing.
3. Official Responsible for Ensuring CAP
Michele McPherson, City Administrator, is the official responsible for ensuring corrective action of the deficiency.

City of Princeton
Schedule of Findings and Questioned Costs

CURRENT YEAR INTERNAL CONTROL FINDING (CONTINUED)

Audit Finding 2021-001 – Material Audit Adjustments (Continued)

Management's Response (Continued)

4. Planned Completion Date for CAP
The planned completion date for the CAP is ongoing.
5. Plan to Monitor Completion of CAP
The City Council will be monitoring this CAP.

CURRENT AND PRIOR YEAR INTERNAL CONTROL FINDING

Audit Finding 2021-002 – Lack of Segregation of Accounting Duties

Criteria or Specific Requirement

Internal control that supports the City's ability to initiate, record, process, and report financial data, consistent with the assertions of management in the financial statements, requires adequate segregation of accounting duties.

Condition

During the year ended December 31, 2021, the City had a lack of segregation of accounting duties due to a limited number of office employees.

Management is aware of this condition and has taken certain steps to compensate for the lack of segregation. However, due to the small accounting staff needed to handle all of the accounting duties, the cost of obtaining desirable segregation of accounting duties can often exceed benefits which could be derived. Due to this reason, management has determined a complete segregation of accounting duties is impractical to correct. However, management, along with the City Council, must remain aware of this situation and should continually monitor the accounting system, including changes that occur.

Questioned Costs

None

Context

This finding impacts the internal control for all significant accounting functions.

Effect or Potential Effect

The lack of adequate segregation of accounting duties could adversely affect the City's ability to initiate, record, process, and report financial data consistent with the assertions of management in the financial statements.

Cause

There are a limited number of office employees.

**City of Princeton
Schedule of Findings and Questioned Costs**

CURRENT AND PRIOR YEAR INTERNAL CONTROL FINDING (CONTINUED)

Audit Finding 2021-002 – Lack of Segregation of Accounting Duties (Continued)

Recommendation

Continue to review the accounting system, including changes that may occur. Implement segregation whenever practical.

Management's Response

CORRECTIVE ACTION PLAN (CAP)

1. Explanation of Disagreement with Audit Finding
There is no disagreement with the audit finding.
2. Actions Planned in Response to Finding
The City agrees with the auditor's analysis of the situation. It seems impossible to correct the current situation without additional personnel. Even having cursory review by someone outside of the Finance Department would not seem beneficial without significant training and exposure to the financial transactions. The City has taken measures to help reduce the exposure by requiring three different people at all times to sign or stamp every check. Also, review of this point on what will be an annual basis during the audit presentation, should remind both management and the City Council of the weakness and possible problems that could result.
3. Official Responsible for Ensuring CAP
Michele McPherson, City Administrator, is the official responsible for ensuring corrective action of the deficiency.
4. Planned Completion Date for CAP
The planned completion date for the CAP is ongoing.
5. Plan to Monitor Completion of CAP
The City Council will be monitoring this CAP.

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

None

SECTION IV – PRIOR YEAR FINDINGS AND QUESTIONED COSTS

None

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Minnesota Legal Compliance

Independent Auditor's Report

Honorable Mayor and Members
of the City Council
City of Princeton
Princeton, 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 governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Princeton, Minnesota, as of and for the year ended December 31, 2021, and the related notes to financial statements and have issued our report thereon dated July 14, 2022. Our report includes a reference to other auditors who audited the financial statements of Princeton Public Utilities Commission, as described in our report on the City's financial statements. This report does not include the results of the other auditors testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors.

In connection with our audit, we noted that the City failed to comply with provisions of the claims and disbursements section 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 as described in the Schedule of Findings and Responses on Legal Compliance. Also, 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, miscellaneous provisions, and tax increment financing sections of the *Minnesota Legal Compliance Audit Guide for Cities*, 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.

BergankDV, Ltd.

Minneapolis, Minnesota
July 14, 2022

**City of Princeton
Schedule of Findings and Responses on
Legal Compliance**

CURRENT YEAR LEGAL COMPLIANCE FINDING

Timely Payments

Minnesota Statutes 471.425, Subdivision 2 states a municipality must pay each vendor obligation according to the terms of the contract or, if no contract terms apply, within the standard payment period unless the municipality in good faith disputes the obligation. Standard payment period is defined as follows: For municipalities, whose governing boards regularly meet at least once a month, the standard payment period is defined as 35 days after receipt of the goods or services or the invoice for the goods or services, whichever is later.

During our audit, we noted that certain credit card invoices were not paid in accordance with the terms of the contract. Credit card fees and interest charges were incurred on the December statement.

City's Response:

The City will ensure payments are made within the terms of the contract, or if no contract terms apply, within the standard payment period in the future.

PRIOR YEAR LEGAL COMPLIANCE FINDING

Closed Meetings

Minnesota Statute 13D.01 requires that all meetings be open to the public, unless the meeting is closed for an allowable exception. If a meeting is closed, the public body shall state on the record the specific grounds permitting the meeting to be closed and describe the subject to be discussed.

During 2020, the City held several closed meetings, which were recorded with nonfunctioning equipment.

Corrective Action Taken:

The City purchased new recording equipment and meetings closed to the public during 2021 were recorded.