

**CITY OF ANNANDALE
ANNANDALE, MINNESOTA**

AUDITED FINANCIAL STATEMENTS

**FOR THE YEAR ENDED
DECEMBER 31, 2019**

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CITY OF ANNANDALE, MINNESOTA
ELECTED AND APPOINTED OFFICIALS
FOR THE YEAR ENDED DECEMBER 31, 2019

ELECTED

| <u>Name</u> | <u>Title</u> | <u>Term Expires</u> |
|------------------|----------------|---------------------|
| Dwight Gunnarson | Mayor | December 31, 2020 |
| Corey Czycalla | Council Member | December 31, 2022 |
| Jullie Hastings | Council Member | December 31, 2020 |
| Shelly Jonas | Council Member | December 31, 2022 |
| Matthew Wuollet | Council Member | December 31, 2020 |

APPOINTED

| <u>Name</u> | <u>Title</u> |
|------------------|---------------|
| Kelly Hinnenkamp | Administrator |
| Misty Ferrell | Accountant |
| Carrie Krienke | Deputy Clerk |
| Brian Haag | Fire Chief |
| Jeff Herr | Police Chief |
| Joseph Haller | Public Works |

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Burkhardt & Burkhardt, Ltd.

Certified Public Accountants

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Mankato, MN 56001

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F: 507.387.5199

Experienced... Over 40 years combined experience

Affordable... Exceptional value for a reasonable price

Friendly... Family owned and run since 1990

INDEPENDENT AUDITOR'S REPORT

Honorable Mayor and
Members of the City Council
Annandale, Minnesota

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City of Annandale, Minnesota, as of and for the year ended December 31, 2019, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City of Annandale, Minnesota, as of December 31, 2019 and the respective changes in financial position, and, where applicable, cash flows thereof and the respective budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

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Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the required supplementary information, such as management's discussion and analysis and pension liability schedules as listed in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

The supplemental information as listed in the table of contents under supplemental section 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. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplemental information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Prior Year Comparative Information

Other auditors have previously audited the City's 2018 financial statements, and they expressed unmodified audit opinions on the respective financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information in their report dated May 6, 2019. In our opinion, the partial comparative information presented herein as of and for the year ended December 31, 2018 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated May 15, 2020 on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering City's internal control over financial reporting and compliance.



Burkhardt & Burkhardt, Ltd
Mankato, Minnesota
May 15, 2020

MANAGEMENT'S DISCUSSION AND ANALYSIS

MANAGEMENT'S DISCUSISON AND ANALYSIS

As management of the City of Annandale, we offer readers of the City of Annandale's financial statements this narrative overview and analysis of the financial activities of the City of Annandale for the fiscal year ended December 31, 2019.

FINANCIAL HIGHLIGHTS

Key financial highlights for the 2019 fiscal year include the following:

- (1) The assets and deferred outflows of resources of the City of Annandale exceeded its liabilities and deferred inflows of resources at the close of the most recent fiscal year by \$17,340,848 (net position). Of this amount, \$2,109,030 (unrestricted net position) may be used to meet the government's ongoing obligations to citizens and creditors.
- (2) Capital assets, less depreciation, total \$20,371,046, representing a broad base of city-wide infrastructure.
- (3) As of the close of the current fiscal year, the City of Annandale's governmental funds reported combined ending fund balances of \$5,228,056. \$1,989,581 of this total amount, over 38%, is available for use within the City's designations.
- (4) At the end of the current fiscal year, unassigned fund balance for the general fund was \$1,785,745 or 92% of total general fund expenditures.
- (5) The City of Annandale had a decrease in net position for governmental activities of \$184,029 and an increase in net position for business-type activities of \$1,063,337 during the current fiscal year for an overall increase of \$879,308.

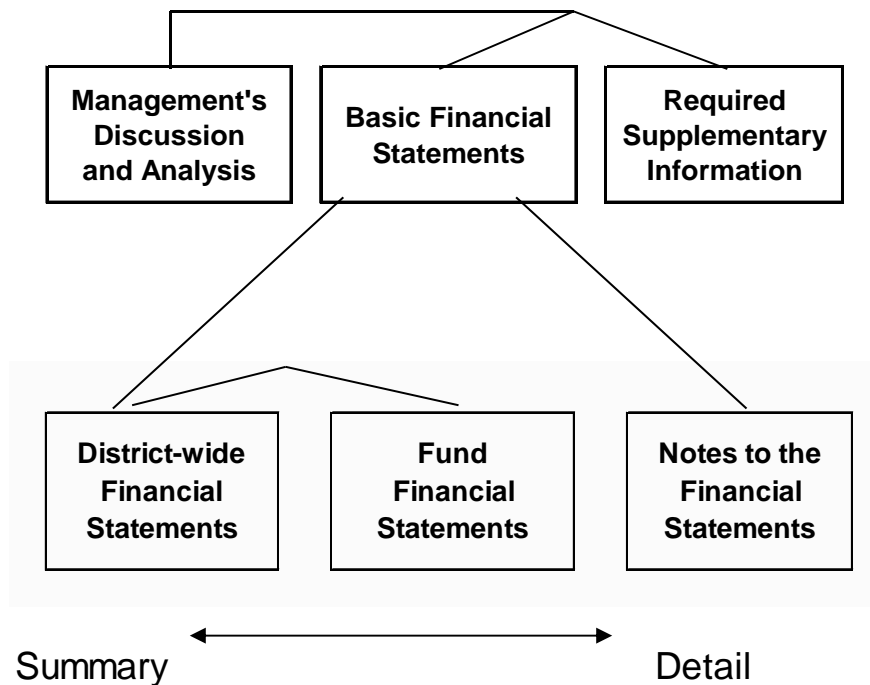
CITY OF ANNANDALE, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2019

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis serves as an introduction to the City's basic financial statements, which consist of three components: 1) government-wide financial statements; 2) fund financial statements; and 3) notes to the financial statements. The report also contains other supplementary information in addition to the basic financial statements.

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

FIGURE 1 – REQUIRED COMPONENTS OF THE CITY'S ANNUAL FINANCIAL REPORT



CITY OF ANNANDALE, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2019

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

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

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

Government-Wide Financial Statements

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

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

CITY OF ANNANDALE, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2019

The *Statement of Activities* presents information showing how the City's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g. uncollected taxes). The 2019 Statement provides for a decrease in net position in the governmental funds and an increase in the business-type activities, as the investment in capital assets in the governmental activities decreased and business-type activities increased.

Both of the government-wide financial statements distinguish functions of the City of Annandale 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 of Annandale include general government, public safety, public works, parks and recreation, economic development, and interest on long-term debt. The business-type activities of the City of Annandale include the water, sewer, refuse and storm water utilities.

The government wide financial statements can be found on pages 19 and 20 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 of Annandale, 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 of Annandale can be divided into two categories: governmental funds and proprietary funds.

Governmental Funds

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

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

The City of Annandale maintains twenty-nine individual governmental funds. Information is presented separately in the Governmental Funds Balance Sheet and in the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances for the General fund, TIF District No. 14, and Debt Service fund. Data from the debt service and other governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these debt service and nonmajor governmental funds is provided in the form of combining statements elsewhere in this report.

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

The basic governmental funds financial statements can be found on pages 22 - 26 of this report.

CITY OF ANNANDALE, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2019

Proprietary Funds

The City of Annandale maintains only one type of Proprietary funds. Enterprise funds are used to report the same functions presented as business-type activities in the governmental-wide financial statements.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The Proprietary funds financial statements provide separate information for the Enterprise funds, all of which are considered to be major funds of the City of Annandale.

The basic Proprietary fund financial statements can be found on pages 27 - 32 of this report.

Notes to the Financial Statements

The notes provided additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The Notes to the Financial Statements can be found on pages 33 - 65 of this report.

Required Supplementary Information

In addition to the basic financial statements and accompanying notes, this report also present certain required supplementary information concerning the City of Annandale's share of net pension liabilities for defined benefits plans and schedules of contributions. Required supplementary information can be found starting on page 67 of this report.

Other Information

The combining statements and schedules referred to earlier in connection with debt service and nonmajor governmental funds are presented following the required supplementary information. Combining and individual fund financial statements and schedules start on page 75 of this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the City of Annandale, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$17,340,848 at the close of the most recent fiscal year.

By far the largest portion of the City of Annandale's net position reflects its investment in capital assets (e.g. land, buildings, machinery, and equipment) less any related debt used to acquire those assets that is still outstanding. The City of Annandale uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City of Annandale's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

CITY OF ANNANDALE, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2019

A condensed version of the Statement of Net Position at December 31, 2019 follows:

City of Annandale's Summary of Net Position

| | Governmental Activities | | | Business-type Activities | | |
|---|----------------------------|----------------------------|----------------------------|----------------------------|----------------------------|----------------------------|
| | <i>2019</i> | <i>2018</i> | Increase (Decrease) | <i>2019</i> | <i>2018</i> | Increase (Decrease) |
| <i>Assets</i> | | | | | | |
| Current and other assets | \$ 6,590,853 | \$ 5,708,642 | \$ 882,211 | \$ 308,247 | \$ 179,979 | \$ 128,268 |
| Equity interest | - | - | - | 6,929,054 | 7,004,898 | (75,844) |
| Capital assets | 10,150,008 | 10,406,611 | (256,603) | 10,220,939 | 10,543,232 | (322,293) |
| | <u>16,740,861</u> | <u>16,115,253</u> | <u>625,608</u> | <u>17,458,240</u> | <u>17,728,109</u> | <u>(269,869)</u> |
| <i>Deferred Outflows of Resources</i> | | | | | | |
| Pension plan deferments | <u>707,345</u> | <u>621,929</u> | <u>85,416</u> | <u>33,241</u> | <u>35,051</u> | <u>(1,810)</u> |
| <i>Liabilities</i> | | | | | | |
| Current liabilities | 1,114,877 | 1,080,942 | 33,935 | 1,461,695 | 1,595,414 | (133,719) |
| Long-term liabilities | 6,439,270 | 5,393,130 | 1,046,140 | 7,832,252 | 9,028,762 | (1,196,510) |
| | <u>7,554,147</u> | <u>6,474,072</u> | <u>1,080,075</u> | <u>9,293,947</u> | <u>10,624,176</u> | <u>(1,330,229)</u> |
| <i>Deferred Inflows of Resources</i> | | | | | | |
| Pension plan deferments | <u>701,870</u> | <u>886,892</u> | <u>(185,022)</u> | <u>48,875</u> | <u>53,662</u> | <u>(4,787)</u> |
| Excess of total assets and deferred outflows of resources over total liabilities and deferred inflows of resources | <u>\$ 9,192,189</u> | <u>\$ 9,376,218</u> | <u>\$ (184,029)</u> | <u>\$ 8,148,659</u> | <u>\$ 7,085,322</u> | <u>1,063,337</u> |
| <i>Net Position</i> | | | | | | |
| Net Investment in | | | | | | |
| Capital Assets | \$ 4,678,877 | \$ 4,962,623 | \$ (283,746) | \$ 8,519,239 | \$ 8,625,232 | \$ (105,993) |
| Restricted | 1,895,026 | 2,021,421 | (126,395) | 110,733 | 74,208 | 36,525 |
| Unrestricted | 2,618,286 | 2,392,174 | 226,112 | (481,313) | (1,614,118) | 1,132,805 |
| Total net position | <u>\$ 9,192,189</u> | <u>\$ 9,376,218</u> | <u>\$ (184,029)</u> | <u>\$ 8,148,659</u> | <u>\$ 7,085,322</u> | <u>\$ 1,063,337</u> |

Assets of the governmental activities increased in 2019 by \$625,608. This increase is predominantly as a result of the issuance of refunding bonds for which the payment for bond retirement hadn't been completed at year-end. The increase long-term liabilities of the governmental activities is associated with issuance of two bonds in 2019 offset against scheduled principal payments. The decrease in long-term liabilities of the business-type activities represents scheduled note principal payments.

A portion of the City of Annandale's net position represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position \$2,109,030 may be used to meet the City's ongoing obligations to citizens and creditors.

At the end of the current fiscal year, the City of Annandale is able to report positive balances in all three categories of net position for the government activities while the business-type activities had positive net position for investment in capital assets and restricted net position but a deficit unrestricted net position. The deficit in unrestricted net position improved by \$1,132,805 in 2019 mostly due to revenues over expense of \$1,063,337.

CITY OF ANNANDALE, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2019

Governmental and business-type activities increased the City of Annandale's net position by \$879,308. Key elements of this increase are as follows:

City of Annandale's Changes in Net Position

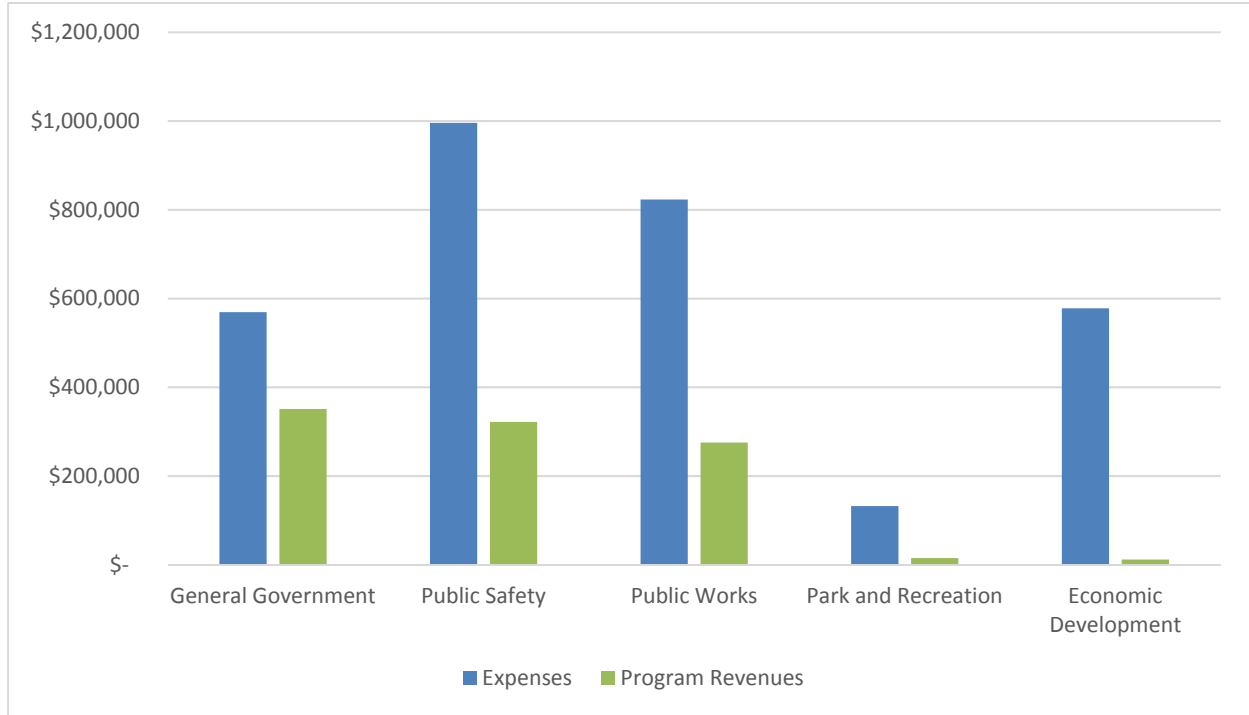
| | Governmental Activities | | | Business-type Activities | | |
|--------------------------------------|-------------------------|---------------------|------------------------|--------------------------|---------------------|------------------------|
| | <u>2019</u> | <u>2018</u> | Increase (Decrease) | <u>2019</u> | <u>2018</u> | Increase (Decrease) |
| <i>Revenues</i> | | | | | | |
| Program revenues | | | | | | |
| Charges for services | \$ 613,908 | \$ 652,677 | \$ (38,769) | \$ 1,755,393 | \$ 2,039,552 | \$ (284,159) |
| Operating grants and contributions | 170,839 | 122,213 | 48,626 | - | - | - |
| Capital grants and contributions | 190,483 | 187,016 | 3,467 | 1,114,509 | 1,173,786 | (59,277) |
| General revenues | | | | | | |
| Property taxes | 1,486,110 | 1,485,895 | 215 | - | - | - |
| Intergovernmental | 465,656 | 453,773 | 11,883 | - | - | - |
| Other sources | 218,314 | 47,999 | 170,315 | 422,338 | 2,700 | 419,638 |
| Total Revenue | <u>3,145,310</u> | <u>2,949,573</u> | <u>195,737</u> | <u>3,292,240</u> | <u>3,216,038</u> | <u>76,202</u> |
| <i>Expenses</i> | | | | | | |
| General Government | 569,167 | 502,902 | 66,265 | - | - | - |
| Public Safety | 995,810 | 970,131 | 25,679 | - | - | - |
| Public Works | 822,987 | 769,202 | 53,785 | - | - | - |
| Park and Recreation | 132,220 | 148,880 | (16,660) | - | - | - |
| Economic development | 577,758 | 45,238 | 532,520 | - | - | - |
| Water | - | - | - | 474,078 | 492,444 | (18,366) |
| Sewer | - | - | - | 1,391,956 | 1,441,099 | (49,143) |
| Refuse | - | - | - | 205,809 | 199,326 | 6,483 |
| Storm water | - | - | - | 89,173 | 99,951 | (10,778) |
| Interest on long-term debt | 223,440 | 160,271 | 63,169 | - | - | - |
| Total Expenses | <u>3,321,382</u> | <u>2,596,624</u> | <u>724,758</u> | <u>2,161,016</u> | <u>2,232,820</u> | <u>(71,804)</u> |
| Change in equity interest | - | - | - | (75,844) | (18,613) | (57,231) |
| Transfer | (7,957) | 255,000 | (262,957) | 7,957 | (255,000) | 262,957 |
| Total change in equity and transfers | <u>(7,957)</u> | <u>255,000</u> | <u>(262,957)</u> | <u>(67,887)</u> | <u>(273,613)</u> | <u>205,726</u> |
| Change in Net Position | (184,029) | 607,949 | (791,978) | 1,063,337 | 709,605 | 353,732 |
| Net position - January 1 | <u>9,376,218</u> | <u>8,768,269</u> | <u>607,949</u> | <u>7,085,322</u> | <u>6,375,717</u> | <u>709,605</u> |
| Net position - December 31 | <u>\$ 9,192,189</u> | <u>\$ 9,376,218</u> | <u>\$ (184,029)</u> | <u>\$ 8,148,659</u> | <u>\$ 7,085,322</u> | <u>\$ 1,063,337</u> |

Net position for the governmental activities decreased \$184,029 in 2019, this was a decrease of \$791,978 from the prior year. The majority of the change was due to developer payments made in 2019 related to the Pintail Drive extension TIF project and reduced transfers to the Business-type activities. Business-type net position increased \$1,063,337, which was an increase of \$353,732 over the prior year. Reduced transfers along with lower expenses resulted in the overall improved change in net position.

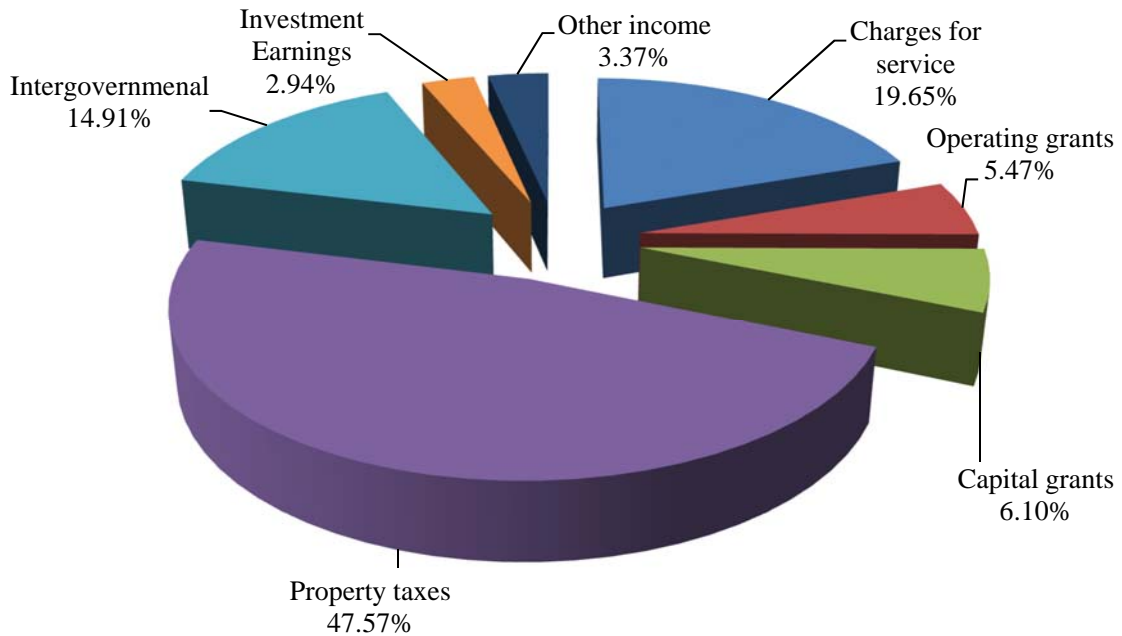
CITY OF ANNANDALE, MINNESOTA
 MANAGEMENT'S DISCUSSION AND ANALYSIS
 YEAR ENDED DECEMBER 31, 2019

Below are specific graphs that provide comparisons of the governmental activities' direct program revenues with their expenditures. Any shortfalls in direct revenues are primarily supported by property tax levy or general state aid.

Expenses and Program Revenues – Governmental Activities



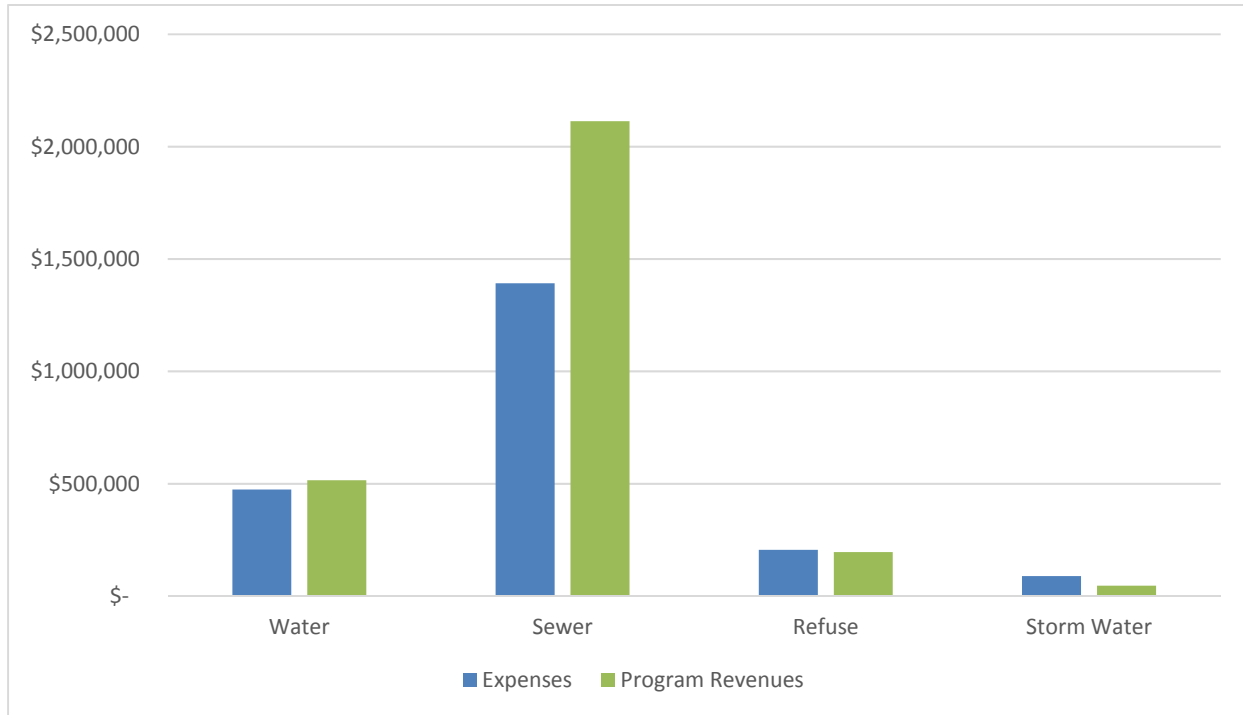
Revenues by Source – Governmental Activities



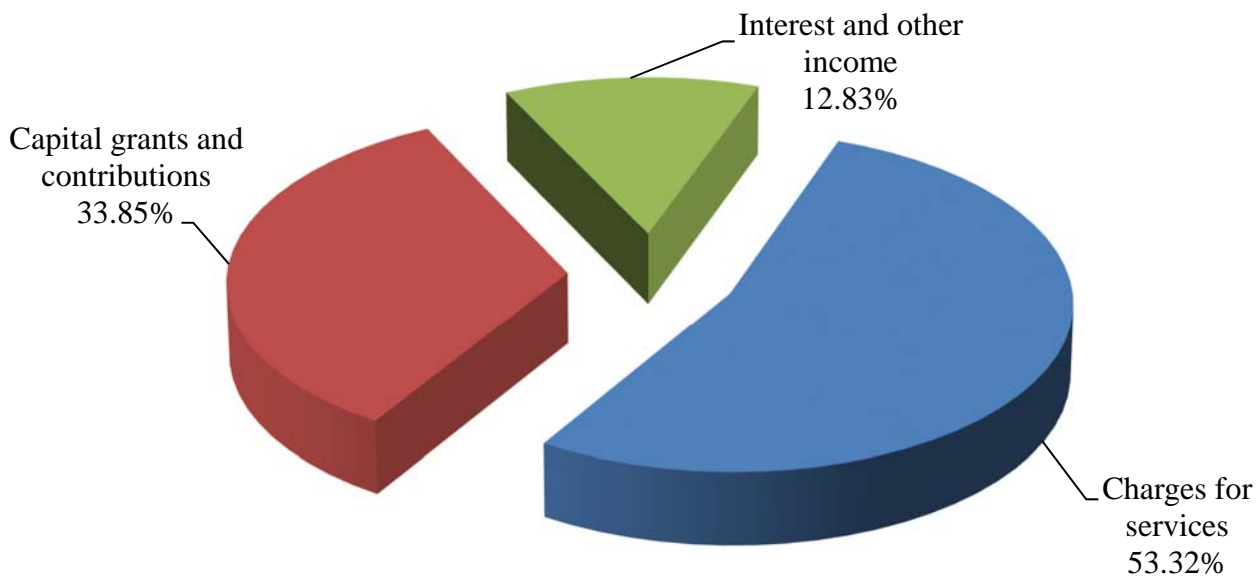
CITY OF ANNANDALE, MINNESOTA
 MANAGEMENT'S DISCUSSION AND ANALYSIS
 YEAR ENDED DECEMBER 31, 2019

Below are specific graphs that provide comparisons of the business-type activities' direct program revenues with their expenditures. Excess revenues are retained within each fund until such time that capital replacement is needed.

Expenses and Program Revenues – Business-Type Activities



Revenue by Source – Business-Type Activities



CITY OF ANNANDALE, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2019

FUND FINANCIAL ANALYSIS

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 of Annandale'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 of Annandale's financial requirements. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

At the end of the current fiscal year, the City of Annandale's governmental funds reported combined ending fund balances of \$5,228,056. The unreserved fund balance constitutes \$1,217,503 of the total combined ending fund balance. The remainder of the fund balance is either not in nonspendable form or is reserved, and is not available for new spending because it has already been committed to debt service payments and special revenue funds and other restrictions in the amount of \$4,010,553.

The General fund is the chief operating fund of the City. At the end of the current year, the fund balance of the General fund was \$2,125,705. As a measure of the General fund's liquidity, it may be useful to compare total fund balance to total expenditures. Total unassigned fund balance represents 92% of total 2019 actual expenditures. The General fund balance increased \$189,546, during the year, primarily due to revenues being over budget in property taxes, intergovernmental and investments earnings while the expenditures were under budget by \$71,000.

The TIF District No. 14 issued bonds to support tax increment financing for \$515,000 during 2019.

The Debt Service fund had a fund balance of \$2,280,794. The fund was established to properly account for the resources necessary to meet debt service requirements.

Proprietary Funds

The City's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail. Other factors concerning the finance of the fund have already been addressed in the discussion of the City's business-type activities.

The City of Annandale's Proprietary funds have unrestricted net position as follows:

| | | |
|------------------|----|-----------|
| Water fund | \$ | 365,020 |
| Sewer fund | \$ | (844,887) |
| Refuse fund | \$ | (1,814) |
| Storm water fund | \$ | (27,575) |

BUDGETARY HIGHLIGHTS

General Fund.

The City of Annandale increased its general tax levy collectible in 2019 by 2.0% from the 2018 levy. Local government aid from the state has stabilized and with budget surpluses at the state level the last few years it appears that source of revenue is in good shape. There were no budget amendments during the year. The City budgeted revenues to exceed expenditures by \$303,773.

Revenues were over the budgeted sources by \$125,077, with the following significant variances:

- Property taxes of \$21,175
- Intergovernmental revenue of \$36,768
- Licenses of \$25,764
- Investment earnings of \$35,178

CITY OF ANNANDALE, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2019

Expenditures were under the budgeted appropriations by \$71,167, with the following significant variances:

- General government was under budget by \$38,779
- Public works was under budget by \$23,314

CAPITAL ASSET AND DEBT ADMINISTRATION

CAPITAL ASSETS

The city continued to invest in capital equipment to provide the best services for its residents. Many donations and grants were obtained to help offset purchase costs. All bonded debt was reduced with annual payments.

The City of Annandale's investment in capital assets for its governmental and business-type activities as of December 31, 2019 amounts to \$20,371,046 (net of accumulated depreciation). This investment in capital assets includes land, buildings, improvements, machinery and equipment, and infrastructure.

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

- Completion of the Pintail Drive expansion
- New server for city hall
- John Deere mower trade it
- Lions community building
- Recreation park trail brought into service

City of Annandale's Capital Assets

| | Governmental Activities | | | Business-type Activities | | |
|----------------------------|-----------------------------|-----------------------------|--------------------------|-----------------------------|-----------------------------|-------------------------|
| | <u>2019</u> | <u>2018</u> | Increase (Decrease) | <u>2019</u> | <u>2018</u> | Increase (Decrease) |
| Land | \$ 2,463,708 | \$ 2,463,708 | \$ - | \$ 277,948 | \$ 277,948 | \$ - |
| Buildings and improvements | 5,026,022 | 4,887,975 | 138,047 | 4,187,882 | 4,187,882 | - |
| Equipment | 2,617,147 | 2,610,290 | 6,857 | 303,096 | 303,096 | - |
| Infrastructure | 21,851,495 | 21,739,105 | 112,390 | 11,176,726 | 11,123,768 | 52,958 |
| Construction in progress | 275,927 | 233,036 | 42,891 | - | - | - |
| Total | <u>\$ 32,234,299</u> | <u>\$ 31,934,114</u> | <u>\$ 300,185</u> | <u>\$ 15,945,652</u> | <u>\$ 15,892,694</u> | <u>\$ 52,958</u> |

LONG-TERM DEBT

At the end of the fiscal year, the City of Annandale had total long-term debt of \$16,293,272. This consisted of \$5,398,000 for G.O. improvement bonds/notes, \$338,000 for G.O. bonds/certificates, \$755,000 for G.O. tax increment bonds, \$8,831,000 for G.O. revenue bonds, \$925,693 for net pension liability, \$25,445 for compensated absences, and \$20,134 for bond premiums. State statutes limits the amount of general obligation debt a Minnesota city may issue to 3% (percent) of the total estimated market value. More detailed information on the City's long-term debt is presented in the Notes to the Financial Statement.

CITY OF ANNANDALE, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2019

Key elements of long-term debt are as follows:

| | <u>2019</u> | <u>2018</u> | Increase (Decrease) |
|--|----------------------|----------------------|------------------------|
| Governmental Activities: | | | |
| General Obligation Bonds | \$ 6,491,000 | \$ 5,539,000 | \$ 952,000 |
| Total Governmental Activities Long-Term Debt | 6,491,000 | 5,539,000 | 952,000 |
| Business-type Activities: | | | |
| General Obligation Revenue Bonds | 8,831,000 | 10,001,000 | (1,170,000) |
| Total Long-Term Debt | <u>\$ 15,322,000</u> | <u>\$ 15,540,000</u> | <u>\$ (218,000)</u> |
| Bonded Debt: | | | |
| General Obligation Bonds | \$ 6,491,000 | \$ 5,539,000 | \$ 952,000 |
| General Obligation Revenue Bonds | 8,831,000 | 10,001,000 | (1,170,000) |
| Total Bonded Debt | <u>\$ 15,322,000</u> | <u>\$ 15,540,000</u> | <u>\$ (218,000)</u> |

FACTORS BEARING ON THE CITY'S FUTURE

The economic outlook for Wright County remains stable. The economy around the Annandale area remains strong with continued strong land prices. The tax capacity of the City of Annandale increased by \$123,114 or 4.9% between 2018 and 2019. New construction, particularly home construction, offset these reductions. New construction was strong again in 2019, with 16 permits approved for new homes. Initial indications are that tax capacity is expected to remain stable with potential for slight growth going forward. All of these factors were considered in preparing the City of Annandale's budget for 2019 and will be for the 2020 fiscal year as well.

For the 2019 fiscal year, general fund revenue and expenditure projections remained conservative. The 2019 general fund budget for revenues was \$2,316,981 and expenditures was \$2,013,208. The 2019 general fund budget includes funding for the following:

- Legislative Functions of the City
- Operational expenses including wages, utilities and supplies for administering the Planning and Zoning, Administration, Public Safety, Police and Fire and Public Works functions of the City
- Capital Expenditure Transfers to cover capital outlay for the Administration, Public Safety and Public Works functions of the City.

The 2019 proprietary fund (water, sewer, refuse and storm water) budget is \$1,933,117 for revenues and \$1,713,017 for expenditures, resulting in a net gain of \$220,100. Reflected in the 2019 budget is a 0% general rate increase in water, sewer, refuse and storm water rates, respectively. The 2019 proprietary fund budget includes funding for the following:

- Operational expenses including wages, utilities and supplies related to water, sewer, refuse and storm water services
- Debt service expenses related to water, sewer, refuse and storm water funds

The 2020 Improvement Project was approved and is scheduled to begin in 2020. The project is expected take several years to complete. The City issued temporary bonds in 2020 to finance the start of the improvements project. Once final financing is secured the temporary bonds will be paid off.

CITY OF ANNANDALE, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2019

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of the City of Annandale's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Office of the City Administrator, City of Annandale, 30 Cedar Street East, Annandale, MN, 55302.

BASIC FINANCIAL STATEMENTS

CITY OF ANNANDALE, MINNESOTA

STATEMENT OF NET POSITION
December 31, 2019

| | Governmental Activities | Business-type Activities | Total |
|--|----------------------------|-----------------------------|----------------------|
| ASSETS AND DEFERRED OUTFLOWS OF RESOURCES | | | |
| Assets | | | |
| Cash and Investments | \$ 4,528,312 | \$ 318,648 | \$ 4,846,960 |
| Restricted Cash | 0 | 110,733 | 110,733 |
| Receivables: | | | |
| Accounts | 1,405 | 164,470 | 165,875 |
| Intergovernmental | 72,820 | 25,862 | 98,682 |
| Property Taxes | 56,598 | 0 | 56,598 |
| Notes, Net of Allowance | 16,271 | 0 | 16,271 |
| Special Assessments | 724,319 | 9,389 | 733,708 |
| Prepaid Expenses | 103,162 | 25,685 | 128,847 |
| Property Held for Sale | 342,923 | 0 | 342,923 |
| Internal Balances | 345,021 | (345,021) | 0 |
| Equity Interest in Joint Venture | 0 | 6,929,054 | 6,929,054 |
| Capital Assets | | | |
| Assets not Being Depreciated | 2,739,636 | 277,948 | 3,017,584 |
| Other Capital Assets, Net of Depreciation | 7,410,372 | 9,943,090 | 17,353,462 |
| Net Pension Asset | 398,404 | 0 | 398,404 |
| Total Assets | <u>16,739,243</u> | <u>17,459,858</u> | <u>34,199,101</u> |
| Deferred Outflows of Resources: | | | |
| Pension Plan Deferments | <u>707,345</u> | <u>33,241</u> | <u>740,586</u> |
| TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES | <u>\$ 17,446,588</u> | <u>\$ 17,493,099</u> | <u>\$ 34,939,687</u> |
| LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION | | | |
| Liabilities: | | | |
| Accounts Payable | \$ 153,747 | \$ 172,061 | \$ 325,808 |
| Interest Payable | 65,395 | 79,370 | 144,765 |
| Salaries and Benefits Payable | 35,734 | 10,263 | 45,997 |
| Current Portion of Long-Term Debt | 860,000 | 1,200,000 | 2,060,000 |
| Compensated Absences | 25,445 | 0 | 25,445 |
| Unearned Revenue | 38,250 | 0 | 38,250 |
| Long-Term Debt, Net of Current Portion | 5,651,134 | 7,631,000 | 13,282,134 |
| Net Pension Liability | 724,441 | 201,252 | 925,693 |
| Total Liabilities | <u>7,554,146</u> | <u>9,293,946</u> | <u>16,848,092</u> |
| Deferred Inflows of Resources: | | | |
| Pension Plan Deferments | <u>701,870</u> | <u>48,875</u> | <u>750,745</u> |
| Net Position: | | | |
| Net Investment in Capital Assets | 4,678,877 | 8,547,182 | 13,226,059 |
| Restricted | 1,895,026 | 110,733 | 2,005,759 |
| Unrestricted | 2,616,669 | (507,637) | 2,109,032 |
| Total Net Position | <u>9,190,572</u> | <u>8,150,278</u> | <u>17,340,850</u> |
| TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION | <u>\$ 17,446,588</u> | <u>\$ 17,493,099</u> | <u>\$ 34,939,687</u> |

The Notes to the Financial Statements are an Integral Part of this Statement.

CITY OF ANNANDALE, MINNESOTA

STATEMENT OF ACTIVITIES
For The Year Ended December 31, 2019

| Functions/Programs | Expenses | Program Revenues | | |
|----------------------------------|---------------------|----------------------|------------------------------------|----------------------------------|
| | | Charges for Services | Operating Grants and Contributions | Capital Grants and Contributions |
| GOVERNMENTAL ACTIVITIES: | | | | |
| General Government | \$ 543,898 | \$ 298,748 | \$ 52,356 | \$ 0 |
| Public Safety | 997,816 | 203,444 | 118,483 | 0 |
| Public Works | 840,998 | 84,912 | 0 | 190,483 |
| Parks and Recreation | 139,089 | 15,009 | 0 | 0 |
| Economic Development | 577,758 | 11,795 | 0 | 0 |
| Interest on Long-term Debt | 223,440 | 0 | 0 | 0 |
| Total Governmental Activities | <u>3,322,999</u> | <u>613,908</u> | <u>170,839</u> | <u>190,483</u> |
| BUSINESS-TYPE ACTIVITIES: | | | | |
| Water | 471,880 | 515,191 | 0 | 0 |
| Sewer | 1,392,535 | 998,760 | 0 | 1,114,509 |
| Refuse | 205,809 | 195,667 | 0 | 0 |
| Storm Water | 89,173 | 45,775 | 0 | 0 |
| Total Business-type Activities | <u>2,159,397</u> | <u>1,755,393</u> | <u>0</u> | <u>1,114,509</u> |
| Total Primary Government | <u>\$ 5,482,396</u> | <u>\$ 2,369,301</u> | <u>\$ 170,839</u> | <u>\$ 1,304,992</u> |

General Revenues:

Taxes:

Property Taxes, Levied for General Purposes

Property Taxes, Levied for Debt Service

Tax Increment

Intergovernmental

Unrestricted Investment Earnings

Other revenues

Transfers

Change in Equity Interest

Total General Revenues

Change in Net Position

Net Position - January 1

Net Position - December 31

The Notes to the Financial Statements are an Integral Part of this Statement.

Net (Expenses) Revenues and
Changes in Net Position

| Primary Government | | |
|----------------------------|-----------------------------|--------------------------------|
| Governmental Activities | Business-Type Activities | Total Primary Government |
| \$ (192,794) | \$ 0 | \$ (192,794) |
| (675,889) | 0 | (675,889) |
| (565,603) | 0 | (565,603) |
| (124,080) | 0 | (124,080) |
| (565,963) | 0 | (565,963) |
| (223,440) | 0 | (223,440) |
| <u>(2,347,769)</u> | <u>0</u> | <u>(2,347,769)</u> |
| 0 | 43,311 | 43,311 |
| 0 | 720,734 | 720,734 |
| 0 | (10,142) | (10,142) |
| 0 | (43,398) | (43,398) |
| <u>0</u> | <u>710,505</u> | <u>710,505</u> |
| <u>(2,347,769)</u> | <u>710,505</u> | <u>(1,637,264)</u> |
| 1,461,110 | 0 | 1,461,110 |
| 25,000 | 0 | 25,000 |
| 21,181 | 0 | 21,181 |
| 465,656 | 0 | 465,656 |
| 91,947 | 5,273 | 97,220 |
| 105,186 | 417,065 | 522,251 |
| (7,957) | 7,957 | 0 |
| 0 | (75,844) | (75,844) |
| <u>2,162,123</u> | <u>354,451</u> | <u>2,516,574</u> |
| (185,646) | 1,064,956 | 879,310 |
| <u>9,376,218</u> | <u>7,085,322</u> | <u>16,461,540</u> |
| <u>\$ 9,190,572</u> | <u>\$ 8,150,278</u> | <u>\$ 17,340,850</u> |

The Notes to the Financial Statements are an Integral Part of this Statement.

CITY OF ANNANDALE, MINNESOTA

BALANCE SHEET
GOVERNMENTAL FUNDS
December 31, 2019

| | General | TIF District No. 14 | Debt Service Funds | Nonmajor Governmental Funds | Total Governmental Funds |
|--|----------------------------|------------------------|----------------------------|-----------------------------------|--------------------------------|
| ASSETS | | | | | |
| Cash and Investments | \$ 1,282,138 | \$ 1,153 | \$ 2,278,501 | \$ 966,520 | \$ 4,528,312 |
| Receivables: | | | | | |
| Accounts | 1,405 | 0 | 0 | 0 | 1,405 |
| Intergovernmental | 49,199 | 0 | 0 | 23,621 | 72,820 |
| Property Taxes | 56,598 | 0 | 0 | 0 | 56,598 |
| Special Assessments | 0 | 0 | 697,384 | 26,935 | 724,319 |
| Notes | 0 | 0 | 0 | 16,271 | 16,271 |
| Prepaid Expense | 100,258 | 0 | 0 | 2,904 | 103,162 |
| Due from Other Funds | 955,121 | 0 | 0 | 0 | 955,121 |
| Land Held for Sale | 0 | 0 | 0 | 342,923 | 342,923 |
| Advance to Other Funds | 0 | 0 | 0 | 210,238 | 210,238 |
| TOTAL ASSETS | <u>\$ 2,444,719</u> | <u>\$ 1,153</u> | <u>\$ 2,975,885</u> | <u>\$ 1,589,412</u> | <u>\$ 7,011,169</u> |
| LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE | | | | | |
| Liabilities: | | | | | |
| Accrued Expenses | \$ 101,027 | \$ 400 | \$ 0 | \$ 86,835 | \$ 188,262 |
| Unearned Revenue | 38,250 | 0 | 0 | 0 | 38,250 |
| Due to Other Funds | 0 | 0 | 0 | 610,100 | 610,100 |
| Due to Other Governments | 1,223 | 0 | 0 | 0 | 1,223 |
| Advance from Other Funds | 163,350 | 0 | 0 | 46,888 | 210,238 |
| Total Liabilities | <u>303,850</u> | <u>400</u> | <u>0</u> | <u>743,823</u> | <u>1,048,073</u> |
| Deferred Inflows of Resources: | | | | | |
| Unavailable Revenue: | | | | | |
| Special Assessments | 0 | 0 | 695,091 | 26,935 | 722,026 |
| Delinquent Taxes | 14,631 | 0 | 0 | 0 | 14,631 |
| Total Deferred Inflows of Resources | <u>14,631</u> | <u>0</u> | <u>695,091</u> | <u>26,935</u> | <u>736,657</u> |
| Fund Balance: | | | | | |
| Nonspendable | 100,258 | 0 | 0 | 2,904 | 103,162 |
| Restricted | 0 | 753 | 2,288,344 | 23,783 | 2,312,880 |
| Committed | 0 | 0 | 0 | 822,433 | 822,433 |
| Assigned | 239,702 | 0 | 0 | 532,376 | 772,078 |
| Unassigned | 1,786,278 | 0 | (7,550) | (562,842) | 1,215,886 |
| Total Fund Balance | <u>2,126,238</u> | <u>753</u> | <u>2,280,794</u> | <u>818,654</u> | <u>5,226,439</u> |
| TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE | <u>\$ 2,444,719</u> | <u>\$ 1,153</u> | <u>\$ 2,975,885</u> | <u>\$ 1,589,412</u> | <u>\$ 7,011,169</u> |

The Notes to the Financial Statements are an Integral Part of this Statement.

CITY OF ANNANDALE, MINNESOTA

RECONCILIATION OF THE BALANCE SHEET TO THE STATEMENT OF NET POSITION
 GOVERNMENTAL FUNDS
 December 31, 2019

Total Fund Balances - Governmental Funds \$ 5,226,439

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

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

| | |
|--------------------------------|--------------|
| Cost of capital assets | 32,234,299 |
| Less: Accumulated depreciation | (22,084,291) |

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

| | |
|------------------------------|-------------|
| Bonds payable | (6,491,000) |
| Discount/Premiums | (20,134) |
| Compensated absences payable | (25,445) |

Long-term 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 inflows of resources in the funds.

| | |
|---------------------------|---------|
| Delinquent property taxes | 14,631 |
| Special assessments | 722,026 |

Net pension liabilities are not recognized under the current financial resource measurement focus and, therefore, have no effect on fund balance

| | |
|---|-----------|
| Net pension liability - general employees retirement pension fund | (357,154) |
| Net pension liability - public employees police and fire pension fund | (367,287) |
| Net pension asset - volunteer firemen's relief pension fund | 398,404 |

Deferred inflows and outflows of resources related to the pension liabilities are not recognized under the current financial resources measurement focus and, therefore, have no effect on fund balance

| | |
|--|-----------|
| Deferred outflows of resources related to pensions | 707,345 |
| Deferred inflows of resources related to pensions | (701,870) |

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

(65,395)

Total Net Position - Governmental Activities \$ 9,190,572

CITY OF ANNANDALE, MINNESOTA

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - GOVERNMENTAL FUNDS

For the Year Ended December 31, 2019

| | General | TIF District No. 14 | Debt Service Funds | Nonmajor Governmental Funds | Total Governmental Funds |
|---|---------------------|------------------------|--------------------------|-----------------------------------|--------------------------------|
| Revenues: | | | | | |
| Property Taxes | \$ 1,133,883 | \$ 0 | \$ 25,000 | \$ 327,500 | \$ 1,486,383 |
| Franchise Fees | 17,063 | 0 | 0 | 0 | 17,063 |
| Tax Increment | 0 | 0 | 0 | 21,181 | 21,181 |
| Special Assessments | 0 | 0 | 118,683 | 0 | 118,683 |
| Intergovernmental Revenue | 636,495 | 0 | 0 | 0 | 636,495 |
| Licenses and Permits | 96,564 | 0 | 0 | 0 | 96,564 |
| Charges for Services | 462,652 | 0 | 0 | 38,606 | 501,258 |
| Fines and Fees | 15,058 | 0 | 0 | 1,028 | 16,086 |
| Other Income | 15,165 | 0 | 0 | 69,627 | 84,792 |
| Investment Earnings | 65,178 | 253 | 11,232 | 15,284 | 91,947 |
| Total Revenues | <u>2,442,058</u> | <u>253</u> | <u>154,915</u> | <u>473,226</u> | <u>3,070,452</u> |
| Expenditures: | | | | | |
| Current: | | | | | |
| General Government | 426,396 | 0 | 0 | 11,355 | 437,751 |
| Public Safety | 963,547 | 0 | 0 | 37,149 | 1,000,696 |
| Public Works | 415,602 | 0 | 0 | 0 | 415,602 |
| Parks and Recreation | 131,556 | 0 | 0 | 3,880 | 135,436 |
| Economic Development | 0 | 400 | 0 | 22,236 | 22,636 |
| Capital Outlay: | | | | | |
| General Government | 2,923 | 0 | 0 | 19,923 | 22,846 |
| Public Safety | 1,484 | 0 | 0 | 2,749 | 4,233 |
| Public Works | 0 | 0 | 0 | 361,608 | 361,608 |
| Parks and Recreation | 0 | 0 | 0 | 54,322 | 54,322 |
| Economic Development | 0 | 515,000 | 0 | 45,522 | 560,522 |
| Debt Service: | | | | | |
| Principal | 0 | 0 | 843,000 | 0 | 843,000 |
| Interest and Fiscal Fees | 0 | 27,050 | 187,429 | 1,500 | 215,979 |
| Total Expenditures | <u>1,941,508</u> | <u>542,450</u> | <u>1,030,429</u> | <u>560,244</u> | <u>4,074,631</u> |
| Excess of Revenue Over (Under) Expenditures | <u>500,550</u> | <u>(542,197)</u> | <u>(875,514)</u> | <u>(87,018)</u> | <u>(1,004,179)</u> |
| Other Financing Sources (Uses): | | | | | |
| Bond Proceeds | 0 | 612,648 | 1,077,950 | 104,402 | 1,795,000 |
| Bond Premium | 0 | 0 | 38,577 | 0 | 38,577 |
| Transfers In | 0 | 0 | 802,212 | 310,471 | 1,112,683 |
| Transfers Out | (310,471) | 0 | (211,000) | (546,212) | (1,067,683) |
| Sale of Capital Assets | 0 | 0 | 0 | 2,500 | 2,500 |
| Total Other Financing Sources (Uses) | <u>(310,471)</u> | <u>612,648</u> | <u>1,707,739</u> | <u>(128,839)</u> | <u>1,881,077</u> |
| Change in Fund Balance | 190,079 | 70,451 | 832,225 | (215,857) | 876,898 |
| Fund Balance - January 1 | <u>1,936,159</u> | <u>(69,698)</u> | <u>1,448,569</u> | <u>1,034,511</u> | <u>4,349,541</u> |
| Fund Balance - December 31 | <u>\$ 2,126,238</u> | <u>\$ 753</u> | <u>\$ 2,280,794</u> | <u>\$ 818,654</u> | <u>\$ 5,226,439</u> |

The Notes to the Financial Statements are an Integral Part of this Statement.

CITY OF ANNANDALE, MINNESOTA

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE TO THE STATEMENT OF ACTIVITIES - GOVERNMENTAL FUNDS
For the Year Ended December 31, 2019

Net Change in Fund Balances - Governmental Funds \$ 876,898

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

Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets are capitalized and allocated over their estimated useful lives and reported as depreciation expense.

| | |
|--|-----------|
| Capital outlay | 373,080 |
| Depreciation expense | (577,557) |
| Assets contributed to business-type activities | (52,957) |
| Loss on disposed asset | 831 |

The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of principal of long-term debt consumes the current financial resources. Neither transaction, however, has any effect on net position.

| | |
|----------------------|-------------|
| Principal repayments | 843,000 |
| Bond proceeds | (1,833,577) |

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

(7,461)

Pension expense in the Statement of Activities is recognized as the change in net pension liabilities, including the amortization of layered deferred inflows and deferred outflows of resources of the current and prior periods, this does not require the use of current financial resources, and therefore is not reported in the government funds.

| | |
|-----------------|---------|
| Pension expense | 123,036 |
|-----------------|---------|

Certain revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds.

| | |
|---------------------------|--------|
| Delinquent property taxes | (273) |
| Special assessments | 71,800 |

Some expenses in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.

| | |
|----------------------|----------------|
| Compensated absences | <u>(2,466)</u> |
|----------------------|----------------|

Change in Net Position - Governmental Activities \$ (185,646)

ANNANDALE, MINNESOTA

STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
GENERAL FUND

For the Year Ended December 31, 2019

| | Budget | | Actual | Over (Under) |
|--|------------------|------------------|---------------------|-------------------|
| | Original | Final | | Final Budget |
| Revenues: | | | | |
| Property Taxes | \$ 1,112,168 | \$ 1,112,168 | \$ 1,133,883 | \$ 21,715 |
| Franchise Fees | 15,000 | 15,000 | 17,063 | 2,063 |
| Intergovernmental Revenue | 599,727 | 599,727 | 636,495 | 36,768 |
| Licenses | 70,800 | 70,800 | 96,564 | 25,764 |
| Charges for Services | 478,586 | 478,586 | 462,652 | (15,934) |
| Fines | 10,700 | 10,700 | 15,058 | 4,358 |
| Other Income | 0 | 0 | 15,165 | 15,165 |
| Investment Earnings | 30,000 | 30,000 | 65,178 | 35,178 |
| Total Revenues | <u>2,316,981</u> | <u>2,316,981</u> | <u>2,442,058</u> | <u>125,077</u> |
| Expenditures: | | | | |
| Current: | | | | |
| General Government | 490,393 | 490,393 | 426,396 | (63,997) |
| Public Safety | 959,043 | 959,043 | 963,547 | 4,504 |
| Public Works | 420,805 | 420,805 | 415,602 | (5,203) |
| Parks and Recreation | 133,367 | 133,367 | 131,556 | (1,811) |
| Capital Outlay: | | | | |
| General Government | 8,100 | 8,100 | 2,923 | (5,177) |
| Public Safety | 1,500 | 1,500 | 1,484 | (16) |
| Total Expenditures | <u>2,013,208</u> | <u>2,013,208</u> | <u>1,941,508</u> | <u>(71,700)</u> |
| Excess of Revenues Over (Under) Expenditures | 303,773 | 303,773 | 500,550 | 196,777 |
| Other Financing Sources (Uses): | | | | |
| Transfers Out | (304,025) | (304,025) | (310,471) | 6,446 |
| Total Other Financing Sources (Uses) | <u>(304,025)</u> | <u>(304,025)</u> | <u>(310,471)</u> | <u>(6,446)</u> |
| Change in Fund Balance | <u>\$ (252)</u> | <u>\$ (252)</u> | 190,079 | <u>\$ 190,331</u> |
| Fund Balance - January 1 | | | <u>1,936,159</u> | |
| Fund Balance - December 31 | | | <u>\$ 2,126,238</u> | |

The Notes to the Financial Statements are an Integral Part of this Statement.

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CITY OF ANNANDALE, MINNESOTA

STATEMENT OF NET POSITION
PROPRIETARY FUNDS
December 31, 2019

| | Business-type Activities - Enterprise Funds | | |
|--|---|----------------------|------------------|
| | Water Fund | Sewer Fund | Refuse Fund |
| ASSETS AND DEFERRED OUTFLOWS OF RESOURCES | | | |
| Current Assets: | | | |
| Cash and Investments | \$ 304,434 | \$ 0 | \$ 14,214 |
| Accounts Receivable | 41,915 | 96,450 | 19,955 |
| Due from Other Governments | 0 | 24,143 | 1,719 |
| Prepaid Expense | 10,054 | 14,179 | 1,452 |
| Total Current Assets | <u>356,403</u> | <u>134,772</u> | <u>37,340</u> |
| Noncurrent Assets: | | | |
| Advance to Other Funds | 103,700 | 8,500 | 0 |
| Special Assessments | 4,693 | 4,696 | 0 |
| Restricted Cash | 0 | 110,733 | 0 |
| Equity Interest in Joint Venture | 0 | 6,929,054 | 0 |
| Assets Not Being Depreciated | 66,881 | 191,067 | 20,000 |
| Other Capital Asses, Net of Depreciation | 4,370,619 | 3,146,056 | 1,800 |
| Total Noncurrent Assets | <u>4,545,893</u> | <u>10,390,106</u> | <u>21,800</u> |
| Total Assets | 4,902,296 | 10,524,878 | 59,140 |
| Deferred Outflows of Resources: | | | |
| Pension Plan Deferments | <u>11,139</u> | <u>18,707</u> | <u>3,395</u> |
| TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES | <u>\$ 4,913,435</u> | <u>\$ 10,543,585</u> | <u>\$ 62,535</u> |
| LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION | | | |
| Current Liabilities: | | | |
| Accrued Expenses | \$ 24,225 | \$ 77,679 | \$ 15,957 |
| Due to Other Governments | 674 | 141,954 | 1,044 |
| Due to Other Funds | 0 | 429,800 | 0 |
| Current Portion of Long-term Debt | 238,000 | 962,000 | 0 |
| Total Current Liabilities | <u>262,899</u> | <u>1,611,433</u> | <u>17,001</u> |
| Long-Term Liabilities: | | | |
| Revenue Notes Payable | 1,338,000 | 6,293,000 | 0 |
| Net Pension Liability | 67,439 | 113,257 | 20,556 |
| Total Liabilities | <u>1,668,338</u> | <u>8,017,690</u> | <u>37,557</u> |
| Deferred Inflows of Resources: | | | |
| Pension Plan Deferments | <u>16,378</u> | <u>27,505</u> | <u>4,992</u> |
| Net Position: | | | |
| Net Investment in Capital Assets | 2,861,501 | 3,233,123 | 21,800 |
| Restricted | 0 | 110,733 | 0 |
| Unrestricted | 367,218 | (845,466) | (1,814) |
| Total Net Position | <u>3,228,719</u> | <u>2,498,390</u> | <u>19,986</u> |
| TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION | <u>\$ 4,913,435</u> | <u>\$ 10,543,585</u> | <u>\$ 62,535</u> |

The Notes to the Financial Statements are an Integral Part of this Statement.

Business-type Activities -

| Storm Water | |
|---------------------|----------------------|
| Fund | Totals |
| \$ 0 | \$ 318,648 |
| 6,150 | 164,470 |
| 0 | 25,862 |
| 0 | 25,685 |
| <u>6,150</u> | <u>534,665</u> |
| 0 | 112,200 |
| 0 | 9,389 |
| 0 | 110,733 |
| 0 | 6,929,054 |
| 0 | 277,948 |
| 2,424,615 | 9,943,090 |
| <u>2,424,615</u> | <u>17,382,414</u> |
| 2,430,765 | 17,917,079 |
| <u>0</u> | <u>33,241</u> |
| <u>\$ 2,430,765</u> | <u>\$ 17,950,320</u> |
| | |
| \$ 161 | \$ 118,022 |
| 0 | 143,672 |
| 27,421 | 457,221 |
| 0 | 1,200,000 |
| <u>27,582</u> | <u>1,918,915</u> |
| 0 | 7,631,000 |
| 0 | 201,252 |
| <u>27,582</u> | <u>9,751,167</u> |
| <u>0</u> | <u>48,875</u> |
| 2,430,758 | 8,547,182 |
| 0 | 110,733 |
| (27,575) | (507,637) |
| <u>2,403,183</u> | <u>8,150,278</u> |
| <u>\$ 2,430,765</u> | <u>\$ 17,950,320</u> |

The Notes to the Financial Statements are an Integral Part of this Statement.

CITY OF ANNANDALE, MINNESOTA

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
 PROPRIETARY FUNDS

For the Year Ended December 31, 2019

| | Business-type Activities - Enterprise Funds | | |
|---|---|---------------------|------------------|
| | Water Fund | Sewer Fund | Refuse Fund |
| Operating Revenue: | | | |
| Charges for Services | \$ 515,191 | \$ 998,760 | \$ 195,667 |
| Operating Expenses: | | | |
| Personnel Services | 113,268 | 198,839 | 34,229 |
| Materials and Supplies | 36,649 | 7,840 | 3,710 |
| Professional Fees | 12,409 | 13,091 | 2,282 |
| Insurance | 11,222 | 9,987 | 0 |
| Utilities | 48,509 | 14,610 | 0 |
| Repairs and Maintenance | 32,522 | 25,632 | 2,174 |
| Wastewater Commission Charges | 0 | 805,872 | 0 |
| Contracted Services | 3,631 | 5,409 | 159,855 |
| Other Charges | 7,737 | 59 | 2,855 |
| Depreciation | 169,867 | 116,672 | 704 |
| Total Operating Expenses | <u>435,814</u> | <u>1,198,011</u> | <u>205,809</u> |
| Income (Loss) From Operations | 79,377 | (199,251) | (10,142) |
| Nonoperating Revenues (Expenses) | | | |
| Interest and Fiscal Charges | (36,066) | (194,524) | 0 |
| Reimbursements | 22,779 | 1,185,288 | 35,517 |
| Access Fees and Other Income | 195,820 | 82,851 | 6,144 |
| Investment Earnings | 2,412 | 3,354 | (329) |
| Total Nonoperating Revenues (Expenses) | <u>184,945</u> | <u>1,076,969</u> | <u>41,332</u> |
| Income Before Transfers and Other Items | 264,322 | 877,718 | 31,190 |
| Transfers and Other Items | | | |
| Capital Contributions | 43,335 | 3,479 | 0 |
| Change in Equity Interest | 0 | (75,844) | 0 |
| Transfers In | 160,000 | 51,000 | 0 |
| Transfers Out | (70,000) | (144,000) | 0 |
| Total Transfers and Other Items | <u>133,335</u> | <u>(165,365)</u> | <u>0</u> |
| Change in Net Position | 397,657 | 712,353 | 31,190 |
| Net Position - January 1 | <u>2,831,062</u> | <u>1,786,037</u> | <u>(11,204)</u> |
| Net Position - December 31 | <u>\$ 3,228,719</u> | <u>\$ 2,498,390</u> | <u>\$ 19,986</u> |

The Notes to the Financial Statements are an Integral Part of this Statement.

| <u>Business-type Activities -</u> | |
|-----------------------------------|---------------------|
| <u>Storm Water</u> | |
| <u>Fund</u> | <u>Totals</u> |
| \$ 45,775 | \$ 1,755,393 |
| 0 | 346,336 |
| 0 | 48,199 |
| 552 | 28,334 |
| 0 | 21,209 |
| 0 | 63,119 |
| 480 | 60,808 |
| 0 | 805,872 |
| 0 | 168,895 |
| 160 | 10,811 |
| 87,981 | 375,224 |
| <u>89,173</u> | <u>1,928,807</u> |
| (43,398) | (173,414) |
| 0 | (230,590) |
| 3,175 | 1,246,759 |
| 0 | (284,815) |
| (164) | 5,273 |
| <u>3,011</u> | <u>1,306,257</u> |
| (40,387) | 1,132,843 |
| 6,143 | 52,957 |
| 0 | (75,844) |
| 0 | 211,000 |
| (42,000) | (256,000) |
| <u>(35,857)</u> | <u>(67,887)</u> |
| (76,244) | 1,064,956 |
| <u>2,479,427</u> | <u>7,085,322</u> |
| <u>\$ 2,403,183</u> | <u>\$ 8,150,278</u> |

The Notes to the Financial Statements are an Integral Part of this Statement.

CITY OF ANNANDALE, MINNESOTA

STATEMENT OF CASH FLOWS
 PROPRIETARY FUNDS
 For The Year Ended December 31, 2019

| | Business-type Activities - Enterprise Funds | | |
|---|---|------------------|------------------|
| | Water Fund | Sewer Fund | Refuse Fund |
| CASH FLOWS FROM OPERATING ACTIVITIES | | | |
| Receipts From Customers and Users | \$ 521,858 | \$ 1,169,953 | \$ 195,480 |
| Payments to Suppliers | (156,948) | (1,046,697) | (170,042) |
| Payments to Employees | (119,001) | (199,581) | (24,238) |
| Other Receipts (Payments) | 218,599 | 153,630 | 41,661 |
| Net Cash Provided by Operating Activities | <u>464,508</u> | <u>77,305</u> | <u>42,861</u> |
| CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES | | | |
| Payments Received (Paid) on Interfund Loans | (5,700) | (2,776) | (28,318) |
| Transfers In | 160,000 | 51,000 | 0 |
| Transfers Out | (70,000) | (144,000) | 0 |
| Net Cash Provided (Used) by Noncapital Financing | <u>84,300</u> | <u>(95,776)</u> | <u>(28,318)</u> |
| CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES | | | |
| Interest Paid on Debt | (36,449) | (193,219) | 0 |
| Principal Paid on Debt | (232,000) | (941,000) | 0 |
| Special Assessment Collections | 522 | 522 | 0 |
| Wastewater Commission Reimbursements | 0 | 1,114,509 | 0 |
| Acquisition and Construction of Capital Assets | (2,629) | (28,088) | 0 |
| Net Cash Used by Capital and Related Financing | <u>(270,556)</u> | <u>(47,276)</u> | <u>0</u> |
| CASH FLOWS FROM INVESTING ACTIVITIES | | | |
| Interest and Dividends Received (Paid) | 2,412 | 3,354 | (329) |
| Net Increase (Decrease) in Cash and Cash Equivalents | 280,664 | (62,393) | 14,214 |
| Cash and Cash Equivalents - January 1 | 23,690 | 62,393 | 0 |
| Cash and Cash Equivalents - December 31 | <u>\$ 304,354</u> | <u>\$ 0</u> | <u>\$ 14,214</u> |
| Reconciliation of Operating Income to Net Cash Provided by Operating Activities: | | | |
| Income (Loss) from Operations | \$ 79,377 | \$ (199,251) | \$ (10,142) |
| Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities: | | | |
| Other Receipts (Payments) | 218,599 | 153,630 | 41,661 |
| Depreciation Expense | 169,867 | 116,672 | 704 |
| (Increase) Decrease in Accounts Receivable | 6,523 | 171,225 | 1,532 |
| (Increase) Decrease in Due from Other Governments | 144 | (32) | (1,719) |
| (Increase) Decrease in Prepaid Expense | (622) | (1,827) | (376) |
| Increase (Decrease) in Due to Other Governments | 221 | (166,284) | (62) |
| Increase (Decrease) in Pension Resources | (1,561) | (1,902) | 486 |
| Increase (Decrease) in Net Pension Liability | (4,812) | (445) | 8,747 |
| Increase (Decrease) in Accrued Expenses | (3,228) | 5,519 | 2,030 |
| Net Cash Provided by Operating Activities | <u>\$ 464,508</u> | <u>\$ 77,305</u> | <u>\$ 42,861</u> |

The Notes to the Financial Statements are an Integral Part of this Statement.

Business-type Activities -

| <u>Storm Water</u> | |
|--------------------|-------------------|
| <u>Fund</u> | <u>Totals</u> |
| \$ 44,161 | \$ 1,931,452 |
| (1,032) | (1,374,719) |
| 0 | (342,820) |
| <u>3,175</u> | <u>417,065</u> |
| <u>46,304</u> | <u>630,978</u> |
| (4,141) | (40,935) |
| 0 | 211,000 |
| <u>(42,000)</u> | <u>(256,000)</u> |
| <u>(46,141)</u> | <u>(85,935)</u> |
| 0 | (229,668) |
| 0 | (1,173,000) |
| 0 | 1,044 |
| 0 | 1,114,509 |
| <u>0</u> | <u>(30,717)</u> |
| <u>0</u> | <u>(317,832)</u> |
| (163) | 5,274 |
| 0 | 232,485 |
| <u>0</u> | <u>86,083</u> |
| <u>\$ 0</u> | <u>\$ 318,568</u> |
| \$ (43,398) | \$ (173,414) |
| 3,175 | 417,065 |
| 87,981 | 375,224 |
| (1,614) | 177,666 |
| 0 | (1,607) |
| 0 | (2,825) |
| 0 | (166,125) |
| 0 | (2,977) |
| 0 | 3,490 |
| <u>160</u> | <u>4,481</u> |
| <u>\$ 46,304</u> | <u>\$ 630,978</u> |

The Notes to the Financial Statements are an Integral Part of this Statement.

NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2019Note 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**A. Reporting entity**

The City of Annandale, Minnesota (the City) operates under the "Optional Plan A" form of government as defined in Minnesota statutes. Under this plan, the government of the City is directed by a City Council composed of an elected Mayor and four elected City Council Members. The City Council exercises legislative authority and determines all matters of policy. The City Council appoints personnel responsible for the proper administration of all affairs relating to the City.

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

Component units for which the City has been determined to be financially accountable can be blended with the primary government or be included as a discrete presentation. Blended component units, although legally separate entities are in substance, part of the City's operations and so data from these units are combined with data of the City. Each discretely presented component unit, on the other hand, is reported in a separate column in the financial statements to emphasize it is legally from the City. Included in the City's reporting entity, based upon the application of these criteria, are the following blended component units. The blended component units presented have a December 31 year end.

Economic Development Authority. The Economic Development Authority (the EDA) was created pursuant to Minnesota statutes 469.090 through 469.108. The five member Board of Directors carries out economic and industrial development and redevelopment within the City in accordance with policies established by the City. Separate financial statements are not issued for this component unit.

Housing and Redevelopment Authority. The Annandale House and Redevelopment Authority (the HRA) was created pursuant to Chapter 487 of the Minnesota Session Laws of 1947. The HRA was created by the City to carry out certain redevelopment projects. The governing board is comprised of all five members of the City Council. Separate financial statements are issued for this component unit.

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 segments are 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 as 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. Aggregate information for the remaining nonmajor governmental funds is reported in a single column in the fund financial statements.

NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2019

Note 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES-(Continued)

C. Measurement focus, basis of accounting and financial statement presentation

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the proprietary fund financial statements and the fiduciary 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 fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

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

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

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

Unearned revenue arises when assets are recognized before revenue recognition criteria have been satisfied. Grants and entitlements received before eligibility requirements are met are also recorded as unearned revenue. On the modified accrual basis, receivables that will not be collected within the available period have also been reported as deferred inflows of resources in the fund financial statements.

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

CITY OF ANNANDALE, MINNESOTA

NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2019

Note 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES-(Continued)

The City reports the following major governmental funds:

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

The *TIF No. 14* accounts for the financial activity of the City's tax increment financing District 14.

The *Debt Service fund* accounts for the servicing of general long-term debt not being financed by proprietary funds.

The City reports the following major proprietary funds:

The *Water fund* accounts for the costs associated with the City's water utility system and insures that user charges are sufficient to meet those costs.

The *Sewer fund* accounts for the costs associated with the City's sewer utility system and insures that user charges are sufficient to meet those costs.

The *Refuse fund* accounts for the costs associated with refuse collection within the City.

The *Storm Sewer fund* accounts for the costs associated with the City's storm water utility system and insures that user charges are sufficient to meet those costs.

As a general rule, the effect of interfund activity has been eliminated from government-wide financial statements. Exceptions to this general rule are charges between the City's water and sewer 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.

Amounts reported as *program revenues* include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as *general revenues* rather than as program revenues. Likewise, general revenues include all taxes.

Proprietary funds distinguish *operating* revenues and expenses from *nonoperating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the City 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.

NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2019

Note 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES-(Continued)

D. Assets, deferred outflows of resources, liabilities, deferred inflows of resources, and net position/fund balance

Deposits and investments

The City's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition. Cash balances from all funds are pooled and invested, to the extent available, in certificates of deposit and other authorized investments. Earnings from such investments are allocated on the basis of applicable participation by each of the funds.

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

1. Direct obligations or obligations guaranteed by the United States or its agencies.
2. Shares of investment companies registered under the Federal Investment Company Act of 1940 and received the highest credit rating, rated in one of the two highest rating categories by a statistical rating agency, and have a final maturity of thirteen months or less.
3. General obligations of a state or local government with taxing powers rated "A" or better; revenue obligations rated "AA" or better.
4. General obligations of the Minnesota Housing Finance Agency rated "A" or better.
5. Bankers' acceptances of United States banks eligible for purchase by the Federal Reserve System.
6. Commercial paper issued by United States banks corporations or their Canadian subsidiaries, of highest quality category by at least two nationally recognized rating agencies, and maturing in 270 days or less.
7. Repurchase or reverse repurchase agreements and securities lending agreements with financial institutions qualified as a "depository" by the government entity, with banks that are members of the Federal Reserve System with capitalization exceeding \$10,000,000, a primary reporting dealer in U.S. government securities to the Federal Reserve Bank of New York, or certain Minnesota securities broker-dealers.
8. Guaranteed Investment Contracts (GIC's) issued or guaranteed by a United States commercial bank, a domestic branch of a foreign bank, a United States insurance company, or its Canadian subsidiary, whose similar debt obligations were rated in one of the top two rating categories by a nationally recognized rating agency.

Investments are generally stated at fair value, except for investments in certain external investment pools, which are stated at amortized cost. Short-term, highly liquid debt instruments (including commercial paper, bankers' acceptance, and U.S. treasury and agency obligations) purchased with a remaining maturity of one year or less are also reported at amortized cost. Investment income is accrued at the Balance Sheet date.

The City categorizes its fair value measurements within the fair value hierarchy established by accounting principles generally accepted in the United States of America. The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). If the inputs used to measure the financial instruments fall within different levels of the hierarchy, the categorization is based on the lowest level input that is significant to the fair value measurement of the instrument. Financial assets and liabilities recorded on the combined statements of financial position are categorized based on the inputs to the valuation techniques as follows:

CITY OF ANNANDALE, MINNESOTA

NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2019

Note 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES-(Continued)

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

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

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

Debt securities classified in Level 2 of the fair value hierarchy are valued using a matrix pricing technique. Matrix pricing is used to value securities based on the securities’ relationship to benchmark quoted prices.

See Note 3 for the City’s recurring fair value measurements as of December 31, 2019. The City has adopted a formal investment policy.

Property taxes

The City Council annually adopts a tax levy and certifies it to the County in December for collection in the following year. The County is responsible for collecting all property taxes for the City. These taxes attach an enforceable lien on taxable property within the City on January 1 and are payable by the property owners in two installments. The taxes are collected by the County Treasurer and tax settlements are made to the City during January, June and December each year.

Taxes payable on homestead property, as defined by Minnesota statutes, were partially reduced by a market value credit aid. The credit is paid to the City by the State in lieu of taxes levied against the homestead property. The State remits this credit in two equal installments in October and December each year.

Delinquent taxes receivable include the past six years’ uncollected taxes. Delinquent taxes have been offset by a deferred inflow of resources for delinquent taxes not received within 60 days after year end in the fund financial statements.

Accounts receivable

Accounts receivable include amounts billed for services provided before year end. Unbilled utility enterprise fund receivables are also included for services provided in 2019. The City annually certifies delinquent water and sewer accounts to the County for collection in the following year. Therefore, there has been no allowance for doubtful accounts established.

Notes receivable

Notes receivable represents loans made to various commercial entities throughout the City. An allowance has been established and was determined based on historical bad debt experience related to the nature of the receivable balance.

Special assessments

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

CITY OF ANNANDALE, MINNESOTA

NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2019

Note 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES-(Continued)

Land held for resale

Land held for resale is carried at the lower of cost or net realizable value.

Inventory and Prepaid items

All inventories are stated at the lower of cost or market on the first-in, first-out (FIFO) method. The costs of governmental fund-type inventories are recorded as expenditures when consumed rather than when purchased. Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items.

Interfund receivables and payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either “due to/from other funds” (i.e., the current portion of interfund loans) or “advances to/from other funds” (i.e., the non-current portion of interfund loans). Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as “internal balances.”

Advances between funds, as reported in the fund financial statements, are offset by a nonspendable fund balance account in applicable governmental funds to indicate that they are not available for appropriation and are not expendable available financial resources.

Capital assets

Capital assets, which include property, plant, equipment and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items) are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the City as assets with an initial, individual cost of more than the thresholds below (amount not rounded) and an estimated useful life in excess of one year. For financial statement purposes only, a capitalization threshold is established for each capital asset category as follows:

| <u>Assets</u> | <u>Capitalization Threshold</u> |
|----------------------------|-------------------------------------|
| Land improvements | \$ 10,000 |
| Buildings and improvements | 25,000 |
| Infrastructure | 100,000 |
| Machinery and equipment | 5,000 |

As the City constructs or acquires capital assets each period, including infrastructure assets, they are capitalized and reported at historical cost. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed. The reported value excludes normal maintenance and repairs which are essentially amounts spent in relation to capital assets that do not increase the capacity or efficiency of the item or extend its useful life beyond the original estimate. In the case of donations the City values these capital assets at the estimated fair value of the item at the date of its donation.

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

| <u>Assets</u> | <u>Useful Lives in Years</u> |
|----------------------------|----------------------------------|
| Buildings and improvements | 15 to 75 |
| Infrastructure | 20 to 60 |
| Machinery and equipment | 3 to 15 |

NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2019Note 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES-(Continued)***Compensated absences/Severance benefits***

It is the City's policy to permit employees to accumulate earned but unused vacation benefits. Upon retirement or termination, employees in good standing are entitled to payout for the lesser of their vacation balance or the amount of vacation they would accrue in one year. All vacation pay is accrued when incurred in the government-wide and proprietary fund financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements. The General fund is typically used to liquidate governmental compensated absences payable.

Postemployment benefits other than pensions

Employees of the City pay health care premiums based on their age and level of coverage. Since the insurance rate is based on age, the City does not have an implicit rate subsidy factor in postemployment health care expenses. Additionally, Minnesota Statutes require the City to allow retired employees to stay on the health care plan with the retiree responsible to pay the entire premium for continuation coverage. The City's personnel policy does not provide for any contributions upon employee retirement.

Deferred outflows/inflows of resources

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, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time.

In addition to assets, the statement of financial position and fund financial statements will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of resources that is applicable to future reporting period(s) and so will not be recognized as an outflow of resources (expense) until that time.

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), Annandale Volunteer Fire Relief Association (VFRA) and additions to/deductions from PERA's fiduciary net position and VFRA's fiduciary net position have been determined on the same basis as they are reported by PERA and VFRA, 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.

PERA has a special funding situation for their public employees police and fire pension fund in the State of Minnesota contributes \$9 million annually on October 1 until both PEPFF and MSRS State Patrol become 90% funded (on a Market Value of Asset Basis).

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 delayed and amortized over the life of the bonds using the straight line method. Bonds payable are reported net of the applicable bond premium or discount.

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

CITY OF ANNANDALE, MINNESOTA

NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2019

Note 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES-(Continued)

Net position

In the government-wide financial statements, net position represents the difference between assets and liabilities. Net position is displayed in three components:

- a. Net investment in capital assets - Consists of capital assets, net of accumulated depreciation reduced by any outstanding debt attributable to acquire capital assets.
- b. Restricted net position - Consist of net position balances restricted when there are limitations imposed on their use through external restrictions imposed by creditors, grantors, laws or regulations of other governments.
- c. Unrestricted net position - All other net position balances that do not meet the definition of “restricted” or “net investment in capital assets”.

Fund balance

In the fund financial statements, fund balance is divided into five classifications based primarily on the extent to which the City is bound to observe constraints imposed upon the use of resources reported in the governmental funds. These classifications are defined as follows:

Nonspendable - Amounts that cannot be spent because they are not in spendable form, such as prepaid items.

Restricted - Amounts related to externally imposed constraints established by creditors, grantors or contributors; or constraints imposed by state statutory provisions.

Committed - Amounts constrained for specific purposes that are internally imposed by formal action (resolution) of the City Council, which is the City’s highest level of decision-making authority. Committed amounts cannot be used for any other purpose unless the City Council modifies or rescinds the commitment by resolution.

Assigned - Amounts constrained for specific purposes that are internally imposed. In governmental funds other than the General fund, assigned fund balance represents all remaining amounts that are not classified as nonspendable and are neither restricted nor committed. In the General fund, assigned amounts represent intended uses established by the City Council itself or by an official to which the governing body delegates the authority. The City Council has adopted a fund balance policy which delegates the authority to assign amounts for specific purposes to the City Administrator.

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

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

The City has formally adopted a fund balance policy for the General fund. The City’s policy is to maintain a minimum unassigned fund balance of between 40 - 50 percent of budgeted operating expenditures for cash-flow timing needs.

CITY OF ANNANDALE, MINNESOTA

NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2019

Note 2 STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. Budgetary information

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

On or before July 1 of each year, all departments of the City submit requests for appropriations to the City Administrator so that a budget may be prepared. Before September 15, the proposed budget is presented to the City Council for review. The City Council holds public hearings and a final budget is prepared and adopted in December.

The appropriated budget is prepared by fund, function and department. The City’s department heads, with the approval of the City Administrator, may make transfers of appropriations within a department. Transfers of appropriations between departments require the approval of the City Council. The legal level of budgetary control is the department level. Budgeted amounts are as originally adopted or as amended by the City Council. There were no budget amendments during the year.

B. Excess of Expenditures over Appropriations

For the year ended December 31, 2019, the no funds had expenditures over appropriations.

C. Deficit Fund Equity

The following had fund equity deficits at year end:

| Fund | Amount |
|-----------------------------------|----------|
| Governmental | |
| Major | |
| G.O. Equipment Certificates 2016A | \$ 7,550 |
| Nonmajor - Special Revenue | |
| Tax Abatement | 15,828 |
| TIF District No. 15 | 148 |
| Training Center | 210,085 |
| Woodlawn Cemetery | 47,529 |
| Nonmajor - Capital Projects | |
| Park | 5,953 |
| 2020 Improvement Project | 280,395 |

The fund deficits are planned to be eliminated with future interfund transfers.

CITY OF ANNANDALE, MINNESOTA

NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2019

Note 3 DETAILED NOTES ON ALL FUNDS

A. Deposits and investments

Deposits

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

Minnesota statutes require that all City deposits be protected by insurance, surety bond or collateral. The market value of collateral pledged must equal 110 percent of the deposits not covered by insurance or bonds.

Authorized collateral in lieu of a corporate surety bond includes:

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

Minnesota statutes require that all collateral shall be placed in safekeeping in a restricted account at a Federal Reserve Bank, or in an account at a trust department of a commercial bank or other financial institution that is not owned or controlled by the financial institution furnishing the collateral. The selection should be approved by the government entity.

At December 31, 2019, the carrying amount of deposits was \$2,986,266 and the bank balance was \$3,009,662. Of the bank balance, \$500,000 was covered by federal depository insurance. The remaining balance was covered by collateral held by the City's agent in the City's name.

CITY OF ANNANDALE, MINNESOTA

NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2019

Note 3 DETAILED NOTES ON ALL FUNDS – (Continued)

Investments

Investments are subject to various risks, the following of which are considered the most significant:

Custodial Credit Risk – For investments, this is the risk that in the event of a failure of the counterparty to an investment transaction (typically a broker-dealer) the City would not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. Investments in investment pools and money markets are not evidenced by securities that exist in physical or book entry form and, therefore, are not subject to custodial credit risk disclosures. Although the City’s investment policies do not directly address custodial credit risk, it typically limits its exposure by purchasing insured or registered investments, or by the control of who holds the securities.

Credit Risk – This is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. Minnesota Statutes 118A.07 limit the City’s investments.

Concentration Risk – This is the risk associated with investing a significant portion of the City’s investments (considered 5 percent or more) in the securities of a single issuer, excluding U.S. guaranteed investments (such as treasuries), investment pools, and mutual funds. The City’s investment policies do not address concentration risk.

Negotiable certificates of deposit

| | | |
|----------------------------|----|---------|
| Synchrony Bk Retail | \$ | 101,487 |
| Morgan Stanley Bk | | 221,736 |
| Morgan Stanley Pvt Bk | | 200,666 |
| Cathay Bk Los Angeles | | 100,033 |
| Gulf Coast Bk | | 117,166 |
| Toyota Finl Savgs Bk | | 104,133 |
| Ally Bank Sandy UT | | 136,552 |
| American Expr Centurion | | 110,429 |
| Customers Bank | | 99,716 |
| Discover Bank | | 105,099 |
| Goldman Sachs Bank | | 200,982 |
| HSBC Bank USA | | 100,123 |
| JP Morgan Chase Bank | | 100,125 |
| JP Morgan Chase Bank | | 99,696 |
| Preferred Bank Los Angeles | | 99,622 |

Interest Rate Risk – This is the risk of potential variability in the fair value of fixed rate investments resulting from changes in interest rates (the longer the period for which an interest rate is fixed, the greater the risk). The City’s investment policies do not limit the maturities of investments; however, when purchasing investments the City considers such things as interest rates and cash flow needs.

CITY OF ANNANDALE, MINNESOTA

NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2019

Note 3 DETAILED NOTES ON ALL FUNDS – (Continued)

As of December 31, 2019, the City had the following investments that are insured or registered, or securities held by the City's agent in the City's name:

| Deposit/Investments | Credit Risk | | Fair Value Measurements Using | Interest Risk - Maturity Duration in Years | | Total |
|---|-------------|--------|-------------------------------------|---|-----------|----------------------------|
| | Rating | Agency | | Less Than 1 | 1 to 5 | |
| Pooled investment at amortized cost | | | | | | |
| Broker money market funds | N/R | N/R | N/A | N/A | N/A | \$ 33,307 |
| Minnesota municipal money market fund liquid class | N/R | N/R | NAV | N/A | N/A | 36,850 |
| Minnesota municipal money market fundmax class | N/R | N/R | NAV | N/A | N/A | 2,705 |
| Investment pools | | | | | | |
| Negotiable certificates of deposit | N/R | N/R | Level 2 | 250,657 | 1,646,908 | <u>1,897,565</u> |
| Total investments | | | | | | <u>\$ 1,970,427</u> |

NAV - Investments measured at the net asset value

N/A - Not applicable

N/R - Not rated

The City's investment in certain money market funds are measured at the net asset value (NAV) per share provided by the pool, which approximates fair value in accordance with Rule 2a-7 of the Investment Company Act of 1940. The NAV method of valuation values a security at its cost on the date of purchase and thereafter assumes a constant amortization to maturity of any discount or premium, regardless of the impact of fluctuating interest rates on the market value of the investments. For U.S. Government money market investments valued at the NAV, there are no unfunded commitments, redemption frequency is daily and there is no redemption notice. For 4M Fund investments valued at the NAV, there are no unfunded commitments, redemption frequency is daily, and there is no redemption notice for the Liquid Class; the redemption notice period is 14 days for the MAX Class.

A reconciliation of cash and investment as shown on the Statement of Net Position for the City is as follows:

| | Primary Government |
|------------------------------------|-----------------------|
| Carrying amount of demand deposits | \$ 1,924,723 |
| Time deposits | <u>1,062,543</u> |
| Cash and Cash equivalents | 2,987,266 |
| Investments | <u>1,970,427</u> |
| Total cash and investments | <u>\$ 4,957,693</u> |

CITY OF ANNANDALE, MINNESOTA

NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2019

Note 3 DETAILED NOTES ON ALL FUNDS – (Continued)

B. Receivables

Taxes receivables as of the year-end for the City are reported on the Statement of Net Position. There are no estimates for allowances for uncollectible property tax and special assessment receivables.

Intergovernmental receivables on the statement of net position consist of the following:

| Nature of Receivable | Receivable Balance | Allowance for Uncollectibles | Total |
|----------------------------------|-----------------------|---------------------------------|-----------|
| Charges for services | \$ 19,319 | \$ - | \$ 19,319 |
| Reimbursement from WW Commission | 55,742 | - | 55,742 |
| Rental fees | 3,015 | - | 3,015 |
| Grant for park equipment | 20,606 | - | 20,606 |
| | | | |
| Total | \$ 98,682 | \$ - | \$ 98,682 |

Notes receivable represents loans made to various commercial entities throughout the City. These loans all carry an interest rate of 1% and are collectible in monthly installments with varying maturities. There is no collateral securing these notes. The amount shown on the Statement of Net Position is net of an allowance of \$0. The allowance was determined based on historical bad debt experience related to the nature of the receivable balance.

Governmental funds report *deferred inflows of resources* in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received, but not yet earned. At the end of the current fiscal year, the various components of *deferred inflows* and *unearned revenue* reported in the governmental funds were as follows:

| | Unavailable | Unearned |
|--|-------------|-----------|
| Special assessment not yet due | \$ 718,676 | \$ - |
| Delinquent special assessments | 3,350 | - |
| Delinquent property taxes | 14,631 | - |
| Licenses | - | 250 |
| Landscape escrow | - | 38,000 |
| | | |
| Total deferred inflows of resources/unearned revenue | \$ 736,657 | \$ 38,250 |

The only receivables not expected to be collectible within one year are the following: General Fund: \$10,000, Debt Service Fund: \$2,500, of delinquent taxes and special assessments respectively. Debt Service Fund special assessments: \$600,000.

CITY OF ANNANDALE, MINNESOTA

NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2019

Note 3 DETAILED NOTES ON ALL FUNDS – (Continued)

C. Capital assets

Capital asset activity for the City for the year ended December 31, 2019 was as follows:

| | Beginning Balance | Increases | Decreases | Ending Balance |
|--|----------------------|--------------------|---------------------|----------------------|
| Governmental activities | | | | |
| Capital assets not being depreciated | | | | |
| Land | \$ 2,463,708 | \$ - | \$ - | \$ 2,463,708 |
| Construction in progress | 233,036 | 220,488 | (177,597) | 275,927 |
| | | | | |
| Total capital assets not being depreciated | <u>2,696,744</u> | <u>220,488</u> | <u>(177,597)</u> | <u>2,739,635</u> |
| | | | | |
| Capital assets being depreciated | | | | |
| Buildings and Improvements | 4,887,975 | 138,047 | - | 5,026,022 |
| Infrastructure | 21,739,105 | 112,390 | - | 21,851,495 |
| Machinery and equipment | 2,610,290 | 32,128 | (25,271) | 2,617,147 |
| | | | | |
| Total capital assets being depreciated | <u>29,237,370</u> | <u>282,565</u> | <u>(25,271)</u> | <u>29,494,664</u> |
| | | | | |
| Less accumulated depreciation for | | | | |
| Buildings and Improvements | (2,126,735) | (142,135) | - | (2,268,870) |
| Infrastructure | (17,750,710) | (310,452) | - | (18,061,162) |
| Machinery and equipment | (1,650,059) | (124,971) | 20,771 | (1,754,259) |
| | | | | |
| Total accumulated depreciation | <u>(21,527,504)</u> | <u>(577,558)</u> | <u>20,771</u> | <u>(22,084,291)</u> |
| | | | | |
| Total capital assets being depreciated, net | <u>7,709,866</u> | <u>(294,993)</u> | <u>(4,500)</u> | <u>7,410,373</u> |
| | | | | |
| Governmental activities capital assets, net | <u>\$ 10,406,610</u> | <u>\$ (74,505)</u> | <u>\$ (182,097)</u> | <u>\$ 10,150,008</u> |

CITY OF ANNANDALE, MINNESOTA

NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2019

Note 3 DETAILED NOTES ON ALL FUNDS – (Continued)

| | Beginning Balance | Increases | Decreases | Ending Balance |
|---|----------------------|---------------------|-------------|----------------------|
| Business-type activities | | | | |
| Capital assets not being depreciated | | | | |
| Land | \$ 277,948 | \$ - | \$ - | \$ 277,948 |
| Total capital assets not being depreciated | <u>277,948</u> | <u>-</u> | <u>-</u> | <u>277,948</u> |
| Capital assets being depreciated | | | | |
| Buildings and improvements | 4,187,882 | - | - | 4,187,882 |
| Distribution system | 11,123,768 | 52,958 | - | 11,176,726 |
| Machinery and equipment | 303,096 | - | - | 303,096 |
| Total capital assets being depreciated | <u>15,614,746</u> | <u>52,958</u> | <u>-</u> | <u>15,667,704</u> |
| Less accumulated depreciation for | | | | |
| Buildings and improvements | (1,604,218) | (92,235) | - | (1,696,453) |
| Distribution system | (3,535,512) | (267,126) | - | (3,802,638) |
| Machinery and equipment | (209,732) | (15,791) | - | (225,523) |
| Total accumulated depreciation | <u>(5,349,462)</u> | <u>(375,152)</u> | <u>-</u> | <u>(5,724,614)</u> |
| Total capital assets being depreciated, net | <u>10,265,284</u> | <u>(322,194)</u> | <u>-</u> | <u>9,943,090</u> |
| Business-type activities capital assets, net | <u>\$ 10,543,232</u> | <u>\$ (322,194)</u> | <u>\$ -</u> | <u>\$ 10,221,038</u> |

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

| | |
|--|-------------------|
| Governmental activities | |
| General government | \$ 114,322 |
| Public safety | 90,211 |
| Public works | 373,025 |
| Parks and recreation | <u>-</u> |
| Total depreciation expense - governmental activities | <u>\$ 577,558</u> |

CITY OF ANNANDALE, MINNESOTA

NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2019

Note 3 DETAILED NOTES ON ALL FUNDS – (Continued)

Business-type activities

| | |
|---|-------------------|
| Water | \$ 169,870 |
| Sewer | 116,597 |
| Refuse | 704 |
| Storm water | <u>87,981</u> |
| Total depreciation expense - business-type activities | <u>\$ 375,152</u> |

D. Long-term debt

General Obligation Revenue Notes

The City issued general obligation revenue notes where the government pledges income derived from the acquired or constructed assets to pay debt service requirements. The City is obligated to levy ad valorem taxes in the event that anticipated income from the acquired or constructed assets will not be sufficient to cover debt service requirements. G.O. revenue notes currently outstanding are as follows:

| Description | Authorized and Issued | Interest Rate | Issue Date | Maturity Date | Balance at Year End |
|--|--------------------------|------------------|---------------|------------------|------------------------|
| G.O. Water Revenue | | | | | |
| Note of 2004 | \$ 3,273,194 | 2.82% | 3/4/04 | 8/20/23 | \$ 808,000 |
| G.O. Wastewater Revenue | | | | | |
| Note of 2007 | 16,036,613 | 2.22% | 9/26/07 | 8/20/26 | 7,151,000 |
| G.O. Water Revenue | | | | | |
| Note of 2015 | 929,105 | 1.03 | 9/23/15 | 8/20/35 | 768,000 |
| G.O. Wastewater Revenue | | | | | |
| Note of 2015 | 125,359 | 1.00 | 9/23/15 | 8/20/35 | <u>104,000</u> |
| Total general obligation revenue notes | | | | | <u>\$ 8,831,000</u> |

General Obligation Tax Increment Bonds

The City issues general obligation tax increment bonds for redevelopment projects. The additional tax increments resulting from increased tax capacity of the redeveloped properties will be used to retire the related debt. General obligation tax increment bonds currently outstanding are as follows:

| Description | Authorized and Issued | Interest Rate | Issue Date | Maturity Date | Balance at Year End |
|--------------------------------|--------------------------|------------------|---------------|------------------|------------------------|
| G.O. Tax Increment | | | | | |
| Bonds of 2019A | \$ 755,000 | 3.65% | 8/20/19 | 2/1/39 | <u>\$ 755,000</u> |
| Total G.O. tax increment bonds | | | | | <u>\$ 755,000</u> |

CITY OF ANNANDALE, MINNESOTA

NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2019

Note 3 DETAILED NOTES ON ALL FUNDS – (Continued)

General Obligation Improvement Bonds/Notes

The City issues general obligation improvement bonds/notes to finance various improvements and will be repaid primarily from special assessments levied on the properties benefiting from the improvements. Some issues, however, are partly financed by ad valorem tax levies. All special assessment debt is backed by the full faith and credit of the City. General obligation special assessment bonds currently outstanding are as follows:

| Description | Authorized and Issued | Interest Rate | Issue Date | Maturity Date | Balance at Year End |
|---|-----------------------|---------------|------------|---------------|---------------------|
| G.O. Improvement | | | | | |
| Bonds of 2008B | \$ 1,175,000 | 3.00 - 4.125% | 2/1/19 | 2/1/24 | \$ 475,000 |
| G.O. Improvement | | | | | |
| Bonds of 2011A | 1,700,000 | 1.05 - 4.15% | 2/1/12 | 2/1/32 | 1,230,000 |
| G.O. Refunding | | | | | |
| Bonds of 2011B | 1,620,000 | 0.85 - 2.70% | 9/27/11 | 2/1/21 | 370,000 |
| G.O. Refunding | | | | | |
| Bonds of 2012A | 2,225,000 | 0.55 - 1.85% | 4/4/12 | 2/1/22 | 780,000 |
| G.O. Improvement | | | | | |
| Bonds of 2015A | 820,000 | 1.10 - 3.45% | 5/1/15 | 2/1/36 | 715,000 |
| G.O. Improvement | | | | | |
| Note of 2019A | 1,217,500 | 1.96% | 6/29/11 | 2/1/31 | 788,000 |
| G.O. Refunding | | | | | |
| Bonds of 2019A | 1,040,000 | 2.00 - 3.00 | 11/3/19 | 2/1/32 | <u>1,040,000</u> |
| | | | | | |
| Total general obligation special assessment bonds | | | | | <u>\$ 5,398,000</u> |

General Obligation Bonds/Certificates

The City issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities. General obligation bonds have been issued for governmental activities. General obligation bonds are direct obligations and pledge the full faith and credit of the City. General obligation bonds currently outstanding are as follows:

| Description | Authorized and Issued | Interest Rate | Issue Date | Maturity Date | Balance at Year End |
|---|-----------------------|---------------|------------|---------------|---------------------|
| G.O. Capital Improvement Plan | | | | | |
| Bonds of 2008B | \$ 895,000 | 3.00 - 4.00% | 8/1/08 | 2/1/22 | \$ 225,000 |
| G.O. Equipment | | | | | |
| Certificates of 2016A | 222,000 | 2.10% | 3/21/16 | 2/1/21 | <u>113,000</u> |
| | | | | | |
| Total general obligation bonds/certificates | | | | | <u>\$ 338,000</u> |

CITY OF ANNANDALE, MINNESOTA

NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2019

Note 3 DETAILED NOTES ON ALL FUNDS – (Continued)

Annual debt service requirements to maturity for general obligation bonds are as follows:

| Year Ending December 31 | Governmental Activities | | | Business-Type Activities | | |
|----------------------------|-------------------------|---------------------|---------------------|--------------------------|-------------------|---------------------|
| | Principal | Interest | Total | Principal | Interest | Total |
| 2020 | \$ 860,000 | \$ 169,743 | \$ 1,029,743 | \$ 1,200,000 | \$ 190,488 | \$ 1,390,488 |
| 2021 | 872,000 | 157,000 | 1,029,000 | 1,227,000 | 163,282 | 1,390,282 |
| 2022 | 731,000 | 135,982 | 866,982 | 1,254,000 | 135,459 | 1,389,459 |
| 2023 | 397,000 | 116,948 | 513,948 | 1,283,000 | 107,000 | 1,390,000 |
| 2024 | 404,000 | 107,373 | 511,373 | 1,095,000 | 77,880 | 1,172,880 |
| 2025-2029 | 1,663,000 | 389,398 | 2,052,398 | 2,427,000 | 98,215 | 2,525,215 |
| 2030-2034 | 1,254,000 | 136,313 | 1,390,313 | 286,000 | 11,896 | 297,896 |
| 2035-2039 | 310,000 | 21,868 | 331,868 | 59,000 | 606 | 59,606 |
| Total | <u>\$ 6,491,000</u> | <u>\$ 1,234,625</u> | <u>\$ 7,725,625</u> | <u>\$ 8,831,000</u> | <u>\$ 784,826</u> | <u>\$ 9,615,826</u> |

Changes in long-term liabilities

During the year ended December 31, 2019, the following changes occurred in long-term liabilities.

| | Beginning Balance | Increases | Decreases | Ending Balance | Due Within One Year |
|---|----------------------|---------------------|-----------------------|---------------------|------------------------|
| Governmental activities: | | | | | |
| GO special assessment bonds | \$ 5,076,000 | \$ 1,040,000 | \$ (718,000) | \$ 5,398,000 | \$ 734,000 |
| GO tax increment bonds | - | 755,000 | - | 755,000 | - |
| GO bonds/certificates | 463,000 | - | (125,000) | 338,000 | 126,000 |
| Net pension liability | 696,581 | 517,998 | (490,138) | 724,441 | - |
| Compensated absences | 22,979 | 25,445 | (22,979) | 25,445 | - |
| Bond Premiums/discounts | 24,120 | - | (3,986) | 20,134 | - |
| Governmental activity long-term liabilities | <u>\$ 6,282,680</u> | <u>\$ 2,338,443</u> | <u>\$ (1,360,103)</u> | <u>\$ 7,261,020</u> | <u>\$ 860,000</u> |
| Business-type activities: | | | | | |
| GO revenue notes | \$ 10,004,000 | \$ - | \$ (1,173,000) | \$ 8,831,000 | \$ 1,200,000 |
| Net pension liability | 197,762 | 100,794 | (97,304) | 201,252 | - |
| Business-type activity long-term liabilities | <u>\$ 10,201,762</u> | <u>\$ 100,794</u> | <u>\$ (1,270,304)</u> | <u>\$ 9,032,252</u> | <u>\$ 1,200,000</u> |

CITY OF ANNANDALE, MINNESOTA

NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2019

Note 3 DETAILED NOTES ON ALL FUNDS – (Continued)

Conduit debt obligation

During 2015, the City entered into an agreement to authorize and sell revenue bonds in the form of notes or other obligations for the purpose of refinancing the cost of the acquisition, construction and equipping of certain senior housing assisted living facilities. Annandale Care Center (nonprofit corp.) issued \$9,300,000 in Health Care Revenue Refunding Bonds of 2015A using the City’s bonding rights. The balance outstanding at December 31, 2019 is unknown. The City is in no way liable for the repayment of these bonds.

E. Interfund receivables, payables, and transfers

Interfund transfers

Interfund transfers for the year ended December 31, 2019, consisted of the following:

| <u>Transferred From</u> | <u>Transferred To</u> | | | | <u>Total</u> |
|-------------------------|-----------------------|------------------------------|-------------------|------------------|---------------------|
| | <u>Debt Service</u> | <u>Nonmajor Governmental</u> | <u>Water</u> | <u>Sewer</u> | |
| General | \$ - | \$ 310,471 | \$ - | \$ - | \$ 310,471 |
| Debt Service | - | - | 160,000 | 51,000 | 211,000 |
| Nonmajor Governmental | 546,212 | - | - | - | 546,212 |
| Water | 70,000 | - | - | - | 70,000 |
| Sewer | 144,000 | - | - | - | 144,000 |
| Storm Water | 42,000 | - | - | - | 42,000 |
| Total | \$ 802,212 | \$ 310,471 | \$ 160,000 | \$ 51,000 | \$ 1,323,683 |

The purpose of the above transfers was to provide funding for debt service, capital improvement project close outs and operating purposes.

Internal Balances

| <u>Receivable Fund</u> | <u>Payable Fund</u> | <u>Amount</u> |
|------------------------|-----------------------|---------------------|
| General | Nonmajor | \$ 497,900 |
| General | Sewer | 429,220 |
| General | Storm Water | 27,421 |
| Nonmajor Governmental | General | 163,350 |
| Nonmajor Governmental | Nonmajor Governmental | 46,888 |
| Water | Nonmajor Governmental | 103,700 |
| Sewer | Nonmajor Governmental | 8,500 |
| Total | | \$ 1,276,979 |

The purpose of the above interfund loans was to provide financing for operating purposes and to cover deficit cash balances present at year-end.

CITY OF ANNANDALE, MINNESOTA

NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2019

Note 3 DETAILED NOTES ON ALL FUNDS – (Continued)

F. Net Position/Fund Balance

Governmental Fund Balances

Governmental fund balances reported on the fund financial statements at December 31, 2019 included the following:

| | General | TIF No. 14 | Debt Service Funds | Other Nonmajor Governmental | Total Fund Balance |
|------------------------------|---------------------|---------------|--------------------------|-----------------------------------|-----------------------|
| Nonspendable: | | | | | |
| Prepaid expense | \$ 100,258 | \$ - | \$ - | \$ 2,904 | \$ 103,162 |
| Restricted: | | | | | |
| Tax increment financing | - | 753 | - | - | 753 |
| Debt service | - | - | 2,288,344 | - | 2,288,344 |
| Charitable gambling | - | - | - | 11,770 | 11,770 |
| TIF 1-6 | - | - | - | 12,013 | 12,013 |
| Total restricted | - | 753 | 2,288,344 | 23,783 | 2,312,880 |
| Committed: | | | | | |
| Economic development | - | - | - | 822,433 | 822,433 |
| Assigned: | | | | | |
| Department of motor vehicles | 239,702 | - | - | - | 239,702 |
| Lions donations | - | - | - | 45,318 | 45,318 |
| Fire equipment | - | - | - | 67,906 | 67,906 |
| Rec facility | - | - | - | 50,764 | 50,764 |
| Street maintenance | - | - | - | 28,105 | 28,105 |
| Street capital | - | - | - | 55,107 | 55,107 |
| Public works | - | - | - | 176,209 | 176,209 |
| Police equipment | - | - | - | 29,104 | 29,104 |
| Building capital | - | - | - | 79,863 | 79,863 |
| Total assigned | 239,702 | - | - | 532,376 | 772,078 |
| Unassigned: | | | | | |
| General fund | 1,786,278 | - | - | - | 1,786,278 |
| Debt service | - | - | (7,550) | - | (7,550) |
| TIF 1-15 | - | - | - | (148) | (148) |
| Tax abatement Dingmann | - | - | - | (15,829) | (15,829) |
| Training center | - | - | - | (211,537) | (211,537) |
| Cemetery | - | - | - | (48,981) | (48,981) |
| 2020 project | - | - | - | (280,395) | (280,395) |
| Park | - | - | - | (5,952) | (5,952) |
| Total unassigned | 1,786,278 | - | (7,550) | (562,842) | 1,215,886 |
| Total fund balance | \$ 2,126,238 | \$ 753 | \$ 2,280,794 | \$ 818,654 | \$ 5,226,439 |

CITY OF ANNANDALE, MINNESOTA

NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2019

Note 3 DETAILED NOTES ON ALL FUNDS – (Continued)

Governmental Activities Net Position

Governmental activities net position reported on the government-wide statement of net position at December 31, 2019 includes the following:

Net Investment in Capital Assets:

| | |
|--|------------------|
| Land | \$ 2,463,709 |
| Construction in progress | 275,927 |
| Buildings | 3,085,101 |
| Improvements other than buildings | 1,940,922 |
| Infrastructure | 21,851,496 |
| Machinery and equipment | 2,617,145 |
| Less: accumulated depreciation | (22,084,290) |
| Less: long-term debt outstanding | (6,491,000) |
| Less: bond premiums | (38,330) |
| Add: bond discounts | 18,196 |
| Add: unspent bond proceeds | <u>1,040,000</u> |
| Total Net Investment in Capital Assets | <u>4,678,877</u> |

Restricted for:

| | |
|---------------------|------------------|
| Debt Service | 1,870,490 |
| TIF 14 | 753 |
| Charitable gambling | 11,770 |
| TIF 1-6 | <u>12,013</u> |
| Total restricted | <u>1,895,026</u> |

Unrestricted

2,616,669

Total Governmental Activities Net Position

\$ 9,190,572

Business-Type Activities Net Position

Business-type activities net position reported on the government-wide statement of net position at December 31, 2019 includes the following:

Net Investment in Capital Assets:

| | |
|--|--------------------|
| Land | \$ 277,948 |
| Buildings | 4,175,245 |
| Improvements other than buildings | 12,636 |
| Infrastructure | 11,176,727 |
| Machinery and equipment | 303,096 |
| Less: accumulated depreciation | (5,724,614) |
| Less: long-term debt outstanding | <u>(1,674,000)</u> |
| Total Net Investment in Capital Assets | 8,547,182 |

Restricted for:

| | |
|-----------------------------|---------|
| Capital replacement reserve | 110,733 |
|-----------------------------|---------|

Unrestricted

(507,637)

Total Business-Type Activities Net Position

\$ 8,150,278

NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2019

Note 4 DEFINED BENEFIT PENSION PLANS – STATEWIDE

PUBLIC EMPLOYEES' RETIREMENT ASSOCIATION

A. *Plan Description*

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

General Employees Retirement Plan (GERF)

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

Public Employees Police and Fire Fund (PEPFF)

The PEPFF, 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 PEPFF also covers police officers and firefighters belonging to a local relief association that elected to merge with and transfer assets and administration to PERA.

B. *Benefits Provided*

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

GERF Benefits

General Employees Plan benefits are based on a member's highest average salary for any five successive years of allowable service, age, and years of credit at termination of service. Two methods are used to compute benefits for PERA's Coordinated Plan members. Members hired prior to July 1, 1989, receive the higher of Method 1 or Method 2 formulas. Only Method 2 is used for members hired after June 30, 1989. Under Method 1, the accrual rate for Coordinated members is 1.2% for each of the first 10 years of service and 1.7% for each additional year. The rates are 2.2% and 2.7%, respectively, for Basic members. Under Method 2, the accrual rate for Coordinated members is 1.7% for all years of service, and 2.7% for Basic members. The accrual rates for former MERF members is 2.0% for each of the first 10 years of service and 2.5% for each additional year. 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.

Beginning January 1, 2019, benefit recipients will receive a future annual increase equal to 50 percent of the Social Security Cost of Living Adjustment, not less than 1.0 percent and not more than 1.5 percent. For retirements on or after January 1, 2024, the first benefit increase is delayed until the retiree reaches Normal Retirement Age (not applicable to Rule of 90 retirees, disability benefit recipients, or survivors). A benefit recipient who has been receiving a benefit for at least 12 full months as of June 30 will receive a full increase. Members receiving benefits for at least one month but less than 12 full months as of June 30 will receive a pro rata increase.

PEPFF Benefits

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

CITY OF ANNANDALE, MINNESOTA

NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2019

Note 4 DEFINED BENEFIT PENSION PLANS-(Continued)

Beginning in 2019, the COLA will be fixed at 1 percent. Under funding measurements from 2017, the 2.5 percent COLA trigger was never expected to occur and was subsequently removed from law. Post retirement increases are given each year except for annuitants who have been receiving a benefit for only 31 to 41 months. These annuitants will receive a prorated amount of the increase on a sliding scale.

C. Contributions

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

GERF Contributions

Coordinated Plan members were required to contribute 6.50 percent of their annual covered salary in fiscal year 2019; the City was required to contribute 7.50 percent for Coordinated Plan members. The City's contributions to the General Employees Fund for the year ended December 31, 2019 were \$55,379. The City's contributions were equal to the required contributions as set by state statute.

PEPFF Contributions

Legislation increased both employee and employer contribution rates in the Police and Fire Plan. Employee rates increased from 10.80 percent of pay to 11.30 percent and employer rates increase from 16.20 percent to 16.95 percent on January 1, 2019. On January 1, 2020 employee rates increase to 11.80 percent and employer rates increase to 17.70 percent. The City's contributions to the Police and Fire Fund for the year ended December 31, 2019 were \$61,993. The City's contributions were equal to the required contributions as set by state statute.

D. Pension Costs

GERF Pension Costs

At December 31, 2019, the City reported a liability of \$558,406 for its proportionate share of the GERF's net pension liability. The City's net pension liability reflected a reduction due to the State of Minnesota's contribution of \$16 million to the fund in 2019. 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 \$17,333. The net pension liability was measured as of June 30, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City's proportion of the net pension liability was based on the City's contributions received by PERA during the measurement period for employer payroll paid dates from July 1, 2018, through June 30, 2019, relative to the total employer contributions received from all of PERA's participating employers. At June 30, 2019, the City's proportion was 0.0101% which was an increase of .0002% from its proportion measured as of June 30, 2018. For the year ended December 31, 2019, the City recognized pension revenue of \$10,870 for its proportionate share of GERF's pension expense. In addition, the City recognized an additional \$1,298 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.

Post-retirement benefit increases were changed from 1.0% per year with a provision to increase to 2.5% upon attainment of a 90% funding ratio to 50% of the Social Security Cost of Living Adjustment, not less than 1.0% and not more than 1.5%, beginning January 1, 2019.

CITY OF ANNANDALE, MINNESOTA

NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2019

Note 4 DEFINED BENEFIT PENSION PLANS-(Continued)

At December 31, 2019, the City reported its proportionate share of GERF's deferred outflows of resources and deferred inflows of resources from the following sources:

| | <u>Deferred Outflows of Resources</u> | <u>Deferred Inflows of Resources</u> |
|--|---|--|
| Differences between expected and actual experience | \$ 15,529 | \$ (6) |
| Net difference between projected and actual earnings on plan investments | 33,428 | 86,676 |
| Changes in actuarial assumptions | 251 | 42,490 |
| Changes in proportion | 15,257 | 6,452 |
| Contributions paid to PERA subsequent to the measurement date | <u>27,770</u> | <u>-</u> |
| Total | <u>\$ 92,235</u> | <u>\$ 135,612</u> |

\$27,770 reported as deferred outflows of resources related to pensions resulting from City contributions to GERF subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2020. Other amounts reported as deferred outflows and inflows of resources related to GERF pensions will be recognized in pension expense as follows:

| <u>Year ended December 31:</u> | <u>Pension Expense</u> |
|--------------------------------|------------------------|
| 2020 | \$ (26,359) |
| 2021 | (41,127) |
| 2022 | (4,560) |
| 2023 | 899 |
| 2024 | - |
| Thereafter | - |

PEPFF Pension Costs

At December 31, 2019, the City reported a liability of \$367,287 for its proportionate share of the PEPFF's net pension liability. The net pension liability was measured as of June 30, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City's proportion of the net pension liability was based on the City's contributions received by PERA during the measurement period for employer payroll paid dates from July 1, 2018, through June 30, 2019, relative to the total employer contributions received from all of PERA's participating employers. At June 30, 2019, the City's proportion was 0.0345% which was an increase of .0016% from its proportion measured as of June 30, 2018. Legislation passed in 2013 required the State of Minnesota to begin contributing \$9 million to the Police and Fire Fund each year until the plan is 90 percent funded or until the State Patrol Plan (administered by the Minnesota State Retirement System) is 90 percent funded, whichever occurs later. In addition, the state will pay \$4.5 million on October 1, 2018 and October 1, 2019 in direct state aid. Thereafter, by October 1 of each year, the state will pay \$9 million until full funding is reached or July 1, 2048, whichever is earlier.

For the year ended December 31, 2019, the City recognized pension revenue of \$60,615 for its proportionate share of the PEPFF's pension expense. The City also recognized \$4,657 for the year ended December 31, 2019, as pension expense (and grant revenue) for its proportionate share of the State of Minnesota's on-behalf contributions to the PEPFF.

CITY OF ANNANDALE, MINNESOTA

NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2019

Note 4 DEFINED BENEFIT PENSION PLANS-(Continued)

At December 31, 2019, the City reported its proportionate share of the PEPFF's deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

| | <u>Deferred Outflows of Resources</u> | <u>Deferred Inflows of Resources</u> |
|--|---|--|
| Differences between expected and actual experience | \$ 15,624 | \$ 54,174 |
| Net difference between projected and actual earnings on plan investments | 46,057 | 110,007 |
| Changes in actuarial assumptions | 307,779 | 371,312 |
| Changes in proportion | 22,797 | 6,933 |
| Contributions paid to PERA subsequent to the measurement date | 31,687 | - |
| Total | <u>\$ 423,944</u> | <u>\$ 542,426</u> |

\$31,687 reported as deferred outflows of resources related to pensions resulting from City's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2020. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

| <u>Year ended December 31:</u> | <u>Pension Expense</u> |
|--------------------------------|------------------------|
| 2020 | \$ (11,496) |
| 2021 | (35,319) |
| 2022 | (122,353) |
| 2023 | 14,750 |
| 2024 | 4,248 |
| Thereafter | |

E. Actuarial Assumptions

GERF and PEPFF

The total pension liability in the June 30, 2019, actuarial valuation was determined using the following actuarial assumptions:

Key Methods and Assumptions Used in Valuation of Total Pension Liability

Actuarial Information:

| | |
|-----------------------|------------------|
| Measurement Date | June 30, 2019 |
| Valuation Date | July 1, 2019 |
| Actuarial Cost Method | Entry Age Normal |

Actuarial Assumption:

| | |
|---------------------------|---------------------------------|
| Investment Rate of Return | 7.50% |
| Inflation | 2.50% per year |
| Projected Salary Increase | 3.25% after 26 years of service |

CITY OF ANNANDALE, MINNESOTA

NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2019

Note 4 DEFINED BENEFIT PENSION PLANS-(Continued)

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

Actuarial assumptions used in the June 30, 2019 valuation were based on the results of actuarial experience studies. The most recent four-year experience study in the General Employees Plan was completed in 2019. The most recent four-year experience study for Police and Fire Plan was completed in 2016. Economic assumptions were updated in 2018 based on a review of inflation and investment return assumptions.

The following changes in actuarial assumptions occurred in 2019:

General Employees Fund

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

Police and Fire Fund

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

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

| <u>Asset Class</u> | <u>Target Allocation</u> | <u>Long-Term Expected Real Rate of Return</u> |
|----------------------|--------------------------|---|
| Domestic Stocks | 36% | 5.10% |
| International Stocks | 17% | 5.90% |
| Bonds | 20% | 0.75% |
| Alternative Assets | 25% | 5.90% |
| Cash | 2% | 0.00% |

F. Discount Rate

GERF and PEPFF

The discount rate used to measure the total pension liability in 2019 was 7.50%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and employers will be made at rates set in Minnesota Statutes. Based on these assumptions, the fiduciary net position of the General Employees Fund and the Police and Fire Fund was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2019Note 4 DEFINED BENEFIT PENSION PLANS-(Continued)**G. Pension Liability Sensitivity***GERF and PEPFF*

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

| Plan | City's proportionate share of NPL | | | |
|--|-----------------------------------|--------------|------------|--------------|
| | Rate | 1 % Decrease | Current | 1 % Increase |
| City's proportionate share of the GERF net pension liability: | Rate | 6.50% | 7.50% | 8.50% |
| | | \$ 917,990 | \$ 558,406 | \$ 261,499 |
| City's proportionate share of the PEPFF net pension liability: | Rate | 6.50% | 7.50% | 8.50% |
| | | \$ 802,822 | \$ 367,287 | \$ 7 |

H. Pension Plan Fiduciary Net Position

Detailed information about each defined benefit pension plan's fiduciary net position is available in a separately-issued PERA financial report. That report may be obtained on the Internet at www.mnpera.org; by writing to PERA at 60 Empire Drive #200, St. Paul, Minnesota, 55103-2088; or by calling (651) 296-7460 or 1-800-652-9026.

VOLUNTEER FIRE RELIEF ASSOCIATION**A. Plan Description***Fire Relief Association*

All active or probationary members of the Annandale Fire Department are covered by a Defined Benefit Plan (the Plan) administered by the Annandale Fire Relief Association (the Association). The Plan is a single employer retirement plan and is established and administered in accordance with Minnesota statute, chapter 69.

The Association issues a publicly available financial report. The report may be obtained by writing to Annandale Fire Relief Association, P.O. Box K Annandale, Minnesota 55302.

The Association maintains a separate Special fund to accumulate assets to fund the retirement benefits earned by the Department's membership. Funding for the Association is derived from an insurance premium tax in accordance with the Volunteer Fire Relief Association Financing Guidelines Act of 1971 (chapter 261 as amended by chapter 509 of Minnesota statutes 1980). Funds are also derived from investment income.

If a member is terminated prior to age 50 with at least 5 years of service a deferred lump sum pension payable will be established based on the lump sum pension formula and service at date of termination reduced for less than 20 years of service. For members that terminate with at least 5 years of service, the Association will pay interest on the deferred service pensions during the period of deferral at the rate established by the Board of Trustees based on date of termination. If a member dies before payment, the benefit will be paid to the participant's beneficiary.

The disability lump sum pension is payable immediately based on the lump sum pension formula and service at date of disability without regard to vesting.

A survivor benefit is paid based on years of service (not less than 5 years) times the lump sum rate in effect at the time of death without regard to vesting, payable to named beneficiary plus a Supplemental Benefit in the amount of 20% of the total benefit paid, but not more than \$2,000.

CITY OF ANNANDALE, MINNESOTA

NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2019

Note 4 DEFINED BENEFIT PENSION PLANS-(Continued)

| Summary of Participant Data | |
|--|-----------|
| Active members | 26 |
| Inactive members entitled to future benefits | 13 |
| Inactive members or beneficiaries currently receiving benefits | 0 |
| Total number of participants | <u>39</u> |

B. Benefits Provided

Relief Association Benefits

Benefits are provided to Fire Department members who reach the age of 50 or have 20 years of service. The benefit upon retirement is a lump sum payment of \$2,600 (effective January 1, 2018) per year of service plus a Supplemental Benefit of 10% of the regular lump sum distribution, but not more than \$1,000. If a member is both age 50 and has completed 5 years of service, but not 20 years of service, the lump sum pension will be reduced by 4% for each year of service less than 20 years.

C. Contributions

Relief Association Contributions

The pension 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 \$34,012 in fire state aid to the plan for the year ended December 31, 2019. Required employer contributions are calculated annually based on statutory provisions. There were no statutorily-required contributions to the pension plan for the year ended December 31, 2019. In addition, the City made voluntary contributions of \$11,250 to the plan.

D. Pension Costs

Relief Association Costs

At December 31, 2018, the Association reported an asset of \$398,404. The net pension asset was measured as of December 31, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date.

CITY OF ANNANDALE, MINNESOTA

NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2019

Note 4 DEFINED BENEFIT PENSION PLANS-(Continued)

The following table presents the changes in net pension liability during the year:

| | Increase (Decrease) | | |
|--|--------------------------------|------------------------------------|--|
| | Total Pension Liability (a) | Plan Fiduciary Net Position (b) | Net Pension Liability (c) = (a) - (b) |
| Balance at Previous Fiscal Year 12/31/2017 | \$ 586,648 | \$ 1,104,594 | \$ (517,946) |
| Changes for the year: | | | |
| Service cost | 29,477 | - | 29,477 |
| Interest | 36,852 | - | 36,852 |
| Differences between expected and actual experience | (22,353) | - | (22,353) |
| Changes of assumptions | 13,012 | - | 13,012 |
| Changes of benefit terms | - | - | - |
| Contributions - State and local | - | 55,196 | (55,196) |
| Contributions - Donation and other income | - | - | - |
| Contributions - Member | - | - | - |
| Net investment incomes | - | (109,391) | 109,391 |
| Other additions (e.g. receivables) | - | 150 | (150) |
| Benefit payments, including member contribution refunds | (53,000) | (53,000) | - |
| Administrative expense | - | (8,509) | 8,509 |
| Other deductions (e.g. payables) | - | - | - |
| Net changes | <u>3,988</u> | <u>(115,554)</u> | <u>119,542</u> |
| Balance at Current Fiscal Year 12/31/2018 | <u>\$ 590,636</u> | <u>\$ 989,040</u> | <u>\$ (398,404)</u> |

There were no provision changes during the measurement period.

For the year ended December 31, 2019 the City recognized pension expense of \$(45,596).

At December 31, 2019, the Association reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

| | <u>Deferred Outflows of Resources</u> | <u>Deferred Inflows of Resources</u> |
|---|---|--|
| Differences between expected and actual experience | \$ - | \$ 23,906 |
| Net difference between projected and actual earnings on plan investments | 158,572 | 45,717 |
| Changes in actuarial assumptions | 11,307 | 3,084 |
| Contributions made subsequent to measurement date | 54,530 | - |
| Total | <u>\$ 224,409</u> | <u>\$ 72,707</u> |

CITY OF ANNANDALE, MINNESOTA

NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2019

Note 4 DEFINED BENEFIT PENSION PLANS-(Continued)

\$54,530 reported as deferred outflows of resources related to pensions resulting from City's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2020. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

| <u>Year ended December 31:</u> | <u>Pension Expense</u> |
|--------------------------------|----------------------------|
| 2020 | \$ 33,993 |
| 2021 | 16,294 |
| 2022 | 19,303 |
| 2023 | 32,536 |
| 2024 | (2,682) |
| Thereafter | (2,273) |

E. Actuarial Assumptions

Relief Association

The total pension liability in the December 31, 2018, actuarial valuation was determined using the following actuarial assumptions:

Key Methods and Assumptions Used in Valuation of Total Pension Liability

Actuarial Information:

| | |
|-----------------------|-------------------|
| Measurement Date | December 31, 2018 |
| Valuation Date | December 31, 2018 |
| Actuarial Cost Method | Entry Age Normal |

Actuarial Assumption:

| | |
|---------------------------|----------------|
| Investment Rate of Return | 5.75% |
| Inflation | 2.50% per year |
| Lump Sum Benefit Increase | N/A* |

* GASB rules require that accrued liabilities be based on the terms of the plan in effect on the measurement date. Therefore, the actuary has not reflected any future lump sum multiplier increases even though the Relief Association may have a history of regular benefit increases. Potential increases are contingent on future benefit agreements and statutory average available financing requirements. Any future increases will be reflected at the time they are approved.

Mortality rates for active members, retirees, survivors and disabilitants were based on RP-2014 tables for males or females, as appropriate, with slight adjustments as follows:

Active: RP-2014 employee generational mortality table projected with mortality improvement scale MP-2017, from a base year of 2006.

Retirees: RP-2014 annuitant generational mortality table projected with mortality improvement scale MP-2017 from a base year of 2006. Male rates are adjusted by a factor of 0.96.

Disabled: RP-2014 annuitant generational mortality table projected with mortality improvement scale MP2017 from a base year of 2006. Male rates are adjusted by a factor of 0.96.

Actuarial assumptions used in the December 31, 2018, valuation were based on the most recent Minnesota PERA Police & Fire Plan actuarial valuation performed on July 1, 2018.

CITY OF ANNANDALE, MINNESOTA

NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2019

Note 4 DEFINED BENEFIT PENSION PLANS-(Continued)

The following changes in actuarial assumptions occurred in 2018:

- The expected investment return and discount rate decreased from 6.25% to 5.75% to reflect updated capital market assumptions.
- The mortality and withdrawal assumptions were updated from the rates used in the July 1, 2016 Minnesota PERA Police & Fire Plan actuarial valuation to the rates used in the July 1, 2018 Minnesota PERA Police & Fire Plan actuarial valuation.
- The inflation assumption rate was reduced from 2.75% to 2.50%

The long-term expected rate of return on pension plan investments is 5.75%. The actuary used a building-block method in which best-estimate ranges of expected future rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These asset class estimates are combined to produce the portfolio long-term expected rate of return by weighting the expected future real rates of return by the current asset allocation percentage (or target allocation, if available) and by adding expected inflation (2.50%) All results are then rounded to the nearest quarter percentage point.

The best estimates of expected future real rates of return were developed by aggregating data from several published capital market assumption surveys and deriving a single best estimate based on the average survey values. These capital market assumptions reflect both historical market experience as well as diverse views regarding anticipated future returns. The expected inflation assumption was developed based on an analysis of historical experience blended with forward looking expectations available in the market data.

Best estimates of geometric real and nominal rates of return for each major asset class included in the pension plan's assets allocation as of the measurement date are summarized in the following table:

| Asset Class | Allocation at Measurement Date | Long-Term Expected Real Rate of Return | Long-Term Expected Nominal Rate of Return |
|--|--------------------------------------|--|---|
| Domestic Equity | 45.0% | 4.95% | 7.45% |
| International Equity | 10.0% | 5.24% | 7.74% |
| Fixed Income | 35.0% | 1.99% | 4.49% |
| Real estate and alternative | 5.0% | 4.19% | 6.69% |
| Cash and equivalents | 5.0% | 0.58% | 3.08% |
| Total | 100.00% | | 6.58% |
| Reduced for assumed investment expense | | | (0.90%) |
| Net assumed investment return | | | 5.75% |

F. Discount Rate

Relief Association

The discount rate used to measure the total pension liability was 5.75%. The liability discount rate was developed using the alternative method described in paragraph 43 of GASB 67, which states that "if the evaluations required by paragraph 41 can be made with sufficient reliability without a separate projection of cash flows into and out of the pension plan, alternative methods may be applied in make the evaluation." The actuary believes that the plan's current overfunded status, combined with statutory funding requirements, provide sufficient reliability that projected plan assets will be adequate to pay future retiree benefits. Therefore, they have used the plan's long-term expected investment return as the liability discount rate.

NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2019Note 4 DEFINED BENEFIT PENSION PLANS-(Continued)**G. Pension Liability Sensitivity***Relief Association*

The following presents the Association's net pension liability for plans it participates in, calculated using the discount rate disclosed in the preceding paragraphs, as well as what the Association's 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:

| Association's Net Pension Liability | | |
|-------------------------------------|----------------|---------------------------|
| <u>1 Percent Decrease</u> | <u>Current</u> | <u>1 Percent Increase</u> |
| 4.75% | 5.75% | 6.75% |
| \$ (375,087) | \$ (398,404) | \$ (420,730) |

H. Pension Plan Fiduciary Net Position

Detailed information about the relief association's defined benefit pension plan's fiduciary net position is available in a separately-issued financial report. That report may be obtained by writing to the City of Annandale at P.O. Box K Annandale, Minnesota, 55302.

Note 5 OTHER INFORMATION**A. Risk management**

The City is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters for which the City carries insurance. The City obtains insurance through participation in the League of Minnesota Cities Insurance Trust (LMCIT), which is a risk sharing pool with approximately 800 other governmental units. The City pays an annual premium to LMCIT for its workers compensation and property and casualty insurance. The LMCIT is self-sustaining through member premiums and will reinsure for claims above a prescribed dollar amount for each insurance event. Settled claims have not exceeded the City's coverage in any of the past three fiscal years.

Liabilities are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. Liabilities, if any, include an amount for claims that have been incurred but not reported (IBNRs). The City's management is not aware of any incurred but not reported claims.

B. Legal debt margin

In accordance with Minnesota statutes, the City may not incur or be subject to net debt in excess of 3 percent of the market value of taxable property within the City. Net debt is payable solely from ad valorem taxes and therefore, excludes debt financed partially or entirely by special assessments, enterprise fund revenues, or tax increments. The City has \$338,000 of debt outstanding subjected to this limit at December 31, 2019.

C. Tax increment districts

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

CITY OF ANNANDALE, MINNESOTA

NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2019

Note 5 OTHER INFORMATION – (Continued)

D. Concentrations

The City receives a significant amount of its annual General fund revenues from the State of Minnesota from the Local Government Aid (LGA). The amount received in 2019 was \$453,777 for LGA. This accounted for 18 percent of General fund revenues.

E. Joint ventures

In September 2003, the City entered into a joint powers agreement with the City of Maple Lake to establish the Annandale-Maple Lake Wastewater Commission (the "Commission"). The purpose of the Commission is to make available wastewater treatment within the present and future boundaries of the Cities, and to serve such other areas as the Commission approves. As part of the joint venture, the City of Annandale agrees to fund the Debt Service and Operating Funds of the Commission according to terms of the agreement. The agreement states a City may terminate the agreement by written notice to the other City. In such event, the City of Annandale shall pay 60% of all costs incurred, except each City shall pay its own attorney's fee. In 2008, both Cities approved amending the joint powers agreement to include the City of Howard Lake, effective January 1, 2009. Each City will then have a one-third equity interest in the Commission. Because there is an explicit measurable equity interest in the joint venture, the interest is reported in the government-wide financial statements, as well as in the Sewer Fund.

Note 6 PUBLIC EMPLOYEES DEFERRED COMPENSATION PLAN

The City participates in the Deferred Compensation Plan, a voluntary savings plan administered by Aspire Financial Services LLC for eligible employees. The Deferred Compensation Plan is a tax qualified plan under Section 457 of the Internal Revenue Code and all contributions by or on behalf of employees are tax deferred until time of withdrawal.

Plan benefits depend solely on amounts contributed to the plan plus investment earnings, less administrative expenses. *Minnesota Statutes*, Chapter 352.965, established the Deferred Compensation Plan. An eligible employee who decides to participate contributes a minimum of one percent of salary. Total contributions made by the City during the fiscal year 2019 were \$0.

Note 7 SUBSEQUENT EVENT

In December 2019, a novel strain of coronavirus (COVID-19) surfaced. The spread of COVID-19 around the world in the first quarter of 2020 has caused significant volatility in U.S. and international markets. There is significant uncertainty around the breadth and duration of business disruptions related to COVID-19, as well as its impact on the U.S. and international economies and, as such, the City is unable to determine if it will have a material impact to its operations.

Also, on March 17, 2020 the City issued General Obligation Temporary Improvement Bonds, Series 2020A for \$2,880,000 at an interest rate of 2.0%. The bonds will mature on February 1, 2023. These bonds will be used for temporary financing of the upcoming 2020 Street & Utility Improvement Project.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF ANNANDALE, MINNESOTA

SCHEDULE OF CITY'S PROPORTIONARE SHARE OF NET PENSION LIABILITY
 GENERAL EMPLOYEES RETIREMENT FUND PENSION PLAN
 Year Ended December 31, 2019

| City Fiscal Year-End Date | PERA Fiscal Year-End Date (Measurement Date) | City's Proportion of the Net Pension Liability | City's Proportionate Share of the Net Penion Liability | State's Proportionate Share of the Net Pension Liability Assocaited with the City | Total | City's Covered Payroll | City's Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll | Plan Fiduciary Net Position as a Percentage of the Total Pension Liability |
|------------------------------|---|--|--|---|------------|------------------------------|---|--|
| 12/31/2019 | 6/30/2019 | 0.0101% | \$ 558,406 | \$ 17,333 | \$ 575,739 | \$ 677,402 | 85.0% | 80.2% |
| 12/31/2018 | 6/30/2018 | 0.0098% | \$ 543,664 | \$ 17,795 | \$ 561,459 | \$ 658,161 | 85.3% | 79.5% |
| 12/31/2017 | 6/30/2017 | 0.0100% | \$ 638,393 | \$ 8,040 | \$ 646,433 | \$ 647,524 | 99.8% | 75.9% |
| 12/31/2016 | 6/30/2016 | 0.0099% | \$ 803,831 | \$ 10,468 | \$ 814,299 | \$ 610,663 | 133.3% | 68.9% |
| 12/31/2015 | 6/30/2015 | 0.0102% | \$ 528,617 | \$ - | \$ 528,617 | \$ 605,733 | 87.3% | 78.2% |

SCHEDULE OF CITY'S CONTRIBUTIONS
 GENERAL EMPLOYEES RETIREMENT FUND PENSION PLAN
 Year Ended December 31, 2019

| City Fiscal Year-End Date | PERA Fiscal Year-End Date (Measurement Date) | Statutorily Required Contributions | Contributions in Relation to the Statutorily Required Contributions | Contribution Deficiency (Excess) | City's Covered Payroll | Contributions as a Percentage of Covered Payroll |
|------------------------------|---|--|---|--|------------------------------|--|
| 12/31/2019 | 6/30/2019 | \$ 53,542 | \$ 53,542 | \$ - | \$ 713,893 | 7.50% |
| 12/31/2018 | 6/30/2018 | \$ 50,226 | \$ 50,226 | \$ - | \$ 669,680 | 7.50% |
| 12/31/2017 | 6/30/2017 | \$ 48,886 | \$ 48,886 | \$ - | \$ 651,813 | 7.50% |
| 12/31/2016 | 6/30/2016 | \$ 46,583 | \$ 46,583 | \$ - | \$ 621,107 | 7.50% |
| 12/31/2015 | 6/30/2015 | \$ 45,426 | \$ 45,426 | \$ - | \$ 605,680 | 7.50% |

CITY OF ANNANDALE, MINNESOTA

SCHEDULE OF CITY'S PROPORTIONARE SHARE OF NET PENSION LIABILITY
PUBLIC EMPLOYEES POLICE AND FIRE FUND PENSION PLAN
Year Ended December 31, 2019

| City Fiscal Year-End Date | PERA Fiscal Year-End Date (Measurement Date) | City's Proportion of the Net Pension Liability | City's Proportionate Share of the Net Penion Liability | State's Proportionate Share of the Net Pension Liability Associated with the City | Total | City's Covered Payroll | City's Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll | Plan Fiduciary Net Position as a Percentage of the Total Pension Liability |
|------------------------------|---|--|--|---|--------------|------------------------------|---|--|
| 12/31/2019 | 6/30/2019 | 0.0345% | \$ 367,287 | \$ - | \$ 367,287 | \$ 377,813 | 97.2% | 89.3% |
| 12/31/2018 | 6/30/2018 | 0.0329% | \$ 350,680 | \$ - | \$ 350,680 | \$ 346,636 | 101.2% | 88.8% |
| 12/31/2017 | 6/30/2017 | 0.0330% | \$ 445,539 | \$ - | \$ 445,539 | \$ 339,010 | 131.4% | 85.4% |
| 12/31/2016 | 6/30/2016 | 0.0341% | \$ 1,364,479 | \$ - | \$ 1,364,479 | \$ 322,596 | 423.0% | 63.9% |
| 12/31/2015 | 6/30/2015 | 0.0344% | \$ 386,320 | \$ - | \$ 386,320 | \$ 317,917 | 121.5% | 86.6% |

SCHEDULE OF CITY'S CONTRIBUTIONS
PUBLIC EMPLOYEES POLICE AND FIRE FUND PENSION PLAN
Year Ended December 31, 2019

| City Fiscal Year-End Date | PERA Fiscal Year-End Date (Measurement Date) | Statutorily Required Contributions | Contributions in Relation to the Statutorily Required Contributions | Contribution Deficiency (Excess) | City's Covered Payroll | Contributions as a Percentage of Covered Payroll |
|------------------------------|---|--|---|--|------------------------------|--|
| 12/31/2019 | 6/30/2019 | \$ 60,357 | \$ 60,357 | \$ - | \$ 372,574 | 16.2% |
| 12/31/2018 | 6/30/2018 | \$ 56,155 | \$ 56,155 | \$ - | \$ 346,636 | 16.2% |
| 12/31/2017 | 6/30/2017 | \$ 54,582 | \$ 54,582 | \$ - | \$ 336,926 | 16.2% |
| 12/31/2016 | 6/30/2016 | \$ 53,163 | \$ 53,163 | \$ - | \$ 328,167 | 16.2% |
| 12/31/2015 | 6/30/2015 | \$ 49,642 | \$ 49,642 | \$ - | \$ 306,432 | 16.2% |

CITY OF ANNANDALE, MINNESOTA

SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS
ANNANDALE FIRE RELIEF ASSOCIATION
(Last 10 Fiscal Years)

| Total Pension Liability | 2018 | 2017 | 2016 | 2015 | 2014 |
|--|---------------------|---------------------|---------------------|---------------------|---------------------|
| Service cost | \$ 29,477 | \$ 26,727 | \$ 26,915 | \$ 21,845 | \$ 21,260 |
| Interest | 36,852 | 34,955 | 33,085 | 27,615 | 24,816 |
| Difference between expected and actual experience | (22,353) | 28,893 | - | 40,156 | - |
| Changes of assumptions | 13,012 | - | (7,074) | - | - |
| Changes in benefit terms | - | - | (4,866) | - | - |
| Benefit payments, including member contribution refunds | (53,000) | (72,973) | (7,040) | - | - |
| Net change in total pension liability | 3,988 | 17,602 | 41,020 | 89,616 | 46,076 |
| Total Pension Liability - beginning | 586,648 | 569,046 | 528,026 | 438,410 | 392,334 |
| Total Pension Liability - ending | \$ 590,636 | \$ 586,648 | \$ 569,046 | \$ 528,026 | \$ 438,410 |
| Plan Fiduciary Net Position | | | | | |
| Contributions - state and local | \$ 55,196 | \$ 50,693 | \$ 50,325 | \$ 49,939 | \$ 47,712 |
| Contributions - donation and other income | - | - | - | - | - |
| Contributions - member | - | - | - | - | - |
| Net investment income | (109,391) | 126,216 | 69,161 | (34,736) | 46,976 |
| Other additions (e.g. receivable) | 150 | - | - | - | - |
| Benefit payments, including member contribution refunds | (53,000) | (72,973) | (7,040) | - | - |
| Administrative expenses | (8,509) | (8,416) | (7,920) | (7,166) | (3,768) |
| Other deductions (e.g. payables) | - | - | - | - | (275) |
| Net change in plan fiduciary net position | (115,554) | 95,520 | 104,526 | 8,037 | 90,645 |
| Plan Fiduciary Net Position - beginning | 1,104,594 | 1,009,074 | 904,548 | 896,511 | 805,866 |
| Plan Fiduciary Net Position - ending | \$ 989,040 | \$ 1,104,594 | \$ 1,009,074 | \$ 904,548 | \$ 896,511 |
| Net Pension (Asset) Liability - ending | \$ (398,404) | \$ (517,946) | \$ (440,028) | \$ (376,522) | \$ (458,101) |
| FNP as a percentage of the TPL | 167.45% | 188.29% | 177.33% | 171.31% | 204.49% |

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

CITY OF ANNANDALE, MINNESOTA

SCHEDULE OF CONTRIBUTIONS AND NET PENSION LIABILITY AS A PERCENT OF PAYROLL
 ANNANDALE FIRE RELIEF ASSOCIATION
 (Last 10 Fiscal Years)

| Fiscal year ending | Actuarially determined contribution | Contributions in relation to the ADC | Contribution deficiency (excess) | Payroll | Contributions as a percentage of payroll | NPL as a percent of payroll |
|---------------------------|--|---|---|----------------|---|--|
| December 31, 2018 | - | \$ 3,000 | \$ (3,000) | - | - | - |
| December 31, 2017 | - | \$ 3,000 | \$ (3,000) | - | - | - |
| December 31, 2016 | - | \$ 3,000 | \$ (3,000) | - | - | - |
| December 31, 2015 | - | \$ 3,000 | \$ (3,000) | - | - | - |
| December 31, 2014 | - | \$ 3,000 | \$ (3,000) | - | - | - |

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

NOTES TO THE REQUIRED SUPPLEMENTAL INFORMATION
December 31, 2019

Note 1 CHANGE IN PLAN PROVISIONS

A. Public Employees Retirement Association – General Employees Retirement Fund

2019 changes:

Changes in Actuarial Assumptions. The mortality projection scale was changed from MP-2017 to MP-2018.

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

2018 changes:

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

2017 changes:

Change of Assumptions. The Combined Service Annuity (CSA) loads were changed from 0.8 percent for active members and 60 percent for vested and non-vested deferred members. The revised CSA loads are now 0.0 percent for active member liability, 15.0 percent for vested deferred member liability and 3.0 percent for non-vested deferred member liability. 2) The assumed post-retirement benefit increase rate was changed from 1.0 percent per year for all years to 1.0 percent per year through 2044 and 2.5 percent per year thereafter.

2016 changes:

Changes in Actuarial Assumptions: 1) 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. 2) The assumed investment return was changed from 7.9% to 7.5%. The single discount rate was changed from 7.9% to 7.5%. 3) Other assumptions were changed pursuant to the experience study dated June 30, 2015. The assumed future salary increases, payroll growth, and inflation were decreased by 0.25% to 3.25% for payroll growth and 2.50% for inflation.

2015 changes:

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.

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.

B. Public Employees Retirement Association – Public Employees Police and Fire Fund

2019 changes:

Change of Assumptions. 1) The mortality projection scale was changed from MP-2017 to MP-2018.

2018 changes:

Change of Assumptions. 1) The mortality projection scale was changed from MP-2016 to MP-2017.

NOTES TO THE REQUIRED SUPPLEMENTAL INFORMATION
December 31, 2019

Note 1 CHANGE IN PLAN PROVISIONS (Continued)

B. Public Employees Retirement Association – Public Employees Police and Fire Fund (Continued)

2017 changes:

Change of Assumptions. 1) Assumed salary increases were changed as recommended in the June 30, 2016 experience study. The net effect is proposed rates that average 0.34 percent lower than the previous rates. 2) Assumed rates of retirement were changed, resulting in fewer retirements. 3) The Combined Service Annuity (CSA) load was 30 percent for vested and non-vested deferred members. The CSA has been changed to 33 percent for vested members and 2 percent for non-vested members. 4) 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. 5) Assumed termination rates were decreased to 3.0 percent for the first three years of service. Rates beyond the select period of three years were adjusted, resulting in more expected terminations overall. 6) Assumed percentage of married female members was decreased from 65 percent to 60 percent.

2017 changes: (Continued)

7) 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. 8) The assumed percentage of female members electing Joint and Survivor annuities was increased. 9) The assumed post-retirement benefit increase rate was changed from 1.00 percent for all years to 1.00 percent per year through 2064 and 2.50 percent thereafter.

2016 changes:

Changes in Actuarial Assumptions: 1) 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. 2) The assumed investment return was changed from 7.9% to 7.5%. The single discount rate changed from 7.9% to 5.6%. 3) 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.

2015 changes:

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%.

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.

C. Volunteer Fire Relief Association

2018 changes:

Changes in Actuarial Assumptions: A) The expected investment return and discount rate decreased from 6.25% to 5.75% to reflect updated capital market assumptions. B) The mortality and withdrawal assumptions were updated from the rates used in the July 1, 2016 Minnesota PERA Police & Fire Plan actuarial valuation to the rates used in the July 1, 2018 Minnesota PERA Police & Fire Plan actuarial valuation. C) The inflation assumption rate was reduced from 2.75% to 2.50%

CITY OF ANNANDALE, MINNESOTA

NOTES TO THE REQUIRED SUPPLEMENTAL INFORMATION
December 31, 2019

Note 1 CHANGE IN PLAN PROVISIONS (Continued)

C. Volunteer Fire Relief Association (Continued)

2017 changes:

None.

2016 changes:

Changes in Actuarial Assumptions: The expected investment return and discount rate increased from 6.00% to 6.25% to reflect updated capital market assumptions.

2015 changes:

None.

2014 changes:

None.

SUPPLEMENTARY INFORMATION SECTION

CITY OF ANNANDALE, MINNESOTA

COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
December 31, 2019

| | Special Revenue | Capital Projects | Total Nonmajor Governmental |
|--|---------------------|---------------------|-----------------------------------|
| ASSETS | | | |
| Cash and Investments | \$ 466,240 | \$ 500,280 | \$ 966,520 |
| Special Assessments | 0 | 26,935 | 26,935 |
| Due from Other Governments | 3,015 | 20,606 | 23,621 |
| Prepaid Expense | 2,904 | 0 | 2,904 |
| Notes Receivable | 16,271 | 0 | 16,271 |
| Advance to Other Funds | 210,238 | 0 | 210,238 |
| Land Held for Sale | 342,923 | 0 | 342,923 |
| | <u>1,041,591</u> | <u>547,821</u> | <u>1,589,412</u> |
| TOTAL ASSETS | \$ 1,041,591 | \$ 547,821 | \$ 1,589,412 |
| LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE | | | |
| Liabilities: | | | |
| Accounts Payable | \$ 35,331 | \$ 45,594 | \$ 80,925 |
| Due to Other Funds | 341,428 | 268,672 | 610,100 |
| Due to Other Governments | 0 | 5,910 | 5,910 |
| Advance from Other Funds | 46,888 | 0 | 46,888 |
| Total Liabilities | <u>423,647</u> | <u>320,176</u> | <u>743,823</u> |
| Deferred Inflows of Resources: | | | |
| Unavailable Revenue | <u>0</u> | <u>26,935</u> | <u>26,935</u> |
| Fund Balance: | | | |
| Nonspendable | 2,904 | 0 | 2,904 |
| Restricted | 23,783 | 0 | 23,783 |
| Committed | 822,433 | 0 | 822,433 |
| Assigned | 45,318 | 487,058 | 532,376 |
| Unassigned | <u>(276,494)</u> | <u>(286,348)</u> | <u>(562,842)</u> |
| Total Fund Balance | <u>617,944</u> | <u>200,710</u> | <u>818,654</u> |
| TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE | \$ 1,041,591 | \$ 547,821 | \$ 1,589,412 |

CITY OF ANNANDALE, MINNESOTA

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
NONMAJOR GOVERNMENTAL FUNDS

For the Year Ended December 31, 2019

| | Special Revenue | Capital Projects | Total Nonmajor Governmental |
|---|--------------------|---------------------|-----------------------------------|
| Revenues: | | | |
| General Property Taxes | \$ 2,500 | \$ 325,000 | \$ 327,500 |
| Tax Increment | 21,181 | 0 | 21,181 |
| Charges for Services | 38,606 | 0 | 38,606 |
| Fines and Forfeitures | 0 | 1,028 | 1,028 |
| Other Income | 7,180 | 62,447 | 69,627 |
| Interest Income | 7,224 | 8,060 | 15,284 |
| Total Revenues | <u>76,691</u> | <u>396,535</u> | <u>473,226</u> |
| Expenditures: | | | |
| Current: | | | |
| General Government | 11,355 | 0 | 11,355 |
| Public Safety | 18,546 | 18,603 | 37,149 |
| Parks and Recreation | 0 | 3,880 | 3,880 |
| Economic Development | 22,236 | 0 | 22,236 |
| Capital Outlay: | | | |
| General Government | 0 | 19,923 | 19,923 |
| Public Safety | 0 | 2,749 | 2,749 |
| Public Works | 0 | 361,608 | 361,608 |
| Park and Recreation | 23,291 | 31,031 | 54,322 |
| Economic Development | 45,522 | 0 | 45,522 |
| Debt Service: | | | |
| Interest and Fiscal Charges | 0 | 1,500 | 1,500 |
| Total Expenditures | <u>120,950</u> | <u>439,294</u> | <u>560,244</u> |
| Excess of Revenue Over (Under) Expenditures | <u>(44,259)</u> | <u>(42,759)</u> | <u>(87,018)</u> |
| Other Financing Sources (Uses): | | | |
| Bond Proceeds | 0 | 104,402 | 104,402 |
| Sale of Capital Assets | 0 | 2,500 | 2,500 |
| Transfers In | 2,900 | 307,571 | 310,471 |
| Transfers Out | 0 | (546,212) | (546,212) |
| Total Other Financing Sources (Uses) | <u>2,900</u> | <u>(131,739)</u> | <u>(128,839)</u> |
| Change in Fund Balance | (41,359) | (174,498) | (215,857) |
| Fund Balance - January 1 | <u>659,303</u> | <u>375,208</u> | <u>1,034,511</u> |
| Fund Balance - December 31 | <u>\$ 617,944</u> | <u>\$ 200,710</u> | <u>\$ 818,654</u> |

CITY OF ANNANDALE, MINNESOTA

COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS - SPECIAL REVENUE
 December 31, 2019

| | Charitable Gambling | Economic Development | TIF District No. 6 | Tax Abatement |
|---|------------------------|-------------------------|-----------------------|------------------|
| ASSETS | | | | |
| Cash and Investments | \$ 11,770 | \$ 368,025 | \$ 22,075 | \$ 0 |
| Due from Other Governments | 0 | 0 | 0 | 0 |
| Prepaid Expense | 0 | 0 | 0 | 0 |
| Notes Receivable | 0 | 16,271 | 0 | 0 |
| Advance to Other Funds | 0 | 210,238 | 0 | 0 |
| Land Held for Sale | 0 | 342,923 | 0 | 0 |
| | <u>0</u> | <u>342,923</u> | <u>0</u> | <u>0</u> |
| TOTAL ASSETS | <u>\$ 11,770</u> | <u>\$ 937,457</u> | <u>\$ 22,075</u> | <u>\$ 0</u> |
| LIABILITIES AND FUND BALANCE | | | | |
| Liabilities: | | | | |
| Accounts Payable | \$ 0 | \$ 2,824 | \$ 10,062 | \$ 0 |
| Due to Other Funds | 0 | 112,200 | 0 | 15,828 |
| Advance from Other Funds | 0 | 0 | 0 | 0 |
| Total Liabilities | <u>0</u> | <u>115,024</u> | <u>10,062</u> | <u>15,828</u> |
| Fund Balance: | | | | |
| Nonspendable | 0 | 0 | 0 | 0 |
| Restricted | 11,770 | 0 | 12,013 | 0 |
| Committed | 0 | 822,433 | 0 | 0 |
| Assigned | 0 | 0 | 0 | 0 |
| Unassigned | 0 | 0 | 0 | (15,828) |
| Total Fund Balance | <u>11,770</u> | <u>822,433</u> | <u>12,013</u> | <u>(15,828)</u> |
| TOTAL LIABILITIES AND FUND BALANCE | <u>\$ 11,770</u> | <u>\$ 937,457</u> | <u>\$ 22,075</u> | <u>\$ 0</u> |

| Lions Donations | TIF District No. 15 | Training Center | Woodlawn Cemetery | Total |
|------------------|---------------------|-----------------|-------------------|---------------------|
| \$ 65,168 | \$ 1,352 | \$ (2,201) | \$ 51 | \$ 466,240 |
| 0 | 0 | 3,015 | 0 | 3,015 |
| 0 | 0 | 1,452 | 1,452 | 2,904 |
| 0 | 0 | 0 | 0 | 16,271 |
| 0 | 0 | 0 | 0 | 210,238 |
| 0 | 0 | 0 | 0 | 342,923 |
| <u>\$ 65,168</u> | <u>\$ 1,352</u> | <u>\$ 2,266</u> | <u>\$ 1,503</u> | <u>\$ 1,041,591</u> |

| | | | | |
|---------------|--------------|----------------|---------------|----------------|
| \$ 19,850 | \$ 1,500 | \$ 990 | \$ 105 | \$ 35,331 |
| 0 | 0 | 211,361 | 2,039 | 341,428 |
| 0 | 0 | 0 | 46,888 | 46,888 |
| <u>19,850</u> | <u>1,500</u> | <u>212,351</u> | <u>49,032</u> | <u>423,647</u> |

| | | | | |
|------------------|-----------------|------------------|-----------------|---------------------|
| 0 | 0 | 1,452 | 1,452 | 2,904 |
| 0 | 0 | 0 | 0 | 23,783 |
| 0 | 0 | 0 | 0 | 822,433 |
| 45,318 | 0 | 0 | 0 | 45,318 |
| 0 | (148) | (211,537) | (48,981) | (276,494) |
| <u>45,318</u> | <u>(148)</u> | <u>(210,085)</u> | <u>(47,529)</u> | <u>617,944</u> |
| <u>\$ 65,168</u> | <u>\$ 1,352</u> | <u>\$ 2,266</u> | <u>\$ 1,503</u> | <u>\$ 1,041,591</u> |

CITY OF ANNANDALE, MINNESOTA

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
NONMAJOR GOVERNMENTAL FUNDS - SPECIAL REVENUE

For the Year Ended December 31, 2019

| | Charitable Gambling | Economic Development | TIF District No. 6 | Tax Abatement |
|---|------------------------|-------------------------|-----------------------|--------------------|
| Revenues: | | | | |
| General Property Taxes | \$ 0 | \$ 0 | \$ 0 | \$ 2,500 |
| Tax Increment | 0 | 0 | 21,181 | 0 |
| Charges for Services | 0 | 11,795 | 0 | 0 |
| Other Income | 0 | 80 | 0 | 0 |
| Interest Income | 304 | 11,071 | 473 | (293) |
| Total Revenues | <u>304</u> | <u>22,946</u> | <u>21,654</u> | <u>2,207</u> |
| Expenditures: | | | | |
| Current: | | | | |
| General Government | 0 | 0 | 0 | 0 |
| Public Safety | 0 | 0 | 0 | 0 |
| Economic Development | 0 | 13,970 | 1,000 | 0 |
| Capital Outlay: | | | | |
| Park and Recreation | 0 | 0 | 0 | 0 |
| Economic Development | 0 | 25,400 | 20,122 | 0 |
| Total Expenditures | <u>0</u> | <u>39,370</u> | <u>21,122</u> | <u>0</u> |
| Excess of Revenue Over (Under) Expenditures | <u>304</u> | <u>(16,424)</u> | <u>532</u> | <u>2,207</u> |
| Other Financing Sources (Uses): | | | | |
| Transfers In | 0 | 2,900 | 0 | 0 |
| Total Other Financing Sources (Uses) | <u>0</u> | <u>2,900</u> | <u>0</u> | <u>0</u> |
| Change in Fund Balance | 304 | (13,524) | 532 | 2,207 |
| Fund Balance - January 1 | <u>11,466</u> | <u>835,957</u> | <u>11,481</u> | <u>(18,035)</u> |
| Fund Balance - December 31 | <u>\$ 11,770</u> | <u>\$ 822,433</u> | <u>\$ 12,013</u> | <u>\$ (15,828)</u> |

| Lions Donations | TIF District No. 15 | Training Center | Woodlawn Cemetery | Total |
|--------------------|------------------------|---------------------|----------------------|-------------------|
| \$ 0 | \$ 0 | \$ 0 | \$ 0 | \$ 2,500 |
| 0 | 0 | 0 | 0 | 21,181 |
| 0 | 0 | 13,266 | 13,545 | 38,606 |
| 0 | 7,100 | 0 | 0 | 7,180 |
| <u>1,106</u> | <u>18</u> | <u>(5,356)</u> | <u>(99)</u> | <u>7,224</u> |
| <u>1,106</u> | <u>7,118</u> | <u>7,910</u> | <u>13,446</u> | <u>76,691</u> |
| 0 | 0 | 0 | 11,355 | 11,355 |
| 0 | 0 | 18,546 | 0 | 18,546 |
| 0 | 7,266 | 0 | 0 | 22,236 |
| 23,291 | 0 | 0 | 0 | 23,291 |
| <u>0</u> | <u>0</u> | <u>0</u> | <u>0</u> | <u>45,522</u> |
| <u>23,291</u> | <u>7,266</u> | <u>18,546</u> | <u>11,355</u> | <u>120,950</u> |
| <u>(22,185)</u> | <u>(148)</u> | <u>(10,636)</u> | <u>2,091</u> | <u>(44,259)</u> |
| <u>0</u> | <u>0</u> | <u>0</u> | <u>0</u> | <u>2,900</u> |
| <u>0</u> | <u>0</u> | <u>0</u> | <u>0</u> | <u>2,900</u> |
| (22,185) | (148) | (10,636) | 2,091 | (41,359) |
| <u>67,503</u> | <u>0</u> | <u>(199,449)</u> | <u>(49,620)</u> | <u>659,303</u> |
| <u>\$ 45,318</u> | <u>\$ (148)</u> | <u>\$ (210,085)</u> | <u>\$ (47,529)</u> | <u>\$ 617,944</u> |

CITY OF ANNANDALE, MINNESOTA

COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS - CAPITAL PROJECTS
 December 31, 2019

| | Fire Equipment | Park | Street Capital Outlay | Public Works Equipment |
|--|-------------------|------------------|--------------------------|------------------------------|
| ASSETS | | | | |
| Cash and Investments | \$ 67,905 | \$ 0 | \$ 55,107 | \$ 176,209 |
| Due from Other Governments | 0 | 20,606 | 0 | 0 |
| Special Assessments | 0 | 0 | 26,935 | 0 |
| TOTAL ASSETS | <u>\$ 67,905</u> | <u>\$ 20,606</u> | <u>\$ 82,042</u> | <u>\$ 176,209</u> |
| LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE | | | | |
| Liabilities: | | | | |
| Accounts Payable | \$ 0 | \$ 0 | \$ 0 | \$ 0 |
| Due to Other Funds | 0 | 20,649 | 0 | 0 |
| Due to Other Governments | 0 | 5,910 | 0 | 0 |
| Total Liabilities | <u>0</u> | <u>26,559</u> | <u>0</u> | <u>0</u> |
| Deferred Inflows of Resources: | | | | |
| Unavailable Revenue | <u>0</u> | <u>0</u> | <u>26,935</u> | <u>0</u> |
| Fund Balance: | | | | |
| Assigned | 67,905 | 0 | 55,107 | 176,209 |
| Unassigned | 0 | (5,953) | 0 | 0 |
| Total Fund Balance | <u>67,905</u> | <u>(5,953)</u> | <u>55,107</u> | <u>176,209</u> |
| TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE | <u>\$ 67,905</u> | <u>\$ 20,606</u> | <u>\$ 82,042</u> | <u>\$ 176,209</u> |

| Police Equipment | Building Capital Outlay | Street Maintenance | Recreation Facility | 2020 Improvement Project | Total |
|---------------------|----------------------------|-----------------------|------------------------|--------------------------------|-------------------|
| \$ 29,103 | \$ 93,086 | \$ 28,106 | \$ 50,764 | \$ 0 | \$ 500,280 |
| 0 | 0 | 0 | 0 | 0 | 20,606 |
| <u>0</u> | <u>0</u> | <u>0</u> | <u>0</u> | <u>0</u> | <u>26,935</u> |
| <u>\$ 29,103</u> | <u>\$ 93,086</u> | <u>\$ 28,106</u> | <u>\$ 50,764</u> | <u>\$ 0</u> | <u>\$ 547,821</u> |
| \$ 0 | \$ 13,222 | \$ 0 | \$ 0 | \$ 32,372 | \$ 45,594 |
| 0 | 0 | 0 | 0 | 248,023 | 268,672 |
| <u>0</u> | <u>0</u> | <u>0</u> | <u>0</u> | <u>0</u> | <u>5,910</u> |
| <u>0</u> | <u>13,222</u> | <u>0</u> | <u>0</u> | <u>280,395</u> | <u>320,176</u> |
| <u>0</u> | <u>0</u> | <u>0</u> | <u>0</u> | <u>0</u> | <u>26,935</u> |
| 29,103 | 79,864 | 28,106 | 50,764 | 0 | 487,058 |
| <u>0</u> | <u>0</u> | <u>0</u> | <u>0</u> | <u>(280,395)</u> | <u>(286,348)</u> |
| <u>29,103</u> | <u>79,864</u> | <u>28,106</u> | <u>50,764</u> | <u>(280,395)</u> | <u>200,710</u> |
| <u>\$ 29,103</u> | <u>\$ 93,086</u> | <u>\$ 28,106</u> | <u>\$ 50,764</u> | <u>\$ 0</u> | <u>\$ 547,821</u> |

CITY OF ANNANDALE, MINNESOTA

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
NONMAJOR GOVERNMENTAL FUNDS - CAPITAL PROJECTS

For the Year Ended December 31, 2019

| | Fire Equipment | Park | Street Capital Outlay | Public Works Equipment | Police Equipment |
|--|-------------------|-------------------|--------------------------|------------------------------|---------------------|
| Revenues: | | | | | |
| General Property Taxes | \$ 25,000 | \$ 0 | \$ 300,000 | \$ 0 | \$ 0 |
| Fines and Forfeitures | 0 | 0 | 0 | 0 | 1,028 |
| Other Income | 5,950 | 8,595 | 0 | 0 | 730 |
| Interest Income | 1,356 | (1,291) | 794 | 3,542 | 507 |
| Total Revenues | <u>32,306</u> | <u>7,304</u> | <u>300,794</u> | <u>3,542</u> | <u>2,265</u> |
| Expenditures: | | | | | |
| Current: | | | | | |
| Public Safety | 18,581 | 0 | 0 | 0 | 22 |
| Parks and Recreation | 0 | 3,880 | 0 | 0 | 0 |
| Capital Outlay: | | | | | |
| Public Safety | 0 | 0 | 0 | 0 | 2,749 |
| Public Works | 0 | 0 | 0 | 9,637 | 0 |
| Park and Recreation | 0 | 0 | 0 | 0 | 0 |
| Debt Service: | | | | | |
| Interest and Fiscal Charges | 0 | 0 | 0 | 0 | 0 |
| Total Expenditures | <u>18,581</u> | <u>3,880</u> | <u>0</u> | <u>9,637</u> | <u>2,771</u> |
| Excess of Revenue Over (Under) Expenditures | <u>13,725</u> | <u>3,424</u> | <u>300,794</u> | <u>(6,095)</u> | <u>(506)</u> |
| Other Financing Sources (Uses): | | | | | |
| Bond Proceeds | 0 | 0 | 0 | 0 | 0 |
| Sale of Capital Assets | 2,500 | 0 | 0 | 0 | 0 |
| Transfers In | 88,206 | 20,000 | 0 | 60,000 | 20,000 |
| Transfers Out | (110,766) | 0 | (288,000) | 0 | 0 |
| Total Other Financing Sources (Uses) | <u>(20,060)</u> | <u>20,000</u> | <u>(288,000)</u> | <u>60,000</u> | <u>20,000</u> |
| Change in Fund Balance | (6,335) | 23,424 | 12,794 | 53,905 | 19,494 |
| Fund Balance - January 1 | <u>74,240</u> | <u>(29,377)</u> | <u>42,313</u> | <u>122,304</u> | <u>9,609</u> |
| Fund Balance - December 31 | <u>\$ 67,905</u> | <u>\$ (5,953)</u> | <u>\$ 55,107</u> | <u>\$ 176,209</u> | <u>\$ 29,103</u> |

| Building Capital Outlay | Street Maintenance | Recreational Facility | 2015 Street Project | 2020 Improvement Project | Pintail Drive Extension | Total |
|----------------------------|-----------------------|--------------------------|------------------------|--------------------------------|-------------------------------|-------------------|
| \$ 0 | \$ 0 | \$ 0 | \$ 0 | \$ 0 | \$ 0 | \$ 325,000 |
| 0 | 0 | 0 | 0 | 0 | 0 | 1,028 |
| 1,500 | 0 | 45,672 | 0 | 0 | 0 | 62,447 |
| 2,252 | 1,027 | 1,165 | 949 | (2,241) | 0 | 8,060 |
| <u>3,752</u> | <u>1,027</u> | <u>46,837</u> | <u>949</u> | <u>(2,241)</u> | <u>0</u> | <u>396,535</u> |
| 0 | 0 | 0 | 0 | 0 | 0 | 18,603 |
| 0 | 0 | 0 | 0 | 0 | 0 | 3,880 |
| 19,923 | 0 | 0 | 0 | 0 | 0 | 19,923 |
| 0 | 0 | 0 | 0 | 0 | 0 | 2,749 |
| 0 | 56,186 | 0 | 0 | 189,669 | 106,116 | 361,608 |
| 0 | 0 | 31,031 | 0 | 0 | 0 | 31,031 |
| 0 | 0 | 0 | 1,500 | 0 | 0 | 1,500 |
| <u>19,923</u> | <u>56,186</u> | <u>31,031</u> | <u>1,500</u> | <u>189,669</u> | <u>106,116</u> | <u>439,294</u> |
| <u>(16,171)</u> | <u>(55,159)</u> | <u>15,806</u> | <u>(551)</u> | <u>(191,910)</u> | <u>(106,116)</u> | <u>(42,759)</u> |
| 0 | 0 | 0 | 0 | 0 | 104,402 | 104,402 |
| 0 | 0 | 0 | 0 | 0 | 0 | 2,500 |
| 87,651 | 30,000 | 0 | 0 | 0 | 1,714 | 307,571 |
| (75,400) | 0 | 0 | (72,046) | 0 | 0 | (546,212) |
| <u>12,251</u> | <u>30,000</u> | <u>0</u> | <u>(72,046)</u> | <u>0</u> | <u>106,116</u> | <u>(131,739)</u> |
| (3,920) | (25,159) | 15,806 | (72,597) | (191,910) | 0 | (174,498) |
| <u>83,784</u> | <u>53,265</u> | <u>34,958</u> | <u>72,597</u> | <u>(88,485)</u> | <u>0</u> | <u>375,208</u> |
| <u>\$ 79,864</u> | <u>\$ 28,106</u> | <u>\$ 50,764</u> | <u>\$ 0</u> | <u>\$ (280,395)</u> | <u>\$ 0</u> | <u>\$ 200,710</u> |

CITY OF ANNANDALE, MINNESOTA

COMBINING BALANCE SHEET

DEBT SERVICE FUNDS

December 31, 2019

| | G.O. Improvement Bonds 2008B | G.O. Capital Improvement Plan Refunding Bonds 2008A | G.O. Equipment Certificates 2016A | G.O. Improvement Bonds 2011A |
|---|------------------------------------|--|--|------------------------------------|
| ASSETS | | | | |
| Cash and Investments | \$ 118,251 | \$ 47,728 | \$ (7,550) | \$ 1,342,726 |
| Special Assessments | <u>35,571</u> | <u>0</u> | <u>0</u> | <u>203,457</u> |
| TOTAL ASSETS | <u><u>\$ 153,822</u></u> | <u><u>\$ 47,728</u></u> | <u><u>\$ (7,550)</u></u> | <u><u>\$ 1,546,183</u></u> |
| DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE | | | | |
| Deferred Inflows of Resources: | | | | |
| Unavailable Revenue - Special Assessments | \$ 35,538 | \$ 0 | \$ 0 | \$ 201,794 |
| Fund Balance: | | | | |
| Restricted | 118,284 | 47,728 | 0 | 1,344,389 |
| Unassigned | <u>0</u> | <u>0</u> | <u>(7,550)</u> | <u>0</u> |
| Total Fund Balance | <u>118,284</u> | <u>47,728</u> | <u>(7,550)</u> | <u>1,344,389</u> |
| TOTAL DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE | <u><u>\$ 153,822</u></u> | <u><u>\$ 47,728</u></u> | <u><u>\$ (7,550)</u></u> | <u><u>\$ 1,546,183</u></u> |

| <u>G.O. Refunding Bonds 2011B</u> | <u>G.O. Refunding Bonds 2012A</u> | <u>G.O. Improvement Bond 2015A</u> | <u>G.O. TIF Bond 2019A</u> | <u>Total Debt Service Funds</u> |
|---|---|--|------------------------------------|---|
| \$ 75,146 | \$ 308,780 | \$ 355,499 | \$ 37,921 | \$ 2,278,501 |
| <u>0</u> | <u>52,746</u> | <u>244,868</u> | <u>160,742</u> | <u>697,384</u> |
| <u>\$ 75,146</u> | <u>\$ 361,526</u> | <u>\$ 600,367</u> | <u>\$ 198,663</u> | <u>\$ 2,975,885</u> |
| \$ 0 | \$ 52,747 | \$ 244,270 | \$ 160,742 | \$ 695,091 |
| 75,146 | 308,779 | 356,097 | 37,921 | 2,288,344 |
| <u>0</u> | <u>0</u> | <u>0</u> | <u>0</u> | <u>(7,550)</u> |
| <u>75,146</u> | <u>308,779</u> | <u>356,097</u> | <u>37,921</u> | <u>2,280,794</u> |
| <u>\$ 75,146</u> | <u>\$ 361,526</u> | <u>\$ 600,367</u> | <u>\$ 198,663</u> | <u>\$ 2,975,885</u> |

CITY OF ANNANDALE, MINNESOTA

COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - DEBT SERVICE FUNDS

For the Year Ended December 31, 2019

| | G.O. Improvement Bonds 2008B | G.O. Capital Improvement Plan Refunding Bonds 2008A | G.O. Equipment Certificates 2016A | G.O. Improvement Bonds 2011A |
|---|------------------------------------|--|--|------------------------------------|
| Revenues: | | | | |
| Property Taxes | \$ 0 | \$ 0 | \$ 25,000 | \$ 0 |
| Special Assessments | 12,367 | 0 | 0 | 31,019 |
| Interest Income | 1,008 | 146 | (447) | 5,787 |
| Total Revenues | <u>13,375</u> | <u>146</u> | <u>24,553</u> | <u>36,806</u> |
| Expenditures: | | | | |
| Debt Service: | | | | |
| Principal | 85,000 | 70,000 | 55,000 | 128,000 |
| Interest and Fiscal Charges | 21,325 | 10,975 | 2,951 | 104,328 |
| Total Expenditures | <u>106,325</u> | <u>80,975</u> | <u>57,951</u> | <u>232,328</u> |
| Excess of Revenue Over (Under) Expenditures | (92,950) | (80,829) | (33,398) | (195,522) |
| Other Financing Sources (Uses): | | | | |
| Bond Proceeds | 0 | 0 | 0 | 1,040,000 |
| Bond Premium | 0 | 0 | 0 | 38,577 |
| Transfers In | 76,000 | 75,400 | 22,560 | 150,000 |
| Transfers Out | 0 | 0 | 0 | 0 |
| Total Other Financing Sources (Uses) | <u>76,000</u> | <u>75,400</u> | <u>22,560</u> | <u>1,228,577</u> |
| Change in Fund Balance | (16,950) | (5,429) | (10,838) | 1,033,055 |
| Fund Balance - January 1 | <u>135,234</u> | <u>53,157</u> | <u>3,288</u> | <u>311,334</u> |
| Fund Balance - December 31 | <u>\$ 118,284</u> | <u>\$ 47,728</u> | <u>\$ (7,550)</u> | <u>\$ 1,344,389</u> |

| <u>G.O. Refunding Bonds 2011B</u> | <u>G.O. Refunding Bonds 2012A</u> | <u>G.O. Improvement Bonds 2015A</u> | <u>G.O. TIF Bonds 2019A</u> | <u>Total Debt Service Funds</u> |
|---|---|---|-------------------------------------|---|
| \$ 0 | \$ 0 | \$ 0 | \$ 0 | \$ 25,000 |
| 9,893 | 16,982 | 48,422 | 0 | 118,683 |
| (415) | 1,091 | 4,091 | (29) | 11,232 |
| <u>9,478</u> | <u>18,073</u> | <u>52,513</u> | <u>(29)</u> | <u>154,915</u> |
| 215,000 | 255,000 | 35,000 | 0 | 843,000 |
| 12,434 | 15,479 | 19,937 | 0 | 187,429 |
| <u>227,434</u> | <u>270,479</u> | <u>54,937</u> | <u>0</u> | <u>1,030,429</u> |
| (217,956) | (252,406) | (2,424) | (29) | (875,514) |
| 0 | 0 | 0 | 37,950 | 1,077,950 |
| 0 | 0 | 0 | 0 | 38,577 |
| 198,206 | 198,000 | 82,046 | 0 | 802,212 |
| 0 | 0 | (211,000) | 0 | (211,000) |
| <u>198,206</u> | <u>198,000</u> | <u>(128,954)</u> | <u>37,950</u> | <u>1,707,739</u> |
| (19,750) | (54,406) | (131,378) | 37,921 | 832,225 |
| 94,896 | 363,185 | 487,475 | 0 | 1,448,569 |
| <u>\$ 75,146</u> | <u>\$ 308,779</u> | <u>\$ 356,097</u> | <u>\$ 37,921</u> | <u>\$ 2,280,794</u> |

CITY OF ANNANDALE, MINNESOTA

BALANCE SHEET

GENERAL FUND

December 31, 2019

(With Comparative Amounts for December 31, 2018)

| | <u>2019</u> | <u>2018</u> |
|--|----------------------------|----------------------------|
| ASSETS | | |
| Cash and Investments | \$ 1,282,138 | \$ 1,062,210 |
| Accounts Receivable | 1,405 | 5,744 |
| Property Taxes | 56,598 | 14,534 |
| Prepaid Expense | 100,258 | 73,751 |
| Due from Other Funds | 955,121 | 920,749 |
| Due from Other Governments | <u>49,199</u> | <u>135,407</u> |
| TOTAL ASSETS | <u>\$ 2,444,719</u> | <u>\$ 2,212,395</u> |
| LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE | | |
| Liabilities: | | |
| Accrued Expenses | \$ 101,027 | \$ 75,752 |
| Due to Other Governments | 1,223 | 6,200 |
| Unearned Revenue | 38,250 | 36,250 |
| Advance to Other Funds | <u>163,350</u> | <u>143,500</u> |
| Total Liabilities | <u>303,850</u> | <u>261,702</u> |
| Deferred Inflows of Resources: | | |
| Unavailable Revenue - Delinquent Taxes | <u>14,631</u> | <u>14,534</u> |
| Fund Balance: | | |
| Nonspendable | 100,258 | 60,304 |
| Assigned | 239,702 | 163,018 |
| Unassigned | <u>1,786,278</u> | <u>1,712,837</u> |
| Total Fund Balance | <u>2,126,238</u> | <u>1,936,159</u> |
| TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE | <u>\$ 2,444,719</u> | <u>\$ 2,212,395</u> |

CITY OF ANNANDALE, MINNESOTA

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL - GENERAL FUND

For the Year Ended December 31, 2019

(With Comparative Amounts for the Year Ended December 31, 2018)

| | Budget | | 2019 Actual Amounts | Over (Under) Final Budget | 2018 Actual Amounts |
|----------------------------------|------------------|------------------|---------------------------|---------------------------------|---------------------------|
| | Original | Final | | | |
| Revenues: | | | | | |
| Taxes: | | | | | |
| Property Taxes | \$ 1,112,168 | 1,112,168 | \$ 1,133,883 | \$ 21,715 | \$ 1,149,152 |
| Franchise Taxes | 15,000 | 15,000 | 17,063 | 2,063 | 17,977 |
| Total Taxes | <u>1,127,168</u> | <u>1,127,168</u> | <u>1,150,946</u> | <u>23,778</u> | <u>1,167,129</u> |
| Intergovernmental Revenue: | | | | | |
| PD Grants | 0 | 0 | 1,321 | 1,321 | 2,613 |
| LGA | 506,227 | 506,227 | 453,777 | (52,450) | 451,853 |
| Pera Rate Increase Aid | 0 | 0 | 1,599 | 1,599 | 1,599 |
| State PD Training Reimb | 2,500 | 2,500 | 6,959 | 4,459 | 5,742 |
| State FD Training Reimb | 3,000 | 3,000 | 12,370 | 9,370 | 2,960 |
| State Fire Aid | 45,000 | 45,000 | 51,530 | 6,530 | 52,196 |
| Police State Aid | 40,000 | 40,000 | 45,798 | 5,798 | 43,500 |
| State Aid - Mv Credit | 0 | 0 | 505 | 505 | 321 |
| Police Drug Seizure | 0 | 0 | 0 | 0 | 997 |
| Snow Removal Reimb. | 3,000 | 3,000 | 10,280 | 7,280 | 6,355 |
| Misc Revenues-DMV | 0 | 0 | 52,356 | 52,356 | 0 |
| Total Intergovernmental Revenue | <u>599,727</u> | <u>599,727</u> | <u>636,495</u> | <u>36,768</u> | <u>568,136</u> |
| Licenses | <u>70,800</u> | <u>70,800</u> | <u>96,564</u> | <u>25,764</u> | <u>106,197</u> |
| Charges for Services: | | | | | |
| City Hall Rent | 800 | 800 | 970 | 170 | 2,510 |
| Nuisances & Lawn Mowing | 0 | 0 | 107 | 107 | 167 |
| CD Burning | 0 | 0 | 30 | 30 | 0 |
| Zoning&Subdivision Fees | 0 | 0 | 846 | 846 | 1,838 |
| Assessment Searches | 600 | 600 | 1,100 | 500 | 1,080 |
| Copier Receipts - Admin | 55 | 55 | 29 | (26) | 59 |
| Phone Reimbursement | 200 | 200 | 108 | (92) | 218 |
| Police Special Services | 2,000 | 2,000 | 1,440 | (560) | 3,200 |
| Pool Filling | 0 | 0 | (320) | (320) | 320 |
| School Resource Officer | 19,000 | 19,000 | 17,000 | (2,000) | 15,000 |
| Rural Fire Service | 149,256 | 149,256 | 155,614 | 6,358 | 145,879 |
| Police Reports | 100 | 100 | 158 | 58 | 90 |
| Fingerprints | 175 | 175 | 200 | 25 | 135 |
| Police Background Checks | 100 | 100 | 0 | (100) | 0 |
| WW Comm Snow Removal Reimburse | 3,000 | 3,000 | 0 | (3,000) | 0 |
| WW Comm Reimb-Labor Exp | 93,000 | 93,000 | 68,417 | (24,583) | 93,014 |
| WW Comm Reimb-Mileage Exp | 12,000 | 12,000 | 16,495 | 4,495 | 15,016 |
| Pavilion Rental | 7,000 | 7,000 | 9,267 | 2,267 | 10,470 |
| Portable Stage Rent | 0 | 0 | 5,742 | 5,742 | 4,348 |
| Sales Of Maps & Publications-DMV | 100 | 100 | 97 | (3) | 91 |
| Commissions | 191,200 | 191,200 | 185,332 | (5,868) | 163,998 |
| NSF Check Recovery | 0 | 0 | 20 | 20 | 0 |
| Total Charges for Services | <u>478,586</u> | <u>478,586</u> | <u>462,652</u> | <u>(15,934)</u> | <u>457,433</u> |
| Fines | <u>10,700</u> | <u>10,700</u> | <u>15,058</u> | <u>4,358</u> | <u>12,790</u> |

CITY OF ANNANDALE, MINNESOTA

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL - GENERAL FUND

For the Year Ended December 31, 2019

(With Comparative Amounts for the Year Ended December 31, 2018)

| | Budget | | 2019 Actual Amounts | Over (Under) Final Budget | 2018 Actual Amounts |
|------------------------------|------------------|------------------|---------------------------|---------------------------------|---------------------------|
| | Original | Final | | | |
| Revenues (Continued): | | | | | |
| Other Income: | | | | | |
| Misc Revenues - Legislative | \$ 0 | \$ 0 | \$ 5,369 | \$ 5,369 | \$ 2 |
| Misc Revenues-Elections | 0 | 0 | 1,308 | 1,308 | 4 |
| Misc Revenues-Admin | 0 | 0 | 190 | 190 | 0 |
| Misc Revenues-Police | 0 | 0 | 414 | 414 | 6,149 |
| Misc Revenues-Public Works | 0 | 0 | 3,646 | 3,646 | 7,606 |
| Misc Revenues-Streets | 0 | 0 | 4,133 | 4,133 | 5,671 |
| PD Donations | 0 | 0 | 105 | 105 | 1,700 |
| Total Other Income | 0 | 0 | 15,165 | 15,165 | 21,132 |
| Investment Earnings | 30,000 | 30,000 | 65,178 | 35,178 | 25,480 |
| Total Revenues | 2,316,981 | 2,316,981 | 2,442,058 | 125,077 | 2,358,297 |
| Current Expenditures: | | | | | |
| General Government: | | | | | |
| Mayor and Council: | | | | | |
| Professional Services | 196 | 196 | 276 | 80 | 262 |
| Travel/Training | 400 | 400 | 725 | 325 | 0 |
| Printing & Publishing | 5,500 | 5,500 | 2,737 | (2,763) | 4,522 |
| Dues And Subscriptions | 5,969 | 5,969 | 6,025 | 56 | 5,476 |
| Miscellaneous | 0 | 0 | 13 | 13 | 0 |
| Employee Apprec/Retention | 300 | 300 | 281 | (19) | 297 |
| Contrib To Community Service | 10,200 | 10,200 | 10,200 | 0 | 6,200 |
| Salaries (P/T) Legislative | 9,795 | 9,795 | 9,970 | 175 | 10,385 |
| Fica - Legislative | 607 | 607 | 618 | 11 | 644 |
| Medicare - Legislative | 142 | 142 | 144 | 2 | 151 |
| Worker's Compensation | 2,000 | 2,000 | 1,494 | (506) | 1,093 |
| Government Building: | | | | | |
| Salaries (P/T) | 0 | 0 | 96 | 96 | 0 |
| Worker's Compensation | 1,600 | 1,600 | 1,469 | (131) | 1,073 |
| Operating Supplies | 200 | 200 | 1,719 | 1,519 | 150 |
| Maint & Repair Supplies | 200 | 200 | 176 | (24) | 0 |
| Contracted Cleaning Service | 7,650 | 7,650 | 7,829 | 179 | 7,062 |
| Payroll Expense | 0 | 0 | 675 | 675 | 0 |
| Comp Insurance | 2,365 | 2,365 | 2,272 | (93) | 2,204 |
| Electricity-City Hall | 12,000 | 12,000 | 13,557 | 1,557 | 11,926 |
| Water & Sewer-City Hall | 3,500 | 3,500 | 4,519 | 1,019 | 5,539 |
| Natural Gas-City Hall | 3,000 | 3,000 | 1,032 | (1,968) | 1,587 |
| Building Security | 350 | 350 | 276 | (74) | 327 |
| Maint & Repair (Bldg) | 8,000 | 8,000 | 6,311 | (1,689) | 8,908 |
| Maint & Repair | 100 | 100 | 268 | 168 | 0 |
| Miscellaneous | 700 | 700 | 103 | (597) | 748 |

CITY OF ANNANDALE, MINNESOTA

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL - GENERAL FUND

For the Year Ended December 31, 2019

(With Comparative Amounts for the Year Ended December 31, 2018)

| | Budget | | 2019 Actual Amounts | Over (Under) Final Budget | 2018 Actual Amounts |
|--|----------|----------|---------------------------|---------------------------------|---------------------------|
| | Original | Final | | | |
| Current Expenditures (Continued): | | | | | |
| General Government: | | | | | |
| Government Building: | | | | | |
| Wages (P/T) - PW Crew Time | \$ 3,861 | \$ 3,861 | \$ 3,483 | \$ (378) | \$ 3,284 |
| Wages (O/T) - PW Crew Time | 378 | 378 | 440 | 62 | 324 |
| On Call-Public Works | 78 | 78 | 59 | (19) | 59 |
| Pera - Public Works | 324 | 324 | 299 | (25) | 268 |
| Fica - Public Works | 268 | 268 | 230 | (38) | 205 |
| Medicare - Public Works | 63 | 63 | 54 | (9) | 48 |
| Insurance Benefits - PW Crew | 898 | 898 | 672 | (226) | 670 |
| Elections: | | | | | |
| Other Supplies | 500 | 500 | 37 | (463) | 7,702 |
| Payroll Expense-Elect Judge | 2,500 | 2,500 | 0 | (2,500) | 2,326 |
| Travel/Training | 1,000 | 1,000 | 0 | (1,000) | 0 |
| Maint Contract (Voting Machine) | 400 | 400 | 400 | 0 | 0 |
| Finance: | | | | | |
| Wages (F/T) | 121,858 | 121,858 | 94,066 | (27,792) | 88,641 |
| Overtime (F/T) | 0 | 0 | 255 | 255 | 617 |
| Salaries (P/T) | 12,385 | 12,385 | 7,574 | (4,811) | 7,415 |
| Pera | 10,068 | 10,068 | 7,791 | (2,277) | 7,371 |
| Fica | 8,323 | 8,323 | 6,335 | (1,988) | 6,027 |
| Medicare | 1,947 | 1,947 | 1,481 | (466) | 1,414 |
| Insurance Benefits | 15,647 | 15,647 | 12,458 | (3,189) | 12,120 |
| Worker's Compensation | 3,100 | 3,100 | 2,452 | (648) | 1,814 |
| Office Supplies | 3,500 | 3,500 | 3,176 | (324) | 3,546 |
| Other Supplies | 700 | 700 | 864 | 164 | 446 |
| Professional Services | 1,173 | 1,173 | 1,656 | 483 | 1,572 |
| Engineering Fees | 2,000 | 2,000 | 7,048 | 5,048 | 0 |
| Legal Expenses | 7,000 | 7,000 | 5,863 | (1,137) | 1,919 |
| Other Consultant | 4,000 | 4,000 | 738 | (3,262) | 859 |
| Telephone/Internet | 3,800 | 3,800 | 2,864 | (936) | 3,138 |
| Postage | 3,200 | 3,200 | 1,752 | (1,448) | 2,222 |
| Travel/Training | 5,000 | 5,000 | 1,976 | (3,024) | 4,287 |
| Printing And Publishing | 1,500 | 1,500 | 2,477 | 977 | 2,470 |
| Comp Insurance | 1,300 | 1,300 | 1,263 | (37) | 1,243 |
| Electricity | 0 | 0 | 6,369 | 6,369 | 0 |
| Maint. & Repair (Equipment) | 0 | 0 | 550 | 550 | 1,100 |
| Maint. Contract-Copier | 3,200 | 3,200 | 4,532 | 1,332 | 3,306 |
| Maint Contract-Software | 3,600 | 3,600 | 4,371 | 771 | 3,130 |
| Maintenance - Technology | 1,800 | 1,800 | 1,354 | (446) | 1,746 |
| Postage Meter Rent | 450 | 450 | 462 | 12 | 444 |
| Cash Short | 0 | 0 | 0 | 0 | (10) |
| Dues and Subscriptions | 800 | 800 | 661 | (139) | 632 |
| Miscellaneous | 500 | 500 | 82 | (418) | 231 |
| Credit Card Fees | 700 | 700 | 1,062 | 362 | 792 |
| Sales Tax | 0 | 0 | 1,304 | 1,304 | 1,561 |

CITY OF ANNANDALE, MINNESOTA

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL - GENERAL FUND

For the Year Ended December 31, 2019

(With Comparative Amounts for the Year Ended December 31, 2018)

| | Budget | | 2019 Actual Amounts | Over (Under) Final Budget | 2018 Actual Amounts |
|--|----------------|----------------|---------------------------|---------------------------------|---------------------------|
| | Original | Final | | | |
| Current Expenditures (Continued): | | | | | |
| General Government: | | | | | |
| Planning & Zoning: | | | | | |
| Professional Services | \$ 196 | \$ 196 | \$ 276 | \$ 80 | \$ 131 |
| Engineering Fees | 250 | 250 | 1,870 | 1,620 | 5,571 |
| Legal Fees | 500 | 500 | 665 | 165 | 3,067 |
| Other Consultant | 1,500 | 1,500 | 5,160 | 3,660 | 2,295 |
| Recording Fee Variance & Sups | 200 | 200 | 0 | (200) | 0 |
| Postage | 180 | 180 | 90 | (90) | 122 |
| Training/Travel | 250 | 250 | 0 | (250) | 0 |
| Printing & Publishing | 200 | 200 | 750 | 550 | 507 |
| Miscellaneous | 50 | 50 | 25 | (25) | 0 |
| Salaries (P/T) - P & Z | 1,320 | 1,320 | 1,080 | (240) | 1,200 |
| Fica - P & Z | 82 | 82 | 67 | (15) | 74 |
| Medicare - P & Z | 19 | 19 | 16 | (3) | 17 |
| Worker's Compensation | 2,000 | 2,000 | 1,493 | (507) | 1,092 |
| Assessor: | | | | | |
| Assessors' Fees | 21,000 | 21,000 | 18,893 | (2,107) | 20,388 |
| Deputy Registrar: | | | | | |
| Salary (F/T) | 92,851 | 92,851 | 86,304 | (6,547) | 67,650 |
| Overtime (F/T) | 500 | 500 | 1,433 | 933 | 2,486 |
| Salaries (P/T) | 34,064 | 34,064 | 20,451 | (13,613) | 32,220 |
| Pera | 9,556 | 9,556 | 8,132 | (1,424) | 7,622 |
| Fica | 7,900 | 7,900 | 6,722 | (1,178) | 6,048 |
| Medicare | 1,809 | 1,809 | 1,572 | (237) | 1,415 |
| Insurance Benefits | 999 | 999 | (641) | (1,640) | 4,630 |
| Worker's Compensation | 3,100 | 3,100 | 2,451 | (649) | 1,815 |
| Office Supplies | 1,000 | 1,000 | 932 | (68) | 473 |
| Maps | 200 | 200 | 150 | (50) | 0 |
| DMV Manuals | 400 | 400 | (246) | (646) | 559 |
| Professional Services | 782 | 782 | 1,104 | 322 | 1,048 |
| Telephone (Fax) | 1,500 | 1,500 | 1,318 | (182) | 1,451 |
| Postage | 1,550 | 1,550 | 829 | (721) | 1,094 |
| Travel/Training | 100 | 100 | 128 | 28 | 353 |
| Printing & Publishing | 1,500 | 1,500 | 1,874 | 374 | 2,406 |
| Comp Insurance | 1,390 | 1,390 | 1,263 | (127) | 1,245 |
| Maint. & Repair (Equipment) | 100 | 100 | 0 | (100) | 345 |
| Maint. Contract (Software) | 200 | 200 | 0 | (200) | 0 |
| Maintenance - Technology | 150 | 150 | 200 | 50 | 837 |
| Dues And Subscriptions | 400 | 400 | 740 | 340 | 418 |
| Miscellaneous | 0 | 0 | 0 | 0 | 160 |
| Total General Government | <u>490,393</u> | <u>490,393</u> | <u>426,396</u> | <u>(63,997)</u> | <u>412,232</u> |

CITY OF ANNANDALE, MINNESOTA

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL - GENERAL FUND

For the Year Ended December 31, 2019

(With Comparative Amounts for the Year Ended December 31, 2018)

| | Budget | | 2019 Actual Amounts | Over (Under) Final Budget | 2018 Actual Amounts |
|--|------------|------------|---------------------------|---------------------------------|---------------------------|
| | Original | Final | | | |
| Current Expenditures (Continued): | | | | | |
| Public Safety: | | | | | |
| Police Department: | | | | | |
| Wages (F/T) | \$ 326,220 | \$ 326,220 | \$ 320,826 | \$ (5,394) | \$ 311,989 |
| Overtime (F/T) | 28,883 | 28,883 | 29,365 | 482 | 26,897 |
| Salaries (P/T) | 27,040 | 27,040 | 30,959 | 3,919 | 27,175 |
| Salaries (P/T) - Secretary | 38,039 | 38,039 | 35,891 | (2,148) | 34,978 |
| Pera | 70,492 | 70,492 | 64,271 | (6,221) | 60,905 |
| Fica | 2,358 | 2,358 | 2,943 | 585 | 2,315 |
| Medicare | 6,093 | 6,093 | 5,720 | (373) | 5,410 |
| Insurance Benefits | 64,473 | 64,473 | 51,035 | (13,438) | 58,410 |
| Worker's Compensation | 24,586 | 24,586 | 18,215 | (6,371) | 13,030 |
| Office Supplies | 1,600 | 1,600 | 2,042 | 442 | 1,769 |
| Operating Supplies | 1,300 | 1,300 | 2,479 | 1,179 | 1,356 |
| Range Training Supplies | 1,500 | 1,500 | 1,331 | (169) | 0 |
| Motor Fuels-Police Dept | 13,200 | 13,200 | 11,945 | (1,255) | 12,530 |
| Clothing/Uniforms | 5,000 | 5,000 | 11,382 | 6,382 | 7,731 |
| Vehicle Equipment | 2,000 | 2,000 | 680 | (1,320) | 708 |
| Police Equipment | 1,500 | 1,500 | 4,115 | 2,615 | 3,551 |
| Professional Services | 3,324 | 3,324 | 4,693 | 1,369 | 4,716 |
| Legal Fees (Prosecutions) | 23,500 | 23,500 | 15,963 | (7,537) | 17,732 |
| Personnel Testing & Recruit. | 1,000 | 1,000 | 1,600 | 600 | 1,000 |
| State Fee-Traffic Citations | 800 | 800 | 100 | (700) | 120 |
| Contracted Cleaning Service | 1,620 | 1,620 | 1,708 | 88 | 1,541 |
| Transcriptions | 1,000 | 1,000 | 0 | (1,000) | 0 |
| Special Investigations | 1,500 | 1,500 | 762 | (738) | 892 |
| Veterinary Services | 0 | 0 | 105 | 105 | 0 |
| Narcotics Enforcement | 600 | 600 | 0 | (600) | 597 |
| Computer Data Access Line | 250 | 250 | 0 | (250) | 0 |
| Telephone/Internet | 7,800 | 7,800 | 7,251 | (549) | 7,235 |
| Postage | 400 | 400 | 319 | (81) | 573 |
| Radio Units | 1,020 | 1,020 | 2,670 | 1,650 | 1,020 |
| State Charges-BCA | 1,080 | 1,080 | 1,080 | 0 | 1,080 |
| Travel/Training | 3,000 | 3,000 | 2,046 | (954) | 3,921 |
| Vehicle License | 600 | 600 | 350 | (250) | 420 |
| Printing & Publishing | 1,000 | 1,000 | 473 | (527) | 467 |
| Comp Insurance | 1,800 | 1,800 | 1,683 | (117) | 1,651 |
| Vehicle Insurance | 1,800 | 1,800 | 4,172 | 2,372 | 2,532 |
| Maint & Repair (Equip) | 500 | 500 | 289 | (211) | 252 |
| Maint. Contract Software | 3,800 | 3,800 | 920 | (2,880) | 13,565 |
| Maint Contract-Copier | 250 | 250 | 389 | 139 | 196 |
| Maint & Repair (Technology) | 3,500 | 3,500 | 4,326 | 826 | 511 |
| Maint & Repair (Vehicle) | 7,400 | 7,400 | 9,732 | 2,332 | 9,184 |
| Impound Fee | 0 | 0 | (350) | (350) | 0 |
| Dues & Subscriptions | 1,000 | 1,000 | 1,988 | 988 | 1,596 |
| Towing Charges | 200 | 200 | 0 | (200) | 364 |
| Miscellaneous | 400 | 400 | 20 | (380) | 366 |
| Community Policing Events | 200 | 200 | 1,637 | 1,437 | 1,079 |
| Sales Tax | 0 | 0 | 9 | 9 | 7 |

CITY OF ANNANDALE, MINNESOTA

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL - GENERAL FUND

For the Year Ended December 31, 2019

(With Comparative Amounts for the Year Ended December 31, 2018)

| | Budget | | 2019 Actual Amounts | Over (Under) Final Budget | 2018 Actual Amounts |
|--|-----------|-----------|---------------------------|---------------------------------|---------------------------|
| | Original | Final | | | |
| Current Expenditures (Continued): | | | | | |
| Public Safety: | | | | | |
| Fire Department: | | | | | |
| Fire Relief Association | \$ 45,000 | \$ 45,000 | \$ 54,669 | \$ 9,669 | \$ 53,444 |
| Fire Relief Assoc (Muni Contr) | 3,000 | 3,000 | 3,000 | 0 | 3,000 |
| Worker's Compensation | 19,500 | 19,500 | 15,485 | (4,015) | 12,176 |
| Office Supplies | 750 | 750 | 838 | 88 | 744 |
| Training Supplies | 125 | 125 | 96 | (29) | 93 |
| Other Supplies | 2,000 | 2,000 | 2,922 | 922 | 2,934 |
| Motor Fuels-Fire Dept | 3,000 | 3,000 | 2,558 | (442) | 2,843 |
| Clothing | 10,000 | 10,000 | 8,293 | (1,707) | 8,256 |
| Maint & Repair Supplies | 500 | 500 | 28 | (472) | 166 |
| Equipment/Parts | 500 | 500 | 0 | (500) | 0 |
| Tools & Small Equipment | 1,000 | 1,000 | 2,134 | 1,134 | 1,813 |
| Professional Services | 1,350 | 1,350 | 1,943 | 593 | 1,310 |
| Legal Fees | 100 | 100 | 140 | 40 | 436 |
| Medical Fees | 7,500 | 7,500 | 5,496 | (2,004) | 1,309 |
| Personnel Testing & Recruit. | 1,300 | 1,300 | 916 | (384) | 0 |
| Contracted Cleaning Service | 3,000 | 3,000 | 3,170 | 170 | 2,940 |
| Telephone | 2,400 | 2,400 | 2,052 | (348) | 2,166 |
| Postage | 400 | 400 | 180 | (220) | 253 |
| Radio Units | 5,000 | 5,000 | 4,707 | (293) | 3,251 |
| Travel/Training | 8,000 | 8,000 | 20,528 | 12,528 | 6,206 |
| Vehicle License | 100 | 100 | 0 | (100) | 112 |
| Printing & Publishing | 200 | 200 | 180 | (20) | 207 |
| Comp Insurance | 3,600 | 3,600 | 3,130 | (470) | 1,804 |
| Vehicle Insurance | 5,500 | 5,500 | 2,278 | (3,222) | 4,592 |
| Electricity-Fire Dept | 8,000 | 8,000 | 4,413 | (3,587) | 5,427 |
| Water & Sewer-Fire Dept | 2,000 | 2,000 | 1,049 | (951) | 1,255 |
| Natural Gas-Fire Dept | 4,000 | 4,000 | 4,265 | 265 | 4,373 |
| Maint & Repair (Bldg) | 7,000 | 7,000 | 6,232 | (768) | 5,119 |
| Maint & Repair (Equip) | 1,000 | 1,000 | 2,662 | 1,662 | 3,008 |
| Maint. Contract (Software) | 700 | 700 | 750 | 50 | 675 |
| Maint. Contract - Copier | 100 | 100 | 0 | (100) | 0 |
| Maint & Repair (Vehicle) | 18,000 | 18,000 | 34,160 | 16,160 | 13,447 |
| Dues & Subscriptions | 700 | 700 | 1,016 | 316 | 908 |
| Miscellaneous | 500 | 500 | 552 | 52 | 900 |
| Salaries (P/T) - Fire Dept | 41,000 | 41,000 | 42,051 | 1,051 | 35,602 |
| Fica - Fire Dept | 2,542 | 2,542 | 2,569 | 27 | 2,049 |
| Medicare - Fire Dept | 582 | 582 | 610 | 28 | 516 |
| Wages (F/T) - Pw Crew Time | 5,319 | 5,319 | 5,769 | 450 | 5,450 |
| Wages (O/T) - Pw Crew Time | 244 | 244 | 477 | 233 | 392 |
| On Call-Public Works | 45 | 45 | 59 | 14 | 59 |
| Pera - Public Works | 421 | 421 | 474 | 53 | 435 |
| Fica - Public Works | 348 | 348 | 374 | 26 | 343 |
| Medicare - Public Works | 81 | 81 | 88 | 7 | 80 |
| Insurance Benefits - PW | 854 | 854 | 734 | (120) | 680 |

CITY OF ANNANDALE, MINNESOTA

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL - GENERAL FUND

For the Year Ended December 31, 2019

(With Comparative Amounts for the Year Ended December 31, 2018)

| | Budget | | 2019 Actual Amounts | Over (Under) Final Budget | 2018 Actual Amounts |
|--|----------------|----------------|---------------------------|---------------------------------|---------------------------|
| | Original | Final | | | |
| Current Expenditures (Continued): | | | | | |
| Public Safety: | | | | | |
| Building Inspector: | | | | | |
| Professional Services | \$ 391 | \$ 391 | \$ 1,092 | \$ 701 | \$ 524 |
| Inspector's Fees | 20,000 | 20,000 | 32,543 | 12,543 | 27,347 |
| State Surcharge Tax | 1,500 | 1,500 | 2,587 | 1,087 | 4,601 |
| Salary (F/T) - PW/Admin | 19,700 | 19,700 | 17,415 | (2,285) | 15,666 |
| Overtime (F/T) - PW/Admin | 0 | 0 | 150 | 150 | 351 |
| Salaries (P/T) Legislative | 7,431 | 7,431 | 3,787 | (3,644) | 3,792 |
| Pera | 2,035 | 2,035 | 1,598 | (437) | 1,481 |
| Fica | 1,682 | 1,682 | 1,281 | (401) | 1,215 |
| Medicare | 393 | 393 | 300 | (93) | 284 |
| Insurance Benefits | 4,072 | 4,072 | 2,499 | (1,573) | 2,043 |
| Civil Defense: | | | | | |
| Maint. & Repair Equip | 400 | 400 | 0 | (400) | 0 |
| Animal Control: | | | | | |
| Other Supplies | 150 | 150 | 114 | (36) | 84 |
| Veterinary Services | 400 | 400 | 0 | (400) | 0 |
| Total Public Safety | <u>959,043</u> | <u>959,043</u> | <u>963,547</u> | <u>4,504</u> | <u>889,532</u> |
| Public Works: | | | | | |
| Public Works: | | | | | |
| Salaries (F/T) | 76,166 | 76,166 | 79,546 | 3,380 | 71,364 |
| Overtime (F/T) | 6,991 | 6,991 | 8,840 | 1,849 | 6,257 |
| On Call-Public Works | 1,505 | 1,505 | 1,318 | (187) | 1,240 |
| Pera - Public Works | 6,350 | 6,350 | 6,735 | 385 | 5,795 |
| Fica - Public Works | 5,249 | 5,249 | 5,178 | (71) | 4,432 |
| Medicare - Public Works | 1,228 | 1,228 | 1,211 | (17) | 1,037 |
| Insurance Benefits - PW | 17,629 | 17,629 | 14,092 | (3,537) | 14,462 |
| Worker's Compensation | 2,000 | 2,000 | 1,469 | (531) | 1,073 |
| Office Supplies | 500 | 500 | 1,127 | 627 | 70 |
| Operating Supplies | 8,000 | 8,000 | 8,565 | 565 | 8,940 |
| Motor Fuels-Public Works | 15,000 | 15,000 | 15,873 | 873 | 12,753 |
| Clothing | 800 | 800 | 460 | (340) | 712 |
| Maint & Repair Supplies | 3,000 | 3,000 | 517 | (2,483) | 968 |
| Tools & Small Equipment | 1,173 | 1,173 | 694 | (479) | 21 |
| Professional Services | 1,350 | 1,350 | 1,526 | 176 | 1,310 |
| Engineering Fees | 0 | 0 | 369 | 369 | 0 |
| Compost Site Expense | 3,000 | 3,000 | 900 | (2,100) | 1,000 |
| Telephone | 3,900 | 3,900 | 6,623 | 2,723 | 6,548 |
| Postage | 115 | 115 | 78 | (37) | 81 |
| Radio Units/Cell Phones | 2,500 | 2,500 | 660 | (1,840) | 420 |
| Travel/Training | 2,000 | 2,000 | 1,670 | (330) | 210 |
| Vehicle Licenses | 250 | 250 | 0 | (250) | 256 |
| Printing & Publishing | 300 | 300 | 465 | 165 | 1,045 |
| Comp Insurance | 4,500 | 4,500 | 4,293 | (207) | 4,193 |
| Vehicle Insurance | 1,000 | 1,000 | 703 | (297) | 718 |

CITY OF ANNANDALE, MINNESOTA

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL - GENERAL FUND

For the Year Ended December 31, 2019

(With Comparative Amounts for the Year Ended December 31, 2018)

| | Budget | | 2019 Actual Amounts | Over (Under) Final Budget | 2018 Actual Amounts |
|--|----------------|----------------|---------------------------|---------------------------------|---------------------------|
| | Original | Final | | | |
| Current Expenditures (Continued): | | | | | |
| Public Works: | | | | | |
| Public Works: | | | | | |
| Insurance Claims | \$ 250 | \$ 250 | \$ 0 | \$ (250) | \$ 0 |
| Water & Sewer-Public Works | 2,300 | 2,300 | 1,172 | (1,128) | 2,468 |
| Natural Gas-Public Works | 500 | 500 | 661 | 161 | 550 |
| Maint & Repair (Bldg) | 1,500 | 1,500 | 1,411 | (89) | 1,565 |
| Maint & Repair (Equip) | 4,000 | 4,000 | 1,488 | (2,512) | 2,952 |
| Maint Contract Copier | 150 | 150 | 41 | (109) | 0 |
| Maint. & Repair (Technology) | 200 | 200 | 0 | (200) | 0 |
| Maint & Repair (Vehicle) | 2,500 | 2,500 | 1,065 | (1,435) | 1,972 |
| Uniform Rental-Public Works | 1,400 | 1,400 | 1,923 | 523 | 1,513 |
| Dues & Subscriptions | 0 | 0 | 128 | 128 | 119 |
| Miscellaneous | 100 | 100 | 53 | (47) | 26 |
| Sales Tax | 0 | 0 | 0 | 0 | 9 |
| Overtime (P/T) Seasonal | 0 | 0 | 26 | 26 | 0 |
| Salaries (P/T) Seasonal | 3,890 | 3,890 | 4,563 | 673 | 3,211 |
| Fica - Seasonal | 241 | 241 | 285 | 44 | 191 |
| Medicare - Seasonal | 55 | 55 | 67 | 12 | 45 |
| Streets: | | | | | |
| Salary (F/T) | 76,073 | 76,073 | 75,038 | (1,035) | 69,041 |
| Overtime (F/T) | 7,335 | 7,335 | 8,949 | 1,614 | 6,481 |
| On Call-Public Works | 1,461 | 1,461 | 1,218 | (243) | 1,171 |
| Pera | 6,365 | 6,365 | 6,358 | (7) | 5,641 |
| Fica | 5,262 | 5,262 | 4,906 | (356) | 4,307 |
| Medicare | 1,231 | 1,231 | 1,147 | (84) | 1,007 |
| Insurance Benefits | 17,163 | 17,163 | 13,115 | (4,048) | 13,638 |
| Worker's Compensation | 2,000 | 2,000 | 1,469 | (531) | 1,073 |
| Other Supplies | 200 | 200 | 8 | (192) | 0 |
| Motor Fuels-Streets | 4,500 | 4,500 | 5,338 | 838 | 4,375 |
| Street Maint. Materials | 19,000 | 19,000 | 29,687 | 10,687 | 25,200 |
| Signage Materials | 4,000 | 4,000 | 8,095 | 4,095 | 612 |
| Small Tools | 500 | 500 | 417 | (83) | 0 |
| Professional Services | 1,173 | 1,173 | 1,781 | 608 | 1,834 |
| Engineering Fees | 5,000 | 5,000 | 13,255 | 8,255 | 799 |
| Snow Removal Contractor | 1,500 | 1,500 | 10,160 | 8,660 | 3,741 |
| Comp Insurance | 4,850 | 4,850 | 4,694 | (156) | 4,530 |
| Vehicle Insurance | 1,600 | 1,600 | 1,439 | (161) | 1,466 |
| Electricity (Street Lights) | 53,000 | 53,000 | 24,829 | (28,171) | 47,620 |
| Maint & Repair (Streets) | 6,500 | 6,500 | 10,158 | 3,658 | 9,687 |
| Maint & Repair (Equip) | 12,000 | 12,000 | 17,094 | 5,094 | 18,082 |
| Maint. & Repair (Ditches) | 6,000 | 6,000 | 0 | (6,000) | 0 |
| Maint & Repair (Str. Lights) | 2,500 | 2,500 | 550 | (1,950) | 48 |
| Miscellaneous | 0 | 0 | 102 | 102 | 89 |
| Total Public Works | <u>420,805</u> | <u>420,805</u> | <u>415,602</u> | <u>(5,203)</u> | <u>379,968</u> |

CITY OF ANNANDALE, MINNESOTA

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL - GENERAL FUND

For the Year Ended December 31, 2019

(With Comparative Amounts for the Year Ended December 31, 2018)

| | Budget | | 2019 Actual Amounts | Over (Under) Final Budget | 2018 Actual Amounts |
|--|----------|----------|---------------------------|---------------------------------|---------------------------|
| | Original | Final | | | |
| Current Expenditures (Continued): | | | | | |
| Parks and Recreation: | | | | | |
| Parks Commission: | | | | | |
| Salaries (P/T) - Parks Comm | \$ 1,320 | \$ 1,320 | \$ 1,320 | \$ 0 | \$ 1,320 |
| Fica - Park Commission | 82 | 82 | 83 | 1 | 82 |
| Medicare - Park Commission | 19 | 19 | 19 | 0 | 19 |
| Worker'S Compensation | 2,000 | 2,000 | 1,493 | (507) | 1,092 |
| Professional Services | 196 | 196 | 276 | 80 | 131 |
| Engineering Fees | 100 | 100 | 0 | (100) | 0 |
| Legal Fees | 100 | 100 | 0 | (100) | 0 |
| Postage | 170 | 170 | 90 | (80) | 122 |
| Maint. Contract-Copier | 0 | 0 | 33 | 33 | 158 |
| Miscellaneous | 150 | 150 | 0 | (150) | 0 |
| Parks Department: | | | | | |
| Salary (F/T) | 22,213 | 22,213 | 19,818 | (2,395) | 18,585 |
| Wages (O/T) - PW Crew Time | 1,891 | 1,891 | 2,237 | 346 | 1,687 |
| On Call-Public Works | 390 | 390 | 293 | (97) | 294 |
| Pera - Public Works | 1,837 | 1,837 | 1,669 | (168) | 1,509 |
| Fica - Public Works | 1,519 | 1,519 | 1,293 | (226) | 1,165 |
| Medicare - Public Works | 355 | 355 | 302 | (53) | 272 |
| Insurance Benefits - PW | 4,827 | 4,827 | 3,422 | (1,405) | 3,360 |
| Worker's Compensation | 2,800 | 2,800 | 1,920 | (880) | 1,186 |
| Operating Supplies | 3,000 | 3,000 | 57 | (2,943) | 78 |
| Motor Fuels-Parks | 5,000 | 5,000 | 6,405 | 1,405 | 5,250 |
| Maint & Repair Supplies | 1,500 | 1,500 | 422 | (1,078) | 260 |
| Portable Stage Maint. & Repair | 500 | 500 | 0 | (500) | 0 |
| Professional Services | 587 | 587 | 828 | 241 | 786 |
| Tree Removal | 1,000 | 1,000 | 200 | (800) | 0 |
| Comp Insurance | 23,500 | 23,500 | 22,547 | (953) | 21,858 |
| Electricity-Parks | 9,000 | 9,000 | 7,866 | (1,134) | 6,741 |
| Water & Sewer-Parks | 4,500 | 4,500 | 5,748 | 1,248 | 3,351 |
| Natural Gas-Parks | 1,200 | 1,200 | 1,207 | 7 | 1,244 |
| Maint & Repair (Bldgs) | 4,500 | 4,500 | 8,121 | 3,621 | 1,383 |
| Lake & Beach Maintenance | 1,200 | 1,200 | 345 | (855) | 3,675 |
| Maint & Repair (Equip) | 2,000 | 2,000 | 3,146 | 1,146 | 1,278 |
| Maint & Repair (Landscaping) | 7,000 | 7,000 | 7,454 | 454 | 9,514 |
| Portable Toilets (4th Of July) | 4,500 | 4,500 | 5,563 | 1,063 | 4,905 |
| Miscellaneous | 100 | 100 | 229 | 129 | 262 |
| Overtime (P/T) - Seasonal | 0 | 0 | 37 | 37 | 0 |
| Salaries (P/T) | 7,781 | 7,781 | 7,387 | (394) | 4,583 |
| Fica - Seasonal | 482 | 482 | 460 | (22) | 277 |
| Medicare - Seasonal | 113 | 113 | 108 | (5) | 65 |

CITY OF ANNANDALE, MINNESOTA

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL - GENERAL FUND

For the Year Ended December 31, 2019

(With Comparative Amounts for the Year Ended December 31, 2018)

| | Budget | | 2019 Actual Amounts | Over (Under) Final Budget | 2018 Actual Amounts |
|--|------------------|------------------|---------------------------|---------------------------------|---------------------------|
| | Original | Final | | | |
| Current Expenditures (Continued): | | | | | |
| Parks and Recreation: | | | | | |
| Library: | | | | | |
| Contracted Cleaning Service | \$ 4,440 | \$ 4,440 | \$ 5,168 | \$ 728 | \$ 4,237 |
| Comp Insurance | 800 | 800 | 760 | (40) | 735 |
| Electricity-Library | 2,000 | 2,000 | 2,000 | 0 | 2,000 |
| Water & Sewer-Library | 325 | 325 | 325 | 0 | 325 |
| Natural Gas-Library | 1,500 | 1,500 | 1,500 | 0 | 1,500 |
| Maint. & Repair (Bldg) | 1,000 | 1,000 | 4,168 | 3,168 | 980 |
| Wages (F/T) PW Crew Time | 3,861 | 3,861 | 3,483 | (378) | 3,284 |
| Wages (O/T) - PW Crew Time | 378 | 378 | 440 | 62 | 324 |
| On Call-Public Works | 78 | 78 | 59 | (19) | 59 |
| Pera - Public Works | 324 | 324 | 299 | (25) | 268 |
| Fica - Public Works | 268 | 268 | 230 | (38) | 205 |
| Medicare - Public Works | 63 | 63 | 54 | (9) | 48 |
| Insurance Benefits - PW | 898 | 898 | 672 | (226) | 670 |
| Total Parks and Recreation | <u>133,367</u> | <u>133,367</u> | <u>131,556</u> | <u>(1,811)</u> | <u>111,127</u> |
| Capital Outlay: | | | | | |
| General Government | 8,100 | 8,100 | 2,923 | (5,177) | 5,206 |
| Public Safety | 1,500 | 1,500 | 1,484 | (16) | 4,449 |
| Total Capital Outlay | <u>9,600</u> | <u>9,600</u> | <u>4,407</u> | <u>(5,193)</u> | <u>9,655</u> |
| Total Expenditures | <u>2,013,208</u> | <u>2,013,208</u> | <u>1,941,508</u> | <u>(71,700)</u> | <u>1,802,514</u> |
| Excess of Revenues Over (Under) Expenditures | <u>303,773</u> | <u>303,773</u> | <u>500,550</u> | <u>196,777</u> | <u>555,783</u> |
| Other Financing Sources (Uses): | | | | | |
| Operating Transfers Out | <u>(304,025)</u> | <u>(304,025)</u> | <u>(310,471)</u> | <u>6,446</u> | <u>(343,794)</u> |
| Total Other Financing Sources (Uses) | <u>(304,025)</u> | <u>(304,025)</u> | <u>(310,471)</u> | <u>(6,446)</u> | <u>(343,794)</u> |
| Change in Fund Balance | <u>\$ (252)</u> | <u>\$ (252)</u> | 190,079 | <u>\$ 190,331</u> | 211,989 |
| Fund Balance - January 1 | | | <u>1,936,159</u> | | <u>1,724,170</u> |
| Fund Balance - December 31 | | | <u>\$ 2,126,238</u> | | <u>\$ 1,936,159</u> |

CITY OF ANNANDALE, MINNESOTA

SCHEDULE OF NET POSITION
WATER FUND

December 31, 2019

(With Comparative Amounts For December 31, 2018)

| | 2019 | 2018 |
|--|--------------|--------------|
| ASSETS AND DEFERRED OUTFLOWS OF RESOURCES | | |
| Current Assets: | | |
| Cash and Investments | \$ 304,434 | \$ 23,690 |
| Accounts Receivable | 41,915 | 47,245 |
| Due from Other Governments | 0 | 144 |
| Prepaid Expense | 10,054 | 9,433 |
| Total Current Assets | 356,403 | 80,512 |
| Noncurrent Assets: | | |
| Advance to Other Funds | 103,700 | 98,000 |
| Special Assessments | 4,693 | 3,859 |
| Assets Not Being Depreciated | 66,881 | 66,881 |
| Other Capital Assets, Net of Depreciation | 4,370,619 | 4,497,152 |
| Total Noncurrent Assets | 4,545,893 | 4,665,892 |
| Total Assets | 4,902,296 | 4,746,404 |
| Deferred Outflows of Resources: | | |
| Pension Plan Deferments | 11,139 | 12,805 |
| TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES | \$ 4,913,435 | \$ 4,759,209 |
| LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION | | |
| Current Liabilities: | | |
| Accrued Expenses | \$ 24,225 | \$ 27,838 |
| Due to Other Governments | 674 | 453 |
| Current Portion of Long-term Debt | 238,000 | 232,000 |
| Total Current Liabilities | 262,899 | 260,291 |
| Long-Term Liabilities: | | |
| Revenue Note Payable | 1,338,000 | 1,576,000 |
| Pension Liability | 67,439 | 72,251 |
| Total Liabilities | 1,668,338 | 1,908,542 |
| Deferred Inflows of Resources: | | |
| Pension Plan Deferments | 16,378 | 19,605 |
| Net Position: | | |
| Net Investment in Capital Assets | 2,861,501 | 2,756,033 |
| Unrestricted | 367,218 | 75,029 |
| Total Net Position | 3,228,719 | 2,831,062 |
| TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION | \$ 4,913,435 | \$ 4,759,209 |

CITY OF ANNANDALE, MINNESOTA

SCHEDULE OF REVENUES, EXPENSES AND
CHANGES IN NET POSITION - BUDGET AND ACTUAL
WATER FUND

For the Year Ended December 31, 2019

(With Comparative Amounts For the Year Ended December 31, 2018)

| | 2019 Budget | 2019 Actual | Over (Under) Budget | 2018 Actual |
|--|--------------------|---------------------|---------------------------|---------------------|
| Operating Revenue: | | | | |
| Charges for Services | \$ 536,300 | \$ 515,191 | \$ (21,109) | \$ 529,643 |
| Operating Expenses: | | | | |
| Personnel Services | 153,515 | 113,268 | (40,247) | 112,333 |
| Materials and Supplies | 33,900 | 36,649 | 2,749 | 32,306 |
| Professional Fees | 3,324 | 12,409 | 9,085 | 4,717 |
| Insurance | 11,634 | 11,222 | (412) | 11,074 |
| Utilities | 35,000 | 48,509 | 13,509 | 32,897 |
| Repairs and Maintenance | 21,300 | 32,522 | 11,222 | 29,042 |
| Contracted Services | 5,300 | 3,631 | (1,669) | 3,216 |
| Other Charges | 9,500 | 7,737 | (1,763) | 42,104 |
| Depreciation | 0 | 169,867 | 169,867 | 171,475 |
| Total Operating Expenses | <u>273,473</u> | <u>435,814</u> | <u>162,341</u> | <u>439,164</u> |
| Income (Loss) from Operations | 262,827 | 79,377 | (183,450) | 90,479 |
| Nonoperating Revenues (Expenses): | | | | |
| Interest and Fiscal Charges | (216,778) | (36,066) | 180,712 | (42,493) |
| Reimbursements | 0 | 22,779 | 22,779 | 0 |
| Access Fees and Other Income | 26,000 | 195,820 | 169,820 | 25,265 |
| Investment Earnings | 600 | 2,412 | 1,812 | 543 |
| Total Nonoperating Revenues (Expenses) | <u>(190,178)</u> | <u>184,945</u> | <u>375,123</u> | <u>(16,685)</u> |
| Income Before Transfers and Other Items | 72,649 | 264,322 | 191,673 | 73,794 |
| Transfers and Other Items | | | | |
| Capital Contributions | 0 | 43,335 | 43,335 | 0 |
| Transfers In | 701 | 160,000 | 159,299 | 19,600 |
| Transfers Out | (100,000) | (70,000) | 30,000 | (120,000) |
| Total Transfers and Other Items | <u>(99,299)</u> | <u>133,335</u> | <u>232,634</u> | <u>(100,400)</u> |
| Change in Net Position | <u>\$ (26,650)</u> | 397,657 | <u>\$ 424,307</u> | (26,606) |
| Net Position - January 1 | | <u>2,831,062</u> | | <u>2,857,668</u> |
| Net Position - December 31 | | <u>\$ 3,228,719</u> | | <u>\$ 2,831,062</u> |

CITY OF ANNANDALE, MINNESOTA

SCHEDULE OF NET POSITION
SEWER FUND

December 31, 2019

(With Comparative Amounts For December 31, 2018)

| | 2019 | 2018 |
|--|---------------|---------------|
| ASSETS AND DEFERRED OUTFLOWS OF RESOURCES | | |
| Current Assets: | | |
| Cash and Investments | \$ 0 | \$ 62,393 |
| Accounts Receivable | 96,450 | 271,422 |
| Due from Other Governments | 24,143 | 24,111 |
| Prepaid Expense | 14,179 | 12,352 |
| Total Current Assets | 134,772 | 370,278 |
| Noncurrent Assets: | | |
| Advance to Other Funds | 8,500 | 21,000 |
| Special Assessments | 4,696 | 9,981 |
| Restricted Cash | 110,733 | 74,208 |
| Equity Interest in Joint Venture | 6,929,054 | 7,004,898 |
| Assets Not Being Depreciated | 191,067 | 191,067 |
| Other Capital Assets, Net of Depreciation | 3,146,056 | 3,259,174 |
| Total Noncurrent Assets | 10,390,106 | 10,560,328 |
| Total Assets | 10,524,878 | 10,930,606 |
| Deferred Outflows of Resources: | | |
| Pension Plan Deferments | 18,707 | 20,153 |
| TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES | \$ 10,543,585 | \$ 10,950,759 |
| LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION | | |
| Current Liabilities: | | |
| Accrued Expenses | \$ 77,679 | \$ 70,853 |
| Due to Other Governments | 141,954 | 308,238 |
| Due to Other Funds | 429,800 | 445,076 |
| Current Portion of Long-term Debt | 962,000 | 941,000 |
| Total Current Liabilities | 1,611,433 | 1,765,167 |
| Long-Term Liabilities: | | |
| Revenue Note Payable | 6,293,000 | 7,255,000 |
| Pension Liability | 113,257 | 113,702 |
| Total Liabilities | 8,017,690 | 9,133,869 |
| Deferred Inflows of Resources: | | |
| Pension Plan Deferments | 27,505 | 30,853 |
| Net Position: | | |
| Net Investment in Capital Assets | 3,233,123 | 3,340,241 |
| Restricted | 110,733 | 74,208 |
| Unrestricted | (845,466) | (1,628,412) |
| Total Net Position | 2,498,390 | 1,786,037 |
| TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION | \$ 10,543,585 | \$ 10,950,759 |

CITY OF ANNANDALE, MINNESOTA

SCHEDULE OF REVENUES, EXPENSES AND
CHANGES IN NET POSITION - BUDGET AND ACTUAL
SEWER FUND

For the Year Ended December 31, 2019
(With Comparative Amounts For the Year Ended December 31, 2018)

| | 2019 Budget | 2019 Actual | Over (Under) Budget | 2018 Actual |
|--|--------------------|---------------------|---------------------------|---------------------|
| Operating Revenue: | | | | |
| Charges for Services | \$ 1,011,500 | \$ 998,760 | \$ (12,740) | \$ 1,012,375 |
| Operating Expenses: | | | | |
| Personnel Services | 233,634 | 198,839 | (34,795) | 190,808 |
| Materials and Supplies | 8,000 | 7,840 | (160) | 1,865 |
| Professional Fees | 3,324 | 13,091 | 9,767 | 5,818 |
| Insurance | 10,734 | 9,987 | (747) | 9,982 |
| Utilities | 12,500 | 14,610 | 2,110 | 12,231 |
| Repairs and Maintenance | 20,000 | 25,632 | 5,632 | 24,626 |
| Wastewater Commission Charges | 728,000 | 805,872 | 77,872 | 871,318 |
| Contracted Services | 6,300 | 5,409 | (891) | 5,283 |
| Other Charges | 0 | 59 | 59 | 3,464 |
| Depreciation | 0 | 116,672 | 116,672 | 118,076 |
| Total Operating Expenses | <u>1,022,492</u> | <u>1,198,011</u> | <u>175,519</u> | <u>1,243,471</u> |
| Income (Loss) from Operations | (10,992) | (199,251) | (188,259) | (231,096) |
| Nonoperating Revenues (Expenses): | | | | |
| Interest and Fiscal Charges | 0 | (194,524) | (194,524) | (190,793) |
| Reimbursements | 65,000 | 1,185,288 | 1,120,288 | 1,173,786 |
| Access Fees and Other Income | 40,700 | 82,851 | 42,151 | 203,082 |
| Investment Earnings | 600 | 3,354 | 2,754 | (1,060) |
| Total Nonoperating Revenues (Expenses) | <u>106,300</u> | <u>1,076,969</u> | <u>970,669</u> | <u>1,185,015</u> |
| Income Before Transfers and Other Items | 95,308 | 877,718 | 782,410 | 953,919 |
| Transfers and Other Items | | | | |
| Capital Contributions | 0 | 3,479 | 3,479 | 0 |
| Change in Equity Interest | 0 | (75,844) | (75,844) | (18,613) |
| Transfers In | 35,000 | 51,000 | 16,000 | 36,400 |
| Transfers Out | (149,000) | (144,000) | 5,000 | (149,000) |
| Total Transfers and Other Items | <u>(114,000)</u> | <u>(165,365)</u> | <u>(51,365)</u> | <u>(131,213)</u> |
| Change in Net Position | <u>\$ (18,692)</u> | 712,353 | <u>\$ 731,045</u> | 822,706 |
| Net Position - January 1 | | <u>1,786,037</u> | | <u>963,331</u> |
| Net Position - December 31 | | <u>\$ 2,498,390</u> | | <u>\$ 1,786,037</u> |

CITY OF ANNANDALE, MINNESOTA

SCHEDULE OF NET POSITION
REFUSE FUND

December 31, 2019

(With Comparative Amounts For December 31, 2018)

| | 2019 | 2018 |
|--|------------------|------------------|
| ASSETS AND DEFERRED OUTFLOWS OF RESOURCES | | |
| Current Assets: | | |
| Cash and Investments | \$ 14,214 | \$ 0 |
| Accounts Receivable | 19,955 | 21,485 |
| Due from Other Governments | 1,719 | 0 |
| Prepaid Expense | 1,452 | 1,076 |
| Total Current Assets | <u>37,340</u> | <u>22,561</u> |
| Noncurrent Assets: | | |
| Assets Not Being Depreciated | 20,000 | 20,000 |
| Other Capital Assets, Net of Depreciation | 1,800 | 2,505 |
| Total Noncurrent Assets | <u>21,800</u> | <u>22,505</u> |
| Total Assets | 59,140 | 45,066 |
| Deferred Outflows of Resources: | | |
| Pension Plan Deferments | <u>3,395</u> | <u>2,093</u> |
| TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES | <u>\$ 62,535</u> | <u>\$ 47,159</u> |
| LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION | | |
| Current Liabilities: | | |
| Accrued Expenses | \$ 15,957 | \$ 13,926 |
| Due to Other Governments | 1,044 | 1,106 |
| Due to Other Funds | 0 | 28,318 |
| Total Current Liabilities | <u>17,001</u> | <u>43,350</u> |
| Long-Term Liabilities: | | |
| Pension Liability | <u>20,556</u> | <u>11,809</u> |
| Total Liabilities | <u>37,557</u> | <u>55,159</u> |
| Deferred Inflows of Resources: | | |
| Pension Plan Deferments | <u>4,992</u> | <u>3,204</u> |
| Net Position: | | |
| Net Investment in Capital Assets | 21,800 | 22,505 |
| Unrestricted | (1,814) | (33,709) |
| Total Net Position | <u>19,986</u> | <u>(11,204)</u> |
| TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION | <u>\$ 62,535</u> | <u>\$ 47,159</u> |

CITY OF ANNANDALE, MINNESOTA

SCHEDULE OF REVENUES, EXPENSES AND
CHANGES IN NET POSITION - BUDGET AND ACTUAL
REFUSE FUND

For the Year Ended December 31, 2019
(With Comparative Amounts For the Year Ended December 31, 2018)

| | 2019 Budget | 2019 Actual | Over (Under) Budget | 2018 Actual |
|--|----------------|------------------|---------------------------|--------------------|
| Operating Revenue: | | | | |
| Charges for Services | \$ 192,981 | \$ 195,667 | \$ 2,686 | \$ 186,412 |
| Operating Expenses: | | | | |
| Personnel Services | 34,679 | 34,229 | (450) | 15,086 |
| Materials and Supplies | 4,000 | 3,710 | (290) | 3,460 |
| Professional Fees | 1,369 | 2,282 | 913 | 1,834 |
| Repairs and Maintenance | 2,000 | 2,174 | 174 | 1,786 |
| Contracted Services | 157,535 | 159,855 | 2,320 | 160,447 |
| Other Charges | 300 | 2,855 | 2,555 | 44 |
| Depreciation | 0 | 704 | 704 | 1,333 |
| Total Operating Expenses | <u>199,883</u> | <u>205,809</u> | <u>5,926</u> | <u>183,990</u> |
| Income (Loss) from Operations | (6,902) | (10,142) | (3,240) | 2,422 |
| Nonoperating Revenues (Expenses): | | | | |
| Reimbursements | 0 | 35,517 | 35,517 | 0 |
| Access Fees and Other Income | 7,000 | 6,144 | (856) | 6,825 |
| Investment Earnings | 0 | (329) | (329) | 152 |
| Total Nonoperating Revenues (Expenses) | <u>7,000</u> | <u>41,332</u> | <u>34,332</u> | <u>6,977</u> |
| Change in Net Position | <u>\$ 98</u> | 31,190 | <u>\$ 31,092</u> | 9,399 |
| Net Position - January 1 | | <u>(11,204)</u> | | <u>(20,603)</u> |
| Net Position - December 31 | | <u>\$ 19,986</u> | | <u>\$ (11,204)</u> |

CITY OF ANNANDALE, MINNESOTA

SCHEDULE OF NET POSITION

STORM WATER FUND

December 31, 2019

(With Comparative Amounts For December 31, 2018)

| | <u>2019</u> | <u>2018</u> |
|---|---------------------|---------------------|
| ASSETS | | |
| Current Assets: | | |
| Accounts Receivable | \$ 6,150 | \$ 4,537 |
| Noncurrent Assets: | | |
| Other Capital Assets, Net of Depreciation | <u>2,424,615</u> | <u>2,506,453</u> |
| TOTAL ASSETS | <u>\$ 2,430,765</u> | <u>\$ 2,510,990</u> |
| LIABILITIES AND NET POSITION | | |
| Current Liabilities: | | |
| Accrued Expenses | \$ 161 | \$ 1 |
| Due to Other Funds | <u>27,421</u> | <u>31,562</u> |
| Total Current Liabilities | <u>27,582</u> | <u>31,563</u> |
| Net Position: | | |
| Net Investment in Capital Assets | 2,430,758 | 2,657,463 |
| Unrestricted | <u>(27,575)</u> | <u>(178,036)</u> |
| Total Net Position | <u>2,403,183</u> | <u>2,479,427</u> |
| TOTAL LIABILITIES AND NET POSITION | <u>\$ 2,430,765</u> | <u>\$ 2,510,990</u> |

CITY OF ANNANDALE, MINNESOTA

SCHEDULE OF REVENUES, EXPENSES AND
CHANGES IN NET POSITION - BUDGET AND ACTUAL
STORM WATER FUND

For the Year Ended December 31, 2019

(With Comparative Amounts For the Year Ended December 31, 2018)

| | 2019 Budget | 2019 Actual | Over (Under) Budget | 2018 Actual |
|--|------------------|---------------------|---------------------------|---------------------|
| Operating Revenue: | | | | |
| Charges for Services | \$ 49,536 | \$ 45,775 | \$ (3,761) | \$ 45,805 |
| Operating Expenses: | | | | |
| Professional Fees | 391 | 552 | 161 | 524 |
| Repairs and Maintenance | 0 | 480 | 480 | 8,346 |
| Other Charges | 0 | 160 | 160 | 3,100 |
| Depreciation | 0 | 87,981 | 87,981 | 87,981 |
| Total Operating Expenses | <u>391</u> | <u>89,173</u> | <u>88,782</u> | <u>99,951</u> |
| Income (Loss) from Operations | 49,145 | (43,398) | (92,543) | (54,146) |
| Nonoperating Revenues (Expenses): | | | | |
| Reimbursements | 2,900 | 3,175 | 275 | 0 |
| Investment Earnings | 0 | (164) | (164) | 252 |
| Total Nonoperating Revenues (Expenses) | <u>2,900</u> | <u>3,011</u> | <u>111</u> | <u>252</u> |
| Income Before Transfers and Other Items | 52,045 | (40,387) | (92,432) | (53,894) |
| Transfers and Other Items | | | | |
| Capital Contributions | 0 | 6,143 | 6,143 | 0 |
| Transfers Out | (42,000) | (42,000) | 0 | (42,000) |
| Total Transfers and Other Items | <u>(42,000)</u> | <u>(35,857)</u> | <u>6,143</u> | <u>(42,000)</u> |
| Change in Net Position | <u>\$ 10,045</u> | (76,244) | <u>\$ (86,289)</u> | (95,894) |
| Net Position - January 1 | | <u>2,479,427</u> | | <u>2,575,321</u> |
| Net Position - December 31 | | <u>\$ 2,403,183</u> | | <u>\$ 2,479,427</u> |

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OTHER REQUIRED REPORTS



Burkhardt & Burkhardt, Ltd.

Certified Public Accountants

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Mankato Office:
430 S. Broad St., Ste. 100
Mankato, MN 56001
P: 507.387.1338
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MINNESOTA LEGAL COMPLIANCE

Independent Auditor's Report

Honorable Mayor and
Members of the City Council
Annandale, Minnesota

We have audited, in accordance with auditing standards generally accepted in the United States of America, the financial statements of the governmental activities, business-type activities, each major fund and the aggregate fund information of the City of Annandale as of and for the year ended December 31, 2019, and the related notes to the financial statements, and have issued our report thereon dated May 15, 2020.

The *Minnesota Legal Compliance Audit Guide for Cities*, promulgated by the State Auditor pursuant to Minn. Stat. § 6.65, contains seven categories of compliance to be tested: contracting and bidding, deposits and investments, conflicts of interest, public indebtedness, claims and disbursements, miscellaneous provisions, and tax increment financing. Our audit considered all of the listed categories.

In connection with our audit, nothing came to our attention that caused us to believe that the City of Annandale failed to comply with the provisions of the *Minnesota Legal Compliance Audit Guide for Cities*, except as described in the accompanying schedule of findings and responses. 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.

This report is intended solely for the information and use of those charged with governance and management of the City of Annandale and the State Auditor and is not intended to be and should not be used by anyone other than these specified parties.

Burkhardt & Burkhardt, Ltd.

Burkhardt & Burkhardt, Ltd
Mankato, Minnesota
May 15, 2020

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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

Honorable Mayor and
Members of the City Council
City of Annandale
Annandale, 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 Annandale, Minnesota, as of and for the year ended December 31, 2019, and the related notes to the financial statements, which collectively comprise the City of Annandale, Minnesota's basic financial statements, and have issued our report thereon dated May 15, 2020.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and responses, which we consider to be significant deficiencies as items 2019-001 and 2019-002.

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Compliance and Other Matters

As part of obtaining reasonable assurance about whether City of Annandale's 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 of Annandale's Response to Findings

The City of Annandale's response to the findings identified in our audit is described in the accompanying schedule of findings and responses. The City of Annandale's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

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.



Burkhardt & Burkhardt, Ltd
Mankato, Minnesota
May 15, 2020

CITY OF ANNANDALE, MINNESOTA

SCHEDULE OF FINDINGS AND RESPONSES ON
LEGAL COMPLIANCE AND INTERNAL CONTROL

December 31, 2019

CURRENT YEAR FINANCIAL STATEMENT FINDINGS

Significant Deficiencies

2019-001. Auditor Prepared Financial Statements and Related Footnotes

Condition: The City does not have an internal control system designed to provide for the preparation of the financial statements and the related notes being audited. However, based on the degree of complexity and level of detail needed to prepare the financial statements in accordance with accounting principles generally accepted in the United States of America (GAAP), the City has requested the auditors to prepare them.

Criteria: The preparation of the financial statements and the related notes are the responsibility of management.

Cause: There are a limited number of office employees and resources available to allow for the adequate preparation of the financial statements and the related notes by the City.

Effect: This could result in a material misstatement to the financial statements and related notes that would not be prevented, or detected and corrected as a result of the City's current internal control.

Recommendation: The City should continue to request the assistance to draft the financial statements and related notes and thoroughly review these financial statements after they have been prepared so the City can take responsibility for them.

Corrective Action Plan (CAP)

- A. *Explanation of Disagreement with Audit Finding:* There is no disagreement with the audit finding.
- B. *Actions Planned in response to Finding:* The City does not plan to take any action but is aware of the condition. Based on the cost of correcting this deficiency, the City has decided to accept the risk associated with this deficiency.
- C. *Official Responsible for Ensuring CAP:* The City Administrator will review the financial statements and related footnotes and approve them.
- D. *Planned Completion Date for CAP:* The corrective action plan for this finding will be ongoing.
- E. *Plan to Monitor Completion of CAP:* The City Council will monitor this corrective action plan to review the recommendations and take appropriate action.

2019-002. Segregation of Duties

Condition: There is an absence of appropriate segregation of duties consistent with appropriate control objectives due to a limited number of employees.

Criteria: The basic premise is that no one person should have access to both physical assets and the related accounting records or to all phases of a transaction. The lack of such controls could result in the occurrence of a material error or fraud in relation to the financial statements not being detected by management.

Cause: The City has assigned duties to staff based on a cost-benefit relationship to the City and the practicality of the level of staffing the City maintains.

Effect: The lack of adequate segregation of 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.

Recommendation: The City should continue to monitor and evaluate the job responsibilities assigned to staff to determine whether there is an unacceptable risk.

CITY OF ANNANDALE, MINNESOTA

SCHEDULE OF FINDINGS AND RESPONSES ON
LEGAL COMPLIANCE AND INTERNAL CONTROL
December 31, 2019

2019-002. Segregation of duties – Continued

Corrective Action Plan (CAP)

- A. *Explanation of Disagreement with Audit Finding:* There is no disagreement with the audit finding.
- B. *Actions Planned in response to Finding:* The City is aware of the limited segregation of duties and will continue to review internal controls and make changes when they can be made.
- C. *Official Responsible for Ensuring CAP:* The City Administrator will monitor the effectiveness of the above actions and make changes as considered appropriate.
- D. *Planned Completion Date for CAP:* The corrective action plan for this finding will be ongoing.
- E. *Plan to Monitor Completion of CAP:* The City Council will monitor this corrective action plan to review the recommendations and take appropriate action.

STATUS OF PRIOR FINANCIAL STATEMENT FINDINGS

The prior audit contained two findings:

2018-001. Preparation of financial statements and related footnotes

Condition: The City does not have an internal control system designed to provide for the preparation of the financial statements being audited.

Current status: This condition is noted during the current year audit of the financial statements.

2018-002. Segregation of Duties

Condition: There is an absence of appropriate segregation of duties consistent with appropriate control objectives due to a limited number of employees.

Current status: This condition is noted during the current year audit of the financial statements.

CURRENT YEAR MINNESOTA LEGAL COMPLIANCE FINDINGS

None

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