

**CITY OF ANNANDALE
ANNANDALE, MINNESOTA**

AUDITED FINANCIAL STATEMENTS

**FOR THE YEAR ENDED
DECEMBER 31, 2020**

CITY OF ANNANDALE, MINNESOTA

TABLE OF CONTENTS

	<u>Page</u>
ELECTED AND APPOINTED OFFICIALS	1
INDEPENDENT AUDITOR’S REPORT	2
MANAGEMENT’S DISCUSSION AND ANALYSIS	5
BASIC FINANCIAL STATEMENTS	
Government-wide Financial Statements:	
Statement of Net Position	19
Statement of Activities	20
Fund Financial Statements:	
Governmental Funds	
Balance Sheet - Governmental Funds	22
Reconciliation of the Balance Sheet to the Statement of Net Position - Governmental Funds	23
Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds	24
Reconciliation of Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities - Governmental Funds	25
Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual:	
General Fund	26
Proprietary Funds	
Statement of Net Position	27
Statement of Revenues, Expenses and Changes in Net Position – Proprietary Funds	29
Statement of Cash Flows	31
Notes to the Basic Financial Statements	33
REQUIRED SUPPLEMENTAL INFORMATION SECTION	
Schedule of City’s Proportionate Share of Net Pension Liability – GERP	67
Schedule of City’s Contributions – GERP	67
Schedule of City’s Proportionate Share of Net Pension Liability – PEPFP	68
Schedule of City’s Contributions – PEPFP	68
Schedule of Changes in Net Pension Liability and Related Ratios –	
Annandale Fire Relief Association	69
Schedule of Contributions and Net Pension Liability as a Percent of Payroll –	
Annandale Fire Relief Association	70
Notes to the Required Supplemental Information	71
SUPPLEMENTAL INFORMATION SECTION	
Nonmajor Funds:	
Combining Balance Sheet	75
Combining Statement of Revenues, Expenditures and Changes in Fund Balance	76
Nonmajor Special Revenue Funds:	
Combining Balance Sheet	77
Combining Statement of Revenues, Expenditures and Changes in Fund Balance	79
Nonmajor Capital Project Funds:	
Combining Balance Sheet	81
Combining Statement of Revenues, Expenditures and Changes in Fund Balance	83
Debt Service Funds:	
Combining Balance Sheet	85
Combining Schedule of Revenues, Expenditures and Changes in Fund Balance	87
General Fund:	
Balance Sheet	89
Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual	90
Proprietary Funds:	
Water Utility:	
Schedule of Net Position	100
Schedule of Revenues, Expenses and Changes in Net Position	101

CITY OF ANNANDALE, MINNESOTA

TABLE OF CONTENTS

	<u>Page</u>
SUPPLEMENTAL INFORMATION SECTION – (Continued)	
Sewer Utility:	
Schedule of Net Position	102
Schedule of Revenues, Expenses and Changes in Net Position	103
Refuse Fund:	
Schedule of Net Position	104
Schedule of Revenues, Expenses and Changes in Net Position	105
Storm Water Fund:	
Schedule of Net Position	106
Schedule of Revenues, Expenses and Changes in Net Position	107
OTHER REQUIRED REPORTS:	
Report on Minnesota Legal Compliance	109
Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	110
Schedule of Findings and Responses	112

CITY OF ANNANDALE, MINNESOTA
ELECTED AND APPOINTED OFFICIALS
FOR THE YEAR ENDED DECEMBER 31, 2020

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
Jen Holm	Deputy Clerk
Brian Haag	Fire Chief
Peter Standafer	Police Chief
Joseph Haller	Public Works

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Burkhardt & Burkhardt, Ltd.

Certified Public Accountants

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F: 320.274.2260

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Affordable... Exceptional value for a reasonable price

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Mankato Office:
430 S. Broad St., Ste. 100
Mankato, MN 56001
P: 507.387.1338
F: 507.387.5199

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 (the City), as of and for the year ended December 31, 2020, 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 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, as of December 31, 2020 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

We have previously audited the City's 2019 financial statements, and we 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 our report dated May 15, 2020. In our opinion, the partial comparative information presented herein as of and for the year ended December 31, 2019 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 June 2, 2021, 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
June 2, 2021

MANAGEMENT'S DISCUSSION AND ANALYSIS

MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the City of Annandale (the City), we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended December 31, 2020.

FINANCIAL HIGHLIGHTS

Key financial highlights for the 2020 fiscal year include the following:

- (1) The assets and deferred outflows of resources of the City exceeded its liabilities and deferred inflows of resources at the close of the most recent fiscal year by \$18,513,961 (net position). Of this amount, \$3,441,078 (unrestricted net position) may be used to meet the government's ongoing obligations to citizens and creditors.
- (2) Capital assets, less depreciation, total \$21,880,966, representing a broad base of city-wide infrastructure.
- (3) As of the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$4,516,285. \$3,324,312 of this total amount, over 74%, 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 \$1,862,676, or 85%, of total general fund expenditures.
- (5) The City had increases in net position for governmental activities of \$441,303 and \$731,808 for business-type activities during the current fiscal year, with an overall increase of \$1,173,111.

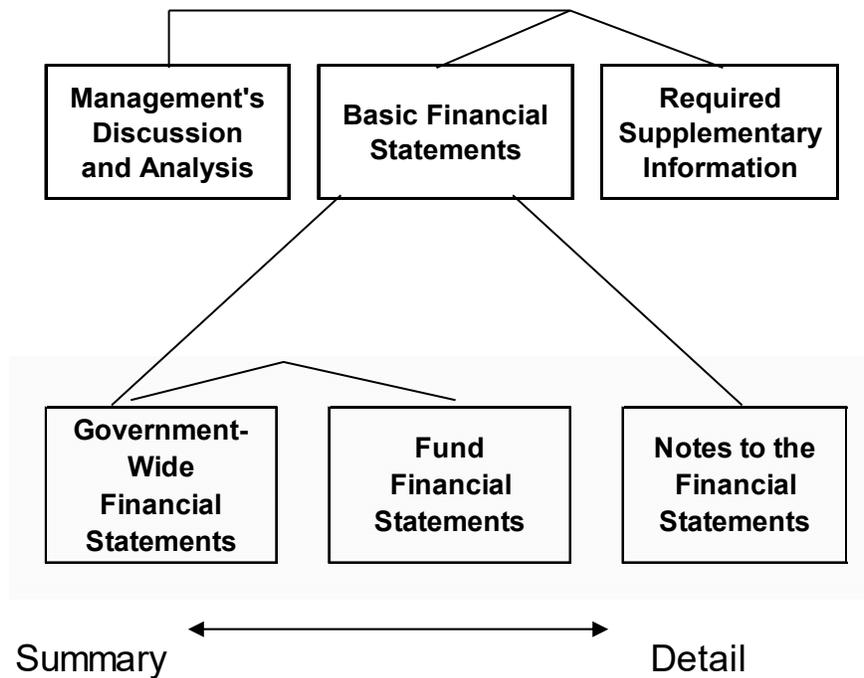
CITY OF ANNANDALE, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2020

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 explain and support 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, 2020

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
Required financial statements	<ul style="list-style-type: none"> • Statement of Net Position • Statement of Activities 	<ul style="list-style-type: none"> • Balance Sheet • Statement of 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’s finances, in a manner similar to a private-sector business.

The *Statement of Net Position* presents information on all of the City’s assets and deferred outflows 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 is improving or deteriorating.

CITY OF ANNANDALE, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2020

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 2020 Statement provides for an increase in net position in the governmental funds and an increase in the business-type activities, additionally the investment in capital assets increased in the governmental activities and decreased in the business-type activities.

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the City include general government, public safety, public works, parks and recreation, economic development, and interest on long-term debt. The business-type activities of the City 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, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All the funds of the City can be divided into two categories: governmental funds and proprietary funds.

Governmental Funds

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

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial 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 maintains thirty 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, Debt Service funds and 2020 Improvement Project. 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 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, 2020

Proprietary Funds

The City 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 major funds of the City.

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

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The Notes to the Financial Statements 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 presents certain required supplementary information concerning the City'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, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$18,513,961 at the close of the most recent fiscal year.

By far the largest portion of the City'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 uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

CITY OF ANNANDALE, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2020

A condensed version of the Statement of Net Position at December 31, 2020 follows:

City of Annandale's Summary of Net Position

	Governmental Activities			Business-type Activities		
	<u>2020</u>	<u>2019</u>	Increase (Decrease)	<u>2020</u>	<u>2019</u>	Increase (Decrease)
<i>Assets</i>						
Current and other assets	\$ 6,138,718	\$ 6,590,853	\$ (452,135)	\$ 502,071	\$ 308,247	\$ 193,824
Equity interest	-	-	-	6,732,692	6,929,054	(196,362)
Capital assets	12,031,104	10,150,008	1,881,096	9,849,862	10,220,939	(371,077)
	<u>18,169,822</u>	<u>16,740,861</u>	<u>1,428,961</u>	<u>17,084,625</u>	<u>17,458,240</u>	<u>(373,615)</u>
<i>Deferred Outflows of Resources</i>						
Pension plan deferments	540,814	707,345	(166,531)	47,320	33,241	14,079
<i>Liabilities</i>						
Current liabilities	1,219,310	1,114,877	104,433	1,585,617	1,461,695	123,922
Long-term liabilities	7,254,553	6,439,270	815,283	6,632,484	7,832,252	(1,199,768)
	<u>8,473,863</u>	<u>7,554,147</u>	<u>919,716</u>	<u>8,218,101</u>	<u>9,293,947</u>	<u>(1,075,846)</u>
<i>Deferred Inflows of Resources</i>						
Pension plan deferments	610,548	701,870	(91,322)	26,108	48,875	(22,767)
Excess of total assets and deferred outflows of resources over total liabilities and deferred inflows of resources	<u>\$ 9,626,225</u>	<u>\$ 9,192,189</u>	<u>\$ 434,036</u>	<u>\$ 8,887,736</u>	<u>\$ 8,148,659</u>	<u>739,077</u>
<i>Net Position</i>						
Net Investment in						
Capital Assets	\$ 4,910,905	\$ 4,678,877	\$ 232,028	\$ 8,413,858	\$ 8,519,239	\$ (105,381)
Restricted	1,597,510	1,895,026	(297,516)	150,610	110,733	39,877
Unrestricted	3,117,810	2,618,286	499,524	323,268	(481,313)	804,581
Total net position	<u>\$ 9,626,225</u>	<u>\$ 9,192,189</u>	<u>\$ 434,036</u>	<u>\$ 8,887,736</u>	<u>\$ 8,148,659</u>	<u>\$ 739,077</u>

Assets of the governmental activities increased in 2020 by \$1,428,961. This increase is predominantly as a result of the construction of infrastructure related to the 2020 improvement project. The increase long-term liabilities of the governmental activities is associated with issuance of two bonds in 2020 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'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 is able to report positive balances in all three categories of net position for the government activities and the business-type activities. The deficit in unrestricted net position improved by \$804,581 in 2020 mostly due to revenues over expense of \$731,808.

CITY OF ANNANDALE, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2020

Governmental and business-type activities increased the City's net position by \$1,173,111. Key elements of this increase are as follows:

City of Annandale's Changes in Net Position

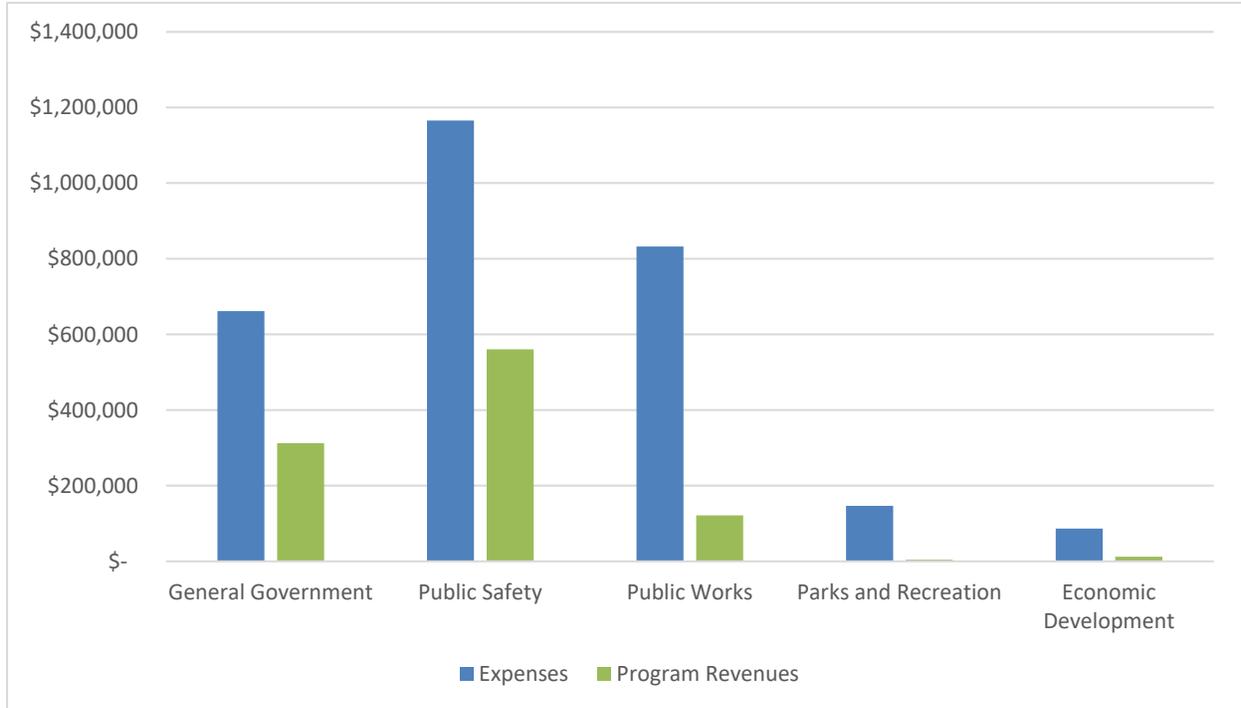
	Governmental Activities			Business-type Activities		
	2020	2019	Increase (Decrease)	2020	2019	Increase (Decrease)
<i>Revenues</i>						
Program revenues						
Charges for services	\$ 611,822	\$ 613,908	\$ (2,086)	\$ 1,898,177	\$ 1,755,393	\$ 142,784
Operating grants and contributions	365,534	170,839	194,695	-	-	-
Capital grants and contributions	33,168	190,483	(157,315)	1,035,376	1,114,509	(79,133)
General revenues						
Property taxes	1,522,576	1,486,110	36,466	-	-	-
Intergovernmental	513,167	465,656	47,511	-	-	-
Other sources	271,233	218,314	52,919	464,815	422,338	42,477
Total Revenue	3,317,500	3,145,310	172,190	3,398,368	3,292,240	106,128
<i>Expenses</i>						
General Government	661,447	569,167	92,280	-	-	-
Public Safety	1,165,359	995,810	169,549	-	-	-
Public Works	832,305	822,987	9,318	-	-	-
Parks and Recreation	146,681	132,220	14,461	-	-	-
Economic development	86,417	577,758	(491,341)	-	-	-
Water	-	-	-	493,443	474,078	19,365
Sewer	-	-	-	1,420,543	1,391,956	28,587
Refuse	-	-	-	194,945	205,809	(10,864)
Storm water	-	-	-	90,267	89,173	1,094
Interest on long-term debt	254,988	223,440	31,548	-	-	-
Total Expenses	3,147,197	3,321,382	(174,185)	2,199,198	2,161,016	38,182
Change in equity interest	-	-	-	(196,362)	(75,844)	(120,518)
Transfer	271,000	(7,957)	278,957	(271,000)	7,957	(278,957)
Total change in equity and transfers	271,000	(7,957)	278,957	(467,362)	(67,887)	(399,475)
Change in Net Position	441,303	(184,029)	625,332	731,808	1,063,337	(331,529)
Net position - January 1, as previously	9,192,189	9,376,218	(184,029)	8,150,278	7,086,941	1,063,337
Prior period adjustment	(5,650)	-	(5,650)	5,650	-	5,650
Net position - January 1, as restated	9,184,922	9,376,218	(191,296)	8,155,928	7,086,941	1,068,987
Net position - December 31	\$ 9,626,225	\$ 9,192,189	\$ 434,036	\$ 8,887,736	\$ 8,150,278	\$ 739,077

Net position for the governmental activities increased \$441,303 in 2020, this was an increase of \$625,332 from the prior year. The majority of the change was due to intergovernmental revenue related to COVID and increased transfers from the Business-type activities. Business-type net position increased \$731,808, which was a decrease of \$331,529 over the prior year. Increased transfers along with a deficit change in the equity interest of the joint venture resulted in the overall reduced change in net position.

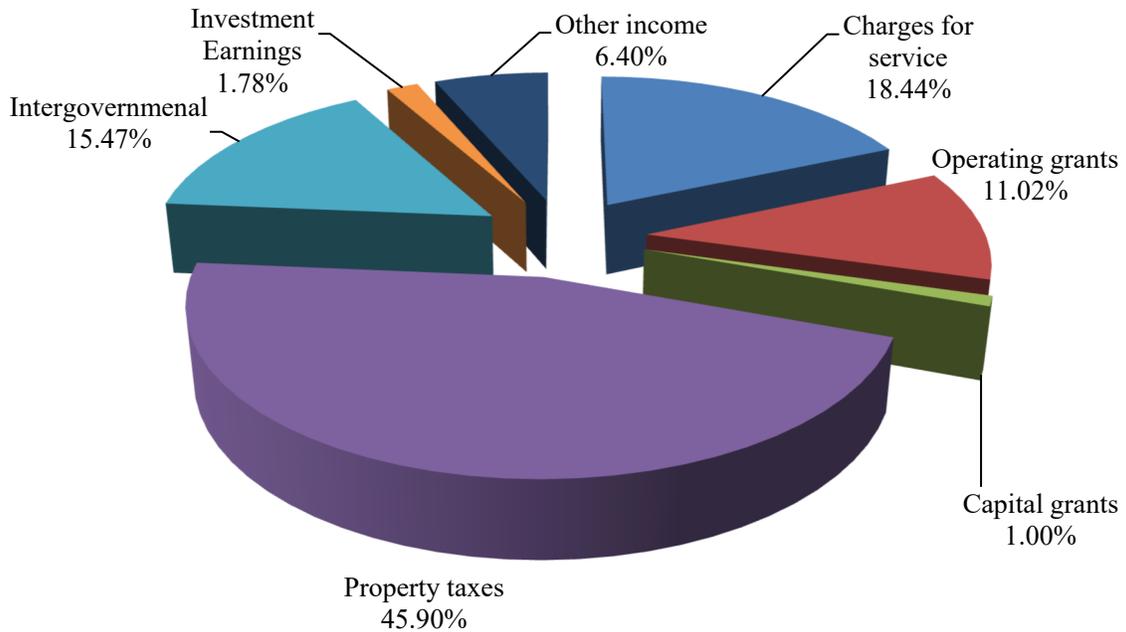
CITY OF ANNANDALE, MINNESOTA
 MANAGEMENT'S DISCUSSION AND ANALYSIS
 YEAR ENDED DECEMBER 31, 2020

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



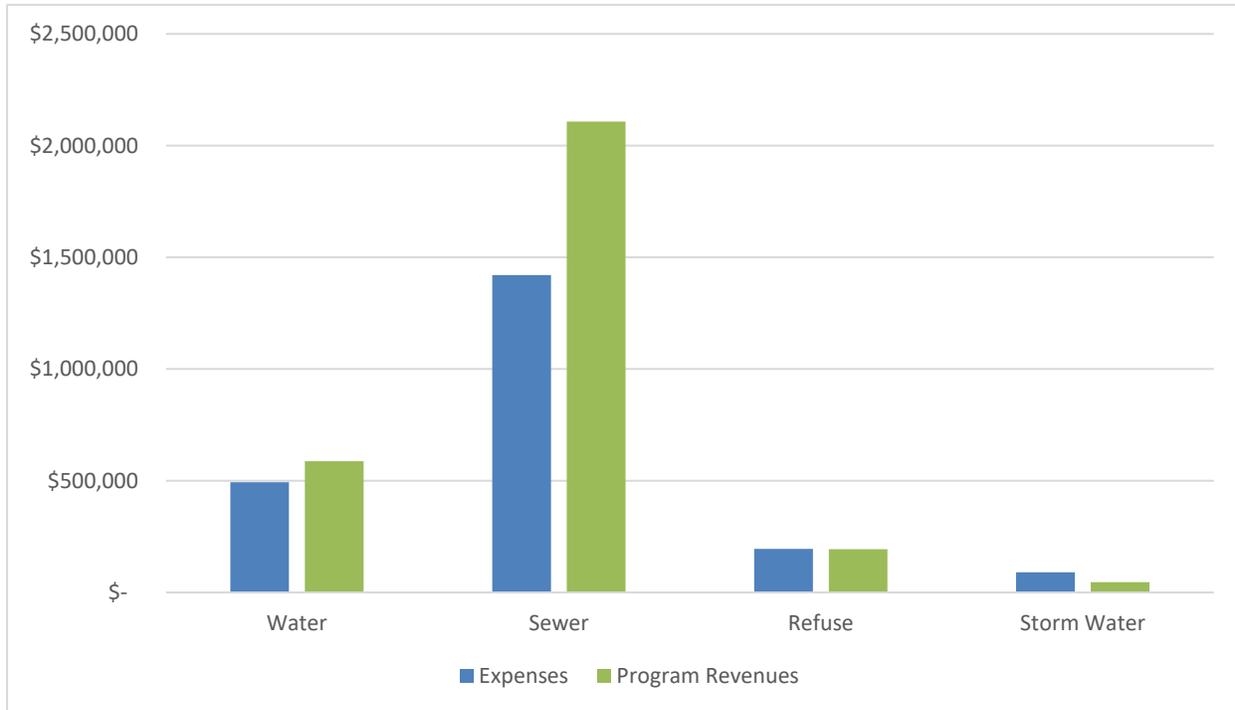
Revenues by Source – Governmental Activities



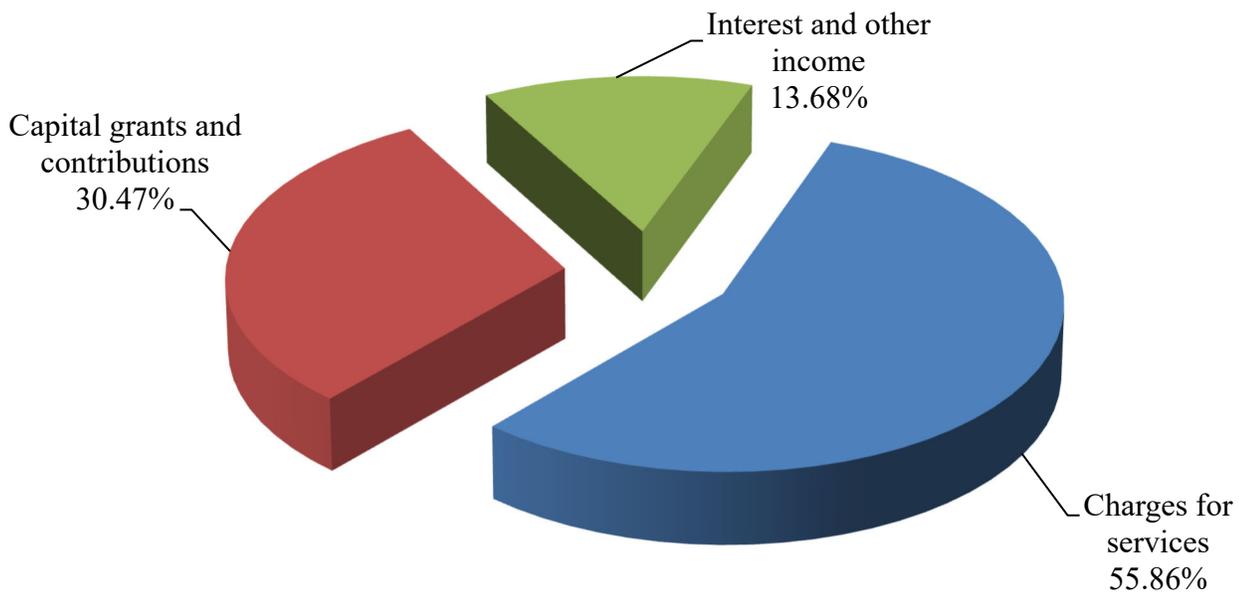
CITY OF ANNANDALE, MINNESOTA
 MANAGEMENT'S DISCUSSION AND ANALYSIS
 YEAR ENDED DECEMBER 31, 2020

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, 2020

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's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City's 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's governmental funds reported combined ending fund balances of \$4,516,285. The unreserved fund balance constitutes \$3,324,312 of the total combined ending fund balance. The remainder of the fund balance is either not in spendable 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 \$1,191,973.

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 \$2,210,609. 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 85% of total 2020 actual expenditures. The General fund balance increased \$84,371, during the year, primarily due to intergovernmental revenues related to COVID.

The 2020 improvement project issued bonds to support infrastructure improvements of \$2,797,072 during 2020.

The Debt Service fund had a fund balance of \$869,948. 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's Proprietary funds have unrestricted net position as follows:

Water fund	\$	420,032
Sewer fund	\$	(81,744)
Refuse fund	\$	3,695
Storm water fund	\$	(19,600)

BUDGETARY HIGHLIGHTS

General Fund.

The City increased its general tax levy collectible in 2020 by 2.0% from the 2019 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, and the City budgeted revenues to exceed expenditures by \$304,025.

Revenues were over the budgeted sources by \$328,458, with the following significant variances:

- Property taxes of \$16,428
- Intergovernmental revenue of \$278,974
- License and permits of \$46,578
- Investment earnings of \$31,763

CITY OF ANNANDALE, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2020

Expenditures were over the budgeted appropriations by \$186,234, with the following significant variances:

- General government was over budget by \$34,089
- Capital outlay for the general fund was over budget by \$149,828

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's investment in capital assets for its governmental and business-type activities as of December 31, 2020, amounts to \$21,880,966 (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 2020 street and utility project
- Council AV system for city hall
- 2019 BC S650 Bobcat
- 2020 Ford F150
- Compost site fence and gate

City of Annandale's Capital Assets

	Governmental Activities			Business-type Activities		
	<u>2020</u>	<u>2019</u>	Increase (Decrease)	<u>2020</u>	<u>2019</u>	Increase (Decrease)
Land	\$ 2,463,708	\$ 2,463,708	\$ -	\$ 277,948	\$ 277,948	\$ -
Buildings and improvements	5,056,413	5,026,022	30,391	4,187,883	4,187,883	-
Equipment	2,751,462	2,617,147	134,315	308,253	303,096	5,157
Infrastructure	24,314,143	21,851,495	2,462,648	11,176,727	11,176,727	-
Construction in progress	86,258	275,927	(189,669)	-	-	-
Total	<u>\$ 34,671,984</u>	<u>\$ 32,234,299</u>	<u>\$ 2,437,685</u>	<u>\$ 15,950,811</u>	<u>\$ 15,945,654</u>	<u>\$ 5,157</u>

LONG-TERM DEBT

At the end of the fiscal year, the City had total long-term debt of \$15,860,931. This consisted of \$6,109,000 for G.O. improvement bonds/notes, \$212,000 for G.O. bonds/certificates, \$755,000 for G.O. tax increment bonds, \$7,631,000 for G.O. revenue bonds, \$1,053,953 for net pension liability, \$55,778 for compensated absences, and \$44,200 for bond premiums. State statutes limit 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, 2020

Key elements of long-term debt are as follows:

	<u>2020</u>	<u>2019</u>	Increase (Decrease)
Governmental Activities:			
General Obligation Bonds	\$ 7,076,000	\$ 6,491,000	\$ 585,000
Total Governmental Activities Long-Term Debt	7,076,000	6,491,000	585,000
Business-type Activities:			
General Obligation Revenue Bonds	7,631,000	8,831,000	(1,200,000)
Total Long-Term Debt	<u>\$ 14,707,000</u>	<u>\$ 15,322,000</u>	<u>\$ (615,000)</u>
Bonded Debt:			
General Obligation Bonds	\$ 7,076,000	\$ 6,491,000	\$ 585,000
General Obligation Revenue Bonds	7,631,000	8,831,000	(1,200,000)
Total Bonded Debt	<u>\$ 14,707,000</u>	<u>\$ 15,322,000</u>	<u>\$ (615,000)</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 increased by \$173,156, or 6.4%, between 2019 and 2020. New construction, particularly home construction, contributed to this increase. New construction was strong again in 2020, with 19 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's budget for 2020 and will be for the 2021 fiscal year as well.

For the 2020 fiscal year, general fund revenue and expenditure projections remained conservative. The 2020 general fund budget for revenues was \$2,155,680 and expenditures was \$2,155,680.74. The 2020 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 2020 proprietary fund (water, sewer, refuse and storm water) budget is \$1,940,823 for revenues and \$1,954,506 for expenditures, resulting in a net loss of \$13,683. Reflected in the 2020 budget is a 0% general rate increase in water, sewer, refuse and storm water rates, respectively. The 2020 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 constructed in 2020. 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, 2020

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of the City's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the 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, 2020

	Governmental Activities	Business-type Activities	Total
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES			
Assets			
Cash and Investments	\$ 3,998,422	\$ 386,711	\$ 4,385,133
Restricted Cash	0	150,610	150,610
Receivables:			
Accounts	57,128	180,949	238,077
Intergovernmental	63,468	43,287	106,755
Property Taxes	55,497	0	55,497
Notes, Net of Allowance	13,016	0	13,016
Special Assessments	632,227	8,348	640,575
Prepaid Expenses	110,195	26,881	137,076
Property Held for Sale	342,923	0	342,923
Internal Balances	294,715	(294,715)	0
Equity Interest in Joint Venture	0	6,732,692	6,732,692
Capital Assets			
Assets not Being Depreciated	2,549,967	277,948	2,827,915
Other Capital Assets, Net of Depreciation	9,481,137	9,571,914	19,053,051
Net Pension Asset	571,127	0	571,127
Total Assets	<u>18,169,822</u>	<u>17,084,625</u>	<u>35,254,447</u>
Deferred Outflows of Resources:			
Pension Plan Deferments	<u>540,814</u>	<u>47,320</u>	<u>588,134</u>
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	<u>\$ 18,710,636</u>	<u>\$ 17,131,945</u>	<u>\$ 35,842,581</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION			
Liabilities:			
Accrued Expenses	\$ 344,787	\$ 290,583	\$ 635,370
Interest Payable	87,523	68,034	155,557
Current Portion of Long-Term Debt	787,000	1,227,000	2,014,000
Compensated Absences	55,778	0	55,778
Unearned Revenue	40,106	0	40,106
Long-Term Debt, Net of Current Portion	6,333,200	6,404,000	12,737,200
Net Pension Liability	825,469	228,484	1,053,953
Total Liabilities	<u>8,473,863</u>	<u>8,218,101</u>	<u>16,691,964</u>
Deferred Inflows of Resources:			
Pension Plan Deferments	<u>610,548</u>	<u>26,108</u>	<u>636,656</u>
Net Position:			
Net Investment in Capital Assets	4,910,905	8,413,858	13,324,763
Restricted	1,597,510	150,610	1,748,120
Unrestricted	3,117,810	323,268	3,441,078
Total Net Position	<u>9,626,225</u>	<u>8,887,736</u>	<u>18,513,961</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION	<u>\$ 18,710,636</u>	<u>\$ 17,131,945</u>	<u>\$ 35,842,581</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, 2020

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
GOVERNMENTAL ACTIVITIES:				
General Government	\$ 661,447	\$ 312,526	\$ 0	\$ 0
Public Safety	1,165,359	194,969	365,534	0
Public Works	832,305	88,478	0	33,168
Parks and Recreation	146,681	3,964	0	0
Economic Development	86,417	11,885	0	0
Interest on Long-term Debt	254,988	0	0	0
Total Governmental Activities	<u>3,147,197</u>	<u>611,822</u>	<u>365,534</u>	<u>33,168</u>
BUSINESS-TYPE ACTIVITIES:				
Water	493,443	587,139	0	0
Sewer	1,420,543	1,071,792	0	1,035,376
Refuse	194,945	193,204	0	0
Storm Water	90,267	46,042	0	0
Total Business-type Activities	<u>2,199,198</u>	<u>1,898,177</u>	<u>0</u>	<u>1,035,376</u>
Total Primary Government	<u>\$ 5,346,395</u>	<u>\$ 2,509,999</u>	<u>\$ 365,534</u>	<u>\$ 1,068,544</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, as Previously Stated

Prior Period Adjustment

Net Position - January 1, as Restated

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
\$ (348,921)	\$ 0	\$ (348,921)
(604,856)	0	(604,856)
(710,659)	0	(710,659)
(142,717)	0	(142,717)
(74,532)	0	(74,532)
(254,988)	0	(254,988)
<u>(2,136,673)</u>	<u>0</u>	<u>(2,136,673)</u>
0	93,696	93,696
0	686,625	686,625
0	(1,741)	(1,741)
0	(44,225)	(44,225)
<u>0</u>	<u>734,355</u>	<u>734,355</u>
<u>(2,136,673)</u>	<u>734,355</u>	<u>(1,402,318)</u>
1,497,576	0	1,497,576
25,000	0	25,000
27,976	0	27,976
513,167	0	513,167
58,949	5,851	64,800
184,308	458,962	643,270
271,000	(271,000)	0
0	(196,362)	(196,362)
<u>2,577,976</u>	<u>(2,549)</u>	<u>2,575,427</u>
<u>441,303</u>	<u>731,808</u>	<u>1,173,111</u>
9,190,572	8,150,278	17,340,850
<u>(5,650)</u>	<u>5,650</u>	<u>0</u>
<u>9,184,922</u>	<u>8,155,928</u>	<u>17,340,850</u>
<u>\$ 9,626,225</u>	<u>\$ 8,887,736</u>	<u>\$ 18,513,961</u>

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

CITY OF ANNANDALE, MINNESOTA

BALANCE SHEET
GOVERNMENTAL FUNDS
December 31, 2020

	General	Debt Service Funds	2020 Improvement Project	Nonmajor Governmental Funds	Total Governmental Funds
ASSETS					
Cash and Investments	\$ 1,796,919	\$ 867,932	\$ 219,074	\$ 1,114,497	\$ 3,998,422
Receivables:					
Accounts	57,128	0	0	0	57,128
Intergovernmental	61,177	0	0	2,291	63,468
Property Taxes	55,497	0	0	0	55,497
Special Assessments	0	605,292	0	26,935	632,227
Notes	0	0	0	13,016	13,016
Prepaid Expense	107,335	0	0	2,860	110,195
Due from Other Funds	611,003	0	0	0	611,003
Land Held for Sale	0	0	0	342,923	342,923
Advance to Other Funds	0	0	0	181,088	181,088
TOTAL ASSETS	<u>\$ 2,689,059</u>	<u>\$ 1,473,224</u>	<u>\$ 219,074</u>	<u>\$ 1,683,610</u>	<u>\$ 6,064,967</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE					
Liabilities:					
Accrued Expenses	\$ 276,713	\$ 0	\$ 36,974	\$ 29,021	\$ 342,708
Unearned Revenue	40,106	0	0	0	40,106
Due to Other Funds	0	0	0	238,438	238,438
Due to Other Governments	2,081	0	0	0	2,081
Advance from Other Funds	123,350	0	0	135,588	258,938
Total Liabilities	<u>442,250</u>	<u>0</u>	<u>36,974</u>	<u>403,047</u>	<u>882,271</u>
Deferred Inflows of Resources:					
Unavailable Revenue:					
Special Assessments	0	603,276	0	26,935	630,211
Delinquent Taxes	36,200	0	0	0	36,200
Total Deferred Inflows of Resources	<u>36,200</u>	<u>603,276</u>	<u>0</u>	<u>26,935</u>	<u>666,411</u>
Fund Balance:					
Nonspendable	107,335	0	0	2,882	110,217
Restricted	0	869,948	182,100	29,708	1,081,756
Committed	0	0	0	740,824	740,824
Assigned	240,598	0	0	765,778	1,006,376
Unassigned	1,862,676	0	0	(285,564)	1,577,112
Total Fund Balance	<u>2,210,609</u>	<u>869,948</u>	<u>182,100</u>	<u>1,253,628</u>	<u>4,516,285</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE	<u>\$ 2,689,059</u>	<u>\$ 1,473,224</u>	<u>\$ 219,074</u>	<u>\$ 1,683,610</u>	<u>\$ 6,064,967</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, 2020

Total Fund Balances - Governmental Funds	\$ 4,516,285
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	34,671,984
Less: Accumulated depreciation	(22,640,880)
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	(7,076,000)
Discount/Premiums	(44,200)
Compensated absences payable	(55,778)
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	36,200
Special assessments	630,211
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	(401,039)
Net pension liability - public employees police and fire pension fund	(424,430)
Net pension asset - volunteer firemen's relief pension fund	571,127
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	540,814
Deferred inflows of resources related to pensions	(610,548)
Governmental funds do not report a liability for accrued interest payable until due and payable.	<u>(87,523)</u>
Total Net Position - Governmental Activities	<u>\$ 9,626,225</u>

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

CITY OF ANNANDALE, MINNESOTA

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - GOVERNMENTAL FUNDS
For the Year Ended December 31, 2020

	General	Debt Service Funds	2020 Improvement Project	Nonmajor Governmental Funds	Total Governmental Funds
Revenues:					
Property Taxes	\$ 1,128,596	\$ 25,000	\$ 0	\$ 373,112	\$ 1,526,708
Franchise Fees	16,713	0	0	0	16,713
Tax Increment	0	0	0	27,976	27,976
Special Assessments	0	124,985	0	0	124,985
Intergovernmental	878,701	0	0	0	878,701
Licenses and Permits	117,378	0	0	0	117,378
Charges for Services	418,798	0	0	38,087	456,885
Fines and Fees	11,859	0	0	0	11,859
Other Revenues	31,763	0	0	133,571	165,334
Investment Earnings	41,631	7,079	1,071	9,168	58,949
Total Revenues	<u>2,645,439</u>	<u>157,064</u>	<u>1,071</u>	<u>581,914</u>	<u>3,385,488</u>
Expenditures:					
Current:					
General Government	524,482	0	0	15,861	540,343
Public Safety	964,620	0	0	51,877	1,016,497
Public Works	427,113	0	0	0	427,113
Parks and Recreation	123,799	0	0	7,157	130,956
Economic Development	0	0	0	65,275	65,275
Capital Outlay:					
General Government	63,311	0	0	4,810	68,121
Public Safety	65,726	0	0	1,686	67,412
Public Works	30,391	0	2,272,978	81,245	2,384,614
Parks and Recreation	0	0	0	15,725	15,725
Economic Development	0	0	0	21,142	21,142
Debt Service:					
Principal	0	2,695,000	0	0	2,695,000
Interest and Fiscal Fees	0	171,036	62,670	0	233,706
Total Expenditures	<u>2,199,442</u>	<u>2,866,036</u>	<u>2,335,648</u>	<u>264,778</u>	<u>7,665,904</u>
Excess of Revenue Over (Under) Expenditures	<u>445,997</u>	<u>(2,708,972)</u>	<u>(2,334,577)</u>	<u>317,136</u>	<u>(4,280,416)</u>
Other Financing Sources (Uses):					
Bond Proceeds	0	507,840	2,797,072	0	3,304,912
Transfers In	0	1,174,798	0	397,820	1,572,618
Transfers Out	(361,626)	(384,512)	0	(555,480)	(1,301,618)
Total Other Financing Sources (Uses)	<u>(361,626)</u>	<u>1,298,126</u>	<u>2,797,072</u>	<u>(157,660)</u>	<u>3,575,912</u>
Change in Fund Balance	<u>84,371</u>	<u>(1,410,846)</u>	<u>462,495</u>	<u>159,476</u>	<u>(704,504)</u>
Fund Balance, January 1, as Previously Stated	2,126,238	2,280,794	(280,395)	1,099,802	5,226,439
Prior Period Adjustment	0	0	0	(5,650)	(5,650)
Fund Balance - January 1, as Restated	<u>2,126,238</u>	<u>2,280,794</u>	<u>(280,395)</u>	<u>1,094,152</u>	<u>5,220,789</u>
Fund Balance - December 31	<u>\$ 2,210,609</u>	<u>\$ 869,948</u>	<u>\$ 182,100</u>	<u>\$ 1,253,628</u>	<u>\$ 4,516,285</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, 2020

Net Change in Fund Balances - Governmental Funds \$ (704,504)

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	2,482,417
Depreciation expense	(603,582)
Loss on disposed asset	2,261

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	2,695,000
Bond proceeds	(3,304,912)

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.

(21,283)

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	(3,514)
-----------------	---------

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	(4,131)
Special assessments	(91,815)
Accounts receivable	25,700

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>(30,333)</u>
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Change in Net Position - Governmental Activities \$ 441,303

ANNANDALE, MINNESOTA

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

For the Year Ended December 31, 2020

	Budget		Actual	Over (Under) Final Budget
	Original	Final		
Revenues:				
Property Taxes	\$ 1,112,168	\$ 1,112,168	\$ 1,128,596	\$ 16,428
Franchise Fees	15,000	15,000	16,713	1,713
Intergovernmental	599,727	599,727	878,701	278,974
Licenses and Permits	70,800	70,800	117,378	46,578
Charges for Services	478,586	478,586	418,798	(59,788)
Fines	10,700	10,700	11,859	1,159
Other Revenues	0	0	31,763	31,763
Investment Earnings	30,000	30,000	41,631	11,631
Total Revenues	<u>2,316,981</u>	<u>2,316,981</u>	<u>2,645,439</u>	<u>328,458</u>
Expenditures:				
Current:				
General Government	490,393	490,393	524,482	34,089
Public Safety	959,043	959,043	964,620	5,577
Public Works	420,805	420,805	427,113	6,308
Parks and Recreation	133,367	133,367	123,799	(9,568)
Capital Outlay:				
General Government	8,100	8,100	63,311	55,211
Public Safety	1,500	1,500	65,726	64,226
Public Works	0	0	30,391	30,391
Total Expenditures	<u>2,013,208</u>	<u>2,013,208</u>	<u>2,199,442</u>	<u>186,234</u>
Excess of Revenues Over (Under) Expenditures	303,773	303,773	445,997	142,224
Other Financing Sources (Uses):				
Transfers Out	<u>(304,025)</u>	<u>(304,025)</u>	<u>(361,626)</u>	<u>57,601</u>
Change in Fund Balance	<u>\$ (252)</u>	<u>\$ (252)</u>	84,371	<u>\$ 84,623</u>
Fund Balance - January 1			<u>2,126,238</u>	
Fund Balance - December 31			<u>\$ 2,210,609</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, 2020

	Business-type Activities - Enterprise Funds		
	Water Fund	Sewer Fund	Refuse Fund
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES			
Current Assets:			
Cash and Investments	\$ 360,796	\$ 0	\$ 25,915
Accounts Receivable	48,552	104,556	23,104
Due from Other Governments	6,387	33,182	3,718
Prepaid Expense	10,690	14,761	1,430
Total Current Assets	<u>426,425</u>	<u>152,499</u>	<u>54,167</u>
Noncurrent Assets:			
Advance to Other Funds	88,700	0	0
Special Assessments	4,174	4,174	0
Restricted Cash	0	150,610	0
Equity Interest in Joint Venture	0	6,732,692	0
Capital Assets Not Being Depreciated	66,881	191,067	20,000
Other Capital Asses, Net of Depreciation	4,205,627	3,028,876	930
Total Noncurrent Assets	<u>4,365,382</u>	<u>10,107,419</u>	<u>20,930</u>
Total Assets	4,791,807	10,259,918	75,097
Deferred Outflows of Resources:			
Pension Plan Deferments	<u>15,863</u>	<u>26,727</u>	<u>4,730</u>
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	<u>\$ 4,807,670</u>	<u>\$ 10,286,645</u>	<u>\$ 79,827</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION			
Current Liabilities:			
Accrued Expenses	\$ 28,258	\$ 122,693	\$ 28,663
Due to Other Governments	642	175,849	1,091
Due to Other Funds	0	360,498	0
Current Portion of Long-term Debt	244,000	983,000	0
Total Current Liabilities	<u>272,900</u>	<u>1,642,040</u>	<u>29,754</u>
Long-Term Liabilities:			
Revenue Notes Payable	1,094,000	5,310,000	0
Net Pension Liability	76,594	129,052	22,838
Total Liabilities	<u>1,443,494</u>	<u>7,081,092</u>	<u>52,592</u>
Deferred Inflows of Resources:			
Pension Plan Deferments	<u>8,752</u>	<u>14,746</u>	<u>2,610</u>
Net Position:			
Net Investment in Capital Assets	2,934,507	3,121,941	20,930
Restricted	0	150,610	0
Unrestricted	420,917	(81,744)	3,695
Total Net Position	<u>3,355,424</u>	<u>3,190,807</u>	<u>24,625</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION	<u>\$ 4,807,670</u>	<u>\$ 10,286,645</u>	<u>\$ 79,827</u>

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

Business-type Activities -	
Storm Water	
Fund	Totals
\$ 0	\$ 386,711
4,737	180,949
0	43,287
0	26,881
<u>4,737</u>	<u>637,828</u>
0	88,700
0	8,348
0	150,610
0	6,732,692
0	277,948
2,336,481	9,571,914
<u>2,336,481</u>	<u>16,830,212</u>
<u>2,341,218</u>	<u>17,468,040</u>
0	47,320
<u>\$ 2,341,218</u>	<u>\$ 17,515,360</u>
\$ 1,421	\$ 181,035
0	177,582
22,917	383,415
0	1,227,000
<u>24,338</u>	<u>1,969,032</u>
0	6,404,000
0	228,484
<u>24,338</u>	<u>8,601,516</u>
0	26,108
2,336,480	8,413,858
0	150,610
(19,600)	323,268
<u>2,316,880</u>	<u>8,887,736</u>
<u>\$ 2,341,218</u>	<u>\$ 17,515,360</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, 2020

	Business-type Activities - Enterprise Funds		
	Water Fund	Sewer Fund	Refuse Fund
Operating Revenues:			
Charges for Services	\$ 587,139	\$ 1,071,792	\$ 193,204
Operating Expenses:			
Personnel Services	136,938	217,358	26,491
Materials and Supplies	44,765	7,373	3,557
Professional Fees	12,069	12,655	1,367
Insurance	11,689	10,281	0
Utilities	43,099	13,451	0
Repairs and Maintenance	19,667	17,420	2,226
Wastewater Commission Charges	0	864,912	0
Contracted Services	2,229	5,021	160,966
Other Charges	12,770	2,087	0
Depreciation	181,989	116,548	338
Total Operating Expenses	<u>465,215</u>	<u>1,267,106</u>	<u>194,945</u>
Income (Loss) From Operations	121,924	(195,314)	(1,741)
Nonoperating Revenues (Expenses)			
Interest and Fiscal Charges	(28,228)	(153,437)	0
Reimbursements	25,670	1,183,632	0
Access Fees and Other Income	83,978	194,912	6,146
Investment Earnings	3,360	2,336	232
Total Nonoperating Revenues (Expenses)	<u>84,780</u>	<u>1,227,443</u>	<u>6,378</u>
Income (Loss) Before Transfers and Other Items	206,704	1,032,129	4,637
Transfers and Other Items			
Change in Equity Interest	0	(196,362)	0
Transfers Out	(80,000)	(149,000)	0
Total Transfers and Other Items	<u>(80,000)</u>	<u>(345,362)</u>	<u>0</u>
Change in Net Position	<u>126,705</u>	<u>686,767</u>	<u>4,639</u>
Net Position - January 1, as Previously Stated	3,228,719	2,498,390	19,986
Prior Period Adjustment	0	5,650	0
Net Position - January 1, as Restated	<u>3,228,719</u>	<u>2,504,040</u>	<u>19,986</u>
Net Position - December 31	<u>\$ 3,355,424</u>	<u>\$ 3,190,807</u>	<u>\$ 24,625</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>
\$ 46,042	\$ 1,898,177
0	380,787
0	55,695
388	26,479
0	21,970
0	56,550
670	39,983
0	864,912
0	168,216
1,075	15,932
88,134	387,009
<u>90,267</u>	<u>2,017,533</u>
(44,225)	(119,356)
0	(181,665)
0	1,209,302
0	285,036
(77)	5,851
<u>(77)</u>	<u>1,318,524</u>
(44,302)	1,199,168
0	(196,362)
<u>(42,000)</u>	<u>(271,000)</u>
<u>(42,000)</u>	<u>(467,362)</u>
(86,303)	731,808
2,403,183	8,150,278
0	5,650
<u>2,403,183</u>	<u>8,155,928</u>
<u>\$ 2,316,880</u>	<u>\$ 8,887,736</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, 2020

	Business-type Activities - Enterprise Funds		
	Water Fund	Sewer Fund	Refuse Fund
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts From Customers and Users	\$ 574,115	\$ 1,054,647	\$ 188,056
Payments to Suppliers	(142,909)	(854,088)	(155,481)
Payments to Employees	(137,680)	(214,257)	(27,786)
Other Receipts (Payments)	105,409	264,352	6,680
Net Cash from Operating Activities	<u>398,935</u>	<u>250,654</u>	<u>11,469</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Payments Received (Paid) on Interfund Loans	15,000	(55,152)	0
Transfers Out	<u>(80,000)</u>	<u>(149,000)</u>	<u>0</u>
Net Cash from Noncapital Financing Activities	<u>(65,000)</u>	<u>(204,152)</u>	<u>0</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Interest Paid on Debt	(30,696)	(162,305)	0
Principal Paid on Debt	(238,000)	(962,000)	0
Special Assessment Collections	592	592	0
Wastewater Commission Reimbursements	0	1,114,752	0
Acquisition and Construction of Capital Assets	<u>(12,829)</u>	<u>0</u>	<u>0</u>
Net Cash from Capital and Related Financing Activities	<u>(280,933)</u>	<u>(8,961)</u>	<u>0</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest and Dividends Received (Paid)	<u>3,360</u>	<u>2,336</u>	<u>232</u>
Net Change in Cash and Cash Equivalents	56,362	39,877	11,701
Cash and Cash Equivalents - January 1	<u>304,434</u>	<u>110,733</u>	<u>14,214</u>
Cash and Cash Equivalents - December 31	<u>\$ 360,796</u>	<u>\$ 150,610</u>	<u>\$ 25,915</u>
Cash and Cash Equivalents			
Unrestricted	\$ 360,796	\$ 0	\$ 25,915
Restricted	<u>0</u>	<u>150,610</u>	<u>0</u>
Total Cash and Cash Equivalents	<u>\$ 360,796</u>	<u>\$ 150,610</u>	<u>\$ 25,915</u>
Reconciliation of Operating Income (Loss) to Net Cash from Operating Activities:			
Income (Loss) from Operations	\$ 121,924	\$ (195,314)	\$ (1,741)
Adjustments to Reconcile Operating Income (Loss)			
Other Receipts (Payments)	105,409	264,352	6,680
Depreciation Expense	181,989	116,548	338
(Increase) Decrease in Accounts Receivable	(6,637)	(8,106)	(3,149)
(Increase) Decrease in Due from Other Governments	(6,387)	(9,039)	(1,999)
(Increase) Decrease in Prepaid Expense	(636)	(582)	22
Increase (Decrease) in Due to Other Governments	(32)	33,895	47
Increase (Decrease) in Pension Resources	(12,349)	(20,778)	(3,717)
Increase (Decrease) in Net Pension Liability	9,155	15,795	2,282
Increase (Decrease) in Accrued Expenses	6,499	53,883	12,706
Net Cash from Operating Activities	<u>\$ 398,935</u>	<u>\$ 250,654</u>	<u>\$ 11,469</u>

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

Business-type Activities -	
Storm Water	
Fund	Totals
\$ 47,454	\$ 1,864,272
(873)	(1,153,351)
0	(379,723)
0	376,441
<u>46,581</u>	<u>707,639</u>
(4,504)	(44,656)
<u>(42,000)</u>	<u>(271,000)</u>
<u>(46,504)</u>	<u>(315,656)</u>
0	(193,001)
0	(1,200,000)
0	1,184
0	1,114,752
0	(12,829)
<u>0</u>	<u>(289,894)</u>
(77)	5,851
0	107,940
<u>0</u>	<u>429,381</u>
<u>\$ 0</u>	<u>\$ 537,321</u>
\$ 0	\$ 386,711
0	150,610
<u>\$ 0</u>	<u>\$ 537,321</u>
\$ (44,225)	\$ (119,356)
0	376,441
88,134	387,009
1,412	(16,480)
0	(17,425)
0	(1,196)
0	33,910
0	(36,844)
0	27,232
1,260	74,348
<u>\$ 46,581</u>	<u>\$ 707,639</u>

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2020Note 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 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 separate 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 nonfiduciary activities of the City. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment 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, 2020

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 *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 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, entitlements, 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, 2020

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

The *2020 Improvement Project fund* accounts for the financial activity of the City's 2020 street and utility improvement project.

The City reports the following major proprietary funds:

The *Water fund* accounts for the costs associated with the City's water utility system and ensures 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 ensures 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 ensures 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, 2020

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 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 based on 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, 2020

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, 2020. 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 2020. 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, 2020

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 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, 2020Note 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES-(Continued)***Compensated absences***

Vacation benefits are accrued as a liability as the benefits are earned if the employees' rights to receive compensation are attributable to services already rendered and it is probable that the City will compensate the employees for the benefits through paid time-off or some other means. The liability for vacation benefits is recorded as part of long-term obligations. Sick leave benefits are accrued as a liability using the vesting method. The liability includes the employees who are currently eligible to receive termination benefits and those that the City has identified as probable of receiving payment in the future. The amount is based on accumulated sick leave and employee wage rates at year end taking into consideration any limits specified in the City's termination policy. The City records a liability for accumulated unused sick leave for employees that have reached ten years of service by age 50. All compensated absences are 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 (OPEB)

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. Employees of the City pay health care premiums based on level of coverage, without consideration to age. The City's personnel policy does not provide for any contributions upon employee retirement, thus, the City does not expect any future retirees to elect to continue coverage, and has no experience with past retirees electing coverage. The implicit rate subsidy factor in postemployment health care expenses is considered immaterial, therefore, no liability is accrued for OPEB.

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 funds. The State of Minnesota contributes \$9 million annually on October 1 until both PEPFP 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.

NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2020

Note 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES-(Continued)

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.

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 - Consists of net position balances restricted when there are limitations imposed on their use through external restrictions imposed by creditors, grantors, laws, or regulations of other governments.
- 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, 2020

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, 2020, the General fund had expenditures over appropriations of \$186,234. Excess expenditures over appropriations was funded with additional revenues.

C. Deficit Fund Equity

The following had fund equity deficits at year end:

Fund	Amount
Governmental	
Nonmajor - Special Revenue	
Tax Abatement	\$ 13,395
TIF District No. 15	548
Training Center	221,920
Woodlawn Cemetery	46,819

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2020

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, 2020, the carrying amount of deposits was \$2,529,089 and the bank balance was \$2,552,861. 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, 2020

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 Statute 118A.07 limits 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	\$	104,071
Bank of China, New York		156,011
Beal Bank of Las Vegas		150,011
Cathay Bk Los Angeles		100,353
BMO Harris Bank, Chicago		247,265
American Expr Centurion		111,390
Customers Bank		100,783
Emerbank USA, Salt Lake		155,212
Texas Capital Bank		200,265
Preferred Bank Los Angeles		101,489

Nonnegotiable certificates of deposit

Lake Central Bank, Annandale		250,252
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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, 2020

Note 3 DETAILED NOTES ON ALL FUNDS – (Continued)

As of December 31, 2020, 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	\$ 288,804
Minnesota municipal money market fund liquid class	N/R	N/R	NAV	N/A	N/A	36,996
Minnesota municipal money market fundmax class	N/R	N/R	NAV	N/A	N/A	2,717
Investment pools						
Negotiable certificates of deposit	N/R	N/R	Level 2	618,547	808,301	1,426,848
Nonpooled investments						
Non-negotiable certificates of deposit	N/R	N/R	Level 2	250,252	-	<u>250,252</u>
Total investments						<u><u>\$ 2,005,617</u></u>

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:

	<u>Primary Government</u>
Cash and Cash equivalents	\$ 2,530,126
Investments	<u>2,005,617</u>
Total Cash and investment	<u><u>\$ 4,535,743</u></u>
Unrestricted cash and investments	\$ 4,385,133
Restricted cash and investments	<u>150,610</u>
Total cash and investments	<u><u>\$ 4,535,743</u></u>

CITY OF ANNANDALE, MINNESOTA

NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2020

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	\$ 39,800	\$ -	\$ 39,800
Insurance dividend	12,198	-	12,198
Rental fees	3,747	-	3,747
Franchise fees	1,383	-	1,383
Total	\$ 57,128	\$ -	\$ 57,128

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 assessments not yet due	\$ 627,666	\$ -
Delinquent special assessments	2,545	-
Delinquent property taxes	36,200	-
Licenses	-	2,106
Landscape escrow	-	38,000
Total deferred inflows of resources/unearned revenue	\$ 666,411	\$ 40,106

The only receivables not expected to be collectible within one year are the following: General Fund: \$25,000, Debt Service Fund: \$1,500 of delinquent taxes and special assessments, respectively. Debt Service Fund special assessments: \$570,000.

CITY OF ANNANDALE, MINNESOTA

NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2020

Note 3 DETAILED NOTES ON ALL FUNDS – (Continued)

C. Capital assets

Capital asset activity for the City for the year ended December 31, 2020 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	275,927	-	(189,669)	86,258
Total capital assets not being depreciated	<u>2,739,635</u>	<u>-</u>	<u>(189,669)</u>	<u>2,549,966</u>
Capital assets being depreciated				
Buildings and Improvements	5,026,022	30,391	-	5,056,413
Infrastructure	21,851,496	2,462,647	-	24,314,143
Machinery and equipment	2,624,819	190,408	(63,765)	2,751,462
Total capital assets being depreciated	<u>29,502,337</u>	<u>2,683,446</u>	<u>(63,765)</u>	<u>32,122,018</u>
Less accumulated depreciation for				
Buildings and Improvements	(2,267,041)	(149,073)	-	(2,416,114)
Infrastructure	(18,062,990)	(333,208)	-	(18,396,198)
Machinery and equipment	(1,753,395)	(125,604)	50,431	(1,828,568)
Total accumulated depreciation	<u>(22,083,426)</u>	<u>(607,885)</u>	<u>50,431</u>	<u>(22,640,880)</u>
Total capital assets being depreciated, net	<u>7,418,911</u>	<u>2,075,561</u>	<u>(13,334)</u>	<u>9,481,138</u>
Governmental activities capital assets, net	<u>\$ 10,158,546</u>	<u>\$ 2,075,561</u>	<u>\$ (203,003)</u>	<u>\$ 12,031,104</u>

CITY OF ANNANDALE, MINNESOTA

NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2020

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	4,187,883	-	-	4,187,883
Distribution system	11,176,727	-	-	11,176,727
Machinery and equipment	295,424	12,829	-	308,253
Total capital assets being depreciated	<u>15,660,034</u>	<u>12,829</u>	<u>-</u>	<u>15,672,863</u>
Less accumulated depreciation for				
Buildings and improvements	(1,696,453)	(92,235)	-	(1,788,688)
Distribution system	(3,802,638)	(268,449)	-	(4,071,087)
Machinery and equipment	(227,278)	(13,896)	-	(241,174)
Total accumulated depreciation	<u>(5,726,369)</u>	<u>(374,580)</u>	<u>-</u>	<u>(6,100,949)</u>
Total capital assets being depreciated, net	<u>9,933,665</u>	<u>(361,751)</u>	<u>-</u>	<u>9,571,914</u>
Business-type activities capital assets, net	<u>\$ 10,211,613</u>	<u>\$ (361,751)</u>	<u>\$ -</u>	<u>\$ 9,849,862</u>

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

Governmental activities	
General government	\$ 118,168
Public safety	92,339
Public works	397,378
Parks and recreation	<u>-</u>
Total depreciation expense - governmental activities	<u>\$ 607,885</u>

CITY OF ANNANDALE, MINNESOTA

NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2020

Note 3 DETAILED NOTES ON ALL FUNDS – (Continued)

Business-type activities

Water	\$ 170,450
Sewer	115,657
Refuse	338
Storm water	<u>88,135</u>
Total depreciation expense - business-type activities	<u>\$ 374,580</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	\$ 614,000
G.O. Wastewater Revenue					
Note of 2007	16,036,613	2.22%	9/26/07	8/20/26	6,195,000
G.O. Water Revenue					
Note of 2015	929,105	1.03	9/23/15	8/20/35	724,000
G.O. Wastewater Revenue					
Note of 2015	125,359	1.00	9/23/15	8/20/35	<u>98,000</u>
Total general obligation revenue notes					<u>\$ 7,631,000</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, 2020Note 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	\$ 390,000
G.O. Improvement					
Note of 2011A	1,217,500	1.96%	6/29/11	2/1/31	729,000
G.O. Refunding					
Bonds of 2011B	1,620,000	0.85 - 2.70%	9/27/11	2/1/21	145,000
G.O. Refunding					
Bonds of 2012A	2,225,000	0.55 - 1.85%	4/4/12	2/1/22	525,000
G.O. Refunding					
Bonds of 2019B	1,040,000	2.00 - 3.00	11/3/19	2/1/32	1,040,000
G.O. Temporary Improvement					
Bonds of 2020A	2,880,000	2.00	3/17/20	2/1/23	2,880,000
G.O. Improvement Refunding					
Bonds of 2020B	400,000	1.53	11/9/20	2/1/36	<u>400,000</u>
Total general obligation special assessment bonds/notes					<u>\$ 6,109,000</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	\$ 155,000
G.O. Equipment					
Certificates of 2016A	222,000	2.10%	3/21/16	2/1/21	<u>57,000</u>
Total general obligation bonds/certificates					<u>\$ 212,000</u>

CITY OF ANNANDALE, MINNESOTA

NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2020

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
2021	\$ 787,000	\$ 180,834	\$ 967,834	\$ 1,227,000	\$ 163,282	\$ 1,390,282
2022	638,000	142,507	780,507	1,254,000	135,459	1,389,459
2023	3,180,000	100,506	3,280,506	1,283,000	107,000	1,390,000
2024	307,000	62,234	369,234	1,095,000	77,880	1,172,880
2025	208,000	54,710	262,710	1,119,000	54,191	1,173,191
2026-2030	1,128,000	194,488	1,322,488	1,364,000	47,567	1,411,567
2031-2035	645,000	65,650	710,650	289,000	8,958	297,958
2036-2039	183,000	11,803	194,803	-	-	-
Total	\$ 7,076,000	\$ 812,732	\$ 7,888,732	\$ 7,631,000	\$ 594,337	\$ 8,225,337

Changes in long-term liabilities

During the year ended December 31, 2020, the following changes occurred in long-term liabilities.

	Beginning Balance	Increases	Decreases	Ending Balance	Due Within One Year
Governmental activities:					
GO special assessment bonds	\$ 5,398,000	\$ 3,280,000	\$ (2,569,000)	\$ 6,109,000	\$ 645,000
GO tax increment bonds	755,000	-	-	755,000	10,000
GO bonds/certificates	338,000	-	(126,000)	212,000	132,000
Bond Premiums/discounts	20,134	24,912	(846)	44,200	-
Total GO Debt	6,511,134	3,304,912	(2,695,846)	7,120,200	787,000
Net pension liability	724,441	364,777	(263,749)	825,469	-
Compensated absences	25,445	55,778	(25,445)	55,778	-
Governmental activity long-term liabilities	<u>\$ 7,261,020</u>	<u>\$ 3,725,467</u>	<u>\$ (2,985,040)</u>	<u>\$ 8,001,447</u>	<u>\$ 787,000</u>
Business-type activities:					
GO revenue notes	\$ 8,831,000	\$ -	\$ (1,200,000)	\$ 7,631,000	\$ 1,227,000
Net pension liability	201,252	98,259	(71,027)	228,484	-
Business-type activity long-term liabilities	<u>\$ 9,032,252</u>	<u>\$ 98,259</u>	<u>\$ (1,271,027)</u>	<u>\$ 7,859,484</u>	<u>\$ 1,227,000</u>

CITY OF ANNANDALE, MINNESOTA

NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2020

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, 2020 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, 2020, consisted of the following:

<u>Transferred From</u>	<u>Transferred To</u>		
	<u>Debt Service</u>	<u>Nonmajor Governmental</u>	<u>Total</u>
General	\$ -	\$ 361,626	\$ 361,626
Debt Service	384,512	-	384,512
Nonmajor Governmental	519,286	36,194	555,480
Water	80,000	-	80,000
Sewer	149,000	-	149,000
Storm Water	42,000	-	42,000
Total	<u>\$ 1,174,798</u>	<u>\$ 397,820</u>	<u>\$ 1,572,618</u>

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

Internal Balances

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General	Nonmajor	\$ 238,438
General	Sewer	349,648
General	Storm Water	22,917
Nonmajor Governmental	General	123,350
Nonmajor Governmental	Nonmajor Governmental	46,888
Nonmajor Governmental	Sewer	10,850
Water	Nonmajor Governmental	88,700
Total		<u>\$ 880,791</u>

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, 2020

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, 2020 included the following:

	General	Debt Service Funds	2020 Improvement Project	Other Nonmajor Governmental	Total Fund Balance
Nonspendable:					
Prepaid expense	\$ 107,335	\$ -	\$ -	\$ 2,882	\$ 110,217
Restricted:					
Capital projects	-	-	182,100	-	182,100
Debt service	-	869,948	-	-	869,948
Charitable gambling	-	-	-	11,886	11,886
TIF 1-6	-	-	-	12,348	12,348
TIF 1-14	-	-	-	5,474	5,474
Total restricted	-	869,948	182,100	29,708	1,081,756
Committed:					
Economic development	-	-	-	740,824	740,824
Assigned:					
Dept of motor vehicles	240,598	-	-	-	240,598
Lions donations	-	-	-	108,485	108,485
Fire equipment	-	-	-	83,075	83,075
Park	-	-	-	52,871	52,871
Rec facility	-	-	-	35,453	35,453
Street maintenance	-	-	-	55,544	55,544
Street capital	-	-	-	135,066	135,066
Public works	-	-	-	159,589	159,589
Police equipment	-	-	-	49,465	49,465
Building capital	-	-	-	86,230	86,230
Total assigned	240,598	-	-	765,778	1,006,376
Unassigned:					
General fund	1,862,676	-	-	-	1,862,676
TIF 1-15	-	-	-	(548)	(548)
Tax abatement Dingmann	-	-	-	(13,395)	(13,395)
Training center	-	-	-	(223,372)	(223,372)
Cemetery	-	-	-	(48,249)	(48,249)
Total unassigned	1,862,676	-	-	(285,564)	1,577,112
Total fund balance	\$ 2,210,609	\$ 869,948	\$ 182,100	\$ 1,253,628	\$ 4,516,285

CITY OF ANNANDALE, MINNESOTA

NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2020

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, 2020 includes the following:

Net Investment in Capital Assets:

Land	\$ 2,463,708
Construction in progress	86,258
Buildings	5,056,413
Infrastructure	24,314,143
Machinery and equipment	2,751,462
Less: accumulated depreciation	(22,640,880)
Less: long-term debt outstanding	(7,076,000)
Less: bond premiums	(58,163)
Add: bond discounts	13,963
Total Net Investment in Capital Assets	<u>4,910,905</u>

Restricted for:

Debt Service	1,385,700
Tax increment financing	29,709
Capital projects	182,101
Total restricted	<u>1,597,510</u>

Unrestricted

3,117,810

Total Governmental Activities Net Position \$ 9,626,225

Business-Type Activities Net Position

Business-type activities net position reported on the government-wide statement of net position at December 31, 2020 includes the following:

Net Investment in Capital Assets:

Land	\$ 277,948
Buildings	4,187,883
Infrastructure	11,176,727
Machinery and equipment	308,253
Less: accumulated depreciation	(6,100,949)
Less: long-term debt outstanding	(1,436,000)
Total Net Investment in Capital Assets	<u>8,413,858</u>

Restricted for:

Capital replacement reserve	150,610
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Unrestricted

323,268

Total Business-Type Activities Net Position \$ 8,887,736

NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2020Note 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 (GERP)

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 (PEFPF)

The PEPFP, 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 PEPFP 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.

GERP 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 Minneapolis Employee Retirement Fund (MERF) members are 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.

Benefit increases are provided to benefit recipients each January. 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.

PEFPF 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, 2020

Note 4 DEFINED BENEFIT PENSION PLANS-(Continued)

Benefit increases are provided to benefit recipients each January. Beginning in 2019, the postretirement increase will be fixed at 1 percent. Recipients that have been receiving the annuity or benefit for at least 36 months as of the June 30 before the effective date of the increase will receive the full increase. For recipients receiving the annuity or benefit for at least 25 months but less than 36 months as of the June 30 before the effective date of the increase will receive a reduced prorated increase.

C. Contributions

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

GERP Contributions

Coordinated Plan members were required to contribute 6.50 percent of their annual covered salary in fiscal year 2020; 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, 2020 were \$58,371. The City's contributions were equal to the required contributions as set by state statute.

PEPPF Contributions

Legislation increased both employee and employer contribution rates in the Police and Fire Plan. Employee rates increased from 11.30 percent of pay to 11.80 percent and employer rates increase from 16.95 percent to 17.70 percent on January 1, 2020. The City's contributions to the Police and Fire Fund for the year ended December 31, 2020 were \$60,621. The City's contributions were equal to the required contributions as set by state statute.

D. Pension Costs

GERP Pension Costs

On December 31, 2020, the City reported a liability of \$629,523 for its proportionate share of the GERP'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 2020. 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 \$19,370. The net pension liability was measured as of June 30, 2020, 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, 2019, through June 30, 2020, relative to the total employer contributions received from all PERA's participating employers. On June 30, 2020, the City's proportion was 0.0105% which was an increase of 0.0004% from its proportion measured as of June 30, 2019. For the year ended December 31, 2020, the City recognized pension expense of \$(27,330) for its proportionate share of GERP's pension expense. In addition, the City recognized an additional \$1,686 as pension expense (and grant revenue) for its proportionate share of the State of Minnesota's contribution of \$16 million to the General Employees Fund.

CITY OF ANNANDALE, MINNESOTA

NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2020

Note 4 DEFINED BENEFIT PENSION PLANS-(Continued)

On December 31, 2020, the City reported its proportionate share of GERP'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	\$ 6,101	\$ 2,217
Net difference between projected and actual earnings on plan investments	65,133	45,754
Changes in actuarial assumptions	553	20,734
Changes in proportion	28,686	3,227
Contributions paid to PERA subsequent to the measurement date	29,903	-
Total	<u>\$ 130,376</u>	<u>\$ 71,932</u>

\$29,903 reported as deferred outflows of resources related to pensions resulting from City contributions to GERP subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2021. Other amounts reported as deferred outflows and inflows of resources related to GERP pensions will be recognized in pension expense as follows:

<u>Year ended December 31:</u>	<u>Pension Expense</u>
2021	\$ (21,481)
2022	15,085
2023	19,700
2024	15,237
2025	-
Thereafter	-

PEPFP Pension Costs

On December 31, 2020, the City reported a liability of \$424,430 for its proportionate share of the PEPFP's net pension liability. The net pension liability was measured as of June 30, 2020, 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, 2019, through June 30, 2020, relative to the total employer contributions received from all PERA's participating employers. On June 30, 2020, the City's proportion was 0.0322% which was a decrease of 0.0023% from its proportion measured as of June 30, 2019. 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 paid \$4.5 million during the plan year on October 1 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. As a result, the State of Minnesota is included as a non-employer contributing entity and the state's contribution meets the definition of a special funding situation for the \$4.5 million in direct state aid, however, not for the \$9 million in fire state aid.

For the year ended December 31, 2020, the City recognized pension expense of \$56,452 for its proportionate share of the PEPFP's pension expense. The City also recognized \$3,080 for the year ended December 31, 2020, as pension expense (and grant revenue) for its proportionate share of the State of Minnesota's on-behalf contributions to the PEPFP.

CITY OF ANNANDALE, MINNESOTA

NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2020

Note 4 DEFINED BENEFIT PENSION PLANS-(Continued)

On December 31, 2020, the City reported its proportionate share of the PEPFP'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	\$ 18,729	\$ 22,797
Net difference between projected and actual earnings on plan investments	77,307	67,190
Changes in actuarial assumptions	142,282	276,102
Changes in proportion	18,237	37,584
Contributions paid to PERA subsequent to the measurement date	<u>29,326</u>	<u>-</u>
Total	<u>\$ 285,881</u>	<u>\$ 403,673</u>

\$29,326 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, 2021. 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>
2021	\$ (36,552)
2022	(123,587)
2023	13,516
2024	5,795
2025	(6,290)
Thereafter	

E. Actuarial Assumptions

GERP and PEPFP

The total pension liability in the June 30, 2020, 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, 2020
Valuation Date	July 1, 2020
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, 2020

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 to fit PERA's experience. 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, 2020 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 assumption changes were adopted by the Board and become effective with the July 1, 2020 actuarial valuation. The most recent four-year experience study for Police and Fire Plan was completed in 2020. The recommended assumptions for the plan was adopted by the Board and will be effective with the July 1, 2021 actuarial valuations.

The following changes in actuarial assumptions occurred in 2020:

General Employees Fund

Changes in Actuarial Assumptions:

- The price inflation assumption was decreased from 2.50% to 2.25%.
- The payroll growth assumption was decreased from 3.25% to 3.00%.
- Assumed salary increase rates were changed as recommended in the June 30, 2019 experience study. The net effect is assumed rates that average 0.25% less than previous rates.
- Assumed rates of retirement were changed as recommended in the June 30, 2019 experience study. The changes result in more unreduced (normal) retirements and slightly fewer Rule of 90 and early retirements.
- Assumed rates of termination were changed as recommended in the June 30, 2019 experience study. The new rates are based on service and are generally lower than the previous rates for years 2-5 and slightly higher thereafter.
- Assumed rates of disability were changed as recommended in the June 30, 2019 experience study. The change results in fewer predicted disability retirements for males and females.
- The base mortality table for healthy annuitants and employees was changed from the RP-2014 table to the Pub-2010 General Mortality table, with adjustments. The base mortality table for disabled annuitants was changed from the RP-2014 disabled annuitant mortality table to the PUB-2010 General/Teacher disabled annuitant mortality table, with adjustments.
- The mortality improvement scale was changed from Scale MP-2018 to Scale MP-2019.
- The assumed spouse age difference was changed from two years older for females to one year older.
- The assumed number of married male new retirees electing the 100% Joint & Survivor option changed from 35% to 45%. The assumed number of married female new retirees electing the 100% Joint & Survivor option changed from 15% to 30%. The corresponding number of married new retirees electing the Life annuity option was adjusted accordingly.

Changes in Plan Provisions:

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

Police and Fire Fund

Changes in Actuarial Assumptions:

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

Changes in Plan Provisions:

- There have been no changes since the prior valuation.

CITY OF ANNANDALE, MINNESOTA

NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2020

Note 4 DEFINED BENEFIT PENSION PLANS-(Continued)

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%	5.30%
Bonds	20%	0.75%
Alternative Assets	25%	5.90%
Cash	2%	0.00%

F. Discount Rate

GERP and PEPFP

The discount rate used to measure the total pension liability in 2020 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.

G. Pension Liability Sensitivity

GERP and PEPFP

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:

<u>Plan</u>	City's proportionate share of NPL			
	<u>Rate</u>	<u>1 % Decrease</u>	<u>Current</u>	<u>1 % Increase</u>
City's proportionate share of the GERP net pension liability:	Rate	6.50%	7.50%	8.50%
		\$ 1,008,907	\$ 629,523	\$ 316,562
City's proportionate share of the PEPFP net pension liability:	Rate	6.50%	7.50%	8.50%
		\$ 845,951	\$ 424,430	\$ 75,696

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.

NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2020

Note 4 DEFINED BENEFIT PENSION PLANS-(Continued)

VOLUNTEER FIRE RELIEF ASSOCIATION

A. Plan Description

All active or probationary members of the Annandale Fire Department (the 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.

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	39

B. Benefits Provided

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

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 \$53,621 in fire state aid to the plan for the year ended December 31, 2020. 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, 2020. In addition, the City made voluntary contributions of \$3,000 to the plan.

CITY OF ANNANDALE, MINNESOTA

NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2020

Note 4 DEFINED BENEFIT PENSION PLANS-(Continued)

D. Pension Costs

On December 31, 2018, the Association reported an asset of \$571,127. 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.

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 12/31/2018	\$ 590,636	\$ 989,040	\$ (398,404)
Changes for the year:			
Service cost	29,293	-	29,293
Interest	35,646	-	35,646
Differences between expected and actual experience	-	-	-
Changes of assumptions	-	-	-
Changes of benefit terms	-	-	-
Contributions - State and local	-	54,530	(54,530)
Contributions - Donation and other income	-	-	-
Contributions - Member	-	-	-
Net investment incomes	-	192,904	(192,904)
Other additions (e.g. receivables)	-	-	-
Benefit payments, including member contribution refunds	-	-	-
Administrative expense	-	(9,772)	9,772
Other deductions (e.g. payables)	-	-	-
Net changes	64,939	237,662	(172,723)
Balance at Current Fiscal Year 12/31/2019	\$ 655,575	\$ 1,226,702	\$ (571,127)

There were no provision changes during the measurement period.

For the year ended December 31, 2020 the City recognized pension expense of \$(31,848).

On December 31, 2020, the Association reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 20,113
Net difference between projected and actual earnings on plan investments	105,655	138,449
Changes in actuarial assumptions	9,601	2,489
Contributions made subsequent to measurement date	56,621	-
Total	\$ 171,877	\$ 161,051

CITY OF ANNANDALE, MINNESOTA

NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2020

Note 4 DEFINED BENEFIT PENSION PLANS-(Continued)

\$56,621 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, 2021. 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>
2021	\$ (10,950)
2022	(7,940)
2023	5,292
2024	(29,926)
2025	(1,501)
Thereafter	(770)

E. Actuarial Assumptions

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, 2019
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, 2020

Note 4 DEFINED BENEFIT PENSION PLANS-(Continued)

The following changes in actuarial assumptions occurred in 2019:

- None

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

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.

CITY OF ANNANDALE, MINNESOTA

NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2020

Note 4 DEFINED BENEFIT PENSION PLANS-(Continued)

G. Pension Liability Sensitivity

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 (Asset)		
1 Percent Decrease	Current	1 Percent Increase
4.75%	5.75%	6.75%
\$ 548,827	\$ 571,127	\$ 592,469

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 \$212,000 of debt outstanding subjected to this limit at December 31, 2020.

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, 2020

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 2020 was \$508,170 for LGA. This accounted for 19 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 2020 were \$18,306.

Note 7 PRIOR PERIOD ADJUSTMENT

Correction of Errors

The beginning net position of the Governmental and Business-Type Activities in the government-wide Statement of Net Position been restated to record a prior period adjustment to correct the certain errors in the City's 2019 financial statements. A reconciliation of the prior period ending net position to the current year beginning net position for the Governmental and Business-Type Activities is as follows:

	Governmental Activities	Business-Type Activities
Beginning net position, as previously stated	\$ 9,190,572	\$ 8,150,278
Adjustment to correct interfund loan balance	(5,650)	5,650
Beginning net position, as restated	<u>\$ 9,184,922</u>	<u>\$ 8,155,928</u>

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, 2020

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
12/31/2020	6/30/2020	0.0105%	\$ 629,523	\$ 19,370	\$ 648,893	\$ 737,132	88.0%	79.1%
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, 2020

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
12/31/2020	6/30/2020	\$ 56,259	\$ 56,259	\$ -	\$ 750,120	7.50%
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, 2020

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
12/31/2020	6/30/2020	0.0322%	\$ 424,430	\$ 10,001	\$ 434,431	\$ 400,848	108.4%	87.2%
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, 2020

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
12/31/2020	6/30/2020	\$ 62,982	\$ 62,982	\$ -	\$ 388,778	17.70%
12/31/2019	6/30/2019	\$ 60,357	\$ 60,357	\$ -	\$ 372,574	16.95%
12/31/2018	6/30/2018	\$ 56,155	\$ 56,155	\$ -	\$ 346,636	16.20%
12/31/2017	6/30/2017	\$ 54,582	\$ 54,582	\$ -	\$ 336,926	16.20%
12/31/2016	6/30/2016	\$ 53,163	\$ 53,163	\$ -	\$ 328,167	16.20%
12/31/2015	6/30/2015	\$ 49,642	\$ 49,642	\$ -	\$ 306,432	16.20%

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	2019	2018	2017	2016	2015	2014
Service cost	\$ 29,293	\$ 29,477	\$ 26,727	\$ 26,915	\$ 21,845	\$ 21,260
Interest	35,646	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	64,939	3,988	17,602	41,020	89,616	46,076
Total Pension Liability - beginning	590,636	586,648	569,046	528,026	438,410	392,334
Total Pension Liability - ending	\$ 655,575	\$ 590,636	\$ 586,648	\$ 569,046	\$ 528,026	\$ 438,410
Plan Fiduciary Net Position						
Contributions - state and local	\$ 54,530	\$ 55,196	\$ 50,693	\$ 50,325	\$ 49,939	\$ 47,712
Contributions - donation and other income	-	-	-	-	-	-
Contributions - member	-	-	-	-	-	-
Net investment income	192,904	(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	(9,772)	(8,509)	(8,416)	(7,920)	(7,166)	(3,768)
Other deductions (e.g. payables)	-	-	-	-	-	(275)
Net change in plan fiduciary net position	237,662	(115,554)	95,520	104,526	8,037	90,645
Plan Fiduciary Net Position - beginning	989,040	1,104,594	1,009,074	904,548	896,511	805,866
Plan Fiduciary Net Position - ending	\$ 1,226,702	\$ 989,040	\$ 1,104,594	\$ 1,009,074	\$ 904,548	\$ 896,511
Net Pension (Asset) Liability - ending	\$ (571,127)	\$ (398,404)	\$ (517,946)	\$ (440,028)	\$ (376,522)	\$ (458,101)
FNP as a percentage of the TPL	187.12%	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, 2019	-	\$ 3,000	\$ (3,000)	-	-	-
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, 2020

Note 1 CHANGE IN ACTUARIAL ASSUMPTIONS AND PLAN PROVISIONS

A. Public Employees Retirement Association – General Employees Retirement Fund

2020 changes:

Changes in Actuarial Assumptions. The price inflation assumption was decreased from 2.50% to 2.25%. The payroll growth assumption was decreased from 3.25% to 3.00%. Assumed salary increase rates were changed as recommended in the June 30, 2019 experience study. The net effect is assumed rates that average 0.25% less than previous rates. Assumed rates of retirement were changed as recommended in the June 30, 2019 experience study. The changes result in more unreduced (normal) retirements and slightly fewer Rule of 90 and early retirements. Assumed rates of termination were changed as recommended in the June 30, 2019 experience study. The new rates are based on service and are generally lower than the previous rates for years 2-5 and slightly higher thereafter. Assumed rates of disability were changed as recommended in the June 30, 2019 experience study. The change results in fewer predicted disability retirements for males and females. The base mortality table for healthy annuitants and employees was changed from the RP-2014 table to the Pub-2010 General Mortality table, with adjustments. The base mortality table for disabled annuitants was changed from the RP-2014 disabled annuitant mortality table to the PUB-2010 General/Teacher disabled annuitant mortality table, with adjustments. The mortality improvement scale was changed from Scale MP-2018 to Scale MP-2019. The assumed spouse age difference was changed from two years older for females to one year older. The assumed number of married male new retirees electing the 100% Joint & Survivor option changed from 35% to 45%. The assumed number of married female new retirees electing the 100% Joint & Survivor option changed from 15% to 30%. The corresponding number of married new retirees electing the Life annuity option was adjusted accordingly.

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

2019 changes:

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

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

2018 changes:

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.

NOTES TO THE REQUIRED SUPPLEMENTAL INFORMATION
December 31, 2020

Note 1 CHANGE IN ACTUARIAL ASSUMPTIONS AND PLAN PROVISIONS (Continued)

A. Public Employees Retirement Association – General Employees Retirement Fund (Continued)

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

2020 changes:

Changes in Actuarial Assumptions. 1) The mortality projection scale was changed from MP-2018 to MP-2019.

Changes in Plan Provisions. 1) There have been no changes since the prior valuation.

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.

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.

NOTES TO THE REQUIRED SUPPLEMENTAL INFORMATION
December 31, 2020

Note 1 CHANGE IN ACTUARIAL ASSUMPTIONS AND PLAN PROVISIONS (Continued)

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

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

2019 changes:

None.

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%

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, 2020

	Special Revenue	Capital Projects	Total Nonmajor Governmental
ASSETS			
Cash and Investments	\$ 441,349	\$ 673,148	\$ 1,114,497
Due from Other Governments	870	1,421	2,291
Prepaid Expense	2,860	0	2,860
Notes Receivable	13,016	0	13,016
Special Assessments	0	26,935	26,935
Advance to Other Funds	181,088	0	181,088
Land Held for Sale	342,923	0	342,923
	<u>342,923</u>	<u>0</u>	<u>342,923</u>
TOTAL ASSETS	<u><u>\$ 982,106</u></u>	<u><u>\$ 701,504</u></u>	<u><u>\$ 1,683,610</u></u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE			
Liabilities:			
Accounts Payable	\$ 11,745	\$ 17,276	\$ 29,021
Due to Other Funds	238,438	0	238,438
Advance from Other Funds	135,588	0	135,588
Total Liabilities	<u>385,771</u>	<u>17,276</u>	<u>403,047</u>
Deferred Inflows of Resources:			
Unavailable Revenue	<u>0</u>	<u>26,935</u>	<u>26,935</u>
Fund Balance:			
Nonspendable	2,882	0	2,882
Restricted	29,708	0	29,708
Committed	740,824	0	740,824
Assigned	108,485	657,293	765,778
Unassigned	<u>(285,564)</u>	<u>0</u>	<u>(285,564)</u>
Total Fund Balance	<u>596,335</u>	<u>657,293</u>	<u>1,253,628</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE	<u><u>\$ 982,106</u></u>	<u><u>\$ 701,504</u></u>	<u><u>\$ 1,683,610</u></u>

CITY OF ANNANDALE, MINNESOTA

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
NONMAJOR GOVERNMENTAL FUNDS
For the Year Ended December 31, 2020

	Special Revenue	Capital Projects	Total Nonmajor Governmental
Revenues:			
Property Taxes	\$ 2,500	\$ 370,612	\$ 373,112
Tax Increment	27,976	0	27,976
Charges for Services	38,087	0	38,087
Other Income	67,248	66,323	133,571
Interest Earnings	3,416	5,752	9,168
Total Revenues	<u>139,227</u>	<u>442,687</u>	<u>581,914</u>
Expenditures:			
Current:			
General Government	15,861	0	15,861
Public Safety	20,366	31,511	51,877
Parks and Recreation	0	7,157	7,157
Economic Development	65,275	0	65,275
Capital Outlay:			
General Government	0	4,810	4,810
Public Safety	0	1,686	1,686
Public Works	0	81,245	81,245
Park and Recreation	0	15,725	15,725
Economic Development	21,142	0	21,142
Total Expenditures	<u>122,644</u>	<u>142,134</u>	<u>264,778</u>
Excess of Revenue Over (Under) Expenditures	<u>16,583</u>	<u>300,553</u>	<u>317,136</u>
Other Financing Sources (Uses):			
Transfers In	2,900	394,920	397,820
Transfers Out	(36,195)	(519,285)	(555,480)
Total Other Financing Sources (Uses)	<u>(33,295)</u>	<u>(124,365)</u>	<u>(157,660)</u>
Change in Fund Balance	<u>(16,712)</u>	<u>176,188</u>	<u>159,476</u>
Fund Balance - January 1, as Previously Stated	618,697	481,105	1,099,802
Prior Period Adjustment	<u>(5,650)</u>	<u>0</u>	<u>(5,650)</u>
Fund Balance - January 1, as Restated	<u>613,047</u>	<u>481,105</u>	<u>1,094,152</u>
Fund Balance - December 31	<u>\$ 596,335</u>	<u>\$ 657,293</u>	<u>\$ 1,253,628</u>

CITY OF ANNANDALE, MINNESOTA

COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS - SPECIAL REVENUE
December 31, 2020

	Charitable Gambling	Economic Development	TIF District No. 6	Tax Abatement
ASSETS				
Cash and Investments	\$ 11,886	\$ 293,133	\$ 22,919	\$ 0
Due from Other Governments	0	0	0	0
Prepaid Expense	0	0	0	0
Notes Receivable	0	13,016	0	0
Advance to Other Funds	0	181,088	0	0
Land Held for Sale	0	342,923	0	0
TOTAL ASSETS	<u>\$ 11,886</u>	<u>\$ 830,160</u>	<u>\$ 22,919</u>	<u>\$ 0</u>
LIABILITIES AND FUND BALANCE				
Liabilities:				
Accounts Payable	\$ 0	\$ 636	\$ 10,571	\$ 0
Due to Other Funds	0	0	0	13,395
Advance from Other Funds	0	88,700	0	0
Total Liabilities	<u>0</u>	<u>89,336</u>	<u>10,571</u>	<u>13,395</u>
Fund Balance:				
Nonspendable	0	0	0	0
Restricted	11,886	0	12,348	0
Committed	0	740,824	0	0
Assigned	0	0	0	0
Unassigned	0	0	0	(13,395)
Total Fund Balance	<u>11,886</u>	<u>740,824</u>	<u>12,348</u>	<u>(13,395)</u>
TOTAL LIABILITIES AND FUND BALANCE	<u>\$ 11,886</u>	<u>\$ 830,160</u>	<u>\$ 22,919</u>	<u>\$ 0</u>

Lions Donations	TIF District No. 14	TIF District No. 15	Training Center	Woodlawn Cemetery	Total
\$ 108,485	\$ 5,474	\$ (548)	\$ 0	\$ 0	\$ 441,349
0	0	0	870	0	870
0	0	0	1,430	1,430	2,860
0	0	0	0	0	13,016
0	0	0	0	0	181,088
0	0	0	0	0	342,923
<u>\$ 108,485</u>	<u>\$ 5,474</u>	<u>\$ (548)</u>	<u>\$ 2,300</u>	<u>\$ 1,430</u>	<u>\$ 982,106</u>
\$ 0	\$ 0	\$ 0	\$ 365	\$ 173	\$ 11,745
0	0	0	223,855	1,188	238,438
0	0	0	0	46,888	135,588
0	0	0	224,220	48,249	385,771
0	0	0	1,452	1,430	2,882
0	5,474	0	0	0	29,708
0	0	0	0	0	740,824
108,485	0	0	0	0	108,485
0	0	(548)	(223,372)	(48,249)	(285,564)
<u>108,485</u>	<u>5,474</u>	<u>(548)</u>	<u>(221,920)</u>	<u>(46,819)</u>	<u>596,335</u>
<u>\$ 108,485</u>	<u>\$ 5,474</u>	<u>\$ (548)</u>	<u>\$ 2,300</u>	<u>\$ 1,430</u>	<u>\$ 982,106</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, 2020

	Charitable Gambling	Economic Development	TIF District No. 6	Tax Abatement
Revenues:				
Property Taxes	\$ 0	\$ 0	\$ 0	\$ 2,500
Tax Increment	0	0	22,255	0
Charges for Services	0	11,885	0	0
Other Income	0	4,935	0	0
Interest Earnings	116	3,391	222	(67)
Total Revenues	<u>116</u>	<u>20,211</u>	<u>22,477</u>	<u>2,433</u>
Expenditures:				
Current:				
General Government	0	0	0	0
Public Safety	0	0	0	0
Economic Development	0	62,875	1,000	0
Capital Outlay:				
Economic Development	0	0	21,142	0
Total Expenditures	<u>0</u>	<u>62,875</u>	<u>22,142</u>	<u>0</u>
Excess of Revenue Over (Under) Expenditures	<u>116</u>	<u>(42,664)</u>	<u>335</u>	<u>2,433</u>
Other Financing Sources (Uses):				
Transfers In	0	2,900	0	0
Transfers Out	0	(36,195)	0	0
Total Other Financing Sources (Uses)	<u>0</u>	<u>(33,295)</u>	<u>0</u>	<u>0</u>
Change in Fund Balance	<u>116</u>	<u>(75,959)</u>	<u>335</u>	<u>2,433</u>
Fund Balance - January 1, as Previously Stated	11,770	822,433	12,013	(15,828)
Prior Period Adjustment	<u>0</u>	<u>(5,650)</u>	<u>0</u>	<u>0</u>
Fund Balance - January 1, as Restated	<u>11,770</u>	<u>816,783</u>	<u>12,013</u>	<u>(15,828)</u>
Fund Balance - December 31	<u>\$ 11,886</u>	<u>\$ 740,824</u>	<u>\$ 12,348</u>	<u>\$ (13,395)</u>

Lions Donations	TIF District No. 14	TIF District No. 15	Training Center	Woodlawn Cemetery	Total
\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 2,500
0	5,721	0	0	0	27,976
0	0	0	9,631	16,571	38,087
62,313	0	0	0	0	67,248
854	0	0	(1,100)	0	3,416
<u>63,167</u>	<u>5,721</u>	<u>0</u>	<u>8,531</u>	<u>16,571</u>	<u>139,227</u>
0	0	0	0	15,861	15,861
0	0	0	20,366	0	20,366
0	1,000	400	0	0	65,275
<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>21,142</u>
<u>0</u>	<u>1,000</u>	<u>400</u>	<u>20,366</u>	<u>15,861</u>	<u>122,644</u>
<u>63,167</u>	<u>4,721</u>	<u>(400)</u>	<u>(11,835)</u>	<u>710</u>	<u>16,583</u>
0	0	0	0	0	2,900
<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>(36,195)</u>
<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>(33,295)</u>
<u>63,167</u>	<u>4,721</u>	<u>(400)</u>	<u>(11,835)</u>	<u>710</u>	<u>(16,712)</u>
45,318	753	(148)	(210,085)	(47,529)	618,697
<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>(5,650)</u>
<u>45,318</u>	<u>753</u>	<u>(148)</u>	<u>(210,085)</u>	<u>(47,529)</u>	<u>613,047</u>
<u>\$ 108,485</u>	<u>\$ 5,474</u>	<u>\$ (548)</u>	<u>\$ (221,920)</u>	<u>\$ (46,819)</u>	<u>\$ 596,335</u>

CITY OF ANNANDALE, MINNESOTA

COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS - CAPITAL PROJECTS
 December 31, 2020

	Fire Equipment	Park	Street Capital Outlay	Public Works Equipment
ASSETS				
Cash and Investments	\$ 100,351	\$ 52,871	\$ 133,645	\$ 159,589
Due from Other Governments	0	0	1,421	0
Special Assessments	<u>0</u>	<u>0</u>	<u>26,935</u>	<u>0</u>
TOTAL ASSETS	<u><u>\$ 100,351</u></u>	<u><u>\$ 52,871</u></u>	<u><u>\$ 162,001</u></u>	<u><u>\$ 159,589</u></u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE				
Liabilities:				
Accounts Payable	\$ 17,276	\$ 0	\$ 0	\$ 0
Deferred Inflows of Resources:				
Unavailable Revenue	0	0	26,935	0
Fund Balance:				
Assigned	<u>83,075</u>	<u>52,871</u>	<u>135,066</u>	<u>159,589</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE	<u><u>\$ 100,351</u></u>	<u><u>\$ 52,871</u></u>	<u><u>\$ 162,001</u></u>	<u><u>\$ 159,589</u></u>

<u>Police Equipment</u>	<u>Building Capital Outlay</u>	<u>Street Maintenance</u>	<u>Recreation Facility</u>	<u>Total</u>
\$ 49,465	\$ 86,230	\$ 55,544	\$ 35,453	\$ 673,148
0	0	0	0	1,421
<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>26,935</u>
<u>\$ 49,465</u>	<u>\$ 86,230</u>	<u>\$ 55,544</u>	<u>\$ 35,453</u>	<u>\$ 701,504</u>
\$ 0	\$ 0	\$ 0	\$ 0	\$ 17,276
0	0	0	0	26,935
<u>49,465</u>	<u>86,230</u>	<u>55,544</u>	<u>35,453</u>	<u>657,293</u>
<u>\$ 49,465</u>	<u>\$ 86,230</u>	<u>\$ 55,544</u>	<u>\$ 35,453</u>	<u>\$ 701,504</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, 2020

	Fire Equipment	Park	Street Capital Outlay	Public Works Equipment
Revenues:				
Property Taxes	\$ 0	\$ 0	\$ 370,612	\$ 0
Other Income	43,401	9,517	1,421	0
Interest Earnings	815	259	926	1,652
Total Revenues	<u>44,216</u>	<u>9,776</u>	<u>372,959</u>	<u>1,652</u>
Expenditures:				
Current:				
Public Safety	31,486	0	0	0
Parks and Recreation	0	4,463	0	0
Capital Outlay:				
General Government	0	0	0	0
Public Safety	0	0	0	0
Public Works	0	0	0	78,272
Park and Recreation	0	2,684	0	0
Total Expenditures	<u>31,486</u>	<u>7,147</u>	<u>0</u>	<u>78,272</u>
Excess of Revenue Over (Under) Expenditures	<u>12,730</u>	<u>2,629</u>	<u>372,959</u>	<u>(76,620)</u>
Other Financing Sources (Uses):				
Transfers In	116,125	56,195	40,000	60,000
Transfers Out	<u>(113,685)</u>	<u>0</u>	<u>(333,000)</u>	<u>0</u>
Total Other Financing Sources (Uses)	<u>2,440</u>	<u>56,195</u>	<u>(293,000)</u>	<u>60,000</u>
Change in Fund Balance	15,170	58,824	79,959	(16,620)
Fund Balance - January 1	<u>67,905</u>	<u>(5,953)</u>	<u>55,107</u>	<u>176,209</u>
Fund Balance - December 31	<u>\$ 83,075</u>	<u>\$ 52,871</u>	<u>\$ 135,066</u>	<u>\$ 159,589</u>

Police Equipment	Building Capital Outlay	Street Maintenance	Recreational Facility	Total
\$ 0	\$ 0	\$ 0	\$ 0	\$ 370,612
1,687	10,297	0	0	66,323
386	879	411	424	5,752
<u>2,073</u>	<u>11,176</u>	<u>411</u>	<u>424</u>	<u>442,687</u>
25	0	0	0	31,511
0	0	0	2,694	7,157
0	4,810	0	0	4,810
1,686	0	0	0	1,686
0	0	2,973	0	81,245
0	0	0	13,041	15,725
<u>1,711</u>	<u>4,810</u>	<u>2,973</u>	<u>15,735</u>	<u>142,134</u>
<u>362</u>	<u>6,366</u>	<u>(2,562)</u>	<u>(15,311)</u>	<u>300,553</u>
20,000	72,600	30,000	0	394,920
0	(72,600)	0	0	(519,285)
<u>20,000</u>	<u>0</u>	<u>30,000</u>	<u>0</u>	<u>(124,365)</u>
20,362	6,366	27,438	(15,311)	176,188
<u>29,103</u>	<u>79,864</u>	<u>28,106</u>	<u>50,764</u>	<u>481,105</u>
<u>\$ 49,465</u>	<u>\$ 86,230</u>	<u>\$ 55,544</u>	<u>\$ 35,453</u>	<u>\$ 657,293</u>

CITY OF ANNANDALE, MINNESOTA

COMBINING BALANCE SHEET

DEBT SERVICE FUNDS

December 31, 2020

	G.O. Improvement Bonds 2008B	G.O. Capital Improvement Plan Refunding Bonds 2008A	G.O. Equipment Certificates 2016A	G.O. Improvement Bonds 2011A	G.O. Refunding Bonds 2011B
ASSETS					
Cash and Investments	\$ 102,425	\$ 42,695	\$ (17,898)	\$ 0	\$ 49,917
Special Assessments	<u>26,899</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
TOTAL ASSETS	<u>\$ 129,324</u>	<u>\$ 42,695</u>	<u>\$ (17,898)</u>	<u>\$ 0</u>	<u>\$ 49,917</u>
DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE					
Deferred Inflows of Resources:					
Unavailable Revenue - Special Assessments	\$ 26,594	\$ 0	\$ 0	\$ 0	\$ 0
Fund Balance:					
Restricted	102,730	42,695	0	0	49,917
Unassigned	<u>0</u>	<u>0</u>	<u>(17,898)</u>	<u>0</u>	<u>0</u>
Total Fund Balance	<u>102,730</u>	<u>42,695</u>	<u>(17,898)</u>	<u>0</u>	<u>49,917</u>
TOTAL DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE	<u>\$ 129,324</u>	<u>\$ 42,695</u>	<u>\$ (17,898)</u>	<u>\$ 0</u>	<u>\$ 49,917</u>

<u>G.O. Refunding Bonds 2012A</u>	<u>G.O. Improvement Bond 2015A</u>	<u>G.O. TIF Bond 2019A</u>	<u>G.O. Refunding Bonds 2020A</u>	<u>G.O. Temporary Improvement Bonds 2020A</u>	<u>G.O. Improvement Refunding Note 2020B</u>	<u>Total Debt Service Funds</u>
\$ 258,957	\$ 0	\$ 32,637	\$ 174,355	\$ 108,370	\$ 116,474	\$ 867,932
38,159	0	150,026	185,115	0	205,093	605,292
<u>\$ 297,116</u>	<u>\$ 0</u>	<u>\$ 182,663</u>	<u>\$ 359,470</u>	<u>\$ 108,370</u>	<u>\$ 321,567</u>	<u>\$ 1,473,224</u>
\$ 37,557	\$ 0	\$ 150,026	\$ 184,229	\$ 0	\$ 204,870	\$ 603,276
259,559	0	32,637	175,241	108,370	116,697	887,846
0	0	0	0	0	0	(17,898)
<u>259,559</u>	<u>0</u>	<u>32,637</u>	<u>175,241</u>	<u>108,370</u>	<u>116,697</u>	<u>869,948</u>
<u>\$ 297,116</u>	<u>\$ 0</u>	<u>\$ 182,663</u>	<u>\$ 359,470</u>	<u>\$ 108,370</u>	<u>\$ 321,567</u>	<u>\$ 1,473,224</u>

CITY OF ANNANDALE, MINNESOTA

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

For the Year Ended December 31, 2020

	G.O. Improvement Bonds 2008B	G.O. Capital Improvement Plan Refunding Bonds 2008A	G.O. Equipment Certificates 2016A	G.O. Improvement Bonds 2011A	G.O. Refunding Bonds 2011B
Revenues:					
Property Taxes	\$ 0	\$ 0	\$ 25,000	\$ 0	\$ 0
Special Assessments	10,498	0	0	0	0
Interest Earnings	1,079	442	(124)	0	611
Total Revenues	<u>11,577</u>	<u>442</u>	<u>24,876</u>	<u>0</u>	<u>611</u>
Expenditures:					
Debt Service:					
Principal	85,000	70,000	56,000	1,289,000	225,000
Interest and Fiscal Charges	18,131	8,075	1,784	37,517	6,965
Total Expenditures	<u>103,131</u>	<u>78,075</u>	<u>57,784</u>	<u>1,326,517</u>	<u>231,965</u>
Excess of Revenue Over (Under) Expenditures	(91,554)	(77,633)	(32,908)	(1,326,517)	(231,354)
Other Financing Sources (Uses):					
Bond Proceeds	0	0	0	0	0
Transfers In	76,000	72,600	22,560	0	206,125
Transfers Out	0	0	0	(17,872)	0
Total Other Financing Sources (Uses)	<u>76,000</u>	<u>72,600</u>	<u>22,560</u>	<u>(17,872)</u>	<u>206,125</u>
Change in Fund Balance	(15,554)	(5,033)	(10,348)	(1,344,389)	(25,229)
Fund Balance - January 1	<u>118,284</u>	<u>47,728</u>	<u>(7,550)</u>	<u>1,344,389</u>	<u>75,146</u>
Fund Balance - December 31	<u>\$ 102,730</u>	<u>\$ 42,695</u>	<u>\$ (17,898)</u>	<u>\$ 0</u>	<u>\$ 49,917</u>

G.O. Refunding Bonds 2012A	G.O. Improvement Bonds 2015A	G.O. TIF Bonds 2019A	G.O. Refunding Bonds 2019B	G.O. Temporary Improvement Bonds 2020A	G.O. Improvement Refunding Note 2020B	Total Debt Service Funds
\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 25,000
16,786	0	20,474	28,966	0	48,261	124,985
2,775	0	345	852	530	569	7,079
<u>19,561</u>	<u>0</u>	<u>20,819</u>	<u>29,818</u>	<u>530</u>	<u>48,830</u>	<u>157,064</u>
255,000	35,000	0	0	0	680,000	2,695,000
11,781	19,457	26,103	22,450	0	18,773	171,036
<u>266,781</u>	<u>54,457</u>	<u>26,103</u>	<u>22,450</u>	<u>0</u>	<u>698,773</u>	<u>2,866,036</u>
(247,220)	(54,457)	(5,284)	7,368	530	(649,943)	(2,708,972)
0	0	0	0	107,840	400,000	507,840
198,000	65,000	0	167,873	0	366,640	1,174,798
0	(366,640)	0	0	0	0	(384,512)
<u>198,000</u>	<u>(301,640)</u>	<u>0</u>	<u>167,873</u>	<u>107,840</u>	<u>766,640</u>	<u>1,298,126</u>
(49,220)	(356,097)	(5,284)	175,241	108,370	116,697	(1,410,846)
308,779	356,097	37,921	0	0	0	2,280,794
<u>\$ 259,559</u>	<u>\$ 0</u>	<u>\$ 32,637</u>	<u>\$ 175,241</u>	<u>\$ 108,370</u>	<u>\$ 116,697</u>	<u>\$ 869,948</u>

CITY OF ANNANDALE, MINNESOTA

BALANCE SHEET
 GENERAL FUND
 December 31, 2020
 (With Comparative Amounts for December 31, 2019)

	<u>2020</u>	<u>2019</u>
ASSETS		
Cash and Investments	\$ 1,796,919	\$ 1,282,138
Accounts Receivable	57,128	1,405
Property Taxes	55,497	56,598
Prepaid Expense	107,335	100,258
Due from Other Funds	611,003	955,121
Due from Other Governments	<u>61,177</u>	<u>49,199</u>
TOTAL ASSETS	<u>\$ 2,689,059</u>	<u>\$ 2,444,719</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE		
Liabilities:		
Accrued Expenses	\$ 276,713	\$ 101,027
Due to Other Governments	2,081	1,223
Unearned Revenue	40,106	38,250
Advance to Other Funds	<u>123,350</u>	<u>163,350</u>
Total Liabilities	<u>442,250</u>	<u>303,850</u>
Deferred Inflows of Resources:		
Unavailable Revenue - Delinquent Taxes	<u>36,200</u>	<u>14,631</u>
Fund Balance:		
Nonspendable	107,335	100,258
Assigned	240,598	239,702
Unassigned	<u>1,862,676</u>	<u>1,786,278</u>
Total Fund Balance	<u>2,210,609</u>	<u>2,126,238</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE	<u>\$ 2,689,059</u>	<u>\$ 2,444,719</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, 2020

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

	Budget		2020 Actual Amounts	Over (Under) Final Budget	2019 Actual Amounts
	Original	Final			
Revenues:					
Taxes:					
Property	\$ 1,112,168	1,112,168	\$ 1,128,596	\$ 16,428	\$ 1,133,883
Franchise	15,000	15,000	16,713	1,713	17,063
Total Taxes	<u>1,127,168</u>	<u>1,127,168</u>	<u>1,145,309</u>	<u>18,141</u>	<u>1,150,946</u>
Intergovernmental:					
PD Grants	0	0	1,136	1,136	1,321
LGA	506,227	506,227	508,170	1,943	453,777
Pera Rate Increase Aid	0	0	0	0	1,599
State PD Training Reimb	2,500	2,500	0	(2,500)	6,959
State FD Training Reimb	3,000	3,000	6,586	3,586	12,370
State Fire Aid	45,000	45,000	53,621	8,621	51,530
Police State Aid	40,000	40,000	40,955	955	45,798
Coronavirus Relief Aid	0	0	262,732	262,732	0
State Aid - Mv Credit	0	0	504	504	505
Snow Removal Reimb.	3,000	3,000	3,440	440	10,280
Coronavirus Relief Aid	0	0	1,557	1,557	0
Misc Revenues - DMV	0	0	0	0	52,356
Total Intergovernmental	<u>599,727</u>	<u>599,727</u>	<u>878,701</u>	<u>278,974</u>	<u>636,495</u>
Licenses and Permits	<u>70,800</u>	<u>70,800</u>	<u>117,378</u>	<u>46,578</u>	<u>96,564</u>
Charges for Services:					
City Hall Rent	800	800	240	(560)	970
Nuisances & Lawn Mowing	0	0	322	322	107
CD Burning	0	0	0	0	30
Zoning&Subdivision Fees	0	0	1,990	1,990	846
Assessment Searches	600	600	1,720	1,120	1,100
Copier Receipts - Admin	55	55	15	(40)	29
Phone Reimbursement	200	200	95	(105)	108
Police Special Services	2,000	2,000	0	(2,000)	1,440
Pool Filling	0	0	0	0	(320)
School Resource Officer	19,000	19,000	9,500	(9,500)	17,000
Rural Fire Service	149,256	149,256	137,899	(11,357)	155,614
Police Reports	100	100	65	(35)	158
Fingerprints	175	175	315	140	200
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	75,314	(17,686)	68,417
WW Comm Reimb-Mileage Exp	12,000	12,000	13,164	1,164	16,495
Pavilion Rental	7,000	7,000	2,686	(4,314)	9,267
Portable Stage Rent	0	0	1,278	1,278	5,742
Sales Of Maps & Publications-DMV	100	100	0	(100)	97
Commissions - DMV	191,200	191,200	174,195	(17,005)	185,332
NSF Check Recovery	0	0	0	0	20
Total Charges for Services	<u>478,586</u>	<u>478,586</u>	<u>418,798</u>	<u>(59,788)</u>	<u>462,652</u>
Fines	<u>10,700</u>	<u>10,700</u>	<u>11,859</u>	<u>1,159</u>	<u>15,058</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, 2020

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

	Budget		2020 Actual Amounts	Over (Under) Final Budget	2019 Actual Amounts
	Original	Final			
Revenues (Continued):					
Other Income:					
Building Inspection	\$ 0	\$ 0	\$ (6)	\$ (6)	\$ 0
Misc Revenues - Legislative	0	0	1	1	5,369
Misc Revenues-Elections	0	0	14	14	1,308
Misc Revenues-Admin	0	0	1,141	1,141	190
Misc Revenues-Police	0	0	8,132	8,132	414
Misc Revenues-Public Works	0	0	7,884	7,884	3,646
Misc Revenues-Streets	0	0	5,417	5,417	4,133
Misc Revenues-Parks	0	0	679	679	0
PD Donations	0	0	3,000	3,000	105
Fire Depart Donations	0	0	750	750	0
COVID Wage/Tax Credits-Admin	0	0	4,751	4,751	0
Total Other Income	0	0	31,763	31,763	15,165
Investment Earnings	30,000	30,000	41,631	11,631	65,178
Total Revenues	2,316,981	2,316,981	2,645,439	328,458	2,442,058
Current Expenditures:					
General Government:					
Mayor and Council:					
Professional Services	196	196	195	(1)	276
Travel/Training	400	400	0	(400)	725
Printing & Publishing	5,500	5,500	2,952	(2,548)	2,737
Dues And Subscriptions	5,969	5,969	6,085	116	6,025
Miscellaneous	0	0	713	713	13
Employee Apprec/Retention	300	300	817	517	281
Contrib To Community Service	10,200	10,200	10,200	0	10,200
Salaries (P/T) Legislative	9,795	9,795	9,275	(520)	9,970
Fica - Legislative	607	607	575	(32)	618
Medicare - Legislative	142	142	135	(7)	144
Worker's Compensation	2,000	2,000	1,962	(38)	1,494
Government Building:					
Salaries (P/T)	0	0	0	0	96
Worker's Compensation	1,600	1,600	1,929	329	1,469
Operating Supplies	200	200	1,901	1,701	1,719
Maint & Repair Supplies	200	200	200	0	176
Contracted Cleaning Service	7,650	7,650	8,761	1,111	7,829
Payroll Expense	0	0	0	0	675
Comp Insurance	2,365	2,365	1,238	(1,127)	2,272
Electricity-City Hall	12,000	12,000	12,933	933	13,557
Water & Sewer-City Hall	3,500	3,500	5,738	2,238	4,519
Natural Gas-City Hall	3,000	3,000	2,346	(654)	1,032
Building Security	350	350	298	(52)	276
Maint & Repair (Bldg)	8,000	8,000	30,730	22,730	6,311
Maint & Repair	100	100	100	0	268
Miscellaneous	700	700	30	(670)	103

CITY OF ANNANDALE, MINNESOTA

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

For the Year Ended December 31, 2020

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

	Budget		2020 Actual Amounts	Over (Under) Final Budget	2019 Actual Amounts
	Original	Final			
Current Expenditures (Continued):					
General Government:					
Government Building:					
Wages (P/T) - PW Crew Time	\$ 3,861	\$ 3,861	\$ 4,327	\$ 466	\$ 3,483
Wages (O/T) - PW Crew Time	378	378	0	(378)	440
On Call-Public Works	78	78	0	(78)	59
Pera - Public Works	324	324	324	0	299
Fica - Public Works	268	268	247	(21)	230
Medicare - Public Works	63	63	58	(5)	54
Insurance Benefits - PW Crew	898	898	852	(46)	672
Elections:					
Other Supplies	500	500	1,927	1,427	37
Payroll Expense-Elect Judge	2,500	2,500	4,418	1,918	0
Travel/Training	1,000	1,000	0	(1,000)	0
Printing and Publishing	0	0	126	126	0
Maint Contract (Voting Machine)	400	400	378	(22)	400
Finance:					
Wages (F/T)	121,858	121,858	109,245	(12,613)	94,066
Overtime (F/T)	0	0	0	0	255
Salaries (P/T)	12,385	12,385	0	(12,385)	7,574
Pera	10,068	10,068	8,181	(1,887)	7,791
Fica	8,323	8,323	6,669	(1,654)	6,335
Medicare	1,947	1,947	1,572	(375)	1,481
Insurance Benefits	15,647	15,647	9,760	(5,887)	12,458
Worker's Compensation	3,100	3,100	3,157	57	2,452
Office Supplies	3,500	3,500	3,919	419	3,176
Other Supplies	700	700	2,337	1,637	864
Professional Services	1,173	1,173	1,172	(1)	1,656
Engineering Fees	2,000	2,000	18,113	16,113	7,048
Legal Expenses	7,000	7,000	6,979	(21)	5,863
Other Consultant	4,000	4,000	0	(4,000)	738
Telephone/Internet	3,800	3,800	4,940	1,140	2,864
Postage	3,200	3,200	3,968	768	1,752
Travel/Training	5,000	5,000	258	(4,742)	1,976
Printing And Publishing	1,500	1,500	2,299	799	2,477
Comp Insurance	1,300	1,300	1,311	11	1,263
Electricity	0	0	0	0	6,369
Maint. & Repair (Equipment)	0	0	0	0	550
Maint. Contract-Copier	3,200	3,200	3,830	630	4,532
Maint Contract-Software	3,600	3,600	3,736	136	4,371
Maintenance - Technology	1,800	1,800	3,996	2,196	1,354
Postage Meter Rent	450	450	621	171	462
Cash Short	0	0	(1)	(1)	0
Dues and Subscriptions	800	800	453	(347)	661
Miscellaneous	500	500	190	(310)	82
Credit Card Fees	700	700	721	21	1,062
Sales Tax	0	0	1,060	1,060	1,304

CITY OF ANNANDALE, MINNESOTA

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
 IN FUND BALANCE - BUDGET AND ACTUAL - GENERAL FUND
 For the Year Ended December 31, 2020
 (With Comparative Amounts for the Year Ended December 31, 2019)

	Budget		2020 Actual Amounts	Over (Under) Final Budget	2019 Actual Amounts
	Original	Final			
Current Expenditures (Continued):					
General Government:					
Planning & Zoning:					
Professional Services	\$ 196	\$ 196	\$ 195	\$ (1)	\$ 276
Engineering Fees	250	250	39,260	39,010	1,870
Legal Fees	500	500	76	(424)	665
Other Consultant	1,500	1,500	5,381	3,881	5,160
Recording Fee Variance & Sups	200	200	0	(200)	0
Postage	180	180	210	30	90
Training/Travel	250	250	0	(250)	0
Printing & Publishing	200	200	124	(76)	750
Miscellaneous	50	50	11	(39)	25
Salaries (P/T) - P & Z	1,320	1,320	900	(420)	1,080
Fica - P & Z	82	82	56	(26)	67
Medicare - P & Z	19	19	13	(6)	16
Worker's Compensation	2,000	2,000	1,961	(39)	1,493
Assessor:					
Assessors' Fees	21,000	21,000	20,502	(498)	18,893
Printing and Publishing	0	0	150	150	0
Deputy Registrar:					
Salary (F/T)	92,851	92,851	115,047	22,196	86,304
Overtime (F/T)	500	500	0	(500)	1,433
Salaries (P/T)	34,064	34,064	0	(34,064)	20,451
Pera	9,556	9,556	8,623	(933)	8,132
Fica	7,900	7,900	7,111	(789)	6,722
Medicare	1,809	1,809	1,663	(146)	1,572
Insurance Benefits	999	999	170	(829)	(641)
Worker's Compensation	3,100	3,100	3,157	57	2,451
Office Supplies	1,000	1,000	522	(478)	932
Maps	200	200	0	(200)	150
DMV Manuals	400	400	0	(400)	(246)
Professional Services	782	782	781	(1)	1,104
Telephone (Fax)	1,500	1,500	2,865	1,365	1,318
Postage	1,550	1,550	1,897	347	829
Travel/Training	100	100	0	(100)	128
Printing & Publishing	1,500	1,500	903	(597)	1,874
Comp Insurance	1,390	1,390	1,311	(79)	1,263
Maint. & Repair (Equipment)	100	100	0	(100)	0
Maint. Contract (Software)	200	200	0	(200)	0
Maint. Contract - Copier	0	0	88	88	0
Maintenance - Technology	150	150	852	702	200
Dues And Subscriptions	400	400	330	(70)	740
Miscellaneous	0	0	67	67	0
Total General Government	<u>490,393</u>	<u>490,393</u>	<u>524,482</u>	<u>34,089</u>	<u>426,396</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, 2020
 (With Comparative Amounts for the Year Ended December 31, 2019)

	Budget		2020 Actual Amounts	Over (Under) Final Budget	2019 Actual Amounts
	Original	Final			
Current Expenditures (Continued):					
Public Safety:					
Police Department:					
Wages (F/T)	\$ 326,220	\$ 326,220	\$ 419,821	\$ 93,601	\$ 320,826
Overtime (F/T)	28,883	28,883	0	(28,883)	29,365
Salaries (P/T)	27,040	27,040	0	(27,040)	30,959
Salaries (P/T) - Secretary	38,039	38,039	0	(38,039)	35,891
Pera	70,492	70,492	64,228	(6,264)	64,271
Fica	2,358	2,358	5,147	2,789	2,943
Medicare	6,093	6,093	5,754	(339)	5,720
Insurance Benefits	64,473	64,473	56,639	(7,834)	51,035
Worker's Compensation	24,586	24,586	24,936	350	18,215
Office Supplies	1,600	1,600	1,645	45	2,042
Operating Supplies	1,300	1,300	2,616	1,316	2,479
Range Training Supplies	1,500	1,500	1,152	(348)	1,331
Motor Fuels-Police Dept	13,200	13,200	8,681	(4,519)	11,945
Clothing/Uniforms	5,000	5,000	2,078	(2,922)	11,382
Vehicle Equipment	2,000	2,000	0	(2,000)	680
Police Equipment	1,500	1,500	9,300	7,800	4,115
Professional Services	3,324	3,324	3,319	(5)	4,693
Legal Fees (Prosecutions)	23,500	23,500	20,517	(2,983)	15,963
Personnel Testing & Recruit.	1,000	1,000	550	(450)	1,600
State Fee-Traffic Citations	800	800	0	(800)	100
Contracted Cleaning Service	1,620	1,620	1,617	(3)	1,708
Transcriptions	1,000	1,000	0	(1,000)	0
Special Investigations	1,500	1,500	690	(810)	762
Veterinary Services	0	0	105	105	105
Telephone/Internet	7,800	7,800	7,824	24	7,251
Postage	400	400	563	163	319
Radio Units	1,020	1,020	1,300	280	2,670
State Charges-BCA	1,080	1,080	1,350	270	1,080
Travel/Training	3,000	3,000	1,217	(1,783)	2,046
Vehicle License	600	600	217	(383)	350
Printing & Publishing	1,000	1,000	799	(201)	473
Comp Insurance	1,800	1,800	1,758	(42)	1,683
Vehicle Insurance	2,650	2,650	4,601	1,951	4,172
Maint & Repair (Equip)	500	500	312	(188)	289
Maint. Contract Software	3,800	3,800	2,573	(1,227)	920
Maint Contract-Copier	250	250	1,329	1,079	389
Maint & Repair (Technology)	3,500	3,500	3,618	118	4,326
Maint & Repair (Vehicle)	7,400	7,400	6,780	(620)	9,732
Postage Meter Rent	0	0	35	35	0
Impound Fee	0	0	0	0	(350)
Dues & Subscriptions	1,000	1,000	3,343	2,343	1,988
Towing Charges	200	200	335	135	0
Miscellaneous	400	400	48	(352)	20
Community Policing Events	200	200	1,134	934	1,637
Sales Tax	0	0	2	2	9

CITY OF ANNANDALE, MINNESOTA

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

For the Year Ended December 31, 2020

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

	Budget		2020 Actual Amounts	Over (Under) Final Budget	2019 Actual Amounts
	Original	Final			
Current Expenditures (Continued):					
Public Safety:					
Fire Department:					
Fire Relief Association	\$ 45,000	\$ 45,000	\$ 53,621	\$ 8,621	\$ 54,669
Fire Relief Assoc (Muni Contr)	3,000	3,000	3,000	0	3,000
Worker's Compensation	19,500	19,500	19,020	(480)	15,485
Office Supplies	750	750	667	(83)	838
Training Supplies	125	125	121	(4)	96
Other Supplies	2,000	2,000	5,114	3,114	2,922
Motor Fuels-Fire Dept	3,000	3,000	2,356	(644)	2,558
Clothing	10,000	10,000	5,865	(4,135)	8,293
Maint & Repair Supplies	500	500	622	122	28
Equipment/Parts	500	500	91	(409)	0
Tools & Small Equipment	1,000	1,000	618	(382)	2,134
Professional Services	1,350	1,350	976	(374)	1,943
Legal Fees	100	100	228	128	140
Medical Fees	7,500	7,500	7,403	(97)	5,496
Personnel Testing & Recruit.	1,300	1,300	0	(1,300)	916
Contracted Cleaning Service	3,000	3,000	2,940	(60)	3,170
Telephone	2,400	2,400	2,258	(142)	2,052
Postage	400	400	420	20	180
Radio Units	5,000	5,000	7,397	2,397	4,707
Travel/Training	8,000	8,000	2,595	(5,405)	20,528
Vehicle License	100	100	39	(61)	0
Printing & Publishing	200	200	0	(200)	180
Printing & Publishing-Calendar	0	0	4,513	4,513	0
Comp Insurance	3,600	3,600	3,303	(297)	3,130
Vehicle Insurance	5,500	5,500	2,373	(3,127)	2,278
Electricity-Fire Dept	8,000	8,000	5,404	(2,596)	4,413
Water & Sewer-Fire Dept	2,000	2,000	1,073	(927)	1,049
Natural Gas-Fire Dept	4,000	4,000	4,051	51	4,265
Maint & Repair (Bldg)	7,000	7,000	30,321	23,321	6,232
Maint & Repair (Equip)	1,000	1,000	1,778	778	2,662
Maint. Contract (Software)	700	700	995	295	750
Maint Contract-Air Compressor	0	0	775	775	0
Maint. Contract - Copier	100	100	0	(100)	0
Maint & Repair (Vehicle)	18,000	18,000	15,025	(2,975)	34,160
Dues & Subscriptions	700	700	1,483	783	1,016
Miscellaneous	500	500	60	(440)	552
Salaries (P/T) - Fire Dept	41,000	41,000	34,827	(6,173)	42,051
Fica - Fire Dept	2,542	2,542	2,159	(383)	2,569
Medicare - Fire Dept	582	582	505	(77)	610
Wages (F/T) - Pw Crew Time	5,319	5,319	5,898	579	5,769
Wages (O/T) - Pw Crew Time	244	244	0	(244)	477
On Call-Public Works	45	45	0	(45)	59
Pera - Public Works	421	421	442	21	474
Fica - Public Works	348	348	351	3	374
Medicare - Public Works	81	81	82	1	88
Insurance Benefits - PW	854	854	859	5	734

CITY OF ANNANDALE, MINNESOTA

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
 IN FUND BALANCE - BUDGET AND ACTUAL - GENERAL FUND
 For the Year Ended December 31, 2020
 (With Comparative Amounts for the Year Ended December 31, 2019)

	Budget		2020 Actual Amounts	Over (Under) Final Budget	2019 Actual Amounts
	Original	Final			
Current Expenditures (Continued):					
Public Safety:					
Building Inspector:					
Professional Services	\$ 391	\$ 391	\$ 391	\$ 0	\$ 1,092
Inspector's Fees	20,000	20,000	27,848	7,848	32,543
State Surcharge Tax	1,500	1,500	6,118	4,618	2,587
Salary (F/T) - PW/Admin	19,700	19,700	24,294	4,594	17,415
Overtime (F/T) - PW/Admin	0	0	0	0	150
Salaries (P/T) Legislative	7,431	7,431	0	(7,431)	3,787
Pera	2,035	2,035	1,813	(222)	1,598
Fica	1,682	1,682	1,497	(185)	1,281
Medicare	393	393	351	(42)	300
Insurance Benefits	4,072	4,072	2,747	(1,325)	2,499
Civil Defense:					
Maint. & Repair Equip	400	400	0	(400)	0
Animal Control:					
Other Supplies	150	150	0	(150)	114
Veterinary Services	400	400	0	(400)	0
Total Public Safety	<u>959,043</u>	<u>959,043</u>	<u>964,620</u>	<u>5,577</u>	<u>963,547</u>
Public Works:					
Public Works:					
Salaries (F/T)	76,166	76,166	82,835	6,669	79,546
Overtime (F/T)	6,991	6,991	0	(6,991)	8,840
On Call-Public Works	1,505	1,505	0	(1,505)	1,318
Pera - Public Works	6,350	6,350	6,205	(145)	6,735
Fica - Public Works	5,249	5,249	5,136	(113)	5,178
Medicare - Public Works	1,228	1,228	1,201	(27)	1,211
Insurance Benefits - PW	17,629	17,629	16,260	(1,369)	14,092
Worker's Compensation	2,000	2,000	1,929	(71)	1,469
Office Supplies	500	500	91	(409)	1,127
Operatiing Supplies	8,000	8,000	8,063	63	8,565
Motor Fuels-Public Works	15,000	15,000	8,028	(6,972)	15,873
Clothing	800	800	150	(650)	460
Maint & Repair Supplies	3,000	3,000	2,113	(887)	517
Tools & Small Equipment	1,173	1,173	518	(655)	694
Professional Services	1,350	1,350	0	(1,350)	1,526
Engineering Fees	0	0	0	0	369
Compost Site Expense	3,000	3,000	8,443	5,443	900
Telephone	3,900	3,900	6,592	2,692	6,623
Postage	115	115	404	289	78
Radio Units/Cell Phones	2,500	2,500	455	(2,045)	660
Travel/Training	2,000	2,000	1,560	(440)	1,670
Vehicle Licenses	250	250	19	(231)	0
Printing & Publishing	300	300	0	(300)	465
Comp Insurance	4,500	4,500	4,481	(19)	4,293
Vehicle Insurance	1,000	1,000	661	(339)	703

CITY OF ANNANDALE, MINNESOTA

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
 IN FUND BALANCE - BUDGET AND ACTUAL - GENERAL FUND
 For the Year Ended December 31, 2020
 (With Comparative Amounts for the Year Ended December 31, 2019)

	Budget		2020 Actual Amounts	Over (Under) Final Budget	2019 Actual Amounts
	Original	Final			
Current Expenditures (Continued):					
Public Works:					
Public Works:					
Insurance Claims	\$ 250	\$ 250	\$ 1,904	\$ 1,654	\$ 0
Electricity	0	0	3,179	3,179	0
Water & Sewer-Public Works	2,300	2,300	2,373	73	1,172
Natural Gas-Public Works	500	500	612	112	661
Maint & Repair (Bldg)	1,500	1,500	6,365	4,865	1,411
Maint & Repair (Equip)	4,000	4,000	3,985	(15)	1,488
Maint Contract Copier	150	150	142	(8)	41
Maint. & Repair (Technology)	200	200	0	(200)	0
Maint & Repair (Vehicle)	2,500	2,500	188	(2,312)	1,065
Uniform Rental-Public Works	1,400	1,400	1,428	28	1,923
Dues & Subscriptions	0	0	0	0	128
Miscellaneous	100	100	324	224	53
Overtime (P/T) Seasonal	0	0	0	0	26
Salaries (P/T) Seasonal	3,890	3,890	186	(3,704)	4,563
Fica - Seasonal	241	241	12	(229)	285
Medicare - Seasonal	55	55	3	(52)	67
Streets:					
Salary (F/T)	76,073	76,073	83,937	7,864	75,038
Overtime (F/T)	7,335	7,335	0	(7,335)	8,949
On Call-Public Works	1,461	1,461	0	(1,461)	1,218
Pera	6,365	6,365	6,289	(76)	6,358
Fica	5,262	5,262	5,204	(58)	4,906
Medicare	1,231	1,231	1,217	(14)	1,147
Insurance Benefits	17,163	17,163	15,967	(1,196)	13,115
Worker's Compensation	2,000	2,000	1,929	(71)	1,469
Other Supplies	200	200	286	86	8
Motor Fuels-Streets	4,500	4,500	8,848	4,348	5,338
Street Maint. Materials	19,000	19,000	36,715	17,715	29,687
Signage Materials	4,000	4,000	3,060	(940)	8,095
Small Tools	500	500	763	263	417
Professional Services	1,173	1,173	1,172	(1)	1,781
Engineering Fees	5,000	5,000	0	(5,000)	13,255
Snow Removal Contractor	1,500	1,500	2,565	1,065	10,160
Comp Insurance	4,850	4,850	4,948	98	4,694
Vehicle Insurance	1,600	1,600	1,353	(247)	1,439
Electricity (Street Lights)	53,000	53,000	39,753	(13,247)	24,829
Maint & Repair (Streets)	6,500	6,500	10,518	4,018	10,158
Maint & Repair (Equip)	12,000	12,000	23,602	11,602	17,094
Maint. & Repair (Ditches)	6,000	6,000	0	(6,000)	0
Maint & Repair (Str. Lights)	2,500	2,500	3,119	619	550
Miscellaneous	0	0	23	23	102
Total Public Works	<u>420,805</u>	<u>420,805</u>	<u>427,113</u>	<u>6,308</u>	<u>415,602</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, 2020

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

	Budget		2020 Actual Amounts	Over (Under) Final Budget	2019 Actual Amounts
	Original	Final			
Current Expenditures (Continued):					
Parks and Recreation:					
Parks Commission:					
Salaries (P/T) - Parks Comm	\$ 1,320	\$ 1,320	\$ 1,100	\$ (220)	\$ 1,320
Fica - Park Commission	82	82	68	(14)	83
Medicare - Park Commission	19	19	16	(3)	19
Worker's Compensation	2,000	2,000	1,961	(39)	1,493
Professional Services	196	196	195	(1)	276
Engineering Fees	100	100	0	(100)	0
Legal Fees	100	100	0	(100)	0
Postage	170	170	210	40	90
Maint. Contract-Copier	0	0	0	0	33
Miscellaneous	150	150	0	(150)	0
Parks Department:					
Salary (F/T)	22,213	22,213	24,391	2,178	19,818
Wages (O/T) - PW Crew Time	1,891	1,891	0	(1,891)	2,237
On Call-Public Works	390	390	0	(390)	293
Pera - Public Works	1,837	1,837	1,827	(10)	1,669
Fica - Public Works	1,519	1,519	1,512	(7)	1,293
Medicare - Public Works	355	355	354	(1)	302
Insurance Benefits - PW	4,827	4,827	4,489	(338)	3,422
Worker's Compensation	2,800	2,800	2,796	(4)	1,920
Operating Supplies	3,000	3,000	661	(2,339)	57
Motor Fuels-Parks	5,000	5,000	2,204	(2,796)	6,405
Maint & Repair Supplies	1,500	1,500	156	(1,344)	422
Portable Stage Maint. & Repair	500	500	0	(500)	0
Professional Services	587	587	586	(1)	828
Tree Removal	1,000	1,000	0	(1,000)	200
Comp Insurance	23,500	23,500	23,971	471	22,547
Electricity-Parks	9,000	9,000	2,264	(6,736)	7,866
Water & Sewer-Parks	4,500	4,500	5,087	587	5,748
Natural Gas-Parks	1,200	1,200	1,233	33	1,207
Maint & Repair (Bldgs)	4,500	4,500	1,422	(3,078)	8,121
Lake & Beach Maintenance	1,200	1,200	312	(888)	345
Maint & Repair (Equip)	2,000	2,000	1,295	(705)	3,146
Maint & Repair (Landscaping)	7,000	7,000	7,094	94	7,454
Portable Toilets (4th Of July)	4,500	4,500	1,907	(2,593)	5,563
Miscellaneous	100	100	21,178	21,078	229
Overtime (P/T) - Seasonal	0	0	0	0	37
Salaries (P/T)	7,781	7,781	242	(7,539)	7,387
Fica - Seasonal	482	482	15	(467)	460
Medicare - Seasonal	113	113	4	(109)	108

CITY OF ANNANDALE, MINNESOTA

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
 IN FUND BALANCE - BUDGET AND ACTUAL - GENERAL FUND
 For the Year Ended December 31, 2020
 (With Comparative Amounts for the Year Ended December 31, 2019)

	Budget		2020 Actual Amounts	Over (Under) Final Budget	2019 Actual Amounts
	Original	Final			
Current Expenditures (Continued):					
Parks and Recreation:					
Library:					
Contracted Cleaning Service	\$ 4,440	\$ 4,440	\$ 4,212	\$ (228)	\$ 5,168
Comp Insurance	800	800	811	11	760
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	594	(406)	4,168
Wages (F/T) PW Crew Time	3,861	3,861	4,327	466	3,483
Wages (O/T) - PW Crew Time	378	378	0	(378)	440
On Call-Public Works	78	78	0	(78)	59
Pera - Public Works	324	324	324	0	299
Fica - Public Works	268	268	247	(21)	230
Medicare - Public Works	63	63	58	(5)	54
Insurance Benefits - PW	898	898	851	(47)	672
Total Parks and Recreation	<u>133,367</u>	<u>133,367</u>	<u>123,799</u>	<u>(9,568)</u>	<u>131,556</u>
Capital Outlay:					
General Government	8,100	8,100	63,311	55,211	2,923
Public Safety	1,500	1,500	65,726	64,226	1,484
Public Works	0	0	30,391	30,391	0
Total Capital Outlay	<u>9,600</u>	<u>9,600</u>	<u>159,428</u>	<u>149,828</u>	<u>4,407</u>
Total Expenditures	<u>2,013,208</u>	<u>2,013,208</u>	<u>2,199,442</u>	<u>186,234</u>	<u>1,941,508</u>
Excess of Revenues Over (Under) Expenditures	<u>303,773</u>	<u>303,773</u>	<u>445,997</u>	<u>142,224</u>	<u>500,550</u>
Other Financing Sources (Uses):					
Operating Transfers Out	<u>(304,025)</u>	<u>(304,025)</u>	<u>(361,626)</u>	<u>57,601</u>	<u>(310,471)</u>
Change in Fund Balance	<u>\$ (252)</u>	<u>\$ (252)</u>	84,371	<u>\$ 84,623</u>	190,079
Fund Balance - January 1			<u>2,126,238</u>		<u>1,936,159</u>
Fund Balance - December 31			<u>\$ 2,210,609</u>		<u>\$ 2,126,238</u>

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CITY OF ANNANDALE, MINNESOTA

SCHEDULE OF NET POSITION
WATER FUND

December 31, 2020

(With Comparative Amounts For December 31, 2019)

	2020	2019
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES		
Current Assets:		
Cash and Investments	\$ 360,796	\$ 304,434
Accounts Receivable	48,552	41,915
Due from Other Governments	6,387	0
Prepaid Expense	10,690	10,054
Total Current Assets	<u>426,425</u>	<u>356,403</u>
Noncurrent Assets:		
Advance to Other Funds	88,700	103,700
Special Assessments	4,174	4,693
Capital Assets Not Being Depreciated	66,881	66,881
Other Capital Assets, Net of Depreciation	4,205,627	4,370,619
Total Noncurrent Assets	<u>4,365,382</u>	<u>4,545,893</u>
Total Assets	4,791,807	4,902,296
Deferred Outflows of Resources:		
Pension Plan Deferments	<u>15,863</u>	<u>11,139</u>
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	<u>\$ 4,807,670</u>	<u>\$ 4,913,435</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION		
Current Liabilities:		
Accrued Expenses	\$ 28,258	\$ 24,225
Due to Other Governments	642	674
Current Portion of Long-term Debt	244,000	238,000
Total Current Liabilities	<u>272,900</u>	<u>262,899</u>
Long-Term Liabilities:		
Revenue Note Payable, Net of Current Portion	1,094,000	1,338,000
Net Pension Liability	76,594	67,439
Total Liabilities	<u>1,443,494</u>	<u>1,668,338</u>
Deferred Inflows of Resources:		
Pension Plan Deferments	<u>8,752</u>	<u>16,378</u>
Net Position:		
Net Investment in Capital Assets	2,934,507	2,861,501
Unrestricted	420,917	367,218
Total Net Position	<u>3,355,424</u>	<u>3,228,719</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION	<u>\$ 4,807,670</u>	<u>\$ 4,913,435</u>

CITY OF ANNANDALE, MINNESOTA

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

For the Year Ended December 31, 2020

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

	2020 Budget	2020 Actual	Over (Under) Budget	2019 Actual
Operating Revenues:				
Charges for Services	\$ 536,300	\$ 587,139	\$ 50,839	\$ 515,191
Operating Expenses:				
Personnel Services	153,515	136,938	(16,577)	113,268
Materials and Supplies	33,900	44,765	10,865	36,649
Professional Fees	3,324	12,069	8,745	12,409
Insurance	11,634	11,689	55	11,222
Utilities	35,000	43,099	8,099	48,509
Repairs and Maintenance	21,300	19,667	(1,633)	32,522
Contracted Services	5,300	2,229	(3,071)	3,631
Other Charges	9,500	12,770	3,270	7,737
Depreciation	0	181,989	181,989	169,867
Total Operating Expenses	<u>273,473</u>	<u>465,215</u>	<u>191,742</u>	<u>435,814</u>
Income (Loss) from Operations	262,827	121,924	(140,903)	79,377
Nonoperating Revenues (Expenses):				
Interest and Fiscal Charges	(216,778)	(28,228)	188,550	(36,066)
Reimbursements	0	25,670	25,670	22,779
Access Fees and Other Income	26,000	83,978	57,978	195,820
Investment Earnings	600	3,360	2,760	2,412
Total Nonoperating Revenues (Expenses)	<u>(190,178)</u>	<u>84,780</u>	<u>274,958</u>	<u>184,945</u>
Income Before Transfers and Other Items	72,649	206,704	134,055	264,322
Transfers and Other Items				
Capital Contributions	0	0	0	43,335
Transfers In	701	0	(701)	160,000
Transfers Out	(100,000)	(80,000)	20,000	(70,000)
Total Transfers and Other Items	<u>(99,299)</u>	<u>(80,000)</u>	<u>19,299</u>	<u>133,335</u>
Change in Net Position	<u>\$ (26,650)</u>	126,705	<u>\$ 153,355</u>	397,657
Net Position - January 1		<u>3,228,719</u>		<u>2,831,062</u>
Net Position - December 31		<u>\$ 3,355,424</u>		<u>\$ 3,228,719</u>

CITY OF ANNANDALE, MINNESOTA

SCHEDULE OF NET POSITION
SEWER FUND

December 31, 2020

(With Comparative Amounts For December 31, 2019)

	2020	Restated 2019
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES		
Current Assets:		
Accounts Receivable	\$ 104,556	\$ 96,450
Due from Other Governments	33,182	24,143
Prepaid Expense	14,761	14,179
Total Current Assets	<u>152,499</u>	<u>134,772</u>
Noncurrent Assets:		
Advance to Other Funds	0	14,150
Special Assessments	4,174	4,696
Restricted Cash	150,610	110,733
Equity Interest in Joint Venture	6,732,692	6,929,054
Capital Assets Not Being Depreciated	191,067	191,067
Other Capital Assets, Net of Depreciation	3,028,876	3,146,056
Total Noncurrent Assets	<u>10,107,419</u>	<u>10,395,756</u>
Total Assets	10,259,918	10,530,528
Deferred Outflows of Resources:		
Pension Plan Deferments	<u>26,727</u>	<u>18,707</u>
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	<u>\$ 10,286,645</u>	<u>\$ 10,549,235</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION		
Current Liabilities:		
Accrued Expenses	\$ 122,693	\$ 77,679
Due to Other Governments	175,849	141,954
Due to Other Funds	360,498	429,800
Current Portion of Long-term Debt	983,000	962,000
Total Current Liabilities	<u>1,642,040</u>	<u>1,611,433</u>
Long-Term Liabilities:		
Revenue Note Payable, Net of Current Portion	5,310,000	6,293,000
Net Pension Liability	129,052	113,257
Total Liabilities	<u>7,081,092</u>	<u>8,017,690</u>
Deferred Inflows of Resources:		
Pension Plan Deferments	<u>14,746</u>	<u>27,505</u>
Net Position:		
Net Investment in Capital Assets	3,121,941	3,233,123
Restricted	150,610	110,733
Unrestricted	(81,744)	(839,816)
Total Net Position	<u>3,190,807</u>	<u>2,504,040</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION	<u>\$ 10,286,645</u>	<u>\$ 10,549,235</u>

CITY OF ANNANDALE, MINNESOTA

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

For the Year Ended December 31, 2020

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

	2020 Budget	2020 Actual	Over (Under) Budget	2019 Actual
Operating Revenues:				
Charges for Services	\$ 1,011,500	\$ 1,071,792	\$ 60,292	\$ 998,760
Operating Expenses:				
Personnel Services	233,634	217,358	(16,276)	198,839
Materials and Supplies	8,000	7,373	(627)	7,840
Professional Fees	3,324	12,655	9,331	13,091
Insurance	10,734	10,281	(453)	9,987
Utilities	12,500	13,451	951	14,610
Repairs and Maintenance	20,000	17,420	(2,580)	25,632
Wastewater Commission Charges	728,000	864,912	136,912	805,872
Contracted Services	6,300	5,021	(1,279)	5,409
Other Charges	0	2,087	2,087	59
Depreciation	0	116,548	116,548	116,672
Total Operating Expenses	<u>1,022,492</u>	<u>1,267,106</u>	<u>244,614</u>	<u>1,198,011</u>
Income (Loss) from Operations	(10,992)	(195,314)	(184,322)	(199,251)
Nonoperating Revenues (Expenses):				
Interest and Fiscal Charges	0	(153,437)	(153,437)	(194,524)
Reimbursements	65,000	1,183,632	1,118,632	1,185,288
Access Fees and Other Income	40,700	194,912	154,212	82,851
Investment Earnings	600	2,336	1,736	3,354
Total Nonoperating Revenues (Expenses)	<u>106,300</u>	<u>1,227,443</u>	<u>1,121,143</u>	<u>1,076,969</u>
Income Before Transfers and Other Items	95,308	1,032,129	936,821	877,718
Transfers and Other Items				
Capital Contributions	0	0	0	3,479
Change in Equity Interest	0	(196,362)	(196,362)	(75,844)
Transfers In	35,000	0	(35,000)	51,000
Transfers Out	(149,000)	(149,000)	0	(144,000)
Total Transfers and Other Items	<u>(114,000)</u>	<u>(345,362)</u>	<u>(231,362)</u>	<u>(165,365)</u>
Change in Net Position	<u>\$ (18,692)</u>	<u>686,767</u>	<u>\$ 705,459</u>	<u>712,353</u>
Net Position - January 1, as Previously Stated		2,504,040		1,786,037
Prior Period Adjustment		0		5,650
Net Position - January 1, as Restated		<u>2,504,040</u>		<u>1,791,687</u>
Net Position - December 31		<u>\$ 3,190,807</u>		<u>\$ 2,504,040</u>

CITY OF ANNANDALE, MINNESOTA

SCHEDULE OF NET POSITION
REFUSE FUND

December 31, 2020

(With Comparative Amounts For December 31, 2019)

	2020	2019
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES		
Current Assets:		
Cash and Investments	\$ 25,915	\$ 14,214
Accounts Receivable	23,104	19,955
Due from Other Governments	3,718	1,719
Prepaid Expense	1,430	1,452
Total Current Assets	54,167	37,340
Noncurrent Assets:		
Capital Assets Not Being Depreciated	20,000	20,000
Other Capital Assets, Net of Depreciation	930	1,800
Total Noncurrent Assets	20,930	21,800
Total Assets	75,097	59,140
Deferred Outflows of Resources:		
Pension Plan Deferments	4,730	3,395
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	\$ 79,827	\$ 62,535
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION		
Current Liabilities:		
Accrued Expenses	\$ 28,663	\$ 15,957
Due to Other Governments	1,091	1,044
Total Current Liabilities	29,754	17,001
Long-Term Liabilities:		
Net Pension Liability	22,838	20,556
Total Liabilities	52,592	37,557
Deferred Inflows of Resources:		
Pension Plan Deferments	2,610	4,992
Net Position:		
Net Investment in Capital Assets	20,930	21,800
Unrestricted	3,695	(1,814)
Total Net Position	24,625	19,986
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION	\$ 79,827	\$ 62,535

CITY OF ANNANDALE, MINNESOTA

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

For the Year Ended December 31, 2020

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

	2020 Budget	2020 Actual	Over (Under) Budget	2019 Actual
Operating Revenues:				
Charges for Services	\$ 192,981	\$ 193,204	\$ 223	\$ 195,667
Operating Expenses:				
Personnel Services	34,679	26,491	(8,188)	34,229
Materials and Supplies	4,000	3,557	(443)	3,710
Professional Fees	1,369	1,367	(2)	2,282
Repairs and Maintenance	2,000	2,226	226	2,174
Contracted Services	157,535	160,966	3,431	159,855
Other Charges	300	0	(300)	2,855
Depreciation	0	338	338	704
Total Operating Expenses	<u>199,883</u>	<u>194,945</u>	<u>(4,938)</u>	<u>205,809</u>
Income (Loss) from Operations	(6,902)	(1,741)	5,161	(10,142)
Nonoperating Revenues (Expenses):				
Reimbursements	0	0	0	35,517
Access Fees and Other Income	7,000	6,146	(854)	6,144
Investment Earnings	0	232	232	(329)
Total Nonoperating Revenues (Expenses)	<u>7,000</u>	<u>6,378</u>	<u>(622)</u>	<u>41,332</u>
Change in Net Position	<u>\$ 98</u>	4,639	<u>\$ 4,541</u>	31,190
Net Position - January 1		<u>19,986</u>		<u>(11,204)</u>
Net Position - December 31		<u>\$ 24,625</u>		<u>\$ 19,986</u>

CITY OF ANNANDALE, MINNESOTA

SCHEDULE OF NET POSITION

STORM WATER FUND

December 31, 2020

(With Comparative Amounts For December 31, 2019)

	<u>2020</u>	<u>2019</u>
ASSETS		
Current Assets:		
Accounts Receivable	\$ 4,737	\$ 6,150
Noncurrent Assets:		
Other Capital Assets, Net of Depreciation	<u>2,336,481</u>	<u>2,424,615</u>
TOTAL ASSETS	<u>\$ 2,341,218</u>	<u>\$ 2,430,765</u>
LIABILITIES AND NET POSITION		
Current Liabilities:		
Accrued Expenses	\$ 1,421	\$ 161
Due to Other Funds	<u>22,917</u>	<u>27,421</u>
Total Current Liabilities	<u>24,338</u>	<u>27,582</u>
Net Position:		
Net Investment in Capital Assets	2,336,480	2,430,758
Unrestricted	<u>(19,600)</u>	<u>(27,575)</u>
Total Net Position	<u>2,316,880</u>	<u>2,403,183</u>
TOTAL LIABILITIES AND NET POSITION	<u>\$ 2,341,218</u>	<u>\$ 2,430,765</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, 2020

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

	2020 Budget	2020 Actual	Over (Under) Budget	2019 Actual
Operating Revenues:				
Charges for Services	\$ 49,536	\$ 46,042	\$ (3,494)	\$ 45,775
Operating Expenses:				
Professional Fees	391	388	(3)	552
Repairs and Maintenance	0	670	670	480
Other Charges	0	1,075	1,075	160
Depreciation	0	88,134	88,134	87,981
Total Operating Expenses	<u>391</u>	<u>90,267</u>	<u>89,876</u>	<u>89,173</u>
Income (Loss) from Operations	49,145	(44,225)	(93,370)	(43,398)
Nonoperating Revenues (Expenses):				
Reimbursements	2,900	0	(2,900)	3,175
Investment Earnings	0	(77)	(77)	(164)
Total Nonoperating Revenues (Expenses)	<u>2,900</u>	<u>(77)</u>	<u>(2,977)</u>	<u>3,011</u>
Income (Loss) Before Transfers and Other Items	52,045	(44,302)	(96,347)	(40,387)
Transfers and Other Items				
Capital Contributions	0	0	0	6,143
Transfers Out	(42,000)	(42,000)	0	(42,000)
Total Transfers and Other Items	<u>(42,000)</u>	<u>(42,000)</u>	<u>0</u>	<u>(35,857)</u>
Change in Net Position	<u>\$ 10,045</u>	(86,303)	<u>\$ (96,348)</u>	(76,244)
Net Position - January 1		<u>2,403,183</u>		<u>2,479,427</u>
Net Position - December 31		<u>\$ 2,316,880</u>		<u>\$ 2,403,183</u>

OTHER REQUIRED REPORTS



Burkhardt & Burkhardt, Ltd.

Certified Public Accountants

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Experienced... Over 40 years combined experience

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Mankato Office:
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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 (the City) as of and for the year ended December 31, 2020, and the related notes to the financial statements, and have issued our report thereon dated June 2, 2021.

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 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 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
June 2, 2021

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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 (the City), as of and for the year ended December 31, 2020, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated June 2, 2021.

Internal Control Over Financial Reporting

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

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 identify deficiencies in internal control that we consider to be material weaknesses.

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. As described in the accompanying schedule of findings and responses, we consider the following deficiency in internal control to be a material weakness as item 2020-001.

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and responses that we consider to be significant deficiencies as items 2020-002 and 2020-003.

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Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City'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 financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed two instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*, as noted in the schedule of findings and responses.

City's Response to Findings

The City's response to the findings identified in our audit is described in the accompanying schedule of findings and responses. The City'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
June 2, 2021

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CITY OF ANNANDALE, MINNESOTA

SCHEDULE OF FINDINGS AND RESPONSES ON
LEGAL COMPLIANCE AND INTERNAL CONTROL
December 31, 2020

CURRENT YEAR FINANCIAL STATEMENT FINDINGS

Material Weakness:

2020-001. Payroll Processing

Condition: During our audit, we proposed material audit adjustments to adjust payroll and payroll liability accounts to the proper year-end balances.

Criteria Payroll and payroll tax withholdings should be reviewed to ensure the propriety of amounts, compliance with applicable federal and state requirements, timely remittance to the appropriate entity and timely reconciliation to the general ledger accounts.

Cause: The City relies on a service organization to process their payroll as well as to determine the general ledger posting of the payroll activity. Oversight of the service organization has been inadequate and ineffective to correct misstatements detected during the year.

Effect: The design of internal control over payroll processing could adversely affect the City's ability to detect misstatements in amounts that would be material in relation to the financial statements in a timely manner by employees in the normal course of performing their assigned functions.

Recommendation: Management should establish payroll processing procedures that are adequate to ensure 1) payroll transactions received from the service organization are posted to the proper general ledger accounts and accurately reflect employee effort. 2) Payroll related general ledger accounts are reconciled on a quarterly basis to payroll registers as well as with the quarterly filing with state and federal entities 3) Employee master files maintained by the service organization are reviewed at least annually and during new employee onboarding.

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 the Finding:* Management will confirm payroll transactions are being reconciled to the appropriate reports at least quarterly and will review employee master files immediately and at least annually thereafter.
- C. *Official Responsible for Ensuring Corrective Action:* The City Administrator will monitor the effectiveness of the above actions and make changes as considered appropriate.
- D. *Planned Completion Date for the Corrective Action:* The corrective action plan for this finding will be December 31, 2021.
- E. *Plan to Monitor Completion of Corrective Action:* The City Council will be monitoring this corrective action plan to review the recommendations and take appropriate action.

CITY OF ANNANDALE, MINNESOTA

SCHEDULE OF FINDINGS AND RESPONSES ON
LEGAL COMPLIANCE AND INTERNAL CONTROL
December 31, 2020

Significant Deficiencies:

2020-002. 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.

2020-003. 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, 2020

2020-003. 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:

2019-001. 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.

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.

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

CITY OF ANNANDALE, MINNESOTA

SCHEDULE OF FINDINGS AND RESPONSES ON
LEGAL COMPLIANCE AND INTERNAL CONTROL
December 31, 2020

CURRENT YEAR MINNESOTA LEGAL COMPLIANCE FINDINGS

2020-005. Deposits and Investments

MSA 118A.04, subd. 9 requires annually, prior to completing an initial investment transaction with each broker, the city must provide to that broker a written statement of investment restrictions.

During 2020 the City did not receive acknowledgments from investment brokers and failed to follow the provisions of MSA 118A.09.

City's response:

The City will ensure acknowledgments will be received by all investment brokers transacting with the city.

2020-006. Claims and Disbursements

MSA 471.425 subd. 2 (Prompt Payment of Local Government Bills), requires all bills to be paid within 35 days from receipt, for city councils that meet at least once a month, or within the time period set by the terms of the contract.

During 2020, the City did not pay all claims within the time period set by contract or the standard payment period.

City's response:

The City will ensure all payments are remitted on a timely manner as stated in MSA 471.425 subd. 2.