

**CITY OF ANNANDALE  
ANNANDALE, MINNESOTA**

**AUDITED FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED  
DECEMBER 31, 2021**

TABLE OF CONTENTS

	<u>Page</u>
<b>ELECTED AND APPOINTED OFFICIALS</b>	1
<b>INDEPENDENT AUDITOR'S REPORT</b>	2
<b>MANAGEMENT'S DISCUSSION AND ANALYSIS</b>	6
<b>BASIC FINANCIAL STATEMENTS</b>	
Government-wide Financial Statements:	
Statement of Net Position	20
Statement of Activities	21
Fund Financial Statements:	
Governmental Funds	
Balance Sheet - Governmental Funds	23
Reconciliation of the Balance Sheet to the Statement of Net Position - Governmental Funds	24
Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds	25
Reconciliation of Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities - Governmental Funds	26
Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual:	
General Fund	27
Proprietary Funds	
Statement of Net Position	28
Statement of Revenues, Expenses and Changes in Net Position – Proprietary Funds	30
Statement of Cash Flows	32
Notes to the Basic Financial Statements	34
<b>REQUIRED SUPPLEMENTAL INFORMATION SECTION</b>	
Schedule of City's Proportionate Share of Net Pension Liability – GERP	69
Schedule of City's Contributions – GERP	69
Schedule of City's Proportionate Share of Net Pension Liability – PEPFP	70
Schedule of City's Contributions – PEPFP	70
Schedule of Changes in Net Pension Liability and Related Ratios –	
Annandale Fire Relief Association	71
Schedule of Contributions and Net Pension Liability as a Percent of Payroll –	
Annandale Fire Relief Association	72
Notes to the Required Supplemental Information	73
<b>SUPPLEMENTAL INFORMATION SECTION</b>	
Nonmajor Funds:	
Combining Balance Sheet	78
Combining Statement of Revenues, Expenditures and Changes in Fund Balance	79
Nonmajor Special Revenue Funds:	
Combining Balance Sheet	80
Combining Statement of Revenues, Expenditures and Changes in Fund Balance	82
Nonmajor Capital Project Funds:	
Combining Balance Sheet	84
Combining Statement of Revenues, Expenditures and Changes in Fund Balance	86
Debt Service Funds:	
Combining Balance Sheet	88
Combining Schedule of Revenues, Expenditures and Changes in Fund Balance	90
General Fund:	
Balance Sheet	92
Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual	93
Proprietary Funds:	
Water Utility:	
Schedule of Net Position	103
Schedule of Revenues, Expenses and Changes in Net Position	104

CITY OF ANNANDALE, MINNESOTA

TABLE OF CONTENTS

	<u>Page</u>
<b>SUPPLEMENTAL INFORMATION SECTION – (Continued)</b>	
Sewer Utility:	
Schedule of Net Position	105
Schedule of Revenues, Expenses and Changes in Net Position	106
Refuse Fund:	
Schedule of Net Position	107
Schedule of Revenues, Expenses and Changes in Net Position	108
Storm Water Fund:	
Schedule of Net Position	109
Schedule of Revenues, Expenses and Changes in Net Position	110
<b>OTHER REQUIRED REPORTS:</b>	
Independent Auditor’s Report on Minnesota Legal Compliance	112
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>	113
Schedule of Findings and Responses	115

CITY OF ANNANDALE, MINNESOTA  
ELECTED AND APPOINTED OFFICIALS  
FOR THE YEAR ENDED DECEMBER 31, 2021

ELECTED

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Shelly Jonas	Mayor	December 31, 2022
Corey Czycalla	Council Member	December 31, 2022
Tina Honsey	Council Member	December 31, 2022
James Grundy	Council Member	December 31, 2024
Matthew Wuollet	Council Member	December 31, 2024

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

THIS PAGE IS LEFT  
BLANK INTENTIONALLY



# Burkhardt & Burkhardt, Ltd.

Certified Public Accountants

Website: [www.bnbcpas.com](http://www.bnbcpas.com)

**Annandale Office:**  
35 Oak Ave. N, P.O. Box N  
Annandale, MN 55302  
P: 320.274.1040  
F: 320.274.2260

---

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

**Experienced...** Over 40 years combined experience

**Affordable...** Exceptional value for a reasonable price

**Friendly...** Family owned and run since 1990

## INDEPENDENT AUDITOR'S REPORT

Honorable Mayor and  
Members of the City Council  
Annandale, Minnesota

### **Report on the Audit of the Financial Statements**

#### ***Opinions***

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Annandale, Minnesota (the City), as of and for the year ended December 31, 2021, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements 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, 2021, 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.

#### ***Basis for Opinions***

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

#### ***Responsibilities of Management for the Financial Statements***

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

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

THIS PAGE IS LEFT  
BLANK INTENTIONALLY

### ***Auditor's Responsibilities for the Audit of the Financial Statements***

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

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

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

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

### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the 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.

### ***Supplementary Information***

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The supplemental information as listed in the table of contents under supplemental section are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. 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.

THIS PAGE IS LEFT  
BLANK INTENTIONALLY



***Prior Year Comparative Information***

We have previously audited the City's 2020 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 June 2, 2021. In our opinion, the partial comparative information presented herein as of and for the year ended December 31, 2020, is consistent, in all material respects, with the audited financial statements from which it has been derived.

***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated May 20, 2022, 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.*

Burkhardt & Burkhardt, Ltd  
Mankato, Minnesota  
May 20, 2022

## 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, 2021.

### **FINANCIAL HIGHLIGHTS**

Key financial highlights for the 2021 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 \$20,978,709 (net position). Of this amount, \$4,725,172 (unrestricted net position) may be used to meet the government's ongoing obligations to citizens and creditors.
- (2) Capital assets, less depreciation, total \$21,684,785, 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 \$4,485,597. \$3,268,161 of this total amount, over 73%, 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 \$2,189,507, or 101%, of total General fund expenditures.
- (5) The City had a decrease in net position for governmental activities of \$491,449 and an increase of \$2,956,197 for business-type activities during the current fiscal year, with an overall increase of \$2,464,748.

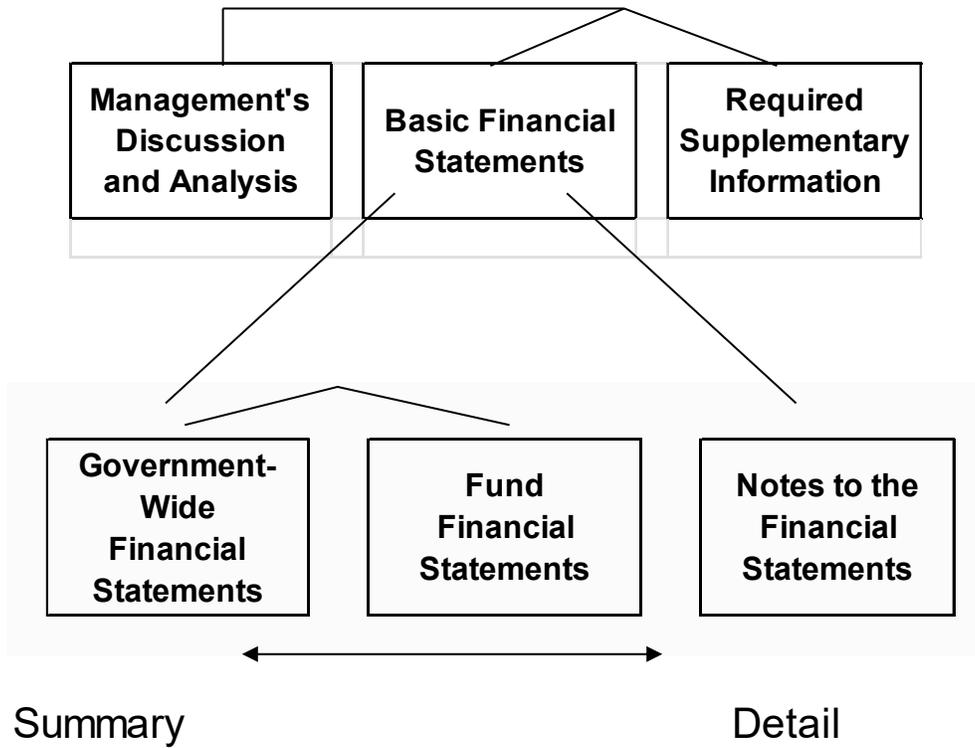
CITY OF ANNANDALE, MINNESOTA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED DECEMBER 31, 2021

**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, 2021

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**

	<b>Fund Financial Statements</b>		
	<b>Government-wide Statements</b>	<b>Governmental Funds</b>	<b>Proprietary Funds</b>
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"> <li>• Statement of Net Position</li> <li>• Statement of Activities</li> </ul>	<ul style="list-style-type: none"> <li>• Balance Sheet</li> <li>• Statement of Revenue, Expenditures, and Changes in Fund Balances</li> </ul>	<ul style="list-style-type: none"> <li>• Statement of Net Position</li> <li>• Statement of Revenues, Expenses and Changes in Net Position</li> <li>• Statement of Cash Flows</li> </ul>
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, 2021

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 2021 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 20 and 21 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-one 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 and Debt Service funds. Data from the debt service and other nonmajor governmental funds are combined into a single, aggregated presentations. 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 23 - 27 of this report.

CITY OF ANNANDALE, MINNESOTA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED DECEMBER 31, 2021

**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 28 - 33 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 34 - 67 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 69 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 78 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 \$20,978,709 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, 2021

A condensed version of the Statement of Net Position on December 31, 2021, follows:

**City of Annandale's Summary of Net Position**

	Governmental Activities			Business-type Activities		
	2021	2020	Increase (Decrease)	2021	2020	Increase (Decrease)
<i>Assets</i>						
Current and other assets	\$ 6,503,698	\$ 6,138,718	\$ 364,980	\$ 717,499	\$ 502,071	\$ 215,428
Equity interest	-	-	-	6,581,047	6,732,692	(151,645)
Capital assets	10,346,147	12,031,104	(1,684,957)	11,338,638	9,849,862	1,488,776
	16,849,845	18,169,822	(1,319,977)	18,637,184	17,084,625	1,552,559
<i>Deferred Outflows of Resources</i>						
Pension plan deferments	893,143	540,814	352,329	148,309	47,320	100,989
<i>Liabilities</i>						
Current liabilities	1,047,441	1,219,310	(171,869)	1,454,225	1,585,617	(131,392)
Long-term liabilities	6,295,778	7,254,553	(958,775)	5,318,314	6,632,484	(1,314,170)
	7,343,219	8,473,863	(1,130,644)	6,772,539	8,218,101	(1,445,562)
<i>Deferred Inflows of Resources</i>						
Pension plan deferments	1,264,993	610,548	654,445	169,021	26,108	142,913
<b>Excess of total assets and deferred outflows of resources over total liabilities and deferred inflows of resources</b>						
	<b>\$ 9,134,776</b>	<b>\$ 9,626,225</b>	<b>\$ (491,449)</b>	<b>\$ 11,843,933</b>	<b>\$ 8,887,736</b>	<b>2,956,197</b>
<i>Net Position</i>						
Net Investment in						
Capital Assets	\$ 4,013,792	\$ 4,910,905	\$ (897,113)	\$ 10,152,637	\$ 8,413,858	\$ 1,738,779
Restricted	1,894,021	1,597,510	296,511	193,087	150,610	42,477
Unrestricted	3,226,963	3,117,810	109,153	1,498,209	323,268	1,174,941
<b>Total net position</b>	<b>\$ 9,134,776</b>	<b>\$ 9,626,225</b>	<b>\$ (491,449)</b>	<b>\$ 11,843,933</b>	<b>\$ 8,887,736</b>	<b>\$ 2,956,197</b>

Assets of the governmental activities decreased in 2021 by \$1,319,977. This decrease was predominantly a result of capital assets being transferred to the business-type activities related to infrastructure on a completed construction project. The transferred capital assets were the primary reason total assets increased for the business-type activities of \$1,552,559. The decrease in long-term liabilities of both the governmental activities and business-type activities is associated with scheduled principal payments on long-term debt outstanding as well as a decrease in their net pension liabilities.

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 \$4,725,172 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.

CITY OF ANNANDALE, MINNESOTA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED DECEMBER 31, 2021

Governmental and business-type activities increased the City's net position by \$2,464,748. Key elements of this increase are as follows:

**City of Annandale's Changes in Net Position**

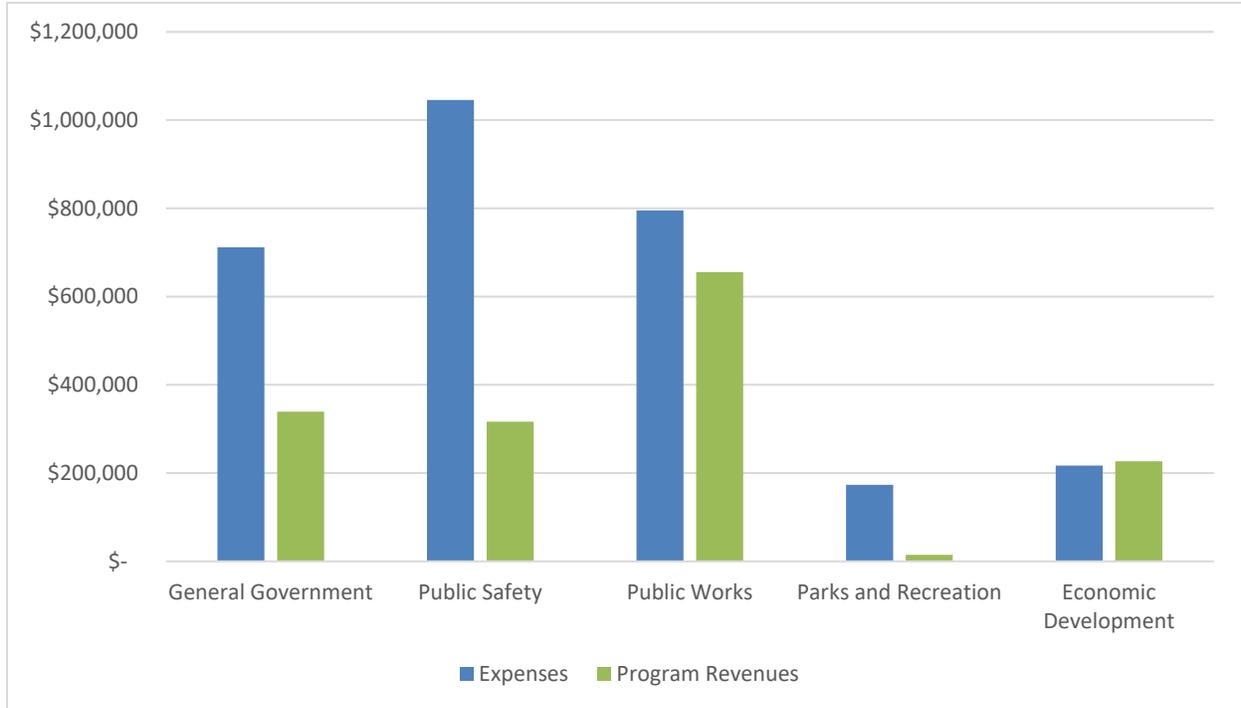
	Governmental Activities			Business-type Activities		
	2021	2020	Increase (Decrease)	2021	2020	Increase (Decrease)
<i>Revenues</i>						
Program revenues						
Charges for services	\$ 655,479	\$ 611,822	\$ 43,657	\$ 2,114,987	\$ 1,898,177	\$ 216,810
Operating grants and contributions	379,145	365,534	13,611	-	-	-
Capital grants and contributions	517,567	33,168	484,399	1,114,529	1,035,376	79,153
General revenues						
Property taxes	1,574,771	1,522,576	52,195	-	-	-
Intergovernmental	723,241	513,167	210,074	-	-	-
Other sources	357,542	271,233	86,309	244,418	464,815	(220,397)
Total Revenue	4,207,745	3,317,500	890,245	3,473,934	3,398,368	75,566
<i>Expenses</i>						
General Government	711,693	661,447	50,246	-	-	-
Public Safety	1,045,329	1,165,359	(120,030)	-	-	-
Public Works	795,403	832,305	(36,902)	-	-	-
Parks and Recreation	173,163	146,681	26,482	-	-	-
Economic development	216,818	86,417	130,401	-	-	-
Water	-	-	-	538,797	493,443	45,354
Sewer	-	-	-	1,142,684	1,420,543	(277,859)
Refuse	-	-	-	189,224	194,945	(5,721)
Storm water	-	-	-	91,480	90,267	1,213
Interest on long-term debt	160,695	254,988	(94,293)	-	-	-
Total Expenses	3,103,101	3,147,197	(44,096)	1,962,185	2,199,198	(237,013)
Change in equity interest	-	-	-	(151,645)	(196,362)	44,717
Transfer	(1,596,093)	271,000	(1,867,093)	1,596,093	(271,000)	1,867,093
Total change in equity and transfers	(1,596,093)	271,000	(1,867,093)	1,444,448	(467,362)	1,911,810
Change in Net Position	(491,449)	441,303	(932,752)	2,956,197	731,808	2,224,389
Net position - January 1	9,626,225	9,184,922	441,303	8,887,736	8,155,928	731,808
Net position - December 31	\$ 9,134,776	\$ 9,626,225	\$ (491,449)	\$ 11,843,933	\$ 8,887,736	\$2,956,197

Net position for the governmental activities decreased \$491,449 in 2021, this was decrease of \$932,752 from the prior year. The majority of the change was due to transfers of capital assets to the business-type activities. Revenues of the governmental activities experienced an increase of \$890,245 related to special assessments and intergovernmental revenue from Federal sources. Business-type net position increased \$2,956,97, which was an increase of \$2,224,389 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.

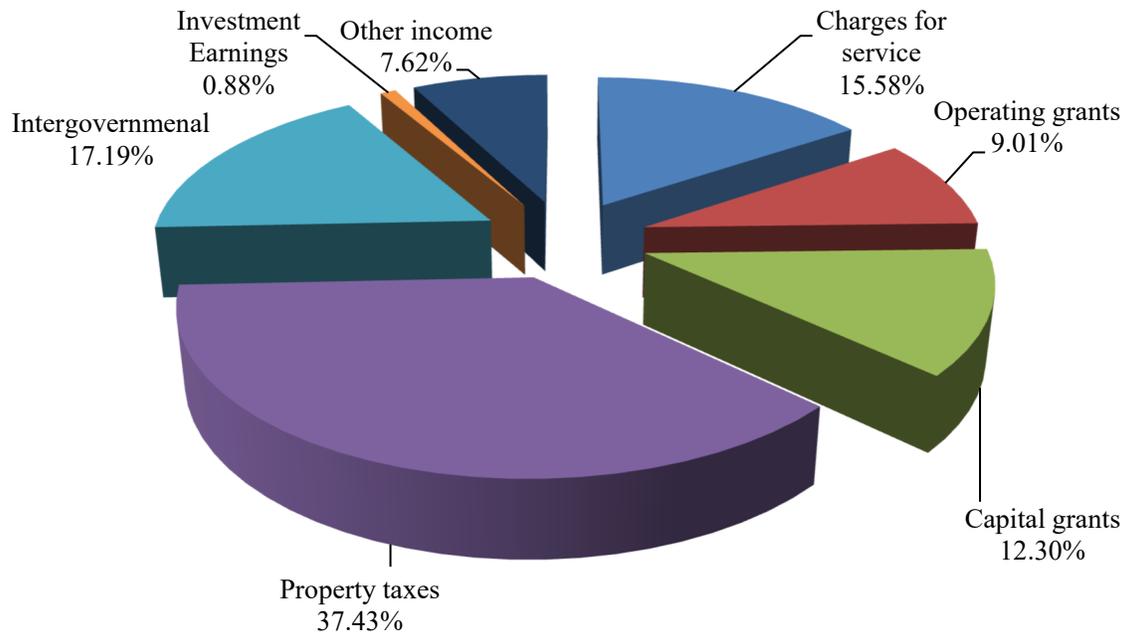
CITY OF ANNANDALE, MINNESOTA  
 MANAGEMENT'S DISCUSSION AND ANALYSIS  
 YEAR ENDED DECEMBER 31, 2021

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



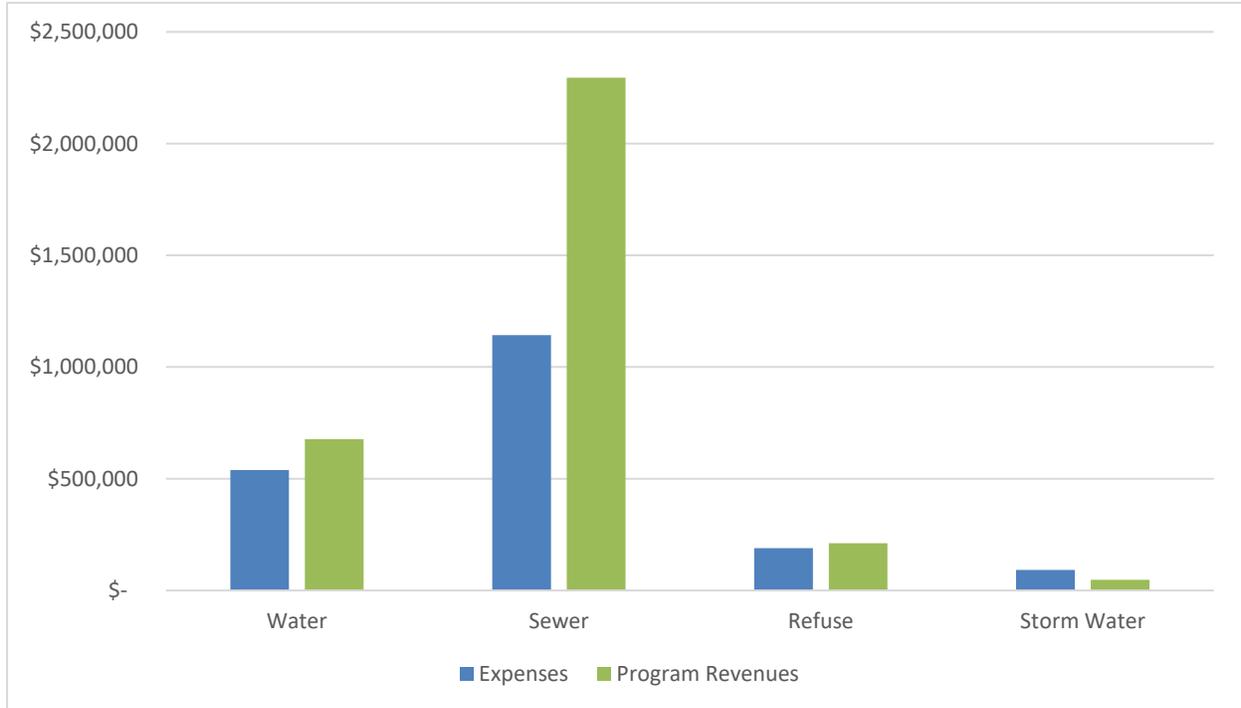
### Revenues by Source – Governmental Activities



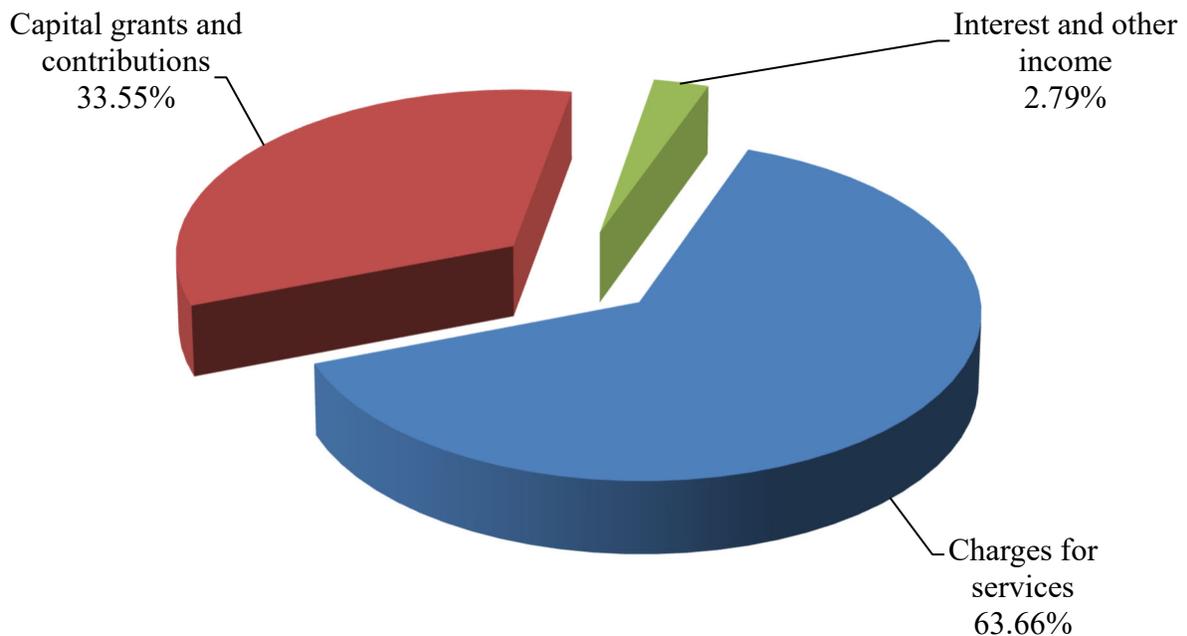
CITY OF ANNANDALE, MINNESOTA  
 MANAGEMENT'S DISCUSSION AND ANALYSIS  
 YEAR ENDED DECEMBER 31, 2021

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, 2021

**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 \$4,485,597. The unreserved fund balance constitutes \$3,268,161 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 \$1,217,436.

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 \$2,554,744. 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 101% of total 2021 actual expenditures. The General fund balance increased \$344,135, during the year, primarily due to intergovernmental revenues related to COVID.

The Debt Service fund had a fund balance increase of \$8,206. 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	\$	505,498
Sewer fund	\$	970,774
Refuse fund	\$	31,770
Storm water fund	\$	(9,833)

**BUDGETARY HIGHLIGHTS**

**General Fund.**

The City increased its general tax levy collectible in 2021 by 4.0% from the 2020 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 expenditures to exceed revenues by \$38,368.

Revenues were over the budgeted sources by \$426,168, with the following significant variances:

- Intergovernmental revenue of \$206,949
- Charges for services of \$62,026
- Other revenues of \$97,837

CITY OF ANNANDALE, MINNESOTA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED DECEMBER 31, 2021

Expenditures were over the budgeted appropriations by \$82,665, with the following significant variances:

- General government was over budget by \$38,434
- Public safety was over budget by \$50,449

**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, 2021, amounts to \$21,684,785 (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
- Design work for the Hemlock project
- 2021 Police cruiser
- 2021 Police truck
- Extraction equipment

**City of Annandale's Capital Assets**

	Governmental Activities			Business-type Activities		
	<u>2021</u>	<u>2020</u>	Increase (Decrease)	<u>2021</u>	<u>2020</u>	Increase (Decrease)
Land	\$ 2,463,708	\$ 2,463,708	\$ -	\$ 277,948	\$ 277,948	\$ -
Buildings and improvements	5,056,413	5,056,413	-	4,187,883	4,187,883	-
Equipment	2,830,983	2,751,462	79,521	320,753	308,253	12,500
Infrastructure	22,585,645	24,314,143	(1,728,498)	13,028,819	11,176,727	1,852,092
Construction in progress	585,422	86,258	499,164	277,948	-	277,948
<b>Total</b>	<b><u>\$ 33,522,171</u></b>	<b><u>\$ 34,671,984</u></b>	<b><u>\$ (1,149,813)</u></b>	<b><u>\$ 18,093,351</u></b>	<b><u>\$ 15,950,811</u></b>	<b><u>\$ 2,142,540</u></b>

**LONG-TERM DEBT**

At the end of the fiscal year, the City had total long-term debt of \$13,506,092. This consisted of \$5,464,000 for G.O. improvement bonds/notes, \$80,000 for G.O. bonds/certificates, \$745,000 for G.O. tax increment bonds, \$6,404,000 for G.O. revenue bonds, \$700,544 for net pension liability, \$69,193 for compensated absences, and \$43,355 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, 2021

Key elements of long-term debt are as follows:

	<u>2021</u>	<u>2020</u>	Increase (Decrease)
Governmental Activities:			
General Obligation Bonds	\$ 6,289,000	\$ 7,076,000	\$ (787,000)
Total Governmental Activities Long-Term Debt	6,289,000	7,076,000	(787,000)
Business-type Activities:			
General Obligation Revenue Bonds	6,404,000	7,631,000	(1,227,000)
Total Long-Term Debt	<u>\$ 12,693,000</u>	<u>\$ 14,707,000</u>	<u>\$ (2,014,000)</u>
Bonded Debt:			
General Obligation Bonds	\$ 6,289,000	\$ 7,076,000	\$ (787,000)
General Obligation Revenue Bonds	6,404,000	7,631,000	(1,227,000)
Total Bonded Debt	<u>\$ 12,693,000</u>	<u>\$ 14,707,000</u>	<u>\$ (2,014,000)</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 \$215,696, or 7.9%, between 2020 and 2021. New construction, particularly home construction, contributed to this increase along with an increase in market valuations for residential properties. New construction was stable in 2021, with 13 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 2021 and will be for the 2022 fiscal year as well.

For the 2021 fiscal year, general fund revenue and expenditure projections remained conservative. The 2021 general fund budget for revenues was \$2,154,631.00 and expenditures was \$2,192,782.77. The 2021 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 2021 proprietary fund (water, sewer, refuse and storm water) budget is \$3,096,183 for revenues and \$3,223,025 for expenditures, resulting in a net loss of \$102,233. Reflected in the 2021 budget is a 3% general rate increase in water rates, 2.5% increase in sewer rates and a 0% rate increase in refuse and storm water rates. The 2021 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

CITY OF ANNANDALE, MINNESOTA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED DECEMBER 31, 2021

**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, 2021

	Governmental Activities	Business-type Activities	Total
<b>ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</b>			
<b>Assets</b>			
Cash and Investments	\$ 3,553,895	\$ 491,596	\$ 4,045,491
Restricted Cash	0	193,087	193,087
Receivables:			
Accounts	6,913	190,445	197,358
Intergovernmental	74,938	31,551	106,489
Property Taxes	50,797	0	50,797
Notes, Net of Allowance	104,146	0	104,146
Prepaid Expenses	110,883	24,034	134,917
Special Assessments	891,671	7,304	898,975
Property Held for Sale	720,855	0	720,855
Internal Balances	220,518	(220,518)	0
Equity Interest in Joint Venture	0	6,581,047	6,581,047
Capital Assets			
Assets not Being Depreciated	3,049,130	277,948	3,327,078
Other Capital Assets, Net of Depreciation	7,297,017	11,060,690	18,357,707
Net Pension Asset	769,083	0	769,083
Total Assets	<u>16,849,846</u>	<u>18,637,184</u>	<u>35,487,030</u>
<b>Deferred Outflows of Resources:</b>			
Pension Plan Deferments	<u>893,143</u>	<u>148,309</u>	<u>1,041,452</u>
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	<u>\$ 17,742,989</u>	<u>\$ 18,785,493</u>	<u>\$ 36,528,482</u>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION</b>			
<b>Liabilities:</b>			
Accrued Expenses	\$ 330,724	\$ 149,153	\$ 479,877
Due to Other Governments	0	51,072	51,072
Current Portion of Long-Term Debt	638,000	1,254,000	1,892,000
Compensated Absences	69,193	0	69,193
Unearned Revenue	78,718	0	78,718
Long-Term Debt, Net of Current Portion	5,694,355	5,150,000	10,844,355
Net Pension Liability	532,230	168,314	700,544
Total Liabilities	<u>7,343,220</u>	<u>6,772,539</u>	<u>14,115,759</u>
<b>Deferred Inflows of Resources:</b>			
Pension Plan Deferments	<u>1,264,993</u>	<u>169,021</u>	<u>1,434,014</u>
<b>Net Position:</b>			
Net Investment in Capital Assets	4,013,792	10,152,637	14,166,429
Restricted	1,894,021	193,087	2,087,108
Unrestricted	3,226,963	1,498,209	4,725,172
Total Net Position	<u>9,134,776</u>	<u>11,843,933</u>	<u>20,978,709</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION	<u>\$ 17,742,989</u>	<u>\$ 18,785,493</u>	<u>\$ 36,528,482</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, 2021

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
<b>GOVERNMENTAL ACTIVITIES:</b>				
General Government	\$ 711,693	\$ 339,087	\$ 0	\$ 0
Public Safety	1,045,329	211,376	104,961	0
Public Works	795,403	78,523	59,405	517,567
Parks and Recreation	173,163	14,608	0	0
Economic Development	216,818	11,885	214,779	0
Interest on Long-term Debt	160,695	0	0	0
Total Governmental Activities	<u>3,103,101</u>	<u>655,479</u>	<u>379,145</u>	<u>517,567</u>
<b>BUSINESS-TYPE ACTIVITIES:</b>				
Water	538,797	676,708	0	0
Sewer	1,142,684	1,179,770	0	1,114,529
Refuse	189,224	211,281	0	0
Storm Water	91,480	47,228	0	0
Total Business-type Activities	<u>1,962,185</u>	<u>2,114,987</u>	<u>0</u>	<u>1,114,529</u>
Total Primary Government	<u>\$ 5,065,286</u>	<u>\$ 2,770,466</u>	<u>\$ 379,145</u>	<u>\$ 1,632,096</u>

General Revenues:

Taxes:

Property Taxes, Levied for General Purposes

Property Taxes, Levied for Debt Service

Tax Increment

Intergovernmental

Unrestricted Investment Earnings

Other Revenues

Transfers

Change in Equity Interest

Total General Revenues

Change in Net Position

Net Position - January 1

Net Position - December 31

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

Net (Expenses) Revenues and  
Changes in Net Position

Primary Government		
Governmental Activities	Business-type Activities	Total Primary Government
\$ (372,606)	\$ 0	\$ (372,606)
(728,992)	0	(728,992)
(139,908)	0	(139,908)
(158,555)	0	(158,555)
9,846	0	9,846
<u>(160,695)</u>	<u>0</u>	<u>(160,695)</u>
<u>(1,550,910)</u>	<u>0</u>	<u>(1,550,910)</u>
0	137,911	137,911
0	1,151,615	1,151,615
0	22,057	22,057
0	<u>(44,252)</u>	<u>(44,252)</u>
<u>0</u>	<u>1,267,331</u>	<u>1,267,331</u>
<u>(1,550,910)</u>	<u>1,267,331</u>	<u>(283,579)</u>
1,149,575	0	1,149,575
425,196	0	425,196
94,280	0	94,280
723,241	0	723,241
37,059	2,519	39,578
226,203	241,899	468,102
(1,596,093)	1,596,093	0
0	<u>(151,645)</u>	<u>(151,645)</u>
<u>1,059,461</u>	<u>1,688,866</u>	<u>2,748,327</u>
(491,449)	2,956,197	2,464,748
<u>9,626,225</u>	<u>8,887,736</u>	<u>18,513,961</u>
<u>\$ 9,134,776</u>	<u>\$ 11,843,933</u>	<u>\$ 20,978,709</u>

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

## CITY OF ANNANDALE, MINNESOTA

BALANCE SHEET  
GOVERNMENTAL FUNDS  
December 31, 2021

	General	Debt Service Funds	Nonmajor Governmental Funds	Total Governmental Funds
<b>ASSETS</b>				
Cash and Investments	\$ 1,443,615	\$ 897,218	\$ 1,213,062	\$ 3,553,895
Receivables:				
Accounts	6,913	0	0	6,913
Intergovernmental	72,562	0	2,376	74,938
Property Taxes	50,797	0	0	50,797
Notes	0	0	104,146	104,146
Prepaid Expense	108,424	0	2,459	110,883
Due from Other Funds	1,157,734	0	0	1,157,734
Special Assessments	0	868,186	23,485	891,671
Land Held for Sale	0	0	720,855	720,855
Advance to Other Funds	0	0	130,238	130,238
<b>TOTAL ASSETS</b>	<b><u>\$ 2,840,045</u></b>	<b><u>\$ 1,765,404</u></b>	<b><u>\$ 2,196,621</u></b>	<b><u>\$ 6,802,070</u></b>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE</b>				
<b>Liabilities:</b>				
Accrued Expenses	\$ 111,910	\$ 2,500	\$ 153,633	\$ 268,043
Unearned Revenue	78,718	0	0	78,718
Due to Other Funds	0	17,300	846,216	863,516
Advance from Other Funds	83,350	0	120,588	203,938
Total Liabilities	<u>273,978</u>	<u>19,800</u>	<u>1,120,437</u>	<u>1,414,215</u>
<b>Deferred Inflows of Resources:</b>				
Unavailable Revenue:				
Special Assessments	0	867,450	23,485	890,935
Delinquent Taxes	11,323	0	0	11,323
Total Deferred Inflows of Resources	<u>11,323</u>	<u>867,450</u>	<u>23,485</u>	<u>902,258</u>
<b>Fund Balance:</b>				
Nonspendable	108,424	0	2,459	110,883
Restricted	0	895,455	211,098	1,106,553
Committed	0	0	683,205	683,205
Assigned	256,813	0	958,891	1,215,704
Unassigned	2,189,507	(17,301)	(802,954)	1,369,252
Total Fund Balance	<u>2,554,744</u>	<u>878,154</u>	<u>1,052,699</u>	<u>4,485,597</u>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE</b>	<b><u>\$ 2,840,045</u></b>	<b><u>\$ 1,765,404</u></b>	<b><u>\$ 2,196,621</u></b>	<b><u>\$ 6,802,070</u></b>

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, 2021

Total Fund Balances - Governmental Funds \$ 4,485,597

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	33,522,170
Less: Accumulated depreciation	(23,176,023)

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

Bonds payable	(6,289,000)
Discount/Premiums	(43,355)
Compensated absences payable	(69,193)

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	11,323
Special assessments	890,935

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	(301,434)
Net pension liability - public employees police and fire pension fund	(230,796)
Net pension asset - volunteer firemen's relief pension fund	769,083

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	893,143
Deferred inflows of resources related to pensions	(1,264,993)

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

(62,682)

Total Net Position - Governmental Activities \$ 9,134,776

CITY OF ANNANDALE, MINNESOTA

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES  
IN FUND BALANCE - GOVERNMENTAL FUNDS  
For the Year Ended December 31, 2021

	General	Debt Service Funds	Nonmajor Governmental Funds	Total Governmental Funds
<b>Revenues:</b>				
Property Taxes	\$ 1,146,128	\$ 425,196	\$ 2,624	\$ 1,573,948
Franchise Fees	16,171	0	0	16,171
Tax Increment	0	0	94,280	94,280
Special Assessments	0	253,391	0	253,391
Intergovernmental	828,202	0	274,184	1,102,386
Licenses and Permits	85,996	0	0	85,996
Charges for Services	516,262	0	61,477	577,739
Fines and Fees	17,444	0	0	17,444
Other Revenues	97,837	0	80,173	178,010
Investment Earnings	37,059	0	0	37,059
Total Revenues	<u>2,745,099</u>	<u>678,587</u>	<u>512,738</u>	<u>3,936,424</u>
<b>Expenditures:</b>				
Current:				
General Government	573,628	0	26,382	600,010
Public Safety	1,024,965	0	49,106	1,074,071
Public Works	419,205	0	0	419,205
Parks and Recreation	143,348	0	3,755	147,103
Economic Development	0	0	193,924	193,924
Capital Outlay:				
General Government	7,440	0	3,500	10,940
Public Safety	1,262	0	161,175	162,437
Public Works	0	0	622,756	622,756
Parks and Recreation	4,216	0	21,844	26,060
Economic Development	0	0	22,894	22,894
Debt Service:				
Principal	0	787,000	0	787,000
Interest and Fiscal Fees	0	186,381	0	186,381
Total Expenditures	<u>2,174,064</u>	<u>973,381</u>	<u>1,105,336</u>	<u>4,252,781</u>
Excess of Revenue Over (Under) Expenditures	<u>571,035</u>	<u>(294,794)</u>	<u>(592,598)</u>	<u>(316,357)</u>
<b>Other Financing Sources (Uses):</b>				
Bond Proceeds	0	0	0	0
Transfers In	0	303,000	226,900	529,900
Transfers Out	(226,900)	0	(47,000)	(273,900)
Sale of Capital Assets	0	0	29,669	29,669
Total Other Financing Sources (Uses)	<u>(226,900)</u>	<u>303,000</u>	<u>209,569</u>	<u>285,669</u>
Change in Fund Balance	344,135	8,206	(383,029)	(30,688)
Fund Balance - January 1	<u>2,210,609</u>	<u>869,948</u>	<u>1,435,728</u>	<u>4,516,285</u>
Fund Balance - December 31	<u>\$ 2,554,744</u>	<u>\$ 878,154</u>	<u>\$ 1,052,699</u>	<u>\$ 4,485,597</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, 2021

Net Change in Fund Balances - Governmental Funds \$ (30,688)

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	762,042
Depreciation expense	(600,710)
Assets contributed to business-type activities	(1,852,092)
Loss on disposed asset	5,802

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	787,000
----------------------	---------

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.

	25,686
--	--------

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	189,080
-----------------	---------

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	823
Special assessments	260,725
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>(13,416)</u>
----------------------	-----------------

Change in Net Position - Governmental Activities \$ (491,449)

## ANNANDALE, MINNESOTA

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

For the Year Ended December 31, 2021

	Budget		Actual	Over (Under) Final Budget
	Original	Final		
<b>Revenues:</b>				
Property Taxes	\$ 1,109,942	\$ 1,109,942	\$ 1,146,128	\$ 36,186
Franchise Fees	17,000	17,000	16,171	(829)
Intergovernmental	621,253	621,253	828,202	206,949
Licenses and Permits	75,800	75,800	85,996	10,196
Charges for Services	454,236	454,236	516,262	62,026
Fines	10,700	10,700	17,444	6,744
Other Revenues	0	0	97,837	97,837
Investment Earnings	30,000	30,000	37,059	7,059
Total Revenues	<u>2,318,931</u>	<u>2,318,931</u>	<u>2,745,099</u>	<u>426,168</u>
<b>Expenditures:</b>				
Current:				
General Government	535,194	535,194	573,628	38,434
Public Safety	974,516	974,516	1,024,965	50,449
Public Works	440,054	440,054	419,205	(20,849)
Parks and Recreation	137,535	137,535	143,348	5,813
Capital Outlay:				
General Government	2,600	2,600	7,440	4,840
Public Safety	1,500	1,500	1,262	(238)
Park and Recreation	0	0	4,216	4,216
Total Expenditures	<u>2,091,399</u>	<u>2,091,399</u>	<u>2,174,064</u>	<u>82,665</u>
Excess of Revenues Over (Under) Expenditures	227,532	227,532	571,035	343,503
<b>Other Financing Sources (Uses):</b>				
Transfers Out	<u>(265,900)</u>	<u>(265,900)</u>	<u>(226,900)</u>	<u>(39,000)</u>
Change in Fund Balance	<u>\$ (38,368)</u>	<u>\$ (38,368)</u>	344,135	<u>\$ 382,503</u>
Fund Balance - January 1			<u>2,210,609</u>	
Fund Balance - December 31			<u>\$ 2,554,744</u>	

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

THIS PAGE IS LEFT BLANK  
INTENTIONALLY

## CITY OF ANNANDALE, MINNESOTA

STATEMENT OF NET POSITION  
PROPRIETARY FUNDS  
December 31, 2021

	Business-type Activities - Enterprise Funds		
	Water Fund	Sewer Fund	Refuse Fund
<b>ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</b>			
<b>Current Assets:</b>			
Cash and Investments	\$ 452,752	\$ 1,565	\$ 34,003
Accounts Receivable	53,593	109,099	23,145
Due from Other Governments	5,786	22,092	3,673
Prepaid Expense	9,829	13,001	1,204
Total Current Assets	<u>521,960</u>	<u>145,757</u>	<u>62,025</u>
<b>Noncurrent Assets:</b>			
Advance to Other Funds	73,700	0	0
Special Assessments	3,652	3,652	0
Restricted Cash	0	193,087	0
Equity Interest in Joint Venture	0	6,581,047	0
Capital Assets Not Being Depreciated	66,881	191,067	20,000
Other Capital Asses, Net of Depreciation	4,998,032	3,813,719	592
Total Noncurrent Assets	<u>5,142,265</u>	<u>10,782,572</u>	<u>20,592</u>
Total Assets	5,664,225	10,928,329	82,617
<b>Deferred Outflows of Resources:</b>			
Pension Plan Deferments	<u>55,213</u>	<u>81,483</u>	<u>11,613</u>
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	<u>\$ 5,719,438</u>	<u>\$ 11,009,812</u>	<u>\$ 94,230</u>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION</b>			
<b>Current Liabilities:</b>			
Accrued Expenses	\$ 23,442	\$ 110,257	\$ 15,454
Due to Other Governments	0	51,072	0
Due to Other Funds	0	276,500	0
Current Portion of Long-term Debt	<u>250,000</u>	<u>1,004,000</u>	<u>0</u>
Total Current Liabilities	273,442	1,441,829	15,454
<b>Long-Term Liabilities:</b>			
Revenue Notes Payable	844,000	4,306,000	0
Net Pension Liability	<u>62,661</u>	<u>92,474</u>	<u>13,179</u>
Total Liabilities	<u>1,180,103</u>	<u>5,840,303</u>	<u>28,633</u>
<b>Deferred Inflows of Resources:</b>			
Pension Plan Deferments	<u>62,924</u>	<u>92,862</u>	<u>13,235</u>
<b>Net Position:</b>			
Net Investment in Capital Assets	3,970,913	3,912,786	20,592
Restricted	0	193,087	0
Unrestricted	<u>505,498</u>	<u>970,774</u>	<u>31,770</u>
Total Net Position	<u>4,476,411</u>	<u>5,076,647</u>	<u>52,362</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION	<u>\$ 5,719,438</u>	<u>\$ 11,009,812</u>	<u>\$ 94,230</u>

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

Business-type Activities -	
Storm Water	
Fund	Totals
\$ 3,276	\$ 491,596
4,608	190,445
0	31,551
0	24,034
<u>7,884</u>	<u>737,626</u>
0	73,700
0	7,304
0	193,087
0	6,581,047
0	277,948
2,248,347	11,060,690
<u>2,248,347</u>	<u>18,193,776</u>
2,256,231	18,931,402
0	148,309
<u>\$ 2,256,231</u>	<u>\$ 19,079,711</u>
\$ 0	\$ 149,153
0	51,072
17,718	294,218
0	1,254,000
<u>17,718</u>	<u>1,748,443</u>
0	5,150,000
0	168,314
<u>17,718</u>	<u>7,066,757</u>
0	169,021
2,248,346	10,152,637
0	193,087
(9,833)	1,498,209
<u>2,238,513</u>	<u>11,843,933</u>
<u>\$ 2,256,231</u>	<u>\$ 19,079,711</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, 2021

	Business-type Activities - Enterprise Funds		
	Water Fund	Sewer Fund	Refuse Fund
<b>Operating Revenues:</b>			
Charges for Services	\$ 676,708	\$ 1,179,770	\$ 211,281
<b>Operating Expenses:</b>			
Personnel Services	144,938	208,988	23,150
Materials and Supplies	84,313	13,083	2,275
Professional Fees	8,686	6,350	2,003
Insurance	12,135	10,586	0
Utilities	38,844	13,829	0
Repairs and Maintenance	40,419	19,446	1,746
Wastewater Commission Charges	0	621,257	0
Contracted Services	1,598	4,473	157,309
Other Charges	13,541	(37)	2,403
Depreciation	172,080	115,262	338
Total Operating Expenses	<u>516,554</u>	<u>1,013,237</u>	<u>189,224</u>
Income (Loss) From Operations	160,154	166,533	22,057
<b>Nonoperating Revenues (Expenses)</b>			
Interest and Fiscal Charges	(22,243)	(129,447)	0
Reimbursements	17,495	1,178,207	0
Access Fees and Other Income	76,552	70,609	5,680
Investment Earnings	793	1,726	0
Total Nonoperating Revenues (Expenses)	<u>72,597</u>	<u>1,121,095</u>	<u>5,680</u>
Income (Loss) Before Transfers and Other Items	232,751	1,287,628	27,737
<b>Transfers and Other Items</b>			
Capital Contributions	958,236	893,857	0
Change in Equity Interest	0	(151,645)	0
Transfers Out	(70,000)	(144,000)	0
Total Transfers and Other Items	<u>888,236</u>	<u>598,212</u>	<u>0</u>
Change in Net Position	1,120,987	1,885,840	27,737
Net Position - January 1	<u>3,355,424</u>	<u>3,190,807</u>	<u>24,625</u>
Net Position - December 31	<u>\$ 4,476,411</u>	<u>\$ 5,076,647</u>	<u>\$ 52,362</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>
\$ 47,228	\$ 2,114,987
0	377,076
0	99,671
526	17,565
0	22,721
0	52,673
2,820	64,431
0	621,257
0	163,380
0	15,907
88,134	375,814
<u>91,480</u>	<u>1,810,495</u>
(44,252)	304,492
0	(151,690)
7,885	1,203,587
0	152,841
0	2,519
<u>7,885</u>	<u>1,207,257</u>
(36,367)	1,511,749
0	1,852,093
0	(151,645)
(42,000)	(256,000)
<u>(42,000)</u>	<u>1,444,448</u>
(78,367)	2,956,197
<u>2,316,880</u>	<u>8,887,736</u>
<u>\$ 2,238,513</u>	<u>\$ 11,843,933</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, 2021

	Business-type Activities - Enterprise Funds		
	Water Fund	Sewer Fund	Refuse Fund
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Receipts From Customers and Users	\$ 672,266	\$ 1,186,318	\$ 211,284
Payments to Suppliers	(200,574)	(813,140)	(179,183)
Payments to Employees	(145,074)	(224,443)	(29,693)
Other Receipts (Payments)	94,047	134,287	5,680
Net Cash from Operating Activities	<u>420,665</u>	<u>283,022</u>	<u>8,088</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>			
Payments Received (Paid) on Interfund Loans	15,000	(83,998)	0
Transfers Out	<u>(70,000)</u>	<u>(144,000)</u>	<u>0</u>
Net Cash from Noncapital Financing Activities	<u>(55,000)</u>	<u>(227,998)</u>	<u>0</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>			
Interest Paid on Debt	(24,774)	(138,509)	0
Principal Paid on Debt	(244,000)	(983,000)	0
Special Assessment Collections	522	522	0
Wastewater Commission Reimbursements	0	1,114,529	0
Acquisition and Construction of Capital Assets	<u>(6,250)</u>	<u>(6,250)</u>	<u>0</u>
Net Cash from Capital and Related Financing Activities	<u>(274,502)</u>	<u>(12,708)</u>	<u>0</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Interest and Dividends Received (Paid)	<u>793</u>	<u>1,726</u>	<u>0</u>
Net Change in Cash and Cash Equivalents	91,956	44,042	8,088
Cash and Cash Equivalents - January 1	<u>360,796</u>	<u>150,610</u>	<u>25,915</u>
Cash and Cash Equivalents - December 31	<u>\$ 452,752</u>	<u>\$ 194,652</u>	<u>\$ 34,003</u>
Cash and Cash Equivalents			
Unrestricted	\$ 452,752	\$ 1,565	\$ 34,003
Restricted	<u>0</u>	<u>193,087</u>	<u>0</u>
Total Cash and Cash Equivalents	<u>\$ 452,752</u>	<u>\$ 194,652</u>	<u>\$ 34,003</u>
<b>Reconciliation of Operating Income (Loss) to Net Cash from Operating Activities:</b>			
Income (Loss) from Operations	\$ 160,154	\$ 166,533	\$ 22,057
Adjustments to Reconcile Operating Income (Loss) to Net Cash from Operating Activities:			
Other Receipts (Payments)	94,047	134,287	5,680
Depreciation Expense	172,080	115,262	338
(Increase) Decrease in Accounts Receivable	(5,044)	(4,542)	(42)
(Increase) Decrease in Due from Other Governments	602	11,090	45
(Increase) Decrease in Prepaid Expense	862	1,760	226
Increase (Decrease) in Due to Other Governments	(642)	(124,777)	(1,091)
Increase (Decrease) in Pension Resources	14,821	23,360	3,742
Increase (Decrease) in Net Pension Liability	(13,933)	(36,578)	(9,659)
Increase (Decrease) in Accrued Expenses	<u>(2,282)</u>	<u>(3,373)</u>	<u>(13,208)</u>
Net Cash from Operating Activities	<u>\$ 420,665</u>	<u>\$ 283,022</u>	<u>\$ 8,088</u>

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

Business-type Activities -	
Storm Water	
Fund	Totals
\$ 47,356	\$ 2,117,224
(4,766)	(1,197,663)
0	(399,210)
7,885	241,899
<u>50,475</u>	<u>762,250</u>
(5,199)	(74,197)
<u>(42,000)</u>	<u>(256,000)</u>
<u>(47,199)</u>	<u>(330,197)</u>
0	(163,283)
0	(1,227,000)
0	1,044
0	1,114,529
0	(12,500)
<u>0</u>	<u>(287,210)</u>
0	2,519
3,276	147,362
<u>0</u>	<u>537,321</u>
<u>\$ 3,276</u>	<u>\$ 684,683</u>
\$ 3,276	\$ 491,596
<u>0</u>	<u>193,087</u>
<u>\$ 3,276</u>	<u>\$ 684,683</u>
\$ (44,252)	\$ 304,492
7,885	241,899
88,134	375,814
128	(9,500)
0	11,737
0	2,848
0	(126,510)
0	41,923
0	(60,170)
<u>(1,420)</u>	<u>(20,283)</u>
<u>\$ 50,475</u>	<u>\$ 762,250</u>

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2021Note 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, 2021Note 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, 2021

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 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, 2021

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, 2021

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, 2021. 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 2021. 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, 2021

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, 2021Note 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, 2021

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, 2021

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, 2021, the General fund had expenditures over appropriations of \$82,665. 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	\$ 10,895
TIF District No. 15	1,990
Training Center	229,573
Woodlawn Cemetery	58,874
Nonmajor - Capital Projects	
Hemlock Project	499,163
Debt Service	
G.O. Equipment Certificates of 2016A	17,301

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2021

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.

On December 31, 2021, the carrying amount of deposits was \$2,232,564 and the bank balance was \$2,282,298. 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, 2021

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	\$	101,637
BMO Harris Bank, Chicago		244,589
BMW Bank of North Amer		176,735
State Bank of India New York		101,491
Emerbank USA, Salt Lake		154,487
Texas Capital Bank		199,981
Synchrony Bank Draper		113,680

Nonnegotiable certificates of deposit

Lake Central Bank, Annandale		251,001
------------------------------	--	---------

*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, 2021

Note 3 DETAILED NOTES ON ALL FUNDS – (Continued)

As of December 31, 2021, 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	\$ 522,848
Minnesota municipal money market fund liquid class	N/R	N/R	NAV	N/A	N/A	37,000
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	301,618	890,830	1,192,448
Nonpooled investments						
Non-negotiable certificates of deposit	N/R	N/R	Level 2	251,001	-	251,001
<b>Total investments</b>						<b>\$ 2,006,014</b>

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

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

	Primary Government
Cash and Cash equivalents	\$ 2,232,564
Investments	2,006,014
Total Cash and investment	<u>\$ 4,238,578</u>
Unrestricted cash and investments	\$ 4,045,491
Restricted cash and investments	193,087
Total cash and investments	<u>\$ 4,238,578</u>

CITY OF ANNANDALE, MINNESOTA

NOTES TO THE BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2021

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	\$ 5,252	\$ -	\$ 5,252
Coop dividend	59	-	59
Rental fees	262	-	262
Franchise fees	1,339	-	1,339
Total	\$ 6,912	\$ -	\$ 6,912

The City, through an award from Minnesota Department of Economic Development, has established a revolving loan program. Revolving loans were made to various commercial entities to assist with canopy removal and storefront façade improvements in 2021. These notes all carry an interest rate of 2% and are collectible in monthly installments with varying maturities. There is no collateral securing these notes and no allowance has been established. The allowance was determined based on historical bad debt experience related to the nature of the receivable balance. The balance of these notes on the Statement of Net Position are \$35,575.

The City also received an award from the Minnesota Investment Fund to provide a partially forgivable note to a local business to assist with a facility expansion and to create or retain full-time employees. This note carries an interest rate of 0% and is collectible in monthly installments maturing in 2028. There is no collateral securing these notes and no allowance has been established. The allowance was determined based on historical bad debt experience related to the nature of the receivable balance. The balance of these notes on the Statement of Net Position are \$68,571.

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	\$ 888,333	\$ -
Delinquent special assessments	2,602	-
Delinquent property taxes	11,323	-
Fire contracts	-	44,712
Various escrows	-	34,006
Total deferred inflows of resources/unearned revenue	\$ 902,258	\$ 78,718

The only receivables not expected to be collectible within one year are \$5,000 of delinquent taxes and \$800,000 of special assessments.

CITY OF ANNANDALE, MINNESOTA

NOTES TO THE BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2021

Note 3 DETAILED NOTES ON ALL FUNDS – (Continued)

**C. Capital assets**

Capital asset activity for the City for the year ended December 31, 2021, was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
<b>Governmental activities</b>				
Capital assets not being depreciated				
Land	\$ 2,463,708	\$ -	\$ -	\$ 2,463,708
Construction in progress	86,259	499,163	-	585,422
	<u>2,549,967</u>	<u>499,163</u>	<u>-</u>	<u>3,049,130</u>
Total capital assets not being depreciated				
Capital assets being depreciated				
Buildings and Improvements	5,056,413	-	-	5,056,413
Infrastructure	24,314,143	734,149	(2,462,647)	22,585,645
Machinery and equipment	2,751,463	139,284	(59,764)	2,830,983
	<u>32,122,019</u>	<u>873,433</u>	<u>(2,522,411)</u>	<u>30,473,041</u>
Total capital assets being depreciated				
Less accumulated depreciation for				
Buildings and Improvements	(2,416,114)	(142,319)	-	(2,558,433)
Infrastructure	(18,396,198)	(317,901)	15,307	(18,698,792)
Machinery and equipment	(1,828,568)	(140,490)	50,259	(1,918,799)
	<u>(22,640,880)</u>	<u>(600,710)</u>	<u>65,566</u>	<u>(23,176,024)</u>
Total accumulated depreciation				
Total capital assets being depreciated, net				
	<u>9,481,139</u>	<u>272,723</u>	<u>(2,456,845)</u>	<u>7,297,017</u>
Governmental activities capital assets, net				
	<u>\$ 12,031,106</u>	<u>\$ 771,886</u>	<u>\$ (2,456,845)</u>	<u>\$ 10,346,147</u>

CITY OF ANNANDALE, MINNESOTA

NOTES TO THE BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2021

Note 3 DETAILED NOTES ON ALL FUNDS – (Continued)

	Beginning Balance	Increases	Decreases	Ending Balance
<b>Business-type activities</b>				
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	1,852,092	-	13,028,819
Machinery and equipment	308,253	12,500	-	320,753
Total capital assets being depreciated	<u>15,672,863</u>	<u>1,864,592</u>	<u>-</u>	<u>17,537,455</u>
Less accumulated depreciation for				
Buildings and improvements	(1,788,688)	(92,234)	-	(1,880,922)
Distribution system	(4,071,088)	(268,449)	-	(4,339,537)
Machinery and equipment	(241,174)	(15,132)	-	(256,306)
Total accumulated depreciation	<u>(6,100,950)</u>	<u>(375,815)</u>	<u>-</u>	<u>(6,476,765)</u>
Total capital assets being depreciated, net	<u>9,571,913</u>	<u>1,488,777</u>	<u>-</u>	<u>11,060,690</u>
Business-type activities capital assets, net	<u>\$ 9,849,861</u>	<u>\$ 1,488,777</u>	<u>\$ -</u>	<u>\$ 11,338,638</u>

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

<b>Governmental activities</b>	
General government	\$ 114,942
Public safety	103,540
Public works	382,228
Parks and recreation	<u>-</u>
Total depreciation expense - governmental activities	<u>\$ 600,710</u>

CITY OF ANNANDALE, MINNESOTA

NOTES TO THE BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2021

Note 3 DETAILED NOTES ON ALL FUNDS – (Continued)

**Business-type activities**

Water	\$ 172,080
Sewer	115,262
Refuse	338
Storm water	<u>88,135</u>
Total depreciation expense - business-type activities	<u><u>\$ 375,815</u></u>

On December 31, 2021, the governmental activities transferred capital assets to the business-type activities with a book value of \$1,852,093 for their share of assets placed in service during the year related to the 2020 Improvement Project.

**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	\$ 415,000
G.O. Wastewater Revenue					
Note of 2007	16,036,613	2.22%	9/26/07	8/20/26	5,218,000
G.O. Water Revenue					
Note of 2015	929,105	1.03	9/23/15	8/20/35	679,000
G.O. Wastewater Revenue					
Note of 2015	125,359	1.00	9/23/15	8/20/35	<u>92,000</u>
Total general obligation revenue notes					<u><u>\$ 6,404,000</u></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>\$ 745,000</u>
Total G.O. tax increment bonds					<u><u>\$ 745,000</u></u>

CITY OF ANNANDALE, MINNESOTA

NOTES TO THE BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2021

Note 3 DETAILED NOTES ON ALL FUNDS – (Continued)

General Obligation Improvement Bonds/Notes

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

Description	Authorized and Issued	Interest Rate	Issue Date	Maturity Date	Balance at Year End
G.O. Improvement					
Bonds of 2008B	\$ 1,175,000	3.00 - 4.125%	2/1/19	2/1/24	\$ 300,000
G.O. Improvement					
Note of 2011A	1,217,500	1.96%	6/29/11	2/1/31	669,000
G.O. Refunding					
Bonds of 2012A	2,225,000	0.55 - 1.85%	4/4/12	2/1/22	270,000
G.O. Refunding					
Bonds of 2019B	1,040,000	2.00 - 3.00	11/3/19	2/1/32	970,000
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>375,000</u>
Total general obligation special assessment bonds/notes					<u>\$ 5,464,000</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	<u>\$ 80,000</u>
Total general obligation bonds/certificates					<u>\$ 80,000</u>

CITY OF ANNANDALE, MINNESOTA

NOTES TO THE BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2021

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
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	210,000	49,249	259,249	1,143,000	29,981	1,172,981
2027-2031	1,156,000	167,117	1,323,117	278,000	20,555	298,555
2032-2036	470,000	49,004	519,004	232,000	5,989	237,989
2037-2039	120,000	6,570	126,570	-	-	-
<b>Total</b>	<b>\$ 6,289,000</b>	<b>\$ 631,897</b>	<b>\$ 6,920,897</b>	<b>\$ 6,404,000</b>	<b>\$ 431,055</b>	<b>\$ 6,835,055</b>

Changes in long-term liabilities

During the year ended December 31, 2021, the following changes occurred in long-term liabilities.

	Beginning Balance	Increases	Decreases	Ending Balance	Due Within One Year
<b>Governmental activities:</b>					
GO special assessment bonds	\$ 6,109,000	\$ -	\$ (645,000)	\$ 5,464,000	\$ 523,000
GO tax increment bonds	755,000	-	(10,000)	745,000	35,000
GO bonds/certificates	212,000	-	(132,000)	80,000	80,000
Bond Premiums/discounts	44,201	-	(846)	43,355	-
Total GO Debt	7,120,201	-	(787,846)	6,332,355	638,000
Net pension liability	825,469	977,705	(1,270,944)	532,230	-
Compensated absences	55,778	69,193	(55,778)	69,193	-
Governmental activity long-term liabilities	<u>\$ 8,001,448</u>	<u>\$ 1,046,898</u>	<u>\$ (2,114,568)</u>	<u>\$ 6,933,778</u>	<u>\$ 638,000</u>
<b>Business-type activities:</b>					
GO revenue notes	\$ 7,631,000	\$ -	\$ (1,227,000)	\$ 6,404,000	\$ 1,254,000
Net pension liability	228,484	243,506	(303,676)	168,314	-
Business-type activity long-term liabilities	<u>\$ 7,859,484</u>	<u>\$ 243,506</u>	<u>\$ (1,530,676)</u>	<u>\$ 6,572,314</u>	<u>\$ 1,254,000</u>

CITY OF ANNANDALE, MINNESOTA

NOTES TO THE BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2021

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, 2021 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, 2021, consisted of the following:

<u>Transferred From</u>	<u>Transferred To</u>		
	<u>Debt Service</u>	<u>Nonmajor Governmental</u>	<u>Total</u>
General	\$ -	\$ 226,900	\$ 226,900
Nonmajor Governmental	47,000	-	47,000
Water	70,000	-	70,000
Sewer	144,000	-	144,000
Storm Water	42,000	-	42,000
Total	<u>\$ 303,000</u>	<u>\$ 226,900</u>	<u>\$ 529,900</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 Governmental	\$ 863,516
General	Sewer	276,500
General	Storm Water	17,718
Nonmajor Governmental	General	83,350
Nonmajor Governmental	Nonmajor Governmental	46,888
Water	Nonmajor Governmental	73,700
Total		<u>\$ 1,361,672</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, 2021

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 on December 31, 2021, included the following:

	General	Debt Service Funds	Other Nonmajor Governmental	Total Fund Balance
Nonspendable:				
Prepaid expense	\$ 108,424	\$ -	\$ 2,459	\$ 110,883
Restricted:				
Capital projects	-	-	59,557	59,557
Debt service	-	895,455	-	895,455
Charitable gambling	-	-	11,886	11,886
TIF 1-6	-	-	12,711	12,711
TIF 1-14	-	-	27,813	27,813
Revolving loans	-	-	99,131	99,131
Total restricted	-	895,455	211,098	1,106,553
Committed:				
Economic development	-	-	683,205	683,205
Assigned:				
Dept of motor vehicles	256,813	-	-	256,813
Lions donations	-	-	94,350	94,350
Fire equipment	-	-	150,507	150,507
Park	-	-	91,938	91,938
Rec facility	-	-	33,348	33,348
Street maintenance	-	-	144,949	144,949
Street capital	-	-	135,066	135,066
Public works	-	-	221,310	221,310
Police equipment	-	-	4,693	4,693
Building capital	-	-	82,730	82,730
Total assigned	256,813	-	958,891	1,215,704
Unassigned:				
General fund	2,189,507	-	-	2,189,507
TIF 1-15	-	-	(1,990)	(1,990)
Tax abatement Dingmann	-	-	(10,895)	(10,895)
Training center	-	-	(230,777)	(230,777)
Capital Project	-	-	(499,163)	(499,163)
Debt service	-	(17,301)	-	(17,301)
Cemetery	-	-	(60,129)	(60,129)
Total unassigned	2,189,507	(17,301)	(802,954)	1,369,252
<b>Total fund balance</b>	<b>\$ 2,554,744</b>	<b>\$ 878,154</b>	<b>\$ 1,052,699</b>	<b>\$ 4,485,597</b>

CITY OF ANNANDALE, MINNESOTA

NOTES TO THE BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2021

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 on December 31, 2021, includes the following:

Net Investment in Capital Assets:

Land	\$ 2,463,708
Construction in progress	585,422
Buildings	5,056,413
Infrastructure	22,585,645
Machinery and equipment	2,830,983
Less: accumulated depreciation	(23,176,024)
Less: long-term debt outstanding	(6,289,000)
Less: bond premiums	(53,084)
Add: bond discounts	9,729
Total Net Investment in Capital Assets	<u>4,013,792</u>

Restricted for:

Debt Service	1,682,922
Tax increment financing	151,542
Capital projects	59,557
Total restricted	<u>1,894,021</u>

Unrestricted

3,226,963

Total Governmental Activities Net Position

\$ 9,134,776

Business-Type Activities Net Position

Business-type activities net position reported on the government-wide statement of net position on December 31, 2021, includes the following:

Net Investment in Capital Assets:

Land	\$ 277,948
Buildings	4,187,883
Infrastructure	13,028,819
Machinery and equipment	320,753
Less: accumulated depreciation	(6,476,765)
Less: long-term debt outstanding	(1,186,000)
Total Net Investment in Capital Assets	<u>10,152,637</u>

Restricted for:

Capital replacement reserve	193,087
-----------------------------	---------

Unrestricted

1,498,209

Total Business-Type Activities Net Position

\$ 11,843,933

NOTES TO THE BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2021Note 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 Police and Fire Plan, originally established for police officers and firefighters not covered by a local relief association, now covers all police officers and firefighters hired since 1980. Effective July 1, 1999, the Police and Fire Plan also covers police officers and firefighters belonging to local relief associations that elected to merge with and transfer assets and administration to PERA.

**B. Benefits Provided**

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

*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 members. For members hired prior to July 1, 1989, a full annuity is available when age plus years of service equal 90 and normal retirement age is 65. For members hired on or after July 1, 1989, normal retirement age is the age for unreduced Social Security benefits capped at 66.

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

*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.

NOTES TO THE BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2021Note 4 DEFINED BENEFIT PENSION PLANS – (Continued)

Benefit increases are provided to benefit recipients each January. The postretirement increase is fixed at 1 percent. Recipients that have been receiving the annuity or benefit for at least 36 months as of the June 30 before the effective date of the increase will receive the full increase. 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 2021; 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, 2021, were \$63,240. The City's contributions were equal to the required contributions as set by state statute.

*PEPPF Contributions*

Police and Fire Plan members were required to contribute 11.80 percent of their annual covered salary in fiscal year 2021 and the City was required to contribute 17.70 percent for Police and Fire Plan members. The City's contributions to the Police and Fire Fund for the year ended December 31, 2021, were \$68,591. The City's contributions were equal to the required contributions as set by state statute.

**D. Pension Costs***GERP Pension Costs*

On December 31, 2021, the City reported a liability of \$469,748 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 2021. 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 \$14,300.

The net pension liability was measured as of June 30, 2021, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City's 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, 2020, through June 30, 2021, relative to the total employer contributions received from all of PERA's participating employers. On June 30, 2021, the City's proportion was 0.0110% which was an increase of 0.0005% from its proportion measured as of June 30, 2020. For the year ended December 31, 2021, the City recognized pension expense of \$(43,529) for its proportionate share of GERP's pension expense. In addition, the City recognized an additional \$1,154 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, 2021

Note 4 DEFINED BENEFIT PENSION PLANS – (Continued)

On December 31, 2021, the City reported its proportionate share of GERP’s deferred outflows of resources and deferred inflows of resources from the following sources:

Description	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ 3,028	\$ 14,191
Differences between projected and actual investment earnings	50,781	449,000
Changes in actuarial assumptions	285,796	8,527
Changes in proportion	40,331	-
City's contributions subsequent to the measurement date	33,979	-
Total	<u>\$ 413,915</u>	<u>\$ 471,718</u>

\$33,979 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, 2022. Other amounts reported as deferred outflows and inflows of resources related to GERP pensions will be recognized in pension expense as follows:

Year Ending December 31,	Pension Expense Amount
2022	\$ 4,821
2023	9,435
2024	4,530
2025	(110,568)
2026	-
Thereafter	-

*PEPFP Pension Costs*

On December 31, 2021, the City reported a liability of \$230,796 for its proportionate share of the Police and Fire Fund’s net pension liability. The net pension liability was measured as of June 30, 2021, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City’s proportionate share of the net pension liability was based on the City’s contributions received by PERA during the measurement period for employer payroll paid dates from July 1, 2020, through June 30, 2021, relative to the total employer contributions received from all of PERA’s participating employers. On June 30, 2021, the City’s proportion was 0.0299% which was a decrease of 0.0023% from its proportion measured as of June 30, 2020.

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

CITY OF ANNANDALE, MINNESOTA

NOTES TO THE BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2021

Note 4 DEFINED BENEFIT PENSION PLANS – (Continued)

The State of Minnesota is included as a non-employer contributing entity in the Police and Fire Retirement Plan Schedule of Employer Allocations and Schedule of Pension Amounts by Employer, Current Reporting Period Only (pension allocation schedules) for the \$9 million in direct state aid. Police and Fire Plan employers need to recognize their proportionate share of the State of Minnesota’s pension expense (and grant revenue) under GASB 68 special funding situation accounting and financial reporting requirements. For the year ended June 30, 2021, the City recognized pension expense of \$(101,857) for its proportionate share of the Police and Fire Plan’s pension expense. The City recognized \$1,887 as grant revenue for its proportionate share of the State of Minnesota’s pension expense for the contribution of \$9 million to the Police and Fire Fund.

The State of Minnesota is not included as a non-employer contributing entity in the Police and Fire Pension Plan pension allocation schedules for the \$9 million in supplemental state aid. The City recognized \$2,691 for the year ended December 31, 2021, as revenue and an offsetting reduction of net pension liability for its proportionate share of the State of Minnesota’s on-behalf contributions to the Police and Fire Fund.

On December 31, 2021, 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:

Description	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ 45,147	\$ 489
Differences between projected and actual investment earnings	57,229	497,064
Changes in actuarial assumptions	335,801	145,338
Changes in proportion	13,678	53,980
City's contributions subsequent to the measurement date	35,448	-
Total	<u>\$ 487,303</u>	<u>\$ 696,871</u>

\$35,448 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, 2022. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending December 31,	Pension Expense Amount
2022	\$ (174,478)
2023	(37,375)
2024	(45,097)
2025	(57,178)
2026	69,112
Thereafter	-

NOTES TO THE BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2021Note 4 DEFINED BENEFIT PENSION PLANS – (Continued)**E. Actuarial Assumptions***GERP and PEPFP*

The total pension liability in the June 30, 2021, 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, 2021
Valuation Date	July 1, 2021
Actuarial Cost Method	Entry Age Normal

**Actuarial Assumption:**

Investment Rate of Return	6.50%
Inflation	2.25% per year
Projected Salary Increase	3.00% after 26 years of service

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

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

The following changes in actuarial assumptions occurred in 2021:

**General Employees Fund**

Changes in Actuarial Assumptions:

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

Changes in Plan Provisions:

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

**Police and Fire Fund**

Changes in Actuarial Assumptions:

- The investment return and single discount rates were changed from 7.50 percent to 6.50 percent, for financial reporting purposes.
- The inflation assumption was changed from 2.50 percent to 2.25 percent.
- The payroll growth assumption was changed from 3.25 percent to 3.00 percent.
- The base mortality table for healthy annuitants and employees was changed from the RP-2014 table to the Pub-2010 Public Safety Mortality table. The mortality improvement scale was changed from MP-2019 to MN-2020.

CITY OF ANNANDALE, MINNESOTA

NOTES TO THE BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2021

Note 4 DEFINED BENEFIT PENSION PLANS – (Continued)

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

Changes in Plan Provisions:

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

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

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Domestic Stocks	34%	5.10%
International Stocks	17%	5.30%
Bonds	25%	0.75%
Alternative Assets	25%	5.90%

**F. Discount Rate**

*GERP and PEPFP*

The discount rate used to measure the total pension liability in 2021 was 6.50. 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 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.

CITY OF ANNANDALE, MINNESOTA

NOTES TO THE BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2021

Note 4 DEFINED BENEFIT PENSION PLANS – (Continued)

**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:

Plan	City’s proportionate share of NPL			
	Rate	1 % Decrease	Current	1 % Increase
City’s proportionate share of the GERP net pension liability:	5.50%	\$ 958,049	\$ 469,748	\$ 69,070
City’s proportionate share of the PEPFP net pension liability:	7.50%	\$ 732,739	\$ 230,796	\$ (180,673)

**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](http://www.mnpera.org); by writing to PERA at 60 Empire Drive #200, St. Paul, Minnesota, 55103-2088; or by calling (651) 296-7460 or 1-800-652-9026.

**VOLUNTEER FIRE RELIEF ASSOCIATION**

**A. Plan Description**

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.

CITY OF ANNANDALE, MINNESOTA

NOTES TO THE BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2021

Note 4 DEFINED BENEFIT PENSION PLANS – (Continued)

Summary of Participant Data	
Active members	26
Inactive members entitled to future benefits	16
Inactive members or beneficiaries currently receiving benefits	0
Total number of participants	40

**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 \$2,800 (effective January 1, 2020) 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 \$56,319 in fire state aid to the plan for the year ended December 31, 2021. 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, 2021. In addition, the City made voluntary contributions of \$3,000 to the plan.

**D. Pension Costs**

On December 31, 2020, the Association reported an asset of \$769,083. The net pension asset was measured as of December 31, 2020, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date.

CITY OF ANNANDALE, MINNESOTA

NOTES TO THE BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2021

Note 4 DEFINED BENEFIT PENSION PLANS – (Continued)

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

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (c) = (a) - (b)
<b>Balance at Previous Fiscal Year 12/31/2019</b>	\$ 655,575	\$ 1,226,702	\$ (571,127)
<b>Changes for the year:</b>			
Service cost	30,025	-	30,025
Interest	36,329	-	36,329
Differences between expected and actual experience	(73,779)	-	(73,779)
Changes of assumptions	3,042	-	3,042
Changes of benefit terms	33,435	-	33,435
Contributions - State and local	-	56,621	(56,621)
Contributions - Donation and other income	-	-	-
Contributions - Member	-	-	-
Net investment incomes	-	178,733	(178,733)
Other additions (e.g. receivables)	-	99	(99)
Benefit payments, including member contribution refunds	(107,600)	(107,600)	-
Administrative expense	-	(8,445)	8,445
Other deductions (e.g. payables)	-	-	-
<b>Net changes</b>	<b>(78,548)</b>	<b>119,408</b>	<b>(197,956)</b>
<b>Balance at Current Fiscal Year 12/31/2020</b>	<b>\$ 577,027</b>	<b>\$ 1,346,110</b>	<b>\$ (769,083)</b>

The lump sum benefit amount increased from \$2,600 to \$2,800 during the measurement period.

For the year ended December 31, 2021, the City recognized pension expense of \$(61,940).

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

Description	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ -	\$ 78,970
Differences between projected and actual investment earnings	70,436	184,559
Changes in actuarial assumptions	10,479	1,894
City's contributions subsequent to the measurement date	59,319	-
<b>Total</b>	<b>\$ 140,234</b>	<b>\$ 265,423</b>

CITY OF ANNANDALE, MINNESOTA

NOTES TO THE BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2021

Note 4 DEFINED BENEFIT PENSION PLANS – (Continued)

\$59,319 reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2022. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending December 31,	Pension Expense Amount
2022	\$ (41,008)
2023	(27,776)
2024	(62,994)
2025	(34,569)
2026	(11,441)
Thereafter	(6,720)

**E. Actuarial Assumptions**

The total pension liability in the December 31, 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	December 31, 2020
Valuation Date	December 31, 2020
Actuarial Cost Method	Entry Age Normal

**Actuarial Assumption:**

Investment Rate of Return	5.75%
Inflation	2.25% 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-2019, from a base year of 2006.

Retirees: RP-2014 annuitant generational mortality table projected with mortality improvement scale MP-2019 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 MP2019 from a base year of 2006. Male rates are adjusted by a factor of 0.96.

Actuarial assumptions used in the December 31, 2020, valuation were based on the most recent Minnesota PERA Police & Fire Plan actuarial valuation performed on July 1, 2020.

CITY OF ANNANDALE, MINNESOTA

NOTES TO THE BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2021

Note 4 DEFINED BENEFIT PENSION PLANS – (Continued)

The following changes in actuarial assumptions occurred in 2020:

- The mortality assumptions were updated from the rates used in the July 1, 2018, Minnesota PERA Police & Fire Plan actuarial valuation to the rates used in the July 1, 2020, Minnesota PERA Police & Fire Plan actuarial valuation.
- The inflation assumption decreased from 2.50% to 2.25%.

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:

<u>Asset Class</u>	<u>Allocation at Measurement Date</u>	<u>Long-Term Expected Real Rate of Return</u>	<u>Long-Term Expected Nominal Rate of Return</u>
Domestic Equity	20.0%	4.90%	7.15%
International Equity	10.0%	5.32%	7.57%
Fixed Income	20.0%	1.40%	3.65%
Real estate and alternative	5.0%	4.43%	6.68%
Cash and equivalents	5.0%	0.09%	2.34%
Total	<u>100.00%</u>		6.55%
Reduced for assumed investment expense			<u>(0.80%)</u>
Net assumed investment return			<u>5.75%</u>

**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, 2021

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 Asset		
1 Percent Decrease	Current	1 Percent Increase
4.75%	5.75%	6.75%
\$ 745,863	\$ 769,083	\$ 791,250

**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 \$80,000 of debt outstanding subjected to this limit on December 31, 2021.

**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, 2021

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 2021 was \$527,753 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.

**F. Subsequent events**

On April 15, 2022, the City issued G.O. equipment certificate of 2022A, in the amount of \$617,000 at a stated interest rate of 2.25%. The certificate matures in 9 years.

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 fiscal year 2021 was \$18,306.

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, 2021

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
12/31/2021	6/30/2021	0.0110%	\$ 469,749	\$ 14,300	\$ 484,049	\$ 763,413	63.4%	87.0%
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, 2021

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
12/31/2021	6/30/2021	\$ 59,182	\$ 59,182	\$ -	\$ 789,093	7.50%
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, 2021

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
12/31/2021	6/30/2021	0.0299%	\$ 230,796	\$ 10,361	\$ 241,157	\$ 408,370	59.1%	93.7%
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, 2021

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
12/31/2021	6/30/2021	\$ 62,469	\$ 62,469	\$ -	\$ 385,611	17.70%
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)

<b>Total Pension Liability</b>	<b>2020</b>	<b>2019</b>	<b>2018</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>	<b>2014</b>
Service cost	\$ 30,025	\$ 29,293	\$ 29,477	\$ 26,727	\$ 26,915	\$ 21,845	\$ 21,260
Interest	36,329	35,646	36,852	34,955	33,085	27,615	24,816
Difference between expected and actual experience	(73,779)	-	(22,353)	28,893	-	40,156	-
Changes of assumptions	3,042	-	13,012	-	(7,074)	-	-
Changes in benefit terms	33,435	-	-	-	(4,866)	-	-
Benefit payments, including member contribution refunds	(107,600)	-	(53,000)	(72,973)	(7,040)	-	-
<b>Net change in total pension liability</b>	<b>(78,548)</b>	<b>64,939</b>	<b>3,988</b>	<b>17,602</b>	<b>41,020</b>	<b>89,616</b>	<b>46,076</b>
<b>Total Pension Liability - beginning</b>	<b>655,575</b>	<b>590,636</b>	<b>586,648</b>	<b>569,046</b>	<b>528,026</b>	<b>438,410</b>	<b>392,334</b>
<b>Total Pension Liability - ending</b>	<b>\$ 577,027</b>	<b>\$ 655,575</b>	<b>\$ 590,636</b>	<b>\$ 586,648</b>	<b>\$ 569,046</b>	<b>\$ 528,026</b>	<b>\$ 438,410</b>
<b>Plan Fiduciary Net Position</b>							
Contributions - state and local	\$ 56,621	\$ 54,530	\$ 55,196	\$ 50,693	\$ 50,325	\$ 49,939	\$ 47,712
Contributions - donation and other income	-	-	-	-	-	-	-
Contributions - member	-	-	-	-	-	-	-
Net investment income	178,733	192,904	(109,391)	126,216	69,161	(34,736)	46,976
Other additions (e.g. receivable)	99	-	150	-	-	-	-
Benefit payments, including member contribution refunds	(107,600)	-	(53,000)	(72,973)	(7,040)	-	-
Administrative expenses	(8,445)	(9,772)	(8,509)	(8,416)	(7,920)	(7,166)	(3,768)
Other deductions (e.g. payables)	-	-	-	-	-	-	(275)
<b>Net change in plan fiduciary net position</b>	<b>119,408</b>	<b>237,662</b>	<b>(115,554)</b>	<b>95,520</b>	<b>104,526</b>	<b>8,037</b>	<b>90,645</b>
<b>Plan Fiduciary Net Position - beginning</b>	<b>1,226,702</b>	<b>989,040</b>	<b>1,104,594</b>	<b>1,009,074</b>	<b>904,548</b>	<b>896,511</b>	<b>805,866</b>
<b>Plan Fiduciary Net Position - ending</b>	<b>\$ 1,346,110</b>	<b>\$ 1,226,702</b>	<b>\$ 989,040</b>	<b>\$ 1,104,594</b>	<b>\$ 1,009,074</b>	<b>\$ 904,548</b>	<b>\$ 896,511</b>
<b>Net Pension (Asset) Liability - ending</b>	<b>\$ (769,083)</b>	<b>\$ (571,127)</b>	<b>\$ (398,404)</b>	<b>\$ (517,946)</b>	<b>\$ (440,028)</b>	<b>\$ (376,522)</b>	<b>\$ (458,101)</b>
<b>FNP as a percentage of the TPL</b>	<b>233.28%</b>	<b>187.12%</b>	<b>167.45%</b>	<b>188.29%</b>	<b>177.33%</b>	<b>171.31%</b>	<b>204.49%</b>

**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)

<b>Fiscal year ending</b>	<b>Actuarially determined contribution</b>	<b>Contributions in relation to the ADC</b>	<b>Contribution deficiency (excess)</b>	<b>Payroll</b>	<b>Contributions as a percentage of payroll</b>	<b>NPL as a percent of payroll</b>
December 31, 2020	-	\$ 3,000	\$ (3,000)	-	-	-
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, 2021

Note 1 CHANGE IN ACTUARIAL ASSUMPTIONS AND PLAN PROVISIONS

**A. Public Employees Retirement Association – General Employees Retirement Fund**

2021 changes:

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

**Changes in Plan Provisions.** There were no changes in plan provisions since the previous valuation.

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.

NOTES TO THE REQUIRED SUPPLEMENTAL INFORMATION  
December 31, 2021

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

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

2016 changes:

**Changes in Actuarial Assumptions:** 1) the assumed post-retirement benefit increase rate was changed from 1.0% per year through 2035 and 2.5% per year thereafter to 1.0% per year for all future years. 2) The assumed investment return was changed from 7.9% to 7.5%. The single discount rate was changed from 7.9% to 7.5%. 3) Other assumptions were changed pursuant to the experience study dated June 30, 2015. The assumed future salary increases, payroll growth, and inflation were decreased by 0.25% to 3.25% for payroll growth and 2.50% for inflation.

2015 changes:

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

**Changes in Actuarial Assumptions:** The assumed post-retirement benefit increase rate was changed from 1.0% per year through 2030 and 2.5% per year thereafter to 1.0% per year through 2035 and 2.5% per year thereafter.

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

2021 changes:

**Changes in Actuarial Assumptions.** The investment return and single discount rates were changed from 7.50 percent to 6.50 percent, for financial reporting purposes. The inflation assumption was changed from 2.50 percent to 2.25 percent. The payroll growth assumption was changed from 3.25 percent to 3.00 percent. The base mortality table for healthy annuitants and employees was changed from the RP-2014 table to the Pub-2010 Public Safety Mortality table. The mortality improvement scale was changed from MP-2019 to MN-2020.

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

**Changes in Plan Provisions.** There have been no changes since the previous valuation.

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.

NOTES TO THE REQUIRED SUPPLEMENTAL INFORMATION  
December 31, 2021

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

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

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.

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.

CITY OF ANNANDALE, MINNESOTA

NOTES TO THE REQUIRED SUPPLEMENTAL INFORMATION  
December 31, 2021

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

**C. Volunteer Fire Relief Association Fund – (Continued)**

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, 2021

	Special Revenue	Capital Projects	Total Nonmajor Governmental
<b>ASSETS</b>			
Cash and Investments	\$ 72,871	\$ 1,140,191	\$ 1,213,062
Due from Other Governments	2,376	0	2,376
Prepaid Expense	2,459	0	2,459
Notes Receivable	104,146	0	104,146
Special Assessments	0	23,485	23,485
Advance to Other Funds	130,238	0	130,238
Land Held for Sale	720,855	0	720,855
	<u>720,855</u>	<u>0</u>	<u>720,855</u>
<b>TOTAL ASSETS</b>	<u><u>\$ 1,032,945</u></u>	<u><u>\$ 1,163,676</u></u>	<u><u>\$ 2,196,621</u></u>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE</b>			
<b>Liabilities:</b>			
Accounts Payable	\$ 31,890	\$ 121,743	\$ 153,633
Due to Other Funds	347,053	499,163	846,216
Advance from Other Funds	120,588	0	120,588
Total Liabilities	<u>499,531</u>	<u>620,906</u>	<u>1,120,437</u>
<b>Deferred Inflows of Resources:</b>			
Unavailable Revenue	<u>0</u>	<u>23,485</u>	<u>23,485</u>
<b>Fund Balance:</b>			
Nonspendable	2,459	0	2,459
Restricted	151,541	59,557	211,098
Committed	683,205	0	683,205
Assigned	0	958,891	958,891
Unassigned	<u>(303,791)</u>	<u>(499,163)</u>	<u>(802,954)</u>
Total Fund Balance	<u>533,414</u>	<u>519,285</u>	<u>1,052,699</u>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE</b>	<u><u>\$ 1,032,945</u></u>	<u><u>\$ 1,163,676</u></u>	<u><u>\$ 2,196,621</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, 2021

	Special Revenue	Capital Projects	Total Nonmajor Governmental
<b>Revenues:</b>			
Property Taxes	\$ 2,500	\$ 124	\$ 2,624
Tax Increment	94,280	0	94,280
Intergovernmental	214,779	59,405	274,184
Charges for Services	42,757	18,720	61,477
Other Income	2,746	77,427	80,173
Total Revenues	<u>357,062</u>	<u>155,676</u>	<u>512,738</u>
<b>Expenditures:</b>			
Current:			
General Government	26,382	0	26,382
Public Safety	27,198	21,908	49,106
Parks and Recreation	0	3,755	3,755
Economic Development	193,924	0	193,924
Capital Outlay:			
General Government	0	3,500	3,500
Public Safety	0	161,175	161,175
Public Works	0	622,756	622,756
Park and Recreation	0	21,844	21,844
Economic Development	22,894	0	22,894
Total Expenditures	<u>270,398</u>	<u>834,938</u>	<u>1,105,336</u>
Excess of Revenue Over (Under) Expenditures	<u>86,664</u>	<u>(679,262)</u>	<u>(592,598)</u>
<b>Other Financing Sources (Uses):</b>			
Sale of Capital Assets	0	29,669	29,669
Transfers In	5,900	221,000	226,900
Transfers Out	(47,000)	0	(47,000)
Total Other Financing Sources (Uses)	<u>(41,100)</u>	<u>250,669</u>	<u>209,569</u>
Change in Fund Balance	45,564	(428,593)	(383,029)
Fund Balance - January 1	<u>487,850</u>	<u>947,878</u>	<u>1,435,728</u>
Fund Balance - December 31	<u>\$ 533,414</u>	<u>\$ 519,285</u>	<u>\$ 1,052,699</u>

CITY OF ANNANDALE, MINNESOTA

COMBINING BALANCE SHEET  
 NONMAJOR GOVERNMENTAL FUNDS - SPECIAL REVENUE  
 December 31, 2021

	Charitable Gambling	Economic Development	TIF District No. 6	Tax Abatement	TIF District No. 14
<b>ASSETS</b>					
Cash and Investments	\$ 11,886	\$ 0	\$ 24,158	\$ 0	\$ 27,813
Due from Other Governments	0	0	0	0	0
Prepaid Expense	0	0	0	0	0
Notes Receivable	0	0	0	0	0
Advance to Other Funds	0	130,238	0	0	0
Land Held for Sale	0	720,855	0	0	0
	<u>0</u>	<u>720,855</u>	<u>0</u>	<u>0</u>	<u>0</u>
TOTAL ASSETS	<u>\$ 11,886</u>	<u>\$ 851,093</u>	<u>\$ 24,158</u>	<u>\$ 0</u>	<u>\$ 27,813</u>
<b>LIABILITIES AND FUND BALANCE</b>					
<b>Liabilities:</b>					
Accounts Payable	\$ 0	\$ 360	\$ 11,447	\$ 0	\$ 0
Due to Other Funds	0	93,828	0	10,895	0
Advance from Other Funds	0	73,700	0	0	0
Total Liabilities	<u>0</u>	<u>167,888</u>	<u>11,447</u>	<u>10,895</u>	<u>0</u>
<b>Fund Balance:</b>					
Nonspendable	0	0	0	0	0
Restricted	11,886	0	12,711	0	27,813
Committed	0	683,205	0	0	0
Unassigned	0	0	0	(10,895)	0
Total Fund Balance	<u>11,886</u>	<u>683,205</u>	<u>12,711</u>	<u>(10,895)</u>	<u>27,813</u>
TOTAL LIABILITIES AND FUND BALANCE	<u>\$ 11,886</u>	<u>\$ 851,093</u>	<u>\$ 24,158</u>	<u>\$ 0</u>	<u>\$ 27,813</u>

TIF District No. 15	Training Center	Woodlawn Cemetery	MIF Funds	SCDP Grant	Total
\$ 0	\$ 434	\$ 365	\$ 6,429	\$ 1,786	\$ 72,871
0	2,376	0	0	0	2,376
0	1,204	1,255	0	0	2,459
0	0	0	68,571	35,575	104,146
0	0	0	0	0	130,238
0	0	0	0	0	720,855
<u>\$ 0</u>	<u>\$ 4,014</u>	<u>\$ 1,620</u>	<u>\$ 75,000</u>	<u>\$ 37,361</u>	<u>\$ 1,032,945</u>
\$ 0	\$ 1,792	\$ 5,061	\$ 0	\$ 13,230	\$ 31,890
1,990	231,795	8,545	0	0	347,053
0	0	46,888	0	0	120,588
<u>1,990</u>	<u>233,587</u>	<u>60,494</u>	<u>0</u>	<u>13,230</u>	<u>499,531</u>
0	1,204	1,255	0	0	2,459
0	0	0	75,000	24,131	151,541
0	0	0	0	0	683,205
<u>(1,990)</u>	<u>(230,777)</u>	<u>(60,129)</u>	<u>0</u>	<u>0</u>	<u>(303,791)</u>
<u>(1,990)</u>	<u>(229,573)</u>	<u>(58,874)</u>	<u>75,000</u>	<u>24,131</u>	<u>533,414</u>
<u>\$ 0</u>	<u>\$ 4,014</u>	<u>\$ 1,620</u>	<u>\$ 75,000</u>	<u>\$ 37,361</u>	<u>\$ 1,032,945</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, 2021

	Charitable Gambling	Economic Development	TIF District No. 6	Tax Abatement	TIF District No. 14
<b>Revenues:</b>					
Property Taxes	\$ 0	\$ 0	\$ 0	\$ 2,500	\$ 0
Tax Increment	0	0	24,099	0	70,181
Intergovernmental	0	0	0	0	0
Charges for Services	0	11,885	0	0	0
Other Income	0	2,746	0	0	0
Total Revenues	<u>0</u>	<u>14,631</u>	<u>24,099</u>	<u>2,500</u>	<u>70,181</u>
<b>Expenditures:</b>					
Current:					
General Government	0	0	0	0	0
Public Safety	0	0	0	0	0
Economic Development	0	75,150	842	0	842
Capital Outlay:					
Economic Development	0	0	22,894	0	0
Total Expenditures	<u>0</u>	<u>75,150</u>	<u>23,736</u>	<u>0</u>	<u>842</u>
Excess of Revenue Over (Under) Expenditure	<u>0</u>	<u>(60,519)</u>	<u>363</u>	<u>2,500</u>	<u>69,339</u>
<b>Other Financing Sources (Uses):</b>					
Transfers In	0	2,900	0	0	0
Transfers Out	0	0	0	0	(47,000)
Total Other Financing Sources (Uses)	<u>0</u>	<u>2,900</u>	<u>0</u>	<u>0</u>	<u>(47,000)</u>
Change in Fund Balance	0	(57,619)	363	2,500	22,339
Fund Balance - January 1	<u>11,886</u>	<u>740,824</u>	<u>12,348</u>	<u>(13,395)</u>	<u>5,474</u>
Fund Balance - December 31	<u>\$ 11,886</u>	<u>\$ 683,205</u>	<u>\$ 12,711</u>	<u>\$ (10,895)</u>	<u>\$ 27,813</u>

TIF District No. 15	Training Center	Woodlawn Cemetery	MIF Funds	SCDP Grant	Total
\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 2,500
0	0	0	0	0	94,280
0	0	0	75,000	139,779	214,779
0	16,545	14,327	0	0	42,757
0	0	0	0	0	2,746
<u>0</u>	<u>16,545</u>	<u>14,327</u>	<u>75,000</u>	<u>139,779</u>	<u>357,062</u>
0	0	26,382	0	0	26,382
0	27,198	0	0	0	27,198
1,442	0	0	0	115,648	193,924
0	0	0	0	0	22,894
<u>1,442</u>	<u>27,198</u>	<u>26,382</u>	<u>0</u>	<u>115,648</u>	<u>270,398</u>
<u>(1,442)</u>	<u>(10,653)</u>	<u>(12,055)</u>	<u>75,000</u>	<u>24,131</u>	<u>86,664</u>
0	3,000	0	0	0	5,900
0	0	0	0	0	(47,000)
0	3,000	0	0	0	(41,100)
(1,442)	(7,653)	(12,055)	75,000	24,131	45,564
<u>(548)</u>	<u>(221,920)</u>	<u>(46,819)</u>	<u>0</u>	<u>0</u>	<u>487,850</u>
<u>\$ (1,990)</u>	<u>\$ (229,573)</u>	<u>\$ (58,874)</u>	<u>\$ 75,000</u>	<u>\$ 24,131</u>	<u>\$ 533,414</u>

CITY OF ANNANDALE, MINNESOTA

COMBINING BALANCE SHEET  
 NONMAJOR GOVERNMENTAL FUNDS - CAPITAL PROJECTS  
 December 31, 2021

	Fire Equipment	Park	Lions Donation	Street Capital Outlay	Public Works Equipment
<b>ASSETS</b>					
Cash and Investments	\$ 150,955	\$ 94,338	\$ 94,350	\$ 135,066	\$ 221,310
Special Assessments	<u>0</u>	<u>0</u>	<u>0</u>	<u>23,485</u>	<u>0</u>
<b>TOTAL ASSETS</b>	<b><u>\$ 150,955</u></b>	<b><u>\$ 94,338</u></b>	<b><u>\$ 94,350</u></b>	<b><u>\$ 158,551</u></b>	<b><u>\$ 221,310</u></b>
<b>LIABILITIES, DEFERRED INFLOWS RESOURCES AND FUND BALANCE</b>					
<b>Liabilities:</b>					
Accounts Payable	\$ 448	\$ 2,400	\$ 0	\$ 0	\$ 0
Due to Other Funds	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total Liabilities	<u>448</u>	<u>2,400</u>	<u>0</u>	<u>0</u>	<u>0</u>
<b>Deferred Inflows of Resources:</b>					
Unavailable Revenue	0	0	0	23,485	0
<b>Fund Balance:</b>					
Restricted	0	0	0	0	0
Assigned	150,507	91,938	94,350	135,066	221,310
Unassigned	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total Fund Balance	<u>150,507</u>	<u>91,938</u>	<u>94,350</u>	<u>135,066</u>	<u>221,310</u>
<b>TOTAL LIABILITIES, DEFERRED OF RESOURCES AND FUND BALANCE</b>	<b><u>\$ 150,955</u></b>	<b><u>\$ 94,338</u></b>	<b><u>\$ 94,350</u></b>	<b><u>\$ 158,551</u></b>	<b><u>\$ 221,310</u></b>

Police Equipment	Building Capital Outlay	Street Maintenance	Recreation Facility	2020 Improvement Project	Hemlock Project	Total
\$ 19,993	\$ 82,730	\$ 144,949	\$ 33,933	\$ 162,567	\$ 0	\$ 1,140,191
<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>23,485</u>
<u>\$ 19,993</u>	<u>\$ 82,730</u>	<u>\$ 144,949</u>	<u>\$ 33,933</u>	<u>\$ 162,567</u>	<u>\$ 0</u>	<u>\$ 1,163,676</u>
\$ 15,300	\$ 0	\$ 0	\$ 585	\$ 103,010	\$ 0	\$ 121,743
<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>499,163</u>	<u>499,163</u>
<u>15,300</u>	<u>0</u>	<u>0</u>	<u>585</u>	<u>103,010</u>	<u>499,163</u>	<u>620,906</u>
0	0	0	0	0	0	23,485
0	0	0	0	59,557	0	59,557
4,693	82,730	144,949	33,348	0	0	958,891
<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>(499,163)</u>	<u>(499,163)</u>
<u>4,693</u>	<u>82,730</u>	<u>144,949</u>	<u>33,348</u>	<u>59,557</u>	<u>(499,163)</u>	<u>519,285</u>
<u>\$ 19,993</u>	<u>\$ 82,730</u>	<u>\$ 144,949</u>	<u>\$ 33,933</u>	<u>\$ 162,567</u>	<u>\$ 0</u>	<u>\$ 1,163,676</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, 2021

	Fire Equipment	Park	Lions Donation	Street Capital Outlay	Public Works Equipment
<b>Revenues:</b>					
Property Taxes	\$ 124	\$ 0	\$ 0	\$ 0	\$ 0
Intergovernmental	0	0	0	0	0
Charges for Services	0	18,720	0	0	0
Other Income	66,514	9,706	0	0	157
Total Revenues	<u>66,638</u>	<u>28,426</u>	<u>0</u>	<u>0</u>	<u>157</u>
<b>Expenditures:</b>					
Current:					
Public Safety	21,908	0	0	0	0
Parks and Recreation	0	3,861	0	0	0
Capital Outlay:					
General Government	0	0	0	0	0
Public Safety	68,298	0	0	0	0
Public Works	0	0	0	0	0
Park and Recreation	0	5,498	14,135	0	0
Total Expenditures	<u>90,206</u>	<u>9,359</u>	<u>14,135</u>	<u>0</u>	<u>0</u>
Excess of Revenue Over (Under) Expenditures	<u>(23,568)</u>	<u>19,067</u>	<u>(14,135)</u>	<u>0</u>	<u>157</u>
<b>Other Financing Sources (Uses):</b>					
Sale of Capital Assets	0	0	0	0	1,564
Transfers In	91,000	20,000	0	0	60,000
Total Other Financing Sources (Uses)	<u>91,000</u>	<u>20,000</u>	<u>0</u>	<u>0</u>	<u>61,564</u>
Change in Fund Balance	67,432	39,067	(14,135)	0	61,721
Fund Balance - January 1	<u>83,075</u>	<u>52,871</u>	<u>108,485</u>	<u>135,066</u>	<u>159,589</u>
Fund Balance - December 31	<u>\$ 150,507</u>	<u>\$ 91,938</u>	<u>\$ 94,350</u>	<u>\$ 135,066</u>	<u>\$ 221,310</u>

Police Equipment	Building Capital Outlay	Street Maintenance	Recreational Facility	2020 Improvement Project	Hemlock Project	Total
\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 124
0	0	59,405	0	0	0	59,405
0	0	0	0	0	0	18,720
0	0	0	0	1,050	0	77,427
<u>0</u>	<u>0</u>	<u>59,405</u>	<u>0</u>	<u>1,050</u>	<u>0</u>	<u>155,676</u>
0	0	0	0	0	0	21,908
0	0	0	(106)	0	0	3,755
0	3,500	0	0	0	0	3,500
92,877	0	0	0	0	0	161,175
0	0	0	0	123,593	499,163	622,756
0	0	0	2,211	0	0	21,844
<u>92,877</u>	<u>3,500</u>	<u>0</u>	<u>2,105</u>	<u>123,593</u>	<u>499,163</u>	<u>834,938</u>
<u>(92,877)</u>	<u>(3,500)</u>	<u>59,405</u>	<u>(2,105)</u>	<u>(122,543)</u>	<u>(499,163)</u>	<u>(679,262)</u>
28,105	0	0	0	0	0	29,669
20,000	0	30,000	0	0	0	221,000
<u>48,105</u>	<u>0</u>	<u>30,000</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>250,669</u>
(44,772)	(3,500)	89,405	(2,105)	(122,543)	(499,163)	(428,593)
<u>49,465</u>	<u>86,230</u>	<u>55,544</u>	<u>35,453</u>	<u>182,100</u>	<u>0</u>	<u>947,878</u>
<u>\$ 4,693</u>	<u>\$ 82,730</u>	<u>\$ 144,949</u>	<u>\$ 33,348</u>	<u>\$ 59,557</u>	<u>\$ (499,163)</u>	<u>\$ 519,285</u>

## CITY OF ANNANDALE, MINNESOTA

COMBINING BALANCE SHEET  
DEBT SERVICE FUNDS  
December 31, 2021

	G.O. Improvement Bonds 2008B	G.O. Capital Improvement Plan Refunding Bonds 2008A	G.O. Equipment Certificates 2016A	G.O. Refunding Bonds 2011B	G.O. Refunding Bonds 2012A
<b>ASSETS</b>					
Cash and Investments	\$ 83,887	\$ 36,420	\$ (1)	\$ 17,960	\$ 209,332
Special Assessments	<u>17,902</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>24,039</u>
<b>TOTAL ASSETS</b>	<u><u>\$ 101,789</u></u>	<u><u>\$ 36,420</u></u>	<u><u>\$ (1)</u></u>	<u><u>\$ 17,960</u></u>	<u><u>\$ 233,371</u></u>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE</b>					
<b>Liabilities:</b>					
Accounts Payable	\$ 250	\$ 250	\$ 0	\$ 0	\$ 250
Due to Other Funds	<u>0</u>	<u>0</u>	<u>17,300</u>	<u>0</u>	<u>0</u>
Total Liabilities	<u>250</u>	<u>250</u>	<u>17,300</u>	<u>0</u>	<u>250</u>
<b>Deferred Inflows of Resources:</b>					
Unavailable Revenue - Special Assessments	17,898	0	0	0	23,895
<b>Fund Balance:</b>					
Restricted	83,641	36,170	0	17,960	209,226
Unassigned	<u>0</u>	<u>0</u>	<u>(17,301)</u>	<u>0</u>	<u>0</u>
Total Fund Balance	<u>83,641</u>	<u>36,170</u>	<u>(17,301)</u>	<u>17,960</u>	<u>209,226</u>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE</b>	<u><u>\$ 101,789</u></u>	<u><u>\$ 36,420</u></u>	<u><u>\$ (1)</u></u>	<u><u>\$ 17,960</u></u>	<u><u>\$ 233,371</u></u>

G.O. TIF Bond 2019A	G.O. Refunding Bonds 2019B	G.O. Temporary Improvement Bonds 2020A	G.O. Improvement Refunding Note 2020B	Total Debt Service Funds
\$ 61,454	\$ 189,085	\$ 161,419	\$ 137,662	\$ 897,218
<u>139,310</u>	<u>155,613</u>	<u>351,831</u>	<u>179,491</u>	<u>868,186</u>
<u>\$ 200,764</u>	<u>\$ 344,698</u>	<u>\$ 513,250</u>	<u>\$ 317,153</u>	<u>\$ 1,765,404</u>
\$ 250	\$ 500	\$ 500	\$ 500	\$ 2,500
<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>17,300</u>
<u>250</u>	<u>500</u>	<u>500</u>	<u>500</u>	<u>19,800</u>
139,310	155,025	351,831	179,491	867,450
61,204	189,173	160,919	137,162	895,455
<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>(17,301)</u>
<u>61,204</u>	<u>189,173</u>	<u>160,919</u>	<u>137,162</u>	<u>878,154</u>
<u>\$ 200,764</u>	<u>\$ 344,698</u>	<u>\$ 513,250</u>	<u>\$ 317,153</u>	<u>\$ 1,765,404</u>

CITY OF ANNANDALE, MINNESOTA

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

For the Year Ended December 31, 2021

	G.O. Improvement Bonds 2008B	G.O. Capital Improvement Plan Refunding Bonds 2008A	G.O. Equipment Certificates 2016A	G.O. Refunding Bonds 2011B	G.O. Refunding Bonds 2012A
<b>Revenues:</b>					
Property Taxes	\$ 20,000	\$ 74,000	\$ 58,196	\$ 55,000	\$ 108,000
Special Assessments	9,792	0	0	0	14,555
Total Revenues	<u>29,792</u>	<u>74,000</u>	<u>58,196</u>	<u>55,000</u>	<u>122,555</u>
<b>Expenditures:</b>					
Debt Service:					
Principal	90,000	75,000	57,000	145,000	255,000
Interest and Fiscal Charges	14,881	5,525	599	1,957	7,888
Total Expenditures	<u>104,881</u>	<u>80,525</u>	<u>57,599</u>	<u>146,957</u>	<u>262,888</u>
Excess of Revenue Over (Under) Expenditures	(75,089)	(6,525)	597	(91,957)	(140,333)
<b>Other Financing Sources (Uses):</b>					
Transfers In	<u>56,000</u>	<u>0</u>	<u>0</u>	<u>60,000</u>	<u>90,000</u>
Change in Fund Balance	(19,089)	(6,525)	597	(31,957)	(50,333)
Fund Balance - January 1	<u>102,730</u>	<u>42,695</u>	<u>(17,898)</u>	<u>49,917</u>	<u>259,559</u>
Fund Balance - December 31	<u>\$ 83,641</u>	<u>\$ 36,170</u>	<u>\$ (17,301)</u>	<u>\$ 17,960</u>	<u>\$ 209,226</u>

<u>G.O. TIF Bonds 2019A</u>	<u>G.O. Refunding Bonds 2019B</u>	<u>G.O. Temporary Improvement Bonds 2020A</u>	<u>G.O. Improvement Refunding Note 2020B</u>	<u>Total Debt Service Funds</u>
\$ 0	\$ 100,000	\$ 0	\$ 10,000	\$ 425,196
19,192	37,035	132,589	40,228	253,391
<u>19,192</u>	<u>137,035</u>	<u>132,589</u>	<u>50,228</u>	<u>678,587</u>
10,000	130,000	0	25,000	787,000
27,625	43,103	80,040	4,763	186,381
<u>37,625</u>	<u>173,103</u>	<u>80,040</u>	<u>29,763</u>	<u>973,381</u>
(18,433)	(36,068)	52,549	20,465	(294,794)
<u>47,000</u>	<u>50,000</u>	<u>0</u>	<u>0</u>	<u>303,000</u>
28,567	13,932	52,549	20,465	8,206
<u>32,637</u>	<u>175,241</u>	<u>108,370</u>	<u>116,697</u>	<u>869,948</u>
<u>\$ 61,204</u>	<u>\$ 189,173</u>	<u>\$ 160,919</u>	<u>\$ 137,162</u>	<u>\$ 878,154</u>

CITY OF ANNANDALE, MINNESOTA

BALANCE SHEET

GENERAL FUND

December 31, 2021

(With Comparative Amounts for December 31, 2020)

	<u>2021</u>	<u>2020</u>
<b>ASSETS</b>		
Cash and Investments	\$ 1,443,615	\$ 1,796,919
Accounts Receivable	6,913	57,128
Property Taxes	50,797	55,497
Prepaid Expense	108,424	107,335
Due from Other Funds	1,157,734	611,003
Due from Other Governments	<u>72,562</u>	<u>61,177</u>
<b>TOTAL ASSETS</b>	<b><u>\$ 2,840,045</u></b>	<b><u>\$ 2,689,059</u></b>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE</b>		
<b>Liabilities:</b>		
Accrued Expenses	\$ 111,910	\$ 276,713
Due to Other Governments	0	2,081
Unearned Revenue	78,718	40,106
Advance to Other Funds	<u>83,350</u>	<u>123,350</u>
Total Liabilities	<u>273,978</u>	<u>442,250</u>
<b>Deferred Inflows of Resources:</b>		
Unavailable Revenue - Delinquent Taxes	<u>11,323</u>	<u>36,200</u>
<b>Fund Balance:</b>		
Nonspendable	108,424	107,335
Assigned	256,813	240,598
Unassigned	<u>2,189,507</u>	<u>1,862,676</u>
Total Fund Balance	<u>2,554,744</u>	<u>2,210,609</u>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE</b>	<b><u>\$ 2,840,045</u></b>	<b><u>\$ 2,689,059</u></b>

CITY OF ANNANDALE, MINNESOTA

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

For the Year Ended December 31, 2021

(With Comparative Amounts for the Year Ended December 31, 2020)

	Budget		2021 Actual Amounts	Over (Under) Final Budget	2020 Actual Amounts
	Original	Final			
<b>Revenues:</b>					
Taxes:					
Property	\$ 1,109,942	1,109,942	\$ 1,146,128	\$ 36,186	\$ 1,128,596
Franchise	17,000	17,000	16,171	(829)	16,713
Total Taxes	<u>1,126,942</u>	<u>1,126,942</u>	<u>1,162,299</u>	<u>35,357</u>	<u>1,145,309</u>
Intergovernmental:					
PD Grants	0	0	4,758	4,758	1,136
LGA	527,753	527,753	527,753	0	508,170
State PD Training Reimb	2,500	2,500	7,213	4,713	0
State FD Training Reimb	3,000	3,000	8,570	5,570	6,586
State Fire Aid	45,000	45,000	56,319	11,319	53,621
Police State Aid	40,000	40,000	27,578	(12,422)	40,955
Coronavirus Relief Aid	0	0	0	0	262,732
State Aid - Mv Credit	0	0	523	523	504
Snow Removal Reimb.	3,000	3,000	3,315	315	3,440
Coronavirius Relief Aid	0	0	0	0	1,557
American Rescue Plan	0	0	192,173	192,173	0
Total Intergovernmental	<u>621,253</u>	<u>621,253</u>	<u>828,202</u>	<u>206,949</u>	<u>878,701</u>
Licenses and Permits	<u>75,800</u>	<u>75,800</u>	<u>85,996</u>	<u>10,196</u>	<u>117,378</u>
Charges for Services:					
City Hall Rent	800	800	380	(420)	240
Nuisances & Lawn Mowing	0	0	214	214	322
Zoning&Subdivision Fees	0	0	1,084	1,084	1,990
Assessment Searches	600	600	1,230	630	1,720
Copier Receipts - Admin	55	55	8	(47)	15
Phone Reimbursement	200	200	64	(136)	95
Police Special Services	2,000	2,000	2,303	303	0
School Resource Officer	19,000	19,000	28,500	9,500	9,500
Rural Fire Service	149,256	149,256	171,447	22,191	137,899
Police Reports	100	100	67	(33)	65
Fingerprints	175	175	570	395	315
PD - Range Training	0	0	200	200	0
Police Background Checks	100	100	0	(100)	0
WW Comm Snow Removal Reimburse	3,000	3,000	6,885	3,885	0
WW Comm Reimb-Labor Exp	70,000	70,000	64,915	(5,085)	75,314
WW Comm Reimb-Mileage Exp	7,650	7,650	6,723	(927)	13,164
Pavilion Rental	7,000	7,000	13,393	6,393	2,686
Portable Stage Rent	0	0	1,215	1,215	1,278
Sales Of Maps & Publications-DMV	100	100	679	579	0
Commissions - DMV	<u>194,200</u>	<u>194,200</u>	<u>216,385</u>	<u>22,185</u>	<u>174,195</u>
Total Charges for Services	<u>454,236</u>	<u>454,236</u>	<u>516,262</u>	<u>62,026</u>	<u>418,798</u>
Fines	<u>10,700</u>	<u>10,700</u>	<u>17,444</u>	<u>6,744</u>	<u>11,859</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, 2021

(With Comparative Amounts for the Year Ended December 31, 2020)

	Budget		2021 Actual Amounts	Over (Under) Final Budget	2020 Actual Amounts
	Original	Final			
<b>Revenues (Continued):</b>					
Other Income:					
Building Inspection	\$ 0	\$ 0	\$ 0	\$ 0	\$ (6)
Misc Revenues - Legislative	0	0	0	0	1
Misc Revenues-Elections	0	0	0	0	14
Misc Revenues-Admin	0	0	268	268	1,141
Misc Revenues-Police	0	0	0	0	8,132
Misc Revenues-Public Works	0	0	2,657	2,657	7,884
Misc Revenues-Streets	0	0	1,026	1,026	5,417
Misc Revenues-Parks	0	0	100	100	679
PD Donations	0	0	515	515	3,000
Fire Depart Donations	0	0	0	0	750
COVID Wage/Tax Credits-Admin	0	0	1,529	1,529	4,751
Miscellaneous Revenues - P&Z	0	0	91,742	91,742	0
Total Other Income	0	0	97,837	97,837	31,763
Investment Earnings	30,000	30,000	37,059	7,059	41,631
Total Revenues	2,318,931	2,318,931	2,745,099	426,168	2,645,439
<b>Current Expenditures:</b>					
General Government:					
Mayor and Council:					
Office Supplies	0	0	35	35	0
Professional Services	215	215	263	48	195
Travel/Training	400	400	285	(115)	0
Printing & Publishing	5,500	5,500	3,223	(2,277)	2,952
Dues And Subscriptions	5,969	5,969	5,320	(649)	6,085
Miscellaneous	0	0	105	105	713
Employee Apprec/Retention	300	300	852	552	817
Contrib To Community Service	10,200	10,200	10,200	0	10,200
Salaries (P/T) Legislative	9,795	9,795	11,305	1,510	9,275
Fica - Legislative	607	607	579	(28)	575
Medicare - Legislative	142	142	136	(6)	135
Worker's Compensation	2,200	2,200	2,654	454	1,962
Government Building:					
Salaries (P/T)	0	0	47	47	0
Worker's Compensation	1,800	1,800	1,832	32	1,929
Operating Supplies	200	200	1,824	1,624	1,901
Maint & Repair Supplies	200	200	0	(200)	200
Contracted Cleaning Service	7,650	7,650	9,433	1,783	8,761
Comp Insurance	2,500	2,500	2,836	336	1,238
Electricity-City Hall	12,000	12,000	12,448	448	12,933
Water & Sewer-City Hall	3,500	3,500	5,258	1,758	5,738
Natural Gas-City Hall	3,000	3,000	4,188	1,188	2,346
Building Security	350	350	252	(98)	298
Maint & Repair (Bldg)	8,000	8,000	7,164	(836)	30,730
Maint & Repair	100	100	0	(100)	100
Miscellaneous	700	700	64	(636)	30

CITY OF ANNANDALE, MINNESOTA

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

For the Year Ended December 31, 2021

(With Comparative Amounts for the Year Ended December 31, 2020)

	Budget		2021 Actual Amounts	Over (Under) Final Budget	2020 Actual Amounts
	Original	Final			
<b>Current Expenditures (Continued):</b>					
General Government:					
Government Building:					
Wages (P/T) - PW Crew Time	\$ 4,094	\$ 4,094	\$ 4,123	\$ 29	\$ 4,327
Wages (O/T) - PW Crew Time	406	406	15	(391)	0
On Call-Public Works	78	78	278	200	0
Pera - Public Works	343	343	330	(13)	324
Fica - Public Works	284	284	249	(35)	247
Medicare - Public Works	65	65	58	(7)	58
Insurance Benefits - PW Crew	972	972	953	(19)	852
Elections:					
Other Supplies	0	0	0	0	1,927
Payroll Expense-Elect Judge	0	0	0	0	4,418
Printing and Publishing	0	0	0	0	126
Maint Contract (Voting Machine)	400	400	376	(24)	378
Finance:					
Wages (F/T)	155,309	155,309	134,034	(21,275)	109,245
Overtime (F/T)	500	500	606	106	0
Salaries (P/T)	12,545	12,545	0	(12,545)	0
Pera	12,589	12,589	10,785	(1,804)	8,181
Fica	10,407	10,407	8,382	(2,025)	6,669
Medicare	2,384	2,384	1,960	(424)	1,572
Insurance Benefits	16,874	16,874	16,551	(323)	9,760
Worker's Compensation	3,400	3,400	3,269	(131)	3,157
Office Supplies	3,500	3,500	4,522	1,022	3,919
Other Supplies	700	700	844	144	2,337
Professional Services	1,220	1,220	1,578	358	1,172
Engineering Fees	2,000	2,000	10,681	8,681	18,113
Legal Expenses	7,000	7,000	15,069	8,069	6,979
Other Consultant	4,000	4,000	508	(3,492)	0
Payroll Expense	660	660	812	152	0
Telephone/Internet	5,000	5,000	5,762	762	4,940
Postage	3,200	3,200	3,302	102	3,968
Travel/Training	5,000	5,000	4,354	(646)	258
Printing And Publishing	1,500	1,500	1,105	(395)	2,299
Comp Insurance	1,385	1,385	1,317	(68)	1,311
Maint. & Repair (Equipment)	0	0	491	491	0
Maint. Contract-Copier	3,200	3,200	1,583	(1,617)	3,830
Maint Contract-Software	3,600	3,600	5,473	1,873	3,736
Maintenance - Technology	1,800	1,800	4,549	2,749	3,996
Postage Meter Rent	450	450	1,094	644	621
Cash Short	0	0	0	0	(1)
Dues and Subscriptions	800	800	874	74	453
Miscellaneous	500	500	3,169	2,669	190
Credit Card Fees	700	700	1,071	371	721
Sales Tax	0	0	1,593	1,593	1,060

CITY OF ANNANDALE, MINNESOTA

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

For the Year Ended December 31, 2021

(With Comparative Amounts for the Year Ended December 31, 2020)

	Budget		2021 Actual Amounts	Over (Under) Final Budget	2020 Actual Amounts
	Original	Final			
<b>Current Expenditures (Continued):</b>					
General Government:					
Planning & Zoning:					
Professional Services	\$ 203	\$ 203	\$ 263	\$ 60	\$ 195
Engineering Fees	250	250	(17,758)	(18,008)	39,260
Legal Fees	780	780	2,565	1,785	76
Other Consultant	1,500	1,500	5,718	4,218	5,381
Recording Fee Variance & Sups	200	200	0	(200)	0
Postage	180	180	182	2	210
Training/Travel	250	250	0	(250)	0
Printing & Publishing	200	200	358	158	124
Miscellaneous	50	50	53	3	11
Salaries (P/T) - P & Z	1,320	1,320	1,220	(100)	900
Fica - P & Z	82	82	76	(6)	56
Medicare - P & Z	19	19	18	(1)	13
Worker's Compensation	2,200	2,200	1,865	(335)	1,961
Engineering Fees	0	0	54,349	54,349	0
Legal Fees	0	0	361	361	0
Other Consultant	0	0	1,463	1,463	0
Assessor:					
Assessors' Fees	22,750	22,750	21,900	(850)	20,502
Printing and Publishing	0	0	0	0	150
Deputy Registrar:					
Salary (F/T)	60,296	60,296	67,112	6,816	115,047
Overtime (F/T)	500	500	2,163	1,663	0
Salaries (P/T)	67,402	67,402	55,402	(12,000)	0
Pera	9,615	9,615	9,498	(117)	8,623
Fica	7,948	7,948	8,049	101	7,111
Medicare	1,820	1,820	1,901	81	1,663
Insurance Benefits	1,099	1,099	4,486	3,387	170
Worker's Compensation	3,100	3,100	3,269	169	3,157
Office Supplies	1,000	1,000	1,405	405	522
Maps	200	200	0	(200)	0
DMV Manuals	400	400	593	193	0
Professional Services	782	782	1,052	270	781
Payroll Expense	0	0	731	731	0
Telephone (Fax)	2,895	2,895	3,373	478	2,865
Postage	1,550	1,550	1,634	84	1,897
Travel/Training	100	100	422	322	0
Payroll Expense	570	570	0	(570)	0
Printing & Publishing	1,500	1,500	408	(1,092)	903
Comp Insurance	1,390	1,390	1,317	(73)	1,311
Maint. & Repair (Equipment)	100	100	364	264	0
Maint. Contract (Software)	200	200	40	(160)	0
Maint. Contract - Copier	0	0	2,454	2,454	88
Maintenance - Technology	150	150	2,816	2,666	852
Dues And Subscriptions	400	400	450	50	330
Miscellaneous	0	0	33	33	67
Total General Government	<u>535,194</u>	<u>535,194</u>	<u>573,628</u>	<u>38,434</u>	<u>524,482</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, 2021

(With Comparative Amounts for the Year Ended December 31, 2020)

	Budget		2021 Actual Amounts	Over (Under) Final Budget	2020 Actual Amounts
	Original	Final			
<b>Current Expenditures (Continued):</b>					
Public Safety:					
Police Department:					
Wages (F/T)	\$ 333,709	\$ 333,709	\$ 352,313	\$ 18,604	\$ 419,821
Overtime (F/T)	17,646	17,646	17,700	54	0
Salaries (P/T)	27,040	27,040	28,770	1,730	0
Salaries (P/T) - Secretary	39,353	39,353	42,517	3,164	0
Pera	69,927	69,927	74,809	4,882	64,228
Fica	2,440	2,440	2,726	286	5,147
Medicare	5,932	5,932	6,041	109	5,754
Insurance Benefits	69,616	69,616	74,104	4,488	56,639
Worker's Compensation	27,000	27,000	26,256	(744)	24,936
Office Supplies	2,500	2,500	1,673	(827)	1,645
Operating Supplies	1,300	1,300	1,720	420	2,616
Range Training Supplies	1,500	1,500	572	(928)	1,152
Motor Fuels-Police Dept	13,200	13,200	13,868	668	8,681
Clothing/Uniforms	5,000	5,000	3,695	(1,305)	2,078
Vehicle Equipment	2,000	2,000	198	(1,802)	0
Police Equipment	3,000	3,000	3,738	738	9,300
Professional Services	3,458	3,458	4,471	1,013	3,319
Legal Fees (Prosecutions)	23,500	23,500	21,971	(1,529)	20,517
Personnel Testing & Recruit.	1,000	1,000	0	(1,000)	550
State Fee-Traffic Citations	800	800	0	(800)	0
Contracted Cleaning Service	1,620	1,620	2,058	438	1,617
Payroll Expense	2,060	2,060	2,843	783	0
Special Investigations	1,500	1,500	247	(1,253)	690
Veterinary Services	0	0	0	0	105
Narcotics Enforcement	600	600	56	(544)	0
Computer Data Access Line	250	250	0	(250)	0
Telephone/Internet	6,700	6,700	8,578	1,878	7,824
Postage	400	400	507	107	563
Radio Units	1,020	1,020	2,100	1,080	1,300
State Charges-BCA	1,080	1,080	810	(270)	1,350
Travel/Training	3,000	3,000	4,039	1,039	1,217
Vehicle License	600	600	177	(423)	217
Printing & Publishing	500	500	1,319	819	799
Comp Insurance	1,850	1,850	2,119	269	1,758
Vehicle Insurance	1,800	1,800	4,795	2,995	4,601
Maint & Repair (Equip)	500	500	68	(432)	312
Maint. Contract Software	3,800	3,800	2,664	(1,136)	2,573
Maint Contract-Copier	250	250	360	110	1,329
Maint & Repair (Technology)	3,500	3,500	3,988	488	3,618
Maint & Repair (Vehicle)	7,400	7,400	5,445	(1,955)	6,780
Postage Meter Rent	0	0	0	0	35
Dues & Subscriptions	1,000	1,000	1,422	422	3,343
Towing Charges	200	200	540	340	335
Miscellaneous	400	400	250	(150)	48
Community Policing Events	200	200	15	(185)	1,134
Sales Tax	0	0	4	4	2

CITY OF ANNANDALE, MINNESOTA

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

For the Year Ended December 31, 2021

(With Comparative Amounts for the Year Ended December 31, 2020)

	Budget		2021 Actual Amounts	Over (Under) Final Budget	2020 Actual Amounts
	Original	Final			
<b>Current Expenditures (Continued):</b>					
Public Safety:					
Fire Department:					
Fire Relief Association	\$ 45,000	\$ 45,000	\$ 56,319	\$ 11,319	\$ 53,621
Fire Relief Assoc (Muni Contr)	3,000	3,000	3,000	0	3,000
Worker's Compensation	21,200	21,200	17,353	(3,847)	19,020
Office Supplies	750	750	486	(264)	667
Training Supplies	125	125	0	(125)	121
Other Supplies	2,000	2,000	2,878	878	5,114
Motor Fuels-Fire Dept	3,000	3,000	3,119	119	2,356
Clothing	10,000	10,000	3,311	(6,689)	5,865
Maint & Repair Supplies	500	500	599	99	622
Equipment/Parts	500	500	0	(500)	91
Tools & Small Equipment	1,000	1,000	1,281	281	618
Professional Services	1,017	1,017	1,315	298	976
Legal Fees	100	100	0	(100)	228
Medical Fees	7,500	7,500	7,804	304	7,403
Personnel Testing & Recruit.	1,300	1,300	0	(1,300)	0
Contracted Cleaning Service	3,000	3,000	3,430	430	2,940
Payroll Expense	160	160	244	84	0
Telephone	2,400	2,400	2,304	(96)	2,258
Postage	400	400	433	33	420
Radio Units	5,000	5,000	7,423	2,423	7,397
Travel/Training	8,000	8,000	18,392	10,392	2,595
Vehicle License	100	100	61	(39)	39
Printing & Publishing	200	200	20	(180)	4,513
Comp Insurance	3,450	3,450	3,764	314	3,303
Vehicle Insurance	5,500	5,500	2,225	(3,275)	2,373
Electricity-Fire Dept	8,000	8,000	5,722	(2,278)	5,404
Water & Sewer-Fire Dept	2,000	2,000	1,338	(662)	1,073
Natural Gas-Fire Dept	4,000	4,000	6,004	2,004	4,051
Maint & Repair (Bldg)	7,000	7,000	5,030	(1,970)	30,321
Maint & Repair (Equip)	1,000	1,000	4,100	3,100	1,778
Maint. Contract (Software)	700	700	930	230	995
Maint Contract-Air Compressor	0	0	0	0	775
Maint. Contract - Copier	100	100	0	(100)	0
Maint & Repair (Vehicle)	18,000	18,000	19,849	1,849	15,025
Dues & Subscriptions	700	700	1,236	536	1,483
Miscellaneous	500	500	822	322	60
Salaries (P/T) - Fire Dept	43,000	43,000	44,075	1,075	34,827
Fica - Fire Dept	2,542	2,542	3,151	609	2,159
Medicare - Fire Dept	582	582	939	357	505
Wages (F/T) - PW Crew Time	5,653	5,653	5,827	174	5,898
Wages (O/T) - PW Crew Time	267	267	48	(219)	0
On Call-Public Works	45	45	179	134	0
Pera - Public Works	447	447	454	7	442
Fica - Public Works	370	370	403	33	351
Medicare - Public Works	85	85	94	9	82
Insurance Benefits - PW	918	918	929	11	859

CITY OF ANNANDALE, MINNESOTA

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES  
 IN FUND BALANCE - BUDGET AND ACTUAL - GENERAL FUND  
 For the Year Ended December 31, 2021  
 (With Comparative Amounts for the Year Ended December 31, 2020)

	Budget		2021 Actual Amounts	Over (Under) Final Budget	2020 Actual Amounts
	Original	Final			
<b>Current Expenditures (Continued):</b>					
Public Safety:					
Building Inspector:					
Professional Services	\$ 407	\$ 407	\$ 526	\$ 119	\$ 391
Inspector's Fees	20,000	20,000	30,405	10,405	27,848
Payroll Expense	150	150	162	12	0
State Surcharge Tax	1,500	1,500	592	(908)	6,118
Salary (F/T) - PW/Admin	23,427	23,427	27,659	4,232	24,294
Overtime (F/T) - PW/Admin	200	200	13	(187)	0
Salaries (P/T) Legislative	7,527	7,527	0	(7,527)	0
Pera	2,337	2,337	2,185	(152)	1,813
Fica	1,932	1,932	1,801	(131)	1,497
Medicare	442	442	421	(21)	351
Insurance Benefits	4,382	4,382	2,610	(1,772)	2,747
Civil Defense:					
Maint. & Repair Equip	400	400	0	(400)	0
Animal Control:					
Other Supplies	150	150	154	4	0
Veterinary Services	400	400	0	(400)	0
Total Public Safety	<u>974,516</u>	<u>974,516</u>	<u>1,024,965</u>	<u>50,449</u>	<u>964,620</u>
Public Works:					
Public Works:					
Salaries (F/T)	80,321	80,321	77,397	(2,924)	82,835
Overtime (F/T)	7,452	7,452	470	(6,982)	0
On Call-Public Works	1,505	1,505	8,511	7,006	0
Pera - Public Works	6,696	6,696	6,770	74	6,205
Fica - Public Works	5,535	5,535	5,107	(428)	5,136
Medicare - Public Works	1,268	1,268	1,196	(72)	1,201
Insurance Benefits - PW	19,091	19,091	19,832	741	16,260
Worker's Compensation	2,200	2,200	1,859	(341)	1,929
Office Supplies	500	500	85	(415)	91
Operatiing Supplies	8,000	8,000	9,427	1,427	8,063
Motor Fuels-Public Works	15,000	15,000	15,563	563	8,028
Clothing	800	800	200	(600)	150
Maint & Repair Supplies	3,000	3,000	1,099	(1,901)	2,113
Tools & Small Equipment	1,173	1,173	1,385	212	518
Professional Services	1,220	1,220	1,578	358	0
Engineering Fees	0	0	539	539	0
Payroll Expense	440	440	569	129	0
Compost Site Expense	8,000	8,000	1,465	(6,535)	8,443
Telephone	2,050	2,050	3,470	1,420	6,592
Postage	115	115	130	15	404
Radio Units/Cell Phones	2,500	2,500	3,579	1,079	455
Travel/Training	2,000	2,000	733	(1,267)	1,560
Vehicle Licenses	250	250	21	(229)	19
Printing & Publishing	300	300	21	(279)	0
Comp Insurance	4,710	4,710	5,033	323	4,481
Vehicle Insurance	1,000	1,000	632	(368)	661

CITY OF ANNANDALE, MINNESOTA

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

For the Year Ended December 31, 2021

(With Comparative Amounts for the Year Ended December 31, 2020)

	Budget		2021 Actual Amounts	Over (Under) Final Budget	2020 Actual Amounts
	Original	Final			
<b>Current Expenditures (Continued):</b>					
Public Works:					
Public Works:					
Insurance Claims	\$ 250	\$ 250	\$ 0	\$ (250)	\$ 1,904
Electricity	0	0	0	0	3,179
Water & Sewer-Public Works	2,300	2,300	1,470	(830)	2,373
Natural Gas-Public Works	500	500	904	404	612
Maint & Repair (Bldg)	1,500	1,500	2,131	631	6,365
Maint & Repair (Equip)	4,000	4,000	4,776	776	3,985
Maint Contract Copier	150	150	303	153	142
Maint. & Repair (Technology)	200	200	69	(131)	0
Maint & Repair (Vehicle)	2,500	2,500	602	(1,898)	188
Uniform Rental-Public Works	1,400	1,400	1,257	(143)	1,428
Miscellaneous	100	100	21	(79)	324
Salaries (P/T) Seasonal	3,744	3,744	187	(3,557)	186
Fica - Seasonal	241	241	40	(201)	12
Medicare - Seasonal	55	55	9	(46)	3
Streets:					
Salary (F/T)	81,077	81,077	79,411	(1,666)	83,937
Overtime (F/T)	7,930	7,930	458	(7,472)	0
Salaries (P/T)	0	0	200	200	0
On Call-Public Works	1,461	1,461	5,830	4,369	0
Pera	6,785	6,785	6,687	(98)	6,289
Fica	5,609	5,609	5,049	(560)	5,204
Medicare	1,285	1,285	1,182	(103)	1,217
Insurance Benefits	18,581	18,581	18,738	157	15,967
Worker's Compensation	2,200	2,200	1,832	(368)	1,929
Other Supplies	200	200	453	253	286
Motor Fuels-Streets	4,500	4,500	3,872	(628)	8,848
Street Maint. Materials	19,000	19,000	15,689	(3,311)	36,715
Signage Materials	4,000	4,000	2,059	(1,941)	3,060
Small Tools	500	500	737	237	763
Professional Services	1,220	1,220	1,578	358	1,172
Engineering Fees	5,000	5,000	27,395	22,395	0
Snow Removal Contractor	1,500	1,500	420	(1,080)	2,565
Payroll Expense	440	440	569	129	0
Comp Insurance	5,100	5,100	5,166	66	4,948
Vehicle Insurance	1,600	1,600	1,294	(306)	1,353
Electricity (Street Lights)	53,000	53,000	41,867	(11,133)	39,753
Maint & Repair (Streets)	6,500	6,500	5,261	(1,239)	10,518
Maint & Repair (Equip)	12,000	12,000	13,612	1,612	23,602
Maint. & Repair (Ditches)	6,000	6,000	200	(5,800)	0
Maint & Repair (Str. Lights)	2,500	2,500	1,056	(1,444)	3,119
RR Crossing	0	0	150	150	0
Miscellaneous	0	0	0	0	23
Total Public Works	<u>440,054</u>	<u>440,054</u>	<u>419,205</u>	<u>(20,849)</u>	<u>427,113</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, 2021

(With Comparative Amounts for the Year Ended December 31, 2020)

	Budget		2021 Actual Amounts	Over (Under) Final Budget	2020 Actual Amounts
	Original	Final			
<b>Current Expenditures (Continued):</b>					
Parks and Recreation:					
Parks Commission:					
Salaries (P/T) - Parks Comm	\$ 1,320	\$ 1,320	\$ 1,170	\$ (150)	\$ 1,100
Fica - Park Commission	82	82	73	(9)	68
Medicare - Park Commission	19	19	17	(2)	16
Worker's Compensation	2,200	2,200	1,864	(336)	1,961
Professional Services	203	203	263	60	195
Engineering Fees	100	100	0	(100)	0
Legal Fees	100	100	0	(100)	0
Postage	170	170	182	12	210
Miscellaneous	150	150	0	(150)	0
Parks Department:					
Salary (F/T)	23,630	23,630	22,655	(975)	24,391
Wages (O/T) - PW Crew Time	2,030	2,030	103	(1,927)	0
On Call-Public Works	390	390	1,433	1,043	0
Pera - Public Works	1,954	1,954	1,897	(57)	1,827
Fica - Public Works	1,615	1,615	1,452	(163)	1,512
Medicare - Public Works	370	370	340	(30)	354
Insurance Benefits - PW	5,222	5,222	5,149	(73)	4,489
Worker's Compensation	3,025	3,025	1,999	(1,026)	2,796
Operating Supplies	3,000	3,000	4,763	1,763	661
Motor Fuels-Parks	5,000	5,000	5,524	524	2,204
Maint & Repair Supplies	1,500	1,500	1,656	156	156
Portable Stage Maint. & Repair	500	500	0	(500)	0
Tools and Small Equipment	0	0	101	101	0
Professional Services	610	610	789	179	586
Contracted Cleaning Service	0	0	5,120	5,120	0
Payroll Expense	160	160	244	84	0
Tree Removal	1,000	1,000	0	(1,000)	0
Comp Insurance	24,760	24,760	25,640	880	23,971
Electricity-Parks	9,000	9,000	6,259	(2,741)	2,264
Water & Sewer-Parks	4,500	4,500	8,895	4,395	5,087
Natural Gas-Parks	1,200	1,200	1,682	482	1,233
Maint & Repair (Bldgs)	4,500	4,500	3,010	(1,490)	1,422
Lake & Beach Maintenance	1,200	1,200	1,765	565	312
Maint & Repair (Equip)	2,000	2,000	2,538	538	1,295
Maint & Repair (Landscaping)	7,000	7,000	13,640	6,640	7,094
Portable Toilets (4th Of July)	4,500	4,500	5,805	1,305	1,907
Miscellaneous	100	100	106	6	21,178
Salaries (P/T)	7,488	7,488	388	(7,100)	242
Fica - Seasonal	482	482	40	(442)	15
Medicare - Seasonal	113	113	9	(104)	4

CITY OF ANNANDALE, MINNESOTA

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES  
 IN FUND BALANCE - BUDGET AND ACTUAL - GENERAL FUND  
 For the Year Ended December 31, 2021  
 (With Comparative Amounts for the Year Ended December 31, 2020)

	Budget		2021 Actual Amounts	Over (Under) Final Budget	2020 Actual Amounts
	Original	Final			
<b>Current Expenditures (Continued):</b>					
Parks and Recreation:					
Library:					
Contracted Cleaning Service	\$ 4,440	\$ 4,440	\$ 5,660	\$ 1,220	\$ 4,212
Comp Insurance	835	835	940	105	811
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	345	(655)	594
Wages (F/T) PW Crew Time	4,094	4,094	4,113	19	4,327
Wages (O/T) - PW Crew Time	406	406	17	(389)	0
On Call-Public Works	78	78	287	209	0
Pera - Public Works	343	343	330	(13)	324
Fica - Public Works	284	284	249	(35)	247
Medicare - Public Works	65	65	58	(7)	58
Insurance Benefits - PW	972	972	953	(19)	851
Total Parks and Recreation	<u>137,535</u>	<u>137,535</u>	<u>143,348</u>	<u>5,813</u>	<u>123,799</u>
<b>Capital Outlay:</b>					
General Government	2,600	2,600	7,440	4,840	63,311
Public Safety	1,500	1,500	1,262	(238)	65,726
Public Works	0	0	0	0	30,391
Park and Recreation	0	0	4,216	4,216	0
Total Capital Outlay	<u>4,100</u>	<u>4,100</u>	<u>12,918</u>	<u>8,818</u>	<u>159,428</u>
Total Expenditures	<u>2,091,399</u>	<u>2,091,399</u>	<u>2,174,064</u>	<u>82,665</u>	<u>2,199,442</u>
Excess of Revenues Over (Under) Expenditures	<u>227,532</u>	<u>227,532</u>	<u>571,035</u>	<u>343,503</u>	<u>445,997</u>
<b>Other Financing Sources (Uses):</b>					
Operating Transfers Out	<u>(265,900)</u>	<u>(265,900)</u>	<u>(226,900)</u>	<u>(39,000)</u>	<u>(361,626)</u>
Change in Fund Balance	<u>\$ (38,368)</u>	<u>\$ (38,368)</u>	344,135	<u>\$ 382,503</u>	84,371
Fund Balance - January 1			<u>2,210,609</u>		<u>2,126,238</u>
Fund Balance - December 31			<u>\$ 2,554,744</u>		<u>\$ 2,210,609</u>

THIS PAGE IS LEFT  
BLANK INTENTIONALLY

## CITY OF ANNANDALE, MINNESOTA

## SCHEDULE OF NET POSITION

## WATER FUND

December 31, 2021

(With Comparative Amounts For December 31, 2020)

	2021	2020
<b>ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</b>		
<b>Current Assets:</b>		
Cash and Investments	\$ 452,752	\$ 360,796
Accounts Receivable	53,593	48,552
Due from Other Governments	5,786	6,387
Prepaid Expense	9,829	10,690
Total Current Assets	521,960	426,425
<b>Noncurrent Assets:</b>		
Advance to Other Funds	73,700	88,700
Special Assessments	3,652	4,174
Capital Assets Not Being Depreciated	66,881	66,881
Other Capital Assets, Net of Depreciation	4,998,032	4,205,627
Total Noncurrent Assets	5,142,265	4,365,382
Total Assets	5,664,225	4,791,807
<b>Deferred Outflows of Resources:</b>		
Pension Plan Deferments	55,213	15,863
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	\$ 5,719,438	\$ 4,807,670
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION</b>		
<b>Current Liabilities:</b>		
Accrued Expenses	\$ 23,442	\$ 28,258
Due to Other Governments	0	642
Current Portion of Long-term Debt	250,000	244,000
Total Current Liabilities	273,442	272,900
<b>Long-Term Liabilities:</b>		
Revenue Note Payable, Net of Current Portion	844,000	1,094,000
Net Pension Liability	62,661	76,594
Total Liabilities	1,180,103	1,443,494
<b>Deferred Inflows of Resources:</b>		
Pension Plan Deferments	62,924	8,752
<b>Net Position:</b>		
Net Investment in Capital Assets	3,970,913	2,934,507
Unrestricted	505,498	420,917
Total Net Position	4,476,411	3,355,424
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION	\$ 5,719,438	\$ 4,807,670

CITY OF ANNANDALE, MINNESOTA

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

For the Year Ended December 31, 2021

(With Comparative Amounts For the Year Ended December 31, 2020)

	2021 Budget	2021 Actual	Over (Under) Budget	2020 Actual
<b>Operating Revenues:</b>				
Charges for Services	\$ 516,199	\$ 676,708	\$ 160,509	\$ 587,139
<b>Operating Expenses:</b>				
Personnel Services	159,674	144,938	(14,736)	136,938
Materials and Supplies	33,900	84,313	50,413	44,765
Professional Fees	3,894	8,686	4,792	12,069
Insurance	11,634	12,135	501	11,689
Utilities	35,000	38,844	3,844	43,099
Repairs and Maintenance	22,625	40,419	17,794	19,667
Contracted Services	6,400	1,598	(4,802)	2,229
Other Charges	9,500	13,541	4,041	12,770
Depreciation	0	172,080	172,080	181,989
Total Operating Expenses	<u>282,627</u>	<u>516,554</u>	<u>233,927</u>	<u>465,215</u>
Income (Loss) from Operations	233,572	160,154	(73,418)	121,924
<b>Nonoperating Revenues (Expenses):</b>				
Interest and Fiscal Charges	(560,542)	(22,243)	538,299	(28,228)
Reimbursements	25,879	17,495	(8,384)	25,670
Access Fees and Other Income	26,000	76,552	50,552	83,978
Investment Earnings	600	793	193	3,360
Total Nonoperating Revenues (Expenses)	<u>(508,063)</u>	<u>72,597</u>	<u>580,660</u>	<u>84,780</u>
Income Before Transfers and Other Items	(274,491)	232,751	507,242	206,704
<b>Transfers and Other Items</b>				
Capital Contributions	0	958,236	958,236	0
Transfers In	173,094	0	(173,094)	0
Transfers Out	0	(70,000)	(70,000)	(80,000)
Total Transfers and Other Items	<u>173,094</u>	<u>888,236</u>	<u>715,142</u>	<u>(80,000)</u>
Change in Net Position	<u>\$ (101,397)</u>	1,120,987	<u>\$ 1,222,384</u>	126,705
Net Position - January 1		<u>3,355,424</u>		<u>3,228,719</u>
Net Position - December 31		<u>\$ 4,476,411</u>		<u>\$ 3,355,424</u>

## CITY OF ANNANDALE, MINNESOTA

SCHEDULE OF NET POSITION  
SEWER FUND

December 31, 2021

(With Comparative Amounts For December 31, 2020)

	2021	2020
<b>ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</b>		
<b>Current Assets:</b>		
Cash and Investments	\$ 1,565	\$ 0
Accounts Receivable	109,099	104,556
Due from Other Governments	22,092	33,182
Prepaid Expense	13,001	14,761
Total Current Assets	<u>145,757</u>	<u>152,499</u>
<b>Noncurrent Assets:</b>		
Special Assessments	3,652	4,174
Restricted Cash	193,087	150,610
Equity Interest in Joint Venture	6,581,047	6,732,692
Capital Assets Not Being Depreciated	191,067	191,067
Other Capital Assets, Net of Depreciation	3,813,719	3,028,876
Total Noncurrent Assets	<u>10,782,572</u>	<u>10,107,419</u>
Total Assets	10,928,329	10,259,918
<b>Deferred Outflows of Resources:</b>		
Pension Plan Deferments	<u>81,483</u>	<u>26,727</u>
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	<u>\$ 11,009,812</u>	<u>\$ 10,286,645</u>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION</b>		
<b>Current Liabilities:</b>		
Accrued Expenses	\$ 110,257	\$ 122,693
Due to Other Governments	51,072	175,849
Due to Other Funds	276,500	360,498
Current Portion of Long-term Debt	1,004,000	983,000
Total Current Liabilities	<u>1,441,829</u>	<u>1,642,040</u>
<b>Long-Term Liabilities:</b>		
Revenue Note Payable, Net of Current Portion	4,306,000	5,310,000
Net Pension Liability	92,474	129,052
Total Liabilities	<u>5,840,303</u>	<u>7,081,092</u>
<b>Deferred Inflows of Resources:</b>		
Pension Plan Deferments	<u>92,862</u>	<u>14,746</u>
<b>Net Position:</b>		
Net Investment in Capital Assets	3,912,786	3,121,941
Restricted	193,087	150,610
Unrestricted	970,774	(81,744)
Total Net Position	<u>5,076,647</u>	<u>3,190,807</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION	<u>\$ 11,009,812</u>	<u>\$ 10,286,645</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, 2021

(With Comparative Amounts For the Year Ended December 31, 2020)

	2021 Budget	2021 Actual	Over (Under) Budget	2020 Actual
<b>Operating Revenues:</b>				
Charges for Services	\$ 1,024,722	\$ 1,179,770	\$ 155,048	\$ 1,071,792
<b>Operating Expenses:</b>				
Personnel Services	244,029	208,988	(35,041)	217,358
Materials and Supplies	8,000	13,083	5,083	7,373
Professional Fees	4,124	6,350	2,226	12,655
Insurance	10,734	10,586	(148)	10,281
Utilities	12,500	13,829	1,329	13,451
Repairs and Maintenance	21,325	19,446	(1,879)	17,420
Wastewater Commission Charges	728,000	621,257	(106,743)	864,912
Contracted Services	6,550	4,473	(2,077)	5,021
Other Charges	0	(37)	(37)	2,087
Depreciation	0	115,262	115,262	116,548
Total Operating Expenses	<u>1,035,262</u>	<u>1,013,237</u>	<u>(22,025)</u>	<u>1,267,106</u>
Income (Loss) from Operations	(10,540)	166,533	177,073	(195,314)
<b>Nonoperating Revenues (Expenses):</b>				
Interest and Fiscal Charges	(1,276,396)	(129,447)	1,146,949	(153,437)
Reimbursements	1,174,519	1,178,207	3,688	1,183,632
Access Fees and Other Income	40,700	70,609	29,909	194,912
Investment Earnings	600	1,726	1,126	2,336
Total Nonoperating Revenues (Expenses)	<u>(60,577)</u>	<u>1,121,095</u>	<u>1,181,672</u>	<u>1,227,443</u>
Income Before Transfers and Other Items	(71,117)	1,287,628	1,358,745	1,032,129
<b>Transfers and Other Items</b>				
Capital Contributions	0	893,857	893,857	0
Change in Equity Interest	0	(151,645)	(151,645)	(196,362)
Transfers In	22,500	0	(22,500)	0
Transfers Out	0	(144,000)	(144,000)	(149,000)
Total Transfers and Other Items	<u>22,500</u>	<u>598,212</u>	<u>575,712</u>	<u>(345,362)</u>
Change in Net Position	<u>\$ (48,617)</u>	1,885,840	<u>\$ 1,934,457</u>	686,767
Net Position - January 1		<u>3,190,807</u>		<u>2,504,040</u>
Net Position - December 31		<u>\$ 5,076,647</u>		<u>\$ 3,190,807</u>

## CITY OF ANNANDALE, MINNESOTA

SCHEDULE OF NET POSITION  
REFUSE FUND

December 31, 2021

(With Comparative Amounts For December 31, 2020)

	2021	2020
<b>ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</b>		
<b>Current Assets:</b>		
Cash and Investments	\$ 34,003	\$ 25,915
Accounts Receivable	23,145	23,104
Due from Other Governments	3,673	3,718
Prepaid Expense	1,204	1,430
Total Current Assets	<u>62,025</u>	<u>54,167</u>
<b>Noncurrent Assets:</b>		
Capital Assets Not Being Depreciated	20,000	20,000
Other Capital Assets, Net of Depreciation	592	930
Total Noncurrent Assets	<u>20,592</u>	<u>20,930</u>
Total Assets	82,617	75,097
<b>Deferred Outflows of Resources:</b>		
Pension Plan Deferments	<u>11,613</u>	<u>4,730</u>
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	<u>\$ 94,230</u>	<u>\$ 79,827</u>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION</b>		
<b>Current Liabilities:</b>		
Accrued Expenses	\$ 15,454	\$ 28,663
Due to Other Governments	0	1,091
Total Current Liabilities	<u>15,454</u>	<u>29,754</u>
<b>Long-Term Liabilities:</b>		
Net Pension Liability	<u>13,179</u>	<u>22,838</u>
Total Liabilities	<u>28,633</u>	<u>52,592</u>
<b>Deferred Inflows of Resources:</b>		
Pension Plan Deferments	<u>13,235</u>	<u>2,610</u>
<b>Net Position:</b>		
Net Investment in Capital Assets	20,592	20,930
Unrestricted	31,770	3,695
Total Net Position	<u>52,362</u>	<u>24,625</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION	<u>\$ 94,230</u>	<u>\$ 79,827</u>

CITY OF ANNANDALE, MINNESOTA

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

For the Year Ended December 31, 2021  
(With Comparative Amounts For the Year Ended December 31, 2020)

	2021 Budget	2021 Actual	Over (Under) Budget	2020 Actual
<b>Operating Revenues:</b>				
Charges for Services	\$ 199,557	\$ 211,281	\$ 11,724	\$ 193,204
<b>Operating Expenses:</b>				
Personnel Services	32,947	23,150	(9,797)	26,491
Materials and Supplies	4,000	2,275	(1,725)	3,557
Professional Fees	1,469	2,003	534	1,367
Repairs and Maintenance	2,000	1,746	(254)	2,226
Contracted Services	163,049	157,309	(5,740)	160,966
Other Charges	300	2,403	2,103	0
Depreciation	0	338	338	338
Total Operating Expenses	<u>203,765</u>	<u>189,224</u>	<u>(14,541)</u>	<u>194,945</u>
Income (Loss) from Operations	(4,208)	22,057	26,265	(1,741)
<b>Nonoperating Revenues (Expenses):</b>				
Access Fees and Other Income	7,000	5,680	(1,320)	6,146
Investment Earnings	0	0	0	232
Total Nonoperating Revenues (Expenses)	<u>7,000</u>	<u>5,680</u>	<u>(1,320)</u>	<u>6,378</u>
Change in Net Position	<u>\$ 2,792</u>	27,737	<u>\$ 24,945</u>	4,639
Net Position - January 1		<u>24,625</u>		<u>19,986</u>
Net Position - December 31		<u>\$ 52,362</u>		<u>\$ 24,625</u>

## CITY OF ANNANDALE, MINNESOTA

## SCHEDULE OF NET POSITION

## STORM WATER FUND

December 31, 2021

(With Comparative Amounts For December 31, 2020)

	<u>2021</u>	<u>2020</u>
<b>ASSETS</b>		
<b>Current Assets:</b>		
Cash and Investments	\$ 3,276	\$ 0
Accounts Receivable	4,608	4,737
<b>Noncurrent Assets:</b>		
Other Capital Assets, Net of Depreciation	<u>2,248,347</u>	<u>2,336,481</u>
<b>TOTAL ASSETS</b>	<u><u>\$ 2,256,231</u></u>	<u><u>\$ 2,341,218</u></u>
<b>LIABILITIES AND NET POSITION</b>		
<b>Current Liabilities:</b>		
Accrued Expenses	\$ 0	\$ 1,421
Due to Other Funds	17,718	22,917
Total Current Liabilities	<u>17,718</u>	<u>24,338</u>
<b>Net Position:</b>		
Net Investment in Capital Assets	2,248,346	2,336,480
Unrestricted	<u>(9,833)</u>	<u>(19,600)</u>
Total Net Position	<u>2,238,513</u>	<u>2,316,880</u>
<b>TOTAL LIABILITIES AND NET POSITION</b>	<u><u>\$ 2,256,231</u></u>	<u><u>\$ 2,341,218</u></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, 2021

(With Comparative Amounts For the Year Ended December 31, 2020)

	2021 Budget	2021 Actual	Over (Under) Budget	2020 Actual
<b>Operating Revenues:</b>				
Charges for Services	\$ 49,536	\$ 47,228	\$ (2,308)	\$ 46,042
<b>Operating Expenses:</b>				
Professional Fees	391	526	135	388
Repairs and Maintenance	0	2,820	2,820	670
Other Charges	0	0	0	1,075
Depreciation	0	88,134	88,134	88,134
Total Operating Expenses	<u>391</u>	<u>91,480</u>	<u>91,089</u>	<u>90,267</u>
Income (Loss) from Operations	49,145	(44,252)	(93,397)	(44,225)
<b>Nonoperating Revenues (Expenses):</b>				
Reimbursements	2,900	7,885	4,985	0
Investment Earnings	0	0	0	(77)
Total Nonoperating Revenues (Expenses)	<u>2,900</u>	<u>7,885</u>	<u>4,985</u>	<u>(77)</u>
Income (Loss) Before Transfers and Other Items	52,045	(36,367)	(88,412)	(44,302)
<b>Transfers and Other Items</b>				
Transfers Out	<u>(42,000)</u>	<u>(42,000)</u>	<u>0</u>	<u>(42,000)</u>
Change in Net Position	<u>\$ 10,045</u>	(78,367)	<u>\$ (88,412)</u>	(44,303)
Net Position - January 1		<u>2,316,880</u>		<u>2,403,183</u>
Net Position - December 31		<u>\$ 2,238,513</u>		<u>\$ 2,358,880</u>

## OTHER REQUIRED REPORTS



# Burkhardt & Burkhardt, Ltd.

Certified Public Accountants

Website: [www.bnbcpas.com](http://www.bnbcpas.com)

**Annandale Office:**  
35 Oak Ave. N, P.O. Box N  
Annandale, MN 55302  
P: 320.274.1040  
F: 320.274.2260

---

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

**Experienced...** Over 40 years combined experience

**Affordable...** Exceptional value for a reasonable price

**Friendly...** Family owned and run since 1990

## 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, 2021, and the related notes to the financial statements, and have issued our report thereon dated May 20, 2022.

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*. 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  
May 20, 2022

THIS PAGE IS LEFT  
BLANK INTENTIONALLY



# Burkhardt & Burkhardt, Ltd.

Certified Public Accountants

Website: [www.bnbcpas.com](http://www.bnbcpas.com)

**Annandale Office:**  
35 Oak Ave. N, P.O. Box N  
Annandale, MN 55302  
P: 320.274.1040  
F: 320.274.2260

**Experienced...** Over 40 years combined experience

**Affordable...** Exceptional value for a reasonable price

**Friendly...** Family owned and run since 1990

---

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

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, 2021, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated May 20, 2022.

## Report on Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and responses, which we consider to be significant deficiencies as items 2021-001 and 2021-002.

THIS PAGE IS LEFT  
BLANK INTENTIONALLY

### **Report on 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  
May 20, 2022

THIS PAGE IS LEFT  
BLANK INTENTIONALLY

CITY OF ANNANDALE, MINNESOTA

SCHEDULE OF FINDINGS AND RESPONSES ON  
LEGAL COMPLIANCE AND INTERNAL CONTROL  
December 31, 2021

**CURRENT YEAR FINANCIAL STATEMENT FINDINGS**

**Significant Deficiencies:**

**2021-001. Auditor Prepared Financial Statements and Related Footnotes**

- Condition:* The City does not have an internal control system designed to provide for the preparation of the financial statements and the related notes being audited. However, based on the degree of complexity and level of detail needed to prepare the financial statements in accordance with accounting principles generally accepted in the United States of America (GAAP), the City has requested the auditors to prepare them.
- Criteria* The preparation of the financial statements and the related notes are the responsibility of management.
- Cause:* There are a limited number of office employees and resources available to allow for the adequate preparation of the financial statements and the related notes by the City.
- Effect:* This could result in a material misstatement to the financial statements and related notes that would not be prevented or detected and corrected as a result of the City's current internal control.
- Recommendation:* The City should continue to request the assistance to draft the financial statements and related notes and thoroughly review these financial statements after they have been prepared so the City can take responsibility for them.

Corrective Action Plan (CAP)

- A. *Explanation of Disagreement with Audit Finding:* There is no disagreement with the audit finding.
- B. *Actions Planned in response to Finding:* The City does not plan to take any action but is aware of the condition. Based on the cost of correcting this deficiency, the City has decided to accept the risk associated with this deficiency.
- C. *Official Responsible for Ensuring CAP:* The City Administrator will review the financial statements and related footnotes and approve them.
- D. *Planned Completion Date for CAP:* The corrective action plan for this finding will be completed by December 31, 2022.
- E. *Plan to Monitor Completion of CAP:* The City Council will monitor this corrective action plan to review the recommendations and take appropriate action.

**2021-002. Segregation of Duties**

- Condition:* There is an absence of appropriate segregation of duties consistent with appropriate control objectives due to a limited number of employees.
- Criteria* The basic premise is that no one person should have access to both physical assets and the related accounting records or to all phases of a transaction. The lack of such controls could result in the occurrence of a material error or fraud in relation to the financial statements not being detected by management.
- Cause:* The City has assigned duties to staff based on a cost-benefit relationship to the City and the practicality of the level of staffing the City maintains.
- Effect:* The lack of adequate segregation of duties could adversely affect the City's ability to initiate, record, process, and report financial data consistent with the assertions of management in the financial statements.
- Recommendation:* The City should continue to monitor and evaluate the job responsibilities assigned to staff to determine whether there is an unacceptable risk.

CITY OF ANNANDALE, MINNESOTA

SCHEDULE OF FINDINGS AND RESPONSES ON  
LEGAL COMPLIANCE AND INTERNAL CONTROL  
December 31, 2021

**2021-002. Segregation of Duties – (Continued)**

Corrective Action Plan (CAP)

- A. *Explanation of Disagreement with Audit Finding:* There is no disagreement with the audit finding.
- B. *Actions Planned in response to Finding:* The City is aware of the limited segregation of duties and will continue to review internal controls and make changes when they can be made.
- C. *Official Responsible for Ensuring CAP:* The City Administrator will monitor the effectiveness of the above actions and make changes as considered appropriate.
- D. *Planned Completion Date for CAP:* The corrective action plan for this finding will be completed by December 31, 2022.
- 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 three findings:

**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.

*Current status:* This condition was corrected during the current year audit of the financial statements.

**2020-002. 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.

**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.

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

**CURRENT YEAR MINNESOTA LEGAL COMPLIANCE FINDINGS**

None