

CITY OF NORTH MANKATO  
NORTH MANKATO, MINNESOTA

COMPREHENSIVE ANNUAL  
FINANCIAL REPORT

FOR THE YEAR ENDED  
DECEMBER 31, 2020

PREPARED BY:

FINANCE DEPARTMENT

KEVIN MCCANN  
Finance Director

Member GFOA of U.S. and Canada  
Published June 17, 2021

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INTRODUCTORY SECTION

CITY OF NORTH MANKATO  
NORTH MANKATO, MINNESOTA

FOR THE YEAR ENDED  
DECEMBER 31, 2020

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June 17, 2021

Honorable Mayor  
Members of the City Council  
City of North Mankato  
North Mankato, Minnesota 56003

State law requires that all general purpose local governments publish within six months of the close of each fiscal year a complete set of financial statements presented in conformance with Generally Accepted Accounting Principles (GAAP) and audited in accordance with Generally Accepted Auditing Standards (GAAS) by a firm of licensed certified public accountants. Pursuant to that requirement, we hereby issue the comprehensive annual financial report of the City of North Mankato (the City) for the fiscal year ended December 31, 2020.

The report consists of management's representations concerning the finances of the City. Consequently, management assumes full responsibility for the completeness and reliability of all the information presented in this report. As management, we assert that, to the best of our knowledge and belief, this financial report is complete and reliable in all material aspects.

The City's financial statements have been audited by Abdo, Eick & Meyers, LLP, a licensed certified public accounting firm. The goal of the independent audit was to provide reasonable assurance that the financial statements of the City for the fiscal year ended December 31, 2020 are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosure in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. The independent auditor concluded, based upon the audit, that there was a reasonable basis for rendering an unmodified opinion that the City's financial statements for the fiscal year ended December 31, 2020 are fairly presented in conformity with GAAP. The independent auditor's report is presented as the first component of the financial section of this report.

GAAP require that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement MD & A and should be read in conjunction with it. The City's MD&A can be found immediately following the report of the independent auditors.

## **Profile of the Government**

The City of North Mankato is a city of the third class and is located in Nicollet County. Nestled along the bluffs at the bend of the Minnesota River in south-central Minnesota, it is approximately 80 miles southwest of the Minneapolis / Saint Paul metropolitan area. Access is provided via U.S. Highways 14 and 169, State Highways 22, 60, 66 and 68, and Interstate I-35 and I-90 are located within 40 and 50 miles of the City, respectively. There are 28 truck lines servicing the City with six truck terminals in the City. The Dakota Minnesota and Eastern Railroad Co. and Union Pacific Railroad provide daily freight rail service to the area through a connection in Mankato. The City is also serviced by the Mankato Regional Airport which can accommodate charter, commercial freight, and jet planes with a 6,600-foot paved, lighted runway. The City currently occupies a land area of four-square miles and has a population of 14,114. The City is empowered to levy a property tax on real property located within its corporate limits.

The City was incorporated in 1898 and has been a Statutory City since 1974. The City operates under the Optional Plan A form of government. Policy making and legislative authority is vested in a governing council consisting of the Mayor and four Council Members. The Mayor and City Council are responsible, among other things, for passing ordinances, adopting the budget, appointing committees, and hiring the City Administrator. The City Administrator is responsible for carrying out the policies and ordinances of the City Council, for overseeing the day-to-day operations of the government, and for appointing the heads of various departments. The Mayor and Council are elected on a non-partisan basis. Council Members serve four-year staggered terms. The Mayor is elected to serve a two-year term.

The 2010 U.S. Census designated the Mankato/North Mankato region as an urbanized area (metropolitan statistical area-MSA). Designation as an MSA is beneficial, positively having an impact on quality of life and the economy, including increased funding for transportation and economic development.

The City provides a full range of services, including police and fire protection, the construction and maintenance of highways, streets and other infrastructure, and recreational services, along with water, sewer, recycling, storm water and solid waste utility services. North Mankato features several City parks for recreational activities among which is Caswell Park, one of the premier softball complexes in the nation. This facility has a substantial pedigree of hosting community, state, regional and national, and international tournaments and features the Miracle Field for special needs athletes.

The annual budget serves as the foundation for the City's financial planning and control. The City Administrator presents the proposed budget to the Council for review prior to September 30. The Council will hold a public hearing on the proposed budget and adopt a final budget by no later than December 31, the close of the City's fiscal year. The appropriated budget is prepared by fund, function, and departmental program. Budget to actual comparisons are provided for each individual governmental fund for which an appropriated annual budget has been adopted.

## **Factors Affecting Financial Condition**

The information presented in the financial statements is best understood when it is considered from the broader perspective of the specific environment within which the City operates.

## **Local Economy**

The City currently enjoys a favorable economic environment and local indicators point to continued growth. The unemployment rate is 4.1 percent which represents an increase from the previous year rate of 2.6 percent which stems from the COVID-19 Pandemic. The Mankato/North Mankato area is a regional center for retail trade, agriculture, medical care, manufacturing, and education. The area is home to Minnesota State University-Mankato, South Central College, Bethany College and Rasmussen College.

The Mankato-North Mankato Metropolitan Statistical Area (MSA) has a total labor force of 60,400 which is projected to grow in several important areas. The 15–24-year-old group (the “talent pipeline”) is expected to grow by 30% from 2015 to 2030. While the nation has growing concerns around the supply of “experienced peak performers” (45–64-year-olds) - only 5.4% growth over the next 25 years - our MSA is projected to have 15.5% growth over the same time period.

The City continues to experience residential growth with permits issued in 2020 for 18 single family homes, two townhouse buildings totaling 19 units, and four, four-unit apartment buildings totaling 16 units at a total value of \$11,285,700. The market value of all new and remodeled residential, commercial, and industrial permits in fiscal year 2020 was \$31,441,265. The residential development continues to take advantage of existing inventory and new or expanded subdivisions and much of the industrial growth comes from firms locating to the North Port Industrial Park owned by the North Mankato Port Authority, the economic development agency of the City.

## **Long-Term Financial Planning**

The preparation of the annual budget includes a Five-Year Operating Forecasts, a Five-Year Capital Improvement Plan, a yearly equipment replacement schedule and long-term projections of debt service requirements.

In 2013, the City Council elected to conduct a debt study to analyze existing debt obligations with estimated revenues. This was prompted by declining revenue from projects funded with special assessments resulting in interfund loans to the Debt Service funds from the General fund, Water Utility fund and Sewer Utility fund in the amount of \$2,772,624 at the end of fiscal year 2013. Based on a repayment schedule adopted by the City Council these loans continue to be repaid each year and at the end of fiscal year 2020 the outstanding balance was \$582,184. Complete payment of this interfund loan will be made in 2023.

## **New and Major Developments**

- Development of a 18,000 square foot warehouse addition to the Creative Companies
- A new 68 room hotel began construction
- A new major redevelopment project in the central business district comprised of a bank began construction
- Residential development consisting of 26 new single family lots in the Reserve/Landing Phases 3 and 4 and 46 lots in the Waters North #1.

## **2020 Five-Year Capital Improvement Plan Projects**

2020 Monroe Ave. Project - This project consists of complete reconstruction of water, sewer, and storm water utilities, curb, gutter, and street surfaces along Monroe Ave. from Range St. to Center St. at a cost of \$1,200,000. The project was financed using State-Aid transit dollars and the balance using general obligation bonds and paid from special assessments and the property tax levy.

2020 Dakota Meadows Safe Routes to School Project - This project consists of the installation of a new trail from Howard Dr. to Carlson Dr. and street surface improvements along Howard Dr. from approximately Lor Ray Dr. to Lookout Dr. at a cost of \$1,210,000. The project was financed using State-Aid transit dollars and the balance using general obligation bonds and paid from special assessments and the property tax levy.

2020 Countryside Dr. Project - This project consists of completing the road from a standard county road design to complete city street design with curb, gutter, sidewalks, and street surfaces and the extension of water, sewer, and storm water utilities into the adjacent streets of the Waters North Subdivision at a cost of \$2,125,000. The project will be financed using general obligation bonds and paid from special assessments and the property tax levy.

2021 Harrison Ave. Project - This project is in the early design phase in 2020 for the complete reconstruction of water, sewer, and storm water utilities, curb, gutter, and street surfaces along Harrison Ave. from Range St. to Cross St. at a cost of \$663,500 in the summer of 2021. The project will be financed using general obligation bonds and paid from special assessments and the property tax levy.

2021 Cliff Court. Project - This project is in the early design phase in 2020 for the complete reconstruction of water, sewer, and storm water utilities, curb, gutter, and street surfaces along Cliff Court from Cliff Dr. to the end of Cliff Court. at a cost of \$732,100 in the summer of 2021. The project will be financed using general obligation bonds and paid from special assessments and the property tax levy.

2021 Caswell Park Phase 1 Improvements - This project is in the early design phase in 2020 for various improvements to Caswell Park, Caswell North, and designs for the Caswell Indoor Rec Facility. The improvements consist of fencing, lighting, concessions, dugouts, and other improvements at a cost of \$2,650,000 at Caswell Park; artificial turf and lighting at a cost of \$1,850,000 at Caswell North; and Caswell Indoor Rec design at a cost of \$500,000; for a total of \$5,000,000. This work is to be done in the fall of 2021. The project will be financed using State bonding dollars and the balance using general obligation sales tax bonds.

## **Equipment**

The Five-Year Capital Improvement Plan calls for the replacement of \$2.4 million dollars of equipment to be funded with cash contributions from the City's General fund, Capital Facilities and Equipment Replacement fund, and utility funds.

## Internal Accounting Controls

In developing and evaluating the City's accounting system, consideration is given to the adequacy of internal accounting control. Internal accounting controls are designed to provide reasonable, but not absolute, assurance regarding:

1. The safeguarding of assets against loss from unauthorized use or disposition, and;
2. The reliability of financial records for preparing financial statements and maintaining accountability for assets.
3. The concept of reasonable assurance recognizes that:
4. Cost of the control should not exceed the benefits likely to be derived, and;
5. Evaluation of costs and benefits requires estimates and judgment by management.

The City has placed an emphasis on and continually evaluates its system of internal accounting controls to assure its citizens that we adequately safeguard assets and provide reasonable assurance of proper recording of financial transactions.

## Relevant Financial Policies

The Mayor and City Council Members continue to evaluate the level of reserves of the City with their desire to minimize property tax increases while still maintaining service levels and infrastructure renewal and replacement. The City has established financial policies for use as a guideline during the budget process. The City employs a conservative approach in making ongoing revenue assumptions by utilizing growth patterns and knowledge of planned growth in the tax base.

## Awards and Acknowledgements

The Government Finance Officers Association (GFOA) awarded the Certificate of Achievement for Excellence in Financial Reporting to the City of North Mankato for its comprehensive annual financial report (CAFR) for the fiscal year ended December 31, 2019. This was the thirty-third (33<sup>rd</sup>) year that the City has received the prestigious award. In order to be awarded a Certificate of Achievement, the City published an easily readable and efficiently organized CAFR. This report satisfied both GAAP and applicable requirements.

A Certificate of Achievement is valid for a period of one year only. We believe that our current CAFR continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

Respectfully submitted,



John Harrenstein  
City Administrator



Kevin McCann  
Finance Director

City of North Mankato, Minnesota  
Principal City Officials  
For the Year Ended December 31, 2020

**MAYOR:** *Mark Dehen*

**COUNCIL MEMBERS:** *Diane Norland  
Jim Whitlock  
Billy Steiner  
Sandra Oachs*

**CITY ADMINISTRATOR:** *John Harrenstein*

**FINANCE DIRECTOR:** *Kevin McCann*

**CITY CLERK:** *April Van Genderen*

**POLICE CHIEF:** *Ross Gullickson*

**FIRE CHIEF:** *Dan Giefer*

**PUBLIC WORKS DIRECTOR:** *Nate Host*

**WATER SUPERINTENDENT:** *Duane Rader*

**BUILDING OFFICIAL:** *Larry Wasmund*

**LIBRARY DIRECTOR:** *Katie Heintz*

**CITY PLANNER:** *Mike Fischer*

**CITY ATTORNEY:** *Kennedy and Kennedy*

**CONSULTING ENGINEER:** *Bolton & Menk*

**AUDITOR:** *Abdo, Eick & Meyers, LLP*

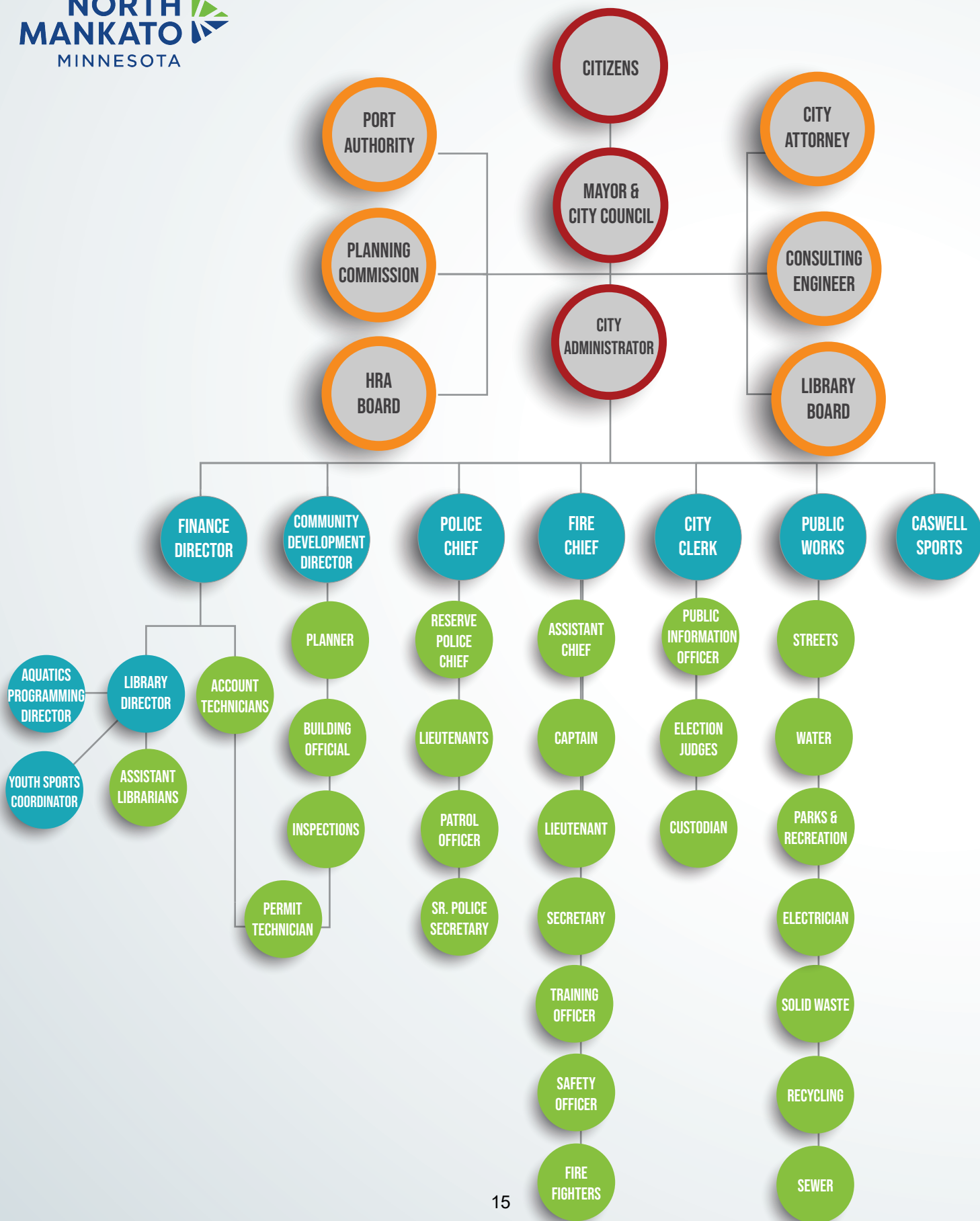
**BOND COUNSEL:** *Taft Stettinius & Hollister, LLP and Kennedy & Graven, Chtd.*

**FINANCIAL ADVISOR:** *Northland Securities, Inc.*

**PORT AUTHORITY BOND COUNSEL:** *Taft Stettinius & Hollister, LLP and Kennedy & Graven, Chtd.*

# CITY OF NORTH MANKATO

## ORGANIZATION CHART





Government Finance Officers Association

Certificate of  
Achievement  
for Excellence  
in Financial  
Reporting

Presented to

**City of North Mankato  
Minnesota**

For its Comprehensive Annual  
Financial Report  
For the Fiscal Year Ended

December 31, 2019

*Christopher P. Morill*

Executive Director/CEO



FINANCIAL SECTION

CITY OF NORTH MANKATO  
NORTH MANKATO, MINNESOTA

FOR THE YEAR ENDED  
DECEMBER 31, 2020

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## INDEPENDENT AUDITOR'S REPORT

Honorable Mayor and City Council  
City of North Mankato

### Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City of North Mankato, Minnesota (the City), as of and for the year ended December 31, 2020, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

### Management's Responsibility for the Financial Statements

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

### Auditor's Responsibility

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

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

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

### Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City as of December 31, 2020, and the respective changes in financial position and, where applicable, cash flows thereof and the budgetary comparison for the General fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

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## Other Matters

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

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis starting on page 23 and the Schedules of Employer's Share of the Net Pension Liability, the Schedules of Employer's Contributions, the related note disclosures, the Schedule of Changes in Net Pension Liability (Asset) and Related Ratios and the Schedule of Changes in the City's OPEB Liability and Related Ratios starting on page 98 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### ***Other Information***

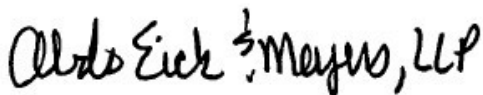
Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The introductory section, combining and individual fund financial statements and schedules, and statistical section, are presented for purposes of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

The combining and individual fund financial statements, schedules, statistical section and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate 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 combining and individual fund financial statements and schedules and the schedule of expenditures of federal awards are fairly stated, in all material respects in relation to the basic financial statements as a whole.

The introductory section and statistical section have not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on them.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated June 17, 2021, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.



ABDO, EICK & MEYERS, LLP  
Mankato, Minnesota  
June 17, 2021

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## Management's Discussion and Analysis

As management of the City of North Mankato (the City), we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended December 31, 2020. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal, which can be found starting on page 9 of this report.

### Financial Highlights

- 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 \$66,329,413 (*net position*). Of this amount, a balance of \$2,344,675 represents *unrestricted net position* which may be used to meet the City's ongoing obligations to citizens and creditors.
- The City's total net position increased by \$2,631,856 as compared to an increase of \$4,973,771 in the previous year.
- Governmental activities revenues decreased by \$1,830,903 due to the following:
  - Charges for service increased by \$346,241 mainly related to increases in building permit activity and swim facility revenue while there were decreases in revenues related to less Caswell Sports fees due to the COVID-19 pandemic, and less Port Authority revenue from conduit debt fees,
  - Operating grants and contributions increased by \$711,677 due to CARES Act funding related to responding to and mitigating the COVID-19 Pandemic.
  - Capital grants and contributions decreased by \$2,887,173 related mainly to the State and Federal funds received toward the Commerce Dr. Improvement Project in 2019 compared to the funds received for the Monroe Ave. Project.
  - Property tax/ tax increment revenue increased by \$165,605 due to an increase in the property tax collection and an increase in tax increment collections due to Birchwood Cottages and Blue Star Power Systems increments starting in 2020.
  - Other taxes increased by \$16,304 mainly due to an increase in sales tax collections by \$17,345 and an increase of franchise taxes collections by \$30,950. and a decrease in hotel/motel taxes by \$5,016 and gambling tax by \$27,169.
  - Grants and contributions not restricted to specific programs increased by \$145,890 mainly due to increased Local Government Aid.
  - Unrestricted investment earnings decreased by \$60,417 due decreasing interest rates as a result of the COVID-19 pandemic.
  - Gain on sale of capital assets decreased by \$320,818 mainly due to the sale of five acres of land to D&K Powder Coating in 2019 compared to a lack of any land sales in 2020.

- Governmental activity expenses decreased by \$90,998 due to the following:
  - General government expenses increased by \$10,135 related mainly to an increase in staffing and legal costs associated with the Metronet cable franchise agreement.
  - Public safety expenses decreased by \$73,562 due to decreased staffing cost.
  - Public works expenses increased by \$10,995 mainly due to decreased staffing costs and asphalt for street maintenance, the Commerce Dr. and Tyler Ave. street projects wrapping up and the addition of the Monroe Ave. Countryside Drive and Dakota Meadows Safe Routes to School projects.
  - Culture and recreation expenses decreased by \$10,884 due to decreased activity at Caswell Park due to the COVID-19 Pandemic.
  - Housing and economic development expenses decreased by \$19,868 mainly due to professional services decreasing from the Belgrade TIF plan in 2019 and various development plans.
  - Mass transit and other increased by \$31,435 due to CARES Act funding being received by Mankato Transit to offset fees to the City of North Mankato as well as a partial write off the 2019 FEMA reimbursement which was denied.
  - Interest on long-term debt increased by \$23,621 due to the issuance of new debt.
- Business-type activities revenues decreased by \$416,039 mainly due to a decrease in capital grants and contributions of \$802,437 related to contributions from street improvement projects and an increase in charges for services of \$233,680 mainly related to the increase collections of water and sewer revenue and the \$2/month wastewater rate increase
- As of the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$8,901,932, an increase of \$1,071,355 in comparison with the prior year. Major factors contributing to this increase relates to General fund balance increasing as noted above, other financing sources exceeding debt service expenditures in the Debt Service fund. However, MSA fund deficit was caused by the State advancing Municipal State Aid Funds for Streets that were received in cash by the City in and prior to 2020, but will not be recognized as revenue until available in future years. At the end of the current fiscal year, unassigned fund balance was \$768,321.



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

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

The diagram illustrates the components of financial statements and their relationship to a Summary to Detail axis. It is organized into two rows of boxes, with a central axis at the bottom.

**Top Row (Summary Level):**

- Management's Discussion and Analysis**: A box on the left, connected by a dotted line to the top of the Basic Financial Statements box.
- Basic Financial Statements**: A central box, connected by a dotted line to the top of the Required Supplementary Information box.
- Required Supplementary Information**: A box on the right, connected by a dotted line to the top of the Fund Financial Statements box.

**Bottom Row (Detail Level):**

- Government-wide Financial Statements**: A box on the left, connected by a dotted line to the top of the Fund Financial Statements box.
- Fund Financial Statements**: A central box, connected by a dotted line to the top of the Notes to the Financial Statements box.
- Notes to the Financial Statements**: A box on the right, connected by a dotted line to the top of the Fund Financial Statements box.

**Central Axis:**

A horizontal double-headed arrow at the bottom indicates the relationship between **Summary** (left) and **Detail** (right).

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

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

	Government-wide Statements	Fund Financial Statements	
		Governmental Funds	Proprietary Funds
Scope	Entire City government (except fiduciary funds) and the City's component units	The activities of the City that are not proprietary or fiduciary, such as police, fire and parks	Activities the City operates similar to private businesses, such as the water and sewer system
Required financial statements	<ul style="list-style-type: none"> <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 Revenues, 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 assets included	All assets and liabilities, both financial and capital, and short-term and long-term
Type of deferred outflows/inflows of resources information	All deferred outflows/inflows of resources, regardless of when cash is received or paid.	Only deferred outflows of resources expected to be used up and deferred inflows of resources that come due during the year or soon thereafter; no capital assets included	All deferred outflows/inflows of resources, regardless of when cash is received or paid
Type of in flow/out flow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and payment is due during the year or soon thereafter	All revenues and expenses during the year, regardless of when cash is received or paid

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

The *statement of net position* presents information on all of the City's assets and deferred outflows 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.

The *statement of activities* presents information showing how the City's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities of the City include general government, public safety, public works, culture and recreation, housing and economic development, mass transit and other. The business-type activities of the City include water, sewer, recycling, storm water and solid waste.

The government-wide financial statements include not only the City itself (known as the *primary government*), but also a legally separate port authority for which the City is financially accountable. The port authority, although legally separate, functions for all practical purposes as a department of the City, and therefore has been included as an integral part of the primary government.

The government-wide financial statements can be found starting on page 37 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 government, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City can be divided into three categories: governmental funds, proprietary funds and fiduciary 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 financing requirements.

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

The City maintains numerous individual governmental funds, which includes various individual Debt Service bond funds that are considered one fund for financial reporting. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures and changes in fund balances for the General fund, the Debt Service fund, the Revolving MSA fund and the 2020 Construction fund, all of which are considered to be major funds. Data from the other governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of *combining statements* 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 fund financial statements can be found starting on page 42 of this report.

**Proprietary Funds.** The City maintains one type of proprietary funds. *Enterprise funds* are used to report the same functions presented as *business-type activities* in the government-wide financial statements. The City uses enterprise funds to account for its water, sewer, recycling, storm water and solid waste operations.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the water, sewer, recycling, storm water and solid waste operations, all of which are considered to be major funds of the City.

The basic proprietary fund financial statements can be found starting on page 50 of this report.

**Fiduciary Funds.** Fiduciary funds are used to account for resources held for the benefit of parties outside the City. Fiduciary funds are *not* reflected in the government-wide financial statements because the resources of those funds are not available to support the City's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

The basic fiduciary fund financial statements can be found starting on page 54 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 starting on page 57 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 of North Mankato's share of net pension liabilities (assets) for defined benefits plans, schedules of contributions, and progress in funding its obligation to provide pension and other postemployment benefits to its employees. Required supplementary information can be found starting on page 98 of this report.

**Other Information.** The combining statements referred to earlier in connection with the nonmajor governmental funds are presented immediately following the notes to the financial statements. Combining and individual fund financial statement and schedules can be found starting page 108 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 \$66,329,413 at the close of the most recent fiscal year.

By far, the largest portion of the City's net position (85.2 percent) reflects its investment in capital assets (e.g., land, buildings, machinery and equipment), less any related debt used to acquire those assets that are 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 North Mankato's Summary of Net Position

	Governmental Activities			Business-type Activities		
	2020	2019	Increase (Decrease)	2020	2019	Increase (Decrease)
Current and Other Assets	\$ 17,063,705	\$ 15,498,254	\$ 1,565,451	\$ 3,513,865	\$ 3,625,659	\$ (111,794)
Net Capital Assets	52,162,310	50,739,530	1,422,780	29,905,407	29,511,641	393,766
Total Assets	69,226,015	66,237,784	2,988,231	33,419,272	33,137,300	281,972
Deferred Outflows of Resources	1,361,155	1,943,956	(582,801)	167,514	133,569	33,945
Long-term Liabilities						
Outstanding	25,003,221	23,332,135	1,671,086	7,488,347	8,148,327	(659,980)
Other Liabilities	1,035,373	1,945,217	(909,844)	193,456	887,113	(693,657)
Total Liabilities	26,038,594	25,277,352	761,242	7,681,803	9,035,440	(1,353,637)
Deferred Inflows of Resources	4,081,720	3,311,556	770,164	42,426	130,704	(88,278)
Net Position						
Net investment in capital assets	32,611,813	31,159,895	1,451,918	23,882,997	22,608,155	1,274,842
Restricted	7,489,928	8,358,055	(868,127)	-	-	-
Unrestricted	365,115	74,882	290,233	1,979,560	1,496,570	482,990
Total Net Position	\$ 40,466,856	\$ 39,592,832	\$ 874,024	\$ 25,862,557	\$ 24,104,725	\$ 1,757,832

An additional portion of the City's net position (11.3 percent) represents resources that are subject to external restrictions on how they may be used. The remaining balance of *unrestricted net position* (3.5 percent) may be used to meet the City's ongoing obligations to citizens and creditors.

**Governmental Activities.** Governmental activities increased the City's net position by \$874,024, accounting for 33.2 percent of the total increase. Key elements of this change are as follows:

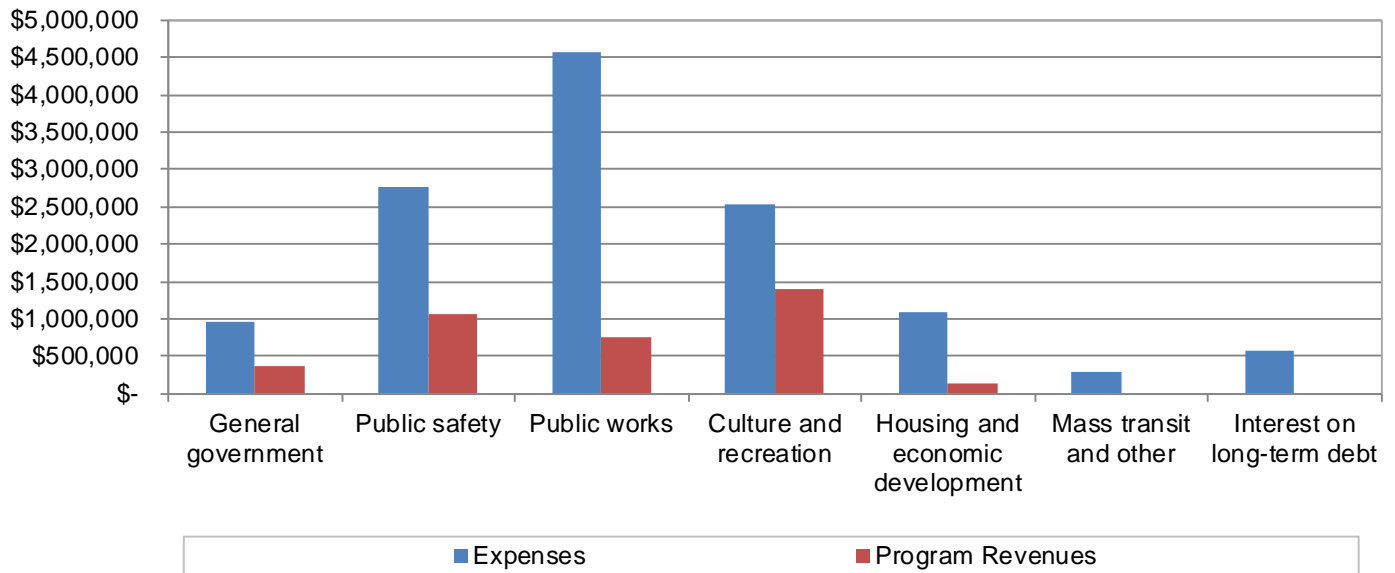
### City of North Mankato's Changes in Net Position

	Governmental Activities			Business-type Activities		
	2020	2019	Increase (Decrease)	2020	2019	Increase (Decrease)
Revenues						
Program Revenues						
Charges for services	\$ 1,530,038	\$ 1,183,797	\$ 346,241	\$ 6,313,180	\$ 6,079,500	\$ 233,680
Operating grants and contributions	1,253,144	541,467	711,677	182,358	1,413	180,945
Capital grants and contributions	932,769	3,819,942	(2,887,173)	192,572	995,009	(802,437)
General Revenues						
Property taxes/tax increments	7,275,577	7,109,972	165,605	-	-	-
Other taxes	1,296,910	1,280,606	16,304	-	-	-
Grants and contributions not restricted to specific programs	1,888,766	1,742,876	145,890	-	-	-
Unrestricted investment earnings	40,483	100,900	(60,417)	12,258	40,635	(28,377)
Other	111,242	77,454	33,788	-	-	-
Gain on sale of capital assets	12,386	315,204	(302,818)	150	-	150
Total Revenues	<u>14,341,315</u>	<u>16,172,218</u>	<u>(1,830,903)</u>	<u>6,700,518</u>	<u>7,116,557</u>	<u>(416,039)</u>
Expenses						
General government	957,453	947,318	10,135	-	-	-
Public safety	2,758,465	2,832,027	(73,562)	-	-	-
Public works	4,578,559	4,567,564	10,995	-	-	-
Culture and recreation	2,526,817	2,537,701	(10,884)	-	-	-
Housing and economic development	1,087,471	1,107,339	(19,868)	-	-	-
Mass transit and other	281,872	313,307	(31,435)	-	-	-
Interest on long-term debt	585,845	562,224	23,621	-	-	-
Water	-	-	-	1,701,022	1,770,227	(69,205)
Sewer	-	-	-	2,280,816	2,144,941	135,875
Recycling	-	-	-	511,987	508,239	3,748
Storm water	-	-	-	384,147	311,100	73,047
Solid waste	-	-	-	755,523	713,017	42,506
Total Expenses	<u>12,776,482</u>	<u>12,867,480</u>	<u>(90,998)</u>	<u>5,633,495</u>	<u>5,447,524</u>	<u>185,971</u>
Increase (Decrease) in Net Position						
Before Transfers and Contribution	1,564,833	3,304,738	(1,739,905)	1,067,023	1,669,033	(602,010)
Transfers	275,760	195,640	80,120	(275,760)	(195,640)	(80,120)
Capital Contributions	<u>(966,569)</u>	<u>-</u>	<u>(966,569)</u>	<u>966,569</u>	<u>-</u>	<u>966,569</u>
Change in Net Position	874,024	3,500,378	(2,626,354)	1,757,832	1,473,393	284,439
Net Position - January 1	39,592,832	36,052,408	3,540,424	24,104,725	22,631,332	1,473,393
			-			-
Prior Period Restatement*	<u>-</u>	<u>40,046</u>	<u>(40,046)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Position - December 31	<u>\$ 40,466,856</u>	<u>\$ 39,592,832</u>	<u>\$ 874,024</u>	<u>\$ 25,862,557</u>	<u>\$ 24,104,725</u>	<u>\$ 1,757,832</u>

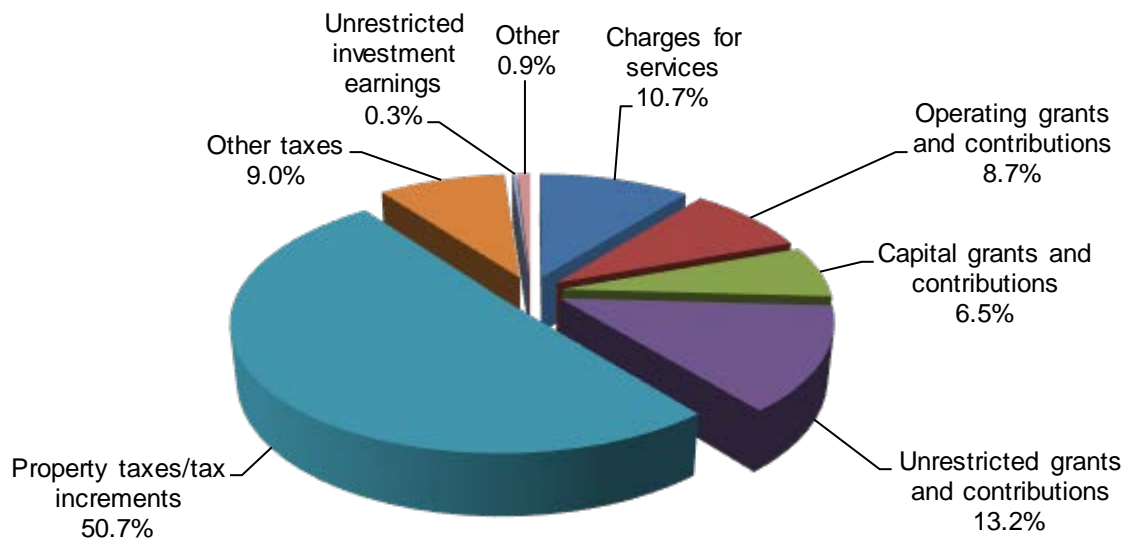
\* GASB Statement No. 84 was implemented for the year ended December 31, 2019 and required a \$40,046 restatement of beginning governmental net position related to custodial activities.

The following graphs depict various governmental activities and show the revenue and expenses directly related to those activities.

### Expenses and Program Revenues - Governmental Activities



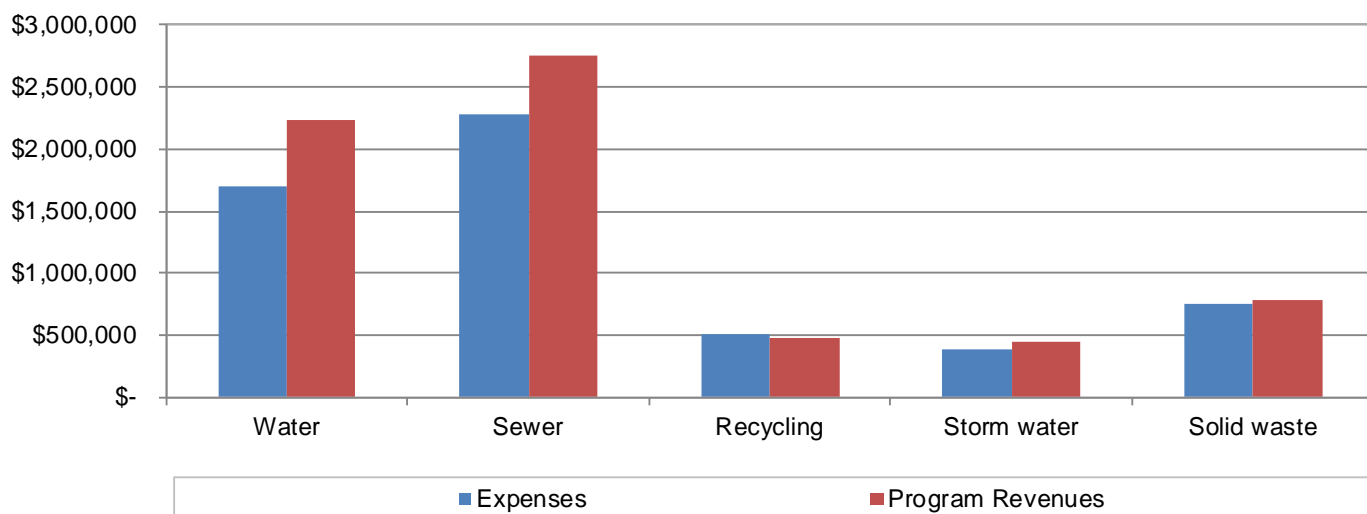
### Revenues by Source - Governmental Activities



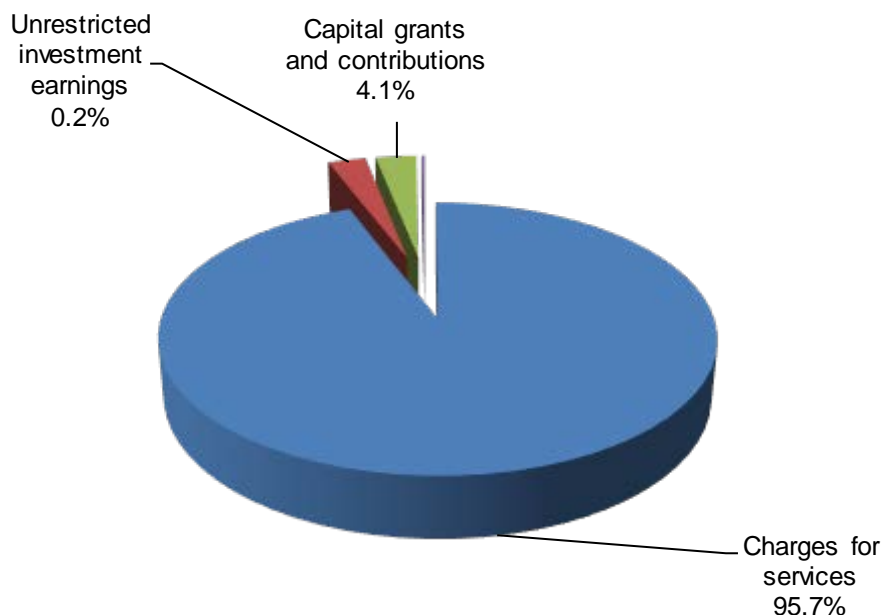
**Business-type Activities.** Business-type activities increased the City's net position by \$1,757,832. Key elements of this change are as follows:

- Total operating income was \$786,463, an increase of \$22,672 from the prior year, mainly due to an increase in operating revenues due to rate changes and an increase of operating expenses largely attributed to an increase in retirement account liability changes and services and charges related sewage treatment costs from the City of Mankato, and an increase in recycling transfer and disposal costs.
- Total nonoperating revenues exceeded nonoperating expenses by \$87,988, mostly consisting of intergovernmental revenues.
- Transfers out totaled \$423,250 and transfers in totaled \$147,490 for 2020.
- The remaining increase in net position was due to \$1,159,141 in capital mainly due to street improvement projects.

### Expenses and Program Revenues - Business-type Activities



### Revenues by Source - Business-type Activities



## Financial Analysis of the City's Funds

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

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

The *General fund* is the chief operating fund of the City. At the end of the current year total fund balance of the General fund was \$4,737,098, most of which was unassigned. As a measure of the General fund's liquidity, it may be useful to compare unassigned fund balance to total fund expenditures. Unassigned fund balance represents 42.3 percent of total General fund expenditures, while total fund balance represents 51.7 percent of that same amount.

The *General fund* balance increased by \$955,883 during the current year. Key factors of this increase are revenues increased by \$1,033,174 when compared to 2019. Intergovernmental revenues accounted for \$595,458 of the increase with the majority relating to Coronavirus Relief Aid. Charges for services accounted for \$234,822 of the increase mainly related to the new swim facility that opened in 2019. Licenses and permits accounted for \$104,993 of the increase due to an increase in nonbusiness permits related to projects. Total current expenditures increased by \$61,125 when compared to 2019. Culture and recreation expenditures increased \$213,666 due to increased costs related to the new swim facility. General government expenditures increased \$54,422 due to increased personal services and supplies costs related to dealing with the COVID-19 outbreak. Finally, public works expenditures decreased by \$224,426 mainly due to reduced activity related to the COVID-19 outbreak.

The *Debt Service fund* has a total fund balance of \$1,819,078. There was an increase of \$395,252 in the current year, mainly due to other financing sources, including the issuance of new debt, exceeding debt expenditures.

The *Revolving MSA fund* has a total fund balance of deficit of \$2,613,155. There was a decrease of \$2,613,155 resulting from transfers exceeding currently available project funding and advanced MSA dollars.

The *2020 Construction fund* has a total fund balance of \$798,891. There was an increase of \$842,539 resulting from a bond issuance, capital grants and transfers in covering prior year and current year capital expenditures.

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

Unrestricted net position of the Water, Sewer, Recycling, Storm Water and Solid Waste funds at the end of the year totaled \$1,979,560. The total increase in net position in the current year for these funds totaled \$1,757,832.

## General Fund Budgetary Highlights

The City's General fund budget was amended during the year to reflect additional transfer activity and to account for the COVID-19 Pandemic impacts. Revenues were under budget by \$900,664 due to various revenue recognition and expenditures were under budget by \$1,416,338 mainly attributable to the timing of capital project costs. Other financing sources (uses) had a positive variance of \$276,574. The net result was an increase to the General fund balance of \$955,883.



## Capital Asset and Debt Administration

**Capital assets.** The City's investment in capital assets for its governmental and business type activities as of December 31, 2020 amounts to \$82,067,717 (net of accumulated depreciation). This investment in capital assets includes land, buildings and system improvements, machinery and equipment, park facilities, roads, highways, and bridges. The total increase in the City's investment in capital assets for the current fiscal year was 2.3 percent.

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

- Building and improvement totaling \$593,945 related to Well No. 5 rehab, the Marie Lane Extension, the Nature View private development, security door locking system at various municipal buildings, and a new Caswell Park sign.
- Equipment and vehicle purchases totaling \$154,637, including, but not limited to: a new squad car, a new detective car, a heavy-duty washer and dryer for the fire department, playground equipment, and historical markers. Disposals during the year totaled \$136,225.
- Improvements totaling \$5,319,692 were added to construction in progress for various projects including, but not limited to: Commerce Dr. and Tyler Avenue reconstruction projects, Benson and Bluff Park improvements, the Monroe Ave. reconstruction project, the Countryside Dr. improvement project, the Dakota Meadows Safe Routes to School project and the North Ridge Ravine Project. The Marie Lane Extension and the Nature View private development were completed in 2020.

Additional information on the City's capital assets can be found in Note 3C starting on page 69 of this report.

### City of North Mankato's Capital Assets (net of depreciation)

	Governmental Activities			Business-type Activities		
	2020	Restated 2019	Increase (Decrease)	2020	2019	Increase (Decrease)
Land	\$ 4,930,734	\$ 4,930,734	\$ -	\$ 606,061	\$ 606,061	\$ -
Buildings and Improvements	36,106,581	33,010,092	3,096,489	24,456,203	25,181,721	(725,518)
Machinery and Equipment	2,436,779	2,676,068	(239,289)	898,252	1,012,483	(114,231)
Construction in Progress	8,688,216	10,122,636	(1,434,420)	3,944,891	2,711,376	1,233,515
Total	<u>\$52,162,310</u>	<u>\$50,739,530</u>	<u>\$ 1,422,780</u>	<u>\$29,905,407</u>	<u>\$29,511,641</u>	<u>\$ 393,766</u>

**Long-term debt.** At the end of the current fiscal year, the City had total bonded debt outstanding of \$26,553,300. Of this amount, \$7,985,000 comprises debt backed by the full faith and credit of the City and \$835,000 is tax increment bonds and \$10,865,000 is special assessment debt for which the City is liable in the event of default by the property owners subject to the assessment. The remainder of the City's bonded debt represents bonds secured solely by specified revenue sources (i.e., revenue bonds) in the amount of \$6,868,300.

## City of North Mankato's Outstanding Debt

	Governmental Activities			Business-type Activities		
	2020	2019	Increase (Decrease)	2020	2019	Increase (Decrease)
General Obligation Bonds	\$ 7,985,000	\$ 8,560,000	\$ (575,000)	\$ -	\$ -	\$ -
G.O. Tax Increment Bonds	835,000	940,000	(105,000)	-	-	-
G.O. Improvement Bonds	10,380,000	8,240,000	2,140,000	485,000	580,000	(95,000)
General Obligation Revenue Bonds	1,135,000	1,380,000	(245,000)	5,733,300	6,496,300	(763,000)
<b>Total</b>	<b>\$ 20,335,000</b>	<b>\$ 19,120,000</b>	<b>\$ 1,215,000</b>	<b>\$ 6,218,300</b>	<b>\$ 7,076,300</b>	<b>\$ (858,000)</b>

The City's total debt increased by \$357,000 (1.4 percent) during the current fiscal year, consisting of new debt issuances of \$5,810,000 and retirement of long-term debt of \$5,453,000. The City maintained an "AA" rating from Standard and Poor's for their 2020 issues.

Minnesota statutes limit the amount of net general obligation debt a City may issue to 3 percent of the market value of taxable property within the City. Net debt is debt payable solely from ad valorem taxes. The current debt limitation for the City is \$29,541,570, which is significantly in excess of the City's outstanding general obligation debt.

Additional information on the City's long-term debt can be found in Note 3E starting on page 79 of this report.

### Economic Factors and Next Year's Budgets and Rates

- Due to the COVID-19 Pandemic, the 2020 unemployment rate for the City was 4.1 percent, which is an increase from a rate of 2.3 percent a year ago. This compares favorably to the State's average unemployment rate of 4.7 percent and the national average rate of 6.7 percent.
- Inflationary trends in the region compare favorably to national indices.
- Tax capacity valuation increased in 2020 for taxes payable in 2020 by \$567,286, or 4.3 percent. Market value of property has increased an average of 7.4 percent per year for the past 5 years.

All of these factors were considered in preparing the City's budget for the 2021 fiscal year.

### Requests for Information

This financial report is designed to provide a general overview of the City's finances for all those with an interest in the City's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Finance Director, City of North Mankato, P.O. Box 2055, North Mankato, 56003-2055.

GOVERNMENT-WIDE FINANCIAL STATEMENTS

CITY OF NORTH MANKATO  
NORTH MANKATO, MINNESOTA

FOR THE YEAR ENDED  
DECEMBER 31, 2020

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City of North Mankato, Minnesota  
Statement of Net Position  
December 31, 2020

	Primary Government		
	Governmental Activities	Business-type Activities	Total
<b>Assets</b>			
Cash and temporary investments	\$ 9,971,004	\$ 2,450,490	\$ 12,421,494
Receivables			
Taxes	119,331	-	119,331
Accounts	89,448	498,568	588,016
Notes, mortgages and leases	1,013,619	-	1,013,619
Special assessments	2,875,277	176,923	3,052,200
Intergovernmental	1,442,797	18,476	1,461,273
Internal balances	(290,800)	290,800	-
Inventories	-	72,749	72,749
Prepaid items	47,814	5,859	53,673
Land held for resale	1,096,305	-	1,096,305
Net pension asset	698,910	-	698,910
Capital assets			
Nondepreciable assets	13,618,950	4,550,952	18,169,902
Depreciable assets net of accumulated depreciation	38,543,360	25,354,455	63,897,815
Total Assets	<u>69,226,015</u>	<u>33,419,272</u>	<u>102,645,287</u>
<b>Deferred Outflows of Resources</b>			
Deferred pension resources	1,147,463	92,879	1,240,342
Deferred other postemployment benefit resources	213,692	74,635	288,327
Total Deferred Outflows of Resources	<u>1,361,155</u>	<u>167,514</u>	<u>1,528,669</u>
<b>Liabilities</b>			
Accounts payable	348,711	87,936	436,647
Contracts payable	318,290	37,168	355,458
Due to other governments	63,827	27,188	91,015
Accrued interest payable	160,273	24,919	185,192
Accrued wages payable	71,808	16,245	88,053
Unearned revenue	72,464	-	72,464
Noncurrent liabilities			
Due within one year			
Long-term liabilities	2,526,211	755,707	3,281,918
Due in more than one year			
Long-term liabilities	18,907,759	5,702,066	24,609,825
Net pension liability	2,884,957	791,572	3,676,529
Other postemployment benefits liability	684,294	239,002	923,296
Total Liabilities	<u>26,038,594</u>	<u>7,681,803</u>	<u>33,720,397</u>
<b>Deferred Inflows of Resources</b>			
Deferred pension resources	1,452,048	36,657	1,488,705
Deferred other postemployment benefit resources	16,517	5,769	22,286
Advance from other governments	2,613,155	-	2,613,155
Total Deferred Inflows of Resources	<u>4,081,720</u>	<u>42,426</u>	<u>4,124,146</u>
<b>Net Position</b>			
Net investment in capital assets	32,611,813	23,882,997	56,494,810
Restricted			
Debt service	4,652,711	-	4,652,711
Charitable gambling	64,815	-	64,815
Youth football	98,260	-	98,260
Library programs	55,540	-	55,540
Park development	5,866	-	5,866
Park improvements	408,630	-	408,630
Economic development	2,111,007	-	2,111,007
Tax increment financing	93,099	-	93,099
Unrestricted	365,115	1,979,560	2,344,675
Total Net Position	<u>\$ 40,466,856</u>	<u>\$ 25,862,557</u>	<u>\$ 66,329,413</u>

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

City of North Mankato, Minnesota  
Statement of Activities  
For the Year Ended December 31, 2020

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government				
Governmental Activities				
General government	\$ 957,453	\$ 182,377	\$ 177,149	\$ -
Public safety	2,758,465	446,058	611,889	-
Public works	4,578,559	9,381	46,541	703,474
Culture and recreation	2,526,817	776,557	393,268	229,295
Housing and economic development	1,087,471	115,665	24,297	-
Mass transit and other	281,872	-	-	-
Interest on long-term debt	585,845	-	-	-
Total Governmental Activities	<u>12,776,482</u>	<u>1,530,038</u>	<u>1,253,144</u>	<u>932,769</u>
Business-type Activities				
Water	1,701,022	2,077,790	84,575	70,056
Sewer	2,280,816	2,600,449	64,366	87,643
Recycling	511,987	470,044	860	-
Storm water	384,147	401,844	6,359	34,873
Solid waste	755,523	763,053	26,198	-
Total Business-type Activities	<u>5,633,495</u>	<u>6,313,180</u>	<u>182,358</u>	<u>192,572</u>
Totals	<u>\$ 18,409,977</u>	<u>\$ 7,843,218</u>	<u>\$ 1,435,502</u>	<u>\$ 1,125,341</u>

General Revenues

Property taxes, levied for general purposes  
Property taxes, levied for debt service  
Tax increments  
Sales taxes  
Hotel/motel taxes  
Gambling taxes  
Franchise taxes  
Grants and contributions not restricted to specific programs  
Unrestricted investment earnings  
Other revenues  
Gain on sale of capital assets

Transfers

Capital Contributions

Total General Revenues, Transfers and Contributions

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 (Expense) Revenue and  
Changes in Net Position

Governmental Activities	Business-type Activities	Total
\$ (597,927)		\$ (597,927)
(1,700,518)		(1,700,518)
(3,819,163)		(3,819,163)
(1,127,697)		(1,127,697)
(947,509)		(947,509)
(281,872)		(281,872)
(585,845)		(585,845)
<u>(9,060,531)</u>		<u>(9,060,531)</u>
	\$ 531,399	531,399
	471,642	471,642
	(41,083)	(41,083)
	58,929	58,929
	33,728	33,728
	<u>1,054,615</u>	<u>1,054,615</u>
<u>(9,060,531)</u>	<u>1,054,615</u>	<u>(8,005,916)</u>
5,242,254	-	5,242,254
1,600,166	-	1,600,166
433,157	-	433,157
697,204	-	697,204
14,580	-	14,580
71,613	-	71,613
513,513	-	513,513
1,888,766	-	1,888,766
40,483	12,258	52,741
111,242	-	111,242
12,386	150	12,536
275,760	(275,760)	-
(966,569)	966,569	-
<u>9,934,555</u>	<u>703,217</u>	<u>10,637,772</u>
874,024	1,757,832	2,631,856
<u>39,592,832</u>	<u>24,104,725</u>	<u>63,697,557</u>
<u>\$ 40,466,856</u>	<u>\$ 25,862,557</u>	<u>\$ 66,329,413</u>

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

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FUND FINANCIAL STATEMENTS

CITY OF NORTH MANKATO  
NORTH MANKATO, MINNESOTA

FOR THE YEAR ENDED  
DECEMBER 31, 2020

City of North Mankato, Minnesota

Balance Sheet  
Governmental Funds  
December 31, 2020

			Capital Projects	
	General	Debt Service	Revolving MSA	2020 Construction
<b>Assets</b>				
Cash and temporary investments	\$ 3,762,341	\$ 2,394,394	\$ -	\$ 906,917
Receivables				
Taxes	119,331	-	-	-
Accounts	68,405	-	-	-
Notes, mortgages and leases	-	-	-	-
Special assessments	26,371	2,848,906	-	-
Intergovernmental	376,345	986,868	-	-
Advance from other funds	834,522	-	-	-
Due from other funds	55,143	-	-	-
Prepaid items	34,292	-	-	-
Land held for resale	-	-	-	-
<b>Total Assets</b>	<b>\$ 5,276,750</b>	<b>\$ 6,230,168</b>	<b>\$ -</b>	<b>\$ 906,917</b>
<b>Liabilities</b>				
Accounts payable	\$ 174,946	\$ -	\$ -	\$ 32,044
Contracts payable	14,691	-	-	73,966
Advance to other funds	-	582,184	-	-
Due to other governments	61,405	-	-	2,016
Due to other funds	-	-	-	-
Accrued wages payable	71,044	-	-	-
Unearned revenue	71,864	-	-	-
<b>Total Liabilities</b>	<b>393,950</b>	<b>582,184</b>	<b>-</b>	<b>108,026</b>
<b>Deferred Inflows of Resources</b>				
Unavailable revenue				
Taxes	119,331	-	-	-
Special assessments	26,371	2,848,906	-	-
Advance from other governments	-	980,000	2,613,155	-
<b>Total Deferred Inflows of Resources</b>	<b>145,702</b>	<b>3,828,906</b>	<b>2,613,155</b>	<b>-</b>
<b>Fund Balances</b>				
Nonspendable	868,814	-	-	-
Restricted	-	1,819,078	-	310,634
Committed	-	-	-	488,257
Assigned	-	-	-	-
Unassigned	3,868,284	-	(2,613,155)	-
<b>Total Fund Balances</b>	<b>4,737,098</b>	<b>1,819,078</b>	<b>(2,613,155)</b>	<b>798,891</b>
<b>Total Liabilities, Deferred Inflows of Resources and Fund Balances</b>	<b>\$ 5,276,750</b>	<b>\$ 6,230,168</b>	<b>\$ -</b>	<b>\$ 906,917</b>

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

Other Governmental Funds	Total
\$ 2,907,352	\$ 9,971,004
-	119,331
21,043	89,448
1,013,619	1,013,619
-	2,875,277
79,584	1,442,797
-	834,522
-	55,143
13,522	47,814
1,096,305	1,096,305
<u>\$ 5,131,425</u>	<u>\$ 17,545,260</u>
\$ 141,721	\$ 348,711
229,633	318,290
543,138	1,125,322
406	63,827
55,143	55,143
764	71,808
600	72,464
<u>971,405</u>	<u>2,055,565</u>
-	119,331
-	2,875,277
-	3,593,155
<u>-</u>	<u>6,587,763</u>
13,522	882,336
2,876,271	5,005,983
1,357,603	1,845,860
399,432	399,432
(486,808)	768,321
<u>4,160,020</u>	<u>8,901,932</u>
<u>\$ 5,131,425</u>	<u>\$ 17,545,260</u>

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

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City of North Mankato, Minnesota  
Reconciliation of the Balance Sheet  
to the Statement of Net Position  
Governmental Funds  
December 31, 2020

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

Total Fund Balances - Governmental Funds	\$ 8,901,932
Net capital assets used in governmental activities are not financial resources and therefore are not reported as assets in the funds.	52,162,310
Long term assets from pensions reported in governmental activities are not financial resources and therefore are not reported as assets in the funds.	698,910
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported as liabilities in the funds.	
Long-term liabilities at year-end consist of	
Severance payable	(698,785)
Other postemployment benefits obligation	(684,294)
Net pension liability	(2,884,957)
Bonds payable	(20,335,000)
Unamortized bond discounts, net of amortization	1,177
Unamortized bond premiums, net of amortization	(401,362)
Long-term assets are not available to pay current-period expenditures and, therefore, are unavailable in the funds.	
Delinquent property taxes receivable	119,331
Special assessments receivable	2,875,277
Intergovernmental receivable	980,000
Governmental funds do not report long-term amounts related to pensions and other postemployment benefits.	
Deferred outflows of pension resources	1,147,463
Deferred inflows of pension resources	(1,452,048)
Deferred outflows of other postemployment benefit resources	213,692
Deferred inflows of other postemployment benefit resources	(16,517)
Governmental funds do not report a liability for accrued interest until due and payable.	(160,273)
Total Net Position - Governmental Activities	<u>\$ 40,466,856</u>

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

City of North Mankato, Minnesota  
Statement of Revenues, Expenditures and Changes in Fund Balances  
Governmental Funds  
For the Year Ended December 31, 2020

			Capital Projects	
	General	Debt Service	Revolving MSA	2020 Construction
Revenues				
Taxes	\$ 5,694,550	\$ 1,600,166	\$ -	\$ -
Special assessments	5,233	646,504	-	-
Licenses and permits	515,126	-	-	-
Intergovernmental	3,135,371	-	172,369	352,508
Charges for services	479,912	-	-	-
Fines and forfeits	18,564	-	-	-
Investment earnings	30,777	3,917	-	-
Miscellaneous	138,481	-	-	-
Total Revenues	<u>10,018,014</u>	<u>2,250,587</u>	<u>172,369</u>	<u>352,508</u>
Expenditures				
Current				
General government	851,853	-	-	-
Public safety	2,589,252	-	-	-
Public works	1,943,095	-	-	-
Culture and recreation	1,772,781	-	-	-
Housing and economic development	659,537	-	-	-
Mass transit and other	281,872	-	-	-
Capital outlay				
General government	64,110	-	-	-
Public safety	39,003	-	-	-
Public works	598,753	-	-	3,933,757
Culture and recreation	319,313	-	-	-
Housing and economic development	34,386	-	-	-
Debt service				
Principal	-	4,595,000	-	-
Interest and other costs	-	602,971	-	55,155
Total Expenditures	<u>9,153,955</u>	<u>5,197,971</u>	<u>-</u>	<u>3,988,912</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>864,059</u>	<u>(2,947,384)</u>	<u>172,369</u>	<u>(3,636,404)</u>
Other Financing Sources (Uses)				
Sale of capital assets	12,386	-	-	-
Transfers in	569,817	903,330	-	963,939
Bonds issued	-	2,410,000	-	3,400,000
Premium on bonds issued	-	69,306	-	115,004
Transfers out	(490,379)	(40,000)	(2,785,524)	-
Total Other Financing Sources (Uses)	<u>91,824</u>	<u>3,342,636</u>	<u>(2,785,524)</u>	<u>4,478,943</u>
Net Change in Fund Balances	955,883	395,252	(2,613,155)	842,539
Fund Balances, January 1	<u>3,781,215</u>	<u>1,423,826</u>	<u>-</u>	<u>(43,648)</u>
Fund Balances, December 31	<u>\$ 4,737,098</u>	<u>\$ 1,819,078</u>	<u>\$ (2,613,155)</u>	<u>\$ 798,891</u>

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

Other Governmental Funds	Total
\$ 1,253,392	\$ 8,548,108
-	651,737
-	515,126
29,906	3,690,154
312,717	792,629
-	18,564
5,789	40,483
214,174	352,655
<u>1,815,978</u>	<u>14,609,456</u>
23,600	875,453
-	2,589,252
-	1,943,095
390,526	2,163,307
426,391	1,085,928
-	281,872
1,755	65,865
69,656	108,659
507,077	5,039,587
60,714	380,027
-	34,386
-	4,595,000
-	658,126
<u>1,479,719</u>	<u>19,820,557</u>
<u>336,259</u>	<u>(5,211,101)</u>
-	12,386
1,849,297	4,286,383
-	5,810,000
-	184,310
<u>(694,720)</u>	<u>(4,010,623)</u>
<u>1,154,577</u>	<u>6,282,456</u>
1,490,836	1,071,355
<u>2,669,184</u>	<u>7,830,577</u>
<u>\$ 4,160,020</u>	<u>\$ 8,901,932</u>

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

City of North Mankato, Minnesota  
Reconciliation of the Statement of  
Revenues, Expenditures and Changes in Fund Balances  
to the Statement of Activities  
Governmental Funds  
For the Year Ended December 31, 2020

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

Net Change in Fund Balances - Governmental Funds	\$ 1,071,355
Governmental funds report capital outlay as expenditures. However, in the statement of activities the cost of those assets is allocated over the estimated useful lives and reported as depreciation expense.	
Capital outlay	4,824,350
Depreciation expense	(2,542,547)
Net effect of various miscellaneous transactions involving capital assets (i.e. sales and trade-ins) is to increase (decrease) net position.	
Capital contributions to business-type activities	(966,569)
Capital contributions - other	145,295
The statement of activities reports losses arising from trade-in of existing capital assets to acquire new capital assets. Conversely, governmental funds do not report any gain or loss on a trade-in of capital assets.	(37,749)
The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of premiums, discounts and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities.	
Principal repayments	4,595,000
Debt issued or incurred	(5,810,000)
Discount on bonds issued, net of amortization expense	(811)
Premium on bonds issued, net of amortization expense	(118,571)
Interest on long-term debt in the statement of activities differs from the amount reported in the governmental fund because interest is recognized as an expenditure in the funds when it is due, and thus requires the use of current financial resources. In the statement of activities, however, interest expense is recognized as the interest accrues, regardless of when it is due.	7,353
Long-term pension activity is not reported in governmental funds.	
Pension expense	227,784
Direct aid contributions	23,945
Certain revenues are recognized as soon as they are earned. Under the modified accrual basis of accounting certain revenues cannot be recognized until they are available to liquidate liabilities of the current period.	
Property taxes	22,850
Special assessments	(247,617)
Intergovernmental revenues	(225,000)
Some expenses reported 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	(44,965)
Other postemployment benefits costs	(50,079)
Change in Net Position - Governmental Activities	<u>\$ 874,024</u>

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



City of North Mankato, Minnesota  
Statement of Revenues, Expenditures and Changes in Fund Balances -  
Budget and Actual  
General Fund  
For the Year Ended December 31, 2020

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
Revenues				
Taxes	\$ 5,770,693	\$ 5,736,943	\$ 5,694,550	\$ (42,393)
Special assessments	13,800	13,800	5,233	(8,567)
Licenses and permits	488,320	488,320	515,126	26,806
Intergovernmental	3,147,661	4,206,661	3,135,371	(1,071,290)
Charges for services	354,118	328,894	479,912	151,018
Fines and forfeits	32,500	15,500	18,564	3,064
Investment earnings	30,000	30,000	30,777	777
Miscellaneous	98,660	98,560	138,481	39,921
Total Revenues	<u>9,935,752</u>	<u>10,918,678</u>	<u>10,018,014</u>	<u>(900,664)</u>
Expenditures				
Current				
General government	861,064	830,037	851,853	(21,816)
Public safety	2,553,276	2,466,854	2,589,252	(122,398)
Public works	2,073,541	1,846,813	1,943,095	(96,282)
Culture and recreation	1,599,953	1,650,808	1,772,781	(121,973)
Housing and economic development	658,219	599,155	659,537	(60,382)
Mass transit and other	304,936	1,583,126	281,872	1,301,254
Capital outlay				
General government	2,000	2,000	64,110	(62,110)
Public safety	1,000	1,000	39,003	(38,003)
Public works	1,259,000	1,313,000	598,753	714,247
Culture and recreation	413,500	257,500	319,313	(61,813)
Housing and economic development	20,000	20,000	34,386	(14,386)
Total Expenditures	<u>9,746,489</u>	<u>10,570,293</u>	<u>9,153,955</u>	<u>1,416,338</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>189,263</u>	<u>348,385</u>	<u>864,059</u>	<u>515,674</u>
Other Financing Sources (Uses)				
Transfers in	261,750	261,750	569,817	308,067
Sale of capital assets	500	500	12,386	11,886
Transfers out	(451,100)	(447,000)	(490,379)	(43,379)
Total Other Financing Sources (Uses)	<u>(188,850)</u>	<u>(184,750)</u>	<u>91,824</u>	<u>276,574</u>
Net Change in Fund Balances	413	163,635	955,883	792,248
Fund Balances, January 1	<u>3,781,215</u>	<u>3,781,215</u>	<u>3,781,215</u>	<u>-</u>
Fund Balances, December 31	<u>\$ 3,781,628</u>	<u>\$ 3,944,850</u>	<u>\$ 4,737,098</u>	<u>\$ 792,248</u>

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

City of North Mankato, Minnesota  
Statement of Net Position  
Proprietary Funds  
December 31, 2020

	Business-type Activities - Enterprise Funds				
	601 Water Utility	602 Sewer Utility	604 Storm Water	Other Enterprise Funds	Total
<b>Assets</b>					
<b>Current Assets</b>					
Cash and temporary investments	\$ 955,621	\$ 1,362,249	\$ -	\$ 132,620	\$ 2,450,490
Receivables					
Accounts	485,907	2,210	4,281	6,170	498,568
Special assessments	1,627	-	-	-	1,627
Intergovernmental	488	16,866	-	1,122	18,476
Advance to other funds	108,300	35,300	-	-	143,600
Inventories	72,749	-	-	-	72,749
Prepaid items	1,608	1,549	825	1,877	5,859
<b>Total Current Assets</b>	<b>1,626,300</b>	<b>1,418,174</b>	<b>5,106</b>	<b>141,789</b>	<b>3,191,369</b>
<b>Noncurrent Assets</b>					
Special assessments receivable - noncurrent	24,637	150,659	-	-	175,296
Advance to other funds - noncurrent	216,600	70,600	-	-	287,200
<b>Capital assets</b>					
Land	392,411	53,000	-	160,650	606,061
Buildings	19,946,665	15,216,909	3,279,860	1,504,329	39,947,763
Machinery and equipment	680,829	979,225	23,644	792,767	2,476,465
Construction in progress	1,112,866	1,207,380	1,624,645	-	3,944,891
Less accumulated depreciation	(8,737,528)	(6,695,247)	(486,750)	(1,150,248)	(17,069,773)
<b>Total Capital Assets</b>	<b>13,395,243</b>	<b>10,761,267</b>	<b>4,441,399</b>	<b>1,307,498</b>	<b>29,905,407</b>
<b>Total Noncurrent Assets</b>	<b>13,636,480</b>	<b>10,982,526</b>	<b>4,441,399</b>	<b>1,307,498</b>	<b>30,367,903</b>
<b>Total Assets</b>	<b>15,262,780</b>	<b>12,400,700</b>	<b>4,446,505</b>	<b>1,449,287</b>	<b>33,559,272</b>
<b>Deferred Outflows of Resources</b>					
Deferred pension resources	44,907	32,691	6,057	9,224	92,879
Deferred other postemployment benefit resources	32,088	26,674	8,120	7,753	74,635
<b>Total Deferred Outflows of Resources</b>	<b>76,995</b>	<b>59,365</b>	<b>14,177</b>	<b>16,977</b>	<b>167,514</b>
<b>Liabilities</b>					
<b>Current Liabilities</b>					
Accounts payable	9,477	5,786	3,133	69,540	87,936
Contracts payable	-	-	37,168	-	37,168
Due to other governments	14,951	2,032	3,076	7,129	27,188
Accrued interest payable	5,323	7,354	6,856	5,386	24,919
Accrued wages payable	7,761	5,800	1,005	1,679	16,245
Advances from other funds - current	-	-	10,000	-	10,000
Compensated absences payable - current portion	47,633	9,037	3,703	7,334	67,707
Bonds payable - current portion	285,917	177,500	94,583	130,000	688,000
<b>Total Current Liabilities</b>	<b>371,062</b>	<b>207,509</b>	<b>159,524</b>	<b>221,068</b>	<b>959,163</b>
<b>Noncurrent Liabilities</b>					
Advances from other funds - noncurrent	-	-	130,000	-	130,000
Compensated absences payable, net of current portion	46,747	15,656	4,645	1,948	68,996
Bonds payable, net of current portion	2,863,060	1,407,641	842,593	519,776	5,633,070
Net pension liability	382,730	278,610	51,623	78,609	791,572
Other postemployment benefits obligation	102,754	85,418	26,001	24,829	239,002
<b>Total Noncurrent Liabilities</b>	<b>3,395,291</b>	<b>1,787,325</b>	<b>1,054,862</b>	<b>625,162</b>	<b>6,862,640</b>
<b>Total Liabilities</b>	<b>3,766,353</b>	<b>1,994,834</b>	<b>1,214,386</b>	<b>846,230</b>	<b>7,821,803</b>
<b>Deferred Inflows of Resources</b>					
Deferred pension resources	17,723	12,902	2,391	3,641	36,657
Deferred other postemployment benefit resources	2,480	2,062	628	599	5,769
<b>Total Deferred Inflows of Resources</b>	<b>20,203</b>	<b>14,964</b>	<b>3,019</b>	<b>4,240</b>	<b>42,426</b>
<b>Net Position</b>					
Net investment in capital assets	10,246,266	9,474,786	3,504,223	657,722	23,882,997
Unrestricted	1,306,953	975,481	(260,946)	(41,928)	1,979,560
<b>Total Net Position</b>	<b>\$ 11,553,219</b>	<b>\$ 10,450,267</b>	<b>\$ 3,243,277</b>	<b>\$ 615,794</b>	<b>\$ 25,862,557</b>

City of North Mankato, Minnesota  
Statement of Revenues, Expenses and Changes in Net Position  
Proprietary Funds  
For the Year Ended December 31, 2020

	Business-type Activities - Enterprise Funds				
	<b>601</b>	<b>602</b>	<b>604</b>	Other	
	Water Utility	Sewer Utility	Storm Water	Enterprise Funds	Total
Operating Revenues					
Charges for services	\$ 2,060,995	\$ 2,597,842	\$ 401,044	\$ 1,171,174	\$ 6,231,055
Facility rental	-	-	-	60,085	60,085
Total Operating Revenues	<u>2,060,995</u>	<u>2,597,842</u>	<u>401,044</u>	<u>1,231,259</u>	<u>6,291,140</u>
Operating Expenses					
Personal services	631,025	564,551	141,990	160,505	1,498,071
Supplies	165,444	27,962	11,197	6,388	210,991
Other services and charges	171,839	161,769	96,755	218,710	649,073
Contractual services	-	1,100,801	-	754,311	1,855,112
Insurance	11,286	24,640	-	2,879	38,805
Utilities	174,810	-	19,360	20,419	214,589
Depreciation	494,709	362,394	93,245	87,688	1,038,036
Total Operating Expenses	<u>1,649,113</u>	<u>2,242,117</u>	<u>362,547</u>	<u>1,250,900</u>	<u>5,504,677</u>
Operating Income	<u>411,882</u>	<u>355,725</u>	<u>38,497</u>	<u>(19,641)</u>	<u>786,463</u>
Nonoperating Revenues (Expenses)					
Intergovernmental	83,547	63,617	6,220	26,846	180,230
Investment income	8,087	4,171	-	-	12,258
Other income	17,823	3,356	939	2,050	24,168
Gain on disposal of capital assets	150	-	-	-	150
Interest expense	(63,531)	(47,685)	(22,662)	(18,016)	(151,894)
Amortization of bond premiums (discounts)	11,622	8,986	1,062	1,406	23,076
Total Nonoperating Revenues (Expenses)	<u>57,698</u>	<u>32,445</u>	<u>(14,441)</u>	<u>12,286</u>	<u>87,988</u>
Income Before Contributions and Transfers	469,580	388,170	24,056	(7,355)	874,451
Capital Contributions from Other Funds	202,505	296,154	467,910	-	966,569
Capital Grants and Contributions	70,056	87,643	34,873	-	192,572
Transfers In	-	-	107,490	40,000	147,490
Transfers Out	<u>(140,000)</u>	<u>(185,000)</u>	<u>(53,250)</u>	<u>(45,000)</u>	<u>(423,250)</u>
Change in Net Position	602,141	586,967	581,079	(12,355)	1,757,832
Net Position, January 1	<u>10,951,078</u>	<u>9,863,300</u>	<u>2,662,198</u>	<u>628,149</u>	<u>24,104,725</u>
Net Position, December 31	<u>\$ 11,553,219</u>	<u>\$ 10,450,267</u>	<u>\$ 3,243,277</u>	<u>\$ 615,794</u>	<u>\$ 25,862,557</u>

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

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City of North Mankato, Minnesota  
Statement of Cash Flows  
Proprietary Funds  
For the Year Ended December 31, 2020

	Business-type Activities - Enterprise Funds				
	601 Water Utility	602 Sewer Utility	604 Storm Water	Other Enterprise Funds	Total
Cash Flows from Operating Activities					
Receipts from customers	\$ 2,039,216	\$ 2,599,132	\$ 401,305	\$ 1,170,594	\$ 6,210,247
Payments to suppliers and vendors	(548,228)	(1,341,909)	(127,070)	(1,002,062)	(3,019,269)
Payments to and on behalf of employees	(680,752)	(504,780)	(102,206)	(146,571)	(1,434,309)
Other receipts	17,823	3,356	939	62,135	84,253
Net Cash Provided by Operating Activities	828,059	755,799	172,968	84,096	1,840,922
Cash Flows from Noncapital Financing Activities					
Intergovernmental	83,547	63,617	6,220	26,846	180,230
Increase (decrease) in due to other funds	-	-	(9,205)	-	(9,205)
Transfers from other funds	-	-	107,490	40,000	147,490
Transfers to other funds	(140,000)	(185,000)	(53,250)	(45,000)	(423,250)
Net Cash Provided (Used) by Noncapital Financing Activities	(56,453)	(121,383)	51,255	21,846	(104,735)
Cash Flows from Capital Related Financing Activities					
Decrease in due from other funds	108,300	35,300	-	-	143,600
Acquisition of capital assets	(256,555)	(101,780)	(719,051)	(3,552)	(1,080,938)
Proceeds from sale of capital assets	150	-	-	-	150
Principal paid on revenue bonds payable	(403,916)	(220,250)	(98,834)	(135,000)	(858,000)
Interest paid on revenue bonds payable	(69,901)	(46,378)	(19,443)	(18,868)	(154,590)
Payments received on assessments receivable	74,111	110,660	34,873	-	219,644
Net Cash Used by Capital and Related Financing Activities	(547,811)	(222,448)	(802,455)	(157,420)	(1,730,134)
Cash Flows from Investing Activities					
Interest received on cash and investments	8,087	4,171	-	-	12,258
Net Increase (Decrease) in Cash and Cash Equivalents	231,882	416,139	(578,232)	(51,478)	18,311
Cash and Cash Equivalents, January 1	723,739	946,110	578,232	184,098	2,432,179
Cash and Cash Equivalents, December 31	\$ 955,621	\$ 1,362,249	\$ -	\$ 132,620	\$ 2,450,490
Reconciliation of Operating Income to Net Cash Provided by Operating Activities					
Operating income	\$ 411,882	\$ 355,725	\$ 38,497	\$ (19,641)	\$ 786,463
Adjustments to reconcile operating income to net cash provided by operating activities					
Other income related to operations	17,823	3,356	939	2,050	24,168
Depreciation	494,709	362,394	93,245	87,688	1,038,036
(Increase) decrease in assets					
Accounts receivable	(20,263)	13,140	400	754	(5,969)
Intergovernmental	(488)	(11,101)	-	(1,122)	(12,711)
Inventories	(6,964)	-	-	-	(6,964)
Prepaid items	(1,530)	(1,506)	(815)	(1,867)	(5,718)
(Increase) decrease in deferred outflows of resources					
Deferred pension resources	(17,068)	(16,721)	(4,965)	(4,815)	(43,569)
Deferred other postemployment benefit resources	10,827	(4,406)	1,455	1,748	9,624
Increase (decrease) in liabilities					
Accounts payable	(18,723)	(10,059)	1,995	1,524	(25,263)
Due to other governments	2,368	(15,172)	(938)	988	(12,754)
Accrued wages payable	(23,404)	(9,391)	(1,921)	(2,523)	(37,239)
Compensated absences payable	3,483	8,314	6,841	3,011	21,649
Other postemployment benefits obligation	(11,315)	26,229	550	(424)	15,040
Net pension liability	39,940	81,965	38,175	24,327	184,407
Increase (decrease) in deferred inflows of resources					
Deferred pension resources	(52,280)	(27,256)	(355)	(7,444)	(87,335)
Deferred other postemployment benefit resources	(938)	288	(135)	(158)	(943)
Net Cash Provided by Operating Activities	\$ 828,059	\$ 755,799	\$ 172,968	\$ 84,096	\$ 1,840,922
Schedule of Noncash Capital and Related Financing Activities					
Capital assets acquired on account	\$ -	\$ -	\$ 2,886	\$ -	\$ 2,886
Capital assets contributed by other funds	\$ 202,505	\$ 296,154	\$ 467,910	\$ -	\$ 966,569
Special assessments levied	\$ 9,665	\$ 12,942	\$ -	\$ -	\$ 22,607
Amortization of bond (premium) discount	\$ (11,622)	\$ (8,986)	\$ (1,062)	\$ (1,406)	\$ (23,076)

City of North Mankato, Minnesota  
Statement of Fiduciary Net Position  
Fiduciary Funds  
December 31, 2020

	<u>Custodial Funds</u>
Assets	
Cash and cash equivalents	\$ 20,815
Receivables	
Intergovernmental	<u>25,603</u>
Total Assets	<u>46,418</u>
Liabilities	
Accounts payable	<u>471</u>
Net Position	
Restricted	
Individuals, organizations, and other governments	<u><u>\$ 45,947</u></u>

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

City of North Mankato, Minnesota  
Statement of Changes in Fiduciary Net Position  
Fiduciary Funds  
For the Year Ended December 31, 2020

	<u>Custodial Funds</u>
Additions	
Refunds and reimbursements	\$ 49,978
Donations	<u>500</u>
Total Additions	50,478
Deductions	
Miscellaneous	<u>14,423</u>
Net Increase (Decrease) in Fiduciary Net Position	36,055
Net Position, January 1	<u>9,892</u>
Net Position, December 31	<u><u>\$ 45,947</u></u>

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

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City of North Mankato, Minnesota  
Notes to the Financial Statements  
December 31, 2020

## Note 1: Summary of Significant Accounting Policies

### A. Reporting Entity

The City of North Mankato (the City) operates under "Optional Plan A" as defined in the Minnesota statutes. The City is governed by an elected Mayor and a four-member Council. The Council exercises legislative authority and determines all matters of policy. The 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. 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 primary government. The blended component unit has a December 31 year end.

*Blended Presented Component Unit.* The City of North Mankato Port Authority (the Port Authority) was established by the City Council to commence an active role as a facilitator for land acquisitions and improvements and as a promoter of community economic development. The Port Authority is governed by eight commission members, including five City Council members, who are directly appointed by the Mayor and confirmed by the City Council. Subject to the approval of the City Council, the Port Authority may issue bonds for public improvements and land development. The Port Authority's debt is expected to be paid entirely or almost entirely with the City's resources. The Port Authority's principal activities are economic and industrial development within the City and financing building activity for the City. Separate financial statements are not issued for this component unit.

### **Excluded**

The Housing and Redevelopment Authority (HRA) was created pursuant to Chapter 487 of the Minnesota Session Laws of 1947. The HRA was created by the City to carry out housing and redevelopment projects and its governing board appointed by the City Council. The HRA is a related organization; however, the City is not financially accountable for the HRA.

### B. Government-wide and Fund Financial Statements

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

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

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

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

## Note 1: Summary of Significant Accounting Policies (Continued)

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

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

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

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

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

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

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.

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 general government, except those required to be accounted for in another fund.

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

The *Revolving MSA fund* accounts for municipal state construction aid for various capital projects.

The *2020 Construction fund* accounts for street construction projects associated with the 2020 improvements program.

## Note 1: Summary of Significant Accounting Policies (Continued)

The City reports the following major proprietary funds:

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

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

The *Storm Water fund* accounts for the costs associated with the City's storm water system and to ensure that user charges are sufficient to pay for those costs.

Additionally, the City reports the following fund types:

### *Fiduciary Funds*

Custodial funds are used to report fiduciary activities that are not required to be reported in pension (and other employee benefit) trust funds, investment trust funds, or private-purpose trust funds. This fund is used to account for assets that the government holds for others in an agency capacity. Agency activities include the following: Minnesota River Valley Task Force, Tactical Response Team and Miss Fun Day activities.

Enterprise funds are used to account for those operations that are financed and operated in a manner similar to private business or where the Council has decided that the determination of revenues earned, costs incurred and/or net income is necessary for management accountability.

As a general rule the effect of interfund activity has been eliminated from government-wide financial statements. Exceptions to this general rule charges between the City's water, sewer and sanitation collection functions and various other functions of the City. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Proprietary funds distinguish *operating* revenues and expenses from *nonoperating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the City's enterprise funds are charges to customers for sales and services. The City also recognizes as operating revenue the portion of tap fees intended to recover the cost of connecting new customers to the system. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

## Note 1: Summary of Significant Accounting Policies (Continued)

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

#### *Deposits and Investments*

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

Cash balances from all funds are pooled and invested, to the extent available, in certificates of deposit and other authorized investments. Earnings from such investments are allocated on the basis of applicable participation by each of the funds.

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

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

City of North Mankato, Minnesota  
Notes to the Financial Statements  
December 31, 2020

**Note 1: Summary of Significant Accounting Policies (Continued)**

The City's investment policy follows Minnesota statutes, which reduces the City's exposure to credit, custodial credit and interest rate risks. Specific risk information for the City is as follows:

- *Custodial Credit Risk* - For investments, custodial credit risk is the risk that in the event of a failure of the counterparty, the government would not be able to recover the value of its investment or collateral securities that are in the possession of an outside party. As of December 31, 2020 all investments were insured or registered, or securities were held by the City or its agent in the City's name.
- *Credit Risk* - Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. State law limits investments in commercial paper that is rated in the highest quality category by at least two nationally recognized rating agencies. The City's investment policy does not further limit the ratings of their investments. Minnesota Statutes limit the City's investments to the list on page 68 of the notes.
- *Concentration Risk* - The City's investment policy does not address concentration with a particular broker. Investment instruments are varied to prevent concentration in any one investment type.
- *Interest Rate Risk* - In accordance with its investment policy, the City diversifies its investment portfolio to eliminate the risk of loss resulting from the over-concentration of assets in a specific maturity. The maturities selected shall provide for stability of income and reasonable liquidity.

The broker money market accounts operate in accordance with appropriate state laws and regulations. The reported value of the pools is the same as the fair value of the pool shares

The City categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. The City has the following recurring fair value measurements as of December 31, 2020:

- Mutual funds of \$13,239 and municipal bonds of \$240,110 are valued using quoted market prices (Level 1 inputs)
- Negotiable certificates of deposits of \$471,573 are valued using a matrix pricing model (Level 2 inputs)

**Property Taxes**

The City Council annually adopts a tax levy and certifies it to the County in December for collection 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 November 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 governmental fund financial statements.

## **Note 1: Summary of Significant Accounting Policies (Continued)**

### ***Accounts Receivable***

Accounts receivable include amounts billed for services provided before year end. Unbilled utility enterprise fund receivables are also included for services provided in 2020. All trade receivables are shown net of an allowance for uncollectible accounts. The City has no allowance for uncollectible accounts, as the City is generally able to certify amounts not collected to the County for collection as special assessments.

### ***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 annually certified to the County or 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.

### ***Inventories and Prepaid Items***

Inventories of materials and supplies are recorded at cost, which approximates market, using the first-in, first out (FIFO) method. Inventories consist of expendable supplies held for consumption. Inventories of governmental funds 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 and are recorded as prepaid items. The City uses the consumption method to account for all 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). All other outstanding balances between funds are reported as "due to/from other funds." 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 and component unit, as reported in the fund financial statements, are offset by a fund balance nonspendable account in applicable governmental funds to indicate that they are not available for appropriation and are not expendable available financial resources.

### ***Capital Assets***

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the City as assets with an estimated useful life in excess of one year. The City reports infrastructure assets on a network and subsystem basis. Accordingly, the amounts spent for the construction or acquisition of infrastructure assets are capitalized and reported in the government-wide financial statements.

City of North Mankato, Minnesota  
Notes to the Financial Statements  
December 31, 2020

**Note 1: Summary of Significant Accounting Policies (Continued)**

In the case of initial capitalization of general infrastructure assets (i.e., those reported by governmental activities) the City chose to include items dating back to June 30, 1980. The City had already accounted for its prior infrastructure at historical cost for the initial reporting of these assets. As the City constructs or acquires capital assets each period, including infrastructure assets, they are capitalized and reported at historical cost. 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 acquisition value of the item at the date of its donation.

Land Improvements	\$ 25,000
Other Improvements	25,000
Buildings and Building Improvements	50,000
Machinery and Equipment	5,000
Vehicles	5,000
Infrastructure	250,000
Other Assets	5,000

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

Assets	Years
Buildings and Improvements	50
System Improvements/Infrastructure	20 - 30
Machinery, Equipment and Vehicles	15

***Land Held for Resale***

Land held for resale is valued at cost which approximates fair value.

***Deferred Outflows of Resources***

In addition to assets, the statements of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The City has two items which qualify for reporting in this category. Accordingly, the items, deferred pension resources and deferred other postemployment benefit resources, are reported only in the statement of net position. These items result from actuarial calculations and current year pension contributions and OPEB contributions made subsequent to the measurement dates.

***Compensated Absences***

It is the government's policy to permit employees to accumulate earned but unused vacation and sick pay benefits. There is no liability for unpaid accumulated sick leave since the government does not have a policy to pay any amounts when employees separate from service with the government. All vacation pay is accrued when incurred in the government-wide, proprietary, and fiduciary 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 total amount accrued for compensated absences at December 31, 2020 is \$835,488. For the most part, the General fund is typically used to liquidate governmental compensated absences payable.

City of North Mankato, Minnesota  
Notes to the Financial Statements  
December 31, 2020

**Note 1: Summary of Significant Accounting Policies (Continued)**

***Postemployment Benefits Other Than Pensions***

Under Minnesota statute 471.61, subdivision 2b., public employers must allow retirees and their dependents to continue coverage indefinitely in an employer-sponsored health care plan, under the following conditions: 1) Retirees must be receiving (or eligible to receive) an annuity from a Minnesota public pension plan, 2) Coverage must continue in group plan until age 65, and retirees must pay no more than the group premium, and 3) Retirees may obtain dependent coverage immediately before retirement. All premiums are funded on a pay-as-you-go basis. The liability was actuarially determined, in accordance with GASB 75, at January 1, 2019. The General fund is typically used to liquidate governmental other postemployment benefits payable.

***Long-term Obligations***

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

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

***Pensions***

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

The total pension expense for the GERP, PEPFP, DCP and the North Mankato Firefighters Relief Association is as follows:

	Public Employees Retirement Association of Minnesota (PERA)			Fire Relief Association	Total
	GERP	PEPFP	DCP		
Pension Expense	\$ 82,330	\$ 237,193	\$ 1,300	\$ (50,207)	\$ 270,616

***Deferred Inflows of Resources***

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

Furthermore, the City has additional items which qualify for reporting in this category on the statement of net position. The items, deferred pension resources and deferred other postemployment benefit resources, are reported only in the statement of net position and results from actuarial calculations involving net differences between projected and actual earnings on plan investments and changes in proportions.



## Note 1: Summary of Significant Accounting Policies (Continued)

### ***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 (the Council), which is the City's highest level of decision-making authority. Committed amounts cannot be used for any other purpose unless the 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 Council itself or by an official to which the governing body delegates the authority. The Council has adopted a fund balance policy which delegates the authority to assign amounts for specific purposes to the Finance Director.

*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 unrestricted fund balance on the last day of each fiscal year equal to the following:

- 50 percent of property tax levy - budgeted in following year
- 50 percent of State aid revenues - local government aid and municipal State aid for roads; budgeted in following year

### ***Net Position***

Net position represents the difference between assets and deferred outflows of resources and liabilities and deferred inflows of resources. Net position is displayed in three components:

- a. Net investment in capital assets - Consists of capital assets, net of accumulated depreciation reduced by any outstanding debt attributable to acquire capital assets.
- b. Restricted net position - Consists of net position 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".

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

City of North Mankato, Minnesota  
Notes to the Financial Statements  
December 31, 2020

**Note 2: Stewardship, Compliance and Accountability**

**A. Budgetary Information**

Annual budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America for the General fund and the Library Endowment and the Local Option Sales Tax special revenue funds. All annual appropriations lapse at fiscal year-end. The City does not use encumbrance accounting.

In August of each year, all departments of the City submit requests for appropriations to the Administrator so that a budget may be prepared. Before September 30, the proposed budget is presented to the Council for review and the proposed levy is adopted. The Council holds public hearings and a final budget is prepared and adopted in early December.

The appropriated budget is prepared by fund, function and department. The City's department heads may make transfers of appropriations within a department. Transfers of appropriations between departments require the approval of the Administrator. Transfers of appropriations between funds require the approval of the Council. The legal level of budgetary control is the fund level. Budgeted amounts are as originally adopted, or as amended by the Council. All budget amendments were approved based on unanticipated expenditures and revenues encountered during the year.

**B. Deficit Fund Equity**

The following funds had fund equity deficits at December 31, 2020:

Fund	Amount
Major	
Capital Projects	
Revolving MSA	\$ 2,613,155
Nonmajor	
Special Revenue	
Marigold TIF #8	388,193
Capital Projects	
2021 Construction	96,824
2023 Construction	1,791
Proprietary	
Solid Waste	71,579

The above deficits will be eliminated through future state aids, future tax increments, bond issuances, grants, transfers from other funds and charges for services.

City of North Mankato, Minnesota  
Notes to the Financial Statements  
December 31, 2020

### **Note 3: Detailed Notes on All Funds**

#### **A. Deposits and Investments**

##### ***Deposits***

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

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

Authorized collateral in lieu of a corporate surety bond includes:

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

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

At year end, the City's carrying amount of deposits was \$11,383,917, including \$20,765 reported in fiduciary funds and the bank balance was \$11,498,788. Of the bank balance, \$250,000 was covered by federal depository insurance and the remaining balance was collateralized with securities held by the pledging financial institution's trust department in the City's name.

##### ***Cash on Hand***

Cash in the possession of the City, consisting of petty cash and change funds, totals \$1,990.

City of North Mankato, Minnesota  
Notes to the Financial Statements  
December 31, 2020

### Note 3: Detailed Notes on All Funds (Continued)

#### Investments

At the year-end, the City had in investments that are insured or registered, or securities held by the City or its agent in the City's name.

- **Credit Risk.** Ratings provided by various credit rating agencies where applicable indicate associated credit risk. The City's investments have ratings of AAA.
- **Interest Rate Risk.** Using the segmented time distribution method, the interest rate risk of these investments ranges from less than 6 months to more than 3 years.
- **Concentration of Credit Risk.** The City places no limit on the amount that may be invested in any one issuer. The City has not invested more than five percent in any one issuer.

Types of Investments	Credit Quality/ Ratings (1)	Segmented Time Distribution (2)	Amount	Fair Value Measurement Using		
				Level 1	Level 2	Level 3
Pooled Investments at Amortized Costs						
U.S. Government Money Market Accounts	N/A	less than 1 year	\$ 20,529			
Taxable Fixed Income	N/A	less than 1 year	102,869			
Taxable Fixed Income	N/A	1 to 5 years	208,082			
Non-pooled Investments at Fair Value						
Mutual Funds	N/A	less than 1 year	13,239	\$ 13,239	\$ -	\$ -
Municipal Bonds	N/A	less than 1 year	240,110	240,110	-	-
Negotiable Certificates of Deposit	N/A	less than 1 year	471,573	-	471,573	-
Total Investments			\$ 1,056,402	\$ 253,349	\$ 471,573	\$ -

(1) Ratings are provided by various credit rating agencies where applicable to indicate credit risk.

(2) Interest rate risk is disclosed using the segmented time distribution method.

N/A Indicates not applicable or available.

#### Cash and Investments Summary

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

	Primary Government	Fiduciary Funds	Total
Deposits	\$ 11,363,152	\$ 20,765	\$ 11,383,917
Investments	1,056,402	-	1,056,402
Cash on Hand	1,940	50	1,990
<b>Total</b>	<b>\$ 12,421,494</b>	<b>\$ 20,815</b>	<b>\$ 12,442,309</b>

City of North Mankato, Minnesota  
Notes to the Financial Statements  
December 31, 2020

**Note 3: Detailed Notes on All Funds (Continued)**

**B. Notes, Mortgages and Leases Receivable**

The Port Authority (Component Unit) has various low interest notes with local business through its Port Authority General fund, Federal Revolving Loan fund, Local Revolving Loan fund, and State Revolving Loan fund as well as a mortgage receivable through its Joint Economic Development fund. The revolving notes are to be repaid to the Port Authority in various monthly installments with interest at 2.50 percent to 4.50 percent. The balance on these notes at December 31, 2020 is \$963,811. The Joint Economic Development fund has a note receivable from a resident for housing rehab due in monthly installments of \$359 at 5.25 percent interest. The balance on this note at December 31, 2020 is \$49,808.

**C. Capital Assets**

Capital asset activity for the City for the year ended December 31, 2020 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
<b>Governmental Activities</b>				
Capital Assets not Being Depreciated				
Land	\$ 4,930,734	\$ -	\$ -	\$ 4,930,734
Construction in progress	10,122,636	3,679,320	(5,113,740)	8,688,216
Total Capital Assets not Being Depreciated	15,053,370	3,679,320	(5,113,740)	13,618,950
Capital Assets Being Depreciated				
Buildings and improvements	73,583,432	5,296,310	-	78,879,742
Machinery, equipment and vehicles	7,869,116	141,186	(130,372)	7,879,930
Total Capital Assets Being Depreciated	81,452,548	5,437,496	(130,372)	86,759,672
Less Accumulated Depreciation for				
Buildings and improvements	(40,573,340)	(2,199,821)	-	(42,773,161)
Machinery, equipment and vehicles	(5,193,048)	(342,726)	92,623	(5,443,151)
Total Accumulated Depreciation	(45,766,388)	(2,542,547)	92,623	(48,216,312)
Total Capital Assets Being Depreciated, Net	35,686,160	2,894,949	(37,749)	38,543,360
Governmental Activities Capital Assets, Net	<u>\$ 50,739,530</u>	<u>\$ 6,574,269</u>	<u>\$ (5,151,489)</u>	<u>\$ 52,162,310</u>

City of North Mankato, Minnesota  
Notes to the Financial Statements  
December 31, 2020

**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	\$ 606,061	\$ -	\$ -	\$ 606,061
Construction in progress	2,711,376	1,233,515	-	3,944,891
Total Capital Assets not Being Depreciated	3,317,437	1,233,515	-	4,550,952
Capital Assets Being Depreciated				
Buildings and improvements	39,762,927	184,836	-	39,947,763
Machinery, equipment and vehicles	2,468,866	13,451	(5,852)	2,476,465
Total Capital Assets Being Depreciated	42,231,793	198,287	(5,852)	42,424,228
Less Accumulated Depreciation for				
Buildings and improvements	(14,581,206)	(910,354)	-	(15,491,560)
Machinery, equipment and vehicles	(1,456,383)	(127,682)	5,852	(1,578,213)
Total Accumulated Depreciation	(16,037,589)	(1,038,036)	5,852	(17,069,773)
Total Capital Assets Being Depreciated, Net	26,194,204	(839,749)	-	25,354,455
Business-Type Activities Capital Assets, Net	<u>\$ 29,511,641</u>	<u>\$ 393,766</u>	<u>\$ -</u>	<u>\$ 29,905,407</u>

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

**Governmental Activities**

General government	\$ 82,400
Public safety	156,872
Public works, including depreciation of general infrastructure assets	1,902,569
Culture and recreation	400,706
Total Depreciation Expense - Governmental Activities	<u>\$ 2,542,547</u>

**Business-type Activities**

Water utility	\$ 494,709
Sewer utility	362,394
Recycling	47,328
Storm water	93,245
Solid waste	40,360
Total Depreciation Expense - Business-type Activities	<u>\$ 1,038,036</u>

City of North Mankato, Minnesota  
Notes to the Financial Statements  
December 31, 2020

**Note 3: Detailed Notes on All Funds (Continued)**

***Construction Commitments***

The City has active construction projects as of December 31, 2020. The projects include street construction, new developments and a recreational swim facility. At year end the City's commitments with contractors are as follows:

Project	Spent-to-Date	Remaining Commitment
Jefferson Avenue	\$ 356,476	\$ 18,762
Swim Facility	2,442,894	131,495
Marie Lane Extension	163,099	2,628
North Ridge Ravine	706,194	3,721
Tyler Ave	472,879	27,218
Commerce Drive	2,953,682	204,745
Hillside Reservoir	53,000	2,500
Carol Court Forcemain	196,997	8,120
Pool Heater	222,614	24,736
Monroe Avenue	793,203	85,485
Dakota Meadows	648,427	36,678
Countryside Drive	930,291	147,299
2020 State Aid Overlay	719,839	18,112
	<u>\$ 10,659,595</u>	<u>\$ 711,499</u>
Total		

The special assessment portion of the commitment for residential street construction is being financed by special assessment bonds that will be repaid by the benefiting property owners.

City of North Mankato, Minnesota  
Notes to the Financial Statements  
December 31, 2020

**Note 3: Detailed Notes on All Funds (Continued)**

**C. Interfund Receivables, Payables and Transfers**

The composition of interfund balances at December 31, 2020 is as follows:

***Due to/from Other Funds***

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General	Nonmajor governmental	<u>\$ 55,143</u>

The above balance is related to temporary deficit cash balances.

***Advances to/from Other Funds***

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General	Debt Service	\$ 151,384
	Nonmajor governmental	543,138
	Storm Water enterprise	140,000
Water Utility enterprise	Debt Service	324,900
Sewer Utility enterprise	Debt Service	<u>105,900</u>
Total		<u>\$ 1,265,322</u>

The outstanding balances between funds result mainly from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made. These balances also include temporary loans made to other funds caused by the timing of bond sales, capital loans and special assessment collections in the subsequent year.



City of North Mankato, Minnesota  
Notes to the Financial Statements  
December 31, 2020

**Note 3: Detailed Notes on All Funds (Continued)**

***Interfund Transfers***

The following transfers were made for the year ended December 31, 2020:

Fund	Transfer in						Total
	General	Debt Service	2020 Construction	Nonmajor Governmental	Storm Water Enterprise	Nonmajor Proprietary	
Transfer out							
General	\$ -	\$ -	\$ -	\$ 430,379	\$ 60,000	\$ -	\$ 490,379
Debt Service	-	-	-	-	-	40,000	40,000
Revolving MSA	308,067	256,100	963,939	1,257,418	-	-	2,785,524
Nonmajor governmental	-	647,230	-	-	47,490	-	694,720
Water Utility enterprise	95,000	-	-	45,000	-	-	140,000
Sewer Utility enterprise	110,000	-	-	75,000	-	-	185,000
Storm Water enterprise	11,750	-	-	41,500	-	-	53,250
Nonmajor proprietary	45,000	-	-	-	-	-	45,000
Total	<u>\$ 569,817</u>	<u>\$ 903,330</u>	<u>\$ 963,939</u>	<u>\$ 1,849,297</u>	<u>\$ 107,490</u>	<u>\$ 40,000</u>	<u>\$ 4,433,873</u>

Transfers are used to 1) move revenues from the fund with collection authorization to the Debt Service fund as debt service principal and interest payments become due, 2) move restricted amounts from borrowings to the debt service fund to establish mandatory reserve accounts, 3) move unrestricted general fund revenues to finance various programs that the government must account for in other funds in accordance with budgetary authorizations, including amounts provided as subsidies or matching funds for various grant programs. The following significant one time transfers were made during 2020:

- \$261,750 to the General fund from the Water Utility fund (\$95,000), the Sewer Utility fund (\$110,000), the Storm Water fund (\$11,750) and the Solid Waste fund (nonmajor enterprise fund) (\$45,000) for franchise fees.
- \$200,592 to the General fund from the Revolving MSA fund for street maintenance.
- \$107,475 to the General fund and \$619,607 to the 2020 Construction fund from the Revolving MSA fund for overlay costs.
- \$256,100 to the Debt Service fund from the Revolving MSA fund for bond payments.
- \$647,230 to the Debt Service fund from the nonmajor governmental funds for scheduled debt payments.
- \$77,000 to the Caswell Sports fund (nonmajor governmental fund) from the General fund to cover a shortfall in lodging taxes.
- \$294,000 to the Capital Facilities fund (nonmajor governmental fund) from the General fund for street repairs.
- \$344,332 to the 2020 Construction fund from the Revolving MSA fund for current and previously incurred project costs.
- \$1,257,418 to the Nonmajor Governmental fund from the Revolving MSA fund for current and previously incurred project costs related to the 2015, 2018 and 2019 construction projects.

City of North Mankato, Minnesota  
Notes to the Financial Statements  
December 31, 2020

**Note 3: Detailed Notes on All Funds (Continued)**

**D. Long-term Debt**

General Obligation Bonds

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 both governmental and business-type activities. These bonds are reported in the proprietary funds if they are expected to be repaid from proprietary fund revenues. In addition, general obligation bonds have been issued to refund special assessments related bonds.

General obligation bonds are direct obligations and pledge the full faith and credit of the government. General obligation bonds currently outstanding are as follows:

Description	Authorized and Issued	Interest Rate	Issue Date	Maturity Date	Balance at Year End
G.O. Refunding Bonds 2020A	\$ 2,410,000	2.00 %	03/24/20	02/01/34	\$ 2,410,000
G.O. Tax Abatement Bonds of 2014A	925,000	3.00 - 3.50	07/01/14	12/01/29	585,000
G.O. Tax Abatement Bonds of 2015A	580,000	0.85 - 3.10	09/01/15	12/01/30	410,000
G.O. Bonds of 2016A	465,000	1.00 - 1.80	08/15/16	02/01/26	320,000
G.O. Tax Abatement Bonds of 2018A	4,200,000	3.00 - 3.375	12/20/18	02/01/34	3,995,000
G.O. Equipment Bonds of 2019A	265,000	2.00	10/30/19	02/01/29	265,000
Total General Obligation Bonds					<u>\$ 7,985,000</u>

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

Year Ending December 31	General Obligation Bonds		
	Governmental Activities		
	Principal	Interest	Total
2021	\$ 565,000	\$ 204,646	\$ 769,646
2022	575,000	190,321	765,321
2023	595,000	175,572	770,572
2024	610,000	160,446	770,446
2025	615,000	144,886	759,886
2026 - 2030	2,960,000	485,529	3,445,529
2031 - 2034	2,065,000	117,541	2,182,541
Total	<u>\$ 7,985,000</u>	<u>\$ 1,478,941</u>	<u>\$ 9,463,941</u>

City of North Mankato, Minnesota  
Notes to the Financial Statements  
December 31, 2020

**Note 3: Detailed Notes on All Funds (Continued)**

General Obligation Tax Increment Bonds

The following bonds were issued for redevelopment projects. The additional tax increments resulting from increased tax capacity of the redeveloped properties will be used to retire related debt.

Description	Authorized and Issued	Interest Rate	Issue Date	Maturity Date	Balance at Year End
Taxable G.O. Tax Increment Bonds of 2010D	\$ 810,000	2.85 - 6.25 %	12/30/10	02/01/37	\$ 465,000
Taxable G.O. Tax Increment Revenue Bonds of 2011B	455,000	3.00 - 5.00	12/01/11	02/01/35	370,000
Total G.O. Tax Increment Bonds					<u>\$ 835,000</u>

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

Year Ending December 31	G.O. Tax Increment Bonds Governmental Activities		
	Principal	Interest	Total
2021	\$ 110,000	\$ 37,879	\$ 147,879
2022	110,000	33,028	143,028
2023	120,000	27,693	147,693
2024	125,000	21,778	146,778
2025	20,000	18,273	38,273
2026 - 2030	140,000	72,620	212,620
2031 - 2035	195,000	30,973	225,973
2036 - 2037	15,000	1,094	16,094
Total	<u>\$ 835,000</u>	<u>\$ 243,338</u>	<u>\$ 1,078,338</u>

City of North Mankato, Minnesota  
Notes to the Financial Statements  
December 31, 2020

**Note 3: Detailed Notes on All Funds (Continued)**

G.O. Special Assessment (Improvement) Bonds

The following bonds were issued 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. Each year the combined assessment and tax levy equals 105 percent of the amount required for debt service. The excess of 5 percent is to cover any delinquencies in tax or assessment payments.

Description	Authorized and Issued	Interest Rate	Issue Date	Maturity Date	Balance at Year End
<b>Governmental</b>					
G.O. Improvement Bonds of 2010A	\$ 2,305,000	2.00 - 4.00 %	12/30/10	12/01/27	\$ 1,240,000
G.O. Refunding Bonds of 2010C	3,455,000	0.75 - 3.15	12/30/10	02/01/22	1,020,000
G.O. Improvement Bonds of 2015A	1,480,000	0.85 - 3.10	09/01/15	12/01/30	1,115,000
G.O. Crossover Refunding Bonds of 2015B	2,390,000	2.75 - 3.00	09/21/15	12/01/28	980,000
G.O. Improvement Bonds of 2016A	1,335,000	1.00 - 2.45	08/15/16	02/01/32	755,000
G.O. Improvement Bonds of 2018A	470,000	3.00 - 3.375	12/20/18	02/01/34	450,000
G.O. Improvement Bonds of 2019A	1,530,000	2.00	10/30/19	02/01/34	1,420,000
G.O. Improvement Bonds of 2020B	3,400,000	1.00 - 2.00	09/08/20	02/01/36	3,400,000
Total G.O. Special Assessments Bonds - Governmental					10,380,000
<b>Business-type</b>					
G.O. Crossover Refunding Bonds of 2012A	935,000	1.00 - 2.70	04/01/12	02/01/25	485,000
Total G.O. Special Assessments Bonds					<u>\$10,865,000</u>

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

Year Ending December 31	G.O. Special Assessment Bonds Governmental Activities			G.O. Special Assessment Bonds Business-type Activities		
	Principal	Interest	Total	Principal	Interest	Total
2021	\$ 1,320,000	\$ 220,860	\$ 1,540,860	\$ 90,000	\$ 10,930	\$ 100,930
2022	1,125,000	191,949	1,316,949	95,000	8,803	103,803
2023	905,000	165,171	1,070,171	95,000	6,522	101,522
2024	935,000	144,171	1,079,171	100,000	4,085	104,085
2025	710,000	121,464	831,464	105,000	1,418	106,418
2026 - 2030	3,210,000	344,391	3,554,391	-	-	-
2031 - 2035	1,925,000	84,611	2,009,611	-	-	-
2036	250,000	1,750	251,750	-	-	-
Total	<u>\$ 10,380,000</u>	<u>\$ 1,274,367</u>	<u>\$ 11,654,367</u>	<u>\$ 485,000</u>	<u>\$ 31,758</u>	<u>\$ 516,758</u>

City of North Mankato, Minnesota  
Notes to the Financial Statements  
December 31, 2020

**Note 3: Detailed Notes on All Funds (Continued)**

G.O. Revenue Bonds

The following bonds were issued to finance capital improvements in the enterprise funds. They will be retired from net revenues of the enterprise funds.

Description	Authorized and Issued	Interest Rate	Issue Date	Maturity Date	Balance at Year End
<b>Business-type</b>					
G.O. Utility Revenue Bonds of 2009B	\$ 690,000	3.00 - 4.00 %	05/12/09	12/01/24	\$ 220,000
G.O. Improvement Bonds of 2014A	1,525,000	3.00 - 3.50	07/29/14	12/01/24	975,000
G.O. Sanitary Equipment Bonds of 2014A	395,000	3.00	07/29/14	12/01/24	160,000
G.O. Crossover Refunding Bonds of 2015B	3,180,000	2.00 - 3.00	09/21/15	12/01/28	1,600,000
Public Facilities Authority Loan of 2015C	1,631,793	1.00	01/09/15	08/20/34	1,231,000
Public Facilities Authority Loan of 2016B	26,273	1.00	03/21/16	08/20/34	22,300
G.O. Bonds of 2016A	420,000	1.00 - 1.80	08/15/16	02/01/26	345,000
G.O. Bonds of 2019A	1,270,000	2.00	10/30/19	02/01/34	1,180,000
Total G.O. Revenue Bonds - Business-type					<u>5,733,300</u>
<b>Governmental</b>					
G.O. Sales Tax Revenue Bonds of 2009C	2,560,000	2.00 - 4.00	05/12/09	12/01/24	845,000
G.O. Sales Tax Revenue Bonds of 2010B	750,000	1.00 - 4.00	12/30/10	12/01/25	290,000
Total G.O. Revenue Bonds - Governmental					<u>1,135,000</u>
Total G.O. Revenue Bonds					<u>\$ 6,868,300</u>

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

Year Ending December 31	Governmental Activities			Business-type Activities		
	Principal	Interest	Total	Principal	Interest	Total
2021	\$ 255,000	\$ 44,050	\$ 299,050	\$ 598,000	\$ 126,520	\$ 724,520
2022	260,000	34,625	294,625	599,100	110,941	710,041
2023	275,000	24,500	299,500	565,300	95,274	660,574
2024	285,000	13,800	298,800	576,300	82,309	658,609
2025	60,000	2,400	62,400	487,500	68,984	556,484
2026 - 2030	-	-	-	2,089,500	179,290	2,268,790
2031 - 2034	-	-	-	817,600	26,100	843,700
Total	<u>\$ 1,135,000</u>	<u>\$ 119,375</u>	<u>\$ 1,254,375</u>	<u>\$ 5,733,300</u>	<u>\$ 689,418</u>	<u>\$ 6,422,718</u>

The G.O. revenue bonds were issued to finance capital improvements. The bonds are payable from future revenues pledged from the Water Utility, Sewer Utility, Recycling, Storm Water and Solid Waste funds and are backed by the full faith and credit of the City. Annual revenues from charges for services, principal and interest payments, and percentage of revenue required to cover principal and interest payments are as follows:

	Water Utility	Sewer Utility	Recycling	Storm Water	Solid Waste
Revenue	\$ 2,060,995	\$ 2,597,842	\$ 468,236	\$ 401,044	\$ 763,023
Principal and Interest	473,817	266,628	107,868	118,277	46,000
Percent of Revenue	23.0%	10.3%	23.0%	29.5%	6.0%

City of North Mankato, Minnesota  
Notes to the Financial Statements  
December 31, 2020

**Note 3: Detailed Notes on All Funds (Continued)**

Changes in Long-term Liabilities

Long-term liability activity for the year ended December 31, 2020 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance	Due Within One Year
<b>Governmental Activities</b>					
Bonds Payable					
General obligation bonds	\$ 8,560,000	\$ 2,410,000	\$ (2,985,000)	\$ 7,985,000	\$ 565,000
General obligation tax increment bonds	940,000	-	(105,000)	835,000	110,000
General obligation special assessment bonds	8,240,000	3,400,000	(1,260,000)	10,380,000	1,320,000
General obligation revenue bonds	1,380,000	-	(245,000)	1,135,000	255,000
Bond discounts	(1,988)	-	811	(1,177)	-
Bond premiums	282,791	184,310	(65,739)	401,362	-
Total Bonds Payable	19,400,803	5,994,310	(4,659,928)	20,735,185	2,250,000
Compensated Absences Payable	653,820	462,991	(418,026)	698,785	276,211
Governmental Activity Long-term Liabilities	<u>\$ 20,054,623</u>	<u>\$ 6,457,301</u>	<u>\$ (5,077,954)</u>	<u>\$ 21,433,970</u>	<u>\$ 2,526,211</u>
<b>Business-type Activities</b>					
Bonds Payable					
General obligation revenue bonds	\$ 6,496,300	\$ -	\$ (763,000)	\$ 5,733,300	\$ 598,000
General obligation special assessment bonds	580,000	-	(95,000)	485,000	90,000
Bond discounts	(7,481)	-	1,876	(5,605)	-
Bond premiums	133,327	-	(24,952)	108,375	-
Total Bonds Payable	7,202,146	-	(881,076)	6,321,070	688,000
Compensated Absences Payable	115,054	102,682	(81,033)	136,703	67,707
Business-type Activity Long-term Liabilities	<u>\$ 7,317,200</u>	<u>\$ 102,682</u>	<u>\$ (962,109)</u>	<u>\$ 6,457,773</u>	<u>\$ 755,707</u>

City of North Mankato, Minnesota  
Notes to the Financial Statements  
December 31, 2020

**Note 3: Detailed Notes on All Funds (Continued)**

Refunding Bond

On March 24, 2020, the City issued General Obligation Refunding Bonds, Series 2020A for \$2,410,000 to refund the maturities of the City's General Obligation Bonds, Series 2011A. The savings information on the refunding bonds shows a gross savings of \$285,932 and a net present value of \$255,007.

Conduit Debt Obligations

From time to time, the City has issued Industrial Revenue Bonds to provide financial assistance to private-sector entities for the acquisition and construction of industrial and commercial facilities deemed to be in the public interest. The bonds are secured by the property financed and are payable solely from payments received on the underlying mortgage loans. Upon repayment of the bonds, ownership of the acquired facilities transfers to the private-sector entity served by the bond issuance. Neither the City, the State, nor any political subdivision thereof is obligated in any manner for repayment of the bonds. Accordingly, the bonds are not reported as liabilities in the accompanying financial statements. At December 31, 2020, the following conduit debt existed:

- \$2,500,000 Educational Facilities Revenue Note, Series 2007, (Evangelical Covenant Preschool Project) with an outstanding balance of \$2,104,684 at December 31, 2020.
- \$7,155,000 Housing Facilities Revenue Refunding Note 2014A, (Vista Prairie at Monarch Meadows Project), with an outstanding balance of \$6,418,147 at December 31, 2020.
- \$4,630,600 Facilities Revenue Refunding Note, Series 2019 (VINE Project) with an outstanding balance of \$4,512,465 at December 31, 2020.
- \$5,750,000 Educational Facilities Revenue Note, Series 2019 (Bethany Lutheran College Project) with an outstanding balance of \$ 5,518,267 at December 31, 2020.
- \$4,661,859 Port Authority of the City of North Mankato, Minnesota Educational Facility Revenue Refunding Note, Series 2019 (Bethany Lutheran College Project) with an outstanding balance of \$4,473,980 at December 31, 2020.
- \$5,300,00 Education Facilities Revenue Note, Series 2019 (Bethany Lutheran College Project) with an outstanding balance of \$5,518,267 at December 31, 2020.

City of North Mankato, Minnesota  
Notes to the Financial Statements  
December 31, 2020

**E. Components of Fund Balance**

At December 31, 2020, portions of the City's fund balance are not available for appropriation due to not being in spendable form (Nonspendable), legal restrictions (Restricted), City Council action (Committed), policy and/or intent (Assigned). The following is a summary of the components of fund balance:

	General	Debt Service	Revolving MSA	2020 Construction	Other Governmental Funds	Total
<b>Nonspendable</b>						
Advances to other funds	\$ 834,522	\$ -	\$ -	\$ -	\$ -	\$ 834,522
Prepaid items	34,292	-	-	-	13,522	47,814
<b>Total Nonspendable</b>	<b>\$ 868,814</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 13,522</b>	<b>\$ 882,336</b>
<b>Restricted</b>						
Debt service	\$ -	\$ 1,819,078	\$ -	\$ -	\$ -	\$ 1,819,078
Charitable gambling	-	-	-	-	64,815	64,815
Youth football	-	-	-	-	98,260	98,260
Library programs	-	-	-	-	55,540	55,540
Park development	-	-	-	-	5,866	5,866
Economic development	-	-	-	-	2,111,007	2,111,007
Tax increment financing	-	-	-	-	93,099	93,099
Park improvements	-	-	-	-	408,630	408,630
Street improvements	-	-	-	310,634	39,054	349,688
<b>Total Restricted</b>	<b>\$ -</b>	<b>\$ 1,819,078</b>	<b>\$ -</b>	<b>\$ 310,634</b>	<b>\$ 2,876,271</b>	<b>\$ 5,005,983</b>
<b>Committed</b>						
Caswell sports	\$ -	\$ -	\$ -	\$ -	\$ 77,916	\$ 77,916
Port authority	-	-	-	-	129,577	129,577
Economic development	-	-	-	-	1,150,110	1,150,110
Street improvements	-	-	-	488,257	-	488,257
<b>Total Committed</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 488,257</b>	<b>\$ 1,357,603</b>	<b>\$ 1,845,860</b>
<b>Assigned</b>						
Capital equipment/improvements	\$ -	\$ -	\$ -	\$ -	\$ 399,432	\$ 399,432
<b>Unassigned</b>	<b>\$ 3,868,284</b>	<b>\$ -</b>	<b>\$ (2,613,155)</b>	<b>\$ -</b>	<b>\$ (486,808)</b>	<b>\$ 768,321</b>



City of North Mankato, Minnesota  
Notes to the Financial Statements  
December 31, 2020

## **Note 4: Defined Benefit Pension Plan - Statewide**

### **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

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

#### Public Employees Police and Fire Plan

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

### **B. Benefits Provided**

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

#### General Employee Plan Benefits

General 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 percent of average salary for each of the first 10 years of service and 1.7 percent of average salary for each additional year. Under Method 2, the accrual rate for Coordinated members is 1.7 percent for average salary for all years of service. For members hired prior to July 1, 1989 a full annuity is available when age plus years of service equal 90 and normal retirement age is 65. For members hired on or after July 1, 1989 normal retirement age is the age for unreduced Social Security benefits capped at 66.

Benefit increases are provided to benefit recipients each January. Beginning in 2019, the postretirement increase will be equal to 50 percent of the cost-of-living adjustment (COLA) announced by the SSA, with a minimum increase of at least 1 percent and a maximum of 1.5 percent. Recipients that have been receiving the annuity or benefit for at least a full year as of the June 30 before the effective date of the increase will receive the full increase. For recipients receiving the annuity or benefit for at least one month but less than a full year as of the June 30 before the effective date of the increase will receive a reduced prorated increase. For members retiring on January 1, 2024, or later, the increase will be delayed until normal retirement age (age 65 if hired prior to July 1, 1989, or age 66 for individuals hired on or after July 1, 1989). Members retiring under Rule of 90 are exempt from the delay to normal retirement.

City of North Mankato, Minnesota  
Notes to the Financial Statements  
December 31, 2020

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

Police and Fire Plan Benefits

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

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

**C. Contributions**

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

General Employees Fund Contributions

Coordinated Plan members were required to contribute 6.50 percent of their annual covered salary in fiscal year 2020 and the City was required to contribute 7.50 percent for Coordinated Plan members. The City's contributions to the General Employees Fund for the years ending December 31, 2020, 2019 and 2018 were \$213,955, \$196,917 and \$181,765, respectively. The City's contributions were equal to the contractually required contributions for each year as set by state statute.

Police and Fire Contributions

Police and Fire member's contribution rates increased from 11.30 percent of pay to 11.80 percent and employer rates increased from 16.95 percent to 17.70 percent on January 1, 2020. The City's contributions to the Police and Fire Fund for the years ending December 31, 2020, 2019 and 2018 were \$233,114, \$204,392 and \$196,177, respectively. The City's contributions were equal to the contractually required contributions for each year as set by state statute.

**D. Pension Costs**

General Employees Fund Pension Costs

At December 31, 2020, the City reported a liability of \$2,254,292 for its proportionate share of the General Employees Fund's net pension liability. The City's net pension liability reflected a reduction due to the State of Minnesota's contribution of \$16 million. The State of Minnesota is considered a non-employer contributing entity and the State's contribution meets the definition of a special funding situation. The State of Minnesota's proportionate share of the net pension liability associated with the City totaled \$69,587. The net pension liability was measured as of June 30, 2020, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City's proportion of the net pension liability was based on the City's contributions received by PERA during the measurement period for employer payroll paid dates from July 1, 2019 through June 30, 2020 relative to the total employer contributions received from all of PERA's participating employers. The City's proportionate share was 0.0376 percent which was a 0.0019 percent increase from its proportion measured as of June 30, 2019.

City of North Mankato, Minnesota  
Notes to the Financial Statements  
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**Note 4: Defined Benefit Pension Plans - Statewide (Continued)**

City's Proportionate Share of the Net Pension Liability	\$ 2,254,292
State of Minnesota's Proportionate Share of the Net Pension Liability Associated with the City	<u>69,587</u>
Total	<u><u>\$ 2,323,879</u></u>

For the year ended December 31, 2020, the City recognized pension expense of \$76,274 for its proportionate share of the General Employees Plan's pension expense. In addition, the City recognized \$6,056 as pension expense (and grant revenue) for its proportionate share of the State of Minnesota's contribution of \$16 million to the General Employees Fund.

At December 31, 2020, the City reported its proportionate share of the General Employees Plan's deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Experience	\$ 19,942	\$ 8,578
Changes in Actuarial Assumptions	208	81,430
Net Difference Between Projected and Actual Earnings on Plan Investments	44,063	-
Changes in Proportion	88,407	14,383
Contributions Paid to PERA Subsequent to the Measurement Date	<u>111,886</u>	<u>-</u>
Total	<u><u>\$ 264,506</u></u>	<u><u>\$ 104,391</u></u>

The \$111,886 reported as deferred outflows of resources related to pensions resulting from the City's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2021. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

2021	\$ (106,052)
2022	27,657
2023	72,159
2024	54,465

Police and Fire Fund Pension Costs

At December 31, 2020, the City reported a liability of \$1,422,237 for its proportionate share of the Police and Fire Fund's net pension liability. The net pension liability was measured as of June 30, 2020, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City's 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, 2019 through June 30, 2020 relative to the total employer contributions received from all of PERA's participating employers. The City's proportionate share was 0.1079 percent which was a 0.0088 percent decrease from its proportion measured as of June 30, 2019.

City of North Mankato, Minnesota  
Notes to the Financial Statements  
December 31, 2020

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

The State of Minnesota also contributed \$13.5 million to the Police and Fire Fund in the plan fiscal year ended June 30, 2020. The contribution consisted of \$4.5 million in direct state aid that does meet the definition of a special funding situation and \$9.0 million in fire state aid that does not meet the definition of a special funding situation. The \$4.5 million direct state was paid on October 1, 2019. 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 fire 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.

As a result, 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 \$4.5 million in direct state aid. Police and Fire Plan employers need to recognize their proportionate share of the State of Minnesota's pension expense (and grant revenue) under GASB 68 special funding situation accounting and financial reporting requirements. For the year ended December 31, 2020, the City recognized pension expense of \$227,482 for its proportionate share of the Police and Fire Plan's pension expense.

The State of Minnesota is not included as a non-employer contributing entity in the Police and Fire Pension Plan pension allocation schedules for the \$9 million in fire state aid. The City also recognized \$9,711 for the year ended December 31, 2020 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.

At December 31, 2020, the City reported its proportionate share of the Police and Fire Plan's deferred outflows of resources and deferred inflows of resources from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Experience	\$ 67,496	\$ 91,790
Changes in Actuarial Assumptions	556,821	980,334
Net Difference Between Projected and Actual Earnings on Plan Investments	52,840	-
Changes in Proportion	84,821	141,938
Contributions Paid to PERA Subsequent to the Measurement Date	125,109	-
	<u>\$ 887,087</u>	<u>\$ 1,214,062</u>
Total		

The \$125,109 reported as deferred outflows of resources related to pensions resulting from the City's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2021. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

2021	\$ (117,330)
2022	(415,208)
2023	51,827
2024	52,503
2025	(23,876)

City of North Mankato, Minnesota  
Notes to the Financial Statements  
December 31, 2020

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

### E. Actuarial Assumptions

The total pension liability in the June 30, 2020 actuarial valuation was determined using an individual entry-age normal actuarial cost method and the following actuarial assumptions:

Inflation	2.50% per year
Active Member Payroll Growth	3.25% per year
Investment Rate of Return	7.50%

Salary increases were based on a service-related table. Mortality rates for active members, retirees, survivors and disabilitants were based on RP-2014 tables for males or females, as appropriate, with slight adjustments to fit PERA's experience. Cost of living benefit increases after retirement for retirees are assumed to be 1.25 percent per year for General Employees Plan and 1.0 percent per year for Police and Fire Plan.

Actuarial assumptions used in the June 30, 2020 valuation were based on the results of actuarial experience studies. The most recent four-year experience study in the General Employees Plan was completed in 2019. The assumption changes were adopted by the Board and become effective with the July 1, 2020 actuarial valuation. The most recent four-year experience study for the Police and Fire Plan was completed in 2020. The recommended assumptions for that plan were adopted by the Board and will be effective with the July 1, 2021 actuarial valuations if approved by the Legislature.

The following changes in actuarial assumptions and plan provisions occurred in 2020:

#### General Employees Fund

##### Changes in Actuarial Assumptions

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

##### Changes in Plan Provisions

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

City of North Mankato, Minnesota  
Notes to the Financial Statements  
December 31, 2020

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

Police and Fire Fund

Changes in Actuarial Assumptions

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

Changes in Plan Provisions

- There have been no changes since the prior valuation.

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	35.5 %	5.10 %
Alternative Assets (Private Markets)	25.0	5.90
Bonds (Fixed Income)	20.0	0.75
International Stocks	17.5	2.30
Cash	<u>2.0</u>	-
Total	<u><u>100.00 %</u></u>	

**F. Discount Rate**

The discount rate used to measure the total pension liability in 2020 was 7.50 percent. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and employers will be made at rates set in Minnesota Statutes. Based on these assumptions, the fiduciary net position of the General Employees Fund and the Police and Fire Fund were projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

**G. Pension Liability Sensitivity**

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

	<u>City Proportionate Share of NPL</u>		
	<u>1 Percent Decrease (6.50%)</u>	<u>Current (7.50%)</u>	<u>1 Percent Increase (8.50%)</u>
General Employees Fund	\$ 3,612,848	\$ 2,254,292	\$ 1,133,592
Police and Fire Fund	2,834,724	1,422,237	253,652

City of North Mankato, Minnesota  
Notes to the Financial Statements  
December 31, 2020

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

**H. Pension Plan Fiduciary Net Position**

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

**Note 5: Defined Contribution Plan**

Four council members, and one mayor, of the City of North Mankato are covered by the Defined Contribution Plan, a multiple-employer deferred compensation plan administered by PERA. The Defined Contribution Plan is a tax qualified plan under Section 401(a) 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 353D.03, specifies plan provisions, including the employee and employer contribution rates for those qualified personnel who elect to participate. An eligible elected official who decides to participate contributes five percent of salary which is matched by the elected official's employer.. Employer contributions for volunteer personnel may be a unit value for each call or period of alert duty. Employees who are paid for their services may elect to make member contributions in an amount not to exceed the employer share. Employer and employee contributions are combined and used to purchase shares in one or more of the seven accounts of the Minnesota Supplemental Investment Fund. For administering the plan, PERA receives 2.0 percent of employer contributions and twenty-five hundredths of 1.0 percent (0.25 percent) of the assets in each member's account annually.

Total contributions made by the City during the fiscal year 2020 were:

Contribution Amount		Percentage of Covered Payroll		Required Rate
Employee	Employer	Employee	Employer	
\$ 1,300	\$ 1,300	5.00%	5.00%	5.00%

The City and council member's contributions to the DCP plan for the years ending December 31, 2020, 2019 and 2018 were \$1,300, \$1,300 and \$1,300, respectively.

City of North Mankato, Minnesota  
Notes to the Financial Statements  
December 31, 2020

**Note 6: Defined Benefit Pension Plans - Fire Relief Association**

**A. Plan Description**

All members of the North Mankato Fire Department (the Department) are covered by a defined benefit plan administered by the North Mankato Fire Department Relief Association (the Association). As of December 31, 2019, the plan covered 36 active firefighters and 15 vested terminated fire fighters whose pension benefits are deferred. The plan is a single employer retirement plan and is established and administered in accordance with Minnesota statute, chapter 69.

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

**B. Benefits Provided**

A fire fighter who completes at least 20 years as an active member of the Department is entitled, after age 50, to a full service pension upon retirement.

The bylaws of the Association also provide for an early vested service pension for a retiring member who has completed fewer than 20 years of service. The reduced pension, available to members with 5 years of service, shall be equal to 40 percent of the pension as prescribed by the bylaws. This percentage increases 4 percent per year so that at 20 years of service, the full amount prescribed is paid. Members who retire with less than 20 years of service and have reached the age of 50 years and have completed at least 5 years of active membership are entitled to a reduced service pension not to exceed the amount calculated by multiplying the member's service pension for the completed years of service times the applicable non-forfeitable percentage of pension.

**C. Contributions**

Minnesota statutes, chapters 424 and 424A authorize pension benefits for volunteer fire relief associations. The plan is funded by fire state aid, investment earnings and, if necessary, employer contributions as specified in Minnesota statutes and voluntary City contributions (if applicable). The State of Minnesota contributed \$79,410 in fire state aid to the plan on behalf of the City Fire Department for the year ended December 31, 2020, which was recorded as a revenue. Required employer contributions are calculated annually based on statutory provisions. The City's statutorily-required contributions to the plan for the year ended December 31, 2020 were \$79,410. The City made no voluntary contributions to the plan. The firefighter has no obligation to contribute to the plan.



City of North Mankato, Minnesota  
Notes to the Financial Statements  
December 31, 2020

**Note 6: Defined Benefit Pension Plans - Fire Relief Association (Continued)**

**D. Pension Costs**

At December 31, 2020, the City reported a net pension asset of \$346,879 for the Volunteer Firefighter Fund. The net pension asset was measured as of December 31, 2019. The total pension asset used to calculate the net pension (asset) liability in accordance with GASB 68 was determined by applying an actuarial formula to specific census data certified by the Department as of December 31, 2019. The following table presents the changes in net pension asset during the year:

	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (Asset) (a-b)
Beginning Balance January 1, 2020	\$ 1,929,719	\$ 2,276,598	\$ (346,879)
Changes for the Year			
Service cost	64,550	-	64,550
Interest on pension liability (asset)	104,699	-	104,699
Projected investment return	-	121,660	(121,660)
Contributions (employer)	-	13,852	(13,852)
Nonemployer contributions	-	75,242	(75,242)
(Gain)/loss	-	318,148	(318,148)
Administrative expenses	-	(7,622)	7,622
Total Net Changes	169,249	521,280	(352,031)
Ending Balance December 31, 2020	\$ 2,098,968	\$ 2,797,878	\$ (698,910)

For the year ended December 31, 2020 the City recognized negative pension expense of \$50,207.

At December 31, 2020 the City reported balances related to pension from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Experience	\$ 779	\$ 5,115
Changes in Actuarial Assumptions	8,560	-
Net Difference Between Projected and Actual Earnings on Plan Investments	-	165,137
Contributions to Plan Subsequent to the Measurement Date	79,410	-
Total	\$ 88,749	\$ 170,252

Deferred outflows of resources totaling \$79,410 related to pensions resulting from the City's contributions to the plan subsequent to the measurement date will be recognized as a reduction of the net pension (asset) liability in the year ended December 31, 2021. Other amounts reported as deferred outflows of resources related to the plan will be recognized in pension expense as follows:

2021	\$ (38,973)
2022	(44,162)
2023	(13,923)
2024	(63,855)

City of North Mankato, Minnesota  
Notes to the Financial Statements  
December 31, 2020

**Note 6: Defined Benefit Pension Plans - Fire Relief Association (Continued)**

**E. Actuarial Assumptions**

The total pension liability at December 31, 2020 was determined using the entry age normal actuarial cost method and the following actuarial assumptions:

Discount Rate	5.25%
Inflation Rate	4.00%
Investment Rate of Return	5.25%
20 Year Municipal Bond Yield	3.50%

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

The target allocation and best estimates of geometric real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Long-term Expected Real Rate of Return
Equities	52.00 %	7.30 %
Fixed Income	38.00	3.20
Cash and Equivalents	9.00	2.25
Other	1.00	6.00
Total	<u>100.00 %</u>	

**F. Discount Rate**

The discount rate used to measure the total pension liability was 5.25 percent. The projection of cash flows used to determine the discount rate assumed that contributions to the plan will be made as specified in statute. Based on that assumption and considering the funding ratio of the plan, the fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

**G. Pension Liability Sensitivity**

The following presents the City's net pension (asset) liability for the plan, calculated using the discount rate disclosed in the preceding paragraph, as well as what the City's net pension (asset) liability would be if it were calculated using a discount rate 1 percent lower or 1 percent higher than the current discount rate:

	1 Percent Decrease (4.25%)	Current (5.25%)	1 Percent Increase (6.25%)
Defined Benefit Plan	\$ (685,190)	\$ (698,910)	\$ (712,136)

City of North Mankato, Minnesota  
Notes to the Financial Statements  
December 31, 2020

## Note 6: Defined Benefit Pension Plans - Fire Relief Association (Continued)

### H. Asset Allocation

The long-term expected rate of return on pension plan investments was set based on the plan's target investment allocation along with long-term return expectations by asset class. All economic assumptions were based on input from various published sources and projected future financial data available.

The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Long-term Expected Real Rate of Return
Equities	52.00 %	7.30 %
Fixed Income	38.00	3.20
Cash and Equivalents	9.00	2.25
Other	1.00	6.00
Total	<u>100.00 %</u>	

### I. Pension Plan Fiduciary Net Position

The Association issues a publicly available financial report. The report may be obtained by writing to the North Mankato Firefighters Relief Association, 1001 Belgrade Avenue, North Mankato, MN 56003.

## Note 7: Postemployment Benefits Other Than Pensions

### A. Plan Description

The City administers a single-employer defined benefit healthcare plan ("the Retiree Health Plan"). The plan provides lifetime healthcare insurance for eligible retirees and their spouses through the City's group health insurance plan, which covers both active and retired members. Benefit provisions are established through negotiations between the City and the union representing employees and are renegotiated each three-year bargaining period. The Retiree Health Plan does not issue a publicly available financial report.

At December 31, 2020, the following employees were covered by the benefit terms:

Inactive Plan Members or Beneficiaries Currently Receiving Benefit Payments	6
Active Plan Members	<u>57</u>
Total Plan Members	<u>63</u>

### B. Funding Policy

Contribution requirements also are negotiated between the City and union representatives. The City contributes none of the cost of current-year premiums for eligible retired plan members and their spouses. For the year ended December 31, 2020, the City's average contribution rate was 26.40 percent of covered-employee payroll. For fiscal year 2020, the City directly contributed \$0 to the Plan, while implicit contributions totaled \$48,769.

City of North Mankato, Minnesota  
Notes to the Financial Statements  
December 31, 2020

**Note 7: Postemployment Benefits Other Than Pensions (Continued)**

**C. Actuarial Methods and Assumptions**

The City's total OPEB liability of \$923,296 was measured as of December 31, 2020, and the total OPEB liability used to calculate the total OPEB liability was determined by an actuarial valuation as of January 1, 2019.

The total OPEB liability in the January 1, 2020 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Discount Rate	3.80%
20-Year Municipal Bond Yield	3.80%
Inflation Rate	2.50%
Salary Increases	3.00%
Medical Trend Rate	6.25% in 2019 grading to 5.00% over 6 years

The discount rate used to measure the total OPEB liability was 3.80 percent. Since the plan is not funded, the discount rate was developed by estimating the long-term investment yield on the employer funds that will be used to pay benefits as they come due. The discount rate is based on the estimated yield of 20-Year AA-rated municipal bonds.

Mortality rates were based on the RP-2014 White Collar Mortality Tables with MP-2018 Generational Improvement Scale (With Blue Collar adjustment for Police and Fire Personnel).

Salary increases were based on the long-term inflation assumption plus any additional wage increase assumption in excess of inflation. The additional wage assumption is based on a review of increases in the taxable wage base compared to inflation. Any additional information on expected salary increases provided by the client is also reflected in the assumption.

The actuarial assumptions used in the December 31, 2020 valuation were based on input from a variety of published sources of historical and projected future financial data. Each assumption was reviewed for reasonableness with the source information as well as for consistency with the other economic assumptions.

**D. Changes in the Total OPEB Liability**

	Total OPEB Liability
Balances at December 31, 2019	\$ 892,477
Changes for the Year:	
Service cost	44,422
Interest	34,693
Benefit payments	(48,296)
Net Changes	30,819
Balances at December 31, 2020	\$ 923,296

Since the prior measurement date, there were no assumption changes.

Since the prior measurement date, there were no benefit changes.

City of North Mankato, Minnesota  
Notes to the Financial Statements  
December 31, 2020

**Note 7: Postemployment Benefits Other Than Pensions (Continued)**

**E. Sensitivity of the Total OPEB Liability**

The following presents the total OPEB liability of the City, as well as what the City's total OPEB liability would be if it were calculated using a discount rate that is 1-percentage point lower (2.80 percent) or 1-percentage-point higher (4.80 percent) than the current discount rate:

1 Percent Decrease (2.8%)	Current (3.8%)	1 Percent Increase (4.8%)
\$ 989,579	\$ 923,296	\$ 861,669

The following presents the total OPEB liability of the City, as well as what the City's total OPEB liability would be if it were calculated using a Healthcare Cost Trend Rates that is 1-percentage point lower (5.50 percent decreasing to 4.00 percent) or 1-percentage-point higher (7.50 percent increasing to 6.00 percent) than the current cost trend rate:

1 Percent Decrease (5.5% Decreasing to 4.0%)	Healthcare Cost Trend Rates (6.5% Decreasing to 5.0%)	1 Percent Increase (7.5% Decreasing to 6.0%)
\$ 836,964	\$ 923,296	\$ 1,021,869

**F. OPEB Expense and Deferred Outflows of Resources Related to OPEB**

For the year ended December 31, 2020, the City recognized OPEB expense of \$73,800. At December 31, 2020, the City reported deferred outflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Experience	\$ 239,558	\$ -
Changes in Actuarial Assumptions	-	22,286
Contributions to OPEB Subsequent to the Measurement Date	48,769	-
Total	<u>\$ 288,327</u>	<u>\$ 22,286</u>

Amounts reported as deferred outflows of resources totaling \$48,769 related to pensions resulting from the City's contributions to OPEB subsequent to the measurement date will be recognized as a reduction of the OPEB liability in the year ended December 31, 2021. Other amounts reported as deferred outflows of resources related to the plan will be recognized in pension expense as follows:

2021	\$ 43,454
2022	43,454
2023	43,454
2024	43,454
2025	43,456

City of North Mankato, Minnesota  
Notes to the Financial Statements  
December 31, 2020

**Note 8: 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. There were no significant reductions in insurance coverage from the previous year. There were no settlements in excess of insurance for any of the prior three 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. Contingent Liabilities**

Amounts received or receivable from grant agencies are subject to audit and adjustment by grantor agencies, principally the Federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time although the City expects such amounts, if any, to be immaterial.

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.

**C Joint Ventures**

***Joint Economic Development Fund***

During 1990, the Port Authority (Component Unit) and Frost-Benco-Wells Electric initiated a joint venture whereby each entity contributed \$125,000. The purpose of the joint venture is to purchase and develop an industrial park area in the Frost-Benco-Wells service area and to facilitate economic development. The land purchase of \$349,990 as well as the activities of this joint venture are accounted for in the Port Authority Joint Economic Development fund. Each entity will make future contributions to the joint venture as needed. Since 1990, the participating entities have not had to contribute additional funds. No separate financial statements are issued for this joint venture.

***Flood Protection Facilities***

Flood protection facilities have been constructed to provide flood protection to the cities of Mankato and North Mankato. All costs associated with all labor, materials, equipment and other items necessary to perform the work will be distributed on the basis of contributing stormwater flow from drainage area acres per City within the total drainage district. The City of Mankato maintains all records and submits to the City of North Mankato an invoice each year for their pro-rated share of costs incurred. This agreement will continue as long as the flood protection facilities are deemed necessary by the parties involved.

***All Seasons Arena***

Since 1979 the All Seasons Arena owned by the cities of Mankato, North Mankato, Skyline and Blue Earth County, has been operated by the Mankato Area Public Schools Community Education and Recreation Department. The governmental units designated as owners provide \$40,000 in operating funds per operating year. The agreement is for a three year period and renewed by mutual agreement. The City of North Mankato has a 21.8 percent share of the facility. An asset has not been recorded by the City as this amount is considered immaterial to the financial statements as a whole.

**Concentrations**

The City receives a significant amount of its annual General fund revenues from the State of Minnesota from the Local Government Aid (LGA) program. The amount received in 2020 was \$1,884,836. This accounted for 18.8 percent of General fund revenues.

City of North Mankato, Minnesota  
Notes to the Financial Statements  
December 31, 2020

**Note 9: Tax Increments**

As of December 31, 2020, the City has five agreements entered into by the City listed below that abates City property taxes. Below is information specific to the agreement:

The City entered into a tax increment financing agreement (LJP Enterprises TIF) on August 16, 2010 with a developer in which the developer incurred costs to promote the construction of a warehouse facility. In return, the City will reimburse the developer for some costs as the City collects future tax increment for the increased property value and tax capacity related to the housing development. The pay-as-you-go agreement has a maximum return to the developer of \$644,396 over the life of the agreement. The agreement was negotiated under state law (Minnesota Statute 469.048-469.068, 469.174-469.179) and has a maximum duration to December 31, 2020. The calculation of taxes abated during the fiscal year is noted in the chart below.

The City entered into a tax increment financing agreement (Ziegler Caterpillar TIF) on January 11, 2011 with a developer in which the developer incurred costs to promote the construction of a sales, service and warehouse facility. In return, the City will reimburse the developer for some costs as the City collects future tax increment for the increased property value and tax capacity related to the housing development. The pay-as-you-go agreement has a maximum return to the developer of \$727,450 over the life of the agreement. The agreement was negotiated under state law (Minnesota Statute 469.048-469.068, 469.174-469.179) and has a maximum duration to December 31, 2021. The calculation of taxes abated during the fiscal year is noted in the chart below.

The City entered into a tax increment financing agreement (Lindsay TIF) on July 5, 2011 with a developer in which the developer incurred costs to promote an expansion project. In return, the City will reimburse the developer for some costs as the City collects future tax increment for the increased property value and tax capacity related to the housing development. The pay-as-you-go agreement has a maximum return to the developer of \$140,746 over the life of the agreement. The agreement was negotiated under state law (Minnesota Statute 469.048-469.068, 469.174-469.179) and has a maximum duration to December 31, 2021. The calculation of taxes abated during the fiscal year is noted in the chart below.

The City entered into a tax increment financing agreement (D&K Powder Coating) on September 15, 2014 with a developer in which the developer incurred costs to promote an expansion project. In return, the City will reimburse the developer for some costs as the City collects future tax increment for the increased property value and tax capacity related to the housing development. The pay-as-you-go agreement has a maximum return to the developer of \$490,265 over the life of the agreement. The agreement was negotiated under state law (Minnesota Statute 469.048-469.068, 469.174-469.179) and has a maximum duration to December 31, 2025. The calculation of taxes abated during the fiscal year is noted in the chart below.

The City entered into a tax increment financing agreement (Birchwood Cottages) on September 18, 2017 with a developer in which the developer incurred costs to promote the construction of an assisted living facility project. In return, the City will reimburse the developer for some costs as the City collects future tax increment for the increased property value and tax capacity related to the housing development. The pay-as-you-go agreement has a maximum return to the developer of \$486,480 over the life of the agreement. The agreement was negotiated under state law (Minnesota Statute 469.048-469.068, 469.174-469.179) and has a maximum duration to December 31, 2026. The calculation of taxes abated during the fiscal year is noted in the chart below.

The City entered into a tax increment financing agreement (Blue Star Power Systems) on September 18, 2017 with a developer in which the developer incurred costs to promote the construction of a manufacturing facility. In return, the City will reimburse the developer for some costs as the City collects future tax increment for the increased property value and tax capacity related to the housing development. The pay-as-you-go agreement has a maximum return to the developer of \$1,941,500 over the life of the agreement. The agreement was negotiated under state law (Minnesota Statute 469.048-469.068, 469.174-469.179) and has a maximum duration to December 31, 2028. The calculation of taxes abated during the fiscal year is noted in the chart below.

City of North Mankato, Minnesota  
Notes to the Financial Statements  
December 31, 2020

**Note 9: Tax Increments**

Lost revenue as it relates to tax abatements for the year ended December 31, 2020 was as follows:

	City Tax Rate (Year of Establishment)	Captured Tax Capacity	Amount of Taxes Abated in the Fiscal Year
Tax Increment Districts (PAYGO)			
TIF District 18 (LJP Enterprises)	45.425%	\$ 68,000	\$ 30,889
TIF District 20 (Ziegler Caterpillar)	45.626%	74,148	33,831
TIF District 22 (Lindsay)	45.425%	17,590	7,990
TIF District 23 (D&K Powder Coating)	54.566%	53,072	28,959
TIF District 24 (Birchwood Cottages)	52.485%	30,855	16,194
TIF District 25 (Blue Star Power Systems)	52.485%	20,208	10,606
Total			<u>\$ 128,470</u>

**Note 10: COVID-19**

On January 30, 2020, the World Health Organization ("WHO") announced a global health emergency because of a new strain of coronavirus ("COVID-19") and the risks to the international community as virus spreads globally. On March 11, 2020, the WHO classified the COVID-19 outbreak as a pandemic, based on the rapid increase in exposure globally. In response to the pandemic, the State of Minnesota has issued stay-at-home orders and other measures aimed at slowing the spread of the coronavirus.

The full impact of the COVID-19 outbreak continues to evolve as of the date of this report. Due to the rapid development and fluidity of this situation, the City cannot determine the ultimate impact that the COVID-19 pandemic will have on its financial condition, liquidity, and future revenue collection, and therefore any prediction as to the ultimate impact on the City's financial condition, liquidity, and future results of its revenue collections is uncertain.



REQUIRED SUPPLEMENTARY INFORMATION

CITY OF NORTH MANKATO  
NORTH MANKATO, MINNESOTA

FOR THE YEAR ENDED  
DECEMBER 31, 2020

City of North Mankato, Minnesota  
Required Supplementary Information  
For the Year Ended December 31, 2020

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

Fiscal Year Ending	City's Proportion of the Net Pension Liability	City's Proportionate Share of the Net Pension Liability (a)	State's Proportionate Share of the Net Pension Liability Associated with the City (b)	Total (a+b)	City's Covered Payroll (c)	City's Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll (a/c)	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
06/30/20	0.0376 %	\$ 2,254,292	\$ 69,587	\$ 2,323,879	\$ 2,680,937	84.1 %	79.0 %
06/30/19	0.0357	1,973,773	61,331	2,035,104	2,525,330	78.2	80.2
06/30/18	0.0358	1,986,037	65,191	2,051,228	2,405,037	82.6	79.5
06/30/17	0.0365	2,330,136	29,282	2,359,418	2,350,028	99.2	75.9
06/30/16	0.0372	3,020,455	39,358	3,059,813	2,305,660	131.0	68.9
06/30/15	0.0408	2,114,468	-	2,114,468	2,356,493	89.7	78.2

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

**Schedule of Employer's PERA contributions - General Employees Fund**

Year Ending	Statutorily Required Contribution (a)	Contributions in Relation to the Statutorily Required Contribution (b)	Contribution Deficiency (Excess) (a-b)	City's Covered Payroll (c)	Contributions as a Percentage of Covered Payroll (b/c)
12/31/20	\$ 213,955	\$ 213,955	\$ -	\$ 2,852,738	7.5 %
12/31/19	196,917	196,917	-	2,625,556	7.5
12/31/18	181,765	181,765	-	2,423,530	7.5
12/31/17	179,048	179,048	-	2,387,312	7.5
12/31/16	172,739	172,739	-	2,303,184	7.5
12/31/15	177,855	177,855	-	2,371,413	7.5

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

City of North Mankato, Minnesota  
Required Supplementary Information (Continued)  
For the Year Ended December 31, 2020

**Notes to the Required Supplementary Information - General Employees Fund**

Changes in Actuarial Assumptions

2020 - The price inflation assumption was decreased from 2.50% to 2.25%. The payroll growth assumption was decreased from 3.25% to 3.00%. Assumed salary increase rates were changed as recommended in the June 30, 2019 experience study. The net effect is assumed rates that average 0.25% less than previous rates. Assumed rates of retirement were changed as recommended in the June 30, 2019 experience study. The changes result in more unreduced (normal) retirements and slightly fewer Rule of 90 and early retirements. Assumed rates of termination were changed as recommended in the June 30, 2019 experience study. The new rates are based on service and are generally lower than the previous rates for years 2-5 and slightly higher thereafter. Assumed rates of disability were changed as recommended in the June 30, 2019 experience study. The change results in fewer predicted disability retirements for males and females. The base mortality table for healthy annuitants and employees was changed from the RP-2014 table to the Pub-2010 General Mortality table, with adjustments. The base mortality table for disabled annuitants was changed from the RP-2014 disabled annuitant mortality table to the PUB-2010 General/Teacher disabled annuitant mortality table, with adjustments. The mortality improvement scale was changed from Scale MP-2018 to Scale MP-2019. The assumed spouse age difference was changed from two years older for females to one year older. The assumed number of married male new retirees electing the 100% Joint & Survivor option changed from 35% to 45%. The assumed number of married female new retirees electing the 100% Joint & Survivor option changed from 15% to 30%. The corresponding number of married new retirees electing the Life annuity option was adjusted accordingly.

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

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

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

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

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

Changes in Plan Provisions

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

2019 - The employer supplemental contribution was changed prospectively, decreasing from \$31.0 million to \$21.0 million per year. The state's special funding contribution was changed prospectively, requiring \$16.0 million due per year through 2031.

City of North Mankato, Minnesota  
Required Supplementary Information (Continued)  
For the Year Ended December 31, 2020

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

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

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

2016 - None.

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

City of North Mankato, Minnesota  
Required Supplementary Information (Continued)  
For the Year Ended December 31, 2020

**Schedule of Employer's Share of PERA Net Pension Liability - Police and Fire Fund**

Fiscal Year Ending	City's Proportion of the Net Pension Liability	City's Proportionate Share of the Net Pension Liability (a)	State's Proportionate Share of the Net Pension Liability Associated with the City (b)	Total (a+b)	City's Covered Payroll (c)	City's Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll (a/c)	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
06/30/20	0.1079 %	\$ 1,422,237	\$ 33,493	\$ 1,455,730	\$ 1,272,729	111.7 %	87.2 %
06/30/19	0.1167	1,242,389	-	1,242,389	1,231,803	100.9	89.3
06/30/18	0.1111	1,184,212	-	1,184,212	1,171,246	101.1	88.8
06/30/17	0.1090	1,471,630	-	1,471,630	1,121,348	131.2	85.4
06/30/16	0.1120	4,494,755	-	4,494,755	1,075,390	418.0	63.9
06/30/15	0.1110	1,261,220	-	1,261,220	985,519	128.0	86.6

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

**Schedule of Employer's PERA Contributions - Police and Fire Fund**

Year Ending	Statutorily Required Contribution (a)	Contributions in Relation to the Statutorily Required Contribution (b)	Contribution Deficiency (Excess) (a-b)	City's Covered Payroll (c)	Contributions as a Percentage of Covered Payroll (b/c)
12/31/20	\$ 233,114	\$ 233,114	\$ -	\$ 1,317,028	17.70 %
12/31/19	204,392	204,392	-	1,205,854	16.95
12/31/18	196,177	196,177	-	1,210,969	16.20
12/31/17	184,636	184,636	-	1,139,731	16.20
12/31/16	177,454	177,454	-	1,095,395	16.20
12/31/15	168,972	168,972	-	1,043,037	16.20

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

City of North Mankato, Minnesota  
Required Supplementary Information (Continued)  
For the Year Ended December 31, 2020

**Notes to the Required Supplementary Information - Public Employees Police and Fire Fund**

Changes in Actuarial Assumptions

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

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

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

2017 - Assumed salary increases were changed as recommended in the June 30, 2016 experience study. The net effect is proposed rates that average 0.34 percent lower than the previous rates. Assumed rates of retirement were changed, resulting in fewer retirements. The Combined Service Annuity (CSA) load was 30 percent for vested and non-vested deferred members. The CSA has been changed to 33 percent for vested members and 2 percent for non-vested members. The base mortality table for healthy annuitants was changed from the RP-2000 fully generational table to the RP-2014 fully generational table (with a base year of 2006), with male rates adjusted by a factor of 0.96. The mortality improvement scale was changed from Scale AA to Scale MP-2016. The base mortality table for disabled annuitants was changed from the RP-2000 disabled mortality table to the mortality tables assumed for healthy retirees. Assumed termination rates were decreased to 3.0 percent for the first three years of service. Rates beyond the select period of three years were adjusted, resulting in more expected terminations overall. Assumed percentage of married female members was decreased from 65 percent to 60 percent. Assumed age difference was changed from separate assumptions for male members (wives assumed to be three years younger) and female members (husbands assumed to be four years older) to the assumption that males are two years older than females. The assumed percentage of female members electing joint and survivor annuities was increased. The assumed post-retirement benefit increase rate was changed from 1.00 percent for all years to 1.00 percent per year through 2064 and 2.50 percent thereafter. The single discount rate was changed from 5.6 percent to 7.5 percent.

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

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

City of North Mankato, Minnesota  
Required Supplementary Information (Continued)  
For the Year Ended December 31, 2020

**Notes to the Required Supplementary Information - Public Employees Police and Fire Fund (Continued)**

Changes in Plan Provisions

2020 - None.

2019 - None.

2018 - As set by statute, the assumed post-retirement benefit increase was changed from 1.0 percent per year through 2064 and 2.5 percent per year, thereafter, to 1.0 percent for all years, with no trigger. An end date of July 1, 2048 was added to the existing \$9.0 million state contribution. New annual state aid will equal \$4.5 million in fiscal years 2019 and 2020, and \$9.0 million thereafter until the plan reaches 100 percent funding, or July 1, 2048, if earlier. Member contributions were changed from 10.80 percent to 11.30 percent of pay, effective January 1, 2019 and 11.80 percent of pay, effective January 1, 2020. Employer contributions were changed from 16.20 percent to 16.95 percent of pay, effective January 1, 2019 and 17.70 percent of pay, effective January 1, 2020. Interest credited on member contributions decreased from 4.00 percent to 3.00 percent, beginning July 1, 2018. Deferred augmentation was changed to 0.00 percent, effective January 1, 2019. Augmentation that has already accrued for deferred members will still apply. Actuarial equivalent factors were updated to reflect revised mortality and interest assumptions.

2017- Assumed salary increases were changed as recommended in the June 30, 2016 experience study. The net effect is proposed rates that average 0.34 percent lower than the previous rates. Assumed rates of retirement were changed, resulting in fewer retirements. The combined service annuity (CSA) load was 30.00 percent for vested and non-vested, deferred members. The CSA has been changed to 33.00 percent for vested members and 2.00 percent for non-vested members. The base mortality table for healthy annuitants was changed from the RP-2000 fully generational table to the RP-2014 fully generational table (with a base year of 2006), with male rates adjusted by a factor of 0.96. The mortality improvement scale was changed from Scale AA to Scale MP-2016. The base mortality table for disabled annuitants was changed from the RP-2000 disabled mortality table to the mortality tables assumed for healthy retirees. Assumed termination rates were decreased to 3.00 percent for the first three years of service. Rates beyond the select period of three years were adjusted, resulting in more expected terminations overall. Assumed percentage of married female members was decreased from 65.00 percent to 60.00 percent. Assumed age difference was changed from separate assumptions for male members (wives assumed to be three years younger) and female members (husbands assumed to be four years older) to the assumption that males are two years older than females. The assumed percentage of female members electing joint and survivor annuities was increased. The assumed postretirement benefit increase rate was changed from 1.00 percent for all years to 1.00 percent per year through 2064 and 2.50 percent thereafter. The single discount rate was changed from 5.60 percent per annum to 7.50 percent per annum.

2016 - None.

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

City of North Mankato, Minnesota  
Required Supplementary Information (Continued)  
For the Year Ended December 31, 2020

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

	2020 (Fire Relief Report Date 2019)	2019 (Fire Relief Report Date 2018)	2018 (Fire Relief Report Date 2017)	2017 (Fire Relief Report Date 2016)	2016 (Fire Relief Report Date 2015)	2015 (Fire Relief Report Date 2014)
Total Pension Liability						
Service cost	\$ 64,550	\$ 56,868	\$ 47,555	\$ 48,198	\$ 50,078	\$ 48,857
Interest	104,699	100,672	85,369	94,381	91,749	94,339
Changes of benefit terms	-	-	140,807	-	-	-
Changes of assumptions	-	6,326	-	21,736	-	-
(Gain)/loss	-	(7,673)	-	3,895	-	-
Benefit payments, including refunds of employee contributions	-	-	(9,610)	(125,259)	(173,764)	-
Net Change in Total Pension Liability	169,249	156,193	264,121	42,951	(31,937)	143,196
Total Pension Liability - January 1	1,929,719	1,773,526	1,509,405	1,466,454	1,498,391	1,355,195
Total Pension Liability - December 31	<u>\$ 2,098,968</u>	<u>\$ 1,929,719</u>	<u>\$ 1,773,526</u>	<u>\$ 1,509,405</u>	<u>\$ 1,466,454</u>	<u>\$ 1,498,391</u>
Plan Fiduciary Net Position						
Contributions - employer	\$ 13,852.00	\$ 13,964.00	\$ 6,907.00	\$ 13,610.00	\$ 85,133.00	\$ 79,141.00
Contributions - employee	75,242	72,616	71,343	71,719	-	-
Net investment income	121,660	(120,029)	262,567	122,823	(5,880)	112,364
Gain or loss	318,148	-	-	-	-	-
Benefit payments, including refunds of employee contributions	-	-	(9,610)	(125,259)	(173,764)	-
Administrative expense	(7,622)	(7,598)	(7,507)	(7,432)	(7,122)	(6,972)
Net Change in Plan Fiduciary Net Position	521,280	(41,047)	323,700	75,461	(101,633)	184,533
Plan Fiduciary Net Position - January 1	2,276,598	2,317,645	1,993,945	1,918,484	2,020,117	1,835,584
Plan Fiduciary Net Position - December 31 (b)	<u>\$ 2,797,878</u>	<u>\$ 2,276,598</u>	<u>\$ 2,317,645</u>	<u>\$ 1,993,945</u>	<u>\$ 1,918,484</u>	<u>\$ 2,020,117</u>
Fire Relief's Net Pension Liability (Asset) - December 31 (a-b)	<u>\$ (698,910)</u>	<u>\$ (346,879)</u>	<u>\$ (544,119)</u>	<u>\$ (484,540)</u>	<u>\$ (452,030)</u>	<u>\$ (521,726)</u>
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability (b/a)	133.30%	117.98%	130.68%	132.10%	130.82%	134.82%
Covered Payroll	N/A	N/A	N/A	N/A	N/A	N/A
Fire Relief's Net Pension Liability (Asset) as a Percentage of Covered Payroll	N/A	N/A	N/A	N/A	N/A	N/A

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



City of North Mankato, Minnesota  
Required Supplementary Information (Continued)  
For the Year Ended December 31, 2020

**Schedule of Employer's Fire Relief Association Contributions**

Year Ending	Required Supplementary Information		
	Actuarial	Actual	Contribution
	Determined Contribution (a)	Contributions Paid (b)	Deficiency (Excess) (a-b)
12/31/20	\$ 79,410	\$ 79,410	\$ -
12/31/19	75,242	82,186	(6,944)
12/31/18	72,616	87,454	(14,838)
12/31/17	72,469	86,283	(13,814)
12/31/16	72,425	86,035	(13,610)
12/31/15	68,907	82,427	(13,520)

**Notes to the Required Supplementary Information - Fire Relief Association**

Changes in Actuarial Assumptions

2020 - None.

2019 - The discount rate changed from 5.5 percent to 5.25 percent.

2018 - None.

2017 - The long-term rate of return changed from 6.5 percent to 5.5 percent. The discount rate changed from 6.5 percent to 5.5 percent. The increase rate on eligible deferred benefits changed from 4.0 percent to 5.0 percent.

2016 - None.

2015 - Amounts reported as changes of assumptions resulted primarily from adjustments to expected retirement ages of general employees. Amounts reported as changes of assumptions resulted primarily from adjustments to expected retirement ages of public safety employees. Amounts reported as changes of assumptions resulted primarily from adjustments to assumed life expectancies as a result of adopting the RP-2000 Healthy Annuitant Mortality Table for purposes of developing mortality rates.

Benefit Changes

2020 - None.

2019 - None.

2018 - The benefit level increased from \$3,000 to \$3,500.

2017 - None.

2016 - None.

2015 - The benefit terms were modified to base public safety employee pensions on a final three-year average salary instead of a final five-year average salary.

City of North Mankato, Minnesota  
Required Supplementary Information (Continued)  
For the Year Ended December 31, 2020

**Schedule of Changes in the City's Total OPEB Liability and Related Ratios**

	2020	2019	2018
Total OPEB liability			
Service cost	\$ 44,422	\$ 43,128	\$ 35,551
Interest	34,693	19,156	18,266
Differences between expected and actual experience	-	335,382	-
Changes in assumptions	-	(31,201)	-
Benefit payments	(48,296)	(22,505)	(46,129)
Net change in total OPEB liability	30,819	343,960	7,688
 Total OPEB liability - beginning	 892,477	 548,517	 540,829
 Total OPEB liability - ending	 <u>\$ 923,296</u>	 <u>\$ 892,477</u>	 <u>\$ 548,517</u>
 Employee payroll	 \$ 3,497,601	 \$ 3,395,729	 \$ 3,439,120
 City's total OPEB liability as a percentage of covered payroll	 26.40 %	 26.28 %	 15.95 %

*Benefit changes:*

In 2020, there were no benefit changes.

*Changes in assumptions:*

In 2020, there were no changes in assumptions.

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

COMBINING AND INDIVIDUAL FUND  
FINANCIAL STATEMENTS AND SCHEDULES

CITY OF NORTH MANKATO  
NORTH MANKATO, MINNESOTA

FOR THE YEAR ENDED  
DECEMBER 31, 2020

City of North Mankato, Minnesota  
Combining Balance Sheet  
Nonmajor Governmental Funds  
December 31, 2020

	Nonmajor Special Revenue	Nonmajor Capital Projects	Total
<b>Assets</b>			
Cash and temporary investments	\$ 2,222,028	\$ 685,324	\$ 2,907,352
Receivables			
Accounts	21,043	-	21,043
Notes	1,013,619	-	1,013,619
Intergovernmental	79,584	-	79,584
Prepaid items	13,522	-	13,522
Land held for resale	1,096,305	-	1,096,305
<b>Total Assets</b>	<b>\$ 4,446,101</b>	<b>\$ 685,324</b>	<b>\$ 5,131,425</b>
<b>Liabilities</b>			
Accounts payable	\$ 81,044	\$ 60,677	\$ 141,721
Contracts payable	-	229,633	229,633
Due to other funds	-	55,143	55,143
Due to other governments	406	-	406
Accrued wages payable	764	-	764
Unearned revenue	600	-	600
Advance from other funds	543,138	-	543,138
<b>Total Liabilities</b>	<b>625,952</b>	<b>345,453</b>	<b>971,405</b>
<b>Fund Balances</b>			
Nonspendable	13,522	-	13,522
Restricted	2,837,217	39,054	2,876,271
Committed	1,357,603	-	1,357,603
Assigned	-	399,432	399,432
Unassigned	(388,193)	(98,615)	(486,808)
<b>Total Fund Balances</b>	<b>3,820,149</b>	<b>339,871</b>	<b>4,160,020</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 4,446,101</b>	<b>\$ 685,324</b>	<b>\$ 5,131,425</b>

City of North Mankato, Minnesota  
Combining Statement of Revenues, Expenditures and Changes in Fund Balances  
Nonmajor Governmental Funds  
For the Year Ended December 31, 2020

	Nonmajor Special Revenue	Nonmajor Capital Projects	Total
Revenues			
Taxes			
Property taxes	\$ 75,000	\$ -	\$ 75,000
Sales taxes	695,603	-	695,603
Tax increments	433,157	-	433,157
Hotel taxes	14,580	-	14,580
Other taxes	35,052	-	35,052
Intergovernmental			
Federal	28,079	-	28,079
State	1,827	-	1,827
Charges for services			
Other	312,717	-	312,717
Investment earnings	5,789	-	5,789
Miscellaneous			
Contributions and donations	131,593	-	131,593
Refunds and reimbursements	-	5,842	5,842
Other	76,739	-	76,739
Total Revenues	<u>1,810,136</u>	<u>5,842</u>	<u>1,815,978</u>
Expenditures			
Current			
General government	23,600	-	23,600
Culture and recreation			
Parks	348,648	-	348,648
Library	40,138	-	40,138
Other	1,740	-	1,740
Housing and economic development	426,391	-	426,391
Capital outlay			
General government	-	1,755	1,755
Public safety	-	69,656	69,656
Public works	-	507,077	507,077
Culture and recreation	34,733	25,981	60,714
Total Expenditures	<u>875,250</u>	<u>604,469</u>	<u>1,479,719</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>934,886</u>	<u>(598,627)</u>	<u>336,259</u>
Other Financing Sources (Uses)			
Transfers in	95,417	1,753,880	1,849,297
Transfers out	(647,230)	(47,490)	(694,720)
Total Other Financing Sources (Uses)	<u>(551,813)</u>	<u>1,706,390</u>	<u>1,154,577</u>
Net Change in Fund Balances	383,073	1,107,763	1,490,836
Fund Balances, January 1	<u>3,437,076</u>	<u>(767,892)</u>	<u>2,669,184</u>
Fund Balances, December 31	<u>\$ 3,820,149</u>	<u>\$ 339,871</u>	<u>\$ 4,160,020</u>

## **NONMAJOR SPECIAL REVENUE FUNDS**

Special revenue funds are used to account for specific revenues that are legally restricted to expenditures for particular purposes.

Caswell Sports fund: This fund accounts for the operations of the Caswell Park Softball Complex and the Caswell North Soccer Complex.

Youth Football fund: This fund accounts for contributions which will be used for youth football leagues.

Swim Facility fund: This fund accounts activities related to the swim facility.

Library Endowment fund: This fund accounts for contributions which will be used for library programs.

Community Development Block Grant (CDBG) fund: This fund accounts for the City grant program to assist the community.

Local Options Sales Tax fund: This fund accounts for the collection and dispersal of the local option sales tax imposed by the City. The tax is used to fund (1) the local share of the TH17/County State-Aid Highway 41 interchange project, (2) development of regional parks and hiking and biking trails, (3) expansion of the north Mankato Taylor Library, (4) riverfront redevelopment, and (5) lake improvement projects.

Park Development fund: This fund accounts for revenues from donations that are used to develop and improve the park system.

Port Authority fund: The purpose of this fund is to account for the development and redevelopment activity of the City of North Mankato which are not required legally or by sound financial management to be accounted for in another fund.

Federal Revolving Loan fund: The purpose of this fund is to account for the activity of the economic development loans that have been financed with Federal funds.

Local Revolving Loan fund: The purpose of this fund is to account for the activity of the economic development loans that have been financed internally.

Joint Economic Development fund: The purpose of this fund is to account for the joint economic development activity of the City of North Mankato and Benco Electric.

Marigold TIF #8 fund: The purpose of this fund is to account for costs associated with the Marigold Tax Increment Project.

Webster Redevelopment TIF #14 fund: The purpose of this fund is to account for costs associated with the Webster Redevelopment Tax Increment Project.

## **NONMAJOR SPECIAL REVENUE FUNDS (CONTINUED)**

Webster Avenue TIF #2 fund: The purpose of this fund is to account for costs associated with the Webster Avenue Tax Increment Project.

LJP Enterprises TIF #18 fund: The purpose of this fund is to account for costs associated with the LJP Enterprises Tax Increment Project.

Ziegler Caterpillar TIF #20 fund: The purpose of this fund is to account for costs associated with the Ziegler Caterpillar.

422 Belgrade TIF #19 fund: The purpose of this fund is to account for costs associated with the 422 Belgrade Tax Increment Project.

Lindsay TIF #22 fund: The purpose of this fund is to account for costs associated with the Lindsay Tax Increment Project.

D & K Powder Coating TIF #23 fund: The purpose of this fund is to account for costs associated with the D & K Powder Coating Tax Increment Project.

Birchwood Cottages TIF #24 fund: The purpose of this fund is to account for costs associated with the Birchwood Cottages Tax Increment Project.

Blue Star Power Systems TIF #25 fund: The purpose of this fund is to account for costs associated with the Blue Star Power Systems Tax Increment Project.

10 % Gambling fund: This fund accounts for receipts of 10% of gambling revenues generated within the City.

City of North Mankato, Minnesota  
Nonmajor Special Revenue Funds  
Combining Balance Sheet (Continued on the Following Pages)  
December 31, 2020

	201	202	213	215	221	224	228
	Caswell Sports	Youth Football	Library Endowment	Community Development Block Grant	Local Option Sales Tax	Park Development	Port Authority
<b>Assets</b>							
Cash and temporary investments	\$ 70,279	\$ 100,000	\$ 59,563	\$ 15,296	\$ 337,266	\$ 5,866	\$ 132,506
Receivables							
Accounts	4,763	-	-	-	-	-	-
Intergovernmental	8,220	-	-	-	71,364	-	-
Notes	-	-	-	-	-	-	-
Prepaid items	22	-	-	-	-	-	-
Land held for resale	-	-	-	-	-	-	-
<b>Total Assets</b>	<b>\$ 83,284</b>	<b>\$ 100,000</b>	<b>\$ 59,563</b>	<b>\$ 15,296</b>	<b>\$ 408,630</b>	<b>\$ 5,866</b>	<b>\$ 132,506</b>
<b>Liabilities</b>							
Accounts payable	\$ 3,576	\$ 1,740	\$ 4,023	\$ -	\$ -	\$ -	\$ 2,929
Advance from other funds	-	-	-	-	-	-	-
Due to other governments	406	-	-	-	-	-	-
Accrued wages payable	764	-	-	-	-	-	-
Unearned revenue	600	-	-	-	-	-	-
<b>Total Liabilities</b>	<b>5,346</b>	<b>1,740</b>	<b>4,023</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>2,929</b>
<b>Fund Balances</b>							
Nonspendable	22	-	-	-	-	-	-
Restricted	-	98,260	55,540	15,296	408,630	5,866	-
Committed	77,916	-	-	-	-	-	129,577
Unassigned	-	-	-	-	-	-	-
<b>Total Fund Balances</b>	<b>77,938</b>	<b>98,260</b>	<b>55,540</b>	<b>15,296</b>	<b>408,630</b>	<b>5,866</b>	<b>129,577</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 83,284</b>	<b>\$ 100,000</b>	<b>\$ 59,563</b>	<b>\$ 15,296</b>	<b>\$ 408,630</b>	<b>\$ 5,866</b>	<b>\$ 132,506</b>



<b>229</b> Federal Revolving Loan	<b>234</b> Local Revolving Loan	<b>240</b> Joint Economic Development	<b>250</b> Marigold TIF #8	<b>251</b> Webster Redevelopment TIF #14	<b>255</b> Webster Avenue TIF #2	<b>256</b> LJP Enterprises TIF #18
\$ 1,070,261	\$ 57,189	\$ 3,997	\$ 154,945	\$ 71,079	\$ 2,485	\$ 38,408
3,755	1,290	-	-	-	-	-
-	-	-	-	-	-	-
789,049	174,762	49,808	-	-	-	-
-	-	-	-	-	-	-
-	-	1,096,305	-	-	-	-
<u>\$ 1,863,065</u>	<u>\$ 233,241</u>	<u>\$ 1,150,110</u>	<u>\$ 154,945</u>	<u>\$ 71,079</u>	<u>\$ 2,485</u>	<u>\$ 38,408</u>
\$ 595	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 38,408
-	-	-	543,138	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
595	-	-	543,138	-	-	38,408
-	-	-	-	-	-	-
1,862,470	233,241	-	-	71,079	2,485	-
-	-	1,150,110	-	-	-	-
-	-	-	(388,193)	-	-	-
1,862,470	233,241	1,150,110	(388,193)	71,079	2,485	-
<u>\$ 1,863,065</u>	<u>\$ 233,241</u>	<u>\$ 1,150,110</u>	<u>\$ 154,945</u>	<u>\$ 71,079</u>	<u>\$ 2,485</u>	<u>\$ 38,408</u>

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City of North Mankato, Minnesota  
Nonmajor Special Revenue Funds  
Combining Balance Sheet (Continued)  
December 31, 2020

	<b>257</b> Ziegler Caterpillar TIF #20	<b>258</b> 422 Belgrade TIF #19	<b>259</b> Lindsay TIF #22	<b>261</b> D & K Powder Coating TIF #23	<b>262</b> Birchwood Cottages TIF #24	<b>263</b> Blue Star Power Systems TIF #25	<b>864</b> 10% Gambling	Total
<b>Assets</b>								
Cash and temporary investments	\$ -	\$ 19,535	\$ -	\$ -	\$ 18,538	\$ -	\$ 64,815	\$ 2,222,028
Receivables								
Accounts	-	-	11,235	-	-	-	-	21,043
Intergovernmental	-	-	-	-	-	-	-	79,584
Notes	-	-	-	-	-	-	-	1,013,619
Prepaid items	-	-	-	-	-	-	13,500	13,522
Land held for resale	-	-	-	-	-	-	-	1,096,305
<b>Total Assets</b>	<u>\$ -</u>	<u>\$ 19,535</u>	<u>\$ 11,235</u>	<u>\$ -</u>	<u>\$ 18,538</u>	<u>\$ -</u>	<u>\$ 78,315</u>	<u>\$ 4,446,101</u>
<b>Liabilities</b>								
Accounts payable	\$ -	\$ -	\$ 11,235	\$ -	\$ 18,538	\$ -	\$ -	\$ 81,044
Advance from other funds	-	-	-	-	-	-	-	543,138
Due to other governments	-	-	-	-	-	-	-	406
Accrued wages payable	-	-	-	-	-	-	-	764
Unearned revenue	-	-	-	-	-	-	-	600
<b>Total Liabilities</b>	<u>-</u>	<u>-</u>	<u>11,235</u>	<u>-</u>	<u>18,538</u>	<u>-</u>	<u>-</u>	<u>625,952</u>
<b>Fund Balances</b>								
Nonspendable	-	-	-	-	-	-	13,500	13,522
Restricted	-	19,535	-	-	-	-	64,815	2,837,217
Committed	-	-	-	-	-	-	-	1,357,603
Unassigned	-	-	-	-	-	-	-	(388,193)
<b>Total Fund Balances</b>	<u>-</u>	<u>19,535</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>78,315</u>	<u>3,820,149</u>
<b>Total Liabilities and Fund Balances</b>	<u>\$ -</u>	<u>\$ 19,535</u>	<u>\$ 11,235</u>	<u>\$ -</u>	<u>\$ 18,538</u>	<u>\$ -</u>	<u>\$ 78,315</u>	<u>\$ 4,446,101</u>

City of North Mankato, Minnesota  
Nonmajor Special Revenue Funds  
Combining Statement of Revenues, Expenditures and Changes in Fund Balances  
(Continued on the Following Pages)  
For the Year Ended December 31, 2020

	201	202	213	215	221
	Caswell Sports	Youth Football	Library Endowment	Community Development Block Grant	Local Option Sales Tax
Revenues					
Taxes					
Property taxes	\$ -	\$ -	\$ -	\$ -	\$ -
Sales taxes	-	-	-	-	695,603
Tax increments	-	-	-	-	-
Hotel taxes	14,580	-	-	-	-
Other taxes	-	-	-	-	-
Intergovernmental					
Federal					
CARES	27,357	-	722	-	-
State	1,827	-	-	-	-
Charges for services	303,697	-	-	-	-
Investment earnings	-	-	-	-	-
Miscellaneous					
Contributions and donations	1,500	100,000	30,093	-	-
Other	508	-	-	-	-
Total Revenues	<u>349,469</u>	<u>100,000</u>	<u>30,815</u>	<u>-</u>	<u>695,603</u>
Expenditures					
Current					
General government	-	-	-	-	-
Culture and recreation					
Parks	348,648	-	-	-	-
Library	-	-	40,138	-	-
Other	-	1,740	-	-	-
Housing and economic development	-	-	-	-	-
Capital outlay					
Culture and recreation	6,042	-	-	-	28,691
Total Expenditures	<u>354,690</u>	<u>1,740</u>	<u>40,138</u>	<u>-</u>	<u>28,691</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(5,221)</u>	<u>98,260</u>	<u>(9,323)</u>	<u>-</u>	<u>666,912</u>
Other Financing Sources (Uses)					
Transfers in	77,000	-	18,417	-	-
Transfers out	-	-	-	-	(513,503)
Total Other Financing Sources (Uses)	<u>77,000</u>	<u>-</u>	<u>18,417</u>	<u>-</u>	<u>(513,503)</u>
Net Change in Fund Balances	71,779	98,260	9,094	-	153,409
Fund Balances, January 1	<u>6,159</u>	<u>-</u>	<u>46,446</u>	<u>15,296</u>	<u>255,221</u>
Fund Balances, December 31	<u>\$ 77,938</u>	<u>\$ 98,260</u>	<u>\$ 55,540</u>	<u>\$ 15,296</u>	<u>\$ 408,630</u>

224 Park Development	228 Port Authority	229 Federal Revolving Loan	234 Local Revolving Loan	240 Joint Economic Development	250 Marigold TIF #8	251 Webster Redevelopment TIF #14	255 Webster Avenue TIF #2	256 LJP Enterprises TIF #18
\$ -	\$ 75,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-	-	-	-
-	-	-	-	-	75,684	-	6,917	79,468
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
-	-	5,789	-	9,020	-	-	-	-
-	-	-	-	-	-	-	-	-
-	42,793	28,832	1,944	2,662	-	-	-	-
-	117,793	34,621	1,944	11,682	75,684	-	6,917	79,468
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
-	71,305	420	225	35,944	-	-	-	79,468
-	-	-	-	-	-	-	-	-
-	71,305	420	225	35,944	-	-	-	79,468
-	46,488	34,201	1,719	(24,262)	75,684	-	6,917	-
-	-	-	-	-	-	-	-	-
-	(12,735)	-	-	-	(70,000)	(11,595)	(6,182)	-
-	(12,735)	-	-	-	(70,000)	(11,595)	(6,182)	-
-	33,753	34,201	1,719	(24,262)	5,684	(11,595)	735	-
5,866	95,824	1,828,269	231,522	1,174,372	(393,877)	82,674	1,750	-
\$ 5,866	\$ 129,577	\$ 1,862,470	\$ 233,241	\$ 1,150,110	\$ (388,193)	\$ 71,079	\$ 2,485	\$ -

City of North Mankato, Minnesota  
Nonmajor Special Revenue Funds  
Combining Statement of Revenues, Expenditures and Changes in Fund Balances (Continued)  
For the Year Ended December 31, 2020

	257 Ziegler Caterpillar TIF #20	258 422 Belgrade TIF #19	259 Lindsay TIF #22	261 D & K Powder Coating TIF #23	262 Birchwood Cottages TIF #24
Revenues					
Taxes					
Property taxes	\$ -	\$ -	\$ -	\$ -	\$ -
Sales taxes	-	-	-	-	-
Tax increments	87,089	32,059	21,307	66,140	39,028
Hotel taxes	-	-	-	-	-
Other taxes	-	-	-	-	-
Intergovernmental					
Federal					
CARES	-	-	-	-	-
State	-	-	-	-	-
Charges for services	-	-	-	-	-
Investment earnings	-	-	-	-	-
Miscellaneous					
Contributions and donations	-	-	-	-	-
Other	-	-	-	-	-
Total Revenues	<u>87,089</u>	<u>32,059</u>	<u>21,307</u>	<u>66,140</u>	<u>39,028</u>
Expenditures					
Current					
General government	-	-	-	-	-
Culture and recreation					
Parks	-	-	-	-	-
Library	-	-	-	-	-
Other	-	-	-	-	-
Housing and economic development	87,089	-	21,307	66,140	39,028
Capital outlay					
Culture and recreation	-	-	-	-	-
Total Expenditures	<u>87,089</u>	<u>-</u>	<u>21,307</u>	<u>66,140</u>	<u>39,028</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>-</u>	<u>32,059</u>	<u>-</u>	<u>-</u>	<u>-</u>
Other Financing Sources (Uses)					
Transfers in	-	-	-	-	-
Transfers out	-	(33,215)	-	-	-
Total Other Financing Sources (Uses)	<u>-</u>	<u>(33,215)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balances	-	(1,156)	-	-	-
Fund Balances, January 1	<u>-</u>	<u>20,691</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund Balances, December 31	<u>\$ -</u>	<u>\$ 19,535</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

263		864	
Blue Star			
Power Systems			
TIF #25	10% Gambling	Total	
\$ -	\$ -	\$ 75,000	
-	-	695,603	
25,465	-	433,157	
-	-	14,580	
-	35,052	35,052	
-	-	28,079	
-	-	1,827	
-	-	312,717	
-	-	5,789	
-	-	131,593	
-	-	76,739	
25,465	35,052	1,810,136	
-	23,600	23,600	
-	-	348,648	
-	-	40,138	
-	-	1,740	
25,465	-	426,391	
-	-	34,733	
25,465	23,600	875,250	
-	11,452	934,886	
-	-	95,417	
-	-	(647,230)	
-	-	(551,813)	
-	11,452	383,073	
-	66,863	3,437,076	
\$ -	\$ 78,315	\$ 3,820,149	

City of North Mankato, Minnesota  
Library Endowment Fund  
Schedule of Revenues, Expenditures and Changes in Fund Balances  
Budget and Actual  
For the Year Ended December 31, 2020  
With Comparative Actual Amounts for the Year Ended December 31, 2019

		2020		2019
	Final Budget	Actual Amounts	Variance with Final Budget	Actual Amounts
Revenues				
Intergovernmental				
Federal				
CARES	\$ -	\$ 722	\$ 722	\$ -
Miscellaneous				
Contributions and donations	25,200	30,093	4,893	45,849
Total Revenues	<u>25,200</u>	<u>30,815</u>	<u>5,615</u>	<u>45,849</u>
Expenditures				
Current				
Culture and recreation				
Other services and charges	<u>45,000</u>	<u>40,138</u>	<u>4,862</u>	<u>59,823</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(19,800)	(9,323)	10,477	(13,974)
Other Financing Sources				
Transfers in	<u>22,100</u>	<u>18,417</u>	<u>(3,683)</u>	<u>15,000</u>
Net Change in Fund Balances	2,300	9,094	6,794	1,026
Fund Balances, January 1	<u>46,446</u>	<u>46,446</u>	<u>-</u>	<u>45,420</u>
Fund Balances, December 31	<u>\$ 48,746</u>	<u>\$ 55,540</u>	<u>\$ 6,794</u>	<u>\$ 46,446</u>



City of North Mankato, Minnesota  
Local Option Sales Tax Fund  
Schedule of Revenues, Expenditures and Changes in Fund Balances  
Budget and Actual  
For the Year Ended December 31, 2020  
With Comparative Actual Amounts for the Year Ended December 31, 2019

		2020		2019
	Final Budget	Actual Amounts	Variance with Final Budget	Actual Amounts
Revenues				
Taxes				
Sales tax	\$ 600,000	\$ 695,603	\$ 95,603	\$ 679,219
Expenditures				
Current				
Culture and recreation				
Other services and charges	-	-	-	5,041
Capital outlay				
Culture and recreation	80,000	28,691	51,309	-
Total Expenditures	80,000	28,691	51,309	5,041
Excess (Deficiency) of Revenues Over (Under) Expenditures	520,000	666,912	146,912	674,178
Other Financing Uses				
Transfers out	(513,503)	(513,503)	-	(586,657)
Net Change in Fund Balances	6,497	153,409	146,912	87,521
Fund Balances, January 1	255,221	255,221	-	167,700
Fund Balances, December 31	\$ 261,718	\$ 408,630	\$ 146,912	\$ 255,221

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## **NONMAJOR CAPITAL PROJECTS FUNDS**

Capital projects funds are used to account for the acquisition and construction of major capital facilities other than those financed by proprietary funds.

City of North Mankato, Minnesota  
Nonmajor Capital Projects Funds  
Combining Balance Sheet  
December 31, 2020

	<b>230</b>	<b>435</b>	<b>437</b>	<b>438</b>
	Capital Facilities and Equipment Replacement - General	2015 Construction	2017 Construction	2018 Construction
<b>Assets</b>				
Cash and temporary investments	<u>\$ 399,432</u>	<u>\$ -</u>	<u>\$ 140,941</u>	<u>\$ 35,967</u>
<b>Liabilities</b>				
Accounts payable	\$ -	\$ -	\$ -	\$ 17,205
Contracts payable	-	-	140,941	18,762
Due to other funds	-	-	-	-
Total Liabilities	<u>-</u>	<u>-</u>	<u>140,941</u>	<u>35,967</u>
<b>Fund Balances</b>				
Restricted	-	-	-	-
Assigned	399,432	-	-	-
Unassigned	-	-	-	-
Total Fund Balances	<u>399,432</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Liabilities and Fund Balances	<u>\$ 399,432</u>	<u>\$ -</u>	<u>\$ 140,941</u>	<u>\$ 35,967</u>

**439****421****423**

2019 Construction	2021 Construction	2023 Construction	Total
<u>\$ 108,984</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 685,324</u>
\$ -	\$ 42,592	\$ 880	\$ 60,677
69,930	-	-	229,633
-	54,232	911	55,143
<u>69,930</u>	<u>96,824</u>	<u>1,791</u>	<u>345,453</u>
39,054	-	-	39,054
-	-	-	399,432
-	(96,824)	(1,791)	(98,615)
<u>39,054</u>	<u>(96,824)</u>	<u>(1,791)</u>	<u>339,871</u>
<u>\$ 108,984</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 685,324</u>

City of North Mankato, Minnesota  
Nonmajor Capital Projects Funds  
Combining Statement of Revenues, Expenditures and Changes in Fund Balances  
For the Year Ended December 31, 2020

	<b>230</b> Capital Facilities and Equipment Replacement - General	<b>435</b>  2015 Construction	<b>437</b>  2017 Construction
Revenues			
Miscellaneous			
Refunds and reimbursements	\$ 5,842	\$ -	\$ -
Expenditures			
Capital outlay			
General government	1,755	-	-
Public safety	69,656	-	-
Public works	-	-	-
Culture and recreation	11,330	-	14,651
Total Expenditures	<u>82,741</u>	<u>-</u>	<u>14,651</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(76,899)</u>	<u>-</u>	<u>(14,651)</u>
Other Financing Sources (Uses)			
Transfers in	455,500	592,740	40,962
Transfers out	-	-	(47,490)
Total Other Financing Sources (Uses)	<u>455,500</u>	<u>592,740</u>	<u>(6,528)</u>
Net Change in Fund Balances	378,601	592,740	(21,179)
Fund Balances, January 1	<u>20,831</u>	<u>(592,740)</u>	<u>21,179</u>
Fund Balances, December 31	<u><u>\$ 399,432</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>

438	439	421	423	
2018 Construction	2019 Construction	2021 Construction	2023 Construction	Total
\$ -	\$ -	\$ -	\$ -	\$ 5,842
-	-	-	-	1,755
-	-	-	-	69,656
12,116	396,457	96,824	1,680	507,077
-	-	-	-	25,981
<u>12,116</u>	<u>396,457</u>	<u>96,824</u>	<u>1,680</u>	<u>604,469</u>
<u>(12,116)</u>	<u>(396,457)</u>	<u>(96,824)</u>	<u>(1,680)</u>	<u>(598,627)</u>
38,589	626,089	-	-	1,753,880
-	-	-	-	(47,490)
<u>38,589</u>	<u>626,089</u>	<u>-</u>	<u>-</u>	<u>1,706,390</u>
26,473	229,632	(96,824)	(1,680)	1,107,763
<u>(26,473)</u>	<u>(190,578)</u>	<u>-</u>	<u>(111)</u>	<u>(767,892)</u>
<u>\$ -</u>	<u>\$ 39,054</u>	<u>\$ (96,824)</u>	<u>\$ (1,791)</u>	<u>\$ 339,871</u>

City of North Mankato, Minnesota  
Statement of Net Position  
Nonmajor Proprietary Funds  
December 31, 2020

	Business-type Activities - Enterprise Funds		
	<b>603</b>	<b>651</b>	
	Recycling	Solid Waste	Total
<b>Assets</b>			
<b>Current Assets</b>			
Cash and temporary investments	\$ 122,031	\$ 10,589	\$ 132,620
Receivables			
Accounts	6,170	-	6,170
Intergovernmental	1,122	-	1,122
Prepaid items	1,054	823	1,877
<b>Total Current Assets</b>	<b>130,377</b>	<b>11,412</b>	<b>141,789</b>
<b>Noncurrent Assets</b>			
Capital assets			
Land	160,650	-	160,650
Buildings	1,502,553	1,776	1,504,329
Machinery and equipment	385,488	407,279	792,767
Less accumulated depreciation	(950,082)	(200,166)	(1,150,248)
<b>Total Noncurrent Assets</b>	<b>1,098,609</b>	<b>208,889</b>	<b>1,307,498</b>
<b>Total Assets</b>	<b>1,228,986</b>	<b>220,301</b>	<b>1,449,287</b>
<b>Deferred Outflows of Resources</b>			
Deferred pension resources	3,638	5,586	9,224
Deferred other postemployment benefit resources	-	7,753	7,753
<b>Total Deferred Outflows of Resources</b>	<b>3,638</b>	<b>13,339</b>	<b>16,977</b>
<b>Liabilities</b>			
<b>Current Liabilities</b>			
Accounts payable	22,131	47,409	69,540
Due to other governments	886	6,243	7,129
Accrued interest payable	4,986	400	5,386
Accrued wages payable	716	963	1,679
Compensated absences payable - current portion	1,407	5,927	7,334
Bonds payable - current portion	90,000	40,000	130,000
<b>Total Current Liabilities</b>	<b>120,126</b>	<b>100,942</b>	<b>221,068</b>
<b>Noncurrent Liabilities</b>			
Compensated absences payable, net of current portion	1,948	-	1,948
Other postemployment benefits obligation	-	24,829	24,829
Net pension liability	31,003	47,606	78,609
Bonds payable, net of current portion	390,738	129,038	519,776
<b>Total Noncurrent Liabilities</b>	<b>423,689</b>	<b>201,473</b>	<b>625,162</b>
<b>Total Liabilities</b>	<b>543,815</b>	<b>302,415</b>	<b>846,230</b>
<b>Deferred Inflows of Resources</b>			
Deferred pension resources	1,436	2,205	3,641
Deferred other postemployment benefit resources	-	599	599
<b>Total Deferred Inflows of Resources</b>	<b>1,436</b>	<b>2,804</b>	<b>4,240</b>
<b>Net Position</b>			
Net investment in capital assets	617,871	39,851	657,722
Unrestricted	69,502	(111,430)	(41,928)
<b>Total Net Position</b>	<b>\$ 687,373</b>	<b>\$ (71,579)</b>	<b>\$ 615,794</b>



City of North Mankato, Minnesota  
Statement of Revenues, Expenses and Changes in Net Position  
Nonmajor Proprietary Funds  
For the Year Ended December 31, 2020

	Business-type Activities - Enterprise Funds		
	<b>603</b>	<b>651</b>	
	Recycling	Solid Waste	Total
Operating Revenues			
Charges for services	\$ 408,151	\$ 763,023	\$ 1,171,174
Facility rental	60,085	-	60,085
Total Operating Revenues	<u>468,236</u>	<u>763,023</u>	<u>1,231,259</u>
Operating Expenses			
Personal services	64,605	95,900	160,505
Supplies	5,926	462	6,388
Other services and charges	120,201	98,509	218,710
Contractual services	237,659	516,652	754,311
Insurance	2,879	-	2,879
Utilities	20,419	-	20,419
Depreciation	47,328	40,360	87,688
Total Operating Expenses	<u>499,017</u>	<u>751,883</u>	<u>1,250,900</u>
Operating Income (Loss)	<u>(30,781)</u>	<u>11,140</u>	<u>(19,641)</u>
Nonoperating Revenues (Expenses)			
Intergovernmental	776	26,070	26,846
Other income	1,892	158	2,050
Interest expense	(12,116)	(5,900)	(18,016)
Amortization of bond premiums (discounts)	(854)	2,260	1,406
Total Nonoperating Revenues (Expenses)	<u>(10,302)</u>	<u>22,588</u>	<u>12,286</u>
Income Before Transfers	(41,083)	33,728	(7,355)
Transfers In	40,000	-	40,000
Transfers Out	<u>-</u>	<u>(45,000)</u>	<u>(45,000)</u>
Change in Net Position	(1,083)	(11,272)	(12,355)
Net Position, January 1	<u>688,456</u>	<u>(60,307)</u>	<u>628,149</u>
Net Position, December 31	<u>\$ 687,373</u>	<u>\$ (71,579)</u>	<u>\$ 615,794</u>

City of North Mankato, Minnesota  
Statement of Cash Flows  
Nonmajor Proprietary Funds  
For the Year Ended December 31, 2020

	Business-type Activities - Enterprise Funds		
	<b>603</b>	<b>651</b>	
	Recycling	Solid Waste	Total
Cash Flows From Operating Activities			
Receipts from customers	\$ 407,699	\$ 762,895	\$ 1,170,594
Payments to suppliers and vendors	(389,432)	(612,630)	(1,002,062)
Payments to and on behalf of employees	(52,207)	(94,364)	(146,571)
Other receipts	61,977	158	62,135
Net Cash Provided by Operating Activities	<u>28,037</u>	<u>56,059</u>	<u>84,096</u>
Cash Flows From Noncapital Financing Activities			
Intergovernmental	776	26,070	26,846
Transfers from other funds	40,000	-	40,000
Transfers to other funds	-	(45,000)	(45,000)
Net Cash Provided (Used) by Noncapital Financing Activities	<u>40,776</u>	<u>(18,930)</u>	<u>21,846</u>
Cash Flows From Capital and Related Financing Activities			
Acquisition of capital assets	(1,776)	(1,776)	(3,552)
Principal paid on revenue bonds payable	(95,000)	(40,000)	(135,000)
Interest paid on revenue bonds payable	(12,868)	(6,000)	(18,868)
Net Cash Used by Capital and Related Financing Activities	<u>(109,644)</u>	<u>(47,776)</u>	<u>(157,420)</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(40,831)	(10,647)	(51,478)
Cash and Cash Equivalents, January 1	<u>162,862</u>	<u>21,236</u>	<u>184,098</u>
Cash and Cash Equivalents, December 31	<u>\$ 122,031</u>	<u>\$ 10,589</u>	<u>\$ 132,620</u>
Reconciliation of Operating Income to Net Cash Provided by Operating Activities			
Operating income (loss)	\$ (30,781)	\$ 11,140	\$ (19,641)
Adjustments to reconcile operating income to net cash provided by operating activities			
Other income related to operations	1,892	158	2,050
Depreciation	47,328	40,360	87,688
(Increase) decrease in assets			
Accounts receivable	754	-	754
Intergovernmental	(1,122)	-	(1,122)
Prepaid items	(1,054)	(813)	(1,867)
(Increase) decrease in deferred outflows of resources			
Deferred pension resources	(2,462)	(2,353)	(4,815)
Deferred other postemployment benefit resources	-	1,748	1,748
Increase (decrease) in liabilities			
Accounts payable	(2,180)	3,704	1,524
Due to other governments	886	102	988
Accrued wages payable	(681)	(1,842)	(2,523)
Compensated absences payable	450	2,561	3,011
Other postemployment benefits obligation	-	(424)	(424)
Net pension liability	16,527	7,800	24,327
Increase (decrease) in deferred inflows of resources			
Deferred pension resources	(1,520)	(5,924)	(7,444)
Deferred other postemployment benefit resources	-	(158)	(158)
Net Cash Provided (Used) by Operating Activities	<u>\$ 28,037</u>	<u>\$ 56,059</u>	<u>\$ 84,096</u>
Schedule of Noncash Capital and Related Financing Activities			
Amortization of bond (premium) discount	<u>\$ 854</u>	<u>\$ (2,260)</u>	<u>\$ (1,406)</u>

## **THE GENERAL FUND**

The General fund is used to account for resources traditionally associated with the City which are not required legally or by sound financial management to be accounted for in another fund.

City of North Mankato, Minnesota  
General Fund  
Comparative Balance Sheets  
December 31, 2020 and 2019

	2020	2019
<b>Assets</b>		
Cash and temporary investments	\$ 3,762,341	\$ 3,387,757
Receivables		
Taxes	119,331	96,481
Accounts	68,405	82,305
Special assessments		
Delinquent	550	872
Noncurrent	25,821	19,428
Intergovernmental	376,345	406,299
Advance to other funds	834,522	1,029,647
Due from other funds	55,143	24,317
Prepaid items	34,292	9,663
	<u>\$ 5,276,750</u>	<u>\$ 5,056,769</u>
<b>Liabilities</b>		
Accounts payable	\$ 174,946	\$ 609,067
Contracts payable	14,691	-
Accrued wages payable	71,044	184,967
Due to other governments	61,405	57,964
Unearned revenue	71,864	306,775
Total Liabilities	<u>393,950</u>	<u>1,158,773</u>
<b>Deferred Inflows of Resources</b>		
Unavailable revenue		
Taxes	119,331	96,481
Special assessments	26,371	20,300
Total Deferred Inflows of Resources	<u>145,702</u>	<u>116,781</u>
<b>Fund Balances</b>		
Nonspendable		
Prepaid items	34,292	9,663
Advances to other funds	834,522	1,029,647
Unassigned	3,868,284	2,741,905
Total Fund Balances	<u>4,737,098</u>	<u>3,781,215</u>
	<u>\$ 5,276,750</u>	<u>\$ 5,056,769</u>
<b>Total Liabilities, Deferred Inflows of Resources and Fund Balances</b>	<u>\$ 5,276,750</u>	<u>\$ 5,056,769</u>

City of North Mankato, Minnesota  
General Fund  
Schedule of Revenues, Expenditures and Changes in Fund Balances -  
Budget and Actual (Continued on Following Pages)  
For the Year Ended December 31, 2020  
With Comparative Actual Amounts for the Year Ended December 31, 2019

	2020				2019
	Budgeted Amounts		Actual Amounts	Variance with Final Budget	Actual Amounts
	Original	Final			
Revenues					
Taxes					
Property taxes	\$ 5,149,393	\$ 5,149,393	\$ 5,142,877	\$ (6,516)	\$ 5,088,938
Sales tax	200	200	28	(172)	82
Franchise taxes	574,000	574,000	513,513	(60,487)	482,563
Other taxes	47,100	13,350	38,132	24,782	57,087
Total taxes	5,770,693	5,736,943	5,694,550	(42,393)	5,628,670
Special assessments	13,800	13,800	5,233	(8,567)	6,457
Licenses and permits					
Business	130,870	130,870	112,960	(17,910)	112,990
Nonbusiness	357,450	357,450	402,166	44,716	297,143
Total licenses and permits	488,320	488,320	515,126	26,806	410,133
Intergovernmental					
Federal					
CARES	-	1,059,000	850,699	(208,301)	-
Other	5,000	5,000	3,369	(1,631)	331,330
State					
Local government aid	1,877,762	1,877,762	1,884,836	7,074	1,730,310
Property tax credits	-	-	-	-	12
Municipal state aid	1,004,105	1,004,105	-	(1,004,105)	184,164
Fire aid	73,000	73,000	79,410	6,410	75,242
Police aid	115,000	115,000	128,377	13,377	122,890
Other	13,200	13,200	128,636	115,436	35,921
County					
Other County aid	59,594	59,594	60,044	450	60,044
Total intergovernmental	3,147,661	4,206,661	3,135,371	(1,071,290)	2,539,913
Charges for services					
General government	26,000	18,600	25,478	6,878	29,288
Public safety	3,660	3,660	11,272	7,612	4,223
Culture and recreation	236,815	218,991	340,918	121,927	132,373
Rents	87,643	87,643	102,244	14,601	79,206
Total charges for services	354,118	328,894	479,912	151,018	245,090
Fines and forfeits					
Court fines	32,000	15,000	18,129	3,129	25,214
Parking fines	500	500	435	(65)	1,185
Total fines and forfeits	32,500	15,500	18,564	3,064	26,399
Investment earnings	30,000	30,000	30,777	777	54,723
Miscellaneous					
Contributions and donations	1,000	1,000	20,713	19,713	13,405
Other	97,660	97,560	117,768	20,208	60,050
Total miscellaneous	98,660	98,560	138,481	39,921	73,455
Total Revenues	9,935,752	10,918,678	10,018,014	(900,664)	8,984,840

City of North Mankato, Minnesota  
General Fund  
Schedule of Revenues, Expenditures and Changes in Fund Balances -  
Budget and Actual (Continued)  
For the Year Ended December 31, 2020  
With Comparative Actual Amounts for the Year Ended December 31, 2019

	2020				2019
	Budgeted Amounts		Actual Amounts	Variance with Final Budget	Actual Amounts
	Original	Final			
Expenditures					
Current					
General government					
Mayor and council					
Personal services	\$ 33,975	\$ 33,975	\$ 34,913	\$ (938)	\$ 33,083
Supplies	500	500	4,013	(3,513)	-
Other services and charges	11,285	6,285	9,785	(3,500)	11,579
Total mayor and council	45,760	40,760	48,711	(7,951)	44,662
Administration					
Personal services	477,253	456,226	484,510	(28,284)	414,120
Supplies	52,900	52,900	35,126	17,774	36,112
Other services and charges	169,435	164,435	155,472	8,963	188,557
Total administration	699,588	673,561	675,108	(1,547)	638,789
City attorney					
Supplies	2,200	2,200	204	1,996	1,122
Other services and charges	113,516	113,516	127,830	(14,314)	112,858
Total city attorney	115,716	115,716	128,034	(12,318)	113,980
Total general government	861,064	830,037	851,853	(21,816)	797,431
Public safety					
Police protection					
Personal services	1,938,314	1,888,892	2,001,651	(112,759)	1,927,676
Supplies	98,400	88,400	97,204	(8,804)	125,763
Other services and charges	154,481	133,981	160,872	(26,891)	183,006
Total police protection	2,191,195	2,111,273	2,259,727	(148,454)	2,236,445
Fire protection					
Personal services	242,198	242,198	223,812	18,386	238,851
Supplies	53,550	53,550	46,638	6,912	59,134
Other services and charges	66,333	59,833	59,075	758	64,674
Total fire protection	362,081	355,581	329,525	26,056	362,659
Total public safety	2,553,276	2,466,854	2,589,252	(122,398)	2,599,104
Public works					
Street maintenance					
Personal services	812,790	749,138	755,907	(6,769)	798,515
Supplies	391,500	293,019	325,723	(32,704)	454,600
Other services and charges	205,657	173,472	247,715	(74,243)	277,524
Total street maintenance	1,409,947	1,215,629	1,329,345	(113,716)	1,530,639
Equipment maintenance					
Personal services	190,277	175,767	191,334	(15,567)	188,475
Supplies	72,700	79,800	59,863	19,937	63,967
Other services and charges	25,776	25,776	22,126	3,650	25,534
Total equipment maintenance	288,753	281,343	273,323	8,020	277,976
Street lighting					
Personal services	9,308	9,308	7,865	1,443	7,872
Supplies	45,500	20,500	19,276	1,224	53,000
Other services and charges	320,033	320,033	313,286	6,747	298,034
Total street lighting	374,841	349,841	340,427	9,414	358,906
Total public works	2,073,541	1,846,813	1,943,095	(96,282)	2,167,521

City of North Mankato, Minnesota  
General Fund  
Schedule of Revenues, Expenditures and Changes in Fund Balances -  
Budget and Actual (Continued)  
For the Year Ended December 31, 2020  
With Comparative Actual Amounts for the Year Ended December 31, 2019

	2020				2019
	Budgeted Amounts		Actual Amounts	Variance with Final Budget	Actual Amounts
	Original	Final			
Expenditures (Continued)					
Current (continued)					
Culture and recreation					
Swimming pool					
Personal services	\$ 151,351	\$ 180,513	\$ 175,218	\$ 5,295	\$ 61,249
Supplies	38,800	44,800	48,379	(3,579)	28,244
Other services and charges	65,763	63,613	128,936	(65,323)	113,732
Total swimming pool	<u>255,914</u>	<u>288,926</u>	<u>352,533</u>	<u>(63,607)</u>	<u>203,225</u>
Parks					
Personal services	416,331	452,220	452,406	(186)	411,800
Supplies	144,300	148,800	169,489	(20,689)	163,016
Other services and charges	75,686	78,140	114,733	(36,593)	108,262
Total parks	<u>636,317</u>	<u>679,160</u>	<u>736,628</u>	<u>(57,468)</u>	<u>683,078</u>
Library					
Personal services	386,029	366,029	341,142	24,887	362,951
Supplies	140,900	140,900	122,027	18,873	143,810
Other services and charges	79,476	79,476	130,547	(51,071)	75,893
Total library	<u>606,405</u>	<u>586,405</u>	<u>593,716</u>	<u>(7,311)</u>	<u>582,654</u>
Bookmobile					
Personal services	78,583	78,583	77,644	939	74,966
Supplies	18,950	14,050	9,742	4,308	12,565
Other services and charges	3,784	3,684	2,518	1,166	2,627
Total bookmobile	<u>101,317</u>	<u>96,317</u>	<u>89,904</u>	<u>6,413</u>	<u>90,158</u>
Total culture and recreation	<u>1,599,953</u>	<u>1,650,808</u>	<u>1,772,781</u>	<u>(121,973)</u>	<u>1,559,115</u>
Housing and economic development					
Community development					
Personal services	430,138	406,284	362,778	43,506	355,816
Supplies	17,900	17,900	16,689	1,211	13,948
Other services and charges	210,181	174,971	280,070	(105,099)	231,023
Total housing and economic development	<u>658,219</u>	<u>599,155</u>	<u>659,537</u>	<u>(60,382)</u>	<u>600,787</u>

City of North Mankato, Minnesota  
General Fund  
Schedule of Revenues, Expenditures and Changes in Fund Balances -  
Budget and Actual (Continued)  
For the Year Ended December 31, 2020  
With Comparative Actual Amounts for the Year Ended December 31, 2019

	2020				2019
	Budgeted Amounts		Actual	Variance with	Actual
	Original	Final	Amounts	Final Budget	Amounts
Expenditures (Continued)					
Current (continued)					
Mass transit and other					
Mass transit					
Other services and charges	\$ 258,764	\$ 197,764	\$ 206,634	\$ (8,870)	\$ 247,808
Other					
Personal services	10,000	-	-	-	5,000
Other services and charges	36,172	1,385,362	75,238	1,310,124	60,499
Total other	46,172	1,385,362	75,238	1,310,124	65,499
Total mass transit and other	304,936	1,583,126	281,872	1,301,254	313,307
Total current	8,050,989	8,976,793	8,098,390	878,403	8,037,265
Capital outlay					
General government	2,000	2,000	64,110	(62,110)	-
Public safety	1,000	1,000	39,003	(38,003)	349
Public works	1,259,000	1,313,000	598,753	714,247	717,827
Culture and recreation	413,500	257,500	319,313	(61,813)	370,762
Housing and economic development	20,000	20,000	34,386	(14,386)	15,224
Total capital outlay	1,695,500	1,593,500	1,055,565	537,935	1,104,162
Total Expenditures	9,746,489	10,570,293	9,153,955	1,416,338	9,141,427
Excess (Deficiency) of Revenues					
Over (Under) Expenditures	189,263	348,385	864,059	515,674	(156,587)
Other Financing Sources (Uses)					
Sale of capital assets	500	500	12,386	11,886	17,204
Transfers in	261,750	261,750	569,817	308,067	644,082
Transfers out	(451,100)	(447,000)	(490,379)	(43,379)	(881,035)
Total Other Financing Sources (Uses)	(188,850)	(184,750)	91,824	276,574	(219,749)
Net Change in Fund Balances	413	163,635	955,883	792,248	(376,336)
Fund Balances, January 1	3,781,215	3,781,215	3,781,215	-	4,157,551
Fund Balances, December 31	\$ 3,781,628	\$ 3,944,850	\$ 4,737,098	\$ 792,248	\$ 3,781,215



## **DEBT SERVICE FUNDS**

Debt Service funds are used to account for the accumulation of resources and payment of general obligation bond principal and interest from governmental resources and special assessment bond principal and interest from special assessment levies when the City is obligated in some manner for the payment.

City of North Mankato, Minnesota  
Debt Service Funds  
Combining Balance Sheet (Continued on the Following Pages)  
December 31, 2020

	312	316	318	319	320
	2014A G.O. Bonds	Bond Reserve	2018A G.O. Bonds	2019A G.O. Bonds	2020A G.O. Bonds
<b>Assets</b>					
Cash and temporary investments	\$ -	\$ 1,904,671	\$ (1,001)	\$ 21,145	\$ 113,622
Receivables					
Special assessments					
Delinquent	-	50	328	701	-
Noncurrent	8,836	865,324	68,400	283,558	269,248
Intergovernmental	-	-	1,001	-	-
Total Assets	<u>\$ 8,836</u>	<u>\$ 2,770,045</u>	<u>\$ 68,728</u>	<u>\$ 305,404</u>	<u>\$ 382,870</u>
<b>Liabilities</b>					
Due to other funds	\$ -	\$ 582,184	\$ -	\$ -	\$ -
<b>Deferred Inflows of Resources</b>					
Unavailable revenue					
Special assessments	8,836	865,374	68,728	284,259	269,248
Intergovernmental	-	-	-	-	-
Total Deferred Inflows of Resources	<u>8,836</u>	<u>865,374</u>	<u>68,728</u>	<u>284,259</u>	<u>269,248</u>
<b>Fund Balances</b>					
Restricted	-	1,322,487	-	21,145	113,622
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 8,836</u>	<u>\$ 2,770,045</u>	<u>\$ 68,728</u>	<u>\$ 305,404</u>	<u>\$ 382,870</u>

347	348	311	349	350	356	357	358
2007 G.O. Improvement Bonds	2008 G.O. Improvement Bonds	2009 G.O. Sales Tax Revenue Bonds	2015B (2009) G.O. Refunding Bonds	2010 G.O. Improvement Bonds	2010C G.O. Refunding Bonds	2012A G.O. Refunding Bonds	2015A G.O. Improvement Bonds
\$ -	\$ -	\$ -	\$ 296,527	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	8,422	-	-
-	-	-	-	714,678	196,212	-	348,286
-	-	-	980,000	-	-	-	-
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,276,527</u>	<u>\$ 714,678</u>	<u>\$ 204,634</u>	<u>\$ -</u>	<u>\$ 348,286</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	714,678	204,634	-	348,286
-	-	-	980,000	-	-	-	-
<u>-</u>	<u>-</u>	<u>-</u>	<u>980,000</u>	<u>714,678</u>	<u>204,634</u>	<u>-</u>	<u>348,286</u>
-	-	-	296,527	-	-	-	-
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,276,527</u>	<u>\$ 714,678</u>	<u>\$ 204,634</u>	<u>\$ -</u>	<u>\$ 348,286</u>

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City of North Mankato, Minnesota  
Debt Service Funds  
Combining Balance Sheet (Continued)  
December 31, 2020

	370	371	379	336	
	2011A Port Authority G.O. Bonds	2011B Port Authority G.O. Bonds	2010D G.O. Tax Increment Bonds	2016A G.O. Improvement Bonds	Total
<b>Assets</b>					
Cash and temporary investments	\$ 19,307	\$ 30,834	\$ 15,156	\$ (5,867)	\$ 2,394,394
Receivables					
Special assessments					
Delinquent	-	-	-	-	9,501
Noncurrent	-	-	-	84,863	2,839,405
Intergovernmental	-	-	-	5,867	986,868
<b>Total Assets</b>	<u>\$ 19,307</u>	<u>\$ 30,834</u>	<u>\$ 15,156</u>	<u>\$ 84,863</u>	<u>\$ 6,230,168</u>
<b>Liabilities</b>					
Due to other funds	\$ -	\$ -	\$ -	\$ -	\$ 582,184
<b>Deferred Inflows of Resources</b>					
Unavailable revenue					
Special assessments	-	-	-	84,863	2,848,906
Intergovernmental	-	-	-	-	980,000
<b>Total Deferred Inflows of Resources</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>84,863</u>	<u>3,828,906</u>
<b>Fund Balances</b>					
Restricted	19,307	30,834	15,156	-	1,819,078
<b>Total Liabilities, Deferred Inflows of Resources and Fund Balances</b>	<u>\$ 19,307</u>	<u>\$ 30,834</u>	<u>\$ 15,156</u>	<u>\$ 84,863</u>	<u>\$ 6,230,168</u>

City of North Mankato, Minnesota  
Debt Service Funds  
Combining Schedule of Revenues, Expenditures and Changes in Fund Balances  
(Continued on the Following Pages)  
For the Year Ended December 31, 2020

	312	316	318	319	320	347
	2014A G.O. Bonds	Bond Reserve	2018A G.O. Bonds	2019A G.O. Bonds	2020A G.O. Bonds	2007 G.O. Improvement Bonds
Revenues						
Taxes						
Property taxes	\$ -	\$ 1,600,166	\$ -	\$ -	\$ -	\$ -
Special assessments	1,410	363,070	13,604	42,175	113,622	68,138
Investment earnings	-	3,917	-	-	-	-
Total Revenues	<u>1,410</u>	<u>1,967,153</u>	<u>13,604</u>	<u>42,175</u>	<u>113,622</u>	<u>68,138</u>
Expenditures						
Debt service						
Principal	60,000	-	225,000	110,000	-	-
Interest and other costs	20,388	-	140,038	26,425	-	-
Total Expenditures	<u>80,388</u>	<u>-</u>	<u>365,038</u>	<u>136,425</u>	<u>-</u>	<u>-</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(78,978)</u>	<u>1,967,153</u>	<u>(351,434)</u>	<u>(94,250)</u>	<u>113,622</u>	<u>68,138</u>
Other Financing Sources (Uses)						
Transfers in	78,978	496,345	351,434	-	-	-
Bonds issued	-	-	-	-	-	-
Premium on bonds issued	-	-	-	-	-	-
Transfers out	-	(1,619,957)	-	-	-	(496,345)
Total Other Financing Sources (Uses)	<u>78,978</u>	<u>(1,123,612)</u>	<u>351,434</u>	<u>-</u>	<u>-</u>	<u>(496,345)</u>
Net Change in Fund Balances	-	843,541	-	(94,250)	113,622	(428,207)
Fund Balances, January 1	-	478,946	-	115,395	-	428,207
Fund Balances, December 31	<u>\$ -</u>	<u>\$ 1,322,487</u>	<u>\$ -</u>	<u>\$ 21,145</u>	<u>\$ 113,622</u>	<u>\$ -</u>

<b>348</b>	<b>311</b>	<b>349</b>	<b>350</b>	<b>356</b>	<b>357</b>	<b>358</b>
2008 G.O. Improvement Bonds	2009 G.O. Sales Tax Revenue Bonds	2015B (2009) G.O. Refunding Bonds	2010 G.O. Improvement Bonds	2010C G.O. Refunding Bonds	2012A G.O. Refunding Bonds	2015A G.O. Improvement Bonds
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	13,224	-	13,187	-	-
-	-	-	-	-	-	-
-	-	13,224	-	13,187	-	-
-	-	-	-	-	-	-
-	245,000	225,000	160,000	635,000	90,000	90,000
-	53,425	31,100	53,075	41,105	1,380	39,093
-	298,425	256,100	213,075	676,105	91,380	129,093
-	(298,425)	(242,876)	(213,075)	(662,918)	(91,380)	(129,093)
-	298,425	256,100	213,075	605,521	91,380	129,093
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	298,425	256,100	213,075	605,521	91,380	129,093
-	-	13,224	-	(57,397)	-	-
-	-	283,303	-	57,397	-	-
\$ -	\$ -	\$ 296,527	\$ -	\$ -	\$ -	\$ -

City of North Mankato, Minnesota  
Debt Service Funds  
Combining Schedule of Revenues, Expenditures and Changes in Fund Balances (Continued)  
For the Year Ended December 31, 2020

	370	371	379	336	
	2011A Port Authority G.O. Bonds	2011B Port Authority G.O. Bonds	2010D G.O. Tax Increment Bonds	2016A G.O. Improvement Bonds	Total
Revenues					
Taxes					
Property taxes	\$ -	\$ -	\$ -	\$ -	\$ 1,600,166
Special assessments	-	-	-	18,074	646,504
Investment earnings	-	-	-	-	3,917
Total Revenues	<u>-</u>	<u>-</u>	<u>-</u>	<u>18,074</u>	<u>2,250,587</u>
Expenditures					
Debt service					
Principal	2,545,000	15,000	90,000	105,000	4,595,000
Interest and other costs	130,077	18,215	25,100	23,550	602,971
Total Expenditures	<u>2,675,077</u>	<u>33,215</u>	<u>115,100</u>	<u>128,550</u>	<u>5,197,971</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(2,675,077)</u>	<u>(33,215)</u>	<u>(115,100)</u>	<u>(110,476)</u>	<u>(2,947,384)</u>
Other Financing Sources (Uses)					
Transfers in	215,078	33,215	100,512	110,476	2,979,632
Bonds issued	2,410,000	-	-	-	2,410,000
Premium on bonds issued	69,306	-	-	-	69,306
Transfers out	-	-	-	-	(2,116,302)
Total Other Financing Sources (Uses)	<u>2,694,384</u>	<u>33,215</u>	<u>100,512</u>	<u>110,476</u>	<u>3,342,636</u>
Net Change in Fund Balances	19,307	-	(14,588)	-	395,252
Fund Balances, January 1	<u>-</u>	<u>30,834</u>	<u>29,744</u>	<u>-</u>	<u>1,423,826</u>
Fund Balances, December 31	<u>\$ 19,307</u>	<u>\$ 30,834</u>	<u>\$ 15,156</u>	<u>\$ -</u>	<u>\$ 1,819,078</u>



## **CUSTODIAL FUNDS**

Custodial funds are used to report fiduciary activities that are not required to be reported in pension (and other employee benefit) trust funds, investment trust funds, or private-purpose trust funds.

Minnesota River Valley Task Force fund: This fund accounts for the activities of the multijurisdictional task force for which the City is the fiscal agent.

Tactical Response Team fund: This fund accounts for the activities of the multi-jurisdictional tactical response team for which the City is the fiscal agent.

Miss Fun Days fund: This fund accounts for the activities held of behalf of Fun Days.

City of North Mankato, Minnesota  
Statement of Fiduciary Net Position  
Fiduciary Funds  
December 31, 2020

	<b>863</b> Minnesota River Valley Task Force	<b>865</b> Tactical Response Team	<b>866</b> Miss Fun Days	Total
Assets				
Cash and cash equivalents	\$ 229	\$ 20,523	\$ 63	\$ 20,815
Receivables				
Intergovernmental	-	25,603	-	25,603
Total Assets	<u>229</u>	<u>46,126</u>	<u>63</u>	<u>46,418</u>
Liabilities				
Accounts payable	<u>-</u>	<u>471</u>	<u>-</u>	<u>471</u>
Net Position				
Restricted				
Organizations and other governments	<u>\$ 229</u>	<u>\$ 45,655</u>	<u>\$ 63</u>	<u>\$ 45,947</u>

City of North Mankato, Minnesota  
Statement of Changes in Fiduciary Net Position  
Fiduciary Funds  
For the Year Ended December 31, 2020

	<b>863</b> Minnesota River Valley Task Force	<b>865</b> Tactical Response Team	<b>866</b> Miss Fun Days	Total
Additions				
Refunds and reimbursements	\$ -	49,978	\$ -	\$ 49,978
Donations	-	-	500	500
Total Additions	<u>-</u>	<u>49,978</u>	<u>500</u>	<u>50,478</u>
Deductions				
Miscellaneous	<u>-</u>	<u>13,943</u>	<u>480</u>	<u>14,423</u>
Net Increase (Decrease) in Fiduciary Net Position	-	36,035	20	36,055
Net Position, January 1	<u>229</u>	<u>9,620</u>	<u>43</u>	<u>9,892</u>
Net Position, December 31	<u><u>\$ 229</u></u>	<u><u>\$ 45,655</u></u>	<u><u>\$ 63</u></u>	<u><u>\$ 45,947</u></u>

City of North Mankato, Minnesota  
Summary Financial Report  
Revenues and Expenditures For General Operations  
Governmental Funds  
For the Years Ended December 31, 2020 and 2019

	Totals		Percent Increase (Decrease)	
	2020	2019		
Revenues				
Taxes	\$ 8,548,108	\$ 8,394,837	1.83	%
Special assessments	651,737	432,854	50.57	
Licenses and permits	515,126	410,133	25.60	
Intergovernmental	3,690,154	5,020,365	(26.50)	
Charges for services	792,629	544,734	45.51	
Fines and forfeits	18,564	26,399	(29.68)	
Investment earnings (loss)	40,483	100,900	(59.88)	
Miscellaneous	352,655	350,423	0.64	
	<u>\$ 14,609,456</u>	<u>\$ 15,280,645</u>	(4.39)	%
Total Revenues				
Per Capita	\$ 1,035	\$ 1,087	(4.76)	%
Expenditures				
Current				
General government	\$ 875,453	\$ 815,356	7.37	%
Public safety	2,589,252	2,599,104	(0.38)	
Public works	1,943,095	2,202,765	(11.79)	
Culture and recreation	2,163,307	2,184,279	(0.96)	
Housing and economic development	1,085,928	1,050,301	3.39	
Miscellaneous	281,872	313,307	(10.03)	
Capital outlay				
General government	65,865	180,000	(63.41)	
Public safety	108,659	84,163	29.11	
Public works	5,039,587	4,922,925	2.37	
Culture and recreation	380,027	3,594,954	(89.43)	
Economic development	34,386	151,583	(77.32)	
Debt service				
Principal	4,595,000	2,512,000	82.92	
Interest and other charges	658,126	577,111	14.04	
Bond issuance costs	-	6,007	(100.00)	
	<u>\$ 19,820,557</u>	<u>\$ 21,193,855</u>	(6.48)	%
Total Expenditures				
Per Capita	\$ 1,404	\$ 1,507	(6.84)	%
Total Long-Term Indebtedness	\$ 20,335,000	\$ 19,120,000	6.35	%
Per Capita	1,441	1,360	5.94	
General Fund Balance - December 31	\$ 4,737,098	\$ 3,781,215	25.28	%
Per Capita	336	269	24.79	

The purpose of this report is to provide a summary of financial information concerning the City of North Mankato to interested citizens. The complete financial statements may be examined at City Hall, 1001 Belgrade Ave., North Mankato, Minnesota 56003. Questions about this report should be directed to the Finance Director at (507) 625-4141.

STATISTICAL SECTION (UNAUDITED)

CITY OF NORTH MANKATO  
NORTH MANKATO, MINNESOTA

FOR THE YEAR ENDED  
DECEMBER 31, 2020

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# STATISTICAL SECTION (UNAUDITED)

This part of the City of North Mankato's comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the City's overall financial health.

## **Financial Trends**

These schedules contain trend information to help the reader understand how the government's financial performance and well-being have changed over time.

## **Revenue Capacity**

These schedules contain information to help the reader assess the government's most significant local revenue source, the property tax.

## **Debt Capacity**

These schedules present information to help the reader assess the affordability of the government's current levels of outstanding debt and the government's ability to issue additional debt in the future.

## **Demographic and Economic Information**

These schedules offer demographic and economic indicators to help the reader understand the environment within which the government's financial activities take place.

## **Operating Information**

These schedules contain service and infrastructure data to help the reader understand how the information in the government's financial report relates to the services the government provides and the activities it performs.

City of North Mankato, Minnesota  
Net Position By Component  
Last Ten Fiscal Years  
(accrual basis of accounting)

	Fiscal Year				
	2020	2019	2018	2017	2016
Governmental Activities					
Net investment in capital assets	\$ 32,611,813	\$ 31,159,895	\$ 27,823,936	\$ 26,221,794	\$ 24,879,816
Restricted	7,489,928	8,358,055	8,142,886	8,981,442	8,410,399
Unrestricted	365,115	74,882	85,586	(183,601)	(1,059,506)
Total Governmental Activities Net Position	<u>40,466,856</u>	<u>39,592,832</u>	<u>36,052,408</u>	<u>35,019,635</u>	<u>32,230,709</u>
Business-type Activities					
Net investment in capital assets	23,882,997	22,608,155	20,942,250	19,401,310	18,591,065
Unrestricted	1,979,560	1,496,570	1,689,082	1,750,317	1,944,589
Total Business-type Activities Net Position	<u>25,862,557</u>	<u>24,104,725</u>	<u>22,631,332</u>	<u>21,151,627</u>	<u>20,535,654</u>
Primary Government					
Net investment in capital assets	56,494,810	53,768,050	48,766,186	45,623,104	43,470,881
Restricted	7,489,928	8,358,055	8,142,886	8,981,442	8,410,399
Unrestricted	<u>2,344,675</u>	<u>1,571,452</u>	<u>1,774,668</u>	<u>1,566,716</u>	<u>885,083</u>
Total Primary Government Net Position	<u>\$ 66,329,413</u>	<u>\$ 63,697,557</u>	<u>\$ 58,683,740</u>	<u>\$ 56,171,262</u>	<u>\$ 52,766,363</u>

\* Starting in 2014, the Port Authority component unit will be treated as a blended component unit and be combined with the governmental activities. Also in 2014, the Sanitation fund was split into two separate funds: Recycling and Solid Waste.



Table 1

Fiscal Year				
2015	2014*	2013	2012	2011
\$ 25,459,305	\$ 18,290,571	\$ 19,673,984	\$ 22,078,379	\$ 21,718,486
8,277,733	8,188,704	8,745,277	7,064,989	9,836,509
(737,444)	27,057	2,792,772	2,738,240	1,925,231
<u>32,999,594</u>	<u>26,506,332</u>	<u>31,212,033</u>	<u>31,881,608</u>	<u>33,480,226</u>
18,717,246	17,491,003	17,093,203	16,189,284	16,548,626
1,818,513	2,716,102	3,281,817	3,169,994	3,011,862
<u>20,535,759</u>	<u>20,207,105</u>	<u>20,375,020</u>	<u>19,359,278</u>	<u>19,560,488</u>
44,176,551	35,781,574	36,767,187	38,267,663	38,267,112
8,277,733	8,188,704	8,745,277	7,064,989	9,836,509
1,081,069	2,743,159	6,074,589	5,908,234	4,937,093
<u>\$ 53,535,353</u>	<u>\$ 46,713,437</u>	<u>\$ 51,587,053</u>	<u>\$ 51,240,886</u>	<u>\$ 53,040,714</u>

City of North Mankato, Minnesota  
Changes in Net Position (Continued on the Following Pages)  
Last Ten Fiscal Years  
(accrual basis of accounting)

	Fiscal Year				
	2020	2019	2018	2017	2016*
Expenses					
Governmental Activities					
General government	\$ 957,453	\$ 947,318	\$ 835,295	\$ 861,884	\$ 1,282,018
Public safety	2,758,465	2,832,027	2,621,043	2,582,049	2,840,353
Public works	4,578,559	4,567,564	4,240,545	3,693,176	3,387,740
Culture and recreation	2,526,817	2,537,701	2,011,001	1,961,563	2,039,352
Housing and economic development	1,087,471	1,107,339	956,740	1,015,852	2,387,348
Mass transit and other	281,872	313,307	196,792	302,532	288,787
Interest on long-term debt	585,845	562,224	708,029	552,578	686,477
Total Governmental Activities Expenses	<u>12,776,482</u>	<u>12,867,480</u>	<u>11,569,445</u>	<u>10,969,634</u>	<u>12,912,075</u>
Business-type Activities					
Water	1,701,022	1,770,227	1,600,645	1,674,978	1,677,867
Sewer	2,280,816	2,144,941	1,778,232	2,177,514	1,946,051
Sanitation/recycling	511,987	508,239	401,010	388,733	373,509
Solid waste	755,523	713,017	694,575	647,736	693,275
Storm water	384,147	311,100	330,787	294,943	303,974
Total Business-type Activities Expenses	<u>5,633,495</u>	<u>5,447,524</u>	<u>4,805,249</u>	<u>5,183,904</u>	<u>4,994,676</u>
Total Primary Government Expenses	<u>\$ 18,409,977</u>	<u>\$ 18,315,004</u>	<u>\$ 16,374,694</u>	<u>\$ 16,153,538</u>	<u>\$ 17,906,751</u>
Program Revenues					
Governmental Activities					
Charges for services					
General government	\$ 182,377	\$ 170,602	\$ 147,955	\$ 162,710	\$ 140,856
Public safety	446,058	321,227	485,984	380,925	334,361
Public works	9,381	8,765	11,446	7,843	6,735
Culture and recreation	776,557	534,100	321,268	241,729	204,071
Housing and economic development	115,665	149,103	75,405	77,828	128,982
Miscellaneous	-	-	-	-	-
Operating grants and contributions	1,253,144	541,467	508,713	473,992	504,154
Capital grants and contributions	932,769	3,819,942	1,535,738	1,076,301	1,077,024
Total Governmental Activities Program Revenues	<u>3,715,951</u>	<u>5,545,206</u>	<u>3,086,509</u>	<u>2,421,328</u>	<u>2,396,183</u>
Business-type Activities					
Charges for services					
Water	2,077,790	2,000,861	1,943,703	2,005,102	1,772,186
Sewer	2,600,449	2,397,950	2,419,264	2,453,362	2,097,858
Sanitation/recycling	470,044	523,719	478,332	485,091	466,183
Solid waste	763,053	751,556	746,434	741,372	736,586
Storm water	401,844	405,414	391,238	279,939	276,474
Operating grants and contributions	182,358	1,413	4,590	287	4,044
Capital grants and contributions	192,572	995,009	247,963	44,684	23,482
Total Business-type Activities Program Revenues	<u>6,688,110</u>	<u>7,075,922</u>	<u>6,231,524</u>	<u>6,009,837</u>	<u>5,376,813</u>
Total Primary Government Program Revenues	<u>\$ 10,404,061</u>	<u>\$ 12,621,128</u>	<u>\$ 9,318,033</u>	<u>\$ 8,431,165</u>	<u>\$ 7,772,996</u>

Table 2

Fiscal Year				
2015	2014	2013	2012	2011
\$ 824,191	\$ 782,620	\$ 1,034,873	\$ 849,434	\$ 952,893
2,054,079	2,245,466	2,397,246	2,370,427	2,234,322
2,874,244	5,729,610	7,230,368	6,163,789	3,698,093
1,737,105	1,632,255	1,597,289	1,892,795	1,744,224
889,363	1,596,016	706,987	223,016	498,794
386,098	302,116	119,821	208,994	258,873
1,017,615	803,195	570,917	671,015	752,795
<u>9,782,695</u>	<u>13,091,278</u>	<u>13,657,501</u>	<u>12,379,470</u>	<u>10,139,994</u>
1,637,985	1,595,455	1,458,952	1,433,452	1,522,644
1,864,280	1,549,721	1,354,223	1,539,133	1,498,908
558,817	416,917	1,267,083	1,292,299	1,263,485
590,757	1,006,229	-	-	-
209,573	258,842	269,966	153,220	181,044
<u>4,861,412</u>	<u>4,827,164</u>	<u>4,350,224</u>	<u>4,418,104</u>	<u>4,466,081</u>
<u>\$ 14,644,107</u>	<u>\$ 17,918,442</u>	<u>\$ 18,007,725</u>	<u>\$ 16,797,574</u>	<u>\$ 14,606,075</u>
\$ 125,230	\$ 143,601	\$ 133,401	\$ 145,142	\$ 112,111
380,576	269,795	311,979	455,110	598,884
2,218	4,924	6,318	37,434	130,487
171,514	119,515	192,688	218,307	245,129
71,702	74,962	25,361	36,004	8,630
-	-	19	70	105
522,566	486,412	534,427	507,249	633,072
<u>5,822,778</u>	<u>321,726</u>	<u>4,025,677</u>	<u>1,316,674</u>	<u>2,460,239</u>
<u>7,096,584</u>	<u>1,420,935</u>	<u>5,229,870</u>	<u>2,715,990</u>	<u>4,188,657</u>
1,775,111	1,818,389	1,524,399	1,615,436	1,499,185
2,056,200	2,092,942	1,535,142	1,525,340	1,510,772
496,243	392,086	1,292,386	1,333,111	1,394,977
720,103	905,274	-	-	-
278,071	275,168	275,025	274,823	272,689
-	22,359	-	-	4,994
19,588	7,605	4,354	3,668	(6,230)
<u>5,345,316</u>	<u>5,513,823</u>	<u>4,631,306</u>	<u>4,752,378</u>	<u>4,676,387</u>
<u>\$ 12,441,900</u>	<u>\$ 6,934,758</u>	<u>\$ 9,861,176</u>	<u>\$ 7,468,368</u>	<u>\$ 8,865,044</u>

City of North Mankato, Minnesota  
Changes in Net Position (Continued)  
Last Ten Fiscal Years  
(accrual basis of accounting)

	Fiscal Year				
	2020	2019	2018	2017	2016*
Program Revenues (Continued)					
Net (Expense)/Revenue					
Governmental Activities	\$ (9,060,531)	\$ (7,322,274)	\$ (8,482,936)	\$ (8,548,306)	\$ (10,515,892)
Business-type Activities	1,054,615	1,628,398	1,426,275	825,933	382,137
Total Primary Government Net Expense	<u>\$ 8,005,916</u>	<u>\$ 5,693,876</u>	<u>\$ 7,056,661</u>	<u>\$ 7,722,373</u>	<u>\$ 10,133,755</u>
General Revenues and Other					
Changes in Net Position					
Governmental Activities					
Taxes					
Property taxes, levied for general purposes	\$ 5,242,254	\$ 5,162,362	\$ 4,777,767	\$ 4,357,623	\$ 4,281,047
Property taxes, levied for debt service	1,600,166	1,568,790	1,591,863	1,553,036	1,541,476
Tax increments	433,157	378,820	375,733	388,080	289,401
Local option sales tax	697,204	679,665	583,893	569,952	582,290
Hotel-motel tax	14,580	19,596	37,456	47,430	54,156
Gambling tax	71,613	98,782	48,663	35,779	26,306
Franchise taxes	513,513	482,563	485,645	549,872	402,406
Grants and contributions not restricted to specific programs	1,888,766	1,742,876	1,744,328	1,733,531	1,626,188
Unrestricted investment earnings	40,483	100,900	18,486	9,773	20,668
Other revenues	111,242	77,454	84,660	111,643	160,660
Gain on sale of capital assets	12,536	315,204	10,098	1,002,021	359,159
Transfers	275,760	195,640	(140,527)	258,962	403,250
Total Governmental Activities	<u>10,901,274</u>	<u>10,822,652</u>	<u>9,618,065</u>	<u>10,617,702</u>	<u>9,747,007</u>
Business-Type Activities					
Taxes					
Property taxes, levied for debt service	-	-	-	-	-
Local option sales tax	-	-	1,333	1,412	1,380
Unrestricted investment earnings	12,258	40,635	9,592	47,590	19,628
Transfers	(275,760)	(195,640)	140,527	(258,962)	(403,250)
Total Business-type Activities	<u>(263,502)</u>	<u>(155,005)</u>	<u>151,452</u>	<u>(209,960)</u>	<u>(382,242)</u>
Total Primary Government	<u>\$ 10,637,772</u>	<u>\$ 10,667,647</u>	<u>\$ 9,769,517</u>	<u>\$ 10,407,742</u>	<u>\$ 9,364,765</u>
Changes in Net Position					
Governmental Activities	\$ 1,840,743	\$ 3,500,378	\$ 1,135,129	\$ 2,069,396	\$ (768,885)
Business-Type Activities	791,113	1,473,393	1,577,727	615,973	(105)
Total Primary Government	<u>\$ 2,631,856</u>	<u>\$ 4,973,771</u>	<u>\$ 2,712,856</u>	<u>\$ 2,685,369</u>	<u>\$ (768,990)</u>

\* Starting in 2014, the Port Authority component unit will be treated as a blended component unit and be combined with the governmental activities. Also in 2014, the Sanitation fund was split into two separate funds: Recycling and Solid Waste.

Table 2 (continued)

Fiscal Year				
2015	2014	2013	2012	2011
\$ (2,686,111)	\$ (11,670,343)	\$ (8,427,631)	\$ (9,663,480)	\$ (5,951,337)
483,904	686,659	281,082	334,274	210,306
<u>\$ 2,202,207</u>	<u>\$ 10,983,684</u>	<u>\$ 8,146,549</u>	<u>\$ 9,329,206</u>	<u>\$ 5,741,031</u>
\$ 4,124,649	\$ 3,881,293	\$ 3,802,650	\$ 3,646,058	\$ 2,894,504
1,472,150	1,530,005	1,523,672	1,380,015	1,475,843
312,705	340,664	-	-	-
588,643	531,148	536,417	545,157	462,223
55,209	48,590	46,550	47,126	40,685
21,422	18,792	16,443	16,427	13,049
413,458	355,218	344,761	336,607	332,469
1,633,639	1,615,275	1,375,680	1,382,828	1,456,390
5,060	34,076	8,337	4,259	33,678
230,285	266,429	84,632	104,107	67,840
163,426	740,948	52,813	11,052	-
158,727	97,101	(723,480)	376,226	241,630
<u>9,179,373</u>	<u>9,459,539</u>	<u>7,068,475</u>	<u>7,849,862</u>	<u>7,018,311</u>
-	-	-	50,000	50,000
1,367	1,391	1,067	1,079	965
2,110	4,283	10,113	4,663	1,564
(158,727)	(97,101)	723,480	(376,226)	(241,630)
<u>(155,250)</u>	<u>(91,427)</u>	<u>734,660</u>	<u>(320,484)</u>	<u>(189,101)</u>
<u>\$ 9,024,123</u>	<u>\$ 9,368,112</u>	<u>\$ 7,803,135</u>	<u>\$ 7,529,378</u>	<u>\$ 6,829,210</u>
\$ 6,493,262	\$ (2,210,804)	\$ (1,359,156)	\$ (1,813,618)	\$ 1,066,974
328,654	595,232	1,015,742	13,790	21,205
<u>\$ 6,821,916</u>	<u>\$ (1,615,572)</u>	<u>\$ (343,414)</u>	<u>\$ (1,799,828)</u>	<u>\$ 1,088,179</u>

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City of North Mankato, Minnesota  
Governmental Activities Tax Revenues By Source  
Last Ten Fiscal Years  
(accrual basis of accounting)

Table 3

Fiscal Year	Property Taxes		Tax Increments	Local Option Sales Tax	Hotel- Motel Tax	Gambling Tax	Franchise Tax	Total
	Levied for General Purposes	Levied for Debt Service						
2020	\$ 5,242,254	\$ 1,600,166	\$ 433,157	\$ 697,204	\$ 14,580	\$ 71,613	\$ 513,513	\$ 8,572,487
2019	5,162,362	1,568,790	378,820	679,665	19,596	98,782	482,563	8,390,578
2018	4,777,767	1,591,863	375,733	583,893	37,456	48,663	485,645	7,901,020
2017	4,357,623	1,553,036	388,080	569,952	47,430	35,779	549,872	7,501,772
2016	4,281,047	1,541,476	289,401	582,290	54,156	26,306	402,406	7,177,082
2015	4,124,649	1,472,150	312,705	588,643	55,209	21,422	413,458	6,988,236
2014 *	3,881,293	1,530,005	340,664	531,148	48,590	18,792	355,218	6,705,710
2013	3,802,650	1,523,672	-	536,417	46,550	16,443	344,761	6,270,493
2012	3,646,058	1,380,015	-	545,157	47,126	16,427	336,607	5,971,390
2011	2,894,504	1,475,843	-	462,223	40,685	13,049	332,469	5,218,773

\* Starting in 2014, the Port Authority component unit will be treated as a blended component unit and be combined with the governmental activities. Also in 2014, the Sanitation fund was split into two separate funds: Recycling and Solid Waste.

City of North Mankato, Minnesota  
Fund Balances of Governmental Funds  
Last Ten Fiscal Years  
(Modified Accrual Basis of Accounting)

	Fiscal Year				
	2020	2019	2018	2017	2016
General Fund					
Nonspendable	\$ 868,814	\$ 1,039,310	\$ 1,103,205	\$ 1,488,287	\$ 1,475,134
Unassigned (Unreserved 2010)	<u>3,868,284</u>	<u>2,741,905</u>	<u>3,054,346</u>	<u>2,699,387</u>	<u>2,589,217</u>
Total General Fund	<u>\$ 4,737,098</u>	<u>\$ 3,781,215</u>	<u>\$ 4,157,551</u>	<u>\$ 4,187,674</u>	<u>\$ 4,064,351</u>
All Other Governmental Funds					
Nonspendable	\$ 13,522	\$ 868	\$ 857	\$ -	\$ -
Restricted (Reserved 2010)	5,005,983	5,158,087	7,205,823	4,456,249	5,175,272
Committed	1,845,860	-	-	-	-
Assigned	399,432	137,834	317,216	369,214	276,841
Unassigned (Unreserved 2010)	<u>(3,099,963)</u>	<u>(1,247,427)</u>	<u>(772,031)</u>	<u>(1,074,426)</u>	<u>(1,890,277)</u>
Total All Other Governmental Funds	<u>\$ 4,164,834</u>	<u>\$ 4,049,362</u>	<u>\$ 6,751,865</u>	<u>\$ 3,751,037</u>	<u>\$ 3,561,836</u>

\* Starting in 2014, the Port Authority component unit will be treated as a blended component unit and be combined with the governmental activities. Also in 2014, the Sanitation fund was split into two separate funds: Recycling and Solid Waste. Prior period adjustments/restatements were required in 2019, 2014 and 2013.



Table 4

Fiscal Year				
2015	2014*	2013	2012	2011
\$ 1,607,122	\$ 109	\$ 86,910	\$ 86,949	\$ 76,564
<u>2,169,084</u>	<u>3,315,595</u>	<u>2,702,101</u>	<u>2,731,388</u>	<u>2,085,321</u>
<u>\$ 3,776,206</u>	<u>\$ 3,315,704</u>	<u>\$ 2,789,011</u>	<u>\$ 2,818,337</u>	<u>\$ 2,161,885</u>
\$ -	\$ -	\$ 7,987	\$ 3,109	\$ 2,896
3,964,229	3,056,286	283,663	915,958	3,705,717
-	-	196,439	105,848	206,264
352,166	434,537	471,701	1,350,284	2,099,560
<u>(1,904,750)</u>	<u>(1,458,544)</u>	<u>(826,926)</u>	<u>(1,131,951)</u>	<u>(1,086,396)</u>
<u>\$ 2,411,645</u>	<u>\$ 2,032,279</u>	<u>\$ 132,864</u>	<u>\$ 1,243,248</u>	<u>\$ 4,928,041</u>

City of North Mankato, Minnesota  
Changes in Fund Balances of Governmental Funds  
Last Ten Fiscal Years  
(modified accrual basis of accounting)

	Fiscal Year				
	2020	2019	2018	2017	2016
<b>Revenues</b>					
Taxes	\$ 8,548,108	\$ 8,394,837	\$ 7,879,672	\$ 7,547,706	\$ 7,151,989
Special assessments	651,737	432,854	671,972	626,722	1,081,990
Licenses and permits	515,126	410,133	569,826	470,642	360,412
Intergovernmental revenue	3,690,154	5,020,365	3,079,147	3,341,194	3,274,720
Charges for services	792,629	544,734	320,150	278,806	242,214
Fines and forfeits	18,564	26,399	29,495	28,220	31,247
Interest	40,483	100,900	18,486	10,183	20,668
Payment from Component Units	-	-	-	-	-
Other revenues	352,655	350,423	820,304	349,960	387,790
<b>Total Revenues</b>	<b>14,609,456</b>	<b>15,280,645</b>	<b>13,389,052</b>	<b>12,653,433</b>	<b>12,551,030</b>
<b>Expenditures</b>					
General government	875,453	815,356	740,530	782,884	752,144
Public safety	2,589,252	2,599,104	2,545,012	2,304,769	2,183,726
Public works	1,943,095	2,202,765	2,113,343	1,661,692	1,684,396
Culture and recreation	2,163,307	2,184,279	1,844,905	1,685,943	1,682,465
Housing and economic development	1,085,928	1,050,301	959,618	938,991	858,799
Miscellaneous	281,872	313,307	196,792	302,532	288,787
Capital outlay	5,628,524	8,933,625	4,322,925	1,373,968	3,184,584
Debt service					
Principal	4,595,000	2,512,000	2,077,000	4,232,000	2,322,000
Interest	658,126	577,111	623,902	623,082	707,537
Bond issuance costs	-	6,007	98,102	-	37,015
<b>Total Expenditures</b>	<b>19,820,557</b>	<b>21,193,855</b>	<b>15,522,129</b>	<b>13,905,861</b>	<b>13,701,453</b>
<b>Deficiency of Revenues</b>					
<b>Under Expenditures</b>	<b>(5,211,101)</b>	<b>(5,913,210)</b>	<b>(2,133,077)</b>	<b>(1,252,428)</b>	<b>(1,150,423)</b>
<b>Other Financing Sources (Uses)</b>					
Sale of capital assets	12,386	392,204	29,198	1,014,892	352,874
Transfers in	4,286,383	2,769,654	1,761,545	1,694,028	1,310,607
Debt issued	5,810,000	1,795,000	4,670,000	-	1,800,000
Refunding bonds issued	-	-	-	-	-
Premium (discount) on bonds issued	184,310	18,871	56,134	-	32,635
Payments to refunded bond escrow agent	-	-	-	-	-
Transfers out	(4,010,623)	(2,181,404)	(1,413,095)	(1,143,968)	(907,357)
<b>Total Other Financing Sources (Uses)</b>	<b>6,282,456</b>	<b>2,794,325</b>	<b>5,103,782</b>	<b>1,564,952</b>	<b>2,588,759</b>
<b>Net Change in Fund Balances</b>	<b>\$ 1,071,355</b>	<b>\$ (3,118,885)</b>	<b>\$ 2,970,705</b>	<b>\$ 312,524</b>	<b>\$ 1,438,336</b>
<b>Debt service as a percentage of noncapital expenditures</b>	<b>35%</b>	<b>24%</b>	<b>24%</b>	<b>38%</b>	<b>29%</b>

\* Starting in 2014, the Port Authority component unit will be treated as a blended component unit and be combined with the governmental activities.

Table 5

Fiscal Year				
2015	2014*	2013	2012	2011
\$ 7,054,778	\$ 6,696,431	\$ 6,264,476	\$ 5,976,295	\$ 5,278,200
1,856,215	1,133,696	1,252,603	928,169	766,699
448,871	357,809	388,769	526,752	521,628
6,540,969	2,331,472	2,949,485	2,679,783	4,141,816
199,242	134,075	166,102	164,332	296,974
27,578	20,068	21,599	27,172	29,492
5,060	34,217	8,337	3,708	33,678
-	-	(350,000)	(350,000)	-
713,594	782,761	616,150	774,640	695,383
16,846,307	11,490,529	11,317,521	10,730,851	11,763,870
839,835	785,958	992,041	927,260	937,067
2,120,907	2,071,637	2,209,974	2,171,535	2,093,243
1,784,547	1,880,130	1,707,461	1,776,726	1,870,220
1,485,325	1,397,997	1,327,214	1,522,910	1,528,750
863,831	1,005,448	705,627	223,016	498,757
358,907	250,780	116,638	110,127	154,165
9,065,255	3,463,555	2,430,920	5,242,222	3,846,946
3,380,567	3,147,726	2,136,130	2,440,000	3,933,000
959,390	746,813	620,370	688,637	760,628
83,173	68,148	-	16,348	-
20,941,737	14,818,192	12,246,375	15,118,781	15,622,776
(4,095,430)	(3,327,663)	(928,854)	(4,387,930)	(3,858,906)
166,105	740,948	52,813	-	-
1,167,614	1,768,333	1,835,086	1,001,497	3,535,474
4,590,000	2,845,000	-	1,000,423	3,215,000
-	-	-	-	-
127,443	131,790	-	-	3,864
-	-	(615,000)	-	-
(1,115,864)	(1,707,977)	(1,514,507)	(642,331)	(3,293,844)
4,935,298	3,778,094	(241,608)	1,359,589	3,460,494
\$ 839,868	\$ 450,431	\$ (1,170,462)	\$ (3,028,341)	\$ (398,412)
39%	32%	20%	25%	39%

City of North Mankato, Minnesota  
Governmental Fund Tax Revenues By Source  
Last Ten Fiscal Years  
(modified accrual basis of accounting)

Table 6

Fiscal Year	Property Tax	Tax Increments	Sales Tax	Franchise Tax	Hotel/Motel Tax	Charitable Gambling Tax	Total
2020	\$ 6,818,041	\$ 433,157	\$ 697,204	\$ 513,513	\$ 14,580	\$ 71,613	\$ 8,548,108
2019	6,735,411	378,820	679,665	482,563	19,596	98,782	8,394,837
2018	6,348,282	375,733	583,893	485,645	37,456	48,663	7,879,672
2017	5,956,593	388,080	569,952	549,872	47,430	35,779	7,547,706
2016	5,797,430	289,401	582,290	402,406	54,156	26,306	7,151,989
2015	5,675,591	300,455	588,643	413,458	55,209	21,422	7,054,778
2014 *	5,402,019	340,664	531,148	355,218	48,590	18,792	6,696,431
2013	5,320,305	-	536,417	344,761	46,550	16,443	6,264,476
2012	5,030,978	-	545,157	336,607	47,126	16,427	5,976,295
2011	4,429,774	-	462,223	332,469	40,685	13,049	5,278,200

\* Starting in 2014, the Port Authority component unit will be treated as a blended component unit and be combined with the governmental activities.

City of North Mankato, Minnesota  
Tax Capacity and Estimated Actual Value of Taxable Property  
Last Ten Fiscal Years

Table 7

Fiscal Year Ended December 31,	Real Property		Personal Property	Less: Tax Increment Real Property	Total Tax Capacity	Total Direct Tax Rate	Estimated Actual Taxable Value	Tax Capacity Value as a Percentage of Actual Value
	Residential Property	Commercial Property	Other					
2020	\$ 10,015,366	\$ 3,788,470	\$ 238,188	\$ 362,059	\$ 13,679,965	49.668	\$ 1,262,162,300	1.11 %
2019	9,568,403	3,650,690	213,252	319,666	13,112,679	50.950	1,134,510,200	1.18
2018	8,678,761	3,436,750	210,311	313,969	12,011,853	52.124	1,111,278,600	1.11
2017	8,176,648	3,190,937	203,232	314,983	11,255,834	52.485	974,012,800	1.19
2016	7,766,976	3,097,452	202,626	257,824	10,809,230	53.606	920,184,000	1.20
2015	7,539,514	2,922,120	196,518	255,229	10,402,923	52.901	898,283,600	1.19
2014	7,147,698	2,873,806	181,968	240,045	9,963,427	54.009	856,913,700	1.19
2013	7,058,140	2,870,300	175,764	242,538	9,861,666	54.566	934,541,100	1.08
2012	7,423,295	2,639,795	166,920	52,436	10,177,574	50.598	870,672,800	1.17
2011	7,432,722	2,652,834	193,966	35,130	10,244,392	45.425	874,093,000	1.18

Source: Nicollet County Assessor and Auditor

City of North Mankato, Minnesota  
Property Tax Rates  
Direct and Overlapping Governments  
Last Ten Fiscal Years

Table 8

Fiscal Year	City of North Mankato			Nicollet County	Independent School District No. 77	Region 9 Development Commission	Total Direct and Overlapping Rates
	Operating Tax Capacity Rate	Debt Service Tax Capacity Rate	Total City Tax Capacity Rate	Total Tax Capacity Rate	Total Tax Capacity Rate	Special Districts	
2020	41.306 %	8.362 %	49.668 %	55.073 %	21.741 %	0.466 %	126.948 %
2019	38.992	11.958	50.950	54.049	22.441	0.465	127.905
2018	41.639	10.485	52.124	55.169	22.247	0.491	130.031
2017	39.689	12.796	52.485	52.610	22.417	0.474	127.986
2016	39.345	14.261	53.606	52.661	24.115	0.480	130.862
2015	38.242	14.659	52.901	49.380	22.600	0.450	125.331
2014	38.660	15.349	54.009	51.244	24.078	0.323	129.654
2013	39.123	15.443	54.566	52.383	18.924	0.188	126.061
2012	36.554	14.044	50.598	54.067	20.991	0.190	125.846
2011	31.028	14.397	45.425	53.150	19.115	0.187	117.877

Source: Nicollet County Auditor

City of North Mankato, Minnesota  
Principal Property Taxpayers  
Current Year and Nine Years Ago

Table 9

Taxpayer	Type of Business	2020			2011		
		Taxable Tax Capacity	Rank	Percentage of Total Taxable Assessed Value	Taxable Assessed Value	Rank	Percentage of Total Taxable Assessed Value
Taylor Corporation	Printing	\$ 287,504	1	2.1 %	\$ 348,212	1	3.4 %
Kato Engineering	Electric rotating equipment	130,748	2	1.0	123,326	2	1.2
Costumes Galore	Costumes	124,848	3	0.9	-	-	-
Craig Theunick	Residential	118,381	4	0.9	-	-	-
Minnegasco	Public Utility	111,484	5	0.8	-	-	-
Monarch Meadows	Residential	104,662	6	0.8	83,482	5	0.8
Carlson Wedding Service	Specialty printing	96,130	7	0.7	105,340	4	1.0
Corporate Graphics	Printing	95,298	8	0.7	83,258	6	0.8
Wis-Pak of Mankato	Bottling	94,620	9	0.7	110,632	3	-
Ziegler Mankato	Heavy equipment sales and service	83,174	10	0.6	-	-	-
Carlson Craft Commercial	Specialty printing	-	-	-	79,052	7	0.8
Alternative Continuum of Care	Residential	-	-	-	69,845	8	0.7
MICO	Hydraulic products	-	-	-	65,394	9	0.6
Coloplast Corporation	Skin care and hygiene products	-	-	-	64,506	10	0.6
Total		<u>\$ 1,246,849</u>		<u>9.2 %</u>	<u>\$1,133,047</u>		<u>9.9 %</u>

Source: Nicollet County Property & Public Services

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City of North Mankato, Minnesota  
Property Tax Levies and Collections  
Last Ten Fiscal Years

Table 10

Fiscal Year Ended December 31,	Total Tax Levy for Fiscal Year	Collected within the Fiscal Year of the Levy		Collections in Subsequent Years	Total Collections to Date	
		Amount	Percentage of Levy		Amount	Percentage of Levy
2020	\$ 6,794,559	\$ 6,781,115	99.8 %	\$ -	\$ 6,781,115	99.8 %
2019	6,683,838	6,626,266	99.1	36,987	6,663,253	99.7
2018	6,288,751	6,268,740	99.7	20,011	6,288,751	100.0
2017	5,910,292	5,876,562	99.4	33,730	5,910,292	100.0
2016	5,794,404	5,776,735	99.7	11,403	5,788,138	99.9
2015	5,596,414	5,552,914	99.2	33,615	5,586,529	99.8
2014	5,383,784	5,332,446	99.0	41,374	5,373,820	99.8
2013	5,383,784	5,330,133	99.0	48,069	5,378,202	99.9
2012	5,152,123	5,107,411	99.1	41,310	5,148,721	99.9
2011	4,814,154	4,757,059	98.8	55,069	4,812,128	100.0

City of North Mankato, Minnesota  
Ratios of Outstanding Debt By Type  
Last Ten Fiscal Years

Fiscal Year	Governmental Activities					
	General Obligation Bonds	Tax Increment	G.O. Special Assessment Bonds	G.O. Revenue Bonds	Contracts/ Leases Payable	Notes Payable
2020	\$ 8,323,299	\$ 836,271	\$ 10,426,479	\$ 1,149,136	\$ -	\$ -
2019	8,768,508	941,355	8,293,209	1,397,731	-	-
2018	9,040,683	1,046,439	7,934,715	1,816,326	292,000	-
2017	5,387,792	1,116,583	8,380,704	2,219,921	404,000	-
2016	5,951,991	1,181,723	11,936,692	2,608,516	516,000	-
2015	5,991,378	1,246,863	11,880,678	2,967,111	628,000	-
2014 *	8,169,700	1,257,003	9,974,662	3,320,706	-	628,000
2013	5,526,338	-	12,327,748	3,664,301	792,293	-
2012	2,638,766	-	14,550,828	2,902,896	105,423	3,215,000
2011	2,488,000	-	15,885,000	3,260,000	45,000	3,215,000

Note: Details regarding the City's outstanding debt can be found in the notes to the financial statements.

\* Starting in 2014, the Port Authority component unit will be treated as a blended component unit and be combined with the governmental activities.

Table 11

Business-type Activities		Total Primary Government	Percentage of Personal Income		Per Capita
Utility G.O. Revenue Bonds	G.O. Special Assessment Bonds				
\$ 5,732,598	\$ 588,472	\$ 27,056,255	4.75 %	\$	1,917
6,494,736	707,410	26,602,949	4.79		1,892
5,972,881	812,559	26,915,603	5.05		1,934
9,075,484	928,980	27,513,464	5.32		1,981
9,488,786	1,045,401	32,729,109	6.56		2,369
10,601,119	1,148,513	34,463,662	7.22		2,532
5,441,648	1,855,614	30,647,333	6.66		2,267
6,016,600	1,919,760	30,247,040	6.77		2,237
6,578,565	1,983,906	31,975,384	7.40		2,375
7,911,190	1,120,000	33,924,190	8.13		2,533

City of North Mankato, Minnesota  
Ratios of General Bonded Debt Outstanding  
Last Ten Fiscal Years

Fiscal Year	Governmental Activities				Business-type Activities	
	General Obligation Bonds	Tax Increment	G.O. Special Assessment Bonds	G.O. Revenue Bonds	Utility G.O. Revenue Bonds	G.O. Special Assessment Bonds
2020	\$ 8,323,299	\$ 836,271	\$ 10,426,479	\$ 1,149,136	\$ 5,732,598	\$ 588,472
2019	8,768,508	941,355	8,293,209	1,397,731	6,494,736	707,410
2018	9,040,683	1,046,439	7,934,715	1,816,326	5,972,881	812,559
2017	5,387,792	1,116,583	8,380,704	2,219,921	9,075,484	928,980
2016	5,951,991	1,181,723	11,936,692	2,608,516	9,488,786	1,045,401
2015	5,991,378	1,246,863	11,880,678	2,967,111	10,601,119	1,148,513
2014 *	8,169,700	1,257,003	9,974,662	3,320,706	5,441,648	1,855,614
2013	5,526,338	-	12,327,748	3,664,301	6,016,600	1,919,760
2012	2,638,766	-	14,550,828	2,902,896	6,578,565	1,983,906
2011	2,488,000	-	15,885,000	3,260,000	7,911,190	1,120,000

Note: Details regarding the City's outstanding debt can be found in the notes to the financial statements.

\* Starting in 2014, the Port Authority component unit will be treated as a blended component unit and be combined with the governmental activities.

Table 12

<u>Total Primary Government</u>	<u>Less: Amounts Restricted for Debt Service Fund</u>	<u>Total</u>	<u>Percentage of Estimated Actual Taxable Value of Property</u>	<u>Per Capita</u>
\$ 27,056,255	\$ 1,819,078	\$ 25,237,177	2.00 %	\$ 1,788
26,602,949	1,386,767	25,216,182	2.22	1,794
26,623,603	858,650	25,764,953	2.32	1,852
27,109,464	859,809	26,249,655	2.70	1,890
32,213,109	542,661	31,670,448	3.44	2,293
33,835,662	494,778	33,340,884	3.71	2,450
30,019,333	410,177	29,609,156	3.46	2,190
29,454,747	77,039	29,377,708	3.14	2,173
28,654,961	15,868	28,639,093	3.29	2,127
30,664,190	48,198	30,615,992	3.50	2,286

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City of North Mankato, Minnesota  
Computation of Direct and Overlapping Debt  
December 31, 2020

Table 13

<u>Governmental Unit</u>	<u>Debt Outstanding</u>	<u>Estimated Percentage Applicable</u>	<u>Estimated Share of Overlapping Debt</u>
Direct Debt			
City of North Mankato	<u>\$ 20,735,185</u>	100.00 %	<u>\$ 20,735,185</u>
Overlapping Debt			
Nicollet County	14,985,000	30.00	4,495,500
Blue Earth County	23,422,243	0.01	1,546
Independent School Dist. 77	<u>96,985,000</u>	19.56	<u>18,970,266</u>
Total overlapping debt	<u>135,392,243</u>		<u>23,467,312</u>
Total Direct and Overlapping Debt	<u><u>\$ 156,127,428</u></u>		<u><u>\$ 44,202,497</u></u>

Sources : Assessed value data used to estimate applicable percentages provided by the County Board of Equalization and Assessment. Debt outstanding data provided by the County.

Note: Overlapping governments are those that coincide, at least in part, with the geographic boundaries of the City. This schedule estimates the portion of the outstanding debt of those overlapping governments that is borne by the residents and businesses of the North Mankato. This process recognized that, when considering the government's ability to issue and repay long-term debt, the entire debt burden borne by the residents and businesses should be taken into account. However, this does not imply that every taxpayer is a resident, and therefore responsible for repaying the debt, of each overlapping government.

City of North Mankato, Minnesota  
Legal Debt Margin Information  
Last Ten Fiscal Years

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
Debt Limit	\$ 37,864,869	\$ 34,035,306	\$ 33,338,358	\$ 29,220,384	\$ 27,605,520
Total Net Debt Applicable to Limit	<u>8,323,299</u>	<u>8,768,508</u>	<u>9,040,683</u>	<u>5,387,792</u>	<u>5,951,991</u>
Legal Debt Margin	<u>\$ 29,541,570</u>	<u>\$ 25,266,798</u>	<u>\$ 24,297,675</u>	<u>\$ 23,832,592</u>	<u>\$ 21,653,529</u>
Total Net Debt Applicable to the Limit As a Percentage of Debt Limit	21.98%	25.76%	27.12%	18.44%	21.56%

Total Estimated Market Value	<u>\$ 1,262,162,300</u>
Debt limit (3% of total assessed value)	37,864,869
Debt applicable to limit:	
General obligation bonds	<u>8,323,299</u>
Total net debt applicable to limit	<u>8,323,299</u>
Legal Debt Margin	<u>\$ 29,541,570</u>

Note: Under state finance law, the City of North Mankato's outstanding general obligation debt should not exceed 3 percent of total assessed property value. By law, the general obligation debt subject to the limitation may be offset by amounts set aside for repaying general obligation bonds.

\* Starting in 2014, the Port Authority component unit will be treated as a blended component unit and be combined with governmental activities.



Table 14

<u>2015</u>	<u>2014*</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>
\$ 26,948,508	\$ 25,707,411	\$ 28,036,233	\$ 26,120,184	\$ 26,222,790
<u>5,991,378</u>	<u>8,169,700</u>	<u>5,526,338</u>	<u>2,638,766</u>	<u>2,488,000</u>
<u>\$ 20,957,130</u>	<u>\$ 17,537,711</u>	<u>\$ 22,509,895</u>	<u>\$ 23,481,418</u>	<u>\$ 23,734,790</u>
22.23%	31.78%	19.71%	10.10%	9.49%

**City of North Mankato, Minnesota**  
**Pledged-Revenue Coverage - Water, Sewer, Recycling, Storm Water and Solid Waste Bonds**  
**Last Ten Fiscal Years**

Table 15

Year	Gross Revenue	Direct Operating Expenses <sup>(2)</sup>	Net Revenue Available for Debt Service	Debt Service Requirements <sup>(1)</sup>			Coverage
				Principal	Interest	Total	
2020	\$ 6,507,946	\$ 4,466,641	\$ 2,041,305	\$ 858,000	\$ 154,590	\$ 1,012,590	2.02
2019	6,092,954	4,354,802	1,738,152	839,022	158,267	997,289	1.74
2018	5,994,486	3,723,588	2,270,898	1,023,480	250,667	1,274,147	1.78
2017	6,014,155	4,055,954	1,958,201	924,179	247,899	1,172,078	1.67
2016	5,363,104	3,827,379	1,535,725	1,454,009	263,089	1,717,098	0.89
2015	5,274,560	3,731,462	1,543,098	828,674	317,525	1,146,199	1.35
2014	5,489,533	3,766,201	1,723,332	640,829	278,265	919,094	1.88
2013	4,638,132	3,276,870	1,361,262	627,842	303,009	930,851	1.46
2012	4,804,452	3,261,394	1,543,058	724,922 (3)	316,574	1,041,496	1.48
2011	4,728,916	3,344,575	1,384,341	669,067	343,913	1,012,980	1.37

Source: City of North Mankato Financial Records.

Note: Details regarding the City's outstanding debt can be found in the notes to the financial statements. Sewer charges and other includes investment earnings but not tap fees. Operating expenses do not include interest or depreciation.

(1) The revenues of the utility are pledged to payment of debt service but bonds are backed by the full faith and credit of the City.

(2) Does not include depreciation.

(3) Excludes \$875,000 of refunding bonds paid in 2012.

City of North Mankato, Minnesota  
Demographic and Economic Statistics  
Last Ten Fiscal Years

Table 16

Fiscal Year	Population	Personal Income	Per Capita Income	Median Age	School Enrollment	Unemployment Rate
2020	14,114	\$ 569,471,672	\$ 40,348	37.7	8,420	4.1 %
2019	14,059	555,035,261	39,479	38.0	8,685	2.6
2018	13,914	533,309,706	38,329	38.0	8,508	2.5
2017	13,889	516,851,357	37,213	38.4	8,396	2.6
2016	13,813	499,049,877	36,129	38.9	8,381	2.4
2015	13,610	477,397,970	35,077	36.8	8,076	3.2
2014	13,520	460,423,600	34,055	37.7	7,718	2.6
2013	13,520	447,011,760	33,063	35.5	7,598	4.1
2012	13,462	432,130,200	32,100	35.5	7,354	4.4
2011	13,394	417,424,010	31,165	33.8	7,392	5.6

Source: Minnesota Department of Employment and Economic Development.

Note: Population, median age, and education level information are based on surveys conducted during the last quarter of the calendar year. Personal income information is a total for the year. Unemployment rate information is an adjusted yearly rate. School enrollment is based on the census at the start of the school year.

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City of North Mankato, Minnesota  
Principal Employers  
Current Year and Nine Years Ago

Table 17

	2020			2011		
	Employees	Rank	Percentage of Total City Employment	Employees	Rank	Percentage of Total City Employment
Taylor Companies (various subsidiaries)	2,539	1	4.7 %	2,000	1	3.7 %
Mayo Clinic Health System (Formerly ISJ Hospital)	1,871	2	3.5	1,828	3	3.4
Independent School District 77 (Mankato)	1,700	3	3.1	2,000	2	3.7
Minnesota State University Mankato	1,457	4	2.7	1,450	4	2.7
Mankato Clinic	689	5	1.3	725	5	1.3
Blue Earth County	475	6	0.9	N/A		-
Wal-Mart Distribution Center	420	7	0.8	N/A		-
Kato Engineering	434	8	0.8	N/A		-
MRCI	319	9	0.6	N/A		-
Johnson Outdoors	300	10	0.6	N/A		-
Navitor	N/A		-	650	6	1.2
South Central Technical College	N/A		-	550	7	1.0
Bethany Lutheran	N/A		-	432	8	0.8
Verizon Wireless (Formerly Alltel Wireless)	N/A		-	422	9	0.8
Hickory Tech	N/A		-	400	10	0.7
Total	<u>10,204</u>		<u>18.9 %</u>	<u>10,457</u>		<u>19.2 %</u>
Total City Employment	<u>54,000</u>			<u>54,430</u>		

The economy of North Mankato is closely linked to that of the adjacent City of Mankato. These are major employers in the area.  
Source: Greater Mankato Growth

City of North Mankato, Minnesota  
Full-Time Equivalent City Government Employees By Function  
Last Ten Fiscal Years

Function	Full-time Equivalent Employees as of December 31				
	2020	2019	2018	2017	2016
General Government	5.0	4.8	3.8	3.5	4.0
Community Development	2.5	1.6	2.5	2.0	2.0
Public Safety					
Police					
Officers	14.0	15.0	15.0	14.0	13.0
Secretary	1.5	1.5	1.5	1.5	1.5
Inspections	3.3	3.3	3.3	4.0	4.0
Public Works					
Maintenance	9.8	10.8	10.6	9.3	8.3
Culture and Recreation					
Parks	4.8	5.8	5.3	5.0	4.8
Library	6.5	8.0	8.5	7.0	6.5
Swim Facility	0.8	1.0	-	-	-
Water	6.8	6.9	6.6	6.3	6.6
Sewer	4.6	4.6	3.6	2.5	4.6
Storm Water	1.2	1.2	1.0	1.0	1.0
Recycling	1.5	1.5	1.5	1.5	1.5
Solid Waste	1.0	1.0	1.0	1.0	1.0
Total	<u>63.3</u>	<u>67.0</u>	<u>64.2</u>	<u>58.6</u>	<u>58.8</u>

Source: City Personnel Records

Table 18

Full-time Equivalent Employees as of December 31				
2015	2014	2013	2012	2011
9.5	9.5	10.5	11.5	11.5
-	-	-	-	-
14.0	13.0	13.0	13.0	12.0
1.5	1.5	1.5	1.5	1.5
4.0	4.0	4.0	4.0	5.0
10.0	10.0	10.0	10.0	10.0
4.0	5.0	5.0	5.0	7.0
5.5	5.5	6.5	6.5	6.5
-	-	-	-	-
5.0	5.0	6.0	6.0	6.0
2.0	2.0	2.0	2.0	2.0
-	-	-	-	-
-	-	-	-	-
1.5	1.5	1.5	1.5	1.5
<u>57.0</u>	<u>57.0</u>	<u>60.00</u>	<u>61.0</u>	<u>63.0</u>

City of North Mankato, Minnesota  
Operating Indicators By Function  
Last Ten Fiscal Years

Function	Fiscal Year				
	2020	2019	2018	2017	2016
Police					
Physical arrests	-	-	-	-	-
Reports of service	8,377	8,570	8,479	8,013	6,797
Accidents	174	237	233	195	216
Police reserve volunteer hours	1,044	1,376	1,322	1,632	1,002
Educational programs	8	30	37	39	26
Fire					
Number of calls answered	139	128	137	109	95
Public Works					
Street seal coating (miles)	11.0	12.0	8.0	5.0	9.0
Solid Waste					
Refuse collected (tons)	3,830	3,589	3,422	3,412	3,379
Culture and Recreation					
Swim facility attendance	42,072	21,345	11,082	13,331	15,663
Library circulation (items checked out)	107,908	153,556	158,473	163,075	158,001
Bookmobile circulation	5,638	18,217	18,238	18,518	28,117
Water					
Total connections	7,238	7,107	7,021	6,970	6,903
Average daily consumption (thousands of gallons)	1,346	1,222	1,208	1,236	1,185

Sources: Various City departments.

Note: Indicators are not available for the general government function.



Table 19

Fiscal Year				
2015	2014	2013	2012	2011
836	796	731	707	797
-	-	-	-	-
220	220	196	171	198
1,200	1,118	1,480	1,318	1,392
24	16	18	14	17
104	141	100	126	108
7.0	7.2	7.8	6.6	8.7
3,466	3,433	3,510	3,331	3,573
15,095	14,764	17,456	20,114	21,037
173,761	243,675	251,467	266,163	261,061
21,796	29,667	39,309	39,309	41,082
6,921	6,682	6,572	6,480	6,375
1,250	1,442	1,326	1,463	1,282

City of North Mankato, Minnesota  
Capital Asset Statistics By Function  
Last Ten Fiscal Years

Function	Fiscal Year				
	2020	2019	2018	2017	2016
General Government					
Planning and zoning					
Building permits issued	1,470	1,296	1,142	1,168	1,104
Public Safety					
Police					
Stations	1	1	1	1	1
Fulltime paid police	14	15	15	14	13
Volunteer police reserves	17	16	16	15	19
Fire					
Stations	2	2	2	2	2
Volunteer fire fighters	34	36	36	30	32
I.S.O. Rating	4	4	4	4	4
Public Works					
Street division					
Miles of street	83.00	83.00	77.73	77.73	77.00
Signalized intersections	5	5	5	5	5
Parks division					
Parks	21	21	21	21	21
Area in acres	278	278	278	278	278
Baseball diamonds	14	14	14	14	14
Basketball courts	8	8	8	8	8
Horseshoe courts	12	12	12	12	12
Trails	6	6	6	6	6
Skating rinks/outdoor	2	2	2	5	5
Soccer fields	5	5	5	13	13
Softball diamonds	13	13	13	11	11
Swimming facility	11	11	11	1	1
Tennis courts	1	1	1	8	8
Volleyball courts	8	8	8	9	9
Utilities					
Municipal water					
Connections	7,238	7,107	7,021	6,970	6,903
Average daily consumption (thousands of gallons)	1,346	1,222	1,208	1,236	1,185
Maximum daily consumption (thousands of gallons)	2,307	2,749	2,120	2,386	3,259

Source: City of North Mankato Financial Records.

Table 20

Fiscal Year				
2015	2014	2013	2012	2011
946	916	980	1,574	1,750
1	1	1	1	1
14	13	13	13	12
15	15	18	17	19
2	2	2	2	2
35	36	34	35	35
4	4	4	4	4
77.00	77.00	77.00	77.06	75.37
5	5	5	6	6
21	21	21	21	21
278	278	251	251	251
14	14	14	14	14
8	8	8	8	8
12	12	13	12	13
6	6	6	6	6
5	5	5	5	5
13	13	10	10	-
11	11	11	11	11
1	1	1	1	1
8	8	8	8	8
9	9	9	9	9
6,854	6,682	6,572	6,480	6,375
1,250	1,442	1,326	1,463	1,282
2,680	2,480	2,412	3,030	2,267

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OTHER REQUIRED REPORTS

CITY OF NORTH MANKATO  
NORTH MANKATO, MINNESOTA

FOR THE YEAR ENDED  
DECEMBER 31, 2020

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INDEPENDENT AUDITOR'S REPORT ON  
MINNESOTA LEGAL COMPLIANCE

Honorable Mayor and City Council  
City of North Mankato, Minnesota

We have audited, in accordance with auditing standards generally accepted in the United States of America, and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City of North Mankato (the City) as of and for the year ended December 31, 2020, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated June 17, 2021.

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

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

ABDO, EICK & MEYERS, LLP  
Mankato, Minnesota  
June 17, 2021

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

Honorable Mayor and City Council  
City of North Mankato, 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 North Mankato, Minnesota (the City), as of and for the year ended December 31, 2020, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated June 17, 2021.

**Internal Control Over Financial Reporting**

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

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiency described in the accompanying Schedule of Findings, Responses and Questioned Costs as item 2020-002 to be a material weakness.

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency described in the accompanying Schedule of Findings, Responses and Questioned Costs as item 2020-001 to be a significant deficiency.



## **Compliance and Other Matters**

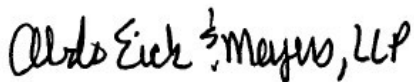
As part of obtaining reasonable assurance about whether the City's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect 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 no instances of noncompliance or other matters that are required to be reported in accordance with Government Auditing Standards.

## **The City's Responses to Findings**

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

## **Purpose of this Report**

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



ABDO, EICK & MEYERS, LLP  
Mankato, Minnesota  
June 17, 2021

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FEDERAL FINANCIAL AWARD PROGRAMS

CITY OF NORTH MANKATO  
NORTH MANKATO, MINNESOTA

FOR THE YEAR ENDED  
DECEMBER 31, 2020



INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE  
FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER  
COMPLIANCE REQUIRED BY *THE UNIFORM GUIDANCE*

Honorable Mayor and City Council  
City of North Mankato, Minnesota

**Report on Compliance for Each Major Federal Program**

We have audited the City of North Mankato, Minnesota (the City) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the City's major federal programs for the year ended December 31, 2020. The City's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings, Responses and Questioned Costs.

***Management's Responsibility***

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

***Auditor's Responsibility***

Our responsibility is to express an opinion on compliance for each of the City's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). Those standards and Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the City's compliance.

***Opinion on Each Major Federal Program***

In our opinion, the City complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2020.

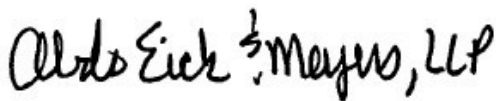
## Report on Internal Control Over Compliance

Management of the City is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit, we considered the City's internal control over compliance with the types of requirements that could have a direct and material effect on each major Federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

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

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

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



ABDO, EICK & MEYERS, LLP  
Mankato, Minnesota  
June 17, 2021

City of North Mankato, Minnesota  
Schedule of Expenditures of Federal Awards  
For the Year Ended December 31, 2020

<u>Federal Funding Source</u>	<u>Administering Department</u>	<u>Program Name</u>	<u>Federal Domestic Assistance Number</u>	<u>Pass-Through Entity Identifying Number</u>	<u>Total Federal Expenditures</u>
U.S. Department of Treasury	Minnesota Department of Revenue	Coronavirus Relief Fund	21.019C	G90CARESDIST	\$ 1,059,209
U.S. Department of Transportation	Direct	Minimum Penalties for Repeat Offenders for Driving While	16.607	Direct	2,761
U.S. Department of Transportation	Minnesota Department of Transportation	Highway Planning and Construction Cluster	20.205	150-119-003	352,307
U.S. Department of Homeland Security	Minnesota Department of Public Safety	Disaster Grants - Public Assistance	97.036	EMGP-20200408-2366/ EMGP-20200326-2274/ EMGP-20200326-2275	<u>608</u>
Total Federal Expenditures					<u>\$ 1,414,885</u>

City of North Mankato, Minnesota  
Notes to the Schedule of Expenditures of Federal Awards  
For the Year Ended December 31, 2020

**1. Basis of Presentation**

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the City of North Mankato, Minnesota (the City) under programs of the federal government for the year ended December 31, 2020. The City's reporting entity is defined in Note 1A to the City's financial statements. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). Because the schedule presents only a selected portion of operations of the City, it is not intended to and does not present the financial position, changes in net position or cash flows of the City.

**2. Summary of Significant Accounting Policies for Expenditures**

Expenditures reported on this schedule are reported on the modified accrual basis of accounting. Such expenditures are recognized following, as applicable, either the cost principles in OMB Circular A-122, Cost Principles for Non-Profit-Organizations, or the cost principles contained in Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

**3. Pass-through Entity Identifying Numbers**

Pass-through entity identifying numbers are presented where available.

**4. Subrecipients**

There were no federal expenditures passed through to subrecipients during the year.

**5. Indirect Cost Rate**

During the year ended December 31, 2020, the City did not elect to use the 10 percent de minimis indirect cost rate.

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City of North Mankato, Minnesota  
Schedule of Findings, Responses and Questioned Costs  
For the Year Ended December 31, 2020

**Section I - Summary of Auditor's Results**

***Financial Statements***

Type of auditor's report issued	Unmodified
Internal control over financial reporting	
Material weaknesses identified?	Yes
Significant deficiencies identified not considered to be material weaknesses?	Yes
Noncompliance material to financial statements noted?	No

***Federal Awards***

Internal control over major programs	
Material weaknesses identified?	No
Significant deficiencies identified not considered to be material weaknesses?	None reported
Type of auditor's report issued on compliance for major programs	Unmodified
Any audit findings disclosed that are required to be reported in accordance with 2CFR section 200.516(a)?	No

***Identification of Major Programs/Projects***

<b><i>Identification of Major Programs/Projects</i></b>	<b><u>CFDA No.</u></b>
Coronavirus Relief Fund	21.019C
Dollar threshold used to distinguish between Type A and Type B Programs	\$ 750,000
Auditee qualified as low-risk auditee?	No

**Section II - Financial Statement Findings**

One significant deficiency (finding 2019-001) and one material weakness (finding 2019-002) relating to the audit of the financial statements are reported in the Report on Internal Control and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards.

**Section III - Major Federal Award Findings and Questioned Costs**

There are no significant deficiencies or material weaknesses that required to be reported in accordance with the Uniform Guidance. There are no instances of noncompliance including questioned costs that are required to be reported in accordance with the Uniform Guidance.

**Section IV - Corrective Action Plans**

Corrective Action Plans are attached as required to be reported under the Federal Single Audit Act.

**Section V - Schedule of Prior Year Audit Findings**

There were prior year audit findings that are attached.

City of North Mankato, Minnesota  
Schedule of Findings, Responses and Questioned Costs  
For the Year Ended December 31, 2020

<u>Finding</u>	<u>Description</u>
<b>2020-001</b>	<b>Preparation of Financial Statements</b>
<i>Condition:</i>	As in prior years, we were requested to draft the audited financial statements and related footnote disclosures as part of our regular audit services. Auditing standards require auditors to communicate this situation to the Council as an internal control deficiency. Ultimately, it is management's responsibility to provide for the preparation of your statements and footnotes, and the responsibility of the auditor to determine the fairness of presentation of those statements. However, based on auditing standards, it is our responsibility to inform you that this deficiency could result in a material misstatement to the financial statements that could have been prevented or detected by your management. Essentially, the auditors cannot be part of your internal control process.
<i>Criteria:</i>	Internal controls should be in place to ensure adequate internal control over the reliability of financial records and reporting.
<i>Cause:</i>	From a practical standpoint, we prepare the statements and determine the fairness of the presentation at the same time in connection with our audit. This is not unusual for us to do with organizations of your size.
<i>Effect:</i>	The effectiveness of the internal control system relies on enforcement by management. The effect of deficiencies in internal controls can result in undetected errors. As in prior years, we have instructed management to review a draft of the auditor prepared financials in detail for accuracy; we have answered any questions that management might have, and have encouraged research of any accounting guidance in connection with the adequacy and appropriateness of classification of disclosures in your statements. We are satisfied that the appropriate steps have been taken to provide you with the completed financial statements.
<i>Recommendation:</i>	Under these circumstances, the most effective controls lie in management's knowledge of the Organization's financial operations. It is the responsibility of management and those charged with governance to make the decision whether to accept the degree of risk associated with this condition because of cost and other considerations. Regarding the specific situations listed above, we would offer the following specific recommendation: 1) Utilize a disclosure checklist to ensure all required disclosures are present and agree to work papers, and 2) Agree your accounting information from your accounting software to the amounts reported in the financial statements.
<i>Management Response:</i>	
	For now, the City's management accepts the degree of risk associated with this condition and thoroughly reviews a draft of the financial statements.

City of North Mankato, Minnesota  
Schedule of Findings, Responses and Questioned Costs (Continued)  
For the Year Ended December 31, 2020

<u>Finding</u>	<u>Description</u>
<b>2020-002</b>	<b>Material Audit Adjustments</b>
<i>Condition:</i>	During our audit, adjustments were needed to record a number of accounting and audit adjustments, including the following material audit entries: <ul style="list-style-type: none"><li>• To adjust various capital asset activity.</li><li>• To adjust various grant activity.</li></ul>
<i>Criteria:</i>	The financial statements are the responsibility of the City's management.
<i>Cause:</i>	City staff has not prepared a year-end trial balance reflecting all necessary accounting entries.
<i>Effect:</i>	This indicates that it would be likely that a misstatement may occur and not be detected by the City's system of internal control. The audit firm cannot serve as a compensating control over this deficiency.
<i>Recommendation:</i>	We recommend that management review each journal entry, obtain an understanding of why the entry was necessary and modify current procedures to ensure that future corrections are not needed.
<i>Management Response:</i>	
	Management will continue to review and gain an understanding of the audit adjustments in order to reduce the number of entries necessary for future audits.

City of North Mankato, Minnesota  
Schedule of Prior Year Findings  
For the Year Ended December 31, 2020

<u>Finding</u>	<u>Description</u>
<b>2019-001</b>	<b>Preparation of Financial Statements</b>
<i>Condition:</i>	As in prior years, we were requested to draft the audited financial statements and related footnote disclosures as part of our regular audit services. Auditing standards require auditors to communicate this situation to the Council as an internal control deficiency. Ultimately, it is management's responsibility to provide for the preparation of your statements and footnotes, and the responsibility of the auditor to determine the fairness of presentation of those statements. However, based on auditing standards, it is our responsibility to inform you that this deficiency could result in a material misstatement to the financial statements that could have been prevented or detected by your management. Essentially, the auditors cannot be part of your internal control process.
<i>Criteria:</i>	Internal controls should be in place to ensure adequate internal control over the reliability of financial records and reporting.
<i>Cause:</i>	From a practical standpoint, we prepare the statements and determine the fairness of the presentation at the same time in connection with our audit. This is not unusual for us to do with organizations of your size.
<i>Effect:</i>	The effectiveness of the internal control system relies on enforcement by management. The effect of deficiencies in internal controls can result in undetected errors. As in prior years, we have instructed management to review a draft of the auditor prepared financials in detail for accuracy; we have answered any questions that management might have, and have encouraged research of any accounting guidance in connection with the adequacy and appropriateness of classification of disclosures in your statements. We are satisfied that the appropriate steps have been taken to provide you with the completed financial statements.
<i>Recommendation:</i>	Under these circumstances, the most effective controls lie in management's knowledge of the Organization's financial operations. It is the responsibility of management and those charged with governance to make the decision whether to accept the degree of risk associated with this condition because of cost and other considerations. Regarding the specific situations listed above, we would offer the following specific recommendation: 1) Utilize a disclosure checklist to ensure all required disclosures are present and agree to work papers, and 2) Agree your accounting information from your accounting software to the amounts reported in the financial statements.
<i>Management Response:</i>	
	For now, the City's management accepts the degree of risk associated with this condition and thoroughly reviews a draft of the financial statements.
<i>Updated Progress Since Prior Year:</i>	
	No progress has been made to address this finding since the prior year.

City of North Mankato, Minnesota  
Schedule of Prior Year Findings (Continued)  
For the Year Ended December 31, 2020

<u>Finding</u>	<u>Description</u>
<b>2019-002</b>	<b>Material Audit Adjustments</b>
<i>Condition:</i>	During our audit, adjustments were needed to record a number of accounting and audit adjustments, including the following material entries: <ul style="list-style-type: none"><li>• To adjust various capital asset activity.</li></ul>
<i>Criteria:</i>	The financial statements are the responsibility of the City's management.
<i>Cause:</i>	City staff has not prepared a year-end trial balance reflecting all necessary accounting entries.
<i>Effect:</i>	This indicates that it would be likely that a misstatement may occur and not be detected by the City's system of internal control. The audit firm cannot serve as a compensating control over this deficiency.
<i>Recommendation:</i>	We recommend that management review each journal entry, obtain an understanding of why the entry was necessary and modify current procedures to ensure that future corrections are not needed.
<i>Management Response:</i>	
	Management will continue to review and gain an understanding of the audit adjustments in order to reduce the number of entries necessary for future audits.
<i>Updated Progress Since Prior Year:</i>	
	No progress has been made to address this finding since the prior year.

**2020-001                      Preparation of Financial Statements**

**CORRECTIVE ACTION PLAN (CAP):**

1. Explanation of Disagreement with Audit Findings:

The Finance Director will attend financial statement training offered by the MNGFOA or other sources as available.

2. Actions Planned in Response to Finding:

The City Council will continue to monitor as a compensating control.

3. Official Responsible for Ensuring CAP:

Kevin McCann, Finance Director, is the official responsible for ensuring corrective action of the deficiency.

4. Planned Completion Date for CAP:

The planned completion date is December 31, 2021.

5. Plan to Monitor Completion of CAP:

The City Council will be monitoring this corrective action plan.

Sincerely,



Kevin McCann  
Finance Director

**2020-002                      Material Audit Adjustments**

**CORRECTIVE ACTION PLAN (CAP):**

1. Explanation of Disagreement with Audit Findings:

There is no disagreement with the audit finding.

2. Actions Planned in Response to Finding:

Management will continue to thoroughly review journal entries to prepare for the audit and ask questions throughout the year in an attempt to eliminate as many as adjusting entries as possible.

3. Official Responsible for Ensuring CAP:

Kevin McCann, Finance Director, is the official responsible for ensuring corrective action of the material weakness.

4. Planned Completion Date for CAP:

The planned completion date is December 31, 2021.

5. Plan to Monitor Completion of CAP:

The City Council will be monitoring this corrective action plan.

Sincerely,



Kevin McCann  
Finance Director